Anadi Bank

ON TRACK

POWERFUL, FAST, GOAL-ORIENTED

2022

MANAGEMENT REPORT

AUSTRIAN ANADI BANK AG KEY FIGURES

in EUR m	2022	2021
Total assets	2,488	2,730
Primary funds	1,895	2,141
Customer assets	1,909	2,021
Total shareholder equity	158	147
Net interest income	25	24
Operating income	**44**	**42**
Operating expenses	–42	–41
Operating result	**2**	**2**
Profit or loss for the year after tax	**11**	**1**
Cost-income-ratio	96.3%	95.9%
Net interest margin	0.9%	0.9%
Return on equity before tax (ROE)	4.8%	1.6%
Total capital ratio	15.4%	14.9%
Total number of employees headcount (excluding employes on maternity leave)	250	251

VDir. Dr. Christian Kubitschek

LETTER FROM THE MANAGEMENT BOARD

Klagenfurt, 17 February 2023

Dear Ladies and Gentlemen,

The past year was marked by the strong impact of the war in Ukraine and the accompanying geopolitical and economic upheavals. The war was a major driver of skyrocketing energy costs in Europe, which in turn massively accelerated the burgeoning inflation and in the meantime pushed it to its highest level in 70 years. In order to fulfil its monetary policy mandate to stabilise prices, the ECB initiated a rapid and powerful turnaround in interest rates from July 2022. Fears of recession and a declining willingness to invest of companies and consumers characterised the last quarter of 2022 in particular.

Despite this challenging crisis environment, Anadi Bank can look back on the most successful year in its history due to the successful implementation of its Strategy 1.0 and Strategy 2.0. We can embark with utmost confidence on the next chapter of Anadi Bank's strategic development with our Strategy 3.0, which will focus on digital growth.

2022: The best year in Anadi Bank's history

In the past year, Anadi Bank achieved the best result in its history: profit after tax amounted to around EUR 11 million, a higher figure than ever before in the bank's history. Since the launch of Strategy 1.0 in 2020, the total capital ratio has been increased organically from 13.7 % to 16.0 % (including retention of the annual result), which is well above the minimum regulatory requirements.

The fact that this record result and the excellent capital position could be achieved despite the challenging crisis environment is based on five factors:

1. Investments bear fruit: The investments of recent years – especially in the digital business and in the branch network – are bearing fruit in a sustainable manner, which is reflected in rising earnings and high efficiency at the same time.

2. Strict risk control, low risk appetite: Already in 2021 and thus before the outbreak of the Ukraine war, we reduced the risk appetite and strengthened the workout area, which led to positive risk costs and – together with our defensive risk approach – to a risk profile below average compared to the market.

VDir. Dr. Ferdinand Wenzl, MBA

VDir. Alp Dalkilic, MBA

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3. High efficiency, strict cost control: Due to the internal digitalisation and automation measures of the past years, our processes are highly efficient. The cost structure is firmly under control due to these efficient processes and a high sense of cost responsibility.

4. Prepared for interest rate turnaround: We have been disciplined and proactive in preparing for an interest rate turnaround in recent years, as the low interest rate level was considered unsustainable and fears of deflation unfounded; rather, an inflationary environment was expected. Therefore, at the beginning of the interest rate turnaround, well over 80 % of the loans extended were at variable interest rates, giving Anadi Bank one of the highest values among the top 50 banks in Austria.

5. High-yield collateralised bonds are maturing: In addition, the high-yield bond portfolio, which was issued for refinancing a long time ago, is now maturing more and more. The portfolio has been a massive drag on interest expenses in recent years and unduly distorted the Bank's operating performance. While this portfolio still accounted for more than 20% of total assets and almost 80% of interest expenses in 2019, it had been more than halved by the end of 2022. The continuous reduction continues. By 2025, the vast majority of this inefficient refinancing portfolio will be closed, so that the burdens will no longer be significant from that point on.

New management plan with sustainably rising profits – doubling of net interest income expected for 2023

The positive effects of the interest rate turnaround on Anadi Bank's result are continuously increasing due to the abovementioned measures implemented in recent years. This is because the interest rate turnaround is only reflected to a small fraction at all in the 2022 financial statements, given the dynamics of the ECB interest rate increases and the time-delayed, asymmetrical effects on interest income vs. interest expenses. In 2023 and beyond, the positive effects of the interest rate turnaround on our interest income and our interest margins will become much more visible. Thus, net interest income is expected to double in 2023 compared to 2022, and for the years thereafter – additionally supported by the previously described expiry of the portfolio of high-yield bonds on our refinancing side – further, sustainable increases in our net interest income are expected.

Due to the interest rate turnaround and high inflation, management is planning for higher risk costs, higher operating costs and rising interest expenses. However, due to strict cost and risk cost control, thanks to the strategically optimally positioned structures in our traditional banking areas and spurred by the growth dynamics in our digital banking, the positive factors on the interest income and efficiency side will far outweigh these. As a result, Anadi Bank's profit momentum will continue to increase in the coming years. For these reasons, in the new 5-year management plan, which reflects the Strategy 3.0 developed in the fourth quarter of 2022, we are planning for a significantly higher profit level than in the last 5-year management plan.

The Management Board is thus highly confident that Anadi Bank will achieve sustainably higher profit levels than ever before in all business segments thanks to the consistent implementation of the measures and initiatives from Strategy 1.0 (2020) and Strategy 2.0 (2021 and 2022).

Strategy 3.0: Digital expansion and further product innovations

This confidence is also reflected in our Strategy 3.0, which consistently expands the previous strategies. The digital bank strategy as a core element of the growth strategy within our Strategy 3.0 provides for increasing investments in digital banking, which we will implement quickly thanks to our high profitability and capital strength. Strategy 3.0 is consistently geared to the needs of digital customers: Both private customers and small and medium-sized enterprises form the core of our digital service offering. Over time, we will also make the platform of modern business processes and high-performance technology available to partners with access to specific customer groups. To this end, we will consistently build on our competencies in the digital lending business, on efficient, automated business processes, many years of experience in the risk management of consumer and SME financing and on a lean, decision-making organisation.

Consumer finance as an anchor product for retail customers

The momentum of our fully automated, paperless digital consumer loan was again significantly expanded. With growth of over 50 %, the volume of new business in 2022 was once again significantly increased to new record levels, having already roughly doubled in each of the past two years. The strength of Anadi Bank's digital growth is demonstrated by the fact that the total digital book increased by more than 60% in 2022, while risk costs remained low.

For retail and digital customers, we will expand the product range with fixed-rate consumer loans from the first quarter of 2023, for example, in order to enable our private financing customers to secure long-term private financing projects in times of rising interest rates – but also to remain flexible with attractive variable conditions if required. Many other product innovations related to payment management or new digital products from partners will successively expand the range of solutions for private customers of the digital bank.

Anadi Bank expands tablet-based banking: MARIE and Anadi Connect as innovative distribution channels

In 2021, we attracted attention on the market with the innovative business model MARIE, which brings digital banking services to domestic tobacconists. In the meantime, more than 120 partner tobacconists have been won for this new offer.

In October 2022, we launched the mobile sales partnership „Anadi Connect" in tablet-based banking: Anadi Bank reaches new target groups via Austrian financial service providers and meets the existing demand for accounts and loans directly at the places where customers obtain information about financial products. The cooperation is supported by the Professional Association of Financial Service Providers of the Austrian Federal Economic Chamber (WKÖ), which represents a total of around 7,900 financial service providers, including in particular commercial investment counselling, building society brokerage and securities brokerage. We are thus opening up another mobile sales channel with a large reach and promising customer potential.

Outlook: Digital transformation and further increasing profits

The restructuring of the business model and the strategic preparation for the interest rate turnaround are paying off for Anadi Bank faster and more strongly than planned. For 2023 we expect net interest income to double and for the years thereafter even stronger momentum. As we expect a sustained turnaround in interest rates at the lower end of the current forward rates in the coming years, this increase in earnings is assessed as sustainable for the new multi-year planning. This will give Anadi Bank a completely different profit and investment dynamic than in the low interest rate environment of the past years.

Anadi Bank is thus developing at a high pace, with the additional profit increases being used primarily to increase the pace of investment in the digital roadmap and digital expansion plans.

THE MANAGEMENT BOARD

VDir. Dr. Christian Kubitschek

VDir. Dipl.-Betr.-Wirt. Wolfgang Strobel

VDir. Dr. Ferdinand Wenzl, MBA

VDir. Alp Dalkilic, MBA

ON THE BEST WAY TO THE DIGITAL BANK

MANAGEMENT REPORT 2022

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1. Report on the development of business and the economic situation

With its Retail Banking, Corporate Banking, Public Finance and Digital Banking business segments, Anadi Bank offers personal customer care via a multi-channel approach with 10 branches in Carinthia and a team of customer care agents. In addition, Anadi Bank is focusing on easy-to-use digital services and is developing its portfolio into a top online banking offering for the German-speaking region: most recently with the launch of a digital SME loan as part of its expansion into Germany, as well as with the launch of the tablet-based mobile sales cooperation with Austria's financial service providers under the „Anadi Connect" brand and the unique sales cooperation under the MARIE brand, which brings banking services to Austrian tobacconists.

The institution's digital DNA is visible in the bank's internal digital division, in which around 40 percent (excluding the branch network) of Anadi Bank's total of around 250 employees already work. For its approximately 56,000 customers and as the principal bank of numerous companies in trade, industry and real estate, as well as a large number of municipalities and public sector institutions, the bank specifically leverages the advantages of long-standing relationships of trust between customers and customer advisors, high innovative strength, digital competence and lean structures.

With 120 years of tradition in housing finance, the bank is an experienced partner in all financing issues of private customers. As a partner of the State of Carinthia, the bank has administered the granting of Carinthian housing subsidy loans for more than 60 years. It is also the principal banker for numerous SMEs in trade, industry and the real estate sector, as well as a product specialist for companies in the import and export sector, and scores points in each case with customized solutions.

1.1 Macroeconomic environment

In 2022, the domestic market initially benefited from the recovery of the euro area economy, the discontinuation of Corona measures and a weaker euro. This led to full-year growth in economic output of around 4.8 percent. However, the very sharp rise in energy prices, partly as a result of the war in Ukraine, weakening international demand and remaining problems with supply chains have slowed the domestic economy since the middle of the year. According to quarterly national accounts data, economic output still grew by 1.9 percent in the second quarter compared with the previous quarter. In the third quarter, growth slowed to 0.2 percent. At the same time, leading indicators have deteriorated in recent months.

As a result, we expect weak growth, which is also generally expected, with a slight contraction in economic output in the first quarter of 2023. Thereafter, the Austrian economy should return to a more moderate but stable growth path, to which declining inflation rates in both Austria and the euro area should contribute.

The IHS, Vienna expects growth rates of 0.4 percent and 1.2 percent for 2023 and 2024 respectively. After 8.5 percent in the current year 2022, the inflation rate is expected to fall to 6.7 percent and 3.5 percent in the following two years. Despite the unfavorable economic situation, the unemployment rate should remain at a comparatively low level of around 6.5 percent in the next two years.

The year 2022 was characterized by extremely high inflation rates in both Europe and the USA. Inflation reached levels last seen in the 1970s and 1980s. Starting at 5.0 percent at the beginning of the year, the inflation rate rose to 11.0 percent by October. Inflation was initially driven by a sharp rise in energy prices. Subsequently, food prices also increased significantly. As the year progressed, core inflation (excluding energy and food) also rose markedly. The first signs pointing to an easing of price pressure became visible in November. For example, the upward pressure on wholesale prices has slowed and forward energy prices are lower than a few months ago. The average annual inflation rate for 2023 is expected to be around 6.7 percent. While the so called „electricity price brake" introduced by the Austrian government will dampen inflation, the high increases in wholesale gas prices will only reach consumers with a delay. Second-round effects and rising unit labor costs are possible further inflationary factors. In relative terms, service prices, such as rents, will gain in importance. By contrast, the global supply chain problem should ease somewhat, and international commodity prices are no longer expected to provide any price-driving impetus. On average, inflation could therefore fall to 3.5 percent in 2024.

As a result of inflation getting out of control, both the U.S. Federal Reserve (FED, Federal Reserve System) and the European Central Bank (ECB) have initiated a clear turnaround in their ultra-loose monetary policy of recent years. After the ECB still described interest rate hikes in 2022 as unlikely in December 2021, interest rates were raised by a total of 2.5 percent by the end of 2022 as a result of the unexpectedly stubborn inflation. Further rate hikes in 2023 have already been clearly communicated. The strong tightening of monetary policy could further exacerbate the already deteriorating situation on the real estate market in some countries.

In 2022, real private consumption in Austria benefited particularly strongly from the lifting of the Corona protection measures, with an increase of about 4.4 percent. At the same time, stubbornly high inflation dampened the development of real incomes. However, the significant reduction in the savings rate allowed consumption to expand strongly. Rising wages and salaries and high government transfers should allow consumption to increase by 0.6 percent in the coming year. In 2024, consumption growth could accelerate to 1.8 percent.

1.2 Business performance

Anadi Bank's financial year 2022 was significantly characterized by the optimization of the business model (in particular the expansion of the digital sales channel and the preparation of a sale of the traditional business), the sustainable increase in operating efficiency and capital efficiency. In the past year, Anadi Bank achieved the best results in its history. For example, a higher operating value has never been achieved in terms of profit after tax since the institution's existence.

Due to the Covid-19 pandemic, the Ukraine war and the related energy crisis, rising inflation rates and monetary tightening, risk management continued to face particular challenges in 2022. To date, no significantly higher defaults have been noted due to the impact of the current economic environment. Despite the current economic conditions, the NPL ratio of 2.8 percent shows a reduction compared to the previous year (December 31, 2021: 3.0 percent). Anadi Bank's liquidity and capital position remained at a risk-adequate level. Despite further Covid-19 cases in Austria, banking operations continued to be maintained smoothly.

The ECB responded to rising inflation as part of its interest rate policy. After several years of falling interest rates and even negative EURIBOR (and also other interest rate indices), several upward interest rate hikes were implemented in 2022. This had a positive effect on Anadi Bank's net interest income, as the majority of Anadi Bank's customer accounts are subject to variable interest rates.

After an already positive result in the previous year, Anadi Bank achieved a record result in the financial year 2022. The full focus was on the consistent implementation of the digital business strategy, with which the institute combines its FinTech DNA with its competencies as a full-service bank. At the same time, the necessary preparatory work was done to realize the sale of the traditional banking business in 2023. Accordingly, the markets in the areas of retail banking, digital banking, corporate banking and public finance continued to be served in a selective market development approach. For the traditional bank, the Carinthian region (with corporate customers in Vienna) remains the focus of the bank.

The common equity tier 1 ratio was improved to 13.0 percent without external capital injection (December 31, 2021: 12.7 percent). The total capital ratio amounts to 15.4 percent (December 31,2021: 14.9 percent). All key ratios thus remain solidly above the statutory minimum requirements.

1.2.1 Income statement

Anadi Bank's net profit for the financial year 2022 amounts to EUR 10.7 million (2021: EUR 1.1 million) despite extensive investments in the context of the digital business strategy. Thus, the bank achieved the best result in its history.

Net interest income of EUR 24.8 million is above the comparable value of the previous year (2021: EUR 24.4 million). Maturing financings at the beginning of the year had a negative impact on net interest income in Corporate Banking. In the retail area, the lower mortgage business, which was slowed down by the KIM regulation in the second half of the year, had a negative impact on net interest income. Overall, however, these effects were more than offset by the EURIBOR interest rate increases, as the bank benefited disproportionately from the interest rate increases due to a high percentage of variable lending business. In addition, the bank has been growing steadily in the online segment since 2020 and was also able to further increase its portfolio of consumer loans in 2022. The bank's almost stable refinancing structure also had a positive impact on net interest income. The net interest margin (ratio of net interest income to the average of total assets) is 0.94 percent (2021: 0.90 percent).

Income from securities and investments decreased by -42.42 percent and amounts to EUR 0.05 million for the financial year 2022 (2021: EUR 0.1 million).

Net commission income, as the balance between commission income and commission expenses, amounts to EUR 11.9 million (2021: EUR 13.0 million). Due to lower new business, income from loan processing fees continued to decline.

Other operating income amounts to EUR 6.6 million (2021: EUR 4.6 million). This item includes income of EUR 5.4 million (2021: EUR 2.6 million) from the early closing of interest rate swaps. Income from the reversal of provisions is also recognized here.

The efficiency enhancement measures and process optimization measures pursued in previous years and in 2022 also helped to keep costs at a low level in 2022. Administrative expenses excluding costs in connection with the planned sale of the traditional banking business amounted to EUR 38.1 million (2021: EUR 39.0 million). Including the costs in connection with the planned sale, administrative expenses amounted to EUR 40.7 million. Significant savings were achieved in other administrative expenses in the operating business.

Amortization of intangible assets and depreciation of property, plant and equipment increased to EUR 1.2 million (2021: EUR 1.1 million) compared to the previous year due to the investments in the digital platform and investments in connection with the usage agreement for the services of the company Accenture TiGital GmbH.

Other operating expenses amount to EUR 0.2 million for fiscal year 2022 (2021: EUR 0.6 million).

The operating result for fiscal year 2022 amounts to EUR 1.6 million (2021: EUR 1.7 million).

The balance of expenses and income from the sale and valuation of receivables and securities held as other current assets amounts to EUR 2.9 million in the current fiscal year (2021: EUR -0.6 million). In principle, this includes risk provisions of EUR -2.0 million (2021: -2.5 million). In previous years, a general allowance was recognized due to the Covid 19 pandemic, which was reversed in 2022. Due to the current economic conditions (inflation, increase in interest rates, etc.), a general risk provision of EUR 0.6 million was recognized in 2022 (2021: EUR 1.0 million). In addition, the correction factor in the general risk provision calculation was abolished, resulting in costs of EUR 1.7 million. Also included is a premium from the sale of a loan from the Public Finance portfolio of EUR 4.8 million (2021: EUR 1.9 million).

The balance of expenses and income from the sale and valuation of securities valued as financial assets includes a write-up of the investment in BWA Beteiligungs- und Verwaltungs-Aktiengesellschaft. The total value of the item amounts to EUR 3.0 million as of December 31, 2022 (2021: EUR 1.2 million). In the course of the merger of BWA Beteiligungs-und Verw.AG with Bausparkasse Wüstenrot Aktiengesellschaft, it was determined that the original reasons for the write-down no longer existed and therefore, in accordance with the requirement to reverse write-downs, a write-up of EUR 3.0 million was made to the pro rata enterprise value. Subsequently, BWA Beteiligungs- und Verw.AG was derecognized in the course of the exchange (or merger) and the share in Bausparkasse Wüstenrot Aktiengesellschaft was recognized to the extent of the value given.

Due to the sufficiently available profitable earnings history of Anadi Bank and the planning, which includes the restructuring of the bank and the future prospects of success, Anadi Bank has made use of the option to recognize deferred tax assets from loss carry-forwards and recognized EUR 4.2 million (2021: EUR 0.0 million) in income in 2022.

At EUR 7.6 million, the profit from ordinary activities is well above the profit of the comparable period of EUR 2.3 million.

The bank tax, which is shown in the position other taxes, amounted to EUR 0.3 million (2021: EUR 0.3 million).

1.2.2 Balance sheet

Anadi Bank's total assets amount to EUR 2,488 million as of December 31, 2022 (December 31, 2021: EUR 2,730 million). The decrease of EUR -242 million is mainly due to an optimization of refinancing and lower investments at the OeNB (incl. minimum reserve) of EUR 243 million (December 31, 2021: EUR 395 million) as well as EUR -112 million lower customer receivables.

The decrease in loans and advances to customers, which amounted to EUR 1,909 million as of the reporting date (December 31, 2021: EUR 2,021 million), is attributable to the maturing portfolio in the Corporate segment. In the Retail segment, the impact of the KIM regulation had a negative impact on mortgage business in the second half of the year. In the online segment, the bank was able to further increase the portfolio of consumer loans.

Impairment losses included in loans and advances to customers amounted to EUR 22 million as of the balance sheet date (December 31, 2021: EUR 41 million).

Investments in digitalization and investments in connection with the usage agreement for the services of Accenture TiGital GmbH increased the portfolio of intangible assets to EUR 1.2 million (December. 31, 2021: EUR 0.8 million).

In 2022, fewer construction investments were made as the branch modernization was already completed in 2021. The item property, plant and equipment amounts to EUR 14.0 million (2021: EUR 14.5 million).

Liabilities to banks as of the balance sheet date amounted to EUR 377 million (December 31, 2021: EUR 385 million). Liabilities to customers decreased to EUR 1,437 million (December 31, 2021: EUR 1,561 million).

In 2022, Anadi Bank acquired 100 percent of the shares in PRO Trafik Service GmbH (TSG) in order to retain ownership of the MARIE brand and to carry out the servicing of the tobacconists through the company. In addition, a grant was made by the shareholders. The carrying amount in 2022 is EUR 0.6 million (2021: EUR 0.0 million).

In previous years, the carrying amount of the investment in BWA Beteiligungs- und Verwaltungs-Aktiengesellschaft was written down to a lower value. The current merger of BWA Beteiligungs- und Verwaltungs-Aktiengesellschaft with Bausparkasse Wüstenrot Aktiengesellschaft and the determined value revealed that the original reasons for the depreciation no longer exist and it was written up to the value determined during the merger. The book value of the investments as of December 31, 2022 is EUR 6.2 million (2021: EUR 3.2 million).

Overall, provisions remained stable at EUR 14 million (2021: EUR 13 million).

1.3 Report on branch offices

Anadi Bank does not have any branch offices.

1.4 Financial performance indicators

Kennzahlen	2022	2021	2022
Return on equity before tax (ROE)	4.8%	1.6%	1.5%
Return on assets before tax (ROA)	0.3%	0.1%	0.1%
Const-income-ratio	96.3%	95.9%	89.7%
Loan/deposit ratio	100.7%	94.4%	98.0%
Total capital ratio	15.4%	14.9%	15.2%

The return on equity before taxes is calculated as the ratio of profit from ordinary activities to the level of equity at the balance sheet date and improved as a result of the better profit from ordinary activities.

Return on assets is calculated as the ratio of profit from ordinary activities to total assets at the balance sheet date.

The cost-income ratio is calculated as the ratio of operating expenses to operating income. As operating income declined mainly due to lower other operating income, this key figure deteriorated.

The loan/deposit ratio represents the ratio of loans and advances to customers to primary funds. Primary funds comprise liabilities to customers and securitized liabilities. Here, Anadi Bank continues to show a balanced position.

The bank's own funds (Tier 1 capital less deductions plus Tier 2) according to CRR/CRD amounted to EUR 170.5 million as of December 31, 2022 (December 31, 2021: EUR 170.5 million). The statutory level of own funds was EUR 88.6 million (December 31, 2021: EUR 91.4 million), resulting in a surplus of EUR 81.8 million (December 31, 2021: EUR 79.1 million) and a coverage ratio of 192.3 percent (2021: 186.5 percent).

As of December 31, 2022, the common equity tier 1 ratio was 13.0 percent (December 31, 2021: 12.7 percent) in line with CRR/CRD requirements. The total capital ratio was 15.4 percent (December 31, 2021: 14.9 percent).

The capital ratios thus remain solidly above the statutory minimums.

1.5 Non-financial performance indicators

Employees

As of December 31, 2022, Anadi Bank had 250 employees (2021: 251 employees) or 222 full-time equivalents (FTE) (2021: 221 FTE) at 13 locations (2021: 13 locations) throughout Austria.

The Bank offers its employees a variety of variable part-time models, of which 75 employees made use as of December 31, 2022 (2021: 77 employees). 53 percent of employees are women (2021: 52 percent). The number of employees does not include employees on maternity/paternity leave.

Anadi Bank has demonstrated a strong commitment to apprenticeship training for many years. As of 31 December 2022, the Bank will have nine apprentices training to become bank clerks. With this, Anadi Bank is sending a clear signal to invest in the future, especially in the next generation of employees. In the financial year 2022, the focus was, among other things, on accelerating digitalization. This is particularly evident in our cooperations such as MARIE and Anadi Connect.

Anadi Bank attaches high priority to the continuous training of its employees, organizational development, the creation of a modern working environment and preventive healthcare. In order to promote our employees, the focus of further training is increasingly on digital knowledge and skills, which is also a particular concern of the Executive Board.

Numerous specialist and management training courses, sales and product training courses, and internal training courses are offered for the professional and personal development of staff. With these diverse offerings, the bank ensures that its employees have an excellent level of training and contributes to Anadi Bank's attractiveness as a modern and innovative employer.

The issue of diversity is firmly integrated into our HR and management policy and is given high priority by top management. One third of the managers below the Executive Board are already female.

Customers

Anadi Bank supports its approximately 56,000 customers (December 31, 2021: approx. 58,000) as a reliable and competent partner in all financial matters with needs-oriented service approaches. In keeping with the spirit of a modern hybrid bank, there are various ways to conduct banking transactions quickly and easily.

Customers can obtain advice and support in the traditional manner at a branch of Anadi Bank. As an equivalent sales channel, customers have access to digital channels where they can conclude a wide range of products - from savings accounts and current accounts to consumer loans - as new or existing customers. Customers also have the option of contacting the Customer Care Center by telephone with their concerns. Here, the customer is also supported outside opening hours in concluding online products and advised on online offers and branch promotions. The Customer Care Center can also be used to arrange appointments directly with customer advisors in local branches. In addition, as part of the MARIE sales cooperation, customers have the opportunity to take advantage of banking services in selected tobacconists throughout Austria.

In the retail banking segment, Anadi Bank relies on the strengths of its hybrid model and offers the entire range of services of a full-service bank. The bank scores particularly well in the market for consumer loans and mortgages with top conditions and first-class advice, and offers its customers a particularly attractive range of products with its modern and extensive digital product range and state-of-the-art online banking.

In the area of corporate banking, Anadi Bank will continue to pursue a consistent niche strategy with tailor-made solutions and a focus on small and medium-sized enterprises and especially on owner-managed companies. With the attributes of competence, reliability and speed of decision-making, Anadi Bank has built up a stable customer base and positioned itself as a reliable partner in the two main business areas of corporate and real estate financing. With its selective and forward-looking business approach, the division made a very decisive contribution to the good result in 2022.

In Public Finance, the bank remains a strong and reliable partner in financing the public sector and, as the principal bank of the State of Carinthia, plays a proactive role in innovations and investments in the future.

Environment, social responsibility, and Covid-19 protection measures

A large number of sustainability topics are integrally anchored in Anadi Bank's management. These include CSR criteria in the granting of loans and other banking products, the special consideration of social, health policy and environmentally relevant influencing factors in product design, in sales and in the handling of workout cases, as well as the implementation of a dedicated project team on the topic of sustainability. In the redesign of our facility management and the completed modernization offensive in our store network, we also attach great importance to environmentally friendly and energy-saving solutions.

Anadi Bank is continuously working to reduce its carbon footprint. Examples of its efforts include the use of environmentally friendly e-bikes for journeys between individual locations, the reduction of travel distances through video conferencing for internal meetings and the extensive elimination of color printing. An e-car is also made available to employees. In addition, a photovoltaic campaign has been launched to supply as much green electricity as possible from solar energy to the properties used by the company itself. Particularly in this challenging winter, special attention was paid to careful and economical energy consumption when heating the company's own properties. As part of the initiative „Making a big, green difference together," employees are trained on sustainability issues and share easy-to-use and useful tips on how to save energy.

Helping quickly and effectively and fulfilling its social responsibility is an important mission for Anadi Bank. Anadi Bank sees itself as a value-oriented bank that wants to make its contribution to a solidarity-based and sustainable economy in the region. With the project „Anadi hilft" (Anadi helps), launched by Anadi Bank, the bank is responding to the challenging times and is providing targeted support for social projects in Carinthia with the following focus areas:

- Poverty alleviation
- Education
- Active inclusion
- Environment and nature conservation

Anadi Bank is thus not only an important driver of the economy in Carinthia, but also an institution that aims to make an important social contribution to the community.

While the effects of the Covid 19 pandemic have largely been dealt with from an economic perspective and the maintenance of public health care is guaranteed, Anadi Bank continues to take the individual impact of Covid 19 illnesses very seriously and is taking appropriate steps to protect the health of its employees and customers.

2. Report on the future development and risks of the company

2.1 Future development of the company

Economic environment

Despite the generally expected weak growth with a slight contraction in economic output in the first quarter of 2023, we expect growth rates of 0.4 percent and 1.2 percent for 2023 and 2024 respectively. With inflation rates falling to 6.7 percent and 3.5 percent in 2023 and 2024 respectively, we expect the ECB to end its cycle of interest rate hikes in mid-2023 to await further developments. The expected low unemployment rate is another factor that suggests a more stable economic environment in the coming years. However, this expectation is subject to a high degree of uncertainty due to the existing geopolitical tensions.

Future development of the company

Following the completed transformation of the past two years, the focus of the institute´s strategic attention in the coming fiscal years will be on efficient growth as part of the new digital business strategy. The positive effects from the strategic optimization of the business model, above all from the investments in the digitization campaign and the efficiency enhancement measures, will now serve to underpin the growth initiatives. In this context, the bank's declared objective will continue to be to drive forward the optimization of the business portfolio in terms of the efficient use of capital. High-margin areas are to remain the focus of growth.

The scalability of the digital business segment leads to sustainable cost advantages, while at the same time diversifying credit risks. Anadi Bank will continue to establish itself in the digital financial sector from Carinthia, focusing on retail and SME customers in German-speaking markets, partly via its own platform and partly with sales and product partners. The bank's internal digital division serves as the driving force behind its success, enabling Anadi Bank to combine the highest level of innovation and decision-making speed with the opportunities and experience of an established full-service bank.

In order to grow in the new customer business, the expansion of digital and hybrid sales partnerships is being driven forward at full speed. The aim is to offer simple, standardized products with corresponding service wherever customers' needs arise. All processes are to be designed in such a way that customers and partners are offered the best products and banking services on the market in a simple and uncomplicated manner.

There is enormous market potential for Anadi Bank's digital business: Management, Supervisory Board and owners therefore agreed to transfer the traditional banking business into new hands and to fully align Anadi Bank with the digital business strategy. The traditional banking business will be sold from a position of great strength, as it has developed extremely positively since the successful turnaround. After the sale of the traditional banking business, Anadi Bank will transform itself into a pure digital bank and establish itself as a highly capitalized, innovative and scalable digital bank in the German-speaking region in the future.

Profitable investments, strict risk and cost control, high efficiency as well as forward-looking business management and the successful completion of Strategy 2.0 led to a sustainably higher profit situation at Anadi Bank. Now, with Strategy 3.0, the next major step in digital expansion is on the horizon for the coming years. The institute will consistently roll out the digital banking strategy finalized in Q4 2022 starting in 2023. The digital roadmap derived from this provides for high investments in digital banking, which can be implemented quickly thanks to the excellent profit and capital situation. Strategy 3.0 is geared toward retail and SME markets and also focuses on promising business areas such as banking-as-a-service and software-as-a-service or platform-as-a-service.

The bank sees the key to sustainable successful development in the consistent continuation of the digital business strategy already initiated. On the one hand, the focus is on consistently expanding and scaling the digital business models that have already been successfully implemented, such as the highly automated digital SME lending business in Germany, the tablet-based mobile sales cooperations with Austria's financial service providers under the „Anadi Connect" brand and with Austria's tobacconists under the MARIE brand, as well as the digital consumer lending business in Austria. But on the other hand, also to develop new, innovative digital markets and business models quickly and successfully.

In general, Anadi Bank will closely monitor and analyze developments and make targeted use of its competitive advantages as a „full-service bank with FinTech DNA", which it possesses as an agile bank with strong implementation capabilities, even in a competitive market. Efficient processes, digital DNA, high decision-making and implementation speed as well as innovative strength set the bank apart from its competitors on the market and will continue to be the decisive success factors in the future.

2.2 Significant risks and uncertainties

The assumption of risks in the course of business activities and the professional management and handling of these risks are among the core tasks of a bank. At Anadi Bank, risk management tasks are performed at both the operational and strategic levels by the Chief Risk Officer (CRO).

Due to the Covid 19 pandemic, the Ukraine war and the associated energy crisis, rising inflation rates and monetary tightening, risk management was again confronted with special challenges in 2022. Up to date, no significantly higher defaults have been recorded due to the impactof the current economic environment. Anadi Bank's relationship managers are in close contact with their customers to ensure that any possible change in creditworthiness is identified. In addition, for larger commitments, an assessment of the impact of higher interest rates, gas and energy prices and construction costs was carried out at individual customer level to ensure better assessment of potential future creditworthiness developments.

As in the previous years, the focus in risk management was on safeguarding operations and fulfilling banking activities. Despite further Covid-19 cases in Austria, banking operations continued to be maintained smoothly.

The impact of the current and forecasted economic environment for the coming year on any additional impairment losses of the bank was calculated using a stress test. Depending on the extent to which the customers are affected, corresponding PD-shifts have been made. The additional allowances were taken into account as part of the portfolio allowance in the amount of EUR 0.6 million (December 31, 2021: EUR 1.0 million).

The bank's non-performing loan (NPL) portfolio amounts to EUR 62.8 million (December 31, 2021: EUR 74.0 million). After taking into account risk provisions in the amount of EUR 16.5 million (December 31, 2021: EUR 36.4 million), a loan volume of EUR 46.3 million (December 31, 2021: EUR 37.6 million) remains, which is covered by the expected liquidation of collateral and future expected cash flows.

2.2.1 Risk strategy, management and monitoring

Anadi Bank's risk strategy defines the elementary risk policy principles, the objectives of which are to create a consistent risk profile and to maintain adequate capital resources. It was drawn up on the basis of the business strategy formulated by the Management Board and approved by the Supervisory Board. In carrying out their operational activities, all employees and the entire Board of Management are fully committed to compliance with the risk strategy.

The risk policy principles of the risk strategy form the basis for the common risk culture and a uniform understanding of risks within Anadi Bank, which is reflected in the pronounced risk awareness of all employees. Thus, the risk culture promotes the identification and conscious handling of risks while ensuring that decision-making processes lead to balanced decisions from a risk perspective. This is supported by clearly defined risk management processes and the corresponding organizational structures.

The risk strategy also includes the risk management objectives for all major business activities and the measures to achieve these objectives. It takes account of risk concentrations and makes general statements about the processes for identifying, assessing, limiting, managing, monitoring and communicating the main risks.

The following premises are formulated as part of the framework of the risk strategy:

- The definition and determination of the risk strategy is the collective responsibility of the entire Board of Management.
- There is a strict separation of functions in line with regulatory requirements as well as a risk-related organizational structure and clearly defined risk processes.
- Defined risk limits are closely linked to the economic capital allocation and are derived from the risk coverage potential. As part of the operationalization of risk limits, further limits are derived with direct and/or indirect reference to the risk-bearing capacity concept.
- There are clearly defined reporting processes for risk communication with regular risk reports to the Executive Board and higher-level functionaries.
- The elements of risk management, their methods and assumptions are reviewed for appropriateness at least annually.

Institutions must ensure through their risk management that the bank's risk-bearing capacity (RBC) is ensured on an ongoing basis. In particular, this means that the material risks of a bank must be identified, adequately quantified and covered by the risk coverage potential on an ongoing basis, taking concentrations into account. A multi-part risk management process has been institutionalized at Anadi Bank for this purpose. Anadi Bank's internal risk management comprises risk identification and assessment, planning and precontrol, quantification, limitation as well as monitoring, controlling and communication of risks.

The aim of the risk inventory is to identify significant risks (Section 39 (2b) of the Austrian Banking Act) that could jeopardize the bank's solvency in the long term. The risks mainly arise from the business policy orientation and the transactions entered into with it. In addition, regulatory requirements can have a significant influence on the way risks are dealt with and managed.

The risk inventory process is triggered at least once a year or in the event of significant ad hoc developments. The risk inventory manager (from Strategic Risk Management) is responsible for carrying out the process and compiling the results in cooperation with the risk type managers.

The bank controls and monitors its risks in all business areas with the aim of optimizing its risk/performance profile and ensuring its risk-bearing capacity at all times. This protects the bank's savers and investors.

2.2.2 Risk management organization

As a member of the Bank's Management Board, the CRO is responsible for the adequate organizational and operational structure of risk management and controlling. In accordance with the regulations applicable in Austria and other European standards, the CRO acts independently of all market and trading units.

With a view to ensuring appropriate internal risk management and monitoring, responsibilities of the CRO are divided into the following organizational units:

Strategic Risk Management (SRM)

On the one hand, Strategic Risk Management is responsible for the structured recording of overall bank risks as the basis for the risk strategy within the framework of an annual risk inventory and for the development of risk policy principles and risk appetite (risk strategy) on the basis of the specified business strategy, including annual review and adaptation. On the other hand, this organizational unit also prepares the specifications regarding methods and models for overall bank risk management in accordance with ICAAP and ILAAP and monitors economic capital and liquidity risk management. Furthermore, this unit is responsible for the central coordination of the internal control system (ICS), the management of operational risk, the control and further development of systems and processes to ensure business continuity management, information security, physical security and central outsourcing management.

Credit Risk Management for Corporate Clients/Financial Institutions/Public Finance

Here, the risk analysis of loan applications and the preparation of the second vote required in accordance with FMA minimum standards in the typical corporate customer business standards is carried out, if necessary with conditions. Other tasks include rating preparation and confirmation, and strategic collateral monitoring.

Credit risk management for Retail Customers/SMEs in the Retail & Digital Banking segment

This is where the decision-making criteria for loans to retail customers and SMEs are defined and lending decisions are made for larger or more complex retail loan applications. Other tasks include rating confirmation, risk monitoring and management for retail customers and SMEs in the branch- and digital business.

Workout for Corporate Clients/Financial Institutions/Public Finance

This organizational unit is responsible for the management, restructuring and, if necessary, recovery of loans and default loans to corporate customers.. Following successful restructuring, the customers are transferred back to the market departments. If a restructuring of the customer is not possible, the collection of the loans, or if necessary, in the case of insolvencies, the workout team also accompanies the proceedings.

Workout for Retail Customers/SMEs of the Retail & Digital Banking segment

This is where the restructuring or operation of private and SME customers takes place. Mainly non-performing loan cases of standard business with a mostly low volume (retail & digital banking) are processed with a focus on a standardized soft- and hard collection process. All processing steps in the event of a bankruptcy declaration are taken over by Workout.

Risk Setup & Solution

The main tasks of the Risk Setup & Solution organizational unit are to perform of coordinating and supporting activities for operational risk management (e.g. carrying out ICS controls, system introduction, committee preparation, etc.) as well as support in the creation of regulations and their annual review as well as implementation and support in the course of balance sheet analysis. Another area of responsibility for this organizational unit is collateral management. This unit checks the valuations and performs ongoing reviews of property values according to CRR as well as coordination and support on the subject of property valuations and cessions.

2.2.3 Risk governance

Overall responsibility for risk governance lies with the CRO. A number of decision-making and steering committees exist within the bank to support him.

Risk Committee

The Risk Committee constitutes the Risk Committee in accordance with section 39d of the Austrian Banking Act and is responsible in particular for the following activities:

- Advice on Anadi Bank's current and future risk appetite and risk strategy
- Monitoring the implementation of the risk strategy in connection with the management, monitoring and limitation of risks in accordance with the risk-bearing capacity concept with regard to equity and liquidity
- Reviewing the pricing of products and services, taking into account the business model and risk strategy
- Assessment of the internal compensation system

The Risk Committee is composed of the Supervisory Board and the Board of Management.

Risk Executive Committee (RECO)

The RECO addresses the following risk topics on a quarterly basis as part of the Executive Board meetings:

- Risk-bearing capacity
- Cross-risk and reverse stress testing
- Credit risk development of the overall portfolio
- Risk limitation
- Market and liquidity risk including reporting in accordance with WAG
- Results of the risk inventory
- Monitoring risk strategies and noting the exceptions to the risk strategies
- Decision/discussion of risk-relevant models and methods

Governance Risk Committee (GRC)

In 2022, the Governance Risk Committee met quarterly as part of the Risk Executive Committee as a decision-making body with regard to operational risk management activities and measures and as a commissioning body for potential operational risk (OpRisk) projects. The participants include the full Board of Management, the head of Strategic Risk Management, the ORC (Operational Risk Controller), the CISO (Chief Information Security Officer), the BCM Coordinator, the Safety and Security Officer, the Compliance Officer and the head of Legal, AML and Compliance.

The content of the reporting includes loss data collection in the period between GRCs, key performance indicators, current topics such as implementation of measures or results of the scenario analysis, an outlook and current focus areas/actions, as well as the acknowledgement of opinions of delayed submissions of loss events to the OpRisk database.

In addition, the GRC covered topics such as Compliance & Money Laundering, Fraud, Information Security & Safety, and Security.

Asset Liability Committee (ALCO)

The ALCO is used for the exchange of information and decision-making on topics relating to overall bank ALM management, in particular treasury management, Pillar I and II capital management, and country risk management.

Liquidity Round (LR)

The LR is used for the operational implementation of liquidity issues as well as for the exchange of information and decision-making for the management of liquidity, the management of liquidity ratios and the management of the liquidity maturity balance sheet as well as the liquidity coverage potential (counterbalancing capacity). The LR also coordinates funding activities based on the funding plan (issues).

The main committees through which Credit Risk Management exercises its oversight function include:

Credit Committee (CC)

The Credit Committee meets on a weekly basis. The CRO chairs the committee and cannot be outvoted.

Watch Loan Committee (WLC)

The bank has set up a Watch Loan Committee Corporate for problem cases. Loans in rating category 4 and other cases at the request of Corporate Risk are submitted to this committee and discussed at least once a quarter. In addition, credit cases affected by unforeseen market movements or developments are also dealt with in this committee.

The Watch Loan Committee for the retail business also meets at least once a month.

2.2.4 Measures to improve risk management

The optimizations started and implemented in the previous years 2020 and 2021 were extensively continued in 2022. A very strong focus continued to be placed on process optimization, considering the applicable regulatory requirements.

Despite the more difficult economic environment, the number of necessary reminders was kept constant in 2022 compared to 2021, while at the same time there was strong growth in consumer credit. This was achieved primarily through further improvements in the retail lending criteria and in the monitoring processes, above all through automation and even greater integration of external information such as the automated account verification of borrowers in the consumer area („Access-to-Account").

In the area of collateral valuation, the monitoring process for real estate values was expanded and improved.

To improve creditworthiness monitoring, the calculation frequency of the behavioral rating was increased from quarterly to monthly. In addition, reporting for real estate-related project financing was implemented to enable more intensive risk monitoring. To improve the measurement of the interest rate and FX Value at Risk (VaR), the calculation method was adapted from an upscaling from 1 day to 250 days to a direct and automated calculation with a holding period of 250 days.

Anadi Bank's information security has been significantly enhanced by the Chief Information Security Officer (CISO) with the support of external consultants. Outsourcing partners have been subject to more extensive financial controls as part of the assessments since 2022. A comprehensive review took place in 2022, resulting in a qualitative improvement in the internal control system (ICS). In order to increase physical security as well, training on how to use the extinguishing agents was offered in addition to the evacuation exercises.

Non-performing loans are no longer managed in one overall workout area, but in two separate organizational units (Workout Retail & Digital and Workout Corporate), with the respective specialists. This separation leads to more efficient and expert-based processing.

The standardization of portfolio processing in the Workout Retail & Digital area was further optimized in 2022. Clear operational guidelines for each customer segment ensure that non-performing loans are processed uniformly and efficiently in the workout team. In addition, a customer cluster was implemented, in which the actions to be taken by Workout are clearly defined. In order to ensure that NPL cases are processed promptly, deadlines have been defined for each enforcement step. Furthermore, an internal reporting process was programmed for each customer or customer segment with an automated resubmission process in both workout units.

2.2.5 Reporting

The results of the risk-bearing capacity (RBC/RTF) calculation and RBC monitoring, including the results of stress testing and reverse stress testing, are prepared quarterly in the form of the risk-bearing capacity report and made available to the full Board of Management, the RECO and the relevant department heads. The RBC reporting is supplemented by the overall portfolio report (credit risk), various subportfolio reports (credit risk), the early warning and event report (credit risk) and the transmission of weekly market and liquidity indicators.

In addition, various special topics from all relevant areas are reported where appropriate.

The RBC report is prepared for both the gone-concern and going-concern perspectives for Anadi Bank Stand Alone as well as at the holding company level.

It is broken down into the following sections in the control circle of the gone-concern perspective relevant to Anadi Bank:

- Composition of the risk coverage potential (RDP)
- Quantification of economic risks and reconciliation with the RDP
- Display of the limit utilization
- Results of ICAAP stress tests
- Reverse stress test results

Risk quantification in both perspectives includes the following risks:

- Credit risk with the sub-risks
  – Counterparty and creditworthiness risk
  – Size Concentration Risk
  – Country risk
  – Counterparty risk from derivatives
  – FX-induced credit risk
  – Credit risk of other assets
- Market price risk with the sub-risks
  – Interest rate risk and FX Risk
  – Credit spread risk
- Liquidity risk
- Operational risk
- Other risks with the sub-risks
  – Object risk
  – Macroeconomic risk
  – Model risk Credit risk
  – Business and reputational risk and regulatory risk

Timely, independent and risk-adequate reporting to decision-makers is ensured for all risk types. Ad hoc reporting requirements are met at all times.

Regular credit risk reporting is carried out on a quarterly basis. In the event of stress, the frequency of reporting is increased as required. Market and liquidity risk figures are reported on a weekly basis, and monitoring for bank, settlement, issuer and country transfer limits is carried out daily.

2.2.6 Capital Management

As part of its overall management, Anadi Bank's capital management is based on a multidimensional planning process that combines strategic, risk-oriented and regulatory aspects within the framework of operational multi-year planning.

The CRO is responsible for the internal capital adequacy assessment process (ICAAP). In this context, the CRO is responsible for monitoring risk-bearing capacity and managing the risk capital required from an economic perspective in accordance with Pillar II and for compliance with regulatory capital requirements under Pillar I.

Regulatory capital adequacy

The starting point for the allocation of regulatory capital is own funds planning. Own funds are defined as liable capital, which comprises core capital and additional own funds, plus Tier III capital.

Capital planning is essentially based on an internally targeted core capital ratio (ratio of core capital to risk positions) and an internally defined target ratio for the bank's total capital ratio (ratio of own funds to risk positions).

Economic view (risk-bearing capacity)

In addition to ensuring that regulatory capital requirements are met, securing economic risk-bearing capacity (RBC) is a central component of management. For this purpose, Anadi Bank has an institutionalized internal process regarding risk-bearing capacity (ICAAP). Economic capital represents an internal measure that limits the bank's risk appetite in internal management.

The capital available for risk allocation is derived on the basis of annual capital planning, in which all significant individual capital components are planned or derived from other key figures. In addition to the requirement to comply with regulatory requirements for the minimum regulatory capital to be held by the institution (external management in accordance with Pillar I), the bank's significant risk appetite is reflected in the risk coverage potential in internal management. A distinction is also made between the two views of gone-concern and going-concern when calculating the risk coverage potential.

In the going concern view, the focus is on the institution's continued existence as a going concern, which is why the risk coverage potential is derived from the available capital including hidden reserves and charges less the regulatory capital tied up. The risk coverage potential in the gone concern view, on the other hand, assumes that creditors will be paid out in the event of liquidation or realization. The gone concern view is therefore based on the net asset value of the institution. It is therefore purely a portfolio valuation in which compliance with regulatory capital requirements is not required. At Anadi Bank, the gone-concern perspective is the leading view. This implies that the derivation of the risk appetite, the capital allocation, the limitation and management of the risks are carried out in this perspective.

As part of economic risk capital management, the bank's risk profile is monitored using risk-bearing capacity reporting. If necessary, management measures are taken.

The risk types relevant for determining risk capital requirements comprise credit, market and other risks, including their sub-risks, as well as liquidity and operational risks. The value-at-risk (VaR) method is generally used to determine the amount of risk capital required for each risk type.

As part of economic risk capital management, the Bank monitors the risk profile and ensures risk-bearing capacity by comparing the risk coverage potential and the allocated risk coverage funds with the risk capital requirements. The upper threshold for losses – and thus the available risk capital – is determined by the sum of the capital components.

2.2.7 Credit risk

Credit risks are the most significant risks in the bank in terms of their scope.

In the risk-bearing capacity calculation, credit risk is differentiated according to various sub-risk types. The majority of credit risk is accounted for by counterparty and creditworthiness risk. In addition, country risk (country-specific default and transfer risk), counterparty risk from derivatives (CVA risk), FX-induced credit risk, size concentration risk (granularity risk) and credit risks for other assets are quantified and reported.

Counterparty risk is assessed in accordance with the requirements of the CRR using the IRB formula to calculate the unexpected loss.

By distinguishing between asset classes with different asset correlations, segment-specific default risks and segment concentrations are implicitly taken into account. However, the IRB model also assumes a high granularity of the portfolio and thus does not take into account the negative effects of size concentrations on the unexpected loss. Therefore, an additional risk premium is applied for concentration risk, which is determined on the basis of the Herfindahl-Hirschman index.

Migration risks are captured in the IRB model via the parameter for the residual maturity. This migration risk is implicitly included in the unexpected loss (UL) in credit risk. Since a residual maturity adjustment is not explicitly provided for in the IRB formula for retail portfolios, migration risks for retail exposures must be treated separately. They are taken into account as part of the quantification of macroeconomic risk.

The assumptions for risk measurement on a rolling 12-month view and the assumption of static portfolios apply within the framework of credit risk for all relevant portfolios, i.e. in addition to traditional loans also for credit substitute business, securities (asset) and derivatives (incl. add-on). For the counterparty risk from derivatives, the CVA margin from Pillar I is applied as the risk value.

Credit risks for other assets are measured in accordance with the risk weights of the standardized approach from Pillar I. The risk values obtained in this way can be identified in accordance with the IRB formula with a confidence level of 99.9 percent. This procedure corresponds to a flat-rate risk assessment.

Limitation of credit risk

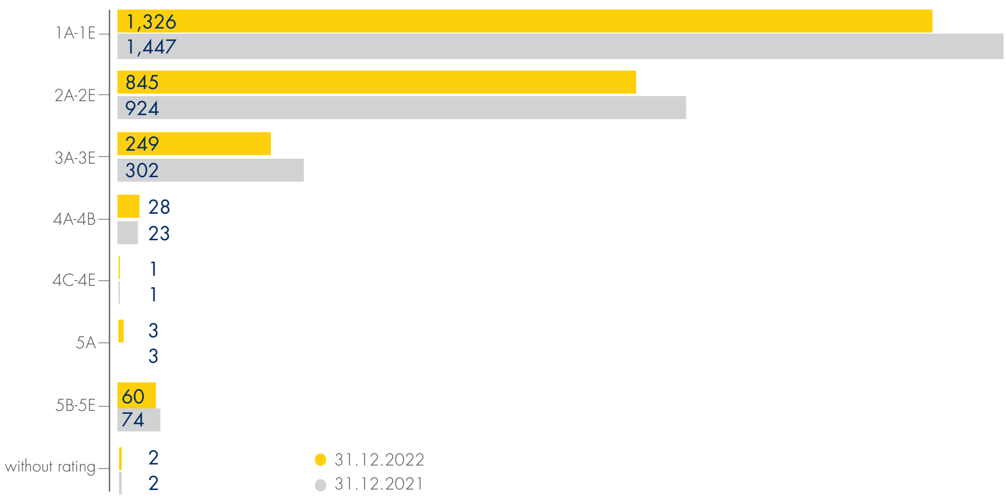
The limit system for the VaR limit is static, i.e., no past risks that are decisive for performance results are offset against the VaR limit. This means that the limits are not dynamically adjusted on the basis of accumulated performance values. Risks that materialize from the past have an indirect effect on the limit system, as they reduce the risk coverage potential as of the evaluation date and may result in a reallocation of the limits or a reduction in the VaR limits.

Distribution of exposure

In the reporting year 2022, the bank's exposure decreased by EUR 259 million or 9.33 percent compared with the previous year. Overall, there are free lines of credit in the amount of approximately EUR 157 million in the loans and credits area.

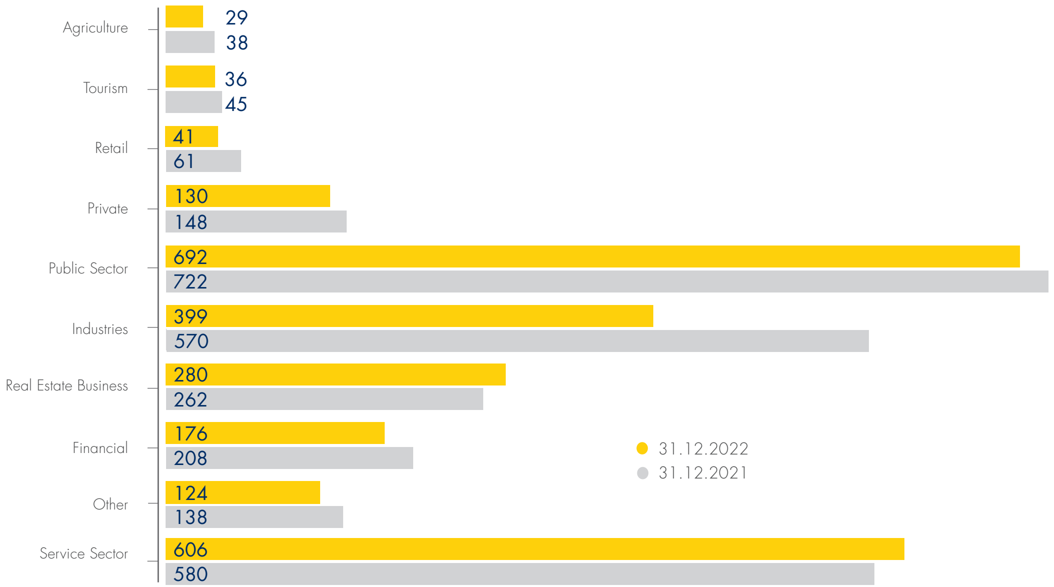
Exposure by rating classes

in EUR m



86.3 percent of the exposure is rated in rating classes 1A to 2E. These are mainly receivables from banks and public institutions. The non-performing portfolio (rating classes 5A to 5E) accounts for 2.8 percent of the bank's loans and advances to customers.

Exposure by industry sector
in EUR m



Economic management and strategic alignment are based, among other things, on sector exposures. The lower-risk sector groups of banks and the public sector account for a share of 40.0 percent. The well-diversified retail banking sector has a share of 27.5 percent.

Exposure by size class

	31.12.2022	31.12.2021
< 10,000	17	20
10,000 – 20,000	31	27
20,000 – 50,000	117	103
50,000 – 100,000	69	73
100,000 – 250,000	281	313
250,000 – 500,000	229	229
500,000 – 1,000,000	108	101
1,000,000 – 3,500,000	293	319
3,500,000 – 10,000,000	514	576
10,000,000 – 50,000,000	505	446
50,000,000 – 100,000,000	106	170
>100,000,000	243	395
Summe	2,514	2,773

Around 66.0 percent of the exposure is in the range of less than EUR 10 million. Banks and public authorities account for the predominant share of loans in the larger EUR 10 million range.

2.2.8 Market price risk

Market price risks arise from the potential loss due to changes in market prices. The bank classifies market price risks according to the risk factors into interest rate risks, credit spread risks and currency risks. At Anadi Bank, particular attention is paid to the identification, assessment, analysis, limitation and management of market price risks. The Strategic Risk Management (SRM) organizational unit is responsible for monitoring all market price risks.

All market price risks are monitored centrally by the SRM unit, which is independent of trading. Interest rate risk is managed in compliance with regulatory requirements on interest rate risk statistics and other limits such as PVBP (Price Value of a Basis Point). The ALCO (Asset Liability Committee), which consists of the Board of Management and senior staff from Treasury, Strategic Risk Management and Finance, analyzes and decides on balance sheet structure and liquidity management measures at regular meetings.

Anadi Bank's market price risk is differentiated by various sub-risk types in the banking book.

Risk measurement in the banking book

Risk measurement is carried out separately for the sub-risk types interest rate risk, FX risk and credit spread risk. Quantification is based in each case on the value-at-risk concept. In line with the gone-concern logic, a confidence level of 99.9 percent and a holding period / risk horizon of one year (250 trading days) are assumed in each case. Diversification effects are taken into account within the sub-risk types.

Overview – Market risks

Interest rate and foreign currency risk

The bank's interest rate and FX risk (excluding non-interest-bearing positions, including interest rate risks in the trading book) amounted to EUR 8.166 million at year-end 2022 (December 31, 2021: EUR 12.028 million) with a holding period of 250 days and a confidence level of 99.9 percent. The calculation method is based on a combined interest rate and FX VaR on a uniform basis (full valuation).

The calculation method of interest rate risk is based on the provisions of the Oesterreichische Nationalbank (OeNB) for the calculation of interest rate risk statistics.

The regulatory limit of 20 percent was not in any danger of being reached or exceeded at any time during the year. Utilization as of December 31, 2022 amounted to 9.86 percent (December 31, 2021: 2.15 percent).

Derivatives are also used to manage the fixed-interest balance, forming a hedging relationship with both asset and liability items and thus reducing the interest rate risk.

Credit spread risk

The bank's internal credit spread risk amounted to EUR 1.599 million as of December 31, 2022 (December 31, 2021: EUR 1.718 million) with a holding period of 250 days and a confidence level of 99.9 percent. The largest influencing factor is the liquidity reserve holding in the form of securities.

Share price risk

As at December 31, 2022 Anadi Bank was not exposed to any share price risk.

Risk from funds/alternative investments

As of December 31, 2022 Anadi Bank had no exposure to funds/alternative investments.

The entirety of the market price risk limits is documented in a limit compendium and serves as the basis for the corresponding market price risk reports. The following operational limits are defined as part of market price risk limitation:

- Value-at-risk limit
- Volume

Only the VaR limits are relevant for the RTF calculation.

2.2.9 Liquidity risk

Liquidity risk is defined as the risk of not being able to meet due payment obligations in full or on time or, in the event of a liquidity crisis, only being able to procure refinancing at increased market rates or only being able to sell assets at a discount to market prices. All effects of liquidity risks on capital and earnings must be taken into account in the risk-bearing capacity calculation. Funding spread risk is thus a type of liquidity risk.

Liquidity risk represents an unavoidable risk component of Anadi Bank's business model. Therefore, the objective of the liquidity risk strategy is to determine the objectives of liquidity risk management and to define the corresponding framework. Based on the objectives, the liquidity risk strategy defines principles for ensuring liquidity from an economic point of view as well as in compliance with regulatory requirements. Further-more, the liquidity risk strategy specifies clear responsibilities and makes statements regarding the allocation of tasks to the various organizational units. It contains statements on the processes for identifying, assessing, limiting, managing, monitoring and communicating liquidity risk. The liquidity risk strategy was drawn up on the basis of the business strategy formulated and approved by the Board of Management in the Strategic Plan.

Furthermore, the bank has a liquidity emergency plan. The liquidity emergency plan is the central set of rules for Anadi Bank for managing liquidity emergencies and upstream early warning stages. The objective is to ensure an appropriate approach in terms of content, organization and processes in order to identify a liquidity emergency or upstream early warning stages at an early stage and to specify instruments for managing or coping with the early warning stages or the emergency.

The liquidity risk strategy, together with fund transfer pricing (FTP), forms the basis of liquidity risk management. The FTP enables balance sheet structure management that establishes a direct link with refinancing planning.

Liquidity risk is measured and managed using an implemented management cycle, the individual phases of which are described below. The individual phases are described below. The basis for this is the regular identification and measurement of liquidity risk using the liquidity development report. For the various scenariodependent liquidity overviews (e.g., stress scenarios), all liquidity-relevant (on-balance sheet and off-balance sheet) cumulative net cash flows are compared with the liquidity buffer or counterbalancing capacity (CBC).

The funding spread risk is measured using an (L)VaR concept. The calculation is based on the present value funding loss that would arise for the bank in the event of an unexpected increase in the covered and uncovered funding spreads in accordance with a confidence level of 99.9 percent and a holding period of one year. The risk measurement is thus consistent with the fiction of orderly resolution in the event of liquidation, according to which refinancing of the banking business on the basis of Anadi Bank's liquidity spreads continues to be required even in the event of risk.

The utilization of specific limits is checked during risk analysis and assessment. The limit utilization and risk status are sent to the relevant recipients in various internal reports. In addition to internal reports, the regulatory ratios LCR and NSFR are calculated in compliance with the pre-scribed time intervals and reported to the supervisory authorities via the reporting system. Based on the liquidity risk profile and the utilization of limits and ratios, management measures are taken that differentiate between operational and strategic measures.

In Anadi Bank's liquidity risk management, interlinkages between individual building blocks are considered. The utilization of selected limits, which are applied to monitor insolvency risk within the framework of stress scenarios, is taken into account as an early warning indicator for triggering early warning levels or triggering an emergency. Thus, on the one hand, there is an interlinking of the stress scenarios to the emergency concept. On the other hand, the liquidity buffer is taken into account in the emergency concept alongside other emergency measures.

In addition to structural management, attention is paid to compliance with the regulatory framework. The liquidity ratios required under Basel III (LCR and NSFR) are taken into account in the management process. As of December 31, 2022 Anadi Bank's LCR was within the minimum requirements at 159.9 percent (2021: 168.1 percent).

The FTP concept and funding planning are designed to ensure that the regulatory ratios (in particular LCR and NSFR) are complied with. This also applies to the derivation of (operational and strategic) measures to manage the liquidity risk profile.

Limitation of liquidity risk

Monitoring and limiting of liquidity risk is carried out at Anadi Bank from several perspectives. The short-term liquidity maturity balance sheet (LAB) and the available liquidity coverage potential are monitored and limited as part of the survival period. Monitoring and limiting of the structural liquidity risk as well as the funding spread are carried out via the long-term LAB. Specific limits and monitoring mechanisms are also in place to avoid concentration risks in funding. This also applies to intraday liquidity risk and the early warning and contingency indicators. Finally, limits are set for the LCR and the NSFR.

2.2.10 2.Operational risk

At Anadi Bank, operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, systems and people or from external events. Legal risks are included, strategic risks and reputational risks are not included.

Operational risk is determined at Anadi Bank within the gone-concern risk-bearing capacity using the standardized measurement approach (SMA) proposed in the consultative paper on Basel IV.

2.2.11 Other risks and model risks

A separate quantification is applied at Anadi Bank for the representation of other risks and model risks in the gone-concern risk-bearing capacity. The basis for this is provided by the results of the risk inventory and the assessment made therein of the materiality of risks and risk concentrations with reference to capital and earnings effects. Depending on the materiality rating and the type of effect (capital and earnings effect), differentiated mapping for other risks/model risks is carried out in the risk-bearing capacity concept in the following three variants:

- Consideration via explicit quantification in operational gone-concern risk-bearing capacity
- Consideration through a conservative breakdown of the risk coverage potential
- Consideration in stress tests for gone-concern risk-bearing capacity

The risk inventory 2022 resulted in the following sub-risks for other risks:

- Property risk
- Macroeconomic risk
- Model risk credit risk
- Business, reputational and regulatory risk
- Risk of excessive debt

Property risk

The economic risk capital for property risk is quantified approximately by taking into account the regulatory Pillar I capital requirements in accordance with the standardized approach.

Macroeconomic risk

The risk capital requirement for macroeconomic risk is quantified on the basis of the stress test results for the macroeconomic stress test.

Additional risk effects that are identified as material in the risk inventory and are not taken into account in the economic risk capital for credit risks, market price risks and liquidity risks in the gone-concern risk-bearing capacity are therefore indirectly taken into account in the risk-bearing capacity via macroeconomic risk:

- Migration risks in the retail portfolio
- Collateral liquidation risks for defaulted loans

The risk effects presented in this way are explicitly taken into account in the macroeconomic risk in addition to the other risk effects from credit, market price, liquidity and other risks on the risk coverage potential side.

Model risk credit risk (rating model/LGD model)

Model risk in relation to credit risk can result from parameter uncertainties for default rates (PD) due to model and application weaknesses in the rating procedures. An indication of this results from the validation reports of the rating procedures and any necessary recalibration of the procedures concerned. In the event of model weaknesses identified in the validation reports, a risk value is quantified that must be backed with capital until the rating procedure is recalibrated. In this context, a PD surcharge is derived in accordance with the parameter uncertainty from the validation report to quantify the model risk. If the last validation of the rating procedure is older than 15 months, a PD changeover is performed by downgrading all individual transactions of the underlying segment by one notch.

With regard to model risk in loss given default (LGD) estimation, quantitative and qualitative aspects are considered. The qualitative aspect covers model design, internal use and data quality. The quantitative aspect deals with the procedures for determining and interpreting mathematical-statistical parameters on the basis of empirical data. Any model risk in the context of LGD estimation is covered by using an extremely conservative confidence level and non-parametric modeling of the LGD distribution.

2.2.12 Payment Services Directive 2 (PSD2)

Directive (EU) 2015/2366 entered into force on January 18, 2016 and became effective on June 1, 2018 with the ZaDiG 2018 (transposition into national law).

PSD2 empowers and mandates the European Banking Authority (EBA) to develop regulatory technical standards and guidelines to specify the requirements of the Directive.

On September 14, 2019, the delegated regulation referenced in the directive, EBA Guideline 2018/389 Regulatory Technical Standards for Strong Customer Authentication and Secure Open Standards for Communications, entered into force.

The resulting technical adaptation requirements (e.g., strong customer authentication) were implemented together with our partner banks in the ARZ data center network.

As far as the end customer is concerned, the relevant systems (Internet banking, office banking) were adapted and, in addition, the General Terms and Conditions, the Terms and Conditions for Internet and Office Banking, the Customer Guideline for the card service and for the contactless function as well as the ZaDiG information brochure were adapted and made available.

As of June 10, 2021, the revised EBA Guidelines on Serious Incident Reporting under Directive (EU) 2015/2366

(EBA/GL/2021/3) was published. The revised EBA GL describes, in particular, the criteria for the classification of serious operational or security incidents to be carried out by payment service providers, as well as the format and procedures that payment service providers should follow when reporting such incidents to the competent authority in the home Member State in accordance with Article 96(1) of PSD2. Furthermore, these guidelines address how the relevant competent authorities should assess the relevance of an incident and what details they should provide when reporting incidents to other national authorities in accordance with Article 96(2) of PSD2. In addition, these guidelines provide information regarding the notification to the EBA and the ECB of the relevant details of the reported incidents in order to promote a common and consistent approach.

In order to be able to comply with the relevant requirements, the requirements were implemented and the adaptations were made together with the joint banks.

A task force was set up within Anadi Bank to assess any incidents that occur and to coordinate any notifications that may be required.

Another delegated regulation, EBA Guideline 2018/05 Reporting of Fraud under the Second Payment Services Directive (PSD2), requires member states to ensure that payment service providers report fraud in different payment types to national market supervisors based on statistical data. This obliges payment service providers to record fraud cases (fraudulent payment transactions) as of January 1, 2020 and to report them collectively to the FMA/OeNB.

The associated technical requirements (implementation of a recording tool and preparation and availability of reports) were also implemented together with the ARZ within the booking community. All necessary measures were taken inhouse to comply with the regulatory requirements.

As of January 22, 2020, additional guidelines for mandatory reporting were issued in EBA/GL/2020/01 (Guidelines amending Guidelines EBA/GL/2018/05).

These guidelines apply to the reporting of payment transactions initiated and executed as of July 1, 2020. The necessary technical adjustments have been made and mapped in the existing reports. Thus, the reporting obligation can be executed correctly.

As of June 14, 2022, the Payment Fraud Reporting Ordinance (ZBMV) went into effect. The aim of the amendments is to adapt the national provisions on statistical fraud reporting to the EBA guidelines (EBA/GL/2018/05 and EBA/GL/2020/01) in order to ensure the necessary legal certainty for the supervisory authorities and the payment service providers and credit institutions concerned. In this context, duplicate reporting resulting from the reporting requirements of the ZaDiG 2018 and the ECB Regulation (EU) No. 2020/2011 shall be avoided in particular. In line with the principle of single data flows, the payment service providers and credit institutions concerned will only be able to report statistical data on cases of fraud to the OeNB. The FMA was granted the authority to issue a decree on the specifics of the standardized reporting obligations.

The associated technical changes have been adjusted. The reports for 2022 and in the future will thus be addressed correctly.

3. Research and development

Anadi Bank does not engage in research and development activities.

4. Corporate Governance

The Supervisory Board consists of four elected members with different professional backgrounds and with correspondingly complementary experience. The Board is headed by Chairman Srinivasan Sridhar, a banking expert with many years of extensive international experience. The Works Council also appoints two employee representatives to the Supervisory Board. As of December 31, 2022 the Supervisory Board was composed of the following members:

Srinivasan Sridhar (Chairman)
Dr. Sanjeev Kanoria (Vice Chairman)
Ali Ijaz Ahmad
Peter Gerfried Gross
MMag. Gabriele Oberlercher (Works Council)
Barbara Perchtold (Works Council)

The Supervisory Board discusses the strategic objectives, the risk strategy and the internal principles of proper management with the Board of Management and monitors their implementation by the Board of Management. The Supervisory Board has delegated certain powers to the Board of Management, specifying the extent to which business transactions (in terms of their scope and nature) are to be approved by the Supervisory Board.

According to the Articles of Association, the Supervisory Board meets at least once per quarter, with additional meetings being convened as required. In 2022, the Supervisory Board met a total of nine times.

The Supervisory Board is supported in its work by the Audit Committee, the Risk Committee, the Compensation Committee and the Nomination Committee.

The Board of Management is charged by the Supervisory Board with the operational management of the Bank, subject to the risk and governance requirements adopted by the Supervisory Board.

As of December 31, 2022 the Executive Board was composed of the following members:

Dr. Christian Kubitschek (CEO, MARKET)
Dipl. Wirtschaftsing. Alp Dalkilic, MBA (Deputy CEO, CDO, MARKET)
Dr. Ferdinand Wenzl, MBA (CRO, CFO)
Dipl.-Betr.-Wirt. Wolfgang Strobel (CTO)

5. Internal control system

With regard to the accounting process, the Bank has an internal control system (ICS) in which suitable structures and processes are defined and organizationally implemented.

Anadi Bank's internal control system is based on the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission), whereby the Management Board has designed the scope and orientation of the established internal control system on its own responsibility based on company-specific requirements.

The internal control system as part of the Bank's risk management system comprises the following general objectives:

- Ensuring and implementing business and risk strategies as well as corporate guidelines
- Effective and efficient use of all company resources to achieve the targeted business success
- Reliability of the financial reporting (Financial Reporting)
- Support compliance with all relevant laws, rules and regulations

The Management Board of Anadi Bank is responsible for implementing and monitoring the ICS in relation to the accounting process for the annual financial statements and is responsible for the proper and timely execution of the accounting-related processes and systems. The internal control system itself is not a static system, but is continuously adapted in line with changing conditions. A central component of this is the ongoing review of risk assessments as well as the review of the effectiveness of controls. To monitor compliance, the Executive Board makes use of the Internal Auditing units and the Legal, AML & Compliance organizational unit. As part of its regular auditing activities, Internal Auditing examines, among other things, the effectiveness of the internal control system and the reliability of the accounting system.

The effectiveness of the internal control system is monitored by the Audit Committee or the Supervisory Board in accordance with the requirements of the Austrian Stock Corporation Act.

However, the implementation of the internal control system is based first and foremost on the integrity and ethical conduct of employees. The role model function of the Board of Management and executives is consciously and actively performed by the functionaries.

As a general rule, it should be noted that an ICS, regardless of its design, does not provide absolute assurance that material misstatements in the financial statements will be prevented or detected.

The standard of the ICS at Anadi Bank is set out in a separate service instruction. These instructions serve to create a framework for the identification, assessment, monitoring, reporting and controlling of the ICS, which covers all areas of the bank. It thus represents the quality standard against which the Bank's ICS is measured or further developed. The regulations for an effective ICS defined in this service instruction are an essential component of the bank's corporate governance.

5.1 ICS-related activities in the financial year 2022

As part of the annual review of ICS-relevant activities in the individual divisions, the ICS was comprehensively revised in 2022. The review focused on quality improvement in the identification and assessment of risks and in the implementation and handling of ICS controls.

In every division all identified risk-relevant processes and activities were reviewed. The processes were revised in the ICS tool, recorded in detail and the controls set up in the process flow, in particular the key controls, were elaborated and described. All risk analyses conducted for each risk-relevant process (taking in account the Anadi Banks risk cataloque) were reviewed and reassessed based on the 5-level ICS risk matrix. The risks are assessed according to the amount of damage and the probability of occurrence. Particular attention was paid to assessing the risk before implementing risk-minimizing measures and the residual risk after implementing risk-minimizing measures. The ICS controls defined on the basis of the results of the risk analyses, were also reviewed in detail and adjusted where necessary. Each department also analyzed whether there are any new risk-related issues that need to be implemented as ICS controls or whether there are controls that no longer need to be pursued. This led to an optimization and quality improvement of the internal control system throughout the company.

Reports on risks, controls, control frequency and effectiveness are prepared on the basis of the ICS system, further developed, adapted to current circumstances, and regularly submitted to the responsible authorities and committees.

Organizational and system-related adjustments as well as adjustments to personnel responsibilities are continuously updated in the ICS tool.

5.2 Internal audit

Internal Audit forms an important part of Anadi Bank's risk and control framework and ensures the quality and effectiveness of governance measures, risk management and internal controls through its auditing activities vis-à-vis the Management Board, the Audit Committee and the Supervisory Board.

It provides independent and objective audit and advisory services aimed at creating added value and improving business processes. It also supports the achievement of the company's goals by using a systematic and targeted approach to evaluate and help improve the effectiveness of risk management, controls and management and monitoring processes.

In the three-lines-of-defense (TLoD) model or three-lines model (TLM), Internal Audit acts as the third line of defense in the bank's risk management model and is particularly concerned with:

- Design and operational efficiency of the bank's governance structures and processes
- Compliance with legal requirements and internal regulations
- Suitability, effectiveness and sustainability of action plans, measures and individual implementation steps
- Risk and control structure of the company
- Procedures for dealing with the main risks, especially credit, capital, and liquidity risks, both at the overall bank level and at the management level
- Quality of strategic and management information presented to the Board of Management and the Supervisory Board
- Significant changes in business processes and the introduction of new products, markets, and services

The frequency, sequence and extent of internal audits are determined on the basis of an ongoing risk assessment. These plans, as well as the activities, results of the audits and the resulting measures, are the key content of the communication with the responsible control and monitoring bodies (Audit Committee, Supervisory Board) and the discussions with the supervisory authorities as part of the regular exchange of information.

The plan adopted for 2022 has been implemented with regard to all key audit areas. In line with professional standards, a functional, appropriate and direct communication with the management and the control and supervisory bodies has been established. As part of this, the Head of Internal Audit also reported regularly to the Bank's Management Board, the members of the Audit Committee, and the Chairman of the Supervisory Board, as planned.

Klagenfurt am Wörthersee, as of February 17, 2023

THE BOARD

VDir. Dr. Christian Kubitschek

VDir. Dr. Ferdinand Wenzl, MBA

VDir. Alp Dalkilic, MBA

VDir. Dipl.-Betr.-Wirt. Wolfgang Strobel

FINANCIAL STATEMENTS 2022

Financial Statements 2022

Balance sheet

Assets			31.12.2022 EUR	31.12.2021 TEUR
1.	Cash in hand, balances with central banks and post office banks		26,516,742.02	77,522
2.	Treasury bills and other bills eligible for refinancing with central banks			
	a) Treasury bills and similar securities		199,501,866.79	149,326
3.	Loans and advances to credit institutions			
	a) payable on demand	243,005,729.46		361,173
	b) Other loans and advances	5,964.60		0
			243,011,694.06	361,173
4.	Loans and advances to customers		1,908,904,913.24	2,020,611
5.	Debt securities including fixed-income securities issued			
	a) by other borrowers		67,385,402.09	88,217
	of which			
	own debt securities	28,551,815.81		30,394
6.	Participating interests		6,190,560.31	3,152
	of which			
	in credit institutions	5,947,522.30		639
7.	Shares in affiliated companies		601,600.00	0
8.	Intangible fixed assets		1,196,199.23	849
9.	Tangible fixed assets		13,971,692.61	14,458
	of which			
	land and buildings used by the credit institution for its own activities	11,503,314.81		11,993
10.	Other assets		7,723,130.16	12,815
11.	Prepayments and accrued income		7,539,868.10	423
12.	Deferred tax assets		5,816,397.73	1,923
Total assets			**2,488,360,066.34**	**2,730,469**
1.	Foreign assets		463,497,675.71	466,909

Liabilities and equity		31.12.2022 EUR	31.12.2021 TEUR
1. Liabilities to credit institutions			
a) payable on demand	20,789,940.23		27,644
b) With agreed maturity dates or periods of notice	355,747,323.24		357,291
		376,537,263.47	384,935
2. Liabilities to customers			
a) Saving deposits	420,636,242.13		453,098
of which			
aa) payable on demand	327,401,788.56		301,247
bb) With agreed maturity dates or periods of notice	93,234,453.57		151,851
b) Other liabilities	1,016,098,933.46		1,108,007
of which			
aa) payable on demand	867,020,664.55		978,381
bb) With agreed maturity dates or periods of notice	149,078,268.91		129,627
		1,436,735,175.59	1,561,105
3. Securitised liabilities			
a) Debt securities issued		458,083,278.60	579,634
4. Other liabilities		18,252,765.60	17,626
5. Accruals and deferred income		1,034,960.05	479
6. Provisions			
a) Provisions for severance payments	4,584,626.62		4,075
b) Provisions for pensions	3,600,829.00		4,101
c) Provisions for taxes	454,000.00		0
d) Other	5,078,020.90		5,132
		13,717,476.52	13,309
7. Tier 2 capital pursuant to Part 2, Titel I, Chapter 4 of regulation (EU) no 575/2013		26,173,961.13	26,174
8. Investment subsidies to fixed assets		416,201.59	497
9. Subscribed capital		30,000,000.00	30,000
10. Capital reserves			
a) Committed	78,102,760.79		78,103
		78,102,760.79	78,103
11. Retained earnings		12,310,583.00	1,612
12. Liability reserve pursuant to Article 57 para. 5 BWG		36,995,640.00	36,996
13. Net profit or loss for the year		0.00	0
Total liabilities and equity		**2,488,360,066.34**	**2,730,469**

Off-balance sheet items	31.12.2022 EUR	31.12.2021 TEUR
1. Contingent liabilities		
of which		
a) Guarantees and assets pledged as collateral security	56,162,636.28	71,057
2. Commitments	185,872,092.89	181,666
3. Commitments arising out of fiduciary activities	9,406,855.51	8,774
4. Own funds pursuant to Part 2 of regulation (EU) no 575/2013	170,464,423.88	170,491
of which		
Tier 2 capital pursuant to Part 2, Titel I, Chapter 4 of regulation (EU) no 575/2013	25,949,653.58	25,924
5. Own funds requirements pursuant to Article 92 of regulation (EU) no 575/2013,	1,107,843,096.13	1,142,503
of which		
Own funds requirements pursuant to Article 92 (1) a) to c) of regulation (EU) no 575/2013		
a) Common equity tier 1 capital ratio	13.04 %	12.65 %
b) Tier 1 capital ratio	13.04 %	12.65 %
c) Total capital ratio	15.39 %	14.92 %
6. Foreign liabilities	59,847,489.38	83,414

Profit and loss account

				01.01.-31.12. 2022 EUR	01.01.-31.12. 2021 TEUR
1.	Interest and similar income			43,323,501.48	43,875
	of which				
	from fixed-income securities		37,301.84		164
2.	Interest and similar expenses			(18,475,484.23)	(19,466)
I.	**Net interest income**			**24,848,017.25**	**24,408**
3.	Income from securities and participating interests				
	a) Income from participating interests		49,390.00		86
				49,390.00	86
4.	Fee and commission income			13,267,101.90	14,658
5.	Fee and commission expenses			(1,383,725.47)	(1,631)
6.	Net profit or loss on financial operations			343,852.66	310
7.	Other operating income			6,590,417.90	4,579
II.	**Operating income**			**43,715,054.24**	**42,409**
8.	General administrative expenses				
	a) Staff costs				
	of which				
	aa) Wages and salaries	(18,884,539.27)			(16,466)
	bb) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	(4,390,668.67)			(4,619)
	cc) Other social expenses	(272,762.53)			(336)
	dd) expenses for pensions and assistance	(268,277.53)			(501)
	ee) Expenses for severance payments and contributions to severance and retirement funds	(824,148.34)			108
			(24,782,184.34)		(21,815)
	b) Other administrative expenses (operating expenses)		(15,951,571.46)		(17,184)
				(40,733,755.80)	(38,999)
9.	Value adjustments in respect of asset items 8 and 9			(1,197,870.37)	(1,101)
10.	Other operating expenses			(174,278.01)	(588)
III.	**Operating expenses**			**(42,105,904.18)**	**(40,688)**
IV.	**Operating result**			**1,609,150.06**	**1,722**
11./12.	Net result from realisation and valuation of loans and advances and securities held as current assets			2,939,507.27	(639)
13./14.	Net result from realisation and valuation of securities held as fixed assets and on participations			3,040,360.00	1,206
V.	**Profit or loss on ordinary activities**			**7,589,017.33**	**2,289**
15.	Income taxes			3,421,402.46	(758)
16.	Other taxes not reported under item 15			(311,589.99)	(422)
VI.	**Profit or loss for the year after tax**			**10,698,829.80**	**1,109**
17.	Changes in reserves			(10,698,829.80)	(1,109)
VII.	**Profit or loss for the year**			**0.00**	**0**
18.	Profit or loss carried forward			0.00	0
VIII.	**Net profit or loss for the year**			**0.00**	**0**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2022

BASIC ACCOUNTING PRINCIPLES

The separate financial statements of Austrian Anadi Bank AG (Anadi Bank) have been prepared in accordance with the provisions of the Austrian Banking Act (BWG), as amended, and where applicable, in accordance with the provisions of the Austrian Commercial Code (UGB) as amended.

The financial statements consist of the balance sheet, the Profit and Loss statement and the notes.

The balance sheet and income statement are presented in the form prescribed in Annex 2 to Section 43 BWG. The option accorded under Section 53 (3) and Section 54 (2) of the BWG to combine certain items in the income statement has been exercised.

In the notes, the previous year's figures have been rounded up to the nearest thousand EURO (TEUR). Consequently, in the totalling, rounding differences cannot be excluded.

After the effects of the Covid-19 pandemic were overcome, the year 2022 was characterized by the effects of the war and the associated geopolitical and economic upheavals. While Anadi Bank was not directly affected, there are impacts on the Bank due to high inflation and multiple interest rate hikes. The main impact on the bank's financial statements can be seen in the valuations of on- and off-balance sheet exposures. The valuation methodology for this is presented in the section on accounting policies in the paragraphs on loans and advances to banks and customers. The effects on the results of operations can be found in chapter 7 Disclosures on the allowance for losses on loans and advances.

ACCOUNTING AND MEASUREMENT POLICIES

The separate financial statements were prepared in accordance with generally accepted accounting principles and the general requirement to present a true and fair view of the bank's net assets, financial position and results of operations.

The principal of individual valuation and the **going concern** principle were observed during the valuation of assets and debts.

The principle of prudence was applied, paying particular attention to the special features of the banking business: only profits and gains realised at the balance sheet date were reported, and all recognisable risks and impending losses were taken into account.

Assets and liabilities in foreign currencies are translated using mean exchange rates on the balance sheet date. Forward transactions are translated at the applicable forward rate.

Loans and advances to credit institutions and customers are generally included at their nominal value. Premiums and discounts are recognised under accrued assets and liabilities and amortised over the term of the receivables.

The risk from the lending business was accounted for by the formation of individual specific adjustments as well as a portfolio allowance for balance sheet receivables and off-balance sheet transactions. Individual value adjustments are thereby set up at the individual transaction level from a significant exposure in the event of credit risks to the amount of the expected loss. The amount of the individual specific risk provision is calculated as the difference between the book value of the receivable and the present value of the estimated future cash flows, taking into account the provided collaterals. Up to a non-significant exposure, individual risk provisions are calculated using the internal validated probability of default.

The portfolio allowance for customers (rating class 1A to 5A) is calculated on the basis of the expected loss model, whereby regulatory and internal parameters (in particular probability of default and loss ratio) are also applied. The amount of portfolio provisions is valuated on the 12-month expected credit loss.

The expected credit loss is determined taking into account the current economic environment in accordance with the existing calculation methodology.

However, in order to take account of the current economic environment (especially interest rate increases, inflation, energy crisis), an additional general allowance is recognized, taking into account external economic forecasts. Due to the high level of granularity, the Retail & Digital portfolio (retail business mainly comprising residential construction, consumer and SME loans) was impacted by a flat-rate mark-up. In this context, a uniform shift was applied to the default probabilities of the entire Retail & Digital portfolio as a provision for inflation and interest rate increases. To determine the additional risk provision for the Corporate portfolio, the majority of the portfolio was assessed at individual customer level. In this process, the affectedness of the customers was analyzed in two assessment dimensions (energy/gas and interest rates/construction costs) and assigned risk levels depending on the affectedness (low, medium and high). The increases in default probabilities were made on the basis of the aggregated risk levels, taking into account the two assessment dimensions. No additional mark-up was applied to the Public Finance and Treasury operating segments due to their low risk.

Thus the individual value adjustments as well as the portfolio allowance are subject to estimation uncertainties, in particular with respect to the amount, the time of the estimated cash flows, the probability of default and the loss ratio.

Modifications are recognised in the income statement if they are significant or lead to an impairment of the asset. In assessing materiality, the carrying amount is compared with the present value calculated from the adjusted cash flows. Significant changes in the nature and variability of future cash flows (qualitative) and a difference in present value of more than 10 percent (quantitative) are considered to be significant contract adjustments. If the contract adjustment is significant, the old asset is derecognised and the new asset is included in the balance sheet.

Processing fees, insofar as they are dependent on the nominal value, will be distributed on a straight-line basis over the term of the loan and will not be recognized immediately in the income statement, as will interest similar expenses related to the raising of capital. Fixed processing fees are recognized in the income statement at the time they are incurred.

Securities that permanently serve the bank's business operations are shown on the balance sheet as financial assets in accordance with Section 56 (1) BWG and valued according to the lower of cost or market value. The option accorded under Section 56 (2) and (3) BWG (distribution of the difference between acquisition and repayment costs over the remaining term) was exercised. Impairment of financial assets are made where the loss in value is expected to be permanent. The bank checks as appropriate – and at least once a year – whether a permanent impairment has arisen in the financial assets. Where a permanent deterioration of the creditworthiness of an issuer has been identified, an impairment is made.

All other securities (liquidity reserves) form part of current assets and, to the extent that they are listed securities, they are shown at market value in accordance with Section 56 (5) BWG. Unlisted securities are valued strictly at the lower of cost or market value. Repurchased own liabilities are allocated to current assets. Own issues such as these are measured at cost of acquisition, with any difference between a higher repurchase value and the repayment amount being immediately recognised in the income statement. If there is a difference as a result of the repurchase value being lower than the repayment amount, this is only recognised in the income statement upon redemption.

Securities forming part of the trading book are included at market value as at the balance sheet date. Generally, market values of financial instruments to be included in the financial statements are based on stock market prices. Where no stock market price is available, the future cash flows of the financial instrument are discounted to the present value using the applicable interest rate. In doing so, internationally common mathematical calculation methods are used for the calculation.

Participating interest and shares in affiliated companies are valued at the cost of acquisition, unless permanent impairment necessitates a write-down.

Intangible assets, together with **tangible assets** (land and buildings, fixtures, fittings and equipment) are recognised at acquisition or construction cost, less depreciation and amortisation and, where necessary, less impairment. Depreciation and amortisation are applied on a straight-line basis. Annual rates of depreciation and amortisation for immovable assets are between 2.5 and 10 percent (2021: 2 to 10 percent); for movable assets, they range from 4 to 33 percent (2021: 4 to 33 percent); and for software they are 12.5 to 33.33 percent (2021: 12.5 to 25 percent). Depreciation relating to extensions/additions to the core banking system amounts to up to 12.5 percent (2021: 12.5 percent). Low value items for which the cost of acquisition is less than EUR 800.00 are written off immediately in the year of acquisition.

Liabilities are shown either at original nominal values or at the amounts repayable. Any issue costs such as premiums and discounts are written off over the term of the underlying debt and shown in net interest income. Other issue costs are recognised immediately as an expense.

The provision for pension obligations was calculated using an interest rate of 1.777 percent (31.12.2021: 1.264 percent) and a pension increase rate of 1.80 percent (31.12.2021: 1.50 percent).

The provisions for severance obligations were calculated using an interest rate of 1.777 percent (31.12.2021: 1.264 percent) and a salary trend of 2.85 percent (31.12.2021: 1.50 percent). The provisions for anniversary bonuses included in other provisions were calculated using an interest rate of 2.162 percent (31.12.2021: 1.264 percent) and a salary trend of 2.58 percent (31.12.2021: 1.50 percent). The fluctuation probabilities presented in the expert opinion were used as a basis for the anniversary provision. As in the previous year, no fluctuation discounts were applied to the severance obligations. The earliest possible statutory retirement age under the Austrian General Social Security Act (ASVG) (2004 pension reform) was used as the retirement age.

The reference interest rate used to calculate the average interest rate is the yield curve published by Mercer, which is based on the bonds from the Thomson Reuters Datastream indices. A duration of 10 years is used for the pension provision and the provision for severance payments. The anniversary bonus provisions are calculated on the basis of a 15-year duration in accordance with the longer remaining term. In contrast to the previous year, an average of the interest rates of the last ten years on a monthly basis is used to calculate the average (previous year: 5 years). This change was made due to the massive interest rate changes in fiscal year 2022, as a longer calculation smoothes out the high volatility that has arisen and thus provides a better benchmark for measuring non-current personnel provisions.

The **provision for unused holidays** is allocated on the basis of the actual unused vacation days per employee as at 31.12.2022.

Other provisions were formed for contingent liabilities and impending losses in the amount of the expected requirement. They take into account all liabilities that have not yet been determined in terms of amount. A discount has been applied for material provisions which are subject to a term of more than one year. Other provisions are subject to estimates relating to amount or timing.

Derivative financial transactions (forward transactions, swaps, options) are declared either to the hedging book or to the trading book, depending on their purpose. Anadi Bank applies the critical term match method (simplified determination of effectiveness). This method checks whether a critical term match exists for the hedging relationship. If, in the case of a hedging relationship, all parameters of the underlying transaction and the hedging instrument that determine the extent of the hedge change in value is identical but opposite, this is an indicator of a fully effective hedging relationship. To fulfill a critical term match, the parameters nominal value, currency, and maturity or interest rate fixation must match. Derivatives with a negative market value, which are not declared to hedge accounting as well as impending losses for not entirely effective hedges are treated as provisions. Option premiums (paid and received) are disclosed under other assets and other liabilities respectively. Option pricing models based on generalised Black-Scholes models or Bachelier models, drawing on current market parameters, are applied to measure options and financial instruments with similar characteristics.

The following calculations are applied for discounting Overnight Indexed Swaps (OIS):

- OIS curve of the relevant currency is applied to discount cash flows for collateralised derivatives
- For all hedged items, the standard interest rate curve of the respective currency is used to discount the cash flows.
- Forward interest rates are always calculated from the relevant maturity curve

In the reporting year, a replacement of CHF Libor interest rates by SARON took place. Otherwise, no further valuation changes were made.

NOTES TO THE BALANCE SHEET

1 Maturities of balance sheet items

Maturities in accordance with Section 64 (1) line 4 BWG were as follows:

	31.12.2022	31.12.2021
A3. Loans and advances to credit institutions	**243,011,694.06**	**361,173**
- payable on demand	243,005,729.46	361,173
- up to three months	0.00	0
- three months to one year	0.00	0
- one year to five years	5,964.60	0
- over five years	0.00	0
A4. Loans and advances to customers	**1,908,904,913.24**	**2,020,611**
- payable on demand	168,852,612.90	112,712
- up to three months	61,822,222.13	68,038
- three months to one year	200,473,786.72	190,364
- one year to five years	587,930,454.55	792,998
- over five years	889,825,836.94	856,499
P1. Liabilities to credit institutions	**376,537,263.47**	**384,935**
- payable on demand	20,789,940.23	27,644
- up to three months	0.00	0
- three months to one year	355,747,323.24	0
- one year to five years	0.00	357,291
- over five years	0.00	0
P2. Liabilities to customers	**1,436,735,175.59**	**1,561,105**
- payable on demand	1,194,422,453.11	1,279,627
- up to three months	114,163,293.50	83,451
- three months to one year	89,946,355.80	133,103
- one year to five years	38,203,073.18	64,923
- over five years	0.00	0

2 Securities including accrued interest

	31.12.2022	31.12.2021
A2. Treasury bills and other bills eligible for refinancing with central banks	**199,501,866.79**	**149,326**
of which listed	199,501,866.79	149,326
of which fixed assets	199,092,131.12	138,883
of which accrued interest in fixed assets	409,735.67	302
of which current assets	0.00	10,128
of which accrued interest in current assets	0.00	13
A4. Loans and advances to customers	**55,200,782.41**	**60,582**
of which not listed	55,200,782.41	60,582
of which fixed assets	54,965,918.47	60,280
of which accrued interest in fixed assets	234,863.94	301
A5. Debt securities including fixed-income securities issued by other borrowers	**67,385,402.09**	**88,217**
of which listed	38,833,586.27	57,824
of which not listed	28,551,815.82	30,394
of which fixed assets	38,751,533.53	48,660
of which accrued interest in fixed assets	82,052.74	91
of which current assets	28,457,199.88	39,364
of which accrued interest in current assets	94,615.94	103
A6. Participating interests	**6,190,560.31**	**3,152**
of which not listed	6,190,560.31	3,152

2.1 The government bonds included in the balance position A2 (excluding accrued interest) are analysed by country as follows

Country	Nominal value	Carrying amount 31.12.2022	Impairment until 31.12.2022	Reversal of impairment until 31.12.2022
Germany	13,000,000.00	13,043,719.78	0.00	0.00
Belgium	3,000,000.00	2,970,690.00	0.00	0.00
Austria	59,000,000.00	60,763,967.41	0.00	0.00
France	19,500,000.00	19,341,273.68	0.00	0.00
Netherlands	7,000,000.00	7,055,011.07	0.00	0.00
European Union	96,032,000.00	95,917,469.18	0.00	87,450.00

2.2 Breakdown of bonds and other fixed-income securities from the balance position A5 (incl. accrued interest)

	31.12.2022	31.12.2021
Issued by others (without public authorities)	**67,385,402.09**	**88,217**
of which		
Own issues	28,551,815.81	30,394
Foreign bonds (credit institutions)	23,253,268.47	24,235
Mortgage and municipal bonds	15,580,317.81	33,589

2.3 Other disclosures relating to securities

The difference between the acquisition costs and the higher market value (Section 56 (5) BWG) for securities authorised for official dealing on a stock exchange and not held as a financial fixed assets, which are stated at their higher market value, is EUR 0.00 (31.12.2021: TEUR 0).

Due to the option applied as at the 2022 financial year in accordance with Section 56 (2) and (3) BWG a premium in the amount of EUR 4,726,432.40 (31.12.2021: TEUR 3,572) was recognised and will be amortised on a straight-line basis over the term. As at 31.12.2022, the accrual amounts to EUR 3,133,422.94 (31.12.2021: TEUR 3,015).

Due to the applied option according to section 56 (2) and (3) BWG, a discount in the amount of EUR 2,356,200.00 (31.12.2021: TEUR 0) was taken into account, which will be recognized on a straight-line basis over the term. As of 31.12.2022, the accrual amounts to EUR 2,287,548.30 (31.12.2021: TEUR 0).

In 2023, fixed-income securities from the bank's own portfolio in the amount of EUR 34,520,844.36 (2022: TEUR 44,151) (euro-denominated securities) and EUR 0.00 (2022: TEUR 0) (foreign currency-denominated securities) will be due.

Fixed-income securities of private issuers, which were eligible to be refinanced at the Austrian National Bank on the balance date, amount to EUR 37,967,900.00 (31.12.2021: TEUR 57,805), of which EUR 36,684,950.00 (31.12.2021: TEUR 58,153) were pledged as at the balance sheet date.

As in the previous year, there were no subordinated securities as at 31.12.2022, according to Section 45 (2) of the BWG.

The derivatives mentioned here are in connection with hedging transactions of customers that are mirrored 1:1 with other banks and thus represent a service business.

The trading book has the following volume breakdown as at December 31, 2022:

	31.12.2022	31.12.2021
Forward exchange transactions (nominal value)	0.00	1,710
Interest rate swaps (nominal value) and interest rate contracts	5,352,912.38	6,628

Financial instruments held as fixed asset and recognised above their fair value according to Section 238 (1) (2) UGB are structured as follows:

	Carrying amount 31.12.2022	Silent burdens 31.12.2022	Carrying amount 31.12.2021	Silent burdens 31.12.2021
Treasury bills and similar securities	199,092,131.12	-18,304,163.49	119,664	-1,653
Debt securities including fixed-income securities issued by other borrowers	38,751,533.53	-2,066,583.53	10,664	-55
Total	**237,843,664.65**	**-20,370,747.02**	**130,327**	**-1,708**

No write-ups of securities classified as fixed assets were undertaken in the financial year.

In the fiscal year, securities (Debt instruments issued by public-sector entities in the amount of EUR 10,215,700.00 (2021: TEUR 0) were reclassified from current assets to non-current assets, as the intention is to hold these securities until maturity. The securities are recognized at amortized cost. The reclassification of these securities resulted in an expense of EUR 58,381.08 as of 31.12.2022 (31.12.2021: TEUR 0).

The bank reviews whether there has been a permanent impairment of financial assets on an ad hoc basis or at lease once a year. A permanent deterioration in the creditworthiness of the issuers was not identified.

In 2023, issued bonds as defined in Section 64 (1) line 7 BWG with a value of EUR 50,000,000.00 (2022: TEUR 123,004) will be due in Anadi Bank.

3 Investments and shares in affiliated companies

Anadi Bank holds shares in the following non-consolidated companies:

Participating interests	31.12.2022		31.12.2021	
	Share of equity	Carrying amount	Share of equity	Carrying amount
BWA Beteiligungs-und Verw.AG	0.00%	0.00	0.75%	2,270
Bausparkasse Wüstenrot Aktiengesellschaft	0.72%	5,308,760.00	0.00%	0
Hypo Wohnbaubank AG	12.50%	638,762.30	12.50%	639
Hypo Banken Holding GmBH	12.50%	5,268.78	12.50%	5
VBV Betriebl. Altersvorsorge AG	0.64%	210,374.68	0.64%	210
ARZ-Hypo Holding GmBH	0.15%	2,543.55	0.15%	3
HP IT-Solutions GmBH	7.14%	11,911.00	7.14%	12
Swift SCRL	0.02%	2,840.00	0.02%	3
Hypo Bildung GmbH	13.00%	9,100.00	13.00%	9
Einlagensicherung Austria Ges.m.b.H.	1.00%	1,000.00	0.19%	1
Total		**6,190,560.31**		**3,152**

As of December 31, 2021, BWA Beteiligungs- und Verwaltungs-Aktiengesellschaft was retroactively merged with its subsidiary Bausparkasse Wüstenrot Aktiengesellschaft. In previous periods, BWA Beteiligungs- und Verwaltungs-Aktiengesellschaft was written down to a lower value. As it was disclosed in the course of the merger and the valuations carried out that the original reasons for the write-down no longer existed, the investment was written up to the determined value of EUR 5,308,760.00 (2021: EUR TEUR 2,270) in accordance with the requirement to reinstate original values (Section 208 (1) UGB).

In 2022, Anadi Bank acquired 100 percent of the shares in PRO Trafik Service GmbH (TSG). In addition, a grant was made by the shareholders.

The carrying amount of shares in affiliated companies is EUR 601,600.00 (2021: TEUR 0).

The shares in affiliated companies as at 31.12.2022 are composed as follows. As of 31.12.2021, there were no affiliated companies.

Shares in affiliated companies	31.12.2022			
	Location	Share of equity	Equity	Result after taxes
PRO Trafik Service GmbH	Wien	100%	191,714.95	-179,285.05

4 Intangible and tangible assets

An analysis of individual items and of changes during the financial year is shown in the fixed assets movement schedule (Schedule 2 to the notes).

The value of land included in land and buildings as at 31.12.2022 amounts to EUR 1,452,546.03 (31.12.2021: TEUR 1,466).

5 Other assets

The breakdown of other assets is as follows:

	31.12.2022	31.12.2021
Other assets	**7,723,130.16**	**12,815**
- of which payable after the balance sheet date	1,365,291.61	568
- of which with a residual term more than one year	0.00	8,455
Accrued interest	0.00	64
Accrued income upfront payments	0.00	8,455
Offset receivables	353,924.93	195
Receivables arising from FX measurement of banking book derivatives	1,301,937.25	0
Receivables from trading book derivatives	63,354.36	169
Other receivables	6,003,913.62	3,932

In the reporting year, those accounts from the sub-positions accrued interest and accrued income upfront payment (for which payment has already been made) were reclassified to the position 11. Prepayments and accrued income. Furthermore, prepayments for general and administrative expenses and other accruals were reclassified from the same items to the position 11. Prepayments and accrued income.

6 Other liabilities

The breakdown of other liabilities is as follows:

	31.12.2022	31.12.2021
Other liabilities	**18,252,765.60**	**17,626**
- of which payable after the balance sheet date	373,702.29	2,031
- of which with a residual term more than one year	0.00	102
Accrued interest	174,677.11	568
Offset liabilities	15,365,746.21	12,009
Fees and levies	1,858,234.05	1,776
Liabilities arising from FX measurement of banking book derivatives	140,031.55	1,366
Liabilities from trading book derivatives	58,993.63	162
Trade payables	504,394.88	167
Other liabilities	150,688.17	1,578

In the reporting year, those accounts from the sub-position accrued interest (including accrued interest upfront payment) were reclassified to the position 5. Accruals and deferred income for which the payment has already been made. Furthermore, other accrued expenses were reclassified from the same item to the item 5. Accruals and deferred income.

7 Provisions

The main items included under other provisions are as follows:

	31.12.2022	31.12.2021
Guarantees	387,380.21	239
Unused holidays	471,575.06	371
Anniversary bonuses	993,982.00	947
Association of mortgage banks para. 1406 ABGB	261,959.97	314
Legal and consultancy fees	165,160.00	271
Costs for legal risks	15,607.99	166
Restructuring	0.00	211
Other	2,782,355.67	2,612
Total	**5,078,020.90**	**5,132**

Other provisions

According to section 211 UGB, other provisions with a term of more than one year are subject to a discounting obligation at a market interest rate.

Guarantees
The provisions for risks arising from the lending business (guarantees) include provisions for specific cases amounting to EUR 2,099.34 (31.12.2021: TEUR 16) as well as provisions at portfolio level amounting to EUR 385,280.87 (31.12.2021: TEUR 223).

Costs for legal risks
There are provisions in the amount of EUR 15,607.99 as at 31.12.2022 (31.12.2021: TEUR 116) in respect of legal risks, which will cover possible customer compensations and legal costs. In the current financial year payments related to these provisions totalling EUR 0.00 (31.12.2021: TEUR 5) were settled and an amount of EUR 100,00.00 (31.12.2021: TEUR 355) was released.

Negative market values of derivatives in the banking book incl. trading book CVA
Expected losses for off-balance sheet items related to pending transactions according to Section 198 (8) UGB are recognised by accounting provisions in the period, in which the loss is possible and recognisable due to the developments of prevailing market conditions. The amount of the provision is dependent on the size of the expected loss. Anadi Bank includes market values of all derivatives of the regulatory banking book in its analysis.

The provision for expected losses from banking book derivatives was calculated in compliance with the position of the Austrian Financial Reporting and Auditing Committee (AFRAC) as outlined in its official publication Accounting for derivatives and hedging instruments under commercial law. Thereby provisions for expected losses are only recognised for derivative transactions, which are not designated in a hedging relationship with an underlying transaction.

According to the AFRAC position on this issue, a provision for expected losses should be formed for the ineffective parts of a derivative with a negative market value. In the case of a micro hedge, if all the parameters of the underlying transaction and the hedging transaction, which determine the extent of the hedged impairment, are identical but offset each other, this is an indicator of a fully effective hedging relationship. In Anadi Bank all micro hedges are reviewed and documented regarding hedge effectiveness. On the assets side, securities and loans form the underlying transactions for hedging. On the liabilities side, own issues and promissory notes form the underlying transaction of a hedging relationship. The hedging period is substantially the same as the term of the underlying transaction. The hedge efficiency for fair value hedges is calculated on the basis of the accumulated theoretical change in price of the underlying transaction as well as the hedge transaction from the start of the hedge using a regression model (advanced dollar offset method) for the hedged risk factors on a monthly basis. The calculation of hedge effectiveness for fair value hedges for which the simplified determination of effectiveness (critical term match method) is not applicable is performed monthly on the basis of the cumulative theoretical price changes of the underlying transaction and the hedging transaction since the start of the hedging relationship using a regression model (Advanced Dollar Offset) for the hedged risk factors.

As at 31.12.2022 there was no provision (31.12.2021: TEUR 2) required.

For derivatives in the trading book, a provision for the credit valuation adjustment (CVA) in the amount of EUR 304.12 (31.12.2021: TEUR 6) was required.

8 Disclosures on risk provisions

Development of individual risk provisions (loans and advances to customers):

	31.12.2022	31.12.2021
Loans to customers - risk provision		
Opening balance	**36,358,776.79**	**52,632**
Additions	3,879,813.61	6,861
Releases	-5,030,286.98	-3,372
Utilised	-19,188,021.65	-20,000
Transfer	469,340.95	231
Foreign currency valuation	3,857.42	7
Closing balance	**16,493,480.14**	**36,359**

To account for default risks existing as of the balance sheet date, there is a portfolio allowance in the amount of EUR 5,413,719.08 (31.12.2021: TEUR 4,147) as of 31.12.2022. To account for the increased default risk due to uncertainties caused by increased inflation, rising energy costs and interest rate increases a provision of EUR 600,000.00 (31.12.2021: TEUR 1,025 for increased default risk due to Covid 19 pandemic) was recognized in the portfolio allowance.

9 Tier 2 capital pursuant to Part 2, Title I, Chapter 4 of Regulation (EU) No 575/2013

The nominal value of the Tier 2 capital pursuant to Part 2 Title I Chapter 4 of the Regulation (EU) No. 575/2013 was EUR 26,100,000.00 (31.12.2021: TEUR 26,100) as of 31.12.2022.

The supplementary capital bond issued in July of the financial year 2021 with a subscription volume of up to EUR 15 million expired in July of the financial year 2022 and can no longer be subscribed.

The interest expenses for the Tier 2 capital amount to EUR 1,628,500.00 (31.12.2021: TEUR 1,629).

10 Investment subsidies to fixed assets

As part of the government's economic stimulus program, it was made possible to claim an investment allowance for acquisitions in fixed assets. Anadi Bank has registered an investment sum of around EUR 5.3 mio for investments in buildings with the Austrian Wirtschaftsservice as the settlement authority. The expected allowance of EUR 416,201.59 (2021: TEUR 497) was recognised at the balance sheet. In the business year, a release of EUR 14,396.11 (2021: TEUR 6) was made for assets already put into operation.

The investment premium is accounted for by Anadi Bank using the gross method. Accordingly, the grant is presented in a separate liability item after equity, which is released to income over the useful life of the investment. The reversal amount is shown as an open adjustment item to depreciation and amortization.

11 Share capital

The issued share capital of Austrian Anadi Bank AG at the balance sheet date amounts to EUR 30,000,000.00 (31.12.2021: TEUR 30,000) and is divided into 30,000 (31.12.2021: 30,000) registered shares. The shares are held 100 percent by Anadi Financial Holdings Pte. Ltd., whose headquarters is in Singapore.

12 Reserves

The development of capital and retained earnings, and of the liability reserve, is as follows:

	01.01.2022	Additions	Releases	31.12.2022
Capital reserves	78,102,760.79	0.00	0.00	78,102,760.79
Retained earnings	1,611,753.20	10,698,829.80	0.00	12,310,583.00
Liability reserve pursuant to Article 57 para. 5 BWG	36,995,640.00	0.00	0.00	36,995,640.00

OFF-BALANCE SHEET TRANSACTIONS

13 Derivative financial instruments

The following transactions were unsettled at the balance sheet date:

	Nominal value Purchase contract		Nominal value Sales contract	
Forward transactions	31.12.2022	31.12.2021	31.12.2022	31.12.2021
a) Interest-related transactions				
OTC-products				
Interest rate swaps / interest rate contracts	146,054,274.27	238,162	146,054,274.27	238,162
b) Currency-related transactions				
OTC-products				
Currency swaps	86,180,675.27	101,156	86,320,706.82	101,636
Cross-currency swaps	46,708,584.29	74,354	45,406,647.04	75,241
Forward exchange transactions	0.00	1,710	0.00	1,710

	Fair value Positive		Fair value Negative	
Forward transactions	31.12.2022	31.12.2021	31.12.2022	31.12.2021
a) Interest-related transactions				
OTC-products				
Interest rate swaps / interest rate contracts	3,027,439.38	12,479	3,449,992.04	26,398
b) Currency-related transactions				
OTC-products				
Currency swaps	171,766.33	0	163,706.37	197
Cross-currency swaps	1,554,415.04	1,142	310,675.39	1,967
Forward exchange transactions	0.00	55	0.00	54

The trading and banking book derivatives are used to hedge interest rates, exchange rates and market prices. Derivative contracts are mainly formed to hedge individual asset and liability positions in the banking book. As at 31.12.2022 the net fair value of derivatives designated as hedging instruments, was EUR 427,351.00 (31.12.2021: TEUR 13,926).

Hedging relationships were terminated prematurely in the reporting year. The termination of hedging relationships are in line with the Bank's strategic risk considerations. The positive net result including the hedged items amounts to EUR 5,446,077.11 (31.12.2021: TEUR 2,449).

14 Contingent liabilities

	31.12.2022	31.12.2021
Contingent liabilities	**56,162,636.28**	**71,057**
Guarantees and assets pledged as collateral security	56,162,636.28	70,776
Letters of credit	0.00	281

15 Other off-balance sheet statements

Loan exposures comprise unused credit lines totalling EUR 185,872,092.89 (31.12.2021: TEUR 181,666).

Liabilities from fiduciary activities amounted to EUR 9,406,855.51 (31.12.2021: TEUR 8,774) in the year under review. These activities mainly comprise assets held in trust refinanced by Austrian Control Bank.

Pursuant to Section 238 (1) (14) UGB, obligations arising from the use of property, plant and equipment not recognized in the balance sheet (vehicle leasing and building rental) amount to EUR 529,956.01 (31.12.2022: TEUR 528) for the following financial year and a total of EUR 1,817,061.65 (31.12.2021: TEUR 2,256) for the next 5 years on the basis of contracts in place at the balance sheet date.

NOTES TO THE INCOME STATEMENT

16 Interest and similar income

	31.12.2022	31.12.2021
Loans and advances to credit institutions and customers	**43,286,199.64**	**43,711**
Austria	36,043,195.55	35,085
International	7,243,004.09	8,626
Fixed-income securities	**37,301.84**	**164**
Austria	228,849.40	247
of which premium of securities held as fixed assets	-344,103.34	-184
International	-191,547.56	-83
of which premium of securities held as fixed assets	-685,757.77	-331
of which discount on securities held as fixed assets	68,651.70	0
Other assets	**0.00**	**0**
International	0.00	0
Total	**43,323,501.48**	**43,875**

Interest earnings include negative interests from receivables in the amount of EUR 889,775.10 (31.12.2021: TEUR 1,089).

17 Interest and similar expenses

	31.12.2022	31.12.2021
Liabilities to credit institutions and customers	**-604,975.87**	**-168**
Austria	84,905.72	633
International	-689,881.59	-801
Securitised liabilities	**-17,870,508.36**	**-19,298**
Austria	-17,870,508.36	-19,298
Total	**-18,475,484.23**	**-19,466**

Interest expenses include negative interest from liabilities to credit institutions, in this case refinancing from the TLTRO III program (Targeted Longer-Term Refinancing Operations), amounting to EUR 1,543,780.22 (31.12.2021: TEUR 2,788).

Under the TLTRO III program, Anadi Bank has borrowed EUR 360,000,000.00 until 31.12.2022. Anadi Bank has fulfilled the conditions for the use of the special bonus and for this purpose has accrued an interest rate of -1.0 percent until 23.6.2022. For the further deferral until 23.11.2022, an interest rate was calculated in accordance with the specified average rate. From 24.11. 2022, the interest rate will be calculated using the applicable deposit rate. As of the end of the year (as of 31.12. 2022), a deposit interest rate of 2.00 percent applies.

18 Commission income and expenses

	31.12.2022	31.12.2021
Lending business		
Fee and commission income	4,715,634.87	5,483
Fee and commission expenses	-448,722.32	-554
Securities business		
Fee and commission income	1,814,597.83	2,124
Fee and commission expenses	-141,002.04	-136
Other transactions		
Fee and commission income	6,736,869.20	7,051
Fee and commission expenses	-794,001.11	-940
Total income	**13,267,101.90**	**14,658**
Total expense	**-1,383,725.47**	**-1,631**

19 Other administrative expenses (operating expenditure)

	31.12.2022	31.12.2021
Legal and consultancy expenses	-3,206,806.33	-2,340
Advertising and hospitality expenses	-671,726.23	-1,181
Rental, leasing and other building expenses	-1,671,770.54	-1,744
IT expenses	-1,294,011.42	-1,404
Data centre expenses	-5,221,639.02	-4,001
Training expenses	-76,287.16	-89
Issue expenses	-250,399.96	-192
Travel expenses	-110,995.33	-78
Fleet expenses	-187,627.15	-163
Insurance	-320,053.00	-322
Telephone and postage expenses	-280,982.74	-375
Expenses in connection with company legal structure	-384,200.00	-357
Office and stationery expenses	-87,582.04	-80
Single resolution fund (BaSAG)	-970,579.57	-1,298
Guarantee deposit (ESA Einlagensicherung GmbH)	-713,429.03	-2,958
Other operating expenditure	-503,481.94	-602
Total	**-15,951,571.46**	**-17,184**

20 Other operating income

	31.12.2022	31.12.2021
Rental and leasing agreements	132,459.84	37
Income from disposals of fixed assets	282,029.55	44
Release provision negative market values of banking book derivative	2,116.84	535
Income from early terminated derivatives	5,446,077.11	2,627
Other operating income	727,734.56	1,335
Total	**6,590,417.90**	**4,579**

21 Other operating expenses

	31.12.2022	31.12.2021
Other operating expenses	-174,278.01	-588
Total	**-174,278.01**	**-588**

22 Net balance of expenses and income from the disposal and valuation of securities valued as current assets and financial assets

The item 11/12 Net of expenses and income from the sale and valuation of receivables and securities held as other current assets includes a net expense from value adjustments and valuations in the amount of EUR 1,896,510.58 (2021: TEUR 2,526), as well as a premium in the amount of a gain of EUR 4,836,017.85 (2021: TEUR 1,914) from the sale of a loan from the Public Finance portfolio.

This item also includes income and expenses from contract adjustments. Starting in the 2020 financial year, contract amendments are recognized in the income statement. Significant contracts were derecognized and recognized at the new present value. This resulted in an expense of EUR 0,00 (31.12.2021: TEUR 23). Furthermore, there were no significant changes in present value in 2022 (31.12.2021: TEUR 40) of these accounts. Income from the reversal of the deferred income amounted to EUR 0,00 (31.12.2021: TEUR 36) in the fiscal year.

This item also includes the write-up of BWA Beteiligungs- und Verwaltungs-Aktiengesellschaft. In previous periods, a write-down was recognized here due to the assumption of a permanent impairment. As information was disclosed in a valuation report in the course of the merger of BWA Beteiligungs- und Verwaltungs-Aktiengesellschaft with Bausparkasse Wüstenrot Aktiengesellschaft that the original reasons no longer existed, a write-up to the determined value of Net balance of expenses and income from the disposal and valuation of securities valued as current assets and financial assetswas carried out.

Subsequently, BWA Beteiligungs- und Verwaltungs-Aktiengesellschaft was derecognized in the course of the exchange (or merger) and the share in Bausparkasse Wüstenrot Aktiengesellschaft was recognized to the extent of the value given.

SUPPLEMENTARY INFORMATION

23 Deferred taxes

Balance sheet position	31.12.2022	31.12.2021	Description
Positive fair values of trading book derivatives	-63,354.34	-169	Deferred tax liabilities
Securities fixed assets	0.00	22	Deferred tax assets
Loans and advances to customers	3,106,254.77	4,142	Deferred tax assets
Provisions	3,846,050.81	3,698	Deferred tax assets
Profit or loss carried forward	17,820,410.52	0	Deferred tax assets
Total	**24,709,361.76**	**7,693**	**Net deferred tax asset**
of which tax rate 25 %	0.00	1,923	
of which tax rate 24 %	3,197,868.63	0	
of which tax rate 23 %	2,618,529.10	0	
Excess deferred tax asset	**5,816,397.73**	**1,923**	

Based on the expected tax results according to tax planning from 2023 to 2027, a further consumption of the tax loss carryforwards is to be expected. In accordance with section 198 (9) sentence 3 UGB, the option is exercised here for the first time in fiscal year 2022.

24 Important long-term contracts

On July 01, 2015 (effective date) a service agreement was agreed between the Austrian Reporting Services GesmbH (AuRep) and Anadi Bank, in respect of reporting requirements to the Austrian National Bank (OeNB). AuRep will replace the partly existing paper-based OeNB reporting in the medium term, through a common reporting system (GMP). The intention is to supply a single data pool at individual transaction level.

Accenture GmbH together with Accenture TiGital GmbH (emerged from Allgemeine Rechenzentrum GmbH / "ARZ") forms the strategic IT provider for Anadi Bank since December 01, 2022. Accenture provides a one-stop-shop for more than 20 banks. The service is including a core banking system for the business areas customer, giro, savings, credit, securities, electronic banking, the general ledger incl. accounting, various SAP modules, the securities settlement system GEOS (incl. Nostro), workflow and document management, reporting solutions (national/supervisory), various reporting options, operation of infrastructure (application and data bank server), network topology, security measures (firewall, intrusion detection). Regulatory and individual enhancements to various systems round off the services.

Between HR FORCE EDV-Beratung GmbH (HR FORCE) and Austrian Anadi Bank a service contract for the outsourcing of payroll accounting was concluded with effect from April 01, 2021. The main advantage of the cooperation with HR FORCE is that the payroll accounting is carried out by experts, so that a concentration on the essential core processes could be optimized and the payroll accounting can continue to be carried out via SAP ERP HCM.

A service agreement was concluded with VB Buchführung GmbH in 2021 for the collection of year-end data (balance sheet analysis).

25 Own capital funds

Own funds in accordance with CRR/CRD	31.12.2022	31.12.2021
Common equity tier 1 capital	**144,514,770.30**	**144,566**
Paid up capital instruments	30,000,000.00	30,000
Capital reserves	78,102,760.79	78,103
Other reserves	38,607,393.20	37,498
Value adjustments due to the requirements for prudent valuation (fair value)	1,371,269.55	19,396
of which 0,1 % deduction	-1,371.27	-19
Deduction other intangible assets	-1,196,199.23	-849
Deduction (backstop provisioning)	-997,813.19	-166
Tier 2 capital	**25,949,653.58**	**25,924**
Supplementary capital	26,104,806.80	26,105
Supplementary capital allowable	25,949,653.58	25,924
Own funds	**170,464,423.88**	**170,491**

Own funds requirement	**88,627,447.69**	**91,400**
Surplus of own funds	**81,836,976.19**	**79,090**
Coverage ratio	**192.34 %**	**186.53 %**

Own funds requirement	31.12.2022	31.12.2021
Risk-weighted assets credit risk	**1,011,577,102.04**	**1,039,269**
of which 8 % minimum capital requirement	80,926,168.16	83,141
Credit value adjustment	520,429.20	866
Own funds requirement operational risk	7,180,850.32	7,392
Total own funds requirement	**88,627,447.69**	**91,400**
Total risk exposure amount	**1,107,843,096.13**	**1,142,503**

Common equity tier 1 capital ratio	**13.04 %**	**12.65 %**
Tier 1 capital ratio	**13.04 %**	**12.65 %**
Total capital ratio	**15.39 %**	**14.92 %**

Reclassification of other reserves and additional paid-in capital in 2022, taking into account balance sheet consolidation.

26 Collaterals

In the context of business relationships with customers, different types of collateral are held. The collateral values refer to an internal calculation without regulatory deductions.

	31.12.2022	31.12.2021
Financial collateral	**33,117,641.09**	**41,521**
Cash deposits	26,259,113.19	31,641
Securities	6,858,527.90	9,880
Real estate collateral	**765,485,472.21**	**800,972**
Guarantees	**191,580,622.88**	**238,855**
Other collateral	**59,791,026.35**	**70,089**
Insurance	34,200,332.80	41,678
Movable property	5,616,661.81	7,325
Others	19,974,031.74	21,086
Total	**1,049,974,762.53**	**1,151,438**

Collateral received and collateral provided (collateral deals) under derivative transactions:

	31.12.2022	31.12.2021
Collateral received	7,160,000.00	5,320
Collateral provided	4,230,000.00	27,680

27 Trustee saving accounts

Liabilities to customers includes trustee saving accounts amounting to EUR 1,131,286.25 (31.12.2021: TEUR 1,356).

28 Foreign currency

The balance sheet contains the following foreign currency amounts:

	31.12.2022	31.12.2021
Assets	127,362,030.21	151,363
Liabilities	6,030,439.47	11,534

The main part of the difference amounting to EUR 121,026,128.92 (31.12.2021: TEUR 139,828) is hedged with swap agreements.

29 Mortgage bond activities pursuant to the Austrian Mortgage Bond Act (PfandBG)

	Securitised liabilities		Covering loans		Surplus/shortfall in cover	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Mortgage bonds A	65,000,000.00	95,000	388,653,717.83	366,155	323,653,717.83	271,155
Mortgage bonds B	25,286,523.53	31,004	30,848,494.45	35,983	5,561,970.92	4,979
Public sector mortgage bonds	324,869,893.88	406,244	352,390,820.86	444,564	27,520,926.98	38,320

Anadi Bank has deposited own not issued covered bonds (mortgage bonds) with the Austrian National Bank amounting to EUR 200,000,000.00 (31.12.2021: TEUR 220,000). This compares to mortgage collateral stock (covering loans) amounting to EUR 388,653,717.83 (31.12.2021: TEUR 366,155). As at 31.12.2022 refinancing in the full amount was used for this purpose.

30 Other information related to the balance sheet

In accordance with Section 64 (1) line 8 BWG, securities amounting to EUR 429,586,330.00 (31.12.2021: TEUR 426,553) and loans in the amount of EUR 216,099,594.59 (31.12.2021: TEUR 127,216) were pledged as collateral for liabilities to credit institutions amounting to EUR 360,000,000.00 (31.12.2021: TEUR 360,000) as well as for liabilities to customers amounting to EUR 1,131,286.25 (31.12.2021: TEUR 1,356).

As at 31.12.2022 the return on assets in accordance with Section 64 (19) BWG is 0.43 percent (31.12.2021: 0.04 percent).

31 Liability State of Carinthia

The statutory guarantee of the federal state of Carinthia for all commitments of Anadi Bank (and others) is a default guarantee pursuant to Section 1356 of the Austrian Civil Code (ABGB) and covers all commitments entered into prior to April 03, 2003, as well as all commitments created between April 03, 2003 and April 01, 2007 whose term does not extend beyond September 30, 2017. The federal state of Carinthia will not guarantee any commitments entered into after April 1, 2007. The terms of the guarantee are regulated by the Carinthian State Holding Law (K-LHG). As at 31.12.2022, the federal state of Carinthia still had guarantees for perpetual liabilities of Anadi Bank amounting to EUR 11,514,845.42 (31.12.2021: TEUR 13,735).

32 Deposit guarantee

In accordance with Section 8 (1) ESAEG, Anadi Bank, as a deposit-taking institution (CRR Institute) with its headquarters in Austria, is a member of the deposit guarantee scheme according to Section 1 (1) line 1 ESAEG. As of January 01, 2019, the task of the sectoral protection scheme was transferred to the uniform protection scheme Einlagensicherung Austria GmbH, which was set up by the WKO. The agendas of the protection schemes of the banking and bankers' associations and of Volksbanken were also taken over by the uniform protection scheme at that time. Each protection scheme has to set up a deposit guarantee fund consisting of available financial resources in the amount of at least 0.8 percent of the sum of the covered deposits of the member institutions as target funding. The contribution obligation is based on the amount of covered deposits on the basis of previously determined risk factors (so-called risk-based contribution calculation). As of January 01, 2019, Einlagensicherung Austria GmbH is also obliged to collect special contributions from its member institutions in the event of a guarantee claim - if the fund resources are not sufficient to cover the depositor claims. These special contributions may amount to a maximum of 0.5 percent of the respective covered deposits per year pursuant to section 22 (1) ESAEG. An annual contribution of EUR 687,718.94 (31.12.2021: TEUR 1,206) was payable for the entire 2022 fiscal year.

33 BaSAG - Resolution fund

In accordance with EU Directive 2014/59/EU, BaSAG established a framework for the recovery and resolution of credit institutions and investment firms in Austria.

To finance the statutory resolution funding mechanism, an ex-ante fund in the sense of Section 123 BaSAG was established through regular contributions in accordance with Section 125 BaSAG. The level of contributions, in accordance with Section 126 BaSAG, is in proportion to the amount of liabilities minus guaranteed deposits of the institution, compared to the aggregate liabilities less guaranteed deposits of all authorised institutions in Austria. These contributions are adapted according to the risk profile of the institution. In addition, the resolution authority, can if necessary, in accordance with Section 127 BaSAG, introduce extraordinary subsequent contribution requirements. The calculation of the amount of these extraordinary contributions follow the rules of the ordinary contributions (Section 126 BaSAG) and may not exceed three times the annual amount of the ordinary contributions. For the fiscal year 2022, Anadi Bank paid an annual contribution of EUR 970,579.57 (31.12.2021: TEUR 1,298). Irrevocable payment commitments were not used.

34 Consolidation

As at the balance sheet date, Anadi Bank holds 100 percent of the shares in PRO Trafik Service GmbH (affiliated company). Anadi Bank makes use of the size-dependent exemption from the preparation of consolidated financial statements pursuant to § 246 of the Austrian Commercial Code (UGB) and therefore does not prepare consolidated financial statements in accordance with the UGB. Pursuant to Section 30 (9a) BWG, a regulatory consolidation takes place, comprising Anadi Bank and its Singapore based parent company, Anadi Financial Holdings Pte. Ltd. Pursuant to Sections 59 and 59a of the BWG, Anadi Bank, as the superior credit institution of Anadi Financial Holdings Pte. Ltd., the financial holding group, prepares consolidated financial statements which include the financial holding.

35 Disclosure

In order to comply with the disclosure requirements according to Article 431 et seqq. of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment companies, and amending Regulation (EU) No. 648/2012, reference is made to the fact that the publication is available on the website of Anadi Bank (http://www.anadibank.com) in the section Investors / Annual Reports.

36 Auditing expenses

The expenses in respect of the company's auditor amounted to EUR 273,453.60 (31.12.2021: TEUR 481) as at the reporting date and comprise other auditing and consulting services in the amount of EUR 21,756.84 (31.12.2021: TEUR 31) and the audit of the annual financial statements in the amount of EUR 251,696.76 (31.12.2021: TEUR 449).

37 Employees

Average number of employees according to Section 239 UGB:

	31.12.2022	31.12.2021
Employees	221.52	231.09

Advances, loans and guarantees in respect of members of the management bodies

As at 31.12.2022, the members of the Management Board had received advances, loans or guarantees totalling EUR 60,436.70 (31.12.2021: TEUR 72) from Anadi Bank.

As at 31.12.2022, the members of the Supervisory Board received, either for themselves or on behalf of the companies for which they are personally liable, loans or guarantees totalling EUR 2,459,634.08 (31.12.2021: TEUR 11,587) from Anadi Bank.

There were no transactions with related parties that were not in line with market conditions pursuant to Section 28 of the Austrian Banking Act and Section 238 (1) no. 12.

Expenses for severance payments, pensions and anniversary bonus

The bank spent the following amounts for payments and provisions for severance pay and pensions in 2022:

	31.12.2022 Severance payments	31.12.2022 Pensions	31.12.2021 Severance payments	31.12.2021 Pensions
Management Board	17,879.37	163,257.17	17	152
Senior employees	117,800.21	123,744.56	16	85
Other employees	688,468.76	123,063.80	-140	264
Total	**824,148.34**	**410,065.53**	**-108**	**501**

In 2022 payments to the employee pension fund amounted to EUR 181,103.21 (31.12.2021: TEUR 174). As a result of the addition of the severance payment provision amounting to EUR 560,406.78 (31.12.2021: TEUR 417 release), the actual expense for severance charge in 2022 were EUR 824,148.34 (31.12.2021: TEUR 108 income). In the financial year, severance payments in the amount of EUR 82,638.35 (31.12.2021: TEUR 135) were continuously recorded against the allocated provisions.

In the 2022 financial year, payments of EUR 604,876.05 (31.12.2021: TEUR 615) were made to the pension fund. An amount of EUR 500,624.00 was released to the provision for pension obligations (31.12.2021: TEUR 535 released). In total, this results in the reported expenses for pensions of EUR 410,065.53 (31.12.2021: TEUR 501 expenses).

In the fiscal year, anniversary bonuses in the amount of EUR 31,677.48 (31.12.2021: TEUR 49) were recognised against the recognised provision on an ongoing basis.

The changes in the provision for severance payments are shown in the income statement item ee) expenses for severance payments and contributions to severance and retirement funds. The income statement item dd) expenses for pensions and assistance contains the changes in the pension provision. The changes in the provision for anniversary bonuses are recognised in the income statement item aa) wages and salaries. Breakdown of the compensation for members of the Management and Supervisory Boards:

	31.12.2022	31.12.2021
Management Board		
of which fixed	1,755,379.12	1,263
of which variable	542,812.50	820
Supervisory Board	365,000.00	337
Total	**2,663,191.62**	**2,420**

Members of the Management and Supervisory Boards who served during the year under review are detailed in Schedule 1 to these notes.

38 Allocation of the result

The result for the current financial year has already been allocated to retained earnings.

39 Events after the balance sheet date

There have been no other significant subsequent events, which could have led to a change in the presentation of the financial position and results of operation.

Klagenfurt am Wörthersee, as at February 17, 2023

THE MANAGEMENT BOARD

VDir. Dr. Christian Kubitschek

VDir. Dr. Ferdinand Wenzl, MBA

VDir. Alp Dalkilic, MBA

VDipl.-Betr.-Wirt Wolfgang Strobel

Schedule 1 to the notes - MANAGEMENT BODIES

Chairman of the Supervisory Board:
Srinivasan Sridhar, Mumbai

Deputy Chairman of the Supervisory Board:
Dr. Sanjeev Kanoria, London

Members of the Supervisory Board:
Ali Ijaz Ahmad, Singapur
Gerfried Peter Gross, Vienna

Delegated to the Supervisory Board by the Workers' Council:
MMag. Gabriele Oberlercher, Krumpendorf
Barbara Perchtold, St. Paul

State Commissioner:
Mag. Renate Platzer, BMF Vienna

Deputy State Commissioner:
Mag. Stefan Wieser, BMF Vienna

Trustee:
Mag. Natascha Nehammer, BMF Vienna

Deputy Trustee:
Ing. Mag. (FH) Jakob Köhler, BMF Vienna

Management Board:
Dr. Christian Kubitschek, Wien
Dr. Ferdinand Wenzl, MBA, Wien
Alp Dalkilic, MBA, Pörtschach
Dipl.-Betr.-Wirt Wolfgang Strobel (from 17.10.2022)

Schedule 2 to the notes – FIXED ASSETS MOVEMENT SCHEDULE

Fixed assets	Acquisition cost 01.01.2022	Addition 2022	Disposal 2022	Transfer 2022	Acquisition cost 31.12.2022
Pos. 2					
Treasury bills and similar securities					
Fixed-income securities	154,654,392.06	76,252,508.33	15,110,108.33	0.00	215,796,792.06
Pos. 4					
Loans and advances to customers					
Fixed-income securities	60,280,485.65	0.00	5,314,567.18	0.00	54,965,918.47
Pos. 5					
Debt securities including fixed-income securities issued					
Fixed-income securities	60,028,302.02	8,119,800.00	18,000,000.00	0.00	50,148,102.02
Pos. 6					
Participating interests	6,575,306.97	5,308,760.00	5,693,506.66	0.00	6,190,560.31
Pos. 7					
Shares in affiliated companies	0.00	601,600.00	0.00	0.00	601,600.00
Pos. 8					
Intangible fixed assets	3,947,165.21	666,557.87	233,854.43	0.00	4,379,868.65
Pos. 9					
Tangible fixed assets	24,832,203.20	813,777.24	1,828,279.21	0.00	23,817,701.23
Total	**310,317,855.11**	**91,763,003.44**	**46,180,315.81**	**0.00**	**355,900,542.74**

Cumulative depreciation 01.01.2022	Addition - depreciation 2022	Reversal of impairment 2022	Disposal 2022	Cumulative depreciation 31.12.2022	Carrying amount 31.12.2022	Carrying amount 31.12.2021
15,771,310.76	964,454.89	31,104.71	0.00	16,704,660.94	199,092,131.12	138,883,081.30
0.00	0.00	0.00	0.00	0.00	54,965,918.47	60,280,485.65
11,368,709.26	65,406.22	37,546.99	0.00	11,396,568.49	38,751,533.53	48,659,592.76
3,423,506.66	0.00	3,038,760.00	384,746.66	0.00	6,190,560.31	3,151,800.31
0.00	0.00	0.00	0.00	0.00	601,600.00	0.00
3,097,967.73	319,556.12	0.00	233,854.43	3,183,669.42	1,196,199.23	849,197.48
10,374,625.24	892,260.36	0.00	1,420,876.98	9,846,008.62	13,971,692.61	14,457,577.96
44,036,119.65	**2,241,677.59**	**3,107,411.70**	**2,039,478.07**	**41,130,907.47**	**314,769,635.27**	**266,281,735.46**

AUDITOR'S REPORT

REPORT ON THE FINANCIAL STATEMENTS

Audit Opinion

We have audited the financial statements of Austrian Anadi Bank AG, Klagenfurt. These financial statements comprise the statement of financial position as of December 31, 2022, the income statement for the fiscal year then ended and the notes.

Based on our audit the accompanying financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Company as of December 31, 2022 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and regulations stipulated in banking law.

Basis for opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following „EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISAs). Our responsibilities under those regulations and standards are further described in the „Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Key audit matters

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

Recoverability of receivables from customers

Credit risk is the most significant risk for Austrian Anadi Bank AG and is reflected in the item receivables from customers. These amount to EUR 1,908 million as at the reporting date of 31 December 2022 (i.e. around 77.0% of the balance sheet total). The procedure for the assessment of risk provisions is explained in the notes in the chapter on accounting and valuation methods. In addition, the Management Board explains the development of risk provisions under item 7 „Disclosure on risk provisions". The management report contains a risk report in chapter 2.2.7 „Credit risk".

Facts and reference to further information

Receivables from customers are recognized at their nominal value.

For defaulted loans, individual value adjustments are made at the individual transaction level from a significant exposure in the case of indications of creditworthiness risks in the amount of the expected loss.

For defaulted, individually non-significant customers, the calculation of the individual value adjustment is parameter-based, taking into account collateral provided and loss ratios.

In addition, a rating-based portfolio allowance for customers is taken into account for non-defaulted loans, whereby both regulatory and internally determined parameters are used for the calculation.

In order to take into account the effects of the general current economic situation concerning inflation, rising energy costs and interest rates, an additional general allowance is recognized, taking into account external economic forecasts.

The risk to the financial statements arises from the fact that the calculation of risk provisions is to a significant extent based on estimates and assumptions.

Auditing procedure

We performed a walk-through of the lending and decision-making process, the monitoring process and the provisioning process for retail and corporate clients. We tested selected key controls for their design and implementation as well as their effectiveness on a sample basis.

We have carried out an analysis of the loan portfolio with regard to anomalies. Based on this analysis, a risk-oriented selection of a sample was made for both the NPL portfolio as well as the performing portfolio. In the course of the selection regarding NPL, factors such as rating level or default status, amount of outstanding exposure and experience with certain borrowers gained from the previous year were taken into account. For the selected sample in the performing portfolio, we examined whether indicators for defaults exist. We verified the existence and recoverability of collateral by means of corresponding evidence (extract from the land register, valuation report, guarantee declaration, pledge declarations, etc.).

For loans that have already defaulted, we examined the Bank's calculated risk provisioning with regard to arithmetical correctness as well as conclusiveness and consistency. In doing so, we examined the current situation of the loan relationship, the borrower and the approaches for the valuation of collateral. In addition, we tested whether the criteria for recognizing interest receivables for defaulted loans on a sample basis are fulfilled.

We have mathematically reconstructed the portfolio allowance. With regard to the input parameters, we reconciled the measurement basis used for completeness and analyzed the parameters and models applied. For this purpose, we checked the appropriateness of the applied rating on a sample basis.

On the basis of actual defaults in the past, a plausibility check of the amount of the portfolio allowance was performed.

We also assessed whether macroeconomic conditions (inflation, rise in interest rates) were taken into account when establishing allowances accordingly.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the management report and the auditor's report thereon. The annual report is estimated to be provided to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether – based on our knowledge obtained in the audit – the other information is materially inconsistent with the financial statements or otherwise appears to be materially misstated.

Responsibilities of management and of the audit committee for the financial statements

Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and regulations stipulated in banking law, for them to present a true and fair view of the assets, the financial position and the financial performance of the Company and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

SONSTIGE GESETZLICHE UND ANDERE RECHTLICHEN ANFORDERUNGEN

Pursuant to Austrian Generally Accepted Accounting Principles, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles and regulations stipulated in banking law.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the valid legal requirements and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the thus obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Additional information in accordance with Article 10 of the EU Regulation

We were elected as bank auditor by the extraordinary general meeting on December 9, 2021. We were appointed by the Supervisory Board on December 9, 2021. We are bank auditors since 2021 without cease.

We confirm that the audit opinion in the section „Report on the financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

We provided no services, in addition to the statutory audit, to the audited company and its controlled undertakings, which have not been disclosed in the financial statements or in the management report.

RESPONSIBLE AUSTRIAN CERTIFIED PUBLIC ACCOUNTANT

The engagement partner is Mr. Mag. Bernd Spohn, Certified Public Accountant.

Vienna, February 17, 2023

BDO Assurance GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
(as universal successor to BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft)

Mag. Bernd Spohn
Wirtschaftsprüfer

Mag. Josef Schima
Wirtschaftsprüfer

We draw attention to the fact that the English translation of this long-form audit report according to Section 273 of the Austrian Company Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

PUBLISHING INFORMATION

Responsible for the content of this report:

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Forward looking statements and forecasts are based on information and data available at the time of finalising the financial statements (17.02.2023). Changes after this date may influence the facts and forecasts given in the Annual Report. The information presented in this report and the data contained therein has been compiled and checked with the greatest possible degree of care and circumspection. However, errors arising from rounding, transmission, typesetting or printing cannot be ruled out.

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