Anadi Bank

READY FOR TAKE OFF

FULLY FUELED ON THE WAY TO THE DIGITAL BANK

Management Report
2023

AUSTRIAN ANADI BANK AG KEY FIGURES

in EUR m	2023	2022
Total assets	2,454	2,488
Primary funds	1,946	1,895
Customer assets	1,875	1,909
Total shareholder equity	158	158
Net interest income	48	25
Operating income	**62**	**44**
Operating expenses	–53	–42
Operating result	**9**	**2**
Profit or loss for the year after tax	**1**	**11**
Cost-income-ratio	85.9%	96.3%
Net interest margin	2.0%	0.9%
Return on equity before tax (RoE)	1.7%	4.8%
Total capital ratio	15.7%	16.0%
Total number of employees headcount (excluding employees on maternity leave)	254	250

MANAGEMENT REPORT 2023

VDir. Dr. Christian Kubitschek

VDir. Dr. Ferdinand Wenzl, MBA

LETTER FROM THE MANAGEMENT BOARD

Klagenfurt, 22. Februar 2024

Ladies and Gentlemen,

Unfortunately, the world cannot rest and is therefore constantly presenting new challenges, not least for the European economy. The ongoing war in Ukraine, the sanctions against Russia, the escalating conflict in the Middle East and high price increases, particularly for energy, continued to cause uncertainty and dampen growth in 2023.

The Austrian economy was still in a slight recession towards the end of 2023. Negative real economic growth of 0.7% is expected for 2023. The decline in private consumption and investment, with the residential construction sector in particular slumping, as well as high energy prices were among the reasons for the significant economic slowdown. Against the backdrop of inflation that has since spiraled out of control, the European Central Bank implemented further interest rate hikes in 2023 after initiating a turnaround in interest rates in 2022. Although this dampened inflation, it exacerbated the situation on the property market. A further change in monetary policy is not expected before the second half of 2024.

Despite this extremely difficult environment, Anadi Bank is fully on track with the implementation of its Strategy 3.0 and can look back on another successful year in 2023. Our bank remains on a steep growth path and is pressing ahead with its digital investments. A significant milestone was reached with the successful signing of the „Quadriga" project in December 2023, which will see the branch business and significant parts of the SME business in Carinthia transferred to the GRAWE Banking Group in September 2024. The Federal Competition Authority has already approved the transaction and preparations are underway for the closing, including regulatory approval, in September 2024.

High income from the banking business again in 2023

In the operating banking business, income bubbled up again in the previous year: in 2023, we achieved a doubling of net interest income and thus one of the highest figures in Anadi's history (2023: EUR 48.4 million; 2022: EUR 24.8 million). The operating result of EUR 8.7 million (2022: EUR 1.6 million) also increased significantly. Transaction-related special effects and costs that will materialise in 2024 were already accrued in 2023, but our bank still achieved a positive profit after tax of EUR 0.8 million in the past year.

Excluding the transaction-related special effects and costs, the operating result totalled EUR 20.6 million and profit after tax EUR 9.8 million. This reflects our operational strength in the past year, with all business divisions contributing to this performance.

FURTHER
EXPANSION
AS A HIGHLY
CAPITALISED
FULL-SERVICE
BANK.

Anadi Bank served almost 57,000 customers across the four business areas and realised more than EUR 200 million in new business volume in 2023. The number of our employees on a full-time equivalent (FTE) basis remained almost constant compared to the previous year at 231. Around 70 FTEs will be transferred to the GRAWE Banking Group as part of the Quadriga transaction in September 2024.

THIS WILL MAKE ANADI BANK ONE OF THE BEST-CAPITALISED BANKS IN AUSTRIA AND THE ENTIRE DACH REGION AND PUT IT IN AN EXCELLENT POSITION FOR FURTHER EXPANSION AS PART OF STRATEGY 3.0.

Total assets of EUR 2.5 billion, high capital ratios

Total assets in 2023 still include the business areas to be transferred to the GRAWE Banking Group and therefore amount to around EUR 2.5 billion. Once the spin-off of the branch business and the majority of the SME business in Carinthia has taken legal effect, we expect total assets to fall to around EUR 1.6 billion. Anadi Bank will then focus on the Digital Banking and Public Finance business areas, both of which will continue to be managed from our headquarters in Klagenfurt, as well as on the corporate business, which will be managed from our Vienna office.

With a total capital ratio of 15.8% (including profit retention) as of 31 December 2023, our bank was once again comfortably above the regulatory requirements (31 December 2022: 16.0%). The additional capital released and generated by the spin-off is expected to increase this ratio to around 25%, which already considers additional growth planned for 2024 in the three remaining business areas of Digital Banking, Corporate and Public Finance. This will make Anadi Bank one of the best-capitalised banks in Austria and the entire DACH region and put it in an excellent position for further expansion as part of Strategy 3.0.

Strong performance by Corporate Banking and Public Finance

Our bank also recorded strong earnings again in the Corporate Banking and Public Finance business areas in 2023. We are the principal bank for many municipalities and public sector institutions. With our experience in residential construction financing and in granting Carinthian housing subsidy loans, we are a proven and stable partner. Our bank is a reliable partner for small and medium-sized enterprises thanks to our fastdecision-making processes and financial products tailored to the needs of our customers. In Corporate

Banking and Public Finance, Anadi Bank continues to stand for reliability and handshake quality, which is also illustrated by the allocation of responsibilities: Both areas are in the CEO's area and customers are personally supported by the CEO, together with our excellent relationship managers, in a trustworthy manner and via short decision-making channels.

High digital credit growth with digital refinancing

In the Digital Banking division, we once again recorded strong growth in both loans and deposits in 2023. Our digital DNA was once again clearly visible. The strong loan growth, which is underpinned by digital deposits, shows how solid our digital business model is. Thanks to our full banking licence, our customer base in corporate and public finance and strategic investments in the digital sector, we will continue to see profitable growth in the long term from a strong capital position.

After digital growth was initiated with Strategy 1.0 in 2020, we placed an even stronger focus on customer and market orientation in the digital age with Business Strategy 2.0 and launched an extensive investment and modernisation offensive. As part of the current Strategy 3.0, we are working flat out on further digital expansion in Austria and Germany.

One of the key success factors here is tablet-based banking, which is currently being marketed under the brands „MARIE" (cooperation with tobacco shops) and „Anadi Connect" (cooperation with financial service providers). More than 650 Austrian financial service providers already offer their customers banking services directly on site via Anadi Connect. The successful model will be launched on the German market in 2024, and further expansion into selected regions of the eurozone is also planned in the coming years, but not before 2025. The innovative business model, attractive services and high scalability with purely variable costs make Anadi Connect an attractive growth driver within Anadi Bank's digital strategy.

WE ALSO HAVE EXPERTISE IN LENDING, RISK MANAGEMENT AND EFFICIENT BANKING PROCESSES. WITH THIS POWERFUL COMBINATION, WE WILL CONTINUE TO WRITE OUR SUCCESS STORY FROM CARINTHIA.

Further expansion as a highly capitalised full-service bank

Thanks to our growth, we are planning further new hires at the Klagenfurt site. Cooperations such as the research cooperation with the University of Klagenfurt strengthen our network and our attractiveness as an employer in the region. As a highly capitalised full-service bank, we are continuing to expand our digital business – in Austria and beyond. We have digital expertise, speed of decision-making and a spirit of innovation.

We also have expertise in lending, risk management and efficient banking processes. With this powerful combination, we will continue to write our success story from Carinthia.

THE MANAGEMENT BOARD

VDir. Dr. Christian Kubitschek

VDir. Dr. Ferdinand Wenzl, MBA

WE HAVE DIGITAL EXPERTISE, SPEED OF DECISION-MAKING AND A SPIRIT OF INNOVATION.

MANAGEMENT REPORT 2023

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

Anadi Bank is focusing on the main growth area of digital banking and the Public Finance business segment. The bank is therefore consistently and vigorously expanding its digital offering. In the Austrian market, the bank has already successfully placed the digital consumer loan and tablet-based banking, which is offered under the brands „MARIE" (cooperation with tobacco stores) and „Anadi Connect" (cooperation with financial service providers). Since entering the German market in 2021 with its digital SME working capital loan, Anadi Bank has already gained extensive experience, which it intends to use for further expansion in the digital SME lending sector in the coming years. As the principal bank of many municipalities and public sector institutions, the bank leverages the advantages of long-standing relationships of trust, high innovative strength, digital expertise and lean structures.

With 120 years of experience in housing finance, the bank is a reliable partner in all financing matters. As a partner of the state of Carinthia, the bank has been managing the granting of Carinthian housing subsidy loans for more than 60 years.

1.1 Macroeconomic environment

The domestic economy is still in a slight recession towards the end of 2023. For 2023 as a whole, both the OeNB and IHS Vienna are forecasting negative real economic growth of 0.7%. The main reasons for this are the decline in private consumption and investments (e.g. residential construction) due to increased financing costs, high energy prices and subdued expectations.

The Austrian economy should return to modest but stable growth from 2024. IHS Vienna expects economic growth of 0.8% and 1.5% for 2024 and 2025 respectively.

As a result of the out-of-control inflation in both Europe and the USA in previous years, the US Federal Reserve System (Fed) and the European Central Bank (ECB) have introduced further interest rate hikes in 2023 after initiating a turnaround in interest rates in 2022. After ten increases in a row, the ECB's key interest rate (main refinancing rate) has been at 4.50% since September 2023, which has led to a dampening of inflation. However, the strong tightening of monetary policy in some countries has further exacerbated the situation on the real estate market. A further change in monetary policy is not expected before the second half of 2024.

Starting from 8.8% in 2022, the inflation rate in Austria is expected to fall to 7.8% in 2023, mainly due to energy costs. In all other components (food, industrial goods and services), the inflation rate in 2023 will be higher than in the previous year. However, a decline can already be observed here over the course of the year, which will continue in subsequent years. Slight inflationary effects are expected from 2024 due to the expiry of the Austrian federal government's anti-inflationary measures.

However, the 7.8% for 2023 is well above the EU average. This is primarily due to the delayed passing on of falling energy prices and the sharp rise in prices for services and food. Inflation is expected to fall to around 4.0% and 3.0% in 2024 and 2025 respectively due to the absence of price pressure from energy.

As a result of the recession, the situation on the Austrian labor market has also deteriorated compared to the previous year. The unemployment rate according to the AMS definition rose from 6.3% to 6.5% in 2023 (from 4.8% to 5.3% according to the Eurostat definition) and is also expected to rise further in 2024 (AMS definition: 6.8%, Eurostat: 5.5%). However, it should fall again in the following two years due to the increase in economic growth. This means that the unemployment rate will remain at a comparatively low level in the coming years despite the subdued economy.

In 2022, real private consumption in Austria benefited particularly strongly from the lifting of the coronavirus protection measures with an increase of around 5.8%. Real household income increased by 3.1% in the same period.

However, persistently high inflation and increased uncertainty as a result of the geopolitical crises (war in Ukraine, Middle East conflict) led to a decline in real consumption over the course of 2023. This results in a value of -0.4% for 2023 as a whole, and as real disposable household income will also fall by 2.8%, the decline in real private consumption can only be financed by a falling savings rate of 6.4% (2022: 9.0%).

However, the significant reduction in the savings rate will enable a strong increase in consumption. High wage settlements, the abolition of cold progression, delayed inflation compensation for state transfers (especially pensions) and the forecast fall in the inflation rate should allow real private consumption to increase in the coming year. Full-year growth of 1.5% is expected in 2024 and private consumption will once again make a significant contribution to GDP growth in subsequent years. At the same time, the savings rate is also expected to rise again.

1.2 Business performance

The 2023 financial year was largely characterized by the roll-out of Strategy 3.0. This includes the launch of the digital banking strategy, sales partnerships for our digital products and the further expansion of tablet-based banking under the Anadi Connect brand. In parallel to the ongoing business, the bank pressed ahead with the process of transferring the traditional banking business. The agreement with the acquirer was signed in December 2023. The transfer of the business will be completed by September 2024.

Due to the geopolitical situation (Ukraine, Israel) and the resulting effects, such as high inflation rates and monetary policy changes with an impact on the real estate market, risk management was again faced with particular challenges in 2023. The NPL ratio rose to 4.1% (31.12.2022: 2.8%) due to the challenges of the current economic environment. Anadi Bank's liquidity and capital resources remained at a risk-adequate level.

The ECB continued to respond to rising inflation with several interest rate hikes as part of its interest rate policy in 2023. This had a positive effect on Anadi Bank's net interest income, as most of Anadi Bank's customer loans are subject to variable interest rates. However, as part of the customer relationship, more and more variable loans in the retail segment were converted to fixed interest rates. The conditions in the deposit area were steadily increased.

Following an extremely positive result in the previous year, Anadi Bank also achieved a positive result after tax in the 2023 financial year. The focus was on the consistent implementation of the digital business strategy, with which the bank combines its FinTech DNA with its expertise as a full-service bank. At the same time, the necessary preparations were made 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 managed in a selective market development approach. In 2023, an agreement was signed with the GRAWE Banking Group to sell the traditional branch business in Carinthia, including selected customers.

The common equity tier 1 ratio was kept at 13.4% without an external capital injection nearly stable (31.12.2022: 13.7%). The total capital ratio amounts to 15.7% (31.12.2022: 16.0%). All key figures therefore continue to exceed the statutory requirements.

1.2.1 Income statement

Anadi Bank's net profit for the 2023 financial year amounts to EUR 0.8 million (2022: EUR 10.7 million) including the negative cost effects resulting from the sale of the traditional banking business.

At EUR 48.4 million, net interest income was well above the previous year's figure (2022: EUR 24.8 million). The bank's positioning with a large proportion of variable-rate lending business had a particularly positive effect here. Interest income increased significantly as a result of the rise in EURIBOR. As the margins on the liabilities side had already been reduced during the period of low interest rates, the EURIBOR increase also had less of an impact here, which led to an overall improvement in the bank's net interest income. Net interest income was negatively impacted by lower new lending. On the one hand, the requirements of the KIM-VO reduced new business, particularly in the mortgage sector, but also the slowdown in economic growth and possible uncertainties for customers from the planned spin-off of part of the business The bank has been growing continuously in the online segment since 2020 and was able to further increase its consumer loan portfolio in 2023. The net interest margin (ratio of net interest income to average total assets) is 1.97% (2022: 0.94%).

Income from securities and investments increased by 57.80% and amounts to EUR 0.08 million for the financial year 2023 (2022: EUR 0.0 million).

Net commission income, as the balance between commission income and commission expenses, amounts to EUR 11.6 million (2022: EUR 11.9 million). Due to lower new business, income from fees continued to decline.

Other operating income amounts to EUR 1.5 million (2022: EUR 6.6 million). This item includes income of EUR 0.7 million (2022: EUR 5.4 million) from the premature closing of interest rate swaps. Income from the reversal of provisions is also recognized here.

The efficiency enhancement measures and process optimizations pursued in previous years and in 2023 also helped to keep costs at a low level in 2023. Administrative expenses excluding costs in connection with the planned sale of the traditional banking business amounted to EUR 39.8 million (2022: EUR 38.1 million). Including the costs in connection with the planned sale, administrative expenses amount to EUR 50.0 million.

Amortization of intangible assets and depreciation of property, plant and equipment increased further to EUR 1.3million (2022: EUR 1.2 million) compared to the previous year due to investments in the digital platform and services of Accenture TiGital GmbH.

Other operating expenses amounted to EUR 1.8 million for the 2023 financial year (2022: EUR 0.2 million). This includes EUR 1.7 million in Quadriga-induced costs.

The operating result for the 2023 financial year amounted to EUR 8.7 million (2022: EUR 1.6 million), which represents a significant increase.

The balance of expenses and income from the sale and valuation of receivables and securities held as current assets amounted to EUR -6.1 million in the current financial year (2022: EUR 2.9 million). In principle, this includes risk provisions of EUR -6.1 million (2022: EUR -2.0 million). In the previous year, a general loan loss provision of EUR 0.6 million was recognized, which has now been reversed.

The total value of the item balance of expenses and income from the sale and valuation of securities, valued as financial assets, amounted to EUR 0.0 million as at December 31, 2023 (2022: EUR 3.0 million). In the course of the merger of BWA Beteiligungs- und Verw.AG with Bausparkasse Wüstenrot Aktiengesellschaft in the previous year, it was determined that the original reasons for the write-down no longer applied and therefore a write-up of EUR 3.0 million was carried out in the previous year on the pro rata company value in accordance with the requirement to reinstate original values. 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 in the amount of the value transferred. As Bausparkasse Wüstenrot Aktiengesellschaft continues to retain earnings, there were no signs of a possible impairment in the 2023 financial year.

Due to the sufficiently available profitable earnings history of Anadi Bank and the planning, which includes the spin-off of a part of the bank and the future prospects of success, Anadi Bank made use of the option to recognize deferred tax assets from loss carryforwards in the previous year (2022: EUR 4.2 million). In 2023, EUR 1.2 million was utilized.

At EUR 2.6 million, the profit from ordinary activities is below the profit of the comparable period of EUR 7.6 million.

The bank tax, which is shown in the position other taxes, amounted to EUR 0.3 million (2022: EUR 0.3 million).

1.2.2 Balance sheet

Anadi Bank's total assets amounted to EUR 2,454 million as at December 31, 2023 (December 31, 2023: EUR 2,488 million). The decrease of EUR -34 million is due to lower customer loans of EUR -34 million and repayment of a tranche of the TLTRO (EUR 100 million).

The decline in loans and advances to customers, which amounted to EUR EUR 1,875 million as at the balance sheet date (December 31, 2022: EUR 1,909 million), is attributable to the effects of the KIM Regulation in the Retail segment. 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 27 million as of the balance sheet date (December 31, 2022: EUR 22 million).

Investments in digitalization and investments for services provided by Accenture TiGital GmbH increased intangible assets to EUR 1.6 million (31.12.2022: EUR 1.2 million).

Property, plant and equipment amounted to EUR 13.5 million at the end of the year (31.12.2022: EUR 14.0 million).

Liabilities to banks amounted to EUR 273 million as at the reporting date (31.12.2022: EUR 377 million). A tranche of the TLTRO in the amount of EUR 100 million was repaid in 2023. There was an increase in liabilities to customers to EUR 1,515 million (31.12.2022: EUR 1,437 million).

The carrying amount of the investments as at December 31, 2023 is EUR 6.2 million (31.12.2022: EUR 6.2 million).

Higher provisions had to be recognized due to the spin-off of a business unit. Provisions increased to EUR 22 million (31.12.2022: EUR 14 million).

1.3 Report on branch offices

Anadi Bank does not have any branch offices.

1.4 Financial performance indicators

Figures	2023	2022	2021
Return on Equity vor Steuern (RoE)	1.7%	4.8%	7.3%
Return on Assets vor Steuern (RoA)	0.1%	0.3%	0.1%
Cost-Income-Ratio	85.9%	96.3 %	95.9%
Loan/Deposit Ratio	96.4%	100.7%	94.4%
Total capital ratio	15.7%	16.0%	14.9%

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 176.0 million as of December 31, 2023 (December 31, 2021: EUR 176.9 million). The statutory level of own funds was EUR 89.7 million (December 31, 2022: EUR 88.3 million), resulting in a surplus of EUR 86.3million (December 31, 2022: EUR 88.7 million) and a coverage ratio of 196.2% (2022: 200.4%).

As of December 31, 2023, the common equity tier 1 ratio was 13.4% (December 31, 2022: 13.7%) in line with CRR/CRD requirements. The total capital ratio was 15.7% (December 31, 2022: 16.0%).

The capital ratios thus remain solidly above the statutory minimums.

1.5 Non-financial performance indicators

Employees

As at December 31, 2023, Anadi Bank had 254 employees (2022: 250 employees) or 227 full-time equivalents (FTE) (2022: 222 FTE) at 12 locations (2022: 13 locations) throughout Austria.

The bank offers its employees a variety of variable part-time models, of which 75 employees made use as at December 31, 2023 (2022: 75 employees). 54% of employees are women (2022: 53%). The number of employees does not include employees on maternity leave.

Anadi Bank has been committed to apprentice training for years. As of December 31, 2023, the bank is training four apprentices in the banking profession. Anadi Bank is thus sending a clear signal that it will invest in the future, particularly in young talent. In the 2023 financial year, the focus remained on promoting digitalization. This is particularly evident in our sales 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 health care. In order to promote our employees, the focus is also increasingly on digital knowledge and skills in further training, which is also a particular concern of the Management 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 the excellent level of training of its employees and contributes to Anadi Bank's attractiveness as a modern and innovative employer.

The topic of diversity is firmly integrated into our HR and management policy and is given high priority by top management.

Customers

Anadi Bank supports its approximately 57,000 customers (31.12.2022: approx. 56,000) 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.

Anadi Bank is focusing on its digital business. On the one hand, the „classic" digital business in Austria is offered via web and app-based solutions, while innovative new approaches are being pursued on the other. The tablet-based banking sales model is a digital and mobile platform for financial service providers. Customers can open current accounts or take out consumer loans with fixed or variable interest rates – all on a tablet, quickly and easily. Anadi Connect 2023 has been continuously developed to better meet the needs of customers. These optimizations led to increased user-friendliness and gave a further boost to demand from financial service providers and customers. Key elements were the increase in the upper credit limit, a debt rescheduling function, the fully digital online account view and the expansion of personal support. This innovation process will continue in 2024. A number of innovations are planned both on the customer side and for sales partners to take the customer experience and end-to-end processes to a new level.

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 Corporate Banking segment, Anadi Bank has adapted its business strategy to the market environment and, for the time being, finances new business primarily with existing customers and, in the case of new customers, prefers corporate transactions rather than real estate business. Tailor-made solutions are being developed with a focus on medium-sized companies in Austria and Germany, with time deposits increasingly being offered. With its 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 repeatedly made a decisive contribution to the good result.

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 and social responsibility

A large number of sustainability issues are integrally anchored in the management of Anadi Bank. Our CSR criteria are applied when granting loans and other banking products. In product design, sales and the handling of workout cases, we pay attention to social, health policy and environmental factors. We have also set up our own sustainability project team. We also attach great importance to environmentally friendly and energy-saving solutions in the redesign of our facility management and the completed modernization offensive in the branch network (Scope 1 GHG emissions).

Anadi Bank is constantly working to reduce its CO2 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 printouts. We provide employees with an electric car. We have also launched a photovoltaic campaign to supply our properties with as much green electricity from solar energy as possible for our own use. In this challenging winter in particular, we have taken special care to use energy carefully when heating our own properties. As part of the „Making a ‚big, green' difference together" initiative, employees are trained on sustainability issues and given 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 solidary and sustainable economy in the region. With our „Anadi hilft" project, we are responding to the challenging times and providing targeted support for social projects in Carinthia with the following focal points:

- Poverty alleviation
- Active inclusion
- Environment and nature conservation

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

Anadi Bank also takes a responsible approach to education and promotion.

In fall 2023, Anadi Bank launched a strategic cooperation „Entrepreneurship meets Science" with the University of Klagenfurt.

This cooperation aims to combine the strengths of business and academia by promoting young talent within the framework of a collaboration and driving forward the development of promising topics such as digitalization and AI.

The central concern here is the targeted promotion of outstanding students. The aim is to recognize excellent academic work and at the same time support the professional development of students. Students should gain greater insight into everyday working life, gain practical experience and further develop their skills based on specific problems.

Anadi Bank is working on the future field of artificial intelligence in its internal Digital Banking division, in which around 40% of the workforce (excluding branches) already work. The topics of AI and digitalization are also the focus of the cooperation with the University of Klagenfurt.

The cooperation is based on various „pillars".

<u>Support for master's theses</u>
As part of the cooperation, Anadi Bank – in close coordination with the institutes at the University of Klagenfurt – is developing specific topics that students can address as part of their Master's thesis. Master's theses that deal with these research questions receive a grant of € 1,000 from Anadi Bank. The aim is to promote the progress of research in the banking and digital sector at an academic level and also to arouse students' interest in the selected issues.

<u>Klagenfurt Scholarship</u>
In addition, Master's students have the opportunity to receive a monthly grant of EUR 300, provided by the City of Klagenfurt and Anadi Bank.

As part of the Klagenfurt Scholarship, Anadi Bank will network individually and personally with scholarship holders at various events such as fireside chats, business talks, scholarship celebrations, etc.

<u>Building a bridge between theory and practice: Job shadowing and interactive talent program</u>
The package of measures also aims to increase the practical relevance of the degree program. One measure, for example, is „job shadowing": Anadi Bank employees who are graduates of the University of Klagenfurt introduce students to their jobs and thus offer exclusive insights into practice. In addition, Anadi Bank is a participant in a

voluntary course – the Interactive Talent Program – in which students can work on real projects in close cooperation with Anadi Bank. This is not only an opportunity for students to gain a practical insight into working life, but also allows Anadi Bank to get to know young talents in a working environment and benefit from the perspective of this generation.

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

2.1 Future development of the company

Economic environment

Despite the expected slight contraction in economic output in 2023, the Austrian economy should return to modest but stable growth in 2024 and 2025 with growth rates of 0.8% and 1.5% respectively. Based on the generally forecast economic development, no significant changes in the unemployment rate are expected. Following the end of the ECB's rate hike cycle in mid-2023, there was a decline in inflation rates, which is expected to continue in 2024 and 2025 at 4.0% and 3.0% respectively for Austria. The ECB is already expected to cut interest rates in 2024 so as not to unduly burden economic development. However, these expectations are subject to uncertainty due to the ongoing geopolitical tensions.

Future development of the company

Following the completed transformation of recent years, the Bank's strategic focus in the coming financial years will be on efficient growth as part of the new digital business strategy. The basis for the growth initiatives are the positive effects from the strategic optimization of the business model. These positive effects include, in particular, investments in the digitalization offensive, efficiency enhancement measures and the capital freed up by the spin-off of the branch network and a large part of the SME business by September 2024. The Bank's declared aim will continue to be to drive forward the optimization of the business portfolio in terms of the efficient use of capital. High-margin areas will continue to be the focus of growth.

The scalability of the digital business area will lead to sustainable cost advantages with diversified credit risks. Anadi Bank will continue to establish itself in the digital financial sector from Carinthia, focusing on retail and SME customers in Germanspeaking markets. This will be done both via the bank's own platform and in cooperation with sales and product partners. The bank's internal digital division serves as a driver of success and enables Anadi Bank to combine maximum innovative strength and decision-making speed with the capabilities 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 services where customers' needs arise. All processes are to be designed in such a way that customers and partners have simple and uncomplicated access to the best products and banking services on the market.

There is great market potential for Anadi Bank's digital business: the management, Supervisory Board and owners therefore agreed last year to hand over the branch and SME business to new hands and fully align Anadi Bank with the digital business strategy. This milestone has been reached with the signing of an agreement at the end of 2023 to transfer the branch network and the majority of the SME business to Bank Burgenland of the GRAWE Banking Group. Closing is planned by September 2024. Following the transfer of the traditional banking business, Anadi Bank will become a pure digital bank and establish itself as a highly capitalized, innovative and scalable digital bank in the German-speaking region.

Profitable investments, strict risk and cost control, high efficiency as well as forward-looking business management and the successful launch of Strategy 3.0 have led to a sustainably higher profit situation at Anadi Bank. Strategy

3.0 focuses on digital expansion in the coming years. The bank will continue to drive forward the digital banking strategy finalized in the fourth quarter of 2022 and rolled out in 2023. The digital roadmap derived from this envisages further high investments in digital banking, which can be implemented quickly thanks to the excellent profit and capital situation. Strategy 3.0 is geared towards 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 believes that the key to sustained successful development lies in the consistent continuation of the digital business strategy that has already been initiated. On the one hand, the focus is on systematically expanding and scaling the digital business models that have already been successfully implemented. These include the highly automated digital SME lending business in Germany, the digital consumer lending business in Austria and the tablet-based mobile sales partnerships with Austria's financial service providers under the „Anadi Connect" brand and with Austria's tobacconists under the „MARIE" brand. On the other hand, we also need to tap into new digital markets and innovative business models quickly and successfully. Last year, we launched a strategic partnership with the Frankfurt-based fintech CAPTIQ, which gave German chamber consultants access to state-of-the-art SME loans from Anadi Bank. In 2024, the focus will be on rolling out „Anadi Connect" on the German market.

Anadi Bank will continue to closely monitor developments in the economic environment and make targeted use of its competitive advantages as a „full-service bank with FinTech DNA", which it has at its disposal as an agile bank with a strong implementation capability, 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 the competition 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 operational and strategic level by the Chief Risk Officer (CRO).

Due to the armed conflicts and the associated energy crisis, rising inflation rates and the tightening of monetary policy, risk management continued to face particular challenges in 2023. To date, no significantly higher number of defaults has been recorded due to the effects of the current economic environment. Anadi Bank's customer advisors are in close contact with their customers to ensure that a possible change in creditworthiness can be identified. The ratings have been adapted to the economic environment and reflect the crisis environment while maintaining the principle of prudence.

As in previous years, risk management focused in particular on safeguarding operating activities and the fulfillment of banking activities.

WIFO and OeNB publications from December 2023 (see appendix) were used to analyze the economic environment and forecasts for the coming years. In contrast to 2023 (reduction in GDP of 0.8% and 0.7% respectively), these show low GDP growth of 0.9% and 0.6% for 2024. In addition, inflation is expected to fall significantly (from 7.7% and 7.9% in 2023 to 4.0% in 2024). The unemployment rate is also expected to remain robust in subsequent years (6.4% and 6.8% in 2024). Due to the decline in inflation that has already occurred and is expected to continue, the WIFO assumes that key interest rates have already peaked.

Due to the economic environment, the fact that this had not yet been taken into account in the ratings and the principle of prudence, an additional general loan loss provision of EUR 600 thousand was recognized in the 2022 annual financial statements. In the meantime, the ratings have been adjusted accordingly to the economic environment and reflect the crisis environment while maintaining the principle of prudence. The rating migrations carried out at Anadi Bank had a corresponding impact of EUR 1.5 million on the general loan loss provisions in the course of 2023. The continuation of the additional general valuation allowance recognized in 2022 would lead to the effect of the economic environment being taken into account twice. The additional general value adjustment of € 600 thousand was therefore reversed. After taking into account the reversal of the additional general loan loss provision, the general loan loss provision was increased by a total of EUR 1.0 million to EUR 6.4 million in 2023 (31.12.2022: EUR 5.4 million).

The bank's non-performing loan portfolio (NPL), calculated using the EAD, amounts to EUR 89.5 million (31.12.2022: EUR 62.8 million). After taking into account valuation allowances of EUR 20.1 million (31.12.2022: EUR 16.5 million), the remaining loan volume amounts to EUR 69.4 million (31.12.2022: EUR 46.3 million), which is covered by expected collateral liquidations and expected future 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 pre-control, 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 2023, 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 the commissioning body for possible operational risk (OpRisk) projects. The group of participants comprises the entire Management Board, 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, the Data Protection Officer and the Head of Legal, AML and Compliance.

The content of the reporting includes the collection of loss data in the period between the GRCs, key performance indicators, current topics such as the implementation of measures or the results of the scenario analysis, an outlook and current priorities/actions as well as the disclosure of comments on the delayed registration of loss events in the OpRisk database.

In addition, topics such as the internal control system, outsourcing, compliance & money laundering, fraud, data protection, information security and safety & security were dealt with as part of the GRC.

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 decisionmaking 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 established a Corporate Watch Loan Committee for problem cases. Loans in rating class 4 and other cases defined at the request of Corporate Risk are presented to this committee and discussed on a quarterly basis. In addition, loan cases affected by unforeseen market movements or developments are also dealt with in this committee. The Watch Loan Committee for the retail and digital business meets monthly to discuss various topics with a focus on watch loan customers with overdrafts as well as customers with reminders and customers at immediate risk of default.

2.2.4 Measures to improve risk management

The optimizations initiated and implemented in previous years were continued extensively in 2023. A very strong focus continued to be placed on process optimization, taking into account the applicable regulatory requirements.

The risk trend in the retail and digital areas was kept constant despite the economic environment remaining difficult in 2023 and strong growth in consumer lending. This was achieved primarily through the further expansion of automated account verification („Access-to-Account") prior to credit approval in the consumer area.

In Corporate Risk, the construction monitoring process for real estate projects under construction was expanded. To this end, most real estate projects were inspected in 2023 to determine the current construction or building site status and discussions were also held with the project developers. Corporate Risk was also increasingly involved in discussions with customers. A new rating tool was implemented to improve the credit assessment of real estate project financing.

The standardization of portfolio processing in the Retail & Digital workout area carried out in 2022 was further optimized in 2023. The clear debt collection guidelines for each customer segment ensure uniform and efficient processing of non-performing loans in the Workout team. The actions to be taken by Workout are clearly defined by the implemented customer clustering and the specified collection periods. In both workout units, the internal reporting process is implemented for each customer or customer segment with an automated resubmission procedure.

In order to monitor the long-term liquidity risk more effectively, NSFR simulations have been implemented in addition to the NSFR calculation. By introducing an interest income simulation with several interest rate shifts, Anadi Bank reacts proactively to the interest rate risk arising from the current interest rate environment.

In the area of information security, in addition to the ongoing improvement of the information security management system, the further development of employee awareness in particular was driven forward. To this end, a monthly awareness letter was sent out on topics such as fraud scams, recognizing phishing emails, fake stores, opportunities and dangers of AI, etc. In addition, a new cyber defence awareness tool was implemented for the mandatory training of all employees, the learning content of which is continuously updated and adapted to the current threat situation. Furthermore, the exchange with the data center regarding IT risks and security governance was intensified in 2023. Anadi Bank took part in the „Cyberadventure 2023" staff exercise, which was designed as a cybersecurity emergency and crisis exercise in line with the requirements of the Digital Organizational Resilience Act. Both crisis communication within Anadi Bank and cooperation with other banks and the data center were tested at a procedural level during an escalating cyberattack on several banks and the joint data center.

In order to further increase the effectiveness of the internal control system (ICS), central controls were introduced in 2023 for relevant risks affecting all organizational units and rolled out to all areas.

Outsourcing management was expanded by introducing an increased monitoring and reporting frequency for outsourcing partners that are not subject to the materiality definition pursuant to Section 25 BWG but represent important strategic partnerships for the Bank.

In order to optimize clear, uniform and transparent rules for handling business and work processes, a new regulatory structure was created and restructured in 2023 in the form of a uniform database and standardized templates.

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 accordancemwith 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 riskbearing 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 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 subrisks, 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%. This procedure corresponds to a flat-rate risk assessment.

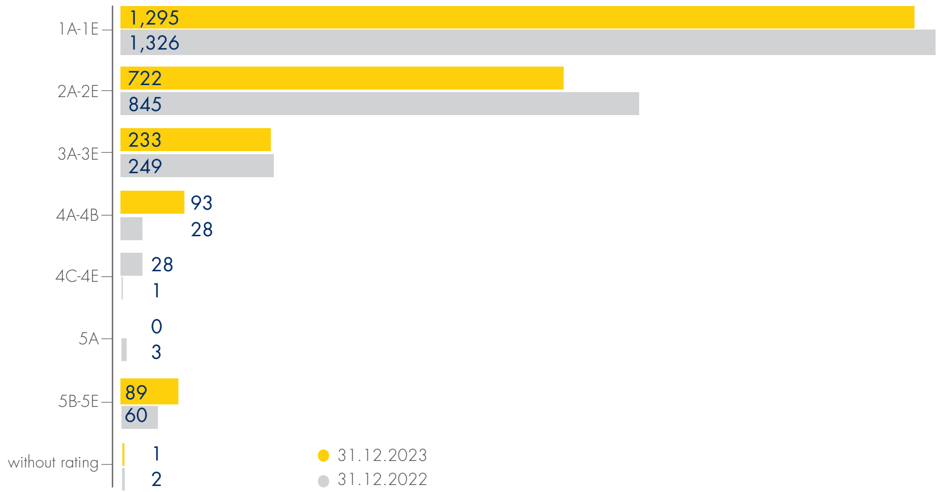
Limitation of credit risk

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 cove

Distribution of exposure

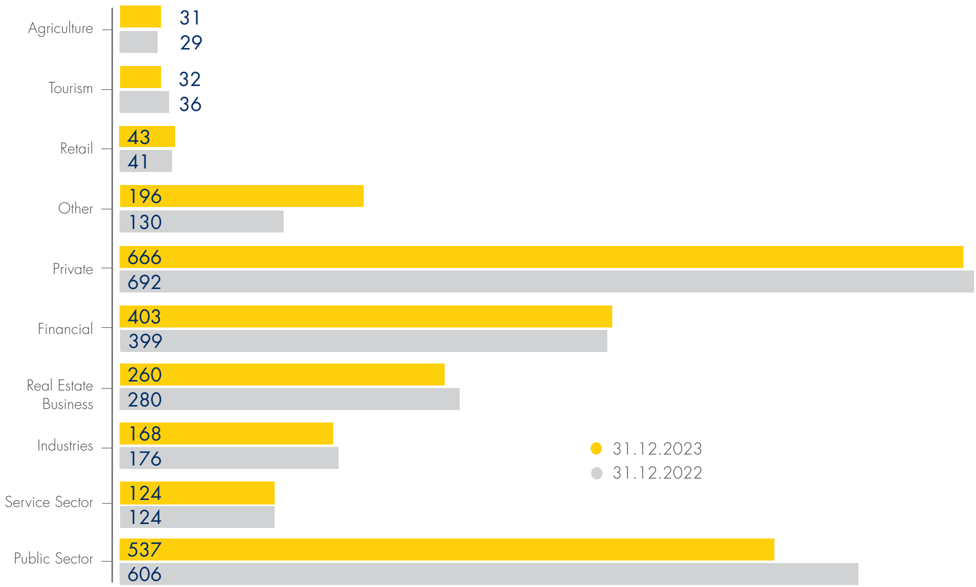
In the 2023 reporting year, the Bank's exposure decreased by EUR 53 million or 2.11% compared to the previous year. Overall, there are free credit lines in the loan and credit area amounting to around EUR 110.5 million.

Exposure by rating classes
in EUR m



81.9% 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) amounts to 4.13% of the bank's customer receivables.

Exposure by industry sector
in EUR m



Economic management and strategic orientation are based on sector exposures, among other things. The lower-risk sector groups of credit institutions and the public sector have a share of 38.19%. The well-diversified private customers sector has a share of 27.1%.

Exposure by size class

	31.12.2023	31.12.2022
< 10.000	18	17
10.000 – 20.000	35	31
20.000 – 50.000	134	117
50.000 – 100.000	65	69
100.000 – 250.000	259	281
250.000 – 500.000	202	229
500.000 – 1.000.000	111	108
1.000.000 – 3.500.000	269	293
3.500.000 – 10.000.000	483	514
10.000.000 – 50.000.000	498	505
50.000.000 – 100.000.000	104	106
>100.000.000	284	243
Total	2,461	2,514

Around 64.0% of the exposure is in the range of less than EUR 10 million. The majority of receivables in the EUR 10 million plus range are attributable to banks and the public sector.

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% 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 6,715 thousand at the end of 2023 (31.12.2022: EUR 8,166 thousand) with a holding period of 250 days and a confidence level of 99.9%. The calculation method is based on a combined interest rate and FX VaR on a uniform basis (full valuation).

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

The IRRBB supervisory outlier test requirements of 15% were not in danger of being reached or exceeded at any time during the year in any of the scenarios. The utilization rate as at 31 December 2023 was 4.74% (31.12.2022: 9.68%).

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

Credit spread risk

As at December 31, 2023, the bank's internal credit spread risk amounted to EUR 3,597 thousand (December 31, 2022: EUR 1,599 thousand) with a holding period of 250 days and a confidence level of 99.9% The largest influencing factor is the liquidity reserve in the form of securities.

Share price risk

As at December 31, 2023, Anadi Bank had no share price risk.

Risk from funds/alternative investments

As at December 31, 2023, Anadi Bank had no risk from 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. Furthermore, 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 scenario-dependent 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% 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 prescribed 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, 2023 Anadi Bank's LCR was within the minimum requirements at 188.9% (2022: 159.9%).

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.

<u>Limitation of liquidity risk</u>

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 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 according CRR III.

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 2023 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.

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, 2023 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 2023, the Supervisory Board met a total of six 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, 2023 the Executive Board was composed of the following members:

Dr. Christian Kubitschek (CEO, Market, interim CDO/CTO)
Dr. Ferdinand Wenzl, MBA (CRO, CFO)

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 set of rules. This set of rules serves to create a framework for the identification, evaluation, monitoring, reporting and controlling of the ICS, which covers all areas of the bank. It therefore represents the quality standard against which the Bank's ICS is measured and further developed. The rules for an effective ICS defined in these regulations are an important component of the Bank's corporate governance.

5.1 ICS-related activities in the financial year 2023

As part of the annual review of all processes identified as ICS-relevant and recorded in the ICS tool, which serve to ensure the proper conduct of business operations, the ICS in the individual areas was subjected to a regular review in 2023.

All risk-relevant processes and activities in each area were reviewed, for which a risk analysis was carried out using Anadi Bank's risk catalog. The processes and the established controls in the process flow, in particular the key controls, were reviewed and adapted where necessary. The risk analyses were reviewed in the divisions and the risks were reassessed where necessary using the 5-level ICS risk matrix. Particular attention was paid to the assessment of risks according to probability of occurrence and level of damage before the implementation of risk-minimizing measures and the remaining residual risk after the implementation of risk-minimizing measures. The controls defined on the basis of the risk analyses, which are to be carried out periodically and result in corrective measures if necessary, were also subjected to the annual review and the objective of the ICS control introduced and its content description were adapted where necessary. Furthermore, it was evaluated in each area whether additional, risk-relevant processes or activities have arisen that need to be included in the internal control system, or whether existing controls have proven to be no longer relevant during the observation periods and can therefore be decommissioned. The annual review of the internal control system set out in the ICS regulations was duly carried out by each division, and reports on risks, controls, control frequency and effectiveness are prepared on the basis of the ICS system, continuously developed, adapted to current circumstances and periodically reported to the relevant committees.

Organizational and system-related adaptations and adjustments to personnel responsibilities are made on an ongoing basis 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 auditing and advisory services aimed at creating added value and improving business processes. Furthermore, it supports the achievement of the company's objectives by using a systematic and targeted approach to assess the effectiveness of risk management, controls and management and monitoring processes and helps to improve them.

In the three lines of defense model (TLoD) 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 material risks, in particular credit, capital and liquidity risks, both at overall bank and management level
- Quality of the strategic and management information presented to the Management Board and 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, form the main content of communication with the responsible control and supervisory bodies (Audit Committee, Supervisory Board) and discussions with the supervisory authorities as part of the regular exchange of information.

The plan adopted for 2023 was implemented with regard to all key audit areas. In line with professional standards, functional, appropriate and direct communication with the Executive Board 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 Executive Board, the members of the Audit Committee and the Chairman of the Supervisory Board as planned.

Klagenfurt am Wörthersee, as of February 22, 2024

THE MANAGEMENT BOARD

VDir. Dr. Christian Kubitschek VDir. Dr. Ferdinand Wenzl, MBA

FINANCIAL STATEMENTS
2023

FINANCIAL STATEMENTS 2023

BALANCE SHEET[1]

Aktiva			31.12.2023 EUR	31.12.2022 TEUR
1.	Cash in hand, balances with central banks and post office banks		287,989,266.46	26,517
2.	Treasury bills and other bills eligible for refinancing with central banks			
	a) Treasury bills and similar securities		180,309,001.49	199,502
3.	Loans and advances to credit institutions			
	a) payable on demand	18,365,441.69		243,006
	b) Other loans and advances	0.00		6
			18,365,441.69	243,012
4.	Loans and advances to customers		1,875,356,841.24	1,908,905
5.	Debt securities including fixed-income securities issued			
	a) by other borrowers		53,020,339.97	67,385
	of which:			
	own debt securities	24,540,064.73		28,552
6.	Participating interests		6,190,560.31	6,191
	of which:			
	in credit institutions	5,947,522.30		5,948
7.	Shares in affiliated companies		601,600.00	602
8.	Intangible fixed assets		1,584,521.19	1,196
9.	Tangible fixed assets		13,520,068.29	13,972
	of which:			
	land and buildings used by the credit institution for its own activities	11,191,590.02		11,503
10.	Other assets		6,913,001.76	7,723
11.	Prepayments and accrued income		5,598,070.90	7,540
12.	Deferred tax assets		4,690,311.04	5,816
Total assets			**2,454,139,024.34**	**2,488,360**

1.	Foreign assets		435,589,615.17	463,498

[1] In the year under review, loans and advances to the OeNB were reclassified from item 3. loans and advances to banks to item 1. cash on hand, balances with central banks and post office giro institutions.

Liabilities and equity			31.12.2023 EUR	31.12.2022 TEUR
1.	Liabilities to credit institutions			
	a) Payable on demand	6,789,121.81		20,790
	b) With agreed maturity dates or periods of notice	265,935,559.80		355,747
			272,724,681.61	376,537
2.	Liabilities to customers			
	a) Saving deposits	398,291,448.91		420,636
	of which:			
	aa) payable on demand	239,674,435.50		327,402
	ab) With agreed maturity dates or periods of notice	158,617,013.41		93,234
	b) Other liabilities	1,117,043,328.26		1,016,099
	of which:			
	ba) payable on demand	767,919,936.54		867,021
	bb) With agreed maturity dates or periods of notice	349,123,391.72		149,078
			1,515,334,777.17	1,436,735
3.	Securitised liabilities			
	a) Debt securities issued		430,686,749.82	458,083
4.	Other liabilities		27,623,848.48	18,253
5.	Accruals and deferred income		808,539.97	1,035
6.	Provisions			
	a) Provisions for severance payments	4,923,026.00		4,585
	b) Provisions for pensions	3,406,531.01		3,601
	c) Provisions for taxes	366,000.00		454
	d) Other	13,649,476.56		5,078
			22,345,033.57	13,717
7.	Tier 2 capital pursuant to Part 2, Titel I, Chapter 4 of regulation (EU) no 575/2013		26,189,348.63	26,174
8.	Investment subsidies to fixed assets		212,212.15	416
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		13,115,432.15	12,311
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			**2,454,139,024.34**	**2,488,360**

Off-balance sheet items		31.12.2023 EUR	31.12.2022 TEUR
1.	Contingent liabilities of which a) Guarantees and assets pledged as collateral security	43,942,275.25	56,163
2.	Commitments	192,518,520.14	185,872
3.	Commitments arising out of fiduciary activities	6,622,547.16	9,407
4.	Own funds pursuant to Part 2 of regulation (EU) no 575/2013 of which: Tier 2 capital pursuant to Part 2, Titel I, Chapter 4 of regulation (EU) no 575/2013	176,012,458.89 25,837,540.20	176,942 25,950
5.	Own funds requirements pursuant to Article 92 of regulation (EU) no 575/2013, 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 b) Tier 1 capital ratio c) Total capital ratio	1,121,132,534.13 13.39% 13.39% 15.70%	1,103,622 13.68% 13.68% 16.03%
6.	Foreign liabilities	102,304,663.39	59,847

PROFIT AND LOSS ACCOUNT

Aktiva				01.01.-31.12.2023 EUR	01.01.-31.12.2022 TEUR
1.	Interest and similar income			96,736,776.63	43,324
	of which: from fixed-income securities		2,326,593.11		37
2.	Interest and similar expenses			(48,312,142.63)	(18,475)
I.	**Net interest income**			**48,424,634.00**	**24,848**
3.	Income from securities and participating interests				
	a) Income from participating interests		77,935.00		49
				77,935.00	49
4.	Fee and commission income			12,775,925.48	13,267
5.	Fee and commission expenses			(1,221,558.95)	(1,384)
6.	Net profit or loss on financial operations			253,255.20	344
7.	Other operating income			1,495,535.69	6,590
II.	**Operating income**			**61,805,726.42**	**43,715**
8.	General administrative expenses				
	a) Staff costs of which:				
	aa) Wages and salaries	(24,759,474.81)			(18,885)
	ab) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	(4,722,666.27)			(4,391)
	ac) Other social expenses	(280,499.10)			(273)
	ad) expenses for pensions and assistance	(684,018.00)			(268)
	ae) Allocation to provision for pensions	(67,543.44)			(142)
	af) Expenses for severance payments and contributions to severance and retirement funds	(594,024.81)			(824)
			(31,108,226.43)		(24,782)
	b) Other administrative expenses (operating expenses)		(18,870,662.80)		(15,952)
				(49,978,889.23)	(40,734)
9.	Value adjustments in respect of asset items 8 and 9			(1,258,226.95)	(1,198)
10.	Other operating expenses			(1,840,574.94)	(174)
III.	**Operating expenses**			**(53,077,691.12)**	**(42,106)**
IV.	**Operating result**			**8,728,035.30**	**1,609**
11./12.	Net result from realisation and valuation of loans and advances and securities held as current assets			(6,104,200.97)	2,940
13./14.	Net result from realisation and valuation of securities held as fixed assets and on participations			4,900.00	3,040
V.	**Profit or loss on ordinary activities**			**2,628,734.33**	**7,589**
15.	Income taxes			(1,546,381.80)	3,421
	of which: Allocation/reversal of deferred taxes			(1,126,086.69)	3,893
16.	Other taxes not reported under item 15			(277,503.38)	(312)
VI.	**Profit or loss for the year after tax**			**804,849.15**	**10,699**
17.	Changes in reserves			(804,849.15)	(10,699)
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 2023

1. 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 1 and 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.

The year 2023 was characterized by the effects of the war and the associated geopolitical and economic upheavals as well as high inflation. In response, the central banks have already initiated a turnaround in interest rates in 2022 and also implemented several interest rate hikes in 2023. This will also have an impact on the Bank. The main effects on the Bank's financial statements are to be seen in the valuation of on- and off-balance sheet exposures. The valuation methodology is described in the section on accounting policies in the paragraphs on loans and advances to banks and customers. The effects on the earnings situation can be found in section 8 Disclosures on risk provisioning.

In December 2023, an agreement was reached with the Grawe Banking Group to spin off the Retail Carinthia suboperation, including a large part of the SME business. The transfer of the business will be completed by September 2024. This signing has no impact on business operations in 2023, with the exception that necessary provisions were made in the 2023 annual financial statements. These are shown in the disclosures in section 7.

2. 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.

In the 2022 annual financial statements, an additional general bad debt provision of EUR 600.000,00 was recognized due to the economic environment, the fact that this had not yet been taken into account in the ratings and the principle of prudence. In the meantime, the ratings have been adjusted accordingly to the economic environment and reflect the crisis environment while maintaining the principle of prudence. The rating migrations carried out at Anadi Bank had a corresponding impact of EUR 1.5 million on the general loan loss provisions in the course of 2023. The continuation of the additional general valuation allowance recognized in 2022 would lead to the effect of the economic environment being taken into account twice. The additional general value adjustment of EUR 600.000,00 was therefore reversed. After taking into account the reversal of the additional general bad debt allowance, the general bad debt allowance was increased by a total of 0.9 million in 2023.

WIFO and OeNB publications from December 2023 were used to analyze the economic environment and forecasts for the coming years. In contrast to 2023 (reduction in GDP of 0.8% and 0.7% respectively), these show low GDP growth of 0.9% and 0.6% for 2024. In addition, inflation is expected to fall significantly (from 7.7% and 7.9% in 2023 to 4.0% in 2024). The unemployment rate is also expected to remain robust in subsequent years (6.4% and 6.8% in 2024). Due to the decline in inflation that has already occurred and is expected to continue, the WIFO assumes that key interest rates have already peaked.

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 % (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.

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 and property, plant and equipment (land and buildings, operating and office equipment) are measured at cost less amortization and, if necessary, impairment losses. Scheduled amortization is carried out using the straight-line method. The depreciation rates range from 2.5% to 10% (2022: 2.5% to 10%) for immovable assets and from 4% to 33% (2022: 4% to 33%) for movable assets. For software, it is 12.5% to 33.33% (2022: 12.5% to 33.33%). Depreciation on extensions/additions to the core banking system is up to 12.5% (2022: 12.5%). Low-value assets with acquisition costs of less than EUR 1,000.00 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 1.885% (31.12.2022: 1.777%) and a pension increase rate of 1.80% (31.12.2022: 1.80%).

The provisions for severance obligations were calculated using an interest rate of 1.885% (12/31/2022: 1.777%) and a salary trend of 2.74% (12/31/2022: 2.85%). The **provisions for anniversary bonuses** included in other provisions were calculated using an interest rate of 2.221% (31.12.2022: 2.162%) and a salary trend of 2.48% (31.12.2022: 2.58%). The fluctuation probabilities presented in the expert opinion were used as the basis for the anniversary provision. As in the previous year, no fluctuation discounts were applied to severance obligations. The earliest possible statutory retirement age in accordance with the 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 calculated on the basis of 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.

The **provision for unused holidays** is allocated on the basis of the actual unused vacation days per employee as at 31.12.2023.

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 effectiveness of the existing cash flow hedge on a Group basis is measured using prospective and retrospective effectiveness tests.

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

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:

	31.12.2023	31.12.2022
A3. Loans and advances to credit ins titutions	18,365,441.69	243,012
– payable on demand	18,365,441.69	243,006
– up to three months	0.00	0
– three months to one year	0.00	0
– one year to five years	0.00	6
– over five years	0.00	0
A4. Loans and advances to customers	1,875,356,841.24	1,908,905
– payable on demand	202,241,160.78	168,853
– up to three months	89,875,848.87	61,822
– three months to one year	246,810,529.13	200,474
– one year to five years	556,479,096.12	587,930
– over five years	779,950,206.34	889,826
P1. Liabilities to credit institutions	272,724,681.61	376,537
– payable on demand	6,789,121.81	20,790
– up to three months	0.00	0
– three months to one year	265,935,559.80	355,747
– one year to five years	0.00	0
– over five years	0.00	0
P2. Liabilities to customers	1,515,334,777.17	1,436,735
– payable on demand	1,007,594,372.04	1,194,422
– up to three months	193,642,150.83	114,163
– three months to one year	256,319,192.90	89,946
– one year to five years	57,779,061.40	38,203
– over five years	0.00	0

In the year under review, loans and advances to the OeNB were reclassified from item A1. Loans and advances to credit institutions were reclassified to item A1. Cash on hand, balances with central banks and post office giro institutions.

2. Securities including accrued interest

	31.12.2023	31.12.2022
A2. Treasury bills and other bills eligible for refinancing with central banks	180,309,001.49	199,502
– of which fixed assets	179,595,418.33	199,092
– of which accrued interest in fixed assets	713,583.16	410
– of which current assets	0.00	0
– of which accrued interest in current assets	0.00	0
A4. Loans and advances to customers	59,851,428.71	55,201
– of which fixed assets	59,651,351.29	54,966
– of which accrued interest in fixed assets	200,077.42	235
A5. Debt securities including fixed-income securities issued by other borrowers	53,020,339.97	67,385
– of which listed	28,480,275.23	38,834
– of which not listed	24,540,064.74	28,552
– of which fixed assets	28,415,343.72	38,752
– of which accrued interest in fixed assets	64,931.51	82
– of which current assets	24,321,532.66	28,457
– of which accrued interest in current assets	218,532.08	95
A6. Participating interests	6,190,560.31	6,191
– of which not listed	6,190,560.31	6,191

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 31.12.2023	Impairment until 31.12.2022	Reversal of impairment until 31.12.2022
Germany	13,000,000.00	13,024,162.93	0.00	0.00
Belgium	3,000,000.00	2,970,690.00	0.00	0.00
Austria	59,000,000.00	60,424,698.31	0.00	0.00
France	19,500,000.00	19,361,010.71	0.00	0.00
Netherlands	7,000,000.00	7,002,171.49	0.00	0.00
European Union	77,032,000.00	76,812,684.89	0.00	0.00

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

	31.12.2023	31.12.2022
Issued by others (without public authorities)	53,020,339.97	67,385
of which:		
Own issues	24,540,064.73	28,552
Foreign bonds (credit institutions)	18,415,343.73	23,253
Mortgage and municipal bonds	10,064,931.51	15,580

2.3 Other disclosures relating to securities

The difference between the acquisition cost and the higher market value (Section 56 (5) BWG) of securities admitted to trading on a recognized stock exchange that do not have the characteristics of financial assets, which are recognized at their higher market value, amounts to EUR 0.00 (31.12.2022: TEUR 0).

Due to the option applied in accordance with Section 56 (2) and (3) BWG, a premium of EUR 4,726,432.40 (31.12.2022: TEUR 4,726) was capitalized and amortized on a straight-line basis over the term. As at 31.12.2023, the deferred item amounted to EUR 2,192,902.07 (31.12.2022: TEUR 3,133).

Due to the option applied in accordance with Section 56 (2) and (3) BWG, a discount of EUR 2,356,200.00 (31.12.2022: TEUR 2,356) was recognized, which is recognized on a straight-line basis over the term. As at December 31, 2023, the accrued amount was EUR 1,696,649.01 (December 31, 2022: TEUR 2,288).

In 2024, fixed-interest securities from the bank's own portfolio in the amount of EUR 53,513,937.30 (2023: TEUR 34,521) (securities denominated in euros) and EUR 0.00 (2022: TEUR 0) (securities denominated in foreign currency) will fall due.

Fixed-interest securities from non-public issuers that were eligible for refinancing at the Oesterreichische Nationalbank on the balance sheet date amounted to EUR 33,845,800.00 (31.12.2022: TEUR 37,968), of which EUR 27,333,700.00 (31.12.2022: TEUR 36,685) were pledged as collateral on the balance sheet date.

As in the previous year, there were no subordinated securities pursuant to Section 45 (2) BWG as at December 31, 2023.

The derivatives mentioned here are in connection with customer hedging transactions that are mirrored 1:1 with other banks and therefore represent a service transaction.

The trading book has the following volume breakdown as at December 31, 2023:

	31.12.2023	31.12.2022
Forward exchange transactions (nominal value)	0.00	0
Interest rate swaps (nominal value) and interest rate contracts	697,837.84	5,353

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 31.12.2023	Silent burdens 31.12.2023	Carrying amount 31.12.2022	Silent burdens 31.12.2022
Treasury bills and similar securities	157,924,656.66	-10,539,808.66	199,092	-18,304
Debt securities including fixedincome securities issued by other borrowers	20,033,330.30	-1,118,230.30	38,752	-2,067
Total	177,957,986.96	-11,658,038.96	237,844	-20,371

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

The bank reviews financial assets for permanent impairment on an ad hoc basis or at least annually. No sustained deterioration in the creditworthiness of issuers was identified.

In 2024, EUR 138,700,000.00 (2023: TEUR 50,000) in bonds issued will fall due at Anadi Bank in accordance with section 64(1)(7) BWG.

3. Investments and shares in affiliated companies

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

	Share of equity 31.12.2023	Carrying amount 31.12.2023	Share of equity 31.12.2022	Carrying amount 31.12.2022
Bausparkasse Wüstenrot Aktiengesellschaft	0.72%	5,308,760.00	0.72%	5,309
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	1.00%	1
Total		6,190,560.31		6,191

The carrying amount of shares in affiliated companies is EUR 601,600.00 (2022: TEUR 602).

The shares in affiliated companies are composed as follows as at December 31, 2023.

Shares in affiliated companies	Location	Share of equity	Equity	Result after taxes 31.12.2023
Anadi Financial Service GmbH	Vienna	100%	21,525.63	-150,189.32

In 2023, PRO Trafik Service GmbH was renamed Anadi Financial Service GmbH.

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:

	31.12.2023	31.12.2022
Other assets	6,913,001.76	7,723
– of which payable after the balance sheet date	9,019.39	1,365
– of which with a residual term more than one year	0.00	0
Accrued interest	0.00	0
Accrued income upfront payments	0.00	0
Offset receivables	395,540.94	354
Receivables arising from FX measurement of banking book derivatives	0.00	1,302
Receivables from trading book derivatives	9,019.39	63
Other receivables	6,508,441.43	6,004

6. Other liabilities

The breakdown of other liabilities is as follows:

	31.12.2023	31.12.2022
Other liabilities	27,623,848.48	18,253
– of which payable after the balance sheet date	3,267,500.40	374
– of which with a residual term more than one year	0.00	0
Accrued interest	224,715.33	175
Offset liabilities	20,330,900.62	15,366
Fees and levies	3,309,301.32	1,858
Liabilities arising from FX measurement of banking book derivatives	3,033,738.65	140
Liabilities from trading book derivatives	9,046.42	59
Trade payables	643,292.97	504
Other liabilities	72,853.17	151

7. Provisions

The provision for pensions includes plan assets of EUR 783,534.00 (31.12.2022: TEUR 882).

The main items included under other provisions are as follows:

	31.12.2023	31.12.2022
Guarantees	273,473.50	387
Unused holidays	460,120.31	472
Anniversary bonuses	847,111.02	994
Association of mortgage banks para. 1406 ABGB	161,150.55	262
Legal and consultancy fees	131,400.00	165
Costs for legal risks	0.00	16
Bonus- and Retention program	2,356,396.96	1,383
Partial spin-off (Quadriga project)	5,737,830.30	0
Other	3,681,993.92	1,399
Total	13,649,476.56	5,078

Other provisions

In accordance with section 211 UGB, other provisions with a term of more than one year must be discounted at a standard market interest rate. At Anadi Bank, the calculated difference is insignificant and is therefore not taken into account.

Guarantees

The provisions for risks from the lending business (liabilities) include provisions for individual cases in the amount of EUR 17.97 (31.12.2022: TEUR 2) and at portfolio level in the amount of EUR 273,455.53 (31.12.2022: TEUR 385).

Costs for legal risks

As at 31.12.2023, there were provisions of EUR 0.00 (31.12.2022: TEUR 16) for legal risks. These provisions were reversed in the current financial year (31.12.2022: TEUR 0).

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 31.12.2023 there was no provision for expected losses for (31.12.2022: TEUR 2) required.

For derivatives in the trading book, a provision for the credit valuation adjustment (CVA) in the amount of EUR 29.59 (31.12.2022: TEUR 0) was required.

Other provisions
Other provisions mainly consist of provisions in connection with the sale of the traditional business of Anadi Bank EUR 5,737,830.30 (31.12.2022: TEUR 0) and provisions for services rendered but not yet invoiced EUR 3,091,744.42 (31.12.2022: TEUR 881), as well as bonus provisions for Management Board members and the retention program for employees EUR 2,276,580.26 (31.12.2022: TEUR 1,383) and provisions for possible repayments of processing fees EUR 386,747.67 (31.12.2022: TEUR 350).

8. Disclosures on risk provisions

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

	31.12.2023	31.12.2022
Loans to customers – risk provision		
Opening balance	16,493,480.14	36,359
Additions	8,936,973.86	3,880
Releases	-3,688,554.76	-5,030
Utilised	-2,458,374.14	-19,188
Transfer	840,417.30	469
Foreign currency valuation	0.00	4
Closing balance	20,123,942.40	16,493

A portfolio value adjustment of EUR 6,421,748.82 (31/12/2022: EUR 5,414 thousand) exists as at 31.12.2023 to take account of default risks existing on the reporting date. To take account of the increased risk of default due to uncertainties caused by higher inflation, rising energy costs and interest rate increases, a provision of EUR 600,000.00 was made as part of the 2022 portfolio value adjustment. This provision was reversed as at December 31, 2023.

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

The nominal value of the supplementary capital in accordance with Part 2 Title I Chapter 4 of Regulation (EU) No. 575/2013 amounted to EUR 26,100,000.00 as at 31.12.2023 (31.12.2022: TEUR 26,100).

Interest expenses for supplementary capital amounted to EUR 1,643,887.50 (31.12.2022: 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 premium for purchases of fixed assets. Anadi Bank registered an investment sum of around EUR 5.3 million for investments in buildings with Austrian Wirtschaftsservice as the settlement authority. The premium was recognized as a liability in the amount of EUR 212,212.15 (2022: TEUR 416). In the financial year, a reversal of EUR 50,846.59 (2022: TEUR 14) was made for assets already put into operation.

Anadi Bank accounts for the investment premium using the gross method. The subsidy is therefore presented in a separate liability item after equity, which is released to profit or loss 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 (31.12.2022: TEUR 30,000) and is divided into 30,000 (31.12.2022: 30,000) registered shares. The shares are held 100 % 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:

	01.01.2023	Additions	Releases	31.12.2023
Capital reserves	78,102,760.79	0.00	0.00	78,102,760.79
Retained earnings	12,310,583.00	804,489.15	0.00	13,115,072.15
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:

Forward transactions	Nominal value Purchase contract 31.12.2023	Nominal value Purchase contract 31.12.2022	Nominal value Sales contract 31.12.2023	Nominal value Sales contract 31.12.2022
a) Interest-related transactions				
OTC-products				
Interest rate swaps / interest rate contracts	173,752,747.48	146,054	173,752,747.48	146,054
b) Currency-related transactions				
OTC-products				
Currency swaps	31,786,395.43	86,181	32,397,408.21	86,321
Cross-currency swaps	76,000,000.00	46,709	78,422,725.89	45,407
Forward exchange transactions	0.00	0	0.00	0

Forward transactions	Fair value Positive 31.12.2023	Fair value Positive 31.12.2022	Fair value Negative 31.12.2023	Fair value Negative 31.12.2022
a) Zinsbezogene Geschäfte				
OTC-Produkte				
Zinsswaps / Zinssatzverträge	4,599,271.62	3,027	3,512,594.47	3,450
b) Währungsbezogene Geschäfte				
OTC-Produkte				
Währungsswaps	0.00	172	504,653.22	164
Devisenswaps	66,405.14	1,554	2,653,951.73	311
Devisentermingeschäfte	0.00	0	0.00	0

Trading and banking book derivatives are used to hedge interest rate, exchange rate or market price fluctuations. In the banking book, micro valuation units on the assets and liabilities side, as well as a group hedge are mainly formed to hedge intterest rate risk. As at 31.12.2023, the net fair values of derivatives designated as hedging instruments in a valuation unit amounted to EUR 1,086,688.00 (31.12.2022: TEUR 427), the volume of these transactions amounted to EUR 173,054,909.64 (31.12.2022: TEUR 146,054).

Hedging relationships were terminated prematurely in the reporting year. The termination of the hedging relationships is in line with the Bank's strategic risk considerations. The positive net result including the hedged item amounts to EUR 749,157.31 (31.12.2022: TEUR 5,446).

14. Contingent liabilities

	31.12.2023	31.12.2022
Contingent liabilities	43,942,275.25	56,163
Guarantees and assets pledged as collateral security	43,942,275.25	56,163
Letters of credit	0.00	0

15. Other off-balance sheet statements

The credit risks consist of unutilized credit lines in the amount of EUR 192,518,520.14 (31.12.2022: TEUR 185,872).

Liabilities from fiduciary transactions amounted to EUR 6,622,547.16 in the reporting year (31.12.2022: TEUR 9,407). The fiduciary transactions mainly consist of transitory loans refinanced by Oesterreichische Kontrollbank.

In accordance with section 238 para. 1 no. 14 UGB, the obligations from the use of property, plant and equipment not reported in the balance sheet (vehicle leasing and building rental) amount to EUR 439,183.61 (31.12.2023: TEUR 530) for the following financial year and a total of EUR 1,684,268.83 (31.12.2022: TEUR 1,817) for the next five years based on the contracts existing on the reporting date.

NOTES TO THE INCOME STATEMENT

16. Interest and similar income

	31.12.2023	31.12.2022
Loans and advances to credit institutions and customers	94,410,183.52	43,286
Austria	82,883,245.63	36,043
International	11,526,937.89	7,243
Fixed-income securities	2,326,593.11	37
Austria	1,212,095.91	229
of which premium of securities held as fixed assets	-339,269.10	-344
International	1,114,497.20	-192
of which premium of securities held as fixed assets	-589,432.85	-686
of which discount on securities held as fixed assets	590,899.35	69
Other assets	0.00	0
International	0.00	0
Total	96,736,776.63	43,324

Interest income includes negative interest from receivables in the amount of EUR 0.00 (31.12.2022: TEUR 890).

17. Interest and similar expenses

	31.12.2023	31.12.2022
Liabilities to credit institutions and customers	-28,364,691.75	-605
Austria	-26,278,983.84	85
International	-2,085,707.91	-690
Securitised liabilities	-19,947,450.88	-17,871
Austria	-19,947,450.88	-17,871
Total	-48,312,142.63	-18,475

Interest expenses include interest from liabilities to banks, specifically refinancing from the TLTRO III program (Targeted Longer-Term Refinancing Operations), in the amount of EUR 12,045,017.66 (31.12.2022: TEUR 1,544 interest income due to negative interest rates).

As part of the TLTRO III program, Anadi Bank has borrowed EUR 260,000,000.00 until 31 December 2023. A tranche of EUR 100,000,000.00 had a term until December 22, 2023 and was repaid. Anadi Bank met the conditions for the utilization of the special bonus and accrued an interest rate of -1.0% until 23.6.2022. A deposit interest rate of 4.00 % applies at the end of the year (as at 31.12.2023).

18. Commission income and expenses

	31.12.2023	31.12.2022
Lending business		
Fee and commission income	4,231,707.73	4,716
Fee and commission expenses	-321,367.26	-449
Securities business		
Fee and commission income	1,908,329.54	1,815
Fee and commission expenses	-124,149.42	-141
Other transactions		
Fee and commission income	6,635,888.21	6,737
Fee and commission expenses	-776,042.27	-794
Total income	12,775,925.48	13,267
Total expense	-1,221,558.95	-1,384

19. Other administrative expenses (operating expenditure)

	31.12.2023	31.12.2022
Legal and consultancy expenses	-6,307,731.45	-3,207
Advertising and hospitality expenses	-824,733.77	-672
Rental, leasing and other building expenses	-1,550,203.37	-1,672
IT expenses	-1,197,463.16	-1,294
Data centre expenses	-5,550,439.47	-5,222
Training expenses	-90,034.59	-76
Issue expenses	-265,868.40	-250
Travel expenses	-162,439.23	-111
Fleet expenses	-160,858.63	-188
Insurance	-378,372.21	-320
Telephone and postage expenses	-320,656.06	-281
Expenses in connection with company legal structure	-381,500.00	-384
Office and stationery expenses	-88,026.31	-88
Single resolution fund (BaSAG)	-755,404.68	-971
Guarantee deposit (ESA Einlagensicherung GmbH)	-241,249.16	-713
Other operating expenditure	-595,682.31	-503
Total	-18,870,662.80	-15,952

20. Other operating income

	31.12.2023	31.12.2022
Rental and leasing agreements	162,230.97	132
Income from disposals of fixed assets	5,071.68	282
Release provision negative market values of banking book derivative	0.00	2
Income from early terminated derivatives	749,157.31	5,446
Other operating income	579,075.73	728
Total	1,495,535.69	6,590

21. Other operating expenses

	31.12.2023	31.12.2022
Other operating expenses	-1,840,574.94	-174
Total	-1,840,574.94	-174

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

The item 11/12 Net of expenses and income from the sale and valuation of receivables and securities held as current assets includes a net expense from value adjustments and valuations in the amount of EUR 6,104,200.97 (2021: TEUR 2,526).

The previous year also included premium income from the sale of a loan from the Public Finance portfolio in the amount of EUR 4,836 thousand.

SUPPLEMENTARY INFORMATION

23. Deferred taxes

Deferred tax assets are made up as follows:

Balance sheet position	31.12.2023	31.12.2022	Description
Positive fair values of trading book derivatives	-9,019.37	-63	Deferred tax liabilities
Securities fixed assets	0.00	0	Deferred tax assets
Loans and advances to customers	2,070,836.51	3,106	Deferred tax assets
Provisions	5,313,338.33	3,846	Deferred tax assets
Profit or loss carried forward	13,017,500.09	17,820	Deferred tax assets
Total	**20,392,655.56**	24,709	Net deferred tax asset
of which tax rate 24 %	0.00	3,198	
of which tax rate 23 %	4,690,311.04	2,619	
Excess deferred tax asset	**4,690,311.04**	5,816	

Due to the expected tax result in accordance with tax planning from 2024 to 2028, further utilization of tax loss carryforwards is to be expected.

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).

The „Anadi Connect" cooperation agreement was concluded between Anadi Bank and its subsidiary, Anadi Financial Service GmbH, on September 28, 2023. This agreement is intended to regulate the details for (i) the use of the licensed brands (as defined in the agreement), (ii) the expansion/establishment of the „Anadi Connect" sales channel in Austria and Germany (as defined in the agreement) and (iii) the performance of the outsourced activities defined in the agreement.

The aim of the agreement is to expand „Anadi Connect" and to enable Anadi Bank to offer the products listed in the agreement via tablet/hardware under the „Anadi Connect" brand. In particular, the cooperation in accordance with the provisions of this agreement is intended to ensure that Anadi Bank can use the licensed brands, that the „Anadi Connect" sales channel is expanded in Austria and established in Germany, primarily by naming interested financial service providers, and that certain activities are outsourced from Anadi Financial Service GmbH to Anadi Bank.

25. Own capital funds

Own funds in accordance with CRR/CRD	**31.12.2023**	**31.12.2022**
Common equity tier 1 capital	150,174,918.69	150,993
Paid up capital instruments	30,000,000.00	30,000
Capital reserves	78,102,760.79	78,103
Other reserves	49,306,223.00	49,306
Value adjustments due to the requirements for prudent valuation (fair value)	9,394.38	1,371
of which 0,1 % deduction	-9.39	-1
Deduction other intangible assets	-1,584,521.19	-1,196
Deduction deffered taxes	-2,989,634.84	-4,221
Deduction (backstop provisioning)	-2,659,899.68	-998
Tier 2 capital	25,837,540.20	25,950
Supplementary capital	26,104,239.74	26,105
Supplementary capital allowable	25,837,540.20	25,950
Own funds	176,012,458.89	176,942

Own funds requirement	89,690,602.73	88,290
Surplus o f own funds	86,321,856.16	88,653
Coverage ratio	196.24%	200,41%

Own funds requirement	31.12.2023	31.12.2022
Risk-weighted assets credit risk	1,022,079,236.77	1,007,356
of which 8 % minimum capital requirement	81,766,338.94	80,588
Credit value adjustment	527,757.68	520
Own funds requirement operational risk	7,396,506.11	7,181
Total own funds requirement	89,690,602.73	88,290
Total risk exposure amount	1,121,132,534.13	1,103,622
Common equity tier 1 capital ratio	13.39%	13.68%
Tier 1 capital ratio	13.39%	13.68%
Total capital ratio	15.70%	16.03%

The equity values as at 31.12.2022 were adjusted to the final reported values. The capital ratio as at 31.12.2023 does not yet include the profit for the reporting period.

26. Collaterals

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

	31.12.2023	31.12.2022
Financial collateral	26,787,162.94	33,118
Cash deposits	19,380,059.04	26,259
Securities	7,407,103.90	6,859
Real estate collateral	724,109,794.68	765,485
Guarantees	169,791,351.27	191,581
Other co llateral	53,784,721.82	59,791
Insurance	29,916,092.59	34,200
Movable property	3,731,036.02	5,617
Others	20,137,593.21	19,974
Total	974,473,030.71	1,049,975

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

	31.12.2023	31.12.2022
Collateral received	1,820,000.00	7,160
Collateral provided	6,180,000.00	4,230

27. Trustee saving accounts

Liabilities to customers includes trustee saving accounts amounting to EUR 1,169,180.73 (31.12.2022: TEUR 1,131).

28. Foreign currency

The balance sheet contains the following foreign currency amounts:

	31.12.2023	31.12.2022
Assets	121,722,643.23	127,362
Liabilities	7,933,661.55	6,030

The main part of the difference amounting to EUR 113,788,981.68 (31.12.2022: TEUR 121,026) 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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Mortgage bonds A	45.000.000,00	65.000	335.192.198,75	388.654	290.192.198,75	323.654
Mortgage bonds B	39.985.123,53	25.287	59.552.574,57	30.848	19.567.451,04	5.562
Public sector mortgage bonds	304.571.718,61	324.870	329.715.888,28	352.391	25.144.169,67	27.521

Anadi Bank has deposited its own unissued covered bonds (Pfandbriefe) with a volume of EUR 250,000,000.00 (31.12.2022: TEUR 200,000) as collateral with Oesterreichische Nationalbank. This is offset by a mortgage cover pool (cover loan) in the amount of EUR 335,192,198.75 (31.12.2022: TEUR 388,654). As at the reporting date of December 31, 2023, refinancing was utilized in full.

30. Other information related to the balance sheet

In accordance with Section 64 (1) no. 8 BWG, securities in the amount of EUR 260,000,000.00 (31.12.2022: TEUR 360,000) and liabilities to customers in the amount of EUR 1,169,596,900.00 (31.12.2022: TEUR 429,586) were pledged as collateral for liabilities to banks (31.12.2022: TEUR 1,131). 180.73 (31.12.2022: TEUR 1,131) were transferred as collateral for securities in the amount of EUR 454,596,900.00 (31.12.2022: TEUR 429,586) and loans in the amount of EUR 257,049,147.47 (31.12.2022: TEUR 216,100).

As at 31.12.2023 the return on assets in accordance with Section 64 (19) BWG is 0.40 % (31.12.2023: 0.43 %).

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 31.12.2023, the federal state of Carinthia still had guarantees for perpetual liabilities of Anadi Bank amounting to EUR 9,832,499.00 (31.12.2022: TEUR 11,515).

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 % 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 % of the respective covered deposits per year pursuant to section 22 (1) ESAEG. An annual contribution of EUR 222,736.84 (31.12.2022: EUR 688K) was payable for the entire 2023 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 2023, Anadi Bank paid an annual contribution of EUR 755,404.68970,579.57 (31.12.2022: TEUR 971).
Irrevocable payment commitments were not used.

34. Consolidation

As at the balance sheet date, Anadi Bank holds 100 % of the shares in Anadi Financial Service GmbH (affiliated company). Anadi Bank makes use of the size-dependent exemption from the preparation of consolidated financial statements pursuant to section 249 (2) 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:

	31.12.2023	31.12.2022
Employees	223.25	221.52

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

At the end of the year, the members of the Management Board had received advances, loans and guarantees from Anadi

Bank in the amount of EUR 53,805.82 (31.12.2022: TEUR 60).

The members of the Supervisory Board received loans and guarantees from Anadi Bank in the amount of EUR 2,347,732.93 (31.12.2022: TEUR 2,460) for themselves and for their companies for which they are personally liable at the end of the year.

No transactions at non-standard market conditions were conducted with related parties in accordance with Section 28 BWG 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 2023:

	Severance payments 31.12.2023	Pensions 31.12.2023	Severance payments 31.12.2022	Pensions 31.12.2022
Management Board	31,771.83	162,212.38	18	163
Senior employees	83,860.59	138,753.13	118	124
Other employees	478,392.39	450,595.93	688	123
Total	594,024.81	751,561.44	824	410

In 2023, payments to the employee pension fund amounted to EUR 208,125.66 (31.12.2022: TEUR 181). The addition to the provision for severance payments in the amount of EUR 381,546.38 (31.12.2022: addition of TEUR 560) results in an actual severance payment expense of EUR 594,024.81 for 2023 (31.12.2022: expense of TEUR 824). In the financial year, severance payments of EUR 4,352.77 (31.12.2022: TEUR 83) were booked against the provision on an ongoing basis.

In the 2023 financial year, payments of EUR 647,019.59 (31.12.2022: TEUR 605) were made to the pension fund. The provision for pension claims was reversed in the amount of EUR 194,297.99 (31.12.2022: TEUR 501 reversed). This results in total pension expenses of EUR 751,561.44 (31.12.2022: expenses of TEUR 410).

Anniversary bonus payments in the amount of EUR 69,953.13 (31.12.2022: TEUR 32) were offset against the provision on an ongoing basis.

The changes in the provision for severance payments are reported in the income statement item ee) Expenses for severance payments and payments to company pension funds. The income statement item dd) Expenses for retirement benefits and support contains the changes in the pension provision. The changes in the provision for anniversary bonuses are recognized in the income statement item aa) Wages and salaries.

Breakdown of the compensation for members of the Management and Supervisory Boards:

	31.12.2023	31.12.2022
Management Board		
of which fixed	1,727,763.85	1,755
of which variable	2,881,447.46	543
Supervisory Board	357,500.00	365
Total	**4,966,711.31**	**2,663**

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 thefinancial position and results of operation.

Klagenfurt am Wörthersee, as at February 22, 2024

THE MANAGEMENT BOARD

VDir. Dr. Christian Kubitschek

VDir. Dr. Ferdinand Wenzl, MBA

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 (until 30.04.2023)
Binder Grösswang Rechtsanwälte GmbH, Dr. Tibor Fabian (from 01.05.2023)

Deputy Trustee
Ing. Mag. (FH) Jakob Köhler, BMF Vienna (until 30.04.2023)
Binder Grösswang Rechtsanwälte GmbH, Dr. Stephan Heckenthaler (from 01.05.2023)

Management Board
Dr. Christian Kubitschek, Vienna
Dr. Ferdinand Wenzl, MBA, Vienna
Alp Dalkilic, MBA, Pörtschach (until 15.03.2023)
Dipl.-Betr.-Wirt Wolfgang Strobel, Pörtschach (from 24.04.2023)

SCHEDULE 2 TO THE NOTES – FIXED ASSETS MOVEMENT SCHEDULE

Fixed ass ets	Acquisition cost 01.01.2023	Addition 2023	Disposal 2023	Transfer 2023	Acquisition cost 01.01.2023
Pos. 2 Treasury bills and similar securities Fixed-income securities	215,796,792.06	0.00	18,999,650.00	0.00	196,797,142.06
Pos. 4 Loans and advances to customers Fixed-income securities	54,965,918.47	0.00	5,314,567.18	10,000,000.00	59,651,351.29
Pos. 5 Debt securities including fixed-income securities issued Fixed-income securities	50,148,102.02	10,000,000.00	10,495,450.00	-10,000,000.00	39,652,652.02
Pos. 6 Participating interests	6,190,560.31	0.00	0.00	0.00	6,190,560.31
Pos. 7 Shares in affiliated companies	601,600.00	0.00	0.00	0.00	601,600.00
Pos. 8 Intangible fixed assets	4,379,868.65	824,673.40	327,511.80	0.00	4,877,030.25
Pos. 9 Tangible fixed assets	23,817,701.23	470,066.30	715,413.54	0.00	23,572,353.99
Total	355,900,542.74	11,294,739.70	35,852,592.52	0.00	331,342,689.92

Anlagevermögen	Cumulative depreciation 01.01.2023	Addition - depreciation 2023	Reversal of impairment 2023	Disposal 2023	Cumulative depreciation 31.12.2023	Carrying amount 31.12.2023	Carrying amount 31.12.2022
Pos. 2 Treasury bills and similar securities Fixed-income securities	16,704,660.94	863,295.71	366,232.92	0.00	17,201,723.73	179,595,418.33	199,092,131.12
Pos. 4 Loans and advances to customers Fixed-income securities	0.00	0.00	0.00	0.00	0.00	59,651,351.29	54,965,918.47
Pos. 5 Debt securities including fixed-income securities issued Fixed-income securities	11,396,568.49	65,406.24	224,666.43	0.00	11,237,308.30	28,415,343.72	38,751,533.53
Pos. 6 Participating interests	0.00	0.00	0.00	0.00	0.00	6,190,560.31	6,190,560.31
Pos. 7 Shares in affiliated companies	0.00	0.00	0.00	0.00	0.00	601,600.00	601,600.00
Pos. 8 Intangible fixed assets	3,183,669.42	436,351.44	0.00	327,511.80	3,292,509.06	1,584,521.19	1,196,199.23
Pos. 9 Tangible fixed assets	9,846,008.62	872,722.10	0.00	666,445.02	10,052,285.70	13,520,068.29	13,971,692.61
Total	41,130,907.47	2,237,775.49	590,899.35	993,956.82	41,783,826.79	289,558,863.13	314,769,635.27

Auditor´s Report

AUDITOR'S REPORT

1. 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 balance sheet as of December 31, 2023, 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, 2023 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and banking regulatory requirements.

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 (ISA). 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

Loans and advances to customers are reported at EUR 1,875.4 million in the annual financial statements of Austrian Anadi Bank AG as of December 31, 2023. In order to take risk of loss in the loan portfolio into account, the following risk provisions are recognized:

Valuation of loans and advances to customers, including the formation of risk provisions for the lending business

Description

Loans and advances to customers are reported at EUR 1,875.4 million in the annual financial statements of Austrian Anadi Bank AG as of December 31, 2023. In order to take risk of loss in the loan portfolio into account, the following risk provisions are recognized:

- Specific risk provision (EUR 20.1 million): For defaulted loans with a significant exposure, individual specific risk provisions are recognized in the amount of the expected loss. For defaulted, individually non-significant loans, the calculation of individual specific risk provisions is based on internally validated loss ratios.
- In addition, a general portfolio valuation allowance (EUR 6.4 million) calculated based on the expected loss model is recognized for non-defaulted loans, whereby both regulatory and internally determined parameters are applied.

*) This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

The Management Board of Austrian Anadi Bank AG explains the procedure for recognizing risk provisions in the notes to the annual financial statements. In this regard, we refer to the disclosures in chapter „Accounting and measurement policies" and in chapter „Notes to the balance sheet" in item „8 Disclosures on risk provisions", which explains the development of risk provisions.

The assessment of the recoverability of receivables from customers and thus their valuation includes the identification of impairment requirements and the estimation of any need for impairment. Due to the volume of loans and advances to customers and the estimation uncertainties in connection with the volume of allowances, we identified this area as a key audit matter.

How we addressed the matter during the audit

We assessed the Company's credit monitoring process and evaluated whether it is suitable for identifying impairment requirements in a timely manner. To this end, we held discussions with responsible employees and assessed the relevant internal guidelines. As part of a walk-through, we examined the design and implementation of the key control activities. In addition, we tested the effectiveness of selected controls on a test basis.

We tested the loan portfolio on a sample basis to determine whether sufficient specific risk provisions had been recognized. In course of the audit of the general portfolio valuation allowance, we assessed the valuation models used and the parameters applied to determine whether they were suitable for determining appropriate provisions. We also examined the underlying database (statistical probabilities of default) for data quality and verified the mathematical accuracy of the valuation allowance.

We examined whether the disclosures made by the legal representatives of the company in the notes of the financial statements are complete and accurate.

Reference to other matters

The financial statements of Austrian Anadi Bank AG, Klagenfurt am Wörthersee, for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on February 17, 2023.

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 banking regulatory requirements, 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 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 Austrian Standards on Auditing, which require the application of ISA, 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.

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.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report

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 banking regulatory requirements.

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 EU regulation

We were elected as auditor by the ordinary general meeting at December 19, 2022. We were appointed by the Supervisory Board on January 25, 2023. Besides that we were elected as auditor for the following financial year by the extraordinary general meeting at September 29, 2023 and appointed by the Supervisory Board on September 29, 2023. We are auditors without cease since 2023.

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 did not provide any 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.

Vienna, February 22, 2024

Ernst & Young

Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Ernst Schönhuber
Wirtschaftsprüfer / Certified Public Accountant

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Forward looking statements and forecasts are based on information and data available at the time of finalising the financial statements (22.02.2024). 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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