FULL-SERVICE BANK WITH FINTECH-DNA

INNO
VATION
POWER

Annual Report
31. December 2021

Anadi Bank

AUSTRIAN ANADI BANK AG KEY DATA

in EUR Mio.	2021	2020
Total assets	2,730	2,566
Primary funds	2,141	2,112
Customer assets	2,021	2,070
Total shareholder equity including Tier 2 capital	173	172
Own funds in accordance with CRR/CRD	170	171
Net interest income	24	24
Operating income	**42**	**57**
Operating expenses	-41	-52
Operating result	**2**	**6**
Profit or loss on ordinary activities	**2**	**2**
Cost-income-ratio	95.94%	89.71%
Net interest margin	0.90%	0.87%
Return on equity before tax (ROE)	1.56%	1.51%
Total capital ratio	14.92%	15.20%
Total number of employees headcount (excluding employees on maternity leave)	251	280

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VDir. Dr. Christian Kubitschek

LETTER FROM THE BOARD OF DIRECTORS

Klagenfurt, March 2022

Dear Sir or Madam,

the past year 2021 was also strongly impacted by the Corona pandemic. Following a significant economic recovery in the course of the first half of the year, the global economy slowed down in the second half of the year due to bottlenecks in global supply chains and the raw material markets, among other things. Indicators assessing the current situation for the euro zone clouded over significantly during this period. In addition, restrictions caused by further Corona waves and new virus variants weighed on business and public life. Against this volatile backdrop, it is essential that we continue to pursue the path we have successfully embarked upon and continue to implement our Business Strategy 2.0 in a consistent and disciplined manner.

Review of a successful business year 2021

The health of our employees and customers in times of the Covid 19 pandemic was also a top priority in 2021. We were able to maintain our banking operations, which are part of the critical infrastructure, without any restrictions. In addition, the transformation of Anadi Bank was completed successfully and even earlier than expected. In the past year, we were able to achieve two milestones of our new strategic direction: We launched our digital SME loan in Germany and started the sales cooperation with Austria's tobacconists: Under the MARIE brand, modern, digital banking services via tablet are coming to many Austrian tobacconists. The tablet-based business model offers excellent scalable potential for further digital product offerings. The strong momentum of our digital consumer loan in Austria is also further evidence of the successful strategic realignment. The positive developments are also reflected accordingly in our 2021 results.

Thanks to the consistently positive developments in our business areas, high efficiency, and the finalization of our strategic transformation, we were able to more than double our annual result in 2021 compared to the previous year (2020: EUR 0.5 million) to EUR 1.1 million. We were able to achieve this – despite extensive strategic investments in the digital area and our branch network and increased regulatory costs – among other things due to the maintenance of our consistent cost and risk discipline. Profit on ordinary activities also increased compared to the previous year. In the loan book, developments in

VDir. Dr. Ferdinand Wenzl, MBA

VDir. Alp Dalkilic, MBA

Retail, Corporate and Digital Banking were very satisfying. In digital consumer lending, our business strategy 2.0 enabled us to more than double the volume of new business compared to the previous year, contrary to the market trend.

The capital ratios are well above the regulatory requirements. Capital efficiency was also further increased by optimization of the refinancing strategy and growth in high-margin business areas.

Successes of our digital business strategy

Anadi Bank continued to pursue its digital business strategy 2.0 consistently and purposefully in 2021. As part of our expansion into Germany, we rolled out the digital SME loan which, thanks to its high degree of automation, offers a non-bureaucratic and cost-efficient service for over 2.5 million small and medium-sized enterprises in Germany. At the launch of the innovative sales cooperation MARIE in September 2021, many media acknowledged Anadi Bank's contribution to the local supply of the population with banking services in Austria. Within a very short time, more than 100 partner tobacconists have already been acquired. The nationwide rollout will be consistently continued in 2022. In addition, we significantly expanded our fully automated and paperless digital consumer loans, more than doubling the volume of new business. This is all the more remarkable given that this new business growth was achieved contrary to a clearly negative market trend.

Our successes in the financial year 2021 also generated a lot of positive attention in the market. For example, Anadi Bank was named "Austria's Most Innovative Bank" by the renowned business magazine "Börsianer", and "Best Digital Banking Solutions in Austria" by the international financial medium "CFI.co – Capital Finance International". In addition, we ranked first in the overall ranking of online installment loans in the consumer study conducted by "ÖGVS – Gesellschaft für Verbraucherstudien", with the highest ratings in the categories "Terms and Conditions" and "Customer Service".

Anadi: full-service bank with FinTech DNA

Anadi Bank sees itself as a full-service bank with FinTech DNA, combining the innovative strength and agility of a FinTech with the opportunities and experience of an established full-service bank. Our in-house FinTech division serves as the engine and driver of our FinTech innovations and already employs around 40% (excluding the branch network) of our approximately 250 employees (as of 31 December 2021).

Another strategic focus is on strengthening our branch network and FinTech hub in our home market of Carinthia. As a result, we are continuously expanding our state-of-the-art digital platform in order to develop new, innovative products and services and position them as an attractive digital banking offering for Austria and Germany. This is also reflected at Management Board level and in business management: Digital Banking was established as a separate business area alongside Retail and Corporate Banking and Public Finance.

In Retail Banking, we offer the best advice with our customer-oriented focus, which is reflected in the satisfaction of our customers and the business volumes achieved. Our branch network – which was fully modernized in 2021 – was a key factor in this and remains at the heart of our strategy. The Corporate Banking segment continued to perform impressively in 2021, with high-margin exposures and a broad sector mix. We score highly with our corporate customers thanks to our speed and efficiency and are particularly popular with SMEs. In addition, we continue to be a reliable and strong partner for public sector financing in our business area Public Finance.

International competence on the Executive Board

On November 1, 2021, Alp Dalkilic joined Anadi Bank's Management Board, having already headed the bank's internal FinTech division since May of the same year. Now, as Chief Digital Officer, he is responsible for the bank's entire FinTech and digital strategy from his base in Klagenfurt. Born in Bavaria, Alp brings around two decades of experience in the financial industry to Anadi Bank as a top international manager. Dalkilic was a long-standing member of the Management Board of Deutsche Bank Privat- und Geschäftskunden AG (CFO/COO), where he played a leading role in the digital roadmap, the product and process portfolio and the expansion of innovative sales channels for Deutsche Bank's retail and SME business. As Managing Director in his previous positions, he was also responsible for numerous corporate finance transactions and strategic initiatives of Deutsche Bank Group. Alp Dalkilic can thus draw on a high level of capital market expertise and an extensive international network.

Outlook 2022: Growth in high-margin and scalable digital business models

The strategic realignment of Anadi Bank was initiated in the second half of 2020 and completed in the course of 2021. On the one hand, profound process optimizations were carried out, which realized material efficiencies, and on the other hand, far-reaching strategic investments were made in the modernization of all branches and the further development of digital business models.

ANADI BANK IS EXCELLENTLY POSITIONED FOR THE FUTURE. THE BASIS OF OUR SUCCESS LIES IN THE CONTINUOUS EFFORTS OF ALL OUR EMPLOYEES TO ACTIVELY AND SUCCESSFULLY SHAPE THE BANK'S FUTURE WITH INNOVATIVE STRENGTH, IMPLEMENTATION POWER AND AGILITY.

Based on these structural decisions, the strategic focus for 2022 will be on profitable and sustainable growth in high-margin areas with efficient use of capital. Our new, scalable, and multipliable business models in digital banking will be innovatively further developed, vigorously expanded, and geared to dynamic growth.

In corporate customer business, we will continue to pursue a consistent niche strategy with a focus on entrepreneurial SMEs, in particular owner-managed companies, and our extensive and long-standing expertise in selected sectors, such as real estate financing.

Anadi Bank will establish its FinTech DNA even more strongly as a benchmark in the digital financial sector, focusing on retail and SME clients in Austria and Germany. We will further strengthen and expand strategic partnerships in the digital sector and thereby identify and consistently tap disproportionate growth potential. At the same time, our focused and modernized branch network, our corporate customer business and our Public Finance unit will remain an important elements of our business model.

Anadi Bank is excellently positioned for the future. The basis of our success lies in the continuous efforts of all our employees to actively and successfully shape the Bank's future with innovative strength, implementation power and agility. On this basis, Anadi Bank, with its identity as a full-service bank with FinTech DNA, will succeed in the long term in taking full advantage of the opportunities and potential that present themselves.

Klagenfurt am Wörthersee, 7 March, 2022

THE BOARD

VDir. Dr. Christian Kubitschek

VDir. Dr. Ferdinand Wenzl, MBA

VDir. Alp Dalkilic, MBA

RETAIL BANKING, DIGITAL BANKING, CORPORATE BANKING AND PUBLIC FINANCE

Management Report 2021

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MANAGEMENT REPORT 2021

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

Austrian Anadi Bank AG (Anadi Bank) is an Austrian hybrid bank with the business segments Retail Banking, Digital Banking, Corporate Banking and Public Finance. With its unique value proposition, Anadi Bank challenges traditional banking models: On the one hand, it offers personal customer care via a multi-channel approach with eleven branches in Carinthia and Vienna and a team of customer care agents. On the other hand, Anadi Bank focuses on easy-to-use digital services and is developing its portfolio into a first-class online banking offering for the German-speaking region.

With the new digital business strategy developed by Anadi Bank's Management Board in the second half of 2020, a digitalization offensive was launched, which places an even stronger focus on customer and market orientation in the digital age and is also based on strategic sales partnerships. This was impressively illustrated in 2021 by a number of innovations and milestones: A digital SME loan was launched as part of the expansion into Germany, online consumer credit in Austria scored with strong growth, and the unique sales cooperation under the MARIE brand, through which banking services are offered via tablet in Austrian tobacconists, was launched. In this way, Anadi Bank is also making a significant contribution to the local provision of banking services to the population in Austria in times of extensive branch closures. The bank's pronounced digital DNA is reflected in the weighty digital area, in which around 40% (excluding the branch network) of the approximately 250 employees already work.

With 120 years of tradition in housing finance, the bank is an experienced partner in all financing issues of private customers. As a partner of the State of Carinthia, the bank has administered the granting of Carinthian housing subsidy loans for more than 60 years. It is also the principal banker for numerous SMEs in trade, industry and the real estate sector, as well as a product specialist for companies in the import and export sector, and offers tailor-made solutions. In doing so, Anadi Bank makes targeted use of the advantages of its lean structure and high decision-making speed for its approximately 58,000 customers.

1.1 Macroeconomic environment

After the year 2020 was characterized by the Covid-19 pandemic and the globally implemented measures to combat its spread that became necessary as a result, economic growth in Austria has picked up strongly since spring 2021. By the middle of the year, the pre-crisis level had already been recorded again, which is a remarkable development after the historical slump of 6.7% in 2020 triggered by the Covid-19 crisis. This growth was supported by the significant easing of containment measures and the international economic recovery. The output of the Austrian economy increased by 4.2% and 3.8% quarter-on-quarter in the second and third quarters, respectively, which means that GDP in the third quarter was already above the pre-crisis level. The increase was primarily supported by the trade, industry and construction sectors, while the catering and accommodation sectors, which were hit hard by the crisis, were still below pre-crisis levels, despite growth (source: IHS).

Growth was slowed on the one hand by another three-week lockdown in November, triggered by the renewed sharp rise in Covid-19 infection figures, and on the other hand by continuing supply bottlenecks in the various sectors. As a result, the Institute for Advanced Studies (IHS) expects economic output to contract in the fourth quarter. However, following the previous year's slump of -6.7%, the Austrian economy is expected to show growth of 4.3% in 2021 (source: IHS).

Despite the fourth quarter effects, the current pandemic containment measures are expected to affect labor market developments only in the short term, showing an unemployment rate of 8.1% on average in 2021, with a decline to 7.1% projected for 2022 (source: IHS).

Over the course of the year, inflation also rose sharply in Austria. In addition to higher goods prices, this development is primarily attributable to sharp increases in energy prices. The average inflation rate for the year is expected to be 2.8% (source: IHS).

The monetary and fiscal policy measures implemented by governments and central banks in the previous year were continued in 2021 to limit the negative economic impact of the pandemic.

International comparisons also show a similar picture. Although the underlying conditions remain favorable, the recovery of the global economy lost momentum in the third quarter, with the euro area economy expected to grow by 5.0% in the current year 2022 (source: IHS).

1.2 Business performance

Anadi Bank's financial year 2021 was significantly influenced by the optimization of the business model, the sustainable increase in operating and capital efficiency as well as the Covid-19 pandemic.

Despite the Covid 19 pandemic and the Covid measures imposed by the Austrian federal government, banking operations at Anadi Bank continued smoothly due to appropriate protection and security measures. Around two-thirds of the workforce could be transferred to the home office at any time due to the nationwide technical and digital infrastructure, in particular as part of the lockdowns imposed by the Austrian federal government. Branch operations were continued without restriction throughout 2021. Bank customers were thus able to continue to be served at the highest level.

The government support measures from Covid measures expired in January 2021. In the financial year 2021, Anadi Bank continues to support its customers with voluntary deferrals in the total amount of EUR 7.4 million (approx. 50 customers) active as of 31.12.2021 (deferrals active as of 31.12.2020: 19.8 million / approx. 150 customers) and has agreed liability financing (COFAG / AWS / ÖHT) in the total amount of EUR 22.1 million (as of 31.12.2020: 21.2 million). The NPL ratio is 3.0% (2020: 3.7%) in relation to the bank's loans and advances to customers. The effects of the Corona crisis on the P&L result, liquidity situation and the capital situation were also closely monitored for 2021 and forecast using stress tests. The negative effects of the Corona crisis and the pressure on margins resulting from the negative interest rate policy of the European Central Bank (ECB) were partially offset by operating business development and specific countermeasures.

In the financial year 2021, the result after tax was positive, as in the previous year. Anadi Bank was able to complete the successful transformation of the business model at an early stage, focus fully on the consistent implementation of its digital business strategy and sustainably position itself as a full-service bank with a pronounced fintech DNA. The selective market approach in the areas of retail banking, digital banking, corporate banking and public finance has thus fully proven its worth. Iin the public finance segment the Carinthian region remains the focus of the bank.

The common equity tier 1 ratio was stabilized at 12.7% (31.12.2020: 12.9%) without external capital injection. The total capital ratio amounts to 14.9% (31.12.2020: 15.2%). All ratios thus remain solidly above the statutory minimum requirements.

1.2.1 Income statement

Anadi Bank's profit after tax for the financial year 2021 amounts to EUR 1.1 million (2020: EUR 0.5 million) despite the Corona crisis and extensive investments as part of the digital business strategy.

The net interest income at EUR 24.4 million in 2021 was higher than in the previous year (2020: EUR 24.2 million). Net interest income was negatively impacted by maturing financings, especially in Public Finance, and portfolio optimizations in Corporate Banking. The retail segment is negatively impacted by lower consumer spending due to Covid 19, but the bank has been growing steadily in the online segment since 2020 and was able to almost double the volume of new business in consumer loans in 2021 against the market trend. The bank's improved refinancing structure had a positive impact on net interest income. The net interest margin (ratio of net interest income to average total assets) was 0.90% (2020: 0.87%).

Income from securities and investments remained stable and decreased by only 0.9%, amounting to EUR 0.1 million for the financial year 2021 (2020: EUR 0.1 million).

Net fee and commission income amounted to EUR 13.0 million (2020: EUR 13.5 million). Due to lower new business, income from loan processing fees continued to decline. This was also negatively impacted by the changes in consumer and mortgage lending legislation that came into force.

Other operating income amounts to EUR 4.6 million (2020: EUR 19.4 million). This item includes income from the early closing of interest rate swaps in the amount of EUR 2.6 million. Income from the reversal of provisions is also recognized here. A reversal of provisions for court fees from previous years has an impact of EUR 0.4 million. In the previous year, income from the early closure of interest rate swaps in the amount of EUR 13.2 million was reported here, as well as income from the sale of a property in Vienna (EUR 4.6 million).

The efficiency enhancement and process optimization measures launched in the second half of 2020 and completed in 2021 already showed visible success in 2021.This led to lower administrative expenses of EUR 39.0 million (2020: EUR 48.6 million) compared to the previous year. Significant savings were achieved in personnel costs. Although contributions for bank levies (deposit guarantee and resolution fund) increased significantly in 2021 due to a new deposit guarantee case and the provision for the replenishment of the deposit guarantee , other administrative expenses were kept at almost the same level (the share of the amounts for deposit guarantee and resolution fund amounts to 25.0% of the bank's other administrative expenses). This is all the more remarkable as Anadi Bank was able to keep costs constant despite strategic investments in its digital business models, the MARIE sales cooperation and the digital entry into the German market .

Amortization of intangible assets and depreciation of property, plant and equipment remained stable at EUR 1.1 million compared to the previous year. Other operating expenses, which amount to EUR 0.6 million (2020: EUR 1.9 million) for the financial year 2021, include costs for the settlement of a legal case of EUR 0.2 million. The provision for negative market values was allocated EUR 0.0 million (2020: EUR 0.6 million).

The operating result for the financial year 2021 amounted to EUR 1.7 million (2020: EUR 5.9 million).

The net result of expenses and income from the sale and valuation of receivables and securities held as other current assets amounts to EUR -0.6 million in the current financial year (2020: -8.0 million). In principle, risk provisions of EUR -2.5 million (2020: -0.8 million) are included here. In 2020, a general allowance was recognized due to the uncertainties related to the Covid-19 pandemic. The Austrian economy has now been facing the pandemic for almost two years. As a result, the Bank is now in a better position to make an assessment on the expected loss. In addition, economic forecasts, such as unemployment and economic growth, also changed for the better compared with the previous year. This led to a partial reversal of the general allowance recognized in the amount of EUR 1.1 million. A premium from the sale of a loan from the Public Finance portfolio of EUR 1.9 million resulted in an overall positive result in this item, as did the reversal of a previously recognized provision for model risks in the amount of EUR 0.5 million.

A gain of EUR 1.1million (2020: EUR 4.3 million) was generated from the sale of securities, which is reported in the balance of expenses and income from the sale and valuation of securities valued like financial assets.

The result from ordinary activities at EUR 2.3 million was higher than in the same period of the previous year (EUR 2.2 million).

The banking tax, which is reported under other taxes, decreased by EUR 0.9 compared with the previous year, as the „one-time" special payment calculated in four parts ceased to apply from 2021.

1.2.2 Balance sheet

Anadi Bank's total assets amounted to EUR 2,730 million as of December 31, 2021 (31.12.2020: EUR 2,566 million). The increase by EUR 164 million is mainly due to higher deposits with OeNB (incl. minimum reserve) of EUR 395 million (31.12.2020: EUR 178 million).

The decline in loans and advances to customers, which amounted to EUR 2,021 million at the reporting date (December 31, 2020: EUR 2,070 million), is attributable to the maturing portfolio in Public Finance and portfolio optimization in Corporate. In retail, the focus of new business was on consumer loans, while mortgage business declined. This also resulted in a decline here. The loan loss provisions included in loans and advances to customers amounted to EUR 41 million as of the reporting date (December 31, 2020: EUR 59 million).

Investments in digitization increased intangible assets to EUR 0,8 million (Dec. 31, 2020: EUR 0.5 million).

In the course of the branch modernization, construction investments were made, which increased the item property, plant and equipment to EUR 14 million.

Due to participation in the TLTRO program, liabilities to banks increased to EUR 385 million as of the balance sheet date (Dec. 31, 2020: EUR 247 million). Liabilities to customers increased to EUR 1,561 million (Dec. 31, 2020: EUR 1,459 million).

The restructuring measures initiated in the second half of 2020 were finalized in 2021 and the corresponding provisions were used or reversed accordingly. Due to the lower number of employees and the adjustment of the parameters, the provisions for severance payments, pensions and anniversary bonuses also decreased. Overall, personnel provisions decreased from EUR 22 million as of December 31, 2020 to EUR 13 million as of December 31, 2021.

1.3 Report on branch offices

Anadi Bank does not have any branch offices.

1.4 Financial performance indicators

Key figures	2021	2020	2019
Return on equity before taxes	1.6%	1.5%	negative
Return on assets	0.1%	0.1%	negative
Cost-income ratio	95.9%	89.7%	86.8%
Loan/deposit ratio	94.4%	98.0%	89.7%
Total Capital Ratio / Gesamtkapitalquote	14.9%	15.2%	14.1%

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

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

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

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

The bank's own funds (Tier 1 capital less deductions plus Tier 2) according to CRR/CRD amounted to EUR 170.5 million as of December 31, 2021 (31.12.2020: EUR 170.9 million). The legally required amount of own funds was EUR 91.4 million (31.12.2020: EUR 89.9 million), resulting in a surplus of EUR 79.1 million (31.12.2020: EUR 81.0 million) and a coverage ratio of 186.5% (2020: 190,1%).

As of December 31, 2021, the common equity tier 1 ratio was 12.7% (Dec. 31, 2020: 12.9%) in accordance with CRR/CRD requirements. The total capital ratio was 14.9% (31.12.2020: 15.2%).

The capital ratios thus remain solidly above the statutory minimums.

1.5 Non-financial performance indicators

Employees

As of December 31, 2021, Anadi Bank employed 251 people, or 221 fulltime equivalent (FTE) employees, at 13 locations across Austria, representing a 11.8% year-on-year reduction in staff resources on a fulltime equivalent basis (2020: 247 FTE employees).

The bank offers its employees a variety of variable parttime models, of which 77 employees made use as of December 31, 2021 (2020: 96 employees). 52% of employees are women (2020: 50%). The number of employees does not include employees on maternity/paternity leave.

Anadi Bank has demonstrated a strong commitment to apprenticeship training for many years. As of 31 December 2021, the Bank will have six apprentices to become bankers. Anadi Bank has thus doubled the number of apprenticeships compared to the previous year and is sending a clear signal to invest in the future, especially in young talent. In the financial year 2021, the focus was, among other things, on the further digitisation of the institute, which is reflected in the fact that around 40% of employees (excluding the branch network) are now employed in the bank's internal digital area.

Anadi Bank attaches high priority to the continuous training of its employees, organizational development, the creation of a modern working environment and preventive health care. In order to support our employees, we are also increasingly focusing 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 as well as internal training courses are offered for the professional and personal development of staff. With these diverse offerings, the bank ensures that its employees have an excellent level of training and contributes to Anadi Bank's attractiveness as a modern and innovative employer.

Customers

Anadi Bank supports its approximately 58,000 (31.12.2020: ca. 57,000) customers as a reliable and competent partner in all financial matters with needsoriented 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 broad product range – 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 when 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 stores. Since the fall, customers have also had the opportunity to take advantage of certain banking services in selected tobacconists throughout Austria as part 2021of the MARIE sales cooperation.

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

In the area of corporate banking, Anadi Bank will continue to pursue a consistent niche strategy with a focus on entrepreneurial SMEs and especially on owner-managed companies. With the attributes of competence, reliability and speed of decision-making, Anadi Bank was able to achieve significant customer growth and further establish itself as a reliable partner in the two main business areas of corporate and real estate financing. With its selective growth course, the division made a very decisive contribution to the good 2021 result.

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

Environment, social responsibility, and Covid-19 protection measure

Despite the pandemic and the Austrian government's covid measures, Anadi Bank was able to continue banking operations smoothly thanks to its protection and security measures. Since the beginning of the pandemic, Anadi Bank took a pioneering role in protecting its employees and rolled out largescale home offices and secured testing capacities at all locations at full cost and established an inhouse vaccination center at its headquarters. For home office employees, Anadi Bank takes special account of childcare obligations. Employees who were available to Anadi Bank customers in the branches or elsewhere during the pandemic and the lockdowns, in some cases under considerable additional workloads, were also paid a voluntary Covid bonus. Anadi Bank's guiding principle is always: to provide the best possible health protection for employees and customers while at the same time fully maintaining business operations.

In addition, Anadi Bank reacted quickly to the financial difficulties of its customers during the Corona crisis and offered individual solutions such as the suspension of loan installments or the waiver of interest on arrears. Anadi Bank also set up a hardship committee for clients, which also looks at individual cases with a social focus and seeks individual solutions for longstanding clients who have fallen into financial difficulties through no fault of their own because of the Covid 19 pandemic. Anadi Bank supports its customers to enable them to make the best possible use of the constantly changing support and assistance services.

A large number of sustainability topics are integrally anchored in Anadi Bank's management. These include CSR criteria in the granting of loans and other banking products, the special consideration of social, health policy and environmentally relevant influencing factors in product design, in sales and in the handling of workout cases, as well as the implementation of a dedicated project team on the topic of sustainability. We also attach great importance to environmentally friendly and energysaving solutions in the redesign of our facility management and the modernization offensive currently underway in our store network. The issue of diversity is firmly integrated into our HR and management policy and is given high priority by top management. Within a year, we have doubled the number of female divisional managers. This means that one third of the managers below the Executive Board are female.

Anadi Bank is continuously working to reduce its carbon footprint. Examples of its efforts include the use of environmentally friendly e-bikes for travel between individual locations, reducing travel distances through video conferencing for internal meetings, and largely eliminating color printouts.

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

- Poverty reduction
- Education
- Active inclusion
- Environment and conservation

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

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

2.1 Future development of the company

Economic environment

Despite the farreaching measures taken to contain the Covid 19 pandemic and the widespread availability of vaccines, it cannot be assumed that the crisis and the associated impact on the Austrian economy will end any time soon. Corresponding restrictions on economic activity, including possible lockdowns, may also be assumed for the 2022 financial year, but it is becoming apparent that the impact on the economy, e.g. economic growth and unemployment, will be lower than assumed in the previous year.

Future development of the company

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

The strategic focus of the bank is on the following pillars:

- Expansion of the Digital Banking segment and strategic partnerships
- First-class customer service in the business areas of retail banking, corporate banking and public finance
- Focus on the existing branch network in Carinthia
- Development of new digital and hybrid business models and the opening up of new markets

The scalability of the digital business segment leads to sustainable cost advantages, while at the same time diversifying credit risks. Anadi Bank will continue to establish itself in the digital financial sector from Carinthia, focusing on retail and SME customers in German-speaking markets, partly under its own management and partly with sales and product partners. The bank's internal FinTech division serves as the engine and enables Anadi Bank to combine the innovative power and decision-making speed of a FinTech with the opportunities and experience of an established full-service bank.

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

In corporate banking, Anadi Bank will continue to pursue a consistent niche strategy with a focus on entrepreneurial SMEs, owner-managed companies and its comprehensive and long-standing expertise in selected sectors, such as real estate financing. It combines entrepreneurial thinking with specialist expertise and offers excellent advice in special operational situations. High process efficiency and speed of decision-making in the core offerings – and thus the shortest possible time to market – are seen as key success factors for securing sustainable and profitable growth in the new fiscal year.

In the traditional branch business, a comprehensive, areawide investment program was initiated to modernize the locations, which will be completed in the 2022. The aim is to provide better service to branch customers in order to sustainably increase customer satisfaction and further boost the profitability of the branches.

The bank sees the key to sustainable successful development in the consistent continuation of the digital business strategy already initiated. The focus here is on the one hand on systematically expanding and scaling the digital business models that have already been successfully implemented, such as the digital SME lending business with our strategic partner Compeon in Germany, the hybrid strategic sales cooperation under the Marie brand, and also the digital consumer lending business in Austria. On the other hand, we also aim to develop new, innovative digital markets and business models quickly and successfully. In general, Anadi Bank will closely monitor and analyze developments and take advantage of the opportunities that it has, particularly as an agile bank with strong implementation capabilities, even in a competitive market. Efficient processes, digital DNA, high decision-making and implementation speed as well as innovative strength set the bank apart from 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 the operational and strategic levels by the Chief Risk Officer (CRO).

Due to the Covid 19 pandemic, risk management was again confronted with special challenges in 2021. In total, voluntary deferrals in the amount of EUR 7.4 million active as of December 31, 2021 (with approx. 50 customers) (active as of December 31, 2020: EUR 19.8 million / approx. 150 customers) and liability financing in the amount of EUR 22.1 million (as of December 31, 2020: EUR 21.2 million) were agreed in the context of the pandemic. Up to date, no significantly higher defaults have been recorded due to the economic impact of Covid-19. Anadi Bank's relationship managers are in close contact with their customers to ensure that any possible (Covid-19-related) change in creditworthiness is identified and that customers whose loans have been deferred or to whom bridging finance has been granted receive comprehensive support.

As in 2020, the focus in risk management was on safeguarding operations and fulfilling banking activities. Despite further lockdowns and rising Covid-19 cases in Austria, banking operations continued to be maintained smoothly with consistent management of risk positions.

The impact of the Covid 19 pandemic on any additional impairment losses of the bank was calculated using a stress test. Depending on the extent to which they have been affected, corresponding rating downgrades have been made for customers who have received support measures such as deferrals or bridging finance as part of the pandemic to date, and for the rest of the portfolio at sector level depending on the extent to which they have been affected. Risk provisions were taken into account in the amount of EUR 1.0 million (31.12.2020: EUR 2.1 million) as part of the portfolio allowance.

The bank's non-performing loan (NPL) portfolio amounts to EUR 74.0 million (December 31, 2020: EUR 85.5 million). After taking into account risk provisions in the amount of EUR 36.4 million (31.12.2020: EUR 53.1 million), a loan volume of EUR 37.6 million (31.12.2020: EUR 32.4 million) remains, which is covered by the expected liquidation of collateral and future expected cash flows.

2.2.1 Risk strategy, management and monitoring

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

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

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

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

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

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

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

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

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

2.2.2 Risk management organization

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

With a view to ensuring appropriate internal risk management and monitoring, responsibilities of the CRO is 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 is carried out, if necessary with conditions. Other tasks include rating preparation and confirmation, balance sheet analysis and strategic collateral monitoring.

Credit risk management for retail customers/SMEs in the Retail 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.

Workout

This organizational unit is responsible for the management, restructuring and, if necessary, recovery of loans to corporate and retail customers that are in need of restructuring or have become insolvent. Following successful restructuring, the customers are transferred back to the market departments. In the case of insolvencies, the workout team also accompanies the insolvency proceedings.

Risk Setup & Solution

The main tasks of the Risk Setup & Solution organizational unit are the preparation of creditrelevant rules and regulations and their annual review, as well as the performance of supporting activities for operational risk management (e.g. performing ICS controls, system implementation, committee preparation, etc.). Collateral management is another area of responsibility of this organizational unit. This unit is responsible for the operational monitoring of all valuable collateral in terms of timeliness, data quality and system mapping, as well as for collateral valuation for ongoing business, including property valuation, cession checks, movable assets, assignments and the necessary annual revaluations of collateral.

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
- Risk strategies and noting the exceptions to the risk strategies.
- Decision/discussion of risk-relevant models and methods

Governance Risk Committee (GRC)

In 2021, the Governance Risk Committee met quarterly as part of the Risk Executive Committee as a decision-making body with regard to operational risk management activities and measures and as a commissioning body for potential operational risk (OpRisk) projects. The participants include the full Board of Management, the head of Strategic Risk Management, the ORC (Operational Risk Controller), the CISO (Chief Information Security Officer), the BCM Coordinator, the Safety and Security Officer, the Compliance Officer and the head of Legal, AML and Compliance.

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

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

Asset Liability Committee (ALCO)

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

Liquidity Round (LR)

The LR is used for the operational implementation of liquidity issues as well as for the exchange of information and decision-making for the management of liquidity, the management of liquidity ratios and the management of the liquidity maturity balance sheet as well as the liquidity coverage potential (counterbalancing capacity). The LR also coordinates funding activities over a period of four to six weeks 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. Once a month, loans in rating class 4 and other cases defined at the request of Corporate Risk, as well as all workout cases of corporate customers with an exposure exceeding EUR 200 thousand, are submitted to this committee and discussed. In addition, loan cases affected by unforeseen market movements or developments are also dealt with by this committee. The Watch Loan Committee for the retail business also meets at least once a month.

2.2.4 Measures to improve risk management

Based on the reorganization of the workout department already started in 2020, further key processes were implemented in 2021. On the basis of a structured portfolio review and portfolio processing, new framework agreements were concluded with two external collection service providers and four law firms in debt collection agendas. The associated standardized and effective handover process, including standardized procedures and reporting, is aimed at achieving the highest possible recovery in individual cases and freeing up resources for the best possible portfolio management and focused processing of the NPL cases managed in-house by individual concepts.

In 2020, a number of successful measures were already implemented, such as stricter lending guidelines and improved monitoring processes for the retail business, which reduced the number of reminders by more than 20% compared to 2019. Further improvements were implemented in 2021. For example, a new debt collection system was deployed at the beginning of 2021, through which customers in arrears can be contacted very quickly and without gaps. The measures for customers in arrears are jointly developed by a team of customer advisors and workout employees and presented to the Management Board on a monthly basis at the individual case level. The number of reminders required was reduced by a further 32% compared to 2020 as a result of this close-meshed processing. The frequency of the Watch Loan Committee Retail, which met at least every other month in the previous year, was increased to monthly.

The monitoring of corporate customers was also intensified in 2021. To this end, the frequency of the Corporate Watch Loan Committee was increased from quarterly to monthly. In addition to customers in rating class 4, credit cases are also dealt with in this committee at the request of Corporate Risk. Measures including deadlines are recorded in the minutes.

Since January 1, 2021, the calculation of FX and interest rate risk has been performed as a combined VaR in SAP. Using this new method, the FX risk is taken into account over the entire term of the individual transactions and possible FX gaps. Therefore, this approach is more conservative than the old calculation method and takes place on a uniform basis.

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 daily 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 credit 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
  – Credit spread risk
  – FX risk
- Liquidity risk
- Operational risk
- Other risks with the sub-risks
  – Object risk
  – Macroeconomic risk
  – Model risk Credit risk
  – Business and reputational risk and regulatory risk

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

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

2.2.6 Capital Management

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

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

Regulatory capital adequacy

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

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

Economic view (risk-bearing capacity)

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

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

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

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

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

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

2.2.7 Credit risk

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

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

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

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

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

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

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

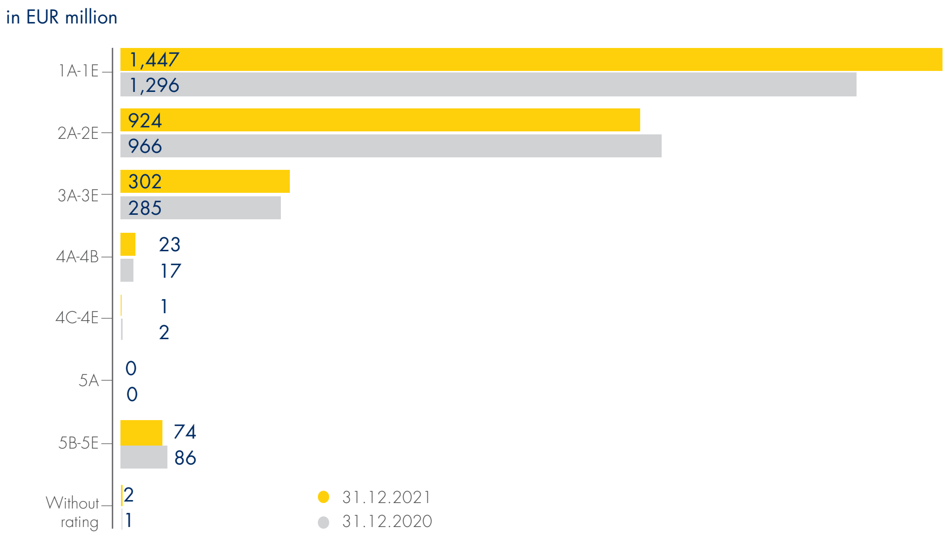
Limitation of credit risk

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

Distribution of exposure

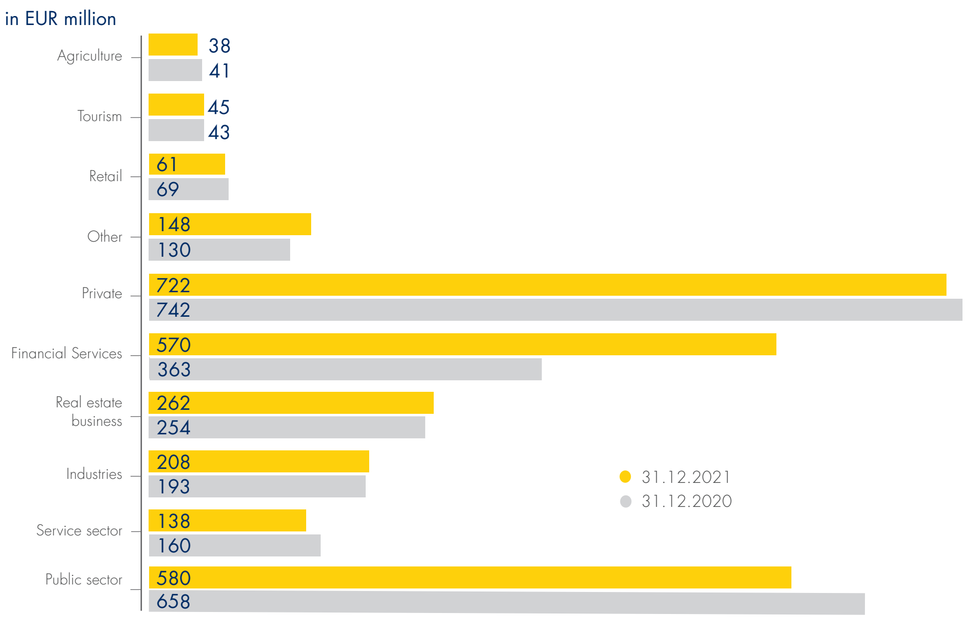
In the reporting year 2021, the bank’s exposure decreased by EUR 121 million or 4.5% compared with the previous year. Overall, there are free lines of credit in the amount of approximately EUR 127 million in the loans and credits area.

Exposure by rating classes



85.5% of the exposure is rated in rating classes 1A to 2E. These are mainly receivables from banks and public institutions. The non-performing portfolio (rating classes 5A to 5E) accounts for 3.0% of the bank's loans and advances to customers.

Exposure by industry group



Economic management and strategic alignment are based, among other things, on sector exposures. The lower-risk sector groups of banks and the public sector account for a share of 41.5%. The well-diversified retail banking sector has a share of 26.0%.

Exposure by size class

in EUR million

	31.12.2021	31.12.2020
< 10,000	20	20
10,000 – 20,000	27	24
20,000 – 50,000	103	90
50,000 – 100,000	73	78
100,000 – 250,000	313	332
250,000 – 500,000	229	246
500,000 – 1,000,000	101	111
1,000,000 – 3,500,000	319	336
3,500,000 – 10,000,000	576	585
10,000,000 – 50,000,000	446	430
50,000,000 – 100,000,000	170	223
>100,000,000	395	179
Total	2,773	2,653

Around 63.6% of the exposure is in the range of less than EUR 10 million. Banks and public authorities account for the predominant share of EUR 36.4 million in the larger EUR 10 million range.

2.2.8 Market price risk

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

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

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

Risk measurement in the banking book

Risk measurement is carried out separately for the sub-risk types interest rate risk, FX risk and credit spread risk. Quantification is based in each case on the value-at-risk concept. In line with the gone-concern logic, a confidence level of 99.9% 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 12,028 million at year-end 2021 (December 31, 2020: EUR 6,498 million) 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 of interest rate risk is based on the provisions of the Oesterreichische Nationalbank (OeNB) for the calculation of interest rate risk statistics.

The regulatory limit of 20% was not in any danger of being reached or exceeded at any time during the year. Utilization as of December 31 amounted to 2021 2.15% (31.12.2020: 0.16%).

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

<u>Credit spread risk</u>

The bank's internal credit spread risk amounted to EUR 1,718 million as of December 31, 2021 (December 31, 2020: EUR 2,102 million) with a holding period of 250 days and a confidence level of 99.9% The largest influencing factor is the liquidity reserve holding in the form of securities.

<u>Share price risk</u>

As at December 31, 2021 Anadi Bank was not exposed to any share price risk. .

<u>Risk from funds/alternative investments</u>

As of December 31, 2021 Anadi Bank had no exposure to funds/alternative investments.

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

- Value-at-risk limit
- Volume

Only the VaR limits are relevant for the RTF calculation.

2.2.9 Liquidity risk

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

Liquidity risk represents an unavoidable risk component of Anadi Bank's business model. Therefore, the objective of the liquidity risk strategy is to determine the objectives of liquidity risk management and to define the corresponding framework. Based on the objectives, the liquidity risk strategy defines principles for ensuring liquidity from an economic point of view as well as in compliance with regulatory requirements. 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, 2021 Anadi Bank's LCR was within the minimum requirements at 168.1% (2020: 145.7%).

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 on Basel IV.

2.2.11 Other risks and model risks

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

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

The risk inventory 2021 resulted in the following sub-risks for other risks:

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

Property risk

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

Macroeconomic risk

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

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

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

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

Model risk credit risk (rating model/LGD model)

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

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

2.2.12 Payment Services Directive 2 (PSD2)

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

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

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

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

Towards the end customer, the relevant systems (Internet banking, office banking) were adapted and, in addition, the General Terms and Conditions, the Terms and Conditions for Internet and Office Banking, the Customer Guideline for the Card Service and for the Contactless Function, and the ZaDiG Information Brochure were adapted and made available.

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

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

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

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

As of June 10, 2021, the revised EBA Guidelines on Serious Incident Reporting under Directive (EU) 2015/2366 (EBA/GL/2021/3) has been published. The revised EBA GL describes, in particular, the criteria for the classification of serious operational or security incidents to be made by payment service providers, as well as the format and procedures that payment service providers should follow when reporting such incidents to the competent authority in the home Member State in accordance with Article 96(1) of PSD2. Furthermore, these guidelines address how the relevant competent authorities should assess the relevance of an incident and what details they should provide when reporting incidents to other national authorities in accordance with Article 96(2) of PSD2. In addition, these guidelines provide information regarding the notification to the EBA and the ECB of the relevant details of the reported incidents in order to promote a common and consistent approach.

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

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, 2021 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 2021, 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, 2021 the Executive Board was composed of the following members:

- Dr. Christian Kubitschek (CEO, MARKT)
- Dipl. Wirtschaftsing. Alp Dalkilic, MBA (Deputy CEO, CDO, MARKT)
- 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 German Stock Corporation Act.

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

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

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

5.1 ICS-related activities in the financial year 2021

The annual review of all processes identified as relevant to the ICS and recorded in the ICS tool, which serve to ensure that operations run smoothly, was started in the fourth quarter of 2021 due to reorganizational measures. The reviews are conducted with a focus on quality improvement in the identification and assessment of risks, as well as the implementation of controls, together with OpRisk management. Due to the strong focus on quality, this year's review takes more time. The completion date is planned for the end of Q1 2022.

All risk-relevant processes and activities per area are reviewed, for which a risk analysis was carried out using Anadi Bank's risk catalog. In 2021, the adaptation of the 4-stage ICS risk assessment to a 5-stage ICS risk assessment was commissioned and implemented in the ICS tool. This created alignment with the OpRisk assessment and thus better comparability between OpRisk and ICS risk assessment. During the review, particular attention is therefore paid to the correct assessment of the level of damage and probability of occurrence, which is now based on the five-level assessment scale. The controls defined on the basis of the risk analyses, which are to be carried out periodically and entail corrective measures if necessary, are also subjected to close scrutiny with a focus on quality improvement and adapted where necessary. Furthermore, each area is evaluated to determine whether additional risk-relevant processes or activities have arisen that need to be included in the internal control system.

Reports on risks, controls, control frequency and effectiveness are prepared on the basis of the ICS system, adapted to current circumstances and reported periodically in the bodies designated for this purpose.

Organizational and system-related adaptations, as well as adjustments to personnel responsibilities, are continuously adapted 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 consulting services aimed at creating added value and improving business processes. Furthermore, it supports the achievement of corporate objectives by using a systematic and targeted approach to evaluate and help improve the effectiveness of risk management, controls, and management and monitoring processes.

In the Three Lines of Defense (TLoD) model, Internal Audit acts as the third line of defense in the Bank's risk management model, dealing in particular 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
- Processes for dealing with the main risks, especially credit, capital and liquidity risks, both at overall bank level and at management level
- Quality of the strategy and management information presented to the Executive Board and the Supervisory Board
- Significant changes in business processes and the introduction of new products, markets and services

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

The plan adopted for the year 2021 was implemented, despite operational constraints due to the Corona pandemic, with regard to all the main audit areas. In line with professional standards, functional, expedient 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 Management Board, the members of the Audit Committee, and the Chairman of the Supervisory Board, as planned.

Klagenfurt am Wörthersee, on 1. March 2022

THE BOARD

VDir. Dr. Christian Kubitschek

VDir. Dr. Ferdinand Wenzl, MBA

VDir. Alp Dalkilic, MBA

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Balance sheet

Assets			31.12.2021 EUR	31.12.2020 TEUR
1.	Cash in hand, balances with central banks and post office banks		77,521,885.36	66,043
2.	Treasury bills and other bills eligible for refinancing with central banks			
	a) Treasury bills and similar securities		149,326,259.78	152,450
3.	Loans and advances to credit institutions			
	a) payable on demand	361,173,177.41		152,512
	b) Other loans and advances	0.00		300
			361,173,177.41	152,812
4.	Loans and advances to customers		2,020,611,084.44	2,069,510
5.	Debt securities including fixed-income securities issued			
	a) by other borrowers		88,217,343.06	89,809
	of which			
	own debt securities	30,393,711.25		28,922
6.	Participating interests		3,151,800.31	3,152
	of which			
	in credit institutions	638,762.30		639
7.	Intangible fixed assets		849,197.48	470
8.	Tangible fixed assets		14,457,577.96	13,276
	of which			
	land and buildings used by the credit institution for its own activities	11,993,445.32		11,579
9.	Other assets		12,814,607.52	15,414
10.	Prepayments and accrued income		423,265.40	788
11.	Deferred tax assets		1,923,195.77	2,689
Total assets			**2,730,469,394.49**	**2,566,412**
1.	Foreign assets		466,908,588.45	472,416

Liabilities and equity		31.12.2021 EUR	31.12.2020 TEUR
1. Liabilities to credit institutions			
a) payable on demand	27,643,668.17		10,733
b) With agreed maturity dates or periods of notice	357,291,111.10		236,332
		384,934,779.27	247,064
2. Liabilities to customers			
a) Saving deposits	453,097,737.77		445,415
aa) payable on demand	301,246,689.04		278,751
bb) With agreed maturity dates or periods of notice	151,851,048.73		166,664
b) Other liabilities	1,108,007,128.29		1,013,748
aa) payable on demand	978,380,566.45		880,962
bb) With agreed maturity dates or periods of notice	129,626,561.84		132,785
		1,561,104,866.06	1,459,163
3. Securitised liabilities			
a) Debt securities issued		579,634,046.84	652,678
4. Other liabilities		17,626,441.50	13,116
5. Accruals and deferred income		479,377.40	747
6. Provisions			
a) Provisions for severance payments	4,075,483.22		5,038
b) Provisions for pensions	4,101,453.00		4,636
c) Provisions for taxes	0.00		451
d) Other	5,131,843.96		11,717
		13,308,780.18	21,843
7. Tier 2 capital pursuant to Part 2, Titel I, Chapter 4 of regulation (EU) no 575/2013		26,173,961.13	26,141
8. Investment subsidies to fixed assets		496,988.12	60
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		1,611,753.20	503
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		**2,730,469,394.49**	**2,566,412**

Off-balance sheet items	31.12.2021 EUR	31.12.2020 TEUR
1. Contingent liabilities		
of which		
a) Guarantees and assets pledged as collateral security	71,056,701.55	76,494
2. Commitments	181,665,772.41	168,634
3. Commitments arising out of fiduciary activities	8,774,438.44	10,303
4. Own funds pursuant to Part 2 of regulation (EU) no 575/2013	170,490,586.39	170,906
of which		
Tier 2 capital pursuant to Part 2, Titel I, Chapter 4 of regulation (EU) no 575/2013	25,924,266.97	25,846
5. Own funds requirements pursuant to Article 92 of regulation (EU) no 575/2013,	1,142,502,849.50	1,124,073
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	12.65 %	12.90 %
b) Tier 1 capital ratio	12.65 %	12.90 %
c) Total capital ratio	14.92 %	15.20 %
6. Foreign liabilities	83,414,248.84	86,245

Profit and loss account

				01.01.-31.12. 2021 EUR	01.01.-31.12. 2020 TEUR
1.	Interest and similar income			43,874,658.29	44,498
	of which				
	from fixed-income securities		163,810.78		1,225
2.	Interest and similar expenses			(19,466,410.32)	(20,300)
I.	**Net interest income**			**24,408,247.97**	**24,198**
3.	Income from securities and participating interests				
	a) Income from participating interests		85,775.00		87
				85,775.00	87
4.	Fee and commission income			14,657,866.43	15,005
5.	Fee and commission expenses			(1,630,859.97)	(1,540)
6.	Net profit or loss on financial operations			309,732.28	330
7.	Other operating income			4,578,579.77	19,373
II.	**Operating income**			**42,409,341.48**	**57,453**
8.	General administrative expenses				
	a) Staff costs				
	of which				
	aa) Wages and salaries	(16,466,309.31)			(24,932)
	bb) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	(4,618,685.03)			(5,077)
	cc) Other social expenses	(336,019.84)			(280)
	dd) expenses for pensions and assistance	(501,319.68)			(920)
	ee) Expenses for severance payments and contributions to severance and retirement funds	107,587.40			(748)
			(21,814,746.46)		(31,957)
	b) Other administrative expenses (operating expenses)		(17,184,086.47)		(16,658)
				(38,998,832.93)	(48,615)
9.	Value adjustments in respect of asset items 7 and 8			(1,100,865.62)	(1,110)
10.	Other operating expenses			(587,991.36)	(1,818)
III.	**Operating expenses**			**(40,687,689.91)**	**(51,542)**
IV.	**Operating result**			**1,721,651.57**	**5,910**
11./12.	Net result from realisation and valuation of loans and advances and securities held as current assets			(638,996.64)	(8,020)
13./14.	Net result from realisation and valuation of securities held as fixed assets			1,206,432.71	4,316
V.	**Profit or loss on ordinary activities**			**2,289,087.64**	**2,206**
15.	Income taxes			(758,352.30)	(507)
16.	Other taxes not reported under item 15			(421,562.99)	(1,197)
VI.	**Profit or loss for the year after tax**			**1,109,172.35**	**503**
17.	Changes in reserves			(1,109,172.35)	(503)
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 2021

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. In addition, a management report has been prepared which is consistent with the financial statements.

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

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

The year 2021 was also marked by the **Covid-19 pandemic**, which has had a serious impact on the Austrian and international economy. This crisis naturally also has an impact on Anadi Bank. The main impact on the Bank's financial statements can be seen in the valuations of on- and off-balance sheet exposures. The valuation methodology for this is presented in the chapter Accounting and measurement policies in the paragraphs on loans and advances to credit institutions and customers. The impact on earnings and the sensitivity analysis performed can be found in chapter 7 Disclosures on risk provisions. The bank has also made use of the option to apply an investment allowance (please refer to chapter 9 Investment subsidies to fixed assets).

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 Covid-19 pandemic and the globally implemented measures to combat its spread that became necessary as a result triggered an economic crisis. The effects of this crisis on the results and the capital situation, and thus on the continued existence of the bank, were forecast at an early stage using stress tests. The stress tests showed that the negative effects of the Covid-19 crisis can be compensated from the operational business development and by specific countermeasures of Anadi Bank.

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 also determined taking into account the current Covid 19 pandemic in accordance with the existing calculation methodology.

However, in order to take account of the current pandemic situation, an additional general allowance is recognized on the basis of external economic forecasts. In 2020, the loan portfolio was clustered by sector and an estimated rating downgrade was carried out for each sector depending on the expected Covid 19 impact. Households were also assigned rating downgrades, with an additional rating downgrade applied to the consumer loan portfolio in the stress calculation. Public sector households did not receive an additional risk upgrade, as this portfolio was not expected to experience a material increase in the probability of default due to the economic impact of the Covid 19 pandemic. In addition to the industry-only rating downgrade, an additional rating downgrade was applied to borrowers who had already taken advantage of a deferral. In 2021, based on the findings to date in the context of the pandemic, the approach for calculating the additional general allowance due to Covid-19 was changed. To appropriately reflect the current expected loss, those customers who have received deferral, bridge financing or a similar measure since the beginning of 2020 were considered to be economically or financially impacted by the pandemic and therefore receive a particularly conservative markup under the general allowance. The portfolio of customers who did not take advantage of any of the above measures was clustered into sectors. In doing so, an estimated rating downgrade was carried out on an industry-specific basis, taking into account external analyses and forecasts, depending on the expected Covid-19 impairment.

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.

Starting with the 2020 financial year modifications are recognised in the income statement if they are significant or lead to an impairment of the asset. In assessing materiality, the carrying amount is compared with the present value calculated from the adjusted cash flows. Significant changes in the nature and variability of future cash flows (qualitative) and a difference in present value of more than 10 percent (quantitative) are considered to be significant contract adjustments. If the contract adjustment is significant, the old asset is derecognised and the new asset is included in the balance sheet.

In December 2020, an amendment to the law regarding processing fees for consumer and mortgage loans was passed. As a result, processing fees, insofar as they are calculated on the basis of the nominal value of the loan and are repayable, must be recognized over the term of the loan. Therefore, from the 2020 financial year, these 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 no longer be recognized immediately in the income statement, as will expenses similar to interest in connection with the raising of capital. Fixed processing fees are recognized in the income statement on a time-related basis.

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

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

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

Participating interests are valued at the cost of acquisition, unless permanent impairment necessitates a write-down.

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

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

The provision for pension obligations was calculated using an interest rate of 1.264 percent (31.12.2020: 1.355 percent) and a pension increase rate of 1.50 percent (31.12.2020: 2.00 percent).

Provisions for severance payments and **provisions for anniversary bonuses** disclosed under other provisions were calculated applying an interest rate of 1.264 percent (31.12.2020: 1.355 percent) and an assumed salary increase rate of 1.50 percent (31.12.2020: 3.00 percent). For the anniversary bonus provision, the fluctuation probabilities presented in the actuarial report were used. Concerning severance payments, no fluctuation probabilities were accounted for. The provisions were calculated assuming retirement at the earliest statutory retirement age according to the General Social Insurance Act (ASVG, 2004, pension reform).

As reference interest rate for the calculation of the average interest rate, the interest rate published by Mercer is used, itself based on the bonds from the indices of Thomson Reuters Datastream. For the calculation the interest rates of the last five years were used on a monthly basis.

The **provision for unused holidays** is allocated on the basis of the actual unused vacation days per employee as at 31.12.2021.

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

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

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

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

In the reporting year, a replacement of EONIA to €STR took place in the transactions with most collateral management partners; it will finally be replaced as of 01.01.2022. Otherwise, no further valuation changes were made.

NOTES TO THE BALANCE SHEET

1 Maturities of balance sheet items

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

	31.12.2021	31.12.2020
A3. Loans and advances to credit institutions	**361,173,177.41**	**152,812**
- payable on demand	361,173,177.41	152,512
- up to three months	0.00	300
- three months to one year	0.00	0
- one year to five years	0.00	0
- over five years	0.00	0
A4. Loans and advances to customers	**2,020,611,084.44**	**2,069,510**
- payable on demand	112,711,594.63	107,166
- up to three months	68,038,083.16	36,373
- three months to one year	190,364,227.47	248,327
- one year to five years	792,997,777.31	733,853
- over five years	856,499,401.87	943,792
P1. Liabilities to credit institutions	**384,934,779.27**	**247,064**
- payable on demand	27,643,668.17	10,733
- up to three months	0.00	136,352
- three months to one year	0.00	0
- one year to five years	357,291,111.10	99,979
- over five years	0.00	0
P2. Liabilities to customers	**1,561,104,866.06**	**1,459,163**
- payable on demand	1,279,627,255.49	1,159,713
- up to three months	83,451,185.66	93,258
- three months to one year	133,103,053.55	137,827
- one year to five years	64,923,371.36	68,364
- over five years	0.00	0

2 Securities including accrued interest

	31.12.2021	31.12.2020
A2. Treasury bills and other bills eligible for refinancing with central banks	**149,326,259.78**	**152,450**
of which listed	149,326,259.78	152,450
of which fixed assets	138,883,081.30	118,610
of which accrued interest in fixed assets	301,580.53	568
of which current assets	10,128,250.00	33,251
of which accrued interest in current assets	13,347.95	21
A4. Loans and advances to customers	**60,581,779.92**	**65,963**
of which not listed	60,581,779.92	65,963
of which fixed assets	60,280,485.65	65,595
of which accrued interest in fixed assets	301,294.27	368
A5. Debt securities including fixed-income securities issued by other borrowers	**88,217,343.06**	**89,809**
of which listed	57,823,631.80	60,887
of which not listed	30,393,711.26	28,922
of which fixed assets	48,659,592.76	51,638
of which accrued interest in fixed assets	90,781.51	93
of which current assets	39,364,327.06	37,978
of which accrued interest in current assets	102,641.73	100
A7. Participating interests	**3,151,800.31**	**3,152**
of which not listed	3,151,800.31	3,152

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

Country	Nominal value	Carrying amount 31.12.2021	Impairment until 31.12.2021	Reversal of impairment until 31.12.2021
Germany	0.00	0.00	6,000.00	0.00
Belgium	3,000,000.00	2,970,690.00	0.00	0.00
Austria	59,000,000.00	61,108,070.75	0.00	0.00
France	13,000,000.00	13,125,790.57	0.00	0.00
Netherlands	7,000,000.00	7,107,850.65	0.00	0.00
European Union	63,652,000.00	64,698,929.33	152,080.00	43,110.00

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

	31.12.2021	31.12.2020
Issued by others (without public authorities)	**88,217,343.06**	**89,809**
of which		
Own issues	30,393,711.25	28,922
Foreign bonds (credit institutions)	24,234,585.23	24,382
Mortgage and municipal bonds	33,589,046.58	36,505

2.3 Other disclosures relating to securities

The difference between the acquisition costs and the higher market value (Section 56 (5) BWG) for securities authorised for official dealing on a stock exchange and not held as a financial fixed assets, which are stated at their higher market value, is EUR 0.00 (31.12.2020: TEUR 14).

Due to the option applied as at the 2021 financial year in accordance with Section 56 (2) and (3) BWG a premium in the amount of EUR 3,572,099.07 (31.12.2020: TEUR 2,023) was recognised and will be amortised on a straight-line basis over the term. As at 31.12.2021, the accrual amounts to EUR 3,015,073.80 (31.12.2020: TEUR 1,975).

In 2022, fixed-income securities from the bank's own portfolio in the amount of EUR 44,151,016.27 (2021: TEUR 41,091) (euro-denominated securities) and EUR 0.00 (2021: TEUR 0) (foreign currency-denominated securities) will be due.

Fixed-income securities of private issuers, which were eligible to be refinanced at the Austrian National Bank on the balance date, amount to EUR 57,805,218.00 (31.12.2020: TEUR 61,190), of which EUR 58,153,300.00 (31.12.2020: TEUR 59,974) were pledged as at the balance sheet date.

As in the previous year, there were no subordinated securities as at 31.12.2021, according to Section 45 (2) of the BWG.

The trading book has the following volume breakdown as at 31 December 2021:

	31.12.2021	31.12.2020
Forward exchange transactions (nominal value)	1,710,362.55	2,007
Interest rate swaps (nominal value) and interest rate contracts	6,628,189.21	16,070

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 31.12.2021	Silent burdens 31.12.2021	Carrying amount 31.12.2020	Silent burdens 31.12.2020
Treasury bills and similar securities	119,663,689.97	-1,652,868.97	47,369	-80
Debt securities including fixed-income securities issued by other borrowers	10,663,592.76	-54,892.76	10,230	-7
Total	**130,327,282.73**	**-1,707,761.73**	**57,598**	**-87**

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

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

In 2022, issued bonds as defined in Section 64 (1) line 7 BWG with a value of EUR 123,004,177.99 (2021: TEUR 50,000) will be due in Anadi Bank.

3 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 31.12.2021 amounts to EUR 1,465,523.00 (31.12.2020: TEUR 1,466).

4 Other assets

The breakdown of other assets is as follows:

	31.12.2021	31.12.2020
Other assets	**12,814,607.52**	**15,414**
- of which payable after the balance sheet date	568,202.40	1,391
- of which with a residual term more than one year	8,455,082.01	10,238
Accrued interest	63,596.49	21
Accrued income upfront payments	8,455,082.01	10,238
Offset receivables	195,084.20	185
Receivables arising from FX measurement of banking book derivatives	0.00	778
Receivables from trading book derivatives	169,207.34	232
Other receivables	3,931,637.48	3,958

5 Other liabilities

The breakdown of other liabilities is as follows:

	31.12.2021	31.12.2020
Other liabilities	**17,626,441.50**	**13,116**
- of which payable after the balance sheet date	2,031,299.74	1,455
- of which with a residual term more than one year	101,564.90	139
Accrued interest	568,220.18	831
Offset liabilities	12,008,789.38	8,692
Fees and levies	1,776,299.04	1,892
Liabilities arising from FX measurement of banking book derivatives	1,366,449.22	537
Liabilities from trading book derivatives	161,925.79	223
Trade payables	166,652.61	701
Other liabilities	1,578,105.28	241

6 Provisions

The main items included under other provisions are as follows:

	31.12.2021	31.12.2020
Guarantees	239,343.72	339
Unused holidays	370,887.98	378
Anniversary bonuses	947,285.00	1,171
Association of mortgage banks para. 1406 ABGB	314,310.33	341
Legal and consultancy fees	271,119.65	149
Costs for legal risks	165,607.99	476
Restructuring	211,012.07	6,459
Other	2,612,277.22	2,403
Total	**5,131,843.96**	**11,717**

Other provisions

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

Guarantees
The provisions for risks arising from the lending business (guarantees) include provisions for specific cases amounting to EUR 15,896.58 (31.12.2020: TEUR 18) as well as provisions at portfolio level amounting to EUR 223,447.14 (31.12.2020: TEUR 321).

Costs for legal risks
There are provisions in the amount of EUR 115,607.99 as at 31.12.2021 (31.12.2020: TEUR 476) in respect of legal risks, which will cover possible customer compensations and legal costs. In the current financial year payments related to these provisions totalling EUR 5,272.01 (31.12.2020: TEUR 317) were settled and an amount of EUR 355,131.26 (31.12.2020: TEUR 310) was released. Furthermore, an addition in the amount of EUR 50,000.00 was recognized for possible interest repayments for customer relationships for which (i) the requirements of § 2 (1) COVID-19-JuBG are met, (ii) the customer has made use of a statutory deferral and (iii) no deviating agreement within the meaning of § 2 (3) COVID-19-JuBG has been reached with the customer. This provision was recognized in connection with the decision of the Austrian Supreme Court (OGH) 3 Ob 189/21x of December 22, 2021.

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 31.12.2021 a provision of EUR 2,116.84 (31.12.2020: TEUR 537) was required.

For derivatives in the trading book, a provision for the credit valuation adjustment (CVA) in the amount of EUR 6,139.75 (31.12.2020: TEUR 9) was required.

7 Disclosures on risk provisions

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

	31.12.2021	31.12.2020
Loans to customers - risk provision		
Opening balance	**52,631,992.12**	**48,866**
Additions	6,861,045.10	7,431
Releases	-3,371,615.33	-448
Utilised	-20,000,056.67	-3,219
Transfer	230,558.98	0
Foreign currency valuation	6,852.59	2
Closing balance	**36,358,776.79**	**52,632**

To account for default risks existing as of the balance sheet date, there is a portfolio allowance in the amount of EUR 4,146,563.23 (31.12.2021: TEUR 6,144) as of December 31, 2021. In 2020, a model risk premium of EUR 500,000.00 was recognized due to the calibration adjustments currently being processed. In 2021, all calibrations could be confirmed as adequate. Therefore, the model risk premium was reversed within the general allowance. To account for the increased risk of default due to the Covid-19 pandemic, a provision of EUR 1,024,928.15 (31.12.2020: TEUR 2,087) was made within the portfolio allowance.

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

The nominal value of the Tier 2 capital pursuant to Part 2 Title I Chapter 4 of the Regulation (EU) No. 575/2013 was EUR 26,100,000.00 (31.12.2020: TEUR 25,000) as of 31.12.2020.

In July of the financial year 2021, a new supplementary capital bond was issued with a subscription volume of up to EUR 15 million. The interest rate is 6 % for a term of 11 years in the first years. The supplementary capital bonds issued in previous years, which were not fully sold, can no longer be subscribed.

The interest expenses for the Tier 2 capital amount to EUR 1,628,658.22 (31.12.2020: TEUR 1,564).

9 Investment subsidies to fixed assets

As part of the government's economic stimulus program, it was made possible to claim an investment allowance for acquisitions in fixed assets. Anadi Bank has registered an investment sum of around EUR 5.3 mio for investments in buildings with the Austrian Wirtschaftsservice as the settlement authority. The expected allowance of EUR 496,988.12 was recognised at the balance sheet. In the business year, a release of EUR 5,929.42 was made for assets already put into operation.

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

10 Share capital

The issued share capital of Austrian Anadi Bank AG at the balance sheet date amounts to EUR 30,000,000.00 (31.12.2020: TEUR 30,000) and is divided into 30,000 (31.12.2020: 30,000) registered shares. The shares are held 100 percent by Anadi Financial Holdings Pte. Ltd., whose headquarters is in Singapore.

11 Reserves

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

	01.01.2021	Additions	Releases	31.12.2021
Capital reserves	78,102,760.79	0.00	0.00	78,102,760.79
Retained earnings	502,580.85	1,109,172.35	0.00	1,611,753.20
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

12 Derivative financial instruments

The following transactions were unsettled at the balance sheet date:

	Nominal value Purchase contract		Nominal value Sales contract	
Forward transactions	31.12.2021	31.12.2020	31.12.2021	31.12.2020
a) Interest-related transactions				
OTC-products				
Interest rate swaps / interest rate contracts	238,161,701.89	330,184	238,161,701.89	330,184
b) Currency-related transactions				
OTC-products				
Currency swaps	101,156,069.37	97,228	101,635,853.26	97,204
Cross-currency swaps	74,354,360.12	60,806	75,241,025.46	60,028
Forward exchange transactions	1,710,362.54	2,007	1,709,643.61	2,006

	Fair value Positive		Fair value Negative	
Forward transactions	31.12.2021	31.12.2020	31.12.2021	31.12.2020
a) Interest-related transactions				
OTC-products				
Interest rate swaps / interest rate contracts	12,478,771.59	20,720	26,397,871.16	40,405
b) Currency-related transactions				
OTC-products				
Currency swaps	42.82	64	196,660.71	79
Cross-currency swaps	1,142,285.86	963	1,967,325.44	202
Forward exchange transactions	54,969.42	34	54,249.61	33

The trading and banking book derivatives are used to hedge interest rates, exchange rates and market prices. Derivative contracts are mainly formed to hedge individual asset and liability positions in the banking book. As at 31.12.2020 the net fair value of derivatives designated as hedging instruments, was EUR 13,926,094.84 (31.12.2020: TEUR 19,694).

Hedging relationships were terminated prematurely in the reporting year. The termination of hedging relationships are in line with the Bank's strategic risk considerations. The positive net result including the hedged items amounts to EUR 2,448,933.78 (31.12.2020: TEUR 12,866).

13 Contingent liabilities

	31.12.2021	31.12.2020
Contingent liabilities	**71,056,701.55**	**76,494**
Guarantees and assets pledged as collateral security	70,775,688.04	76,457
Letters of credit	281,013.51	37

14 Other off-balance sheet statements

Loan exposures comprise unused credit lines totalling EUR 181,665,772.41 (31.12.2020: TEUR 168,634).

Liabilities from fiduciary activities amounted to EUR 8,774,438.44 (31.12.2020: TEUR 10,303) in the year under review. These activities mainly comprise assets held in trust refinanced by Austrian Control Bank.

Pursuant to Section 238 (1) (14) UGB, obligations arising from the use of property, plant and equipment not recognized in the balance sheet (vehicle leasing and building rental) amount to EUR 510,382.56 (31.12.2021: TEUR 580) for the following financial year and a total of EUR 2,255,833.38 (31.12.2020: TEUR 2,469) for the next 5 years on the basis of contracts in place at the balance sheet date.

NOTES TO THE INCOME STATEMENT

15 Interest and similar income

	31.12.2021	31.12.2020
Loans and advances to credit institutions and customers	**43,710,847.51**	**43,273**
Austria	35,084,935.92	35,679
International	8,625,911.59	7,594
Fixed-income securities	**163,810.78**	**1,225**
Austria	247,102.25	522
of which premium of securities held as fixed assets	-184,461.05	-17
International	-83,291.47	703
of which premium of securities held as fixed assets	-330,527.56	-32
Total	**43,874,658.29**	**44,498**

Interest earnings include negative interests from receivables in the amount of EUR 1,089,057.38 (31.12.2020: TEUR 679).

16 Interest and similar expenses

	31.12.2021	31.12.2020
Liabilities to credit institutions and customers	**-168,474.16**	**-2,480**
Austria	632,535.31	-1,600
International	-801,009.47	-880
Securitised liabilities	**-19,297,936.16**	**-17,820**
Austria	-19,297,936.16	-17,820
Total	**-19,466,410.32**	**-20,300**

Interest expenses include negative interest from liabilities to credit institutions, in this case refinancing from the TLTRO II program (Targeted Longer-Term Refinancing Operations), amounting to EUR 2,787,546.62 (31.12.2020: TEUR 865).

Under the TLTRO III program, Anadi Bank has borrowed EUR 360,000,000 until the end of 2021. The interest rate of TLTRO III depends on the development of a benchmark loan portfolio, whereby comparative periods are used here. In Anadi Bank, interest is accrued at an interest rate of currently -0.5 percent over the entire term of the refinancing. As the condition for claiming the special bonus is also met as of December 31, 2021, the special bonus for the reporting year 2021 is also accrued at a further -0.5 percent as of December 31, 2021.

17 Commission income and expenses

	31.12.2021	31.12.2020
Lending business		
Fee and commission income*	5,482,715.94	5,871
Fee and commission expenses	-554,295.58	-466
Securities business		
Fee and commission income	2,123,817.01	1,857
Fee and commission expenses	-136,368.26	-133
Other transactions		
Fee and commission income	7,051,333.48	7,278
Fee and commission expenses	-940,196.13	-941
Total income	**14,657,866.43**	**15,005**
Total expense	**-1,630,859.97**	**-1,540**

*In the reporting year 2021, expenses from the impending repayment for processing fees were reclassified from income statement item 10 (other operating expenses) to income statement item 4 (fee and commission income). The prior-year figures have been adjusted accordingly

18 Other administrative expenses (operating expenditure)

	31.12.2021	31.12.2020
Legal and consultancy expenses	-2,339,800.34	-2,278
Advertising and hospitality expenses	-1,180,787.13	-768
Rental, leasing and other building expenses	-1,743,814.91	-2,419
IT expenses	-1,404,125.76	-1,981
Data centre expenses	-4,001,194.47	-3,962
Training expenses	-89,468.17	-80
Issue expenses	-192,308.90	-321
Travel expenses	-78,172.29	-96
Fleet expenses	-163,428.36	-177
Insurance	-321,609.62	-365
Telephone and postage expenses	-375,054.97	-368
Expenses in connection with company legal structure	-356,569.85	-364
Office and stationery expenses	-80,002.05	-91
Single resolution fund (BaSAG)	-1,298,209.09	-1,117
Guarantee deposit (ESA Einlagensicherung GmbH)	-2,957,658.40	-1,590
Other operating expenditure	-601,882.16	-679
Total	**-17,184,086.47**	**-16,658**

19 Other operating income

	31.12.2021	31.12.2020
Rental and leasing agreements	37,092.08	70
Income from disposals of fixed assets	44,179.40	4,676
Release provision negative market values of banking book derivative	535,138.16	45
Income from early terminated derivatives	2,626,759.26	13,200
Other operating income	1,335,410.87	1,383
Total	**4,578,579.77**	**19,373**

20 Other operating expenses

	31.12.2021	31.12.2020
Addition provision negative market values of banking book derivative	0.00	-551
Addition provision costs for legal risks	0.00	-575
Other operating expenses	-587,991.36	-691
Total	**-587,991.36**	**-1,818**

21 Value adjustments and re-adjustments in respect of transferable securities held as financial fixed assets and current assets, participating interests and shares in affiliated undertakings

The item 11/12 Net of expenses and income from the sale and valuation of receivables and securities held as other current assets includes a net expense from value adjustments and valuations in the amount of EUR 2,525,868.61, as well as a premium in the amount of a gain of EUR 1,914,346.68 from the sale of a loan from the Public Finance portfolio.

This item also includes income and expenses from contract adjustments. Starting in the 2020 financial year, contract amendments are recognized in the income statement Significant contracts were derecognized and recognized at the new present value. This resulted in an expense of EUR 23,367.10 (31.12.2020: TEUR 0; income TEUR 230). Furthermore, there were non-significant changes in present value resulting in a devaluation in the amount of EUR 40,100.82 (31.12.2020: TEUR 214) of these accounts. Income from the reversal of the deferred income amounted to EUR 35,993.21 in the fiscal year.

The profit and loss item 14 Net of expenses and income from the disposal and valuation of securities held as financial assets as well as investments and shares in affiliated companies includes the income from the premature sale of securities in the amount of EUR 1,119,432.71.

SUPPLEMENTARY INFORMATION

22 Deferred taxes

Balance sheet position	31.12.2021	31.12.2020	Description
Positive fair values of trading book derivatives	-169,207.32	-232	Deferred tax liabilities
Securities fixed assets	22,000.00	34	Deferred tax assets
Loans and advances to customers	4,141,673.02	5,677	Deferred tax assets
Provisions	3,698,317.39	5,277	Deferred tax assets
Total	**7,692,783.10**	**10,755**	**Net deferred tax asset**
of which tax rate 25 %	1,923,195.77	2,689	
Excess deferred tax asset	**1,923,195.77**	**2,689**	

23 Important long-term contracts

On July 1, 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.

The service agreement concluded between VB Services für Banken Ges.m.b.H. (VBS) and Anadi Bank on November 1, 2015 was terminated by VBS at the end of 2020. The services comprise payment orders including urgent payments to domestic, EU and non-EU countries integrated with the technical release into the payment system of Anadi Bak as well as the account reconciliation of the nostro bank connections. The service was provided by VBS until the end of September 2021.

A shareholder agreement was signed on September 13, 2005 between ARZ (Allgemeines Rechenzentrum GmbH) and Anadi Bank. ARZ is a strategic IT provider with two sites in Innsbruck and Vienna. Essentially the services include: the core banking system in the areas of business customers, current accounts, savings, credit, securities, electronic banking; the general ledger including accounting; various sub-systems such as SAP, the securities settlement system GEOS (incl. Nostro); workflow and document management; regulatory reporting solutions (national/prudential); as well as various other reporting options. Furthermore, ARZ provides the infrastructure in respect of mainframe computer; application and database servers; client server; the entire IT network; security (firewall, intrusion detection); end user support; as well as basic services monitoring; and fault management, incl. contingency planning.

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 analyses).

24 Own capital funds

Own funds in accordance with CRR/CRD	31.12.2021	31.12.2020
Common equity tier 1 capital	**144,566,319.42**	**145,060**
Paid up capital instruments	30,000,000.00	30,000
Capital reserves	78,102,760.79	78,103
Other reserves	37,498,220.85	37,498
Value adjustments due to the requirements for prudent valuation (fair value)	19,396,031.00	71,239
of which 0,1 % deduction	-19,396.03	-71
Deduction other intangible assets	-849,197.48	-470
Deduction (backstop provisioning)	-166,068.71	0
Tier 2 capital	**25,924,266.97**	**25,846**
Supplementary capital	26,105,373.86	26,106
Supplementary capital allowable	25,924,266.97	25,846
Own funds	**170,490,586.39**	**170,906**
Own funds requirement	**91,400,227.96**	**89,926**
Surplus of own funds	**79,090,358.43**	**80,980**
Coverage ratio	**186.53 %**	**190.05 %**

Own funds requirement	31.12.2021	31.12.2020
Risk-weighted assets credit risk	**1,039,268,549.70**	**1,016,851**
of which 8 % minimum capital requirement	83,141,483.98	81,348
Credit value adjustment	866,368.52	692
Own funds requirement open currency position	0.00	30
Own funds requirement operational risk	7,392,375.46	7,856
Total own funds requirement	**91,400,227.96**	**89,926**
Total risk exposure amount	**1,142,502,849.50**	**1,124,073**
Common equity tier 1 capital ratio	**12.65 %**	**12.90 %**
Tier 1 capital ratio	**12.65 %**	**12.90 %**
Total capital ratio	**14.92 %**	**15.20 %**

Reclassification of other reserves and additional paid-in capitalin 2021, taking into account balance sheet consolidation.

25 Collaterals

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

	31.12.2021	31.12.2020
Financial collateral	**41,520,988.74**	**51,809**
Cash deposits	31,641,168.57	41,754
Securities	9,879,820.17	10,056
Real estate collateral	**800,972,202.66**	**929,385**
Guarantees	**238,855,181.93**	**236,559**
Other collateral	**70,089,400.12**	**90,045**
Insurance	41,677,691.70	42,008
Movable property	7,325,272.36	8,185
Others	21,086,436.06	39,852
Total	**1,151,437,773.45**	**1,307,798**

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

	31.12.2021	31.12.2020
Collateral received	5,320,000.00	6,060
Collateral provided	27,680,000.00	28,570

26 Trustee saving accounts

Liabilities to customers includes trustee saving accounts amounting to EUR 1,355,551.93 (31.12.2020: TEUR 2,522).

27 Foreign currency

The balance sheet contains the following foreign currency amounts:

	31.12.2021	31.12.2020
Assets	151,362,696.73	156,429
Liabilities	11,534,340.95	12,962

The main part of the difference amounting to EUR 139,828,355.78 (31.12.2020: TEUR 143,466) is hedged with swap agreements.

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

	Securitised liabilities		Covering loans		Surplus/shortfall in cover	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Mortgage bonds A	95,000,000.00	145,000	366,155,081.35	384,351	271,155,081.35	239,351
Mortgage bonds B	31,004,335.88	42,881	35,982,973.86	54,257	4,978,637.98	11,376
Public sector mortgage bonds	406,244,371.87	416,212	444,564,105.21	478,444	38,319,733.34	62,232

Anadi Bank has deposited own not issued covered bonds (mortgage bonds) with the Austrian National Bank amounting to EUR 220,000,000.00 (31.12.2020: TEUR 160,000). This compares to mortgage collateral stock (covering loans) amounting to EUR 366,155,081.35 (31.12.2020: TEUR 384,351. As at 31.12.2021 refinancing in the full amount (31.12.2020: TEUR 141,474) was used for this purpose.

29 Other information related to the balance sheet

In accordance with Section 64 (1) line 8 BWG, securities amounting to EUR 426,552,576.00 (31.12.2020: TEUR 376,984) and loans in the amount of EUR 127,216,323.89 (31.12.2020: TEUR 133,532) were pledged as collateral for liabilities to credit institutions amounting to EUR 360,000,000.00 (31.12.2020: TEUR 238,000) as well as for liabilities to customers amounting to EUR 1,355,551.93 (31.12.2020: TEUR 2,522).

As at 31.12.2021 the return on assets in accordance with Section 64 (19) BWG is 0.04 percent (31.12.2020: 0.02 percent).

30 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 3, 2003, as well as all commitments created between April 3, 2003 and April 1, 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 31.12.2021, the federal state of Carinthia still had guarantees for perpetual liabilities of Anadi Bank amounting to EUR 13,734,768.70 (31.12.2020: TEUR 15,216).

31 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 1, 2019, the task of the sectoral protection scheme was transferred to the uniform protection scheme Einlagensicherung Austria GmbH, which was set up by the WKO. The agendas of the protection schemes of the banking and bankers' associations and of Volksbanken were also taken over by the uniform protection scheme at that time. Each protection scheme has to set up a deposit guarantee fund consisting of available financial resources in the amount of at least 0.8 percent of the sum of the covered deposits of the member institutions as target funding. The contribution obligation is based on the amount of covered deposits on the basis of previously determined risk factors (so-called risk-based contribution calculation). As of January 1, 2019, Einlagensicherung Austria GmbH is also obliged to collect special contributions from its member institutions in the event of a guarantee claim - if the fund resources are not sufficient to cover the depositor claims. These special contributions may amount to a maximum of 0.5 percent of the respective covered deposits per year pursuant to section 22 (1) ESAEG. An annual contribution of EUR 1,205,820.91 (31.12.2020: TEUR 1,590) was payable for the entire 2020 fiscal year, which includes a special contribution for the replenishment of the fund due to the utilisation form current insolvency casesIn addition, EUR 1,711,709.10 (31.12.2020: 0 TEUR) was called in to eliminate the shortfall in the fund due to the exit of an Austrian banking group and a building society.

32 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 2020 fiscal year, Anadi Bank paid an annual contribution of EUR 1,298,209.09 (31.12.2020: TEUR 1,117). Irrevocable payment commitments were not used.

33 Consolidation

As at the reporting date, Anadi Bank does not held any shares in affiliated companies and therefore does not prepare consolidated financial statements. 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.

34 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.

35 Auditing expenses

The expenses in respect of the company's auditor amounted to EUR 480,559.65 (31.12.2020: TEUR 318) as at the reporting date and comprise other auditing and consulting services in the amount of EUR 31,440.00 (31.12.2020: TEUR 5) and the audit of the annual financial statements in the amount of EUR 449,119.313 (31.12.2020: TEUR 313).

36 Employees

Average number of employees according to Section 239 UGB:

	31.12.2021	31.12.2020
Employees	231.09	258.07

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

As at 31.12.2021, the members of the Management Board had received advances, loans or guarantees totalling EUR 72,102.50 (31.12.2020: TEUR 81) from Anadi Bank.

As at 31.12.2021, the members of the Supervisory Board received, either for themselves or on behalf of the companies for which they are personally liable, loans or guarantees totalling EUR 11,587,398.22 (31.12.2020: TEUR 7,307) from Anadi Bank.

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

Expenses for severance payments, pensions and anniversary bonus

The bank spent the following amounts for payments and provisions for severance pay and pensions in 2021:

	31.12.2021 Severance payments	31.12.2021 Pensions	31.12.2020 Severance payments	31.12.2020 Pensions
Management Board	16,822.38	151,870.27	20	119
Senior employees	16,016.83	84,960.36	38	55
Other employees	-140,426.61	264,489.05	690	746
Total	**-107,587.40**	**501,319.68**	**748**	**920**

In 2021 payments to the employee pension fund amounted to EUR 174,205.37 (31.12.2020: TEUR 179). As a result of the release of the severance payment provision amounting to EUR 417,189.48 (31.12.2020: TEUR 467 addition), the actual income for severance charge in 2021 were EUR 107,587.40 (31.12.2020: TEUR 748 expense). In the financial year, severance payments in the amount of EUR 135,396.71 (31.12.2020: TEUR 102) were continuously recorded against the allocated provisions.

In the 2021 financial year, payments of EUR 615,419.92 (31.12.2020: TEUR 620) were made to the pension fund. An amount of EUR -114,100.24 was released to the provision for pension obligations (31.12.2020: TEUR 301 allocated). In total, this results in the reported expenses for pensions of EUR 501,319.68 (31.12.2020: TEUR -920).

In the fiscal year, anniversary bonuses in the amount of EUR 49,279.27 (31.12.2020: TEUR 54) were recognised against the recognised provision on an ongoing basis.

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

	31.12.2021	31.12.2020
Management Board		
of which fixed	1,263,037.56	1,587
of which variable	819,791.67	335
Supervisory Board	337,369.85	344
Total	**2,420,199.08**	**2,266**

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

37 Allocation of the result

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

38 Events after the balance sheet date

On January 20, 2022, an Austrian Supreme Court ruling dated December 22, 2021 became known. In the case of customer relationships for which (i) the requirements of § 2 (1) COVID-19-JuBG are met, (ii) the customer has made use of a statutory deferral and (iii) no deviating agreement within the meaning of § 2 (3) COVID-19-JuBG has been reached with the customer, it can be assumed that the debit interest will be waived for the duration of the statutory deferral. Anadi Bank has largely reached mutual agreements between the parties in accordance with § 2 (3) 2. COVID-19-JuBG. A provision was formed for the cases not covered by deviating party agreements.

The Bank has assessed whether the crisis in Ukraine would have an impact on Anadi Bank. Due to its business model and customer structure, Anadi Bank does not currently expect any direct effects. An assessment of possible further indirect effects is not yet foreseeable. The crisis is an event of the financial year 2022 and therefore does not have to be considered in the financial year 2021.

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

Klagenfurt am Wörthersee, as at March 01, 2022

THE MANAGEMENT BOARD

VDir. Dr. Christian Kubitschek

VDir. Dr. Ferdinand Wenzl, MBA

VDir. Alp Dalkilic, 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
Dr. Franz Markus Nestl, Vienna (until 08.02.2021)
Gerfried Peter Gross, Vienna (from 25.05.2021)

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

State Commissioner:
Mag. Renate Platzer, BMF Vienna

Deputy State Commissioner:
Mag. Stefan Wieser, BMF Vienna

Trustee:
Mag. Natascha Nehammer, BMF Vienna

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

Management Board:
Dr. Christian Kubitschek, Wien
Dr. Ferdinand Wenzl, MBA, Wien
Alp Dalkilic, MBA, Pörtschach (from 01.11.2021)
Dipl.-Kfm. (FH) Markus Gerstberger, EMBA, Vienna (until 31.10.2021)

Schedule 2 to the notes – FIXED ASSETS MOVEMENT SCHEDULE

Fixed assets	Acquisition cost 01.01.2021	Addition 2021	Disposal 2021	Transfer 2021
Pos. 2				
Treasury bills and similar securities				
Fixed-income securities	133,931,976.95	57,589,482.40	36,867,067.29	0.00
Pos. 4				
Loans and advances to customers				
Fixed-income securities	65,595,052.83	0.00	5,314,567.18	0.00
Pos. 5				
Debt securities including fixed-income securities issued a) by other borrowers				
Fixed-income securities	62,941,302.02	0.00	2,913,000.00	0.00
Pos. 6				
Shares and other variable-yield securities	0.00			
Pos. 7				
Participating interests	6,575,306.97	0.00	0.00	0.00
Pos. 8				
Intangible fixed assets	3,398,120.15	625,852.78	76,807.72	0.00
Pos. 9				
Tangible fixed assets	24,081,953.54	2,173,992.88	1,423,743.22	0.00
Total	**296,523,712.46**	**60,389,328.06**	**46,595,185.41**	**0.00**

Acquisition cost 31.12.2021	Cumulative depreciation 01.01.2021	Addition - depreciation 2021	Disposal 2021	Cumulative depreciation 31.12.2021	Carrying amount 31.12.2021	Carrying amount 31.12.2020
154,654,392.06	15,321,728.36	449,582.40	0.00	15,771,310.76	138,883,081.30	118,610,248.59
60,280,485.65	0.00	0.00	0.00	0.00	60,280,485.65	65,595,052.83
60,028,302.02	11,303,303.05	65,406.21	0.00	11,368,709.26	48,659,592.76	51,637,998.97
0.00	0.00	0.00	0.00	0.00	0.00	0.00
6,575,306.97	3,423,506.66	0.00	0.00	3,423,506.66	3,151,800.31	3,151,800.31
3,947,165.21	2,928,309.76	246,465.69	76,807.72	3,097,967.73	849,197.48	469,810.39
24,832,203.20	10,806,011.03	860,329.35	1,291,715.14	10,374,625.24	14,457,577.96	13,275,942.51
310,317,855.11	**43,782,858.86**	**1,621,783.65**	**1,368,522.86**	**44,036,119.65**	**266,281,735.46**	**252,740,853.60**

LONG-FORM AUDIT REPORT

on the

FINANCIAL STATEMENTS

as of December 31, 2021 of

Austrian Anadi Bank AG

9020 Klagenfurt am Wörthersee, Domgasse 5
Wien, 1. März 2022

Translation

Vienna, March 1, 2022

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NOTE ON ROUNDING:

The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated computational aids.

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

To the Members of the Management Board and the Supervisory Board of

Austrian Anadi Bank AG,
Klagenfurt am Wörthersee

We have completed the audit of the financial statements as of December 31, 2021 of

Austrian Anadi Bank AG,
Klagenfurt am Wörthersee,
(referred to as „the Company")

and report on the result of our audit as follows:

1. AUDIT CONTRACT AND PERFORMANCE OF THE ENGAGEMENT

At the ordinary general meeting dated October 28, 2020 of Austrian Anadi Bank AG, Klagenfurt am Wörthersee, we were elected and appointed as bank auditor for the fiscal year 2021. The Company, represented by the supervisory board, concluded an audit contract with us to audit the financial statements as of December 31, 2021, including the accounting system and the management report pursuant to sections 60 to 63 BWG (Austrian Banking Act) and sections 269 et seqq. UGB (Austrian Company Code).[1]

Our appointment was notified to the Financial Market Authority in a letter dated November 6, 2021

The audited company is a public interest entity according to section 189a UGB (Austrian Company Code).

The Company is a large corporation pursuant to section 221 UGB (Austrian Company Code).

The audit is a statutory audit pursuant to section 60 BWG (Austrian Banking Act).

The bank audit included assessing whether the statutory requirements as well as provisions of the Company's articles of association were adhered to concerning the preparation of the financial statements. The management report is to be assessed whether it is consistent with the financial statements and whether it was prepared in accordance with the applicable legal regulations.

In addition to the legality of the annual financial statements, the audit pursuant to section 63 para. 4 Austrian Banking Act also includes compliance with banking supervisory provisions. Pursuant to section 63 para. 5 BWG (Austrian Banking Act), the result of this audit is to be included in an annex to the audit report.

Concerning reporting as to article 11 of the regulation (EU) 537/2014 we refer to the separate report to the supervisory board; the reporting according to article 11 of the regulation mentioned is not part of this report.

The audit as of December 31, 2020 was performed by another auditor.

[1] We prepared a separate report on the audit of the consolidated financial statements as of December 31, 2021, which was also part of the agreement.

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

We conducted our audit in accordance with the legal requirements and generally accepted standards on auditing as applied in Austria. These standards require that we comply with International Standards on Auditing. An auditor conducting an audit obtains reasonable assurance about whether the financial statements are free from material misstatement. Absolute assurance is not attainable due to the inherent limitations of any accounting and internal control system and due to the sample-based test nature of an audit, there is an unavoidable risk that material misstatements in the financial statements remain undetected. Areas which are generally covered in special engagements were not included in our scope of work.

We performed the audit, with interruptions, from September to November 2021 (interim audit) as well as from December 2021 to March 2022 (final audit) mainly at the our office in Vienna. The audit was substantially completed at the date of this report.

The audit partner responsible for the proper performance of the engagement is Ms. Julia Newertal, MSc MSc, Austrian Certified Public Accountant.

Our audit is based on the audit contract concluded with the Company. The "General Conditions of Contract for the Public Accounting Professions" issued by the Austrian Chamber of Public Accountants and Tax Advisors (refer to Annex III) form an integral part of the audit contract. These conditions of contract do not only apply to the Company and the bank auditor, but also to third parties. Section 62a BWG (Austrian Banking Act) in connection with section 275 UGB (Austrian Company Code) applies with regard to our responsibility and liability as bank auditors towards the Company and towards third parties.

2. BREAKDOWN AND DESCRIPTION OF SIGNIFICANT ITEMS IN THE FINANCIAL STATEMENTS

The breakdown and description of all significant financial statement items are included in the notes to the financial statements and in the management report. Therefore, we refer to the respective disclosures made by the management in the notes to the financial statements and in the management report.

3. SUMMARY OF AUDIT FINDINGS

COMPLIANCE OF THE ACCOUNTING SYSTEM AND THE FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT AS WELL AS OF THE CORPORATE GOVERNANCE REPORT

During our audit, we obtained evidence that the statutory requirements as well as the regulations set forth in the Company's articles of association and generally accepted accounting principles in Austria have been complied with.

In line with our risk and controls based audit approach and to the extent we considered necessary for the purpose of expressing an opinion, we considered internal controls related to sub processes of the financial reporting process as part of our audit.

With regard to the compliance of the financial statements and of the management report with all applicable statutory requirements we refer to the auditor's report.

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

INFORMATION PROVIDED

The Company's legal representatives provided all evidence and explanations requested by us. We obtained a representation letter signed by the legal representatives which we included in our working papers.

The previous bank auditor granted access to relevant information about the audited company and about the last audit performed.

REPORTING IN PURSUANT TO SECTION 63 PARA 3 BWG (AUSTRIAN BANKING ACT) (EXERCISING THE DUTY TO REPORT)

In a letter dated January 31, 2022, we exercised our duty to speak to the Management Board and the Supervisory Board in accordance with section 273 para. 2 of the UGB (Austrian Commercial Code) and section 63 para. 3 of the BWG (Austrian Banking Act) , since we identified material weaknesses in internal control system.

4. AUDITOR'S REPORT

REPORT ON THE FINANCIAL STATEMENTS

AUDIT OPINION

We have audited the financial statements of Austrian Anadi Bank AG, Klagenfurt am Wörthersee. These financial statements comprise the statement of financial position as of December 31, 2021, 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, 2021 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and regulations stipulated in banking law.

BASIS FOR OPINION

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

OTHER MATTER

The annual financial statements for the year ended December 31, 2020 were audited by a different auditor and given an unqualified audit opinion on January 22, 2021.

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

KEY AUDIT MATTERS

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

Recoverability of receivables from customers

1. Recoverability of receivables from customers

Credit risk is the most significant risk for Austrian Anadi Bank AG and is reflected in the item receivables from customers. These amount to EUR 2,021 million as at the reporting date of 31 December 2021 (i.e. around 74.0% of the balance sheet total). The procedure for the assessment of risk provisions is explained in the notes in the chapter on accounting and valuation methods. In addition, the Management Board explains the development of risk provisions under item 7 „Disclosure on risk provisions". The management report contains a risk report in chapter 2.2.7 „Credit risk".

Facts and reference to further information

As part of its monitoring process, the Bank reviews the creditworthiness of its borrowers at regular intervals. Observable loans are monitored by the Watch Loan Committee. Defaulted loans are managed by the Workout Department.

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

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

In addition, a rating-based portfolio allowance for customers is taken into account for non-defaulted loans, whereby both regulatory and internally determined parameters are used for the calculation. Collateral provided is also taken into account accordingly. In order to take into account the effects of the current COVID-19 pandemic situation, an additional general allowance is recognized, taking into account external economic forecasts and expert estimates.

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

Auditing procedure

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

We have carried out an analysis of the loan portfolio with regard to anomalies. Based on this analysis, a risk-oriented selection of a sample was made. The following factors were taken into account in the selection of the sample: Rating level or default status, conspicuous rating migrations, overdrafts, new business status, collateral, segment as well as the amount of risk provisions already made. In addition, the results of the supervisory monitoring process were also taken into account when selecting the sample.

For the selected sample in the performing portfolio, we examined whether indicators for defaults exist. In the corporate sector, we verified the existence of collateral by means of corresponding evidence (extract from the land register, guarantee declaration, pledge declarations, etc.).

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

We have mathematically reconstructed the portfolio allowance. With regard to the input parameters, we reconciled the measurement basis used for completeness and analyzed the parameters and models applied. For this purpose, we checked the appropriateness of the applied rating on a sample basis. We also assessed the appropriateness of the derivation and justification for the additional COVID-19 provision. Finally, a plausibility check of the amount of the portfolio allowance was carried out on the basis of the risk provisions actually made in the past.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND OF THE AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

We also:

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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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.

COMMENTS ON THE MANAGEMENT REPORT FOR THE COMPANY

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

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

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

Opinion

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

Statement

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

ADDITIONAL INFORMATION IN ACCORDANCE WITH ARTICLE 10 OF THE EU REGULATION

We were elected as bank auditor by the ordinary general meeting at October 28, 2020. We were appointed by the Supervisory Board on October 28, 2020. Besides that we were elected as bank auditor for the following financial year by the ordinary general meeting at December 9, 2021 and appointed by the Supervisory Board on October 15, 2021. We are bank auditors without cease since the financial year 2021.

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

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

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

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

RESPONSIBLE AUSTRIAN CERTIFIED PUBLIC ACCOUNTANT

The engagement partner is Ms. Julia Newertal, MSc MSc, Certified Public Accountant.

Vienna, March 1, 2022

BDO Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

ppa. Julia Newertal, MSc MSc	ppa. Mag. Bernd Spohn
Auditor	Auditor

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.

PUBLISHING INFORMATION

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