GROWTH WITH QUALITY

Annual Report
31. December 2020

Austrian Anadi Bank

Die Bank der Zukunft. Seit 1896.

AUSTRIAN ANADI BANK AG RESULTS OVERVIEW

in EUR m	2020	2019
Total assets	2,566	3,064
Primary funds (customer deposits, securitised liabilities)	2,112	2,434
Customer assets	2,070	2,183
Total shareholder equity including tier 2 capital	172	170
Own Funds in accordance with CRR/CRD	171	169
Net interest income	24	29
Total Income	**58**	**49**
Total expenses	–52	–42
Operating result	**6**	**7**
Profit from ordinary activities	**2**	**–19**
Cost-income-ratio	89.72%	86.76%
Net interest margin	0.87%	0.98%
Return on equity (RoE)	1.51%	negative
Total capital ratio	15.20%	14.07%
Total number of employees headcount (excluding employees on maternity leave)	280	314

VDir. Dr. Christian Kubitschek

LETTER FROM THE MANAGEMENT BOARD

Klagenfurt, January 22, 2021

To Whomsoever it may concern

in 2020, Austria – like the rest of the world – was hit by a unique public health crisis. As a result of the Covid 19 pandemic and the globally implemented measures to prevent the spread of the virus, companies were suddenly confronted with a situation that made most business plans obsolete from one day to the next.

Review of a solid fiscal year 2020

Despite the pandemic, Anadi Bank managed to achieve a solid 2020 business result and continue banking operations smoothly due to our resilient business model and appropriate management measures. Thanks to our high level of digitalisation and state-of-the-art IT equipment, we were able to transfer around two-thirds of the workforce to home offices within a very short period of time during the 1st lockdown, and since summer 2020, almost all employees have been equipped to work from home. At the same time, branch operations were fully functional. Our customers have thus been and continue to be served at the highest level without interruption.

We were able to achieve a positive annual result in the 2020 financial year under these conceivably difficult conditions and despite extensive strategic investments in the digital and IT areas.
The operating result for the 2020 financial year amounts to EUR 5.9 million and only fell slightly due to strategic investments in optimising the business model and our far-reaching digitisation offensive, and the operating profit of EUR 2.2 million is even far above that of the comparative period (EUR -19.1 million), reflecting the strong risk management in the 2020 financial year. Our loan book is growing strongly with the go-live of our new digital business strategy („Strategy 2.0"), both offline and online. In the digital loan book in particular, we recorded new highs month after month.

We also succeeded in further increasing our capital ratios in the second half of the year despite the pleasing rise in business volumes - particularly in high-margin business areas. The capital ratios are well above the regulatory requirements. Capital efficiency was also further increased by optimising the refinancing strategy.

VDir. Dr. Ferdinand Wenzl, MBA

VDir. Dipl.-Kfm. (FH) Markus Gerstberger, EMBA

New digital strategy being implemented

Following its strategic realignment in 2015, Austrian Anadi Bank has consistently focused on a hybrid banking strategy with strong digital elements over the past five years. Building on the milestones achieved to date, the Management Board of Austrian Anadi Bank developed a new digital business strategy („Strategy 2.0") in the second half of 2020, which is fully supported by both the Supervisory Board and the owner.

The new digitisation offensive will focus even more strongly on customer and market orientation in the digital age, and will also be based on strategic sales partnerships. The strategy is already in the midst of implementation and is taking shape better and even faster than expected. The strategic motto is ‚Growth with quality', as Anadi Bank is growing in high-margin segments and with high capital efficiency. Anadi Bank is also hybrid in another aspect: It combines the innovative strength and speed of a FinTech with the competence and possibilities of an established full-service bank.

Market launch in Germany soon under way

We are now on the verge of the digital rollout of our scalable business models and products in Germany, which will soon see the bank cover a combined market of up to 90 million people. The digital presence in Germany will focus on products where we also play to our competitive strengths in Austria: SME loans will be rolled out in the first half of 2021, followed by consumer loans in the second half. In the media, we have referred to the expansion into Germany with a wink as the „Piranha strategy" - because we will secure small but attractive market shares in a large market with speed and strength. Despite Corona, we also want to continue to grow in Austria thanks to our speed and flexibility, especially in the areas of corporate and consumer finance.

Digital & IT Hub in Carinthia, Public Finance as a Prime Business

Another strategic focus is on strengthening our home market of Carinthia. Here we are further expanding the „Digital & IT Hub", our FinTech within Austrian Anadi Bank. We are adding new products to our attractive digital platform and developing it into a top online banking offering for the entire German-speaking region. The digital offensive is also reflected in organisational terms, with Digital Banking becoming a separate business area alongside Retail and Corporate Banking and Public Finance. In addition, we remain a reliable and strong partner for public sector financing in Public Finance. At Board level, too, we are in ongoing and constructive contact with decision-makers in the administration.

ANADI BANK WILL ESTABLISH ITS FINTECH DNA FROM CARINTHIA EVEN MORE STRONGLY THAN BEFORE AS A BENCHMARK IN THE DIGITAL FINANCIAL SECTOR, FOCUSING ON RETAIL AND SME CUSTOMERS IN AUSTRIA AND GERMANY.

Financing the new strategy from our own resources

With a Tier 2 bond, which Austrian Anadi Bank has been placing on the market in tranches since December 2020 depending on financing requirements, we can finance the strategic growth initiative. The bond, with a volume of up to EUR 20 million, bears an initial interest rate of 6% and runs for ten years. One of the first investors was CEO Christian Kubitschek, who personally subscribed to half a million Euros of the bond. Following the principle ‚put one's money where one's mouth is', this demonstrates his strong conviction in our bank's new strategic path. He subscribed to the bond at a slightly lower interest rate than the other investors to also ensure an impeccable appearance.

International competence on the Supervisory Board

In December 2020, Ali Ahmad, CEO of the Singapore-based financial services company Makara Capital, joined the Supervisory Board of Anadi Bank. An internationally experienced former banker, Ahmad has more than 20 years of experience in global asset management, private equity and structuring cross-border transactions. The new addition to the Supervisory Board illustrates the high level of confidence from financial experts in our new strategy with digital components.

Outlook 2021: Digital expansion, sales partnerships and process optimisations

The strategic realignment of Austrian Anadi Bank was initiated in the second half of 2020 and will become visible in more and more parts in the course of 2021. On the one hand, material cost optimisations will take effect, and on the other hand, the optimisation of the business portfolio in terms of efficient capital deployment will be driven forward: High-margin areas will continue to be the focus of growth, while business with higher margin pressure will only be pursued selectively. In the corporate customer business, we will continue to pursue a consistent niche strategy with a focus on entrepreneurial SMEs, especially 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 from Carinthia even more strongly than before as a benchmark in the digital financial sector, focusing on retail and SME customers in Austria and Germany. We will also grow in new customer business through further distribution partnerships. Our aim is to offer simple, standardised products with the appropriate advice where people's need for banking services arises. At the same time, our focused branch network remains an important component for the future and will be subject to an extensive investment and modernisation offensive in 2021.

Another focus is on the digitisation of products and processes. For example, channels for digital offerings are increasingly being merged and standardised with the offers in the branches. As a result, we will change numerous processes and optimise or automate workflows by the end of the first half of 2021.

Austrian Anadi Bank is very well positioned for the future. The factors behind our success are efficient processes, high decision-making and implementation speed, and the innovative strength of the organisation and its employees. With these qualities, we will take advantage of the opportunities that present themselves to us as a small, agile and digital bank with Carinthian roots: To combine the best of both worlds with our many years of experience as a fast and customer-friendly full-service bank and our FinTech DNA!

Klagenfurt am Wörthersee, January 22, 2021

THE BOARD

VDir. Dr. Christian Kubitschek

VDir. Dr. Ferdinand Wenzl, MBA

VDir. Dipl.-Kfm. (FH) Markus Gerstberger, EMBA

THE CHALLENGER HYBRID BANK FOR RETAIL CUSTOMERS AND SMES

Management report 2020

MANAGEMENT REPORT 2020

MANAGEMENT REPORT

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

Austrian Anadi Bank AG (Anadi Bank) is an Austrian hybrid bank in the business segments Retail Banking, Digital Banking, Corporate Banking and Public Finance. The bank's value proposition is simplicity, speed and efficiency in the products and services it offers. On the one hand, it offers its customers personal support through a multi-channel approach with branches, its own credit shop and a team of customer care agents. On the other hand, Anadi Bank relies on smart product innovations and user-optimised digital services and is working consistently on the completion of its digital value-added chain, which enables the bank to achieve time-to-market leadership.

With 120 years of tradition in housing finance, the bank is an experienced partner in all financing questions of private customers. As a partner of the Province of Carinthia, the bank has been managing the granting of Carinthian housing loans for more than 60 years. Furthermore, it is the principal bank of numerous SMEs in trade, industry and real estate as well as product specialist for companies in the import and export sector, where it scores with tailor-made solutions. Anadi Bank makes targeted use of the advantages of its lean structure and high decision-making speed. At 14 locations in Carinthia, Styria and Vienna more than 250 employees (full time equivalent, FTE) serve about 57,000 customers.

Following its strategic realignment in 2015, Anadi Bank has consistently pursued a hybrid banking strategy with strong digital elements over the past five years. On the basis of the milestones achieved to date, the Management Board of Anadi Bank developed a new digital business strategy in the second half of 2020, which is fully supported by both the Supervisory Board and the owner. The new digitalisation offensive focuses even more strongly on customer and market orientation in the digital era and is also based on strategic sales partnerships. The strategic principle is growth in high-margin segments and with high capital efficiency.

1.1 Macroeconomic environment

The year 2020 was impacted by the Covid-19 pandemic and the globally implemented measures to prevent its spread that became necessary as a result. In March 2020, for example, the government ordered an initial lockdown due to rapidly rising infection numbers, which was gradually released again from the beginning of May 2020. However, against the backdrop of rising infection numbers, further lockdowns were imposed in Q4 2020 after the summer of 2020.

The strict measures and restrictions, especially those of the first lockdown, resulted in the disruption of global supply chains with far-reaching negative effects on the economy and economic growth. Private consumption was also not able to have a stabilising effect on the economic slump as in other crises. In addition, the high level of uncertainty is weighing on households' willingness to spend. The Institute for Advanced Studies (IHS) therefore expects private consumer spending in Austria to drop by -8.3 % in 2020 as a whole.

As a consequence, governments and central banks implemented extensive monetary and fiscal policy measures to limit the negative economic impact of the pandemic. Far-reaching economic stimulus packages were adopted in almost all countries and expanded or further modified in the course of 2020.

Nevertheless, the global lockdown led to a historically unprecedented economic slump in the first half of 2020. Following a decline of 3.7 % at the beginning of the year, economic output in the euro zone dropped by 11.8 % in the second quarter compared with the previous quarter (source: IHS). The euro zone economy is expected to contract by 7.3 % in the current year. Following the sharp economic downturn in the first half of the year, IHS expects Austria's economic output to contract by 7.5 % in 2020 as a whole.

The unemployment rate is expected to rise sharply to 9.9 % in 2020. For 2021, the rate is expected to be only slightly lower at 9.7 % (source: IHS). Inflation will remain consistently low at between 1.4 % and 1.6 % (source: IHS).

1.2 Business performance

Anadi Bank's 2020 financial year was significantly characterised by the optimisation of the business model, the sustainable increase in operational and capital efficiency as well as the Covid-19 pandemic.

Despite the Covid-19 pandemic and the Covid measures taken by the Austrian federal government, banking operations at Anadi Bank were able to continue smoothly thanks to appropriate protection and security measures. In addition, it was a great advantage that the bank was able to transfer around two-thirds of its staff to home offices within a very short period of time due to its high level of digitalisation and state-of-the-art IT equipment. This meant that the bank could continue to provide its customers with the highest level of service.

In connection with the government support measures in the banking sector, Anadi Bank has agreed deferrals totaling EUR 4.3 million and guarantee financing (COFAG / AWS / ÖHT) totaling EUR 21 million with more than 750 customers. The NPL ratio is 3.7 % (2019: 2.4 %) in relation to the bank's customer loans and advances. In addition, Anadi Bank was able to ensure, among other things, the liquidity supply or the provision of sufficient liquidity for customers through daily Covid-19 task force meetings. The measures already taken in 2019 to improve risk management were of particular importance in this regard. The impact of the Corona crisis on the bank's P&L result and capital situation for 2020 was forecast at an early stage using stress tests. However, the negative effects of the Corona crisis and the pressure on margins triggered by the negative interest rate policy of the European Central Bank (ECB) were offset by operating business development and specific countermeasures.

After the negative income after tax in 2019, which was triggered by an unplanned high need for specific risk provisions, Anadi Bank was able to focus on optimising its business model, RWA- and margin-based portfolio optimisation as well as efficiency measures and process optimisation despite the Covid-19 pandemic.

The ongoing transformation process from a traditional mortgage bank to a sustainable, high-margin bank for consumer finance and SMEs was continued last year and complemented by a consistent digitisation campaign and strategy. The selective market approach in the areas of retail banking, digital banking, corporate banking and public finance has proven its worth. In the public finance segment, the bank continues to focus on the Carinthian region.

The common equity tier 1 ratio increased to 12.9 % (2019: 12.0 %). The total capital ratio amounts to 15.2 % (2019: 14.1 %). All ratios are above the regulatory minimum requirements. To finance new business and the new five-year strategy adopted in September 2020, a Tier 2 capital bond was issued in December 2020. The volume of up to EUR 20 million can be subscribed until June 20, 2021 and will be placed in tranches along the business plan at a nominal denomination of EUR 100 thousand each, with the first subscriptions of EUR 1.1 million having already been made in December 2020. EUR 500 thousand of these were subscribed personally by the Chairman of the Bank's Management Board. The bond will carry an initial interest rate of 6 % and will run for 10 years.

1.2.1 Income statement

Anadi Bank's profit after tax for the financial year 2020 amounts to EUR 0.5 million (2019: EUR -21.5 million) despite the Corona crisis and investments in the digitalisation offensive and the new strategy. The previous year's result was characterised by increased risk provisions.

Net interest income of EUR 24.2 million in the 2020 financial year is below the comparative figure for the previous year (2019: EUR 28.5 million). The decline is due to maturing loans, especially in the Public Finance area, and portfolio optimisation in the Corporate area. The net interest margin (ratio of net interest income to average total assets) is 0.87 % (2019: 0.98 %).

Income from securities and participating interests decreased by EUR 1 million and amounted to EUR 0.1 million for the 2020 financial year. In the previous year, this item included income of EUR 0.7 million from the liquidation of the Pfandbriefstelle.

Net commission income, the result between commission income and commission expenses, amounts to EUR 13.5 million (2019: EUR 15.3 million). Due to a lower level of new business, income from service fees declined. In addition, part of these service fees must be accrued over the term of the consumer loans due to a change in the law that came into force at the beginning of January. Therefore, EUR 0.4 million of service fees were recognised as deferred income. Commission expenses were reduced due to the termination of a previously external provided agent service.

Other operating income amounts to EUR 19.4 million (2019: EUR 4.2 million). This item includes the income from the early closing of interest rate swaps in the amount of EUR 13.2 million. Furthermore, the property Parkring 12 in Vienna was sold in December 2020, for which a profit of EUR 4.6 million was generated.

General administrative expenses increased compared to the previous year due to the digitisation initiatives, investments in the new strategy and efficiency measures and amount to EUR 48.6 million (2019: EUR 40.3 million). Due to the planned and already implemented restructuring measures, provisions of EUR 5.0 million were made for the severance payment of employees as part of the social plan. The digitisation offensive is reflected, among other things, in increased IT costs of EUR 0.8 million and recruitments in the Digital Banking team. The changes of the Management Board and on divisional manager level in the 2020 financial year as well as the extensive projects led to an increase of EUR 1.2 million in consulting costs. Due to the insolvencies of Commerzialbank Mattersburg and Anglo Austrian Bank, among other things, contributions to deposit insurance were increased by EUR 1.1 million.

Depreciation of intangible assets and property, plant and equipment remained stable at EUR 1.1 million compared to the previous year. Other operating expenses, which amount to EUR 1.9 million for the 2020 financial year, include the costs of EUR 0.4 million for the sale of the Parkring 12 property in Vienna. The provision for negative market values was allocated in the amount of EUR 0.6 million (2019: EUR 0.6 million). Expenses of EUR 0.6 million were recognised for current and pending legal cases.

The operating result for the 2020 financial year amounts to EUR 5.9 million (2019: EUR 7.2 million) and has declined due to the investments in the optimisation of the business model with its digital component and due to the efficiency-enhancing restructuring measures.

Value adjustments and readjustments in respect of loan and advances and provisions for contingent liabilities and for commitments amounts to EUR -8.0 million in the current fiscal year (2019: -28.2 million). A portfolio risk allowance of EUR 2.1 million was recognised to cover the uncertainties arising from the development of customer loans due to the Covid-19 pandemic. In the previous year, increased risk provisions were made due to the evaluation of the valuation.

A gain of EUR 4.3 million was generated from the sale of securities, which is shown in the item Value adjustments and readjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings. In the previous year, this item included income from the sale of the right to payment of a contingent additional purchase price to adjust receivables against HETA Asset Resolution AG amounting to EUR 1.9 million.

At EUR 2.2 million, the result from ordinary activities was up on the previous year's figure of EUR -19.1 million.

Taxes on profit or loss include an additional payment of EUR 0.2 million for the tax audit completed in the fiscal year. The bank levy, which is reported under other taxes, decreased by EUR 0.3 million compared to the previous year.

1.2.2 Balance sheet

Anadi Bank's total assets amount to EUR 2,566 million as at December 31, 2020 (31.12.2019: EUR 3,064 million). The decrease of EUR 498 million is mainly due to the reduction of investments with the Austrian National

Bank (EUR 284 million), which is reported in loans and advances to credit institutions, and the planned optimisation of capital and balance sheet efficiency.

The decline in loans and advances to customers, which amounted to EUR 2,070 million as at the reporting date (31.12.2019: EUR 2,183 million), is attributable to the maturing portfolio in public finance and portfolio optimisation in corporate. In retail, the focus of new business was placed on consumer loans, which also resulted in a decline here. Risk provisions included in loans and advances to customers amounted to EUR 58.8 million as of the reporting date. This includes portfolio provisions for the Covid-19 pandemic in the amount of EUR 2.1 million.

Securities in the item debt securities including fixed-income securities issued by other borrowers were restructured, resulting in a slight decrease to EUR 90 million in this item.

In the 2020 financial year, two buildings that had previously been rented from HETA Immobilien- und Bauconsult GmbH were acquired by Anadi Bank. Due to the repayment of deposits, other assets decreased by EUR 9 million.

As a result of the liquidity optimisation carried out, liabilities to credit institutions as well as liabilities to customers declined. Liabilities to credit institutions amounted to EUR 247 million as at the balance sheet date (31.12.2019: EUR 431 million). Liabilities to customers decreased to EUR 1,459 million (31.12.2019: EUR 1,777 million).

Due to the restructuring measures initiated and implemented, provisions increased from EUR 15 million as at December 31, 2019, to EUR 22 million as at December 31, 2020. The restructuring provisions for the personnel area amount to EUR 6 million as at the balance sheet date.

In December 2020, a supplement Tier II capital bond was issued for subscription. Up to EUR 20 million can be subscribed until June 20, 2021. The bond bears an initial interest rate of 6 % and has a term of 10 years. In December, EUR 1.1 million were already subscribed, of which EUR 0.5 million were subscribed by the CEO of Anadi Bank.

1.3 Report on branch offices

Anadi Bank does not maintain any branch offices.

1.4 Financial performance indicators

Performance indicators	2020	2019	2018
Return on equity before taxes	1.5%	negative	4.0%
Return on assets	0.1%	negative	0.2%
Cost-income-ratio	89.7%	86.8%	87.5%
Loan/deposit ratio	98.0%	89.7%	93.1%
Total capital ratio	15.2%	14.1%	16.1%

The return on equity before taxes is calculated as the ratio of income on ordinary activities to the equity at the balance sheet date.

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

The cost-income ratio is calculated as operating income divided by operating expenses.

The loan/deposit ratio represents the ratio of loans and advances to customers to primary funds. Primary funds comprise liabilities to customers and securitised liabilities.

The bank's own funds (tier 1 capital reduced by deductions plus Tier 2) according to CRR/CRD amounted to EUR 170.9 million (31.12.2019: EUR 169.3 million). The legally required minimum level of own funds was EUR 89.9 million, resulting in a surplus of EUR 81.0 million (31.12.2019: EUR 73.1 million) and a coverage ratio of 190.1 % (31.12.2019: 175.9 %).

As at December 31, 2020, the common equity tier 1 ratio was 12.9 % (2019: 12.0 %) in line with CRR/CRD requirements. The total capital ratio was 15.2 % (31.12.2019: 14.1 %).

The capital ratios are thus above the regulatory minimum.

1.5 Non-financial performance indicators

Employees

As at December 31, 2020, Anadi Bank had 280 employees, or 247 fulltime equivalent (FTE) employees, at 14 locations across Austria, reflecting a 9.9 % year-on-year reduction in staff resources on a fulltime equivalent basis (2019: 274 employees, FTE).

The Bank offers its employees a variety of variable parttime models, of which 96 employees made use as at December 31, 2020 (2019: 111 employees). 50.4% of employees are women (2019: 50.0%). The number of employees does not include employees on maternity leave. The previous year's figures were adjusted accordingly.

Anadi Bank has shown an unchanged commitment to apprenticeship training for years. As at December 31, 2020, the Bank trains 3 apprentices in the banking profession.

Anadi Bank gives high priority to continuous training of its employees, organisational development, creation of modern working environment and health care. For the specialist and personal development of the staff, numerous specialist and management training courses, sales and product courses as well as inhouse further trainings are offered. With these diverse courses, the bank ensures a very good level of qualification of its employees and contributes to the attractiveness of Anadi Bank as an employer.

In the course of the restructuring and efficiency enhancements within Anadi Bank, a social plan was adopted in consultation with the works council. The aim of this social plan is to alleviate hardship and disadvantages for the employees affected in economic and social terms, which arise as a result of the redundancies following the efficiency enhancement measures implemented.

The measures will be implemented in line with the evaluation of Anadi Bank's processes (end-to-end process review) by the end of the first quarter of 2021, which will achieve a streamlining of the process structure. Based on this evaluation, which was already made in 2020, the Management Board decided how many employees would be affected by the personnel measures.

Customers

Anadi Bank provides demand-oriented services as a reliable and competent partner in all financial matters to its approximately 57,000 customers. In line with Anadi Bank's modern hybrid bank approach, there are different ways to carry out banking transactions simply and quickly.

Traditionally, a customer can obtain advice and support in a branch of Anadi Bank. As an equivalent sales channel, customers also have digital application channels at their disposal, in which they can conclude the entire product range from savings accounts to current accounts to consumer loans as new or existing customers. Customers also have the option of contacting the customer care center via telephone concerning their grievances and wishes. The customer care center also supports customers in their online product transactions even outside opening hours, including advising them on attractive online offers or branch campaigns. It is also possible to arrange appointments directly with customer advisors in local branches via the customer care center.

In the retail segment, Anadi Bank relies on the strengths of its hybrid model and offers the entire range of services of a full-service bank. The bank scores particularly well in the market for consumer loans and mortgages with top conditions and offers consumers a particularly attractive range of services with its modern and comprehensive online banking. In the corporate area, Anadi Bank will continue to pursue a consistent niche strategy with a focus on entrepreneurial SMEs and especially on owner-managed companies. It offers local and regional SMEs in particular a convincing range of products and services. In the area of public finance, the bank remains a strong and reliable partner for financing the public sector. As the principal bank of the State of Carinthia, it plays a proactive role in innovation.

Environment, social responsibility and Covid-19 protection measures

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 leading role in protecting its employees and rolled out large-scale home office facilities and secured testing capacities at all locations at full cost. For home office employees, Anadi Bank takes special account of childcare responsibilities. 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 workload, were also paid a voluntary Covid bonus. Anadi Bank's guiding principle is always: to provide the best possible health protection for employees while at the same time fully maintaining business operations.

In addition, Anadi Bank reacted quickly to the financial difficulties of its clients during the Corona crisis and offered, for example, the suspension of loan repayments or the cancellation of penalty interest payments on an individual basis. Anadi Bank also set up a committee for hardship cases for clients, which also assesses individual cases with a social focus and seeks individual solutions for long-standing clients who, through no fault of their own, have found themselves in financial distress as a result of the Covid-19 pandemic. In particular, Anadi Bank supports its clients to ensure that they can achieve the best possible results with the constantly changing subsidies and support services.

Anadi Bank is committed to continuously reducing its carbon footprint. This goal is taken into account not least by the Green Bank Working Group, which works on the sustainable use of resources and is committed to environmental protection. Examples of their activities are the use of environmentally friendly e-bikes for driving between individual locations, the reduction of travel distances through video conferencing for internal meetings and the avoidance of colour printouts as far as possible.

Helping quickly and effectively and fulfilling its social responsibility is something Anadi Bank sees as an important mission. In September, Anadi Bank sponsored a charity brunch for the Palliativ Kärnten association to support the purchase of a so-called wellness couch, which improves the quality of life of patients. In addition, the bank donated tablet computers during the christmas season to enable palliative care patients to have personal contact in Corona times, at least electronically.

Anadi Bank continues to support children and young people in their enjoyment of sport and exercise, which is why, for example, the ÖTV project Next Generation or the U9 team of the ASV 13 football club is supported.

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

2.1 Future development of the company

Economic environment

Despite the far-reaching measures to contain the Covid-19 pandemic with its serious effects on the Austrian economy, it cannot be assumed that the crisis will end soon and that economic performance will quickly return to pre-crisis levels. Depending on the widespread availability of vaccines, a normalisation of economic life can be assumed in the second half of 2021 at the earliest.

Future development of the company

The financial year 2021, will be the final transformation year for Anadi Bank within the framework of the new strategy. The strategic optimisation of the business model was initiated in the second half of 2020 and the positive effects, especially from the investments in the digitalisation offensive, the new strategy and the efficiency improvement measures, will gradually become visible in the course of 2021. The Bank's declared goal will continue to be to drive forward the optimisation of the business portfolio in terms of the efficient use of capital. High-margin segments will continue to be the focus of growth, while business with higher margin pressure will only be pursued selectively.

The bank's strategic focus lies on the following pillars:

- Expansion of the digital segment and development of strategic partnerships
- Investments in the existing branch network in Carinthia
- Clear commitment to the business areas of corporate, public finance and SME financing
- Optimisation of business processes

The scalability of the digital business segment leads to sustainable cost advantages, while at the same time allowing for controllable, small-scale 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.

In order to grow in new customer business, the expansion of distribution partnerships is being driven forward. The goal is to offer simple, standardised products with appropriate advice where the customers' needs arise. The entire process, from the submission of the financing to the disbursement, is to be designed in such a way that customers and partners are offered the best product and the best service on the market. The area of partnerships will thus represent an additional strong pillar in the company in the future.

In the traditional branch business, a comprehensive and area-wide investment programme is being implemented to modernise the branches. Branch customers are to be better served in order to sustainably increase customer satisfaction and the profitability of the branches.

The bank sees the key to further development in the consistent continuation of the digitalisation of products and processes that was initiated years ago. For example, digital services are to be increasingly merged and standardised with the services offered in the branches. Furthermore, the digital offer for corporate and public finance customers is to be expanded and used in strategic partnerships.

In the corporate client business, Anadi Bank will continue to pursue a consistent niche strategy with a focus on entrepreneurial SMEs, owner-managed companies and comprehensive, long-standing expertise in selected sectors such as real estate financing. In doing so, it combines entrepreneurial thinking with specialised competence and offers excellent advice in special operational situations. High process efficiency and speed of decision-making in the core offers – and thus shortest time-to-market – are seen as essential success factors to ensure sustainable, secure and profitable growth in the new business year.

In general, Anadi Bank will closely monitor and analyse developments, taking advantage of the opportunities available to it as a small, agile bank in a market with large competitors. 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.

The Managing Board expects a total capital ratio of over 14.5 % for the 2021 financial year. The LCR will be managed to a value of over 140 %.

2.2 Significant risks and uncertainties

Takeover of risks, which are on strategical and operational level in the business scope of the Chief Risk Officer (CRO), are major duties of Anadi Bank's business activity and are effectively controlled and managed in a professionally way.

Apart from the already mentioned challenges, risk management had to face additional ones in 2020 caused by the Covid-19 pandemic. The support measures taken by the Austrian government are subject to ongoing adjustments as the Corona crisis develops. Appropriate guidelines and internal policies on credit approval were created as well as a procedural overview for new ones. New legal or subsidy amendments from the authority are adapted in a continuously and timely fashion. Shown by EUR 4.3 millions deferred payments from 750 customers and EUR 21 millions liability financing (COFAG/AWS/ÖHT) agreed on mutual basis and in accordance with the moratorium. Until now no significant higher defaults occurred due to Covid-19 and its related impact on the economy. Relationship managers of Anadi Bank are in constant exchange with their clients and assist customers with bridge loans, deferrals and with comprehensive advice. Because of regular communication between client and bank, deteriorations of credit worthiness can be immediately identified.

Besides the guarantee of operational activity and fulfilment of measures by banks, assurance of liquidity was a main issue of risk management. Providing sufficient liquidity for own purposes and clients was essential. Due to daily calculation of liquidity figures and positions, decisions could always be made on actual data in financial year 2020.

Expected loss provisions related to Covid-19 for 2021 were estimated with stress tests undertook by rating downgrades in appropriate industries. The expected impairment losses for 2021 were already recognised in 2020 in the amount of EUR 2.1 million as part of the portfolio allowances.

The non-performing loan portfolio in 2020 has a total amount of EUR 85.8 million (31.12.2019: EUR 64.4 million). After consideration of valuable collaterals (internal collateral value) of EUR 22.0 millions, an unsecured exposure of EUR 63.9 millions remains with provisioning exposure of EUR 53.1 millions. This equates to a ratio of 83.1 %.

2.2.1 Risk strategy, risk control and risk monitoring

The risk strategy of Anadi Bank defines the elementary risk policy principles, whose goals are the creation of a consistent risk profile and the preservation of an adequate capital base. It is based on the business strategy, which was formulated by the Management Board and approved by the Supervisory Board. In exercising their operational tasks, all employees and the Management Board commit in full to comply with the risk strategy.

The risk policy principles of the risk strategy form the basis of the common risk culture and of a uniform understanding of the risks within Anadi Bank reflected in the pronounced risk awareness of all employees. The risk culture thus promotes the identification and the conscious management of risks and ensures that decision-making processes result in balanced decisions in line with the Bank's risk appetite framework. This is supported by clearly defined risk management processes and the corresponding organisational structures.

The risk strategy also incorporates the goals of risk control for all fundamental business activities and the measures to achieve these goals. It takes risk concentrations into account and makes general statements on the processes for identification, assessment, limiting, control, monitoring and communication of the fundamental risks.

The following premises are stated within the framework of the risk strategy:

- The definition and determination of the risk strategy is in the collective responsibility of the Management Board.
- There is a strict separation of functions in compliance with the regulatory requirements and a risk-based organisational 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 operationalisation of the risk limits, further limits with a direct and/or indirect link to the risk-bearing capacity concept are derived.
- There are clearly defined reporting processes for risk communication with regular risk reports to the Management Board and other executives.
- The elements of risk control, its methods and assumptions are reviewed regarding appropriateness at least once a year.

The institution's risk management must guarantee that the risk-bearing capacity of the bank is ensured on an ongoing basis. This means in particular that the fundamental risks of a bank have to be identified, adequately quantified and continuously covered by the risk coverage potential, taking into account concentrations. Hence, Anadi Bank has institutionalised a multi-part risk management process. The internal risk management of Anadi Bank incorporates risk identification and evaluation, planning and pre-control, quantification, limiting as well as monitoring, control and communication of risks.

The goal of the risk inventory is the identification of fundamental banking risks in accordance with section 39 (2b) BWG that could jeopardise the solvency of the bank permanently. The risks primarily result from the business policy alignment and the transactions entered into as a consequence. In addition, specifications under supervisory law can fundamentally influence the treatment of risks and their control.

The process of risk inventory will be initiated regularly at least once a year or in the event of fundamental ad-hoc developments. The implementation is the responsibility of the person charged with risk inventory (from strategic risk management) who develops the results in collaboration with the risk type manager.

The bank controls and monitors its risks in all business divisions under the provisos of optimising its risk/performance profile and to guarantee the risk-bearing capacity at any time. Savers and investors of the bank are thus protected.

2.2.2 Risk management organisation

As a member of the Management Board of the bank, the Chief Risk Officer (CRO) is responsible for the adequate organisational structure and process organisation of the risk management and controlling. Pursuant to the regulations valid in Austria and other European standards, the CRO acts independently of all market and trading units.

With a view to an appropriate internal risk control and monitoring, the responsibility of the CRO is divided into various organisational units:

Strategic risk management (SRM)

The strategic risk management on the on hand is responsible for the structured recording of the overall bank risks as a basis for the risk strategy within the framework of an annual risk inventory and for the development of the risk policy principles and of the appetite for risk (risk strategy) based on the specified business strategy plus annual review and adaptation. On the other hand, the specifications with regard to methods and models for the overall bank risk control are developed by the SRM pursuant to ICAAP and the monitoring of the economic capital management carried out.

The SRM is established as an independent risk control unit. The following activities are managed under the direct responsibility of the organisational unit SRM:

- Management of the internal capital adequacy assessment process (ICAAP)
- Development and execution of the risk inventory
- Development of methods and models for the quantification of identified significant risks
- Development of methods and models for credit risk (Rating, Scoring, Validation)
- Limitation and monitoring of risks in accordance with the risk strategy
- Development of scanario stress tests and reverse stress tests
- Development and continuous updating of the AAB restructuring plan within the scope of BaSAG
- Operational risk management
- Central coordination of internal control systems (IKS)
- Monitoring and development of systems and processes related to business continuity, information security and physical safety.
- Outsourcing management

Data risk processing

The following tasks are carried out in the organisational unit data risk processing:

- Development of methods and models for market and liquidity risks (ICAAP, ILAAP)
- Liquidity emergency plan
- Measurement, limitation, stress testing and analysing of market and liquidity risks as well as current and ad-hoc reporting (interest risk statistics, IRRBB, LCR, NSFR, AMM)
- Middle office service functions (local GAAP standards (UGB), hedge efficiency measurement, fair value determination, calculation of CVA/DVA, cash collateral management, EMIR reports)
- Coordination and transmission of resolution planing (LDR)
- Data perception of the internal control system for the entire area
- Preparation of regulatory reports and requirements related to COREP and FINREP, smart cubes, VERA
- Implementation GMP data model
- Preparation of reports in connection with the ESA deposit guarantee scheme
- Basel IV overall coordination and project development

Credit risk management of corporates, financial institutions and public finance (CRM)

CRM is responsible for risk analyses of loan applications and preparations according to the necessary second vote of the FMA minimum standards with potentially constraints. Further tasks are e.g. Rating creation and affirmation and balance sheet analysis.

Credit risk management of private clients and small medium enterprises (SME)

Here, the decision criteria for loans to retail customers and SMEs are defined and credit 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, and project work on risk issues.

Workout

From April 2020 to November 2020, Workout Management was restructured in terms of its operational and organisational structure. The workout portfolio was managed by strategic risk management. This organisational unit acted as the interface between case managers and the Management Board. Operational workout management was carried out in two different departments. Complex cases (corporate) were managed by a newly acquired team of experienced restructuring, workout and remediation experts. For non-performing loan cases in the standard low-volume business (retail), the focus was on a standardised soft as well as hard collection process.

Since the beginning of December 2020, the restructuring and, if necessary, the recovery of troubled and insolvent loans from corporate and retail customers has been carried out under the leadership of a workout manager reporting to the CRO in the new workout organisational unit.

Risk support & collateral management

Establishment of loan policies as their regular review, perception of supporting tasks related to operational risk management (e.g. IKS, implementation of systems, panel preparations) and strategic collateral monitoring are risk support main tasks. Major duties of collateral management are operative monitoring of valued collaterals with respect to their actuality, data quality and technical mappings as well as collateral assessments for daily business. This includes for instance estate assessment, cession examination, movable goods and a yearly revaluation if necessary.

2.2.3 Risk governance

The overall responsibility for the risk governance is with the CRO. To support him, there are a number of decision-making and control bodies within the bank.

Risk committee

The Risk Committee constitutes the risk committee defined in section 39d BWG and is responsible in particular for the following activities:

- Consulting on the current and future risk appetite of Anadi Bank and the risk strategy
- Monitoring of the implementation of the risk strategy in connection with the control, monitoring and limitation of risks pursuant to the risk-bearing capacity concept of Anadi Bank with regard to equity and liquidity
- Review of the pricing of products and services of Anadi Bank taking into account the business model and the risk strategy
- Assessment of the internal remuneration system

The risk committee is composed of the Supervisory Board and the Management Board.

Risk executive committee (RECO)

The RECO deals quarterly with the following risk topics during the Board meetings:

- Risk-bearing capacity
- Cross-risk and reverse stress test of the bank
- Credit risk development of the overall portfolio
- Segment control and risk limitation
- Market and liquidity risk plus reporting pursuant to the Securities Supervision Act (WAG)
- Results risk inventory
- Risk strategy and noting of the exceptions to the risk strategy
- Decision/discussion of risk-relevant models and methods

Governance risk committee (GRC)

In 2020, the governance risk committee meet every quarter within the framework of the risk executive committee as a decision-making body with regard to activities and/or measures of operational risk management and as a client of possible operational risk (OpRisk) projects consisting of members of the Management Board, the head of strategic risk management, the ORC (operational risk controller), the heads of compliance, AML & regulatory affairs and audit.

The reporting content incorporates the collection of loss data in the period between the GRCs, key performance indicators, current topics such as implementation of measures or results of the scenario analysis, an outlook and current focus areas/activities and the notification of responses with regard to the delayed registrations of claims in the OpRisk database.

Furthermore, compliance and money laundering, fraud, information security and safety and security topics are dealt with within the framework of the GRC.

Asset liability committee (ALCO)

The ALCO is used for the exchange of information and decision-making for topics of the ALM overall bank management and specifically those of treasury, the equity requirements of pillar I and II as well as the control of country risks.

Liquidity round (LR)

The LR is used for the operational implementation of liquidity topics and for the exchange of information and for decision making for the management of liquidity, of the control of liquidity key indicators and the control of the liquidity progress review and the counterbalancing capacity. Furthermore, during the LR, there is the coordination of the funding activities over a period of 4-6 weeks based on the funding plan (own issues).

The main committees through which credit risk management exercises its oversight function include:

Credit committee (CC)

The Credit Committee meets weekly. The CRO chairs the committee and cannot be overruled.

Watch loan committee (WLC)

The bank has set up a watch loan committee corporate that is chaired by the CRO. Once a quarter, all loans within the rating-class 4 and all workout-cases of corporate clients with an exposure over EUR 200 thousand are presented to this committee and discussed. In addition, all loans that are affected by unforeseen market movements or developments are also to be discussed in this body. For the retail business, the watch loan committee meets every two months.

2.2.4 Measures to improve risk management

Besides the annotated personnel changes in workout as stated above, all processes and quality controls within the unit were reviewed, analysed and gradual improved in 2020 financial year. Further optimisations for an efficient and quality assured processing are under development. A new tool (SAP-RBD) for allowance calculation and bookkeeping was implemented among other things. This software assures an immediately, complete and correct risk provisioning – particularly in mass business. Moreover, new reports for better portfolio steering were build.

Tighter lending requirements for mass business and their adjustment in corresponding policies were results of intensive default analysis. Possible portfolio risk deteriorations will be early recognised as a result of risk intensive approaches for household expenditures and their surveillance mechanisms, and so, in a timely manner appropriate countermeasure could be induced. As an example is this case: dunning letters reduced by more than 20 % compared to 2019.

In 2020, the decision was taken to supersede PMS by SAP which is hosted by ARZ and used by the majority of Hypo banks. All relevant risk figures like Interest-VAR, PVBP, Credit-Spread VaR and begining with January 1, 2021 on FX-VaR as well, are calculated on a single business basis. All the risk indicators mentioned are now calculated on a single transaction basis (full valuation).

2.2.5 Reporting

The results of the risk-bearing capacity calculation, risk-bearing capacity monitoring and stress testing as well as reverse stress testing are prepared on a quarterly basis in the form of the risk-bearing capacity report and provided to the overall board of management, the RECO and the respectively relevant division heads. The RTF reporting is supplemented by the overall portfolio report (credit risk), various sub-portfolio reports (credit risk), the early warning and event report (credit risk) and by transmission of daily market and liquidity risk figures.

Furthermore, various special topics from all relevant areas are reported if necessary.

The Risk-bearing capacity report is drawn up both for the gone concern (liquidation) as well as for the going concern (continuation) perpective on a stand-alone basis and on group level

It is divided into the following sections of the gone concern perspective, which is the relevant steering perspective for Anadi Bank:

- Composition of the risk coverage potential (RCP)
- Quantification of the economic risks and comparison with the RCP
- Depiction of the limit utilisation
- Results ICAAP stress tests
- Results reverse stress tests

The risk quantification in both perspectives incorporates the following risks:

- Credit risk with the sub-risks
  - Counterparty loss and credit rating 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
  - Property risk

- Macroeconomic risk
- Model risk credit risk
- Business, reputation and regulatory risk

A prompt, independent and risk-adequate reporting to the decision makers is ensured for all risk types. Ad-hoc reporting requirements are complied with at all times

The regular credit risk reporting is carried out on a quarterly basis.

In the stress scenario, the frequency of the reporting will be increased as required. Market and liquidity risk reports are drawn up on a daily basis, as well as the monitoring for bank, settlement, issuer and country transfer limits.

2.2.6 Capital management

Within the overall control, the capital management of Anadi Bank is based on a multi-dimensional planning process that combines strategic, risk-oriented and regulatory aspects within an operational multi-annual planning.

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

Regulatory capital adequacy

The starting point for regulatory equity allocation is equity planning. Own resources is deemed to be the liable equity that comprises the tier 1 and tier 2 capital plus third-ranking funds.

The own resources planning is predominantly based on an internally defined tier 1 capital ratio (ratio of tier 1 capital and risk positions) and an internally defined target ratio for the total capital ratio (ratio of total capital and risk positions) of the bank.

Economic perspective (risk bearing capacity)

In addition to safeguarding the regulatory capital requirements, the safeguarding of the economic risk-bearing capacity (RTF) is a central element of control. Serving this purpose, Anadi Bank has an institutionalised internal process with regard to the risk-bearing capacity (ICAAP). The economic equity constitutes an internal parameter that limits the bank's tendency to take risks in the internal control.

The deriving of the capital available for the risk allocation is conducted on the basis of the annual capital planning in which all fundamental individual capital components are planned or derived from other key performance indicators. In addition to the requirement of compliance with supervisory law specifications of the regulatory minimum equity to be held by the institution (external control pursuant to pillar I), the fundamental willingness of the bank to take risks is reflected in the internal control in the risk coverage potential. In the process, a differentiation is also made in the determination of the risk coverage potential between the two perspectives gone concern and going concern.

In the going concern perspective, the continuation of the institution is the focus, therefore the risk coverage potential derives from the available capital including hidden reserves and encumbrances less the committed regulatory capital. The risk coverage potential in the gone concern perspective, however, assumes safeguarding the payment of the creditor in the event of liquidation or utilisation. That is why the gone concern perspective is based on the net asset value of the institution. This is thus a purely inventory valuation in which compliance with capital specifications under supervisory law is not required. At Anadi Bank, the gone concern perspective is the leading perspective. This implies that the derivation of the appetite for risk, the capital allocation, the limiting and the control of the risks is done from this perspective.

Within the framework of the economic risk capital control, the risk profile of the bank is monitored with the risk-bearing capacity reporting. If necessary, control measures are taken.

The risk types necessary to determine the risk capital requirements include loan, market and other risks including their sub-risks as well as liquidity and operational risks. To determine the amount of the risk capital requirements per risk type, generally the value-at-risk (VaR) method is applied.

Within the framework of the economic risk capital control, the bank monitors the risk profile and ensures the risk-bearing capacity through a comparison of risk coverage potential and risk coverage masses allocated and risk capital requirements. The upper threshold for losses, and thus the available risk capital, is determined by the sum of the capital components

In order to guarantee an optimum utilisation of the available risk capital on the risk-return level, in the interest of a value-oriented overall bank management, the limits derived from the risk-bearing capacity calculation from credit, market and liquidity risk are allocated to the individual business lines. The economic capital is also deemed to be a scarce resource for the value-oriented overall bank management. That is why the necessary compliance with the risk-bearing capacity prevents a too risky expansion of business from which income can be generated. With the risk capital provided, each business segment is thus required to manage it optimally from a risk perspective.

2.2.7 Credit risk

Based on its volume, credit risk is the most significant risk at the bank.

Within the framework of the calculation of the risk-bearing capacity, the credit risk is differentiated according to various sub-risk types. Most of the credit risk is attributable to the counterparty default risk and the credit risk. In addition, the country risk (country-specific default and transfer risk), the counterparty risk from derivatives (CVA risk), the FX-induced credit risk, the size concentration risk (granularity risk) as well as credit risks for other assets are quantified and reported.

The counterparty default risk is valued in compliance with the specifications of the CRR based on the IRB formula to calculate the unexpected loss.

Through the differentiation of categories of receivables with different asset correlations, segment-specific default risks and segment concentrations are implicitly also taken into account. However, the IRB model also assumes a high degree of granularity of the portfolio and thus does not take the negative effects of size concentrations on the unexpected loss into account. Thus there is an additional risk premium for the concentration risk; this premium is determined on the basis of the Herfindahl Hirschman Index.

Migration risks are recorded in the IRB model via the parameter for the residual term. This indication of the migration risk is implicitly also taken into account in the credit risk under the unexpected loss (UL). As an adjustment of the residual term is not explicitly envisaged in the IRB formula for retail portfolios, the migration risk for retail receivables must be handled separately. It is taken into account within the quantification of the macroeconomic risk.

The assumptions of risk measurement on a rolling 12-month perspective and the assumption of static portfolios apply within the credit risk for all relevant portfolios, i.e. in addition to classic loans it applies also for the credit substitute business, securities (assets) and derivatives (incl. add-on). For the counterparty risk from derivatives, the CVA charge from pillar I is recognised as the risk value.

Credit risks for other assets are valued pursuant to the risk weightings of the standard approach from pillar I. These risk values can be identified with a confidence level of 99.9 % in accordance with the IRB formula. This procedure corresponds to a flat-rate risk valuation.

Limiting of credit risk

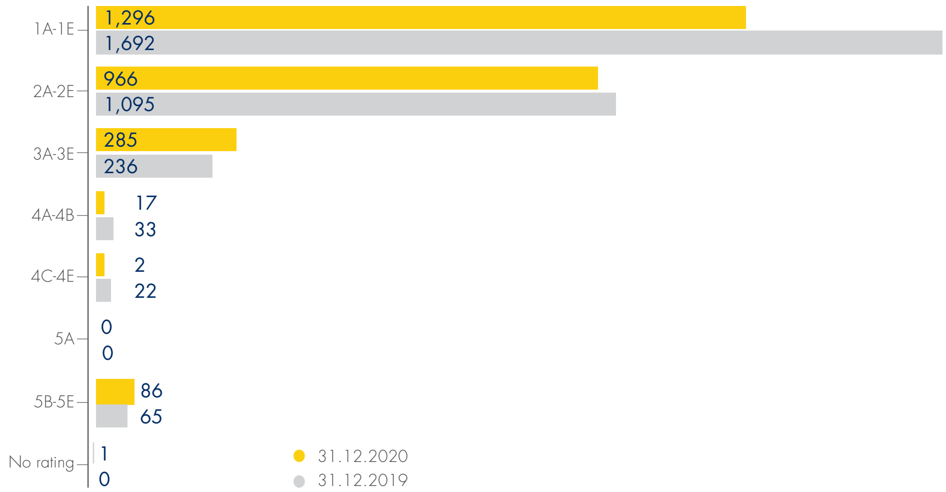
The limit system for the VaR limits is static, i.e. no previous risks affecting performance results will be offset against the VaR limits. Thus there is no dynamic development of the limits based on the accrued performance values. Risks that materialise from the past have an indirect effect on the limit system, as they reduce the risk coverage potential as of the reference date for analysis and may result in a reallocation of the limits and/or a reduction of the VaR limits.

Allocation of the exposure

In the reporting year 2020, the bank's exposure fell by EUR 490.6 million or 15.6 % respectively compared to the previous year. In total, there are free lines in the loan and credit sector of around EUR 120.9 million.

Exposure by rating class

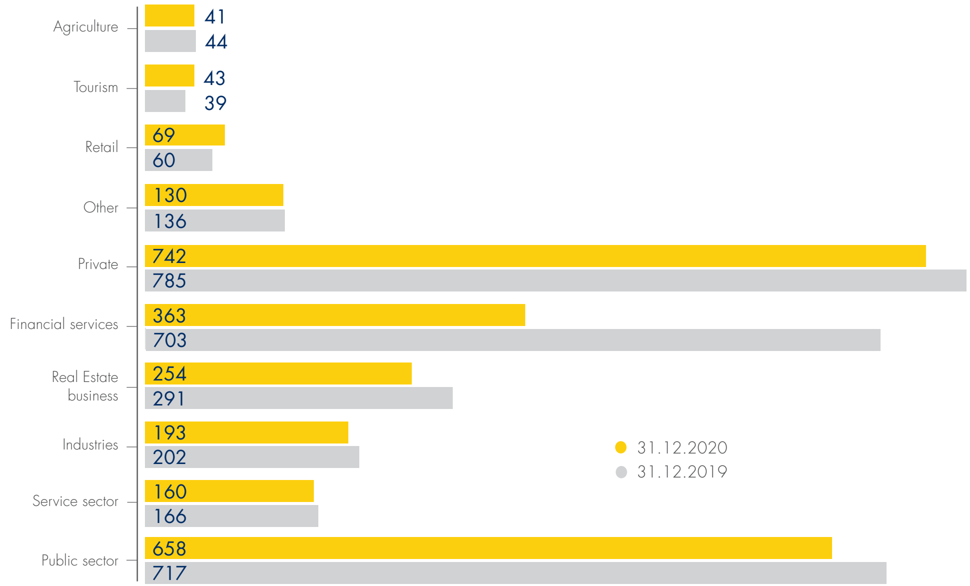
In EUR million



Around 85.3 % of the exposure have a rating of 1A to 2E. These are predominantly loans to banks and public institutions. The non-performing portfolio (rating categories 5A to 5E) is 3.7 % based on loans.

Exposure by industry sector

In EUR million



The economic control and strategic alignment is carried out among others on the basis of industry exposures. The lower-risk industry groups, financial institutions and public households have a share of 38.5 %. The well-diversified sector private customers made up to 28.0 %.

Exposure by loan size

	31.12.2020	31.12.2019
< 10,000	20	22
10,000 – 20,000	24	23
20,000 – 50,000	90	77
50,000 – 100,000	78	79
100,000 – 250,000	332	358
250,000 – 500,000	246	274
500,000 – 1,000,000	111	105
1,000,000 – 3,500,000	336	370
3,500,000 – 10,000,000	585	617
10,000,000 – 50,000,000	430	421
50,000,000 – 100,000,000	223	211
>100,000.000	179	586
Total	2.653	3.143

Around 68.7 % of the exposure is in a range of smaller than EUR 10 million. A predominant amount of EUR 0.8 billion in the range over EUR 10 million exposure is attributable to banks or public households

2.2.8 Market price risk

Market price risks resulted from the loss potential based on changed market prices. The bank structures market price risks according to the risk factors in interest rate change, credit spread and currency risks. At Anadi Bank, a particular focus was placed on identification, valuation, analysis, limitation and management of the market price risks. The organisational unit data risk processing (DRM) is responsible for the monitoring of all market price risks.

All market price risks are centrally monitored by the independent trading unit DRM. The control of the interest rate risk is carried out on an institutional basis, in compliance with the supervisory requirements concerning interest rate risk and limitations such as PVBP and gap limits. The ALCO (asset liability committee) which comprises the Management Board and senior employees of treasury, data risk processing and finance and accounting, analyse and make decisions during regular meetings on measures concerning balance sheet structure and liquidity control.

The market price risk of Anadi Bank comprises several sub-risk-types within the banking book

Risk measurement in the banking book

The risk measurement is conducted separately for the sub-risk types interest rate risk, credit spread risk and FX risk. The 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 duration/a risk horizon of one year (250 trading days) is assumed. Diversification effects are taken into account within the sub-risk types. However, no diversification effects are assumed between the sub-risk types in the market price risk, so that the overall calculation for the market risks in the banking book is a conservative one

Overview – market risk

Interest risk

At year end 2020, the interest rate risk of the bank (excluding non-interest-bearing positions, including interest risk in the trading book) amounted to EUR 6,498 million with a holding period of 250 days and a confidence interval of 99.9 %.

The method for calculating the interest risk is based on the provisions of the Austrian National Bank (OeNB) for calculating the interest risk statistics.

The regulatory limit of 20 % was never in danger of being reached or exceeded at any point in the year. As at December 31, 2020, the utilisation amounted to 0.16 % (31.12.2019: 2.84 %).

For the management of the interest gap balance, derivatives are primarily used which form a hedging relationship both with assets and liabilities and thus reduce the interest rate risk.

FX risk

The management of foreign currency risk is the responsibility of the treasury division. The foreign currency risk of Anadi Bank cannot be classified as fundamental as open positions are controlled on a daily basis and positions from the non-trading business are closed directly. As at December 31, 2020, the VaR of foreign currency risks amounted to EUR 32 thousand with a confidence level of 99.9 % and a holding period of 250 days.

Credit spread risk

The bank-internal credit spread risk amounted to EUR 2,102 thousand as at December 31, 2020 with a holing period of 250 days and a 99.9 % confidence interval. The biggest influencing factor is the holding of a liquidity reserve in the form of securities.

Share price risk

As at December 31, 2020, there was no share price risk at Anadi Bank.

Risk from funds/alternative investments

As at December 31, 2020, there was no risk from funds/alternative investments at Anadi Bank.

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

- Value-at-risk limits
- Loss limits
- Currency specifications
- Product specifications
- Volume

Solely the VaR limits are relevant for the RTF calculation.

2.2.9 Liquidity risk

Liquidity risk is defined as the risk of not meeting payment obligations in full or in a timely manner – or in the event of a liquidity crisis – only being able to procure refinancing funds at increased market rates or selling assets with deductions on the market prices. When calculating the risk-bearing capacity, all effects of the liquidity risks on capital and income are to be taken into account. The funding spread risk is thus a type of liquidation risk.

The liquidity risk constitutes an unavoidable risk component of the business model of Anadi Bank. The goal of the liquidity risk strategy is thus to define the goals of the liquidity risk management and to determine the corresponding framework specifications. Based on the goals the liquidity risk strategy defines principles to ensure the liquidity under economic aspects and taking into account compliance with regulatory specifications. Furthermore, the liquidity risk strategy specifies clear responsibilities and makes statements with regard to the allocation of the tasks to the various organisational units. It makes statements about the processes for identification, assessment, limitation, control, monitoring and communication of the liquidity risk. The liquidity risk strategy was created on the basis of the business strategy formulated by the Management Board regarding the strategic plan and adopted by the Management Board.

The bank also has a liquidity contingency plan. The liquidity contingency concept is the central set of regulations for Anadi Bank for the management of the liquidity contingency scenario and the upstream early warning stages. The goal is to guarantee an appropriate content-related, organisational and procedural approach in order to recognise a liquidity emergency or upstream early warning stages early on and to specify instruments for the control respectively management of the early warning stages and/or of the contingency scenario.

Together with the fund transfer pricing (FTP), the liquidity risk strategy constitutes the basis for the liquidity risk management. The FTP facilitates a balance sheet structure management that establishes a direct link to the refinancing planning.

The measurement respectively control of the liquidity risk is carried out based on an implemented control loop whose individual phases are described in the following. The basis is provided by a regular identification respectively measurement of the liquidity risk based on the liquidity outflow balance sheet. For the various scenario-dependent liquidity overviews (e.g. of the stress scenarios), there is a comparison of all liquidity-relevant (balance sheet and off-balance sheet) cumulated net payment streams with the liquidity buffer respectively of the counterbalancing capacity (CBC).

The risk measurement of the funding spread risk is carried out in accordance with a (L)VaR concept. The present value refinancing damage that is created in an unexpected increase in the covered and uncovered funding spreads pursuant to the confidence level of 99.9 % and a holding duration of a year for the bank is calculated. The risk measurement is thus consistent with the notion of the orderly handling in the event of liquidation, according to which a refinancing of the bank transactions on the basis of the liquidity spreads of Anadi Bank is also necessary in the event of risk.

The utilisation of the specific limits is reviewed during the risk analysis respectively assessment. The limit utilisation and the risk status is communicated in various internal reports to the respective addressees. In addition to internal reports, the supervisory requirement key performance indicators LCR and NSFR are calculated in compliance with the specified time intervals and reported to the supervisory authority via the reporting system. Based on the liquidity risk profile and the limit or key indicator utilisation, control measures are taken in which a differentiation has to be made between operational and strategic measures.

Interlinking between individual components is reviewed in the liquidity risk management of Anadi Bank. The utilisation of selected limits that are applied for monitoring the risk of inability to pay within the framework of scenarios is taken into account as an early warning indicator for the triggering of early warning steps and the initiation of an emergency. There is thus firstly an interlinking of the stress scenarios with the contingency concept. Secondly, the liquidity buffer is taken into consideration in the contingency concept alongside other contingency measures.

In addition to the structural control, attention is paid to compliance with the regulatory boundary conditions. The liquidity key indicators specified according to Basel III (LCR and NSFR) are taken into account in the control. As at December 31, 2020, the LCR of Anadi Bank was 145.7 % (2019: 190.9 %) within the framework of the minimum requirements

In the configuration of the FTP concept and of the funding planning, it is taken into consideration that the key performance indicators under supervisory law (in particular LCR and NSFR) are complied with. This also applies in the deriving of (operational and strategic) measures in order to control the liquidity risk profile.

Limitation of liquidity risk

The monitoring and limiting of the liquidity risk is carried out under several perspectives at Anadi Bank. The short-term liquidity gap balance and the available liquidity coverage potential are monitored and limited during the survival period. The monitoring and limiting of the structural liquidity risk and of the funding spread are carried out via the long-term liquidity gap balance. To avoid concentration risks in refinancing, there are also specific limits and monitoring mechanisms. This also applies to the intraday liquidity risk and the early-warning and contingency indicators. There is a limiting of the LCR, whereas an internal warning limit is implemented for the NFSR.

2.2.10 Operational risk

At Anadi Bank, operational risk is defined as the risk of losses that occur as the result of the inappropriateness or the failure of internal procedures, systems and employees or as the result of external events. Legal risks are included; strategic and reputation risks are not included.

The operational risk is determined within the gone concern risk-bearing capacity via the standardised measurement approach (SMA) proposed in the Basel IV consultation paper in Anadi Bank.

The only significant legal risk is the pending lawsuit concerning the redundancy payment of a former Management Board member.

2.2.11 Other risks and model risks

A separate quantification is used at Anadi Bank to depict other risks and model risks in the gone concern risk-bearing capacity. Basis for this are the results from the risk inventory and the assessment of the materiality of risks and risk concentrations with regard to capital and earning effects. Depending on the materiality classification and the type of effect (capital effect and earning effect), a differentiation depiction is made for other risks/model risks 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 listing of the risk coverage potential
- Consideration in stress tests for gone concern risk-bearing capacity

The following sub-risks for other risks arose from the 2020 risk inventory:

- Property risk
- Macroeconomic risk
- Model risk credit risk
- Business, reputation and regulatory risk
- Leverage ratio risk

Property risk

The economic risk capital for the property risk is approximately quantified via the consideration of the regulatory pillar I capital requirements pursuant to the standard approach.

Macroeconomic risk

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

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

- Migration risk in the retail portfolio
- Collateral utilisation risks for loans in default

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

Model risk credit risk (rating model/LGD-Model)

The model risk based on the 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 a necessary recalibration of the respective procedures. In case of model weaknesses being shown in the validation reports, a risk value will be quantified which must be backed by capital until the rating procedure is recalibrated. In this context, a PD supplement for the quantification of the model risk is derived from the validation report pursuant to the parameter uncertainty. If the last validation of the rating procedure is older than 15 months, a PD shift is made by downgrading all individual transactions of the underlying segment by one notch.

With regard to the model risk in the LGD estimate, quantitative and qualitative aspects are taken into account. The qualitative aspect incorporates the model design, the internal usage and the data quality. The quantitative aspect deals with the methods in which mathematical statistical parameters are determined and interpreted on the basis of an empirical data base. Any model risk within the framework of the LGD estimate is covered by the use of an extremely conservative confidence level and a non-parametric modelling of the LGD distribution

2.2.12 Payment Services Directive 2 (PSD2)

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

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

On September 14, 2019, the delegated regulation referenced in the directive, EBA Guideline 2018/389 regulatory technical standards for strong customer authentication and secure open standards for communications, entered into force.

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

For 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 guidelines 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 to the national market supervisory authority on the basis of statistical data on fraud in various payment types. This obliges payment service providers to record fraud cases (fraudulent payment transactions) starting with January 1, 2020 and to report the collected data to the FMA/OeNB for the first time as at the 2nd quarter of 2021.

The associated technical requirements (implementation of a collection 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 at January 1, 2020.

As at 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 at 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.

3. Research and development

Anadi Bank does not engage in any research and development activity.

4. Corporate governance

The Supervisory Board consists of four elected members with different professional backgrounds and with a correspondingly complementary set of experiences. The Supervisory Board is chaired by the Chairman Srinivasan Sridhar, a bank expert with many years of international experience. The works council delegates two representatives of the workforce to the Supervisory Board. As at December 31, 2020, the Supervisory Board was composed of the following members:

Srinivasan Sridhar (Chairman)
Dr. Sanjeev Kanoria (Deputy Chairman)
Ali Ijaz Ahmad
Dr. Franz Markus Nestl
MMag. Gabriele Oberlercher (works council)
Barbara Perchtold (works council)

The Supervisory Board discusses the strategic goals, the risk strategy and the internal principles of proper management with the Management Board and monitors its implementation by the Management Board. The Supervisory Board has transferred certain authorisations to the Management Board and in the process defined to what extent business transactions are to be approved by the Supervisory Board (with regard to their scope and their type).

According to the Articles of Association, the Supervisory Board meets at least once a quarter, whereby further meetings can be convened as required. In 2020, the Supervisory Board met a total of ten times.

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

The Management Board has been commissioned by the Supervisory Board with the operational management of the bank, whereby the risk and governance specifications adopted by the Supervisory Board apply.

The Management Board as at December 31, 2020 comprised the following members:

Dr. Christian Kubitschek (CEO, MARKT)
Dipl.-Kfm. (FH) Markus Gerstberger, EMBA (Deputy CEO, COO, 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 implemented throughout the organisation.

The internal control system of Anadi Bank is based on the COSO Framework (Committee of Sponsoring Organisations of the Treadway Commission), whereby the Management Board has configured the scope and the alignment of the internal control system set up based on company-specific requirements.

The internal control system as part of the risk management system of the bank incorporates the following general goals:

- Ensuring and implementing the business and risk strategies as well as corporate guidelines
- Effective and efficient usage of all company resources in order to reach the intended business success
- Reliability of the financial reporting
- Support in the compliance with all relevant laws, regulations and rules

The Management Board of Anadi Bank bears the responsibility for the implementation and monitoring of the ICS based on the accounting process of the annual financial statements and is responsible for the proper and timely sequence of the accounting-based processes and systems. The internal control system itself is not a static system but instead is continuously adjusted to the changed boundary conditions. The ongoing review of risk assessments as well as the review of the effectiveness of checks is a central component here. To monitor compliance, the Management Board uses the services of the units of the internal audit department and of the compliance, AML and regulatory affairs department. Within the framework of its ordinary audit activity, the internal audit department reviews, among others, the effectiveness of the internal control system and the reliability of the accounting.

The effectiveness of the internal control system is monitored by the Audit Committee and the Supervisory Board pursuant to the requirements of the Stock Corporation Act.

However, the basis for the implementation of the internal control system is primarily the integrity and the ethical conduct of the employees. The role model function of the Management Board and the managers is consciously and actively carried out by the holders of the respective positions.

As a fundamental rule, it needs to be taken into account that an ICS, irrespective of its configuration, does not provide any absolute certainty that fundamental erroneous statements are prevented or uncovered in the accounting.

The standard of the ICS in the Anadi Bank is documented in a separate directive. The purpose of these directives is to create a framework for identifying, evaluating, monitoring, reporting and controlling the ICS, which covers all areas of the Bank. It thus represents the quality standard against which the Bank's ICS is measured and further developed. The rules for an effective ICS defined in these directives are an integral part of the Bank's corporate governance.

5.1 ICS-related activities in 2020 business year

The yearly review of all ICS relevant, identified processes and recorded by the ICS application, responsible for a duly routine of business, could be completed except one organisational unit. Due to organisational changes, the one missing will be completed by the end of the first quarter of 2021.

All risk-relevant processes and activities per division were reviewed, for which a risk analysis was carried out using Anadi Bank's risk catalogue. Special attention was paid to the correct assessment of the amount of loss and probability of occurrence. Controls based on risk analysis, which have to be carried out periodically and, if necessary, entail corrective measures, were also subjected to a detailed review and adapted where necessary. In addition, each area was evaluated to determine whether additional risk-relevant processes or activities had arisen that needed to be incorporated into the internal control system.

Reports on risks, controls, control frequency and effectiveness have been prepared based on ICS and are periodically communicated within intended committees.

A new business strategy and comprehensive organisational changes which affects the structure of the internal control system require an organisational and systemic change of ICS and an adaption of personal responsibilities. The implementation already began in the fourth quarter of 2020.

5.2 Internal audit

The internal audit forms an important component of the risk and control framework of the bank, and through its independent audit activity towards the Management Board, the Audit Committee and the Supervisory Board guarantees the quality and the effectiveness of the governance measures, the risk management and of the internal controls.

It provides independent and objective audit and advisory services aimed at creating added value and improving business processes. It also supports the achievement of corporate objectives by using a systematic and targeted approach to assess the effectiveness of risk management, controls and management and monitoring processes and helping to improve them.

The internal audit department acts as the third line of defence in the risk management model of the bank and deals in particular with:

- Design and operational efficiency of the bank's governance structures and processes
- Compliance with statutory and internal regulations
- Suitability, effectiveness and sustainability of action plans
- Risk and control structure of the company
- Procedures for managing the main credit, capital and liquidity risks
- Quality of the strategy and management information presented to the Management Board and the Supervisory Board
- Major 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 measures resulting from them, constitute the relevant content of the communication with the responsible control and supervisory bodies (Audit Committee, Supervisory Board).

The plan approved for 2020 has been executed, despite operational constraints due to the Corona pandemic, with regard to all major audit areas. In line with professional standards, a functional, expedient and direct communication with the management as well as the controlling and monitoring bodies has been established. As part of this, the head of internal audit also reported as planned on a regular basis to the Bank's Board of Directors, the members of the Audit Committee and the Chairman of the Supervisory Board.

Financial Statements 2020

BALANCE SHEET

Assets			31.12.2020 EUR	31.12.2019 TEUR
1.	Cash in hand, balances with central banks and post office banks		66,042,698.55	81,779
2.	Treasury bills and other bills eligible for refinancing with central banks treasury bills and similar securities		152,450,184.38	152,747
3.	Loans and advances to credit institutions			
	a) repayable on demand	152,512,438.65		432,625
	b) other loans and advances	299,999.66		600
			152,812,438.31	433,225
4.	Loans and advances to customers		2,069,510,011.60	2,183,149
5.	Debt securities including fixed-income securities issued by other borrowers		89,809,151.93	165,866
	showing separately:		0.00	0
	own debt securities EUR 28,922,366.67 (previous year TEUR 33,652)			
6.	Shares and other variable-yield securities		0.00	0
7.	Participating interests showing separately: participating interests in credit institutions EUR 638,762.30 (previous year TEUR 639)		3,151,800.31	3,157
8.	Intangible fixed assets		469,810.39	404
9.	Tangible assets showing separately: land and buildings occupied by a credit institution for its own activities EUR 11,579,404.59 (previous year TEUR 10,049)		13,275,942.51	11,848
10.	Other assets		15,413,692.85	27,941
11.	Prepayments and accrued income		787,774.15	837
12.	Deferred tax assets		2,688,723.87	2,733
Total assets			**2,566,412,228.85**	**3,063,687**
1.	Foreign assets		472,416,326.77	517,294

Equity and liabilities		31.12.2020 EUR	31.12.2019 TEUR
1. Liabilities to credit institutions			
a) repayable on demand	10,732,558.21		7,575
b) with agreed maturity dates or period of notice	236,331,566.67		423,000
		247,064,124.88	430,575
2. Liabilities to customers (non-banks)			
a) saving deposits	445,415,052.71		467,175
showing separately:			
aa repayable on demand EUR 278,751,107.90 (previous year TEUR 283,713)			
bb with agreed maturity dates or period of notice EUR 166,663,944.81 (previous year TEUR 183,463)			
b) Other Liabilities	1,013,747,799.26		1,309,609
showing separately:		1,459,162,851.97	1,776,784
aa repayable on demand EUR 880,962,318.17 (previous year TEUR 927,965)			
bb with agreed maturity dates or periods of notice EUR 132,785,481.09 (previous year TEUR 381,644)			
3. Securitised liabilities			
a) debt securities issued		652,678,152.76	657,687
4. Other liabilities		13,115,707.82	13,090
5. Accruals and deferred income		746,822.39	160
6. Provisions			
a) provision for severance payments	5,038,460.00		6,651
b) provisions for pensions	4,636,461.00		4,775
c) provisions for taxation	451,000.00		0
d) other provisions	11,716,871.92		3,827
		21,842,792.92	15,253
7. Tier 2 capital pursuant to Part Two, Title I, Chapter 4 of Regulation (EU) No 575/2013		26,140,712.50	25,039
8. Investment allowance		60,081.97	0
9. Subscribed capital		30,000,000.00	30,000
10. Capital reserves			
a) committed	78,102,760.79		78,103
b) uncommitted	0.00		0
		78,102,760.79	78,103
11. Retained earnings		502,580.85	0
		0.00	0
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		**2,566,412,228.85**	**3,063,687**

Off-balance sheet items: Equity and liabilities		31.12.2020 EUR	31.12.2019 TEUR
1.	Contingent liabilities showing separately:		
	b) Guarantees and assets pledged as collateral security	76,493,689	70,098
2.	Commitments	168,633,857.40	156,687
3.	Commitments arising from agency services	10,302,628.53	13,826
4.	Eligible capital in accordance with Part Two of Regulation (EU) No 575/2013,	170,906,132.09	169,339
	of which Tier 2 capital pursuant to Part Two, Title I, Chapter 4 of Regulation (EU) No 575/2013	25,846,200.00	24,740
5.	Own funds requirements as defined in Article 92 of Regulation (EU) no 575/2013,	1,124,073,163.71	1,203,428
	thereof own funds requirements pursuant to Article 92 (1) a to c of Regulation (EU) No 575/2013		
	a) Common Equity Tier 1 Capital ratio	12.90 %	12.02 %
	b) Tier 1 capital ratio	12.90 %	12.02 %
	c) Total capital ratio	15.20 %	14.07 %
6.	Foreign liabilities	86,245,380.64	128,527

PROFIT AND LOSS ACCOUNT

				01.01.-31.12. 2020 EUR	01.01.-31.12. 2019 TEUR
1.	Interest receivable and similar income showing separately: from fixed-income securities EUR 1,225,113.85 (previous year TEUR 2,749)			44,498,036.11	49,407
2.	Interest payable and similar expenses			(20,300,384.24)	(20,890)
I.	**NET INTEREST INCOME**			**24,197,651.87**	**28,517**
3.	Income from securities and participating interests				
	a) income from shares and other variable-yield securities		0.00		279
	b) income from participating interests		86,569.80		780
	c) Income from shares in affiliated undertakings		0.00		0
				86,569.80	1,059
4.	Commissions receivable			15,045,206.49	17,800
5.	Commissions payable			(1,539,940.24)	(2,549)
6.	Net profit or net loss on financial operations			329,671.63	408
7.	Other operating income			19,373,451.20	4,151
II.	**OPERATING INCOME**			**57,492,610.75**	**49,386**
8.	General administrative expenses				
	a) staff costs				
	aa) wages and salaries	(24,931,586.39)			(19,790)
	bb) expenses for statutory social contributions and compulsory contributions related to wages	(5,076,966.89)			(5,436)
	cc) other social expenses	(280,393.78)			(292)
	dd) expenses for pensions and assistance	(920,494.07)			42
	ee) allocation to provision for pensions	0.00			0
	ff) expenses for severance payments and contributions to severance and retirement funds	(747,921.43)			(817)
			(31,957,362.56)		(26,293)
	b) Other administrative expenses		(16,657,681.77)		(13,990)
				(48,615,044.33)	(40,283)
9.	Value adjustments in respect of asset items 8 and 9			(1,109,646.30)	(997)
10.	Other operating expenses			(1,857,587.50)	(957)
III.	**OPERATING EXPENSES**			**(51,582,278.13)**	**(42,237)**
IV.	**OPERATING RESULT**			**5,910,332.62**	**7,149**
11./12.	Value adjustments and re-adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments			(8,019,973.05)	(28,179)
13./14.	Value adjustments and re-adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings			4,315,502.65	1,956
V.	**PROFIT OR LOSS ON ORDINARY ACTIVITIES**			**2,205,862.22**	**(19,073)**
15.	Extraordinary expenses			0.00	0
16.	**Extraordinary result**			**0.00**	**0**
17.	Tax on profit or loss			(506,632.13)	(870)
18.	Other taxes not reported under item 17			(1,196,649.24)	(1,505)
VI.	**PROFIT OR LOSS FOR THE YEAR AFTER TAX**			**502,580.85**	**(21,449)**
19.	Changes in reserves			(502,580.85)	21,449
VII.	**NET INCOME FOR THE YEAR**			**0.00**	**(0)**
20.	**Loss brought forward**			**0.00**	**0**
VIII.	**NET PROFIT OR LOSS FOR THE YEAR**			**0.00**	**(0)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2020

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 income 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 schedule, 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 2020 was 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 note 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 note 7 Disclosures on risk provisions. The bank has also made use of the option to recognise an investment allowance (please refer to note 9 Investment allowance). The restructuring provisions recognised in the 2020 financial year are related to the bank's new strategic direction and not to Covid-19 effects.

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. In addition, daily Covid-19 task force meetings were held to ensure the supply of liquidity an the provision of sufficient liquidity for customers. 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. To appropriately reflect the current economic environment, the customer's underlying credit rating was adjusted taking into account external industry data available at the reporting date (stress scenario). This involved clustering the loan portfolio by industry and performing an estimated rating downgrade on an industry-by-industry basis depending on the expected Covid-19 impairment. Households were also assigned rating downgrades, with an additional rating downgrade applied to the consumer loan portfolio in the stress calculation. Public sector customers did not receive an additional risk upgrade, as this portfolio is 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 forebearance. This stress calculation of the expected credit loss at the industry level is intended to account for the fact that there is uncertainty regarding the impact of Covid-19 on loan defaults over the next 12 months. As a result of this parameter adjustment, the default probabilities applied in the calculation of the expected credit loss are higher than when using the regular methodology.

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 % (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 was passed regarding processing fees for consumer and mortgage loans. Therefore processing fees, which are calculated as a function of the nominal value of the loan, have to be accrued over the life time of the loan. Starting in the 2020 financial year, these processing fees are accrued on a straight-line basis over the term of the loan and will no longer be recognised immediately in the income statement.

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. 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 1.355 percent (31.12.2019: 1.496 percent) and a pension increase rate of 2.00 percent (31.12.2019: 2.00 percent).

Provisions for severance payments and **provisions for anniversary bonuses** disclosed under other provisions were calculated applying an interest rate of 1.355 percent (31.12.2019: 1.496 percent) and an assumed salary increase rate of 3.00 percent (31.12.2019: 3.00 percent). For the anniversary bonus provision, the fluctuation probabilities presented in the actuarial report were used. Concerning severance payments no fluctuation probabilites 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 Thomas 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 31.12.2020.

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, Bachelier models or Hull-White 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
- The standard interest rate curve of the relevant currency is applied to discount cash flows for non-collateralised derivatives and for all underlying transactions
- Forward interest rates are always calculated from the relevant maturity curve

No further valuation changes were made in the year under review.

NOTES TO THE BALANCE SHEET

1 Maturities of balance sheet items

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

	31.12.2020	31.12.2019
A3. Loans and advances to credit institutions	**152,812,438.31**	**433,225**
- payable on demand	152,512,438.65	432,625
- up to three months	299,999.66	0
- three months to one year	0.00	0
- one year to five years	0.00	600
- over five years	0.00	0
A4. Loans and advances to customers	**2,069,510,011.60**	**2,183,149**
- payable on demand	107,165,749.33	112,204
- up to three months	36,372,906.27	76,932
- three months to one year	248,326,637.89	247,007
- one year to five years	733,853,032.71	760,474
- over five years	943,791,685.40	986,532
L1. Liabilities to credit institutions	**247,064,124.88**	**430,575**
- payable on demand	10,732,558.21	7,575
- up to three months	136,352,400.00	180,000
- three months to one year	0.00	135,000
- one year to five years	99,979,166.67	108,000
- over five years	0.00	0
L2. Liabilities to customers	**1,459,162,851.97**	**1,776,784**
- payable on demand	1,159,713,427.87	1,211,678
- up to three months	93,258,379.62	283,439
- three months to one year	137,827,067.16	199,884
- one year to five years	68,363,977.32	81,783
- over five years	0.00	0

2 Securities including accrued interest

	31.12.2020	31.12.2019
A2. Treasury bills and other bills eligible for refinancing with central banks	**152,450,184.38**	**152,747**
thereof listed	152,450,184.38	152,747
thereof fixed assets	118,610,248.59	129,999
thereof accrued interest in fixed assets	568,131.36	678
thereof current assets	33,250,870.00	22,071
thereof accrued interest in current assets	20,934.43	0
A4. Loans and advances to customers	**65,962,777.44**	**75,050**
thereof not listed	65,962,777.44	75,050
thereof fixed assets	65,595,052.83	74,616
thereof accrued interest in fixed assets	367,724.61	434
A5. Bonds and other fixed-income securities	**89,809,151.93**	**165,866**
thereof listed	60,886,785.25	132,214
thereof not listed	28,922,366.68	33,652
thereof fixed assets	51,637,998.97	92,022
thereof accrued interest in fixed assets	93,347.43	244
thereof current assets	37,978,113.88	73,455
thereof accrued interest in current assets	99,691.65	145
A7. Participating interests	**3,151,800.31**	**3,157**
thereof not listed	3,151,800.31	3,157

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 31.12.2020	Impairment until 31.12.2020	Reversal of impairment until 31.12.2020
Germany	5,000,000.00	5,006,650.00	26,550.00	1,200.00
Austria	43,000,000.00	43,774,349.09	0.00	0.00
France	13,000,000.00	13,156,441.60	0.00	0.00
Netherlands	7,000,000.00	7,160,690.22	0.00	0.00
European Union	82,000,000.00	82,762,987.68	229,560.00	209,760.00

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

	31.12.2020	31.12.2019
Issued by others (without public authorities)	**89,809,151.93**	**165,866**
thereof:		
Own issues	28,922,366.67	33,652
Foreign bonds (credit institutions)	24,382,172.76	68,179
Mortgage bonds and municipal bonds	36,504,612.50	64,035

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 13,820.00 (31.12.2019: TEUR 0).

Due to the option applied as at the 2020 financial year in accordance with Section 56 (2) and (3) BWG a premium in the amount of EUR 2,022,840.00 was recognised and will be amortised on a straight-line basis over the term. As at 31.12.2020, the accrual amounts to EUR 1,974,680.23.

In 2021, fixed-income securities from the bank's own portfolio in the amount of EUR 41,091,323.70 (2020: TEUR 41,717) (euro-denominated securities) and EUR 0.00 (2020: 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 61,190,283.97 (31.12.2019: TEUR 133,813), of which EUR 59,974,232.35 (31.12.2019: TEUR 134,286) were pledged as at the balance sheet date.

As in the previous year, there were no subordinated securities as at 31.12.2020, according to Section 45 (2) of the BWG.

The trading book has the following volume breakdown as at 31 December 2020:

	31.12.2020	31.12.2019
Forward exchange transactions (nominal value)	2,006,763.45	0
Interest swaps (nominal value) and interest rate contracts	16,069,825.90	18,125

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 31.12.2020	Losses not yet recognised 31.12.2020	Carrying amount 31.12.2019	Losses not yet recognised 31.12.2019
Treasury bills	46,000,000.00	-79,860.26	10,000	-94
Bonds and other fixed-income securities	10,000,000.00	-7,348.97	0	0
Total	**56,000,000.00**	**-87,209.23**	**10,000**	**-94**

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 2021, issued bonds as defined in Section 64 (1) line 7 BWG with a value of EUR 50,500,000.00 (2020: TEUR 25,284) 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 31.12.2020 amounts to EUR 1,465,523.00 (31.12.2019: TEUR 3,227).

4 Other assets

The breakdown of other assets is as follows:

	31.12.2020	31.12.2019
Other assets	**15,413,692.85**	**27,941**
- thereof payable after the balance sheet	1,391,370.01	1,361
- thereof with a residual term > 1 year	10,238,430.82	12,045
Interest receivables	21,385.50	738
Accrued income (upfront payment)	10,238,430.82	12,045
Offset claims	185,400.24	272
Receivables arising from FX measurement of banking book derivatives	777,868.97	0
Receivables from trading book derivatives	232,436.75	248
Deposits	0.00	8,472
Other receivables	3,958,170.57	6,166

Lease contracts concerning buildings were terminated in 2020 financial year. The deposits have been repayed accordingly.

5 Other liabilities

The breakdown of other liabilities is as follows:

	31.12.2020	31.12.2019
Other liabilities	**13,115,707.82**	**13,090**
- thereof payable after the balance sheet	1,454,560.92	1,946
- thereof with a residual term > 1 year	138,520.05	176
Interest payables	831,293.03	237
Clearing account balances	8,691,676.18	7,381
Fees and levies	1,891,574.53	2,149
Liabilities arising from FX measurement of banking book derivatives	536,941.02	1,638
Liabilities from trading book derivatives	222,754.17	236
Trade payables	700,537.45	1,145
Other liabilities	240,931.44	304

6 Provisions

The main items included under other provisions are as follows:

	31.12.2020	31.12.2019
Guarantees	339,416.36	136
Unused Holidays	378,000.00	303
Anniversary bonuses	1,171,476.00	1,335
Association of mortgage banks § 1406 ABGB	341,004.12	359
Legal and consultancy fees	148,511.53	112
Costs for legal risks	476,011.26	529
Restructuring provisions	6,459,000.00	0
Miscellaneous provisions	2,403,452.65	1,053
Total	**11,716,871.92**	**3,827**

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 18,150.51 (31.12.2019: TEUR 0) as well as provisions at portfolio level amounting to EUR 321,265.85 (31.12.2019: TEUR 136).

Restructuring provisions
The restructuring measures initiated and planned by Anadi Bank require a reduction in staff and the streamlining of the branch network outside of Carinthia. Provisions have been made for the costs of garden leave, payments under the social plan agreed with the works council as well as severance payments. For a planned branch closure in Graz, the costs of the rental payments still to be made have also been provided for in the restructuring provision.

Costs for legal risks
There are provisions in the amount of EUR 476,011.26 as at 31.12.2020 (31.12.2019: TEUR 529) 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 317,370.00 (31.12.2019: TEUR 78) were settled and an amount of EUR 310,343.47 (31.12.2019: TEUR 1,508) was released.

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

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

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

As at 31.12.2020 a provision of EUR 537,255.00 (31.12.2019: TEUR 31) was required.

For derivatives in the trading book, a provision for the credit valuation adjustment (CVA) in the amount of EUR 8,763.70 (31.12.2019: TEUR 9) was required.

7 Disclosures on risk provisions

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

	31.12.2020	31.12.2019
Loans and advances to customers		
Opening balance	**48,866,455.66**	**29,963**
Additions	7,430,639.41	29,594
Releases	-448,327.68	-897
Utilised	-3,218,922.50	-9,799
Foreign currency valuation	2,147.23	5
Closing balance	**52,631,992.12**	**48,866**

To account for default risks existing at the reporting date, an increase in the portfolio allowance from 2019 (TEUR 4,793) to EUR 6,144,164.17 was recognised as at December 31, 2020, with a model risk premium of EUR 500,000.00 due to calibration adjustments in progress. To account for the increased risk of default due to the Covid-19 pandemic, an allowance of EUR 2,086,812.65 was recognised in the portfolio allowance.

In order to determine the additional impairment requirement, an optimistic and a pessimistic scenario based on the respective economic impact due to Covid-19 were calculated in addition to the base scenario (corresponds to the expectation and the additional risk provision of Anadi Bank). In the optimistic scenario additional loan loss provisions of EUR 780,034.67 and in the pessimistic scenario of EUR 3,784,407.95 were determined.

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 (31.12.2019: TEUR 25,000) as of 31.12.2020.

In the 2020 financial year, a supplementary capital bond was issued with a subscription volume of up to EUR 20 million. The interest rate in the first years is 6 percent with a maturity of ten years.

The interest expenses for the Tier 2 capital amount to EUR 1,564,150.00 (31.12.2019: TEUR 1,563).

9 Investment allowance

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 600 thousand for investments in buildings with the Austrian Wirtschaftsservice as the settlement authority. The expected allowance of EUR 60,170.65 was recognised at the balance sheet. In the business year, a release of EUR 88.68 was made for assets already put into operation.

10 Share capital

The issued share capital of Austrian Anadi Bank AG at the balance sheet date amounts to EUR 30,000,000.00 (31.12.2019: TEUR 30,000) and is divided into 30,000 (31.12.2019: 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:

Designation	Opening balance 01.01.2020	Additions	Releases	Closing balance 31.12.2020
Capital reserves	78,102,760.79	0.00	0.00	78,102,760.79
Retained earnings	0.00	502,580.85	0.00	502,580.85
Liability reserve pursuant to section 57 (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 contracts		Nominal value Sales contracts	
Futures transactions	31.12.2020	31.12.2019	31.12.2020	31.12.2019
a) Interest rate-related business				
OTC-products				
Interest swaps/Interest rate contracts	330,183,673.10	414,091	330,183,673.10	414,091
b) Currency-related business				
OTC-products				
Currency swaps	97,228,478.74	101,010	97,204,221.45	101,010
Cross-currency swaps	60,806,172.28	71,100	60,028,303.31	72,489
Forward exchange contracts	2,006,763.44	0	2,005,960.18	0

	Fair value positive		Fair value negative	
Futures transactions	31.12.2020	31.12.2019	31.12.2020	31.12.2019
a) Interest rate-related business				
OTC-products				
Interest swaps/Interest rate contracts	20,720,280.67	38,034	40,404,574.23	39,336
b) Currency-related business				
OTC-products				
Currency swaps	63,942.27	0	79,193.38	327
Cross-currency swaps	963,421.75	0	202,036.69	1,425
Forward exchange contracts	33,619.81	0	32,819.26	0

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 19,693,668.13 (31.12.2019: TEUR 1,314).

Hedging relationships were terminated prematurely in the reporting year. The positiv net result including the hedged items amounts to EUR 12,865,659.67 (31.12.2020: TEUR 0).

13 Contingent liabilities

	31.12.2020	31.12.2019
Contingent liabilities	76,493,689.38	70,098
Guarantees and other collateral securities	76,493,689.38	70,098

14 Other off-balance sheet statements

Loan exposures comprise unused credit lines totalling EUR 168,633,857.40 (31.12.2019: TEUR 156,687).

Liabilities from fiduciary activities amounted to EUR 10,302,628.53 (31.12.2019: TEUR 13,826) in the year under review. These activities mainly comprise assets held in trust refinanced by Austrian Control Bank.

NOTES TO THE INCOME STATEMENT

15 Interest and similar income

	31.12.2020	31.12.2019
From loans and advances to credit institutions and customers	**43,272,922.26**	**46,657**
thereof Austria	35,678,540.16	37,380
thereof International	7,594,382.10	9,277
From fixed-income securities	**1,225,113.85**	**2,749**
thereof Austria	522,470.18	903
thereof premium of securities held as fixed assets	-16,558.20	0
thereof International	702,643.67	1,846
thereof premium of securities held as fixed assets	-31,601.53	-33
From other assets	**0.00**	**1**
thereof Austria	0.00	1
Total	**44,498,036.11**	**49,407**

Interest earnings include negative interests from receivables in the amount of EUR 678,883.68 (31.12.2019: TEUR 700).

16 Interest and similar expenses

	31.12.2020	31.12.2019
From liabilities to credit institutions and customers	**2,480,135.66**	**3,432**
thereof Austria	1,600,073.84	2,226
thereof International	880,061.82	1,206
From debt securities in issue	**17,820,248.58**	**17,458**
thereof Austria	17,820,248.58	17,458
thereof International	0.00	0
Total	**20,300,384.24**	**20,890**

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 864,710.19 (31.12.2019: TEUR 985).

17 Commission income and expenses

	31.12.2020	31.12.2019
From the lending business		
Fee and commission income	5,910,971.28	8,506
Fee and commission expenses	-466,454.05	-1,539
From the securities business		
Fee and commission income	1,856,573.24	1,690
Fee and commission expenses	-132,812.99	-148
From other transactions		
Fee and commission income	7,277,661.97	7,604
Fee and commission expenses	-940,673.20	-862
Total income	**15,045,206.49**	**17,800**
Total expense	**-1,539,940.24**	**-2,549**

18 Other administrative expenses (operating expenditure)

	31.12.2020	31.12.2019
Legal and consultancy expenses	2,278,070.36	1,038
Advertising and hospitality expenses	768,448.28	900
Rental, leasing and other building expenses	2,418,886.88	2,405
IT expenses	1,981,414.69	1,503
Data centre expenses	3,962,197.92	3,647
Training expenses	80,202.33	157
Issue expenses	320,923.43	254
Travel expenses	96,299.57	178
Fleet expenses	176,947.44	245
Insurance	365,140.44	347
Telephone/postage expenses	367,786.58	507
Expenses in connection with company legal structure	363,613.04	353
Office/stationery expenses	91,399.68	141
Single Resolution Fund (BaSAG)	1,116,667.35	734
Guarantee deposit (ESA Einlagensicherung GmbH)	1,590,471.82	908
Other operating expenditure	679,211.96	671
Total	**16,657,681.77**	**13,990**

19 Other operating income

	31.12.2020	31.12.2019
Rental and leasing agreements	69,967.60	121
Income from asset disposals	4,675,695.98	0
Release provision negative market values of banking book derivative*	45,300.00	1,441
Income from early terminated hedging relationships	13,199,921.67	0
Other operating income	1,382,565.95	2,589
Total	**19,373,451.20**	**4,151**

*In the 2020 reporting year, income from the release of the provision for negative market values of banking book derivatives was reclassified from income statement item 11 to income statement item 7. The previous year's figures were adjusted accordingly.

Income of EUR 4,649,386.99 was generated from the sale of the property in Parkring 12 in Vienna.

20 Other operating expenses

	31.12.2020	31.12.2019
Addition provision Negative market values of banking book derivative*	551,497.00	639
Impending repayments service charge 2019	40,000.00	0
Addition provision costs for legal risks	575,000.00	0
Other operating expenses	691,090.50	318
Total	**1,857,587.50**	**957**

*In the 2020 reporting year, expense from the addition to the provision for negative market values of banking book derivatives was reclassified from income statement item 12 to income statement item 10. The previous year's figures were adjusted accordingly.

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

The profit and loss item 14 Value adjustments and re-adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings includes the income from the early sale of a security with an amount of EUR 4,315,502.65. In the previous year, the income with an amount of TEUR 1,945 from the partial sale of the warrant for Entitlement to Payment of the Conditional Additional Purchase Price derived from the KAF offer from 2016 for the settlement of receivables against HETA Asset Resolution AG was reported here. This transaction was processed over-the-counter (OTC).

This item also includes income and expenses from contract modifications. The contract amendments made in the 2020 financial year resulted in significant changes in the present value. Therefore, contracts were derecognised and re-recognised with the new present value. This resulted in an income of EUR 230,163.09. Furthermore, there were non-significant changes in present value, which led to a devaluation in the amount of EUR 213,815.30 of these accounts.

SUPPLEMENTARY INFORMATION

22 Deferred taxes

Balance Sheet positions	31.12.2020	31.12.2019	Description
Positive fair values of trading book derivatives	-232,436.73	-248	Deferred tax liabilities
Securities held as Fixed Assets	33,561.46	410	Deferred tax assets
Loans and advances to customers	5,677,091.28	4,335	Deferred tax assets
Provisions	5,276,679.48	6,438	Deferred tax assets
Total	**10,754,895.49**	**10,934**	**Net deferred tax assets**
Excess deferred tax 25%	**2,688,723.87**	**2,733**	

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 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 will be provided by VBS until the end of September 2021. Negotiations with potential outsourcing partners are currently underway.

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.

24 Own capital funds

Own Funds in accordance with CRR/CRD	31.12.2020	31.12.2019
Common Equity Tier 1 Capital	**145,059,932.09**	**144,599**
Paid up capital instruments	30,000,000.00	30,000
Retained earnings	78,102,760.79	78,103
Other reserves	37,498,220.85	36,996
Value adjustments due to the requirements for prudent valuation (Fair value exposures) 0.1 %	71,239,159.00	95,538
thereof 0.1 % deduction	-71,239.16	-96
Deducting intangible assets	-469,810.39	-404
Tier 2 Capital	**25,846,200.00**	**24,740**
Supplementary Capital total	26,105,950.00	25,000
Supplementary Capital allowable	25,846,200.00	24,740
Own funds	**170,906,132.09**	**169,339**
Own funds requirement	**89,925,853.10**	**96,274**
Surplus of total capital	**80,980,278.99**	**73,065**
Coverage ratio	**190.05 %**	**175.89 %**

Own Funds Requirement	31.12.2020	31.12.2019
Risk-Weighted Assets (banking book)	**1,016,851,341.68**	**1,094,774**
thereof 8 % minimum capital requirement	81,348,107.33	87,582
Credit Value Adjustment	691,587.36	706
Own funds requirement for trading book	0.00	0
Own funds requirement for open currency position	29,754.54	27
Capital requirement for operational risk	7,856,403.87	7,959
Total own funds requirement	**89,925,853.10**	**96,274**
Total risk exposure amount	**1,124,073,163.71**	**1,203,428**
Common Equity Tier 1 Capital ratio	**12.90 %**	**12.02 %**
Tier 1 capital ratio	**12.90 %**	**12.02 %**
Total capital ratio	**15.20 %**	**14.07 %**

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.

	31.12.2020	31.12.2019
Financial collateral	**51,809,323.04**	**42,894**
Cash deposits	41,753,803.64	30,636
Securities	10,055,519.40	12,258
Real estate collateral	**929,384,779.28**	**962,958**
Guarantees	**236,558,870.95**	**233,136**
Other collateral	**90,045,356.21**	**103,261**
Insurance	42,008,215.30	44,813
Movable property	8,185,239.38	9,195
Others	39,851,901.53	49,253
TOTAL	**1,307,798,329.48**	**1,342,249**

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

	31.12.2020	31.12.2019
Collateral received	6,060,000.00	5,380
Collateral provided	28,570,000.00	12,140

26 Trustee saving accounts

Liabilities to customers includes trustee saving accounts amounting to EUR 2,522,045.39 (31.12.2019: TEUR 1,931).

27 Foreign currency

The balance sheet contains the following foreign currency amounts:

	31.12.2020	31.12.2019
Assets	156,428,519.99	185,161
Liabilities	12,962,103.16	11,217

The main part of the difference amounting to EUR 143,466,416.83 (31.12.2019: TEUR 173,944) is hedged with swap agreements.

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

	Debt securities in issue		Covering loans		Surplus/shortfall in cover	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Mortgage bonds A	145,000,000.00	120,000	384,350,962.81	394,875	239,350,962.81	274,875
Mortgage bonds B	42,881,071.32	46,375	54,257,011.29	59,747	11,375,939.97	13,372
Public sector mortgage bonds	416,212,469.35	437,380	478,444,356.65	486,345	62,231,887.30	48,965

Anadi Bank has deposited own not issued covered bonds (mortgage bonds) with the Austrian National Bank amounting to EUR 160,000,000.00. This compares to mortgage collateral stock (covering loans) amounting to EUR 384,350,962.81. As at 31.12.2020 refinancing with an amount of EUR 141,474,470.00 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 376,983,845.00 (31.12.2019: TEUR 492,774) and loans in the amount of EUR 133,532,197.02 (31.12.2019: TEUR 164,586) were pledged as collateral for liabilities to credit institutions amounting to EUR 238,000,000.00 (31.12.2019: TEUR 423,000) as well as for liabilities to customers amounting to EUR 2,522,045.39 (31.12.2019: TEUR 1,931).

As at 31.12.2020 the return on assets in accordance with Section 64 (19) BWG is 0.02 percent (31.12.2019: negative).

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 31.12.2020, the federal state of Carinthia still had guarantees for perpetual liabilities of Anadi Bank amounting to EUR 15,216,327.21 (31.12.2019: TEUR 16,938).

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 1,590,471.82 (31.12.2019: TEUR 908) 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 cases.

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 1,116,667.35 (31.12.2019: TEUR 734), which includes a special contribution due to the current insolvency cases. 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 (www.anadibank.com) in the section Investors / Annual Reports.

35 Auditing expenses

The expenses in respect of the company's auditor amounted to EUR 317,950.00 (31.12.2019: TEUR 207) as at the reporting date and comprise other auditing and consulting services in the amount of EUR 4,500.00 and the audit of the annual financial statements in the amount of EUR 313,450.00.

36 Employees

Average number of employees according to Section 239 UGB:

	31.12.2020	31.12.2019
Salaried employees	258.07	279.82

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

As at 31.12.2020, the members of the Management Board had received advances, loans or guarantees totalling EUR 81,404.51 (31.12.2019: TEUR 0) from Anadi Bank.

As at 31.12.2020, 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 7,306,588.09 (31.12.2019: TEUR 8,412) from Anadi Bank.

Expenses for severance payments, pensions and anniversary bonus

The bank spent the following amounts for payments and provisions for severance pay and pensions in 2020:

	31.12.2020 Severance payments	31.12.2020 Pensions	31.12.2019 Severance payments	31.12.2019 Pensions
Management Board members	20,162.60	119,207.14	30	83
Senior employees	38,166.06	54,953.86	54	89
Other employees	689,592.77	746,333.07	733	-214
TOTAL	**747,921.43**	**920,494.07**	**817**	**-42**

In 2020 payments to the employee pension fund amounted to EUR 179,428.38 (31.12.2019: TEUR 208). As a result of the addition of the severance payment provision amounting to EUR 466,608.14 (31.12.2019: TEUR 578), the actual expenses for severance charge in 2020 were EUR 747,921.43 (31.12.2019: TEUR 817). In the financial year, severance payments in the amount of EUR 101,884.91 (31.12.2019: TEUR 31) were continuously recorded against the allocated provisions.

In the 2020 financial year, payments of EUR 619,800.06 (31.12.2019: TEUR 654) were made to the pension fund. An amount of EUR 300,694.01 was allocated to the provision for pension obligations (31.12.2019: TEUR 696 released). In total, this results in the reported expenses for pensions of EUR 920,494.07 (31.12.2019: TEUR -42).

In the fiscal year, anniversary bonuses in the amount of EUR 54,470.31 (31.12.2019: TEUR 42) 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 ff) 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:

	31.12.2020	31.12.2019
Management Board		
thereof fixed	1,586,695.30	2,294
thereof variable	334,500.00	20
Supervisory Board	344,413.04	334
Total	**2,265,608.34**	**2,648**

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

37 Events after the balance sheet date

On January 17, 2021, the lock-down originally imposed until January 24, 2021 was further extended. No significant effects on the portfolio are currently foreseeable.

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 January 22, 2021

THE MANAGEMENT BOARD

VDir. Dr. Christian Kubitschek

VDir. Dr. Ferdinand Wenzl, MBA

VDir. Dipl.-Kfm. (FH) Markus Gerstberger, EMBA

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:
Hemant Kanoria, Kalkutta (until 30.11.2020)
Ali Ijaz Ahmad, Singapur (from 9.12.2020)
Dr. Franz Markus Nestl, Vienna

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

State Commissioner:
Mag. Renate Platzer, BMF Vienna

Deputy State Commissioner:
Mag. Stefan Wieser, BMF Vienna

Trustee:
Mag. Natascha Nehammer, BMF Vienna

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

Management Board:
Mag. Martin Rauchenwald, Graz (from 1.1.2020 until 13.4.2020)
Dr. Christian Kubitschek, Vienna (from 1.7.2020)
GaneshKumar Krishnamoorthi, B.E., Vienna (until 31.7.2020)
Dr. Ferdinand Wenzl, MBA, Vienna (from 14.4.2020)
Mag. Franz Reif, Langenlebarn (until 30.9.2020)
Dipl.-Kfm. (FH) Markus Gerstberger, EMBA, Vienna (from 1.11.2020)

Schedule 2 to the notes – FIXED ASSETS MOVEMENT SCHEDULE

Assets	Acquisition costs 01.01.2020	Additions 2020	Disposals 2020	Transfers 2020
Pos. 2				
Treasury bills				
Fixed-interest securities in fixed assets	145,278,668.31	49,786,840.00	74,856,531.36	13,723,000.00
Pos. 4				
Loans and advances to customers				
Fixed-interest securities in fixed assets	74,616,132.05	0.00	9,021,079.22	0.00
Pos. 5				
Debt securities incl.fixed-income securities				
Fixed-interest securities in fixed assets	103,319,312.02	10,236,000.00	36,891,010.00	-13,723,000.00
Pos. 6				
Shares and other variable-yield securities	0.00	0.00	0.00	0.00
Pos. 7				
Participating interests	6,580,420.91	0.00	5,113.94	0.00
Pos. 8				
Intangible fixed assets	3,188,849.83	209,270.32	0.00	0.00
Pos. 9				
Tangible assets	23,612,832.14	6,436,214.35	5,967,092.95	0.00
Total	356,596,215.26	66,668,324.67	126,740,827.47	0.00

Acquisition costs 31.12.2020	Cumulative Depreciation 01.01.2020	Additions 2020	Disposals 2020	Cumulative Depreciation 31.12.2020	Book value 31.12.2020	Book value 31.12.2019
133,931,976.95	15,280,019.66	41,708.70	0.00	15,321,728.36	118,610,248.59	129,998,648.65
65,595,052.83	0.00	0.00	0.00	0.00	65,595,052.83	74,616,132.05
62,941,302.02	11,296,852.02	6,451.03	0.00	11,303,303.05	51,637,998.97	92,022,460.00
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	3,156,914.25
3,398,120.15	2,785,151.90	143,157.86	0.00	2,928,309.76	469,810.39	403,697.93
24,081,953.54	11,764,850.53	966,488.44	1,925,327.94	10,806,011.03	13,275,942.51	11,847,981.61
296,523,712.46	44,550,380.77	1,157,806.03	1,925,327.94	43,782,858.86	252,740,853.60	312,045,834.49

AUDITOR'S REPORT
Report on the Financial Statements

Audit Opinion
We have audited the financial statements of

Austrian Anadi Bank AG,
Klagenfurt am Wörthersee, Austria,

which comprise the Balance Sheet as of 31 December 2020, the income statement and the year then ended, and the notes.

In our opinion, the financial statements, in all material respects, is presented fairly by the financial position of the Company as of 31 December 2020 and its financial performance for the financial year in accordance with Austrian Generally Accepted Accounting Principles and with Austrian Banking Act requirements.

Basis for our Opinion
We conducted our audit in accordance with Regulation (EU) 537/2014 („AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the „Auditor's Responsibilities" section of our report. We are independent of the Company, in accordance with Austrian company law, Austrian Banking act and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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. These matters were addressed in the context of our audit of the financial statements as a whole, however, we do not provide a separate opinion thereon.

Valuation of loans and advances to customers

Risk to the financial statements
Loans and advances to customers amount to EUR 2.1 bn and are mainly comprised of the segments „Public Finance", „Corporate Banking" and „Retail Banking". Loan loss provisions (individual value adjustments and portfolio value allowance) amounting to EUR 58.8 mil are recognized within the loans and advances.

The approach regarding determination of risk provisions is described in the notes section „Recognition and Measurement Principles" and in the management report section „Credit Risk". The development of risk provisions is described in section 7 „disclosures to risk provisions" of the notes.

The bank's credit risk management evaluates whether there are identifiable risks and therefore specific loan loss provisions that need to be recognized. This includes an assessment whether customers are able to meet their contractual liabilities in full.

The calculation of the risk provision for defaulted individually significant customers is based on an analysis of the estimated future recoveries. This analysis reflects the assessment of the economic situation and development of the individual customer, the valuation of collaterals and the estimated amount and timing of future cash flows.

For defaulted, individually non-significant customers the individual allowance is calculated by considering the valuation of utilizable collaterals.

For all non-defaulted loans, a rating-based portfolio loan loss provision is recognized. Individual customer-specific parameters as well as statistical assumptions and utilizable collaterals are used to determine the amount of the provision. In order to adequately account for the COVID-19 crisis in the impairment model, the Bank increased the provision amount in addition to the original model result based on externally available industry-specific information regarding the economic impact of the pandemic.

The risk to the financial statements results from the fact that the identification of impending loan defaults as well as the calculation of the provisioning amounts significantly depend on the assumptions and estimates stated above, leading to margins of discretions and estimate uncertainty with regard to the amount of the provision.

Our Response

We have audited valuation of loans and advances to customers as following:

- We have analyzed the processes of monitoring and risk provisioning for customer loans and assessed whether these processes are appropriate to assess the valuation of loans and advances to customers.
- We have evaluated the process workflows as well as significant controls by inspecting the IT-systems and testing the design and implementation of key controls. Furthermore, we have evaluated the effectiveness of key controls by sample testing.
- We examined whether loan defaults were identified in a timely manner on the basis of a sample of loans from the total portfolio. The selection of the sample was risk-oriented, taking into account the rating of the borrowers as well as deferrals granted in the course of the COVID-19 crisis.
- In the case of defaults – related to outstanding net exposure – of individually significant loans we have audited based on a sample, whether assumptions made by the bank regarding risk provision are conclusive, consistent and free of contradictions. In doing so we especially analyzed the economic development of the costumer as well as the valuation and the enforceability of collaterals.
- With regard to the portfolio provision we have analyzed the models used as well as the parameters used. Based on the bank's back testing of historical provisions and validations of actual parameters, we have evaluated the adequacy of the assumptions regarding the customers or the customer portfolio. We have assessed the derivation and justification of the additional provision amount due to COVID-19 as well as the underlying assumptions with regard to their appropriateness.We have tested the calculation of the provision amount by re-calculations.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the financial statements, the management report and the auditor's report.

We obtained the letter from the Board of Directors before the date of the auditor's report, the other parts of the annual report are expected to be made available to us after this date.

Our opinion on the financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the financial statements or any apparent material misstatement of fact.

If, based on the work performed by us on the other information obtained before the date of the auditor's report, we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and Austrian Banking Act requirements and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also 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 the financial reporting process.

Auditors' Responsibility

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 audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in 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 AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misprepresentations or the override of internal control.
- We 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 entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We 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 audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit 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.
- We evaluate the overall presentation, structure and content of the financial statements, including the notes, 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, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on other Legal Requirements

Management Report

In accordance with Austrian company law, the management report is to be audited as to whether it is consistent with the financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the management report in accordance with Austrian company law and other legal or regulatory requirements.

We have conducted our audit in accordance with generally accepted standards on the audit of management reports as applied in Austria.

Opinion

In our opinion, the management report is consistent with the financial statements and has been prepared in accordance with legal requirements.

Statement

Based on our knowledge gained in the course of the audit of the financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the management report.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on 16 September 2019 and were appointed by the supervisory board on 16 September 2019 to audit the financial statements of Company for the financial year ending on 31 December 2020.

We have been auditors of the Company, without interruption, since the financial statements at 31 December 2016.

We declare that our opinion expressed in the „Report on the Financial Statements" section of our report is consistent with our additional report to the audit committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.

Auditor in Charge

The engagement partner is Mr Bernhard Mechtler.

Vienna, 22 January 2021

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:
Bernhard Mechtler
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

The financial statements together with our auditor's opinion may only be published if the financial statements and the management report are identical with the audited version attached to this report. section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

PUBLISHING INFORMATION

Responsible for the content of this report:

Austrian Anadi Bank AG
Domgasse 5
9020 Klagenfurt am Wörthersee
Tel. +43 (0)50202
Fax +43 (0)50202 3000
austrian@anadibank.com
anadibank.com

Forward looking statements and forecasts are based on information and data available at the time of finalising the financial statements (22.01.2021). Changes after this date may influence the facts and forecasts given in the Annual Report. The information presented in this report and the data contained therein has been compiled and checked with the greatest possible degree of care and circumspection. However, errors arising from rounding, transmission, typesetting or printing cannot be ruled out.

Austrian Anadi Bank

Die Bank der Zukunft. Seit 1896.

Austrian Anadi Bank AG | Domgasse 5 | 9020 Klagenfurt am Wörthersee
Tel. +43 (0)50202 0 | austrian@anadibank.com | anadibank.com

FN 245157a/LG Klagenfurt
DVR2110537