FitchRatings

Banks
Retail & Consumer Banks
Austria

Addiko Bank AG

Update

Key Rating Drivers

Addiko Bank AG's ratings reflect the bank's profile as a specialised lender focused on unsecured lending to retail clients and small businesses in southeastern Europe (SEE). The Viability Rating (VR) also reflects the group's improved risk profile and asset quality, modest profitability and solid capitalisation. Liquidity and funding are rating strengths. The Stable Outlook reflects Fitch Ratings' view that economic conditions, including labour market indicators, in Addiko's largest markets should remain resilient for the next two years.

Focus on SEE: Addiko operates in SEE, including in countries with more volatile and less advanced economies, as well as moderately developed banking sectors and capital markets. This is mitigated by limited geographical diversification across the region and a highly developed regulatory and legal framework in Austria, where the bank is headquartered and key corporate functions including liquidity management are centralised.

Niche Business Model: Our assessment of Addiko's business profile considers the group's small — but growing — franchise, which we believe has critical mass in all markets. It also reflects Addiko's positioning as a challenger bank with clear selling points (speed and a modern digital offering), which afford some pricing power. Execution of the bank's business plan and strategy benefit from management's knowledge of local markets and record in key banking segments. Our assessment also reflects Addiko's smaller scale and less diversified business model than larger peers.

Unsecured Lending: Addiko's risk profile assessment is driven by its exposure to unsecured consumer and SME lending in SEE, and is supported by improving operating conditions in most of its core markets. The risk profile has significantly reduced concentration risks due to the wind-down of non-core corporate exposures and impaired loans. Risk controls are adequate, while market risk is low.

Resilient Asset Quality: Addiko's impaired loans ratio was stable at around 3.7% at end-2024, driven by low new inflows, continued recoveries and loan growth. Reserve coverage was stable and sound at 117%. We expect the four-year average impaired loans ratio to stay below 5% over the next two years, with write-offs of non-performing loans in Croatia and Slovenia. We expect the loan impairment charges (LICs)/average gross loans ratio to rise to 100bp–125bp over the next two years, which is adequately covered by pre-impairment profits.

Modest but Improving Profitability: The bank's profitability is only modest, but is improving on restructuring, supported by solid cost management, lower LICs and robust lending margins, which we expect to continue in the next two years. Our assessment also reflects Addiko's dependence on less diversified revenue from less stable operating environments.

Capitalisation Adequate for Risk Profile: Addiko's common equity Tier 1 (CET1) ratio (end-2024: 22%) provides an adequate buffer to absorb moderate shocks considering the bank's risk profile and improving pre-impairment profitability. The bank's leverage ratio was a high 12.2%, resulting from the use of the standardised approach. We expect earnings retention to remain sufficient to support growth and maintain a comfortable buffer over regulatory capital requirements.

Stable Deposits Underpin Funding: Funding is mainly by retail deposits sourced locally, which is positive for our assessment of Addiko's funding and liquidity. The 'bb+' score at the higher end of the implied range is supported by a healthy structural liquidity position. Addiko has no reliance on external wholesale funding. We view the bank's intention not to access the wholesale market in the medium term as credible, given its liquidity buffer and established depositor base.

Ratings

Foreign Currency	
Long-Term IDR	BB
Short-Term IDR	B
Viability Rating	bb
Government Support Rating	ns

Sovereign Risk (Austria)	
Long-Term Foreign-Currency IDR	AA+
Long-Term Local-Currency IDR	AA+
Country Ceiling	AAA

Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Local-Currency IDR	Negative

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Fitch Affirms Addiko Bank at 'BB'; Outlook Stable (November 2024)

Global Economic Outlook (April 2025)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

We would downgrade the ratings following substantial capital erosion, which could be caused by a materialisation of legal risks, from aggressive dividend distribution, or from asset-quality deterioration (including materially larger write-offs).

In addition, we could downgrade the ratings if strategic objectives shift, growth acceleration results in a negative deviation from current underwriting standards and investment policies, or due to a failure to maintain operating profit of at least 1.25% of risk-weighted assets (RWAs).

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade would require a record of operating profit close to 2.5% of RWAs, indicating a sustained strengthening of Addiko's business profile, while maintaining an impaired loans ratio at or below around 5% and a CET1 ratio of close to 20%.

An upgrade could also result from a material improvement in the operating environment as a result of a shift in business expansion towards markets that Fitch deems more stable, notably Croatia or Slovenia.

Significant Changes from Last Review

Improving Profitability

The 26% increase in Addiko's operating profit in 2024 was mainly due to an 8% rise in operating income and lower operating costs, which were mitigated by higher LICs of 100bp of gross loans (2023: 36bp). Net interest income, Addiko's main income source, improved by 12% on resilient lending margins due to lower rates and adequate new business generation, particularly in consumer lending.

Operating expenses decreased by 7% year on year, mainly due to lower provisions for expected legal matters, particularly relating to Swiss franc-denominated loans. We expect Addiko's profitability to stabilise, with an operating profit/RWAs ratio of around 2% over the next two years (2024: 1.7%), driven by loan growth and higher yielding new business, despite cost inflation and an expected further increase in LICs from current heightened levels.

Addiko's CET1 ratio further increased to 22% at end-2024, due to earnings retention and stable RWAs. Addiko does not envisage any dividend payout for 2024, as recommended by supervisors. In December 2024, the ECB recommended suspending any dividend payouts for fiscal year 2024 given Addiko's complex shareholder structure. Addiko's shareholder-friendly dividend policy generally entails a payout ratio of around 50%. We expect the bank's CET1 ratio to gradually decrease towards 20% over the medium term, due to business growth and increasing dividends.

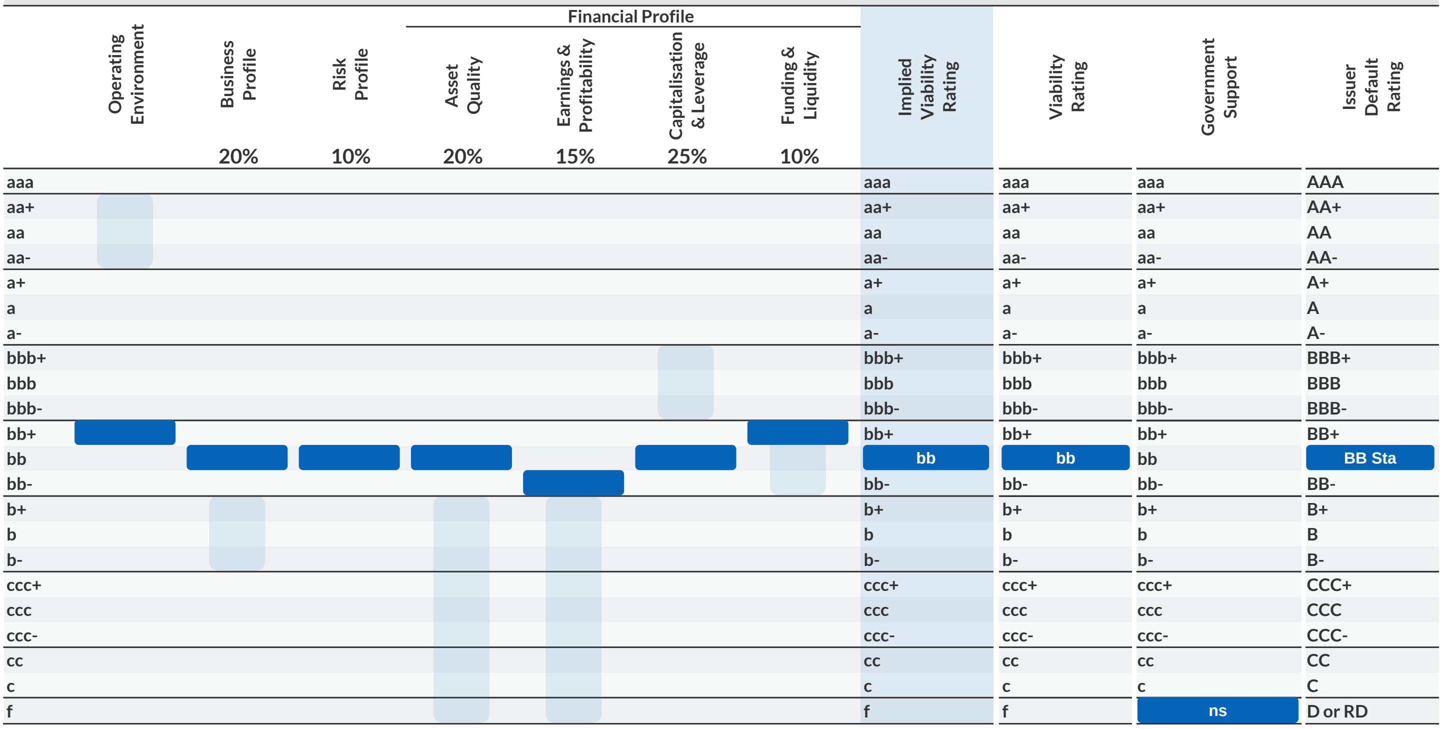
Resilient Asset Quality

Consumer lending accounted for 60% and SME lending for 34% of Addiko's loan book at end-2024. We expect the LICs/gross loans ratio to increase to up to 125bp in 2025, which will be adequately covered by pre-impairment profits. LICs remained below that level in recent years due to loan loss allowance reversals in wind-down portfolios. Risk costs increased in 4Q24 because of higher provisioning requirements for some SME clients in Slovenia and from the agricultural industry in Serbia.

Addiko's impaired loans ratio was stable in 2024, supported by further active reduction of legacy impaired loans through portfolio sales and workouts. We expect Addiko's impaired loans ratio to remain below 5% over the next two years, as the bank can sell impaired loans in all of its markets, except for Serbia and Bosnia and Herzegovina.

Ratings Navigator

Addiko Bank AG — ESG Relevance: — Banks Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The operating environment score of ‘bb+’ has been assigned below the ‘aa’ category implied score, due to the following adjustment reason: international operations (negative).

The business profile score of ‘bb’ has been assigned above the ‘b’ category implied score, due to the following adjustment reason: strategy and execution (positive).

The asset quality score of ‘bb’ has been assigned above the ‘b and below’ category implied score, due to the following adjustment reason: historical and future metrics (positive).

The earnings and profitability score of ‘bb-’ has been assigned above the ‘b and below’ category implied score, due to the following adjustment reason: historical and future metrics (positive).

The capitalisation and leverage score of ‘bb’ has been assigned below the ‘bbb’ category implied score, due to the following adjustment reason: risk profile and business model (negative).

Financials

Financial Statements

	31 Dec 24 12 months (EUR 000)	31 Dec 23 12 months (EUR 000)	31 Dec 22 12 months (EUR 000)	31 Dec 21 12 months (EUR 000)
Summary income statement				
Net interest and dividend income	242,900	228,000	176,400	169,500
Net fees and commissions	72,900	67,100	72,500	66,800
Other operating income	-10,200	-11,300	-7,400	-4,900
Total operating income	305,600	283,800	241,500	231,400
Operating costs	208,300	223,300	194,900	192,000
Pre-impairment operating profit	97,300	60,500	46,600	39,400
Loan and other impairment charges	36,000	11,800	15,400	13,300
Operating profit	61,300	48,700	31,200	26,100
Other non-operating items (net)	-900	-1,300	-	-5,300
Tax	15,000	6,300	5,500	7,200
Net income	45,400	41,100	25,700	13,600
Other comprehensive income	19,600	38,200	-84,500	-14,100
Total comprehensive income	65,000	79,300	-58,800	-500
Summary balance sheet				
Assets				
Gross loans	3,670,600	3,650,300	3,476,200	3,489,100
– Of which impaired	136,700	133,100	159,600	192,200
Loan loss allowances	164,200	161,100	183,500	210,400
Net loans	3,506,400	3,489,200	3,292,700	3,278,700
Interbank	44,200	66,600	89,200	5,700
Derivatives	5,000	4,900	5,000	1,100
Other securities and earning assets	1,476,600	1,206,800	1,083,800	1,048,800
Total earning assets	5,032,200	4,767,500	4,470,700	4,334,300
Cash and due from banks	1,251,400	1,254,500	1,382,900	1,361,700
Other assets	125,300	129,500	142,800	146,300
Total assets	6,408,900	6,151,500	5,996,400	5,842,300
Liabilities				
Customer deposits	5,290,000	5,032,600	4,959,600	4,708,200
Interbank and other short-term funding	77,300	106,800	128,600	174,700
Other long-term funding	-	100	-	-
Trading liabilities and derivatives	4,400	4,200	3,100	2,300
Total funding and derivatives	5,371,700	5,143,700	5,091,300	4,885,200
Other liabilities	197,700	206,700	158,800	152,000
Preference shares and hybrid capital	-	-	-	-
Total equity	839,500	801,100	746,300	805,100
Total liabilities and equity	6,408,900	6,151,500	5,996,400	5,842,300
Exchange rate	USD1= EUR0.9622	USD1= EUR0.9127	USD1= EUR0.9376	USD1= EUR0.8842

Source: Fitch Ratings, Fitch Solutions, Addiko Bank AG

Key Ratios

(%)	31 Dec 24	31 Dec 23	31 Dec 22	31 Dec 21
Profitability				
Operating profit/risk-weighted assets	1.7	1.3	0.9	0.7
Net interest income/average earning assets	5.0	4.9	4.0	3.7
Non-interest expense/gross revenue	68.2	78.7	80.7	83.0
Net income/average equity	5.5	5.4	3.3	1.6
Asset quality				
Impaired loans/gross loans	3.7	3.7	4.6	5.5
Growth of gross loans	0.6	5.0	-0.4	-9.4
Loan loss allowances/impaired loans	120.1	121.0	115.0	109.5
Loan impairment charges/average gross loans	1.0	0.4	0.4	0.5
Capitalisation				
Common equity Tier 1 capital ratio	22.0	20.4	21.1	22.2
Fully loaded common equity Tier 1 capital ratio	22.0	20.4	20.0	21.6
Tangible common equity/tangible assets	12.6	12.5	11.9	13.2
Basel leverage ratio	12.2	11.6	11.6	12.9
Net impaired loans/common equity Tier 1	-2.9	-3.8	-3.3	-2.3
Funding and liquidity				
Gross loans/customer deposits	69.4	72.5	70.1	74.1
Liquidity coverage ratio	373.0	313.4	307.4	252.1
Customer deposits/total non-equity funding	98.6	97.9	97.5	96.4
Net stable funding ratio	180.3	170.2	170.5	162.6

Source: Fitch Ratings, Fitch Solutions, Addiko Bank AG

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a+ to a-
Actual jurisdiction D-SIB GSR	
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AA+/ Negative
Size of banking system	Neutral
Structure of banking system	Neutral
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Negative
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

The Government Support Rating of 'no support' (ns) reflects our view that the EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism provide a resolution framework that is likely to require senior creditors participating in losses instead of a bank receiving sovereign support. In addition, we do not factor in any support from Addiko's owners because our general view is that support from financial investors, while possible, cannot be relied on.

Environmental, Social and Governance Considerations

FitchRatings **Addiko Bank AG**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Credit-Relevant ESG Derivation				ESG Relevance to Credit Rating
Addiko Bank AG has 5 ESG potential rating drivers Addiko Bank AG has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating. Governance is minimally relevant to the rating and is not currently a driver.	key driver	0	issues	5
	driver	0	issues	4
	potential driver	5	issues	3
	not a rating driver	4	issues	2
		5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.