Addiko Bank AG

Update

Key Rating Drivers

Consumer and SME Lender: Addiko Bank AG's ratings reflect its company profile as a specialised lender focused on unsecured lending to retail clients and small businesses in south-eastern Europe (SEE), in particular Croatia, Slovenia, Bosnia and Herzegovina, and Serbia. They also reflect the bank's adequate risk profile and asset quality, and modest profitability. Liquidity, funding and solid capitalisation are rating strengths.

The Stable Outlook reflects Fitch Ratings' view that economic conditions, including labour market indicators, in Addiko's largest markets should remain sound for the next two years.

Focus on SEE; Austria-Domiciled: Addiko operates in SEE, including in countries with more volatile, less advanced economies and moderately developed banking sectors and capital markets. This is mitigated by 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 the business profile reflects Addiko's challenger positioning, with a smaller scale and a less diversified business model than larger peers. It also balances a small – but growing – franchise, which we consider to have reached critical mass with some unique selling points supporting pricing power, including an end-to-end digital offering for consumer loans and partnerships.

Execution of Addiko's business plan and strategy benefits from the bank's knowledge of local markets and is reflected in the solid record of its key banking segments.

Reduced Risks: Addiko has significantly reduced concentration risks due to the wind-down of non-core corporate exposures and impaired loans, and improving operating conditions in most core markets. Risk controls are adequate, while market risk is low.

Resilient Asset Quality: The bank's impaired loans ratio decreased to 3.1% at end-2025, driven by limited new inflows, continued recoveries and loan growth. We expect the four-year average impaired loans ratio to remain below 5% over the next two years, as the bank writes off non-performing loans in Croatia and Slovenia. We expect loan impairment charges (LICs) to remain at about 100bp of gross customer loans over the next two years, adequately covered by pre-impairment profits.

Modest but Improving Profitability: Addiko's profitability is only modest, but is improving on the back of new lending with robust margins, supported by cost management and contained risk costs, which we expect to continue in the next two years. Our assessment also reflects its dependence on less diversified revenue from less stable operating environments.

Adequate Capitalisation: Addiko's common equity Tier 1 (CET1) ratio (end-2025: 22.4%) provides an adequate buffer to absorb moderate shocks, considering the bank's risk profile and improving pre-impairment profitability. We expect earnings retention to remain sufficient to support growth and maintain a comfortable buffer over its regulatory capital requirements.

Stable Deposits Underpin Funding: Addiko is mainly funded by retail deposits sourced locally, which underpin its healthy structural liquidity and are positive for our assessment. The bank is not reliant on wholesale funding and is unlikely to access capital markets in the medium term.

Rating Sensitivities

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

We would downgrade the ratings following a 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.

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

Barring an improvement of the operating environment, 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 5% and a CET1 ratio of close to 20%.

Significant Changes from Last Review

Takeover Bids Could Support Ratings, but Outcome Unclear

Raiffeisen Bank International (RBI; not rated) and Nova Ljubljanska Banka (NLB; not rated) announced offers for Addiko on 8 April and 9 April, respectively, at EUR23.05 per share and EUR29.00 per share. RBI's offer is broadly in line with Addiko's average share price over the past six months and is subject to a 75% acceptance threshold. NLB's offer is conditional on securing a significant majority shareholding. Addiko acknowledged both but said it will comment only following the publication of offer documents in May

An acquisition of Addiko by RBI or NLB could be credit positive for Addiko, as a takeover would likely lead us to assign Addiko a Shareholder Support Rating (SSR) if we can assess the likelihood of extraordinary support. This could be positive for Addiko's IDRs if the SSR is above the 'bb' VR. However, the takeover outcome remains uncertain, given the competing offers.

Fitch believes both bidders have a clear strategic rationale for acquiring Addiko. RBI would gain access to Slovenia and increase its market share in Croatia, and has indicated plans to sell Addiko's non-EU subsidiaries to a third party following an acquisition. NLB would strengthen its franchise, particularly in Croatia, and broaden its SME and consumer finance exposures. It has indicated plans to merge Addiko's subsidiaries in Slovenia, Bosnia and Herzegovina, Serbia and Montenegro with its own local operations.

We expect Addiko to continue pursuing its strategic growth targets, including expanding its digital banking franchise. However, the takeover process is likely to absorb significant management attention in the near term. The bids also highlight Addiko's exposure to event risk, given its small size, fragmented shareholder base and lack of a strong majority owner.

Solid 2025 Performance

Addiko's operating profit/risk-weighted assets ratio (1.5%) declined slightly in 2025, mainly due to higher RWA driven by loan growth, while total operating profit remained stable.

Net interest income (NII) declined by 2%, due to lower policy rates reducing income from its variable-rate back book and central bank deposits. However, NII remained Addiko's main revenue source, accounting for about 78% of total income. The decline was mitigated by an 8% increase in fee income, driven by strong sales performance and profit-sharing from insurance products. Profitability was supported by only a moderate increase in costs of 1.6%, reflecting wage indexation and inflation. We expect Addiko's profitability to remain broadly stable, with an operating profit/RWAs ratio below 2% over the next two years, as higher profits from driven by loan growth and higher-yielding new business should be partially offset by higher RWAs.

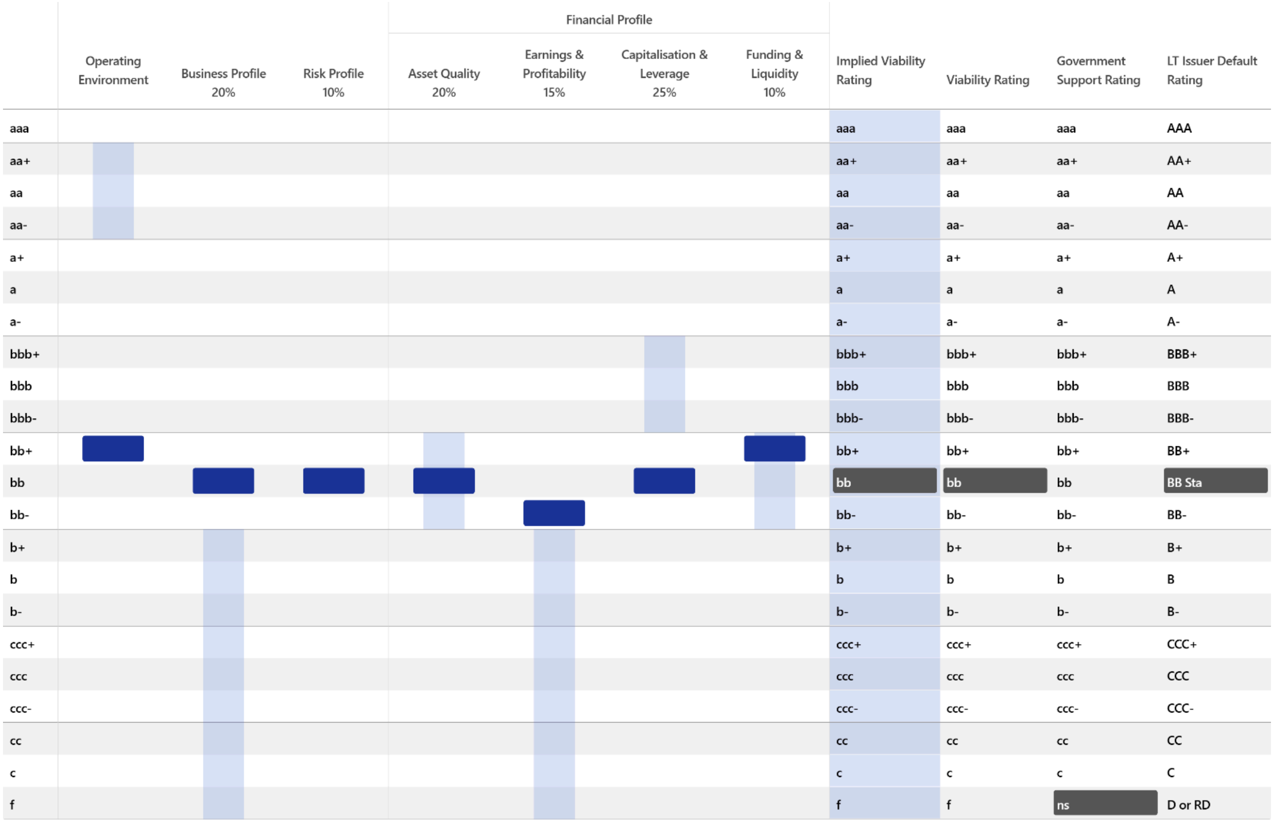
Addiko's CET1 ratio increased further to 22.4% at end-2025, as earnings retention more than offset RWA growth. Addiko does not envisage any dividend payout for 2025, in line with supervisors' recommendations. In December 2024, the ECB recommended suspending all dividend payouts, including for fiscal year 2024 and subsequent periods, 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 decline towards 20% over the medium term, due to business growth and rising dividend distributions.

Resilient Asset Quality

Consumer lending accounted for 60% and SME lending for 34% of Addiko's loan book at end-2025. We expect the LICs/gross loans ratio to increase to up to 125bp in 2026, which should be adequately covered by pre-impairment profit.

Addiko's impaired loans ratio improved slightly in 2025, supported by the continued active reduction of legacy impaired loans through portfolio sales and workouts, as well as collections in Serbia and Croatia. We expect Addiko's impaired loans ratio to remain below 4% over the next two years, as the bank is able to sell impaired loans in all of its markets except Serbia and Bosnia and Herzegovina.

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+’ is below the ‘aa’ category implied score, due to the following adjustment reason: international operations (negative).

The business profile score of ‘bb’ is above the ‘b and below’ category implied score, due to the following adjustment reason: management, governance and strategy (positive).

The earnings and profitability score of ‘bb-’ is 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’ is below the ‘bbb’ category implied score, due to the following adjustment reason: risk profile and business model (negative).

Financials

Financial Statements

	31 Dec 22	31 Dec 23	31 Dec 24	31 Dec 25	31 Dec 26F	31 Dec 27F
	12 months	12 months	12 months	12 months	12 months	12 months
	(EUR 000)	(EUR 000)	(EUR 000)	(EUR 000)	(EUR 000)	(EUR 000)
Summary income statement						
Net interest and dividend income	176,400	228,000	242,900	238,400	-	-
Net fees and commissions	72,500	67,100	72,900	78,500	-	-
Other operating income	-7,400	-11,300	-10,200	-11,500	-	-
Total operating income	241,500	283,800	305,600	305,400	315,888	325,102
Operating costs	194,900	223,300	208,300	209,900	208,247	212,412
Pre-impairment operating profit	46,600	60,500	97,300	95,500	107,641	112,690
Loan and other impairment charges	15,400	11,800	36,000	35,200	38,384	41,840
Operating profit	31,200	48,700	61,300	60,300	69,257	70,850
Other non-operating items (net)	-	-1,300	-900	-200	-	-
Tax	5,500	6,300	15,000	16,100	-	-
Net income	25,700	41,100	45,400	44,000	51,942	53,137
Other comprehensive income	-84,500	38,200	19,600	15,000	-	-
Fitch comprehensive income	-58,800	79,300	65,000	59,000	-	-
Summary balance sheet						
Assets						
Gross loans	3,476,200	3,650,300	3,670,600	3,828,300	4,046,469	4,289,258
– of which impaired	159,600	133,100	136,700	119,500	-	-
Loan loss allowances	183,500	161,100	164,200	151,700	-	-
Net loans	3,292,700	3,489,200	3,506,400	3,676,600	-	-
Interbank	89,200	66,600	44,200	75,100	-	-
Derivatives	5,000	4,900	5,000	2,300	-	-
Other securities and earning assets	1,083,800	1,206,800	1,476,600	1,483,900	-	-
Total earning assets	4,470,700	4,767,500	5,032,200	5,237,900	-	-
Cash and due from banks	1,382,900	1,254,500	1,251,400	1,057,200	-	-
Other assets	142,800	129,500	125,300	124,400	-	-
Total assets	5,996,400	6,151,500	6,408,900	6,419,500	6,682,397	6,911,079
Liabilities						
Customer deposits	4,959,600	5,032,600	5,290,000	5,252,800	5,498,955	5,663,924
Interbank and other short-term funding	128,600	106,800	77,300	74,200	-	-
Other long-term funding	-	100	-	-	-	-
Trading liabilities and derivatives	3,100	4,200	4,400	2,100	-	-
Total funding and derivatives	5,091,300	5,143,700	5,371,700	5,329,100	-	-
Other liabilities	158,800	206,700	197,700	191,900	-	-
Preference shares and hybrid capital	-	-	-	-	-	-
Total equity	746,300	801,100	839,500	898,500	-	-

Total liabilities and equity	5,996,400	6,151,500	6,408,900	6,419,500	-	-
Exchange rate	USD1= EUR0.9376	USD1= EUR0.9127	USD1= EUR0.9622	USD1= EUR0.8511	-	-

Source: Fitch Ratings, Fitch Solutions, Addiko

Key Ratios

(%)	31 Dec 22	31 Dec 23	31 Dec 24	31 Dec 25	31 Dec 26F	31 Dec 27F
Profitability						
Operating profit/risk-weighted assets	0.9	1.3	1.7	1.5	1.7	1.7
Net interest income/average earning assets	4.0	4.9	5.0	4.6	4.5	4.4
Non-interest expense/gross revenue	80.7	78.7	68.2	68.7	65.9	65.3
Net income/average equity	3.3	5.4	5.5	5.1	-	-
Asset quality						
Impaired loans ratio	4.6	3.7	3.7	3.1	3.5	3.5
Growth in gross loans	-0.4	5.0	0.6	4.3	5.7	6.0
Loan loss allowances/impaired loans	115.0	121.0	120.1	126.9	100.0	100.0
Loan impairment charges/average gross loans	0.4	0.4	1.0	0.9	1.0	1.0
Capitalisation						
Common equity Tier 1 ratio	21.1	20.4	22.0	22.4	22.4	22.6
Tangible common equity/tangible assets	11.9	12.5	12.6	13.5	-	-
Basel leverage ratio	11.6	11.6	12.2	13.0	-	-
Net impaired loans/common equity Tier 1	-3.3	-3.8	-3.4	-3.7	-	-
Funding and liquidity						
Gross loans/customer deposits	70.1	72.5	69.4	72.9	-	-
Liquidity coverage ratio	307.4	313.4	363.2	304.4	-	-
Customer deposits/total non-equity funding	97.5	97.9	98.6	98.6	-	-
Net stable funding ratio	170.5	170.2	180.3	179.0	-	-

Source: Fitch Ratings, Fitch Solutions, Addiko

Support Assessment

Government Support

Sovereign	Austria
Sovereign LT Issuer Default	AA/Stable
Typical D-SIB Government Support for sovereign's rating level	a+ to a-
Government Support Rating	ns
Government ability to support D-SIBs	
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 below indicate the influence of each support factor in our assessment.
Influence: Light blue = lower; Dark blue = moderate; Red = higher
Source: Fitch Ratings

The colours indicate the influence of each support factor in our assessment.
Influence: Light blue = lower; Dark blue = moderate; Red = higher.
Source: Fitch Ratings

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

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.

			ESG Relevance to Credit Rating
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 Ttable'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.

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	Stable
Sovereign Long-Term Local-Currency IDR	Stable

ESG and Climate

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 (October 2025)
Global Economic Outlook (March 2026)

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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.

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