FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Addiko Bank at 'BB'; Outlook Stable

Fri 24 Oct, 2025 - 10:55 AM ET

Fitch Ratings - Frankfurt am Main - 24 Oct 2025: Fitch Ratings has affirmed Addiko Bank AG's Long-Term Issuer Default Rating (IDR) at 'BB' with Stable Outlook. Fitch has also affirmed Addiko's Viability Rating (VR) at 'bb'. A full list of rating actions is below.

KEY RATING DRIVERS

Consumer and SME Lender: Addiko'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' 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 its 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 the business plan and strategy benefits from management's knowledge of local markets and is reflected in the solid record of its key banking segments.

Reduced Risks: Addiko benefits from 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: Addiko's impaired loan ratio stabilised at 3.6% in 1H25, driven by limited new inflows, continued recoveries and loan growth. Reserve coverage was also stable and sound at 120% of gross customer loans. We expect the four-year average impaired loan 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 to remain at about 100bp of gross customer loans over the next two years, which is adequately covered by pre-impairment profits.

Modest but Improving Profitability: Addiko's profitability is only modest but 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 revenues from less stable operating environments.

Adequate Capitalisation: Addiko's common equity Tier 1 (CET1) ratio (end-1H25: 21.3%) provides an adequate buffer to absorb moderate shocks, considering the bank's risk profile and improving pre-impairment profitability. Addiko's leverage is also higher than peers' at 12.2%. 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.

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 risk-weighted assets, indicating a sustained strengthening of Addikos's business profile, while maintaining an impaired loans ratio at or below 5% and a common equity Tier1 ratio of close to 20%.

.

The Government Support Rating (GSR) of 'no support' 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 Fitch generally views that support from financial investors, while possible, cannot be relied on.

An upgrade of Addiko's GSR would require a higher propensity of sovereign support. While not impossible, this is highly unlikely due to the prevailing regulatory framework and Addiko's low systemic importance in Austria.

VR ADJUSTMENTS

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' 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).

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

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.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Addiko Bank AG	LT IDR	BB Rating Outlook Stable	Affirmed	BB Rating Outlook Stable

	ST IDR	B	Affirmed	B
	Viability	bb	Affirmed	bb
	Government Support	ns	Affirmed	ns

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Marco Diamantini
Director
Primary Rating Analyst
+49 69 768076 114
marco.diamantini@fitchratings.com
Fitch Ratings – a branch of Fitch Ratings Ireland Limited
Neue Mainzer Strasse 46 - 50 Frankfurt am Main D-60311

Markus Glabach
Director
Secondary Rating Analyst
+49 69 768076 195
markus.glabach@fitchratings.com

Christian Kuendig
Managing Director
Committee Chairperson
+44 20 3530 1399
christian.kuendig@fitchratings.com

MEDIA CONTACTS

Matthew Pearson
London
+44 20 3530 2682
matthew.pearson@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

Bank Rating Criteria (pub. 21 Mar 2025) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Addiko Bank AG	EU Issued, UK Endorsed

DISCLAIMER & DISCLOSURES

investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the “NRSRO”). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the “non-NRSROs”) and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

READ LESS

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

Fitch's solicitation status policy can be found at www.fitchratings.com/ethics.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's Regulatory Affairs page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.