Addiko Group 1H25 Results: Webcast Transcription

13 August 2025
14:00 CET

Speakers:
Herbert Juranek (CEO)
Edgar Flaggl (CFO)
Tadej Krašovec (CRO)
Ganesh Krishnamoorthi (CMO & CIO)
Sara Zezelic (Investor Relations)

Herbert Juranek

Good afternoon, ladies and gentlemen. I would like to welcome you to the presentation of the half-year results 2025 of Addiko Bank AG, on behalf of my colleagues, Sara, Ganesh, Edgar, and Tadej. We have prepared the following agenda for you. I will start with the highlights of the first half-year and the adjusted outlook for 2025. Then, I will pass on to Ganesh, who will update you on the achievements within our core business. Afterwards, Edgar will provide you with more insights on our financial performance. and Tadej will inform you about the development in the risk area. At the end, I will give you an update on our Romanian project, and finally do a short wrap-up before we move on to Q&A.

So let's begin with the highlights. We achieved a net profit in the first half of 2025 of €24 million, compared to €25.5 million last year. This results in a return on average tangible equity of 5.8%, and in earnings per share of €1.25. The operating result ended up at €51.6 million. The main differences, compared with 2024, are based on a significantly lower interest rate environment and on increased administrative costs due to the catch-up effect from 2024. Until the end of June, we were able to grow our active customer base by 4% year on year. Moreover, based on our initiatives on the business side, we managed to again achieve a strong double-digit growth in our new Consumer business. However, on the SME side, we are still working on measures to reinforce growth. Ganesh will give you more insights into the topic in a few minutes.

Our net interest income came down by 2.4% year on year, driven by factors related to a lower interest rate environment. In this context, we want to mention that we managed to compensate a part of the negative effects coming from lower income on the variable back book and the national bank deposits with the increase of our Consumer business and with new investments into our sovereign bond portfolio. Our net commission income grew by 5.6% year on year, on the back of good sales performance. So altogether, we were able to keep our net banking income stable, despite the lower interest rate environment.

Let's briefly summarise the development at the risk side. The NPE ratio is stable at 2.9%, and our NPE volume slightly decreased from €145 million at the end of 2024 to €143 million at the end of June 2025. Our coverage ratio also slightly improved from 80% to 80.9% in the same period. Our cost of risk on our net loans ended up at 0.4%, or €14.4 million, compared to €15.5 million last year. Tadej will give you more insights on our risk situation later.

The funding situation remained quite strong, with €5.3 billion deposits and a loan-to-deposit ratio of 68%. Our liquidity coverage ratio is currently above 400% at group level. And finally, our capital position is also very strong, with a 21.3% total capital ratio, all at CET1, based on Basel IV regulations.

Now, let me report on a few more topics not directly related with our results. First, there is no change on the stance of the ECB concerning the shareholder matters and on their recommendation not to pay dividends. Furthermore, based on the preliminary 2025

SREP result, our P2R will increase by 25 basis points to 3.5%, starting from the beginning of 2026, while P2G will remain unchanged at 3%. And last, but not least, our ESG action plan, including all its initiatives, is progressing as planned. All initiatives are on track.

Now, let's look at the outlook for the remaining year. Based on the experiences of the first half year, we reviewed our outlook figures for 2025. Hence, we would like to inform you on our current assumptions for the remaining business year 2025. We are still confident that we will be able to continue to achieve double-digit growth rates in our Consumer business in most of our markets in the second half of this year. Furthermore, in the past two months, we saw first positive signs in the SME business growth in Serbia, resulting from our recent leadership changes. We expect this development to continue in the second half of the year.

However, based on regulatory-driven limitations, to mention the lending restriction in Croatia, and due to the adjusted anticipated growth rates in the SME business, we expect a compound average loan growth rate of more than 6%, compared to previously more than 7%. The stock of our loan book is also influenced by early repayments due to increasingly aggressive competition. Moreover, by taking into account that the rate cuts of the ECB drove the average deposit facility rate more than 60 basis points below our planning assumptions, and by incorporating the adjusted SME loan volumes, we currently expect a flat development on the net banking income for the full year. Previously, we expected a growth rate of circa 2%. Consequently, based on the lower interest environment and the already-mentioned topics, we expect a return on average tangible equity of more than 4.5%, compared with previously circa 6%. Nevertheless, the clear target of the management board of Addiko is to improve these figures.

Now, in parallel, we started the process to plan the business year 2026. In this respect, we are also preparing a new programme for 2026 to further enhance and grow the bank. Therefore, the previous guidance for 2026 is currently under review and will be updated together with the disclosure of the year-end results on the back of the updated business plan. Now, I would like to pass on to Ganesh to give you more background on the development in the business area.

Ganesh Krishnamoorthi

Thank you, Herbert. Good afternoon, everyone. Moving to page five, I am pleased to report a strong first half-year performance in our Consumer segment, delivering 15% year-over-year growth in new business, with a premium yield of 7.3%. This growth was achieved despite of a persistently low interest environment and regulatory changes contributing to a 9% year-over-year growth of the loan book. On the SME side, new business origination grew 7% year over year, with a solid yield of 5.1%. However, we continue to face a challenging market. With competition sharply lowering prices to stimulate demand by refinancing, this has prompted many existing clients to repay loans early, particularly those with a higher fixed rate originated last year. As a result, the SME loan book declined 3% year over year, mainly due to reductions in large-ticket medium-segment loans. I will share more details on the SME turnaround plan on the next page.

Overall, our focus loan book grew 4% year over year, or 5%, excluding the medium SME segment. This focus book now accounts for 91% of our total loan portfolio, focusing our strategy to prioritise high-return, scalable lending. Please turn to page six for a detailed outlook.

Let's take a closer look at the Consumer segment. I'm pleased to share that this half-year marks a significant digital milestone for Addiko. We have successfully launched end-to-end digital lending without any human interventions in four of our core markets. With this launch, new customers can now apply for loans entirely online without needing to open a current account. This allows them to compare our loan offers with those of their house bank within minutes, from anywhere, and without stepping into a branch. We are proud to be the first to offer this fully digital product in these markets.

Today, 36% of our new business originations are digital, and we aim to transition them fully to our non-touch process, improving productivity and enabling branch optimisation. We will continue to sharpen our focus on retaining quality customers by proactively offering them better price and loan prolongations to keep them in our franchise to drive loan book growth.

Our point-of-sale lending proposition remains strong, with our partner network now at 465 partners across 960 locations, driving 21% year-over-year growth in new business. We've also launched a new partnership in Bosnia and Herzegovina, and will also roll out Croatia next quarters, supporting growth in the coming quarters. Finally, we continue to drive non-lending revenue through improved features in cards, Google Pay, bancassurance and account packages in our mobile app, leading to an 8.5% year-over-year increase in net commission income.

In summary, our strategy of targeting digitally-engaged and point-of-sale finance customers with lower-ticket high-yield lending, followed by upselling in branches into high-value consumer loans, is delivering strong results, with 15% year-over-year growth in our Consumer business in the first half of the year.

Over to SME. Our core business model remains unchanged, to be the fastest provider of unsecured, low-ticket loans to underserved micro and small enterprises through our digital agent platform. As mentioned earlier, we are facing challenges related to demand and aggressive pricing in the market.

To respond effectively and reignite growth, we have taken several strategic steps. Number one, turnaround plan in Serbia. A newly appointed SME leadership team, is already delivering encouraging early signs in H1, and we continue to see better performance in the coming quarters. Second, pricing adjustments. We are fine-tuning our pricing strategy to retain and win back market share, particularly in refinancing loans from competitors. Number three, broadening product range. While keeping focus on unsecured loans, we are starting to lend more secured investment loans with slightly higher ticket size, targeting both existing and new customers. This helps us to retain valuable relationships while balancing risk and demand.

Number four, extra focus on keeping existing quality clients and loan book through better price prolongation and better service. Number five, new partnerships. We are exploring merchant financing partnership to expand our SME reach. Number six, strengthening core competitiveness. We have launched a new digital tool which focuses on reducing time-to-cash on larger tickets and enhancing client experience with simpler and faster processes. Additionally, we are growing our client base through new products launched last year, such as auto-overdraft and insurance offering, which further enrich our SME ecosystem and diversify revenue streams. Overall, we believe these initiatives will help us return to growth in the SME segment, with Serbia as a key performance gap we're determined to close.

To summarise, 2025 is a transitional year, focused on refining our SME business model and launching new USPs that enhance speed, convenience and value across Consumer and SME segments. These investments are essential not only to drive future growth, but also to strengthen our specialisation, staying ahead of the competition, and justify our high-margin premiums in a low interest environment. We are building the foundation for stronger, faster, and more profitable growth in the years ahead. With that, please let me hand over to Edgar.

Edgar Flaggl

Thank you, Ganesh. And hi, everybody. We are on page eight, where we printed the composition of our results for the first half of 2025. Let's take a look at how we performed. First off, our net interest income came in at €117.8 million. That's a slight decrease of about 2.4% compared to last year, and it's mainly because of the lower interest rate environment which impacted income from our variable loan portfolio, which is now roughly 15% of the total book, and from national bank deposits, as Herbert pointed out already.

It's worth noting that the ECB implemented eight rate cuts since June 2024, totalling a reduction of two percentage points. This pace of easing has been quicker than we initially anticipated, and stands out as a key factor driving the recent developments. However, I want to highlight that, at the same time, our Consumer segment actually saw an 8.4% increase in interest income, which helped to cushion the impact of lower rates elsewhere. This is also a result of strong growth in the consumer portfolio of roughly 9% year over year, while the focus portfolio overall grew by 4% year over year. In general, we do see more dry powder, and we are working on better balancing our prudent risk approach with pricing discipline to unlock additional growth.

On the fees side, we did quite well. Net fee and commission income was up by 5.6%, reaching €37.3 million. This growth was driven by strong results in bancassurance, as well as our accounts, packages, and card business. In fact, bancassurance and card business were key contributors, and we also saw continued improvement in accounts and packages, up 3.2% year on year, and bancassurance up 15.5% year on year.

As indicated in the last call, this new law in Croatia on curbing fees on banking products will weigh in on the NCI momentum going forward, but it will now come into effect at the beginning of 2026 instead of mid-2025. So net banking income stayed stable and at €155 million, despite the rather challenging environment.

On the cost side, our general administrative expenses rose a bit to €97.4 million, and this was mostly due to wage increases that took full effect this year. Operationally, costs were up 3.6% year on year, when excluding the €2.9 million in extraordinary advisory costs related to the takeover offers in the same period last year. Our cost-income ratio came in at 62.8% year to date, which is a touch higher than last year. The operating result landed at €51.6 million. That's down 4.4% year on year.

Over to the other result, which includes costs for legal claims, as well as for operational banking risks, and it remained relatively benign in the first six months of this year. We have allocated some additional provisions for new legal claims in Slovenia, and made a small top-up in Croatia. The main point in Slovenia will be what the higher courts will rule upon regarding the statute of limitation that shall be applied, and if that will be in line with the dominant legal opinions.

When it comes to risk costs, Hebert already mentioned we came in at €14.4 million. This translates to a cost of risk of 0.4% on net loans year to date. Tadej will provide more insights into our risk metrics in a moment. All in all, we delivered a net profit after tax of €24 million for the first half. Despite the challenging rate environment and some cost pressures, our focus business remains resilient, and we are seeing solid momentum in our consumer lending and fee generating activities this year.

Now, let's talk about our capital position on page nine, which continues to be a real strength for Addiko. Our CET1 ratio stood at a very robust 21.3% at the end of June. For context, that's only slightly down from the 22% at the end of 2024, and it's calculated under the new Basel IV rules. This strong capital base includes the full audited profit from the year 2024, since, in line with the recommendation by the ECB, as you all know, we did not distribute a dividend out of 2024's profit.

You will notice that our risk-weighted assets increased, and that's mainly driven by changes in risk-weighting under Basel IV, as well as a new interpretation of EBA guidelines on structural FX. We are planning to submit a request to the ECB for obtaining a structural FX waiver, which could reduce our RWAs by about €63 million as of the end of June this year.

Now, as you probably remember, our disclosure in the first quarter was based on preliminary Basel IV calculations, since, back then, the provider covering many banks here in Austria was not yet fully done with the implementation. The June 2025 figures, however, are from the production environment, which essentially confirms our first quarter 2025 disclosure as well.

Looking ahead, as Hebert pointed out already, the draft SREP to be valid for 2026 suggests a small increase in our pillar two requirement, so up 25 basis points to 3.5%, with P2G staying stable at 3%. In summary, our capital position is very strong, giving us a solid foundation for future growth and the flexibility to navigate regulatory changes with confidence. And now over to Tadej to share insights on risk management.

Tadej Krašovec

Thank you, Edgar and good afternoon, everyone. Let's move into the credit risk section, starting on slide ten. The second quarter of 2025 was, for the most part, quite uneventful from a risk perspective, apart from one notable exception. We did experience a default on a large corporate exposure in Slovenia. This was unexpected, especially given the client's strong market position over the past two decades. However, I want to emphasise that our team was able to absorb this event, and we maintained a stable NPE development overall.

The decrease in our NPE portfolio this quarter was driven by a combination of repayments, recoveries to performing status and both batch and individual NPE portfolio sales. In fact, we managed to reduce the NPE portfolio by €4.6 million in the second quarter, thanks to active portfolio management and successful exit strategies.

I'd also like to revisit a topic from previous calls, the Consumer portfolio in Slovenia. We put smart risk restrictions in place there, and I'm pleased to report that we are now seeing better performance in the lower default rate than we have in the recent past. Our mitigation measures are working, and we are continuing to monitor this portfolio closely. Meanwhile, our Serbian entity continues to show good risk performance, which is encouraging. So, despite the isolated corporate case, we closed the quarter with an NPE ratio of 2.9%. And to further accelerate the reduction of our NPE portfolio, we launched a short-term initiative in several countries to increase the dynamics of NPE reduction.

Let's move on to slide 11, where we look at the loan loss provisions and cost of risk. In the second quarter, credit loss expenses totalled €9.7 million, which translates to a cost of risk of 0.19% on a net loans basis. About half of these provisions were related to the corporate default I mentioned earlier. For the first half of 2025, total credit loss expenses came in at €14.4 million, as mentioned already before, representing a very reasonable 0.4% cost of risk on net loans. As usual, we saw provision releases in the non-focus segment, resulting in a positive cost of risk of 1%. And in our focus segments, provisions were allocated with a negative cost of risk of 0.4% for Consumer and 0.8% for SME.

Our post-model adjustment remains stable at €1.2 million, which continues to cover sub-portfolios where we don't yet have enough data for precise model calibration. In summary, our overall risk position remains stable and robust, even amid this unexpected default event in Slovenia. Loan loss provisions for the first half of 2025 were below our expectations, and I would say that the overall portfolio quality trends are positive. Thank you for your attention, and I'll go back to Herbert.

Herbert Juranek

Thank you, Tadej. Let's have a look on the progress of our expansion into Romania. At the end of March, we successfully entered the Romanian market with a fully automated consumer lending solution. Remember, our customers do not even need to open an account with Addiko by using their existing accounts for the loans. Romania is a very interesting market for our business model, given its size and its digital maturity. Nevertheless, as our business solution is fully automated, we do not underestimate connected risks coming from organised fraud organisations which are attacking financial service providers in the Romanian market.

Hence, as mentioned in our last call, we started cautiously to avoid risks and use the last months to check all dimensions of our application in a real-life environment. This means that we did only limited marketing activities so far to gain experience in the Romanian market with reduced volume. In summary, we can state that our risk and our fraud engines work quite effectively. On that basis, we are starting now, in August, with a 360-degree marketing campaign to get awareness, to build the brand, to position our product, and to start generating business.

The campaign will include TV and out-of-home advertising, as well as digital integrated marketing campaigns. Moreover, we will start additional activities to identify and develop new digital product opportunities, which might be launched later next year. On top of that, we are also exploring potential opportunities to establish new distribution partnerships in order to scale our loan business in Romania. We will keep you informed on the development on an ongoing basis.

Now, let's go to the wrap-up. In the upper part of the slide, we have depicted once more our reviewed outlook figures, as explained in the beginning of the presentation. In this context, I would like to mention that global uncertainties increased significantly during the first half-year due to several factors, like the new presidency in the United States, or ongoing wars in the Ukraine and Gaza, or additional warlike activities in the Middle East.

On top of the negative influences coming from this agenda, further obstacles were introduced by governments and regulators which will limit our revenue generation. These regulations are significantly impacting our underwriting criteria and are reducing our revenue potential coming from interest and fees. However, based on latest forecasts, the positive macro backdrop in the CSEE region remains intact. Consequently, we keep on being positive on our ambition to grow our customer base further.

At last, we also see an improvement in the growth rates of our SME lending business, although our competition initiated fierce price reductions to acquire volumes. Nevertheless, we will continue our work there to stay on track and to foster a steady growth path. As a matter of principle, we will keep our prudent risk management approach to find the right balance between business growth and risk appetite. Together with our team, we strive to do our best to be the best specialist bank for Consumers and SMEs in South-East Europe.

On that basis, we will work with full energy to further improve the bank, to create value for our clients and for our shareholders. With that, I would like to conclude the presentation. Our next earnings call to present to you the results of the third quarter is scheduled for the 6th of November. I would like to thank you for your attention. We are now ready for your questions. Operator, back to you.

Operator (Q&A)

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star and two. Anyone who has the question may press star and one at this time. If you participate via audio webcast, you can write questions via the Q&A function of the webcast by pressing the Question Mark button. Our first question over the phone comes from Mladen Dodig with Erste Bank. Please, go ahead.

Mladen Dodig

Hello. Good afternoon, gentlemen. Thank you for the time for the call, and congratulations on the result, €24 million. Maybe we are witnessing, and it's surprising everyone, very strong growth of lending credit activity in the region. Okay, you have explained lots of about the SME, but on the Consumer side, do you think that you could do even stronger on that side for SME? I did notice that you are printing some good results in the month of June.

Herbert Juranek

So, thank you, Mladen, for the question. I think, in general, we are quite positive on the Consumer side to continue with the trend. But maybe Ganesh, if you can cover the question.

Ganesh Krishnamoorthi

Yes, thanks, Mladen. This is Ganesh. So, consumer lending, currently its growing at 15%. We believe, also, we could grow in the double-

	digit I think Herbert mentioned in this call, but also at a lower price. So I think the market is also helping us, overall, except for Croatia where there will be an impact on the regulatory changes. I believe, rest of the markets, we can definitely grow double-digit.
Mladen Dodig	What is it exactly in Croatia, which regulation is changing and will affect the, I believe you said SME, right or the whole market?
Tadej Krašovec	Tadej, here, speaking, hi. Actually, we are talking about limitation imposed by the regulator regarding the maximum DTI for the Consumer segment. And this is pushing some of the segment out of market for loans due to that limitation, starting from 1st of July.
Mladen Dodig	Okay. And one more question, I know it will be probably difficult for you to comment, but regarding this ECB recommendation and events related to this, do you have any expectations going forward? I don't know, if you can share some views, thank you. If not, thank you again.
Herbert Juranek	We are addressing this topic in our conversations with the ECB management when we have conversations, and we have them in a periodical manner. And so far, as we said in our call, there is no change in the stance of the ECB, so we expect that this situation will continue until whatever the regulator is expecting on the shareholder situation. As long as this shareholder situation remains, we expect that this measure will continue.
Mladen Dodig	Okay. Well, thank you very much. And greetings to everyone once again.
Herbert Juranek	Thank you very much, Mladen. All the best.
Operator	Ladies and gentlemen, that was the last question over the phone. I turn the conference back over to Sara for questions from the webcast.
Sara Zezelic	Thank you, operator. We have not received any questions over webcast, so I would like to hand back to Herbert for closing.
Herbert Juranek	Thank you very much. We thank you for your attention and wish you all the best. And we hear each other the next time in November, when we present the third quarter results. Have a good day.