Addiko Bank

Addiko Group 1H26 Results: Webcast Transcription

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Herbert Juranek

Good afternoon, ladies and gentlemen. Thank you for joining us. I would like to welcome you to the presentation of the first half year results 2026 of Addiko Bank AG on behalf of my colleagues, Ganesh, Tadej, Edgar and Stephan. We have prepared the following agenda for you.

We will begin with the key developments of the first half of 2026, including an update of the takeover process and the events that shape our reported results. I will then hand over to Ganesh to discuss the performance of our core business and the continued implementation of our specialist strategy.

Edgar will subsequently present our financial results, followed by Tadej, who will cover risk developments and asset quality. I will then return to give a short wrap-up before we open the floor for your questions. With that, let us start with the key highlights.

In the first half of 2026, we reported a net loss after tax of €23 million. This result was materially affected by 2 exceptional items; additional legal provisions related to historical Swiss franc litigation in Croatia and Slovenia as well as takeover-related advisory costs. Excluding these effects, the adjusted result after tax amounted to €19.1 million.

With respect to the recent Swiss franc related court decisions, we continue to have significant concerns regarding certain legal and procedural aspects and will pursue all available legal avenues to protect the Group's interest. Edgar will return to this topic later in the presentation and explain both the developments and their financial consequences in more detail.

The return on average tangible equity stood at minus 5.4%, while earnings per share came in at minus €1.19. The operating results before impairments and provisions amounted to €37.9 million, reflecting, in particular, the takeover-related advisory costs recognised during the period.

Let me now turn to what I consider the most encouraging aspects of our first half year performance, the development of our underlying business. In an environment characterised by lower interest rates, regulatory interventions and elevated funding costs, we maintained stable net banking income of €155.5 million.

Given that regulatory and governmental measures reduced our revenue potential by more than €10 million on an annualized basis, this represents a strong underlying business performance. A key contributor to this result was the strong momentum in our core business.

In Consumer lending, we continued to deliver strong growth, while the SME business remained affected by competitive pricing pressure and refinancing activity in several markets. Net interest income remained broadly stable at €117.2 million.

Growth in Consumer lending and contributions from treasury activities largely offset yield pressure resulting from lower interest rates and the challenging market environment. Net commission income increased by 2.8% year-on-year to €38.3 million, supported by Mastercard incentives and bancassurance income.

Let me briefly touch on funding, liquidity and capital. On the risk side, asset quality remained very strong despite the challenging environment. The NPE ratio was stable at 2.6%, while the NPE coverage ratio stood at 80.2%. At the same time, cost of risk improved to €11.6 million, corresponding to 31 basis points on net loans compared to €14.4 million in the prior year period.

Our funding position remained solid with customer deposits of €5.3 billion, a loan-to-deposit ratio of 71% and a liquidity coverage ratio of around 280%. Our capital position also remained very strong. Despite absorbing the impact of both Swiss franc-related provisions and takeover-related costs, we closed the first half of the year with a total capital ratio of 21.3% entirely in CET1 capital.

Finally, on governance, Sava Dalbokov resigned from the Supervisory Board of Addiko Bank AG effective 31 July 2026 and is expected to assume an executive role at Addiko Bank Beograd subject to regulatory approval. Overall, despite exceptional headwinds, the resilience of our business model was reflected in stable revenues, strong asset quality and a very strong capital position.

Let me now provide a brief update on the takeover process and its implications for Addiko. As you know, two competing voluntary public takeover offers for Addiko Bank AG were launched in the second quarter of this year by Raiffeisen Bank International and Nova Ljubljanska banka.

On 3 August 2026, RBI announced that it has successfully achieved the required acceptance threshold, securing declarations of acceptance for 55.55% of Addiko's total share capital. From a financial perspective, the takeover process resulted in advisory costs of €8.4 million. We are also assessing potential accounting implications to RBI's contemplated carve-out of the non-EU subsidiaries, including any potential IFRS 5 impact.

Operationally, the process required significant management attention over the past months. From the outside, we focus on maintaining stability through transparent communication, regular town halls, country visits and continuous dialogues with our employees.

Our goal was to provide clarity wherever possible and ensure that the organization remained focused on our customers, business delivery and execution. Looking back, I believe these efforts played an important role in helping the organization successfully navigate a particularly demanding period.

I would, therefore, like to thank our employees and management teams across the group for their dedication, commitment and resilience. Their contribution enabled us to maintain focus, continue executing our strategy and deliver a solid underlying business performance despite the additional challenges and uncertainties created by the takeover process.

We are fully aware that the takeover process will continue to create uncertainty. We will do our utmost to keep our employees motivated, engaged and focused on our business. At the same time, the changed environment requires us to reassess certain strategic initiatives, while maintaining strategic flexibility and preserving stability during the current transition period, we are reviewing the timing and pace of selected initiatives under our Specialization Program.

This includes preserving optionality for further investments in Romania until there is greater clarity regarding the Group's future strategic priorities.

Let me now briefly walk you through the expected timeline and the next phases of the process. As mentioned, RBI has achieved the required acceptance threshold, and we are currently in the additional acceptance period, which runs until 3 November 2026.

However, until all required approvals have been obtained and the transaction has closed, Addiko remains an independent institution. We are currently in the first major phase of this process, which focuses on obtaining the required regulatory and antitrust approvals.

Based on publicly available information and current expectations, this phase could be completed between November 2026 and the first quarter of 2027 and in any case, no later than the long stop date of 14 May 2027.

Only after completion of this phase can the next steps begin. These include the integration and consolidation of Addiko's EU operations, namely the holding, Croatia and Slovenia. Following completion of the first phase, decisions regarding the contemplated carve-out of the non-EU entities would be taken.

Under the envisaged transaction structure, this process would require additional corporate and regulatory approvals, including the necessary shareholder approvals. The subsequent phase will involve the acquisition of the non-EU entities by the designated buyer Alta Group. Separate regulatory approvals and merger clearances will be required in the respective local markets before any integration of those entities can take place.

As this timeline illustrates, while the acceptance phase has been completed, several important regulatory, corporate and transactional steps still lie ahead before the envisaged transaction structure can be fully implemented. With that overview of the expected timeline, let me hand over to Ganesh to present the business part.

Ganesh Krishnamoorthi

Thank you, Herbert, and good afternoon, everyone. First half of 2026 was characterized by continued downward pressure on lending rates from intense competition, along with regulatory lending and pricing restrictions in some of our key markets.

The regulatory measures affected customer eligibility and demand, while reduced price flexibility increased pressure on margins. Despite these headwinds, our specialist strategy continued to demonstrate resilience, supported by solid Consumer growth and stronger SME performance outside of Croatia.

In page 6, you could see our gross performing loan grew 5% year-over-year. The focus book increased 7% and now represents 92% of gross performing loans, generating a yield of 6.1%. Consumer loans grew by 9%, while SME loans increased by 3% year-over-year.

This growth was achieved with disciplined underwriting. We continue to calibrate our lending criteria to the current environment, balancing customer demand with risk appetite rather than pursuing volume for its own sake. With that, let's go to the page 7. Let me start with Consumer.

Consumer remained our key growth engine in the first half of the year. New business increased by 10% year-over-year and by 20%, excluding Croatia, demonstrating the strength and resilience of our business model. In Croatia, the 40% debt-to-income cap introduced in July 2025 reduced customer eligibility and lending demand, while the introduction of free accounts negatively affected fee income.

These measures contributed to a 17% year-over-year decline in new business and affected fee income. We have launched product and process mitigations to improve customer eligibility while preserving prudent risk standards. Their full impact is not yet visible, but we can expect the benefits to become progressively evident during H2.

In Serbia, despite mandated lending rate caps and reduced resulting pressure on pricing and margins, Consumer new business grew by 54% year-over-year. We are also strengthening our point-of-sale proposition through a new partnership with A1, a major telecommunication provider, which will broaden our customer acquisition reach.

We continue to diversify revenues beyond lending with Consumer net commission income increasing by 10% year-over-year, driven mainly by cards and bank assurance. During H1, we launched digital travel insurance directly in the mobile app. We also are considering further digital insurances and investment opportunities and preparing home equity loans in selected key markets.

Consumer new business yield was 6.4%. Looking ahead to H2, we're evaluating selective price increases where market and regulatory conditions allow, particularly in Serbia to protect margins. Our new dynamic pricing feature and continued deposit cost optimization will help us balance growth, margins and risk appetite more effectively.

Now let's turn into SME. Overall, SME new business remained broadly stable at minus 1% year-over-year. However, excluding Croatia, SME new business grew by 14%, demonstrating a stronger underlying performance. In Croatia, SME new business declined by 26%. The state-driven digitalization of invoices temporarily disrupted micro and small businesses, leading customers to postponing their financing decisions.

Competition responded to the weaker demand with lower lending prices, adding further pressure on volumes and margins. We launched a comprehensive turnaround program, increasing sales and campaign intensity, refreshing preapproved lending models, improved funnel conversions, expanded sales capacity and applying targeted pricing measures.

These actions gained traction during Q2 and support our recovery outlook for H2. At the same time, we are also broadening our SME proposition to slightly larger customers beyond fast unsecured lending to include large ticket investment loans, secured lending and multipurpose credit frames.

This strategic shift is already delivering results with medium SME new business growing by 92% year-over-year. In addition, we are focused in launching new products like the factoring product in Slovenia in partnership with a leading digital factoring provider and are now preparing to scale the proposition.

This expands our product offering across SME supply chain while maintaining exposure to more established customers. We are also enhancing credit models and the use of transaction account data to improve customer selection, decision speed and risk-adjusted returns.

In parallel, we are automating credit decisions, digitalization on origination and expanding self-service capabilities, including loan initiation through mobile app. For more complex financial needs, our model will combine digital efficiency and scalability with selective relationship management. SME business yield was 4.8%.

Looking ahead, we are evaluating selective price increases wherever market and regulatory conditions allow, particularly in Serbia to protect margins while maintaining disciplined growth.

To summarize, H1 confirms our specialist strategy remains resilient and scalable. Consumer continued to deliver solid growth despite regulatory headwinds in Croatia and Serbia. Our strategy of expanding digital lending, point-of-sale partnerships and new products and delivering prudent growth and greater value for our customers.

In SME, new business grew at double-digit rate outside Croatia. We are addressing the Croatian performance through targeted turnaround measures in H2, building on the blueprint that has delivered strong results in Serbia. At the same time, we are evolving the proposition towards slightly larger customers, broader products and a greater operational efficiency.

Looking ahead, we will remain focused on profitable growth, prudent risk discipline, digital execution and expansion of fee-driven revenue pools.

With that, I hand over to Edgar.

Edgar Flaggl

Thank you, Ganesh. Good afternoon, everyone. Let me now turn to page 9 and our financial performance for the first half of 2026. The headline result for the first 6 months, as we already heard, was a reported loss after tax of €23 million.

While this is clearly not where we wanted to be, it is important to understand that the reported result was primarily driven by two extraordinary items. Specifically, we recognized €41 million Swiss franc related legal provisions following recent Supreme Court decisions in Croatia and Slovenia as well as €8.4 million of takeover-related advisory costs, of course, including VAT.

To briefly explain a bit more about the Swiss franc developments, as pointed out by Herbert. In Croatia, the rulings concern claims related to Swiss franc loans that were converted under the conversion law in 2015, while customers affected by the Swiss franc loan clauses were compensated through the statutory conversion framework introduced at that time, the new ruling creates the possibility for customers to claim statutory default interest in addition to that compensation.

This has introduced a certain degree of legal uncertainty regarding a conversion framework established by that law in 2015, which had previously been widely understood to represent the final settlement of those claims.

In addition, as Herbert already pointed out, certain legal and procedural aspects surrounding this ruling continue to raise questions and are being closely assessed. In Slovenia, the ruling concerns the treatment of Swiss loan contracts that are declared null and void and in particular, whether banks may claim compensation for the use of capital provided under such contracts.

While each individual claim needs to be assessed on its own merits and circumstances, we continue to have concerns regarding certain legal aspects of these developments and have, therefore, taken a prudent approach from today's perspective in assessing potential legal exposures and related provisioning.

It's worth noting that these Swiss franc-related effects relate to products that have not been originated since 2008 and therefore do not reflect current lending or the performance of the underlying franchise and the current business model.

Now when excluding only the two clearly identifiable items, Addiko would have generated an adjusted profit after tax of €19.1 million, which would be an adjusted RoATE of 4.4% for the first half of the year.

At the same time, the adjusted figure should not be interpreted as a fully normalized earnings number as it still includes various indirect effects arising from the takeover situation and the associated operational and management focus required over recent months.

When assessing the year-on-year development, it is also important to recognize that we are comparing two fundamentally different operating environments. Since the second half of 2025, various regulatory and governmental measures have been introduced across our markets, which limit pricing flexibility for banking products and services as well as new business generation. Ganesh has already named a few concrete examples.

As communicated previously, these measures alone were expected to have a full year impact on net banking income of slightly more than €10 million. In parallel, this year, we have seen unusually aggressive deposit competition in certain markets that remains disconnected from underlying market fundamentals, most notably in Serbia.

Compared to our original planning assumption, the deposit pricing dynamics in Serbia alone generated slightly more than €3 million of additional interest expenses during the first month of this 6 months of this year. Against this backdrop, the underlying resilience of our business model becomes more evident.

Now to the P&L drivers. Net interest income remained broadly stable at €117.2 million despite continued margin pressure and interest rate caps. Lower asset yields were largely offset by overall lower funding costs, solid growth in the Consumer business and continued contributions from treasury and liquidity management activities.

Net fee and commission income also increased by 2.8% year-on-year to €38.3 million, supported by Mastercard incentives and continued strength in bancassurance, although partially offset by lower transaction and card-related fees as well as the legal restrictions on pricing for fee products in Croatia that started this year. Still, as a result, net banking income remained stable at €155.5 million.

Turning to costs. General and administrative expenses, in short opex, increased to €111.5 million. That's up 14.5% year-on-year. So that will be visibly above the inflation.

However, that is primarily due to the €8.4 million takeover-related advisory costs, wage and indexation effects, either driven by inflation or government actions on minimum wages and costs related to the expansion into Romania. When excluding takeover-related advisory costs, the cost-income ratio would have landed at 66.3% compared with the reported 71.7%.

Looking at the other results, this line was materially impacted by the reassessment of the before mentioned Swiss franc-related legal claims following the recent Supreme Court decisions in Croatia and Slovenia. Of the overall negative other result, €41 million related to these additional provisions, the bulk of which was booked in Croatia.

Overall, we continue to monitor developments, specifically also in Slovenia, including matters relating to statute of limitation assessments and other legal proceedings that may influence the future treatment of Swiss franc-related claims. At the same time, we also continue to assess and pursue legal remedies in both Croatia and Slovenia to the extent available to protect our Group's interest.

Now to a more benign topic, risk costs remained well controlled and amounted to €11.6 million. Tadej will share more insights in a moment. Overall, while the reported result was dominated by extraordinary items, the underlying business remained profitable in accounting terms and demonstrated resilience in an operating environment that was materially more challenging than a year ago.

Let me now turn to page 10 and our capital position. Perhaps the most important takeaway from this slide is that the Group absorbed both the Swiss franc-related legal provisions and the takeover-related expenses while maintaining a very strong capital position. Our CET1 ratio stood at 21.3% at the end of June compared to 22.4% at year-end '25. This ratio already fully reflects the first half loss, of course.

At the same time, OCI developed on the right direction or in the right direction with fair value reserves on debt instruments improving from minus €16.3 million at year-end to minus €14.6 million at the end of the first half 2026. Risk-weighted assets increased by around €114 million or just south of 3%, mainly driven by business growth and the continued phasing of regulatory effects, including the previously mentioned article 500a of the CRR.

Now briefly on SREP, the final SREP reflects what was communicated earlier. So no change to the current SREP for next year. In a nutshell, despite all developments, our capital buffers remain comfortably above all regulatory requirements and guidance, providing substantial capacity to absorb volatility and navigate the ongoing uncertainties related to the takeover process.

So to summarize, the reported first half was heavily influenced by two distinct extraordinary items. Excluding these two items, the Group remained profitable in accounting terms. Net banking income proved resilient despite regulatory and legal restrictions, the competitive and lower rate environment and elevated deposit pricing pressure in some markets. And last but not least, our capital position remains very strong even after fully absorbing all first half impacts.

With that, I hand over to Tadej, who will take you through the risk development in more detail.

Tadej Krašovec

Thank you, Edgar, and good afternoon, everyone. I would like to provide an overview of our credit risk performance for the first half of 2026.

As indicated on the slide, we continue to see a balanced development in our NPL portfolio. NPE volume remained broadly stable at €132 million despite inflows mainly driven by SME and Consumer clients, which were offset by continued exits and portfolio management actions. The NPE ratio remained stable at 2.6% on on-balance loans, while NPE coverage stood at a solid 80.2%, confirming that asset quality remains sound and well managed.

Looking at quarterly dynamics, NPE formation and exits were broadly balanced in the second quarter with only a marginal net change. This confirms that we are not seeing particular deterioration patterns.

Moving to loan loss provisions and cost of risk. In the first half of 2026, credit loss expenses amounted to €11.6 million, resulting in a cost of risk of 0.31% on net loans. Breaking this down by segments, the Consumer segment cost of risk stood at around minus 0.3% and SME at minus 0.5%, while the non-focus segment continued to show releases of positive 0.8%.

Compared to the same period of the previous year, cost of risk was nine basis points lower, primarily driven by lower provisions in SME portfolio and marginally lower in Consumer segment. SME loan loss provisions reverted to its prior quarter run rate after exceptionally low first quarter and the overall post-model adjustment decreased to €0.9 million.

Importantly, this development was achieved while maintaining disciplined underwriting standards and a selective growth approach, particularly in markets where pricing pressure or regulatory measures require additional caution. This also supports the message that our prudent risk approach remains strategic anchor. We continue to balance business demand with risk appetite, and we prioritize quality of growth over pure volume expansion.

Stepping back, the first half of the year was solid from a risk perspective. Asset quality remained stable, cost of risk stayed low and below our expectations, and there were no special surprises in the broader risk profile.

Other risk areas also remain well controlled. Liquidity is strong at group level, while the liquidity market in Serbia remains challenging with local market conditions pushing funding costs to elevated levels. Operational risk is impacted by CHF-related court decisions in Slovenia and Croatia. But apart from that, developments remain within our expectations.

At the same time, we are increasing our focus on IT security and cyber resilience in light of ever-developing AI threat landscape. Cyber risk is becoming increasingly relevant for all types of organizations. So we continue to strengthen controls, awareness and preparedness in this area.

To summarize, our portfolio position remains resilient, supported by stable asset quality, balanced NPE development, solid coverage and a low cost of risk. We will continue to apply a prudent risk approach across credit, market liquidity, operational and security risks with discipline in underwriting and preparedness for emerging risk remaining our key priorities.

Thank you. And with that, I go back to Herbert.

Herbert Juranek

Thank you, Tadej. Let me conclude with a few final remarks.

As discussed today, the first half of 2026 was marked by an extraordinary combination of challenges, including Swiss franc-related legal developments, regulatory interventions across several of our markets and the ongoing takeover process.

Despite these headwinds, our underlying business remained resilient. We successfully offset the negative impact of regulatory and governmental measures and maintained stable net banking income, preserving strong asset quality and continued to operate a very strong capital and liquidity position. At the same time, the transaction-related implications are expected to materially change Addiko's future scope, operating basis and earnings profile.

As a result, our guidance remains suspended until these implications can be assessed with sufficient certainty. While macroeconomic backdrop in our region remains broadly stable, regulatory constraints, geopolitical uncertainties and competitive pressure in selective markets continue to require disciplined execution, prudent risk management and a clear focus on our customers. Looking ahead, we will continue to support and manage the takeover process in a professional and constructive manner and in full compliance with the applicable regulatory framework.

Finally, I would like to thank our customers, shareholders and other stakeholders for the continued trust, support and confidence in Addiko. Until the transaction is completed, Addiko remains fully independent.

Our priorities remain unchanged, maintaining business continuity, serving our customers, preserving our strong capital and liquidity position and continuing the disciplined execution of our strategy. Together, the Management Board and our teams across the group remain fully committed to delivering results, maintaining stability and creating value for all our stakeholders.

Thank you for your attention. Our next result presentation for the third quarter of 2026 is scheduled for 12 November 2026 at 2:00 p.m. Vienna time.

We are now ready to take your questions. Operator, back to you.

Operator (Q&A)	Ladies and gentlemen, 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 in the queue. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use only headsets while asking a question. Anyone who has a question may press star and one at this time. There are no questions from the phone at this time.
Edgar Flaggl	Okay. Thank you, operator. We do have a question on the webcast from Mladen. I will just read it out. Gentlemen, congratulations on the performance, especially on the revamped lending growth. One question from my side. Are there any scenarios regarding that €41 million provisioning? Could this end up with a lesser negative extent? Thank you and wish you a successful second half of the year. Thank you, Mladen. Great to have you on the call, at least via the webcast.
Herbert Juranek	Before Edgar will give an answer to the question, I want to just highlight on the Swiss franc provision and on the background. I mean, Edgar pointed to it in his part of the speech. But you have to understand that we are not understanding the reasoning and the background of these decisions of the Supreme Court. Just to illustrate it, in Slovenia, the decision was that 18 years after this business was done. And after many court proceedings, now the Supreme Court decided in a non-understandable way that not only the currency part should be wiped out but also all interest. So if the court decides that the business was null and void, basically, the result now is that the customer is getting the loan for free, and we have to pay back everything, which is, from our perspective, questioning how such decisions can be made and put some questions also to the rule of law. And if we look at Croatia, we would question the way how these decisions were taken, number one. And number two, it also concerns a business which is older than 18 years. And based on a law which was placed in 2015, where the state decided that with this law, if somebody enters into this settlement, everything should be settled. And each and every customer who entered signed a contract that everything is settled. We signed the contract that everything is settled. And now basically 11 years later, there is a decision made that we have to pay penalty interest to the customer on top of that. All of that, the way how it is done is very questionable for us. Nevertheless, we made the provisions because we took a very prudent position here. And we will fight, of course, both if it comes to affect really us and if we have to realize these provisions. We see good chances here. But at the end of the day, the courts have

	to decide that, but we will take all the legal measures and means which we have at our availability. Maybe, Edgar, you want to add something from the finance perspective to the whole story.
Edgar Flaggl	Sure. So look, I mean, maybe to answer the easier part first. We are currently not expecting that this is going to be less negative until year-end. So I think that would also be a too short time frame to come to a conclusion as such for two reasons. First of all, we would see that the verdict in Croatia will trigger other legal steps. And when it comes to Slovenia, we would expect a pretty similar situation. The only difference to ask between Croatia and Slovenia is in Slovenia, there is still just a handful of verdicts. Most cases are still stuck in the first instance while in Croatia, there is a lot of more statistics and data available on verdicts from the past. So at the moment we don’t see a positive impact. At the moment we also don’t see a higher negative impact, otherwise we would have booked it. You have seen our range that we published in the ad hoc after we identified a certain degree of certainty what the range is gonna be that we need to book. After a detailed analysis we came to the €41 million all together.
Herbert Juranek	We hope that answers the question. Thank you, Mladen.
Edgar Flaggl	Thanks, Mladen.
Operator	There are no questions from the phone at this time.
Herbert Juranek	So as we see, there is also no question from the webcast. In this case, we thank everybody for the attention. Thank you very much. Have a nice afternoon.