Addiko Group 1Q25 Results: Webcast Transcription

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Herbert Juranek

Good afternoon, ladies and gentlemen, very welcome to the presentation of the first quarter results 2025 of Addiko Bank AG, on behalf of my colleagues, Ganesh, Tadej, Edgar and Sara. We have prepared the following agenda for you. I will start with the highlights of the first quarter and then pass on to Ganesh, who will update you on our achievements on the business side. Afterwards, Edgar will provide you with more insights on our financial performance, and Tadej will inform you about developments in the risk area. At the end, I will do a short wrap-up and comment on our Outlook 2025, before we move on to Q&A.

So let's begin with the highlights. We achieved a net profit in the first quarter 2025 of €14.5 million, compared to €15.6 million last year. This results in a return on average tangible equity of 7.1%, and consequently in 75 eurocents earnings per share. The operating result ended up at €25.3 million.

The main differences compared with the first quarter of 2024 are based on the lower-interest environment, and on the absence of positive one-offs in 2025. Nevertheless, 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 consumer business.

However, on the SME side, we are still confronted with lower demand and with an aggressive pricing approach of our competitors. Ganesh will give you more insights on what we will do to ignite growth in the respective subsegments of all our SME business, going forward.

Our net interest income went down by 1.8% year-on-year, driven by the lower interest rate environment. It's worthwhile to mention that we managed to compensate a part of the negative effects coming from the lower income of 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 8% year-on-year, on the back of good sales performance. So altogether, our net banking income slightly increased despite the lower interest rate environment.

Now, let's look at the risk side. The NPE ratio is stable at 3%, and our NPE volume stands at €147 million, compared to €145 million last year. Our coverage ratio is at a comfortable 80.9%. Our cost of risk on net loans ended up at 0.1%, or €4.6 million. Tadej will give you more details on our risk situation later during his part of the presentation.

The funding situation remained quite strong, with a slight growth in our deposit base to €5.3 billion deposits, resulting in a loan-to-deposit ratio of 66%. Our liquidity coverage ratio is currently above 430% at group level. And finally, our capital position is also very strong, with a 21.7% CET1 ratio based on preliminary Basel IV regulations.

I would like to share two more bits of information. We did achieve all necessary reporting requirements regarding the Corporate Sustainability Reporting Directive, and our ESG Action plan, including all its initiatives, is progressing as planned.

Now, let's look at the recent key topics. Our annual general meeting was held on 18th April 2025, with all agenda items approved. Approximately 43% of our capital represented by shareholders have registered, and approximately 36% have participated. The mandates of Mr Johannes Proksch and Mr Sava Dalbokov, as members of the supervisory board, have been prolonged for another three years.

As already published, the dividend payment for 2024 is suspended due to the recommendations of the ECB, in the light of the current shareholder situation of Addiko Bank AG. Nevertheless, our dividend policy to distribute circa 50% of the attributable net profit remains in place, of course, subject to ECB recommendations.

At the end of Q1, we successfully entered the Romanian market with a fully automated consumer lending solution. Customers do not even need to open an account with Addiko by using their existing accounts for our loans. We see Romania as a very attractive opportunity for our business model, given the size, the scale, and the degree of the digital maturity of the market. However, we are taking a limited risk approach, meaning we are very lean on the cost side, and we are very diligent, especially in the first phase in terms of acceptance criteria for new customers. We will now increase our marketing activities, and hence we will carefully increase our business there.

Furthermore, in parallel, we will start to prepare an online deposit solution for Romania to cover the other side of the balance sheet. We will keep you posted on the progress of our business activities in Romania. Now, let me hand over to Ganesh to give you more information on our business development.

Ganesh Krishnamoorthi

Thank you, Herbert. Good afternoon, everyone. Moving to page five, I'm pleased to inform you we started the year with strong business results in consumer segment, resulting in impressive 16% year-over-year growth in new business generation, with a premium yield of 7.2%, despite of the continued low interest rate environment.

On the SME side, the demand has been more restrained, with competition dropping prices steeply to stimulate demand. This, in turn, prompted many existing clients paying back loans earlier due to the high fixed prices originated in last years. In response, we've proactively taken a selective approach in certain markets and industries, concentrating on high-quality, smaller-ticket business with better yield premiums. This strategic focus has given us a yield of 5.2%, and with a 2% year-over-year growth in new business generation. More on SME turnaround on the next page.

Overall, our focused loan book grew 4% year-over-year, or 5% when excluding the medium SME segment, with a total blended yield of 6.6%. This focus book now represents 90% of our total loan portfolio, focusing on high-return, scalable lending. Please turn onto page six for a detailed outlook.

Let's take a closer look at the consumer segment. I'm pleased to share that this quarter marks a significant digital milestone for Addiko. We have successfully launched end-to-end digital lending without any human interventions in three of our core markets. With this launch, new customers can now apply for loans entirely online without needing to open a current account. And this allows 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 Croatia, Slovenia, and Romania, with Serbia set to follow later this quarter. In parallel, we are advancing branch digitalisation to improve both efficiency and customer experience. Initiatives include the role of paperless signature pads, PSD-based salary verifications, and new public services, such as issuing electronic signatures in our Serbian branches.

We are also strengthening our point-of-sale lending proposition. Expanding our partner network to 468 partners across 957 locations, this broader footprint is enabling us to reach more customers and grow our business effectively. In addition, we recently launched a partnership in Bosnia and Herzegovina, with a planned rollout in Croatia expected to support growth in the upcoming quarters.

Finally, we continue to drive non-lending revenue through improved features in cards, Google Pay, bancassurance and account packages, leading to a 13% 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 the branch into higher-value consumer loans is delivering strong results. As a result, we have a 16% year-over-year growth in consumer business this quarter.

Now over to the SMEs. 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 agents 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 some strategic steps.

Number one, turnaround plan in Serbia. We launched a comprehensive turnaround plan with a newly-appointed SME leadership team in Serbia, led by the new CEO of our Serbian entity. Early signs in Q1 are encouraging, and we are confident this renewed focus will translate into strong performance in the coming quarters.

Number two, pricing adjustments. We are adjusting our pricing strategy to retain and win back market share, particularly in refinancing, from competitors.

Number three, broadened product range. We are now focusing on offering a mix of partially secured and unsecured loans with slightly higher ticket size, targeting both existing and new customers. This helps us retain valuable relationships while balancing risk and demand.

Number four, new partnerships. We are actively exploring partnerships that allow merchants to finance purchases through Addiko, expanding our SME reach and relevance.

Number five, strengthening core competitiveness. We aim to reduce time to cash and enhance our online presence by delivering a simplified, user-friendly experience and more efficient processes. Additionally, we are growing our customer base through new products launched last year, such as auto-overdraft and insurance offerings, which further enrich our SME ecosystem and diversify revenue streams.

Overall, we believe these initiatives will help us to return to growth in the SME segment, particularly by closing the largest performance gap we currently see in Serbia.

To summarise, this year is a transitional one, focused on adjusting our SME business model and launching new USPs that enhance speed, convenience, and value, both for consumers and SME segments. These investments are essential not only to drive future growth, but also to strengthen our specialisation and stay ahead of our competition, and, most importantly, justify our high margin premiums in a low interest rate environment. 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 result for the first quarter, 2025. I would say we had a decent start into, let's call it, a rather vibrant year globally. Net interest income came in relatively stable, with a slight decrease of 1.8% year-over-year, while we had six rate cuts since June 2024.

The quarterly drop of 3.9% is predominantly related to the repricing of the variable back book, which represents roughly 15% of our total book, and is predominantly related to SME.

Taking it a level deeper, our key revenue driver, the interest income, came in stable or slightly down by 0.7% year-over-year. This stable development in such a significantly changed rate environment was supported by our focus segments, which in fact recorded a 3% year-over-year increase.

The contribution from treasury and liquidity management naturally decreased but, supported by our bond investments which have been done previously, by just 1.4% year-over-year. Our NIM landed at 370 basis points versus 389 basis points a year earlier. We ended the first quarter with above 90% of our book in high-yielding focus loans, compared to 87% a year earlier, so exactly in the ballpark we were aiming for at this time.

Briefly on interest expenses, which ramped up and reached the peak throughout the year 2024, we naturally started the year 2025 with higher funding costs, compared to the first quarter of 2024. We have already seen funding costs come down, landing at 127 basis points for the first quarter of 2025, also driven by a higher share of stable term deposits compared to a year earlier. So all in line with our expectations.

On the volume side, we are currently above what we had originally planned, and roughly € 270 million compared to the first quarter of last year, higher compared to the first quarter last year. So for 2025, we do expect the downward trend in terms of funding costs to continue, targeting roughly 115 basis points, while the structure should remain relatively stable, also depending on market dynamics.

Over to the net commission income, which, despite the usual seasonality effects in the first quarter, continued on a good trend, showing an increase of 8% year-over-year, and that mainly from accounts and packages, bancassurance and card business.

As already mentioned in the last call, we are increasingly seeing regulators and government/politics in our markets, aiming to curb fee increases or fees in general. This obviously keeps weighing in on the NCI momentum and will have an impact towards the second half.

Now, to the other income, which comprises the net result of financial instruments and the other operating result. The year-over-year development was relatively stable, with 2025 now reflecting front-loaded deposit insurance costs of €0.8 million in Slovenia, which is an increase of €0.6 million year-over-year. The first quarter last year also included net positive one-offs, as Herbert just mentioned.

Next to the general administrative expenses, in short OPEX, which increased by 4.1% year-over-year. While we managed to contain higher increases, it remains quite a challenge to keep further updrifts as low as possible here. Our resulting cost/income ratio stood at 63%, which shows that business growth, and therewith top line growth, is key to a further improvement on that front. Overall, the operating result was 11.5% lower than in the first quarter of 2024.

The next item is the other result, which includes costs for legal claims as well as for operational banking risks. As you can see, a rather benign quarter, where we have allocated some additional provisions for new legal claims in Slovenia. The main point in Slovenia will be what the higher courts will rule upon regarding the application of the Statute of Limitation, and if that will be in line with the dominant legal opinions.

Now, credit loss expenses, which, in short, broadly came in in line with our expectations, Tadej will provide more insights in a moment.

So altogether, on that result before tax, we are roughly stable, year-over-year, which, given the changed environment, is a good development. However, as already disclosed earlier, a change in the

Slovenian tax law, which shortens the time frame for the usage of deferred tax losses from previously unlimited to now five years, causes higher tax expenses in 2025. The effect in the first quarter amounts to roughly €0.8 million versus zero in last year.

To conclude, we managed to achieve a net profit of €14.5 million in a significantly changed environment, which corresponds to a 7.1% return on average tangible equity.

Over to page nine, which illustrates our strong capital position. At the end of the first quarter of 2025, our capital ratio landed at a strong 21.7%, and all of that in CET1. As usual, this is excluding interim profit and accrued dividends for the 2025 result. As you already know, there is no deduction of dividends out of 2024 profit.

Briefly on Basel IV, or CRR 3 for that matter, which came into force in 2025, we have reflected the elements that are in place. Our disclosure is based on preliminary calculations, given that the provider covering many banks in Austria is not yet fully done with implementation, and the regulatory reporting deadline is in June 2025. On that note, we are currently not expecting a sizeable difference here in the final numbers.

So, to summarise, we maintained a very strong capital position with substantial room for continued growth. And growth is what we need to further improve financial performance. And now over to Tadej to share insights on risk management.

Tadej Krašovec

Thank you, Edgar, and good afternoon, everyone. We go to the credit risk on page ten. The first quarter of 2025 developed close to our expectations. We have observed quite stable situation in Serbia. compared to otherwise more volatile and negative credit risk development in 2024 I have outlined already in the previous earnings calls.

The consumer segment in Slovenia remains somewhat below our quality expectations risk-wise, but additional risk restrictions were implemented in the first quarter, as also announced. Overall, we ended the quarter with slightly higher NPE volume at €147 million. That resulted in 3% NPE ratio. By write-offs and portfolio sales, we plan to decrease this volume in the following quarters.

On the right-hand-side chart, we can see that in the first quarter we had €2.5 million net NPE inflow. This is €6 million lower than in the same period last year. However, it is not an indication that all further quarters will follow the same development. Much is depending on the overall macroeconomic situation and uncertainties linked to that. However, and overall, the portfolio remains of a good quality.

Let's move to the next page. In the first quarter of 2025, credit loss expenses totalled at a relatively low €4.6 million, leading to a cost of risk of 0.13% on a net loan basis. This was a level better than our expectations and was delivered by collections that were planned later in the year and others that were not anticipated at all.

As usual, provisions were released in the non-focus segment, resulting in a positive cost of risk of 0.5%, and allocated in the focus segment with negative cost of risk of 0.2% for consumer and negative 0.2% for SME. The post-model adjustment remained on the level of €1.4 million. This is the same level at the end of 2024, to cover for sub-portfolios where not enough data is available for precise PD calibration.

To conclude, in general I am satisfied with the risk situation and risk profile of our portfolio as we end the first quarter of 2025. The Serbian portfolio is so far showing much better behaviour than in the previous year, which is in line with our predictions that I shared with you also in the last earnings call. As I have commented previously, the consumer portfolio in Slovenia will take some additional time to show a better picture, which we will achieve by introducing stricter risk rules as needed.

Thank you for your attention, and turning back to Herbert.

Herbert Juranek

Thank you, Tadej. Let's move on to outlook and guidance. In the upper part of the slide, you see our current outlook figures, which we leave unchanged for the time being. However, global uncertainties increased significantly during the first quarter, to a large part driven by the new presidency in the United States. In addition to potential negative influences coming from this agenda, we see an increasing number of impediments driven by governments or regulators, which might limit our revenue-generation capabilities. These regulations are impacting our underwriting criteria, capping interest rates and fees, or cancelling certain fees at all.

Altogether, in addition to what was said before, the macroeconomic situation also leads to a bit of reservation and wait-and-see attitude with part of our SME customers. Now, if, despite all our new initiatives, SME volume growth would stay muted for an extended period, our mid-term loan growth target of more than 6% compound annual growth rate might be impacted. However, we are confident that investments into our SME platform will pay off in the mid to long term and increase our revenue potential going forward.

Furthermore, based on actual forecasts, the positive macro backdrop in the CSEE region remains intact. Consequently, we see our ambition to outperform the market and to deliver double-digit growth in the consumer business on solid ground. As a matter of course, we will keep our prudent risk approach in terms of risk management, to balance growth versus risk appetite as a priority over volume growth.

Together with our team, we strive to get closer to our goal, to be the best specialist bank for consumers and SMEs in Southeast Europe. On that basis, we continue to 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 half year results is scheduled for 13th August. I would like to thank you for your attention, we are now ready for your questions.

Operator, back to you.

Operator (Q&A)

We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on the 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. Participants are requested to use only handsets when asking a question. Anyone who has a question may press star and one at this time. If you participate via the audio webcast, you can write questions via the Q&A function of the webcast by pressing the question mark button.

The first question comes from the line of Ben Maher from KBW. Please, go ahead.

Ben Maher

Hi. Thank you for taking my questions and for the presentation. I just have a couple of quick ones, please. You mentioned the cost of funding will continue to decline down towards 115 basis points, I think you said. Sorry if I missed this, but how does this compare to the first quarter of this year?

My second question is just I was hoping you could provide a bit more colour, please, on how you think about the medium-term growth targets. You said SME growth remains weak in the second quarter, would that potentially trigger a review? Or is it something you'd have to look at more towards the second half of this year if growth remained weak?

And so, my third question, some digital offering in Romania sounds very promising, I just wanted to get a better understanding on the account-opening point. You say anyone can use the digital solution without an Addiko account, did I understand that correctly? Sorry. Thank you.

Herbert Juranek

So, I would suggest, Edgar, if you can answer the first question.

Edgar Flaggl

Sure. So, on the cost of funding, we are targeting, as you rightfully said, 115 basis points for the full year. The first quarter came in at 127 basis points. Now, there is also a page further back in the deck, I believe it's around page 29, 28 or something, which shows you a bit of the deposit structure as well, where you also see that the funding on the holding level, which is mainly on deposits, is much higher priced than the network deposits in our banks in the CSEE markets.

And also, this already-expensive online deposit part is coming down significantly with relatively short term deposit maturities. So we are

	in good spirit, actually, also according to our latest forecasts, that we will be very close, if not spot on, to the 115 basis points cost of funding. The second question is probably for Herbert.
Herbert Juranek	Yes. So, concerning the SME growth, we expect, based on the measures which were described also by Ganesh in his presentation, that we see an upward trend in the second half of the year. We don't expect the revival now in the second quarter, but more in the third and in the fourth quarter of this year. And on Romania, Ganesh, do you want to comment?
Ganesh Krishnamoorthi	Yes. On Romania, yes, any new customers can actually apply for a digital loan online and get their loan in eight minutes. And the best USP there, which doesn't exist in the market, is you can compare your offer with your house bank and compare this and make a decision what they want to do. So I think for new business in Romania, we are the only one currently offering a lending solution in an eight-minute story.
Herbert Juranek	How does it work without an account was the question.
Ganesh Krishnamoorthi	So, basically, you, as a new customer, can apply digitally, and we have many sources to check your eligibility of the customers from a risk point of view, as well as also on the KYC side. We have so many data sources, also, including salary verification from ANAF, which helps us to verify the customers also from salary point of view. So this helps you, we do not need any account in this case to verify the customers. I hope I answered your question.
Ben Maher	Yes, thank you. That sounds very good. Thank you.
Operator	The next question comes from the line of Mladen Dodig from Erste Bank. Please, go ahead.
Mladen Dodig	Good afternoon, gentlemen. Thank you for the call. Congratulations on the results. A couple of questions from my side. First of all, the SME, I noticed in your slide, with the small tickets and micro and medium SME, that the small tickets business is still suffering, while the medium SME is gaining. Will that be a kind of a new strategy, new moves? Will you kind of return to the bigger SME tickets? I heard, you mentioned the new strategy, and especially turnaround in Serbia for quite a couple of times, but if you can add some more flavour in this particular area.
Herbert Juranek	Maybe I start, and, Ganesh, if you add, then, your perspective. So, we don't change the strategy. So we continue with our strategy and

small and micros are still our core audience on the SME side. With all the initiatives we are doing, we believe that we can also reignite growth there in the second half of the year.

But this does not mean that the medium tickets we will leave out. And as you see, we see growth potential there, which we are using. Ganesh, do you want to make a comment?

Ganesh Krishnamoorthi

Yes. I think the main topic on the micro and small business is also we are adjusting our pricing expectations for these unsecured fast loans. I think this will trigger us growth going forward. We always kept quite a big premium, but as the market rates are going down, there's a necessity for us to reflect the market situation there. So that's one of the key activities.

The second one, there is also small segment, we are looking at small and medium focus on slightly larger tickets overall. But there, we found some niche segments which we want to focus, but our primary focus is still our small tickets on the micro and small businesses.

Edgar Flaggl

Maybe Mladen if I can add, this is Edgar speaking. Thanks for the question. Great to have you on the call. Just a technical element, is also that every year you have a kind of a re-segmentation effect of small SMEs, which have, in terms of annual gross revenue, outgrown the threshold to be still a small and they've become medium. It doesn't change the client relationship as such, just changes the subsegment, so to speak.

Mladen Dodig

Understood, thank you. One question regarding the interest rate. So, we had reduction in the monetary policies, but can you maybe assess how much the rates are pressured by the competitors? As I see, I'm sitting here in Serbia, so I see a lot of the central bank trying to kerb interest rates, but I think the banks are going even below those banks. Do you feel a big pressure on this side? I'm sure, I would assume, you cannot pinpoint the exact weighting of how much of which is affecting interest rates, but maybe if you can give us some flavour on this, too?

Ganesh Krishnamoorthi

Yes, I will just answer, Mladen, in two ways. First of all, on SME, you heard me saying that the competition is dropping the price quite steeply, and they are following all the interest rate cuts and beyond to gain volume, because as the demand is going down, they need to stimulate the volume with much lower price.

So we took an approach to still keep a quite sizeable premium versus the market. We may slightly adjust it down to drive the growth, as I previously pointed out, on the SME side, whereas on the consumer side, we see, again, a drop there from the competition. In this space, we still keep our premium price compared to the competition. We will not drop those prices corresponding to the

	competition, because we do have UPSs which justify high margins, and we see good growth coming in consumers. So that's how we will balance the price equation.
Mladen Dodig	Thank you. Thank you, guys. Thank you very much. And just regarding the latest reading on the capital adequacy ratio, this 21.6%. This is with the undistributed profit in, right?
Edgar Flaggl	Correct, Mladen. So the 21.7% includes the audited profit for the year 2024 and does not deduct any 2024 dividend. As for the year 2025, as every year, and as usual, we have not changed our disclosure here or methodology, the €14.5 million profit, for example, in the first quarter 2025, is not included in the capital.
Mladen Dodig	Not included, yes. Good. Okay, that's all for my side. Thank you once again. And we'll see you in a quarter.
Herbert Juranek	Thank you very much, Mladen.
Operator	Ladies and gentlemen, that was the last question. I would now like to turn the conference back over to Sara for questions on the webcast.
Sara Zezelic	Thank you, operator. We have received one question via the Q&A tool, and the question is please better explain the deterioration of profitability, and especially C-to-I ratio, which is significantly worse when compared with the leading peer banks in the region.
Edgar Flaggl	OK, so thanks, Sara. I will take that. Whatever the leading peer banks are that are being looked at, if you look at recent disclosures, also, Nova Ljubljanska Banka just disclosed today, also Erste, Raiffeisen disclosed a couple of days ago, we would not consider them as direct peers obviously from the business model and also from the regional footprint, so let's stick with NLB for a second. NLB is actually down on a net profit 10% year-over-year, and this includes also an acquisition of this SLS leasing part. Still a very good and good result which they printed, and I would congratulate them for that, when you look at the cost/income ratio, yes, 63% is well above the comparative peers, let's call it this way. We are, as I said also in my part, we are depending on further growing our portfolio. We are doing this following a prudent risk approach, so we are not just dropping volumes into the balance sheet regardless of the price and risk profile. And in this sense, we are very careful. This also sometimes limits, in more volatile times, the demand on one hand, but also the appetite from an internal side.

	So on the cost side, we have actually increased only 4.1% year-over-year. This is significantly below any peer. And on that front, we need to work on the top line to get the cost/income ratio closer to the peers, whoever the peers are in this sense. But please also note that the cost/income ratio of many banks that have predominantly variable portfolios, after the six rate cuts since June 2024 until the end of the first quarter, it's actually now seven as of today, you will also see this naturally in banking P&Ls.
Herbert Juranek	Yes, maybe one last comment in the in the overall context to that. Our clear goal is to get closer to 50% in a stepwise approach.
Sara Zezelic	Thank you. This was the last and only question, and I would like to hand over to Hebert for closing remarks.
Herbert Juranek	So, thank you very much for your attention. We see us the next time in August in our report on the half year result. Thank you very much and have a good day. Goodbye.