

Addiko Bank

PRESS RELEASE

Addiko Bank publishes 2016 financial report: Successful transformation of the Group

- Year-end result of EUR -23.9m marks significant YoY improvement (2015: -675.2m)
- One-off adjusted profit after tax at EUR -37.5m (2015: -71.1m)
- Operating profit at EUR -25.4m, with Addiko Bank making a positive one-off adjusted operating profit of EUR +4.9m
- Successful turn-around in business performance and growth in key business segments
- Significant growth in new loans disbursements; 87% in Retail with consumer finance growth of 257% and 56% in Corporate/SME
- Strong capital base with Common Equity Tier 1 (CET1) ratio of 20.7%
- Improved asset quality with NPL ratio down to 9.2% and NPL coverage ratio up to 67.2%
- Addiko Bank aims for break-even in 2017

Vienna, 1st March 2017 - Addiko Bank today released its consolidated 2016 financial report. In its first full year under new ownership, 2016 results reflect a significant positive turn-around in business performance and growth in key strategic business segments. The Group's post-tax result for 2016 including one-offs amounted to EUR -23.9 million (2015: EUR -675.2 million), with break-even in sight for 2017. The one-off adjusted year end result of EUR -37.5 million (2015: -71.1 million) is mainly influenced by the conclusion of the Swiss Franc indexed loans conversion in several markets and provisions in the context of legislative risks and reflects normalized risk cost of 90bp on the overall portfolio. The one-off adjusted operating profit improved to a positive EUR +4.9 million (2015: -28.2 million), reflecting achieved targets in revenues and costs as well as the sale of non-core banking assets.

"In 2016 Addiko Bank became recognized as a meaningful and competitive player in its region and made significant progress in key performance indicators", said Ulrich Kissing, CEO of Addiko Bank. "We have a clear strategic focus and with a clean balance sheet, good funding and strong capital ratios we now have a solid base for growth. For 2017, we expect to break even with a full turn-around on all levels."

Year 2016 results represent the successful transformation of the Addiko Group in line with its core banking business strategy and the development of its business operations while laying a strong foundation for sustainable profitability growth over the coming years. Addiko Bank has completed the restructuring of its balance sheet, strengthened its capital base with an improved and above average CET1 ratio of 20.7%, made significant progress in improving its lending portfolio and asset quality via improved collection and workout processes and due to a comprehensive carve out of non-performing loans, posting a better-than-average NPL ratio of 9.2% (2015: 14.2%) and a coverage ratio of 67.2% (2015: 61.7%).

Retail loan disbursements increased by 87%, with 94% of volume in consumer loans, and Corporate/SME disbursements grew by 56% while refraining from large ticket financing. On the deposit side, customer deposits across all countries grew by EUR 344 million. The Bank also entered the German online deposits market, where it gathered EUR 177 million of new deposits.

In 2016 Addiko Bank has realigned its business model to focus on consumer lending and small and medium-sized corporate clients. The Group underwent a successful rebranding in mid-2016 to reflect its focus on "straightforward banking" with efficiency and simplicity. Based on the "Six

Addiko Bank

countries - One bank" approach, the Group is strengthening its regional focus and is well on track of achieving its goal of becoming the leading Retail and SME bank in Southeast Europe. Comprehensive digitalization of the retail and corporate client experience remains one of Addiko Bank main goals.

With the repayment of all outstanding HETA funding in February 2017, all granted warranties, indemnities and contractual relations between the current and the previous owner, state-owned Heta Asset Resolution, which had been agreed upon the disposal of the Addiko Group in 2014, have largely been resolved.

In 2017 Addiko Bank will continue to improve its product offering and services and seek to expand its client base and increase volumes, especially in its Retail and SME segments. In 2017 the Group aims to achieve break-even and further increase profit contribution in all countries.

The consolidated 2016 report can be found at:

<https://www.addiko.com/en/financial-statement-2016>

About Addiko Bank

Addiko Bank AG is an international financial Group headquartered in Vienna, Austria, operating through six banks with its core business in Croatia, Slovenia, Bosnia and Herzegovina, Serbia and Montenegro. The banking network efficiently provides clear and direct quality services for round 1.1 million clients.

Addiko Bank is exclusively oriented on markets and clients in the SEE region.

In 2015 Advent International and the European Bank for Reconstruction and Development acquired Addiko Bank with its Southeast Europe banking network.

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