Addiko Bank

Addiko Group publishes 1H19 financial report: Result after tax of EUR 20.2 million reflects continued execution of focus strategy

- **Listing on the Vienna Stock Exchange on July 12th**
- **1H19 result after tax of EUR 20.2 million (EUR 92.8 million in 1H18)**
- **Adjusted result after tax of EUR 28.5 million up by 43.6% (EUR 19.9 million in 1H18)**
- **Further growth in strategic focus areas by 15.1% YoY (by gross performing loans), with Consumer and SME amounting to 60.0% of the gross performing loan book (1H18: 54.5%)**
- **Transitional CET1 ratio of 17.6% (IFRS 9 Fully-Loaded CET1 ratio of 17.0%)**
- **NPE ratio down to 4.6%, NPE provision coverage at 73.2%**
- **Adjusted Return on Tangible Equity (@14.1% CET1 ratio) increased to 8.2% (YE18: 4.2%)**

Vienna, 20th August 2019 – Addiko Group, a Consumer and SME specialist bank headquartered in Austria, released its consolidated half year 2019 financial report today, continuing its track record by posting further improved results. The Bank reported a 1H19 result after tax of EUR 20.2 million including one-offs (1H18: EUR 92.8 million). The adjusted result after tax of EUR 28.5 million improved by 43.6% compared to 1H18 (1H18: 19.9 million).

The adjustments in 1H19 are largely a result of recognising restructuring costs as part of cost initiatives to be executed during 2H19, costs related to the IPO, impacts due to provisions in connection with legal matters on CHF loans in Croatia and fewer releases related to resolved legal cases compared to 1H18. The 1H18 result was predominantly influenced by the fair value recognition of the Tier 2 conversion (EUR 61 million). The reported credit loss expenses as of 1H19, which once again resulted in releases, include the negative impact from the CHF conversion law for mortgage loans in Serbia (EUR 8.1 million), enacted during 2Q19, still lower compared to 1H18.

The positive development is also reflected by the improved adjusted return on tangible equity with 7.0% (YE18: 3.7%). The return on tangible equity (@14.1% CET1 Ratio) on an adjusted basis increased to 8.2% (YE18: 4.2%).

“Our listing on July 12th marked a significant milestone for our company and confirms that there is demand for a specialist player with an established financial track record, which challenges the traditional universal banks with a simpler and focused model, serving Consumers and SMEs by offering convenience and speed. I want to thank all involved for their efforts in making this happen. I also want to welcome our new shareholders, thanking them for their confidence in our organization and future. We are fully focused on continuing our successful journey as a public company, executing our strategy and delivering value to our customers and our shareholders.”, said Razvan Munteanu, CEO of Addiko Bank AG.

Financial Track Record Continued

The **operating result before change in credit loss expense** of EUR 28.5 million on an adjusted basis (1H18: EUR 25.1 million), was mainly driven by the **increased share of the two focus segments Consumer and SME** amounting to 60.0% of the gross performing loan book (1H18: 54.5%) while the size of the overall loan book increased by 4.6% to EUR 3,875 million (up 2.9% vs. YE18).

The growth of gross performing loans **in the focus areas** has continued and increased by 15.1% compared to 1H18 (13.3% for Consumer and 17.2% for SME lending activities).

The adjusted **net interest income** rose by 5.1% to EUR 91.0 million (1H18: EUR 86.6 million) with NIM at 2.97% (+23bp compared to 1H18). The adjusted **net fee and commission income** increased by 8.9% to EUR 32.0 million (1H18: EUR 29.4 million) while **operating expenses** amounted to EUR -94.2 million, up by 0.7% compared to 1H18.

Overall, income grew faster than costs in 1H19, improving the adjusted cost-income ratio to 76.6% (down 4.1pp vs. 1H18). CET1 ratio remained stable at 17.6% on a transitional basis (17.0% IFRS 9 Fully-Loaded). The preparations for a further capital optimization via a Tier 2 issuance in 2H19 are on track, while the issuance will be subject to acceptable terms.

The reduction of NPEs continued in the first half of 2019, leading to a non-performing exposure of EUR 329.4 million (YE18: EUR 403.8 million) resulting in a **further** reduced NPE ratio of 4.6% (YE18: 5.6%). At 1H19 the prudent risk profile is best reflected in an NPE coverage ratio of 73.2% (YE18: 75.4%).

The consolidated 1H19 report can be downloaded under the following link: www.addiko.com/financial-reports/.

Addiko Group's Investor Relations website https://www.addiko.com/investor-relations/ contains further information, including financial and other information for investors.

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About Addiko Group

Addiko Group consists of Addiko Bank AG, the fully-licensed Austrian parent bank registered in Vienna, Austria, listed on the Vienna Stock Exchange and regulated by the Austrian Financial Markets Authority, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (two banks), Serbia and Montenegro. Addiko Group, through its six subsidiary banks, services as of March 31, 2019 approximately 828 thousand customers in CSEE, using a well-dispersed network of 197 branches and modern digital banking channels. Addiko Bank AG manages its subsidiary banks through group-wide strategies, policies and controls and manages Addiko Group's liquidity reserve.

Addiko Group repositioned itself as a specialist consumer and SME banking group with a focus on growing its consumer business and SME lending activities as well as payment services (its "focus areas"), offering unsecured personal loan products for consumers and working capital loans for its SME customers funded largely by retail deposits. Addiko Group's mortgage business, public lending and large corporate lending portfolios (its "non-focus areas") have been gradually reduced over time, with repayments by customers exceeding the new business generated in those fields, thereby providing liquidity and capital for the gradual growth in its consumer business and SME lending. Any new lending products in non-focus areas are offered on an opportunistic basis only.