Addiko Bank

Addiko Group publishes 3Q19 results: YTD result after tax of €23.4mn, underlying operational performance on track with solid risk profile

- **Adjusted YTD 3Q19 result after tax of €39.6mn, c. +44% vs. prior year (3Q18: €27.4mn)**
- **Reported YTD 3Q19 result after tax of €23.4mn (3Q18's €96.4mn predominantly driven by a €61mn positive one-off)**
- **Adjusted Return on Tangible Equity (@14.1% CET1 ratio) increased to 7.1% (YE18: 4.2%)**
- **Continued transformation of loan book towards Consumer and SME amounting to 61% of the gross performing loan book (3Q18: 55.3%)**
- **NPE ratio down to 4.4% - continued positive trend; NPE provision coverage stable at 75.3%**
- **Transitional CET1 ratio of 17.4% (IFRS 9 Fully-Loaded CET1 ratio of 16.8%)**
- **Tier 2: Addiko has tested the market, did not raise Tier 2 so far since pricing expectations came in a wide range and the bank is clarifying regulatory capital requirements**

Vienna, 19th November, 2019 – Addiko Group, a Consumer and SME specialist bank headquartered in Austria, released its results for the first nine months of 2019 today. The Bank reported a 3Q19 result after tax of €23.4mn for the first nine months including one-offs (3Q18: €96.4mn). The third quarter result after tax of €3.2mn includes a one-off provision of €8.7mn related to legal matters regarding CHF currency clauses in Croatia. Reported credit loss expenses as of 3Q19 once again resulted in releases and include the negative impact of €8.1mn related to the CHF conversion law for mortgage loans in Serbia enacted during the second quarter of 2019.

Adjusted for one-offs, the Bank delivered further improved results and achieved a 5.1% increase in net banking income at stable cost, continuing to benefit from credit loss releases. The adjusted result after tax of €39.6mn improved by c. 44% compared to the same period last year (3Q18: €27.4mn). The positive development is also reflected by the improved adjusted return on tangible equity with 6.4% (YE18: 3.7%). The return on tangible equity (@14.1% CET1 Ratio) on an adjusted basis amounted to 7.1% (YE18: 4.2%).

The adjustments in the third quarter 2019 are largely a result of provisions in connection with legal matters regarding CHF loans in Croatia. The adjustment in the third quarter 2018 result was predominantly influenced by a risk allocation related to legacy corporate exposures which would not have been approved according to the New Risk Framework as defined in 2016.

"The year 2019 has been good so far from a business perspective, but a challenging one related to our recent ad-hoc disclosures. They concerned the possible effects of the Supreme Court decision in Croatia with regards to past CHF loans, as well as the draft SREP decision from October. We continued to execute our specialist strategy and our business development is on track to reach our year-end transformation goals. We remain fully focused on delivering value to our customers and our shareholders.", said Razvan Munteanu, CEO of Addiko Bank AG.

For the first three quarters 2019 underlying Operational Performance on Track with Solid Risk Profile

The **result after tax** of €39.6mn on an adjusted basis (3Q18: €27.4mn) was mainly driven by the continued execution of Addiko's focus strategy reflected in a further **increased share of the two focus segments Consumer and SME** amounting to 61% of the gross performing loan book (3Q18: 55.3%) while the size of the overall gross performing loan book increased by 4.3% vs. prior year to €3,896mn (+3.5% vs. YE18).

The growth of gross performing loans **in the focus areas** has continued and increased by 15.3% compared to 3Q18 (13.8% for Consumer and 17.2% for SME lending activities). Despite a challenging interest environment, yields remained relatively stable in the focus areas Consumer and SME, achieving increased new business yields in Consumer (+30bps YTD) while SME remained relatively flat, with accelerated double-digit NCI growth in SME.

The adjusted **net interest income** rose by 4.2% to €136.7mn (3Q18: €131.2mn) with **NIM** at 2.96% (+21bps compared to 3Q18). The adjusted **net fee and commission income** increased by 7.8% to €49.6mn (3Q18: €46.0mn) while adjusted **operating expenses** remained comparable to last year and amounted to €-140.1mn (3Q18: €-140.2mn). In the context of the announced cost optimization of 180 FTEs and 8 branches the ongoing execution is well on track. The adjusted **cost-income ratio** improved to 75.2% (3Q18: 79.1%).

The positive trend in NPE reduction continued in 3Q19, resulting in a non-performing exposure of €317.3mn (YE18: €403.8mn) and an **NPE ratio** of 4.4% (YE18: 5.6%) at a stable **NPE coverage** of 75.3% (YE18: 75.4%).

The **CET1 ratio** excluding accrued profits or dividends for 2019 is at 17.4% on a transitional basis (16.8% IFRS 9 Fully-Loaded). In the context of the intended Tier 2 capital optimization, Addiko has tested the market and ultimately did not raise the Tier 2 so far and continues to be engaged with potential anchor investors who require more time for their assessment. The bank will continue to work on a Tier 2 instrument to optimize its capital position, timing this activity in line with the clarifications on regulatory capital requirements and resulting excess capital.

The earnings release 3Q19 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 September 30, 2019 approximately 0.8 million customers in CSEE, using a well-dispersed network of 195 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.