MOODY'S
INVESTORS SERVICE

CREDIT OPINION
30 December 2019

Update

Rate this Research

RATINGS

Addiko Bank AG

Domicile	Vienna, Austria
Long Term CRR	Ba3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Ba3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Addiko Bank AG

Update to credit analysis

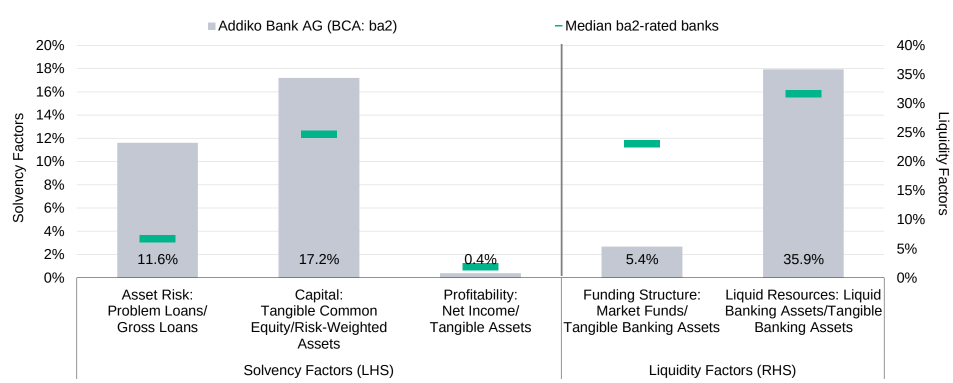
Summary

On 6 December, we confirmed Addiko Bank AG's (Addiko) Ba3 (Stable)/NP deposit ratings. We further confirmed the bank's ba2 Baseline Credit Assessment (BCA) and Adjusted BCA, its Ba3/NP Counterparty Risk Ratings, as well as its Ba2(cr)/NP(cr) Counterparty Risk Assessments.

Addiko's ratings reflect: 1) the bank's ba2 BCA and adjusted BCA; and 2) the results of our Advanced Loss Given Failure (LGF)[1] analysis, positioning the deposit ratings one notch below the bank's ba2 Adjusted BCA. We assume a low probability that Addiko would receive support, if necessary, from its largest shareholders, as well as a low probability of support from the Government of Austria (Aa1 Stable)[2], together resulting in no further uplift to Addiko's deposit ratings.

Addiko's ba2 BCA captures its business focus on South-Eastern European (SEE) countries, with close to 70% of assets in EU countries Croatia (Ba2 Positive) and Slovenia (Baa1 Positive), and around 30% in EU accession countries Serbia (Ba3 Positive), Bosnia and Herzegovina (B3 Stable), Montenegro (B1 Positive), which are economically weaker and more volatile than Austria, the bank's domicile. The BCA also reflects sound capitalization; a funding structure reliant mostly on (retail) deposits; weaker – yet improving - asset quality; only moderate risk-adjusted profitability, as well as limited track record and financial history for its newly adopted focus on unsecured consumer finance and SME lending.

Exhibit 1
Rating scorecard – key financial ratios



Note: Factors for asset risk and profitability reflect the weaker of last reported (June 2019) and 3-year average for the period 2016-18; capital factor is as of end-June 2019; all other factors are as of end-2018.
Source: Moody's Financial Metrics

Credit strengths

» Sound funding profile supported by sizeable deposits which drives low dependence on market funding

» Sound and adequate capitalization

» Adequate liquidity buffers but ability to shift among subsidiaries is limited due to local regulatory restrictions

Credit challenges

» “Moderate -“ asset-weighted macro profile reflecting Addiko’s focus on five SEE countries

» High level of problem loans with some concentrations in the bank’s non-core credit exposures, compared with very granular unsecured consumer loans, which however exhibit limited financial history

» Only moderate risk-adjusted profitability with limited track record of resilience in an economic downturn

Rating outlook

The outlook on Addiko’s ratings is stable, reflecting our view that the bank will be able to sustain achieved solvency improvements and maintain the current funding structure over the next 12-18 months.

Factors that could lead to an upgrade

An upgrade of Addiko's ratings could be prompted by: 1) a higher BCA or adjusted BCA; 2) a change in Addiko’s liability structure that could prompt a better result from our Advanced LGF analysis, for example through significantly higher volumes of institutional or junior deposits and/or the issuance of senior (or junior-senior) unsecured bonds

Upward pressure on Addiko’s BCA could be exerted if the bank’s macro profile would improve, or if the bank was to develop a sound, multi-year financial track record of successfully divesting non-core legacy assets and shifting funds in core lending activities to retail and SME customers, thereby improving its asset quality without compromising its level of risk coverage, as well as reducing concentration risks to legacy corporate customers, in combination with improving regulatory capital at single entity and group level.

Factors that could lead to a downgrade

A downgrade of Addiko's ratings could be prompted by a BCA downgrade.

Downward pressure on Addiko's BCA could be exerted in the event of: 1) a reversal of the positive trend in asset quality, which could be triggered by a weakening of SEE’s macroeconomic growth prospects; 2) unexpected losses, including those from foreign currency lending and pending legal cases, which may negatively impact Addiko’s capitalisation; 3) a significant deterioration in its funding profile, including unexpected deposit outflows and a decline in liquidity buffers.

Key indicators

Exhibit 2
Addiko Bank AG (Consolidated Financials) [1]

	06-19[2]	12-18[2]	12-17[2]	12-16[2]	12-15[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	6.2	6.2	6.5	7.2	7.4	(5.0)[4]
Total Assets (USD Billion)	7.0	7.0	7.8	7.6	8.1	(3.7)[4]
Tangible Common Equity (EUR Billion)	0.8	0.8	0.8	1.0	0.7	2.4[4]
Tangible Common Equity (USD Billion)	0.9	0.9	1.0	1.0	0.8	3.8[4]
Problem Loans / Gross Loans (%)	7.5	9.3	13.5	16.2	31.9	15.7[5]
Tangible Common Equity / Risk Weighted Assets (%)	17.2	18.1	17.4	21.7	13.8	17.6[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	28.7	32.3	45.1	45.9	112.5	52.9[5]
Net Interest Margin (%)	2.9	2.6	2.3	2.1	2.3	2.4[5]
PPI / Average RWA (%)	1.1	0.9	0.6	0.2	-4.6	-0.4[6]
Net Income / Tangible Assets (%)	0.7	1.0	0.6	-0.4	-8.8	-1.4[5]
Cost / Income Ratio (%)	80.9	84.1	87.9	95.3	212.6	112.2[5]
Market Funds / Tangible Banking Assets (%)	5.2	5.4	5.7	5.0	6.5	5.5[5]
Liquid Banking Assets / Tangible Banking Assets (%)	33.9	35.9	40.7	46.3	37.4	38.8[5]
Gross Loans / Due to Customers (%)	86.3	86.1	83.7	96.2	122.1	94.9[5]

[1]All figures and ratios are adjusted using Moody's standard adjustments. [2]Basel III - fully-loaded or transitional phase-in; IFRS. [3]May include rounding differences due to scale of reported amounts. [4]Compound Annual Growth Rate (%) based on time period presented for the latest accounting regime. [5]Simple average of periods presented for the latest accounting regime. [6]Simple average of Basel III periods presented.
Source: Moody's Investors Service; Company Filings

Profile

Addiko is a Vienna-based bank which specialises in consumer and SME lending in SEE countries Croatia, Slovenia, Serbia, Bosnia and Herzegovina, Montenegro. Further, Addiko provides online deposit services in Austria and Germany.

At 30 September 2019, Addiko's most important banking activities are in Croatia, accounting for 41% of its consolidated assets and Slovenia (25%), while its exposures in Bosnia and Herzegovina (15%), Serbia (14%), and Montenegro (4%) are smaller. At 30 September 2019, Addiko reported consolidated assets of €6.2 billion.

Following the initial public offering (IPO) in July 2019, Addiko's largest shareholders include AI Lake (Luxembourg) S.à r.l. (Al Lake) with a stake of around 45%, followed by a group of 3 investors with stakes ranging between around 4% to around 7% individually, and combined 15.8%. In addition, Addiko's free float is around 38%. Before the IPO, Al Lake, which bought the SEE banking franchise from Hypo Alpe-Adria Bank International AG in 2015, was the bank's sole owner. Al Lake is a holding company, which is indirectly owned by investment funds advised by Advent (around 80% stake in Al Lake), a global private equity investor and the EBRD (around 20% stake).

Detailed credit considerations

High level of problem loans and gradual transition from legacy exposure to core lending activities

Our assigned b2 score for Asset risk is one notch above Addiko's initial score and reflects our expectation of further moderate incremental improvement of asset quality. Our assessment is balanced by Addiko's moderate - and declining - concentration risks in its non-core legacy exposures, as well as the bank's limited history of newly underwritten unsecured consumer loans which have not yet experienced a full credit cycle. The initial score is based on the weaker of last reported (end-September 2019) and a three-year average (2016-18) of nonperforming loans (NPLs), in line with our methodology, thereby deviating materially from the underlying current credit quality, following a significant reduction of NPLs in the past years.

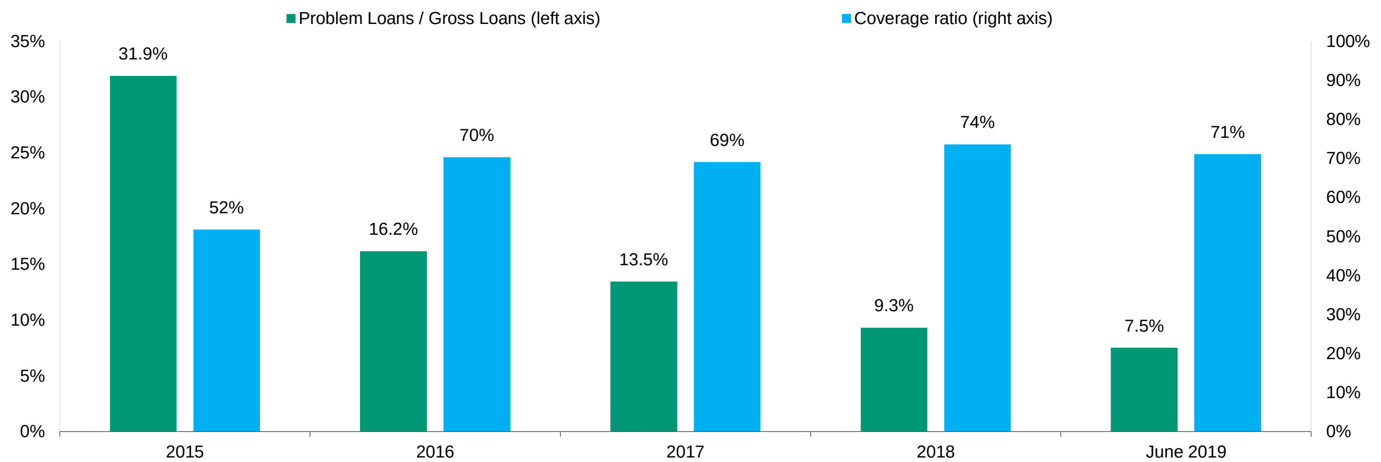
Since 2015, Addiko has benefited from improving asset quality in its core (consumer and SME lending) and non-core exposures (mortgages, large corporates, public finance), triggering a decline in problem loans to gross loans to 7.5% at end-June 2019 from 9.3% in 2018 (2015: 31.9%). The majority of the group's problem loans relate to the bank's activities in Croatia and Bosnia and Herzegovina. As the bank gradually transitions to core loans from legacy exposures, we expect moderate incremental improvements of its asset quality and a stable level of loan loss reserves which represented 71% of problem loans at end-June 2019 (2018: 74%).

Addiko exhibits - improving - concentrations in its non-performing legacy exposures, which mainly arise from large corporate customers. These exposures come with higher average ticket sizes, compared with the bank's highly granular core activities, with average volumes of around €7,000 for unsecured consumer loans and less than €250,000 for small and medium sized entities. Our assessment around concentrations risk also takes into account that impaired exposures are adequately provisioned for. At end-June 2019, non-core activities included €801 million of mortgages (2018: 873 million) and €750 million large corporate and public sector loans (2018: 777 million).

At end-June 2018, Addiko's net loans from core activities accounted for €2.3 billion (2018: €2.1 billion), more than half of its total loans. We believe that the asset quality of these exposures will benefit from the bank's newly established underwriting policies, close risk monitoring, as well as strong receivables collection management and the ability to sell problematic loans. The latter is fully embedded into Addiko's risk management and may allow the disposal of impaired loans under existing agreements with third parties, if permitted by local regulation. However, while vintages of newly underwritten core loans to date exhibit low problem loan formation, the bank has still to demonstrate its ability to maintain the quality of its unsecured consumer loans through an adverse cycle of economic environment.

Further, we believe that Addiko's credit profile includes legal risks that arise from (1) cases for damage claims; and (2) court rulings favouring consumers for Swiss-franc denominated loans. Legal risks affected the bank in 2015-17 when countries like Croatia and Montenegro amended their laws for foreign currency lending and introduced favorable terms for FX conversion, costing the bank around €258 million in compensation. However, we believe these risks are balanced by adequate legal provisions and a very high percentage of previous verdicts which were in favor of Addiko.

Exhibit 3
Addiko's asset quality continues to improve and coverage remains adequate
Data in percent



Note: The coverage ratio compares loan-loss-reserves to problem loans.
Source: Company reports, Moody's Investors Service

Adequate capital but moderate stressed capital resilience and limited earnings retention

We reflect Addiko's adequate capitalisation in the assigned baa3 Capital score, which includes a downward adjustment from the bank's baa1 initial score. Our assessment takes into account Addiko's moderate stress capital resilience, reflecting its high vulnerability from unsecured lending in more volatile, less developed SEE countries, as well as limited earnings retention because of our expectations around the bank's future dividend policy where we assume a continued high-pay-out of profits. We assess Addiko's capitalisation to be adequate in the context of the risks that the bank has taken in the field of unsecured consumer and SME lending, despite by a decrease in the bank's Tangible Common Equity (TCE) to risk weighted assets (RWA) ratio to 17.0% at 30 September 2019, compared with 18.1% in 2018. Our assessment also takes into account Addiko's sufficient distance to regulatory thresholds at group level of about three percentage points for total capital, which we expect to remain at or below that buffer level.

We expect that the bank's Common Equity Tier 1 (CET1) ratio will remain broadly stable, compared with 17.4% at 30 September and 17.7% as of December 2018, the latter includes the recognition of net income for 2018 and dividend payments. During 2018, Addiko's CET1 capital benefited from a contribution of €68 million by Al Lake through a conversion of existing Tier 2 capital. As the bank executes on its strategic growth plans until 2023, we expect a moderate decline in Addiko's capital ratios, reflecting the balance of freed up capital from maturing legacy assets that is gradually invested into core unsecured loans. On 19 November, Addiko announced to postpone the issuance of subordinated debt until 2020.

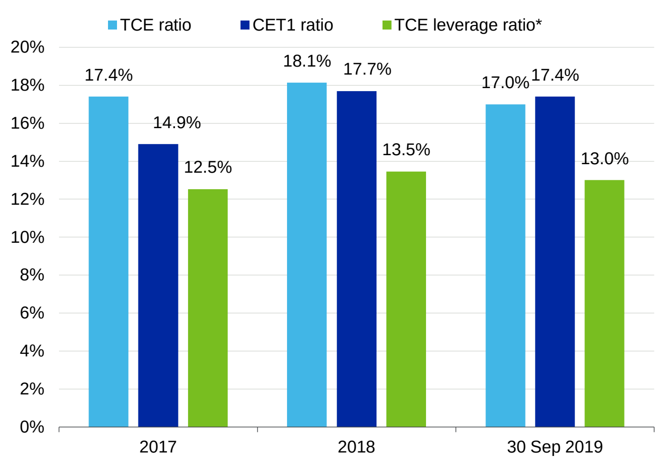
We expect that the bank will maintain its sufficient capital buffers to regulatory minimum requirements at group level, which the Austria's Financial Market Authority has set to 11.1% CET1 and 14.6% total capital ratio, including the capital conservation buffer of 2.5%, at end-June 2019. On 4 October, Addiko disclosed that the bank may also have to comply with an additional 4.0% Pillar 2 Guidance (P2G) capital requirement, starting 2020, for which the bank seeks further clarification with its regulators.

Addiko's leverage ratio, based on consolidated numbers and our leverage metric of tangible common equity to tangible assets, is sound at 13.0% at the end-September 2019 (2018: 13.5%). Addiko uses the standardised approach for measuring the credit risk, which explains a relatively high risk density, measured by comparing risk-weighted assets to total assets, of 76% at end-September 2019 (2018: 74%).

Exhibit 4

Addiko's TCE and CET1 ratio remains comfortable

Data in percent of risk-weighted assets, except for TCE leverage ratio*

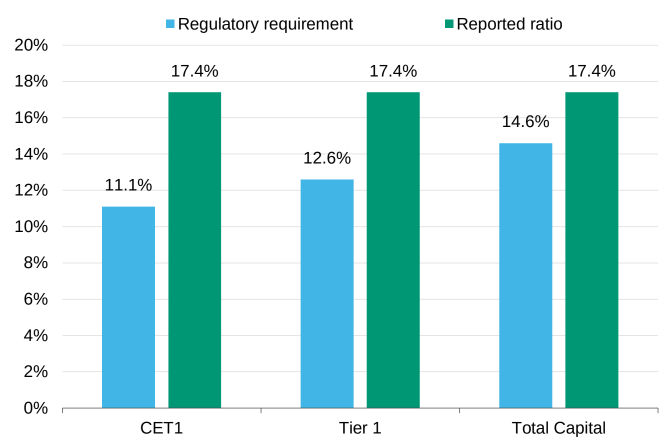


Note: TCE = Tangible Common Equity (Moody's calculation); CET1 = Common Equity Tier 1; *The TCE leverage ratio compares TCE to tangible assets.
Source: Company reports, Moody's Investors Service

Exhibit 5

Addiko's capital exceeds going-concern capital requirements*

Data in percent of risk-weighted assets as per 30 September 2019



Note: *Regulatory minima requirements are set in accordance with the ECB's Supervisory Review and Evaluation Process (SREP).
Source: Company reports, Moody's Investors Service

Despite the absence of profit and loss transfer agreements, Addiko has developed a track-record of upstreaming dividends to shareholders and from its SEE subsidiaries, which mainly relates to Croatia, Slovenia, and Serbia and adds some financial flexibility at consolidated group level.

Moderate profitability which will benefit from the shift to core activities but remains highly sensitive to credit costs

We assign a ba3 Profitability score, one notch above Addiko's b1 initial score. Our assessment takes into account (1) the bank's continued improvement in profitability from loss-making periods in 2016 and 2015; (2) Addiko's shift into higher margin unsecured consumer and SME lending; (3) its improved and streamlined operating platform, including centralized management and the provision of shared services across the group; and (4) the benefit for future pre-tax profits that arises from the presence of deferred tax assets on existing tax loss carryforwards.

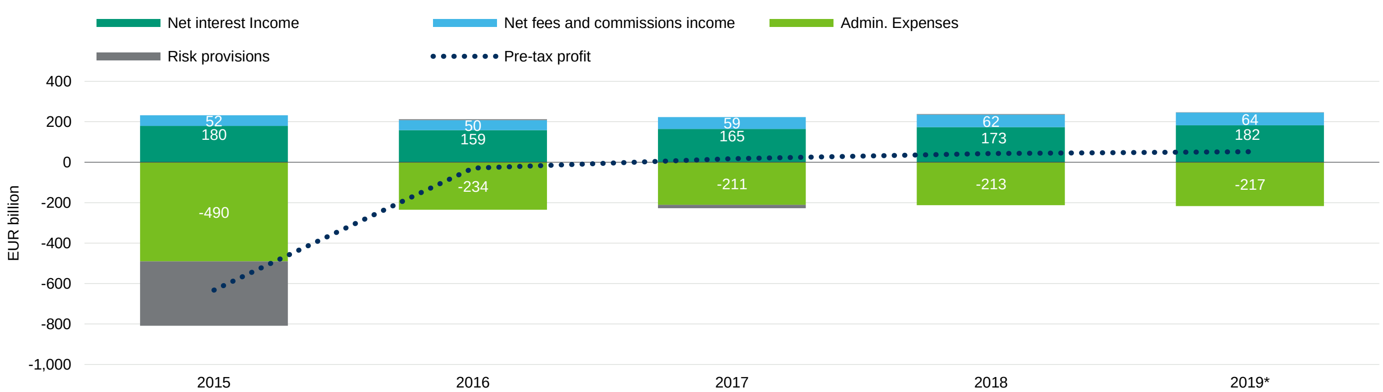
We believe that Addiko's business model is well prepared to benefit from its high degree of digitalisation, leading to low incremental costs for additional revenue. This view is based on the successful transformation of Addiko's operating model since the take-over by Advent and EBRD in mid-2015. Due to its focus on unsecured consumer and SME lending, Addiko's business model exhibits a high net interest margin (NIM), compared with those of universal banks and we expect the margin to increase further as Addiko expands its core activities. For the first nine months of 2019, Addiko's NIM was 2.9%, compared with 2.6% in 2018 based on our calculation, supporting the increase in net interest income to €137 million over the same period for 2019, compared with €128 million during the same period 2018. Net interest income is Addiko's main income source, accounting for around three quarters of its revenue.

For the period January to September 2019, Addiko reported after-tax earnings of €23 million, slightly higher than €20 million for the first half of 2019. During 3Q19, Addiko booked a provision of €8.7 million to reflect a decision by Croatia's Supreme Court, published on 17 September 2019, which declared certain clauses in relation to Swiss franc-denominated loans null and void.

For 2018, Addiko reported after-tax income of €104 million, an improvement from €42 million in 2017 and a net loss of €24 million in 2016 and a net loss of €659 million in 2015, underpinning the successful turnaround of the bank's business model. The improving trend in profitability continued during 2018 compared with the prior year's period, supported by rising interest and fee income, as well as moderately declining operating expenses. For 2018, Addiko's pre-tax profit increased to €106 million from €22 million the year before, mainly because of reversals in low loan-loss provisions (LLP) of €5 million compared with an expense of €15 million, and the positive €61 million contribution from converting Tier 2 capital into common equity.

Addiko's risk-adjusted profitability is highly sensitive to the credit cycle in its SEE markets. For 2019-20, we expect low LLP because of these countries' benign economic conditions. During 2019, Addiko has managed to improve credit concentration risks, in particular because of lower exposure to non-focus corporate customers, a credit positive. In 2017, Addiko's LLP of €15 million mainly reflected a charge for the default of a large corporate customer in Croatia.

Exhibit 6
Addiko's profitability is reliant on net interest income
Data in € million



Note: *Data reflects annualized 1H2019 figures.
Source: Company reports, Moody's Financial Metrics, Moody's Investors Service estimates

Sound funding profile supported by sizeable deposits which drives low dependence on market funding

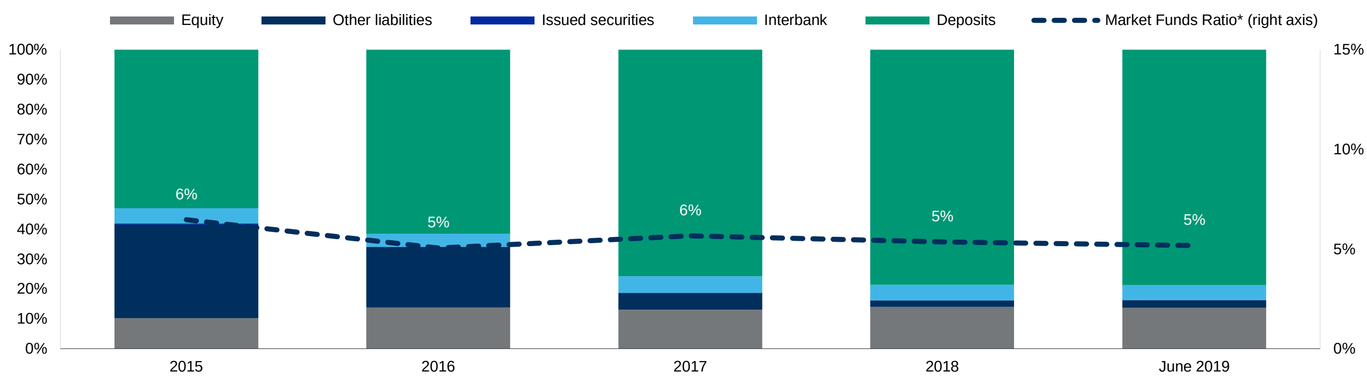
Addiko's sound funding profile is reflected in the assigned baa2 Funding Structure score, which is in line with the bank's initial score, and which strongly supports our assessment of the bank's standalone credit strength. Our view also considers a low concentration from the bank's largest depositors.

Addiko's lending activities are largely funded by customer deposits, which, at €4.9 billion as of end-September 2019, accounted for 79% of its balance sheet (2018: 79%). Around 40% of the deposits were term deposits, and around 80% are euro denominated, followed by the Croatian kuna (HRK) and Serbian dinar (RSD).

Addiko's banking activities in Croatia exhibit a favorable loan-to-deposit ratio of around 68% as of end-September 2019 (December 2018: 66%). Slovenia, Addiko's second most important country of operation, exhibits a balanced mix of loans and deposits, at 101% over the same period (2018: 87%), while this metric ranges between 77% to 99% for Bosnia and Herzegovina, Montenegro and Serbia. We expect that Addiko will be able to further expand its deposit base, while the successful collection of online-generated deposits in Austria and Germany (combined at around €390 million as of end-September 2019, compared with €360 million as of 2018) will help to diversify Addiko's funding sources from the current SEE focus.

Our assessment of a low market funding dependence is underpinned by €319 million market funds, equivalent to 5% of assets as of end-June 2019, unchanged to December 2018, and mainly comprising liabilities to financial institutions and the participation in repo funds (LTRO funds)[3] transacted with the Slovenian National Bank, with maturities in 2020.

Exhibit 7
Addiko's sizeable deposits drive low market funding dependence
Data in percent of tangible assets



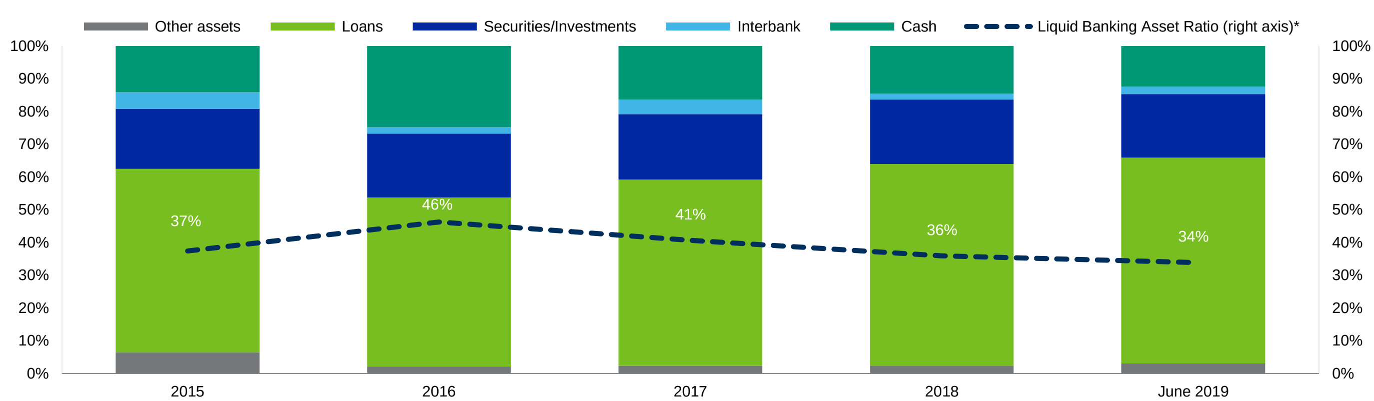
Note: *Market funds ratio = Market funds as percent of tangible assets.
Source: Company reports, Moody's Investors Service

Adequate liquidity buffers but ability to shift among subsidiaries is limited due to local regulatory restrictions

Addiko's Liquid Resources score is ba1, which includes a downward adjustment from its baa3 initial score, reflecting our assessment of limited flexibility to move liquid assets among SEE subsidiaries. Our liquidity assessment takes into account Addiko's cash, interbank claims, and repo-eligible and unencumbered securities. This total accounted for around 34% of assets as of end-September 2019, compared with 35.9% in 2018 and 40.7% in 2017.

Addiko maintains adequate liquidity buffers, as illustrated by its consolidated 158% liquidity coverage ratio (LCR) reported as of end-September 2019 (December 2018: 150%). Almost all of the bank's €1.14 billion securities portfolio was principally eligible as collateral at central banks. However, Addiko's securities portfolio is physically hosted in different SEE entities, which reduces the bank's flexibility to transfers, if need arises, because of local requirements. Around half of the securities are physically booked at Addiko's Croatian subsidiary, while only 10% of the securities are hosted at the Vienna-based parent bank.

Exhibit 8
Addiko's liquidity is based on cash and high-quality financial securities
Data in percent of tangible assets



Note: Liquid banking assets ratio = Liquid assets as percent of tangible assets.
Source: Company reports, Moody's Investors Service

Macro Profile of "Moderate –"

Addiko's assigned "Moderate –" macro profile reflects the asset-weighted average of its banking activities in Austria, Croatia, Slovenia, Serbia, Bosnia and Herzegovina, and Montenegro.

Environmental, social and governance considerations

The global banking sector has been classified as "Low" risk in our environmental (E) risk heatmap[4] and as "Moderate" risk in our social (S) risk heatmap.[5] We consider Addiko to face moderate social risks, which is in line with our assessment for the global banking sector and takes into account pending legal disputes around foreign currency-denominated loans in all SEE countries where Addiko is present.

Governance[6] is highly relevant for Addiko, as it is to all banks. However, for Addiko we do not have any particular governance concern. Nonetheless, corporate governance remains a key credit consideration and continues to be a subject of our ongoing monitoring.

Support and structural considerations

Affiliate support

We believe that there is a low probability that Advent and the EBRD, Addiko's largest owners would support the bank in case of need, which does not result in any uplift for Addiko's ratings. Support from Advent and EBRD is illustrated by their degree of involvement in Addiko's strategy, management and operations, but we do not expect further capital injections, in case of need.

Loss Given Failure (LGF) analysis

Addiko is subject to the EU Bank Recovery and Resolution Directive (BRRD), which we consider to be an operational resolution regime. We expect Addiko Bank AG, the parent entity based in Vienna, Austria, to be resolved on its own and consider all SEE subsidiaries out of scope for the Austrian resolution authority. The application of a domestic resolution approach is in line with our standard assumption for cross-border banking groups.

Because Addiko is subject to an operational resolution regime, we apply our Advanced LGF analysis, considering the risks faced by the different debt and deposit classes across the liability structure, should the bank enter resolution. In line with our standard assumptions, we assume residual TCE of 3% and losses post failure of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits and a 5% runoff in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. In addition, we assume a 10% share of wholesale deposits relative to total deposits, which is our central assumption for banks relying mostly on retail deposits.

For Addiko's Ba3 deposit ratings, our LGF analysis indicates a high loss given failure, resulting in a positioning of the rating one notch below the bank's ba2 Adjusted BCA.

Government support considerations

We apply a low probability of support by the Government of Austria in case of need and, hence, no rating uplift, because of Addiko's marginal importance for the Austrian banking system.

Counterparty Risk Ratings (CRRs)

Counterparty Risk Ratings (CRRs) are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRRs are distinct from ratings assigned to senior unsecured debt instruments and from issuer ratings because they reflect that, in a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements.

Addiko's CRRs are positioned at Ba3/NP.

The CRR is positioned one notch below Addiko's ba2 Adjusted BCA, reflecting the high loss-given-failure from the low volume of instruments that are subordinated to CRR liabilities in our Advanced LGF analysis.

Counterparty Risk Assessment (CR Assessment)

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails. They are distinct from debt and deposit ratings in that they: 1) consider only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default; and 2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CRA is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

Addiko's CR Assessments are positioned at Ba2(cr)/NP(cr).

Addiko's CR Assessments are positioned in line with its ba2 Adjusted BCA, based on the low buffer against default provided to the senior counterparty obligations by more junior instruments, such as senior unsecured debt and dated subordinated debt - including the bank's junior deposits. To determine the CR Assessment, we focus purely on subordination, taking no account of the volume of the instrument class.

Methodology and scorecard

Methodology

The principal methodology we use in rating Addiko is Banks, published in November 2019.

About Moody's Bank Scorecard

Our Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our Scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The Scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 9

Addiko Bank AG

Macro Factors							
Weighted Macro Profile	**Moderate -**	**100%**					
Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**	
Solvency							
Asset Risk							
Problem Loans / Gross Loans		11.6%	b3	↑	b2	Sector concentration	Unseasoned risk
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		17.2%	baa1	←→	baa3	Stress capital resilience	Risk-weighted capitalisation
Profitability							
Net Income / Tangible Assets		0.4%	b1	↑	ba3	Expected trend	Return on assets
Combined Solvency Score			ba2		ba3		
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets		5.4%	baa2	←→	baa2	Deposit quality	Extent of market funding reliance
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets		35.9%	baa3	←→	ba1	Intragroup restrictions	Stock of liquid assets
Combined Liquidity Score			baa2		baa3		
Financial Profile					ba2		
Qualitative Adjustments					Adjustment		
Business Diversification					0		
Opacity and Complexity					0		
Corporate Behavior					0		
Total Qualitative Adjustments					0		
Sovereign or Affiliate constraint					-		
BCA Scorecard-indicated Outcome - Range					ba1 - ba3		
Assigned BCA					ba2		
Affiliate Support notching					0		
Adjusted BCA					ba2		

Balance Sheet is not applicable.

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	-	-	-	-	-	-	-	-1	0	ba3
Counterparty Risk Assessment	-	-	-	-	-	-	-	0	0	ba2 (cr)
Deposits	-	-	-	-	-	-	-	-1	0	ba3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	-1	0	ba3	0	Ba3	Ba3
Counterparty Risk Assessment	0	0	ba2 (cr)	0	Ba2(cr)	
Deposits	-1	0	ba3	0	Ba3	Ba3

[1]Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 10

Category	Moody's Rating
ADDIKO BANK AG	
Outlook	Stable
Counterparty Risk Rating	Ba3/NP
Bank Deposits	Ba3/NP
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	ba2
Counterparty Risk Assessment	Ba2(cr)/NP(cr)

Source: Moody's Investors Service

Endnotes

1 Our Advanced LGF analysis takes into account the severity of loss faced by the different liability classes in resolution.

2 The rating shown is Austria's long-term issuer rating and outlook.

3 LTRO: Long-term refinancing operations.

4 Environmental risks can be defined as environmental hazards encompassing the impacts of air pollution, soil/water pollution, water shortages and natural and man-made hazards (physical risks). Additionally, regulatory or policy risks, like the impact of carbon regulation or other regulatory restrictions, including the related transition risks like policy, legal, technology and market shifts, that could impair the evaluation of assets are an important factor. Certain banks could face a higher risk from concentrated lending to individual sectors or operations exposed to the aforementioned risks.

5 Social risk considerations represent a broad spectrum, including customer relations, human capital, demographic and societal trends, health and safety and responsible production. The most relevant social risks for banks arise from the way they interact with their customers. Social risks are particularly high in the area of data security and customer privacy, which is partly mitigated by sizeable technology investments and banks' long track record of handling sensitive client data. Fines and reputational damage because of product mis-selling or other types of misconduct is a further social risk. Societal trends are also relevant in a number of areas, such as shifting customer preferences toward digital banking services increasing information technology costs, ageing population concerns in several countries affecting demand for financial services or socially driven policy agendas that may translate into regulations that affect banks' revenues.

6 Corporate governance is a well-established key driver for banks and related risks are typically included in our evaluation of the banks' financial profile. Further factors like specific corporate behaviour, key person risk, insider and related-party risk, strategy and management risk factors and dividend policy may be captured in individual adjustments to the BCA, if deemed applicable. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. When credit quality deteriorates due to poor governance, such as break-down in controls resulting in financial misconduct, it can take a long time to recover. Governance risks are also largely internal rather than externally driven.

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