Addiko Bank

YE19 Results
Press Conference

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Johannes Proksch (CFO)
Edgar Flaggl (IR)

March 5th 2020
Overview of Addiko

✓ Fully licensed bank with HQ in Austria, focused 100% on Central and South Eastern Europe

✓ Addiko Bank AG is regulated by the Austrian Financial Market Authority ("FMA")\(^1\)

✓ “Good Bank” spin-off of the former Hypo Group Alpe Adria

✓ Transformed into a lean, agile & innovative pan-regional platform focused on growth in Consumer and SME lending

✓ Listed on the Vienna Stock exchange on July 12\(^{th}\) 2019, admitted to ATX Prime on July 15\(^{th}\) 2019 (c. 55% free float, 19.5mn shares)

Repositioned as a focused CSEE specialist lender

Operating as one region - one bank

2019, % of Group Assets

\(^1\) Finanzmarktaufsicht Österreich.
\(^2\) Includes total assets from Holding (€1,225mn) and consolidation/recon. effects of (-€1,130mn).

\(^3\) EU is calculated based on sum of total assets from Slovenia, Croatia and Holding (incl. consolidation). EU accession is calculated based on sum of total assets from Bosnia & Herzegovina, Serbia and Montenegro.
**Highlights 2019**

### €35.1mn
Result after tax

- Not comparable to 2018 due to one-offs
- One-offs:
  - 2019: pos. €+17.3mn and neg. €-22.8mn
  - 2018: pos. €+81.8mn and neg. €-8.5mn
- Challenging business climate and low market interest levels

### €2.05
Proposed dividend per share

- Overall c. €40mn dividend
- 19.5mn outstanding shares
- AGM on April 21st 2020

### 3.9%
NPE Ratio

- Down by 1.7pp (3.9% vs. ’18’s 5.6%)
- Risk releases and solid coverage at 73.8%
- Low concentration risks

### 17.7%
CET1 Ratio

- Capital ratio stable, reflecting profit and proposed dividend (2018: 17.7%)

### Growth

- Focus portfolio (Consumer & SME) up 13%
- >60% of portfolio in Focus
- Approval rates <60% reflect prudent underwriting in Consumer
- Loan interest yields stabilized

### Digital

- Digital users up 18%
- Loans sold digitally:
  - 9% consumer loans
  - 12% SME loans
- Branches down to 179 (2018: 198)
**Executive Summary YE19 (1/2)**

**Operational Performance on Track**

- **Adjusted result after tax** of €40.7mn\(^1\) up by 32% (YE18: €30.9mn\(^2\))
- **Reported result after tax** of €35.1mn (18’s €104.2mn driven by €61mn positive one-off)
- **Transitional CET1 ratio** of 17.7% including profit & proposed dividend (IFRS 9 Fully-Loaded CET1 ratio of 17.1%)
- **Adjusted Return on Tangible Equity (at 14.1% CET1 Ratio)** of 5.6% (YE18: 4.2%)

**Risk Profile Strong**

- **NPE ratio down** to 3.9%, NPE provision coverage solid at 73.8% (YE18: 5.6% and 75.4%)
- **Adjusted Cost of Risk** (net loans) at +0.2% (release) supported by releases in non-focus areas
- **Low concentration** risks, 93% of loan exposure (incl. NPEs) with no days past-due
- **No further impacts from CHF conversion law** in Serbia, no new developments elsewhere
- **Croatian ruling on CHF clauses** fully reflected in 3Q19 provisioning

**Digital Transformation Continued**

- **Digital users** increased to 206 thousand (up 18% vs. 2018)
- **Share of digitally originated consumer loans** improved to 9.0% in YE19 (3.8% in 2018) and contribution of Bank@Work increased to 27% (17% in 2018)
- **Simple SME term loans** originated digitally in Serbia and Slovenia at 13% for the full year 2019, 4Q19 at 21% (12% in 2H18) - roll-out in BiH and Montenegro well on track

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\(^1\) Main one-offs in 2019 relate to net provision on legal matters incl. CHF (€-8.8mn), CHF conversion law in Serbia (€-8.1mn), restructuring costs (€-3.9mn), costs for capital market readiness (€-2.0mn), retail debt sale (€1.9mn), costs for risk strategy adjustment (€2.1mn), sale financial instruments from restructuring proceedings (€4.3mn), deferred tax ramp up (€9.0mn).

\(^2\) Main one-offs in 2018 relate to Tier 2 expenses (€-3.6mn), costs for capital market readiness (€-2.6mn), BIT claim (€-2.0mn), costs for risk strategy adjustment (€-0.3mn), retail debt sale (€0.8mn), onerous contracts (€1.5mn), net provision on legal matters (€3.7mn), deferred tax ramp up (€15.0mn), Tier 2 waiver (€60.8mn).
Dividend Payment & Update on Regulatory Capital

- Dividend of €2.05 per share will be proposed to AGM (overall c. €40mn, 19.5mn outstanding shares)
- AGM on April 21st 2020, dividend payment on April 29th 2020
- Following the dialogue with the Austrian Regulator, P2R maintained at current level of 4.1% (20bp reduction from the draft SREP)
- During 2020, action plan regarding P2R to address regulator’s feedback
- Yearly updates on P2G (next anticipated in 4Q20) expected to reflect progress on financial and risk parameters and specifics of the CSEE region

Business Climate

- Low interest rate environment, general price pressure due to excess liquidity in the markets and increasing regulatory requirements
- Consumer lending growth curbed via additional administrative measures and recommendations introduced by local regulators towards the end of 2019 (market: +8%)
- CHF legislation in Croatia - uncertainties remain and create challenging investor climate
- Recent increase of COVID-19 cases in Europe - potential impact currently unclear

Reviewed Mid-Term Targets

- Mid-term Targets reviewed to reflect current low interest levels and business environment
**Consumer and SME: Winning by Convenience and Speed, with Digital Transformation to Complement Established Capabilities**

**Consumer**

**Strong growth in higher margin business**

Consumer - gross performing loans (€mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>NCI</td>
<td>€774</td>
<td>€1,028</td>
<td>€1,188</td>
<td>€1,342</td>
</tr>
</tbody>
</table>

*CAGR: 20.1%*

**New Business Volume: +10%**

**SME**

**Healthy SME growth**

SME - gross performing loans (€mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>NCI</td>
<td>€646</td>
<td>€791</td>
<td>€928</td>
<td>€1,059</td>
</tr>
</tbody>
</table>

*CAGR: 17.9%*

**New Business Volume: +12%**

1. Segmental data not available pre-2017 for NCI by segment/business.
2. Group NCI, excludes negative contribution from “other”.

Accelerating bancassurance reflected with 6.2% contribution to 2019 group NCI and strong FX/DCC with 17.4%

Lower yields compensated by further accelerated NCI generation via FX- and trade finance products, and continuous shift towards better ratings and shorter maturities.
**Addiko market share - unsecured consumer loans (stock outstanding, 2019E)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Serbia</td>
<td>6.0</td>
<td>+12.6%</td>
<td>+0.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td></td>
</tr>
<tr>
<td>Croatia</td>
<td>9.9</td>
<td>+5.7%</td>
<td>+0.4%</td>
<td>4.1%</td>
<td>4.1%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Bosnia &amp; Herzegovina</td>
<td>4.1</td>
<td>+6.6%</td>
<td>+0.3%</td>
<td>6.4%</td>
<td>6.4%</td>
<td></td>
</tr>
<tr>
<td>Slovenia</td>
<td>4.4</td>
<td>+6.1%</td>
<td>+0.4%</td>
<td>8.8%</td>
<td>8.8%</td>
<td></td>
</tr>
<tr>
<td>Montenegro</td>
<td>1.0</td>
<td>+9.0%</td>
<td>-0.1%</td>
<td>10.8%</td>
<td>10.8%</td>
<td></td>
</tr>
</tbody>
</table>

**Target 8 - 10%**

- Solid market growth: c. 8% growth of unsecured consumer lending market in our region (market size up by c. €1.8bn)
- Significant growth in the largest markets Croatia and specifically in Serbia
- Addiko with above market stock growth of 13%

Flow above stock market share in largest markets Croatia and Serbia

Growth in controlled manner: Controlled lending growth - continued focus on prudent underwriting to ensure risk profile and profitability

Digitalization ongoing: Addiko well positioned to strengthen market share amid increasing digitalization in the region

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1 Source: The Vienna Institute for International Economic Studies (wiiw).
2 Calculated as of 2019 based on Consumer Business gross performing loans divided by the respective local market consumer gross performing loans (market size).
3 Addiko consumer disbursements for 2019 divided by total local market consumer new business for 2019 as available.
Digital transformation continued

Digital capabilities

Registered Mobile Banking Users (ths.)
- 58
- 84
- 120
- 158

Digital Users (ths.)
- 104
- 141
- 175
- 206

- Digital users: +18%
- Mobile banking users: +32%
  (vs. 2018)

- Digital consumer loans: 9.0%
  Consumer loans originated through Web in 2019 / % of total consumer loans disbursements
  (vs. 3.8% in 2018)

- Bank@Work: 27%
  (vs. 17% in 2018)

- ~67%
  Share of automated loan decisions (only consumer loans) in 2019 (vs. 61% for 2018)

- c. 25 min¹
  Decision time across Group (only consumer loans) since launch of new APS

- Digital SME loans: 13%
  Simple SME term loans sold via digital platform in Slovenia and Serbia (vs. 12% in 2H18, 21% in 4Q19)

¹ Median as of YTD December 2019.
Liquid balance sheet
- LCR ratio: 174% (YE18: 150%)

Liquid assets
- €0.9bn of cash
- €1.1bn of investment portfolio

Data as of YE19

Liquid balance sheet
- LCR ratio: 174% (YE18: 150%)

Liquid assets
- €0.9bn of cash
- €1.1bn of investment portfolio

Data as of YE19

Strong deposit base
- Loan-deposit ratio (customer): 80.1% (YE18: 78.3%)

Data as of YE19

Funding surplus\(^1\): €0.9bn

Data as of YE19

Substantially de-risked asset base
- NPE ratio: 3.9% (YE18: 5.6%)

Solid provision coverage levels
- 73.8% NPE coverage ratio (YE18: 75.4%)
- 125.0% incl. collateral (YE18: 120.8%)

Data as of YE19

Robust capital base
- 17.1\(^2\) fully-loaded CET1 ratio (incl. profit and proposed dividend payment)

Data as of YE19

Further optimization via proposed Tier 2 issuance

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\(^1\) Calculated as difference between deposits of customers and loans and advances to customers. \(^2\) Transitional CET1 ratio amounts to 17.7% as of YE19.
**KEY PERFORMANCE DEVELOPMENT**

**Regular interest income (focus only)**

<table>
<thead>
<tr>
<th>€mn</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIM (adjusted, Group)</td>
<td>2.8%</td>
<td>+9.5%</td>
</tr>
<tr>
<td>Focus</td>
<td>112.5</td>
<td>123.2</td>
</tr>
</tbody>
</table>

- Increase in NIM due to shift from non-focus to focus, repricing of deposits and further optimization of liquidity portfolio

**Operating expenses (adjusted)**

<table>
<thead>
<tr>
<th>€mn</th>
<th>2018</th>
<th>2019</th>
<th>4Q18 (QTD)</th>
<th>4Q19 (QTD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OpEx (reported)</td>
<td>186.8</td>
<td>187.2</td>
<td>48.2</td>
<td>47.1</td>
</tr>
</tbody>
</table>

- 2019 as continuation of 2018, slight increase related to IPO expenses
- Benefits from cost optimization program will be seen in 2020 onwards

**Net fee and commission income (adjusted)**

<table>
<thead>
<tr>
<th>€mn</th>
<th>2018</th>
<th>2019</th>
<th>4Q18 (QTD)</th>
<th>4Q19 (QTD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net fee and commission income (adjusted)</td>
<td>62.4</td>
<td>+7.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus</td>
<td>29.4</td>
<td>32.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Increase due to new account packages and bancassurance as well as trade finance and guarantees with SME clients

**Result after tax (adjusted)**

<table>
<thead>
<tr>
<th>€mn</th>
<th>2018</th>
<th>2019</th>
<th>4Q18 (QTD)</th>
<th>4Q19 (QTD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result after tax (adjusted)</td>
<td>16.4</td>
<td>+7.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported</td>
<td>104.2</td>
<td>35.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Improvement in adjusted RoATE (@14.1% CET1) to 5.6% in 2019 (2018: 4.2%)
## Decreasing non-performing loan portfolio (YTD)

### NPE Volumes, €mn
- 2015: 1,229
- 2016: 761
- 2017: 606
- 2018: 404
- 1Q19: 393
- 1H19: 329
- 3Q19: 317
- 2019: 277

### NPE Coverage Ratio
- (Ex-Collateral)

<table>
<thead>
<tr>
<th>Year</th>
<th>Coverage Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>61.7%</td>
</tr>
<tr>
<td>2016</td>
<td>67.5%</td>
</tr>
<tr>
<td>2017</td>
<td>67.0%</td>
</tr>
<tr>
<td>2018</td>
<td>75.4%</td>
</tr>
<tr>
<td>1Q19</td>
<td>75.8%</td>
</tr>
<tr>
<td>1H19</td>
<td>73.2%</td>
</tr>
<tr>
<td>3Q19</td>
<td>75.3%</td>
</tr>
<tr>
<td>2019</td>
<td>73.8%</td>
</tr>
</tbody>
</table>

### NPE Ratio
- 2015: 14.3%
- 2016: 9.2%
- 2017: 8.1%
- 2018: 5.6%
- 1Q19: 5.5%
- 1H19: 4.6%
- 3Q19: 4.4%
- 2019: 3.9%

### NPE Ratio Under New Risk Framework
- 2015: NM
- 2016: 1.6%
- 2017: 1.3%
- 2018: 1.4%
- 1Q19: 1.5%
- 1H19: 1.6%
- 3Q19: 1.8%
- 2019: 1.9%

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1. Calculated as the sum of total SRP resp. Stage-3 ECL divided by total non-performing exposure.
2. Calculated as non-performing exposure divided by total credit risk exposure.
3. Calculated as non-performing exposure (new risk framework) divided by total credit risk exposure (new risk framework). Previous risk framework includes all clients where no new risk decision/approval was done after Jan-2016 - all clients which were NPE or forborne on Jan-2016 and stayed NPE since then (even if any approval was done during restructuring).
Outlook 2020 & Dividend Policy

**Outlook 2020**

- **Benign macroeconomic environment** in the countries of operations is expected to continue in the coming years, with expected macroeconomic growth in the 5 countries of operations to remain comparably steady at approximately 2.8% for 2020 after a slowdown from 2018 to 2019.
- We expect **continuous progress in shift from non-focus to focus** thereby increasing the share of focus by another 5pp, to defend margins, resulting in a growing net banking income.
- **Net fee and commission income growth** is expected to be comparable to 2019, accelerating towards the end of the year 2020 following the full implementation of the new cards platform.
- **Operating expenses** for 2020 are expected to continue the developments in 2019, while cost reductions resulting from optimisation in 2019 are widely neutralized by increases in IT related depreciation.
- Amid a stable low interest rate environment, **cost of risk** is expected to increase along a growing focus loan book and significantly less releases from the non-focus areas.
- Potential impact of COVID-19 remains unclear and will largely depend on further developments.

**Dividend Policy**

- **Addiko reconfirms its initial guidance** to distribute another €40mn for the year 2020, and an annual dividend pay-out of 60% of net profit in the following years.
- In relation to the **annual SREP process** (draft expected in autumn 2020) it is expected that the annual SREP decisions (P2R and P2G) will reflect the continuous progress in financial and risk parameters as reached in 2019, and the specifics of countries where Addiko is present.
- The distribution of **any excess capital** will follow the annual SREP decision and will be included in the dividend proposal to the AGM for the respective financial year.
- Addiko continues to pursue its capital optimization by issuing eligible capital instruments (AT1, Tier 2) reflecting the development of future capital requirements.
**Reviewed Mid-Term Targets Reflect Business Climate**

<table>
<thead>
<tr>
<th>Target metric</th>
<th>YE19 (YTD)</th>
<th>Original Mid-Term target level</th>
<th>Background</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Focus vs. Non-Focus (Gross Performing Loans)</strong></td>
<td>62% vs. 38% (gross performing loan growth of 2.7% vs. YE18)</td>
<td>80% vs. 20% (Mid single-digit gross performing loans growth)</td>
<td>Strategy and business model</td>
</tr>
<tr>
<td>Net Interest Margin</td>
<td>3.0% (adjusted)</td>
<td>c. 4.0%</td>
<td>• No change in strategy, acceleration in focus</td>
</tr>
<tr>
<td><strong>Net Fee and Commission Income Growth</strong></td>
<td>7.7% (adjusted, YE19 vs. YE18)</td>
<td>Low-Teens CAGR</td>
<td>• Continued transformation towards focus portfolio Consumer and SME, at lower volumes due to restrictions</td>
</tr>
<tr>
<td>Cost / Income Ratio</td>
<td>74.8% (adjusted)</td>
<td>&lt;45.0%</td>
<td>• Lower revenue to be mitigated with accelerated cost reduction measures</td>
</tr>
<tr>
<td><strong>Cost of Risk¹</strong></td>
<td>0.2% release (adjusted, not annualized)</td>
<td>c. (1.6)%</td>
<td>• Target capitalization remains unchanged</td>
</tr>
<tr>
<td>Return on Tangible Equity (@14.1% CET1 Ratio)²</td>
<td>5.6% (adjusted)</td>
<td>&gt;12.0%</td>
<td>Interest levels</td>
</tr>
<tr>
<td><strong>Total Capital Ratio</strong></td>
<td>17.7%</td>
<td>&gt;16.1%</td>
<td>• Original Mid-Term target (April 2019) assumed increasing rate environment</td>
</tr>
<tr>
<td>Loan / Deposit Ratio (Customer)</td>
<td>80.1%</td>
<td>c. 100.0%</td>
<td>Consumer lending restrictions</td>
</tr>
<tr>
<td>Dividend Payout</td>
<td>c. 40mn proposal to AGM</td>
<td>60.0% (of profit)</td>
<td>• Original Mid-Term targets included lending restrictions already in force or expected at the time of the IPO</td>
</tr>
</tbody>
</table>

1 Cost of risk over net loans, not annualized.  
2 Assuming theoretical tax rate of 21% and costs for T2 equal to 2% of RWAs.

**Background**

- **Strategy and business model**
  - No change in strategy, acceleration in focus
  - Continued transformation towards focus portfolio Consumer and SME, at lower volumes due to restrictions
  - Lower revenue to be mitigated with accelerated cost reduction measures
  - Target capitalization remains unchanged

- **Interest levels**
  - Original Mid-Term target (April 2019) assumed increasing rate environment

- **Consumer lending restrictions**
  - Original Mid-Term targets included lending restrictions already in force or expected at the time of the IPO
ADDITIONAL INFORMATION
### Key Financials YE19 - Reported

#### Key financials (YTD)

**Reported, €m**

<table>
<thead>
<tr>
<th></th>
<th>YE18</th>
<th>YE19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group income statement (reported)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>213.8</td>
<td>210.8</td>
</tr>
<tr>
<td>Interest expense</td>
<td>-40.7</td>
<td>-27.8</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td>173.2</td>
<td>183.0</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>62.4</td>
<td>67.2</td>
</tr>
<tr>
<td><strong>Net banking income</strong></td>
<td>235.5</td>
<td>250.2</td>
</tr>
<tr>
<td>Other income</td>
<td>53.5</td>
<td>-25.8</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>289.0</td>
<td>224.3</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>-188.1</td>
<td>-189.2</td>
</tr>
<tr>
<td><strong>Operating result</strong></td>
<td>100.9</td>
<td>35.2</td>
</tr>
<tr>
<td>Credit loss expenses on financial assets</td>
<td>2.8</td>
<td>2.9</td>
</tr>
<tr>
<td><strong>Result before tax</strong></td>
<td>103.7</td>
<td>38.0</td>
</tr>
<tr>
<td><strong>Tax on income</strong></td>
<td>0.5</td>
<td>-2.9</td>
</tr>
<tr>
<td><strong>Result after tax</strong></td>
<td>104.2</td>
<td>35.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>YE18</th>
<th>YE19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group balance sheet</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net customer loans</td>
<td>3,787.3</td>
<td>3,871.9</td>
</tr>
<tr>
<td>Total assets</td>
<td>6,152.1</td>
<td>6,083.6</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>4,836.7</td>
<td>4,831.2</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>859.5</td>
<td>861.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>YE18</th>
<th>YE19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key ratios</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NIM</td>
<td>274</td>
<td>299</td>
</tr>
<tr>
<td>Cost/income ratio</td>
<td>79.9%</td>
<td>75.6%</td>
</tr>
<tr>
<td>Cost of risk (not annualised)</td>
<td>0.1%</td>
<td>0.1%</td>
</tr>
<tr>
<td>RoATE</td>
<td>12.6%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Loan-deposit ratio (customer)</td>
<td>78%</td>
<td>80%</td>
</tr>
<tr>
<td>CET1 ratio (transitional)</td>
<td>17.66%</td>
<td>17.71%</td>
</tr>
<tr>
<td>Total capital ratio (transitional)</td>
<td>17.66%</td>
<td>17.71%</td>
</tr>
</tbody>
</table>

**Comments**

As a result of the transformation, the following adjustments need to be made:

1. T2 expenses and waiver impact (1Q18)
2. CHF conversion Serbia (law enacted in 2Q19)
   - Provisions related to CHF legal matters in Croatia in 2019
3. Gain from sale of shares related to largest NPE in Croatia
4. Restructuring costs related to optimization initiatives in 2019
5. Releases in legal provisions related to solved legal cases (active settlement strategy)
6. Capital Market readiness (IPO) costs
7. Risk allocation related to legacy corporate exposures which would not have been approved according New Risk Framework as defined in 2016 and retail debt sales
8. DTA recognition

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1 Includes net result on financial instruments and other operating result.
Key financials (YTD)

Adjusted, €mn

<table>
<thead>
<tr>
<th>Group income statement (adjusted)</th>
<th>YE18</th>
<th>YE19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>213.8</td>
<td>210.8</td>
</tr>
<tr>
<td>Interest expense</td>
<td>-37.1</td>
<td>-27.8</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td>176.7</td>
<td>183.0</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>62.4</td>
<td>67.2</td>
</tr>
<tr>
<td><strong>Net banking income</strong></td>
<td>239.1</td>
<td>250.2</td>
</tr>
<tr>
<td>Other income</td>
<td>-9.2</td>
<td>-17.9</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>229.9</td>
<td>232.3</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>-186.9</td>
<td>-187.2</td>
</tr>
<tr>
<td>Result before tax</td>
<td>45.4</td>
<td>52.1</td>
</tr>
<tr>
<td>Credit loss expenses on financial assets</td>
<td>2.3</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>Result after tax</strong></td>
<td>43.0</td>
<td>45.1</td>
</tr>
</tbody>
</table>

Key ratios

<table>
<thead>
<tr>
<th>YE18</th>
<th>YE19</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIM</td>
<td>280</td>
</tr>
<tr>
<td>Cost/income ratio</td>
<td>78.1%</td>
</tr>
<tr>
<td>Cost of risk (not annualised)</td>
<td>0.1%</td>
</tr>
<tr>
<td>RoATE</td>
<td>3.7%</td>
</tr>
<tr>
<td>RoATE (@14.1% CET1)</td>
<td>4.2%</td>
</tr>
<tr>
<td>Loan-deposit ratio (customer)</td>
<td>78%</td>
</tr>
<tr>
<td>CET1 ratio (transitional)</td>
<td>17.66%</td>
</tr>
<tr>
<td>Total capital ratio (transitional)</td>
<td>17.66%</td>
</tr>
</tbody>
</table>

Key highlights

- **Interest income**: stable mainly due to an increase in interest income in Consumer and SME (€10.8mn) compensating decrease in non-focus (€-7.4mn). Developments mainly related to:
  - One-off in 3Q18 related to a termination fee from a large public entity of €0.6mn accounted for as interest like income
  - Reduced interest income from NPEs (down €2.8mn vs. 2018) as a consequence of continued track record in NPEs reduction
  - Lower yields on bond portfolio reflecting current situation on the market (continued negative interest environment)

- **Interest expense**: decrease mainly due to active re-pricing (-0.2%) and shift from higher-yield term deposits to lower-yield current deposits, despite increase in deposit volumes

- **Net fee and commission income**: increase of €4.8mn mainly due to bancassurance, transactions and roll-out of further functionalities for guarantee and trade finance products in SME

- **Other income**: includes gains from sale of financial instruments (OCI) but influenced by IT impairments - gains from resolution of largest NPE (during YE19 closure gain removed from adjusted result)

- **Operating expenses**: relatively flat due to strict cost monitoring and ongoing cost efficiency programs

- **Credit loss expenses on financial assets**: provisioning in Consumer (€20.3mn) and SME (€3.2mn) compensated by releases in non-focus areas

- **Capital ratios remain solid** including profits and dividends

Improvement in adjusted RoATE (@14.1% CET1) to 5.6% in YE19 (YE18: 4.2%)
**Update on Capital Position**

**Breakdown of capital position and capital requirements**
Reported, transitional

<table>
<thead>
<tr>
<th>Year/Period</th>
<th>CET1</th>
<th>T1</th>
<th>T2</th>
<th>Min. req.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>17.7%</td>
<td></td>
<td></td>
<td>17.1%</td>
</tr>
<tr>
<td>1Q19</td>
<td>17.5%</td>
<td></td>
<td></td>
<td>17.1%</td>
</tr>
<tr>
<td>1H19</td>
<td>17.6%</td>
<td></td>
<td></td>
<td>17.1%</td>
</tr>
<tr>
<td>3Q19</td>
<td>17.4%</td>
<td></td>
<td></td>
<td>17.1%</td>
</tr>
<tr>
<td>2019</td>
<td>17.7%</td>
<td></td>
<td></td>
<td>17.1%</td>
</tr>
<tr>
<td>2020</td>
<td>14.6%</td>
<td></td>
<td></td>
<td>14.6%</td>
</tr>
</tbody>
</table>

Excl. profit and dividend

**RWA breakdown**
Reported, €mn

<table>
<thead>
<tr>
<th>Segment/Type</th>
<th>2018</th>
<th>1Q19</th>
<th>1H19</th>
<th>3Q19</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counterparty</td>
<td>4,545</td>
<td>5</td>
<td>4,600</td>
<td>5</td>
<td>4,625</td>
</tr>
<tr>
<td>Market</td>
<td>408</td>
<td>173</td>
<td>408</td>
<td>175</td>
<td>408</td>
</tr>
<tr>
<td>Operational</td>
<td>3,958</td>
<td>4,011</td>
<td>4,050</td>
<td>4,050</td>
<td>4,114</td>
</tr>
</tbody>
</table>

**Focus RWA as % of Total RWA**

- Counterparty: 47%, 48%, 51%, 51%, 52%
- Market: 74%, 75%, 75%, 76%, 75%
- Operational: 17.1% IFRS 9 fully-loaded (post dividend)

**Latest draft SREP for 2020 currently** indicating a Pillar 2 Requirement (P2R) of 4.1% (4.1% in 2019). In addition, a Pillar 2 Guidance (P2G) of 4% is foreseen by the draft.

**RWAs further optimized:** mainly via collateral optimization and replacement of higher risk weight sovereign exposure with lower risk weights.

**~61% of loans and receivables in focus have 52% risk weight** as of YE19.

Addiko is currently using the **standardized approach** for its RWA calculation, with most of its RWAs stemming from credit risk.

**Overall Basel IV is expected to have a limited impact on Addiko Group, as the Group determines Credit Risk RWAs using the Standardized approach, hence discussions on Internal Rating floors do not apply.**

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1. Post dividend.
2. Calculated as total RWA divided by total assets.
3. Based on segment credit RWA (i.e. excl. operational / market / counterparty RWA). Total RWA excl. Corporate Center.
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VIENNA, MARCH 2020

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investor.relations@addiko.com

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

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 December 31, 2019 approximately 0.8 million customers in CSEE, using a well-dispersed network of 179 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”) are gradually reduced over time, thereby providing liquidity and capital for the gradual growth in its consumer business and SME lending.