PRESS RELEASE
VIENNA, August 19th, 2020

Addiko Bank

Addiko Group publishes 1H20 net loss of €-12.2mn: Asset quality and capital ratio remain robust

- **Reported YTD 1H20 result after tax of €-12.2mn (1H19: €+20.2mn)**
- **Second quarter's result after tax improved to €-3.8mn vs €-8.4mn in 1Q20**
- **Credit loss expenses increased to €-29.2mn YTD addressing macroeconomic environment in line with IFRS 9**
- **Operating result before change in credit loss expenses at a solid €+27.6mn, up by 14.5% YoY tampered by full second quarter Covid-19 business impact**
- **Return on Tangible Equity (@14.1% CET1 ratio) dropped to -1.0% (YE19: 5.6%, including adjustments)**
- **NPE ratio of 3.6% with stable NPE provision coverage at 73.2%**
- **Significantly strengthened transitional CET1 ratio of 19.0% (IFRS 9 fully-loaded CET1 ratio of 18.2%), communicated 2019 dividend already deducted**
- **Updated Outlook 2020, Mid Term Targets to be reviewed based on further clarity on the impact of the Covid-19 pandemic**

Vienna, August 19th, 2020 – Addiko Group, a Consumer and SME specialist bank headquartered in Austria, released its unaudited results for the first half of 2020 today, reporting a net loss of €-12.2mn (1H19: €+20.2mn). The result after tax is determined by a solid operating result, successful cost containment and a significant increase in risk provisioning predominantly associated with macroeconomic expectations due to Covid-19. Despite the negative result, the bank's capital position has been further strengthened with a fully-loaded CET1 ratio of 18.2%, keeping funding stable and liquidity solid. The Group has successfully maintained its robust asset quality and has tightened underwriting criteria preferring sustainable portfolio quality over new business and volume growth.

"In the current unprecedented global crisis, Addiko Group maintains its direction to support clients in their financial challenges, giving them smooth access to moratoriums, support targeted programs and help customers to continue making informed financial decisions in a straightforward manner. For us, it was and remains essential to ensure the continuity of the bank's operations in these challenging times, and I am proud and thankful to all employees who have swiftly adjusted to the new circumstances. Addiko's leadership team remains fully focused on what really matters, the accelerated execution of our established strategy, improving our digital capabilities and managing our cost base down sustainably while maintaining a robust asset quality. I am confident this allows us to create value for our shareholders, customers and employees.", said Csongor Németh, CEO of Addiko Bank AG.

First half 2020 characterized by focus on cost containment and maintenance of risk profile

The **result after tax** of €-12.2mn (1H19: €+20.2mn) was mainly impacted by an increase in risk provisions to €-29.2mn due to IFRS 9 model adjustments in the context of macroeconomic expectations, while pure operational cost of risk was better than expected. The **operating result before change in credit loss expenses** for the first six months 2020 rose by 14.5% YoY to €+27.6mn (1H19: €+24.1mn).

Addiko continued to execute its focus strategy reflected in the 63% **share of the two focus segments Consumer and SME** of the gross performing loan book (1H19: 60%). The size of the overall gross performing loan book declined to €3,758mn in the second quarter (1Q20: €3,845mn) as a result of the managed run-down of non-focus according to plan. The focus portfolio volume remained stable, driven by lower loan demand and tightened underwriting criteria for new business.

Net interest income declined by 2.6% to €88.6mn (1H19: €91.0mn), driven by reduced new business, with **NIM** stable remaining at 2.97% (1H19: 2.97%). As a result of less social and economic activity, **net fee and commission income** dropped to €28.9mn (1H19: €32.0mn) while **operating expenses** have been significantly reduced by 12.9% YoY to €-83.3mn (1H19: €-95.6mn) following the execution of efficiency programs, Covid-19 related reductions in spending and the exclusion of bonus accruals in 1H20. The resulting **cost-income ratio** therefore improved to 70.9% vs. the same period last year (1H19: 77.8%).

The **non-performing exposure (NPE)** stood at €244.3mn, stable compared to 1Q20’s €239.2mn and reduced vs. YE19’s €276.5mn. The **NPE ratio** amounted to 3.6% (YE19: 3.9%) at a stable **NPE coverage** of 73.2% (YE19: 73.8%). The **coverage for performing business assets** (Stage 1 & 2) increased by circa 40% to 1.8% reflecting Covid-19 caused macroeconomic IFRS 9 model adjustments, verified by portfolio screening initiatives.

The NPE development is affected by moratoria introduced in CSEE preventing defaults for potentially impacted exposures. 15% of Addiko Group’s total exposure is currently in moratoria, with over 90% of the credit risk bearing exposures remaining to be without any overdues.

The **CET1 ratio** has significantly improved to 19.0% on a transitional basis (18.2% IFRS 9 fully-loaded), supported by operational RWA reduction and regulatory changes. The previously proposed dividend for the year 2019 remains deducted from the current capital ratio.

The Management Board of Addiko Bank AG remains committed to its communicated dividend proposal with timing being dependent on the lifting of the recently introduced regulatory measures. The postponed AGM will take place in the fourth quarter of 2020.

For the **second half of 2020** Addiko Group expects lower levels of activity on new loan generation, mainly driven by higher unemployment rates, limited economic development and reduced demand for financing, which will certainly impact net banking income. The cost of risk for the second half of 2020 will ultimately depend on the length and severity of the Covid-19 related disruption. For the **full year 2020** the Group expects gross performing loans to amount to ca. €3.5bn, Net Banking Income to be 7-10% below the level for the year 2019, operating expenses to remain below €175mn, credit loss expenses on financial assets to be in the range of 1.1% to 2.2% on average loans and advances to customers and a CET1 ratio on a transitional basis being above 19% (with the previously proposed 2019 dividend already being deducted).

The earnings release 1H20 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 June 30, 2020 approximately 0.8 million customers in CSEE, using a well-dispersed network of 176 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.