Addiko Bank

Addiko Group publishes 3Q20 YTD result of €-6.4mn: Improved underlying performance, solid asset quality and further strengthened capital ratios

- **Reported YTD 3Q20 result after tax of €-6.4mn (1H20: €-12.2mn, 3Q19: €+23.4mn)**
- **Positive third quarter result after tax of €+5.8mn (2Q20: €-3.8mn, 1Q20: €-8.4mn)**
- **Credit loss expenses increased to €-37.8mn YTD (1H20: €-29.2mn) reflecting economic uncertainty and prudent provisioning against the current environment**
- **Operating result before change in credit loss expenses up by c. €14mn to €42.4mn (c. 48% on YTD 3Q19's €28.6mn) supported by lower OPEX, despite Covid-19 impact on top-line**
- **NPE volumes and ratio stable at 3.6% (1H20: 3.6%, YE19: 3.9%) with NPE provision coverage at 73.7% (1H20: 73.2%, YE19: 73.8%)**
- **Further strengthened transitional CET1 ratio of 19.2% (IFRS 9 fully-loaded CET1 ratio of 18.5%), communicated 2019 dividend already deducted**
- **Revised Outlook 2020, Mid Term Targets currently being finalised**
- **Virtual AGM on November 27th 2020, aiming for conditional decision on 2019 dividend**

Vienna, November 4th, 2020 – Addiko Group, a Consumer and SME specialist bank headquartered in Austria, released its unaudited results for the first nine months of 2020 today, reporting a YTD net loss of €-6.4mn, improved vs. 1H20's €-12.2mn. The third quarter profit after tax of €+5.8mn is supported by a solid operating performance as well as a successful cost containment. The bank's capital position has been further strengthened with a fully-loaded CET1 ratio of 18.5%, keeping the funding situation stable and liquidity solid. Asset quality continued to remain robust.

"The third quarter of 2020 has shown a slight recovery of the economic environment in our countries of operation, which was especially reflected in higher customer activity and an increase in new lending opportunities. Together with diligent cost containment and further efforts to optimize Addiko's balance sheet, it enabled us to deliver a net profit of €5.8mn. The previous months have proven that we can rely on our strengths, namely, our robust asset quality - result of our prudent risk approach - and our strong capital position. The current global crisis also offers opportunities. We fine-tuned our business model and sharpened our digital strategy, we also initiated further cost reduction measures to make our organisation leaner. We strongly believe that Addiko is on track to create value for our shareholders, customers and employees. Despite the positive developments in Q3, we must remain cautious given the high volatility and uncertainty on how the situation will unfold", said Csongor Németh, CEO of Addiko Bank AG.

First nine months 2020: Improved underlying operational performance and robust asset quality

The improvement of the YTD **result after tax** to €-6.4mn (3Q19: €+23.4mn) was mainly influenced by a positive third quarter result after tax of €+5.8mn and solid operational performance. **Credit loss expenses** increased to €-37.8mn (1H20: €-29.2mn) reflecting economic uncertainty and prudent provisioning against the current environment, while the increase of provisions due to regular business activities amounts to €-15.9mn. The **operating result before change in credit loss expenses** for the first nine months 2020 rose by c. 48% YoY to €+42.4mn (3Q19: €+28.6mn).

The **share of the two focus segments Consumer and SME** of the gross performing loan book increased to 64% (3Q19: 61%). The size of the overall gross performing loan book declined to €3,692mn in the third quarter (1H20: €3,758mn) as a result of the managed run-down of the non-focus area according to plan. The focus portfolio volume remained stable with new business activities in the focus areas starting to pick up.

Net interest income declined by 3.6% to €131.7mn (3Q19: €136.7mn) with stable **NIM** at 2.94% (3Q19: 2.96%). **Net fee and commission income** decreased by 10.8% to €44.3mn YoY (3Q19: €49.6mn) while improving by 12.5% over the previous quarter (2Q20: €13.7mn). **Operating expenses** have been managed down by 12.0% YoY to €-125.1mn (3Q19: €-142.1mn), resulting in an improved **cost-income ratio** of 71.1% (3Q19: 76.3%).

The **non-performing exposure (NPE)** stood at €247.6mn, stable compared to 1H20's €244.3mn and reduced vs. YE19's €276.5mn. The resulting **NPE ratio** amounted to 3.6% (YE19: 3.9%) at a stable **NPE coverage** of 73.7% (YE19: 73.8%). The overall exposure in moratoria significantly decreased during the third quarter to €667mn (-34% vs. 1H20's €1,011mn) representing 10% of Addiko Group's total exposure currently being in moratoria. So far, more than 90% of the expired moratoria portfolio has been behaving neutral in terms of customers' payment behaviour.

The **CET1 ratio** further improved to 19.2% on a transitional basis (18.5% IFRS 9 fully-loaded). The previously proposed dividend for the year 2019 remains deducted from the reported capital ratio. The Management Board of Addiko Bank AG remains committed to its communicated dividend proposal aiming at a conditional dividend decision at the upcoming virtual AGM on November 27th.

For the **full year 2020** the Group revised its guidance now expecting gross performing loans to amount to ca. €3.6bn (previously €3.5bn), and credit loss expenses on financial assets to be max. 1.5% on average loans and advances to customers (previously 1.1% to 2.2%). The other items remained unchanged to the previous disclosure in August with Net Banking Income to be 7-10% below the level for the year 2019, operating expenses to remain below €175mn and a CET1 ratio on a transitional basis being above 19% (with the previously proposed 2019 dividend already being deducted).

The earnings release 3Q20 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 supervised by the Austrian Financial Market Authority and by the European Central Bank, 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, 2020 approximately 0.8 million customers in CSEE, using a well-dispersed network of 175 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.