Addiko Bank

Addiko Group with YE20 net profit of €1.4mn: Return to positive result during second half 2020

- **Reported YE20 result after tax of €+1.4mn vs. 1H20's €-12.2mn (YE19: €+35.1mn)**
- **Positive fourth quarter result after tax of €+7.8mn**
- **Credit loss expenses increased to €-48.4mn (YE19: +2.9mn), predominantly driven by IFRS 9 model adjustments and Stage 2 developments**
- **Operating result (before change in P&L structure) up by c. 56% to €54.7mn (YE19: €35.2mn) supported by strong OPEX discipline, despite Covid-19 impact on top-line**
- **NPE volume down by c. 12% YoY, NPE ratio stable at 3.5% (YE19: 3.9%) with NPE provision coverage at 73.6% (YE19: 73.8%)**
- **Addiko delivered on its communicated Outlook 2020 and provides update on Outlook 2021**
- **Further strengthened transitional CET1 ratio of 20.3% (19.3% IFRS 9 fully-loaded) with entire envisaged dividend amount already deducted**
- **Dividend of up to c. €46.6mn (€2.39 per share) to be proposed to AGM 2021, the first part of c. €7.0mn unconditional, the remainder conditional**

Vienna, 10 March 2021 – Addiko Group, a Consumer and SME specialist bank headquartered in Austria, released its audited results for the full year of 2020 today, reporting a net profit of €1.4mn. The fourth quarter profit after tax of €7.8mn was supported by the economic recovery during the second half of the year, restarting business activities and tightly managed operating costs. The overall result was significantly impacted by a considerable increase in risk provisioning, predominantly driven by macroeconomic and portfolio behaviour expectations due to Covid-19. The Group has successfully maintained its robust asset quality by upholding its prudent risk approach preferring sustainable portfolio quality over new business and volume growth.

The **CET1 ratio** further improved to 20.3% on a transitional basis (19.3% IFRS 9 fully-loaded) with the dividend amount of up to c. €46.6mn already deducted. Overall, the funding situation remained stable and liquidity solid.

"The net profit of EUR 1.4mn is a respectable achievement after reporting a loss of €12.2mn for the first six months of the year 2020. This was a result of the slight economic recovery and the ramp-up of new business activities during the second half of the year while we continued to tightly manage operating costs. The outlook for 2021 and a return to a pre-crisis operating environment will largely depend on the evolution of the pandemic. Our strategy and our digital & operational platform position us favourably to continue supporting customers and delivering value for our shareholders. It was and will remain to be of highest priority for us to ensure the safety and well-being of our customers and our staff while we continue with our efforts to gain a level playing field for our capital requirements", said Csongor Németh, CEO of Addiko Bank AG.

Dividend proposal envisaged at upcoming AGM 2021

Following a constructive dialogue, and considering the European Central Bank (ECB) recommendation on dividend distribution, the Management Board of Addiko Bank AG aims for a **dividend proposal at the upcoming AGM on 26 April 2021** consisting of the communicated 2019 dividend of €40mn (carried forward to the financial year 2020) and, in addition, a further distribution related to the year 2020. In total, the Bank plans to generate **shareholder return of up to c. €46.6mn** (€2.39 per share), for a total of 19.5 million shares, to be distributed via an unconditional and a conditional tranche, subject to shareholder approval.

The **first unconditional tranche of c. €7.0mn** (€0.36 per share) represents the maximum dividend allowed under the currently valid recommendations of the ECB, while the **second conditional tranche of up to ca. €39.6mn** (up to €2.03 per share) is envisaged upon the lifting of the ECB restrictions after 30 September 2021 - under the condition that until 31 January 2022 neither a recommendation of the ECB would, in the company's view, conflict with a distribution of dividends nor a legally mandatory distribution restriction is effective or applicable.

For the full year 2020, the Group has delivered on its guidance

The improvement of the **result after tax** to €+1.4mn (YE19: €+35.1mn) was mainly achieved by a fourth quarter net profit of €+7.8mn, following a positive third quarter (€+5.8mn). **Credit loss expenses** increased to €-48.4mn vs. 3Q20’s €-37.8mn (YE19: release of €+2.9mn) reflecting economic uncertainty and prudent provisioning against the current environment. The **operating result before change in credit loss expenses** for the full year 2020 rose by c. 56% YoY to €+54.7mn (YE19: €+35.2mn) before the change in the P&L structure (up 15.1% YoY based on the new P&L logic: YE20: €+62.8mn vs. YE19: €+54.6mn).

The **share of the two focus segments Consumer and SME** of the gross performing loan book increased to 65% (YE19: 62%). The size of the overall gross performing loan book declined to €3,604mn (YE19: €3,870mn) as a result of stricter underwriting during the global crisis as well as the managed run-down of the non-focus portfolios according to expectations. The focus portfolio volume remained stable with new business activities starting to pick up during the second half of 2020.

Net interest income declined by 4.5% to €174.4mn (YE19: €183.0mn) with relatively stable **NIM** at 2.91% (YE19: 2.99%). **Net fee and commission income** decreased by 11.0% to €59.8mn YoY (YE19: €67.2mn), mainly as a result of lower new business volumes. **Operating expenses** have been successfully managed down by €19.4mn or 10.3% YoY to €-169.7mn (YE19: €-189.1mn), driven by rigorous cost containment efforts as well as Covid-19 related savings. The resulting **cost-income ratio** was at 72.4% for the full year 2020 (YE19: 75.6%).

The **non-performing exposure (NPE)** stood at €243.7mn, stable compared to 3Q20’s €247.6mn and reduced by 11.9% vs. YE19’s €276.5mn. The resulting **NPE ratio** amounted to 3.5% (YE19: 3.9%) at a stable **NPE coverage** of 73.6% (YE19: 73.8%). The **NPE ratio related to on-balance loans** decreased to 5.9% vs. YE19’s 6.2%. The overall exposure in moratoria continued to decrease during the fourth quarter to c. €164mn vs. 3Q20’s c. €667mn (-84% vs. 1H20’s high of c. €1,011mn) representing 2.4% of Addiko Group’s total exposure being in moratoria as of year-end 2020. Overall, more than 90% of the loan portfolio has remained to be current, with no overdues.

Addiko Bank

Outlook 2021

The **development in 2021** will largely depend on the evolution of the pandemic. Based on the current assessment **the Group expects for the full year 2021**:

- Gross performing loans at c. €3.5bn with >5% growth in focus,
- Net Banking Income stable at 2020 level
- Operating expenses below €174mn
- CET1 ratio on a transitional basis being above 18.6%
- Credit loss expenses on financial assets below 1% on average loans and advances to customers

The YE20 results release 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.

Contact
Edgar Flaggl / Constantin Gussich
Investor Relations & Group Corporate Development
investor.relations@addiko.com

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 (where it operates via two banks), Serbia and Montenegro. Through its six subsidiary banks, Addiko Group services as of 31 December 2020 approximately 0.8 million customers in CSEE using a well-dispersed network of 168 branches and modern digital banking channels.

Based in its focused strategy, Addiko Group has repositioned itself as a specialist Consumer and SME banking group with a focus on growing its Consumer and SME lending activities as well as payment services (its "focus areas"). It offers unsecured personal loan products for consumers and working capital loans for its SME customers, and is largely funded by retail deposits. Addiko Group's Mortgage business, Public and Large Corporate lending portfolios (its "non-focus areas") have been gradually reduced over time, thereby providing liquidity and capital for continuous growth in its Consumer and SME portfolios.