Addiko Bank

Addiko Reports Profit of €9.6 Million for the First Nine Months: Transformation and Economic Recovery Show Results

- **Result after tax of €9.6 million for the first nine months vs loss of €-6.4 million last year**
- **First results of Transformation Program to become leading specialist bank for Consumers & SMEs already visible in results, operations; Focus portfolio grew by about 5% year-to-date**
- **Share of focus areas Consumers and SMEs at 71% of gross performing loan book**
- **Remaining 2020 dividend of €2.03 per share to be paid on 11 November 2021**
- **Addiko to focus on growth areas with new business initiatives and digital innovations**

Vienna, 3 November 2021 – Addiko Group, a Consumer and SME specialist bank active across Central and South-Eastern Europe (CSEE), released its unaudited results for the first nine months of 2021 today, reporting a profit after tax of €9.6 million.

"We have launched an ambitious Transformation Program in August 2021 and can already see first results: We aligned our organisational structure with our specialist strategy, accelerated our loan book transformation and are now working on initiatives to boost growth in our focus areas," said Herbert Juranek, CEO of Addiko Bank AG, *"Overall, 2021 is economically better than previously expected driven by a quick recovery and increased household consumption. Despite a certain volatility because of the ongoing pandemic, we see a normalisation of business activities."*

First nine months 2021 performance

- **Operating result at €43.5m vs €47.3m last year**
- **Provisioning at -0.4% Cost of Risk with €-12.9m, down from CoR of -1.0% or €-37.8m YoY**
- **NPE ratio at 3.4% (YE20: 3.5%) with NPE coverage at 71.2% (YE20: 73.6%)**
- **Transitional CET1 ratio remains strong at 19.8% and IFRS 9 fully-loaded at 19.1% - with full 2020 dividend already deducted**
- **3Q21 EPS of €0.49**

The **result after tax** of €9.6m for the first nine months (3Q20: €-6.4m) reflects lower **credit loss expenses** of €-12.9m or -0.4% Cost of Risk (3Q20: €-37.8m). Despite the improving macroeconomic environment, Addiko did not release the IFRS 9 post-model overlay provisions recognised during 2020.

The **share of the two focus segments Consumer and SME** of the gross performing loan book increased to 71% compared with 65% at year-end and is in line with Addiko's overall business strategy. The size of the overall gross performing loan book decreased to €3.48b compared with €3.60b at the end of 2020 driven by the accelerated run-down in non-focus areas. The focus portfolio continued to grow ca. 5% in the first nine months of 2021 after a decline during the pandemic.

The **operating result** decreased by 8.1% to €43.5m (3Q20: €47.3m) on costs for management changes, restructuring and regular bonus accruals, with the latter not having been included in the previous year.

Net interest income declined by 3.8% to €126.8m (3Q20: €131.7m) with **NIM** at 2.85% (3Q20: 2.94%). **Net fee and commission income** increased significantly by 11.7% YoY to €49.5m (3Q20: €44.3m). **Operating expenses** went up by 2.0% YoY to €-127.5m (3Q20: €-125.0m) mostly driven by one-off costs and the return to regular bonus accruals.

The **cost-income ratio** improved to 67.2% in the third quarter from 71.8% in the second quarter, overall resulting in 72.3% for the first nine months of 2021 (3Q20: 71.0%).

The **NPE ratio** stood at 3.4% (YE20: 3.5%) at an **NPE coverage** of 71.2% (YE20: 73.6%). The **NPE ratio related to on-balance loans** stood at 5.9% (YE20: 5.9%) based on a **non-performing exposure (NPE)** of €238m (YE20: €244m). The stable NPE development is the result of Addiko's robust asset quality as well as a prudent risk approach and influenced by the remaining exposure in moratoria.

The overall exposure in moratoria decreased significantly to €75m (YE20: €164m) predominantly in Serbia (c. 65%) most of which expired end of October 2021. In total, only 1.1% of Addiko Group's total exposure was in moratoria as of 3Q21 with ca. 93% of the business portfolio remaining without overdues.

The **CET1 ratio** stayed strong at 19.8% on a transitional basis (19.1% IFRS 9 fully-loaded) with the approved second tranche of the dividend of ca. €39.6m already fully deducted. The **remaining dividend of €2.03** per share **will be distributed on 11 November 2021**.

For the full year 2021, the Group currently expects:

- REVISED: Gross performing loans at ca. €3.35b (previously c. €3.5bn) with more than 5% growth in focus areas
- Net Banking Income stable at 2020 level
- Operating expenses to remain below €174m
- CET1 Ratio above 18.6% on a transitional basis
- Sum of other result and credit loss expenses on financial assets <1% on average net loans and advances to customers (previously: Credit loss expenses on financial assets <1% on average net loans and advances to customers)

The 3Q21 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.

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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 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 30 September 2021 approximately 0.8 million customers in CSEE using a well-dispersed network of 161 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.