Press release
VIENNA, 2 February 2022

Addiko Bank

Addiko Bank business update following Slovenia retroactive CHF law vote:
Bank to pursue legal remedies; strategy unchanged

Addiko Bank AG has published an ad-hoc release on 25 January 2022 regarding the planned vote of the Slovenian National Assembly on a retroactive CHF law.

Today, the National Assembly of Slovenia passed the “Law on limiting and distributing currency risk among creditors and borrowers of loans in Swiss francs”. The law will come into effect 15 days after publication in the official gazette and requires all affected banks to prepare the necessary documentation and calculation for a potential reimbursement to customers within 60 days thereafter.

The purpose of the proposed law is to restructure consumer loans denominated in CHF (or containing a currency clause in CHF) that were concluded up to 17 years ago, between 28 June 2004 and 31 December 2010. Inter alia, lenders are required to retroactively introduce an exchange rate cap clause in relation to all such agreements for CHF loans concluded in the aforementioned period. This means that almost all currency developments that are disadvantageous for the borrower must be borne by the lending banks. The rule would apply from the time of the conclusion of the loan and would be applicable to any fluctuation in the exchange rate of more than 10%.

Despite the difficulties banks are facing in interpreting the law’s terms and the retroactivity of up to 17 years, Addiko Bank AG has conducted a preliminary impact assessment, according to which it assessed a negative impact caused by the implementation of the new law in the range of approximately EUR 100 to 110 million, based on its own interpretation and assuming a worst-case scenario. Such negative impact would result in a net loss for the financial year 2022. Consequently, no regular dividends are expected to be paid out for the financial years 2021 and 2022. The management commits to mitigation measures, aiming to reduce the law’s negative impact on the CET 1 capital ratio by more than 0.75% (IFRS 9 fully-loaded) until the year-end 2022, based on the planned development in risk weighted assets, associated with the accelerated run-down of the non-focus portfolio, and the expected organic profit generation.

"*The vote today is short-sighted and against the interests of all Slovenians and not only against the banks. It is a decision that will benefit over-proportionally only a few people. For our subsidiary in Slovenia, just about a tenth of affected borrowers would take a pay-out of roughly half of Addiko’s estimated impact*" said Herbert Juranek, the CEO of Addiko Bank.
"*Addiko will maintain a solid balance sheet and is fully committed to serve its customers. Our January 2022 business growth was in line with our ambitions, and we will continue to execute our strategy in the region. However, today’s vote on a retroactive law is setting a negative precedent in the Eurozone and will damage Slovenia's reputation among its European partners. Banks will challenge the constitutionality of this law in Slovenia and will rely on courts to uphold the most important fundamental legal principles.*"

Based on the preliminary impact assessment, Addiko Bank AG reiterates the expectation that both Addiko Bank AG and Addiko Group will remain well above mandatory capital requirements and its existing capitalisation will be sufficient to cover the impact from the implementation of the law. At the end of third quarter 2021, the transitional CET1 ratio stood at 19.8% for Addiko Group (19.1% IFRS 9 fully-loaded) and the transitional and fully-loaded CET1 ratio at 46.86% for Addiko Bank AG.

According to preliminary and unaudited year-end 2021 financials, the transitional CET1 ratio of Addiko Group improved to 21.8% on a transitional basis and 21.2% IFRS 9 fully-loaded compared to the third quarter 2021.

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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 31 December 2021 approximately 0.8 million customers in CSEE using a well-dispersed network of 155 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.