

Addiko Reports Profit of €13.6 Million for 2021, Expects above 10% Growth in Consumer and Small Businesses

- First results of transformation and growth program visible:
 - Growth in focus loan book at 9.5% excluding medium SME loans
 - Operational OPEX run-rate reduction of €10m to reach 2022 OPEX guidance
 - Non-Performing Exposure down by 20%
- New business generation strongest in fourth quarter: up by 15% versus 4Q20
- Transitional CET1 ratio improved to 22.2%
- For 2022, Addiko expects loan growth in focus area of more than 10% and total performing loans at ca. €3.3b
- Addiko Bank sets ambitious mid-term targets to create value

Vienna, 9 March 2022 - Addiko Group, a Consumer and SME specialist bank active across Central and South-Eastern Europe (CSEE), released its audited results for the full year 2021 today, reporting a profit after tax of €13.6 million.

“We reported good results across our Consumer and SME businesses, benefiting from our Transformation Program and from a pickup in new lending to both Consumers as well as Micro and Small companies. Overall, 2021 net profit amounted to €13.6 million compared to €1.4 million in the previous year,” Group CEO Herbert Juranek commented.

“We successfully reduced our non-performing loan ratio to a new low of 2.9% which was also supported by the solid economic growth in our region despite periodic waves of the Omicron variant.

Our Transformation Program and the continued upbeat sentiment of small businesses and consumers in our region make us feel optimistic about how we are positioned entering 2022 - despite the legislative Swiss franc surprise in Slovenia and potential spill-over effects from the Russia-Ukraine war.

Going forward, we will continue to be active in driving new customer acquisition by developing new digital offerings, improving our performance and embracing the responsibility to our customers and our community,” added Juranek.

2021 performance in line with guidance

- Operating result at €54.9m vs €62.8m last year
- Provisioning at -0.4% Cost of Risk with €-13.2m, down from CoR of -1.4% or €-48.4m YoY
- NPE ratio at 2.9% (YE20: 3.5%) with NPE coverage at 71.9% (YE20: 73.6%)
- Dividend of €46.6m (€2.39 per share) distributed in two tranches in 2021, no dividend to be paid for 2021 on the back of the CHF law in Slovenia
- 2021 EPS of €0.70

The result after tax of €13.6m (2020: €1.4m) was supported by a good operating performance and the Transformation Program. Moreover, the CSEE region showed solid growth and exceeded previous forecasts with strong household consumption, flourishing business investments and a rebound in tourism. Credit loss expenses of €-13.2m or -0.4% Cost of Risk (2020: €-48.4m) were lower than expected.

The share of the two focus segments Consumer and SME of the gross performing loan book increased to 74% compared to 65% at year-end 2020 and is in line with Addiko's overall business strategy. The size of the overall gross performing loan book decreased to €3.28b compared to €3.60b at the end of 2020 driven by the accelerated run-down in the non-focus areas (-33% YoY) as well as the reduction in the low yielding higher-size medium SME loan book. The overall focus book growth was at 4%, the focus portfolios excluding the medium SME loans grew by 9.5%.

The operating result decreased by 12.5% to €54.9m (YE20: €62.8m) 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 2.9% to €169.5m (YE20: €174.7m) with NIM at 2.88% (YE20: 2.91%). Net fee and commission income increased significantly by 11.7% YoY to €66.8m (YE20: €59.8m). Operating expenses went slightly up by 0.8% YoY to €-171.1m (YE20: €-169.7m) mostly driven by one-off costs and the return to regular bonus accruals. The cost-income ratio stood at 72.4%.

The NPE ratio stood at 2.9% (YE20: 3.5%) at an NPE coverage of 71.9% (YE20: 73.6%) The NPE ratio related to on-balance loans stood at 4.0% (YE20: 4.7%) based on a non-performing exposure (NPE) of €194m (YE20: €244m). The successful reduction of the NPE volume by 20% is a result of Addiko's Transformation Program.

The overall exposure in moratoria decreased significantly to only €2.4m (3Q21: €75m). In total, only 0.03% of Addiko Group's total exposure was in moratoria as of YE21 with ca. 94% of the business portfolio remaining without overdues.

The CET1 ratio improved to 22.2% on a transitional basis and to 21.6% IFRS 9 fully-loaded (2020: 20.3% and 19.3%, respectively) mainly driven by the significant reduction in RWAs.

Recent developments

As already disclosed, the "Law on limiting and distributing currency risk among creditors and borrowers of loans in Swiss francs" (CHF law), as passed by the Slovenian National Assembly on 2 February 2022, entered into force on 26 February 2022. The law requires lenders to retroactively introduce an exchange-rate cap clause of 10% in relation to all agreements for CHF loans concluded between 28 June 2004 and 31 December 2010 (retroactively up to 17 years). Addiko calculated a worst-case scenario of €100m to €110m based on its own interpretation of the imprecise nature of this legislation as disclosed on 2 February 2022. Consequently, no dividend will be paid for 2021, the dividend 2022 will be dependent on further developments.

On 28 February 2022, Addiko filed an appeal against the CHF law with the Constitutional Court in Slovenia, combined with a request for suspensive effect, as the law contradicts European law and the Slovenian Constitution in the view of Addiko which was confirmed by several Slovenian and international law firms. In addition, Addiko filed a request for arbitration with the ICSID in Washington, DC against the Republic of Slovenia on the infringement of the bilateral investment treaty (BIT claim).

Related to impacts from the Russia-Ukraine war, Addiko Group's direct credit exposure to Ukraine, Russia and Belarus is below €10.000. Any limits to affected banks in CSEE were cut in time. The indirect exposure amounts to up to €13m while potential impacts, if any, are being analysed. The overall global impact and knock-on effects on the region cannot be assessed at this point.

New Mid-Term Targets and Outlook 2022

The new Mid-Term Targets starting with the business year 2022 are in line with the Transformation Program:

Business Growth	Mid-Term Target
Loan book in focus areas	ca. 95%
Net interest margin	ca. 3.8%
Focus loan book growth	ca. 10% CAGR
Cost of risk (net loans)	ca. -1.4%
Loan/deposit ratio	<100%

Cost Base	
Cost income ratio	ca. 50%

The above leading to	
Return on tangible equity (14.1% CET1 Ratio)	>10%
Total capital ratio	>16.1%
Annual dividend payout	60% of net profit

For the full year 2022, the Group currently expects:

- Gross performing loans at ca. €3.3b with more than 10% growth in focus areas
- Net Banking Income stable at 2021 level despite accelerated run-down in non-focus
- Operating expenses below €165m (excluding the EURO project in Croatia estimated at a mid-single digit € million cost)
- CET1 Ratio above 18.6% on a transitional basis
- Sum of other result and credit loss expenses on financial assets at ca. 1% on average net loans and advances to customers

The above-listed Outlook 2022 and Mid-Term Targets do not consider any potential impacts from the Slovenian CHF law or any potential knock-on effects from the Ukraine conflict on the CSEE region.

The 2021 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 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.