

Addiko Almost Doubles Profit for 2022 to €25.7 Million

- Net profit in 2022 almost doubles to €25.7m vs. €13.6m in previous year
- Transformation Program yields higher new business while maintaining cost discipline:
 - Operating result increases by 34%
 - New business in focus area up 24%
 - Growth in focus loan book excluding medium SME loans at 17%
- CET1 ratio at 20.0% with proposed dividend already deducted
- New share buyback in preparation
- Dividend proposal of €1.21 per share for the years 2021 and 2022

Vienna, 8 March 2023 - Addiko Group, a Consumer and SME specialist bank active across Central and South-Eastern Europe (CSEE), achieved a profit after tax of €25.7 million for the full year 2022, almost doubling the €13.6 million a year earlier.

“Addiko is a much better organisation, responding fast to changing customer needs. Our transformation is visible in the improvement of processes and digital capabilities, higher productivity and the cooperation with a fintech in Slovenia and Croatia,” said CEO Herbert Juranek. *“We achieved double-digit volume growth in the focus areas Consumer and SME while efficiently managing our costs. Furthermore, we accelerated our credit card business and increased revenues.”*

The bank also made further progress on risk and substantially reduced its non-performing loan ratio to a new low of 2.4%. *“This confirms that we are on the right track as we gain new customers and disburse more loans in a more difficult macroeconomic environment while keeping our prudent risk approach,”* Juranek said.

“In 2023, we have entered a new phase of our transformation to become the best specialist bank for unsecured lending in the CSEE region by launching an Acceleration Program. At the centre of Addiko’s new transformation efforts are the skills of our employees and our enhanced focus on digital innovation so that we can offer the best products and services to consumers and business owners across the region,” Juranek added.

Solid results in 2022 with significant growth in focus business:

- Operating result up 34% to €73.6m vs. €54.9m last year
- Operating expenses below guidance
- Cost of Risk at 0.47% or €15.4m compared to €13.2m a year earlier
- NPE ratio down to 2.4% (2021: 2.9%) with increased NPE coverage at 75.4% (2021: 71.9%)
- Return on Tangible Equity (at 14.1% CET1 ratio) up to 4.5% (2021: 2.5%)
- 2022 EPS of €1.32 compared to €0.70 a year earlier

The result after tax of €25.7m (2021: €13.6m) was supported by a strong business development, solid performance in cost management and balanced credit losses. Credit loss expenses stood at €15.4m or 0.47% Cost of Risk (2021: €13.2m). While the underlying asset quality continued to be strong, Addiko decided to remain prudent in provisioning and increased the post-model adjustment to €20.7m to reflect uncertainties and the high volatility in the macroeconomic environment.

The **share of the two focus segments Consumer and SME** of the gross performing loan book increased to 82% compared to 74% at year-end 2021. The overall customer gross performing loan book at €3.30b remained stable compared to €3.29b at the end of 2021 despite the intentional and accelerated run-down in the non-focus areas as well as the reduction in the low-yielding higher-size medium SME loan book. The overall focus book growth was at 11% YoY while the focus portfolio excluding the medium SME loans grew significantly by 17%.

Net interest income rose by 4.1% to €176.4m (2021: €169.5m) with improved **NIM** at 2.98% (2021: 2.88%) despite the intentional run-down of the non-focus book. This was complemented by a solid growth of the **net fee and commission income** by 8.5% YoY to €72.5m (2021: €66.8m). **Operating expenses** were lowered to €168.0m (2021: €171.1m) as a result of the Transformation Program despite the euro implementation costs in Croatia, brand repositioning costs and inflationary pressures. The **cost-income ratio** further improved to 67.5% (2021: 72.4%).

The **NPE ratio** was reduced significantly to 2.4% (2021: 2.9%) at an **NPE coverage** of 75.4% (2021: 71.9%), the **NPE ratio related to on-balance loans** was at 3.3% (2021: 4.0%) based on a **non-performing exposure (NPE)** of €163m (2021: €194m).

The **CET1 ratio** stood at 21.1% on a transitional basis and at 20.0% fully-loaded (2021: 22.2% and 21.6%, respectively). The capital ratio already reflects the proposed dividend of €23.6m and the reversal of 3Q22's reclassification of the treasury portfolios of the EU entities following the negative regulatory FMA feedback in January 2023. As a consequence, the portfolio existing before the new treasury investment strategy must be classified as Hold-to-Collect-and-Sell (HTC&S) and measured at fair value.

In December 2022, the **Constitutional Court of the Republic of Slovenia rejected the so-called Swiss Franc Law** as unconstitutional due to its non-permissible retroactive effects. The law, initially passed in February 2022, aimed at retroactively redistributing the foreign-currency risk to banks and, thus, restructuring consumer loans denominated in CHF (or containing a currency clause in CHF) that were concluded between 2004 and 2010. By rejecting the law, the court upheld the constitution and legislation of the Republic of Slovenia as well as European law.

Addiko Bank endorses the relevance of **environmental, social and governance (ESG)** matters and its importance for sustainable growth going forward. The group therefore developed and adopted its first ESG strategy during 2022. The ESG strategy is closely interconnected with Addiko's business and risk strategy, striving to provide an organised approach to ESG and sustainability.

The Management Board of Addiko Bank AG aims for a **dividend proposal of €1.21 per share**, equal to €23.6m in total, at the upcoming AGM on 21 April 2023. This corresponds to 60% of net profits for both 2021 and 2022 and will be distributed as a capital repayment.

Mid-Term Targets and Outlook 2023

The Management and Supervisory Board of Addiko Bank AG have decided on the following updated **Mid-Term Targets** starting with the business year 2023, reiterating the targets published in 1Q22:

Business Growth	Mid-Term Target	Previous Guidance
Loan book in focus areas	>95%	ca. 95%
Net interest margin	>3.8%	ca. 3.8%
Focus loan book growth	ca. 10% CAGR	unchanged
Cost of risk (net loans)	ca. (1.2%)	ca. (1.4%)
Loan/deposit ratio	<100%	unchanged

Cost Base		
Cost income ratio	ca. 50%	unchanged

The above leading to		
Return on average tangible equity	>10%	>10% (@14.1% CET1)
Total capital ratio	>18.6%	>16.1%
Annual dividend payout	60% of net profit	unchanged

For the full year 2023, the Group currently expects:

- Gross performing loans at ca. €3.5b with more than 10% growth in focus areas
- Net banking income up by ca. 10%, positively impacted by the rising interest rate curve, despite increasing funding costs and run-down of non-focus
- Operating expenses below €179m, mainly driven by inflation
- Total capital ratio above 18.6% on a fully-loaded basis
- Sum of other result and credit loss expenses on financial assets at ca. 1.2% on average net loans and advances to customers

The 2022 results 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

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About Addiko Group

Addiko Group is a specialist banking group focusing on providing banking products and services to Consumer and Small and Medium-sized Enterprises (SME) in Central and South-Eastern Europe (CSEE). The 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 2022 approximately 0.8 million customers in CSEE using a well-dispersed network of 154 branches and modern digital banking channels.

Based on its 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") are subject of an accelerated run-down process, thereby providing liquidity and capital for the growth in its Consumer and SME lending.