Addiko Bank

Addiko Doubles First-Half Profit to €12.6 Million, Strong Business Growth in Consumer and SME

- **Net profit doubles to €12.6m compared to €6.1m in previous year**
- **Transformation Program continues to show traction in business development leading to significant growth over previous year:**
    - **Operating result increases by almost 15%**
    - **Strong growth in focus loan book reaches 18%, excluding medium SME loans**
    - **New business in focus area up 39%**
- **Brand repositioning with introduction of brand character "Oskar" in May 2022 and enhanced data-driven marketing expected to further drive growth**
- **Outlook 2022 revised upwards to reflect strong business development as well as higher costs due to inflation**
- **ECB's Asset Quality Review confirms solid asset quality and capital position**

Vienna, 17 August 2022 – Addiko Group, a Consumer and SME specialist bank active across Central and South-Eastern Europe (CSEE), achieved a profit after tax of €12.6 million in the first half 2022, more than doubling the €6.1 million a year earlier.

"The first half 2022 was successful for Addiko as we saw significant growth in our Consumer and SME business. This demonstrates that our Transformation Program shows visible traction both in business development and cost management," said Group CEO Herbert Juranek. *"However, we have remained prudent in provisioning given the market volatility and inflationary pressures."*

To further drive growth, Addiko introduced a new brand strategy. Oskar, the new animated character and brand ambassador, acts as the central message carrier delivering the bank's new brand promise: Addiko stands for speed and flexibility whenever customers need an extra boost to achieve their goals in life.

The new brand strategy, strong customer demand and the good economic development are also reflected in the outlook for the full year: *"For the rest of 2022, we revised our outlook upwards to reflect higher income from strong business development as well as higher costs due to inflation,"* continued Juranek.

Solid first half 2022 with significant growth in focus business:

- **Operating result up 14.8% to €32.3m vs €28.1m last year**
- **Operating costs in line with guidance, down 4.6% vs last year**
- **Provisioning at -0.26% Cost of Risk with €-8.8m compared to €-10.2m a year before**
- **NPE ratio down to 2.8% (YE21: 2.9%) with increased NPE coverage at 76.7% (YE21: 71.9%)**
- **Return on Tangible Equity (at 14.1% CET1 ratio) up to 4.2% (YE21: 2.5%)**
- **1H22 EPS of €0.65 doubling 1H21's €0.31**

The **result after tax** of €12.6m (1H21: €6.1m) was supported by a strong business development, solid performance in cost management and balanced credit losses. **Credit loss expenses** stood at €-8.8m or -0.26% Cost of Risk (1H21: €-10.2m). While the underlying asset quality continued to be strong, Addiko decided to remain prudent in provisioning given the increased volatility of the economic environment related to inflationary pressures, potential disturbances in energy deliveries and the resurgence of Covid-19. As a result, the post-model adjustment was increased by €4m to €13m.

The **share of the two focus segments Consumer and SME** of the gross performing loan book increased to 78% compared to 74% at year-end 2021. The overall gross performing loan book at €3.39b returned to growth 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 9% YoY (+8% since the beginning of 2022), while the focus portfolio excluding the medium SME loans grew significantly by 18%.

Net interest income rose by 0.6% to €84.6m (1H21: €84.2m) with improved **NIM** at 2.96% (1H21: 2.87%), despite the intentional run-down of the non-focus book. This was complemented by a significant growth of the **net fee and commission income** by 14.2% YoY to €36.1m (1H21: €31.6m). **Operating expenses** were lowered by 4.6% YoY to €-82.8m (1H21: €-86.8m) as a result of the Transformation Program. The **cost-income ratio** further improved to 68.6% (1H21: 75.0%)

The **NPE ratio** stood at 2.8% (YE21: 2.9%) at an **NPE coverage** of 76.7% (YE21: 71.9%). The **NPE ratio related to on-balance loans** continued to decrease to 3.8% (YE21: 4.0%) based on a **non-performing exposure (NPE)** of €183m (YE21: €194m). The results of the ECB’s Comprehensive Assessment confirm Addiko’s solid asset quality and capital position. No capital shortfall was identified.

The **CET1 ratio** stood at 20.0% on a transitional basis and at 18.8% IFRS 9 fully-loaded (YE21: 22.2% and 21.6%, respectively) which was c. 5% above the fully-loaded minimum requirement. The capital ratio has been influenced by the current market volatility in sovereign bonds of the CSEE region and RWA growth related to the implemented guideline on structural FX positions. In August 2022, the ECB granted the waiver for structural FX positions, leading to an increase of the CET1 ratio by 0.5% to 19.3% on a pro-forma basis as of this date. Moreover, sovereign bonds of the CSEE region showed a visible recovery after the reporting date of 30 June 2022.

For the full year 2022, the Group revised its outlook upwards to reflect higher income from strong business development as well as higher costs due to inflationary pressures:

- Gross performing loans at ca. €3.3b with more than 10% growth in focus areas
- REVISED: Net banking income above €240m as a result of improved business activities despite the accelerated run-down in non-focus (prev. stable at 2021 level of ca. €236m)
- REVISED: Operating expenses below €167m due to increased inflationary pressures excluding the Euro implementation in Croatia estimated at a mid-single digit million euro-cost (prev. below €165m)
- 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 outlook for the full year 2022 does not consider any impacts from the Slovenian CHF law.

The 1H22 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 June 2022 approximately 0.8 million customers in CSEE using a well-dispersed network of 154 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.