

Addiko Bank Increases First-Half Profit by 55% to 19.5 Million Euros; Full-Year Outlook Raised

- First-half net profit up 55% to €19.5m vs. €12.6m in previous year
- Double-digit growth in focus business continued
- Net interest income up by 28% YoY, driven by Consumers, SMEs and income related to liquidity management and treasury
- Gross performing loan book continued to grow to €3.44b
- CET1 ratio remains high at 19.9% (fully-loaded), funding solid
- ECB completes stress test, showing higher resilience in theoretical adverse scenario despite more severe assumptions
- Management Board mandates extended
- Full-year outlook 2023 raised on the back of the strong first six months

Vienna, 17 August 2023 - Addiko Group, a Consumer and SME specialist bank active across Central and South-Eastern Europe (CSEE), achieved a profit after tax of €19.5 million in the first half 2023, driven by solid business development and focused cost management.

“Our Acceleration Program led to a successful first half of 2023 with improvements clearly visible in our business volumes, in our financial results and in the services offered to our customers,” said Chief Executive Officer Herbert Juranek.

Addiko’s Acceleration Program continues to prioritise growth in the focus areas of Consumers and SMEs, complemented by operational excellence and the enhancement of the bank’s digital capabilities. Addiko also continues to invest to become the best-in-class bank in risk management based on data analytics and automation.

“Our progress led us to raise our outlook for the full year to reflect the strong business development, the favourable interest rate environment and our prudent stance on risk & legal costs,” said Juranek. “While we notice higher economic uncertainties around us, we are confident that we still have significant possibilities for growth in lending to Consumers and SMEs as we plan to complement our services with other simple banking products.”

Solid first half 2023 with strong growth in focus business

- Operating result up 54% to €49.6m vs. €32.3m last year
- Operating expenses below guidance due to effective cost management
- Cost of Risk at 0.27% or €9.2m compared to €8.8m a year earlier
- NPE ratio stable at 2.4% (YE22: 2.4%) with increased NPE coverage at 78.0% (YE22: 75.4%)
- Return on average Tangible Equity at 5.4%, up from 3.4% in the first half 2022
- 1H23 EPS of €1.00 compared to €0.65 a year earlier

The result after tax of €19.5m (1H22: €12.6m) reflected the strong business development, successful pricing increases, provisions for legal claims and relatively benign credit losses. Credit loss expenses stood at €9.2m or 0.27% Cost of Risk (1H22: €8.8m). While the underlying asset quality continued to be strong, Addiko decided to keep the post-model adjustment at a prudent level of €18.5m (YE22: €20.7m) to reflect uncertainties and the volatility in the macroeconomic environment in the region.

The share of the two focus segments Consumer and SME of the gross performing loan book increased to 85% compared to 82% at year-end 2022 in line with Addiko's strategy. The overall customer gross performing loan book continued to grow to €3.44b compared to €3.30b at the end of 2022 while decreasing the non-focus as well as the medium SME loan book. The overall focus book growth was at 10% YoY while the focus portfolio excluding the medium SME loans grew significantly by even 14%.

Net interest income rose significantly by 27.8% to €108.1m (1H22: €84.6m) with improved **NIM** at 3.67% (1H22: 2.96%). The **net fee and commission income** decreased by 9.7% YoY to €32.5m (1H22: €36.1m), mainly influenced by lost income from FX/DCC in Croatia following the introduction of the Euro on 1 January 2023. **Operating expenses** increased to €86.9m (1H22: €82.2m) as a result of significantly higher inflation. The **cost-income ratio** further improved to 61.7% (1H22: 68.6%), reflecting Addiko's targeted cost management.

The **NPE ratio** remained stable at 2.4% (YE22: 2.4%) at an improved **NPE coverage** of 78.0% (YE22: 75.4%), the **NPE ratio related to on-balance loans** was at 3.3% (YE22: 3.3%) based on a lower **non-performing exposure (NPE)** of €159m (YE22: €163m).

The **CET1 ratio** stood at a strong 19.9% fully-loaded (2022: 20.0%). The Group's funding situation remained solid with €4.85b customer deposits and a Liquidity Coverage Ratio of 336%. On 4 May 2023, Addiko distributed a dividend of €23.6m (€1.21 per share) to shareholders.

For the full year 2023, the Group raised its outlook to reflect strong business development, the favourable interest environment and continued prudent stance on risk & legal costs:

- Gross performing loans at ca. €3.5b with more than 10% growth in focus areas
- REVISED: Net banking income up by ca. 15%, positively impacted by the rising interest rate curve, despite increasing funding costs and run-down of the non-focus (previously ca. 10%)
- Operating expenses below €179m, mainly driven by inflation
- Total capital ratio above 18.6% on a fully-loaded basis
- REVISED: Sum of other result and credit loss expenses on financial assets below 1.5% on average net loans and advances to customers (previously ca. 1.2%)

The 1H23 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.

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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 30 June 2023 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.