PRESS RELEASE
VIENNA, March 5th, 2019

Addiko Bank

Addiko Bank publishes 2018 financial report: Track Record Established

- **2018 result after tax of EUR 104.2 million (EUR 41.6 million in 2017)**
- **Adjusted for one-offs, the result after tax of EUR 30.9 million improved by 19.3% (EUR 25.9 million in 2017)**
- **Sizeable growth in gross performing loans of strategic focus areas: Consumer (+15.6% YoY) and SME (+17.3% YoY) lending activities**
  - **5.7% YoY overall gross performing loan growth to EUR 3,766 million**
  - **Managed run-down strategy for non-focus portfolio (gross performing loans down by 5.3% vs. 2017)**
- **Strong capital base: transitional CET1 ratio of 17.7% (CET1 ratio without IFRS 9 transitional rules at 16.9%)**
- **Further improvement in asset quality:**
  - **NPE ratio down to 5.6% (8.1% in 2017)**
  - **NPE provision coverage increased to 75.4% (67.0% in 2017)**

Vienna, 5th March 2019 – Addiko Bank, a Consumer and SME specialist bank headquartered in Austria, released its consolidated 2018 financial report today. Addiko Bank operates in the CSEE region through six banks with around 70% of assets located in EU countries (Croatia and Slovenia) and close to 30% of assets in EU accession countries (Bosnia & Herzegovina, Serbia and Montenegro).

Following its turnaround in 2017, Addiko Bank continued executing its focused strategy in 2018 establishing its track record with further improvements in income generation, operating costs reduction and risk costs containment reflecting the benign macro environment.

Addiko Bank reported a 2018 result after tax of EUR 104.2 million including one-offs (2017: EUR 41.6 million). The one-off adjusted result after tax of EUR 30.9 million improved by 19.3% compared to 2017 (2017: 25.9 million), predominantly influenced by the fair value recognition of the Tier 2 conversion (EUR 61 million), the extraordinary provision releases relating to the managed run-down of the non-focus portfolios (Mortgage, Large Corporates, Public Finance) and the DTA ramp-up.

The transitional CET1 ratio increased by 2.8% to 17.7% versus year-end 2017.

In 2018, the adjusted operating result before change in credit loss expense amounted to EUR 43.0 million (+79% vs. EUR 24.0 million in 2017) reflecting strong business performance and strict cost discipline. The resulting cost income ratio further decreased to 79.9% (2017: 84.9%).

"Addiko Bank has become a Consumer and SME borrowing specialist exclusively focused on our CSEE presence, delivering a modern customer experience in line with our strategy of providing straightforward banking. We strive to "focus on essentials, deliver on efficiency and communicate simplicity". Banking products and services are continuously being standardised and digital capabilities are also being enhanced. As a result, we have improved our efficiency and we are able to service customers in line with our value proposition of convenience and speed while reducing costs and ensuring a balanced risk profile.", said Razvan Munteanu, CEO of Addiko Bank.

Financial Track Record Established

After having completed its turnaround in 2017, Addiko Bank **continued its positive momentum** posting improved results in 2018 and is **on track** to achieve its targeted return on equity.

The **operating result before change in credit loss expense** of EUR 43.0 million (YE17: EUR 24.0 million), on an adjusted basis, was mainly driven by the **increased share of the two focus segments** amounting to 56.2% of the gross performing loan book (YE17: 51.1%) while the size of the overall loan book remained stable.

Net interest income on a reported basis increased to EUR 173.2 million (YE17: EUR 165.3 million) with **NIM** at 2.7% (+33bp vs. 2017). When excluding one-offs, net interest income improved by 2.4% and the respective **NIM** increased to 2.8% as of YE18 (+28bp vs. 2017).

The positive development in NII was driven by the **increase in net interest income from Consumer lending** (+28.7%) as well as the positive impact on interest expenses from the **continued repricing of deposits** which offset the managed run-down of the non-focus portfolio.

The continuous **improvements in the mix of customer deposits** allowed a reduction of excess liquidity, at slightly declining deposit volumes, while maintaining a strong customer business LTD ratio of 78.3% in 2018 (74.8% in 2017).

Net fee and commission income increased by 6.7% to EUR 62.4 million (EUR 58.5 million in 2017) owing to **higher growth in the Consumer and SME business** with the main drivers being new fee models and new product packages promoting increased payments activity through Addiko Bank's accounts. Bancassurance activities were reorganized in 2018, particularly linked to Consumer lending activity, contributing to the net fee and commission income acceleration.

Operating expenses amounted to EUR -188.1 million for the year 2018 representing a **further reduction** of EUR 2.0 million compared to 2017. This is the result of Addiko Bank's Operating Model and the established cost management framework.

NPE reduction performance remains strong, driven by a focus on workout and collection as well as debt sales programs, leading to a 33.3% decline to EUR 403.8 million, or an NPE ratio of 5.6% down from 8.1% in 2017.

At year-end 2018, Addiko Bank's **risk profile** is best evidenced by the **NPE coverage** ratio of 75.4% (YE17: 67.0%). The development of the expected credit losses was positively influenced by successfully executed restructuring measures as well as net provision releases in the Mortgage and Large Corporates segment. This effect was partially offset by appropriate charges in the strategic focus areas Consumer and SME.

The consolidated 2018 report can be downloaded at www.addiko.com/financial-statement-2018

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About Addiko Bank

Addiko Bank is an international banking group headquartered in Vienna, Austria, operating through six banks with its core business in Croatia, Slovenia, Bosnia & Herzegovina, Serbia and Montenegro. All in all, Addiko Group provides services to about 860,000 clients.

AI Lake (Luxembourg) S.à r.l. is the direct parent company of the Addiko Group and is indirectly owned by funds advised by Advent International, a global private equity investor, and the European Bank for Reconstruction and Development (EBRD).