PRESS RELEASE
VIENNA, May 19th, 2020

Addiko Bank

Addiko Group publishes 1Q20 results: Net loss of €-8.4mn, good operational performance tampered by Covid-19

- **Reported YTD 1Q20 result after tax of €-8.4mn (1Q19's €+10.1mn)**
- **Cost of Risk of €14.4mn, including significant Covid-19 caused preload of IFRS 9 post-model macroeconomic parameter overlay in an amount of €13.6mn**
- **Solid operating result before change in credit loss expenses at €13.2mn, up by c. 30% YoY supported by cost containment**
- **Continued transformation of loan book towards Consumer and SME amounting to 62% of the gross performing loan book (1Q19: 58%)**
- **Return on Tangible Equity (@14.1% CET1 ratio) dropped to -1.2% (YE19: 5.6%, including adjustments) caused by Covid-19 impact**
- **NPE ratio of 3.4% with stable NPE provision coverage at 73.3% - continued positive trend**
- **Transitional CET1 ratio of 16.9% (IFRS 9 fully-loaded CET1 ratio of 16.3%)**
- **AGM postponed to fourth quarter 2020, allowing to review the dividend 2019 proposal**
- **2020 Outlook including dividend guidance temporarily suspended until further clarity on Covid-19 impact and regulatory requirements**
- **Mid Term Targets unchanged, achievement likely to be delayed depending on post pandemic recovery**

Vienna, 19th May, 2020 – Addiko Group, a Consumer and SME specialist bank headquartered in Austria, released its unaudited results for the first quarter of 2020 today, reporting a net loss of €-8.4mn (1Q19: €+10.1mn). The result after tax is determined by a strong operating result in Q1 – supported by a better than anticipated business development in the first quarter and successful cost containment – and a significant increase in risk provisioning mostly associated with the IFRS 9 preloading for the anticipated macroeconomic effects for the current pandemic. Despite its negative impact the bank's capital position remains strong with a fully-loaded CET1 ratio of 16.3%, a stable funding and solid liquidity, while implementing proactive provisioning and more restrictive underwriting criteria. This puts Addiko Bank in a solid position to go through the unfolding global crisis.

"The Covid-19 pandemic determined governments in our countries of operation to take essential measures such as business lockdowns and restrictions with regards to social contacts, which have affected strongly social and economic activities. Addiko entered into this crisis with a sound operational set-up, a solid capital and funding base and a well-prepared business continuity concept. A solid first quarter from an operational perspective provided us with the possibility to prudently reflect one-off provisions related to the deteriorated macroeconomic expectations. Our business model of providing straightforward lending and banking services to consumers and small companies, privileging digital solutions, is more relevant than ever. We are strongly committed to continue our path, support our staff, customers and our local economies and generate value for our shareholders. I am confident our team will navigate successfully through the uncertainties of these challenging times.", said Razvan Munteanu, CEO of Addiko Bank AG.

First quarter 2020 with good underlying operational performance and solid risk profile

The **result after tax** of €-8.4mn (1Q19's €+10.1mn) was mainly driven by a proactive €13.6mn IFRS 9 provision reflecting changed macro parameters and a DTA write-off in an amount of €4.8mn as a consequence of the uncertainty on the result outlook for 2020, while at the same time the operating result before change in credit loss expenses rose by c. 30% to €13.2mn (1Q19: €10.0mn). Addiko continued to execute its focus strategy reflected in the 62% **share of the two focus segments Consumer and SME** of the gross performing loan book (1Q19: 57.8%). The size of the overall gross performing loan book remained flat during 1Q20 at €3,845mn (YE19: €3,870mn).

Solid YoY growth of gross performing loans **in the focus areas** compared to 1Q19 (+10% for Consumer and +6% for SME lending activities), while both remained flat compared to YE19. Despite a challenging market and interest environment, the yields remained relatively stable in the focus areas Consumer and SME, achieving **increased new business yields** by +15bp in Consumer and +10bp in SME during the first quarter 2020.

The **net interest income** rose to €45.3mn (1Q19: €44.9mn) with **NIM** at 2.99% (1Q19: 2.97%). The **net fee and commission income** slightly decreased to €15.3mn (1Q19: €15.6mn) while the **operating expenses** dropped by 9.9% to €-43.5mn (1Q19: €-48.3mn), mainly due to the successful execution of the restructuring in 2019 and ongoing cost efficiency programs but also due to one-off costs of €-0.9mn in 1Q19 related to the IPO. The **cost-income ratio** therefore improved to 71.9% (1Q19: 80.0%).

The positive trend in NPE reduction continued in 1Q20, resulting in a non-performing exposure of €239.2mn (YE19: €276.5mn) and an **NPE ratio** of 3.4% (YE19: 3.9%) at a stable **NPE coverage** of 73.3% (YE19: 73.8%).

The **CET1 ratio** 1Q20 stands at a solid 16.9% on a transitional basis (16.3% IFRS 9 fully-loaded). The reduction of 84bp compared to YE19 of 17.7% CET 1 is mainly driven by a drop in other comprehensive income (OCI) by €32.9mn, related to the plain vanilla bond portfolio.

In light of the lock-down related administrative restrictions and the ECB/FMA dividend recommendation, the AGM originally scheduled for April 21st was postponed to the fourth quarter 2020, allowing to review the dividend 2019 proposal. An update of the dividend guidance 2020 is foreseen during the fourth quarter of the year 2020.

The Outlook 2020 is suspended until further clarity on Covid-19 related impacts while the Mid Term Targets remain unchanged despite likely delays in achieving them depending on the post pandemic recovery.

The earnings release 1Q20 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
Edgar Flaggl
Head of Investor Relations & Group Corporate Development
investor.relations@addiko.com

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 regulated by the Austrian Financial Markets Authority, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (two banks), Serbia and Montenegro. Addiko Group, through its six subsidiary banks, services as of March 31, 2020 approximately 0.8 million customers in CSEE, using a well-dispersed network of 178 branches and modern digital banking channels. Addiko Bank AG manages its subsidiary banks through group-wide strategies, policies and controls and manages Addiko Group's liquidity reserve.

Addiko Group repositioned itself as a specialist consumer and SME banking group with a focus on growing its consumer business and SME lending activities as well as payment services (its "focus areas"), offering unsecured personal loan products for consumers and working capital loans for its SME customers funded largely by retail deposits. Addiko Group's mortgage business, public lending and large corporate lending portfolios (its "non-focus areas") are gradually reduced over time, thereby providing liquidity and capital for the gradual growth in its consumer business and SME lending.