Addiko Bank

Addiko Group: Annual General Meeting 2020

November 27th 2020

MANAGEMENT BOARD TEAM SINCE AUGUST 1ST 2020

Addiko Bank

Markus Krause
Chief Risk & Finance Officer

with Addiko since August 17th 2015

Csongor Németh
Chief Executive Officer

with Addiko since November 1st 2015

Ganesh Krishnamoorthi
Chief Retail, IT & Digitalization Officer

with Addiko since August 1st 2020

Disclosure 2019 - Key Highlights

€35.1mn
Result after tax

- **Adjusted 2019 result after tax improved** by c. 32% to **€40.7mn** (YE18: €30.9mn)
- **2019 reported result after tax of €35.1mn**
- **Adjusted Return on Tangible Equity** (@14.1% CET1 Ratio) of 5.6% (YE18: 4.2%)

3.9%
NPE Ratio

- **NPE ratio down** to 3.9% (2018: 5.6%)
- **Risk releases** of €2.9mn - mostly in non-focus areas compensating bookings in focus areas
- **NPE provision coverage** at 73.7% (YE18: 75.4%)
- **Low concentration risks** in portfolio

Growth & Digital

- **Focus portfolio** (Consumer & SME) up 13% to **62% of total portfolio**
- **Loans sold increasingly digitally:** 9% of new consumer loans, 12% of new SME loans
- Continuous rightsizing of **physical footprint**

€2.05
Proposed dividend per share

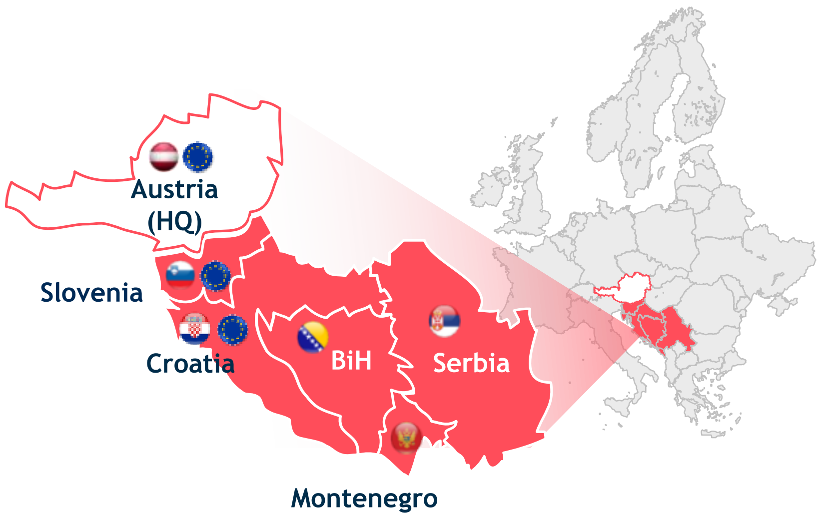
- **Capital ratio stable at 17.7%** - reflecting profit & proposed dividend (YE18: 17.7%)
- **€2.05 dividend** proposed per share (overall c. €40mn dividend with 19.5mn outstanding shares)
- **Conditional dividend payment** sought at the AGM

Committed to Accelerated Execution of Established Strategy

Addiko Bank

Core strategic pillars

- Focus on **CSEE** market
- Focus on **growth** in unsecured **Consumer & SME** lending and payments
- Ensure **efficiency, simplicity and operational excellence**, leveraging existing distribution network and digital
- Expand **digital capabilities providing new value adding proposition** to focus area customers
- **Prudent risk approach**, solid capitalization, funding & liquidity

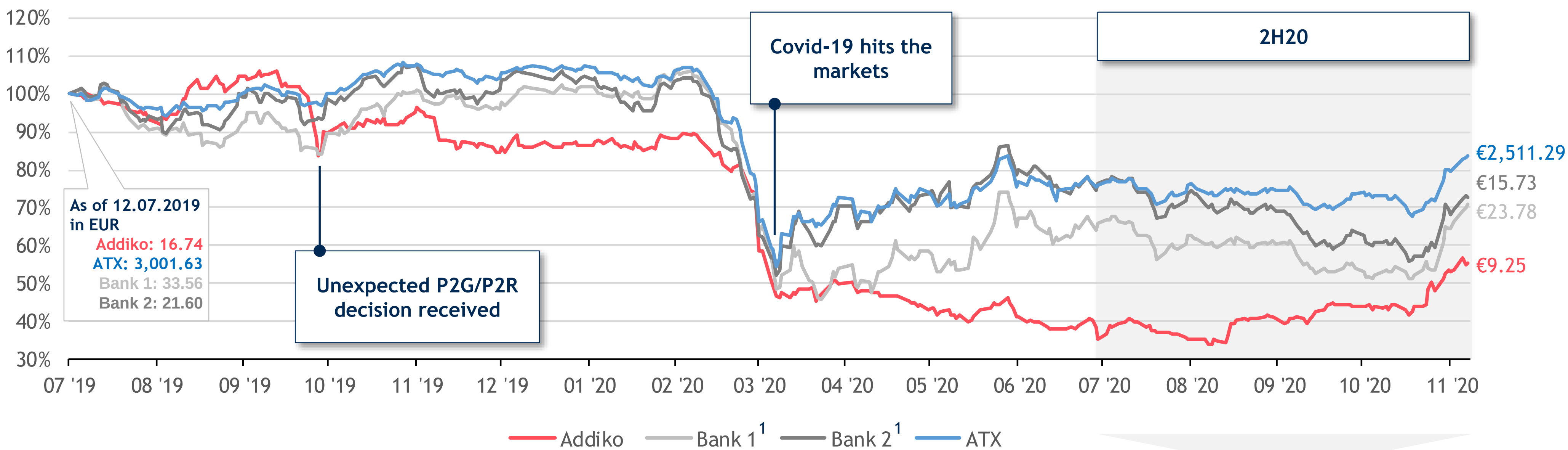


Proven track record

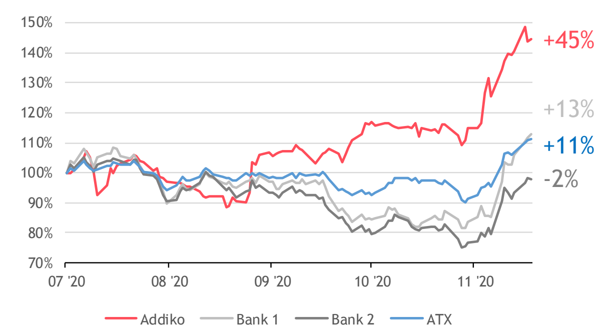
- **Established franchise** increasing lending to focus areas by >60% since 2016 as first year of new strategy
- **Operating platform stability** tested during Covid-19 pandemic
- **Basis for digital distribution** established, recognized digital innovator: >10% of Consumer & >15% SME loans sold digitally
- **Continued cost reduction measures**
- Maintained **robust asset quality**
- **Upheld strong capital position** and **self funding principle**

Share price development since IPO (as of November 18th 2020)

Indexed as of July 12th 2019



- Management Board team completed since 1st August 2020
- Since July, share price recovered by c. 45% during 2nd half 2020 (above market average)



[1] Austrian banks operating in the region

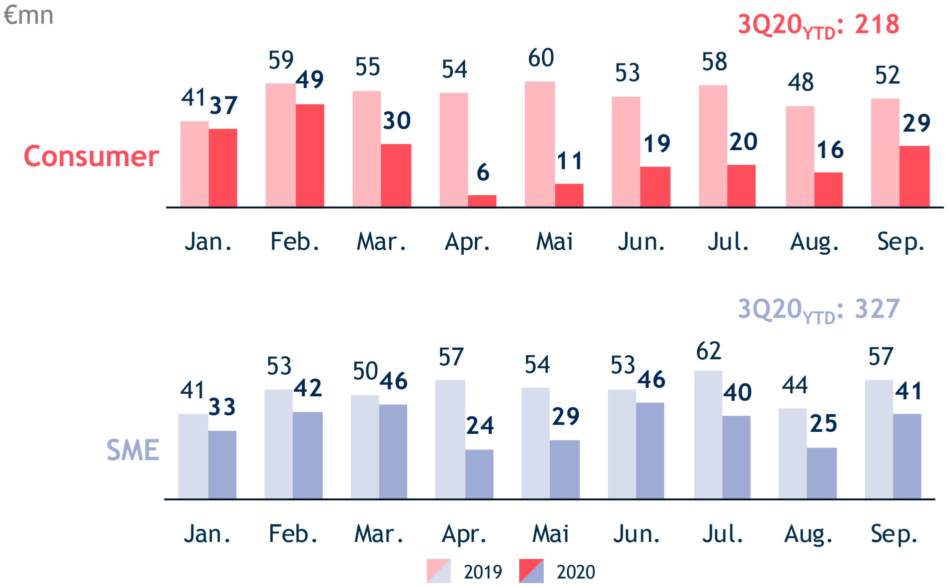
Improved Environment and Business Implications as of 3Q20

GDP forecasts[1] (%, real growth)

	Forecasts as of 1H20				Latest Forecasts			
	2020E Base	2021E Base	2020E Pessimistic	2021E Pessimistic	2020E Base	2021E Base	2020E Pessimistic	2021E Pessimistic
Slovenia	(9.5)%	4.0%	(12.0)%	1.4%	(6.7)%	4.7%	(7.3)%	2.3%
Croatia	(11.0)%	4.0%	(13.5)%	1.9%	(9.4)%	5.0%	(10.0)%	2.5%
Serbia	(4.0)%	4.0%	(5.6)%	3.1%	(2.0)%	4.5%	(2.4)%	2.9%
Bosnia & Herzegovina	(5.0)%	3.0%	(6.6)%	2.1%	(5.0)%	3.1%	(5.4)%	1.5%
Montenegro	(8.0)%	5.0%	(9.6)%	4.1%	(9.0)%	5.0%	(9.4)%	3.4%
Euro Area	(7.5)%	4.7%	(9.1)%	2.8%	(8.5)%	5.8%	(8.9)%	4.3%

- **More pronounced V-shaped recovery in 2021** expected as most likely scenario
- **Currently, improved projections** foreseen by macro-economists for Addiko's largest markets in CSEE
- Downside risks less pronounced

New business volumes started to recover



Unsecured consumer loan market (stock outstanding) and IRs[1]

	'20 vs. '19 Δ Volume / Δ IRs		'21 vs. '19 Δ Volume / Δ IRs		'21 vs. '20 Δ Volume / Δ IRs		Addiko 3Q20 portfolio[2]
Slovenia	-6%	/-18bp	0%	/-22bp	+6%	/-4bp	28%
Croatia	-4%	/-39bp	+2%	/-39bp	+6%	/-1bp	30%
Serbia	+13%	/-66bp	+26%	/-66bp	+11%	/-24bp	14%
Bosnia & Herzegovina	-2%	/n.a.	+5%	/n.a.	+7%	/n.a.	20%
Montenegro	+9%	/-20bp	+21%	/-20bp	+11%	/-11bp	8%

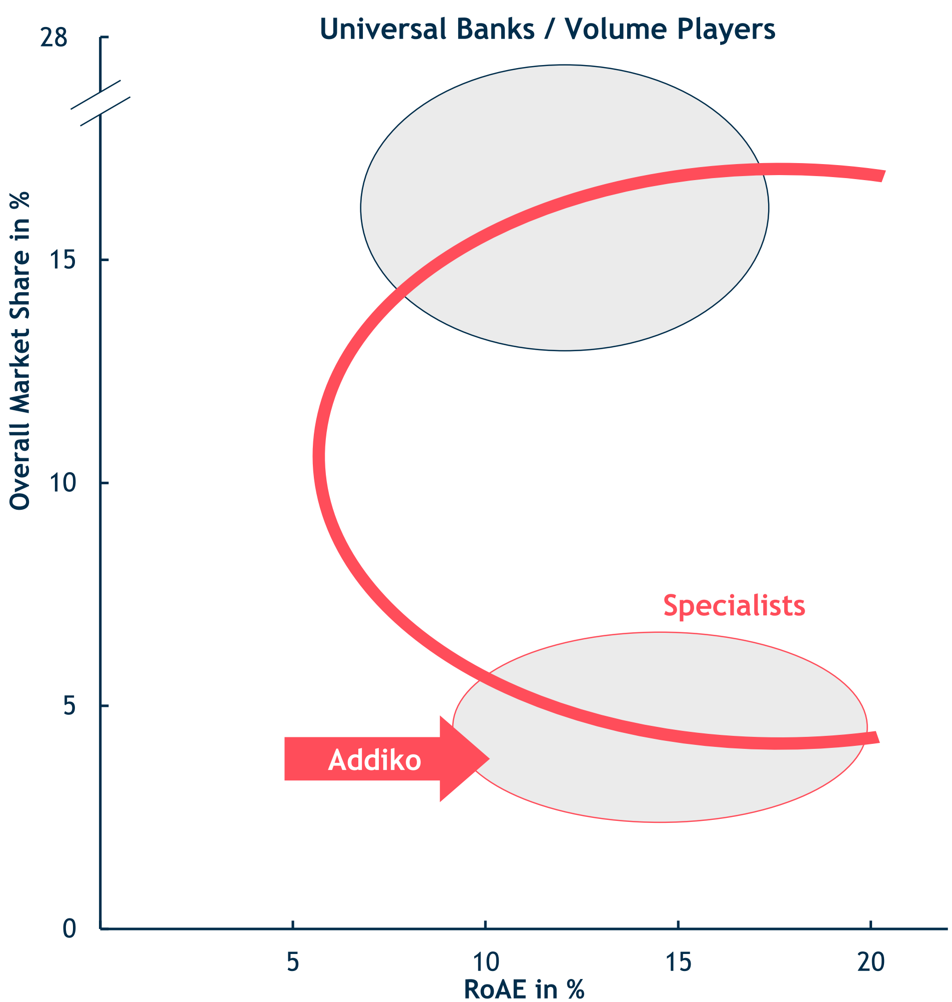
- Unsecured consumer loan market expected to return to growth
- Achievable interest rates expected to continue decline

[1] Source: The Vienna Institute for International Economic Studies (wiiw); unsecured consumer loan market development rates based on local currency, IRs = Interest Rates.
[2] Gross performing loans as of 3Q20.

Strategy Unchanged: Focused Consumer and SME Specialist in CSEE

Addiko Bank

CSEE markets - high RoAE banks are volume players or specialists



Focus vs. Non-Focus

Focus: Consumer and SME

- Consumer and SME loans offer strong risk adjusted yields
- Significant opportunity for growth in focus areas

Non-Focus: Mortgages, Public and Large Corporates

- Margins of newly originated loans in non-focus areas are below historical levels due to high competition
- Non-focus portfolios are being gradually reduced, providing liquidity and capital for the growth in the focus areas
- New lending products in non-focus areas are offered on an opportunistic basis, primarily to retain existing, profitable customers

Simple Balance Sheet Composition

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Liquid balance sheet
- LCR: 175% (YE18: 150%)

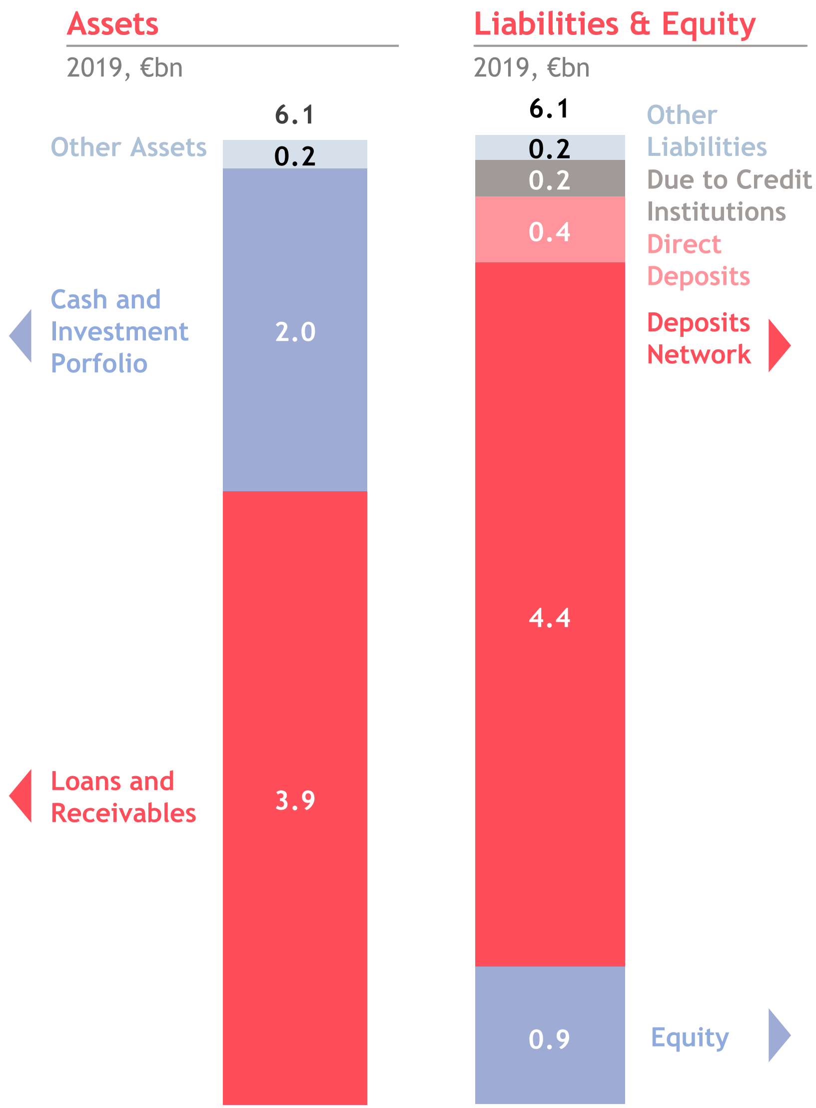
Liquid assets
- €0.9bn of cash
- €1.1bn of investment portfolio

Data as of YE19

Substantially de-risked asset base
- NPE ratio: 3.9% (YE18: 5.6%)

Solid provision coverage levels
- 73.8% NPE coverage ratio (YE18: 75.4%)
- 125.0% incl. collateral (YE18: 120.8%)

Data as of YE19



Strong deposit base
- Loan-deposit ratio (customer) : 80.1% (YE18: 78.3%)

Funding surplus[1]: €0.9bn

Data as of YE19

Robust capital base
- 17.1%[2] fully-loaded CET1 ratio (incl. profit and proposed dividend payment)

Further optimization via proposed Tier 2 issuance

Data as of YE19

[1] Calculated as difference between deposits of customers and loans and advances to customers. [2] Transitional CET1 ratio amounts to 17.7% as of YE19.

2019 Financial Performance at a Glance – Adjusted Result up 32% vPY

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in €mn	Reported (incl. one-offs) YE18	YE19	Change (%)	Adjusted for one-offs YE18	YE19	Change (%)
Net banking income	235.5	250.2	+6%	239.1	250.2	+5%
Operating income	289.0	224.3	-22%	229.9	232.3	+1%
Operating expenses	-188.1	-189.2	+1%	-186.9	-187.2	+0%
Operating result before change in credit loss expense	100.9	35.2	-65%	43.0	45.1	+5%
Credit loss expenses on financial assets	2.8	2.9	+2%	2.3	7.0	+201%
Operating result before tax	**103.7**	**38.0**	**-63%**	**45.4**	**52.1**	**+15%**
Result after tax	**104.2**	**35.1**	**-66%**	**30.9**	**40.7**	**+32%**

Adjusted

2.9% — **NIM** up by 0.2% vPY

80% — **Loan-deposit ratio** up 1.8pp vPY

5.6% — **RoaTE** (@14.1% CET1) up by 1.4pp vPY

74.8% — **Cost-income ratio** down by 3.3pp vPY

0.2% — Releases continued to drive **Cost of Risk** ratio

€2.05 — **Dividend** per share proposed

Adjustments:

2018's €104.2mn predominantly driven by a €61mn positive one-off for the Tier 2 waiver

- Positive effects: €+81.8mn
- Negative effects: €-8.5mn

2019's €35.1mn mainly influenced by negative one-offs related to CHF legislation in Serbia and Croatia

- Positive effects: €+17.3mn
- Negative effects: €-22.8mn

Consumer and SME: Winning by Convenience and Speed, with Digital Transformation to Complement Established Capabilities

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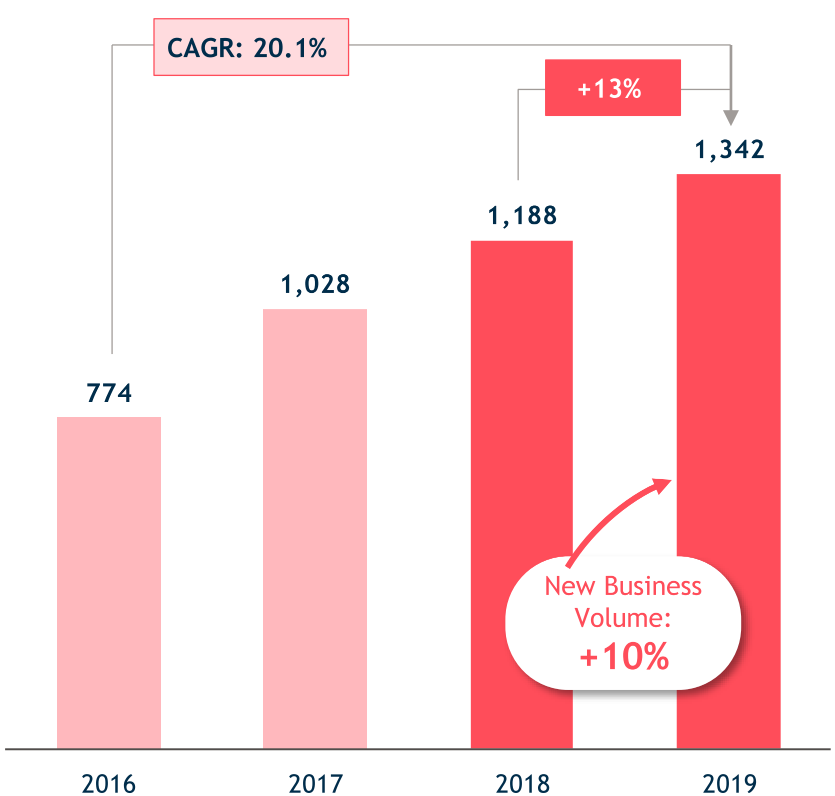
Consumer

Strong growth in higher margin business

Consumer - gross performing loans (€mn)

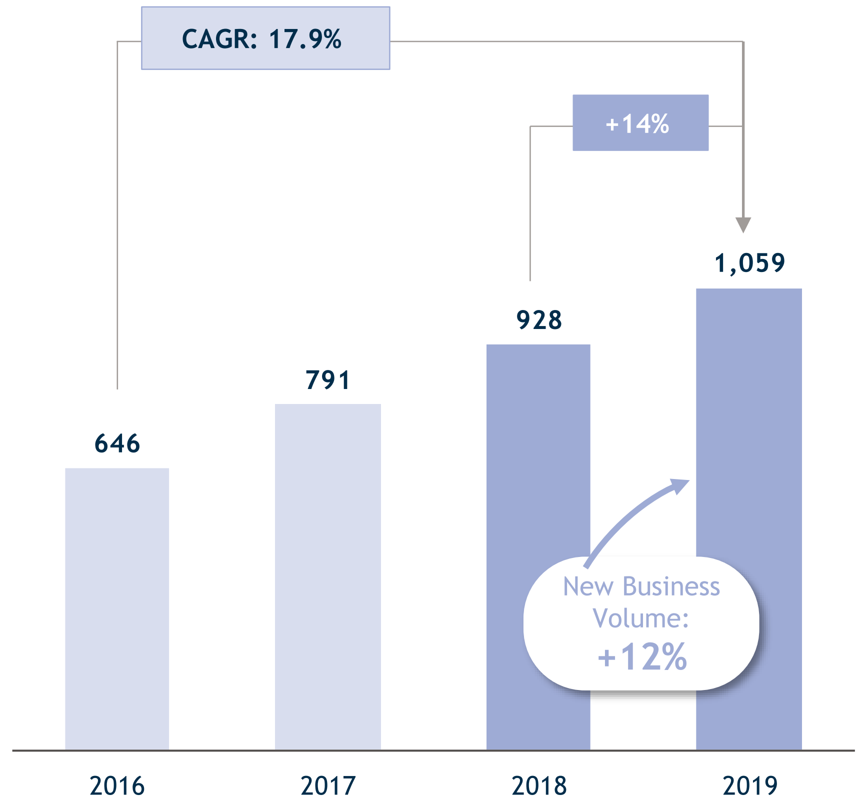


NCI Growth (vPY) +3.1%

SME

Healthy SME growth

SME - gross performing loans (€mn)

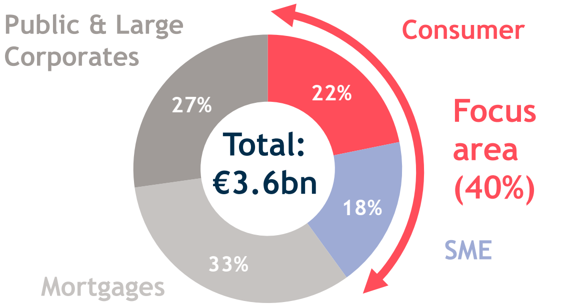


NCI Growth (vPY) +18.4%

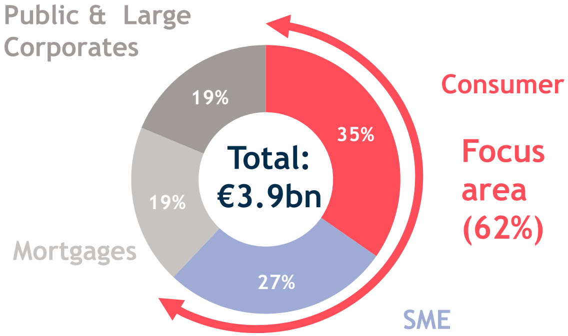
Continued Repositioning into Focused Areas - Consumer and SME

Gross performing loans by segment

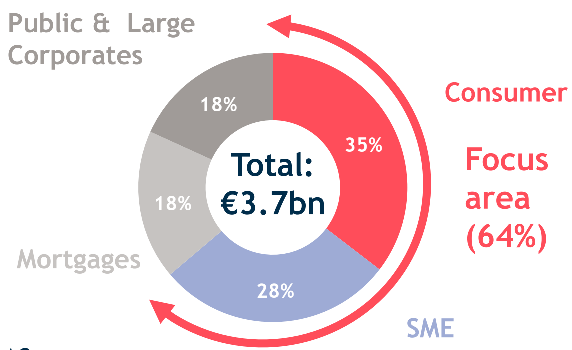
2016



2019

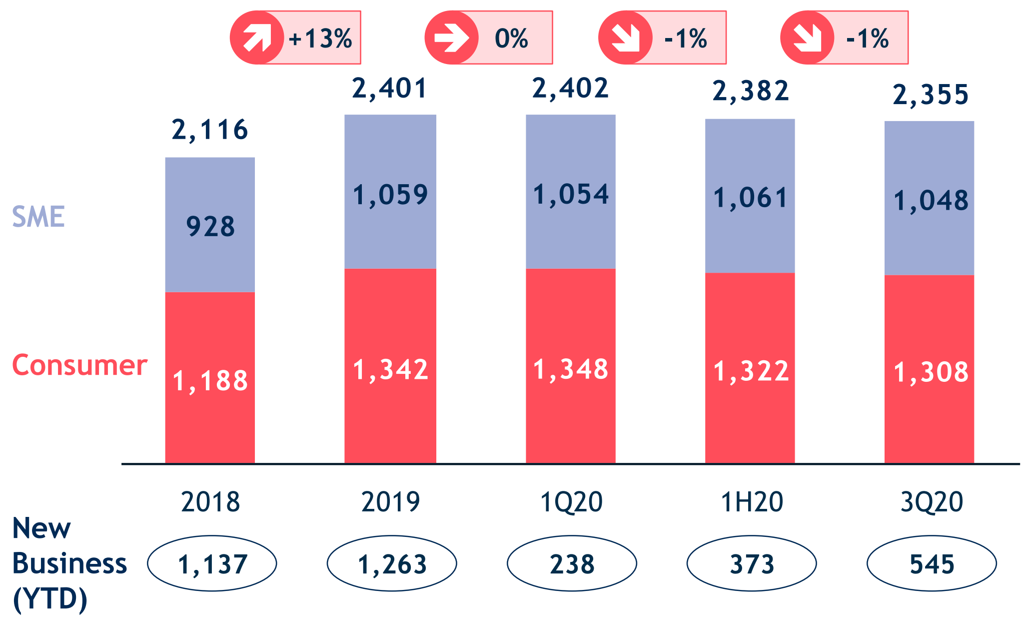


3Q20

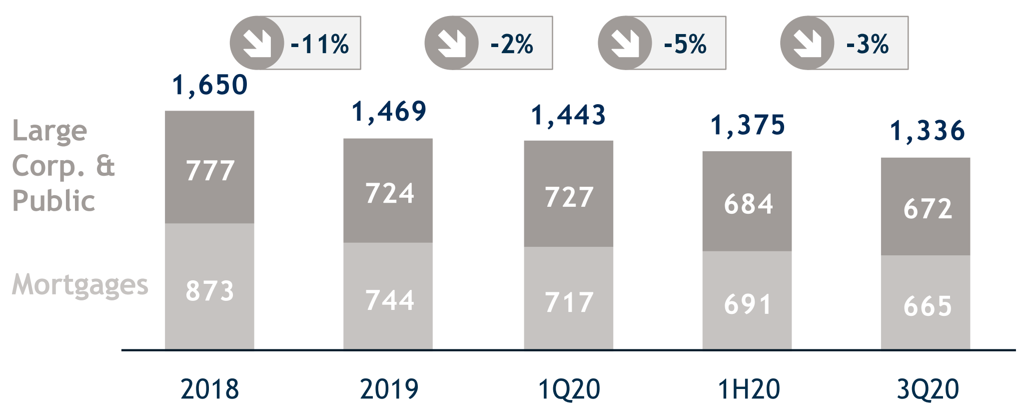


Focus portfolio development

Consumer & SME gross performing loans (€mn)

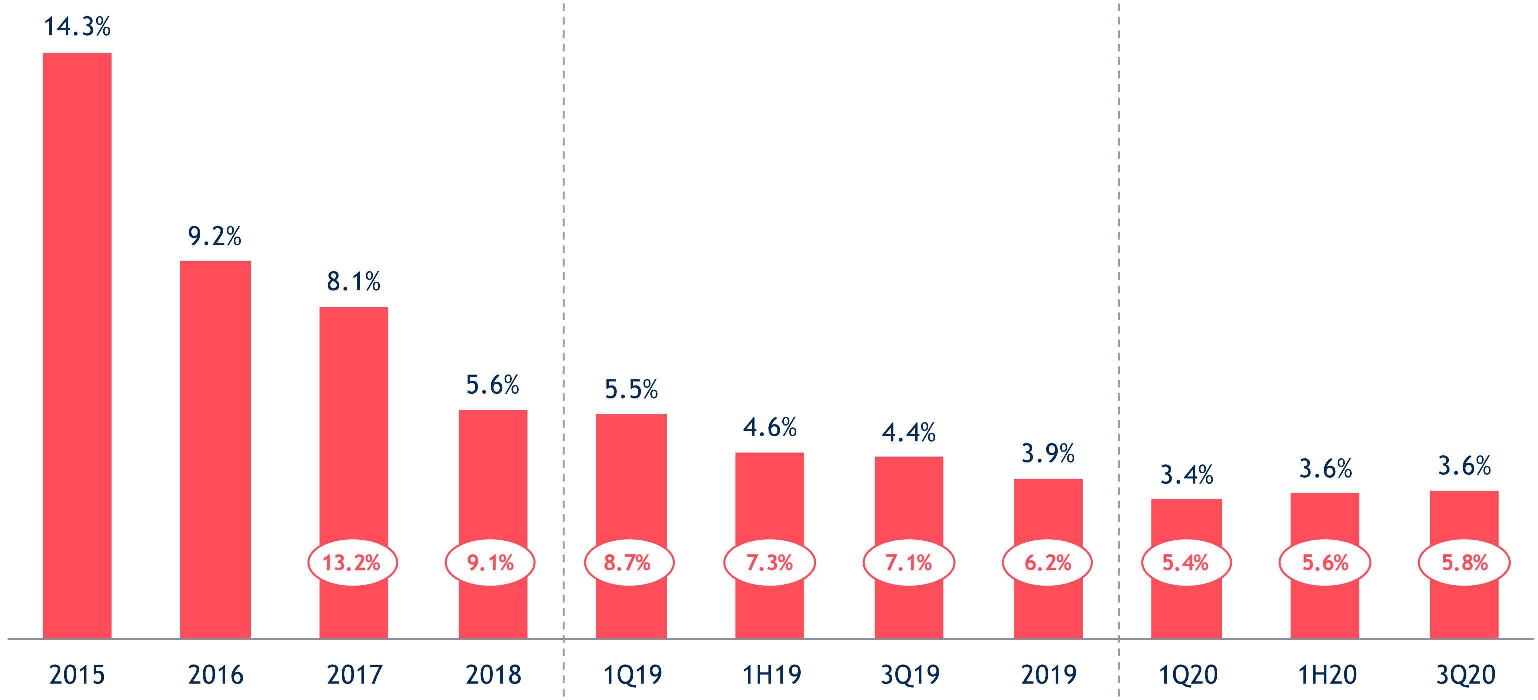


Non-Focus portfolio development



Strong Risk Management Framework

Decreasing non-performing loan portfolio (YTD)

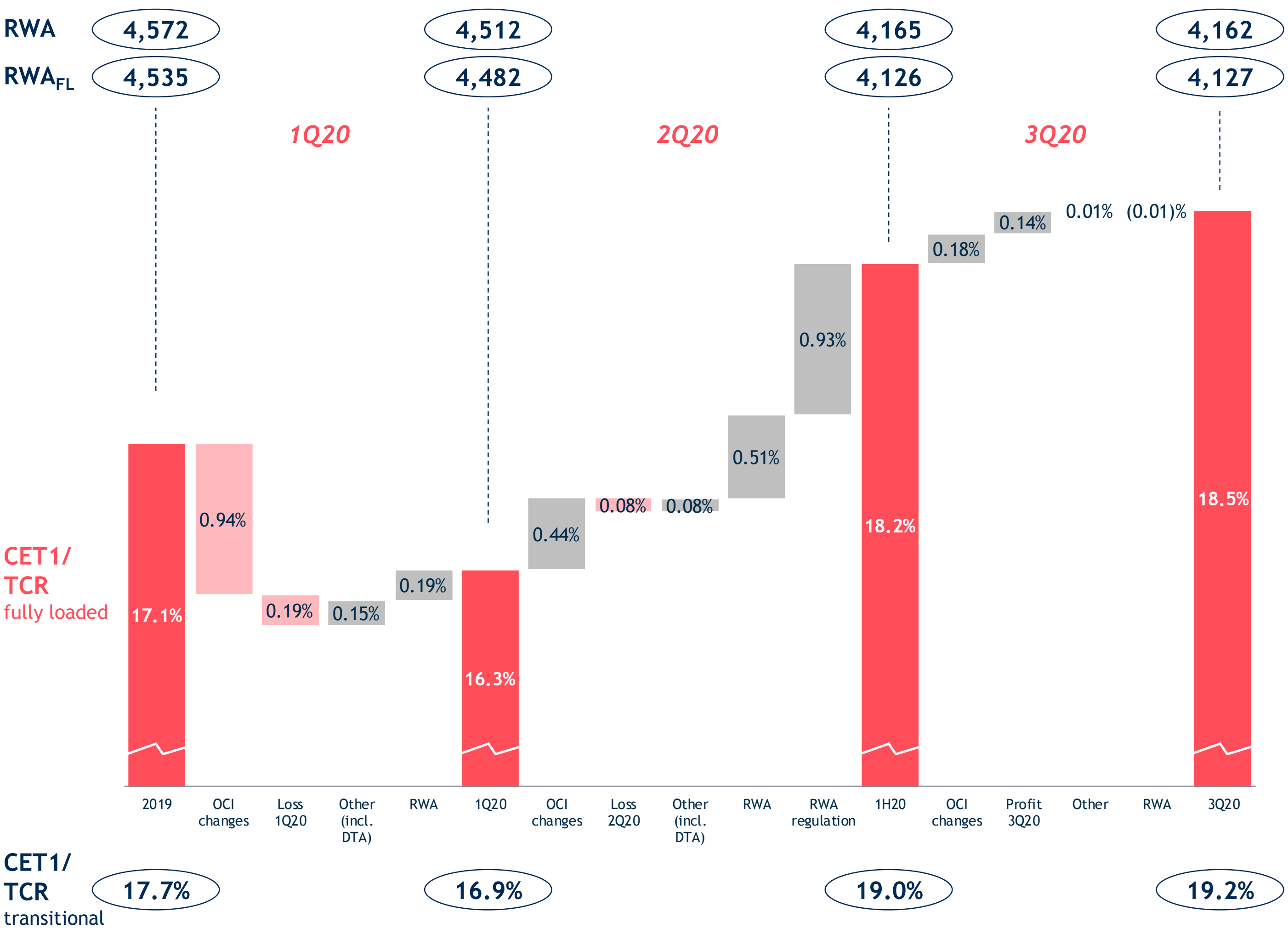


	2015	2016	2017	2018	1Q19	1H19	3Q19	2019	1Q20	1H20	3Q20
NPE Volumes, €mn	1,229	761	606	404	393	329	317	277	239	244	248
NPE Coverage Ratio[1] (Ex-Collateral)	61.7%	67.5%	67.0%	75.4%	75.8%	73.2%	75.3%	73.8%	73.3%	73.2%	73.7%
NPE Ratio[2]	14.3%	9.2%	8.1%	5.6%	5.5%	4.6%	4.4%	3.9%	3.4%	3.6%	3.6%
NPE Ratio (on-balance loans)			13.2%	9.1%	8.7%	7.3%	7.1%	6.2%	5.4%	5.6%	5.8%
NPE Ratio Under New Risk Framework[3]	NM	1.6%	1.3%	1.4%	1.5%	1.6%	1.8%	1.9%	1.9%	2.0%	2.2%

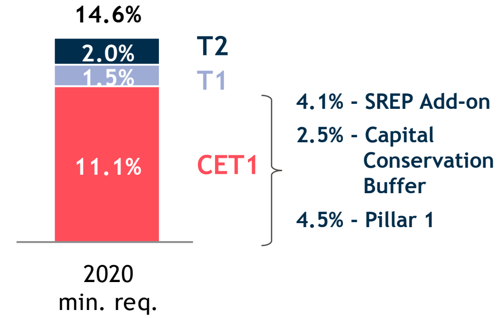
[1] Calculated as the sum of total SRP resp. Stage-3 ECL divided by total non-performing exposure. [2] Calculated as non-performing exposure divided by total credit risk exposure. [3] Calculated as non-performing exposure (new risk framework) divided by total credit risk exposure (new risk framework). Previous risk framework includes all clients where no new risk decision / approval was done afterJan-2016 - all clients which were NPE or forborne on Jan-2016 and stayed NPE since then (even if any approval was done during restructuring).

Capital development

% CET1/TCR, RWAs transitional and fully loaded in €mn



Capital requirement



- **Final SREP 2020:** Pillar 2 Requirement (P2R) of 4.1% (4.1% in 2019). In addition, Pillar 2 Guidance (P2G) of 4%, still unchanged

- **Strong capital position** at 18.5% CET1 (17.6% excl. changes in RWA regulation)
- Previously proposed **2019 dividend remains deducted** from CET1
- Regulatory developments on dividend payments being observed

- Fully-loaded CET1 ratio improved further during 3Q20, driven by reduced loss and further recovery in OCI-reserve
- **Additional RWA reduction** via regulatory changes (quick fixes) during 2Q20

Recent Developments - Key Highlights 3Q20

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Earnings

- **YTD result after tax** of €-6.4mn net loss (1H20: -12.2mn, YTD 3Q19: €+23.4mn)
- **Positive 3rd quarter** result after tax of €+5.8mn (2Q20: €-3.8mn, 1Q20: €-8.4mn)
- **Provisioning** at **(1.0)% Cost of Risk** with €-37.8mn (vs 1H20's €-29.2mn) predominantly driven by IFRS 9 model adjustments and Stage 2 developments
- **YTD operating result** up by c. €14mn to €42.4mn (+48% on YTD 3Q19's €28.6mn) supported by lower OPEX, despite Covid-19 impact on top-line
- **Return on Tangible Equity** (@14.1% CET1 ratio) currently at 0.2% (YE19: 5.6%)

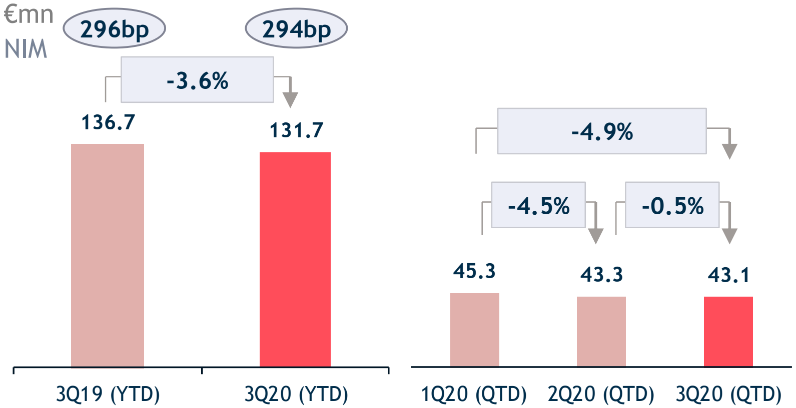
Asset Quality Containment

- **NPE volumes and ratio stable** at 3.6% (1H20: 3.6%, YE19: 3.9%) influenced by moratoria preventing defaults for potentially affected exposures
- EBA regulation on specific treatment of moratoria expired
- Overall **exposure in moratoria down to €667mn** in 3Q20 (-34% vs. 1H20's €1,011mn)
- **>90% of loan portfolio remains with no overdues, portfolio behavior in line with expectations**
- **NPE provision coverage** stable at 73.7% (1H20: 73.2%, YE19: 73.8%)

Funding, Liquidity & Capital

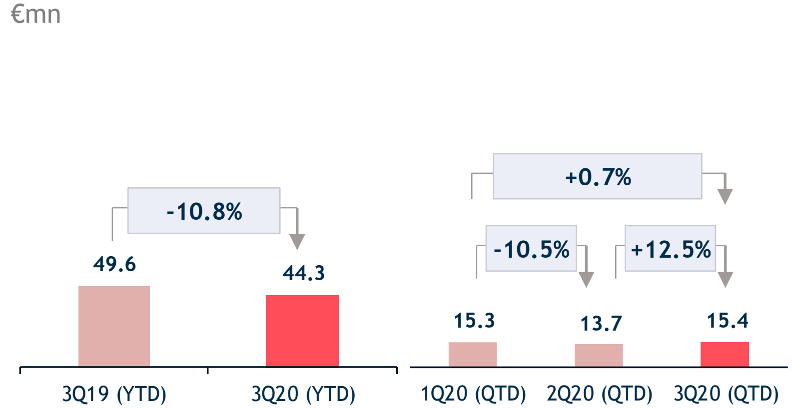
- **Funding situation remained solid** at €4.7bn customer deposits despite Covid-19, with LCR at c. 210%
- **Capital ratio further strengthened** to transitional **CET1 ratio of 19.2%** (IFRS 9 fully-loaded CET1 ratio of 18.5%)

Net interest income



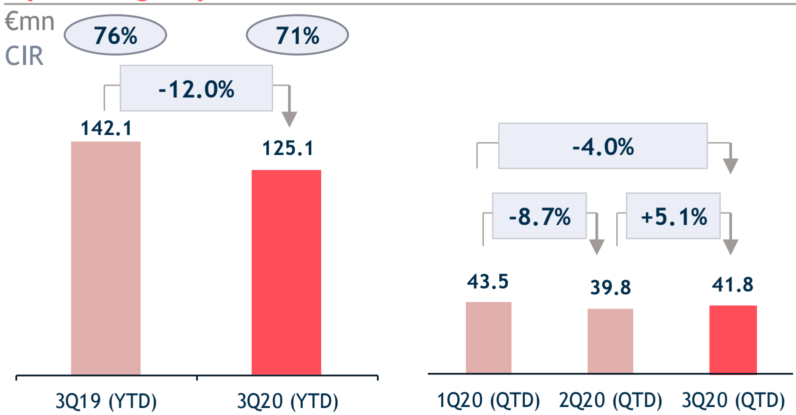
- Regular interest income from focus areas up 3.9% YoY and down 0.6% vPQ due to limited news business, with non-focus reduction according to plan
- Deposits stable, NII supported by lower deposit yields (-12bp YoY)

Net fee and commission income



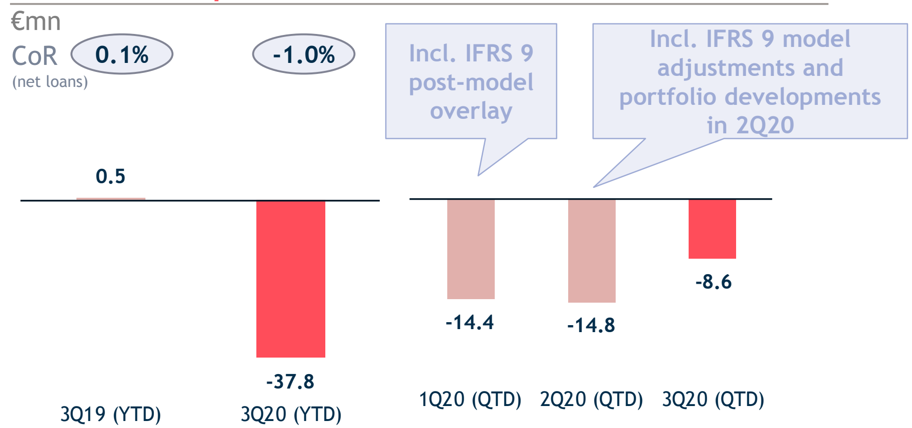
- Net commission income still impacted by limited demand and fewer transactions
- Third quarter better due to increased customer activity and higher new business

Operating expenses



- Cost reduction as outcome of implemented initiatives and Covid-19 related reductions
- 3Q19 influenced by IPO costs, 3Q20 by COV-19 related savings and no bonus accruals for 2020

Credit loss expenses on financial assets



- Pure operational cost of risk in 3Q20 line with expectations, slightly elevated by crisis
- Updated 3Q20 macro developments will be reflected in 4Q20 (already considered in outlook 2020)

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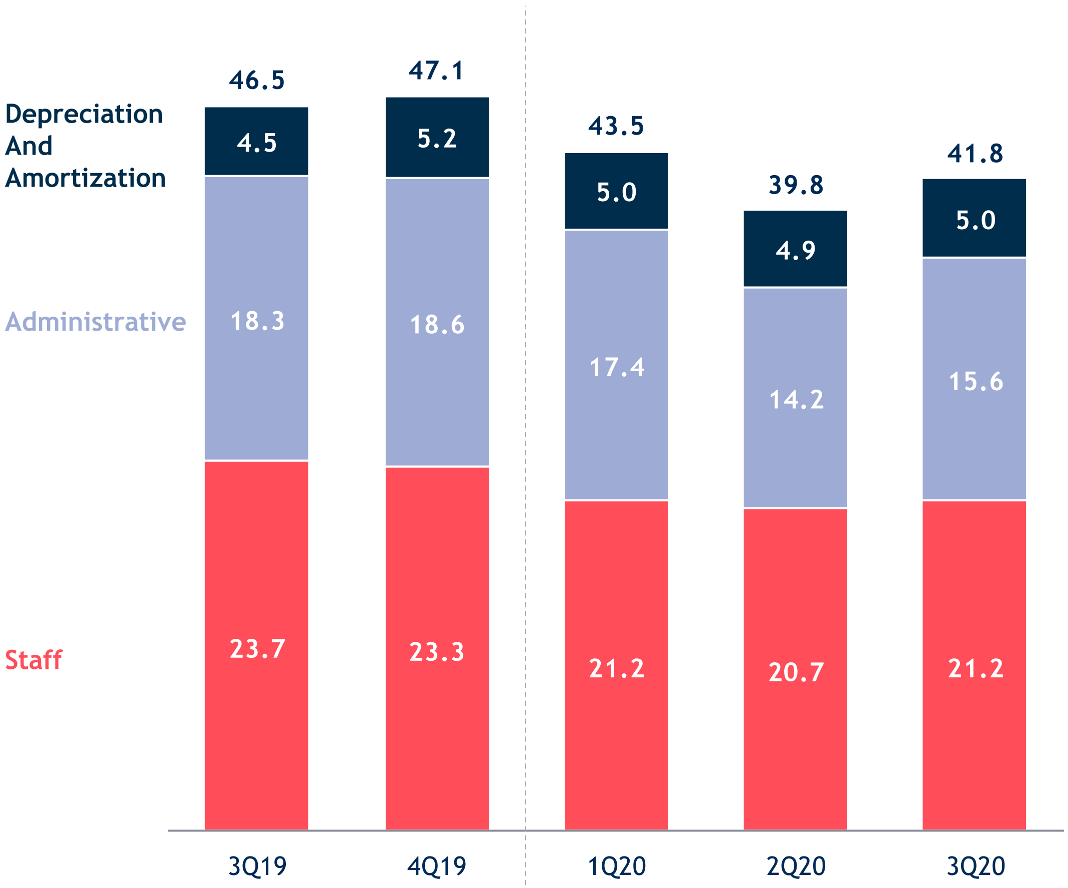
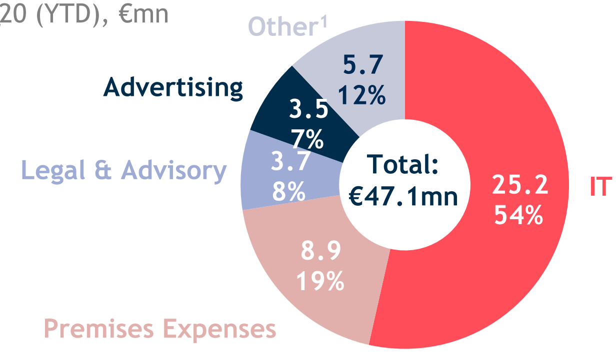
Operating expenses development by quarter

Reported, €mn



Administrative expenses

Reported, 3Q20 (YTD), €mn



- Cost base further optimized as a result of ongoing cost optimization programs & Covid-19 containment
- 3Q19 includes IPO related costs of €0.5mn (3Q19 YTD: €2.0mn)
- No performance-based bonus accruals in 2020

- **Cost optimization program** launched in 3Q20
- Results so far:
  - **Reduction potential of c. €15mn** vs. YE20's €175mn, in personnel- and administrative OPEX - including costs related to HQs and branch network by YE22

[1] Includes vehicle expenses, travel expenses, education expenses, expenses for legal form, other insurance and other.

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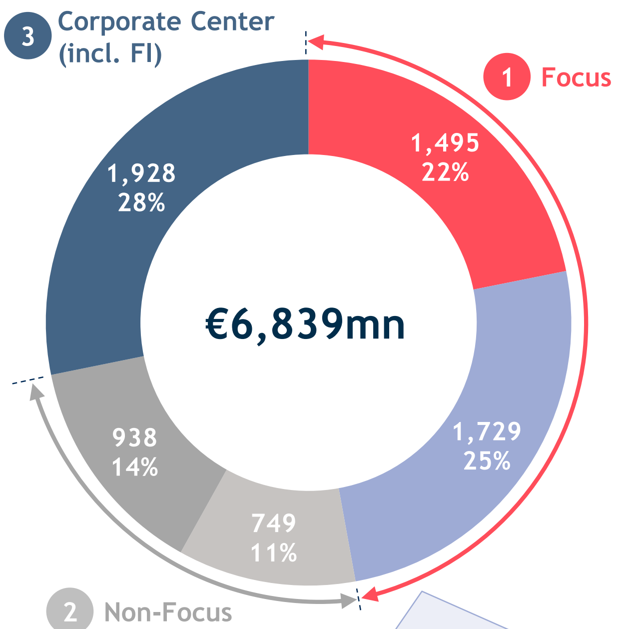
Gross Exposure

Reported, 3Q20, €mn



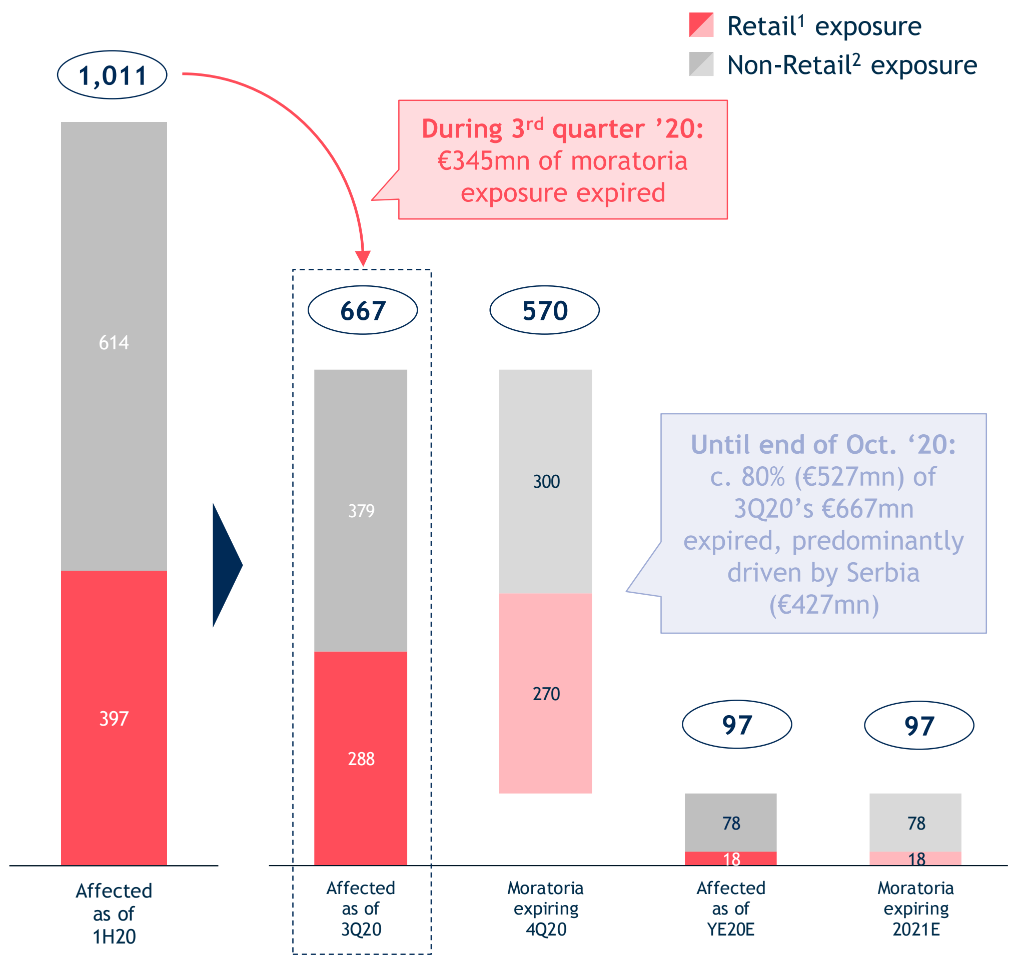
Exposure in Moratoria:

	3Q20	1H20	1Q20
Retail[1]	13%	17%	14%
Non-Retail[2]	14%	23%	16%

- Consumer
- SME
- Mortgages
- Large Corp. & Public
- Corporate Center

Exposure in Moratoria and development

Reported, 3Q20, €mn



[1] Retail equals Consumer and Mortgages segment exposure.
[2] Non-Retail equals SME, Large Corporate & Public Finance segment exposure.

Revised Outlook 2020

Mid Term Targets

- Mid Term Targets currently being finalised as part of the budgeting process
- Management aims to provide an update once the new Supervisory Board members are acquainted with the business plan

Revised Outlook 2020

- **For the full year 2020 the Group currently guides towards:**

Unchanged to 1H20's disclosure

- **Net Banking Income:** 7-10% below the level of 2019
- **Operating expenses:** below €175mn
- **CET1 ratio:** above 19% on a transitional basis, with previously proposed 2019 dividend already being deducted

Revised

- **Gross performing loans:** c. €3.6bn (previously c. €3.5bn)
- **Credit loss expenses** on financial assets: max. 1.5% on average net loans and advances to customers (previously 1.1% to 2.2%)

Dividend Guidance

- **Management remains committed to its communicated 2019 dividend proposal**
- **Conditional dividend payment** sought at the AGM (agenda point 2 "Resolution on the allocation of profits")

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VIENNA, NOVEMBER 2020

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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 by the European Central Bank, 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 September 30, 2020 approximately 0.8 million customers in CSEE, using a well-dispersed network of 175 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.