

Anadi with massively rising profits and stretched timetable for sale of traditional banking business

- **Record profit after 9 months: EUR 11 million profit after tax - profit momentum will continue to grow strongly in 2023 as well**
- **Anadi will allow customers to share in its success; corresponding products are in preparation for the 4th quarter.**
- **In view of market environment and interest rate turnaround: Sale of traditional banking business with revised timetable**
- **Digital expansion will be accelerated: further product innovations and staff recruitment planned**

Klagenfurt, 12.10.2022 - The restructuring of the business model and the strategic preparation for the interest rate turnaround are paying off far more than planned for Anadi Bank. Both in the first nine months and with a view to the coming year, the bank has recorded a massive boost in profits. It is thus developing with high momentum despite increasing risks in the global banking sector. However, the changed market environment of war, inflation and rising interest rates also requires a stretching of the timetable for the sale of the traditional banking business, which Anadi Bank is sticking to just as much as the massive expansion of the digital business.

Best 9-month result since the establishment of Anadi Bank

After nine months, Anadi Bank has already achieved a higher result than ever before: profit after tax, excluding the costs for the sale of the traditional banking business, amounted to around EUR 11 million - a higher operating value has never been achieved since the institution was founded. The fact that this record result could be achieved despite the challenging crisis environment is based on five factors:

1. **Investments bear fruit** - The investments made in recent years in the digital business and in the branch network are bearing sustainable fruit, which is reflected in rising earnings.
2. **Strict risk control, low risk appetite** - Even before the outbreak of the Ukraine war, risk appetite was reduced and the workout area strengthened, which led to positive risk costs and - together with the defensive risk approach - to a risk profile that was below average compared to the market.
3. **High efficiency, strict cost control** - Due to the internal digitisation and automation measures of recent years, processes are highly efficient and the cost structure is firmly under control, which is reflected in the lowest costs since Anadi Bank was founded.
4. **Prepared for interest rate turnaround** - Anadi Bank has been disciplined and proactive in preparing for an interest rate turnaround in recent years, as the low interest rate level was considered unsustainable and fears of deflation unfounded; rather, an inflationary environment was anticipated. As a result, almost 90% of the loans extended are at variable interest rates, making Anadi Bank one of the highest among the top 50 banks in Austria.
5. **High-yield collateralised bonds are maturing** - In addition, the high-yield bond portfolio, which was issued for refinancing a long time ago, is now maturing more and more. The portfolio has been a massive burden on interest expenses in recent years and unduly distorted Anadi Bank's operating performance. While this portfolio still accounted for more than 20% of total assets and almost 80% of interest expenses in 2019, it will have halved by year-end 2022. The continuous reduction should be 90% complete by 2025.

The latter two effects together will lead to a massive increase in net interest income from the 4th quarter of 2022. At this point in time, the Executive Board expects an increase in interest income in a range between 50 % and 70 % for 2023. As the Management Board expects a sustained interest rate turnaround at the lower end of the current forward rates in the coming years, this increase in income is considered sustainable for the new multi-year planning. This will give Anadi Bank a completely different profit and investment dynamic than in the low interest rate environment of the past years.

The profit development is also reflected in the capital ratios: the total capital ratio has been increased organically in the last two years to approximately 16 %, and the Executive Board expects a capital ratio of between 16 % and 17 % for the coming year, which is far above the regulatory requirements. *"Our business is developing splendidly and even far better than expected"*, says Anadi CEO Christian Kubitschek.

Customers share in success - loyalty and fairness in times of inflation and uncertainty

Anadi Bank will share its success with its clients. In the fourth quarter of 2022, starting with World Savings Week, corresponding products and pricing will be rolled out. Particular attention will be paid to the loyalty of customers, without whom the sustainable success of the bank would not be possible. Especially in times of inflation and uncertainty, Anadi Bank is consciously sending a signal of loyalty and fairness to its customers.

Adjusted timetable for the sale of the traditional banking business

The speed and extent of the interest rate turnaround as well as the crisis environment have an impact on the timetable for the sale process for Anadi Bank's traditional banking business. The institute had started the sales process at the beginning of June. From the outset, Anadi Bank placed the highest value on a mutually fair sale price as well as a sustainable and positive impact of the transaction on its clients, employees and the Austrian location. Two opposing factors are now causing Anadi Bank to adjust the timing of the sales process:

- **Uncertain environment** - The impact of the war in Ukraine, the highest inflation in 70 years, the energy crisis and fears of recession are affecting the scope for acquisitions, all the more so as uncertainty ahead of the coming winter is currently very high. As a result, the conclusion of such a transaction before spring 2023 is not considered desirable.
- **Profit momentum in traditional banking business** - Despite the challenging environment, Anadi Bank will record massively increasing profits. However, these profit increases are higher than could be expected at the beginning of the sales process, as the turnaround in interest rates is also faster and more emphatic than was foreseeable at the beginning of the sales process.

The environment thus provides two opposing dynamics that lead to a stretching of the timetable for the sales process: The Executive Board currently assumes that many planning uncertainties will have sufficiently subsided after the winter. Factors such as the Ukraine war, the energy crisis and the inflationary or stagflationary environment and their concrete effects on the banking landscape will then be easier to assess. In addition, Anadi Bank's sustainable earnings increases will visibly manifest themselves along the way. Both together should provide a good breeding ground for a transaction on Anadi Bank's traditional banking business in the spring of 2023, after the conclusion of the 2022 balance sheet season, which will be carried out with a prudent hand at a fair sale price.

Profit momentum is used for the digital roadmap

"Due to our excellent profit and capital position, we are under no time pressure and will use the additional profit increases to increase the pace of investment in our digital roadmap and pursue our digital expansion plans to the fullest extent," says Kubitschek. Already, 40 % of the employees (excluding the branch network) work in the digital business. Anadi Bank will continue to recruit new employees and, in parallel, develop employees from traditional banking into the digital area. *"We are convinced of the enormous growth prospects in digital banking and will use our earnings momentum to implement these growth prospects at high speed,"* says Kubitschek.

About Anadi Bank

With its Retail Banking, Corporate Banking, Public Finance and Digital Banking business segments, Anadi Bank offers personal customer care via a multi-channel approach with 10 branches in Carinthia and a team of customer care agents. In addition, Anadi Bank focuses on easy-to-use digital services and is developing its portfolio into a top online banking offering for the German-speaking region: most recently with the launch of a digital SME loan as part of the expansion into Germany, as well as with the launch of the tablet-based mobile sales cooperation with Austria's financial service providers under the "Anadi Connect" brand and the unique sales cooperation under the MARIE brand, which brings banking services to tobacconists. The digital DNA of the bank is visible in the bank's internal digital area, in which around 40% (excluding the branch network) of the total of around 250 Anadi Bank employees are already working. For the approximately 58,000 clients and as the principal bank of numerous companies in trade, industry and real estate, as well as a large number of municipalities and public institutions, the bank specifically uses the advantages of long-standing relationships of trust between clients and client advisors, high innovative strength, digital competence and lean structures.