

Addiko Bank 3Q2026: What RBI Is Really Buying at 0.58x Book Value

Strong capital, deteriorating earnings and the unresolved cost of legacy CHF litigation

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At just 0.58 times book value, Raiffeisen Bank International appears poised to acquire a well-capitalized banking group at a substantial discount. Yet Addiko's latest financial results tell a less reassuring story: weakening underlying earnings, a €9.6 million nine-month loss and unresolved CHF litigation risks in Croatia and Slovenia. With the ALTA carve-out now collapsed, RBI is now preparing to take over all six banks, making the acquisition's ultimate value dependent on far more than the price paid for its shares.

Raiffeisen Bank International is approaching the acquisition of Addiko Bank AG with an expected ownership interest of 95.74% following settlement of its takeover offer, subject to the remaining regulatory approvals and closing conditions. At €26.50 per share, the transaction implies an equity valuation of approximately €516.8 million, equivalent to 0.58

times Addiko's reported book equity at 30 September 2026. For a banking group with €6.67 billion in assets, a CET1 ratio of 21.5% and relatively low non-performing exposures, the discount is substantial. The latest financial results, however, suggest that it is not entirely without justification.

Addiko reported a net loss of €9.6 million for the first nine months of 2026, compared with a profit of €35.3 million in the corresponding period of 2025. Management's adjusted net profit of €33.3 million, excluding specified CHF-related legal provisions and takeover advisory expenses, offers a more favorable picture. Even on that basis, earnings declined by 5.7%, while operating profit before impairments and provisions fell by 21.3%. Revenue remained broadly unchanged, administrative costs increased and the underlying cost-to-income ratio deteriorated.

The performance of Addiko's six operating banks is equally revealing. Croatia maintained substantial operating profitability but reported only €2.7 million in profit before tax, compared with €38.4 million a year earlier. Serbia's pre-tax earnings more than halved despite significant asset growth, while Montenegro's profitability weakened further. Slovenia improved its reported pre-tax result, largely because of lower credit loss expenses rather than stronger operating performance. The two Bosnian banks remained comparatively stable.

Historical Swiss franc lending continues to complicate the financial assessment of both Croatia and Slovenia. Addiko recognized €41.0 million in additional CHF-related legal provisions during the second quarter following Supreme Court developments in the two jurisdictions. Its half-year financial report also disclosed material sensitivities to alternative legal assumptions, including approximately €11.7 million for Croatian converted CHF loans and €23.0 million for Slovenian claims under a scenario in which limitation periods are assumed not to apply. These are conditional sensitivities rather than established provisioning shortfalls, but they illustrate the uncertainty surrounding the eventual cost of the litigation.

The collapse of ALTA Banka has fundamentally changed the acquisition structure. The original plan to transfer Addiko's four non-EU subsidiaries to ALTA Group has effectively collapsed in commercial terms. RBI now expects to retain all six operating banks, including businesses it initially intended to dispose of.

The acquisition consequently presents a more complex investment case than the headline price suggests. RBI is buying a strongly capitalized regional banking group at a considerable discount to book value, but one whose current earnings fall well below what would normally justify such a substantial equity base. The purchase price provides room for value creation. The unresolved question is whether RBI can capture that value after historical liabilities, integration expenditure and the costs of operating the enlarged network have been properly accounted for.

Nine-Month Results: A Better Third Quarter, but Weaker Underlying Earnings

Addiko generated €13.4 million in net profit during the third quarter, compared with €11.3 million in the corresponding quarter of 2025. This reduced the cumulative loss from €23.0 million at the end of June to €9.6 million at the end of September.

The quarterly improvement is encouraging, although the comparison with the second quarter is heavily influenced by the exceptional legal provisions and takeover expenses recognized earlier in the year. The nine-month figures provide a better indication of the Group's operating trajectory.

Net banking income remained almost unchanged at €234.3 million, reflecting a relatively stable lending and deposit franchise despite lower interest rates, regulatory restrictions and competitive pressure across several markets. Net interest income declined slightly, while net fee and commission income increased by 1.2%. The latter benefited from €2.2 million in Mastercard implementation incentives recognized in Serbia and Croatia. Excluding these project-related payments, fee income would have declined year-on-year.

Addiko Group: Financial Performance

EUR million, first nine months of each year

Financial indicator	9M2025	9M2026	Change
Net interest income	177.8	175.8	-1.1%
Net fee and commission income	57.8	58.5	+1.2%
Net banking income	235.6	234.3	-0.5%
Operating income	**227.4**	**224.4**	**-1.3%**
Administrative expenses	-144.5	-159.3	+10.2%
Operating result before impairments and provisions	**82.9**	**65.2**	**-21.3%**
Other result	-10.5	-52.1	-
Expected credit loss expenses	**-25.5**	**-18.1**	**-29.0%**
Profit before tax	46.8	-5.1	-
Net result after tax	**35.3**	**-9.6**	**-**
Adjusted net result after tax	**35.3**	**33.3**	**-5.7%**
Cost-to-income ratio	61.4%	68.0%	+6.6 pp

Source: *Addiko Group Earnings Release and Results Presentation 3Q2026. Adjusted earnings are management's non-IFRS performance measure.*

Administrative expenses increased by €14.7 million to €159.3 million. Approximately €8.6 million related to takeover advisory costs. After excluding those expenses, the underlying cost base still increased by 4.2%, reflecting personnel expenditure, wage indexation, inflation-related adjustments, costs associated with the Group's Romanian expansion and other operating factors. A valuation-related charge associated with the phantom share programe also contributed to expenses.

The underlying trend is therefore less favorable than management's adjusted earnings presentation might initially suggest. Operating profit before impairments and provisions, excluding takeover advisory expenses, declined from €82.9 million to €73.8 million, approximately 11%. The adjusted cost-to-income ratio deteriorated from 61.4% to 64.3%, while the reported ratio reached 68.0%. For a banking group generating almost no revenue growth, an underlying increase in operating expenditure of more than 4% is a disappointing result. Some cost increases are unavoidable in the current regulatory and wage

environment, but they still reduce the earnings available to support future growth and capital returns.

Lower credit loss expenses provided partial relief. Expected credit losses declined from €25.5 million to €18.1 million, reducing the reported cost of risk on net loans to 48 basis points. Asset quality remained broadly stable, with an on-balance-sheet NPE ratio of 2.6% and provision coverage of 80.4%.

The balance sheet continues to provide reassurance. Customer loans reached €3.77 billion, customer deposits increased to €5.49 billion and the liquidity coverage ratio stood at 278.6%. Addiko's CET1 ratio declined from 22.4% at year-end 2025 to 21.5%, but remained well above its disclosed regulatory requirements.

There is little evidence of broad credit deterioration or immediate capital pressure. Addiko's principal weakness is the relatively modest earnings generated by its existing capital base. The bank has considerable financial capacity, but its ability to convert that capacity into satisfactory shareholder returns remains limited.

Acquisition Valuation: The Difference Between Buying Capital and Buying Earnings

RBI's €26.50 offer values Addiko's 19.5 million issued shares at approximately €516.8 million. Against reported Group equity of €888.3 million at 30 September 2026, this represents an indicative price-to-book multiple of 0.58x.

The discount of approximately €371.5 million to reported book equity is striking. It does not, however, represent an automatically realizable economic gain. Reported equity is not equivalent to freely distributable capital, and acquisition accounting will require the identification and measurement of assets and liabilities at the acquisition date, including the reassessment of legal provisions, deferred taxes and other relevant adjustments.

The earnings multiple provides a different perspective on the price.

Indicative Acquisition Valuation

Indicator	Value
RBI offer price	€26.50 per share
Issued shares	19.5 million
Implied equity valuation	€516.8m
Reported Group equity, September 2026	€888.3m
Price-to-book multiple	**0.58x**
Adjusted net profit, 9M2026	€33.3m
Illustrative annualized adjusted profit	€44.4m
Indicative P/E on annualized adjusted profit	11.6x
Annualized adjusted profit / September equity	5.0%

Source: *RBI takeover terms, Addiko 3Q2026 disclosures and independent calculations. Annualized profit assumes continuation of the nine-month average earnings pace. It is not a forecast. The implied equity valuation uses all issued shares before transaction-specific adjustments.*

On this simple annualized basis, Addiko generates approximately €44.4 million in adjusted annual profit, equivalent to roughly 5% of September book equity. This is an indicative earnings-to-book measure, not a formally calculated return on average equity, but it provides a useful starting point for assessing the acquisition. At that earnings level, RBI is effectively paying around 11.6 times adjusted annualized profit. The transaction appears less inexpensive when viewed through earnings rather than book value.

A straightforward sensitivity illustrates the scale of improvement required.

Illustrative Earnings Capacity

Based on €888.3 million of September 2026 reported equity

Annual profit / book equity	Illustrative annual profit	Implied P/E at offer value
5.0%	€44.4m	11.6x
7.5%	€66.6m	7.8x
10.0%	€88.8m	5.8x

Illustrative calculations only. These figures are not earnings forecasts or formal return-on-average-equity estimates and assume unchanged September book equity.

An annual profit equivalent to 10% of reported September equity would require approximately €88.8 million, almost twice the current adjusted annualized earnings pace. The improvement would need to come from additional revenue, lower operating expenditure, more efficient capital deployment or a combination of these measures. In a simplified valuation model, consistently earning returns close to the cost of equity could justify a valuation much nearer to book value, narrowing the current discount. RBI could also improve reported ROE by releasing surplus capital, although that would reduce the equity base rather than necessarily increase operating earnings, and any such release would remain subject to regulatory requirements.

RBI's own medium-term objective is to achieve a consolidated return on equity of at least 13%, subject to specified exclusions relating to Russia and certain legal costs. That target is not directly comparable with Addiko's annualized adjusted profit divided by period-end equity. The measures differ in accounting perimeter, capital structure, averaging methodology and treatment of exceptional items. Nevertheless, the contrast illustrates how far Addiko's standalone profitability is from the level of returns RBI expects from its wider banking operations.

RBI may be able to achieve improvements unavailable to Addiko as an independent group. Its existing regional infrastructure offers opportunities to reduce duplicated functions, improve funding economics and allocate capital more efficiently. Yet the financial contribution of those measures has not been quantified in sufficient detail under the revised six-bank acquisition structure.

I would therefore resist describing the transaction as exceptionally cheap solely because the purchase price is below book value. RBI is acquiring considerable capital at a discount, but the target's current earnings do not make that discount an unequivocal bargain. The investment becomes substantially more attractive if the acquirer can improve recurring profitability without incurring disproportionate integration costs.

Six Subsidiaries: A Material Difference in Capital Productivity

The financial performance of Addiko's six subsidiaries is particularly relevant following the collapse of the planned ALTA carve-out. RBI is now preparing to retain the entire network, including the four banks originally intended for disposal.

The reported results reveal substantial differences in operating profitability, funding efficiency and earnings generated relative to risk-weighted assets.

Subsidiary Profitability Relative to Risk-Weighted Assets

EUR million, except ratios. First nine months of 2025 and 2026.

Banking subsidiary	PBT 9M25	PBT 9M26	RWA 9M26	PBT/RWA 9M25	PBT/RWA 9M26	Operating result/RWA 9M26
Croatia	38.4	2.7	1,045.3	3.75%	0.26%	3.95%
Slovenia	6.0	8.9	770.4	0.78%	1.16%	3.54%
Banja Luka (BiH)	12.0	11.4	354.1	3.44%	3.22%	3.47%
Sarajevo (BiH)	9.4	9.0	393.3	2.44%	2.29%	2.80%
Serbia	13.5	6.5	608.7	2.62%	1.07%	1.66%
Montenegro	3.8	0.8	170.8	2.21%	0.47%	0.76%
Six banks combined	**83.1**	**39.3**	**3,342.6**	**2.58%**	**1.18%**	**3.09%**

Source: *Addiko Group Results Presentations 3Q2025, p. 37, and 3Q2026, p. 25. Ratios independently calculated using nine-month results divided by period-end RWA for the corresponding year. The 9M2025 calculations use RWA reported at September 2025, not September 2026. Ratios are unannualized and do not represent ROE, RAROC or a formal return on allocated regulatory capital. Subsidiary figures exclude holding-company and consolidation adjustments.*

The combined pre-tax profitability of the six banks relative to RWA declined from 2.58% in 9M2025 to 1.18% in 9M2026. This reflects the substantial reduction in reported earnings alongside an increase in risk-weighted assets. The deterioration is influenced heavily by Croatia's litigation-related charges, but the comparison also exposes weaker earnings performance in Serbia and Montenegro.

Croatia generated the highest operating result relative to RWA, at 3.95%, yet its reported pre-tax profit amounted to only 0.26% of RWA. This gap illustrates the extent to which charges below operating profit have affected the financial result. The underlying lending business continues to produce substantial earnings, but historical legal liabilities complicate the assessment of its sustainable contribution.

Slovenia presents a similar, although less pronounced, difference. Operating result represented 3.54% of RWA, while reported pre-tax profit amounted to 1.16%. The Slovenian bank continues to generate meaningful operating earnings, but its profitability remains affected by credit losses and legal provisions associated with historical CHF lending.

Banja Luka stands out with the highest reported PBT/RWA ratio among the six banks, at 3.22%, followed by Sarajevo at 2.29%. The combined performance of the two Bosnian subsidiaries is comparatively strong, particularly given their smaller balance sheets and capital requirements. Their earnings contribution should not be overlooked simply because RBI originally intended to dispose of these operations.

Serbia and Montenegro occupy the weaker end of the comparison. Serbia reported PBT/RWA of 1.07%, despite substantial asset growth, while Montenegro generated only 0.47%. Their difficulties are more directly related to operating profitability, funding costs and the relatively high proportion of revenue absorbed by expenses.

The operating-result-to-RWA comparison provides an additional perspective. Croatia and Slovenia continue to generate substantial earnings before legal provisions and credit losses, while Serbia and Montenegro enter the potential integration process with more limited operating headroom.

These ratios are necessarily simplified. They do not capture differences in effective tax rates, the amount of capital actually allocated to each subsidiary, the cost of equity or the maturity of individual loan portfolios. A proper risk-adjusted profitability assessment would require additional data.

Nevertheless, the comparison is useful for identifying RBI's most immediate priorities. Croatia and Slovenia require a careful separation of recurring earnings from legacy legal liabilities. Serbia and Montenegro need improvements in operating profitability. The Bosnian subsidiaries currently provide a comparatively solid pre-tax contribution for their disclosed RWA.

Reconciling Subsidiary Results With Consolidated Profitability

The six operating banks generated a combined €39.3 million in profit before tax during the first nine months of 2026, while Addiko Group reported a consolidated pre-tax loss of €5.1 million. The difference of approximately €44.4 million is material.

The published financial statements permit the difference to be reconciled at the reported line-item level.

Reconciliation, 9M2026	Six subsidiaries	Consolidated Group	Difference
Operating result	103.3	65.2	-38.1
Other result	-45.8	-52.1	-6.3
Expected credit loss expenses	-18.1	-18.1	0.0
Profit before tax	**39.3**	**-5.1**	**-44.4**

EUR million. Independent calculation based on the published subsidiary breakdown and consolidated results. Minor differences may arise from rounding.

Most of the difference arises in operating result outside the six subsidiary figures, with a smaller additional effect in other result. The Austrian holding structure, centrally incurred expenses and consolidation adjustments are relevant to this reconciliation. The publicly available entity-level presentation does not provide sufficient detail to allocate the amounts precisely among these components.

This represents an area for further examination during RBI's integration planning. The takeover will eliminate the need for certain standalone group functions, but other activities

will have to continue, whether within the existing Addiko structure or transferred into RBI's regional platform.

The €44.4 million difference should not be treated as an available synergy pool. Doing so would confuse accounting reconciliation with costs that can actually be eliminated. A credible integration business case should identify each material central cost, its current purpose, the cost of transferring the corresponding function and the net recurring saving that can be achieved.

Croatia and Slovenia: Two CHF Litigation Problems That Need Separate Assessment

Historical Swiss franc lending remains one of the principal uncertainties in Addiko's reported financial position. Croatia and Slovenia share a legacy of CHF-denominated consumer lending, but the legal questions and provisioning methodologies differ.

Following developments in Supreme Court jurisprudence, Addiko recognized €41.0 million in additional CHF-related legal provisions during the second quarter of 2026. The charge affected both jurisdictions, although the Group's published nine-month results do not provide a complete allocation of this amount by country.

These liabilities are relevant to RBI's acquisition valuation because the purchase of an otherwise performing banking franchise does not eliminate obligations originating from contracts concluded many years earlier. Current credit quality and historical legal risk must be evaluated separately.

Croatia: Strong Operating Profit, Almost No Reported Pre-Tax Earnings

Addiko Bank d.d. Zagreb remains the Group's largest operating subsidiary, with approximately €2.35 billion in total assets and €1.05 billion in risk-weighted assets at 30 September 2026.

The bank generated €41.3 million in operating profit during the first nine months, compared with €46.3 million a year earlier. The decline of 10.8% is material, but the core banking business continues to generate substantial earnings. The greater deterioration occurred below operating profit.

Addiko Bank d.d. Zagreb: 9M2025 vs 9M2026

EUR million, unless otherwise indicated

Financial indicator	**9M2025**	**9M2026**
Net interest income	58.4	58.8
Net commission income	18.5	18.1
Other income	2.1	-1.5
Operating income	79.0	75.4
Operating expenses	-32.7	-34.1
Operating result	**46.3**	**41.3**
Other result	-5.0	-34.4
Credit loss expenses	-2.9	-4.2
Profit before tax	**38.4**	**2.7**
Cost-to-income ratio	42.5%	44.3%
On-balance-sheet NPE ratio	2.1%	2.2%
NPE coverage ratio	85.5%	86.3%

Source: *Addiko Group Results Presentations 3Q2025 and 3Q2026, entity-level financial breakdowns.*

Other result deteriorated from negative €5.0 million to negative €34.4 million, while credit loss expenses increased to €4.2 million. The combined effect reduced profit before tax to just €2.7 million, approximately 93% below the corresponding period of 2025.

The Group has identified CHF litigation provisions as a major contributor to the deterioration in other result. Nevertheless, the Croatian entity-level presentation does not separately reconcile every component of its negative €34.4 million other result. Attributing the entire amount to CHF litigation would therefore go beyond the available disclosures.

At the operating level, the Croatian bank remains comparatively efficient. Its cost-to-income ratio of 44.3% is materially below the Group average, while the NPE ratio of 2.2% and coverage of 86.3% indicate relatively sound recognized credit quality.

The commercial performance of its SME business is less encouraging. Addiko reported a 25% decline in new SME business in Croatia, compared with growth of 5% in the remainder of the Group's SME operations. Regulatory restrictions, competitive conditions and refinancing activity may partly explain the decline, but the magnitude warrants closer scrutiny. A specialist lender cannot rely indefinitely on the profitability of its existing portfolio if new business generation is weakening.

The CHF litigation provisions remain the more immediate obstacle to assessing sustainable profitability.

In June 2026, the Croatian Supreme Court issued decision Rev-457/2025-21, affecting the treatment of certain interest-related claims involving CHF loans converted into euros under the statutory conversion framework. Addiko subsequently revised its provisioning methodology to reflect the available legal interpretation and expected financial consequences.

The Group's half-year financial report disclosed that, for Croatian converted CHF loans, the upper end of reasonably possible alternative modelled scenarios would require approximately €11.7 million in additional provisions compared with the amount recognized at 30 June 2026. For unconverted CHF loans, alternative scenarios produced differences of approximately €1.4 million to €6.7 million relative to the recognized provision.

These figures are not established provisioning deficiencies. They illustrate how changes in assumptions concerning claim volumes, interest calculations, litigation outcomes and settlement patterns could affect the final financial cost.

My reservation concerns the reliability of the earnings estimates rather than an established accounting breach. Croatia's current lending franchise generates substantial operating

profit, but its reported earnings remain exposed to historical legal obligations whose final cost is uncertain. For valuation purposes, I would assess the current banking business and the expected settlement cost of those obligations separately, rather than relying on either reported profit or management-adjusted earnings as a complete measure of financial performance.

Slovenia: The CHF Exposure Is Equally Relevant

The Slovenian subsidiary faces a different, but potentially material, CHF litigation problem.

Unlike the Croatian cases involving statutory loan conversion and related interest claims, the Slovenian litigation has focused heavily on the potential nullity of CHF consumer loan agreements, compensation for the use of funds and the application of limitation periods.

Following Slovenian Supreme Court decisions II Ips 14/2025 and II Ips 58/2025, Addiko revised its provisioning assumptions concerning compensation for the use of loan principal and the likelihood of successfully relying on limitation periods in certain disputes.

The sensitivity disclosed in the half-year report is considerable. If limitation periods were assumed not to apply, management estimated that the recognized Slovenian provision at 30 June 2026 would increase by approximately €23.0 million.

There is also an important limitation concerning future claims. The Slovenian provision includes claims received by the reporting date and an estimate of additional claims expected until the end of 2026. It does not include a quantified estimate of potential claims filed beyond that period, because management concluded that longer-term inflows could not be estimated with sufficient reliability.

This does not mean that an additional €23 million charge is required under IAS 37, nor does it establish that claims filed after 2026 will necessarily generate further losses. The amount reflects a particular adverse legal-assumption scenario, not management's base-case estimate.

Still, the sensitivity is significant when compared with the Slovenian subsidiary's €8.9 million in reported nine-month pre-tax profit. The financial consequences of an adverse development in litigation could absorb a meaningful portion of several years' earnings, depending on the timing and amount of eventual settlements.

I would therefore place Slovenia alongside Croatia among the principal legal-risk priorities in RBI's acquisition due diligence. Its current operating business remains profitable, but the final cost of historical CHF lending cannot yet be considered settled.

IAS 37 and the Timing of Cash Outflows

IAS 37 requires recognized provisions to represent the best estimate of expenditure necessary to settle a present obligation where an outflow of resources is probable and can be measured reliably. In large portfolios of historical consumer loan disputes, the estimate depends on claim volumes, probabilities of adverse judgments, expected losses per contract, litigation costs and the timing of future payments.

Addiko has recognized substantial additional provisions and disclosed material estimation sensitivities. The available financial information does not establish a breach of IAS 37 or deliberate understatement of liabilities. It does, however, demonstrate that the recognized amounts remain dependent on legal assumptions that may change as court practice develops.

The timing of expected payments is also relevant. Addiko's half-year report states that cash outflows associated with these litigation provisions are expected over approximately two to six years, although actual timing may vary materially with the progress of proceedings, appeals and judicial decisions. Consequently, the acquisition's financial exposure should be assessed not only through the nominal amount of potential claims, but also through their expected timing, the applicable measurement and discounting assumptions, and the potential effect on future earnings and capital.

The Croatian and Slovenian sensitivity figures should not be mechanically added together or treated as a forecast of additional provisions. They relate to different legal assumptions and individual scenarios. Addiko itself acknowledges that simultaneous adverse developments may produce outcomes outside the ranges illustrated separately.

For RBI, the appropriate exercise is a detailed review of the claims populations, available legal opinions, historical settlement experience and provisioning models. Particular attention should be paid to the circumstances under which new claims may arise, the reliability of limitation-period assumptions and the potential for changes in the expected timing of payments.

A low NPE ratio and strong IFRS 9 expected credit loss coverage provide comfort regarding current lending exposures. They do not resolve risks arising from historical contractual disputes accounted for under IAS 37.

Croatia's Headquarters Investment During a Prolonged Sale Process

A separate capital allocation question concerns Addiko Bank d.d. Zagreb's decision to acquire new headquarters premises in Španska after operating from leased offices at Slavonska avenija 6 for at least twelve years. The investment represents a notable change in the bank's long-standing approach to its corporate premises, particularly given the timing. Addiko Bank AG had already been the subject of takeover activity since 2024, when NLB launched its formal acquisition offer, followed by RBI's takeover process in 2026. The latest financial disclosures confirm investment associated with the new headquarters, including its contribution to tangible assets and risk-weighted assets.

The bank has justified the relocation by referring to improved working conditions, operational efficiency and the cost of adapting its former leased premises. These considerations may be commercially reasonable, but they do not fully address the timing of the investment. After operating from leased premises for more than a decade, what made the acquisition of an owner-occupied headquarters sufficiently urgent to proceed while the bank's future ownership and organizational structure remained uncertain? Both

NLB, had its 2024 acquisition succeeded, and RBI as the current prospective owner would have had their own strategic considerations regarding the Croatian banking franchise, including the location, ownership and potential consolidation of headquarters facilities.

In my assessment, a more prudent approach would have been to defer such a long-term capital commitment until the future controlling shareholder had determined the bank's operating and integration strategy, unless compelling financial or operational circumstances justified immediate action. The decision may ultimately prove economically sound, particularly if the property retains substantial market value or generates long-term occupancy savings. However, without disclosure of the purchase consideration, investment appraisal, comparative lease-versus-own economics and the timing of the underlying approvals, I remain unconvinced that proceeding during an advanced ownership transition was necessarily the most efficient allocation of capital. The central issue is not whether Addiko should own its headquarters, but why that decision could not have been left to the incoming owner, who would ultimately determine the bank's future organizational structure.

The ALTA Carve-Out Has Collapsed: RBI Needs a Revised Investment Case

RBI's original acquisition structure envisaged retaining Addiko's Croatian and Slovenian operations while transferring the four non-EU banks in Serbia, Bosnia and Hercegovina and Montenegro to ALTA Group.

That arrangement has effectively collapsed in commercial terms.

On 30 October 2026, the National Bank of Serbia revoked ALTA Banka's banking license after identifying a significant deterioration in its financial condition and liquidity. Bankruptcy proceedings were subsequently opened by the Commercial Court in Belgrade on 3 November, and the Deposit Insurance Agency was appointed bankruptcy administrator. Serbian authorities also arrested ALTA Banka's owner, Davor Macura, and two individuals connected with treasury operations on suspicion of financial misconduct. The criminal

allegations remain unproven and should be distinguished from the established regulatory and insolvency actions.

Following these developments, RBI stated that it no longer expects ALTA Group to receive the necessary approvals and now intends to retain all Addiko subsidiaries. Although the public disclosures do not establish the formal termination of every contractual arrangement, the originally envisaged carve-out is no longer a credible commercial transaction scenario.

The change has significant consequences for the acquisition's financial structure.

RBI's May 2026 presentation envisaged a materially different transaction perimeter. Under that plan, the bank expected to retain Croatia and Slovenia, with an initial negative CET1 impact followed by an improvement once the four non-EU subsidiaries had been deconsolidated.

Following the increase in the offer price to €26.50 per share in May, RBI estimated an initial CET1 impact of approximately negative 46 basis points, reducing to negative 11 basis points after the planned carve-out. The expected benefit from disposing of the four banks was therefore approximately 35 basis points.

The original business case also included approximately €75 million in one-off integration costs during 2027 and 2028 and around €60 million in annual profit accretion by 2028, increasing thereafter. These projections were presented on 5 May 2026, when the offer price was still €23.05 per share and the disposal of the non-EU subsidiaries remained part of the intended transaction structure.

The €60 million figure represented anticipated profit accretion under that acquisition plan. It should not be interpreted as €60 million of pure operating cost synergies, nor should it be transferred directly to the revised six-bank acquisition without adjusting the underlying assumptions.

The November developments have changed that calculation.

RBI's third-quarter 2026 results presentation estimates that acquiring the entire Addiko Group would have a negative CET1 impact of approximately 30 basis points for RBI excluding Russia, subject to the valuation of the opening balance sheet. The expected retention of all six subsidiaries would allow RBI to recognize the full anticipated benefit of bargain-purchase accounting under the revised transaction structure.

This represents a change in the acquisition's capital assessment, but not a positive CET1 contribution. RBI's earlier estimates of negative 46 basis points upon acquisition and negative 11 basis points following the planned carve-out were based on different transaction assumptions. The revised negative 30 basis point estimate should therefore not be interpreted as a like-for-like improvement over the original post-carve-out projection.

The potential accounting gain is significant, but it must be separated from recurring profitability. Under acquisition accounting, the difference between the purchase consideration and the fair value of identifiable net assets may give rise to a bargain-purchase gain, subject to the required reassessment. Such a gain can influence reported earnings and regulatory capital, but does not by itself improve lending margins, reduce operating expenditure or eliminate historical legal liabilities.

RBI's financial statements may therefore benefit substantially from the acquisition at closing, even while the underlying Addiko businesses continue to generate relatively modest recurring returns.

The revised transaction should be assessed through a new integration business case covering all six banks. The original estimates of €75 million in integration expenditure and €60 million in profit accretion provide historical context, not a reliable forecast of the enlarged acquisition's financial outcome.

I would expect RBI to quantify the revised recurring earnings contribution, integration costs, achievable operating savings and capital requirements separately. Otherwise, the favorable initial accounting treatment risks obscuring the more demanding task of improving returns from the acquired businesses.

Integration Priorities: Improve Earnings Before Pursuing Legal Consolidation

Retaining the entire Addiko network gives RBI a broader regional presence than originally planned. The additional banks are not simply surplus assets inherited from a failed disposal arrangement. They include established operating institutions, customer relationships and businesses with measurable earnings potential.

A successful integration should recognize the differences between the individual markets rather than impose the same organizational solution across the entire network.

Croatia offers opportunities to combine selected functions with Raiffeisenbank Austria d.d., particularly in treasury, risk management, procurement, technology and administrative support. However, the existing Addiko franchise has a specialized Consumer and SME business model that may be commercially valuable. The financial case for legal consolidation should therefore account for customer retention, lending margins, migration costs and the potential loss of business during integration.

Serbia presents a stronger immediate case for operational intervention. Addiko's balance sheet has expanded while profitability has deteriorated substantially. RBI's existing Serbian operations may provide opportunities to improve funding economics, consolidate selected support functions and reduce operating duplication. The acquisition of additional lending volumes will create little value if the combined business fails to improve its operating margin.

The two Bosnian subsidiaries deserve a more measured approach. Both remain profitable and together generated a comparatively strong pre-tax contribution relative to RWA. RBI already maintains a presence in Bosnia and Hercegovina, but the country's distinct banking

jurisdictions and supervisory arrangements complicate potential legal consolidation. Any merger should be supported by a detailed assessment of achievable savings, regulatory requirements and implementation costs.

Slovenia and Montenegro require different priorities. Retaining the Slovenian bank provides RBI with an established operating franchise and an opportunity to rebuild its presence in that market. The immediate challenge is to preserve the bank's operating earnings while resolving uncertainty surrounding historical CHF liabilities. In Montenegro, the priority should be improving profitability and reducing the proportion of revenue absorbed by operating costs before considering significant expansion.

The Austrian holding structure also deserves a comprehensive cost review. The difference between subsidiary-level and consolidated earnings demonstrates that a meaningful portion of the Group's costs and adjustments arises outside the six banking entities. A review of those functions should distinguish between expenditure that will genuinely disappear, activities that can be transferred into RBI and costs that must continue under the new operating model.

I would favor an early assessment of management capabilities, operating processes and capital allocation across all six businesses, followed by relatively swift integration of functions where financial benefits can be demonstrated. Legal mergers should follow a clear economic rationale rather than become an objective in their own right. Preserving redundant structures indefinitely would be difficult to justify, but merging profitable institutions without a sufficiently developed transition plan could destroy part of the value RBI is acquiring.

The acquisition offers RBI an opportunity to improve a regional banking franchise that has struggled to generate satisfactory returns on its capital. Realizing that opportunity will require disciplined execution and a willingness to distinguish commercially valuable operations from functions that no longer justify their cost.

Conclusion

Addiko's nine-month results confirm that RBI is preparing to acquire a strongly capitalized banking group with substantial liquidity, manageable recognized credit risk and established franchises across Southeast Europe. The price of €26.50 per share represents a considerable discount to reported book equity. Yet adjusted earnings have declined, operating efficiency has weakened and several subsidiaries are producing returns that fall short of what their capital requirements would normally justify.

The Croatian and Slovenian banks remain important sources of operating earnings, but the continuing uncertainty surrounding historical CHF litigation complicates the assessment of their sustainable profitability. Serbia and Montenegro face a different problem, with weaker operating performance and limited earnings headroom. The Bosnian subsidiaries provide a comparatively stable contribution and should be assessed on their own financial merits rather than through the assumptions of the now-collapsed disposal plan.

The failure of the ALTA carve-out has left RBI with a substantially different acquisition from the one it originally proposed. Its revised capital outlook may be more favorable because of the expected accounting treatment of the full acquisition, but this should not distract from the need for a credible six-bank integration strategy. The previous estimates of integration expenditure and profit accretion no longer provide a sufficient basis for evaluating the transaction.

At 0.58 times reported book value, RBI has secured an attractive entry price for Addiko's capital. At approximately 11.6 times adjusted annualized earnings, however, the acquisition looks considerably less inexpensive. The discount will become economically meaningful if RBI can improve recurring profitability, resolve historical liabilities within reasonable financial expectations and extract genuine efficiencies from the enlarged banking group.

RBI has secured shareholder acceptances representing an expected 95.74% ownership interest in Addiko at a substantial discount to book value, subject to completion and

settlement of the offer. It has not yet secured the stronger earnings needed to make the acquisition an unambiguous financial success.

The outcome will be determined by the returns generated after acquisition accounting, legacy liabilities and integration costs have been absorbed, not by the size of the initial discount alone.

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The analysis of provisions for historical Swiss franc lending in Croatia and Slovenia is based on publicly disclosed financial information, relevant judicial developments and the accounting principles established by IAS 37, Provisions, Contingent Liabilities and Contingent Assets. References to alternative provisioning scenarios, including the approximately €11.7 million Croatian and €23.0 million Slovenian sensitivities disclosed in Addiko's half-year 2026 financial report, represent management's conditional estimates

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References to RBI's takeover offer, shareholder acceptance levels and anticipated ownership percentages reflect publicly disclosed transaction information. The expected ownership interest of approximately 95.74% is conditional upon completion and settlement of the transaction and must not be interpreted as confirmation that legal ownership or

control has already transferred. Assessments of acquisition valuation, purchase-price allocation, bargain-purchase accounting, regulatory capital effects, integration costs and potential earnings contributions are based on published historical information, management estimates or expressly identified analytical assumptions. Historical RBI projections prepared under the originally envisaged transaction structure, including the proposed disposal of four Addiko subsidiaries, should not be interpreted as current forecasts of the financial consequences of acquiring the entire banking group.

The discussion of ALTA Banka's license withdrawal, bankruptcy proceedings, regulatory measures and the anticipated failure of the originally envisaged carve-out is based on official announcements and publicly available information. ALTA Banka and ALTA Group are legally distinct entities, and proceedings concerning one must not automatically be interpreted as establishing the insolvency, legal liability or contractual default of another. References to the commercial collapse of the planned carve-out reflect an assessment of its practical feasibility and the publicly disclosed expectations of the parties, rather than a definitive legal conclusion concerning the termination or enforceability of individual contractual arrangements. References to criminal investigations, arrests or alleged financial misconduct do not constitute findings of guilt or personal liability. All individuals concerned remain entitled to the presumption of innocence and applicable procedural safeguards.

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