

BAWAG GROUP REPORTS Q1 2022 NET PROFIT OF € 111 MILLION, EPS € 1.24, AND ROTCE OF 14.2%

- ▶ **Net profit of € 111 million, EPS of € 1.24 and RoTCE of 14.2% for Q1 '22**
- ▶ **Underlying RoTCE 19.5% when pro-rating regulatory charges and deducting € 425 million earmarked for buybacks**
- ▶ **Pre-provision profit of € 205 million (+14% vPY) and CIR at 37.0%**
- ▶ **Risk cost ratio of 19 basis points ... ECL management overlay at € 64 million**
- ▶ **Q1 '22 including € 38 million regulatory charges ... representing approximately 80% of FY charges**
- ▶ **CET1 ratio of 14.7% post-deduction of Q1 '22 dividend accrual**
- ▶ **Targeting share buybacks of € 425 million in 2022 across two tranches, subject to regulatory approvals**
- ▶ **2022 targets reconfirmed: Profit before tax > € 675 million, RoTCE > 17%, and CIR < 38%**

VIENNA, Austria – April 26, 2022 – BAWAG Group today released its results for the first quarter 2022, reporting a net profit of € 111 million, € 1.24 earnings per share, and a RoTCE of 14.2%. When pro-rating the front-loaded regulatory charges and deducting € 425 million capital earmarked for buybacks, the underlying RoTCE was 19.5%.

The operating performance of our business was strong during the first quarter 2022 with pre-provision profits of € 205 million and a cost-income ratio of 37.0%. Total risk costs returned to more normalized levels of € 20 million, with a risk cost ratio of 19 basis points. We maintained a management overlay of € 64 million in light of the overall economic uncertainty stemming from the ongoing geopolitical conflict, while overall asset quality remained strong.

In terms of loan growth and capital, average customer loans were flat versus year-end 2021 and up 8% versus prior year. We generated approximately 60 basis points of gross capital from earnings. As of the first quarter 2022, our CET1 ratio was 14.7%, down approximately 30 basis points versus December 2021, tied to RWAs, negative OCI movements and considers the deduction of € 61 million dividend for the first quarter 2022; which is based on our dividend policy to accrue 55% of net profit from financial year 2022 onwards.

In terms of capital distribution, we committed to a share buyback of € 425 million during our year-end 2021 results. Given the current geopolitical environment, volatility, and potential for dislocations, we want to make sure we are prudent in our buyback approach, always maintain a fortress balance sheet, and prepare for potential opportunities arising from market dislocations, which will provide us with dry powder to address organic and inorganic growth opportunities in the coming quarters. Therefore, we decided to break-up the buyback into two tranches. The first tranche equaling € 325 million, which we filed, and a second tranche of € 100 million, which we would file in the second half of the year. Our goal is to hopefully complete the € 425 million share buyback through the course of 2022, subject to all regulatory approvals. After deducting the targeted buyback of € 425 million, we would land at a CET1 ratio of 12.6%.

Anas Abuzaakouk, CEO, commented: *“In the first quarter 2022 we delivered a strong set of results with net profit of € 111 million, EPS of € 1.24, an RoTCE of 14.2% and a cost-income ratio of 37%. Our underlying RoTCE was 19.5% when pro-rating regulatory charges and deducting € 425 million of capital earmarked for buybacks in 2022. During the first quarter we witnessed greater market volatility driven by geopolitical conflict, significant inflationary pressures and shifting global supply chains; requiring us to be even more vigilant in how we manage these risks. We have a resilient business across all cycles with consistent earnings and capital generation that should serve us well in the quarters ahead. We have no direct exposure to Russia or Ukraine and de minimis exposure to eastern Europe reflecting our strategic focus towards the DACH/NL region, Western Europe, and United States over the past decade. While our secondary exposures are de minimis, we will continue to remain cautious and prudent. Our thoughts and prayers are with all those who have been impacted in Ukraine and we pray that the sanctity of life will be preserved.”*

Delivering strong results in Q1 2022

In € million	Q1 2022	Change versus prior year
Core revenues	323	9%
Operating income	325	8%
Operating expenses	(120)	(1%)
Pre-provision profit	205	14%
Regulatory charges	(38)	(29%)
Risk costs	(20)	(31%)
Profit before tax	146	52%
Net profit	111	50%
RoTCE	14.2%	4.0pts
CIR	37.0%	(3.5pts)
EPS (€)	1.24	50%

Core revenues increased by 9% to € 323 million in the first quarter 2022. **Net interest income** rose by 5% to € 242 million driven by higher average customer loans. **Net fee and commission income** increased by 20% to € 81 million, driven by ongoing recovery following the pandemic as well as the acquisition of Hello bank! Austria in Q4 '21, but still impacted by the COVID-19 restrictions. **Operating expenses** decreased by 1% as a result of multiple operational initiatives executed over the past two years, more than compensating significant inflationary pressures. The **cost-income ratio** decreased by 3.5 points to 37.0%. This resulted in a **pre-provision profit** of € 205 million, up 14% versus prior year.

The first quarter 2022 also included **regulatory charges** of € 38 million, down 29% versus prior year, reflecting recoveries from prior bank insolvencies. These represent approximately 80% of the full-year charges that are expected to be required during 2022.

Risk costs were € 20 million in the first quarter 2022, a decrease of € 9 million, or 31%, compared to the previous year. We do not have any direct exposure to Russia, Ukraine or Belarus and de minimis secondary exposures. ECL provisions totaled € 138 million, of which € 64 million was the result of a management overlay to ensure adequate provisioning in light of the current economic stemming from the ongoing geopolitical conflict.

Our goal is, and will always be, maintaining a strong balance sheet, solid capitalization levels, low leverage and conservative underwriting, a cornerstone of how we run the Bank. The customer loan book is comprised of 73% exposure to the DACH/NL region (Germany, Austria, Switzerland, Netherlands) and 27% exposure to Western Europe and the United States. Our NPL ratio of 1.5% is one of the lowest across Europe (1.1% excluding the City of Linz receivable), with a conservative reserve ratio of 1.4% on customer loans, an increase of 43 basis points on pre-pandemic levels, despite a decreasing NPL ratio.

Customer Business performance in Q1 2022 versus Q1 2021

Segment	PBT (in € million)	Net profit (in € million)	RoTCE	Cost-income ratio
Retail & SME	133 / +48%	99 / +48%	28.1%	35.1%
Corporates, Real Estate & Public Sector	51 / +50%	38 / +50%	15.2%	22.5%

Retail & SME delivered a net profit of € 99 million, up 48% versus the first quarter 2021, generating a strong RoTCE of 28% and cost-income ratio of 35%. Average assets increased by 8% versus prior year, driven by growth in housing and consumer loans across our core markets. Pre-provision profits were € 160 million, up 18% compared to the prior year, with operating income up 10% although we still see customer activity impacted by restrictions due to COVID in selected business lines. Operating expenses were down 3%, resulting from prior year operational initiatives with a continued focus on driving synergies across our various channels and products. Risk costs were € 15 million, reflecting a normalization of risk costs. The NPL ratio was flat year-over-year at 1.9% across the Retail & SME business.

We continue to execute on our long-term strategy centered around our 2.2 million customers, ensuring the best products and services are offered in the most efficient and simple manner. Our simplified operating model and focus on efficiency provides a cost advantage, enabling us to compete in low-risk but highly competitive markets and invest more to the benefit of both customers and shareholders.

Corporates, Real Estate & Public Sector business delivered net profit of € 38 million, up 50% versus the prior year and generating a solid RoTCE of 15% and a cost-income ratio of 22%. Average assets increased by 6% versus prior year. Pre-provision profits were € 62 million, up 12% compared to the prior year. Risks costs were € 3 million, down 79%, and the NPL ratio was stable at 0.9%.

We continue to see a solid lending pipeline with diversified opportunities in the remainder of 2022. However, competition for defensive, high-quality assets continues to remain high. Our focus will be maintaining our disciplined and conservative underwriting and focusing on risk-adjusted returns without ever chasing blind volume growth. We anticipate this year will bring greater volatility as central banks across our core markets begin a process of increasing interest rates and unwinding their balance sheets after years of quantitative easing. There are both risks and opportunities in this process, but we are cautiously optimistic that this will bring back greater discipline into the credit markets with a general repricing of risk.

Outlook and targets

In our outlook for 2022, we see full year core revenues growing by over 4% and operating expenses down by approximately 2%. We expect regulatory charges to be below € 50 million and total risk costs amounting to approximately 20 basis points risk cost ratio, without the benefit of any reserve releases. We are targeting a profit before tax over € 675 million. In terms of return targets, we target a RoTCE over 17% and a CIR under 38% in 2022.

Our targets are as follows:

Financial targets	2022 Outlook	2021
Core revenues	>4%	€ 1,220 million
Operating expenses	~(2%)	€ 485 million
Regulatory charges	< € 50 million	€ 52 million
Risk cost ratio	~20 basis points	23 basis points
Profit before tax	> € 675 million	€ 600 million
Return targets	2022 Outlook	2021
Return on tangible common equity	>17%	16.1%
Cost-income ratio	<38%	39.5%

Note: Financial and return targets are excluding any outcome of the City of Linz case. Dividend payout will be based on net profit excluding a City of Linz case impact.

Our 2025 Targets are as follow:

Financial targets	2025	
Profit before tax	>€ 750 million	
Earnings per share	>€ 7.25	
Dividend per share	>€ 4.00	
Return targets	2022 & beyond	
Return on tangible common equity	>17%	
Cost/Income ratio	<38%	
ESG targets	Baseline 2020	2025
CO2 emissions (own scope 1&2 emissions)	~3,200tCO ₂	>50% reduction
Women quota		
- Supervisory Board	17%	33%
- Senior Leadership Team	15%	33%
Green lending new business	€ 0.8 billion	>€ 1.6 billion

Note: Financial and return targets are excluding any outcome of the City of Linz case. Dividend payout will be based on net profit excluding a City of Linz case impact.

In terms of capital distribution, we increase the dividend payout ratio to 55% starting from financial year 2022, resulting in a targeted dividend distribution of ~€ 1.4 billion for the financial years 2021 through 2025.

We committed to a share buyback of € 425 million during our year-end 2021 results. Given the current geopolitical environment, volatility, and potential for dislocations, we want to make sure we are prudent in our buyback approach, always maintain a fortress balance sheet, and prepare for potential opportunities arising from market dislocations, which will provide us with dry powder to address organic and inorganic growth opportunities in the coming quarters. Therefore, we decided to break-up the buyback into two tranches. The first tranche equaling € 325 million, which we filed, and a second tranche of € 100 million, which we would file in the second half of the year. Our goal is to hopefully complete the € 425 million share buyback through the course of 2022, subject to all regulatory approvals. After deducting the targeted buyback of € 425 million, we would land at a CET1 ratio of 12.6%.

Additional capital through 2025 of ~€ 0.8 billion will be allocated to business growth, M&A, and/or share buybacks and special dividends, subject to our routine annual assessment.

Our strong operating performance during the pandemic so far was a true testament to the resilience of BAWAG Group's franchise and strategic focus. We will continue to maintain our low-risk strategy focused on the DACH/NL region, Western Europe, and the United States; providing simple, transparent, and affordable financial products and services that our customers need.

About BAWAG Group

BAWAG Group AG is a publicly listed holding company headquartered in Vienna, Austria, serving 2.2 million retail, small business, corporate, real estate and public sector customers across Austria, Germany, Switzerland, Netherlands, Western Europe, and the United States. The Group operates under various brands and across multiple channels offering comprehensive savings, payment, lending, leasing, investment, building society, factoring and insurance products and services. Our goal is to deliver simple, transparent, and affordable financial products and services that our customers need.

BAWAG Group's Investor Relations website <https://www.bawaggroup.com/ir> contains further information, including financial and other information for investors.

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Profit or loss statement

in € million	Q1 2022	Q1 2021	Change	Change (%)
Net interest income	242.0	229.6	12.4	5.4
Net fee and commission income	81.4	67.7	13.7	20.2
Core revenues	323.4	297.3	26.1	8.8
Gains and losses on financial instruments and other operating income and expenses ¹⁾	2.1	3.8	(1.7)	(44.7)
Operating income	325.4	301.1	24.3	8.1
Operating expenses¹⁾	(120.4)	(121.8)	1.4	(1.1)
Pre-provision profit	205.0	179.2	25.8	14.4
Regulatory charges	(38.4)	(54.2)	15.8	(29.2)
Operating profit	166.6	125.0	41.6	33.3
Total risk costs	(20.3)	(29.3)	9.0	(30.7)
Share of the profit or loss of associates accounted for using the equity method	0.0	0.7	(0.7)	(100)
Profit before tax	146.3	96.5	49.8	51.6
Income taxes	(35.3)	(23.0)	(12.3)	53.5
Profit after tax	111.0	73.4	37.6	51.2
Non-controlling interests	(0.1)	0.2	(0.3)	-
Net profit	110.9	73.7	37.2	50.5

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 37.1 million for the first quarter 2022. The item Operating expenses includes regulatory charges in the amount of € 1.3 million for the first quarter 2022 as well. However, BAWAG Group's management considers regulatory charges as a separate expense. Accordingly, they are shown in a separate expense line in the Group Management Report.

Total assets

in € million	Q1 2022	Q1 2021	Change	Change (%)
Cash reserves	1,514	611	903	>100
Financial assets				
Held for trading	184	322	(138)	(42.9)
Fair value through profit or loss	644	637	7	1.1
Fair value through OCI	3,045	4,076	(1,031)	(25.3)
At amortized cost	47,947	45,830	2,117	4.6
Customers	35,132	33,124	2,008	6.1
Debt instruments	2,417	2,373	44	1.9
Credit institutions	10,398	10,334	64	0.6
Valuation adjustment on interest rate risk hedged portfolios	(258)	(52)	(206)	(100)
Hedging derivatives	139	258	(119)	(46.1)
Tangible non-current assets	386	379	7	1.8
Intangible non-current assets	532	540	(8)	(1.5)
Tax assets for current taxes	21	13	8	61.5
Tax assets for deferred taxes	13	9	4	44.4
Other assets	308	274	34	12.4
Non-current assets held for sale	-	73	(73)	(100)
Total assets	54,475	52,970	1,505	2.8

Total liabilities and equity

in € million	Q1 2022	Q1 2021	Change	Change (%)
Total liabilities	50,274	48,603	1,671	3.4
Financial liabilities				
Fair value through profit or loss	222	217	5	2.3
Held for trading	403	267	136	50.9
At amortized cost	47,999	46,171	1,828	4.0
Customers	34,061	31,999	2,062	6.4
Issued securities	6,665	6,544	121	1.8
Credit institutions	7,273	7,628	(355)	(4.7)
Financial liabilities associated with transferred assets	-	-	-	-
Valuation adjustment on interest rate risk hedged portfolios	(171)	299	(470)	-
Hedging derivatives	109	164	(55)	(33.5)
Provisions	338	410	(72)	(17.6)
Tax liabilities for current taxes	152	67	85	>100
Tax liabilities for deferred taxes	82	104	(22)	(21.2)
Other obligations	1,140	905	235	26.0
Total equity	4,201	4,367	(166)	(3.8)
Common equity	3,725	3,892	(167)	(4.3)
AT1 capital	471	471	-	-
Non-controlling interests	5	4	1	25.0
Total liabilities and equity	54,475	52,970	1,505	2.8

Business segment performance

Q1 2022 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
Net interest income	171.7	64.8	10.6	(5.1)	242.0
Net fee and commission income	74.1	7.9	(0.3)	(0.3)	81.4
Core revenues	245.8	72.7	10.3	(5.5)	323.4
Gains and losses on financial instruments	0.0	7.8	6.9	(12.6)	2.1
Other operating income and expenses	1.0	0.0	0.0	(1.1)	(0.1)
Operating income	246.8	80.5	17.2	(19.1)	325.4
Operating expenses	(86.7)	(18.1)	(9.5)	(6.1)	(120.4)
Pre-provision profit	160.1	62.4	7.7	(25.2)	205.0
Regulatory charges	(12.5)	(8.5)	(5.8)	(11.6)	(38.4)
Total risk costs	(15.0)	(3.2)	(1.4)	(0.7)	(20.3)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	0.0	0.0
Profit before tax	132.6	50.8	0.5	(37.6)	146.3
Income taxes	(33.2)	(12.7)	(0.1)	10.7	(35.3)
Profit after tax	99.4	38.1	0.4	(26.9)	111.0
Non-controlling interests	–	–	–	(0.1)	(0.1)
Net profit	99.4	38.1	0.4	(27.0)	110.9
Business volumes					
Assets	21,382	14,784	16,287	2,022	54,475
Liabilities	32,957	13,095	2,651	5,772	54,475
Risk-weighted assets	8,792	7,891	1,566	2,278	20,527

Q1 2021 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
Net interest income	163.1	61.0	14.5	(9.0)	229.6
Net fee and commission income	59.7	8.7	0.0	(0.7)	67.7
Core revenues	222.8	69.7	14.5	(9.7)	297.3
Gains and losses on financial instruments	1.0	4.7	16.7	(3.2)	19.2
Other operating income and expenses	0.8	0.0	0.0	(16.2)	(15.4)
Operating income	224.6	74.4	31.2	(29.1)	301.1
Operating expenses	(89.4)	(18.6)	(8.9)	(4.9)	(121.8)
Pre-provision profit	135.2	55.8	22.3	(34.1)	179.2
Regulatory charges	(30.5)	(6.9)	(5.3)	(11.5)	(54.2)
Total risk costs	(15.4)	(15.1)	2.4	(1.2)	(29.3)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	0.7	0.7
Profit before tax	89.3	33.8	19.5	(46.1)	96.5
Income taxes	(22.3)	(8.5)	(4.9)	12.7	(23.0)
Profit after tax	67.0	25.3	14.6	(33.4)	73.5
Non-controlling interests	–	–	–	0.2	0.2
Net profit	67.0	25.4	14.5	(33.2)	73.7
Business volumes					
Assets	19,856	14,228	16,958	1,928	52,970
Liabilities	30,384	13,002	3,365	6,219	52,970
Risk-weighted assets	8,091	7,516	2,596	1,851	20,054