BAWAG GROUP REPORTS H1 2021 NET PROFIT OF € 193 MILLION, EPS € 2.17, AND ROTCE OF 13.2%

- **Net profit of € 193 million, EPS of € 2.17 and RoTCE of 13.2% for H1 2021**
- **Risk costs of € 53 million with no reserves released … total customer payment holidays at 0.2%**
- **Proposing to AGM € 420 million dividends (€4.72 per share) relating to 2019/2020 profits**
- **CET1 ratio of 14.4% post-deduction of earmarked/accrued dividends of € 515 million**
- **Upgraded full year 2021 targets to RoTCE of ~15% and CIR ~40%**
- **AGM brought forward to 27 August '21 … Investor Day to be held on 20 September '21**

VIENNA, Austria – July 26, 2021 – BAWAG Group today released its results for the first half 2021, reporting a net profit of € 193 million, € 2.17 earnings per share, and a RoTCE of 13.2%. The first six months include front-loaded regulatory charges of € 56 million, representing approximately 93% of full-year charges. For the second quarter 2021 BAWAG Group reported a net profit of € 119 million, € 1.34 earnings per share, and a RoTCE of 16.3%.

The underlying operating performance of our business was strong during the first half 2021 with pre-provision profits of € 361 million and a cost-income ratio of 40.3%. Total risk costs returned to more normalized levels of € 53 million, with the management overlay now at € 70 million. Management decided not to release any reserves, although we see both an improved macroeconomic environment and continued positive developments across our customer base, in particular observing payment holidays falling to 0.2% across all customer loans. We will reassess the management overlay during the second half of the year once we've seen greater normalization of economic activity in a post-lockdown environment, the impacts of potential variants and hopefully a continued successful vaccine rollout across Continental Europe.

In terms of loan growth and capital, we grew average customer loans by 3% versus prior year. We continued to accrete CET1 capital, generating approximately 100 basis points of gross capital during the first half of the year. Our CET1 ratio was 14.4%, up 40 basis points from year-end 2020 after deducting the first half 2021 dividend accrual of € 95 million and prior earmarked dividends for distribution of € 420 million. Following the initial down-payment of € 40 million on the total € 460 million earmarked dividends from 2019 and 2020 profits in March 2021, we will propose the remaining € 420 million for distribution to the Annual General Meeting on 27 August 2021.

"We started the first half of the year with a strong set of operating results delivering net profit of € 193 million, RoTCE of 13.2% and cost-income ratio of 40.3%. Although we've experienced rolling and partial lockdowns in our core markets during the first few months of 2021, we expect the gradual normalization of economic activity to carry into the second half of the year and have increased our targets to an RoTCE ~15% and CIR ~40% for the full year. However, despite the improvement in the overall macroeconomic environment from last year and the continued positive developments across our customer base, we decided not to release any credit reserves. In terms of operational developments, we continue to reposition our business and adapt to a post-COVID-19 world. We will focus on the things that we can control, be proactive and decisive, and not be deterred by the changes ahead as we continue to transform our business and deliver sustainable profitable growth. Following the most recent communication of the European Central Bank lifting the recommended dividend ban from last year, we decided to bring forward our Annual General Meeting as well as our Investor Day, where we will communicate our new targets and 4-year Plan through 2025," commented Chief Executive Officer **Anas Abuzaakouk.**

Delivering strong operating results in H1 2021 versus prior year

Core revenues increased by 4% to € 599 million in the first half 2021. **Net interest income** rose by 3% to € 461 million driven by higher interest-bearing assets. **Net fee and commission income** increased by 8% to € 138 million. While all branches remained open during the partial lockdowns in the first months of 2021, customer activity was still impacted by COVID-19 restrictions. **Operating expenses** decreased by 3% to € 243 million due to ongoing efficiency and productivity measures. The **cost-income ratio** decreased by 2.6 points to 40.3%. This resulted in a **pre-provision profit** of € 361 million, up 9% versus prior year.

The first half also included **regulatory charges** of € 56 million, up 45% versus prior year, due to the additional deposit insurance charge following the Commerzialbank fraud in Austria in 2020 as well as increased deposits. These represent approximately 93% of the full-year charges that are expected to be required during 2021, frontloading most of this year's regulatory charges in the first quarter.

Risk costs were € 53 million in H1 2021, a decrease of € 77 million, or 59% compared to the previous year. 2020 risk costs included a general reserve of approximately € 65 million which was taken to address COVID19-related effects. Payment deferrals came down further during the first half 2021 to 0.3% in the Retail & SME business (December 2020: 1.2%) and to 0.1% in the Corporates & Public business (December 2020: 0.2%). Despite the improved macroeconomic environment and continued positive developments across our customer base, we did not release any reserves and expect a continued normalization of risk costs throughout the year.

BAWAG Group ended the first half 2021 with a **CET1 ratio** of 14.4% (December 2020: 14.0%) already considering the € 40 million dividends paid out during the first quarter. The CET1 ratio of 14.4% also deducts the remaining earmarked dividends of € 420 million from 2019/2020 profits and the dividend accrual for the first half 2021 of € 95 million based on our dividend policy. Based on the ECB recommendation from December 2020, a dividend of € 40 million was paid in Q1 2021 following the extraordinary general meeting on 3 March 2021. On 23 July 2021, the European Central Bank lifted the recommended dividend ban from last year. Therefore, we will propose the remaining € 420 million dividends from 2019/2020 profits for distribution to the Annual General Meeting on 27 August 2021.

Average customer loans increased by 3% versus prior year. The overall customer loan book continued to be comprised of 76% exposure to the DACH/NL region (Germany, Austria, Switzerland, Netherlands) and 24% exposure to Western Europe and the United States. We focus on developed and mature markets with stable legal systems, sound macroeconomic fundamentals, and solid finances. We will continue to maintain our conservative risk appetite and focus on our core developed markets.

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 NPL ratio stood at 1.5% (excluding the City of Linz case: 1.1%), representing our focus on quality underwriting and portfolio management.

Customer Business performance in H1 2021 versus H1 2020

Segment	PBT (in € million)	Net profit (in € million)	RoTCE	Cost-income ratio
Retail & SME	214 / +31%	161 / +31%	25%	39%
Corporates & Public	81 / +62%	61 / +62%	14%	24%

Our **Retail & SME** business delivered net profit of € 161 million, up 31% versus the prior year and generating a strong return on tangible common equity of 25% and cost-income ratio of 39%. Average asset growth was +8% versus prior year, driven by growth in housing loans across our core markets. Pre-provision profits were € 276 million, up 3% compared to the prior year, with operating income up 1% although we still see customer activity impacted by lockdowns. Operating expenses were down 2%, resulting from prior year operational initiatives with a continued focus on driving synergies across our various channels and products. Risks costs were € 30 million, reflecting a gradual normalization of risk costs without any reserve releases. The trend in asset quality continues to improve across our customer base, with payment holidays at 0.3% as of the end of the first half 2021 and customer payment rate of 90% on all expired deferrals with an average of 9-months.

We expect to see continued net customer loan growth and efficiency gains across the Retail & SME franchise. We anticipate a normalization of customer activity in the second half of the year.

Our **Corporates and Public** business delivered net profit of € 61 million, up 62% versus the prior year and generating a solid return on tangible common equity of 13.9% and a cost-income ratio of 23.6%. Average assets came down by 1% versus prior year. Pre-provision profits were € 114 million, up 17% compared to the prior year. Risks costs were € 25 million, down 38% and with no reserve releases taken. The trend in asset quality continues to improve with payment holidays at 0.1% and a 100% paying ratio for customers that took up payment holidays over the last year.

We continue to see a solid lending pipeline with diversified opportunities in the second half of 2021. However, competition for defensive, high-quality assets continues to remain high. Our focus will be continuing to maintain our disciplined and conservative underwriting and focusing on risk-adjusted returns without ever chasing blind volume growth.

Outlook, targets and capital distribution

Current economic forecasts expect the economies of the countries we operate in to continue to recover during 2021, with annual GDP growth of 3.7% across DACH/NL region. A great deal still depends on the effectiveness and wide-scale distribution of COVID-19 vaccines.

We delivered 10% RoTCE in a severely stressed economic environment in 2020, fortified our balance sheet, and took a very conservative approach to provisioning out of an abundance of caution and prudence. We have delivered strong operating results during the first half of 2021 and expect this to continue during the second half of the year.

In our outlook for 2021, we see core revenues growing approximately 2% and operating expenses below € 485 million. Based on the continued improvement in credit and asset quality across our customer base during the first six months of 2021, we updated our outlook on risk costs to below € 100 million in 2021. The outlook does not include any reserve releases. We therefore increased our 2021 targets to a Return on Tangible Common Equity of ~15% (previously >13%) and Cost-Income Ratio ~40% (previously <41%). New Targets and a 4-year Plan through 2025 will be presented at our Investor Day on 20 September 2021.

Our targets are as follows:

Targets	2021 originally	2021 updated
Return on tangible common equity	>13%	~15%
Cost-income ratio	<41%	~40%

In terms of capital generation and return, we target an annual dividend payout of 50% of net profit and will deploy additional excess capital to invest in organic growth and pursue earnings-accretive M&A at returns consistent with our Group RoTCE targets of at least 15%. To the extent excess capital is not deployed via such organic growth and M&A, we are committed to distributing excess capital to shareholders, based on a yearly assessment, in the form of share buybacks and/or special dividends.

The Management Board deducted dividends of € 460 million from CET1 capital at the end of 2020. We earmarked dividends of € 372 million for the financial years 2019 and 2020. Additionally, the Managing Board will recommend to the ordinary annual general meeting a special dividend of € 88 million for 2020, so as to keep the absolute annual dividend payment of € 230 million consistent between 2019 and 2020. In line with the ECB recommendation from December 2020, the extraordinary general meeting of BAWAG Group approved a dividend payment of € 40 million (or € 0.45 per share) paid on 12 March 2021. The remaining € 420 million dividends (or € 4.72 per share) will be proposed for distribution to the Annual General Meeting on 27 August 2021 (dividend payout early October).

M&A: Signed two new deals since year-end 2020

In February 2021, BAWAG Group signed an agreement to acquire DEPFA BANK plc, and its subsidiary DEPFA ACS Bank. Additionally, BAWAG Group signed an agreement to purchase Hello bank! Austria, an online retail brokerage business, in July 2021. The closing of the transactions are expected in the second half 2021 and Q4 '21 / Q1 '22, respectively.

Additions to our Management Board and Supervisory Board

In June 2021, the Supervisory Board appointed Guido Jestädt, previously General Counsel, to the Management Board in the newly created role of Chief Administrative Officer, effective as of July 1, 2021. In his new role, Guido is responsible for all legal, compliance, and regulatory affairs across the group. Given the growth of our company and our expanding footprint across multiple jurisdictions, we wanted to ensure we maintain a top-flight legal, regulatory and compliance culture across the group.

The Supervisory Board has also nominated Gerrit Schneider and Tamara Kapeller to join the Supervisory Board. Gerrit Schneider brings a wealth of international corporate experience having worked with General Electric for over two decades as well as currently serving as Co-CEO and CFO role of Bogner, a luxury sports fashion company based in Germany. Tamara Kapeller held the role of Chief Human Resources and ESG Officer at BAWAG Group. Their appointments will be formally resolved upon by the AGM on 27 August 2021.

Further integrating a robust ESG framework across our business

Sustainable value creation has been at the core of our business since the launch of our bank-wide transformation back in 2012. Integrating ESG-factors as part of our business transformation has been ongoing the past few years. During the first quarter 2021, we defined lending criteria for industries particularly exposed to ESG-factors, which we will restrict lending to or exclude altogether. As of 31 December 2020, our total exposure to the defense industry, nuclear energy, fossil fuels and industries with other ethical risks represented less than 0.1% of the Group exposure.

Another focus area of our ESG roadmap is to increase female representation across the management ranks. In Q1 2021, we introduced a female target quota of 33% in the Supervisory Board and 33% across the senior leadership team (including the Managing Board) by 2027.

At the same time, we've continued enhancing our various policy disclosures, which are available on our website under www.bawaggroup.com/IR/ESG.

About BAWAG Group

BAWAG Group AG is a publicly listed holding company headquartered in Vienna, Austria, serving 2.3 million retail, small business, corporate 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. Delivering simple, transparent, and reliable financial products and services that address our customers' needs is our strategy across the Group.

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	**Q2 2021**	Q2 2020	Change (%)	**Jan-Jun 2021**	Jan-Jun 2020	Change (%)
Interest income	285.5	275.0	3.8	564.1	559.0	0.9
Interest expense	(56.0)	(49.7)	12.7	(106.3)	(113.9)	(6.7)
Dividend income	2.1	2.2	(4.5)	3.4	2.2	54.5
Net interest income	**231.6**	**227.5**	**1.8**	**461.2**	**447.3**	**3.1**
Fee and commission income	86.4	73.2	18.0	172.0	165.3	4.1
Fee and commission expenses	(16.3)	(17.4)	(6.3)	(34.2)	(37.6)	(9.0)
Net fee and commission income	**70.1**	**55.8**	**25.6**	**137.8**	**127.7**	**7.9**
Core revenues	**301.7**	**283.3**	**6.5**	**599.0**	**575.0**	**4.2**
Gains and losses on financial instruments and other operating income and expenses[1)]	0.8	1.1	(27.3)	4.6	6.4	(28.1)
Operating income	**302.5**	**284.4**	**6.4**	**603.6**	**581.4**	**3.8**
Operating expenses[1)]	**(121.2)**	**(124.7)**	**(2.8)**	**(243.0)**	**(249.6)**	**(2.6)**
Pre-provision profit	**181.3**	**159.7**	**13.5**	**360.6**	**331.8**	**8.7**
Regulatory charges	(2.0)	(2.5)	(20.0)	(56.2)	(38.8)	44.8
Operating profit	**179.3**	**157.2**	**14.1**	**304.4**	**292.8**	**4.0**
Total risk costs	(23.8)	(74.6)	(68.1)	(53.1)	(129.6)	(59.0)
Share of the profit or loss of associates accounted for using the equity method	0.7	(1.6)	–	1.4	(0.3)	–
Profit before tax	**156.2**	**81.0**	**92.8**	**252.7**	**162.9**	**55.1**
Income taxes	(37.0)	(19.4)	90.7	(60.0)	(39.0)	53.8
Profit after tax	**119.2**	**61.6**	**93.5**	**192.7**	**123.9**	**55.5**
Non-controlling interests	(0.1)	(0.3)	(66.7)	0.1	(0.3)	–
Net profit	**119.1**	**61.3**	**94.3**	**192.8**	**123.5**	**56.1**

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 53.5 million for H1 2021. The item Operating expenses includes regulatory charges in the amount of € 2.7 million for H1 2021 as well. However, BAWAG Group's management considers regulatory charges as a separate expense. Accordingly, they are shown in a separate expense line.

Total assets

in € million	Jun 2021	Dec 2020	Change (%)	Jun 2020	Change (%)
Cash reserves	1,060	1,032	2.7	843	25.7
Financial assets					
Held for trading	284	441	(35.6)	375	(24.3)
Fair value through profit or loss	559	693	(19.3)	811	(31.1)
Fair value through OCI	4,384	4,343	0.9	4,883	(10.2)
At amortized cost	46,375	44,634	3.9	42,385	9.4
Customers	32,371	32,004	1.1	31,372	3.2
Debt instruments	1,960	2,741	(28.5)	2,750	(28.7)
Credit institutions	12,044	9,889	21.8	8,263	45.8
Valuation adjustment on interest rate risk hedged portfolios	(58)	24	–	17	–
Hedging derivatives	237	405	(41.5)	423	(44.0)
Tangible non-current assets	378	474	(20.3)	501	(24.6)
Intangible non-current assets	539	552	(2.4)	555	(2.9)
Tax assets for current taxes	8	9	(11.1)	13	(38.5)
Tax assets for deferred taxes	5	9	(44.4)	7	(28.6)
Other assets	288	370	(22.2)	260	10.8
Non-current assets held for sale	73	135	(45.9)	198	>-100%
Total assets	**54,132**	**53,122**	**1.9**	**51,271**	**5.6**

Total liabilities and equity

in € million	Jun 2021	Dec 2020	Change (%)	Jun 2020	Change (%)
Total liabilities	**49,638**	**48,768**	**1.8**	**47,317**	**4.9**
Financial liabilities					
Fair value through profit or loss	191	468	(59.2)	651	(70.7)
Held for trading	237	422	(43.8)	355	(33.2)
At amortized cost	47,485	45,944	3.4	43,186	10.0
Customers	33,013	32,265	2.3	29,930	10.3
Issued securities	6,979	6,157	13.4	5,277	32.3
Credit institutions	7,493	7,522	(0.4)	7,978	(6.1)
Financial liabilities associated with transferred assets	0	97	>-100	918	>-100
Valuation adjustment on interest rate risk hedged portfolios	262	358	(26.8)	387	(32.3)
Hedging derivatives	90	62	45.2	61	47.5
Provisions	398	425	(6.4)	457	(12.9)
Tax liabilities for current taxes	89	45	97.8	44	>100
Tax liabilities for deferred taxes	116	110	5.5	76	52.6
Other obligations	770	837	(8.0)	1,183	(34.9)
Total equity	**4,494**	**4,354**	**3.2**	**3,954**	**13.7**
Common equity	4,019	3,879	3.6	3,652	10.0
AT1 capital	471	471	–	297	58.6
Non-controlling interests	4	4	–	4	0.0
Total liabilities and equity	**54,132**	**53,122**	**1.9**	**51,271**	**5.6**

BAWAG Group

Business segment performance

Jan-Jun 2021 in € million	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	326.6	122.7	27.3	(15.4)	461.2
Net fee and commission income	122.1	17.2	0.0	(1.5)	137.8
Core revenues	**448.6**	**139.9**	**27.3**	**(16.8)**	**599.0**
Gains and losses on financial instruments	2.2	9.5	15.9	(17.1)	10.5
Other operating income and expenses	1.3	0.0	0.0	(7.2)	(5.9)
Operating income	**452.1**	**149.4**	**43.2**	**(41.1)**	**603.6**
Operating expenses	**(176.2)**	**(35.3)**	**(17.5)**	**(14.0)**	**(243.0)**
Pre-provision profit	**276.0**	**114.0**	**25.7**	**(55.1)**	**360.6**
Regulatory charges	(31.4)	(8.1)	(6.2)	(10.5)	(56.2)
Total risk costs	(30.3)	(25.0)	3.5	(1.3)	(53.1)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	1.4	1.4
Profit before tax	**214.3**	**80.9**	**23.0**	**(65.5)**	**252.7**
Income taxes	(53.6)	(20.2)	(5.8)	19.6	(60.0)
Profit after tax	**160.7**	**60.7**	**17.2**	**(45.9)**	**192.7**
Non-controlling interests	–	–	–	0.1	0.1
Net profit	**160.7**	**60.7**	**17.2**	**(45.8)**	**192.8**
Business volumes					
Assets	20,250	13,226	18,565	2,091	54,132
Liabilities	32,293	12,793	3,014	6,032	54,132
Risk-weighted assets	8,075	7,291	2,670	2,106	20,142

Jan-Jun 2020 in € million	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	334.3	117.9	24.1	(29.0)	447.3
Net fee and commission income	109.4	19.6	0.1	(1.4)	127.7
Core revenues	**443.7**	**137.5**	**24.2**	**(30.4)**	**575.0**
Gains and losses on financial instruments	3.3	1.8	(0.7)	(24.4)	(20.0)
Other operating income and expenses	0.9	0.0	0.0	25.4	26.3
Operating income	**447.9**	**139.3**	**23.5**	**(29.3)**	**581.4**
Operating expenses	**(180.1)**	**(41.8)**	**(14.2)**	**(13.5)**	**(249.6)**
Pre-provision profit	**267.8**	**97.5**	**9.3**	**(42.8)**	**331.8**
Regulatory charges	(25.9)	(7.5)	(5.4)	0.0	(38.8)
Total risk costs	(77.9)	(40.2)	(2.0)	(9.5)	(129.6)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	(0.4)	(0.4)
Profit before tax	**164.0**	**49.9**	**1.9**	**(52.9)**	**162.9**
Income taxes	(41.0)	(12.5)	(0.5)	15.0	(39.0)
Profit after tax	**123.0**	**37.4**	**1.4**	**(37.9)**	**123.9**
Non-controlling interests	–	–	–	(0.3)	(0.3)
Net profit	**123.0**	**37.4**	**1.4**	**(38.2)**	**123.5**
Business volumes					
Assets	18,493	13,902	16,178	2,699	51,271
Liabilities	28,475	12,182	4,559	6,056	51,271
Risk-weighted assets	8,409	7,652	2,682	2,008	20,751