

BAWAG GROUP REPORTS Q3 2022 ADJUSTED NET PROFIT OF € 132 MILLION, EPS OF €1.49, AND ROTCE OF 19.3%

- ▶ Q3 '22 incorporates full write-off of City of Linz receivable of € 254 million in risk costs
- ▶ Q3 '22 (including City of Linz): Net loss of € (58) million and EPS of € (0.66)
- ▶ Adjusted Q3 '22 (excluding City of Linz): Net profit of € 132 million, EPS of € 1.49, and RoTCE of 19.3%
- ▶ Adjusted Q1 - Q3 '22: Net profit of € 377 million, EPS of € 4.24, RoTCE of 18.4%
- ▶ Pre-provision profit of € 636 million (+16% vPY) and CIR at 35.9%
- ▶ Adjusted risk costs of € 86 million ... continued to build up our ECL management overlay to € 82 million
- ▶ Completed approximately 65% of € 325 million share buyback program as of October 18
- ▶ CET1 ratio of 13.0% post-deduction of Q1 - Q3 '22 dividend accrual and € 325 million share buyback
- ▶ 2022 targets (adjusted) reconfirmed: Profit before tax > € 675 million, RoTCE > 17%, and CIR < 38%
- ▶ Updating outlook for core revenue growth to ~9% in 2022

VIENNA, Austria – October 19, 2022 – BAWAG Group today released its results for the third quarter 2022, reporting a net profit (excluding City of Linz) of € 132 million, € 1.49 earnings per share, and a RoTCE of 19.3%. For the first nine months, BAWAG Group reported a net profit (excluding City of Linz) of € 377 million, € 4.24 earnings per share, and a RoTCE of 18.4%.

The third quarter 2022 incorporated the full write-off of the City of Linz receivable. In August, the Austrian Supreme Court ruled that the swap contract entered between BAWAG and the City of Linz 15 years ago was invalid. As a result of the ruling, we took a pre-tax write-off of € 254 million, equal to € 190 million impact after tax, related to the City of Linz receivable on the balance sheet. Including this write-off, net profit for the first nine months 2022 was € 186 million with an RoTCE of 9.1%.

The operating performance of our business was strong during the first nine months 2022 with pre-provision profits of € 636 million and a cost-income ratio of 35.9%. Total risk costs (excluding City of Linz write-off) were € 86 million. Despite our low NPL ratio of 1.0% and robust credit performance across our business to-date, we decided to remain prudent in our provisioning given the current market environment and potential headwinds building up, increasing our management overlay provisions by € 21 million to a total of € 82 million.

Average customer loans were flat versus prior quarter and up 9% versus prior year. At the end of September 2022, the CET1 ratio was at 13.0%. We generated approximately 180 basis points of gross capital from earnings during the first nine months 2022. The CET1 ratio considers the deduction of a share buyback of € 325 million (65% completed as of October 18) as well as € 207 million dividend for the first nine months 2022 (55% payout based on an adjusted net profit).

Anas Abuzaakouk, CEO, commented: *“In the first nine months 2022 we delivered a strong set of results with adjusted net profit of € 377 million, EPS of € 4.24, an RoTCE of 18% and a cost-income ratio of 36%. Additionally, we remained prudent in our provisioning, increasing our management overlay by € 21 million during the first nine months, which currently stands at € 82 million, equal to almost one year of normalized risk costs. Our actions stem from an abundance of caution, which is the same prudence and conservatism that underpins how we’ve run our business over the past decade. We have an incredible team and resilient business that will deliver results across all cycles allowing us to consistently support our customers and local communities despite the potential headwinds building up.”*

Delivering strong results in Q1-Q3 2022

in € million	Q1-Q3 2022 reported	Q1-Q3 2022 adjusted	Change versus prior year
Core revenues	986	986	9%
Operating income	993	993	9%
Operating expenses	(357)	(357)	(2%)
Pre-provision profit	636	636	16%
Regulatory charges	(49)	(49)	(19%)
Risk costs	(340)	(86)	15%
Profit before tax	249	504	22%
Net profit	186	377	19%
RoTCE	9.1%	18.4%	4.2pts
CIR	35.9%	35.9%	(4.0pts)
EPS (€)	2.10	4.24	20%

Core revenues increased by 9% to € 986 million in the first nine months 2022. **Net interest income** rose by 8% to € 751 million primarily driven by higher average customer loans as well as an acquired portfolio. **Net fee and commission income** increased by 12% to € 234 million, driven by the contribution stemming from the acquisition of Hello bank! Austria in Q4 '21 (rebranded to easybank brand). While our advisory and brokerage business had a strong first quarter, it has been impacted from the market volatility experienced since the second quarter 2022. **Operating expenses** decreased by 2% 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 4.0 points to 35.9%. This resulted in a **pre-provision profit** of € 636 million, up 16% versus prior year.

The first nine months 2022 also included **regulatory charges** of € 49 million, down 19% versus prior year, reflecting recoveries from prior bank insolvencies, while the SRB contribution increased. The regulatory charges booked in the first nine months 2022 represent approximately 90% of the full-year charges that are expected to be required during 2022.

Risk costs (excluding the City of Linz write-off) were € 86 million in the first nine months, an increase of € 11 million, or 15%, compared to the previous year. While the underlying asset quality remains strong, we decided to remain prudent in our provisioning given the overall market environment. Therefore, we increased the ECL management overlay during the first nine months by € 21 million to € 82 million.

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 72% exposure to the DACH/NL region (Germany, Austria, Switzerland, Netherlands) and 28% exposure to Western Europe and the United States. Our NPL ratio of 1.0% is one of the lowest across Europe, with a conservative reserve ratio of 1.42% on customer loans, an increase of 48 basis points on pre-pandemic levels, despite a decreasing NPL ratio.

Customer Business performance in Q1-Q3 2022 versus Q1-Q3 2021

Segment	PBT (in € million)	Net profit (in € million)	RoTCE	Cost-income ratio
Retail & SME	423 / +24%	317 / +24%	33.2%	33.9%
Corporates, Real Estate & Public Sector	154 / +14%	115 / +14%	18.2%	22.4%

Outlook

In our outlook for 2022, we see full year core revenues growing by ~9% and operating expenses down by approximately 2%. We expect regulatory charges to be around € 55 million and total underlying risk costs amounting to approximately 20 basis points risk cost ratio. In addition we will continue to build up the management overlay. 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. All targets are excluding the write-off of the City of Linz receivable.

Our 2022 outlook is as follows:

	2022 Outlook updated	2022 Outlook previous	2021
Financial targets*			
Core revenues	~9%	>7%	€ 1,220 million
Operating expenses	~(2%)	~(2%)	€ 485 million
Regulatory charges	~ € 55 million	~ € 55 million	€ 52 million
Risk cost ratio (underlying)	~20 basis points	~20 basis points	23 basis points
Profit before tax	> € 675 million	> € 675 million	€ 600 million
Return targets*			
Return on tangible common equity	>17%	>17%	16.1%
Cost-income ratio	<38%	<38%	39.5%

*Note: Financial and return targets are excluding the write-off of the City of Linz receivable of € 254 million (€ 190 million net of tax). Dividend payout will be based on net profit excluding City of Linz impact.

About BAWAG Group

BAWAG Group AG is a publicly listed holding company headquartered in Vienna, Austria, serving 2.1 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	Jan-Sep 2022	Jan-Sep 2022 Adjusted	Jan-Sep 2021	Change (%)	Change
Net interest income	751.4	751.4	695.0	8.1	56.4
Net fee and commission income	234.2	234.2	209.6	11.7	24.6
Core revenues	985.6	985.6	904.6	9.0	81.0
Gains and losses on financial instruments and other operating income and expenses ¹⁾	7.5	7.5	6.2	21.0	1.3
Operating income	993.1	993.1	910.8	9.0	82.3
Operating expenses¹⁾	(356.7)	(356.7)	(363.5)	(1.9)	6.8
Pre-provision profit	636.4	636.4	547.3	16.3	89.1
Regulatory charges	(49.0)	(49.0)	(60.5)	(19.0)	11.5
Operating profit	587.4	587.4	486.8	20.7	100.6
Total risk costs	(340.1)	(85.8)	(74.6)	15.0	(11.2)
Share of the profit or loss of associates accounted for using the equity method	2.1	2.1	2.0	5.0	0.1
Profit before tax	249.4	503.7	414.2	21.6	89.5
Income taxes	(62.8)	(126.6)	(98.0)	29.2	(28.6)
Profit after tax	186.6	377.1	316.2	19.3	60.9
Non-controlling interests	(0.2)	(0.2)	(0.2)	–	–
Net profit	186.4	376.9	316.0	19.3	60.9

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 45.2 million for the first nine months 2022. The item Operating expenses includes regulatory charges in the amount of € 3.8 million for the first nine months 2022 as well. However, BAWAG Group's management considers regulatory charges as a separate expense.

Total assets

in € million	Sep 2022	Dec 2021	Change (%)	Sep 2021	Change (%)
Cash reserves	965	1,894	(49.0)	882	9.4
Financial assets					
Held for trading	156	257	(39.3)	296	(47.3)
Fair value through profit or loss	610	611	(0.2)	545	11.9
Fair value through OCI	2,687	3,754	(28.4)	3,960	(32.1)
At amortized cost	50,821	48,448	4.9	47,274	7.5
Customers	36,705	34,963	5.0	34,004	7.9
Debt instruments	2,973	2,319	28.2	2,239	32.8
Credit institutions	11,143	11,166	(0.2)	11,031	1.0
Valuation adjustment on interest rate risk hedged portfolios	(635)	(94)	(100)	(72)	(100)
Hedging derivatives	149	178	(16.3)	212	(29.7)
Tangible non-current assets	369	394	(6.3)	368	0.3
Intangible non-current assets	529	535	(1.1)	536	(1.3)
Tax assets for current taxes	26	20	30.0	10	>100
Tax assets for deferred taxes	15	10	50.0	5	>100
Other assets	300	318	(5.7)	354	(15.3)
Non-current assets held for sale	5	-	>100	-	>100
Total assets	55,997	56,325	(0.6)	54,370	3.0

Total liabilities and equity

in € million	Sep 2022	Dec 2021	Change (%)	Sep 2021	Change (%)
Total liabilities	51,952	51,947	0.0	50,142	3.6
Financial liabilities			-		
Fair value through profit or loss	207	234	(11.5)	186	11.3
Held for trading	773	301	>100	259	>100
At amortized cost	49,732	49,666	0.1	47,573	4.5
Customers	33,985	35,148	(3.3)	32,833	3.5
Issued securities	8,617	7,157	20.4	7,279	18.4
Credit institutions	7,130	7,361	(3.1)	7,461	(4.4)
Financial liabilities associated with transferred assets	393	-	>100	-	>100
Valuation adjustment on interest rate risk hedged portfolios	(846)	165	-	231	-
Hedging derivatives	405	107	>100	124	>100
Provisions	276	382	(27.7)	382	(27.7)
Tax liabilities for current taxes	26	131	(80.2)	96	(72.9)
Tax liabilities for deferred taxes	84	93	(9.7)	127	(33.9)
Other obligations	902	868	3.9	1,165	(22.6)
Total equity	4,045	4,378	(7.6)	4,228	(4.3)
Common equity	3,569	3,902	(8.5)	3,753	(4.9)
AT1 capital	471	471	-	471	-
Non-controlling interests	5	5	-	4	25.0
Total liabilities and equity	55,997	56,325	(0.6)	54,370	3.0