

**BAWAG Group**

**Excerpts of public disclosure**

October 5, 2022

# Note

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This document provides excerpts of different public disclosure of BAWAG Group. The source of the excerpt is noted at each respective excerpt. Except where noted, the excerpts were prepared at the time of the Q2 2022 disclosure, are based on the Q2 2022 financial reporting as well as information released during the Q2 2022 earnings call and were provided to you at such time. BAWAG Group has not and expressly disclaims any obligation to update or alter any statements therein, including without limitations any forward-looking statements, whether as a result of new information, future events, or otherwise.

The information in this document is to be read together with the Q2 2022 earnings presentation, the H1 2022 financial report, the transcript of the earnings call of Q2 2022 as well as all releases published since then.

Documents can be found on our website under <https://www.bawaggroup.com/BAWAGGROUP/IR/EN/Financial-Results> unless stated otherwise.

# 2022 Outlook

Updated P&L composition while return targets reconfirmed despite changed geopolitical environment

## P&L OVERVIEW\*

|   | <i>previous</i>          | <i>updated</i>           |
|---|--------------------------|--------------------------|
| <b>Core revenues</b><br>FY '21: €1,220m     | <b>&gt;4%</b> growth     | <b>&gt;7%</b> growth     |
| <b>Operating expenses:</b><br>FY '21: €485m | <b>~2%</b> net cost-out  | <b>~2%</b> net cost-out  |
| <b>Regulatory charges</b><br>FY '21: €52m   | <b>&lt;€50m</b> expected | <b>~€55m</b> expected    |
| <b>Risk costs</b><br>FY '21: €95m           | <b>~20bps</b>            | <b>~20bps</b> underlying |
| <b>Profit before tax</b><br>FY '21: €600m   | <b>&gt;€675m</b>         | <b>&gt;€675m</b>         |

## RETURN TARGETS\*

|                               |                |
|-------------------------------|----------------|
| <b>RoTCE</b><br>FY '21: 16.1% | <b>&gt;17%</b> |
| <b>CIR</b><br>FY '21: 39.5%   | <b>&lt;38%</b> |

\*Note: Financial and return targets are excluding the write-off of the City of Linz receivable of €254m. Dividend payout will be based on net profit excluding the City of Linz case impact.

# P&L and capital items

## FY 2022 outlook

**Core revenues: >7%** growth vs 2021

**Operational expenses: ~2% net cost-out vs 2021**

**Risk cost ratio: ~20 bps** underlying

**Regulatory charges: ~€55m** expected

**Other**

**City of Linz**

## Statements at Q2 2022 reporting or press releases during Q3 2022

*"We updated our outlook from previously over 4% core revenue growth to over 7% growth in 2022."*

*"NCI down 4% in Q2 '22 .... see a slowdown in our advisory business given the uncertainty and volatile market environment, which is likely to continue for the rest of the year."*

*"We will also continue to focus on our absolute cost-out target ... we are confident to achieve a net cost-out of around 2% in 2022."*

*"We expect a stable underlying risk cost ratio of around 20 basis points. In addition, we will continue to build up the management overlay throughout the year."*

*ECL management overlay stands at €70m in Q2 '22 (€6m increase in Q2 '22)*

*"... regulatory charges now expected at around €55m given higher contributions to the resolution fund."*

*Regulatory charges in Q3 '22: €3m*

- *Bank positioned for rising interest rate environment ... +100bps in 3-month Euribor = ~+100m NII p.a.*
- *Subdued loan growth during the 2nd half of the year given overall cautious consumer sentiment*
- *Share buyback program: Approximately 50% of approved volume bought back by end of September (3.6 million shares bought back)*

- *On August 29, the Austrian Supreme Court ruled in favor of the City of Linz regarding the contractual validity of the swap contract entered into between BAWAG and the City of Linz 15 years ago*
- *As a result, BAWAG will be taking a full write-off of € 254 million (receivable on the balance sheet) in Q3 '22 (will be booked under loan loss provision) ... no impact on capital distribution plans as impact fully absorbed in regulatory capital in prior years*
- *BAWAG will pursue damage claims against the City of Linz in the absence of a reasonable settlement*

# Definitions

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## **Common Equity Tier 1 capital (CET1)**

Including interim profit and deducting earmarked dividends and 2022 buyback of €325m (1.1.2022)

## **Common Equity Tier 1 ratio**

Common Equity Tier 1 capital (CET1) / risk-weighted assets

## **Core revenues**

The total of net interest income and net fee and commission income

## **Cost-income ratio**

Operating expenses (OPEX) / operating income

## **Common equity**

Equity attributable to the owners of the parent; excluding minorities, AT1 and deducted dividend accrual and buyback of €325m (1.1.2022)

## **Earnings per share (EPS)**

Net profit / weighted average number of shares outstanding (diluted)

**FL** ... Fully-loaded

## **Net interest margin (NIM)**

Net interest income (NII) / average interest-bearing assets

## **Pre-provision profit**

Operating income less operating expenses (excluding regulatory charges)

## **Return on common equity (RoCE)**

Net profit / average IFRS common equity and deducted dividend accruals and buyback of €325m (1.1.2022)

## **Return on tangible common equity (RoTCE)**

Net profit / average IFRS tangible common equity and deducted dividend accruals and buyback of €325m (1.1.2022)

## **Risk cost ratio**

Provisions and loan-loss provisions, impairment losses and operational risk (risk costs) / average interest-bearing assets

## **Tangible common equity**

Common equity reduced by the carrying amount of intangible assets

## **Total capital ratio**

Total capital / risk-weighted assets

## **Targets and forecast numbers**

Including share buyback in 2022; excluding any potential implications from city of Linz case



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