

# BAWAG GROUP

# Q3 2023 CREDIT UPDATE

---

October 17, 2023

# AGENDA

**1 Q3 2023 HIGHLIGHTS & SEGMENT PERFORMANCE**

**2 DETAILED FINANCIALS & OUTLOOK**

**3 SUPPLEMENTAL INFORMATION**

# HIGHLIGHTS Q3 2023

## EARNINGS

### Q3 '23:

Net profit €186m, RoTCE of 27.6% and EPS of €2.25

Core revenues +1% vPQ ... operational expenses +1% vPQ

Pre-provision profit of €268m +2% vPQ ... CIR at 31.3%

Risk costs of €(22)m or 21bps risk cost ratio ... ECL management overlay at €80m

**Sep '23 YTD:** Net profit of €506m, RoTCE of 24.9%, CIR of 31.8%, and EPS of €6.13

## BALANCE SHEET & CAPITAL

Average customer loans (3%) vPQ ... average interest-bearing assets (2%) vPQ

Average customer deposits +1% vPQ ... average customer funding +1% vPQ

CET1 ratio at 14.2% after deducting €278m dividend accrual for Sep '23 YTD and €175m share buyback

Fortress balance sheet ... excess capital of €386m post buyback, €11.0 billion cash (excl. TLTRO) with LCR 218%, and strong credit profile with NPL ratio of 1.0%

## TARGETS

### Expect to meet or exceed 2023 financial targets:

Profit before tax > €875m, EPS > €8.20, DPS > €4.50

### Return targets 2023 & beyond:

RoTCE >20% and CIR < 34%

**Excess capital** of €386m post share buyback provides dry powder for potential organic and inorganic opportunities ... Additional capital distributions will be assessed with full-year results

- Q3 '23: RoTCE 27.6%
- YTD '23: RoTCE 24.9%

- CET1 ratio at 14.2% post buyback ... Excess capital of €386m
- Strong asset quality with 1.0% NPL ratio and liquidity profile with LCR of 218%

- Expect to meet or exceed 2023 financial targets
- Return targets: RoTCE >20% & CIR <34%

# FINANCIAL PERFORMANCE

| P&L   € millions            | Q3 '23       | vPY        | vPQ         | YTD '23      | vPY        |
|-----------------------------|--------------|------------|-------------|--------------|------------|
| Core revenues               | 390.3        | 17%        | 1%          | 1,143.4      | 16%        |
| Net interest income         | 313.7        | 21%        | 1%          | 913.9        | 22%        |
| Net commission income       | 76.6         | 2%         | -           | 229.5        | (2%)       |
| Operating income            | 389.7        | 16%        | 2%          | 1,139.7      | 15%        |
| Operating expenses          | (121.9)      | 3%         | 1%          | (362.0)      | 1%         |
| <b>Pre-provision profit</b> | <b>267.8</b> | <b>23%</b> | <b>2%</b>   | <b>777.7</b> | <b>22%</b> |
| Regulatory charges          | (3.3)        | (3%)       | NM          | (41.6)       | (15%)      |
| Risk costs                  | (21.9)       | (38%)      | 7%          | (62.9)       | (27%)      |
| <b>Profit before tax</b>    | <b>242.6</b> | <b>34%</b> | <b>(1%)</b> | <b>674.1</b> | <b>34%</b> |
| <b>Net profit</b>           | <b>185.7</b> | <b>40%</b> | <b>3%</b>   | <b>506.0</b> | <b>34%</b> |

| Ratios              | Q3 '23 | vPY       | vPQ      | YTD '23 | vPY       |
|---------------------|--------|-----------|----------|---------|-----------|
| RoCE                | 23.2%  | 7.0pts    | 0.1pts   | 20.9%   | 5.5pts    |
| RoTCE               | 27.6%  | 8.3pts    | -        | 24.9%   | 6.4pts    |
| Net interest margin | 2.97%  | 0.66pts   | 0.06pts  | 2.86%   | 0.57pts   |
| CIR                 | 31.3%  | (3.8pts)  | (0.2pts) | 31.8%   | (4.1pts)  |
| Risk cost ratio     | 0.21%  | (0.11pts) | 0.02pts  | 0.20%   | (0.06pts) |

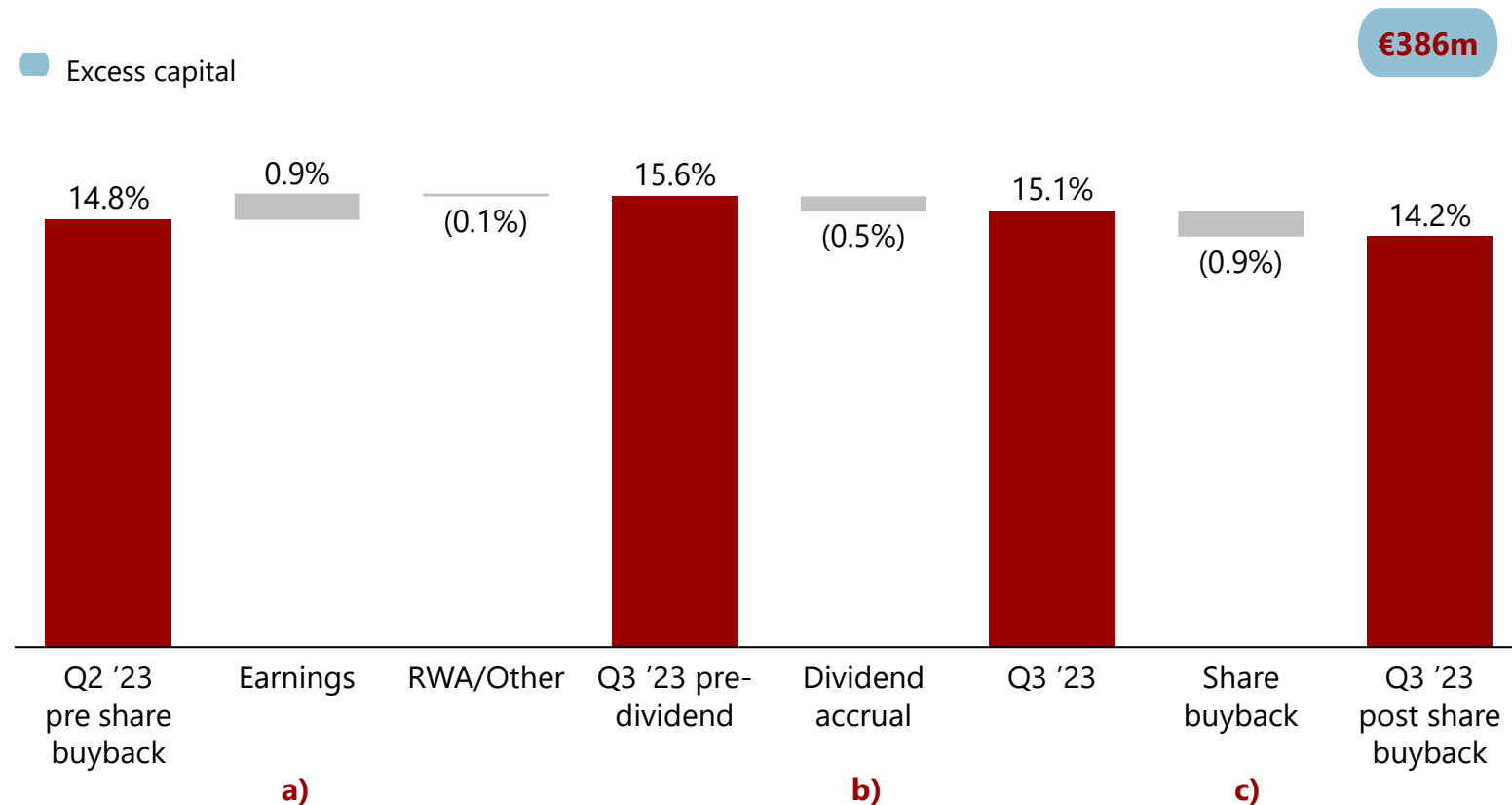
| Balance Sheet & Capital   € millions | Q3 '23        | Q2 '23        | vPQ           | vPY           |
|--------------------------------------|---------------|---------------|---------------|---------------|
| Total assets                         | 52,857        | 53,127        | (1%)          | (6%)          |
| Cash & Cash Equivalent excl. TLTRO   | 10,990        | 10,772        | 2%            | 92%           |
| Interest-bearing assets (average)    | 41,902        | 42,800        | (2%)          | (6%)          |
| Customer funding (average)           | 44,721        | 44,256        | 1%            | 5%            |
| Customer loans (average)             | 33,874        | 35,029        | (3%)          | (8%)          |
| Customer loans                       | 33,783        | 34,295        | (1%)          | (8%)          |
| Customer deposits (average)          | 32,212        | 32,012        | 1%            | (5%)          |
| Customer deposits                    | 32,015        | 32,664        | (2%)          | (6%)          |
| Common Equity                        | 3,246         | 3,168         | 2%            | 1%            |
| Tangible Common Equity               | 2,735         | 2,653         | 3%            | 2%            |
| CET1 Capital                         | 2,799         | 2,734         | 2%            | 1%            |
| Risk-weighted assets                 | 19,699        | 19,622        | -             | (8%)          |
| <b>CET1 Ratio (post dividend)</b>    | <b>14.2%</b>  | <b>13.9%</b>  | <b>0.3pts</b> | <b>1.2pts</b> |
| <b>Per share data</b>                | <b>Q3 '23</b> | <b>Q2 '23</b> | <b>vPQ</b>    | <b>vPY</b>    |
| Book value (€)                       | 39.44         | 38.50         | 2%            | 5%            |
| Tangible book value (€)              | 33.23         | 32.24         | 3%            | 6%            |
| Shares outstanding (€ m)             | 82.30         | 82.30         | -             | (4%)          |
| Earnings per share (€)               | 2.25          | 2.19          | 3%            | 51%           |

Note: All equity, capital, ratios and per share data reflect deduction of €278m dividend accrual and €175m share buyback. 2022 numbers shown on an adjusted basis

# CAPITAL DEVELOPMENT

~90 basis points gross capital generation

## QUARTERLY CAPITAL DEVELOPMENT



### CAPITAL DEVELOPMENT

a) Gross capital generation ~90bps in Q3 '23 through earnings

### CAPITAL DISTRIBUTION

b) YTD '23 dividend accrual of €278m based on dividend policy (55% of net profit)

c) Share buyback of €175m ... execution started on October 9, 2023

### EXCESS CAPITAL

- CET1 ratio 14.2% post dividend accrual of €278m
- Excess capital above management target of 12.25% of €386m post share buyback
- Peak Bancorp (Idaho First Bank) ... pending regulatory approval
- Maintaining dry powder for potential M&A and assessing additional capital distributions with full-year results

# RETAIL & SME

## FINANCIAL PERFORMANCE

| € millions                  | Q3 '23       | vPY        | vPQ       | YTD '23      | vPY        |
|-----------------------------|--------------|------------|-----------|--------------|------------|
| Core revenues               | 289.6        | 13%        | 2%        | 848.6        | 12%        |
| Net interest income         | 221.5        | 16%        | 2%        | 645.4        | 18%        |
| Net commission income       | 68.1         | 4%         | 2%        | 203.2        | (3%)       |
| Operating income            | 290.1        | 13%        | 2%        | 851.4        | 12%        |
| Operating expenses          | (84.4)       | (1%)       | (3%)      | (257.5)      | -          |
| <b>Pre-provision profit</b> | <b>205.7</b> | <b>20%</b> | <b>4%</b> | <b>593.9</b> | <b>18%</b> |
| Regulatory charges          | (1.7)        | 21%        | NM        | (14.3)       | (28%)      |
| Risk costs                  | (21.7)       | (7%)       | 10%       | (61.2)       | 4%         |
| <b>Profit before tax</b>    | <b>182.3</b> | <b>24%</b> | <b>2%</b> | <b>518.4</b> | <b>23%</b> |
| <b>Net profit</b>           | <b>136.7</b> | <b>24%</b> | <b>2%</b> | <b>388.8</b> | <b>23%</b> |

## RATIOS

| in %            | Q3 '23 | vPY       | vPQ      | YTD '23 | vPY      |
|-----------------|--------|-----------|----------|---------|----------|
| RoCE            | 33.5%  | 5.2pts    | (0.3pts) | 32.2%   | 4.0pts   |
| RoTCE           | 39.3%  | 6.0pts    | (0.6pts) | 37.9%   | 4.7pts   |
| CIR             | 29.1%  | (4.1pts)  | (1.4pts) | 30.2%   | (3.7pts) |
| NPL ratio       | 1.8%   | (0.1pts)  | 0.1pts   | 1.8%    | (0.1pts) |
| Risk cost ratio | 0.40%  | (0.02pts) | 0.04pts  | 0.37%   | 0.01pts  |

## CUSTOMER DEVELOPMENT

| € millions                   | Q3 '23        | vPY         | vPQ         | YTD '23       | vPY         |
|------------------------------|---------------|-------------|-------------|---------------|-------------|
| Housing loans                | 15,442        | (4%)        | (1%)        | 15,442        | (4%)        |
| Consumer and SME             | 6,414         | 1%          | 1%          | 6,414         | 1%          |
| <b>Total assets</b>          | <b>21,856</b> | <b>(3%)</b> | <b>(1%)</b> | <b>21,856</b> | <b>(3%)</b> |
| <b>Total assets (Ø)</b>      | <b>21,933</b> | <b>(2%)</b> | <b>(1%)</b> | <b>22,088</b> | <b>1%</b>   |
| <b>Risk-weighted assets</b>  | <b>9,213</b>  | <b>(3%)</b> | <b>(1%)</b> | <b>9,213</b>  | <b>(3%)</b> |
| <b>Customer deposits</b>     | <b>26,770</b> | <b>(5%)</b> | <b>(2%)</b> | <b>26,770</b> | <b>(5%)</b> |
| <b>Customer deposits (Ø)</b> | <b>26,269</b> | <b>(5%)</b> | <b>(1%)</b> | <b>26,547</b> | <b>(5%)</b> |
| <b>Customer funding</b>      | <b>36,519</b> | <b>5%</b>   | <b>(1%)</b> | <b>36,519</b> | <b>5%</b>   |
| <b>Customer funding (Ø)</b>  | <b>37,249</b> | <b>7%</b>   | <b>-</b>    | <b>36,949</b> | <b>8%</b>   |

## DEVELOPMENTS in Q3 '23

Q3 '23 net profit of €137m, up 24% vPY due to higher pre-provision profits ... average assets down (1%) vPQ and (2%) vPY... housing loans down reflecting overall subdued market

Pre-provision profit of €206m for Q3 '23, up 20% vPY ... Core revenues up 13% and operating expenses down (1%) vPY

Risk costs of €(22)m in Q3 '23, down (7%) vPY ... risk cost ratio at 40bps

Subdued loan growth and advisory business given overall cautious consumer sentiment and significant movement in rates

# CORPORATES, REAL ESTATE & PUBLIC SECTOR

## FINANCIAL PERFORMANCE

| € millions                  | Q3 '23      | vPY         | vPQ          | YTD '23      | vPY         |
|-----------------------------|-------------|-------------|--------------|--------------|-------------|
| Core revenues               | 79.4        | 3%          | (7%)         | 242.0        | 9%          |
| Net interest income         | 70.8        | 5%          | (6%)         | 214.8        | 9%          |
| Net commission income       | 8.6         | (13%)       | (13%)        | 27.2         | 5%          |
| Operating income            | 77.4        | -           | (8%)         | 238.4        | (2%)        |
| Operating expenses          | (20.0)      | 12%         | 5%           | (57.5)       | 6%          |
| <b>Pre-provision profit</b> | <b>57.4</b> | <b>(4%)</b> | <b>(12%)</b> | <b>180.9</b> | <b>(4%)</b> |
| Regulatory charges          | (0.9)       | NM          | NM           | (9.0)        | (20%)       |
| Risk costs                  | (0.1)       | NM          | NM           | (0.1)        | NM          |
| <b>Profit before tax</b>    | <b>56.4</b> | <b>20%</b>  | <b>(15%)</b> | <b>171.8</b> | <b>12%</b>  |
| <b>Net profit</b>           | <b>42.3</b> | <b>19%</b>  | <b>(15%)</b> | <b>128.8</b> | <b>12%</b>  |

## RATIOS

| in %            | Q3 '23 | vPY       | vPQ      | YTD '23 | vPY       |
|-----------------|--------|-----------|----------|---------|-----------|
| RoCE            | 18.6%  | 5.3pts    | (3.4pts) | 18.3%   | 3.7pts    |
| RoTCE           | 23.3%  | 6.9pts    | (4.4pts) | 22.8%   | 4.6pts    |
| CIR             | 25.8%  | 2.8pts    | 3.3pts   | 24.1%   | 1.7pts    |
| NPL ratio       | 0.9%   | 0.2pts    | 0.2pts   | 0.9%    | 0.2pts    |
| Risk cost ratio | -      | (0.29pts) | -        | -       | (0.20pts) |

## CUSTOMER DEVELOPMENT

| € millions                      | Q3 '23        | vPY          | vPQ         | YTD '23       | vPY          |
|---------------------------------|---------------|--------------|-------------|---------------|--------------|
| Corporates                      | 3,749         | (8%)         | (5%)        | 3,749         | (8%)         |
| Real Estate                     | 5,252         | (21%)        | (1%)        | 5,252         | (21%)        |
| Public Sector                   | 4,319         | 2%           | 1%          | 4,319         | 2%           |
| Short-term/money market lending | 187           | (62%)        | (11%)       | 187           | (62%)        |
| <b>Total assets</b>             | <b>13,507</b> | <b>(12%)</b> | <b>(2%)</b> | <b>13,507</b> | <b>(12%)</b> |
| <b>Total assets (Ø)</b>         | <b>13,558</b> | <b>(12%)</b> | <b>(5%)</b> | <b>14,085</b> | <b>(8%)</b>  |
| <b>Risk-weighted assets</b>     | <b>7,001</b>  | <b>(16%)</b> | -           | <b>7,001</b>  | <b>(16%)</b> |
| <b>Customer deposits</b>        | <b>5,595</b>  | <b>1%</b>    | <b>1%</b>   | <b>5,595</b>  | <b>1%</b>    |
| <b>Customer deposits (Ø)</b>    | <b>5,770</b>  | <b>(2%)</b>  | <b>8%</b>   | <b>5,388</b>  | <b>(4%)</b>  |
| <b>Customer funding</b>         | <b>7,034</b>  | <b>5%</b>    | <b>(2%)</b> | <b>7,034</b>  | <b>5%</b>    |
| <b>Customer funding (Ø)</b>     | <b>7,299</b>  | <b>3%</b>    | <b>4%</b>   | <b>7,009</b>  | <b>3%</b>    |

## DEVELOPMENTS in Q3 '23

Q3 '23 net profit of €42m, up 19% vPY ... average assets down (5%) vPQ and down (12%) vPY

Pre-provision profit of €57m in Q3 '23, down (4%) vPY ... Operating income flat to prior year

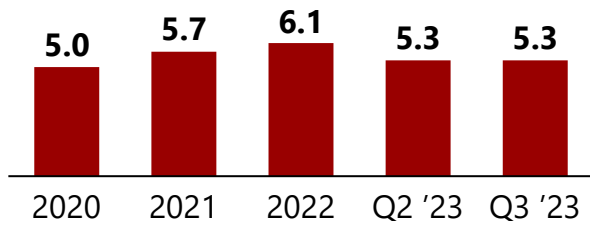
No risk costs in Q3 '23 ... single-case CRE default with conservative collateral assessment compensated through management overlay €20m

NPL ratio remains low at 0.9% ... solid asset quality

Maintaining disciplined and conservative underwriting ... will continue to remain prudent and patient with focus on risk-adjusted returns never chasing volume growth

# REAL ESTATE LENDING

## Total portfolio € billions



|                        | 2020 | 2021 | 2022 | Q2 '23 | Q3 '23 |
|------------------------|------|------|------|--------|--------|
| Residential            | 37%  | 38%  | 42%  | 40%    | 39%    |
| Industrial / Logistics | 12%  | 17%  | 22%  | 25%    | 26%    |
| Office                 | 29%  | 23%  | 22%  | 20%    | 21%    |
| Hospitality            | 6%   | 11%  | 7%   | 7%     | 7%     |
| Shopping / Retail      | 12%  | 8%   | 5%   | 6%     | 5%     |
| Other                  | 4%   | 3%   | 2%   | 2%     | 2%     |

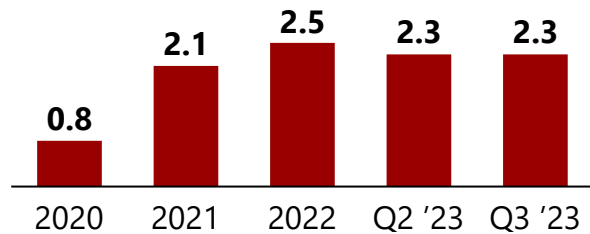
## PORTFOLIO DEVELOPMENT

- Residential + Industrial / Logistics make up 65% of total portfolio ... Main drivers of growth in portfolio since 2020 ... strong supply / demand fundamentals
- Cautious on Office post COVID given secular changes with limited Retail lending as well
- Growth in US portfolio since 2020 from Residential + Industrial / Logistics assets ... 72% of portfolio
- NPL ratio 1.4% ...single-case default in Q3, underlying collateral conservatively valued
- Average LTV <60% for entire portfolio since 2020
- 2023 stress test adverse scenario with cumulative losses <2% over 3 years ... management overlay sufficient to cover adverse case stress losses

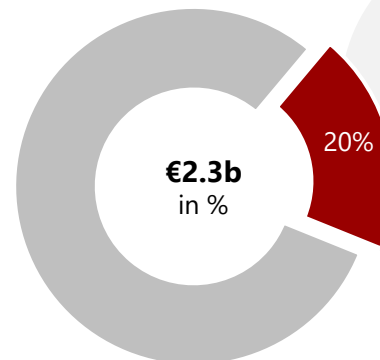
## UNDERWRITING PRINCIPLES

- Focus on risk-adjusted returns across all cycles ... be patient lender with business that meets our risk appetite ... no volume targets
- Senior secured lender ... no mezzanine financing
- Focus on structural protections ... cross-collateralized loans, cash-flow sweeps, interest rate hedges, sponsor guarantees etc.
- Portfolio total LTV consistently <60% with debt yields across Office portfolio >9%
- Significant amount of the portfolio granular and cross-collateralized

## US portfolio € billions



|                        | 2020 | 2021 | 2022 | Q2 '23 | Q3 '23 |
|------------------------|------|------|------|--------|--------|
| Residential            | 33%  | 39%  | 41%  | 43%    | 41%    |
| Industrial / Logistics | 5%   | 18%  | 26%  | 29%    | 31%    |
| Office                 | 59%  | 24%  | 26%  | 20%    | 20%    |
| Hospitality            | 0%   | 17%  | 7%   | 7%     | 7%     |
| Shopping / Retail      | 3%   | 2%   | 0%   | 1%     | 1%     |



## US OFFICE EXPOSURE:

- Exposure of €472m ... flat vPQ
- Footprint in major cities comprised of Class A buildings in primary markets
- Performing book resilient despite market stress:
  - Average senior debt yield 10%
  - LTV < 60%
  - Weighted average lease terms of ~6.5 years and solid tenants with average occupancy levels ~80%
  - <1% of total assets, ~1% of customer loans, 7% of total CRE



# AGENDA

**1** Q3 2023 HIGHLIGHTS & SEGMENT PERFORMANCE

**2 DETAILED FINANCIALS & OUTLOOK**

**3** SUPPLEMENTAL INFORMATION

# P&L & KEY RATIOS

| P&L   € millions            | Q3 '23         | vPY        | vPQ         | YTD '23        | vPY        |
|-----------------------------|----------------|------------|-------------|----------------|------------|
| Net interest income         | 313.7          | 21%        | 1%          | 913.9          | 22%        |
| Net commission income       | 76.6           | 2%         | -           | 229.5          | (2%)       |
| <b>Core revenues</b>        | <b>390.3</b>   | <b>17%</b> | <b>1%</b>   | <b>1,143.4</b> | <b>16%</b> |
| Other revenues              | (0.6)          | NM         | NM          | (3.7)          | NM         |
| <b>Operating income</b>     | <b>389.7</b>   | <b>16%</b> | <b>2%</b>   | <b>1,139.7</b> | <b>15%</b> |
| <b>Operating expenses</b>   | <b>(121.9)</b> | <b>3%</b>  | <b>1%</b>   | <b>(362.0)</b> | <b>1%</b>  |
| <b>Pre-provision profit</b> | <b>267.8</b>   | <b>23%</b> | <b>2%</b>   | <b>777.7</b>   | <b>22%</b> |
| Regulatory charges          | (3.3)          | (3%)       | NM          | (41.6)         | (15%)      |
| Risk costs                  | (21.9)         | (38%)      | 7%          | (62.9)         | (27%)      |
| <b>Profit before tax</b>    | <b>242.6</b>   | <b>34%</b> | <b>(1%)</b> | <b>674.1</b>   | <b>34%</b> |
| Income taxes                | (56.9)         | 18%        | (12%)       | (168.1)        | 33%        |
| <b>Net profit</b>           | <b>185.7</b>   | <b>40%</b> | <b>3%</b>   | <b>506.0</b>   | <b>34%</b> |

| Key ratios              | Q3 '23 | vPY       | vPQ      | YTD '23 | vPY       |
|-------------------------|--------|-----------|----------|---------|-----------|
| RoCE                    | 23.2%  | 7.0pts    | 0.1pts   | 20.9%   | 5.5pts    |
| RoTCE                   | 27.6%  | 8.3pts    | -        | 24.9%   | 6.4pts    |
| Net interest margin     | 2.97%  | 0.66pts   | 0.06pts  | 2.86%   | 0.57pts   |
| CIR                     | 31.3%  | (3.8pts)  | (0.2pts) | 31.8%   | (4.1pts)  |
| Risk cost ratio         | 0.21%  | (0.11pts) | 0.02pts  | 0.20%   | (0.06pts) |
| Earnings per share (€)  | 2.25   | 51%       | 3%       | 6.13    | 45%       |
| Tangible book value (€) | 33.23  | 6%        | 3%       | 33.23   | 6%        |

## DEVELOPMENTS in Q3 '23

Net interest income up 1% vPQ ... net interest margin (NIM) at 2.97% in Q3 '23, up 6bps vPQ

Net commission income at €77m ... flat versus prior quarter

Cost-income ratio of 31.3% in Q3 '23 ... ongoing disciplined cost control despite inflationary headwinds

Regulatory charges of €(3)m in Q3 '23 after net release in the second quarter

Risk costs of €(22)m in Q3 '23... run-rate in line with strong credit performance, low NPL levels and continued low but normalizing delinquencies ... management overlay at €80m

# BALANCE SHEET

| Balance sheet   € millions            | Q3 '23        | vPY         | vPQ         | YTD '23       | vPY         |
|---------------------------------------|---------------|-------------|-------------|---------------|-------------|
| <b>Total assets</b>                   | <b>52,857</b> | <b>(6%)</b> | <b>(1%)</b> | <b>52,857</b> | <b>(6%)</b> |
| thereof Ø interest-bearing assets     | 41,902        | (6%)        | (2%)        | 42,664        | (3%)        |
| Customer loans                        | 33,783        | (8%)        | (1%)        | 33,783        | (8%)        |
| Securities and bonds                  | 6,330         | 9%          | 3%          | 6,330         | 9%          |
| Credit institutions and cash          | 11,570        | (4%)        | 2%          | 11,570        | (4%)        |
| Other assets                          | 1,174         | (14%)       | (10%)       | 1,174         | (14%)       |
| <b>Total liabilities &amp; equity</b> | <b>52,857</b> | <b>(6%)</b> | <b>(1%)</b> | <b>52,857</b> | <b>(6%)</b> |
| thereof Ø customer funding            | 44,721        | 5%          | 1%          | 44,181        | 6%          |
| Customer deposits                     | 32,015        | (6%)        | (2%)        | 32,015        | (6%)        |
| Own issues                            | 13,063        | 48%         | -           | 13,063        | 48%         |
| Credit institutions                   | 1,557         | (78%)       | (3%)        | 1,557         | (78%)       |
| Other liabilities                     | 2,052         | 2%          | 10%         | 2,052         | 2%          |
| Equity                                | 4,170         | 3%          | 5%          | 4,170         | 3%          |

| Capital & RWA   € millions | Q3 '23 | vPY    | vPQ    | YTD '23 | vPY    |
|----------------------------|--------|--------|--------|---------|--------|
| Common equity              | 3,246  | 1%     | 2%     | 3,246   | 1%     |
| Tangible common equity     | 2,735  | 2%     | 3%     | 2,735   | 2%     |
| CET1 capital               | 2,799  | 1%     | 2%     | 2,799   | 1%     |
| Risk-weighted assets       | 19,699 | (8%)   | -      | 19,699  | (8%)   |
| CET1 ratio (post dividend) | 14.2%  | 1.2pts | 0.3pts | 14.2%   | 1.2pts |
| Leverage ratio             | 6.0%   | 0.3pts | 0.2pts | 6.0%    | 0.3pts |
| Liquidity coverage ratio   | 218%   | 16pts  | 11pts  | 218%    | 16pts  |

## DEVELOPMENTS in Q3 '23

Total assets down (1%) vPQ and risk-weighted assets flat vPQ

Average customer deposits up 1% in Q3 '23 ... average customer funding up 1% vPQ

LCR at 218% ... Cash & cash equivalents excl. TLTRO at €11b or 21% of balance sheet

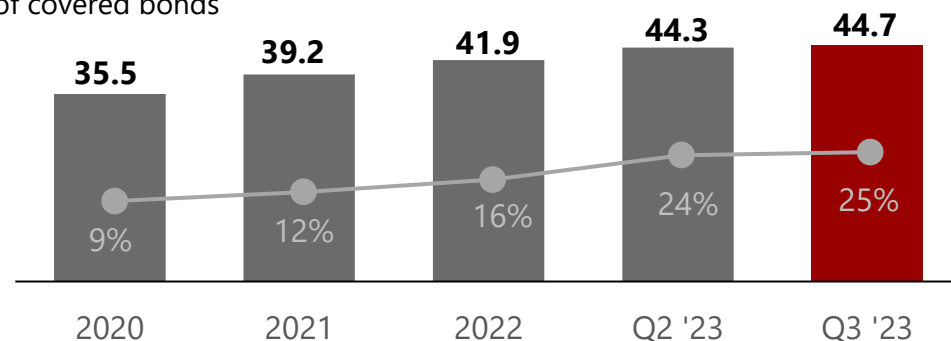
CET1 ratio at 14.2% post deduction of €278m dividend accrual for Q3 '23 and €175m buyback

# FUNDING OVERVIEW

## Customer funding (avg.) ... ~94% total funding

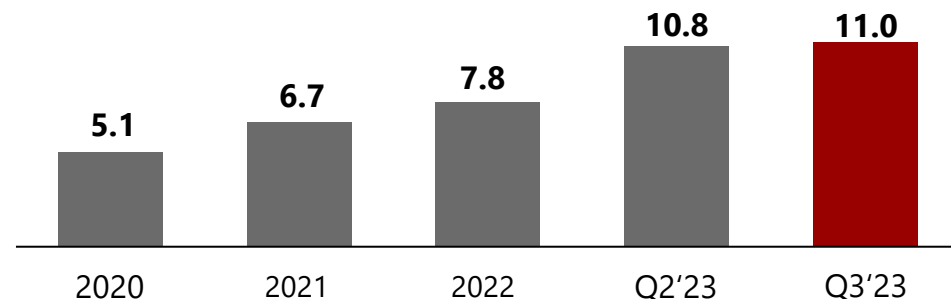
€ billion

● Share of covered bonds



## Cash & Cash equivalent excl. TLTRO

€ billion



|                      |      |      |      |      |      |
|----------------------|------|------|------|------|------|
| LCR                  | 231% | 239% | 225% | 207% | 218% |
| Cash / Balance sheet | 9%   | 12%  | 14%  | 20%  | 21%  |

## DEPOSITS

- Retail & SME deposits €26.3b, thereof ~80% insured by deposit guarantee scheme .... Average deposit size of €12k
- Corporates & Public Sector deposits €5.8b ... largest share in public sector, which are predominantly transactional current accounts
- Overall betas increased to ~20% in September ... expected <40% by 2024

## COVERED BONDS

- Austrian covered bond program with mortgages and public sector loans as collateral
- €11b notional ... high issuance levels early in the year
- Almost no maturities in the coming years, weighted average life at issue ~9 years
- Matched against housing loans with average duration of ~8 years
- Additional funding capacity of a few billion after paying back the TLTRO funds

## CASH DEVELOPMENT & TRENDS

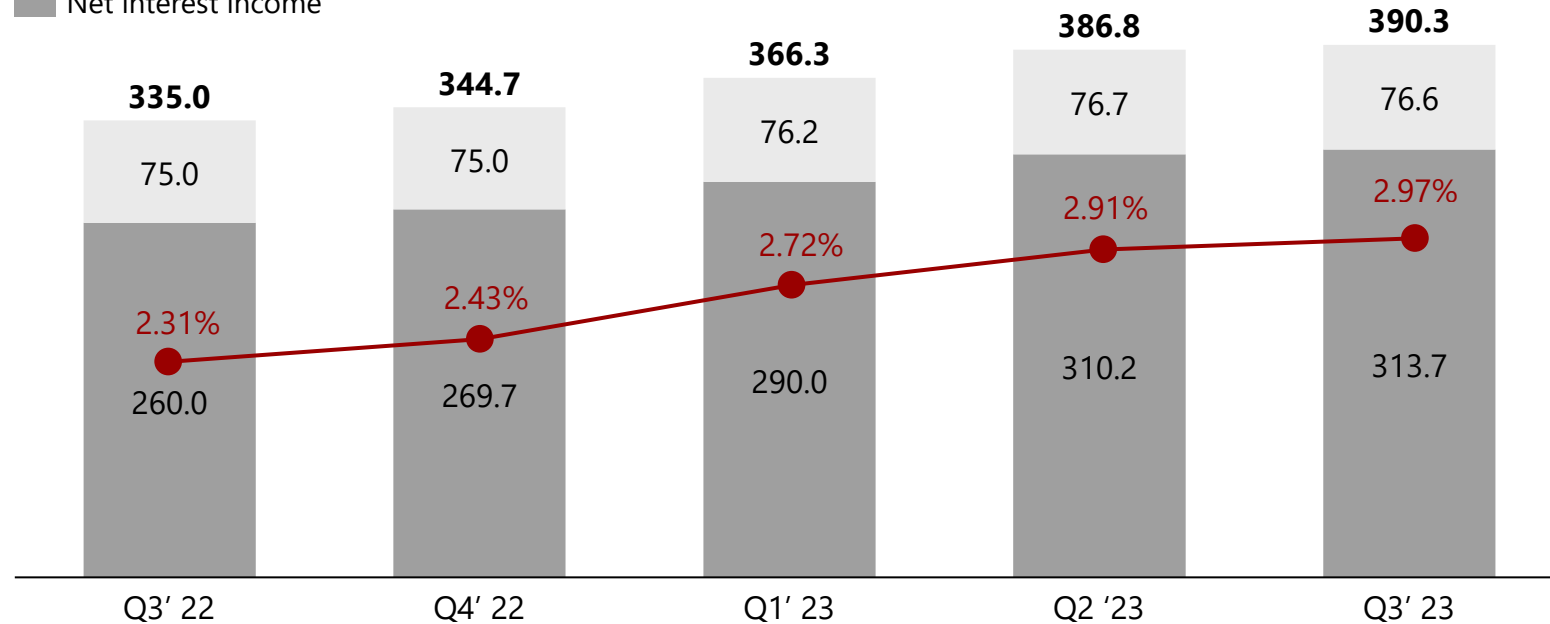
- LCR at 218% ... Cash balance €11.0b (excluding TLTRO)
- €0.6b TLTRO remaining
- Maintained excess liquidity over the years to address market opportunities ... continuing to stay patient and maintain liquid balance sheet

# CORE REVENUES

Continued strong NII development ... stable NCI

€ millions

- Net interest margin
- Net commission income
- Net interest income



## Net interest income (NII) up 1% vPQ ... net interest margin (NIM) at 2.97% in Q3 '23

- Average customer loans down (3%) vPQ
- Increase in NII due to interest rate changes

## Net commission income (NCI) flat vPQ

- Advisory business slightly lower and payments business seasonally better

## Outlook in 2023

- Core revenues growth of >14% in 2023
- Net interest income expected to increase to >€1.2 billion ... largely stable in the coming quarters
- Expecting customer loans to be static-to-declining in 2023

## Average customer loans | Average interest-bearing assets | € billion

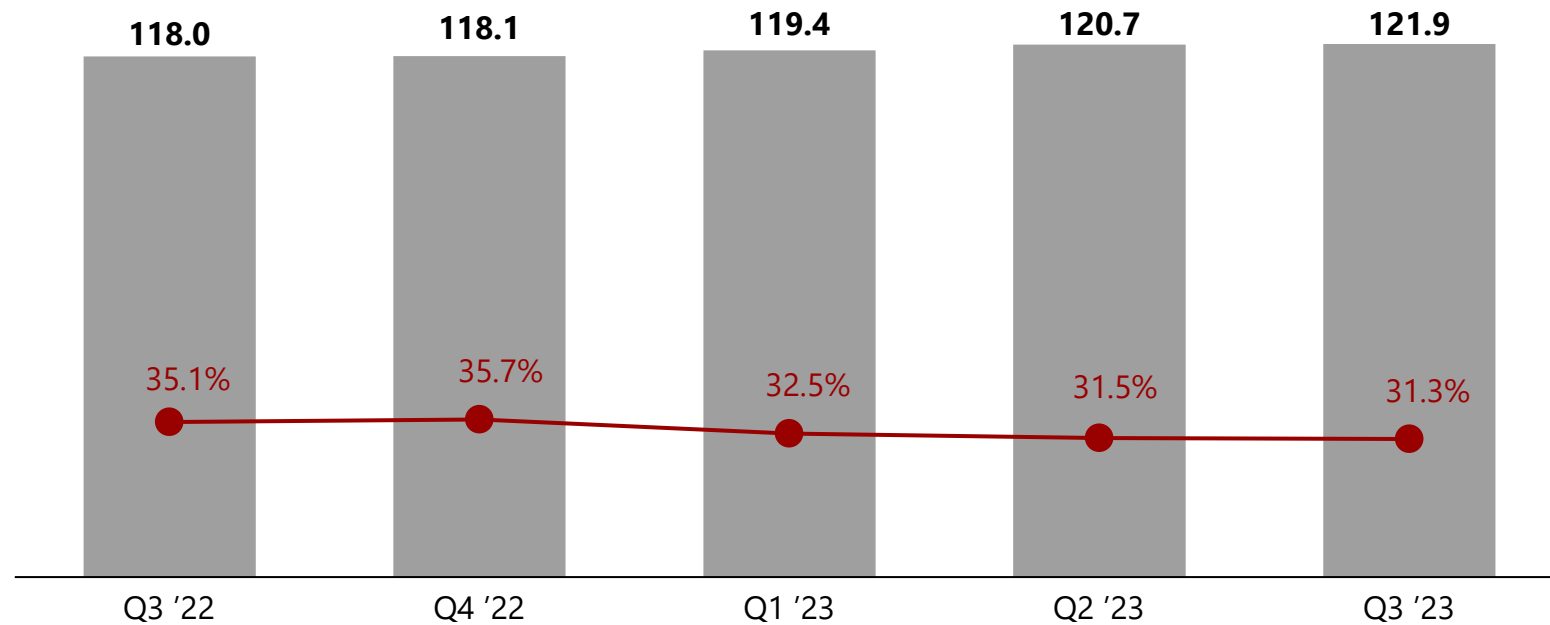
|      |      |      |      |      |
|------|------|------|------|------|
| 36.8 | 36.4 | 35.5 | 35.0 | 33.9 |
| 44.7 | 44.0 | 43.3 | 42.8 | 41.9 |

# OPERATING EXPENSES

Efficiency and simplification initiatives counter inflationary headwinds

€ millions

■ Operating expenses ● CIR



## CIR at 31.3% in Q3 '23 down (0.2pts) vPQ

- Focused on absolute cost targets and proactive cost management
- Executed multiple initiatives focused on greater scale, greater digital engagement, and continued rollout of simplification roadmap across the Group
- Targeted investments over the years resulting in long-term productivity gains across the business

## Outlook for 2023

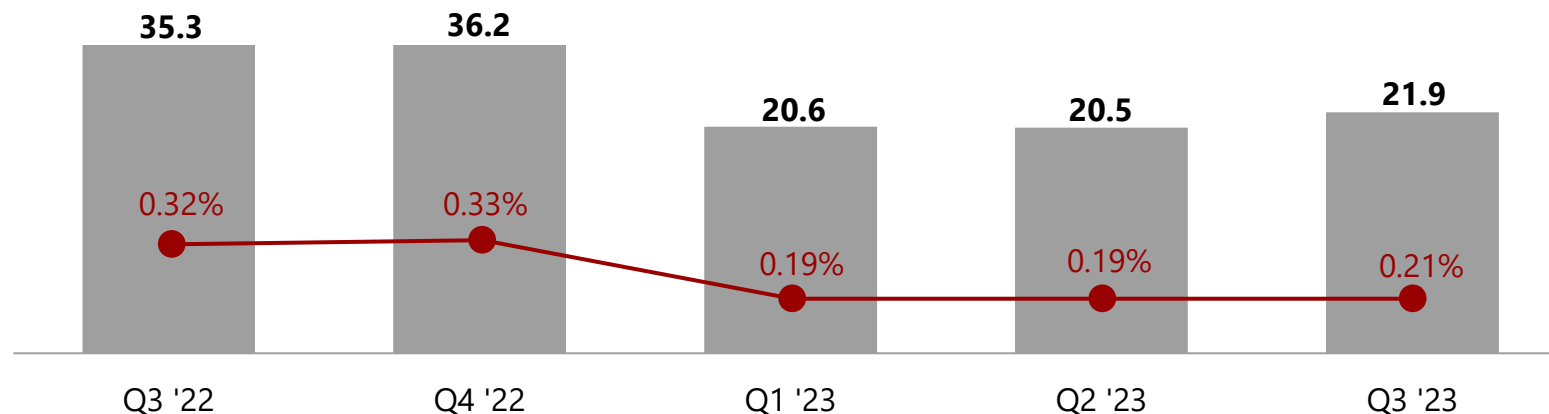
- Operating expenses to increase ~2% ... CIR of <34%

# RISK COSTS

Applying prudent approach while closely monitoring macro environment

€ millions

● Risk costs/average interest-bearing assets



## ECL Management overlay (in € m)

82      100      100      100      80

## NPL ratio

1.0%      0.9%      0.9%      0.9%      1.0%

### Q3 '23 risk costs €22m... risk cost ratio 21bps

- Ongoing strong credit performance ... NPL ratio of 1.0%
- ECL management overlay at €80m end Sep '23 ... single-case CRE default with conservative collateral assessment compensated through management overlay €20m

### Maintain safe & secure balance sheet

- Focused on developed and mature markets ... ~75% DACH/NL region & ~25% Western Europe/United States
- Conservative underwriting with a focus on secured lending ... ~80% of customer loans is secured or public sector lending
- No direct exposure to Russia or Ukraine and de minimis secondary exposures

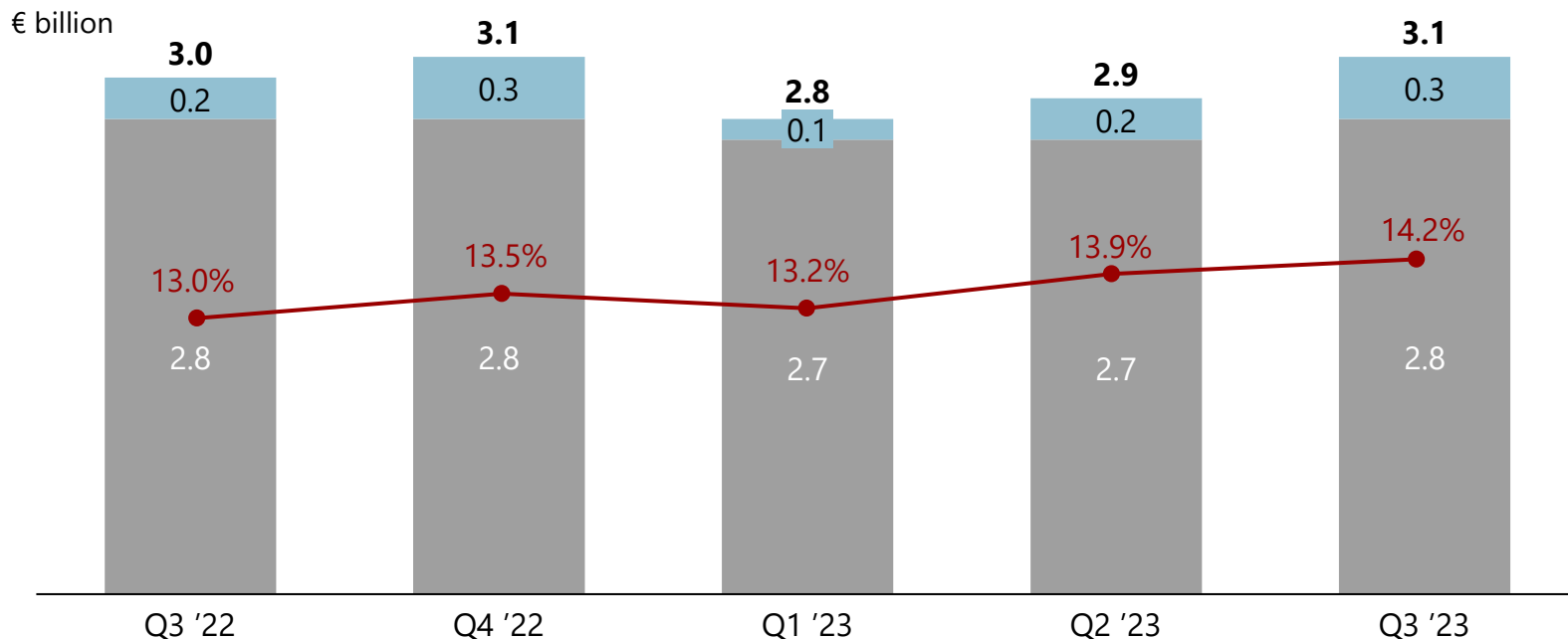
### Outlook for 2023

- Underlying risk cost ratio of 20-25bps in 2023
- No further releases of management overlay anticipated

# REGULATORY CAPITAL

Strong capital position

■ Dividend ■ CET1 capital (post dividend) -●- CET1 ratio (post dividend)



## RWA € b | Tier 1 ratio | Total capital ratio | Leverage ratio

| Quarter             | Q3 '22 | Q4 '22 | Q1 '23 | Q2 '23 | Q3 '23 |
|---------------------|--------|--------|--------|--------|--------|
| RWA € b             | 21.3   | 20.7   | 20.2   | 19.6   | 19.7   |
| Tier 1 ratio        | 15.1%  | 15.5%  | 15.2%  | 16.0%  | 16.3%  |
| Total capital ratio | 18.0%  | 18.5%  | 18.2%  | 19.1%  | 19.2%  |
| Leverage ratio      | 5.7%   | 5.6%   | 5.5%   | 5.8%   | 6.0%   |

### Capital distribution plans:

Dividend accrual of €278m for Q3 '23 based on dividend policy

Share buyback of €175m approved by ECB on October 4, 2023 ... currently in execution

### Capital development:

Q3 '23 Tier1 capital ratio 16.3% and Total Capital ratio 19.2%

Capital requirement of 9.68% CET1 at Q3 '23 ... P2R of 2% and P2G of 0.75%

Target CET1 ratio of 12.25% is 257bps above MDA trigger of 9.68%

Increase in domestic buffers to 1% for 2024

Note: All capital ratios post dividend accrual and deducting buyback



# MREL

## MREL Strategy

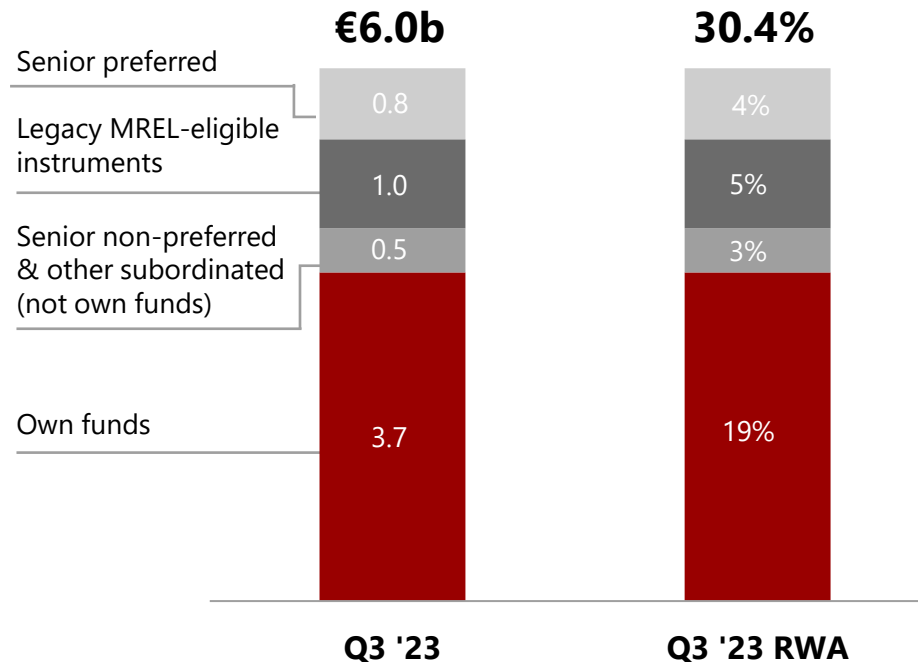
**MREL decision received in Feb '23 fully reflecting CRR2/BRRD2 with final requirements from 1 January 2024:**

- Requirement applicable at BAWAG P.S.K. level (consolidated) with a single point of entry resolution strategy
- Currently no subordination requirement
- Binding interim requirement of 22.6% as well as end state requirement of 26.6% met

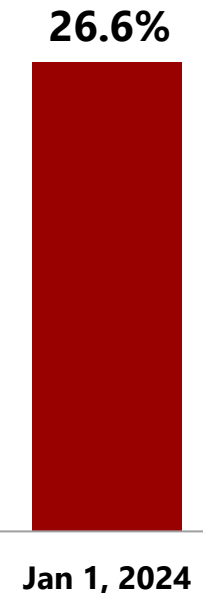
### Our MREL issuance plans:

- €500m SP issued in Q1 2023 and CHF300m SP issued in Q4 2022
- Further issuance planned in coming years to replace maturities, meet MREL requirement and build buffer

## MREL instruments



## MREL requirement incl. CBR



Note: all stated MREL requirements incl. CBR



# FUNDING & LIQUIDITY

## Liquidity

Liquidity coverage ratio **218%**

Liquidity buffer **€13.1b**

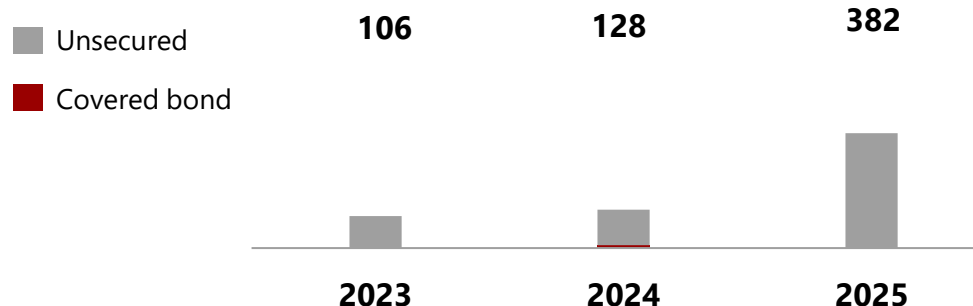
Liquidity buffer including other marketable securities **€15.4b**

### Issuance plans 2023 and beyond

- ✓ Frequent covered bond issuer
- ✓ Increasing focus on senior issuance
- ✓ At least one Green bond benchmark per year

## Comfortable maturity profile

€ millions notional



- Covered bonds continue to be an important capital market funding source ... €9.4b executed since 2020 ... 19 benchmark bonds outstanding with up to €1.25b issue size and maturities up to 2041
- Increasing focus on senior issuance since 2022 ... ~€0.8b senior instruments already executed in Q4 2022 and Q1 2023. Further issuance planned in coming years to replace maturities, meet MREL requirement and build buffer
- Currently optimal capital stack of AT1 and tier 2 ... next call date in March '24 for €400m Tier 2
- 4 Green bond issues since 2021 ... at least one Green bond benchmark per year planned

## ... and solid market access

### 2020 issuance

- €1.8b covered bonds
- €0.4b subordinated AT1/T2

### 2021 issuance

- €1.5b covered bonds of which €0.5b Green bond

### 2022 issuance

- €4.0b covered bonds
- €0.3b senior preferred of which €0.3b Green bond

### 2023 issuance year to date

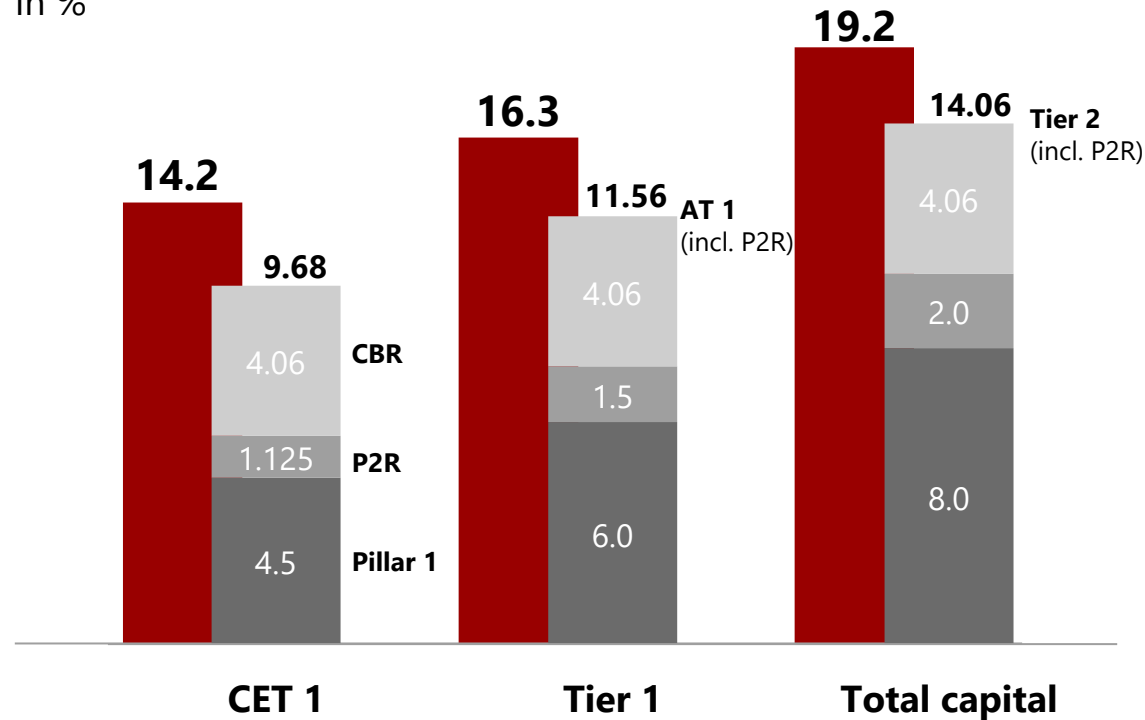
- €2.1b covered bonds
- €0.5b senior preferred of which €0.5b Green bond

Note: Liquidity buffer includes balances at central banks, eligible securities and other assets eligible for Eurosystem operations



# STRONG CAPITAL POSITION

In %



■ BAWAG Q3 2023 ratios

■ Regulatory requirements as of September 2023

## P2R

**2.00%**

- 1.125% of P2R is to be met with CET1 ... remaining 88bps filled with AT1/T2

## P2G

**0.75%**

## Combined buffer requirement

CBR increase of 25bps for 2023 and further 15bps for 2024

|  | 2022  | Sep' 2023 |
|--|-------|-----------|
| Systemic risk buffer                         | 0.50% | 0.50%     |
| OSII buffer                                  | 0.50% | 0.75%     |
| Countercyclical capital buffer <sup>1)</sup> | 0.06% | 0.31%     |
| Capital conservation buffer                  | 2.50% | 2.50%     |

1) Based on exposure as of September 2023



# 2023 **OUTLOOK AND TARGETS**

Expecting to meet or exceed all 2023 targets

## **P&L OUTLOOK**

---

### **Net interest income**

FY '22: €1,021m

**> €1.2b**

### **Core revenues**

FY '22: €1,330m

**> 14% growth**

### **Operating expenses**

FY '22: €475m

**~2% increase**

### **Risk cost ratio**

FY '22: 19bps (underlying)

**20-25bps**

## **2023 FINANCIAL TARGETS**

Profit before tax

**> €875m**

Earnings per share

**> €8.20**

Dividend per share

**> €4.50**

## **2023 & BEYOND RETURN TARGETS**

Return on tangible common equity

**> 20%**

Cost-income ratio

**< 34%**

# AGENDA

**1** Q2 2023 HIGHLIGHTS & SEGMENT PERFORMANCE

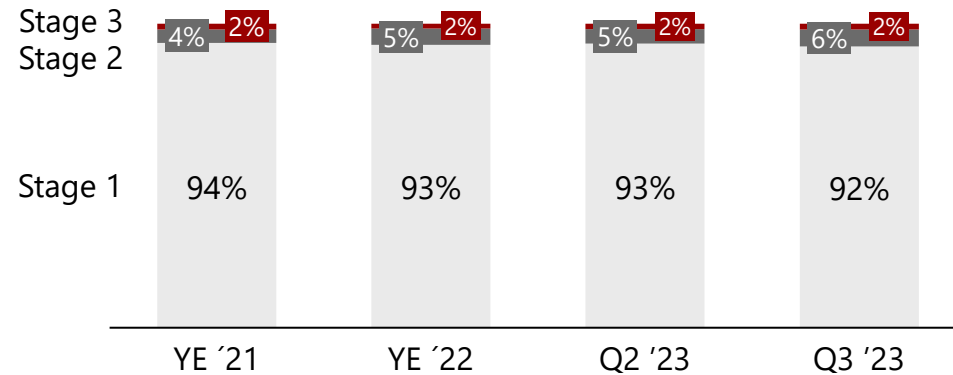
**2** DETAILED FINANCIALS & OUTLOOK

**3** **SUPPLEMENTAL INFORMATION**

# DETAILS ON RESERVES

Continuing to remain prudent in current environment

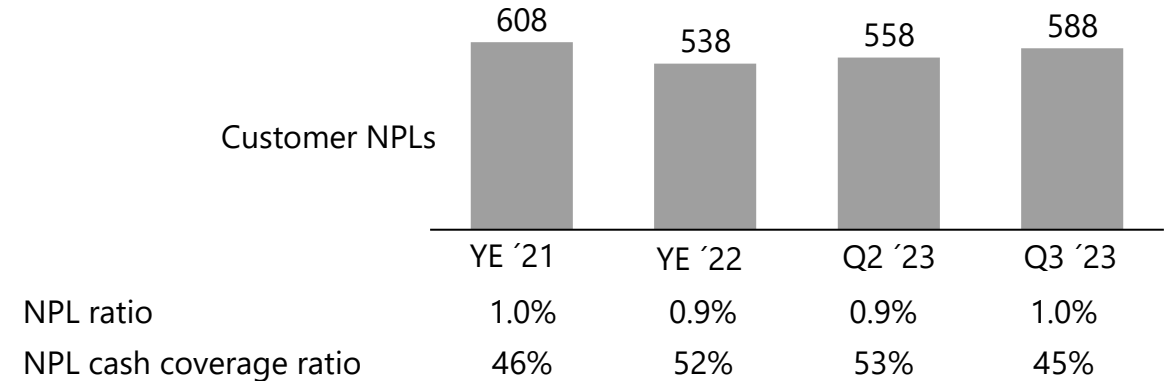
## IFRS 9 MIGRATION – CUSTOMER SEGMENT ASSETS



## ECLs (STAGE 1&2) , SPECIFIC RESERVES (STAGE 3) in € million

|                               | YE '21       | YE '22       | Q2 '23       | Q3 '23       |
|-------------------------------|--------------|--------------|--------------|--------------|
| Stage 1                       | 37           | 47           | 43           | 44           |
| Stage 2                       | 102          | 133          | 143          | 118          |
| Stage 3 / Prudential filter   | 283          | 281          | 297          | 266          |
| <b>Total Reserves</b>         | <b>422</b>   | <b>461</b>   | <b>483</b>   | <b>428</b>   |
| <b>Total Reserves Ratio %</b> | <b>1.36%</b> | <b>1.43%</b> | <b>1.54%</b> | <b>1.38%</b> |

## NON-PERFORMING (STAGE 3) LOANS, in € million



### KEY DEVELOPMENTS

Customer NPLs increase vPQ due to single idiosyncratic CRE default

NPL ratio remains low at 1.0% ... cash coverage in Q3 '23 at 45%

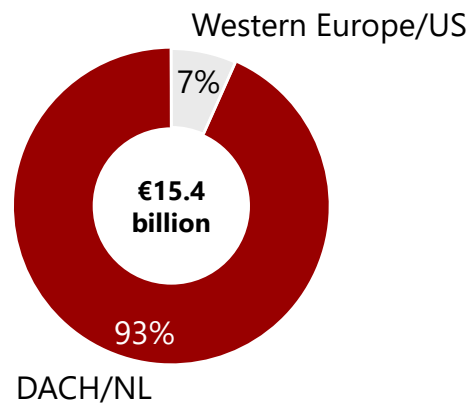
Stage 2 assets remain low (6% of customer assets) reflective of resilient asset quality across segments

Total reserves of €428m... reserve ratio at 1.4%

Total ECL €162m, of which €80m (49%) comprised of management overlay ... substantial cover for potential adverse developments and idiosyncratic risks not currently anticipated

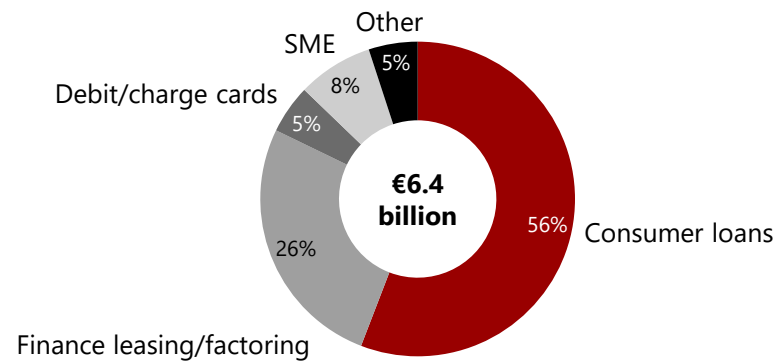
# RETAIL & SME

## HOUSING LOANS



- 25% state or insurance guaranteed
- Weighted average LTV <60% (non-guaranteed loans)
- Weighted average LTV at origination below 70% since 2020
- De minimis historical losses
- Significant affordability buffer and customer equity in established markets at underwriting

## CONSUMER & SME



- Consumer Loans: loss rates normalizing to pre-pandemic levels
- Finance leasing/Factoring: Primarily cars, movables
- New business subdued as credit tightening remains in place, cost inflation adjustments for all new underwriting
- Normalization of delinquency / loss rates to continue

## RISK MANAGEMENT FRAMEWORK

Credit box tightened through 2022 to account for high inflation impacting customer ability to pay

Stress resilient customers with strong debt-service ratios and loan to income metrics

Inflationary pressure and higher rates anticipated to continue

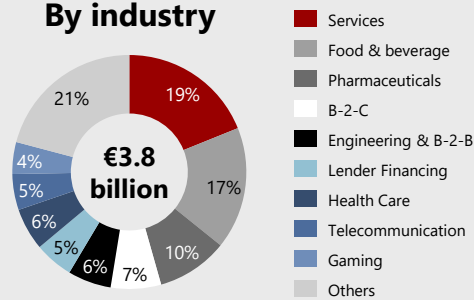
High-fixed rate portfolio mix (67% of housing loans) limits impact of rising rates

Government support measures taken in core markets to address increased energy prices

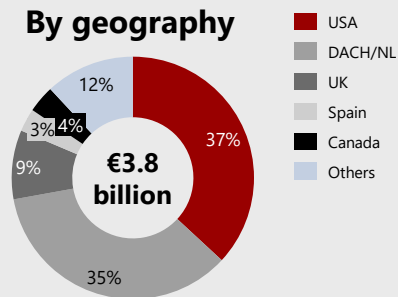
# CORPORATES, REAL ESTATE & PUBLIC SECTOR

## CORPORATES<sup>1)</sup>

### By industry



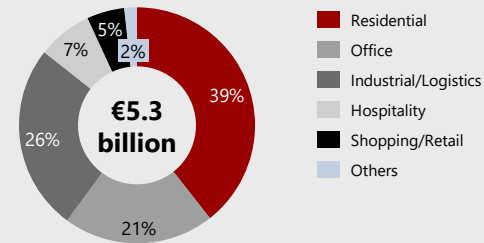
### By geography



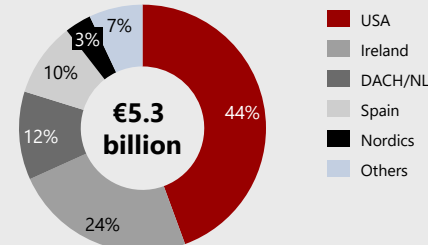
- Portfolio average net leverage <4.0x,
- 100% senior lending
- NPL ratio 1.2%
- DACH/NL 35% exposure
- No exposure to Russia and Ukraine

## REAL ESTATE

### By underlying



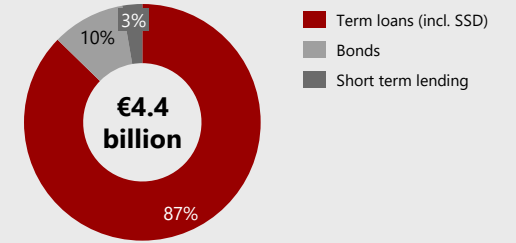
### By geography



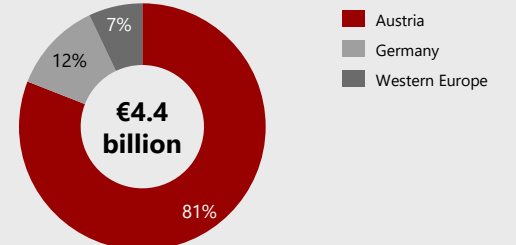
- Weighted average portfolio LTV <60%
- NPL ratio 1.4%
- ~65% total portfolio backed by residential, industrial and logistics assets

## PUBLIC SECTOR<sup>1)</sup>

### By funding & type



### By geography



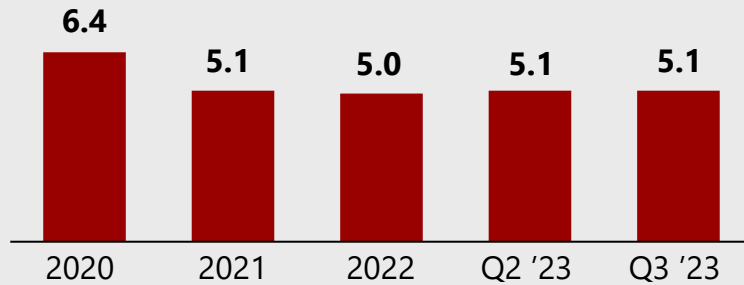
- Portfolio comprised of ~60% AAA or AA entities
- No non-performing loans

1) Includes short-term lending/money market of €187, of which €64 in Corporates and €123m in Public Sector

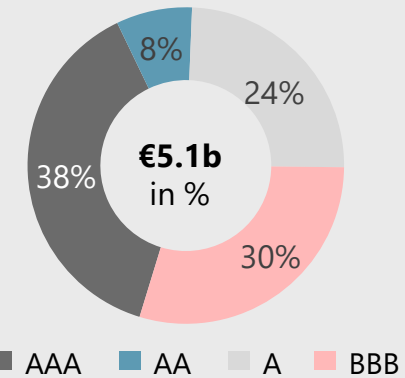
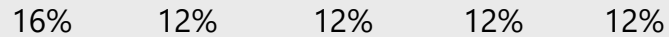


# INVESTMENT BOOK AND CASH

€ billion



% of interest-bearing assets



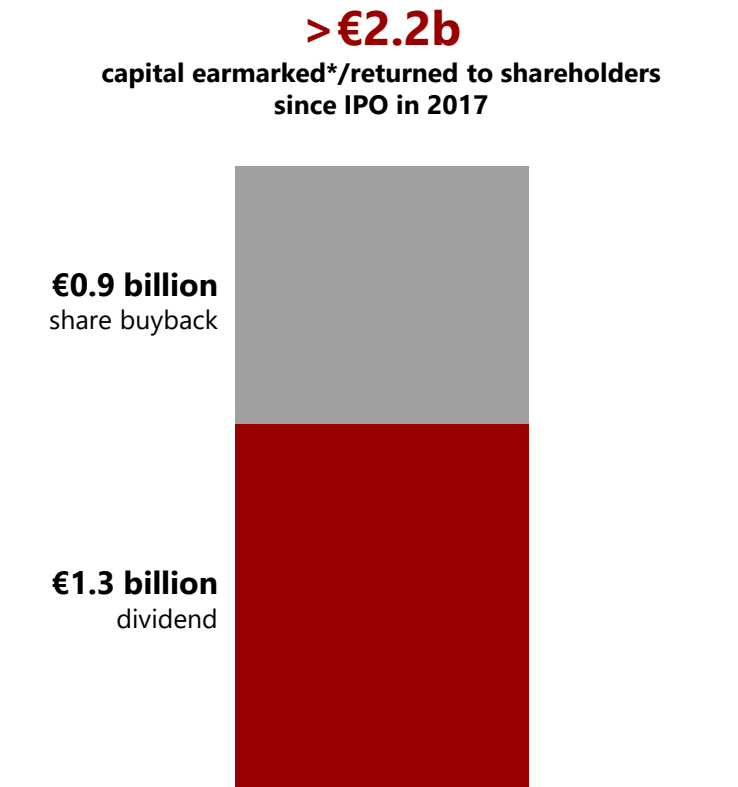
## PORTFOLIO DEVELOPMENT

- Portfolio increase during COVID period (2020) when market volatility presented very attractive risk-adjusted returns
- Portfolio deleveraging post-2020... a period defined by excess liquidity, negative interest rates and tight credit spreads
- We have been underinvested in our securities portfolio over the past few years ... conscious decision to stay on the sidelines as we did not see attractive risk-adjusted returns

## Q3 '23 OVERVIEW

- Portfolio comprised ~300 positions, average size ~€17m, weighted average life (WAL) of ~3.4 years
- 100% portfolio investment grade, with 70% A or higher ... ~90% EUR denominated positions
- Interest-rate risk almost fully hedged (<1% unrealized loss)

# CAPITAL DISTRIBUTIONS & FRAMEWORK



## CAPITAL MANAGEMENT FRAMEWORK

### 1 DIVIDEND POLICY

**55%** payout (net profit)

Since IPO in 2017

**€1.30 billion** distributed

2023 outlook

**> €4.50** DPS target

### 2 EXCESS CAPITAL MANAGEMENT

Organic growth, M&A, minority and/or platform investments

**7** M&A transactions completed

Closing of Peak Bancorp (Idaho First Bank) subject to regulatory approval ... ongoing assessment of other M&A opportunities

### 3 EXCESS CAPITAL DISTRIBUTION

Share buybacks and/or special dividends

**€0.9 billion** returned via share buybacks (incl. €175 million currently in execution)

**€386 million** excess capital after considering share buyback in 2023 of €175 million

\* Includes €175m share buyback currently in execution, not including 2023 dividend accrual



IMPORTANT DISCLAIMER: This presentation is prepared solely for the purpose of providing general information about BAWAG Group, Wiedner Gürtel 11, 1100 Wien. The information does not constitute investment or other advice or any solicitation to participate in investment business. This presentation does not constitute an offer or recommendation to purchase any securities or other investments or financial products. In respect of any information provided past performances do not permit reliable conclusion to be drawn as to the future performances. BAWAG Group does not make any representation, express or implied, as to the accuracy, reliability or completeness of the information contained in this presentation. BAWAG Group disclaims all warranties, both express and implied, with regard to the information contained in this presentation. This presentation contains forward-looking statements relating to the business, financial performance and results of BAWAG Group or the industry in which BAWAG Group operates. These statements may be identified by words such as "expectation", "belief", "estimate", "plan", "target" or "forecast" and similar expressions, or by their context. These statements are made on the basis of current knowledge and assumptions and involve risks and uncertainties. Various factors could cause actual future results, performance or events to differ materially from those described in these statements and neither BAWAG Group nor any other person accepts any responsibility for the accuracy of the opinions expressed in this presentation or the underlying assumptions. No obligation is assumed to update any forward-looking statements. In no event shall BAWAG Group be liable for any loss, damages, costs or other expenses of any kind (including, but not limited to, direct, indirect, consequential or special loss or loss of profit) arising out of or in connection with any use of, or any action taken in reliance on, any information contained in this presentation. BAWAG Group assumes no obligation for updating the provided information in this presentation. The content in this presentation are not to be relied upon as a substitute for professional advice. This presentation shall not be forwarded to any third party.

# DEFINITIONS

## **Adjusted (all Q3 2022 and YTD 2022 numbers are presented adjusted)**

Excluding the write-off of the City of Linz receivable

### **B/S leverage**

Total assets/common equity

### **Book value per share**

Common equity (excluding AT1 capital, dividends and buyback of €175m (1.1.2023))/number of shares outstanding

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

Including interim profit and deducting earmarked dividends and 2023 buyback of €175m (1.1.2023)

### **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

### **Customer Deposits**

Deposits to customers including own issues sold through retail network, average based on daily figures

### **Customer Funding**

Deposits to customers, covered bonds (public sector and mortgage) and senior bonds sold through the retail network, average based on daily figures

### **Customer Loans**

Loans to customers in Retail & SME and Corporates, Real Estate and Public Sector, average based on daily figures

### **Common equity**

Equity attributable to the owners of the parent; excluding minorities, AT1 and deducted dividend accrual and buyback of €175m (1.1.2023)

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

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

**FL ...** Fully-loaded

### **Leverage ratio**

Tier 1 capital (including interim profit, dividend accruals, buyback of €175m (1.1.2023))/total exposure (CRR definition)

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

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

### **NPL cash coverage**

Stage 3 including prudential filter/NPL exposure (economic)

### **NPL ratio**

NPL exposure (economic)/exposure

### **Pre-provision profit**

Operating income less operating expenses (excluding regulatory charges)

### **Reserve ratio**

Total reserves/asset volume of customer segments excluding public sector lending

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

Net profit/average IFRS common equity and deducted dividend accruals and buyback of €175m (1.1.2023)

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

Net profit/average IFRS tangible common equity and deducted dividend accruals and buyback of €175m (1.1.2023)

### **Risk cost ratio**

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

### **Tangible book value/share**

Common equity reduced by the carrying amount of intangible assets/number of shares outstanding

### **Tangible common equity**

Common equity reduced by the carrying amount of intangible assets

### **Total capital ratio**

Total capital/risk-weighted assets