BAWAG GROUP REPORTS THIRD QUARTER NET PROFIT OF € 79 MILLION, EPS € 0.90, AND ROTCE OF 11.1%

- **Net profit of € 201 million, EPS of € 2.29 and RoTCE of 9.6% for Q1 – Q3 '20**
- **Risk costs of € 50 million, of which € 14 million general reserves; conservative provisioning given continued economic uncertainty in the months ahead resulting from COVID-19**
- **Regulatory charges include € 12 million additional deposit insurance charge due to Commerzialbank fraud**
- **CET1 ratio of 14.0% post-deduction of FY '19 and Q1 – Q3 '20 dividends**
- **Fully committed to distributing earmarked dividends (2019 and Q1 – Q3 '20), subject to regulatory approval**
- **Targeting RoTCE ~10% for FY '20; mid-term targets of RoTCE >15% and CIR <40% in a normalized environment**

VIENNA, Austria – October 27, 2020 – BAWAG Group today released its results for the third quarter 2020, reporting a net profit of € 79 million, € 0.90 per share, and a RoTCE of 11.1%. For the first nine months of the year, BAWAG Group reported net profit of € 201 million, earnings per share of € 2.29 and a RoTCE of 9.6%.

The underlying operating performance of our business remained solid in the first nine months 2020 with pre-provision profits of € 495 million and a cost-income ratio of 43%. The first nine months contain risk costs of € 179 million, of which approximately 50% is related to ECL reserves tied to macroeconomic model assumptions, payment deferrals and general reserves. The macroeconomic assumptions apply the most severe economic scenarios published by the ECB in June for the Euro area of -12.6% GDP decline in 2020, followed by a recovery of +3.3% in 2021. While customer payment deferrals in our Retail & SME business decreased to 1.7% by mid-October (from a high of 6.8% in June) and to 0.6% in our Corporates & Public Sector business (from a high of 1.3% in June), we remain cautious given the uncertain economic development over the coming months.

The Bank's capital position remained strong, with a CET1 ratio of 14.0% post deduction of dividends, up 60 basis points versus end of June. The Bank continues to deduct dividends from its capital base for the full year 2019 (€ 230 million) and first nine months of 2020 (€ 101 million) and will wait for further guidance from the regulators regarding capital distributions.

"During the third quarter, BAWAG Group delivered net profit of € 79 million and a RoTCE of 11.1%. This was driven by solid pre-provision profits of € 165 million and a cost-income ratio of 43.2%. Given the overall economic uncertainty and potentially longer-lasting impacts of COVID-19, we continue to remain cautious and prudent in our provisioning, posting reserves of € 50 million during the quarter. While the economy recovered in the third quarter, there is still a great deal of uncertainty on how the situation will develop over the coming months. That being said, our performance year-to-date has been resilient, delivering a solid operating performance with pre-provision profits of € 495 million, a cost-income ratio of 43.1% and a return on tangible common equity of 9.6%. Given our transformation since 2012, we are confident our business can weather a deteriorating environment, which has required greater caution and prudence to address the macroeconomic downturn, while still targeting to generate a RoTCE ~10% in 2020. While we have already done a great deal in structurally fixing our cost base, the current environment will further redefine our business as we look to the future. We will continue to focus on the things that we can control, be proactive and decisive, and not be deterred by the change ahead", commented Chief Executive Officer **Anas Abuzaakouk**.

Delivering solid operating performance in Q1-Q3 2020

Core revenues increased by 1% to € 873 million in the first nine months 2020 despite the impact from lockdown measures and related changes in the operating environment. **Net interest income** rose by 4% to € 683 million driven by higher interest-bearing assets. **Net fee and commission income** decreased by 11% to € 191 million. While all branches remained open during the pandemic, the lockdown measures and the COVID-19 related changes in the business environment, such as less travel and consumer expenditures, resulted in less transaction and advisory business, with the second quarter representing a trough of activity. **Operating expenses** decreased by 5% as a result of ongoing efficiency measures. The **cost-income ratio** remained broadly flat at 43.1%. This resulted in a **pre-provision profit** of € 495 million, down 7% versus prior year.

The first nine months 2020 also included **regulatory charges** of € 53 million, which represents approximately 95% of full-year-charges (with the majority required to be booked in the first quarter). The third quarter 2020 includes an additional deposit insurance charge of approximately € 12 million related to the Commerzialbank fraud in Austria. This charge solely represents a charge all banks, which are part of the deposit insurance in Austria, must pay in relation to the deposit protection scheme. Apart from this, BAWAG Group has zero exposure to Commerzialbank.

Risk costs were € 179 million in the first nine months 2020, an increase of € 135 million, or 305% compared to the first nine months 2019. To address the deteriorating macroeconomic environment as well prudently provision against the customer payment deferrals due to COVID-19, risk costs include a general reserve of approximately € 90 million across all segments. While payment deferrals came down to 1.7% in our Retail & SME business (from a high of 6.8% in June) and to 0.6% in our Corporates & Public Sector business (from a high of 1.3% in June), we remain cautious and will act in a prudent manner given the overall economic uncertainty in the coming months. Additionally, we took specific provisions to address specific exposures in our Corporates business.

BAWAG Group ended the first nine months 2020 with a **CET1 ratio** of 14.0% (December 2019: 13.3%). This considers the earmarked 2019 dividend of € 230 million and the Sep '20 YTD dividend accrual of € 101 million. In line with the ECB recommendation regarding capital distributions being postponed until further guidance is provided, we will propose to the AGM on 30 October to carry forward the 2019 profit. However, the earmarked 2019 dividend will be distributed independent of any potential dividend for the financial year 2020. This will be presented to be resolved upon to the next general meeting in 2021, in line with BAWAG Group AG's dividend policy, and taking into consideration any further formal guidance or recommendations from the ECB or governmental bodies.

Additionally, the CET1 ratio target was reduced from 13.0% to 12.25%, reflecting changes in our P2R composition, after having issued a combined € 375 million of Tier 1 and Tier 2 capital during the third quarter. We issued greater amounts of Tier 1 and Tier 2 capital than was required, creating an additional € 4 billion of RWA capacity for growth to meet any future P2R needs.

Customer loans increased by 4% compared to December 2019. The overall customer loan book continued to be comprised of approximately 75% exposure to the DACH/NL region and approximately 25% exposure to Western Europe and the United States. We focus on developed markets as we believe in doing business in countries with stable legal systems, sound macroeconomic fundamentals, and solid finances. We will continue to maintain our conservative risk appetite and focus on our core markets.

Our goal is, and will always be, maintaining a strong balance sheet, solid capitalization levels 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 the ongoing low NPL levels. Approximately 60% of the balance sheet is funded via customer deposits with no further funding requirements in 2020. Additionally, the Bank has a short-term liquidity buffer of € 8.8 billion as of September 2020, including other marketable securities, the buffer increases to € 11.8 billion.

Customer Business performance in Q1-Q3 2020 versus Q1-Q3 2019

Segment	PBT (in € million)	Net profit (in € million)	RoTCE	Cost-income ratio
Retail & SME	268 / (7%)	201 / (7%)	21.2%	40.3%
Corporates & Public	76 / (46%)	57 / (46%)	8.8%	29.6%

Retail & SME delivered a profit before tax of € 268 million, down 7% versus the first nine months 2019. The decrease relates to an increase in risk costs, which include a general reserve of approximately € 50 million to address COVID-19-related effects and a severe macroeconomic downturn. Pre-provision profit increased to € 400 million, up 10% compared to the prior year, with an increase in net interest income more than compensating for COVID-19-related lower fee and commission income impacting our advisory and transactions business. With the outbreak of the COVID-19 pandemic, we refocused our efforts on the well-being and full service of our customer base during these difficult and challenging times. However, we also continued executing on our business initiatives. During the first nine months, we completed important steps in the simplification of our operations, by consolidating our Austrian banking channels and brands under one organization. In Germany, we continued executing on our growth and profitability initiatives by building a strong front-end sales organization across key products and channels, while leveraging central functions in order to provide customers with a frictionless experience while driving synergies across the Group. Furthermore, we intend to merge Südwestbank into BAWAG P.S.K., continuing to simplify and streamline our business. We will continue to operate sales activities and service clients in Germany under the Südwestbank brand, but under the license of BAWAG P.S.K. Additionally, during the third quarter we decided to consolidate our domestic and international Retail & SME businesses, in an effort to drive greater simplification and standardization across the business. This will enable us to drive greater synergies while allowing our sales teams to offer the best products and services to our customers. Overall, we see customers acting out of an abundance of caution, no different than how companies have reacted. This has impacted consumer loan demand and depressed overall consumer spending levels. However, customer activity has started to normalize.

Corporates & Public contributed a profit before tax of € 76 million in the first nine months 2020, down 46% versus the previous year. In the first nine months 2020 risk costs were € 61 million, primarily related to the application of the updated macro-economic assumptions as well as taking specific reserves. We continue to see a solid pipeline with lending diversified opportunities in 2020. However, competition for defensive, high-quality assets will remain high. Our focus will continue to be on risk-adjusted returns, disciplined underwriting and being patient without ever chasing volume.

Outlook and targets

The underlying operating performance of the business remained solid in the first nine months of 2020 with strong pre-provision profits. To address the deteriorating macroeconomic environment as well prudently provision against the observed build-up of customer payment deferrals due to COVID-19, general reserves were taken reflecting the most adverse economic forecasts for the Euro area published by the European Central Bank in June '20.

It is expected that the underlying operating performance remains solid for the remainder of the year, while we will remain prudent on provisioning. The fiscal measures taken by Austria and Germany have supported the real economy and to date softened the impact of COVID-19 on the broader market. While all branches remained open during the pandemic, the lockdown measures resulted in less advisory and transaction business, with the second quarter representing a trough of activity. While we saw a recovery during the third quarter, we expect that there will be adverse impacts in selected business lines for the rest of the year. Overall, there is still uncertainty around the scope and length of the impact of COVID-19 on the markets which we operate and ultimately on our business. We will closely monitor the developments and will work to address to the best of our ability during the course of the year. The outlook for 2020 continues to be based on the ECB's adverse macroeconomic scenario published in June, which assumes a GDP decline of -12.6% in 2020 and a recovery of +3.3% in an adverse scenario in 2021.

Outlook 2020	
Net interest income	Increasing by up to 4% vs 2019
Net fee and commission income	Decreasing by ~10 % vs 2019
Other income	€ 0 result for full year 2020
Core Operational expenses	Decreasing by ~5%vs 2019
1-Off Items: Restructuring Charge	Booking up to € 25 million in Q4 '20
Risk costs	H2 '20 lower than H1 '20
Return on tangible common equity	Targeting ~ 10%

Our **medium-term targets** (in a normalized environment) are as follows:

Medium-term targets	
Return on tangible common equity	>15%
Cost-income ratio	<40%

In terms of capital generation and distributions, 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. 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 stock buybacks and/or special dividends.

The Managing Board continued to deduct the earmarked full year 2019 dividend of € 230 million and the YTD '20 dividend accrual of € 101 million. Therefore, a total of € 331 million has been deducted from our CET1 capital. In line with the ECB recommendation regarding capital distributions being postponed until further guidance is provided, we will propose to the AGM on 30 October 2020 to carry forward the 2019 profit. However, the earmarked 2019 dividend will be distributed independent of any potential dividend for the financial year 2020 and will be presented to be resolved upon to the next general meeting in 2021, in line with BAWAG Group AG's dividend policy, and taking into consideration any further formal guidance or recommendations from the ECB or governmental bodies.

About BAWAG Group

BAWAG Group AG is the listed holding company of BAWAG P.S.K., which is headquartered in Vienna, Austria, with the main brands and subsidiaries easybank, easyleasing and start:bausparkasse in Austria. In Germany, BAWAG Group operates under the Südwestbank, BFL Leasing GmbH, Health Coevo AG and start:bausparkasse brands and subsidiaries with Zahnärztekasse AG in Switzerland as well. With 2.4 million customers, BAWAG P.S.K. is one of Austria's largest banks operating under a well-recognized national brand and applies a low-risk, efficient, simple and transparent business model focused on Austria, Germany and developed markets. The Bank serves retail, small business and corporate customers offering comprehensive savings, payment, lending, leasing, investment, building society, factoring and insurance products and services through various online and offline channels. Delivering simple, transparent and best-in-class products and services that meet our customers' needs is the consistent strategy across all business units.

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	Q3 2020	Q3 2019	Change (%)	Jan-Sep 2020	Jan-Sep 2019	Change (%)
Interest income	289.8	297.8	(2.7)	848.9	873.0	(2.8)
Interest expense	(55.2)	(77.8)	(29.0)	(168.7)	(220.4)	(23.5)
Dividend income	0.2	0.0	>100	2.4	2.4	–
Net interest income	**234.8**	**220.0**	**6.7**	**682.6**	**655.0**	**4.2**
Fee and commission income	80.8	95.1	(15.0)	246.1	281.7	(12.6)
Fee and commission expenses	(18.0)	(24.3)	(25.9)	(55.6)	(68.2)	(18.5)
Net fee and commission income	**62.8**	**70.8**	**(11.3)**	**190.5**	**213.5**	**(10.8)**
Core revenues	**297.6**	**290.8**	**2.3**	**873.1**	**868.5**	**0.5**
Gains and losses on financial instruments and other operating income and expenses[1)]	(7.4)	24.1	-	(3.0)	57.7	-
Operating income	**290.2**	**314.9**	**(7.8)**	**870.1**	**926.2**	**(6.1)**
Operating expenses[1)]	**(125.3)**	**(133.4)**	**(6.1)**	**(375.0)**	**(395.8)**	**(5.3)**
Pre-provision profit	**164.9**	**181.5**	**(9.1)**	**495.1**	**530.4**	**(6.7)**
Regulatory charges	(14.2)	(2.1)	>100	(53.1)	(39.2)	35.5
Operating profit	**150.7**	**179.4**	**(16.0)**	**442.0**	**491.2**	**(10.0)**
Total risk costs	(49.7)	(17.1)	>100	(179.3)	(44.3)	>100
Share of the profit or loss of associates accounted for using the equity method	0.3	1.2	(75.0)	(0.1)	3.6	-
Profit before tax	**101.3**	**163.5**	**(38.0)**	**262.6**	**450.5**	**(41.7)**
Income taxes	(22.3)	(39.1)	(43.0)	(60.9)	(107.6)	(43.4)
Profit after tax	**79.0**	**124.4**	**(36.5)**	**201.7**	**342.9**	**(41.2)**
Non-controlling interests	(0.2)	0.0	>(100)	(0.5)	0.0	>(100)
Net profit	**78.8**	**124.4**	**(36.7)**	**201.2**	**342.9**	**(41.3)**

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 49.5 million for the first nine months 2020. The item Operating expenses includes regulatory charges in the amount of € 3.6 million for the first nine months 2020 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	Sep 2020	Dec 2019	Change (%)	Sep 2019	Change (%)
Cash reserves	626	1,424	(56.0)	750	(16.5)
Financial assets					
Held for trading	413	353	17.0	451	(8.4)
Fair value through profit or loss	755	740	2.0	867	(12.9)
Fair value through OCI	5,060	3,631	39.4	3,362	50.5
At amortized cost	42,504	37,556	13.2	38,672	9.9
Customers	31,545	30,467	3.5	30,737	2.6
Debt instruments	2,280	1,369	66.5	2,264	0.7
Credit institutions	8,679	5,720	51.7	5,671	53.0
Valuation adjustment on interest rate risk hedged portfolios	20	5	>100	7	>100
Hedging derivatives	367	397	(7.6)	473	(22.4)
Tangible non-current assets	493	707	(30.3)	644	(23.4)
Intangible non-current assets	553	569	(2.8)	556	(0.5)
Tax assets for current taxes	15	15	–	11	36.4
Tax assets for deferred taxes	6	8	(25.0)	9	(33.3)
Other assets	228	257	(11.3)	168	35.7
Non-current assets held for sale	198	0	-	0	-
Total assets	**51,238**	**45,662**	**12.2**	**45,970**	**11.5**

BAWAG Group

Total liabilities and equity

in € million	Sep 2020	Dec 2019	Change (%)	Sep 2019	Change (%)
Total liabilities	**46,996**	**41,834**	**12.3**	**41,869**	**12.2**
Financial liabilities					
Fair value through profit or loss	335	369	(9.2)	483	(30.6)
Held for trading	353	334	5.7	424	(16.7)
At amortized cost	44,161	38,543	14.6	38,322	15.2
Customers	30,427	30,378	0.2	30,245	0.6
Issued securities	6,197	5,080	22.0	4,680	32.4
Credit institutions	7,537	3,085	>100	3,397	>100
Financial liabilities associated with transferred assets	321	729	(56.0)	602	(46.7)
Valuation adjustment on interest rate risk hedged portfolios	373	337	10.7	484	(22.9)
Hedging derivatives	74	116	(36.2)	207	(64.3)
Provisions	464	480	(3.3)	471	(1.5)
Tax liabilities for current taxes	32	34	(5.9)	24	33.3
Tax liabilities for deferred taxes	97	54	79.6	25	>100
Other obligations	786	838	(6.2)	827	(5.0)
Total equity	**4,242**	**3,828**	**10.8**	**4,101**	**3.4**
Common equity	3,766	3,527	6.8	3,803	(1.0)
AT1 capital	471	297	58.6	297	58.6
Non-controlling interests	5	4	25.0	1	>100
Total liabilities and equity	**51,238**	**45,662**	**12.2**	**45,970**	**11.5**

Business segment performance

Jan-Sep 2020 in € million	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	499.6	177.2	40.3	(34.5)	682.6
Net fee and commission income	163.6	28.9	0.1	(2.1)	190.5
Core revenues	**663.2**	**206.1**	**40.4**	**(36.6)**	**873.1**
Gains and losses on financial instruments	5.0	0.7	6.2	(44.1)	(32.2)
Other operating income and expenses	1.9	0.0	0.0	27.3	29.2
Operating income	**670.1**	**206.8**	**46.6**	**(53.4)**	**870.1**
Operating expenses	**(270.3)**	**(61.3)**	**(22.4)**	**(21.0)**	**(375.0)**
Regulatory charges	(26.9)	(8.5)	(6.1)	(11.6)	(53.1)
Total risk costs	(104.9)	(61.0)	(1.6)	(11.8)	(179.3)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	(0.1)	(0.1)
Profit before tax	**268.0**	**76.0**	**16.5**	**(97.9)**	**262.6**
Income taxes	(67.0)	(19.0)	(4.1)	29.2	(60.9)
Profit after tax	**201.0**	**57.0**	**12.4**	**(68.7)**	**201.7**
Non-controlling interests	–	–	–	(0.5)	(0.5)
Net profit	**201.0**	**57.0**	**12.4**	**(69.2)**	**201.2**
Business volumes					
Assets	19,069	13,585	16,100	2,484	51,238
Liabilities	28,951	12,256	3,931	6,100	51,238
Risk-weighted assets	8,278	7,443	2,683	1,842	20,246

Jan-Sep 2019 in € million	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	462.5	187.7	34.5	(29.7)	655.0
Net fee and commission income	182.4	32.5	0.4	(1.8)	213.5
Core revenues	**644.8**	**220.2**	**34.9**	**(31.4)**	**868.5**
Gains and losses on financial instruments	0.8	(1.1)	92.4	(21.1)	71.0
Other operating income and expenses	1.0	0.0	0.0	(14.3)	(13.3)
Operating income	**646.6**	**219.1**	**127.3**	**(66.8)**	**926.2**
Operating expenses	**(282.7)**	**(77.8)**	**(24.7)**	**(10.6)**	**(395.8)**
Regulatory charges	(25.4)	(9.1)	(4.7)	0.0	(39.2)
Total risk costs	(50.4)	8.2	1.0	(3.1)	(44.3)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	3.6	3.6
Profit before tax	**288.2**	**140.4**	**98.9**	**(77.0)**	**450.5**
Income taxes	(72.0)	(35.1)	(24.7)	24.2	(107.6)
Profit after tax	**216.1**	**105.3**	**74.2**	**(52.7)**	**342.9**
Non-controlling interests	–	–	–	0.0	0.0
Net profit	**216.1**	**105.3**	**74.2**	**(52.7)**	**342.9**
Business volumes					
Assets	17,653	14,380	10,458	3,479	45,970
Liabilities	26,796	8,577	4,336	6,261	45,970
Risk-weighted assets	8,235	8,411	1,802	2,164	20,612