BAWAG Group

BAWAG GROUP REPORTS Q1 2021 NET PROFIT OF € 74 MILLION, EPS € 0.83, AND ROTCE OF 10.2%

- **Net profit of € 74 million, EPS of € 0.83 and RoTCE of 10.2% for Q1 2021; Normalized RoTCE of 14.3%**
- **Q1 2021 includes front-loaded regulatory charges of € 54 million … approximately 90% of full-year charges**
- **Risk costs of € 29 million with no ECL reserves released … total customer payment holidays at 0.4%**
- **€ 40 million dividends paid in Q1 2021, in line with ECB recommendation**
- **CET1 ratio of 14.2% post-deduction of earmarked / accrued dividends of € 457 million**
- **Reaffirm full year 2021 target of RoTCE >13% and CIR of <41%**

VIENNA, Austria – April 26, 2021 – BAWAG Group today released its results for the first quarter 2021, reporting a net profit of € 74 million, € 0.83 earnings per share, and a RoTCE of 10.2%. Normalizing for the front-loaded regulatory charges, net profit was € 103 million with an RoTCE of 14.3%.

The underlying operating performance of our business was strong during the first quarter with pre-provision profits of € 179 million and a cost-income ratio of 40.5%. Total risk costs returned to more normalized levels of € 29 million, with the management overlay now at € 56 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 0.4% 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 and hopefully a successful vaccine rollout across Continental Europe.

In terms of loan growth and capital, we grew customer loans by 3% and interest-bearing assets by 2% quarter-over-quarter. We continued to accrete CET1 capital, generating 40 basis points of gross capital during the quarter. Our CET1 ratio was 14.2%, up 20 basis points from year-end 2020 after deducting the first quarter 2021 dividend accrual of € 37 million and prior earmarked dividends of € 420 million. Additionally, we made the initial down-payment of € 40 million on the total € 460 million earmarked dividends from 2019 and 2020 profits. Our plan is to pay the remaining € 420 million dividends in the fourth quarter 2021, subject to shareholder and regulatory approvals. Therefore, the ordinary annual general meeting will be postponed to Q4 2021.

"We started the year with a strong set of operating results delivering net profit of € 74 million, RoTCE of 10.2% and cost-income ratio under 41%. Normalizing for front-loaded regulatory charges, this would translate into net profit of € 103 million and an RoTCE of 14.3%. Although we've experienced rolling and partial lockdowns in our core markets during the first few months of 2021, we believe we are at the early stages of a gradual normalization of economic activity that will carry into the second half of the 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," commented Chief Executive Officer **Anas Abuzaakouk.**

Delivering solid operating performance in Q1 2021 versus prior year

Core revenues increased by 2% to € 297 million in the first quarter 2021. **Net interest income** rose by 4% to € 230 million driven by higher interest-bearing assets. **Net fee and commission income** decreased by 6% to € 68 million. While all branches remained open during the partial lockdowns in Q1 2021, customer activity was still impacted by COVID-19 restrictions. **Core operating expenses** decreased by 3% to € 122 million as a result of ongoing efficiency and productivity measures. The **cost-income ratio** decreased by 1.8 points to 40.5%. This resulted in a **pre-provision profit** of € 179 million, up 5% versus prior year.

The first quarter also included **regulatory charges** of € 54 million, up 49% 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 90% of the full-year charges that are expected to be required during 2021, front-loading most of this year's regulatory charges in the first quarter.

Risk costs were € 29 million in Q1 2021, a decrease of € 25 million, or 47% compared to the previous year. 2020 risk costs included a general reserve of approximately € 25 million which was taken to address COVID19-related effects. Payment deferrals came down further during the first quarter to 0.6% in the Retail & SME business (from 1.2% as of end 2020) and to 0.1% in the Corporates & Public business (from 0.2% end of 2020). 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 quarter 2021 with a **CET1 ratio** of 14.2% (December 2020: 14.0%) already considering the € 40 million dividends paid out during the first quarter. The CET1 ratio of 14.2% also deducts the remaining earmarked dividends of € 420 million from 2019/2020 profits and the dividend accrual for the first quarter 2021 of € 37 million based on our dividend policy. Given the most recent ECB recommendation from December 2020, a dividend of € 40 million was paid in Q1 2021 following the extraordinary general meeting on 3 March 2021 with a plan to pay the remaining € 420 million dividends in the fourth quarter 2021, subject to shareholder and regulatory approvals.

Customer loans increased by 3% compared to December 2020. The overall customer loan book continued to be comprised of 76% exposure to the DACH/NL region (Germany, Austria, Switzerland, the 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 Q1 2021 versus Q1 2020

Segment	PBT (in € million)	Net profit (in € million)	RoTCE	Cost-income ratio
Retail & SME	89 / +19%	67 / +19%	21.6%	39.8%
Corporates & Public	34 / +9%	25 / +9%	11.6%	25.0%

Our **Retail & SME** business delivered net profit of € 67 million, up 19% versus the prior year and generating a strong return on tangible common equity of 22% and cost-income ratio of 40%. Average asset growth was 8% versus prior year and 2% versus prior quarter, driven by growth in housing loans across our core markets. Pre-provision profits were € 135 million, down 5% compared to the prior year, with operating income down 3% as we still see customer activity impacted by lockdowns. Overall operating expenses were down 1%, resulting from prior year operational initiatives with a continued focus on driving synergies across our various channels and products. Risks costs were € 15 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 0.6% as of the end of the first quarter and customer payment rate of 89% on all expired deferrals with average of 7-months.

We expect to see continued asset growth and efficiency gains across the Retail & SME franchise. We also expect the second quarter to look similar to the first quarter given the existing lockdowns, however, we anticipate a normalization of customer activity in the second half of the year.

Our **Corporates and Public** business delivered net profit of € 25 million, up 9% versus the prior year and generating a solid return on tangible common equity of 12% and a cost-income ratio of 25%. Average asset growth was 5% versus prior year, driven primarily by growth in the public sector business, and stable versus prior quarter. Pre-provision profits were € 56 million, up 13% compared to the prior year. Risks costs were € 15 million, comprised primarily of € 13 million general reserves with no reserve releases taken. The trend in asset quality continues to improve with all 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 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 forecasts expect the economies of the countries we operate in to recover in 2021, but a great deal will depend on the timing, effectiveness and wide-scale distribution of COVID-19 vaccines. We forecast subdued economic activity from imposed lockdowns during the first half of 2021, followed by a more normalized environment in the second half of the year.

We anticipate this year to be a stepping-stone towards our mid-term targets in a normalized environment. Our targets in 2021 are driven by core revenues growing approximately 2%, operating expenses below € 485 million and a significant reduction of over 40% in risk costs without relying on any release of ECL reserves.

Our targets are as follows:

Targets	2021	Mid-term (normalized environment)
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 Managing 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 plans to 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 recent ECB recommendation, the extraordinary general meeting of BAWAG Group approved a dividend payment of € 0.4551 per share (equivalent to € 40 million, paid on 12 March 2021). The remaining € 420 million dividends are to be paid in the fourth quarter 2021, subject to shareholder and regulatory approvals. The ordinary annual general meeting, in which the remaining € 420 million will be resolved upon, will be postponed to Q4 2021.

Further integrating ESG in our business model

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, the Netherlands and other developed markets. 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.

Contact:

Financial Community:
Jutta Wimmer (Head of Investor Relations)
Tel: +43 (0) 5 99 05-22474

IR Hotline: +43 (0) 5 99 05-34444
E-mail: investor.relations@bawaggroup.com

Media:
Manfred Rapolter (Head of Corporate Communications, Spokesman)
Tel: +43 (0) 5 99 05-31210
E-mail: communications@bawaggroup.com

This text can also be downloaded from our website: https://www.bawaggroup.com

Profit or loss statement

in € million	Q1 2021	Q1 2020	Change (%)	Q4 2020	Change (%)
Interest income	278.6	284.0	(1.9)	264.9	5.2
Interest expense	(50.3)	(64.1)	(21.5)	(31.5)	59.7
Dividend income	1.3	0.0	>100	0.4	>100
Net interest income	**229.6**	**219.9**	**4.4**	**233.8**	**(1.8)**
Fee and commission income	85.6	92.0	(7.0)	83.0	3.1
Fee and commission expenses	(17.9)	(20.1)	(10.9)	(18.7)	(4.3)
Net fee and commission income	**67.7**	**71.9**	**(5.8)**	**64.3**	**5.3**
Core revenues	**297.3**	**291.8**	**1.9**	**298.1**	**(0.3)**
Gains and losses on financial instruments and other operating income and expenses[1)]	3.7	3.8	(2.6)	4.2	(11.9)
Operating income	**301.0**	**295.6**	**1.8**	**302.3**	**(0.4)**
Operating expenses[1)]	**(121.8)**	**(125.0)**	**(2.6)**	**(144.7)**	**(15.8)**
Regulatory charges	(54.2)	(36.4)	48.9	(6.1)	>100
Operating profit	**125.0**	**134.2**	**(6.9)**	**151.5**	**(17.5)**
Total risk costs	(29.3)	(55.0)	(46.7)	(45.3)	(35.3)
Share of the profit or loss of associates accounted for using the equity method	0.7	1.3	(46.2)	1.1	(36.4)
Profit before tax	**96.4**	**80.5**	**19.8**	**107.3**	**(10.2)**
Income taxes	(23.0)	(19.3)	19.2	(24.5)	(6.1)
Profit after tax	**73.4**	**61.2**	**19.9**	**82.8**	**(11.4)**
Non-controlling interests	0.2	0.0	>100	0.2	–
Net profit	**73.6**	**61.2**	**20.3**	**83.0**	**(11.3)**

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 52.7 million for Q1 2021. The item Operating expenses includes regulatory charges in the amount of € 1.5 million for Q1 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	Mar 2021	Dec 2020	Change (%)	Mar 2020	Change (%)
Cash reserves	720	1,032	(30.2)	535	34.6
Financial assets	5,364	5,964	(10.1)	5,573	(3.8)
Held for trading	322	441	(27.0)	364	(11.5)
Fair value through profit or loss	637	693	(8.1)	831	(23.3)
Fair value through OCI	4,405	4,830	(8.8)	4,378	0.6
At amortized cost	45,397	44,153	2.8	38,256	18.7
Customers	33,015	32,004	3.2	31,110	6.1
Debt instruments	2,048	2,260	(9.4)	2,051	(0.1)
Credit institutions	10,334	9,889	4.5	5,095	>100
Valuation adjustment on interest rate risk hedged portfolios	(52)	24	–	6	–
Hedging derivatives	258	405	(36.3)	609	(57.6)
Tangible non-current assets	379	474	(20.0)	704	(46.2)
Intangible non-current assets	540	552	(2.2)	565	(4.4)
Tax assets for current taxes	13	9	44.4	14	(7.1)
Tax assets for deferred taxes	9	9	–	8	12.5
Other assets	274	370	(25.9)	240	14.2
Assets held for sale	73	135	(45.9)	–	>100
Total assets	**52,975**	**53,128**	**(0.3)**	**46,510**	**13.9**

Total liabilities and equity

in € million	Mar 2021	Dec 2020	Change (%)	Mar 2020	Change (%)
Total liabilities	**48,605**	**48,770**	**(0.3)**	**42,708**	**13.8**
Financial liabilities	46,655	46,833	(0.4)	40,087	16.4
Fair value through profit or loss	181	324	(44.1)	350	(48.3)
Held for trading	267	422	(36.7)	357	(25.2)
At amortized cost	46,207	46,088	0.3	39,381	17.3
Customers	32,035	32,409	(1.2)	29,632	8.1
Issued securities	6,544	6,157	6.3	5,401	21.2
Credit institutions	7,628	7,522	1.4	4,348	75.4
Financial liabilities associated with transferred assets	–	97	>-100	875	>-100
Valuation adjustment on interest rate risk hedged portfolios	299	358	(16.5)	366	(18.3)
Hedging derivatives	164	62	>100	94	74.5
Provisions	410	425	(3.5)	443	(7.4)
Tax liabilities for current taxes	67	45	48.9	36	86.1
Tax liabilities for deferred taxes	105	112	(6.3)	36	>100
Other obligations	905	837	8.1	770	17.5
Total equity	**4,370**	**4,358**	**0.3**	**3,802**	**14.9**
Common equity	3,895	3,883	0.3	3,501	11.3
AT1 capital	471	471	–	297	58.6
Non-controlling interests	4	4	0.0	4	0.0
Total liabilities and equity	**52,975**	**53,128**	**(0.3)**	**46,510**	**13.9**

Business segment performance

Q1 2021 in € million	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	163.1	61.0	14.5	(9.0)	229.6
Net fee and commission income	59.7	8.7	0.0	(0.7)	67.7
Core revenues	**222.8**	**69.7**	**14.5**	**(9.7)**	**297.3**
Gains and losses on financial instruments	1.0	4.7	16.7	(3.3)	19.1
Other operating income and expenses	0.8	0.0	0.0	(16.2)	(15.4)
Operating income	**224.6**	**74.4**	**31.2**	**(29.2)**	**301.0**
Operating expenses	**(89.4)**	**(18.6)**	**(8.9)**	**(4.9)**	**(121.8)**
Regulatory charges	(30.5)	(6.9)	(5.3)	(11.5)	(54.2)
Total risk costs	(15.4)	(15.1)	2.4	(1.2)	(29.3)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	0.7	0.7
Profit before tax	**89.3**	**33.8**	**19.5**	**(46.2)**	**96.4**
Income taxes	(22.3)	(8.5)	(4.9)	12.7	(23.0)
Profit after tax	**67.0**	**25.4**	**14.5**	**(33.5)**	**73.4**
Non-controlling interests	–	–	–	0.2	0.2
Net profit	**67.0**	**25.4**	**14.5**	**(33.3)**	**73.6**
Business volumes					
Assets	19,856	14,228	16,963	1,928	52,975
Liabilities	30,384	13,002	3,365	6,224	52,975
Risk-weighted assets	8,091	7,516	2,595	1,851	20,053

Q1 2020 in € million	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	168.1	58.4	9.0	(15.6)	219.9
Net fee and commission income	61.8	10.7	0.0	(0.6)	71.9
Core revenues	**229.9**	**69.1**	**9.0**	**(16.2)**	**291.8**
Gains and losses on financial instruments	1.9	1.6	(7.0)	(6.7)	(10.2)
Other operating income and expenses	0.6	0.0	0.0	13.4	14.0
Operating income	**232.4**	**70.7**	**2.0**	**(9.5)**	**295.6**
Operating expenses	**(90.1)**	**(21.3)**	**(6.8)**	**(6.8)**	**(125.0)**
Regulatory charges	(25.2)	(6.5)	(4.7)	0.0	(36.4)
Total risk costs	(42.2)	(11.9)	(0.4)	(0.5)	(55.0)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	–	0.0
Profit before tax	**74.9**	**31.0**	**(9.9)**	**(15.5)**	**80.5**
Income taxes	(18.7)	(7.7)	2.5	4.6	(19.3)
Profit after tax	**56.2**	**23.3**	**(7.4)**	**(10.9)**	**61.2**
Non-controlling interests	–	–	–	–	0.0
Net profit	**56.2**	**23.3**	**(7.4)**	**(10.9)**	**61.2**
Business volumes					
Assets	18,308	13,454	11,755	2,993	46,510
Liabilities	27,269	7,838	7,504	3,899	46,510
Risk-weighted assets	8,614	7,977	2,357	1,930	20,878