# BAWAG Group
# Q2 2022 Credit update

21 Juli 2022

# BAWAG Group franchise

| | |
|---|---|
| **FRANCHISE** | Multi-brand and multi-channel commercial bank with approximately **2.2 million customers** across our core markets |
| **DELIVERING RESULTS** | Mid-teens **Return on Tangible Common Equity (RoTCE) ~14%** versus sector of ~5% since 2012 |
| **BEST-IN-CLASS EFFICIENCY** | **Cost-income ratio (CIR) of 39.5% in 2021** driven by simplification, technology and process focus |
| **GOOD STEWARDS OF CAPITAL** | Since IPO, completed **7 acquisitions** and **distributed €1.4 billion capital** (€1.0 billion dividends and €400 million buyback)<br><br>**New capital distribution policy: Dividend payout of 55% from 2022 … share buyback of €325 million with execution starting on July 25** |
| **RETURN TARGETS** | **Return on tangible common equity (RoTCE) >17% and Cost-income ratio (CIR) <38%** |
| **2025 PLAN** | **By 2025, pre-tax profit >€750 million and EPS >€7.25 with ~10% annual EPS growth through 2025; DPS >€4.00** |

# BAWAG Group

## COMPANY STRUCTURE AND ISSUING ENTITIES

**AT1, Tier2** — BAWAG Group — Issuer of capital instruments

**SNP, SP, Covered** — BAWAG PSK 1) — Issuer of debt instruments

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| | | Moody's |
|---|---|---|
| **BAWAG P.S.K.** | Issuer Rating | A2 (stable) |
| | Covered bonds | Aaa |
| | Senior preferred | A2 |
| | Senior non-preferred | Baa1 |
| **BAWAG Group** | Tier 2 | Baa2 |
| | Additional Tier 1 | Ba1 |

1) BAWAG P.S.K., easybank and Südwestbank are the main brands for banking operations of BAWAG P.S.K.

## SHAREHOLDER STRUCTURE


**Top institutional shareholders (>4% holding):**

| | |
|---|---|
| T. Rowe Price | 5.6% |
| Wellington | 5.0% |
| Blackrock | 5.0% |
| GoldenTree | 4.6% |
| Amundi | 4.5% |
| BAWAG Senior Leadership Team (Management Board: 3.0%) | 3.3% |

Number of shares: 89,142,237; Shares outstanding as of 30 June 2022: 89,004,800

# Financial performance

| P&L \| € millions | Q2'22 | vPY | vPQ | H1'22 | vPY |
|---|---|---|---|---|---|
| Core revenues | 327 | 8% | 1% | 651 | 9% |
| Operating income | 331 | 10% | 2% | 657 | 9% |
| Operating expenses | (118) | (2%) | (2%) | (239) | (2%) |
| **Pre-provision profit** | **213** | **18%** | **4%** | **418** | **16%** |
| Regulatory charges | (7) | 265% | NM | (46) | (19%) |
| Risk costs | (30) | 27% | 49% | (51) | (5%) |
| **Profit before tax** | 177 | 13% | **21%** | 323 | 28% |
| **Net profit** | **134** | **12%** | **21%** | **245** | **27%** |

| Ratios | Q2'22 | vPY | vPQ | H1'22 | vPY |
|---|---|---|---|---|---|
| RoCE | 16.0% | 2.2pts | 2.7pts | 14.7% | 3.6pts |
| RoTCE | 19.0% | 2.6pts | 3.1pts | 17.5% | 4.3pts |
| CIR | 35.7% | (4.4pts) | (1.3pts) | 36.3% | (4.0pts) |
| Risk cost ratio | 0.27% | 0.04pts | 0.08pts | 0.23% | (0.03pts) |
| Earnings per share (€) | 1.50 | 12% | 20% | 2.74 | 27% |

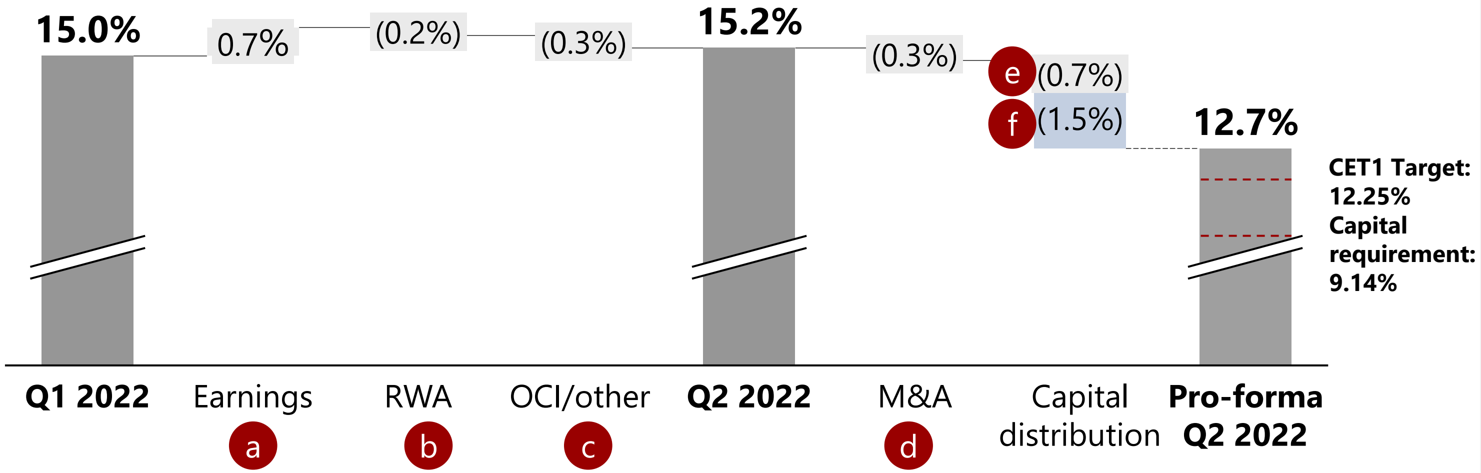
| Balance Sheet & Capital \| € million | Q2'22 | Q1'22 | vPQ | vPY |
|---|---|---|---|---|
| Total assets | 55,029 | 54,475 | 1% | 2% |
| Interest-bearing assets (average) | 44,530 | 42,099 | 6% | 9% |
| Customer loans (average) | 36,764 | 34,982 | 5% | 13% |
| Customer deposits (average) | 33,558 | 34,150 | (2%) | 3% |
| Common Equity | 3,351 | 3,340 | - | (4%) |
| Tangible Common Equity | 2,820 | 2,808 | - | (5%) |
| CET1 Capital | 2,699 | 2,695 | - | (7%) |
| Risk-weighted assets | 21,326 | 20,527 | 4% | 6% |
| **CET1 Ratio (post dividend and buyback)** | **12.7%** | **13.1%** | **(0.4pts)** | **(1.7pts)** |

| Per share data | Q2'22 | Q1'22 | vPQ | vPY |
|---|---|---|---|---|
| Book value (€) | 37.65 | 37.53 | - | (5%) |
| Tangible book value (€) | 31.68 | 31.55 | - | (5%) |
| Shares outstanding (m) | 89.00 | 89.00 | - | - |

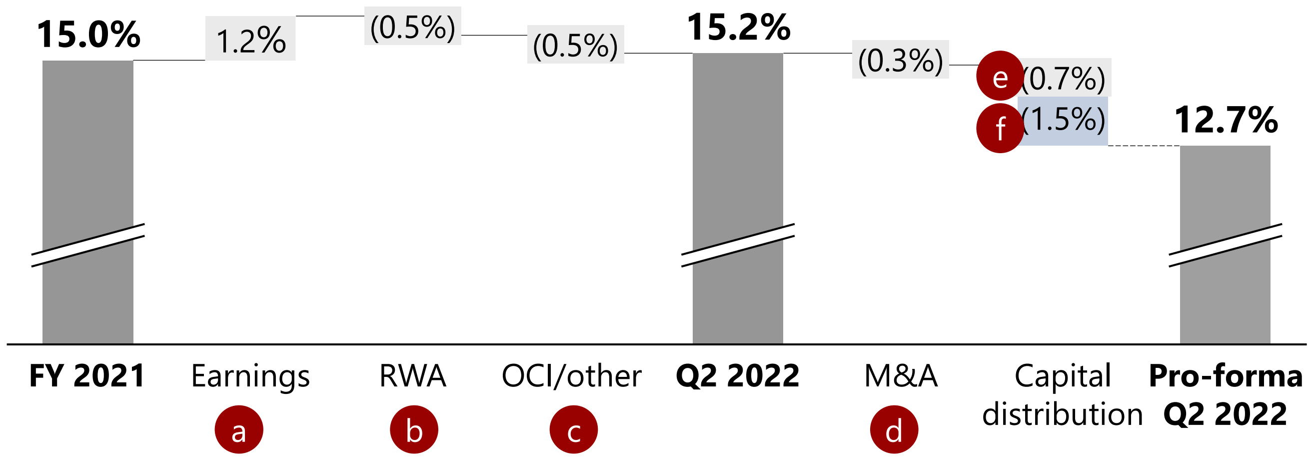
Note: All equity, capital, ratios and per share data reflect deduction of €135m dividend accrual and €325m buyback for Q2 2022 figures.

# Capital development and distribution

## QUARTERLY CAPITAL DEVELOPMENT




## YTD CAPITAL DEVELOPMENT




## CAPITAL DEVELOPMENT

- a Gross capital generation of ~+70bps in Q2 '22 / 120bps in H1 '22
- b RWA increase due to organic business growth and FX
- c OCI primarily related to widening credit spreads and volatility

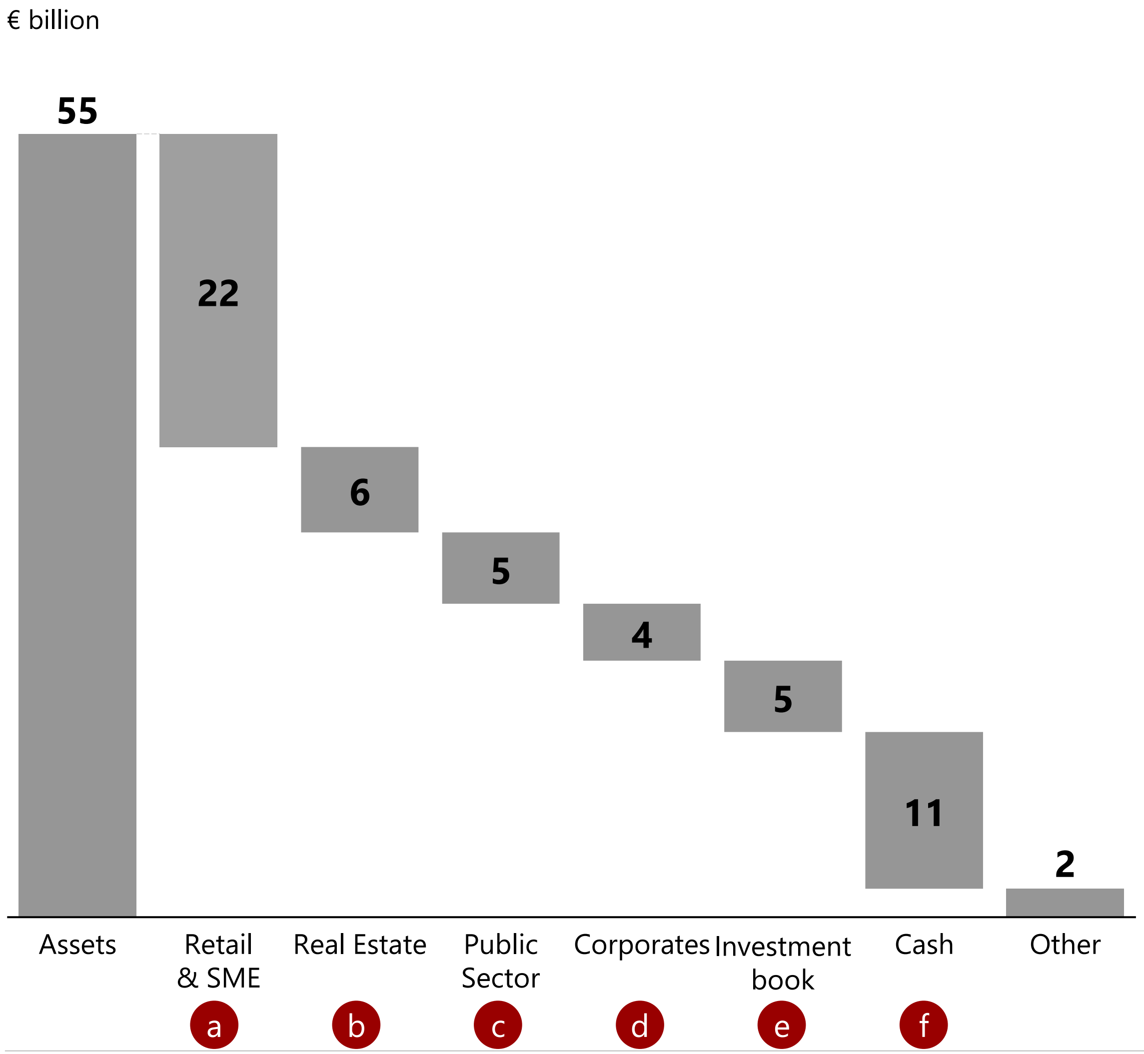
## M&A and CAPITAL DISTRIBUTION

- d Acquisition of Sberbank assets (consumer loan & bond portfolio)
- e Accrual based on dividend payout ratio of 55% (dividend policy)
- f Share buyback of €325m in 2022

## EXCESS CAPITAL

- CET1 ratio 12.7% post buyback of €325m
- Excess capital of ~€90m to our management target of 12.25%
- Maintain dry powder for potential organic and inorganic opportunities in coming quarters

# Balance sheet & asset quality overview




- a: 80% secured lending with €16b of mortgages (Austria, Germany, Netherlands and Western Europe) with a blended LTV in the mid-60's
- b: Real Estate with blended LTV < 60% , NPL ratio 70bps, and over 40% of underlying collateral granular with direct residential exposure
- c: Lending primarily to Austrian federal, state and municipal governments
- d: 2/3rd USA / W. Europe and 1/3rd DACH/NL … Focus on high-cash flow + recurring revenue service oriented business with defensive profile … De-minimis exposure to cyclical industries
- e: 99% investment grade with no Southern Europe sovereign exposure or exposures to Russia/Ukraine
- f: Cash representing approximately 20% of balance sheet … very liquid balance sheet

**SOLID ASSET QUALITY and DISCIPLINED UNDERWRITING**

Focused on developed and mature markets … 73% DACH/NL region and 27% Western Europe / United States

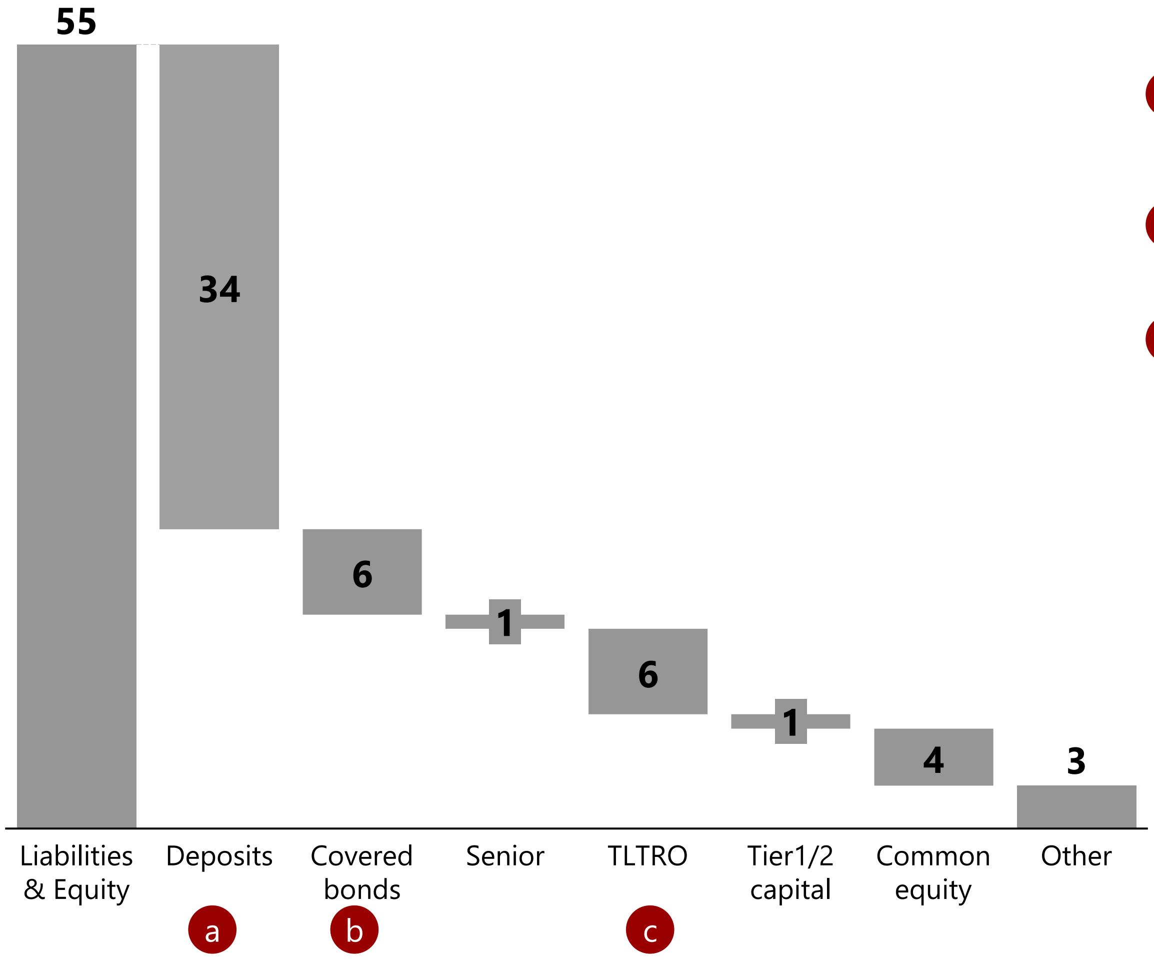
Conservative underwriting with a focus on secured lending … ~80% of customer loans is secured or public sector lending

Further tightened underwriting standards across the board

ECL overlay increased to €70m in addition to incorporating deteriorating macroeconomic scenarios into models … Overlay represents nearly 1x normalized annual risk costs

# Funding, capital & earnings

€ billion




a — €28b retail deposits … 75% total deposit funding … No negative rates or fees assessed to our retail customers as a result of the negative interest rate environment

b — Mortgage and public sector covered bonds … currently, additional capacity ~€5b funding

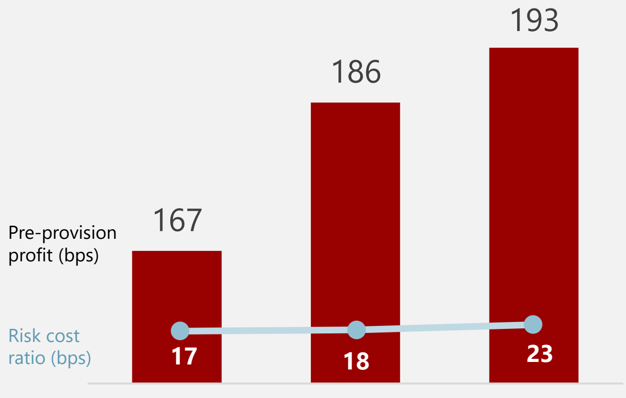
c — TLTRO … plan to pay down or replace with longer term funding

## Capital & Leverage

- Business generates ~+250bps gross capital p.a.
- Current CET1% of 12.7% (post buyback + dividend accruals) vs Target CET1% of 12.25% … +311bps above minimum regulatory requirement of 9.14%
- €21.3b RWAs … 65% assets on standard approach
- Balance sheet leverage (assets/equity) ranges from 12-14x based on excess cash position
- Regulatory leverage ratio at 5.6% (post buyback and dividend accruals)

## HIGHLY PROFITABLE BUSINESS MODEL

*Based on interest bearing assets*




| | 2017 | 2019 | H1 2022 |
|---|---|---|---|
| **NIM** | 2.24% | 2.30% | 2.29% |
| **CIR** | 47% | 43% | 36% |
| **RoTCE** | 15% | 16% | 19% |
| **NPL ratio** | 1.8% | 1.7% | 1.4% |

# Retail & SME

## Financial performance

| € millions | Q2'22 | Q2'21 | vPY | Q1'22 | vPQ |
|---|---|---|---|---|---|
| Core revenues | 254.1 | 225.8 | 13% | 245.8 | 3% |
| Net interest income | 184.1 | 163.5 | 13% | 171.7 | 7% |
| Net commission income | 70.0 | 62.4 | 12% | 74.1 | (6%) |
| Operating income | 254.7 | 227.5 | 12% | 246.8 | 3% |
| Operating expenses | (85.2) | (86.8) | (2%) | (86.7) | 2% |
| **Pre-provision profit** | **169.5** | **140.8** | **20%** | **160.1** | **6%** |
| Regulatory charges | (6.0) | (0.8) | >100% | (12.5) | - |
| Risk costs | (20.4) | (14.9) | 37% | (15.0) | 36% |
| **Profit before tax** | **143.1** | **125.0** | **14%** | **132.6** | **8%** |
| **Net profit** | **107.3** | **93.8** | **14%** | **99.4** | **8%** |

## Ratios

| in % | Q2'22 | Q2'21 | vPY | Q1'22 | vPQ |
|---|---|---|---|---|---|
| RoCE | 27.5% | 25.0% | 2.5pts | 26.5% | 1.0pts |
| RoTCE | 32.5% | 29.3% | 3.2pts | 31.3% | 1.2pts |
| CIR | 33.5% | 38.2% | (4.7pts) | 35.1% | (1.6pts) |
| NPL ratio | 1.9% | 2.0% | (0.1pts) | 1.9% | - |
| Risk cost ratio | 0.37% | 0.30% | 0.07pts | 0.28% | 0.09pts |

## Customer development

| € millions | Q2'22 | Q2'21 | vPY | Q1'22 | vPQ |
|---|---|---|---|---|---|
| Housing loans | 16,109 | 15,181 | 6% | 15,890 | 1% |
| Consumer and SME | 6,244 | 5,069 | 23% | 5,492 | 14% |
| **Total assets** | **22,353** | 20,250 | **10%** | **21,382** | **5%** |
| **Total assets (average)** | **22,049** | 20,070 | **10%** | **21,262** | **4%** |
| **Risk-weighted assets** | **9,452** | 8,075 | **17%** | **8,792** | **8%** |
| **Customer deposits** | **28,045** | 27,241 | **3%** | **28,054** | **-** |
| **Customer deposits (average)** | **28,145** | 26,700 | **5%** | **28,181** | **-** |

Q2 ’22 net profit of €107m, up 14% vPY due to higher pre-provision profits … average net asset growth +10% vPY driven by consumer loans and housing loans

Pre-provision profit of €170m for Q2 ’22, up 20% vPY … Core revenues up 13% and operating expenses down (2%)

Risk costs of €(20)m in Q2 ’22, up 37% vPY … €(15)m core run rate, lower than pre-pandemic due to tightened credit box … Added €(5)m management overlay to address future uncertainty

Acquired German consumer loan portfolio of Sberbank Europe in Q2 ’22 … Deal underwritten to RoE >30%, assuming highly stressed losses, and yielding a net profit margin of ~4%

Continuing to execute on various operational and strategic initiatives to drive efficiency and disciplined profitable growth across our Retail & SME franchise

Subdued loan growth during the 2nd half of the year given overall cautious consumer sentiment

# Corporates, Real Estate & Public Sector

## Financial performance

| € millions | Q2'22 | Q2'21 | vPY | Q1'22 | vPQ |
|---|---|---|---|---|---|
| Core revenues | 72.2 | 70.2 | 3% | 72.7 | (1%) |
| Net interest income | 64.2 | 61.7 | 4% | 64.8 | (1%) |
| Net commission income | 8.0 | 8.5 | (6%) | 7.9 | 1% |
| Operating income | 84.5 | 75.0 | 13% | 80.5 | 5% |
| Operating expenses | (18.4) | (16.7) | 10% | (18.1) | 2% |
| **Pre-provision profit** | **66.0** | **58.2** | **13%** | **62.4** | **6%** |
| Regulatory charges | (1.6) | (1.2) | 33% | (8.5) | (81%) |
| Risk costs | (8.4) | (9.9) | (15%) | (3.2) | 163% |
| **Profit before tax** | **56.0** | **47.1** | **19%** | **50.8** | **10%** |
| **Net profit** | **42.0** | **35.3** | **19%** | **38.1** | **10%** |

## Customer development

| € millions | Q2'22 | Q2'21 | vPY | Q1'22 | vPQ |
|---|---|---|---|---|---|
| Corporates | 4,243 | 3,586 | 18% | 3,900 | 9% |
| Real Estate | 6,487 | 4,888 | 33% | 6,089 | 7% |
| Public Sector | 4,309 | 4,169 | 3% | 4,451 | (3%) |
| Short-term / money market lending | 877 | 582 | 51% | 344 | 155% |
| **Total assets** | **15,916** | 13,226 | **20%** | **14,784** | **8%** |
| **Total assets (average)** | **15,821** | 13,451 | **18%** | **14,708** | **8%** |
| **Risk-weighted assets** | **8,309** | 7,291 | **14%** | **7,891** | **5%** |
| **Customer deposits** | **5,080** | 5,255 | **(3%)** | **5,656** | **(10%)** |
| **Customer deposits (average)** | **5,044** | 5,118 | **(1%)** | **5,563** | **(9%)** |

## Ratios

| in % | Q2'22 | Q2'21 | vPY | Q1'22 | vPQ |
|---|---|---|---|---|---|
| RoCE | 15.3% | 13.3% | 2.0pts | 14.0% | 1.3pts |
| RoTCE | 18.5% | 16.1% | 2.4pts | 17.1% | 1.4pts |
| CIR | 21.8% | 22.3% | (0.5pts) | 22.5% | (0.7pts) |
| NPL ratio | 0.7% | 1.1% | (0.4pts) | 0.9% | (0.2pts) |
| Risk cost ratio | 0.21% | 0.29% | (0.08pts) | 0.09% | 0.12pts |

Q2 ’22 net profit of €42m, up 19% vPY due to higher pre-provision profits … average net asset growth of 18% vPY driven primarily by real estate and corporate lending

Pre-provision profit of €66m in Q2 ’22, up 13% vPY … Operating income up 13%

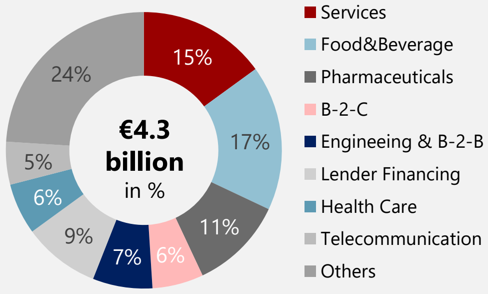
Risk costs of €(8)m … down (15%) vPY with no reserves released, slight increase in management overlay

Maintaining disciplined and conservative underwriting with solid pipeline and commitments in Q3 ’22 … will remain patient and continue to focus on risk-adjusted returns

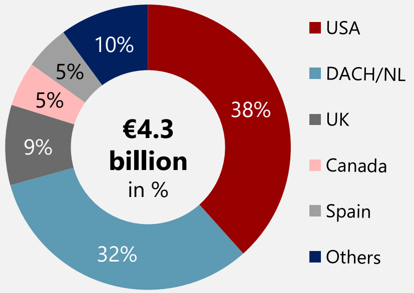
# Corporates, Real Estate & Public Sector

## CORPORATES*

### By industry



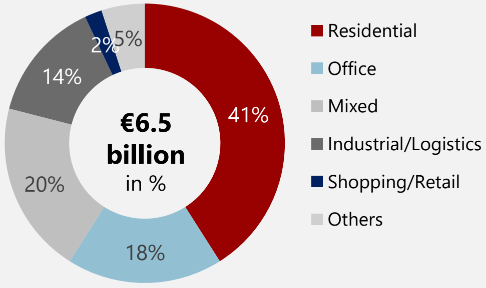

### By geography

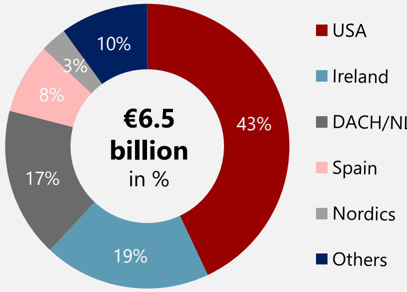



- Portfolio average net leverage <4.0x
- NPL ratio of 1.6%
- No exposure to Russia and Ukraine
- DACH/NL 32% exposure

## REAL ESTATE

### By underlying

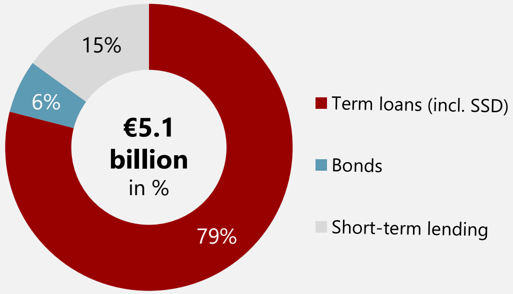


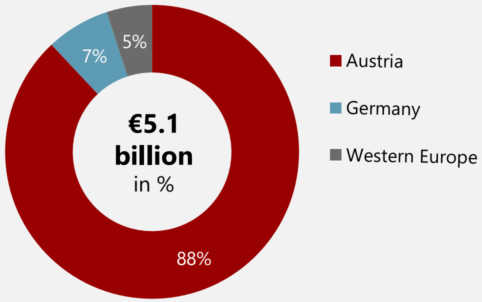

- Weighted average portfolio LTV <60%
- NPL ratio 0.7%
- Collateral backing portfolio is granular with ~41% of pool being direct residential

## PUBLIC SECTOR*

### By funding & type




### By geography



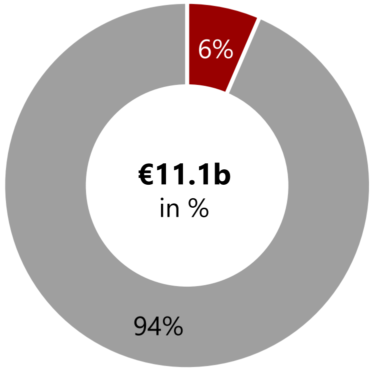

- Portfolio comprised of 63% AAA or AA entities
- No non-performing loans

* Includes short-term lending / money market of €877m, of which €107m in Corporates and €770m in Public Sector

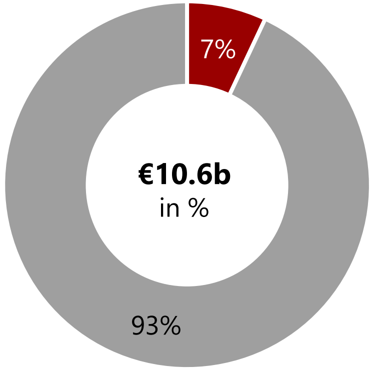
# Investment book and Cash

**Q1 '22** | **Q2 '22**

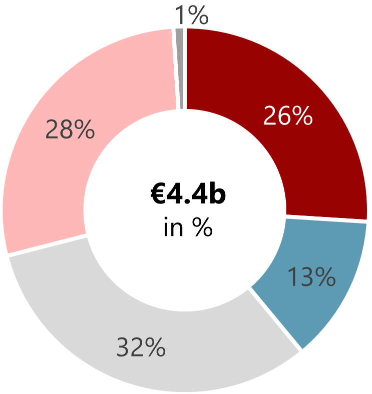
**Cash & Cash equivalent**



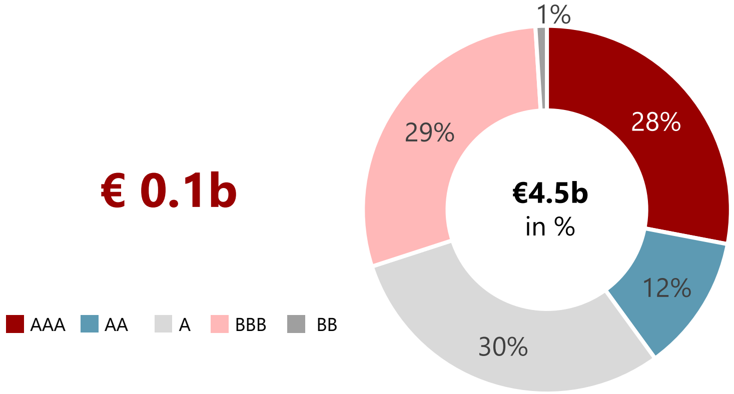

**-€ 0.5b**




**Investment book**




**€ 0.1b**




As of Q2 '22, cash and cash equivalents (mainly money at central banks) at €10.6b … TLTRO III of €6.4b

Investment book primarily serves as liquidity book of the Bank

Securities portfolio "under-invested" … Higher credit spreads would be an opportunity to build-up our securities portfolio again as we have been under-invested for the past few years

Focus on low credit risk, high liquidity, shorter duration and solid diversification in terms of geography and issuers:

- No non-performing assets
- 99% portfolio investment grade, with 70% A or higher
- Weighted average life of 4.1 years
- ~280 positions, average size ~€17m
- No exposure to Russia and Ukraine

# P&L & key ratios

| **P&L** \| € millions | **Q2'22** | **Q2'21** | **vPY** | **Q1'22** | **vPQ** |
|---|---|---|---|---|---|
| Net interest income | 249.5 | 231.6 | 8% | 242.0 | 3% |
| Net commission income | 77.8 | 70.1 | 11% | 81.4 | (4%) |
| **Core revenues** | **327.3** | **301.7** | **8%** | **323.4** | **1%** |
| Other revenues | 4.1 | 0.8 | 413% | 2.1 | 95% |
| **Operating income** | **331.4** | **302.5** | **10%** | **325.4** | **2%** |
| **Operating expenses** | **(118.2)** | **(121.2)** | **(2%)** | **(120.4)** | **(2%)** |
| **Pre-provision profit** | **213.2** | **181.3** | **18%** | **205.0** | **4%** |
| Regulatory charges | (7.3) | (2.0) | 265% | (38.4) | (81%) |
| Risk costs | (30.3) | (23.8) | 27% | (20.3) | 49% |
| **Profit before tax** | **176.5** | **156.2** | **13%** | **146.3** | **21%** |
| Income taxes | (42.8) | (37.0) | 16% | (35.3) | 21% |
| **Net profit** | **133.7** | **119.1** | **12%** | **110.9** | **21%** |

| **Key ratios** | **Q2'22** | **Q2'21** | **vPY** | **Q1'22** | **vPQ** |
|---|---|---|---|---|---|
| Return on Common Equity | 16.0% | 13.8% | 2.2pts | 13.3% | 2.7pts |
| Return on Tangible Common Equity | 19.0% | 16.4% | 2.6pts | 15.9% | 3.1pts |
| Net interest margin | 2.25% | 2.28% | (0.03pts) | 2.33% | (0.08pts) |
| Cost-income ratio | 35.7% | 40.1% | (4.4pts) | 37.0% | (1.3pts) |
| Risk cost ratio | 0.27% | 0.23% | 0.04pts | 0.19% | 0.08pts |
| Earnings per share (in €) | 1.50 | 1.34 | 12% | 1.24 | 20% |
| Tangible book value per share (in €) | 31.69 | 33.38 | (5%) | 31.55 | - |

Net interest income up 3% vPQ … net interest margin (NIM) at 2.25% in Q2 ’22

Net commission income down 4% vPQ due to market volatility … up 11% vPY reflecting stronger advisory business

Cost-income ratio below 36% in Q2 ’22 … ongoing disciplined cost control more than offsetting significant inflation

Regulatory charges of €7m following higher contributions to resolution fund

Risk costs of €30m in Q2 ’22 … Core run rate in line with high portfolio quality, low NPL levels and continued low delinquencies, while increasing management overlay +€6m to €70m in light of the macroeconomic uncertainties

# Balance sheet

| **Balance sheet** \| € million | Q2'22 | Q2'21 | vPY | Q1'22 | vPQ |
|---|---|---|---|---|---|
| Customer loans | 37,176 | 32,487 | 14% | 35,132 | 6% |
| Securities and bonds | 5,698 | 6,628 | (14%) | 5,646 | 1% |
| Credit institutions and cash | 10,629 | 12,988 | (18%) | 11,912 | (11%) |
| Other assets | 1,526 | 2,028 | (25%) | 1,785 | (15%) |
| **Total assets** | **55,029** | **54,132** | **2%** | **54,475** | **1%** |
| *thereof average interest-bearing assets* | 44,530 | 40,701 | 9% | 42,099 | 6% |
| Customer deposits | 33,533 | 33,034 | 2% | 34,071 | (2%) |
| Own issues | 7,949 | 7,149 | 11% | 6,877 | 16% |
| Credit institutions | 7,206 | 7,493 | (4%) | 7,273 | (1%) |
| Other liabilities | 2,055 | 1,962 | 5% | 2,053 | - |
| Common equity | 3,351 | 3,504 | (4%) | 3,340 | - |
| Dividend accrual | 135 | 515 | (74%) | 61 | 121% |
| Buyback | 325 | - | >100% | 325 | - |
| AT1 capital & others | 475 | 476 | (0%) | 475 | 0% |
| **Total liabilities & equity** | **55,029** | **54,132** | **1%** | **54,475** | **1%** |

| **Capital & RWA** \| € million | Q2'22 | Q2'21 | vPY | Q1'22 | vPQ |
|---|---|---|---|---|---|
| Common equity | 3,351 | 3,504 | (4%) | 3,340 | - |
| Tangible common equity | 2,820 | 2,966 | (5%) | 2,808 | - |
| CET1 capital | 2,699 | 2,903 | (7%) | 2,695 | - |
| Risk-weighted assets | 21,326 | 20,142 | 6% | 20,527 | 4% |
| CET1 ratio (post dividend and buyback) | 12.7% | 14.4% | (1.7pts) | 13.1% | (0.4pts) |
| Leverage ratio | 5.6% | 6.1% | (0.5pts) | 5.6% | - |
| Liquidity Coverage Ratio | 184% | 265% | (81pts) | 192% | (8pts) |

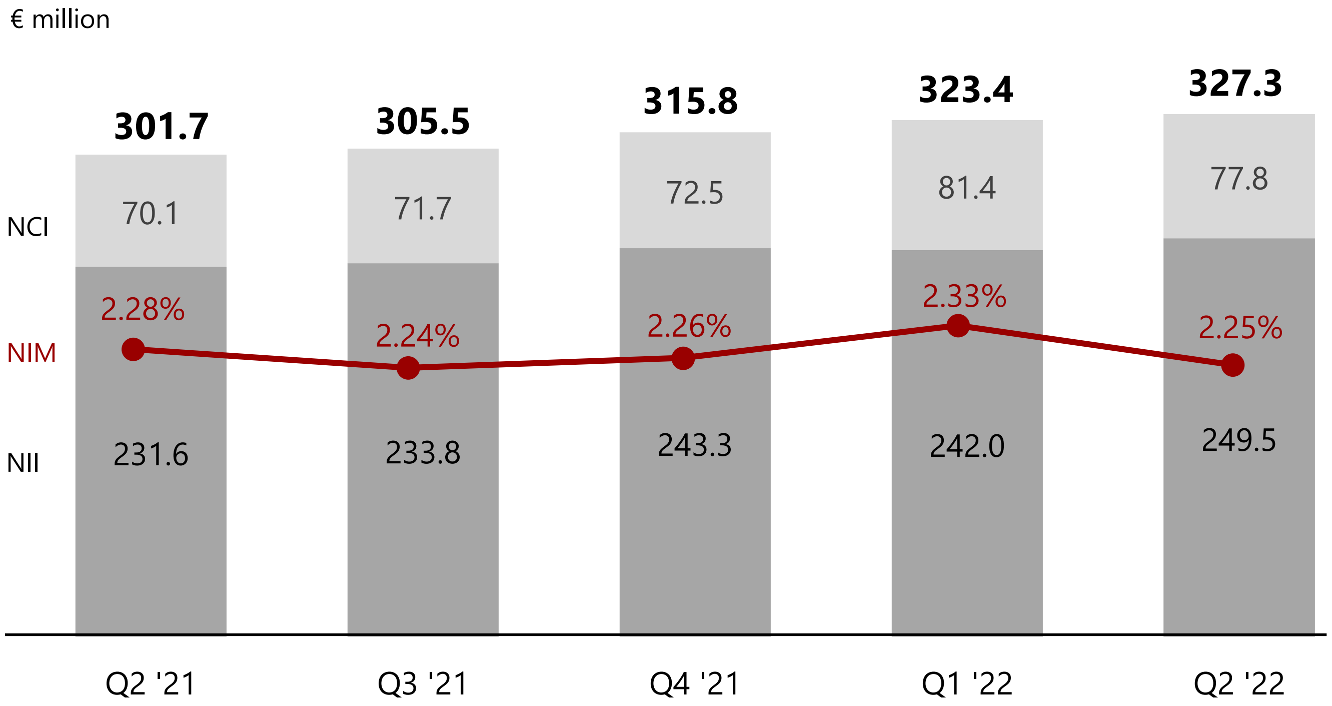
Customer loans and average interest-bearing assets up 6% vPQ … Risk weighted assets up 4% vPQ

Covered bond issuances of €2b in H1 ’22, thereof €1.5b in Q2 ’22

Tangible Common Equity flat vPQ and CET1 ratio at 12.7% post deduction of share buyback of €325m and €135m dividend accrual for H1 ’22 (55% pay-out ratio)

# P&L details – core revenues

## Increasing core revenues in Q2 '22




**Average customer loans | Average interest-bearing assets** | € billions

| | | | | |
|---|---|---|---|---|
| 32.5 | 33.7 | 35.0 | 35.0 | 36.8 |
| 40.7 | 41.3 | 42.6 | 42.1 | 44.5 |

**Net interest income (NII) up 3% vPQ … net interest margin (NIM) at 2.25% in Q2'22**

- Increase in assets in Q2 '22 … average customer loans up 5% vPQ and average interest-bearing assets up 6% vPQ
- Acquisition of Sberbank consumer loan portfolio in May '22
- Interest rate sensitivity: 100bps increase in 3-month Euribor leads to approximately +€100 million net interest income p.a.

**Net commission income (NCI) down 4% vPQ**

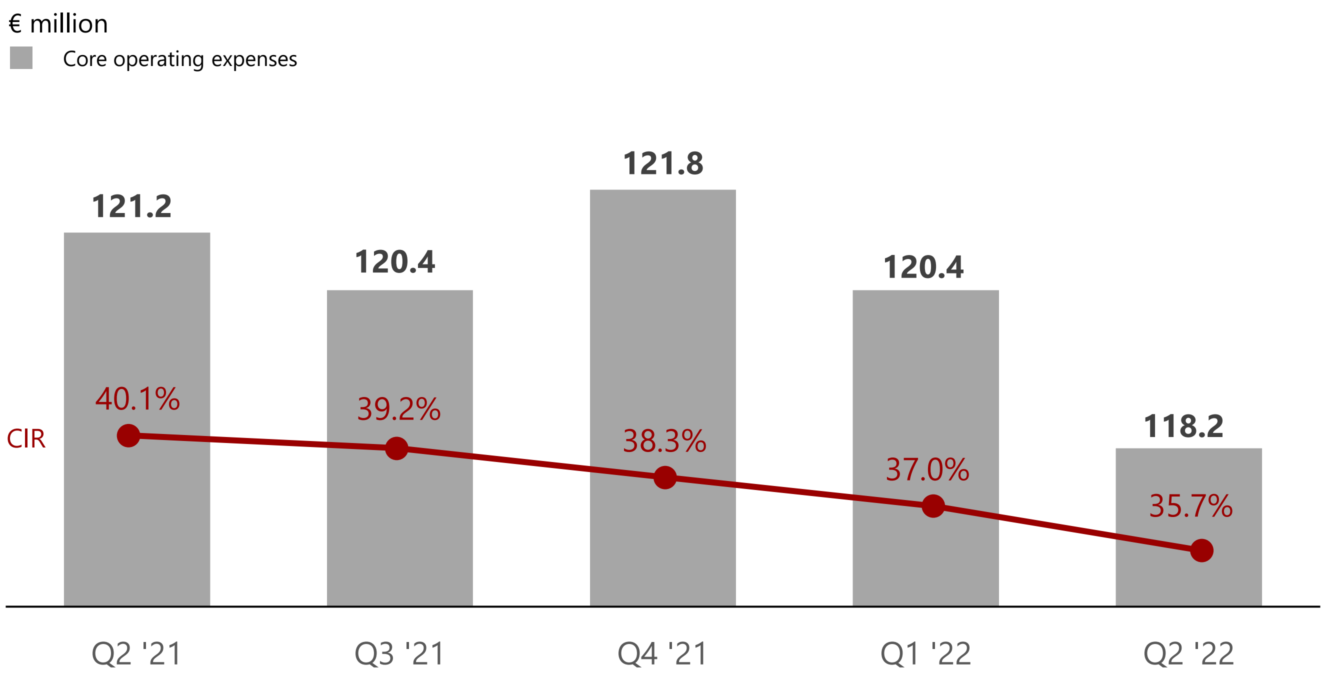
- Slowdown in advisory business due to volatile market environment and seasonality partly offset by pick-up in payments

**Outlook for 2022**

- Expect core revenues growing >7% in 2022

# P&L details – operating expenses

## Continued efficiency measures countering inflationary pressures




**CIR at 35.7% in Q2 ’22 down (4.4pts) vPY and (1.3pts) vPQ**

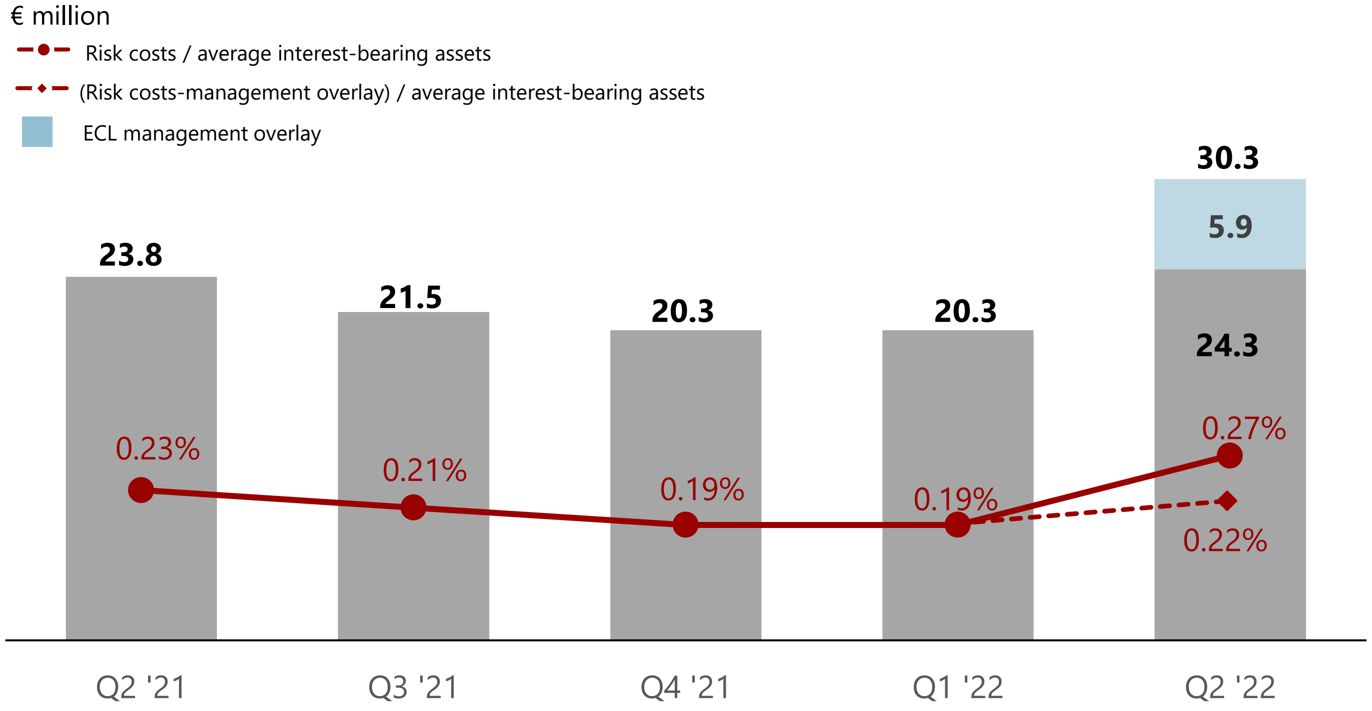
- Significant inflationary pressure offset by several operational initiatives launched over the past two years
- Focused on absolute cost-out target (despite inflationary headwinds)
- Adapting to post COVID-19 world … multiple initiatives focused on greater scale, greater digital engagement, and continued rollout of simplification roadmap across the Group

**Outlook for 2022**

- Targeting ~2% net cost-out with a CIR of <38% in 2022

# P&L details – risk costs

## Applying prudent approach while closely monitoring macro environment




**ECL Management overlay (in €m)**

| | | | | |
|---|---|---|---|---|
| 70 | 72 | 61 | 64 | 70 |

**NPL ratio** (excluding CoL and including CoL)

| | | | | |
|---|---|---|---|---|
| 1.1% | 1.1% | 1.0% | 1.1% | 1.0% |
| 1.5% | 1.5% | 1.4% | 1.5% | 1.4% |

**Q2 '22 risk costs €30m and 27bps risk cost ratio**

- Ongoing strong asset quality performance … record low NPL ratio
- Risk cost run-rate in Retail & SME ~€15m
- ECL management overlay stands at €70m in Q2 '22

**Maintain safe & secure balance sheet**

- Focused on developed and mature markets … 73% DACH/NL region and 27% 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; however, remain cautious and prudent

**Outlook for 2022**

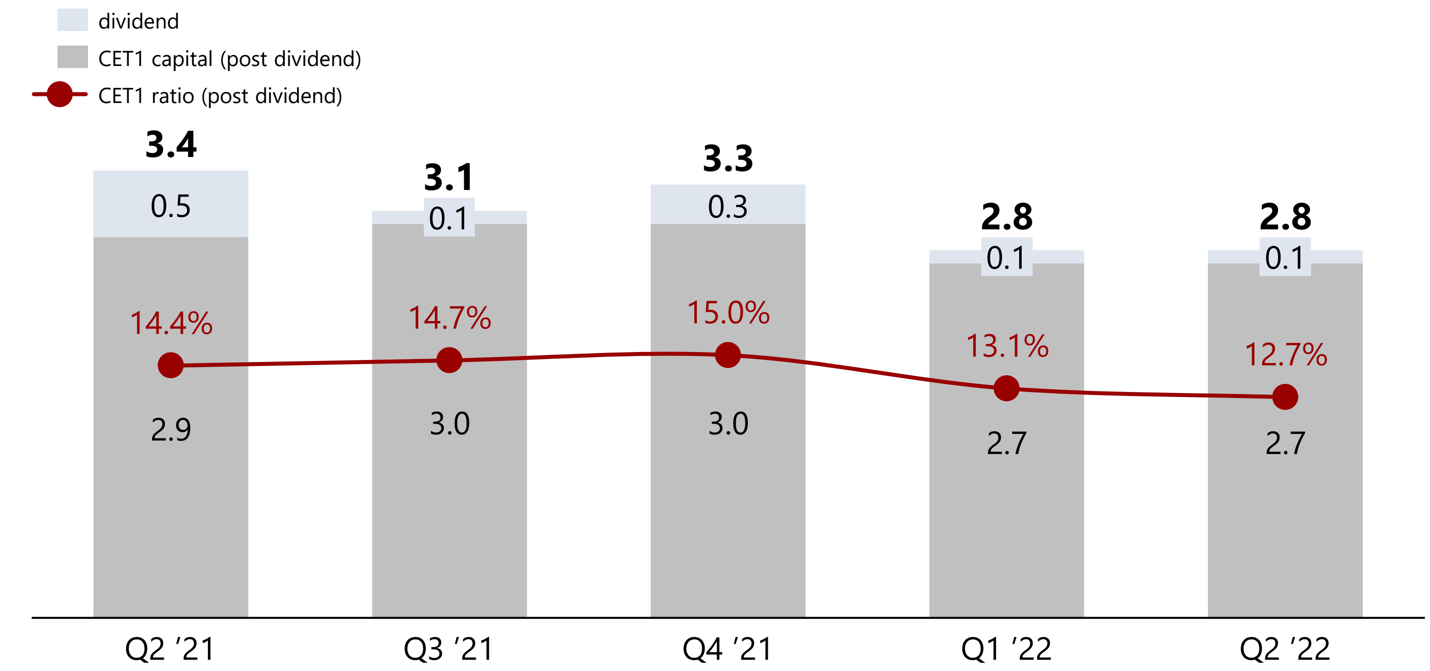
Expect underlying risk cost ratio ~20bps in 2022 … in addition we will continue to build up the management overlay throughout the year

# Regulatory Capital

## Strong capital position

### CET1 Capital and ratios

€ billion




**RWA** | € billions | **Tier 1 ratio** | **Total capital ratio** | **Leverage ratio**

| | Q2 '21 | Q3 '21 | Q4 '21 | Q1 '22 | Q2 '22 |
|---|---|---|---|---|---|
| RWA (€ billions) | 20.1 | 20.3 | 20.1 | 20.5 | 21.3 |
| Tier 1 ratio | 16.8% | 17.0% | 17.3% | 15.3% | 14.8% |
| Total capital ratio | 20.0% | 20.2% | 20.4% | 18.4% | 17.7% |
| Leverage ratio | 6.1% | 6.2% | 6.0% | 5.6% | 5.6% |

Note: All capital ratios post dividend accrual and deducting €325m buyback in 2022

**Capital distribution plans:**

- €135m dividends accrued for H1 '22 based on dividend policy of 55% payout ratio of net income
- Share buyback of €325m in 2022 deducted from CET1 capital … execution to start July 25

**Capital development:**

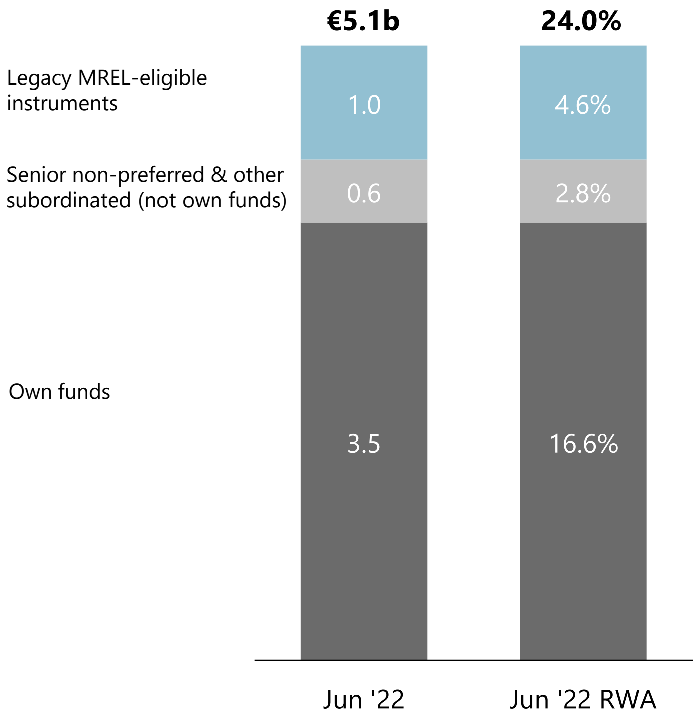
- Q2 '22 Tier1 capital ratio 14.8% and Total Capital ratio 17.7%
- Capital requirement of 9.14% CET1 … P2G of 0.75%
- Target CET1 ratio of 12.25% is 311bps above MDA trigger of 9.14%

**Other:**

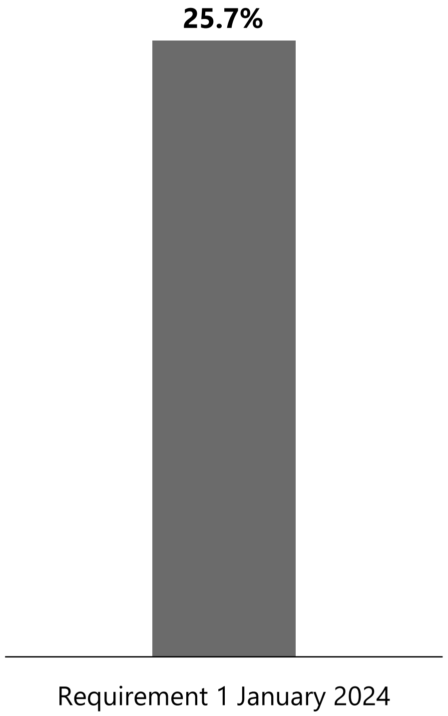
- City of Linz receivable fully provisioned through prudential filter in 2020 with no impact on capital distribution plans in worst-case scenario

# MREL

### MREL INSTRUMENTS




### MREL REQUIREMENT




### MREL STRATEGY

MREL decision received in Jan '22 fully reflecting CRR2/BRRD2 with final requirements from 1 January 2024:

- Requirement applicable at BAWAG P.S.K. level (consolidated)
- Currently no subordination requirement
- 2022 interim target of c. 22% already met

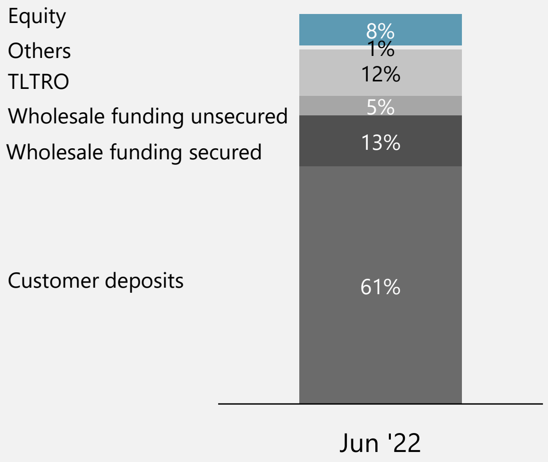
Our MREL issuance plans:

- €500m SNP successfully issued in August 2019
- Additional up to €1.0b senior instruments planned until YE 2023 to replace maturities, meet MREL requirement and build buffer

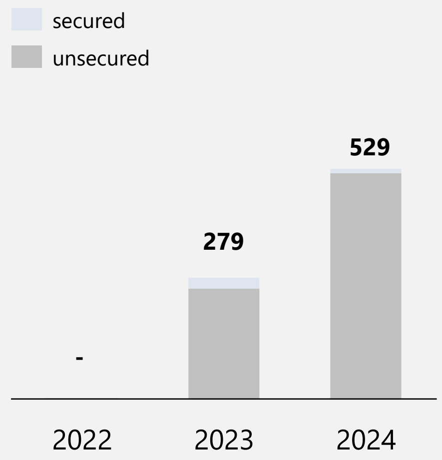
# Funding & Liquidity

## FUNDING

### STRONG CUSTOMER DEPOSIT FUNDING …




### … COMFORTABLE MATURITY PROFILE*




### … AND SOLID MARKET ACCESS

Q1'19: €400m 10NC5 T2
Q2'19: €500m 15y Cov.Bond
Q3'19: €500m 8y SNP
Q4'19: €500m 10y Cov.Bond
Q1'20: €500m 8y Cov.Bond
Q3'20: €175m PerpNC5 AT1
Q3'20: €200m 10NC5 T2
Q3'20: €750m 10y Cov.Bond
Q4'20: €500m 15y Cov.Bond
Q1'21: €500m 20y Cov.Bond
Q2'21: €500m 10y Cov.Bond
Q3'21: €500m 8y Green Cov.Bond
Q1'22: €500m 10y Cov.Bond
Q2'22: €750m 6.3y Cov.Bond
Q2'22: €750m 7.75y Cov.Bond

- Covered bonds important capital market funding source … €5.25b executed since 2020 … 12 benchmark bonds outstanding with up to €750m issue size and maturities up to 2041
- Increasing senior issuance planned starting in 2022 … ~up to €1.0b senior instruments to replace maturities, meet MREL requirement and build buffer until YE 2023
- Inaugural Green benchmark bond issuance in 2021 … at least one Green bond benchmark per year planned
- Participated in TLTRO III up to full capacity of €6.4b

* Maturity profile considers earliest possible redemption dates (eg first call date for callable bonds)

## LIQUIDITY

**Liquidity coverage ratio**

**184%**

**Liquidity buffer**

**€8.2b**

**Liquidity buffer Including other marketable securities**

**€10.7b**

# 2022 Outlook

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

## P&L OVERVIEW

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

## RETURN TARGETS

| | |
|---|---|
| **RoTCE**<br>FY '21: 16.1% | **>17%** |
| **CIR**<br>FY '21: 39.5% | **<38%** |

Note: Financial and return targets are excluding any outcome of the City of Linz case. Dividend payout will be based on net profit excluding a City of Linz case impact.

# Supplemental pages

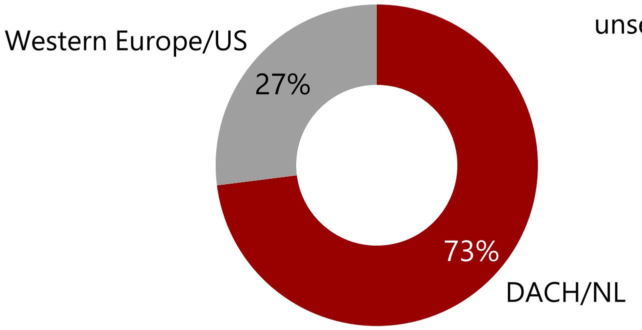
# Current environment

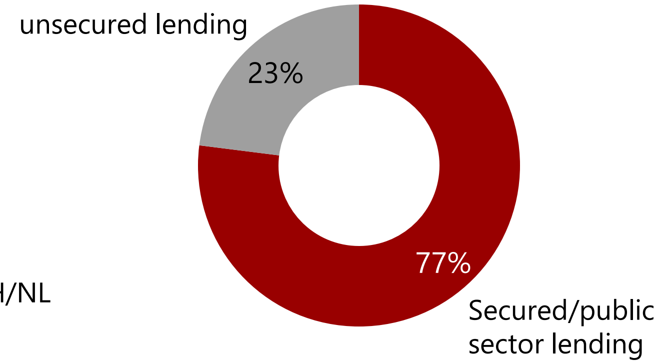
## BAWAG'S BUSINESS PRINCIPLES

1 Focus on mature, developed and stable markets (Austria, Germany, Switzerland, Netherlands (DACH/NL), Western Europe and USA

2 Focus on secured and public sector lending

3 Focus on risk-adjusted returns, conservative underwriting, and proactive risk management



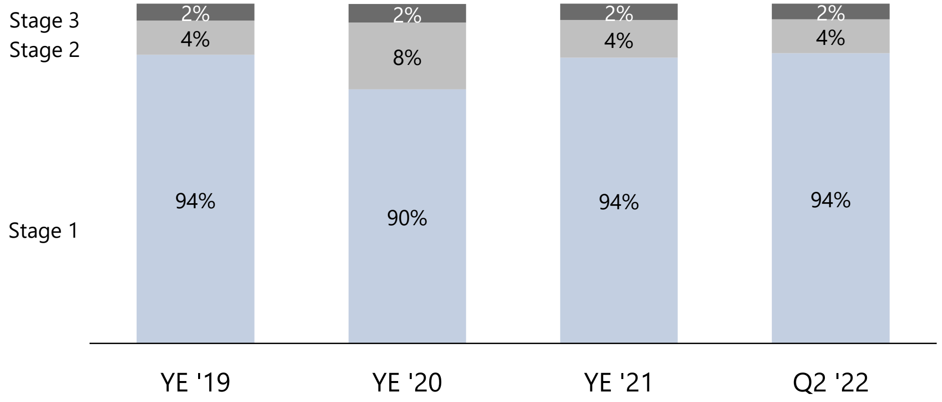

## BAWAG'S EXPOSURE & ACTIONS TAKEN

- No direct exposure to Russia, Ukraine or Belarus reflecting our strategic focus towards DACH/NL region, Western Europe and United States. No trade finance, derivative or security business to Eastern Europe
- Exposure <1% of total assets to energy intensive industries (exposure in Austria and United States)
- De-minimis exposure to customers with reliance on Russian Markets (local subsidiaries, clients or suppliers)
- High ability of corporate customers to pass on increased energy prices to their clients
- Adjusted credit box for retail consumer lending and mortgage loans to reflect high inflationary impacts on customers cash flows (energy costs, supply chain and interest rate)
- Continued strength in retail portfolio performance as delinquency rates remain below pre-pandemic levels reflecting credit quality and tightening measures since 2020
- ECL overlay increased to €70m in addition to incorporating deteriorating macroeconomic scenarios into models, mitigates the impacts of high inflation, input shocks and potential recessionary pressures. Overlay represents nearly 1x normalized annual risk costs

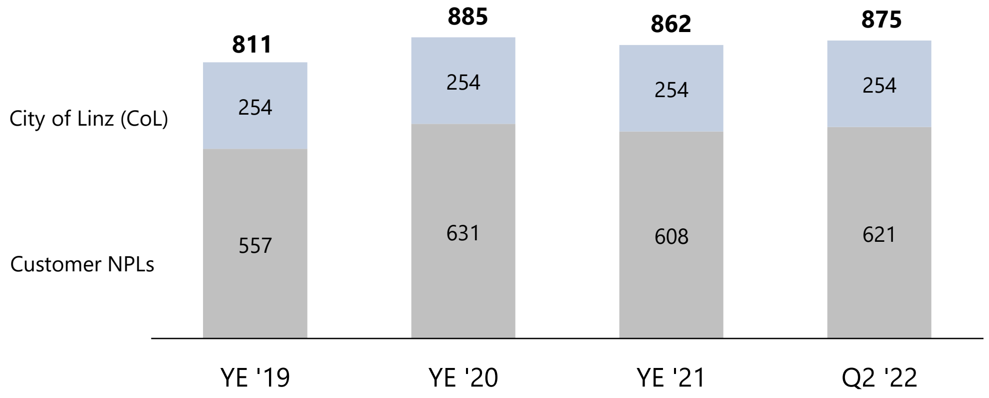
# Details on reserves

Continuing to remain prudent in current environment

### IFRS 9 Migration- Customer Segment Assets




### Non-performing stage 3 loans, in €m




| | YE '19 | YE '20 | YE '21 | Q2 '22 |
|---|---|---|---|---|
| NPL ratio excl. CoL (%) | 1.1% | 1.1% | 1.0% | 1.0% |
| NPL cash coverage excl. CoL | 37% | 46% | 46% | 51% |
| NPL ratio (%) | 1.7% | 1.5% | 1.4% | 1.4% |

### ECLs (Stage 1&2) and SPECIFIC RESERVES (Stage 3)

| € million | YE '19 | YE '20 | YE '21 | Q2 '22 |
|---|---|---|---|---|
| Stage 1 | 39 | 67 | 37 | 46 |
| Stage 2 | 17 | 64 | 102 | 104 |
| Stage 3 | 205 | 271 | 276 | 302 |
| **Total Reserves** | **262** | **402** | **414** | **452** |
| **Total Reserve Ratio %** | **0.94%** | **1.42%** | **1.34%** | **1.36%** |

**Key developments**

NPL ratio (excluding City of Linz) at 1.0%, cash coverage of 51%

Stage 1/2/3 asset split at pre-COVID levels

Total reserves of €452m (+9% vs. YE '21) … reserve ratio increased by 2bps to 1.36% vs. YE '21

Total ECL of €150m, of which €70m comprised of management overlay … closely monitoring overall environment over the coming quarters

City of Linz receivable fully provisioned through prudential filter in 2020 with no impact on capital distribution plans in worst-case scenario

# City of Linz overview

- Receivable of €254 million on balance sheet as of 30 June 2022
- Receivable fully provisioned in CET1 through prudential filter in 2020, i.e. no impact on capital regardless of outcome of lawsuit
- Future dividend payments will be based on a net **profit excluding CoL impact** in case of a further write down of the receivable becoming necessary
- Latest update from May ‘21: BAWAG filed appeal against second instance ruling … final decision of contractual validity being decided by the Austrian Supreme Court
- Decision of Supreme Court is only an interim decision regarding validity of contract … as basis for further litigation on the payment claims each party raised

## Scenario Analysis

for potential outcomes of interim decision of Supreme Court

| | Valid contract | Invalid contract |
|---|---|---|
| **Net profit** | Receivable remains valued @60% | (€254)m gross receivable, ~(€190)m net impact |
| **Dividend** | No impact | No impact[1)] |
| **CET1 Capital** | Up to +60bps increase of CET1 ratio | No impact |

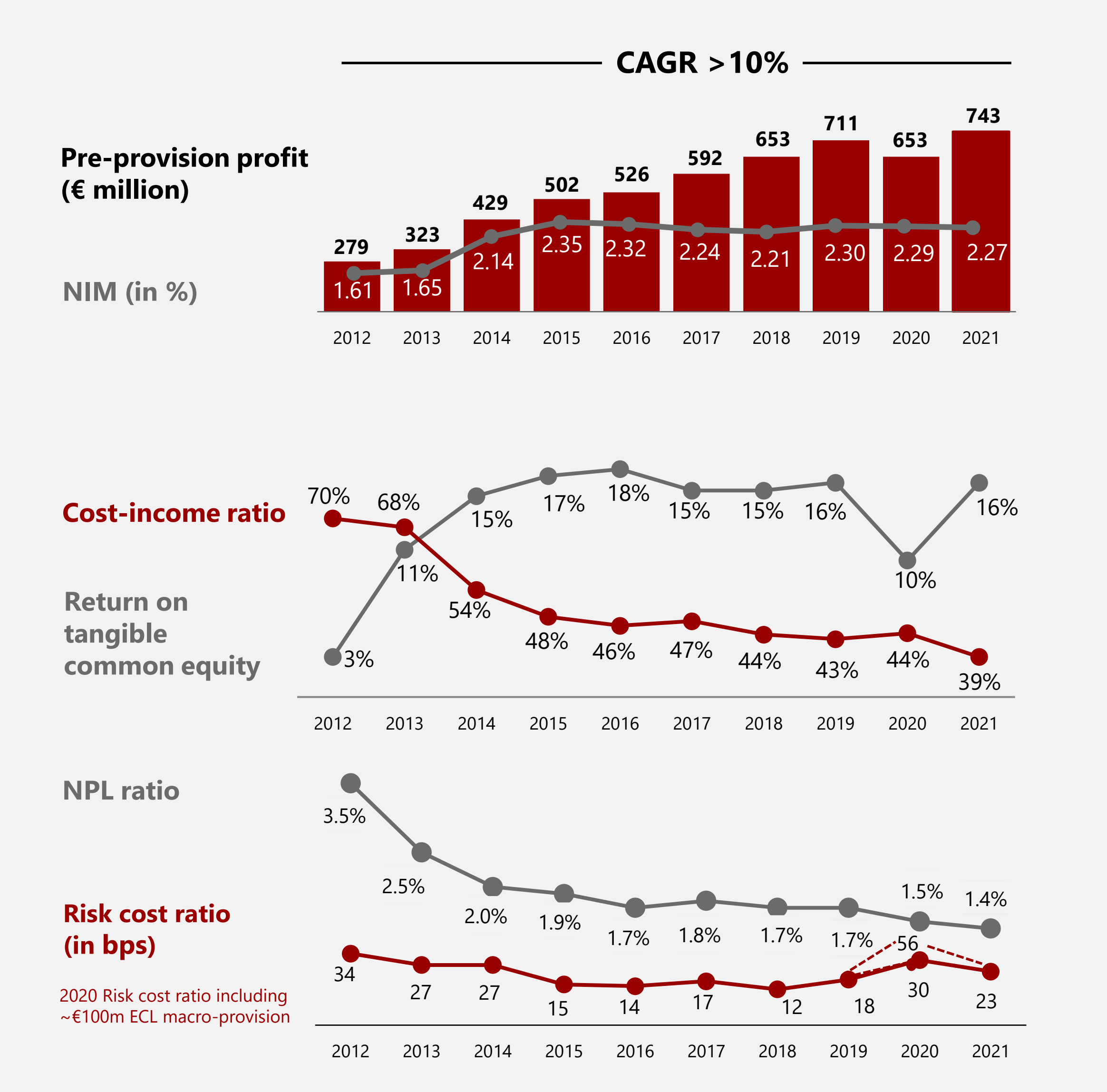
- Next step litigation on claims each party raised (i.e. damages in case of BAWAG)

1) Dividend payout will be based on net profit excluding a City of Linz case impact.

# BAWAG transformation over the past decade

## PRINCIPLES OF OUR TRANSFORMATION

- **FIRM CULTURE:** Our company values and culture are defined by accountability, meritocracy, and embracing change
- **SIMPLIFICATION:** We simplified our business model by focusing on core products, processes and technology
- **CORE MARKETS:** We focus on mature, developed and stable markets with strong macroeconomic fundamentals and reliable legal systems
- **RISK MANAGEMENT:** We focus on risk-adjusted returns, conservative-disciplined underwriting, and proactive risk management
- **CONSISTENT TECHNOLOGY INVESTMENT:** We believe that technology is a transformation enabler and competitive differentiator
- **DATA-DRIVEN:** We believe in constant measurement, data analysis, and being data driven in how we run the business



# The BAWAG culture

## Leadership & Embracing Change

- Actions speak louder than words
- We value integrity, character and work ethic
- Experienced Senior Leadership Team (SLT) that effectuated our transformation over the past decade … 79 members

**SLT has on average ~13 years**
working experience at BAWAG

## Accountability, Meritocracy & Inclusion

- Our greatest asset is our human capital
- Investing in developing and empowering our people
- Assessments are merit and character based

**~55% female hires**
over the last 5 years

**47 different nationalities**
working together at BAWAG

## OUR FOUNDATION

## Simple & Flat Organization

- Simplification and continuous improvement mindset
- Less hierarchy, less bureaucracy, less disjointed analysis
- Streamlined decision making, while also rooting out inefficiencies and silo-mindset

**Simplified banding structure**
across the group

## Management, both Fiduciaries & Shareholders

- Not only fiduciaries of the bank, we are also owners
- Incentives are directly tied to real Financial & ESG targets
- Focused on long-term franchise value creation

**3.3% shares owned by**
Senior Leadership Team (3.0% Management Board)

# Strategy focused on execution and continuous improvement

1 GROWTH IN CORE MARKETS FOCUSED ON SERVING OUR CUSTOMERS

**Core markets: Austria, Germany, Switzerland, Netherlands (DACH/NL region), Western Europe and the United States**

Criteria for core markets: Fiscal position (single A or better sovereign rating), legal infrastructure, and geopolitical environment

24/7 banking access through multi-channel and multi-brand commercial banking platform

Customer value proposition: "Providing simple, transparent and affordable financial products and services our customers need"

2 EFFICIENCY THROUGH OPERATIONAL EXCELLENCE

**Our DNA is to focus on the things we can control through "self-help" management**

Greater need to simplify business structure, products, processes, and technology

Technology is an enabler and differentiator

3 SAFE AND SECURE RISK PROFILE

**We believe in maintaining a fortress balance sheet through strong capital position, stable customer funding and low risk profile**

Conservative and disciplined underwriting in markets we understand with focus on secured lending

Proactively manage non-financial risks … no capital markets activities, no trading activities, no exposure to high risk AML markets

**ESG UNDERPINS OUR STRATEGY DRIVING RESPONSIBLE, SUSTAINABLE AND PROFITABLE GROWTH**

# M&A … Strategic Optionality

## M&A History since 2015

- 11 acquisitions closed
- One acquisition in US signed early 2022
- Acquisitions in following markets: Austria, Germany, Switzerland, Ireland, USA
- Added core retail products: leasing, factoring, credit cards, online brokerage

**Transformed businesses from RoTCE of ~3% to >15%+**

## M&A Targets & Underwriting criteria

### Markets

- Focus on core markets … DACH/NL region, Western Europe and United States

### Customer franchise

- Focus towards Retail & SME
- Bolt-on acquisitions
- Product factories
- Specialty finance
- Universal banks

### Efficiency

- Operational turn-around
- Run-off/wind-down businesses benefiting from our operational capabilities and BAWAG Group Advisory Platform

### Financials

- Underwrite to RoTCE >17%
- Solid balance sheet … no credit or compliance issues
- Pre-funded restructuring … underwrite deals to ensure P&L accretive day1

### Platforms

- Platforms and minority investments to support customer acquisition and asset originations

### Deal Size

- Open to all size deals that meet our target return thresholds and franchise enhancing

# M&A track record .. 11 acquisitions completed (since 2015 )

## EXPERIENCED WITH BOLT-ON ACQUISITIONS TO BUILD OUT CUSTOMER FRANCHISE

### 2015

VB LEASING[1)] LIKE IT. LEASE IT.

**€0.7 billion** ASSETS
**50K** customers
AUTO LEASING

### 2016

IMMO-BANK

**€1.6 billion** ASSETS
**5K** customers
HOUSING

start bausparkasse

**€2 billion** ASSETS
**440K** customers
BUILDING SOCIETY

### 2017

PayLife SIX

**1.7 million** CARDS
>**500K** customers
CARD ISSUING BUSINESS

SÜDWESTBANK

**€7.4 billion** ASSETS
**100K** customers
UNIVERSAL BANK

### 2018

Deutscher Ring Bausparkasse AG[2)]

**€0.5 billion** ASSETS
**85K** customers
BUILDING SOCIETY

### 2019

BFL DIE IT-FINANZIERER

**€0.6 billion** ASSETS
**50K** customers
IT & EQUIPMENT LEASING

Health AG[3)]
Zahnärztekasse AG

**€0.1 billion** ASSETS,
**€1 billion** FACTORING VOLUME
**3K** customers
FACTORING BUSINESS

### 2021

**DEPFA BANK PLC**

Signed deal to acquire
DEPFA bank plc
WIND-DOWN opportunity

**Hello bank! Austria**

Signed deal to acquire
Hello bank!
**80K** customers
RETAIL BROKERAGE BUSINESS

### 2022

**PEAK BANCORP INC**

Signed deal to acquire Peak Bancorp, holding company of Idaho First Bank in Feb 2022; Expected regulatory approval process up to one year

**10K** customers
COMMUNITY BANK

1) rebranded: easyleasing 2) rebranded: start:bausparkasse 3) rebranded: Health Coevo AG

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# Definitions

**B/S leverage**
Total assets / IFRS equity

**Book value per share**
Common equity (excluding AT1 capital, dividends and buyback of €325m (1.1.2022)) / number of shares outstanding

**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

**Customer Loans**
Loans to customers measured at amortized cost

**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

**Leverage ratio**
Tier 1 capital (including interim profit, dividend accruals buyback €325m (1.1.2022)/ 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 €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 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

**Notes:**

**Targets and forecast numbers**
Including share buyback in 2022; excluding any potential implications from City of Linz case