

# BAWAG GROUP REPORTS H1 2022 NET PROFIT OF € 245 MILLION, EPS € 2.74, AND ROTCE OF 17.5%

- ▶ Net profit of € 134 million, EPS of € 1.50 and RoTCE of 19.0% for Q2 '22
- ▶ Net profit of € 245 million, EPS of € 2.74 and RoTCE of 17.5% for H1 '22
- ▶ Pre-provision profit of € 418 million (+16% vPY) and CIR at 36.3%
- ▶ Risk costs of € 51 million ... continued to build up our ECL management overlay to € 70 million
- ▶ Share buyback of € 325 million approved and to start on July, 25
- ▶ CET1 ratio of 12.7% post-deduction of H1 '22 dividend accrual and approved share buyback of € 325 million
- ▶ 2022 targets reconfirmed: Profit before tax > € 675 million, RoTCE > 17%, and CIR < 38%
- ▶ Updating outlook for core revenue growth > 7% in 2022

**VIENNA, Austria – July 21, 2022** – BAWAG Group today released its results for the first half 2022, reporting a net profit of € 245 million, € 2.74 earnings per share, and a RoTCE of 17.5%.

The operating performance of our business was strong during the first half 2022 with pre-provision profits of € 418 million and a cost-income ratio of 36.3%. Total risk costs were € 51 million. Despite our record low NPL ratio of 1.4% (1.0% excluding City of Linz legal case) and robust credit performance across our business to-date, we decided to remain prudent in our provisioning given the current market environment and potential headwinds building up, increasing our management overlay provisions by € 9 million to a total of € 70 million.

Average customer loans were up 5% versus prior quarter and up 13% versus prior year. At the end of June 2022, the CET1 ratio was at 12.7%. We generated approximately 120 basis points of gross capital from earnings during the first six months 2022. The CET1 ratio already considers the deduction of a share buyback of € 325 million to be executed in 2022 as well as € 135 million dividend for the first half 2022 (based on our dividend policy).

**Anas Abuzaakouk**, CEO, commented: *“In the first half 2022 we delivered a strong set of results with net profit of € 245 million, EPS of € 2.74, an RoTCE of 17.5% and a cost-income ratio of 36.3%. Additionally, we remained prudent in our provisioning, increasing our management overlay by € 9 million during the first half, which currently stands at € 70 million, equal to almost one year of normalized risk costs. Our actions stem from an abundance of caution, which is the same prudence and conservatism that underpins how we've run our business over the past decade. We have a resilient business that will deliver results across all cycles with a strong earnings capacity, strong capital generation, solid asset quality, conservative and disciplined underwriting, and a retail deposit franchise that is the foundation of our funding.”*

## Delivering strong results in H1 2022

in € million	H1 2022	Change versus prior year
Core revenues	651	9%
Operating income	657	9%
Operating expenses	(239)	(2%)
<b>Pre-provision profit</b>	<b>418</b>	<b>16%</b>
Regulatory charges	(46)	(19%)
Risk costs	(51)	(5%)
<b>Profit before tax</b>	<b>323</b>	<b>28%</b>
<b>Net profit</b>	<b>245</b>	<b>27%</b>
RoTCE	17.5%	4.3pts
CIR	36.3%	(4.0pts)
EPS (€)	2.74	27%

**Core revenues** increased by 9% to € 651 million in the first half 2022. **Net interest income** rose by 7% to € 492 million driven by higher average customer loans. **Net fee and commission income** increased by 16% to € 159 million, driven by the contribution stemming from the acquisition of Hello bank! Austria in Q4 '21 and the ongoing recovery from decreased customer activity driven by the pandemic. While our advisory and brokerage business had a strong first quarter, it has been slightly impacted from the current market volatility experienced in Q2 '22. **Operating expenses** decreased by 2% as a result of multiple operational initiatives executed over the past two years, more than compensating significant inflationary pressures. The **cost-income ratio** decreased by 4.0 points to 36.3%. This resulted in a **pre-provision profit** of € 418 million, up 16% versus prior year.

The first half 2022 also included **regulatory charges** of € 46 million, down 19% versus prior year, reflecting recoveries from prior bank insolvencies, while the SRB contribution increased. The regulatory charges booked in the first half 2022 represent approximately 85% of the full-year charges that are expected to be required during 2022.

**Risk costs** were € 51 million in the first half 2022, a decrease of € 2 million, or 5%, compared to the previous year. While the underlying asset quality remains strong, we decided to remain prudent in our provisioning given the overall market environment. Therefore, we increased the ECL management overlay by € 9 million to € 70 million.

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 customer loan book is comprised of 73% exposure to the DACH/NL region (Germany, Austria, Switzerland, Netherlands) and 27% exposure to Western Europe and the United States. Our NPL ratio of 1.4% is one of the lowest across Europe (1.0% excluding the City of Linz receivable), with a conservative reserve ratio of 1.4% on customer loans, an increase of 42 basis points on pre-pandemic levels, despite a decreasing NPL ratio.

## Customer Business performance in H1 2022 versus H1 2021

Segment	PBT (in € million)	Net profit (in € million)	RoTCE	Cost-income ratio
Retail & SME	276 / +29%	207 / +29%	31.8%	34.3%
Corporates, Real Estate & Public Sector	107 / +32%	80 / +32%	18.1%	22.1%

## Outlook

In our outlook for 2022, we see full year core revenues growing by over 7% and operating expenses down by approximately 2%. We expect regulatory charges to be around € 55 million and total underlying risk costs amounting to approximately 20 basis points risk cost ratio. In addition we will continue to build up the management overlay. We are targeting a profit before tax over € 675 million. In terms of return targets, we target a RoTCE over 17% and a CIR under 38% in 2022.

Our 2022 outlook was updated as follows:

	2022 Outlook updated	2022 Outlook previous	2021
<b>Financial targets</b>			
Core revenues	>7%	>4%	€ 1,220 million
Operating expenses	~(2%)	~(2%)	€ 485 million
Regulatory charges	~ € 55 million	< € 50 million	€ 52 million
Risk cost ratio (underlying)	~20 basis points	~20 basis points	23 basis points
Profit before tax	> € 675 million	> € 675 million	€ 600 million
<b>Return targets</b>			
Return on tangible common equity	>17%	>17%	16.1%
Cost-income ratio	<38%	<38%	39.5%

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.

## About BAWAG Group

BAWAG Group AG is a publicly listed holding company headquartered in Vienna, Austria, serving 2.2 million retail, small business, corporate, real estate and public sector customers across Austria, Germany, Switzerland, Netherlands, Western Europe, and the United States. 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. Our goal is to deliver simple, transparent, and affordable financial products and services that our customers need.

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	Jan-Jun 2022	Jan-Jun 2021	Change	Change (%)
Net interest income	491.5	461.2	30.3	6.6
Net fee and commission income	159.2	137.8	21.4	15.5
<b>Core revenues</b>	<b>650.7</b>	<b>599.0</b>	<b>51.7</b>	<b>8.6</b>
Gains and losses on financial instruments and other operating income and expenses <sup>1)</sup>	6.1	4.6	1.4	31.5
<b>Operating income</b>	<b>656.8</b>	<b>603.6</b>	<b>53.2</b>	<b>8.8</b>
<b>Operating expenses<sup>1)</sup></b>	<b>(238.7)</b>	<b>(243.0)</b>	<b>4.3</b>	<b>(1.8)</b>
<b>Pre-provision profit</b>	<b>418.1</b>	<b>360.6</b>	<b>57.5</b>	<b>15.9</b>
Regulatory charges	(45.6)	(56.2)	10.6	(18.9)
<b>Operating profit</b>	<b>372.5</b>	<b>304.4</b>	<b>68.1</b>	<b>22.4</b>
Total risk costs	(50.6)	(53.1)	2.5	(4.7)
Share of the profit or loss of associates accounted for using the equity method	0.9	1.4	(0.5)	(35.7)
<b>Profit before tax</b>	<b>322.8</b>	<b>252.7</b>	<b>70.1</b>	<b>27.7</b>
Income taxes	(78.1)	(60.0)	(18.1)	30.2
<b>Profit after tax</b>	<b>244.7</b>	<b>192.7</b>	<b>52.0</b>	<b>27.0</b>
Non-controlling interests	(0.1)	0.1	(0.2)	-
<b>Net profit</b>	<b>244.6</b>	<b>192.8</b>	<b>51.8</b>	<b>26.9</b>

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 43.0 million for the first half 2022. The item Operating expenses includes regulatory charges in the amount of € 2.6 million for the first half 2022 as well. However, BAWAG Group's management considers regulatory charges as a separate expense. Accordingly, they are shown in a separate expense line in the Group Management Report.

## Total assets

in € million	Jun 2022	Dec 2021	Change (%)	Jun 2021	Change (%)
Cash reserves	735	1,894	(61.2)	944	(22.1)
Financial assets					-
Held for trading	194	257	(24.5)	284	(31.7)
Fair value through profit or loss	610	611	(0.2)	559	9.1
Fair value through OCI	2,851	3,754	(24.1)	4,384	(35.0)
At amortized cost	49,723	48,448	2.6	46,491	7.0
Customers	37,176	34,963	6.3	32,487	14.4
Debt instruments	2,653	2,319	14.4	1,960	35.4
Credit institutions	9,894	11,166	(11.4)	12,044	(17.9)
Valuation adjustment on interest rate risk hedged portfolios	(461)	(94)	(100)	(58)	(100)
Hedging derivatives	95	178	(46.6)	237	(59.9)
Tangible non-current assets	377	394	(4.3)	378	(0.3)
Intangible non-current assets	531	535	(0.7)	539	(1.5)
Tax assets for current taxes	26	20	30.0	8	>100
Tax assets for deferred taxes	14	10	40.0	5	>100
Other assets	334	318	5.0	288	16.0
Non-current assets held for sale	-	-	-	73	(100)
<b>Total assets</b>	<b>55,029</b>	<b>56,325</b>	<b>(2.3)</b>	<b>54,132</b>	<b>1.7</b>

### Total liabilities and equity

in € million	Jun 2022	Dec 2021	Change (%)	Jun 2021	Change (%)
Total liabilities	50,743	51,947	(2.3)	49,638	2.2
Financial liabilities					-
Fair value through profit or loss	214	234	(8.5)	191	12.0
Held for trading	611	301	>100	237	>100
At amortized cost	48,474	49,666	(2.4)	47,485	2.1
Customers	33,524	35,148	(4.6)	33,013	1.5
Issued securities	7,744	7,157	8.2	6,979	11.0
Credit institutions	7,206	7,361	(2.1)	7,493	(3.8)
Financial liabilities associated with transferred assets	391	-	>100	-	>100
Valuation adjustment on interest rate risk hedged portfolios	(468)	165	-	262	-
Hedging derivatives	263	107	>100	90	>100
Provisions	304	382	(20.4)	398	(23.6)
Tax liabilities for current taxes	68	131	(48.1)	89	(23.6)
Tax liabilities for deferred taxes	74	93	(20.4)	116	(36.2)
Other obligations	812	868	(6.5)	770	5.5
Total equity	4,286	4,378	(2.1)	4,494	(4.6)
Common equity	3,810	3,902	(2.4)	4,019	(5.2)
AT1 capital	471	471	-	471	-
Non-controlling interests	5	5	-	4	25.0
Total liabilities and equity	55,029	56,325	(2.3)	54,132	1.7