BAWAG GROUP REPORTS FY 2020 NET PROFIT OF € 284 MILLION, EPS € 3.19, AND ROTCE OF 10.2%; € 460 MILLION OF DIVIDENDS EARMARKED FOR 2019 AND 2020

- **Net profit of € 284 million, EPS of € 3.19 and RoTCE of 10.2% for FY '20**
- **Risk costs of € 225 million, of which approximately € 100 million ECL reserves and management overlays; conservative provisioning with no ECL releases, while payment holidays currently under 1%**
- **CET1 ratio of 14.0% post-deduction of earmarked dividends**
- **Earmarked € 460 million dividend payments for 2019 and 2020 … € 40 million down payment in Q1 '21, in line with ECB recommendation, and remaining € 420 million in Q4 '21 subject to shareholder and regulatory approvals**
- **Targeting RoTCE >13% and CIR of <41% for FY '21 with mid-term targets of RoTCE >15% and CIR <40% in a normalized environment**

VIENNA, Austria – February 09, 2021 – BAWAG Group today released its preliminary results for the financial year 2020, reporting a net profit of € 284 million, € 3.19 earnings per share, and a RoTCE of 10.2%. For the fourth quarter 2020 BAWAG Group reported net profit of € 83 million, earnings per share of € 0.93 and a RoTCE of 11.5%.

The underlying operating performance of our business remained solid during 2020 with pre-provision profits of € 653 million and a cost-income ratio of 44%. Total risk costs were € 225 million, of which approximately € 100 million were tied to overlays and strengthening of ECL reserves. Management overlay in excess of modeled reserves of € 38 million of the € 100 million is due to our decision to apply the ECB Euro area's most adverse economic scenario of -12.6% GDP decline in 2020 (published in June). This assumption was overly pessimistic as the actual GDP decline for 2020 was 7%. Management decided not to release any reserves based on this and to maintain surplus as management overlay given the continued economic uncertainty.

While customer payment deferrals in our Retail & SME business decreased to 1.2% of the portfolio by year-end 2020 and to 0.2% in our Corporates & Public business, we remain cautious given the uncertainty over the coming months. As of February 05, 2021, payment holidays continued to improve and stood at 0.6% across our Retail & SME business and 0.1% across our Corporate & Public business.

The Bank's capital position remained strong, with a CET1 ratio of 16.3% prior to any deduction of dividends, up 190 basis points versus 2019. Considering earmarked dividends of € 460 million, the CET1 ratio stood at 14.0% at the end of 2020. Based on BAWAG Group's dividend policy to generally pay out 50% of net profits, 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. Given the most recent ECB recommendation from December 2020, a down payment of € 40 million on the total € 460 million earmarked dividend will be proposed to the extraordinary general meeting in Q1 '21, with the remaining € 420 million dividend to be paid in the fourth quarter 2021, subject to shareholder and regulatory approvals. The extraordinary general meeting which will decide on the down payment of € 40 million will take place on March 3, 2021, while the ordinary annual general meeting in which the remaining € 420 million will be resolved upon will be postponed to H2 '21.

"2020 was a year like no other and will redefine many aspects of our lives. The COVID-19 global health crisis triggered significant market volatility and unprecedented amounts of fiscal and monetary support from governments and central banks across the globe. Given our transformation since 2012, we were able to deliver a 10% RoTCE in a year with the worst economic decline on record and are confident our business will rebound to pre-COVID-19 mid-teens return levels sooner versus later. Our solid operating performance was a result of having transformed our business over the years and entering into the crisis as one of the most efficient banking platforms. This allowed us to offset COVID-19 related headwinds and generate pre-provision profits of € 653 million, net profit of € 284 million, EPS of € 3.19, and an RoTCE of 10%. This past year was a true testament to the quality of our franchise, people and strategy.

A return to a more normal operating environment will clearly depend on the effectiveness of vaccination programs and continued scientific innovation to solve this health crisis. However, the experiences and lessons learned this past year will further redefine our business as we look to the future. 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.

I want to thank our employees, whose efforts this past year in supporting our customers and local communities, reflects the best of the banking community. As a sign of recognition for their extraordinary commitment during these challenging times, we have paid a special bonus of € 300 to all employees", commented Chief Executive Officer **Anas Abuzaakouk**.

Delivering solid operating performance in 2020

Core revenues increased by 1% to € 1,171 million in 2020 despite the impact from lockdown measures and related changes in the operating environment. **Net interest income** rose by 4% to € 916 million driven by higher interest-bearing assets. **Net fee and commission income** decreased by 10% to € 255 million. While all branches remained open during the pandemic, the lockdown measures and the COVID-19 related changes in the business environment, such as significantly reduced travel and subdued consumer expenditures, resulted in less transaction and advisory business, with the second quarter representing a trough of activity. **Core operating expenses** decreased by 6% as a result of ongoing efficiency measures, however we booked a restructuring charge of approximately € 22 million in the fourth quarter to accelerate new efficiency and productivity measures. The **cost-income ratio** increased by 1.6 points to 44.3%. This resulted in a **pre-provision profit** of € 653 million, down 8% versus prior year.

2020 also included **regulatory charges** of € 59 million, which contains an additional deposit insurance charge of approximately € 12 million related to the Commerzialbank fraud in Austria. This charge represents an additional 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 € 225 million in 2020, an increase of € 155 million, or 224% compared to 2019. To address the deteriorating macroeconomic environment as well prudently provision against further adverse economic developments related to COVID-19, we booked approximately € 100 million ECL and general reserves, of which € 38 million management overlay, based on most severe macro forecast for 2020 of a 12.6% GDP decline across the entire Euro area. By year-end 2020, payment deferrals reduced to 1.2% in our Retail & SME business (from a high of 6.8% in June) and to 0.2% in our Corporates & Public business (from a high of 0.9% in June). However, we remain cautious and will act in a prudent manner given the new lockdowns and overall economic uncertainty in the coming months. Additionally, we took specific provisions to address specific exposures in our Corporates business.

BAWAG Group ended 2020 with a **CET1 ratio** of 16.3% (December 2019: 14.4%) prior to any deduction of dividends. Considering the earmarked dividends of € 460 million, BAWAG Group's year-end 2020 CET1 ratio resulted in 14.0% (December 2019: 13.3%). Given the most recent ECB recommendation from December 2020, a down payment of € 40 million on the total € 460 million earmarked dividend will be proposed to the extraordinary general meeting in Q1 '21, with the remaining € 420 million dividend to be paid in the fourth quarter 2021, subject to shareholder and regulatory approvals.

During 2020 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 2020. 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 of the business. Our year-end CET1 ratio of 14.0% (post dividend) also represents an additional € 360 million of excess capital versus our CET1 target of 12.25%. Our CET1 target of 12.25% represents an MDA buffer of 312 basis points, or € 620 million, versus our SREP of 9.13% (minimum regulatory capital requirement). In total, this represents approximately 490 basis points, or € 980 million of CET1 capital, between our 14% CET1 ratio (post-dividends) and our 9.13% SREP.

Customer loans increased by 5% compared to December 2019. The overall customer loan book continued to be comprised of approximately 75% exposure to the DACH/NL region (Germany, Austria, Switzerland, the Netherlands) 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 developed 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. Additionally, the Bank has a short-term liquidity buffer of € 10.3 billion as of December 2020, including other marketable securities, the buffer increases to € 13.7 billion.

Customer Business performance in FY 2020 versus FY 2019

Segment	PBT (in € million)	Net profit (in € million)	RoTCE	Cost-income ratio
Retail & SME	374 / (5%)	281 / (5%)	22.4%	40.4%
Corporates & Public	107 / (44%)	80 / (44%)	9.3%	29.0%

Retail & SME delivered a profit before tax of € 374 million, down 5% versus 2019. The decrease relates to an increase in risk costs, applying prudent and conservative provisioning. Pre-provision profit increased to € 532 million, up 7% 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. While responding in real-time to our customer needs during the crisis, we continued to execute on our strategic initiatives. We completed an important step in the simplification of the Group by consolidating our domestic and International Retail & SME businesses, focusing on building out a multi-channel and multi-brand retail & SME customer franchise providing simple, straightforward and reliable financial products and services. We continued executing on our various operational and strategic initiatives to drive greater growth and efficiency across the Retail & SME franchise, building a strong front-end sales organization across key products and channels, leveraging central functions in order to provide customers with a seamless experience, and continuing to drive synergies across the Group. Overall, we saw customers acting out of an abundance of caution and retail customer activity impacted by the various lockdowns put in place. This has impacted consumer loan demand and depressed consumer spending levels; however, we are hopeful that we will see a gradual resumption of activity in 2021 and expect to see more normalized levels during the second half of the year.

Corporates & Public contributed a profit before tax of € 107 million in 2020, down 44% versus the previous year. Risk costs in 2020 were € 80 million, of which € 49 million specific reserves primarily related to residual oil & gas exposures that have been written-off. 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 and targets

Apart from continued industry-specific challenges, the outbreak of COVID-19 in 2020 led to severe economic disruptions in 2020 and will continue to impact economic activity in 2021. However, the governments in the DACH/NL region, Western Europe and the United States have gone to great lengths to support their economies and have put in place extensive stimulus packages and support measures to support their economies. Current forecasts expect the economies of the countries we operate in to recover during 2021, but a great deal will depend on the timing, effectiveness and wide-scale distribution of COVID-19 vaccines.

We expect a gradual improvement in 2021 and hope this year is a stepping-stone to our mid-term targets in a normalized environment. We delivered 10% RoTCE in a severely stressed economic environment, fortified our balance sheet, and took a very conservative approach to provisioning. We anticipate a subdued economic activity from imposed lockdowns during H1 '21, followed by a normalized environment in H2 '21.

In our outlook for 2021, we see core revenues growing approximately 2%, operating expenses below € 485 million and a significant reduction of > 40% in risk costs - given € 100 million ECL and general reserves, of which € 38 million management overlay, were taken in 2020 as well as de-minimis active payment holidays and the overall improving economic outlook we anticipate during the second half of the year.

Our targets are as follows:

Targets	2021	Medium term
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. Based on BAWAG Group's dividend policy to generally pay out 50% of net profits, 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. Given the most recent ECB recommendation from December 2020, a down payment of € 40 million on the total € 460 million earmarked dividend will be proposed to the extraordinary general meeting during the first quarter 2021, with the remaining € 420 million dividend to be paid in the fourth quarter 2021, subject to shareholder and regulatory approvals. The extraordinary general meeting, which will decide on the down payment € 40 million, will take place on March 3, 2021.

The ordinary annual general meeting, in which the remaining € 420 million will be resolved upon, will be postponed to H2 ‘21.

Our solid operating performance, in a significantly challenged macroeconomic environment this past year, was a true testament to the resilience of BAWAG Group’s franchise and strategic focus. We will continue to maintain our low-risk strategy focused on the DACH/NL region and developed markets, providing our customers with simple, straightforward and reliable financial products and services that address our customers’ needs.

The preliminary financials for FY 2020 are unaudited.

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.

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Profit or loss statement

in € million	2020	2019	Change	Change (%)
Interest income	1,113.7	1,154.1	(40.4)	(3.5)
Interest expense	(200.2)	(278.7)	78.5	(28.2)
Dividend income	2.8	3.6	(0.8)	(22.2)
Net interest income	**916.3**	**879.0**	**37.3**	**4.2**
Fee and commission income	329.1	374.7	(45.6)	(12.2)
Fee and commission expenses	(74.3)	(91.2)	16.9	(18.5)
Net fee and commission income	**254.8**	**283.5**	**(28.7)**	**(10.1)**
Core revenues	**1,171.1**	**1,162.5**	**8.6**	**0.7**
Gains and losses on financial instruments and other operating income and expenses[1)]	1.2	78.0	(76.8)	(98.5)
Operating income	**1,172.3**	**1,240.5**	**(68.2)**	**(5.5)**
Operating expenses[1)]	**(519.7)**	**(529.7)**	**10.0**	**(1.9)**
Pre-provision profit	**652.6**	**710.8**	**(58.2)**	**(8.2)**
Regulatory charges	(59.2)	(42.4)	(16.8)	39.6
Operating profit	**593.4**	**668.4**	**(75.0)**	**(11.2)**
Total risk costs	(224.6)	(69.3)	(155.3)	>100
Share of the profit or loss of associates accounted for using the equity method	1.1	5.2	(4.1)	(78.8)
Profit before tax	**369.9**	**604.3**	**(234.4)**	**(38.8)**
Income taxes	(85.4)	(145.0)	59.6	(41.1)
Profit after tax	**284.5**	**459.3**	**(174.8)**	**(38.1)**
Non-controlling interests	(0.3)	(0.2)	(0.1)	(50.0)
Net profit	**284.2**	**459.1**	**(174.9)**	**(38.1)**

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 54.8 million for 2020. The item Operating expenses includes regulatory charges in the amount of € 4.4 million for 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	2020	2019	Change	Change (%)
Cash reserves	1,032	1,424	(392)	(27.5)
Financial assets				
Held for trading	441	353	88	24.9
Fair value through profit or loss	693	740	(47)	(6.4)
Fair value through OCI	4,830	3,631	1,199	33.0
At amortized cost	44,153	37,556	6,597	17.6
Customers	32,004	30,467	1,537	5.0
Debt instruments	2,260	1,369	891	65.1
Credit institutions	9,889	5,720	4,169	72.9
Valuation adjustment on interest rate risk hedged portfolios	24	5	19	>100
Hedging derivatives	405	397	8	2.0
Tangible non-current assets	474	707	(233)	(33.0)
Intangible non-current assets	552	569	(17)	(3.0)
Tax assets for current taxes	9	15	(6)	(40.0)
Tax assets for deferred taxes	9	8	1	12.5
Other assets	370	257	113	44.0
Non-current assets held for sale	135	-	-	-
Total assets	**53,128**	**45,662**	**7,466**	**16.4**

Total liabilities and equity

in € million	2020	2019	Change	Change (%)
Total liabilities	**48,770**	**41,834**	**6,936**	**16.6**
Financial liabilities				
Fair value through profit or loss	324	369	(45)	(12.2)
Held for trading	422	334	88	26.3
At amortized cost	46,088	38,543	7,545	19.6
Customers	32,409	30,378	2,031	6.7
Issued securities	6,157	5,080	1,077	21.2
Credit institutions	7,522	3,085	4,437	>100
Financial liabilities associated with transferred assets	97	729	(632)	(86.7)
Valuation adjustment on interest rate risk hedged portfolios	358	337	21	6.2
Hedging derivatives	62	116	(54)	(46.6)
Provisions	425	480	(55)	(11.5)
Tax liabilities for current taxes	45	34	11	32.4
Tax liabilities for deferred taxes	112	54	58	>100
Other obligations	837	838	(1)	(0.1)
Total equity	**4,358**	**3,828**	**530**	**13.8**
Common equity	3,883	3,527	356	10.1
AT1 capital	471	297	174	58.6
Non-controlling interests	4	4	0	0.0
Total liabilities and equity	**53,128**	**45,662**	**7,466**	**16.4**

BAWAG Group

Business segment performance

2020 in € million	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	664.1	236.1	56.1	(40.0)	916.3
Net fee and commission income	218.6	38.9	0.1	(2.8)	254.8
Core revenues	**882.7**	**275.1**	**56.3**	**(43.0)**	**1,171.1**
Gains and losses on financial instruments	7.5	1.9	18.2	(56.4)	(28.8)
Other operating income and expenses	2.7	0.0	0.0	27.3	30.0
Operating income	**892.9**	**276.9**	**74.5**	**(72.0)**	**1,172.3**
Operating expenses	**(360.8)**	**(80.4)**	**(30.1)**	**(48.4)**	**(519.7)**
Pre-provision profit	**532.2**	**196.5**	**44.4**	**(120.5)**	**652.6**
Regulatory charges	(31.4)	(9.3)	(6.7)	(11.8)	(59.2)
Total risk costs	(126.3)	(80.1)	(1.8)	(16.4)	(224.6)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	1.1	1.1
Profit before tax	**374.4**	**107.1**	**35.9**	**(147.5)**	**369.9**
Income taxes	(93.6)	(26.8)	(9.0)	44.0	(85.4)
Profit after tax	**280.8**	**80.3**	**26.9**	**(103.5)**	**284.5**
Non-controlling interests	–	–	–	(0.3)	(0.3)
Net profit	**280.8**	**80.3**	**26.9**	**(103.8)**	**284.2**
Business volumes					
Assets	19,246	13,913	17,451	2,518	53,128
Liabilities	30,089	12,950	3,840	6,249	53,128
Risk-weighted assets	8,029	7,431	2,579	2,061	20,100

2019 in € million	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	626.0	249.1	43.7	(39.8)	879.0
Net fee and commission income	242.2	43.0	0.4	(2.1)	283.5
Core revenues	**868.3**	**292.1**	**44.1**	**(42.0)**	**1,162.5**
Gains and losses on financial instruments	0.1	0.2	100.7	(30.3)	70.7
Other operating income and expenses	2.4	0.0	0.0	4.9	7.3
Operating income	**870.8**	**292.3**	**144.8**	**(67.4)**	**1,240.5**
Operating expenses	**(372.9)**	**(100.1)**	**(32.0)**	**(24.7)**	**(529.7)**
Pre-provision profit	**497.9**	**192.2**	**112.8**	**(92.1)**	**710.8**
Regulatory charges	(27.0)	(10.0)	(5.4)	0.0	(42.4)
Total risk costs	(76.3)	7.6	1.7	(2.3)	(69.3)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	5.2	5.2
Profit before tax	**394.6**	**189.8**	**109.3**	**(89.4)**	**604.3**
Income taxes	(98.6)	(47.5)	(27.3)	28.4	(145.0)
Profit after tax	**295.9**	**142.4**	**82.1**	**(61.1)**	**459.3**
Non-controlling interests	–	–	–	(0.2)	(0.2)
Net profit	**295.9**	**142.4**	**82.1**	**(61.3)**	**459.1**
Business volumes					
Assets	18,155	13,141	10,074	4,292	45,662
Liabilities	28,097	7,118	4,483	5,964	45,662
Risk-weighted assets	8,623	7,932	1,616	2,214	20,385