BAWAG GROUP REPORTS FY 2021 NET PROFIT OF € 480 MILLION, EPS € 5.39, AND ROTCE OF 16.1%

- **Net profit of € 480 million, EPS of € 5.39 and RoTCE of 16.1% for FY '21**
- **Pre-provision profit of € 743 million (+14% vPY) and CIR at 39.5%**
- **Risk costs of € 95 million … maintaining a management overlay of € 61 million**
- **CET1 ratio of 15.0% post-deduction of 2021 dividends**
- **Proposing € 3.00 DPS (€ 267 million dividend) for 2021 to Annual General Meeting on 28 March 2022**
- **Share buyback of up to € 425 million planned in 2022, subject to regulatory approvals**
- **All 2021 targets outperformed as we continue to execute on our strategy**
- **2022 targets: Profit before tax > € 675 million, RoTCE > 17%, and CIR < 38%**

VIENNA, Austria – March 01, 2022 – BAWAG Group today released its results for the financial year 2021, reporting a net profit of € 480 million, € 5.39 earnings per share, and a RoTCE of 16.1%. For the fourth quarter 2021 BAWAG Group reported net profit of € 164 million, earnings per share of € 1.84 and a RoTCE of 21.3%.

The underlying operating performance of our business was strong during 2021 with pre-provision profits of € 743 million and a cost-income ratio of 39.5%. Total risk costs returned to more normalized levels of € 95 million, while maintaining a management overlay of € 61 million to ensure adequate provisioning in light of the overall economic uncertainty. We saw a continued positive development across our customer base during 2021, in particular observing payment holidays falling to 0.1% across all customer loans.

In terms of loan growth and capital, we grew average customer loans by 9% across our businesses in 2021. We continued to accrete CET1 capital, generating approximately 230 basis points of gross capital. As of year-end 2021, our CET1 ratio was 15.0%, up 100 basis points versus 2020. This already considers the deduction of a dividend of € 3.00 per share, or € 267 million, which will be proposed to the AGM on 28 March 2022.

In line with our capital management framework to distribute excess capital to our shareholders, we are targeting a share buyback in 2022 of up to € 425 million, subject to regulatory approvals. After deducting the proposed buyback of up to € 425 million, we would land at a CET1 ratio of 12.85%, or 60 basis points above our stated target, providing sufficient dry powder for bolt-on acquisitions and further organic growth outside of what we've already planned this year. We also changed our dividend policy to accrue for 55% of net profits going forward, an increase from prior years.

Anas Abuzaakouk, CEO, commented on the financial results and continued business transformation: *"2021 was an incredible year for BAWAG Group. We delivered record net profit of € 480 million, EPS of € 5.39, a return on tangible common equity of 16.1% and a cost-income ratio of 39.5%. I want to thank our customers for placing their trust in us, our shareholders for their continued support and our team members for their commitment and execution. As we entered the second year of the pandemic, we knew we had to continue to transform our business. This was not merely a reaction to the pandemic, but a result of changing customer behaviors and expectations of our stakeholders over the years. Our business transformation is about maintaining a best-in-class franchise while meeting the challenges of the future. This means a more dynamic engagement with customers, greater adoption of technology, reassessing the traditional job and how we work, building a diverse and inclusive team, and defining how we can play a positive role in addressing societal challenges."*

Commenting on recent events, **Abuzaakouk** continued: *"During the fourth quarter of 2021 and the start of 2022 we have witnessed greater market volatility driven by significant inflationary pressures and geopolitical conflict, requiring us to be even more vigilant in how we manage these risks. The resilience of our franchise lies in our ability to deliver results across all cycles. Our thoughts and prayers are with all those who have been impacted in Ukraine and we pray that the sanctity of life will be preserved in this unjust war and wherever we see an assault on democracy."*

Delivering record results in 2021

In € million	FY 2021	Change versus prior year
Core revenues	1,220	4%
Operating income	1,229	5%
Operating expenses	(485)	(7%)
Pre-provision profit	**743**	**14%**
Regulatory charges	(52)	(13%)
Risk costs	(95)	(58%)
Profit before tax	**600**	**62%**
Net profit	**480**	**68%**
RoTCE	16.1%	5.1pts
CIR	39.5%	(4.8pts)
EPS (€)	5.39	68%

Core revenues increased by 4% to € 1,220 million in 2021. **Net interest income** rose by 3% to € 938 million driven by higher average customer loans and the full-year TLTRO contribution. **Net fee and commission income** increased by 11% to € 282 million, mainly driven by the advisory business, but still impacted by the COVID-19 restrictions. **Operating expenses** decreased by 7% as a result of multiple operational initiatives. The **cost-income ratio** decreased by 4.8 points to 39.5%. This resulted in a **pre-provision profit** of € 743 million, up 14% versus prior year.

2021 also included **regulatory charges** of € 52 million, down 13% versus prior year, reflecting steady covered deposits in the deposit guarantee scheme and recoveries from prior bank insolvencies.

Risk costs were € 95 million in 2021, a decrease of € 130 million, or 58%, compared to the previous year. 2020 risk costs included an additional reserve of approximately € 65 million which was taken to address COVID-19-related effects. Payment deferrals across all businesses came down further during 2021 to 0.1%. BAWAG Group had ECL provisions of € 139 million, of which € 60.5 million was the result of a management overlay to ensure adequate provisioning in light of future economic uncertainty.

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. We don't have direct exposure to Russia or Ukraine and no relevant exposure to CEE countries, as we focus on developed and mature markets. Our NPL ratio of 1.4% is one of the lowest across Europe (1.0% excluding the City of Linz receivable), and a conservative reserve ratio of 1.3% on customer loans, an increase of 40 basis points on pre-pandemic levels, despite a decreasing NPL ratio.

Customer Business performance in FY 2021 versus FY 2020

Segment	PBT (in € million)	Net profit (in € million)	RoTCE	Cost-income ratio
Retail & SME	484 / +29%	363 / +29%	27.4%	38.4%
Corporates, Real Estate & Public Sector	203 / +90%	153 / +90%	16.5%	22.2%

Retail & SME delivered a net profit of € 363 million, up 29% versus 2020, generating a strong return on tangible common equity of 27% and cost-income ratio of 38%. Average assets increased by 9% versus prior year, driven by growth in housing and consumer loans across our core markets. Pre-provision profits were € 565 million, up 6% compared to the prior year, with operating income up 3% although we still saw customer activity impacted by restrictions due to COVID in selected business lines. Operating expenses were down 3%, resulting from prior year operational initiatives with a continued focus on driving synergies across our various channels and products. Risk costs were € 60 million, reflecting a gradual normalization of risk costs. The trend in asset quality continues to improve across our customer base, with payment holidays below 0.2% as of the end of 2021 and customer payment rate of 90% on all expired deferrals with an average of 15-months. The NPL ratio was flat year-over-year at 1.9% across the Retail & SME business.

We continue to execute on our long-term strategy centered around our 2.2 million customers, ensuring the best products and services are offered in the most efficient and simple manner. Our simplified operating model and focus on efficiency provides a cost advantage, enabling us to compete in low-risk but highly competitive markets and invest more to the benefit of both customers and shareholders. Customer behavior has been returning to normal pre-crisis levels in line with the wider economy, which we expect to continue through 2022. While this pandemic has changed us forever, our promise to our customers remains the same – providing simple, transparent and reliable financial products and services they need.

Corporates, Real Estate & Public Sector business delivered net profit of € 153 million, up 90% versus the prior year and generating a solid return on tangible common equity of 16.5% and a cost-income ratio of 22.2%. Average assets increased by 2% versus prior year. Pre-provision profits were € 243 million, up 24% compared to the prior year. Risks costs were € 29 million, down 64%. The trend in asset quality continued to improve across the portfolio with the NPL ratio down 40 basis points to 0.8%.

We continue to see a solid lending pipeline with diversified opportunities in 2022. However, competition for defensive, high-quality assets continues to remain high. Our focus will be maintaining our disciplined and conservative underwriting and focusing on risk-adjusted returns without ever chasing blind volume growth. We anticipate this year will bring greater volatility as central banks across our core markets begin a process of increasing interest rates and unwinding their balance sheets after years of quantitative easing. There are both risks and opportunities in this process, but we are cautiously optimistic that this will bring back greater discipline into the credit markets with a general repricing of risk.

Outlook and targets

During the fourth quarter of 2021 and the start of 2022 we have witnessed greater market volatility. This will most likely be a constant as central banks across the globe begin raising interest rates and unwinding their balance sheets to address significant inflationary pressures. No company will be immune from these developments. This is coupled with intensifying geopolitical, climate, and health risks translating to greater volatility, which require us to be more vigilant in how we manage these risks. However, the resilience of our franchise lies in our ability to deliver results across all cycles as we are built for all seasons. The benefits of creating a scalable and efficient banking platform that can deliver positive operating leverage are more evident today than ever. In the past this allowed us to deliver mid-teen returns in a deflationary negative interest rate environment defined by subdued growth and a benign credit environment. We believe this will change course with rising interest rates, significant inflationary headwinds, and the repricing of risk. Going forward we will be able to demonstrate continued positive operating leverage as we see greater revenue growth opportunities while continuing to reduce costs. Our approach is consistent, focus on the things that we can control, be a disciplined lender, maintain a conservative risk appetite, and only pursue profitable growth.

In our outlook for 2022, we see full year core revenues growing by over 4% and operating expenses down by approximately 2%. We expect regulatory charges to be below € 50 million and total risk costs amounting to approximately 20 basis points risk cost ratio, without the benefit of any reserve releases. 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 targets are as follows:

Financial targets	2022 Outlook	2021
Core revenues	>4%	€ 1,220 million
Operating expenses	~(2%)	€ 485 million
Regulatory charges	< € 50 million	€ 52 million
Risk cost ratio	~20 basis points	23 basis points
Profit before tax	> € 675 million	€ 600 million

Return targets	2022 Outlook	2021
Return on tangible common equity	>17%	16.1%
Cost-income ratio	<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.

At our investor day in September 2021, we presented our new 4-year Plan:

Financial targets			2025
Profit before tax			>€ 750 million
Earnings per share			>€ 7.25
Dividend per share			>€ 4.00

Return targets			2022 & beyond
Return on tangible common equity			>17%
Cost/Income ratio			<38%

ESG targets		Baseline 2020	2025
CO2 emissions (own scope 1&2 emissions)		~3,200tCO_2	>50% reduction
Women quota - Supervisory Board - Senior Leadership Team		 17% 15%	 33% 33%
Green lending new business		€ 0.8 billion	>€ 1.6 billion

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.

In terms of capital distribution, we will increase the dividend payout ratio to 55% starting from financial year 2022, resulting in a targeted dividend distribution of ~€ 1.4 billion for the financial years 2021 through 2025. In line with our capital management framework to distribute excess capital to our shareholders, we are targeting a share buyback in 2022 of up to € 425 million, subject to regulatory approvals. Additional capital through 2025 of ~€ 0.8 billion will be allocated to business growth, M&A, and/or share buybacks and special dividends, subject to our routine annual assessment.

The Management Board deducted dividends of € 267 million, or € 3.00 per share, from CET1 capital at the end of 2021, which will be proposed to the Annual General Meeting on 28 March 2022.

Our strong operating performance during the pandemic so far 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, Western Europe and the United States, providing simple, transparent and affordable financial products and services that our customers need.

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	2021	2020	Change	Change (%)
Net interest income	**938.3**	**915.4**	**22.9**	**2.5**
Net fee and commission income	**282.1**	**254.8**	**27.3**	**10.7**
Core revenues	**1,220.4**	**1,170.3**	**50.1**	**4.3**
Gains and losses on financial instruments and other operating income and expenses[1)]	8.1	3.4	4.7	>100
Operating income	**1,228.5**	**1,173.7**	**54.8**	**4.7**
Operating expenses[1)]	**(485.3)**	**(519.7)**	**34.4**	**(6.6)**
Pre-provision profit	**743.2**	**653.9**	**89.3**	**13.7**
Regulatory charges	(51.6)	(59.2)	7.6	(12.8)
Operating profit	**691.6**	**594.8**	**96.8**	**16.3**
Total risk costs	(95.0)	(224.6)	129.6	(57.7)
Share of the profit or loss of associates accounted for using the equity method	3.8	1.1	2.7	>100
Profit before tax	**600.4**	**371.2**	**229.2**	**61.7**
Income taxes	(120.4)	(85.7)	(34.7)	40.5
Profit after tax	**480.0**	**285.5**	**194.5**	**68.1**
Non-controlling interests	(0.1)	(0.3)	0.2	(66.7)
Net profit	**479.9**	**285.2**	**194.7**	**68.3**

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 46.7 million for 2021. The item Operating expenses includes regulatory charges in the amount of € 4.9 million for 2021 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. In addition, 2021 other operating expenses in IFRS includes a non-recurring event amounting to € 29.4 million for regulatory charges relating to an extraordinary contribution to the Deposit Guarantee Scheme following the exit of Raiffeisen Banking Group.

Total assets

in € million	2021	2020	Change	Change (%)
Cash reserves	1,894	907	987	>100
Financial assets				
Held for trading	257	441	(184)	(41.7)
Fair value through profit or loss	611	693	(82)	(11.8)
Fair value through OCI	3,754	4,343	(589)	(13.6)
At amortized cost	48,448	44,759	3,689	8.2
Customers	34,963	32,129	2,834	8.8
Debt instruments	2,319	2,741	(422)	(15.4)
Credit institutions	11,166	9,889	1,277	12.9
Valuation adjustment on interest rate risk hedged portfolios	(94)	24	(118)	-
Hedging derivatives	178	405	(227)	(56.0)
Tangible non-current assets	394	475	(81)	(17.1)
Intangible non-current assets	535	552	(17)	(3.1)
Tax assets for current taxes	20	9	11	>100
Tax assets for deferred taxes	10	9	1	11.1
Other assets	318	370	(52)	(14.1)
Non-current assets held for sale	-	135	(135)	>100
Total assets	**56,325**	**53,122**	**3,203**	**6.0**

Total liabilities and equity

in € million	2021	2020	Change	Change (%)
Total liabilities	**51,947**	**48,768**	**3,179**	**6.5**
Financial liabilities				
Fair value through profit or loss	234	468	(234)	(50.0)
Held for trading	301	422	(121)	(28.7)
At amortized cost	49,666	45,944	3,722	8.1
Customers	35,148	32,265	2,883	8.9
Issued securities	7,157	6,157	1,000	16.2
Credit institutions	7,361	7,522	(161)	(2.1)
Financial liabilities associated with transferred assets	-	97	(97)	>100
Valuation adjustment on interest rate risk hedged portfolios	165	358	(193)	(53.9)
Hedging derivatives	107	62	45	72.6
Provisions	382	425	(43)	(10.1)
Tax liabilities for current taxes	131	45	86	>100
Tax liabilities for deferred taxes	93	110	(17)	(15.5)
Other obligations	868	837	31	3.7
Total equity	**4,378**	**4,354**	**24**	**0.6**
Common equity	3,902	3,879	23	0.6
AT1 capital	471	471	-	-
Non-controlling interests	5	4	1	25.0
Total liabilities and equity	**56,325**	**53,122**	**3,203**	**6.0**

Business segment performance

2021 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
Net interest income	660.1	258.4	49.8	(30.0)	938.3
Net fee and commission income	251.1	34.0	0.1	(3.1)	282.1
Core revenues	**911.2**	**292.4**	**49.9**	**(33.1)**	**1,220.4**
Gains and losses on financial instruments and other operating income and expenses	5.8	19.9	22.3	(39.9)	8.1
Operating income	**917.0**	**312.4**	**72.3**	**(73.2)**	**1,228.5**
Operating expenses	**(351.7)**	**(69.5)**	**(34.8)**	**(29.3)**	**(485.3)**
Pre-provision profit	**565.4**	**242.9**	**37.5**	**(102.6)**	**743.2**
Regulatory charges	(21.4)	(10.4)	(7.8)	(12.0)	(51.6)
Total risk costs	(60.0)	(29.0)	3.0	(9.0)	(95.0)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	3.8	3.8
Profit before tax	**483.9**	**203.4**	**32.7**	**(119.6)**	**600.4**
Income taxes	(121.0)	(50.9)	(8.2)	59.7	(120.4)
Profit after tax	**362.9**	**152.5**	**24.5**	**(59.9)**	**480.0**
Non-controlling interests	–	–	–	(0.1)	(0.1)
Net profit	**362.9**	**152.5**	**24.5**	**(60.0)**	**479.9**
Business volumes					
Assets	21,129	14,899	18,213	2,084	56,325
Liabilities	34,330	13,252	2,814	5,929	56,325
Risk-weighted assets	8,105	7,894	1,845	2,291	20,135

2020 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
Net interest income	664.1	236.1	56.1	(40.9)	915.4
Net fee and commission income	218.6	38.9	0.1	(2.8)	254.8
Core revenues	**882.7**	**275.1**	**56.3**	**(43.8)**	**1,170.3**
Gains and losses on financial instruments and other operating income and expenses	10.2	1.9	18.2	(26.9)	3.4
Operating income	**892.9**	**276.9**	**74.5**	**(70.6)**	**1,173.7**
Operating expenses	**(360.8)**	**(80.4)**	**(30.1)**	**(48.4)**	**(519.7)**
Pre-provision profit	**532.2**	**196.5**	**44.4**	**(119.2)**	**653.9**
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**	**(146.2)**	**371.2**
Income taxes	(93.6)	(26.8)	(9.0)	43.7	(85.7)
Profit after tax	**280.8**	**80.3**	**26.9**	**(102.5)**	**285.5**
Non-controlling interests	–	–	–	(0.3)	(0.3)
Net profit	**280.8**	**80.3**	**26.9**	**(102.8)**	**285.2**
Business volumes					
Assets	19,246	13,913	17,446	2,517	53,122
Liabilities	30,089	12,950	3,840	6,243	53,122
Risk-weighted assets	8,029	7,431	2,580	2,033	20,073