BAWAG GROUP REPORTS THIRD QUARTER NET PROFIT OF EUR 123 MILLION, EPS EUR 1.38, AND ROTCE OF 16.4%

- **Net profit of EUR 316 million, EPS of EUR 3.55 and RoTCE of 14.2% for Q1 – Q3 2021**
- **Risk costs of EUR 22 million in Q3 2021 and of EUR 75 million for Q1 – Q3 2021 with no reserves released**
- **CET1 ratio of 14.7% post-deduction of dividend accrual of EUR 158 million for Q1 – Q3 2021**
- **Distributed EUR 420 million dividend relating to 2019/2020 profits on October 8, 2021**
- **On track to meet full year 2021 targets: RoTCE of ~15% and CIR ~40%**

VIENNA, Austria – October 28, 2021 – BAWAG Group today released its results for the third quarter 2021, reporting a net profit of EUR 123 million, EUR 1.38 earnings per share, and a RoTCE of 16.4%. For the first nine months of the year, BAWAG Group reported net profit of EUR 316 million, EUR 3.55 earnings per share, and a RoTCE of 14.2%.

The underlying operating performance of our business was strong during the first nine months 2021 with pre-provision profits of EUR 547 million and a cost-income ratio of 39.9%. Total risk costs returned to more normalized levels of EUR 75 million, with the management overlay now at EUR 72 million. Management decided not to release any reserves, although we see both an improved macroeconomic environment and continued positive developments across our customer base, in particular observing payment holidays falling to 0.1% across all customer loans.

In terms of loan growth and capital, we grew average customer loans by 4% versus prior year-end. We continued to accrete CET1 capital, generating approximately 160 basis points of gross capital during the first nine months of the year. Our CET1 ratio was 14.7%, up 70 basis points from year-end 2020 after deducting the dividend accrual for the first nine months 2021 of EUR 158 million. Following the initial down-payment of EUR 40 million on the total EUR 460 million earmarked dividends from 2019 and 2020 profits on 12 March 2021, the remaining EUR 420 million were paid out on 8 October 2021.

“We started the first nine months of the year with a strong set of operating results delivering net profit of EUR 316 million, RoTCE of 14.2% and cost-income ratio of 39.9%. Although we’ve experienced rolling and partial lockdowns in our core markets during the first few months of 2021, we are seeing a normalization of economic activity and are therefore confident to meet our targets of a RoTCE ~15% and CIR ~40% for the full year. In September, we hosted our inaugural investor day, where we communicated our new targets and 4-year plan through 2025. We have positioned the franchise for responsible, sustainable, and profitable growth in the many years ahead. Our long-term value creation will benefit our customers, shareholders, team members, and local communities.” commented Chief Executive Officer **Anas Abuzaakouk.**

Delivering strong operating results in first three quarters 2021 versus prior year

In EUR million	Q3 2021	Change versus prior year	Jan - Sep 2021	Change versus prior year
Core revenues	306	3%	905	4%
Operating income	307	6%	911	5%
Operating expenses	(120)	(4%)	(364)	(3%)
Pre-provision profit	**187**	**13%**	**547**	**10%**
Regulatory charges	(4)	(70%)	(61)	14%
Risk costs	(22)	(57%)	(75)	(58%)
Profit before tax	**162**	**60%**	**414**	**57%**
Net profit	**123**	**57%**	**316**	**56%**
RoTCE	16.4%	5.3pts	14.2%	4.6pts
CIR	39.2%	(4.0pts)	39.9%	(3.1pts)
EPS (EUR)	1.38	55%	3.55	55%

Core revenues increased by 4% to EUR 905 million in the first nine months 2021. **Net interest income** rose by 2% to
EUR 695 million driven by higher interest-bearing assets. **Net fee and commission income** increased by 10% to EUR 210 million. While all branches remained open during the partial lockdowns in the first months of 2021, customer activity was still impacted by COVID-19 restrictions. **Operating expenses** decreased by 3% to EUR 364 million due to ongoing efficiency and productivity measures. The **cost-income ratio** decreased by 3.1 points to 39.9%. This resulted in a **pre-provision profit** of EUR 547 million, up 10% versus prior year.

The first nine months also included **regulatory charges** of EUR 61 million, up 14% versus prior year, due to increased deposits. These represent approximately 94% of the full-year charges that are expected to be required during 2021, frontloading most of this year's regulatory charges in the first quarter.

Risk costs were EUR 75 million in the first nine months 2021, a decrease of EUR 105 million, or 58% compared to the previous year. 2020 risk costs included a general reserve of approximately EUR 90 million which was taken to address COVID19-related effects. Payment deferrals came down further during the first nine months 2021 to below 0.2% in the Retail & SME business (December 2020: 1.2%) and to below 0.1% in the Corporates, Real Estate & Public Sector business (December 2020: 0.2%). Despite the improved macroeconomic environment and continued positive developments across our customer base, we did not release any reserves and expect risk costs to remain on normalized levels during the remainder of the year.

We ended the first nine months 2021 with a **CET1 ratio** of 14.7% (December 2020: 14.0%) already deducting the dividend accrual for the first nine months 2021 of EUR 158 million based on our dividend policy. Based on the ECB recommendation from December 2020 and lifting of the dividend ban at the end of September 2021, a dividend of EUR 40 million was paid in Q1 2021, with the remaining EUR 420 million earmarked dividends from 2019 and 2020 profits paid out on October 8, 2021.

Average customer loans increased by 4% versus prior year-end. The overall customer loan book was comprised of 74% exposure to the DACH/NL region (Germany, Austria, Switzerland, Netherlands) and 26% exposure to Western Europe and the United States. We focus on developed and mature markets with stable legal systems, sound macroeconomic fundamentals, and solid finances. We will continue to maintain our conservative risk appetite and focus on our core developed markets.

Our goal is, and will always be, maintaining a strong balance sheet, solid capitalization levels, low leverage and conservative underwriting, a cornerstone of how we run the Bank. The NPL ratio stood at 1.5% (excluding the City of Linz case: 1.1%), representing our focus on quality underwriting and portfolio management.

Customer Business performance in Q1 – Q3 2021 versus Q1 – Q3 2020

Segment	PBT (in EUR million)	Net profit (in EUR million)	RoTCE	Cost-income ratio
Retail & SME	341 / +27%	256 / +27%	28%	39%
Corporates, Real Estate & Public Sector	135 / +77%	101 / +77%	16%	23%

Our **Retail & SME** business delivered net profit of EUR 256 million, up 27% versus the prior year and generating a strong return on tangible common equity of 28% and cost-income ratio of 39%. Average asset increased by 9% versus prior year, driven by growth in housing loans across our core markets. Pre-provision profits were EUR 419 million, up 5% compared to the prior year, with operating income up 2% although we still saw customer activity impacted by restrictions due to COVID in selected business lines. Operating expenses were down 2%, resulting from prior year operational initiatives with a continued focus on driving synergies across our various channels and products. Risk costs were EUR 46 million, reflecting a gradual normalization of risk costs without any reserve releases. The trend in asset quality continues to improve across our customer base, with payment holidays below 0.2% as of the end of the first nine months 2021 and customer payment rate of 90% on all expired deferrals with an average of 12-months.

We expect to see continued customer loan growth and efficiency gains across the Retail & SME franchise. We anticipate an ongoing normalization of customer activity during the remainder of the year.

Our **Corporates, Real Estate and Public Sector** business delivered net profit of EUR 101 million, up 77% versus the prior year and generating a solid return on tangible common equity of 15.8% and a cost-income ratio of 23.2%. Average assets increased by 3% versus prior year. Pre-provision profits were EUR 175 million, up 20% compared to the prior year. Risks costs were EUR 31 million, down 49% and with no reserve releases taken. The trend in asset quality continued to improve with payment holidays below 0.1% and a 100% paying ratio for customers that took up payment holidays over the last year.

We continue to see a solid lending pipeline with diversified opportunities in the fourth quarter of 2021. 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.

Outlook, targets and capital distribution

In our outlook for 2021, we see full year core revenues growing approximately 2%, to ~EUR1.21 billion, and operating expenses below EUR 485 million. We expect total risk costs to be below EUR 100 million, which does not include any reserve releases. Our 2021 targets are a Return on Tangible Common Equity (RoTCE) ~15% and Cost-Income Ratio (CIR) ~40%. Our medium-term return targets are a RoTCE > 17% and CIR < 38%. Our 2021 and 2025 targets are as follows:

Financial targets	2021 Forecast	2025
Profit before tax	~EUR 575 million	>EUR 750 million
Earnings per share	>EUR 5.00	>EUR 7.25
Dividend per share	~EUR 2.60	>EUR 4.00
Return targets	2021 Forecast	Medium Term
Return on tangible common equity	~15%	>17%
Cost/Income ratio	~40%	<38%
ESG targets	Baseline	2025
CO2 emissions (own scope 1&2 emissions)	~2,900tCO2	>50% reduction
Women quota (Supervisory Board and Senior Leadership Team)	17% Supervisory Board / 15% Senior Leadership Team	33%
Green lending new business	EUR 0.8 billion	>EUR 1.6 billion

In terms of capital distribution, we target a dividend payout of 50% of net profit for the financial year 2021 and will increase the dividend payout ratio from 50% to 55% starting from financial year 2022, resulting in a targeted dividend distribution of ~EUR 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 in an amount above our CET1 target of 12.25%, which as of the third quarter 2021 equaled up to EUR 500 million, subject to regulatory approvals. Additional capital through 2025 of ~EUR 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 EUR 460 million from CET1 capital at the end of 2020. In line with the ECB recommendation from December 2020, the extraordinary general meeting of BAWAG Group in March 2021 approved a dividend payment of EUR 40 million (or EUR 0.45 per share) paid on March 12, 2021. The remaining EUR 420 million dividends (or EUR 4.72 per share) were paid out on October 8, 2021.

M&A: Two deals expected to close in Q4 '21

In February 2021, BAWAG Group signed an agreement to acquire DEPFA BANK plc, and its subsidiary DEPFA ACS Bank. Additionally, BAWAG Group signed an agreement to purchase Hello bank! Austria, an online retail brokerage business, in July 2021. The closing of the transactions is expected in the fourth quarter 2021.

Investor Day

On September 20, 2021 BAWAG Group hosted its inaugural investor day following the IPO in October 2017. After four years as a public company, we took stock on what we have achieved to-date and more importantly on how we are positioning our franchise for growth. Following our transformation over the past decade, BAWAG Group today ranks among the most profitable and efficient banks in Europe, with the financial wherewithal to support our customers and local communities. At the investor day we presented our 4-year plan and targets. Furthermore, we also embedded ESG targets into our operating plans. Please refer to https://www.bawaggroup.com/BAWAGGROUP/IR/EN/share_information/530990/investorday.html for our information from our investor day.

About BAWAG Group

BAWAG Group AG is a publicly listed holding company headquartered in Vienna, Austria, serving 2.3 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 EUR million	**Q3 2021**	Q3 2020	Change (%)	**Jan-Sep 2021**	Jan-Sep 2020	Change (%)
Interest income	292.5	289.8	0.9	856.5	848.9	0.9
Interest expense	(58.7)	(55.5)	5.8	(165.0)	(169.4)	(2.6)
Dividend income	0.0	0.2	(100)	3.4	2.4	41.7
Net interest income	**233.8**	**234.6**	**(0.3)**	**695.0**	**681.9**	**1.9**
Fee and commission income	89.5	80.8	10.8	261.6	246.1	6.3
Fee and commission expenses	(17.8)	(18.0)	(1.1)	(52.0)	(55.6)	(6.5)
Net fee and commission income	**71.7**	**62.8**	**14.2**	**209.6**	**190.5**	**10.0**
Core revenues	**305.5**	**297.3**	**2.8**	**904.6**	**872.4**	**3.7**
Gains and losses on financial instruments and other operating income and expenses[1)]	1.7	(7.4)	–	6.2	(1.0)	–
Operating income	**307.2**	**290.0**	**5.9**	**910.8**	**871.4**	**4.5**
Operating expenses[1)]	**(120.4)**	**(125.3)**	**(3.9)**	**(363.5)**	**(375.0)**	**(3.1)**
Pre-provision profit	**186.8**	**164.6**	**13.5**	**547.3**	**496.4**	**10.3**
Regulatory charges	(4.3)	(14.2)	(69.7)	(60.5)	(53.1)	13.9
Operating profit	**182.5**	**150.5**	**21.3**	**486.8**	**443.3**	**9.8**
Total risk costs	(21.5)	(49.7)	(56.7)	(74.6)	(179.3)	(58.4)
Share of the profit or loss of associates accounted for using the equity method	0.6	0.3	100	2.0	(0.1)	–
Profit before tax	**161.6**	**101.1**	**59.8**	**414.2**	**263.9**	**57.0**
Income taxes	(38.1)	(22.2)	71.6	(98.0)	(61.2)	60.1
Profit after tax	**123.4**	**78.8**	**56.6**	**316.2**	**202.7**	**56.0**
Non-controlling interests	(0.2)	(0.2)	–	(0.2)	(0.5)	(60.0)
Net profit	**123.2**	**78.6**	**56.7**	**316.0**	**202.2**	**56.3**

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of EUR 56.5 million for the first nine months 2021. The item Operating expenses includes regulatory charges in the amount of EUR 4.0 million for the first nine 2021 as well. However, BAWAG Group's management considers regulatory charges as a separate expense. Accordingly, they are shown in a separate expense line.

Total assets

in EUR million	Sep 2021	Dec 2020	Change (%)	Sep 2020	Change (%)
Cash reserves	999	1,032	(3.2)	626	59.6
Financial assets					
Held for trading	296	441	(32.9)	413	(28.3)
Fair value through profit or loss	545	693	(21.4)	755	(27.8)
Fair value through OCI	3,960	4,343	(8.8)	4,517	(12.3)
At amortized cost	47,157	44,634	5.7	43,040	9.6
Customers	33,887	32,004	5.9	31,545	7.4
Debt instruments	2,239	2,741	(18.3)	2,816	(20.5)
Credit institutions	11,031	9,889	11.5	8,679	27.1
Valuation adjustment on interest rate risk hedged portfolios	(72)	24	–	20	–
Hedging derivatives	212	405	(47.7)	367	(42.2)
Tangible non-current assets	368	474	(22.4)	493	(25.4)
Intangible non-current assets	536	552	(2.9)	553	(3.1)
Tax assets for current taxes	10	9	11.1	15	(33.3)
Tax assets for deferred taxes	5	9	(44.4)	6	(16.7)
Other assets	354	370	(4.3)	228	55.3
Non-current assets held for sale	–	135	(100)	198	(100)
Total assets	**54,370**	**53,122**	**2.3**	**51,231**	**6.1**

Total liabilities and equity

in EUR million	Sep 2021	Dec 2020	Change (%)	Sep 2020	Change (%)
Total liabilities	**50,142**	**48,768**	**2.8**	**46,994**	**6.7**
Financial liabilities					
Fair value through profit or loss	186	468	(60.3)	593	(68.6)
Held for trading	259	422	(38.6)	353	(26.6)
At amortized cost	47,573	45,944	3.5	43,902	8.4
Customers	32,833	32,265	1.8	30,169	8.8
Issued securities	7,279	6,157	18.2	6,197	17.5
Credit institutions	7,461	7,522	(0.8)	7,537	(1.0)
Financial liabilities associated with transferred assets	–	97	(100)	321	(100)
Valuation adjustment on interest rate risk hedged portfolios	231	358	(35.5)	373	(38.1)
Hedging derivatives	124	62	100	74	67.6
Provisions	382	425	(10.1)	464	(17.7)
Tax liabilities for current taxes	96	45	>100	32	>100
Tax liabilities for deferred taxes	126	110	14.5	95	32.6
Other obligations	1,165	837	39.2	786	48.2
Total equity	**4,228**	**4,354**	**(2.9)**	**4,237**	**(0.2)**
Common equity	3,753	3,879	(3.2)	3,761	(0.2)
AT1 capital	471	471	–	471	0.0
Non-controlling interests	4	4	–	5	(20.0)
Total liabilities and equity	**54,370**	**53,122**	**2.3**	**51,231**	**6.1**

Business segment performance

Jan-Sep 2021 in Mio. EUR	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	491.9	187.5	38.9	(23.3)	695.0
Net fee and commission income	186.4	25.5	0.1	(2.4)	209.6
Core revenues	**678.3**	**213.0**	**39.0**	**(25.8)**	**904.6**
Gains and losses on financial instruments	2.5	14.6	20.3	(27.3)	10.1
Other operating income and expenses	1.6	0.0	0.0	(5.5)	(3.9)
Operating income	**682.4**	**227.6**	**59.3**	**(58.6)**	**910.8**
Operating expenses	**(263.7)**	**(52.8)**	**(26.2)**	**(20.7)**	**(363.5)**
Pre-provision profit	**418.7**	**174.8**	**33.1**	**(79.3)**	**547.3**
Regulatory charges	(32.2)	(9.4)	(7.1)	(11.8)	(60.5)
Total risk costs	(45.8)	(30.9)	4.2	(2.2)	(74.6)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	2.0	2.0
Profit before tax	**340.7**	**134.5**	**30.2**	**(91.3)**	**414.2**
Income taxes	(85.2)	(33.6)	(7.6)	28.4	(98.0)
Profit after tax	**255.5**	**100.9**	**22.7**	**(62.9)**	**316.2**
Non-controlling interests	–	–	–	(0.2)	(0.2)
Net profit	**255.5**	**100.9**	**22.7**	**(63.1)**	**316.0**
Business volumes					
Assets	20,806	14,118	17,392	2,054	54,370
Liabilities	32,399	12,859	2,907	6,205	54,370
Risk-weighted assets	8,055	7,803	2,078	2,298	20,234

Jan-Sep 2020 in Mio. EUR	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	499.6	177.2	40.3	(35.2)	681.9
Net fee and commission income	163.6	28.9	0.1	(2.1)	190.5
Core revenues	**663.2**	**206.1**	**40.4**	**(37.3)**	**872.4**
Gains and losses on financial instruments	5.0	0.7	6.2	(42.1)	(30.2)
Other operating income and expenses	1.9	0.0	0.0	27.3	29.2
Operating income	**670.1**	**206.8**	**46.6**	**(52.0)**	**871.4**
Operating expenses	**(270.3)**	**(61.3)**	**(22.4)**	**(21.0)**	**(375.0)**
Pre-provision profit	**399.8**	**145.5**	**24.2**	**(73.1)**	**496.4**
Regulatory charges	(26.9)	(8.5)	(6.1)	(11.6)	(53.1)
Total risk costs	(104.9)	(61.0)	(1.6)	(11.8)	(179.3)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	(0.1)	(0.1)
Profit before tax	**268.0**	**76.0**	**16.5**	**(96.6)**	**263.9**
Income taxes	(67.0)	(19.0)	(4.1)	28.9	(61.2)
Profit after tax	**201.0**	**57.0**	**12.4**	**(67.7)**	**202.7**
Non-controlling interests	–	–	–	(0.5)	(0.5)
Net profit	**201.0**	**57.0**	**12.4**	**(68.2)**	**202.1**
Business volumes					
Assets	19,069	13,585	16,093	2,484	51,231
Liabilities	28,951	12,256	3,931	6,094	51,231
Risk-weighted assets	8,278	7,443	2,685	1,842	20,247