BAWAG Group

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INVESTOR DAY

Presentation

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Transcription

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Anas Abuzaakouk: Good morning everyone and welcome to the BAWAG Group inaugural investor day. My name is Anas Abuzaakouk, and I'm the CEO of BAWAG Group. I've been in the role for over 4.5 years now and with BAWAG over a decade. I'm joined this morning by my entire Management Board colleagues:

- Enver Sirucic, our Chief Financial Officer and Deputy CEO
- Sat Shah, our Head of Retail & SME and Deputy CEO
- Andy Wise, our Chief Investment Officer & Head of Non-Retail Lending
- David O'Leary, our Chief Risk Officer and
- Guido Jestädt, our Chief Administrative Officer

We plan to walk you through how we've transformed our franchise over the past decade, the strategy behind this transformation, our new 4-year plan through 2025, with specific financial and ESG targets, our updated capital distribution plans, and how we are positioning our franchise for growth to capitalize on the many opportunities ahead of us.

This event has been in the works for some time. Initially, we scheduled this investor day to coincide with the 3-year anniversary of our IPO back in October 2017. However, the world changed over the last 18-months. The COVID-19 pandemic also changed our business in ways we could never have imagined and has served as a catalyst in accelerating our transformation. The pandemic unleashed a terrible toll on human life across the globe and reminded us that risks, be it health, environmental or financial, are real and always need to be accounted for. However, the pandemic also brought out the best of the banking community, working closely with our customers and local communities - ensuring we provide financial security and advice - attending to the health and wellbeing of our team members, and strengthening our resolve in accelerating our transformation to prepare us not just for the years ahead, but hopefully for the decades ahead.

Starting on **slide 3**: **The BAWAG franchise**

For those who are being introduced to us for the first time, BAWAG Group is a multi-brand and multi-channel commercial bank founded in Austria serving Retail, Small Business, Corporate, Real Estate, and Public Sector customers. Today, we serve over 2.3 million customers across our core markets spanning Austria, Germany, the Netherlands, Switzerland, Western Europe, and the United States.

We are about delivering results. Looking back at our performance over the past decade since 2012, the Group has

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delivered very strong and consistent returns with an average return on tangible common equity or RoTCE of ~ 14% versus the European listed banking sector of ~ 5%. These returns were a byproduct of having fundamentally transformed the franchise over the years, which we will explain over the course of the presentation.

We strive for best-in-class efficiency with a current cost-income ratio of ~ 40%. We believe that the banking industry is being transformed and large parts of banking are being commoditized. This requires a fundamental focus on efficiency to be competitive today and long into the future. We take pride in having achieved a best-in-class cost-income ratio, which has been a large part of delivering our outperformance versus the overall sector. This efficiency was not the result of any single initiative, but rather hundreds of small initiatives that we have implemented over the past decade. The underlying focus has been simplification, process reengineering, and using technology to enable our transformation. A core pillar to our strategy is efficiency through operational excellence, and this is something that is part of our DNA, how we run the company, and relies on a “self-help” management approach.

We strive to be good stewards of capital. We take great pride in our work, doing what’s right for our customers and employees, and being good stewards of our shareholders’ capital. We are disciplined in our lending, we focus on risk adjusted returns, we avoid blind volume growth just to be able to say that we are “growing”, and we believe that ESG underpins sustainable long-term profitability and capital growth as we look to grow organically in our core markets as well as through M&A. We are committed to distributing capital back to shareholders following our capital distribution policy, which we assess annually. Since our IPO in October of 2017 and based on our forecasted year-end results, we will have grown pre-tax profit by ~ 15%, completed 5 acquisitions, and distributed €1.13 billion of capital in the form of dividends and buybacks. We are also updating our capital distribution policy, increasing our dividend payout ratio from 50% to 55% of net profit, starting next year. In addition, we will be filing an application for a buyback with the ECB during the 4th quarter of this year, targeting a share buyback in 2022 equal to the amount of excess capital >12.25%, which as of the second quarter was equal to €436 million, subject to all regulatory approvals. We expect any buyback to take place over the course of 2022.

We are also updating our return targets. Although we take great pride in our transformation over the past decade and our operating performance since our IPO, we cannot grow

complacent living off of past performance. We are focused on how we continue to deliver sustainable profitable growth. It's great to reflect on the past, but the reality is we are all measured, and will be held accountable, based on future performance. Our focus as a management team is on continuous improvement and always moving forward.

Therefore, we are committing ourselves to a new set of financial targets that we believe are disciplined, yet still ambitious. We are now targeting a return on tangible common equity of >17% and a cost-income ratio <38%.

Our plan as of 2025 is the following: We are targeting a pre-tax profit of >€750 million. This is driven by pre-provision profits, representing a mix of core revenue growth and continued efficiency, as well as normalized risk and regulatory costs. We are targeting earnings per share or EPS of >€7.25 by 2025, representing an EPS CAGR of ~10% over the next four years. We are also targeting a Dividend per share or DPS of >€4.00, an ~11% CAGR over the next four years. We will also share our new ESG targets and demonstrate how this is embedded into our overall Group plans.

Enver will provide a breakdown of the different earnings drivers behind our 2025 Plan, an outlook by product and business unit, and specifics around our capital distribution policy later in the presentation.

On to **slide 4: What happened since our IPO**

To briefly recap our Group operational performance since our IPO in October 2017, we have …

1. Distributed €1.13 billion of capital; of which 65% dividends and 35% share buybacks. This is inclusive of the €420 million dividend payment scheduled for October; 8 this year
2. We completed 5 acquisitions, which have been fully integrated as well as signed 2 new acquisitions this year, which we expect hopefully to close in the 4th quarter.
3. We expanded our footprint to new markets – entering Germany, Switzerland, and the Netherlands both organically and through M&A.
4. We completed the full separation from the Austrian Post in 2019, allowing us to reduce our branch network in Austria by over 80% and giving us full control over our branch network and salesforce.
5. And we have invested in multiple platforms & partnerships expanding our customer reach and growing our non-branch origination channels.

On **slide 5: Our operating performance and share price development**

As far as our Group operational performance since our IPO in 2017, we have delivered the following:

- Growth in absolute pre-tax profit by 15%, from €500 million in 2017 to ~ €575 million forecasted for this year. Historically, we focused on absolute pre-tax profit given one-off effects in the tax line over the course of the last few years.

- We delivered average return on tangible common equity of ~14%, despite a low point in 2020 brought on by the pandemic, where we still delivered a respectable 10% return on tangible common equity in-spite of having taken €225 million of reserves, driven primarily by a very conservative and prudent approach to ECL macro-provisioning.

- And we honored our capital return policy, despite the pause brought on by the pandemic, paying out at least 50% of net profits per our dividend policy as well as special dividends to maintain our absolute dividend payment of €230 million. We also executed a €400 million share buyback in 2019, the first of its kind across the SSM regulated banks, reducing outstanding shares by ~11%.

Admittedly, being a public company has not always been easy as we learned a great deal transitioning from a privately held company over the past four years and made our fair share of mistakes, of which I was the largest contributor. Even though we have outperformed the two main European bank indices, the Eurostoxx Banks Index (referred to as the 7E) and the Stoxx 600 Banks Index (referred to as the 7P), by around 35 points respectively, we still believe we have a long way to go to truly reflect the underlying value of the franchise.

However, our focus as a management team is, and will always be, on execution, delivering results and being good stewards of capital all while never growing complacent.

On **Slide 6: Outperforming the sector over the past decade**

Since 2012, which was the year we launched our groupwide transformation, we've outperformed the European listed banking sector in terms of what we believe is the single most important

financial metric for banks, return on tangible common equity, or RoTCE. We've delivered an average RoTCE of ~14% versus the sector at ~5%. This considers the early years whereby returns were lower than average given our deep transformation and the pandemic last year. The key drivers have been:

- Growing pre-provision profits almost 2.4x times versus the sector, reflecting our focus on efficiency but also transforming our franchise while growing core revenues by over 50%.

- Our cost-income ratio declined from 70% in 2012, which was flattered by several one-offs and more in-line with an 80% cost-income ratio, to ~ 40% this year, accounting for an almost 50% reduction over the span of the last decade. More than anything else, this has differentiated us versus the sector and serves as a competitive advantage providing us with an ability to adapt to the rapidly evolving banking environment, where large parts of the value chain are being commoditized.

On to **slide 7: The BAWAG transformation over the past decade**

Our Group success over the past decade is driven by the following principles, which lay the foundation for our Group strategy. These principles have been consistent throughout our transformation and are quite simple and straightforward, but most importantly they are embedded into our Group DNA.

Our culture and values are defined by accountability, meritocracy, humility and embracing change.

Simplification is about rethinking how we do things, challenging the status quo, focusing on what really matters, and cutting out the noise. Complexity, unnecessary hierarchy, bureaucracy, and disjointed analysis are at the heart of a bloated cost structure and root cause of wide-scale inefficiencies and poor decision-making.

We focus on core markets we understand and that are defined by strong macroeconomic fundamentals, stability, and reliability.

Proactive risk management is core to how we run the business and embraced by all Management Board members. This means focusing on risk-adjusted returns and conservative underwriting leading to disciplined, sustainable, and profitable growth.

We believe technology is an enabler for transformation and have consistently invested in technology over the years that makes

sense versus focusing on the “bells-and-whistles” and avoiding white elephant projects.

We are data-driven in our decision making. We believe in trying to measure everything to make informed decisions always to the benefit of the Group.

We have made many mistakes over the past decade and rest assured we will continue to make many mistakes going forward, however, we will always do our best to learn & adapt. These principles were the foundation of our transformation over the past decade and they will continue to guide us going forward as we look to execute on our 2025 Plan.

Moving onto **slide 8: Our strategy is focused on execution and continuous improvement**

Our principles lay the groundwork for our four strategic pillars, which have been consistent throughout our transformation. These 4 pillars are:

1. Growing in our core markets
2. Customer focus
3. Driving efficiency through operational excellence and
4. Maintaining a safe and secure risk profile

Our core markets are defined by Austria, Germany, the Netherlands, Switzerland, Western Europe, and the United States. We focus on regions and countries with solid fiscal positions, represented by a sovereign rating of at least Single A, reliable legal systems, and a stable geopolitical environment. This will be even more important with evolving ESG and regulatory standards to ensure we meet the needs of our various stakeholders.

Customer focus means providing 24/7 banking access through a multi-brand and multi-channel lending and advisory platform. Our goal is *“To provide simple, transparent, and affordable financial products and services that our customers need.”*

Our DNA is to focus on the things that we can control through “self-help”. We believe this is the single most important element to drive operational excellence and efficiency.

A safe and secure risk profile is about maintaining a fortress balance sheet through a strong capital position, stable retail

deposits and customer funding and a low risk profile through proactive risk management.

We do not have a separate ESG strategy, as ESG underpins our 4 strategic pillars and is embedded in how we run the Bank to ensure responsible, sustainable, and profitable growth.

These 4 strategic pillars have guided our transformation over the past decade and will guide us over the coming years. Our primary focus has, and will always be, on execution and doing our best to consistently deliver results.

On to **slide 9: Growth in core markets and customer focus**

Since 2012, we have transformed our business in many ways applying a variety of growth drivers. A few highlights over the past decade:

- We expanded into 7 core markets while exiting non-core markets and non-core assets.
- We grew core revenues by over 50% from ~€800 million in 2012 to ~ €1.2 billion forecasted for this year; driven by a mix of organic revenue growth, liability optimization, and M&A.
- We expanded our product offering thru organic initiatives & franchise enhancing M&A.
- We enhanced our overall digital engagement with customers; fully digitizing over two-thirds of our product portfolio while diversifying our Retail & SME originations away from branches. Today, over 75% of originations come by way of non-branch channels as we've invested in digital channels, partnerships, and platforms while always maintaining our disciplined underwriting.

As we look to execute on our 2025 Plan, our goal is to continue to grow across our core markets, always focusing on customer needs, and driving responsible, sustainable, and profitable growth by:

- Continuing to grow our footprint in Western Europe and the United States, while staying disciplined and always focusing on risk-adjusted returns.
- Continuing to invest in partnerships and platforms expanding our origination channels, customer reach and driving profitable growth.
- Targeting 100% fully digitized Retail & SME product offering, with the main product focus being housing loans or mortgages.

This provides our customers with a suite of simple and easy-to-use products

Sat and Andy will go into more detail around our growth initiatives and the business unit outlook driving the 2025 Plan later in the presentation.

On to **slide 10: Driving efficiency through operational excellence**

Our DNA is to focus on the things that we can control through "self-help". We believe this is the single most important element to drive operational excellence and efficiency. As I mentioned earlier, we firmly believe large parts of the banking industry will be commoditized, and that our efficiency is a competitive advantage today and hopefully will be long into the future. When we talk about operational excellence, this means challenging the status quo to simplify decision-making, organizational structures, and product offerings. Focusing on process re-engineering to streamline our middle-and-back-office operations. Enhancing our digital engagement with customers and most importantly using technology to enable our transformation. Our efficiency improvements over the years have been a byproduct of a hundred small initiatives and a continuous improvement mindset, allowing us to achieve a best-in-class efficiency of ~ 40%.

A few highlights over the past decade in terms of operational improvements and efficiency gains:

- We reduced our physical footprint in 2 key areas: Reducing the square meter usage in our headquarter buildings by over 65% while also reducing the number of branches and sales offices by over 80%.
- This also allowed us to significantly reduce our own carbon footprint, which is an example of the alignment of ESG goals of reducing carbon emissions with cost efficiency measures.

Another key factor has been our approach towards technology. Although we decreased our actual total Group costs significantly, the allocation of technology spend as a percentage of our total operating expenses increased from 16% in 2012 to ~26% this year. Our cost-out did not come by "starving the beast", but rather through consistent and judicious technology spend over the past decade, which amounted to over €500 million. With this spend, we were able to fully digitize 6 core Retail & SME products, complete 9 end-to-end integrations with multiple upgrades to our core banking system and achieved 100%

virtualization of applications hosted in both, the private and public clouds.

Our key focus areas to achieve our 2025 Plans will be…

- Continuing to optimize our physical footprint adapting to changing customer behaviors.
- Further improving efficiency by continuing to invest in data asset management, drive greater simplification measures across technology-operations, and continuing to enhance our infrastructure and overall workplace environment.
- Expanding technology partnerships – allowing us to continue enhancing our core banking system and parts of our value chain impacted by AI as well as embracing new technologies.
- Maintaining consistent technology investments targeting straight-line processing, architecture simplification and product efficiency.

The underlying focus has been, and will continue to be, about simplification, process reengineering, and using technology to continue our transformation. This will allow us to continue scaling our business and providing quality products and services to our customers.

On **Slide 11: Maintaining a safe and secure risk profile**

Our approach to how we manage risk at the bank over the past decade is the foundation of delivering long-term sustainable profitable growth. A bank is fundamentally in the business of managing risk. A few highlights reflecting our proactive risk management approach and how we maintained a low risk profile over the past decade:

- We focused on core markets with strong macroeconomic fundamentals, stable legal systems, strong fiscal positions, and low volatility in terms of geopolitical risks.
- In 2012, we exited all proprietary trading activities, remaining CEE exposures and non-core assets
- We fortified our balance sheet through disciplined and conservative underwriting. Ultimately, we reduced our NPL ratio, our risk cost ratio and the amount of balance sheet leverage while significantly increasing our capitalization levels.

Our key focus areas to achieve our 2025 Plans will be to…

- Continue maintaining a low risk profile across our core markets
- Continue focusing on risk-adjusted returns, disciplined underwriting and proactive risk management
- A shift in lending to more secured and public sector lending to over 85% by 2025
- Credit quality enhancement through asset mix and underwriting, allowing us to reduce our through-the-cycle risk cost ratio targets to 15-20bps from 2022 thru 2025
- Embedding ESG targets into our operating plans. We are fortunate we start from a low-risk ESG starting point and believe our approach will further enhance our risk profile.

Therefore, we will continue to maintain a fortress balance sheet through a strong capital position, stable retail deposits and customer funding, and a low risk profile

David and Guido will provide more insights into our current risk profile, how we proactively manage risk, explain how ESG is operationalized in our risk management framework, and how we continue to strengthen the Group's overall regulatory and compliance capabilities.

On to **Slide 12: Our New Targets & 4-Year Plan through 2025**

A great deal has happened over the past decade, however, I'm more excited today about our future than at any point in the 10 years I've been working at BAWAG. We are updating our financial return targets, providing guidance on earnings growth through 2025, and providing ESG targets that underpin our business strategy and support our long-term goals of sustainable profitable growth.

We are reaffirming our 2021 forecast with Pre-tax profit of ~€575 million, RoTCE of ~15% and a CIR of ~40%.

We are updating our normalized return targets to a RoTCE >17% and CIR <38%.

Our 2025 targets are the following…

- Pre-tax profit >€750 million in 2025, equal to a CAGR ~7%
- Earnings per share (EPS) >€7.25, equal to CAGR ~10%
- Dividend per share (DPS) >€4.00, equal to CAGR ~11%

Our 2025 ESG targets are the following…

- Targeting a reduction of our own scope 1 and 2 CO_2 emissions of greater than 50% by 2025, from a baseline of ~ 2,900 tons in 2020.
- Establishing a female gender quota of 33%, for both the Supervisory Board as well as the Senior Leadership Team, by 2025 versus the prior target date of 2027
- Targeting annual new business green financing of >€1.6 billion, which is 2x from where we stand today.

We believe these new targets are disciplined, yet still ambitious. Our team is fully committed to continue delivering results in the years ahead.

Slide 13: Updating our capital distribution policy

Since our IPO in October of 2017, we have honored our capital return commitments, despite the pause brought on by the pandemic, paying out 50% of net profits per our dividend policy, special dividends to reward investors for their patience last year, and executing a €400 million share buyback in 2019, which reduced shares outstanding shares by ~11%,. In total, we have returned over €1.13 billion in capital to shareholders based on earnings generated from the 4th quarter of 2017 through year-end 2020 earnings, equal to almost 25% of our current market capitalization.

Going forward and based on our overall capital position, comprised of the half-year dividend accrual for 2021 of ~ €96 million, our current excess capital position of €436 million and future capital generation, we will have generated ~€2.6 billion of capital through 2025 above our target CET1 of 12.25%. Therefore:

- We plan to earmark ~€1.4 billion for future dividend payments (increasing our dividend payout policy to 55% of net profits applied against 2022 earnings).
- We are targeting a share buyback in 2022 equal to the amount of excess capital >12.25%, which as of the second quarter equals €436 million, subject to all regulatory approvals.
- And we plan to generate ~€800 million of additional capital, earmarked towards organic growth, bolt-on acquisitions not factored into our financial targets, and potential share buybacks and/or special dividends, which we will always assess on an annual basis.

In the event a large-scale M&A opportunity materializes, we will consult our shareholders to discuss how best to fund such an acquisition.

On to **slide 14: a recap of past acquisitions and how we approach M&A**

Over the course of our transformation, we realized that the issues we faced were not unique to BAWAG but were widespread across the European banking sector. After the heavy lifting from 2012 through 2014, improving returns, generating sufficient capital, and stabilizing our businesses; we started looking for franchise enhancing deals focused primarily on expanding our Retail & SME product offering, expanding our footprint in core markets, identifying opportunities requiring operational turnarounds while avoiding taking on credit risk, and targeting deals to leverage our operational capabilities.

Since 2015, we have completed 9 bolt-on acquisitions with another 2 acquisitions set to hopefully close in the 4th quarter of this year. Through the 9 acquisitions, we added new customers, new brands, and new origination channels. These acquisitions allowed us to introduce new products and services such as factoring, equipment leasing, building society mortgages, and private banking; while also expanding our existing offering in auto leasing, credit cards and conventional mortgages. We've also used acquisitions to gain a foothold in new markets such as Germany and Switzerland, which we've used to introduce new product offerings such as our organic brand *Qlick* providing consumer loans and mortgages in Germany.

The 9 acquisitions were P&L accretive Day 1. We were able to transform the businesses from a Day 1 average RoTCE of ~3% to over 15%, which took on average 2-3 years to execute. This was achieved by centralizing Group functions and operations, standardizing middle-and-back-office workflow, gaining scale through parts of our group technology infrastructure, balance sheet management, disciplined capital allocation, and applying our consistent and conservative underwriting standards focused on risk-adjusted returns. We also focused on deleveraging parts of the balance sheets that were deemed non-core or not meeting our profitability targets.

Our Targets & Criteria for M&A are the following…

- Deals are underwritten to an ROTCE of >17%, consistent with our overall new Group return targets

- We focus on our existing markets across the DACH/NL region with potential for new markets in Western Europe and the United States that offer the same dynamics
- We target bolt-on acquisitions with a primary focus on Retail & SME - specialty finance, product factories, asset origination platforms, and universal banks in need of operational turnaround
- We target run-off and/or wind-down businesses leveraging our operational capabilities and the BAWAG Group Advisory platform
- We pre-fund restructuring for operational turnarounds, avoid impaired balance sheets with credit issues, and avoid businesses with any compliance issues

Slide 15: The BAWAG culture

The BAWAG culture is our FOUNDATION…

I mentioned earlier that our culture and values are defined by accountability, humility, and embracing change. We value leaders who are dynamic, lead with uncompromising integrity, have a strong work ethic, and do not shy away from taking hard decisions. Our Senior Leadership team, which has led our transformation over the past decade, have an average of 12-years of working experience at BAWAG.

We do our best to maintain a simple group structure and flat organization. We encourage all team members to focus on the work at hand, cut-out the noise, and always challenge the status quo for the betterment of the team. We believe hierarchy, bureaucracy, and a siloed organization lead to disjointed analysis, wide scale inefficiencies, poor decision-making, and ultimately a bloated cost structure.

We believe our diversity, inclusivity and meritocratic culture are a real source of strength. Our team members come from over 45 different nationalities, and we are fully committed to gender equity and diversity. Our diversity and gender equity will be a byproduct of merit, integrity, and work ethic. Our greatest asset is our human capital, so we are focused on developing and mentoring our team members across the ranks.

Lastly, our Management Team are both Fiduciaries as well as shareholders of the Bank. Our incentives are directly tied to real Financial and ESG targets, which we believe create long-term shareholder and stakeholder value. The Management Board currently owns ~2.5% of the Bank. We believe stock ownership is the best way to create alignment with shareholders and long-term strategic value creation.

With that, I'll hand it over to Enver.

Enver Sirucic: Thanks Anas. My name is Enver Sirucic, and I'm one of two Deputy CEO's as well as the CFO. I've been in the CFO role for 4.5 years now and have been with BAWAG for over 15 years, having joined the Bank back in 2006.

On the next few slides, I will walk you through our 4-year plan and provide a breakdown of different earnings drivers behind our 2025 Plan, an outlook by product and business unit, and some specifics around our updated dividend policy and share buyback.

Before we go into our 2025 Plan let me briefly reiterate our outlook for 2021, which will serve as a starting point for any future development – overall, our outlook for 2021 is largely unchanged to what we reported on our second quarter earnings call, which is an RoTCE of 15% and a cost-income ratio of ~40%, with core revenues expected to grow by 2% versus prior year, other income to land at around 10m, which is slightly better than expected – operating expenses to be below 485m and risk costs below €100 million, with no releases of ECL or management overlay reserves, and lastly after a deposit guarantee scheme case occurred in Q3 we had to update our regulatory charges forecast to around €65 million for the year, which will leave us with a profit before tax of €575 million for 2021, an EPS of more than €5, dividend per share of around €2.60, still based on our current dividend pay-out of 50% and as mentioned before, an RoTCE of 15% and cost-income ratio of ~40%.

With that, moving on to our new targets:

We are now targeting a Return on tangible common equity of >17% and a cost-income ratio <38% versus our prior mid-term targets of an RoTCE of >15% and CIR of under 40%.

We are also targeting pre-tax profit of >€750 million; Earnings per share of >€7.25 by 2025, representing an EPS CAGR of ~10% over the next four years, and we are also targeting a Dividend per share of >€4.00, an ~11% CAGR from 2021 baseline.

Slide 18 … How do we grow profit before tax by €175 million from 2021 to 2025:

In a nutshell, this is mainly driven by higher pre-provision profits growth of >€125 million or more than 4% CAGR by 2025, or in total >€850 million pre-provision profit in 2025 representing a mix of core revenue growth and continued efficiency, and normalized

regulatory charges and risk costs, but let me go thru it one by one:

We target net interesting income to grow by 2%, and to be above one billion by 2025. This is all organic development, with no M&A, portfolios or rate increases included in this figure. Main driver of NII growth will be our Retail & SME segment with continued asset growth. Corporates, Real Estate and Public Sector will remain largely static. With increased secured lending asset mix we expect net interest margin to be trending around 200 bps over time.

On Net commission income we expect an annual growth of 3% and to be above €300 million by 2025 – again, with quite conservative assumptions – main driver of growth is our Retail & SME segment, with more focus on advisory business, while we expect the share of transactional business to go down over time.

We will also continue to focus of cost efficiency and target a net cost decrease of 2% per year or operating expenses of below 455m by 2025. Key cost drivers are an optimized overall footprint in post-COVID-19 world, including branches, HQ, facilities, and so on. but we also benefit from consolidation of legal entities, reduced banking licenses, simplification of product sets, middle-back-office standardization and overall centralization of HQ functions. All these initiatives will drive our continuous improvement approach, while we also continue to invest in advisory, tech infrastructure and data assets with over €500 million technology investments being made the past decade.

On Regulatory Charges, we target annual charges to be under €35m in 2022/23 and €15 million as of 2024, this is from a starting point of ~€65 million in 2021, so we expect at least €50 million reduction of reg charges in our 2025 targets, basically our forecasts assume the expiry of the resolution fund and deposit insurance contributions by end of 2023 and 2024 respectively and no further relevant bank failures. Remaining charges of roughly €15 million per year relate to ECB, FMA and Austrian bank levy contributions.

Risk costs: we target a risk cost ratio of 15-20bps and risk costs of under €100 million annually - all organic with no release of management overlay provisions.

Overall, we improved from our pre-COVID risk profile reflecting changing asset mix, net asset growth, improved economic outlook, and positive asset quality trends. Risk cost stability and low volatility is really a reflection of the conservative underwriting, stable regions we operate in and changing asset mix to more secured lending. In 2021, ~80% of customer loans

comprised of collateralized lending + public sector. By 2025, we expect to be >85%.

Slide 19 … I think I have touched on all P&L lines, just quickly on Corporate tax rate we expect to be at 25% going forward and we have fully utilized prior year's tax losses, which then would get us at around €460 million net profit for 2021 or >€5 per share and in 2025 we would be above €560 million net profit or €7.25 per share, which is an underlying growth rate of 7% on pre-tax or 5% on net profit per year thru 2025, while EPS would grow by around 10% annually, this is obviously also a result of our capital distribution strategy.

In terms of overall P&L development, we will continue to focus on sustainable profitable growth .. which also means we assume "0" other income each of the plan period, so all our operating income comes from core revenues with a mix of NII and NCI today of 77/23 and it is fair to assume the mix remains constant through 2025.

Disciplined growth and efficiency are key elements of our DNA and a culture of continuous self-assessment yielding incremental improvements every year. What does that mean:

- We focus on achieving best-in-class gross margins of >62%, equivalent of under 38% CIR. Our focus on efficiency and simplicity allows for a very scalable business. We believe this is a significant competitive advantage in a banking industry that is being disrupted and experiencing wholesale changes. A great deal of bank's issues are self-inflicted.
- Commercial banks are being commoditized. We believe competition revolves around cost-to-acquire and cost-to-serve of customers.
- Our simplicity is derived from our basic business model. We do not have investment banking, proprietary trading, asset management, or other businesses that introduce operational complexity, greater risk and ultimately a heavy cost-burden.
- Customers and Partners want: Faster time-to-yes, faster time-to-funding, simple products underpinned by ease of use, branches to support high-touch and high-quality advisory meetings, and digital tools to support transactional banking

From a risk perspective we are in stable economies and expect more of the same positive dynamics to continue over the next years. Our mix shift towards secured lending will continue and reach over 85% secured or public sector lending by 2025.

As we look forward, the combination of our continued mix shift, our underwriting actions that will continue to benefit us in the future, we expect to achieve a reduction from our 25bps historical average, to 15-20bps risk cost for the next few years.

And lastly if we look at the regulatory world, a lot has happened over the last ten years, we now have a banking union with the single supervisory mechanism under ECB, banks are more resilient than before, capital ratios have improved, more transparency across the sector, and so on and so forth – but it also came with higher costs, in our case it will be more than €400 million by year-end 2021, that we have mainly spent on deposit guarantee and single resolution fund contributions, the so called ex ante funding. This is about to expire by 2023 and 2024, which as I mentioned before, will reduce our regulatory charges by almost 50m annually, and improve profitability and resilience of banks in general.

Slide 20 … In terms of asset developments there are 3 key trends we expect for the next years to continue:

First: customer lending will continue to grow further while our securities portfolio will remain fairly stable – by 2025 customer lending will make up ~90% of total interest-bearing assets

Second: more retail lending – we expect net asset growth momentum of the last years to continue and to drive Retail & SME loans up to 70% of our total customer lending and

Third: more secured lending: continued focus of underlying assets to more secured and public sector lending to over 85% by 2025

Some background on these loan growth trends:

- We expanded into new markets, which allowed us to grow continuously, but also to be disciplined in terms of risk-adjusted returns with now having a much larger addressable market

- we expanded our product offering through organic initiatives and franchise enhancing M&A, with a focus on mortgages, consumer loans and specialty finance
- And we also diversified our Retail & SME originations away from branches. Today, over 75% of originations come by way of non-branch channels as we've invested in digital channels, partnerships, and platforms while always maintaining our disciplined underwriting.

As we look to execute on our 2025 Plan, our goal is to continue to grow across our core markets and continue to grow our footprint in Western Europe and the United States, to expand our origination channels thru partnerships and platforms, and targeting a 100% fully digitized Retail & SME product offering, with the main product focus being mortgages. This provides our customers with a suite of simple and easy-to-use products, which will support our ability to grow further.

Slide 21 … In terms of business segments, the trend continues … while we expect both customer segments to grow – the before mentioned 2% annual growth of core revenues will mainly come from our Retail & SME segment, both in terms of Net interest income and Net commission income.

Today Retail & SME already makes up 75% of the Group's top line and is our largest segment. We expect Retail & SME to contribute around 80% of Group's core revenues by 2025, with the balance focused on corporate, real estate and public sector lending.

This reflects the transformation over the past decade and our continuous focus to grow our multi-brand and multi-channel franchise.

Slide 22 … Having a strong customer funding was always one of the key strengths of our franchise – but also here it was necessary to make some changes over the last 10 years – while customer deposits continued to grow in absolute and relative terms, we've put more focus on covered bond funding today – the reasons are simple, as mentioned before we've been growing mortgages in the last years and therefore had created additional collateral material for our AAA rated covered bond program, which in return provided us with lower cost of funding and better term structure – today, but also thru 2025 95% of our funding comes from customer deposits and mortgage covered bonds, and therefore being less dependent on unsecured wholesale funding – so it is probably fair to say, that funding will

continue to be a source of strength and not a limiting factor in terms of business growth.

Slide 23 … On our capital distribution policy … Let me start with dividends first, we will update our dividend payout policy from currently 50% to 55% as of financial year 2022. In practice this means we will pay the dividend for the current financial year based on the existing payout ratio of 50% - which is expected to be around €2.60 per share and is planned to be paid in the second quarter of 2022. And then for the financial year 2022 we would increase the payout to 55% of net profit, which in combination with expected growing profitability and a lower share count, I will come to this is in a minute, will result in a dividend of more than €3 per share, which is expected to be paid then in the second quarter of 2023.

In addition, we are targeting a share buyback in 2022 equal to the amount of excess capital above our target CET1 ratio of 12.25%, which as of second quarter equals €436 million, and up to 10% of shares outstanding. We have received all necessary corporate approvals in the last AGM and would plan to submit our application to the regulators in the fourth quarter. Without predetermining the outcome of the regulatory process, we would expect an execution in 2022, likely in an open market format under safe harbor rules.

Slide 24 … what have we not captured in our plan

1) We assume rates are static as of today. A parallel shift in rates by 100bps across short and long-end of the curve would translate into €100 million of NII. The 3-month Euribor on the short-end and the 10-yr swap rate on the long-end are good proxies of our overall NII development.

2) Our plans do not assume any M&A, be it bolt-on or large transaction M&A, any portfolio purchases, or any platform investments. We will look to acquire or invest in platforms or small universal banks in DACH/NL region, Western Europe or the United States. Focus would be on Retail & SME asset originations in deep, broad, and mature markets. All M&A investment would be underwritten to RoTCE of >17% along the lines of overall group targets.

3) Today, our securities portfolio is under-weight as % of total interest-bearing assets. This has been a conscious portfolio management decision given credit spreads have been very tight over the past decade. If there is a reversion to mean credit spreads, there is an opportunity to build-up our securities portfolio once again. Today, mix is 15% of

total interest-bearing assets. Historically, this was as high as 30% given our balance sheet structure and liquidity profile.

4) **Last point:** We are looking into different new business lines, such as Advisory and Servicing business leveraging our operational capabilities and focus on industrialization of banks.

With that, I'll handover to Sat, to take you through the Retail & SME business.

Sat Shah: Thanks Enver. My name is Sat Shah. I'm the Deputy CEO heading our Retail & SME business. I joined the bank back in 2013 and have held a variety of roles spanning from M&A & Strategy to Chief Operating Officer.

So jumping into the Retail & SME business, I'm on slide 26 where we've laid out an overview of the franchise.

Today Retail & SME makes up >70% of the Group profits and is our largest segment. Over the past decade we've significantly transformed the way we do business. We've entered new markets, focusing on doing business in developed countries across the DACH/NL region and other developed markets.

We have also simplified our product offerings and most importantly, relooked at our risk appetite and returns. Today 85% of our book consists of secured lending products such as mortgages, auto & moveable leases and inventory finance. We maintain a strong rigor in our underwriting guidelines with >99% of our retail lending automatically approved. This not only leads to a better customer experience with a quick time to yes and payout process, but also enables us to ensure consistency in underwriting across all our channels. In addition to the Lending products, we have a broad suite of fee generating products such as Current Accounts, Cards and Advisory Services ranging from securities, insurances and savings products.

This broad based product offering enables us to offer a one-stop shop for our customers and creates a healthy mix of revenues with over 70% being interest income from our lending business.

Over the next few years, we'll continue to offer simple & transparent products to our customers, from anywhere at any time.

Moving onto slide 27. Within the Retail & SME segment we play in multiple markets across multiple channels. When we look at the market sizes in the areas we play, they are significant. But the reality is the market is overbanked and suffers at times from

irrational pricing where it is hard to see how banks can earn their cost-of-capital. We have, and will continue to be, a disciplined and patient lender in this large addressable market. Today we are under 1% of the stock and a small fraction of the annual originations in terms of mortgages, consumer loans and deposits.

In addition, in Austria and Germany we tend to have some of the lowest levels of consumer indebtedness across Europe which leads to a natural liquidity overhang. We have a loyal customer base that has banked with us for quite some time and place a great deal of trust in BAWAG Group. Over the past few years, we've begun to see an increased shift for the first-time investors and, in general, enhanced awareness translating into increased interest in investment products. We are strong believers that this trend will continue and therefore have been building out our Advisory business across Austria and Germany over the past few years.

In our view, the best players focus on controlling what they can, and not what they cannot. We will continue to maintain a disciplined behavior on returns, credit standards & cost, and not chase the market. As we see new opportunities within the existing market, whether it's because of market exits and/or more attractive risk-adjusted returns, we are ready to capitalize on such opportunities. In addition, we continue to explore additional channels within our existing markets and are also looking at other developed market opportunities.

Moving onto **slide 28**. Our strategy is fairly simple and focused. Our entire Retail organization is focused on these 4 key growth pillars. We'll go into more detail on each of these in the coming slides, but in summary:

1. We run a multi-brand & multi-channel lending and advisory platform across our core markets. Our history is a mix of organic growth and M&A, and we've leveraged this strategy in both situations. We ensure we have sales teams in the field close to our customers and partners, while centralizing all the support functions enabling us to leverage the BAWAG Group scale.

2. We have 2.3 million loyal customers that are our biggest asset. We are heavily focused on providing them high-quality advisory while leveraging data analytics to ensure we're providing them the right products at the right time, through whichever channel they prefer. We've made great progress here and this is an important part of our strategy.

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3. Continuous investments driving growth and efficiency across the business. We have made great progress over the past decade, but there is still so much we can do. This is engraved in the culture of our teams and we are continuously looking at how we become more efficient. The banking landscape continues to change and we try to stay at the forefront of these trends, which we've done a nice job of doing. Today there's a great deal of focus on FinTechs. Our transformation over the past decade enables us to compete against these players. BAWAG Group not only has simple, digitized product offerings with frictionless customer journey's, but we also focus on profitable growth. In the coming years we will continue to invest in our footprint repositioning as needed, digitalization and simplification.

4. And finally the fourth pillar, which I won't cover in the coming slides, is we will continuously identify new areas to grow. This will be a mix of new markets, products, partnerships and acquisitions. One example is the recent acquisition of Hello bank! Austria. This will be a highly accretive bolt-on acquisition of a strong online brokerage platform. In addition to providing us with roughly 80 thousand new customers, we will be able to utilize the capabilities of Hello bank! Austria to enhance our own product offerings within BAWAG Group and most importantly welcome a very strong and experienced team into the Group. Through leveraging the mixed expertise of the Hello bank! and BAWAG Group teams, we are confident the acquisition will generate a minimum of 10 million euros of annual pre-tax profit in the near term.

Moving to **slide 29** and more detail around creating a multi-branded and multi-channel lending & advisory platform across our core markets.

Over the past decade our Retail & SME franchise has had a mix of organic and inorganic growth. Our multi-branded strategy is simple – we use the best brand that makes sense for the market. This has been the case whether we organically entered a new market such as Germany with the brand Qlick, or we acquired a new business line such as factoring via Health AG or Zahnärztekasse brands. In each of these situations, we're using the brands that make most sense from a branding, targeting and customer awareness perspective. Today we have 11 different brands that originate products across our core markets.

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In running this multi-branded strategy, what is critical is each of these brands are sales channels in various geographic locations. All the non-sales functions are centralized to leverage the BAWAG Group scale and synergies, ensuring that we run efficient operations and that we provide best-in-class customer service. The concept of Central Support & Operations enables us to centrally steer our risk appetite, pricing, technology development, data & customer analytics. By centrally managing these areas we are able to steer where capital is deployed as markets shift, leverage technological developments across channels and overall run very efficient operations leading to a better customer experience while maintaining disciplined pricing, a low cost base and product returns meeting our overall group targets.

Our multi-channel strategy consists of originating products through traditional and non-traditional channels. We have Local Sales Organizations where we have sales teams in the field. Over the past few years we've significantly reduced our footprint and also reconfigured the organization, delayering the HQ functions and reinvesting into our sales force. Today ~ 80% of our Retail & SME team is in the field, focused on sales. As customer behavior continues to shift toward digital, what we're seeing is a continued downward trend of the need for over-the-counter transactions, and more the need for advisory talks with the customers. These talks predominantly are held in person at the physical branches, but we continue to see more and more via video calls.

The second channel we are focused on are originations via partnerships and platforms. Some of these relationships tend to be your traditional names that other financial companies play in. With these channels, what really sets us apart are our simple, quick and efficient processes that make it easy to bank with us. In addition to our low cost base, we're able to compete in the fragmented space while still meeting our targeted minimum returns. The more important partnerships are the niche relationships we build-out where we gain access to consumers that other financial players cannot. At times we'll take minority ownerships where the opportunity makes sense, but for all these relationships the asset origination is strictly under BAWAG's defined credit box with full controls in place around risk, portfolio management, KYC/compliance, quality assurance, interfaces, and data asset management.

Moving onto **slide 30**. We have 2.3 million loyal customers that we see significant upside with. Over the past few years, we've built up a centralized data warehouse and invested into our

advanced analytical capabilities. We have a team of internationally experienced data engineers that leverage all the information we collect to better target and customize offers for our customers. These leads & opportunities are then pushed into the various channels, reaching the customer at the optimal time and via the optimal method.

We've already started seeing success over the past year. Today, >70% of our customer leads are pre-scored prior to an advisory discussion, ensuring we are targeting the right customers for our lending products and increasing the conversion rate. More generally, by being able to optimize this targeted approach, we've been able to reduce our marketing spend by over 50% in the past year, while also increasing our lead management conversion rate by more than 2x.

While we're still in the early stages, using data analytics and targeting our existing customers will be an important pillar of growth in the coming years, where we believe there is a significant growth opportunity.

Moving onto **slide 31**.

The third pillar in our growth strategy is around continuous investments driving growth and efficiency. This is something that's engraved into our culture and something we can control.

Our goal is to focus on providing quality products and services, be simple, timely and fair. We continue to invest proactively into the transformation of the bank, whether it's in our footprint reduction, simplification of processes and/or digitalization. This ultimately allows us to reduce the cost-to-serve & cost-to-acquire of customers.

Customer behavior continues to change and much of this is fairly predictive. We have been proactive on our investments and try to be at the forefront as the banking landscape evolves. Over the past decade branches are down ~30% across Continental Europe, with the DACH region being significantly behind. We've reduced our footprint from over 500 branches to under 90 today. As we spoke about on the prior page, as we continued to build-out our advanced data analytics capabilities, we are able to shift to high-touch and high-quality customer interactions. We see a significant increase in our sales per advisor, up 40% versus the past few years. In addition, with the reduction of our footprint and conversely the investments in building up our digital capabilities, customer behavior has shifted and is continuing to shift to digital. >90% of our transactional banking is done digitally, whether it's via our mobile or web banking functions or self-service devices.

And today we have over 900K online customers. In addition to the transactional banking, >45% of our consumer loans sales are done through non-traditional channels. Overall, the landscape of banking continues to shift at a rapid pace and in the coming years we see the branch footprint being more heavily used toward advisory banking around fee-based products.

Because of this shift in customer behavior and our investments in footprint optimization, as well as investments into our processes and technology, we've optimized our cost-to-serve and cost-to-acquire our customers. We've also enhanced our overall customer experience while continuing to drive profitable growth.

And finally, moving onto **slide 32**. In summary, we will continue to focus on growth and expansion in the coming years. We'll do all this while maintaining our efficient cost structure. Our growth will come from 4 key areas: (1) targeting new markets organically and/or thru M&A (2) expanding our product reach & exploring greenfield opportunities (3) reassessing partnerships and determining whether we extend those relationships or expand our own capabilities and finally (4) identifying new strategic partners.

So with that, I'll hand it over to Andy to take you through the Corporates, Real Estate & Public Sector businesses.

Andrew Wise: Thanks Sat. Hi, I'm Andrew Wise and I'm chief investment officer/head of non-retail lending at BAWAG. I joined BAWAG in 2012 and have been with the Bank for almost a decade. I'll talk about the corporate, real estate and public sector businesses.

We've gotten a lot of questions about this business over the years and there's been a lot of misunderstandings. At its core though, our real estate and corporate lending businesses are simple businesses focused on making, primarily, senior secured loans to high quality counterparties. And we execute it with a very experienced team, where many of the senior members have been working together since I joined the bank almost 10 years ago.

As you've heard us mention consistently over the years, we are focused on markets with stable economies and strong legal systems. For us this primarily means Western Europe and the US.

We compete in the market on speed, flexibility and reliability, and never on pricing. We actively tell our clients, we're not your cheapest option. But if you need to close quickly, especially compared to many of our European bank competitors, we can move very fast. The streamlined nature of our bank allows us to quickly give feedback from our credit committee to the client so if we say we can do something, we will. And if we can't, we'll also let you know quickly and a quick no can also be very valuable to our clients. And finally, if after the loan is made, if you want to add another asset, or need to make some change, it's easy to get someone senior on the phone who will quickly give you a response, and you won't be left without a clear answer, lost in committee purgatory.

As we've also consistently said, we don't have volume targets, if we find attractive places to lend money meeting our risk-adjusted return thresholds, then we'll pursue them aggressively. If not, then we'll hold back and keep searching until we find something that fits our risk tolerance. Being a smaller size bank can have its advantages. If you're a mega bank with a sizeable balance sheet, a small niche that provides a few hundred million lending opportunity doesn't make sense. But for us it can really move the needle. The key for us is to continue to find these niche areas where we can attractively lend money.

You can see this in the chart that shows how various segments have grown or shrank. We've seen lots of opportunities in real estate lending. When I arrived at BAWAG in 2012 hotels were unloved and we found great opportunities in that segment. Then logistics were an opportunity, then NPL lending, and so on. Over time, each of these areas became competitive but by being nimble, we were able to find attractive opportunities and significantly grow the business.

Corporate lending, both internationally and in the DACH region, has become extremely competitive, and in many cases, irrational. The reality is, defaults haven't really picked up that much yet and so perhaps we've been too conservative, but we'd rather sleep at night rather than chase covenant lite deals with excessive leverage or do a “relationship” loan completely divorced from any lending or economic fundamentals.

Our real estate book has grown from €2.8 billion in 2012 to €4.9 billion today, with a focus primarily on developed markets across Western Europe and the United States.

We view the real estate private equity or opportunity funds as our clients. We see a number of advantages in dealing with these types of clients: they are generally great investors, they have additional capital available if needed to support deals and they're repeat customers. Most of the large well-known funds are our clients and most have been repeated customers, some of them for almost a decade. Every year we try to find new ones, adding to our roster of clients and growing our business.

We are almost exclusively a senior secured lender and try to lend at reasonable LTVs, to properties that produce strong cash flow. Our book has been at or below 60% LTV for a number of years and remains there today. Of course, new transactions may have a higher LTV than that, although we generally cap out at 70%, but most of our transactions naturally de-lever over time (through either asset sales or cash flow sweeps) which brings the weighted average LTV below 60%.

Most of our deals have multiple pieces of collateral, and in many cases, multiple types of collateral (residential, office, etc), which hopefully provides additional margin of safety.

Our book has increased its focus greatly on residential collateral, an area that we're very bullish on. And as you can imagine, we've done very limited new lending in retail and have become much more cautious with office post COVID.

The result of all of this has been a low loss history and low NPL ratio, and a book we feel very good about.

In corporate lending, the market has moved away from us and we've been more treading water than growing. As I stated, to date industry losses haven't been so bad yet but we'd rather error on the side of being too conservative.

The nature of the transactions, very large syndicated deals in many cases, makes it more difficult for BAWAG to have the same influence as in smaller real estate transactions.

With that said, we are still able to find areas where we can attractively lend and are prepared to take opportunities when the market becomes more rational. We had about a week of that during Covid where we were able to put on a lot of great risk, we hope that next normalization period lasts a bit longer.

In summary, we have a very simple and consistent business. We try to look at the same metrics over time and maintain our standards. While we have made mistakes, and will again, our losses have been reasonable and we've provided attractive returns to the bank and our shareholders.

Our public sector business is focused on lending to sovereign, federal states, municipalities in Austria and Germany.

We have a strong market presence in Austria with a market share of ~ 15%.

Most of these facilities are long-term in nature and in many cases are provided to our best payments customers. The book is a very low risk one, with loans by in large made with strongly rated counterparties. The loans generally have an attractive RWA treatment and can be used as collateral for EIB or ECB funding.

While we don't see public sector lending as a growth driver for us, we expect it to continue to be an attractive business for BAWAG.

So with that, I'll hand it over to David to take you through the risk management.

David O'Leary: Thanks Andy. Welcome from my side. I am David O'Leary, Chief Risk Officer of BAWAG Group. I joined BAWAG in 2015 and served in a number of roles, most recently head of the domestic Retail & SME franchise.

Starting with **slide 38** … Despite our consistent profitability, generating 15% RoTCE and efficiency at 40% cost to income ratio, we have a fundamentally low risk and resilient balance sheet. This is the product of years of conservative underwriting, proactive risk management, disciplined focus around risk adjusted returns and focusing on our core markets. We expect this to continue and to make even further progress in reducing our credit costs.

Our high-quality loan portfolio is based on conservative underwriting standards that do not shift with the market, even at the expense of market share. Our credit culture instills proactive management of our exposures through the cycles.

Our book is simple. We have focused on the growth of our core retail business, primarily through residential housing loans. On the commercial side, our exposure is highly collateralized real estate lending, and we have limited our exposure to certain corporate lending markets as the risk / return equation was unfavorable.

We benefit from our footprint in stable markets, with robust and diversified economies. In addition, the DACH region in particular is characterized by low levels of indebtedness and supported by a strong culture of repayment.

As part of our simplification, we have significantly reduced our exposures to market risk, with little to no interest rate risk and no trading positions.

And importantly, all of this is underpinned by a centralized risk management framework and ensures that our governance is standardized and deployed consistently across our subsidiaries, channels, and any acquisitions.

Moving to **slide 39** … BAWAG's low risk profile has been significantly enhanced over the past decade. Today, we have the luxury of having simplified our platform and find ourselves with a resilient balance sheet and relatively easy to understand exposure set.

We aspire to maintain a low risk profile, disciplined in our focus on risk & return. Our book has been shaped along these lines, as we have grown our core retail franchise from 35% of our customer assets in 2012 to 60% in 2021, the growth coming primarily in housing loans. This is the core of our franchise and allows for best risk practices to be standardized and deployed across our network and products.

To a lesser extent, we have grown our real estate lending book from 11% to 15% of our customer assets today. Our exposures are typically highly collateralized and granular in nature, with strong structural protections.

On the corporate side, as Andy discussed earlier, we have stayed away from loosening of credit terms and leverage levels in the market and our new business has remained constrained, especially across Austrian and German corporates landscape.

Our core markets of DACH/NL, western Europe and the US have stable economies, strong legal and credit structures. This underpins our balance sheet as 93% of our book originates in AAA or AA rated sovereigns.

We believe our underwriting is a competitive advantage. Too often we see competitors chase markets in the blind pursuit of growth. We choose to set our standards and maintain them, but search for the right areas of the market where our credit standards are upheld. This is institutionalized from our first line of our defense, through our risk management team and exemplified by our leadership.

The result of this is the chart in the lower left, showing our low NPL ratio trending down from over 3% to 1.5% today. Risk costs are representative of the low volatility of our book at below 25

bps coming out of the pandemic and without substantial reserve releases. The trend and consistency of this chart separates us.

Lastly, ESG has been a significant thread in our risk culture and is essential in prudently managing our business. We will speak in more details about current ESG position and our targets looking forward.

Slide 40 breaks down our customer book, with details into our Retail & SME segment. We provide the outline of our exposure on the left, some key portfolio headlines and our underwriting standards on the right.

Our retail exposure is €20 billion, and 60% of our customer book. The vast majority or 83% is secured by housing or leasing collateral. Our stage 3 NPL balances are low at 2%.

The largest proportion of our Retail loan book is composed of single-family housing loans, making up 75% or €15 billion. The book is well seasoned at over 5 years, and given the multi-year increases in housing prices, our core focus is on lower LTV lending <80% LTV, ensuring ability to absorb price declines.

In 2021 our average LTV of new production has been 69%. So our book is well seasoned and our new production is coming on with conservative LTVs. Our losses in this category have been, and continue to be, de minimis at less than 5bps.

The remaining portion of our book is comprised of consumer and SME lending. €5 billion in this segment are ~ half unsecured consumer loans and half secured lending, primarily leasing. Losses in this segment historically have run around 130 bps.

With regards to consumer lending, ~ 80% of our Austrian book is to current account customers, which allows us to better analyse their credit situation. In the past 2 years we have ensured this portfolio has significant stress absorption capability, and we have seen our delinquency and loss rates for recent vintages running at ~ 50% lower than prior vintages. We expect this to continue to impact our loss rates as the newer vintages become more prominent.

Lastly, I would summarize our underwriting as focused on secured and stress resistant portfolios. We see growth continuing in the residential real estate side across our markets, while still being able to maintain a low LTV profile.

On to slide 41 … The remaining 40% or €13.2 billion of our customer book is across real estate, large corporate and public

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sector lending. Here we have a high-quality portfolio that has been tested through the pandemic. The NPL ratio is 1.1% demonstrating the quality.

I will focus on our real estate and corporate lending, as our public lending franchise at €4.6 billion is backed primarily by sovereign guarantees and carries no historic losses. It is stable and accretive business for us with customer relationships tying in cash management.

As Andy emphasized, we do not let our credit standards drift. We are patient lenders, that find business that fits our standards or we let it go. This has benefitted us over the years and through the pandemic with limited losses and a stress resistant portfolio.

Real Estate lending portfolio is €4.9 billion, weighted towards direct residential housing pools which make up around 35% of the exposures. We also have 21% of our underlying exposure in office assets which are performing well.

Our conservative underwriting is maintained in our LTV cushion. The weighted average LTV of the portfolio is below 60. That is a significant cushion against falls in value and continues to serve us well through the pandemic. Expectedly, we had pockets of exposures that were impacted during the pandemic such as hotels and retail, which is under 8% of total portfolio. However, the conservative structures and values provided cushion. For example, our direct hotel and retail exposures had an average pay down of 39% on top of the initial LTV attachments.

We ensure structural protections such as cash flow sweeps and traps with significant cushion to values and debt yields. Most importantly, our going in LTV expectation for a new deal is on average 65%. We have maintained this through the market cycles.

Corporate exposures are €3.7 billion. It is entirely senior financing and primarily in DACH, Western Europe and the US. Over 75% of the book is to large corporate entities, and a majority are liquid loans.

We have found the high supply of lending in this market shifting terms towards borrower friendly financing which makes us cautious. Therefore, we have not been competitive over the years and this book has declined, in particular driven by Germany and Austria middle market corporates.

We focus on resilient industries, with 50% of our book in the pharma / health care, services and food industries. We are

confident that our underwriting will continue to stand the test, and that our risk in these portfolios is well contained.

On to **slide 42** … The ECB-conducted stress test in the first half of 2021 provided an opportunity for us to benchmark our portfolio against ourselves and our peers. While a theoretical test, it used as a starting point the year end 2020 balance sheet, which reflected the impact of the pandemic on our profitability, customer base, and our risk staging. It then applied the most punitive economic scenario of any previous Stress Test, including a 3 year continued recession, 30% decline in commercial real estate pricing, and a 20% decline in residential pricing.

The test demonstrated the resilience of our highly collateralized, conservative customer book, and the profitability and capital that cushion our balance sheet. Our results put us in the top 4 of publicly listed banks in the EBA sample. The stress case reduced CET1 percentage by 198 basis points over 3 years from ~ 14% starting point to 12% at end of year 3. This compares with the average decline across ECB banks in CET1 of 520 basis points. We remained profitable in 2 of the 3 years and were able to pay over €100 million of dividends, and we managed to improve our results from the 2018 test.

On the right, you see the 3-year cumulative impact on our portfolio positions in the adverse scenario. Real estate lending experienced losses of just 2%, reflecting the significant loss absorption and collateralization levels, and we experienced only 1.7% cumulative losses on our corporate book.

Residential mortgage losses were less than a point, despite a 20% reduction in home prices across the time period. This also supports our preparedness for market value declines in the future. Lastly, consumer lending losses were mitigated by the small proportion of our overall book.

While we can repeatedly say that we have established a low risk balance sheet, we believe that these results provide further strength to the point and paint the picture with a comparable test across the industry.

Moving to **slide 43** … We do not look at ESG as a silo in our organization, we believe that ESG responsibilities underpins sustainable long term profitability, and is a critical part of managing our risk. A product of this attitude is seen in our low exposure to high ESG risk industries today. Just 2% of our non-Retail book, is to industries that are at high risk or restricted from

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an ESG perspective. We have historically considered environmental and societal impact in our credit decisions, as they will impact our potential borrowers repayment of loans over time. This supports our continued focus on ESG risk as a strengthening of our current business model, and not a headwind.

We also see the opportunity in green finance. The credit dynamics of green financing are positive, and while we already have a presence with 15% of our retail book representing green financing, we plan to accelerate. We expect green financing to reach at least €1.6 billion of our new business annually by 2025.

Equally important, is how we conduct ourselves. We believe that prudently managing our footprint not only is important to achieve efficiency, but it also minimizes our emissions footprint. From our relatively low baseline of ~2900 tons of scope 1 and 2 CO_2 emissions, we have committed to further reducing our own emissions by over 50% by 2025.

Again, ESG is a thread that runs through our business strategy, and a key part of any prudent risk management framework. This puts the possibility of such a target well within our reach by 2025.

Moving to **slide 44** … As Anas mentioned early on, we have successfully navigated exceptional challenges over the past year, thanks in good part to strong risk management framework and agile management.

From a positioning standpoint, our current balance sheet has been shaped by consistent and steady work over the years.

We are in stable economies, highly collateralized exposures, well-understood lending products benefitting from conservative underwriting standards that we have held firm.

As we look forward, we can promise to expect more of the same to maintain our low risk profile.

Our mix shift towards secured lending will continue. Today, we stand at ~80% of our book being secured or public borrowing, which has been the result of years of business building from ~60% back in 2012. We expect that trend to continue and reach over 85% secured or public sector lending by 2025. We anticipate unsecured consumer lending to experience a declining loss trend as we move forward as our more recent vintages become more prominent in our book. We see both factors as tailwinds for our risk costs going forward.

We will adhere to our underwriting standards across our markets. Our job is to find opportunities with the appropriate risk / return characteristics in the markets that we understand. Our risk costs should reflect the low volatility of the regions that we operate in, as we expect to trend towards 80% DACH/NL exposures and 20% Western Europe and US.

As we look forward, the combination of our continued mix shift, our underwriting actions that will continue to benefit us into the future, we forecast the continued reduction of our risk costs ratio. We expect to achieve a reduction from our 25bps historical average, to 15-20bps risk cost for the next few years.

This is indicative of an improving economy, but more importantly a focus on what we can control, like the mix of our book, the credit standards we maintain, and the operational framework to proactively manage our risk.

With that, I will hand it over to Guido to discuss our governance approach.

Guido Jestädt: Thanks David and good morning from my side. My name is Guido Jestädt and I'm the Chief Administrative Officer. I joined the BAWAG in 2012, became its General Counsel in 2016 and was appointed to the Management Board this past July.

I am on **slide 45**. On the following slides we lay out, how we think about governance, our approach to governance and how we operationalize governance across the Group.

Operating in a highly regulated sector, we have always embraced governance as means to protect our franchise and not as a burden imposed upon us.

We strongly believe that maintaining a top-flight governance structure protects our stakeholders, namely, our customers, shareholders as well as our employees and by the same token enables and strengthens our business.

1) Protecting our customers' interest generates trust, which forms the foundation of our franchise. To give two examples: promoting transparency of our products and their pricing as well as ensuring data privacy and bank secrecy more broadly.

2) Focusing on the legal framework and internal processes safeguards our business from operational risk, mitigates losses and helps us to execute on our business strategy.

3) Promoting and living a true culture of meritocracy enables us to attract, develop and motivate our team members, which underpins our success. Most importantly, our meritocracy allows us to guard against complacency.

Highly regulated sectors, like banking, have benefits in that they create high barriers to entry. Therefore, our focus on creating a top-flight governance structure, which we believe will provide us with a competitive advantage over the long run.

We view governance as a moat surrounding our franchise. Our goal to maintain a top-flight governance ties well into our overall business strategy, which rests on our 4-pillar strategy of the Group.

Simplification, a theme that you have heard mentioned multiple times today, is one of the key underlying drivers that we apply across our businesses, operations and products to execute on our strategy and therefore create a best-in-class group governance.

To improve even further on our governance, we have recently continued to bundle governance topics across the group under one roof, the "Chief Administrative Office", and established the role of Chief Administrative Officer on group management board level.

The rationale behind the newly shaped board responsibility, amongst other things, was to:

Further consolidate and centralize governance topics across the whole group (always being compliant with the prevailing regulatory framework).

Excellence on governance enables our business growth plans. For our business plans to work, a prerequisite is that we carefully study the markets in which we plan to enter and look at the venture through all lenses.

Create independency from market units to enable an independent view.

Further strengthen awareness of the topic within and outside our organization.

Being dynamic and addressing new challenges by adopting changes to our governance (e.g. the establishment of an ESG committee on the Management Board and the Supervisory Board level).

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Moving on to **slide 46** … What we want to emphasize here is that business and a top-flight governance are not mutually exclusive. To the contrary, our business strategy inherently fertilizes our governance ambitions.

To give you a few examples set out on the left hand side of the slide:

- the commercial decision to conduct our banking business only in low credit risk and highly regulated countries – limits the risk of money laundering as high-risk countries tend to also be more prone to money laundering. The same is true for the busines decision to only lend to low credit risk industries.
- the commercial decision to focus on simple and transparent core products addresses e.g. compliance with regulations applicable to securities sales. At the same time it addresses operational risk and data protection compliance.
- The combination of our business model and the additional measures that we have taken to maintain a best-in-class governance is to ensure a sustainable business franchise as mentioned before.
- You will find a few of the additional measures which we have implemented laid out on the right hand side of the page. These include:
- centralization of group governance functions to ensure group-wide standards and the group-wide roll out of policies.
- real-time involvement of governance functions in product and process development ensures a proactive support of our business lines.

Having said that, I would like stress once again that all the measures we are implementing will always be checked to ensure compliance with the prevailing regulatory framework.

On to **slide 47** … As highlighted before, we illustrate here the interlink of the theme of "simplification" and "governance". Simplification drives efficiency but by the same token enhances governance across the group.

We have merged four operating subsidiaries in the last three years, including a cross-border merger of Südwestbank into BAWAG P.S.K., and with that reduced the BAWAG group by three licensed entities. We plan to continue on this path with existing as well as newly acquired businesses. With the

integration by way of merger we reduce the overhead needed to run a separate regulated entity as well as operational risk.

Where a merger is legally not possible, or commercially not prudent, we take a lighter approach by integration and centralization of mid-and-back office functions (stressing again, always only to the extent compliant with the regulatory framework). With that we leverage our centralized group functions.

The integration is supported by an experienced M&A and integration team which has worked together for many years. The experience and stability of the teams ensures that none of the various topics to be mindful of, fall between the cracks and to even further improve here, the idea of the Chief Administrative Office was born.

With that I would like to handover to Anas.

Anas Abuzaakouk: As we wrap-up our presentation, I wanted to share with you how we felt as we were putting together our 2025 Plans. Stepping back and reviewing the Group's performance over the past decade, we were all filled with a tremendous amount of pride in the work that was put forth by all team members to transform the BAWAG franchise into what you see today. What doesn't come out on the pages, but what was most important for all those involved in this journey, was the tireless efforts and commitment of the team, year-in and year-out. This required a tremendous amount of persistence, perseverance, operational heavy lifting, and having to overcome many challenges along the way.

However, we are most proud of knowing that we have established a truly unique culture with an incredible team. Although we've been through a lot, our team members are absolutely committed to delivering results and excited about the road ahead as we execute on our 2025 Plans. We have positioned the BAWAG franchise for sustainable long-term profitable growth and value creation that will benefit our customers, shareholders, team members and local communities in the many years ahead.

Thanks to everyone for joining our virtual presentation. We look forward to welcoming you to the Q&A session that we will be holding later today at 3pm UK time, which we pushed to later to fotday to allow for participation across multiple time zones.

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Please use the opportunity to submit questions via our Q&A tool, which has now been opened.

Take care and talk to you later this afternoon.