BAWAG GROUP REPORTS FY 2022 ADJUSTED NET PROFIT OF € 509 MILLION, EPS € 5.81, AND ROTCE OF 18.6%

- **Q4 '22 net profit of € 132 million, EPS of € 1.51, and RoTCE of 19.6%**
- **FY '22 incorporates full write-off of City of Linz receivable of € 254 million in risk costs**
- **FY '22 (including City of Linz): Net profit of € 318 million, EPS of € 3.64, and RoTCE of 11.6%**
- **Adjusted FY '22 (excluding City of Linz): Net profit of € 509 million, EPS of € 5.81, and RoTCE of 18.6%**
- **Pre-provision profit of € 849 million (+14% vPY) and CIR at 35.9%**
- **Adjusted risk costs of € 122 million … continued to build up our ECL management overlay to € 100 million**
- **Completed € 325 million share buyback program and cancelled 6.6 million shares**
- **CET1 ratio of 13.5% post-deduction of dividend accrual of € 305 million for FY '22**
- **Targets for 2023: Profit before tax > € 825 million, EPS > € 7.50, DPS > € 4.10, RoTCE >20%, and CIR < 34%; Accelerating all 2025 financial targets to 2023**

VIENNA, Austria – February 13, 2023 – BAWAG Group today released its preliminary results for the financial year 2022, reporting a net profit (excluding City of Linz) of € 509 million, € 5.81 earnings per share, and a RoTCE of 18.6%. For the fourth quarter 2022, BAWAG Group reported a net profit of € 132 million, € 1.51 earnings per share, and a RoTCE of 19.6%.

The third quarter 2022 incorporated the full write-off of the City of Linz receivable. In August, the Austrian Supreme Court ruled that the swap contract entered between BAWAG and the City of Linz 15 years ago was invalid. As a result of the ruling, we took a pre-tax write-off of € 254 million, equal to € 190 million impact after tax. Including this write-off, net profit for the financial year 2022 was € 318 million with an RoTCE of 11.6%.

The operating performance of our business was strong during 2022 with pre-provision profits of € 849 million and a cost-income ratio of 35.9%. Total risk costs (excluding City of Linz write-off) were € 122 million, of which € 39 million related to increasing our management overlay. Despite our low NPL ratio of 0.9% and robust credit performance across our business, we decided to remain prudent in our provisioning given the uncertain market environment and potential headwinds, increasing our management overlay provisions by € 39 million during 2022 to a total of € 100 million, equal to almost one-year of normalized risk costs.

Average customer loans were +4% versus prior year. At the end of December 2022, the CET1 ratio was at 13.5%. We generated approximately 250 basis points of gross capital from earnings during 2022. The CET1 ratio considers the deduction of € 305 million dividend, equal to € 3.70 per share for the financial year 2022. In addition, we executed a share buyback of € 325 million in the second half 2022 and cancelled 6,642,237 treasury shares, equal to 7% of share capital, with effectiveness as of 6 December 2022. Our share capital after the cancelation is now at € 82,500,000.

Anas Abuzaakouk, CEO, commented on the financial results: *"This past year has confirmed one key tenet we have always embraced, the only constant is change. Despite headwinds building up, volatile capital markets and a slowdown in the second half of the year, 2022 was another record year for the Group in which we exceeded all our targets. On an adjusted basis (excluding the City of Linz legal case) we delivered Net Profit of € 509 million, EPS of € 5.81, a return on tangible common equity (RoTCE) 18.6%, and a cost-income ratio (CIR) 35.9%.*

We also distributed € 592 million of capital in the form of € 267 million dividends, or € 3.00 per share, and completed a € 325 million share buyback during 2022. We will be proposing a dividend of € 3.70 per share, equal to € 305 million, for approval at our AGM in March. We ended the year with a CET1 ratio of 13.5% (post dividend accrual) and excess capital of € 261 million versus our CET1 target of 12.25%, with an additional management overlay provision of € 100 million to address any macro uncertainty.

We are purposely maintaining dry powder for potential organic opportunities and M&A in the coming quarters. If specific opportunities do not materialize, any buyback will be under 100 basis points of CET1% (subject to regulatory approval) as we remain prudent and conservative.

Despite our strong record of performance over the past decade with an average RoTCE ~15%, we have underearned over this period defined by negative interest rates. We have an opportunity to deliver more normalized returns in the years ahead. Going forward, we are targeting an RoTCE > 20% and a cost-income ratio < 34%. However, we should never confuse the benefits from a normalized interest rate environment with the daily execution of our strategy. Our focus on managing costs and maintaining a conservative and disciplined risk appetite are more important than ever.

Our senior leadership team is incredibly thankful for the support from all our stakeholders. We have an amazing team and resilient business that will deliver results across all cycles allowing us to consistently support our customers, local communities, team members and shareholders."

Delivering record results in 2022

in € million	FY 2022 reported	FY 2022 adjusted	Change versus prior year (in %)
Core revenues	1,330.4	1,330.4	9.0
Other income	(6.4)	(6.4)	n/a
Operating income	1,324.0	1,324.0	7.8
Operating expenses	(474.8)	(474.8)	(2.2)
Pre-provision profit	**849.2**	**849.2**	**14.3**
Regulatory charges	(48.8)	(48.8)	(5.4)
Risk costs	(376.3)	(122.0)	28.4
Profit before tax	**426.8**	**681.0**	**13.4**
Net profit	**318.3**	**508.8**	**6.0**
RoTCE	11.6%	18.6%	2.5pts
CIR	35.9%	35.9%	(3.6pts)
EPS (€)	3.64	5.81	8.3

Core revenues increased by 9.0% to € 1,330 million in 2022. **Net interest income** increased by € 82.8 million, or 8.8%, to € 1,021 million in 2022 resulting from higher interest-bearing assets and a more normalized interest rate environment. **Net fee and commission income** increased by € 27.2 million, or 9.6%, compared to 2021, driven by the acquisition of Hello bank! Austria in Q4 '21 (rebranded to easybank). While our advisory and brokerage business had a strong first quarter, it has been impacted by the market volatility and uncertainty we witnessed for the remainder of the year. **Other income** decreased by € 14.5 million to € (6.4) million in 2022. Other operating income includes a negative impact for resulting from the unwind of the TLTRO following the change of contractual terms, which was partially offset by a settlement of € 12.0 million reached with City of Linz.

Operating expenses decreased by 2.2% to € 475 million in 2022 due to multiple operational initiatives executed over the past two years, more than compensating significant inflationary pressures. The **cost-income ratio** decreased by 3.6 points to 35.9%. This resulted in a **pre-provision profit** of € 849 million, up 14% versus prior year.

Regulatory charges were € 48.8 million in 2022, compared to € 51.6 million in 2021. This is a reflection of the overall stable deposit development in the market.

Risk costs (excluding the write-off of the City of Linz receivable) were € 122 million in 2022, an increase of € 27 million, or 28.4%, compared to the previous year. 2022 risk costs included additional ECL reserves of approximately € 39 million. As of year-end BAWAG Group had total ECL provisions of € 179 million, of which € 100 million were the result of a management overlay, which are provisions to address the uncertain macro outlook and any potential headwinds.

Our goal is, and will always be, maintaining a strong balance sheet, solid capitalization levels, low balance sheet leverage and conservative underwriting, a cornerstone of how we run the Bank. The customer loan book is comprised of 73% exposure to the DACH/NL region (Germany, Austria, Switzerland, Netherlands) and 27% exposure to Western Europe and the United States. Our NPL ratio of 0.9% is one of the lowest across Europe, with a conservative reserve ratio of 1.4% on customer loans, an increase of over 40 basis points on pre-pandemic levels, despite a decreasing NPL ratio.

Customer Business performance in FY 2022 versus FY 2021

Segment	PBT (in € million)	Net profit (in € million)	RoTCE	Cost-income ratio
Retail & SME	590 / +22%	442 / +22%	34.3%	33.2%
Corporates, Real Estate & Public Sector	194 / -5%	146 / -5%	17.8%	22.8%

Outlook and targets

2022 was the year of the unexpected. We witnessed greater market volatility, a surge in inflation, rising interest rates, geopolitical conflict and a slowdown in economic growth during the second half of the year. While governments across Europe have made significant efforts in maintaining gas reserves and sourcing alternative gas providers, the energy market is expected to remain volatile. Therefore, the market volatility will most likely be a constant. No company will be immune from these developments and we expect 2023 to be equally challenging with continued volatility across markets.

Going into 2023, we are entering a more normalized interest rate environment based on historic rates and a return to more market driven dynamics. The expected stagnation of GDP and the effects of inflation as well as rising interest rates on customers requires us to be more vigilant in how we manage these risks. While inflation is expected to come down in 2023, we believe that customers will still be impacted. Despite our strong record of performance over the past decade with an average RoTCE ~15%, we have underearned over this period defined by negative interest rates. We have an opportunity to deliver more normalized returns in the years ahead. However, we should never confuse the tailwind of rising interest rates with the daily execution of our strategy. Our emphasis on managing costs and maintaining a conservative and disciplined risk appetite are more important than ever. The opportunity lies in maintaining our cost discipline and focusing on risk-adjusted returns while capturing the benefits of a normalized interest rate environment. The resilience of our franchise lies in our ability to deliver results across all cycles as we are built for all seasons. Going forward we will be able to demonstrate continued positive operating leverage as we see greater revenue growth opportunities while maintaining cost discipline. Our approach is consistent, focus on the things that we can control, be a disciplined lender, maintain a conservative risk appetite, and only pursue profitable growth.

At our investor day in September 2021, we presented a 4-year Plan. Since then, the environment has changed significantly as a result of surging inflation, rising interest rates, market volatility, and geopolitical conflict. In addition, we signed an agreement to acquire Peak Bancorp, the holding company of Idaho First Bank in 2022, which will provide us with a platform to address growth opportunities in the United States. Considering these developments, we are bringing forward the previously set 2025 financial targets to 2023. In addition, we increased our overall return targets, with the aim to run our franchise at a RoTCE of >20% and a CIR <34% going forward.

In our outlook for 2023, we see full year core revenues growing by more than 12% and operating expenses increasing by 2%. We expect a risk cost ratio of approximately 20-25 basis points. Our **outlook and targets** are as follows:

Outlook	2023 Outlook	2022 (adjusted)*
Net interest income	> € 1.2 billion	€ 1,021 million
Core revenues	> 12% growth	€ 1,330 million
Operating expenses	~2% increase	€ 475 million
Risk cost ratio	20-25 basis points	19 basis points (underlying)
Financial targets		
Profit before tax	> € 825 million	€ 681 million
Earnings per share (excluding any potential share buyback)	> € 7.50	€ 5.81
Dividend per share (excluding any potential share buyback)	> € 4.10	€ 3.70
Return targets	2023 & beyond	2022
Return on tangible common equity	>20%	18.6%
Cost-income ratio	<34%	35.9%

* Note: 2022 adjusted for City of Linz write-off of € 254 million or € 190 million after tax.

The ESG targets are reconfirmed as follow:

ESG targets	Baseline 2020	2025
CO2 emissions (own scope 1&2 emissions)		>50% reduction vs. 2020
Women quota - Supervisory Board - Senior Leadership Team	 17% 15%	 33% 33%
Green lending new business (EU taxonomy + EU taxonomy aligned purpose outside EU)	€ 0.8 billion	> € 1.6 billion

In terms of capital distribution, we will target a dividend payout ratio of 55%. Our primary focus will be to allocate to business growth, M&A, minority, and platform investments. Any additional excess capital will be used for share buybacks and/or special dividends, subject to our routine annual assessment.

The Management Board deducted dividends of € 305 million from CET1 capital at the end of 2022, which will be proposed as a dividend payment of € 3.70 per share to the Annual General Meeting on 31 March 2023. The dividend is based on a 60% payout ratio of net profit adjusted for the City of Linz write-off taken in 2022.

During 2022, we remained prudent in our provisioning, increasing our management overlay to € 100 million, equal to almost one year of normalized risk costs as we prepare for a potentially challenging market environment in 2023. We will continue to maintain our low-risk strategy focused on the DACH/NL region, Western Europe and United States, providing our customers with simple, straightforward and reliable financial products and services that address our customers' needs.

About BAWAG Group

BAWAG Group AG is a publicly listed holding company headquartered in Vienna, Austria, serving 2.1 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.

Contact:

Financial Community:
Jutta Wimmer (Head of Investor Relations)
Tel: +43 (0) 5 99 05-22474

IR Hotline: +43 (0) 5 99 05-34444
E-mail: investor.relations@bawaggroup.com

Media:
Manfred Rapolter (Head of Corporate Affairs)
Tel: +43 (0) 5 99 05-31210
E-mail: communications@bawaggroup.com

This text can also be downloaded from our website: https://www.bawaggroup.com

Profit or loss statement

in € million	2022 Reported	2022 Adjusted	2021	Change Adjusted	Change % Adjusted
Net interest income	1,021.1	1,021.1	938.3	82.8	8.8
Net fee and commission income	309.3	309.3	282.1	27.2	9.6
Core revenues	**1,330.4**	**1,330.4**	**1,220.4**	**110.0**	**9.0**
Gains and losses on financial instruments and other operating income and expenses[1)]	(6.4)	(6.4)	8.1	(14.5)	-
Operating income	**1,324.0**	**1,324.0**	**1,228.5**	**95.5**	**7.8**
Operating expenses[1)]	**(474.8)**	**(474.8)**	**(485.3)**	**10.5**	**(2.2)**
Pre-provision profit	**849.2**	**849.2**	**743.2**	**106.0**	**14.3**
Regulatory charges	(48.8)	(48.8)	(51.6)	2.8	(5.4)
Operating profit	**800.4**	**800.4**	**691.6**	**108.8**	**15.7**
Total risk costs	(376.3)	(122.0)	(95.0)	(27.0)	28.4
Share of the profit or loss of associates accounted for using the equity method	2.7	2.7	3.8	(1.1)	(28.9)
Profit before tax	**426.8**	**681.0**	**600.4**	**80.6**	**13.4**
Income taxes	(108.2)	(171.9)	(120.4)	(51.5)	42.8
Profit after tax	**318.6**	**509.1**	**480.0**	**29.1**	**6.1**
Non-controlling interests	(0.3)	(0.3)	(0.1)	(0.2)	>100
Net profit	**318.3**	**508.8**	**479.9**	**28.9**	**6.0**

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 44.6 million for 2022. The item Operating expenses includes regulatory charges in the amount of € 4.2 million for 2022 as well. However, BAWAG Group's management considers regulatory charges as a separate expense. Accordingly, they are shown in a separate expense line in the Group Management Report.

Total assets

in € million	2022	2021	Change	Change (%)
Cash reserves	520	1,894	(1,374)	(72.5)
Financial assets				
Held for trading	156	257	(101)	(39.3)
Fair value through profit or loss	557	611	(54)	(8.8)
Fair value through OCI	2,743	3,754	(1,011)	(26.9)
At amortized cost	51,585	48,448	3,137	6.5
Customers	35,763	34,963	800	2.3
Debt instruments	3,167	2,319	848	36.6
Credit institutions	12,655	11,166	1,489	13.3
Valuation adjustment on interest rate risk hedged portfolios	(619)	(94)	(525)	(100)
Hedging derivatives	338	178	160	89.9
Tangible non-current assets	352	394	(42)	(10.7)
Intangible non-current assets	522	535	(13)	(2.4)
Tax assets	39	30	9	30.0
Other assets	305	318	(13)	(4.1)
Non-current assets held for sale	25	-	25	>100
Total assets	**56,523**	**56,325**	**198**	**0.4**

Total liabilities and equity

in € million	2022	2021	Change	Change (%)
Total liabilities	**52,532**	**51,947**	**585**	**1.1**
Financial liabilities				
Fair value through profit or loss	204	234	(30)	(12.8)
Held for trading	692	301	391	>100
At amortized cost	50,669	49,666	1,003	2.0
Customers	34,288	35,148	(860)	(2.4)
Issued securities	10,037	7,157	2,880	40.2
Credit institutions	6,344	7,361	(1,017)	(13.8)
Financial liabilities associated with transferred assets	394	-	394	>100
Valuation adjustment on interest rate risk hedged portfolios	(891)	165	(1,056)	-
Hedging derivatives	245	107	138	>100
Provisions	284	382	(98)	(25.7)
Tax liabilities for current taxes	43	131	(88)	(67.2)
Tax liabilities for deferred taxes	95	93	2	2.2
Other obligations	797	868	(71)	(8.2)
Total equity	**3,991**	**4,378**	**(387)**	**(8.8)**
Common equity	3,520	3,902	(382)	(9.8)
AT1 capital	471	471	-	-
Non-controlling interests	-	5	(5)	(100)
Total liabilities and equity	**56,523**	**56,325**	**198**	**0.4**

Business segment performance

2022 **in € million**	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
Net interest income	750.2	262.9	43.7	(35.7)	1,021.1
Net fee and commission income	276.8	33.7	(0.7)	(0.5)	309.3
Core revenues	**1,027.0**	**296.6**	**43.0**	**(36.2)**	**1,330.4**
Gains and losses from financial instruments & other operating income and expenses	**4.5**	**17.1**	**34.9**	**(62.8)**	**(6.4)**
Operating income	**1,031.5**	**313.6**	**77.9**	**(99.0)**	**1,324.0**
Operating expenses	**(342.7)**	**(71.5)**	**(37.4)**	**(23.2)**	**(474.8)**
Pre-provision profit	**688.8**	**242.2**	**40.5**	**(122.3)**	**849.2**
Regulatory charges	(18.4)	(12.0)	(7.6)	(10.8)	(48.8)
Total risk costs	(80.6)	(36.2)	(5.1)	(254.4)	(376.3)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	2.7	2.7
Profit before tax	**589.8**	**194.0**	**27.8**	**(384.8)**	**426.8**
Income taxes	(147.5)	(48.4)	(6.9)	94.6	(108.2)
Profit after tax	**442.4**	**145.6**	**20.9**	**(290.2)**	**318.6**
Non-controlling interests	–	–	–	(0.3)	(0.3)
Net profit	**442.4**	**145.6**	**20.9**	**(290.6)**	**318.3**
Business volumes					
Assets	22,375	14,503	18,386	1,259	56,523
Liabilities	35,369	12,780	3,613	4,761	56,523
Risk-weighted assets	9,587	7,502	1,748	1,827	20,664

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