

# BAWAG Group

# Excerpts of public disclosure

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11 April, 2023

# NOTE

This document provides excerpts of different public disclosure of BAWAG Group. The source of the excerpt is noted at each respective excerpt. Except where noted, the excerpts were prepared at the time of the FY 2022 disclosure, are based on the FY 2022 financial reporting as well as information released during the FY 2022 earnings call and were provided to you at such time. BAWAG Group has not and expressly disclaims any obligation to update or alter any statements therein, including without limitations any forward-looking statements, whether as a result of new information, future events, or otherwise.

The information in this document is to be read together with the preliminary FY 2022 earnings presentation, the FY 2022 financial report, the transcript of the earnings call of FY 2022 as well as all releases published since then.

Documents can be found on our website under <https://www.bawaggroup.com/BAWAGGROUP/IR/EN/Financial-Results> unless stated otherwise.

# 2023 OUTLOOK AND TARGETS

## P&L OUTLOOK

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### Net interest income

FY '22: €1,021m

**> €1.2b**

### Core revenues

FY '22: €1,330m

**> 12% growth**

### Operating expenses

FY '22: €475m

**~2% increase**

### Risk cost ratio

FY '22: 19bps (underlying)

**20-25bps**

## 2023 FINANCIAL TARGETS

Profit before tax

**> €825m**

Earnings per share

**> €7.50**

Dividend per share

**> €4.10**

## 2023 & BEYOND RETURN TARGETS

Return on tangible common equity

**> 20%**

Cost-income ratio

**< 34%**

# P&L and capital items

## 2023 OUTLOOK/GUIDANCE

### Core revenues

FY '22: €1,330m

**> 12% growth**

### Operating expenses

FY '22: €475m

**~2% increase**

### Risk cost ratio

FY '22: 19bps (underlying)

**20-25bps**

### Regulatory charges

FY '22: €49m

**Expected at 2022 level**

### Balance sheet/capital

## STATEMENTS DURING FY 2022 EARNINGS CALL OR Q1 2023

*"... the NII improvement will gradually materialize in the coming quarters, and we expect NII run rate to reach the peak around Q2 or Q3 based on the current market rates."*

*"Net commission income was very stable at € 75 million in the quarter, which also seems to be a good run rate in the current market environment."*

*"For 2023, we are confident to manage operating expenses at plus 2% year-over-year considering wage inflation effect and consolidation of Idaho First Bank."*

*"For 2023, we expect an underlying risk cost ratio of around 20 to 25 basis points assuming no releases of the management overlay provisions."*

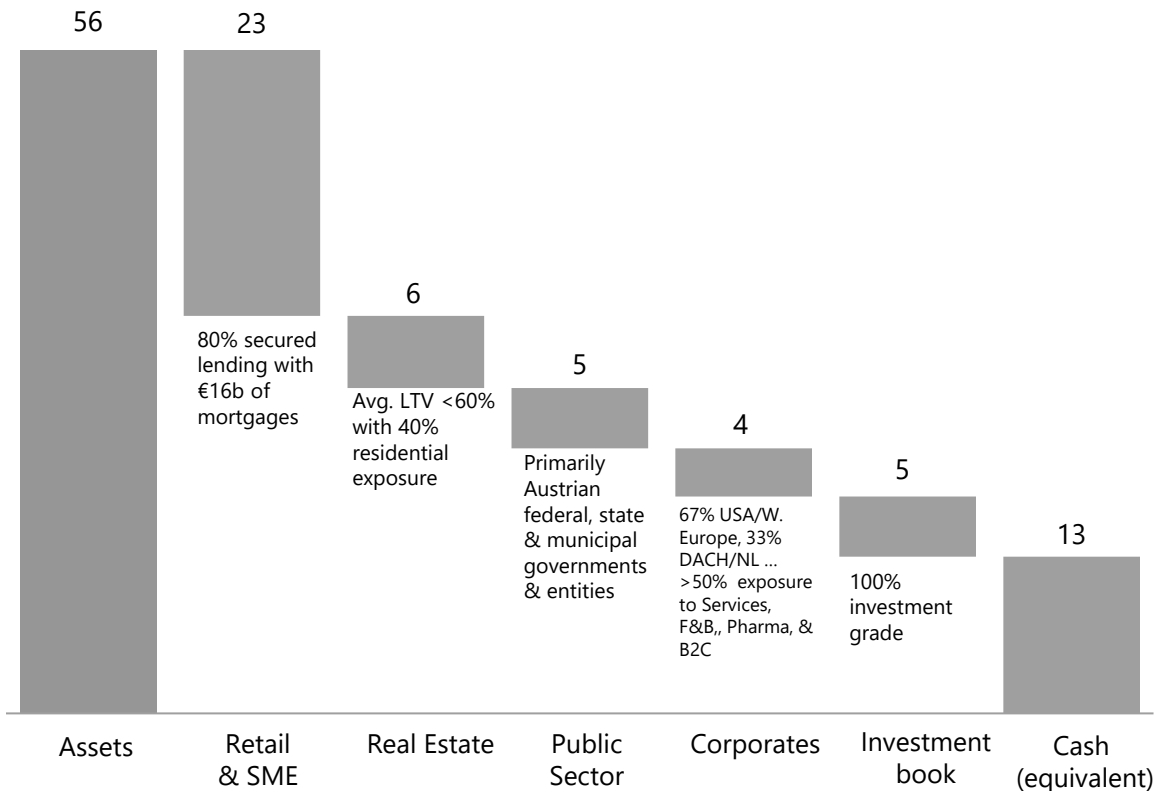
*Regulatory charges in Q1 '23: €(41)m ... Q1 2023 accounts for approximately 80% of FY 2023 regulatory charges*

*"We will target a dividend payout ratio of 55%"*

*"... when we say subdued loan growth, just assume it's static year-over-year from where we're at."*

# Recent topics during Q1 2023

## SOLID ASSET QUALITY AND DISCIPLINED UNDERWRITING (31 December 2022)



## Background on Real Estate

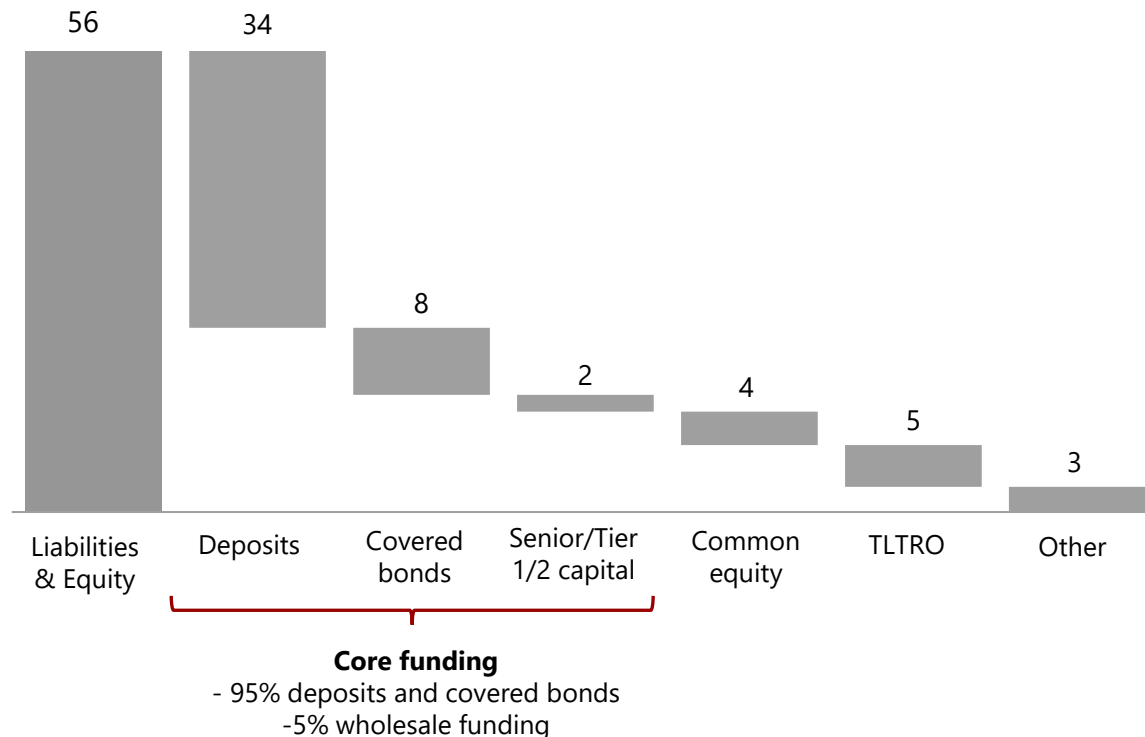
- As of year-end 2022, our real estate portfolio was approx. €6.1b, with the following biggest underlying asset classes:
  - ... residential (40%)
  - ... office (20%)
  - ... mixed (18%)
  - ... industrial/logistics (17%)
- Regional view: ~40% is in US and the remainder in Europe
- Average duration of the portfolio is ~3 years with a weighted average LTV < 60%
- The book is primarily floating rate loans, however as part of our underwriting process, risk mitigation measures were put in place as part of loan agreements (examples are interest rate hedging requirements, interest reserves, sponsor guarantees)

## US real estate:

- Very similar asset class mix as on the one on total portfolio level
- Originations over the past few years coming mainly from residential and industrial / logistics assets
- The office portfolio has its geographic footprint solely in major cities, solid senior debt yields (~9%), and comfortable weighted average lease terms (~6yrs), occupancy levels (~75%), and solid tenants with LTVs in line with the broader portfolio (~60%)
- The deals are done with strong sponsors with a strong track record over the years

# Recent topics during Q1 2023

## FUNDING, CAPITAL AND EARNINGS (31 December 2022)



### Overview

#### Deposits & Covered Bonds:

~€34b customer deposits consist of:

- €27.8b retail deposits with granular customer base
  - average deposit balance of ~€12k
  - ~80% insured deposits covered by DGS (deposit guarantee scheme)
- €5.9b in Corporates, Real Estate & Public Sector with the largest share in public sector, which are predominantly transactional current accounts

€8b covered bonds as of year-end 2022 ... additionally, issued >€1b covered bonds in early 2023 (almost no maturities until 2027, weighted average life ~ 8 years); Austrian covered bond program with mortgages and public sector loans as collateral

#### Senior / Tier 1 & 2 capital:

- Increasing focus on senior issuance since 2022 ... ~€0.8b senior instruments already executed in Q4 2022 and Jan '23. Further issuance planned in coming years to replace maturities, meet MREL requirement and build buffer; currently approximately €2b senior funding ... BAWAG P.S.K. rating of A2 with the outlook changed to positive in Feb 2023 by Moody's
- Currently optimal capital stack of AT1 (next call date in 2025) and Tier 2 (next call date in 2024)
- €5b TLTRO outstanding as of year-end 2022 ... additional €2b paid back in January

# Definitions

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## **Common Equity Tier 1 capital (CET1)**

Including interim profit and deducting earmarked dividends and 2022 buyback of €325m (1.1.2022)

## **Common Equity Tier 1 ratio**

Common Equity Tier 1 capital (CET1) / risk-weighted assets

## **Core revenues**

The total of net interest income and net fee and commission income

## **Cost-income ratio**

Operating expenses (OPEX) / operating income

## **Common equity**

Equity attributable to the owners of the parent; excluding minorities, AT1 and deducted dividend accrual and buyback of €325m (1.1.2022)

## **Earnings per share (EPS)**

Net profit / weighted average number of shares outstanding (diluted)

**FL** ... Fully-loaded

## **Net interest margin (NIM)**

Net interest income (NII) / average interest-bearing assets

## **Pre-provision profit**

Operating income less operating expenses (excluding regulatory charges)

## **Return on common equity (RoCE)**

Net profit / average IFRS common equity and deducted dividend accruals and buyback of €325m (1.1.2022)

## **Return on tangible common equity (RoTCE)**

Net profit / average IFRS tangible common equity and deducted dividend accruals and buyback of €325m (1.1.2022)

## **Risk cost ratio**

Provisions and loan-loss provisions, impairment losses and operational risk (risk costs) / average interest-bearing assets

## **Risk cost ratio (underlying)**

Risk cost ratio excluding write-off of City of Linz and increase in ECL-management overlay

## **Tangible common equity**

Common equity reduced by the carrying amount of intangible assets

## **Total capital ratio**

Total capital / risk-weighted assets



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