

BAWAG GROUP PUBLISHES Q2 2023 RESULTS: NET PROFIT € 181 MILLION; ROTCE 25.9%

- ▶ Q2 '23 net profit of € 181 million and RoTCE 25.9%
- ▶ Customer deposits +1% and customer funding +3%
- ▶ Ongoing strong asset quality with risk costs stable at € 20 million or 19 basis points
- ▶ H1 '23 net profit of € 320 million (+31% vs H1 '22) and RoTCE 23.2%
- ▶ CET1 ratio at 14.8% after deducting dividend accrual of € 176 million
- ▶ Share buyback application filed early June for € 175 million ... process on track
- ▶ 2023 Financial targets increased to Profit before tax >€ 875 million, EPS >€ 8.20, DPS >€4.50
- ▶ Return targets for 2023 & beyond of >20% RoTCE and <34% CIR

VIENNA, Austria – July 19, 2023 – Today, BAWAG Group publishes the financial results for the second quarter 2023, reporting a net profit of € 181 million, € 2.19 earnings per share and a RoTCE of 25.9%. This resulted in a net profit of € 320 million, € 3.88 earnings per share and a RoTCE of 23.2% for the first half 2023.

Anas Abuzaakouk, CEO, commented: “We delivered a record quarterly net profit of € 181 million in the second quarter and an RoTCE of 26%. These results were only possible due to our strategic transformation and the significant investments we made over the past decade. As part of our transformation, we embraced our long and rich tradition of representing the “workers bank” that serves all communities - from union workers, to pensioners, to diverse immigrant communities; a rich history and tradition that dates back over 100 years.

We will continue executing our strategy, serving our customers and local communities, investing in our people, and ensuring we stay ahead of the curve in a dynamic and changing banking environment. Our transformation over the past decade has allowed us to build a resilient franchise across all cycles with very strong earnings and capital generation while maintaining a conservative balance sheet and robust funding stack. This has provided the foundation for sustainable long-term growth and value generation for all stakeholders for many years to come.”

Delivering strong H1 2023 results

in € million	Q2 2023	Change versus prior quarter (in %)	H1 2023	Change versus prior year (in %)
Core revenues	386.8	5.6%	753.1	15.7
Net interest income	310.2	7.0%	600.2	22.1
Net commission income	76.7	0.7%	152.9	(4.0)
Operating income	383.1	4.4%	750.0	14.2
Operating expenses	(120.7)	1.1%	(240.1)	0.6
Pre-provision profit	262.4	6.0%	509.9	22.0
Regulatory charges	2.6	NM	(38.3)	(16.0)
Risk costs	(20.5)	(0.5%)	(41.0)	(19.0)
Profit before tax	245.1	31.5%	431.5	33.7
Net profit	180.8	29.5%	320.3	30.9
RoTCE	25.9	5.4pts	23.2	5.7pts
CIR	31.5	(1.0pts)	32.0	(4.3pts)
EPS (€)	2.19	30%	3.88	42%
Liquidity Coverage Ratio (LCR)	207%	(8pts)	207%	+24pts

Core revenues grew 6% in the second quarter of 2023 versus the previous quarter with net interest income increasing in line with previous quarter trend and net commission income remaining broadly stable.

Operating expenses increased by 1% to € 121 million versus € 119 million in the second quarter 2023, driven by the impact of the collective bargaining agreement (effective as of April).

Asset quality remained strong in Q2 '23 with risk costs stable at € 20 million compared to the first quarter 2023. The management overlay, which are provisions to address the uncertain macroeconomic outlook and any potential headwinds, remained at € 100 million. The NPL ratio, one of the lowest in Europe, remained at 0.9%.

The **CET1 ratio** was 14.8% end of June 2023, after deducting dividend accruals of € 176 million in line with our dividend policy. In terms of capital distribution, we filed the application for a share buyback of € 175 million in early June, which we expect to execute in the second half of 2023 (subject to regulatory approval). With excess capital of € 330 million (post the planned buyback and first-half dividend accruals), we are maintaining dry powder for potential M&A and we will reassess additional capital distribution as part of our annual review with full-year financials.

Customer deposits increased by 1% in the second quarter of 2023, while customer funding (including covered bonds) is up 3%. More than 90% of our deposit base is from Austria. We redeemed € 2.8 billion of TLTRO in the second quarter and maintained a cash & cash equivalent position (excl. TLTRO) of € 10.8 billion, equal to 21% of our balance sheet, as we continue to remain patient and prudent. As of end of June 2023, the **Liquidity coverage ratio** was 207%.

Customer loans fell by 3% in the second quarter due to lower volumes in commercial real estate and housing loans, reflecting the current market environment. Approximately 80% of our customer loans are secured or public sector lending.

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 approximately 75% exposure to the DACH/NL region (Germany, Austria, Switzerland, Netherlands) and 25% exposure to Western Europe and the United States.

Outlook and targets

Based on the performance of the first half 2023, we updated our financial targets for 2023 as follows:

OUTLOOK AND TARGETS	2023 UPDATED	2023 PREVIOUS
Net interest income	>€ 1.2 billion	>€ 1.2 billion
Core revenues	>14% vs 2022	> 12% vs 2022
Operating expenses	~2% vs 2022	~2% increase
Risk costs ratio	20-25bps	20-25bps

TARGETS	> € 875 million	> € 825 million
Profit before tax		
Earnings per share	> € 8.20	> € 7.50
Dividend per share	> € 4.50	> € 4.10
Return on tangible common equity (RoTCE)	> 20%	> 20%
Cost/Income ratio	< 34%	< 34%

Earnings presentation

BAWAG Group will host the earnings call with our CEO Anas Abuzaakouk and our CFO Enver Sirucic at 10 a.m. CEST on 19 July 2023. The webcast details are available on our website under [Financial Results | BAWAG Group](#). The half-year report will be published on 28 July 2023.

In addition, we will communicate our stress test result of the European Central Bank end of July.

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

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