

# BAWAG GROUP

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March 2024

# BAWAG GROUP

Multi-brand and multi-channel commercial bank ... what we stand for

## WE ARE ...

... a multi-brand and multi-channel bank  
... with a history dating back to 1883 in Austria  
... focusing on mass retail business in the DACH/NL region  
... with 2.1 million customers

## WE AIM TO ...

... to provide our customers with simple, transparent, and affordable financial products and services they need and that promote their financial health.







## WE FOCUS ON ...

... on simplification, standardization, transparency and ease-of-use for the benefit of customers

## OUR STRATEGIC PILLARS

- I. Growth in core markets focused on serving our customers
- II. Efficiency through operational excellence
- III. Safe and secure risk profile

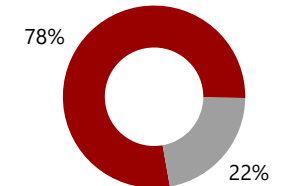
## PRODUCT OFFERING ALIGNED TO CUSTOMER NEEDS

- |                                                                                                                    |                                                                                                 |                                                                                                           |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
|  Current accounts, Credit cards |  Lending     |  Leasing and Factoring |
|  Savings products (Deposits)    |  Investments |  Insurance             |

## A RETAIL-FOCUSED BANK



Core revenues, FY 2023

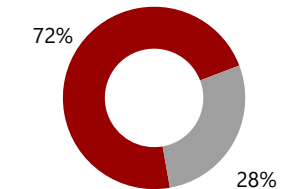
-  Retail & SME
-  Corporates, Real Estate & Public Sector



## FOCUS ON DEVELOPED AND MATURE MARKETS


Customer assets, FY 2023\*

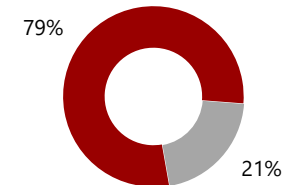
-  DACH/NL
  -  Western Europe & United States
- \*No exposure to Russia, Ukraine, limited CEE exposure



## FOCUS ON SECURED LENDING

Customer assets, FY 2023

-  Secured and Public Sector lending
-  Unsecured



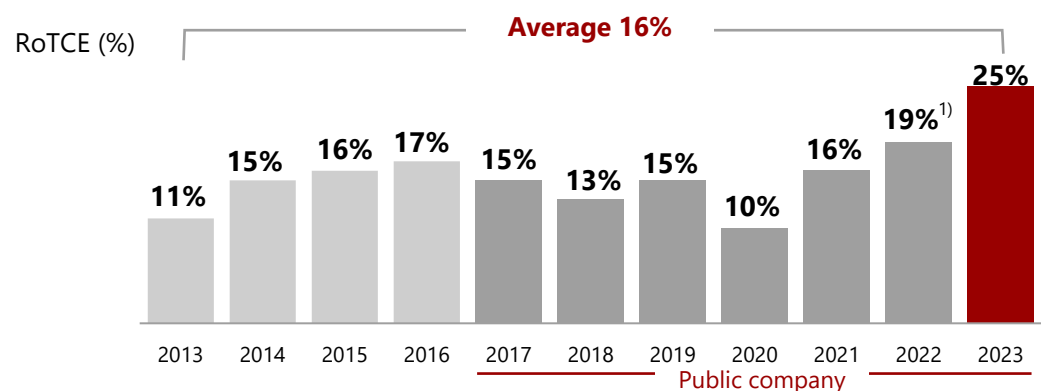
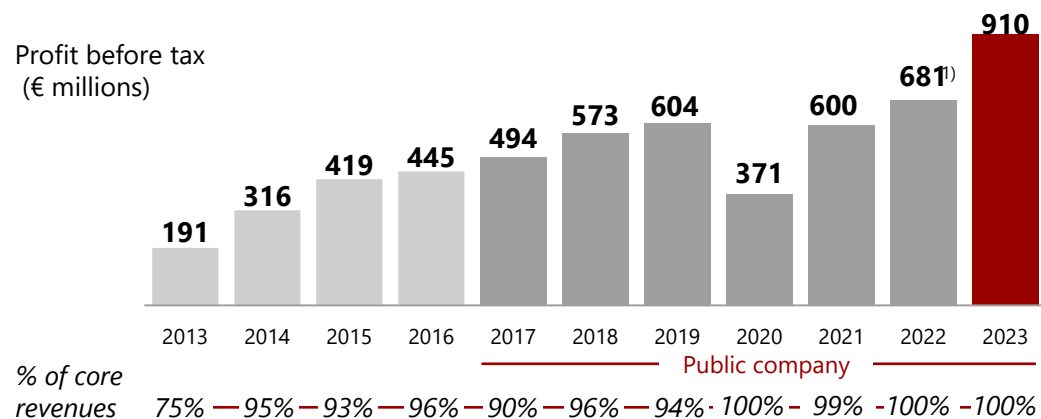
## SOLID FUNDING PROFILE

**A1**  
Moody's issuer rating  
with positive outlook

**>90%**  
retail and public sector  
deposits

# CONSISTENTLY DELIVERING RESULTS

Focus on executing on our core principles



1) 2022 excluding City of Linz write-off of €190 million after tax

ECB deposit facility rate (at year-end)



## FOCUS ON ...

- DACH/NL and Western Europe/US with Austria as our foundation
- Core businesses and core products
- Developing our franchise through long-term investments
- Simplification of the group and transparency
- Disciplined and conservative risk management
- Maintaining a fortress balance sheet

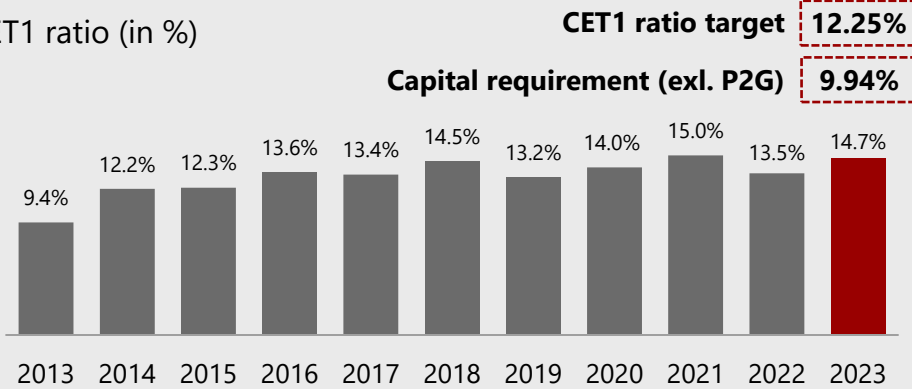
**Focus on long-term sustainable and profitable growth and value generation for all our stakeholders**

# WHY IT IS IMPORTANT TO HAVE A PROFITABLE FRANCHISE

Our profitability allows us to support all our stakeholders

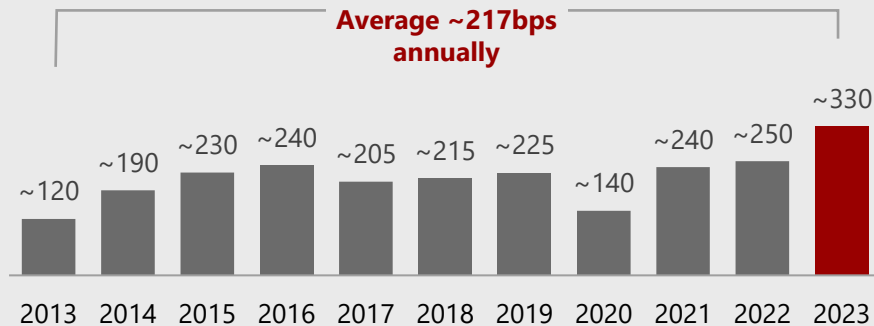
## SOLID CAPITAL POSITION

CET1 ratio (in %)



## STRONG CAPITAL GENERATION

Gross capital generation (in bps)



## ALLOWING US TO SUPPORT ALL OF OUR STAKEHOLDERS...

1 EXTENDING CREDIT TO CUSTOMERS & GROWING FRANCHISE



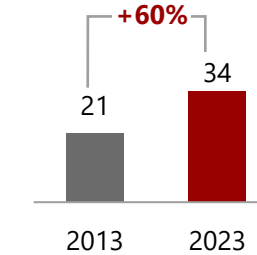
2 MAKING SUBSTANTIAL LONG-TERM INVESTMENTS IN OUR FRANCHISE ... PEOPLE, TECHNOLOGY & FOOTPRINT



3 REWARDING OUR SHAREHOLDERS THROUGH CAPITAL DISTRIBUTIONS

## CUSTOMER LOANS +60% since 2013

Customer loans, in € billion



extended  
**€67 billion**  
credit to customers

~**€600 million**  
accumulated investment in  
technology and branches

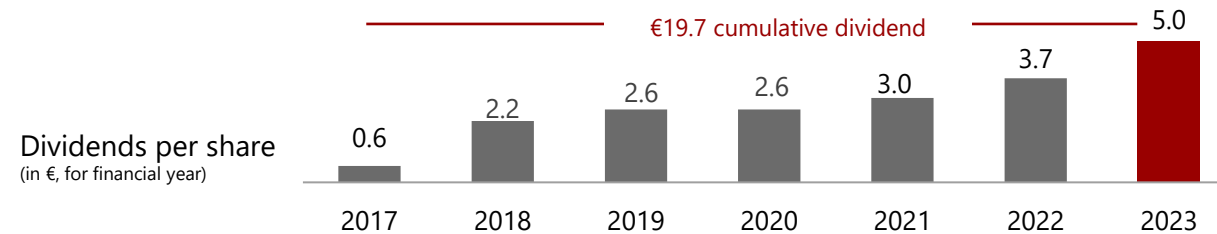
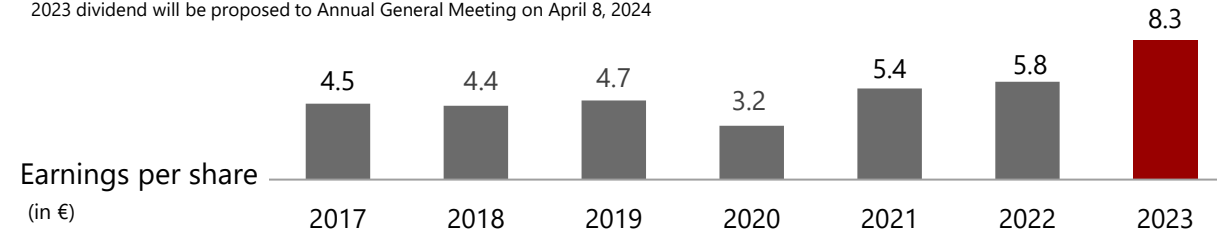
**€2.6 billion**  
capital distributed via dividends  
and share buybacks since IPO

# OUR PERFORMANCE SINCE IPO

## Track record

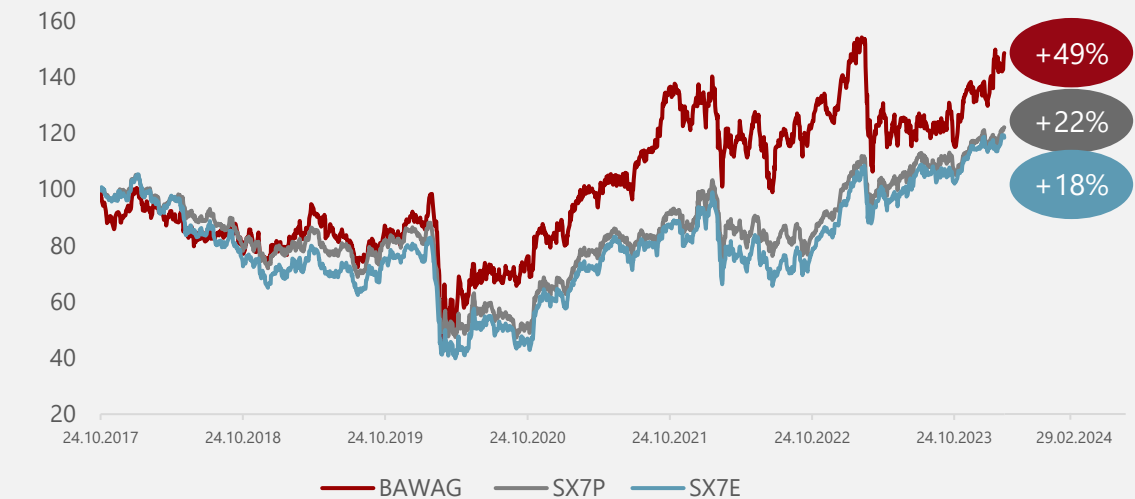
in € millions	2017	2018	2019	2020	2021	2022	2023
Net income	449	437	459	285	480	509	683
Dividends (for financial year)	58	215	230*	230	267	305	393
Capital distribution (cumulative)	58	673	903	1,133	1,725	2,030	2,598
# of shares outstanding (in million)	100.0	99.6	87.9	87.9	88.9	82.1	78.5

\* Distributed in 2021 due to ECB dividend ban related to the pandemic in 2020  
 2022 excluding City of Linz write-off of €190m after tax  
 2023 dividend will be proposed to Annual General Meeting on April 8, 2024

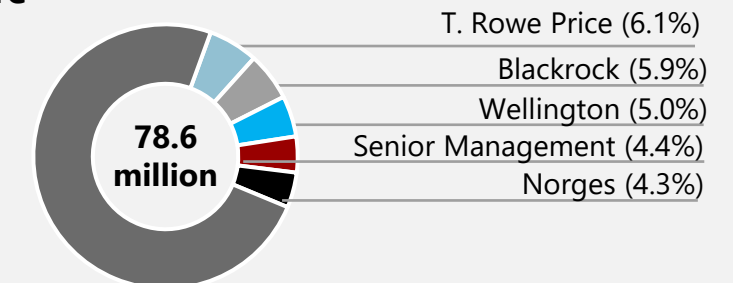


## Total shareholder return since IPO

Indexed as of 24 October 2017;  
 as of 29 February 2024



## Shareholder structure



# CONSISTENT EXECUTION OF OUR STRATEGY SINCE 2013

ESG underpins our strategy driving responsible, sustainable and profitable growth



## **GROWTH IN CORE MARKETS FOCUSED ON SERVING OUR CUSTOMERS**

**Core markets: Austria as our foundation with niche presence in Germany, Switzerland, Netherlands, Western Europe and USA**

- Criteria for core market growth: Fiscal position (single A or better sovereign rating), legal infrastructure, and political environment
- Remaining niche and focused player in markets outside of Austria
- 24/7 banking access through multi-channel and multi-brand commercial banking platform
- Customer value proposition: "Providing simple, transparent and affordable financial products and services our customers need"



## **EFFICIENCY THROUGH OPERATIONAL EXCELLENCE**

**Our DNA is to focus on the things we can control**

- Investing in long-term strategic initiatives yielding sustainable productivity gains and transforming the franchise
- Focusing on simple and straightforward core products and servicing that benefit our customers
- Centralizing Technology, Data & Operations platform "TechOps"... Owning technology & infrastructure ... In-sourcing TechOps
- Simplified group structure and therefore reducing management layers, hierarchy, and bureaucracy



## **SAFE AND SECURE RISK PROFILE**

**We believe in maintaining a fortress balance sheet through strong capital position, stable customer funding and low risk profile**

- Conservative and disciplined underwriting in markets we understand with focus on secured lending
- Proactively manage non-financial risks ... no capital markets business, no trading activities, no exposure to high-risk AML countries

# GROWTH IN OUR CORE MARKETS FOCUSING ON CUSTOMERS

Franchise geared to long-term sustainable and profitable growth with Austria as our core

	2013	2023
<b>Customer-related</b>		
Core markets	1 (Austria)	1+6
# of customers	1.6 million	2.1 million
Retail & SME core products	5	9
Retail Assets under Management	€6.2 billion	€14.5 billion
<b>Financials</b>		
Customer loans	€21 billion	€34 billion
Customer deposits	€22 billion	€34 billion
% of retail deposits	~80%	~80%
of which insured	~70%	~84%

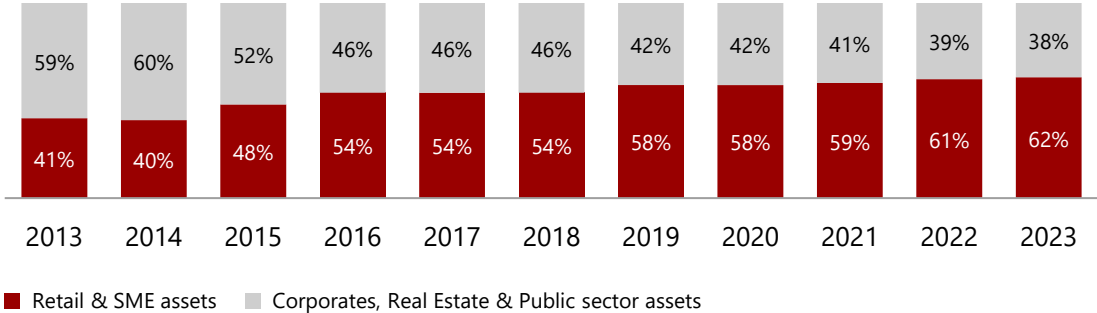
## AUSTRIA AS OUR FOUNDATION (market share)

	2013	2023	Change
Housing loans	2.8%	5.6%	<b>+2.8pts</b>
Consumer loans	8.2%	12.7%	<b>+4.5pts</b>
Credit cards (TX volume)	8%	21%	<b>+13pts</b>
Car leasing	4.5%	8.4%	<b>+3.9pts</b>
Retail household deposits	8.9%	8.4%	<b>(0.5pts)</b>

# GROWTH IN OUR CORE MARKETS FOCUSING ON CUSTOMERS

Focusing on core products and core markets

## INCREASING SHARE OF RETAIL BUSINESS FROM 41% to 62%



## MULTI-BRAND AND MULTI-CHANNEL RETAIL APPROACH

**Austria**

- BAWAG Full product suite
- PayLife Credit cards
- start.bausparkasse Building society
- easybank Full product suite
- easyleasing Car leasing

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**Germany**

- SÜDWESTBANK Universal bank
- start.bausparkasse Building society (will be sold in 2024)
- BFL leasing
- Qlick Consumer loans
- HealthAG Health factoring

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**Switzerland**

- zahnärzte kasse Health factoring

**Netherlands**

- HYPO TRUST VRIJ LEVEN HYPOTHEEK

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**Ireland**

- MoCo Making mortgages easier

**USA**

- IDAHO FIRST BANK

## FOCUS ON RETAIL BUSINESS (assets in € billions)

	2013	2023	Change
<b>Retail &amp; SME</b>	<b>€9.4</b>	<b>€22.0</b>	<b>+134%</b>
Housing loans	€6.5	€15.3	+135%
Consumer & SME	€2.9	€6.7	+131%
<b>Corporates, Real Estate &amp; Public Sector</b>	<b>€13.6</b>	<b>€13.3</b>	<b>(2%)</b>
% of secured lending	65%	79%	+14pts



# EFFICIENCY THROUGH OPERATIONAL EXCELLENCE

Making significant long-term investments that have fundamentally transformed the franchise

## What we did ...

### WE TRANSFORMED

... from a transactional to advisory retail bank

### WE DIGITIZED & MODERNIZED

... our products, customer journeys and how we work

### WE SIMPLIFIED

... workflows, processes and decision-making

### WE DIVESTED

... from non-core businesses and products

## How we did it ...

- ✓ ~€600m investment in technology and branches
- ✓ Modernization of branch network under "Concept 21"
- ✓ Invested in self-service, e-banking and mobile banking
- ✓ Shift from ~50% to >80% customer advisory

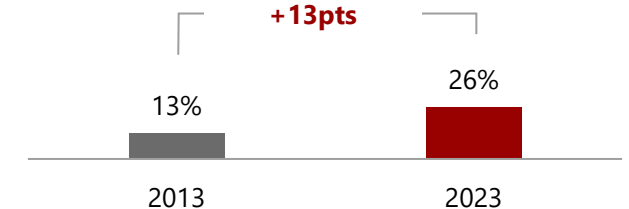
- ✓ ~90% of products digitized
- ✓ 9 total migrations ... 6 decommissioned /migrated + 3 applications upgraded ... consolidated 80% data centers
- ✓ Over 90% of IT staff trained in Cloud fundamentals
- ✓ Headquarters reduced from 4 to 1
- ✓ Embracing hybrid home office model

- ✗ Exit from Austrian Post partnership ... 400 postal offices
- ✗ Exit non-core participations, business units and products not meeting risk profile
- ✗ Reducing management layers, hierarchy and bureaucracy
- ✗ Merged banking entities and simplified group structure

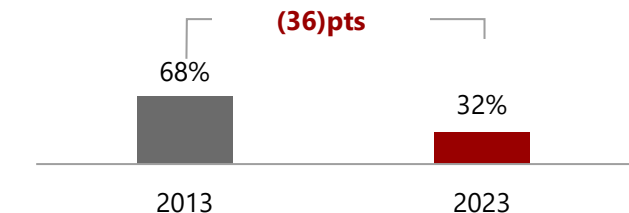
**~€600 million**  
accumulated investment in  
technology and branches (2013 – 2023)

### Annual technology spend

% share of operational expenses



### SUSTAINABLE REDUCTION OF Cost/Income ratio



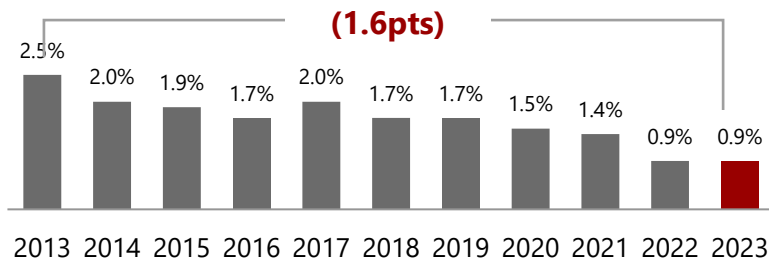
**EFFICIENCY**

# SAFE & SECURE RISK PROFILE

Strong asset quality and low leverage

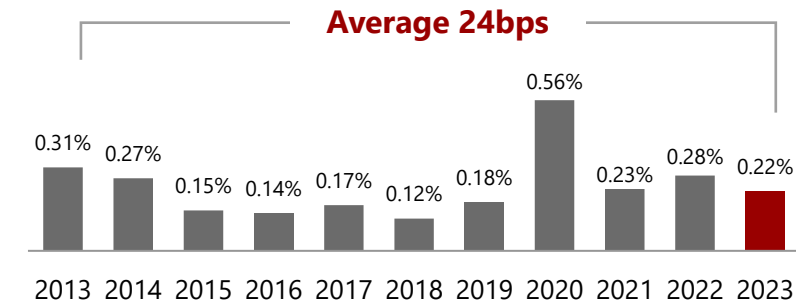
## HIGH ASSET QUALITY

NPL ratio



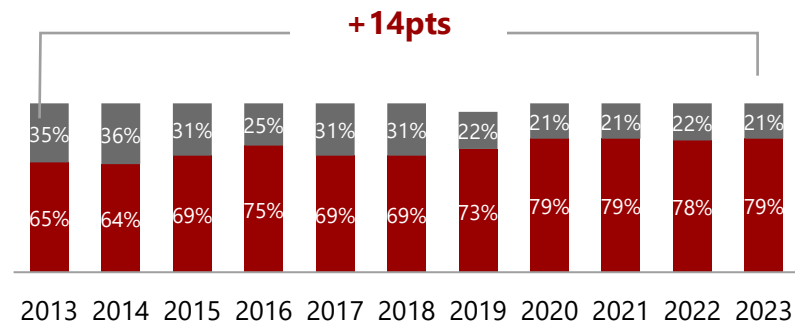
## ... LEADS TO LOW RISK COSTS

Risk cost ratio



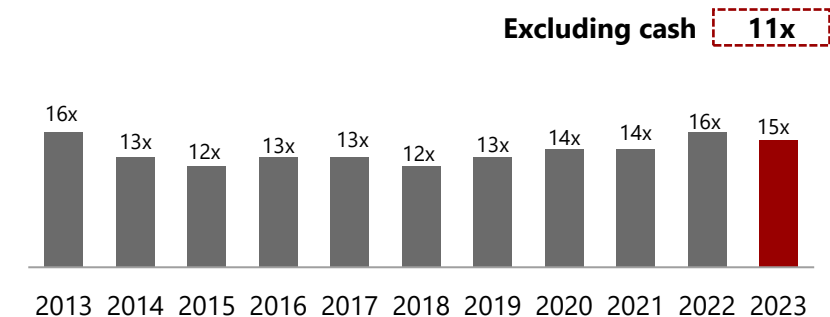
## FOCUS ON SECURED LENDING ...

■ Secured or public sector lending ■ Unsecured lending



## LOW BALANCE SHEET LEVERAGE

Total assets / Shareholder equity



## GENERAL PRINCIPLES

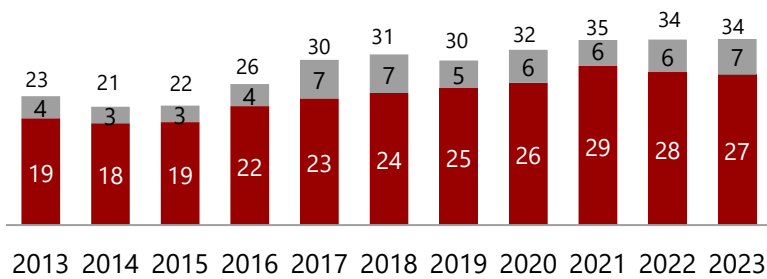
- ✓ Focus on DACH/NL and Western Europe/US
  - ✓ Focus on secured lending
  - ✓ Conservative credit risk profile
  - ✓ Never compromise on credit risk for volume or return growth
  - ✓ Hedged interest rate risk
  - ✓ Securities portfolio  
~100% Investment grade
- 
- ✗ No exposure to Russia/Ukraine
  - ✗ Limited exposure to CEE
  - ✗ No customer derivatives
  - ✗ No mezzanine financing
  - ✗ No capital markets business
  - ✗ No trading book
  - ✗ Low exposure to high-emitting sectors
  - ✗ No exposure to high-risk AML countries
  - ✗ No market risk RWA

# SAFE & SECURE RISK PROFILE

Maintaining a robust customer funding stack

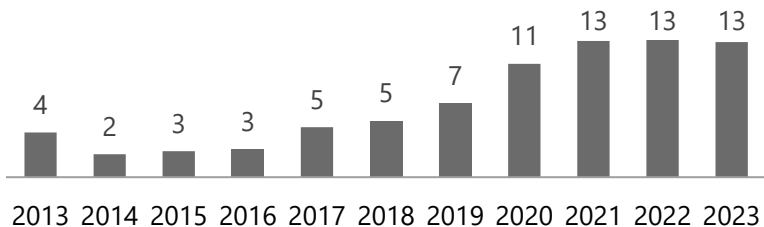
## CONTINUOUS INCREASE OF DEPOSIT BASE

■ Retail & SME deposits, in €b  
■ Corporates, Real Estate & Public sector deposits, in €b



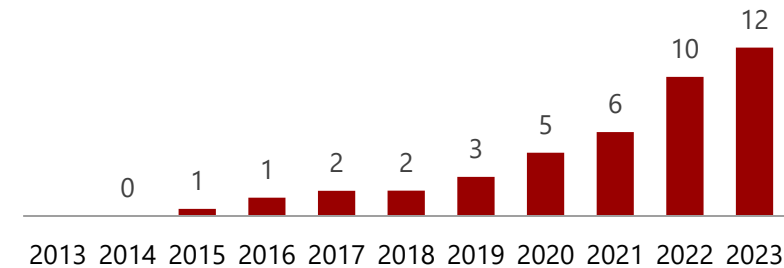
## CASH POSITION

Cash & cash equivalents (in € billion)

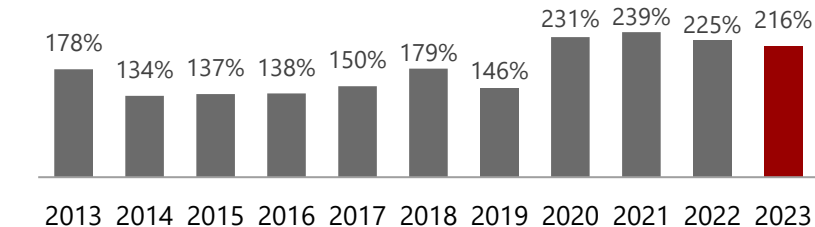


## FREQUENT COVERED BOND ISSUER SINCE 2019

Cumulative yearly issuance notional, in € billion



## LIQUIDITY COVERAGE RATIO



## GENERAL PRINCIPLES

### FOCUS ON QUALITY DEPOSITS

- ✓ 90% from Austrian market
- ✓ Average retail deposit size €12k
- ✓ ~80% of retail deposits insured
- ✓ Average retail customer relationship ~18 years
- ✓ Maintained 8-9% market share over past decade

### FOCUS ON MATCHED FUNDING

- ✓ Improved matched funding thru long-term covered bonds matching mortgage loans
- ✓ Issued over €10 billion Aaa rated covered bonds since 2019, with average initial time to maturity of ~9 years and funding spread of +11bps

### ACCESS TO CAPITAL MARKET

- ✓ Senior unsecured rating of A1 (positive outlook) by Moody's
- ✓ Addressed MREL & Capital instruments
- ✗ Avoid funding concentration
- ✗ No brokered deposits

# VALUE CREATION FOR OUR STAKEHOLDERS

Sustainable value creation is at the core of our decision-making

## CUSTOMERS

We want to be a reliable partner for our customers

- We provide simple, transparent and affordable financial products
- We focus on high quality and high-touch advisory banking
- We enhance transactional banking with digital capabilities
- We extended €67 billion credit to customers over the past decade
- We did not charge negative interest rates to our retail clients
- We provided support to customers during pandemic

## INVESTORS

We want to create financial value for our investors by generating and distributing economic value and being good stewards of capital

- We self-funded organic growth and 9 bolt-on acquisitions since IPO
- We delivered "TSR" of +49% since IPO
- We have distributed/earmarked €2.6 billion of capital since IPO by end 2023

## EMPLOYEES

We want to develop our employees, promote diversity, meritocracy and ownership

- We focus on being an attractive employer
- We focus on diversity ... 53 nationalities ... 55% female workforce
- We focus on building culture and celebrating success
- We embed an ownership mentality ... employee stock grants and matching programs
- We focus on retaining and attracting top talent ... senior leadership team average 14 years working together ... 32% female representation

## SOCIETY

We want to play an integral role in the markets we are operating and support our communities

- We emphasize social programs focused on underserved communities
- Over 3,700 hours corporate volunteering
- Our branches reflect our local communities



**As part of a continuous improvement culture, we will work to capture the voices of all stakeholders**

# OUTLOOK AND TARGETS

Executing on our strategy and integrating our mid-term ESG targets

	2023	Change vs 2022	Outlook 2024
Net interest income	€1,230m	+20%	+1%
Core revenues	€1,537m	+16%	+1%
Operating expenses	€485m	+2%	~3% increase
Regulatory charges	€39m	(20%)	~€16m
Risk costs	€93m	(24%)	25-30bps
	2023	Change vs 2022	Targets 2024
<b>Profit before tax</b>	<b>€910m</b>	<b>34%</b>	<b>&gt; €920m</b>
<b>RoTCE</b>	<b>25.0%</b>	<b>+6.4pts</b>	<b>&gt;20%</b>
<b>CIR</b>	<b>31.8%</b>	<b>(4.1pts)</b>	<b>&lt;34%</b>

## Integrated mid-term ESG targets

	2020	2025
<b>Own CO2 footprint</b> (scope 1 & 2 emissions)	<b>3,477tCO<sub>2</sub></b>	<b>&gt;50% reduction</b>
<b>Female gender quota</b>		
- Supervisory Board	<b>17%</b>	<b>33%</b>
- Senior Leadership Team	<b>15%</b>	<b>33%</b>
<b>Green lending</b>	<b>€0.8b</b>	<b>&gt;€1.6b</b>



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# DEFINITIONS

## **Adjusted (all Q3 2022 and YTD 2022 numbers are presented adjusted)**

Excluding the write-off of the City of Linz receivable in Q3 2022

## **B/S leverage**

Total assets/common equity (excluding earmarked dividend and buyback of €175m (1.1.2023))

## **Book value per share**

Common equity (excluding AT1 capital, dividends and buyback of €175m (1.1.2023))/number of shares outstanding

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

Including interim profit and deducting earmarked dividends and buyback of €175m (1.1.2023)

## **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

## **Customer Deposits (average)**

Deposits to customers including own issues sold through retail network and private placement, average based on daily figures

## **Customer Funding**

Deposits to customers, covered bonds (public sector and mortgage) and senior bonds sold through the retail network and private placement, average based on daily figures

## **Customer Loans**

Loans to customers measured at amortized cost

## **Common equity**

Equity attributable to the owners of the parent; excluding minorities, AT1 and deducted dividend accrual and buyback of €175m (1.1.2023)

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

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

FL ... Fully-loaded

## **Leverage ratio**

Tier 1 capital (including interim profit, dividend accruals, buyback of €175m (1.1.2023))/total exposure (CRR definition)

## **Loan to Value (LTV)**

IFRS book value including prior liens excluding NPLs / Market value of real estate collaterals allocated excluding NPLs

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

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

## **NPL cash coverage**

(Stage 3 Loan Loss Provisions plus Reserves plus Prudential Filter) / Non-Performing Loans IFRS Exposure

## **NPL ratio**

Non-performing exposure (economic IFRS) - defined as NPL acc. to Art. 178 CRR excluding Retail&SME segment exposures without arrears (8.1. 8.2 and 8.4 RK) / BAWAG Group Total Exposure including off balance (IFRS consolidation circle)

## **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 €175m (1.1.2023)

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

Net profit/average IFRS tangible common equity and deducted dividend accruals and buyback of €175m (1.1.2023)

## **Risk cost ratio**

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

## **Tangible book value/share**

Common equity reduced by the carrying amount of intangible assets/number of shares outstanding

## **Tangible common equity**

Common equity reduced by the carrying amount of intangible assets

## **Total capital ratio**

Total capital/risk-weighted assets

## **Total reserve ratio**

Total reserves (including prudential filter)/asset volume of customer segments excluding public sector lending

## **Market shares**

Car leasing only FY 2022 market data available and for credit card TX volume only Q1'23 available references to BAWAG June '23 figures and OeNB market data May '23, Housing loans excluding FX loans