

# **BAWAG GROUP**

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December 2024

# BAWAG GROUP

Multi-brand and multi-channel commercial bank that stands 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 ...

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







## WE FOCUS 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

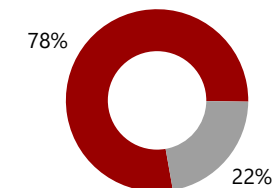
## PRODUCT OFFERING ALIGNED TO CUSTOMER NEEDS

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

## A RETAIL & SME FOCUSED BANK



Core revenues, FY 2023

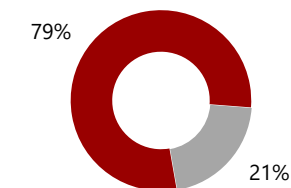
-  Retail & SME
-  Corporates, Real Estate & Public Sector



## FOCUS ON SECURED LENDING

Customer assets, FY 2023

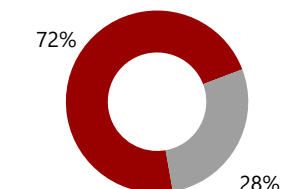
-  Secured and Public Sector lending
-  Unsecured



## FOCUS ON DEVELOPED AND MATURE MARKETS

Customer assets, FY 2023

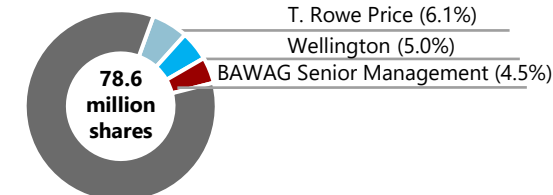
-  DACH/NL
-  Western Europe & United States



## SOLID FUNDING PROFILE

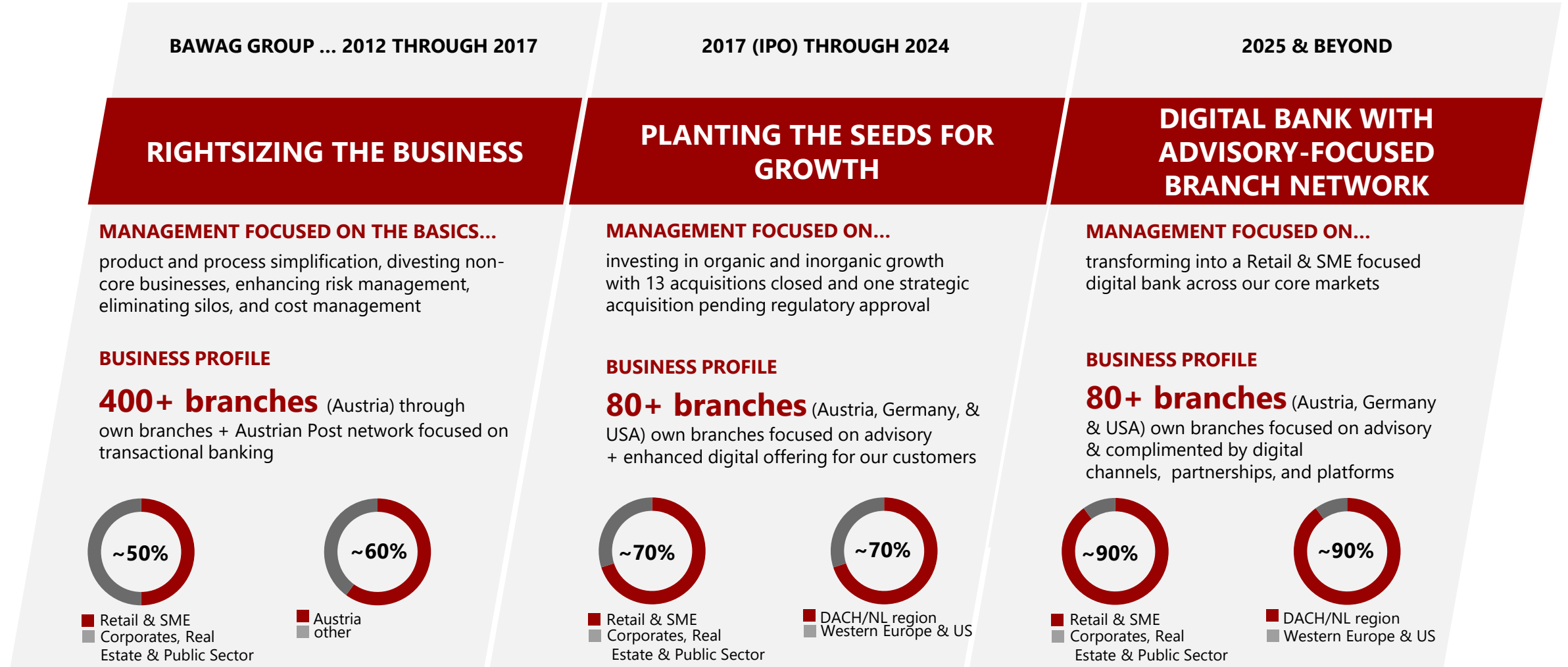
**A1**  
Moody's issuer rating  
with stable outlook

## SHAREHOLDER STRUCTURE



# CONTINUOUS TRANSFORMATION OF OUR FRANCHISE

Developing from a traditional banking model to a digital bank with advisory-focused branch network



# CONSISTENT EXECUTION OF OUR STRATEGY SINCE 2013 ...

ESG underpins our strategy driving responsible, sustainable, and profitable growth



## GROWTH

**in core markets through loan growth & M&A ... Focused on serving our customers**

### Core markets

- Austria as foundation with expanding footprint in Germany, Switzerland, Netherlands (DACH/NL) + W. Europe / USA

### Criteria for core market growth

- Fiscal position (single A or better sovereign rating), stable legal infrastructure, and political environment

### Serving our customers

- 24/7 banking access through multi-channel & 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 ... focus on the things you control

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



## SAFE & SECURE

**risk profile**

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

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

# ... BASED ON OUR CORE PRINCIPLES FOR DECISION-MAKING...

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

## Focus on core products, businesses and markets

Divesting from non-core businesses and products ... exiting non-core markets ... Mid-term franchise will transform to **90% DACH/NL region & 90% Retail & SME banking**

## Simplification of the group

Simplifying how we run the business ... product offering, customer engagement, internal processes, technology stack, and group structure

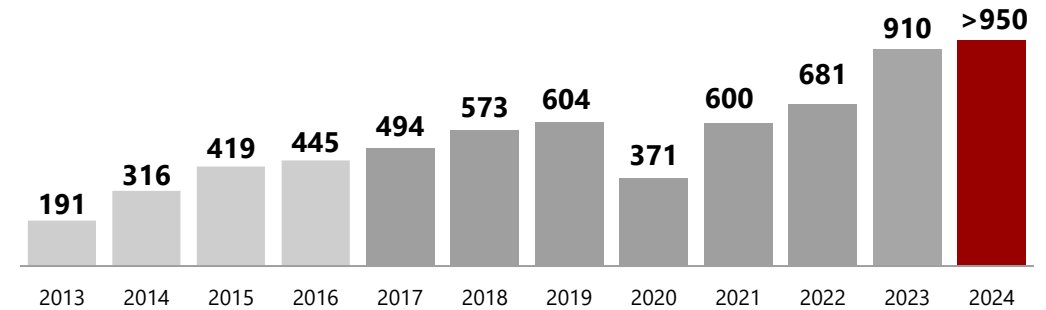
## Focus on the things we can control

Proactively managing the business with a continuous improvement mindset ... transforming the franchise through long-term investments irrespective of interest rate levels and overall macroeconomic environment

## Disciplined and conservative risk management

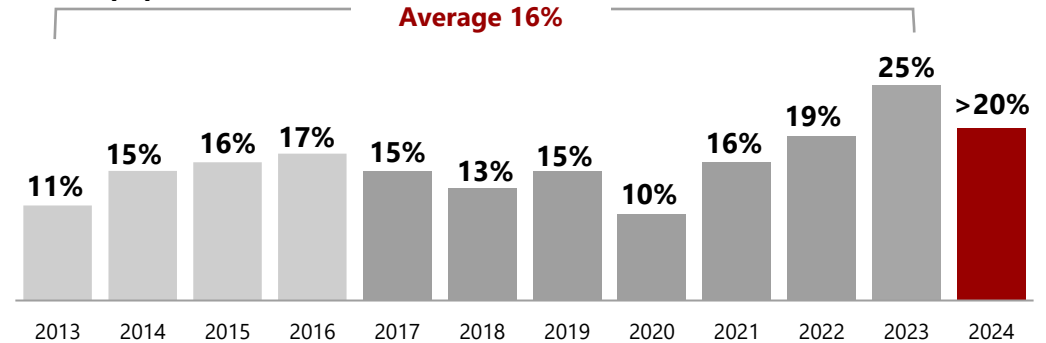
Maintaining a fortress balance sheet with focus on risk-adjusted returns

Profit before tax (€ million)



Public company

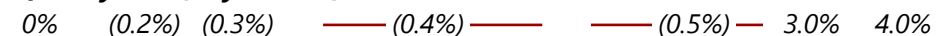
RoTCE (%)



Average 16%

Public company

ECB deposit facility rate (at year-end)



# ... COMBINED WITH OUR CULTURE ...

Combination of our rich and long history, meritocratic principles, and entrepreneurial spirit serving our local communities

# 1

## LEADERSHIP & EMBRACING CHANGE

**Senior Leadership  
Team has ~14 years**  
working experience  
at BAWAG

- Experienced Senior Leadership Team (SLT) that led our transformation over the past decade
- Continuous improvement mindset

# 2

## ACCOUNTABILITY, MERITOCRACY & INCLUSION

- Assessments are based on merit and performance
- We value integrity, character and work ethic

# 3

## SIMPLE & FLAT ORGANIZATION

- Simplification and standardization as key pillars to our strategy
- Less hierarchy, less bureaucracy, and more streamlined decision-making

# 4

## MANAGEMENT, BOTH FIDUCIARIES & SHAREHOLDERS

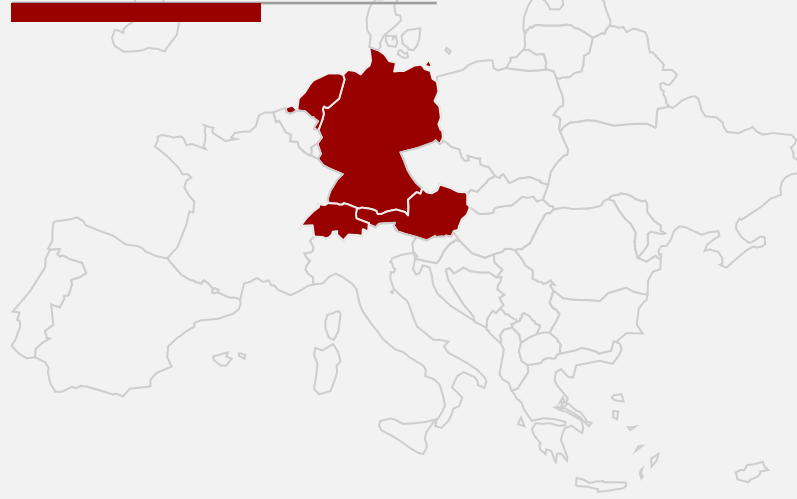
**4.5% shares owned**  
by Senior Leadership

- Owner-operator mindset
- Incentives are directly tied to real Financial & ESG targets
- Focused on long-term franchise value creation

# ... SETS A NEW STANDARD IN EUROPEAN BANKING

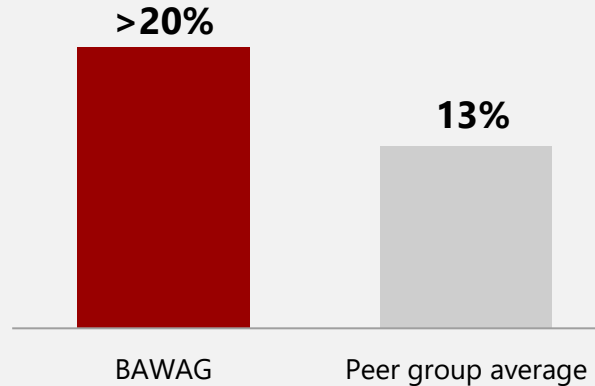
Sustainable high return anchored by focus on efficiency and simplification

We focus on DACH/NL



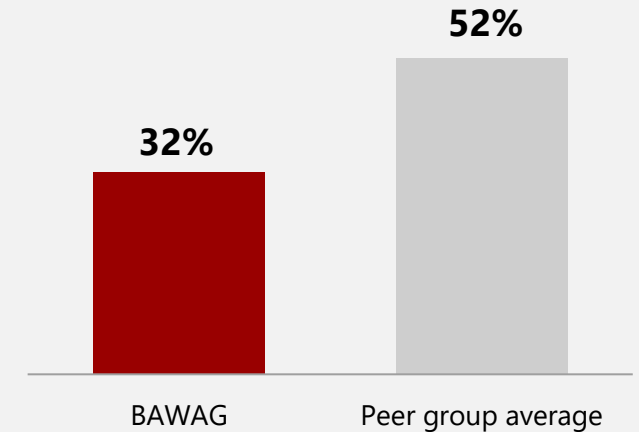
## Return on Tangible Common Equity (RoTCE)

FY 2023



## Cost-Income Ratio (CIR)

FY 2023



### Overview of DACH/NL region

Growing population of 120 million people  
Annual GDP of € 6.8 trillion  
Average unemployment rate of less than 5%  
Home ownership (DE: 48%; NL: 69%; AT: 54%)

### Focus on long-term sustainable returns for the franchise

**Senior Leadership Team with a 4.5% shareholding and an "owner-operator" mindset ...** reflecting strong stakeholder alignment and commitment to building a long-term profitable franchise

### Continuously investing in & improving our franchise

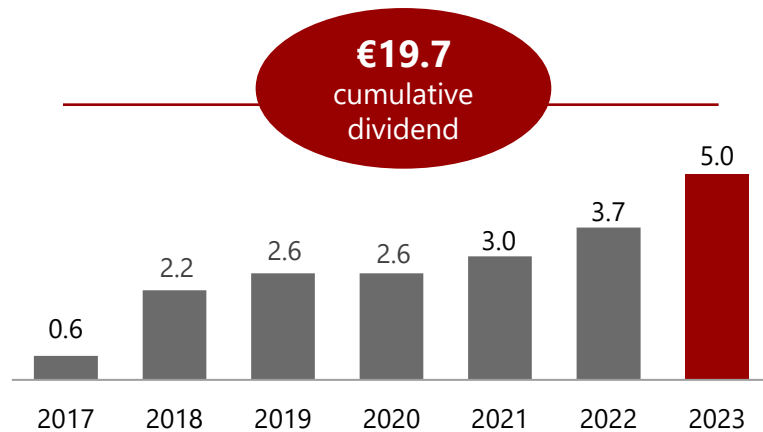
Investing across our pillars of value chain ... human capital, societal & relationship capital, intellectual capital and nature capital for building the franchise of tomorrow

Note: Peer group consisting of large European banks

# ... WITH SECTOR-LEADING VALUE GENERATION FOR SHAREHOLDERS

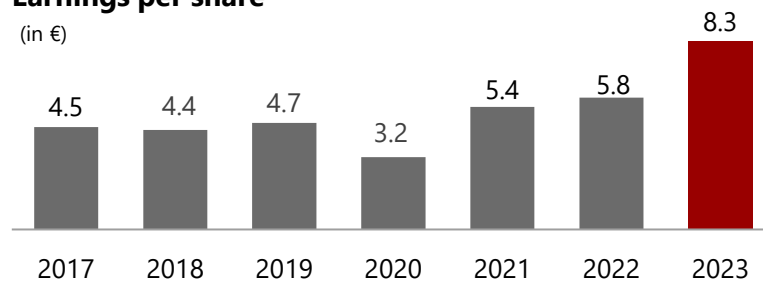
## Dividend per share

(in €, for financial year)



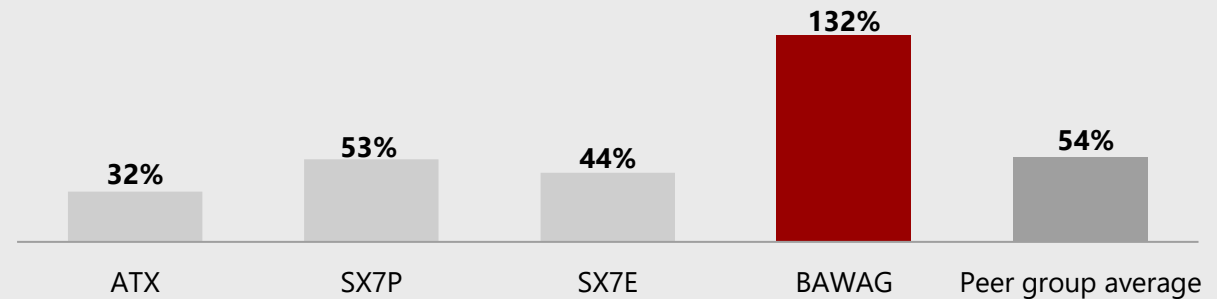
## Earnings per share

(in €)

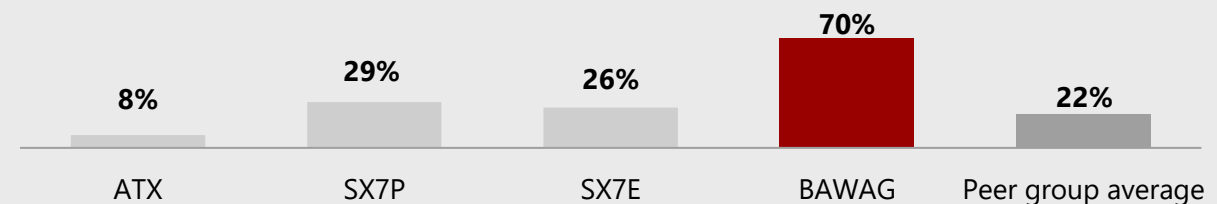


## Total shareholder return (TSR) – outperforming major bank indices and large European banks

Since IPO until 30 November 2024



## Total shareholder return (TSR) 2024 YTD





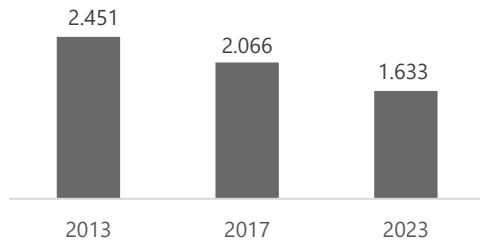
# M&A AS INTEGRAL PART OF OUR STRATEGY

Fragmented European banking market offers opportunities ... Key is to remain patient and disciplined

## THE MARKET ENVIRONMENT

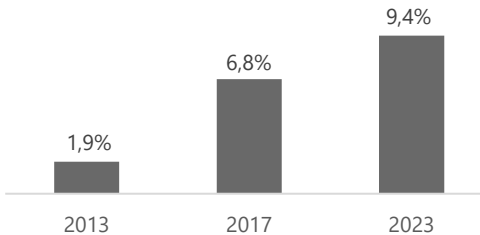
### Banking market still fragmented

Number of credit institutions in Austria, Germany and the Netherlands



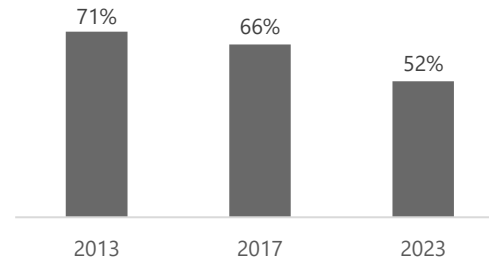
### Low profitability levels (RoE)

Return on equity, banks in Austria, Germany and the Netherlands



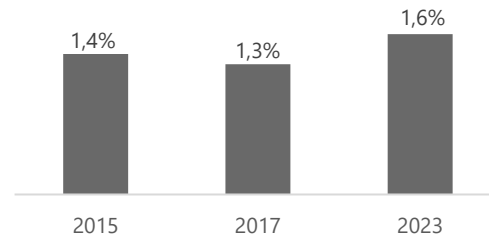
### Improving, but ongoing low efficiency (CIR)

Cost-income ratio, banks in Austria, Germany and the Netherlands



### Lending at low margins (NIM)

Net interest margins, banks in Austria, Germany and the Netherlands



## OUR FOCUS AREAS

### MARKETS

Austria,  
Germany  
Netherlands  
Switzerland  
USA  
Western Europe

} **DACH/NL region**

### CUSTOMER FRANCHISE & SIZE

- Retail & SME in the form of
- universal banks
  - specialty finance companies
  - bolt-on acquisitions
  - product factories

### BUSINESS OPERATIONS

- Operational enhancements
- Simplification & standardization
- Applying conservative Group risk appetite
- Balance sheet optimization
- Leveraging best practices

Source: European Central bank (<https://data.ecb.europa.eu>); definition may differ from BAWAG definition; arithmetic average of country data for financial figures

# M&A – OUR APPROACH FROM SOURCING TO SIMPLIFICATION

Systematic and disciplined approach to sourcing, due diligence and integration

## 1 DISCIPLINED SOURCING

- **Targeted opportunities** maintained across core markets
- **Early vetting critical:** Strategic fit, integration capabilities, and valuation
- **Disciplined & Methodical:** Never chasing deals
- **Low pull thru rate on deals:** <10% (deals signed versus pursued deals) with clear “walk-away” principles, e.g. compliance issues, impaired B/S

## 2 STRONG DUE DILIGENCE PRINCIPLES

- Managed by internal experts, who later are leading or are involved in the integration
- Allows teams to quickly identify pros/cons, size up synergies, and identify key business / integration risks
- Minimal reliance on third party advisors

14 ACQUISITIONS

## 3 FROM INTEGRATION TO SIMPLIFICATION

- Ensure application of Group wide compliance standards, risk appetite, risk-adjusted pricing, and roll-out of TechOps platforms
- Completed 9 system migrations
- Banks merged leveraging branching approach
- Day 1 full integration into Group data warehouse
- All TSA agreements decoupled in 12 months

### 10 RETAIL & SME BUSINESS IN DACH/NL

AUSTRIA			
2015	VB LEASING <small>LIKE IT. LEASE IT.</small>	AUTO LEASING	€0.7 BILLION ASSETS
2016	IMMO-BANK	HOUSING	€1.6 BILLION ASSETS
2016	startbausparkasse	HOUSING	€2.0 BILLION ASSETS
2017	PayLife / IX	CARDS	€1.7 MILLION CARDS
2021	HELLO BANK! AUSTRIA	RETAIL BROKERAGE	
GERMANY			
2017	SODWESTBANK  UNIVERSAL COMMERCIAL BANK		€7.4 BILLION ASSETS
2019	BFL <small>DIE IT-FINANZIERER</small>	IT & EQUIPMENT LEASING	€0.6 BILLION ASSETS
2019	HealthAG	HEALTH FACTORING	€0.1 BILLION ASSETS
2024	BARCLAYS CONSUMER BANK EUROPE <small>(signed; pending regulatory approval)</small>	CARDS	~€2 BILLION CREDIT CARD RECEIVABLES
SWITZERLAND			
2019	zahnärzte kasse	HEALTH FACTORING	€0.1 BILLION ASSETS
NETHERLANDS			
2024	knab	DIGITAL PLATFORM; MORTGAGES	€17 BILLION ASSETS

### RETAIL & SME BUSINESS IN US

2023	IDAHO FIRST BANK	COMMUNITY BANK	€0.5 BILLION ASSETS
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### WIND-DOWN BUSINESSES IN WESTERN EUROPE

IRELAND			
2021	DEPFA BANK PLC	PUBLIC-SECTOR COVERED BONDS	n.a.
FRANCE			
2023	DEXIA LEASING ACTIVITIES	LEASING	€0.8 BILLION ASSETS

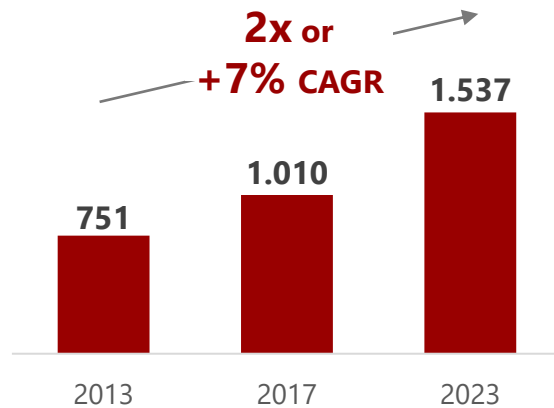
# I DISCIPLINED AND PROFITABLE GROWTH OVER THE YEARS

Staying patient and disciplined, focusing on the things we can control, and investing with a long-term view

## DEVELOPMENTS UNTIL 2023

### Core revenues

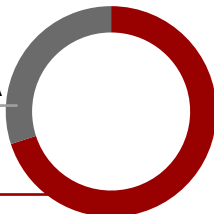
In € million



- Core revenues **are 2x** over last 10 years

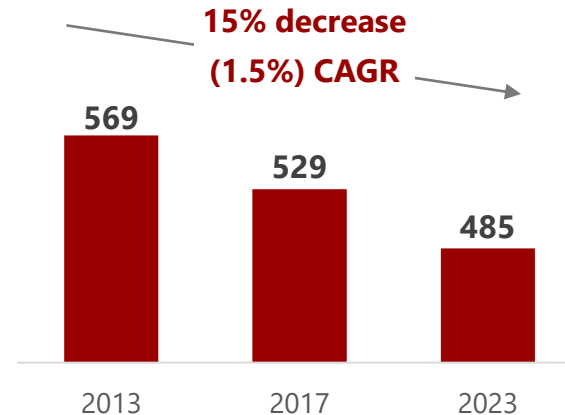
30% growth thru M&A

70% organic growth



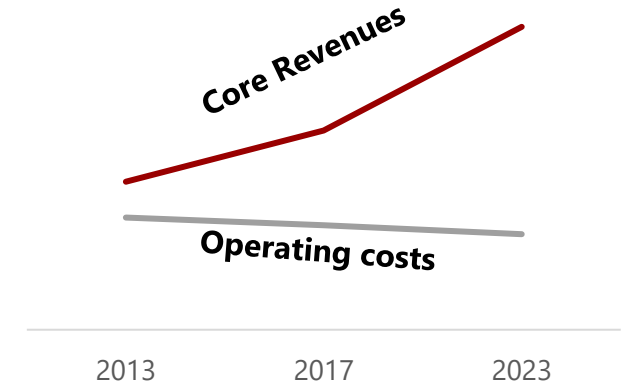
### Operating expenses

In € million



- Cost base down 15% since 2013 despite **integrating 12 bolt-on acquisitions**
- **Offsetting** accumulated **33% inflation** between 2013 and 2023 in Austria through continuous improvement

### Positive jaws



- **Substantial value creation** reflected by positive jaws development
- Development underpins our strategy of focusing on cost control as well as risk-adjusted returns

Note: Barclays Consumer Bank Europe in Q4 '24/Q1 '25

# GROWING OUR FRANCHISE IN LINE WITH OUR STRATEGY

Excess capital providing dry-powder for signing 2x strategic acquisitions in 2024

**knab**

## Leading Dutch digital bank

Providing transactional banking to **~400k Retail & SME customers**  
€17.6b total assets, thereof €12.9b mortgages  
€12.3b of deposits, €2.5b covered bonds  
Niche player focused on underserved self-employed market segment

## Growing presence in the Netherlands

Expanding our footprint into the Dutch Retail & SME banking space  
**Full service digital platform** for primary banking customers  
Local team's expertise + operating infrastructure of the Group  
Platform for current accounts which we will augment with our Retail & SME product offering and existing Dutch mortgage origination channel

## BARCLAYS CONSUMER BANK EUROPE

### German credit card franchise

Leading revolving credit card issuer in Germany  
Barclays Consumer Bank Europe gross assets of € 4.7b, of which ~€ 2b are credit card receivables

### Self-funded platform

Deposits raised via cross-selling to credit card customers  
Meaningful customer engagement among the credit card customers on the platform leading to cross-selling potential

### Strategic opportunity

Revolving credit card market offers attractive risk-adjusted returns  
Growing our Retail & SME presence in the DACH/NL region in a core product

## Creating long-term value

Self-funded M&A: Deploying €500m excess capital to M&A generating  
**> €250m PBT by 2027**

Note: Numbers of Knab as of half-year 2024

Note: Barclays Numbers as of 31 March 2024



# 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

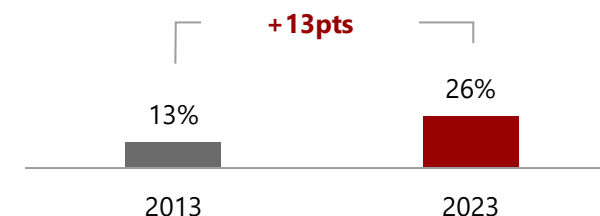
... from non-core businesses and products

## How we did it ...

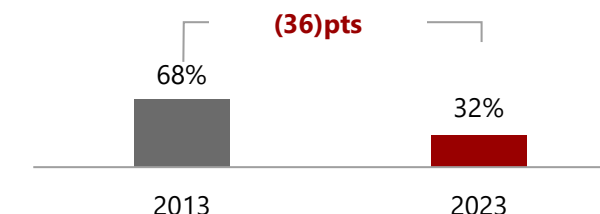
- ✓ ~€600m investment in technology and branches
- ✓ Modernization of branch network under "Concept 21"
- ✓ Invested in self-service, e-banking and mobile banking
- ✓ Shift from ~50% to >80% customer advisory
  
- ✓ ~90% of products digitized
- ✓ 9 total migrations ... 6 decommissioned /migrated + 3 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
- ✓ Insourcing of activities ... no nearshoring or outsourcing
  
- \* 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
- \* Eliminating external consultants by building up internal institutional TechOps knowledge

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

**Annual technology spend**  
% share of operational expenses



**SUSTAINABLE REDUCTION OF  
Cost/Income ratio**



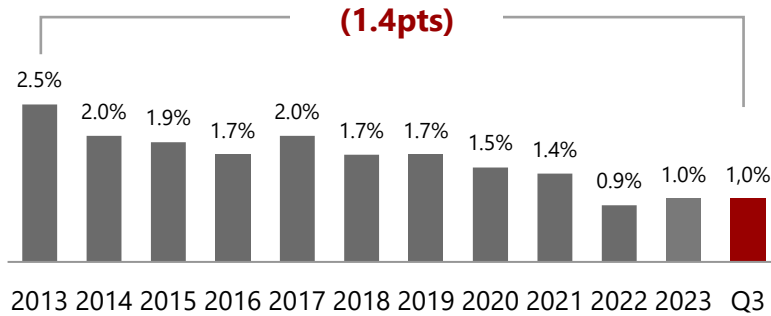
**EFFICIENCY**

# SAFE & SECURE RISK PROFILE

Strong asset quality and low leverage

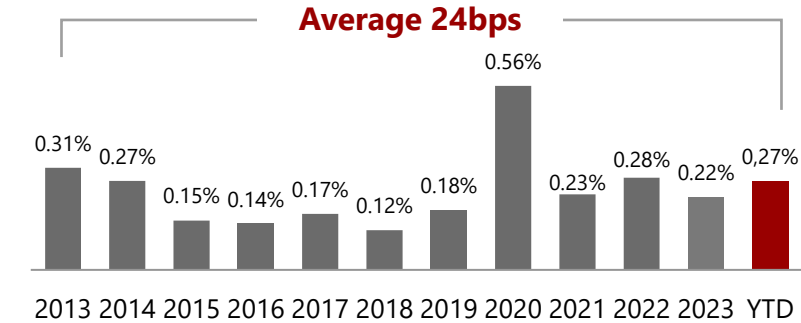
## HIGH ASSET QUALITY

NPL ratio



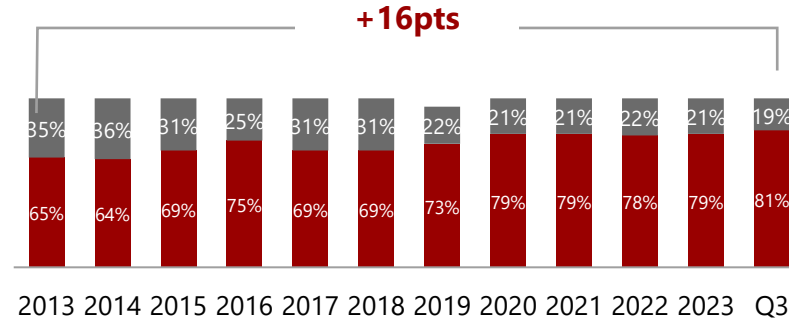
## ... LEADS TO LOW RISK COSTS

Risk cost ratio



## FOCUS ON SECURED LENDING ...

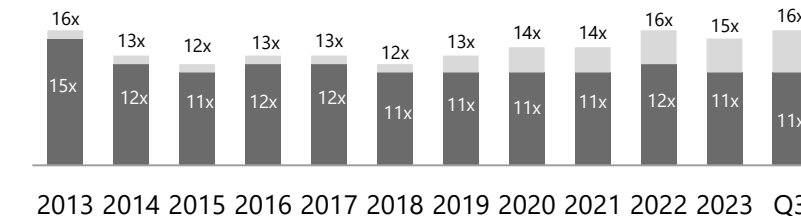
■ Secured or public sector lending ■ Unsecured lending



## LOW BALANCE SHEET LEVERAGE

Total Assets / Shareholder Equity

■ Balance sheet leverage excluding cash



Note. Q3 representing third quarter 2024; YTD the first nine months 2024

## 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

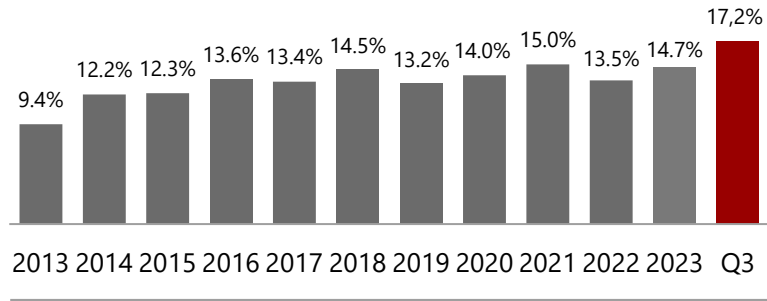
# SAFE & SECURE RISK PROFILE

Maintaining a robust customer funding stack

## SOLID CAPITAL POSITION

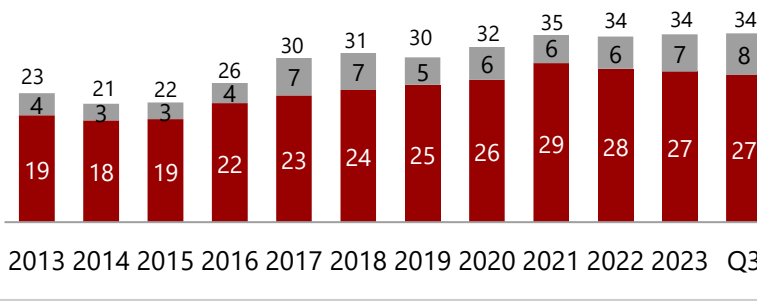
CET1 ratio (in %)

CET1 ratio target **12.50%**  
Capital requirement **9.96%**



## CONTINUOUS INCREASE OF DEPOSIT BASE

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

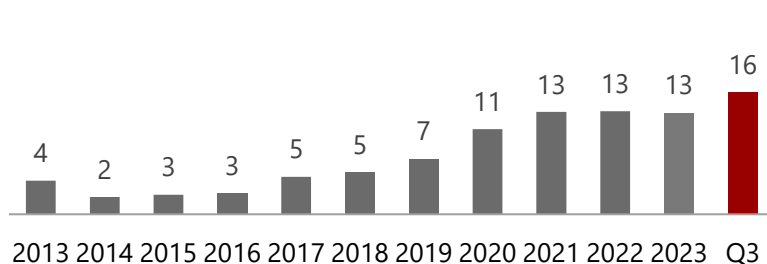


## CASH POSITION

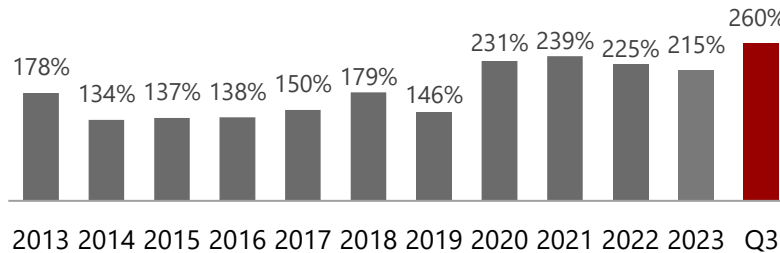
Cash & cash equivalents (in € billion)

Cash position share of total assets (in %)

12% 6% 7% 7% 11% 12% 15% 20% 23% 23% 23% 28%



## 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
- ✗ No brokered deposits

### FOCUS ON MATCHED FUNDING

- ✓ Improved matched funding thru long-term covered bonds matching mortgage loans
- ✓ Issued over €12 billion Aaa rated covered bonds since 2019, average remaining life ~6 years

### ACCESS TO CAPITAL MARKET

- ✓ Moody's senior unsecured rating of A1 (stable outlook)
- ✓ Addressed MREL & Capital instruments
- ✗ Avoid funding concentration

Note: Q3 representing third quarter 2024



# SOLID ACCESS TO CAPITAL MARKETS FUNDING

Active issuer with benchmarks outstanding across the capital stack

## SOLID FUNDING PROFILE

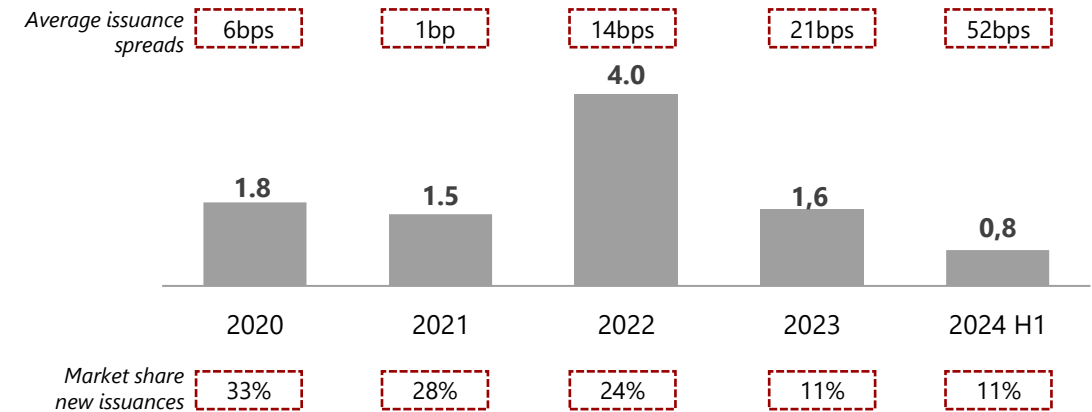
- A1 Moody's issuer rating with stable outlook
- Pro-active and market friendly approach towards capital management ... Tier 2 capital tender + new issue in Q3 '23 and AT1 capital tender + new issue in Q3 '24
- Focus on senior issuance: 1-2 senior preferred benchmarks in 2025

## LEADING Aaa COVERED BOND FRANCHISE

- €12b covered bonds issued ... €10b issued since 2020
- 20 benchmark bonds outstanding with up to €1.25b issue size and maturities up to 2041
- Two covered bond programs: Mortgages (97% residential) & public sector (81% municipal authorities)
- Both programs rated Aaa by Moody's

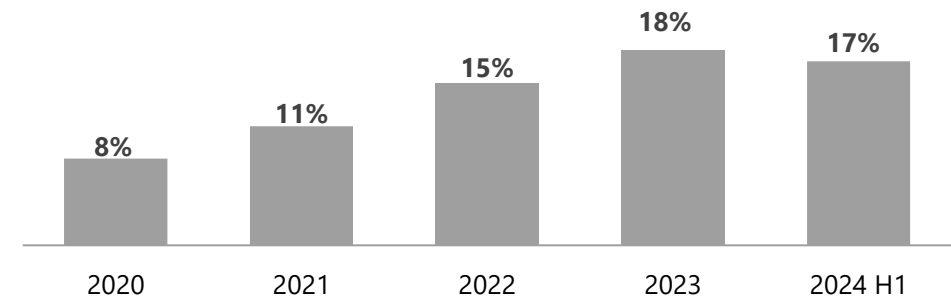
## COVERED BOND ISSUANCES

BAWAG's market share new issuances Austria



## AUSTRIAN COVERED BOND MARKET SHARE

(total outstanding issuances)

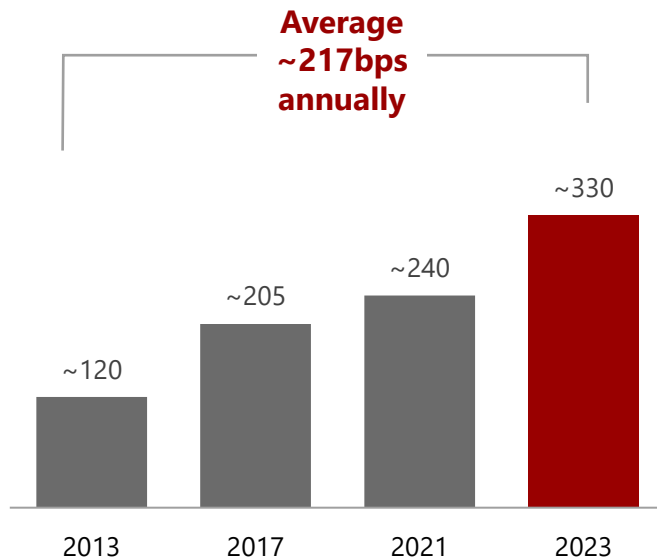




# OUR PROFITABILITY ALLOWS US TO SUPPORT ALL STAKEHOLDERS

**STRONG PROFITABILITY**  
+  
**STRONG CAPITAL GENERATION** = **ALLOWING US TO SUPPORT ALL OF OUR STAKEHOLDERS**

Gross capital generation (in bps)



1

**Extending credit to customers**

**~€67 billion**

loans provided to customers

2

**Long-term franchise investments**

**~€600 million**

accumulated investment in technology and branches

3

**Rewarding our shareholders**

**€2.6 billion**

capital distributed via dividends and share buybacks since IPO



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