

BAWAG Group

Issuer View • 30 May 2022

Authors: Melanie Kiene, CIAA // Dr Frederik Kunze

BAWAG Group is the holding company of BAWAG P.S.K., headquartered in Vienna. Its shares are listed in the Austrian ATX share index. The shares are distributed as follows: 5.6% to T. Rowe Price, 5.0% each to Wellington and BlackRock, and 4.6% to Golden Tree Asset Management, with most shares in free float. The focus of the group, which pursues a multi-brand strategy, is on the DACH region and the Netherlands (76% of core operating revenues, of which 80% in AT, FY/2021), while the remaining nearly 24% is spread across Western Europe and the US. BAWAG offers its more than 2.2 million customers a broad range of retail and corporate banking products. In addition, BAWAG offers international real estate financing and capital market solutions. The business is divided into the core segments "Retail & SME" (98% of net income before taxes; FY/2021), "Corporates & Public" (28%), "Treasury" (9%) and "Corporates Center" (-35%). The bank's strategy is geared to growth in its own core markets as well as customer focus and efficiency. In this context, ESG topics are embedded in the Group's strategic roadmap so that responsible, sustainable and profitable growth is targeted. The CET1 ratio net of dividend accruals for Q1/2022 was 14.7% and will be around 12.6% in perspective in view of the planned share buyback (EUR 425m in 2022). BAWAG plans to achieve earnings before taxes of EUR >675m in 2022 (Q1/2022: EUR 146m, +21% Y/Y).

Ratings*

	Rating	Outlook
Fitch	-	-
Moody's	A2	Stable
S&P	-	-

*BAWAG P.S.K

Homepage

www.bawaggroup.com

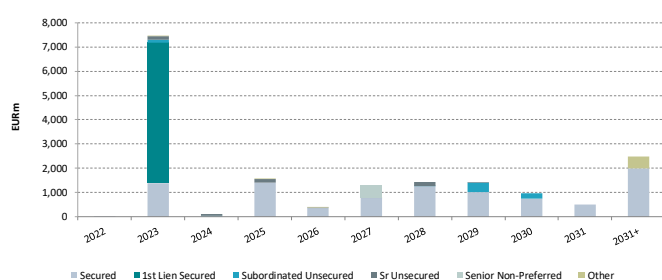
Balance Sheet

(EURm)	2020Y	2021Y	2022Q1
Net Loans to Customers	32,387	35,148	35,132
Total Securities	8,389	6,840	6,171
Total Deposits	32,415	35,160	34,071
Tier 1 Common Capital	2,807	2,783	-
Total Assets	53,122	56,325	54,475
Total Risk-weighted Assets	20,073	20,135	20,529

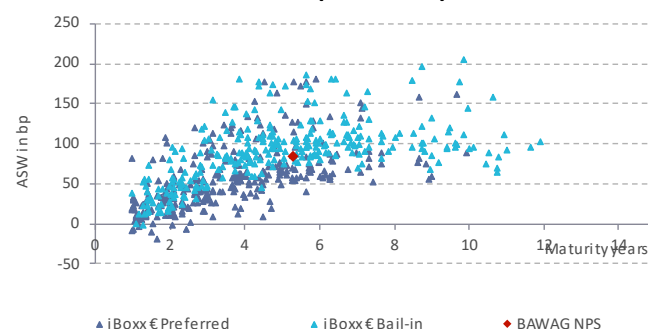
Income Statement

(EURm)	2020Y	2021Y	2022Q1
Net Interest Income	915	938	242
Net Fee & Commission Inc,	255	282	81
Net Trading Income	-27	11	-
Operating Expense	514	508	159
Credit Commit, Impairment	220	76	20
Pre-tax Profit	371	600	146

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2020Y	2021Y	2022Q1		2020Y	2021Y	2022Q1
Net Interest Margin	1.90	1.78	1.79	Liquidity Coverage Ratio	231.14	238.64	191.51
ROAE	7.11	11.00	10.35	IFRS Tier 1 Leverage Ratio	5.43	5.04	-
Cost-to-Income	45.93	46.12	48.80	NPL/ Loans at Amortised Cost	2.75	2.40	2.50
Core Tier 1 Ratio	13.98	13.82	-	Reserves/Loans at Amort. Cost	1.14	1.13	-

As of: 30.05.2022; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Capitalization
- Deposits
- Cost management

Risks / Weaknesses

- Competitive business
- Non-Retail Exposure
- Niche position in the German market

Covered Bonds

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EUR 8.7 billion in outstanding covered bonds

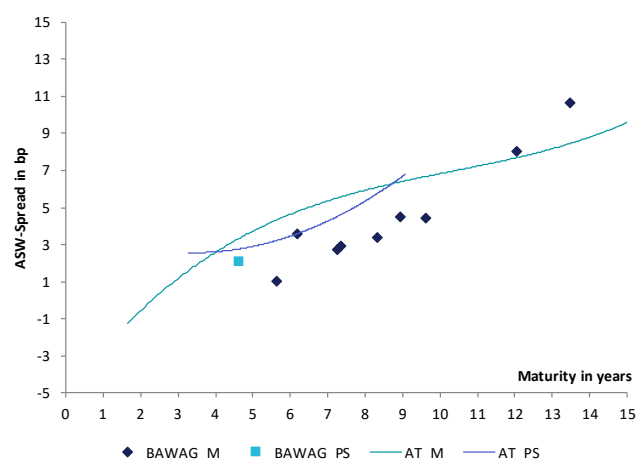
As of March 31, 2022, BAWAG had outstanding covered bonds with a volume of EUR 8.7bn. Mortgage covered bonds accounted for the majority (EUR 7.2bn), while the remaining volume of EUR 1.50bn consisted of public sector covered bonds. The cover pools contained cover assets of EUR 8.7bn and EUR 1.7bn, resulting in overcollateralization ratios of 20.3% and 10.7%, respectively.

Programme data

31 March 2022	Mortgage	Public Sector
Covered bonds outstanding	EUR 7,215m	EUR 1,504m
Cover pool volume	EUR 8,683m	EUR 1,665m
Current OC (nominal / legal)	20.3% / 2.0%	10.7% / 2.0%
Type	100% Mortgages	100% Public Sector
Main country	58% Austria	99% Austria
Main region	15% Lower Austria	25% Upper Austria
Number of res./comm. loans	70,541 / 827	-
Number of exposures	-	2,590
10 largest exposures	2.0%	27.9%
NPL	0.0%	0.0%
Fixed interest (Cover Pool / CBs)	68.2% / 100%	44.0% / 100%
WAL (Cover Pool / CBs)	25.1y / 7.4y	14.0y / 3.9y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / -	- / Aaa / -

Source: Issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview (BMK) – Austria



Cover pool with residential character

The mortgage cover pool consists entirely of mortgage assets, of which 98.1% are attributable to the residential segment. 1.9% is consequently attributable to commercial real estate financing. The share of owner-occupied residential property is 52.2%. Geographically, the focus is on Austria (57.6%). In addition, 31.4% are located in the Netherlands and 11.0% in Germany. Within Austria, the regions of Lower Austria (15.0%), Styria (11.6%) and Vienna (10.7%) have shares of more than 10%. In total, the cover pool contains 70,541 residential and 827 commercial assets as of the relevant reporting date. On average, residential loans amount to EUR 120,708 and commercial loans to EUR 203,754. The ten largest loans also account for 2.3% of the total cover pool. While all bonds are denominated in EUR, 2.2% of the cover assets of the mortgage cover pool are denominated in CHF. The significantly smaller cover pool for public sector covered bonds consists of 5.4% CHF-denominated assets. 61.1% are attributable to local authorities; 20.1% to regional authorities. At 99%, the focus here is once again more on Austria. Within Austria, the regions of Upper Austria, Styria and Lower Austria dominate with shares of more than 20% each. In total, the cover pool consists of 2,590 exposures, of which the ten largest exposures account for 27.9%.

Rating and Regulatory

BAWAG's EUR benchmarks have been given the highest rating (Aaa) by Moody's rating agency. The risk weight according to CRR is 10%. In our view, benchmark deals can also be classified as Level 1 assets for the purposes of LCR management. The covered bonds are also eligible for purchase under the APP (CBPP3). Furthermore, the eligibility as collateral in the context of the ECB Collateral Framework is given.

Appendix

Contacts at NORD/LB

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