

*Six years of unprecedented
management plundering leaves
BAWAG Group on the edge of the cliff*

30 June 2023



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I

Executive summary

BAWAG: Too many red flags

- Since its IPO, BAWAG's annual total shareholder return (TSR)⁽¹⁾ has been 3.6% against an inflation rate of 4.1%⁽²⁾ and an estimated cost of equity (CoE) of at least 10%
- Petrus Advisers were a former core shareholder of BAWAG (with up to 3% ownership), but have recently built a short position
- Following the collapse of SVB, we performed a thorough health check of the bank's strategy and ethics and **identified seven red flags**
- We have thus ended our positive view on BAWAG and demand immediate rectification of what looks like an unprecedented plundering of the bank coffers accompanied by a "strategy" that leaves the bank vulnerable and on the brink
- Following various restructuring programmes, BAWAG presents itself as un-investable without a sustainable business model, a provocatively lazy absentee/work-from-the-US management culture with substantial corporate governance shortfalls and questionable, potentially illegal lending to the management by the bank itself. **We identified a number of red flags:**

1 The bank's foundation is depleting rapidly

- BAWAG has actively **reduced its relevant customer offering** and as a result **does not have a core customer base**
- Thus, **BAWAG is losing clients, deposit market share** and relevance very rapidly – **replacing deposits with wholesale funding** which pressures net interest income and is dangerously instable
- A rumour was published that BAWAG imminently risks **losing the payment processing business of the Republic of Austria**

2 A high risk and plain stupid investment of customer funds

- BAWAG has erased all revenue generating business units and **relies almost exclusively on brokers and third-party vendors for the structure and growth** of its balance sheet
- Management actively depleted product knowledge and there is **no more visible expertise in relevant lending categories**
- Inability to grow organically in the core business has resulted in growth in **US commercial real estate ("CRE") loans** and buying structured credit portfolios
- **BAWAG acts like a credit hedge fund** which is unacceptable for a regulated bank

BAWAG: Too many red flags (cont'd)

3 Degrading product offering leaves clients angry

- Numerous customer complaints are the result of underinvestment in the franchise and in customer support
- In contrast to many banks, BAWAG is still charging high transaction fees for its underperforming products

4 Management's compensation bonanza is revolting

- Despite not creating any real value, management has paid itself more than EUR 200m since IPO
- Management's unacceptable compensation bonanza stands in no relation to their performance or to its relevant peers

5 Employees who have not yet left the bank are angry and disenfranchised

- Glassdoor reviews confirm dissatisfaction of BAWAG staff
- Employees are openly discontent about customer dissatisfaction, poor career opportunities and large compensation gap to senior management as well as management running the business from the US

6 Explosion of lending to related parties is a clear red flag and potentially illegal

- Management has taken loans from BAWAG totalling EUR 36m (EUR 26m increase in 2022 alone) – we were told those are mortgages
- We question the legal basis, appropriateness of the terms and usage of these loans – the bank has so far refused to answer our questions

7 People who should protect clients and shareholders from this mess are former employees and working-from-home absentees

- BAWAG's corporate governance is deplorable and its supervisory board of management cronies and friends lacks quality and independence
- BAWAG's Chief Risk Officer ("CRO") has no relevant prior experience or visible qualifications – his CV does not tie with his LinkedIn profile and he has not been in the bank's HQ for a while

- Following the failures and emergency rescues of Silicon Valley Bank, Signature Bank, Credit Suisse and First Republic Bank, we filtered our coverage universe for warning signals that fuelled the downfall of these banks
- BAWAG stood out due to its degrading franchise and angry clients pressuring funding and market shares, its weak risk management and unethical compensation while lacking independent oversight
- Due to the lack of an engaged shareholder base and a functioning supervisory board, we think BAWAG needs an intervention from the regulator and should not be allowed to distribute capital until the franchise has stabilised with necessary leadership changes



Non-coherent and dangerous business model

Strong warning signs: Non-coherent and dangerous business model

<p>Customer relationship loss</p>	<ul style="list-style-type: none"> We were told that BAWAG has lost 17% of customer relationships in the last two years⁽¹⁾ Easybank has also lost ground vs. its direct bank competitor bank99⁽¹⁾ 	<p>Customer relationships 2022 vs. 2020⁽¹⁾: BAWAG (17%) easybank (14%)</p>	
<p>Deposit market share loss</p>	<ul style="list-style-type: none"> Without Covid-related government support, BAWAG's retail deposits have declined and corporate deposits are stagnating BAWAG's loss of retail deposit market share has recently accelerated 	<p>Retail deposit⁽²⁾ growth since Q4'21: (7%) vs. inflation: +13% More than 10% of its total deposit market share in Austria lost⁽³⁾</p>	
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Funding death zone</p>	<p>Dangerous loan-to-deposit ratio</p>	<ul style="list-style-type: none"> BAWAG's loan-to-deposit ratio is running at unacceptably high levels and increasing further Highest loan-to-deposit ratio among European banks⁽⁴⁾ 	<p>Loan-to-deposit ratio of BAWAG at 109% vs. Erste at 85%</p>
	<p>Desperate increase in deposit rates</p>	<ul style="list-style-type: none"> Competing with scalable capital, Renault Bank, Lea bank and big bank on top of rates table indicates sign of the funding death zone BAWAG currently offering 1.6-2.1% more than RLB Oberösterreich 	<p>BAWAG in the deposit market with 2.5-3.0% offer (second highest in Austria)⁽⁵⁾</p>
	<p>Desperate move into wholesale funding</p>	<ul style="list-style-type: none"> BAWAG increasingly unable to fund balance sheet with sticky deposits Sign of funding death zone: trying to compensate for deposit outflows with expensive wholesale funding to support the balance sheet 	<p>Issued securities make up ~35% of total loans (was less than 20% in 2020)⁽⁶⁾</p>

Notes: (1) Analysis done by a competitor; (2) Refers to Retail & SME segment; (3) BAWAG Group deposits vs. deposits with Austrian monetary financial institutions (OeNB data). Refers to Q1'23 vs. Q4'18; (4) Per Q1'23 compared to Euro Stoxx Banks. NDA has a higher LDR than BAWAG, but comparability of Nordic banks is limited (based on UBS Research); (5) Tagesgeld based on sparzinsen.at. Excludes new customer offers. BAWAG offer refers to new money; (6) Q1'23 figures vs. Q4'20.

Source: Company filings, Österreichische Nationalbank, UBS Research, sparzinsen.at

BAWAG's and easybank's market shares of customer relationships have atomised

We were told that BAWAG has lost 17% of customer relationships in the last two years

Market share: Customer relationships 2020

Market share: Customer relationships 2022

	Main	Other	Total
BAWAG	9.6%	2.7%	12.3%
BAWAG's direct bank in Austria			
easybank	2.3%	2.1%	4.4%
Direct bank owned by Österreichische Post ⁽¹⁾ (previously ING Austria)			
bank99	0.9%	0.7%	1.6%

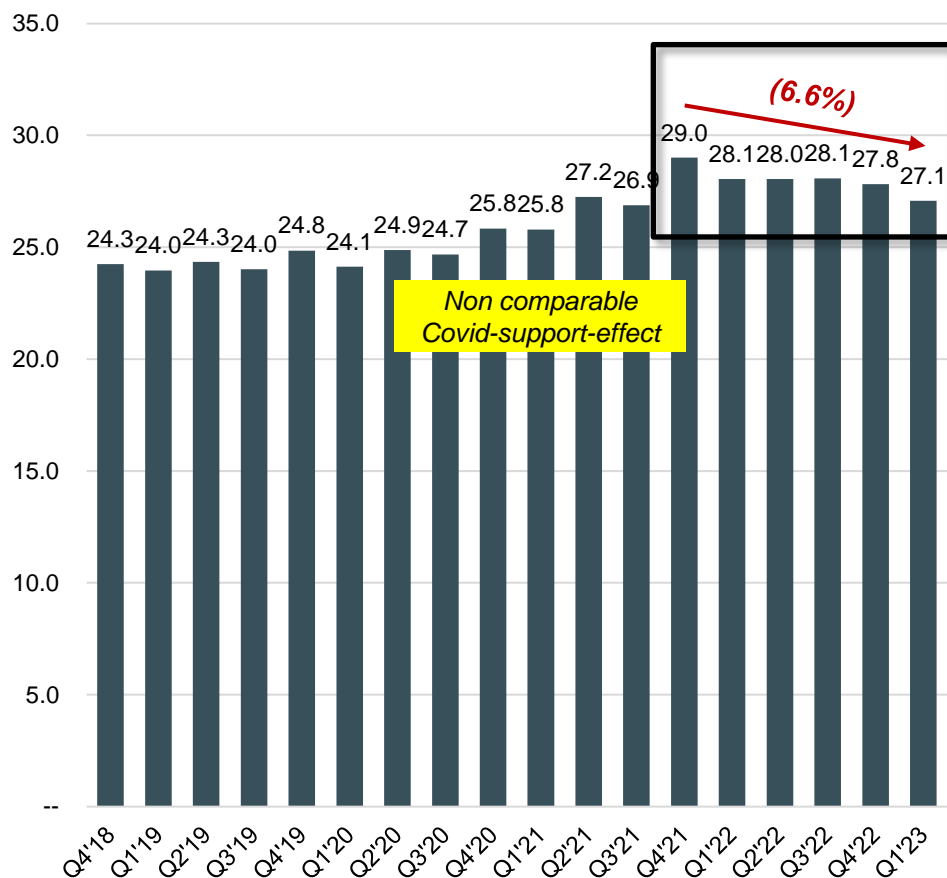
	Main	Other	Total	Delta (%)
BAWAG	7.9%	2.3%	10.2%	(17%)
easybank	2.0%	1.8%	3.8%	(14%)
bank99	2.3%	1.3%	3.6%	125%

Notes: (1) bank99 AG is a subsidiary of Österreichische Post AG (90%) and Schelhammer Capital Bank AG (10%).
Source: Analysis done by a competitor bank

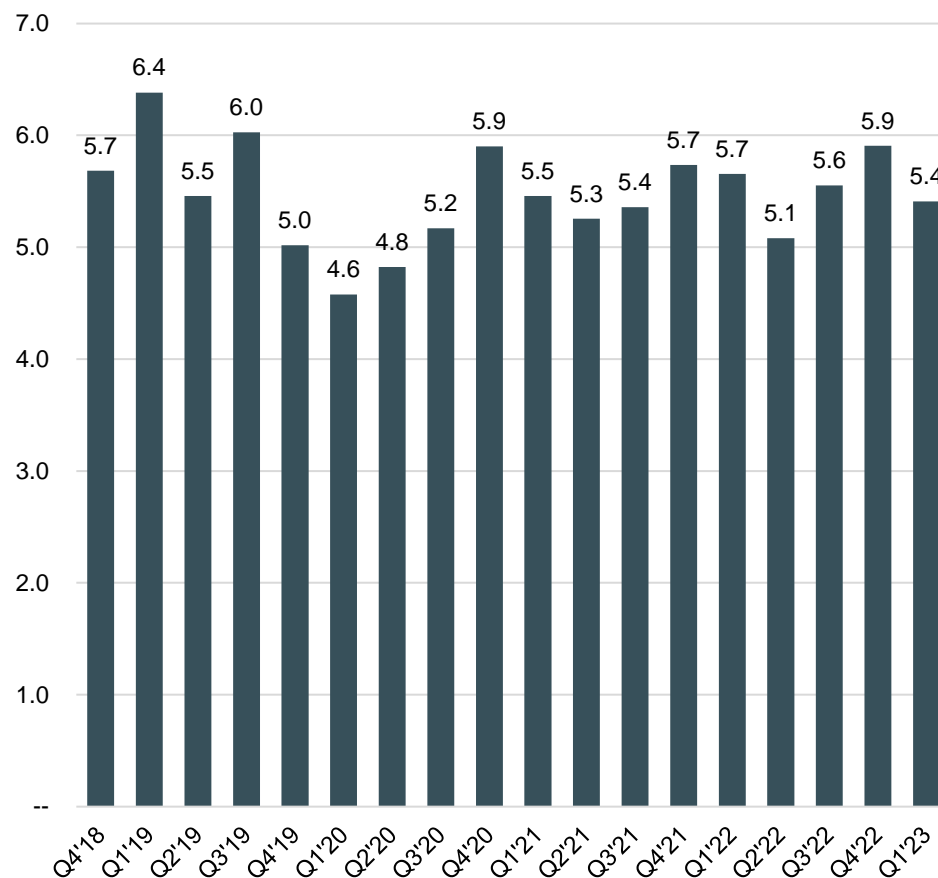
BAWAG consistently losing ground⁽¹⁾

Without Covid-related government support, BAWAG's retail deposits have declined and corporate deposit are stagnating

Retail deposits⁽²⁾ (EURbn)



Corporate deposits⁽³⁾ (EURbn)



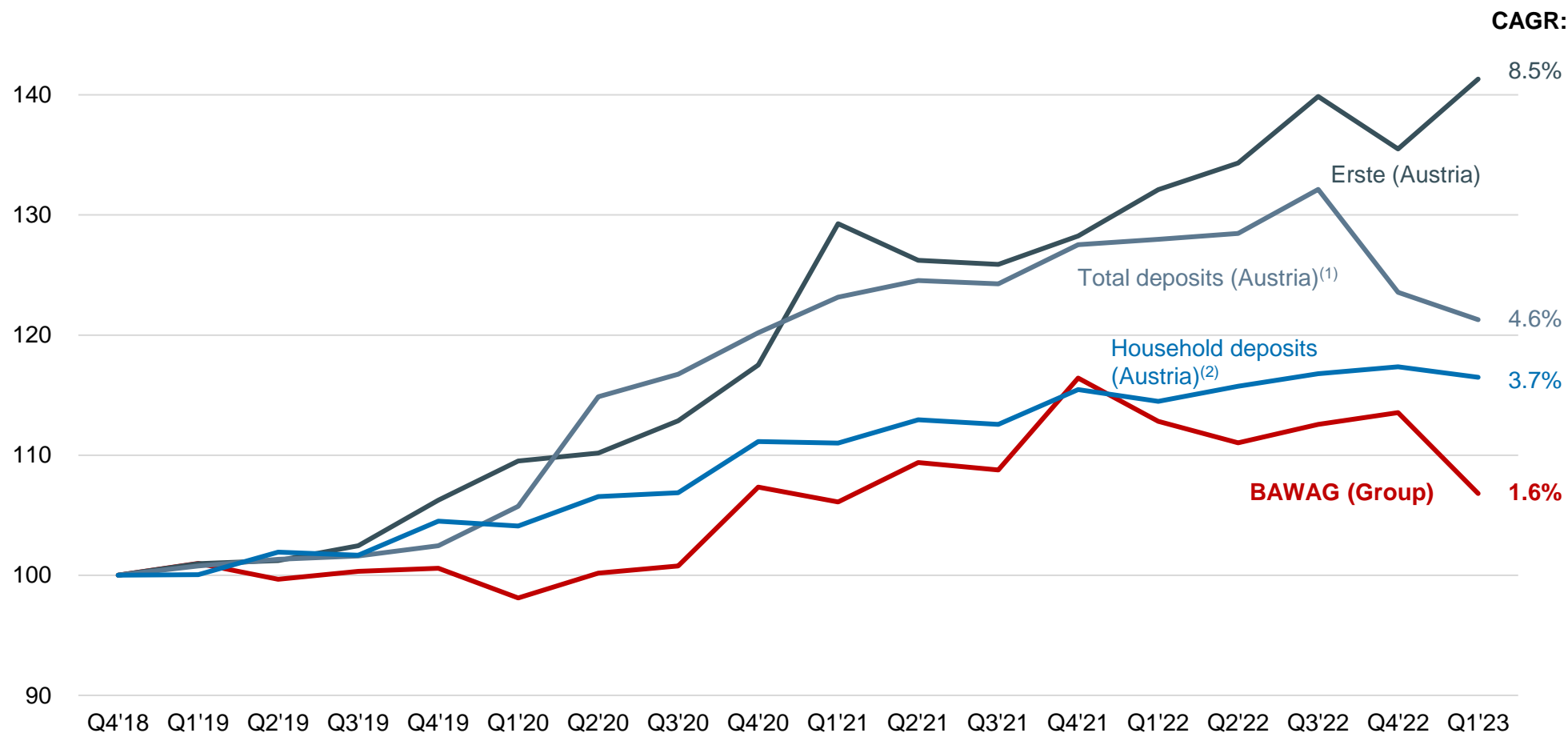
Notes: (1) Excluding the Covid-support effect in 2020/2021; (2) Refers to Retail & SME segment; (3) Refers to Corporates, Real Estate & Public Sector segment.

Source: Company filings

BAWAG has a problem attracting deposits

BAWAG has been outpaced and left behind in its core Austrian market

Quarterly deposit evolution (indexed to 100 per Q4'18)



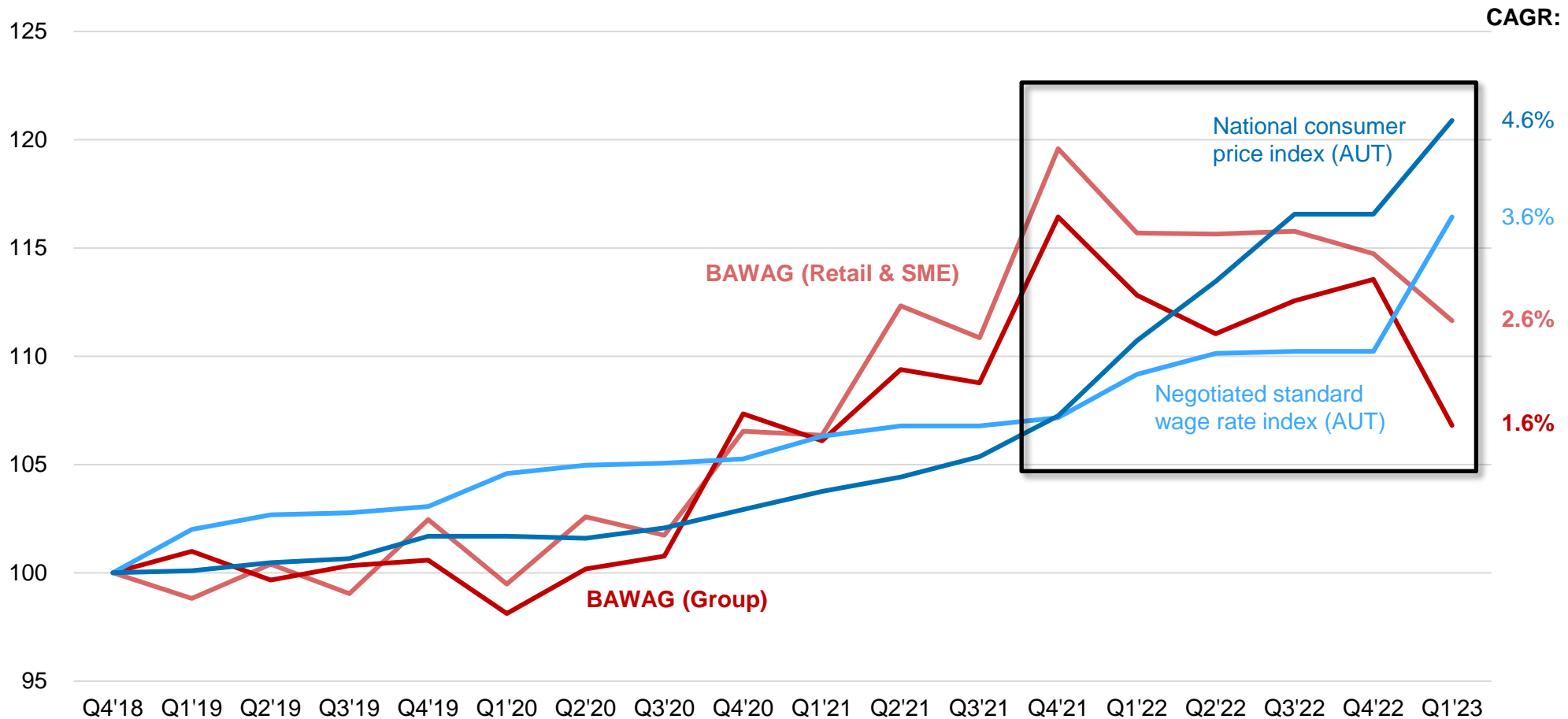
Notes: (1) Market defined as deposits with Austrian monetary financial institutions; (2) Per OeNB household deposit definition.

Source: Company filings, Österreichische Nationalbank

Dramatic market share loss

In recent quarters, BAWAG's deposits have declined while consumer prices and wages have exploded

Quarterly deposit/price evolution (indexed to 100 per Q4'18)

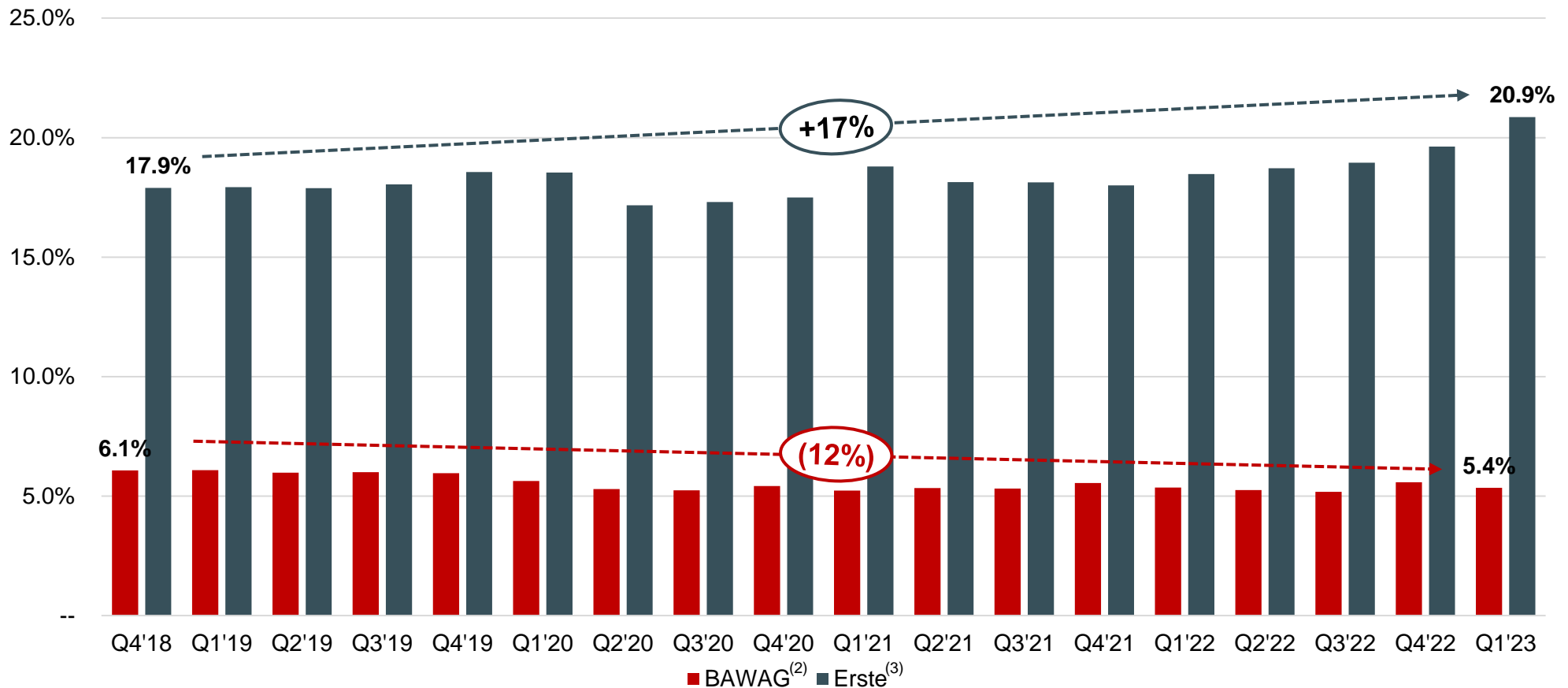


Funding death zone: More than 10% of its total deposit market share in Austria lost



BAWAG's deposit market share has decreased from 6.1% in Q4'18 to 5.4% in Q1'23

Total deposit market share (Austria)⁽¹⁾



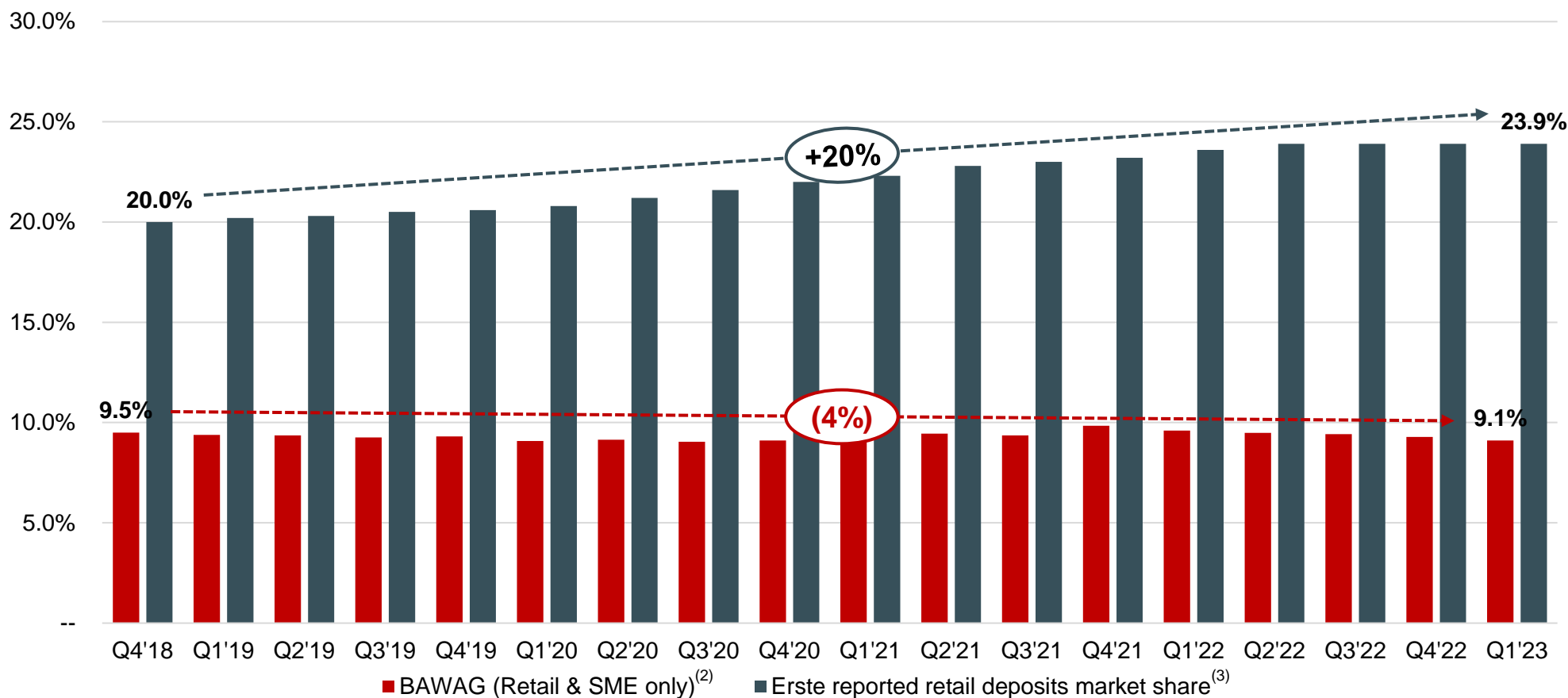
Notes: (1) Market defined as deposits with Austrian monetary financial institutions (<https://www.oenb.at/isaweb/report.do?report=1.7.10>); (2) BAWAG deposits refer to total quarter-end reported; (3) Erste refers to deposits from customers (Austria).
Source: Company filings, Österreichische Nationalbank

Funding death zone: Loss of retail deposit market share is accelerating since Q4'21



BAWAG's retail deposit market share has decreased from 9.5% in Q4'18 to 9.1% in Q1'23

Retail deposit market share (Austria)⁽¹⁾



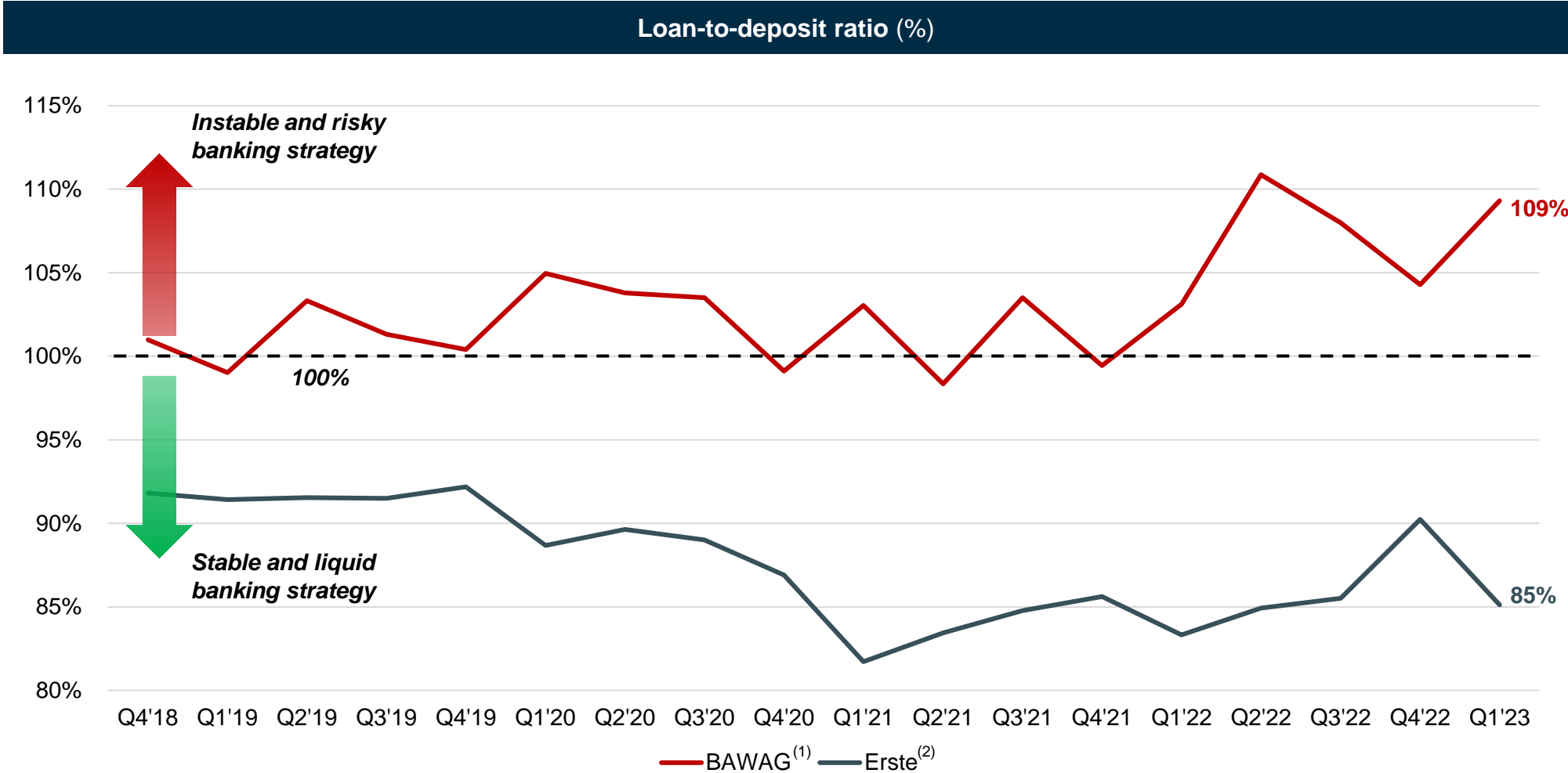
Notes: (1) Market defined as household deposits (<https://www.oenb.at/isaweb/report.do?lang=EN&report=1.7.11>); (2) BAWAG deposits refer to Retail & SME segment deposits per quarter end reported; (3) Erste reports Austria retail market share in its earnings presentations. The denominator are household deposits and the numerator "Austrian retail deposits" which are not reported separately by Erste. Q1'23 not yet available, and the number thus refers to Q4'22.

Source: Company filings, Österreichische Nationalbank

Funding death zone: BAWAG's loan-to-deposit ratio (LDR) is running at unacceptably high levels

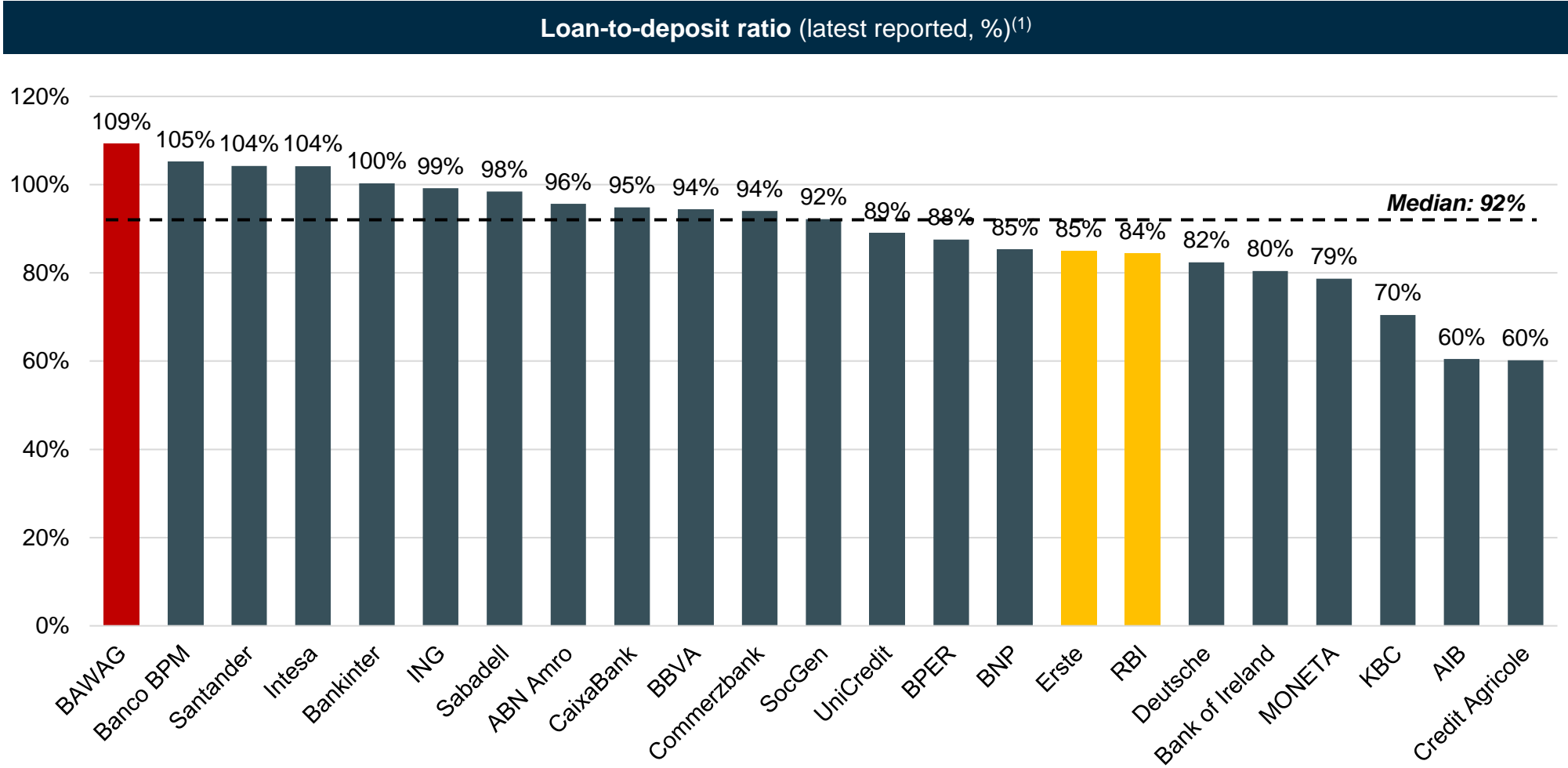


In contrast, Erste's LDR has averaged below 90% over the last couple of years



Notes: (1) Quarter-end loans divided by quarter-end deposits; (2) Loans to customers divided by deposits from customers. Refers to group figures.
Source: Company filings

Funding death zone: The most unacceptable funding structure of all banks in the Euro Stoxx Banks⁽¹⁾



Notes: (1) Per UBS research benchmarking based on latest reported metrics. Moneta and RBI are not part of the SX7E and added for illustrative purposes only. NDA and FBK excluded due to different business models. NDA has a higher LDR than BAWAG, but comparability of Nordic banks is limited.

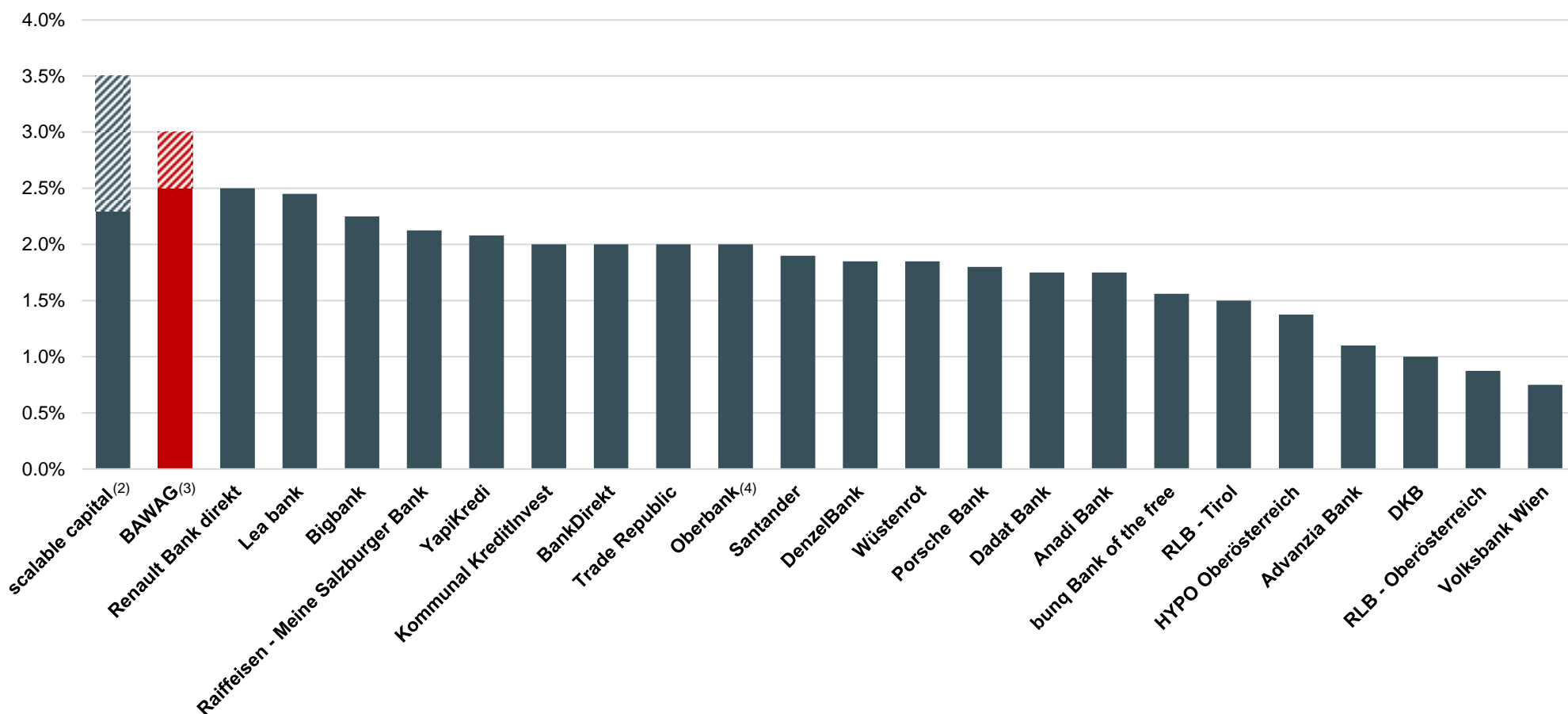
Source: Company filings, UBS Research

Funding death zone: Desperate pricing required to retain liquidity

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BAWAG is paying the second highest deposit rates across Austria, e.g. 1.6-2.1%pts more than RLB Oberösterreich

Deposit rates ("Tagesgeld") across Austria per 26-June-2023⁽¹⁾



Notes: (1) Excl. new customer offers; (2) 2.3% plus 1.2% bonus for new money (for three months); (3) 2.5%-3.0% for new money depending on deposit balance; (4) ECB main refinancing rate minus 2.00%.

Source: <https://www.sparzinsen.at/tagesgeld/>, <https://www.bawag.at/bawag/privatkunden/sparen>

Funding death zone: Expensive and instable wholesale funding needed to compensate for deposit outflows

Liquidity

Liquidity coverage ratio **215%**

Liquidity buffer **€10.2b**

Liquidity buffer including other marketable securities **€14.4b**

Issuance plans 2023 and beyond

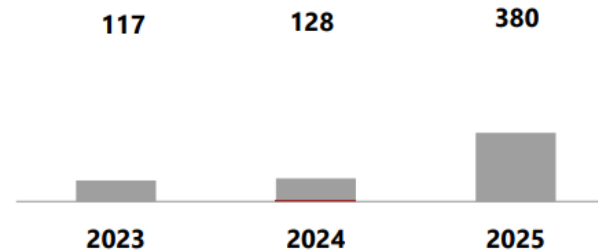
- Covered bond issuance plan 2023 already well advanced ... total issuance volume expected significantly below 2022
- Increasing focus on senior issuance
- At least one Green bond benchmark per year

Comfortable maturity profile

€ millions notional

■ Unsecured

■ Covered bond



- Covered bonds continue to be an important capital market funding source ... €8.4b executed since 2020 ... 17 benchmark bonds outstanding with up to €1.25b issue size and maturities up to 2041
- 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 optimal capital stack of AT1 and tier 2 ... next call date in March '24 for €400m Tier 2
- 4 Green bond issues since 2021 ... at least one Green bond benchmark per year planned

... and solid market access

Q1'21: €500m	20y Cov.Bond
Q2'21: €500m	10y Cov.Bond
Q3'21: €500m	8y Cov.Bond (Green)
Q1'22: €500m	10y Cov.Bond
Q2'22: €750m	6.3y Cov.Bond
Q2'22: €750m	7.75y Cov.Bond
Q3'22: €1.25b	10y Cov. Bond
Q4'22: 125m	CHF 3y SP (Green)
Q4'22: 175m	CHF 5y SP (Green)
Q4'22: €750m	4.5y Cov.Bond
Q1'23: €800m	6y Cov.Bond
Q1'23: €500m	4y SP (Green)
Q1'23: 140m	CHF 3.9y Cov.Bond
Q2'23: 180m	CHF 6y Cov.Bond



Disintegration and degrading product offering

Strong warning signs: Disintegration and degrading product offering



<p>No relevant credit underwriting</p>	<ul style="list-style-type: none"> • BAWAG has dramatically increased its CRE exposure in the US and has exposure to other countries far away from its home market (e.g. Nordics and Ireland) • We understand that most of the new lending is coming from acquisitions of loan books and structured products as organic underwriting has collapsed following the cost cutting programmes 	<p>Growth of US CRE exposure: >2.5x since 2020</p> <p>Organic lending collapsed following various rounds of cost cuts</p>
<p>Fee products are underperforming and expensive</p>	<ul style="list-style-type: none"> • Funds marketed by BAWAG have consistently underperformed the index • In contrast to many banks, BAWAG is still charging high transaction fees for its underperforming products 	<p>BAWAG still charging on average more than 2% transaction cost for underperforming funds⁽¹⁾</p>
<p>Customer satisfaction at rock bottom</p>	<ul style="list-style-type: none"> • Numerous customer complaints are the result of underinvestment in the franchise and in customer support • Arbeiterkammer confirms “<i>BAWAG has been the front-runner among banks in our complaints statistics for many years</i>” 	<p>95% of Trustpilot reviewers give BAWAG the lowest possible rating</p>
<p>Employee satisfaction at rock bottom</p>	<ul style="list-style-type: none"> • Glassdoor reviews confirm dissatisfaction of BAWAG staff • Employees are complaining about customer dissatisfaction, poor career opportunities and large compensation gap to senior management 	<p>Glassdoor ranking of BAWAG at 3.0 vs. RBI at 4.1 and Erste Group at 4.0</p>

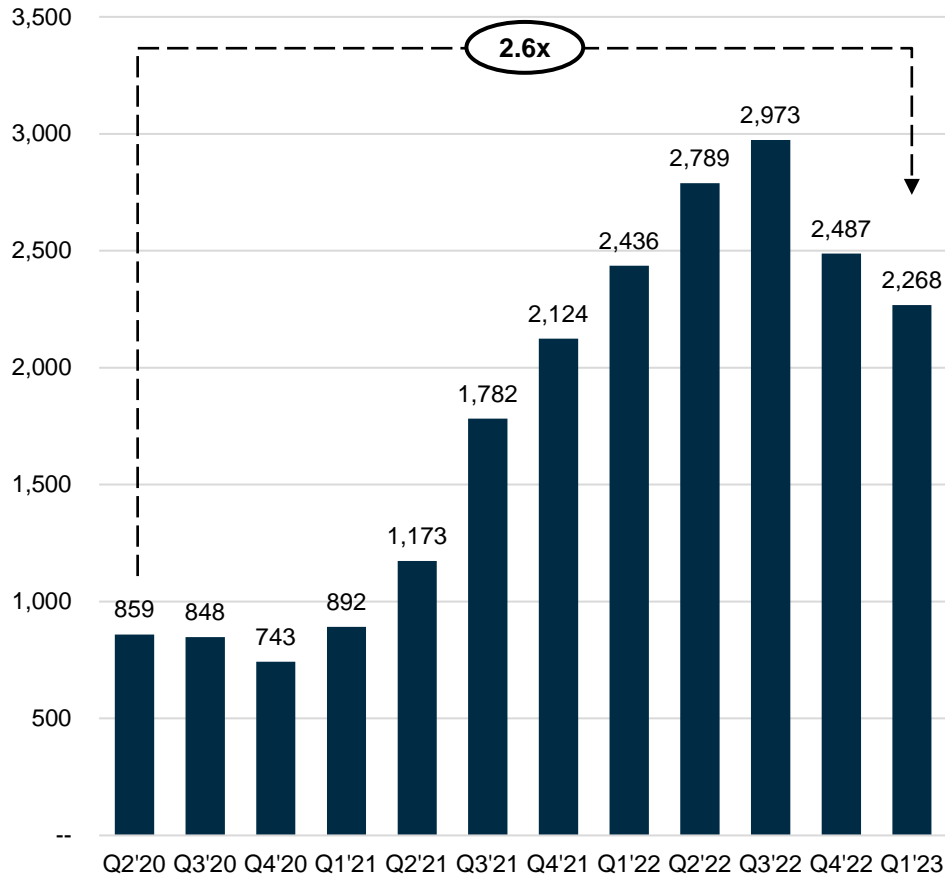
Notes: (1) <https://www.bawag.at/bawag/privatkunden/sparen/fondssparen>

Source: Company filings, Trustpilot (per 31-May-2023), Glassdoor (per 31-May-2023), Expert calls, Arbeiterkammer

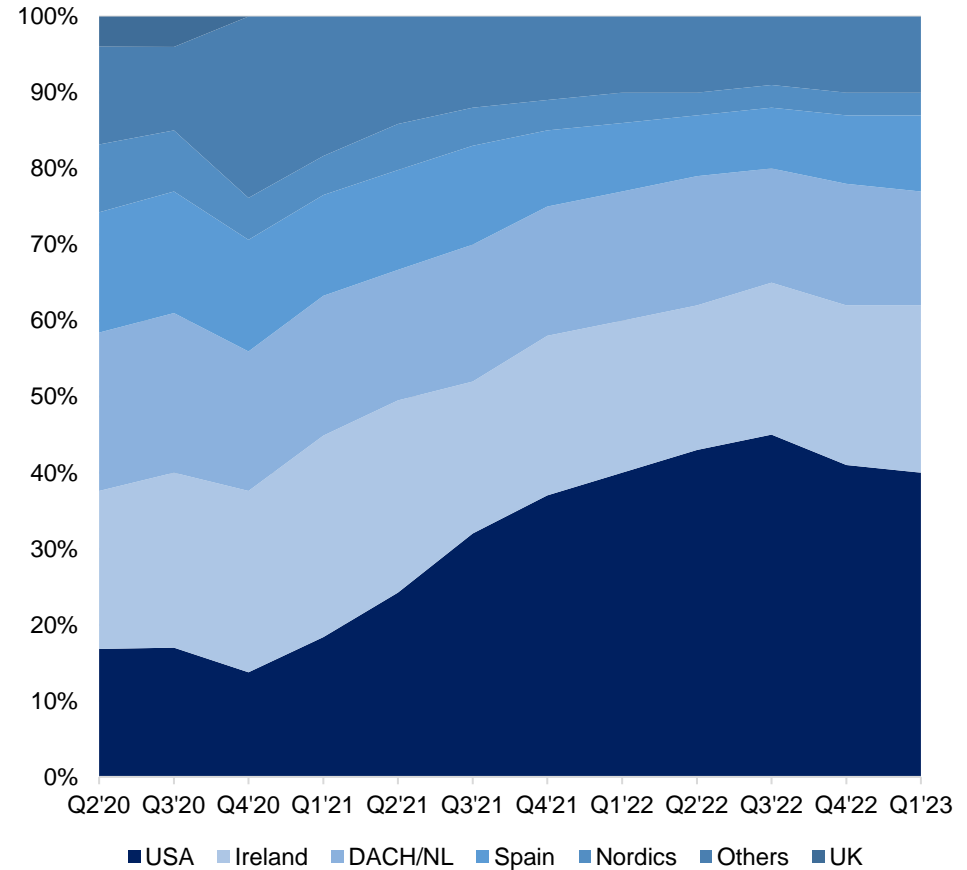
Why does BAWAG have US and Nordic CRE exposure?

US is the only geography that has seen substantial growth in CRE lending since 2020

Total US CRE lending (EURm)⁽¹⁾



CRE lending contribution by geography



Notes: (1) Total CRE portfolio (Real Estate loans within Corporates, Real Estate & Public Sector segment) multiplied with percentage of portfolio in the US (e.g. page 21/25 Q1'23 presentation).
Source: Company filings

BAWAG's fund offering has not been updated for over one year – probably because they have all underperformed the market

BAWAG's website fund offering

Die beliebtesten Fonds 2021

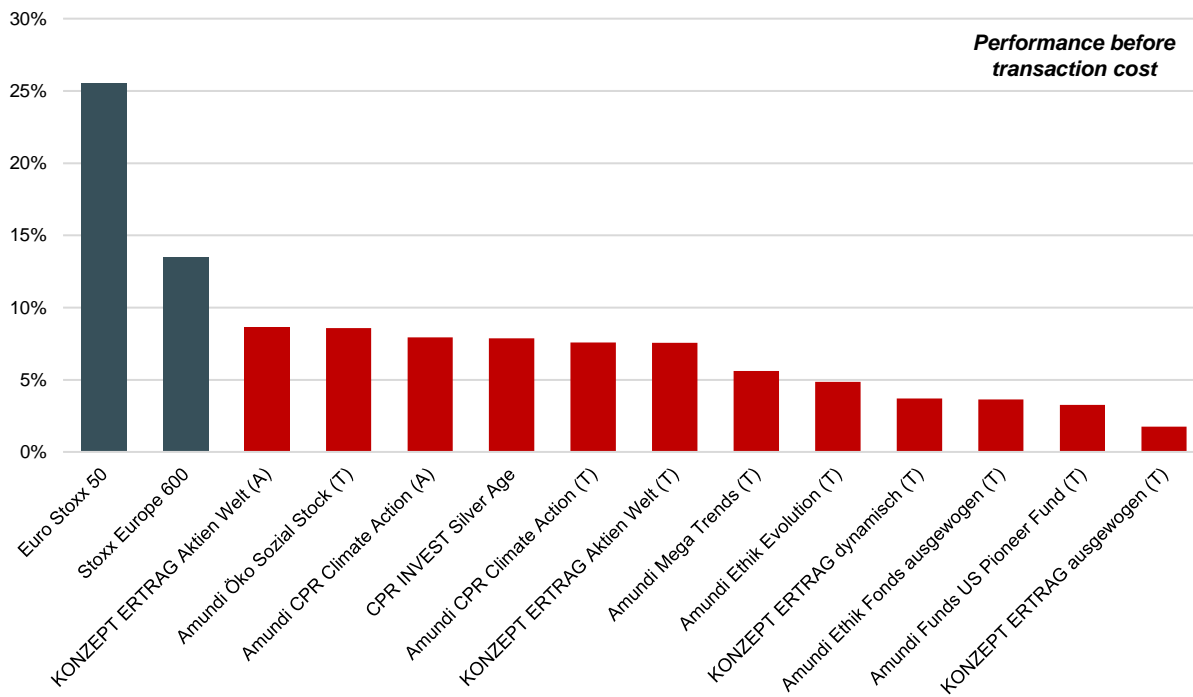
Lassen Sie sich bei der Fonds-Auswahl von den beliebtesten Fondssparplänen im vergangenen Jahr inspirieren. Die Auswahl basiert auf den BAWAG Online Depot Käufen. Klicken Sie einfach auf die ISIN, um sich zu informieren.

Bezeichnung	ISIN	Dokumente*	TE**	Gesamtrendite über 3 Jahre	Gesamtrendite über 6 Jahre	Kaufen
KONZEPT ERTRAG Aktien Welt (T)	AT0000811344	FS / KID	2%	11,75%	8,05%	Kaufen
CPR INVEST Global Disruptive Opportunities (T)	LU1630899142	FS / KID	2%	13,75%	11,60%	Kaufen
Amundi Ethik Evolution (T)	AT0000A21443	FS / KID	2%	-	-	Kaufen
Amundi Mega Trends (T)	AT0000801097	FS / KID	2%	10,31%	6,55%	Kaufen
Amundi CPR Climate Action (T)	AT0000A28YU4	FS / KID	2,5%	-	-	Kaufen
Amundi Ethik Fonds ausgewogen (T)	AT0000A2GGM5	FS / KID	2%	-	-	Kaufen
Amundi Öko Sozial Stock (T)	AT0000A06G31	FS / KID	2%	9,27%	6,98%	Kaufen
CPR INVEST Silver Age	FR0010836163	FS / KID	2%	6,13%	4,86%	Kaufen
Amundi Funds US Pioneer Fund (T)	LU1883872332	FS / KID	2%	20,10%	13,94%	Kaufen
KONZEPT ERTRAG ausgewogen (T)	AT0000738281	FS / KID	1,75%	4,14%	2,83%	Kaufen
KONZEPT ERTRAG Aktien Welt (A)	AT0000811336	FS / KID	2%	11,56%	8,05%	Kaufen
KONZEPT ERTRAG dynamisch (T)	AT0000811369	FS / KID	2%	6,85%	4,40%	Kaufen
Amundi Funds Emerging Markets Equity Focus (T)	LU0552028184	FS / KID	2,5%	6,70%	5,22%	Kaufen
Amundi CPR Climate Action (A)	AT0000A28YT6	FS / KID	2,5%	-	-	Kaufen
Amundi Ethik Fonds (T)	AT0000731575	FS / KID	1,75%	3,10%	2,42%	Kaufen

Stand: 28.02.2022

Total return of BAWAG's funds⁽²⁾ vs. European indices (last twelve months)

Transaction cost⁽¹⁾

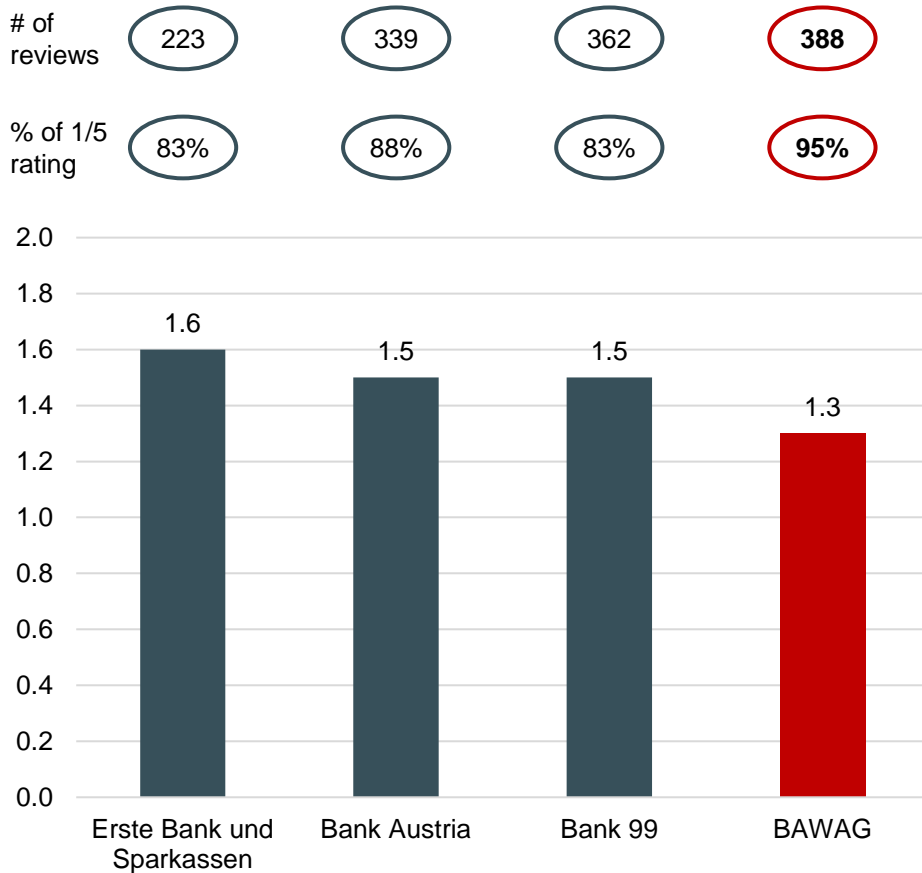


Notes: (1) Transaction fee for purchases via online form in eBanking for holders of a Simple Online Custody Account; (2) Per advertisement on the left-hand side.

Source: <https://www.bawag.at/bawag/privatkunden/sparen/fondssparen>, Bloomberg as per 26-Jun-2023

Trustpilot reveals that those customers who have not yet left are angry...

Trustpilot ranking (1 to 5 with 5 being the best)



Examples of customer reviews

- “Leider gibt es keine 0 Sterne... Es gibt KEINE Möglichkeit irgendjemanden in der BAWAG /Easybank zu erreichen. Mir wurden über 6 tsd. € von meinem Konto abgebucht und seit einem Monat gibt es trotz mails KEINE Antwort!!!“ (22-May-2023)
- “Seit sechs!!! Wochen warte ich auf die Erledigung einer Mailanfrage - Telefonservice ließ ich zweimal 2,5!!! Std "nebenher" laufen... im Vergleich mit anderen Banken teure Kontoführungsgebühren... Sobald ich eine geöffnete Filiale finde, löse ich meine Konten [auf] “ (19-May-2023)
- “The worst banking experience ever. They don't want to close my account. I wrote them around 5 termination of account emails with no answer” (23-Feb-2023)
- “Absolut trash of a bank. Absolutely no customer support. Website is just for claiming they own one” (1-Jul-2022)
- “This bank is a nightmare! I was customer for 10 years. My transfer from my US company was blocked and the first 10 days no one from the customer service was able to tell me what is the problem” (1-Dec-2021)
- “Horrible company, they won't let me close my account online, but I can't travel to Austria because [of] covid. I'm paying them 10 euros monthly for the second year now for absolutely nothing. Avoid this scammy branch at all cost. The customer service is terrible too” (17-Nov-2021)
- “They win the worst customer service prize without any competition. They'll keep you waiting for an hour then go like, sorry can't help you” (22-Dec-2020)

...which is confirmed by AK⁽¹⁾ in Austria

Screenshot from “Arbeiterkammer.at” per 9-June-2023 (article from 5-May-2022)

Hilfe, es klappt nicht mit dem Service der Bank!

In den AK Konsument:innenberatungen gibt es immer wieder Beschwerden über Service und Preise bei Banken, vor allem über die BAWAG PSK. Aktuelles Ärgernis: Die Bank kündigt bestehende Giro- und auch Sparkonten mit einer Kündigungsfrist einfach auf. Das ist zwar rechtlich ok, aber konsument:innenfeindlich. Die AK verlangt: Die Bank soll ihre Rekord-Gewinne in mehr Beratung stecken.

Beispiele aus der AK Beratungstätigkeit

Eine junge Mutter erfährt von der Kontokündigung im Postfach im Online-Banking. Sie las die Nachricht und nahm an, dass ihr Konto automatisch auf ein anderes Konto umgestellt wird. Doch die BAWAG löste das Konto auf und „parkte“ das Geld zwischen. Im Online-Konto der jungen Frau war alles auf null gestellt. Das bemerkte sie erst, als sie wieder auf ihr Konto schaute. Sie meldete sich bei Bank und erfuhr, dass sie ein neues Konto eröffnen müsse, damit die Bank das Guthaben überweisen könne.

Herr K. unterschrieb einen Kontowechselauftrag bei der Bank99 – sein beträchtliches Guthaben am BAWAG-Konto sollte also auf sein neues Bank99-Konto überwiesen werden. Allerdings überwies die BAWAG das Guthaben auf eine Bank in OÖ statt auf die Bank99. Er beschwerte sich in der AK Beratung, dass er nun seinem Geld nachlaufen muss.

„Diese Kündigungen betreffen nicht nur Girokonten, sondern auch Sparkonten. Die Kündigungen sind für die Betroffenen nicht nachvollziehbar. Offenbar will die Bank unrentable Produkte loswerden, in dem die Kund:innen gekündigt werden. Zudem wird den Kund:innen keine Alternativen aufgezeigt“, kritisieren die AK Expert:innen. „Außerdem dreht die BAWAG auch immer wieder über Gebühr an der Spensenschraube im alltäglichen Bankgeschäft, wie unser Bankenmonitor regelmäßig zeigt. Das alles geht zu Lasten der Konsument:innen.“

Viele Beschwerden von BAWAG-Kund:innen

Homepage-Infos der BAWAG PSK versprechen viel: Da ist von „hochwertiger Finanzberatung“ und „besten Service“ die Rede. Die Konsumentenschützer:innen der Arbeiterkammern haben ganz andere Erfahrungen. „Die Bawag PSK ist seit vielen Jahren Spitzenreiter unter den Banken in unserer Beschwerdestatistik“, sagen die AK Konsumentenschützer:innen.

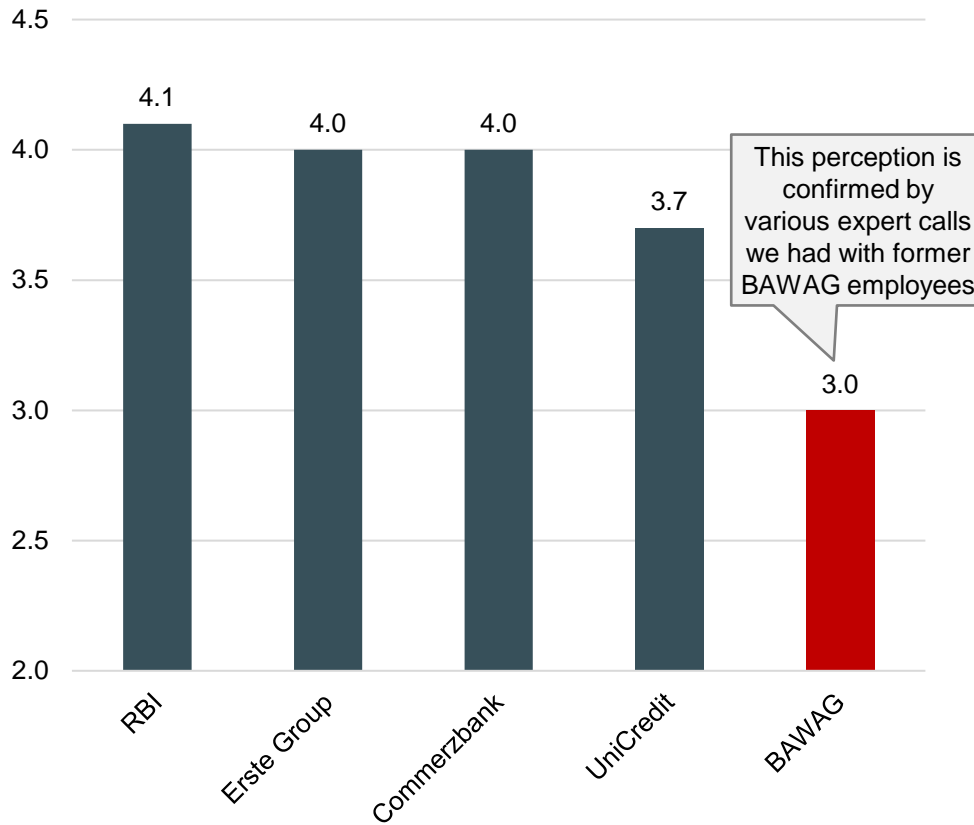
Die Ärgernisse: mangelhaftes Kund:innenservice, etwa Schlangen in Bankfilialen, wechselnde Kundenbetreuer:innen, unerfreuliche Bankzeiten (Schalter schließt um 13.00 Uhr), Ausdünnung der Bankfilialen. So gibt es etwa in Wien – laut Filialfinder – nur mehr zehn Filialen, drei davon sind reine Selbstbedienungs-Foyers.

Aktuelles Ärgernis: Kündigung von Konten

Die jüngste kund:innenfeindliche Aktion der BAWAG PSK: Sie kündigt bestehende Girokonten einfach auf. Sie spricht – wie gesetzlich vorgesehen – eine schriftliche Kündigung mit zweimonatiger Kündigungsfrist aus. Diese Kontokündigungen sind kein Einzelfall, sondern erfolgen offenbar in zeitlich abgestuften „Wellen“. Besonders ärgerlich ist diese Praxis bei Kund:innen, die bereits seit vielen Jahren der BAWAG PSK die Treue halten.

Employees who have not yet left the bank are angry and disenfranchised

Glassdoor ranking (1 to 5 with 5 being the best)



Detailed ranking of subcategories

	Culture & values	Diversity & inclusion	Work-life balance	Senior Mgmt	Comp & benefits	Career opps
RBI	3.9	3.9	4.1	3.6	3.8	3.7
Erste Group	3.9	4.3	4.1	3.5	3.7	3.6
Commerzbank	3.9	4.1	4.3	3.7	3.6	3.6
UniCredit	3.4	3.7	3.6	3.2	3.4	3.2
BAWAG	2.5	3.0	3.3	2.2	2.5	2.1

IV

Lack of ethics

Strong warning signs: Lack of ethics

<p>Unqualified CRO</p>	<ul style="list-style-type: none"> • BAWAG's Chief Risk Officer has no relevant risk management experience⁽¹⁾ • The CV on BAWAG's website mentions risk management in previous job that is not backed up by his LinkedIn profile • We wonder how he passed the fit and proper test with the regulator 	<p>No relevant risk management experience</p>
<p>Potentially illegal lending to BAWAG's management</p>	<ul style="list-style-type: none"> • BAWAG's management has EUR 36m of loan outstanding with its own bank • Lending to management looks like a potential breach of recently sharpened Austrian mortgage regulations • Our questions at the AGM around terms, conditions and usage were left unanswered 	<p>Lending to BAWAG management more than tripled in 2022 to EUR 36m</p>
<p>Management pay not justified by shareholder return</p>	<ul style="list-style-type: none"> • Annualised total shareholder return has been 3.6% since IPO⁽²⁾ vs. annualised inflation of 4.1%⁽³⁾ • Despite not creating any real value, management has paid itself more than EUR 200m since IPO 	<p>More than EUR 200m management compensation since IPO despite no value creation</p>
<p>Management pay not justified by peer comparison</p>	<ul style="list-style-type: none"> • All five bankers that earned more than EUR 6m at Austrian banks in 2021 worked at BAWAG⁽⁴⁾ • BAWAG's CEO gets paid more than entire management teams of competitors – this is not justified by operating performance 	<p>BAWAG's CEO gets paid 12x as much as management teams of European peers⁽⁵⁾</p>

Notes: (1) His LinkedIn profile does not mention risk management in previous positions; (2) Annualised TSR (total shareholder return) assuming no dividend reinvestment (pre-tax); (3) Refers to Austrian CPI index May 2023 vs. Oct 2017; (4) EBA report on high earners; (5) CEO compensation / profit before tax (2022 figures, in bps). BAWAG's compensation does not include LTIP payments.

Source: Company filings, Österreichische Nationalbank, LinkedIn (per 31-May-2023), EBA, Factset as per 26-Jun-2023

Absentee Chief Risk Officer has no relevant experience managing risk...

CV of BAWAG's Chief Risk Officer (CRO)

ABOUT

Born 1975
Nationality American
Appointed 2017

PROFILE

David O'Leary is currently a Member of the Management Board and Chief Risk Officer for BAWAG Group. David has 25 years of experience in Corporate and Consumer financial services, banking, private equity, audit and risk management. He has served in strategic leadership and Board positions, with risk and capital management roles, as well as across a range financial services business models in growth as well as turnaround phases.

EDUCATION

Wake Forest University

Bachelor of Science: Analytical Finance & Accountancy
Graduation 1997

CAREER

BAWAG Group

Member of Management Board since 2017
Deputy Head of Retail and Small Business Banking 2015 - 2016

Goji Insurance

Chief Financial Officer 2014 - 2015

TransCentra Inc.

Board of Directors 2014
Chief Financial Officer 2011 - 2013

LNR Property Corporation

Senior Vice President, Corporate Development, Risk Management and Treasury 2009 - 2011

Cerberus Capital Management

Financial Services – Senior Executive 2007 - 2009

General Electric

Managing Director Chief Financial Officer 2004 – 2007
Commercial Finance at GE Capital

Senior Manager, Corporate Audit Staff & GE Financial Management Program 1997 – 2004

This risk mgmt. position is not backed up by his LinkedIn

...and was hired by his Private Equity buddy

LinkedIn of David O'Leary (CRO)

David O'Leary
Chief Risk Officer at BAWAG Group

← Experience

- BAWAG Group**
7 yrs 2 mos
 - Chief Risk Officer, Member of Managing Board**
Full-time
Oct 2020 - Present · 2 yrs 8 mos
Vienna, Austria
 - Member of the Managing Board, Retail and Small Business Banking**
Apr 2016 - Oct 2020 · 4 yrs 7 mos
Vienna, Austria
Member of Managing Board Retail and Small Business Banking
- Investment Management**
Cerberus Capital Management
Jun 2011 - Apr 2016 · 4 yrs 11 mos
New York, NY
Financial services industry
- SVP - Treasury and Corporate Development**
LNR Property Corporation
Feb 2009 - Jun 2011 · 2 yrs 5 mos
- Investment Management**
Cerberus Capital Management
2006 - Feb 2009 · 3 yrs 2 mos
Financial Services companies
- GE Commercial Finance**
3 yrs 1 mo
 - Managing Director**
2003 - 2006 · 3 yrs
Media and Communications Finance
 - Chief Financial Officer - Media and Communications Finance**
2003 - 2004 · 1 yr
- Corporate Audit Staff - Senior Audit Manager**
General Electric
1999 - 2004 · 5 yrs
- Financial Management Program**
General Electric
1996 - 1998 · 2 yrs

No risk mgmt.
at LNR property

Colleagues at
Cerberus

Colleagues at
General Electric

LinkedIn of Anas Abuzaakouk (CEO)

Anas Abuzaakouk · 2nd
Chief Executive Officer at Bawag Group
Austria · [Contact info](#)
500+ connections

Bawag Group
University of Maryland -
Robert H. Smith School of
Business

[Connect](#) [Message](#) [More](#)

About

BAWAG Group AG is a publicly listed holding company headquartered in Vienna, Austria, serving 2.3 million retail, small business, corporate and public sector customers across Austria, Germany, Switzerland, the Netherlands and other developed markets. 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. ...see more

Activity

2,937 followers

Anas Abuzaakouk commented on a post · 11mo

Well done Mohsin! A great moment for both Father & Son! I hope you're keeping well.

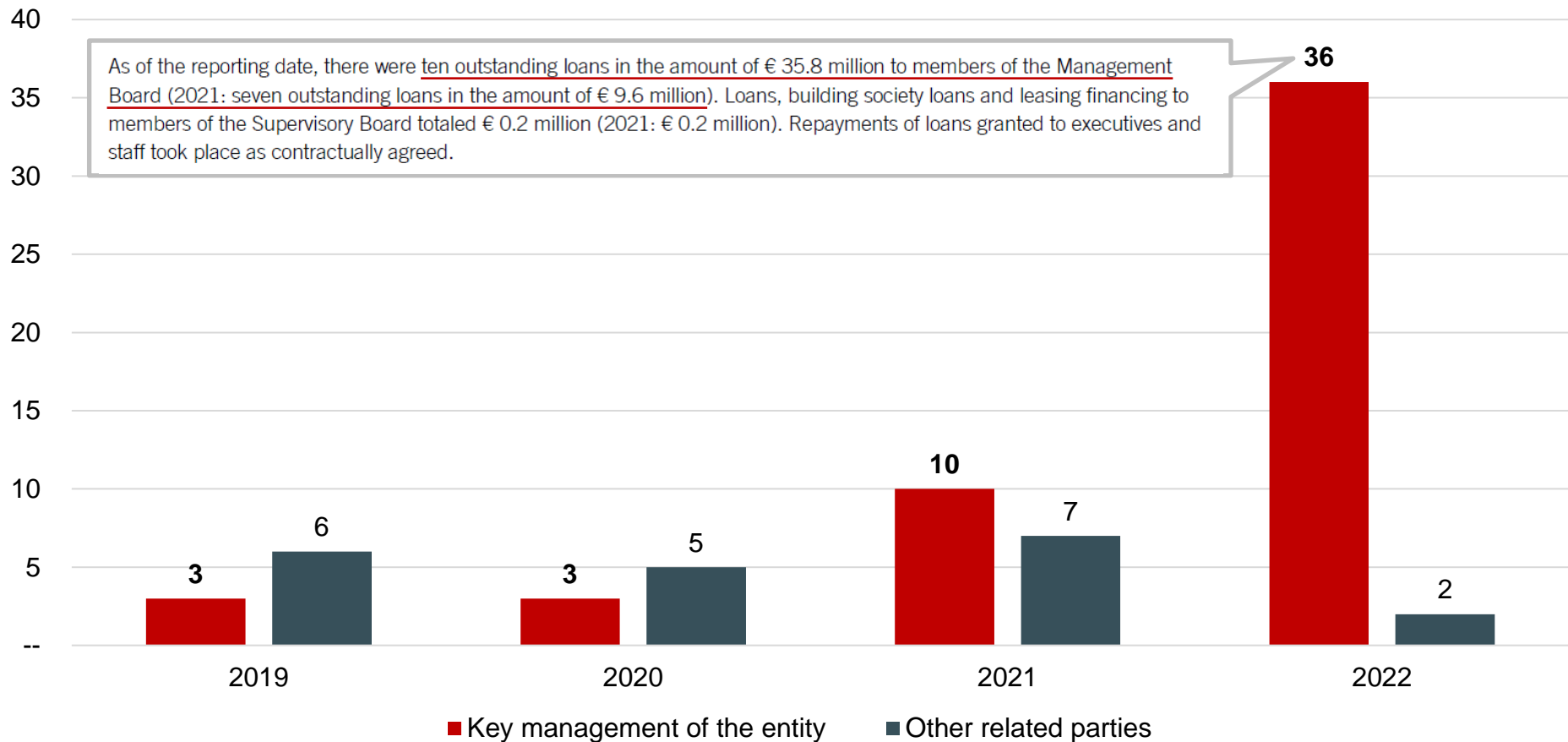
[Show all comments](#) →

Experience

- Bawag Group**
10 yrs 11 mos
Vienna, Austria
 - Chief Executive Officer, Chairman of Management Board**
Mar 2017 - Present · 6 yrs 3 mos
 - Chief Financial Officer**
Jan 2014 - Feb 2017 · 3 yrs 2 mos
 - Chief Restructuring Officer**
Jul 2012 - Dec 2013 · 1 yr 6 mos
- Senior Operations Executive**
Cerberus Capital Management
Sep 2007 - Jun 2012 · 4 yrs 10 mos
- Corporate Finance**
General Electric
Jul 1999 - Aug 2007 · 8 yrs 2 mos

Tripling of lending to BAWAG's management in 2022 looks shady, if not illegal⁽¹⁾

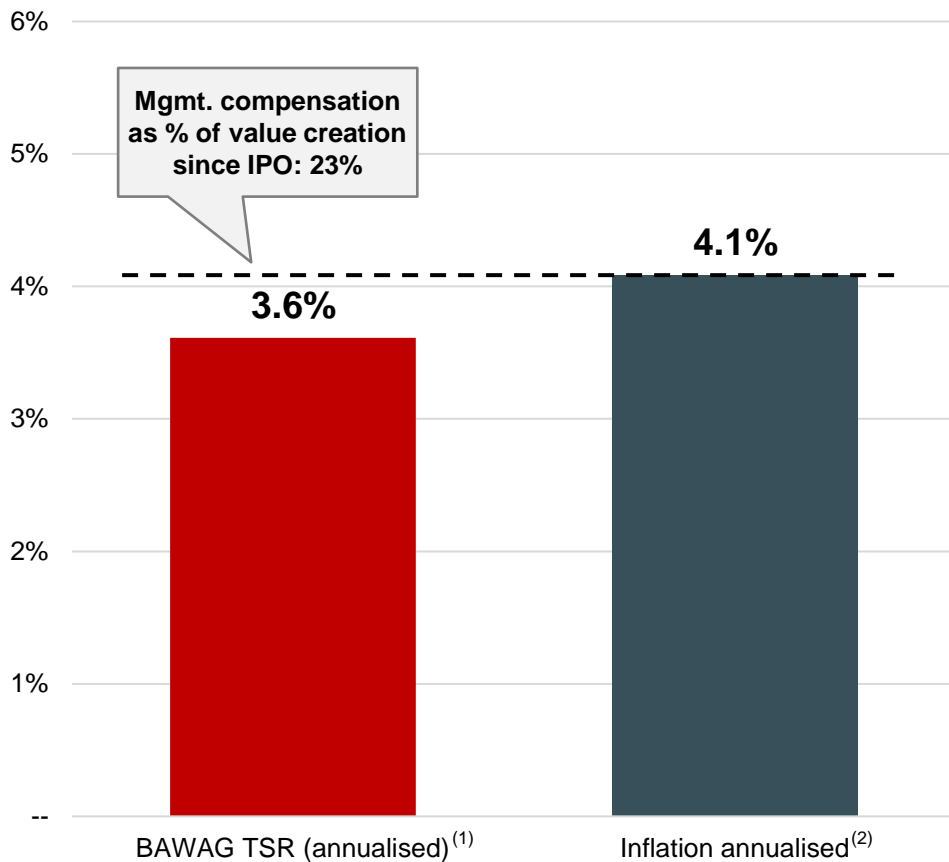
Loans to related parties (in EURm)



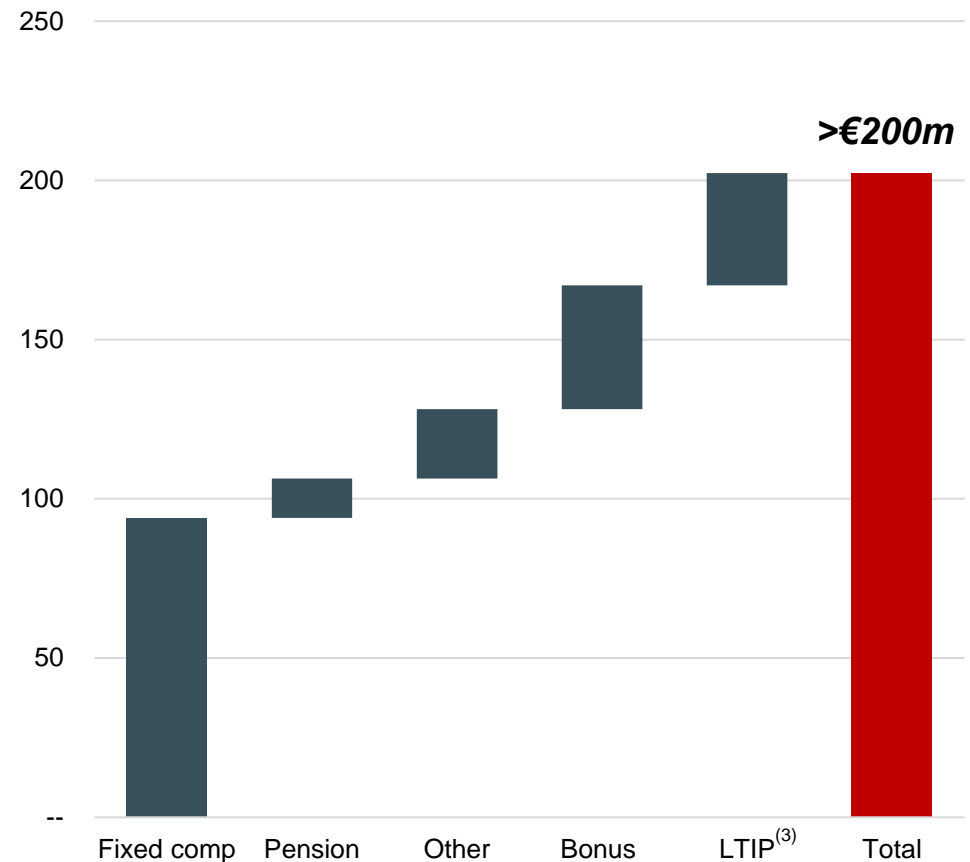
Notes: (1) It was explained to us that the three loans for EUR 26m taken out in 2022 are mortgages. There is strict regulation of Austrian mortgage lending and we are very much questioning that the loans provided in 2022 are in accordance with the conservative regulation.
Source: BAWAG annual reports

BAWAG's management has paid itself more than EUR 200m since IPO despite not creating any real value for shareholders

BAWAG TSR vs. inflation (since IPO)



Cumulated management compensation since IPO (EURm)



Notes: (1) TSR since IPO assuming no reinvestment of dividends (pre-tax); (2) Refers to Austrian CPI index May 2023 vs. Oct 2017; (3) Calculated as number of vested shares multiplied with share price on day of vesting.

Source: Company filings, Factset as per 26-Jun-2023, Österreichische Nationalbank, Petrus Advisers analysis

In comparison to other European banks, BAWAG's compensation is out of control

Highest paid bankers in Europe by country (total comp 2021)

	>€6m	>€7m	>€8m	>€9m	>€10m
Austria	2	1	1		1
Germany	6	7	1	2	1
Spain	2	2			2
France	2	1			1
Ireland	1				
Italy	1	2		1	
Sweden	1				
EU total	15	13	2	3	5

All 5 bankers that earned more than EUR 6m at Austrian banks in 2021 worked at BAWAG

Size and split of executive pay at European banks (2021)⁽¹⁾

	Management	Total	BAWAG
# high earners	599	1,957	6
Total comp (EURm)	1,183	3,526	42
Fixed (EURm)	744	1,758	24
Variable (EURm)	439	1,768	18
Avg. compensation (EURk)	1,975	1,802	6,940
% variable	37%	50%	43%
% deferred in variable	57%	52%	60%

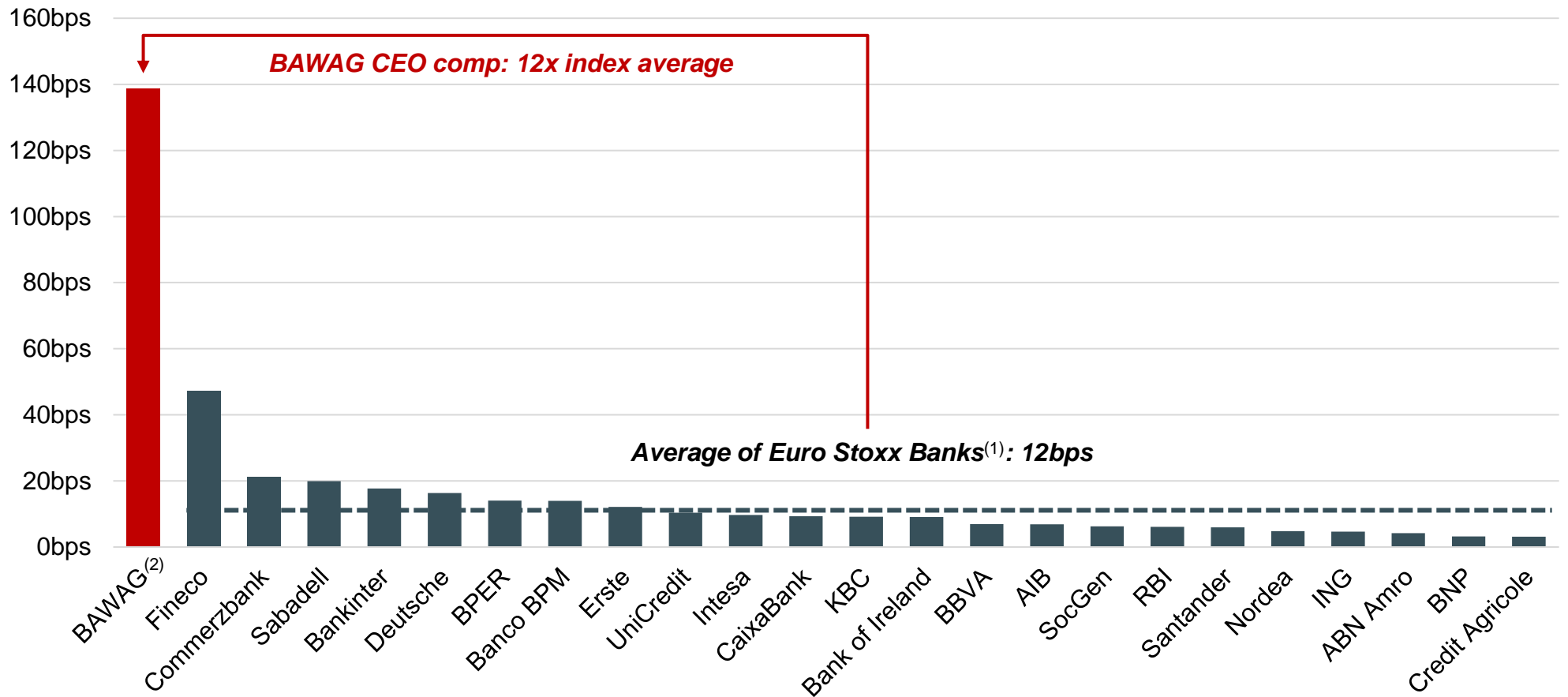
Avg. compensation of BAWAG's management was more than 3x that of other European banks' management teams

Notes: (1) Shows European bank executives with more than €1m total pay and BAWAG's management board.

Source: Autonomous Research, https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2023/High%20Earners/1050989/Report%20on%20High%20Earners%202021.pdf, BAWAG company filings

BAWAG's CEO gets paid more than entire management teams of competitors – this is not justified by operating performance

CEO compensation / profit before tax (2022 figures, in bps)



Notes: (1) RBI included as Austrian reference point. Bankinter, BBVA, BNP, BPER, CaixaBank, Commerzbank, Credit Agricole, Deutsche, ING, Santander, SocGen, UniCredit and Nordea include bonus payments that are partially contingent on future financial performance; (2) BAWAG comp does not include LTIP.

Source: Company filings, Petrus Advisers analysis

V

What does this mean?

What does this mean?

Red flag	BAWAG assessment	Severity
1 Instable funding	<ul style="list-style-type: none"> BAWAG's loss of retail deposits has accelerated since end of 2021 (7% nominal decline) – BAWAG has increased rates on new deposit inflows to counteract outflows (2nd highest rate in Austria) Loan-to-deposit ratio is the highest among European banks at 109% 	
2 Weak credit quality and underwriting	<ul style="list-style-type: none"> BAWAG has dramatically increased its CRE exposure in the US and has exposure to other countries far away from its home market (e.g. Nordics and Ireland) without relevant expertise We understand that most of the new lending is coming from acquisitions of loan books and structured products as organic credit underwriting has degraded 	
3 Angry client base	<ul style="list-style-type: none"> Numerous customer complaints are the result of underinvestment in the franchise and in customer support Lack of product offering is driving customer attrition 	
4 Unethical compensation	<ul style="list-style-type: none"> Despite not creating any real value, management has paid itself more than EUR 200m since IPO BAWAG's CEO gets 12x as much compensation as European peers relative to profitability 	
5 Employee dissatisfaction	<ul style="list-style-type: none"> Glassdoor reviews confirm dissatisfaction of BAWAG staff Employees are openly discontent about customer dissatisfaction, weak career opportunities and large compensation gap to senior management and management running the business from the US 	
6 Escalating loans to related parties	<ul style="list-style-type: none"> BAWAG's management has EUR 36m of loan outstanding with its own bank (tripled in 2022) Our questions at the AGM around terms, conditions and usage were left unanswered 	
7 Corporate governance issues	<ul style="list-style-type: none"> BAWAG's corporate governance is deplorable and its supervisory board of management cronies and friends lacks quality and independence BAWAG's Chief Risk Officer ("CRO") has no relevant prior experience or visible qualifications 	

- Following the failures and emergency rescues of Silicon Valley Bank, Signature Bank, Credit Suisse and First Republic Bank, we filtered our coverage universe for warning signals that fuelled the downfall of these banks
- BAWAG stood out due to its degrading franchise and angry clients pressuring funding and market shares, its weak risk management and unethical compensation while lacking independent oversight
- Due to the lack of an engaged shareholder base and a functioning supervisory board, we think BAWAG needs an intervention from the regulator and should not be allowed to distribute capital until the franchise has stabilised with necessary leadership changes

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