



**BAWAG Group**

# BAWAG Group – executive summary



One of the most profitable and efficient banks in Europe

## BAWAG Group in numbers:

€ millions

	FY '18	vPY
Core revenues	1,123	+11%
Operating income	1,171	+4%
Operating expenses	(518)	(2%)
Risk costs	(45)	(27%)
<b>Profit before tax</b>	<b>573</b>	<b>+14%</b>
<b>Net profit</b>	<b>437</b>	<b>(3%)</b>

*2017 included positive tax one-off*

**€5.75**  
pre-tax EPS

**+15%**  
vPY

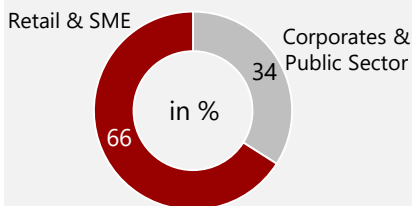
**€32.41**  
TBV/share

**+5%**  
vPY

**17.1%**  
RoTE  
(@12% CET1)

**44.2%**  
CIR

## Business mix (PBT share):



## Company profile

- **One of Austria's leading retail banks with more than 2.5 million customers**, solid market shares, and a simple and consistent product offering across various channels.
- **One of the most profitable and efficient banking groups in Europe** with a Return on Tangible Equity of 17.1% (@12% CET1) and Cost-Income ratio of 44.2%.
- **Focused on developed countries** with 72% of customer loans in the DACH region & 28% in Western Europe and the United States.
- **Focused on organic & inorganic growth** in DACH region with 9 acquisitions completed / signed over the past 3 years.
- **Fortress balance sheet** with low NPL ratio of 1.7%, solid capital ratios, high regulatory leverage ratio & retail deposit funding.
- No operations in countries with elevated AML risk, no trading or investment banking, no Russia or Turkey exposure, and no relevant exposure to CEE / emerging markets.
- **Solid credit ratings** ... Moody's ratings upgraded 3 times since 2015 to "A2" and Fitch assigned "A-" senior unsecured rating.

## Targets

Metrics	2019	2020
Profit before tax	CAGR >6%	>6%
	absolute >€600m	>€640m
Cost-income ratio	<43%	<40%
Return on Tangible Equity	15% to 20%	
CET1 ratio (FL)	12% to 13%	
EPS before capital action	pre-tax >€6.00	>€6.40
	post-tax >€4.50	>€4.80

## Strategy

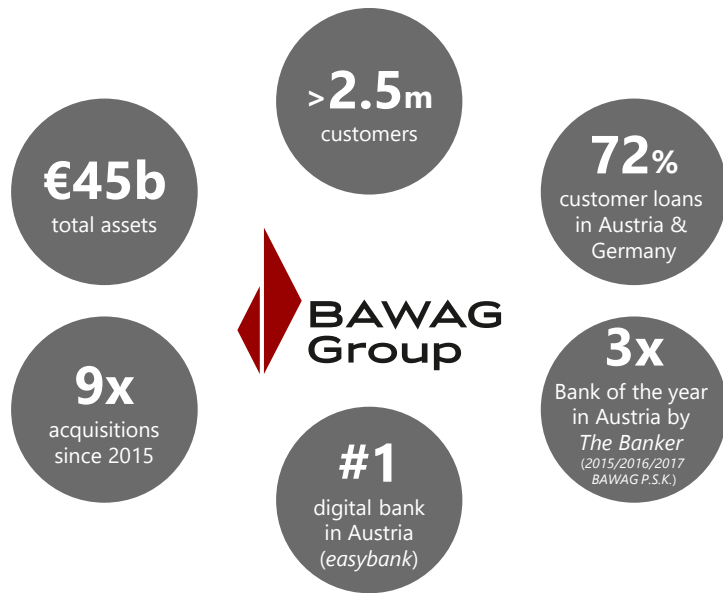
- |  |   |
|--|---|
| <b>01</b> Growth in our core markets (DACH)  | <b>03</b> Efficiency & operational excellence |
| <b>02</b> Making our customers' lives easier | <b>04</b> Safe and secure                     |

## Capital Management

**Strong capital generation of ~250bps per year supporting various capital management options**

- Focused on organic and inorganic growth
- Dividend policy of 50% payout ratio (€2.18 DPS for 2018)
- Committed to returning excess capital to shareholders annually ... actively evaluating share buyback options

# BAWAG Group at a glance



- **One of Austria's leading retail banks** ... more than 2.5m customers & solid market shares
- **Focused on developed countries** with 72% of customer loans in DACH region & 28% in Western Europe & USA
- **Organic & inorganic growth in DACH region** ... completed 7 acquisitions and signed 2 acquisitions
- **High profitability and efficiency** ... one of the most profitable and efficient banking groups in Europe
- **Simple & consistent product offering across channels**
- **Fortress balance sheet** ... low NPL ratio, low balance sheet leverage, solid capital ratios & retail deposit funding
- **Solid ratings** ... Moody's ratings upgraded 3 times since 2015 to "A2" ... Fitch assigned "A-" senior unsecured ratings

## Our strategy

- |  |   |
|--|---|
| <b>01</b> Growth in our core markets         | <b>03</b> Efficiency & operational excellence |
| <b>02</b> Making our customers' lives easier | <b>04</b> Safe and secure                     |

## Our multi-brand network



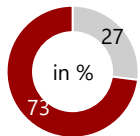
# Business overview

Growing DACH Retail & SME franchise and focus on digital

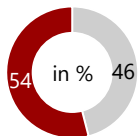
## Business mix

- Retail & SME
- Corporates & Public Sector

Core revenues

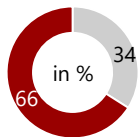


Assets

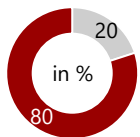


## Profit before tax

2018

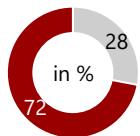


tomorrow

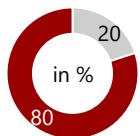


## Regional mix

2018



tomorrow



- DACH customer loans
- Customer loans outside DACH-region

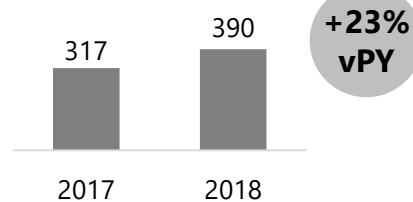
## Retail & SME business

- Focus on current accounts, mortgages, consumer loans, auto leasing factoring, and SME lending across 2.4 million customers in the DACH-region
- Diversified brand strategy and sales channels: BAWAG P.S.K., easygroup, start:bausparkasse, Südwestbank
- Austria is the core and foundation ... creating niche platform in Germany & Switzerland

### Business focus:

- *Concept 21*: Transforming to stand-alone branch network in Austria
- Driving Retail partnerships ... customer acquisition channel
- Rolling our frictionless digital products to drive end-to-end digitalization across the value chain
- Focusing on enhancing data analytics to better understand and serve our customers

Profit before tax (in € million)



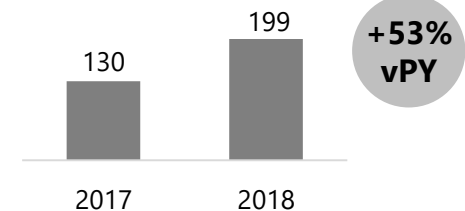
## Corporate & Public Sector business

- Focus on conservative corporate and real estate lending in developed markets
- Public sector lending in Austria and payments provided to Republic of Austria

### Business focus:

- Simplified product offering: term loans, payments, and working capital facilities
- Focus on risk-adjusted returns versus volume growth
- Diversified portfolio in regards to asset class and geographies
- Focus on originate-to-sell for public sector assets

Profit before tax (in € million)



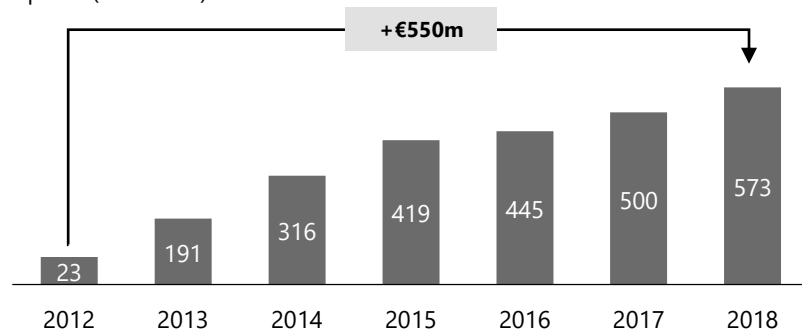
Note: Based on new segmentation valid from 1 January 2019

# Bank transformation

Focus on things we control and drive operational excellence

## Profitability

Pre-tax profit (€ millions)



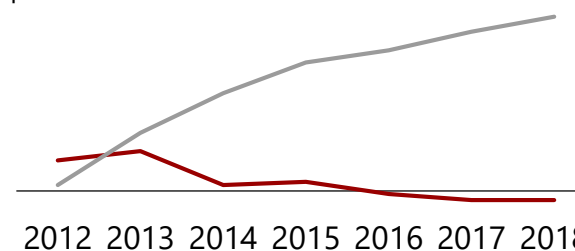
## Key metrics

	2012	2013	2014	2015	2016	2017	2018
RoTE (@12% CET1)	1%	8%	14%	16%	19%	18%	<b>17.1%</b>
C/I ratio	70%	68%	54%	48%	46%	47%	<b>44%</b>
CET1 (FL) post dividend	6.2%	9.4%	12.2%	12.3%	13.6%	13.5%	<b>14.5%</b>
NPL ratio	3.5%	2.5%	2.0%	1.9%	1.7%	1.8%	<b>1.7%</b>
Assets (€b)	41.5	36.6	34.9	35.7	39.7	46.1	<b>44.7</b>

## Key topics

- ✓ Exited CEE exposure & non-core assets
- ✓ Discontinued trading and structured credit book
- ✓ More than **doubled CET 1** ratio
- ✓ Structurally **fixed cost base**
- ✓ Focus on **simple core products**
- ✓ **Increased profitability** despite low interest rates
- ✓ **Distributed €419m in dividends since 2016 and will propose €215m dividend to AGM for 2018**

—●— Pre-tax profit    -●- 3m Euribor



# Strategy

## 4 pillars of our strategy to grow

### Growing in our core markets

- Our core market is Austria and more broadly the DACH region / developed markets
- DACH region provides solid macro backdrop ... 100m people, unemployment <4%, stable legal system, low levels of debt, and moderate long-term GDP growth of ~2%
- Grow into our current account market share entitlement of 15-20% for core products in Austria
- Expand strategic partnerships as a new customer acquisition channel
- Establish a niche presence in Germany & Switzerland
- Pursue inorganic growth with focus on Retail & SME franchise

### Making our customers' lives easier

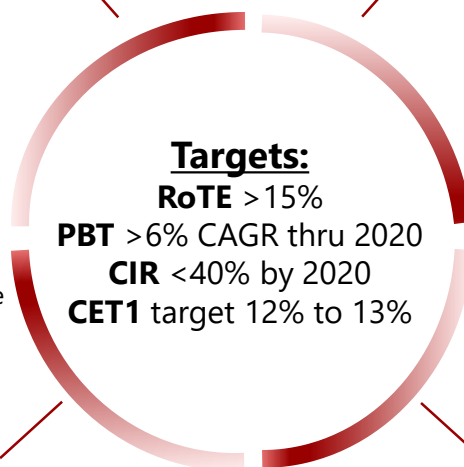
- Execute on *Concept 21*, our retail network transformation in Austria
- Redefined branch network to focus on high-touch advisory ... Target under 100 branches by the end of 2019
- Drive simple, consistent and intuitive Retail & SME product offering
- Provide customers access to an entire range of frictionless products and services anywhere they want on a 24/7 basis
- Leverage new and existing technologies to better understand our customer's needs, manage their finances, and reduce complexity in banking
- Enhance computing and analytical capabilities to improve overall customer experience

### Drive efficiency thru operational excellence

- Our DNA is to focus on the things that we control ... Banking is being commoditized and efficiency will be key differentiator
- Streamlining and standardizing our online and offline product offerings
- Create frictionless processes as part of digitization drive across the Bank
- Continuously optimize processes, our footprint, and technology infrastructure
- Embrace various forms of technological change ... will transform banking

### Maintaining a safe and secure risk profile



















- Maintaining strong capital position, stable retail deposits and a low risk profile are fundamental cornerstones for the execution of our business strategy
- Conservative risk profile through focus on developed markets with solid macroeconomic fundamentals, high asset quality and disciplined underwriting
- Focus on disciplined and sustainable growth in markets we understand and assessing growth opportunities based on risk-adjusted returns
- Continue to maintain a fortress balance sheet ... NPL ratio <2%, risk cost ratio of 15-25bps thru the cycle, regulatory leverage ratio >6%, and overall solid funding profile



# Proven M&A track record

Experienced with bolt-on acquisitions to build out customer franchise

## Acquisition track record

Signed <b>Q4 '18</b>	 	€0.1b assets, €1b factoring new volume 3k customers
Closed <b>Q1 '19</b>	 	
Signed <b>Q4 '18</b>	 	€0.6b assets 50k customers
Closed <b>Q3 '18</b>	 	€0.5b assets 85k customers
Closed <b>2017</b>	 	€7.4b assets 100k customers
Closed <b>2017</b>	 	1.7m cards, >500k customers
Closed <b>2016</b>	 	€2b assets 500k customers
Closed <b>2016</b>	 	€1.6b assets 5k customers
Closed <b>2015</b>	 	€0.7b assets 50k customers

## M&A strategy

- We believe consolidation will occur across the European banking landscape at varying speeds ... primary focus on DACH region and select opportunities in Western Europe
- Proven track record as far as transactional execution and speed of transaction processes
- Disciplined, rigorous & systematic internal due diligence process ... underwriting & pricing discipline, strategic fit & value
- Well-established integration process allowing for swift onboarding and realization of synergies ... integrate into simple, efficient and low-risk retail & corporate customer franchise

**Underwriting thesis... acquire <5% RoTE business @ 3-4x pro-forma P/E, transform into 15%+ RoTE**

# Financial performance

Delivered record profit before tax and outperformed all 2018 targets

	FY '18 vPY	Q4'18 vPQ		FY '18	Target
€ millions					
Core revenues	1,123 (+11%)	287 (+2%)	<b>Profit before tax</b>	<b>€573m</b> (> 10%)	<b>&gt; 5%</b> growth ✓
Operating income	1,171 (+4%)	290 (3%)	<b>Cost-income ratio</b>	<b>44.2%</b>	<b>&lt; 46%</b> ✓
Operating expenses	(518) (2%)	(136) 8%	<b>RoTE (@12% CET1)</b>	<b>17.1%</b>	<b>&gt; 15%</b> ✓
Risk costs	(45) (27%)	(13) (+18%)	<b>CET1 ratio (post dividend)</b>	<b>14.5%</b>	<b>&gt; 12%</b> ✓
<b>Profit before tax</b>	<b>573</b> (+14%)	<b>143</b> (11%)			
<b>Net profit</b> <small>Prior year included tax one-offs</small>	<b>437</b> (3%)	<b>109</b> (13%)			

**€5.75**  
pre-tax EPS

**+15%**  
vPY

**€32.41**  
TBV/share

**+5%**  
vPY

**€37.51**  
BV/share

**+5%**  
vPY

**Outperformed all 2018 targets**



# Capital management

Focus on shareholder value

## Organic capital generation

2017: +2.2%

2018: +2.6%

**Average: ~250bps**

## Future capital generation drivers

- RoTE 15% to 20%
- RWA density reduction
- Target CET1% 12% to 13%

**Strong capital generation of ~250bps per year supporting various capital management options**

## RWA development

2018: 5% decline  
Future: modest organic growth while targeting density of low 40s

## M&A

2018: 3 acquisitions  
Future: strict underwriting

## Dividends

2018: €215m / 50% / €2.18 DPS  
Future: 50% pay-out

## Buy-backs

2019: work in progress  
Future: active capital management

# Updated targets

Financial targets revised upwards

Metrics	Original target	Updated targets							
	2018-2020	2019	2020						
<table border="1"> <tr> <td rowspan="2">Profit before tax</td> <td>CAGR</td> <td rowspan="2"> <b>&gt;5% CAGR</b>  <b>&gt;€600m</b> </td> <td rowspan="2"> <b>&gt;6%</b>  <b>&gt;€600m</b> </td> <td rowspan="2"> <b>&gt;6%</b>  <b>&gt;€640m</b> </td> </tr> <tr> <td>absolute</td> </tr> </table>	Profit before tax	CAGR	<b>&gt;5% CAGR</b> <b>&gt;€600m</b>	<b>&gt;6%</b> <b>&gt;€600m</b>	<b>&gt;6%</b> <b>&gt;€640m</b>	absolute			
Profit before tax		CAGR				<b>&gt;5% CAGR</b> <b>&gt;€600m</b>	<b>&gt;6%</b> <b>&gt;€600m</b>	<b>&gt;6%</b> <b>&gt;€640m</b>	
	absolute								
Cost-income ratio	<b>&lt;40%</b>	<b>&lt;43%</b>	<b>&lt;40%</b>						
Return on Tangible Equity	<b>15% to 20%</b> <b>(@12% CET1)</b>	<b>15% to 20%</b>							
CET1 ratio (FL) <sup>1)</sup>	<b>≥12%</b>	<b>12% to 13%</b>							
Earnings per share (EPS) before capital actions	pre tax	<b>&gt;€6.00</b>	<b>&gt;€6.40</b>						
	post tax	<b>&gt;€4.50</b>	<b>&gt;€4.80</b>						

1) Exceeds regulatory minimum capital requirements for 2019 of 10.3% FL + Pillar 2 guidance (P2G) of 1% CET1 (P2R and P2G remained stable year-over-year)

# 2019-2020 plan

## Key business drivers

### Business drivers

Basis for >6% PBT growth targets

- 1** Grow core retail products into existing 17% market share entitlement of salary current accounts in Austria ... Niche player in Germany & Switzerland
- 2** Proactive move towards technology company infrastructure
- 3** Drive efficiencies through process & branch network optimization
- 4** Maintain fortress balance sheet & disciplined underwriting approach

Upside optionality

- 5** Pursue M&A growth ... focus on retail & SME franchise, strategic fit & valuation
- 6** Bank naturally geared towards rising interest rates ... budgets don't rely on rate environment

### Opportunity set

**Core retail product market growth** ... grow into existing 17% market share of current accounts, deliver on strategic partnerships; product focus on consumer, housing and auto

**Design open architecture & new distribution channels** ... unlock efficiencies & drive new partnerships

**Execute on *Concept 21*** ... deliver on branch network transformation, continue digital platform enhancements

**Stay disciplined & focus on risk-adjusted returns** ... high asset quality, disciplined underwriting and solid capital

**Completed/signed nine acquisitions** ... active evaluation of new opportunities, assumed no new M&A in targets

**A parallel +100bps increase across the curve = +€100m NII over time**



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