

BAWAG GROUP REPORTS STRONG YEAR-TO-DATE PROFIT BEFORE TAX OF € 451 MILLION, +5% VS. PRIOR YEAR

- ▶ Profit before tax (PBT) of € 451 million in Q1-3 2019, +5% vs. Q1-3 2018; pre-tax EPS € 4.56
- ▶ Net profit of € 343 million, +5% vs. Q1-3 2018; EPS of € 3.47
- ▶ Fully loaded CET1 ratio of 15.7%
- ▶ ECB approved share buyback program of € 400 million; Tender process launched
- ▶ On track to meet full year targets

VIENNA, Austria – October 29, 2019 – BAWAG Group today reports a strong profit before tax of € 451 million and net profit of € 343 million, both up 5% versus the prior year, for the first three quarters 2019. The increase was primarily driven by higher operating income. The Bank delivered a return on tangible common equity of 14.2%, a cost-income ratio of 42.7% and a CET1 ratio of 15.7%. On a pro forma basis the return on tangible common equity was 17.7%, with a CET1 ratio of 13.0%.

“BAWAG Group continued to generate strong results in the third quarter, delivering a profit before tax of € 164 million and € 451 million for the first nine months of 2019. Additionally, we received approval from the ECB for our share buyback program in the amount of € 400 million and have launched a tender offer in the full amount that we hope to complete by the end of November. In addition to making progress executing on our strategic capital actions, we continue to execute across a number of operational initiatives from Concept 21 to integrating our recent acquisitions in Germany and Switzerland. We are on track to deliver on all of our targets in 2019 as we continue to adapt to the changing operating environment. While the market environment for European financials continues to be challenging, the fundamentals of the bank remain strong. We will continue to focus on the things that we control, driving operational excellence, and continuing to pursue disciplined and profitable growth”, commented Chief Executive Officer **Anas Abuzaakouk**.

Delivering strong results in the first three quarters 2019

Core revenues increased by 4%, to € 869 million compared to the prior year reflecting core product net asset growth as well as the consolidation of the recent acquisitions. **Net interest income** rose by 5% to € 655 million. **Net fee and commission income** remained flat at € 214 million. **Operating expenses** were up 4% compared to the first three quarters 2018, reflecting the consolidation of the acquired businesses in 2018 and 2019. This was partly compensated for by the integration of Südwestbank and a continued focus on driving operational efficiencies across the Group.

The **cost-income ratio** was down 0.5pts versus the prior year to 42.7%, in line with our 2019 target of under 43%. Our fully loaded CET1 ratio increased to 15.7% (15.1% in Q2 2019), reflecting the highly capital accretive business model.

Customer loans increased by 1% compared to December 2018. The overall customer loan book continued to be comprised of approximately 72% exposure to the DACH region and approximately 28% exposure to Western Europe and the United States.

In the first three quarters 2019, the **NPL ratio** stood at 1.9% with a risk cost ratio of 15 basis points, which reflects our continued focus on proactive risk management, maintaining a conservative risk profile, and focus on developed markets.

Customer business segment performance in the first three quarters 2019

Segment	Retail & SME	Corporates & Public
PBT (in € million)	288	140
Net profit (in € million)	216	105
RoTCE	20.8%	12.1%
Cost-income ratio	43.7%	35.5%
Risk cost ratio	0.39%	(0.08%)
NPL ratio	2.0%	1.6%

The **Retail & SME** segment delivered a profit before tax of € 288 million during the first three quarters 2019. Core revenues increased by 6% versus the first three quarters 2018 reflecting our acquisitions and growth in our core products. Operating expenses increased by 9% due to the consolidation of the acquisitions and the gradual increase related to the new branch network. Our stand-alone strategy in Austria, Concept 21, is progressing well with a full separation from the Austrian Post by end of 2019. At the same time, we enhanced our digital capabilities by launching our point-of-sale finance offering and releasing our new mobile banking app “klar”. Additionally, our retail partnerships launched in 2019 represent important new customer acquisition channels and will drive core product growth in the future.

The **Corporates & Public** segment delivered a profit before tax of € 140 million during the first three quarters 2019. Core revenues decreased by 1% as we continue to focus on risk-adjusted returns. Operating expenses decreased by 14% reflecting ongoing efficiency measures. We see good opportunities across asset backed lending transactions. However, we continue to see pricing pressure across the Corporate lending space. Our focus will continue to be on risk-adjusted returns, disciplined underwriting and being patient without ever chasing volume.

Additional highlights

▶ **ECB approved share buyback program of € 400 million; Tender process launched**

On October 18, 2019, the European Central Bank approved a share buyback of up to € 400 million. The Management Board announced the intention to launch a voluntary partial tender offer of € 400 million on October 18, 2019, which was – following the approval by the Austrian Takeover Commission - launched on October 25, 2019 and ending on November 22, 2019.

▶ **jö bonus Club**

In February 2019, REWE Group in Austria and other leading retail partners established Austria's largest customer club: the jö bonus Club. We are excited to be the launch partner for the jö bonus Club in the financial services sector. The bonus club was launched in May 2019.

▶ **Initiatives for total capital optimization**

BAWAG Group completed its total capital optimization. In March 2019, BAWAG Group issued € 400 million Tier 2 capital. BAWAG P.S.K. successfully returned to the covered bond market by issuing a € 500 million mortgage covered bond with a tenor of 15 years in June 2019, € 500 million senior non preferred notes in August 2019 and a further € 500 million 10 years mortgage covered bond in September 2019 (settlement October 2019).

▶ **Launch of new digital banking app “klar”**

In May 2019, BAWAG P.S.K. launched its new digital banking app “klar”. We have redesigned our digital banking to provide customers with a completely new, digital customer experience. The new app "klar" includes various new and improved banking functions. New features such as the personal finance manager "klar sehen" and the "klarPIN" for bank transfers lead to a simplification of online self-service.

▶ **Closing of all 3 acquisitions signed in 2018**

In March 2019, we closed the acquisition of Zahnärztekasse AG in Switzerland and in May 2019, we announced the successful completion of the acquisition of BFL Leasing GmbH and Health Coevo AG. BFL Leasing GmbH, headquartered in Eschborn near Frankfurt, Germany, is a specialist financing provider offering technology and equipment leasing products and services. Health Coevo AG, headquartered in Hamburg, Germany, is a leading dental factoring market player offering dental financing products and settlement services.

▶ **BAWAG P.S.K. acquires 49% of Finventum GmbH – the creator of Savity**

In June 2019, BAWAG P.S.K. acquired a 49% stake in the fintech Finventum GmbH, the creator of Savity Vermögensverwaltung GmbH (Savity). easybank has started a partnership with Savity to offer access to Savity's services to easybank customers. The Savity service provides easybank customers access to professional wealth management at initial investment levels of € 10,000.

▶ **Awards:**

- “Austria's Best Bank 2019” by *Global Finance*
- “Best Retail Bank Austria 2019” by *World Finance*
- “Best Banking Group Governance - DACH 2019” by *Capital Finance International*

Outlook and targets

BAWAG Group delivered strong results in the first three quarters 2019 and we are on track to meet all of our full year targets.

Our **targets** for 2019-2020 are as follows:

Targets	2019	2020
Profit before tax growth	>6%	>6%
Profit before tax (absolute)	>€ 600m	>€ 640m
Cost-income ratio	<43%	<40%
Return on tangible common equity	15% to 20%	15% to 20%
Common Equity Tier 1 capital ratio (fully loaded)	12% to 13%	12% to 13%
Pre-tax earnings per share (in €) ¹⁾	>6.00	>6.40
Post-tax earnings per share (in €) ¹⁾	>4.50	>4.80

1) Before deduction of AT1 dividend; before capital measures.

In terms of capital generation and return, we target an annual dividend payout of 50% of net profit attributable to shareholders and will deploy additional excess capital to invest in organic growth and pursue earnings-accretive M&A at returns consistent with our Group RoTCE targets.

To the extent excess capital is not deployed via such organic growth and M&A, we are committed to distributing excess capital to shareholders, based on an annual assessment. On October 18, 2019, the ECB approved a share buyback of up to € 400 million, which is expected to be executed by the end of November. Additionally, we paid a dividend of € 215 million (50% of 2018 attributable net profit) for 2018 on May 10, 2019. In total, the capital distribution in 2019 amounted to a payout ratio of approximately 140% (against 2018 attributable net profit).

About BAWAG Group

BAWAG Group AG is the listed holding company of BAWAG P.S.K., which is headquartered in Vienna, Austria, with the main subsidiaries easybank, easyleasing and start:bausparkasse in Austria, Südwestbank, BFL Leasing GmbH, Health Coevo AG and start:bausparkasse in Germany as well as Zahnärztekasse AG in Switzerland. With 2.5 million customers, BAWAG P.S.K. is one of Austria's largest banks operating under a well-recognized national brand and applies a low-risk, efficient, simple and transparent business model focused on Austria, Germany and developed markets. The Bank serves retail, small business and corporate customers offering comprehensive savings, payment, lending, leasing, investment, building society, factoring and insurance products and services through various online and offline channels. Delivering simple, transparent and best-in-class products and services that meet our customers' needs is the consistent strategy across all business units.

BAWAG Group's Investor Relations website <https://www.bawaggroup.com/ir> contains further information, including financial and other information for investors.

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This text can also be downloaded from our website: <https://www.bawaggroup.com>

Profit or loss statement

in € million	Q3 2019	Q3 2018	Change (%)	Jan-Sep 2019	Jan-Sep 2018	Change (%)
Interest income	297.8	286.3	4.0	873.0	863.3	1.1
Interest expense	(77.8)	(75.7)	2.8	(220.4)	(247.4)	(10.9)
Dividend income	0.0	2.3	>(100)	2.4	8.3	(71.1)
Net interest income	220.0	213.0	3.3	655.0	624.2	4.9
Fee and commission income	95.1	90.5	5.1	281.7	279.5	0.8
Fee and commission expenses	(24.3)	(23.9)	1.7	(68.2)	(66.9)	1.9
Net fee and commission income	70.8	66.6	6.3	213.5	212.6	0.4
Core revenues	290.8	279.6	4.0	868.5	836.8	3.8
Gains and losses on financial instruments and other operating income and expenses ¹⁾	24.1	18.9	27.5	57.7	44.0	31.1
Operating income	314.9	298.5	5.5	926.2	880.8	5.2
Operating expenses¹⁾	(133.4)	(126.5)	5.5	(395.8)	(381.1)	3.9
Regulatory charges	(2.1)	(2.2)	(4.5)	(39.2)	(41.6)	(5.8)
Operating profit	179.4	169.9	5.6	491.2	458.1	7.2
Total risk costs	(17.1)	(11.2)	52.7	(44.3)	(31.9)	38.9
Share of the profit or loss of associates accounted for using the equity method	1.2	1.8	(33.3)	3.6	3.9	(7.7)
Profit before tax	163.5	160.4	1.9	450.5	430.1	4.7
Income taxes	(39.1)	(35.5)	10.1	(107.6)	(101.9)	5.6
Profit after tax	124.4	124.8	(0.3)	342.9	328.2	4.5
Non-controlling interests	0.0	(0.1)	>100	0.0	(0.1)	>100
Net profit	124.4	124.7	(0.2)	342.9	328.1	4.5

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 36.1 million for the first nine months 2019. The item Operating expenses includes regulatory charges in the amount of € 3.1 million for the first nine months 2019 as well. However, BAWAG Group's management considers regulatory charges as a separate expense. Accordingly, they are shown in a separate expense line.

Total assets

in € million	Sep 2019	Dec 2018	Change (%)	Sep 2018	Change (%)
Cash reserves	750	1,069	(29.8)	751	(0.1)
Financial assets					
Held for trading	451	351	28.5	360	25.3
Fair value through profit or loss	867	504	72.0	508	70.7
Fair value through OCI	3,362	3,039	10.6	3,137	7.2
At amortized cost	38,672	38,334	0.9	38,767	(0.2)
Customers	30,737	30,482	0.8	30,305	1.4
Debt instruments	2,264	3,512	(35.5)	3,542	(36.1)
Credit institutions	5,671	4,340	30.7	4,920	15.3
Valuation adjustment on interest rate risk hedged portfolios	7	1	>100	–	–
Hedging derivatives	473	401	18.0	379	24.8
Tangible non-current assets	644	234	>100	228	>100
Intangible non-current assets	556	505	10.1	497	11.9
Tax assets for current taxes	11	15	(26.7)	14	(21.4)
Tax assets for deferred taxes	9	75	(88.0)	89	(89.9)
Other assets	168	170	(1.2)	134	25.4
Total assets	45,970	44,698	2.8	44,864	2.5

Total liabilities and equity

in € million	Sep 2019	Dec 2018	Change (%)	Sep 2018	Change (%)
Total liabilities	41,869	40,693	2.9	40,917	2.3
Financial liabilities					
Fair value through profit or loss	483	576	(16.1)	588	(17.9)
Held for trading	424	301	40.9	282	50.4
At amortized cost	38,322	38,325	(0.0)	38,796	(1.2)
Customers	30,245	30,195	0.2	30,853	(2.0)
Issued securities	4,680	3,849	21.6	3,956	18.3
Credit institutions	3,397	4,281	(20.6)	3,987	(14.8)
Financial liabilities associated with transferred assets	602	150	>100	–	–
Valuation adjustment on interest rate risk hedged portfolios	484	156	>100	75	>100
Hedging derivatives	207	104	99.0	103	>100
Provisions	471	465	1.3	480	(1.9)
Tax liabilities for current taxes	24	8	>100	0	>100
Tax liabilities for deferred taxes	25	11	>100	12	>100
Other obligations	827	597	38.5	581	42.3
Total equity	4,101	4,005	2.4	3,947	3.9
Common equity	3,803	3,706	2.6	3,648	4.2
AT1 capital	297	298	(0.3)	298	(0.3)
Non-controlling interests	1	1	0.0	1	0.0
Total liabilities and equity	45,970	44,698	2.8	44,864	2.5

Business segment performance

Jan-Sep 2019 in € million	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	462.5	187.7	34.5	(29.7)	655.0
Net fee and commission income	182.4	32.5	0.4	(1.8)	213.5
Core revenues	644.8	220.2	34.9	(31.4)	868.5
Gains and losses on financial instruments	0.8	(1.1)	92.4	(21.1)	71.0
Other operating income and expenses	1.0	0.0	0.0	(14.3)	(13.3)
Operating income	646.6	219.1	127.3	(66.8)	926.2
Operating expenses	(282.7)	(77.8)	(24.7)	(10.6)	(395.8)
Regulatory charges	(25.4)	(9.1)	(4.7)	0.0	(39.2)
Total risk costs	(50.4)	8.2	1.0	(3.1)	(44.3)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	3.6	3.6
Profit before tax	288.2	140.4	98.9	(77.0)	450.5
Income taxes	(72.0)	(35.1)	(24.7)	24.2	(107.6)
Profit after tax	216.1	105.3	74.2	(52.7)	342.9
Non-controlling interests	–	–	–	0.0	0.0
Net profit	216.1	105.3	74.2	(52.7)	342.9
Business volumes					
Assets	17,653	14,380	10,458	3,479	45,970
Liabilities	26,796	8,577	4,336	6,261	45,970
Risk-weighted assets	8,235	8,411	1,802	2,164	20,612

Jan-Sep 2018 in € million	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	428.7	186.6	35.5	(26.6)	624.2
Net fee and commission income	178.0	36.2	0.4	(2.0)	212.6
Core revenues	606.7	222.8	35.9	(28.6)	836.8
Gains and losses on financial instruments	8.5	3.5	27.1	(19.9)	19.2
Other operating income and expenses	1.4	0.0	0.0	23.4	24.8
Operating income	616.6	226.3	63.0	(25.1)	880.8
Operating expenses	(260.2)	(90.6)	(22.0)	(8.3)	(381.1)
Regulatory charges	(29.2)	(7.9)	(4.5)	0.0	(41.6)
Total risk costs	(43.2)	10.7	0.3	0.3	(31.9)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	3.9	3.9
Profit before tax	283.9	138.5	36.8	(29.1)	430.1
Income taxes	(71.1)	(34.6)	(8.9)	12.7	(101.9)
Profit after tax	212.9	103.9	27.6	(16.2)	328.2
Non-controlling interests	–	–	–	(0.1)	(0.1)
Net profit	212.9	103.9	27.6	(16.3)	328.1
Business volumes					
Assets	17,011	14,081	11,217	2,555	44,864
Liabilities	26,537	10,653	2,231	5,443	44,864
Risk-weighted assets	8,045	8,905	1,825	1,530	20,305