



Q1 2016 Earnings

May 10, 2016

Highlights – first quarter 2016

Financial & business highlights

- **Net profit of €182m, up 51% vPY ... RoE of 25.2%**
- **Increasing net interest income ... up 1.3%**
- Continued focus on efficiency ... **cost-income ratio down 2.7pts to 41.7% vPY**
- Solid overall risk profile ... **risk costs down to €8.7m, risk cost ratio at 0.13%**
- **CET1 ratio of 14.0%** (FF)... up 90bps vYE
- **Taking market share** ... consumer lending share up 50bps to 10.7% vYE
- Successfully issued **€500m covered bond**
- **Second rating upgrade by Moody's** within 10 months ... rating now stands at **A3 with positive outlook** ... BAWAG P.S.K. best-rated bank in Austria¹⁾

Performance vs. targets

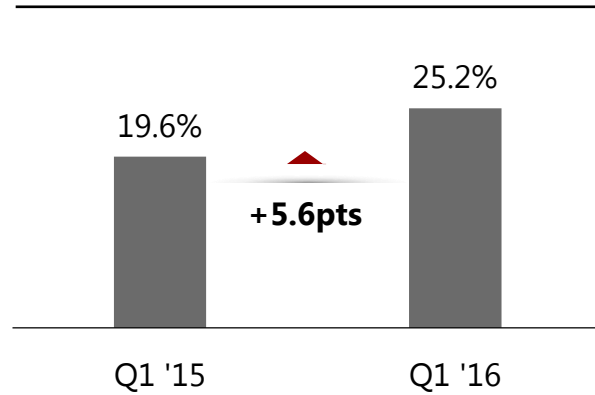
| FY Targets | Q1 Performance |
|--------------------------------|-----------------------|
| Net profit >€450m | €182m |
| Return on equity >14% | 25.2% |
| Return on tangible equity >15% | 28.5% |
| Cost-income ratio <45% | 41.7% |
| CET1 ratio (FF) >12% | 14.0% |
| Leverage ratio (FF) >5% | 6.1% |

Delivering results ... well on track to outperform 2016 targets

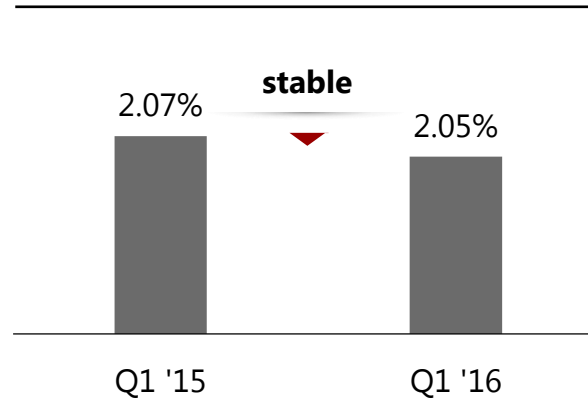
Performance scorecard

Strong results across all key indicators

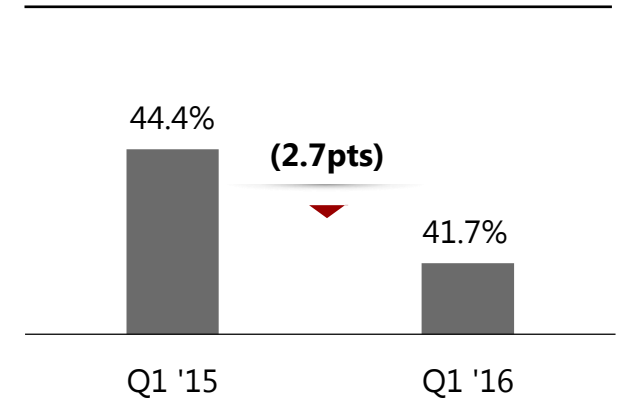
RoE



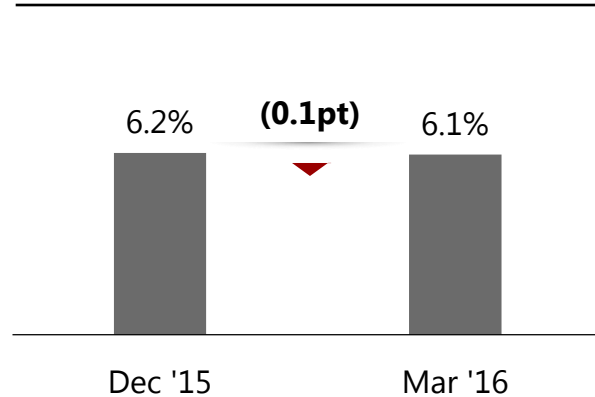
NIM



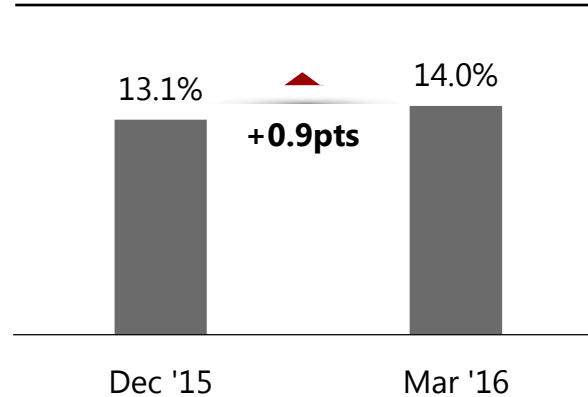
Cost-income



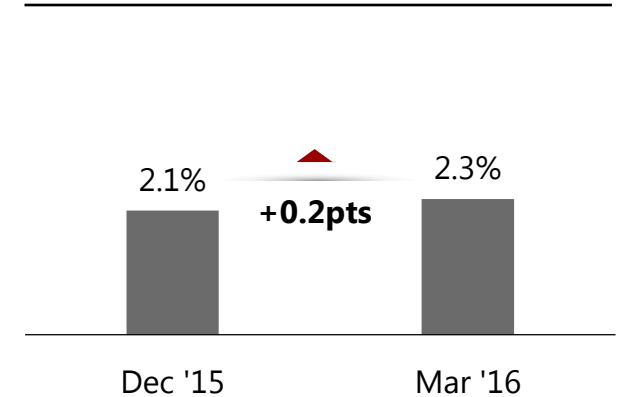
Leverage (FF)



CET1 (FF)



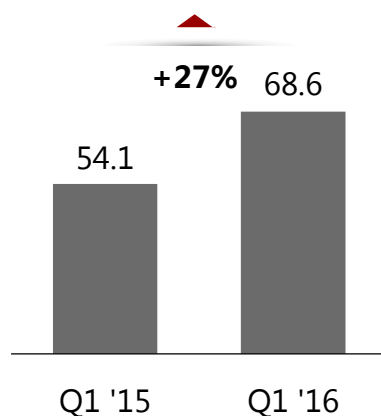
NPL



Retail Banking and Small Business

Profit before tax

€ millions



Key metrics

| € millions | Q1'15 | Q1'16 | Change |
|------------------------------------|-------------|-------------|------------|
| Core revenues | 137.3 | 147.7 | 8% |
| Operating expenses | (81.8) | (75.6) | (8%) |
| Profit before tax | 54.1 | 68.6 | 27% |
| Cost-income ratio | 55.9% | 49.5% | (6.4pts) |
| Risk costs | (10.5) | (8.4) | (20%) |
| Risk costs / loans and receivables | 0.44% | 0.26% | (0.18pts) |
| NPL ratio | 3.2% | 2.2% | (1.0pts) |

Highlights Q1 2016

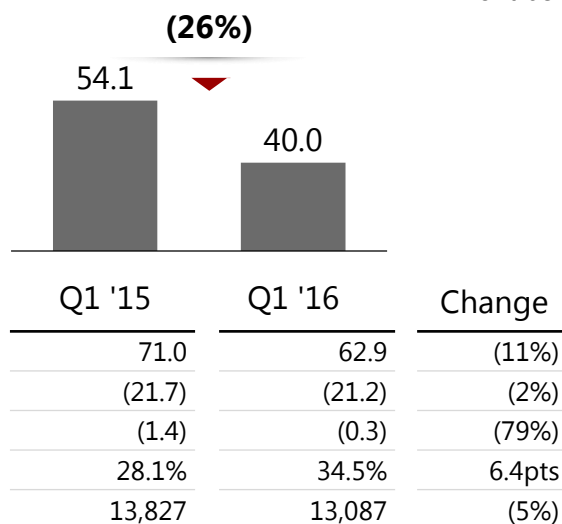
- Profit before tax up 27% vPY ... retail segment delivered 56% of Group PBT
- Retail new business €370m (40% consumer lending, 30% housing loans, 30% leasing & other)
- Consumer lending market share up 50bps to 10.7% vYE
- Shift to digital continued ... 16% of consumer loan sales already initiated through digital channels & 29% of securities transactions executed online
- Share of online payment transactions further increased by 2pts to 63% vYE
- Solid fund sales of €240m in Q1 despite challenging market
- Successful launch of the new generation of our current account boxes and the loyalty scheme "DANKESCHÖN"
- Continued development of and investments in our proprietary front-end and online tool "GATE"
- *easybank's* client base grew by 2% to 566,000 accounts vYE

Corporate Lending | Treasury Services

Corporate Lending and Investments

€ millions

Profit before tax

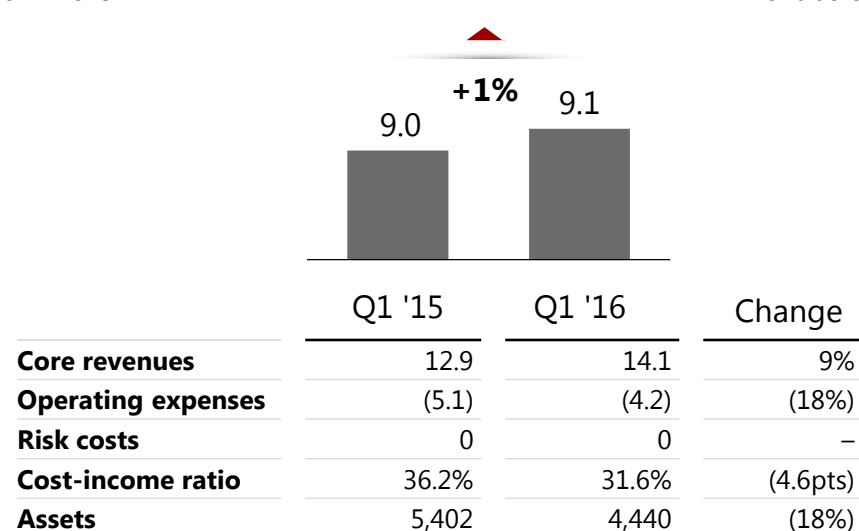


- International business originations €730m in Q1 '16 ... however early redemptions and maturities of €770m
- Strong credit profile across international assets ... focus on Western European countries and the United States ... average LTV of real estate assets <60% and leverage of corporate assets <4.0x
- Muted loan demand in Austria with €50m of new business volume ... focusing on risk-adjusted returns and repricing

Treasury Services and Markets

€ millions

Profit before tax



- Continued focus on high credit quality, shorter duration and strong liquidity positions ... solid diversification
- 98% investment grade portfolio (100% investment grade issuer ratings)
- No exposure to HETA ... no direct exposure to China, Russia, Hungary or South Eastern Europe

Financial performance

Strong Q1 2016 results across the Bank



| Income statement € millions | Q1'16 | Q1'15 | Chg. (%) |
|--------------------------------------|----------------|----------------|-------------------|
| Net interest income | 181.7 | 179.4 | 1 |
| Net commission income | 50.9 | 50.5 | 1 |
| Core revenues | 232.6 | 229.9 | 1 |
| Other revenues | 17.7 | 34.8 | (49) |
| Operating income | 250.3 | 264.7 | (5) |
| Operating expenses | (104.4) | (117.6) | (11) |
| Regulatory charges | (16.0) | (9.1) | 76 |
| Risk costs | (8.7) | (11.8) | (26) |
| Profit before tax | 121.6 | 127.5 | (5) |
| Income taxes | 60.8 | (6.8) | – |
| Net profit | 182.3 | 120.7 | 51 |
| Key ratios | Q1'16 | Q1'15 | Chg. (pts) |
| Return on equity | 25.2% | 19.6% | 5.6 |
| Return on tangible equity | 28.5% | 20.5% | 8.0 |
| Net interest margin | 2.05% | 2.07% | (0.02) |
| Cost-income ratio | 41.7% | 44.4% | (2.7) |
| Balance sheet € millions | Mar'16 | Dec'15 | Chg. (%) |
| Customer loans and receivables | 24,568 | 24,713 | (1) |
| Customer deposits | 21,075 | 21,695 | (3) |
| IFRS equity | 3,133 | 2,759 | 14 |
| Risk-weighted assets | 16,168 | 16,259 | (1) |

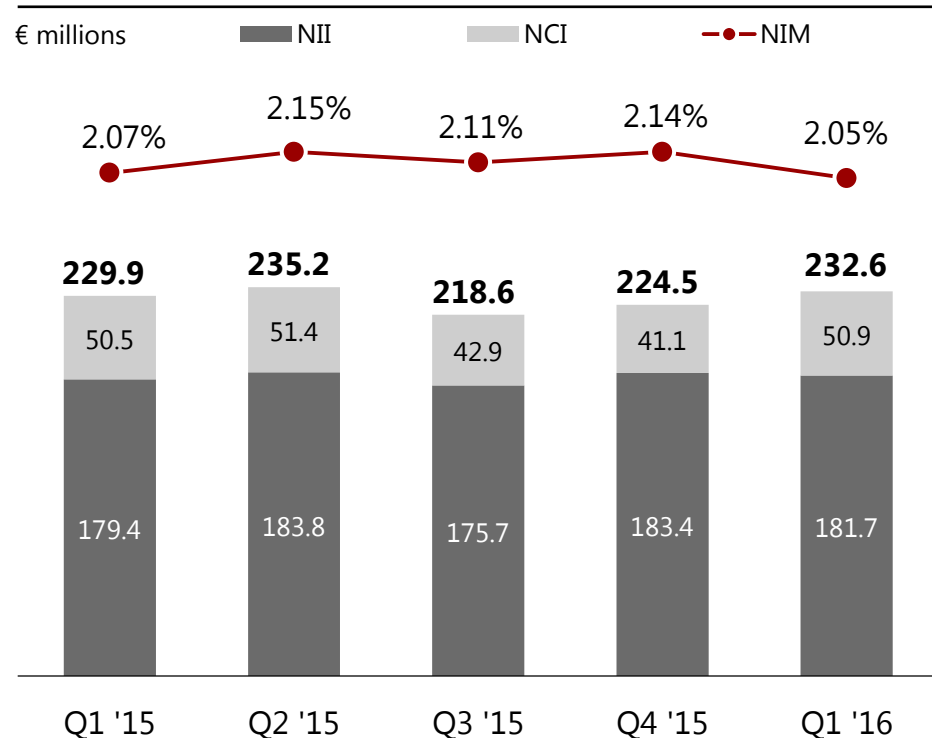
Highlights Q1 2016

- Net profit up 51% vPY ... emphasis on high quality of earnings
- Core revenues up 1% vPY to €233m, with NII up 1% vPY to €182m
- Total operating expenses down 11% vPY ... continued focus on efficiency driving operational excellence
- Risk costs down 26% ... reflects low-risk balance sheet and repositioning of customer business
- Regulatory charges continued to increase ... bank levy, deposit guarantee scheme, single resolution fund
- Net tax benefit of €61m ... driven by €90m DTA booked in Q1
- Customer loans stable ... new originations of €1.1b in Retail and International Business
- Overall stable customer funding ... LCR at 141%
- Continued favorable trend across key financial metrics ... RoE +6pts, RoTE +8pt, cost-income ratio -3pts vPY

Core revenues

Core revenue growth driven by customer loans and lower funding costs

Core revenues



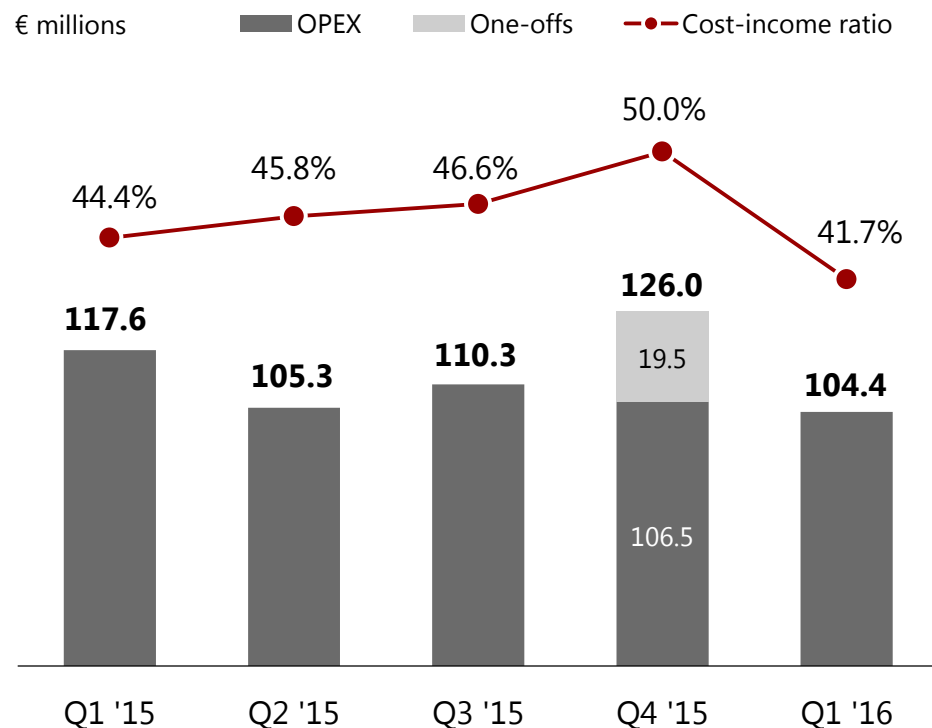
Summary

- **Net interest income (NII) growth 1% vPY driven by core product growth, pricing initiatives and lower funding costs**
 - Focus on consumer and international lending while re-pricing or exiting non-core assets
 - Reduced funding costs ... blended retail deposit rate down to 0.29% vs. 0.42% year-on-year
 - Continued focus on balance sheet efficiency
- **Net commission income stable vPY**
 - Payments fee income stable despite significant pricing pressure
 - Solid fund sales in Q1 ... €240m new business
 - Successful launch of the new generation of our current account boxes ... 6,200 new boxes sold since February ... focus on optimizing current accounts

Operating expenses

Restructuring investments paying off

Operating expenses



Active FTEs

| | | | | |
|-------|-------|-------|-------|-------|
| 2,696 | 2,619 | 2,565 | 2,622 | 2,441 |
|-------|-------|-------|-------|-------|

Summary

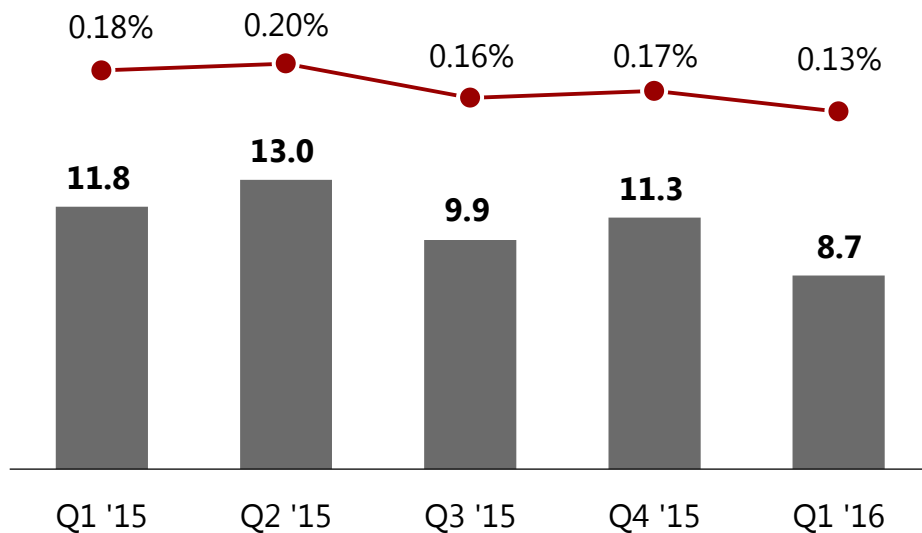
- **Significant progress in fixing structural cost imbalances** ... benefits materializing from prior years' restructuring program
- **Operating expenses down 11% vPY** driven by sustainable long-term measures
- **Cost-income ratio of 41.7% ... down 2.7pts vPY**
- **Continued focus on operating efficiency given overall market dynamics** ... low growth, low interest rates and shifting customer behavior away from physical to digital networks
- **Increased investments** in new technology and continued development of our proprietary front-end and online tool "GATE"

Risk costs

Proactive risk management to maintain conservative risk profile

Risk costs

€ millions ■ Risk costs ● Risk costs / Loans and receivables



NPL ratio

2.8% 2.3% 2.2% 2.1% 2.3%

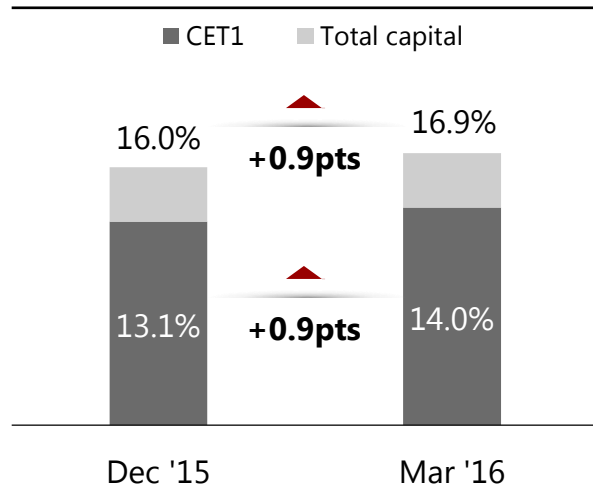
Summary

- **Risk costs lower due to de-risking activities, improved credit quality and repositioning of customer business and legacy exposures**
- Historic balance sheet clean-up efforts behind us ... **no impairments in Q1 '16**
- **NPL ratio at 2.3%** ... coverage ratio at 58.2%
- **Continued focus on proactive risk management**
- **Proactively reducing CEE loan exposure** ... represents less than 0.5% of total assets
- Overall **stable macro environment** in key markets

Capital

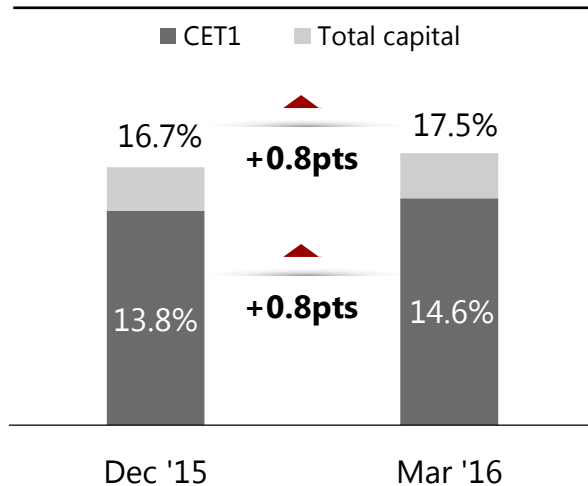
Safe & secure, more capital efficient, lower risk and lower leverage

Capital ratios (FF)



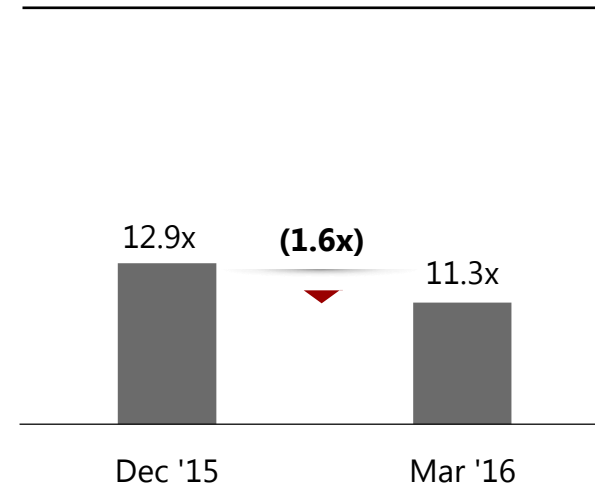
- Bank managed on a fully-loaded basis ... very strong capital base
- Capital ratios significantly above target levels and regulatory requirements
- Risk-weighted assets at €16.2b, down 1% vYE ... 46% RWA density

Capital ratios (transitional)



- SREP requirement 2016¹⁾: 8.75% + 0.25% systemic risk buffer
- SREP ratio as of 1 Jan 2019 (based on 2016 data): 8.75% + 1.0% = 9.75%
- Transitional CET1 ratio 480bps above SREP requirement as of March 2016

B/S Leverage



- Running a low leverage business model ... 8.9% equity / total assets
- Continued deleveraging of non-core assets/liabilities coupled with organic equity accretion
- Regulatory leverage ratio (FF) of 6.1%

1) Based on Promontoria Sacher Holding N.V., the regulated parent company

2016 Targets

2016 Targets

| | |
|---------------------------|---------|
| Net profit | > €450m |
| Return on equity | > 14% |
| Return on tangible equity | > 15% |
| Cost-income ratio | < 45% |
| CET1 ratio (FF) | > 12% |
| Leverage ratio (FF) | > 5% |

Q1 Performance

| | |
|---|-------|
| ✓ | €182m |
| ✓ | 25.2% |
| ✓ | 28.5% |
| ✓ | 41.7% |
| ✓ | 14.0% |
| ✓ | 6.1% |



Delivering results ... well on track to outperform 2016 targets



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Annex – Definitions

B/S leverage

Total assets / IFRS equity

Common Equity Tier 1 capital (CET1)

Based on IFRS CRR regulatory figures (BAWAG Holding Group) including interim profit and year-to-date loan-loss provision movements, excluding any transitional capital (fully loaded)

Common Equity Tier 1 ratio

Common Equity Tier 1 capital (CET1) / risk-weighted assets

Cost-income ratio

Operating expenses (OPEX) / operating income

IFRS equity

Equity attributable to the owners of the parent; excluding minorities

Net interest margin (NIM)

Net interest income (NII) / average total assets

NPL ratio

Non-performing loans (NPLs) / loans and receivables (incl. provisions); loans are not included in NPLs if no economic loss is expected¹⁾

Regulatory leverage ratio

Common Equity Tier 1 capital (CET1) / total exposure (calculation according to CRR, based on BAWAG Holding Group)

Return on equity (RoE)

Net profit / average IFRS equity (after deduction of foreseeable dividend)

Return on tangible equity (RoTE)

Net profit / average IFRS tangible equity (after deduction of foreseeable dividend)

Risk costs / loans and receivables

Provisions and loan-loss provisions, impairment losses and operational risk (total risk costs) / average loans and receivables (incl. provisions)

Risk-weighted assets (RWA)

Based on IFRS CRR regulatory figures (BAWAG Holding Group, fully loaded)

RWA density

RWA / total assets

Total capital

Based on IFRS CRR regulatory figures (BAWAG Holding Group) including interim profit and year-to-date loan-loss provision movements, excluding any transitional capital (fully loaded)

Total capital ratio

Total capital / risk-weighted assets

Note: All 2015 figures are reported on BAWAG P.S.K. Group level, all 2016 figures on BAWAG Holding Group level

1) For prior reporting dates please refer to the definitions in the respective annual and quarterly reports