



H1 2016 Earnings

August 10, 2016

Highlights – first half 2016

H1 highlights

- **Net profit of €284m, up 25% vPY ... RoTE of 21.8%**
- **Increasing net interest income ... up 2%**
- Continued focus on efficiency ... **cost-income ratio down 2.3pts to 42.6% vPY**
- **CET1 ratio (FF) of 15.1% ... up 2.2pts vYE**
- **Consumer lending market share up 80bps to 11.0% vYE ... 20% initiated through digital channels**
- **Mobile banking usage up 22% over the past year**
- **M&A activity ... signed contract to acquire Austrian-based start:bausparkasse and IMMO-Bank**
- **Moody's upgrade to A3 with positive outlook**
- **Favorable stress test results ... CET1 ratio in adverse scenario at 9.7% (330bps adjustment)**
- **BAWAG P.S.K. awarded "Austria's Best Bank 2016" by Euromoney in July**

Performance vs. targets

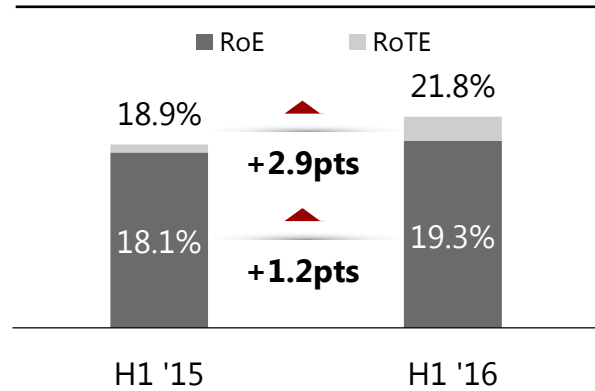
FY Targets	H1 Performance
Net profit >€450m	€284m
Return on equity >14%	19.3%
Return on tangible equity >15%	21.8%
Cost-income ratio <45%	42.6%
CET1 ratio (FF) >12%	15.1%
Leverage ratio (FF) >5%	6.6%

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

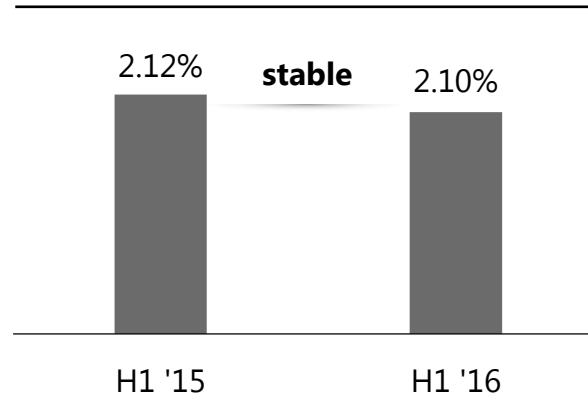
Performance scorecard

Strong results across all key indicators

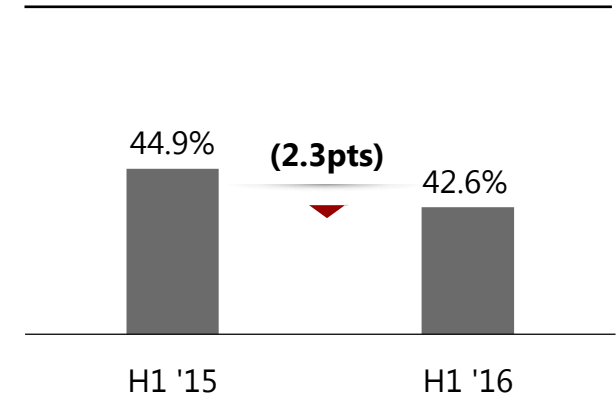
RoE & RoTE



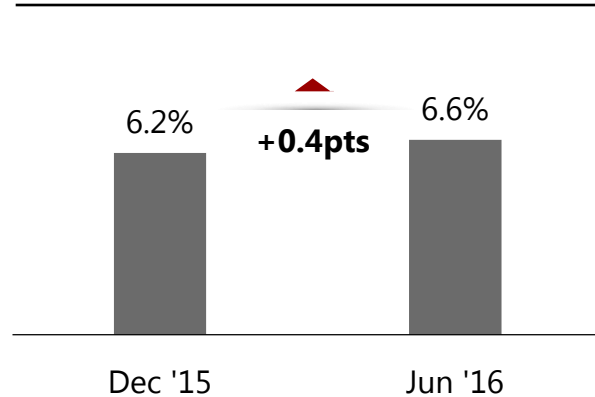
NIM



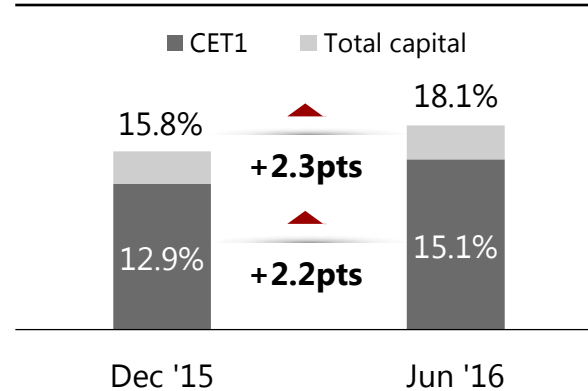
Cost-income



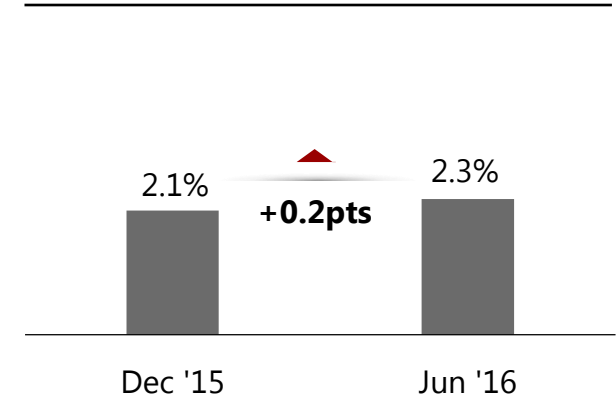
Leverage (FF)



CET1 & Total capital (FF)

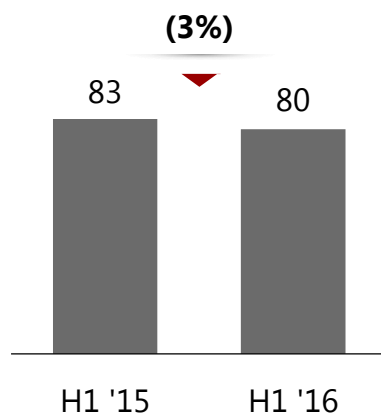


NPL



Profit before tax

€ millions



Key metrics

€ millions	H1 '15	H1 '16	Change
Core revenues	245.2	244.0	(0.5%)
Operating expenses	(150.5)	(136.0)	(10%)
Profit before tax	82.9	80.1	(3%)
Cost-income ratio	59.7%	55.3%	(4.4pts)
Return on equity	20.9%	18.8%	(2.1pts)
Assets	9,361	9,256	(1%)
Customer deposits	15,312	15,597	2%
NPL ratio	2.6%	2.2%	(0.4pts)

Overview & strategy

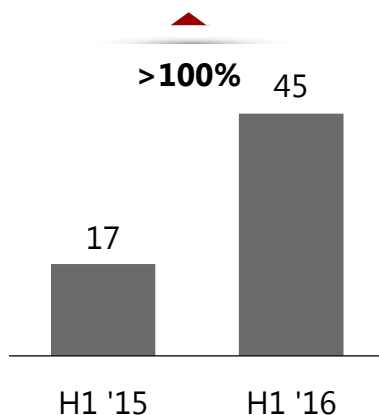
- 1.3 million private and small business customers serviced through branch network and online & mobile sales channels
- Focus on offering simple, fair and transparent products
- Main value drivers:
 - Growing consumer loan franchise
 - Optimizing product mix (focus on value add products)
 - Driving transactional productivity
 - Transformation to digital → focus on mobile banking

Highlights H1 2016

- New business €560m (50% consumer & 44% housing loans)
- Market share in consumer loans (excl. easygroup) up 70bps to 10.6% ... net asset growth of 7.8% vYE
- 20% of consumer loan sales initiated through digital channels ... increase in volume of 45% vPY
- Share of online payment transactions 56% and rising ... mobile banking usage up 22% over the past year
- Full-year deposit insurance of €12.4m booked in H1 ... on a pro-rata basis PBT up 8.4% to €86.3m with RoE of 20.3%

Profit before tax

€ millions



Key metrics

€ millions	H1 '15	H1 '16	Change
Core revenues	27.4	58.9	>100%
Operating expenses	(11.5)	(15.7)	37%
Profit before tax	16.8	44.6	>100%
Cost-income ratio	41.7%	24.2%	(17.5pts)
Return on equity	n/a	27.7%	n/a
Assets	396	3,247	>100%
Customer deposits	3,078	3,673	19%
NPL ratio	0.8%	2.5%	1.7pts

Overview & strategy

- Austria's #1 direct bank *easybank*, #3 auto lessor & international residential mortgage portfolio ... approx. 400,000 customers
- Lean and efficient operating model ... strong partnerships
- Strategic key pillars:
 - Growing the customer base and market share in Austria
 - Driving efficiency across the organization
 - Building and maintaining customer loyalty
 - Expanding internationally into Western markets

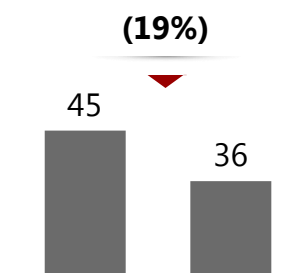
Highlights H1 2016

- Customer base up 25% to approx. 400,000 customers with more than 670,000 accounts
- Strong originations in consumer auto leasing ... up 15% vPY to €187m supported by organic growth and the acquisition of Volksbank Leasing
- Entered strategic partnership with *Autogott*, Austria's leading online car sales channel in July 2016
- Customer deposits of €3.7b ... up 19% vPY

Further business segments

DACH Corporates & Public Sector

€ millions Profit before tax

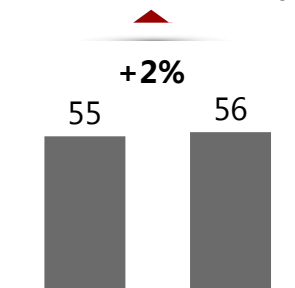


	H1 '15	H1 '16	Change
Core rev.	71.5	60.4	(16%)
OPEX	(28.0)	(25.7)	(8%)
C/I ratio	36.8%	42.6%	5.8pts
RoE	16.5%	13.5%	(3.0pts)
Assets	8,578	7,437	(13%)
NPL ratio	1.0%	1.0%	0.0pts

- Corporate and public lending activities and other fee-driven financial services
- Mainly Austrian customers, but also select client relationships in Germany and Switzerland
- Muted loan demand ... focusing on risk-adjusted returns and repricing
- €170m new originations in H1 '16

International Business

€ millions Profit before tax

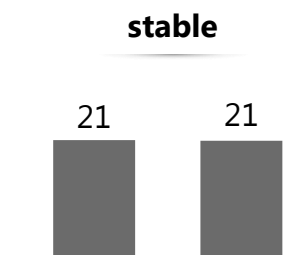


	H1 '15	H1 '16	Change
Core rev.	72.8	67.8	(7%)
OPEX	(13.2)	(13.3)	1%
C/I ratio	19.4%	20.1%	0.7pts
RoE	19.9%	19.5%	(0.4pts)
Assets	5,151	5,040	(2%)
NPL ratio	0.0%	0.0%	0.0pts

- International corporate, real estate and portfolio lending outside the DACH region
- Focus on Western Europe and the USA
- €1b new originations in H1 '16 ... driven by portfolio and real estate financing
- Strong credit profile across international assets ... avg. LTV of real estate assets <60% and leverage of corporate assets <4.0x

Treasury Services & Markets

€ millions Profit before tax



	H1 '15	H1 '16	Change
Core rev.	28.1	28.2	0%
OPEX	(9.5)	(8.0)	(16%)
C/I ratio	30.9%	27.7%	(3.2pts)
RoE	11.9%	11.9%	0.0pts
Assets	7,402	6,302	(15%)
NPL ratio	n/a	n/a	-

- Management of the Bank's portfolio of financial securities and the liquidity reserve ... focus on high credit quality, shorter duration, strong liquidity positions and solid diversification
- 98% investment grade portfolio (100% investment grade issuer ratings) ... no exposure to HETA, Hungary, Russia, China and South Eastern European countries

Financial performance

Strong Q2 and H1 2016 results across the Bank



Income statement € millions	Q2 '16	Chg. (%)	H1 '16	Chg. (%)
Net interest income	188.6	3	370.4	2
Net commission income	52.1	1	103.0	1
Core revenues	240.7	2	473.4	2
Other revenues	14.0	–	31.7	6
Operating income	254.7	11	505.1	2
Operating expenses	(111.2)	6	(215.2)	(3)
Regulatory charges	(17.5)	>100	(34.0)	>100
Risk costs	(7.2)	(45)	(15.9)	(36)
Profit before tax	122.7	16	244.4	5
Income taxes	(21.4)	>100	39.3	–
Net profit	101.2	(4)	283.5	25
Key ratios	Q2 '16	Chg. (pts)	H1 '16	Chg. (pts)
Return on equity ¹⁾	14.1%	(2.4)	19.3%	1.2
Return on tangible equity ¹⁾	16.0%	(1.2)	21.8%	2.9
CET1 ratio (FF) ²⁾	15.1%	2.2	15.1%	2.2
Net interest margin	2.15%	–	2.10%	0.02
Cost-income ratio	43.7%	(1.9)	42.6%	(2.3)
Balance sheet € millions	Jun '16	Chg. (%)²⁾	Jun '16	Chg. (%)³⁾
Customer loans and receivables	23,728	(4)	23,728	8
Customer deposits	22,131	2	22,131	6
IFRS equity	3,224	17	3,224	24
Risk-weighted assets	15,663	(5)	15,663	(1)

Highlights H1 2016

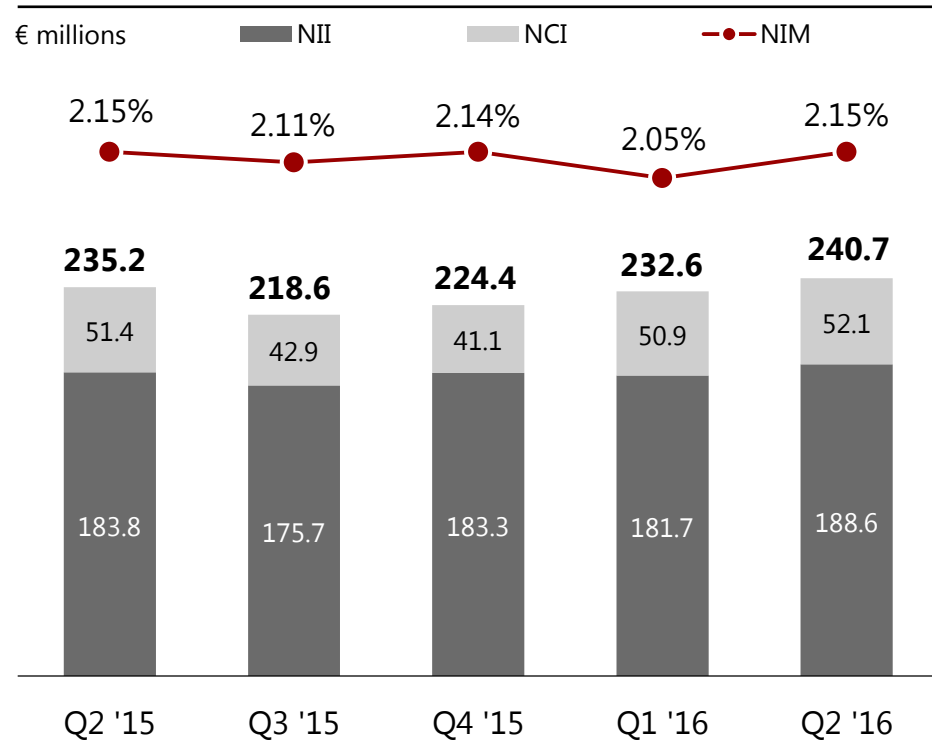
- Net profit up 25% vPY ... emphasis on high quality of earnings
- Core revenues up 2% vPY to €473m, with NII up 2% vPY to €370m
- Operating expenses down 3% vPY ... booked €12m restructuring ... cost-income ratio down 2.3pts to 42.6%
- Risk costs down 36% ... reflects low-risk balance sheet and repositioning of customer business
- Regulatory charges more than doubled compared to prior year periods
- Net tax benefit of €39m in H1
- New originations of €2b
- Customer funding up 2% ... LCR at 141%
- Continued favorable trend across key financial metrics ... RoE +1pt, RoTE +3pts, cost-income ratio down 3pts vPY

1) Excludes a €325m dividend from calculation 2) Change vs. Dec. '15 3) Change vs. Jun. '15

Core revenues

Core revenue growth driven by customer loans and lower funding costs

Core revenues



Customer loans | € billions and in % of total assets

21.9	22.0	24.7	24.6	23.7
65%	67%	70%	70%	68%

Summary

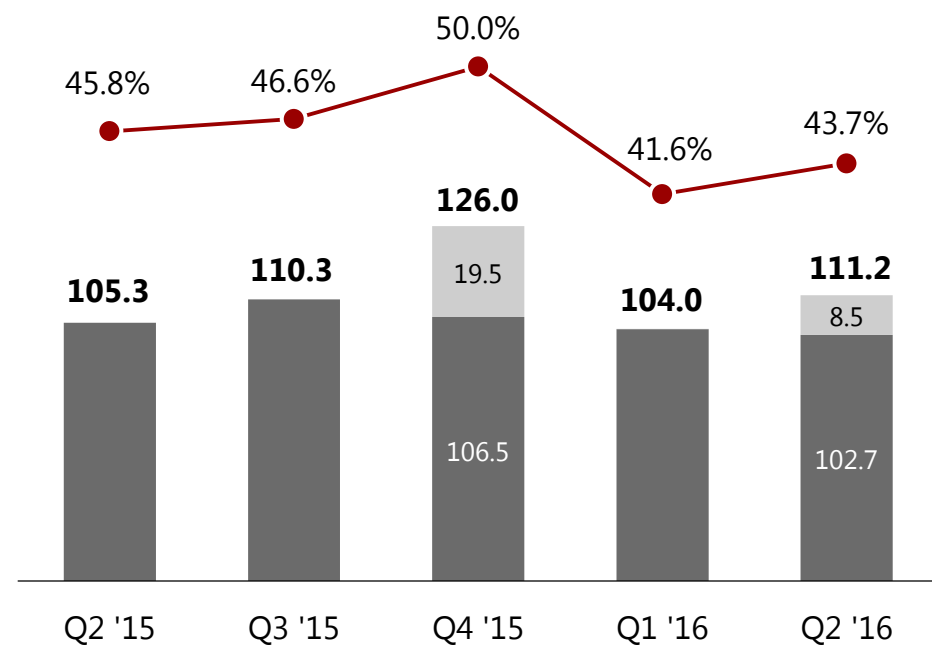
- **Net interest income (NII) up 2% vPY driven by core product growth, pricing initiatives and lower funding costs**
 - Focus on consumer and international lending while re-pricing or exiting non-core assets
 - Reduced funding costs ... blended overall retail deposit rate down to 0.27% vs. 0.39% year-on-year
 - Continued focus on balance sheet efficiency → customer loans at 65-70% of total assets
- **Net commission income (NCI) stable vPY**
 - Payments fee income stable despite significant pricing pressure
 - Solid fund sales in H1 ... €410m new business
 - Successful launch of the new generation of current account boxes ... 15,300 new boxes sold since February ... focus on optimizing current accounts
 - Interchange fees reduced by €2.7m

Operating expenses

Restructuring investments paying off

Operating expenses

€ millions ■ Core OPEX ■ One-offs ●—● Cost-income ratio



Active FTEs

2,619	2,565	2,622	2,441	2,318
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Summary

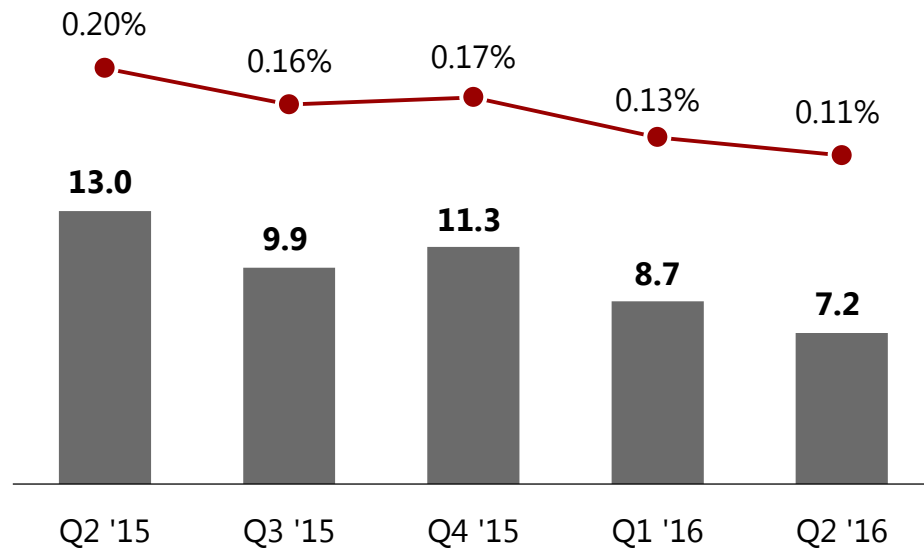
- **Significant progress in fixing structural cost imbalances** ... benefits materializing from prior years' restructuring program
- **Operating expenses down 3% vPY** driven by sustainable long-term measures
- **Cost-income ratio of 42.6% ... down 2.3pts vPY**
- **Booked €12m restructuring in H1** to support productivity initiatives
- **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 (online & mobile banking, proprietary front-end tool GATE, back office optimization, etc.) ... investments of approx. €60m planned for FY 2016

Risk costs

Proactive risk management to maintain conservative risk profile

Risk costs

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



NPL ratio

2.3%	2.2%	2.1%	2.3%	2.3%
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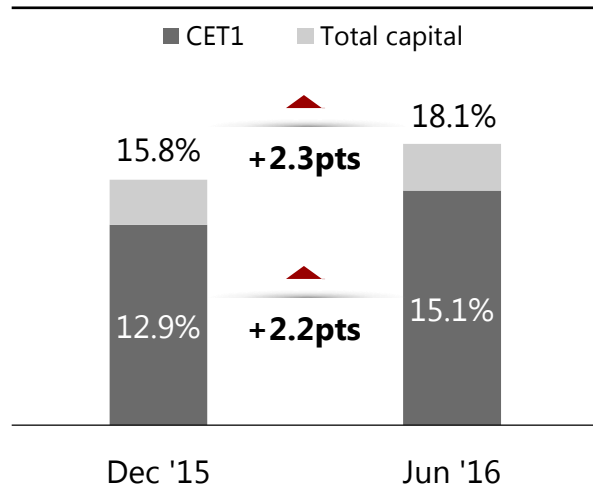
Summary

- **Risk costs lower due to de-risking activities, improved credit quality, repositioning of customer business and exiting legacy exposures**
- Historic balance sheet clean-up efforts behind us ... **no major impairments in H1 '16**
- **NPL ratio stable at 2.3% ... favorable risk metrics in all business segments**
 - easygroup: NPL ratio 2.5% ... coverage ratio 95%
 - BAWAG P.S.K. Retail: NPL ratio 2.2% ... coverage ratio 95%
 - DACH Corporates & Public Sector: NPL ratio 1.0% ... coverage ratio 100%
- **Continued focus on proactive risk management**

Capital

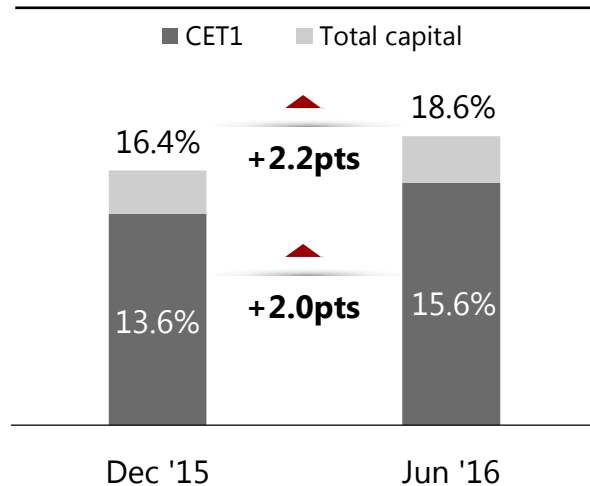
Safe & secure, more capital efficient, lower risk and lower leverage

Capital ratios (FF)



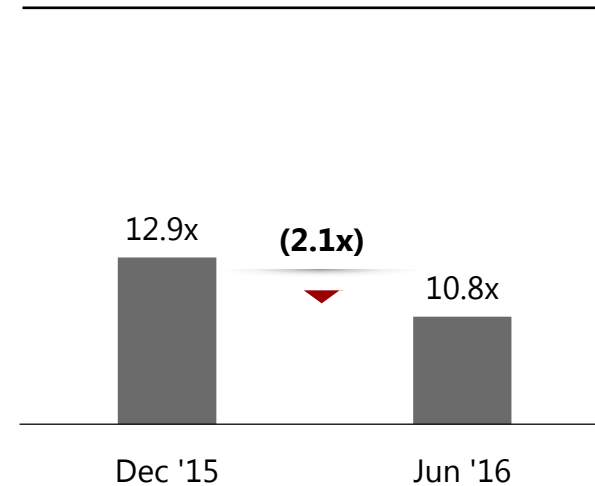
- Bank managed on a fully-loaded basis ... very strong capital base
- Capital ratios significantly above target levels and regulatory requirements
- Risk-weighted assets at €15.7b, down 1% vPY ... 45% RWA density

Capital ratios (transitional)¹⁾



- SREP requirement 2016²⁾: 8.75% + 0.25% systemic risk buffer
- Favorable stress test results ... CET1 ratio in adverse scenario at 9.7% (330bps adjustment)
- Transitional CET1 ratio 580bps above SREP requirement as of June 2016

B/S Leverage



- Running a low leverage business model ... 9.3% equity / total assets
- Continued deleveraging of non-core assets/liabilities coupled with organic equity accretion
- Regulatory leverage ratio (FF) of 6.6%

1) Including interim profit 2) 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%

H1 Performance

✓	€284m
✓	19.3%
✓	21.8%
✓	42.6%
✓	15.1%
✓	6.6%



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

Coverage ratio

(Loan-loss provisions + allowance for incurred but not reported losses + provisions for financial guarantees given + collateral) / non-performing loans (NPLs)

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