



Q3 2016 Earnings

November 9, 2016

Highlights – first three quarters 2016

Financial & business highlights

- **Net profit of €380m, up 19% vPY ... RoTE of 19%**
- **Increasing net interest income ... up 1%**
- Continued focus on efficiency ... **cost-income ratio down 2.6pts to 42.8% vPY**
- **CET1 ratio (FF) of 15.7% ... up 2.8pts vYE**
- **Consumer lending market share 11.4% ... up 120bps vYE**
- **Portfolio acquisitions** ... signed contract to acquire French high-quality performing mortgage portfolio ... closing expected in Q4
- **BAWAG P.S.K. rated by Fitch for the first time** ... now two A- ratings ... best-rated bank in Austria¹⁾
- **Successfully placed CHF 275m senior unsecured bonds** in October (2-year 100m @ minus 25bps, 5-year 175m @ 1bp)
- **Recently placed a GBP 500m RMBS transaction** ... first ever RMBS transaction by an Austrian bank

Performance vs. targets

FY Targets	YTD Performance
Net profit >€450m	€380m
Return on equity >14%	16.9%
Return on tangible equity >15%	19.0%
Cost-income ratio <45%	42.8%
CET1 ratio (FF) >12%	15.7%
Leverage ratio (FF) >5%	7.0%

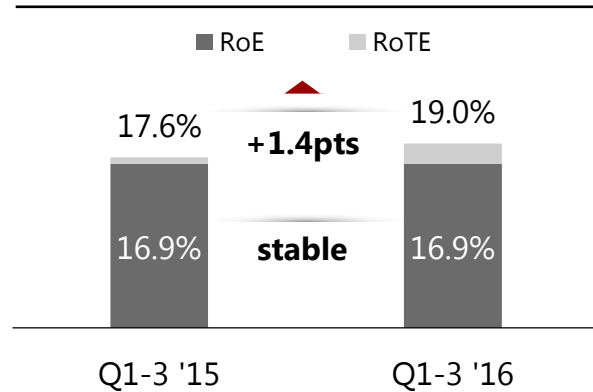
Delivering results ... well on track to outperform 2016 targets

Performance scorecard (YTD)

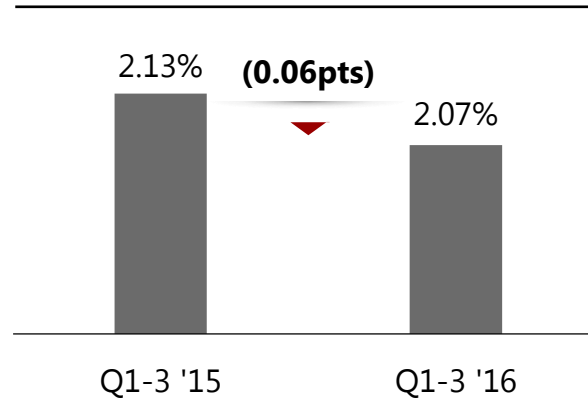
Strong results across all key indicators



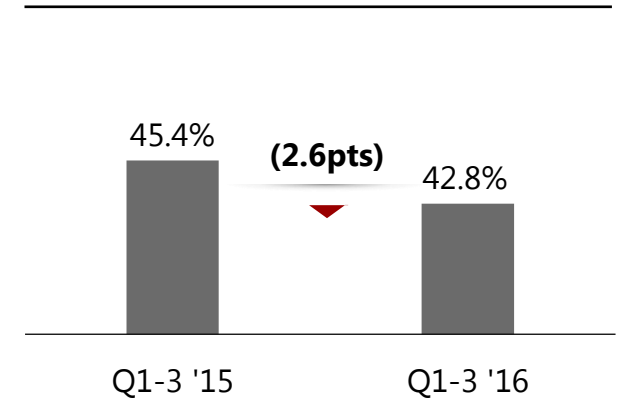
RoE & RoTE



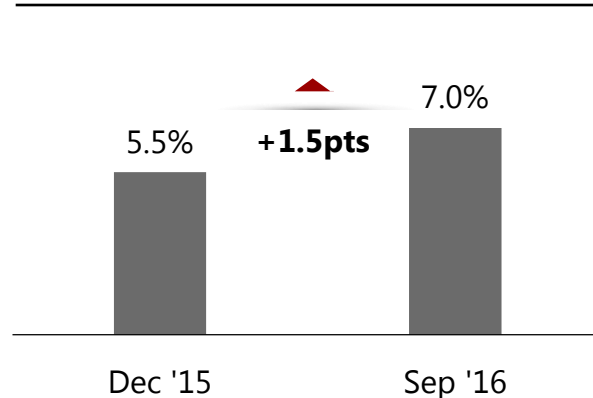
NIM



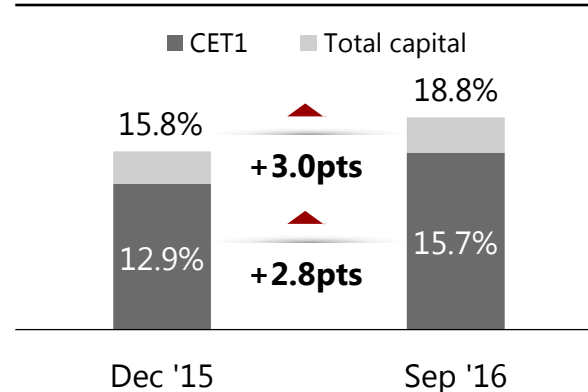
Cost-income



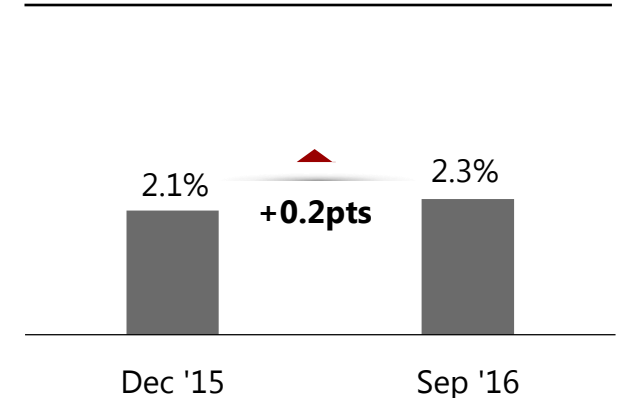
Leverage (FF)¹⁾



CET1 & Total capital (FF)



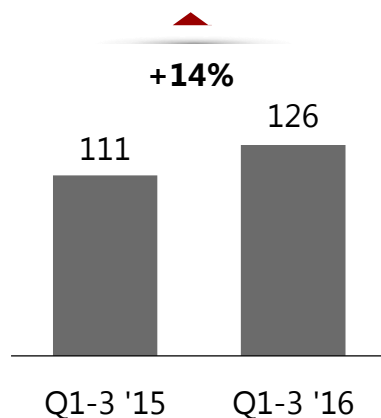
NPL



1) Required methodology change applied retroactively for December 2015

Profit before tax

€ millions



Key metrics

€ millions	Q1-3 '15	Q1-3 '16	Change
Core revenues	361.8	364.9	1%
Operating expenses	(224.7)	(201.8)	(10%)
Profit before tax	110.6	125.9	14%
Cost-income ratio	61.2%	55.0%	(6.2pts)
Return on equity	18.0%	19.6%	1.6pts
Assets	9,255	9,293	–
Customer deposits	15,124	15,788	4%
NPL ratio	2.2%	2.3%	0.1pts

Overview & strategy

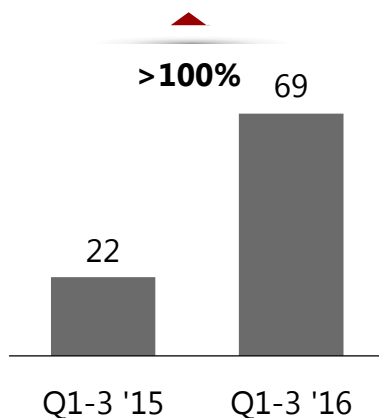
- 1.3 million private and small business customers serviced through branch network and online & mobile sales channels
- Focus on offering simple, fair and transparent products
- Main value drivers:
 - Growing consumer loan franchise
 - Optimizing product mix (focus on value add products)
 - Driving transactional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

Highlights YTD 2016

- New business €880m (50% consumer & 47% housing loans)
- Market share in consumer loans (excl. easygroup) up 100bps to 10.9% ... net asset growth of 10.0% vYE
- 21% of consumer loan sales initiated through digital channels ... increase in volume of 44% vPY
- Online payment transactions up 10% and rising ... mobile banking usage up 40% over the past two years

Profit before tax

€ millions



Key metrics

€ millions	Q1-3 '15	Q1-3 '16	Change
Core revenues	41.1	88.7	>100%
Operating expenses	(17.2)	(23.3)	36%
Profit before tax	22.4	68.9	>100%
Cost-income ratio	41.5%	24.1%	(17.4pts)
Return on equity	n/a	24.9%	n/a
Assets	418	3,053	>100%
Customer deposits	3,082	3,766	22%
NPL ratio	0.7%	2.5%	1.8pts

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 European markets

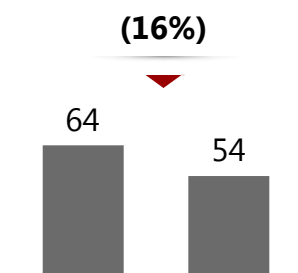
Highlights YTD 2016

- Customer base up 25% to approx. 400,000 customers with more than 670,000 accounts
- Strong originations in consumer auto leasing ... up 12% vPY to €277m 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
- Launch of new brand *easyleasing* in September ... "one brand and one face" to the leasing market in Austria

Non-retail segments

DACH Corporates & Public Sector

€ millions Profit before tax

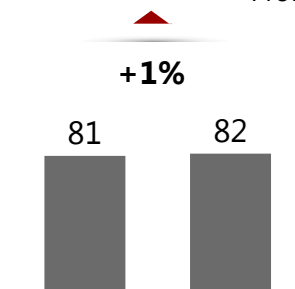


	Q1-3 '15	Q1-3 '16	Change
Core rev.	106.5	88.6	(17%)
OPEX	(42.1)	(38.7)	(8%)
C/I ratio	38.2%	43.1%	4.9pts
RoE	15.3%	13.2%	(2.1pts)
Assets	8,415	7,647	(9%)
NPL ratio	1.0%	0.7%	(0.3pts)

- 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
- €390m new originations in Q1-3 '16

International Business

€ millions Profit before tax

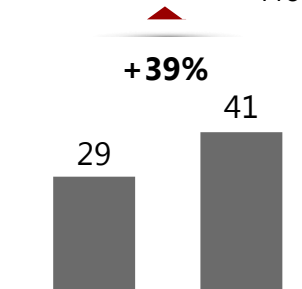


	Q1-3 '15	Q1-3 '16	Change
Core rev.	105.4	101.6	(4%)
OPEX	(17.7)	(20.0)	13%
C/I ratio	17.9%	20.1%	2.2pts
RoE	18.8%	19.1%	0.3pts
Assets	5,317	4,954	(7%)
NPL ratio	0.0%	0.0%	0.0pts

- International corporate, real estate and portfolio lending outside the DACH region
- Focus on Western Europe and the USA
- €1.6b new originations in Q1-3 '16 ... driven by portfolio and real estate financing
- Strong credit profile across international assets ... avg. LTV of real estate assets <60%

Treasury Services & Markets

€ millions Profit before tax



	Q1-3 '15	Q1-3 '16	Change
Core rev.	43.1	41.4	(4%)
OPEX	(14.8)	(12.0)	(19%)
C/I ratio	33.6%	22.9%	(10.7pts)
RoE	10.3%	15.3%	5.0pts
Assets	6,519	5,905	(9%)
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
- 97% investment grade portfolio (100% investment grade issuer ratings) ... no exposure to Hungary, Russia, China and South Eastern European countries

Financial performance

Strong Q3 and YTD 2016 results across the Bank



Income statement € millions	Q3 '16	Chg. (%)	Q1-3 '16	Chg. (%)
Net interest income	174.0	(1)	544.3	1
Net commission income	43.1	1	146.1	1
Core revenues	217.1	(1)	690.4	1
Other revenues	21.0	15	52.7	10
Operating income	238.1	1	743.1	2
Operating expenses	(102.9)	(7)	(318.1)	(4)
Regulatory charges	(5.9)	(54)	(39.8)	34
Risk costs	(9.0)	(9)	(24.9)	(28)
Profit before tax	122.2	16	366.5	8
Income taxes	(25.9)	>100	13.5	–
Net profit	96.3	2	379.8	19
Key ratios	Q3 '16	Chg. (pts)	Q1-3 '16	Chg. (pts)
Return on equity	13.0%	(1.4)	16.9%	0.0
Return on tangible equity	14.6%	(0.4)	19.0%	1.4
CET1 ratio (FF) ¹⁾	15.7%	2.8	15.7%	2.8
Net interest margin	2.01%	(0.10)	2.07%	(0.05)
Cost-income ratio	43.2%	(3.2)	42.8%	(2.6)
Balance sheet € millions	Sep '16	Chg. (%)¹⁾	Sep '16	Chg. (%)²⁾
Customer loans and receivables	23,915	(3)	23,915	9
Customer deposits	22,722	5	22,722	9
IFRS equity	3,027	10	3,027	14
Risk-weighted assets	15,953	(3)	15,953	2

1) Change vs. Dec. '15 2) Change vs. Sep. '15

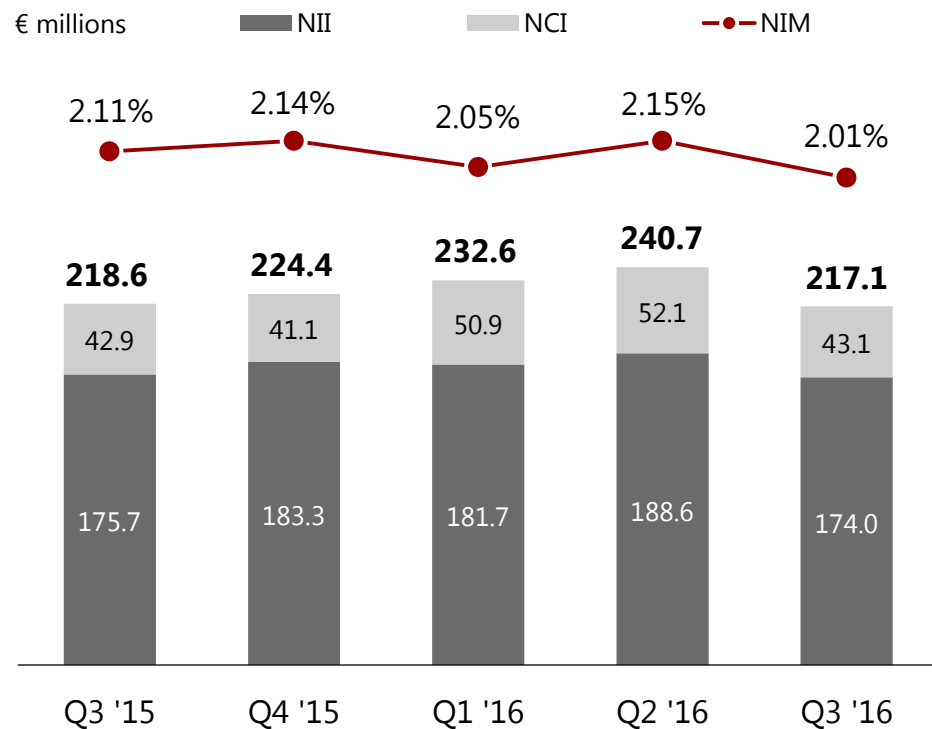
Highlights YTD 2016

- Net profit up 19% vPY ... emphasis on high quality of earnings
- Core revenues up 1% vPY to €690m, with NII up 1% vPY to €544m
- Operating expenses down 4% vPY ... booked €19m restructuring (€7m in Q3) ... cost-income ratio down 2.6pts to 42.8%
- Risk costs down 28% ... reflects low-risk balance sheet and repositioning of customer business
- New originations of €3.2b
- Regulatory charges up 34% vPY
- Net tax benefit of €14m YTD
- Customer funding up 5% vYE... LCR at 128%
- Continued favorable trend across key financial metrics ... RoE stable, RoTE +1pts, cost-income ratio down 3pts vPY

Core revenues

Core revenue growth driven by customer loans and lower funding costs

Core revenues



Customer loans | € billions and in % of total assets

Quarter	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16
Customer loans (€ billions)	22.0	24.7	24.6	23.7	23.9
Customer loans (% of total assets)	67%	70%	70%	68%	70%

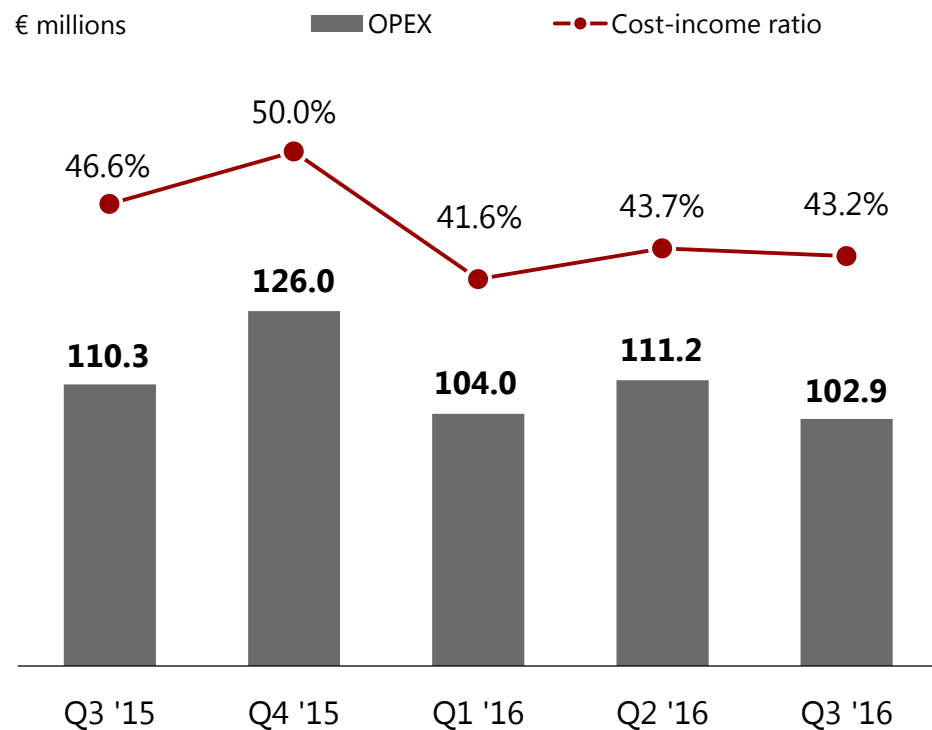
Summary (YTD)

- **Net interest income (NII) up 1% vPY driven by core product growth, pricing initiatives and lower funding costs**
 - Focus on consumer and international lending
 - Reduced funding costs ... blended overall retail deposit rate down to 0.24% vs. 0.35% year-on-year
 - Customer loans at 70% of total assets
- **Net commission income (NCI) stable vPY**
 - Payments fee income stable despite significant pricing pressure
 - Favorable development across current account boxes ... 24,000 new boxes sold since launch
 - Fund sales below expectations ... €590m new business (vs. €1b YTD '15)
 - Positive development of loan insurance business, while overall insurance sales decreased
 - Negative impact from interchange fees

Operating expenses

Restructuring investments paying off

Operating expenses



Active FTEs

2,565	2,622	2,441	2,318	2,302
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Summary (YTD)

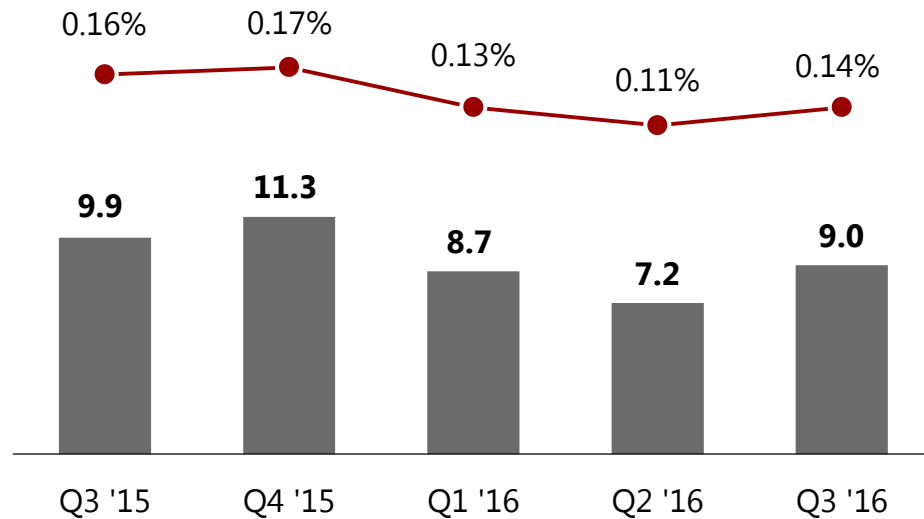
- **Significant progress in fixing structural cost imbalances** ... benefits materializing from prior years' restructuring program
- **Operating expenses down 4% vPY** driven by sustainable long-term measures
- **Cost-income ratio of 42.8% ... down 2.6pts vPY**
- **Booked €19m restructuring YTD** to support productivity initiatives (€7m in Q3)
- **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

2.2%	2.1%	2.3%	2.3%	2.3%
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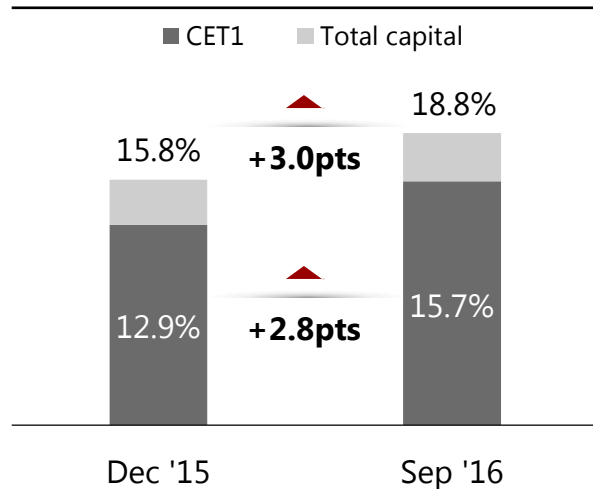
Summary (YTD)

- **Risk costs lower due to de-risking activities, improved credit quality, repositioning of customer business and exiting legacy exposures**
- **NPL ratio stable at 2.3% ... favorable risk metrics in all business segments**
 - BAWAG P.S.K. Retail: NPL ratio 2.3% ... coverage ratio 95%
 - easygroup: NPL ratio 2.5% ... coverage ratio 99%
 - DACH Corporates & Public Sector: NPL ratio 0.7% ... coverage ratio 100%
- **Continued focus on proactive risk management**

Capital

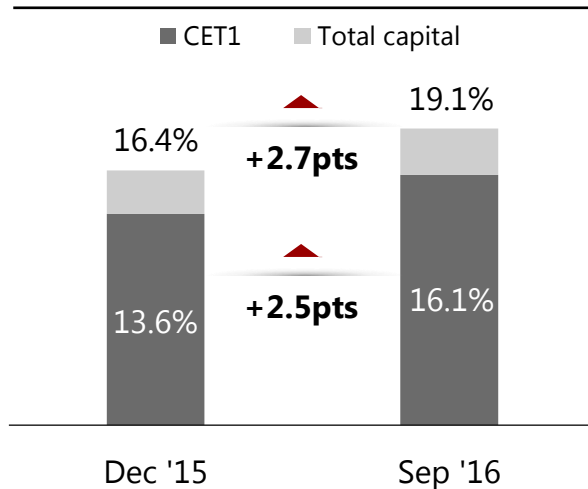
Safe & secure, more capital efficient, lower risk and lower leverage

Capital ratios (FF)



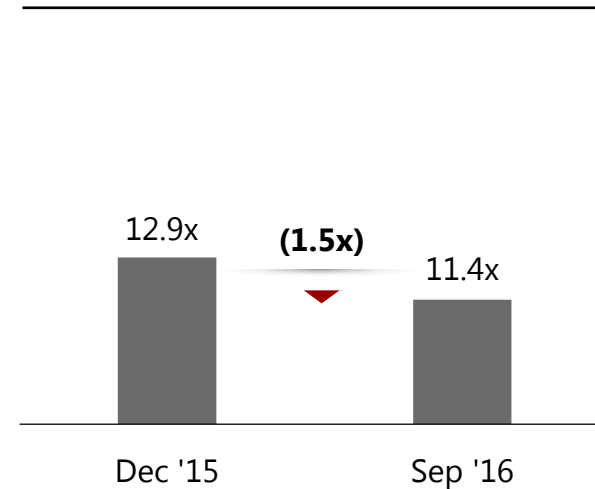
- Bank managed on a fully-loaded basis ... very strong capital base
- Capital ratios significantly above target levels and regulatory requirements
- Risk-weighted assets at €16.0b, down 4% vYE ... 46% RWA density

Capital ratios (transitional)¹⁾



- SREP requirement 2016²⁾: 8.75% + 0.25% systemic risk buffer
- Transitional CET1 ratio 700bps above SREP requirement as of September 2016

B/S Leverage



- Running a low leverage business model ... 8.8% equity / total assets
- Continued deleveraging of non-core assets/liabilities coupled with organic equity accretion
- Regulatory leverage ratio (FF) of 7.0%

1) Including interim profit 2) Based on Promontoria Sacher Holding N.V., the highest 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%

YTD Performance

✓	€380m
✓	16.9%
✓	19.0%
✓	42.8%
✓	15.7%
✓	7.0%



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); as of September 2016, the total exposure calculation was adapted from three-month averages to an end-of-period figure in line with changed regulatory requirements and applied retroactively

Return on equity (RoE)

Net profit / average IFRS equity

Return on tangible equity (RoTE)

Net profit / average IFRS tangible equity

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 unless stated otherwise