



Preliminary FY 2016 Earnings

February 16, 2017

Agenda

-
1. Executive summary & performance scorecard
 2. Business segments
 3. Financials 2016
 4. Bank transformation & outlook
-

Executive summary

Delivering strong 2016 results ... all goals outperformed

Financial & business highlights in 2016

- **Net profit of €484m, up 23% vPY ... RoTE of 17.9%**
- Core revenues increased ... **NII up 1%** and **NCI up 4%** vPY
- Maintained solid risk profile ... **risk costs down 7%**
- Continued focus on efficiency ... **cost-income ratio down 4.0pts to 44.4%** vPY
- **CET1 ratio (FF) of 15.1%** ... up 220bps vPY
- **Total asset originations of €5b** ... driven by Retail & International Business
- **Acquired start:bausparkasse and IMMO-BANK** ... growing our retail footprint in Austria
- **BAWAG P.S.K.** named "**Bank of the Year 2016**" in **Austria** by *The Banker* and *Euromoney* ... **easybank** awarded "Best Direct Bank in Austria" by *DerBörsianer*
- **Moody's upgrade to A3** with positive outlook and **Fitch** assigned **A- senior** and **BBB+ subordinate** ratings

Performance vs. targets

2016 Targets	Performance
Net profit >€450m	€484m
Return on equity >14%	15.9%
Return on tangible equity >15%	17.9%
Cost-income ratio <45%	44.4%
CET1 ratio (FF) >12%	15.1%
Leverage ratio (FF) >5%	6.5%

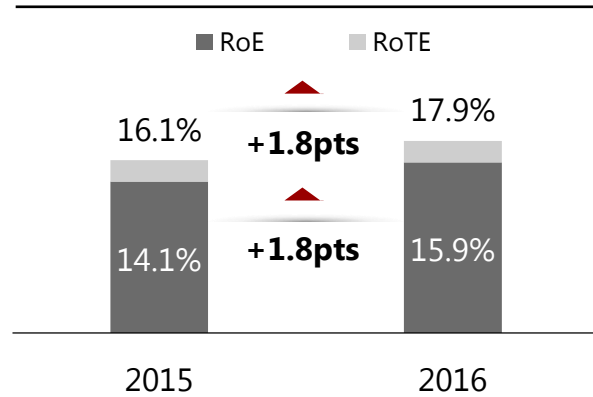


FF ... Fully fledged Note: All data is reported on BAWAG Holding Group level unless stated otherwise

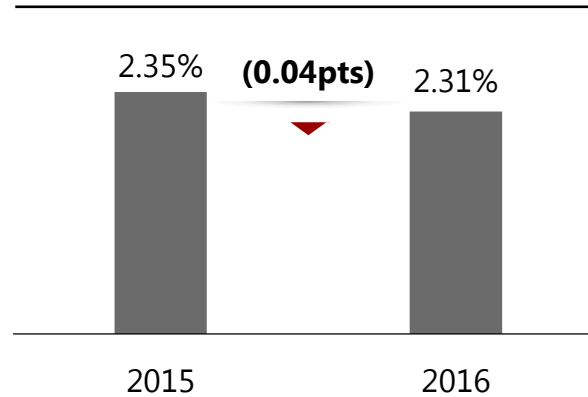
Performance scorecard

Strong results across all key indicators

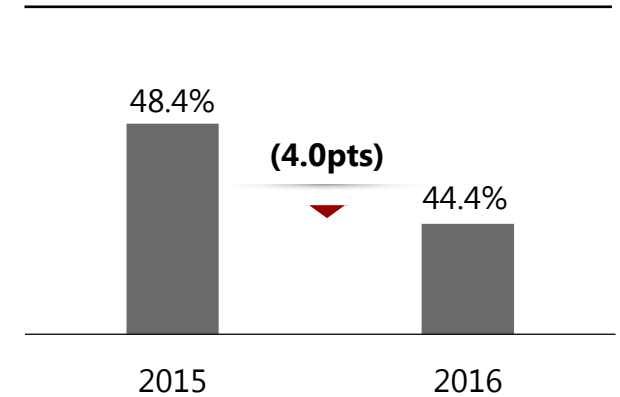
RoE & RoTE



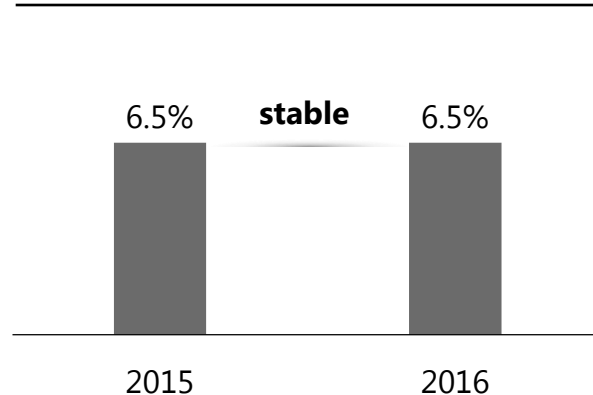
NIM



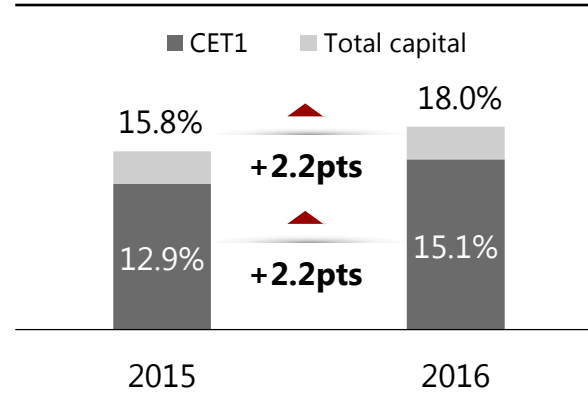
Cost-income



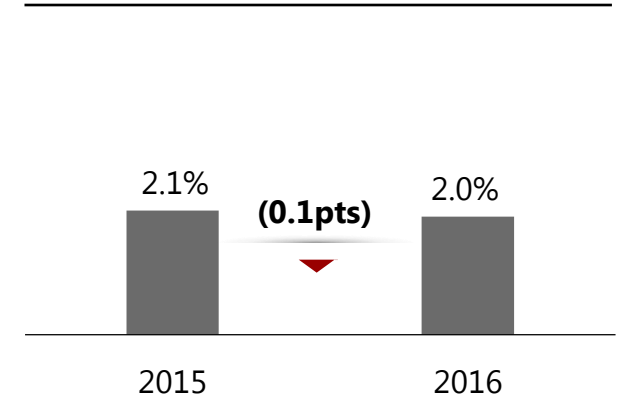
Leverage (FF)¹⁾



CET1 & Total capital (FF)



NPL



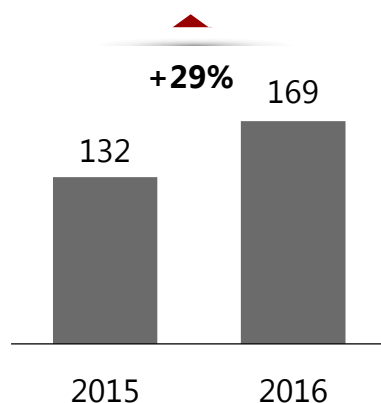
1) Required methodology change applied retroactively for 2015

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Profit before tax

€ millions



Key metrics

€ millions	2015	2016	Change
Core revenues	467.3	493.4	6%
Operating expenses	(303.2)	(273.5)	(10%)
Profit before tax	131.5	169.1	29%
Cost-income ratio	63.8%	55.2%	(8.6pts)
Return on equity	16.3%	18.4%	2.1pts
Assets	9,178	11,659	27%
Customer deposits	15,663	18,058	15%
NPL ratio	2.2%	1.8%	(0.4pts)

Overview & strategy

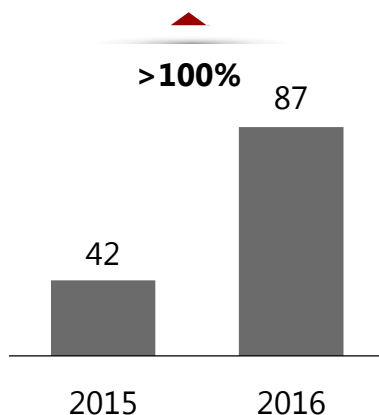
- 1.8 million private and small business customers serviced through branch network and online & mobile sales channels
- Focus on offering simple, fair and transparent products
- Main value drivers:
 - Growing consumer lending franchise
 - Optimizing product mix (focus on value add products)
 - Driving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

Highlights in 2016

- New business origination of €1.2b ... driven by consumer and housing loans
- Market share in consumer loans (excl. easygroup) up 150bps to 11.4% ... net asset growth of 9% vPY
- 21% of consumer loan sales initiated through digital and customer care channels ... increase in volume of 39% vPY
- Online payment transactions up 10% vPY ... share of online transactions via mobile apps up 49% vPY
- Website redesign with stronger focus on interactivity and product sales well received ... 7% increase in visitors vPY

Profit before tax

€ millions



Key metrics

€ millions	2015	2016	Change
Core revenues	65.1	125.9	93%
Operating expenses	(23.4)	(30.6)	31%
Profit before tax	42.0	86.7	>100%
Cost-income ratio	35.9%	24.6%	(11.3pts)
Return on equity	21.5%	24.1%	2.6pts
Assets	3,644	4,458	22%
Customer deposits	3,204	3,893	22%
NPL ratio	1.1%	2.1%	1.0pts

Overview & strategy

- Austria's #1 direct bank easybank, #3 auto lessor & high-quality mortgage portfolios in Western Europe with ~420,000 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

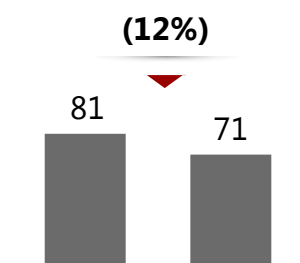
Highlights in 2016

- Customer base up 8% to ~420,000 customers with 710,000 accounts
- Strong originations of €460m in 2016, incl. €359m in consumer auto leasing (up 9% vPY with 8.7% market share) ... supported by organic growth & the Volksbank Leasing acquisition
- 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

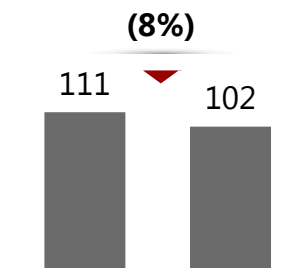


	2015	2016	Change
Core rev.	138.6	119.2	(14%)
OPEX	(56.8)	(53.6)	(6%)
C/I ratio	39.5%	44.6%	5.1pts
RoE	15.0%	13.1%	(1.9pts)
Assets	7,527	7,812	4%
NPL ratio	1.2%	0.7%	(0.5pts)

- Corporate and public lending activities and other fee-driven financial services
- Primarily Austrian customers & select client relationships in Germany and Switzerland
- €650m new originations in 2016 ... focus on risk-adjusted returns and repricing

International Business

€ millions Profit before tax

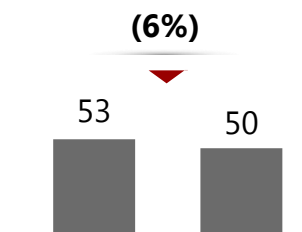


	2015	2016	Change
Core rev.	142.2	133.9	(6%)
OPEX	(25.7)	(29.9)	16%
C/I ratio	18.9%	22.8%	3.9pts
RoE	19.4%	17.6%	(1.8pts)
Assets	5,748	5,634	(2%)
NPL ratio	0.0%	0.0%	0.0pts

- International corporate, real estate and portfolio lending outside the DACH region
- Focus on Western Europe and United States
- €2.7b new originations in 2016 ... 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



	2015	2016	Change
Core rev.	58.1	54.3	(7%)
OPEX	(19.0)	(16.3)	(14%)
C/I ratio	26.4%	24.6%	(1.8pts)
RoE	14.3%	13.7%	(0.6pts)
Assets	6,293	6,691	6%
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
- 96% investment grade portfolio ... no exposure to Hungary, Russia, China and South Eastern European countries

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P&L & key ratios

Strong 2016 performance

Income statement € millions	2016	Chg. (%)	Q4 '16	Chg. (%)
Net interest income	730.0	1	177.6	(3)
Net commission income	192.9	4	46.9	14
Core revenues	922.9	2	224.5	-
Other revenues	67.6	6	22.9	(17)
Operating income	990.5	2	247.4	(2)
Operating expenses	(439.3)	(7)	(121.3)	(6)
Regulatory charges	(46.1)	25	(6.2)	(11)
Risk costs	(42.7)	(7)	(17.8)	58
Profit before tax	470.4	12	103.9	3
Income taxes	13.4	-	(0.1)	-
Net profit	483.6	23	103.8	(3)
Key ratios	2016	Chg. (pts)	Q4 '16	Chg. (pts)
Return on equity	15.9%	1.8	13.5%	(1.2)
Return on tangible equity	17.9%	1.8	15.2%	(1.4)
CET1 ratio (FF)	15.1%	2.2	15.1%	2.2
Net interest margin	2.31%	(0.04)	2.20%	(0.19)
Cost-income ratio	44.4%	(4.0)	49.0%	(2.4)

Highlights in 2016

- Net profit up 23% vPY ... emphasis on high quality of earnings
- Core revenues up 2% vPY to €923m, with NII up 1% vPY to €730m and NCI up 4% to €193m
- Operating expenses down 7% vPY ... booked €26m restructuring ... cost-income ratio down 4.0pts to 44.4%
- Risk costs down 7% ... reflects low-risk balance sheet and repositioning of customer business
- Net tax benefit of €13m
- Continued favorable trend across key financial metrics ... RoE +2pts, RoTE +2pts, cost-income ratio down 4pts vPY
- RoE (@12% CET1) of 19.0% and RoTE (@12% CET1) of 22.0%

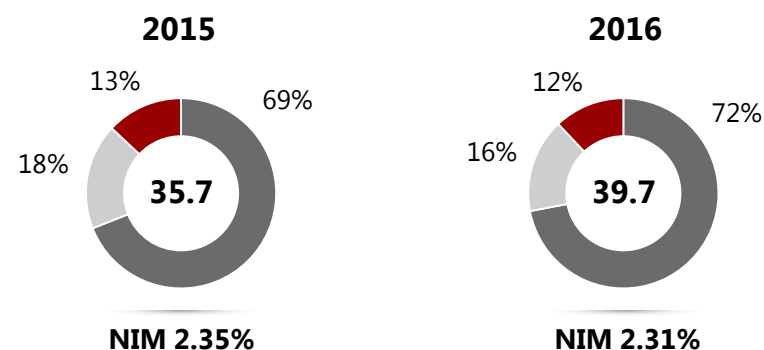
Balance sheet

Continued focus on customer business

Balance sheet € billions	2015	2016	Chg. (%)
Customer loans	24.7	28.5	15
Securities and bonds	6.3	6.5	3
Credit institutions and cash	2.5	2.6	4
Other assets	2.2	2.1	(5)
Total assets	35.7	39.7	11
Customer deposits	21.7	26.0	20
Own issues	4.5	6.0	34
Credit institutions	4.2	2.4	(43)
Other liabilities	2.3	2.2	(5)
Equity	3.0	3.1	6
Total liabilities & equity	35.7	39.7	11
Capital & RWA € billions	2015	2016	Chg. (%)
IFRS equity	3.0	3.1	6
Tangible equity	2.6	2.8	6
CET1 capital	2.2	2.6	17
Total capital	2.7	3.1	15
Risk-weighted assets	16.5	17.1	4

Asset split

€ billions ■ Customer loans ■ Securities ■ NEAs (Non-earning assets)



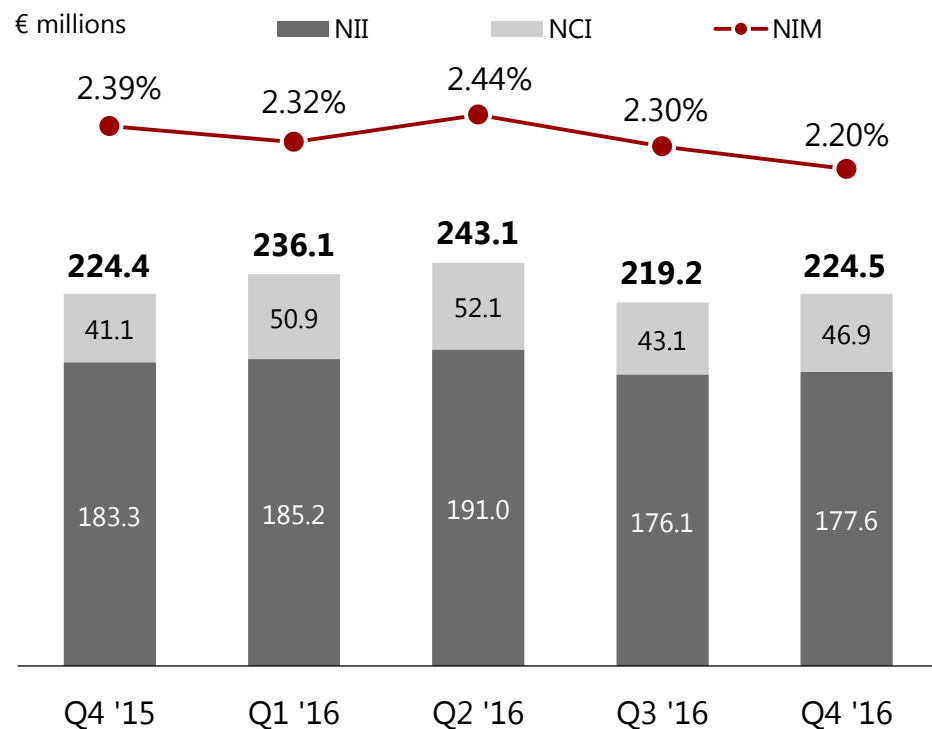
Developments in 2016

- Customer loans increased by €3.8b (up 15% vPY) driven by originations of €5b, acquisitions of start:bausparkasse and IMMO-BANK and a high-quality performing mortgage portfolio
- Customer deposits increased by €4.3b (up 20% vPY) while maintained disciplined pricing
- Diversified wholesale and FX funding with placements of GBP 500m RMBS, €500m mortgage covered bond and CHF 275m senior unsecured bonds
- Overall balance sheet leverage at 12.7x (equity-to-assets of 7.9%) and regulatory leverage (FF) of 6.5%

Core revenues

Core revenue growth driven by customer loans and lower funding costs

Core revenues



Customer loans | € billions and in % of total assets

Quarter	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16
Customer loans (€ billions)	24.7	24.6	23.7	23.9	28.5
Customer loans (% of total assets)	69%	70%	68%	70%	72%

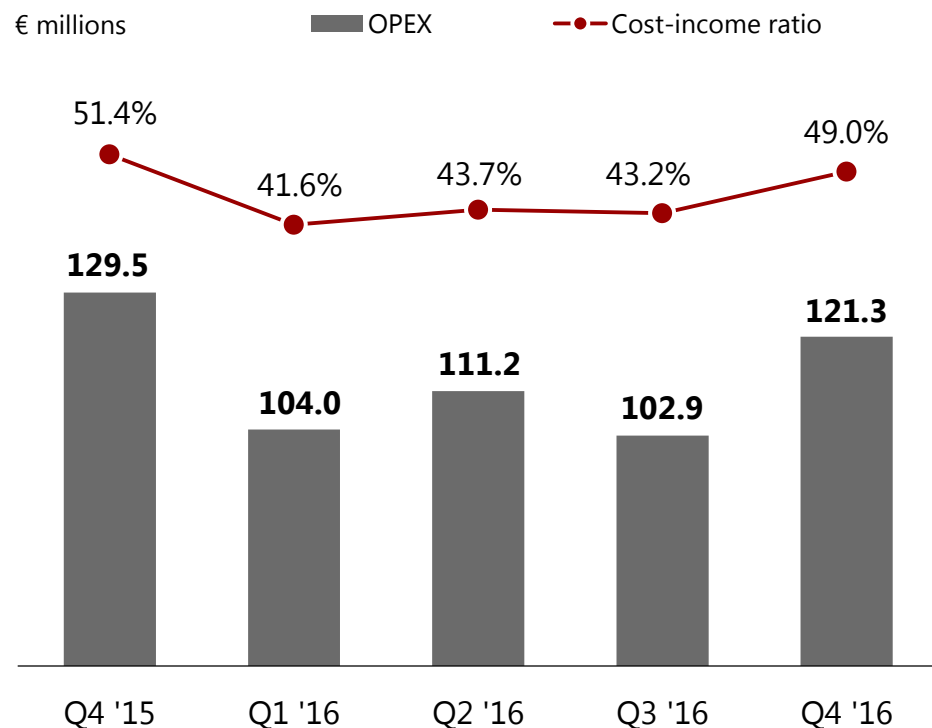
Full-year highlights

- **Net interest income (NII) up 1% vPY driven by core product growth, pricing initiatives and lower funding costs**
 - FY net interest margin (NIM) largely stable at 2.3%
 - Focus on consumer and international lending (~90% of originations)
 - Reduced funding costs ... blended overall retail deposit rate down to 0.28% vs. 0.32% year-on-year
 - Customer loans at 72% of total assets
- **Net commission income (NCI) up 4% vPY**
 - Payments fee income stable despite significant pricing pressure
 - Favorable development across current account boxes ... 31,000 new boxes sold since launch
 - Fund sales below expectations ... €740m new business (vs. €1.2b in 2015)
 - Negative impact from interchange fees of €5m

Operating expenses

Restructuring investments paying off

Operating expenses



Active FTEs

Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16
2,625	2,441	2,318	2,302	2,496

Full-year highlights

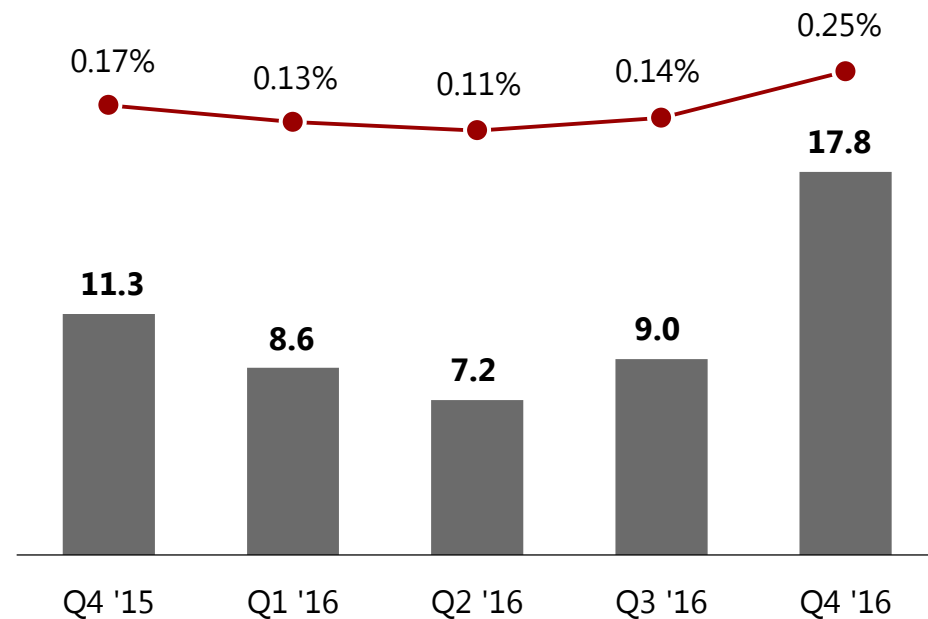
- **Significant progress in fixing structural cost imbalances** ... benefits materializing from prior years' restructuring initiatives
- **FY operating expenses down 7% vPY** driven by sustainable long-term measures
- **FY cost-income ratio of 44.4% ... down 4pts vPY**
- **Booked €26m restructuring** ... allows us to further optimize our 2017 cost base
- **Active FTE increase in Q4** due to consolidation of start:bausparkasse and IMMO-BANK
- **Continued focus on operating efficiency given overall market dynamics** ... shifting customers to digital networks
- **Investments** of €47m during 2016 focused on new technologies (online & mobile banking), big data analytics and front/back office process optimization

Risk costs

Proactive risk management to maintain conservative risk profile

Risk costs

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



NPL ratio

Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16
2.1%	2.3%	2.3%	2.3%	2.0%

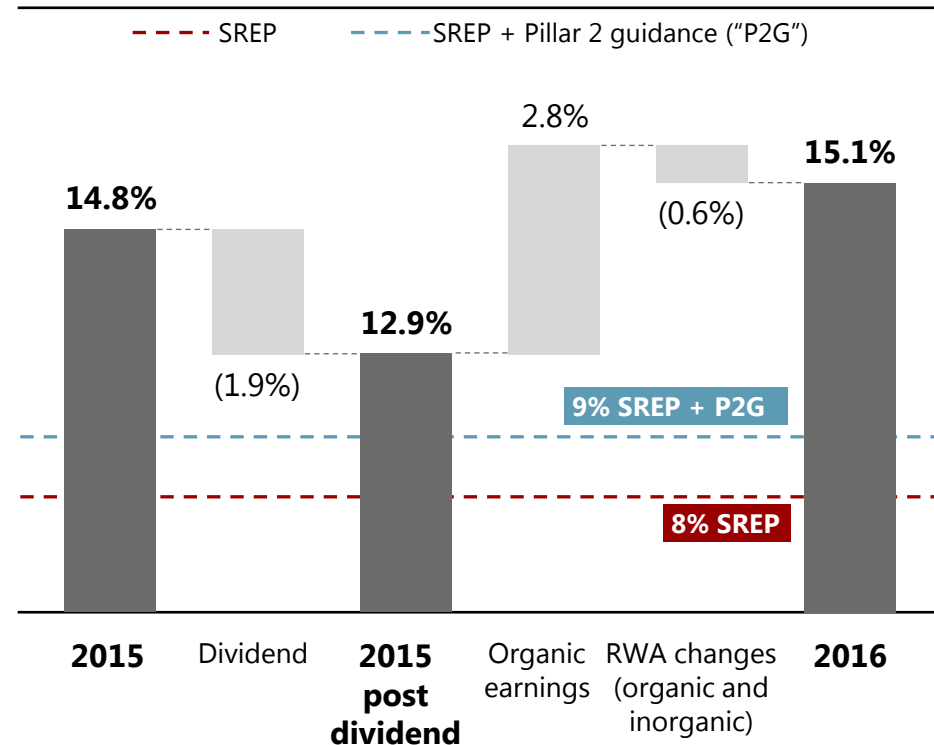
Full-year highlights

- **FY risk costs down 7% due to de-risking activities, improved credit quality, repositioning of customer business and exiting legacy exposures**
- **Customer loan franchise focused on developed markets ... 70% DACH region / 30% Western Europe & United States**
- **NPL ratio down to 2.0% ... favorable risk metrics in all business segments**
 - BAWAG P.S.K. Retail: NPL ratio 1.8% ... coverage ratio 93%
 - easygroup: NPL ratio 2.1% ... coverage ratio 100%
 - DACH Corporates & Public Sector: NPL ratio 0.7% ... coverage ratio 100%
- **Continued focus on proactive risk management**

Capital

Strong capital position maintained post dividend payment and acquisitions

CET1 capital walk (fully loaded)



Excess capital of €1b above 9% CET1 (SREP + Pillar 2 guidance)

Developments

- **Managing the bank on a fully-loaded basis ...** transitional ratios ~30bps higher
- **Maintained a very strong capital base through organic earnings generation** while funding:
 - **dividend payment** of €309m in 2016 (for 2015)
 - **acquisitions** of start:bausparkasse and IMMO-BANK and a high-quality performing mortgage portfolio
- **Capital ratios significantly above target levels and regulatory requirements**
 - Management target level >12% CET1 (FF)
 - Pillar 2 guidance ("P2G") for BAWAG P.S.K. set at 1% ... the regulator expects us to maintain a CET1 ratio of 9% ... **8% SREP + 1% Pillar 2 guidance**
- RWAs at €17.1b, up 4% vPY ... **43% RWA density**
- **Total capital ratio (FF) at 18.0%, up 2.2pts**

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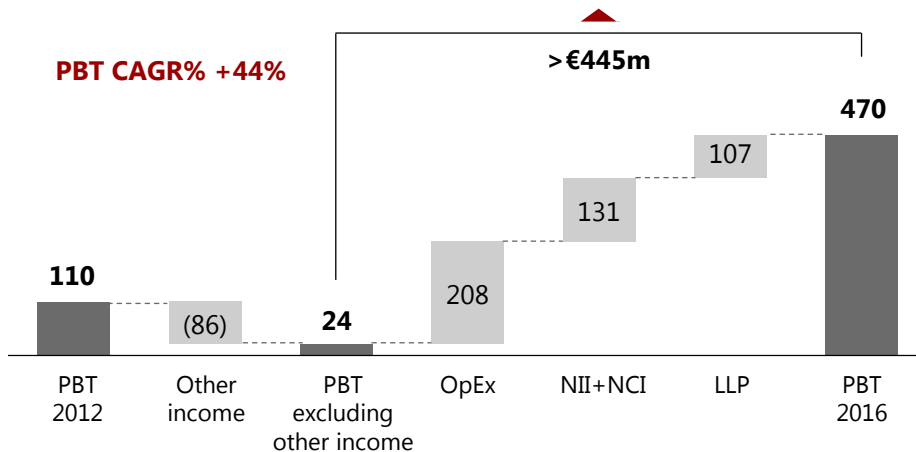
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Bank transformation ... 2012 to 2016

Increased quality of earnings & capital while reducing costs and de-risking balance sheet

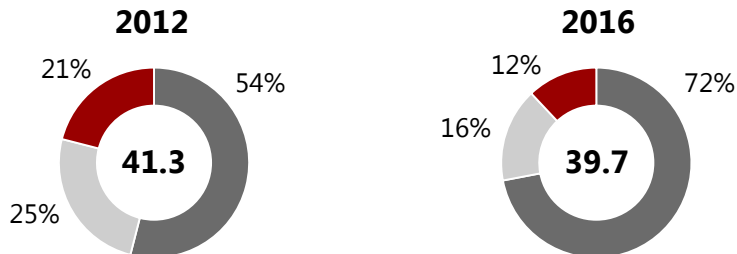
> €445m profit increase since 2012

€ millions



Balance sheet transformation

€ billions ■ Customer loans ■ Securities ■ NEAs (Non-earning assets)



Strategy

- 1 Growth in our core market**
 - BAWAG P.S.K. #1 omni-channel retail bank in Austria
 - Centrally managed branch network and #1 direct bank
 - Focus on growth in DACH region
- 2 Making our customers' lives easier**
 - Focus on product simplicity and consistency in product offering
 - Providing 24/7 customer access to Bank's products and services
 - Using big data to better understand new & existing customers
 - Strengthening already successful partnerships
- 3 Efficiency is the key to winning**
 - Automate & simplify our processes ... transition to digital world
 - Differentiator in highly competitive low-interest environment
 - Improve customer's experience through streamlined processes
- 4 Safe and secure**
 - Solid B/S with low risk, low leverage and strong capital ratios
 - High percentage of deposit funding ... strong liquidity profile
 - Predictable and low risk costs ... focus on risk-adjusted returns

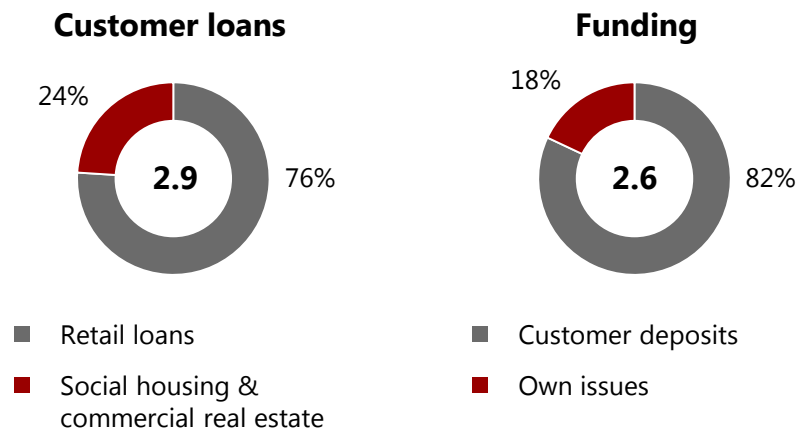
Acquisitions in 2016

Purchase of start:bausparkasse & IMMO-BANK

- **Large Austrian savings and loan association**
 - 500,000 active customers
 - 10% market share in building society products
 - Regional coverage via indirect distribution (~1,000 outlets), Volksbank sales network of ~400 branches

Financials

€ billions



Strategic rationale

- Grow retail footprint in Austria
- Extend expertise in building society savings and loans
- Very strong credit metrics and deeply rooted product
- Increase financing volume with real estate companies and social housing associations
- Design integrated residential mortgage loan origination channel
- Drive central oversight and expand brokerage channel strategic partnerships
- Drive cross-sell opportunities ... current accounts, consumer loans, leasing

2017 Targets and 3-year outlook

Expecting to continue successful path going forward

Strategic focus 2017

- 1 Domestic growth | easygroup Germany
- 2 Integration of acquisitions
- 3 M&A | Focus on DACH region
- 4 Further optimization & efficiency
- 5 Maintain fortress balance sheet

2017 Targets

Profit before tax	>€500m
Return on equity (@12% CET1)	>15%
Return on tangible equity (@12% CET1)	>16%
Cost-income ratio	<43%
CET1 ratio (FF)	>12%
Leverage ratio (FF)	>5%

3-year outlook (2017 – 2019)

Capital accretion of €1.5b to €2.0b

Return on tangible equity >16% (@12% CET1)

Growth in DACH region ... organic & inorganic

Continue digital transformation & drive operational excellence and efficiency



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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), 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

IFRS tangible equity

IFRS equity reduced by the carrying amount of intangible assets

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 3-month averages to an end-of-period figure in line with changed regulatory requirements

Liquidity coverage ratio (LCR)

Liquid assets / net liquid outflows (calculation according to CRR, based on Promontoria Sacher Holding N.V. Group)

Net interest margin (NIM)

Net interest income (NII) / average interest-bearing assets; as of year-end 2016, the ratio's denominator was changed from average total assets to average interest-bearing assets and applied retroactively

NPL ratio

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

Return on equity (RoE)

Net profit / average IFRS equity

Return on risk-weighted assets (RoRWA)

Net profit / average risk-weighted assets

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), excluding any transitional capital (fully loaded)

Total capital ratio

Total capital / risk-weighted assets

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