

## **BAWAG P.S.K. reports first nine months 2014 net profit of EUR 264 million, +69%**

- Net profit EUR 264 million, +69% from Q3 2013 YTD
- Core revenues EUR 659 million, +18%
- Cost-income ratio down to 52.1%, down 12.9pts
- Business net interest margin improved by 27bps to 2.27%
- Highly favorable AQR and stress test results for BAWAG P.S.K.
- CET1 ratio (fully loaded) at 11.5%, up 2.1pts since year-end 2013
- Full year targets on track

**VIENNA, Austria – November 10, 2014** – BAWAG P.S.K. today reported net profit of EUR 264 million for the first three quarters of 2014, up 69% versus prior year. The increase was driven by strength in our core franchises. Annualized return on equity was 15.9%, up 5.0pts. Net interest margin improved 45bps to 1.89% with business net interest margin up 27bps. Operating expenses were down 20% and risk costs down 26%. Overall performance in the first three quarters reiterates that BAWAG P.S.K.'s historical transformation was successful in positioning it to produce strong results in 2014 and beyond.

*"As we completed the third quarter, we continued to see strong momentum across our business lines. The Bank is well positioned today and is consistently producing strong results quarter after quarter. Year to date, our net profit was EUR 264 million, up 69% versus prior year. This reiterates BAWAG P.S.K. being well prepared to successfully win in a competitive and evolving European banking market",* said Chief Executive Officer **Byron Haynes**. *"We are proud of our results and accomplishments. We expect this momentum to continue through the end of 2014 and into 2015."*

In addition, on October 26 the ECB disclosed the results of its comprehensive assessment of 130 European banks. BAWAG P.S.K. was successful in passing the EBA's stress test with CET 1 ratios of 11.9% for the baseline scenario and 8.5% for the adverse scenario. Both results were at least 50% higher than the minimum targets set by the ECB. As a result of the asset quality review, BAWAG P.S.K. had a 21bps adjustment which was significantly lower than the Austrian peer average of 95bps.

### **Key Business Highlights**

BAWAG P.S.K. continued to successfully execute on its business plans in the first three quarters while maintaining a focus on providing competitive and innovative products to its customers. The Bank also further improved its cost structure and continued to strengthen its capital base.

**Retail Banking and Small Business** was a key driver for the Bank's strong results. Core revenues increased by 14% driven by positive developments in NII and NCI, up 16% and 10% respectively. Consumer loan volume successfully grew by 11% to EUR 1.93 billion in a shrinking Austrian market. Our market share increased to 9%, up 100bps since year-end 2013. Funding costs continue to decrease as we focus on reducing our non-core funding, re-pricing initiatives and shifting our deposit mix. The direct banking subsidiary *easybank* continued its strong performance opening 35,000 new customer accounts in the first nine months 2014.

**Corporate Lending and Investments** continued to strengthen its operating leverage by reducing its operating expenses by 16%. Austrian corporate new lending volumes rose by 34% versus the first three quarters 2013. The new business volume in our core international business of EUR 2.7 billion reflected a mix of investment grade security purchases combined with a continued portfolio diversification. Low risk costs of EUR 21 million and a NPL ratio of 1.87% for the first nine months 2014 in this segment reflect positive impacts from our de-risking actions of the previous periods.

**Treasury Services and Markets** reported net interest income up 3%, operating income up 24% and a decrease of operating expenses of 41% due to an improved operating efficiency. Selective new investments and strategic sales supported the segment's strong performance. The total investment portfolio amounted to EUR 5.8 billion with an average duration of 3.8 years. 100% of the securities are investment grade, of which 85% were rated single A or higher. The geographic mix of the portfolio is quite diverse with no direct exposure to Russia, CIS, Hungary or South-Eastern Europe in the securities portfolio.

### About BAWAG P.S.K.

BAWAG P.S.K. is one of Austria's largest retail banking institutions with 1.6 million customers and a well recognized national brand. The Bank focuses on three business segments: ***Retail Banking and Small Business*** include lending, savings, payment, card, investment and insurance services for private and small business customers. Austrian corporate lending activities and other fee-driven financial services as well as international activities are managed within the ***Corporate Lending and Investments*** segment. The majority of the Bank's lending activities are within Austria. The international business is focused on corporate and commercial real estate financing primarily in Western Europe. ***Treasury Services and Markets*** includes all activities associated with providing trading and investment services for the Group's treasury activities and the management of the Bank's portfolio of financial securities.

BAWAG P.S.K.'s target is a capital efficient, low risk and low leverage business model while being the most efficient, centrally managed bank across Austria. Delivering competitive, transparent and simple products and services to our customers is the core of our strategy.

BAWAG P.S.K.'s Investor Relations website <http://www.bawagpsk.com/BAWAGPSK/IR/EN> contains further information about the Bank, including financial and other information for investors.

BAWAG P.S.K. contacts:

***Financial Community:***

Sat Shah (Chief Administrative & Strategy Officer)

Tel: +43 (0) 5 99 05- 33050

E-mail: [investor.relations@bawagpsk.com](mailto:investor.relations@bawagpsk.com)

***Media:***

Sabine Hacker (Head of Communications)

Tel: +43 (0) 5 99 05-31210

E-mail: [presse@bawagpsk.com](mailto:presse@bawagpsk.com)

This text can also be downloaded from our homepage:

<http://www.bawagpsk.com>

## Profit or Loss Statement

in EUR million	Q3 2014	Q3 2013	Change (%)	Jan-Sep 2014	Jan-Sep 2013	Change (%)
Interest income	274.4	293.6	(6.5)	814.3	829.4	(1.8)
Interest expense	(96.3)	(133.9)	(28.1)	(315.1)	(417.5)	(24.5)
Dividend income	1.4	(0.1)	–	5.8	7.1	(18.3)
<b>Net interest income</b>	<b>179.6</b>	<b>159.6</b>	<b>12.5</b>	<b>505.0</b>	<b>419.1</b>	<b>20.5</b>
Fee and commission income	71.8	65.4	9.8	230.6	217.0	6.3
Fee and commission expenses	(25.0)	(22.8)	9.6	(76.7)	(76.3)	0.5
<b>Net fee and commission income</b>	<b>46.8</b>	<b>42.6</b>	<b>9.9</b>	<b>153.8</b>	<b>140.7</b>	<b>9.3</b>
<b>Core revenues</b>	<b>226.4</b>	<b>202.2</b>	<b>12.0</b>	<b>658.9</b>	<b>559.8</b>	<b>17.7</b>
Gains and losses on financial instruments <sup>1)</sup> and other operating income and expenses <sup>2)</sup>	10.7	39.5	(72.9)	61.4	156.4	(60.7)
<b>Operating income</b>	<b>237.1</b>	<b>241.8</b>	<b>(1.9)</b>	<b>720.3</b>	<b>716.2</b>	<b>0.6</b>
<b>Operating expenses</b>	<b>(124.5)</b>	<b>(165.3)</b>	<b>(24.7)</b>	<b>(375.1)</b>	<b>(465.7)</b>	<b>(19.5)</b>
Bank levy	(6.2)	(6.4)	(3.1)	(18.5)	(19.0)	(2.6)
<b>Operating profit</b>	<b>106.4</b>	<b>70.1</b>	<b>51.8</b>	<b>326.7</b>	<b>231.5</b>	<b>41.1</b>
Provisions and loan-loss provisions	(14.7)	(6.5)	>100	(52.2)	(61.9)	(15.7)
Impairment losses	0.0	(0.1)	(100)	0.0	(8.5)	(100)
Share of the profit or loss of associates accounted for using the equity method	1.3	(0.5)	–	0.4	(1.9)	–
<b>Profit before tax</b>	<b>93.0</b>	<b>63.0</b>	<b>47.6</b>	<b>275.0</b>	<b>159.2</b>	<b>72.7</b>
Income taxes	(4.5)	(0.7)	>100	(10.8)	(2.5)	>100
<b>Profit after tax</b>	<b>88.5</b>	<b>62.3</b>	<b>42.1</b>	<b>264.1</b>	<b>156.8</b>	<b>68.4</b>
Non-controlling interests	0.0	0.4	(100)	(0.6)	(1.0)	40.0
<b>Net profit</b>	<b>88.5</b>	<b>61.9</b>	<b>43.0</b>	<b>263.5</b>	<b>155.8</b>	<b>69.1</b>

1) Excluding valuation results attributable to shareholders of non-controlling interests. Compared to the profit or loss statement presented in the Consolidated Interim Financial Statements according to IFRS, the item gains and losses on financial instruments is EUR 2.7 million lower (Jan–Sep 2013: EUR 0.0 million). Accordingly, the item profit after tax presented above is EUR 2.7 million lower (Jan–Sep 2013: EUR 0.0 million) than the profit after tax presented in the Consolidated Interim Financial Statements according to IFRS.

2) In accordance with IFRS, the item other operating income and expenses also includes the bank levy in the amount of EUR 18.5 million for the first three quarters 2014. However, the Bank's management considers the bank levy as a separate expense. Accordingly, it is shown in a separate expense line in the Interim Group Management Report.

**Total Assets**

in EUR million	Sep 2014	Dec 2013	Change (%)	Sep 2013	Change (%)
Cash reserves	553	481	15.0	370	49.5
Financial assets	7,782	7,733	0.6	8,705	(10.6)
Available-for-sale	4,061	5,126	(20.8)	5,800	(30.0)
Held-to-maturity	1,962	773	>100	871	>100
Held for trading	1,199	1,081	10.9	1,228	(2.4)
Fair value through profit or loss	561	753	(25.5)	805	(30.3)
Loans and receivables	25,438	27,256	(6.7)	26,424	(3.7)
Customers	21,997	20,980	4.8	21,408	2.8
Debt instruments	2,120	2,485	(14.7)	2,766	(23.4)
Credit institutions	1,321	3,791	(65.2)	2,250	(41.3)
Hedging derivatives	489	164	>100	118	>100
Tangible non-current assets	80	85	(5.9)	172	(53.5)
Intangible non-current assets	98	142	(31.0)	159	(38.4)
Tax assets for current taxes	6	5	20.0	6	-
Tax assets for deferred taxes	238	245	(2.9)	233	2.1
Other assets	113	291	(61.2)	363	(68.9)
Assets held for sale	68	0	100	0	100
<b>Total assets</b>	<b>34,866</b>	<b>36,402</b>	<b>(4.2)</b>	<b>36,551</b>	<b>(4.6)</b>

**Total Liabilities and Equity**

in EUR million	Sep 2014	Dec 2013	Change (%)	Sep 2013	Change (%)
<b>Total liabilities</b>	<b>32,507</b>	<b>33,604</b>	<b>(3.3)</b>	<b>33,725</b>	<b>(3.6)</b>
Financial liabilities	31,144	32,488	(4.1)	32,611	(4.5)
Fair value through profit or loss	1,952	2,968	(34.2)	3,069	(36.4)
Held for trading	1,213	1,298	(6.5)	1,502	(19.2)
At amortized cost	27,979	28,222	(0.9)	28,040	(0.2)
Customers	20,603	22,013	(6.4)	21,518	(4.3)
Issued securities	4,467	4,563	(2.1)	4,331	3.1
Credit institutions	2,561	1,646	55.6	1,965	30.3
Financial liabilities associated with transferred assets	348	0	100	226	54.0
Valuation adjustment on interest rate risk hedged portfolios	163	(2)	-	(5)	-
Hedging derivatives	150	126	19.0	107	40.2
Provisions	503	504	(0.2)	519	(3.1)
Tax liabilities for current taxes	0	1	(100)	1	(100)
Tax liabilities for deferred taxes	9	10	(10.0)	13	(30.8)
Other obligations	535	477	12.2	478	11.9
Obligations in disposal groups held for sale	5	0	100	0	100
<b>Total equity</b>	<b>2,359</b>	<b>2,798</b>	<b>(15.7)</b>	<b>2,826</b>	<b>(16.5)</b>
Shareholders' equity	2,359	2,053	14.9	1,932	22.1
Participation capital	0	350	(100)	500	(100)
Non-controlling interests	0	395	(100)	395	(100)
<b>Total liabilities and equity</b>	<b>34,866</b>	<b>36,402</b>	<b>(4.2)</b>	<b>36,551</b>	<b>(4.6)</b>

## Key Performance Indicators over Five Quarters

	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
<i>(figures annualized)</i>					
Return on equity	15.3%	17.0%	15.0%	14.7%	13.0%
Return on tangible equity	16.2%	18.2%	16.1%	15.9%	14.3%
Return on risk-weighted assets	2.09%	2.25%	1.94%	1.76%	1.40%
Return on total assets	1.02%	1.10%	0.90%	0.80%	0.66%
Net interest margin	2.07%	2.00%	1.73%	1.77%	1.71%
Business net interest margin	2.35%	2.30%	2.19%	2.15%	2.17%
Cost-income ratio	52.5%	49.9%	53.9%	67.7%	68.4%
Risk costs / loans and receivables	0.23%	0.28%	0.29%	0.41%	0.10%

## Business Segment Performance

in EUR million	Retail Banking and Small Business		Corporate Lending and Investments		Treasury Services and Markets		Corporate Center		Total	
	Jan-Sep 2014	Jan-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Sep 2014	Jan-Sep 2013
Net interest income	294.6	253.9	151.6	149.9	39.5	38.3	19.3	(23.1)	505.0	419.1
Net fee and commission income	125.5	114.4	31.7	38.7	0.0	0.5	(3.3)	(12.8)	153.8	140.7
Core revenues	420.1	368.3	183.3	188.6	39.5	38.8	16.0	(35.9)	658.9	559.8
Gains and losses on financial instruments	0.8	35.5	3.3	7.9	21.4	10.3	23.4	98.7	48.9	152.4
Other operating income and expenses	2.3	1.0	0.0	0.2	0.0	0.0	10.2	2.8	12.6	4.0
Operating income	423.3	404.9	186.6	196.7	60.8	49.1	49.6	65.6	720.3	716.2
Operating expenses	(267.2)	(314.8)	(58.2)	(69.0)	(16.2)	(27.3)	(33.6)	(54.5)	(375.1)	(465.7)
Bank levy	-	-	-	-	-	-	(18.5)	(19.0)	(18.5)	(19.0)
Total risk costs	(32.0)	(27.9)	(21.0)	(42.3)	0.0	0.0	0.7	(0.3)	(52.2)	(70.4)
Share of the profit or loss of associates accounted for using the equity method	-	-	-	-	-	-	0.4	(1.9)	0.4	(1.9)
Profit before tax	124.1	62.2	107.4	85.4	44.6	21.7	(1.2)	(10.1)	275.0	159.2
Income taxes	-	-	-	-	-	-	(10.8)	(2.5)	(10.8)	(2.5)
Profit after tax	124.1	62.2	107.4	85.4	44.6	21.7	(12.0)	(12.6)	264.1	156.8
Non-controlling interests	-	-	-	-	-	-	(0.6)	(1.0)	(0.6)	(1.0)
Net profit	124.1	62.2	107.4	85.4	44.6	21.7	(12.7)	(13.5)	263.5	155.8
<b>Business volumes (in EUR billion)</b>										
Assets	9.6	9.5	14.1	13.9	5.8	5.4	5.3	7.8	34.9	36.6
Risk-weighted assets	3.6	3.3	8.0	7.7	2.0	1.4	3.5	4.9	17.1	17.3