



BAWAG Group

COMPANY PROFILE

One of Austria's leading retail banks with **2.5 million customers & solid market shares**

FY '18: €573m profit before tax ... €437m net profit ... 14% RoTCE ... CIR 44%

Focused on developed markets (DACH, Western Europe & USA)

Organic & inorganic growth in DACH region

One of the most profitable and efficient banking groups in Europe

Simple & consistent product offering across channels

Fortress balance sheet ... low NPL ratio, solid capital ratios & retail deposit funding)

72%
customer loans
in DACH

9
acquisitions
in DACH region

A2
rating
Moody's

CAPITAL MANAGEMENT



Focused on **organic** and **inorganic growth**

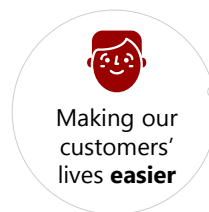


Dividend policy of **50% payout ratio**



Committed to returning excess capital to **shareholders**

OUR STRATEGY



TARGETS

Metrics		2019	2020
Profit before tax	CAGR	>6%	>6%
	Absolute	>€600m	>€640m
Cost-income ratio		<43%	<40%
Return on Tangible Common Equity		15% to 20%	
CET1 ratio (FL)		12% to 13%	
EPS (before capital action)	pre-tax	>€6.00	>€6.40
	post-tax	>€4.50	>€4.80

H1 '19 Results

Strong fundamentals across the Group



PROFITABILITY

€287m

Profit before tax (+6% vPY)

14%

Return on Tangible
Common Equity

43%

Cost-income ratio

CAPITAL

15.1%

CET1 Ratio

16.6%

Tier1 ratio

18.9%

Total capital ratio

RISK

1.8%

NPL ratio

1.2%

NPL ratio excluding City of Linz

14bps

Risk-cost ratio

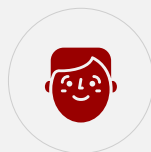
Strategy

4 pillars of our growth strategy



Growing in our **core markets**

- Our core market is Austria and the DACH region / developed markets
- DACH region provides solid and stable macroeconomic backdrop
- Grow into our current account market share entitlement of 15-20% for core products in Austria
- Main focus:
 - ... expand strategic partnerships
 - ... establish a niche presence in Germany & Switzerland
 - ... pursue inorganic growth with focus on Retail & SME franchise



Making our customers' lives **easier**

- Execute on *Concept 21*:
 - ... redefined branch network to focus on high-touch advisory
 - ... access to an entire range of products and services when and where you want
- Leverage new and existing technologies to understand our customers' needs, manage their finances and reduce complexity
- Enhance computing and analytical capabilities to improve customer experience



Drive efficiency thru **operational excellence**

- Our DNA is to focus on the things that we control ... "self-help" approach
- Standardizing our online and offline product offerings
- Create frictionless processes as part of digitization drive across the Bank
- We optimize our processes, footprint and technology infrastructure constantly
- Embrace various forms of technological change ... will transform banking



Maintaining a **safe and secure risk profile**

- Our business strategy is based on maintaining a strong capital position, stable retail deposits and a low risk profile
- Focus on mature, developed and sustainable markets
- Applying conservative and disciplined underwriting in markets we understand

Bank transformation

Focusing on things we control and driving operational excellence

KEY METRICS

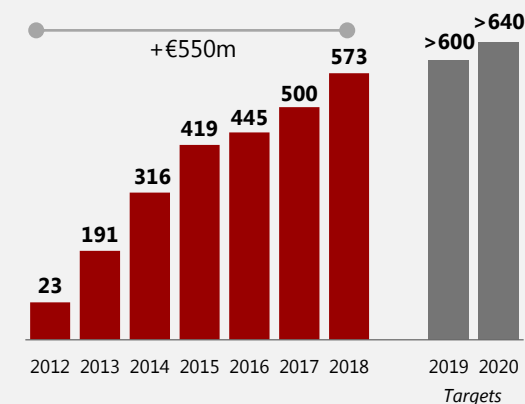
	2012	2013	2014	2015	2016	2017	2018
RoTCE	3%	11%	15%	16%	17%	15%	14%
RoTCE (@12% CET1)	1%	8%	14%	16%	19%	18%	17%
C/I ratio	70%	68%	54%	48%	46%	47%	44%
CET1 (FL) post dividend	6.2%	9.4%	12.2%	12.3%	13.6%	13.5%	14.5%
NPL ratio	3.5%	2.5%	2.0%	1.9%	1.7%	1.8%	1.7%
Assets (€b)	41.5	36.6	34.9	35.7	39.7	46.1	44.7

KEY TOPICS

- ✔ Structurally **fixed cost base**
- ✔ Focus on **simple core products**
- ✔ **Exited CEE** exposure & non-core assets ... focus on core markets Austria & DACH
- ✔ **Discontinued trading activities**
- ✔ **Increased profitability** despite low interest rates
- ✔ More than **doubled CET1** ratio
- ✔ **Distributed €635m in dividends paid between 2016 and 2018**
- ✔ Completed **9 acquisitions** in DACH region since 2015

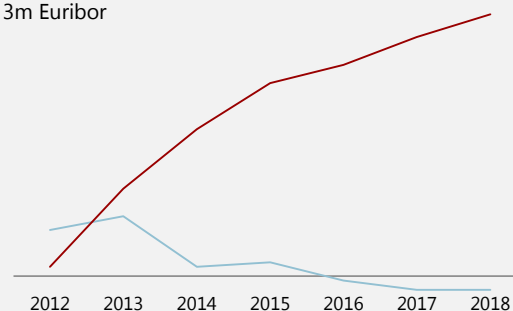
Increased profitability ...

Pre-tax profit (€ millions)



... without relying on interest rates

- Pre-tax profit
- 3m Euribor



Business segments

Developing towards a Retail & SME franchise in the DACH region

Retail & SME Business

2.5 million

Customers in DACH region with core foundation in Austria and niche player in Germany and Switzerland

Focus on

- current accounts
- credit cards
- mortgages
- consumer loans
- auto and equipment leasing
- factoring
- SME lending

Strategic priorities

- *Concept 21*: Transforming to stand-alone branch network in Austria
- Driving strategic retail partnerships ... customer acquisition channel
- Mid-&-back office digitization as the key enabler for roll-out of simple & easy-to-use digital products across the value chain
- Focus on enhancing data analytics to better serve our customers



Corporates & Public Business

- Focus on developed markets ... DACH region, Western Europe & the United States
- Disciplined & conservative corporate & asset backed lending
- Austrian public sector lending, payments provider for the Republic of Austria

Simplified business focus

- Term loans, payments, and working capital facilities
- Focus on risk-adjusted returns versus volume growth
- Diversified portfolio in regards to asset class and geographies
- Focus on originate-to-sell for public sector assets





















Note: % indicates share of segment to customer segments' profit before tax

Proven M&A track record

Experienced with bolt-on acquisitions to build out customer franchise

Acquisition track record

Closed Q2 '19	 	€0.1b assets, €1b factoring new volume 3k customers
Closed Q1 '19	 	
Closed Q2 '19	 	€0.6b assets 50k customers
Closed Q3 '18	 	€0.5b assets 85k customers
Closed 2017	 	€7.4b assets 100k customers
Closed 2017	 	1.7m cards, >500k customers
Closed 2016	 	€2b assets 500k customers
Closed 2016	 	€1.6b assets 5k customers
Closed 2015	 	€0.7b assets 50k customers

Recent developments

- ✓ Continued focus on companies within the DACH region, often with Balance Sheets within a range of €1-10b
- ✓ Assessing Banks, specialty finance companies, performing loan portfolios and Fintechs
- ✓ Primary focus: Mortgages, Consumer, Leasing, Factoring, Credit Cards, SMEs and Private Banking
- ✓ Targeting companies with turnaround potential through cost-reduction and simplification strategies

Closing of latest bolt-on acquisitions

- ✓ Expansion into Germany (leasing & factoring) & Switzerland (factoring), healthcare financial services
- ✓ De-minimis impact in 2019 / 2020 ... targeting Group returns >15% RoTCE, adding €25m+ of PBT in 2021

2019 – 2020 Plan

Key business drivers

BASIS FOR >6% PBT GROWTH TARGETS

1

Grow core retail products in Austria ... niche player in Germany and Switzerland



Grow into our current account market share entitlement of 15-20% in e.g. consumer, housing, SME, auto ... through partnerships / digital and growing share of wallet of existing customers

2

Proactive move towards technology company infrastructure



Design open architecture and new distribution channels ... unlock efficiencies and drive new partnerships

3

Drive efficiencies through process & branch network optimization



Execute on *Concept 21* ... deliver on branch network transformation, continue digital platform enhancements

4

Maintain fortress balance sheet and disciplined underwriting approach



Stay disciplined and focus on risk adjusted returns

5

Pursue M&A growth ... focus on Retail & SME franchise, strategic fit & valuation



Completed nine acquisitions ... active evaluation of new opportunities

6

Interest rate sensitivities ... assuming static rate environment in targets



+/-25bps parallel shift in interest rates = +/-€30m NII over 2 years

Targets

On track to meet Full Year targets

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Profit before tax	CAGR	> 6%	> 6%
	Absolute	> €600m	> €640m
Cost-income ratio		< 43%	< 40%
Return on Tangible Common Equity		15% to 20%	
CET1 ratio (FL) ¹⁾		12% to 13%	
Earnings per share (EPS) before capital actions	pre tax	> €6.00	> €6.40
	post tax	> €4.50	> €4.80

1) Exceeds regulatory minimum capital requirements for 2019 of 10.3% FL + Pillar 2 guidance (P2G) of 1% CET1 (P2R and P2G remained stable year-over-year); EPS before deduction of AT1 dividend.



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