

# **Q1 2020 Earnings**

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27 April 2020

# Dealing with an unprecedented crisis

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## TAKING CARE OF OUR EMPLOYEES

**Task force established end of February ...**  
operational continuity, health and safety

~75% **employees** working from home

**Parental support** for childcare, flexible work  
hours and "special leave"

**Infrastructure** prepared for extended home  
office work ... both equipment and tools  
enhanced

Managing Board waived 2019 & any potential  
2020 **bonuses** ... special reward program for  
front-line employees

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## SUPPORTING OUR CUSTOMERS & LOCAL COMMUNITIES

**100% of branches open** in Austria and Germany

Customers were encouraged to use **online  
channels or telephone banking** to reduce  
branch visits to a minimum

**Proactively engaging with customers** to  
support them during this situation ... "take-care"  
outreach calls to address any questions and  
supporting on banking app/mobile banking

**New online processes** to adjust to new  
customer requirements ... online process for  
payment holiday with automated back-office ...  
online SME loan

Increased staffing of **call centers and  
collections**

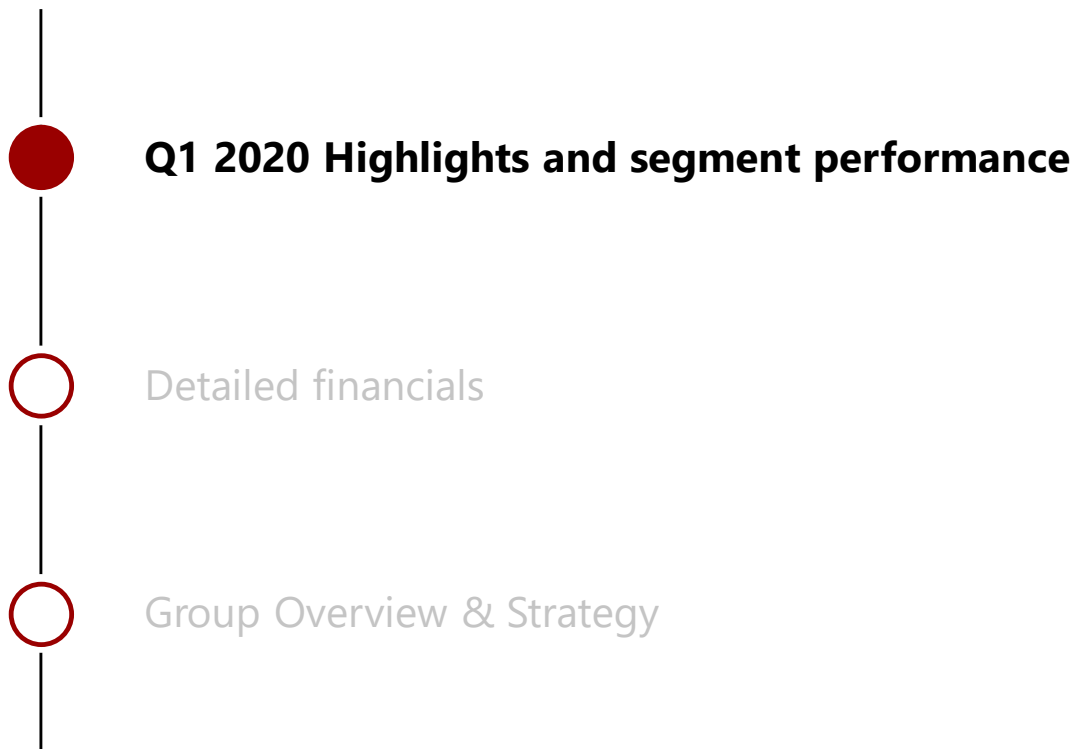
**Supporting the real economy** in Austria,  
Germany, Switzerland and other markets we  
operate in

**Austria and Germany established stimulus  
packages** ... proactive outreach program in  
local communities

Transparency and proactive communication  
on stimulus packages for our SME & corporate  
clients

**Extending loans to SMEs for various  
government programs**

Avoided the direct use of any government  
furlough, employee subsidy or special  
assistance programs



# Highlights Q1 2020

## EARNINGS

Net Profit of €61m, EPS of €0.69, and RoTCE 9.1%

**Pre-provision profit of €171m and CIR 42%**

Significant items: **incremental general reserve** build in Retail & SME segment of €25m in Q1 '20  
Q1 '20 accounting for **85% of full-year regulatory charges**

## BALANCE SHEET & CAPITAL

**Customer loan growth +2% Q-o-Q and +3% Y-o-Y**

CET1 ratio (post dividend) at 12.7% end of March 2020

Full year 2019 and Q1 '20 **dividend deducted from capital (~€260m)**

Dividend distributions pending guidance from ECB/regulators prior to October 1, 2020

## OUTLOOK

**2020 targets withdrawn** due to uncertainty during COVID-19-crisis

Postponed AGM to Q4 '20 and Capital Markets Day to H1 '21

**Committed to medium-term targets: RoTCE > 15% and CIR < 40%**

# Financial performance

## Key highlights



<b>P&amp;L</b>   € millions	<b>Q1 '20</b>	<b>Q1 '19</b>	<b>vPY</b>	<b>Q4 '19</b>	<b>vPQ</b>
Core revenues	292	287	2%	294	(1%)
Operating income	296	298	(1%)	314	(6%)
Operating expenses	(125)	(126)	(1%)	(134)	(7%)
<b>Pre-provision profit</b>	<b>171</b>	<b>172</b>	<b>(1%)</b>	<b>180</b>	<b>(5%)</b>
Regulatory charges	(36)	(34)	6%	(3)	> 100%
Risk costs	(55)	(12)	362%	(25)	120%
<b>Profit before tax</b>	<b>81</b>	<b>127</b>	<b>(37%)</b>	<b>154</b>	<b>(48%)</b>
<b>Net profit</b>	<b>61</b>	<b>97</b>	<b>(37%)</b>	<b>116</b>	<b>(47%)</b>

<b>Ratios</b>					
RoTCE	9.1%	12.9%	(3.8pts)	16.0%	(6.9pts)
CIR	42.3%	42.4%	(0.1pts)	42.6%	(0.3pts)
Risk cost ratio	0.58%	0.13%	0.5pts	0.27%	0.3pts

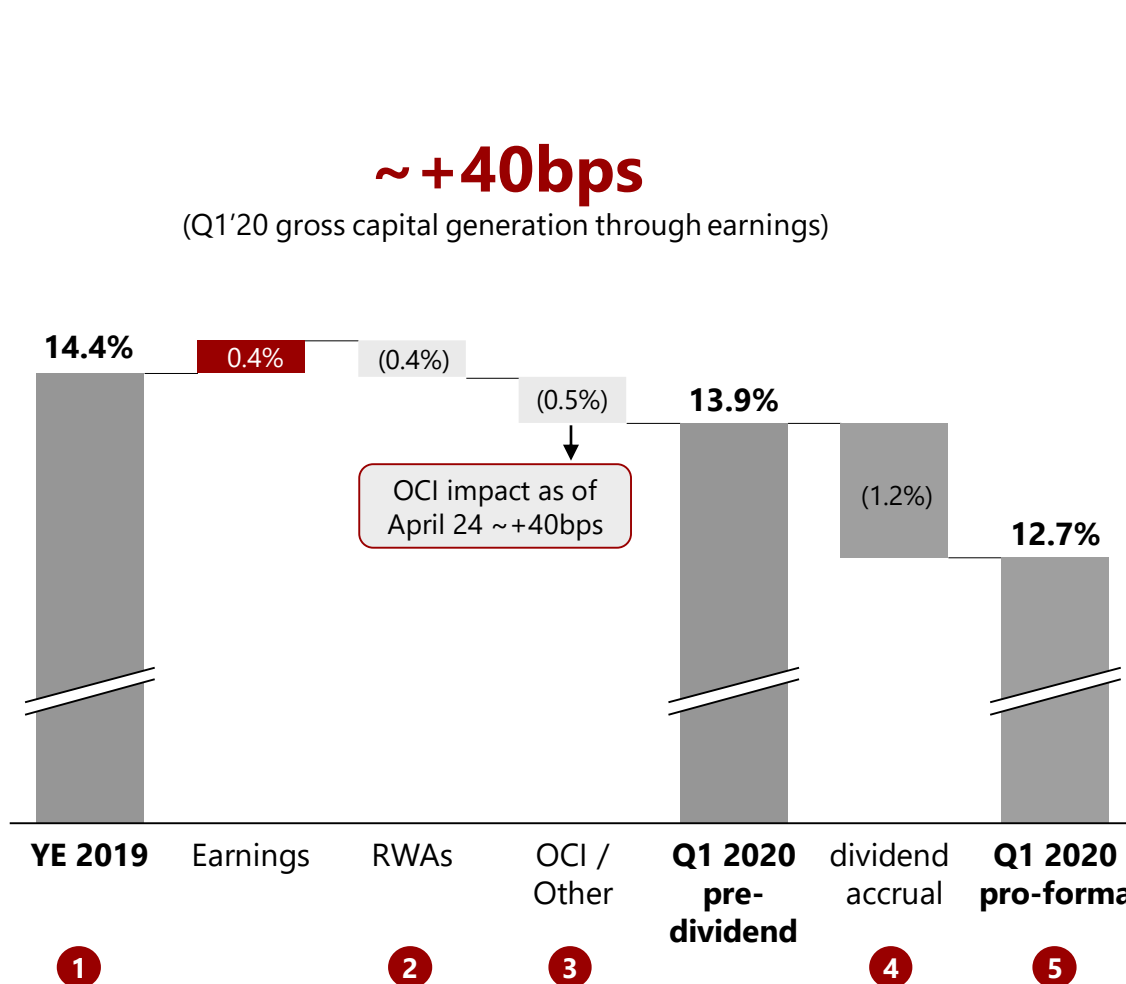
<b>Normalized</b>					
Net profit	81	115	(29%)	111	(27%)
RoTCE	11.9%	15.3%	(3.4pts)	15.4%	(3.5pts)

<b>Balance Sheet &amp; Capital</b>   € millions	<b>Q1 '20</b>	<b>Q4 '19</b>	<b>vPQ</b>
Total assets	46,510	45,662	2%
Customer loans	31,110	30,467	2%
Securities and bonds	6,793	5,353	27%
Customer deposits	29,632	30,378	(2%)
Common Equity	3,240	3,297	(2%)
Tangible Common Equity	2,675	2,728	(2%)
CET1 Capital	2,648	2,705	(2%)
Risk-weighted assets	20,878	20,385	2%
<b>CET1 Ratio (post dividend)</b>	<b>12.7%</b>	<b>13.3%</b>	<b>(0.6pts)</b>
Liquidity Coverage Ratio	135%	146%	(11pts)
Leverage ratio	6.3%	6.5%	(0.2%)

<b>Per share data</b>	<b>Q1 '20</b>	<b>Q1 '19</b>	<b>vPY</b>	<b>Q4 '19</b>	<b>vPQ</b>
Earnings (€)	0.69	0.98	(29%)	1.19	(42%)
Book value (€)	36.84	35.86	3%	37.49	(2%)
Tangible book value (€)	30.41	30.39	-	31.02	(2%)

# Capital development ... CET1 ratio (FL)

Strong capital position



- 1 YE '19 CET1 ratio excluding dividend at 14.4%
- 2 RWA up 2% driven by net asset increase
- 3 OCI/Other: primarily related to widening credit spreads negatively impacting OCI
- 4 **Dividend deduction of 120bps (€260m):**
  - FY 2019 dividend ~€230m and
  - Q1 '20 dividend accrual of ~€30m per dividend policy (50% of net profit)
- 5 Pro-forma CET1: Assuming dividend payments

**Capital ratios do not reflect any permanent or temporary capital relief changes or measures announced**

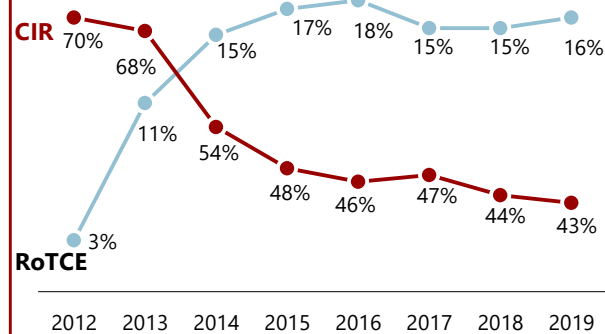
# Main pillars of BAWAG Group

We entered the crisis in a strong position

## RESILIENT BUSINESS MODEL

- > Strategic transformation since 2012
- > Focus on developed markets with Austria as our core and foundation
- > Highly cash-capital generating business model with ~230bps CET1 thru 2019

## EFFICIENT & HIGH-RETURN BUSINESS MODEL



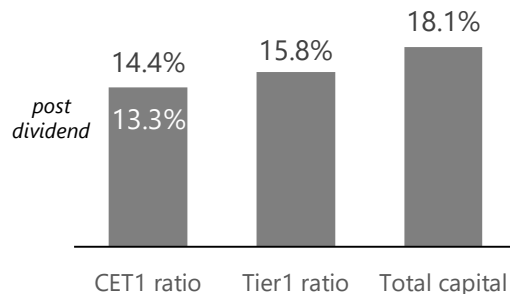
## STRONG FUNDING & LIQUIDITY

- > Strong customer deposit base ... represent more than 2/3 of funding
- > Comfortable maturity profile of own issuances
- > No need for funding in 2020 if conditions are not favorable
- > Liquidity coverage ratio of 135% ... short-term liquidity buffer of €7.3b

## STRONG CAPITAL POSITION

As of Dec 2019, pre-dividend

RWA Density: 45%

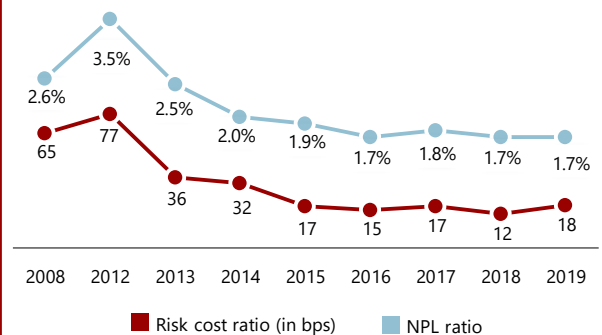


## SOLID ASSET QUALITY and DISCIPLINED UNDERWRITING

- > Conservative risk appetite and revamped risk organization since 2012
- > Disciplined underwriting in corporates and real estate ... focus on risk-adjusted returns
- > No relevant exposure to CEE or emerging markets
- > No operations with elevated AML risk

## NON-PERFORMING LOANS

developments since financial crisis

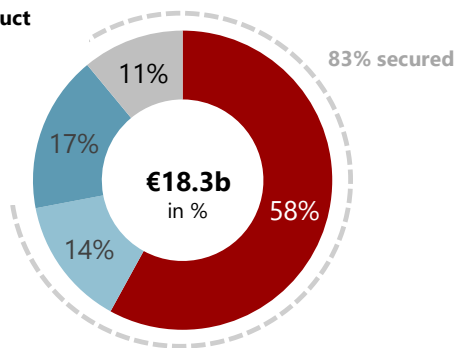


# Customer businesses €31.8 billion

As of March 2020

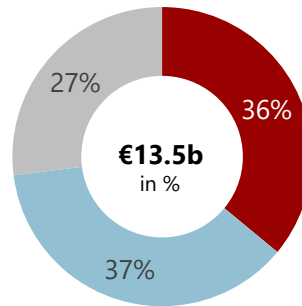
## RETAIL & SME

By product



■ Housing loans ■ Consumer & SME (secured)  
■ Consumer & SME (unsecured) ■ Portfolios

## CORPORATES & PUBLIC



■ Corporate lending ■ Asset backed lending  
■ Public clients

## CUSTOMER BUSINESSES

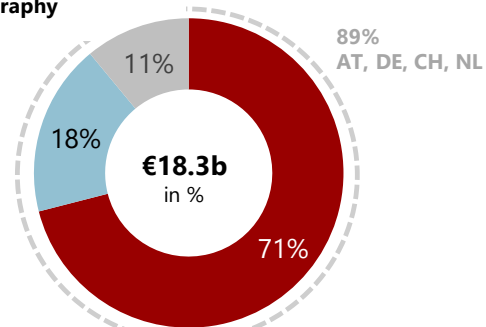
€31.8 billion of which ...

**75%**  
Secured or public  
sector lending

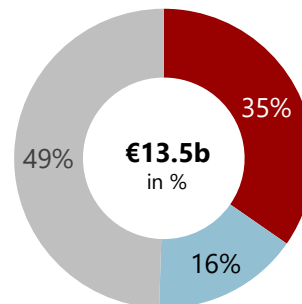
**73%**  
Lending in  
AT, DE, CH, NL

**27%**  
Western Europe &  
USA

By geography



■ AT ■ DE, CH, NL ■ Western Europe / Other



■ AT ■ DE, CH, NL ■ Western Europe / USA



## Financial performance

€ millions	Q1 '20	Q1 '19	vPY	Q4 '19	vPQ
Core revenues	229.9	208.5	10%	223.4	3%
Net interest income	168.1	147.0	14%	163.6	3%
Net commission income	61.8	61.6	0%	59.9	3%
Operating income	232.4	208.9	11%	224.2	4%
Operating expenses	(90.1)	(87.1)	3%	(90.3)	(0%)
<b>Pre-provision profit</b>	<b>142.3</b>	<b>121.8</b>	<b>17%</b>	<b>133.9</b>	<b>6%</b>
Regulatory charges	(25.2)	(23.2)	9%	(1.7)	> 100%
Risk costs	(42.2)	(15.2)	178%	(25.9)	63%
<b>Profit before tax</b>	<b>74.9</b>	<b>83.5</b>	<b>(10%)</b>	<b>106.4</b>	<b>(30%)</b>
<b>Net profit</b>	<b>56.2</b>	<b>62.6</b>	<b>(10%)</b>	<b>79.8</b>	<b>(30%)</b>

## Customer development

€ millions	Q1 '20	Q1 '19	vPY	Q4 '19	vPQ
Housing loans	10,672	10,200	5%	10,429	2%
Consumer and SME	5,588	4,634	21%	5,608	(0%)
thereof secured portfolio	2,485	1,844	35%	2,406	3%
Portfolios	2,048	2,024	1%	2,118	(3%)
thereof: UK & French mortgage portfolio	1,619	2,024	(20%)	1,762	(8%)
<b>Total assets</b>	<b>18,308</b>	<b>16,858</b>	<b>9%</b>	<b>18,155</b>	<b>1%</b>
<b>Total assets (average)</b>	<b>18,217</b>	<b>16,818</b>	<b>8%</b>	<b>18,006</b>	<b>1%</b>
<b>Customer deposits</b>	<b>24,124</b>	<b>23,963</b>	<b>1%</b>	<b>24,848</b>	<b>(3%)</b>

Pre-tax profit down 10% vPY impacted by rising risk costs ... net asset growth +9% vPY and +1% vPQ

Pre-provision profit +17% vPY ... Strong underlying performance ... core revenues +10% vs. costs +3%

Risk costs of €42m in the quarter ... up 2.8x times prior year driven by general reserve build to proactively and prudently address COVID-19 impacts on the business

Transforming the business ... under 100 branches across the Group with 88 in Austria and 11 in Germany ... upgraded branch network and focused on growth thru digital engagement, platforms and partners

**18.3%** (1.7pts) | **38.8%** (2.9pts)  
Q1 '20 RoTCE vPY | Q1 '20 CIR vPY

**1.9%** (0.1pts)  
NPL ratio vPY

# Retail & SME

Portfolio overview of €18.3b of customer loans and leases

<u>Credit profile</u>	Assets Q1 '20 (€b)	LTV	NPL ratio	Total reserves YE '19 (€m)	Reserve ratio YE '19	Total reserves Q1 '20 (€m)	Reserve ratio Q1 '20
Consumer & SME (Unsecured)	3.2	n/a	2.0%	75	2.39%	99	3.14%
Consumer & SME (Secured)	2.5	57%	2.4%	37	1.52%	41	1.67%
Housing and Portfolios (secured)	12.7	55%	1.8%	63	0.49%	64	0.50%
<b>Total Retail &amp; SME</b>	<b>18.3</b>	<b>56%</b>	<b>1.9%</b>	<b>176</b>	<b>0.96%</b>	<b>204</b>	<b>1.11%</b>
thereof secured	15.2	56%	1.9%	100	0.66%	105	0.69%
thereof unsecured	3.2	n/a	2.0%	75	2.39%	99	3.14%

## Arrears and payment deferral

	Assets Q1 '20 (€b)	% 1-90 dpd	% 90+ dpd	% of balances with payment deferral <i>status as of 22 April</i>
Consumer & SME (Unsecured)	3.2	2.8%	3.1%	4.1%
Consumer & SME (Secured)	2.5	2.4%	2.4%	5.1%
Housing and Portfolios (secured)	12.7	0.4%	0.7%	3.8%
<b>Total Retail &amp; SME</b>	<b>18.3</b>	<b>1.1%</b>	<b>1.4%</b>	<b>4.0%</b>
thereof secured	15.2	0.7%	1.0%	4.0%
thereof unsecured	3.2	2.8%	3.1%	4.1%

- > Highly collateralized Retail & SME business (83%) ... primarily mortgages (84%) ... Unsecured lending primarily personal loans to primary banking customers (~80%)
- > Overall 90+ dpd of 1.0% for secured lending and 3.1% for unsecured lending
- > €25m general reserve booked in Q1 '20:
  - €14m related to updated macroeconomic forecasts (IMF) ... GDP forecast 2020 (6.5%) and 2021 +3.9% across markets we operate in
  - €11m primarily related to a general reserve on payment deferrals in case of increased roll rates of unsecured loans

# Business initiatives

Ongoing execution of strategic initiatives while responding real-time to customer needs

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## RESPONDING REAL-TIME TO CUSTOMER NEEDS

Full network and customer service channel availability: 100% of branches open without reduction in service hours ... full call center capacity available for customers throughout the disruption

Successfully adjusting product offering and services to the new situation:

- Enhanced information channels and availability
- Enhanced services for risk groups to minimize branch visits, e.g. cash delivery, special online services
- Established fully online functionalities for ... deferral applications, SME bridge loans
- Proactive "take-care" calls to customers to offer information on government support, offer online functionality help and awareness

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## CONTINUING ON EFFICIENCY MEASURES AND BUSINESS INITIATIVES

### AUSTRIA

- **Merger easybank into BAWAG P.S.K. completed in Q1 '20** to leverage efficiencies in back office and product offering ... "easybank" brand and direct bank value proposition will remain
- **Re-aligned product teams** to serve customers across brands ... drives efficiency with enhanced product differentiation and strategy
- **Ongoing enhancement of mobile banking platform** yielding results ... positive customer feedback supported by increased usage (logins, payments per user, new service features)
- **Initiatives to support securities and investment products** across channels (advisory and non-advisory) ... greater digital engagement ... introduction of *easybroker* (no fee trading product) and Savity online portfolio management

### INTERNATIONAL

- **Integration of 2019 acquisitions completed** ahead of schedule ... 2020 & beyond focus will be on growth & profitability once markets normalize
- **Subdued activity provides opportunity** across centralize activities sooner... included mid/back-office functions, home-office and technology optimization
- **Multiple new financing partnerships** in the pipeline with niche players (expecting multiple launches in as business activity normalizes)
- **Expanding factoring & leasing offerings** into new markets and industries ... crisis provides opportunity for customer outreach and new partnerships

## Financial performance

€ millions	Q1 '20	Q1 '19	vPY	Q4 '19	vPQ
Core revenues	69.1	76.3	(9%)	71.9	(4%)
Net interest income	58.4	64.7	(10%)	61.4	(5%)
Net commission income	10.7	11.6	(8%)	10.5	2%
Operating income	70.7	76.6	(8%)	73.3	(4%)
Operating expenses	(21.3)	(27.1)	(21%)	(22.3)	(4%)
<b>Pre-provision profit</b>	<b>49.4</b>	<b>49.5</b>	<b>(0%)</b>	<b>51.0</b>	<b>(3%)</b>
Regulatory charges	(6.5)	(7.1)	(8%)	(0.9)	> 100%
Risk costs	(11.9)	4.6	(359%)	(0.6)	1,883%
<b>Profit before tax</b>	<b>31.0</b>	<b>47.0</b>	<b>(34%)</b>	<b>49.4</b>	<b>(37%)</b>
<b>Net profit</b>	<b>23.3</b>	<b>35.3</b>	<b>(34%)</b>	<b>37.1</b>	<b>(37%)</b>

## Customer development

€ millions	Q1 '20	Q1 '19	vPY	Q4 '19	vPQ
Corporate lending	4,858	6,393	(24%)	5,188	(6%)
Asset backed lending	4,921	4,424	11%	4,602	7%
Public clients	3,675	3,108	18%	3,351	10%
<b>Total assets</b>	<b>13,454</b>	<b>13,925</b>	<b>(3%)</b>	<b>13,141</b>	<b>2%</b>
<b>Total assets (average)</b>	<b>13,088</b>	<b>14,301</b>	<b>(8%)</b>	<b>13,601</b>	<b>(4%)</b>
<b>Customer deposits</b>	<b>4,577</b>	<b>6,381</b>	<b>(28%)</b>	<b>5,019</b>	<b>(9%)</b>

Pre-tax profit down 34% vPY impacted by rising risk costs ... net asset growth +2% vPQ and down (3%) vPY driven by reduced corporate lending

Pre-provision profit flat vPY ... Core revenues down (9%) offset by reduction in costs of (21%)

Risk costs of €12m during the quarter driven by specific reserve of €10m for oil & gas exposure .. Total remaining oil & gas exposure of €22m

Maintaining disciplined underwriting ... Beginning to see opportunities with solid risk-adjusted returns

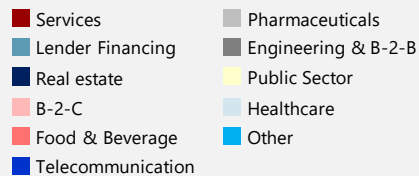
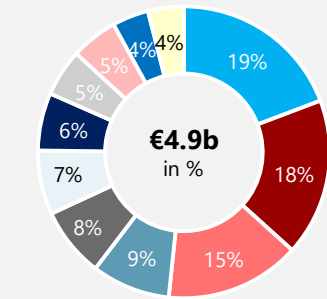
**11.1%** (1.7pts) | **30.1%** (5.3pts)  
Q1 '20 RoTCE vPY | Q1 '20 CIR vPY

**1.0%** (0.3pts)  
NPL ratio vPY

# Corporates & Public

Portfolio overview of €13.5 billion of customer loans

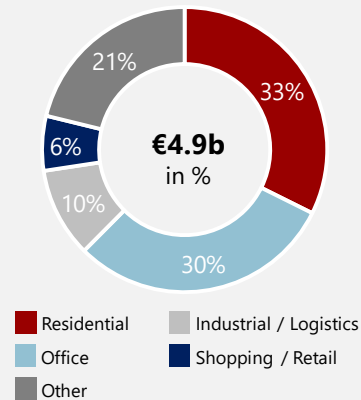
## CORPORATE LENDING



Cyclical sectors	Net book value (€m)	%share of	
		Corporate lending	Customer business
Shipping	34	0.70%	0.11%
Oil & Gas	22	0.45%	0.07%
Retailers	20	0.41%	0.06%
Hotels	15	0.31%	0.05%
Airlines	-	-	-
<b>Total</b>	<b>91</b>	<b>1.87%</b>	<b>0.29%</b>

## ASSET BACKED LENDING

### By underlying



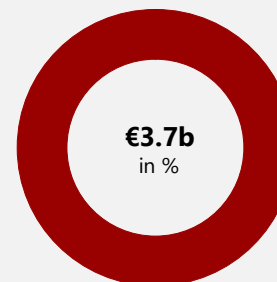
### Underwriting overview

Historically disciplined underwriting: Senior secured, day 1 LTC/V < 65%, and ICR > 2.0x

### Direct exposures to Retail and Hotels

- 8% exposure to Retail or Hotel on a stand-alone basis ... majority has interest reserve or free cashflow to pay interest for ~6 months
- Stand-alone loans have repaid on average ~25% of the initial loan balance with vintage primarily in 2017/ 2018
- Average equity balance of ~50%

## PUBLIC SECTOR



- Lending focused on Austrian municipalities, Federal States and Republic of Austria
- BAWAG P.S.K. is payments provider to Republic of Austria

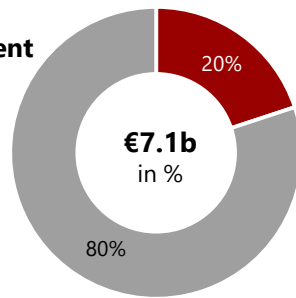
- Disciplined and conservative underwriting over the years focused on risk-adjusted returns and not chasing volume growth
- Total committed corporate credit lines of ~ €100m ... historically avoided committed lines as risk-adjusted returns were imbalanced
- Proactively managing higher-risk cyclical exposures ... €91m net book value ... account for 29bps of total customer loans

# Investment book and Cash

Deploying excess cash into high-quality securities

**YE 2019**

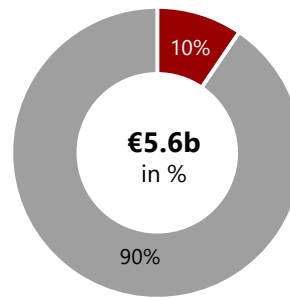
**Cash & Cash equivalent**



■ Cash ■ Cash equivalent

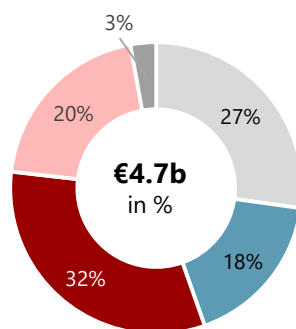
**€ (1.5b)**

**Q1 '20**



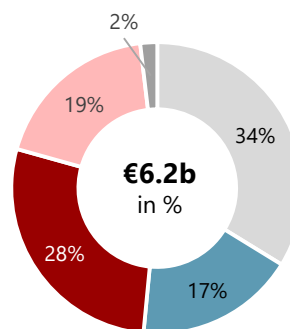
■ Cash ■ Cash equivalent

**Investment book**



■ AAA ■ AA ■ A  
■ BBB ■ BB

**€ +1.5b**



■ AAA ■ AA ■ A  
■ BBB ■ BB

Investment book primarily serves as liquidity book of the Bank ... managing excess cash as we focus on deploying into customer loans

As of Q1 '20, Cash and cash equivalents (mainly money at central banks) at €5.6b ... down 21% as invested in high quality securities portfolio (+32% vYE)

Focus on low credit risk, high liquidity, shorter duration and solid diversification in terms of geography and issuers:

- more than 98% of the portfolio is allocated to investment grade
- weighted average life of 4.5 years
- ~400 positions, average size ~€15m



# P&L & key ratios

P&L   € millions	Q1 '20	Q1 '19	vPY	vPQ
Net interest income	219.9	214.5	3%	(2%)
Net commission income	71.9	72.5	(1%)	3%
<b>Core revenues</b>	<b>291.8</b>	<b>287.1</b>	<b>2%</b>	<b>(1%)</b>
Other revenues	3.8	11.2	(66%)	(81%)
<b>Operating income</b>	<b>295.6</b>	<b>298.3</b>	<b>(1%)</b>	<b>(6%)</b>
<b>Operating expenses</b>	<b>(125.0)</b>	<b>(126.4)</b>	<b>(1%)</b>	<b>(7%)</b>
<b>Pre-provision profit</b>	<b>170.6</b>	<b>171.9</b>	<b>(1%)</b>	<b>(5%)</b>
Regulatory charges	(36.4)	(34.2)	6%	> 100%
Risk costs	(55.0)	(11.9)	362%	120%
<b>Profit before tax</b>	<b>80.5</b>	<b>127.0</b>	<b>(37%)</b>	<b>(48%)</b>
Income taxes	(19.3)	(30.2)	36%	48%
<b>Net profit</b>	<b>61.2</b>	<b>96.8</b>	<b>(37%)</b>	<b>(47%)</b>

Key ratios	Q1 '20	Q1 '19	vPY	vPQ
Return on Common Equity	7.5%	11.0%	(3.5pts)	(5.9pts)
Return on Tangible Common Equity	9.1%	12.9%	(3.8pts)	(6.9pts)
Net interest margin	2.34%	2.26%	0.08pts	(0.02pts)
Cost-income ratio	42.3%	42.4%	(0.1pts)	(0.3pts)
Risk cost ratio	0.58%	0.13%	0.45pts	0.30pts
Earnings per share (in €)	0.69	0.98	(29%)	(42%)
Tangible book value per share (in €)	30.41	30.39	0%	(2%)

Core revenues stable in Q1'20 with NIM of 2.34%

Operating expenses coming down versus Q4'19 and versus last year

Pre-provision profit decreased by 5% versus Q4'19

Regulatory charges 85% front-loaded in Q1'20

Risk costs mainly impacted by "COVID-19" provisions



# Balance sheet

Continued focus on balance sheet optimization and growing our customer business

Balance sheet   € billions	Q1 '20	Q4 '19	Delta
Customer loans	31.1	30.5	2%
Securities and bonds	6.8	5.4	27%
Credit institutions and cash	5.6	7.1	(21%)
Other assets	3.0	2.7	10%
<b>Total assets</b>	<b>46.5</b>	<b>45.7</b>	<b>2%</b>
thereof Average interest-bearing assets	38.1	37.6	1%
Customer deposits	29.6	30.4	(2%)
Own issues	5.7	5.4	6%
Credit institutions	4.3	3.1	41%
Other liabilities	3.0	2.9	2%
Common equity	3.2	3.3	(2%)
Dividend accrual	0.3	0.2	13%
AT1 capital	0.3	0.3	0%
<b>Total liabilities &amp; equity</b>	<b>46.5</b>	<b>45.7</b>	<b>2%</b>

Capital & RWA   € billions	Q1 '20	Q4 '19	Delta
Common equity	3.2	3.3	(2%)
Tangible common equity	2.7	2.7	(2%)
CET1 capital	2.7	2.7	(2%)
Risk-weighted assets	20.9	20.4	2%
CET1 ratio (post dividend)	12.7%	13.3%	(0.6pts)
Leverage ratio	6.3%	6.5%	(0.2pts)

Growing interest-bearing assets ... deployed excess cash into customer loans and securities

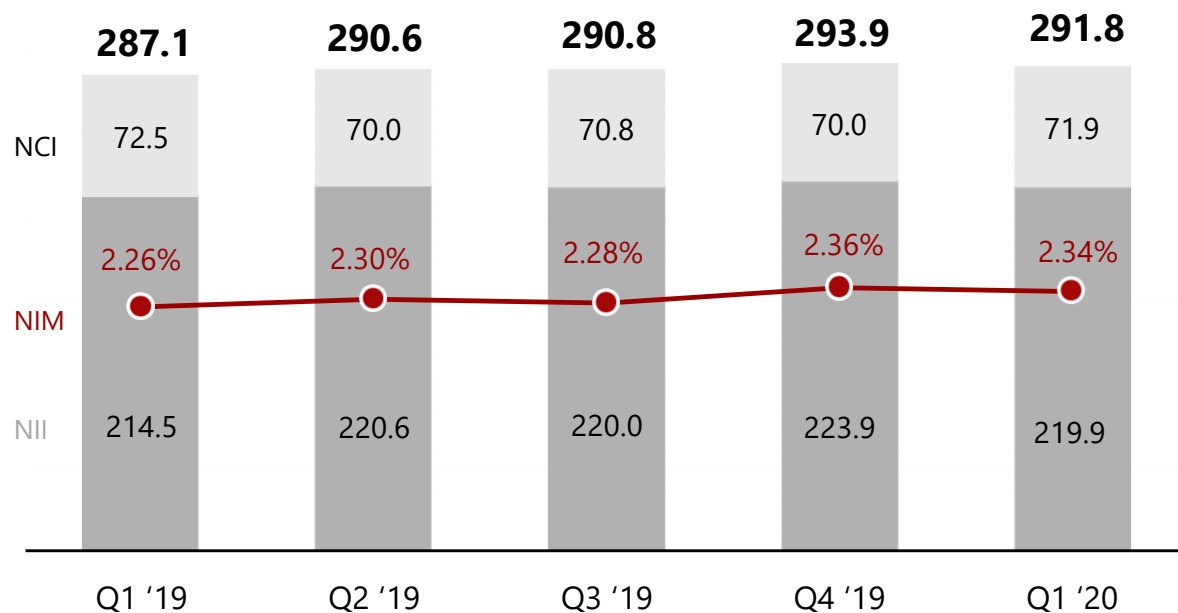
Risk weighted assets increased in line with higher interest-bearing assets

Issued €500m covered bond in Jan '20, and participated in €1.25b LTRO in Mar '20

# P&L details – core revenues

Solid revenues in Q1 ... COVID-19 will have an impact on NCI mainly

€ millions



**Customer loans | Average interest-bearing assets | € billions**

	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20
Customer loans	30.2	31.1	30.7	30.5	31.1
Average interest-bearing assets	38.0	38.4	38.6	37.6	38.1

## Net interest income (NII) down 2% vPQ ... net interest margin (NIM) at 2.34%

- Stable NIM development, lower number of days in Q1 versus Q4 driving NII reduction
- Solid growth of interest-bearing assets in Q1 will help off-set lower consumer lending in coming quarters
- Interest rates could be a positive (primarily exposed to 3-Months-Euribor) +/- 10 bps parallel shift in interest rates = +/- €1m NII per month

## Net commission income (NCI) up 3% vPQ

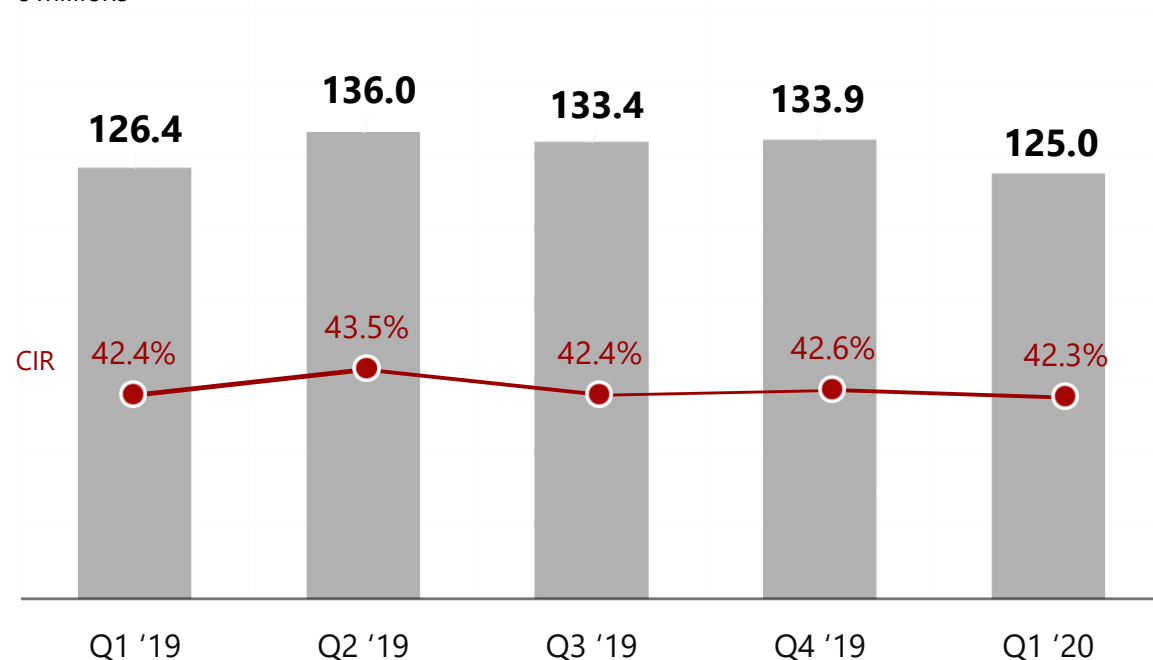
- Strong performance in Q1
- Limited impacts of COVID-19 in Q1 '20, negative implications expected for rest of the year

**Outlook for 2020:** stable NII, negative impacts expected on NCI mainly from reduced advisory activity and reduced branch foot traffic

# P&L details – operating expenses

Absolute costs lower versus prior quarter and prior year

€ millions



## Cost-income ratio at 42.3% in Q1 '20 ... initiatives started in 2019 showing effect

- Austrian Network to 88 branches vs. originally planned 100 branches as part of *Concept 21*
- Harmonizing technology landscape ... core systems and applications
- Further centralization of middle-and-back-office functions in competence centers (mainly in Vienna)
- Merger of easybank into BAWAG completed in Q1 '20

## Operating model implications from COVID-19

- Shift from physical to digital and home-office
- Less travel and lower other G&A expenses
- Catalyst for future cost initiatives and redefining operating infrastructure

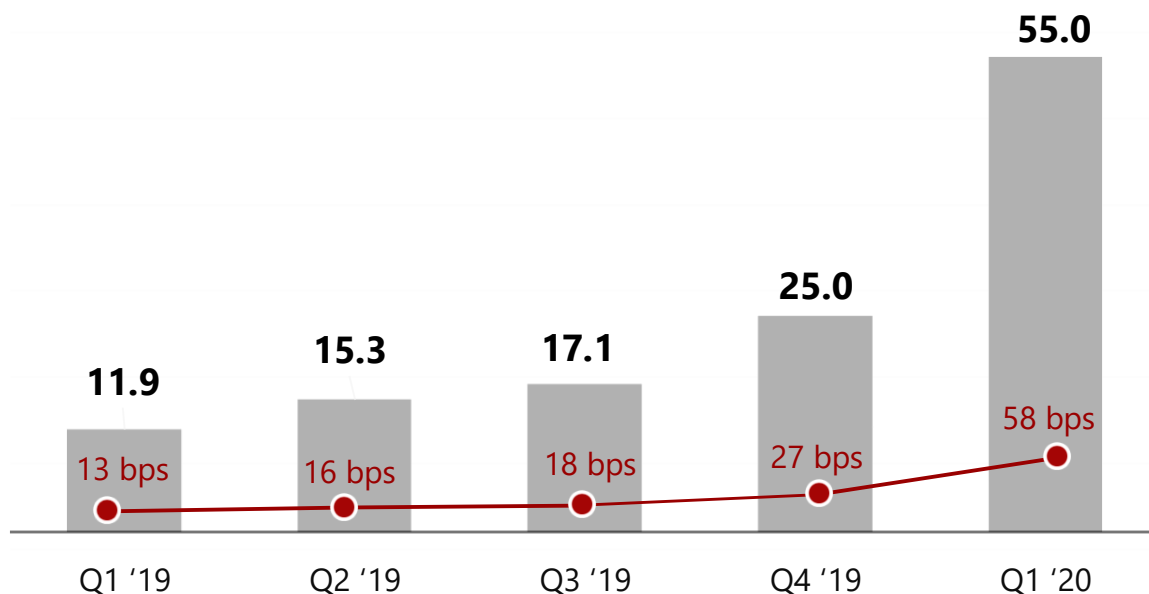
**Outlook for 2020:** 5% lower versus 2019

# P&L details – risk costs

Higher risk costs due to COVID-19 ... Strong underlying asset quality

€ millions

—●— Risk costs / average interest-bearing assets



**NPL ratio** (as reported and excluding CoL)

1.8%	1.8%	1.9%	1.7%	1.6%
1.2%	1.2%	1.4%	1.2%	1.1%

## Q1 '20 risk cost ratio at 58bps

- includes €25m general reserve in Retail & SME to address COVID-19-related effects ... applying IMF macro scenarios and addressing payment deferrals, etc.
- specific provision in Corporates & Public related to oil & gas exposure

Business focused on developed markets ... ~70% DACH region and ~30% Western Europe / United States

75% of loan portfolio is secured or public sector lending

## Maintain safe & secure balance sheet & portfolio risk management

- No relevant exposure to CEE or emerging markets
- No Turkey and Russia exposure
- No operations in countries with elevated AML risk

**Outlook for 2020:** Forecasting risk costs this year would be unreliable given the market uncertainty and deterioration in the macroeconomic environment

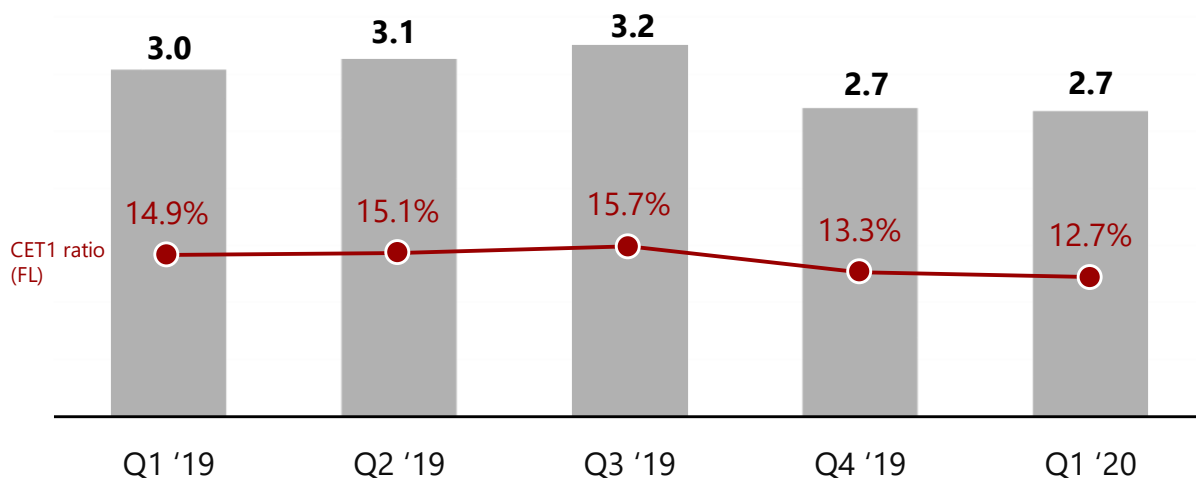
# Regulatory Capital

Strong capital position



## CET1 Capital (FL)

€ billions



## RWA | € billions | Total capital ratio

Quarter	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20
RWA [€ billions]	20.5	20.7	20.6	20.4	20.9
Total capital ratio [%]	18.7%	18.9%	19.5%	17.0%	16.3%

CET1 ratio at Q1 2020 of 12.7% ... deducting dividend for FY '19 and Q1 '20 (~€260m)

RWA density remained stable at 45%

**Outlook for 2020:** Capital accretion thru earnings and higher risk weighted assets from organic business

**12.7%**  
CET1 ratio  
post dividend

**14.1%**  
Tier1 ratio

**16.3%**  
Total capital ratio

Note: Historic quarterly CET1 ratio not considering dividend accrual, at year-end dividend deducted; Q1 '20 deducts dividend for FY '19 and Q1 '20

# Update on Capital

ECB provides temporary relief and recommendations

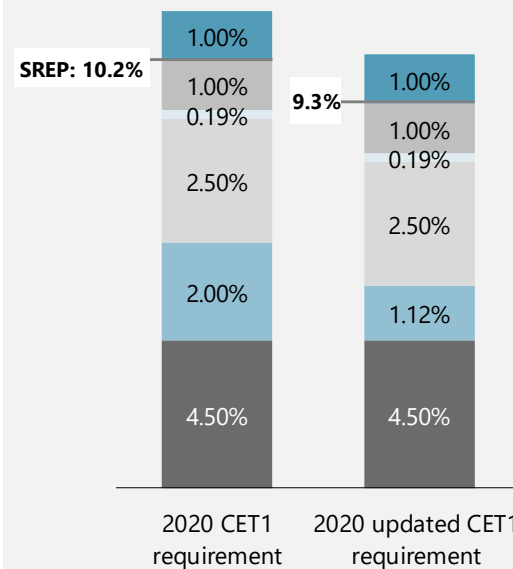
1

## RESPONSE OF EUROPEAN CENTRAL BANK

- > ECB allows banks to fully use capital and liquidity buffers
- > Change in composition of capital for Pillar 2 Requirement was moved forward from 1 Jan 2021 to immediate effect
- > Recommendation on capital distribution not to pay dividend until 1 October 2020 ... situation for afterwards will be reassessed
- > Guidance on macro economic scenario for IFRS9 – handling of demand shock, forbearance/NPLs, moratorium
- > Easing of conditions for targeted longer-term refinancing operations (TLTRO III)

2

## IMPACT ON BAWAG GROUP



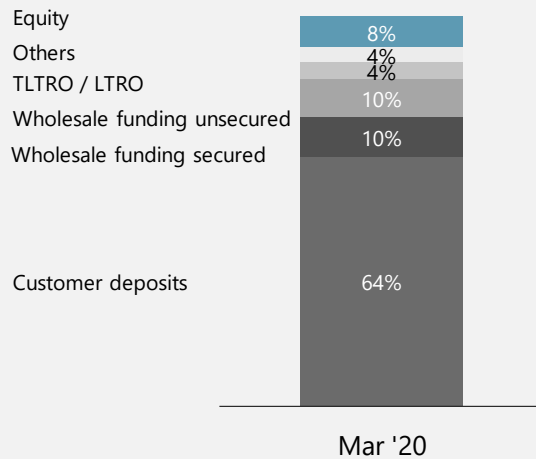
Pillar 1 Requirement
  Countercyclical Buffer  
 Pillar 2 Requirement (P2R)
  SIFI  
 Capital Conservation Buffer
  Pillar 2 Guidance (P2G)

- > BAWAG Group: 2% P2R needs to be held with 1.12% CET capital at the minimum ... 88bps can be filled with Tier 1/Tier 2 capital
- > Germany revoked the previously announced countercyclical buffer ... minimal impact on BAWAG
- > No update so far to Austrian domestic SIFI
- > With current ratios (post dividend), buffer of ~250bps; ~350bps after P2R adjustment

# Funding & Liquidity

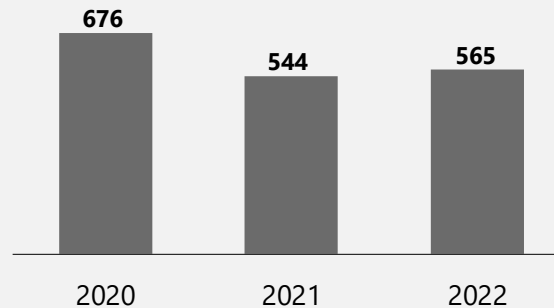
## FUNDING

### STRONG CUSTOMER DEPOSIT FUNDING ...



### ... AND COMFORTABLE MATURITY PROFILE

€ millions notional



- > At least one covered bond benchmark per year to replace redemptions and fund growing asset base ... €500m executed in Jan '20
- > No funding need in 2020 if conditions are not favorable ... additional ~€1.0b-1.5b senior instruments (senior preferred, senior non-preferred) to meet MREL and subordination requirement until year end 2022, depending on regulatory requirements

## LIQUIDITY

Liquidity coverage ratio

**135%**

Liquidity buffer

**€7.3b**

Liquidity buffer  
Including other marketable  
securities

**€9.6b**

# Outlook and Targets

## OUTLOOK 2020

Net interest income FY '19: €879m	Fairly stable
Net fee and commission income FY '19: €284m	Down up to 15%
Other income FY '19: €78m	Down
Operational expenses FY '19: €530m	Reducing by ~5%
Risk costs FY '19: €69m	No forecast as uncertain

## MEDIUM-TERM TARGETS

*Based on normalized environment*

**Return on tangible  
common equity (RoTCE)**

**> 15%**

**Cost-income ratio**

**< 40%**

**AGM postponed**  
to fourth quarter 2020

**Capital Markets Day**  
postponed to 1H 2021





## COMPANY PROFILE

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

**2019 results: €459m net profit, 16.1% RoTCE, CIR 42.7% and CET1 ratio 13.3%**

Focused on developed markets ... DACH region, Western Europe and the United States

Organic & inorganic growth in DACH region and developed markets

Simple & consistent product offering across multiple channels

## CAPITAL MANAGEMENT



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



Dividend policy of **50% payout ratio**



Committed to returning excess capital to **shareholders**

## MEDIUM-TERM TARGETS

*Based on normalized environment*

**Return on tangible common equity (RoTCE)**

**> 15%**

**Cost-income ratio**

**< 40%**

## OUR STRATEGY



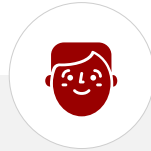
# Strategy

## 4 pillars of our growth strategy



### Growing in our core markets

- Our foundation is Austria with a focus on developed markets
- Focus markets ... DACH region, Western Europe and the United States
- Grow into current account market share entitlement of up to 20% in Austria across core retail products
- Growth drivers ... Partnerships & platforms, enhancing digital engagement, and pursuing earnings-accretive M&A meeting our Group RoTCE targets > 15%



### Focus on Customer Centricity

- Build multi-channel and multi-brand franchise from branches-to-partners-to-brokers-to-platforms-to-digital products across the entire Retail & SME franchise
- Physical network focused on high-touch and high-quality advisory
- Leverage technology to simplify processes and reduce complexity
- Enhance analytical capabilities to improve customer experience
- New retail partnerships and lending platforms to provide 24/7 customer access



### Drive efficiency through operational excellence

- Our DNA is to focus on the things we can control ... "Self-help" approach to banking
- Simplify, standardize, and automate online and offline product offerings
- Create frictionless processes ... wing-to-wing digitization focus across the Bank
- Continuously optimize our processes, footprint, and technology infrastructure
- Embrace various forms of technological change ... will transform banking



### Maintaining a safe and secure risk profile

- Maintaining strong capital position, stable retail deposits and low risk profile
- Focus on mature, developed and sustainable markets
- Applying conservative and disciplined underwriting in markets we understand
- Maintain fortress balance sheet
- Proactively manage and mitigate non-financial risk

**Committed to responsible and profitable growth considering ESG.**

# Bank transformation

Focusing on things we control and driving operational excellence

## KEY METRICS

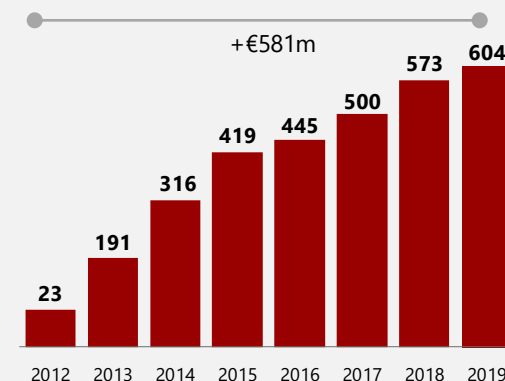
	2012	2013	2014	2015	2016	2017	2018	2019
<b>RoTCE</b>	3%	11%	15%	17%	18%	15%	15%	<b>16%</b>
<b>C/I ratio</b>	70%	68%	54%	48%	46%	47%	44%	<b>43%</b>
<b>CET1 (FL)</b> post dividend	6.2%	9.4%	12.2%	12.3%	13.6%	13.5%	14.5%	<b>13.3%</b>
<b>NPL ratio</b>	3.5%	2.5%	2.0%	1.9%	1.7%	1.8%	1.7%	<b>1.7%</b>
<b>Assets (€b)</b>	41.5	36.6	34.9	35.7	39.7	46.1	44.7	<b>45.7</b>

## KEY TOPICS

- ✔ Structurally **fixed cost base**
- ✔ Focus on **simple core products**
- ✔ Focus on **core markets** ... exited CEE and non-core assets
- ✔ **Discontinued trading activities**
- ✔ **Significantly increased profitability** despite declining / negative rates
- ✔ More than **doubled CET1** ratio
- ✔ **Returned/earmarked €900m+\* capital since IPO in 2017**
- ✔ Completed **9 acquisitions** in DACH region since 2015

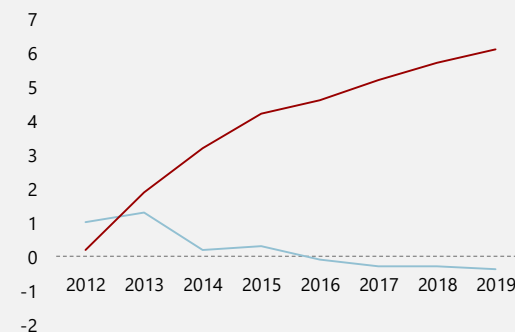
## Increased profitability ...

Pre-tax profit (€ millions)



## ... without relying on interest rates

• Pre-tax profit  
• 3m Euribor



\* Comprised of €400m share buyback executed in 2019 and €500m dividend, of which €230m FY 2019 dividend postponed and will be decided prior to October 1, 2020

# Developing towards a Retail & SME franchise

## Retail & SME Business

### 2.5 million

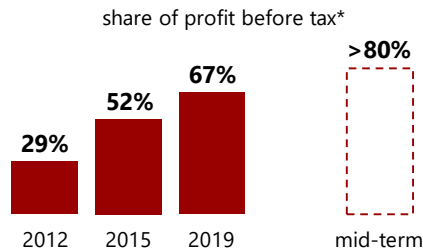
customers in DACH region with core foundation in Austria ... focus on DACH and developed markets

### Focus on

- current accounts
- credit cards
- mortgages
- consumer loans
- discount brokerage
- auto and equipment leasing
- factoring
- SME lending
- niche private banking

### Strategic priorities

- Multi-brand and multi-channel focus from branches-to-partners-to-brokers-to-platforms-to-digital products and services
- Strategic retail partnerships and platforms ... Focusing on digital engagement
- Technology as enabler to roll-out simple and easy-to-use digital products and services across the value chain
- Enhancing analytical capabilities to better serve our customers

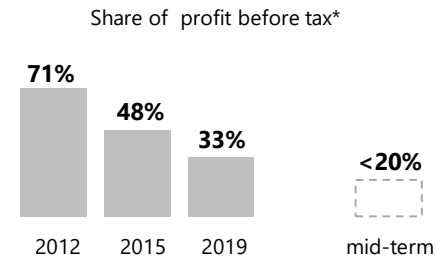


## Corporates & Public Business

- 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



\*based on customer segments' profit before tax

# Proven M&A track record

Experienced with bolt-on acquisitions to build out customer franchise

	Q2 '19	 Health AG <sup>3)</sup>	€0.1b assets, €1b factoring volume	3k customers
	Q1 '19	 Zahnärztekasse AG		
	Q2 '19	 BFL DIE IT-FINANZIERER	€0.6b assets	50k customers
	2018	 Deutscher Ring <sup>2)</sup> Bausparkasse AG	€0.5b assets	85k customers
	2017	 SÜDWESTBANK	€7.4b assets	100k customers
	2017	 PayLife SIX commercial card issuing business	1.7m cards	>500k customers
	2016	 start bausparkasse	€2b assets	500k customers
	2016	 IMMO-BANK	€1.6b assets	5k customers
	2015	 VB LEASING <sup>1)</sup> LIKE IT. LEASE IT.	€0.7b assets	50k customers

Continued focus on companies within the DACH region

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

1) rebranded: easyleasing 2) rebranded: start:bausparkasse 3) rebranded: Health Coevo AG

# Response of governments

## Stimulus packages of Austria and Germany

### €4b immediate crisis management fund for

- liquidity for companies (including bridge loans & credit guarantees and tax deferrals)
- €1b for job security especially via a new model of “Corona-Kurzarbeit” (short-time work model) ... was increased to €5b over time
- €2b direct, non-repayable cash subsidies for hardship cases (available for SMEs and self employed workers and family businesses)

### €9b in guarantees and warranties for bank loans

### €10b in tax deferrals and cuts

**€15b in emergency aid for companies** (90% state covered guarantees for bridge loans, non-repayable compensation of up to 75% of “lost” fixed costs)

**Optional moratorium** in place for household loans and loans to micro-enterprises, allowing for payment deferrals for 3+3 months

**100% guarantee program for SME** up to 500k or 10% of revenues/turnover

**€38b+**  
Austria

**>€700b**  
Germany

### €600b “Economic Stabilization Fund” available to companies with >250 employees providing:

- €400b to guarantee/take on liabilities of companies at risk
- €100b earmarked for equity stakes in companies
- €100b in loans through state-run development bank KfW

### €156b in debt to finance higher social spending and a €50b liquidity fund for self-employed

### Additional aid program for SMEs (11-250 FTE) providing 100% guaranteed emergency loans

### Examples for further measures:

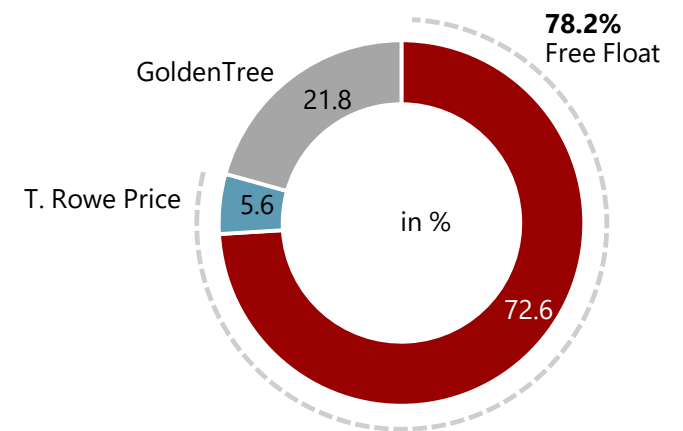
- Unlimited credit programs by KfW, available to all companies, from SMEs to blue-chip ... guarantee framework was increased to €822b
- Payment deferrals on KfW loans for 9 months and moratorium for loans to consumers (3 month deferrals)
- Increase of funds for short-time work to €26b to prevent dismissals
- tax measures for all businesses (payment deferrals, adjustments to tax prepayments, suspension of enforcement measures)

# Investor relations calendar

## UPCOMING ROADSHOWS AND CONFERENCES

27 Apr	Digital one-on-one and group meetings
6 May	Goldman Sachs Small and Mid-Cap Conference
12 May	UBS Pan European Small and Mid-Cap Conference
13 May	KBW European Financials Conference
19 May	Autonomous Fins Forum
11 Jun	Goldman Sachs European Financials Conference
23 Jun	Autonomous CEE Financials Rendezvous

## SHAREHOLDER STRUCTURE







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# Annex – Definitions and abbreviations

## **After-tax earnings per share ('EPS')**

Net profit / weighted average number of shares outstanding (diluted)

## **B/S leverage**

Total assets / IFRS equity

## **Common Equity Tier 1 capital (CET1)**

including interim profit and no dividend accruals considered; at year-end dividend deducted; Q1 '20 deducts dividend for FY '19 and Q1 '20

## **Common Equity Tier 1 ratio**

Common Equity Tier 1 capital (CET1) / risk-weighted assets

## **Core revenues**

The total of net interest income and net fee and commission income

## **Cost-income ratio**

Operating expenses (OPEX) / operating income

## **Customer Loans**

Loans to customers measured at amortized cost

## **Common equity**

Equity attributable to the owners of the parent; excluding minorities, AT1 and deducted dividend accrual

**FL** ... fully-loaded

## **Leverage ratio**

Tier 1 capital / total exposure (calculation according to CRR)

## **Net interest margin (NIM)**

Net interest income (NII) / average interest-bearing assets

## **NPL ratio**

Non-performing loans (NPLs) / exposure

## **NPE ratio**

Non-performing exposure (NPEs) / exposure

## **Pre-tax earnings per share**

Profit before tax / weighted average number of shares outstanding (diluted)

## **Reserve ratio**

Total reserves / Asset volume

## **Return on common equity (RoCE)**

Net profit / average IFRS equity excluding AT1 capital and deducted dividend accruals average equity based on 1 January 2018 due to IFRS 9 implementation

## **Return on tangible common equity (RoTCE)**

Net profit / average IFRS tangible equity excluding AT1 capital and deducted dividend accruals; average equity based on 1 January 2018 due to IFRS 9 implementation

## **Risk cost ratio**

Provisions and loan-loss provisions, impairment losses and operational risk (risk costs) / average interest-bearing assets

## **Tangible book value / share**

IFRS tangible equity (excluding AT1 capital, deducted dividend accruals) / number of shares outstanding

## **Tangible common equity**

Common equity reduced by the carrying amount of intangible assets;

**vPY** ... versus prior year period

**vPQ** ... versus prior quarter period

**vYE** ... versus year-end