BAWAG P.S.K. REPORTS 2015 RECORD NET PROFIT OF EUR 418 MILLION, +26%

- **Net profit EUR 418 million, +26% versus prior year**
- **Return on equity of 16.2%, +1.3pts**
- **Core revenues EUR 908 million, +4%**
- **Net interest margin up 15bps to 2.06%**
- **Core operating expenses down 10%, total operating expenses down 4%**
- **Cost-income ratio improved to 46.7%, down 4.9pts**
- **Fully loaded CET1 ratio of 13.1% (post-dividend), up 1.0pt versus year-end 2014**
- **Proposed dividend of EUR 325 million**

VIENNA, Austria – March 3, 2016 – BAWAG P.S.K. today reported a record **net profit of EUR 418 million** for 2015, up 26% versus prior year. The increase was driven by higher net interest income, reduced operating expenses and lower risk costs. **Return on equity** was 16.2%, up 1.3pts. **Net interest margin** improved 15bps to 2.06%. **Core operating expenses** were down 10%, **total operating expenses** down 4% and the **cost-income ratio** down 4.9pts to 46.7%. **Risk costs** decreased by 44% to EUR 46 million.

"Despite low interest rates, a slow-growth European macro environment and increasing regulatory requirements, BAWAG P.S.K. generated record earnings again in 2015. Reporting a net profit of EUR 418 million makes BAWAG P.S.K. one of the most profitable Austrian, but more importantly, European banks. The global banking industry is currently undergoing a significant transformation on many fronts. Nevertheless, we see significant opportunities during this period as we are in a very good position to play a larger role in addressing these challenges and capitalizing on unique opportunities. We are proud of our accomplishments in 2015, positioning BAWAG P.S.K. among the best-performing banks in Europe", said Chief Executive Officer **Byron Haynes**.

"The past four years were focused on simplifying our business model by focusing on core products, cost efficiency, low leverage and a conservative risk profile. We will continue to execute on a variety of operational and strategic initiatives in 2016 that will continue to drive efficiency, operational excellence and profitable growth", said Chief Financial Officer **Anas Abuzaakouk**.

Strong capital ratios

The management team continues to run the Bank on a fully loaded basis from a capital standpoint. The **fully loaded CET1 ratio** further improved to **13.1%** (Dec 2014: 12.1%) and the **fully loaded total capital ratio** to **16.0%** (Dec 2014: 15.8%) as of December 31, 2015. On a transitional basis, these ratios were 13.8% (Dec 2014: 12.9 %) and 16.7% (Dec 2014: 16.1%), respectively. The SREP requirement of the regulated parent company for December 2015 and 2016 is 8.75%. As BAWAG P.S.K. is considered as a systemically important financial institution (SIFI), a systemic risk buffer of currently 25bps has to be applied on top of the SREP ratio in 2016.

Based on the strong 2015 results, the Managing Board decided to propose a motion for a dividend distribution of EUR 325 million to the general assembly, which is fully reflected in the year-end 2015 capital ratios.

Highlights 2015

- BAWAG P.S.K. entered into a long-term partnership with the world-class asset manager **Amundi**, the new owner of former BAWAG P.S.K. INVEST, providing our customers with access to a broad range of fund products.
- **Moody's** raised the Bank's long-term deposit, senior unsecured and issuer ratings by one notch to Baa1 and changed the outlook to "positive". In addition, the stand-alone rating was upgraded to baa3 (investment grade for the first time) and a further upside potential was indicated.
- BAWAG P.S.K. executed two acquisitions in line with its growth strategy: The Bank purchased the **auto leasing business of the former Volksbanken,** creating the #3 auto lessor in Austria. In addition, the Bank acquired an attractive residential loan portfolio in Western Europe to expand its retail franchise beyond the Austrian borders.
- BAWAG P.S.K. was awarded "**Bank of the Year 2015 in Austria**" by "The Banker", an international industry magazine for banks published by the "Financial Times", for the first time, underlining the Bank's successful strategic transformation in recent years.

Key Business Highlights 2015

BAWAG P.S.K. successfully executed on its business plans in 2015 delivering strong, record-breaking results and exceeding all its stated goals.

Core revenues increased by 4% to EUR 908 million, driven by strength in net interest income. Despite the continued low-interest rate environment, **net interest income** increased by 7% versus 2014, driven by a strong focus on key lending products and a disciplined pricing approach. **Net interest margin** improved by 15bps to 2.06%, reflecting the Bank's dedicated focus on asset and liability repricing efforts.

Core operating expenses decreased by 10%, driven by sustainable long-term measures in personnel and non-personnel expenses. We provisioned EUR 20 million during the fourth quarter 2015 to address further cost-out opportunities. **Total operating expenses** decreased by 4% to EUR 459 million and the **cost-income ratio** improved by 4.9pts to 46.7%.

Total risk costs decreased by 44% to EUR 46 million in 2015, resulting from the improved credit quality of the core businesses and positive effects from the prior years' de-risking activities. The Bank maintained a conservative risk profile with disciplined risk-adjusted underwriting standards and a focus on stable and economically sound geographies. The risk cost ratio (risk costs as a percentage of loans and receivables) was 0.17% and the NPL ratio improved to 2.1% (down 70bps versus 2014).

Net profit increased by EUR 85 million, or 26%, to EUR 418 million in 2015. The increase was driven by improvements in both Corporate Lending and Investments (net profit up 33%) and Retail Banking and Small Business (net profit up 23%).

Loans and receivables with customers increased by EUR 2.9 billion, or 14%, to EUR 24.7 billion as of December 31, 2015, primarily driven by growth in consumer loans and international business as well as acquisitions of the former Volksbanken Austrian leasing business and a residential loan portfolio in Western Europe. The total new origination volume in 2015 was EUR 4.9 billion, reflecting positive growth in both our retail and international businesses. The overall customer loan book continued to be composed of two-thirds exposure to Austria and one-third to Western Europe and the United States.

Segment Reporting

The **Retail Banking and Small Business** segment showed strong results by continuing to grow its domestic consumer loan franchise in absolute terms while also capturing market share. Overall, the segment achieved a EUR 193 million net profit, a 23% increase compared to the previous year, driven by reduced operating expenses and lower risk costs. The continued efficiency improvements resulted in a 12% decrease in operating expenses versus prior year.

New business loan originations in 2015 were EUR 1 billion. BAWAG P.S.K. was able to increase its domestic consumer lending market share to 10.2%, up 1.2pts since December 2014. Retail assets stood at EUR 12.8 billion, up 34% compared to previous year. This growth reflects the continued increase in our consumer and housing loans as well as strategic acquisitions of the Volksbanken Austrian leasing business and a portfolio of performing residential loans in Western Europe. The Bank maintained its disciplined underwriting and pricing standards, which were reflected in a low risk cost ratio of 0.30% and an NPL ratio of 1.93% (down 129bps compared to year-end 2014).

On the funding side, retail deposits grew 1% to EUR 18.9 billion, driven by growth in current accounts and savings cards. Funding costs continued to decrease as product mix, volume and pricing was optimized. At the end 2015, the blended interest rate on retail deposits stood at 0.32%, down 18bps since December 2014.

easybank, our 100% direct banking subsidiary, grew its client base to 556,000 accounts, up 10% compared to December 2014. Deposits increased by 12% to EUR 3.2 billion. With the integration of the BAWAG P.S.K. auto leasing and the former Volksbanken Austrian leasing business, *easybank* is well positioned to boost its asset origination capabilities going forward. *easybank* also entered into a new strategic partnership with “Unsere Wasserkraft”,“easy green energy”, which provides *easybank* with yet another opportunity to expand its market presence, brand awareness and best-in-class service offering to new segments and customers.

Corporate Lending and Investments contributed EUR 190 million to the Bank’s net profit in 2015, a 33% increase compared to the previous year, driven by core revenue growth (up 10%) and lower risk costs. Risk costs of EUR 6 million (EUR 35 million in 2014) and an NPL ratio of 0.67% (down 48bps compared to year-end 2014) reflect positive impacts from de-risking actions and the overall high credit quality of the portfolio.

Despite muted overall demand, flat domestic output and low corporate investments, the Austrian corporate business generated new business volumes of EUR 370 million in addition to regular renewals in 2015.

The international business continued to see strength with loan originations of EUR 3.5 billion in 2015. The focus remained on stronger Western European countries (Germany, UK and France) and the United States.

Treasury Services and Markets reported core revenues up 8% and operating expenses down 12% due to increased operating efficiency. The total investment portfolio stood at EUR 4.5 billion as of year-end 2015. The strategic sale of the CLO investments in the third quarter supported a decrease of risk-weighted assets by 25% in 2015. The investment strategy continues to focus on investment grade securities predominantly representing secured and unsecured bonds of financial institutions in core Europe and the United States as well as select sovereign bond exposures in order to maintain a solid diversification. The portfolio’s average maturity was 3.8 years, comprising 98% investment grade-rated securities, of which 75% were rated single “A” category or higher.

Exposure to CEE in this segment represented less than 3% of the portfolio and was limited to select bonds (84% rated single “A” equivalent category or better). The Bank had no exposure to HETA and no direct exposure to China, Russia, Hungary or South-Eastern Europe as of December 31, 2015.

About BAWAG P.S.K.

BAWAG P.S.K. is one of Austria's largest 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** offers simple, fair and transparent products and services which include lending, savings, payment, card, investment, insurance and leasing services for private and small business customers. These products and services are available through our branches all over Austria which are complemented by our digital sales channels and 100% owned direct bank *easybank*. Austrian corporate businesses 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, commercial real estate and portfolio financing primarily in Western Europe and the United States. **Treasury Services and Markets** includes all activities associated with providing hedging and investment services for the Group's treasury activities and the management of the Bank's portfolio of financial securities. BAWAG P.S.K. focuses on a capital efficient, low risk and low leverage business model while targeting to be one of the most efficient banks across Europe. Delivering simple, transparent and best-in-class products and services to our customers is the core of our strategy.

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

BAWAG P.S.K. contacts:

Financial Community:
Benjamin del Fabro (Head of Investor Relations)
Tel: +43 (0) 5 99 05-22456
E-mail: investor.relations@bawagpsk.com

Media:
Georgia Schütz-Spörl (Press Officer)
Tel: +43 (0) 5 99 05-31210
E-mail: presse@bawagpsk.com

This text can also be downloaded from our website: http://www.bawagpsk.com

Profit or Loss Statement

in EUR million	2015	2014	Change	Change (%)
Interest income	1,051.3	1,089.9	(38.6)	(3.5)
Interest expense	(339.2)	(422.7)	83.5	(19.8)
Dividend income	10.2	9.8	0.4	4.1
Net interest income	**722.3**	**677.0**	**45.3**	**6.7**
Fee and commission income	292.3	302.0	(9.7)	(3.2)
Fee and commission expenses	(106.4)	(104.2)	(2.2)	2.1
Net fee and commission income	**185.9**	**197.8**	**(11.9)**	**(6.0)**
Core revenues	**908.2**	**874.8**	**33.4**	**3.8**
Gains and losses on financial instruments[1] and other operating income and expenses[2]	75.7	50.2	25.5	50.8
Operating income	**983.9**	**925.0**	**58.9**	**6.4**
Operating expenses	**(459.3)**	**(477.2)**	**17.9**	**(3.8)**
Regulatory charges	(35.2)	(24.6)	(10.6)	43.1
Operating profit	**489.4**	**423.2**	**66.2**	**15.6**
Provisions and loan-loss provisions	(36.9)	(72.6)	35.7	(49.2)
Impairment losses	(1.1)	(1.8)	0.7	(38.9)
Operational risk	(7.8)	(7.2)	(0.6)	8.3
Share of the profit or loss of associates accounted for using the equity method	4.6	0.9	3.7	>100
Profit before tax	**448.2**	**342.5**	**105.7**	**30.9**
Income taxes	(30.3)	(8.8)	(21.5)	>100
Profit after tax	**417.9**	**333.7**	**84.2**	**25.2**
Non-controlling interests	0.0	0.6	(0.6)	(100)
Net profit	**417.9**	**333.1**	**84.8**	**25.5**

1) In 2014, excluding valuation results attributable to shareholders of non-controlling interests. Compared to the profit or loss statement presented in the Consolidated Financial Report according to IFRS, the item gains and losses on financial instruments was EUR 2.7 million lower in 2014. Accordingly, the item profit after tax presented above was EUR 2.7 million lower than the profit after tax presented in the Consolidated Financial Report according to IFRS in 2014.

2) In accordance with IFRS, the item other operating income and expenses also includes regulatory charges (bank levy and contributions to the deposit guarantee scheme and to the Austrian bank resolution fund) in the amount of EUR 35.2 million for 2015. However, the Bank's management considers regulatory charges as a separate expense. Accordingly, it is shown in a separate expense line.

Total Assets

in EUR million	2015	2014	Change	Change (%)
Cash reserves	809	684	125	18.3
Financial assets	6,275	7,488	(1,213)	(16.2)
Available-for-sale	2,732	3,833	(1,101)	(28.7)
Held-to-maturity	2,290	2,042	248	12.1
Held for trading	950	1,163	(213)	(18.3)
Fair value through profit or loss	303	450	(147)	(32.7)
Loans and receivables	27,396	25,280	2,116	8.4
Customers	24,713	21,779	2,934	13.5
Debt instruments	973	1,983	(1,010)	(50.9)
Credit institutions	1,710	1,518	192	12.6
Hedging derivatives	469	546	(77)	(14.1)
Tangible non-current assets	63	84	(21)	(25.0)
Intangible non-current assets	104	103	1	1.0
Tax assets for current taxes	9	7	2	28.6
Tax assets for deferred taxes	238	243	(5)	(2.1)
Other assets	143	148	(5)	(3.4)
Assets held for sale	9	68	(59)	(86.8)
Total assets	**35,515**	**34,651**	**864**	**2.5**

Total Liabilities and Equity

in EUR million	2015	2014	Change	Change (%)
Total liabilities	**32,755**	**32,246**	**509**	**1.6**
Financial liabilities	31,478	30,842	636	2.1
Fair value through profit or loss	1,269	1,675	(406)	(24.2)
Issued securities	1,269	1,675	(406)	(24.2)
Held for trading	1,071	1,174	(103)	(8.8)
At amortized cost	29,138	27,993	1,145	4.1
Customers	21,695	21,135	560	2.6
Issued securities	3,236	4,438	(1,202)	(27.1)
Credit institutions	3,586	2,420	1,166	48.2
Financial liabilities associated with transferred assets	621	0	621	100
Valuation adjustment on interest rate risk hedged portfolios	169	196	(27)	(13.8)
Hedging derivatives	106	160	(54)	(33.8)
Provisions	419	522	(103)	(19.7)
Tax liabilities for current taxes	3	0	3	100
Tax liabilities for deferred taxes	3	3	0	–
Other obligations	577	517	60	11.6
Obligations in disposal groups held for sale	0	6	(6)	(100)
Total equity	**2,760**	**2,405**	**355**	**14.8**
Shareholders' equity	2,759	2,405	354	14.7
Non-controlling interests	1	–	1	100
Total liabilities and equity	**35,515**	**34,651**	**864**	**2.5**

Key Performance Indicators over Five Quarters

in %	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Return on equity	14.6%	14.4%	16.3%	19.6%	11.7%
Return on tangible equity	15.1%	14.9%	17.0%	20.5%	12.2%
Return on risk-weighted assets	2.47%	2.40%	2.60%	2.92%	1.64%
Return on total assets	1.15%	1.13%	1.22%	1.39%	0.80%
Net interest margin	2.14%	2.11%	2.15%	2.07%	2.11%
Cost-income ratio	47.4%	47.9%	46.4%	45.0%	54.2%
Risk costs / loans and receivables	0.17%	0.16%	0.20%	0.18%	0.40%

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Business Segment Performance

in EUR million	Retail Banking and Small Business		Corporate Lending and Investments		Treasury Services and Markets		Corporate Center		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Net interest income	393.4	398.0	241.6	212.6	56.9	52.6	30.4	14.1	**722.3**	**677.0**
Net fee and commission income	152.6	159.8	39.2	42.4	0.0	0.0	(5.9)	(4.5)	**185.9**	**197.8**
Core revenues	**546.0**	**557.8**	**280.8**	**255.0**	**56.9**	**52.6**	**24.5**	**9.6**	**908.2**	**874.8**
Gains and losses on financial instruments	0.8	0.8	(0.9)	3.4	13.8	24.8	63.2	6.8	**76.9**	**35.9**
Other operating income and expenses	0.4	3.3	0.0	0.0	0.0	0.0	(1.6)	11.0	**(1.2)**	**14.3**
Operating income	**547.2**	**561.9**	**279.9**	**258.4**	**70.7**	**77.4**	**86.1**	**27.4**	**983.9**	**925.0**
Operating expenses	**(320.7)**	**(363.5)**	**(84.0)**	**(80.9)**	**(19.0)**	**(21.6)**	**(35.6)**	**(11.2)**	**(459.3)**	**(477.2)**
Regulatory charges							(35.2)	(24.6)	**(35.2)**	**(24.6)**
Total risk costs	(33.7)	(41.5)	(6.3)	(34.5)	0.0	0.0	(5.8)	(5.7)	**(45.8)**	**(81.6)**
Share of the profit or loss of associates accounted for using the equity method							4.6	0.9	**4.6**	**0.9**
Profit before tax	**192.8**	**156.9**	**189.6**	**143.0**	**51.7**	**55.8**	**14.1**	**(13.2)**	**448.2**	**342.5**
Income taxes							(30.3)	(8.8)	**(30.3)**	**(8.8)**
Profit after tax	**192.8**	**156.9**	**189.6**	**143.0**	**51.7**	**55.8**	**(16.2)**	**(22.0)**	**417.9**	**333.7**
Non-controlling interests							0.0	0.6	**0.0**	**0.6**
Net profit	**192.8**	**156.9**	**189.6**	**143.0**	**51.7**	**55.8**	**(16.2)**	**(22.6)**	**417.9**	**333.1**
Business volumes										
Assets	12,822	9,579	13,188	13,885	4,526	5,755	4,979	5,432	**35,515**	**34,651**
Refinancing of business	18,866	18,746	2,873	3,230	0	0	13,776	12,675	**35,515**	**34,651**
Risk-weighted assets	4,756	3,420	6,827	7,643	1,638	2,172	3,038	3,557	**16,259**	**16,792**
Return on risk-weighted assets	4.72%	4.81%	2.62%	1.95%	2.71%	3.12%	n/a	n/a	**2.53%**	**2.03%**
Net interest margin	3.51%	4.17%	1.78%	1.59%	1.11%	0.97%	n/a	n/a	**2.06%**	**1.91%**
Cost-income ratio	58.6%	64.7%	30.0%	31.3%	26.9%	27.9%	n/a	n/a	**46.7%**	**51.6%**