

BAWAG GROUP REPORTS SOLID PROFIT BEFORE TAX (PBT) OF € 116 MILLION FOR Q1 2018; NORMALIZED PBT OF € 142 MILLION

- ▶ Profit before tax (PBT) of € 116 million, normalized for front-loaded regulatory charges € 142 million
- ▶ Return on tangible equity (@12% CET1) of 13.0%, normalized 16.0%
- ▶ Core revenues of € 282 million, +15% vs. prior year
- ▶ Operating expenses of € 130 million, including full expenses from acquired businesses
- ▶ Cost-income ratio of 43.7%, ahead of 2018 target of <46%
- ▶ Net interest margin at 2.15%
- ▶ Fully loaded CET1 ratio of 14.0% (including interim profit), +50bps versus year-end 2017

VIENNA, Austria – May 24, 2018 – BAWAG Group today reports a solid profit before tax of € 116 million for the first quarter 2018. Normalizing for the front-loaded regulatory charges, profit before tax was € 142 million (up 5% versus the prior year). The return on tangible equity (@12% CET1) came in at 13.0%, normalized at 16.0%. The cost-income ratio was up 3.0pts versus the prior year to 43.7%, reflecting the full impact of the acquisitions closed in the fourth quarter 2017. The net interest margin decreased by 9bps in the first quarter 2018 compared to the fourth quarter 2017. The fully loaded CET1 ratio increased by 50bps to 14.0% versus year-end 2017, including the interim profit.

“After a record 2017, we started the first quarter 2018 with a set of strong operating results and making good progress on a number of strategic initiatives. The first quarter was marked by an intense focus on the integration and transformation of businesses we acquired in 2017, continuing to reposition our domestic retail franchise, and building a solid pipeline of organic and inorganic opportunities. Our focus remains on driving operational excellence and profitable growth, and we are confident in meeting or exceeding our 2018 targets. All of our team members across BAWAG Group are committed to delivering value to our customers and shareholders,” commented Chief Executive Officer **Anas Abuzaakouk**.

Delivering solid results in the first quarter 2018

We successfully continued to execute on our business plans in the first quarter 2018, delivering another quarter of solid results.

Core revenues increased by 15% to € 282 million. Despite a low interest rate environment, net interest income rose by 6%, primarily driven by the acquisitions we closed in the fourth quarter 2017 as well as core product growth. Net commission income increased by 50% to € 75 million mainly due to the acquisition of PayLife. The net interest margin in the first quarter 2018 decreased by 9bps to 2.15% compared to the fourth quarter 2017, mainly reflecting the full impact of the Südwesbank acquisition.

Operating expenses in the first quarter 2018 increased by 21% compared to the first quarter 2017 mainly due to the acquisition of PayLife and Südwesbank. The cost-income ratio increased by 3.0pts to 43.7%, but is ahead of our 2018 target of <46% and fully in line with our expectations.

We continued to focus on proactive risk management and maintaining a conservative risk profile. This is best reflected in a risk cost ratio of 16bps and an NPL ratio of 1.8% as of March 2018 (excluding the legal case with the City of Linz, this would be 1.2%). Our fully loaded regulatory leverage ratio stood at 6.5%, while the balance sheet leverage was 12.6 times.

Profit before tax was € 116 million, down 4% compared to the first quarter 2017. Normalizing for the front-loaded regulatory charges, profit before tax increased by 5%. Higher operating income (up € 34 million, or 13%) more than offset the increase in operating expenses and risk costs.

Loans and receivables with customers remained largely stable compared to December 2017. The overall customer loan book continued to be comprised of 75% exposure to the DACH region and 25% exposure to Western Europe and the United States. The total new origination volume in the first quarter 2018 was € 1.7 billion.

The funding of BAWAG Group continues to be based on customer deposits, representing two-thirds of the overall funding base. Deposits from customers decreased by 2% to € 30.5 billion compared to December 2017, primarily reflecting movements of corporate customers' short term deposits. The funding costs continued to decrease as the product mix, volume and pricing were optimized. At the end of March 2018, the blended overall retail deposit rate stood at 0.12%, versus 0.17% a year ago.

We maintained a strong capital position. As of the first quarter 2018, our fully loaded CET1 ratio was 14.0% (December 2017: 13.5%). The increase of 50bps compared to year-end 2017 reflects earnings accretion as well as a decrease in RWAs, while compensating for a 10bps impact from the first-time application of IFRS 9.

Customer business performance in the first quarter 2018

| Segment | PBT (€ million) | Pre-tax RoTE (@12% CET1) | Cost-income ratio |
|---------------------------------|-----------------|--------------------------|-------------------|
| BAWAG P.S.K. Retail | 55 | 34.9% | 41.9% |
| easygroup | 32 | 29.4% | 31.8% |
| International Business | 25 | 26.6% | 22.2% |
| DACH Corporates & Public Sector | 14 | 16.8% | 50.4% |
| Südwestbank | 11 | 12.0% | 61.0% |

The **BAWAG P.S.K. Retail** segment comprises BAWAG Group's retail and small business lending to domestic customers and social housing activities. The segment achieved a profit before tax of € 55 million in the first quarter 2018, up 35% compared to the same period last year. The increase was primarily driven by higher operating income (up 14%), which reflects improved net interest income as well as increased net fee and commission income. The latter also includes lower commission expenses paid to Austrian Post following the separation agreement. The segment delivered a pre-tax return on tangible equity (@12% CET1) of 34.9% and a cost-income ratio of 41.9%.

The **easygroup** segment comprises *easybank*, one of Austria's leading direct banks; *easyleasing*, the #3 auto lessor in Austria and real estate leasing platform; *easypay*, a leading credit card issuer in Austria; *start:bausparkasse* and our international retail business consisting of high-quality performing residential mortgages in Western Europe. The segment achieved a profit before tax of € 32 million in the first quarter 2018, down 6% compared to the first quarter 2017 due to higher regulatory charges. The pre-tax return on tangible equity (@12% CET1) was 29.4% and the cost-income ratio was 31.8%. During the first quarter 2018, we made significant progress with the PayLife integration and continuing to identify synergistic opportunities across the Group.

The **International Business** segment comprises international corporate, real estate and portfolio lending outside the DACH region, primarily in Western Europe and the United States. The segment contributed € 25 million to BAWAG Group's profit before tax in the first quarter 2018, up 12% compared to the same period last year due to lower operating expenses and lower risk costs. The pre-tax return on tangible equity (@12% CET1) increased to 26.6%.

The **DACH Corporates & Public Sector** segment includes corporate and public lending and other fee-driven financial services for mainly Austrian customers and select client relationships in Germany and Switzerland. The segment contributed € 14 million to BAWAG Group's profit before tax and delivered a pre-tax return on tangible equity (@12% CET1) of 16.8%. The business performance was impacted by lower asset volumes, muted corporate loan demand, and redemptions. Our focus continues to be on underwriting business with appropriate risk-adjusted returns.

The **Südwestbank** segment contributed € 11 million to BAWAG Group's profit before tax. In the first quarter 2018, an integration and transformation process was launched, culminating in reaching an agreement with the workers' council on a comprehensive social plan in April. Our transformation plan is designed to improve operating performance across all products and channels with a focus on profitability, efficiency and capital with a goal to deliver results in line with the overall BAWAG Group targets. The segment delivered a pre-tax return on tangible equity (@12% CET1) of 12.0% and a cost-income ratio of 61.0% in the first quarter 2018.

Additional highlights

▶ **BAWAG Group awarded "Austria's Best Bank 2018" by *Global Finance***

Global Finance, one of the leading magazines for finance and capital market issues, awarded BAWAG Group as "Austria's Best Bank" for the second consecutive year. We are proud to be recognized again for the successful development of the Bank.

▶ **Issuance of € 300 million Additional Tier 1 (AT1) capital**

In April 2018, we issued € 300 million Additional Tier 1 capital. This was an important step in the optimization of BAWAG Group's total capital position planned in 2018. As the issuance was in April, it is not reflected in the capital ratios of the first quarter 2018.

▶ **Agreement on strategic partnership with MediaMarktSaturn Austria**

In May 2018, we agreed to an exclusive sales partnership with MediaMarktSaturn Austria. The collaboration will start on 1 January 2019 and is set for the long term. This strategic partnership complements our omni-channel strategy aimed at strengthening our presence in the consumer lending segment on the Austrian market and leveraging cross-selling potential.

Outlook and targets

BAWAG Group delivered solid results in the first quarter 2018 and anticipates that this strong performance will continue throughout the remainder of the year.

Our **targets for 2018** are as follows:

- ▶ Grow profit before tax (PBT) by more than 5%
- ▶ Achieve a cost-income ratio below 46%
- ▶ Deliver a return on tangible equity (@12% CET1) above 15%
- ▶ Maintain a CET1 ratio (fully loaded) of at least 12%

In addition, we have the following **3-year targets from 2018 through 2020** in place:

- ▶ Grow profit before tax at more than 5% CAGR and deliver a PBT of greater than € 600 million in 2020
- ▶ Deliver pre-tax average annual earnings per share of greater than € 5.70
- ▶ Achieve a cost-income ratio below 40%
- ▶ Maintain a RoTE (@12% CET1) in a range of 15% to 20%
- ▶ Maintain a CET1 ratio (fully loaded) of at least 12%
- ▶ Total excess capital accretion (>12% CET1) of greater than € 2 billion through 2020

In terms of capital generation and return, we target an annual dividend payout of 50% of net profit and will deploy additional excess capital (above 12% CET1) through 2020 to invest in organic growth and pursue earnings-accretive M&A at returns consistent with our RoTE group targets. To the extent excess capital is not deployed via such organic growth and M&A, we are committed to distributing excess capital to shareholders, based on a yearly assessment, in the form of stock buybacks and/or special dividends.

About BAWAG Group

BAWAG Group AG is the listed holding company of BAWAG P.S.K., which is headquartered in Vienna, Austria, with the main banking subsidiaries *easybank* and *start:bausparkasse* in Austria and *Südwestbank* in Germany. With more than 2.5 million customers, BAWAG P.S.K. is one of Austria's largest banks operating under a well-recognized national brand and applies a low-risk, efficient, simple and transparent business model focused on Austria, Germany and developed markets. The Bank serves retail, small business and corporate customers offering comprehensive savings, payment, lending, leasing, investment, building society and insurance products and services through various online and offline channels. Delivering simple, transparent and best-in-class products and services that meet our customers' needs is the consistent strategy across all business units.

BAWAG Group's Investor Relations website <https://www.bawaggroup.com/ir> contains further information, including financial and other information for investors.

Contact:

Financial Community:

Jutta Wimmer (Head of Investor Relations)
Tel: +43 (0) 5 99 05-22474
E-mail: investor.relations@bawaggroup.com

IR Hotline: +43 (0) 5 99 05-34444
E-mail: investor.relations@bawaggroup.com

Media:

Manfred Rapolter (Head of Communications, Press Officer)
Tel: +43 (0) 5 99 05-31210
E-mail: communications@bawaggroup.com

This text can also be downloaded from our website: <https://www.bawaggroup.com>

Profit or loss statement

| in € million | Q1 2018 | Q1 2017 | Change (%) | Q4 2017 | Change (%) |
|-------------------------------------------------------------------------------------------------|----------------|----------------|---------------|----------------|---------------|
| Interest income | 292.7 | 280.0 | 4.5 | 270.0 | 8.4 |
| Interest expense | (86.2) | (84.3) | 2.3 | (68.5) | 25.8 |
| Dividend income | 1.3 | 0.0 | 100 | 1.3 | – |
| Net interest income | 207.8 | 195.7 | 6.2 | 202.8 | 2.5 |
| Fee and commission income | 95.7 | 71.8 | 33.3 | 93.4 | 2.5 |
| Fee and commission expenses | (21.2) | (22.0) | (3.6) | (27.3) | (22.3) |
| Net fee and commission income | 74.5 | 49.8 | 49.6 | 66.1 | 12.7 |
| Core revenues | 282.3 | 245.5 | 15.0 | 268.9 | 5.0 |
| Gains and losses on financial instruments and other operating income and expenses ¹⁾ | 15.3 | 18.4 | (16.8) | 100.3 | (84.7) |
| Operating income | 297.6 | 263.9 | 12.8 | 369.2 | (19.4) |
| Operating expenses¹⁾ | (130.0) | (107.4) | 21.0 | (207.7) | (37.4) |
| Regulatory charges | (36.7) | (25.2) | 45.6 | (4.0) | >100 |
| Operating profit | 130.9 | 131.3 | (0.3) | 157.5 | (16.9) |
| Total risk costs | (15.9) | (11.1) | 43.2 | (18.2) | (12.6) |
| Share of the profit or loss of associates accounted for using the equity method | 1.1 | 1.1 | – | 1.1 | (0.0) |
| Profit before tax | 116.1 | 121.3 | (4.3) | 140.4 | (17.3) |
| Income taxes | (29.6) | (26.2) | 13.0 | 26.3 | – |
| Profit after tax | 86.5 | 95.1 | (9.0) | 166.7 | (48.1) |
| Non-controlling interests | 0.0 | 0.0 | – | 0.0 | – |
| Net profit | 86.5 | 95.1 | (9.0) | 166.7 | (48.1) |

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 35.8 million for the first quarter 2018. The item Operating expenses includes regulatory charges in the amount of € 0.9 million for the first quarter 2018 as well. However, BAWAG Group's management considers regulatory charges as a separate expense. Accordingly, they are shown in a separate expense line in the Interim Group Management Report.

Total assets

| in € million | Mar 2018 | Dec 2017 | Change (%) | Mar 2017 | Change (%) |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash reserves | 1,108 | 1,180 | (6.1) | 760 | 45.8 |
| Financial assets | 3,650 | 5,314 | (31.3) | 3,844 | (5.0) |
| Held for trading | 409 | 458 | (10.7) | 546 | (25.1) |
| Fair value through profit or loss | 544 | 448 | 21.4 | 194 | >100 |
| Fair value through OCI | 2,697 | 4,408 | (38.8) | 3,104 | (13.1) |
| At amortized cost | 38,741 | 38,027 | 1.9 | 34,553 | 12.1 |
| Customers | 30,504 | 30,804 | (1.0) | 28,195 | 8.2 |
| Debt instruments | 3,476 | 3,563 | (2.4) | 3,366 | 3.3 |
| Credit institutions | 4,761 | 3,660 | 30.1 | 2,992 | 59.1 |
| Hedging derivatives | 415 | 517 | (19.7) | 583 | (28.8) |
| Tangible non-current assets | 223 | 223 | – | 54 | >100 |
| Intangible non-current assets | 508 | 506 | 0.4 | 383 | 32.6 |
| Tax assets for current taxes | 16 | 12 | 33.3 | 11 | 45.5 |
| Tax assets for deferred taxes | 122 | 102 | 19.6 | 179 | (31.8) |
| Other assets | 185 | 190 | (2.6) | 192 | (3.6) |
| Total assets | 44,968 | 46,071 | (2.4) | 40,559 | 10.9 |

Note: Due to the application of IFRS 9 from 1 January 2018 and the decision to not restate the accounts, as permitted in the regulations, the balance sheet from the first quarter 2018 is not comparable with previous reporting periods. Prior-year figures of 2017 have been presented in accordance with the new categories, without a reclassification or remeasurement according to the new standards.

Total liabilities and equity

| in € million | Mar 2018 | Dec 2017 | Change (%) | Mar 2017 | Change (%) |
|--------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total liabilities | 41,399 | 42,461 | (2.5) | 37,342 | 10.9 |
| Financial liabilities | 40,120 | 40,965 | (2.1) | 35,814 | 12.0 |
| Fair value through profit or loss | 966 | 726 | 33.1 | 964 | 0.2 |
| Held for trading | 292 | 345 | (15.4) | 505 | (42.2) |
| At amortized cost | 38,862 | 39,894 | (2.6) | 34,345 | 13.2 |
| Customers | 30,475 | 30,947 | (1.5) | 25,480 | 19.6 |
| Issued securities | 4,122 | 4,938 | (16.5) | 5,210 | (20.9) |
| Credit institutions | 4,265 | 4,009 | 6.4 | 3,655 | 16.7 |
| Financial liabilities associated with transferred assets | 0 | 0 | – | 90 | (100) |
| Valuation adjustment on interest rate risk hedged portfolios | 95 | 116 | (18.1) | 175 | (45.7) |
| Hedging derivatives | 120 | 94 | 27.7 | 210 | (42.9) |
| Provisions | 422 | 450 | (6.2) | 397 | 6.3 |
| Tax liabilities for current taxes | 8 | 17 | (52.9) | 20 | (60.0) |
| Tax liabilities for deferred taxes | 10 | 5 | 100 | 24 | (58.3) |
| Other obligations | 624 | 814 | (23.3) | 612 | 2.0 |
| Total equity | 3,569 | 3,610 | (1.1) | 3,217 | 10.9 |
| Shareholders' equity | 3,568 | 3,609 | (1.1) | 3,216 | 10.9 |
| Non-controlling interests | 1 | 1 | – | 1 | – |
| Total liabilities and equity | 44,968 | 46,071 | (2.4) | 40,559 | 10.9 |

Note: Due to the application of IFRS 9 from 1 January 2018 and the decision to not restate the accounts, as permitted in the regulations, the balance sheet from the first quarter 2018 is not comparable with previous reporting periods. Prior-year figures of 2017 have been presented in accordance with the new categories, without a reclassification or remeasurement according to the new standards.

Business segment performance

| | BAWAG P.S.K. Retail | easygroup | Südwest- bank | DACH Corporates & Public Sector | International Business | Treasury Services & Markets and Corporate Center | Total |
|---------------------------------------------------------------------------------|---------------------------|---------------|------------------|------------------------------------------|---------------------------|--------------------------------------------------------------|----------------|
| Q1 2018 in € million | | | | | | | |
| Net interest income | 96.9 | 40.4 | 22.6 | 16.4 | 31.5 | 0.0 | 207.8 |
| Net fee and commission income | 42.5 | 13.7 | 8.9 | 9.9 | 0.1 | (0.6) | 74.5 |
| Core revenues | 139.4 | 54.1 | 31.5 | 26.3 | 31.6 | (0.6) | 282.3 |
| Gains and losses on financial instruments | 8.5 | 0.0 | 0.0 | 0.1 | 0.0 | 6.5 | 15.1 |
| Other operating income and expenses | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | (0.4) | 0.2 |
| Operating income | 148.5 | 54.1 | 31.5 | 26.4 | 31.6 | 5.5 | 297.6 |
| Operating expenses | (62.2) | (17.2) | (19.2) | (13.3) | (7.0) | (11.1) | (130.0) |
| Regulatory charges | (15.0) | (4.2) | (2.8) | – | – | (14.7) | (36.7) |
| Total risk costs | (16.0) | (1.1) | 1.8 | 0.8 | 0.2 | (1.6) | (15.9) |
| Share of the profit or loss of associates accounted for using the equity method | – | – | – | – | – | 1.1 | 1.1 |
| Profit before tax | 55.3 | 31.6 | 11.3 | 13.9 | 24.8 | (20.8) | 116.1 |
| Income taxes | – | – | – | – | – | (29.6) | (29.6) |
| Profit after tax | 55.3 | 31.6 | 11.3 | 13.9 | 24.8 | (50.4) | 86.5 |
| Non-controlling interests | – | – | – | – | – | 0.0 | 0.0 |
| Net profit | 55.3 | 31.6 | 11.3 | 13.9 | 24.8 | (50.4) | 86.5 |
| Business volumes | | | | | | | |
| Assets | 9,507 | 5,737 | 4,406 | 6,706 | 5,297 | 13,315 | 44,968 |
| Liabilities | 18,695 | 5,869 | 6,304 | 6,377 | 2 | 7,721 | 44,968 |
| Risk-weighted assets | 3,887 | 3,824 | 3,591 | 2,108 | 4,563 | 3,270 | 21,243 |

| | BAWAG P.S.K. Retail | easygroup | Südwest- bank | DACH Corporates & Public Sector | International Business | Treasury Services & Markets and Corporate Center | Total |
|---------------------------------------------------------------------------------|---------------------------|---------------|------------------|------------------------------------------|---------------------------|--------------------------------------------------------------|----------------|
| Q1 2017 in € million | | | | | | | |
| Net interest income | 93.4 | 40.4 | – | 20.7 | 33.4 | 7.8 | 195.7 |
| Net fee and commission income | 35.8 | 4.6 | – | 10.0 | 0.0 | (0.6) | 49.8 |
| Core revenues | 129.2 | 45.0 | – | 30.7 | 33.4 | 7.2 | 245.5 |
| Gains and losses on financial instruments | 0.8 | 0.0 | – | 0.5 | 0.3 | 16.4 | 18.0 |
| Other operating income and expenses | 0.5 | (0.1) | – | 0.0 | 0.0 | 0.0 | 0.4 |
| Operating income | 130.5 | 44.9 | – | 31.2 | 33.7 | 23.6 | 263.9 |
| Operating expenses | (64.4) | (13.1) | – | (12.2) | (8.6) | (9.1) | (107.4) |
| Regulatory charges | (12.6) | (2.0) | – | – | – | (10.6) | (25.2) |
| Total risk costs | (12.5) | 3.7 | – | 1.7 | (3.0) | (1.0) | (11.1) |
| Share of the profit or loss of associates accounted for using the equity method | – | – | – | – | – | 1.1 | 1.1 |
| Profit before tax | 41.0 | 33.5 | – | 20.7 | 22.1 | 4.0 | 121.3 |
| Income taxes | – | – | – | – | – | (26.2) | (26.2) |
| Profit after tax | 41.0 | 33.5 | – | 20.7 | 22.1 | (22.2) | 95.1 |
| Non-controlling interests | – | – | – | – | – | 0.0 | 0.0 |
| Net profit | 41.0 | 33.5 | – | 20.7 | 22.1 | (22.2) | 95.1 |
| Business volumes | | | | | | | |
| Assets | 9,668 | 6,157 | – | 7,891 | 5,327 | 11,516 | 40,559 |
| Liabilities | 18,981 | 6,064 | – | 7,207 | 1 | 8,306 | 40,559 |
| Risk-weighted assets | 3,741 | 5,058 | – | 2,790 | 4,112 | 3,260 | 18,961 |