BAWAG Group

Preliminary FY 2017 Earnings

February 27, 2018

Agenda

Highlights

All 2017 targets achieved

Key achievements 2017

Record profit before tax of €517m … **RoTE (@12% CET1) of 17.9%**

Strong capital position maintained with CET1 ratio (FL) of 13.5% … +330bps of gross capital generation, fully funding two acquisitions and dividend payments

Continuing to build-up customer franchise … retail segments record profit growth, shift to digital, expansion into Germany, and enhancing product offering

Multiple awards achieved … elected "Austria's Best Bank 2017" by *Global Finance*, named "Bank of the Year" in Austria by *The Banker*, and *easybank* awarded "Best Direct Bank in Austria" by *DerBörsianer*

IPO successfully completed … largest IPO in Austrian history and landmark event in our rich 130-year history

…while executing on our strategy

✓ **Signed Austrian Post separation agreement**

- Accelerates retail branch transformation
- Material partnership exit by end of 2019
- Agreed upfront payment funded in 2017

✓ **Completed / signed 3 acquisitions in 2017**

- Closed Südwestbank: German regional bank
- Closed PayLife: Austrian credit card issuer
- Signed Deutscher Ring Bausparkasse: German building society

✓ **Launched full review of technology stack**

- Proactive move towards technology company infrastructure
- Key technology hires across the Group
- Capitalize on process simplification efforts to focus on end-to-end digitization

Financial performance in 2017

Highlights	Details
Profitability	• **PBT of €517m, up 12% vPY** … **RoTE (@12% CET1) of 17.9%** • Net interest income up 8% vPY, net fee and commission income up 12% vPY
Costs	• **Operating expenses of €529m** … including new acquisitions and LTIP[1)] • **Cost-income ratio at 46.5%**, excluding LTIP[1)] at 41.6%
Balance sheet	• **Customer asset originations of ~€5b** … driven by retail and corporates business • Customer loans at €30.8b, up 8% vPY … focus on customer-centric balance sheet
Risk	• **NPL ratio at 2.0% (excluding City of Linz case: 1.5%)** … **risk cost ratio at 18bps** • Continued focus on proactive risk management … maintaining conservative risk profile
Capital	• **CET1 ratio (FL) 13.5% … well above management target … excess capital of €320m** • Dividend for Q4 '17 of €0.58 per share (€58.3m total) to be proposed to Annual General Meeting (7 May 2018) … interim dividend of €51.6 million paid in Q3 '17

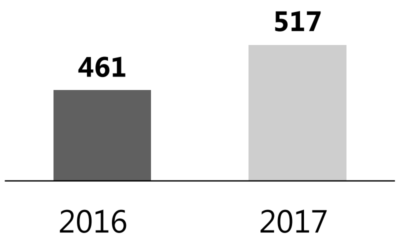
FL … fully loaded vPY … versus prior year 1) Parts of long-term incentive program (LTIP) recognized in 2017

All 2017 targets outperformed

BAWAG Group

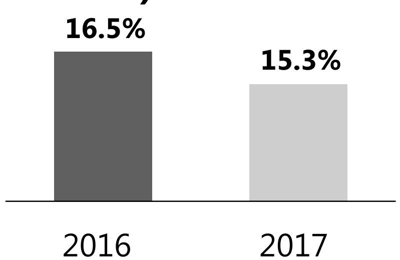
Performance | 2017 target

Profit before tax | € millions



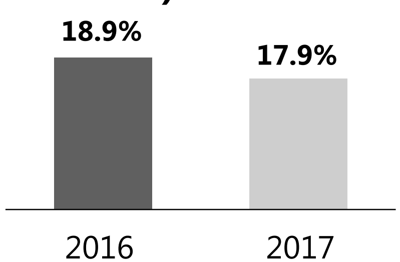
>€500m ✓

RoE (@12% CET1)



>15% ✓

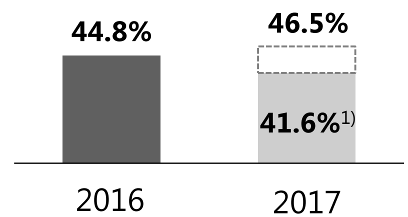
RoTE (@12% CET1)



>16% ✓

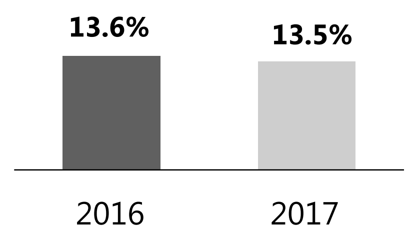
Performance | 2017 target

Cost-income ratio



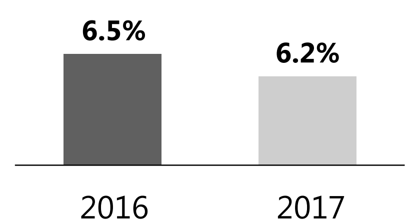
<43% ✓

CET1 ratio (FL)



>12% ✓

Leverage ratio (FL)



>5% ✓

1) Excluding parts of long-term incentive program (LTIP) costs recognized in 2017

Agenda

BAWAG P.S.K. Retail

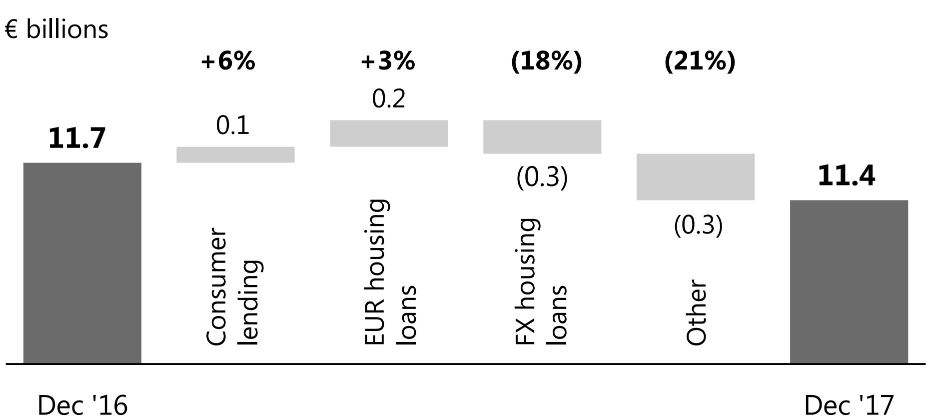
Key metrics

€ millions	2016	2017	vPY
Profit before tax	**169.1**	**224.6**	**33%**
NPL ratio	2.0%	2.3%	0.3pts
Cost-income ratio	55.2%	48.6%	(6.6pts)
Pre-tax RoTE (@12% CET1)	22.6%	29.8%	7.2pts
Assets	11,659	11,351	(3%)
Customer deposits	18,058	17,820	(1%)

P&L

€ millions	2017	vPY	Q4 '17	vPY
Net interest income	398.3	13%	100.2	7%
Net commission income	158.1	12%	40.8	17%
Core revenues	556.4	13%	141.0	10%
Operating expenses	(272.6)	–	(72.2)	1%
Total risk costs	(49.0)	20%	(18.3)	29%
Profit before tax	224.6	33%	49.8	16%

Asset development and y-o-y growth rates



vPY ... versus prior year period

Developments

- New business originations of €1.4b in 2017 (€0.7b housing and €0.5b consumer loans) … continue to grow key products into current account market share
- Product innovation supporting fee income … 64% of new current accounts are premium models … current account NCI +4% vPY
- Leveraging technology partnerships to drive key products … Spotcap to provide for more seamless SME financing experience
- Capitalize on changing customer behavior … OTC transactions down to 14% … 86% thru e-banking, mobile, self-service devices
- Separation agreement signed with Austrian Post after providing notice of termination in Q4 '17 … material partnership exit by end of 2019

Branch transformation accelerated

Agreement reached with Austrian Post for accelerated and frictionless separation

Enabling branch network transformation

- Existing joint network comprised of 74 BAWAG owned/leased branches and approximately 350 owned/leased by Austrian Post
- BAWAG branches mainly concentrated in large urban areas
- BAWAG had already exited 200 branches owned by the Austrian Post since 2016 with >95% customer retention
- Partnership limited our ability to right-size network given operational and commercial restraints

Separation agreement allows for …

✓ Agreed 1-time upfront payment in 2017 to address partnership costs over the next 2 years and allow for an accelerated separation

✓ Resolution to all legal disputes

✓ Immediate reduction of non-productive resources

✓ Services to be provided thru 2019, ensuring smooth transition

✓ Control over staffing quality, quantity and location

Targeted branch network

Focuses

- Target network of **~100 branches** generating **>75% of new business activity** … geared toward market growth
- **80% of customers minimally affected**
- **Invest in core branches** designed for today's customer expectations (advisory quality and service efficiency)

Enhances

- **Customer experience quality** through concentration of advisory teams and expertise
- **Full control of sales channels** … Resource management, branch levels, staffing and leveraging digital platforms
- **Advisory focus** through elimination of non-banking activities and wait times
- **Investment in advisory environment** with digitally enabled, micro-market product focus

Creates

- **Segment cost-income ratio <42% by 2020**
- **Employees per core branch improved (~4 to >8)**
- Customers per advisor consistent
- ~100 customer-focused branches with design upgrades and digital integration

easygroup

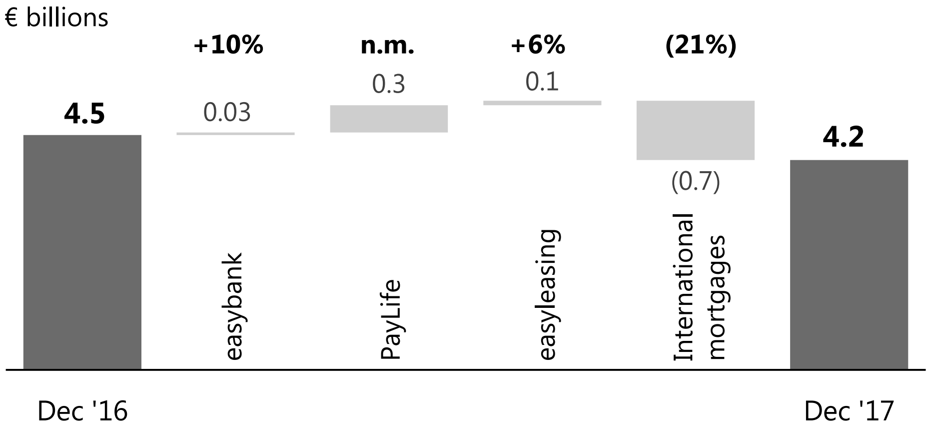
Key metrics

€ millions	2016	2017	vPY
Profit before tax	**86.7**	**126.2**	**46%**
NPL ratio	2.0%	1.9%	(0.1pts)
Cost-income ratio	24.6%	23.8%	(0.8pts)
Pre-tax RoTE (@12% CET1)	22.2%	32.2%	10.0pts
Assets	4,458	4,173	(6%)
Customer deposits	3,893	3,822	(2%)

P&L

€ millions	2017	vPY	Q4 '17	vPY
Net interest income	150.4	30%	34.6	33%
Net commission income	21.0	>100%	12.7	>100%
Core revenues	171.4	36%	47.3	62%
Operating expenses	(40.8)	33%	(17.1)	>100%
Total risk costs	(2.0)	(58%)	(3.8)	27%
Profit before tax	**126.2**	**46%**	**29.8**	**68%**

Asset development and y-o-y growth rates



Developments

- New business originations of €0.5b in 2017 ... driven by net asset growth in consumer lending (+15%) and easyleasing (+6%)
- Positive consumer loan development thru revamped data analytics leading to new business originations up 32% vPY
- *easygroup* customer base at 1 million ... nearly 50% of easybank customers use it as main bank with 17% as their only bank
- PayLife acquisition main driver behind customer growth of >150% and enhanced credit card product offering
- Launch of *Qlick* postponed to 2018 to broaden scope & technology for Group and address broader German consumer finance opportunities

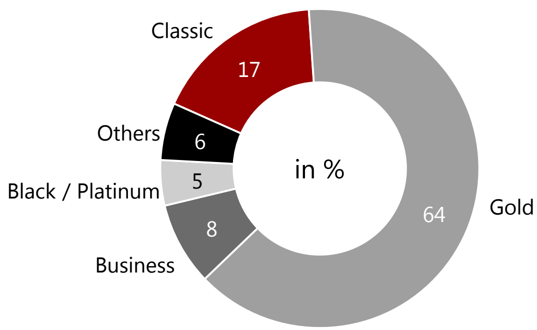
vPY ... versus prior year period

PayLife integration

Integration ahead of plan … adding strong management while enhancing credit card offering

PayLife acquisition beating expectations

- One of the leading credit card issuers in Austria
- ~600,000 issued cards



Key revenue drivers	FY 2017	vPY
Total # of transactions | € millions	36.1	+5%
Total € transaction value | € billions	3.3	+2%
# transactions per card	62	+11%
€ transaction volume per card	5.6k	+7%

- Credit card payments market strong, customer adoption and usage continues to increase vs prior year
- Currently credit cards mainly used as charge cards (monthly balance payoff) … beginning to run targeted campaigns for revolving credit

Creation of "easypay" segment underway

✓ Inherited strong management and broader team with credit card industry expertise

✓ Multiple discussions underway with retailers and other financial institutions to establish new partnerships for growth

✓ International expansion strategy underway … launch mid-2018 with German issuing for Südwestbank

✓ Significant synergies realized Day 1 … €4m+ across BAWAG Group in 2018

✓ Integration underway … group credit card Center of Excellence to be completed by March

✓ Deal economics continue to exceed expectations … pro forma PBT of €12m to be exceeded in year 1

Note: Data as of 31 December 2017

Non-retail segments

BAWAG Group

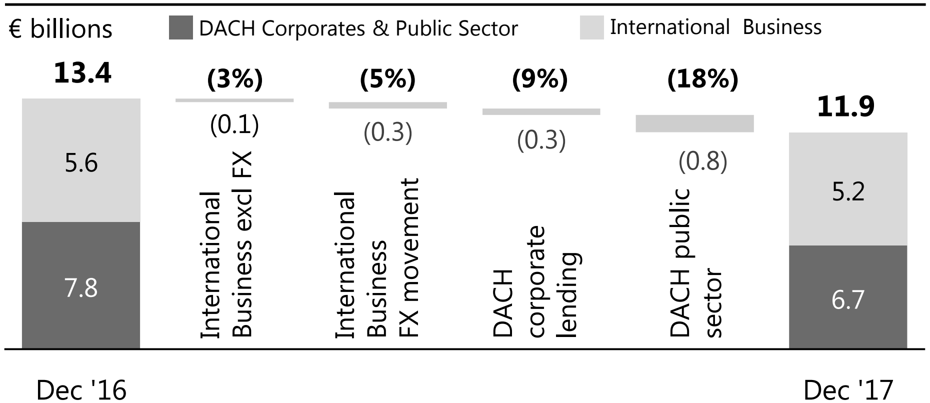
International Business

€ millions	2017	vPY	Q4 '17	vPY
Core revenues	129.5	(3%)	30.3	(6%)
Operating expenses	(27.6)	(8%)	(6.6)	(33%)
Total risk costs	(16.3)	–	(0.5)	74%
Profit before tax	**85.2**	**(17%)**	**23.2**	**17%**
NPL ratio	0.9%	0.9pts	0.9%	0.9pts
Cost-income ratio	21.4%	(1.4pts)	21.8%	(9.4pts)
Pre-tax RoTE (@12% CET1)	22.5%	(1.1pts)	24.5%	3.1pts

DACH Corporates & Public Sector

€ millions	2017	vPY	Q4 '17	vPY
Core revenues	109.7	(8%)	28.0	(8%)
Operating expenses	(48.8)	(9%)	(13.4)	(10%)
Total risk costs	(8.0)	–	(15.0)	–
Profit before tax	**42.0**	**(41%)**	**(11.8)**	–
NPL ratio	1.4%	0.5pts	1.4%	0.5pts
Cost-income ratio	49.4%	4.8pts	80.7%	31.8pts
Pre-tax RoTE (@12% CET1)	11.3%	(5.2pts)	(12.8%)	(30.9%)

Asset development and y-o-y growth rates



vPY … versus prior year period

Developments

- **International Business:** €2.1b new originations … net asset development impacted by FX movement (USD & GBP assets) … solid pipeline for portfolio financing opportunities built in Q4 '17
- **DACH Corporates & Public Sector:** €1b new originations … continued focus on risk-adjusted returns and repricing despite competitive market
- Net asset decrease in public sector primarily due to less short-term lending … launched public sector originate-to-sell platform
- DACH Corporates & Public Sector loss in Q4 '17 driven by 2 corporate exposures that were de-risked / provisioned

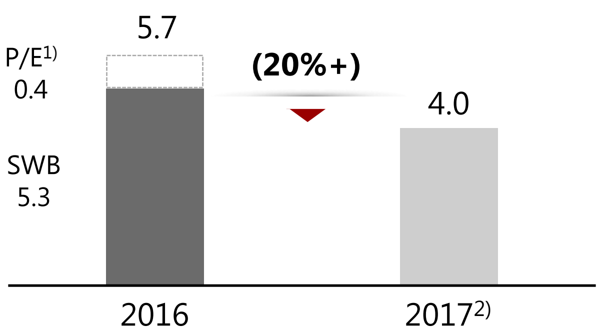
Südwestbank integration

Integration on plan with transformation roadmap set for 2018

Today / Near-term

1 De-risking balance sheet

RWA development | € billions



✓ **Exit of various fund portfolios**
- Eliminated open market risk positions

✓ **Treasury market risk optimization**
- Management of treasury services & securities portfolio at Group level

✓ **Sale of non-core participations**

→ **Full review of credit RWAs**
- Application of Group standards
- IRB model roll-out in 2018/2019

2 Operational transformation

✓ **Integration efforts launched Q4 '17**

- Senior leadership team put in place with support in core areas from BAWAG Group
- Progressing on implementation of transformation plan

→ **Focus on business line profitability & reshaping of bank physical footprint**

- Balance sheet capital efficiency review … focus on negative & low RoE business
- Physical footprint to reflect business opportunities and digital initiatives

→ **Focus on simplification, process redesign & digitization opportunities**

- Group level bullet-train initiatives launched … streamlining opportunities

Near- / Medium-term

3 Growth / bolt-on M&A

Go deeper with existing customer base

- Allocating capital to segments already meeting return thresholds
- Opportunity to increase ticket size, grow share of wallet

Reinvigorate retail franchise, drive digital initiatives and leverage Group

- Digital infrastructure support, data analytics, products and CRM models
- Pursue strategic retail partnerships

New channels & customers thru bolt-on M&A and distribution agreements

- Signed Deutscher Ring Bausparkasse in Hamburg … €0.5b, 85k customer retail housing building society bank

1) Private equity portfolio sold prior to start of deal negotiations 2) Group consolidated reporting

Customer segment performance

	Business performance | € millions						Contribution to Group	Segment return levels
	Profit before tax 2015	Profit before tax 2016	Profit before tax 2017	vPY	CIR 2017	Pre-tax RoTE[1] 2017	PBT 2017	Post-tax RoTE[1]
BAWAG P.S.K. Retail	132	169	225	33%	48.6%	29.8%	43%	**>20%**
easygroup	42	87	126	46%	23.8%	32.2%	24%	**>20%**
International Business	111	102	85	(17%)	21.4%	22.5%	16%	**>15%**
DACH Corporates & Public Sector	81	71	42	(41%)	49.4%	11.3%	8%	**>10%**
Südwestbank	n/a	n/a	1	n/a	n/a	n/a	n/a	**>15%**
BAWAG Group	419	461	517	12%	41.6%[2]	17.9%[3]		**15-20%**

vPY ... versus prior year 1) @12% CET1 2) Excluding parts of long-term incentive program (LTIP) recognized in 2017 3) RoTE (@12% CET1) on BAWAG Group level shown on an after-tax basis

Agenda

1. Highlights in 2017
2. Business segment performance
3. Detailed financials
4. Outlook & targets

Exceptional items in Q4 '17

Topic	Details	Q4 '17 PBT impact
M&A	• Effects related to the first-time consolidation of Südwestbank and PayLife including badwill, valuation effects, restructuring • CET1 impact differs due to prudential filter and deduction items	~€230m
Branch network	• Separation agreement with Post signed • Agreed upfront payment to address partnership costs over the next 2 years and restructuring costs fully reflected in 2017	~€(110m)
Long-term incentive program	• Initiation of long-term incentive program for Managing Board and senior leadership team • Performance vested part (75%) recognized in 2017	~€(55m)
Additional reserves	• Restructuring and legal reserves	~€(60m)

P&L & balance sheet overview

P&L | € millions	**Q4 '17**	**vPY**	**FY '17**	**vPY**
Net interest income	198.0	10%	791.3	8%
Net commission income	66.1	41%	216.9	12%
Core revenues	**264.1**	**16%**	**1,008.2**	**9%**
Other revenues	100.3	>100%	129.4	>100%
Operating income	**364.1**	**53%**	**1,137.6**	**16%**
Operating expenses	**(208.4)**	**72%**	**(528.8)**	**20%**
Regulatory charges	(4.0)	(35%)	(33.8)	(27%)
Risk costs	(18.2)	2%	(61.8)	45%
Profit before tax	**134.9**	**43%**	**517.3**	**12%**
Income taxes	27.7	–	(50.6)	–
Net profit	**162.6**	**73%**	**466.6**	**(1%)**

Balance sheet | € billions	**Dec '16**	**Dec '17**	**vPY**
Customer loans	28.5	30.8	8%
Securities and bonds	6.5	8.4	29%
Credit institutions and cash	2.7	4.9	81%
Other assets	2.1	2.0	(5%)
Total assets	**39.8**	**46.1**	**16%**
Customer deposits	26.0	31.0	19%
Own issues	6.0	5.7	(5%)
Credit institutions	2.4	4.0	67%
Other liabilities	2.3	1.8	(22%)
Equity	3.1	3.6	16%
Total liabilities & equity	**39.8**	**46.1**	**16%**

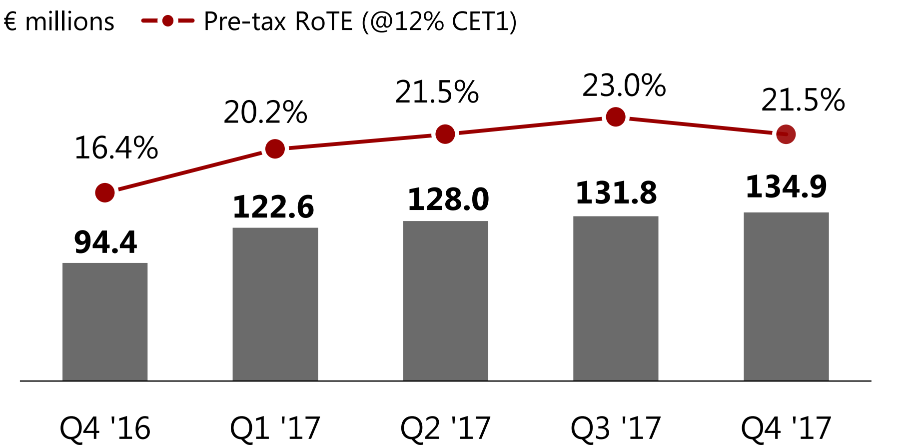
Key ratios	**Q4 '17**	**vPY**	**FY '17**	**vPY**
RoE	18.6%	6.4pts	13.9%	(1.7pts)
RoE (@12% CET1)	**22.0%**	**7.9pts**	**15.3%**	**(1.2pts)**
RoTE	21.4%	7.6pts	16.0%	(1.6pts)
RoTE (@12% CET1)	**25.9%**	**9.7pts**	**17.9%**	**(1.0pts)**
Net interest margin	2.19%	(0.04pts)	2.23%	(0.09pts)
Cost-income ratio	41.8%[1)]	(9.2pts)	41.6%[1)]	(3.2pts)
Risk cost ratio	0.22%	(0.03pts)	0.18%	0.03pts

Capital & RWA | € billions	**Dec '16**	**Dec '17**	**vPY**
IFRS equity	3.1	3.6	16%
IFRS tangible equity	2.7	3.1	15%
CET1 capital (FL)	2.6	2.9	12%
Risk-weighted assets	19.0	21.5	13%
CET1 ratio (FL)	13.6%	13.5%	(0.1pts)
Leverage ratio (FL)	6.5%	6.2%	(0.3pts)
B/S leverage	12.7x	12.8x	0.1x

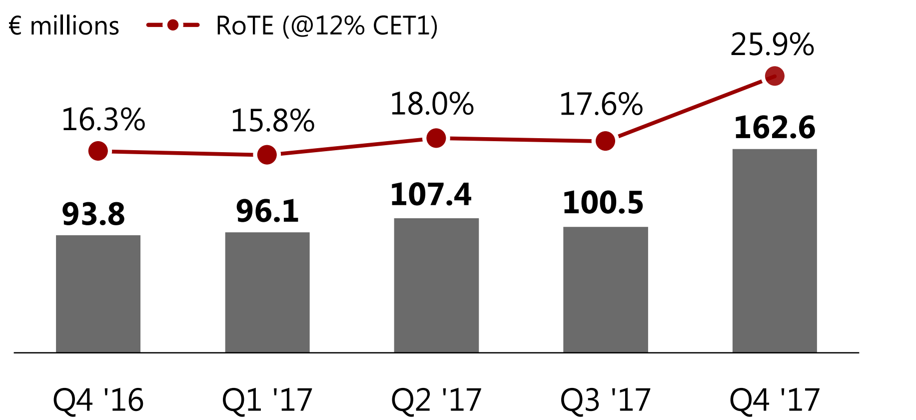
vPY ... versus perior year period 1) Excluding parts of long-term incentive program (LTIP) recognized in 2017

Quarterly P&L development

Profit before tax



Net profit



Key indicators

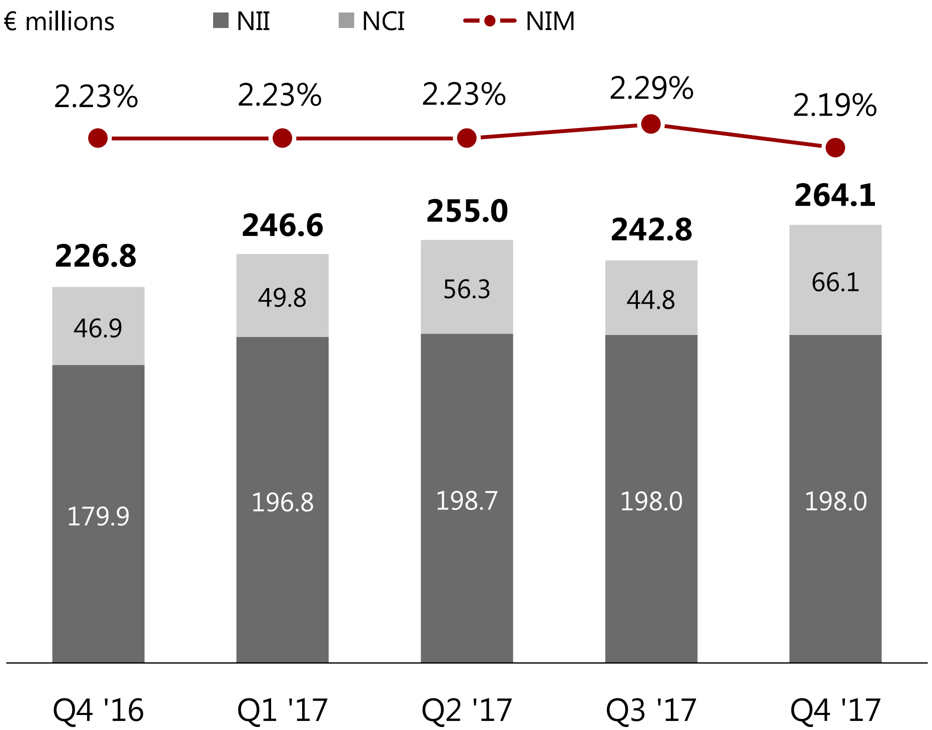
€ millions	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17
CET1 ratio	13.6%	14.1%	15.4%	16.2%	13.5%
Equity	3,123	3,216	3,335	3,383	3,609
Tang. equity	2,745	2,834	2,948	2,987	3,102
CET1 capital	2,591	2,681	2,772	2,888	2,898
Tax expense	(0.6)	(26.5)	(20.6)	(31.2)	27.7
Tax rate	1%	22%	16%	24%	(21%)
DTA	203	182	163	92	102

- Continued strong equity generation … up 16% vPY
- Growing quarterly PBT in 2017 and delivering pre-tax RoTE (@12% CET1) >20%
- Effective tax rate of <10% in 2017 as expected due to badwill accounting

P&L details – core revenues

Growth driven by core product growth and acquisitions

Core revenues



Customer loans | € billions

28.5	28.2	28.0	27.5	30.8

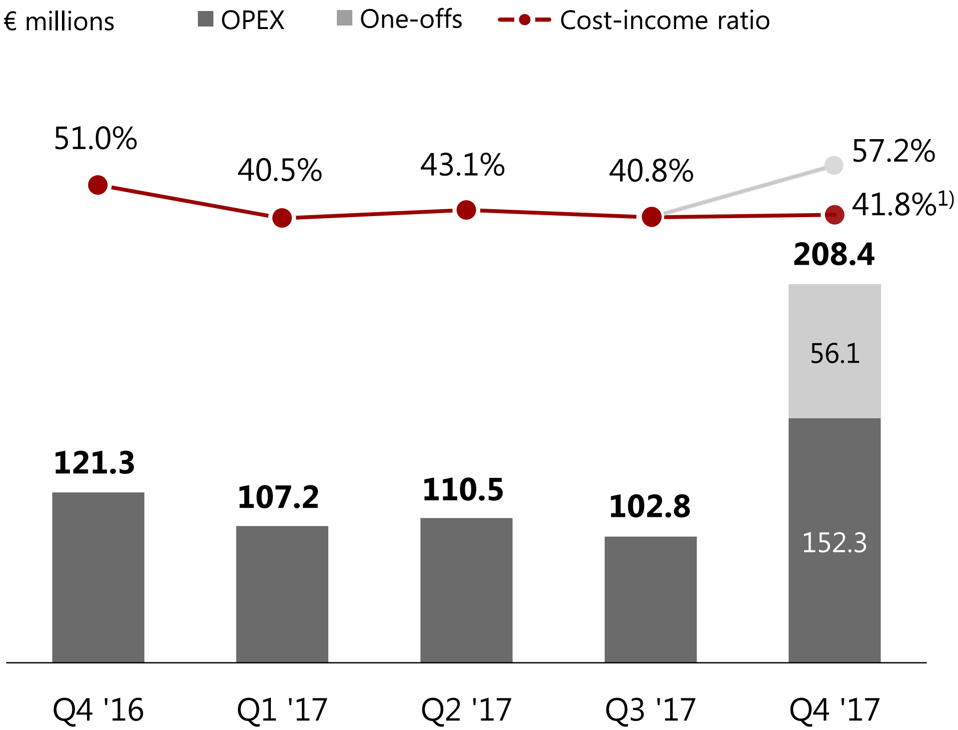
Summary

- **FY ‘17 net interest income (NII) up 8% vPY driven by core product growth and integration of new acquisitions**
  - Q4 ‘17 net interest margin (NIM) at 2.19% depressed by consolidation of Südwestbank in Q4 ‘17
  - Focus on consumer and international lending
  - Reduced funding costs … blended overall retail deposit rate down to 0.17% vs. 0.28% y-o-y
- **FY ’17 net commission income (NCI) up 12% vPY**
  - 64% of new current accounts are premium models … current account NCI up 4% vPY
  - Strong performance of securities business with sales of €1.7b in FY '17 … NCI up 6% vPY
  - Reduced commission payments to Austrian Post
  - Acquisition of PayLife and Südwestbank closed in Q4 ‘17

P&L details – operating expenses

Continued focus on efficiency

Operating expenses



Active FTEs

Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17
2,496	2,426	2,314	2,293	2,943

Summary

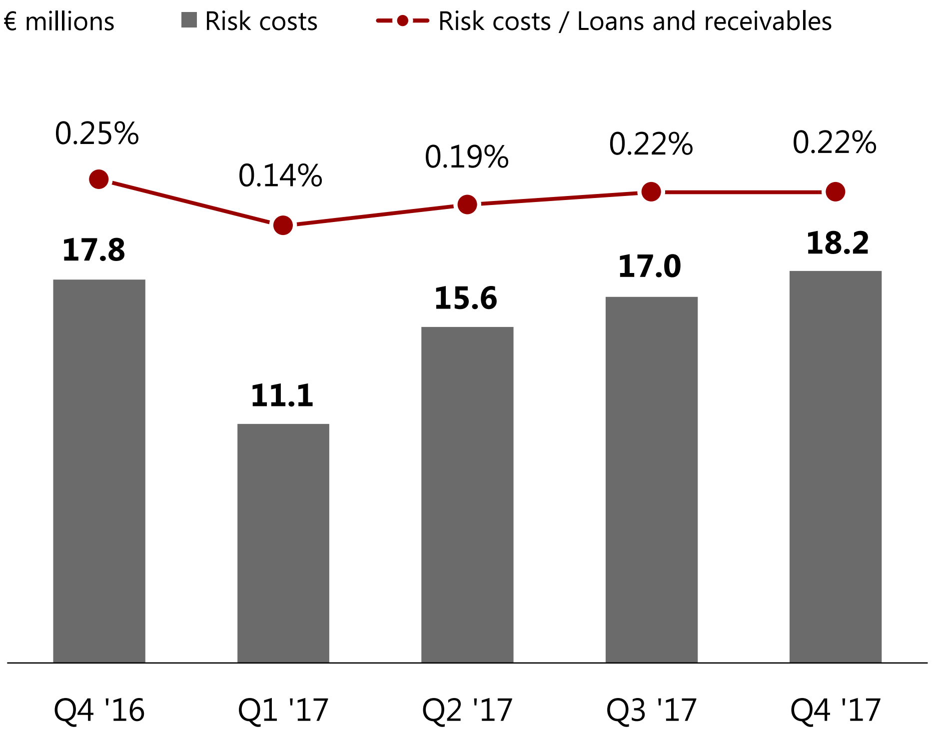
- **Q4 '17 cost base includes partly new acquisitions (Südwestbank and PayLife) and cost for LTIP[1)]**
- FY '17 cost-income ratio at 46.5%, excluding LTIP[1)] at 41.6%, in line with expectations
- **Continued focus on operating efficiency** ... digitizing processes and integrating new acquisitions
- **Significant investments (CAPEX FY '17: €66m) to address evolving banking landscape and customer needs** ... introducing new technologies (online & mobile banking), big data analytics and front/back office process optimization

1) Parts of long-term incentive program (LTIP) recognized in 2017

P&L details – risk costs

Proactive risk management to maintain conservative risk profile

Risk costs



NPL ratio | as reported and excluding CoL

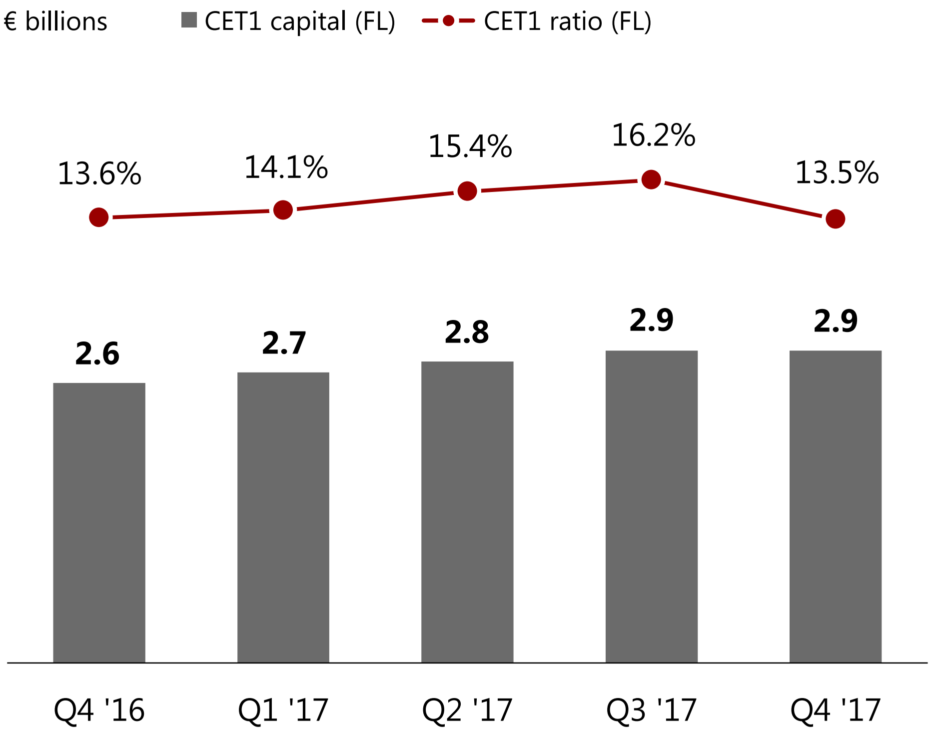
1.7%	1.8%	1.9%	2.0%	2.0%
1.0%	1.2%	1.3%	1.3%	1.5%

Summary

- **FY '17 risk cost ratio at 18bps**
- **Customer loan franchise focused on developed markets** … 76% DACH region / 24% Western Europe & United States
- **NPL ratio at 2.0% (excl. City of Linz case: 1.5%)** … **favorable risk metrics across business segments**
  - BAWAG P.S.K. Retail: NPL ratio 2.3% … coverage ratio 82%
  - easygroup: NPL ratio 1.9% … coverage ratio 93%
  - DACH Corporates & Public Sector: NPL ratio 1.4% … coverage ratio 79%
- **Continued focus on proactive risk management and maintaining a conservative risk profile**
- Q4 '17 impacted by losses driven by 2 corporate exposures that were de-risked / provisioned, higher legal provisions and impairments of participations (in light of IFRS 9), which were offset by an impairment reversal (brand related)

Capital

CET1 capital (FL)



RWA | € billions

19.0	19.0	18.0	17.8	21.5

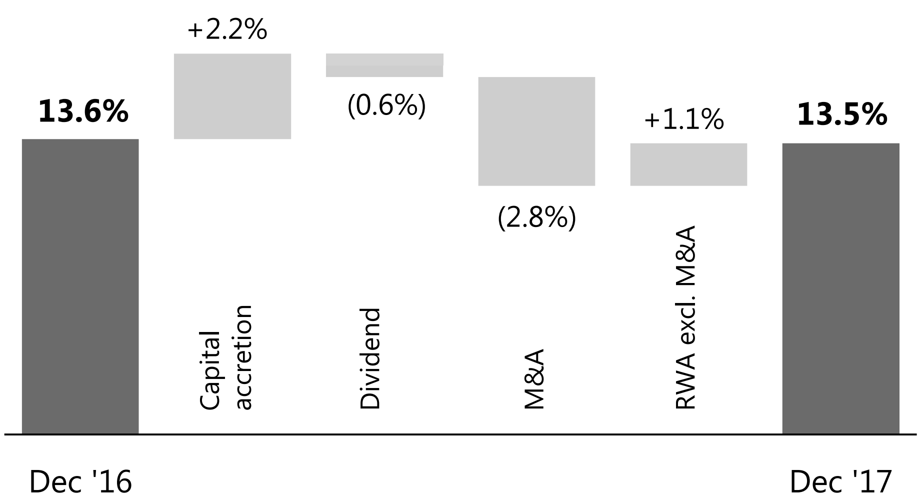
Summary

- **Very strong FY '17 capital levels**
  - Significantly above all minimum and target levels
  - "SREP" of 9.625% plus 1% Pillar 2 guidance
  - MDA of €0.5b[1)] and ADI of €2.9b
  - Dividend for Q4 '17 of €0.58 per share (€58.3m total payout) will be proposed to the AGM
- **Limited impact from regulatory developments**
  - Almost no negative impact on CET1 ratio (FL) from first-time application of IFRS 9 as of 1 January 2018
  - Limited impact from Basel IV expected due to conservative RWA density (Dec 2017: 47%)
- **Optimization of total capital** planned in 2018

MDA ... Maximum Distributable Amount ADI ... Available Distributable Items 1) Prior to the proposed Q4 '17 dividend of €58.3m

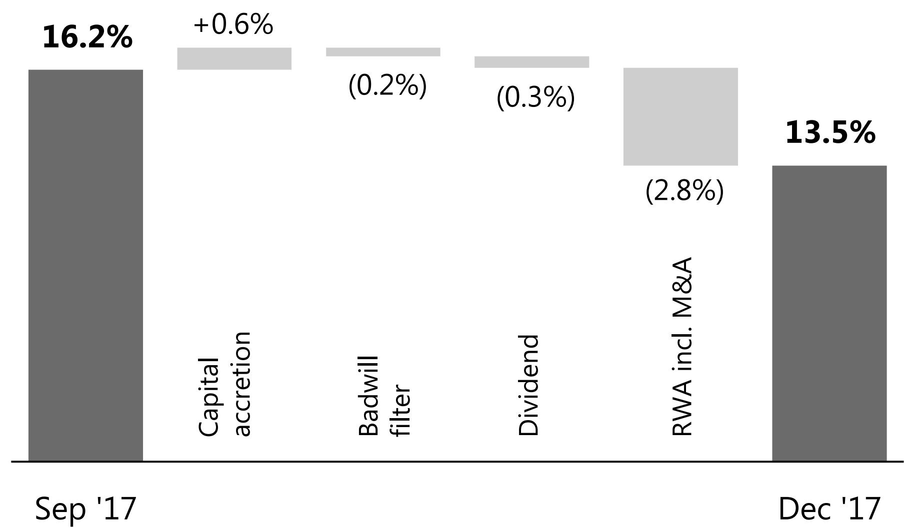
CET1 (FL) ratio walk

FY '17 dynamics



- CET1 ratio (FL) significantly above target and stable vPY, post
  - two major acquisitions in 2017 (Südwestbank and PayLife),
  - interim dividend payment in Q3 '17 of €51.6 million and proposed dividend for Q4 '17 of €0.58 per share (€58.3m total payout)

Q4 '17 dynamics

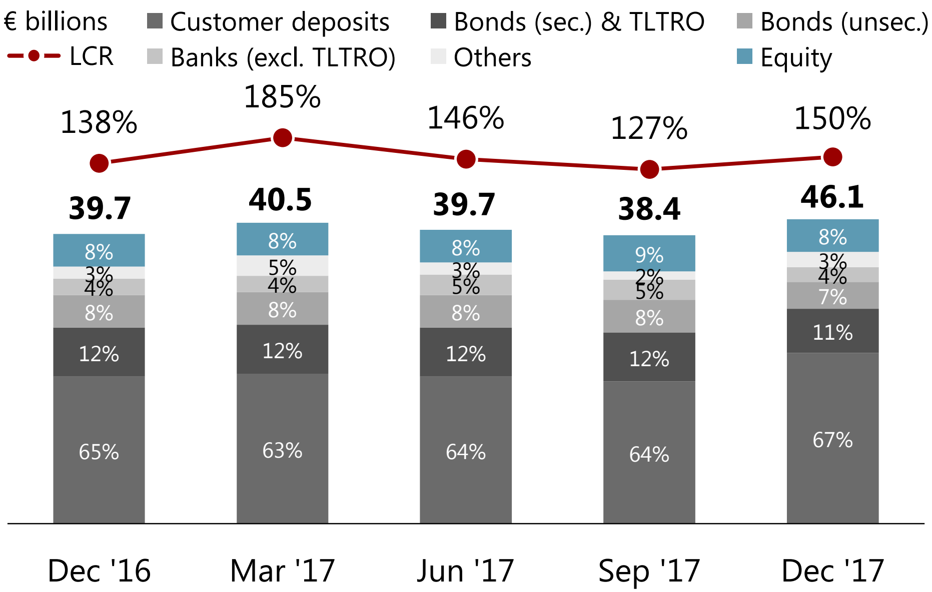


- CET1 ratio (FL) decrease in Q4 '17 related to the first-time consolidation of two acquisitions
- Capital accretion of approx. 60bps in Q4 '17

Funding & leverage

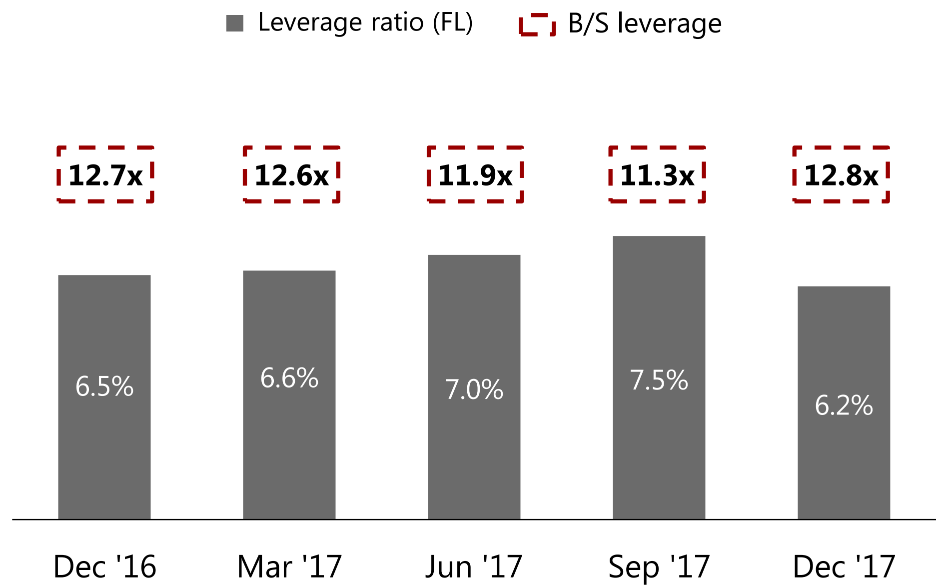
Strong customer deposit base and focus on conservative leverage

Funding structure



- Funding strategy based on customer deposits (>65% of total balance sheet … thereof >75% retail deposits)
- Complemented by diversified wholesale funding with low maturity concentration
- Consistently strong liquidity coverage ratio (LCR) significantly above regulatory requirements

Leverage



- Running a low leverage business model
- Strong leverage ratio (FL) of 6.2% and conservative B/S leverage of 12.8x as of Dec '17

Agenda

1. Highlights in 2017
2. Business segment performance
3. Detailed financials
4. Outlook & targets

Key future business drivers

Focus on growing customer franchise, embracing technology, driving efficiency, prudent risk management, capitalizing on unique M&A opportunities and positioning from rising rates

	Business drivers	Opportunity set
1	**Grow organically into our "market share entitlement" in core retail products ... Non-retail business stable**	**Continued market share growth in core retail products** ... grow into existing market share of current accounts ~17% ... focus on consumer, housing & auto in DACH
2	**Proactive move towards technology company infrastructure**	**Design open architecture** ... adapt to customer needs, unlock further efficiencies & drive modular solutions
3	**Drive efficiencies through process & branch network optimization ... Austrian Post separation signed**	**Optimize multi-channel distribution** ... target network up to 100 branches, continue digital platform enhancements
4	**Maintain fortress balance sheet & solid risk management**	**High asset quality, low leverage and capital adequacy profile** ... conservative approach to regulatory changes
5	**Pursue M&A growth across DACH region applying successful BAWAG P.S.K. approach**	**Completed/signed 6 acquisitions over past 2 years** ... current pipeline of DACH opportunities with up to €25b B/S, assumed no new M&A when setting targets
6	**Business naturally geared towards rising interest rates ... budgets don't rely on rate enviroment**	**Bank well positioned to benefit from rising interest rates** ... a parallel +100bps increase across the curve = +€65-100m NII

Move towards tech company infrastructure

Key differentiator in the evolving banking landscape

1 Modular core systems

Transitioning core systems towards more modular approach

- Service library, API layer design
- Creating API layer for core retail products (consumer, SME, C/A's)

Augmenting quarterly release cycles with automatically tested, continuous releases

- Adapt to customer needs, more partner flexibility

Optimize overall technology spend … quality vs. quantum focus

- Continuous reassessment of technology capabilities and future needs (buy/build/partner)

2 Data infrastructure

Build momentum based on 2017 progress & accomplishments

- DACH data warehouse & data lake design … analytics/M&A backbone
- Exploit Group data lake, processing larger and more complicated data
- Data governance & integration focus

New talent from outside banking embedded with Management

- Chief Data & Research officer roles
- Train teams to act & think like data scientists … data lake complimented by channel specific teams

3 Optimized / aligned processes

Restructure / decommission peripheral systems & processes

- Peripheral applications centered around Group data warehouse
- Focus on system integration across Group … Treasury, CRM, back-office

New HQ & branch network transformation … opportunity to align bank physical footprint to the new technology stack

New org structure … Finance/Ops functional integration under CFO

- Continue to drive simplification & automation of key processes
- Group centralization opportunities

M&A

Actively pursuing bolt-on acquisitions to build out customer franchise

M&A strategy

DACH region provides attractive macro environment

- Projected growth 2%+, €4 trillion GDP, GDP/capita >€40,000
- 100m person market, average unemployment rate <5%
- Common culture & language, stable legal system, high-quality credit environment

We believe consolidation will occur in DACH as well as across European banking landscape at varying speeds

- Highly fragmented banking landscape
- Low profitability of DACH retail banks … average RoE <5%
- Significant need for technological investments, simplification and fixing structural cost imbalances to compete in today's environment

Continuously evaluating M&A opportunities

- Bolt-on deals … <€5b sweet spot, focus on core retail/corporates
- Larger ticket deals subject to strategic fit, price & structure
- Structural alternatives … from full M&A to strategic partnerships
- Disciplined, rigorous & systematic internal due diligence process

Acquisition track record & current outlook

2015

Volksbank Leasing
€0.7b, ~50k contracts

2016

start: bausparkasse
housing bolt-on, €2.0b, ~500k customers

IMMO-BANK
housing bolt-on, €1.6b, ~5k customers

2017

PayLife
Credit card Center of Excellence platform, €0.4b, ~600k customers
Signed Q1 '17, Closed Q4 '17

Südwestbank
SME/retail/ private banking, ~90k customers
Signed Q3 '17, Closed Q4 '17

Deutscher Ring Bausparkasse
housing bolt-on, €0.5b, ~85k customers
Signed Q4 '17

Active start to 2018 … deals in various stages

- ~€25b pipeline … price rigor non-negotiable, selective conversion
- Retail: Dec '17 Deutscher Ring Bausparkasse signed … housing bolt-on deal expanding Südwestbank and easygroup presence
- Deals focused on building customer franchise, product offering, operational enhancements and achieving Group profitability levels

Integration as the key imperative & value driver

- €25m start:bausparkasse/IMMO-BANK restructuring completed
- Südwestbank & PayLife integrations well underway

Management targets

Management team focused on delivering results

Metrics	3-year targets	2018 targets
Profit before tax	**>5%** CAGR and **>€600m** in 2020 **>€5.70** pre-tax average earnings per share	**>5%** annual growth
Cost-income ratio	**<40%**	**<46%**
Return on tangible equity (@12% CET1)	**15% to 20%**	**>15%**
Capital	**≥12%** CET1 ratio (FL)	**≥12%** CET1 ratio (FL)

Total excess capital accretion of **>€2.0 billion** (@12% CET1) through 2020

- Target annual dividend payout of 50% of net profit
- Deployment of additional excess capital (above 12% CET1) through 2020
  - 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

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Annex – Definitions

B/S leverage
Total assets / IFRS equity

Common Equity Tier 1 capital (CET1)
Based on IFRS CRR regulatory figures (BAWAG Group), excluding any transitional capital (fully loaded)

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

Coverage ratio
(Loan-loss provisions + allowance for incurred but not reported losses + provisions for financial guarantees given + collateral) / non-performing loans

IFRS equity
Equity attributable to the owners of the parent; excluding minorities

IFRS tangible equity
IFRS equity reduced by the carrying amount of intangible assets

Leverage ratio
Common Equity Tier 1 capital (CET1) / total exposure (calculation according to CRR); as of September 2016, the total exposure calculation was adapted from 3-month averages to an end-of-period figure in line with changed regulatory requirements

Liquidity coverage ratio (LCR)
Liquid assets / net liquid outflows (calculation according to CRR)

Net interest margin (NIM)
Net interest income (NII) / average interest-bearing assets; as of year-end 2016, the ratio's denominator was changed from average total assets to average interest-bearing assets and applied retroactively

Non-retail customer business
Sum of the business segments "DACH Corporates & Public Sector" and "International Business"

NPL ratio
Non-performing loans (NPLs) / exposure; as of June 2017, the ratio's denominator was changed from loans and receivables (incl. provisions) to exposure in line with regulatory requirements and applied retroactively

Retail customer business
Sum of the business segments "BAWAG P.S.K. Retail" and "easygroup"

Return on equity (RoE)
Net profit / average IFRS equity

RoE (@12% CET1)
Return on equity calculated at a fully loaded CET1 ratio of 12%

Return on tangible equity (RoTE)
Net profit / average IFRS tangible equity

RoTE (@12% CET1)
Return on tangible equity calculated at a fully loaded CET1 ratio of 12%

Risk cost ratio
Provisions and loan-loss provisions, impairment losses and operational risk (total risk costs) / average loans and receivables (incl. provisions)

RWA density
RWA / total assets

Note: The tables in this presentation may contain rounding differences.