

BAWAG GROUP REPORTS RECORD PROFIT BEFORE TAX OF € 604 MILLION FOR 2019, +6% VS. 2018

- ▶ Record full-year profit before tax (PBT) of € 604 million (+ 6% vs. prior year)
- ▶ Net profit for full year of € 459 million (+5% vs. prior year); pro forma EPS of € 5.22 (+19% vs. prior year)
- ▶ Dividend of € 2.61 per share (+20% vs. prior year) will be proposed to AGM
- ▶ Fully loaded CET1 ratio of 13.3% post-dividend and post share buyback of € 400 million
- ▶ Achieved all 2019 targets and continued to deliver on our strategy
- ▶ Group targets for 2020 reaffirmed

VIENNA, Austria – February 12, 2020 – BAWAG Group today releases its preliminary results for 2019, reporting a strong profit before tax of € 604 million, up 6% versus the prior year. The increase was primarily driven by higher operating income and disciplined cost management. The pro forma earnings per share was € 5.22 (up 19% vs. prior year) with a return on tangible common equity (RoTCE) of 16.1% and a cost-income ratio of 42.7%.

The fully loaded CET1 ratio was 13.3%, taking into account the € 400 million share buyback executed in the fourth quarter as well as the accrued dividend of € ~230 million for 2019. The buyback represented approximately 11% of the company's outstanding common shares. The dividend of € ~230 million, which will be proposed to the AGM, increased to € 2.61 per share, up 20% vs. 2018. Since the IPO in October 2017, BAWAG Group has returned, or earmarked, over € 900 million of capital to its shareholders. This is a reflection of the highly capital generating business model, with a gross capital generation of approximately 230 basis points CET1 in 2019.

*“2019 was another record year for BAWAG Group, our second full year as a public company. The market environment for European financials continued to be challenging, however, the fundamentals of the Group remained strong. We delivered on all of our targets, with a pre-tax profit of € 604 million, a return on tangible common equity of 16.1% and a pro forma EPS of € 5.22. We also delivered on our promise of being good stewards of capital, distributing € 615 million of capital back to shareholders over the course of 2019 through a € 400 million share buyback and € 215 million (€ 2.18 per share) in dividends, amounting to a 140% payout ratio. In line with our annual dividend policy, we will propose a dividend of € 2.61 per share (+20% vs. prior year) to the AGM. We will continue to execute on our various operational and strategic initiatives and focus on the things that we control, all while continuing to shape the BAWAG Group of tomorrow. We're excited about the future and confident that we will deliver on our targets for 2020”, commented Chief Executive Officer **Anas Abuzaakouk**.*

Delivering record results in 2019

Core revenues increased by € 39 million, or 3%, to € 1,163 million. Net interest income rose by 5% to € 879 million reflecting growth in our core retail products as well as the acquisitions closed during 2019. **Net fee and commission income** remained stable at € 284 million. **Operating expenses** increased by 2% compared to 2018, reflecting the acquisition of BFL Leasing GmbH, Health Coevo AG and Zahnärztekasse AG in 2019. The **cost-income ratio** was down 1.5pts versus the prior year to 42.7% and remained below our 2019 target of <43%.

BAWAG Group ended the year 2019 with a fully loaded **CET1 ratio** of 13.3% (December 2018: 14.5%). This already takes into account a dividend of € 2.61 per share (€ ~230 million will be proposed to AGM) as well as the € 400 million share buyback executed in the fourth quarter 2019.

Customer loans remained largely stable compared to December 2018. The overall customer loan book continued to be comprised of approximately 70% exposure to the DACH region and approximately 30% exposure to Western Europe and the United States. We take great pride in running the bank in a safe and secure manner. We focus on developed markets as we believe in doing business in countries with stable legal systems and sound macroeconomic fundamentals. We will continue to maintain our conservative risk appetite, ensuring that we mitigate against both macro and micro risks.

Our goal is to always maintain a fortress balance sheet and conservative underwriting, a cornerstone of how we run the Bank. The 2019 cost of risk was 18 basis points, within our through-the-cycle guidance of 15-25 basis points. The NPL ratio stood at 1.7% (excluding the City of Linz case: 1.2%).

Executing on our strategy

Our focus is, and will continue to be, on growing in developed markets with Austria as our core and foundation.

Our **Austrian Retail & SME** focus continues to be on providing customers quality products and services they have come to expect, preserving the differentiated value propositions of our separate brands as we address the domestic Austrian market and our over 2.4 million customers. *“We have achieved an important milestone in our Austrian retail transformation with the full separation from the Austrian Post: With our own branch network of 88 branches, our goal is to provide our customers with a truly differentiated, high-quality customer experience, high-quality advisory and substantive engagement as well as leveraging new and existing technologies to simplify our business and reduce complexity. To this end, we’ve hired approximately 200 new advisors, opened new branches, rolled out point-of-sale retail partnerships, enhanced our data analytics, and built-up platform lending capabilities. We have a unique opportunity to redefine our go-to-market strategy across Austria to provide customers with the best products and services in the market”,* explained **David O’Leary**, member of the Managing Board of BAWAG Group and responsible for Retail & SME in Austria.

Our **International Retail & SME**, which is anchored by our German businesses, will be focused more on digital channels and products, more specialty finance oriented, and working to grow through various partnerships and platforms. In 2019, we made further progress on building the platform with the closing of three acquisitions: BFL Leasing GmbH created a foundation for BAWAG Group to establish its leasing franchise in Germany, working with strategic partners and establishing a variety of leasing distribution channels, whereas the acquisitions of Health Coevo AG (Germany) and Zahnärztekasse AG (Switzerland) created an opportunity for BAWAG Group to enter the factoring space. Both factoring acquisitions focus on the niche of dental and medical financial services, working through strategic partnerships and seeking to build out distribution scale. **Sat Shah**, member of the Managing Board of BAWAG Group and responsible for International Retail & SME activities in Europe: *“The successful rollout of Qlick, the rollout of specialty finance leasing and factoring products, the renewed focus on private banking, and the pipeline of retail partnerships and platforms is helping transform our business. Our goal in 2020 is to coordinate product offerings across our various platforms. The work of integrating our various businesses is coming along well as we continue to harmonize our middle-and-back-office activities across multiple platforms as well as drive organic and inorganic growth opportunities across Germany and Western Europe.”*

The **Corporates and Public Sector** space continues to remain challenged in the DACH-region from a risk-adjusted returns standpoint. However, we are committed to the business and will be ready to actively engage when the market corrects and we’re able to pursue profitable growth. We continue to see opportunities outside of the DACH-region, however, Corporate lending in general is becoming more competitive. Our focus is, and will always be, on risk-adjusted returns and never chasing volume for the sake of growth.

Customer Business performance in 2019

Segment	PBT (in € million)	Net profit (in € million)	RoTCE	Cost-income ratio
Retail & SME	395 / +1%	296 / 1%	23.5%	42.8%
Corporates & Public	190 / (4%)	142 / (4%)	14.4%	34.2%

Retail & SME delivered a profit before tax of € 395 million, up 1% versus 2018, reflecting primarily an increase in net interest income. Our stand-alone strategy in Austria, *Concept 21*, reached a major milestone in 2019 with the full separation from the Austrian Post allowing us to run our stand-alone branch network of 88 branches. At the same time, we enhanced our digital capabilities by launching our point-of-sale finance offering and releasing our new mobile banking app "klar". Additionally, we launched three partnerships in Austria, which represent important new customer acquisition channels. In Germany, the transformation momentum continued with the integration of various businesses, centralization of activities, rolling out new partnerships and the launch of digital products and channels.

Corporates & Public contributed a profit before tax of € 190 million in 2019, down 4% versus 2018. We see good opportunities across asset backed lending transactions. However, we continue to see pricing pressure across the Corporate lending space, our focus will continue to be on risk-adjusted returns, disciplined underwriting and being patient without ever chasing volume.

Outlook and targets

In spite of the changing macro environment with even lower interest rates, we reaffirm our 2020 targets we laid out last year, reflecting an absolute PBT target of greater than € 640 million and Net Profit greater € 480 million in 2020. The initiatives launched in 2019 - both on the revenue as well as the cost side - make it possible to not just to compensate for lower interest rates but also continue to grow profitably.

Our targets for 2020 are as follows:

Targets	2020
Profit before tax	>€ 640 million
Net profit	>€ 480 million
Cost-income ratio	<40%
Return on tangible common equity	15% - 20%
Common Equity Tier 1 capital ratio (fully loaded)	13%
Post-tax earnings per share ¹⁾	>€ 5.40

1) Before deduction of AT1 coupon; based on share count of 89.1m shares.

In terms of capital generation and return, we target an annual dividend payout of 50% of net profit and will deploy additional excess capital to invest in organic growth and pursue earnings-accretive M&A at returns consistent with our group RoTCE targets. The Managing Board will propose to the Annual General Meeting to distribute a dividend for the financial year 2019 of € 2.61 per share (€ ~230 million). We have set a CET1 target of 13% for the Group, which we will use as a threshold for any capital distribution. To the extent excess capital cannot be deployed organically, or in the absence of any imminent M&A transaction, we will return it to our shareholders via share buybacks and/or special dividends assessed on an annual basis.

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 subsidiaries easybank, easyleasing and start:bausparkasse in Austria, Südwestbank, BFL Leasing GmbH, Health Coevo AG and start:bausparkasse in Germany as well as Zahnärztekasse AG in Switzerland. With 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, factoring 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.

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

Profit or loss statement

in € million	2019	2018	Change	Change (%)
Interest income	1,154.1	1,141.4	12.7	1.1
Interest expense	(278.7)	(309.5)	30.8	(10.0)
Dividend income	3.6	8.6	(5.0)	(58.1)
Net interest income	879.0	840.5	38.5	4.6
Fee and commission income	374.7	372.9	1.8	0.5
Fee and commission expenses	(91.2)	(90.1)	(1.1)	1.2
Net fee and commission income	283.5	282.8	0.7	0.2
Core revenues	1,162.5	1,123.3	39.2	3.5
Gains and losses on financial instruments and other operating income and expenses ¹⁾	78.0	47.4	30.6	64.6
Operating income	1,240.5	1,170.7	69.8	6.0
Operating expenses¹⁾	(529.7)	(517.9)	(11.8)	2.3
Regulatory charges	(42.4)	(40.1)	(2.3)	5.7
Operating profit	668.4	612.7	55.7	9.1
Total risk costs	(69.3)	(45.1)	(24.2)	53.7
Share of the profit or loss of associates accounted for using the equity method	5.2	5.1	0.1	2.0
Profit before tax	604.3	572.7	31.6	5.5
Income taxes	(145.0)	(136.2)	(8.8)	6.5
Profit after tax	459.3	436.5	22.8	5.2
Non-controlling interests	(0.2)	0.0	(0.2)	>(100)
Net profit	459.1	436.5	22.6	5.2

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 38.2 million for 2019. The item Operating expenses includes regulatory charges in the amount of € 4.1 million for 2019 as well. However, BAWAG Group's management considers regulatory charges as a separate expense. Accordingly, they are shown in a separate expense line.

Total assets

in € million	2019	2018	Change	Change (%)
Cash reserves	1,424	1,069	355.0	33.2
Financial assets				
Held for trading	353	351	2.0	0.6
Fair value through profit or loss	740	504	236.0	46.8
Fair value through OCI	3,631	3,039	592.0	19.5
At amortized cost	37,556	38,334	(778.0)	(2.0)
Customers	30,467	30,482	(15.0)	(0.0)
Debt instruments	1,369	3,512	(2,143.0)	(61.0)
Credit institutions	5,720	4,340	1,380.0	31.8
Valuation adjustment on interest rate risk hedged portfolios	5	1	4.0	>100
Hedging derivatives	397	401	(4.0)	(1.0)
Tangible non-current assets	707	234	473.0	>100
Intangible non-current assets	569	505	64.0	12.7
Tax assets for current taxes	15	15	0.0	0.0
Tax assets for deferred taxes	8	75	(67.0)	(89.3)
Other assets	257	170	87.0	51.2
Total assets	45,662	44,698	964.0	2.2

Total liabilities and equity

in € million	2019	2018	Change	Change (%)
Total liabilities	41,834	40,693	1,141.0	2.8
Financial liabilities				
Fair value through profit or loss	369	576	(207.0)	(35.9)
Held for trading	334	301	33.0	11.0
At amortized cost	38,543	38,325	218.0	0.6
Customers	30,378	30,195	183.0	0.6
Issued securities	5,080	3,849	1,231.0	32.0
Credit institutions	3,085	4,281	(1,196.0)	(27.9)
Financial liabilities associated with transferred assets	729	150	579.0	>100
Valuation adjustment on interest rate risk hedged portfolios	337	156	181.0	>100
Hedging derivatives	116	104	12.0	11.5
Provisions	480	465	15.0	3.2
Tax liabilities for current taxes	34	8	26.0	>100
Tax liabilities for deferred taxes	54	11	43.0	>100
Other obligations	838	597	241.0	40.4
Total equity	3,828	4,005	(177.0)	(4.4)
Common equity	3,527	3,706	(179.0)	(4.8)
AT1 capital	297	298	(1.0)	(0.3)
Non-controlling interests	4	1	3.0	>100
Total liabilities and equity	45,662	44,698	964.0	2.2

Business segment performance

2019 in € million	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	626.0	249.1	43.7	(39.8)	879.0
Net fee and commission income	242.2	43.0	0.4	(2.1)	283.5
Core revenues	868.3	292.1	44.1	(42.0)	1,162.5
Gains and losses on financial instruments	0.1	0.2	100.7	(30.3)	70.7
Other operating income and expenses	2.4	0.0	0.0	4.9	7.3
Operating income	870.8	292.3	144.8	(67.4)	1,240.5
Operating expenses	(372.9)	(100.1)	(32.0)	(24.7)	(529.7)
Regulatory charges	(27.0)	(10.0)	(5.4)	0.0	(42.4)
Total risk costs	(76.3)	7.6	1.7	(2.3)	(69.3)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	5.2	5.2
Profit before tax	394.6	189.8	109.3	(89.4)	604.3
Income taxes	(98.6)	(47.5)	(27.3)	28.4	(145.0)
Profit after tax	295.9	142.4	82.1	(61.1)	459.3
Non-controlling interests	–	–	–	(0.2)	(0.2)
Net profit	295.9	142.4	82.1	(61.3)	459.1
Business volumes					
Assets	18,155	13,141	10,074	4,292	45,662
Liabilities	28,097	7,118	4,483	5,964	45,662
Risk-weighted assets	8,623	7,932	1,616	2,214	20,385

2018 in € million	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	575.4	250.4	48.1	(33.4)	840.5
Net fee and commission income	236.1	48.6	0.6	(2.5)	282.8
Core revenues	811.5	299.0	48.7	(35.9)	1,123.3
Gains and losses on financial instruments	16.7	10.7	27.6	(35.5)	19.5
Other operating income and expenses	1.9	0.0	0.0	26.0	27.9
Operating income	830.0	309.8	76.3	(45.4)	1,170.7
Operating expenses	(350.9)	(120.0)	(31.5)	(15.5)	(517.9)
Regulatory charges	(26.0)	(8.9)	(5.2)	0.0	(40.1)
Total risk costs	(62.3)	17.8	0.2	(0.8)	(45.1)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	5.1	5.1
Profit before tax	390.9	198.7	39.8	(56.7)	572.7
Income taxes	(97.7)	(49.7)	(10.0)	21.2	(136.2)
Profit after tax	293.2	149.0	29.8	(35.5)	436.5
Non-controlling interests	–	–	–	0.0	0.0
Net profit	293.2	149.0	29.8	(35.5)	436.5
Business volumes					
Assets	16,905	14,167	10,192	3,434	44,698
Liabilities	27,058	9,438	2,460	5,742	44,698
Risk-weighted assets	7,617	9,429	1,703	1,716	20,465