



H1 2017 Earnings

August 3, 2017

Agenda

1. Highlights H1 2017
 2. Business segment performance
 3. Detailed financials
 4. Strategic focus & M&A strategy
-

Highlights – first half 2017

Highlights

Profitability

Costs

Balance sheet

Risk

Capital

Acquisitions

Details

- > • **Profit before tax of €251m, up 3% vPY ... RoTE (@12% CET1) of 18.3%¹⁾**
 - Net interest income up 5% vPY and operating income up 3% vPY
- > • **Cost-income ratio down 0.9pts to 41.7% vPY**
 - **Front-loaded ~90% of regulatory charges in H1**
- > • **Customer asset originations of >€2b** ... driven by retail & international business
 - Customer loans at €28b, up 18% vPY ... focus on customer centered balance sheet
- > • **NPL ratio stable at 1.9% ... risk cost ratio at 17bps**
 - Continued focus on proactive risk management and a conservative risk profile
- > • **CET1 ratio (FL) of 16.5%, up 140bps vYE**
 - Total capital ratio (FL) of 19.3%, up 130bps vYE
- > • **Signed agreement to acquire Südwestbank** to expand our footprint and customer franchise into Germany ... €7b assets and 100k retail and corporate customers

P&L & balance sheet overview

P&L € millions	Q2 '17	Delta	H1 '17	Delta	Balance sheet € billions	Dec '16	Jun '17	Delta
Net interest income	198.7	4%	395.4	5%	Customer loans	28.5	28.0	(2%)
Net commission income	56.3	8%	106.1	3%	Securities and bonds	6.5	6.9	6%
Core revenues	255.0	5%	501.5	5%	Credit institutions and cash	2.7	3.0	11%
Other revenues	1.3	(89%)	19.7	(24%)	Other assets	2.0	1.8	(10%)
Operating income	256.3	1%	521.2	3%	Total assets	39.7	39.7	-
Operating expenses	(110.5)	(1%)	(217.6)	1%	Customer deposits	26.0	25.4	(2%)
Regulatory charges	(2.9)	(83%)	(28.1)	(17%)	Own issues	6.0	6.0	-
Risk costs	(15.6)	>100%	(26.7)	68%	Credit institutions	2.4	3.3	38%
Profit before tax	128.0	4%	250.6	3%	Other liabilities	2.2	1.7	(23%)
Income taxes	(20.6)	(4%)	(47.1)	-	Equity	3.1	3.3	7%
Net profit	107.4	6%	203.5	(28%)	Total liabilities & equity	39.7	39.7	-
Key ratios	Q2 '17	Delta	H1 '17	Delta	Capital & RWA € billions	Dec '16	Jun '17	Delta
RoE	13.1%	(1.0pts)	12.6%	(6.7pts)	IFRS equity	3.1	3.3	7%
RoE (@12% CET1)	16.6%	0.2pts	15.7%	(6.0pts)	IFRS tangible equity	2.8	3.0	7%
RoTE	14.7%	(1.3pts)	14.2%	(7.6pts)	CET1 capital (FL)	2.6	2.8	8%
RoTE (@12% CET1)	19.3%	0.4pts	18.3%	(6.6pts)	Total capital (FL)	3.1	3.3	6%
Net interest margin	2.23%	(0.21pts)	2.23%	(0.15pts)	Risk-weighted assets	17.1	16.9	(1%)
Cost-income ratio	43.1%	(0.6pts)	41.7%	(0.9pts)	CET1 ratio (FL)	15.1%	16.5%	1.4pts

Agenda

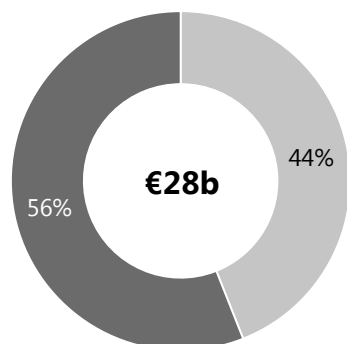
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Customer business overview

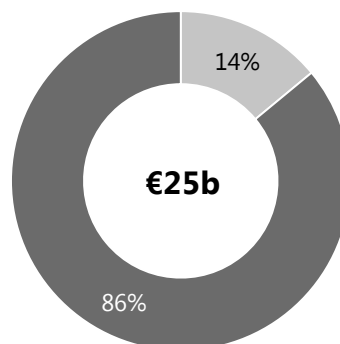
Key metrics of customer franchise (H1 '17)

■ Retail customer business ■ Non-retail customer business

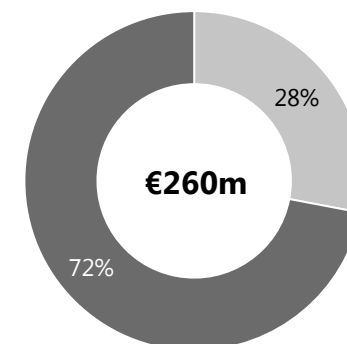
Customer loans



Customer deposits



Profit before tax²⁾



Retail customer business

€ millions	H1 '16	H1 '17	Delta
Core revenues	308.8	363.5	18%
Operating expenses	(151.8)	(150.2)	(1%)
Profit before tax	124.6	187.2	50%
Cost-income ratio	48.9%	41.2%	(7.7pts)
Pre-tax RoE¹⁾	23.9%	32.6%	8.7pts
NPL ratio	2.5%	2.3%	(0.2pts)

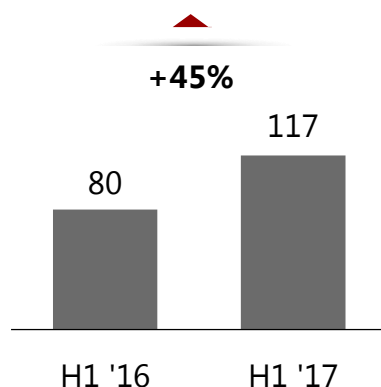
Non-retail customer business

€ millions	H1 '16	H1 '17	Delta
Core revenues	128.2	117.1	(9%)
Operating expenses	(39.0)	(35.9)	(8%)
Profit before tax	91.9	72.4	(21%)
Cost-income ratio	30.8%	30.3%	(0.5pts)
Pre-tax RoE¹⁾	18.6%	16.1%	(2.5pts)
NPL ratio	0.8%	0.9%	0.1pts

1) @12% CET1 2) The business segments Treasury Services & Markets and Corporate Center contributed a profit before tax of €27m and minus €36m, respectively (not included in the chart)

Profit before tax

€ millions



Key metrics

€ millions	H1 '16	H1 '17	Delta
Core revenues	244.0	279.8	15%
Operating expenses	(136.0)	(134.4)	(1%)
Profit before tax	80.1	116.5	45%
Cost-income ratio	55.3%	47.7%	(7.6pts)
Pre-tax RoE¹⁾	21.2%	28.4%	7.2pts
Assets	9,256	11,632	26%
Customer deposits	15,597	17,932	15%
NPL ratio	2.4%	2.1%	(0.3pts)

1) @12% CET1 2) Consumer lending market share of the total bank amounts to 12.9%

Overview & strategy

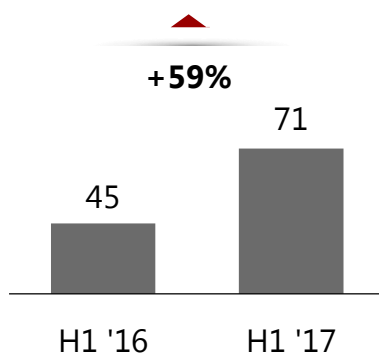
- 1.8 million private and small business customers serviced through branch network and online & mobile sales channels
- Focus on offering simple, fair and transparent products
- Main value drivers:
 - Growing customer lending franchise
 - Optimizing product mix (focus on value add products)
 - Driving organic productivity and inorganic growth
 - Transformation to digital → focus on mobile banking

Highlights H1 2017

- New business origination of €698m ... consumer loan market share of 12.4%²⁾, up 80bps vYE
- Integration of start:bausparkasse ahead of plan with acquisition accretive day 1 and complementing retail product offering
- Continuing efforts towards digital transformation ... online payments +7% & online transactions via mobile apps +55% vPY
- Launched new digital offerings in the form of video legitimation and 100% automated opening process for brokerage products
- Driving sales productivity ... sales per advisor up 11%, while over-the-counter transactions down 13% vPY

Profit before tax

€ millions



Key metrics

€ millions	H1 '16	H1 '17	Delta
Core revenues	64.8	83.7	29%
Operating expenses	(15.7)	(15.8)	1%
Profit before tax	44.6	70.7	59%
Cost-income ratio	24.2%	19.0%	(5.2pts)
Pre-tax RoE¹⁾	31.2%	43.2%	12.0pts
Assets	3,247	4,102	26%
Customer deposits	3,673	3,761	2%
NPL ratio	3.0%	2.9%	(0.1pts)

1) @12% CET1

Overview & strategy

- *easybank*, one of Austria's leading direct banks, #3 auto lessor & high-quality mortgage portfolios in Western Europe with 426,000 customers/borrowers
- Lean and efficient operating model ... strong partnerships
- Strategic key pillars:
 - Growing our customer base and market share in Austria
 - Building and maintaining customer loyalty
 - Driving efficiency across the organization
 - Expanding internationally into Western European markets

Highlights H1 2017

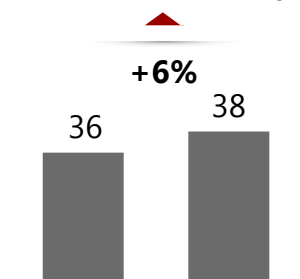
- Customer base up 8% vPY to 426,000 customers/borrowers & 714,000 accounts
- Strong originations of €222m during H1 '17 primarily driven by auto leasing ... overall deposit base up 2% to €3.8b vPY
- Signed deal to acquire the commercial card issuing business of SIX Payment Services in February ... transaction accretive day 1 and will further grow our retail credit card franchise in Austria and abroad
- Achieved regulatory clearance during H1 '17 to open a branch in Germany ... plan to begin originating loans in H2 '17

Non-retail segments

Non-retail customer business

DACH Corporates & Public Sector

€ millions Profit before tax

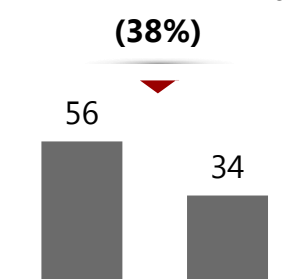


	H1 '16	H1 '17	Delta
Core rev.	60.4	51.7	(14%)
OPEX	(25.7)	(20.9)	(19%)
C/I ratio	42.6%	39.1%	(3.5pts)
Pre-tax RoE¹⁾	15.1%	17.4%	2.3pts
Assets	7,437	7,958	7%
NPL ratio	1.3%	0.9%	(0.4pts)

- Corporate and public lending activities and other fee-driven financial services
- Primarily Austrian customers & select client relationships in Germany and Switzerland
- €381m new originations in H1 '17 ... focus on risk-adjusted returns and repricing

International Business

€ millions Profit before tax

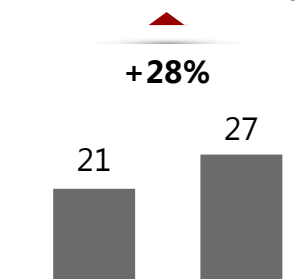


	H1 '16	H1 '17	Delta
Core rev.	67.8	65.4	(3.5%)
OPEX	(13.3)	(15.0)	13%
C/I ratio	20.1%	23.1%	3.0pts
Pre-tax RoE¹⁾	21.8%	14.9%	(6.9pts)
Assets	5,040	5,130	2%
NPL ratio	0.0%	0.9%	0.9pts

- Focus on Western Europe and United States
- €758m new originations in H1 '17 ... driven by portfolio and real estate financing
- Strong credit profile across international assets ... avg. LTV of real estate assets <60%
- Higher risks costs due to precautionary provisions booked on two deals in the oil & gas sector with exposure of €45m

Treasury Services & Markets

€ millions Profit before tax



	H1 '16	H1 '17	Delta
Core rev.	28.2	24.9	(12%)
OPEX	(8.0)	(8.0)	–
C/I ratio	27.7%	23.1%	(4.6pts)
Pre-tax RoE¹⁾	13.3%	16.7%	3.4pts
Assets	6,302	7,799	24%
NPL ratio	n/a	n/a	–

- Management of the Bank's portfolio of financial securities and the liquidity reserve
- Excess liquidity increased from TLTRO II
- Focus on high credit quality, shorter duration, strong liquidity positions and solid diversification ... 97% of portfolio investment grade

1) @12% CET1

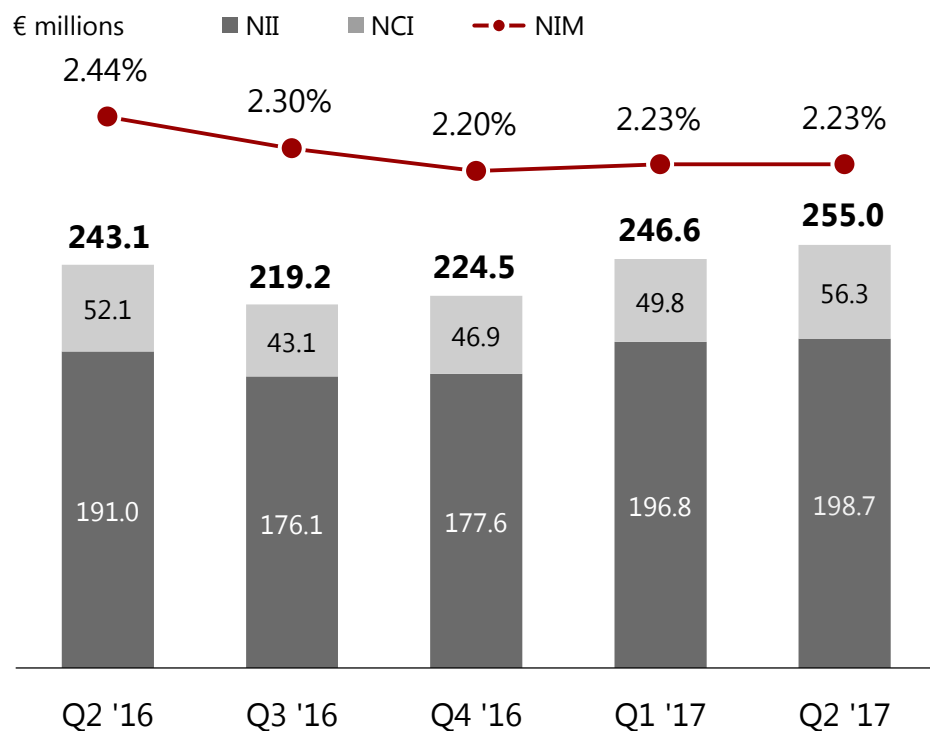
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P&L details – core revenues

Growth driven by customer loans, lower funding costs and fee income

Core revenues



Customer loans | € billions and in % of total assets

Quarter	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17
Customer loans (€ billions)	23.7	23.9	28.5	28.2	28.0
Customer loans (% of total assets)	68%	70%	72%	70%	71%

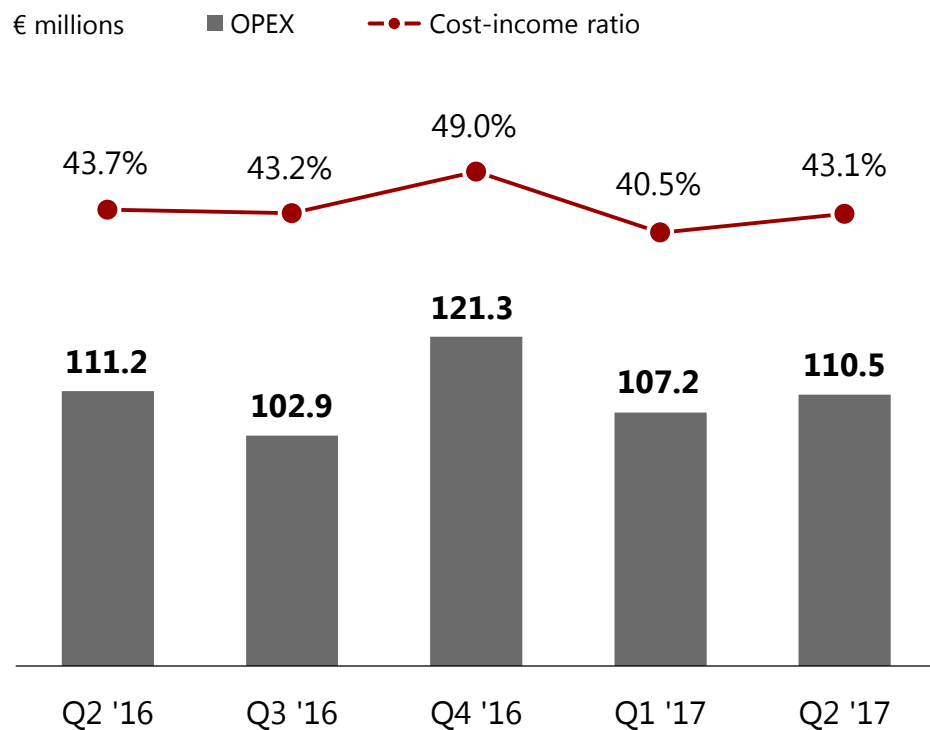
Summary (YTD)

- **Net interest income (NII) up 5% vPY driven by core product growth, pricing initiatives and lower funding costs**
 - Net interest margin (NIM) stable at 2.23% vs. Q1 '17
 - Focus on consumer and international lending
 - Reduced funding costs ... blended overall retail deposit rate down to 0.19% vs. 0.28% year-on-year
 - Customer loans at 71% of total assets
- **Net commission income (NCI) improving**
 - Positive trend over the past four quarters
 - Favorable development across current account boxes ... 47,000 new boxes sold since launch
 - Strong performance of securities business with sales of €878m in H1 '17 ... up 5% vPY

P&L details – operating expenses

Restructuring investments paying off

Operating expenses



Active FTEs

2,318	2,302	2,496	2,426	2,314
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Summary (YTD)

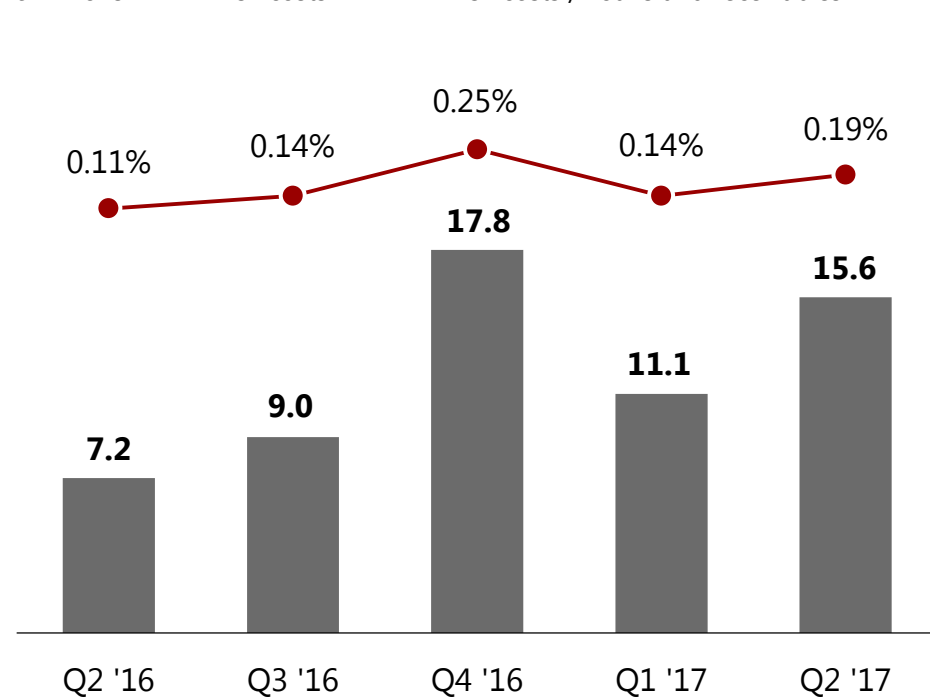
- **Operating expenses up 1% vPY** ... driven by fully absorbing recent acquisitions completed during Q4 '16 ... booked €11m restructuring in H1 (thereof €8m in Q2)
- **Operating expenses are expected to decrease over the year** as integration efforts from recent acquisitions are realized
- **Cost-income ratio of 41.7%** ... down **0.9pts vPY**
- **Focus on operating efficiency given overall market dynamics** ... shifting customers to digital networks
- **Continued investments to address evolving banking landscape and customer needs** ... introducing new technologies (online & mobile banking), big data analytics and front/back office process optimization

P&L details – risk costs

Proactive risk management to maintain conservative risk profile

Risk costs

€ millions ■ Risk costs -●- Risk costs / Loans and receivables



NPL ratio

Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17
2.0%	1.9%	1.7%	1.8%	1.9%

Summary (YTD)

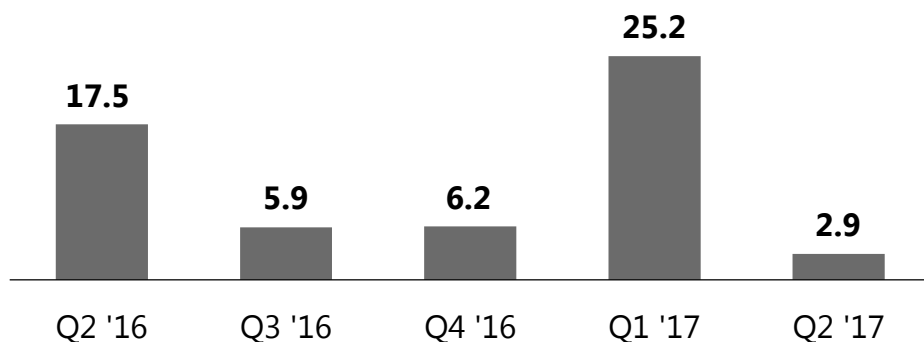
- **Absolute risk costs up 68% vPY** driven by precautionary provisions booked on exposures in the oil & gas sector ... **however, risk cost ratio at 17bps**
- **Customer loan franchise focused on developed markets** ... 70% DACH region / 30% Western Europe & United States
- **NPL ratio largely stable at 1.9%** ... **favorable risk metrics across business segments**
 - BAWAG P.S.K. Retail: NPL ratio 2.1% ... coverage ratio 83%
 - easygroup: NPL ratio 2.9% ... coverage ratio 90%
 - DACH Corporates & Public Sector: NPL ratio 0.9% ... coverage ratio 94%
- **Continued focus on proactive risk management and maintaining a conservative risk profile**

P&L details – regulatory charges & taxes

H1 2017 net profit considerably impacted by one-off effects

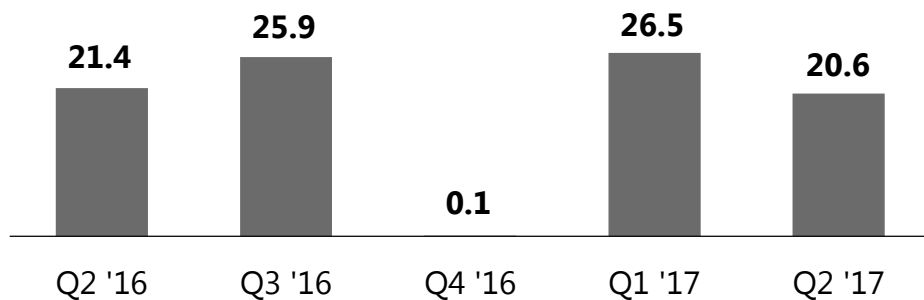
Regulatory charges

€ millions



Taxes

€ millions



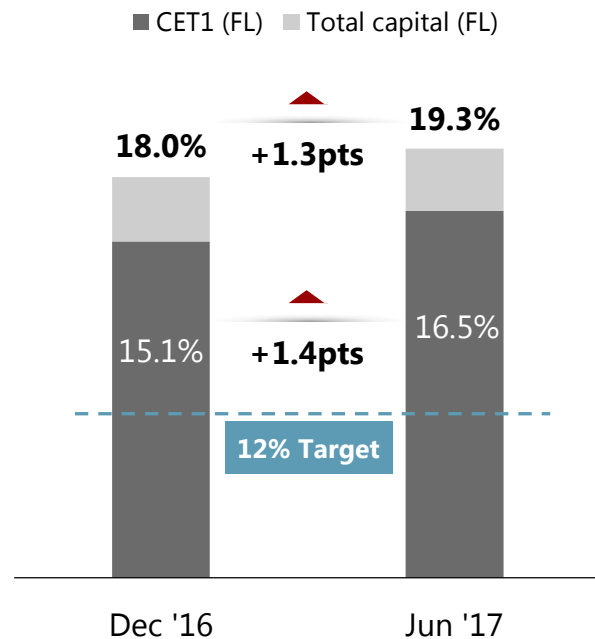
Summary (YTD)

- **Regulatory charges front-loaded in H1 ...** accounts for ~90% of total regulatory charges anticipated for the full year
- Regulatory charges include bank levy, contributions to the deposit guarantee scheme, contributions to the single resolution fund and supervisory charges
- **One-time tax income of €39m in H1 '16** due to the recognition of deferred tax assets on tax loss carryforwards
- Going forward, we expect our deferred tax assets from prior tax loss carryforwards to be fully absorbed

Capital

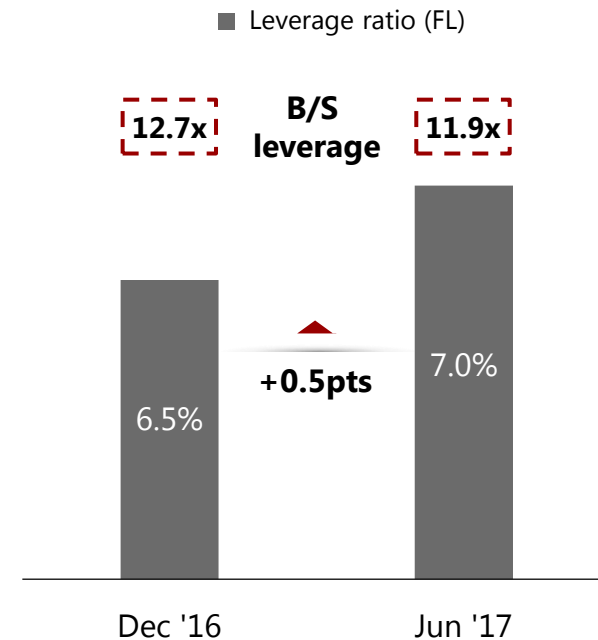
Safe & secure ... well-capitalized and low leverage

Capital ratios (FL)



- CET1 ratio (FL) significantly above target
 - Excess capital of €0.8b vs. 12% target
- CET1 ratio (FL) increase in H1 '17 mainly driven by profitability

Leverage ratio (FL) & B/S leverage

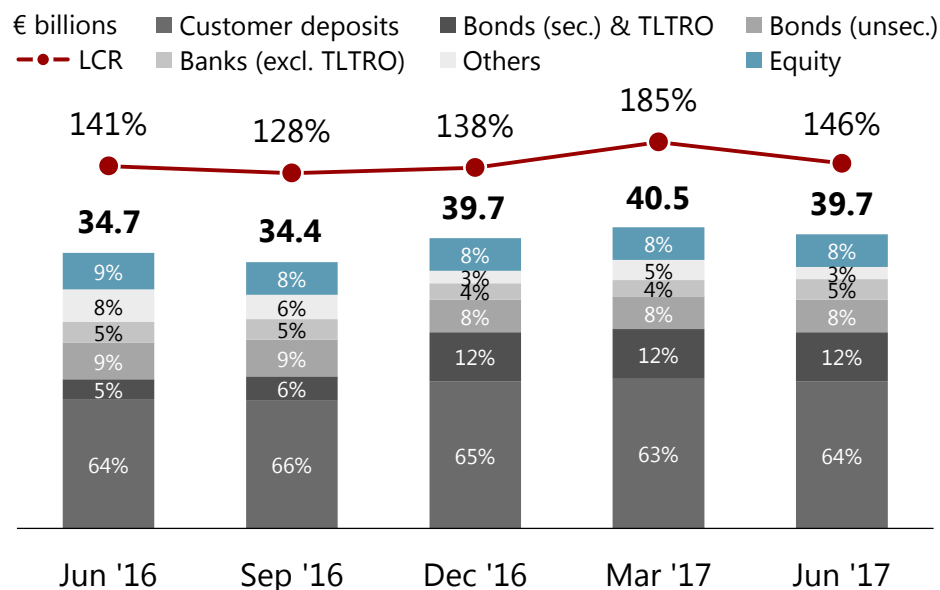


- Running a low leverage business model
- Strong leverage ratio (FL) of 7.0% and conservative B/S leverage of 11.9x

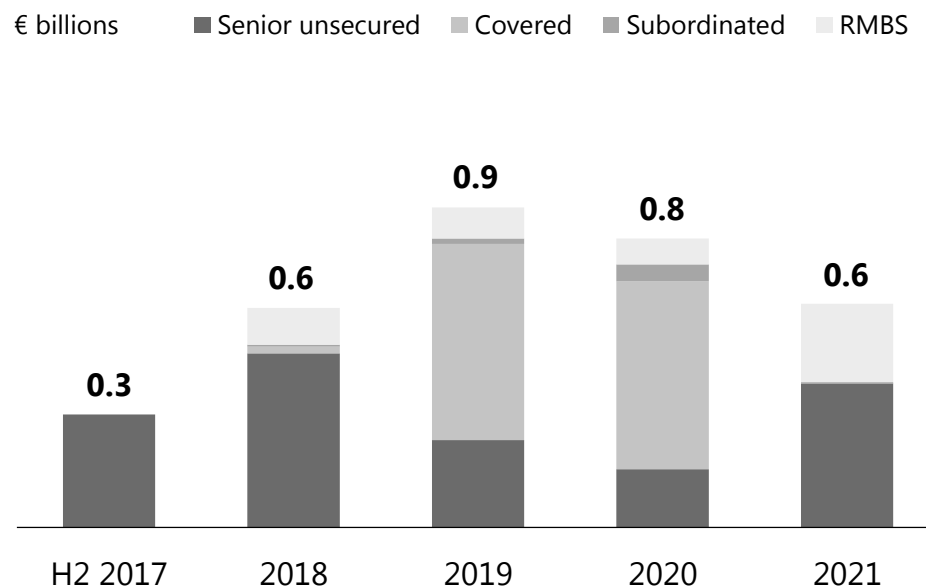
Funding & liquidity

Funding strategy based on strong customer deposit base with focus on conservative liquidity profile

Funding structure



Own issues redemption profile



- Funding strategy based on customer deposits >60% of total balance sheet (thereof 86% retail)
- Complemented by diversified wholesale funding with low maturity concentration
- Consistently strong liquidity coverage ratio (LCR) significantly above regulatory requirements

- Balanced maturity profile ... refinancing need in every single year <€1b
- Low asset encumbrance of <20% allows opportunistic approach to minimize funding costs
- Fully integrated the LCR in short-term liquidity management and planning procedures

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Strategic pillars

Growth in our core markets



- Focus on organic growth & bolt-on acquisitions ... access customers through new partnerships / channels
- Grow share in core retail products in Austria and establish meaningful presence in Germany
- Continuously evaluating M&A opportunities, with primary focus on the DACH region

Making our customers' lives easier



- Drive end-to-end digitalization across value chain ... continued focus on product simplicity & consistency
- Implement big data & predictive analytics to improve customer experience
- Leverage new technologies (buy/build/partner) to enhance customer experience

Efficiency is key to winning



- Maintain strict cost control throughout the entire organization, while investing in top talent
- Further automate & simplify our processes through process re-engineering and digitization
- Invest in technology infrastructure, rationalize physical footprint and leverage new distribution channels

Safe and secure





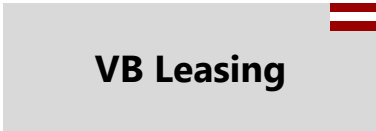


- Maintain Solid balance sheet with low risk, low leverage and strong capital ratios
- Maintain high percentage of deposit funding & strong liquidity profile
- Continue to focus on risk-adjusted returns and proactive risk management

M&A focus

Actively pursuing bolt-on acquisitions to build out customer franchise

Acquisition track record

signed Q3 '17		€7.4b assets, 100k customers
signed Q1 '17		1.7m credit and prepaid cards, 650k customers
closed 2016		€2b assets from 23k customers, 500k savings customers
closed 2016		€1.6b assets, 3.5k customers
closed 2015		€0.7b assets, 50k leasing contracts

M&A strategy

- We believe consolidation will occur in Austria and across the European banking landscape at varying speeds
- Continuously evaluating M&A opportunities with a disciplined, rigorous and systematic internal due diligence process
- Primary focus on DACH region and select opportunities in Western Europe
- Well-established integration process allowing for swift onboarding and realization of synergies
- Integrate into simple, efficient and low-risk retail & corporate customer franchise
- Capitalize on customer acquisition and cross-selling opportunities

Südwestbank acquisition

Südwestbank at a glance

- **Founded in 1920s** as a regional lending cooperative in Stuttgart ... **well recognized brand focused on Baden-Württemberg region**, one of the most successful economic regions in Europe
- **€7.4b assets, ~100k customers, ~650 employees, 28 branches**
- **Full retail product & system capability**, 3rd party B2B platforms
- **Strong position in SME**, often family-owned business
- **Strong growth** in lending and deposit products

Strategic rationale & integration approach

- **DACH growth** ... positioned along corridor between Austria, Germany and Switzerland
 - **German beachhead set up** ... enabling bolt-on transactions
 - **Fully functional system & business platform** ... buying well-established franchise
- 1 Review existing channel & product offering / profitability**
 - 2 Develop retail franchise ... pursue organic and inorganic opportunities**
 - 3 Drive cost efficiency through technology and optimization**

Balance sheet & P&L highlights¹⁾

Balance sheet	Customer deposits
€7.4b	€5.6b
Customer loans	CET1 ratio
€4.2b	12%

€ millions	2016 ¹⁾
Net interest income	103
Net fee and commission income	33
Gains & losses and other operating income and expenses	7
Operating expenses	(95)
Risk costs & regulatory charges	(23)
Profit before tax	25

1) FY 2016 figures as reported by Südwestbank; figures exclude interest income of €57m from an equity investment portfolio which was sold in January 2017



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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 Holding Group) including interim profit and year-to-date loan-loss provision movements, excluding any transitional capital (fully loaded)

Common Equity Tier 1 ratio

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

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, based on BAWAG Holding Group); 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, based on Promontoria Sacher Holding N.V. Group)

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

Total capital

Based on IFRS CRR regulatory figures (BAWAG Holding Group) including interim profit and year-to-date loan-loss provision movements, excluding any transitional capital (fully loaded)

Total capital ratio

Total capital / risk-weighted assets