



BAWAG Group Annual General Meeting 2018

Managing Board of BAWAG Group



Anas Abuzaakouk

Chairman of the Managing Board
Chief Executive Officer



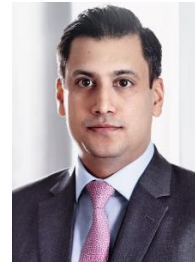
David O'Leary

Member of the Managing Board
Head of BAWAG P.S.K. Retail



Enver Sirucic

Member of the Managing Board
Chief Financial Officer



Sat Shah

Member of the Managing Board
CEO of easygroup



Stefan Barth

Member of the Managing Board
Chief Risk Officer



Andrew Wise

Member of the Managing Board
Chief Investment Officer
Head of Non-Retail Lending

BAWAG Group at a glance



Overview

- **One of Austria's leading omni-channel retail banks** ... more than 2.5m customers & solid market shares
- **Major player in the Austrian direct banking market** through *easybank*
- **Focused on developed countries** with ~75% of customer loans in the DACH region and ~25% in Western Europe & USA
- **Simple and consistent product offering across digital & physical channels** ... customers can switch seamlessly between all channels
- **High profitability and efficiency**
- **Solid balance sheet** ... low NPL ratio, low economic leverage, high leverage ratio, solid capital ratios & funding

Key strategic pillars

1

Growth in our core market

- Focus on growth in DACH region and developed countries

2

Making our customers' lives easier

- Providing 24/7 customer access to our products and services
- Focus on product simplicity and consistency of offerings

3

Focus on efficiency & operational excellence

- Focus on operational excellence and technological innovation
- Automate and simplify our processes, transition to digital world

4

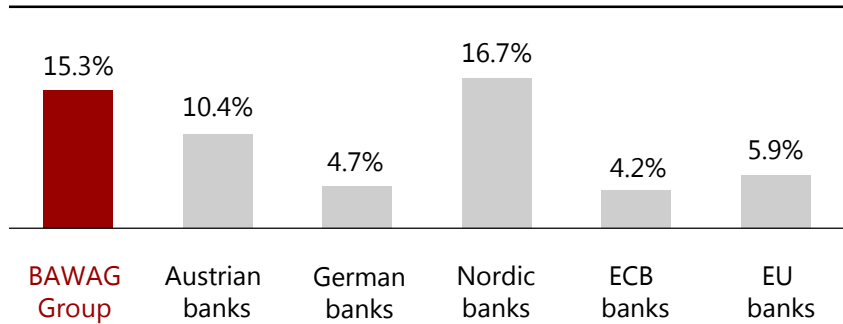
Safe & secure

- Solid balance sheet with low risk, low leverage and solid capital ratios
- Predictable and low risk costs

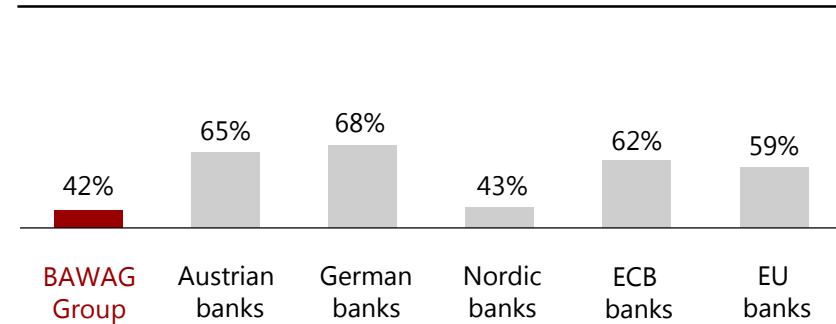
BAWAG Group compared to other banks



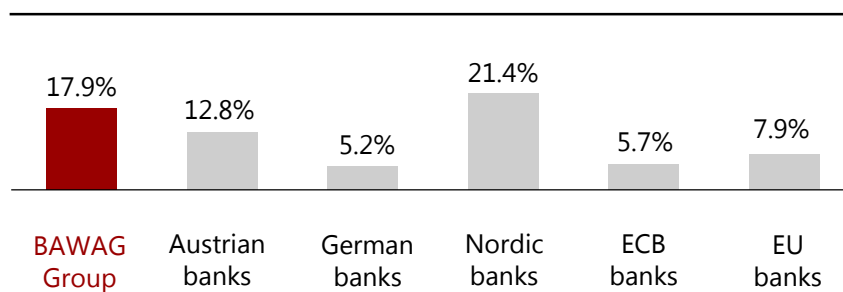
Return on equity (@12% CET1)



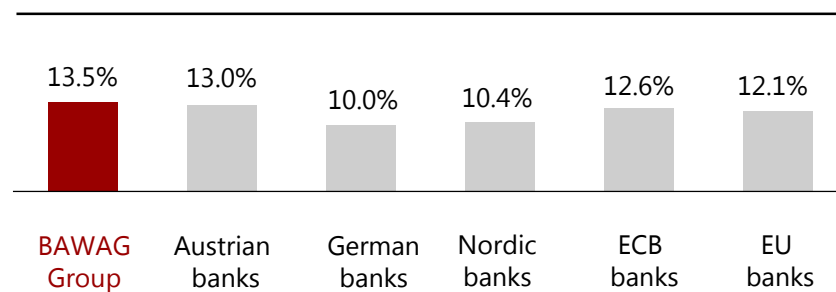
Cost-income ratio



Return on tangible equity (@12% CET1)



CET1 ratio (FL, @ BAWAG Group RWA density)



#1 bank in DACH region in terms of profitability & efficiency metrics

Source: BAWAG Group 2017 data, S&P Global Market Intelligence 2017 data for banks with total assets >€15b; "Nordic banks" comprises banks in NO, SE, DK and FI

Achievements in 2017

Record profit before tax of €517m ...

RoTE (@12% CET1) of 17.9% ... strong capital position with CET1 ratio (FL) of 13.5%

Continued to build-up customer franchise ... ongoing investments in technology also to drive digitalization

Organic & inorganic growth in DACH region ...

completed/signed 3 acquisitions in 2017 (PayLife, Südwestbank, Deutscher Ring Bausparkasse)

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

Signed Austrian Post separation agreement ...

accelerates retail branch transformation ... material partnership exit by end of 2019

Multiple awards achieved ... named "Bank of the Year" in Austria by *The Banker* ... **third rating upgrade by Moody's** within two years to A2

Financial performance in 2017

Highlights

Details

Profitability

- > • **Profit before tax 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 LTIP¹⁾
- **Cost-income ratio at 46.5%**, excluding LTIP¹⁾ 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

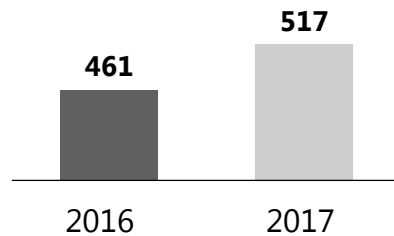
- > • **CET1 ratio (FL) 13.5% ... well above management target ... excess capital of €320m**
- Dividend for Q4 '17 of €0.583 per share (€58.3m total) proposed ... interim dividend of €51.6 million paid in Q3 '17

All 2017 targets outperformed

Performance

2017 target

Profit before tax | € millions

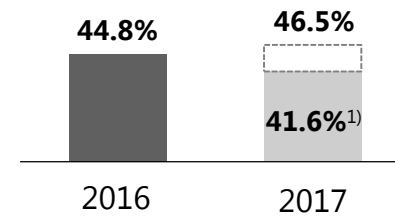


> €500m ✓

Performance

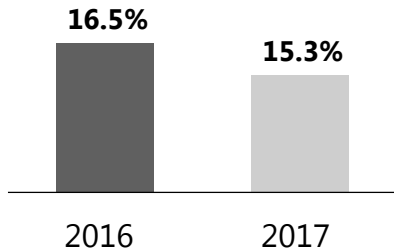
2017 target

Cost-income ratio



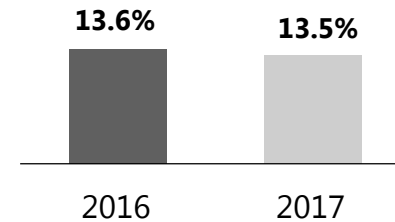
< 43% ✓

RoE (@12% CET1)



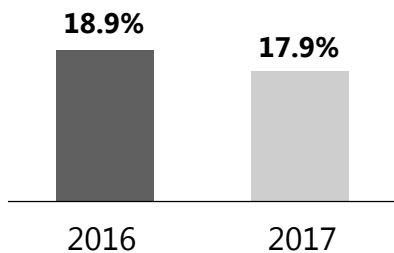
> 15% ✓

CET1 ratio (FL)



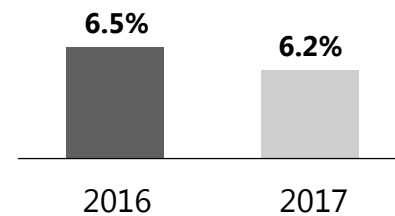
> 12% ✓

RoTE (@12% CET1)



> 16% ✓

Leverage ratio (FL)



> 5% ✓

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

Customer segment performance

	Business performance € millions		Contribution to Group	Segment return levels	Segment overview
	<u>Profit before tax</u> <u>2017</u>	<u>vPY</u>			
BAWAG P.S.K. Retail	225	33%	43%	>20%	€1.4b new originations ... continue to grow key products
easygroup	126	46%	24%	>20%	€0.5b new originations ... PayLife acquisition in 2017
International Business	85	(17%)	16%	>15%	€2.1b new originations ... solid pipeline for portfolio financing opportunities built
DACH Corporates & Public Sector	42	(41%)	8%	>10%	€1.0b new originations ... continued focus on risk-adjusted returns and repricing
Südwestbank	1	n/a	n/a	>15%	Acquired in December 2017 ... more than 90,000 retail, SME and corporate customers
BAWAG Group	517	12%		15-20%	

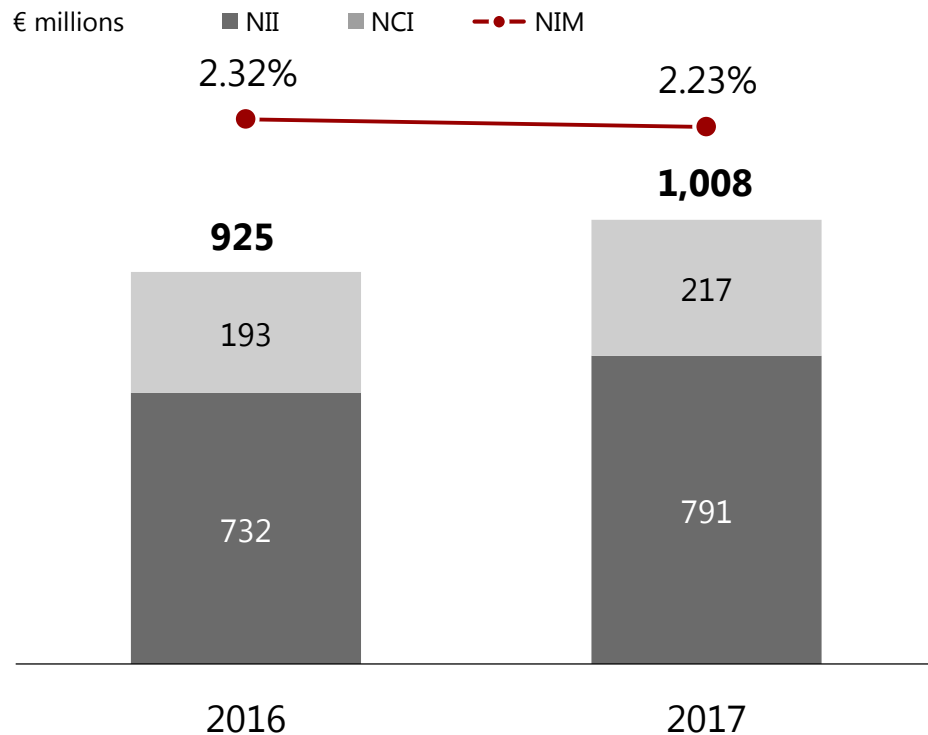
vPY ... versus prior year 1) @12% CET1

Major P&L & balance sheet items

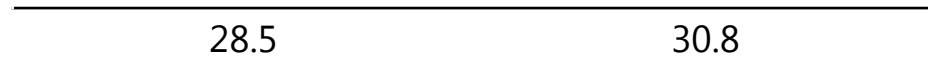
Profit before tax	€517m	+12%	Total assets	€46b	+16%
Core revenues	€1,008m	+9%	Customer loans	€31b	+8%
IFRS equity	€3.6b	+16%	Customer deposits	€31b	+19%

P&L details – core revenues

Core revenues



Customer loans | € billions



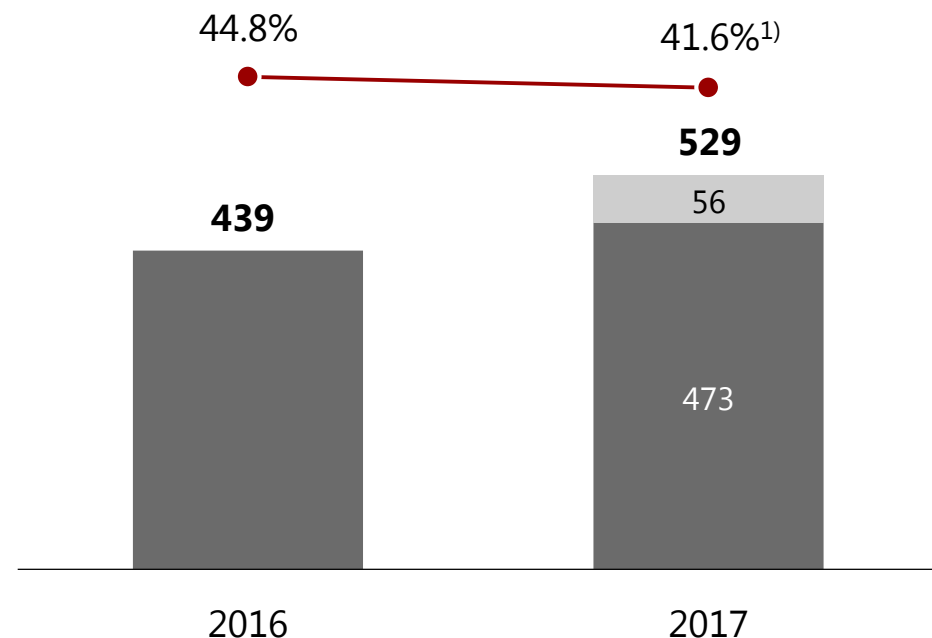
Highlights

- **Net interest income (NII) up 8% vPY**
 - Focus on core retail lending products
 - Integration of new acquisitions
- **Net commission income (NCI) up 12% vPY**
 - Increase in income from current accounts
 - Strong performance of securities business with sales of €1.7b
 - Reduced commission payments to Austrian Post
 - Acquisition of PayLife (closed in Q4 '17)

P&L details – operating expenses

Operating expenses

€ millions ■ OPEX ■ One-offs - - - Cost-income ratio



Active FTEs

Year	Active FTEs
2016	2,496
2017	2,943

Highlights

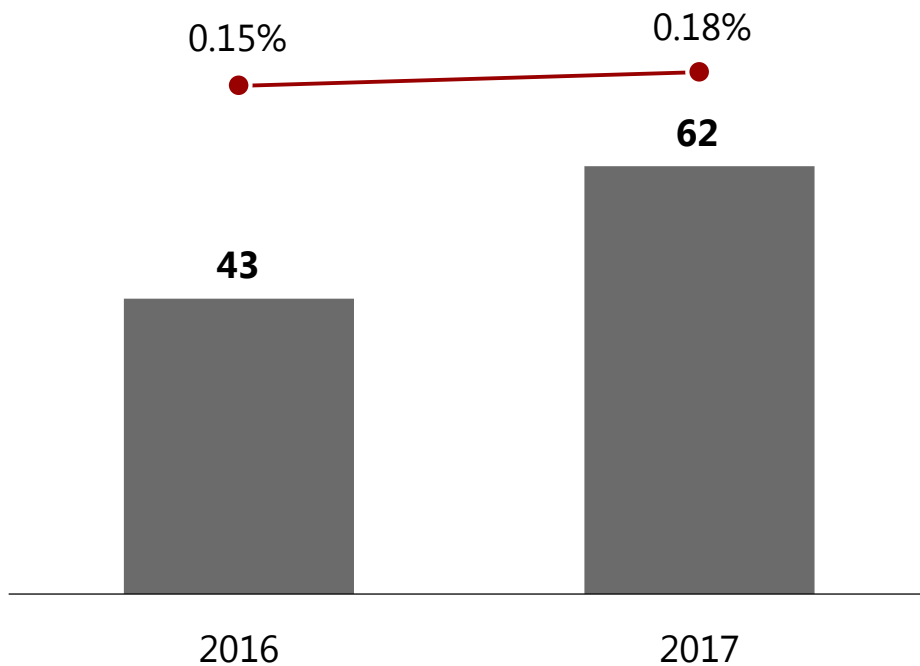
- **Continued focus on operating efficiency ...** digitizing processes and integrating new acquisitions
- **Cost base includes pro-rata new acquisitions (Südwestbank and PayLife) and cost for LTIP¹⁾**
- **Cost-income ratio at 46.5%, excluding LTIP¹⁾ at 41.6% ...** in line with expectations
- **Significant investments to address evolving banking landscape and customer needs ...** introducing
 - new technologies (online & mobile banking)
 - front/back office process optimization

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

P&L details – risk costs

Risk costs

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



NPL ratio | as reported and excluding CoL

	2016	2017
as reported	1.7%	2.0%
excluding CoL	1.0%	1.5%

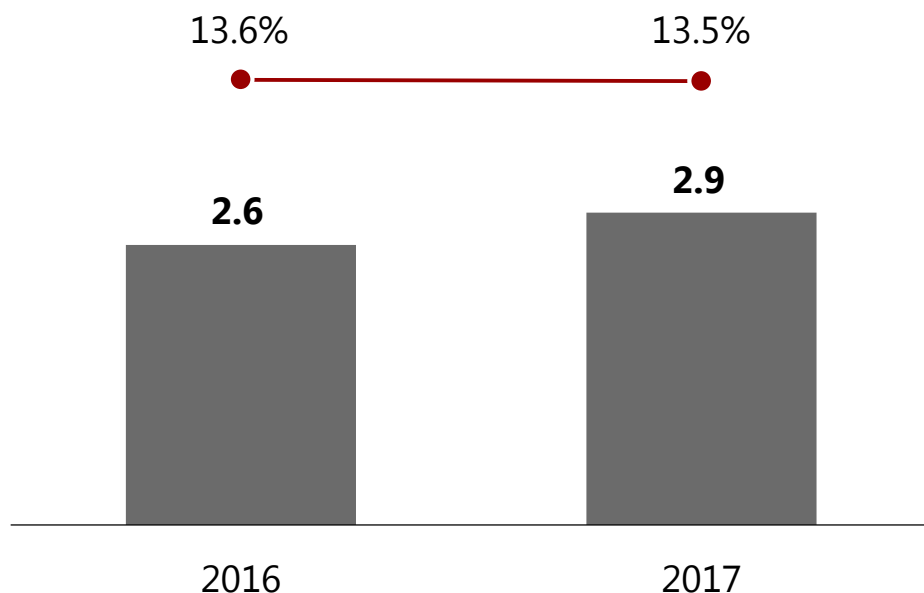
Highlights

- **Proactive risk management** and maintaining a **conservative risk profile**
- **NPL ratio at 2.0% (excl. City of Linz case: 1.5%)** ... favorable risk metrics across business segments
- **Customer loan franchise focused on developed markets** ... 76% DACH region / 24% Western Europe & United States

Strong capital base

CET1 capital (FL)

€ billions ■ CET1 capital (FL) -●- CET1 ratio (FL)



Highlights

- **Very strong capital levels, with ...**
 - 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
 - proposed dividend for Q4 '17 of €0.583 per share (€58.3m total payout)
- **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%)

P&L & balance sheet overview

P&L € millions	2016	2017	vPY	Balance sheet € billions	2016	2017	vPY
Net interest income	732.2	791.3	8%	Customer loans	28.5	30.8	8%
Net commission income	192.9	216.9	12%	Securities and bonds	6.5	8.4	29%
Core revenues	925.1	1,008.2	9%	Credit institutions and cash	2.7	4.9	81%
Other revenues	55.8	129.4	>100%	Other assets	2.1	2.0	(5%)
Operating income	980.9	1,137.6	16%	Total assets	39.8	46.1	16%
Operating expenses	(439.4)	(528.8)	20%	Customer deposits	26.0	31.0	19%
Regulatory charges	(46.1)	(33.8)	(27%)	Own issues	6.0	5.7	(5%)
Risk costs	(42.7)	(61.8)	45%	Credit institutions	2.4	4.0	67%
Profit before tax	460.7	517.3	12%	Other liabilities	2.3	1.8	(22%)
Income taxes	12.9	(50.6)	–	Equity	3.1	3.6	16%
Net profit	473.4	466.6	(1%)	Total liabilities & equity	39.8	46.1	16%

vPY ... versus prior year period

Key future business drivers

1

Grow organically into our “market share entitlement” in core retail products

2

Proactive move towards **technology company infrastructure**

3

Drive efficiencies through process & branch network optimization ... Austrian Post separation agreement signed

4

Maintain fortress balance sheet & solid risk management

5

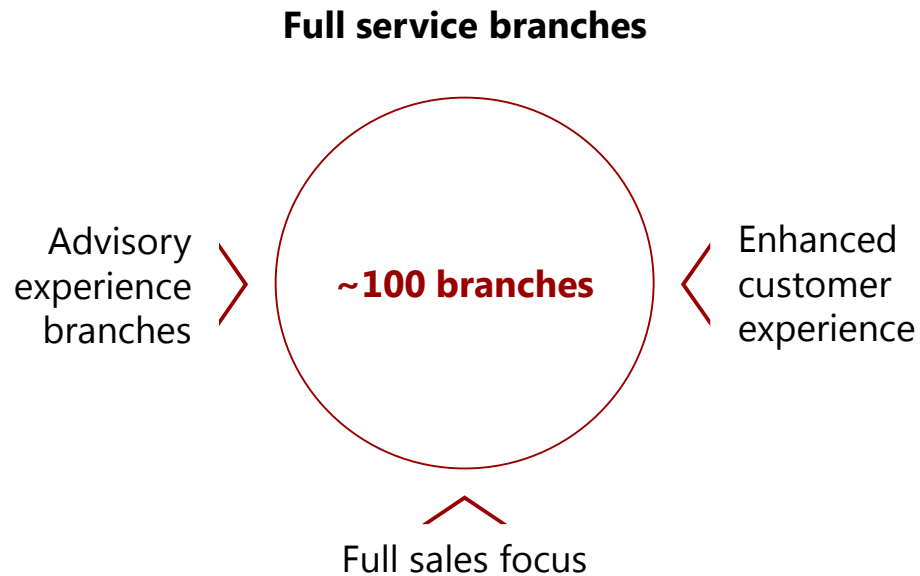
Pursue M&A growth across DACH region applying successful BAWAG P.S.K. approach

6

Business naturally geared towards **rising interest rates** ... budgets don't rely on rate environment

Branch transformation

Targeted branch network



Details

Focuses


- Target network of **~100 branches** generating **>75% of new business activity** ... geared toward market growth
- **80% of customers minimally affected**
- **Invest in branches** designed for today's customer expectations (advisory quality and service efficiency)
- **Improve employees per branch (~4 to >8)**

Enhances

- **Customer experience quality** through concentration of advisory teams and expertise
- **Advisory focus** through elimination of non-banking activities and wait times
- **Investment in advisory environment** with digitally enabled, micro-market product focus
- **Customers per advisor consistent**

Pursue M&A growth across DACH region

Acquisition track record

signed	Deutscher Ring Bausparkasse AG	
Q4 '17		
closed	SÜDWESTBANK	
Q4 '17		
closed	PayLife IX commercial card issuing business	
2017		
closed	start bausparkasse	
2016		
closed	IMMO-BANK	
2016		
closed	VB Leasing	
2015		

M&A strategy

- We believe **consolidation** will occur in Austria and across the European banking landscape at varying speeds
- Primary focus on **DACH region** and select opportunities in Western Europe
- Well-established **integration** process allowing for swift onboarding and realization of synergies
- Deals focused on building customer franchise, product offering, operational enhancements and achieving Group profitability levels
- ~**€25b pipeline** ... selective conversion

Management targets

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 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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