



BAWAG Group Annual General Meeting 2019

30 April 2019

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

Highlights 2018



Record profit before tax of €573m in 2018, up 14% vPY ... exceeded all 2018 Targets



Executing on our Strategy ... *Concept 21* retail transformation, Retail Partnerships and 3 bolt-on acquisitions



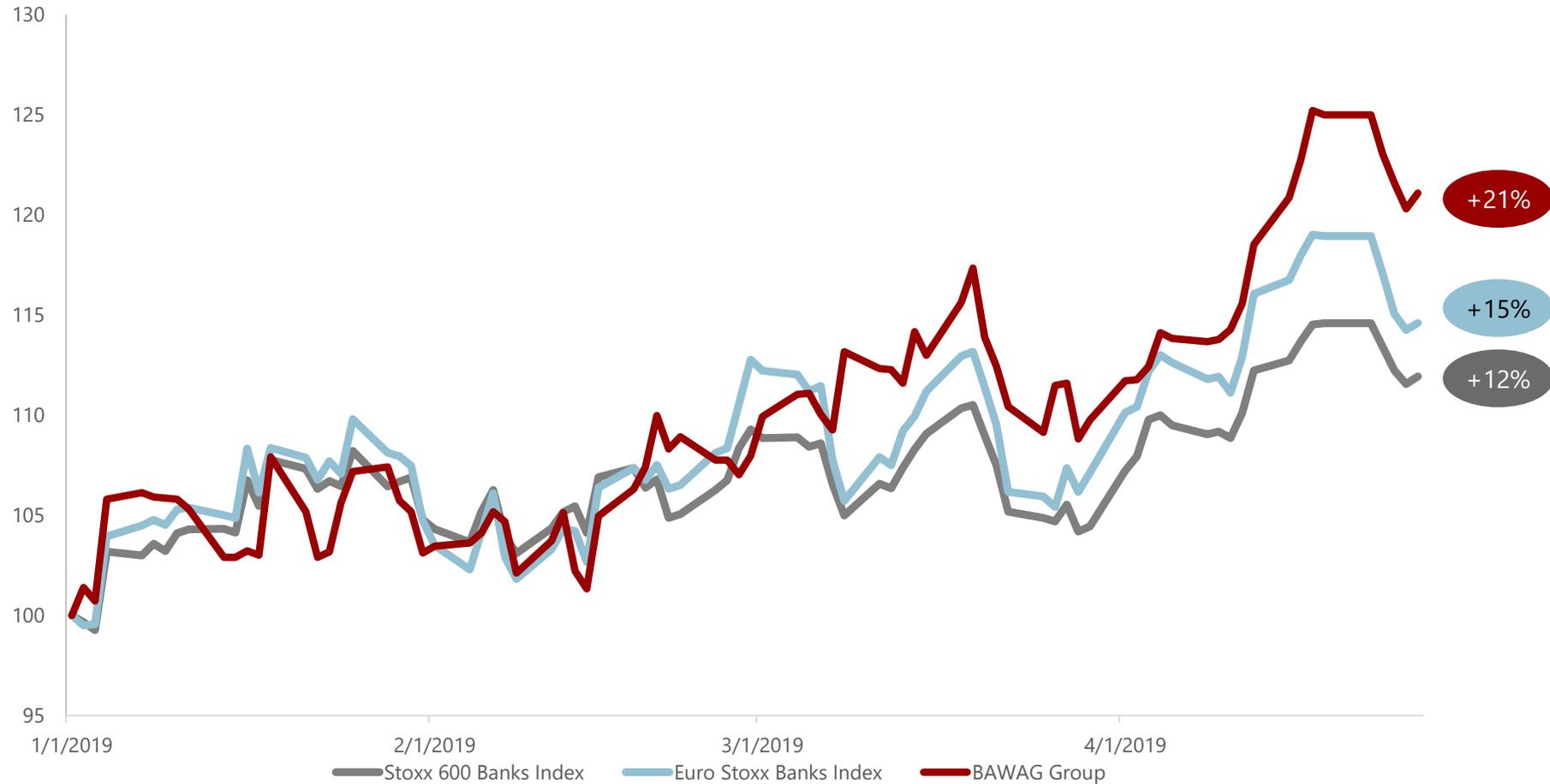
Revised Targets Upward for 2019-2020 based on strong operating performance ... moved original PBT target 1 year forward ... >€600m in 2019 and >€640m in 2020



Capital distribution plans ... a dividend per share of €2.18 (€215m) proposed; in addition, we are actively evaluating share buyback options

Share price development

Indexed as of 1 Jan 2019



Since IPO	
BAWAG Group	(10%)
Stoxx 600 Banks	(21%)
Euro Stoxx Banks	(27%)

Development based on the daily closing price. The last closing price shown is as of 26 April 2019. The performance does not consider the proposed/paid dividend.

Financial performance

Delivered record profit before tax and outperformed all 2018 targets

€ millions	FY '18	vPY		FY '18	Target
Core revenues	1,123	+11%	Profit before tax	€573m (>10%)	>5% growth 
Operating income	1,171	+4%			
Operating expenses	(518)	(2%)			
Risk costs	(45)	(27%)			
Profit before tax	573	+14%	Cost-income ratio	44.2%	<46% 
Net profit <small>Prior year included tax one-offs</small>	437	(3%)	RoTE (@12% CET1)	17.1%	>15% 
			CET1 ratio (post dividend)	14.5%	>12% 

€5.75
pre-tax EPS

+15%
vPY

€32.41
TBV/share

+5%
vPY

€37.51
BV/share

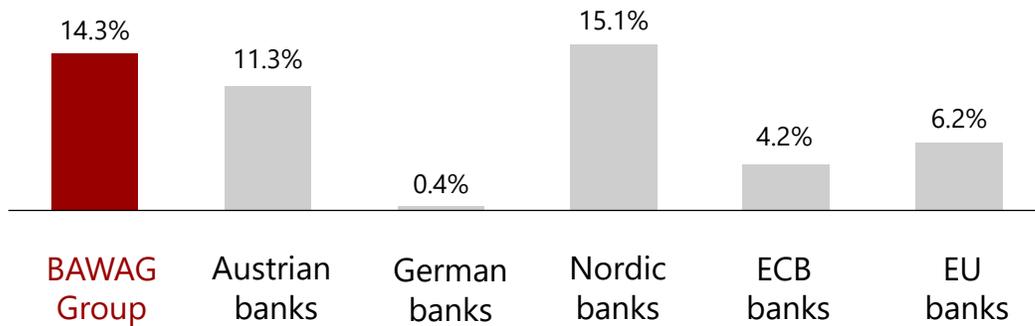
+5%
vPY

Outperformed all 2018 targets

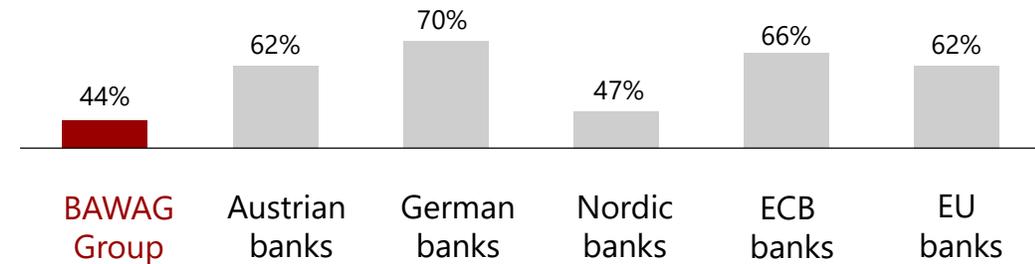
BAWAG Group compared to other banks

Remained one of the most efficient and profitable banks in Europe

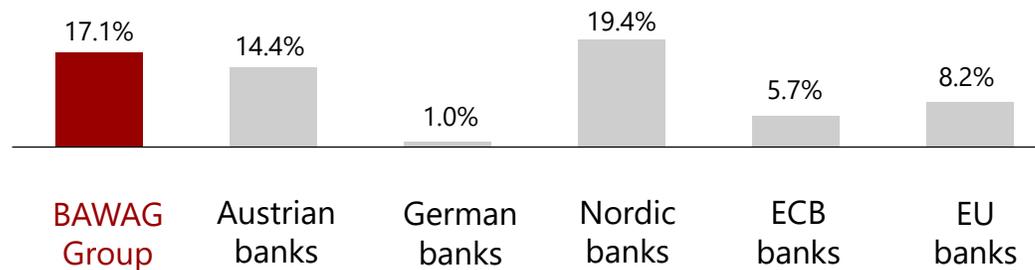
Return on equity (@12% CET1)



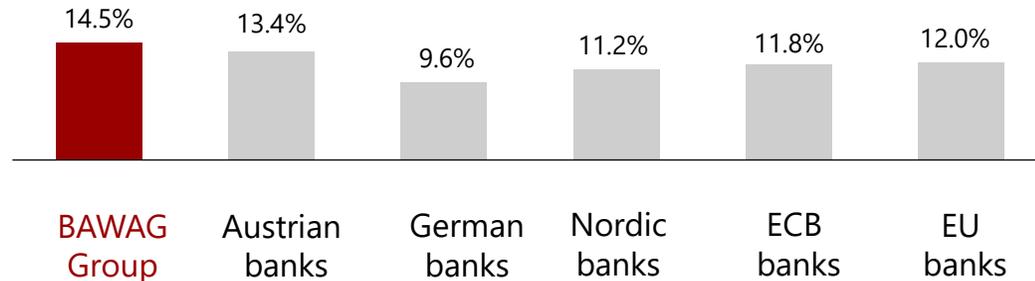
Cost-income ratio



Return on tangible equity (@12% CET1)



CET1 ratio (FL, @ BAWAG Group RWA density)



Source: BAWAG Group 2018 data, S&P Global Market Intelligence 2018 data for banks with total assets >€15b; "Nordic banks" comprises banks in NO, SE, DK and FI, data as of 11 April 2019

Focus on shareholder value

Highly capital accretive business model



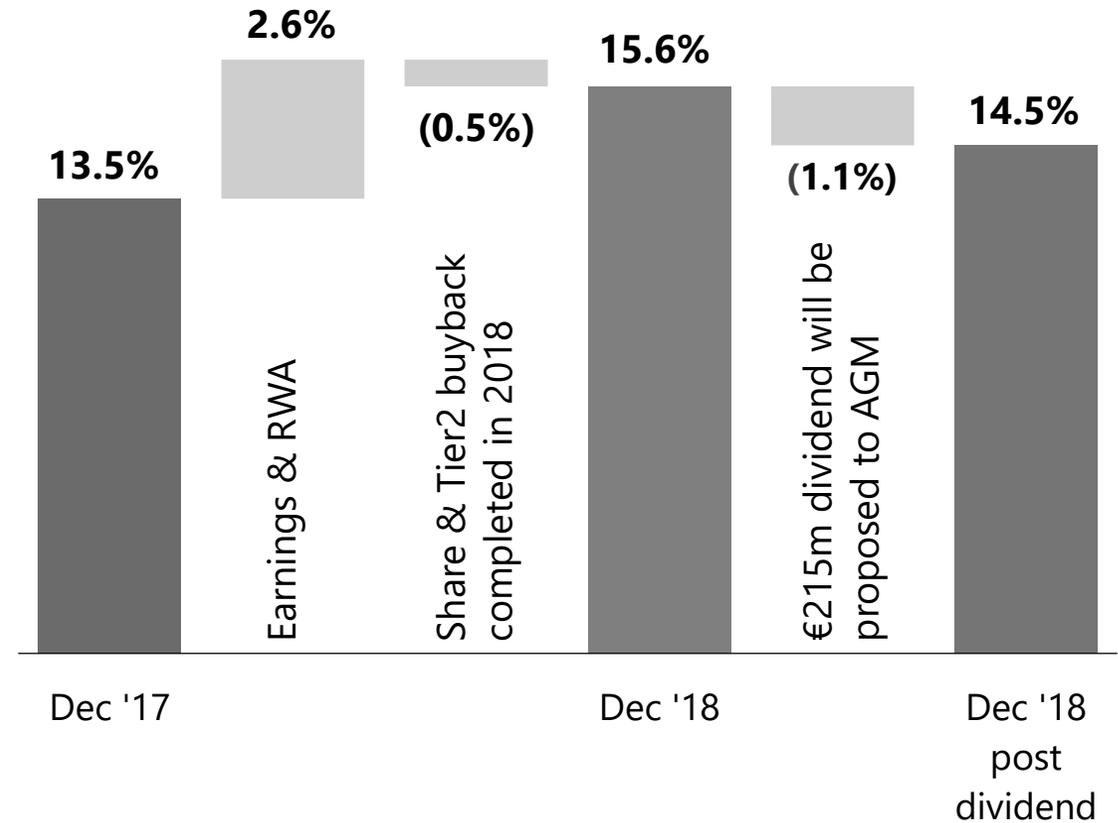
FY '18 capital generation:
~**260bps gross**, ~**210bps net**



€215m proposed dividend
in line with dividend policy



Further capital deployment under evaluation



Updated targets

Financial targets revised upwards

Metrics	Original target 2018-2020	Updated targets	
		2019	2020
<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 5px; width: 45%;"> Profit before tax </div> <div style="border: 1px solid black; padding: 5px; width: 45%;"> CAGR absolute </div> </div>	>5% CAGR > €600m	>6% > €600m	>6% > €640m
Cost-income ratio	<40%	<43%	<40%
Return on Tangible Equity	15% to 20% (@12% CET1)	15% to 20%	
CET1 ratio (FL)¹⁾	≥ 12%	12% to 13%	
Earnings per share (EPS) before capital actions	pre tax	> €6.00	> €6.40
	post tax	> €4.50	> €4.80

1) Exceeds regulatory minimum capital requirements for 2019 of 10.3% FL + Pillar 2 guidance (P2G) of 1% CET1 (P2R and P2G remained stable year-over-year)

Strategy

4 pillars of our strategy

**Growing in our
core markets**

**Drive efficiency thru
operational excellence**

**Making our
customers' lives easier**

**Maintaining a safe and
secure risk profile**

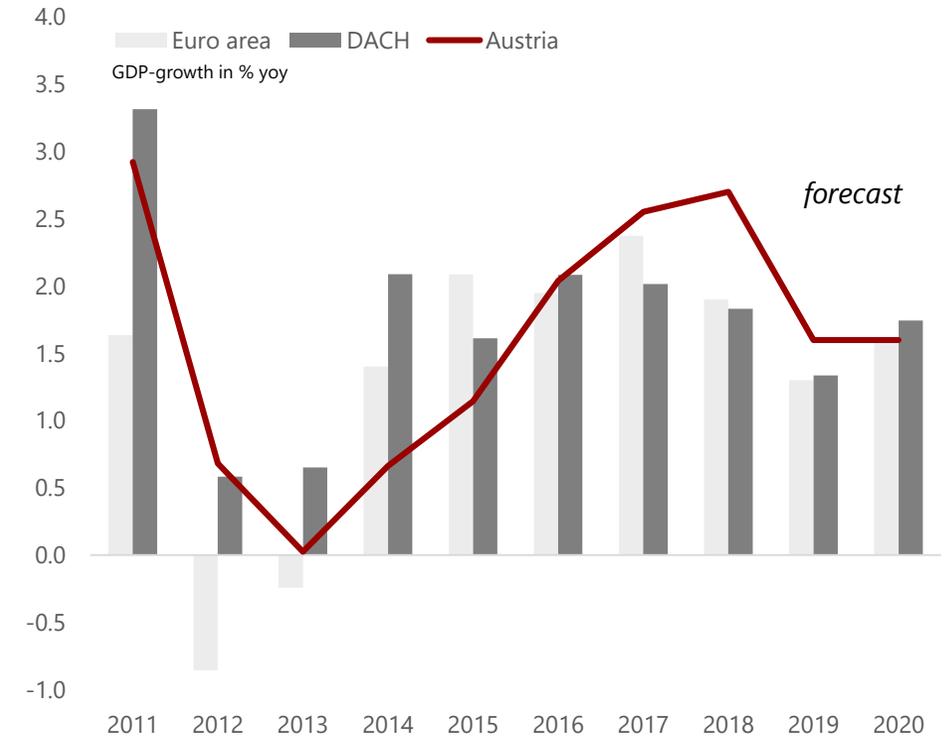
Targets:
RoTE > 15%
PBT > 6% CAGR thru 2020
CIR < 40% by 2020
CET1 target 12% to 13%

Sound macroeconomic dynamics

Supportive lending environment in DACH region with >100m population

	DACH	Austria	Germany
GDP yoy growth	1.8%	2.7%	1.5%
Unemployment rate	3.8%	5.2%	3.5%
Government debt % of GDP	58%	74%	60%

GDP development



Source: EU commission, IMF WEO; DACH aggregate: GDP-weighted (GDP growth) and arithmetic average of Austria, Germany and Switzerland; GDP, unemployment rate and government debt as of 2018

Concept 21 ... retail transformation

2018 progress on key strategic initiatives

Branch transformation

Opportunity: Right-sized branch network

- ✓ Enhanced customer experience
- ✓ Eliminate inefficient network
- ✓ Digitally integrated distribution
- ✓ Enhanced high-touch advisory

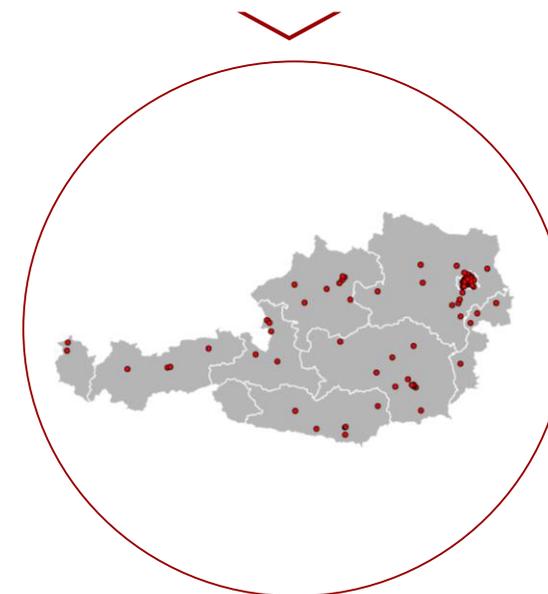
➤ **Branch transformation:** Post office branches reduced to 67, therefore 85% complete ... 75% of new branches under contract and design execution

➤ **Customer transition:** high retention of ~95% of customers continues ... highly positive customer feedback of branch transformation

Opportunity: Right-sized branch network

74 High-performing bank branches in-place

>85% Coverage of Austrian population

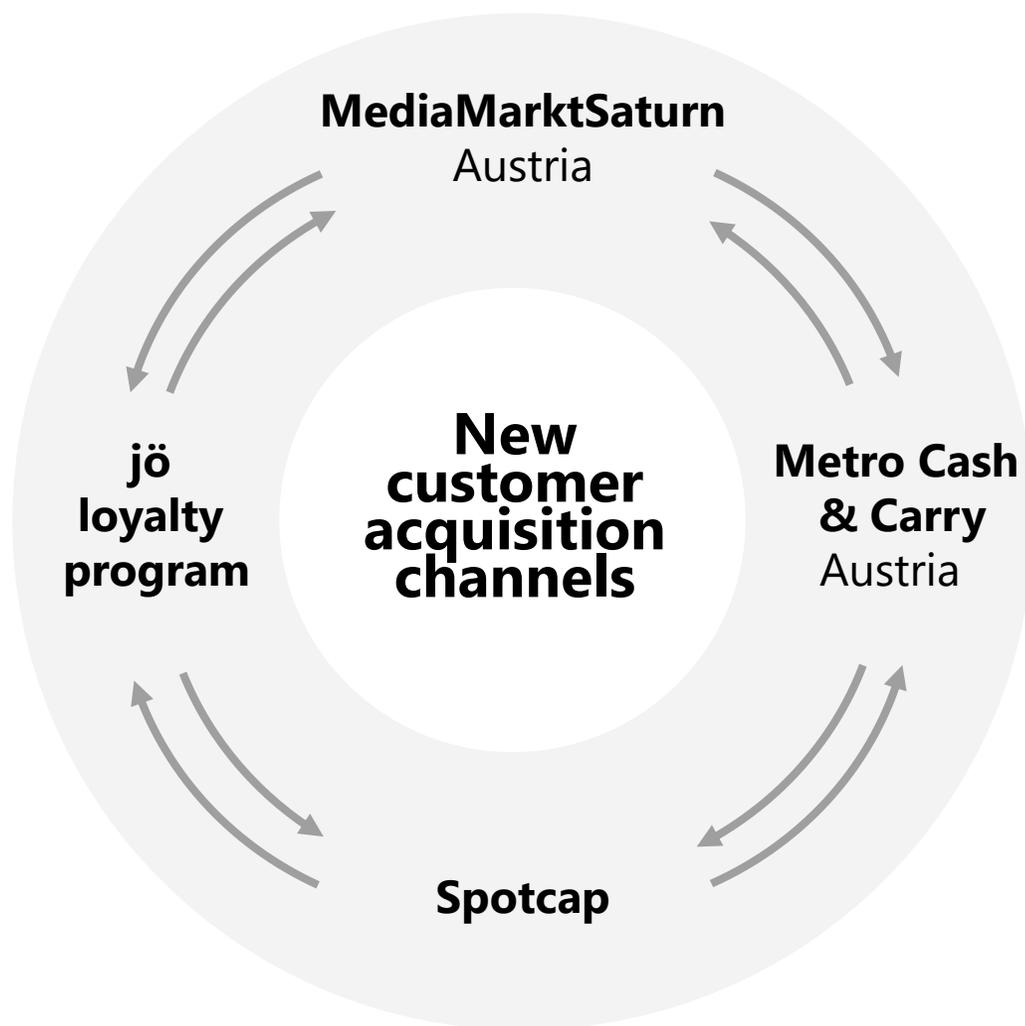


Up to 26 New branches

>92% Coverage of customer base

Strategic partnerships

2018 progress on key strategic initiatives



#1 electronics retailer in Austria

- ~30% market share, millions of customers
- 345k+ products
- Significant new customer growth through POS financing in core product category



#1 SME wholesale supplier in Austria

- Market share leader for SME retail in Austria
- ~500k small business members
- Co-branded cards, accounts and purchase financing



Loyalty program with market leaders

- REWE is leading local provider, #1 group in food retail
- Launch partner financial services for loyalty program, enhancing current account and card usage
- 4 million total customers participating

BAWAG Group in Germany

Overview business franchise



1) Deutscher Ring rebranded into start:bausparkasse 2) Subject to regulatory approvals and closing 3) Swiss entity

Proven M&A track record

Experienced with bolt-on acquisitions to build out customer franchise

Signed Q4 '18	 	€0.1b assets, €1b factoring new volume 3k customers
Closed Q1 '19	 	
Signed Q4 '18	 	€0.6b assets 50k customers
Closed Q3 '18	 	€0.5b assets 85k customers
Closed 2017	 	€7.4b assets 100k customers
Closed 2017	 	1.7m cards, >500k customers
Closed 2016	 	€2b assets 500k customers
Closed 2016	 	€1.6b assets 5k customers
Closed 2015	 	€0.7b assets 50k customers

- We believe **consolidation** will occur across the European banking landscape at varying speeds
- Primary focus on **DACH region** and select opportunities in Western Europe
- Proven **track record** as far as transactional execution and speed of transaction processes
- Disciplined, rigorous & systematic **internal due diligence** process
- Underwriting & pricing discipline, strategic fit & value
- Well-established **integration** process allowing for swift on-boarding and realization of synergies
- Integrate into simple, efficient and low-risk retail & corporate customer franchise

Major P&L & balance sheet items

Profit before tax	€573m +14%	Total assets	€45b (3%)
Core revenues	€1,123m +11%	Customer loans	€30b (1%)
Common equity	€3.7b +4%	Customer deposits	€30b (2%)

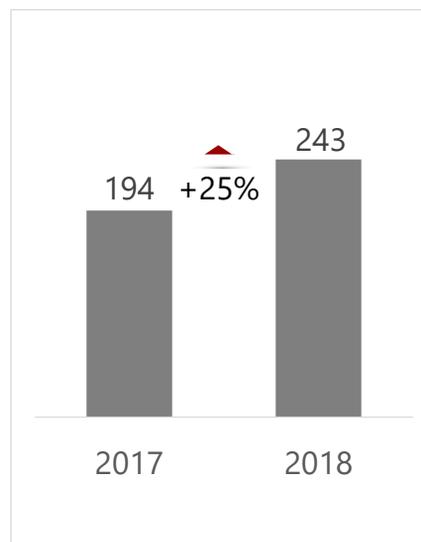
Customer segment performance

Profit before tax (in € million)

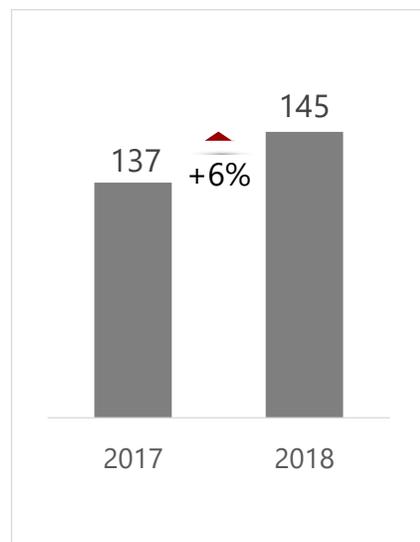
Retail & SME business

Corporate & Public Sector business

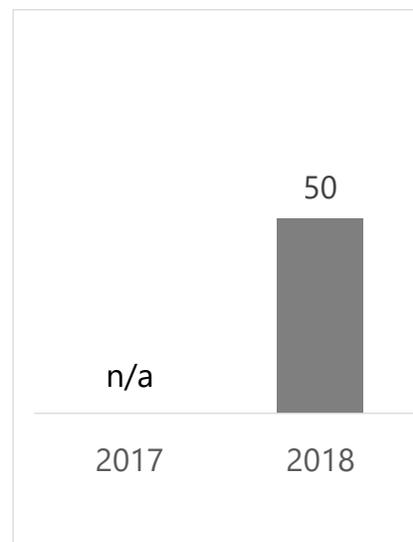
BAWAG P.S.K. Retail



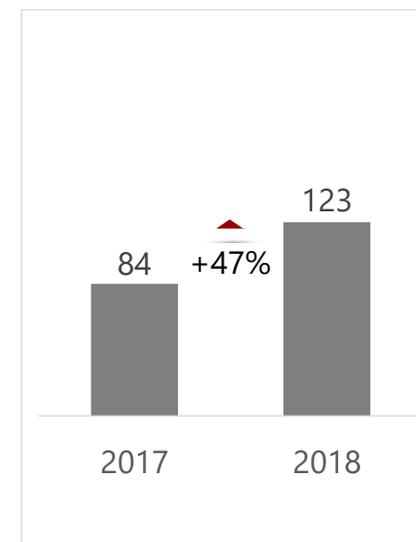
easygroup



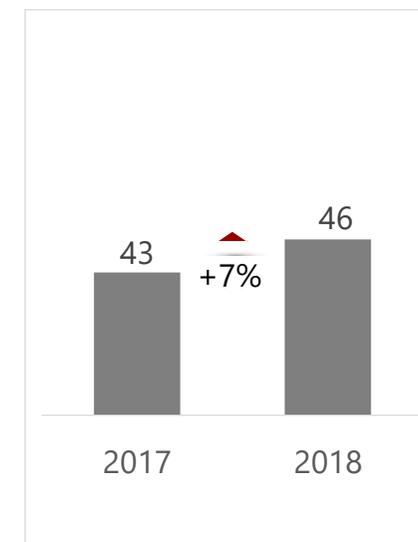
Südwestbank



International Business



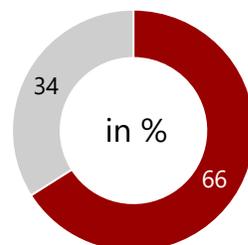
DACH Corporates & Public Sector



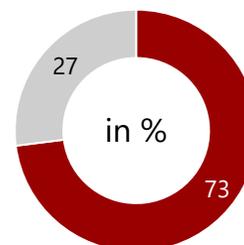
Business mix 2018

- Retail & SME
- Corporates & Public Sector

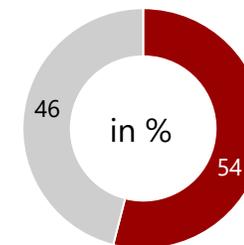
Profit before tax



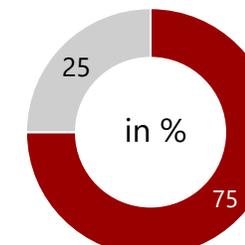
Core revenues



Assets



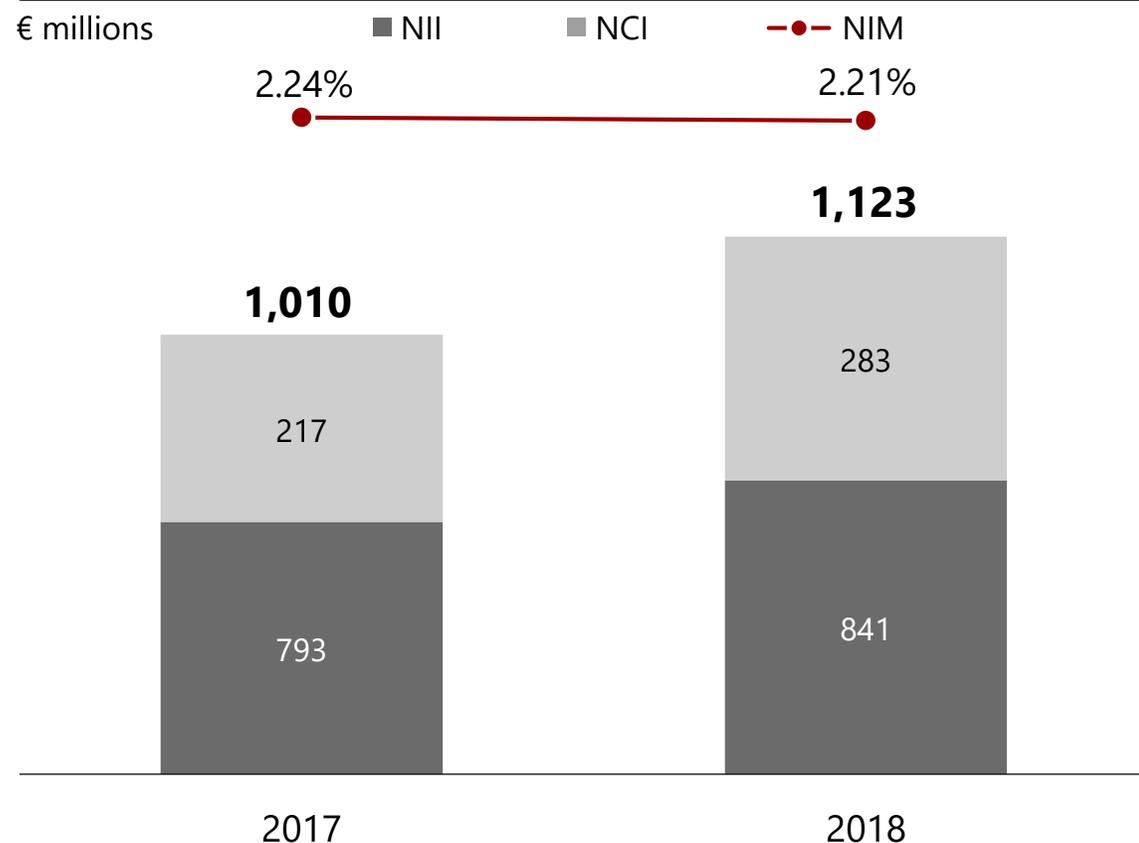
Funding



Note: Business mix based on customer segments and on new segmentation as of Jan 2019.

P&L details – core revenues

Core revenues



Customer loans | € billions

30.8

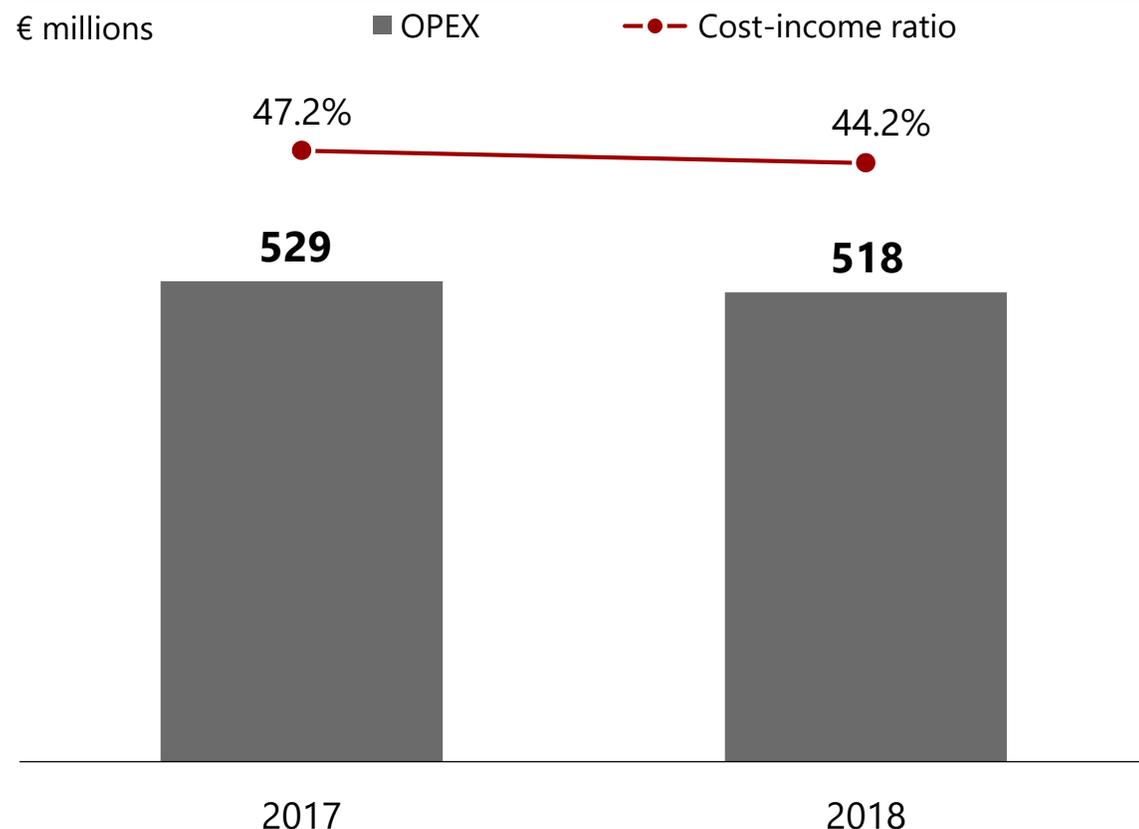
30.5

Highlights

- **Net interest income (NII) up 6% vPY**
 - Solid performance across retail segments
 - Strong performance of International Business with net asset growth of 21% vPY
 - International mortgage portfolio ran off 20% vPY
 - Disciplined deployment of liquidity
- **Net commission income (NCI) up 30% vPY**
 - Reduced commission payments to Austrian Post
 - Market volatility driving softness in securities and insurance business in the second half of 2018

P&L details – operating expenses

Operating expenses



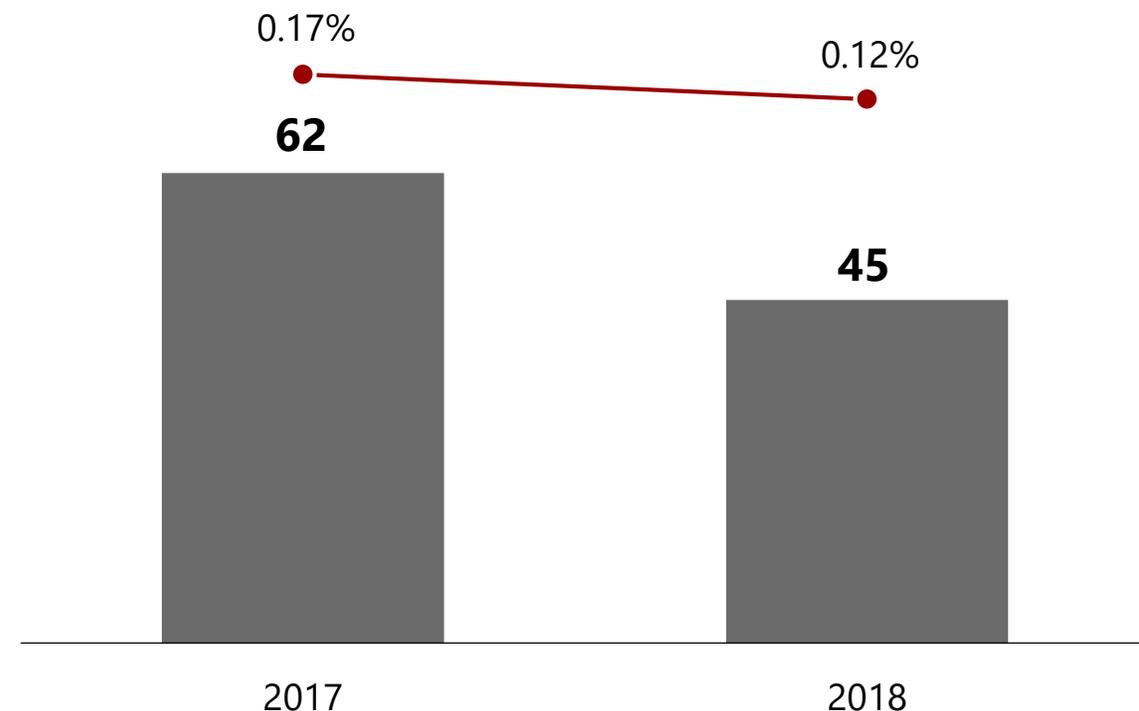
Highlights

- **Operating expenses decreased by 2% to €518m**
- **Continued focus on operating efficiency** ... digitizing processes and integrating new acquisitions
- **FY '18 CIR at 44.2%** well below target of <46%
- **Significant investments to address evolving banking landscape and customer needs** ... introducing
 - new technologies (online & mobile banking)
 - front/back office process optimization

P&L details – risk costs

Risk costs

€ millions ■ Risk costs -●- Risk costs / Interest-bearing assets



NPL ratio | as reported and excluding CoL

Year	NPL ratio
2017	1.8%
2018	1.7%
	1.3%
	1.2%

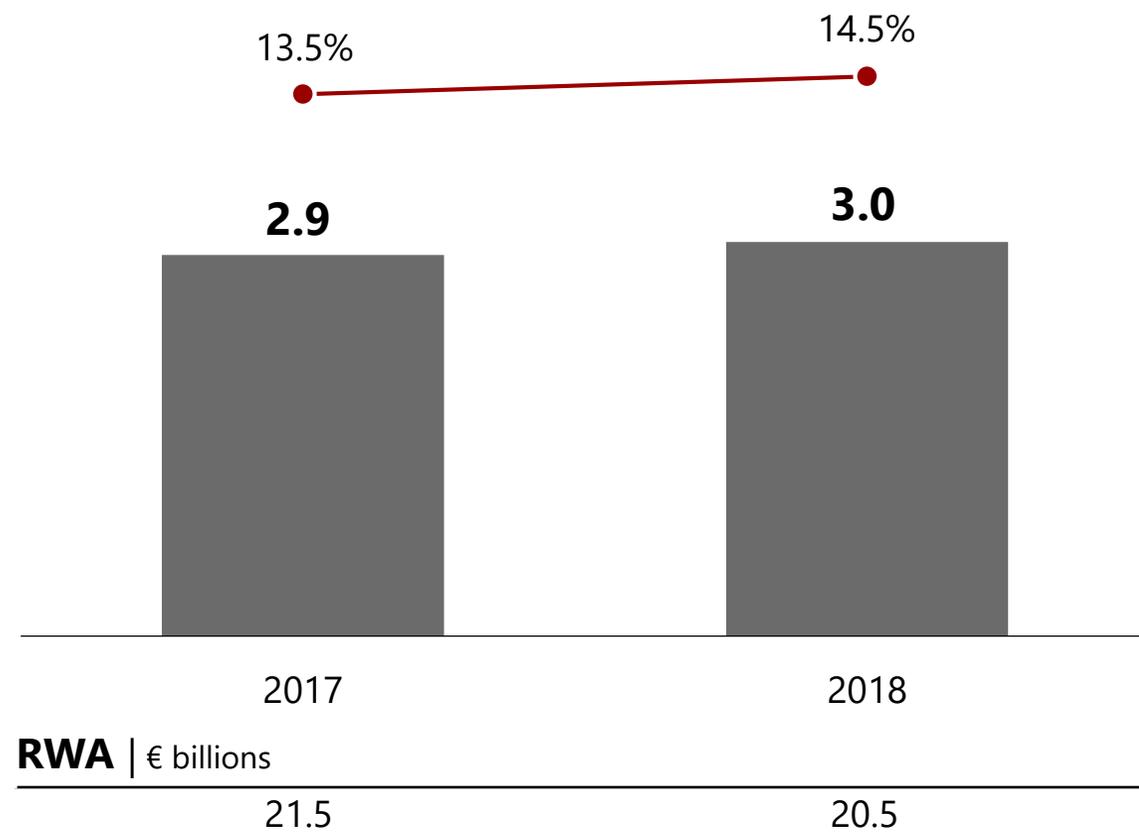
Highlights

- **Risk cost ratio at 12bps** ... ongoing benign credit environment and our focus on developed markets with customer loan franchise ~72% DACH region and ~28% Western Europe & United States
- **Maintain safe & secure balance sheet & portfolio risk management**
 - No relevant exposure to CEE or emerging markets
 - No Turkey and Russia exposure
 - No operations in countries with elevated AML risk
- **NPL ratio at 1.7% (excl. City of Linz case: 1.2%)** ... favorable risk metrics across business segments
- **Conservative hedging approach** with focus on reducing risk and minimizing income volatility

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
 - CET1 ratio post two major acquisitions in 2017 (Südwestbank and PayLife) and the acquisition of Deutscher Ring Bausparkasse (since January 2019: start:bausparkasse) in 2018
 - Proposed dividend for financial year 2018 of **€2.18 per share (€215m total payout)**

Capital management

Organic capital generation

2017: +2.2%

2018: +2.6%

Average: ~250bps

Future capital generation drivers

- RoTE 15% to 20%
- RWA density reduction
- Target CET1% 12% to 13%

Strong capital generation of ~250bps per year supporting various capital management options

RWA development

2018: 5% decline

Future: modest organic growth while targeting density of low 40s

M&A

2018: 3 acquisitions

Future: strict underwriting

Dividends

2018: €215m / 50% / ~€2.18 DPS

Future: 50% pay-out

Buy-backs

2019: work in progress

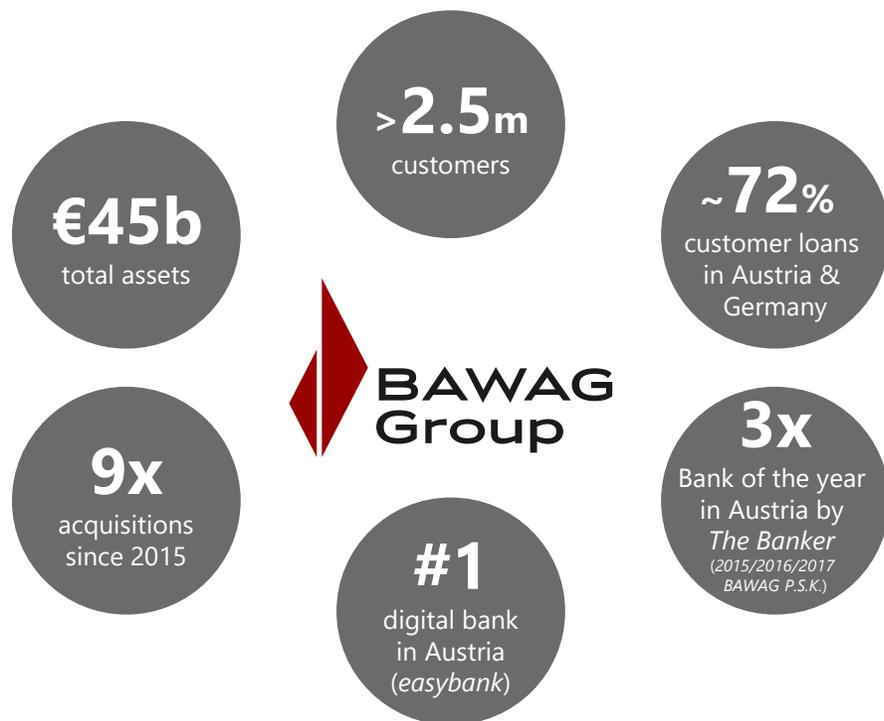
Future: active capital management

P&L & balance sheet overview

P&L € millions	2017	2018	vPY
Net interest income	793.1	840.5	6%
Net commission income	216.9	282.8	30%
Core revenues	1,010.0	1,123.3	11%
Other revenues	110.4	47.4	(57%)
Operating income	1,120.4	1,170.7	4%
Operating expenses	(528.5)	(517.9)	(2%)
Regulatory charges	(33.8)	(40.1)	19%
Risk costs	(61.8)	(45.1)	(27%)
Profit before tax	500.4	572.7	14%
Income taxes	(51.2)	(136.2)	> 100
Net profit	449.1	436.5	(3%)

Balance sheet € billions	2017	2018	vPY
Customer loans	30.8	30.5	(1%)
Securities and bonds	8.4	6.9	(18%)
Credit institutions and cash	4.8	5.4	12%
Other assets	2.0	1.9	(4%)
Total assets	46.1	44.7	(3%)
thereof Interest-bearing assets	39.8	38.0	(5%)
Customer deposits	30.9	30.2	(2%)
Own issues	5.7	4.4	(22%)
Credit institutions	4.0	4.3	7%
Other liabilities	1.9	1.8	(4%)
Common equity	3.6	3.7	4%
AT1 capital	–	0.3	–
Total liabilities & equity	46.1	44.7	(3%)

BAWAG Group at a glance



- **One of Austria's leading retail banks** ... more than 2.5m customers & solid market shares
- **Focused on developed countries** with ~72% of customer loans in DACH region & ~28% in Western Europe & USA
- **Organic & inorganic growth in DACH region** ... completed 6 acquisitions and signed 3 acquisitions in 2018
- **High profitability and efficiency** ... one of the most profitable and efficient banking groups in Europe
- **Simple & consistent product offering across channels**
- **Fortress balance sheet** ... low NPL ratio, low balance sheet leverage, solid capital ratios & retail deposit funding
- **Solid ratings** ... Moody's ratings upgraded 3 times since 2015 to "A2" ... Fitch assigned "A-" senior unsecured ratings

Our strategy

- | | |
|---|--|
| <p>01 Growth in our core markets</p> | <p>03 Efficiency & operational excellence</p> |
| <p>02 Making our customers' lives easier</p> | <p>04 Safe and secure</p> |

Our multi-brand network





IMPORTANT DISCLAIMER: This presentation is prepared solely for the purpose of providing general information about BAWAG Group, Wiedner Gürtel 11, 1100 Wien. The information does not constitute investment or other advice or any solicitation to participate in investment business. This presentation does not constitute an offer or recommendation to purchase any securities or other investments or financial products. In respect of any information provided past performances do not permit reliable conclusion to be drawn as to the future performances. BAWAG Group does not make any representation, express or implied, as to the accuracy, reliability or completeness of the information contained in this presentation. BAWAG Group disclaims all warranties, both express and implied, with regard to the information contained in this presentation. This presentation contains forward-looking statements relating to the business, financial performance and results of BAWAG Group or the industry in which BAWAG Group operates. These statements may be identified by words such as "expectation", "belief", "estimate", "plan", "target" or "forecast" and similar expressions, or by their context. These statements are made on the basis of current knowledge and assumptions and involve risks and uncertainties. Various factors could cause actual future results, performance or events to differ materially from those described in these statements and neither BAWAG Group nor any other person accepts any responsibility for the accuracy of the opinions expressed in this presentation or the underlying assumptions. No obligation is assumed to update any forward-looking statements. In no event shall BAWAG Group be liable for any loss, damages, costs or other expenses of any kind (including, but not limited to, direct, indirect, consequential or special loss or loss of profit) arising out of or in connection with any use of, or any action taken in reliance on, any information contained in this presentation. BAWAG Group assumes no obligation for updating the provided information in this presentation. The content in this presentation are not to be relied upon as a substitute for professional advice. This presentation shall not be forwarded to any third party.