

Q1 2017 Earnings

May 4, 2017

Agenda

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1. New management team
 2. Highlights Q1 2017
 3. Business segment performance
 4. Detailed financials
 5. M&A strategy & outlook
-

Management team going forward

Managing Board

Anas Abuzaakouk



Chief Executive Officer

5

- Formerly CFO and Chief Restructuring Officer at BAWAG P.S.K.
- Senior Executive at Cerberus Operations
- CFO General Electric Middle East & Africa

Enver Sirucic



Chief Financial Officer

11

- Formerly Deputy CFO and Head of Financial Planning & Analysis and ALM at BAWAG P.S.K.
- 10 years with BAWAG P.S.K. in various leadership roles across Finance

Stefan Barth



Chief Risk Officer

5

- Formerly Head of Strategic Risk at BAWAG P.S.K.
- Post-crisis Credit Restructuring at Hypo Alpe Adria Group
- 11 years with Bayerische Landesbank in various Risk roles

David O'Leary



BAWAG P.S.K. Retail

3

- Formerly Deputy Retail at BAWAG P.S.K.
- Senior Operating Executive at Cerberus Capital
- Head of Risk & Finance at LNR Property
- Leadership roles at GE Capital

Andy Wise



Chief Investment Officer Non-retail lending

5

- Chief Investment Officer and Head of International Business at BAWAG P.S.K.
- Head of Asian Multi-Asset Class Investing at Mount Kellett Capital
- Head of Morgan Stanley Principal Investments for non-Japan Asia


Sat Shah



COO (BAWAG) CEO (easybank)

3

- Formerly Head of General Electric's International IR
- Managing Director of GE Capital Business Development /M&A
- 13 years with GE in multiple senior leadership roles within Finance

 Years with BAWAG P.S.K.

- Experienced senior leadership team that drove transformation over the past few years and cultivated the new BAWAG P.S.K. culture
- Leadership team comprised of international and local talent with Managing Board members deeply rooted within BAWAG P.S.K.
- Divisional structure largely based on internal promotions with a deep bench of senior leaders across the organization

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Highlights in the first quarter 2017

Highlights

Details

Profitability

- **Profit before tax of €123m, up 1% vPY ... RoTE (@12% CET1) of 17.2%**
- Net interest income and operating income up 6% vPY

Costs

- **Cost-income ratio down 1.1pts to 40.5% vPY**
- **Front-loaded ~80% of regulatory charges in Q1**

Balance sheet

- **Customer asset originations of >€900m ...** driven by retail & international business
- Customer loans stable at €28b ... continued focus on customer centered balance sheet

Risk

- **NPL ratio stable at 2.1% ... risk cost ratio at 14bps**
- Continued focus on proactive risk management and a conservative risk profile

Capital

- **CET1 ratio (FL) of 15.7%, up 60bps vYE**
- Total capital ratio (FL) of 18.5%, up 50bps vYE

Ratings & Awards

- **Best-rated bank in Austria ... Moody's upgrade to A2** with continued positive outlook in April ... **Fitch assigned A- senior unsecured and BBB+ subordinate ratings** in Feb.
- **BAWAG P.S.K. named "Austria's Best Bank 2017"** by *Global Finance*

P&L & balance sheet overview

P&L € millions	Q1'16	Q4'16	Q1'17	vQ1'16
Net interest income	185.2	177.6	196.8	6%
Net commission income	50.9	46.9	49.8	(2%)
Core revenues	236.1	224.5	246.6	4%
Other revenues	14.2	22.9	18.4	30%
Operating income	250.3	247.4	265.0	6%
Operating expenses	(104.0)	(121.3)	(107.2)	3%
Regulatory charges	(16.5)	(6.2)	(25.2)	53%
Risk costs	(8.6)	(17.8)	(11.1)	29%
Profit before tax	121.6	103.9	122.6	1%
Income taxes	60.8	(0.1)	(26.5)	–
Net profit	182.3	103.8	96.1	(47%)

Key ratios	Q1'16	Q4'16	Q1'17	vQ1'16
RoE	25.2%	13.5%	12.1%	(13.1pts)
RoE (@12% CET1)	27.4%	16.5%	14.8%	(12.6pts)
RoTE	28.5%	15.2%	13.6%	(14.9pts)
RoTE (@12% CET1)	31.3%	19.2%	17.2%	(14.1pts)
Net interest margin	2.32%	2.20%	2.23%	(0.09pts)
Cost-income ratio	41.6%	49.0%	40.5%	(1.1pts)

Balance sheet € billions	Dec'16	Mar'17	vDec'16
Customer loans	28.5	28.2	(1%)
Securities and bonds	6.5	6.7	3%
Credit institutions and cash	2.7	3.7	37%
Other assets	2.0	1.9	(5%)
Total assets	39.7	40.5	2%
Customer deposits	26.0	25.5	(2%)
Own issues	6.0	6.2	3%
Credit institutions	2.4	3.7	58%
Other liabilities	2.2	1.9	(9%)
Equity	3.1	3.2	3%
Total liabilities & equity	39.7	40.5	2%

Capital & RWA € billions	Dec'16	Mar'17	vDec'16
IFRS equity	3.1	3.2	3%
IFRS tangible equity	2.8	2.9	3%
CET1 capital (FL)	2.6	2.7	4%
Total capital (FL)	3.1	3.2	3%
Risk-weighted assets	17.1	17.1	–
CET1 ratio (FL)	15.1%	15.7%	0.6pts

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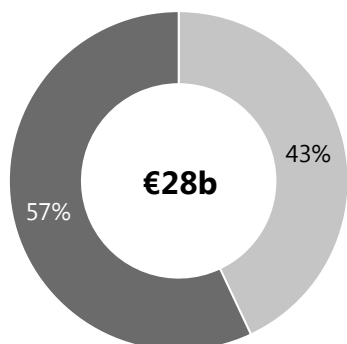
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Customer business overview

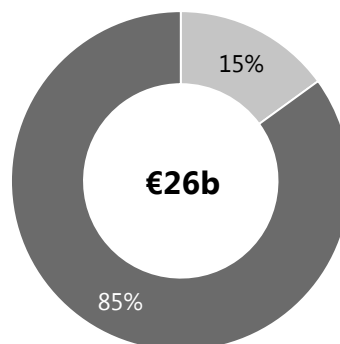
Key metrics of customer franchise (Q1 '17)

■ Retail customer business ■ Non-retail customer business ■ Other

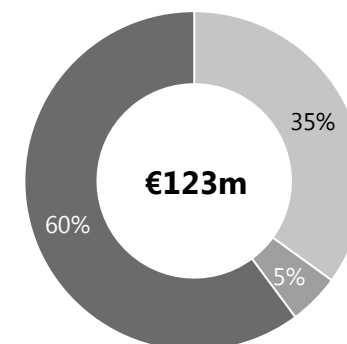
Customer loans



Customer deposits



Profit before tax



Retail customer business

€ millions	Q1'16	Q1'17	Delta
Core revenues	151.2	174.2	15%
Operating expenses	(77.2)	(78.1)	1%
Profit before tax	62.1	73.9	19%
Cost-income ratio	50.6%	44.5%	(6.1pts)
Pre-tax RoE¹⁾	23.7%	25.6%	1.9pts
NPL ratio	2.1%	2.2%	0.1pts

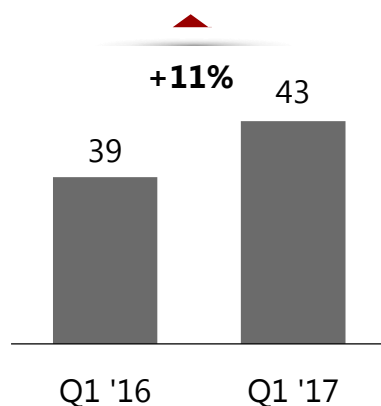
Non-retail customer business

€ millions	Q1'16	Q1'17	Delta
Core revenues	63.0	64.1	2%
Operating expenses	(19.6)	(20.1)	3%
Profit before tax	41.7	43.4	4%
Cost-income ratio	31.8%	31.2%	(0.6pts)
Pre-tax RoE¹⁾	16.3%	19.3%	3.0pts
NPL ratio	0.6%	0.6%	–

1) @12% CET1

Profit before tax

€ millions



Key metrics

€ millions	Q1'16	Q1'17	Delta
Core revenues	118.5	136.2	15%
Operating expenses	(69.0)	(70.2)	2%
Profit before tax	39.0	43.1	11%
Cost-income ratio	57.5%	51.1%	(6.4pts)
Pre-tax RoE¹⁾	20.5%	20.9%	0.4pts
Assets	9,207	11,634	26%
Customer deposits	15,254	17,841	22%
NPL ratio	2.2%	1.9%	(0.3pts)

1) @12% CET1

Overview & strategy

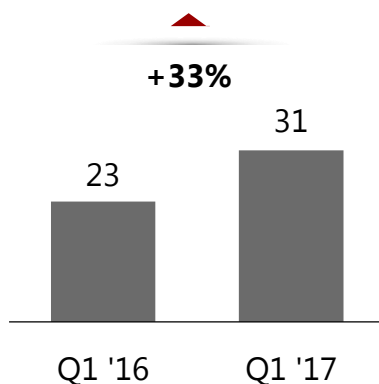
- 1.8 million private and small business customers serviced through branch network and online & mobile sales channels
- Focus on offering simple, fair and transparent products
- Main value drivers:
 - Growing customer lending franchise
 - Optimizing product mix (focus on value add products)
 - Driving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

Highlights Q1 2017

- New business origination of €352m
- Integration of start:bausparkasse ahead of plan with acquisition accretive day 1 and complementing retail product offering
- Continuing efforts towards digital transformation ... online payments +8% & online transactions via mobile apps +48% 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 10%, while over-the-counter transactions down 10% vPY

Profit before tax

€ millions



Key metrics

€ millions	Q1'16	Q1'17	Delta
Core revenues	32.7	38.0	16%
Operating expenses	(8.2)	(7.9)	(4%)
Profit before tax	23.1	30.8	33%
Cost-income ratio	25.2%	20.8%	(4.4pts)
Pre-tax RoE¹⁾	32.0%	37.4%	5.4pts
Assets	3,392	4,284	26%
Customer deposits	3,228	3,754	16%
NPL ratio	2.1%	3.0%	0.9pts

1) @12% CET1

Overview & strategy

- Austria's #1 direct bank *easybank*, #3 auto lessor & high-quality mortgage portfolios in Western Europe with 423,000 customers
- 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 Q1 2017

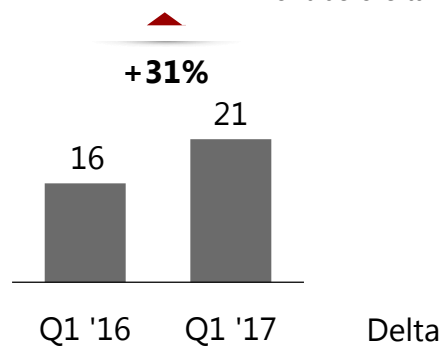
- Customer base up 8% to 423,000 customers & 712,000 accounts
- Strong originations of €104m during Q1 '17 driven primarily by auto leasing ... overall deposit base up 16% to €3.8b vPY
- Signed deal to acquire the commercial card issuing business of SIX Payment Services in February ... transaction accretive day 1 and will further grow our retail credit card franchise in Austria and abroad
- Achieved regulatory clearance during Q1 '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



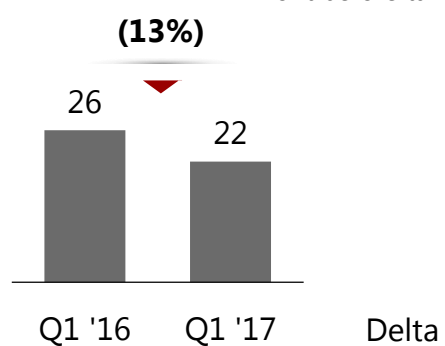
	Q1 '16	Q1 '17	Delta
Core rev.	29.7	30.7	3%
OPEX	(12.7)	(11.7)	(8%)
C/I ratio	43.5%	37.5%	(6.0pts)
Pre-tax RoE¹⁾	13.2%	19.1%	5.9pts
Assets	7,757	7,891	2%
NPL ratio	1.1%	0.7%	(0.4pts)

- Corporate and public lending activities and other fee-driven financial services
- Primarily Austrian customers & select client relationships in Germany and Switzerland
- €40m new originations in Q1 '17 ... focus on risk-adjusted returns and repricing

1) @12% CET1

International Business

€ millions Profit before tax

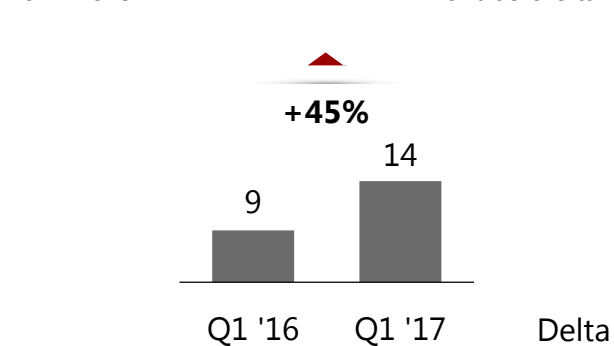


	Q1 '16	Q1 '17	Delta
Core rev.	33.3	33.4	–
OPEX	(6.9)	(8.4)	22%
C/I ratio	21.3%	24.9%	3.6pts
Pre-tax RoE¹⁾	19.1%	19.5%	0.4pts
Assets	5,414	5,327	(2%)
NPL ratio	0.0%	0.3%	0.3pts

- Focus on Western Europe and United States
- €432m new originations in Q1 '17 ... driven by portfolio and real estate financing
- Strong credit profile across international assets ... avg. LTV of real estate assets <60%

Treasury Services & Markets

€ millions Profit before tax



	Q1 '16	Q1 '17	Delta
Core rev.	14.4	12.6	(13%)
OPEX	(4.2)	(4.0)	(5%)
C/I ratio	30.9%	22.6%	(8.3pts)
Pre-tax RoE¹⁾	11.9%	17.1%	5.2pts
Assets	5,984	8,405	41%
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 ... 96% of portfolio investment grade

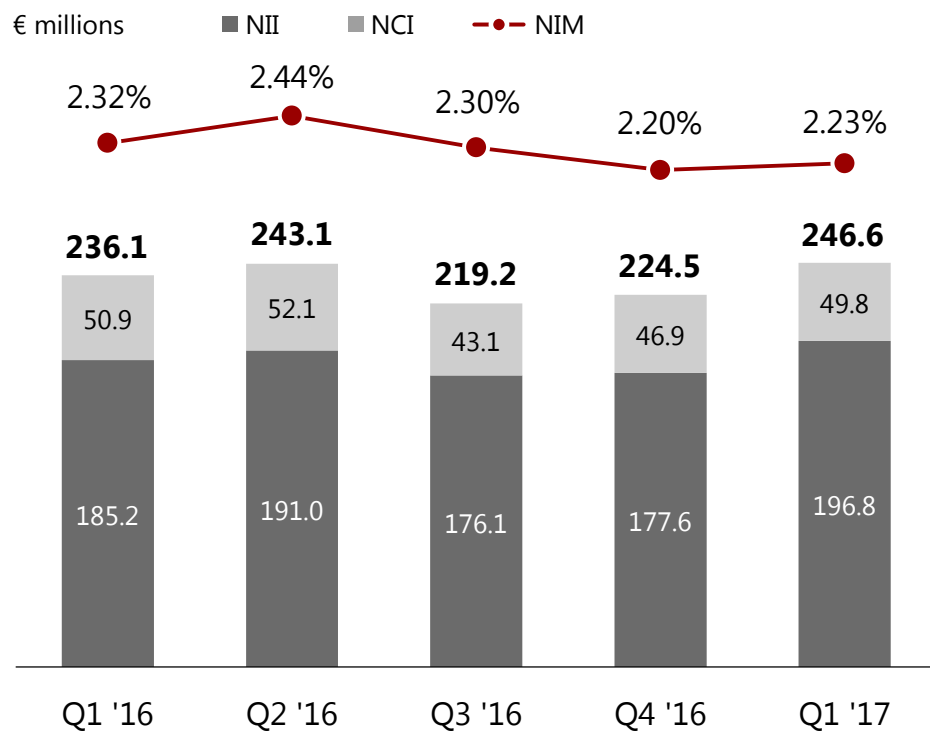
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P&L details – core revenues

Growth driven by customer loans and lower funding costs

Core revenues



Customer loans | € billions and in % of total assets

Quarter	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17
Customer loans (€ billions)	24.6	23.7	23.9	28.5	28.2
Customer loans (% of total assets)	70%	68%	70%	72%	70%

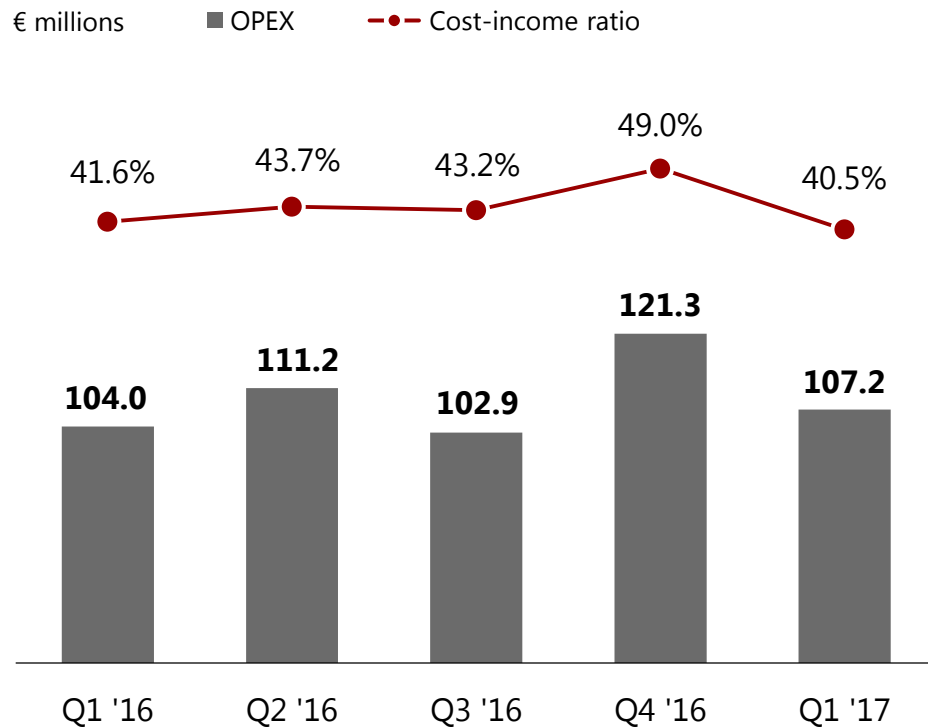
Summary

- **Net interest income (NII) up 6% vPY driven by core product growth, pricing initiatives and lower funding costs**
 - Net interest margin (NIM) up 3bps to 2.23% vs. Q4
 - Focus on consumer and international lending
 - Positive momentum from recent acquisitions
 - Reduced funding costs ... blended overall retail deposit rate down to 0.22% vs. 0.29% year-on-year
 - Customer loans stable at 70% of total assets
- **Net commission income (NCI) improving**
 - Positive trend over the past three quarters
 - Favorable development across current account boxes ... 40,000 new boxes sold since launch
 - Strong performance of securities business with sales of €515m in Q1 '17 ... up 6% vPY

P&L details – operating expenses

Restructuring investments paying off

Operating expenses



Active FTEs

2,441	2,318	2,302	2,496	2,426
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Summary

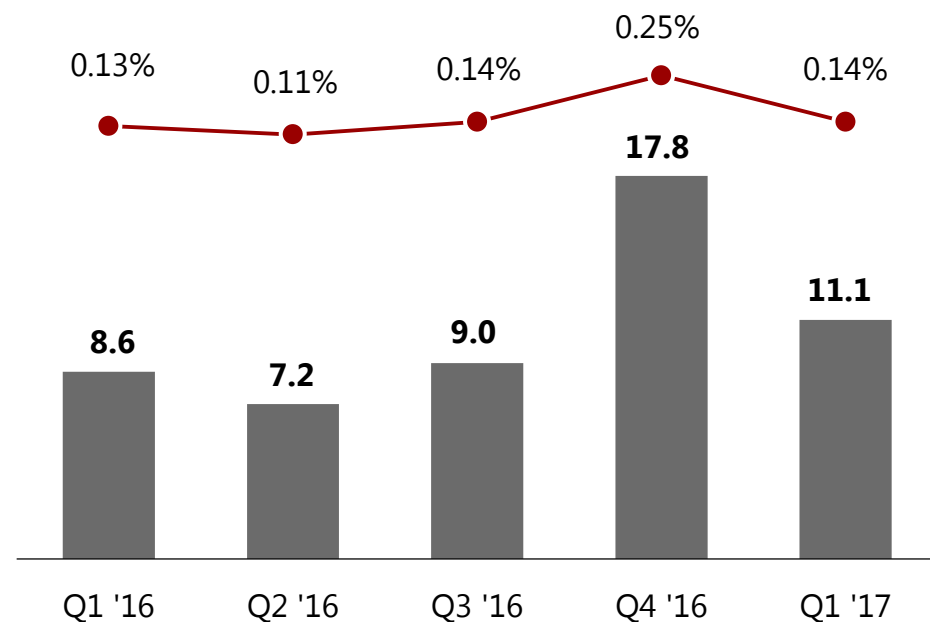
- **Significant progress in fixing structural cost imbalances** ... benefits materializing from prior years' restructuring initiatives
- **Operating expenses up 3% vPY** ... driven by fully absorbing recent acquisitions completed during Q4 '16 ... booked €3m restructuring in Q1
- **Operating expenses are expected to decrease over the year** as integration efforts from recent acquisitions are realized
- **Cost-income ratio of 40.5%** ... down 1.1pts vPY
- **Focus on operating efficiency given overall market dynamics** ... shifting customers to digital networks
- **Continued investments** in 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

2.3%	2.3%	2.3%	2.0%	2.1%
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Summary

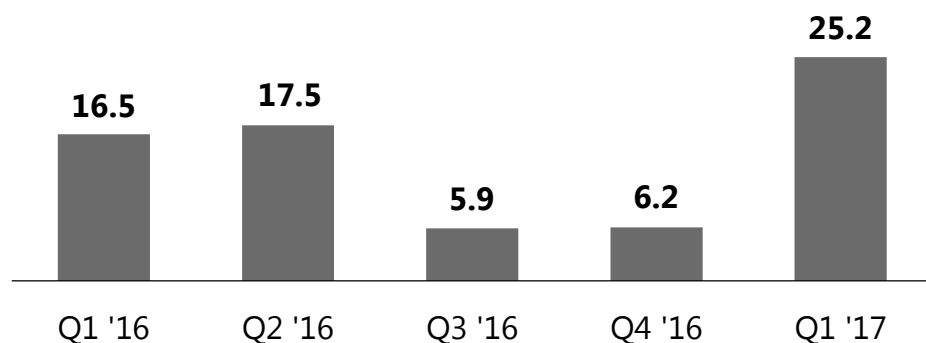
- **Risk costs up 29% vPY due to fully absorbing recent acquisitions ... however, risk cost ratio stable at 14bps**
- **Customer loan franchise focused on developed markets ... 70% DACH region / 30% Western Europe & United States**
- **NPL ratio stable at 2.1% ... favorable risk metrics in all business segments**
 - BAWAG P.S.K. Retail: NPL ratio 1.9% ... coverage ratio 93%
 - easygroup: NPL ratio 3.0% ... coverage ratio 96%
 - DACH Corporates & Public Sector: NPL ratio 0.7% ... coverage ratio 100%
- **Continued focus on proactive risk management and maintaining a conservative risk profile**

P&L details – regulatory charges & taxes

Q1 2017 net profit considerably impacted by one-off effects

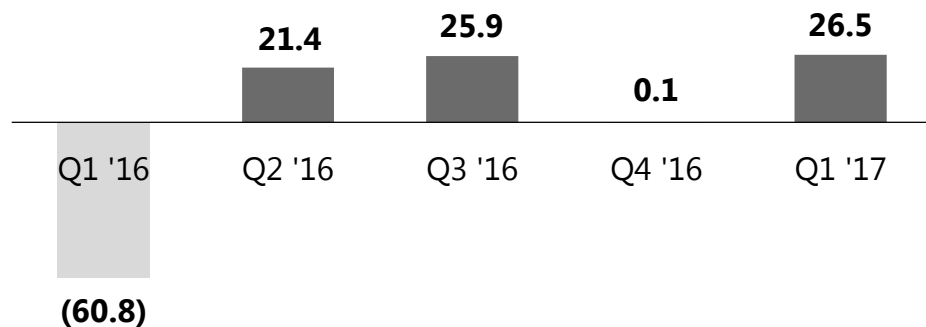
Regulatory charges

€ millions



Taxes

€ millions | negative value = tax income



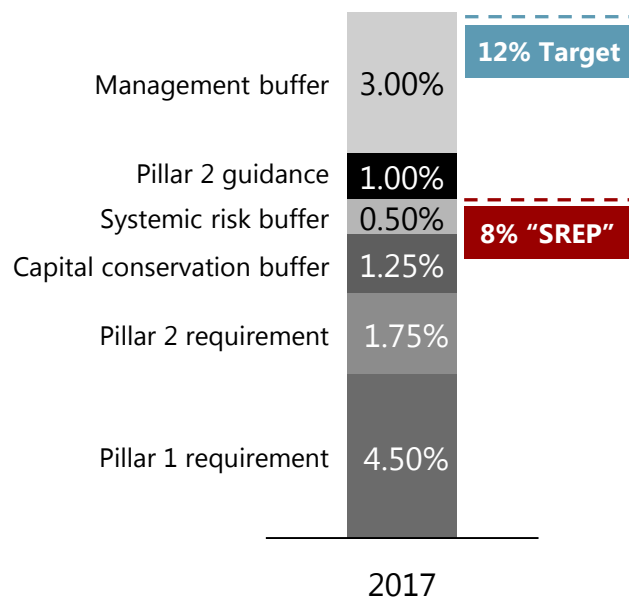
Summary

- **Regulatory charges front-loaded in Q1 ...** accounts for ~80% of total regulatory expenses 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 €61m in Q1 '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 over the next 18–24 months

Capital

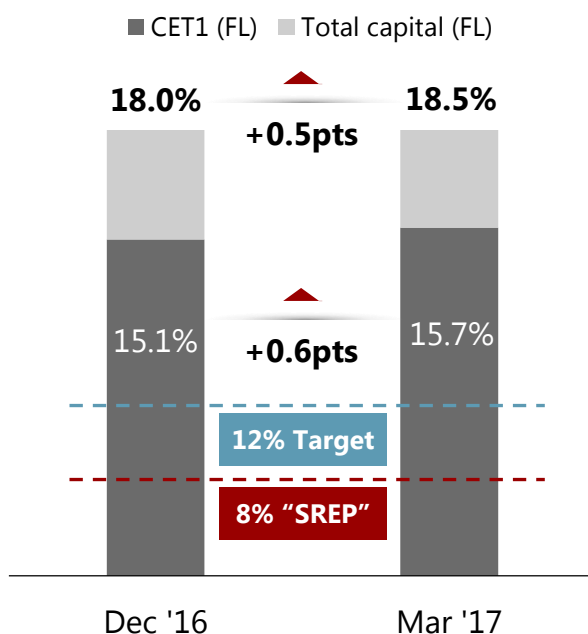
Safe & secure ... well-capitalized, low risk and low leverage

CET1 requirement & target



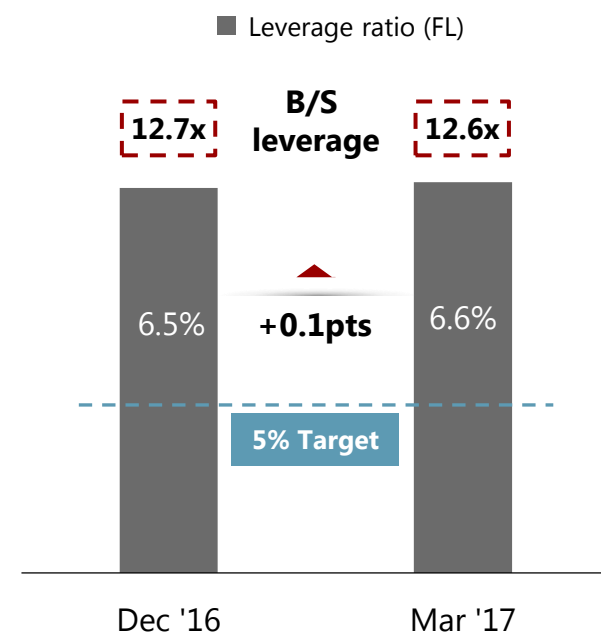
- Overall capital requirement from SREP 8% for 2017
 - 9% including pillar 2 guidance (P2G)
- Target CET1 ratio (FL) of >12%

Capital ratios (FL)



- CET1 ratio (FL) significantly above requirement and target
 - Excess capital of €0.6b vs. 12% target
- CET1 ratio (FL) increase in Q1 '17 mainly driven by profitability

Leverage ratio (FL) & B/S leverage



- Running a low leverage business model
- Leverage ratio of 6.6% ... stable at high level above target level of >5%

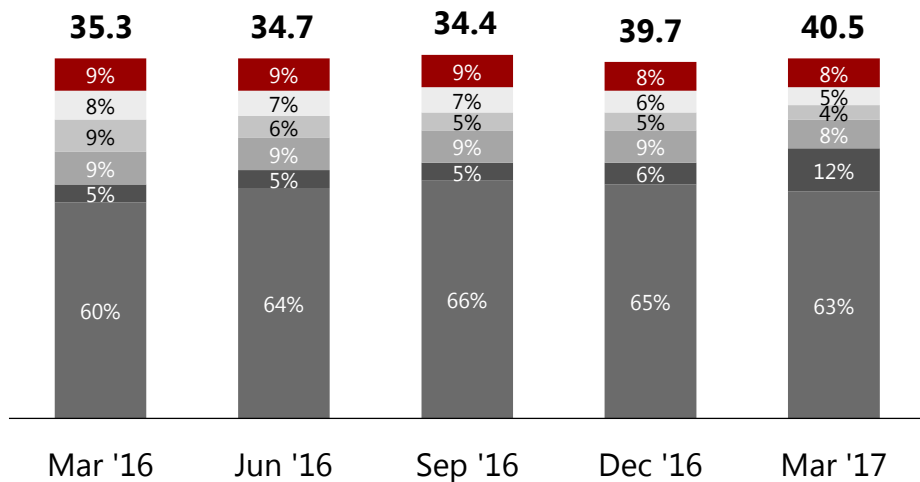
Funding & liquidity

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

Funding structure

€ billions

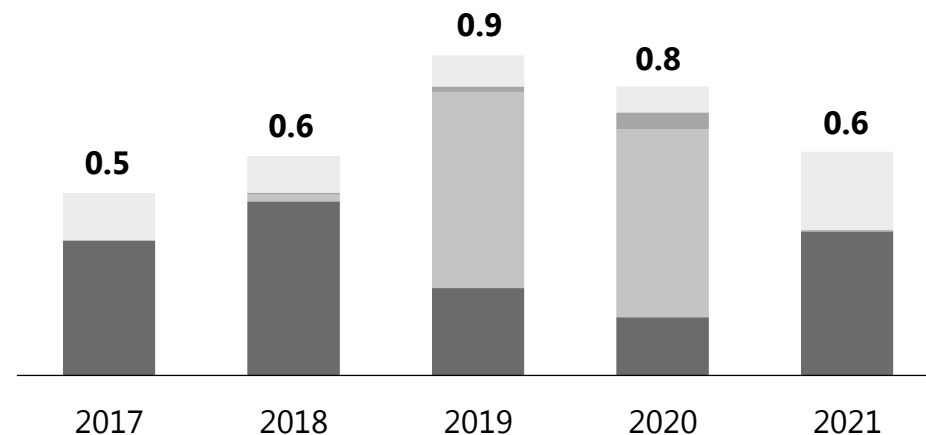
- Customer deposits
- Bonds (sec.) & TLTRO
- Bonds (unsec.)
- Banks (excl. TLTRO)
- Others
- Equity



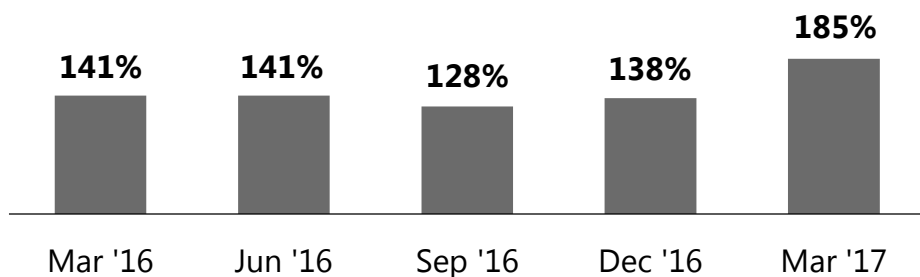
Own issues redemption profile

€ billions

- Senior unsecured
- Covered
- Subordinated
- RMBS



Liquidity coverage ratio (LCR)



- Funding strategy based on customer deposits >60% of total balance sheet (thereof 85% retail)
- Complemented by diversified wholesale funding with low maturity concentration and low asset encumbrance levels of <20%
- Consistently strong liquidity coverage ratio significantly above regulatory requirements






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M&A strategy

Actively pursuing bolt-on acquisitions to build out customer franchise

Acquisition track record

signed Q1 '17	 	1.7m credit and prepaid cards, 650ths customers
closed Q4 '16		€2b assets from 23ths customers, 500ths savings customers
closed Q4 '16		€1.6b assets, 3.5ths customers
closed Q3 '15		€0.7b assets, 50ths leasing contracts

M&A strategy

- We believe consolidation will occur in Austria and across the European banking landscape at varying speeds
- We are 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

2017 targets and 3-year outlook

On track to meet or exceed our 2017 targets

Strategic focus 2017

- 1 Domestic growth | easygroup Germany
- 2 Integration of acquisitions
- 3 M&A | Focus on DACH region
- 4 Further optimization & efficiency
- 5 Maintain fortress balance sheet

2017 Targets

Profit before tax	>€500m
Return on equity (@12% CET1)	>15%
Return on tangible equity (@12% CET1)	>16%
Cost-income ratio	<43%
CET1 ratio (FL)	>12%
Leverage ratio (FL)	>5%

3-year outlook (2017 – 2019)

Capital accretion of €1.5b to €2.0b

Return on tangible equity >16% (@12% CET1)

Growth in DACH region ... organic & inorganic

Continue digital transformation & drive operational excellence and efficiency



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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

NPL ratio

Non-performing loans (NPLs) / loans and receivables (incl. provisions); loans are not included in NPLs if no economic loss is expected

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

Note: All data is reported on BAWAG Holding Group level unless stated otherwise