Q1 2018 Earnings

May 24, 2018

Agenda

1. Business highlights
2. Detailed financials
3. Outlook & targets

Highlights Q1 '18

Key achievements Q1 '18

Profit before tax of €116m, €142m normalized for front-loading of regulatory charges … **respective RoTEs of 13.0% & 16.0% (@12% CET1)**

Fully-loaded CET1 ratio of 14.0% … +50bps from year-end 2017 … continued capital accretion … IFRS 9 impact fully absorbed in Q1 '18

Continuing to build up customer franchise … strategic partnerships, shift to digital, enhancing product offering, broadening German distribution strategy

€300m issuance of AT1 completed in April, not reflected in Q1 ratios … further optimization actions planned in 2018

In March, elected as **"Austria's Best Bank"** by *Global Finance* for the second consecutive year

… while executing on our strategy

Transformation of Südwestbank ahead of plan

- Launched roadmap to enhance product/channel profitability, efficiency and capital allocation
- Signed comprehensive social plan with workers' council in April

Continue to see robust M&A pipeline

- Focus on bolt-on growth in Germany & Austria
- Active due diligence on several opportunities … needs to be right strategic fit & value
- Work in progress on closing of Deutscher Ring Bausparkasse

Continuing to reposition domestic retail franchise

- Launched *Concept 21* … BAWAG Retail transformation roadmap with focus on physical network, mobile sales team and partnerships
- Signed exclusive sales partnership with MediaMarktSaturn Austria in May
- Major milestones of PayLife integration in easygroup achieved

Technology transformation roadmap in place

- Focus on digitization/automation of processes, scalability and tech stack optimization

Customer segment performance

Business performance | € millions

	Profit before tax Q1 '17	Profit before tax Q1 '18	vPY	CIR Q1 '18	Pre-tax RoTE (@12% CET1) Q1 '18
BAWAG P.S.K. Retail	41	55	35%	41.9%	34.9%
easygroup	34	32	(6%)	31.8%	29.4%
International Business	22	25	12%	22.2%	26.6%
DACH Corporates & Public Sector	21	14	(33%)	50.4%	16.8%
Südwestbank	n/a	11	n/a	61.0%	12.0%

BAWAG P.S.K. Retail

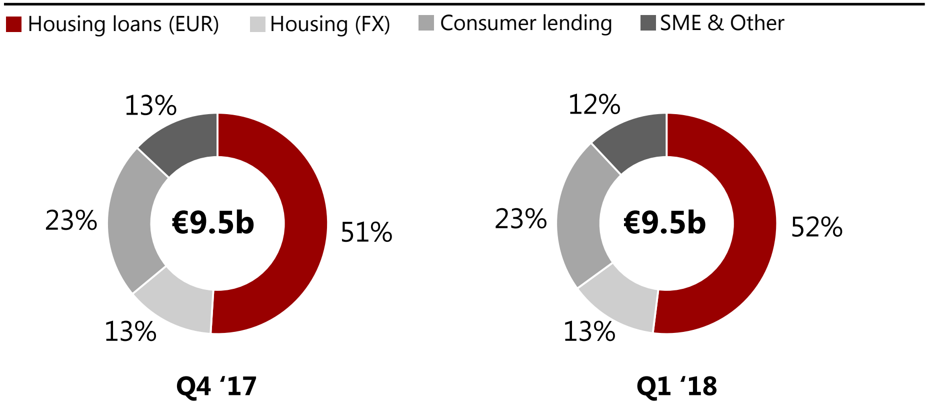
Key metrics

€ millions	Q1 '17	Q1 '18	vPY
Profit before tax	**41.0**	**55.3**	**35%**
NPL ratio	2.2%	2.1%	(0.1pts)
Cost-income ratio	49.3%	41.9%	(7.4pts)
Pre-tax RoTE (@12% CET1)	25.3%	34.9%	9.6pts
Assets	9,668	9,507	(2%)
Customer deposits	16,077	16,037	–

P&L

€ millions	Q1 '18	Q1 '17	vPY	Q4 '17
Net interest income	96.9	93.4	4%	95.1
Net commission income	42.5	35.8	19%	39.1
Core revenues	139.4	129.2	8%	134.2
Operating expenses	(62.2)	(64.4)	(3%)	(71.0)
Total risk costs	(16.0)	(12.5)	28%	(17.7)
Profit before tax	**55.3**	**41.0**	**35%**	**42.8**

Asset split



Developments

- New business originations of €0.3b (housing & consumer loans)
- Product innovation supporting fee income … 68% of new current accounts are premium models … current account NCI +6% vPY
- Capitalize on changing customer behavior … 88% of transactions conducted thru e-banking, mobile, self-service devices
- Separation agreement signed with Austrian Post in February (following letter of intent signed in Dec '17) … progressing with operational roadmap (Concept 21) focused on branches, mobile sales and partnerships
- Strategic partnership signed with MediaMarktSaturn Austria

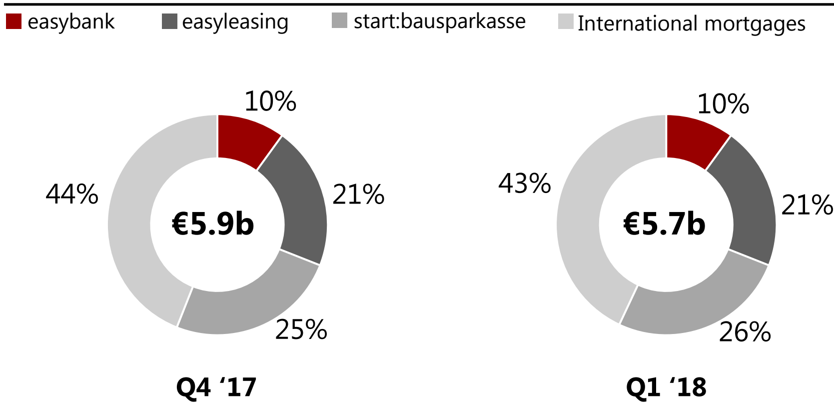
Note: Changes to previously published figures for historic periods also reflect transfer of start:bausparkasse and real estate leasing to easygroup

easygroup

Key metrics

€ millions	Q1 ‘17	Q1 ‘18	vPY
Profit before tax	**33.5**	**31.6**	**(6%)**
NPL ratio	2.5%	1.9%	(0.6pts)
Cost-income ratio	29.2%	31.8%	2.6pts
Pre-tax RoTE (@12% CET1)	24.8%	29.4%	4.6pts
Assets	6,157	5,737	(7%)
Customer deposits	5,518	5,458	(1%)

Asset split



P&L

€ millions	Q1 ‘18	Q1 ‘17	vPY	Q4 ‘17
Net interest income	40.4	40.4	–	39.6
Net commission income	13.7	4.6	>100%	14.5
Core revenues	54.1	45.0	20%	54.1
Operating expenses	(17.2)	(13.1)	31%	(22.6)
Total risk costs	(1.1)	3.7	–	(4.4)
Profit before tax	**31.6**	**33.5**	**(6%)**	**32.4**

Developments

- New business originations of €0.2b (primarily auto leasing)
- Significant progress in integrating PayLife … focused on driving revenue and cost synergies across retail franchise
- Positive trend in online current accounts … growth in our “easy konto” fee-bearing account of over 5% vYE
- Increase in issued gold credit cards (+46% vYE) … driven purely by cross-sales to existing customers
- Launched redesigned *easybank* website

Note: Changes to previously published figures also reflect transfer of start:bausparkasse and real estate leasing from BAWAG P.S.K. Retail

Non-retail segments

International Business

€ millions	Q1 '18	Q1 '17	vPY	Q4 '17
Core revenues	31.6	33.4	(5%)	30.3
Operating expenses	(7.0)	(8.6)	(19%)	(7.1)
Total risk costs	0.2	(3.0)	–	(0.5)
Profit before tax	**24.8**	**22.1**	**12%**	**22.7**
NPL ratio	0.9%	0.3%	0.6pts	0.9%
Cost-income ratio	22.2%	25.5%	(3.3pts)	23.4%
Pre-tax RoTE (@12% CET1)	26.6%	23.3%	3.3pts	23.7%

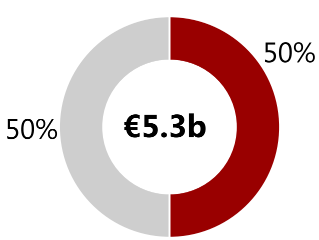
DACH Corporates & Public Sector

€ millions	Q1 '18	Q1 '17	vPY	Q4 '17
Core revenues	26.3	30.7	(14%)	28.0
Operating expenses	(13.3)	(12.2)	9%	(12.0)
Total risk costs	0.8	1.7	(53%)	(15.0)
Profit before tax	**13.9**	**20.7**	**(33%)**	**(10.4)**
NPL ratio	1.3%	1.0%	0.3pts	1.4%
Cost-income ratio	50.4%	39.1%	11.3pts	72.3%
Pre-tax RoTE (@12% CET1)	16.8%	20.8%	(4.0pts)	(11.2%)

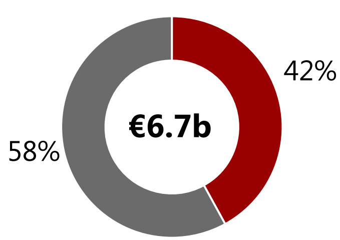
Asset split

Corporates Real Estate Public Sector

International Business



DACH Corporates & Public Sector



Developments

- **International Business:** new business originations of €0.9b with net asset growth of 2% vs year-end 2017 … solid pipeline built up for remainder of the year
- **DACH Corporates & Public Sector:** muted loan demand during the quarter with early redemptions compensated by short-term lending … continued focus on risk-adjusted returns and repricing despite competitive market

Südwestbank

Key metrics

€ millions	Q1 '17	Q1 '18	vPY
Profit before tax	n/a	**11.3**	n/a
NPL ratio	n/a	1.5%	n/a
Cost-income ratio	n/a	61.0%	n/a
Pre-tax RoTE (@12% CET1)	n/a	12.0%	n/a
Assets	n/a	4,406	n/a
Customer deposits	n/a	5,424	n/a

P&L

€ millions	Q1 '18	vPY	Q4 '17
Net interest income	22.6	n/a	5.6
Net commission income	8.9	n/a	3.0
Core revenues	31.5	n/a	8.6
Operating expenses	(19.2)	n/a	(8.0)
Total risk costs	1.8	n/a	(0.2)
Profit before tax	**11.3**	n/a	**0.3**

Integration update

- Transformation ahead of plan … launched transformation roadmap to enhance product/channel profitability, efficiency and capital allocation
- Signed comprehensive social plan with workers' council in April
- Full review of branch network & infrastructure … group level bullet-train initiatives launched … in process of building digital platforms (front, middle & back office)
- Balance sheet focus … application of Group corporate underwriting guidelines, capital allocation, optimizing funding mix and pricing focused on risk-adjusted returns

Developments

- New business originations of €0.3b in Q1 '18 … driven by corporate and housing loans
- Net commission income driven by securities business, retail fees & insurance partnerships
- Transformation roadmap in place … cost-out benefits to materialize during the second half of the year
- Focus on improving operating performance with the goal to deliver results in line with BAWAG Group targets

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Financial performance in Q1 ‘18

Highlights	Details
Profitability	• **PBT of €116m … normalized[1] PBT of €142m** • **RoTE (@12% CET1) of 13.0% … normalized[1] RoTE (@12% CET1) of 16.0%** • Net interest income up 6% vPY, net fee and commission income up 50% vPY
Costs	• **Operating expenses of €130m …** including full expenses from acquired businesses • **Cost-income ratio of 43.7% …** ahead of 2018 target of <46%
Balance sheet	• **Strong customer asset originations of €1.7b** … driven by retail and corporates business • Customer loans largely stable at €30.5b, while reduced securities portfolio by 20%
Risk	• **NPL ratio at 1.8% (excluding City of Linz case: 1.2%) … risk cost ratio at 16bps** • Continued focus on proactive risk management … maintaining conservative risk profile
Capital	• **CET1 ratio (FL) of 14.0%, up 50bps vYE** and well above management target • Issuance of **€300m AT1 capital** in April 2018 not reflected in Q1 ‘18

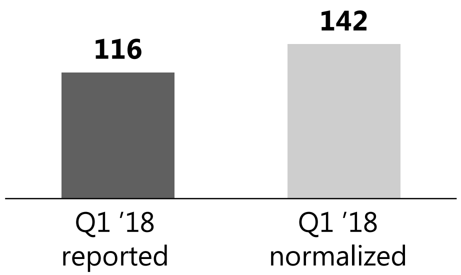
1) Normalized for front-loaded regulatory expenses

Normalized P&L/RoTE performance

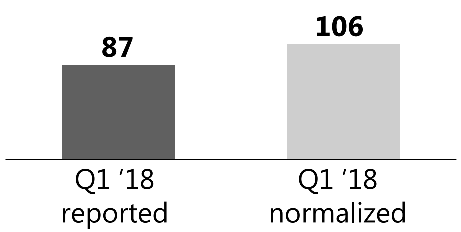
Seasonality of regulatory charges

Normalized Q1 '18 result

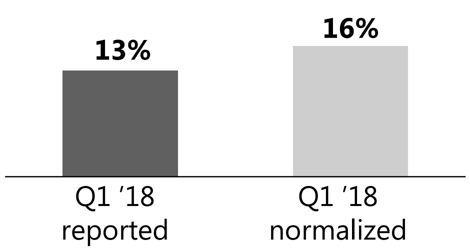
Profit before tax | in € million



Net profit | in € million



RoTE (@12% CET1)



Normalized … regulatory charges allocated to quarters

Regulatory charges

- **Regulatory charges front-loaded in Q1 …** impact on quarterly profit and return ratios
- €37m regulatory charges included in Q1 profit before tax … ~85% of total regulatory expenses anticipated for the full year
- Anticipated increase of regulatory charges compared to prior year due to acquired businesses
- Reflected in Corporate Center (€15m) as well as business segments (€22m)
- Regulatory charges include:
  - Bank levy
  - Contributions to the deposit guarantee scheme
  - Contributions to the single resolution fund
  - Supervisory charges

P&L & balance sheet overview

P&L | € millions	Q1'17	Q4'17	Q1'18	vPY
Net interest income	195.7	202.8	207.8	6%
Net commission income	49.8	66.1	74.5	50%
Core revenues	**245.5**	**268.9**	**282.3**	**15%**
Other revenues	18.4	100.3	15.3	(17%)
Operating income	**263.9**	**369.2**	**297.6**	**13%**
Operating expenses	**(107.4)**	**(207.7)**	**(130.0)**	**21%**
Regulatory charges	(25.2)	(4.0)	(36.7)	46%
Risk costs	(11.1)	(18.2)	(15.9)	43%
Profit before tax	**121.3**	**140.4**	**116.1**	**(4%)**
Income taxes	(26.2)	26.3	(29.6)	13%
Net profit	**95.1**	**166.7**	**86.5**	**(9%)**

Balance sheet | € billions	Dec '17	Mar '18	vYE
Customer loans	30.8	30.5	(1%)
Securities and bonds	8.4	6.6	(21%)
Credit institutions and cash	4.9	5.9	20%
Other assets	2.0	2.0	–
Total assets	**46.1**	**45.0**	**(2%)**
Customer deposits	31.0	30.5	(2%)
Own issues	5.7	5.1	(11%)
Credit institutions	4.0	4.3	8%
Other liabilities	1.8	1.5	(17%)
Equity	3.6	3.6	–
Total liabilities & equity	**46.1**	**45.0**	**(2%)**

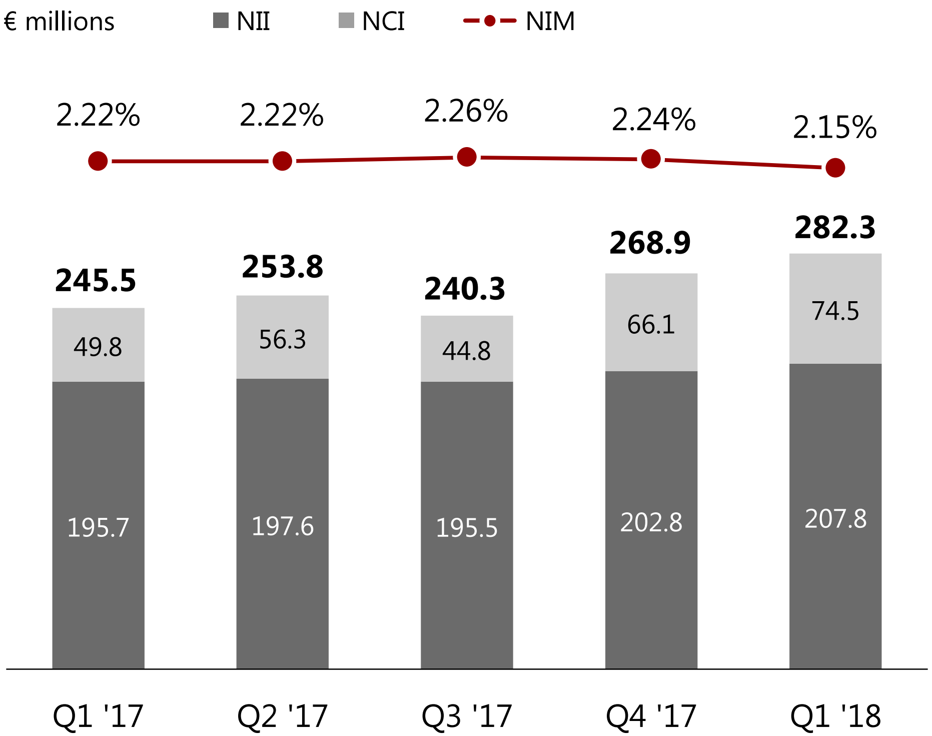
Key ratios	Q1'17	Q4'17	Q1'18	vPY
RoE	12.0%	19.1%	9.8%	(2.2pts)
RoE (@12% CET1)	**13.5%**	**22.5%**	**10.9%**	**(2.6pts)**
RoTE	13.6%	21.9%	11.4%	(2.2pts)
RoTE (@12% CET1)	**15.6%**	**26.6%**	**13.0%**	**(2.6pts)**
Net interest margin	2.22%	2.24%	2.15%	(0.07pts)
Cost-income ratio	40.7%	41.1%	43.7%	3.0pts
Risk cost ratio	0.13%	0.20%	0.16%	0.03pts

Capital & RWA | € billions	Dec '17	Mar '18	vYE
IFRS equity	3.6	3.6	–
IFRS tangible equity	3.1	3.1	–
CET1 capital (FL)	2.9	3.0	3%
Risk-weighted assets	21.5	21.2	(1%)
CET1 ratio (FL)	13.5%	14.0%	0.5pts
Leverage ratio (FL)	6.2%	6.5%	0.3pts
B/S leverage	12.8x	12.6x	(0.2x)

P&L details – core revenues

Growth driven by core product growth and acquisitions

Core revenues



Customer loans | € billions

28.2	28.0	27.5	30.8	30.5

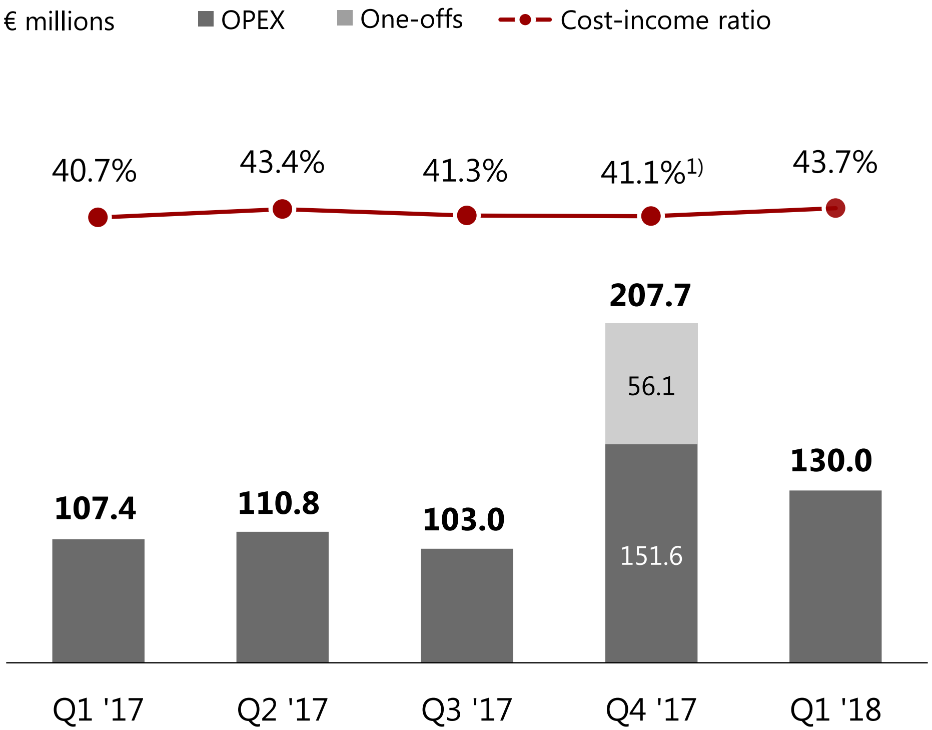
Summary

- **Q1 '18 net interest income (NII) up 6% vPY driven by full revenue impact of new acquisitions and growth in core products**
  - Q1 '18 net interest margin (NIM) at 2.15% due to acquisitions operating at a lower NIM
  - Reduced funding costs … blended overall retail deposit rate down to 0.12% vs. 0.17% y-o-y
- **Q1 '18 net commission income (NCI) up 50% vPY**
  - Full impact of acquired businesses in Q4 '17 (PayLife and Südwestbank)
  - Reduced commission expenses to Austrian Post
  - 68% of new current accounts are premium models … current account NCI in BAWAG P.S.K. Retail up 6% vPY
  - Strong performance of securities business with sales of €0.5b in Q1 '18 (excl. SWB)

P&L details – operating expenses

Continued focus on efficiency

Operating expenses



Active FTEs

Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18
2,426	2,314	2,293	2,943	3,027

Summary

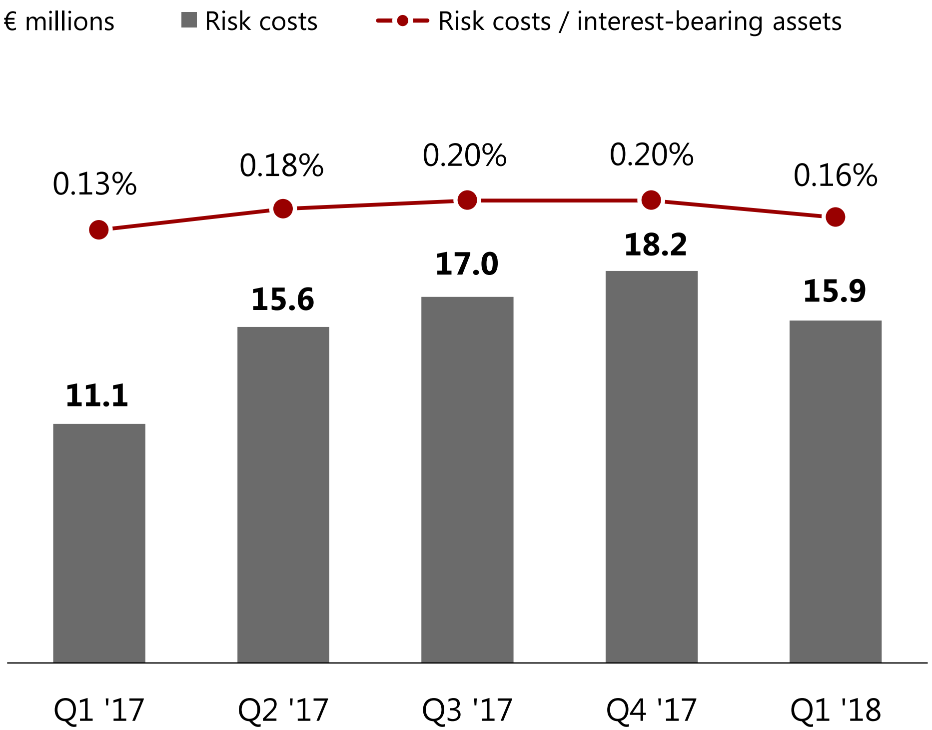
- **Q1 '18 cost base includes full expenses of newly acquired businesses (Südwestbank and PayLife)**
- **Q1 '18 cost-income ratio at 43.7%** ... ahead of target of <46%
- **Integration and optimization** measures for new acquisitions on track ... cost-out benefits to materialize during the second half of the year
- **Continued focus on operating efficiency** ... digitizing processes and integrating new acquisitions

1) Adjusted for parts of long-term incentive program (LTIP) recognized in 2017

P&L details – risk costs

Proactive risk management to maintain conservative risk profile

Risk costs



NPL ratio | as reported and excluding CoL

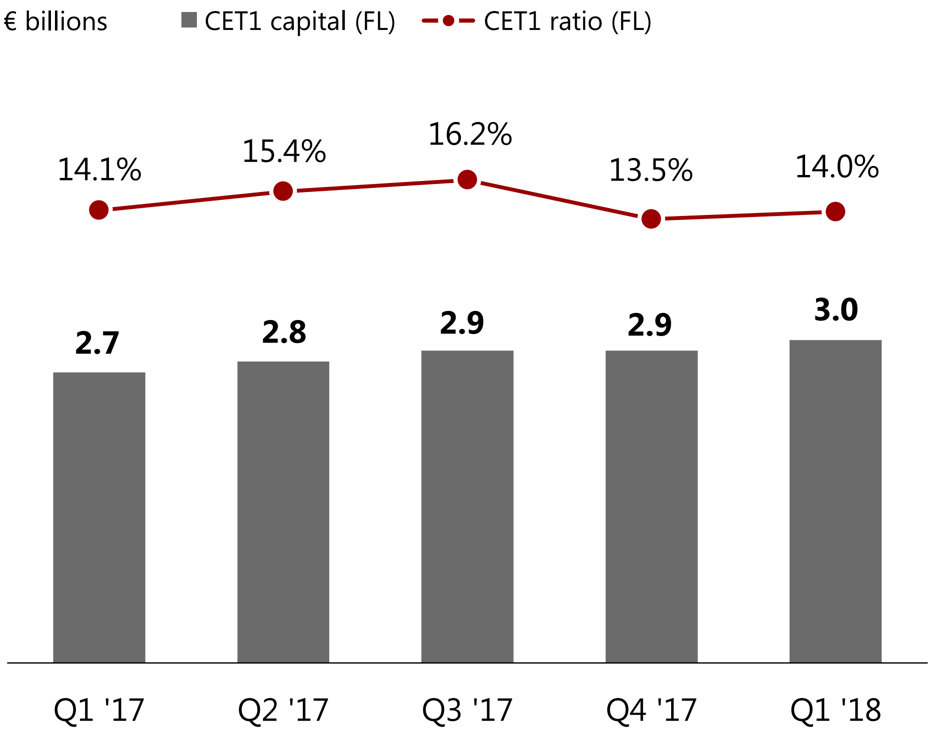
1.8%	1.9%	2.0%	1.8%	1.8%
1.2%	1.3%	1.3%	1.3%	1.2%

Summary

- **Q1 '18 risk cost ratio at 16bps**
- **Customer loan franchise focused on developed markets** … 75% DACH region / 25% Western Europe & United States
- **NPL ratio at 1.8% (excl. City of Linz case: 1.2%)** … **favorable risk metrics across business segments**
  - BAWAG P.S.K. Retail: NPL ratio 2.1% … coverage ratio 80%
  - easygroup: NPL ratio 1.9% … coverage ratio 93%
  - DACH Corporates & Public Sector: NPL ratio 1.3% … coverage ratio 83%
- **Continued focus on proactive risk management and maintaining a conservative risk profile**

Capital

CET1 capital (FL)



RWA | € billions

19.0	18.0	17.8	21.5	21.2

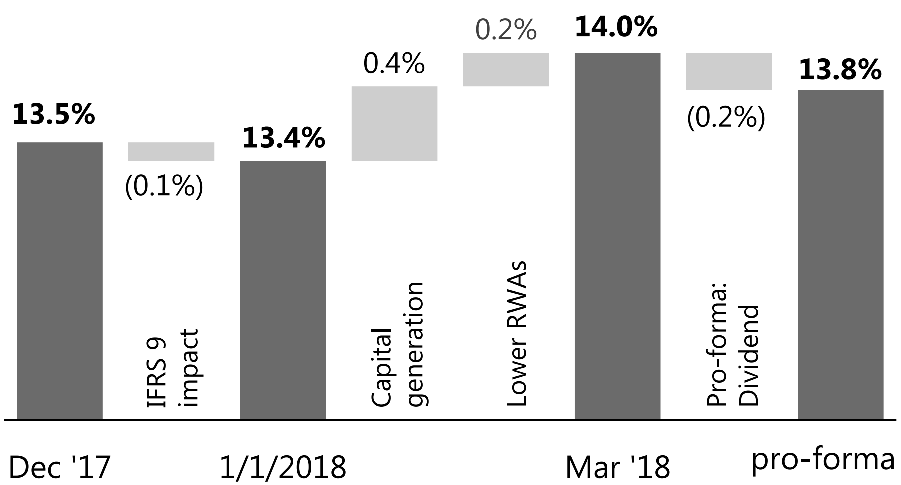
Summary

- **CET1 ratio (FL) of 14.0%** significantly above all minimum requirements and above target levels
- **Excess capital of €417m** vs. 12% target for M&A and future dividend
- **AT1 issuance of €300m in April 2018** not included in Q1 '18
- **MDA buffer** (FL, incl. interim profit) of ~€490m; including AT1 issuance, buffer to MDA would increase to pro-forma ~€770m

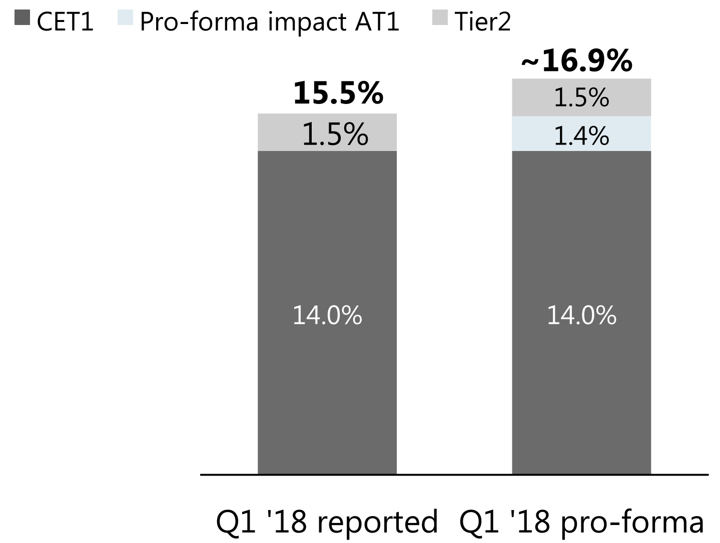
Note: Q1'18 including interim profit, before dividend

Capital ratio walks

CET1 development



Total capital ratio



- **CET1 ratio (FL) of 14.0% … +50bps versus year-end** driven by earnings as well as lower RWAs
- Adverse impact of first-time application of **IFRS 9** of ~10bps on CET1 ratio (FL)

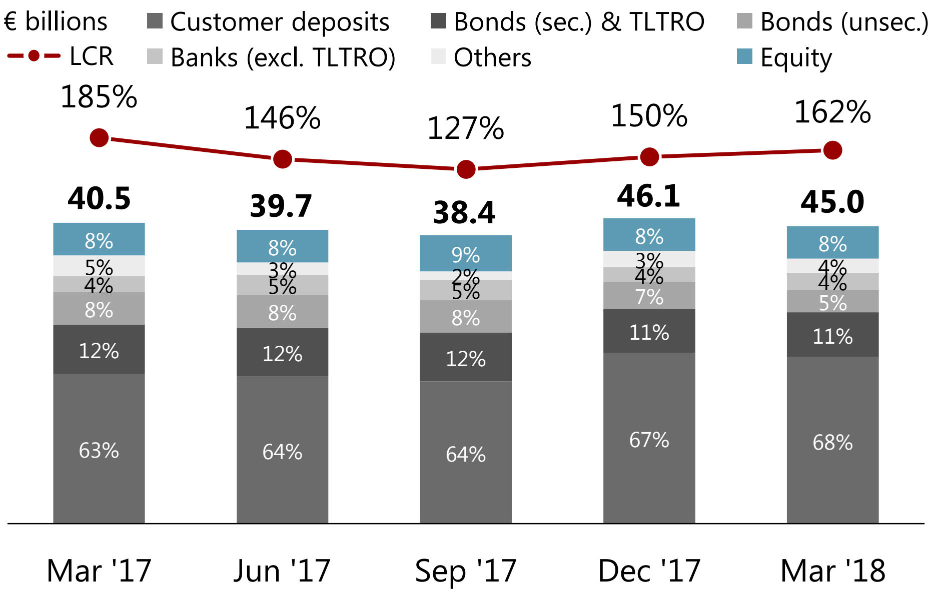
- **Total capital ratio of 15.5%** would improve ~140bps on a pro-forma view including AT1 issuance
- Further **optimization of total capital** planned in 2018

Note: Q1 '18 including interim profit, before dividend

Funding & leverage

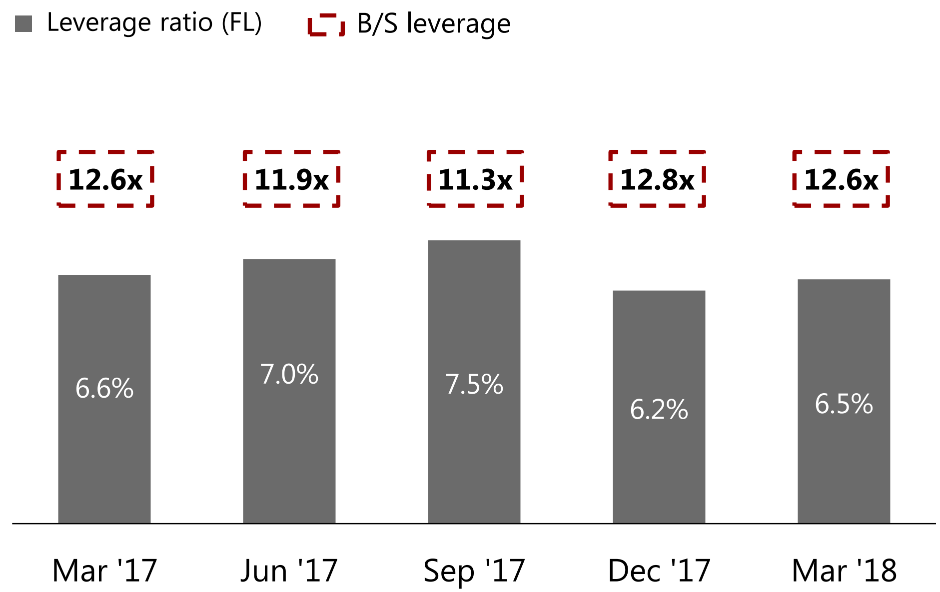
Strong customer deposit base and focus on conservative leverage

Funding structure



- Funding strategy based on customer deposits (>65% of total balance sheet … thereof ~75% retail deposits)
- Complemented by diversified wholesale funding with low maturity concentration
- Consistently strong liquidity coverage ratio (LCR) significantly above regulatory requirements

Leverage



- Running a low leverage business model
- Strong leverage ratio (FL) of 6.5% and conservative B/S leverage of 12.6x as of Mar '18

Funding structure and MREL

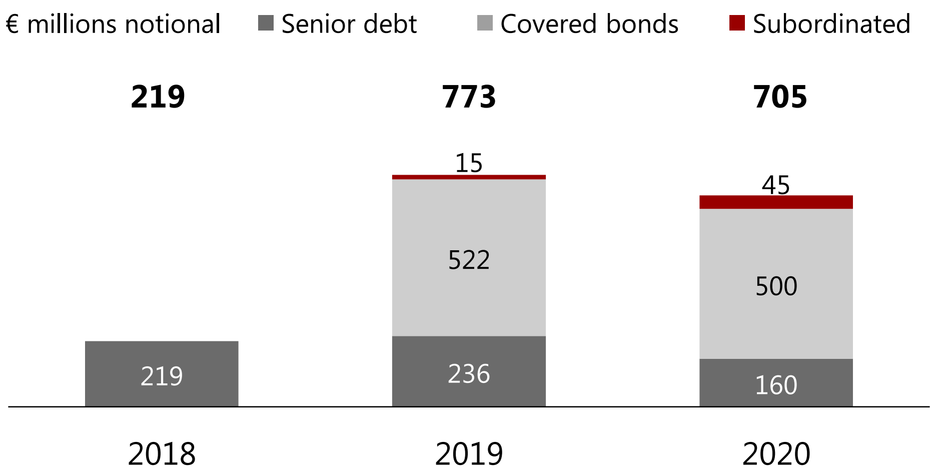
Proactive approach to meeting regulatory requirements

Stable funding structure …

€ millions IFRS book value

Own issues	5,088	in %
Covered bonds & RMBS	**2,649**	**52%**
Senior unsecured debt	**1,823**	**36%**
of which >1 year (≥ March '19)	1,570	31%
Subordinated debt	**616**	**12%**

… with a comfortable maturity profile



Capital optimization (2018)

- Going forward capital instruments will be issued from **BAWAG Group**
- **€300m Additional Tier 1** issuance successfully executed on 18 April
- AT1 capital was downstreamed to BAWAG P.S.K.
- Contribute to expected MREL requirement

Senior non-preferred (2019 and beyond)

- Introduction of Austrian legal framework for senior non-preferred expected during 2018
- Compliance with fully-loaded **MREL** requirement **targeted by 2019** … we target to issue a **senior non-preferred benchmark** (~€500m) in 2019

Agenda

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3. Outlook & targets

2018-2020 plan … key future business drivers

Focus on growing customer franchise, embracing technology, driving efficiency, prudent risk management, capitalizing on unique M&A opportunities and positioning from rising rates

		Business drivers	Opportunity set
Included in targets	1	**Grow organically into our "market share entitlement" in core retail products … non-retail business stable**	**Continued market share growth in core retail products** … grow into existing market share of current accounts ~17% … focus on consumer, housing & auto in DACH
	2	**Proactive move towards technology company infrastructure**	**Design open architecture** … adapt to customer needs, unlock further efficiencies & drive modular solutions
	3	**Drive efficiencies through process & branch network optimization … Austrian Post separation signed**	**Optimize multi-channel distribution** … target network up to 100 branches, continue digital platform enhancements
	4	**Maintain fortress balance sheet & solid risk management**	**High asset quality, low leverage and capital adequacy profile** … conservative approach to regulatory changes
Upside potential	5	**Pursue M&A growth across DACH region applying successful BAWAG P.S.K. approach**	**Completed/signed 6 acquisitions over past 2 years** … current pipeline of opportunities with up to €25b B/S, assumed no new M&A when setting targets
	6	**Business naturally geared towards rising interest rates … budgets don't rely on rate enviroment**	**Bank well positioned to benefit from rising interest rates** … a parallel +100bps increase across the curve = +€65-100m NII

Management targets

Management team focused on delivering results

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 **>€2.0 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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Annex – Definitions and abbreviations

B/S leverage
Total assets / IFRS equity

Common Equity Tier 1 capital (CET1)
including interim profit and year-to-date loan-loss provision movements, excluding any transitional capital (fully loaded); no dividend accruals

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

Core revenues
The total of net interest income and net fee and commission income

Cost-income ratio
Operating expenses (OPEX) / operating income

Coverage ratio
Loan loss provisions and collateral / NPL

FL … fully-loaded

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); 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)

Net interest margin (NIM)
Net interest income (NII) / average interest-bearing assets

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

Return on equity (RoE)
Net profit / average IFRS equity – average equity based on 1 January 2018 due to IFRS 9 implementation

RoE (@12% CET1)
Return on equity calculated at a fully loaded CET1 ratio of 12% – average equity based on 1 January 2018 due to IFRS 9 implementation

Return on tangible equity (RoTE)
Net profit / average IFRS tangible equity – average equity based on 1 January 2018 due to IFRS 9 implementation

RoTE (@12% CET1)
Return on tangible equity calculated at a fully loaded CET1 ratio of 12% – average equity based on 1 January 2018 due to IFRS 9 implementation

Risk cost ratio
Provisions and loan-loss provisions, impairment losses and operational risk (total risk costs) / average interest bearing assets

RWA density
RWA / total assets

vPY … versus prior year period

vYE … versus year-end

Note: The tables in this presentation may contain rounding differences. Already published historic segment figures vary in this presentation due to change in cost allocation, comparison periods adjusted.