

BAWAG GROUP REPORTS STRONG PROFIT BEFORE TAX OF € 127 MILLION FOR Q1 2019, +9% VS. Q1 2018; NORMALIZED PROFIT BEFORE TAX OF € 151 MILLION, +6% VS. Q1 2018

- ▶ Profit before tax (PBT) of € 127 million, +9% vs. Q1 2018; normalized PBT of € 151 million after accounting for front-loaded regulatory charges
- ▶ Net Profit of € 97 million, +12% vs. Q1 2018 and normalized Net Profit of € 116 million, +8% vs. Q1 2018
- ▶ Fully loaded CET1 ratio of 14.9% after IFRS 16 impact and Swiss M&A
- ▶ Capital distribution plans on track
- ▶ Executing on our strategy and on track to meet full year targets

VIENNA, Austria – May 14, 2019 – BAWAG Group today reports a strong profit before tax of € 127 million and net profit of € 97 million, up 9% and 12% respectively versus the prior year, for the first quarter 2019. Normalizing for the front-loaded regulatory charges, profit before tax was € 151 million and net profit € 116 million, up 6% and 8% respectively versus the prior year. The increase was primarily driven by higher core revenues as well as lower operating expenses and risk costs. The cost-income ratio of 42.4% remained below the target for 2019 of under 43%. The return on tangible common equity came in at 12.0%. The fully loaded CET1 ratio increased to 14.9%, up 40 basis points versus year-end 2018 after absorbing the impact of IFRS 16 implementation as well as the Swiss M&A. Taking into account normalized regulatory charges, the proposed share buyback of up to € 400 million, the recently paid 2018 dividend of € 215 million as well as the dividend accrual for Q1 2019, the pro forma return on tangible common equity would be at 17.8% and the CET1 ratio at 12.7%, in line with our stated targets.

“On the back of a record 2018, BAWAG Group started the first quarter 2019 with a strong set of results delivering a normalized pre-tax profit of € 151 million and net profit of € 116 million. In terms of our strategic initiatives, it was another busy start to the year: We launched multiple retail partnerships, released our new digital banking app “klar”, and continued to execute on Concept 21, our retail network transformation. We’ve closed all three acquisitions that we signed in December 2018 and continue to build out our DACH platform. Our capital return plans are on track, with the AGM having given approval for a share buyback of up to € 400 million (pending regulatory approvals) and recently paying a dividend for 2018 of € 215 million. It’s a real testimony to the Bank and the quality of our team that we delivered another quarter of strong operating performance while executing on a variety of operational and strategic initiatives,” commented Chief Executive Officer **Anas Abuzaakouk**.

Delivering strong results in the first quarter 2019

Core revenues increased by 2%, to € 287 million compared to the prior year reflecting core product net asset growth. **Net interest income** rose by 3% to € 215 million. Net fee and commission income decreased by 3%, to € 73 million. **Operating expenses** decreased by 3% compared to the first quarter 2018, despite the acquisition of Deutscher Ring Bausparkasse in September 2018 and of Zahnärztekasse in March 2019. The decrease reflects the integration of Südwestbank and a continued focus on driving operational efficiencies across the Group.

The **cost-income ratio** was down 1.2pts versus the prior year to 42.4% and remained below our 2019 target of under 43%. We maintained a strong capital position with a fully loaded **CET1 ratio** of 14.9%. Gross capital generation of approximately 70 basis points more than absorbed the impacts of the IFRS 16 first-time application as well as the Swiss M&A. This led to a 40bps net increase versus year-end 2018 (December 2018: 14.5%).

Customer loans slightly decreased by 1% compared to December 2018. The overall customer loan book continued to be comprised of approximately 73% exposure to the DACH region and approximately 27% exposure to Western Europe and the United States.

In the first quarter 2019 the **NPL ratio** stood at 1.8% and the risk cost ratio of 13 basis points reflects our continued focus on proactive risk management, maintaining a conservative risk profile, focusing on developed markets and benefiting from a benign credit environment.

Customer business segment performance in the first quarter 2019

As of 1 January 2019 the segmentation of BAWAG Group was changed to simplify our reporting structure as well as to make more visible our strategic focus towards Retail & SME in the DACH region complemented by disciplined and conservative corporate and public sector lending across developed markets.

Segment	Retail & SME	Corporates & Public
PBT (in € million)	84 / (1%)	47 / +16%
Net profit (in € million)	63 / (1%)	35 / +16%
RoTCE	18.5%	11.8%
Cost-income ratio	41.7%	35.4%
Risk cost ratio	36bps	(13bps)
NPL ratio	2.0%	1.3%

The **Retail & SME** segment delivered a PBT of € 84 million, down 1% versus the first quarter 2018. Core revenues were up 2% versus the first quarter 2018 reflecting net asset growth in housing, consumer and SME lending, while our mortgage portfolios continued to run off as anticipated. Operating expenses remained stable versus the prior year. The focus in the first quarter 2019 was on executing on our strategic and operational initiatives. In Austria, our stand-alone strategy, Concept 21, is progressing on plan, we launched multiple retail partnerships and in May we released our new digital banking app “klar”. In Germany the transformation momentum continued. We closed all three deals signed in the fourth quarter 2018 by May 2019, which complement BAWAG Group’s business model by providing a bolt-on opportunity for growth in Germany and Switzerland.

The **Corporates & Public** segment delivered a PBT of € 47 million, up 16% versus the first quarter 2018. The increased contribution primarily reflect lower operating expenses, down 14% versus the first quarter 2018, following the integration of Südwestbank as well as positive risk costs. Revenues remained broadly stable with the focus on risk-adjusted returns. We see continued pricing pressure across the Corporate lending space and will remain disciplined and patient.

Additional highlights

▶ BAWAG Group awarded “Austria’s Best Bank 2018” by *Global Finance*

Global Finance, one of the leading magazines for finance and capital market issues, awarded BAWAG Group as “Austria’s Best Bank” for the third consecutive year. We are honored to be recognized again for the successful development of the Bank.

▶ jö Bonus Club

In February 2019, Rewe Group in Austria and other leading retail partners established Austria’s largest customer club: the jö Bonus Club. We are excited to be the launch partner for the jö Bonus Club in the financial services sector. The bonus club was launched in May 2019.

▶ Initiatives for total capital optimization

In March 2019, BAWAG Group issued € 400 million Tier 2 capital. This was another important step in the optimization of BAWAG Group’s total capital position.

▶ Launch of new digital banking app “klar”

In May 2019, BAWAG P.S.K. launched its new digital banking app “klar”. We have redesigned our digital banking to provide customers with a completely new, digital customer experience. The new app “klar” includes various new and improved banking functions. New features such as the personal finance manager “klar sehen” and the “klarPIN” for bank transfers lead to a simplification of online self-service.

▶ Closing of all 3 acquisitions signed in 2018

In March 2019 we closed the acquisition of Zahnärztekasse AG in Switzerland and in May 2019, we announced the successful completion of the acquisition of BFL Leasing and Health AG. BFL Leasing GmbH, headquartered in Eschborn near Frankfurt, Germany, is a specialist financing provider offering technology and equipment leasing products and services. Health AG, headquartered in Hamburg, Germany, is a leading dental factoring market player offering dental financing products and settlement services.

Outlook and targets

BAWAG Group delivered strong results in the first quarter 2019 and are on track to meet full year targets.

Our **targets** for 2019-2020 are as follows:

Targets	2019	2020
Profit before tax growth	>6%	>6%
Profit before tax (absolute)	>€ 600m	>€ 640m
Cost-income ratio	<43%	<40%
Return on tangible common equity	15% to 20%	15% to 20%
Common Equity Tier 1 capital ratio (fully loaded)	12% to 13%	12% to 13%
Pre-tax earnings per share (in €)	>6.00	>6.40
Post-tax earnings per share (in €)	>4.50	>4.80

In terms of capital generation and return, we target an annual dividend payout of 50% of net profit attributable to shareholders and will deploy additional excess capital to invest in organic growth and pursue earnings accretive M&A at returns consistent with our RoTCE 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. The Managing Board is actively evaluating share buyback options. On 30 April 2019 the AGM approved our proposed share buy-back program of up to € 400 million (pending regulatory approvals) and we paid a dividend of € 215 million (50% of 2018 attributable net profit) for 2018 on 10 May 2019.

About BAWAG Group

BAWAG Group AG is the listed holding company of BAWAG P.S.K., which is headquartered in Vienna, Austria, with the main banking subsidiaries easybank and start:bausparkasse in Austria, Südwestbank, BFL Leasing, Health AG and start:bausparkasse in Germany as well as Zahnärztekasse in Switzerland. With 2.5 million customers, BAWAG P.S.K. is one of Austria's largest banks operating under a well-recognized national brand and applies a low-risk, efficient, simple and transparent business model focused on Austria, Germany and developed markets. The Bank serves retail, small business and corporate customers offering comprehensive savings, payment, lending, leasing, investment, building society and insurance products and services through various online and offline channels. Delivering simple, transparent and best-in-class products and services that meet our customers' needs is the consistent strategy across all business units.

BAWAG Group's Investor Relations website <https://www.bawaggroup.com/ir> contains further information, including financial and other information for investors.

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This text can also be downloaded from our website: <https://www.bawaggroup.com>

Profit or loss statement

in € million	Q1 2019	Q1 2018	Change (%)	Q4 2018	Change (%)
Interest income	289.0	293.0	(1.4)	278.2	3.9
Interest expense	(74.8)	(86.2)	(13.2)	(62.2)	20.3
Dividend income	0.3	1.3	(76.9)	0.3	–
Net interest income	214.5	208.0	3.1	216.3	(0.8)
Fee and commission income	93.5	95.7	(2.3)	93.5	–
Fee and commission expenses	(21.0)	(21.2)	(0.9)	(23.3)	(9.9)
Net fee and commission income	72.5	74.5	(2.7)	70.2	3.3
Core revenues	287.1	282.5	1.6	286.5	0.2
Gains and losses on financial instruments and other operating income and expenses ¹⁾	11.2	15.3	(26.8)	3.4	>100
Operating income	298.3	297.9	0.1	289.9	2.9
Operating expenses¹⁾	(126.4)	(130.0)	(2.8)	(136.4)	(7.3)
Regulatory charges	(34.2)	(36.7)	(6.8)	1.5	–
Operating profit	137.7	131.2	5.0	155.0	(11.2)
Total risk costs	(11.9)	(15.8)	(24.7)	(13.2)	(9.8)
Share of the profit or loss of associates accounted for using the equity method	1.2	1.1	9.1	1.2	–
Profit before tax	127.0	116.5	9.0	143.0	(11.2)
Income taxes	(30.2)	(29.9)	1.0	(34.4)	(12.2)
Profit after tax	96.8	86.6	11.8	108.6	(10.9)
Non-controlling interests	0.0	0.0	–	0.0	–
Net profit	96.8	86.6	11.8	108.6	(10.9)

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 33.1 million for the first quarter 2019. The item Operating expenses includes regulatory charges in the amount of € 1.1 million for 2019 as well. However, BAWAG Group's management considers regulatory charges as a separate expense. Accordingly, they are shown in a separate expense line.

Total assets

in € million	Mar 2019	Dec 2018	Change (%)	Mar 2018	Change (%)
Cash reserves	2,342	1,069	>100	1,108	>100
Financial assets					
Held for trading	368	351	4.8	409	(10.0)
Fair value through profit or loss	499	504	(1.0)	544	(8.3)
Fair value through OCI	2,959	3,039	(2.6)	2,697	9.7
At amortized cost	38,737	38,334	1.1	38,710	0.1
Customers	30,197	30,482	(0.9)	30,473	(0.9)
Debt instruments	3,354	3,512	(4.5)	3,476	(3.5)
Credit institutions	5,186	4,340	19.5	4,761	8.9
Valuation adjustment on interest rate risk hedged portfolios	3	1	>100	0	>100
Hedging derivatives	410	401	2.2	415	(1.2)
Tangible non-current assets	496	234	>100	223	>100
Intangible non-current assets	540	505	6.9	490	10.2
Tax assets for current taxes	10	15	(33.3)	16	(37.5)
Tax assets for deferred taxes	53	75	(29.3)	140	(62.1)
Other assets	171	170	0.6	185	(7.6)
Total assets	46,588	44,698	4.2	44,937	3.7

Total liabilities and equity

in € million	Mar 2019	Dec 2018	Change (%)	Mar 2018	Change (%)
Total liabilities	42,483	40,693	4.4	41,412	2.6
Financial liabilities					
Fair value through profit or loss	527	576	(8.5)	966	(45.4)
Held for trading	353	301	17.3	292	20.9
At amortized cost	39,555	38,325	3.2	38,862	1.8
Customers	30,535	30,195	1.1	30,475	0.2
Issued securities	4,220	3,849	9.6	4,122	2.4
Credit institutions	4,800	4,281	12.1	4,265	12.5
Financial liabilities associated with transferred assets	155	150	3.3	0	>100
Valuation adjustment on interest rate risk hedged portfolios	272	156	74.4	95	>100
Hedging derivatives	169	104	62.5	120	40.8
Provisions	471	465	1.3	418	12.7
Tax liabilities for current taxes	13	8	62.5	5	>100
Tax liabilities for deferred taxes	11	11	–	10	10.0
Other obligations	957	597	60.3	645	48.4
Total equity	4,105	4,005	2.5	3,525	16.5
Common equity	3,806	3,706	2.7	3,523	8.0
AT1 capital	298	298	–	0	>100
Non-controlling interests	1	1	0.0	1	0.0
Total liabilities and equity	46,588	44,698	4.2	44,937	3.7

Business segment performance

Q1 2019 in € million

	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	147.0	64.7	11.8	(9.0)	214.5
Net fee and commission income	61.6	11.6	0.1	(0.8)	72.5
Core revenues	208.5	76.3	11.8	(9.5)	287.1
Gains and losses on financial instruments	0.0	0.3	7.9	1.6	9.8
Other operating income and expenses	0.4	0.0	0.0	1.0	1.4
Operating income	208.9	76.6	19.7	(6.9)	298.3
Operating expenses	(87.1)	(27.1)	(9.4)	(2.8)	(126.4)
Regulatory charges	(23.2)	(7.1)	(3.9)	0.0	(34.2)
Total risk costs	(15.2)	4.6	(0.4)	(0.9)	(11.9)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	–	0.0
Profit before tax	83.5	47.0	6.1	(9.6)	127.0
Income taxes	(20.9)	(11.8)	(1.5)	4.0	(30.2)
Profit after tax	62.6	35.3	4.6	(5.7)	96.8
Non-controlling interests	–	–	–	–	0.0
Net profit	62.6	35.3	4.6	(5.7)	96.8
Business volumes					
Assets	16,858	13,925	11,119	4,686	46,588
Liabilities	26,859	10,082	3,262	6,385	46,588
Risk-weighted assets	7,708	8,901	1,719	2,130	20,458

Q1 2018 in € million

	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	143.2	64.6	11.6	(11.4)	208.0
Net fee and commission income	62.0	13.1	0.0	(0.6)	74.5
Core revenues	205.2	77.7	11.6	(12.0)	282.5
Gains and losses on financial instruments	8.5	0.1	21.3	(14.9)	15.0
Other operating income and expenses	0.6	0.0	0.0	(0.3)	0.3
Operating income	214.3	77.9	32.9	(27.2)	297.9
Operating expenses	(87.4)	(31.5)	(7.5)	(3.6)	(130.0)
Regulatory charges	(27.2)	(6.1)	(3.4)	0.0	(36.7)
Total risk costs	(15.9)	0.3	0.8	(1.0)	(15.8)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	–	0.0
Profit before tax	84.0	40.5	22.8	(30.8)	116.5
Income taxes	(21.0)	(10.1)	(5.7)	6.9	(29.9)
Profit after tax	63.0	30.4	17.1	(23.9)	86.6
Non-controlling interests	–	–	–	–	0.0
Net profit	63.0	30.4	17.1	(23.9)	86.6
Business volumes					
Assets	16,779	14,901	10,152	3,105	44,937
Liabilities	26,267	10,822	2,411	5,437	44,937
Risk-weighted assets	8,626	9,348	1,662	1,621	21,257