

BAWAG GROUP REPORTS STRONG PROFIT BEFORE TAX OF € 287 MILLION FOR H1 2019, +6% VS. H1 2018

- ▶ Profit before tax (PBT) of € 287 million, +6% vs. H1 2018; pre-tax EPS € 2.90
- ▶ Net profit of € 219 million, +8% vs. H1 2018; EPS of € 2.21
- ▶ Fully loaded CET1 ratio of 15.1% after absorbing impact from German/Swiss acquisitions
- ▶ Capital return on track, regulatory approval process ongoing
- ▶ On track to meet full year targets

VIENNA, Austria – July 30, 2019 – BAWAG Group today reports a strong profit before tax of € 287 million and net profit of € 219 million, up 6% and 8% respectively versus the prior year, for the first half 2019. The increase was primarily driven by higher operating income. The Bank delivered a return on tangible common equity of 13.8%, a cost-income ratio of 42.9% and a CET1 ratio of 15.1%. On a pro forma basis the return on tangible common equity was 17.8%, with a CET1 ratio of 12.7%.

“BAWAG Group delivered strong results in the first half 2019 with a profit before tax of € 287 million and a net profit of € 219 million. In addition to our strong operating performance, we closed on our leasing and factoring acquisitions from 2018 and continued to make progress across various operational and strategic initiatives. The recently closed acquisitions complement our Retail & SME business in Germany and emphasize our focus on building out our Retail & SME business across the DACH region. We are on track to deliver on all of our targets in 2019 as we continue to adapt to the changing operating environment. While the market environment for European financials continues to be challenging, the fundamentals of the bank remain strong. We will continue to focus on the things that we control, driving operational excellence, and continuing to pursue disciplined and profitable growth,” commented Chief Executive Officer **Anas Abuzaakouk**.

Delivering strong results in the first half 2019

Core revenues increased by 4%, to € 578 million compared to the prior year reflecting core product net asset growth as well as the consolidation of the recent acquisitions. **Net interest income** rose by 6% to € 435 million. **Net fee and commission income** decreased by 2% to € 143 million. **Operating expenses** were up 3% compared to the first half 2018, reflecting the consolidation of the acquired businesses in 2018 and 2019. This was partly compensated for by the integration of Südwestbank and a continued focus on driving operational efficiencies across the Group.

The **cost-income ratio** was down 0.8pts versus the prior year to 42.9% and is in line with our 2019 target of under 43%. Our fully loaded **CET1 ratio** increased to 15.1% (14.9% in Q1 2019). Gross capital generation of approximately 60 basis points in the second quarter 2019 funded the closing of the latest acquisitions of BFL Leasing GmbH and Health Coevo AG in Germany.

Customer loans increased by 2% compared to December 2018. The overall customer loan book continued to be comprised of approximately 72% exposure to the DACH region and approximately 28% exposure to Western Europe and the United States.

In the first half 2019, the **NPL ratio** stood at 1.8% with a risk cost ratio of 14 basis points, which reflects our continued focus on proactive risk management, maintaining a conservative risk profile, and focus on developed markets.

Customer business segment performance in the first half 2019

Segment	Retail & SME	Corporates & Public
PBT (in € million)	185	95
Net profit (in € million)	139	71
RoTCE	20.2%	12.5%
Cost-income ratio	43.5%	35.7%
Risk cost ratio	0.38%	(0.12%)
NPL ratio	1.9%	1.2%

The **Retail & SME** segment delivered a profit before tax of € 185 million during the first half 2019. Core revenues increased by 5% versus the first half 2018 reflecting our German/Swiss acquisitions and growth in our core products. Operating expenses increased by 7% due to the consolidation of the acquisitions. Our stand-alone strategy in Austria, *Concept 21*, is progressing well with a full separation from the Austrian Post by end of 2019. At the same time, we enhanced our digital capabilities by launching our point-of-sale finance offering and releasing our new mobile banking app “klar”. Additionally, our recently launched retail partnerships represent important new customer acquisition channels. In the first half 2019, we launched our partnerships with MediaMarktSaturn Austria, METRO Cash & Carry Austria and the jö bonus loyalty club of REWE Group, of which we are the launch financial partner.

The **Corporates & Public** segment delivered a profit before tax of € 95 million during the first half 2019. Core revenues remained broadly stable with a focus on risk-adjusted returns. Operating expenses decreased by 14% reflecting ongoing efficiency measures. We see good opportunities across asset backed lending transactions. However, we continue to see pricing pressure across the Corporate lending space. Our focus will continue to be on risk-adjusted returns, disciplined underwriting and being patient without ever chasing volume.

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**

BAWAG Group completed its total capital optimization. In March 2019, BAWAG Group issued € 400 million Tier 2 capital. BAWAG P.S.K. successfully returned to the covered bond market by issuing a € 500 million mortgage covered bond with a tenor of 15 years in June 2019, demonstrating solid access to long-term funding at attractive terms.

▶ **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 GmbH and Health Coevo AG. BFL Leasing GmbH, headquartered in Eschborn near Frankfurt, Germany, is a specialist financing provider offering technology and equipment leasing products and services. Health Coevo AG, headquartered in Hamburg, Germany, is a leading dental factoring market player offering dental financing products and settlement services.

▶ **BAWAG P.S.K. acquires 49% of Finventum GmbH – the creator of Savity**

In June 2019, BAWAG P.S.K. acquired a 49% stake in the fintech Finventum GmbH, the creator of Savity Vermögensverwaltung GmbH (Savity). easybank has started a partnership with Savity to offer access to Savity’s services to easybank customers. The Savity service provides easybank customers access to professional wealth management at initial investment levels of € 10,000.

Outlook and targets

BAWAG Group delivered strong results in the first half 2019 and we are on track to meet our 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 €) ¹⁾	>6.00	>6.40
Post-tax earnings per share (in €) ¹⁾	>4.50	>4.80

1) Before deduction of AT1 dividend; before capital measures.

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 Group RoTCE 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 an annual assessment. The Managing Board is actively evaluating share buyback options. On 30 April 2019, the AGM approved our proposed resolutions to buy back and cancel own shares 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 subsidiaries easybank, easyleasing and start:bausparkasse in Austria, Südwestbank, BFL Leasing GmbH, Health Coevo AG and start:bausparkasse in Germany as well as Zahnärztekasse AG 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, factoring 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	Q2 2019	Q2 2018	Change (%)	Jan-Jun 2019	Jan-Jun 2018	Change (%)
Interest income	286.3	283.9	0.8	575.3	576.9	(0.3)
Interest expense	(67.8)	(85.5)	(20.7)	(142.6)	(171.7)	(16.9)
Dividend income	2.1	4.7	(55.3)	2.4	6.0	(60.0)
Net interest income	220.6	203.1	8.6	435.1	411.2	5.8
Fee and commission income	93.0	93.3	(0.3)	186.6	189.0	(1.3)
Fee and commission expenses	(23.0)	(21.8)	5.5	(44.0)	(43.0)	2.3
Net fee and commission income	70.0	71.5	(2.1)	142.6	146.0	(2.3)
Core revenues	290.6	274.6	5.8	577.7	557.2	3.7
Gains and losses on financial instruments and other operating income and expenses ¹⁾	22.4	9.8	>100	33.6	25.1	33.9
Operating income	313.0	284.4	10.1	611.3	582.3	5.0
Operating expenses¹⁾	(136.0)	(124.8)	9.0	(262.3)	(254.7)	3.0
Regulatory charges	(2.9)	(2.8)	3.6	(37.1)	(39.4)	(5.8)
Operating profit	174.1	156.8	11.0	311.9	288.2	8.2
Total risk costs	(15.3)	(4.9)	>100	(27.2)	(20.7)	31.4
Share of the profit or loss of associates accounted for using the equity method	1.2	1.0	20.0	2.4	2.1	14.3
Profit before tax	160.0	153.0	4.6	287.1	269.6	6.5
Income taxes	(38.3)	(36.5)	4.9	(68.5)	(66.4)	3.2
Profit after tax	121.7	116.4	4.6	218.6	203.2	7.6
Non-controlling interests	0.0	0.0	-	0.0	0.0	-
Net profit	121.7	116.5	4.5	218.6	203.2	7.6

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 35.0 million for the first half 2019. The item Operating expenses includes regulatory charges in the amount of € 2.1 million for the first half year 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	Jun 2019	Dec 2018	Change (%)	Jun 2018	Change (%)
Cash reserves	803	1,069	(24.9)	937	(14.3)
Financial assets					
Held for trading	409	351	16.5	393	4.1
Fair value through profit or loss	537	504	6.5	510	5.3
Fair value through OCI	3,069	3,039	1.0	2,379	29.0
At amortized cost	37,631	38,334	(1.8)	38,640	(2.6)
Customers	31,062	30,482	1.9	30,191	2.9
Debt instruments	2,955	3,512	(15.9)	3,205	(7.8)
Credit institutions	3,614	4,340	(16.7)	5,244	(31.1)
Valuation adjustment on interest rate risk hedged portfolios	4	1	>100	–	–
Hedging derivatives	494	401	23.2	440	12.3
Tangible non-current assets	637	234	>100	224	>100
Intangible non-current assets	569	505	12.7	496	14.7
Tax assets for current taxes	12	15	(20.0)	20	(40.0)
Tax assets for deferred taxes	26	75	(65.3)	108	(75.9)
Other assets	272	170	60.0	123	>100
Total assets	44,463	44,698	(0.5)	44,270	0.4

Total liabilities and equity

in € million	Jun 2019	Dec 2018	Change (%)	Jun 2018	Change (%)
Total liabilities	40,477	40,693	(0.5)	40,400	0.2
Financial liabilities					
Fair value through profit or loss	515	576	(10.6)	948	(45.7)
Held for trading	348	301	15.6	295	18.0
At amortized cost	37,696	38,325	(1.6)	37,831	(0.4)
Customers	30,089	30,195	(0.4)	29,817	0.9
Issued securities	4,682	3,849	21.6	4,051	15.6
Credit institutions	2,925	4,281	(31.7)	3,963	(26.2)
Financial liabilities associated with transferred assets	99	150	(34.0)	–	–
Valuation adjustment on interest rate risk hedged portfolios	390	156	>100	130	>100
Hedging derivatives	39	104	(62.5)	131	(70.2)
Provisions	476	465	2.4	417	14.1
Tax liabilities for current taxes	18	8	>100	0	>100
Tax liabilities for deferred taxes	16	11	45.5	10	60.0
Other obligations	880	597	47.4	638	37.9
Total equity	3,986	4,005	(0.5)	3,870	3.0
Common equity	3,688	3,706	(0.5)	3,571	3.3
AT1 capital	297	298	(0.3)	298	(0.3)
Non-controlling interests	1	1	0.0	1	0.0
Total liabilities and equity	44,463	44,698	(0.5)	44,270	0.4

Business segment performance

Jan-Jun 2019 in € million	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	303.7	126.0	23.6	(18.2)	435.1
Net fee and commission income	122.0	21.6	0.1	(1.1)	142.6
Core revenues	425.8	147.7	23.7	(19.5)	577.7
Gains and losses on financial instruments	0.0	0.0	42.0	(13.8)	28.2
Other operating income and expenses	0.7	0.0	0.0	4.7	5.4
Operating income	426.4	147.7	65.7	(28.5)	611.3
Operating expenses	(185.3)	(52.8)	(17.2)	(7.0)	(262.3)
Regulatory charges	(24.0)	(8.5)	(4.6)	0.0	(37.1)
Total risk costs	(32.2)	8.4	0.3	(3.7)	(27.2)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	2.4	2.4
Profit before tax	184.9	94.8	44.3	(36.9)	287.1
Income taxes	(46.2)	(23.7)	(11.1)	12.5	(68.5)
Profit after tax	138.7	71.1	33.2	(24.4)	218.6
Non-controlling interests	–	–	–	0.0	0.0
Net profit	138.7	71.1	33.2	(24.4)	218.6
Business volumes					
Assets	17,446	14,196	9,177	3,644	44,463
Liabilities	27,678	7,375	3,501	5,909	44,463
Risk-weighted assets	8,235	8,523	1,748	2,221	20,727

Jan-Jun 2018 in € million	Retail & SME	Corporates & Public	Treasury	Corporate Center	Total
Net interest income	285.1	124.2	23.9	(22.0)	411.2
Net fee and commission income	122.1	25.1	0.0	(1.2)	146.0
Core revenues	407.2	149.3	23.9	(23.2)	557.2
Gains and losses on financial instruments	8.5	2.9	28.1	(18.4)	21.1
Other operating income and expenses	1.0	0.0	0.0	3.0	4.0
Operating income	416.7	152.2	52.0	(38.6)	582.3
Operating expenses	(173.8)	(61.6)	(14.5)	(4.8)	(254.7)
Regulatory charges	(28.3)	(7.1)	(4.0)	0.0	(39.4)
Total risk costs	(30.8)	9.0	1.3	(0.2)	(20.7)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	2.1	2.1
Profit before tax	183.8	92.5	34.8	(41.5)	269.6
Income taxes	(45.9)	(23.1)	(8.7)	11.3	(66.4)
Profit after tax	137.8	69.4	26.1	(30.1)	203.2
Non-controlling interests	–	–	–	0.0	0.0
Net profit	137.8	69.4	26.1	(30.1)	203.2
Business volumes					
Assets	16,699	14,633	10,086	2,852	44,270
Liabilities	26,846	9,338	2,599	5,487	44,270
Risk-weighted assets	8,138	9,030	1,495	1,525	20,188