Q3 2017 Earnings

November 16, 2017

Agenda

1. Highlights Q1-3 2017
2. Business segment performance
3. Detailed financials
4. Outlook & targets | Capital generation and return policy

Highlights – first three quarters 2017

Highlights	Details
Profitability	• **PBT of €382m, up 4% vPY** … best reported quarterly PBT ever in Q3 • **RoTE (@12% CET1) of 17.1%** … Q3 ’17 RoTE (@12% CET1) of 17.3%
Costs	• **Operating expenses flat** despite integration costs from Q4 ’16 acquisitions • **Cost-income ratio down 1.4pts to 41.4%** vPY … Q3’ 17 cost-income ratio at 40.8%
Balance sheet	• **Customer asset originations of €3.6b** … Q3 ’17 NIM of 2.29%, up 6bps from Q2 • Customer loans at €27.5b, up 15% vPY … focus on customer centered balance sheet
Risk	• **NPL ratio at 2.0% (excl. City of Linz case: 1.3%)** … **risk cost ratio at 19bps** • Continued focus on proactive risk management and a conservative risk profile
Capital	• **CET1 ratio (FL) of 16.2%, up 260bps vYE** and up 70bps from Q2 ‘17 • Interim dividend payment of €52m in Q3 reflected in capital ratios
Acquisitions	• **Signed agreement to acquire Südwestbank** … process on plan, closing expected in Q4 • **Closed PayLife acquisition** … makes us one of the leading credit card issuers in Austria

FL … fully loaded

P&L & balance sheet overview

P&L | € millions	**Q3 '17**	**Delta**	**Q1-3 '17**	**Delta**
Net interest income	198.0	12%	593.5	8%
Net commission income	44.8	4%	150.8	3%
Core revenues	**242.8**	**11%**	**744.3**	**7%**
Other revenues	9.3	(51%)	29.0	(35%)
Operating income	**252.1**	**6%**	**773.3**	**4%**
Operating expenses	**(102.8)**	**–**	**(320.4)**	**1%**
Regulatory charges	(1.7)	(71%)	(29.8)	(25%)
Risk costs	(17.0)	89%	(43.7)	76%
Profit before tax	**131.8**	**8%**	**382.4**	**4%**
Income taxes	(31.2)	21%	(78.3)	–
Net profit	**100.5**	**4%**	**304.0**	**(20%)**

Balance sheet | € billions	**Dec '16**	**Sep '17**	**Delta**
Customer loans	28.5	27.5	(3%)
Securities and bonds	6.5	6.5	–
Credit institutions and cash	2.7	2.6	(4%)
Other assets	2.0	1.8	(10%)
Total assets	**39.7**	**38.4**	**(4%)**
Customer deposits	26.0	24.7	(5%)
Own issues	6.0	5.7	(5%)
Credit institutions	2.4	3.1	29%
Other liabilities	2.2	1.5	(32%)
Equity	3.1	3.4	10%
Total liabilities & equity	**39.7**	**38.4**	**(4%)**

Key ratios	**Q3 '17**	**Delta**	**Q1-3 '17**	**Delta**
RoE	11.9%	(1.1pts)	12.4%	(4.5pts)
RoE (@12% CET1)	**14.9%**	**(0.4pts)**	**14.8%**	**(3.9pts)**
RoTE	13.4%	(1.2pts)	14.0%	(5.0pts)
RoTE (@12% CET1)	**17.3%**	**(0.4pts)**	**17.1%**	**(4.2pts)**
Net interest margin	2.29%	(0.01pts)	2.25%	(0.10pts)
Cost-income ratio	40.8%	(2.4pts)	41.4%	(1.4pts)
Risk cost ratio	0.22%	0.08pts	0.19%	0.07pts

Capital & RWA | € billions	**Dec '16**	**Sep '17**	**Delta**
IFRS equity	3.1	3.4	8%
IFRS tangible equity	2.8	3.0	9%
CET1 capital (FL)	2.6	2.9	12%
Risk-weighted assets	19.0	17.8	(7%)
CET1 ratio (FL)	13.6%	16.2%	2.6pts
Leverage ratio (FL)	6.4%	7.5%	1.1pts
B/S leverage	12.7x	11.3x	(1.4x)

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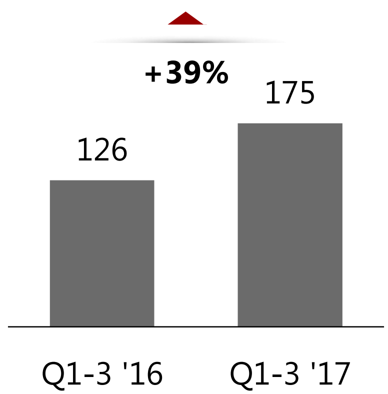
BAWAG P.S.K. Retail

Profit before tax

€ millions



Overview & strategy

- 1.8 million private and small business customers serviced through branch network and online & mobile sales channels
- Continued focus on product simplicity & consistency … drive digital and self-service solutions along our customers' needs
- BAWAG gave notice to Austrian Post to terminate the cooperation agreement … termination will become effective on 31 Dec. 2020
  - Realization of significant cost synergies within optimized target network of ~100 branches … target cost-income ratio <42%
  - Focus on advisory and improved customer experience

Key metrics

€ millions	Q1-3 '16	Q1-3 '17	Delta
Core revenues	364.9	415.3	14%
Operating expenses	(201.8)	(200.3)	(1%)
Profit before tax	**125.9**	**174.9**	**39%**
Cost-income ratio	55.0%	47.7%	(7.3pts)
Pre-tax RoE[1)]	**22.2%**	**28.1%**	**5.9pts**
Assets	9,293	11,480	24%
Customer deposits	15,788	17,704	12%
NPL ratio	2.4%	2.2%	(0.2pts)

1) @12% CET1 2) Excluding IMMO-BANK and FX mortgages

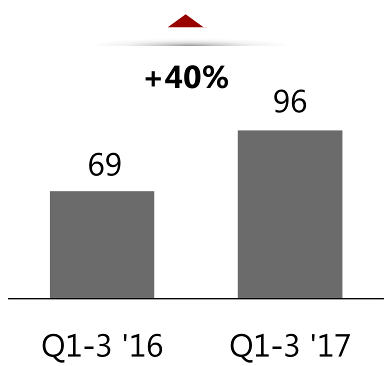
Highlights Q1-3 2017

- New business origination of €1b … improving margins in consumer loans and stable margins in housing loans
- Solid net asset growth … consumer loans up 6% vYE, mortgages[2)] up 8% vYE
- NCI driven by current accounts (+8%) & security sales (+15% vPY)
- Continuing efforts towards digital transformation … online payment transactions +8% vPY, share of online transactions via mobile apps +60% vPY, OTC transactions down 13% vPY
- Integration of start:bausparkasse ahead of plan … acquisition accretive day 1 and complementing retail product offering

easygroup

Profit before tax

€ millions



Overview & strategy

- >400k customers/borrowers … comprising *easybank*, one of Austria's leading direct banks; *easyleasing*, the #3 auto lessor in Austria; *easypay*, a leading credit card issuer in Austria[2] and high-quality residential mortgage portfolios in Western Europe
- Lean and efficient operating model … strong partnerships
- Strategic key pillars:
  - Growing our customer base and market share
  - Building and maintaining customer loyalty & driving efficiency
  - Expanding internationally into Western European markets

Key metrics

€ millions	Q1-3 '16	Q1-3 '17	Delta
Core revenues	96.6	124.0	28%
Operating expenses	(23.3)	(23.7)	2%
Profit before tax	**68.8**	**96.3**	**40%**
Cost-income ratio	24.1%	19.7%	(4.4pts)
Pre-tax RoE[1]	**22.7%**	**27.7%**	**5.0pts**
Assets	3,053	3,964	30%
Customer deposits	3,766	3,666	(3%)
NPL ratio	3.1%	3.0%	(0.1pts)

1) @12% CET1 2) After the acquisition of PayLife

Highlights Q1-3 2017

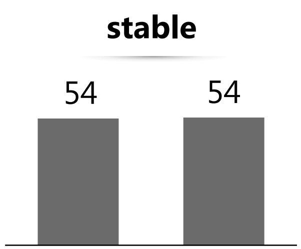
- Strong originations of €339m during Q1-3 '17 primarily driven by auto leasing … overall deposit base at €3.7b
- Acquisition of PayLife completed in October … will further grow our retail credit card franchise adding >500k new customers
- Consolidating all credit card issuing activities across BAWAG Group under the *easypay* brand generating synergies
- Received regulatory clearance to open a branch in Germany … plan to launch new brand *Qlick* in December
- Started development of new website, mobile app and eBanking platform creating a full digital customer user experience

Non-retail segments

Non-retail customer business

DACH Corporates & Public Sector

€ millions | Profit before tax

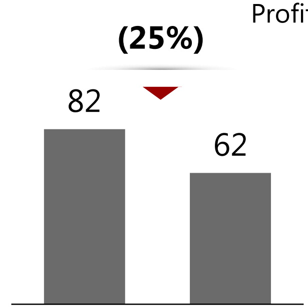


	Q1-3 '16	Q1-3 '17	Delta
Core rev.	88.6	81.7	(8%)
OPEX	(38.7)	(35.4)	(9%)
C/I ratio	43.1%	43.0%	(0.1pts)
Pre-tax RoE[1)]	**15.0%**	**16.0%**	**1.0pts**
Assets	7,647	7,624	–
NPL ratio	1.0%	1.0%	–

- Corporate and public lending activities and other fee-driven financial services
- Primarily Austrian customers & select client relationships in Germany and Switzerland
- €0.9b new originations in Q1-3 '17 … focus on risk-adjusted returns and repricing

International Business

€ millions | Profit before tax

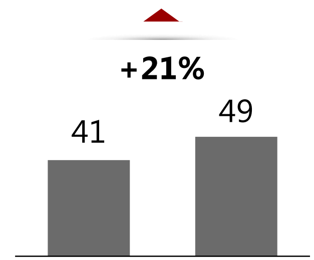


	Q1-3 '16	Q1-3 '17	Delta
Core rev.	101.6	99.1	(3%)
OPEX	(20.0)	(21.0)	5%
C/I ratio	20.1%	21.3%	1.2pts
Pre-tax RoE[1)]	**21.9%**	**17.8%**	**(4.1pts)**
Assets	4,954	5,139	4%
NPL ratio	0.0%	1.0%	1.0pts

- Focus on Western Europe and United States
- €1.4b new originations in Q1-3 '17 with largely stable margins
- Strong credit profile across international assets … avg. LTV of real estate assets <60%
- Higher risks costs in Q2 due to precautionary provisions booked on two deals in the oil & gas sector with exposure of ~€50m

Treasury Services & Markets

€ millions | Profit before tax



	Q1-3 '16	Q1-3 '17	Delta
Core rev.	41.4	37.3	(10%)
OPEX	(12.0)	(12.0)	–
C/I ratio	22.9%	19.6%	(3.3pts)
Pre-tax RoE[1)]	**17.4%**	**21.8%**	**4.4pts**
Assets	5,905	7,479	27%
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 … 97% of portfolio investment grade

1) @12% CET1

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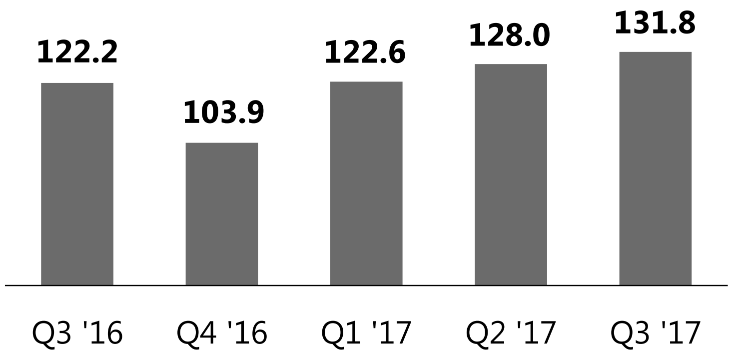
Quarterly P&L development

Profit before tax

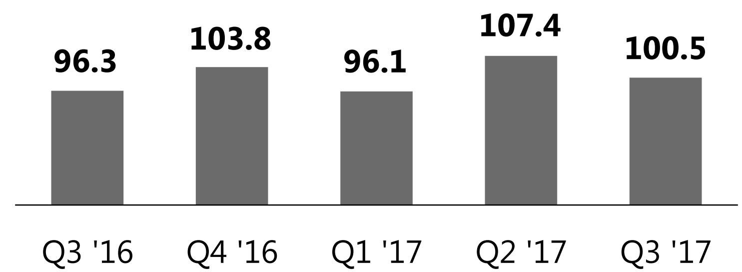
€ millions



CET1 ratio	15.1%	13.6%	14.1%	15.4%	16.2%
RoTE[1]	17.7%	17.9%	15.6%	17.8%	17.3%
Equity	3,027	3,134	3,227	3,348	3,395
Tang. equity	2,690	2,773	2,862	2,978	3,016
CET1 capital	2,511	2,591	2,681	2,772	2,888

Net profit

€ millions



Tax expense	(25.9)	(0.1)	(26.5)	(20.6)	(31.2)
Tax rate	21%	0%	22%	16%	24%
DTA	204	203	182	163	92

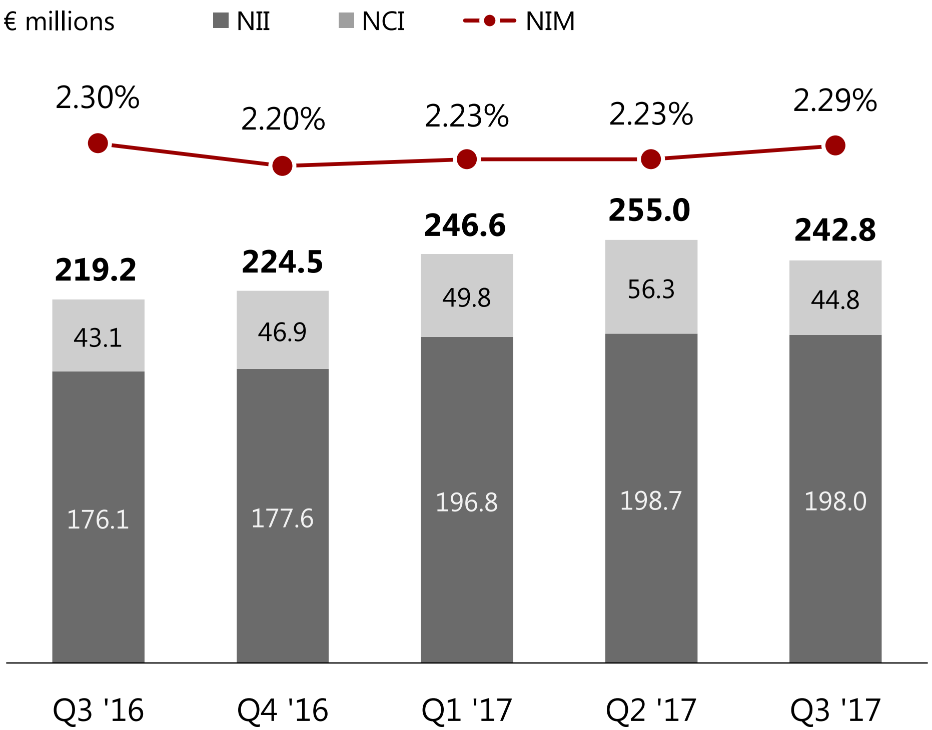
- Book value accretion by 8% & tangible book value accretion by 9% from year-end 2016
- DTAs down more than 50% from year-end 2016
- CET1 capital accretion by 11% versus year-end 2016
- Interim dividend payment of €52m in Q3[2]

1) @12% CET1 2) Reflected in capital ratios

P&L details – core revenues

Growth driven by customer loans, lower funding costs and fee income

Core revenues



Customer loans | € billions and in % of total assets

23.9	28.5	28.2	28.0	27.5
70%	72%	70%	71%	72%

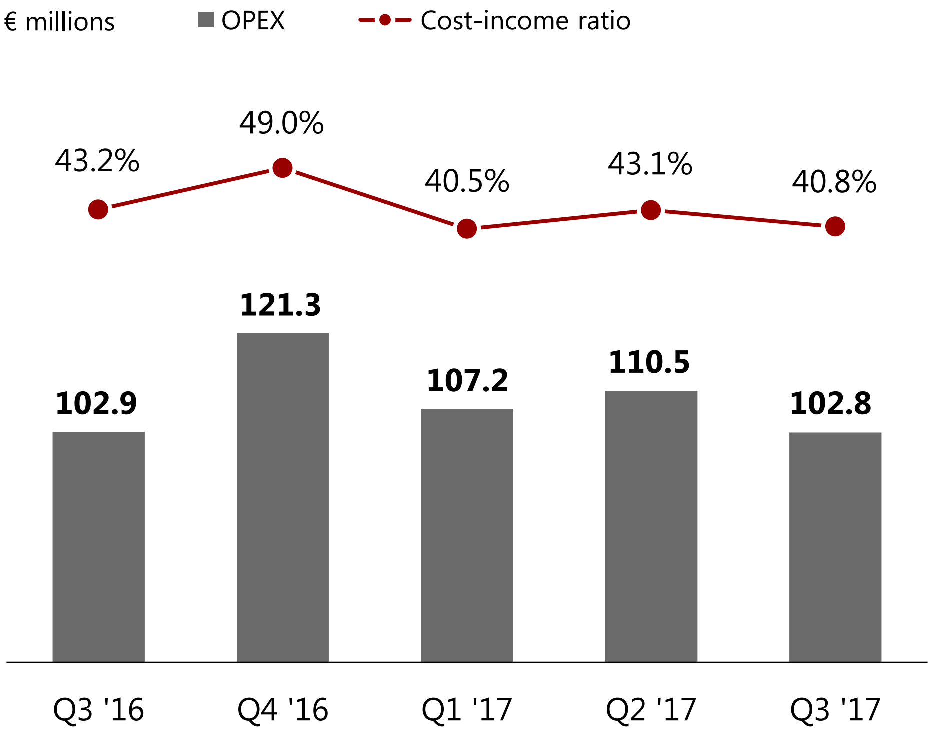
Summary

- **YTD net interest income (NII) up 8% vPY driven by core product growth, pricing initiatives and lower funding costs**
  - Q3 '17 net interest margin (NIM) up 6bps to 2.29% vs. Q2
  - Focus on consumer and international lending
  - Reduced funding costs … blended overall retail deposit rate down to 0.18% vs. 0.24% year-on-year
  - Customer loans at 72% of total assets
- **YTD net commission income (NCI) up 3% vPY**
  - Favorable development across current account boxes … more than 54,000 new boxes sold since launch
  - Strong performance of securities business with sales of €1.3b in Q1-3 '17 … up 7% vPY

P&L details – operating expenses

Continued focus on efficiency

Operating expenses



Active FTEs

2,302	2,496	2,426	2,314	2,293

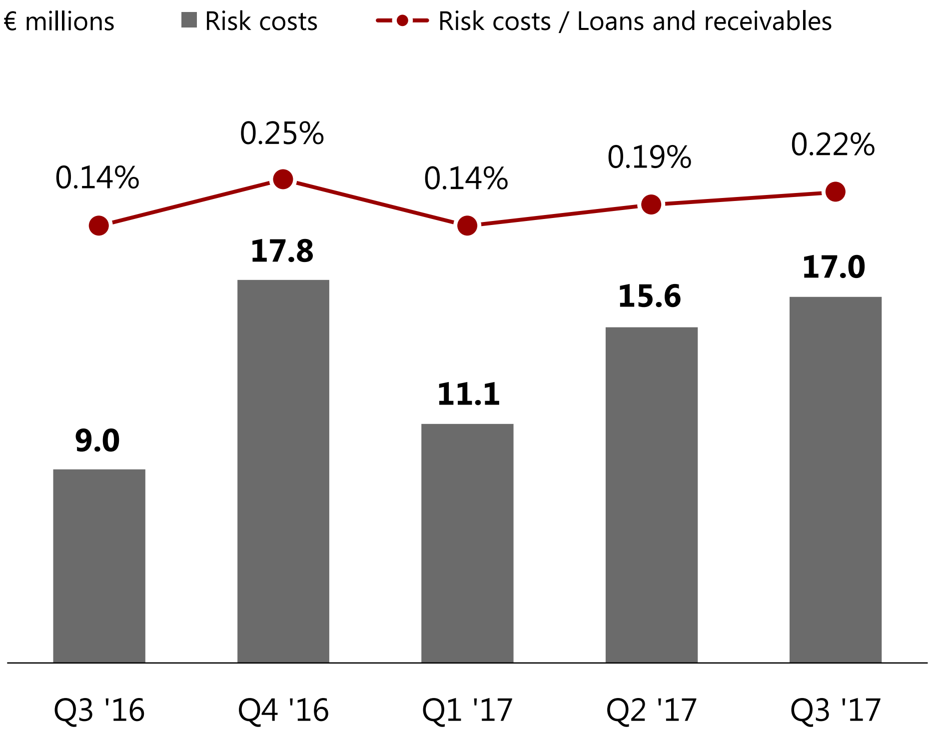
Summary

- **Quarterly operating expenses trending down**
- **Cost-income ratio 40.8% in Q3 '17** (Q1-3 '17: 41.4%, down 1.4pts vPY)
- **YTD operating expenses flat** despite integration costs from acquisitions completed in Q4 '16
- **Integration of start:bausparkasse** ahead of plan
- **Focus on operating efficiency given overall market dynamics** … shifting customers to digital networks
- **Continued investments (CAPEX Q1-3 '17: €42m) to address evolving banking landscape and customer needs** … introducing 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



NPL ratio | as reported and excluding CoL

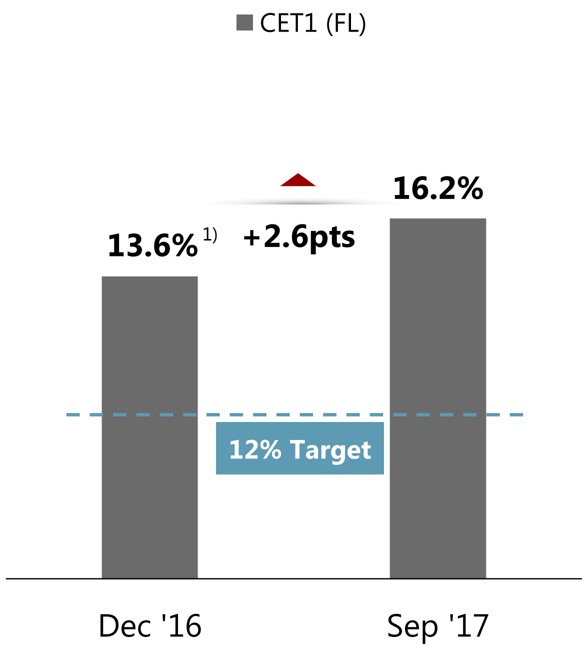
1.9%	1.7%	1.8%	1.9%	2.0%
1.2%	1.0%	1.2%	1.3%	1.3%

Summary

- **YTD risk cost ratio at 19bps**
- **Customer loan franchise focused on developed markets** … 70% DACH region / 30% Western Europe & United States
- **NPL ratio at 2.0% (excl. City of Linz case: 1.3%)** … **favorable risk metrics across business segments**
  - BAWAG P.S.K. Retail: NPL ratio 2.2% … coverage ratio 82%
  - easygroup: NPL ratio 3.0% … coverage ratio 93%
  - DACH Corporates & Public Sector: NPL ratio 1.0% … coverage ratio 92%
- **Continued focus on proactive risk management and maintaining a conservative risk profile**

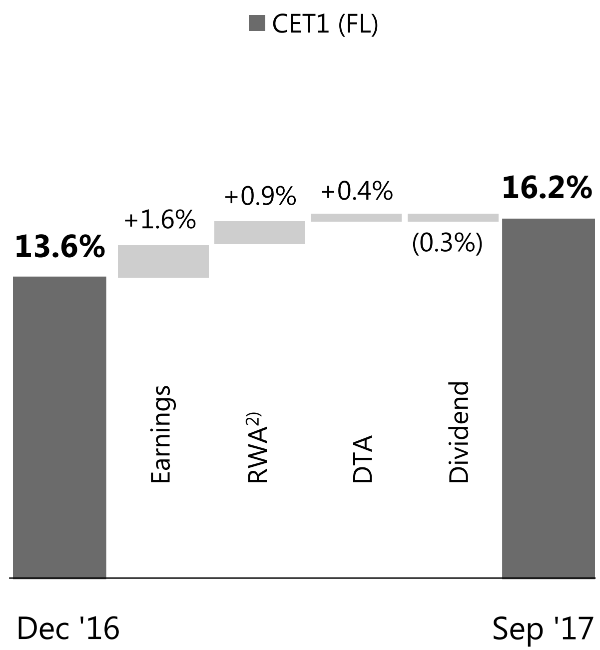
Capital

Capital ratios (FL)



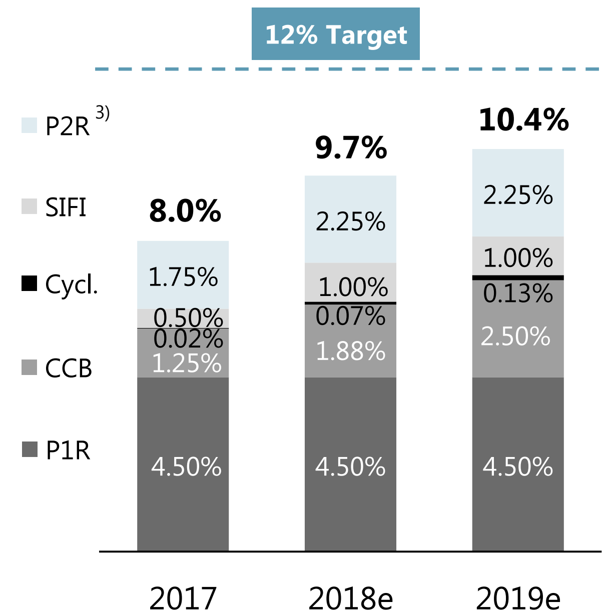
- CET1 ratio (FL) significantly above target
- Excess capital of €0.8b vs. 12% target for M&A and future dividend

CET1 (FL) ratio walk



- CET1 ratio (FL) increase mainly driven by consistent earnings development and successful RWA reduction

CET1 (FL) requirements



- Comfortable buffer to 12% target

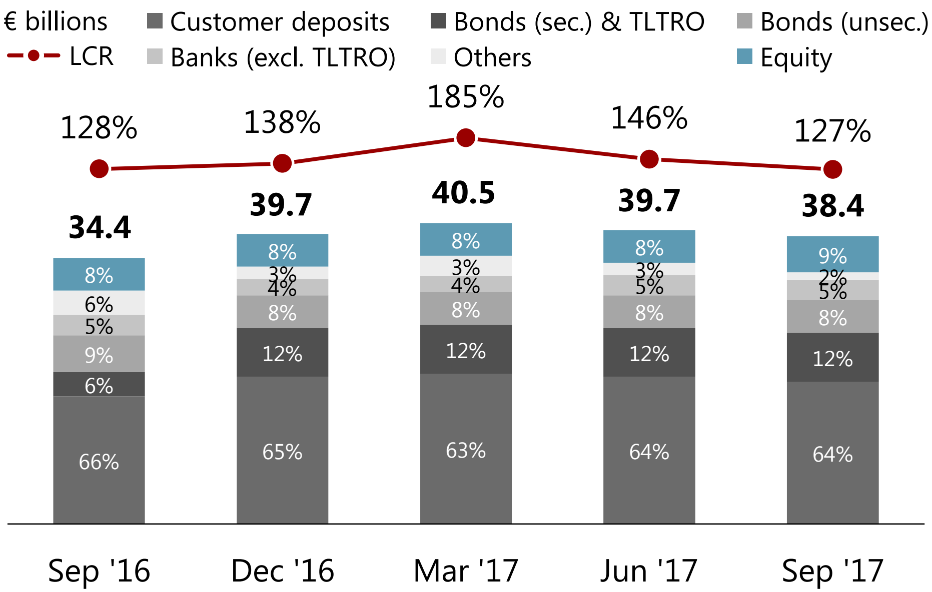
P1R ... Pillar 1 requirement CCB ... Capital conservation buffer Cycl ... Counter-cyclical buffer based on exposure as of Sep '17 SIFI ... Systemic risk buffer P2R ... Pillar 2 requirement

1) The originally published CET1 ratio was 15.1%; retroactive adjustment due to a higher risk weighting of the French and UK mortgage portfolios following the completion of a supervisory on-site review
2) Main effect from mitigation of RWA increase from UK mortgage portfolio 3) Based on the draft SREP decision for 2018

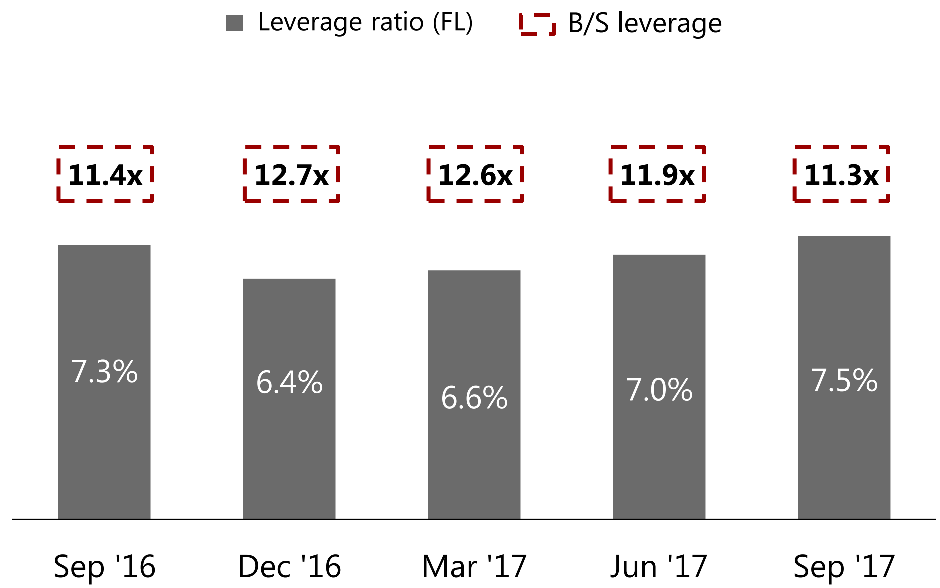
Funding & leverage

Strong customer deposit base and focus on conservative leverage

Funding structure



Leverage



- Funding strategy based on customer deposits (>60% of total balance sheet … thereof >80% retail deposits)
- Complemented by diversified wholesale funding with low maturity concentration
- Consistently strong liquidity coverage ratio (LCR) significantly above regulatory requirements

- Running a low leverage business model
- Strong leverage ratio (FL) of 7.5% and conservative B/S leverage of 11.3x as of September '17

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2017 Outlook

Financial outlook on 2017

Profit before tax >€500m

RoTE (@12% CET1) >16%

CET1 ratio (FL) >12% (post Q4 dividend)

Operational focus areas

- **Planning for Südwestbank closing in Q4**
- **Launch of new brand *Qlick* in Germany**
- **PayLife integration**
- **Pursuing various retail partnerships**
- **Pursuing multiple M&A opportunities**

Targets

Management focused on delivering results

Metrics	Targets	
Profit before tax	**>5% CAGR**	• **Profit before tax growth at >5% CAGR over the coming years** • **Additional M&A (excluding Südwestbank and PayLife) will further enhance earnings growth – not factored in**
Cost-income ratio	**<40%**	• Maintain **focus on cost efficiency** to achieve a **cost-income ratio below 40% in the mid-term**
RoTE (@12% CET1)	**Mid to high teens**	• Maintain **RoTE (@12% CET1) at mid to high teens**
CET1 ratio (FL)	**≥12%**	• Maintain a **CET1 ratio (FL) of at least 12%**

+ capital generation and return policy

Capital generation and return policy

BAWAG Group's RoTE and balance sheet allow meaningful capital generation

Enables significant growth & capital distribution strategy

1 Annual dividend **pay-out of 50% of net profit targeted**[1)]

2 Deployment of additional excess capital of **€1 billion+ (above 12% CET1)** through 2020

- Continue to **invest in organic growth and pursue earnings-accretive M&A** at returns consistent with BAWAG Group's **RoTE @12% CET1 target**, to enhance franchise and growth
- To the extent excess capital is not deployed via such organic growth and M&A, **we commit to distribution to shareholders**[2)]
- We will assess the shareholder distribution on a **yearly basis** as we are **committed to return excess capital**

- We believe that the **deployment of BAWAG Group's capital generation in organic growth and high return and franchise enhancing transactions** creates the **highest shareholder value**
- Beyond this we target **significant distributions for shareholders based on our excess capital generation**

Note: Excess capital generation targets are, amongst other things, a result of profitability levels, RWA levels, dividend pay-out and regulatory changes
1) For 2017, dividend target at 50% for Q4 '17 (calculated on average quarterly profits generated in the financial year 2017)
2) Subject to regulatory restrictions on the distribution of earnings

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Annex – Strategic focus

Strategic pillars	Details
Growth in our core markets	• Focus on organic growth & bolt-on acquisitions … access customers thru new partnerships / channels • Grow share in core retail products in Austria and establish a meaningful presence in Germany • Continuously evaluating M&A opportunities, with primary focus on the DACH region
Making our customers' lives easier	• Drive end-to-end digitalization across value chain … continued focus on product simplicity & consistency • Implement big data & predictive analytics to improve customer experience • Leverage new technologies (buy/build/partner) to enhance customer experience
Focus on efficiency & operational excellence	• Maintain strict cost control throughout the entire organization, while investing in top talent • Further automate and simplify our processes thru process re-engineering and digitization • Invest in technology infrastructure, rationalize physical footprint and leverage new distribution channels
Safe and secure	• Maintain solid balance sheet with low risk, low leverage and solid capital ratios • Maintain high percentage of deposit funding & conservative liquidity profile • Continue to focus on risk-adjusted returns and proactive risk management

Annex – M&A focus

Actively pursuing bolt-on acquisitions to build out customer franchise

Acquisition track record

signed Q3 '17	SÜDWESTBANK	€7.4b assets, 100k customers
closed 2017	PayLife / SIX commercial card issuing business	1.7m credit and prepaid cards, >500k customers
closed 2016	start bausparkasse	€2b assets from 23k customers, 500k savings customers
closed 2016	IMMO-BANK	€1.6b assets, 5k customers
closed 2015	VB Leasing	€0.7b assets, 50k leasing contracts

M&A strategy

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

M&A pipeline

- Several opportunities in DACH region … from early process (info memorandum, desktop due diligence) to exclusivity
- Bolt-on approach … size ranges from ~€0.5b to ~€10b B/S

Annex – Definitions

B/S leverage
Total assets / IFRS equity

Common Equity Tier 1 capital (CET1)
Based on IFRS CRR regulatory figures (BAWAG 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 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 B.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

Non-retail customer business
Sum of the business segments "DACH Corporates & Public Sector" and "International Business"

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

Retail customer business
Sum of the business segments "BAWAG P.S.K. Retail" and "easygroup"

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 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