

# **Preliminary FY 2018 Earnings**

Anas Abuzaakouk, CEO BAWAG Group  
Enver Sirucic, CFO BAWAG Group

19 February 2019

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- Highlights in 2018**
  - Business segment performance
  - Detailed financials
  - Annex I: 2019-2020 key drivers
  - Annex II: Group overview and transformation: 2012 to 2018

# Highlights 2018

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**Record profit before tax of €573m in 2018**, up 14% vPY ... Exceeded all 2018 Targets

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**Executing on our Strategy ...** Concept 21 retail transformation, Retail Partnerships and 3 bolt-on acquisitions

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**Revised Targets Upward for 2019-2020 based on strong operating performance ...**

Moved original PBT target 1 year forward ... >€600m in 2019 and >€640m in 2020

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**Capital distribution plans ...** a dividend per share of €2.18 (€215m) will be proposed to AGM;  
in addition, we are actively evaluating share buyback options

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# Financial performance

Delivered record profit before tax and outperformed all 2018 targets

	FY '18 vPY	Q4'18 vPQ		FY '18	Target
€ millions					
Core revenues	1,123 (+11%)	287 (+2%)	<b>Profit before tax</b>	<b>€573m</b> (> 10%)	<b>&gt; 5%</b> growth ✓
Operating income	1,171 (+4%)	290 (3%)	<b>Cost-income ratio</b>	<b>44.2%</b>	<b>&lt; 46%</b> ✓
Operating expenses	(518) (2%)	(136) 8%	<b>RoTE (@12% CET1)</b>	<b>17.1%</b>	<b>&gt; 15%</b> ✓
Risk costs	(45) (27%)	(13) (+18%)	<b>CET1 ratio (post dividend)</b>	<b>14.5%</b>	<b>&gt; 12%</b> ✓
<b>Profit before tax</b>	<b>573</b> (+14%)	<b>143</b> (11%)			
<b>Net profit</b> <small>Prior year included tax one-offs</small>	<b>437</b> (3%)	<b>109</b> (13%)			

**€5.75**  
pre-tax EPS

**+15%**  
vPY

**€32.41**  
TBV/share

**+5%**  
vPY

**€37.51**  
BV/share

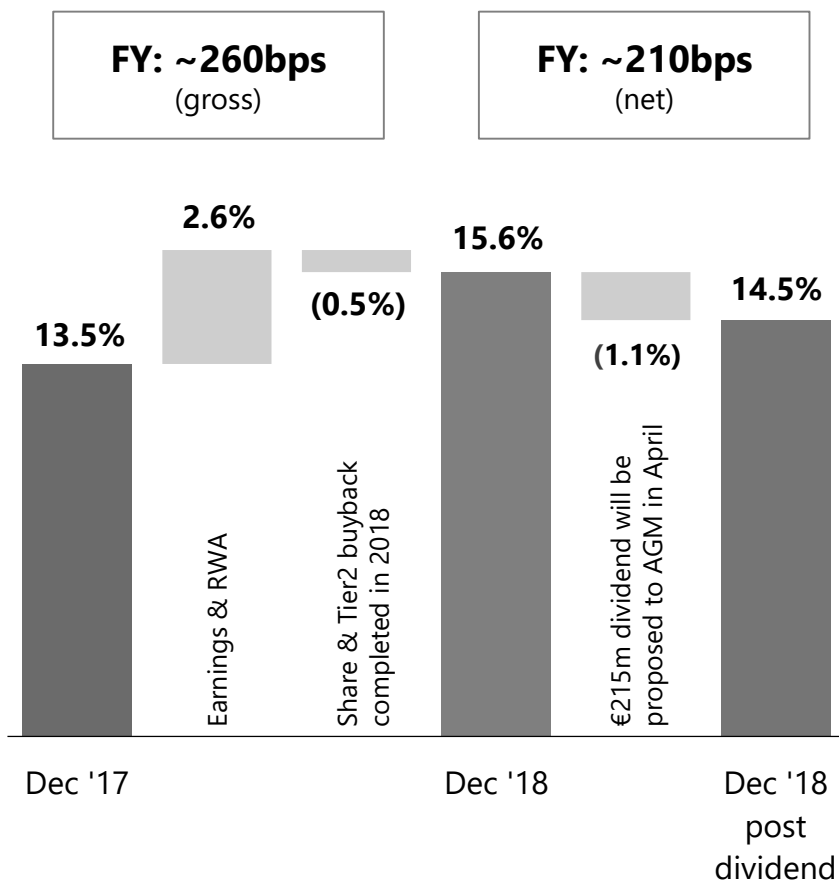
**+5%**  
vPY

**Outperformed all 2018 targets**

# Focus on shareholder value

Highly capital accretive business model

## Capital generation



**FY: ~260bps**  
(gross)

**FY: ~210bps**  
(net)

## Dividend

**€215m dividend**

will be proposed to AGM

Net profit	€437m
Less AT1 coupon	€(7m)
Distributable net profit	€430m

### Timing:

AGM: Held on 30 April 2019  
Payment date: 10 May 2019

<b>50% pay-out</b>	<b>€215m</b>
<b>Dividend per share</b>	<b>€2.18</b>

## Further capital deployment

- Strong capital generation of ~250bps per year
- For 2019 we plan to keep 50 to 100bps (above 12% CET 1 ratio) for M&A and organic growth
- Additionally, we are evaluating to distribute remaining excess capital via share buybacks

# Strategic highlights

Continued execution on our strategy ... with new opportunities ahead

## Transforming the core business franchise...

### Retail/SME profit growth, ~70% share of Group PBT

- ✓ **Record PBT ...** BAWAG P.S.K. Retail €243m, easygroup €145m
- ✓ **Concept 21 execution ...** high customer retention rate, ~95%
- ✓ **Signed 3 Retail Partnerships ...** MediaMarktSaturn, Metro Cash & Carry and REWE Group

### Germany integration ... €50m PBT contribution

- ✓ **Accelerated Südwestbank & start:bausparkasse<sup>1)</sup> restructuring ...** finalize in H1'19
- ✓ **Qlick roll-out in Dec'18 ...** niche focus area
- ✓ **Focus on Retail & SME** online & offline opportunities

### Solid growth in International Lending business

- ✓ **Risk adjusted pricing discipline & underwriting...** executing on pipeline of opportunities thru the year

1) Rebranded Deutscher Ring Bausparkasse 2) Subject to closing

## ...while evaluating new growth opportunities

### 3 M&A bolt-on deals signed in Q4

- ✓ Expansion into Germany (leasing & factoring) & Switzerland (factoring), healthcare financial services
- ✓ De-minimis impact in 2019... targeting Group returns, adding €25m+ of PBT by 2021

### German platform design shaping up... focus on product channels & Group operating leverage



Regional retail/private banking/SME hub



easypay Group-wide cards business platform



Digital & partnership channel consumer lending



Building society & housing platform specialists



Equipment leasing franchise <sup>2)</sup>



German factoring & healthcare financial services <sup>2)</sup>




Swiss factoring & healthcare financial services <sup>2)</sup>

# Updated targets

Financial targets revised upwards

Metrics	Original target	Updated targets	
	2018-2020	2019	2020
<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 5px; width: 40%;"> <b>Profit before tax</b> </div> <div style="border: 1px solid black; padding: 5px; width: 40%;"> <b>CAGR</b>  <b>absolute</b> </div> </div>	<b>&gt;5% CAGR</b> <b>&gt;€600m</b>	<b>&gt;6%</b> <b>&gt;€600m</b>	<b>&gt;6%</b> <b>&gt;€640m</b>
<b>Cost-income ratio</b>	<b>&lt;40%</b>	<b>&lt;43%</b>	<b>&lt;40%</b>
<b>Return on Tangible Equity</b>	<b>15% to 20%</b> <b>(@12% CET1)</b>	<b>15% to 20%</b>	
<b>CET1 ratio (FL)<sup>1)</sup></b>	<b>≥12%</b>	<b>12% to 13%</b>	
<b>Earnings per share (EPS) before capital actions</b>	<b>pre tax</b>	<b>&gt;€6.00</b>	<b>&gt;€6.40</b>
	<b>post tax</b>	<b>&gt;€4.50</b>	<b>&gt;€4.80</b>

1) Exceeds regulatory minimum capital requirements for 2019 of 10.3% FL + Pillar 2 guidance (P2G) of 1% CET1 (P2R and P2G remained stable year-over-year)



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# Customer segment performance

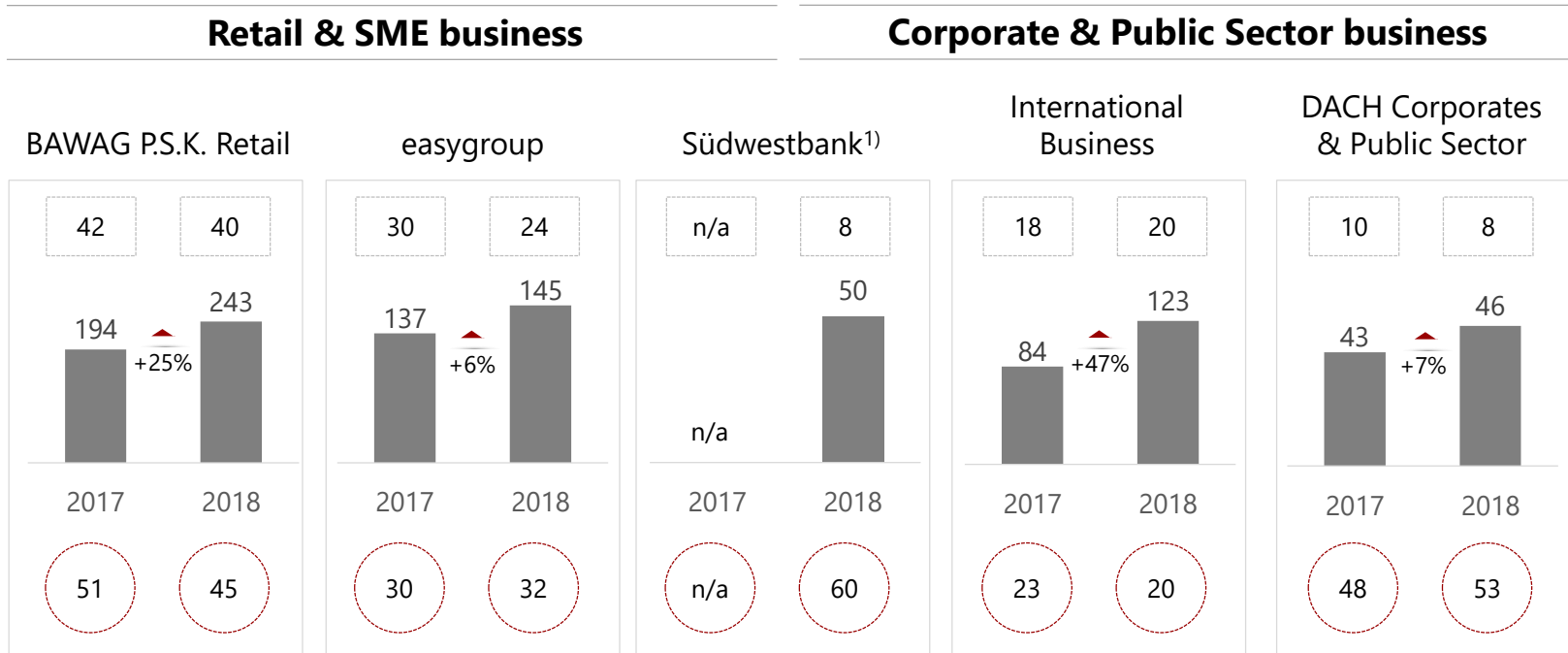
## Retail & SME business

## Corporate & Public Sector business

Share of Group PBT  
(in % of customer segments)

Profit before tax  
(in € million)

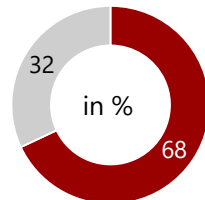
CIR  
(in %)



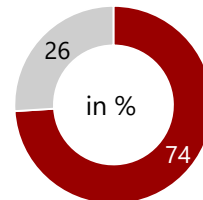
Business mix

- Retail & SME
- Corporates & Public Sector

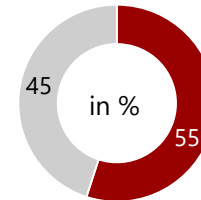
Profit before tax



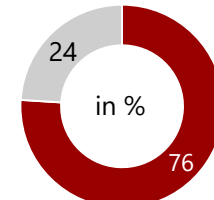
Core revenues



Assets



Funding



1) Südwestbank split ~50/50 between Retail & SME and Corporates

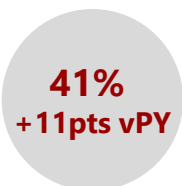
# Retail & SME businesses

Record year for BAWAG P.S.K. Retail and easygroup

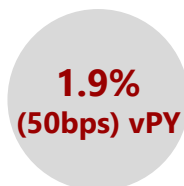
## BAWAG P.S.K. Retail

€ millions	2018	2017	vPY	Q4 '18	vPQ
Net interest income	386.5	378.1	2%	97.2	0%
Net commission income	156.9	151.0	4%	37.7	4%
Core revenues	543.4	529.1	3%	134.9	1%
Operating expenses	(252.3)	(272.8)	(8%)	(66.3)	8%
Total risk costs	(54.8)	(51.1)	7%	(14.4)	13%
<b>Profit before tax</b>	<b>243.2</b>	<b>194.4</b>	<b>25%</b>	<b>66.2</b>	<b>11%</b>
Assets (eop)	9,547	9,502	0%	9,547	(1%)
Core assets (eop)	8,489	8,249	3%	8,489	0%
Customer deposits	16,288	16,092	1%	16,288	3%

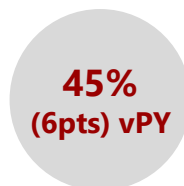
Pre-tax RoTE<sup>1)</sup>



NPL ratio



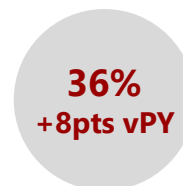
CIR



## easygroup

€ millions	2018	2017	vPY	Q4 '18	vPQ
Net interest income	164.1	170.6	(4%)	43.0	7%
Net commission income	58.4	28.0	>100	15.8	10%
Core revenues	222.5	198.6	12%	58.8	7%
Operating expenses	(70.1)	(59.7)	17%	(18.5)	4%
Total risk costs	(3.4)	0.1	-	(1.2)	(43%)
<b>Profit before tax</b>	<b>145.1</b>	<b>137.3</b>	<b>6%</b>	<b>39.3</b>	<b>13%</b>
Assets (eop)	5,682	5,938	(4%)	5,682	(3%)
Core assets (eop)	3,604	3,350	8%	3,604	(2%)
Customer deposits	6,148	5,550	11%	6,148	2%

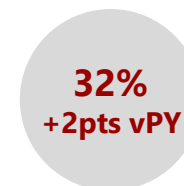
Pre-tax RoTE<sup>1)</sup>



NPL ratio



CIR

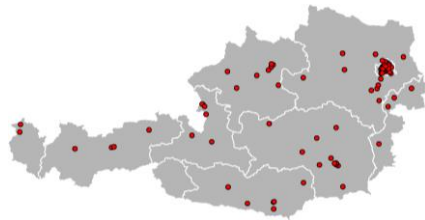


1) @12% CET1; Note: Core assets BAWAG P.S.K. Retail: Total asset excluding FX mortgages and NPL sales; easygroup: Total assets excluding International mortgage portfolios and NPL sales

# Concept 21 + strategic partnerships

2018 progress on key strategic initiatives

## Concept 21



- ✓ Enhanced customer experience
- ✓ Eliminate inefficient network
- ✓ Digitally integrated distribution
- ✓ Enhanced high-touch advisory

### Opportunity:

Right-sized  
branch  
network

- >85%** Coverage of Austrian population
- >92%** Coverage of customer base
- 74** High-performing bank branches in-place
- Up to 26** New branches

**Branch transformation:** Post office branches reduced to 67, therefore 85% complete ... 75% of new branches under contract and design execution

**Customer transition:** high retention of ~95% of customers continues ... highly positive customer feedback of branch transformation

## Strategic partnerships



### #1 electronics retailer in Austria

- ~30% market share, millions of customers
- 345k+ products
- Significant new customer growth through POS financing in core product category



### #1 SME wholesale supplier in Austria

- Market share leader for SME retail in Austria
- ~500k small business members
- Co-branded cards, accounts and purchase financing



### Loyalty program with market leaders

- REWE is leading local provider, #1 group in food retail
- Exclusive financial services partner for loyalty program, enhancing current account and card usage
- 4 million total customers participating

# Corporate & Public Sector businesses

## International Business

€ millions	2018	2017	vPY	Q4 '18	vPQ
Net interest income	134.0	129.1	4%	37.8	9%
Net commission income	0.3	0.4	(25%)	-	>(100)
Core revenues	134.3	129.5	4%	37.8	9%
Operating expenses	(28.1)	(29.0)	(3%)	(7.8)	15%
Total risk costs	6.6	(16.3)	-	(2.9)	-
<b>Profit before tax</b>	<b>122.9</b>	<b>83.8</b>	<b>47%</b>	<b>34.5</b>	<b>14%</b>
Assets (eop)	6,284	5,174	21%	6,284	11%

## DACH Corporates & Public Sector

€ millions	2018	2017	vPY	Q4 '18	vPQ
Net interest income	58.7	70.6	(17%)	13.5	(3%)
Net commission income	36.7	39.1	(6%)	9.0	6%
Core revenues	95.4	109.7	(13%)	22.5	0%
Operating expenses	(51.2)	(47.5)	8%	(13.1)	8%
Total risk costs	1.3	(8.0)	-	3.8	-
<b>Profit before tax</b>	<b>46.1</b>	<b>43.3</b>	<b>6%</b>	<b>13.0</b>	<b>24%</b>
Assets (eop)	5,581	6,725	(17%)	5,581	(8%)
Core assets (eop)	5,562	6,481	(14%)	5,562	(3%)
Customer deposits	6,411	6,762	(5%)	6,411	(13%)

### Pre-tax RoTE<sup>1)</sup>

**31%**  
+9pts vPY

### NPL ratio

**0.5%**  
(0.4pts) vPY

### CIR

**20%**  
(3pts) vPY

### Pre-tax RoTE<sup>1)</sup>

**15%**  
+3pts vPY

### NPL ratio

**1.1%**  
(0.3pts) vPY

### CIR

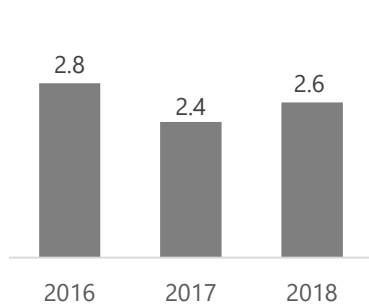
**53%**  
+5pts vPY

1) @12% CET1; Note: Core assets DACH Corporates & Public Sector: Total assets excluding public sector short-term lending

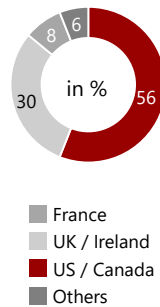
# International Lending

## Corporate Lending

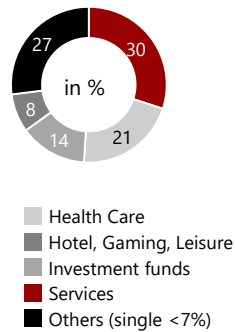
Assets, in € billions



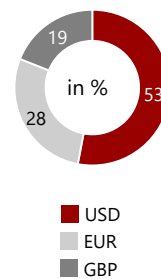
Geography



Industry type



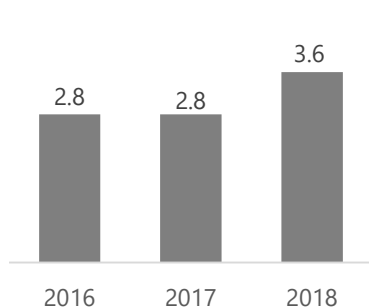
Currency



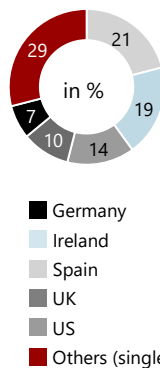
- Lending to free cash flow generating companies with defensive business profile, appropriate capital structure, and strong market positions in resilient industries
- Primarily senior secured lending (~95%)
- Legal maturity of ~4.5 years
- Approximately 50% of exposure to large corporates that are publicly listed;
- Average Total Enterprise Value (TEV) of ~\$30billion with TEV/EBITDA of 15.0x
- Average net leverage thru BAWAG tranche of <4x

## Real Estate Lending

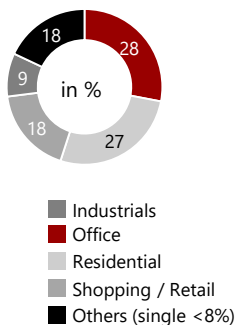
Assets, in € billions



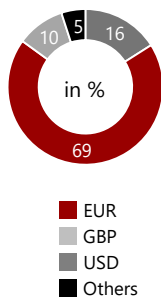
Geography



Property type



Currency



- Conservative approach to real estate lending
- Average portfolio LTV <60%
- Focus on developed markets; primarily Western Europe and the United States
- Underwriting to Interest Coverage Ratio > 2.0x
- Weighted average life of ~3 years

## Key metrics

€ millions	2018	2017	vPY	Q4 '18	vPQ
Net interest income	82.5	5.6	>100	18.9	(6%)
Net commission income	32.4	3.0	>100	8.1	7%
Core revenues	114.9	8.6	>100	27.0	(3%)
Operating expenses	(69.2)	(8.0)	>100	(14.2)	(18%)
Total risk costs	5.8	(0.2)	-	2.7	(17%)
<b>Profit before tax</b>	<b>49.5</b>	<b>0.3</b>	<b>&gt;100</b>	<b>16.2</b>	<b>29%</b>
Assets (eop)	3,821	4,183	(9%)	3,821	(1%)
Customer deposits	4,952	6,146	(19%)	4,952	(4%)

Pre-tax RoTE<sup>1)</sup>

15%

NPL ratio

2.3%

CIR

60%

1) @12% CET1

## 2018 Südwestbank integration momentum

### 1 Balance sheet de-risking

- Group management of treasury services & securities... exit of various fund portfolios, sale of non-core participations
- Full review of credit RWAs, covering application of Group standards and IRB model roll-out infrastructure readiness

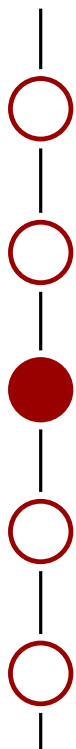
### 2 Cost efficiency turnaround

- ~35-40% staff & G&A saving... full benefit in 2019
- Rightsizing branch footprint (~40% reduction)... mobile sales, key account & partnership focus
- Digitization focus... improve & simplify processes

### 3 Capital & balance sheet efficiency review

- Retail/SME focus, Group level corporates strategy
- Scaling back low margin, high risk weight business
- Improving product / segment overall returns

1<sup>st</sup> year in the Group completed successfully

- 
- Highlights in 2018
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  - **Detailed financials**
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# P&L & key ratios

Strong 2018 performance

P&L   € millions	Q4 '18	vPY	2018	vPY
Net interest income	216.3	6%	840.5	6%
Net commission income	70.2	6%	282.8	30%
<b>Core revenues</b>	<b>286.5</b>	<b>6%</b>	<b>1,123.3</b>	<b>11%</b>
Other revenues	3.4	(96%)	47.4	(57%)
<b>Operating income</b>	<b>289.9</b>	<b>(17%)</b>	<b>1,170.7</b>	<b>4%</b>
<b>Operating expenses</b>	<b>(136.4)</b>	<b>(34%)</b>	<b>(517.9)</b>	<b>(2%)</b>
Regulatory charges	1.5	-	(40.1)	19%
Risk costs	(13.2)	(27%)	(45.1)	(27%)
<b>Profit before tax</b>	<b>143.0</b>	<b>17%</b>	<b>572.7</b>	<b>14%</b>
Income taxes	(34.4)	-	(136.2)	>100
<b>Net profit</b>	<b>108.6</b>	<b>(27%)</b>	<b>436.5</b>	<b>(3%)</b>

## Profit before tax of €573m up 14% vPY

- Higher quality of earnings ... core revenues +11%; with NII up 6% and NCI up 30% ... less other revenues
- Cost control despite integration of acquisitions
- Tax rate normalized in '18 at ~24% after one-offs in '17

Key ratios	Q4 '18	vPY	2018	vPY
RoE	11.8%	(5.2pts)	12.2%	(1.2pts)
<b>RoE (@12% CET1)</b>	<b>14.6%</b>	<b>(5.7pts)</b>	<b>14.4%</b>	<b>(0.7pts)</b>
RoTE	13.7%	(5.8pts)	14.2%	(1.2pts)
<b>RoTE (@12% CET1)</b>	<b>17.5%</b>	<b>(6.4pts)</b>	<b>17.1%</b>	<b>(0.5pts)</b>
Net interest margin	2.25%	-	2.21%	(0.03pts)
Cost-income ratio	47.1%	(12.1pts)	44.2%	(3.0pts)
Risk cost ratio	0.14%	(0.06pts)	0.12%	(0.05pts)
Pre-tax EPS (in €)	1.44	18%	5.75	15%
After-tax EPS (in €)	1.09	(26%)	4.38	(3%)
TBV per share (in €)	32.4	5%	32.4	5%

## Stable risk profile, solid performance ratios

- Continued low risk cost ratio of 12bps in 2018 reflecting benign credit environment
- Performance ratios in line with previous year
- Tangible book value per share up 5% vPY



# Balance sheet

Continued focus on customer business

<b>Balance sheet</b>   € billions	<b>2018</b>	<b>2017</b>	<b>vPY</b>	<b>vPQ</b>
Customer loans	30.5	30.8	(1%)	1%
Securities and bonds	6.9	8.4	(18%)	(2%)
Credit institutions and cash	5.4	4.8	12%	(5%)
Other assets	1.9	2.0	(4%)	3%
<b>Total assets</b>	<b>44.7</b>	<b>46.1</b>	<b>(3%)</b>	<b>(0%)</b>
thereof Interest-bearing assets	38.0	39.8	(5%)	0%
Customer deposits	30.2	30.9	(2%)	(2%)
Own issues	4.4	5.7	(22%)	(3%)
Credit institutions	4.3	4.0	7%	7%
Other liabilities	1.8	1.9	(4%)	17%
Common equity	3.7	3.6	4%	2%
AT1 capital	0.3	–	–	0%
<b>Total liabilities &amp; equity</b>	<b>44.7</b>	<b>46.1</b>	<b>(3%)</b>	<b>(0%)</b>

<b>Capital &amp; RWA</b>   € billions	<b>Dec '18</b>	<b>Dec '17</b>	<b>Delta</b>
Common equity	3.7	3.6	4%
Tangible common equity	3.2	3.1	4%
CET1 capital (FL)	3.0	2.9	2%
Risk-weighted assets	20.5	21.5	(5%)
CET1 ratio (FL)	14.5%	13.5%	1.0pts
Leverage ratio (FL)	7.1%	6.2%	0.9pts
B/S leverage	12.1x	12.9x	(0.8x)

## Stable customer loans, lower risk weighted assets

- Largely stable customer loans while de-risked securities and bonds (mainly in first half) in 2018
- Focus on Retail & SME and International Business offsetting weakness of DACH Corporates & PS
- Stable retail funding base and improved leverage ratio
- Issued €300m AT1 capital and reduced risk-weighted assets

# BAWAG Group Q4 '18 Results

## Summary

### Key metrics (comparison vs Q3 '18)

	Financials Q4 '18	Key ratios Q4 '18
<b>Profit before tax</b>	<b>€143.0m</b> (11%)	<b>Pre-tax EPS €1.44</b> (11%)
<b>Core revenues</b>	<b>€286.5m</b> +2%	<b>NIM 2.25%</b> (3bps)
<b>Operating expenses</b>	<b>€(136.4m)</b> +8%	<b>CIR 47.1%</b> +4.7pts
<b>Risk costs</b>	<b>€(13.2m)</b> +18%	<b>Risk cost ratio 0.14%</b> +2bps

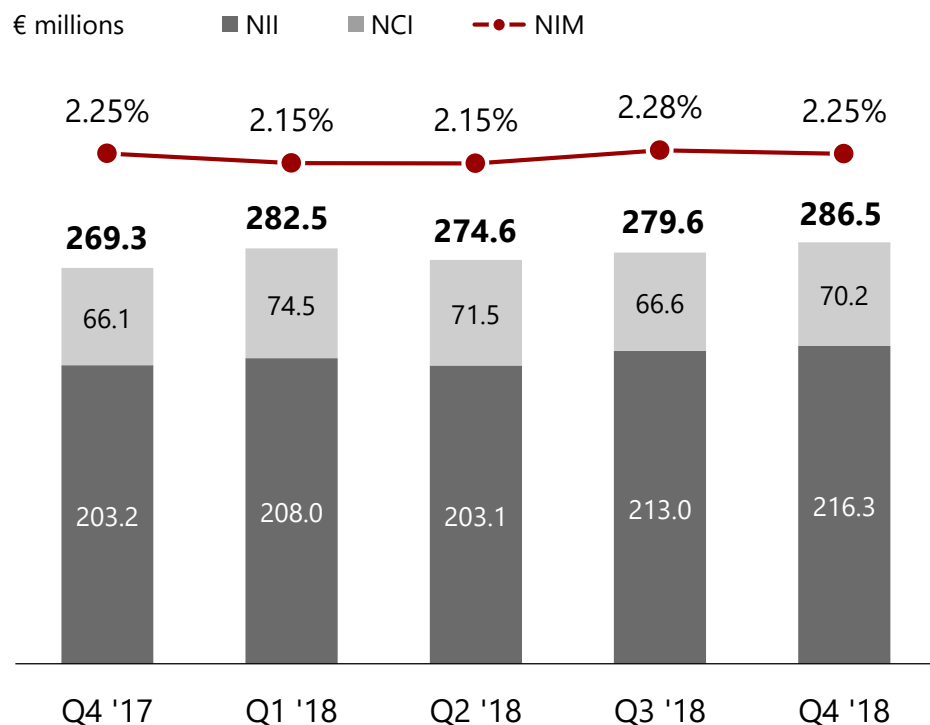
### Highlights Q4 '18 vs Q3 '18

- Profit before tax of €143m down 11% vPQ**
  - Higher NII (+2%), lower other income (1-off in Q3)
  - Seasonally higher operating expenses and risk costs
  - Pre-tax EPS €1.44 for Q4' 18
- Core revenues up 2% vPQ ... largely stable NIM**
  - Higher customer loans and better liquidity deployment
  - Net asset growth +11% vPQ in International Business
  - NCI up 5% vs. Q3 (seasonally low) ... but still muted by lower securities sales reflecting market volatility
- Operating expenses up vs Q3 '18**
  - Consolidation of Deutscher Ring Bausparkasse in Q3 '18
  - Seasonal uptick, mainly due to higher IT expenses
- Low risk costs**
  - Reflecting ongoing benign credit environment
  - Risk cost ratio of 14bps well below through-the-cycle guidance
  - Strong asset quality with NPL ratio at 1.7%

# P&L details – core revenues

Higher net interest and net commission income

## Core revenues



## Customer loans | Interest bearing assets | € billions

30.8	30.5	30.2	30.3	30.5
39.8	38.0	37.1	38.0	38.0

## Summary

### Net interest income (NII) +2% vPQ ... net interest margin (NIM) at 2.25%

- Solid performance across retail segments
- Ongoing strong performance of International Business with net asset growth of 11% vPQ and 21% vPY
- International mortgage portfolio ran off 20% vPY
- Disciplined deployment of liquidity ... customer loans up 1% vPQ

### Net commission income (NCI) up 5% vPQ

- Net commission as expected seasonally stronger vPQ
- Market volatility driving softness in securities and insurance business

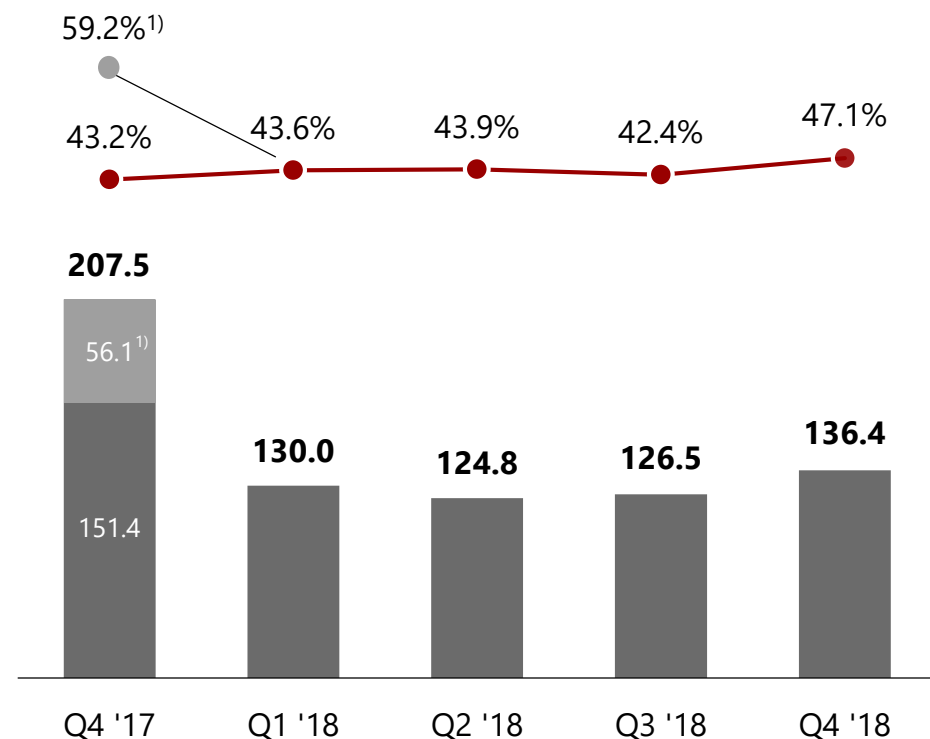
**Strong momentum of second half of 2018 provides a positive outlook for 2019**

# P&L details – operating expenses

Seasonally higher in Q4

## Operating expenses<sup>1)</sup>

€ millions    ■ OPEX    -●- Cost-income ratio



1) Including parts of LTIP

## Summary

### Seasonally higher Q4 '18 cost base

- one-off effects related to projects and new branch network
- seasonality and full quarter of Deutscher Ring Bausparkasse (consolidated end Q3 '18)
- partly compensated by lower cost at Südwestbank

**FY '18 CIR at 44.2%** well below target of <46%

Full restructuring benefit and additional efficiency measures to **achieve targeted CIR <43% in 2019**

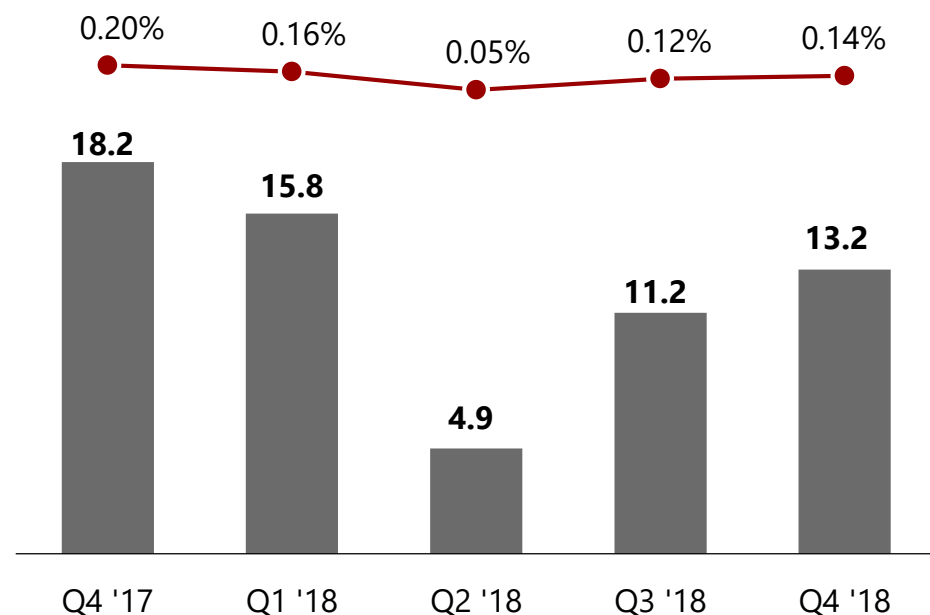
**Focus in 2019 remains on integration of new acquisitions and operating efficiency**

# P&L details – risk costs

Proactive risk management to maintain conservative risk profile

## Risk costs

€ millions   ■ Risk costs   - - - Risk costs / average interest-bearing assets



## NPL ratio (as reported and excluding CoL)

1.8%	1.8%	1.8%	1.7%	1.7%
1.3%	1.2%	1.2%	1.2%	1.2%

## Summary

**Q4 '18 risk cost ratio at 14bps** ... ongoing benign credit environment and our focus on developed markets with customer loan franchise ~70% DACH region and ~30% Western Europe & United States

### Maintain safe & secure balance sheet & portfolio risk management

- No relevant exposure to CEE or emerging markets
- No Turkey and Russia exposure
- No operations in countries with elevated AML risk

**Conservative hedging approach** with focus on reducing risk and minimizing income volatility

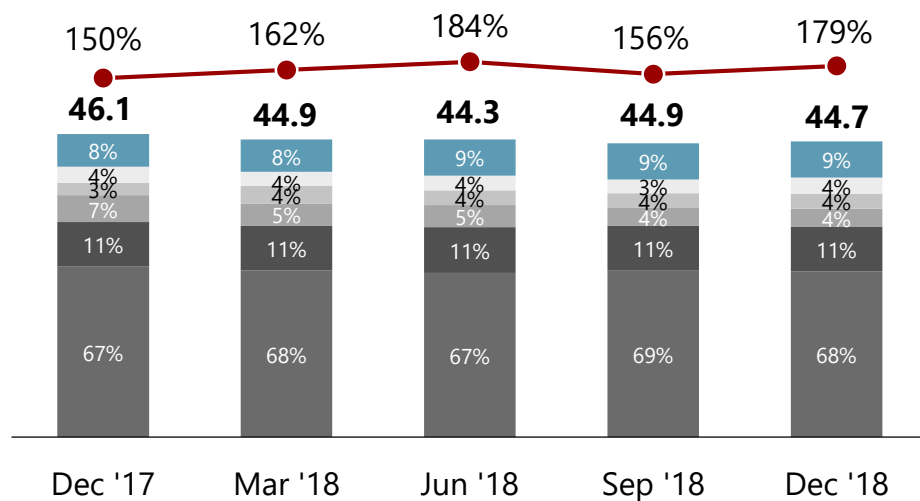
**Benign credit environment and expected through-the-cycle risk costs 15-25bps**

# Funding & leverage

Strong customer deposit base and focus on conservative leverage

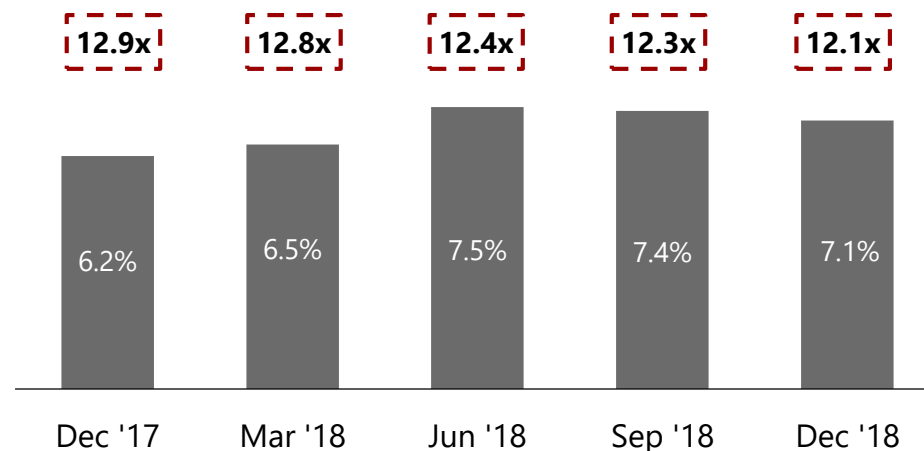
## Funding structure

€ billions ■ Customer deposits ■ Bonds (sec.) & TLTRO ■ Bonds (unsec.)  
 -●- LCR ■ Banks (excl. TLTRO) ■ Others ■ Equity



## Leverage

■ Leverage ratio (FL) □ B/S leverage



- 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

- Running a low leverage business model
- Slight decrease in regulatory leverage ratio to 7.1% in Q4 due to taking €215m dividend into account

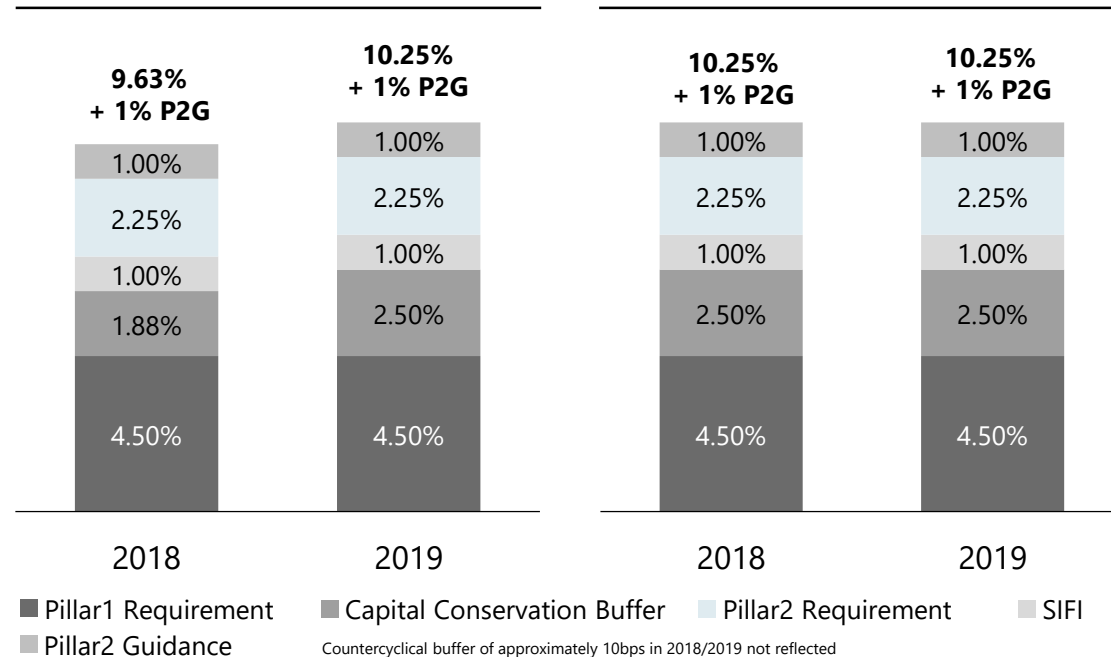
Note: B/S leverage based on equity excl. AT1 capital

# Regulatory updates

Stable requirements going into 2019

## SREP transitional

## SREP fully loaded



## MREL

- MREL decision for 2019 expected in Q2 '19
- BAWAG P.S.K. expected single point of entry
- Stricter rules expected for future MREL decisions (2020 and beyond)
- Higher subordination requirement based on future MREL policy
- MREL eligibility restricted to instruments issued by BAWAG P.S.K.
- Our MREL strategy with limited reliance on multi-year phase in
- ~€0.5-1.0b senior non-preferred issuance to meet expected subordination requirement
- Senior preferred instruments to meet gap between MREL and subordination requirement

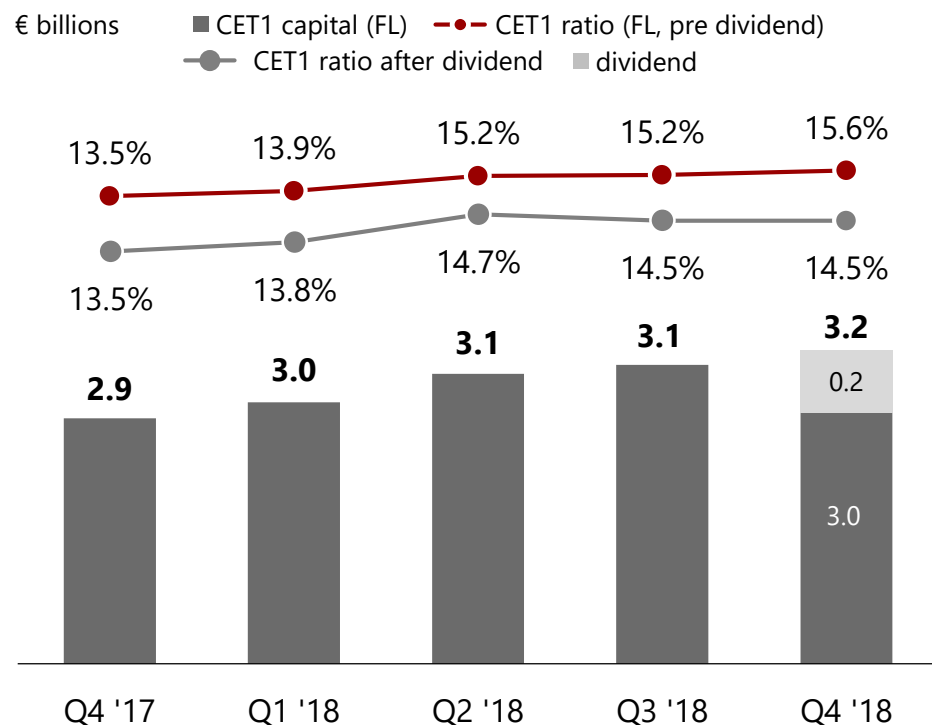
**Total SREP of 10.25% for 2019 + 1% of P2G**

**P2R (2.25%) and P2G (1.0%) unchanged**

# CET1 Capital

Continued strong capital generation

## CET1 Capital (FL)



## RWA | € billions

21.5	21.3	20.2	20.3	20.5
------	------	------	------	------

## Key developments

- **Q4 '18 capital generation through earnings of 50bps ...** absorbing impacts from market volatility on securities portfolio valuation (~15bps)
- **RWA increased in Q4 '18** due to organic growth ... RWA density at 46%
- Q4 also includes ~20bps release of Südwestbank in Q4 '18 offset by ~(5bps) impact of remaining 2018 share buyback

## Total Capital

- **Capital optimization measures planned ...** fill 2.0% Tier 2 capital bucket ... timing dependent on market conditions
- **Maximum Distributable Amount buffer** after proposed dividend at ~€0.5b; available distributable items of €3.3b



# Capital management

## Organic capital generation

2017: +2.2%

2018: +2.6%

**Average: ~250bps**

## Future capital generation drivers

- RoTE 15% to 20%
- RWA density reduction
- Target CET1% 12% to 13%

**Strong capital generation of ~250bps per year supporting various capital management options**

## RWA development

2018: 5% decline  
Future: modest organic growth while targeting density of low 40s

## M&A


2018: 3 acquisitions  
Future: strict underwriting

## Dividends

2018: €215m / 50% / ~€2.18 DPS  
Future: 50% pay-out

## Buy-backs

2019: work in progress  
Future: active capital management

- 
- Highlights in 2018
  - Business segment performance
  - Detailed financials
  - Annex I: 2019-2020 key drivers**
  - Annex II: Group overview and transformation: 2012 to 2018

# 2019-2020 plan

## Key business drivers

### Business drivers

Basis for >6% PBT growth targets

**1** Grow into “market share entitlement” in core retail products ... Non-retail business stable

**2** Proactive move towards technology company infrastructure

**3** Drive efficiencies through process & branch network optimization

**4** Maintain fortress balance sheet & disciplined underwriting approach

Upside optionality

**5** Pursue M&A growth ... focus on retail & SME franchise, strategic fit & valuation

**6** Bank naturally geared towards rising interest rates ... budgets don't rely on rate environment

### Opportunity set

**Core retail product market growth** ... grow into existing 17% market share of current accounts, deliver on strategic partnerships; product focus on consumer, housing and auto

**Design open architecture & new distribution channels** ... unlock efficiencies & drive new partnerships

**Execute on Concept 21** ... deliver on branch network transformation, continue digital platform enhancements

**Stay disciplined & focus on risk-adjusted returns** ... high asset quality, disciplined underwriting and solid capital



















**Completed/signed nine acquisitions** ... active evaluation of new opportunities, assumed no new M&A in targets

**A parallel +100bps increase across the curve = +€100m NII over time**

# Proven M&A track record

Experienced with bolt-on acquisitions to build out customer franchise

## Acquisition track record

Signed Q4 '18	 	€0.1b assets, €1b factoring new volume 3k customers
Signed Q4 '18	 	€0.6b assets 50k customers
Signed Q4 '18	 	€0.5b assets 85k customers
Closed Q3 '18	 	€7.4b assets 100k customers
Closed 2017	 	1.7m cards, >500k customers
Closed 2017	 	€2b assets 500k customers
Closed 2016	 	€1.6b assets 5k customers
Closed 2016	 	€0.7b assets 50k customers
Closed 2015	 	

## 2018 recap

### 3 M&A bolt-on deals signed in Q4

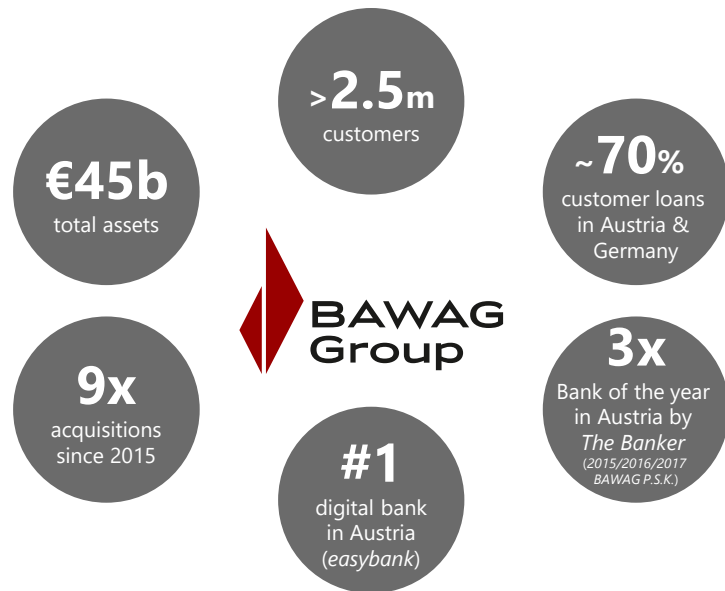
- ✓ Expansion into Germany (leasing & factoring) & Switzerland (factoring), healthcare financial services
- ✓ De-minimis impact in 2019... targeting Group returns, adding €25m+ of PBT by 2021

## M&A strategy

- We believe consolidation will occur across the European banking landscape at varying speeds ... primary focus on DACH region and select opportunities in Western Europe
- Proven track record as far as transactional execution and speed of transaction processes
- Disciplined, rigorous & systematic internal due diligence process ... underwriting & pricing discipline, strategic fit & value
- Well-established integration process allowing for swift onboarding and realization of synergies ... integrate into simple, efficient and low-risk retail & corporate customer franchise

- 
- Highlights in 2018
  - Business segment performance
  - Detailed financials
  - Annex I: 2019-2020 key drivers
  - Annex II: Group overview and transformation: 2012 to 2018**

# BAWAG Group at a glance



- **One of Austria's leading retail banks** ... more than 2.5m customers & solid market shares
- **Focused on developed countries** with ~70% of customer loans in DACH region & ~30% in Western Europe & USA
- **Organic & inorganic growth in DACH region** ... completed 6 acquisitions and signed 3 acquisitions in 2018
- **High profitability and efficiency** ... one of the most profitable and efficient banking groups in Europe
- **Simple & consistent product offering across channels**
- **Fortress balance sheet** ... low NPL ratio, low balance sheet leverage, solid capital ratios & retail deposit funding
- **Solid ratings** ... Moody's ratings upgraded 3 times since 2015 to "A2" ... Fitch assigned "A-" senior unsecured ratings

## Our strategy

- |  |   |
|--|---|
| <b>01</b> Growth in our core markets         | <b>03</b> Efficiency & operational excellence |
| <b>02</b> Making our customers' lives easier | <b>04</b> Safe and secure                     |

## Our multi-brand network



# Strategy update

1

Growth in our  
core market

**Organic Growth /  
New retail partnerships**

**Growth of German  
platform**

**M&A Opportunities**

2

Making our  
customers' lives  
easier

**Concept 21  
Retail network transformation**

**Continued rollout of  
digital products**

3

Focus on  
efficiency &  
operational  
excellence

**Continued improvement in  
Cost-income ratio**

**Digitalization &  
Automation of End-to-End processes**

4

Safe and secure

**Developed market focus ... sound  
macro fundamentals  
Underwrite to strong credit metrics**

**Capital  
Liquidity  
Leverage**

# Macroeconomic environment

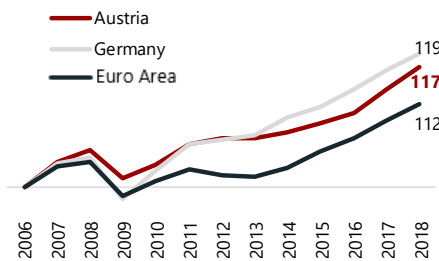
Strong position in Austria and DACH region

## Established macro statements on DACH

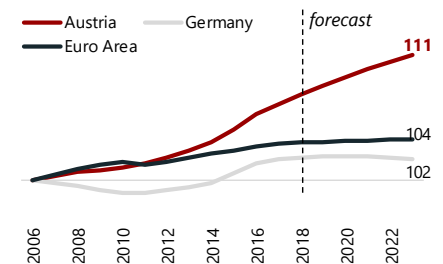
- Focus on building best-in-class customer franchise in the DACH region (Austria, Germany & Switzerland)
  - More than 100m person market
  - €4 trillion GDP and GDP per capita > €40,000
  - Average unemployment rate <4%
  - Projected GDP growth 1-2%
- Common culture and language with stable legal system and high-quality credit environment
- Highly fragmented banking landscape with high share of savings and cooperative banks
- Low levels of consumer indebtedness, home ownership and digital penetration ... 62%, 50% and 60%<sup>1)</sup> respectively
- Credit expansion opportunities ... domestic credit to total GDP in Austria (125%) & Germany (129%) versus OECD average (207%) and USA (242%)

## Development of macroenvironment in DACH

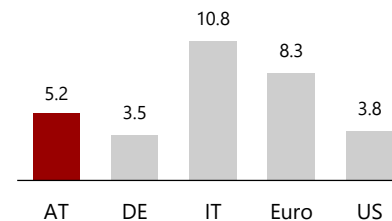
GDP dynamics (2006 = 100)



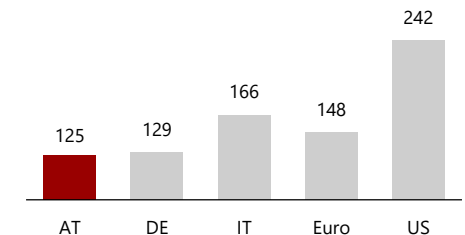
Demographic projections (2006 = 100)



2018 Unemployment rate in %



Domestic credit in % of GDP<sup>2)</sup>



Source: Eurostat, ECB, IMF, World Bank, Austrian Treasury 1) Data available for Austria and Germany only 2) As of 2017 for AT, DE, IT and Euro and as of 2016 for the US (latest available data)

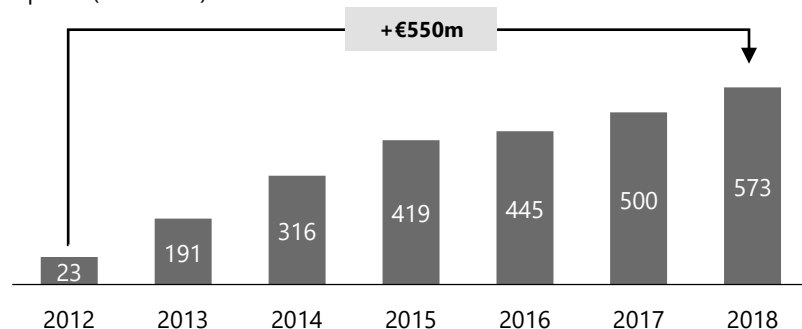


# Bank transformation

Focus on things we control and drive operational excellence

## Profitability

Pre-tax profit (€ millions)



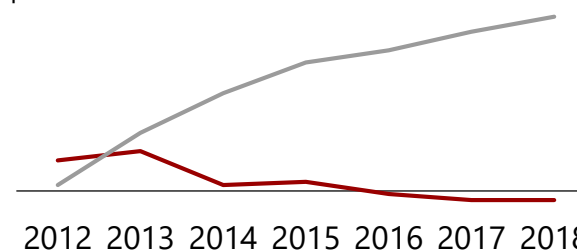
## Key metrics

	2012	2013	2014	2015	2016	2017	2018
RoTE (@12% CET1)	1%	8%	14%	16%	19%	18%	<b>17.1%</b>
C/I ratio	70%	68%	54%	48%	46%	47%	<b>44%</b>
CET1 (FL) post dividend	6.2%	9.4%	12.2%	12.3%	13.6%	13.5%	<b>14.5%</b>
NPL ratio	3.5%	2.5%	2.0%	1.9%	1.7%	1.8%	<b>1.7%</b>
Assets (€b)	41.5	36.6	34.9	35.7	39.7	46.1	<b>44.7</b>

## Key topics

- ✓ Exited CEE exposure & non-core assets
- ✓ Discontinued trading and structured credit book
- ✓ More than **doubled CET 1** ratio
- ✓ Structurally **fixed cost base**
- ✓ Focus on **simple core products**
- ✓ **Increased profitability** despite low interest rates
- ✓ **Distributed €419m in dividends since 2016 and will propose €215m dividend to AGM for 2018**

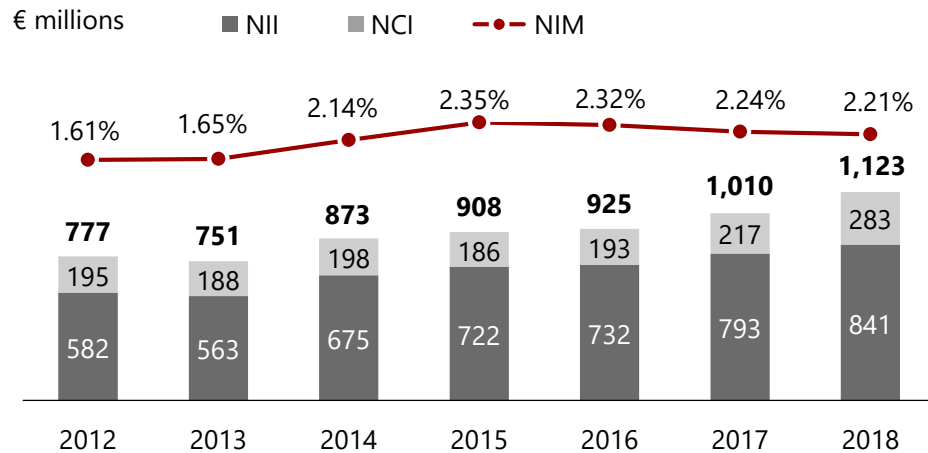
—●— Pre-tax profit    -●- 3m Euribor



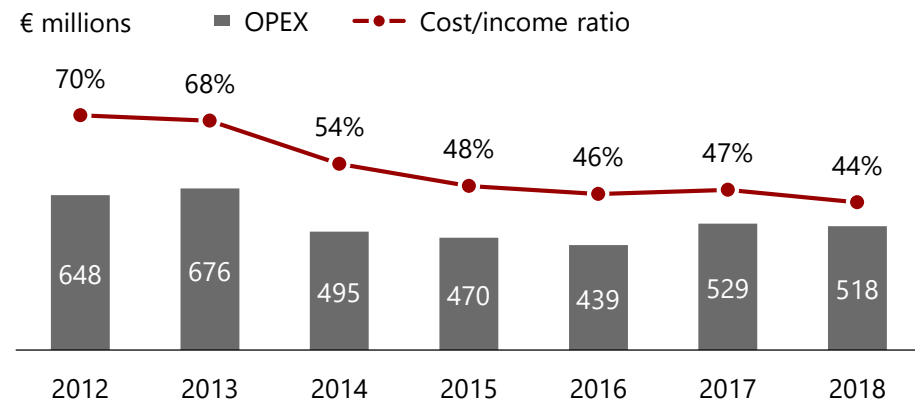
# Bank transformation

Focus on things we control and drive operational excellence

## Core revenue growth



## Efficiency & operational excellence



## Key topics

**45% growth driven by Retail/SME, International Lending, M&A ... core retail product growth & liability optimization discipline**

- ✓ Current accounts/cards, consumer, housing, leasing growth
- ✓ Re-pricing and/or exit of low-yielding non-core assets
- ✓ Repricing of retail deposits (104bps to 13bps)
- ✓ Six core franchise M&A deals closed since Q4'15

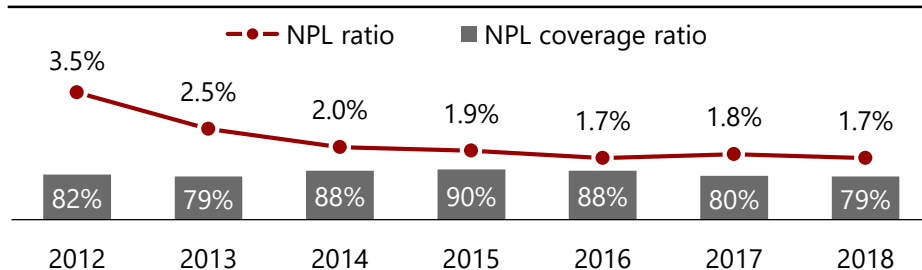
**Industrial approach to banking ... technology transformation to unlock next wave of efficiencies**

- ✓ Reduced OpEx by 1/3<sup>rd</sup> pre M&A, invested ~€350m in restructuring
- ✓ Technology/infrastructure investment of ~€350m+
- ✓ ~40% FTE reduction in BAWAG, ~50% for M&A historically
- ✓ Absorbing M&A Day 1 dilutions, prefunding turnarounds

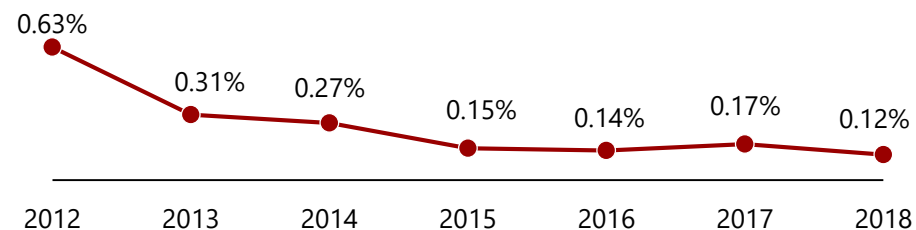
# Bank transformation

Safe & secure balance sheet profile

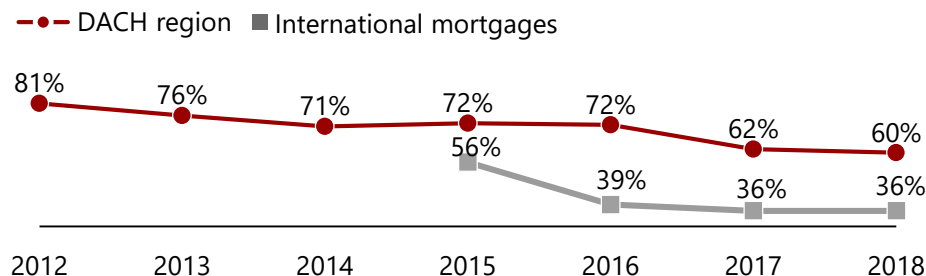
## NPL ratio



## Risk cost ratio



## Loan-to-Value of Retail mortgage loans



## Key topics

### Conservative balance sheet profile, staying close to home ... DACH & developed market focus

- ✓ Focus on developed markets: ~70% of customer loans in DACH region & ~30% in Western Europe & USA
- ✓ EBA stress test: (240bps) impact in adverse scenario vs (395bps) average
- ✓ Conservative risk profile; ~60% based on standard approach

### Seasoned retail/SME book with high collateral levels

- ✓ Collaterals at ~80% of loan book (BAWAG P.S.K., easygroup)
- ✓ Mortgage stock LTV: 60% DACH, 36% international
- ✓ 150-200bps consumer loss rate, 30-40bps on auto leasing

### Corporate lending risk-adjusted pricing & underwriting

- ✓ ~60% of DACH corporate book linked to the public sector
- ✓ Targeted leverage & LTV scope on international lending

# Financial calendar

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<b>19 February 2019</b>	Preliminary results 2018
<b>15 March 2019</b>	Publication of the Consolidated Annual Report 2018
<b>20 April 2019</b>	Record date for the Ordinary Annual General Meeting 2019
<b>30 April 2019</b>	Ordinary Annual General Meeting 2019
<b>01 May 2019</b>	Start of the quiet period
<b>08 May 2019</b>	Dividend ex-date
<b>09 May 2019</b>	Dividend record date
<b>10 May 2019</b>	Dividend payment date
<b>14 May 2019</b>	Results Q1 2019

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# Annex – Definitions and abbreviations

## **After-tax earnings per share**

Net profit / weighted average number of shares outstanding

## **B/S leverage**

Total assets / IFRS equity

## **Common Equity Tier 1 capital (CET1)**

including profit and dividend accrual, excluding any transitional capital (fully loaded)

## **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

## **Customer Loans**

Loans to customers measured at amortized cost

## **Coverage ratio**

Loan loss provisions and collateral / NPL

FL ... fully-loaded

## **IFRS equity**

Equity attributable to the owners of the parent; excluding minorities and AT1

## **IFRS tangible equity**

IFRS equity reduced by the carrying amount of intangible assets; excl. AT1

## **Interest-bearing assets**

Financial assets + Assets at amortized cost – Assets at central banks

## **Leverage ratio**

Tier 1 capital / total exposure (calculation according to CRR)

## **Liquidity coverage ratio (LCR)**

Liquid assets / net liquid outflows (calculation according to CRR)

## **Pre-tax earnings per share**

Profit before tax / weighted average number of shares outstanding

## **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 excl. AT1 capital – 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 excl. AT1 capital – 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

## **Tangible book value / share**

IFRS tangible equity (excl. AT1 capital) / number of shares outstanding

**vPY** ... versus prior year period

**vpQ** ... versus prior quarter period

**vYE** ... versus year-end

Note:

Tables in this presentation may contain rounding differences. Already published historic figures may vary due to adjustments.