Half-Year Results 2013
August 27, 2013

BAWAG P.S.K. Bank für Arbeit und Wirtschaft
und Österreichische Postsparkasse AG
BAWAG P.S.K. | Key strategic & business focus in H1 2013

1. Further investments in core businesses
2. Repositioning of balance sheet
3. Efficiency and productivity programme
4. Strong capital & liquidity, conservative risk profile

… delivers improved financial results – H1 2013 profit before tax\(^1\) € 120.3m

\(^1\) Before restructuring expenses and bank levy
Multi-channel approach enables BAWAG P.S.K. to offer attractive banking products throughout Austria anytime

- About 500 cutting-edge branches, thereof 93% operated together with Österreichische Post AG
- Flexible and shared cost approach
- Complemented by e-banking platform, mobile banking, customer service centre, self-service devices and easybank
- Clear, fair and intuitive banking – box concept – € 400m already invested in “SparBox” (introduced end of 2012)
- Market share in new consumer loans increased to 12.7% (H1 2012: 8.4%) via the “KreditBox”
- Strong and reliable partner for domestic and international corporate customers under clearly defined economic and risk criteria
- International focus primarily on Germany, UK and selected areas of Western Europe in investment grade products, including corporate lending and commercial real estate

... to position the Bank to benefit from any future economic upswings and maintain our strong liquidity position
Repositioning of balance sheet

Further intensified disposal of non-core assets, subsidiaries and reduction of CEE exposure ...

- Continued material de-risking of balance sheet credit exposure, reducing non-core risk-weighted assets and strengthening of capital base
  - Reduce excess liquidity and low-yielding assets, higher risk positions
  - Realised sales from the structured credit book (and valuation gains) contributed € 26m gain | No losses incurred in de-risking activities

- Continued reduction of CEE exposure down to approx. 3% of total assets | Focus to continue managing down exposure
  - Sale of Slovenian and Polish exposure as well as remaining shares in MKB (Hungarian bank)

- Restructuring of domestic leasing business – agreed sale of Austrian fleet management subsidiary

- Closing of proprietary trading activities – reduction of market risk RWAs by 77% to € 141m compared to H1 2012

... enables additional investments in our core businesses
Efficiency and productivity programme

Realisation of restructuring programme …

- BAWAG P.S.K. accelerated its restructuring programme in the second half of 2012
- Follows significant investments in the branch network, e-banking facilities and IT systems
- Enhancement of productivity, processes and end-to-end capabilities
  - Combining organisational business responsibility for front, mid and back offices
  - Immediate loan response in branches (“Superschnellkredit”)
  - Fully online loan facility – 24 hours / 7days a week
- Cost-income ratio improved by 4.6 percentage points to 60.9% (H1 2012: 65.5%)
- Accelerated restructuring programme is targeted to be largely finalised by year-end 2013

… allows significant productivity & cost improvements from 2013 onwards
4 Strong capital & liquidity | Conservative risk profile

Strong improvement in capital ratios ...

- € 200m shareholders’ contribution in December 2012
- € 3.4bn risk-weighted asset optimisation programme successfully implemented in 2012 and H1 2013 | Closing proprietary trading, deleveraging structured credit book and further reducing non-core exposure
- Buyback of hybrid preference shares in March 2012
- Application of the Internal Ratings-Based (“IRB”) approach for our core business areas also contributes a material RWA relief
- Participation capital:
  - € 51.2m coupon for 2012 paid consistent with prior years
  - € 50m redeemed in June 2013 – further redemptions planned
- Strong fundamentals enabled the Bank to pay back ECB funding under “LTRO” in early 2013; surplus liquidity € 6.0bn
- Risk costs further reduced by 19% to € 64m compared to H1 2011 following the overall portfolio quality improvement

... positions BAWAG P.S.K. well to pro-actively manage capital and growth

1) According to CRR/Basel 2.5  2) YE 2011 and 2012 figures before application of IRB approach
H1 2013 Results – Summary

Profit before tax\(^1\) increased by 46% to € 120.3m

- Increase of operating income by 2.8% to € 474.4m
- Core revenues € 357.6m (net interest income € 259.5m; net commission income € 98.1m)
- Efficiency and productivity programme reduces operating expenses by 4.5% to € 288.9m
- Cost-income ratio further improved to 60.9% compared to 65.5% in the first half of 2012
- Further reduction of risk costs by 17.7% to € 63.8m

Net profit (before restructuring expenses) improved by 5.1% to € 105.2m

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\(^1\) Before restructuring expenses and bank levy
### H1 2013 Results – Income statement

**Profit before tax**\(^1\) increased by 46% to € 120.3m

<table>
<thead>
<tr>
<th>in € m</th>
<th>H1 2013</th>
<th>H1 2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>259.5</td>
<td>310.4</td>
<td>-50.9</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>98.1</td>
<td>100.9</td>
<td>-2.8</td>
</tr>
<tr>
<td>Gains and losses on financial instruments</td>
<td>113.4</td>
<td>45.2</td>
<td>68.2</td>
</tr>
<tr>
<td>Other operating income</td>
<td>3.4</td>
<td>5.1</td>
<td>-1.7</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>474.4</td>
<td>461.6</td>
<td>12.8</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>-167.6</td>
<td>-172.2</td>
<td>4.6</td>
</tr>
<tr>
<td>Other administrative expenses</td>
<td>-94.0</td>
<td>-103.2</td>
<td>9.2</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>-27.4</td>
<td>-27.0</td>
<td>-0.4</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>-288.9</td>
<td>-302.4</td>
<td>13.5</td>
</tr>
<tr>
<td>Restructuring expenses</td>
<td>-11.4</td>
<td>-3.5</td>
<td>-7.9</td>
</tr>
<tr>
<td><strong>Operating profit before bank levy</strong></td>
<td>174.1</td>
<td>155.6</td>
<td>18.5</td>
</tr>
<tr>
<td>Bank levy</td>
<td>-12.7</td>
<td>-12.7</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating profit before risk costs</strong></td>
<td>161.4</td>
<td>142.9</td>
<td>18.5</td>
</tr>
<tr>
<td>Risk costs</td>
<td>-63.8</td>
<td>-77.5</td>
<td>13.7</td>
</tr>
<tr>
<td>Valuation results of associates at-equity</td>
<td>-1.4</td>
<td>0.8</td>
<td>-2.2</td>
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<tr>
<td><strong>Profit before tax</strong></td>
<td>96.2</td>
<td>66.2</td>
<td>30.0</td>
</tr>
<tr>
<td>Income taxes</td>
<td>-1.8</td>
<td>32.3</td>
<td>-34.1</td>
</tr>
<tr>
<td><strong>Profit after tax</strong></td>
<td>94.4</td>
<td>98.5</td>
<td>-4.1</td>
</tr>
<tr>
<td>Minorities</td>
<td>0.6</td>
<td>1.9</td>
<td>-1.3</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>93.8</td>
<td>96.6</td>
<td>-2.8</td>
</tr>
<tr>
<td>Net profit before restructuring expenses</td>
<td>105.2</td>
<td>100.1</td>
<td>5.1</td>
</tr>
<tr>
<td>Profit before tax, restructuring expenses and bank levy</td>
<td>120.3</td>
<td>82.4</td>
<td>37.9</td>
</tr>
</tbody>
</table>

\(^1\) Before restructuring expenses and bank levy
## H1 2013 Results – Business segments

Solid operating performance despite headwinds from markets and regulations

### Retail & Small Business

<table>
<thead>
<tr>
<th>in € m</th>
<th>H1 '13</th>
<th>H1 '12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>143.3</td>
<td>160.9</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>90.4</td>
<td>78.8</td>
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<tr>
<td>Others</td>
<td>26.6</td>
<td>15.9</td>
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<tr>
<td><strong>Operating income</strong></td>
<td><strong>260.3</strong></td>
<td><strong>255.6</strong></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>-195.2</td>
<td>-201.1</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td><strong>65.2</strong></td>
<td><strong>54.5</strong></td>
</tr>
<tr>
<td>Bank levy</td>
<td>-1.5</td>
<td>-1.4</td>
</tr>
<tr>
<td>Risk costs</td>
<td>-15.1</td>
<td>-27.1</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td><strong>48.6</strong></td>
<td><strong>26.0</strong></td>
</tr>
</tbody>
</table>

- Increase in operating income / profit despite difficult market conditions
- Sale of NPL portfolio
- Strict cost management despite further expansion
- Risk costs substantially reduced

### Financial Markets

<table>
<thead>
<tr>
<th>in € m</th>
<th>H1 '13</th>
<th>H1 '12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>11.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>4.6</td>
<td>1.3</td>
</tr>
<tr>
<td>Others</td>
<td>21.7</td>
<td>35.9</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td><strong>37.4</strong></td>
<td><strong>46.2</strong></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>-18.8</td>
<td>-21.7</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td><strong>18.6</strong></td>
<td><strong>24.5</strong></td>
</tr>
<tr>
<td>Bank levy</td>
<td>-7.5</td>
<td>-7.5</td>
</tr>
<tr>
<td>Risk costs</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td><strong>11.1</strong></td>
<td><strong>17.0</strong></td>
</tr>
</tbody>
</table>

- Focus on customer business
- Closing of proprietary trading
- Lower operating income / profit
- Operating expenses successfully reduced
- Volatility materially reduced

### Corporates

<table>
<thead>
<tr>
<th>in € m</th>
<th>H1 '13</th>
<th>H1 '12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>61.8</td>
<td>81.4</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>31.5</td>
<td>41.0</td>
</tr>
<tr>
<td>Others</td>
<td>16.6</td>
<td>11.2</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td><strong>109.9</strong></td>
<td><strong>133.6</strong></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>-47.5</td>
<td>-50.6</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td><strong>62.4</strong></td>
<td><strong>83.0</strong></td>
</tr>
<tr>
<td>Bank levy</td>
<td>-2.7</td>
<td>-3.2</td>
</tr>
<tr>
<td>Risk costs</td>
<td>-33.4</td>
<td>-24.3</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td><strong>26.4</strong></td>
<td><strong>55.5</strong></td>
</tr>
</tbody>
</table>

- Despite high margin pressure stable operating income for core client business
- Overall portfolio reduction from asset optimisation
- Operating expenses successfully reduced
- Higher risk costs

### International Business

<table>
<thead>
<tr>
<th>in € m</th>
<th>H1 '13</th>
<th>H1 '12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>40.3</td>
<td>46.3</td>
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<tr>
<td>Net fee and commission income</td>
<td>6.4</td>
<td>11.4</td>
</tr>
<tr>
<td>Others</td>
<td>2.5</td>
<td>-2.1</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td><strong>49.2</strong></td>
<td><strong>55.6</strong></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>-11.4</td>
<td>-9.3</td>
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<tr>
<td>Bank levy</td>
<td>-0.9</td>
<td>-0.6</td>
</tr>
<tr>
<td>Risk costs</td>
<td>-10.5</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td><strong>26.4</strong></td>
<td><strong>45.6</strong></td>
</tr>
</tbody>
</table>

- Accelerated repayments and higher funding costs trigger operating income / profit decline
- CEE exposure further reduced
- Stable corporate portfolio; real estate portfolio expanded
- >70% investment grade
H1 2013 Results – Financial position | Key indicators

Core Equity Tier I capital ratio\(^1\) improved by 4.5 percentage points to 12.3% since year-end 2011

Financial Position (in € m) | H1 2013 | FY 2012 | Change | FY 2011
--- | --- | --- | --- | ---
Total assets | 38,197 | 41,265 | -7.4% | 41,077
Financial assets | 9,029 | 10,050 | -10.2% | 10,574
Receivables from customers | 21,275 | 22,275 | -4.5% | 23,223
Payables to customers | 22,020 | 21,999 | +0.1% | 22,016
Own issues | 7,938 | 9,050 | -12.3% | 8,648
Tier I capital | 2,359 | 2,409 | -2.1% | 2,223
Risk-weighted assets | 18,011 | 20,618 | -12.6% | 23,223

Key Figures (in %) | H1 2013 | FY 2012 | FY 2011
--- | --- | --- | ---
Core Equity Tier I capital ratio\(^1\) | 12.3% | 11.0% | 7.8%
Tier I capital ratio | 13.1% | 11.7% | 9.6%
Own funds ratio | 15.1% | 13.8% | 12.3%
Cost-income ratio | 60.9% | 64.9% | 64.2%

Resources | H1 2013 | FY 2012 | FY 2011
--- | --- | --- | ---
Workforce (FTEs) | 3,840 | 4,003 | 4,038
New bank branches | 467 | 461 | 330

Ratings (Moody's) | H1 2013 | FY 2012 | FY 2011
--- | --- | --- | ---
Long-term senior unsecured rating | Baa2 stable | Baa2 stable | Baa2 stable
Outlook | | | stable
Bank financial strength rating (BFSR) | D | D | D

1) According to CRR/Basel 2.5
Outlook | Strategic & business focus

Expectation and planning for a low interest rate environment and continued competitive pressure – no major change expected for next 12 months while market growth will remain moderate

Further decisions on regulatory requirements are to peak next months sustainably impacting the European banking industry and business models

BAWAG P.S.K. will deliver on its decisively taken measures …

- focusing on its core businesses and products
- disposing of non core assets
- materially reduced cost base with improved productivity
- strengthening capital and optimising liquidity

… to operate more profitably and efficiently for our customers and stakeholders
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