



Credit update

COMPANY PROFILE

One of Austria's leading retail banks with **2.5 million customers & solid market shares**

2019 results: €459m net profit, 16.1% RoTCE, CIR 42.7% and CET1 ratio 13.3%

Focused on developed markets ... DACH region, Western Europe and the United States

Organic & inorganic growth in DACH region and developed markets

Simple & consistent product offering across multiple channels

CAPITAL MANAGEMENT



Focused on **organic** and **inorganic growth**



Dividend policy of **50% payout ratio**



Committed to returning excess capital to **shareholders**

TARGETS

Metrics

2020

Profit before tax

>€640m

Net profit

>€480m

Cost-income ratio

<40%

Return on Tangible Common Equity

15% - 20%

CET1 ratio (FL)

13%

Earnings per share

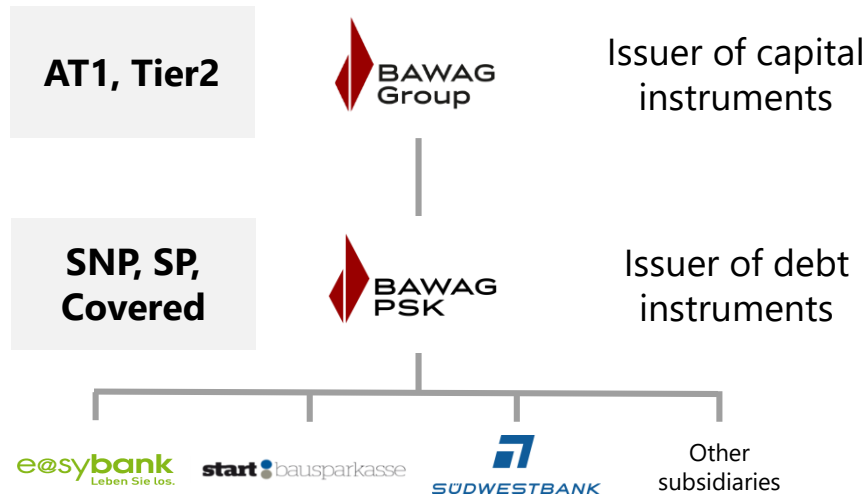
>€5.40

Note: EPS targets based on total share count of 89.1m shares

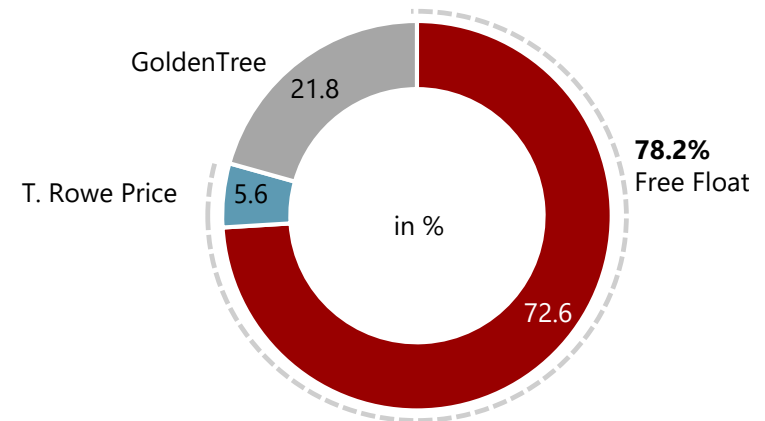
OUR STRATEGY



Company structure and issuing entities



Shareholder structure of BAWAG Group AG



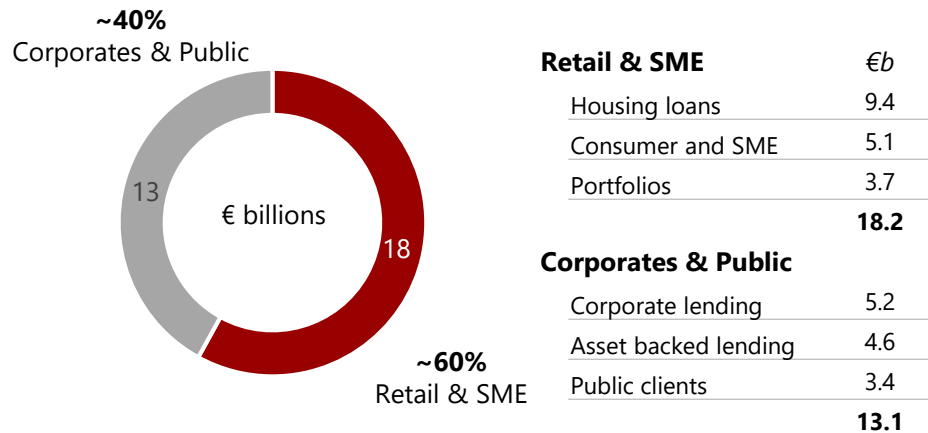
		Moody's	Fitch
BAWAG P.S.K.	Issuer Rating	A2 (stable)	A- (stable)
	Covered bonds	Aaa	
	Senior preferred	A2	A-
	Senior non-preferred	Baa2	
BAWAG Group	Tier 2	Baa2	
	Additional Tier 1	Ba1	

- Public listing on the Vienna Stock Exchange
- Granular and well diversified investor base with ~80% free float

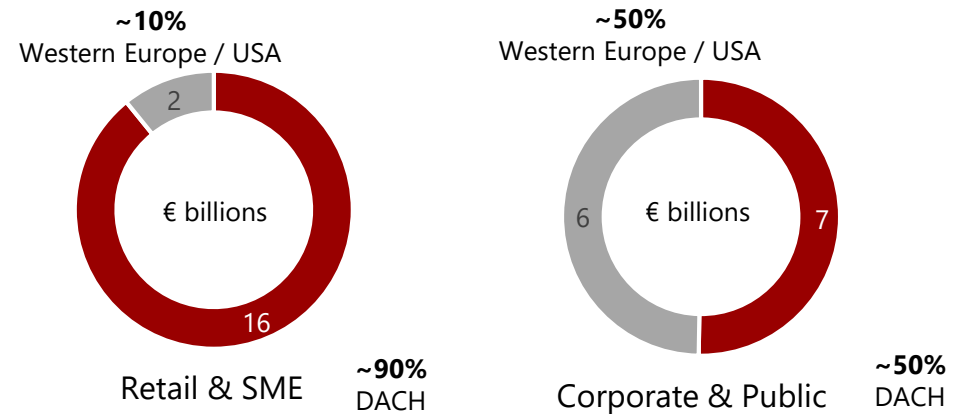
Based on number of shares of the most recent major holdings notifications

Assets decomposition

Customer segment assets by product



Customer segment assets by geography



- Balance sheet focus on customer business
- Focus on risk-adjusted returns versus volume growth
- Disciplined & conservative corporate & asset backed lending

- Focus on developed markets ... ~70% of assets in DACH region, rest in Western Europe & the United States
- No relevant exposure to CEE or emerging markets
- No operations in countries with elevated AML risk

Bank transformation

Focusing on things we control and driving operational excellence

KEY METRICS

	2012	2013	2014	2015	2016	2017	2018	2019
RoTCE	3%	11%	15%	17%	18%	15%	15%	16%
C/I ratio	70%	68%	54%	48%	46%	47%	44%	43%
CET1 (FL) post dividend	6.2%	9.4%	12.2%	12.3%	13.6%	13.5%	14.5%	13.3%
NPL ratio	3.5%	2.5%	2.0%	1.9%	1.7%	1.8%	1.7%	1.7%
Assets (€b)	41.5	36.6	34.9	35.7	39.7	46.1	44.7	45.7

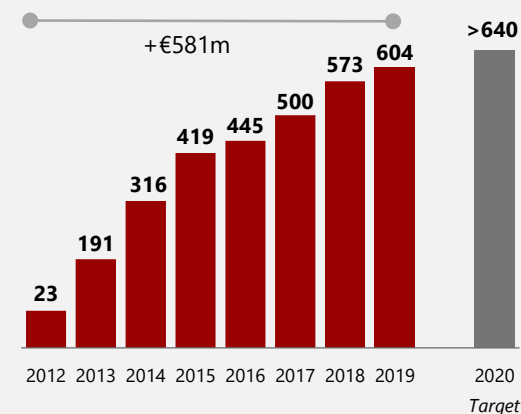
KEY TOPICS

- ✔ Structurally **fixed cost base**
- ✔ **Significantly increased profitability** despite declining / negative rates
- ✔ Focus on **simple core products**
- ✔ More than **doubled CET1** ratio
- ✔ **Focus on core markets** ... exited CEE and non-core assets
- ✔ **Returned/earmarked €900m+* capital since IPO in 2017**
- ✔ **Discontinued trading activities**
- ✔ Completed **9 acquisitions** in DACH region since 2015

* Through €500m dividend of which €230m will be proposed to the AGM in May and €400m share buyback executed in 2019

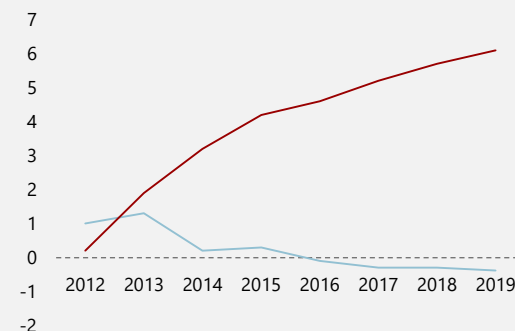
Increased profitability ...

Pre-tax profit (€ millions)



... without relying on interest rates

• Pre-tax profit
• 3m Euribor



Highlights 2019

All targets achieved

STRONG EARNINGS

FY 2019

- > Profit before tax (PBT) of €604m, +6% vPY
- > Net Profit of €459m, +5% vPY
- > Earnings per share of €4.69 (+7%), pro forma €5.22 (+19%)
- > Dividend per share of €2.61 (+20%)

EXECUTING ON OUR STRATEGY

- > Completed **Concept 21**: full separation from Austrian Post
- > **Germany**: significant progress made in building out German platform
- > Continue to develop towards a **Retail & SME franchise** ... target 80% profit contribution
- > Currently assessing a handful of **small bolt-on acquisitions** in DACH region

DISTRIBUTED €615m CAPITAL in 2019

- > **CET1 ratio** at year-end 2019 of 13.3% ... gross capital generation through earnings of ~230bps
- > **Share buyback** of €400m completed in Q4 '19 ... outstanding shares reduced by ~11%
- > **Dividend of €2.61 per share** will be proposed to AGM ... translates in ~€230m payout

Note: Comparison vPY, unless stated otherwise; pro forma EPS defined as net profit / shares outstanding at period end

Financial performance

Key highlights

P&L € millions	2019	vPY	Q4 '19	vPY	vPQ
Core revenues	1,163	3%	294	3%	1%
Operating income	1,241	6%	314	8%	-
Operating expenses	(530)	2%	(134)	(2%)	-
Regulatory charges	(42)	6%	(3)	-	52%
Risk costs	(69)	54%	(25)	89%	46%
Profit before tax	604	6%	154	8%	(6%)
Net profit	459	5%	116	7%	(7%)

€5.22
Earnings per share
pro forma

+19%
vPY

€2.61
Dividend / share

+20%
vPY

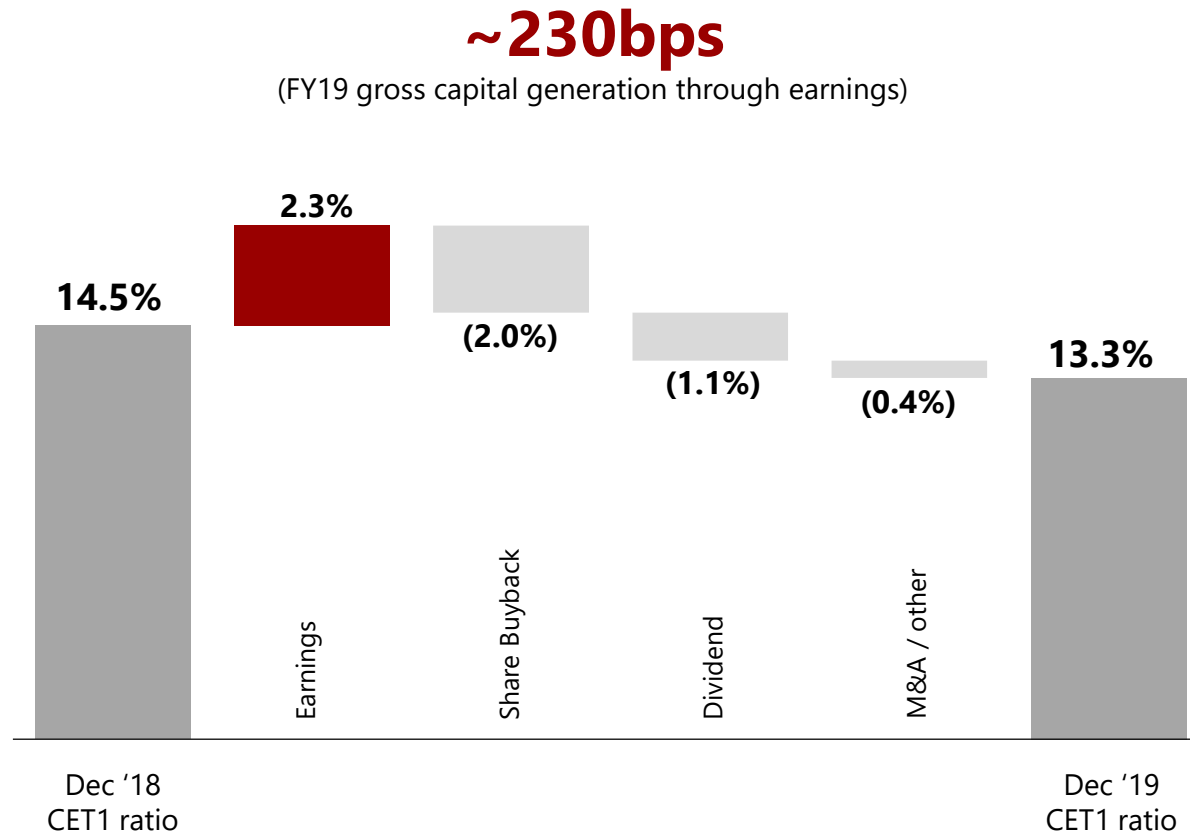
All 2019 targets achieved

	2019	Target	
Profit before tax	€604m	> 600m	✓
Cost-income ratio	42.7%	< 43%	✓
RoTCE	Reported	15%-20%	✓
	Pro forma		
RoTCE	16.1%		
RoTCE	17.3%		
CET1 ratio (post dividend)	13.3%	12%-13%	✓
EPS	Pre-tax	> €6.00	✓
	Post-tax	> €4.50	

Pro forma EPS defined as net profit / shares outstanding at period end; pro forma RoTCE assumes deduction of earmarked capital for share buyback in 2018

Capital development

Highly capital accretive business model



€2.61

dividend per share

will be proposed to AGM

Timing:

AGM: Held on 4 May 2020
Payment date: 13 May 2020

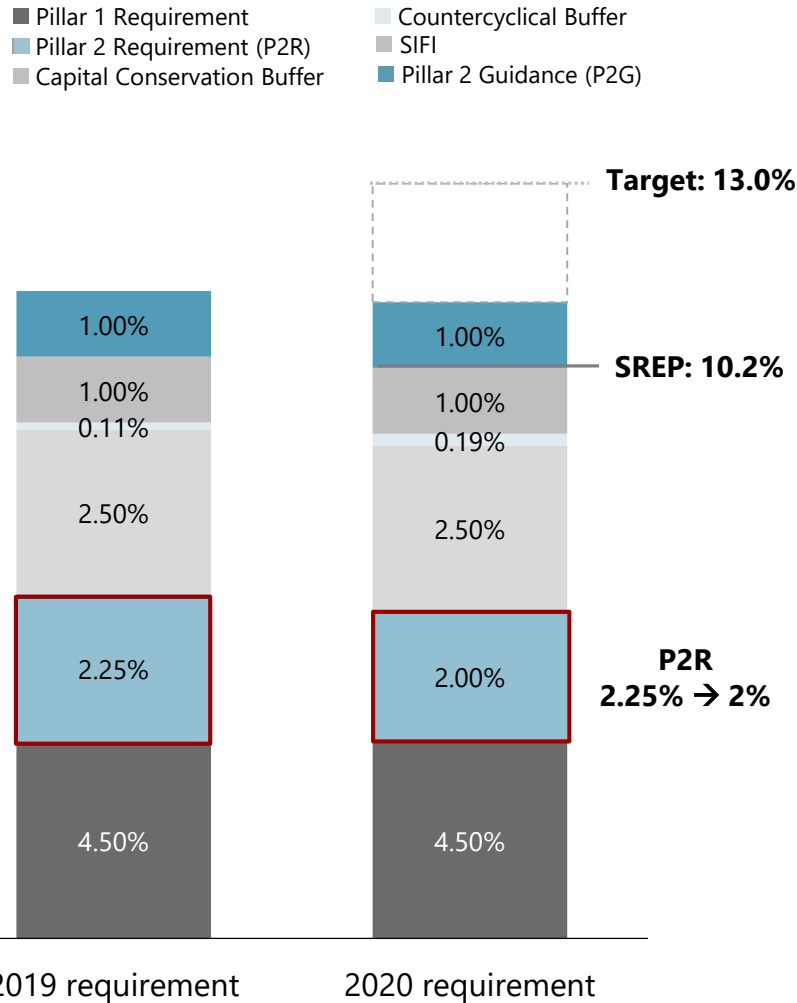
Calculation:

Net profit	€459m
50% pay-out of net profit	~€230m
Shares* as of year-end	87.9m
Dividend per share	€2.61

* Total share count of 89.1m less treasury shares of 1.2m

Capital distribution ... focus on shareholder value

P2R requirements lowered, while using 13% as threshold for capital distribution



CAPITAL DISTRIBUTION > 13%: dividends & buybacks

- Dividend payout of 50% of net profit and share buybacks
- Returned / earmarked* €900m+ capital since IPO in October 2017
- Translates into €9.37 per share (€5.37 dividends* and €4.00 share buyback)

CAPITAL USAGE: organic growth and M&A

- Funded all organic growth and 5 M&A transactions
- Pre-tax profit increased over €100m ... from €500m in 2017 to €604m in 2019

EARNINGS CAPITAL GENERATION: ~230bps CET1 per year

2017: +220bps 2018: +260bps 2019: +230bps

* ~€230m dividend payment (€2.61 per share) to be distributed in May 2020 post-AGM approval

Financial performance

€ millions	2019	2018	vPY	Q4 '19	vPQ
Net interest income	626.0	575.4	9%	163.6	3%
Net commission income	242.2	236.1	3%	59.9	(1%)
Core revenues	868.3	811.5	7%	223.4	2%
Other income	2.5	18.6	(87%)	0.8	(27%)
Operating income	870.8	830.0	5%	224.2	2%
Operating expenses	(372.9)	(350.9)	6%	(90.3)	(7%)
Total risk costs	(76.3)	(62.3)	22%	(25.9)	43%
Regulatory charges	(27.0)	(26.0)	4%	(1.7)	21%
Profit before tax	394.6	390.9	1%	106.4	3%
Net profit	295.9	293.2	1%	79.8	3%

Customer development

€ millions	2019	2018	vPY	Q4 '19	vPQ
Housing loans	9,374	9,075	3%	9,374	2%
Consumer and SME	5,050	4,059	24%	5,050	1%
Portfolios	3,731	3,771	(1%)	3,731	8%
thereof: UK & French mortgage portfolios	1,762	2,093	(16%)	1,762	(3%)
Total assets	18,155	16,905	7%	18,155	3%
Total assets (average)	17,381	16,848	3%	18,006	3%
Customer deposits	24,848	24,251	2%	24,848	3%

Profit before tax growth of 1% in 2019 ... adjusted for risk cost one-offs underlying growth of 3%

Net asset growth of +7% vs prior year ... driven by Consumer & SME and Housing loans

International mortgage portfolios running off as anticipated ... down 16% versus prior year

Major milestones achieved with completion of *Concept 21* ... will begin to realize full benefits of centrally managed network in 2020

23.5% | +0.8pts
FY '19 RoTCE | vPY

42.8% | +0.5pts
FY '19 CIR | vPY

1.9% | flat
NPL ratio | vPY

Retail & SME

Retail transformation in Austria ... integration momentum in Germany

AUSTRIA

"Core foundation ... continued transformation"

Led by David O'Leary (Managing Board)



LEVERAGING ESTABLISHED PHYSICAL FOOTPRINT



- Completely separated from Austrian Post
- Centrally managed network of 88 branches
- ~870 sales force; ~200 new advisors were hired over last 2 years

ENHANCING DIGITAL PROCESSES & ENGAGEMENT



- POS financing ... simplified lending technology, easily deployed
- SME offering ... Express working capital loans, accounts (Spotcap)
- Launched new mobile bank app *klar*
- Redesign workflow across products and channels

GROWING PARTNERSHIPS & PLATFORMS



- POS financing ... MediaMarktSaturn Austria
- Sole bank partner of jö bonus loyalty program
- Building out broker platforms

INTERNATIONAL RETAIL & SME

"Building the platform"

Led by Sat Shah (Managing Board)



ESTABLISHING SOLID FOUNDATION

- Germany as foundation for International Retail & SME
- Dedicated leadership team to drive integrations and growth

GROWTH DRIVERS

- More digital focus ... products and channels
- More specialty finance oriented (leasing, factoring, consumer finance)
- Organic growth through partnerships and platforms while pursuing M&A

DRIVING POSITIVE OPERATING LEVERAGE

- Positive integration momentum
- Harmonizing technology landscape ... core systems and applications
- Centralized middle and back-office functions

**Net profit growth of >10% targeted in 2020
for Retail & SME**

Corporates & Public

Financial performance

€ millions	2019	2018	vPY	Q4 '19	vPQ
Net interest income	249.1	250.4	(1%)	61.4	-
Net commission income	43.0	48.6	(12%)	10.5	(3%)
Core revenues	292.1	299.0	(2%)	71.9	(1%)
Other income	0.2	10.7	(98%)	1.3	-
Operating income	292.3	309.8	(6%)	73.3	3%
Operating expenses	(100.1)	(120.0)	(17%)	(22.3)	(11%)
Total risk costs	7.6	17.8	57%	(0.6)	>100%
Regulatory charges	(10.0)	(8.9)	12%	(0.9)	50%
Profit before tax	189.8	198.7	(4%)	49.4	8%
Net profit	142.4	149.0	(4%)	37.1	8%

Customer development

€ millions	2019	2018	vPY	Q4 '19	vPQ
Corporate lending	5,188	6,835	(24%)	5,188	(21%)
Asset backed lending	4,602	4,220	9%	4,602	3%
Public clients	3,351	3,112	8%	3,351	-
Total assets	13,141	14,167	(7%)	13,141	(9%)
Total assets (average)	14,009	14,419	(3%)	13,601	(3%)
Customer deposits	5,019	5,683	(12%)	5,019	(17%)

Focused on risk-adjusted returns and not absolute volume growth

Continued pricing pressure across Corporate lending space ... will remain disciplined and patient

Solid pipeline in asset backed lending

Maintaining disciplined underwriting ... senior secured financing, day 1 LTV < 65%, and ICR > 2.0x

Net profit in 2020 expected flat to slightly down for Corporates & Public

14.4% | +1pt | **34.2%** | (4.5pts)
 FY '19 RoTCE | vPY | FY '19 CIR | vPY

1.0% | (0.2pts)
 NPL ratio | vPY

P&L & key ratios

P&L € millions	Q4 '19	vPY	vPQ	2019	vPY
Net interest income	223.9	4%	2%	879.0	5%
Net commission income	70.0	(0%)	(1%)	283.5	-
Core revenues	293.9	3%	1%	1,162.5	3%
Other revenues	20.4	>100%	(15%)	78.0	65%
Operating income	314.3	8%	(0%)	1,240.5	6%
Operating expenses	(133.9)	(2%)	0%	(529.7)	2%
Total risk costs	(25.0)	89%	46%	(69.3)	54%
Regulatory charges	(3.2)	-	52%	(42.4)	6%
Profit before tax	153.8	8%	(6%)	604.3	6%
Income taxes	(37.4)	9%	(4%)	(145.0)	6%
Net profit	116.1	7%	(7%)	459.1	5%

Key ratios	Q4 '19	vPY	vPQ	2019	vPY
Return on Common Equity	13.4%	0.9pts	(0.4pts)	13.5%	0.8pts
Return on Tangible Common Equity	16.0%	1.5pts	(0.4pts)	16.1%	1.3pts
Net interest margin	2.36%	0.20pts	0.08pts	2.30%	0.09pts
Cost-income ratio	42.6%	(4.5pts)	0.2pts	42.7%	(1.5pts)
Risk cost ratio	0.27%	0.13pts	0.09pts	0.18%	0.06pts
Pre-tax earnings per share	€1.57	9%	(5%)	€6.17	7%
After-tax earnings per share	€1.19	9%	(6%)	€4.69	7%
Tangible book value per share	€31.02	3%	(0%)	€31.02	3%
Book value per share	€37.49	7%	2%	€37.49	7%

Solid financial performance in Q4 ... all ratios / metrics in line with our FY '19 targets

NII up 2% in Q4 '19 with NIM expanding from 2.28% to 2.36%

Operating expenses and risk costs seasonally higher, but good underlying run-rate into 2020

Balance sheet

Continued focus on balance sheet optimization and growing our customer business

Balance sheet € billions	2019	2018	vPY	vPQ
Customer loans	30.5	30.5	(0%)	(1%)
Securities and bonds	5.4	6.9	(22%)	(12%)
Credit institutions and cash	7.1	5.4	32%	11%
Other assets	2.7	1.9	42%	(1%)
Total assets	45.7	44.7	2%	(1%)
thereof Interest-bearing assets	36.8	38.0	(3%)	(4%)
Customer deposits	30.4	30.2	1%	-
Own issues	5.4	4.4	23%	6%
Credit institutions	3.1	4.3	(28%)	(9%)
Other liabilities	2.9	1.8	63%	(5%)
Common equity	3.5	3.7	(5%)	(7%)
AT1 capital	0.3	0.3	(0%)	-
Total liabilities & equity	45.7	44.7	2%	(1%)

Capital & RWA € billions	2019	2018	vPY	vPQ
Common equity *	3.3	3.5	(6%)	(9%)
Tangible common equity *	2.7	3.0	(9%)	(11%)
CET1 capital (FL) *	2.7	3.0	(9%)	(17%)
Risk-weighted assets	20.4	20.5	(0%)	(1%)
CET1 ratio (FL)	13.3%	14.5%	(1.2pts)	(2.4pts)
Leverage ratio (FL)	6.5%	7.1%	(0.6pts)	(0.7pts)

*deducted dividend accruals

Customer loans and deposits largely stable

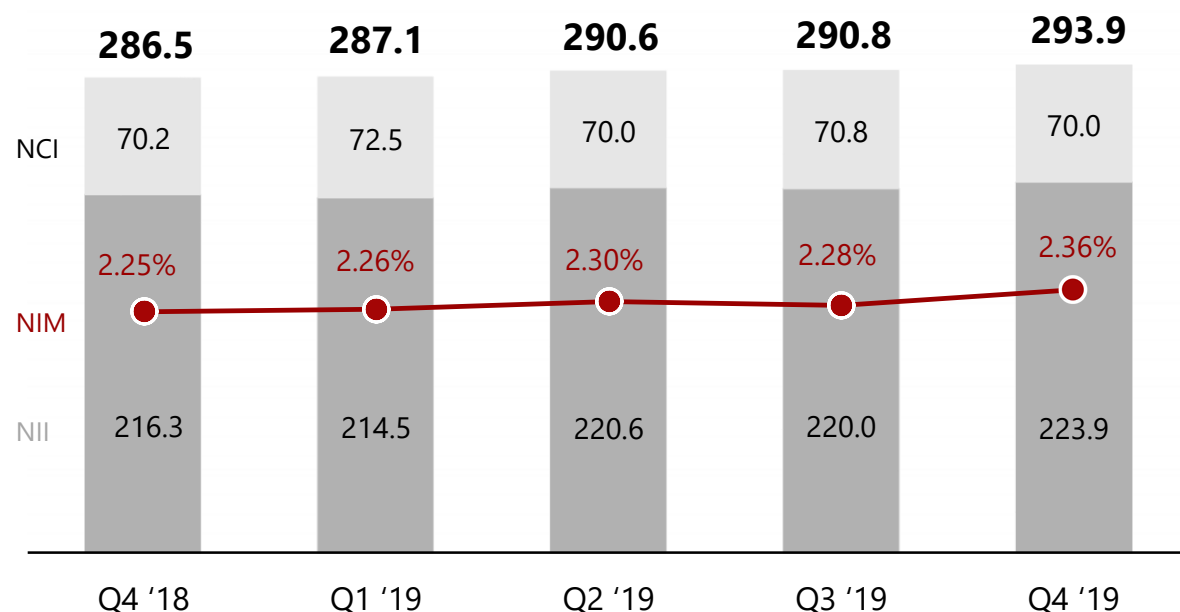
Securities and bonds further reduced

Execution of share buyback of €400m in Q4 '19

P&L details – core revenues

Strong revenue momentum from NII growth

€ millions



Customer loans | Average interest bearing assets | € billions

Quarter	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19
Customer loans	30.5	30.2	31.1	30.7	30.5
Average interest bearing assets	38.5	38.0	38.4	38.6	37.6

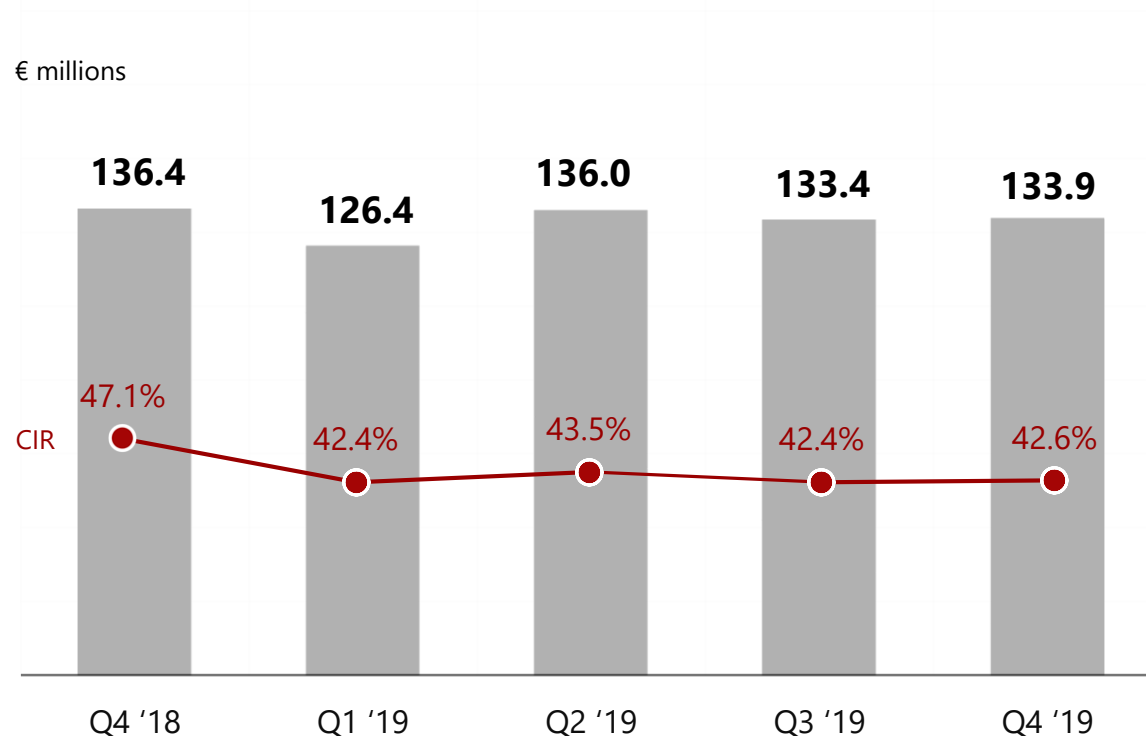
Net interest income (NII) +2% vPQ ... net interest margin (NIM) at 2.36%

- Revenue uplift in Q4 '19 ... growth in Retail core products drives positive momentum and margin expansion into 2020
- Interest rates ongoing low (primarily exposed to 3-Months-Euribor) +/- 10 bps parallel shift in interest rates = +/- €1m NII per month
- Run-down of international mortgage portfolios as anticipated

Net commission income (NCI) (1%) vPQ

- Stable development after strong Q3 performance
- Initiatives on the way to improve commission income in advisory businesses

P&L details – operating expenses



Cost-income ratio <43% in Q4 '19 and FY'19

- Despite seasonally higher operating expenses (restructuring expenses, etc.) in Q4 '19 cost-income ratio remained below 43%
- **Normalized run-rate of €129m per quarter ...** good line of sight for cost-income ratio of below 40% in 2020

Examples of initiatives launched during the course of 2019:

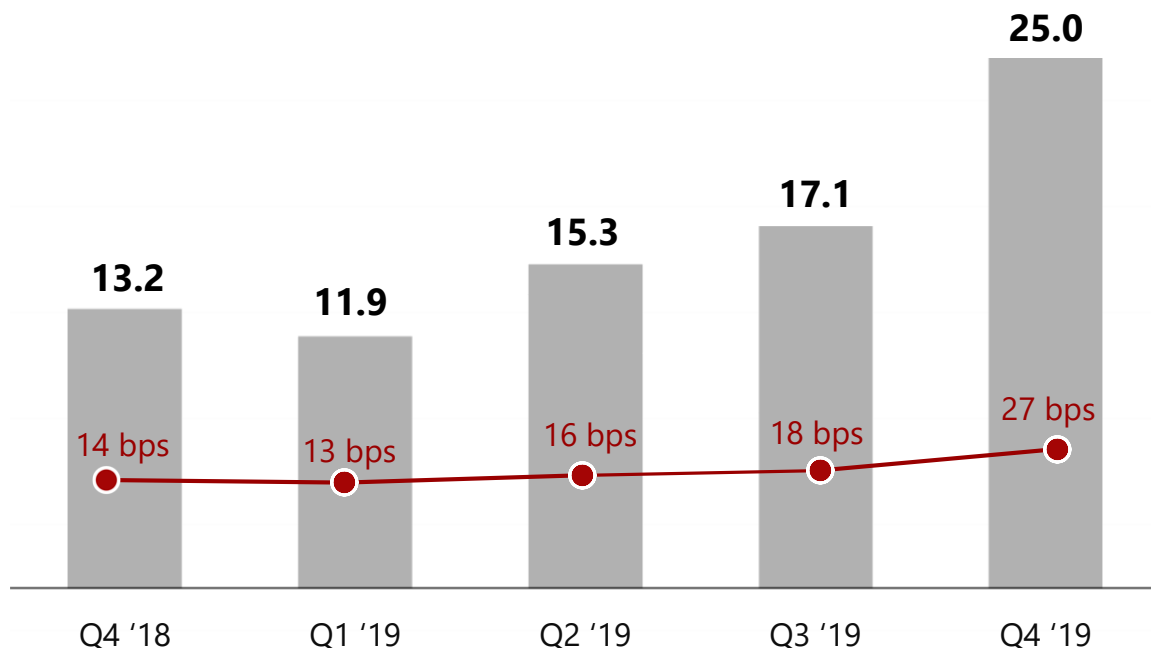
- Network to 88 branches vs. originally planned 100 branches as part of *Concept 21*
- Harmonizing technology landscape ... core systems and applications
- Further centralization of back-office functions in competence centers (mainly in Vienna)

P&L details – risk costs

Proactive risk management to maintain conservative risk profile

€ millions

—●— Risk costs / average interest-bearing assets



NPL ratio (as reported and excluding CoL)

1.7%	1.8%	1.8%	1.9%	1.7%
1.2%	1.2%	1.2%	1.4%	1.2%

Q4 '19 risk cost ratio at 27bps ... includes one-offs (mainly addressing legacy NPL exposures)

Adjusted underlying run-rate in Q4 '19 consistent with prior quarters of ~€17m or 18bps

Business focused on developed markets ... 72% DACH region and 28% 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

For 2020 expected risk costs 15-20bps

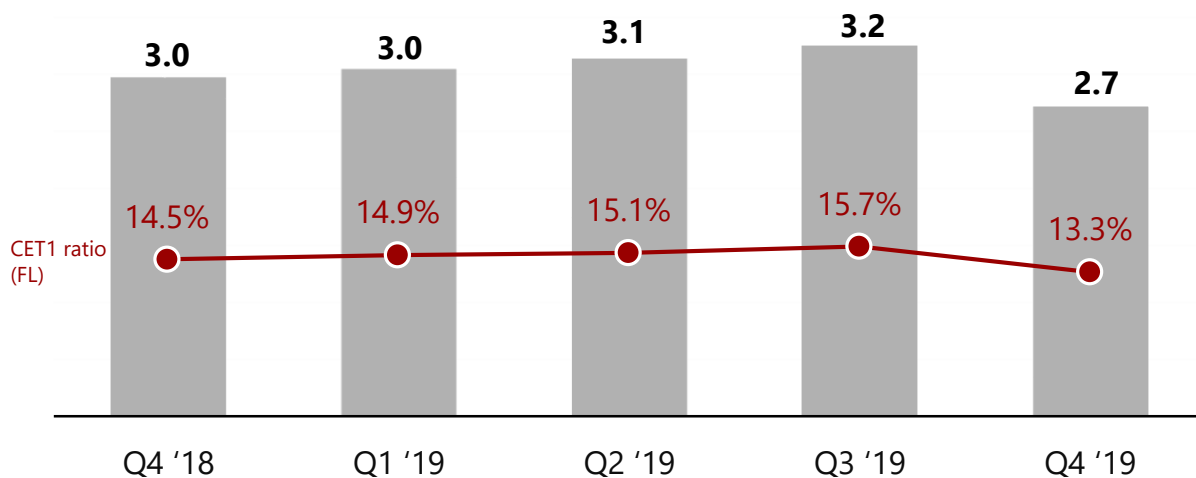
Benign credit environment and expected through-the-cycle risk costs 15-25bps

Regulatory Capital

Continued strong capital generation

CET1 Capital (FL)

€ billions



RWA | € billions | Total capital ratio

Quarter	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19
RWA [€ billions]	20.5	20.5	20.7	20.6	20.4
Total capital ratio [%]	16.3%	18.7%	18.9%	19.5%	17.0%

CET1 ratio at year-end of 13.3%

BAWAG Group SREP of 10.2% ... P2R of 2.0% (down 25bps vPY) ... P2G of 1.0%

ECB published bank-specific data:

- average P2R 2.1%
- average P2G (non-binding) at 1.5%

13.3%
CET1 ratio

14.7%
Tier1 ratio

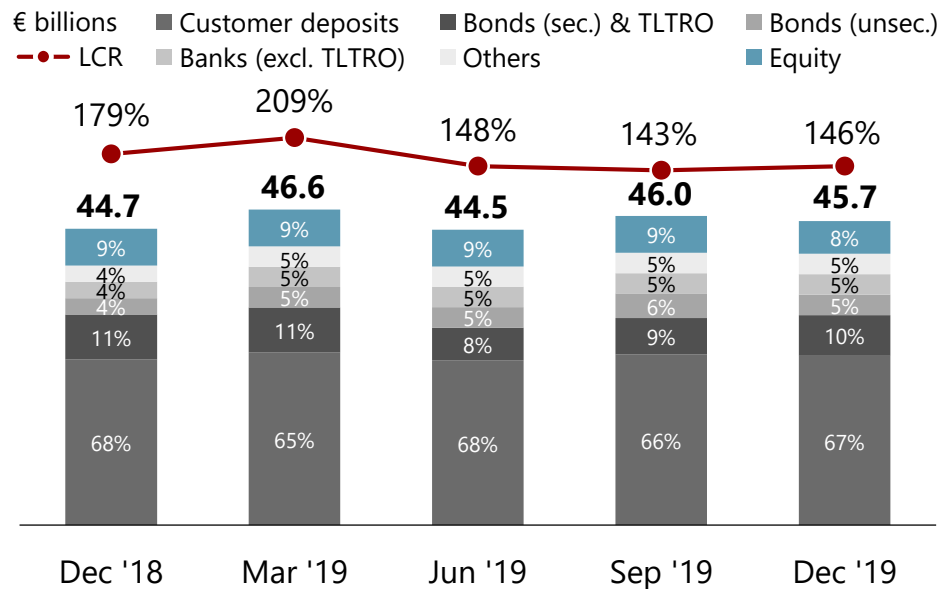
17.0%
Total capital ratio

Note: Quarterly CET1 ratio not considering dividend, at year-end dividend deducted; ECB reference: <https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200128~20e2703d8e.en.html>

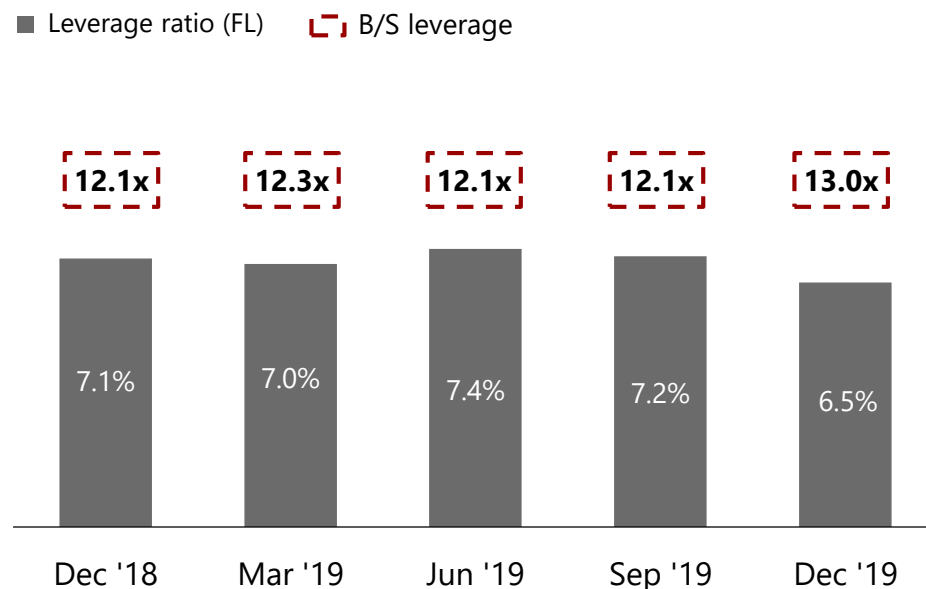
Funding & leverage

Strong customer deposit base and focus on conservative leverage

Funding structure



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
- €400m share buyback reflected in Q4 '19 leverage ratio and B/S leverage




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

Wholesale funding

Stable customer deposit base complemented by solid access to wholesale funding

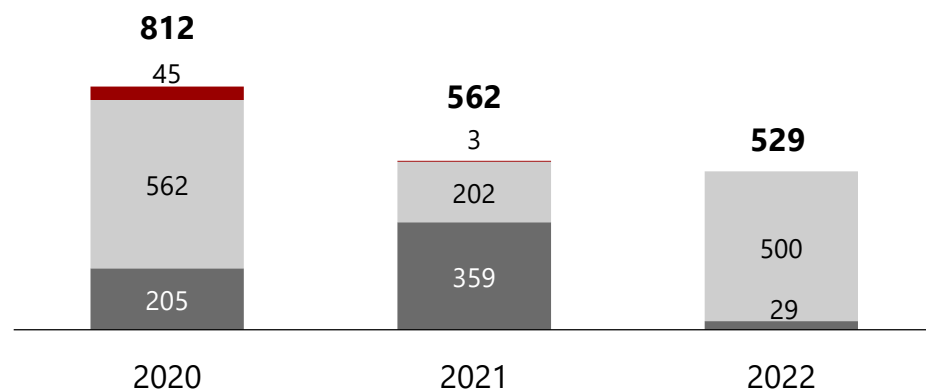
Stable funding structure ...

€ millions IFRS book value as of 31 December 2019

	Own issues (incl. AT1)	5,742	in %
	Covered bonds & RMBS	3,007	52%
	Senior unsecured debt ²⁾	1,805	31%
	of which > 1 year	1,616	28%
	Subordinated debt (Tier 2)	630	11%
	Additional Tier 1 ¹⁾	300	5%

... with a comfortable maturity profile

€ millions notional ■ Senior debt²⁾ ■ Covered bonds & RMBS ■ Subordinated



1) Reported as equity under IFRS 2) including €500m senior non-preferred bonds maturing in Sep 2027

... with following issuing strategy:

- **Covered bond issuance** complements funding from stable customer deposit base

At least one covered bond benchmark per year to replace redemptions and fund growing asset base

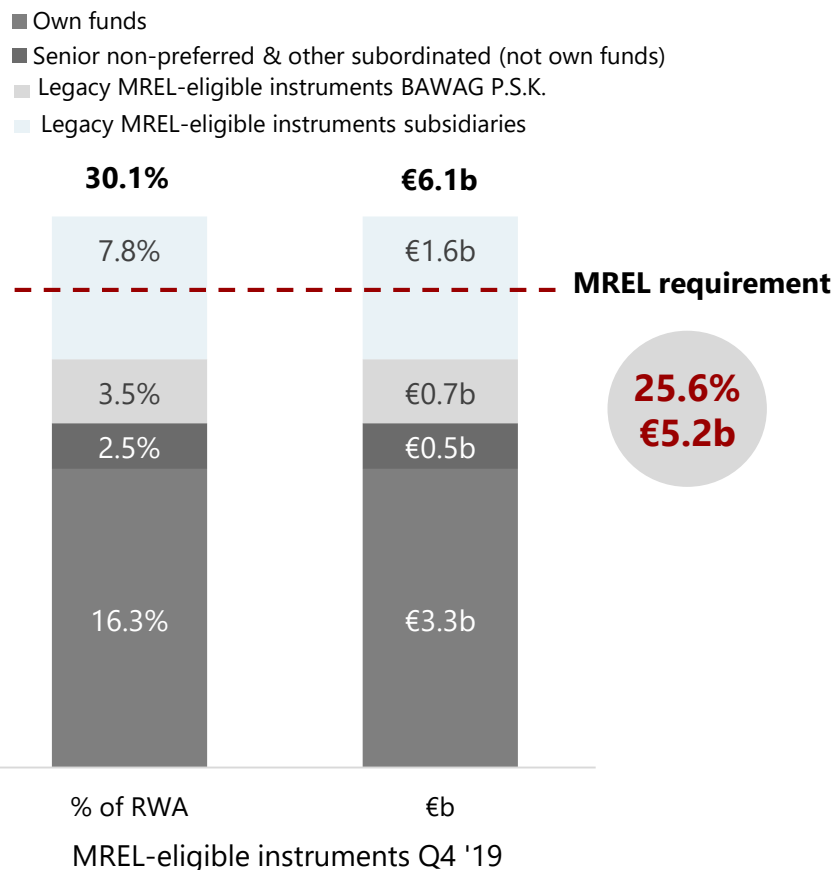
- **Senior issuance** to preserve MREL compliance and establish buffers:

~€1.0b-1.5b senior benchmark bonds (senior preferred, senior non-preferred) to meet MREL and subordination requirement until year end 2022, depending on regulatory requirements

MREL update

Proactive approach to meeting regulatory requirements

MREL requirement¹⁾



MREL strategy

- First MREL decision received in June 2019 ... in line with expectations
 - MREL requirement of 11.94% of TLOF (~25.6% of RWA²⁾)
 - BAWAG P.S.K. confirmed as single point of entry
 - Requirement applicable at BAWAG P.S.K. level (consolidated)
 - No subordination requirement
- BAWAG P.S.K. in full compliance with MREL requirement based on current regulatory framework ... 13.8% of TLOF as of Q4 '19
- Stricter rules expected for future MREL decisions applicable for 2020 and beyond
 - Introduction of subordination requirement
 - MREL eligibility restricted to instruments issued by BAWAG P.S.K.
- Our MREL strategy with limited reliance on multi-year phase in
 - €500m senior non-preferred bond ("SNP") successfully issued in August 2019
 - Additional ~€1.0b-1.5b senior instruments (senior preferred, senior non-preferred) to meet MREL and subordination requirement until year end 2022, depending on regulatory requirements

TLOF ... Total Liabilities and Own Funds

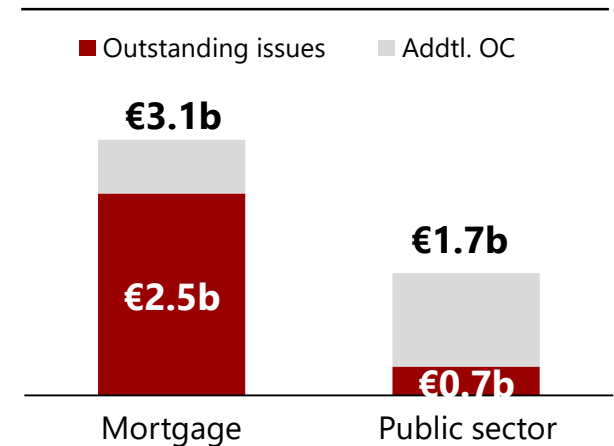
1) Figures on BAWAG P.S.K. consolidated level; own funds and RWA on fully loaded basis 2) Based on financial statements as of 31 December 2017

BAWAG P.S.K. covered bonds

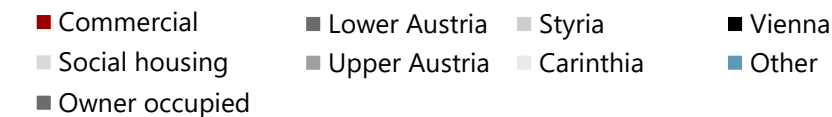
High quality collateral with a plain cover pool

- **Aaa Rating** (Moody's) ... for mortgage and public sector pool
- **High quality Austrian assets** ... mortgage cover pool size €3,058m and public sector cover pool size €1,673m¹⁾
- **Solid collateral score** compared to Austrian and German average cover pool ... 5.5% for mortgage cover pool and 4.3% for public sector cover pool²⁾
- **Plain cover pool ... 95% residential housing** (vs. commercial use) ... **78% municipalities** (vs. regions and central government) ... 0% non-performing loans, no derivatives ... highly granular pools with >24ths mortgages and >2.5ths public sector loans¹⁾

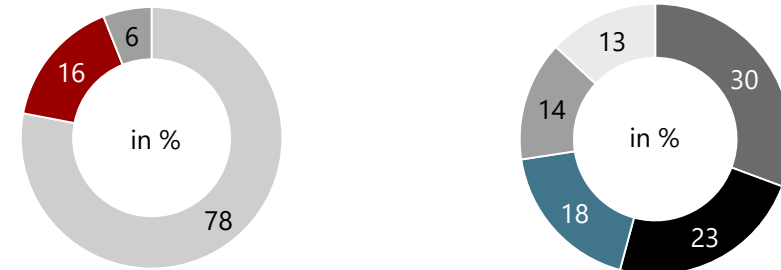
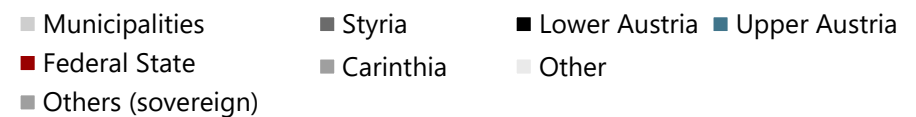
BAWAG P.S.K. cover pools³⁾



Mortgage cover pool decomposition¹⁾



Public sector cover pool decomposition¹⁾



1) Data as of Q4 2019 2) Data as of Q2 2019 3) Data as of 21-Jan 2020



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Annex – Definitions and abbreviations

After-tax earnings per share ('EPS')

Net profit / weighted average number of shares outstanding (diluted)

B/S leverage

Total assets / IFRS equity

Common Equity Tier 1 capital (CET1)

including interim profit, excluding any transitional capital (fully loaded), no dividend accruals considered; year-end common equity Tier 1 capital considers dividend deduction

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

Common equity

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

FL ... fully-loaded

Leverage ratio

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

Net interest margin (NIM)

Net interest income (NII) / average interest-bearing assets

NPL ratio

Non-performing loans (NPLs) / exposure

NPE ratio

Non-performing exposure (NPEs) / exposure

Pre-tax earnings per share

Profit before tax / weighted average number of shares outstanding (diluted)

Pro-forma EPS

Net profit / number of shares outstanding post buyback

Pro-forma RoTCE ... reflect average tangible common equity after accounting for share buyback of €400m

Return on common equity (RoCE)

Net profit / average IFRS equity excluding AT1 capital and deducted dividend accruals average equity based on 1 January 2018 due to IFRS 9 implementation

Return on tangible common equity (RoTCE)

Net profit / average IFRS tangible equity excluding AT1 capital and deducted dividend accruals; 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

Tangible book value / share

IFRS tangible equity (excluding AT1 capital, deducted dividend accruals) / number of shares outstanding

Tangible common equity

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

vPY ... versus prior year period

vPQ ... versus prior quarter period

vYE ... versus year-end