


Q1 2019 Earnings

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


14 May 2019



- Q1 2019 Highlights and segment performance**
- Detailed financials
- Appendix

Highlights Q1 2019


Executing on our strategy and on track to meet full year targets




Delivered strong earnings ... Profit before tax (PBT) of €127m and €97m of net profit, up 9% and 12% vPY ... normalized PBT of €151m and €116m net profit (Q1 accounts for ~85% of full year regulatory charges)



Executing on our strategy ... Concept 21 on plan, multiple retail partnerships launched, released new digital products and continuing to build out the German platform with closing of 3 acquisitions



Strong capital generation ... CET1 ratio of 14.9%, up 40bps vs YE 2018 with gross capital generation of 70bps



Capital return on track ... AGM approved share-buyback program of up to €400m, pending regulatory approvals ... dividend of €215m paid on 10 May (50% of 2018 attributable net profit)

Financial performance

Key highlights Q1 '19



Q1 '19 vPY vPQ

€ millions

	Q1 '19	vPY	vPQ
Core revenues	287	+2%	-
Operating income	298	-	+3%
Operating expenses	(126)	(3%)	(7%)
Risk costs	(12)	(25%)	(10%)
Regulatory charges	(34)	(7%)	>100%
Profit before tax	127	+9%	(11%)
Net profit	97	+12%	(11%)

Normalized

Profit before tax	151	+6%	+15%
Net profit	116	+8%	+17%

Q1 '19 2019 Target

Cost-income ratio (CIR)	42.4%	<43%
Return on Tangible Common Equity (RoTCE)		
Reported	12.0%	15% to 20%
Pro forma ¹⁾	17.8%	
CET1 ratio		
Reported	14.9%	12% to 13%
Pro forma ¹⁾	12.7%	

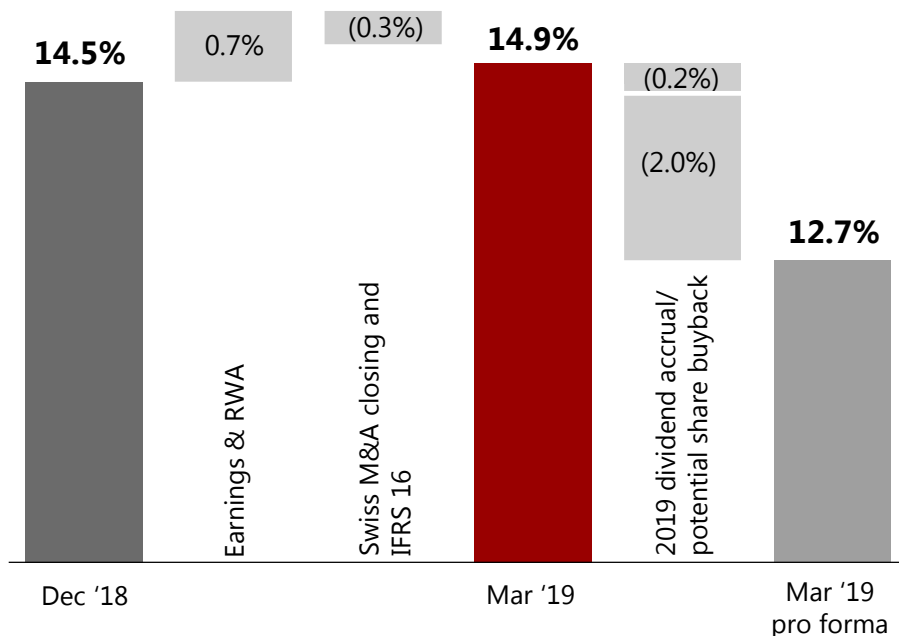
¹⁾ Considers normalized regulatory costs (85% of FY regulatory charges were booked in Q1), a proposed share buyback of €400m, dividend of €215m paid for 2018 and dividend accrual for Q1 '19

Capital development

Highly capital accretive business model

Capital generation

+70bps gross capital generation during Q1 '19



Capital deployment

- €215m dividend for 2018 paid in May '19 (~110bps)¹⁾
- Q1 '19 dividend accrual based on dividend policy of 50% net profit attributable to shareholders (~20bps)
- Share buyback of up to €400m planned ... pending regulatory approvals (~200bps)

	Q1 '19 reported ¹⁾	Q1 '19 pro forma ²⁾
RoTCE	12.0%	17.8%
CET1 Ratio	14.9%	12.7%



















1) On a reported basis, the 2018 dividend paid in May '19 of ~110 bps was already deducted from CET1 in Dec '18, however it is not yet deducted from Q1 '19 Tangible Common Equity

2) Considers normalized regulatory costs (85% of FY regulatory charges were booked in Q1), a proposed share buyback of €400m, dividend of €215m paid for 2018 and dividend accrual for Q1 '19

Proven M&A track record

Experienced with bolt-on acquisitions to build out customer franchise

Acquisition track record

Closed Q2 '19	 	€0.1b assets, €1b factoring new volume 3k customers
Closed Q1 '19	 	€0.6b assets 50k customers
Closed Q2 '19	 	€0.5b assets 85k customers
Closed Q3 '18	 	€7.4b assets 100k customers
Closed 2017	 	1.7m cards, >500k customers
Closed 2017	 	€2b assets 50k customers
Closed 2016	 	€1.6b assets 5k customers
Closed 2016	 	€0.7b assets 50k customers
Closed 2015	 	

Recent developments

Closing of latest bolt-on acquisitions

- ✓ Expansion into Germany (leasing & factoring) & Switzerland (factoring), healthcare financial services
- ✓ De-minimis impact in 2019 / 2020 ... targeting Group returns >15% RoTCE, adding €25m+ of PBT in 2021

2019 expected quarterly financial impact

€ millions	Average pro forma quarterly impact
Operating income	~13
Operating expenses	~(11)
Risk costs	~(1)
Profit before tax	~1

 **40 bps CET1 impact in Q2 '19**

Financial performance

€ millions	Q1 '19	Q1 '18	Q4 '18	vPY	vPQ
Net interest income	147.0	143.2	146.5	3%	-
Net commission income	61.6	62.0	58.2	(1%)	6%
Core revenues	208.5	205.2	204.7	2%	2%
Other income	0.4	9.1	8.7	(96%)	(95%)
Operating income	208.9	214.3	213.4	(3%)	(2%)
Operating expenses	(87.1)	(87.4)	(90.5)	-	(4%)
Total risk costs	(15.2)	(15.9)	(19.2)	(4%)	(21%)
Regulatory charges	(23.2)	(27.2)	3.1	(15%)	>100%
Profit before tax	83.5	84.0	106.8	(1%)	(22%)
Net profit	62.6	63.0	80.1	(1%)	(22%)

Customer development

€ millions	Q1 '19	Q1 '18	Q4 '18	vPY	vPQ
Housing loans	9,073	8,522	9,075	6%	-
Consumer and SME	4,184	4,115	4,059	2%	3%
Portfolios ¹⁾	3,601	4,142	3,771	(13%)	(5%)
Total assets	16,858	16,779	16,905	-	-
Customer deposits	23,957	23,192	24,245	3%	(1%)

1) Portfolios comprised primarily of Swiss Franc, UK and French performing mortgages

Highlights

- Housing, Consumer & SME +1% vPQ and +5% vPY
- Portfolios running off as anticipated
- Continuing to execute on Concept 21 ... fully revamped and independent network by end of 2019
- Launched MediaMarktSaturn, jö bonus loyalty program & Metro partnerships ... solid pipeline of new deals
- Continuing to roll-out new digital products ... focus on creating frictionless process for customers

RoTCE

18.5%

CIR

41.7%

NPL ratio

2.0%

Retail & SME

Strategic & operational initiatives

Austria



easybank

e@syleasing

start:bausparkasse

PayLife

1 "Concept 21" network transformation

- 14 new-built branches in place by end of Q2 '19
- 62 fully standalone and refurbished branches
- Highly positive customer feedback received

2 Retail Partnerships / brokers / direct channels

- Media Markt Saturn... successfully launched in Q1 '19
- Metro Cash & Carry ... POS access to customers
- Jö bonus loyalty program ... leading local provider

3 Digital products

- Successful launch of new digital banking app "klar"
- Created POS finance automated product for retail partnerships
- Focus on creating end-to-end frictionless retail products across product family

Germany/Switzerland



Qlick

start:bausparkasse

BFL^o

Health^{AG}

Zahnärztekasse AG

1 Continued transformation momentum

- Continued progress in Südwestbank, start:bausparkasse
- Closed all 3 deals signed in Q4 ... de-minimis impact in 2019/2020 ... target adding €25m+ in 2021

2 Retail & SME franchise design focus

- Retail focus on driving partnerships, online distribution platforms, broker and dealer POS distribution channels
- SME franchise design targeting niche sectors & strategic partners, covering full factoring, leasing, financing offers

3 Creating an operational hub

- Defining site presence strategy across Stuttgart, Hamburg, Frankfurt, Berlin, Düsseldorf, Zürich
- Focus on operating leverage, Group level scale efficiencies

Financial performance

€ millions	Q1 '19	Q1 '18	Q4 '18	vPY	vPQ
Net interest income	64.7	64.6	63.8	-	1%
Net commission income	11.6	13.1	12.4	(11%)	(6%)
Core revenues	76.3	77.7	76.2	(2%)	-
Other income	0.3	0.1	7.2	>100%	>100%
Operating income	76.6	77.9	83.4	(2%)	(8%)
Operating expenses	(27.1)	(31.5)	(29.2)	(14%)	(7%)
Total risk costs	4.6	0.3	7.1	>100	(35%)
Regulatory charges	(7.1)	(6.1)	(1.0)	16%	>100%
Profit before tax	47.0	40.5	60.2	16%	(22%)
Net profit	35.3	30.4	45.1	16%	(22%)

RoTCE

11.8%

CIR

35.4%

NPL ratio

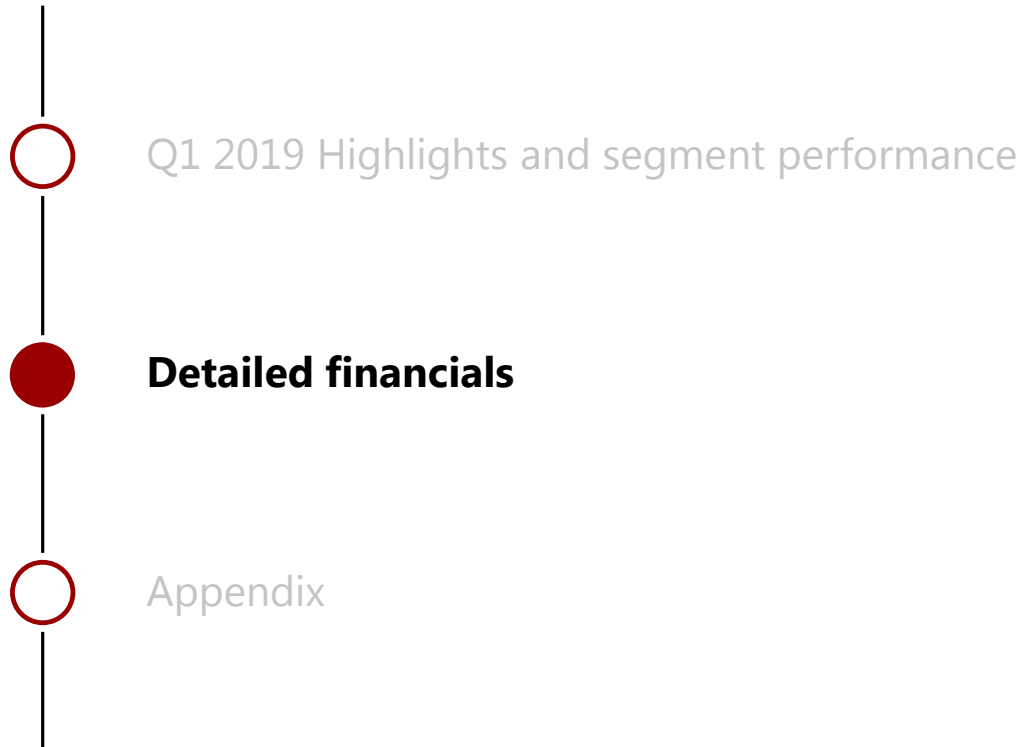
1.3%

Customer development

€ millions	Q1 '19	Q1 '18	Q4 '18	vPY	vPQ
Corporate lending	6,393	7,747	6,835	(17%)	(6%)
Asset backed lending	4,424	3,267	4,220	35%	5%
Public clients	3,108	3,887	3,112	(20%)	-
Total assets	13,925	14,901	14,167	(7%)	(2%)
Customer deposits	8,553	9,267	7,890	(8%)	8%

Highlights

- Focus 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 average LTV < 65%, and interest coverage ratio > 2.0x



P&L & key ratios

P&L € millions	Q1 '19	Q4 '18	vPY	vPQ
Net interest income	214.5	216.3	3%	(1%)
Net commission income	72.5	70.2	(3%)	3%
Core revenues	287.1	286.5	2%	-
Other revenues	11.2	3.4	(27%)	>100
Operating income	298.3	289.9	-	3%
Operating expenses	(126.4)	(136.4)	(3%)	(7%)
Regulatory charges	(34.2)	1.5	(7%)	-
Risk costs	(11.9)	(13.2)	(25%)	(10%)
Profit before tax	127.0	143.0	9%	(11%)
Income taxes	(30.2)	(34.4)	1%	(12%)
Net profit	96.8	108.6	12%	(11%)

Normalized:				
Profit before tax	151.0	131.5	6%	15%
Net profit	115.5	98.9	8%	17%

Key ratios	Q1 '19	Q4 '18	vPY	vPQ
Return on Common Equity	10.3%	11.8%	0.4pts	(1.5pts)
Return on Common Tangible Equity	12.0%	13.7%	0.5pts	(1.7pts)
Net interest margin	2.26%	2.25%	0.11pts	0.10pts
Cost-income ratio	42.4%	47.1%	(1.2pts)	(4.7pts)
Risk cost ratio	0.13%	0.14%	(0.03pts)	-
Pre-tax earnings per share	€1.28	€1.44	10%	(11%)
After-tax earnings per share	€0.98	€1.09	13%	(10%)
Tangible book value per share	€33.06	€32.41	9%	2%

Profit before tax of €127m up 9% vPY

- Core revenues +2% vPY and flat vPQ
- Operating expenses better vPQ and vPY
- Regulatory charges mainly front-loaded in Q1

Stable risk profile, solid performance ratios

- Continued low risk cost ratio of 13bps in Q1 '19
- All ratios in line with revised targets

Note: Normalized = Total of approximately €40m annual regulatory charges distributed pro-rata per quarter vs. 85% upfront in Q1 '19.

Balance sheet

Continued focus on customer business

Balance sheet € billions	Q1 '19	Q4 '18	Delta
Customer loans	30.2	30.5	(1%)
Securities and bonds	6.7	6.9	(3%)
Credit institutions and cash	7.5	5.4	39%
Other assets	2.2	1.9	15%
Total assets	46.6	44.7	4%
thereof Interest-bearing assets	37.5	38.0	(1%)
Customer deposits	30.5	30.2	1%
Own issues	4.7	4.4	7%
Credit institutions	4.8	4.3	12%
Other liabilities	2.4	1.8	34%
Common equity	3.8	3.7	3%
AT1 capital	0.3	0.3	-
Total liabilities & equity	46.6	44.7	4%

Capital & RWA € billions	Q1 '19	Q4 '18	Delta
Common equity	3.8	3.7	3%
Tangible common equity	3.3	3.2	2%
CET1 capital (FL)	3.0	3.0	2%
Risk-weighted assets	20.5	20.5	-
CET1 ratio (FL)	14.9%	14.5%	0.4pts
Leverage ratio (FL)	7.0%	7.1%	(0.1pts)
B/S leverage	12.3x	12.1x	0.2x

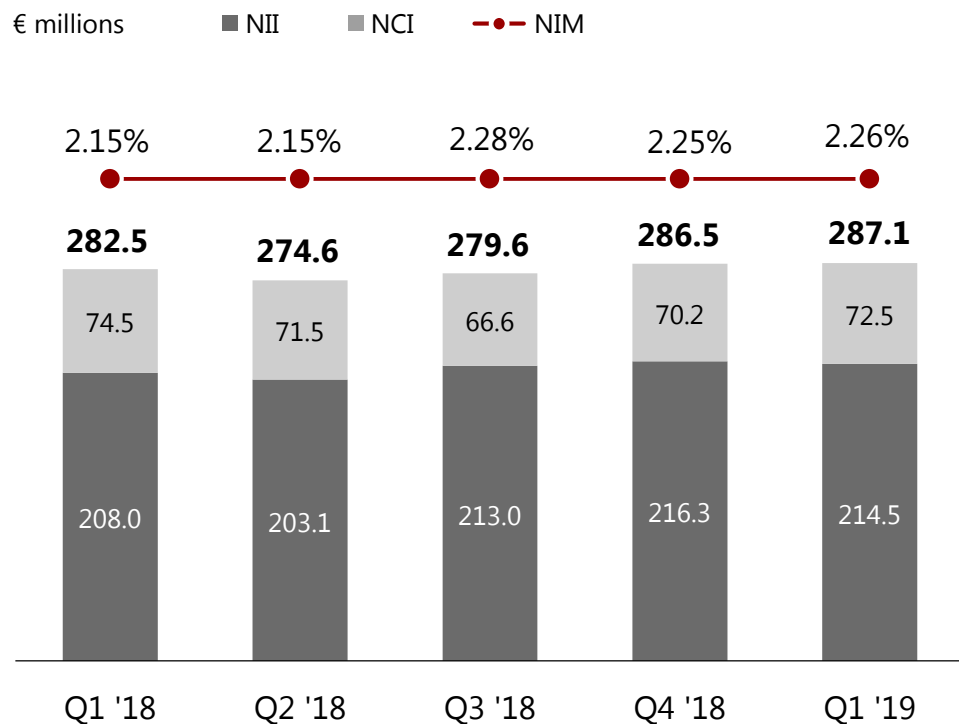
Customer loans and deposits broadly flat vYE

- Higher excess cash position vYE ... planned early redemption of TLTRO by half-year 2019
- Issued €400m of Tier 2 in March 2019
- Risk weighted assets stable vYE after absorbing IFRS16 effect and Swiss M&A

P&L details – core revenues

Higher net interest and net commission income

Core revenues



Customer loans | Interest bearing assets | € billions

30.5	30.2	30.3	30.5	30.2
38.0	37.1	38.0	38.0	37.5

Summary

Net interest income (NII) (1%) vPQ ... net interest margin (NIM) at 2.26%

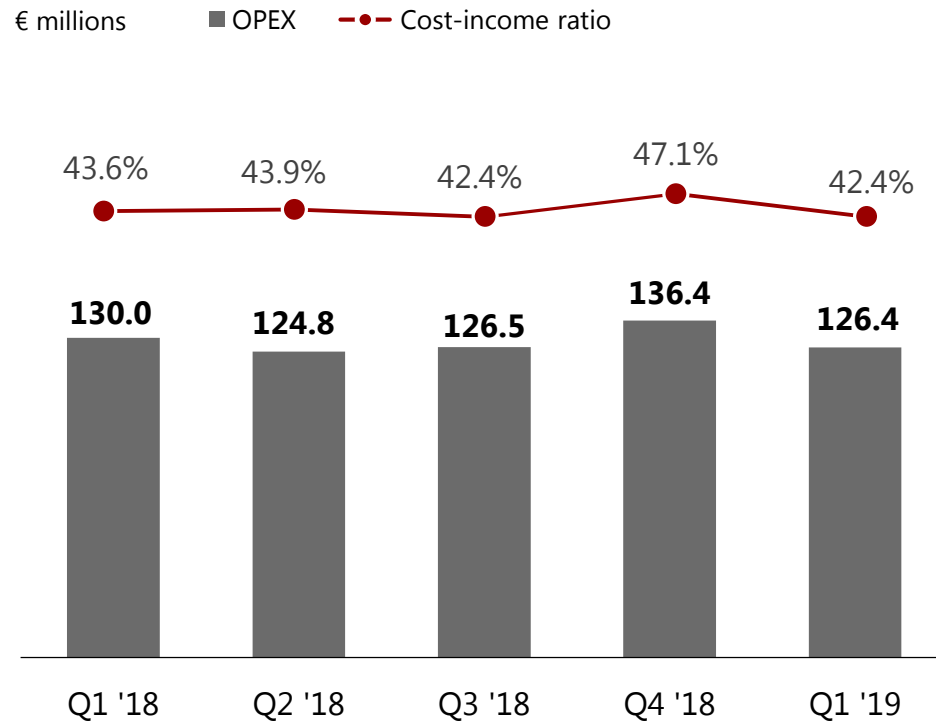
- Positive development in core products
- International mortgage portfolio run off as anticipated
- Less days in Q1 '19 vs Q4 '18

Net commission income (NCI) up 3% vPQ

- Solid performance in Retail & SME:
 - Lower commissions paid to Austrian Post
 - Higher loan commission income
- Softer NCI in Corporates & Public

P&L details – operating expenses

Operating expenses



Summary

- **Q1 '19 cost base lower than Q4 ...** Q4 higher due to one-off effects and seasonality
- **Q1 '19 cost-income ratio at 42.4%** ... below 2019 target of <43%
- First-time consolidation of Swiss platform in March '19
- Gradual expense increase of new branch network as well as consolidation of BFL Leasing and Health AG in Q2 '19
- Continuous efficiency measures

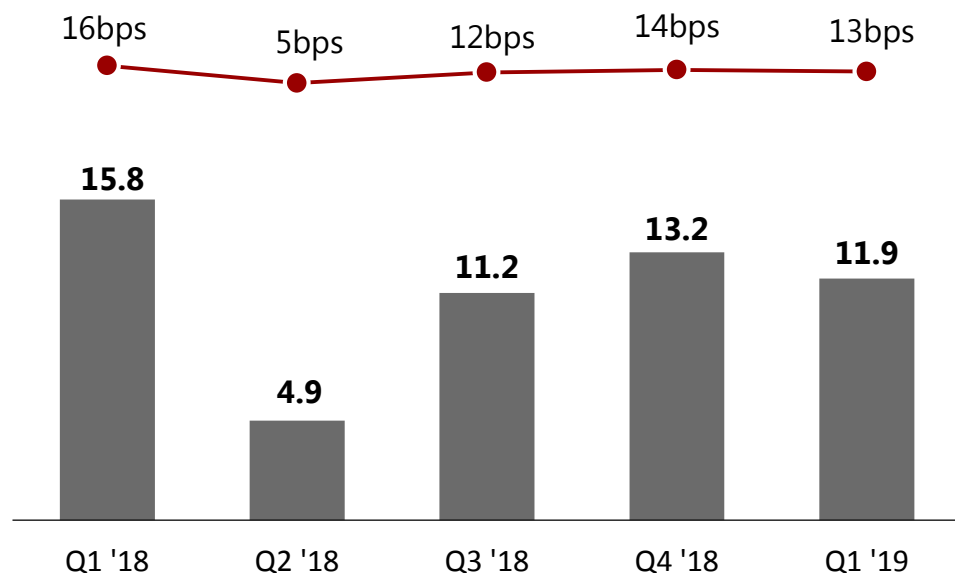
Focus in 2019 remains on integration of new acquisitions and operating efficiency

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

Summary

Q1 '19 risk cost ratio at 13bps ... business focused on developed markets ... 73% DACH region and 27% 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

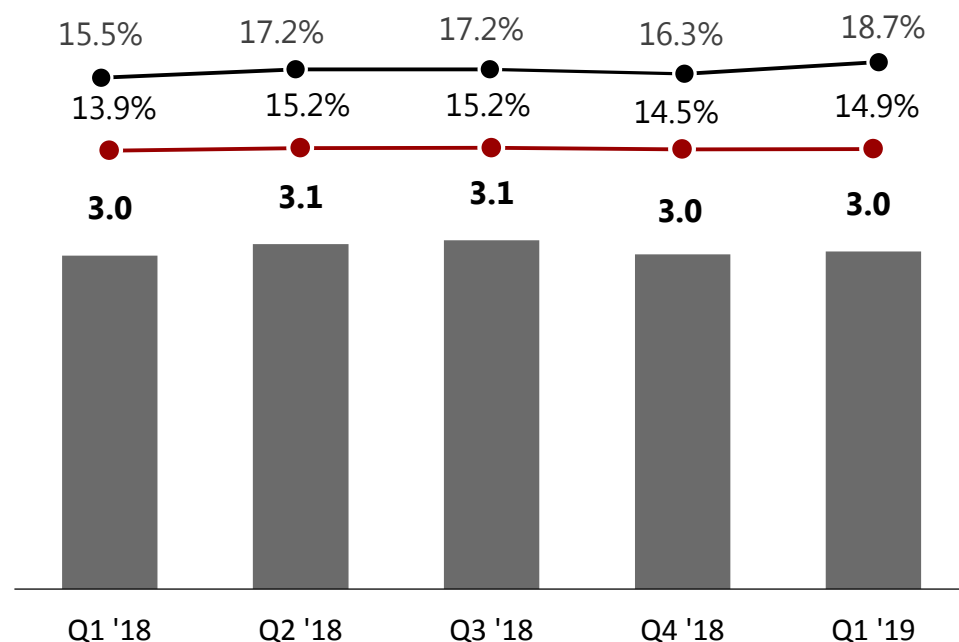
Benign credit environment and expected through-the-cycle risk costs 15-25bps

Regulatory Capital

Continued strong capital generation

CET1 Capital (FL)

€ billions ■ CET1 capital (FL) -●- CET1 ratio (FL) -●- Total capital ratio



RWA | € billions

21.3	20.2	20.3	20.5	20.5
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Key developments

- Earnings and lower RWA generating ~70bps
- Q1 includes effect from IFRS16 first-time application of ~€260m RWA ... ~(20bps)
- Closing of Swiss platform ... (~10bps)

Total Capital

- **Capital optimization measures executed ...** €400m Tier 2 issued in March '19 to fill 2.0% Tier 2 capital bucket
- **Tier1 capital ratio** of **16.3%** and **total capital ratio** of **18.7%** as of Q1 '19
- **Maximum Distributable Amount buffer** after pro-forma dividend for Q1 at ~€0.9b ... strong increase of MDA driven mainly by Tier 2 issuance

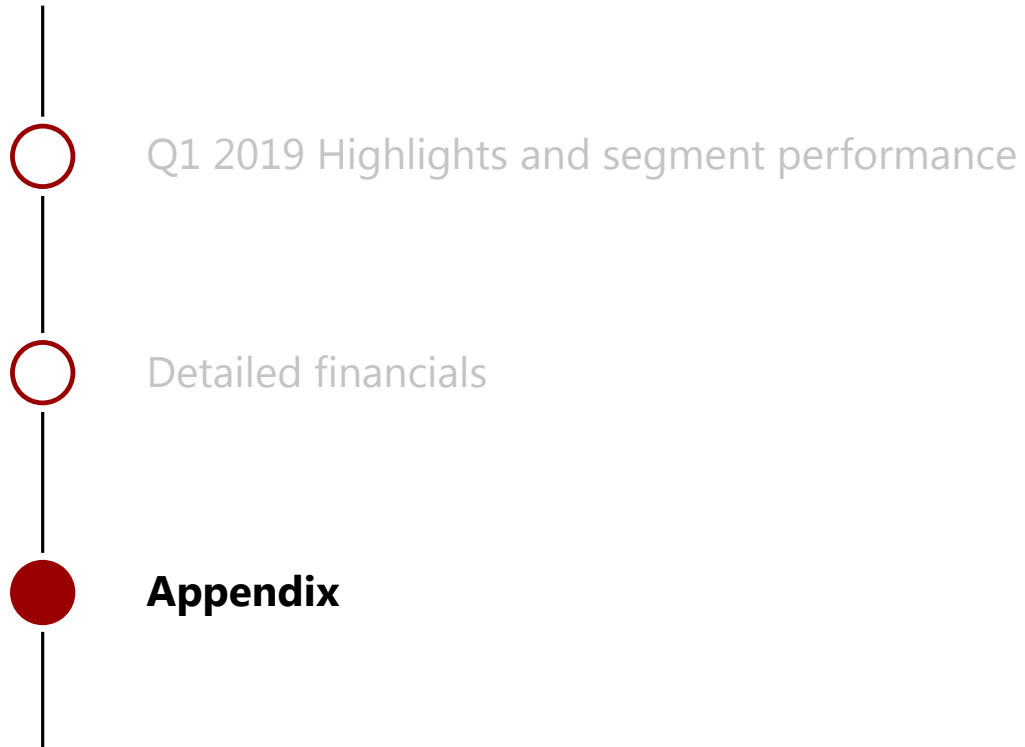
Note: Quarterly CET1 ratio not considering dividend; CET1 ratio at year-end accounts for dividend deduction

Targets

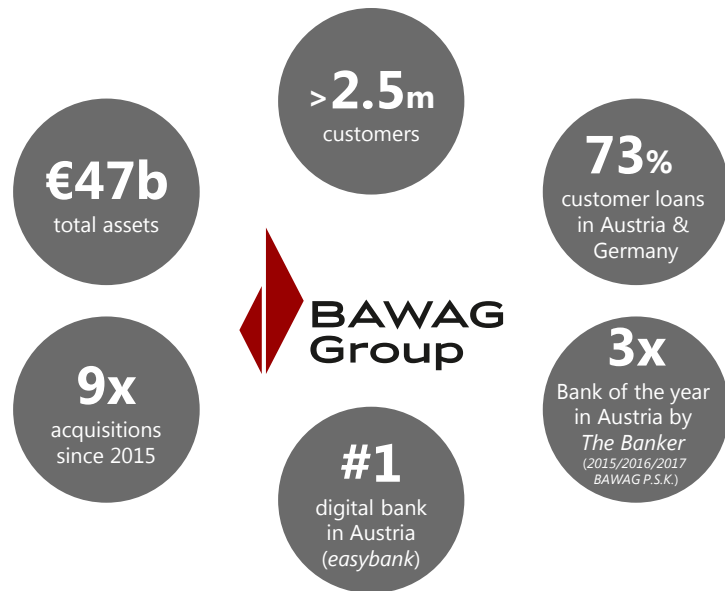
On track to meet Full Year targets

Metrics		2019	2020
Profit before tax	CAGR	> 6%	> 6%
	absolute	> €600m	> €640m
Cost-income ratio		< 43%	< 40%
Return on Tangible Common Equity		15% to 20%	
CET1 ratio (FL) ¹⁾		12% to 13%	
Earnings per share (EPS) before capital actions		> €6.00	> €6.40
		> €4.50	> €4.80

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)



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 73% of customer loans in DACH region & 27% in Western Europe & USA
- **Organic & inorganic growth in DACH region** ... completed 9 acquisitions
- **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

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

Our multi-brand network



2019-2020 plan

Key business drivers

Business drivers

Basis for >6% PBT growth targets

- 1** Grow core retail products into existing 17% market share entitlement of salary current accounts in Austria ... Niche player in Germany & Switzerland
- 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

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

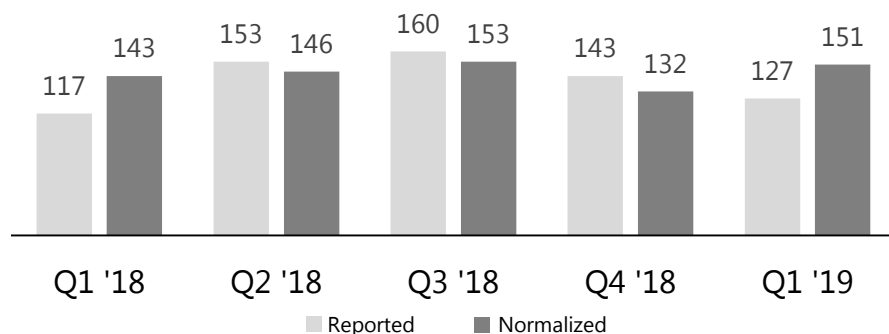
Buy-backs

2019: work in progress
Future: active capital management

Normalized P&L / RoTCE performance

Profit before tax (PBT)

€ millions

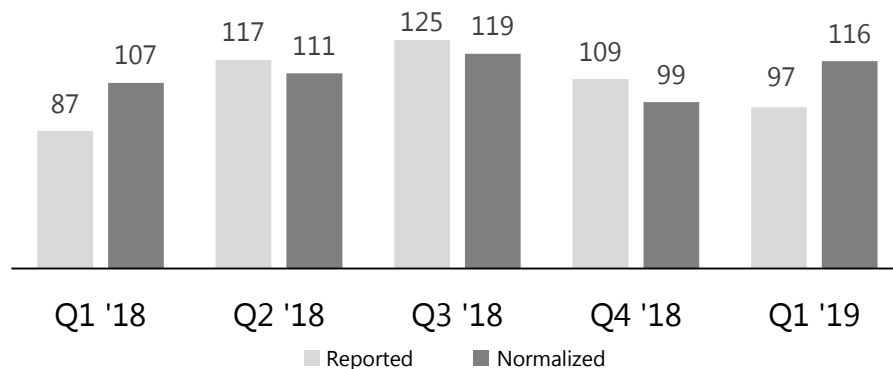


Regulatory charges

- **Regulatory charges front-loaded in Q1 ...** impact on quarterly profit and return ratios
- €34m regulatory charges included in Q1 profit before tax ... ~85% of total regulatory expenses anticipated for the full year

Net profit

€ millions



Key ratios Q1 '19

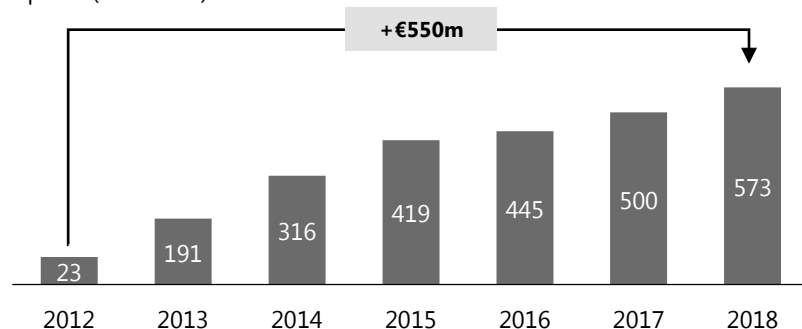
	Reported	Normalized	Pro forma
Return on Common Equity	10.3%	12.3%	14.7%
Return on Tangible Common Equity	12.0%	14.2%	17.8%
Pre-tax earnings per share	€1.28	€1.53	n/a
After-tax earnings per share	€0.98	€1.17	n/a

Bank transformation

Focus on things we control and drive operational excellence

Profitability

Pre-tax profit (€ millions)



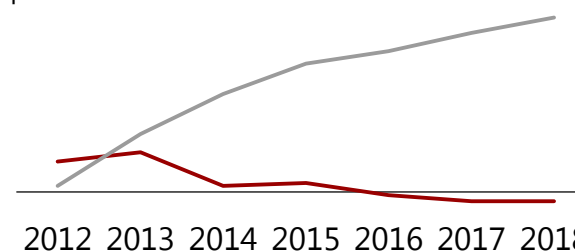
Key metrics

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

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 paid €215m dividend for 2018 in May '19**

—●— Pre-tax profit -●- 3m Euribor



Business overview

Developing towards a Retail & SME franchise in the DACH region

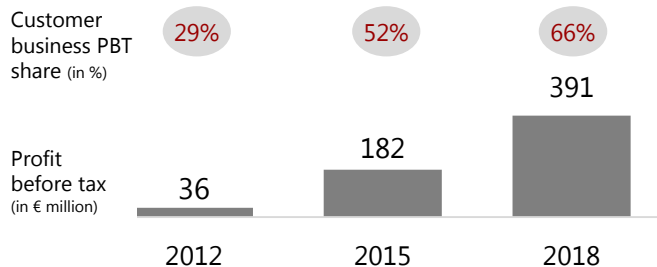
Retail & SME Business

- Austria as the core & foundation, combined with niche platforms in Germany & Switzerland ... 2.5 million customers in the DACH region
- Focus on current accounts, credit cards, mortgages, consumer loans, auto & equipment leasing, factoring, and SME lending

Diversified commercial/distribution channels & brand strategy



- *Concept 21*: Transforming to stand-alone branch network in Austria
- Driving strategic retail partnerships... customer acquisition channel
- Mid & back office digitalization as the key enabler for roll-out of frictionless digital products across the value chain
- Focus on enhancing data analytics to better serve our customers

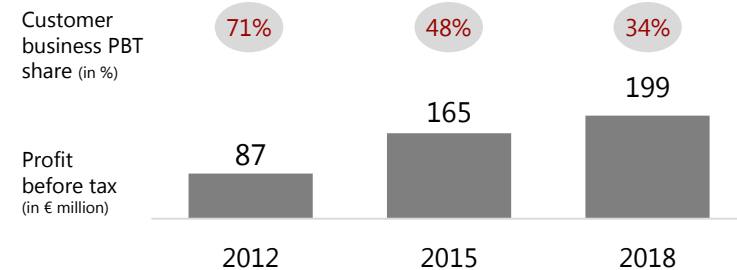


Corporates & Public Sector Business

- Selective underwriting of opportunities across DACH, Western Europe & the US developed markets
- Focus on conservative corporate and real estate lending
- Austrian public sector lending, payments provided to Republic of Austria

Simplified business focus & product offer

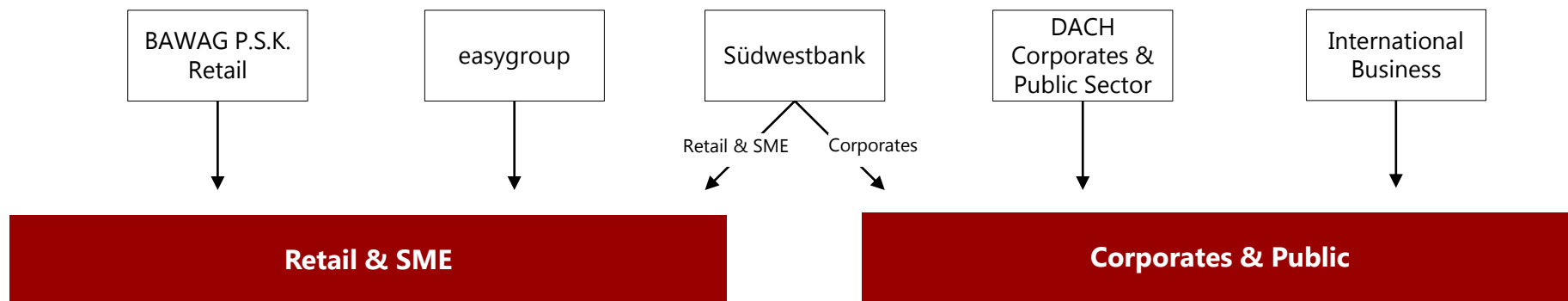
- Term loans, payments, and working capital facilities
- Focus on risk-adjusted returns versus volume growth
- Diversified portfolio in regards to asset class and geographies
- Focus on originate-to-sell for public sector assets



New segmentation

Changes to segmental reporting and allocations

> Segments impacted by change



> Treasury and Corporate Center unchanged

> Regulatory charges and corporate tax allocated to segments (assumed 25% tax rate)

Financial calendar

24 July 2019	Start of the quiet period
07 August 2019	Results H1 2019
23 October 2019	Start of the quiet period
06 November 2019	Results Q3 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 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

FL ... fully-loaded

Common equity

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

Common tangible equity

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

Leverage ratio

Tier 1 capital / total exposure (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

Normalized ... total of approximately €40m annual regulatory charges distributed pro-rata per quarter vs. 85% upfront in Q1

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

Pro-forma CET1 ratio ... reflect CET1 capital balance after accounting for proposed share buyback of up to €400m, 2018 dividend payment of €215m and Q1 dividend accrual as well as normalized regulatory charges

Pro-forma RoTCE ... reflect average common tangible equity after accounting for proposed share buyback of up to €400m, 2018 dividend payment of €215m and Q1 dividend accrual as well as normalized regulatory charges

Return on common equity (RoCE)

Net profit / average IFRS equity excl. AT1 capital – average equity based on 1 January 2018 due to IFRS 9 implementation

Return on tangible common equity (RoTCE)

Net profit / average IFRS tangible equity excl. AT1 capital – 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