CONSOLIDATED FINANCIAL REPORT 2015

CONSOLIDATED FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

CONTENTS

CONSOLIDATED ACCOUNTS

PROFIT OR LOSS STATEMENT

in EUR million	[Notes]	2015	2014
Interest income		1,051.3	1,089.9
Interest expense*)		(339.2)	(424.3)
Dividend income		10.2	9.8
Net interest income	**[2]**	**722.3**	**675.4**
Fee and commission income		292.3	302.0
Fee and commission expense		(106.4)	(104.2)
Net fee and commission income	**[3]**	**185.9**	**197.8**
Gains and losses on financial assets and liabilities	[4]	64.8	38.7
Other operating income and expenses	[5]	(36.4)	(10.3)
Administrative expenses*)	[6]	(432.9)	(451.7)
Depreciation and amortization on tangible and intangible non-current assets	[7]	(38.9)	(47.6)
Risk costs*)	[8]	(45.8)	(84.3)
Share of the profit or loss of associates accounted for using the equity method	[9]	(0.5)	0.9
Profit before tax		**418.5**	**318.9**
Income taxes	[10]	(24.1)	(0.5)
Profit after tax		**394.4**	**318.4**
Thereof attributable to non-controlling interests		0.0	10.2
Thereof attributable to owners of the parent		**394.4**	**308.2**

*) Adjusted for 2014.

In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges (bank levy, contributions to the deposit guarantee scheme and to the Austrian bank resolution fund) in the amount of EUR 35.2 million. However, the Group's management sees regulatory charges as non-operating expenses. Accordingly, they are shown in a separate expense line in the Group Management Report.

STATEMENT OF COMPREHENSIVE INCOME

in EUR million	2015	2014
Profit after tax	**394.4**	**318.4**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Actuarial gains (losses) on defined benefit plans	16.8	(66.8)
Income tax on items that will not be reclassified	(4.2)	16.7
Total items that will not be reclassified to profit or loss	**12.6**	**(50.1)**
Items that may be reclassified subsequently to profit or loss		
Available-for-sale reserve	(92.5)	9.3
Share of other comprehensive income of associates accounted for using the equity method	2.2	1.5
Income tax relating to items that may be reclassified	24.4	(2.7)
Total items that may be reclassified subsequently to profit or loss	**(65.9)**	**8.1**
Total comprehensive income, net of tax	**341.1**	**276.4**
Thereof attributable to non-controlling interests	0.0	10.2
Thereof attributable to owners of the parent	**341.1**	**266.2**

The decrease of the Available-for-sale-reserve is mainly due to the sale of securities. The actuarial gains in 2015 in the amount of EUR 16.8 million were mainly due changing actuarial assumptions.

For further details, please refer to Note 34 Equity.

STATEMENT OF FINANCIAL POSITION

Total assets

in EUR million	[Notes]	31.12.2015	31.12.2014
Cash reserves	[11]	809	684
Financial assets designated at fair value through profit or loss	[12]	303	450
Available-for-sale financial assets	[13]	2,745	3,859
Held-to-maturity investments	[14]	2,290	2,042
Financial assets held for trading	[15]	950	1,163
Loans and receivables	[16]	27,396	25,280
Customers		24,713	21,779
Securities		973	1,983
Credit institutions		1,710	1,518
Hedging derivatives	[33]	469	546
Property, plant and equipment	[19]	59	81
Investment properties	[19]	4	3
Goodwill	[20]	58	58
Brand name and customer relationships	[20]	168	174
Software and other intangible assets	[20]	103	102
Tax assets for current taxes		20	7
Tax assets for deferred taxes	[21]	190	193
Associates recognized at equity	[52]	43	44
Other assets	[22]	92	100
Assets in disposal groups	[32]	9	68
Total assets		**35,708**	**34,854**

The line items “Goodwill”, “Brand name and customer relationships” and “Software and other intangible assets” are shown under the line item Intangible non-current assets in Note 35.

Total liabilities and equity

in EUR million	[Notes]	31.12.2015	31.12.2014
Total liabilities			
Financial liabilities designated at fair value through profit or loss	[23]	1,269	1,675
Financial liabilities held for trading	[24]	1,071	1,174
Financial liabilities at amortized cost	[25]	28,514	27,985
Customers		21,692	21,127
Issued bonds, subordinated and supplementary capital		3,236	4,438
Credit institutions		3,586	2,420
Financial liabilities associated with transferred assets	[41]	621	–
Valuation adjustment on interest rate risk hedged portfolios		169	196
Hedging derivatives	[33]	106	160
Provisions	[29]	419	522
Tax liabilities for current taxes		6	1
Tax liabilities for deferred taxes	[30]	–	4
Other obligations	[31]	576	512
Obligations in disposal groups	[32]	0	6
Total equity	**[34]**	**2,957**	**2,619**
Equity attributable to the owners of the parent		2,956	2,619
Non-controlling interests		1	–
Total liabilities and equity		**35,708**	**34,854**

STATEMENTS OF CHANGES IN EQUITY

in EUR million	Subscribed capital	Capital reserves	Retained earnings reserve	AFS reserve net of tax	Actuarial gains/losses net of tax	Equity attributable to the owners of the parent	Non-controlling interests	Equity including non-controlling interests
Balance as of 01.01.2014	**100.0**	**1,162.4**	**903.3**	**98.9**	**(34.3)**	**2,230.3**	**793.0**	**3,023.3**
Transactions with owners	–	125.6	–	–	–	125.6	(398.6)	(273.0)
Owner's contribution	–	125.6	–	–	–	125.6	–	125.6
Redemption of participation capital	–	–	–	–	–	–	(350.0)	(350.0)
Dividends	–	–	(3.0)	–	–	(3.0)	(54.6)	(57.6)
Total comprehensive income	–	(201.6)	509.8	8.1	(50.1)	266.2	10.2	276.4
Balance as of 31.12.2014 = 01.01.2015	**100.0**	**1,086.4**	**1,410.1**	**107.0**	**(84.4)**	**2,619.1**	**–**	**2,619.1**
Transactions with owners	–	8.0	–	–	–	8.0	–	8.0
Owner's contribution	–	8.0	–	–	–	8.0	–	8.0
Dividends	–	–	(12.0)	–	–	(12.0)	–	(12.0)
Change in scope of consolidation	–	–	–	–	–	–	1.4	1.4
Total comprehensive income	–	–	394.4	(65.9)	12.6	341.1	–	341.1
Balance as of 31.12.2015	**100.0**	**1,094.4**	**1,792.5**	**41.1**	**(71.8)**	**2,956.2**	**1.4**	**2,957.6**

For further details, please refer to Note 34 Equity.

CASH FLOW STATEMENT

in EUR million	2015	2014
I. Profit (after tax, before non-controlling interests)	**394**	**318**
Non-cash items included in the profit (loss) and reconciliation to net cash from operating activities		
Depreciation, amortization, impairment losses, write-ups	74	86
Changes in provisions	(89)	(39)
Changes in other non-cash items	40	(127)
Proceeds from the sale of financial investments, tangible non-current assets, intangible non-current assets and subsidiaries	(123)	(11)
Share of profit of equity-accounted investees, net of tax	1	(1)
Other adjustments (mainly received interest less paid interest)	(661)	(582)
Subtotal	**(365)**	**(357)**
Change in assets and liabilities arising from operating activities after corrections for non-cash items		
Loans and advances to customers and credit institutions	(1,413)	1,861
Other financial assets (not including investing activities)	403	(291)
Other assets	80	7
Deposits from customers and banks	1,747	(29)
Other financial liabilities (not including financing activities)	(1,349)	(1,119)
Other obligations	(60)	38
Interest receipts	1,065	1,196
Dividend receipts	10	10
Dividends from equity-accounted investees	3	–
Interest paid	(404)	(590)
II. Net cash from operating activities	**(283)**	**726**
Cash receipts from sales of		
Financial investments	1,918	2,260
Tangible and intangible non-current assets	24	154
Cash paid for		
Financial investments	(1,129)	(2,556)
Tangible and intangible non-current assets	(35)	(47)
Cash receipts from sales of subsidiaries	105	–
Acquisition of subsidiaries, net of cash acquired	(30)	–
Other changes	–	18
III. Net cash used in investing activities	**853**	**(171)**
Capital contributions	–	125
Redemption of participation capital	–	(350)
Dividends paid	(12)	(58)
Issuance of subordinated liabilities (including those designated at fair value through profit or loss)	2	4
Redemption of subordinated liabilities (including those designated at fair value through profit or loss)	(435)	(73)
IV. Net cash from financing activities	**(445)**	**(352)**
Cash and cash equivalents at end of previous period	**684**	**481**
Net cash from operating activities	**(283)**	**726**
Net cash used in investing activities	**853**	**(171)**
Net cash from financing activities	**(445)**	**(352)**
Cash and cash equivalents at end of period	**809**	**684**

The Cash Flow Statement provides information about the current state and development of the Group's cash and cash equivalents as of the reporting date. It shows inflows and outflows of cash broken down by operational activities, investing activities and financing activities. The amount of cash and cash equivalents reported comprises cash on hand and balances at central banks. The Cash Flow Statement is of low significance for BAWAG Holding Group. It is not a substitute for liquidity or financial planning and is not used as a management tool.

Cash flow from the sale of subsidiaries

In 2015, BAWAG Holding Group sold its shares in BAWAG P.S.K. INVEST GmbH after having received all regulatory approvals.

in EUR million	2015
Sales proceeds	**105**
Assets sold	**23**
Financial assets	20
Other assets	3
Debts sold	**15**
Provisions	2
Other obligations	13
Net assets sold	**8**
Goodwill	58
Profit from the sale	**39**
Sales proceeds	105
Cash and cash equivalents contained in the assets sold	–
Proceeds from the sale	**105**

The profit from the sale is shown in the line item Gains and losses on financial assets and liabilities.

NOTES

CHANGES IN ACCOUNTING PRESENTATION

Details on changes in accounting presentation can be found in Notes 6 and 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 | Accounting policies

BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft (BAWAG P.S.K. AG), a subsidiary of BAWAG Holding GmbH, is an Austrian bank, operating predominantly in Austria with additional activities in selected international markets. The registered office of BAWAG Holding GmbH is located at Wiesingerstraße 4, 1010 Vienna.

The consolidated financial statements were prepared applying section 59a BWG, according to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and in accordance with the provisions of the standards (IFRS/IAS) published by the International Accounting Standards Board (IASB) and the interpretations by the IFRS Interpretations Committee (IFRIC/SIC) as applicable on the reporting date as adopted by the EU and therefore mandatory with respect to the consolidated financial statements as of 31 December 2015.

These consolidated financial statements for BAWAG Holding according to IFRS are based on the individual annual financial statements for all fully consolidated Group companies according to IFRS as of 31 December 2015. All material associates are accounted for using the equity method.

The preparation of consolidated financial statements according to IFRS requires that assumptions and estimates be made about factors that have a material influence on the Group's business operations. These assumptions are regularly reviewed and adjusted whenever needed. Such adjustments are taken into account in the current period and also for future periods when the adjustment has long-term effects.

The recognition and measurement principles described below have been applied uniformly with respect to all of the financial years stated in these consolidated financial statements.

For details on changes in accounting presentation, see Notes 6 and 8.

The reporting currency is Euro. Unless indicated otherwise, all figures are rounded to millions of Euros. The tables in this report may contain rounding differences.

All monetary figures in foreign currencies are translated at the middle exchange rate on the reporting date.

Scope of Consolidation and Consolidation Principles

The scope of consolidation includes all direct and indirect material equity investments of BAWAG Holding.

As of 31 December 2015, the consolidated financial statements included 33 (2014: 32) fully consolidated companies and 2 (2014: 2) companies that are accounted for using the equity method. In the interest of materiality, the criteria for inclusion are both the amount of an entity's assets and its relative contribution to the Group's consolidated profit. All non-consolidated subsidiaries had only a minor influence on the Group's assets, financial position and the results of its operations. Note 50 List of consolidated subsidiaries contains a list of all fully consolidated subsidiaries and associates accounted for using the equity method.

The carrying amount of the associates that are not accounted for using the equity method totaled EUR 19 million (2014: EUR 44 million) on 31 December 2015. Controlled companies with a carrying amount of EUR 22 million (2014: EUR 18 million) were not consolidated because they did not have a material effect on the Group's assets, financial position or the results of its operations.

Further details on the scope of consolidation and major changes in the Group's holdings can be found in Notes 50 and 51.

The acquisition method according to IFRS 3 is used for capital consolidation. Under this method, the acquisition costs for the entity in question must be compared with the value of the net assets at the time of acquisition. The value of the net assets is the fair value of all identifiable assets, liabilities and contingent liabilities assumed at the time of acquisition.

All intragroup receivables and payables, expenses, and income and interim profits are eliminated unless they are insignificant.

Capitalized goodwill in the amount of EUR 58 million (2014: EUR 58 million) is recognized under Goodwill on the Statement of Financial Position. In accordance with IFRS 3 in conjunction with IAS 36 and IAS 38, the recognized goodwill of all cash generating units (CGUs) is subject to annual impairment testing in accordance with IAS 36.

Also, all equity investments were tested for indicators for a sustained or material impairment. Impairment tests were carried out if necessary due to the indicators.

All non-consolidated equity instruments are measured according to IAS 39 and categorized as available-for-sale financial assets.

Financial Instruments

Financial instruments are recognized on the date of transaction. The assessment of an “active market” of a given security is derived from a set of defined criteria. Additionally, minimum requirements (e.g. issuance size, exchange listing, etc.) apply. BAWAG Holding uses market data (e.g. quoted volumes, frequency of quotes) to determine the liquidity and market depth of securities.

a) Held-to-Maturity Investments

This category includes all financial instruments with fixed or determinable payments and fixed maturity that are intended to be held to maturity. If securities are assigned to this category, BAWAG Holding has the positive intention and the ability to hold the instruments to maturity.

Held-to-maturity investments are carried at amortized cost. If at the end of a reporting period there is an objective evidence for impairment, the recoverable amount is calculated and an impairment is recognized if this amount is lower than the carrying amount. The recoverable amount is calculated by discounting the expected future cash flows with the original effective interest rate of the financial instrument. If this impairment decreases in subsequent periods, a write-up is recognized up to the amortized cost valid at that time.

Premiums and discounts on securities classified as held-to-maturity investments are recognized pro rata temporis via the effective interest rate. Expenses and revenues were set off against interest income from the same securities.

b) Financial Assets and Liabilities Recognized at Fair Value through Profit or Loss

Held for trading
This category covers financial assets and liabilities held for trading purposes. These financial instruments are recognized at their fair value. All derivatives in the trading and banking book that are not part of a hedging transaction are assigned to this category. Financial liabilities include liabilities from derivative transactions, short positions and repurchase agreements.

Financial assets and liabilities designated at fair value through profit or loss
Certain financial assets and liabilities that do not meet the definition of trading assets and liabilities are designated at fair value through profit or loss using the fair value option. BAWAG Holding Group exercised the fair value option in the following cases:

- To avoid an accounting mismatch
  - For fixed-income own issues, securities and loans whose fair value on the date of acquisition has been hedged with interest rate derivatives;
  - Investment products whose fair value changes have been hedged with derivatives
- Management on a fair value basis
  - Certain securities and loans are managed on a fair value basis by the Strategic Asset Liability Committee, which also decides on the extent of the open interest rate risk exposures. The Managing Board is informed about these positions regularly.
- Presence of embedded derivatives
  - Structured financial instruments with embedded derivatives

c) Loans and Receivables

Loans and Receivables are measured on the Statement of Financial Position at amortized cost inclusive of deferred interest following deduction of impairment allowances.

Premiums and discounts are recognized pro rata temporis via the effective interest rate. Expenses and revenues were set off against interest income from the same loan.

Processing fees are deferred over the term of the loan and recognized in the net interest income after deducting the directly attributable costs.

Please see the Loan Loss Provisions section for information about the formation of provisions.

d) Available-for-Sale Financial Assets

This category covers financial assets which are not classified as

- Loans and receivables;
- Held-to-maturity investments; or
- Financial assets recognized at fair value through profit or loss.

In addition to the securities that BAWAG Holding has assigned to the category Available-for-sale financial assets, this item also includes shares in non-consolidated subsidiaries.

The Available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in other comprehensive income (AFS reserve) until the asset is sold, repaid or impaired. Impairments are recognized in the Profit or Loss Statement under Risk costs – Impairment provisions for financial assets. BAWAG Holding continuously compares the redemption amount with the carrying amount of the available for sale financial assets to detect any possible impairments. Potential impairments are reviewed and – in case of materiality – approved by the responsible Risk Division. When the reasons for the impairment of a debt instrument no longer apply, these impairments are reversed through profit or loss up to the amount of amortized cost. Any reversal of impairment for equity instruments recognized at fair value is recognized directly in other comprehensive income.

If a fair value for unlisted equity instruments cannot be measured reliably, it is measured at cost less necessary impairments. Impairments are not reversed.

Debt instruments are reviewed individually for impairment if objective indications of a loss (such as delayed payment) are incurred after the date of initial recognition that would lead to a reduction in the cash flow arising from them. An impairment exists when the net present value of the expected cash flows is lower than the carrying value of the financial instrument concerned.

Equity instruments are written down if their fair value is either significantly lower (more than 20%) than their historic cost or has been below historic cost for a considerable period (at least nine months). All not publicly traded equity investments are tested for impairment according to IAS 39.66, provided that a preliminary examination has not ruled out impairment indicators.

Premiums and discounts are recognized pro rata temporis via the effective interest rate. Expenses and revenues were set off against interest income from the same securities.

e) Financial Liabilities

In accordance with IAS 39, financial liabilities
- not held for trading or
- designated as Financial liabilities at fair value through profit or loss

are measured at amortized cost.

Reclassifications

Reclassification of Financial Assets into the Category Loans and Receivables

Financial assets can be reclassified from the category available-for-sale to the category of loans and receivables when

- the financial asset meets the requirements for inclusion in the category loans and receivables according to IAS 39 on the date of reclassification; and
- the entity has the ability and the management has the intention on the reclassification date to hold the reclassified assets for the foreseeable future.

Financial assets are reclassified at their fair value on the reclassification date. The fair value of the financial instrument on the reclassification date is the new amortized cost of the instrument. The expected cash flows of the financial instrument are estimated on the reclassification date, and these estimates are used to calculate the new effective interest rate of the instrument. If the expected future cash flows of the reclassified instrument increase at a later date as a result of a value improvement, the effect of this increase is accounted for by adjusting the effective interest rate and not by adjusting the carrying amount of the instrument at the time that the estimates change. In the event of a subsequent decrease in the expected future cash flows, the instrument is subjected to an impairment test and measured in accordance with the measurement rules for the category loans and receivables.

When available-for-sale assets are reclassified into loans and receivables, the unrealized profit or loss that has been recognized in Other comprehensive income is distributed over the remaining term of the instrument and recognized as interest income or interest expense. Should the instrument be discovered to be impaired at a later date, the unrealized loss of the instrument that is recognized in Other comprehensive income as of that date is recognized immediately in the Profit or Loss Statement under Risk costs – Impairment provisions for financial assets.

Details are presented in Note 16.

Reclassification of Financial Assets into the Category Held-to-Maturity Investments

Financial assets can be reclassified from the category available-for-sale to the category of held-to-maturity investments when the entity has the ability and the management has the intention on the reclassification date to hold the reclassified assets until maturity.

In addition, available-for-sale financial assets may be reclassified to held-to-maturity investments after the expiration of the two-year retention period that is required if more than an insignificant portion of the held-to-maturity investments is sold or reclassified.

Financial assets are reclassified at their fair value on the reclassification date. The fair value of the financial instrument on the reclassification date is the new amortized cost of the instrument. The expected cash flows of the financial instrument are estimated on the reclassification date, and these estimates are used to calculate the new effective interest rate of the instrument. If the expected future cash flows of the reclassified instrument increase at a later date as a result of a value improvement, the effect of this increase is accounted for by adjusting the effective interest rate and not by adjusting the carrying amount of the instrument at the time that the estimates change. In the event of a subsequent decrease in the expected future cash flows, the instrument is subjected to an impairment test and measured in accordance with the measurement rules for the category held-to-maturity investments.

When available-for-sale assets are reclassified into held-to-maturity investments, the unrealized profit or loss that has been recognized in Other comprehensive income is distributed over the remaining term of the instrument and recognized as interest income or interest expense. Should the instrument be discovered to be impaired at a later date, the unrealized loss of the instrument that is recognized in Other comprehensive income as of that date is recognized immediately in the Profit or Loss Statement under Risk costs – Impairment provisions for financial assets.

Reclassification of Financial Assets into the Category Available-for-Sale

IAS 39 and its interpretations state that financial instruments that are classified as loans and receivables can be reclassified as available-for-sale assets when the financial instrument subsequent to its initial classification becomes traded in an active market and therefore the definition of loans and receivables is no longer met.

When an asset is reclassified as available-for-sale, it must be remeasured at its fair value, and any difference between its carrying amount and its fair value must be recognized in Other comprehensive income (AFS reserve).

Hedge Accounting

In line with general regulations, derivatives are classified as assets held for trading purposes or liabilities from trading activities and are recognized at fair value. The valuation result is shown in the line item Gains and losses on financial assets and liabilities as gains (losses) on financial assets and liabilities held for trading. If derivatives are used to hedge risks of non-trading transactions, BAWAG Holding applies hedge accounting if the conditions according to IAS 39 are met.

At inception of the hedge relationship, the relationship between the hedging instrument and the hedged item, the risk management objectives and the method used for assessing hedge effectiveness are documented. Furthermore, BAWAG Holding documents at the inception of the hedge and on each reporting date whether the hedge is highly effective in offsetting changes in fair values of the hedged item and the hedging instrument attributable to the hedged risk.

BAWAG Holding uses fair value hedge accounting for effective hedging relationships that reduce market risk.

Micro Fair Value Hedge

In a micro fair value hedge, a financial asset or financial liability or a group of similar financial assets or financial liabilities is hedged against changes in its fair value. Changes in the value of the hedged item and the hedging instrument are recognized in the Profit or Loss Statement in the line item Gains and losses on financial assets and liabilities in the same period.

As soon as the hedging instrument is sold, exercised or comes due, or when the eligibility requirements for hedge accounting are no longer met, the hedging relationship is no longer recognized on the Statement of Financial Position.

Any accumulated changes in the value of the former hedged item during the existence of the hedge relationship are recognized through profit or loss distributed over the remainder of the term.

For other types of fair value adjustments and whenever a fair value hedged asset or liability is sold or otherwise derecognized, any basis adjustments are included in the calculation of the gain or loss on derecognition.

Portfolio Fair Value Hedge

BAWAG Holding applies fair value hedge accounting for a portfolio hedge of interest rate risk. In its accounts, the Group has identified sight deposits in Euros as a portfolio that is to be protected against interest rate risks. These are divided into time buckets in accordance with the expected repayment and interest rate adjustment dates. BAWAG Holding determines an amount of liabilities from the identified portfolio that corresponds to the amount to be hedged as the underlying for the portfolio fair value hedge. Additions and withdrawals are initially allocated to the non-designated portion of the identified portfolio using the bottom layer approach. For this, BAWAG Holding applies the EU carve-out for IAS 39, which allows sight deposits and similar instruments to be designated as part of a hedging relationship on the basis of the expected withdrawal and due dates. The EU carve-out for IAS 39 also allows the application of the bottom layer approach.

On the balance sheet, the changes in the value of the underlying transactions that can be attributed to the hedged risk are reported under the separate line item Valuation adjustment on interest rate risk hedged portfolios. Changes in the value of the underlying and the hedging transaction are reported on the income statement in the same period under Gains and losses on financial assets and liabilities.

Loan Loss Provisions

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if:

- there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the reporting date ("a loss event");
- the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets and
- a reliable estimate of the loss amount can be made.

The loan loss provisions cover provisions for loan defaults or counterparty risks and are formed as individual and general provisions on the basis of past experience. The loan loss provisions from lending are netted off against the corresponding receivables on the Statement of Financial Position. Provisions for off-balance-sheet loans are reported as provisions.

To allow management to determine whether a loss event has occurred on an individual basis, all significant counterparty relationships are reviewed periodically. This evaluation considers current information and events related to the counterparty, such as the counterparty experiencing significant financial difficulty or a breach of contract, for example, default or delinquency in interest or principal payments.

The loan loss provision for significant individual counterparty risks is based on expected future recoveries in accordance with the risk analysts' estimates. Provisions for counterparty risks that were not individually significant were accounted for generally, on a percentage basis, with regard to the amounts overdue and based on our historical loss experience.

The approval procedures for impairments and debt waivers are described in the handbook on competencies and authorizations. Receivables are written off in coordination with the respective divisions when all attempts to collect the debt have failed or when there is no intention to actively continue the collection process.

A loan loss provision is accounted for on a portfolio basis in accordance with IAS 39.AG89 for losses incurred but not reported as of the reporting date. The portfolio loan loss provision is recognized for on- and off-balance-sheet receivables of the Group's loan portfolio including securities but excluding items recognized at fair value. For loans backed by a repayment vehicle, which mainly include loans in foreign currencies, a provision based on funding gaps is considered as well. The amount of the IBNR is calculated on the basis of the regulatory Expected Loss Model. The actual loss that has been incurred is extrapolated from the expected loss, taking into account the duration from occurrence to detection of the loss (the loss identification period – LIP). For this reason, financial assets are grouped on the basis of similar credit risk characteristics (IAS 39.AG87). The classification is based on the categories of claims against Banks, Corporates, Sovereigns and Retail. LIP is calculated for each segment and is based on the average time until identification of the 90 days overdue status based on expected cash inflows according to the repayment plans. LIP is calculated as the exposure-weighted average in months. Depending on the risk monitoring process, a shorter LIP than calculated based on expected cash flows is anticipated.

Financial Guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

In the ordinary course of business, subsidiaries of BAWAG Holding provide financial guarantees, consisting of various types of letters of credit and guarantees. Financial guarantees are initially measured at fair value. Subsequent to initial recognition, the financial guarantee contract is reviewed in order to determine whether a provision according to IAS 37 is required.

If subsidiaries of BAWAG Holding are a guarantee holder, the financial guarantee is not recorded in the balance sheet but is taken into consideration as collateral when determining impairment of the guaranteed asset.

Methods for Determining the Fair Value of Financial Instruments

Derivatives

To measure exchange-traded instruments such as futures and options on futures, exchange prices are used. Details are presented in Note 35. Some basic information is presented here:

The basic valuation model used for plain vanilla OTC options is the Black-Scholes option price model, which varies according to the underlying instruments and hedged items. Currency options are measured using the Garman-Kohlhagen model, and interest rate options using the Black, Hull-White or Bachelier (in case of negative interest rates for caps and floors) model.

For positions in the trading book, the closing costs of the positions (bid/ask spreads) on a net basis are calculated and booked on a regular basis.

The total value of an interest rate swap is derived from the present values of its fixed and variable rate legs. Similarly, the total value of a cross currency swap is derived from the present values of the two cash flows expressed in terms of the functional currency of the Group entity.

In the case of foreign currency forwards and futures, the agreed forward rate, which depends on movements in exchange and interest rates for both currencies, is compared with the forward rate on the reporting date and the result is used to calculate the instrument's value.

Credit default swaps (CDS) are calculated with the Duffie-Singleton model. Based on the credit spread curve, the default probability curve (hazard rate) is calculated, which is used to generate the protection leg. Hence, the total value of a CDS is the sum of the protection and premium leg.

BAWAG Holding determines a credit (CVA) or debt value adjustment (DVA) for the credit risk of OTC derivatives. If available, liquid credit default swap (CDS) spreads are generally used to determine the probability of default (PD) and the recovery rate (REC). If this is not possible, equivalent segments of the CDS market are used.

For the counterparties, a market value + add-on model is used to determine the EPE/ENE (Expected Positive/Negative Exposure). The add-on is calculated separately for each transaction type and currency and is generally derived from observable parameters on the market.

If a netting agreement is in force, netting effects at the customer level within transactions of the same kind and currency are also taken into account.

The CVA is determined from the discount rates, the counterparty PD and loss rate (1-REC) as well as the EPE. The DVA is determined from BAWAG P.S.K.'s PD and loss rate as well as the ENE.

If the risk discount rate cannot be derived from market transactions, it is estimated by the management. This applies especially to non-payment risks arising from legal uncertainty that cannot be derived from the customer's general credit spread. Provided that BAWAG Holding believes that the transaction is legally enforceable, the Group still reports an asset in the amount of the positive fair value of the transaction with the counterparty even if objections have been lodged.

To value financial assets whose parameters cannot be derived from market transactions, the expected cash flow (including interest on arrears, if contractually agreed) is discounted on the day of valuation and weighted according to the probability of its occurrence. If the legal validity or enforceability of the claim is contested on the basis of possible grounds for annulment or an appeal, these legal considerations are taken into account in the valuation.

In the case of the close-out of a derivative transaction with a customer, the type of claim changes for BAWAG Holding Before the contract is terminated, the asset is a derivative, while after the contract is closed out, the asset is a contractual claim whose value no longer changes depending on market parameters. For this reason, the claim no longer satisfies the definition of a derivative according to IAS 39.9.

In the event of the early termination of a derivative transaction, the variability of the payment flows in terms of amount and time of occurrence are materially changed by the close-out, and the original derivative is replaced with a new asset. This new asset is recognized at its fair value according to IAS 39.43. The fair value corresponds to the carrying amount of the derivative at the time that the agreement is terminated, including any valuation adjustments applied up to the time of termination. A claim arising from the termination of the agreement meets the criteria in IAS 39.9 for categorization under loans and receivables.

This approach was chosen following IAS 39.40 and IAS 39.21, since IAS 39 contains no explicit rules for when a financial instrument first fulfills the characteristics of a derivative and then no longer exhibits these characteristics at a later time. According to IAS 8.10 to 8.12, such gaps in the standards must be closed by applying a similar provision in the IFRS and taking the framework into account.

The method described above was especially important in the transaction with the City of Linz in 2011.

Credit-Linked Notes

For credit-linked notes where no active markets exist, fair values are determined by applying a valuation model. Credit-linked notes (CLNs) are bonds with an embedded credit default swap (CDS) allowing the issuer to transfer a specific credit risk to investors. The valuation model for CLNs uses bond or CDS spreads of the issuer and the reference entity, as well as coupon and maturity.

Valuations by outside experts are also used when measuring complex structures. Appropriate tests and verifications are carried out.

Measurement for Asset-Based Investments

Furthermore, in the prior year BAWAG Holding used internal valuation models to determine the fair values of CLOs for which there was no active market. BAWAG Holding's CLO model was calibrated to actively traded loans and used available market data (such as yield curves, CDS spreads, loan prices, etc.) as inputs. The implied probabilities of default (default intensities) and loss rates (severities, LGD) were determined on the basis of the fair values of the loans taking a discount margin (liquidity costs) into account. Working from this, default scenarios that were consistent with the market were generated (Monte Carlo simulation) for each CLO transaction and used to project the expected CLO cash flows. The fair value of the CLO transactions was derived by discounting the expected cash flows with the corresponding reference interest rate plus the discount margin, which was determined by calibrating the prices of currently traded CLOs. As of 31 December 2015 there is no CLO portfolio.

Transfers of Financial Instruments

Financial assets are derecognized as soon as the Group is no longer entitled to receive the financial rewards from the instruments. As a rule, this occurs when the rights and obligations of the financial instruments pass to a third party by exercise, sale or assignment or if the Group has lost its right of disposal or the rights have lapsed.

When financial assets are transferred and BAWAG Holding has significant continuing rights and obligations under them, such assets are still reported on the Consolidated Statement of Financial Position.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled.

Repurchase agreements, also known as “repos” or “sale and repurchase agreements,” are contracts under which financial assets are transferred to a transferee (lender) in return for a cash payment while also specifying that the financial assets must later be transferred back to the transferor (borrower) for an amount of money agreed in advance. The financial assets transferred out by BAWAG Holding Group under repurchase agreements remain on the Group’s Statement of Financial Position and are measured according to the rules applicable to the respective Statement of Financial Position item. The liabilities resulting from cash received under repo arrangements are recorded, depending on the purpose of the contract, within liabilities held for trading or financial liabilities associated with transferred assets.

Conversely, under agreements to resell, known as “reverse repos,” financial assets are acquired for a consideration while at the same time committing to their future resale. Cash outflows under reverse repos are recorded within trading assets.

In securities lending transactions, the lender transfers ownership of securities to the borrower on the condition that the borrower will retransfer, at the end of the agreed loan term, ownership of instruments of the same type, quality and quantity and will pay a fee determined by the duration of the loan. Securities lent to counterparties are accounted for in the same way as repos: They are retained in the Group’s financial statements and are measured in accordance with IAS 39. Securities lending and borrowing transactions are generally collateralized. Collateral furnished by the securities borrower continues to be recorded in the borrower’s financial statements.

Intangible Non-Current Assets, Property, Plant and Equipment

Intangible non-current assets consist mainly of acquired goodwill and related intangible assets such as brand name and customer relationships as well as other acquired and self-developed intangible assets (in particular software) and projects recognized in accordance with IAS 38.

Intangible non-current assets with an infinite useful life are recognized at cost less impairments. Intangible assets and property, plant and equipment with limited useful lives are recognized at cost less straight-line amortization or depreciation and impairments. Buildings are depreciated at an annual rate of between 2.5% and 4%, while other furniture and equipment are depreciated at annual rates between 5% and 33.3%. Purchased and self-produced software, and other intangible assets and rights (other than goodwill and brand name) are amortized at annual rates between 10% and 33.3%. Customer relationships are amortized over approximately 33 years (2014: 20 years) using an arithmetic declining amortization rate. The amortization method and period are reviewed annually according to IAS 38. For details please refer to Note 20.

When circumstances change, the useful life is adjusted considering the remaining economic life.

Investment Properties

Investment properties include the real estate that meets the criteria for designation as investment property within the meaning of IAS 40.5. These properties are primarily held to earn rentals. To a limited degree, the Group also uses some of these properties itself. However, because these portions cannot be sold separately and are insignificant for the purposes of IAS 40.10, the entirety of such properties is included in Investment properties.

Land and buildings held for investment purposes (investment property) are measured at cost less straight-line depreciation for buildings and less impairments (IAS 40). Depreciation ranges between 2.5% and 4% per year. In addition to reviewing the method of depreciation and useful lives, impairment tests are also performed as of each reporting date.

Impairment Testing

The fair value of the brand BAWAG P.S.K. is tested by using a modified relief from royalty method (the Brand-Equity-Method). In order to derive the brand share that can be associated with the income before taxes of the relevant profit centers, both the brand relevance and the brand strength are taken into consideration. After having derived the brand-related income, the cash flows are discounted with the specific discount rate. The fair value of the brand name equals the present value of all brand-related cash flows.

The cash flow projections are based on the annual profits planned by the management of the company for the next five years and a perpetual growth rate (1.0%) thereafter. The sustainable growth rate was determined on the basis of the estimated long-term annual profit growth rate, which matches the assumption that a market participant would make. The discount rate was estimated based on average equity returns in the sector and amounts to 7.93%.

In accordance with IFRS 3 in conjunction with IAS 36 and IAS 38, the recognized goodwill of all cash generating units (CGUs) is subject to annual impairment testing in accordance with IAS 36. All not publicly traded equity investments were tested for impairment according to IAS 39.66, provided that a preliminary examination has not ruled out impairment indicators. To determine the value in use of the CGU, the present value of the projected pre-tax profits reduced by the nominal tax rate was calculated by using the risk-weighted pre-tax discount rate in the market applicable to the CGU in question. The pre-tax discount rate was derived from the planned pre-tax profits and the above-mentioned valuation result, and served as a target value.

To determine the value in use of the single entity, the present value of the projected after-tax profits was calculated by using the risk-weighted after-tax discount rate in the market applicable to the single entity in question.

As a rule, the planning horizon used for valuation purposes is five years. The long-term growth rates used in the calculation are 1.0%, applying the going concern principle.

The pre-tax discount rate is composed of the risk-free rate, the local market risk premium and the beta factor. As of 31 December 2015, the following parameters are used:

- The risk-free rate (1.58%) is the 30-year spot rate calculated in accordance with the Svensson method, based on the parameters published by Deutsche Bundesbank.
- The source for the country-specific market risk premium (6.00% for Austria) is the website Damodaran in conjunction with the recommendation of the Austrian Chamber of Chartered Public Accountants and Tax Consultants, whose working group “Business Valuation” sets a range from 5.5% to 7%. A market risk premium of 6.75% was chosen for Austria.
- The applied beta factor for banks and financial service companies (0.94) is the two-year weekly average beta of ten banks listed on European stock exchanges with retail as their core business. Bloomberg serves as the relevant source. Banks with an R^2 (coefficient of determination) of at least 0.15 qualify for the peer group. The applied beta factor for non-banks is 1.0, which represents a specific parameter and no general market risk.

Based on the aforementioned assumptions, the value in use of the CGU or equity investment was calculated for the year under review in accordance with IAS 36. Value in use represents the present value of the estimated future cash flows expected from a cash generating unit or a single entity.

The Group’s interest in BAWAG P.S.K. Versicherung Aktiengesellschaft is assessed using the embedded value and an estimation of the future value.

In addition, intangible and tangible assets are tested at the reporting date to determine whether or not there is evidence that they are impaired. If there is evidence for impairment, the recoverable amount is calculated for the asset. This is the higher of the value in use or the net selling price. If the recoverable amount is lower than the carrying amount, an impairment loss in the amount of the difference is recognized according to IAS 36. As of 31 December 2015, no impairments of intangible and tangible assets were accounted for.

In the case of real estate companies and own real estate, current estimated market values of the properties are taken into account. External appraisals are renewed every three years at the latest.

Leasing

A lease is classified as a finance lease if it substantially transfers all the risks and rewards incidental to ownership to the lessee. By contrast, leases that do not substantially transfer all of the risks and rewards to the lessee are classified as operating leases.

BAWAG Holding Group as Lessor

For finance leases, the rights of claims against the lessee are recognized in the amount of the present value of the contractually agreed payments, taking any residual value into account.

By contrast, operating leases in which BAWAG Holding Group retains all risks and rewards incidental to ownership of the leased asset are reported under tangible non-current assets. Each leased asset is depreciated as appropriate.

Lease payments received for operating leases and interest payments for finance leases are recognized in the Profit or Loss Statement.

BAWAG Holding Group as Lessee

Expenditure on operating leases is recorded on a straight-line basis over the life of the lease agreement and reported under operating expenses.

Finance leases where BAWAG Holding Group is a lessee are of minor significance.

Income Taxes and Deferred Taxes

According to IAS 12, income taxes must be computed and reported using the liability method. The computation is based on the local tax rates that are legally binding at the time the consolidated financial statements are prepared.

Deferred tax assets and liabilities result from different methods used to measure assets and obligations on the Statement of Financial Position under IFRS and the respective tax code. This generally leads to positive or negative differences in the income tax to be paid for future periods (temporary differences). A deferred tax asset is recognized for the carryforward of unused tax losses when it is probable that future taxable profit will be generated by the same taxable unit. Deferred tax assets and liabilities are not discounted.

Tax expenses allocable to the taxable profit were recognized in the Profit or Loss Statement under Income taxes and broken down into current and deferred income taxes. Other taxes that are not attributable to profit are recognized under Other operating income and expenses.

According to IAS 12.34, a deferred tax asset is recognized for tax loss carryforwards if it is probable that future taxable profit will be available against which the unused tax losses can be utilized. As of 31 December 2015, unused tax losses amounted to EUR 361 million (2014: EUR 1,485 million) at the level of BAWAG Holding, EUR 868 million (2014: EUR 1,205 million) at the level of BAWAG P.S.K., EUR 0 million (2014: EUR 91 million) at the level of members of the tax group included in the consolidated financial statements and EUR 66 million (2014: EUR 67 million) at the level of other companies included in the consolidated financial statements (BAWAG Malta Bank, which was sold in January 2016; therefore, this unused tax loss cannot be utilized in the future), hence a total of EUR 1,295 million (2014: EUR 2,848 million). The difference compared to 2014 is primarily the result of the exclusion of impairment losses from the tax base. Tax goodwill amortization will contribute another EUR 76 million per year as tax-deductible expenses until 2021.

The utilizability of unused tax losses and deferred tax assets by BAWAG Holding was tested on the basis of the Group's long-term plan (planning period: five years). The expected utilization of unused tax losses is projected to amount to EUR 868 million (2014: EUR 1,013 million). In total, deferred tax assets for tax loss carryforwards in the amount of approximately EUR 217 million (2014: EUR 253 million) are recognized within BAWAG Holding Group. If the fore-casted taxable results varied by 10% compared to management estimations, deferred tax assets would remain unchanged (2014: increase by EUR 24 million) if results improve and would remain unchanged (2014: decrease by EUR 24 million) if forecasted results turn out to be lower than expected.

A tax group pursuant to section 9 KStG was parented by BAWAG Holding GmbH in the financial year. On 31 December 2015, the tax group consisted of the group parent and 19 domestic members, both consolidated and non-consolidated in these financial statements (previous year: 19 members). A tax collection agreement was concluded. The allocation method was chosen for determining the tax allocations. This method is based on the tax result of the group as a whole. The payable tax is allocated to each group member with a positive tax result on the basis of its proportionate share of the group's tax result. An internal tax loss carryforward is taken into account for tax losses allocated to the group parent. If the head of the tax group has to pay a minimum corporate tax, the head of the tax group is able to burden the members of the tax group with a proportion of the minimum corporate tax following the principle of tax causation.

In the financial year 2014, a settlement agreement to the group and tax compensation agreement was concluded between the group parent and each tax group member. This agreement stipulated that an interim settlement of the tax equalization is to be made for the financial years 2010 to 2014, with all tax contributions of these financial years being regarded as offset.

In the financial year 2015, tax allocations in the amount of EUR 3 million were allocated to members of the tax group included in the consolidated financial statements.

A final settlement for uncredited tax losses must be effected upon dissolution of the tax group or when a member entity leaves the group. As of 31 December 2015, the exit of BAWAG Holding from the tax group and the exit of all other group members, with the exception of the new members in 2014 and 2015, would not result in a corporate income tax back payment as of 31 December 2015 because the minimum period of three years as required by section 9 paragraph 10 KStG was already fulfilled. The new group members who entered the tax group in 2014 and 2015 would incur a marginal corporate income tax back payment.

Provisions for employee benefits

According to IAS 19, provisions for post-employment and termination benefits and for jubilee benefits are calculated using the projected unit credit method.

The present values of obligations outstanding as of the measurement date are calculated on the basis of actuarial assumptions applying an appropriate discount rate and taking into account the expected rates of increase in salaries and post-employment benefits. They are recognized as a provision in the Consolidated Statement of Financial Position. Actuarial gains and losses relating to provisions for post-employment and termination benefits are recognized in full in the year in which they are incurred in other comprehensive income.

The principal parameters underlying the actuarial calculations are:

Parameters for post-employment pension obligations

	2015	2014
Interest rate	2.05% p.a.	2.05% p.a.
Wage growth	1.75% p.a.	1.90% p.a.
Fluctuation discount	0%–3.22% p.a.	0%–3.22% p.a.

Parameters for severance payments and anniversary bonuses

	2015	2014
Interest rate	2.05% p.a.	2.05% p.a.
Wage growth severance payments	3.10% p.a.	3.10% p.a.
Wage growth anniversary bonuses	2.80% p.a.	2.80% p.a.
Fluctuation discount severance payments	0%–1.75% p.a.	0%–1.75% p.a.
Fluctuation discount anniversary bonuses	0%–5.07% p.a.	0%–5.07% p.a.
Retirement age	57–65 years[1)]	57–65 years[1)]

1) The earliest possible individual retirement age as per ASVG was assumed.

The interest rate used in 2015 has not been changed compared to the previous year, remaining at 2.05%.

The generation mortality tables *AVÖ 2008-P-Angestellte* were used when calculating the long-term employee benefit provisions.

The existing post-employment benefit plans in BAWAG Holding Group that are financed entirely through provisions because they are defined benefit obligations pertain primarily to post-employment benefit rights and future rights of employees BAWAG P.S.K. AG. The allocated assets disclosed by the pension fund set up for certain beneficiaries are set off against the determined amounts of provisions for post-employment benefits.

These defined benefit plans expose BAWAG Holding Group to actuarial risks such as interest rate risk and longevity risk.

The post-employment benefit rights of the majority of employees are covered by BONUS Pensionskassen AG and Bundespensionskasse AG (defined contribution plans). The contributions that are made to these pension funds are recognized as expenses in the current period; there are no further obligations.

Other provisions for uncertain obligations to third parties are formed in accordance with the expected amount of the obligation.

Contingent Liabilities and Unused Lines of Credit

For the most part, contingent liabilities are guarantees and unused lines of credit. Guarantees are used when subsidiaries of BAWAG Holding guarantee payment to the creditor to fulfill the obligation of a third party. Unused lines of credit are commitments from which a credit risk may occur. Loan loss provisions for contingent liabilities and unused lines of credit are reported under provisions for anticipated losses on pending business.

Assets and Obligations in Disposal Groups

Non-current assets (or disposal groups consisting of assets and liabilities) must be classified as held for sale when the corresponding carrying amount is primarily the result of a sale transaction and not of continued use.

Immediately before the first-time classification as held for sale, the assets (or disposal groups) are measured according to the Group's accounting policies. Then, the non-current assets (or disposal groups) are recognized at the lower of their carrying amount or fair value less selling costs.

Impairments of assets (or disposal groups) are first offset against goodwill and then against the remaining assets on a proportionate basis if the impairment does not pertain to inventories, financial assets, deferred tax assets or staff benefits. These must still be recognized in accordance with the Group's accounting policies. First-time and subsequent impairment losses and reversals are recognized directly in income. Reversals of impairments may only be completed up to the amount of the cumulative recognized impairment losses. The reversal of the impairment of a goodwill is not permitted. No impairments were recognized in 2015.

Equity

Equity is the capital provided by the Group's owners (issued capital and capital reserves) and the capital generated by the Group (retained earnings, reserves from currency translation, AFS reserve, actuarial gains and losses, profit brought forward and the profit for the period).

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Interest Income and Interest Expense

Interest income consists primarily of interest income from loans and receivables, fixed income securities, variable rate securities and assets held for trading. Furthermore, regular income from equity investments, shares as well as fees and commissions similar to interest income are shown in this item. Interest income and interest expense also include premiums on securities and loans using the effective interest rate method. Also, the interest proportion of interest-bearing derivatives, separated into income and expenses, is recognized in interest income and expense.

Interest expense consists mainly of interest for liabilities to credit institutions and customers, issued bonds, subordinated capital and supplementary capital. Interest income and interest expense are recognized on an accrual basis.

Fee and Commission Income and Expense

This item consists mainly of income from and expenses for payment transfers, the securities and custody business, lending and payments to Österreichische Post AG for the use of its distribution network. Income and expenses are recognized on an accrual basis.

Gains and Losses on Financial Assets and Liabilities

This item consists mainly of the valuations and sales gains or losses of our investments and issued securities and the result from trading in securities and derivatives. Moreover, hedging inefficiencies and foreign exchange differences are shown within this position.

Other Operating Income and Expenses

The other operating result reflects all other income and expenses not directly attributable to ordinary activities, such as results on the sale of property. In addition, the other operating result encompasses expenses for other taxes and regulatory charges (bank levy, the contributions to the deposit guarantee scheme and to the Austrian bank resolution fund), income from the release of other provisions and the reimbursement of expenses to customers.

Administrative Expenses

General administrative expenses represent personnel and other administrative expenses accrued in the reporting period.

Risk Costs

This item includes allocations to and releases of specific and portfolio risk provisions for loans and advances and for contingent liabilities bearing credit risk. Also reported in this item are direct write-offs of loans and advances as well as recoveries on written-off loans removed from the balance sheet. Furthermore, this line item includes all charges resulting from operational risk events (prior years: included in operational expenses).

In addition, this line item includes impairment losses or reversals of impairment losses of property and equipment and other intangible assets as well as impairment losses on goodwill and non-consolidated equity investments.

Net Gains or Losses on Financial Instruments

Net gains or losses on financial instruments include fair value measurements recognized in the income statement, impairments, impairment reversals, gains realized on disposal and subsequent recoveries on written-down financial instruments classified in the respective IAS 39 categories. The components are detailed for each IAS 39 category in the notes on net interest income, gains and losses on financial assets and liabilities, and risk costs.

Latitude of Judgment and Uncertainty of Estimates

The consolidated financial statements include values which are determined, as permitted, on the basis of estimates and judgments. The estimates and judgments used are based on past experience and other factors, such as planning and expectations or forecasts of future events that are considered likely as far as we know today. The estimates and judgments themselves and the underlying estimation methods and judgment factors are reviewed regularly and compared with actual results.

The measurement of financial instruments and the related estimates in respect of measurement parameters, in particular the future development of interest rates, have a material effect on the results of operations. The parameter values applied by the Group are derived largely from market conditions prevailing as of the reporting date.

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently, calculation of fair value requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Details regarding valuation techniques and uncertainty of estimates regarding unobservable input factors are described in Note 1 Accounting policies and in Note 35 Fair value.

Assessments as to whether or not cash generating units (CGUs) were unimpaired are based on planning calculations. These naturally reflect the management's evaluations, which are in turn subject to a degree of predictive uncertainty. Details on the impairment test and the analysis of uncertainties surrounding the estimation of goodwill are set out in Note 1 Accounting policies and Note 20 Goodwill, Brand name and customer relationships and Software and other intangible assets.

In determining the amount of deferred tax assets, the Group uses historical utilization possibilities of tax-loss carryforwards and a multi-year forecast prepared by the management of the subsidiaries and the approved budget for the following year, including tax planning. The Group regularly reevaluates its estimates related to deferred tax assets, including its assumptions about future profitability. Details regarding deferred taxes are set out in Note 1 Accounting policies as well as in Note 21 Tax assets and Note 30 Tax liabilities.

Pension obligations are measured based on the projected unit credit method for defined benefit pension plans. In measuring such obligations, assumptions have to be made regarding long-term trends for salaries, pensions and future mortality in particular. Changes in the underlying assumptions from year to year and divergences from the actual effects each year are reported under actuarial gains and losses (see Note 1 Accounting policies).

The following items are also subject to the judgment of management:

- assessments of the recoverability of long-term loans are based on assumptions regarding the borrower's future cash flows, and, hence, possible impairments of loans and the recognition of provisions for off-balance-sheet commitments in relation to the lending business
- recognition of provisions for uncertain liabilities
- assessments of legal risks and outcome of legal proceedings

Latitude of Judgment and Uncertainty of Estimates – City of Linz

Uncertainties in estimations also apply to the claim of BAWAG P.S.K. against the City of Linz. On 12 February 2007, the City of Linz and BAWAG P.S.K. concluded a forward financial transaction. This transaction was intended by the City of Linz to optimize a CHF loan it had taken out with another bank.

Because of the development of the Swiss franc exchange rate starting in the autumn of 2009, the City of Linz was obligated to make increased contractual payments to BAWAG P.S.K. On 13 October 2011, the Linz City Council decided that it would make no more payments in connection with the derivative transaction. Consequently, BAWAG P.S.K. exercised its right to close out the derivative transaction.

The City of Linz filed a lawsuit against BAWAG P.S.K. at the Commercial Court of Vienna at the beginning of November 2011 seeking payment of CHF 30.6 million (equaling EUR 24.2 million at the exchange rate at that time). BAWAG P.S.K. filed a (counter) suit against the City of Linz for the fulfillment of its contractual entitlements from the same transaction in the amount of EUR 417.7 million. The court combined the two suits. The first verbal hearings were held in the spring of 2013. BAWAG P.S.K.'s strong legal position remains unchanged and the Group is well prepared for the ongoing court hearings. The court has appointed an expert. It is difficult to assess how much longer the lawsuit is going to continue. However, based on experience it was assumed that the further legal proceedings until a final judgement is enforceable will take approximately three years.

The Group has valued the derivative transaction until termination according to the general principles (see Note 1 *Recognition and Measurement Principles*), and has adequately accounted for the risks associated with the claim arising from this derivative. In particular, management had to estimate the risks that are associated with the transaction, such as non-payment, legal, process and other operational risks and had to make judgments as part of the continuous valuation process; this resulted in the respective valuation adjustments.

After the termination of the transaction, the derivative was derecognized and a receivable was recognized under Receivables from customers (classified under *Loans and advances*). We base our assessment of the carrying amount of the claim on corresponding legal and other opinions, which support the amount of the claim.

No amounts are being disclosed in application of IAS 37.92 (protective provisions for information in the notes).

Effects of Adopting Amended and New Standards

The following standards, amendments and interpretations to existing standards were mandatory for the first time for the 2015 consolidated financial statements:

The amendments to IAS 19 *Employee Benefits*: Defined Benefit Plans – Employee Contributions clarify the requirements that relate to how contributions from employees or third parties that are linked to services should be attributed to periods of service. They also permit an expedient if the amount of the contributions is independent of the number of years in service. The amended IAS 19 had no major impact on the consolidated financial statements of BAWAG Holding.

Annual Improvements to IFRSs 2010–2012 Cycle, which clarifies the following existing standards: IFRS 2 *Share-based Payment*, IFRS 3 *Business Combinations*, IFRS 8 *Operating Segments*, IFRS 13 *Fair Value Measurement*, IAS 16 *Property, Plant and Equipment*, IAS 24 *Related Party Disclosures* and IAS 38 *Intangible Assets*. The clarifications had no impact on the consolidated financial statements of BAWAG Holding.

Annual Improvements to IFRSs 2011–2013 Cycle, which clarifies the following existing standards: IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 3 *Business Combinations*, IFRS 13 *Fair Value Measurement* and IAS 40 *Investment Property*. The clarifications had no impact on the consolidated financial statements of BAWAG Holding.

The following standards, amendments and interpretations to existing standards were approved by the International Accounting Standards Board (IASB) and endorsed by the EU but are not yet mandatory for the preparation of IFRS financial statements for the period ended 31 December 2015:

In December 2015, the EU endorsed *Disclosure Initiative (Amendments to IAS 1)*. The amendments are designed to further illustrate the concept of materiality and therefore reduce immaterial information in IFRS financial statements, while encouraging the communication of relevant information. It is clarified that the materiality concept is applicable to all parts of an IFRS financial statement, especially the notes. Immaterial information should not be presented, even if a standard explicitly requires a specific disclosure. Furthermore, material information should not be aggregated with immaterial information. Additional subtotals can be added to the Statement of Financial Position and the Statement of Comprehensive Income if this is relevant for a better understanding of the net assets, financial position and earnings situation. Moreover, it is clarified that the share of other comprehensive income of associated or joint ventures accounted for using the equity method should be presented in aggregate as a single line item based on whether it will subsequently be reclassified to profit or loss or not. In order to emphasize that the notes need not be presented in the order so far listed in IAS 1.114, additional examples of possible ways of ordering the notes are added, to make clear that understandability and comparability should be considered when determining the order of the notes. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful. The amendments are applicable to annual reporting periods beginning on or after 1 January 2016 and will lead to an amended presentation of other comprehensive income of BAWAG Holding.

In December 2015, the EU endorsed *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)*. The amendments provide additional guidance on the methods permitted when calculating depreciation or amortization of property, plant and equipment and intangible assets. The amendments are applicable to annual reporting periods beginning on or after 1 January 2016 and will have no major impact on the consolidated financial statements of BAWAG Holding.

In November 2015, the EU endorsed *Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)*. The amendments bring bearer plants into the scope of IAS 16, are applicable to annual reporting periods beginning on or after 1 January 2016 and will not be applicable to the consolidated financial statements of BAWAG Holding.

In December 2015, the EU endorsed amendments to IAS 27 *Equity Method in Separate Financial Statements*, which reinstate the equity method as an accounting option in separate financial statements and are applicable to annual reporting periods beginning on or after 1 January 2016. IAS 27 is not applicable to the consolidated financial statements of BAWAG Holding.

In November 2015, the EU endorsed amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*, which clarify the accounting for acquisitions of an interest in a joint operation when the activity constitutes a business. The amended IFRS 11 is applicable to annual reporting periods beginning on or after 1 January 2016 and will have no impact on the consolidated financial statements of BAWAG Holding from a current perspective.

In December 2015, the EU endorsed *Annual Improvements to IFRSs 2012–2014 Cycle*, which clarifies the following existing standards: IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 *Financial Instruments: Disclosures*, IAS 19 *Employee Benefits* and IAS 34 *Interim Financial Reporting*. The clarifications are applicable to annual reporting periods beginning on or after 1 January 2016 and will have no impact on the consolidated financial statements of BAWAG Holding.

The following standards and amendments approved by the International Accounting Standards Board (IASB) have not yet been endorsed by the European Union:

Already in July 2014, the IASB published the final version of IFRS 9 *Financial Instruments*. IFRS 9 establishes three primary measurement categories for financial assets: amortized cost, fair value and fair value through other comprehensive income.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost only if the object of the entity's business model is to hold the financial asset and the contractual cash flows are solely payments of principal and interest on the principal outstanding (simple loan feature). A financial asset is measured at fair value through other comprehensive income if the asset is held in a business model in which assets are managed both in order to collect contractual cash flows and for sale and the contractual cash flows are solely payments of principal and interest on the principal outstanding (simple loan feature). Financial assets that do not meet these criteria are measured at fair value through profit or loss. Furthermore, embedded derivatives will no longer be separated from the financial host asset. The financial instrument is assessed in its entirety and measured at fair value through profit or loss. There are a few exceptions, e.g. for put, call, prepayment and extension options, and for interest rate caps or floors.

The classification and measurement requirements for financial liabilities are only slightly changed compared to IAS 39, with fair value changes related to changes in the entity's own credit risk recognized in other comprehensive income. There is an exception for the case when this practice would lead to inconsistencies in the measurement of assets and liabilities. The assessment must be performed at the initial recognition. A retrospective recognition of other comprehensive income from changes in the entity's own credit risk in the Profit or Loss Statement is not permitted.

IFRS 9 fundamentally changes the accounting model for impairments. Now, not only losses already sustained but not yet recognized ("incurred loss model") have to be accounted for, but also expected losses for future cash flows ("expected loss model").

IFRS 9 also contains a new general hedge accounting model. This model aligns hedge accounting more closely with operational risk management and allows hedging strategies that are used for the purposes of risk management. The effectiveness test as a requirement for the use of hedge accounting was revised: Instead of the quantitative criterion (bandwidth of 80% to 125%), qualitative and quantitative criteria for a forward-looking effectiveness assessment were introduced. Furthermore, voluntary terminations of hedge relationships are no longer allowed in general, but only if certain requirements are met.

Rules for rebalancing were introduced for hedging relationships in which the hedged risk and the risk covered by hedging instruments are not identical. These rules state that the hedge ratio can be adjusted in the event of correlation changes without having to terminate the hedge relationship.

IFRS 9 will become mandatory for annual reporting periods beginning on or after 1 January 2018.

IFRS 9 is expected to have a material impact on the processes and financial accounts of BAWAG Holding, but from a present-day perspective a reliable statement regarding the influence on future consolidated financial statements of BAWAG Holding cannot be made.

In December 2015, the IASB issued the amendment *Effective Date of Amendments to IFRS 10 and IAS 28*, which defers the effective date of the September 2014 amendments to these standards indefinitely until the research project on the equity method has been concluded. The amendments will have no impact on the consolidated financial statements of BAWAG Holding from a current perspective.

Already in December 2014, the IASB issued *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*. Issues which have arisen in the context of applying the consolidation exception for investment entities are addressed. The amendments are mandatory for annual reporting periods beginning on or after 1 January 2016 and are not applicable to the consolidated financial statements of BAWAG Holding.

IFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of the International Financial Reporting Standards to continue to account, with some limited changes, for regulatory deferral account balances in accordance with its previous GAAP. IFRS 14 is applicable to annual reporting periods beginning on or after 1 January 2016 and will have no impact on the consolidated financial statements of BAWAG Holding.

In September 2015, the IASB deferred the effective date of IFRS 15 *Revenue from Contracts with Customers* from 1 January 2017 to 1 January 2018. IFRS 15 specifies when and how revenue from contracts with customers is to be recognized. IFRS 15 replaces the standards IAS 11 *Construction Contracts* and IAS 18 *Revenue*, as well as

IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 will have no material impact on the consolidated financial statements of BAWAG Holding from a current perspective.

The IASB issued IFRS 16 *Leases* in January 2016. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 is effective from 1 January 2019, replaces the previous leases Standard, IAS 17 *Leases*, and related Interpretations and will be applicable to the consolidated financial statements of BAWAG Holding.

DETAILS OF THE CONSOLIDATED PROFIT OR LOSS STATEMENT

2 | Net interest income

in EUR million	2015	2014
Interest income	**1,051.3**	**1,089.9**
Cash reserves	0.1	0.3
Financial assets held for trading	116.5	138.0
Financial assets designated at fair value through profit or loss	11.0	23.8
Available-for-sale financial assets	89.3	122.6
Loans and receivables	656.4	643.4
Held-to-maturity investments	42.5	37.3
Derivatives – Hedge accounting, interest rate risk	135.3	124.5
Other assets	0.2	–
Interest expense	**(339.2)**	**(424.3)**
Deposits from central banks	(0.5)	–
Financial liabilities held for trading	(41.1)	(56.2)
Financial liabilities designated at fair value through profit or loss	(49.2)	(81.3)
Financial liabilities measured at amortized cost	(203.6)	(236.4)
Derivatives – Hedge accounting, interest rate risk	(35.0)	(35.6)
Provisions for social capital*)	(9.8)	(14.8)
Dividend income	**10.2**	**9.8**
Available-for-sale financial assets	10.2	9.8
Net interest income	**722.3**	**675.4**

*) Adjusted for 2014.

Interest income and similar income are recognized on an accrual basis. Interest income also includes premiums and discounts on securities classified as financial investments as well as premiums and discounts on acquired loan portfolios which are allocated in accordance with the accruals concept. Interest income on impaired receivables during 2015 amounted to EUR 2.8 million (2014: EUR 3.5 million).

3 | Net fee and commission income

Net fee and commission income can be broken down by BAWAG Holding's operations as follows:

in EUR million	2015	2014
Fee and commission income	**292.3**	**302.0**
Payment transfers	172.0	178.4
Lending	25.3	27.8
Securities and custody business	58.7	62.7
Other services	36.3	33.1
Fee and commission expense	**(106.4)**	**(104.2)**
Payment transfers	(38.3)	(39.5)
Lending	(1.9)	(2.2)
Securities and custody business	(4.9)	(11.5)
Others	(61.3)	(51.0)
Net fee and commission income	**185.9**	**197.8**

4 | Gains and losses on financial assets and liabilities

in EUR million	2015	2014
Realized gains and losses on financial assets and liabilities not measured at fair value through profit or loss, net	**104.1**	**64.3**
Available-for-sale financial assets	62.5	57.1
Loans and receivables	3.4	14.0
Held-to-maturity investments	7.2	–
Financial liabilities measured at amortized cost	(17.3)	(10.9)
Gain from the sale of subsidiaries and associates	51.7	3.5
Other result	(3.4)	0.6
Gains (losses) on financial assets and liabilities held for trading, net	**(73.1)**	**(10.6)**
Gains (losses) on financial assets and liabilities at fair value through profit or loss, net	**28.3**	**(25.4)**
Gains (losses) from fair value hedge accounting	**1.0**	**3.6**
Fair value adjustment of hedged item	44.6	(328.7)
Fair value adjustment of hedging instrument	(43.6)	332.2
Exchange differences, net	**4.5**	**6.8**
Gains and losses on financial assets and liabilities	**64.8**	**38.7**

The item gains and losses on financial assets and liabilities was influenced primarily by the valuation and sales of our investments, the sales of subsidiaries, issued securities and derivative transactions for customers.

in EUR million	2015	2014
Gains and losses on financial assets and liabilities excluding non-controlling interests	64.8	35.9
Gains and losses on financial assets attributable to non-controlling interests	–	2.7
Gains and losses on financial assets and liabilities according to Consolidated Profit or Loss Statement	**64.8**	**38.7**

5 | Other operating income and expenses

in EUR million	2015	2014
Net income from investment properties	(0.1)	(0.8)
Income from investment properties	0.8	0.4
Expenses relating to investment properties	(0.9)	(1.2)
Gains from the sale of property, plant and equipment	7.6	3.1
Losses from the sale of property, plant and equipment	(6.5)	(0.5)
Regulatory charges	(35.2)	(24.6)
Other income and expenses	(2.2)	12.5
Other operating income and expenses	**(36.4)**	**(10.3)**

In 2015, the line item Regulatory charges includes the bank levy and the contributions to the deposit guarantee scheme and to the Austrian bank resolution fund (2014: bank levy). The remeasurement of the collateral portion regarding the Austrian bank resolution fund in the amount of EUR 2.3 million is recognized in the gains and losses on financial assets and liabilities. Rental income from investment properties amounted to EUR 0.8 million in 2015 (2014: EUR 0.5 million); expenses amounted to EUR 0.8 million in 2015 (2014: EUR 1.0 million). Vacancy costs amounted to EUR 0.1 million (2014: EUR 0.2 million).

6 | Administrative expenses

in EUR million	2015	2014
Staff costs	**(250.3)**	**(284.4)**
Wages and salaries	(181.6)	(209.8)
Statutory social security contributions	(54.5)	(59.9)
Staff benefit costs	(9.8)	(9.8)
Increase of pension provision	(7.5)	(11.0)
Decrease of provision for severance payments	1.4	5.9
Decrease of provision for jubilee benefits	3.2	1.6
Staff benefit fund costs	(1.5)	(1.4)
Other administrative expenses	**(163.1)**	**(178.6)**
IT, data, communication	(48.3)	(53.7)
Real estate, utility, maintenance expenses	(47.8)	(48.5)
Advertising	(24.5)	(34.7)
Other general expenses*)	(15.6)	(13.9)
Other third party fees – legal, outsourcing, etc.	(14.1)	(11.8)
Postage fees	(8.1)	(10.2)
Regulatory projects and audit fees	(4.7)	(5.8)
Restructuring and other one-off expenses	**(19.5)**	**11.3**
Administrative expenses	**(432.9)**	**(451.7)**

*) Adjusted for 2014

The line item Restructuring and other one-off expenses, totaling minus EUR 19.5 million, mainly includes expenses for restructuring costs in 2015, mainly offset by the release of a provision for vacation pay, the reclassification of interest expense for social capital to net interest income and other pension-related items.

Change in presentation of interest expense within IAS 19 - Employee benefits

IAS 19 does not include any rules on the presentation of interest expense in the Profit or Loss Statement in connection with provisions for social capital. Accordingly, the interest component can be shown either under the line item interest expense or staff costs. Until 2014, the disclosure was made under the line item administrative expenses. In the current financial reporting period, the interest expense for the provision of social capital was reclassified from administrative expenses to interest expense to provide greater transparency and more straightforward interest cost allocation for social capital. Comparative amounts for the previous period were adjusted accordingly. The following table shows the effects in 2015 and 2014 on each item that was reclassified:

in EUR million	2015	2014
Decrease in administrative expenses	+9.8	+14.8
Increase in interest expense	(9.8)	(14.8)

7 | Depreciation and amortization on tangible and intangible non-current assets

in EUR million	2015	2014
Depreciation and amortization		
Brand name and customer relationships	(6.3)	(16.9)
Software and other intangible assets	(22.3)	(18.4)
Property, plant and equipment	(10.3)	(12.3)
Depreciation and amortization	**(38.9)**	**(47.6)**

8 | Risk costs

in EUR million	2015	2014
Loan loss provisions of Loans and receivables	(36.0)	(79.8)
Changes in provisions for off-balance credit risk	(0.9)	7.2
Impairment losses on financial assets	(1.1)	(4.5)
Provisions and expenses for operational risk*)	(7.8)	(7.2)
Impairment losses on non-financial assets	–	–
Risk costs	**(45.8)**	**(84.3)**

*) Adjusted for 2014.

Change in presentation of expenses for operational risk

In the current financial reporting period, the expenses for operational risk were reclassified from administrative expenses to risk costs to provide greater transparency for operational risk. Comparative amounts for the previous period were adjusted accordingly. The following table shows the effects in 2015 and 2014 on each item that was reclassified:

in EUR million	2015	2014
Decrease in administrative expenses	+7.8	+7.2
Increase in risk costs	(7.8)	(7.2)

Impairment losses on financial assets

in EUR million	2015	2014
Available-for-sale financial assets – equity investments	(1.1)	(4.5)
Available-for-sale financial assets – debt instruments	–	–
Held-to-maturity investments	–	–
Impairment losses on financial assets	**(1.1)**	**(4.5)**

9 | Share of the profit or loss of associates accounted for using the equity method

The loss reported for 2015 of EUR 0.5 million (2014: profit EUR 0.9 million) contains the proportionate shares in BAWAG P.S.K. Versicherung AG and PSA Payment Services Austria GmbH as well as the impairment of the goodwill in BAWAG P.S.K. Versicherung in the amount of EUR 5.1 million.

The unrecognized share of the losses of entities that were accounted for using the equity method as provided by IFRS 12.22 (c) came to EUR 0.0 million (2014: EUR 0.0 million).

The following table shows key financial indicators for the Group's associates:

Associates accounted for using the equity method

in EUR million	2015	2014
Cumulated assets	2,417	2,396
Cumulated liabilities	2,293	2,278
Cumulated equity	125	118
Earned premiums (gross)	281	314
Fee and commission income	187	179
Cumulated net profit	24	22

The associates accounted for using the equity method are BAWAG P.S.K. Versicherung Aktiengesellschaft (stake of 25.00%) and PSA Payment Services Austria GmbH (stake of 20.82%), which was consolidated for the first time as of December 2014. For further details, please refer to Note 37 Related parties.

10 | Income taxes

in EUR million	2015	2014
Current tax expense	(3.3)	(1.8)
Deferred tax expense/income	(20.8)	1.3
Income taxes	**(24.1)**	**(0.5)**

The following reconciliation shows the relationship between computed tax expenses and reported tax expenses:

in EUR million	2015	2014
Profit before tax	418.5	318.9
Tax rate	25%	25%
Computed tax expenses	**(104.6)**	**(79.7)**
Reductions in tax		
Due to tax-exempt income from equity investments	2.1	6.3
Due to gains and losses from the valuation of equity investments	6.4	11.5
Due to the sale of equity investments	–	0.5
Due to other tax-exempt income	3.5	2.2
Due to differing foreign tax rates	0.0	1.7
Due to use of tax loss carryforwards without recognition of deferred taxes	88.1	51.1
Due to other tax effects	3.9	11.0
Increases in tax		
Due to gains and losses from the valuation of equity investments	(2.2)	(0.2)
Due to the sale of equity investments	(15.8)	–
Due to unrecognized deferred taxes on tax loss carryforwards	(1.6)	(2.0)
Due to non tax deductible expenses	(3.4)	(0.1)
Due to other tax effects	(1.7)	(2.4)
Income tax in the period	**(25.3)**	**(0.3)**
Out-of-period income tax	1.2	(0.2)
Reported income tax (expense)	**(24.1)**	**(0.5)**

The Group's assets included deferred tax assets accounted for on the grounds of the recognized benefits arising from as yet unused tax losses in the amount of EUR 217 million (2014: EUR 253 million). The tax losses can be carried forward for an unlimited period. The taxed portion of the liability reserve was EUR 372.9 million (2014: EUR 372.9 million). The total liability reserve amounted to EUR 613.7 million as of 31 December 2015.

As of 31 December 2015, unused tax losses amounted to EUR 361 million (2014: EUR 1,485 million) at the level of BAWAG Holding, EUR 868 million (2014: EUR 1,205 million) at the level of BAWAG P.S.K., EUR 0 million (2014: EUR 91 million) at the level of members of the tax group included in the consolidated financial statements and EUR 66 million (2014: EUR 67 million) at the level of other companies included in the consolidated financial statements (BAWAG Malta Bank, which was sold in January 2016; therefore, this unused tax loss cannot be utilized in the future), for a total of EUR 1,295 million (2014: EUR 2,848 million). The difference compared to 2014 is primarily the result of the exclusion of impairment losses from the tax base. Tax goodwill amortization will contribute another EUR 76 million per year as tax-deductible expenses until 2021.

DETAILS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

11 I Cash reserves

in EUR million	31.12.2015	31.12.2014
Cash on hand	378	335
Balances at central banks	431	349
Cash reserves	**809**	**684**

12 I Financial assets designated at fair value through profit or loss

in EUR million	31.12.2015	31.12.2014
Loans and advances to customers	159	179
Bonds and other fixed income securities	139	264
Shares and other variable rate securities	5	7
Financial assets designated at fair value through profit or loss	**303**	**450**

The category Financial assets designated at fair value through profit or loss contains all financial instruments that are carried at their fair value through profit or loss because the fair value option defined in IAS 39 has been exercised for them. Further information on the fair value option can be found in Note 1.

The maximum credit risk of loans and advances to customers equals book value.

13 I Available-for-sale financial assets

in EUR million	31.12.2015	31.12.2014
Debt instruments	**2,661**	**3,757**
Bonds and other fixed income securities	2,661	3,757
Public sector debt instruments	341	623
Bonds of other issuers	2,320	3,134
Equity investments	**84**	**102**
Recognized at cost		
Investments in non-consolidated subsidiaries	22	18
Interests in associates	19	46
Other shareholdings	39	38
Recognized at fair value		
Other shareholdings	4	–
Available-for-sale financial assets	**2,745**	**3,859**

The following table shows key financial indicators for the Group's associates:

Associates not accounted for using the equity method due to immateriality

in EUR million	31.12.2015	31.12.2014
Cumulated assets	494	551
Cumulated equity	80	80
Cumulated net profit	2	15

The amounts presented in the table above are based on the latest available financial statements of the respective companies that have been prepared in accordance with the applicable accounting standards. At the time the annual financial statements of BAWAG Holding as of 31 December 2015 were being prepared, financial statements as of 31 December 2014 were available for the majority of the respective entities (prior year: 31 December 2013).

From an economic point of view, we would like to note that the table above does not take the economic share invested into consideration. The average economic share is 40% (2014: 33%).

For further details, please refer to Note 37 Related parties.

14 | Held-to-maturity financial investments

in EUR million	31.12.2015	31.12.2014
Debt instruments	**2,290**	**2,042**
Bonds and other fixed income securities	2,290	2,042
Public sector debt instruments	574	565
Bonds of other issuers	1,716	1,477
Held-to-maturity financial investments	**2,290**	**2,042**

15 | Financial assets held for trading

in EUR million	31.12.2015	31.12.2014
Derivatives in trading book	**320**	**404**
Foreign currency derivatives	62	41
Interest rate derivatives	258	363
Derivatives in banking book	**630**	**759**
Foreign currency derivatives	152	58
Interest rate derivatives	478	698
Credit related derivatives	0	3
Financial assets held for trading	**950**	**1,163**

16 | Loans and receivables

The following breakdown depicts the composition of the item Loans and receivables. The financial assets in this category are measured at amortized cost.

31.12.2015 in EUR million	Unimpaired assets	Impaired assets (total gross carrying amount)	Allowances for individually impaired financial assets	Allowances for collectively impaired financial assets	Total net carrying amount
Securities	**973**	**–**	**–**	**–**	**973**
Public sector debt instruments	94	–	–	–	94
Debt instruments of other issuers	879	–	–	–	879
Receivables from credit institutions	**1,710**	**–**	**–**	**–**	**1,710**
Receivables from customers	**24,377**	**571**	**(170)**	**(65)**	**24,713**
Corporates and other customers	13,491	311	(24)	(2)	13,776
Retail	10,815	260	(146)	(17)	10,912
Central governments	71	–	–	–	71
IBNR portfolio provision[1)]	**–**	**–**	**–**	**(46)**	**(46)**
Total	**27,060**	**571**	**(170)**	**(65)**	**27,396**

1) Allowance for incurred but not reported losses.

31.12.2014 in EUR million	Unimpaired assets	Impaired assets (total gross carrying amount)	Allowances for individually impaired financial assets	Allowances for collectively impaired financial assets	Total net carrying amount
Securities	**1,983**	**–**	**–**	**–**	**1,983**
Public sector debt instruments	97	–	–	–	97
Debt instruments of other issuers	1,886	–	–	–	1,886
Receivables from credit institutions	**1,518**	**–**	**–**	**–**	**1,518**
Receivables from customers	**21,441**	**616**	**(226)**	**(52)**	**21,779**
Corporates and other customers	14,044	358	(63)	–	14,339
Retail	7,319	258	(163)	(11)	7,403
Central governments	78	–	–	–	78
IBNR portfolio provision[1)]	**–**	**–**	**–**	**(41)**	**(41)**
Total	**24,942**	**616**	**(226)**	**(52)**	**25,280**

1) Allowance for incurred but not reported losses.

The Receivables from customers are broken down into the following receivables classes.

The category Central governments includes receivables from central governments, primarily from the Republic of Austria in the case of BAWAG Holding Group.

The Corporates category includes larger enterprises with an exposure in excess of EUR 1 million or revenue of over EUR 50 million, and special financing agreements (project finance). Other customers cover public sector entities, churches and religious groups, political parties, associations and securities trading houses without a banking license.

The Retail category covers receivables from retail banking. This segment comprises individuals and small and medium-sized enterprises with an exposure of less than EUR 1 million or revenue of less than EUR 50 million.

The IBNR portfolio provision represents a provision for losses incurred but not reported yet.

The following breakdown depicts the composition of the item Loans and receivables according to the Group's segments.

31.12.2015 in EUR million	Unimpaired assets	Impaired assets (total gross carrying amount)	Allowances for individually impaired financial assets	Allowances for collectively impaired financial assets	Total net carrying amount
Retail Banking and Small Business	12,604	215	(136)	(18)	12,665
Corporate Lending and Investments	12,613	53	(34)	0	12,632
Treasury Services and Markets	171	0	0	0	171
Corporate Center	1,672	303	0	(47)	1,928
Total	**27,060**	**571**	**(170)**	**(65)**	**27,396**

31.12.2014 in EUR million	Unimpaired assets	Impaired assets (total gross carrying amount)	Allowances for individually impaired financial assets	Allowances for collectively impaired financial assets	Total net carrying amount
Retail Banking and Small Business	9,240	237	(158)	(11)	9,308
Corporate Lending and Investments	13,089	93	(67)	0	13,115
Treasury Services and Markets	959	0	0	0	959
Corporate Center	1,654	286	(1)	(41)	1,898
Total	**24,942**	**616**	**(226)**	**(52)**	**25,280**

Reclassifications

BAWAG Holding Group transferred available-for-sale financial assets to the Statement of Financial Position item Loans and receivables at their fair values in the amount of EUR 1,897 million as of 1 June 2010.

These reclassified assets are private placements and credit surrogates without derivative components. BAWAG Holding is of the opinion that the amortized cost of the reclassified assets offers relevant information for readers of the financial report.

As of 31 December 2015, the carrying amount of these reclassified assets amounted to EUR 60 million (2014: EUR 68 million). Their fair value amounted to EUR 60 million (2014: EUR 68 million). The decline in comparison to the previous year results primarily from redemptions.

As of 31 December 2015, an AFS reserve in the amount of EUR 1 million (2014: plus EUR 1 million) was recognized for reclassified financial assets. If the assets had not been reclassified, unrealized fair value changes in the amount of EUR 0 million (2014: EUR 0 million) would have been recognized in Other comprehensive income (in the AFS reserve) for available-for-sale financial assets.

After reclassification, the financial assets in question continued to make the following contribution to the pre-tax profit of the respective year:

in EUR million	2015	2014
Interest income	2.2	2.5
Profits from disposals	–	6.1

Changes in loan loss provisions

	Individual and collective loan loss provisions		Loan loss provisions for incurred but not reported losses		
in EUR million	Receivables from credit institutions	Receivables from customers	Receivables from credit institutions	Receivables from customers	Total
Balance as of 01.01.2015	**–**	**237**	**–**	**41**	**278**
Additions					
Changes in scope of consolidation	–	16	–	–	16
Provisions created through profit or loss	–	64	–	–	64
Others	–	–	–	7	7
Unwinding pursuant to IAS 39	–	3	–	–	3
Disposals					
Changes in scope of consolidation	–	–	–	–	–
Used as intended	–	(94)	–	–	(94)
Provisions released through profit or loss	–	(37)	–	(2)	(39)
Reclassification	**–**	**–**	**–**	**–**	**–**
Balance as of 31.12.2015	**–**	**189**	**–**	**46**	**235**

	Individual and collective loan loss provisions		Loan loss provisions for incurred but not reported losses		
in EUR million	Receivables from credit institutions	Receivables from customers	Receivables from credit institutions	Receivables from customers	Total
Balance as of 01.01.2014	**5**	**321**	**–**	**33**	**359**
Additions					
Provisions created through profit or loss	–	85	–	–	85
Unwinding pursuant to IAS 39	–	4	–	–	4
Disposals					
Changes in scope of consolidation	–	–	–	–	–
Used as intended	(3)	(134)	–	–	(137)
Provisions released through profit or loss	(2)	(29)	–	(2)	(33)
Reclassification	**–**	**(10)**	**–**	**10**	**–**
Balance as of 31.12.2014	**–**	**237**	**–**	**41**	**278**

The loan loss provisions break down by region as follows:

in EUR million	31.12.2015	31.12.2014
Austria	**223**	**257**
Abroad	**12**	**21**
Western Europe	9	16
Central and Eastern Europe	3	5
Loan loss provisions	**235**	**278**

17 | Receivables from credit institutions and customers

The following table depicts the breakdown of receivables from credit institutions and customers by credit type.

Receivables from credit institutions – breakdown by credit type

	Designated at fair value through profit or loss		At amortized cost		Total	
in EUR million	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Demand deposits	–	–	211	163	211	163
Time deposits	–	–	1,358	1,199	1,358	1,199
Loans	–	–	140	156	140	156
Other	–	–	1	–	1	–
Receivables from credit institutions	**–**	**–**	**1,710**	**1,518**	**1,710**	**1,518**

Receivables from customers – breakdown by credit type

	Designated at fair value through profit or loss		At amortized cost		Total	
in EUR million	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Current accounts	**–**	**–**	**1,041**	**1,423**	**1,041**	**1,423**
Cash advances	**–**	**–**	**131**	**151**	**131**	**151**
Loans	**159**	**179**	**22,258**	**19,533**	**22,417**	**19,712**
One-off loans	159	179	22,257	19,460	22,416	19,639
Other	–	–	1	73	1	73
Finance leases	**–**	**–**	**1.283**	**672**	**1.283**	**672**
Receivables from customers	**159**	**179**	**24,713**	**21,779**	**24,872**	**21,958**

18 | Asset maturities

The following table contains a breakdown of financial assets (excl. equity investments and derivatives) by remaining period to maturity. Assets without a defined maturity are classified as "Up to 3 months."

Financial assets – breakdown by remaining period to maturity 2015

31.12.2015 in EUR million	Up to 3 months	3 months up to 1 year	1–5 years	Over 5 years	Total
Financial assets designated at fair value through profit or loss					
Receivables from customers	4	61	42	52	**159**
Bonds and other fixed income securities	41	44	–	54	**139**
Available-for-sale financial assets					
Bonds and other fixed income securities	174	390	1,371	726	**2,661**
Held-to-maturity investments					
Bonds and other fixed income securities	75	154	1,001	1,060	**2,290**
Loans and receivables					
Receivables from customers	2,621	819	8,621	12,652	**24,713**
Receivables from credit institutions	1,571	8	1	130	**1,710**
Bonds and other fixed income securities	–	134	593	246	**973**
Total	**4,486**	**1,610**	**11,629**	**14,920**	**32,645**

Financial assets – breakdown by remaining period to maturity 2014

31.12.2014 in EUR million	Up to 3 months	3 months up to 1 year	1–5 years	Over 5 years	Total
Financial assets designated at fair value through profit or loss					
Receivables from customers	4	68	46	61	**179**
Bonds and other fixed income securities	21	50	147	46	**264**
Available-for-sale financial assets					
Bonds and other fixed income securities	176	366	2,310	905	**3,757**
Held-to-maturity investments					
Bonds and other fixed income securities	–	79	1,046	917	**2,042**
Loans and receivables					
Receivables from customers	2,007	1,449	8,168	10,155	**21,779**
Receivables from credit institutions	1,306	72	8	132	**1,518**
Bonds and other fixed income securities	–	153	1,317	513	**1,983**
Total	**3,514**	**2,237**	**13,042**	**12,729**	**31,522**

19 | Property, plant and equipment, Investment properties

Changes in property, plant and equipment and investment properties 2015

in EUR million	Carrying amount 31.12.2014	Acquisition cost 01.01.2015	Change in scope of consolidation Acquisition cost	Change in scope of consolidation Cumulative depreciation	Change in foreign exchange differences	Additions	Disposals	Reallocations	Write-downs cumulative	Carrying amount 31.12.2015	Depreciation (-), impairments (-) and reversal of impairments (+) Financial year
Property, plant and equipment	**81**	**268**	**6**	**–**	**–**	**8**	**-79**	**-1**	**-143**	**59**	**-10**
Land and buildings used by the enterprise for its own operations	22	53	–	–	–	–	-33	–	-13	7	–
Office furniture and equipment	58	214	6	–	–	8	-46	–	-130	52	-10
Plant under construction	1	1	–	–	–	–	–	-1	–	–	–
Investment properties	**3**	**25**	**–**	**–**	**–**	**–**	**–**	**1**	**-22**	**4**	**–**

Changes in property, plant and equipment and investment properties 2014

in EUR million	Carrying amount 31.12.2013	Acquisition cost 01.01.2014	Change in scope of consolidation Acquisition cost	Change in scope of consolidation Cumulative depreciation	Change in foreign exchange differences	Additions	Disposals	Reallocations	Write-downs cumulative	Carrying amount 31.12.2014	Depreciation (-), impairments (-) and reversal of impairments (+) Financial year
Property, plant and equipment	**81**	**476**	**–**	**–**	**–**	**14**	**(72)**	**(150)**	**(187)**	**81**	**(12)**
Land and buildings used by the enterprise for its own operations	23	74	–	–	–	–	(21)	–	(31)	22	(1)
Office furniture and equipment	57	400	–	–	–	14	(51)	(149)	(156)	58	(11)
Plant under construction	1	2	–	–	–	–	–	(1)	–	1	–
Investment properties	**4**	**31**	**–**	**–**	**–**	**–**	**(6)**	**–**	**(22)**	**3**	**–**

No impairments have been recognized in profit or loss in the financial year 2015 (2014: EUR 0.0 million).

20 | Goodwill, Brand name and customer relationships and Software and other intangible assets

The brand name "BAWAG P.S.K." with a book value of EUR 42 million (2014: EUR 42 million) and customer relationships with a total book value of EUR 126 million (2014: EUR 132 million) are the Group's most important intangible non-current assets. The book value of the customer relationships is amortized according to the churn-rate of the customers. In 2015 the churn rate of customers was revalued, after covering a sufficient observation period of 5 years. The revaluation revealed that the actual churn-rates are much lower, indicating a longer stable relationship with the customers. As a result, the amortization of the customer relationships for 2015 was reduced by EUR 9.6

million to EUR 6.3 million. Of the total carrying amount for all intangible non-current assets, EUR 27 million (2014: EUR 30 million) can be attributed to Allegro projects (BAWAG P.S.K.'s core banking system) carried out in this context. Allegro's remaining average useful life is 8 years.

Changes in Goodwill, Brand name and customer relationships and Software and other intangible assets 2015

in EUR million	Carrying amount 31.12.2014	Acquisition cost 01.01.2015	Change in scope of consolidation Acquisition cost	Change in scope of consolidation Cumulative amortization	Additions	Disposals	Reallocations	Write-downs cumulative	Reclassification to non-current assets and disposal groups classified as held for sale	Carrying amount 31.12.2015	Amortization (-), impairments (+) and reversal of impairments (+) Financial year
Goodwill	**58**	**624**	**–**	**–**	**–**	**–**	**–**	**(566)**	**–**	**58**	**–**
Brand name and customer relationships	**174**	**410**	**–**	**–**	**–**	**–**	**–**	**(242)**	**–**	**168**	**(6)**
Software and other intangible assets	**102**	**493**	**–**	**–**	**26**	**(8)**	**–**	**(408)**	**–**	**103**	**(22)**
Software and other intangible non-current assets	88	461	–	–	23	(7)	3	(390)	–	90	(21)
Thereof purchased	84	457	–	–	20	(7)	2	(388)	–	84	(20)
Thereof internally generated	4	4	–	–	3	–	1	(2)	–	6	(1)
Intangible non-current assets in development	3	4	–	–	1	–	(3)	–	–	2	–
Thereof purchased	2	3	–	–	1	–	(2)	–	–	2	–
Thereof internally generated	1	1	–	–	–	–	(1)	–	–	–	–
Rights and redemption payments	11	28	–	–	2	(1)	–	(18)	–	11	(1)

Changes in Goodwill, Brand name and customer relationships and Software and other intangible assets 2014

in EUR million	Carrying amount 31.12.2013	Acquisition cost 01.01.2014	Change in scope of consolidation Acquisition cost	Change in scope of consolidation Cumulative amortization	Additions	Disposals	Reallocations	Write-downs cumulative	Reclassification to non-current assets and disposal groups classified as held for sale	Carrying amount 31.12.2014	Amortization (-), impairments (+) and reversal of impairments (+) Financial year
Goodwill	**116**	**763**	**–**	**–**	**–**	**–**	**–**	**(647)**	**(58)**	**58**	**–**
Brand name and customer relationships	**191**	**410**	**–**	**–**	**–**	**–**	**–**	**(236)**	**–**	**174**	**(17)**
Software and other intangible assets	**83**	**445**	**–**	**–**	**35**	**(138)**	**150**	**(390)**	**–**	**102**	**(18)**
Software and other intangible non-current assets	66	410	–	–	31	(136)	156	(373)	–	88	(17)
Thereof purchased	66	288	–	–	27	(14)	156	(373)	–	84	(17)
Thereof internally generated	–	122	–	–	4	(122)	–	–	–	4	–
Intangible non-current assets in development	6	6	–	–	3	–	(6)	–	–	3	–
Thereof purchased	6	6	–	–	2	–	(6)	–	–	2	–
Thereof internally generated	–	–	–	–	1	–	–	–	–	1	–
Rights and redemption payments	11	29	–	–	1	(2)	–	(17)	–	11	(1)

No impairments have been recognized in profit or loss in the financial year 2015 (2014: EUR 0 million). No reversals of impairments have been recognized in the financial year 2015 and in the prior year.

Impairment testing for cash generating units with goodwill

For the purposes of impairment testing, goodwill is assigned to the following cash generating unit (CGU) as follows:

in EUR million	31.12.2015	31.12.2014
easybank AG, Vienna	58	58
Goodwill	**58**	**58**

The material assumptions made in estimating the recoverable amount of easybank AG are explained below. Material assumptions are based on assessments of future developments in the relevant sectors and are based on information obtained from external and internal sources.

in %	2015	2014
Discount rate	10.1%	10.7%
Sustainable growth rate	1.0%	1.0%
Planned profit growth rate (average for the next five years)	2.5%	5.3%

The discount rate is before taxes and was estimated based on average equity returns in the sector. This discount rate was calculated based on the pre-tax interest rate required in IAS 36, taking into account the substantial tax loss carryforwards of BAWAG Holding Group. The risk-free interest rate used is the yield on government bonds with a remaining term to maturity of 30 years published by the German central bank. This discount rate is adjusted by applying a risk premium that reflects the higher general risk associated with an equity investment and the specific risk of the individual cash generating unit.

The cash flow projections are based on the annual profits planned by the management of the company for the next five years and a perpetual growth rate thereafter. The sustainable growth rate was determined on the basis of the estimated long-term annual profit growth rate, which matches the assumption that a market participant would make.

Sensitivity analysis as of 31.12.2015

A sensitivity analysis was used to test the robustness of the impairment test for goodwill, which was based on the assumptions outlined above. A change in the discount rate and a change in growth were chosen as the relevant parameters. The table below shows to what extent an increase in the discount rate or a decline in growth after 2016 could occur without the fair value of the cash generating unit sinking below the carrying value (equity plus goodwill).

	Change in discount rate (in percentage pts)	Change in growth after 2016 (in %)
easybank AG, Vienna	1,033	<(100)%

Sensitivity analysis as of 31.12.2014

	Change in discount rate (in percentage pts)	Change in growth after 2015 (in %)
easybank AG, Vienna	2,263	<(100)%

21 | Tax assets

The deferred tax assets reported on the Statement of Financial Position are the result of temporary differences between the carrying amounts pursuant to IFRS and the valuations of the following items according to the tax requirements:

Net deferred tax assets on Statement of Financial Position

in EUR million	31.12.2015	31.12.2014
Financial liabilities designated at fair value through profit or loss	30	39
Loans and receivables	99	121
Provisions	51	63
Tax loss carryforwards	217	253
Other	4	1
Deferred tax assets	**401**	**477**
Financial assets designated at fair value through profit or loss	15	18
Available-for-sale financial assets	25	60
Held-to-maturity investments	–	2
Assets held for trading	48	56
Hedging derivatives	76	88
Internally generated intangible assets	2	1
Other intangible assets	42	43
Property, plant and equipment	1	1
Other	2	15
Deferred tax liabilities	**211**	**284**
Net deferred tax assets on Statement of Financial Position	**190**	**193**

For each Group member, the deferred tax assets and liabilities pertaining to the same local tax authority were offset against each other and reported under Tax assets or Tax liabilities.

The Group's assets included deferred tax assets accounted for on the grounds of the recognized benefits arising from as yet unused tax losses in the amount of EUR 217 million (2014: EUR 253 million). The tax losses can be carried forward for an unlimited period. The taxed portion of the liability reserve was EUR 372.9 million (2014: EUR 372.9 million). The total liability reserve amounted to EUR 613.7 million as of 31 December 2015.

As of 31 December 2015, unused tax losses amounted to EUR 361 million (2014: EUR 1,485 million) at the level of BAWAG Holding, EUR 868 million (2014: EUR 1,205 million) at the level of BAWAG P.S.K., EUR 0 million (2014: EUR 91 million) at the level of members of the tax group included in the consolidated financial statements and EUR 66 million (2014: EUR 67 million) at the level of other companies included in the consolidated financial statements (BAWAG Malta Bank, which was sold in January 2016; therefore, this unused tax loss cannot be utilized in the future), for a total of EUR 1,295 million (2014: EUR 1,495 million). The difference compared to 2014 is primarily the result of the exclusion of impairment losses from the tax base. Tax goodwill amortization will contribute another EUR 76 million per year as tax-deductible expenses until 2021.

22 | Other assets

in EUR million	31.12.2015	31.12.2014
Accruals	21	28
Leasing objects not in operation yet	7	11
Other items	64	61
Other assets	**92**	**100**

The other items include accounts relating to payment in the amount of EUR 39 million (2014: EUR 35 million) and miscellaneous other assets in the amount of EUR 25 million (2014: EUR 26 million).

23 | Financial liabilities designated at fair value through profit or loss

in EUR million	31.12.2015	31.12.2014
Issued bonds, subordinated and supplementary capital	**1,269**	**1,675**
Issued bonds (own issues)	149	158
Subordinated capital	123	361
Supplementary capital	25	25
Short-term notes and non-listed private placements	972	1,131
Financial liabilities designated at fair value through profit or loss	**1,269**	**1,675**

The Issued bonds are listed issues. The decrease compared to the previous year was driven by redemptions of own issues.

Financial liabilities designated at fair value through profit or loss include issues of the former P.S.K. which are guaranteed by the Republic of Austria.

The carrying amount of the securities issued by BAWAG Holding Group and recognized at their fair value as of 31 December 2015 was EUR 77 million above their repayment amount (2014: EUR 132 million above the repayment amount).

24 | Financial liabilities held for trading

in EUR million	31.12.2015	31.12.2014
Derivatives trading book	**291**	**403**
Foreign currency derivatives	152	188
Interest rate derivatives	139	215
Derivatives banking book	**780**	**771**
Foreign currency derivatives	501	316
Interest rate derivatives	279	452
Credit related derivatives	–	3
Financial liabilities held for trading	**1,071**	**1,174**

25 | Financial liabilities measured at amortized cost

in EUR million	31.12.2015	31.12.2014
Deposits from banks	**3,586**	**2,420**
Deposits from customers	**21,692**	**21,127**
Savings deposits – fixed interest rates	2,363	3,463
Savings deposits – variable interest rates	4,556	4,297
Deposit accounts	5,490	5,344
Current accounts – Retail	6,488	5,654
Current accounts – Corporates	2,003	1,806
Other deposits[1)]	792	563
Issued bonds, subordinated and supplementary capital	**3,236**	**4,438**
Issued bonds	1,264	2,024
Subordinated capital	410	500
Supplementary capital	5	107
Short-term notes and unlisted private placements	1,557	1,807
Financial liabilities at amortized cost	**28,514**	**27,985**

1) Primarily time deposits.

The bonds issued by BAWAG Holding Group were listed securities.

26 | Issued bonds, subordinated and supplementary capital

Issued bonds, subordinated and supplementary capital are shown in the category Financial liabilities designated at fair value through profit or loss and in the category Financial liabilities measured at amortized cost. The total volume amounts to (IFRS book values):

	Recognized at fair value		Recognized at amortized cost		Total	
in EUR million	**2015**	2014	**2015**	2014	**2015**	2014
Issued bonds (own issues)	149	158	1,264	2,024	1,413	2,182
Subordinated capital	123	361	410	500	533	861
Supplementary capital	25	25	5	107	30	132
Short-term notes and unlisted private placements	972	1,131	1,557	1,807	2,529	2,938
Total	**1,269**	**1,675**	**3,236**	**4,438**	**4,505**	**6,113**

The following table shows the main conditions of issued bonds exceeding a nominal value of EUR 200 million:

ISIN	Type	Currency	Nominal value in EUR million	Type of interest payment	Coupon	Maturity date
XS0830444039	Covered	EUR	500	Fixed	1.875%	18.09.2019
XS1298418184	Covered	EUR	500	Fixed	0.375%	01.10.2020
XS0987169637	Lower Tier II	EUR	300	Fixed	8.125%	30.10.2023

Hybrid Capital

After redeeming the last hybrid capital issue (BCF II) in June 2015, BAWAG Holding Group has no more hybrid capital issues recognized in its consolidated financial statements as of the reporting date.

27 | Deposits from customers

The following table depicts the breakdown of deposits from customers by product class and business sector.

Deposits from customers – breakdown by product class and business sector

	At amortized cost	
in EUR million	31.12.2015	31.12.2014
Savings deposits	**6,919**	**7,760**
Savings accounts	4,389	4,099
Fixed-term investment savings accounts	2,384	3,484
Savings associations	146	177
Other deposits	**14,773**	**13,367**
Retail	9,946	8,854
Corporates	3,832	3,811
Non-credit institutions	626	354
Central governments	369	348
Deposits from customers	**21,692**	**21,127**

28 | Liabilities maturities

The following tables depict a breakdown of the financial liabilities (excluding derivatives) by legal maturity.

Financial liabilities – breakdown by remaining period to maturity 2015

31.12.2015 in EUR million	Up to 3 months	3 months up to 1 year	1–5 years	Over 5 years	Total
Liabilities designated at fair value through profit or loss					
Bonds	–	18	98	33	**149**
Subordinated capital	–	18	21	84	**123**
Supplementary capital	5	20	–	–	**25**
Short-term notes and non-listed private placements	3	90	404	475	**972**
Liabilities at amortized cost					
Deposits from customers	17,290	2,821	1,416	165	21,692
Deposits from banks	2,144	33	1,091	318	**3,586**
Bonds	–	12	1,218	34	**1,264**
Subordinated capital	–	–	29	381	**410**
Supplementary capital	–	–	5	–	**5**
Short-term notes and non-listed private placements	–	119	272	1,166	**1,557**
Total	**19,442**	**3,131**	**4,554**	**2,656**	**29,783**

Financial liabilities – breakdown by remaining period to maturity 2014

31.12.2014 in EUR million	Up to 3 months	3 months up to 1 year	1–5 years	Over 5 years	Total
Liabilities designated at fair value through profit or loss					
Bonds	–	5	120	33	**158**
Subordinated capital	–	230	14	117	**361**
Supplementary capital	–	–	25	–	**25**
Short-term notes and non-listed private placements	22	85	436	588	**1,131**
Liabilities at amortized cost					
Deposits from customers	15,828	3,697	1,411	191	21,127
Deposits from banks	738	129	1,114	439	**2,420**
Bonds	44	1,192	736	52	**2,024**
Subordinated capital	–	–	–	500	**500**
Supplementary capital	11	89	7	–	**107**
Short-term notes and non-listed private placements	5	51	294	1,457	**1,807**
Total	**16,648**	**5,478**	**4,157**	**3,377**	**29,660**

29 | Provisions

in EUR million	31.12.2015	31.12.2014
Provisions for social capital	390	489
Thereof for severance payments	96	98
Thereof for pension provisions	265	359
Thereof for jubilee benefits	29	32
Anticipated losses from pending business	24	27
Credit promises and guarantees	24	27
Other items including legal risks	5	6
Provisions	**419**	**522**

Provisions for social capital are long-term liabilities. The decrease of pension provisions is mainly due to voluntary early pension settlements and changing actuarial assumptions. Provisions for anticipated losses on pending business in the amount of EUR 18 million and other risks including legal risks in the amount of EUR 5 million are expected to be used after more than twelve months.

Changes in social capital

in EUR million	Provisions for post-employment benefits	Provisions for severance payments	Provisions for jubilee benefits	Total social capital
Defined benefit obligation as of 01.01.2015	**371**	**98**	**32**	**501**
Service cost	1	5	2	8
Interest cost	7	2	1	10
Actuarial gain/loss				
from demographic assumptions	–	–	–	–
from financial assumptions	(6)	–	–	(6)
due to other reasons, mainly experience results	(9)	(2)	(4)	(15)
Gain from settlements	(22)	–	–	(22)
Return on plan assets excluding interest income recognized in profit or loss	–	–	–	–
Other				
Payments	(15)	(8)	(2)	(25)
Payments from settlements	(50)	–	–	(50)
Other	(1)	1	–	–
Defined benefit obligation as of 31.12.2015	**276**	**96**	**29**	**401**
Fair value of plan assets	(11)	–	–	(11)
Provision as of 31.12.2015	**265**	**96**	**29**	**390**

in EUR million	Provisions for post-employment benefits	Provisions for severance payments	Provisions for jubilee benefits	Total social capital
Defined benefit obligation as of 01.01.2014	**315**	**98**	**34**	**447**
Service cost	1	5	2	8
Interest cost	11	3	1	15
Actuarial gain/loss				
from demographic assumptions	(4)	1	(3)	(6)
from financial assumptions	64	6	1	71
Return on plan assets excluding interest income recognized in profit or loss	–	–	–	–
Other				
Payments	(15)	(9)	(3)	(27)
Other	(1)	(6)	–	(7)
Defined benefit obligation as of 31.12.2014	**371**	**98**	**32**	**501**
Fair value of plan assets	(12)	–	–	(12)
Provision as of 31.12.2014	**359**	**98**	**32**	**489**

At 31 December 2015, the weighted average duration was 14.98 years (2014: 15.26 years) for defined benefit obligations relating to pension plans and 11.46 years (2014: 12.09 years) for obligations arising from entitlement to severance payments.

Assignable unit-linked pension fund assets

in EUR million	2015	2014
Pension fund assets as of 01.01.2015	**12**	**12**
Additions	–	–
Payments	(1)	–
Pension fund assets as of 31.12.2015	**11**	**12**

The fair value changes contain expected returns on plan assets, actuarial gains and losses, contributions by the employer, contributions by plan participants and benefits paid.

The Pension fund assets consist of:

in %	2015	2014
Bonds	72%	77%
Equities	14%	14%
Cash and cash equivalents	1%	0%
Other	13%	9%

Bonds issued by BAWAG Holding Group amount to 0.04% of plan assets.

All equity securities and fixed income bonds have quoted prices in active markets. All fixed income investments are mainly issued by European issuers and have an average rating of A.

The strategic investment policy of the pension fund can be summarized as follows:

- a strategic asset mix comprising 57% government bonds, 15% corporates, 14% equities and 14% other investments;
- the weighting of the investment classes may vary from the long-term strategic asset allocation within a defined range: government bonds: 28%–86%, corporates: 0%–25%, equities: 0%–20%, other investments: 0%–20%;
- interest rate risk is monitored and managed through active duration risk management of all fixed income assets;
- currency risk is managed with the objective of reducing the risk to a maximum of 30%.

BAWAG Holding expects that payments in the amount of EUR 0.3 million will have to be made to the pension fund in 2016.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have resulted in the following defined benefit obligation for pension and severance payments. The basis for the calculation is the present value of the defined benefit obligations as of 31 December 2015 in the amount of EUR 371 million:

Sensitivity analysis as of 31 December 2015

in EUR million	Provisions for post-employment benefits and severance payments – Increase of variable	Provisions for post-employment benefits and severance payments – Decrease of variable
Discount rate – 1 percentage point movement	325	429
Future salary growth – 1 percentage point movement	427	325
Attrition – 1 percentage point movement	355	374
Future mortality – 1 percentage point movement (post-employment benefits only)	275	277

Sensitivity analysis as of 31 December 2014

in EUR million	Provisions for post-employment benefits and severance payments – Increase of variable	Provisions for post-employment benefits and severance payments – Decrease of variable
Discount rate – 1 percentage point movement	410	545
Future salary growth – 1 percentage point movement	544	410
Attrition – 1 percentage point movement	451	472
Future mortality – 1 percentage point movement (post-employment benefits only)	370	372

Changes in other provisions

in EUR million	Balance 01.01.2015	Added	Used	Released	**Balance 31.12.2015**
Other provisions	**33**	**6**	**(5)**	**(5)**	**29**
Anticipated losses from pending business	27	4	(3)	(4)	24
Other items	6	2	(2)	(1)	5

in EUR million	Balance 01.01.2014	Added	Used	Released	Balance 31.12.2014
Other provisions	**68**	**3**	**(1)**	**(37)**	**33**
Anticipated losses from pending business	31	2	–	(6)	27
Other items	37	1	(1)	(31)	6

30 | Tax liabilities

Provisions for Deferred taxes

The deferred tax liabilities reported on the Statement of Financial Position are the result of temporary differences between the carrying amounts pursuant to IFRS and the valuations of the following items according to the tax requirements:

in EUR million	31.12.2015	31.12.2014
Financial assets designated at fair value through profit or loss	-	1
Available-for-sale financial assets	–	1
Other	–	2
Deferred tax liabilities	**–**	**4**
Net deferred tax liabilities on Statement of Financial Position	**–**	**4**

Temporary differences for which no deferred tax liabilities were recognized, as permitted by IAS 12.39, came to EUR 153 million (2014: EUR 209 million). IAS 12.39 stipulates that, in the case of temporary differences associated with investments in subsidiaries, deferred tax liabilities do not have to be recognized if the parent is able to control the timing of the reversal of the temporary difference and it is not probable that the temporary difference will be reversed in the foreseeable future.

31 | Other obligations

in EUR million	31.12.2015	31.12.2014
Accounts relating to payment	247	228
Liabilities resulting from restructuring	141	120
Other liabilities	180	158
Accruals	8	6
Other obligations	**576**	**512**

32 | Disclosures in compliance with IFRS 5 – Assets in disposal groups and Obligations in disposal groups

According to IFRS 5, disposal groups consisting of assets and liabilities are to be classified as held for sale when the associated carrying amount stems primarily from a sale transaction and not from continued usage, and the sale is expected to be effected within twelve months. For this reason, the carrying amounts of the assets and liabilities of BAWAG Malta Bank Limited are reported on the Consolidated Statement of Financial Position under the items Assets in disposal groups and Obligations in disposal groups. The following table shows a breakdown of these items.

The proceeds of sale exceed the carrying amount of the related net assets and, accordingly, no impairment losses were recognized on the reclassification as held for sale.

The segment “Corporate Center” includes BAWAG Malta Bank Limited.

in EUR million	2015
Assets in disposal groups	**9**
Goodwill	–
Financial assets designated at fair value through profit or loss	–
Available-for-sale financial assets	5
Held-to-maturity financial investments	4
Other assets	–
Obligations in disposal groups	**–**
Provisions	–
Other obligations	–

33 | Hedging derivatives

in EUR million	31.12.2015	31.12.2014
Hedging derivatives in fair value hedges		
Positive market values	469	546
Negative market values	106	160

BAWAG Holding uses fair value hedge accounting to account for hedges of interest rate risk inherent in fixed-rate financial instruments. Hedging instruments are usually interest rate swaps. The hedged items are securities in the category Available-for-sale financial assets as well as the Bank’s own issues, savings accounts and loans to customers that are recognized at amortized cost.

in EUR million	Notional of hedged items 31.12.2015	Notional of hedged items 31.12.2014	Net book value of hedging instruments 31.12.2015	Net book value of hedging instruments 31.12.2014	Net result of hedged item and hedging instrument recognized in the financial year 31.12.2015	Net result of hedged item and hedging instrument recognized in the financial year 31.12.2014
Available-for-sale financial assets	**1,135**	**1,605**	**(44)**	**(89)**	**–**	**(2)**
Securities	1,135	1,605	(44)	(89)	–	(2)
Financial instruments recognized at amortized cost	**11,207**	**11,375**	**407**	**475**	**1**	**6**
Securities	172	163	(7)	(9)	–	–
Own issues	2,462	3,224	212	284	(1)	5
Savings deposits of customers	2,552	3,592	27	30	1	1
Loans to customers	305	305	(47)	(54)	–	(1)
Liabilities to customers	5,716	4,091	222	224	1	1
Total	**12,342**	**12,980**	**363**	**386**	**1**	**4**

The effects of changes in the value of the hedging instrument and the hedged item are shown under Note 4 Gains and losses on financial assets and liabilities.

34 | Equity

Share Capital

BAWAG Holding GmbH has a fully paid in share capital of EUR 100 million which remained unchanged compared to the previous year.

Dividends

The Managing Board decided to propose a motion for a dividend of EUR 325 million to the general assembly for the financial year 2015. By way of a resolution dated 29 October 2015, a dividend in the amount of EUR 12 million was paid to Promontoria Sacher Holding N.V., the sole shareholder of BAWAG Holding GmbH. The dividend was taken into account in the calculation of the regulatory ratios.

Non-Controlling Interests

The acquisition of the 75% share in ACP-IT Finanzierungs GmbH resulted in non-controlling interests in the amount of EUR 1 million.

Liability Reserve (Haftrücklage)

Credit institutions are required to allocate a liability reserve (Haftrücklage) according to section 57 paragraph 5 BWG. The liability reserve may be reversed only insofar as this is required to meet obligations pursuant to section 93 or to cover other losses to be reported in the annual financial statements.

Changes in other comprehensive income

in EUR million	Capital reserve	Retained reserves	AFS reserve	Actuarial gains/ losses	Equity w/o non-controlling interests	Non-controlling interests	Equity including non-controlling interests
Total comprehensive income 2015	**-**	**394.4**	**(65.9)**	**12.6**	**341.1**	**–**	**341.1**
Consolidated profit/loss	-	394.4	–	–	394.4	–	394.4
Income and expenses recognized directly in equity	**-**	**–**	**(65.9)**	**12.6**	**(53.3)**	**–**	**(53.3)**
Changes in AFS reserves	-	–	(92.5)	–	(92.5)	–	(92.5)
Income and expenses recognized directly in equity (before taxes)	-	–	(92.5)	–	(92.5)	–	(92.5)
Share of other comprehensive income of associates accounted for using the equity method	-	–	2.2	–	2.2	–	2.2
Actuarial gains (losses) on defined benefit pension plans	-	–	–	16.8	16.8	–	16.8
Income taxes	-	–	24.4	(4.2)	20.2	–	20.2

in EUR million	Capital reserves	Retained reserves	AFS reserve	Actuarial gains/ losses	Equity w/o non-controlling interests	Non-controlling interests	Equity including non-controlling interests
Total comprehensive income 2014	**(201.6)**	**509.8**	**8.1**	**(50.1)**	**266.2**	**10.2**	**276.4**
Release of capital reserves	(201.6)	201.6	–	–	–	–	–
Consolidated profit/loss	-	308.2	–	–	308.2	10.2	318.4
Income and expenses recognized directly in equity	**-**	**–**	**8.1**	**(50.1)**	**(42.0)**	**–**	**(42.0)**
Changes in AFS reserves	-	–	9.3	–	9.3	–	9.3
Income and expenses recognized directly in equity (before taxes)	-	–	9.3	–	9.3	–	9.3
Share of other comprehensive income of associates accounted for using the equity method	-	–	1.5	–	1.5	–	1.5
Actuarial gains (losses) on defined benefit pension plans	-	–	–	(66.8)	(66.8)	–	(66.8)
Income taxes	-	–	(2.7)	16.7	14.0	–	14.0

Deferred income taxes recognized in Other comprehensive income

in EUR million	Before taxes	Income taxes	After taxes	Before taxes	Income taxes	After taxes
	01.01.–31.12.2015			01.01.–31.12.2014		
AFS reserve	(90.3)	24.4	(65.9)	10.8	(2.7)	8.1
Actuarial gains (losses) on defined benefit pension plans	16.8	(4.2)	12.6	(66.8)	16.7	(50.1)
Income and expenses recognized directly in equity	**(73.5)**	**20.2**	**(53.3)**	**(56.0)**	**14.0**	**(42.0)**

SEGMENT REPORTING

This information is based on the Group structure as of 31 December 2015.

The segment reporting presents the results of the operating business segments of BAWAG Holding Group. The following segment information is based on IFRS 8 *Operating Segments*, which follows the management approach. In this, the segment information is prepared on the basis of the internal reports used by the Managing Board to assess the performance of the segments and to make decisions on allocating resources to the segments.

The Group's segment report used to assess the Performance of and to allocate resources to the segments is based on BAWAG P.S.K. Group and does not include BAWAG Holding GmbH and revaluations recognized on BAWAG Holding level. Therefore, income and expenses recognized on BAWAG Holding level are shown in the column "reconciliation".

The breakdown of the net interest income and its allocation to the segments in the management report is based on the principles of the market interest rate method, also taking into account allocated liquidity costs and premiums. According to this method, it is assumed that asset and liability items are refinanced by means of money and capital market transactions with corresponding maturities, and that there is therefore no interest rate risk. This method was validated and adjusted in 2015 to ensure that costs are accurately reflected in the internal funds transfer pricing. The interest rate risk is managed actively through asset and liability management, and the results of this are reported by the Corporate Center. The remaining earnings components and the directly allocable costs are assigned to the respective units of the Company on the basis of where they are incurred. The overhead costs are assigned to the individual segments according to an allocation factor. The international mortgage portfolio is – in line with the nature of the asset class – assigned to the segment Retail Banking and Small Business.

BAWAG Holding has been managed in accordance with the following four main business and reporting segments, while the responsibilities for the operational decisions remain unchanged.

- **Retail Banking and Small Business –** includes savings, payment, card and lending activities for our private customers, investment and insurance services, small business lending and financial services including our social housing activities, as well as leasing products. This segment also includes our 100% direct banking subsidiary *easybank*.

- **Corporate Lending and Investments –** includes our Austrian corporate lending activities and other fee-driven financial services as well as our international corporate and real estate financing activities.

- **Treasury Services and Markets –** includes the activities associated with providing trading and investment services for our Group treasury activities including certain asset-liability management activities and the investment results of our portfolio of financial securities.

- **Corporate Center –** includes unallocated items related to Group support functions for the entire Group and certain activities and results related to subsidiary and participation holdings as well as the results of our liquidity portfolio. Furthermore, the operational risk is allocated to this segment.

Our segments are aligned with our business strategies as well as our objective of providing transparent reporting of our business unit and Group-wide results, including minimizing financial impacts and activities within the Corporate Center.

The segments in detail:

in EUR million	Retail Banking and Small Business		Corporate Lending and Investments		Treasury Services and Markets		Corporate Center		Reconciliation		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Net interest income	393.4	398.0	241.6	212.6	56.9	52.6	30.4	14.1	0.0	(1.8)	722.3	675.5
Net fee and commission income	152.6	159.8	39.2	42.4	0.0	0.0	(5.9)	(4.5)	0.0	0.1	185.9	197.8
Core revenues	**546.0**	**557.8**	**280.8**	**255.0**	**56.9**	**52.6**	**24.5**	**9.6**	**0.0**	(1.7)	**908.2**	**873.3**
Gains and losses on financial instruments	0.8	0.8	(0.9)	3.4	13.8	24.8	63.2	6.8	(12.1)	0.2	64.8	36.0
Other operating income and expenses	0.4	3.3	0.0	0.0	0.0	0.0	(1.6)	11.0	0.0	0.0	(1.2)	14.3
Operating income	**547.2**	**561.9**	**279.9**	**258.4**	**70.7**	**77.4**	**86.1**	**27.4**	**(12.1)**	**(1.5)**	**971.8**	**923.6**
Operating expenses	**(320.7)**	**(363.5)**	**(84.0)**	**(80.9)**	**(19.0)**	**(21.6)**	**(35.6)**	**(11.2)**	**(12.5)**	**(22.1)**	**(471.8)**	**(499.3)**
Regulatory charges							(35.2)	(24.6)	0.0	0.0	(35.2)	(24.6)
Total risk costs	(33.7)	(41.5)	(6.3)	(34.5)	0.0	0.0	(5.8)	(5.7)	0.0	(2.7)	(45.8)	(84.3)
Share of the profit or loss of associates accounted for using the equity method							4.6	0.9	(5.1)	0.0	(0.5)	0.9
Profit before tax	**192.8**	**156.9**	**189.6**	**143.0**	**51.7**	**55.8**	**14.1**	**(13.2)**	**(29.7)**	(26.3)	**418.5**	**316.2**
Income taxes							(30.3)	(8.8)	6.2	8.3	(24.1)	(0.5)
Profit after tax	**192.8**	**156.9**	**189.6**	**143.0**	**51.7**	**55.8**	**(16.2)**	**(22.0)**	**(23.5)**	(18.0)	**394.4**	**315.7**
Non-controlling interests							0.0	0.6	0.0	6.9	0.0	7.5
Net profit	**192.8**	**156.9**	**189.6**	**143.0**	**51.7**	**55.8**	**(16.2)**	**(22.6)**	**(23.5)**	(24.9)	**394.4**	**308.2**
Business volumes												
Assets	12,822	9,579	13,188	13,885	4,526	5,755	4,979	5,432	193	203	35,708	34,854
Refinancing of business	18,866	18,746	2,873	3,230	0	0	13,776	12,675	193	203	35,708	34,854
Risk-weighted assets	4,756	3,420	6,827	7,643	1,638	2,172	3,038	3,557	10	19	16,269	16,811

The segment result is reconciled with the Profit or Loss Statement as follows:

in EUR million	2015	2014
Gains and losses on financial instruments according to segment report	64.8	36.0
Gains and losses on financial assets attributable to non-controlling interests	–	2.7
Gains and losses on financial assets and liabilities according to Consolidated Profit or Loss Statement	**64.8**	**38.7**

in EUR million	2015	2014
Other operating income and expenses according to segment report	(1.2)	14.3
Regulatory charges	(35.2)	(24.6)
Other operating income and expenses according to Consolidated Profit or Loss Statement	**(36.4)**	**(10.3)**

in EUR million	2015	2014
Profit before tax according to segment report	418.5	316.2
Gains and losses on financial assets attributable to non-controlling interests	–	2.7
Profit before tax according to Consolidated Profit or Loss Statement	**418.5**	**318.9**

CAPITAL MANAGEMENT

The capital management of BAWAG Holding Group is based on own funds as defined by the CRR (Capital Requirements Regulation) and the corresponding national regulations (Basel 3 Pillar 1) and the economic capital management approach (Basel 3 Pillar 2) related to the Internal Capital Adequacy Assessment Process (ICAAP).

The ICAAP is modeled taking into account the Group's business and risk profile and is an integral part of the planning and the control system. In the course of the ICAAP, the risk-bearing capacity of the Group is ensured and the efficient use of capital for risk coverage monitored. In addition, stress tests complement the steering process.

As part of the SREP (Supervisory Review and Evaluation Process) within the JRAD (Joint Risk Assessment and Decision) framework and in accordance with the Comprehensive Bank Assessment of the ECB, the overall risk management process of Promontoria Sacher Holding N.V. Group was reviewed in detail. As a result, it was concluded that the level of own funds held within Promontoria Sacher Holding N.V. Group with respect to its financial situation and risk profile is broadly adequate. The official notification also includes the specification of an SREP (Supervisory Review and Evaluation Process) ratio at the level of Promontoria Sacher Holding N.V. Group, which requires the maintenance of minimum capital ratios in pillar 1 to meet the requirements for pillar 2.

In addition to the minimum capital ratios required by the regulators, BAWAG P.S.K. defines early warning and recovery levels in Promontoria Sacher Holding N.V.'s recovery plan and the corresponding processes. The warning levels refer to liquidity as well as to regulatory and economic capital figures. The recovery plan was prepared within the framework of BaSAG (Bundesgesetz über die Sanierung und Abwicklung von Banken, "Austrian Banking Resolution and Recovery Act").

BAWAG Holding Group constantly monitors its compliance with the warning levels and therefore at the same time with the stipulated own funds ratios on the basis of the notifications of BAWAG Holding Group sent to Oesterreichische Nationalbank (the Austrian national bank) and on the basis of current business developments.

The budgeted business volumes are also compared with the expected movements in the eligible own funds at the beginning of every financial year. In addition to the risk-weighted assets, the calculation also includes the own funds requirement for the securities trading book and the own funds requirement to cover operational risk. Besides regulatory capital management, economic capital limits aligned with the business plan are assigned to the business segments as part of the ICAAP process.

The Group employs a centralized capital management process. The main responsibilities of this function are to continuously monitor the development of the Group's business, to analyze changes in its risk-weighted assets and to reconcile those with the available regulatory own funds or the ICAAP limit and utilizations for each segment.

BAWAG P.S.K. manages the Group's capital position based on a fully loaded CRR environment and therefore without the benefit of any transitional capital components. The Capital Management Team gives recommendations to the Managing Board of BAWAG P.S.K. AG for strengthening the own funds coverage when necessary and reports to the Bank's Enterprise Risk Meeting once a month.

Since 2014, regulatory reporting has been performed on the level of BAWAG Holding and Promontoria Sacher Holding N.V. Group as the EU parent financial holding company of the group of credit institutions. The following table shows the breakdown of own funds of Promontoria Sacher Holding N.V. Group applying transitional rules and its own funds requirement as per 31 December 2015 and as per 31 December 2014 pursuant to CRR applying IFRS figures and the CRR scope of consolidation.

	Promontoria[2)]	
in EUR million	31.12.2015	31.12.2014
Share capital	**0**	**0**
Reserves (including funds for general banking risk) after deduction of intangible assets	2,434	2,463
Other comprehensive income	(33)	20
IRB risk provision shortfall	(20)	(11)
Prudent valuation, cumulative gains due to changes in own credit risk on fair valued liabilities, prudential filter for unrealized gains	(56)	(148)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(13)	0
Excess of deduction from AT1 items over AT1 capital	(189)	(235)
Common Equity Tier I	**2,123**	**2,089**
Hybrid capital[1)]	0	68
IRB risk provision shortfall	(15)	(21)
Deduction of intangible assets	(174)	(282)
Excess of deduction from AT1 items over AT1 capital	189	235
Additional Tier I	**0**	**0**
Tier I	**2,123**	**2,089**
Supplementary and subordinated debt capital	477	533
Hybrid capital[1)]	0	17
Excess IRB risk provisions	16	21
IRB risk provision shortfall	(36)	(43)
Tier II	**457**	**528**
Own funds	**2,580**	**2,617**

1) According to CRR, hybrid capital is partially eligible among Additional Tier I and Tier II. In June 2015, the last eligible hybrid capital was redeemed.
2) Own funds as of 31 December 2015 differ from those as of 31 December 2014 inter alia because of different CRR transitional rules for 2015 and 2014 for the eligibility of capital and deductions from own funds. Furthermore, a foreseeable dividend is included.

Capital requirements (risk-weighted assets) based on a transitional basis

	Promontoria	
in EUR million	31.12.2015	31.12.2014
Credit risk	14,486	14,939
Market risk	97	103
Operational risk	1,620	1,615
Capital requirements (risk-weighted assets)	**16,203**	**16,657**

Supplemental information on a fully loaded basis

	Promontoria		BAWAG Holding[1]	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Common Equity Tier 1 capital ratio based on total risk	12.4%	11.8%	13.2%	12.2%
Total capital ratio based on total risk	15.3%	15.4%	16.1%	15.9%

1) Figures as shown in the Group Management Report.

Key figures according to CRR including its transitional rules

	Promontoria		BAWAG Holding	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Common Equity Tier 1 capital ratio based on total risk	13.1%	12.5%	13.9%	13.0%
Total capital ratio based on total risk	15.9%	15.7%	16.7%	16.2%

During the financial year 2015, BAWAG Holding always complied with the imposed capital requirement of 4.5% for Common Equity Tier 1 ratio and of 8% for Total capital ratio according to CRR.

BAWAG P.S.K. has managed the Group's capital structure on a fully loaded basis from the very beginning, not taking into account any transitional rules. Our target CET1 ratio in 2015 was 12% on a fully loaded basis. We delivered a much stronger ratio, coming in at 13.2%. Going forward, we will continue to maintain a fully loaded CET1 ratio above 12%.

FURTHER DISCLOSURES REQUIRED BY IFRS

35 | Fair value

The following table depicts the fair values of the Statement of Financial Position items. These are the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. If market prices were available on a stock exchange or other functioning market, they were used.

If no current, liquid market values were available, generally accepted, standard state-of-the-art methods of measurement were used. This applies to the category liabilities evidenced by paper (issued by BAWAG Holding Group), and, in individual cases, other current financial assets in the Group's trading portfolio where the valuation of plain vanilla securities was performed on the basis of the yield curve plus the current credit spread.

The measurement of fair value of customer business was carried out by applying credit spreads for each customer category. The blanket credit spreads are applied for the following customer categories: credit institutions, commercial customers, public sector and private customers, for which mortgage loans and other loans are considered separately. The credit spreads in customer business are derived by analyzing both external data (market developments and OeNB statistics) and internal default statistics.

Linear derivative financial instruments containing no optional components (such as interest rate swaps, currency forwards and futures) were also measured using a present value technique (discounting of future cash flows applying the current swap curve, derivatives with counterparties with a Credit Support Annex [CSA] agreement are discounted by the OIS/EONIA-curve).

Optional instruments were measured using option price models such as Black-Scholes (swaptions, caps, floors), Bachelier (caps, floors in currencies with negative interest rates), Garman-Kohlhagen (currency options) or the Hull-White model (swaps with multiple cancellation rights), which were implemented and applied consistently in the front office systems.

The basic parameters on which the models are based (yield curves, volatilities and exchange rates) are input into the system by the Market Risk unit independently of the Treasury division, which ensures the separation of front office functions from back office processing and control.

For more complex derivatives that are held for hedging purposes and that are concluded back to back, external valuations are obtained by the Market Risk unit and input into the systems for correct processing.

Standard providers such as Reuters are used to evaluate the spreads of issued securities recognized at fair value through profit or loss; for this, a BAWAG P.S.K. senior unsecured spread curve is derived from a defined pool of bank bonds, additionally taking into account a liquidity and rating premium. For covered issues, the spread curve is derived from the quotations of BAWAG P.S.K. benchmark bonds. The securities prices for BAWAG P.S.K. issues are then calculated by discounting the swap curve adapted by the spread.

In 2015, the portion of change in fair values of securities issued by BAWAG Holding Group accounted for solely by changes in our credit spreads was minus EUR 7.3 million (minus EUR 7.0 million as of 31 December 2014). As of 31 December 2015, the cumulative fair value change resulting from changes in our credit rating amounted to EUR 24.6 million (EUR 33.1 million as of 31 December 2014).

A one basis point narrowing of the credit spread is expected to change their valuation by minus EUR 0.3 million (minus EUR 0.4 million as of 31 December 2014).

The cumulative fair value change of receivables recognized at fair value through profit or loss that was recognized due to changes in credit spreads amounted to minus EUR 0.3 million as of 31 December 2015 and is calculated as the change in the spread between the government yield curve and the swap curve during the observed period. The respective annual fair value change amounted to minus EUR 6.5 million (plus EUR 2.8 million as of 31 December 2014).

A one basis point narrowing of the credit spread is expected to change their valuation by plus EUR 1.07 million (plus EUR 0.12 million as of 31 December 2014).

Fair values of selected items on the Statement of Financial Position

The following table depicts a comparison of the carrying amounts and fair values for selected items on the Statement of Financial Position.

in EUR million	Carrying amount 31.12.2015	Fair value 31.12.2015	Carrying amount 31.12.2014	Fair value 31.12.2014
Assets				
Cash reserves	809	809	684	684
Financial assets designated at fair value through profit or loss	303	303	450	450
Available-for-sale financial assets				
Recognized at fair value	2,665	2,665	3,757	3,757
Recognized at cost	80	n/a	102	n/a
Held-to-maturity investments	2,290	2,369	2,042	2,150
Assets held for trading	950	950	1,163	1,163
Loans and receivables	27,396	27,543	25,280	25,629
Hedging derivatives	469	469	546	546
Property, plant and equipment	59	n/a	81	n/a
Investment properties	4	6	3	6
Intangible non-current assets	329	n/a	334	n/a
Other assets	345	n/a	344	n/a
Assets in disposal groups	9	n/a	68	n/a
Total assets	**35,708**		**34,854**	
Equity and liabilities				
Financial liabilities designated at fair value through profit or loss	1,269	1,269	1,675	1,675
Liabilities held for trading	1,071	1,071	1,174	1,174
Financial liabilities at amortized cost	28,514	28,755	27,985	28,312
Financial liabilities associated with transferred assets	621	621	–	–
Valuation adjustment on interest rate risk hedged portfolios	169	169	196	196
Hedging derivatives	106	106	160	160
Provisions	419	n/a	522	n/a
Other obligations	582	n/a	517	n/a
Obligations in disposal groups	–	n/a	6	n/a
Equity	2,956	n/a	2,619	n/a
Non-controlling interests	1	n/a	–	n/a
Total liabilities and equity	**35,708**		**34,854**	

The fair values of investment properties were determined by external property valuers having appropriate recognized professional qualifications and recent experience in the location and category of property being valued. The carrying amount of other assets and other obligations is a reasonable approximation of fair value. Therefore, information on the fair value of these items is not shown.

The available-for-sale financial assets include EUR 80 million in investments in private and public limited companies. The fair value of these financial instruments has not been disclosed because their fair value cannot be measured reliably. There is no active market for these financial instruments and future cash flows cannot be calculated reliably. Two equity investments recognized at cost were sold in 2015 and, thus, derecognized. Their carrying amount at the time of derecognition was EUR 25 million and a gain of EUR 13.3 million was recognized. BAWAG Holding does not intend to sell or derecognize significant investments in equity held at the reporting date in the near future.

Fair value hierarchy

The following table depicts an analysis of the financial instruments recognized at their fair values on the basis of the fair value hierarchy in IFRS 13. The breakdown consists of the following groups:

- **Level 1:** The value of financial instruments is measured using a quoted price without adjustment. This includes government bonds, bonds with quoted prices and exchange-traded derivatives;
- **Level 2:** The value is measured by using input factors (default rates, costs, liquidity, volatility, interest rates, etc.) to derive values from quoted prices (Level 1). This pertains to prices that are calculated using internal models or using valuation methods, as well as to external price quotes for securities that are traded on markets with limited liquidity and that are demonstrably based on observable market prices. This category includes the majority of the OTC derivative contracts, corporate bonds and other bonds for which no quoted price is available, as well as the majority of the Group's own issues that are recognized at their fair values;
- **Level 3:** The measurement is based on unobservable input factors that have a material influence on the market value. This pertains primarily to illiquid structured securitization instruments whose value is determined by unobservable assumptions (the outcome of litigation, investor decisions, trigger events, etc.) as well as own issues of BAWAG P.S.K. Wohnbaubank. Loans and receivables and financial liabilities classified at amortized cost are valued using the discounted cash flow method using a spread adjusted swap curve;
- **Other:** This pertains to stakes in non-consolidated subsidiaries that are classified as available for sale.

31.12.2015 in EUR million	Level 1	Level 2	Level 3	Others[1)]	Total
Assets				**–**	
Financial assets designated at fair value through profit or loss	3	298	2	–	**303**
Available-for-sale financial assets	2,587	74	4	80	**2,745**
Held-to-maturity investments	2,364	5	–	–	**2,369**
Assets held for trading	–	950	–	–	**950**
Loans and receivables	–	2,134	25,409	–	**27,543**
Hedging derivatives	–	469	–	–	**469**
Investment properties			6		6
Total fair value assets	**4,954**	**3,930**	**25,421**	**80**	**34,385**
Liabilities					
Financial liabilities designated at fair value through profit or loss	–	801	468	–	**1,269**
Liabilities held for trading	–	1,071	–	–	**1,071**
Financial liabilities at amortized cost	–	5,898	22,857	–	**28,755**
Financial liabilities associated with transferred assets		621	–	–	**621**
Valuation adjustment on interest rate risk hedged portfolios	–	169	–	–	169
Hedging derivatives	–	106	–	–	106
Total fair value liabilities	**–**	**8,666**	**23,325**	**–**	**31,991**

1) Investments in equity that are measured at cost in accordance with IAS 39.AG80–81 because their fair value cannot be measured reliably.

31.12.2014 in EUR million	Level 1	Level 2	Level 3	Others[1)]	Total
Assets					
Financial assets designated at fair value through profit or loss	3	443	4	–	**450**
Available-for-sale financial assets	3,509	248	–	102	**3,859**
Held-to-maturity investments	2,141	9	–	–	**2,150**
Assets held for trading	–	1,163	–	–	**1,163**
Loans and receivables	–	2,870	22,759	–	**25,629**
Hedging derivatives	–	546	–	–	**546**
Investment properties	–	–	6	–	6
Total fair value assets	**5,653**	**5,279**	**22,769**	**102**	**33,803**
Liabilities					
Financial liabilities designated at fair value through profit or loss	–	1,150	525	–	**1,675**
Liabilities held for trading	–	1,174	–	–	**1,174**
Financial liabilities at amortized cost	–	5,837	22,467	–	**28,304**
Valuation adjustment on interest rate risk hedged portfolios	–	196	–	–	**196**
Hedging derivatives	–	160	–	–	160
Total fair value liabilities	**–**	**8,517**	**22,992**	**–**	**31,509**

1) Investments in equity that are measured at cost in accordance with IAS 39.AG80–81 because their fair value cannot be measured reliably.

BAWAG Holding recognizes transfers between levels as of the end of the reporting period during which the transfer has occurred.

Movements between Level 1 and Level 2

In 2015, one available-for-sale security was moved from Level 1 to Level 2 due to subsequent illiquid market prices.

Five available-for-sale securities were moved from Level 2 to Level 1 due to a more liquid market.

Movements in Level 3 Financial Instruments Measured at Fair Value

The changes in financial instruments accounted for at fair value through profit or loss in the Level 3 category were as follows:

in EUR million	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities
Opening balance as of 01.01.2015	**4**	**–**	**525**
Valuation gains (losses) in line item gains and losses on financial assets and liabilities in profit or loss			
for assets held at the end of the period	1	–	(19)
for assets no longer held at the end of the period	(1)	–	–
Valuation gains (losses) in other comprehensive income			
for assets held at the end of the period	–	4	–
for assets no longer held at the end of the period	–	–	–
Purchases	–	–	–
Redemptions	(2)	–	(38)
Sales	–	–	–
Foreign exchange differences	–	–	–
Transfers into or out of Level 3	–	–	–
Closing balance as of 31.12.2015	**2**	**4**	**468**

in EUR million	Financial assets designated at fair value through profit or loss	Financial liabilities
Opening balance as of 01.01.2014	**7**	**540**
Valuation gains (losses) in line item gains and losses on financial assets and liabilities in profit or loss		
for assets held at the end of the period	(2)	15
for assets no longer held at the end of the period	2	–
Purchases	–	–
Redemptions	(3)	(30)
Sales	–	–
Foreign exchange differences	–	–
Transfers into or out of Level 3	–	–
Closing balance as of 31.12.2014	**4**	**525**

Valuation (including the parameterization of observable input factors) is performed by a market-independent back office department within the Risk division on a monthly basis. Changes that have occurred are verified, as far as possible, by comparing them to references observable on the market.

Holdings in the amount of EUR 2 million that were reported as Level 3 financial instruments on 31 December 2014 were disposed of in the financial year 2015. Financial liabilities in the amount of EUR 38 million that were reported under Level 3 in 2014 were redeemed in the financial year 2015.

Quantitative and Qualitative Information regarding the Valuation of Level 3 Financial Instruments

The main unobservable input factor for own issues of BAWAG P.S.K. Wohnbaubank is the spread premium on the swap curve, which is used to determine the risk-adjusted discount curve. Subsequently, the fair value is calculated by discounting the future cash flows with the risk-adjusted discount curve. The spread premium is currently 65 basis points (prior year: 65 basis points) for all maturities (mid).

In general, the mentioned input parameter is dependent on the general market development of credit spreads within the banking sector; in detail on the credit rating development of the housing banks, with spread increases having positive effects.

Sensitivity Analysis of Fair Value Measurement from changes in Unobservable Parameters

If the value of financial instruments is dependent on unobservable input parameters, the precise level for these parameters can be drawn from a range of reasonably possible alternatives. Financial liabilities in Level 3 that are measured at fair value through profit or loss relate to own issues of BAWAG P.S.K. Wohnbaubank; BAWAG Holding Group had Level 3 financial assets recognized at their fair value in the amount of EUR 6 million as of 31 December 2015. If the credit spread used in calculating fair value of own issues of BAWAG P.S.K. Wohnbaubank is increased by 20 basis points, the accumulated valuation result as of 31 December 2015 would have increased by EUR 2.9 million (prior year: EUR 4 million). If the fair value of financial assets decreased by 30%, the accumulated valuation result as of 31 December 2015 would have decreased by minus EUR 1.8 million (prior year: minus EUR 1.2 million).

36 | Receivables from and payables to subsidiaries and associates

BAWAG Holding Group's receivables from and payables to non-consolidated subsidiaries and associates were as shown below. Business relationships with these entities were subject to normal banking terms and conditions.

Receivables from and payables to subsidiaries

in EUR million	31.12.2015	31.12.2014
Receivables from customers	58	63
Receivables from subsidiaries	**58**	**63**
Deposits from customers	32	17
Payables to subsidiaries	**32**	**17**

Interest income from business with subsidiaries in 2015 totaled EUR 3 million (2014: EUR 4 million) and interest expense EUR 1 million (2014: EUR 1 million).

Receivables from and payables to associates

in EUR million	31.12.2015	31.12.2014
Receivables from customers	142	163
Securities	23	22
Receivables from associates	**165**	**185**
Deposits from customers	79	28
Payables to associates	**79**	**28**

37 | Related parties

Owners of BAWAG Holding GmbH

BAWAG Holding GmbH is wholly owned by the Dutch financial holding company Promontoria Sacher Holding N.V. The shareholder structure of Promontoria Sacher Holding N.V. is as follows: (i) 52.14% is held by various funds that are connected with Cerberus, (ii) 39.77% is held by various funds and customer accounts that are managed by GoldenTree, and (iii) the remaining shares are held by a variety of Austrian and non-Austrian minorities.

Major non-fully consolidated Subsidiaries, Joint Ventures and Equity Investments of BAWAG Holding Group

BAWAG P.S.K. Versicherung AG

BAWAG Holding indirectly holds 25% plus one share of BAWAG P.S.K. Versicherung AG, Vienna. The majority of this company is owned by Generali Group. BAWAG P.S.K. Versicherung AG is accounted for using the equity method in BAWAG Holding Group's accounts. The business dealings between BAWAG Holding Group and BAWAG P.S.K. Versicherung AG cover insurance products, all of which are offered at standard market terms. The business relations between BAWAG Holding Group and Generali are governed by contracts with standard market terms, including a cooperation agreement, a license agreement, a commission agreement and others.

PSA Payment Services Austria GmbH

BAWAG Holding Group directly holds 20.82% in PSA Payment Services Austria GmbH. PSA is owned by several Austrian banks and banking groups and is engaged in the service and the organization of the ATM card business. PSA is accounted for using the equity method in BAWAG Holding Group's accounts.

Other Subsidiaries

Please refer to Note 51 for a list of all non-consolidated subsidiaries.

Transactions with Related Parties

The following table shows transactions with related parties:

31.12.2015 in EUR million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidiaries, not consolidated	At-equity associates	Other companies
Loans and receivables – customers	–	1,134	58	–	145
Securities	–	–	–	22	–
Other assets (incl. derivatives)	20	–	7	–	–
Financial liabilities – customers	–	–	13	155	11
Other liabilities (incl. derivatives)	–	–	–	2	–
Guarantees provided	–	–	–	–	2
Interest income*)	–	54.9	1.9	0.3	3.2
Interest expense	–	–	0.1	2.3	–
Net fee and commission income	–	–	–	25.1	0.7

*) Gross income; hedging costs not offset.

31.12.2014 in EUR million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidiaries, not consolidated	At-equity associates	Other companies
Loans and receivables – customers	–	1,085	63	–	164
Securities	–	62	–	22	–
Other assets (incl. derivatives)	4	2	7	–	–
Financial liabilities – customers	–	–	17	126	16
Other liabilities (incl. derivatives)	–	–	–	7	–
Guarantees provided	–	–	–	–	2
Interest income*)	–	25.7	2.2	0.4	3.4
Interest expense	–	–	–	2.8	–
Net fee and commission income	–	–	–	22.0	1.1

*) Gross income; hedging costs not offset.

Consultancy fees to entities with joint control of, or significant influence over, the entity amounted to EUR 0.0 million in 2015 (2014: EUR 0.0 million).

Regarding related party transactions, no write-offs or loan loss provisions were required.

Information regarding Natural Persons

Key Management

Key management of BAWAG Holding Group refers to the members of the Managing Board and the Supervisory Board of BAWAG Holding GmbH and BAWAG P.S.K. AG. Total personnel expenses including share-based payments for the key management amount to EUR 26.6 million (2014: EUR 13.5 million).

Expenses for remuneration (including accrued and deferred bonuses and payments to the pension fund) relating to active members of the Managing Board of BAWAG P.S.K. and BAWAG Holding GmbH during the financial year amounted to EUR 16.2 million (2014: EUR 10.2 million). Thereof EUR 4.0 million have been reimbursed by the shareholder Promontoria Sacher Holding N.V..

Expenditures for severance pay for the Managing Board came to EUR 1.4 million (2014: EUR 1.6 million).

At 31 December 2015, contractual agreements governing the payment of contributions to pension funds were in force for all Managing Board members of BAWAG P.S.K. AG.

Payments of post-employment benefits to former members of the Managing Board and their surviving dependents came to EUR 2.0 million (2014: EUR 2.1 million).

As of the reporting date, there was no outstanding lease financing but there were three outstanding loans to members of the Managing Board in the amount of EUR 0.6 million (2014: EUR 0.0 million). Loans or leasing financing to members of the Supervisory Board totaled EUR 0.1 million (2014: EUR 0.2 million). Repayments of loans granted to executives and staff took place as contractually agreed.

Furthermore, Managing Board and Supervisory Board members made use of current account limits in the amount of EUR 0 million (2014: EUR 0 million) as of the reporting date. Turnovers of credit cards guaranteed to third parties by the Bank that belong to Managing Board members amounted to EUR 0 million in December 2015 (2014: EUR 0 million). Turnovers of guaranteed credit cards that belong to members of the Supervisory Board amounted to EUR 0 million in December 2015 (2014: EUR 0 million).

A list of the Group's Boards and Officers can be found in an appendix to the Notes.

The remuneration scheme for Supervisory Board members of BAWAG P.S.K. AG approved at the Annual General Meeting stipulates that the Chairman of the Supervisory Board shall receive EUR 60,000 per calendar year, the Deputy Chairman shall receive EUR 40,000 per calendar year and the members of the Supervisory Board selected at the Annual General Meeting shall each receive EUR 30,000 per calendar year. The chairmen of the Risk and Credit and Audit and Compliance Committees each receive EUR 20,000 and all other members of the Risk and Credit and Audit and Compliance Committees each receive EUR 10,000 (these additional compensation measures do not apply for the Chairman of the Supervisory Board). Remuneration of members of the Supervisory Board of BAWAG P.S.K. AG amounted to EUR 0.4 million in 2015 (2014: EUR 0.4 million). Works Council delegates to the Supervisory Board do not receive any remuneration. Remuneration of members of the Supervisory Board of BAWAG Holding GmbH amounted to EUR 0.3 million (2014: EUR 0.3 million).

Two members of the Supervisory Board of BAWAG Holding GmbH had a consulting agreement with BAWAG Holding GmbH in 2015. The expenses for 2015 amounted to EUR 2.3 million (2014: EUR 0.5 million).

Promontoria Sacher Holding N.V. initiated an award agreement for the granting of share appreciation rights (SARs) indexed to Promontoria stock to the Managing Board members, select senior employees and certain members of the Supervisory Board of BAWAG P.S.K. AG in the financial year 2013. BAWAG P.S.K. AG and BAWAG Holding GmbH are not a party to the transaction agreement.

The vesting conditions for the SARs require the contract parties to provide services to BAWAG P.S.K. AG within defined periods. According to IFRS 2.43B, the total value of these SARs is treated as a shareholder contribution (equity settled) with a corresponding increase in compensation expense, as neither BAWAG P.S.K. AG nor BAWAG Holding GmbH has an obligation to settle the share-based payment transaction. The fair value was calculated at the grant date with a binomial option pricing model which considers the specific requirements with respect to the retention of the beneficiaries. Equal portions of the grant are eligible to vest on each anniversary of the grant during the vesting period, such that the award vests in equal tranches over the vesting period. For the purpose of the valuation, stock exchange quotes of comparable financial institutions listed on stock exchanges in Austria, the Netherlands, Finland, Sweden and Denmark are taken into account. These financial institutions are present in markets/economies that are comparable to the one BAWAG P.S.K. is active in. The risk-free rate is based on Euro swap rates with corresponding terms of maturity.

The value included in the respective profit and loss line items in the financial year 2015 is EUR 8.0 million (2014: EUR 0.6 million). The value shown under equity amounts to EUR 24.4 million (2014: EUR 16.4 million), representing the total value of SARs.

Due to changed circumstances with regard to the time period between the issue of the SARs and the anticipated realization period, the realization period was changed from 1.5 to 3 years in 2014, resulting in an allocation of the expense over a total period of three years. For the reporting period 2015, the cumulative impact was minus EUR 8.0 million in operating expenses and plus EUR 8.0 million in capital reserves.

Business Relations with Related Parties

The following breakdown depicts the business relations with related individuals and their family members. All business is conducted at standard industry and group terms for employees or at standard market terms.

	Key management of the entity or its parent	Other related parties	Key management of the entity or its parent	Other related parties
in EUR million	**31.12.2015**	**31.12.2015**	31.12.2014	31.12.2014
Current account deposits	4	1	3	2
Savings deposits	0	3	1	2
Loans	1	2	0	2
Leasing	0	0	0	0
Securities	0	0	0	1
Interest income	0.0	0.0	0.0	0.0
Interest expense	0.0	0.0	0.0	0.0

Not all managerial staff are entitled to post-employment benefits from the Group. The managerial employees who are entitled to post-employment benefits from the Group were awarded these entitlements under the provisions of the 1961 pension reform or on the basis of individual commitments by the Group. All employees are entitled to pension benefits from a pension fund under the provisions of the collective bargaining agreement for pension funds (defined contribution plan).

38 | Major changes in the Group's holdings

BAWAG Malta

In June 2015, BAWAG P.S.K. entered into an agreement to dispose of BAWAG Malta Bank. The closing of the sale took place on 29 January 2016.

BAWAG P.S.K. LEASING

With demerger and takeover agreement dated 25 March 2015 BAWAG P.S.K. LEASING GmbH demerged its core business Car Leasing by way of demerger for absorption into BAWAG P.S.K. Autoleasing GmbH, a newly founded 100% subsidiary of easybank AG, registered in the companies register on 26 February 2015.

The demerger was legally valid upon registration in the companies register on 1 May 2015. Effective on the same date, BAWAG P.S.K. Autoleasing GmbH changed its company name to BAWAG P.S.K. LEASING GmbH and the former BAWAG P.S.K. LEASING GmbH to BAWAG P.S.K. LEASING Holding GmbH.

Acquisition of VB Leasing Group

In 2015, BAWAG Holding Group acquired shares in VB Leasing Finanzierungsgesellschaft m.b.H. Group from immigon portfolioabbau ag Group (former ÖVAG). On 5 October 2015, after the fulfillment of all contractual requirements and customary closing conditions, BAWAG P.S.K. LEASING GmbH acquired 100% of the shares in VB Leasing Finanzierungsgesellschaft m.b.H. together with the two subsidiaries VB Technologie Finanzierungs GmbH (100%) and ACP-IT Finanzierungs GmbH (75%). On 1 December 2015, BAWAG P.S.K. acquired 100% of the shares in Leasing-west GmbH.

The leasing business of BAWAG Holding Group was further expanded by acquiring the former Volksbanken leasing business. By combining two in-market platforms, significant synergies are generated and our market share in the Austrian car leasing business significantly increased.

For the months from the acquisition date until 31 December 2015, the acquired companies contributed core revenues (net interest income and net commission income) of EUR 6.7 million and profit of EUR 2.2 million. If the acquisition had occurred on 1 January 2015, the companies would have contributed core revenues of EUR 19.7 million and profit of EUR 6.4 million.

The total consideration transferred at the date of acquisition was done in cash and amounted to EUR 33 million, of which EUR 3 million were paid in January 2016.

The Group incurred acquisition-related costs of EUR 0.5 million in legal fees and due diligence costs. These costs have been included in the line item Other operating expenses.

The 75% share in ACP-IT Finanzierungs GmbH resulted in non-controlling interests based on the proportionate interest in the recognized amounts of assets and liabilities in the amount of EUR 1.4 million.

The following table compares the recognized amounts of assets and liabilities at the date of acquisition with the total consideration transferred.

in EUR million	2015
Loans and receivables	744
Customers	681
Credit institutions	63
Property, plant and equipment	2
Tax assets for deferred taxes	2
Other assets	60
Financial liabilities at amortized cost	641
Customers	641
Provisions	1
Tax liabilities for current taxes	2
Other obligations	121
Total identifiable net assets acquired	**44**
Total identifiable net assets acquired considering the Group's share (ACP 75%)	**42**
Total consideration transferred	**33**
***Consolidation result*[1)]**	***9.5***
Restructuring expenses recognized in connection with the business combination from the date of acquisition until 31 December 2015	(9.4)

1) Recognized in other operating income and expenses.

The acquired leasing receivables in the amount of EUR 681 million represent the present value of estimated future cash flows. Additionally, loans and receivables from credit institutions in the amount of EUR 63 million were acquired. The gross amounts of leasing receivables amounted to EUR 697 million and the contractual cash flows not expected to be collected amounted to EUR 16 million, which for technical reasons were not netted in the core systems.

According to IFRS 3, the consolidation result amounted to EUR 9.5 million, which was recognized in the Statement of Comprehensive Income in the line item Other operating income and expenses. This gain reflects the fact that the buyer has to bear the costs of centralizing VB Leasing, which was previously managed on a decentralized basis, including necessary administrative simplifications. For these measures, the leasing companies of BAWAG Holding Group recognized restructuring expenses (including restructuring reserves) in the amount of EUR 9.4 million in the months between the acquisition date and 31 December 2015.

BAWAG P.S.K. INVEST GmbH

The sale of BAWAG P.S.K. INVEST GmbH to Amundi S.A. was completed on 9 February 2015 after all regulatory clearances had been granted.

BAWAG Allianz Vorsorgekasse AG

The sale of our share to the co-shareholder was completed on 22 July 2015 after fulfilment of all conditions precedent.

Lotterien

BAWAG Holding Group sold its indirect share of 2.18% in Österreichische Lotterien GmbH effective 4 August 2015.

Other Major Changes in the Group's Holdings

In February 2015, BAWAG Holding Group sold its stakes in „THG” Thermenzentrum Geinberg Errichtungs-GmbH and „TBG“ Thermenzentrum Geinberg Betriebsgesellschaft m.b.H.

By way of a share purchase agreement dated 20 March 2015 BAWAG Holding Group sold its stake in WED Holding Gesellschaft m b H.

In April 2015, easy green energy GmbH and easy green energy GmbH & Co KG were established by easybank AG and the cooperation partner Energie Steiermark AG.

BAWAG Capital Finance (Jersey) II Ltd. was dissolved and stricken from the register on 20 July 2015.

For further details, please refer to Notes 50 and 51.

39 | Assets pledged as collateral

in EUR million	31.12.2015	31.12.2014
Receivables and securities assigned to Oesterreichische Kontrollbank AG	472	533
Collateral pledged to the European Investment Bank	519	581
Cover pool for trust savings deposits	23	32
Cover pool for covered bonds	2,186	2,737
Collateral for tender facilities	2,319	1,001
Other collateral	16	27
Cash collateral for derivatives	314	320
Assets pledged as collateral	**5,849**	**5,231**

The Group pledges assets primarily for repurchase agreements which are generally conducted under terms that are usual and customary for standard securitized borrowing contracts. In addition, the Group pledges collateral against other borrowing arrangements and for margining purposes on derivative liabilities.

Regarding export financing, receivables and securities assigned to Oesterreichische Kontrollbank AG are pledged.

Pledges for trust savings deposits are conducted in accordance with legal regulations (section 68 BWG).

Additionally, relevant collateral was provided for refinancing at the European Investment Bank.

The cover pool for covered bonds is subject to the law on covered bank bonds (FBSchVG).

40 | Total collateralized debt

The collateral listed in the table above corresponded to the following payables of BAWAG Holding:

in EUR million	31.12.2015	31.12.2014
Liabilities to Oesterreichische Kontrollbank secured with assigned receivables	472	534
Payables arising due to refinancing by the European Investment Bank	389	437
Trust savings deposits	19	21
Payables secured by the cover pool for covered bonds	1,227	1,388
Tender facilities	1,897	711
Negative market values of derivatives	317	320
Total collateralized debt	**4,321**	**3,411**

The line item Tender facilities refers to the Group's participation in the TLTRO and other tender facilities. These tender facilities correspond to the line item Collateral for tender facilities in the table above.

41 | Genuine repurchase agreements

in EUR million	31.12.2015	31.12.2014
Lender – receivables from credit institutions	–	59
Repurchaser – payables to credit institutions	621	–
Repurchase agreements	**621**	**59**

42 | Transferred assets that are not derecognized in their entirety

	Financial assets designated at fair value through profit or loss	
in EUR million	31.12.2015	31.12.2014
Carrying amount of transferred assets[1)]	664	–
Carrying amount of associated liabilities	621	–

1) All of the transferred assets are bonds.

Transferred assets that are not derecognized in their entirety relate to genuine repurchase agreements. Since BAWAG Holding Group is still the owner of the transferred assets, it remains exposed to market, interest rate, currency and credit risk with regard to these assets. The transferred assets are blocked for sale and are not taken into account in the liquidity calculation.

43 | Collateral received that may be sold or repledged in the absence of default

The following table depicts the fair value of financial assets accepted as collateral that may be sold or repledged in the absence of default of the owner as well as the book value of the related receivables.

in EUR million	31.12.2015	31.12.2014
Collateral provided by borrower	–	70
Carrying amount of associated receivables	–	59

Collateral received that may be sold or repledged in the absence of default relates to reverse repurchase agreements.

44 | Subordinated assets

Line items on the assets side of the Statement of Financial Position included the following subordinated assets:

in EUR million	31.12.2015	31.12.2014
Loans and receivables	53	114
Subordinated assets designated at fair value through profit or loss	8	7
Subordinated assets designated as available-for-sale	109	–
Subordinated assets	**170**	**121**

45 | Offsetting financial assets and financial liabilities

BAWAG Holding Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the Statement of Financial Position. This is because BAWAG Holding currently does not have any legally enforceable right to offset recognized amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

Repo and reverse repo transactions are covered by master agreements with netting terms similar to those of ISDA Master Netting Agreements.

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in BAWAG Holding's Statement of Financial Position; or
- are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in the Statement of Financial Position.

Financial assets

31.12.2015 in EUR million	Gross amounts of recognized financial assets	Gross amounts of financial liabilities offset in the Statement of Financial Position	Net amounts of financial assets presented in the Statement of Financial Position	Amounts not offset in the Statement of Financial Position: Financial instruments	Amounts not offset in the Statement of Financial Position: Cash collateral received	Net amount
Derivatives (excl. hedging derivatives)	950	–	950	476	294	**180**
Hedging derivatives	469	–	469	346	110	**13**
Loans to and receivables from customers	682	115	567	–	–	**567**
Total	**2,101**	**115**	**1,986**	**822**	**404**	**760**

31.12.2014 in EUR million	Gross amounts of recognized financial assets	Gross amounts of financial liabilities offset in the Statement of Financial Position	Net amounts of financial assets presented in the Statement of Financial Position	Amounts not offset in the Statement of Financial Position: Financial instruments	Amounts not offset in the Statement of Financial Position: Cash collateral received	Net amount
Derivatives (excl. hedging derivatives)	1,163	–	1,163	545	333	**285**
Hedging derivatives	546	–	546	362	128	**56**
Reverse repo transactions	59	–	59	59	–	**–**
Loans to and receivables from customers	1,463	179	1,284	–	–	**1,284**
Total	**3,231**	**179**	**3,052**	**966**	**461**	**1,625**

Financial liabilities

31.12.2015 in EUR million	Gross amounts of recognized financial liabilities	Gross amounts of financial assets offset in the Statement of Financial Position	Net amounts of financial liabilities presented in the Statement of Financial Position	Amounts not offset in the Statement of Financial Position		Net amount
				Financial instruments	Cash collateral pledged	
Derivatives (excl. hedging derivatives)	1,071	–	1,071	762	287	**22**
Hedging derivatives	106	–	106	81	25	**–**
Repo transactions	621	–	621	621	–	**–**
Customer deposits	115	115	–	–	–	–
Total	**1,913**	**115**	**1,798**	**1,464**	**312**	**22**

31.12.2014 in EUR million	Gross amounts of recognized financial liabilities	Gross amounts of financial assets offset in the Statement of Financial Position	Net amounts of financial liabilities presented in the Statement of Financial Position	Amounts not offset in the Statement of Financial Position		Net amount
				Financial instruments	Cash collateral pledged	
Derivatives (excl. hedging derivatives)	1,174	–	1,174	1,091	83	**–**
Hedging derivatives	160	–	160	160	–	**–**
Customer deposits	179	179	–	–	–	**–**
Total	**1,513**	**179**	**1,334**	**1,251**	**83**	**–**

The following tables reconcile the net amounts of financial assets and financial liabilities presented in the Statement of Financial Position to the respective line items in the Statement of Financial Position:

Financial assets

31.12.2015 in EUR million	Line item in Statement of Financial Position	Carrying amount of line item in Statement of Financial Position	Thereof without offsetting agreement	Thereof with offsetting agreement
Derivatives (excl. hedging derivatives)	Assets held for trading	950	–	950
Hedging derivatives	Hedging derivatives	469	–	469
Loans to and receivables from customers	Loans to and receivables from customers	24,713	24,146	567
Total		**26,132**	**24,146**	**1,986**

31.12.2014 in EUR million	Line item in Statement of Financial Position	Carrying amount of line item in Statement of Financial Position	Thereof without offsetting agreement	Thereof with offsetting agreement
Derivatives (excl. hedging derivatives)	Assets held for trading	1,163	–	1,163
Hedging derivatives	Hedging derivatives	546	–	546
Reverse repo transactions	Loans to and receivables from credit institutions	1,518	1,459	59
Loans to and receivables from customers	Loans to and receivables from customers	21,779	20,495	1,284
Total		**25,006**	**21,954**	**3,052**

Financial liabilities

31.12.2015 in EUR million	Line item in Statement of Financial Position	Carrying amount of line item in Statement of Financial Position	Thereof without offsetting agreement	Thereof with offsetting agreement
Derivatives (excl. hedging derivatives)	Liabilities held for trading	1,071	–	1,071
Hedging derivatives	Hedging derivatives	106	–	106
Repo transactions	Financial liabilities associated with transferred assets	621	–	621
Customer deposits	Deposits from customers	21,692	21,692	–
Total		**23,490**	**21,692**	**1,798**

31.12.2014 in EUR million	Line item in Statement of Financial Position	Carrying amount of line item in Statement of Financial Position	Thereof without offsetting agreement	Thereof with offsetting agreement
Derivatives (excl. hedging derivatives)	Liabilities held for trading	1,174	–	1,174
Hedging derivatives	Hedging derivatives	160	–	160
Customer deposits	Deposits from customers	21,127	21,127	–
Total		**22,461**	**21,127**	**1,334**

46 | Contingent assets, contingent liabilities and unused lines of credit

in EUR million	31.12.2015	31.12.2014
Contingent assets	–	–
Contingent liabilities	**349**	**442**
Arising from guarantees	349	442
Unused customer credit lines	**5,467**	**5,920**
Thereof terminable at any time and without notice	4,196	4,525
Thereof not terminable at any time	1,271	1,395

47 | Foreign currency amounts

BAWAG Holding Group had assets and liabilities in the following foreign currencies:

in EUR million	31.12.2015	31.12.2014
USD	2,520	2,264
CHF	2,166	2,340
GBP	3,789	1,069
Other	93	125
Foreign currency	**8,568**	**5,798**
EUR	**27,140**	**29,056**
Total assets	**35,708**	**34,854**
USD	554	509
CHF	19	505
GBP	154	35
Other	232	260
Foreign currency	**959**	**1,309**
EUR	**34,749**	**33,545**
Total liabilities	**35,708**	**34,854**

This table includes only Statement of Financial Position items and does not provide information about open currency positions due to off-balance hedging transactions.

48 | Leasing

Finance Leasing from the View of BAWAG Holding Group as Lessor

Finance lease receivables are included in the balance sheet position Loans and advances to customers.

BAWAG Holding leases both movable property and real estate to other parties under finance lease arrangements.

The following table shows the reconciliation between gross investment value and present value, broken down according to maturity for all ongoing leasing contracts (without open items):

31.12.2015 in EUR million	Up to 1 year	1–5 years	Over 5 years	Total
Total outstanding leasing installments (gross investment value)	359	748	108	**1,215**
As yet unrealized financial income	21	45	6	**72**
Receivables from finance leases (net investment value)	**338**	**703**	**102**	**1,143**

31.12.2014 in EUR million	Up to 1 year	1–5 years	Over 5 years	Total
Total outstanding leasing installments (gross investment value)	172	409	130	**711**
As yet unrealized financial income	14	27	9	**50**
Receivables from finance leases (net investment value)	**158**	**382**	**121**	**661**

As of 31 December 2015, the non-guaranteed residual value amounts to EUR 40 million (2014: EUR 41 million).

There were no impairments recognized in respect of irrecoverable minimum lease installments (2014: EUR 0.0 million).

Operating Leasing from the View of BAWAG Holding Group as Lessee

The Group leases the majority of its offices and branches under various rental agreements. The lease contracts are made under usual terms and conditions and include price adjustment clauses in line with general office rental market conditions. The lease agreements do not include any clauses that impose any restriction on the Group's ability to pay dividends, engage in debt financing transactions or enter into further lease agreements.

Future Minimum Lease Payments Required under Operating Leases

in EUR million	31.12.2015	31.12.2014
Future minimum rental payments		
Not later than one year	23	24
Over one year and not later than five years	64	69
Over five years	96	117
Total future minimum rental payments	**183**	**210**
less: Future minimum rentals to be received	2	2
Net future minimum rental payments	**181**	**208**
Rental payments for lease agreements	-24	-24
Rental income from sublease contracts	2	2

49 | Derivative financial transactions

Derivative financial transactions as of 31.12.2015

31.12.2015 in EUR million		Nominal amount/maturity[1]				Fair value[1]	
		Up to 1 year	1–5 years	Over 5 years	Total	Positive	Negative
Interest rate related business		**7,405**	**15,656**	**11,338**	**34,399**	**1,164**	**(527)**
Thereof	interest rate swaps banking book	6,195	10,661	9,134	25,989	889	(374)
	interest rate options banking book	12	231	300	543	17	(14)
	forward rate agreements banking book	–	–	–	–	–	–
	interest rate swaps trading book	828	3,295	1,468	5,592	205	(103)
	interest rate options trading book	370	1,469	436	2,275	53	(35)
	forward rate agreements trading book	–	–	–	–	–	–
Currency related business		**9,263**	**2,795**	**803**	**12,861**	**250**	**(645)**
Thereof	currency swaps banking book	1,275	1,559	659	3,493	20	(436)
	foreign currency forward transactions and options banking book	5,419	123	144	5,686	167	(57)
	currency swaps trading book	–	–	–	–	–	–
	foreign currency forward transactions and options trading book	2,568	1,112	–	3,681	62	(152)
Securities related business		**215**	**76**	**25**	**316**	**5**	**(5)**
Thereof	securities related business banking book	215	76	25	316	5	(5)
Total		**16,883**	**18,527**	**12,166**	**47,576**	**1,419**	**(1,177)**
Thereof	banking book business	13,116	12,650	10,262	36,028	1,099	(887)
	trading book business	3,767	5,877	1,904	11,548	320	(290)

1) Banking book derivatives include fair value hedging instruments.

Derivative financial transactions as of 31.12.2014

31.12.2014 in EUR million		Nominal amount/maturity[1]				Fair value[1]	
		Up to 1 year	1–5 years	Over 5 years	Total	Positive	Negative
Interest rate related business		**9,098**	**16,588**	**12,850**	**38,536**	**1,566**	**(819)**
Thereof	interest rate swaps banking book	6,930	11,280	10,221	28,431	1,184	(587)
	interest rate options banking book	47	241	305	593	19	(17)
	forward rate agreements banking book	–	–	–	–	–	–
	interest rate swaps trading book	1,269	3,732	1,755	6,756	268	(129)
	interest rate options trading book	852	1,335	569	2,756	95	(86)
	forward rate agreements trading book	–	–	–	–	–	–
Currency related business		**6,758**	**6,377**	**974**	**14,109**	**131**	**(504)**
Thereof	currency swaps banking book	247	1,957	841	3,045	2	(207)
	foreign currency forward transactions and options banking book	3,894	1,142	133	5,169	88	(109)
	currency swaps trading book	–	1	–	1	–	–
	foreign currency forward transactions and options trading book	2,617	3,277	–	5,894	41	(188)
Securities related business		**289**	**652**	**55**	**996**	**12**	**(11)**
Thereof	securities related business banking book	289	652	55	996	12	(11)
Total		**16,145**	**23,617**	**13,879**	**53,641**	**1,709**	**(1,334)**
Thereof	banking book business	11,407	15,272	11,555	38,234	1,305	(931)
	trading book business	4,738	8,345	2,324	15,407	404	(403)

1) Banking book derivatives include fair value hedging instruments.

50 | List of consolidated subsidiaries

	31.12.2015		31.12.2014	
Banks				
BAWAG P.S.K. AG, Vienna	F	100.00%	F	100.00%
BAWAG Malta Bank Limited, Sliema	F	100.00%	F	100.00%
BAWAG P.S.K. INVEST GmbH, Vienna	–	–	F	100.00%
BAWAG P.S.K. Wohnbaubank Aktiengesellschaft, Vienna	F	100.00%	F	100.00%
easybank AG, Vienna	F	100.00%	F	100.00%
Real estate				
BAWAG P.S.K. IMMOBILIEN GmbH, Vienna	F	100.00%	F	100.00%
BPI Holding GmbH & Co KG., Vienna	F	100.00%	F	100.00%
R & B Leasinggesellschaft m.b.H., Vienna	F	100.00%	F	100.00%
RVG Realitätenverwertungsgesellschaft m.b.H., Vienna	F	100.00%	F	100.00%
Leasing				
ACP IT-Finanzierungs GmbH, Vienna	F	75.00%	–	–
BAWAG P.S.K. IMMOBILIENLEASING GmbH, Vienna	F	100.00%	F	100.00%
BAWAG P.S.K. Kommerzleasing GmbH, Vienna	F	100.00%	F	100.00%
BAWAG P.S.K. LEASING GmbH & Co. MOBILIENLEASING KG., Vienna	F	100.00%	F	100.00%
BAWAG P.S.K. LEASING GmbH, Vienna (formerly: BAWAG P.S.K. Autoleasing GmbH)	F	100.00%	–	–
BAWAG P.S.K. LEASING Holding GmbH, Vienna (formerly: BAWAG P.S.K. LEASING GmbH)	F	100.00%	F	100.00%
BAWAG P.S.K. MOBILIENLEASING GmbH, Vienna	F	100.00%	F	100.00%
CVG Immobilien GmbH, Vienna	F	100.00%	F	100.00%
HBV Holding und Beteiligungsverwaltung GmbH, Vienna	F	100.00%	F	100.00%
KLB Baulandentwicklung GmbH, Vienna	F	100.00%	F	100.00%
Leasing-west GmbH, Kiefersfelden	F	100.00%	–	–
M. Sittikus Str. 10 Errichtungs GmbH, Vienna	F	100.00%	F	100.00%
P.S.K. IMMOBILIENLEASING GmbH, Vienna	F	100.00%	F	100.00%
RF 17 BAWAG Immobilienleasing GmbH, Vienna	F	100.00%	F	100.00%
RF fünfzehn BAWAG Mobilien-Leasing Gesellschaft m.b.H., Vienna	F	100.00%	F	100.00%
RF zwölf BAWAG Leasing Gesellschaft m.b.H., Vienna	F	100.00%	F	100.00%
START Immobilienleasing GmbH, Vienna	F	100.00%	F	100.00%
VB Leasing Finanzierungsgesellschaft m.b.H., Vienna	F	100.00%	–	–
VB Technologie Finanzierungs GmbH, Vienna	F	100.00%	–	–
Other non credit institutions				
BAWAG CAPITAL FINANCE II LIMITED, St. Helier	–	–	F	100.00%
BAWAG Finance Malta Ltd., Sliema	–	–	F	100.00%
BAWAG P.S.K. Versicherung Aktiengesellschaft, Vienna	E	25.00%	E	25.00%
BV Vermögensverwaltung GmbH, Vienna	–	–	F	100.00%
E2E Kreditmanagement GmbH, Vienna	F	100.00%	F	100.00%
E2E Service Center Holding GmbH, Vienna	F	100.00%	F	100.00%
E2E Transaktionsmanagement GmbH, Vienna	F	100.00%	F	100.00%
Pa-Zweiundsechzigste WT Beteiligungsverwaltungs GmbH, Vienna	F	100.00%	F	100.00%
PSA Payment Services Austria GmbH, Vienna	E	20.82%	E	20.82%
P.S.K. Beteiligungsverwaltung GmbH, Vienna	F	100.00%	F	100.00%

F … Full consolidation, E … Equity method

51 | List of subsidiaries and associates not consolidated due to immateriality

	31.12.2015	31.12.2014
Banks		
BAWAG Allianz Vorsorgekasse AG, Vienna	–	50.00%
Real estate		
B.A.O. Immobilienvermietungs GmbH in Liqu., Vienna	–	33.33%
ROMAX Immobilien GmbH, Vienna	100.00%	–
Leasing		
BAWAG Leasing & fleet s.r.o., Bratislava	100.00%	100.00%
BAWAG Leasing & fleet s.r.o., Prague	100.00%	100.00%
BAWAG Leasing s.r.o., Bratislava	100.00%	100.00%
BAWAG Real Estate Leasing s.r.o., Prague	100.00%	100.00%
BPLCZ One s.r.o., Prague	100.00%	100.00%
Fides Leasing GmbH, Vienna	50.00%	50.00%
Gara RPK Grundstücksverwaltungsgesellschaft m.b.H., Vienna	100.00%	100.00%
HFE alpha Handels-GmbH, Vienna	50.00%	50.00%
Kommunalleasing GmbH, Vienna	50.00%	50.00%
PT Immobilienleasing GmbH, Vienna	100.00%	100.00%
Realplan Beta Liegenschaftsverwaltung Gesellschaft m.b.H., Vienna	50.00%	50.00%
RF sechs BAWAG P.S.K. LEASING GmbH & Co. KG., Vienna	100.00%	100.00%
Other non-credit institutions		
AI-ALTERNATIVE INVESTMENTS LTD., St. Helier	100.00%	100.00%
Athena Burgenland Beteiligungen AG, Eisenstadt	38.30%	38.30%
Athena Wien Beteiligungen AG, Vienna	50.00%	50.00%
AUSTOST ANSTALT, Balzers	100.00%	100.00%
AUSTWEST ANSTALT, Triesen	100.00%	100.00%
BAWAG Finance Malta Ltd., Sliema	100.00%	–
BAWAG P.S.K. Datendienst Gesellschaft m.b.H., Vienna	100.00%	100.00%
BAWAG P.S.K. Equity Finance Limited, St. Helier	100.00%	100.00%
Bodensee Limited in Liqu., Sliema	51.00%	51.00%
BV Vermögensverwaltung GmbH, Vienna	100.00%	–
easy green energy GmbH, Vienna	49.00%	–
easy green energy GmbH & Co KG, Vienna	49.00%	–
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna	61.64%	61.64%
LTB Beteiligungs GmbH, Vienna	–	25.10%
media.at GmbH, Vienna	26.30%	26.30%
MediaSelect GmbH, Vienna	26.30%	26.30%
mediastrategen GmbH, Vienna	26.30%	26.30%
MF BAWAG Blocker LLC, Wilmington	100.00%	100.00%
OmniMedia GmbH, Vienna	26.30%	26.30%
OMNITEC Informationstechnologie-Systemservice GmbH, Vienna	50.00%	50.00%
P.S.K. Handel und Vermietung GmbH. in Liqu., Vienna	–	100.00%
The Siesta Group Schlafanalyse GmbH, Vienna	–	24.60%
WBG Wohnen und Bauen Gesellschaft mbH Wien, Vienna	24.00%	24.00%

52 | Involvement with associated companies

Investments in associates disclosed in this note are accounted for using the equity method. BAWAG Holding Group includes two companies that are accounted for using the equity method: BAWAG P.S.K. Versicherung AG, Vienna, and PSA Payment Services Austria GmbH, Vienna. In the table below you will find aggregated financial information on the Group's share in associates, which are considered to be immaterial compared to the Group's total assets and profit or loss.

in EUR million	31.12.2015	31.12.2014
Carrying amounts of all associates	43	37
Aggregated amount of the Group's share of profit or loss	(0.5)	0.9
Aggregated amount of the Group's share of other comprehensive income	2.2	1.5
Aggregated amount of the Group's share of total comprehensive income	1.7	2.4

53 | Non-consolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor for the determination of control over the entity. This is the case, for example, when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following attributes:

- Restricted activities
- A narrow and well-defined objective
- Insufficient equity
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches)

The entities covered by this disclosure note are not consolidated because the Group does not control them through voting rights, contract, funding agreements or other means. The Group's exposure to unconsolidated structured entities comprises leasing companies engaging in special leasing to which BAWAG Holding Group provides the financing. The prior-year figures also included the portfolio of CLO investment, which was disposed of in the third quarter 2015.

The Group provides a different measure for the size of structured entities depending on their nature. Regarding other structured entities, the total assets of these entities in the amount of EUR 114 million (2014: EUR 117 million) best measures their size. For last year's disclosure regarding securitizations, this was the notional of notes in issue (EUR 752 million).

The table below sets out an analysis of the carrying amounts of assets and liabilities of unconsolidated structured entities recognized by the Group and income from those structured entities. The maximum exposure to loss is the carrying amount of the assets held.

in EUR million	2015	2014
Carrying amounts of assets in connection with investments in structured entities	**55**	**725**
on the balance sheet shown under Loans and receivables	55	725
Carrying amounts of liabilities in connection with investments in structured entities	**0**	**0**
Income	**0.4**	**13.6**
Interest income	0.4	13.6
Losses incurred during reporting period	0	0
Maximum exposure to loss	55	725

BAWAG Holding neither provided any financial or other support to an unconsolidated securitization vehicle during the financial year nor does it have any current intention to do so.

RISK REPORT

The operational and strategic risk management functions and the relevant committees of BAWAG Holding and BAWAG P.S.K. Group are responsible for the identification, quantification, limitation, monitoring and steering of all risks the Group is exposed to. At all organizational levels, Market and Risk functions are strictly separated.

The Managing Board of BAWAG P.S.K. AG defines the overall risk appetite and risk strategy on an annual basis. All risk management principles, the defined limits for all material risks and the established procedures for monitoring these risks are documented in risk manuals and guidelines. The Managing Board is continuously and proactively informed on the overall risk situation. The monthly risk reporting is based on clearly defined risk metrics and encompasses all Pillar I and Pillar II relevant topics as well as operational risk matters and additionally relevant specific risk topics. Quarterly risk reports are submitted to the Supervisory Board's monitoring and control committees.

Risk management policies are reviewed regularly to reflect changes in regulatory requirements, market conditions as well as products and services offered by the Group.

The following divisions oversee the implementation and execution of risk-related guidelines:

- Commercial and Institutional Risk
- Retail Risk and Administration
- Strategic Risk

The following risks including their respective sub-risks are considered as material for BAWAG Holding Group:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

Furthermore, a risk self-assessment (RSA) which is conducted on an annual basis provides an overview of the Group's risk situation and the risk management of the individual risk types using quantitative and qualitative evaluation methods, i.e. all potential risks arising in connection with the implementation of the business strategy are evaluated with respect to their relevance, their impact on the Group as well as their coverage through existing risk management procedures. The quantification of these risks is considered in the risk-bearing capability.

The material risks of BAWAG Holding Group are described on the following pages.

54 | Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing

The Group's economic risk-bearing capability, which compares the quantified risks with the risk coverage capacity, is evaluated on a monthly basis. The risk quantification is based on a confidence level of 99.9%, which represents the probability of potential losses not exceeding the quantified risks. Limits are determined for all defined limit categories (and steering portfolios) as part of the risk strategy. Compliance with the limits is monitored in accordance with the established monitoring processes on a monthly basis. If the defined warning levels are reached or the limits are exceeded, escalation processes are initiated.

In connection with the evaluation of the risk-bearing capability, the individual and material risks are quantified, subsequently aggregated to the total risk and, in a further step, compared with the Group's risk coverage capacity. The following risk types are considered:

- Credit risk is quantified using the IRB approach. Additional capital surcharges are applied for concentration risk in connection with loans to major customers/to groups of affiliated customers, for the FX-induced credit risk as well as for the risk arising from credit lines not subject to capital requirements under legal regulations.

- Market risk: The Group has identified the interest rate risk in the banking book and the credit spread risk as the relevant market risks. Interest rate risk is measured using value-at-risk models, whereas a scenario-based approach is used for measuring credit spread risks. The interest rate risk in the banking book and the credit spread risk are aggregated taking conservative correlation assumptions into account.

- Operational risk is quantified using a value-at-risk model.

- Other risks: This risk category includes participation risk, liquidity risk, macroeconomic risk, strategic risk, reputation risk, capital risk, compliance risk (including the risk from money laundering and terrorism financing) as well as market liquidity risk. Participation risk is quantified using the PD/LGD approach based on IFRS book values, while capital is held for the macroeconomic risk according to a quantification method of Oesterreichische Nationalbank (the Austrian national bank). The structural liquidity risk quantification is based on current liquidity gaps applying assumed potential deteriorations of spreads in connection with a notional spread widening on the market. For all other mentioned risk types, the required economic capital is quantified using simplified valuation models.

The risk-bearing capability is reported to the Managing Board via the Enterprise Risk Meeting (ERM) on a monthly basis.

The ICAAP stress test is fully integrated into the Group-wide strategic risk management, capital management and planning processes of BAWAG Holding Group.

The link between the stress test program and capital management is formally defined within the internal risk and capital governance.

The capital ratios defined within the capital planning process and monitored by the Capital Management Meeting are used as a benchmark for stress testing. The capital contingency plan is drawn up to account for extreme stress scenarios. As part of the internal stress tests, senior management reviews whether the stressed capital ratios remain above the recovery levels. A breach of the recovery levels needs to be soundly justified or measures need to be taken to improve the capital position sufficiently in order to keep the capital ratios above the recovery levels even under a stressed scenario.

Furthermore, results of the ICAAP stress test are reported directly to the ERM. The ERM is in charge of assessing the results of the exercise and defining any corrective actions for the risk appetite or business strategy, where necessary.

55 | Credit risk

Credit risk is defined as the risk of loss due to a party in a financial transaction failing to pay its obligation to the other party.

The operative credit risk divisions are specifically set up to ensure functional risk management expertise for both the Commercial and Institutional and the Retail and Small Business customers. The Strategic Risk division is responsible for the consistent calculation and aggregation of the individual risk metrics within the defined monthly reporting framework.

In Retail and Small Business, the creditworthiness of private and small business customers is assessed by automated scorecards. The scoring is based on statistical models which cover both application scoring as well as behavioral scoring based on the customer’s account usage. In addition, external data (e.g. credit bureau information) is also factored into the customer scoring. The individual customer credit ratings are updated monthly.

In addition to the credit rating, the expected loss given default (LGD) and the expected utilization of the off-balance-sheet exposure value at the time of default (credit conversion factor, CCF) are also estimated for the Retail and Small Business segment. The estimate, which is based on data from the observed customer behavior, is calculated using various statistical methods and models.

For each commercial loan application, the borrower’s credit rating is assessed using an internal rating method unique to each customer business segment. The rating methods that have been developed are based on a broad spectrum of quantitative and qualitative factors. Specific risk categories are assigned to each customer using a uniform master scale and represent an individually estimated probability of default.

To manage overall concentration risk, exposure limits are defined, monitored and reported to the Managing Board and Supervisory Board on a regular basis.

BAWAG Holding, a group that applies the Internal Rating-Based (IRB) approach, sets high standards with regards to credit risk methodologies and processes. The risk organization continuously focuses on enhancements to risk quantification methods. Specific standards are in place for all sub-portfolios that are monitored and validated on a regular basis. Due to the centralized structure and coordination of the Group, new risk regulations or changing market situations are considered in a timely manner within the risk management strategies. The following sections provide an overview of the portfolio quality in the Retail Banking and Small Business segment (shown by days past due and loan to value ratios) and in the Corporate Lending segment (shown by the proportion of investment and non-investment grade).

Business segment development in 2015

The Group's risk and business strategies are aligned to focus on maintaining a conservative low-risk balance sheet, focusing on stable economies, maintaining strong capital and low levels of leverage and profitable/disciplined growth defined on a risk-adjusted return basis.

Retail Banking and Small Business experienced growth in core consumer loan and mortgage products. Significant efforts have been made to enhance overall underwriting standards drawing on the expansive customer database. In terms of consumer loans, the focus is on automated underwriting models that are continuously enhanced within the core banking system. As for mortgages, the focus has been on strong collateral coverage. The Group's new mortgage originations have an average LTV of less than 80% and an overall portfolio LTV of 65%. The social housing portfolio remained stable year-over-year with limited new volume growth but characterized by an overall low LTV on the portfolio of 49%. Small business loans continue to be monitored proactively to ensure the possible identification of weakening credits, and if required, countermeasures are initiated.

As already mentioned, BAWAG Holding Group follows the strategy of focusing on the Austrian retail market and growing its profitable, low-risk international business. As part of this strategy, BAWAG Holding Group completed an acquisition of high-quality UK retail mortgages characterized by low LTVs (average: <57%) and a low NPL ratio of 2%.

Furthermore, BAWAG Holding Group acquired the leasing assets of VB-Leasing during 2015, which are already fully integrated in the Group-wide processes.

For both acquisitions, comprehensive internal and external reviews as well as detailed due diligence were performed.

Corporate Lending and Investments was characterized by proactive risk management and disciplined growth in stable Western European countries and North America while maintaining a comprehensive risk management approach, conservative lending criteria to ensure an adequate risk profile and a focus on risk-adjusted returns. Non-core exposure (e.g. CEE assets) and client relationships with insufficient risk/return metrics are consistently reviewed. The Austrian Corporate business is focused on developing sustainable client relationships by offering standardized products and services. The international business is characterized by corporate, commercial real estate and portfolio funding.

This year, the Group continued its strategy to fully exit from CEE markets. Overall, the CEE loan portfolio was further reduced by EUR 40 million (a reduction of 19%) with immaterial losses. The current CEE loan portfolio is EUR 172 million (excluding provisions) with NPLs below EUR 10 million (NPL coverage ratio 100%). The goal is to fully exit CEE loan assets.

In BAWAG Holding Group's Treasury Services and Markets division, the bond portfolio was rebalanced to shift investments into stable economies with a focus on high-quality bonds (e.g. covered and uncovered bank bonds as well as sovereign investments). The portfolio consists primarily of investments in Europe and the United States. The portfolio is comprised of 98% investment grade-rated bonds (100% investment grade issuer rating), of which 75% are rated in the single "A" category or higher.

The Corporate Center is comprised primarily of the Group's liquidity reserve and positive market values from derivatives and non-core participations. All central functions and Group Asset-Liability Management (ALM) activities are part of the Corporate Center.

Credit risk and bonds by business segment

	Retail Banking and Small Business		Corporate Lending and Investments		Treasury Services and Markets		Corporate Center		Total portfolio[1]	
in EUR million	**31.12.2015**	31.12.2014	**31.12.2015**	31.12.2014	**31.12.2015**	31.12.2014	**31.12.2015**	31.12.2014	**31.12.2015**	31.12.2014
Book value	12,665	9,308	11,982	12,352	0	0	1,935	1,816	26,582	23,476
Bonds	0	7	1,172	1,465	4,526	5,755	365	818	6,063	8,045
Off-balance business	1,839	1,938	1,332	1,562	381	1,239	386	62	3,937	4,801
Total	**14,504**	**11,253**	**14,486**	**15,379**	**4,907**	**6,994**	**2,686**	**2,696**	**36,582**	**36,322**
thereof collateralized[2]	9,117	6,372	3,883	4,348	182	232	86	150	13,268	11,102
thereof NPL[3] (incl. LLP, gross view)	248	305	85	153	0	0	256	257	588	715

1) As explained in Note 32, the held for sale position (BAWAG Malta Bank Limited) is not included. This applies to all tables in the Risk Report.
2) Economic collateral comprises residential and commercial real estate, guarantees, life insurances, etc.
3) Starting from June 2015, a revised definition for non-performing loans is applied. Loans are not included in NPLs if no economic loss is expected.

The table below provides reconciliation between book values of loans and receivables, the risk report and the segment report:

	Note 16	Notes 12, 13, 14[1)]	Risk view		Segment Report
31.12.2015 in EUR million	Loans and receivables (L&R)	Loans and bonds (not part of L&R)	Total loans & bonds	Other assets	Total assets
Retail Banking and Small Business	12,665	0	12,665	157	12,822
Corporate Lending and Investments	12,631	522	13,154	35	13,188
Treasury Services and Markets	171	4,355	4,526	0	4,526
Corporate Center	1,928	371	2,299	2,679	4,978
Reconciliation	0	0	0	193	193
Total	**27,396**	**5,249**	**32,645**	**3,063**	**35,708**

	Note 16	Notes 12, 13, 14[1)]	Risk view		Segment Report
31.12.2014 in EUR million	Loans and receivables (L&R)	Loans and bonds (not part of L&R)	Total loans & bonds	Other assets	Total assets
Retail Banking and Small Business	9,308	7	9,315	264	9,579
Corporate Lending and Investments	13,115	702	13,817	68	13,885
Treasury Services and Markets	959	4,797	5,755	0	5,755
Corporate Center	1,898	736	2,634	2,798	5,432
Reconciliation	0	0	0	203	203
Total	**25,280**	**6,242**	**31,522**	**3,332**	**34,854**

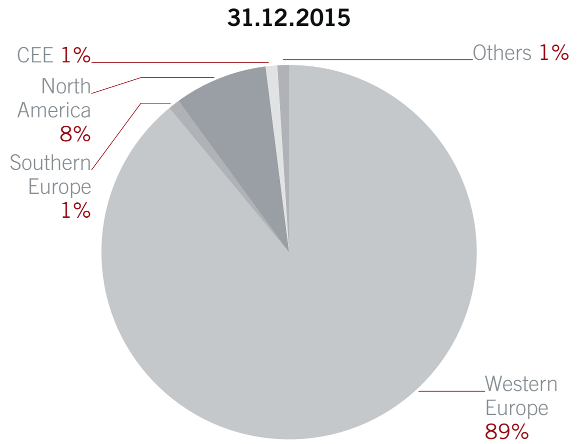
1) Shares and other variable rate securities (2015: EUR 5 million, 2014: EUR 7 million) are not included.

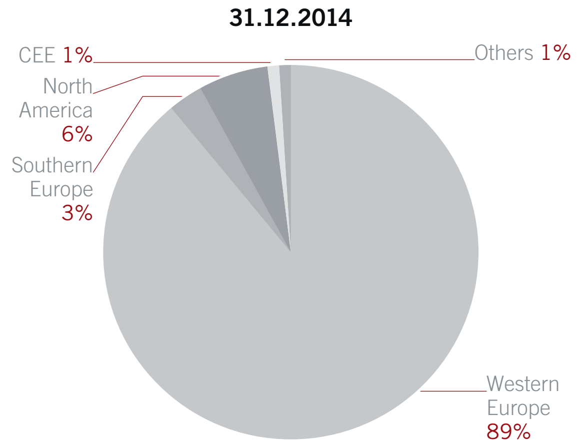
Geographical distribution of the loan and bond portfolio

The geographic distribution of the loan portfolio is in line with the Group's strategy to be in stable geographies and currencies. 89% of the portfolio is located in Western Europe, 8% in North America[1)] and less than 1% in CEE.

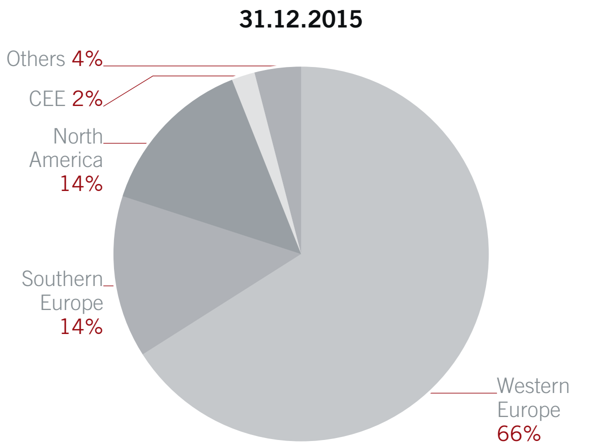
The geographic distribution of the bond portfolio is 66% in Western Europe, 14% in Southern Europe, 14% in North America[2)] and 2% in CEE.

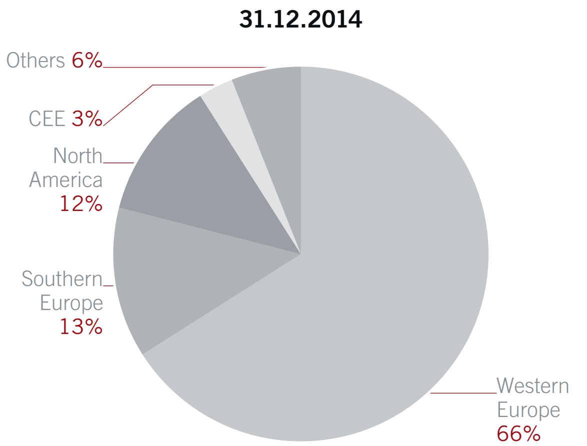
Geographical distribution of loans





Geographical distribution of bonds





1) These regions include Great Britain with 14% (2014: 4%), the United States with 8% (2014: 6%), Germany with 4% (2014: 6%) and France with 1% (2014: 3%).
2) These regions include the United States with 14% (2014: 12%), Great Britain with 13% (2014: 12%), France with 8% (2014: 7%) and Germany with 5% (2014: 4%).

Geographical distribution of the loan and bond portfolio – Portugal and Greece (peripheral Europe)

The Group's exposure in other countries of peripheral Europe contains no substantial risks. The Group has not had any exposure to Greece since 2012. The exposure in Portugal slightly increased compared to last year due to select investments with investment grade rating and high levels of collateral.

	Book value		Banks		Non-banks		Sovereigns	
in EUR million	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Portugal	32	24	24	24	8	–	–	–
Greece	–	–	–	–	–	–	–	–
Total	**32**	**24**	**24**	**24**	**8**	**–**	**–**	**–**

Credit portfolio and bonds by currencies

Consistent with the Group's overall positioning, the majority of financing is denominated in EUR. The following table captures the currency distribution of the credit portfolio and bond book of the Group.

	Book value		in %	
in EUR million	31.12.2015	31.12.2014	31.12.2015	31.12.2014
EUR	24,204	25,818	74.1%	81.9%
CHF	2,109	2,286	6.5%	7.3%
USD	2,473	2,240	7.6%	7.1%
GBP	3,775	1,058	11.6%	3.4%
Others	86	120	0.3%	0.4%
Total	**32,647**	**31,522**	**100.0%**	**100.0%**

Credit quality overview: Loans, provisions, delinquencies and collaterals

The following table captures the days past due, NPL ratio and provisioning of the loan portfolio. The low risk profile is reflected by the low NPL ratio, low delinquency of loan volumes and good provision and collateral coverage across the portfolios. Approximately 78% of the total portfolio can be assigned to an investment grade rating which corresponds to the external rating classes AAA to BBB.

in EUR million	Book value[1) 31.12.2015	Book value[1) 31.12.2014	in % 31.12.2015	in % 31.12.2014
Loans and receivables (net)	27,396	25,280	99.3%	99.0%
Individual provisions	235	278	0.9%	1.1%
Loans and receivables (gross)	27,631	25,558	100.2%	100.1%
IBNR	46	31	0.2%	0.1%
Total	**27,585**	**25,527**	**100.0%**	**100.0%**
thereof performing	26,997	24,812	97.9%	97.2%
thereof non-performing	588	715	2.1%	2.8%
NPL LLP coverage ratio	–	–	34.2%	38.8%
NPL coverage ratio (collateral + LLP)	–	–	59.3%	62.6%
Additional information:				
Total unprovisioned outstandings past due	335	267	1.2%	1.0%
1–30 days	236	151	0.9%	0.6%
31–60 days	13	29	0.0%	0.1%
61–90 days	8	5	0.0%	0.0%
91–180 days	5	10	0.0%	0.0%
More than 180 days	73	72	0.3%	0.3%

1) Bonds are not included since the bond portfolio does not show any days past due or any signs of non-performance.

The following table shows the days past due and the NPL ratio for the segments Retail Banking and Small Business as well as Corporate Lending and Investments.

in EUR million	Retail Banking and Small Business 31.12.2015	Retail Banking and Small Business 31.12.2014	Corporate Lending and Investments 31.12.2015	Corporate Lending and Investments 31.12.2014
Total	**12,665**	**9,315**	**13,154**	**13,817**
1–30 days	0.3%	0.4%	1.0%	0.8%
31–60 days	0.1%	0.1%	0.0%	0.1%
61–90 days	0.0%	0.1%	0.0%	0.0%
NPL ratio[1)	**1.9%**	**3.2%**	**0.7%**	**1.2%**
NPL LLP coverage ratio	47.9%	55.2%	46.0%	44.2%

1) The NPL ratio reflects a gross perspective.

The following table shows the distribution by ratings for the portfolio which is neither overdue nor impaired. The low-risk profile is stable and shows a positive trend toward investment grade ratings.

	Total portfolio		Retail Banking and Small Business		Corporate Lending and Investments	
in %	**31.12. 2015**	31.12. 2014	**31.12. 2015**	31.12. 2014	**31.12. 2015**	31.12. 2014
Rating class 1	15.4%	16.1%	0.7%	0.7%	22.5%	22.5%
Rating class 2	6.4%	6.6%	1.6%	2.3%	9.9%	9.1%
Rating class 3	13.3%	11.5%	20.7%	18.4%	7.1%	7.0%
Rating class 4	40.5%	39.4%	39.7%	37.0%	46.5%	44.4%
Rating class 5	20.2%	21.0%	30.1%	31.4%	12.8%	15.0%
Rating class 6	2.9%	3.7%	5.2%	7.3%	0.9%	1.4%
Rating class 7	1.4%	1.7%	2.1%	2.9%	0.3%	0.6%

Collateral

The following table contains the split of collateral by categories. It shows a strong focus on real estate. Repayment vehicles only comprise a small part of the portfolio.

	Total portfolio		Retail Banking and Small Business		Corporate Lending and Investments	
in %	**31.12. 2015**	31.12. 2014	**31.12. 2015**	31.12. 2014	**31.12. 2015**	31.12. 2014
Real estate	78.4%	73.9%	93.4%	94.5%	48.1%	45.0%
thereof residential	80.0%	75.9%	96.0%	94.1%	10.9%	12.1%
thereof commercial	20.0%	24.1%	4.0%	5.9%	89.1%	87.9%
Guarantees	16.8%	22.1%	0.5%	0.6%	50.1%	53.3%
Other collateral	3.5%	2.1%	4.7%	2.8%	0.9%	0.2%
Financial collateral	1.2%	1.9%	1.4%	2.0%	0.8%	1.6%
thereof repayment vehicles[1)]	2.4%	2.8%	3.2%	4.1%	0.8%	0.8%

1) The position "thereof repayment vehicles" refers to the share of repayment vehicles among the total collateral.

The collateral of the segment Treasury Services and Markets consists of 100% guarantees. The collateral of the segment Corporate Center comprises 31% real estate and 67% guarantees while the share of real estate increased by 8% compared to previous year.

Impaired loans

Provisions are booked for loans for which the probability of full recovery is not fulfilled. The main components of the provisioning framework are shown in the following paragraphs. The volume reported as NPLs includes all claims against customers classified as being in default and against customers for which specific impairment provisions have been formed[1)]. Loans are not included in NPLs if no economic loss is expected.

Manual impairment provision

In cases when exposures are restructured according to internal processes, which may include the extension of forbearance measures, an appropriate impairment test is performed. Derecognition is assessed after a detailed analysis on an individual basis and impairment provisions are formed manually.

1) The IBNR portfolio provision does not lead to a classification as "in default." On the other hand, the two further impairment provision types described in the Impaired Loans section lead to the immediate default of the customer. All exposure-bearing products of the customer who is defaulted are classified as non-performing loans.

Automatic impairment provision
Loan loss provisions are booked automatically by the core banking system in the case of unpaid balances. This occurs when limits are continuously exceeded on current accounts and/or when legal action is initiated.

General impairment provisions
A general provision is booked on a portfolio basis for incurred but not reported (IBNR) losses as of the reporting date. The general provision is formed for on- and off-balance sheet claims in the Group's credit portfolio. This includes bonds, but not positions measured at fair value. As of 31 December 2015, the IBNR portfolio provision amounted to EUR 50.7 million (comprised of EUR 45.7 million for financial assets and EUR 5.0 million for off-balance sheet items – e.g. contractual liabilities and guarantees), versus EUR 37.8 million in the prior year.

Non-performing loans (NPLs)

Exposures relating to all customers in default risk class 8[1] are categorized as non-performing loans, regardless of whether a limit has been exceeded or a payment missed on an individual account. When a material exposure of a customer is greater than 90 days past due, a loan loss provision is allocated or a customer-specific default criterion applies. The customer is considered to be in default across all exposure-related products and is assigned to risk class 8.

Forborne loans and forbearance measures

Measures of forbearance or refinancing are extended if borrowers face financial difficulties and are considered to be unable to meet contractual obligations. The Group has sound and transparent processes in place to define the conditions under which concessions, in the form of modification of terms and conditions, or refinancing, may be granted. In this respect, strictly temporary measures, i.e. a reduction or postponement of as well as transfer to terms of interest-only payments, are in place. In exceptional cases, temporary or permanent reduction of interest rates may be granted. Depending on customer segments, a split of loan agreements or refinancing facilities may be accepted as viable measures.

The description of different responsibilities for managing and monitoring forbearance measures is covered by detailed guidelines.

Measures of forbearance or refinancing are instruments to ultimately reduce the existing risk with respect to debt claims. However, forbearance measures are by no means used to avoid or postpone the recognition of impairment or disguise the level of credit risk resulting from forborne assets.

By implementing forbearance measures, the Group supports clients in maintaining financial stability. One of the positive effects of forbearance is to assist clients on their way back to a sustainable financial situation. If the supporting measure is not successful, exposures are recognized as non-performing and impaired according to regulatory and accounting standards. For clients or a group of clients where a loss was identified, a provision is booked following internal guidelines.

For reporting as well as internal risk management purposes, the Group implemented processes and methods according to regulatory standards[2] in order to identify exposures for which forbearance or refinancing measures have been extended.

Collateral and valuation of residential and commercial real estate

All types of acceptable collateral are listed in the Group Collateral Catalogue. Adequate haircuts are defined for each type of collateral.

The central group Residential Real Estate Appraisal determines the value of all residential properties in Austria on the basis of a standard methodology and valuation tool. The periodic review and updating of property values is automated based on the real estate price index published by the Association of Real Estate and Asset Trustees of the Austrian Federal Economic Chamber (*Fachverband der Immobilien- und Vermögenstreuhänder der Wirtschafts-kammer Österreich)* for Austrian residential properties and on the Halifax House Price Index for residential properties in Great Britain.

The values of commercial properties are appraised individually by experts in the central group Commercial Real Estate Appraisal, by selected external appraisers commissioned by the Group or by a syndicate partner after an inspection of the property and completion of a full appraisal report.

1) Risk class 8 contains all customers that are classified as in default according to the CRR definition.
2) EBA/ITS/2013/03/rev1 issued on 24 July 2014.

Workout group

The workout group is responsible for the processing and administration of troubled and defaulted loan commitments. The primary objective is to minimize losses by providing restructuring expertise and maximizing repayments.

Early recognition of troubled assets

Customers that trigger defined early warning signals for various reasons (i.e. general deterioration of creditworthiness, significant decline in the stock price, rise in CDS spreads, negative press reports/ad-hoc publicity, unusual risk concentrations, etc.) are placed on the Watch List and discussed in the Watch Loan Committee, which is made up of members of the relevant business and risk units. This committee develops and elaborates on risk mitigation actions for single exposures and oversees consistent monitoring of all cases with an elevated probability of default.

Retail Banking and Small Business

The Retail Banking and Small Business portfolio is comprised of 56% mortgages, 30% consumer loans, 9% social housing and 5% small business loans. The portfolio is characterized by strong collateral coverage in the secured products (65% LTV across the mortgage portfolio, 58% in small business loans and 49% across the social housing portfolio). New business volumes were originated primarily from consumer loans and mortgages. The core products have well-defined underwriting standards that focus on collateral coverage, overall customer indebtedness and assessing customers' ability to service the loan. Additionally, active portfolio management (i.e. delinquency reporting, trend analysis, regional concentration analysis, NPL remediation) is a key component to proactively manage the risk in this portfolio.

Having well defined policies, procedures and analytical tools related to portfolio management are essential to managing risk in this retail, flow-oriented business. The credit risk is measured continuously by the following methods:

- Portfolio trends in terms of risk class distribution
- Portfolio trends in terms of overdue/late payments
- Portfolio trends for defaulted loan facilities
- Portfolio trends in terms of losses
- Scorecard performance: Approval rate and manual scoring for decision cancellations

The results of the analysis are presented to the Managing Board and the relevant decision makers as part of the overall operating rhythm. This process ensures a regular and standard flow of information and enables the Group to respond directly to changes in risk parameters and market conditions.

Furthermore, the risk from new business is managed using clear and strict credit guidelines. Decisions at the point of sale are taken on the basis of automated scoring systems or, in certain cases, manual decisions by the Risk department. A key focus in this portfolio is on compliance with policies and ensuring high data quality. A central monitoring process ensures ongoing quality assurance.

Credit portfolio and bonds by products

	Book value		NPL ratio[1]	NPL coverage ratio	LTV[2]
in EUR million	31.12.2015	31.12.2014	31.12.2015	31.12.2015	31.12.2015
Mortgage loans	7,113	4,417	1.5%	91.7%	64.7%
Consumer loans	3,812	2,979	2.6%	88.2%	n/a
Social housing loans	1,079	1,340	–	n/a	48.9%
Small business loans	661	579	5.6%	88.7%	58.1%
Total	**12,665**	**9,315**	**1.9%**	**89.9%**	**56.9%**

1) The NPL ratio reflects a gross perspective.
2) The LTV for the total unprovisioned outstandings past due is close to the LTVs shown above.

The NPL ratio of the Retail portfolio improved from 3.2% to 1.9% compared to the previous year. The NPL coverage ratio of 89.9% (2014: 92.0%) and the LTV of 56.9% (2014: 57.1%) convey the stable risk profile of this portfolio.

The mortgage portfolio is characterized by low LTVs, a low NPL ratio, a high coverage ratio and good geographic diversification. The weighted average life of the mortgage portfolio is less than 20 years with a blended LTV below 65%. Mortgages comprise both EUR-, CHF- and GBP-denominated mortgages. The CHF-denominated mortgage portfolio stands at EUR 1.6 billion at year-end 2015. This is a portfolio that is proactively being managed down and/or converted to EUR-denominated loans. The volume in CHF-denominated mortgages is down by over CHF 1 billion since the discontinuation of the product in 2008 (reduction of 38%). Specific programs have been in place for the past few years that were established between the Risk and Market organizations to convert customers to EUR-denominated loans. The LTV of the CHF portfolio was 79% as of year-end 2015.

The consumer loan portfolio is comprised of unsecured one-stop and online loans, overdrafts and a mix of leasing assets (consumer auto, real estate and equipment leasing). The focus has been on developing robust risk scorecards and processes to support the growth of this core segment. The risk profile of the portfolio is characterized by a weighted average life of slightly above seven years. All the delinquency trends remained stable.

The overall social housing portfolio shows LTVs of 49%. Small business loans are proactively monitored to ensure the potential identification of weakening credits and if required, countermeasures are initiated.

The UK mortgage portfolio, which was acquired in the fourth quarter, consists of about 37,600 contracts with an average balance of approximately EUR equivalent of 65 thousand. The average duration is slightly above 15 years. The portfolio displays low default rates (NPL ratio of 2%) and low LTVs (<57%).

The overall NPL and coverage ratios reflect a stable and low-risk portfolio. Significant resources have been allocated and investments made over the past few years to address legacy NPL portfolios (primarily sold in the past few years), to enhance early and late stage collection processes/capabilities and to develop a proactive approach of dealing with NPLs both from an Operations and Risk standpoint.

Forbearance by products

in EUR million	Consumer loans 31.12.2015	Consumer loans 31.12.2014	Mortgage loans 31.12.2015	Mortgage loans 31.12.2014	Small business loans 31.12.2015	Small business loans 31.12.2014	Social housing loans 31.12.2015	Social housing loans 31.12.2014
Austria	**85**	**53**	**71**	**58**	**21**	**20**	**–**	**6**
thereof non-performing	12	11	18	24	6	9	–	3
Impairments	6	4	5	6	1	2	–	1
Collateral	6	9	58	46	14	14	–	3

By analyzing the type of the identified forbearance measures, the most common measure was recognized in payment holiday (approximately 78% of the forborne contracts), followed by workout and refinancing (approximately 14%) and extensions of the repayment schedule (approximately 7%). Interest income recognized in respect of forborne assets amounts to EUR 6.0 million. Actual risk costs for forborne exposures (impairments and derecognition in 2015) amount to EUR 3.7 million. Approximately 91% of the forborne volume is up to 30 days past due, 2% between 30 and 90 and 7% more than 90 days past due as of 31 December 2015. The forborne assets are primarily located in Austria (EUR 177.1 million) and the United Kingdom (EUR 13.1 million). In 2015, assets totaling EUR 103.6 million were recognized as forborne, whereas EUR 64.0 million were derecognized.

Days past due – credit quality

The product portfolio is monitored by days past due (i.e. delinquency buckets) on an ongoing basis. The aim is to ensure early identification of negative credit developments within the portfolio and to work with customers on a proactive basis to ensure full repayment of loans.

The retail portfolio is 99.3% current (i.e. no days past due). In comparison to 2014, this is an improvement of 0.6 pts. Overall, the low days past due volumes, the stable vintages and the product-specific scorecard results reflect the strong credit quality of the portfolio.

in EUR million	Consumer loans 31.12.2015	Consumer loans 31.12.2014	Mortgage loans 31.12.2015	Mortgage loans 31.12.2014	Small business loans 31.12.2015	Small business loans 31.12.2014	Social housing loans 31.12.2015	Social housing loans 31.12.2014
Total	**3,812**	**2,979**	**7,113**	**4,417**	**661**	**579**	**1,079**	**1,340**
1–30 days	1.9%	0.7%	0.1%	0.2%	1.4%	1.0%	0.0%	0.0%
31–60 days	0.5%	0.2%	0.1%	0.1%	0.4%	0.2%	0.0%	0.0%
61–90 days	0.3%	0.1%	0.0%	0.0%	0.3%	0.2%	0.0%	0.0%
NPL ratio[1)]	2.6%	4.6%	1.5%	2.4%	5.6%	7.7%	0.0%	0.2%
NPL LLP coverage ratio	76.9%	81.6%	22.2%	30.3%	46.6%	43.5%	n/a	28.7%

1) The NPL ratio reflects a gross perspective.

Retail assets - Regional distribution

	Book value		in %		NPL ratio[1)]	NPL coverage ratio
in EUR million	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2015
Vienna	2,783	2,663	22.0%	28.6%	2.7%	90.3%
Lower Austria	2,024	1,852	16.0%	19.9%	1.9%	91.2%
Styria	1,951	1,717	15.4%	18.4%	1.3%	90.1%
Tyrol/Vorarlberg	862	790	6.8%	8.5%	2.8%	91.1%
Upper Austria	847	725	6.7%	7.8%	1.8%	90.9%
Carinthia	765	704	6.0%	7.6%	1.8%	91.4%
Salzburg	513	446	4.0%	4.8%	1.7%	89.0%
Burgenland	439	418	3.5%	4.5%	1.7%	91.1%
Portfolio Austria	**10,184**	**9,315**	**80.4%**	**100.0%**	**2.0%**	**90.6%**
United Kingdom	2,481	–	19.6%	–	1.4%	84.9%
Total portfolio	**12,665**	**9,315**	**100.0%**	**100.0%**	**1.9%**	**89.9%**

1) The NPL ratio reflects a gross perspective.

The portfolio is regionally diverse across Austria, with two thirds of the exposure distributed across the stronger economic regions of Vienna, Styria and Lower Austria.

The UK mortgage portfolio accounts for one fifth of the Retail portfolio.

Corporate Lending and Investments

	Book value		NPL ratio[1)]	NPL coverage ratio	Investment grade
in EUR million	31.12.2015	31.12.2014	31.12.2015	31.12.2015	31.12.2015
Austrian Corporate Business	7,056	7,791	1.2%	97.6%	85.4%
International Business	6,098	6,026	–	n/a	87.3%
IB Corporates	3,387	3,869	–	n/a	80.2%
IB Real Estate	2,711	2,157	–	n/a	96.2%
Total	**13,154**	**13,817**	**0.7%**	**97.6%**	**86.3%**

1) The NPL ratio reflects a gross perspective.

The Corporate Lending and Investments business is split between domestic Austrian Corporate and Public Sector assets (54%) and the International Business assets (46%) and was characterized by proactive risk management, disciplined growth in stable Western economies, continued exit of non-core CEE assets and maintaining a disciplined approach to risk-adjusted pricing. The overall portfolio is comprised of 86.3% investment grade between both Austrian and international assets (2014: 82.2%). The total NPL ratio reflects the very high credit quality of the business and was further reduced by 0.5 percentage points from 1.2% to 0.7% due to active portfolio management.

Among the NPL volume 97.6% are covered (2014: 81.1%).

All material credit decisions are taken within a specific credit committee that meets weekly and is comprised of all Managing Board members. Individual credit applications are thoroughly reviewed, discussed and voted on. The Group's credit risk managers have a diverse and experienced background spanning different asset classes with domestic and international experience. For loan applications below a certain threshold, risk managers are granted authority to approve credits outside of the credit committee.

Corporate exposure in the international business is characterized predominantly by a moderate (net) debt/EBITDA ratio of <4x and a very good risk/return profile. The international real estate finance portfolio has an average LTV of approximately 65% and is very well diversified in terms of regions and asset classes.

Currency distribution of the credit and bond portfolio

	Book value		in %	
in EUR million	**31.12.2015**	31.12.2014	**31.12.2015**	31.12.2014
EUR	9,209	10,330	70.0%	74.8%
USD	2,286	1,870	17.4%	13.5%
GBP	1,272	1,056	9.7%	7.6%
CHF	361	519	2.7%	3.8%
Others	26	42	0.2%	0.3%
Total	**13,154**	**13,817**	**100.0%**	**100.0%**

Forbearance

The most common measures relate to payment holiday (approximately 76% of forborne contracts) followed by restructuring and extensions of the repayment schedule (approximately 24% of the forborne contracts). Interest income recognized in respect of forborne assets amounts to EUR 3.2 million. Actual risk costs for forborne exposures (impairments and derecognition in 2015) amount to EUR 6.7 million. 82.8% of the forborne volume is up to 30 days past due, 0.7% between 30 and 90 days past due and 17.2% more than 90 days past due as of 31 December 2015.

in EUR million	**31.12.2015**	31.12.2014
Forborne	157	184
thereof non-performing	52	77
Impairments	20	29
Collateral	93	91

These forborne assets are mainly split up among the industries Real Estate (EUR 68.6 million), Construction and Building Materials (EUR 41.2 million), Hotel, Gaming and Leisure (EUR 14.8 million), Utilities (EUR 8.6 million) and Commodity (EUR 6.0 million). Geographically, the forborne exposure is distributed among Austria (EUR 112.5 million), Croatia (EUR 22.1 million), Slovenia (EUR 12.2 million), the United Kingdom (EUR 6.0 million), Italy (EUR 2.4 million) and Germany (EUR 2.1 million). While assets totaling EUR 59.0 million are newly recognized as forborne as of 31 December 2015, more than EUR 85.5 million were de-recognized in 2015.

Particular risk concentrations in the credit portfolio

A major focus of risk management in the Corporate Lending and Investments segment is centered around managing concentration risk. Concentration risk arises from both large exposures in individual customer segments or large industry/country/foreign currency exposures.

The framework for the management of concentration risk is based on the requirements imposed by the senior management of the Group in line with the rules and recommendations of national and international regulators. Concentration risks are managed, limited and reported to the Managing Board as part of the overall monthly risk management reporting.

The principles and methodological framework for the measurement and monitoring of these credit risk concentrations are outlined in risk manuals and guidelines. Concentration risks at the level of individual transactions and products are managed in a sub-portfolio category. Country and sector limits are managed using a standard process in accordance with internal guidelines.

Concentration risk at the level of individual borrowers and groups of affiliated customers as well as for sectors, countries and currencies is quantified on the basis of allocated economic capital. Adapted risk-weighted assets form the methodological basis in accordance with IRB standards.

Corresponding limits and warning thresholds are specified for countries, sectors, currencies and groups of customers and form an integral part of the management of overall risk in the Group. All limits are monitored on an ongoing basis and in accordance with the estimated risk potential.

Risk concentrations by industry segmentation

	Book value		in %	
in EUR million	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Government	2,342	2,343	17.8%	17.0%
Portfolio Financing	1,769	1,691	13.4%	12.2%
Public Sector	1,733	1,871	13.2%	13.5%
Real Estate	1,521	1,348	11.6%	9.8%
Pharmaceuticals & Health Care	759	874	5.8%	6.3%
Services	692	531	5.3%	3.8%
Hotel, Gaming & Leisure	465	381	3.5%	2.8%
Retail – Non-food	462	356	3.5%	2.6%
Retail – Food	370	513	2.8%	3.7%
Telecommunication & Electronics	367	364	2.8%	2.6%
Automotive	351	406	2.7%	2.9%
Transport	318	304	2.4%	2.2%
Commodity	298	407	2.3%	2.9%
Investment Funds	275	384	2.1%	2.8%
Beverages, Food & Tobacco	239	337	1.8%	2.4%
Wood & Paper	172	203	1.3%	1.5%
Engineering	163	128	1.2%	0.9%
Social Housing	142	161	1.1%	1.2%
Construction & Building Materials	138	167	1.0%	1.2%
Chemicals	126	92	1.0%	0.7%
Financial Institutions	124	417	0.9%	3.0%
Media	94	188	0.7%	1.4%
Others	78	83	0.6%	0.6%
Utilities	70	186	0.5%	1.3%
Non-Governmental Organizations	47	51	0.4%	0.4%
Leasing Companies	39	31	0.3%	0.2%
Total	**13,154**	**13,817**	**100.0%**	**100.0%**

Treasury Services and Markets

	Book value		Investment grade	
in EUR million	**31.12.2015**	31.12.2014	**31.12.2015**	31.12.2014
Banks	3,866	4,331	99.3%	99.0%
Sovereigns	660	814	100.0%	100.0%
CLOs	–	610	100.0%	100.0%
Total	**4,526**	**5,755**	**99.5%**	**99.2%**

Treasury Services and Markets acts as a service center for the Group's customers, subsidiaries and partners through market execution as well as selective investment activities.

The portfolio consists primarily of investments in Europe and the United States. The portfolio is comprised of 98% investment grade-rated bonds (100% investment grade issuer rating), of which 75% are rated in the single "A" category or higher. The portfolio of CLO investments was sold during the third quarter of 2015 and consequently the exposure was reduced to 0. Exposure to CEE bonds represented < 3%, with 84% rated in the single "A" category or higher. The Group has no direct exposure to HETA in its securities portfolio. The portfolio has no direct exposure to Russia, China, Hungary or South-Eastern Europe as of 31 December 2015.

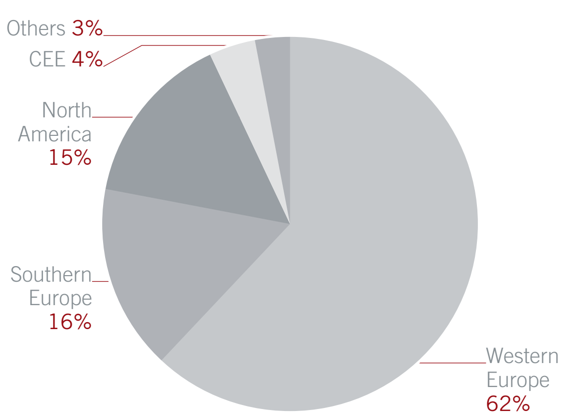
Currency distribution of the credit and securities portfolio

	Book value		in %	
in EUR million	**31.12.2015**	31.12.2014	**31.12.2015**	31.12.2014
EUR	4,373	5,514	96.6%	95.8%
USD	153	217	3.4%	3.8%
Others	0	24	–	0.4%
Total	**4,526**	**5,755**	**100.0%**	**100.0%**

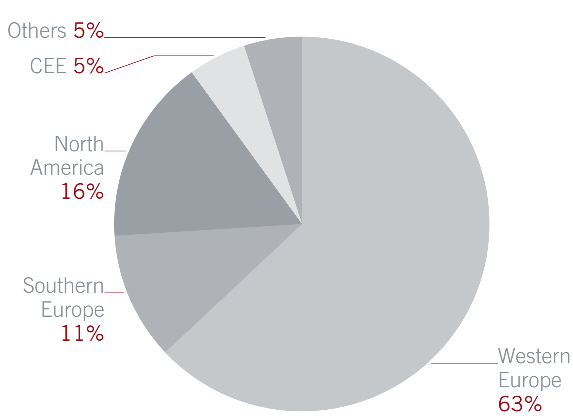
Geographical distribution of the securities portfolio[1]

Geographical distribution of bonds

31.12.2015



31.12.2014



1) These regions include the United States with 15% (2014: 11%), Great Britain with 14% (2014: 13%), France with 7% (2014: 5%) and Germany with 3% (2014: 4%).

Corporate Center

The Corporate Center is comprised primarily of the Group's liquidity reserve, positive market values from derivatives, certain equity participations, and the Asset-Liability Management (ALM) function of the Group. The majority of the assets is related to the ALM activities, mainly consisting of the liquidity reserve and positive market values from derivatives, which are used for hedging purposes. Assets decreased slightly.

Participation risk

Participation risk includes potential losses in the fair value of non-consolidated equity investments, potential impairments and low profitability of non-consolidated equity investments. Participation risk does not include consolidated operating subsidiaries because their risks are assessed separately according to the specific risk types and accounted for as such.

Impairment tests are conducted every year to validate the values of the equity investments in the Group's portfolio. These impairment tests are predominantly completed on the basis of the planning projections (budgeted financial statements – i.e. cash flow, P&L and balance sheet) prepared for future periods by the management of each entity. The results indicated in the projections are discounted using risk-adjusted rates. The proportionate value of the company based on the Group's shareholding is then compared with the carrying amount of the investment.

In contrast to the procedure described above, more simplified techniques are adopted for micro-participations and those amounts covered either by pro rata equity, by pro rata capitalized average earnings before taxes of the last three years or by other value indicators – e.g. net asset values for real estate companies.

The overall results of the impairment tests are reviewed and confirmed by the Participation Risk team.

56 | Market risk

Market risk is the risk of loss caused by open risk positions in the market and the adverse development of market risk factors (interest rates, foreign exchange rates, equity prices, volatilities, credit spreads). Market risk can arise in conjunction with trading and non-trading activities.

Particular emphasis is placed upon market risk identification, measurement, analysis and management performed by the Strategic Risk division for all market related risks in the Group. The applied market risk limits consist of value-at-risk, sensitivity, volume and worst-case limits and are approved by the Group's Managing Board.

Market risk in the trading book

The Group's strategy to discontinue proprietary trading activities resulted in a further reduction in derivative volume in the trading book in 2015. The increase in risk shown in the following table is entirely due to increased CHF volatility rather than trading activity.

Considering the above mentioned reduction in the trading book, the Group decided to discontinue the internal model and to adopt the standard method for regulatory capital calculation. This decision was based on the strategic direction to continuously reduce the trading book. The ECB approved this decision as of 1 September 2015. Regulatory capital requirements for specific risk in the trading book are still calculated using the regulatory standard method.

The Group will continue to employ the value-at-risk (VaR) approach for internal risk monitoring and steering. The VaR limits are further supplemented by sensitivity and worst-case limits.

The following table depicts the total trading book VaR based on a confidence interval of 99% and a holding period of one day.

VaR trading book

in EUR thousand	31.12.2015	31.12.2014
Yearly average VaR	(776)	(243)
Year-end VaR	(642)	(316)

Market risk in the banking book

The primary components of market risk for BAWAG Holding Group are interest rate risk, credit spread risk and liquidity risk.

Interest rate risk in the banking book

Interest rate risk in the banking book is the potential loss resulting from net asset value changes and the future development of net interest income due to adverse interest rate shifts.

The Strategic Asset Liability Committee (SALCO) has assigned interest rate risk limits to the Treasury Services and Markets division in order to manage the interest rate risk in terms of an optimal risk/return ratio at the Group level as determined by the Controlling/ALM division. The Strategic Risk division reports to the SALCO on a daily basis for some areas as well as monthly at the Group level on limit utilization and the distribution of risk.

The target interest rate risk structure mandated by the SALCO is implemented by the Controlling/ALM and Treasury Services and Markets divisions. Interest rate derivatives are employed to this end in order to manage interest rate risk. BAWAG Holding Group uses interest rate derivatives:

- to implement the interest risk strategy within the requirements and limits defined by the SALCO,
- to manage the sensitivity of the valuation result and the revaluation reserve,
- and to hedge the economic risk position, thereby taking the accounting treatment into consideration.

BAWAG Holding Group uses hedge accounting pursuant to IAS 39. The following fair value hedge accounting methods are currently used to value interest rate risk hedges of the balance sheet:

- Micro fair value hedge: hedging against the risk of interest rate changes for fixed-interest instruments held as assets and liabilities
- Portfolio fair value hedge (“EU carve-out”): application to sub portfolios of sight deposits that are available for the long term after derivation of a bottom layer

Interest rate derivatives that are not assigned to a hedge accounting relationship are recognized at their fair values.

Interest rate risk is measured using sensitivities based on the present value of a basis point (PVBP) concept. The PVBP, which is derived from the duration of interest-bearing financial instruments, reflects the impact on net asset value resulting from an upward parallel shift of the yield curves by one basis point. The following table depicts the Group’s interest rate risk sensitivities as of 31 December 2015 on the basis of the PVBP concept:

Interest rate sensitivity

31.12.2015 in EUR million	<1Y	1Y–3Y	3Y–5Y	5Y–7Y	7Y–10Y	>10Y	Total
EUR	(198)	(50)	(322)	(172)	(52)	(36)	(830)
USD	(15)	(8)	29	(3)	(1)	0	3
CHF	(17)	(12)	(6)	3	(73)	4	(101)
GBP	5	10	(8)	(1)	(3)	(13)	(8)
Other currencies	2	(1)	1	1	1	3	6
Total	**(222)**	**(60)**	**(307)**	**(172)**	**(128)**	**(42)**	**(930)**

31.12.2014 in EUR million	<1Y	1Y–3Y	3Y5–Y	5Y–7Y	7Y–10Y	>10Y	Total
EUR	(74)	(145)	(161)	(217)	(36)	(4)	(637)
USD	(38)	(30)	(5)	12	(9)	6	(65)
CHF	10	0	(3)	(4)	(4)	(4)	(5)
GBP	0	(2)	0	0	0	0	(3)
Other currencies	2	(1)	0	4	(3)	(7)	(6)
Total	**(101)**	**(178)**	**(170)**	**(205)**	**(52)**	**(10)**	**(716)**

The impact upon the Profit or Loss Statement and Other Comprehensive Income of fair value changes arising from interest rate changes is calculated and monitored separately. The sensitivity of financial assets designated at fair value through profit or loss amounted to minus EUR 191 thousand on 31 December 2015 (31 December 2014: minus EUR 266 thousand). For the available-for-sale financial assets, the sensitivity amounted to minus EUR 461 thousand (31 December 2014: minus EUR 662 thousand).

Furthermore, a value-at-risk calculation for the Group is conducted within the framework of the Internal Capital Adequacy Assessment Process (ICAAP) on a monthly basis.

Credit spread risk in the banking book

Credit spread risk in the banking book refers to the risk of decreasing fair values of securities and derivatives due to changes in market credit spreads. The risk management models employed by the Group to address this risk have been continuously refined. The credit spread risk is measured on the basis of the sensitivities (basis point value). The following table shows the total credit spread sensitivity of the Group along with the breakout by accounting categories impacting the Profit or Loss Statement and Other Comprehensive Income:

Credit spread sensitivity

in EUR thousand	31.12.2015	31.12.2014
Total portfolio	(1,965)	(2,418)
Financial assets designated at fair value through profit or loss	251	302
Available-for-sale financial assets	(815)	(1,223)
Held-to-maturity assets & Loans and receivables	(1,401)	(1,497)

The risk indicators “value-at-risk” and “expected shortfall” are also calculated and scenario calculations are run, both on a monthly basis.

Credit spread risk is also taken into account and limited for the Group as a whole in the ICAAP and is part of the Group-wide stress tests.

All employed models are calibrated regularly and validated at least once per year by assessing the assumptions and by backtesting.

FX risk in the banking book

The extent of open foreign exchange positions in the Group’s banking book is managed by conservative limits in order to ensure that only marginal FX risks are carried in the banking book. Compliance with these limits is observed on a daily basis.

The following table shows sensitivities of foreign currencies due to the open currency positions. None of the currencies poses a significant valuation risk.

in EUR thousand	USD		GBP		JPY		Other FX	
FX change (in %)	(10)	10	(10)	10	(10)	10	(10)	10
Impact	(842)	842	378	(378)	820	(820)	(471)	471

Concentration risk

All essential risk factors are incorporated within VaR-models/scenario analyses and stress test calculations which are applied to all trading and bank book positions. Instabilities of correlations which could result in an overestimation of diversification are taken into consideration by the fact that only correlations within a specific risk factor (interest, FX, volatility) and (after a comprehensive analysis of empirical coefficients) between interest rate risk in the banking book and credit spread risk are employed, whereas no diversification beyond these is assumed. Stress test results are also divided, calculated, reported and limited by risk factor category in order to identify any correlations within a single risk factor.

57 | Liquidity risk

In addition to the risk of not being able to fulfill payment obligations when they become due (dispositive liquidity risk), liquidity risk also relates to the risk of increased refinancing costs, which can influence the Group’s earnings situation (structural liquidity risk). Furthermore, liquidity risk includes the risk that transactions cannot be closed or sold, or that they can only be closed or sold at a loss because of insufficient market depth or due to market interruptions (market liquidity risk). The Risk Manual for Liquidity Risks specifies how liquidity risks are to be handled and includes a contingency liquidity plan.

The Asset-Liability Management (ALM) department is responsible for central liquidity management of the Group.

Liquidity management

The liquidity management is performed under a Group perspective.

For managing the short-term liquidity, a 30-day liquidity forecast is prepared daily for ongoing liquidity position management by Treasury Services and Markets. This allows for close tracking and the management of the short-term liquidity position.

For a mid-term perspective, a liquidity forecast for the next 15 months is prepared every month and reported in the SALCO (Strategic Asset Liability Committee). It also takes scenario calculations for planned measures and various assumptions about customer behavior into account. The regulatory and internal liquidity indicators are also projected. The FACE (Free Available Cash Equivalent), a benchmark for the short-term liquidity potential, represents the most important ratio for liquidity purposes.

Liquidity stress tests are used to determine the outflow of liquidity that may be incurred under different stress scenarios (systemic stress, idiosyncratic stress, combined stress) in order to calibrate the liquidity buffer.

Long-term liquidity management is conducted for the coming three years as part of the annual planning process. Strategic measures are also analyzed during the course of the year.

Major decisions regarding liquidity risk are made in the SALCO, in which all board members are represented. The limits applied for liquidity steering are supervised by the Strategic Risk division.

Liquidity buffer

Asset-Liability Management ensures that the Group holds a well-diversified portfolio of high-quality, liquid assets and that the liquidity buffer, whose volume is derived from stress testing, fulfills all regulatory requirements and is sufficient for future refinancing purposes. Additionally, Asset-Liability Management centrally manages the liquidity buffer required for LCR purposes in designated portfolios. The market liquidity of the liquidity buffer is tested regularly.

The table below shows the composition of the liquidity buffer on the basis of the market values of unencumbered assets after a component-specific haircut.

Structure of the liquidity buffer

in EUR million	31.12.2015	31.12.2014
Money market	1,182	750
Bonds	3,739	4,699
ECB pledged credit claims	1,344	1,929
Short term liquidity buffer	**6,265**	**7,378**
Bonds	689	1,960
Credit claims available for covered bonds	140	828
Medium-term liquidity buffer	**829**	**2,788**
Total	**7,094**	**10,166**

Maturity analysis of contractual undiscounted cash flows of financial assets and liabilities

31.12.2015 in EUR million	Gross nominal inflow/outflow	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years
Assets						
Loans to customers	31,510	1,889	637	2,031	10,881	16,072
Bonds	6,314	108	243	744	3,244	1,975
Money market assets	1,063	1,035	10	18	0	0
Subtotal	**38,887**	**3,032**	**890**	**2,793**	**14,125**	**18,047**
Liabilities						
Deposits from banks	(4,490)	(1,118)	(1,685)	(69)	(1,340)	(278)
Deposits from customers	(21,519)	(18,799)	(289)	(964)	(1,352)	(116)
Debt securities issued	(5,019)	(17)	(32)	(329)	(2,364)	(2,277)
Subtotal	**(31,028)**	**(19,934)**	**(2,006)**	**(1,362)**	**(5,056)**	**(2,671)**
Derivatives						
Inflow	8,363	1,282	1,392	3,473	1,649	568
Outflow	(8,705)	(1,293)	(1,372)	(3,577)	(1,816)	(646)
Other off-balance-sheet financial obligations	(1,620)	(1,620)	0	0	0	0
Total	**5,897**	**(18,534)**	**(1,096)**	**1,326**	**8,902**	**15,298**

31.12.2014 in EUR million	Gross nominal inflow/outflow	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years
Assets						
Loans to customers	27,075	2,254	463	1,751	9,821	12,786
Bonds	8,549	90	244	752	5,296	2,167
Money market assets	862	783	4	75	0	0
Subtotal	**36,486**	**3,126**	**712**	**2,578**	**15,117**	**14,953**
Liabilities						
Deposits from banks	(2,739)	(757)	(79)	(164)	(1,343)	(396)
Deposits from customers	(21,247)	(17,306)	(681)	(1,741)	(1,372)	(147)
Debt securities issued	(6,649)	(62)	(71)	(1,826)	(1,998)	(2,692)
Subtotal	**(30,635)**	**(18,125)**	**(830)**	**(3,731)**	**(4,714)**	**(3,235)**
Derivatives						
Inflow	7,162	1,969	849	816	2,738	790
Outflow	(7,409)	(1,994)	(868)	(860)	(2,857)	(830)
Other off-balance-sheet financial obligations	(1,841)	(1,841)	0	0	0	0
Total	**3,763**	**(16,864)**	**(138)**	**(1,198)**	**10,284**	**11,678**

The table above shows the consolidated nominal (not discounted) cash flows including interest payments on financial assets and liabilities. They are assigned to time buckets on the basis of their contractual maturities. All daily callable loans and deposits were placed into the shortest time bucket. In the case of call or put options, the end of the term equals the next day on which the option can be exercised.

The liquidity management already takes the new regulatory liquidity ratios into account. Due to our robust liquidity position, the Liquidity Coverage Ratio of 137% significantly exceeds the regulatory requirements.

The year 2015 was characterized by a solid liquidity situation as well as stable core refinancing sources and a balanced liability structure. The funding strategy is still focused on retail deposits. This reduces the dependency on international capital markets and interbank funding, which is also reflected in a wholesale funding ratio[1] of less than 30%. The strong liquidity situation of the Group was used to redeem maturing own issues for deleveraging non-core liabilities.

Nevertheless, an international covered bond of EUR 500 million was successfully issued for the first time in three years in 2015, underscoring the capital market access of the Group.

58 | Operational risk

The Group continues to apply the Standardized Approach for the calculation of the regulatory own fund requirements according to Article 317 Regulation (EU) No 575/2013 to assess operational risk, resulting in RWAs of EUR 1.6 billion in 2015. However, the realized OpRisk losses over the last few years were significantly lower than the regulatory own fund requirements under the Standardized Approach. The OpRisk RWAs are assigned to the Corporate Center segment.

For the purpose of internal economic capital steering (ICAAP), a statistical model is used to calculate the value-at-risk based on operational risk losses.

The losses resulting from operational risk are collected in a centrally managed web-based database within clearly defined regulations and processes.

In addition to recipient-oriented reporting, the risk organization applies a risk control self-assessment (RCSA) concept in managing operational risk. All business units assess their material operational risks and the effectiveness of their control measures on a yearly basis applying a uniform framework. This includes the assessment of individual control measures, the estimation of probabilities and the extent of losses arising from individual risks. If the risk potential exceeds a defined limit, the implementation of specific remediation measures is required.

A clear organizational structure and authorization levels form the basis of OpRisk limits. Additionally, a consistent guideline and a risk-adequate internal control system (including automated controls embedded in the IT infrastructure) are designed to allow the Group to manage OpRisk.

1) Wholesale funding ratio = 1 – (customer liabilities/(financial liabilities – liabilities held for trading)).

ADDITIONAL DISCLOSURES REQUIRED BY AUSTRIAN LAW

59 | Fiduciary assets

in EUR million	31.12.2015	31.12.2014
Fiduciary assets	**126**	**189**
Receivables from customers	126	189
Fiduciary liabilities	**126**	**189**
Deposits from banks	19	25
Deposits from customers	107	164

60 | Breakdown of securities pursuant to the Federal Banking Act (BWG)

The following table breaks securities down in accordance with section 64 paragraph 1 line 10 and line 11 BWG as of 31 December 2015 (IFRS figures):

in EUR million	Not listed	Listed			BAWAG Holding Group Total 2015
		Total	Loans and receivables	Other measurements	
Bonds and other fixed income securities	907	2,871	231	2,640	**3,778**
Shares and other variable income securities	3	3	–	3	**6**
Shares in associates and other shares	62	–	–	–	**62**
Shares in non-consolidated subsidiaries	22	–	–	–	**22**
Total securities	**994**	**2,874**	**231**	**2,643**	**3,868**

The difference between carrying amounts and lower repayment amounts for the purposes of section 56 paragraph 2 BWG was EUR 74 million (2014: EUR 156 million). The difference between carrying amounts and higher repayment amounts for the purposes of section 56 paragraph 3 BWG was EUR 4 million (2014: EUR 15 million).

Liabilities and subordinated capital amounting to a repayment amount of EUR 288 million will come due under the corresponding contracts in 2016.

Subordinated and supplementary capital liabilities are primarily issued in the form of securities. These securities are all bullet bonds. Supplementary and subordinated capital bonds are subscribed by private Austrian investors and sold to major domestic and international investors.

As of 31 December 2015, the average weighted nominal interest rate on supplementary and subordinated capital bonds was 6.57% (2014: 5.84%), and the average remaining term to maturity was 7.1 years (2014: 5.3 years).

61 | Collateral received

Different types of collateral have been pledged to the Group as part of its business transactions. To reduce credit risk for derivative instruments, the Group received consideration (collateral deals) in the amount of EUR 486 million (2014: EUR 580 million) and paid consideration (collateral deals) in the amount of EUR 314 million (2014: EUR 320 million).

in EUR million	Collateralized on-balance-sheet claims	Collateralized off-balance-sheet claims	Total
Financial collateral			
Stocks	20	1	**21**
Cash deposits	55	1,098	**1,153**
Bonds	13	1	**14**
Real estate			
Commercial properties	540	8	**548**
Private properties	7,640	57	**7,697**
Personal collateral			
Guarantees	1,731	27	**1,758**
Credit derivatives	–	–	**–**
Other forms of collateral			
Assignation of claims	3	–	**3**
Life insurance policies	219	4	**223**
Collateral received	**10,221**	**1,196**	**11,417**

62 | Hybrid capital

After redeeming the last hybrid capital issue in June 2015, the consolidated financial statements recognize hybrid capital in the amount of EUR 0 million (2014: EUR 83 million). The entirety of this amount was reported on the IFRS Statement of Financial Position in the line item Supplementary capital and subordinated debt capital in 2014.

63 | Human resources

Headcount – salaried employees

	31.12.2015	31.12.2014
Number of employees on reporting date	3,611	3,804
Average number of employees	3,755	4,122

Full-time equivalents – salaried employees

	31.12.2015	31.12.2014
Number of employees on reporting date	3,072	3,287
Average number of employees	3,220	3,593
Active employees[1]	2,625	2,838

1) Excluding employees on any form of temporary leave or who have entered into an agreement under a social compensation scheme.

64 | Branches

in EUR million	31.12.2015	31.12.2014
Name of branch	BAWAG P.S.K. International	BAWAG P.S.K. International
Business segment	International Business	International Business
Country of domicile	Great Britain	Great Britain
Net interest income	0.0	0.0
Operating income[1)]	17.8	1.1
Number of full-time employees	12	4
Profit before tax[1)]	8.8	(0.5)
Income tax	1.8	0.0
Government aid received	0	0

1) BAWAG P.S.K. International: income is based on internal funds transfer pricing.

65 | Trading book

BAWAG Holding Group maintains a securities trading book, which breaks down by volume as follows:

in EUR million	31.12.2015	31.12.2014
Derivative financial instruments in the trading book (nominal value)	11,548	15,406
Money market transactions (book values, recognized under receivables from credit institutions and payables to credit institutions)	84	131
Trading book by volume	**11,632**	**15,538**

66 | Geographical regions

Gross income of BAWAG Holding relates to the following geographical regions, with the split being based on the domicile of the customer. Income from derivative and trading transactions is presented as domestic due to the fact that trading is centralized in Vienna and no material country risks arise as most transactions are collateralized.

in EUR million	Domestic	Western Europe	Central and Eastern Europe	North America	Rest of the world	Total
Interest and similar income	625.7	317.1	11.5	86.3	10.6	**1,051.3**
Income from securities and equity interests	10.2	0.0	0.0	0.0	0.0	**10.2**
Fee and commission income	289.1	1.5	0.6	0.3	0.8	**292.3**
Gains and losses on financial instruments	62.9	2.0	0.0	0.0	0.0	**64.8**
Other operating income	16.5	3.5	0.0	0.0	0.0	**20.0**

67 | Other disclosures required by BWG and Austrian GAAP (UGB) including remuneration policy

The Statement of Financial Position entry for Land and buildings shows property with a carrying amount of EUR 3 million (2014: EUR 8 million).

Obligations arising from the use of tangible non-current assets not recognized on the Statement of Financial Position were expected to come to EUR 23 million for the period subsequent to 2015 (2014: EUR 24 million); the expected amount in the five years following the year under review was EUR 88 million (2014: EUR 93 million).

The Statement of Financial Position as of 31 December 2015 contains accrued interest on supplementary capital bonds in the amount of EUR 1 million (2014: EUR 3 million).

Expenses for subordinated liabilities amounted to EUR 48 million (2014: EUR 58 million).

Expenses for BAWAG Holding's group auditor in the current financial year amount to EUR 2.3 million and comprise audit fees in the amount of EUR 1.6 million, tax advisory fees of EUR 0.2 million as well as other advisory fees in the amount of EUR 0.5 million.

As of 31 December 2015, the return on total assets in accordance with section 64 paragraph 1 item 19 BWG amounts to 1.10% (2014: 0.91%).

The Company is a member of the consolidated group headed by Promontoria Sacher Holding N.V., which is situated in Baarn, The Netherlands. Pursuant to section 30 paragraph 1 and 2 BWG Promontoria Sacher Holding N.V. is the superordinate financial holding company of the group of credit institutions. In accordance with section 30 paragraph 5 and 6 BWG, BAWAG P.S.K. as the superordinate credit institution is responsible for the compliance with the provisions of the Austrian Banking Act which are applicable to the group of credit institutions and prepares the consolidated financial statements of Promontoria Sacher Holding N.V. The consolidated financial statements of Promontoria Sacher Holding N.V. are prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to the provisions of section 59a BWG and are available at BAWAG P.S.K.'s headquarters in Vienna.

BAWAG Holding uses the Internet as the medium for publishing disclosures under section 65 BWG and the Disclosure Regulation. Details are available on the website of BAWAG P.S.K. at: www.bawagpsk.com/FinancialResults.

Remuneration Policy

BAWAG P.S.K. AG has a Remuneration Committee, which is a Supervisory Board committee. The Remuneration Committee specifies the remuneration policy, monitors its implementation and submits regular reports on its activities to the full Supervisory Board of BAWAG P.S.K. AG. The committee consists of the chairman of the Supervisory Board, who heads it, and five further Supervisory Board members, including two members of the Works Council.

Remuneration Committee of BAWAG P.S.K. AG has adopted a remuneration guideline that applies to the members of the Managing Board and the employees of the Group and that takes into account the principles of the EU's CRD IV Directive, the CEBS guideline and the associated provision of the Austrian Banking Act.

For employees whose activities have a material influence on the Bank's risk profile, this guideline stipulates a remuneration policy that does not impede effective risk management. It is designed to align the objectives of the employees with the long-term interests of the Bank and to ensure an appropriate balance between fixed and variable remuneration components. It also takes into account the legal regulations stipulating that the policy must be applied to the management and to risk purchasers, to employees with controlling duties as well as to employees who are in the same wage group as the management and the risk purchasers and whose activities have a material influence on the risk profile of the Bank.

The annual budget for variable remuneration components is based on the degree to which the Bank achieves its earnings targets.

Approval for the awarding of bonuses to BAWAG P.S.K. Managing Board members and employees is proposed by the Managing Board and granted by the Committee for Management Board Matters, taking into account the market conditions and development, the appropriateness of bonus payments, the development of risk and the strengthening of the Bank's equity base.

The rules were implemented in the remuneration guideline as follows:

- To ensure risk adequacy, the variable remuneration must not provide an incentive to enter into inappropriate risks.
- To ensure sustainability, success is determined based on a longer-term observation period. For this reason, parts of the bonus are distributed over a period of up to five years. The payment of the retained portions is subject to strict Bank success criteria.
- The appropriateness and market adequacy of remuneration is ensured, applying a balanced relationship between fixed and variable components.

The variable remuneration is determined on the basis of the individual's success (in quantitative and qualitative terms) as well as on the success of the respective organizational unit and the Bank.

For individual matters concerning the remuneration of Managing Board members, a Committee for Management Board Matters has been set up taking into account the framework of the Austrian Labor Constitution Act.

68 | Own funds of BAWAG P.S.K. AG (individual financial institution)

The following table depicts the composition of BAWAG P.S.K. AG's own funds applying transitional rules as of 31 December 2015 and 2014 according to CRR:

in EUR million	31.12.2015	31.12.2014
Share capital	250	250
Reserves including profit for the fiscal year 2015	1.905	1.875
Deduction of intangible assets	-88	-90
IRB risk provision shortfall	-49	-50
Common Equity Tier I	2.018	1.985
Supplementary and subordinated debt capital	**476**	**614**
Deduction participations	-15	-14
Excess IRB risk provisions	16	21
IRB risk provision shortfall	-21	-33
Tier II	456	588
Own funds	**2.474**	**2.573**

69 | Date of release for publication

The Group financial statements were approved by the Board of Managing Directors for submission to the Supervisory Board on 29 March 2016. The Supervisory Board is responsible for reviewing and acknowledges the Group financial statements.

70 | Events after the reporting date

BAWAG Malta

After having received all regulatory approvals, the closing of the sale of BAWAG Malta Bank Ltd. took place on 29 January 2016. The profit from the sale amounted to EUR 4.1 million.

Vienna, 29 March 2016

Byron Haynes
Managing Director

Corey Pinkston
Managing Director

Anas Abuzaakouk
Managing Director

Jeffrey L. Lomasky
Managing Director

STATEMENT OF ALL LEGAL REPRESENTATIVES

“We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.”

Vienna, 29 March 2016

Byron Haynes
Managing Director

Corey Pinkston
Managing Director

Anas Abuzaakouk
Managing Director

Jeffrey L. Lomasky
Managing Director

BOARDS AND OFFICERS OF BAWAG HOLDING GMBH

MANAGING BOARD OF BAWAG HOLDING GMBH AS OF 31 DECEMBER 2015

Byron HAYNES
(from 9 November 2009)

Corey PINKSTON
(from 1 August 2012)

Jeffrey L. Lomasky
(from 1 August 2012)

Anas ABUZAAKOUK
(from 31 July 2014)

SUPERVISORY BOARD OF BAWAG HOLDING GMBH AS OF 31 DECEMBER 2015

Chairman

Franklin W. HOBBS
(Member from 4 April 2013, Chairman from 1 August 2013)

Deputy Chairman

Keith TIETJEN
(from 31 March 2015
Member of the Supervisory Board from 31 July 2014)

Cees MAAS
(from 1 August 2013, previously Chairman from 15 October 2009 until 1 August 2013,
Member of the Supervisory Board from 9 October 2009)

Pieter KORTEWEG
(from 1 August 2013, previously,
Member of the Supervisory Board from 14 September 2007)

Members

André WEISS
(from 4 April 2013)

Frederick HADDAD
(from 4 April 2013)

Anthony J. GUIDO
(from 9 April 2013)

Walter OBLIN
(from 18 April 2012)

AUDITOR'S OPINION

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **BAWAG Holding GmbH**, Vienna, Austria, for the fiscal year from 1. January 2015 to 31 December 2015. These consolidated financial statements comprise the consolidated balance sheet, the consolidated income statement, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year 2015 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to § 245a UGB (Austrian Commercial Code) and § 59a BWG (Austrian Banking Act) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing – ISA. In accordance with International Standards on Auditing, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and other legal or regulatory requirements.

Report on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 29 March 2016

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:
Mag. Bernhard Mechtler
Wirtschaftsprüfer
(Austrian Chartered Accountant)

Deloitte Audit
Wirtschaftsprüfungs GmbH

signed by:
pp Mag. Wolfgang Wurm
Wirtschaftsprüfer

Dr. Peter Bitzyk
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid. The financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the management report are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.

www.bawaggroup.com