CONSOLIDATED INTERIM REPORT

H1 2014

KEY FIGURES

Profit or loss statement (in EUR million)	Q2 2014	Q2 2013	Change (%)	Jan–Jun 2014	Jan–Jun 2013	Change (%)
Net interest income	172.5	136.7	26.2	325.4	259.5	25.4
Net fee and commission income	51.9	46.2	12.3	107.1	98.1	9.2
Core revenues	224.4	183.0	22.6	432.5	357.6	20.9
Gains and losses on financial instruments incl. other operating income	23.3	50.5	(53.9)	50.7	116.8	(56.6)
Operating income	247.7	233.4	6.1	483.2	474.4	1.9
Operating expenses	(123.6)	(148.7)	(16.9)	(250.6)	(300.3)	(16.6)
Bank levy	(6.2)	(6.3)	(1.6)	(12.3)	(12.7)	(3.1)
Total risk costs	(17.9)	(33.7)	(46.9)	(37.5)	(63.8)	(41.2)
Profit before tax	99.8	43.8	>100	182.0	96.2	89.2
Net profit	95.1	48.8	94.9	175.0	93.8	86.6

Performance ratios (figures annualized)	Q2 2014	Q2 2013	Change (pts)	Jan–Jun 2014	Jan–Jun 2013	Change (pts)
Return on equity	17.0%	10.4%	6.6	16.2%	10.0%	6.2
Return on tangible equity	18.2%	11.5%	6.7	17.4%	11.0%	6.4
Return on risk-weighted assets	2.25%	1.02%	1.23	2.14%	0.97%	1.17
Return on total assets	1.10%	0.50%	0.60	0.99%	0.47%	0.52
Net interest margin	2.00%	1.41%	0.59	1.84%	1.31%	0.53
Business net interest margin	2.30%	2.02%	0.28	2.26%	1.94%	0.32
Cost-income ratio	49.9%	63.7%	(13.8)	51.9%	63.3%	(11.4)
Risk costs / loans and receivables	0.28%	0.47%	(0.19)	0.28%	0.44%	(0.16)

Statement of financial position (in EUR million)	Jun 2014	Dec 2013	Change (%)	Jun 2013	Change (%)
Total assets	34,527	36,402	(5.2)	38,197	(9.6)
Financial assets	7,759	7,733	0.3	9,029	(14.1)
Customer loans and receivables	21,337	20,980	1.7	21,275	0.3
Customer deposits	21,174	22,013	(3.8)	22,062	(4.0)
Own issues	6,604	7,531	(12.3)	7,938	(16.8)
IFRS equity	2,276	2,053	10.9	1,869	21.8
IFRS tangible equity	2,123	1,911	11.1	1,702	24.7
Risk-weighted assets	16,769	16,001	4.8	18,011	(6.9)

Balance sheet ratios	Jun 2014	Dec 2013	Change (pts)	Jun 2013	Change (pts)
Common Equity Tier I capital ratio	11.2%	9.4%	1.8	n/a	–
Total capital ratio	15.1%	13.2%	1.9	n/a	–
Leverage ratio	5.1%	n/a	–	n/a	–
NPL ratio	3.4%	3.4%	0.0	4.5%	(1.1)

Note: For details on definitions and calculation methodology, please refer to the section entitled “Definitions” on page 21.

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BAWAG P.S.K.'s interim results are typically not indicative of expected full-year results. Actual results may differ materially from the results predicted, and reported results should not be considered as an indication of future performance.

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The tables in this report may contain rounding differences.

Due to a change in methodology relating to calculation of averages, certain key ratios for Q4 2013 and Q1 2014 may differ from the originally published figures. The tables in this report may contain rounding differences.

LETTER FROM THE CEO

Dear Stakeholders,

Despite a low-interest rate environment and a slow-growth European macro environment, BAWAG P.S.K. continued to deliver strong results, as we finished the first half 2014 with a net profit of EUR 175 million. Core revenues were up 21%, driven by a focus on key lending products and liability optimization. Our retail consumer lending market share has increased 1.1 points over the past 12 months to 8.7%, demonstrating BAWAG P.S.K.'s strength in providing customers with transparent, competitive and easy-to-understand products. Our strong first half results are driven by an intense focus on five main areas – liability optimization, structural cost rebalancing, capital accretion through organic earnings, proactive risk management and disciplined pricing.

We have made significant progress in our **liability optimization** initiatives. Our total funding costs continued to come down and our blended deposit rate at the end of the second quarter was 61 basis points, down from year-end and second quarter 2013. This was achieved by rebalancing our customer mix from fixed to variable products, re-pricing deposits in line with the market and deleveraging non-core liabilities, both wholesale funding and deposits. We are in the early stages but confident our blended funding costs will continue to trend down for the remainder of 2014 and into 2015.

Over the past two years, we have heavily invested to fix **structural cost imbalances**. We see these investments paying off during 2014, especially in the second quarter. The Bank's operating expenses were down 17% and our cost-income ratio was down to 52% in the first half, positioning BAWAG P.S.K. as a bank with efficiency at its core. In today's slow-growth world, top-line revenue strength continues to be important but we believe banks with the best products and most efficient cost structures will ultimately "win" with both customers and stakeholders. Our retail market share gain proves this and for the remainder of 2014, we anticipate historical investments to continue paying off and will see further improvement in our cost base.

From a **capital** standpoint, we manage the Bank on a "fully loaded" basis focusing on organic earnings and eliminating non-sustainable elements in our capital structure. In the first half, we redeemed the remaining EUR 350 million of participation capital held by the Republic of Austria and approximately EUR 400 million of non-controlling interests. Additionally, we have announced the redemption of the remaining EUR 60 million of non-sustainable hybrid capital elements. As of second quarter, the Bank's fully loaded CET I ratio was a strong 11.2%, up 1.8 points since year-end and among the top-tier banks when compared to our peers.

As the world continues to become more complex, we are proactively focusing on our **risk management practices and portfolio management.** Early in our strategic repositioning, we reduced our exposure to Central and Eastern European countries (CEE). In 2007, we had approximately 7% of total assets in CEE, which at the end of second quarter 2014 was below 2%. Today we continue to build our international portfolio but focus on less risky geographies with disciplined pricing and strong creditor environments such as Germany and the United Kingdom. These activities are examples of our strong risk discipline and enable us to mitigate impacts from certain macro events such as the recent volatility in the CEE countries. Overall, the credit quality of our core businesses continues to improve, with second quarter risk costs down 47% versus prior year, and our non-performing loan ratio down 1.1 points to 3.4%.

Finally, in markets where we see slower loan demand and compressed margins, BAWAG P.S.K. has maintained a **disciplined pricing** approach. Our net interest margin was up 59 basis points to 2.00% in the second quarter year-over-year, and our return on risk-weighted assets was up 1.23 points to 2.25%. Although we are facing a slow-growth environment with more subdued loan demand, BAWAG P.S.K. will maintain a disciplined approach by continuing to price on a risk-adjusted basis within its Austrian and international lending activities.

Overall, we are proud of our accomplishments in the second quarter and for the first half 2014. Our ability to compete effectively and profitably over the long term is grounded in our strategy of focusing on products and services that our customers value. We are confident that this strong performance will continue for the remainder of the year.

I want to thank our customers and shareholders for their continuous support of BAWAG P.S.K. and our employees for playing such a critical role in the Bank's turnaround. BAWAG P.S.K.'s leadership team and I are very proud of the strong results and we hope you share the same excitement.

Byron Haynes
CEO and Chairman of the Managing Board

INTERIM GROUP MANAGEMENT REPORT

FINANCIAL REVIEW

BAWAG P.S.K. continued to successfully execute on its business plans in the first half 2014 and delivered another quarter of strong results.

A few key highlights include:

- BAWAG P.S.K. posted a net profit of EUR 175 million. The net profit represents an increase of 86.6% from the same level in the first half 2013. The increase was driven by improvements in our Retail Banking and Small Business segment (+92.4%) and Treasury Services and Markets (+76.4%).

- The annualized return on equity was 16.2% in the first half 2014, up 6.2 points versus first half 2013. We are well on track to achieve our 2014 target.

- Net interest income rose 25.4% in the first half 2014 versus first half 2013, despite a continued low-interest rate environment. The increase came from a strong focus on liability optimization measures (deleveraging non-core liabilities and deposit re-pricing).

- The net interest margin improved 53 basis points to 1.84%, while the business net interest margin increased 32 basis points to 2.26%, showing the continuous improvement of asset and liabilities re-pricing.

- Our focus on cost efficiency continues to produce savings. Operating expenses fell to EUR 250.6 million from EUR 300.3 million in the first half 2013, and the cost-income ratio improved by 11.4 points to 51.9% in the first half 2014 compared to the first half 2013.

- Risk costs substantially decreased to EUR 37.5 million in the first half 2014, resulting from the improved overall credit quality of the core businesses and positive effects from the 2013 de-risking actions.

- Our capital base continues to be strong, with a Common Equity Tier I capital ratio (fully loaded) and total capital ratio of 11.2% and 15.1%, respectively, versus 9.4% and 13.2% at 31 December 2013.

ANALYSIS OF PROFIT OR LOSS STATEMENT AND STATEMENT OF FINANCIAL POSITION

Profit or loss statement

in EUR million	Q2 2014	Q2 2013	Change (%)	Jan–Jun 2014	Jan–Jun 2013	Change (%)
Interest income	272.9	272.4	0.2	539.9	535.9	0.7
Interest expense	(104.7)	(140.1)	(25.3)	(218.8)	(283.6)	(22.8)
Dividend income	4.4	4.5	(2.2)	4.4	7.2	(38.9)
Net interest income	**172.5**	**136.7**	**26.2**	**325.4**	**259.5**	**25.4**
Fee and commission income	76.6	76.3	0.4	158.8	151.6	4.7
Fee and commission expenses	(24.7)	(30.1)	(17.9)	(51.7)	(53.5)	(3.4)
Net fee and commission income	**51.9**	**46.2**	**12.3**	**107.1**	**98.1**	**9.2**
Core revenues	**224.4**	**183.0**	**22.6**	**432.5**	**357.6**	**20.9**
Gains and losses on financial instruments[1] and other operating income and expenses[2]	23.3	50.5	(53.9)	50.7	116.8	(56.6)
Operating income	**247.7**	**233.4**	**6.1**	**483.2**	**474.4**	**1.9**
Operating expenses	**(123.6)**	**(148.7)**	**(16.9)**	**(250.6)**	**(300.3)**	**(16.6)**
Bank levy	(6.2)	(6.3)	(1.6)	(12.3)	(12.7)	(3.1)
Operating profit	**118.0**	**78.5**	**50.3**	**220.4**	**161.4**	**36.6**
Provisions and loan-loss provisions	(17.9)	(27.9)	(35.8)	(37.5)	(55.3)	(32.2)
Impairment losses	0.0	(5.8)	(100)	0.0	(8.5)	(100)
Share of the profit or loss of associates accounted for using the equity method	(0.3)	(0.9)	(66.7)	(0.9)	(1.4)	(35.7)
Profit before tax	**99.8**	**43.8**	**>100**	**182.0**	**96.2**	**89.2**
Income taxes	(4.4)	5.4	>(100)	(6.3)	(1.8)	>100
Profit after tax	**95.4**	**49.2**	**93.9**	**175.7**	**94.4**	**86.1**
Thereof attributable to non-controlling interests	0.3	0.4	(25.0)	0.6	0.6	0.0
Thereof attributable to owners of the parent (net profit)	**95.1**	**48.8**	**94.9**	**175.0**	**93.8**	**86.6**

1) Excluding valuation results attributable to shareholders of non-controlling interests. Compared to the profit or loss statement presented in the Consolidated Interim Financial Statements according to IFRS, the item gains and losses on financial instruments is EUR 2.7 million lower (first half 2013: EUR 0.0 million). Accordingly, the item profit after tax presented above is EUR 2.7 million lower (first half 2013: EUR 0.0 million) than the profit after tax presented in the Consolidated Interim Financial Statements according to IFRS.

2) In accordance with IFRS, the item other operating income and expenses also includes the bank levy in the amount of EUR 12.3 million for H1 2014. However, the Bank's management considers the bank levy as a separate expense. Accordingly, it is shown in the expense line in the Interim Group Management Report.

Net profit increased by EUR 81.2 million, or 86.6%, to EUR 175.0 million in the first half 2014. The increase was driven by higher net interest income, higher net commission income and lower operating expenses and risk costs. Gains and losses and other operating income and expenses was also down 56.6% for the first half 2014, emphasizing the shift to core revenues and sustainable earnings.

Net interest income increased by EUR 65.9 million, or 25.4%, to EUR 325.4 million in the first half 2014, driven primarily by liability optimization measures. These actions significantly reduced interest expenses, while customer loan development remained stable, creating favorable earnings leverage. The Bank's net interest margin improved 53 basis points to 1.84%, while the business net interest margin increased 32 basis points to 2.26%. Net interest income accounted for 67.3% of operating income in the first half 2014.

Net fee and commission income increased by EUR 9.0 million, or 9.2%, to EUR 107.1 million in the first half 2014. This reflects continued fee income growth across our retail franchise and a more stable corporate lending and investments fee income profile. Net fee and commission income represents 22.2% of operating income in the first half 2014.

Gains and losses on financial instruments and other operating income and expenses decreased by EUR 66.1 million, or 56.6%, to EUR 50.7 million in the first half 2014. This was primarily due to lower one-off gains during the first half 2014. The first half 2013 gain was primarily driven by the sale of securities.

Operating expenses decreased by EUR 49.7 million, or 16.6%, to EUR 250.6 million in the first half 2014, driven by a reduction in personnel expenses and other expenses. The **cost-income ratio** improved by 11.4 points to 51.9%.

Provisions and loan-loss provisions decreased by EUR 17.8 million, or 32.2%, to EUR 37.5 million in the first half 2014. This was mainly driven by decreases in individual loan-loss provisions and positive effects from the 2013 de-risking actions. No **impairment losses** occurred in the first half 2014.

Total assets

in EUR million	Jun 2014	Dec 2013	Change (%)	Jun 2013	Change (%)
Cash reserves	783	481	62.8	1,047	(25.2)
Financial assets	7,759	7,733	0.3	9,029	(14.1)
Available-for-sale	4,192	5,126	(18.2)	5,740	(27.0)
Held-to-maturity	1,841	773	>100	817	>100
Held for trading	1,115	1,081	3.1	1,349	(17.3)
Fair value through profit or loss	611	753	(18.9)	1,123	(45.6)
Loans and receivables	24,975	27,256	(8.4)	27,001	(7.5)
Customers	21,337	20,980	1.7	21,275	0.3
Debt instruments	2,104	2,485	(15.3)	2,812	(25.2)
Credit institutions	1,534	3,791	(59.5)	2,914	(47.4)
Hedging derivatives	402	164	>100	124	>100
Tangible non-current assets	81	85	(4.7)	170	(52.4)
Intangible non-current assets	153	142	7.7	166	(7.8)
Tax assets for current taxes	6	5	20.0	6	0.0
Tax assets for deferred taxes	244	245	(0.4)	237	3.0
Other assets	124	291	(57.4)	299	(58.5)
Assets held for sale	0	0	–	118	(100)
Total assets	**34,527**	**36,402**	**(5.2)**	**38,197**	**(9.6)**

Financial assets remained stable at EUR 7,759 million as of 30 June 2014. Certain available-for-sale bonds were sold and reinvested in held-to-maturity bonds. The increase of held-to-maturity bonds also includes the reclassification of available-for-sale bonds with a book value of EUR 323 million.

Loans and receivables with customers slightly increased to EUR 21,337 million as of 30 June 2014. Due to balance sheet deleveraging of non-core liabilities that continued in the first half 2014, **loans and receivables with credit institutions** sizably decreased by EUR 2,257 million (59.5%), which primarily represented excess liquidity invested in money markets.

Total liabilities and equity

in EUR million	Jun 2014	Dec 2013	Change (%)	Jun 2013	Change (%)
Financial liabilities	30,883	32,488	(4.9)	33,606	(8.1)
Fair value through profit or loss	2,026	2,968	(31.7)	3,138	(35.4)
Customers	0	0	–	42	(100)
Issued securities	2,026	2,968	(31.7)	3,096	(34.6)
Held for trading	1,045	1,298	(19.5)	1,670	(37.4)
At amortized cost	27,812	28,222	(1.5)	28,798	(3.4)
Customers	21,174	22,013	(3.8)	22,020	(3.8)
Issued securities	4,578	4,563	0.3	4,842	(5.5)
Credit institutions	1,839	1,646	11.7	1,846	(0.4)
Financial liabilities associated with transferred assets	220	0	100	90	>100
Valuation adjustment on interest rate risk hedged portfolios	115	(2)	>(100)	0	100
Hedging derivatives	132	126	4.8	110	20.0
Provisions	495	504	(1.8)	520	(4.8)
Tax liabilities for current taxes	0	1	(100)	2	(100)
Tax liabilities for deferred taxes	9	10	(10.0)	15	(40.0)
Other obligations	618	477	29.6	1,167	(47.0)
Obligations in disposal groups held for sale	0	0	–	14	(100)
Total equity	2,276	2,798	(18.7)	2,763	(17.6)
Shareholders' equity	2,276	2,053	10.9	1,869	21.8
Participation capital	0	350	(100)	500	(100)
Non-controlling interests	0	395	(100)	394	(100)
Total liabilities and equity	**34,527**	**36,402**	**(5.2)**	**38,197**	**(9.6)**

Liabilities at fair value through profit or loss decreased by EUR 942 million (31.7%) to EUR 2,026 million as of 30 June 2014, driven by the redemption of an own issue with a notional value of EUR 960 million in February 2014.

Deposits from customers decreased by EUR 839 million (3.8%) to EUR 21,174 million as of 30 June 2014, primarily from the run-off of legacy fixed savings accounts that were not renewed. The loan-to-deposit ratio stood at 101% vs. 96% as of 30 June 2013.

IFRS equity increased by EUR 223 million to EUR 2,276 million as of 30 June 2014. The change was driven by the first half net profit and shareholder contribution of EUR 125 million, partially offset by remaining coupon payments on the participation capital and the negative impact from the change of interest rates of social capital in other comprehensive income.

CAPITAL AND LIQUIDITY POSITION

BAWAG P.S.K. continues to run the Bank on a fully loaded basis from a capital standpoint, which was demonstrated in the first quarter of 2014 with the redemption of the remaining EUR 350 million of participation capital and a capital contribution from the shareholders of EUR 125 million. In the first half 2014, the Bank redeemed the outstanding non-sustainable minorities of approximately EUR 400 million and will call the remaining EUR 60 million of non-sustainable Tier 1 as well as Tier 2 instruments in the third quarter of this year. The Bank's fully loaded capital ratios have continued to improve since 31 December 2013, increasing from 9.4% to 11.2% (CET I capital ratio) and from 13.2% to 15.1% (total capital ratio).

Our core funding strategy remains our stable customer deposits, while the Bank continues to focus on the optimization of its liability structure. The Bank maintains a conservative liquidity management strategy with a loan-to-deposit ratio of 101%.

KEY QUARTERLY FINANCIAL PERFORMANCE INDICATORS

in EUR million	**Q2 2014**	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Net interest income	172.5	153.0	161.1	159.6	136.7
Net fee and commission income	51.9	55.1	47.3	42.6	46.2
Core revenues	224.4	208.1	208.4	202.2	183.0
Operating income	247.7	235.6	317.8	241.8	233.4
Operating expenses	(123.6)	(127.0)	(215.1)	(165.3)	(148.7)
Total risk costs	(17.9)	(19.6)	(27.8)	(6.6)	(33.7)
Net profit	95.1	80.0	73.3	61.9	48.8
(figures annualized)					
Return on equity	17.0%	15.0%	14.7%	13.0%	10.4%
Return on tangible equity	18.2%	16.1%	15.9%	14.3%	11.5%
Return on risk-weighted assets	2.25%	1.94%	1.76%	1.40%	1.02%
Return on total assets	1.10%	0.90%	0.80%	0.66%	0.50%
Net interest margin	2.00%	1.73%	1.77%	1.71%	1.41%
Business net interest margin	2.30%	2.19%	2.15%	2.17%	2.02%
Cost-income ratio	49.9%	53.9%	67.7%	68.4%	63.7%
Risk costs / loans and receivables	0.28%	0.29%	0.41%	0.10%	0.47%

Note: For details on definitions and calculation methodology, please refer to the section entitled "Definitions" on page 21.

BUSINESS SEGMENTS

RETAIL BANKING AND SMALL BUSINESS

First Half 2014 Business Review

In the second quarter 2014, the Retail Banking and Small Business segment continued its strong performance, with net profit for the first half 2014 up 92.4% to EUR 85.8 million. The profit increase came from core revenue growth of 15.6% to EUR 283.3 million and a reduction of operating expenses by 13.6% to EUR 178.8 million.

The Austrian market continues to be challenging, with muted loan demand and margin compression due to the low-interest rate environment. Despite this challenging macro environment, the Retail business continues to focus on key levers that produce long-term sustainable value.

A few highlights include:

- Disciplined lending framework with a focus on risk-adjusted returns, such as consumer lending and housing loans while de-emphasizing products with compressed margins and risk-adjusted returns below our hurdle rates.
- Reduced funding costs driven by ongoing liability optimization efforts.
- Improved sales productivity from a continued shift of transactions to digital channels, and a focus on sales and services in our branches.

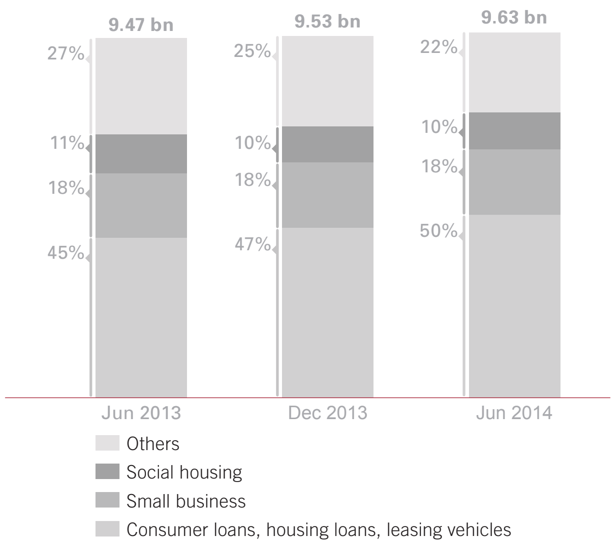
Disciplined lending framework
Total Retail assets as of 30 June 2014 were EUR 9.63 billion, up from EUR 9.47 billion as of 30 June 2013 and EUR 9.53 billion as of 31 December 2013. In the first half 2014, the Retail business focused on expanding its consumer lending and housing loan business with assets reaching EUR 1.86 billion and EUR 2.77 billion, respectively, as of 30 June 2014. The increases resulted in annualized growth rates of 14% and 17%, respectively, in the first half 2014.

Despite the consumer lending market declining 4% and the housing loan market growing in line with GDP, BAWAG P.S.K. was able to increase its net assets while maintaining both price and risk discipline. The strong net asset growth led to increasing market shares of BAWAG P.S.K. in consumer lending by 70 basis points to 8.7% and in housing loans by 20 basis points to 4.9% since 31 December 2013.

The roll-out of our new front-end tools, standardized processes and the launch of new products have enabled us to offer more competitive products that our customers value, resulting in market share gains. We are seeing investments in new product introductions from 2013 paying off. For instance, we introduced a new mortgage product in the second half 2013 that is characterized by standardized product features (e.g. collateral, credit amount, term, etc.). Due to this standardization, our customers are seeing faster processing times without sacrificing credit quality, reducing the servicing costs in BAWAG P.S.K. and allowing the Bank to offer a competitively priced mortgage product.

Other assets, which include non-core real estate and equipment leasing and other housing loans, have declined to EUR 2.15 billion versus EUR 2.39 billion as of 31 December 2013. We consistently see depressed pricing and have therefore de-emphasized our efforts in these areas and focused on more profitable product segments.

Retail Asset Volume Development

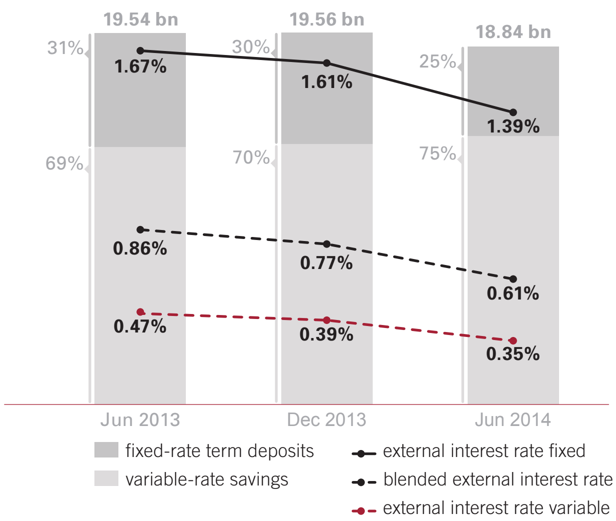


Reduced funding costs through liability optimization
As of 30 June 2014, total Retail customer deposits were EUR 18.84 billion, down EUR 0.72 billion since 31 December 2013. The Bank's average deposit rate has been reduced to 0.61% as of 30 June 2014, compared to 0.77% at year-end 2013 and 0.86% as of 30 June 2013. The focus has proactively been on the re-pricing of deposits and a shift in our deposit mix. For instance, we saw a continued trend of customers shifting from fixed-term deposits (primarily in the form of savings books) to variable-rate savings cards. This shift has enhanced our customers' experience, as they can use self-service machines, reducing their waiting time as well as allowing for 24/7 access through our digital platforms. At the same time, these products reduce the Bank's average funding cost and free up our sales associates to focus on advisory services and offering customers various loan products that best meet their needs.

Overall, the share of variable-rate savings as a percentage of total savings increased by 5 points to 76% from year-end 2013, accompanied by a proactively managed outflow of fixed-term savings of non-strategic customers (i.e. legacy one-product customers).

Another initiative has been around acquiring new current account customers. In the first half 2014, our current account stock increased by 18,000 and the average deposit volume on current accounts increased by EUR 690 million to EUR 4.87 billion compared to first half 2013. The current account products "KontoBox Basis", "KontoBox Gold" and "KontoBox Flex" not only provide low-cost funding but more importantly represent a gateway product that allows the Bank to build a more broadly based relationship with our customers across our multi-channel offering.

Retail Customer Deposit Volume Development



easybank
easybank, the 100% direct banking subsidiary of BAWAG P.S.K., continued its growth path during the first half 2014. easybank added 21,000 new customer accounts, resulting in approximately 483,000 accounts as of 30 June 2014. easybank has managed to slightly grow its deposit base to EUR 2.74 billion while continuing to be the low-cost efficient pricing leader of savings products across direct banks.

In terms of loans to customers, easybank has grown asset volumes by 20% during the first half 2014, driven by a strong marketing focus and continuous optimization of its online sales processes.

For the fourth year in a row, easybank won the yearly Recommender Award of the FMVÖ ("Finanz-Marketing-Verband-Österreich") for Austrian banks. The award is based on customer feedback, and easybank received the highest "Net Promoter Score" in the history of the FMVÖ Recommender Award.

Improved sales productivity from a continued shift of transactions to digital channels, and a focus on sales and services in our branches

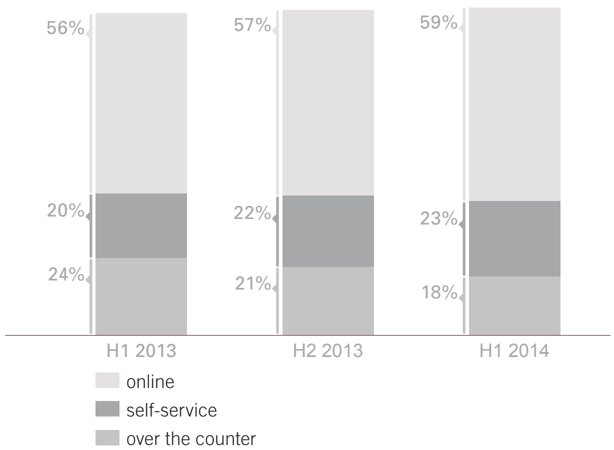
A stringent focus on increasing productivity in both the front and back offices has allowed BAWAG P.S.K. to drive sales while also reducing costs. In the first half 2014, we saw current accounts up 13%, loans up 21% and funds up 8%, while at the same time lowering operating expenses. Our front-end processes have become leaner, but significantly more efficient and more effective as demonstrated by our results.

With more than 480 refurbished branches, our distribution capabilities continue to be a key differentiator for BAWAG P.S.K. We have a broad range of initiatives under way in order to improve sales productivity across our branches. For instance, the retail mutual fund volume of BAWAG P.S.K. INVEST, our captive asset management business, distributed through our branch network increased by 45% to EUR 214 million in the first half 2014, outperforming seven of the last eight full years' sales figures. Another example of how we are driving sales productivity is through our new mortgage workflow application tool, which has streamlined the processes and reduced our "time-to-funding", thus improving the customers' overall experience at the point of sale. The continued roll-out of newly defined sales roles across the branch network is showing strong results as well. In particular, our unique Frequency Managers focus on converting the approximately 50 million non-BAWAG P.S.K. customers that visit our branches annually. This has directly helped to increase our new customer acquisition rate by approximately 5% year-over-year.

Another driver behind the productivity increase has been our continued effort to migrate transactions and basic services from the branch counter to online and self-service tools. The share of over-the-counter payment transactions has further declined to 18% in the first half 2014 compared to 24% in the first half 2013, freeing up our sales staff to focus on selling to and servicing our customers. Our increased sales force capacity (derived from a greater focus on addressing administrative items through our digital channels) provides us with a competitive advantage in servicing both our existing and new customers.

All of these initiatives have further strengthened our unique distribution network in Austrian retail banking. The cooperation with Austrian Post allows BAWAG P.S.K. to be more competitive versus competitors in terms of both locations and service hours, thus providing the highest convenience to customers.

Payment Transactions per Channel (in millions)



The Bank is also focusing on a multi-channel approach. We are seeing continued growth in the number of online and mobile banking users. The number of active e-banking users increased by 7.4% compared to the first half 2013 (representing 42.7% of total current account customers), while the number of mobile app users increased by 26.4% compared to the first half 2013 (representing 13.8% of current account customers).

We have also enhanced our product and service offerings in the digital channels. A few examples include "KreditBox Online" and online Western Union transactions.

This multi-channel approach enables the Bank to better capture the full potential of 5 million online customer and non-customer touch points per month.

Financial Results

Income metrics (in EUR million)	Q2 2014	Q2 2013	Change (%)	Jan–Jun 2014	Jan–Jun 2013	Change (%)
Net interest income	101.1	85.6	18.1	196.0	165.2	18.6
Net fee and commission income	41.4	38.9	6.4	87.4	79.9	9.4
Core revenues	**142.4**	**124.5**	**14.4**	**283.3**	**245.1**	**15.6**
Gains and losses on financial instruments	0.5	25.3	(98.0)	0.8	25.8	(96.9)
Other operating income and expenses	0.9	1.0	(10.0)	1.6	1.1	45.5
Operating income	**143.9**	**150.8**	**(4.6)**	**285.7**	**272.1**	**5.0**
Operating expenses	**(87.8)**	**(103.3)**	**(15.0)**	**(178.8)**	**(207.0)**	**(13.6)**
Total risk costs	(12.0)	(11.4)	5.3	(21.1)	(20.4)	3.4
Profit before tax (= net profit)	**44.1**	**36.1**	**22.2**	**85.8**	**44.6**	**92.4**

Key ratios	Q2 2014	Q2 2013	Change (pts)	Jan–Jun 2014	Jan–Jun 2013	Change (pts)
Return on equity	38.5%	43.0%	(4.5)	38.6%	21.1%	17.5
Return on risk-weighted assets	5.12%	4.23%	0.89	5.10%	2.03%	3.07
Net interest margin	4.22%	3.58%	0.64	4.09%	3.44%	0.65
Cost-income ratio	61.0%	68.5%	(7.5)	62.6%	76.1%	(13.5)
Risk costs / loans and receivables	0.51%	0.48%	0.03	0.45%	0.43%	0.02
NPL ratio	3.27%	4.54%	(1.27)	3.27%	4.54%	(1.27)

Business volumes (in EUR million)	Jun 2014	Dec 2013	Change (%)	Jun 2013	Change (%)
Assets	9,630	9,525	1.1	9,465	1.7
Risk-weighted assets	3,624	3,102	16.8	3,347	8.3
Customer deposits	18,842	19,559	(3.7)	19,544	(3.6)

Core revenues in the second quarter increased by 14.4% compared to the second quarter 2013, driven by stronger net interest income and improved net fee and commission income. Despite the low-interest rate environment, our liability optimization efforts of shifting customers from higher cost fixed-rate savings into variable deposits and the outflow of non-strategic deposits led to significantly reduced funding costs and delivered a sustainable uplift in net interest income. Net fee and commission income shows an increase of 6.4% to EUR 41.4 million. The continued operating efficiency improvements had a positive effect of EUR 15.5 million on operating expenses compared to second quarter 2013.

Overall, the segment contributed EUR 44.1 million of profit in the second quarter, which is an increase of 22.2% compared to second quarter 2013.

CORPORATE LENDING AND INVESTMENTS

First Half 2014 Business Review

Corporate Lending and Investments includes our Austrian corporate and public sector business as well as our international corporate and real estate lending and investment activities.

We also continue to manage down non-core legacy loan assets, which were characterized by low returns and riskier geographic exposures and/or were in business lines in which BAWAG P.S.K. had limited competitive advantage. We continue to focus on maintaining and increasing our "core" loan origination and investment opportunities predominantly in Austria and select developed Western countries such as the United Kingdom, Germany and the United States.

The **Austrian business** continues its strategy of providing our core clients with a full product range from standard loan products to custom tailored financial solutions, including payments and cash management services. We are also continuing our active portfolio management of non-core exposures to optimize the risk-return profile by re-pricing or refinancing.

Highlights in the first half 2014:

- **Austrian corporate and public sector lending volumes:** In a market facing slightly decreasing volumes due to muted corporate loan demand, our distribution of new corporate term loans was EUR 404 million compared to EUR 275 million in the first half 2013. The second quarter saw a material increase compared to first quarter 2014, with a volume of EUR 242 million. Loan funded asset balances were lower year-over-year, primarily reflecting our portfolio management activities where we proactively worked to refinance or re-price underperforming loans. This decrease of non-core exposures in the quarter contributed EUR 440 million of the decrease versus 30 June 2013. Overall lending margins remained stable, reflecting successful re-pricing activities in our portfolio management segment and increased market discipline in certain areas, offset by a continued highly competitive environment.
- **Payments:** Total commission income was lower compared to the first half 2013, mainly due to one-off items in 2013 and lower payments income from non-core customers. However, payments commission income from our core client base was stable versus the prior year.

Our **international corporate business** reported an investment volume of EUR 645 million compared to redemptions of EUR 625 million in the first half 2014. A number of existing loans were re-priced and refinanced as companies continued to take advantage of the low interest rates and strong market conditions. Our new business volume reflected a mix of investment grade security purchases combined with selective investments in leveraged loans. Assets totaled EUR 2,467 million at the end of second quarter.

Our **international real estate financing operations** funded new business of EUR 866 million and had redemptions of EUR 463 million. The net asset increase is due to stronger origination activity in the second quarter. Transaction diversification continues across our commercial real estate lending business on a geographic, asset and industry basis. These transactions are focused primarily on traditional real estate financings with attractive LTVs, strong cash flows, shorter weighted expected maturities and solid covenant characteristics. Overall portfolio performance and credit trends remain solid with some shortening of duration as loan amortizations increase ahead of original projections. Assets totaled EUR 1,679 million at the end of second quarter.

Financial Results

Income metrics (in EUR million)	Q2 2014	Q2 2013	Change (%)	Jan–Jun 2014	Jan–Jun 2013	Change (%)
Net interest income	50.4	47.2	6.8	95.0	94.5	0.5
Net fee and commission income	9.6	13.0	(26.2)	21.3	26.6	(19.9)
Core revenues	**60.0**	**60.3**	**(0.5)**	**116.3**	**121.1**	**(4.0)**
Gains and losses on financial instruments	(0.8)	12.8	>(100)	(0.4)	18.5	>(100)
Other operating income and expenses	0.0	0.1	(100)	0.0	0.1	(100)
Operating income	**59.2**	**73.2**	**(19.1)**	**115.9**	**139.8**	**(17.1)**
Operating expenses	**(19.4)**	**(23.8)**	**(18.5)**	**(39.6)**	**(47.0)**	**(15.7)**
Total risk costs	(7.1)	(18.5)	(61.6)	(19.1)	(38.5)	(50.4)
Profit before tax (= net profit)	**32.7**	**31.0**	**5.5**	**57.2**	**54.2**	**5.5**

Key ratios	Q2 2014	Q2 2013	Change (pts)	Jan–Jun 2014	Jan–Jun 2013	Change (pts)
Return on equity	13.5%	15.6%	(2.1)	12.0%	13.2%	(1.2)
Return on risk-weighted assets	1.79%	1.54%	0.25	1.59%	1.29%	0.30
Net interest margin	1.55%	1.32%	0.23	1.46%	1.30%	0.16
Cost-income ratio	32.8%	32.5%	0.3	34.2%	33.6%	0.6
Risk costs / loans and receivables	0.24%	0.58%	(0.34)	0.32%	0.60%	(0.28)
NPL ratio	2.48%	2.78%	(0.30)	2.48%	2.78%	(0.30)

Business volumes (in EUR million)	Jun 2014	Dec 2013	Change (%)	Jun 2013	Change (%)
Assets	13,054	12,938	0.9	14,055	(7.1)
Risk-weighted assets	7,421	6,993	6.1	7,985	(7.1)
Customer deposits (incl. other refinancing)	3,332	3,289	1.3	3,697	(9.9)

Core revenues in the second quarter amounted to EUR 60.0 million compared to EUR 60.3 million in the second quarter 2013, representing stable performance as expected in the segment. Deleveraging of non-core assets and reallocation of capital into more profitable and capital-efficient assets resulted in an increase of net interest income by 6.8% compared to the second quarter 2013. Net fee and commission income fell from EUR 13.0 million to EUR 9.6 million. Improved operating efficiency resulted in an 18.5% decrease in the cost base.

Lower risk costs of EUR 11.4 million and an NPL ratio of 2.48% reflected positive impacts from de-risking, showing a total net contribution to the segment of EUR 32.7 million for the second quarter 2014 compared to EUR 31.0 million in the second quarter 2013.

Overall deleveraging and de-risking led to a EUR 1.0 billion and EUR 0.6 billion reduction in assets and risk-weighted assets in second quarter 2014 versus prior year, respectively.

TREASURY SERVICES AND MARKETS

First Half 2014 Business Review

Among the key responsibilities of Treasury Services and Markets is the management of the Bank's excess liquidity from the core funding franchise in its available-for-sale and held-to-maturity portfolios as well as certain hedging positions. The investment strategy continues to focus on investment grade securities representing secured and unsecured bonds of financials in core Europe and the United States as well as select sovereign bond exposures and high-quality CLOs (rated AA or higher).

During the second quarter 2014, Treasury Services and Markets increased investments in held-to-maturity securities to EUR 1.8 billion as of 30 June 2014, while at the same time available-for-sale securities managed by Treasury Services and Markets were reduced to EUR 2.8 billion. This resulted from our continued portfolio rebalancing between long-term investment securities while still maintaining our available-for-sale portfolio to preserve the flexibility of redeployment in other customer loans or receivables or support other balance sheet management activities.

As of 30 June 2014, Treasury Services and Markets managed a total investment portfolio of EUR 5.7 billion. The portfolio's average duration was 3.9 years and was comprised of 100% investment grade securities of which 71% were rated single A or higher. During the reporting period, Russian exposure was eliminated from the securities portfolio. Furthermore, the portfolio did not have any direct exposure to Southeastern Europe and Hungary as of 30 June 2014 and other CEE exposure is limited to select bonds with over 90% rated single A equivalent. This overall composition reflects the Bank's strategy to maintain a high credit quality, shorter duration and strong liquidity in our securities portfolio in order to balance the goals of generating incremental net interest income while also minimizing fair value volatility.

Financial Results

Income metrics (in EUR million)	Q2 2014	Q2 2013	Change (%)	Jan–Jun 2014	Jan–Jun 2013	Change (%)
Net interest income	11.5	13.1	(12.2)	24.7	25.9	(4.6)
Net fee and commission income	(0.1)	0.0	(100)	0.0	0.1	(100)
Core revenues	**11.4**	**13.1**	**(13.0)**	**24.7**	**26.0**	**(5.0)**
Gains and losses on financial instruments	17.7	1.7	>100	17.9	10.5	70.5
Other operating income and expenses	0.0	0.0	–	0.0	0.0	–
Operating income	**29.1**	**14.8**	**96.6**	**42.6**	**36.6**	**16.4**
Operating expenses	**(5.7)**	**(8.9)**	**(36.0)**	**(11.2)**	**(18.8)**	**(40.4)**
Total risk costs	0.0	0.0	–	0.0	0.0	–
Profit before tax (= net profit)	**23.4**	**5.9**	**>100**	**31.4**	**17.8**	**76.4**

Key ratios	Q2 2014	Q2 2013	Change (pts)	Jan–Jun 2014	Jan–Jun 2013	Change (pts)
Return on equity	33.4%	18.0%	15.4	27.4%	24.1%	3.3
Return on risk-weighted assets	4.43%	1.78%	2.65	3.64%	2.35%	1.29
Net interest margin	0.81%	1.05%	(0.24)	0.91%	0.97%	(0.06)
Cost-income ratio	19.6%	60.1%	(40.5)	26.3%	51.4%	(25.1)

Business volumes (in EUR million)	Jun 2014	Dec 2013	Change (%)	Jun 2013	Change (%)
Assets	5,695	5,124	11.1	5,254	8.4
Risk-weighted assets	2,041	1,407	45.1	1,386	47.3

Operating income increased to EUR 29.1 million in the second quarter 2014, up from EUR 14.8 million in the second quarter 2013. Selective new investments and strategic sales supported the segment's strong performance. Risk-weighted assets have increased since year-end 2013, driven by the Basel 3 impact on the risk weightings of financials and selective asset deployments. Higher operating efficiency had a positive effect of EUR 3.2 million on the cost base.

CORPORATE CENTER

First Half 2014 Review

The Corporate Center contains central functions such as Risk, Legal and the Group Asset-Liability Management activities. The liquidity buffer of the Bank represents the largest portion of total assets, while own issues represent the majority of the liabilities. The remaining parts relate to run-off positions, hedging activities and non-core participations. In addition to the bank levy, all restructuring expenses and other one-off items are included in this segment.

In the second quarter 2014, Corporate Center assets and liabilities were further reduced by optimizing the balance sheet structure and continuing to focus on the core business segments. This included the full redemption of the remaining minorities.

Financial Results

Income metrics (in EUR million)	**Q2 2014**	Q2 2013	Change (%)	**Jan–Jun 2014**	Jan–Jun 2013	Change (%)
Net interest income	9.5	(9.2)	>(100)	9.8	(26.2)	>(100)
Net fee and commission income	1.1	(5.7)	>(100)	(1.6)	(8.5)	(81.2)
Core revenues	**10.6**	**(14.9)**	**>(100)**	**8.2**	**(34.7)**	**>(100)**
Gains and losses on financial instruments	3.8	8.5	(55.3)	21.2	58.6	(63.8)
Other operating income and expenses	1.1	1.0	10.0	9.7	2.1	>100
Operating income	**15.5**	**(5.5)**	**>(100)**	**39.0**	**26.0**	**50.0**
Operating expenses	**(10.6)**	**(12.6)**	**(15.9)**	**(21.0)**	**(27.5)**	**(23.6)**
Total risk costs	1.2	(3.8)	>(100)	2.7	(4.9)	>(100)
Bank levy	(6.2)	(6.3)	(1.6)	(12.3)	(12.7)	(3.1)
Share of the profit or loss of associates accounted for using the equity method	(0.3)	(0.9)	(66.7)	(0.9)	(1.4)	(35.7)
Profit before tax	**(0.4)**	**(29.1)**	**(98.6)**	**7.6**	**(20.4)**	**>(100)**
Net profit	**(5.1)**	**(24.2)**	**(78.9)**	**0.7**	**(22.8)**	**>(100)**

Volumes (in EUR million)	**Jun 2014**	Dec 2013	Change (%)	Jun 2013	Change (%)
Liquidity reserve and other assets	6,148	8,815	(30.3)	9,424	(34.8)
Risk-weighted assets	3,683	4,499	(18.1)	5,293	(30.4)
Own issues, equity and other liabilities	12,347	13,106	(5.8)	14,956	(17.4)

Further deleveraging and reduction of the Corporate Center has led to a 30.3% reduction of assets and an 18.1% reduction of risk-weighted assets. The assets are primarily comprised of the liquidity reserve in the amount of EUR 3.4 billion. In terms of risk-weighted assets, 43% (EUR 1.6 billion) of the total EUR 3.7 billion relate to operational risk captured in the Corporate Center.

RISK MANAGEMENT

With respect to the explanations on financial and legal risks at BAWAG P.S.K. as well as the goals and methods of risk management, we would like to draw the reader's attention to the information in the Notes to the Consolidated Interim Financial Statements.

OUTLOOK

BAWAG P.S.K had a strong first half 2014 and, barring any unforeseen circumstances, is expecting this strength to continue throughout 2014. We see no change in our previously communicated framework. Key highlights and targets for 2014 are as follows:

- Double-digit net profit growth
- Operating expenses below EUR 500 million
- Return on equity above 10%
- Maintain a stable and conservative risk profile with anticipated risk costs less than 30 basis points
- Stable deposit base greater than EUR 20 billion
- Fully loaded CET I capital ratio above 10%

DEFINITIONS

Business net interest margin	Net interest income (excl. Corporate Center) / average total assets (excl. Corporate Center)
Common Equity Tier I capital (CET I)	Based on IFRS CRR regulatory figures (BAWAG P.S.K. Group) incl. interim profit and year-to-date loan-loss provision movements, excluding any transitional capital (fully loaded), as of 30 June 2014; for prior reporting dates please refer to the definitions in the respective annual and quarterly reports
Common Equity Tier I capital ratio	Common Equity Tier I capital (CET I) / risk-weighted assets
Cost-income ratio	Operating expenses / operating income
IFRS equity	Equity attributable to the owners of the parent; excl. participation capital equity and minorities equity
IFRS tangible equity	IFRS equity reduced by the carrying amount of intangible assets
Leverage ratio	Common Equity Tier I capital (CET I) / total exposure (calculation according to CRR)
Net interest margin	Net interest income / average total assets
Net profit	Profit after tax attributable to owners of the parent
NPL ratio	Non-performing loans / loans and receivables (incl. provisions)
Return on equity	Net profit / average IFRS equity
Return on risk-weighted assets	Net profit / average risk-weighted assets
Return on tangible equity	Net profit / average IFRS tangible equity
Return on total assets	Net profit / average total assets
Risk-weighted assets	Based on IFRS CRR regulatory figures (BAWAG P.S.K. Group) as of 30 June 2014; for prior reporting dates please refer to the definitions in the respective annual and quarterly reports
Risk costs / loans and receivables	Provisions and loan-loss provisions as well as impairment losses (total risk costs) / average loans and receivables (incl. provisions)
Total capital	Based on IFRS CRR regulatory figures (BAWAG P.S.K. Group) incl. interim profit and year-to-date loan-loss provision movements, excluding any transitional capital (fully loaded), as of 30 June 2014; for prior reporting dates please refer to the definitions in the respective annual and quarterly reports
Total capital ratio	Total capital / risk-weighted assets

Consolidated Interim Financial Statements

CONSOLIDATED ACCOUNTS

CONSOLIDATED PROFIT OR LOSS STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2014 AND FROM 1 APRIL TO 30 JUNE 2014

in EUR million	(Notes)	Jan–Jun 2014	Jan–Jun 2013	Q2 2014	Q2 2013
Interest income		539.9	535.9	272.9	272.4
Interest expense		(218.8)	(283.6)	(104.7)	(140.1)
Dividend income		4.4	7.2	4.4	4.5
Net interest income	**(1)**	**325.4**	**259.5**	**172.5**	**136.7**
Fee and commission income		158.8	151.6	76.6	76.3
Fee and commission expenses		(51.7)	(53.5)	(24.7)	(30.1)
Net fee and commission income	**(2)**	**107.1**	**98.1**	**51.9**	**46.2**
Gains and losses on financial assets and liabilities	(3)	42.2	113.4	24.0	48.3
Other operating income and expenses		(1.0)	(9.3)	(4.2)	(4.2)
Operating expenses	(4)	(250.6)	(300.3)	(123.6)	(148.7)
Provisions and impairment losses	(5)	(37.5)	(63.8)	(17.9)	(33.7)
Share of the profit or loss of associates accounted for using the equity method		(0.9)	(1.4)	(0.3)	(0.9)
Profit before tax		**184.7**	**96.2**	**102.4**	**43.8**
Income taxes		(6.3)	(1.8)	(4.4)	5.4
Profit after tax		**178.4**	**94.4**	**98.1**	**49.2**
Thereof attributable to non-controlling interests		3.4	0.6	3.0	0.4
Thereof attributable to owners of the parent		**175.0**	**93.8**	**95.1**	**48.8**

In accordance with IFRS, the item Other operating income and expenses also includes the bank levy in the amount of EUR 12.3 million. However, the Bank's management sees the bank levy as a non-operating expense. Accordingly, it is shown in a separate expense line in the Interim Group Management Report.

Operating expenses include the items Administrative expenses and Depreciation and amortization on tangible and intangible non-current assets, which were shown in separate lines in the previous year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2014 AND FROM 1 APRIL TO 30 JUNE 2014

in EUR million	(Notes)	Jan–Jun 2014	Jan–Jun 2013	Q2 2014	Q2 2013
Profit after tax		**178.4**	**94.4**	**98.1**	**49.2**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gain/loss on defined benefit plans		(25.0)	(23.4)	(25.0)	(23.4)
Income tax on items that will not be reclassified	(13)	6.3	5.9	6.3	5.9
Total items that will not be reclassified to profit or loss		**(18.7)**	**(17.6)**	**(18.7)**	**(17.6)**
Items that may be reclassified subsequently to profit or loss					
Foreign exchange differences		0.0	(0.1)	0.0	(0.1)
Available for sale reserve		(0.1)	(66.0)	(2.5)	(40.9)
Share of other comprehensive income of associates accounted for using the equity method		0.0	(0.3)	0.0	(0.3)
Income tax relating to items that may be reclassified		(0.2)	16.3	0.6	10.4
Total items that may be reclassified subsequently to profit or loss		**(0.3)**	**(50.2)**	**(1.9)**	**(31.0)**
Total comprehensive income, net of tax		**159.4**	**26.7**	**77.5**	**0.7**
Thereof attributable to non-controlling interests		3.4	1.5	3.1	0.8
Thereof attributable to owners of the parent		**156.0**	**25.2**	**74.4**	**(0.1)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2014

Total assets

in EUR million	(Notes)	Jun 2014	Dec 2013
Cash reserves		783	481
Financial assets designated at fair value through profit or loss		611	753
Available-for-sale financial assets	(6)	4,192	5,126
Held-to-maturity investments	(7)	1,841	773
Assets held for trading	(8)	1,115	1,081
Loans and receivables	(9)	24,975	27,256
Customers		21,337	20,980
Securities		2,104	2,485
Credit institutions		1,534	3,791
Hedging derivatives		402	164
Property, plant and equipment		81	85
Goodwill		59	59
Software and other intangible assets		93	83
Tax assets for current taxes		6	5
Tax assets for deferred taxes		244	245
Associates recognized at equity		18	18
Other assets		106	273
Total assets		**34,527**	**36,402**

The line item Property, plant and equipment was renamed compared to the Consolidated Financial Statements as of 31 December 2013 (Tangible non-current assets). The line items Goodwill and Software and other intangible assets were shown under the line item Intangible non-current assets in the Consolidated Financial Statements as of 31 December 2013 and are also included in this item in Note 17 of this Consolidated Interim Report.

Total liabilities and equity

in EUR million	(Notes)	Jun 2014	Dec 2013
Financial liabilities designated at fair value through profit or loss	(10)	2,026	2,968
Liabilities held for trading	(11)	1,045	1,298
Financial liabilities at amortized cost	(12)	27,812	28,222
Customers		21,174	22,013
Issued bonds, subordinated and supplementary capital		4,578	4,563
Credit institutions		1,839	1,646
Financial liabilities associated with transferred assets		220	0
Valuation adjustment on interest rate risk hedged portfolios		115	(2)
Hedging derivatives		132	126
Provisions	(13)	495	504
Tax liabilities for current taxes		0	1
Tax liabilities for deferred taxes		9	10
Other obligations		618	477
Total equity		2,276	2,798
Equity attributable to the owners of the parent (excl. participation capital)		2,276	2,053
Participation capital		0	350
Non-controlling interests		0	395
Total liabilities and equity		**34,527**	**36,402**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

in EUR million	Subscribed capital	Participation capital [1]	Capital reserves	Retained reserves	AFS reserve net of tax	Foreign exchange differences	Actuarial gains/losses net of tax	Accumulated other comprehensive income, net of tax	Equity attributable to the owners of the parent	Non-controlling interests	Equity including non-controlling interests
Balance as of 01.01.2013	**250.0**	**550.0**	**1,447.4**	**50.1**	**171.6**	**0.5**	**(24.6)**	**147.5**	**2,445.0**	**393.4**	**2,838.4**
Transactions with owners	–	–	–	–	–	–	–	–	–	(0.5)	(0.5)
Dividends non-controlling interests	–	–	–	–	–	–	–	–	–	(0.5)	(0.5)
Redemption of participation capital	–	(50.0)	–	–	–	–	–	–	(50.0)	–	(50.0)
Dividend on participation capital	–	–	–	(51.2)	–	–	–	–	(51.2)	–	(51.2)
Total comprehensive income	–	–	–	93.8	(51.0)	(0.1)	(17.5)	(68.6)	25.2	1.5	26.7
Balance as of 30.06.2013	**250.0**	**500.0**	**1,447.4**	**92.7**	**120.6**	**0.4**	**(42.1)**	**78.9**	**2,369.0**	**394.4**	**2,763.4**
Balance as of 01.01.2014	**250.0**	**350.0**	**1,510.7**	**228.0**	**98.8**	**0.0**	**(34.4)**	**64.4**	**2,403.1**	**395.3**	**2,798.4**
Transactions with owners	–	–	121.1	–	–	–	–	–	121.1	(398.7)	(277.6)
Dividends non-controlling interests	–	–	–	–	–	–	–	–	–	–	–
Owner's contribution	–	–	121.1	–	–	–	–	–	121.1	–	121.1
Capital repayment	–	–	–	–	–	–	–	–	–	(398.7)	(398.7)
Redemption of participation capital	–	(350.0)	–	–	–	–	–	–	(350.0)	–	(350.0)
Dividend on participation capital	–	–	–	(54.5)	–	–	–	–	(54.5)	–	(54.5)
Total comprehensive income	–	–	–	175.0	(0.3)	–	(18.7)	(19.0)	156.0	3.4	159.4
Balance as of 30.06.2014	**250.0**	**0.0**	**1,631.8**	**348.5**	**98.5**	**0.0**	**(53.1)**	**45.4**	**2,275.7**	**0.0**	**2,275.7**

1) Participation capital according to section 23 (4) BWG.

CASH FLOW STATEMENT

in EUR million	**Jan–Jun 2014**	Jan–Jun 2013
Cash and cash equivalents at end of previous period	**481**	**481**
Net cash from operating activities	1,023	587
Net cash used in investing activities	(425)	159
Net cash from financing activities	(296)	(180)
Cash and cash equivalents at end of period	**783**	**1,047**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements of BAWAG P.S.K. Group as of 30 June 2014 were prepared in accordance with the International Financial Reporting Standards (IFRS) released by the International Accounting Standards Board (IASB) and adopted by the EU and in accordance with their interpretation by the IFRS Interpretations Committee (IFRIC/SIC).

These unaudited interim financial statements for the first half 2014 were prepared in accordance with IAS 34 (Interim Financial Reporting).

The accounting principles used in preparing this interim financial report are the same as those used for the preparation of the consolidated financial statements as of 31 December 2013.

The following standards and amendments to existing standards are mandatory for periods beginning on 1 January 2014, but have no major effect on the consolidated interim financial statements of BAWAG P.S.K.:

- Amendments to IAS 36 *Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- Amendments to IAS 27 *Separate Financial Statements*
- Amendments to IAS 28 *Investments in Associates and Joint Ventures*

The valuation principles as of 31 December 2013 were applied again.

The Group consists of 30 fully consolidated entities (31 December 2013: 43) and 1 entity that is accounted for using the equity method (31 December 2013: 1) in Austria and abroad. In the first half 2014, 13 entities were deconsolidated due to immateriality.

The interim financial statements for the first half 2014 were not audited or reviewed by an external auditor.

The tables in this report may contain rounding differences.

CLAIM AGAINST THE CITY OF LINZ

As no material changes have occurred since year-end 2013, we refer to the Notes to the consolidated financial statements as of 31 December 2013.

REPAYMENT OF PARTICIPATION CAPITAL AND SHAREHOLDER'S CONTRIBUTION

The Shareholder Meeting of BAWAG P.S.K. AG passed a resolution on 12 March 2014 approving the full redemption of the outstanding participation capital in the amount of EUR 350 million effective 13 March 2014. The Austrian Financial Market Authority (FMA) granted approval for the redemption of the remaining participation capital.

In addition, BAWAG P.S.K. AG paid a dividend of EUR 47.7 million for 2013 to the holders of the participation capital as well as a pro-rata dividend of EUR 6.8 million for the first quarter of 2014.

Effective 11 March 2014, a capital contribution of EUR 125 million was made to BAWAG P.S.K. AG in the form of a grandparent capital contribution subscribed by existing shareholders.

CHANGES IN THE GROUP'S HOLDINGS

As of 13 June 2014, BAWAG P.S.K. Leasing GmbH sold its 25% stake in Generali Leasing GmbH to Generali Versicherung AG.

As of 24 June 2014, BAWAG Malta Bank Ltd. reduced its subscribed capital from EUR 500 million to EUR 100 million. Earlier this year, BAWAG Malta Bank Ltd. dissolved an investment structure (Rhein Limited, Bodensee Limited) with a minority shareholder. Rhein Limited was put into liquidation by way of a shareholder resolution dated 24 July 2014.

EVENTS AFTER THE REPORTING DATE

BAWAG Capital Finance (Jersey) Limited announced that it would exercise its call option in relation to Perpetual Non-Cumulative Non-Voting Fixed/Floating Rate Preference Shares issued in 2000. BAWAG Capital Finance (Jersey) Limited will redeem 58,629 Preference Shares of EUR 1,000 each as of 31 July 2014.

With effect from 18 July 2014, Navensis Zahlungsverkehrs-abwicklungs GmbH was merged into BAWAG P.S.K. as the absorbing company and was therefore stricken from the register of companies.

By way of a resolution dated 31 July 2014, a prepayment on the annual surplus (interim dividend) in the amount of EUR 10 million was paid to the shareholders of BAWAG P.S.K., BAWAG Holding GmbH and Pa-Zweiund-sechzigste WT Beteiligungsverwaltungs GmbH.

DETAILS OF THE CONSOLIDATED PROFIT OR LOSS STATEMENT

1 | Net interest income

in EUR million	Jan–Jun 2014	Jan–Jun 2013
Interest income	**539.9**	**535.9**
Loans and receivables	307.9	314.9
Other interest bearing financial assets	232.0	221.0
Interest expense	**(218.8)**	**(283.6)**
Deposits and own issues	(162.9)	(197.3)
Other interest bearing financial liabilities	(55.9)	(86.3)
Dividend income	**4.4**	**7.2**
Net interest income	**325.4**	**259.5**

2 | Net fee and commission income

in EUR million	Jan–Jun 2014	Jan–Jun 2013
Fee and commission income	**158.8**	**148.7**
Payment transfers	91.3	84.3
Lending	15.0	12.9
Securities and custody business	31.7	30.8
Other	20.8	20.7
Fee and commission expenses	**(51.7)**	**(50.6)**
Payment transfers	(19.9)	(14.0)
Payments to Österreichische Post AG	(24.3)	(28.2)
Other	(7.5)	(8.4)
Net fee and commission income	**107.1**	**98.1**

3 | Gains and losses on financial assets and liabilities

in EUR million	Jan–Jun 2014	Jan–Jun 2013
Realised gains on sales of securities and loans	25.7	78.7
Fair value gains and losses	9.0	18.6
Gains (losses) from fair value hedge accounting	1.1	9.5
Others	6.4	6.6
Gains and losses on financial assets and liabilities	**42.2**	**113.4**

4 | Operating expenses

in EUR million	Jan–Jun 2014	Jan–Jun 2013
Staff costs	(141.5)	(167.6)
Other administrative expenses	(91.4)	(93.9)
Restructuring expenses and sundry items	(2.6)	(11.4)
Depreciation and amortization on tangible and intangible assets	(15.0)	(27.4)
Operating expenses	**(250.6)**	**(300.3)**

The line item Restructuring expenses and sundry items mainly includes expenses for restructuring costs in the first half 2014, offset by the release of a provision for legal costs and the year-to-date impact of the new vesting period for share-based payments of plus EUR 3.9 million, therefore totaling minus EUR 2.6 million.

5 | Provisions and impairment losses

in EUR million	Jan–Jun 2014	Jan–Jun 2013
Loan-loss provisions and changes in provisions for off-balance credit risk	(37.5)	(63.8)
Provisions and impairment losses	**(37.5)**	**(63.8)**

DETAILS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6 | Available-for-sale financial assets

in EUR million	Jun 2014	Dec 2013
Bonds	**4,096**	**5,028**
Bonds of other issuers	3,428	4,222
Public sector debt instruments	668	806
Subsidiaries and other equity investments	**95**	**98**
Available-for-sale financial assets	**4,192**	**5,126**

7 | Held-to-maturity financial investments

in EUR million	Jun 2014	Dec 2013
Bonds and other fixed income securities	1,841	773

In the first quarter of 2014, BAWAG P.S.K. reclassified a portion of its available-for-sale financial assets as held-to-maturity investments due to a change in its intention to hold the securities. The effects of reclassification from available-for-sale to held-to-maturity are shown in the following table:

in EUR million	Carrying amount	Fair value
Available-for-sale financial assets	(323)	(323)
Held-to-maturity investments	323	323

8 | Assets held for trading

in EUR million	Jun 2014	Dec 2013
Positive fair values of derivative financial instruments	**1,115**	**1,081**
Derivatives in trading book	402	378
Derivatives in banking book	713	703
Assets held for trading	**1,115**	**1,081**

9 | Loans and receivables

Jun 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
Receivables from customers	**20,943**	**737**	**(265)**	**(77)**	**21,337**
Corporates and other customers	13,652	487	(140)	(5)	13,994
Retail	7,210	250	(126)	(41)	7,293
Central governments	81	0	0	0	81
Portfolio impairment provision[1)]	0	0	0	(31)	(31)
Securities	**2,104**	**0**	**0**	**0**	**2,104**
Receivables from credit institutions	**1,534**	**3**	**(3)**	**0**	**1,534**
Total	**24,581**	**739**	**(268)**	**(77)**	**24,975**

1) Allowance for incurred but not reported losses.

Dec 2013 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
Receivables from customers	**20,580**	**754**	**(270)**	**(84)**	**20,980**
Corporates and other customers	13,549	495	(155)	(1)	13,888
Retail	6,943	259	(115)	(50)	7,037
Central governments	88	0	0	0	88
Portfolio impairment provision[1)]	0	0	0	(33)	(33)
Securities	**2,485**	**0**	**0**	**0**	**2,485**
Receivables from credit institutions	**3,790**	**6**	**(5)**	**0**	**3,791**
Total	**26,855**	**760**	**(275)**	**(84)**	**27,256**

1) Allowance for incurred but not reported losses.

Receivables from customers – Regional breakdown

in EUR million	**Jun 2014**	Dec 2013
Domestic	16,189	16,446
International	5,148	4,534
Receivables from customers	**21,337**	**20,980**

Receivables from customers – Breakdown by credit type

in EUR million	Jun 2014	Dec 2013
Loans	18,501	17,976
Current accounts	1,520	1,504
Finance leases	739	792
Cash advances	578	708
Receivables from customers	**21,337**	**20,980**

Receivables from credit institutions – Regional breakdown

in EUR million	Jun 2014	Dec 2013
Domestic	923	1,884
International	611	1,907
Receivables from credit institutions	**1,534**	**3,791**

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

in EUR million	Jun 2014	Dec 2013
Issued debt securities	1,577	2,521
Subordinated and supplementary capital	450	447
Financial liabilities designated at fair value through profit or loss	**2,026**	**2,968**

The change in issued bonds (own issues) can primarily be attributed to the redemption of a bond with a nominal value of EUR 960 million.

11 | Liabilities held for trading

in EUR million	Jun 2014	Dec 2013
Negative fair values of derivative financial instruments	**1,045**	**1,298**
Derivatives trading book	369	342
Derivatives banking book	675	956
Liabilities held for trading	**1,045**	**1,298**

12 | Financial liabilities measured at amortized cost

in EUR million	Jun 2014	Dec 2013
Deposits from banks	**1,839**	**1,646**
Customer deposits	**21,174**	**22,013**
Savings deposits – fixed interest rates	4,054	5,301
Savings deposits – variable interest rates	4,347	4,132
Deposit accounts	5,371	5,147
Other deposits	7,402	7,433
Issued bonds, subordinated and supplementary capital	**4,578**	**4,563**
Issued debt securities	3,970	3,956
Subordinated and supplementary capital	608	607
Financial liabilities associated with transferred assets	**220**	**0**
Financial liabilities measured at amortized cost	**27,812**	**28,222**

Deposits from customers – Regional breakdown

in EUR million	Jun 2014	Dec 2013
Domestic	20,856	21,682
International	319	331
Payables to customers	**21,174**	**22,013**

Deposits from banks – Regional breakdown

in EUR million	Jun 2014	Dec 2013
Domestic	699	681
International	1,140	965
Payables to credit institutions	**1,839**	**1,646**

13 | Provisions

in EUR million	Jun 2014	Dec 2013
Long-term employee provisions	455	435
Provisions for off-balance sheet items	28	32
Other items	12	37
Provisions	**495**	**504**

According to IAS 19, provisions for post-employment and termination benefits and for jubilee benefits are calculated using the projected unit credit method. The interest rate used has been changed from 3.50% as of 31 December 2013 to 3.00%, which resulted in an impact of minus EUR 25.0 million in Other comprehensive income.

14 | Related Parties

Promontoria Sacher Holding N.V. has entered into 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 the Bank in the financial year 2013. The Bank is not a party to the transaction agreement. The vesting conditions for the SARs include a performance condition and also require the contract parties to provide services to BAWAG P.S.K. within defined periods.

Due to changed circumstances, the vesting period has been newly estimated and therefore extended. The impact in the first half of 2014 is plus EUR 3.9 million in operating expenses and minus EUR 3.9 million in capital reserves. The cumulative impact on the financial year 2014 will be EUR 0.0 million in operating expenses and EUR 0.0 million in capital reserves and for the reporting period 2015 minus EUR 7.9 million in operating expenses and plus EUR 7.9 million in capital reserves.

Transactions with related parties

The following table shows transactions with related parties:

Jun 2014 in EUR thousand	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidiaries not consolidated	At-equity companies	Other companies
Loans and receivables	0	588,300	77,930	0	171,579
Securities	0	73,581	0	20,954	0
Other assets (incl. derivatives)	0	1,896	5,173	0	0
Financial liabilities	353	0	20,018	22,974	14,751
Other liabilities (incl. derivatives)	0	692	0	7,027	0
Guarantees provided	0	0	1	0	1,420
Interest income	0	11,036	3,907	557	5,177
Interest expenses	6	332	353	2,455	21

Dec 2013 in EUR thousand	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidiaries not consolidated	At-equity companies	Other companies
Loans and receivables	0	190,422	95,965	0	118,129
Securities	0	72,985	0	18,239	0
Other assets (incl. derivatives)	0	1,410	4,456	0	0
Financial liabilities	1,834	0	15,393	30,166	6,808
Other liabilities (incl. derivatives)	0	932	0	5,958	0
Guarantees provided	0	0	1	0	1,350
Interest income	0	3,736	3,530	864	1,333
Interest expenses	5	152	209	1,621	29

Information regarding natural persons

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.

in EUR thousand	Jun 2014 Key management	Jun 2014 Other related parties	Dec 2013 Key management	Dec 2013 Other related parties
Current account deposits	2,868	1,462	3,318	3,002
Savings deposits	557	3,568	144	3,134
Loans	157	2,093	10	2,283
Leasing	40	113	66	13
Interest income	1	24	3	57
Interest expense	4	3	19	22

15 | Segment reporting

This information is based on the Group structure as of 30 June 2014.

The segment reporting presents the results of the operating business segments of BAWAG P.S.K. 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 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 refined in 2014, and funding costs are now more accurately reflected in the internal funds transfer pricing, especially for the strategic premiums. 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. Furthermore, trading book derivatives – as non-core legacy positions – were reallocated from Treasury Services and Markets to Corporate Center/ALM.

As of January 2014, certain changes in the business segment reporting were made to reflect the adjustments in the overall strategy, developments and business management at BAWAG P.S.K. The prior year's figures have been adjusted accordingly. A summary of the major changes and rationale are described below:

CHANGE	OLD REPORTING	NEW REPORTING
Austrian corporate business	Corporates	Corporate Lending and Investments
International business	International business	Corporate Lending and Investments

The Bank continued to consolidate management of the Austrian corporate business and international investment business.

Leasing	Corporates	Retail Banking and Small Business

The Bank's leasing operations have been repositioned to focus almost exclusively on consumer-based vehicle financing. This is closely aligned with our overall consumer lending initiative in the retail segment.

Social housing	Corporates	Retail Banking and Small Business
Wohnbaubank	Corporate Center/ALM	Retail Banking and Small Business

Our social housing originations are related to the retail debt financing programs through our Wohnbaubank subsidiary. As a result, Wohnbaubank and related origination activities are managed and reported within our retail segment.

Austrian corporate business (turnover of EUR 2.5 million to EUR 50 million)	Corporates	Retail Banking and Small Business

We have expanded our definition of small business, which is reported within the retail segment, from EUR 2.5 million to EUR 50 million to reflect the opportunities to deliver additional products and services to these clients from the retail business and also provide more regional and local coverage over time.

Customers with turnover of up to EUR 50 million per year which do not meet minimum risk-adjusted profitability for the Bank are managed through our portfolio management team and are reflected in the Corporate Lending segment.

Various financial assets	Corporate Center/ALM	Treasury Services and Markets (formerly referred to as "Financial Markets")

Certain financial assets, which are not part of our required liquidity positions, are managed within the Treasury Services and Markets teams. These include financial assets which: a) hedge the Bank's non interest bearing positions, b) reflect strategic interest rate positions, c) reflect surplus liquidity.

Since 2014, the bank levy is presented in the Corporate Center.

Since 1 January 2014, BAWAG P.S.K. 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 solutions and products.
- **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 investment 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 Bank and certain activities and results related to subsidiary and participation holdings as well as the results of our liquidity portfolio.

Our segments are aligned with our core business strategies as well as our objective of providing transparent reporting of our business unit and Bank-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		Total	
	Jan–Jun 2014	Jan–Jun 2013	**Jan–Jun 2014**	Jan–Jun 2013	**Jan–Jun 2014**	Jan–Jun 2013	**Jan–Jun 2014**	Jan–Jun 2013	**Jan–Jun 2014**	Jan–Jun 2013
Net interest income	196.0	165.2	95.0	94.5	24.7	25.9	9.8	(26.2)	**325.4**	**259.5**
Net fee and commission income	87.4	79.9	21.3	26.6	0.0	0.1	(1.6)	(8.5)	**107.1**	**98.1**
Core revenues	**283.3**	**245.1**	**116.3**	**121.1**	**24.7**	**26.0**	**8.2**	**(34.7)**	**432.5**	**357.6**
Gains and losses on financial instruments	0.8	25.8	(0.4)	18.5	17.9	10.5	21.2	58.6	**39.5**	**113.4**
Other operating income and expenses	1.6	1.1	0.0	0.1	0.0	0.0	9.7	2.1	**11.2**	**3.4**
Operating income	**285.7**	**272.1**	**115.9**	**139.8**	**42.6**	**36.6**	**39.0**	**26.0**	**483.2**	**474.4**
Operating expenses	**(178.8)**	**(207.0)**	**(39.6)**	**(47.0)**	**(11.2)**	**(18.8)**	**(21.0)**	**(27.5)**	**(250.6)**	**(300.4)**
Bank levy	–	–	–	–	–	–	(12.3)	(12.7)	**(12.3)**	**(12.7)**
Total risk costs	(21.1)	(20.4)	(19.1)	(38.5)	0.0	0.0	2.7	(4.9)	**(37.5)**	**(63.8)**
Share of the profit or loss of associates accounted for using the equity method	–	–	–	–	–	–	(0.9)	(1.4)	**(0.9)**	**(1.4)**
Profit before tax	**85.8**	**44.6**	**57.2**	**54.2**	**31.4**	**17.8**	**7.6**	**(20.4)**	**181.9**	**96.2**
Income taxes	–	–	–	–	–	–	(6.3)	(1.8)	**(6.3)**	**(1.8)**
Profit after tax	**85.8**	**44.6**	**57.2**	**54.2**	**31.4**	**17.8**	**1.3**	**(22.2)**	**175.6**	**94.5**
Non-controlling interests	–	–	–	–	–	–	(0.6)	(0.6)	**(0.6)**	**(0.6)**
Net profit	**85.8**	**44.6**	**57.2**	**54.2**	**31.4**	**17.8**	**0.7**	**(22.8)**	**175.0**	**93.8**
Business volumes (in EUR billion)										
Assets	9.6	9.5	13.0	14.1	5.7	5.3	6.2	9.4	**34.5**	**38.2**
Risk-weighted assets	3.6	3.3	7.4	8.0	2.0	1.4	3.6	5.3	**16.7**	**18.0**

Because the internal and external reporting of BAWAG P.S.K. are fully harmonized, the total of reportable segments' measures of profit or loss do not differ from the Group's profit or loss. Therefore, no separate reconciliation column is shown in the segment table.

The segment result is reconciled with the consolidated profit or loss statement as follows:

in EUR million	Jan–Jun 2014	Jan–Jun 2013
Gains and losses on financial assets and liabilities according to segment report	39.5	113.4
Gains and losses on financial assets attributable to non-controlling interests	2.7	0.0
Gains and losses on financial assets and liabilities according to consolidated profit or loss statement	**42.2**	**113.4**

in EUR million	Jan–Jun 2014	Jan–Jun 2013
Other operating income and expenses according to segment report	11.2	3.4
Bank levy	(12.3)	(12.7)
Other operating income and expenses according to consolidated profit or loss statement	**(1.0)**	**(9.3)**

in EUR million	Jan–Jun 2014	Jan–Jun 2013
Profit before tax according to segment report	181.9	96.2
Gains and losses on financial assets attributable to non-controlling interests	2.7	0.0
Profit before tax according to consolidated profit or loss statement	**184.7**	**96.2**

16 | Capital management

The following table shows the breakdown of the Group's own funds and its own funds requirement as per 30 June 2014 pursuant to CRR applying IFRS figures and the CRR scope of consolidation (BAWAG P.S.K. Group only) and as per 31 December 2013 pursuant to BWG, both based on BAWAG P.S.K. as master of the consolidation group:

in EUR million	Jun 2014	Dec 2013
Share capital, participation capital	**250**	**600**
Reserves after deduction of intangible assets and losses of subsidiaries	1,795	1,343
Other comprehensive income	45	n/a
Less shareholdings held for investment purposes, IRB risk provision shortfalls[1)]	(13)	(45)
Minorities	0	404
Hybrid capital[1)]	n/a	142
Prudent valuation, cumulative gains due to changes in own credit risk on fair valued liabilities, prudential filter for unrealised gains	(142)	n/a
Excess of deduction from AT1 items over AT1 capital	(38)	n/a
Common Equity Tier I (CRR) / Core Tier I (BWG)	**1,897**	**2,444**
Hybrid capital[2)]	111	n/a
IRB risk provision shortfall[1)]	(27)	n/a
Deduction of intangible assets	(122)	n/a
Excess of deduction from AT1 items over AT1 capital	38	n/a
Additional Tier I (CRR)	**0**	**n/a**
Tier I (CRR/BWG)	**1,897**	**2,444**
Supplementary and subordinated debt capital	595	582
Hybrid capital[2)]	16	n/a
Excess IRB risk provisions[3)]	0	n/a
Less shareholdings held for investment purposes, IRB risk provision shortfalls[1)]	(48)	(45)
Total Tier II (CRR/BWG)	**563**	**537**
Tier III[4)]	**n/a**	**10**
Own funds	**2,460**	**2,991**
Our own funds compared with the following own funds requirement:		
Credit risk	1,196	1,141
Market risk	8	10
Operational risk	129	129
Capital requirements	**1,333**	**1,280**

1) According to CRR, LLPs as of 31 December 2013 including disposals until 30 June 2014.
2) According to CRR, hybrid capital is partially eligible among Additional Tier I and Tier II.
3) According to BWG, eligible in Tier I as offsetting item under item IRB risk provision shortfalls.
4) According to CRR, Tier III capital is not included in own funds.

	Jun 2014	Dec 2013
Common Equity Tier I capital ratio based on total risk	11.4%	15.3%
Total capital ratio based on total risk	14.9%	18.7%
Common Equity Tier I capital ratio based on total risk (incl. interim profit)	12.4%	n/a
Total capital ratio based on total risk (incl. interim profit)	16.0%	n/a

Supplemental information on a fully loaded basis (incl. interim profit)

	Jun 2014	Dec 2013
Common Equity Tier I capital ratio based on total risk	11.2%	n/a
Total capital ratio based on total risk	15.1%	n/a

17 | Fair value

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 Jun 2014	Fair value Jun 2014	Carrying amount Dec 2013	Fair value Dec 2013
Assets				
Cash reserves	783	783	481	481
Financial assets designated at fair value through profit or loss	611	611	753	753
Available-for-sale financial assets				
Recognized at fair value	4,096	4,096	5,029	5,029
Recognized at cost	95	n/a	97	n/a
Held-to-maturity investments	1,841	1,898	773	774
Assets held for trading	1,115	1,115	1,081	1,081
Loans and receivables	24,975	25,792	27,256	27,394
Hedging derivatives	402	402	164	164
Tangible non-current assets	81	n/a	85	n/a
Thereof investment properties	3	7	4	8
Intangible non-current assets	153	n/a	142	n/a
Other assets	374	n/a	541	n/a
Total assets	**34,527**		**36,402**	
Equity and liabilities				
Financial liabilities designated at fair value through profit or loss	2,026	2,026	2,968	2,968
Liabilities held for trading	1,045	1,045	1,298	1,298
Financial liabilities designated at amortized cost	27,812	28,114	28,222	28,475
Valuation adjustment on interest rate risk hedged portfolios	115	115	(2)	(2)
Hedging derivatives	132	132	126	126
Provisions	495	n/a	504	n/a
Other obligations	626	n/a	506	n/a
Equity	2,276	n/a	2,394	n/a
Non-controlling interests	0	n/a	386	n/a
Total liabilities and equity	**34,527**		**36,402**	

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 here.

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.
- Other: This pertains to stakes in non-consolidated subsidiaries that are classified as available-for-sale.

in EUR million	Level 1 Jun 2014	Level 2 Jun 2014	Level 3 Jun 2014	Others [1] Jun 2014	Total Jun 2014
Assets					
Financial assets designated at fair value through profit or loss	14	592	4	0	**611**
Available-for-sale financial assets	4,042	54	0	95	**4,192**
Assets held for trading	0	1,115	0	0	**1,115**
Hedging derivatives	0	402	0	0	**402**
Total fair value assets	**4,057**	**2,163**	**4**	**95**	**6,320**
Liabilities					
Financial liabilities designated at fair value through profit or loss	59	1,436	531	0	**2,026**
Liabilities held for trading	0	1,045	0	0	**1,045**
Valuation adjustment on interest rate risk hedged portfolios	0	115	0	0	**115**
Hedging derivatives	0	132	0	0	**132**
Total fair value liabilities	**59**	**2,728**	**531**	**0**	**3,318**

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

in EUR million	Level 1 Dec 2013	Level 2 Dec 2013	Level 3 Dec 2013	Others [1] Dec 2013	Total Dec 2013
Assets					
Financial assets designated at fair value through profit or loss	75	671	7	0	**753**
Available-for-sale financial assets	5,026	3	0	97	**5,126**
Assets held for trading	0	1,081	0	0	**1,081**
Hedging derivatives	0	164	0	0	**164**
Total fair value assets	**5,101**	**1,919**	**7**	**97**	**7,124**
Liabilities					
Financial liabilities designated at fair value through profit or loss	51	2,377	540	0	**2,968**
Liabilities held for trading	0	1,298	0	0	**1,298**
Valuation adjustment on interest rate risk hedged portfolios	0	(2)	0	0	**(2)**
Hedging derivatives	0	126	0	0	**126**
Total fair value liabilities	**51**	**3,799**	**540**	**0**	**4,390**

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

Financial liabilities designated at fair value through profit or loss in Level 3 comprise only own issues of BAWAG P.S.K. Wohnbaubank.

BAWAG P.S.K. 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 the first half 2014, two securities classified as available-for-sale were moved from Level 1 to Level 2 due to subsequently illiquid market prices.

The changes in financial instruments in the Level 3 category were as follows:

in EUR million	Financial assets	Financial liabilities
Opening balance as of 01.01.2014	**7**	**540**
Valuation gains (losses) in profit or loss		
for assets held at the end of the period	(2)	13
for assets no longer held at the end of the period	2	0
Accrued interest	0	(6)
Redemptions/sales	(3)	(16)
Closing balance as of 30.06.2014	**4**	**531**

in EUR million	Financial assets	Financial liabilities
Opening balance as of 01.01.2013	**100**	**621**
Valuation gains (losses) in profit or loss		
for assets held at the end of the period	2	(2)
Accrued interest	0	(1)
Purchases	7	0
Redemptions/sales	(101)	(78)
Foreign exchange differences	(1)	0
Closing balance as of 31.12.2013	**7**	**540**

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

Movements in Level 3 financial instruments measured at fair value

Holdings in the amount of EUR 3 million that were reported as Level 3 financial assets on 31 December 2013 were disposed of in the first half 2014. In the first half 2014, the financial liabilities reported under Level 3 decreased by a total of EUR 9 million due to valuation losses, accrued interest and redemptions.

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 for all maturities (mid).

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

Sensitivity analysis of 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 P.S.K had Level 3 financial assets recognized at their fair value in the amount of EUR 4 million as of 30 June 2014. If the credit spread used in calculating the fair value of own issues is increased by 20 basis points, the accumulated valuation result as of 30 June 2014 would have increased by EUR 5 million (31 December 2013: EUR 5 million).
If the fair value of financial assets decreased by 30%, the accumulated valuation result as of 30 June 2014 would have decreased by EUR 1 million (31 December 2013: decrease of EUR 2 million).

RISK REPORT

Introduction and overview

Risk Management and the corresponding committees of BAWAG P.S.K. identify, measure, monitor and manage all risks to which BAWAG P.S.K. Group is exposed. At all organizational levels of the Bank, Market and Risk are strictly separated.

On the basis of a regular risk inventory, stringent monitoring and controlling is ensured for the following risk types as well as others:

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

This risk report provides information on the Group's positioning with regard to credit risk, market risk, liquidity risk and operational risk.

Current regulatory topics

Basel 3 requirements

The Basel Committee for Banking Supervision has issued international standards under the name “Basel 3” that impose strict capital and liquidity rules aimed at increasing the resiliency of the banking sector. The EU directive built on these standards was transposed into Austrian law in the middle of 2013. The new rules including the EU Regulation became effective on 1 January 2014 and are completely fulfilled by BAWAG P.S.K.

Comprehensive Assessment

Asset Quality Review
In December 2013 the process of the Comprehensive Assessment under the European Central Bank started. The aim of the assessment is to enhance transparency of the balance sheets of banks in Europe and strengthen confidence within the European banking sector. Therefore, the assessment is an essential element of the preparation for the supervision of banks, directly by the ECB.

The entire process comprises a Supervisory Risk Assessment, an Asset Quality Review and a Stress Test. Within the Supervisory Risk Assessment the key risks in the banks' balance sheets, including liquidity, leverage and funding, were addressed. Moreover, the Asset Quality Review (AQR) started in February and involved analyzing the Bank's portfolio in several steps.

The specific objectives of the Asset Quality Review are the assessment of adequate provisioning and the determination of the appropriate valuation of collateral for credit exposures as well as the assessment of the valuation of complex instruments and high-risk assets of the balance sheet.

The Bank has prepared in advance for the AQR process by dedicating in-house resources to address the different stages of the review. The Asset Quality Review process has already been completed to a large extent, but the Bank has not yet been provided with the final results.

EU-wide Stress Test
The European Banking Authority (EBA) is performing a EU-wide Stress Test in connection with the on-going Asset Quality Review. The Stress Test is being carried out on a sample of 124 banks covering at least 50% of the national banking sector in each EU Member State. BAWAG P.S.K. is part of the EU-wide Stress Test process. The Stress Test exercise is conducted with a common methodology on a bank-by-bank basis and combines top-down and bottom-up calculations. The process effectively started with the communication of the preliminary methodological notes and the local kick-off with the Austrian National Bank (OeNB) in March 2014. The final methodology, data templates and timeline were published by the EBA on 29 April 2014. The EBA will publish the final results in October. BAWAG P.S.K. is providing in-house resources to meet all requests.

Specific risks of BAWAG P.S.K. Group

18 | Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. For risk management purposes, BAWAG P.S.K. considers and consolidates all elements of credit risk exposures, such as individual obligor or obligor group default risk, country risk and business segment risk. Risk concentrations such as a large number of loans denominated in foreign currencies and risk concentration in pledged collateral are also taken into account and are steered actively.

The divisions responsible for credit risk are set up in a way to include a functional risk management specialization for the commercial and institutional customer segment and the retail and SME segment. The Strategic Risk division is responsible for ensuring uniform risk methods and standards and for managing the entire portfolio.

As a bank using the Internal Rating-Based approach, BAWAG P.S.K. sets high standards with regards to credit risk methodologies and processes. Specific standards are in place for all sub-portfolios and will be monitored and validated regularly. Based on the centralized structure of the Group, new risk regulations or changing market situations can be anticipated in the risk management strategies at short notice.

Portfolio development in the first half 2014

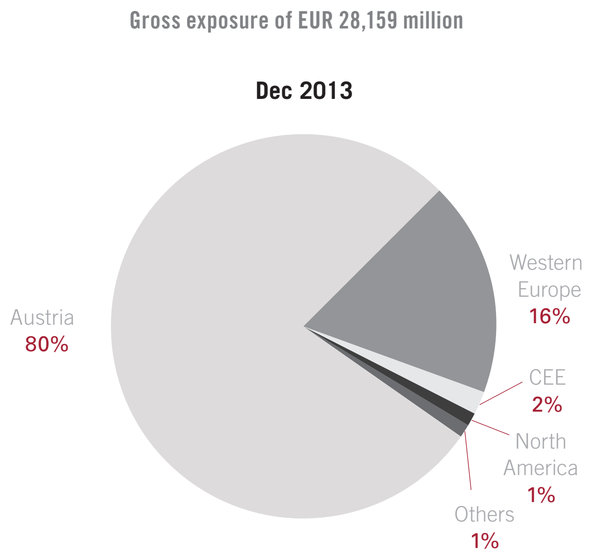
As a result of consistent portfolio optimization with a focus on risk-adjusted returns and proactively exiting non-core assets, the overall volume of the portfolio decreased in the first half 2014. Decreases were recorded especially in loans to credit institutions, public sector lending and small business. In private retail, the focus on mortgage and consumer loans resulted in an increase in credit volumes.

Credit risk by customer segment, in EUR million

Segment	Book value loans[1]		Bonds		Off-balance business		Collateral		Gross exposure[2]	
	Jun 2014	Dec 2013	Jun 2014	Dec 2013	Jun 2014	Dec 2013	Jun 2014	Dec 2013	Jun 2014	Dec 2013
Banks	1,534	2,056	4,148	3,534	1,284	904	598	575	6,966	6,494
Public sector	4,459	6,533	1,274	905	518	390	513	624	6,251	7,828
Corporates	9,868	9,550	2,921	4,153	1,696	1,623	5,327	5,510	14,485	15,326
Small business	964	1,017	7	10	68	76	709	723	1,039	1,103
Retail private customers	6,333	6,012	0	0	212	189	4,011	3,806	6,545	6,201
Others	1	0	0	0	3	0	1	0	4	0
Total	**23,159**	**25,168**	**8,350**	**8,602**	**3,781**	**3,182**	**11,159**	**11,238**	**35,290**	**36,952**

1) Including LaR customers and credit institutions and loans measured at fair value.
2) Gross exposure includes book values and off-balance-sheet items like guarantees and committed but currently unutilised limits, excluding loan-loss provisions.

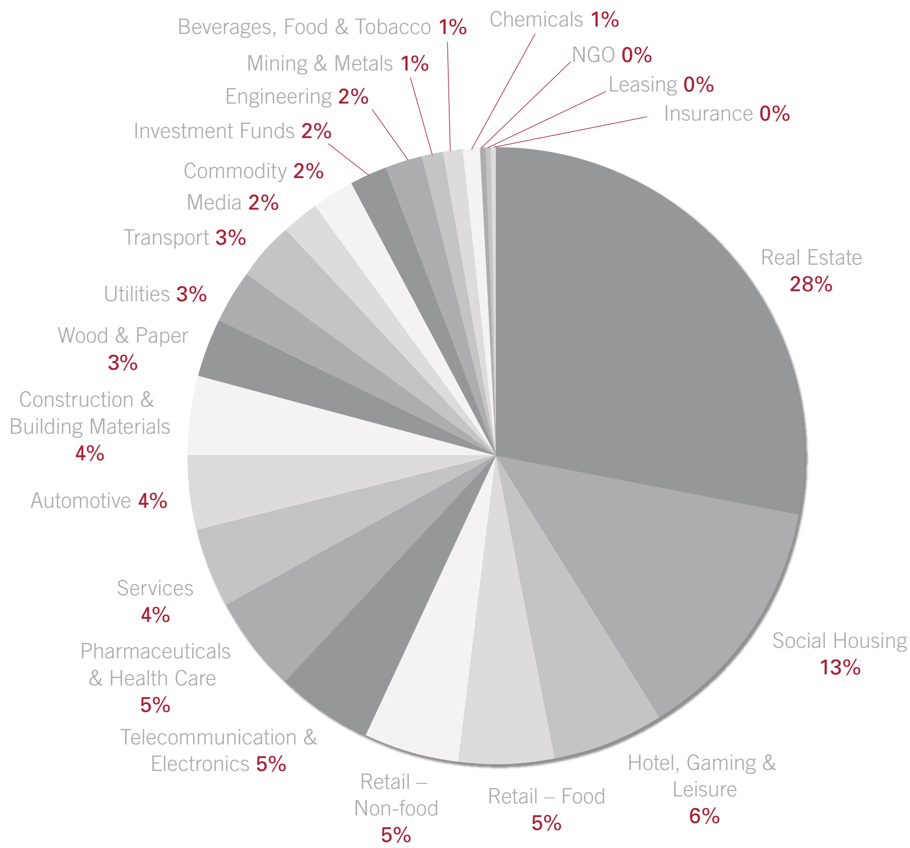
Geographical distribution of the loan portfolio, in EUR million



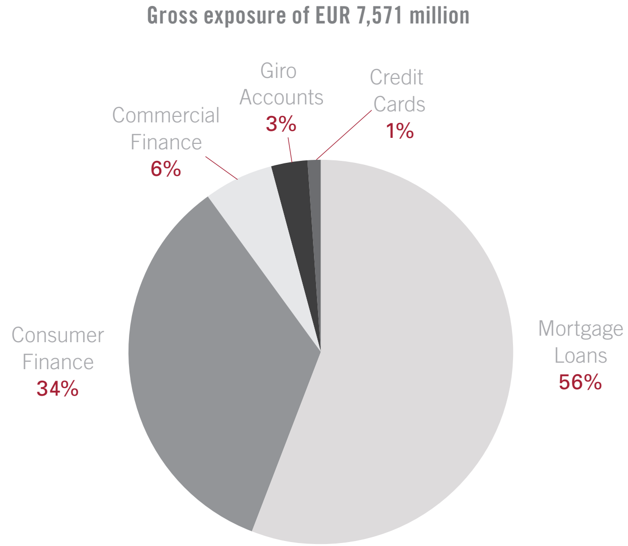
The overview shows the gross exposure of loans to all corporate and retail customers as well as banks and the public sector without bonds and their off-balance portion in each region, assigned to the actual country of risk.

Corporate portfolio by sector (gross exposure without bonds and their off-balance portion)

Gross exposure of EUR 11,153 million



Retail portfolio by product (gross exposure without bonds and their off-balance portion)



Impaired loans

Loan-loss provisions are booked for loans where it is assumed that the outstanding balance may not be entirely redeemed. The main components are described below:

- Specific loan-loss provisions that are booked manually after detailed analysis based on the estimates of the Credit Risk and the Corporate & Institutional Risk units together with the Workout Group and Legal Collection, and
- Loan-loss provisions that are booked automatically by the core banking system in the case of unpaid installments.
- IFRS Portfolio Impairments pursuant to IAS 39 AG89: A general impairment provision is booked on a portfolio basis for incurred but not reported losses in the Group's credit portfolio as of the reporting date. For this reason, it is assumed that a certain percentage of customers, who have not been identified as being in default are in fact in default at the reporting date. In order to calculate these loss provisions, the receivables are grouped into homogeneous portfolios with comparable risk characteristics. The provisions are quantified on the basis of the expected loss, taking into account the loss identification period. This is determined individually for each customer segment on the basis of the average time until the next expected payment. As of 30 June 2014, the IBNR portfolio provision amounted to EUR 38.4 million, compared with EUR 41.2 million on 31 December 2013.

Non-performing loans (NPLs)

Exposures relating to all customers in default risk class "8" are categorized as non-performing loans, regardless of whether a limit has been exceeded or a payment missed on an individual account or not. Once a customer exposure is more than 90 days past due or a customer-related criterion of default applies, the customer and all related products with exposure are set to default and are assigned to default risk class "8".

Development of and impairment provisions for NPLs

in EUR million [1]	Book value loan book excluding securities		Provisions		Collateral		Net position (book value)		Coverage ratio [2]		NPL ratio [3]	
	Jun 2014	Dec 2013	Jun 2014	Dec 2013	Jun 2014	Dec 2013	Jun 2014	Dec 2013	Jun 2014	Dec 2013	Jun 2014	Dec 2013
Banks	3	7	3	5	–	–	–	2	100.0%	71.4%	0.2%	0.5%
Corporates and other customers [4]	567	587	154	156	81	71	332	360	41.4%	38.7%	3.5%	3.3%
Retail	301	336	158	165	117	119	26	52	91.3%	84.5%	3.9%	4.3%
IBNR portfolio provision	–	–	31	33	–	–	(31)	(33)	–	–	–	–
Total	**872**	**930**	**346**	**359**	**198**	**190**	**328**	**381**	**58.8%**	**55.5%**	**3.4%**	**3.4%**

1) Segmentation according to Basel II definition.
2) (Provisions excl. IBNR portfolio provision + Collateral) / Total NPLs.
3) Total NPLs / Loans and receivables including provisions.
4) Includes a material impact from the exposure to a single customer.

19 | 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.

BAWAG P.S.K. uses the value-at-risk (VaR) of an internal model to control and limit the market risk arising from trading activities. It includes the risk categories of interest rate, equity market and foreign exchange risk.

The VaR limits are supplemented by sensitivity limits and worst-case limits.

In the first half of 2014, the average value-at-risk (with gamma and vega risk included) was measured at minus EUR 0.23 million (2013 average: minus EUR 0.38 million) and the value-at-risk at 30 June 2014 was measured at minus EUR 0.19 million (31 December 2013: minus EUR 0.25 million), based on a confidence interval of 99% and a holding period of one day.

The primary components of market risk for BAWAG P.S.K. Group result from interest rate risk, credit spread risk, foreign currency risk and liquidity risk.

20 | 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 Bank's earnings situation (structural liquidity risk). Liquidity risk also 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.

Short-Term Operational Liquidity Management is performed by the Treasury Services and Markets division based on a daily updated 30 days rolling forecast, allowing for the close tracking and management of the Bank's intra-month liquidity position. All measures are closely aligned with Controlling & Asset-Liability Management, which is responsible for planning and managing the structural liquidity risk and funding position with a medium-to long-term view.

Asset-Liability Management also ensures that the Bank holds a sufficiently diversified portfolio of high-quality liquid assets and that the liquidity buffer is adequate for the Bank's anticipated needs as well as meeting all regulatory requirements.

The first half 2014 was characterized by a solid liquidity position reflected by stable core funding sources and a balanced term funding structure. The Bank's strong liquidity position was used to cover maturing own issues and therefore further reduce its dependency on wholesale market funding. Also, in 2014 the Bank is in a position to refinance its current portfolio of assets without additional funding measures.

21 | Operational risk

BAWAG P.S.K. defines operational risk as the risk of loss resulting from insufficient or failed internal processes, external events, misconduct or staff errors. This definition of operational risk includes legal risks, but not strategic risks or risks to the Bank's reputation, which are assessed and managed directly by the Managing Board.

In order to ensure the internally defined measures and principles, they are applied uniformly throughout the Group, and are coordinated centrally. The management of operational risk in the individual business segment is operated in the respective unit by the division head and the respective operational risk agent.

STATEMENT OF ALL LEGAL REPRESENTATIVES

"We confirm to the best of our knowledge that the condensed interim 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 important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements and of the principal risks and uncertainties for the remaining six months of the financial year."

Vienna, 18 August 2014

Byron Haynes
CEO and Chairman of the Managing Board

Wolfgang Klein
Deputy Chairman of the Managing Board

Anas Abuzaakouk
Member of the Managing Board

Jochen Klöpper
Member of the Managing Board

Corey Pinkston
Member of the Managing Board

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