BAWAG PSK

CONSOLIDATED INTERIM REPORT Q1 2015

KEY FIGURES

Profit or loss statement (in EUR million)	**Q1 2015**	Q1 2014	Change (%)	Q4 2014	Change (%)
Net interest income	179.4	149.3	20.2	183.1	(2.0)
Net fee and commission income	50.5	55.1	(8.3)	43.9	15.0
Core revenues	**229.9**	**204.4**	**12.5**	**227.0**	**1.3**
Gains and losses on financial instruments and other operating income and expenses	31.5	27.5	14.5	(11.2)	–
Operating income	**261.4**	**231.9**	**12.7**	**215.8**	**21.1**
Operating expenses	**(118.4)**	**(123.3)**	**(4.0)**	**(120.4)**	**(1.7)**
Bank levy	(5.8)	(6.1)	(4.9)	(6.1)	(4.9)
Total risk costs	(11.0)	(19.6)	(43.9)	(22.2)	(50.5)
Profit before tax	127.5	82.3	54.9	67.6	88.6
Net profit	**120.7**	**80.0**	**50.9**	**69.6**	**73.4**

Performance ratios (figures annualized)	**Q1 2015**	Q1 2014	Change (pts)	Q4 2014	Change (pts)
Return on equity	**19.6%**	**15.0%**	**4.6**	**11.7%**	**7.9**
Return on tangible equity	**20.5%**	**16.1%**	**4.4**	**12.2%**	**8.3**
Return on risk-weighted assets	2.92%	1.94%	0.98	1.64%	1.28
Return on total assets	1.39%	0.90%	0.49	0.80%	0.59
Net interest margin	2.07%	1.69%	0.38	2.11%	(0.04)
Business net interest margin	2.33%	2.13%	0.20	2.36%	(0.03)
Cost-income ratio	45.3%	53.2%	(7.9)	55.8%	(10.5)
Risk costs / loans and receivables	0.17%	0.29%	(0.12)	0.35%	(0.18)

Statement of financial position (in EUR million)	**Mar 2015**	Dec 2014	Change (%)	Mar 2014	Change (%)
Total assets	34,575	34,651	(0.2)	34,431	0.4
Financial assets	7,472	7,488	(0.2)	7,890	(5.3)
Customer loans and receivables	22,059	21,779	1.3	20,948	5.3
Customer deposits	20,617	21,135	(2.5)	21,212	(2.8)
Own issues	5,994	6,113	(1.9)	6,569	(8.8)
IFRS equity	2,511	2,405	4.4	2,209	13.7
IFRS tangible equity	2,410	2,302	4.7	2,061	16.9
Risk-weighted assets	16,267	16,792	(3.1)	17,042	(4.5)

Balance sheet ratios	**Mar 2015**	Dec 2014	Change (pts)	Mar 2014	Change (pts)
Common Equity Tier 1 capital ratio (fully loaded)	**13.5%**	**12.1%**	**1.4**	**10.6%**	**2.9**
Total capital ratio (fully loaded)	17.1%	15.8%	1.3	14.7%	2.4
Leverage ratio (fully loaded)	5.8%	5.5%	0.3	5.3%	0.5
Liquidity coverage ratio (LCR)	141%	134%	7	113%	28
NPL ratio	2.8%	2.8%	–	3.6%	(0.8)

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

CONTENTS

LETTER FROM THE CEO

Dear Stakeholders,

As we closed out the first quarter 2015, we continued to see strong momentum across all of our business segments, similar to our 2014 record results. BAWAG P.S.K. delivered strong first quarter results with a net profit of EUR 121 million, up 51% compared to the previous year. Core revenues were up 13%, while our cost base was down 4%.

We continue to deliver sustainable results quarter after quarter. This is a testament to BAWAG P.S.K.'s strong business model. Over the past five quarters, our core revenues have constantly grown, and we expect this positive development to continue throughout 2015 and beyond.

In the first quarter, the investments in our core businesses continued to pay off. As an example, we were able to further grow our market share in consumer loans to 9.4%, up 40 basis points from year-end, or net asset growth of 4.9% against overall market growth of 0.7%. Across our funds business, gross sales were up 21% compared to the same quarter last year, demonstrating strong momentum on the heels of our newly entered partnership with Amundi and the sale of BAWAG P.S.K. INVEST that was completed in February 2015. These are a few examples of how we are outperforming in our Austrian retail business.

We continue driving simplicity and transparency throughout our products and services while further developing our Austrian multi-channel retail banking franchise.

We believe that in today's environment, being the most efficient player in the market is key to winning. Over the past few years, the Bank has made significant progress in fixing our cost base and embedding efficiency into our DNA. To build on this foundation, we have appointed Sat Shah, our former Chief Strategy and Administrative Officer, as Chief Operating Officer with a clear focus on further optimizing our processes and driving operational excellence. Our focus will be to continue driving greater customer satisfaction through end-to-end process optimization and product simplification with an aim to further enhance the overall customer experience.

We continue to maintain an overall conservative risk appetite focused on disciplined risk-adjusted underwriting and focusing our businesses in stable and economically strong economies. This is best reflected in both our low risk costs and NPL ratio.

Starting from an already high level in 2014, we will further strengthen our capital position throughout the year, maintaining a fully loaded CET1 ratio of more than 12% and a total capital ratio above 16%. We will run the Bank safely with a fully loaded leverage ratio greater than 6% and maintain a solid liquidity coverage ratio greater than 100%.

Again, we are very happy with our strong results in the first quarter. We are on track to achieve or exceed our 2015 goals.

I would like to take the opportunity to thank our customers and shareholders for their continuous support and our employees for their tireless efforts to make our Bank successful. The continued strong results in the first quarter reiterate that BAWAG P.S.K. is well positioned to win in a competitive and evolving European banking market. We will stick to our Austrian-focused low-risk strategy, providing our customers with simple, transparent and best-in-class products and services they want and value.

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 quarter 2015 and delivered another quarter of strong results.

A few **key highlights** include:

- BAWAG P.S.K. posted a net profit of EUR 120.7 million in the first quarter 2015. This represents an increase of 51% compared to the same period in 2014. The increase was driven by improvements in Corporate Lending and Investments (>100%) as well as Retail Banking and Small Business (+16%).

- The annualized return on equity was 19.6%, up 4.6 points versus the first quarter 2014 and well ahead of our 2015 target of >14%.

- Net interest income rose 20% in the first quarter 2015 versus the same period in 2014, despite a continued low-interest rate environment. The increase resulted from a strong focus on liability optimization measures.

- The net interest margin improved by 38 basis points to 2.07%, while the business net interest margin increased 20 basis points to 2.33%, reflecting the strict focus on asset and liability pricing.

- Our dedicated focus on cost efficiency continues to pay off. Operating expenses fell to EUR 118.4 million from EUR 123.3 million in the first quarter 2014, and the cost-income ratio improved by 7.9 points to an all-time low of 45.3% in the first quarter 2015 compared to the same period in 2014.

- Total risk costs decreased by 44% to EUR 11.0 million in the first quarter 2015, resulting from the improved overall credit quality of the core businesses.

- Our capital base has been further strengthened from an already high level, with a Common Equity Tier 1 capital ratio (fully loaded) and total capital ratio of 13.5% and 17.1%, respectively, at 31 March 2015, versus 12.1% and 15.8% at year-end 2014.

ANALYSIS OF PROFIT OR LOSS STATEMENT AND STATEMENT OF FINANCIAL POSITION

Profit or loss statement

in EUR million	Q1 2015	Q1 2014	Change (%)	Q4 2014	Change (%)
Interest income	273.2	267.1	2.3	275.6	(0.9)
Interest expense[1)]	(96.4)	(117.8)	(18.2)	(96.5)	(0.1)
Dividend income	2.6	0.0	100	4.0	(35.0)
Net interest income	**179.4**	**149.3**	**20.2**	**183.1**	**(2.0)**
Fee and commission income	74.9	82.1	(8.8)	71.4	4.9
Fee and commission expenses	(24.4)	(27.0)	(9.6)	(27.5)	(11.3)
Net fee and commission income	**50.5**	**55.1**	**(8.3)**	**43.9**	**15.0**
Core revenues	**229.9**	**204.4**	**12.5**	**227.0**	**1.3**
Gains and losses on financial instruments and other operating income and expenses[2)]	31.5	27.5	14.5	(11.2)	–
Operating income	**261.4**	**231.9**	**12.7**	**215.8**	**21.1**
Operating expenses[1)]	**(118.4)**	**(123.3)**	**(4.0)**	**(120.4)**	**(1.7)**
Bank levy	(5.8)	(6.1)	(4.9)	(6.1)	(4.9)
Operating profit	**137.2**	**102.5**	**33.9**	**89.3**	**53.6**
Provisions and loan-loss provisions	(11.0)	(19.6)	(43.9)	(20.3)	(45.8)
Impairment losses	0.0	0.0	–	(1.9)	(100)
Share of the profit or loss of associates accounted for using the equity method	1.3	(0.6)	–	0.5	>(100)
Profit before tax	**127.5**	**82.3**	**54.9**	**67.6**	**88.6**
Income taxes	(6.8)	(2.0)	>100	2.0	–
Profit after tax	**120.7**	**80.3**	**50.3**	**69.6**	**73.4**
Non-controlling interests	0.0	0.3	(100)	0.0	–
Net profit	**120.7**	**80.0**	**50.9**	**69.6**	**73.4**

1) Prior-year-figures were adjusted. For further details, please refer to the Notes under "Change in presentation of interest expense within IAS 19 – employee benefits."
2) In accordance with IFRS, the item Other operating income and expenses also includes the bank levy in the amount of EUR 5.8 million for the first quarter 2015. However, the Bank's management considers the bank levy as a separate expense. Accordingly, it is shown in a separate expense line in the Interim Group Management Report.

Net profit increased by EUR 40.7 million, or 50.9%, to EUR 120.7 million in the first quarter 2015. The increase was driven by higher net interest income, reduced operating expenses and lower risk costs.

Net interest income increased by EUR 30.1 million, or 20.2%, to EUR 179.4 million in the first quarter 2015, driven primarily by lower interest expense.

Compared to the first quarter of the prior year, the Bank's **net interest margin** improved 38 basis points to 2.07%, while the **business net interest margin** increased 20 basis points to 2.33%.

Net fee and commission income slightly decreased by EUR 4.6 million, or 8.3%, to EUR 50.5 million in the first quarter 2015. This was primarily due to higher one-offs during the first quarter 2014. Excluding one-offs, net fee and commission income slightly increased versus the prior year.

Gains and losses on financial instruments and other operating income and expenses slightly increased by EUR 4.0 million, or 14.5%, to EUR 31.5 million in the first quarter 2015.

Operating expenses decreased by EUR 4.9 million, or 4.0%, to EUR 118.4 million in the first quarter 2015, driven by a reduction in personnel expenses and other administrative expenses.

The **cost-income ratio** improved by 7.9 points to 45.3% compared to the first quarter 2014.

Provisions and loan-loss provisions decreased by EUR 8.6 million, or 43.9%, to EUR 11.0 million in the first quarter 2015. This was mainly driven by positive effects from de-risking actions. **No impairment losses** occurred in the first quarter 2015 (Q1 2014: EUR 0 million).

Total assets

in EUR million	Mar 2015	Dec 2014	Change (%)	Mar 2014	Change (%)
Cash reserves	516	684	(24.6)	474	8.9
Financial assets	7,472	7,488	(0.2)	7,890	(5.3)
Available-for-sale	3,620	3,833	(5.6)	4,424	(18.2)
Held-to-maturity	2,187	2,042	7.1	1,711	27.8
Held for trading	1,288	1,163	10.7	1,143	12.7
Fair value through profit or loss	377	450	(16.2)	612	(38.4)
Loans and receivables	25,428	25,280	0.6	25,245	0.7
Customers	22,059	21,779	1.3	20,948	5.3
Debt instruments	1,791	1,983	(9.7)	2,502	(28.4)
Credit institutions	1,578	1,518	4.0	1,795	(12.1)
Hedging derivatives	574	546	5.1	202	>100
Tangible non-current assets	77	84	(8.3)	84	(8.3)
Intangible non-current assets	101	103	(1.9)	148	(31.8)
Tax assets for current taxes	7	7	–	6	16.7
Tax assets for deferred taxes	247	243	1.6	243	1.6
Other assets	153	148	3.4	139	10.1
Assets held for sale	–	68	(100)	–	–
Total assets	**34,575**	**34,651**	**(0.2)**	**34,431**	**0.4**

Financial assets remained stable at EUR 7,472 million as of 31 March 2015. **Loans and receivables with customers** increased by EUR 280 million, or 1.3%, to EUR 22,059 million as of 31 March 2015, primarily driven by growth in retail and the international business.

As of 31 December 2014, **Assets held for sale** and **Obligations in disposal groups held for sale** included the carrying amounts of assets and liabilities of BAWAG P.S.K. INVEST GmbH, which was sold in February 2015.

Total liabilities and equity

in EUR million	Mar 2015	Dec 2014	Change (%)	Mar 2014	Change (%)
Total liabilities	**32,064**	**32,246**	**(0.6)**	**31,927**	**0.4**
Financial liabilities	30,646	30,842	(0.6)	30,702	(0.2)
Fair value through profit or loss	1,682	1,675	0.4	1,992	(15.6)
Issued securities	1,682	1,675	0.4	1,992	(15.6)
Held for trading	1,713	1,174	45.9	1,057	62.1
At amortized cost	27,251	27,993	(2.7)	27,653	(1.5)
Customers	20,617	21,135	(2.5)	21,212	(2.8)
Issued securities	4,312	4,438	(2.8)	4,577	(5.8)
Credit institutions	2,322	2,420	(4.0)	1,864	24.6
Valuation adjustment on interest rate risk hedged portfolios	214	196	9.2	51	>100
Hedging derivatives	161	160	0.6	94	71.3
Provisions	534	522	2.3	474	12.7
Tax liabilities for current taxes	0	0	–	1	(100)
Tax liabilities for deferred taxes	3	3	–	10	(70.0)
Other obligations	506	517	(2.1)	595	(15.0)
Obligations in disposal groups held for sale	0	6	(100)	–	–
Total equity	**2,511**	**2,405**	**4.4**	**2,504**	**0.3**
Shareholders' equity	2,511	2,405	4.4	2,209	13.7
Non-controlling interests	–	–	–	295	(100)
Total liabilities and equity	**34,575**	**34,651**	**(0.2)**	**34,431**	**0.4**

Deposits from customers decreased by EUR 518 million, or 2.5%, to EUR 20,617 million as of 31 March 2015. The lower balance results from the proactively managed outflow of non-strategic fixed-term deposits and the effects of seasonal movements in current account balances.

Financial liabilities held for trading increased by EUR 539 million, or 45.9%, to EUR 1,713 million as of 31 March 2015, primarily resulting from fair value measurements due to foreign exchange movements and a drop in the overall interest rate level.

IFRS equity increased by EUR 106 million, or 4.4%, to EUR 2,511 million as of 31 March 2015. The change was driven by the interim net profit for the first quarter, partially offset by the negative impact from the change of interest rates of social capital in other comprehensive income.

CAPITAL AND LIQUIDITY POSITION

The management team continues to run the Bank on a fully loaded basis from a capital standpoint. After having already eliminated most of the non-sustainable capital instruments in 2014 (e.g. by fully redeeming the remaining EUR 350 million of participation capital), the final clean-up was completed by calling the last non-sustainable Tier 1 capital of EUR 83 million, which will be redeemed in the second quarter 2015. The Bank's fully loaded capital ratios further improved since 31 December 2014 from 12.1% to 13.5% (CET1 capital ratio) and from 15.8% to 17.1% (total capital ratio) as of 31 March 2015.

Our funding strategy continues to be based on our stable customer deposits. We maintain a conservative liquidity management strategy, which is reflected in our strong liquidity coverage ratio (LCR) of 141% at the end of the first quarter 2015.

KEY PERFORMANCE INDICATORS

in EUR million	**Q1 2015**	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	179.4	183.1	175.9	168.8	149.3
Net fee and commission income	50.5	43.9	46.8	51.9	55.1
Core revenues	229.9	227.0	222.7	220.7	204.4
Operating income	261.4	215.8	233.4	244.0	231.9
Operating expenses	(118.4)	(120.4)	(120.8)	(119.8)	(123.3)
Total risk costs	(11.0)	(22.2)	(14.7)	(17.9)	(19.6)
Net profit	120.7	69.6	88.5	95.1	80.0
(figures annualized)					
Return on equity	19.6%	11.7%	15.3%	17.0%	15.0%
Return on tangible equity	20.5%	12.2%	16.1%	18.2%	16.1%
Return on risk-weighted assets	2.92%	1.64%	2.09%	2.25%	1.94%
Return on total assets	1.39%	0.80%	1.02%	1.10%	0.90%
Net interest margin	2.07%	2.11%	2.03%	1.96%	1.69%
Business net interest margin	2.33%	2.36%	2.30%	2.25%	2.13%
Cost-income ratio	45.3%	55.8%	51.8%	49.1%	53.2%
Risk costs / loans and receivables	0.17%	0.35%	0.23%	0.28%	0.29%

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

Strategy

Our Retail Banking and Small Business segment services our Austrian private and small business clients through the branch partnership with Austrian Post, our online and mobile sales channels supported by our outbound customer care center, our direct bank *easybank* and BAWAG P.S.K. Leasing.

Austria is the core market for BAWAG P.S.K.'s retail segment, where we service over 1.6 million clients. We build on the foundation of a strong and well recognized national brand. Our goal is to be the number one multi-channel retail bank in Austria, offering simple, fair and transparent products and services through our various physical and digital channels – facilitated by a flexible operating model.

First Quarter 2015 Business Review

Our strong results in the Retail Banking and Small Business segment reflect the success of the continued focus on our four main value drivers:

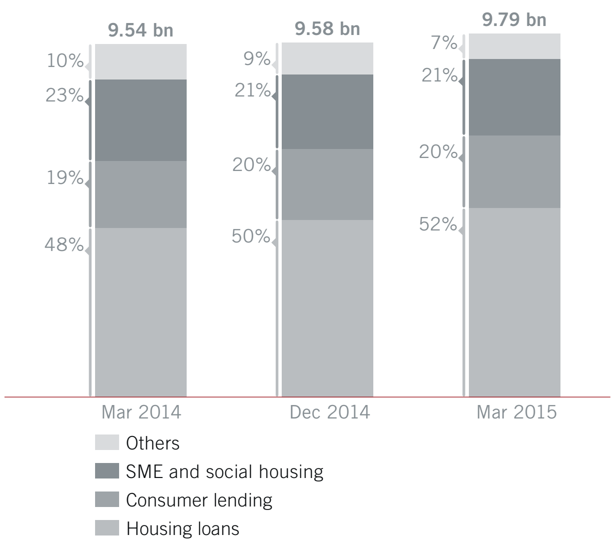
- Further expansion of our consumer loan franchise
- Stable funding from customer deposits with an optimized liability structure
- Driving sales productivity and enhancing the overall customer experience in our branch network
- Shift-to-digital by continuously enhancing our digital product and service offerings

Further expansion of our consumer loan franchise

During the first quarter 2015, we continued to grow our consumer loan franchise in absolute terms while also capturing market share. At the end of the first quarter, BAWAG P.S.K. had a consumer loan market share of 9.4% (up 40 basis points since year-end 2014 and 90 basis points since first quarter 2014). Our new business loan originations during the quarter were greater than EUR 100 million, with net asset growth of 4.9% against an overall market growth rate of 0.7%. These results were in light of continuing to hold margins stable and maintaining our disciplined underwriting standards.

In an environment characterized by muted customer loan demand we continued to attract new customers and generate repeat business with existing customers. Our instant credit decision at the point-of-sale combined with the quality of our advisory and sales processes differentiated us from our competitors. Additionally, we are seeing increasing product demand from our complementary online and call center sales channels. During the first quarter 2015, approximately 10% of our consumer loan sales were initiated via our website, e-banking portal and call center.

Retail Asset Volume Development



Retail assets stood at EUR 9.79 billion at the end of the first quarter 2015, up 2.2% versus year-end and 2.6% versus first quarter 2014. The net asset growth is driven primarily by both consumer and housing loans.

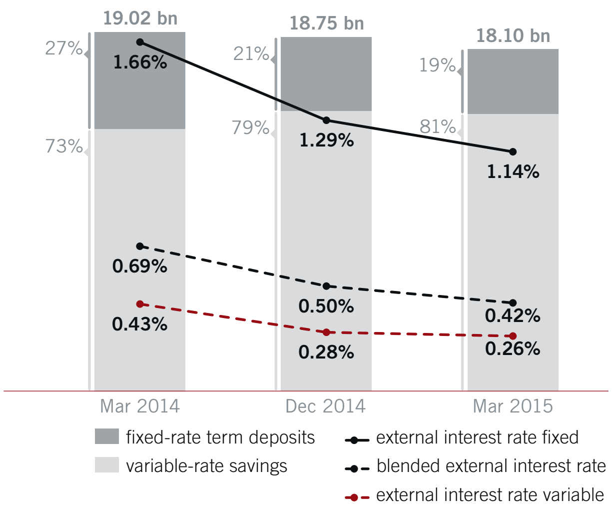
Stable funding from customer deposits with optimized liability structure

The optimization of our liability structure by shifting deposit volumes from fixed-term deposits to variable-rate savings cards with better economics remains one of our major initiatives in 2015. We are currently on track to outperform our 2015 target of minimum 80% in variable savings at year-end. This is key for both interest expense management as well as providing greater capacity to our sales force to focus on advisory services and sale of investment and lending products.

The interest rates paid for fixed-rate term deposits and variable-rate savings show a further decline in line with the overall interest rate development. Our cost of funding at the end of March 2015 stood at 0.42% (compared to 0.50% at the end of 2014 and 0.69% at the end of March 2014), with the continuing decrease being a result of the optimized product mix, volume and pricing.

The retail customer deposit volume at the end of March 2015 amounted to EUR 18.10 billion compared to EUR 18.75 billion at year-end 2014. The lower balance results from the proactively managed outflow of non-strategic fixed-term deposits and the effects of seasonal movements in current account balances.

Retail Customer Deposit Volume Development



easybank

easybank, a 100% subsidiary of BAWAG P.S.K., is Austria's first direct bank offering a full product portfolio, ranging from current accounts and savings products to credit cards, security products and investment funds. *easybank* received the FORMAT award as the best Austrian online bank for the second time in March 2015. In January 2015, *easybank*'s current account product "easy gratis" was ranked the most attractive Austrian salary account for the ninth time in a row by the Vienna Chamber of Labor.

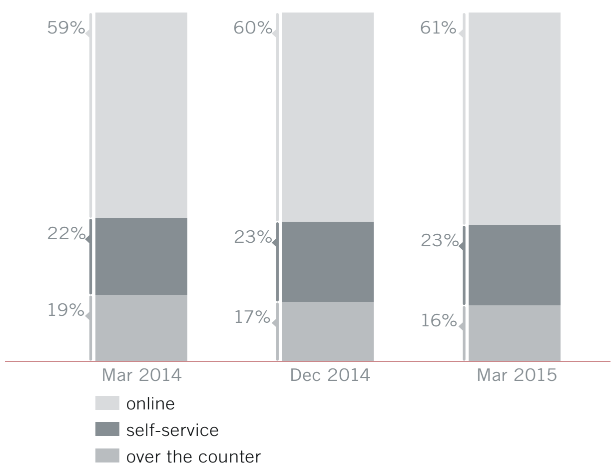
After reporting record results since its foundation, *easybank* ended the first quarter with 522,000 accounts, up 3% since year-end 2014. *easybank* further increased its deposit base to EUR 2.9 billion at the end of the first quarter 2015, up 7% from the first quarter 2014. These positive developments were against the backdrop of continuing to be the low-cost efficient pricing leader for savings products across direct banks. In terms of loans to customers, *easybank* reported a loan volume of EUR 208.7 million, compared to EUR 142.8 million, or up 46%, to the prior year, with the main driver being strong growth in consumer loans.

easybank's strategic partnership with Shell Austria is developing successfully. Currently the partnership has integrated over 130 cash management terminals across Shell gas stations in Austria benefiting customers as well as streamlining cash handling processes. The Shell Austria partnership has allowed *easybank* to expand its market presence and brand awareness and continue to reach customers across the country.

Driving sales productivity and enhancing the overall customer experience in our branch network

In 2015, we are continuing to drive a shift of transactions and services to online and self-service channels. During the first quarter, 61% of all payment transactions were completed online compared to 59% the prior year. The number of payment transactions over branch counters steadily decreased, a reflection of the growing demand of our customers for online services and multi-channel offerings.

Payment Transactions per Channel



As a result of the ongoing shift of transactions and services to online channels, our sales advisors are focusing more on advisory-intensive products such as investment products. During the first quarter 2015, our growth in fund sales was 21% compared to the first quarter 2014. New business fund sales were approximately EUR 500 million and fee income from investment products was up 20% compared to the first quarter 2014.

This strong performance is a sign of the positive momentum generated by our new partnership with the global asset manager Amundi, which acquired 100% of BAWAG P.S.K. INVEST in February of this year. In March we began marketing our first Amundi fund product through our retail network, which has outperformed over the last years and received several awards. Between the mix of our advisory capabilities and Amundi's product range, we are confident our fund sales will continue to outperform for the remainder of the year.

Shift-to-digital by continuously enhancing our digital product and service offerings

In the "digital world" of BAWAG P.S.K. we are continuously extending our services and functionalities. For instance, during the first quarter 2015 we integrated an upload functionality in our e-banking (e.g. for authentication documents) while also adding multimedia capabilities to our e-banking mailbox for even better communication with our clients.

Both our investments and the continuous shift of customer behavior are reflected in the increasing number of clients who frequently use our e-banking. As of the end of the first quarter, 43.6% of our current account customers regularly used our e-banking platform, up 2 points from the prior year. Market analysis demonstrates that our e-banking offer compares very favorably to that of our European peer group. Our attractive offering results on average in approximately 11 log-ins per month per each active e-banking client, which is well above the average for our peer group of approximately 8 log-ins per month.

Our online product range covers consumer loans, savings products and investment products. We continue to expand our offerings via e-banking. In the first quarter, we introduced building savings schemes ("Bausparverträge") to our online customers. Up until recently, this product had only been offered via our branch network.

Our online marketing activities have led to a 19% increase in visitors per day across our online platform (69,000 in the first quarter versus 58,000 a year ago). The strong growth in our digital consumer loans – accounting for 10% of total consumer loan sales – demonstrates the success of our innovative approach in the digital banking space.

Outlook

Through the course of 2015, we aim to further grow the segment's net profit by continuing to focus on our key initiatives. We are keenly focused on addressing the rapid shift to digital taking place. In the coming months, we plan to introduce a variety of new online products and services, such as a new scan function in our mobile app for easier handling of the IBAN on payment slips, in order to strengthen our position as the leading multi-channel retail bank in Austria.

Financial Results

Income metrics (in EUR million)	Q1 2015	Q1 2014	Change (%)	Q4 2014	Change (%)
Net interest income	95.3	94.9	0.4	103.3	(7.7)
Net fee and commission income	42.9	46.0	(6.7)	34.3	25.1
Core revenues	**138.2**	**140.9**	**(1.9)**	**137.6**	**0.4**
Gains and losses on financial instruments	0.8	0.3	>100	0.0	100
Other operating income and expenses	1.5	0.7	>100	1.0	50.0
Operating income	**140.5**	**141.9**	**(1.0)**	**138.6**	**1.4**
Operating expenses	**(81.8)**	**(91.1)**	**(10.2)**	**(96.3)**	**(15.1)**
Total risk costs	(10.5)	(9.1)	15.4	(9.5)	10.5
Profit before tax (= net profit)	**48.2**	**41.7**	**15.6**	**32.8**	**47.0**

Key ratios	Q1 2015	Q1 2014	Change (pts)	Q4 2014	Change (pts)
Return on equity	37.4%	40.6%	(3.2)	26.5%	10.9
Return on risk-weighted assets	5.58%	5.23%	0.35	3.74%	1.84
Net interest margin	3.94%	3.98%	(0.04)	4.30%	(0.36)
Cost-income ratio	58.2%	64.2%	(6.0)	69.5%	(11.3)
Risk costs / loans and receivables	0.44%	0.39%	0.05	0.40%	0.04
NPL ratio	3.24%	3.40%	(0.16)	3.22%	0.02

Business volumes (in EUR million)	Mar 2015	Dec 2014	Change (%)	Mar 2014	Change (%)
Assets	9,792	9,579	2.2	9,536	2.7
Risk-weighted assets	3,492	3,420	2.1	3,272	6.7
Customer deposits	18,104	18,746	(3.4)	19,023	(4.8)

Core revenues in the first quarter 2015 remained stable compared to the same period in 2014. The continued efficiency improvements resulted in a 10% decrease in operating expenses compared to the first quarter 2014. The segment's cost-income ratio further improved to 58.2%, representing a 6 point decrease from the previous year.

Overall, the segment achieved a EUR 48.2 million net profit in the first quarter, a 16% increase compared to the first quarter 2014.

CORPORATE LENDING AND INVESTMENTS

Strategy

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

We continued to focus on our business solution partner concept to service our Austrian corporate and public sector clients according to their needs with the full range of financing, investment and payment servicing products fulfilled by a dedicated team of sales professionals across the country. Our focus in Austria continues to be on maintaining and acquiring sustainable relationships while holding strong pricing discipline on our credit products despite the competitive landscape. Our international lending and investment strategy remains primarily focused on stronger Western European countries, such as Germany, the UK and France as well as the United States (~70% of total portfolio).

At the same time, we have further managed down non-core legacy loan assets from CEE countries as well as underperforming assets within Austria, which were characterized by low return and riskier geographic exposures or were in business lines in which BAWAG P.S.K. had a limited competitive advantage. The remaining corporate loan exposure to CEE countries is below 0.4% of the total balance sheet.

Less than 4% (~EUR 535 million) of the total assets of the segment are denominated in CHF, 97% with Austrian clients and thereof approximately 65% with Austrian municipalities. We are working closely with our customers impacted by the FX situation but do not expect a material increase in risk in any of these limited situations.

First Quarter 2015 Business Review

Austrian Corporate Business

Overall corporate and public sector loan demand in Austria remained low as seen in 2014 – resulting from several factors including flat domestic output, lower corporate investment due to concerns arising from CEE and Russia as well as other macro risks across Europe. Our business solution teams in Austria continued to elevate our strong client relationships across financing products as well as payments and cash management services, while striving to maintain and increase strong risk-adjusted pricing for the Bank.

New business volume with our core relationships remained at a level comparable to that seen in the first quarter 2014, with EUR 100 million of new investment in addition to normal renewals in the first quarter 2015. Overall market share decreased slightly due to the proactive refinancing of customers who could not meet minimum profitability requirements as well as early redemptions of companies using the competitive environment for cheaper refinancings.

Net fee and commission income – mainly arising from payment activities of our clients – slightly decreased (at stable transaction volumes).

International Business

We continued to focus on our loan origination and investment opportunities predominantly in select developed Western countries.

Our **international corporate business** reported new business volume of EUR 200 million in the first quarter 2015. Taking into account the impact of exchange rates (primarily from our loans denominated in USD) the overall asset base increased to EUR 3.9 billion. Repricing and refinancing continued as companies took advantage of the low interest rates and strong market conditions. Our new business volume primarily consists of investment grade loans (combined with selective security purchases) with a general focus on more defensive industries. The overall blended net leverage of the companies in our international corporate portfolio was <4.0x and for the tranches BAWAG P.S.K. invested in <3.0x in the first quarter 2015.

Our **international real estate financing business** funded new business volumes of EUR 600 million in the first quarter 2015. Combined with the impact of exchange rates (primarily loans denominated in USD and GBP) the overall asset base increased to EUR 2.5 billion. Transaction diversification continues across our commercial real estate lending business on a geographic, asset and industry basis. These transactions focused primarily on traditional real estate financings with attractive LTVs, strong cash flow, shorter weighted expected maturities and solid covenant characteristics. The overall portfolio performance and credit trends remain solid with some shortening of duration as loan amortizations increase ahead of original projections.

We are also active in portfolio financing transactions that are characterized by low loan-to-value (LTV) / low loan-to-cost (LTC) positions from a more diversified portfolio of cash generating real estate assets. The portfolio has strong collateral coverage characteristics (average LTV of 57%), provides strong cash flows (average debt yield of >10%) and is structured to perform well even in stressed market conditions, offset by short average durations.

Outlook

We plan for an Austrian market that will remain quite competitive with continued low loan demand and compressed margins. However, we expect that recent volatility and lower profitability in the CEE region for other Austrian banks may actually result in greater pricing discipline in Austria over an intermediate timeframe as well as opportunities for us to capture new client relationships. Furthermore, we will continue our strategy of deleveraging our non-core exposures while supporting our core customers with more simplified products, services and advice.

In the international business, we see a solid pipeline of diversified transactions for the remainder of 2015 and expect selective growth in both the international corporate and real estate portfolios. We expect slightly lower overall margins for the remainder of 2015 as we see competition across Europe increasing for high-quality corporate and real estate transactions.

Financial Results

Income metrics (in EUR million)	Q1 2015	Q1 2014	Change (%)	Q4 2014	Change (%)
Net interest income	61.1	44.6	37.0	60.9	0.3
Net fee and commission income	9.8	11.7	(16.2)	10.8	(9.3)
Core revenues	**70.9**	**56.3**	**25.9**	**71.7**	**(1.1)**
Gains and losses on financial instruments	6.3	0.4	>100	0.2	>100
Other operating income and expenses	0.0	0.0	–	0.0	–
Operating income	**77.2**	**56.7**	**36.2**	**71.9**	**7.4**
Operating expenses	**(21.7)**	**(20.2)**	**7.4**	**(22.7)**	**(4.4)**
Total risk costs	(1.4)	(12.0)	(88.3)	(13.6)	(89.7)
Profit before tax (= net profit)	**54.1**	**24.5**	**>100**	**35.6**	**52.0**

Key ratios	Q1 2015	Q1 2014	Change (pts)	Q4 2014	Change (pts)
Return on equity	19.0%	10.7%	8.3	12.9%	6.1
Return on risk-weighted assets	2.83%	1.38%	1.45	1.82%	1.01
Net interest margin	1.76%	1.37%	0.39	1.74%	0.02
Cost-income ratio	28.1%	35.6%	(7.5)	31.6%	(3.5)
Risk costs / loans and receivables	0.04%	0.41%	(0.37)	0.41%	(0.37)
NPL ratio	1.01%	2.74%	(1.73)	1.15%	(0.14)

Business volumes (in EUR million)	Mar 2015	Dec 2014	Change (%)	Mar 2014	Change (%)
Assets	13,827	13,885	(0.4)	13,022	6.2
Risk-weighted assets	7,630	7,643	(0.2)	7,205	5.9
Customer deposits (incl. other refinancing)	2,364	3,230	(26.8)	3,190	(25.9)

Core revenues in the first quarter 2015 amounted to EUR 70.9 million compared to EUR 56.3 million in the first quarter 2014, representing a significant increase 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 37% compared to the first quarter 2014. During the same period, net fee and commission income decreased from EUR 11.7 million to EUR 9.8 million.

Low risk costs of EUR 1.4 million and an NPL ratio of 1.01% reflect positive impacts from our de-risking actions. The segment contributed EUR 54.1 million to the Bank's net profit in the first quarter compared to EUR 24.5 million in the first quarter 2014.

Continued growth in core business areas is reflected in an increase in assets of more than EUR 800 million versus the first quarter 2014.

TREASURY SERVICES AND MARKETS

First Quarter 2015 Business Review

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

Among the key responsibilities of Treasury Services and Markets is the management of the Bank's 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 predominantly representing unsecured and secured bonds of financials in core Europe and the United States as well as select sovereign bond exposures and high-quality CLOs (100% AAA-rated at quarter-end) in order to maintain solid diversification.

During the first quarter 2015, Treasury Services and Markets moderately increased investment and designation in held-to-maturity securities to EUR 2.2 billion in total as of 31 March 2015, while at the same time available-for-sale securities and fair value positions were reduced to EUR 2.4 billion. Overall bank derivatives volumes were reduced to EUR 52 billion at the end of the reporting period through the use of enhanced portfolio management techniques and a decrease in fair value credit derivatives positions. Also, all remaining AA-rated CLOs were sold during the reporting period, leaving the remaining exposure 100% AAA-rated.

We continue the strategy of balancing the investment portfolio between long-term investment in high-quality securities while still maintaining our available-for-sale portfolio to preserve the flexibility of redeployment into customer loans and receivables, or other balance sheet management activities.

As of 31 March 2015, Treasury Services and Markets managed a total investment portfolio of EUR 5.4 billion. The portfolio's average maturity was 3.9 years, comprised 100% of investment grade-rated securities of which 87% were rated in the single A category or higher. Exposure to CEE represented less than 5% of the portfolio and was limited to select bonds, with 95% rated in the single A equivalent category or better. The Bank has no exposure to HETA in its securities portfolio. The portfolio had no direct exposure to Russia, Hungary or South-Eastern Europe as of 31 March 2015. Exposure in the European periphery continues to be moderate and comprises shorter-dated, liquid bonds of well-known issuers. This overall composition reflects the Bank's strategy to maintain high credit quality, shorter duration and strong liquidity in the 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)	**Q1 2015**	Q1 2014	Change (%)	Q4 2014	Change (%)
Net interest income	12.9	13.2	(2.3)	13.1	(1.5)
Net fee and commission income	0.0	0.1	(100)	0.0	–
Core revenues	**12.9**	**13.3**	**(3.0)**	**13.1**	**(1.5)**
Gains and losses on financial instruments	1.2	0.2	>100	3.5	(65.7)
Other operating income and expenses	0.0	0.0	–	0.0	–
Operating income	**14.1**	**13.5**	**4.4**	**16.6**	**(15.1)**
Operating expenses	**(5.1)**	**(5.5)**	**(7.3)**	**(5.4)**	**(5.6)**
Total risk costs	0.0	0.0	–	0.0	–
Profit before tax (= net profit)	**9.0**	**8.0**	**12.5**	**11.2**	**(19.6)**

Key ratios	**Q1 2015**	Q1 2014	Change (pts)	Q4 2014	Change (pts)
Return on equity	12.6%	13.8%	(1.2)	15.4%	(2.8)
Return on risk-weighted assets	1.87%	1.78%	0.09	2.17%	(0.30)
Net interest margin	0.92%	0.97%	(0.05)	0.90%	0.02
Cost-income ratio	36.2%	40.7%	(4.5)	32.5%	3.7

Business volumes (in EUR million)	**Mar 2015**	Dec 2014	Change (%)	Mar 2014	Change (%)
Assets	5,402	5,755	(6.1)	5,719	(5.5)
Risk-weighted assets	1,678	2,172	(22.7)	2,180	(23.0)

Core revenues, operating income and net profit in the first quarter 2015 remained largely stable compared to the first quarter 2014. Selective new investments and strategic sales supported a decrease of risk-weighted assets by 23% to EUR 1.7 billion in the first quarter 2015 compared to EUR 2.2 billion at year-end 2014 and the first quarter 2014.

CORPORATE CENTER

First Quarter 2015 Review

The Corporate Center contains central functions such as Risk, Legal and the Group Asset-Liability Management activities. The liquidity reserve of the Bank and positive market values from derivatives represent the largest portion of assets, while own issues represent the majority of the liabilities. In addition to the bank levy, all restructuring expenses, tax-related expenses and other one-off items are included in this segment.

In the first quarter 2015, the segment showed a balanced performance. The liquidity reserve and other assets as well as risk-weighted assets remained largely stable during the reporting period, while the increase in liabilities was mainly driven by a more consistent presentation of OeKB and EIB funds, which were previously shown in the Corporate Lending and Investments segment. In terms of risk-weighted assets, 46% (EUR 1.6 billion) of the total amount of EUR 3.5 billion relate to operational risk captured in the Corporate Center.

Financial Results

Income metrics (in EUR million)	**Q1 2015**	Q1 2014	Change (%)	Q4 2014	Change (%)
Net interest income	10.1	(3.4)	–	5.8	74.1
Net fee and commission income	(2.2)	(2.7)	18.5	(1.2)	(83.3)
Core revenues	**7.9**	**(6.1)**	**–**	**4.6**	**71.7**
Gains and losses on financial instruments	21.6	17.3	24.9	(16.5)	–
Other operating income and expenses	0.1	8.6	(98.8)	0.7	(85.7)
Operating income	**29.6**	**19.8**	**49.5**	**(11.2)**	**–**
Operating expenses	**(9.8)**	**(6.6)**	**48.5**	**4.1**	**–**
Total risk costs	0.9	1.5	40.0	0.8	(12.5)
Bank levy	(5.8)	(6.1)	(4.9)	(6.2)	(6.5)
Share of the profit or loss of associates accounted for using the equity method	1.3	(0.6)	–	0.5	>(100)
Profit before tax	**16.2**	**8.0**	**>100**	**(12.0)**	**–**
Net profit	**9.4**	**5.7**	**64.9**	**(10.0)**	**–**

Volumes (in EUR million)	**Mar 2015**	Dec 2014	Change (%)	Mar 2014	Change (%)
Liquidity reserve and other assets	5,553	5,432	2.2	6,153	(9.8)
Risk-weighted assets	3,467	3,557	(2.5)	4,385	(20.9)
Own issues, equity and other liabilities	14,107	12,675	11.3	12,218	15.5

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, please read the information in the Notes section.

OUTLOOK

Our **key operating targets for 2015** – as outlined in our Annual Report 2014 – are as follows:

- Net profit >EUR 400 million and return on equity >14%
- Net cost-out of 5-10% and cost-income ratio <50%
- NPL ratio of <2.5%
- Fully loaded CET1 ratio >12% and total capital >16%
- Fully loaded leverage ratio >6%
- Liquidity coverage ratio >100%

BAWAG P.S.K. has delivered very strong results in the first quarter 2015. We anticipate this positive trend to continue throughout the year. All key financial targets are expected to be outperformed from today's perspective.

DEFINITIONS

Business net interest margin	Net interest income (excl. Corporate Center) / average total assets (excl. Corporate Center)
Common Equity Tier 1 capital (CET1)	Based on IFRS CRR regulatory figures (BAWAG P.S.K. Group) including interim profit and year-to-date loan-loss provision movements, excluding any transitional capital (fully loaded), as of the current reporting date; for prior reporting dates, please refer to the definitions in the respective annual and quarterly reports
Common Equity Tier 1 capital ratio	Common Equity Tier 1 capital (CET1) / risk-weighted assets
Core revenues	The total of net interest income and net fee and commission income
Cost-income ratio	Operating expenses / operating income
IFRS equity	Equity attributable to the owners of the parent; excluding participation capital and minorities
IFRS tangible equity	IFRS equity reduced by the carrying amount of intangible assets
Leverage ratio	Common Equity Tier 1 capital (CET1) / total exposure (calculation according to CRR, based on Promontoria Sacher Holding N.V. Group)
Liquidity coverage ratio (LCR)	Liquid assets / net liquidity outflows 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 (including provisions)
Operating income	The total of core revenues, gains and losses on financial instruments and other operating income and expenses
Operating profit	Operating income less operating expenses and bank levy
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 the current reporting date; for prior reporting dates please, refer to the definitions in the respective annual and quarterly reports; Q1 2014: pro-forma IFRS calculation
Risk costs / loans and receivables	Provisions and loan-loss provisions as well as impairment losses (total risk costs) / average loans and receivables (including provisions)
Total capital	Based on IFRS CRR regulatory figures (BAWAG P.S.K. Group) including interim profit and year-to-date loan-loss provision movements, excluding any transitional capital (fully loaded), as of the current reporting date; 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

PROFIT OR LOSS STATEMENT

in EUR million	[Notes]	Q1 2015	Q1 2014 adjusted
Interest income		273.2	267.1
Interest expense		(96.4)	(117.8)
Dividend income		2.6	0.0
Net interest income	**[1]**	**179.4**	**149.3**
Fee and commission income		74.9	82.1
Fee and commission expenses		(24.4)	(27.0)
Net fee and commission income	**[2]**	**50.5**	**55.1**
Gains and losses on financial assets and liabilities	[3]	29.9	18.2
Other operating income and expenses		(4.2)	3.2
Operating expenses	[4]	(118.4)	(123.3)
Provisions and impairment losses	[5]	(11.0)	(19.6)
Share of the profit or loss of associates accounted for using the equity method		1.3	(0.6)
Profit before tax		**127.5**	**82.3**
Income taxes		(6.8)	(2.0)
Profit after tax		**120.7**	**80.3**
Thereof attributable to non-controlling interests		0.0	0.3
Thereof attributable to owners of the parent		**120.7**	**80.0**

In accordance with IFRS, the item Other operating income and expenses also includes the bank levy in the amount of EUR 5.8 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.

Other operating expenses for the first quarter 2015 include the estimated contribution to the Austrian bank resolution fund in the amount EUR 3.3 million which will be payable by the end of 2015.

STATEMENT OF COMPREHENSIVE INCOME

in EUR million	[Notes]	Q1 2015	Q1 2014
Profit after tax		**120.7**	**80.3**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gain/loss on defined benefit plans	[12]	(19.5)	0.0
Income tax on items that will not be reclassified		4.9	0.0
Total items that will not be reclassified to profit or loss		**(14.6)**	**0.0**
Items that may be reclassified subsequently to profit or loss			
Available-for-sale reserve		(3.1)	2.4
Income tax relating to items that may be reclassified		0.7	(0.8)
Total items that may be reclassified subsequently to profit or loss		**(2.4)**	**1.6**
Total comprehensive income, net of tax		**103.7**	**81.9**
Thereof attributable to non-controlling interests		0.0	0.3
Thereof attributable to owners of the parent		**103.7**	**81.6**

STATEMENT OF FINANCIAL POSITION

Total assets

in EUR million	[Notes]	Mar 2015	Dec 2014
Cash reserves		516	684
Financial assets designated at fair value through profit or loss		377	450
Available-for-sale financial assets	[6]	3,620	3,833
Held-to-maturity investments		2,187	2,042
Financial assets held for trading	[7]	1,288	1,163
Loans and receivables	[8]	25,428	25,280
Customers		22,059	21,779
Securities		1,791	1,983
Credit institutions		1,578	1,518
Hedging derivatives		574	546
Property, plant and equipment		77	84
Goodwill		1	1
Software and other intangible assets		100	102
Tax assets for current taxes		7	7
Tax assets for deferred taxes		247	243
Associates recognized at equity		38	37
Other assets		115	111
Assets in disposal groups		–	68
Total assets		**34,575**	**34,651**

The line items Goodwill and Software and other intangible assets are shown under the line item Intangible non-current assets in Note 16 of this Consolidated Interim Report. As of 31 December 2014, the line items Assets in disposal groups and Obligations in disposal groups included the carrying amounts of assets and liabilities of BAWAG P.S.K. INVEST GmbH, which was sold in February 2015.

Total liabilities and equity

in EUR million	[Notes]	Mar 2015	Dec 2014
Total liabilities		**32,064**	**32,246**
Financial liabilities designated at fair value through profit or loss	[9]	1,682	1,675
Financial liabilities held for trading	[10]	1,713	1,174
Financial liabilities at amortized cost	[11]	27,251	27,993
Customers		20,617	21,135
Issued bonds, subordinated and supplementary capital		4,312	4,438
Credit institutions		2,322	2,420
Valuation adjustment on interest rate risk hedged portfolios		214	196
Hedging derivatives		161	160
Provisions	[12]	534	522
Tax liabilities for deferred taxes		3	3
Other obligations		506	517
Obligations in disposal groups		–	6
Total equity		**2,511**	**2,405**
Equity attributable to the owners of the parent		2,511	2,405
Total liabilities and equity		**34,575**	**34,651**

STATEMENTS OF CHANGES IN EQUITY

in EUR million	Subscribed capital	Participation capital[1]	Capital reserves	Retained earnings reserve	AFS reserve net of tax	Actuarial gains/losses net of tax	Equity attributable to the owners of the parent	Non-controlling interests	Equity including non-controlling interests
Balance as of 01.01.2014	**250.0**	**350.0**	**1,510.7**	**228.0**	**98.8**	**(34.4)**	**2,403.1**	**395.3**	**2,798.4**
Transactions with owners	–	–	129.0	–	–	–	129.0	(101.0)	28.0
Owner's contribution	–	–	129.0	–	–	–	129.0	–	129.0
Redemption of participation capital	–	(350.0)	–	–	–	–	(350.0)	–	(350.0)
Dividends	–	–	–	(54.5)	–	–	(54.5)	–	(54.5)
Total comprehensive income	–	–	–	80.0	1.6	–	81.6	0.3	81.9
Balance as of 31.03.2014	**250.0**	**–**	**1,639.7**	**253.5**	**100.4**	**(34.4)**	**2,209.2**	**294.6**	**2,503.8**
Balance as of 01.01.2015	**250.0**	**–**	**1,636.3**	**496.5**	**107.0**	**(84.5)**	**2,405.3**	**–**	**2,405.3**
Transactions with owners	–	–	2.0	–	–	–	2.0	–	2.0
Owner's contribution	–	–	2.0	–	–	–	2.0	–	2.0
Total comprehensive income	–	–	–	120.7	(2.4)	(14.6)	103.7	–	103.7
Balance as of 31.03.2015	**250.0**	**–**	**1,638.3**	**617.2**	**104.6**	**(99.1)**	**2,511.0**	**–**	**2,511.0**

1) Participation capital according to section 26b BWG.

CONDENSED CASH FLOW STATEMENT

in EUR million	Q1 2015	Q1 2014
Cash and cash equivalents at end of previous period	**684**	**481**
Net cash from operating activities	(226)	467
Net cash used in investing activities	68	(198)
Net cash from financing activities	(10)	(276)
Cash and cash equivalents at end of period	**516**	**474**

NOTES

The consolidated interim financial statements of BAWAG P.S.K. Group as of 31 March 2015 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 quarter of 2015 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 2014.

The following new interpretations and amendments to existing standards are mandatory for periods beginning on 1 January 2015, but have no material effect on the consolidated interim financial statements of BAWAG P.S.K.:

- Amendments to IAS 19 Employee Benefits: Defined Benefit Plans – Employee Contributions
- IFRIC 21 Levies
- Annual Improvements to IFRS (2010-2012 Cycle)
- Annual Improvements to IFRS (2011-2013 Cycle)

The valuation principles as of 31 December 2014 were applied again.

As of 31 March 2015, the Group consists of 29 (31 December 2014: 30) fully consolidated entities and 2 (31 December 2014: 2) entities that are accounted for using the equity method in Austria and abroad. In the first quarter of 2015, BAWAG P.S.K. INVEST GmbH was sold and, thus, deconsolidated.

The interim financial statements for the first quarter of 2015 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 2014, we refer to the Notes to the consolidated financial statements as of 31 December 2014.

CHANGE IN PRESENTATION OF INTEREST EXPENSE WITHIN IAS 19 – EMPLOYEE BENEFITS

IAS 19 does not include any rules on the presentation of interest expense in the profit or loss statement in connection with provisions for social capital. Accordingly, the interest component can be shown either under the line item interest expense or staff costs. Until 2014, the disclosure was done under the line item operating expenses. In the current financial reporting period, the management has decided to reclassify the interest expense of provisions for social capital from operating expenses to interest expense for a more transparent disclosure and an improved interest cost allocation for social capital. Comparative amounts for the previous period were adjusted accordingly. The following table shows the effects in 2015 and 2014 on each item that was reclassified:

in EUR million	Q1 2015	Q1 2014
Operating expenses	+2.4	+3.7
Interest expense	(2.4)	(3.7)

MAJOR EVENTS AFTER THE REPORTING DATE

BAWAG CAPITAL FINANCE II LIMITED, St. Helier

As of the reporting date, BAWAG Capital Finance (Jersey) II Limited has announced to exercise its call option in relation to Perpetual Non-cumulative Non-voting Fixed Rate Preference Shares and will redeem the outstanding 3,335,140 preference shares of EUR 25 each per 27 June 2015. The ECB has already approved the call and the investors have been informed in time.

Changed Leasing structure

BAWAG P.S.K. LEASING GmbH demerged its core business car leasing into BAWAG P.S.K. Autoleasing GmbH, a newly founded 100% subsidiary of easybank AG.

DETAILS OF THE PROFIT OR LOSS STATEMENT

1 | Net interest income

in EUR million	Q1 2015	Q1 2014 adjusted
Interest income	273.2	267.1
Interest expense	(96.4)	(117.8)
Dividend income	2.6	0.0
Net interest income	**179.4**	**149.3**

2 | Net fee and commission income

in EUR million	Q1 2015	Q1 2014
Fee and commission income	**74.9**	**82.1**
Payment transfers	42.2	47.7
Lending	5.8	7.4
Securities and custody business	16.8	15.7
Other	10.1	11.3
Fee and commission expenses	**(24.4)**	**(27.0)**
Payment transfers	(8.9)	(10.6)
Other	(15.5)	(16.4)
Net fee and commission income	**50.5**	**55.1**

3 | Gains and losses on financial assets and liabilities

in EUR million	Q1 2015	Q1 2014
Realized gains on sales of subsidiaries and securities	21.2	10.7
Fair value gains and losses	3.8	8.8
Gains (losses) from fair value hedge accounting	5.4	1.0
Others	(0.5)	(2.3)
Gains and losses on financial assets and liabilities	**29.9**	**18.2**

4 | Operating expenses

in EUR million	Q1 2015	Q1 2014 adjusted
Staff costs	(64.3)	(73.6)
Other administrative expenses	(41.5)	(45.9)
Depreciation and amortization on tangible and intangible assets	(8.0)	(7.5)
Restructuring and other one-off expenses	(4.6)	3.7
Operating expenses	**(118.4)**	**(123.3)**

In the first quarter of 2015, the line item Restructuring and other one-off expenses mainly includes expenses for restructuring, partly offset by the change in the presentation of interest expense for social capital provisions.

5 | Provisions and impairment losses

in EUR million	Q1 2015	Q1 2014
Loan-loss provisions and changes in provisions for off-balance credit risk	(11.0)	(19.6)
Impairment losses on financial assets	0.0	0.0
Provisions and impairment losses	**(11.0)**	**(19.6)**

DETAILS OF THE STATEMENT OF FINANCIAL POSITION

6 I Available-for-sale financial assets

in EUR million	Mar 2015	Dec 2014
Bonds	**3,543**	**3,757**
Bonds of other issuers	2,947	3,134
Public sector debt instruments	596	623
Subsidiaries and other equity investments	**77**	**76**
Available-for-sale financial assets	**3,620**	**3,833**

7 I Financial assets held for trading

in EUR million	Mar 2015	Dec 2014
Derivatives in trading book	528	404
Derivatives in banking book	760	759
Financial assets held for trading	**1,288**	**1,163**

8 I Loans and receivables

Mar 2015 in EUR million	Unimpaired assets	Impaired assets (total gross carrying amount)	Allowances for individually impaired financial assets	Allowances for collectively impaired financial assets	Total net carrying amount
Receivables from customers	**21,723**	**599**	**(219)**	**(43)**	**22,059**
thereof IBNR portfolio provision[1)]	0	0	0	(30)	(30)
Securities	**1,791**	**0**	**0**	**0**	**1,791**
Receivables from credit institutions	**1,578**	**0**	**0**	**0**	**1,578**
Total	**25,092**	**599**	**(219)**	**(43)**	**25,428**

1) Allowance for incurred but not reported losses.

Dec 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	**21,441**	**616**	**(236)**	**(42)**	**21,779**
thereof IBNR portfolio provision[1)]	0	0	0	(31)	(31)
Securities	**1,983**	**0**	**0**	**0**	**1,983**
Receivables from credit institutions	**1,518**	**0**	**0**	**0**	**1,518**
Total	**24,942**	**616**	**(236)**	**(42)**	**25,280**

1) Allowance for incurred but not reported losses.

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

Mar 2015 in EUR million	Unimpaired assets	Impaired assets (total gross carrying amount)	Allowances for individually impaired financial assets	Allowances for collectively impaired financial assets	Total net carrying amount
Retail Banking and Small Business	9,546	243	(165)	(13)	9,611
Corporate Lending and Investments	13,037	69	(44)	0	13,062
Treasury Services and Markets	805	0	0	0	805
Corporate Center	1,704	286	(10)	(30)	1,949
Total	**25,092**	**599**	**(219)**	**(43)**	**25,428**

Dec 2014 in EUR million	Unimpaired assets	Impaired assets (total gross carrying amount)	Allowances for individually impaired financial assets	Allowances for collectively impaired financial assets	Total net carrying amount
Retail Banking and Small Business	9,240	237	(158)	(11)	9,308
Corporate Lending and Investments	13,089	93	(67)	0	13,115
Treasury Services and Markets	959	0	0	0	959
Corporate Center	1,654	286	(11)	(31)	1,898
Total	**24,942**	**616**	**(236)**	**(42)**	**25,280**

The following table depicts the breakdown of receivables from customers by credit type:

Receivables from customers – Breakdown by credit type

in EUR million	Mar 2015	Dec 2014
Loans	19,967	19,533
Current accounts	1,295	1,423
Finance leases	646	672
Cash advances	151	151
Receivables from customers	**22,059**	**21,779**

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

in EUR million	Mar 2015	Dec 2014
Issued debt securities	1,263	1,289
Subordinated and supplementary capital	419	386
Financial liabilities designated at fair value through profit or loss	**1,682**	**1,675**

10 | Financial liabilities held for trading

in EUR million	Mar 2015	Dec 2014
Derivatives trading book	559	403
Derivatives banking book	1,154	771
Financial liabilities held for trading	**1,713**	**1,174**

11 | Financial liabilities measured at amortized cost

in EUR million	Mar 2015	Dec 2014
Deposits from banks	**2,322**	**2,420**
Deposits from customers	**20,617**	**21,135**
Savings deposits – fixed interest rates	2,998	3,439
Savings deposits – variable interest rates	4,455	4,321
Deposit accounts – variable interest rates	5,370	5,344
Current accounts – Retail	5,343	5,654
Current accounts – Corporates	1,759	1,814
Other deposits[1)]	692	563
Issued bonds, subordinated and supplementary capital	**4,312**	**4,438**
Issued debt securities	3,707	3,831
Subordinated and supplementary capital	605	607
Financial liabilities measured at amortized cost	**27,251**	**27,993**

1) Primarily time deposits.

12 | Provisions

in EUR million	Mar 2015	Dec 2014
Provisions for social capital	502	489
Anticipated losses from pending business	26	27
Other items including legal risks	6	6
Provisions	**534**	**522**

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 2.05% as of 31 December 2014 to 1.75%, which resulted in an impact of minus EUR 14.6 million in Other comprehensive income and minus EUR 0.9 million in profit or loss.

13 | Related parties

Transactions with related parties

The following table shows transactions with related parties:

Mar 2015 in EUR million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidiaries not consolidated	At-equity companies	Other companies
Loans and receivables – customers	0	1,214	61	0	163
Securities	0	1	0	21	0
Other assets (incl. derivatives)	0	2	7	0	0
Financial liabilities – customers	4	0	23	146	16
Other liabilities (incl. derivatives)	0	0	0	5	0
Guarantees provided	0	0	0	0	2
Interest income	0.0	13.0	0.5	0.1	0.8
Interest expenses	0.0	0.0	0.0	0.7	0.0

Dec 2014 in EUR million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidiaries not consolidated	At-equity companies	Other companies
Loans and receivables – customers	0	1,085	63	0	164
Securities	0	62	0	22	0
Other assets (incl. derivatives)	0	2	7	0	0
Financial liabilities – customers	8	0	17	126	16
Other liabilities (incl. derivatives)	0	0	0	7	0
Guarantees provided	0	0	0	0	2
Interest income	0.0	25.7	2.2	0.4	3.4
Interest expenses	0.0	0.0	0.0	2.8	0.0

Information regarding natural persons

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

	Key management of the entity or its parent	Other related parties	Key management of the entity or its parent	Other related parties
in EUR million	**Mar 2015**	**Mar 2015**	Dec 2014	Dec 2014
Current account deposits	5	2	3	2
Savings deposits	0	2	1	2
Loans	1	1	0	2
Securities	0	0	0	1

14 | Segment reporting

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

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. 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.

BAWAG P.S.K. is managed in accordance with the following four main business and reporting segments:

- **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. Furthermore, the operational risk is allocated to this segment.

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 Q1 2015	Retail Banking and Small Business Q1 2014	Corporate Lending and Investments Q1 2015	Corporate Lending and Investments Q1 2014	Treasury Services and Markets Q1 2015	Treasury Services and Markets Q1 2014	Corporate Center Q1 2015	Corporate Center Q1 2014[1]	Total Q1 2015	Total Q1 2014[1]
Net interest income	95.3	94.9	61.1	44.6	12.9	13.2	10.1	(3.4)	179.4	149.3
Net fee and commission income	42.9	46.0	9.8	11.7	0.0	0.1	(2.2)	(2.7)	50.5	55.1
Core revenues	**138.2**	**140.9**	**70.9**	**56.3**	**12.9**	**13.3**	**7.9**	**(6.1)**	**229.9**	**204.4**
Gains and losses on financial instruments	0.8	0.3	6.3	0.4	1.2	0.2	21.6	17.3	29.9	18.2
Other operating income and expenses	1.5	0.7	0.0	0.0	0.0	0.0	0.1	8.6	1.6	9.3
Operating income	**140.5**	**141.9**	**77.2**	**56.7**	**14.1**	**13.5**	**29.6**	**19.8**	**261.4**	**231.9**
Operating expenses	**(81.8)**	**(91.1)**	**(21.7)**	**(20.2)**	**(5.1)**	**(5.5)**	**(9.8)**	**(6.6)**	**(118.4)**	**(123.3)**
Bank levy	–	–	–	–	–	–	(5.8)	(6.1)	(5.8)	(6.1)
Total risk costs	(10.5)	(9.1)	(1.4)	(12.0)	0.0	0.0	0.9	1.5	(11.0)	(19.6)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	–	–	–	1.3	(0.6)	1.3	(0.6)
Profit before tax	**48.2**	**41.7**	**54.1**	**24.5**	**9.0**	**8.0**	**16.2**	**8.0**	**127.5**	**82.3**
Income taxes	–	–	–	–	–	–	(6.8)	(2.0)	(6.8)	(2.0)
Profit after tax	**48.2**	**41.7**	**54.1**	**24.5**	**9.0**	**8.0**	**9.4**	**6.0**	**120.7**	**80.3**
Non-controlling interests	–	–	–	–	–	–	0.0	(0.3)	0.0	(0.3)
Net profit	**48.2**	**41.7**	**54.1**	**24.5**	**9.0**	**8.0**	**9.4**	**5.7**	**120.7**	**80.0**
Business volumes										
Assets	9,792	9,536	13,827	13,022	5,402	5,719	5,553	6,153	34,575	34,431
Risk-weighted assets[2]	3,492	3,272	7,630	7,205	1,678	2,180	3,467	4,385	16,267	17,042

1) Adjusted figures. For details, please see "Change in presentation of interest expense within IAS 19 – employee benefits."
2) Based on a fully loaded basis; Q1 2014: pro-forma IFRS calculation.

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.

Other operating income and expenses are reconciled with the consolidated profit or loss statement as follows:

in EUR million	Q1 2015	Q1 2014
Other operating income and expenses according to segment report	1.6	9.3
Bank levy	(5.8)	(6.1)
Other operating income and expenses according to consolidated profit or loss statement	**(4.2)**	**3.2**

15 | Capital management

Since 1 January 2014, regulatory reporting has been performed on the level of BAWAG Holding and Promontoria Sacher Holding N.V. Group as the EU parent financial holding company of the group of credit institutions. The following table shows the breakdown of the own funds of Promontoria Sacher Holding N.V. Group applying transitional rules and its own funds requirement as per 31 March 2015 and 31 December 2014 pursuant to CRR applying IFRS figures and the CRR scope of consolidation. Own funds and capital ratios do not differ significantly from those of BAWAG P.S.K. Group.

	Promontoria	
in EUR million	**Mar 2015[3)]**	Dec 2014
Share capital	**0**	**0**
Reserves (including funds for general banking risk) after deduction of intangible assets	2,418	2,463
Other comprehensive income	3	20
IRB risk provision shortfalls[1)]	(27)	(11)
Prudent valuation, cumulative gains due to changes in own credit risk on fair valued liabilities, prudential filter for unrealized gains	(105)	(148)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(13)	-
Excess of deduction from AT1 items over AT1 capital	(145)	(235)
Common Equity Tier I	**2,131**	**2,089**
Hybrid capital[2)]	50	68
IRB risk provision shortfalls[1)]	(20)	(21)
Deduction of intangible assets	(175)	(282)
Excess of deduction from AT1 items over AT1 capital	145	235
Additional Tier I	**0**	**0**
Tier I	**2,131**	**2,089**
Supplementary and subordinated debt capital	520	533
Hybrid capital[2)]	34	17
Excess IRB risk provisions	–	21
Less significant investments, IRB risk provision shortfalls[1)]	(42)	(43)
Tier II	**512**	**528**
Own funds	**2,643**	**2,617**

1) March 2015: According to CRR, LLPs as of 31 December 2014 including disposals until 31 March 2015.
2) According to CRR, hybrid capital is partially eligible among Additional Tier I and Tier II.
3) Own funds as of 31 March 2015 differ from those as of 31 December 2014 inter alia because of different CRR transitional rules for 2015 and 2014 for the eligibility of capital and deductions from own funds.

Capital requirements based on a transitional basis

	Promontoria	
in EUR million	**Mar 2015**	Dec 2014
Credit risk	1,146	1,195
Market risk	14	8
Operational risk	130	129
Capital requirements	**1,291**	**1,332**

Supplemental information on a fully loaded basis (including interim profit)

	Promontoria		BAWAG P.S.K.[1)]	
	Mar 2015	Dec 2014	**Mar 2015**	Dec 2014
Common Equity Tier I capital ratio based on total risk	13.0%	11.8%	13.5%	12.1%
Total capital ratio based on total risk	16.7%	15.4%	17.1%	15.8%

1) Figures as shown in the Interim Group Management Report.

Key figures according to CRR including its transitional rules

	Promontoria		BAWAG P.S.K.[1)]	
	Mar 2015	Dec 2014	**Mar 2015**	Dec 2014
Common Equity Tier I capital ratio based on total risk	13.2%	n/a	13.6%	n/a
Total capital ratio based on total risk	16.4%	n/a	16.8%	n/a
Common Equity Tier I capital ratio based on total risk (incl. interim profit)	13.9%	12.5%	14.3%	12.9%
Total capital ratio based on total risk (incl. interim profit)	17.1%	15.7%	17.6%	16.1%

1) Figures as shown in the Interim Group Management Report.

16 | 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 Mar 2015	Fair value Mar 2015	Carrying amount Dec 2014	Fair value Dec 2014
Assets				
Cash reserves	516	516	684	684
Financial assets designated at fair value through profit or loss	377	377	450	450
Available-for-sale financial assets				
Recognized at fair value	3,543	3,543	3,756	3,756
Recognized at cost	77	n/a	77	n/a
Held-to-maturity investments	2,187	2,308	2,042	2,150
Financial assets held for trading	1,288	1,288	1,163	1,163
Loans and receivables	25,428	25,821	25,280	25,629
Hedging derivatives	574	574	546	546
Tangible non-current assets	77	n/a	84	n/a
Thereof investment properties	3	6	3	6
Intangible non-current assets	101	n/a	103	n/a
Other assets	407	n/a	398	n/a
Assets in disposal groups	–	n/a	68	n/a
Total assets	**34,575**		**34,651**	
Equity and liabilities				
Financial liabilities designated at fair value through profit or loss	1,682	1,682	1,675	1,675
Financial liabilities held for trading	1,713	1,713	1,174	1,174
Financial liabilities designated at amortized cost	27,251	27,515	27,993	28,252
Valuation adjustment on interest rate risk hedged portfolios	214	214	196	196
Hedging derivatives	161	161	160	160
Provisions	533	n/a	522	n/a
Other obligations	505	n/a	520	n/a
Obligations in disposal groups	–	n/a	6	n/a
Equity	2,517	n/a	2,405	n/a
Total liabilities and equity	**34,575**		**34,651**	

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

The available-for-sale financial assets include EUR 77 million investments in private and public limited companies. The fair value of these financial instruments has not been disclosed because their fair value cannot be measured reliably. There is no active market for these financial instruments and future cash flows cannot be calculated reliably. BAWAG P.S.K. does not intend to sell or derecognize significant investments in equity held at the reporting date in the near future.

Fair value hierarchy

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

- **Level 1:** The value of financial instruments is measured using a quoted price without adjustment. This includes government bonds, bonds with quoted prices and exchange-traded derivatives.

- **Level 2:** The value is measured by using input factors (default rates, costs, liquidity, volatility, interest rates, etc.) to derive values from quoted prices (Level 1). This pertains to prices that are calculated using internal models or using valuation methods, as well as to external price quotes for securities that are traded on markets with limited liquidity and that are demonstrably based on observable market prices. This category includes the majority of the OTC derivative contracts, corporate bonds and other bonds for which no quoted price is available, as well as the majority of the Group's own issues that are recognized at their fair values.

- **Level 3:** The measurement is based on unobservable input factors that have a material influence on the market value. This pertains primarily to illiquid structured securitization instruments whose value is determined by unobservable assumptions (the outcome of litigation, investor decisions, trigger events, etc.) as well as own issues of BAWAG P.S.K. Wohnbaubank. Loans and receivables and financial liabilities measured at amortized cost are valued using the discounted cash flow method using a spread-adjusted swap curve.

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

Mar 2015 in EUR million	Level 1	Level 2	Level 3	Others[1)]	Total
Assets					
Financial assets designated at fair value through profit or loss	3	369	5	0	377
Available-for-sale financial assets	3,368	175	0	77	3,620
Financial assets held for trading	0	1,288	0	0	1,288
Hedging derivatives	0	574	0	0	574
Total fair value assets	**3,371**	**2,406**	**5**	**77**	**5,859**
Liabilities					
Financial liabilities designated at fair value through profit or loss	0	1,183	499	0	1,682
Financial liabilities held for trading	0	1,713	0	0	1,713
Valuation adjustment on interest rate risk hedged portfolios	0	214	0	0	214
Hedging derivatives	0	161	0	0	161
Total fair value liabilities	**0**	**3,271**	**499**	**0**	**3,770**

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

Dec 2014 in EUR million	Level 1	Level 2	Level 3	Others[1)]	Total
Assets					
Financial assets designated at fair value through profit or loss	3	443	4	0	450
Available-for-sale financial assets	3,508	248	0	77	3,833
Financial assets held for trading	0	1,163	0	0	1,163
Hedging derivatives	0	546	0	0	546
Total fair value assets	**3,511**	**2,400**	**4**	**77**	**5,992**
Liabilities					
Financial liabilities designated at fair value through profit or loss	0	1,150	525	0	1,675
Financial liabilities held for trading	0	1,174	0	0	1,174
Valuation adjustment on interest rate risk hedged portfolios	0	196	0	0	196
Hedging derivatives	0	160	0	0	160
Total fair value liabilities	**0**	**2,680**	**525**	**0**	**3,205**

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

BAWAG 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 quarter of 2015, two available-for-sale securities were moved from Level 1 to Level 2 due to subsequently illiquid market prices. Six available-for-sale securities were moved from Level 2 to Level 1 due to subsequently liquid market prices.

Movements in Level 3 financial instruments measured at fair value

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

in EUR million	Financial assets	Financial liabilities
Opening balance as of 01.01.2015	**4**	**525**
Valuation gains (losses) in profit or loss		
for assets held at the end of the period	0	(2)
for assets no longer held at the end of the period	0	0
Purchases	0	0
Redemptions	0	(24)
Sales	0	0
Foreign exchange differences	1	0
Transfers into or out of Level 3	0	0
Closing balance as of 31.03.2015	**5**	**499**

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)	15
for assets no longer held at the end of the period	2	0
Purchases	0	0
Redemptions	(3)	(30)
Sales	0	0
Foreign exchange differences	0	0
Transfers into or out of Level 3	0	0
Closing balance as of 31.12.2014	**4**	**525**

Valuation (including the parameterization of observable input factors) is performed by a market-independent back office 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.

In the first quarter of 2015, the financial liabilities reported under Level 3 in 2014 decreased by a total of EUR 26 million, mainly due to 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 gross 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 5 million as of 31 March 2015. 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 31 March 2015 would have increased by EUR 4 million (31 December 2014: EUR 4 million). If the fair value of financial assets decreased by 30%, the accumulated valuation result as of 31 March 2015 would have decreased by minus EUR 2 million (31 December 2014: minus EUR 1 million).

RISK REPORT

The Risk Management function within the Bank has the responsibility to identify, measure, control, monitor and manage all risks the Bank is exposed to. At all organizational levels, Market and Risk functions are strictly separated.

The Bank's Managing Board defines the overall risk appetite and risk strategy. The principles of risk management, limits for all material risks and procedures for monitoring these risks are documented in risk manuals and guidelines. The Managing Board is continuously and proactively updated on the overall risk management situation – including ICAAP, clearly defined risk metrics, monthly risk reporting, operational risk matters and specific risk topics. Quarterly risk reports are submitted to the Supervisory Board's monitoring and control committees.

Risk management policies, procedures and systems are reviewed regularly to reflect changes in both market conditions and the products / services offered by the Bank.

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

- Commercial and Institutional Risk
- Credit Risk Retail and Small Business
- Corporate Workout and Portfolio Management
- Strategic Risk

The material risks managed by the risk organization are the following:

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

The material risks of BAWAG P.S.K. Group are described on the following pages.

17 | Credit risk

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

Operations in the divisions that are responsible for credit risk are set up to include functional risk management expertise for both Commercial and Institutional as well as Retail and Small Business customers. The Corporate Workout and Portfolio Management division has the lead responsibility in the Corporate Lending and Investments area for evaluating loan exposures as well as recommending potential exposure management strategies (and execution) for any existing or future corporate situations which might be placed on watch lists or have been transferred to workout status. The Strategic Risk division oversees the aggregation of the individual risk metrics, indicators and overall reporting.

In Retail and Small Business, the credit risk of private and small business customers is assessed by automated scorecards and by statistical models for the expected loss given default (LGD) and the expected utilization of the off-balance-sheet exposure value at the time of default.

For each commercial loan application, the borrower's credit rating is assessed using an internal rating method unique to each customer business segment. Specific risk categories are assigned to each customer and represent an individual estimated probability of default.

To manage overall concentration risk, exposure limits are defined, monitored and reported to the Managing Board and Supervisory Board on an ongoing basis. Furthermore, high standards are set with regards to credit risk methodologies and processes.

Business segment development, first quarter 2015

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

Retail Banking and Small Business experienced growth in core consumer loan and mortgage products. Significant efforts have been put in place to enhance overall underwriting standards through automated and continuously enhanced underwriting models as well as strong collateral coverage. The Bank's new mortgage originations have an average LTV of less than 70% and an overall portfolio LTV of 65%.

Corporate Lending and Investments was characterized by proactive risk management, disciplined growth in stable international Western countries, continued exit from non-core CEE assets and maintaining a disciplined approach on risk-adjusted pricing. Overall, the CEE portfolio was further reduced by EUR 49 million in the first quarter of 2015. The current CEE loan portfolio totals EUR 200 million with NPLs below EUR 20 million. The goal is to fully exit CEE loan assets.

Credit risk and bonds by business segment

	Retail Banking and Small Business		Corporate Lending and Investments		Treasury Services and Markets		Corporate Center		Total portfolio	
in EUR million	**Mar 2015**	Dec 2014	**Mar 2015**	Dec 2014	**Mar 2015**	Dec 2014	**Mar 2015**	Dec 2014	**Mar 2015**	Dec 2014
Book value	9,611	9,308	12,327	12,352	0	0	1,869	1,816	23,807	23,476
Bonds	0	7	1,455	1,465	5,402	5,755	863	818	7,720	8,045
Off-balance business	1,914	1,938	1,916	1,562	371	1,239	51	62	4,252	4,801
Total	**11,525**	**11,253**	**15,698**	**15,379**	**5,773**	**6,994**	**2,783**	**2,696**	**35,779**	**36,322**
thereof collateralized[1)]	6,395	6,372	4,533	4,348	193	232	172	150	11,293	11,102
thereof NPL (incl. LLP, gross view)	317	305	133	153	0	0	257	257	707	715
NPL ratio	3.2%	3.2%	1.0%	1.2%	n/a	n/a	n/a	n/a	2.8%	2.8%
NPL coverage ratio	90.9%	92.0%	75.6%	81.1%	n/a	n/a	n/a	n/a	61.0%	62.6%

1) Economic collateral comprises residential and commercial real estate, guarantees, life insurance, etc.

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

Mar 2015 in EUR million	Note 8 Loans and receivables (L&R)	Loans and bonds (not part of L&R)	Risk view Total loans & bonds	Other assets	Segment report Total assets
Retail Banking and Small Business	9,611	0	9,611	181	9,792
Corporate Lending and Investments	13,062	720	13,782	45	13,827
Treasury Services and Markets	805	4,598	5,402	0	5,402
Corporate Center	1,949	782	2,731	2,822	5,553
Total	**25,428**	**6,100**	**31,527**	**3,047**	**34,575**

Dec 2014 in EUR million	Note 8 Loans and receivables (L&R)	Loans and bonds (not part of L&R)	Risk view Total loans & bonds	Other assets	Segment report Total assets
Retail Banking and Small Business	9,308	7	9,315	264	9,579
Corporate Lending and Investments	13,115	702	13,817	68	13,885
Treasury Services and Markets	959	4,797	5,755	0	5,755
Corporate Center	1,898	736	2,634	2,798	5,432
Total	**25,280**	**6,242**	**31,521**	**3,129**	**34,651**

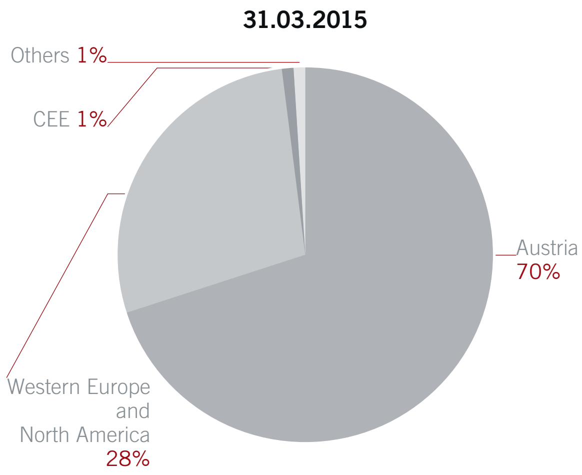
1) Shares and other variable-rate securities (Mar 2015: EUR 7 million, Dec 2014: EUR 7 million) are not included.

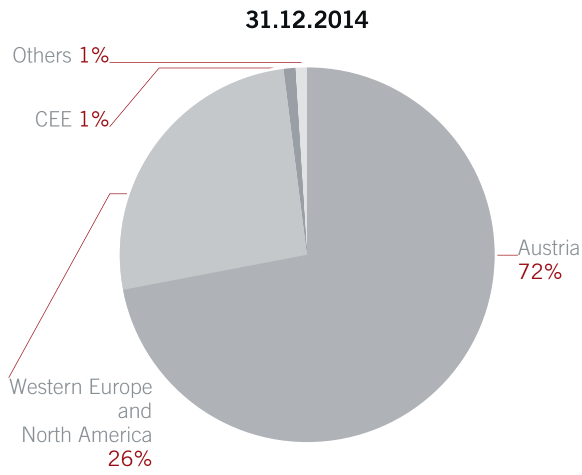
Geographical distribution of the loan and bond portfolio

The geographic distribution of the loan portfolio is in line with the Bank's strategy to be in stable geographies and currencies. A total of 70% of the loan portfolio is located in Austria, 28% in Western Europe and North America[1] and less than 1% in CEE.

The geographic distribution of the bond portfolio is 79% in Western Europe and North America[2], 12% in Austria and 3% in CEE.

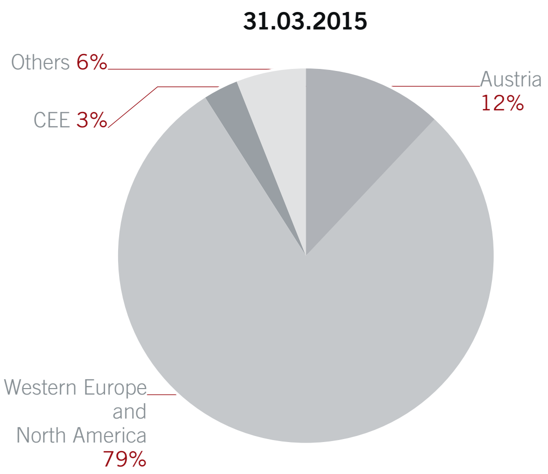
Geographical distribution of loans

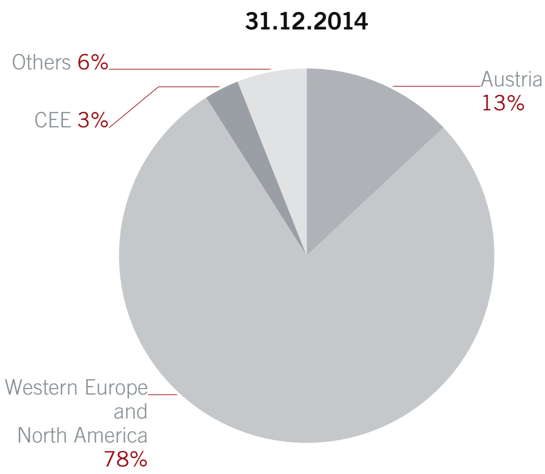




1) This includes Germany with 6% (Dec 2014: 6%), the United States with 7% (6%), Great Britain with 4% (4%) and France with 2% (3%).
2) This includes Great Britain with 12% (Dec 2014: 12%), the United States with 12% (12%), France with 7% (7%) and Germany with 5% (4%).

Geographical distribution of bonds





Credit portfolio and bonds by currency

Consistent with the Bank's overall positioning, the majority of financing is denominated in EUR. The following table depicts the currency distribution of the credit portfolio and bond book of the Bank. The change in volume in EUR occurs from common fluctuations associated with typical banking transactions at year-end. Whereas the increase of the CHF volume reflects the development of the exchange rate in the first quarter, the increase of the volume in USD and GBP derives from the ongoing growth in the international corporate business.

	Book value		Relative value	
in EUR million	**Mar 2015**	Dec 2014	**Mar 2015**	Dec 2014
EUR	25,332	25,818	80.4%	81.9%
CHF	2,487	2,286	7.9%	7.3%
USD	2,489	2,240	7.9%	7.1%
GBP	1,115	1,058	3.5%	3.4%
Others	104	119	0.3%	0.4%
Total	**31,527**	**31,521**	**100.0%**	**100.0%**

Impaired loans

Provisions are booked on loans for which the probability of collection will not be fulfilled. The main components are:

- Specific loan-loss provisions are formed manually after a detailed analysis. In cases when exposures are restructured according to internal processes, which may include the extension of forbearance measures, an appropriate impairment test is performed. The derecognition is assessed on an individual basis.
- Loan-loss provisions are booked automatically by the core banking system in the case of unpaid balances. This occurs when limits are continuously exceeded on current accounts and / or when legal action is initiated.
- A general provision is booked on a portfolio basis for incurred but not reported (IBNR) losses as of the reporting date. The general provision is formed for on-and-off balance sheet claims in the Group's credit portfolio. This includes bonds, but not positions

measured at fair value. As of 31 March 2015, the IBNR portfolio impairment amounted to EUR 35.9 million (comprised of EUR 29.7 million for financial assets and EUR 6.2 million for off-balance sheet items – e.g. contractual liabilities and guarantees), versus EUR 37.8 million as of prior year-end.

The volume reported as NPL includes all claims against customers classified as being in default and against customers for which specific impairment provisions have been formed[1)].

Non-performing loans (NPLs)

Exposures relating to all customers in default risk class 8[2)] are categorized as non-performing loans, regardless of whether a limit has been exceeded or a payment missed on an individual account. When a material exposure of a customer is greater than 90 days past due, a loan loss provision is allocated or a customer-specific default criterion applies. The customer is considered to be in default across all exposure-related products and is assigned to risk class 8.

The overall development of the NPL portfolio is shown on the following pages segmented by respective business units.

Forbearance

Measures of forbearance or refinancing are extended if borrowers face financial difficulties and are considered to be unable to meet contractual obligations. In this respect, strictly temporary measures – i.e. a reduction or postponement of as well as transfer to terms of interest only repayments – are in place. In exceptional cases, temporary or permanent reduction of interest rates may be granted. Depending on customer segments, a split of loan agreements or refinancing facilities may be accepted as viable measures.

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

1) The IBNR portfolio provision does not lead to a classification as “in default.” On the other hand, the two further impairment provision types described in the section entitled “Impaired Loans” lead to the immediate default of the customer. All exposure-bearing products of customers considered to be in default are classified as non-performing loans.
2) Risk class 8 contains all customers that are classified as in default according to the CRR definition.

Risk concentrations by industry segment

	Book value		Relative value	
in EUR million	Mar 2015	Dec 2014	Mar 2015	Dec 2014
Government	2,358	2,343	17.1%	17.0%
Real Estate	2,169	2,236	15.7%	16.2%
Public Sector	1,861	1,871	13.5%	13.5%
Services	877	627	6.4%	4.5%
Portfolio Financing	831	639	6.0%	4.6%
Pharmaceuticals & Health Care	780	874	5.7%	6.3%
Hotel, Gaming & Leisure	546	450	4.0%	3.3%
Retail – Food	508	513	3.7%	3.7%
Commodity	413	407	3.0%	2.9%
Retail – Non-food	395	356	2.9%	2.6%
Beverages, Food & Tobacco	344	337	2.5%	2.4%
Investment Funds	324	384	2.4%	2.8%
Transport	303	304	2.2%	2.2%
Telecommunication & Electronics	299	364	2.2%	2.6%
Automotive	288	406	2.1%	2.9%
Financial Institutions	209	417	1.5%	3.0%
Wood & Paper	186	203	1.3%	1.5%
Utilities	179	186	1.3%	1.3%
Engineering	174	128	1.3%	0.9%
Media	168	188	1.2%	1.4%
Social Housing	159	161	1.2%	1.2%
Construction & Building Materials	156	167	1.1%	1.2%
Chemicals	95	92	0.7%	0.7%
Others[1)]	160	164	1.2%	1.2%
Total	**13,782**	**13,817**	**100.0%**	**100.0%**

18 | 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 quarter of 2015, the average value-at-risk was measured at minus EUR 0.71 million (2014 Q1 average: minus EUR 0.25 million) and the value-at-risk at 31 March 2015 was measured at minus EUR 0.69 million (31 December 2014: minus EUR 0.32 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 and liquidity risk.

1) The segment "Others" contains four minor industries.

19 | 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). Furthermore, liquidity risk includes the risk that transactions cannot be closed or sold, or that they can only be closed or sold at a loss because of insufficient market depth or due to market interruptions (market liquidity risk). The Risk Manual for Liquidity Risks specifies how liquidity risks are to be handled and includes a contingency liquidity plan.

Short-Term Operational Liquidity Management is performed by the Treasury Services and Markets division based on a 30-day rolling forecast that is updated daily, allowing for the close tracking and management of the short-term liquidity position. All measures are closely aligned with Controlling & Asset-Liability Management. Asset-Liability Management is responsible for planning and managing the mid- and long-term funding position. Any important decision on liquidity risk is made within the Strategic Asset Liability Committee, where all Managing Board members are represented.

Asset-Liability Management also ensures that the Bank holds a sufficiently diversified portfolio of high-quality liquid assets and that the liquidity buffer which is derived from stress test results is adequate for the Bank's anticipated needs as well as meeting all regulatory requirements. The central management of the mid- to long-term liquidity risk is performed using a 15-months rolling liquidity forecast and the Free-Available-Cash-Equivalent (FACE) ratio, which considers the regulatory liquidity requirements and limits.

The first quarter 2015 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.

20 | Operational risk

The Bank continues to apply the Standardized Approach to assess operational risk. However, the realized OpRisk losses over the last few years were significantly lower than the assessed risk under the Standardized Approach. The OpRisk RWAs are assigned as part of the Corporate Center segment.

For the purpose of internal economic steering (ICAAP), a statistical model is used to calculate the value-at-risk that results from operational risks.

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

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

OWNER AND PUBLISHER

BAWAG P.S.K.
Bank für Arbeit und Wirtschaft und
Österreichische Postsparkasse Aktiengesellschaft
Georg-Coch-Platz 2, A-1018 Vienna, Austria
Companies Registry number: 205340x
Data Protection Authority number: 1075217
EU VAT number: ATU51286308
Telephone: +43 (0)5 99 05-0
Internet: www.bawagpsk.com

Investor Relations:
investor.relations@bawagpsk.com

Media:
presse@bawagpsk.com

Typesetting:
In-house using FIRE.sys

www.bawagpsk.com