CONSOLIDATED INTERIM REPORT
Q3 2015

KEY FIGURES

Profit or loss statement (in EUR million)	**Q3 2015**	Q3 2014	Change (%)	**Jan–Sep 2015**	Jan–Sep 2014	Change (%)
Net interest income	175.7	175.9	(0.1)	539.0	493.9	9.1
Net fee and commission income	42.9	46.8	(8.3)	144.8	153.8	(5.9)
Core revenues	**218.6**	**222.7**	**(1.8)**	**683.8**	**647.8**	**5.6**
Gains and losses on financial instruments and other operating income and expenses	11.7	10.7	9.3	36.8	61.4	(40.1)
Operating income	**230.3**	**233.4**	**(1.3)**	**720.6**	**709.2**	**1.6**
Operating expenses	**(111.9)**	**(120.8)**	**(7.4)**	**(336.7)**	**(364.0)**	**(7.5)**
Bank levy	(6.0)	(6.2)	(3.2)	(17.4)	(18.5)	(5.9)
Total risk costs	(8.3)	(14.7)	(43.5)	(31.2)	(52.2)	(40.2)
Profit before tax	105.4	93.0	13.3	338.4	275.0	23.1
Net profit	**94.3**	**88.5**	**6.6**	**320.3**	**263.5**	**21.6**

Performance ratios (figures annualized)	**Q3 2015**	Q3 2014	Change (pts)	**Jan–Sep 2015**	Jan–Sep 2014	Change (pts)
Return on equity	**14.4%**	**15.3%**	**(0.9)**	**16.9%**	**15.9%**	**1.0**
Return on tangible equity	**14.9%**	**16.1%**	**(1.2)**	**17.6%**	**16.8%**	**0.8**
Return on risk-weighted assets	2.40%	2.09%	0.31	2.63%	2.12%	0.51
Return on total assets	1.13%	1.02%	0.11	1.26%	0.99%	0.27
Net interest margin	2.11%	2.03%	0.08	2.13%	1.85%	0.28
Business net interest margin	2.39%	2.30%	0.09	2.37%	2.21%	0.16
Cost-income ratio	48.6%	51.8%	(3.2)	46.7%	51.3%	(4.6)
Risk costs / loans and receivables	0.13%	0.23%	(0.10)	0.16%	0.26%	(0.10)

Statement of financial position (in EUR million)	**Sep 2015**	Dec 2014	Change (%)	Sep 2014	Change (%)
Total assets	32,872	34,651	(5.1)	34,866	(5.7)
Financial assets	6,484	7,488	(13.4)	7,782	(16.7)
Customer loans and receivables	22,044	21,779	1.2	21,997	0.2
Customer deposits	20,919	21,135	(1.0)	20,603	1.5
Own issues	4,833	6,113	(20.9)	6,419	(24.7)
IFRS equity	2,660	2,405	10.6	2,359	12.8
IFRS tangible equity	2,557	2,302	11.1	2,261	13.1
Risk-weighted assets	15,677	16,792	(6.6)	17,098	(8.3)

Balance sheet ratios	**Sep 2015**	Dec 2014	Change (pts)	Sep 2014	Change (pts)
Common Equity Tier 1 capital ratio (fully loaded)	**14.9%**	**12.1%**	**2.8**	**11.5%**	**3.4**
Total capital ratio (fully loaded)	17.9%	15.8%	2.1	15.3%	2.6
Leverage ratio (fully loaded)	6.5%	5.5%	1.0	5.4%	1.1
Liquidity coverage ratio (LCR)	138%	134%	4	118%	20
NPL ratio	2.2%	2.8%	(0.6)	3.2%	(1.0)

Note: For details on definitions and calculation methodology, please refer to the section entitled “Definitions” on page 20.

CONTENTS

LETTER FROM THE CEO

Dear Stakeholders,

In the first three quarters 2015, BAWAG P.S.K. again delivered record results with a net profit of EUR 320 million, up 22% compared to the same period last year. This increase in profitability was mainly driven by higher core revenues (up 6%) resulting from our focus on key lending products, lower operating expenses (down 8%) and lower risk costs (down 40%). With a cost-income ratio of 47% and a return on equity of 17%, BAWAG P.S.K. ranks amongst the most efficient and profitable banks across Europe.

At the same time, we maintained a conservative risk profile with disciplined risk-adjusted underwriting and focusing our business on stable and economically sound economies. This is best reflected in a risk cost ratio of only 16 basis points (down 10 basis points compared to the first three quarters 2014) and a further decrease of our NPL ratio to 2.2% (down 1 percentage point versus the previous year).

In addition, we further strengthened our capital position, improving our fully loaded CET1 and total capital ratios to 14.9% and 17.9%, respectively, as of 30 September 2015. On a transitional basis, these ratios were 15.8% and 18.7%, respectively.

The investments in our retail franchise continued to pay off. We grew our market share in consumer lending to 10%, up 100 basis points from year-end and representing a net asset increase of 10%. Across our funds business, gross sales amounted to more than EUR 1 billion, up 11% compared to the first three quarters 2014, demonstrating strong momentum from our partnership with the world-class asset manager Amundi.

easybank, our 100% direct bank subsidiary, continued to transform its business and execute on strategic initiatives. After the integration of BAWAG P.S.K. auto leasing in the second quarter, the leasing business was further expanded by acquiring the former Volksbanken leasing business, which closed in early October. This transaction generates significant synergies by combining two in-market platforms and makes us the third largest auto lessor in Austria with a market share of approximately 11%. The integration of the BAWAG P.S.K. and former Volksbanken auto leasing businesses, together with the strategic partnerships *easybank* entered into with Shell gas stations and "Unsere Wasserkraft", an Austrian supplier of renewable energy, provides *easybank* with yet another opportunity to expand its market presence, brand awareness and best-in-class service offering to new segments and customers.

We believe that the European banking landscape is undergoing significant transformations with headwinds brought upon by stagnant growth, low interest rates, increased regulatory costs, business models weighed down by structural inefficiencies and new entrants in the form of Fintechs challenging traditional banking business models. We see significant opportunities during this transformational period and are ready to play a larger role in addressing these challenges and capitalizing on these unique opportunities.

Our strong results in the first three quarters reiterate that BAWAG P.S.K. is well prepared to succeed in a competitive and evolving European banking environment. We are proud of our accomplishments, positioning BAWAG P.S.K. among the best-performing banks in Europe. We see ourselves well on track to outperform all 2015 targets.

This success was only possible thanks to the dedication of all of our employees providing our customers with simple, transparent and best-in-class products. I also want to thank our customers and shareholders for their continuous support over the past months and years.

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 three quarters 2015 and delivered another quarter of strong results.

A few **key highlights** include:

- BAWAG P.S.K. posted a net profit of EUR 320.3 million in the first three quarters 2015. This represents an increase of 21.6% compared to the same period in 2014. The increase was driven by improvements in Retail Banking and Small Business as well as Corporate Lending and Investments.
- The annualized return on equity was 16.9%, up 1 point versus the first three quarters 2014 and well ahead of our 2015 target of >14%.
- Net interest income rose 9.1% to EUR 539.0 million in the first three quarters 2015 versus the same period in 2014, despite a continued low-interest rate environment.
- The net interest margin improved by 28 basis points to 2.13%, reflecting the Bank's dedicated focus on asset and liability pricing.
- Our emphasis on cost efficiency continues to pay off. Operating expenses fell to EUR 336.7 million from EUR 364.0 million in the first three quarters 2014, and the cost-income ratio improved by 4.6 points to 46.7%.
- Total risk costs decreased by 40.2% to EUR 31.2 million in the first three quarters 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 and total capital ratio (both fully loaded) of 14.9% and 17.9%, respectively, at 30 September 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	Q3 2015	Q3 2014	Change (%)	Jan–Sep 2015	Jan–Sep 2014	Change (%)
Interest income	256.5	274.4	(6.5)	789.2	814.3	(3.1)
Interest expense[1]	(81.6)	(99.9)	(18.3)	(260.4)	(326.2)	(20.2)
Dividend income	0.8	1.4	(42.9)	10.2	5.8	75.9
Net interest income	**175.7**	**175.9**	**(0.1)**	**539.0**	**493.9**	**9.1**
Fee and commission income	67.3	71.8	(6.3)	216.9	230.6	(5.9)
Fee and commission expenses	(24.4)	(25.0)	(2.4)	(72.1)	(76.7)	(6.0)
Net fee and commission income	**42.9**	**46.8**	**(8.3)**	**144.8**	**153.8**	**(5.9)**
Core revenues	**218.6**	**222.7**	**(1.8)**	**683.8**	**647.8**	**5.6**
Gains and losses on financial instruments and other operating income and expenses[2]	11.7	10.7	9.3	36.8	61.4	(40.1)
Operating income	**230.3**	**233.4**	**(1.3)**	**720.6**	**709.2**	**1.6**
Operating expenses[1]	**(111.9)**	**(120.8)**	**(7.4)**	**(336.7)**	**(364.0)**	**(7.5)**
Bank levy	(6.0)	(6.2)	(3.2)	(17.4)	(18.5)	(5.9)
Operating profit	**112.4**	**106.4**	**5.6**	**366.5**	**326.7**	**12.2**
Provisions and loan-loss provisions	(8.3)	(14.7)	(43.5)	(31.2)	(52.2)	(40.2)
Impairment losses	0.0	0.0	–	0.0	0.0	–
Share of the profit or loss of associates accounted for using the equity method	1.3	1.3	–	3.1	0.4	>(100)
Profit before tax	**105.4**	**93.0**	**13.3**	**338.4**	**275.0**	**23.1**
Income taxes	(11.1)	(4.5)	>100	(18.1)	(10.8)	67.6
Profit after tax	**94.3**	**88.5**	**6.6**	**320.3**	**264.1**	**21.3**
Non-controlling interests	0.0	0.0	–	0.0	(0.6)	100
Net profit	**94.3**	**88.5**	**6.6**	**320.3**	**263.5**	**21.6**

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 17.4 million for the first three quarters 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 56.8 million, or 21.6%, to EUR 320.3 million in the first three quarters 2015. The increase was driven by higher net interest income, reduced operating expenses and lower risk costs.

Net interest income increased by EUR 45.1 million, or 9.1%, to EUR 539.0 million in the first three quarters 2015, driven primarily by lower interest expense and stable interest income.

Compared to the first three quarters of the prior year, the Bank's **net interest margin** improved 28 basis points to 2.13%.

Net fee and commission income decreased by EUR 9.0 million, or 5.9%, to EUR 144.8 million in the first three quarters 2015. This was primarily due to higher one-offs during the first three quarters 2014 and the impact from the sale of BAWAG P.S.K. INVEST in February 2015, our captive asset manager, while the ongoing business produced stable income.

Gains and losses on financial instruments and other operating income and expenses decreased by EUR 24.6 million, or 40.1%, to EUR 36.8 million in the first three quarters 2015.

Operating expenses decreased by EUR 27.3 million, or 7.5%, to EUR 336.7 million in the first three quarters 2015, driven by a reduction in personnel expenses and other administrative expenses.

The **cost-income ratio** improved by 4.6 points to 46.7% compared to the first three quarters 2014.

Provisions and loan-loss provisions decreased by EUR 21.0 million, or 40.2%, to EUR 31.2 million in the first three quarters 2015. This was mainly driven by positive de-risking actions in prior years. No **impairment losses** occurred in the first three quarters 2015.

Total assets

in EUR million	Sep 2015	Dec 2014	Change (%)	Sep 2014	Change (%)
Cash reserves	520	684	(24.0)	553	(6.0)
Financial assets	6,484	7,488	(13.4)	7,782	(16.7)
Available-for-sale	2,993	3,833	(21.9)	4,061	(26.3)
Held-to-maturity	2,227	2,042	9.1	1,962	13.5
Held for trading	965	1,163	(17.0)	1,199	(19.5)
Fair value through profit or loss	299	450	(33.6)	561	(46.7)
Loans and receivables	24,713	25,280	(2.2)	25,438	(2.9)
Customers	22,044	21,779	1.2	21,997	0.2
Debt instruments	1,089	1,983	(45.1)	2,120	(48.6)
Credit institutions	1,580	1,518	4.1	1,321	19.6
Hedging derivatives	485	546	(11.2)	489	(0.8)
Tangible non-current assets	63	84	(25.0)	80	(21.3)
Intangible non-current assets	104	103	1.0	98	6.1
Tax assets for current taxes	7	7	–	6	16.7
Tax assets for deferred taxes	248	243	2.1	238	4.2
Other assets	123	148	(16.9)	113	8.8
Assets held for sale	125	68	83.8	68	83.8
Total assets	**32,872**	**34,651**	**(5.1)**	**34,866**	**(5.7)**

Financial assets decreased by EUR 1,004 million, or 13.4%, to EUR 6,484 million as of 30 September 2015, mainly due to the sale of bonds classified as available-for-sale.

Loans and receivables with customers increased by EUR 265 million, or 1.2%, to EUR 22,044 million as of 30 September 2015, primarily driven by growth in the Retail Banking and Small Business segment and International Business.

Debt instruments classified as loans and receivables decreased by EUR 894 million, or 45.1%, to EUR 1,089 million as of 30 September 2015, mainly due to the sale of our CLO portfolio.

As of 30 September 2015, the line items **Assets held for sale** and **Obligations in disposal groups held for sale** include the carrying amounts of assets and liabilities of BAWAG Malta Bank Limited. As of 30 September 2014 and 31 December 2014, these items 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	Sep 2015	Dec 2014	Change (%)	Sep 2014	Change (%)
Total liabilities	**30,212**	**32,246**	**(6.3)**	**32,507**	**(7.1)**
Financial liabilities	29,008	30,842	(5.9)	31,144	(6.9)
Fair value through profit or loss	1,578	1,675	(5.8)	1,952	(19.2)
Issued securities	1,578	1,675	(5.8)	1,952	(19.2)
Held for trading	1,184	1,174	0.9	1,213	(2.4)
At amortized cost	26,246	27,993	(6.2)	27,979	(6.2)
Customers	20,919	21,135	(1.0)	20,603	1.5
Issued securities	3,255	4,438	(26.7)	4,467	(27.1)
Credit institutions	2,072	2,420	(14.4)	2,561	(19.1)
Financial liabilities associated with transferred assets	–	–	–	348	(100)
Valuation adjustment on interest rate risk hedged portfolios	166	196	(15.3)	163	1.8
Hedging derivatives	124	160	(22.5)	150	(17.3)
Provisions	429	522	(17.8)	503	(14.7)
Tax liabilities for deferred taxes	3	3	–	9	(66.7)
Other obligations	479	517	(7.4)	535	(10.5)
Obligations in disposal groups held for sale	3	6	(50.0)	5	(40.0)
Total equity	**2,660**	**2,405**	**10.6**	**2,359**	**12.8**
Shareholders' equity	2,660	2,405	10.6	2,359	12.8
Total liabilities and equity	**32,872**	**34,651**	**(5.1)**	**34,866**	**(5.7)**

Deposits from customers decreased by EUR 216 million, or 1.0%, to EUR 20,919 million as of 30 September 2015. The lower balance results from the proactively managed outflow of non-strategic fixed-term deposits.

Issued securities at amortized cost decreased by EUR 1,183 million, or 26.7%, to EUR 3,255 million as of 30 September 2015 primarily due to the redemption of own issues in the amount of EUR 1,109 million.

Total equity increased by EUR 255 million, or 10.6%, to EUR 2,660 million as of 30 September 2015. The change was driven by the interim net profit for the first three quarters, partially offset by the negative impact from other comprehensive income due to a decrease of the available-for-sale reserve.

CAPITAL AND LIQUIDITY POSITION

The management team continues to run the Bank on a fully loaded basis from a capital standpoint. The Bank's fully loaded capital ratios have further improved since 31 December 2014 from 12.1% to 14.9% (CET1 capital ratio) and from 15.8% to 17.9% (total capital ratio) as of 30 September 2015. On a transitional basis, these ratios were 15.8% and 18.7%, respectively. At the same time, we maintained a RWA density of 48%, a conservative ratio relative to our European peers.

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 138% at the end of the third quarter 2015. The Bank demonstrated its access to international capital markets with the successful placement of a EUR 500 million covered bond benchmark transaction (settlement on 1 October 2015).

KEY PERFORMANCE INDICATORS

in EUR million	**Q3 2015**	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Net interest income	175.7	183.8	179.4	183.1	175.9
Net fee and commission income	42.9	51.4	50.5	43.9	46.8
Core revenues	218.6	235.2	229.9	227.0	222.7
Operating income	230.3	228.9	261.4	215.8	233.4
Operating expenses	(111.9)	(106.3)	(118.4)	(120.4)	(120.8)
Total risk costs	(8.3)	(11.9)	(11.0)	(22.2)	(14.7)
Net profit	94.3	105.4	120.7	69.6	88.5
(figures annualized)					
Return on equity	14.4%	16.5%	19.6%	11.7%	15.3%
Return on tangible equity	14.9%	17.2%	20.5%	12.2%	16.1%
Return on risk-weighted assets	2.40%	2.63%	2.92%	1.64%	2.09%
Return on total assets	1.13%	1.23%	1.39%	0.80%	1.02%
Net interest margin	2.11%	2.15%	2.07%	2.11%	2.03%
Business net interest margin	2.39%	2.40%	2.33%	2.36%	2.30%
Cost-income ratio	48.6%	46.4%	45.3%	55.8%	51.8%
Risk costs / loans and receivables	0.13%	0.18%	0.17%	0.35%	0.23%

Note: For details on definitions and calculation methodology, please refer to the section entitled “Definitions” on page 20.

BUSINESS SEGMENTS

RETAIL BANKING AND SMALL BUSINESS

Strategy

Our Retail Banking and Small Business segment services 1.6 million private and small business clients through our branch network with 481 branches that we jointly operate with Austrian Post, our online and mobile sales channels supported by our outbound customer care center and our direct bank *easybank*.

We are the leading multi-channel retail bank in Austria offering simple, fair and transparent products and services through various physical and digital sales channels building upon a strong and well recognized national brand.

In the third quarter, we further invested in the development of our operating model to ensure high-quality service for our customers. We continued to develop our sales front-end tool to support our systematic retail banking approach in our branches, automated our mortgage loan application process for brokers and continued to invest in sales force development. We also launched several new e-banking features enabling our customers to do banking transactions in a simple manner anytime and anywhere.

First Three Quarters 2015 Business Review

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

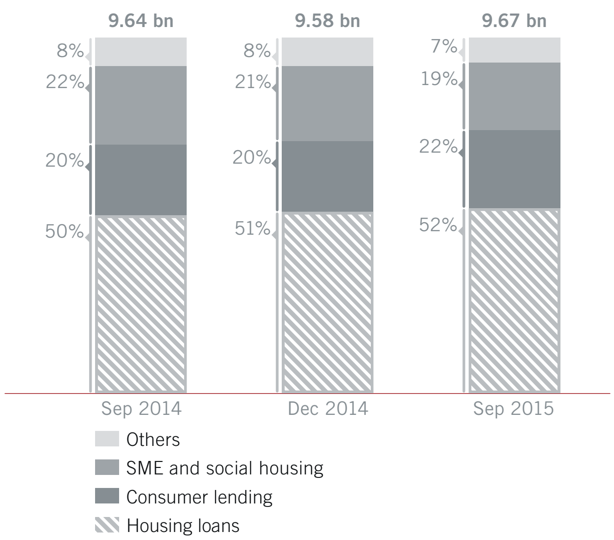
- Further expansion of our consumer loan franchise
- Stable funding from customer deposits with an optimized liability structure
- Driving sales productivity and enhancing the overall customer experience in our branch network
- Continued shift-to-digital by enhancing our digital product and service offerings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

Further expansion of our consumer loan franchise

During the third quarter 2015, we continued to grow our consumer loan franchise in absolute terms while also capturing market share. At the end of September, our consumer loan market share was 10%, up 1 point since year-end 2014 and 0.3 points since June 2015. New business loan originations during the first three quarters were EUR 372 million, with net asset growth of 9.5%. These results were delivered while continuing to hold margins stable and maintaining our disciplined underwriting standards. Our instant credit decision at the point of sale, automated workflow and the quality of our advisory and sales processes differentiate us from our competitors.

In addition to the continued growth in consumer loans, we made progress in the migration of our customers towards digital channels. More than 15% of our consumer loan sales are already initiated through our digital channels. With the launch of our new online identity verification system in June, the application process for online consumer loans became 100% digital. This new service was well received, with 8% of our new online consumer loan customers already verifying their identity online during the third quarter.

Retail Asset Volume Development

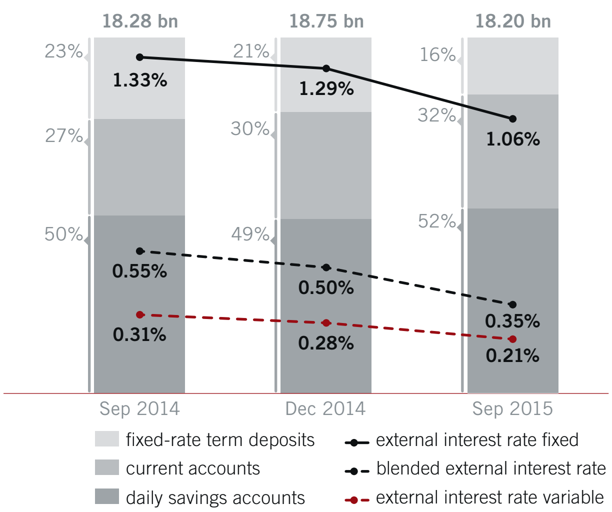


Retail assets stood at EUR 9.67 billion at the end of the third quarter 2015, up 1% compared to December 2014. This growth reflects the continued increase in our housing and consumer loan portfolio.

Stable funding from customer deposits with optimized liability structure

Our deposit base is driven by an ongoing shift from fixed-rate term deposits to current accounts and daily savings accounts, thus providing for lower funding costs, freeing up sales force capacity and providing our customers with a product with greater functionality.

Retail Customer Deposit Volume Development



Overall, the blended external interest rate on retail deposits stood at 0.35% at the end of the third quarter 2015, down 15 basis points since the beginning of the year. During the same period, our customer deposits decreased by EUR 550 million to EUR 18.2 billion as we actively managed the outflow of fixed-rate non-core products and further focused on variable-rate savings cards which are linked to our current accounts and represent the basis for our long-term client relationship. The continuous growth in our savings cards is also supported by an increasing online demand, with 8% of our new savings cards sold online.

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

Our strong sales performance is a result of the continued enhancements of our sales and service processes across our branch network. The following key initiatives supported sales productivity in the first three quarters 2015:

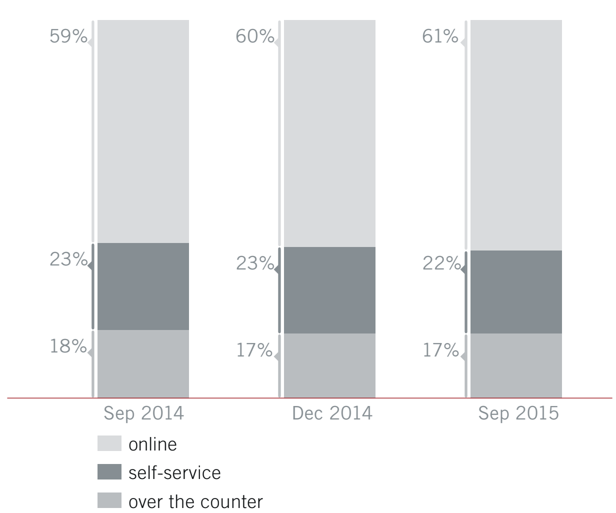
- Continued expansion of our proprietary front-end tool "GATE"
- Successful launch of securities products in cooperation with Amundi
- Ongoing shift of payment transactions to digital channels

In August, we implemented the consumer loan sales process in our front-end tool GATE to ensure a standardized sales process in all our branches. We also finalized the automation of our sales application process for our brokers, which we rolled out earlier in the year. The systematic retail banking sales approach is supported by significant employee training (approx. 5,000 training days, which accounts for approx. 2% of all working days) in 2015 on advisory, IT systems, leadership, self-development and compliance.

We also continued to place strong emphasis on investment and fund products during the third quarter 2015. Together with our partner Amundi, we have already launched two unique Amundi funds, which have been well received by our customers. This resulted in fund sales of more than EUR 1 billion during the first three quarters, up 11% compared to the same period last year, and is a reflection of the success of our cooperation and sales activities.

The stronger focus of our branch employees on advisory and sales is supported by the ongoing shift of basic transactions to digital and self-service channels. The share of online payment transactions increased from 59% in September 2014 to 61% in September 2015. During the same period, self-service and over-the-counter transactions both decreased, reflecting the changing composition of overall payments and the migration to digital.

Payment Transactions per Channel



Continued shift-to-digital by enhancing our digital product and service offerings

During the third quarter, we continued to launch new online and mobile products and service offerings in order to make our full product range available via our digital channels and offer banking transactions to our clients as simple, quick and flexible self-service functionalities.

To provide our customers with a 100% digital experience, we launched an online process to verify our clients' identity at the end of the second quarter 2015 and extended our digital sales support via phone and chat advisory during the third quarter 2015. In addition, we initiated our digital card services, which, for example, enable our customers to block a card in case of loss or theft, change card limits or order a new card 24/7 via e-banking or mobile app.

All of our digital initiatives aim at increasing the convenience for our customers. The number of online and mobile logins during the first three quarters increased by 20% to 64.9 million compared to the same period last year.

Adoption rates confirm the high level of migration of customers to the new digital offerings. The share of products requested through our digital channels – covering our website, e-banking system and customer care center – is continuously increasing and currently accounts for more than 15% of consumer loans and over 25% of securities transactions.

Expansion of *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, consumer and housing loans, security products and investment funds.

easybank’s client base grew to 545,000 accounts through the first three quarters 2015, up 7.5% since year-end 2014 and up 9.8% compared to September 2014. At the same time, *easybank* increased its deposit volume to EUR 3.1 billion, up EUR 360 million, or 13.2%, from September of last year.

After the integration of BAWAG P.S.K. auto leasing in the second quarter, the leasing business was expanded by acquiring the former Volksbanken leasing business, which closed in early October. This transaction generates significant synergies by combining two in-market platforms and makes us the third largest auto lessor in Austria with a market share of approximately 11% and total consumer leasing assets of EUR 706 million.

The integration of the BAWAG P.S.K. and former Volksbanken auto leasing businesses, together with the strategic partnership *easybank* entered into last year with Shell gas stations, provides *easybank* with yet another platform to expand its market presence, brand awareness and best-in-class service offering to a range of new customers and segments. *easybank* is well positioned to build out its asset origination capabilities in both consumer auto leasing and consumer loans.

At the end of October, *easybank* entered into another strategic partnership “easy green energy” together with the Austrian energy supplier “Unsere Wasserkraft” to provide renewable and low-cost electricity and natural gas for domestic customers all over Austria. The partnership leverages the best-in-class online and mobile customer experience offered though *easybank*’s platform while providing easy green energy customers with access to the full suite of *easybank* products.

Financial Results

Income metrics (in EUR million)	Q3 2015	Q3 2014	Change (%)	Jan–Sep 2015	Jan–Sep 2014	Change (%)
Net interest income	96.7	98.7	(2.0)	287.5	294.6	(2.4)
Net fee and commission income	34.4	38.1	(9.7)	117.7	125.5	(6.2)
Core revenues	**131.1**	**136.8**	**(4.2)**	**405.2**	**420.1**	**(3.5)**
Gains and losses on financial instruments	0.0	0.0	–	0.8	0.8	–
Other operating income and expenses	(0.5)	0.8	–	0.8	2.3	(65.2)
Operating income	**130.6**	**137.6**	**(5.1)**	**406.8**	**423.3**	**(3.9)**
Operating expenses	**(78.5)**	**(88.5)**	**(11.3)**	**(238.0)**	**(267.2)**	**(10.9)**
Total risk costs	(9.0)	(10.8)	(16.7)	(27.1)	(32.0)	(15.3)
Profit before tax (= net profit)	**43.1**	**38.3**	**12.5**	**141.7**	**124.1**	**14.2**

Key ratios	Q3 2015	Q3 2014	Change (pts)	Jan–Sep 2015	Jan–Sep 2014	Change (pts)
Return on equity	30.4%	30.9%	(0.5)	35.4%	36.9%	(1.5)
Return on risk-weighted assets	5.07%	4.24%	0.83	5.55%	4.93%	0.62
Net interest margin	3.98%	4.10%	(0.12)	3.98%	4.10%	(0.12)
Cost-income ratio	60.1%	64.3%	(4.2)	58.5%	63.1%	(4.6)
Risk costs / loans and receivables	0.37%	0.45%	(0.08)	0.38%	0.45%	(0.07)
NPL ratio	2.24%	3.44%	(1.20)	2.24%	3.44%	(1.20)

Business volumes (in EUR million)	Sep 2015	Dec 2014	Change (%)	Sep 2014	Change (%)
Assets	9,674	9,579	1.0	9,636	0.4
Risk-weighted assets	3,394	3,420	(0.8)	3,605	(5.9)
Customer deposits	18,199	18,746	(2.9)	18,282	(0.5)

The segment achieved a net profit of EUR 141.7 million in the first three quarters 2015, compared to EUR 124.1 million in the same period last year. This 14.2% increase was driven by reduced operating expenses (minus 10.9%) and lower risk costs (minus 15.3%). Core revenues in the first three quarters decreased by 3.5% compared to the same period in 2014, driven primarily by a one-off commission payment in 2014 as well as impacts from a low-interest rate environment on the asset side. The segment's cost-income ratio improved to 58.5%, representing a 4.6 point decrease compared to the first three quarters 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 and portfolio lending.

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 strategy remains primarily focused on stronger Western European countries, such as Germany, the UK and France as well as the United States, which in total account for approximately 70% of the portfolio.

At the same time, we have further managed down non-core legacy loan assets from CEE countries as well as under-performing 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 balance sheet total.

First Three Quarters 2015 Business Review

Austrian Corporate Business

Overall commercial loan demand in Austria continues to be lower when compared to 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. Recent organization developments provide stronger support for strategic transactions which require complete debt solutions for clients.

New business volume followed the market trend. In the first three quarters, the business recorded EUR 300 million of new investment in addition to normal renewals. 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 selected companies using the competitive environment for cheaper refinancings. Despite muted overall demand, the overall outlook in the intermediate term has been improving based on visible activities.

Net fee and commission income – mainly arising from payment activities of our clients – decreased slightly due to the pricing environment with continued stable transaction volumes.

International Business

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

Our **international corporate business** generated new originations of EUR 1.0 billion in the first three quarters 2015. Repricing and refinancing continued as companies took advantage of the low interest rates and strong market conditions, resulting in an asset volume of EUR 3.6 billion, which is EUR 300 million lower than at year-end 2014. Our new business volume primarily consists of investment grade loans with a general focus on more defensive industries. Overall blended net leverage of the companies in our international corporate business was <4.0x and for the tranches BAWAG P.S.K. lends to <3.0x in the first three quarters 2015.

Our **international real estate financing business** generated new business of EUR 1.6 billion in the first three quarters 2015, leading to a total asset volume of EUR 2.5 billion. This is EUR 400 million higher than at year-end 2014. 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. 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 with low loan-to-value (LTV) / low loan-to-cost (LTC) positions against a more diversified portfolio of cash generating real estate assets. The portfolio has strong collateral coverage characteristics (average LTV <60%), 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.

Financial Results

Income metrics (in EUR million)	Q3 2015	Q3 2014	Change (%)	Jan–Sep 2015	Jan–Sep 2014	Change (%)
Net interest income	58.0	56.6	2.5	182.4	151.6	20.3
Net fee and commission income	9.5	10.4	(8.7)	29.4	31.7	(7.3)
Core revenues	**67.5**	**67.0**	**0.7**	**211.8**	**183.3**	**15.5**
Gains and losses on financial instruments	(2.4)	3.7	–	(2.8)	3.3	–
Other operating income and expenses	0.0	0.0	–	0.0	0.0	–
Operating income	**65.1**	**70.7**	**(7.9)**	**209.0**	**186.6**	**12.0**
Operating expenses	**(19.4)**	**(18.6)**	**4.3**	**(62.0)**	**(58.2)**	**6.5**
Total risk costs	(0.4)	(1.9)	(78.9)	(3.6)	(21.0)	(82.9)
Profit before tax (= net profit)	**45.3**	**50.2**	**(9.8)**	**143.4**	**107.4**	**33.5**

Key ratios	Q3 2015	Q3 2014	Change (pts)	Jan–Sep 2015	Jan–Sep 2014	Change (pts)
Return on equity	14.7%	18.9%	(4.2)	16.3%	14.2%	2.1
Return on risk-weighted assets	2.46%	2.60%	(0.14)	2.55%	1.91%	0.64
Net interest margin	1.70%	1.67%	0.03	1.77%	1.49%	0.28
Cost-income ratio	29.8%	26.3%	3.5	29.7%	31.2%	(1.5)
Risk costs / loans and receivables	0.01%	0.06%	(0.05)	0.04%	0.22%	(0.18)
NPL ratio	0.65%	1.87%	(1.22)	0.65%	1.87%	(1.22)

Business volumes (in EUR million)	Sep 2015	Dec 2014	Change (%)	Sep 2014	Change (%)
Assets	13,643	13,885	(1.7)	14,109	(3.3)
Risk-weighted assets	7,370	7,643	(3.6)	8,027	(8.2)
Customer deposits (incl. other refinancing)	2,627	3,230	(18.7)	3,233	(18.7)

The segment contributed EUR 143.4 million to the Bank's net profit in the first three quarters 2015, compared to EUR 107.4 million in the same period last year. This 33.5% increase was mainly driven by higher core revenues of EUR 211.8 million (+15.5% compared to the first three quarters 2014) and significantly lower risk costs of EUR 3.6 million (EUR 21.0 million in the first three quarters 2014). Net interest income increased by 20.3% to EUR 182.4 million compared to the first three quarters 2014. During the same period, net fee and commission income decreased from EUR 31.7 million to EUR 29.4 million.

Low risk costs in the first three quarters 2015 and an NPL ratio of 0.7% (down 1.2 points from September 2014) reflect positive impacts from our de-risking actions and the overall high credit quality of the assets.

TREASURY SERVICES AND MARKETS

First Three Quarters 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 in order to maintain solid diversification.

During the third quarter 2015, Treasury Services and Markets kept investment and designation in held-to-maturity and available-for-sale securities stable at EUR 2.2 billion and EUR 2.3 billion, respectively, as of 30 September 2015. The portfolio of CLO investments was disposed of in the third quarter based on evaluation of alternative investments and overall portfolio management. We continue to pursue 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 in other customer loans or receivables, or other balance sheet management activities.

As of 30 September 2015, Treasury Services and Markets managed a total investment portfolio of EUR 5.0 billion. The portfolio's average maturity was 3.6 years, comprised 99% of investment grade-rated securities (100% investment grade issuer ratings) of which 83% 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 90% 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 China, Russia, Hungary or South-Eastern Europe as of 30 September 2015. Southern Europe continues to be moderate and comprises shorter-dated, liquid bonds of well-known issuers. This composition reflects the Bank's overall 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)	Q3 2015	Q3 2014	Change (%)	Jan–Sep 2015	Jan–Sep 2014	Change (%)
Net interest income	14.9	14.8	0.7	42.1	39.5	6.6
Net fee and commission income	0.0	0.0	–	0.0	0.0	–
Core revenues	**14.9**	**14.8**	**0.7**	**42.1**	**39.5**	**6.6**
Gains and losses on financial instruments	(1.7)	3.5	–	0.9	21.4	(95.8)
Other operating income and expenses	0.0	0.0	–	0.0	0.0	–
Operating income	**13.2**	**18.3**	**(27.9)**	**43.0**	**60.8**	**(29.3)**
Operating expenses	**(5.3)**	**(5.0)**	**6.0**	**(14.8)**	**(16.2)**	**(8.6)**
Total risk costs	0.0	0.0	–	0.0	0.0	–
Profit before tax (= net profit)	**7.9**	**13.3**	**(40.6)**	**28.2**	**44.6**	**(36.8)**

Key ratios	Q3 2015	Q3 2014	Change (pts)	Jan–Sep 2015	Jan–Sep 2014	Change (pts)
Return on equity	10.9%	19.4%	(8.5)	12.3%	26.3%	(14.0)
Return on risk-weighted assets	1.82%	2.66%	(0.84)	1.91%	3.53%	(1.62)
Net interest margin	1.18%	1.03%	0.15	1.05%	0.96%	0.09
Cost-income ratio	40.2%	27.3%	12.9	34.4%	26.6%	7.8

Business volumes (in EUR million)	**Sep 2015**	Dec 2014	Change (%)	Sep 2014	Change (%)
Assets	4,957	5,755	(13.9)	5,833	(15.0)
Risk-weighted assets	1,774	2,172	(18.3)	1,961	(9.5)

Core revenues in the first three quarters 2015 rose to EUR 42.1 million, an increase of 6.6% compared to the same period in 2014. Due to lower gains and losses from financial instruments, the net profit declined to EUR 28.2 million, a decrease of 36.8% compared to the first three quarters 2014.

Selective new investments and strategic sales supported a decrease of risk-weighted assets by 18.3% to EUR 1.8 billion at the end of the third quarter 2015 compared to EUR 2.2 billion at year-end 2014.

CORPORATE CENTER

First Three Quarters 2015 Review

The Corporate Center contains central functions such as Risk, Legal and the Group Asset-Liability Management. 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 three quarters, focusing on the core business segments including the optimization of the Corporate Center balance structure led to a further reduction of assets and liabilities. In terms of risk-weighted assets, more than half of the total amount relates to operational risk, captured in the Corporate Center. The segment showed a positive performance, mainly driven by higher operating income due to the sale of non-core participations and subsidiaries.

Financial Results

Income metrics (in EUR million)	**Q3 2015**	Q3 2014	Change (%)	**Jan–Sep 2015**	Jan–Sep 2014	Change (%)
Net interest income	6.1	5.8	5.2	27.0	8.2	>100
Net fee and commission income	(0.9)	(1.7)	47.1	(2.3)	(3.3)	30.3
Core revenues	**5.2**	**4.1**	**26.8**	**24.7**	**4.9**	**>100**
Gains and losses on financial instruments	20.9	2.2	>100	41.5	23.4	77.4
Other operating income and expenses	(4.7)	0.6	–	(4.4)	10.2	–
Operating income	**21.4**	**6.9**	**>100**	**61.8**	**38.5**	**60.5**
Operating expenses	**(8.7)**	**(8.8)**	**(1.1)**	**(21.9)**	**(22.5)**	**(2.7)**
Total risk costs	1.2	(2.0)	–	(0.4)	0.7	–
Bank levy	(6.0)	(6.2)	(3.2)	(17.5)	(18.5)	(5.4)
Share of the profit or loss of associates accounted for using the equity method	1.3	1.3	–	3.1	0.4	>(100)
Profit before tax	**9.2**	**(8.8)**	**–**	**25.1**	**(1.2)**	**–**
Net profit	**(1.9)**	**(13.3)**	**85.7**	**7.0**	**(12.7)**	**–**

Volumes (in EUR million)	**Sep 2015**	Dec 2014	Change (%)	Sep 2014	Change (%)
Liquidity reserve and other assets	4,598	5,432	(15.4)	5,289	(13.1)
Risk-weighted assets	3,139	3,557	(11.8)	3,505	(10.4)
Own issues, equity and other liabilities	12,046	12,675	(5.0)	13,346	(9.7)

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 three quarters 2015. We anticipate this positive trend to continue throughout the remainder of 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)
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 (calculation according to CRR, based on Promontoria Sacher Holding N.V. Group)
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 (NPLs) / loans and receivables (including provisions); loans are not included in NPLs if no economic loss is expected
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, fully loaded)
Risk costs / loans and receivables	Provisions and loan-loss provisions as well as impairment losses (total risk costs) / average loans and receivables (including provisions)
RWA density	Risk-weighted assets / total assets
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)
Total capital ratio	Total capital / risk-weighted assets

Consolidated Interim Financial Statements

CONSOLIDATED ACCOUNTS

PROFIT OR LOSS STATEMENT

in EUR million	[Notes]	Jan–Sep 2015	Jan–Sep 2014*)	Q3 2015	Q3 2014*)
Interest income		789.2	814.3	256.5	274.4
Interest expense		(260.4)	(326.2)	(81.6)	(99.9)
Dividend income		10.2	5.8	0.8	1.4
Net interest income	**[1]**	**539.0**	**493.9**	**175.7**	**175.9**
Fee and commission income		216.9	230.6	67.3	71.8
Fee and commission expenses		(72.1)	(76.7)	(24.4)	(25.0)
Net fee and commission income	**[2]**	**144.8**	**153.8**	**42.9**	**46.8**
Gains and losses on financial assets and liabilities	[3]	40.4	51.6	16.7	9.4
Other operating income and expenses		(21.0)	(5.9)	(11.0)	(4.9)
Operating expenses	[4]	(336.7)	(364.0)	(111.9)	(120.8)
Provisions and impairment losses	[5]	(31.2)	(52.2)	(8.3)	(14.7)
Share of the profit or loss of associates accounted for using the equity method		3.1	0.4	1.3	1.3
Profit before tax		**338.4**	**277.7**	**105.4**	**93.0**
Income taxes		(18.1)	(10.8)	(11.1)	(4.5)
Profit after tax		**320.3**	**266.8**	**94.3**	**88.5**
Thereof attributable to non-controlling interests		0.0	3.4	0.0	0.0
Thereof attributable to owners of the parent		**320.3**	**263.5**	**94.3**	**88.5**

*) Adjusted

In accordance with IFRS, the item Other operating income and expenses also includes the bank levy in the amount of EUR 17.4 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 three quarters 2015 include the estimated contributions to the deposit guarantee scheme in the amount of EUR 6.6 million and to the Austrian bank resolution fund, which both will be payable by the end of 2015.

STATEMENT OF COMPREHENSIVE INCOME

in EUR million	[Notes]	**Jan–Sep 2015**	Jan–Sep 2014	**Q3 2015**	Q3 2014
Profit after tax		**320.3**	**266.8**	**94.3**	**88.5**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gain/loss on defined benefit plans	[12]	13.7	(35.7)	(0.2)	(10.7)
Income tax on items that will not be reclassified		(3.4)	8.9	0.1	2.7
Total items that will not be reclassified to profit or loss		**10.3**	**(26.8)**	**(0.1)**	**(8.0)**
Items that may be reclassified subsequently to profit or loss					
Available-for-sale reserve		(83.1)	13.9	(15.5)	14.0
Income tax relating to items that may be reclassified		20.5	(3.7)	3.9	(3.5)
Total items that may be reclassified subsequently to profit or loss		**(62.6)**	**10.2**	**(11.6)**	**10.5**
Total comprehensive income, net of tax		**268.0**	**250.3**	**82.6**	**91.0**
Thereof attributable to non-controlling interests		0.0	3.4	0.0	0.0
Thereof attributable to owners of the parent		**268.0**	**246.9**	**82.6**	**91.0**

STATEMENT OF FINANCIAL POSITION

Total assets

in EUR million	[Notes]	Sep 2015	Dec 2014
Cash reserves		520	684
Financial assets designated at fair value through profit or loss		299	450
Available-for-sale financial assets	[6]	2,993	3,833
Held-to-maturity investments		2,227	2,042
Financial assets held for trading	[7]	965	1,163
Loans and receivables	[8]	24,713	25,280
Customers		22,044	21,779
Securities		1,089	1,983
Credit institutions		1,580	1,518
Hedging derivatives		485	546
Property, plant and equipment		63	84
Goodwill		1	1
Software and other intangible assets		103	102
Tax assets for current taxes		7	7
Tax assets for deferred taxes		248	243
Associates recognized at equity		37	37
Other assets		86	111
Assets in disposal groups	[13]	125	68
Total assets		**32,872**	**34,651**

The line items Goodwill and Software and other intangible assets are shown under the line item Intangible non-current assets in Note 17 of this Consolidated Interim Report. As of 30 September 2015, the line items Assets in disposal groups and Obligations in disposal groups include the carrying amounts of assets and liabilities of BAWAG Malta Bank Limited. 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]	Sep 2015	Dec 2014
Total liabilities		**30,212**	**32,246**
Financial liabilities designated at fair value through profit or loss	[9]	1,578	1,675
Financial liabilities held for trading	[10]	1,184	1,174
Financial liabilities at amortized cost	[11]	26,246	27,993
Customers		20,919	21,135
Issued bonds, subordinated and supplementary capital		3,255	4,438
Credit institutions		2,072	2,420
Valuation adjustment on interest rate risk hedged portfolios		166	196
Hedging derivatives		124	160
Provisions	[12]	429	522
Tax liabilities for deferred taxes		3	3
Other obligations		479	517
Obligations in disposal groups	[13]	3	6
Total equity		**2,660**	**2,405**
Equity attributable to the owners of the parent		2,660	2,405
Total liabilities and equity		**32,872**	**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**	**350**	**1,511**	**228**	**99**	**(34)**	**2,403**	**395**	**2,798**
Transactions with owners	–	–	123	–	–	–	123	(399)	(276)
Owner's contribution	–	–	123	–	–	–	123	–	123
Redemption of participation capital	–	(350)	–	–	–	–	(350)	–	(350)
Dividends	–	–	–	(65)	–	–	(65)	–	(65)
Total comprehensive income	–	–	–	264	10	(27)	247	3	250
Balance as of 30.09.2014	**250**	**–**	**1,634**	**427**	**109**	**(61)**	**2,359**	**0**	**2,359**
Balance as of 01.01.2015	**250**	**–**	**1,636**	**497**	**107**	**(85)**	**2,405**	**0**	**2,405**
Transactions with owners	–	–	6	(19)	–	–	(13)	–	(13)
Dividends non-controlling interests	–	–	–	(19)	–	–	(19)	–	(19)
Owner's contribution	–	–	6	–	–	–	6	–	6
Total comprehensive income	–	–	–	320	(63)	10	268	–	268
Balance as of 30.09.2015	**250**	**–**	**1,642**	**798**	**44**	**(74)**	**2,660**	**0**	**2,660**

1) Participation capital according to section 26b BWG.

CONDENSED CASH FLOW STATEMENT

in EUR million	**Jan–Sep 2015**	Jan–Sep 2014
Cash and cash equivalents at end of previous period	**684**	**481**
Profit (after tax, before non-controlling interests)	320	264
Non-cash items included in the profit (loss) and reconciliation to net cash from operating activities	(488)	(547)
Change in assets and liabilities arising from operating activities after corrections for non-cash items	(993)	495
Interest receipts/paid	572	512
Dividend receipts	10	6
Net cash from operating activities	**(579)**	**730**
Cash receipt from the sale of company building	–	150
Full redemption of non-controlling interests	–	(399)
Cash receipt from sales of subsidiaries	105	–
Other net investing cash in/outflow	517	(48)
Net cash used in investing activities	**622**	**(297)**
Capital contributions	–	125
Redemption of participation capital	–	(350)
Dividends paid	(19)	(65)
Redemption of hybrid capital issue (BCF II)	(83)	–
Others	(105)	(71)
Net cash from financing activities	**(207)**	**(361)**
Cash and cash equivalents at end of period	**520**	**553**

NOTES

The consolidated interim financial statements of BAWAG P.S.K. Group as of 30 September 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 three quarters 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.:

- IFRIC 21 Levies
- Annual Improvements to IFRS (2011–2013 Cycle)

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

As of 30 September 2015, the Group consists of 28 (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. BV Vermögensverwaltung GmbH was deconsolidated as of 30 April 2015 due to immateriality. In May 2015, BAWAG P.S.K. Autoleasing GmbH was renamed to BAWAG P.S.K. LEASING GmbH and was included in the scope of consolidation for the first time. The former BAWAG P.S.K. LEASING GmbH was renamed to BAWAG P.S.K. LEASING Holding GmbH. In July 2015, BAWAG CAPITAL FINANCE II LIMITED was liquidated, stricken from the register of the Jersey Financial Services Commission and therefore deconsolidated.

The interim financial statements for the first three quarters 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	**Jan–Sep 2015**	Jan–Sep 2014
Decrease in operating expenses	+7.2	+11.1
Increase in interest expense	(7.2)	(11.1)

MAJOR EVENTS AFTER THE REPORTING DATE

Volksbanken Leasing

After the fulfillment of all contractual requirements and customary closing conditions, immigon portfolioabbau ag (former ÖVAG) sold 100% of its shares in VB Leasing Finanzierungsgesellschaft m.b.H. group to BAWAG P.S.K. LEASING GmbH with effect from 5 October 2015.

State Street

The closing of the assignment of the Viennese branch of State Street as the new custodian bank for funds of BAWAG P.S.K. INVEST GmbH took place on 9 October 2015.

DETAILS OF THE PROFIT OR LOSS STATEMENT

1 | Net interest income

in EUR million	Jan–Sep 2015	Jan–Sep 2014*)
Interest income	789.2	814.3
Interest expense	(260.4)	(326.2)
Dividend income	10.2	5.8
Net interest income	**539.0**	**493.9**

*) Adjusted

2 | Net fee and commission income

in EUR million	Jan–Sep 2015	Jan–Sep 2014
Fee and commission income	**216.9**	**230.6**
Payment transfers	128.3	134.1
Lending	19.0	21.6
Securities and custody business	41.9	47.0
Other	27.7	27.8
Fee and commission expenses	**(72.1)**	**(76.7)**
Payment transfers	(28.8)	(29.6)
Other	(43.3)	(47.1)
Net fee and commission income	**144.8**	**153.8**

3 | Gains and losses on financial assets and liabilities

in EUR million	Jan–Sep 2015	Jan–Sep 2014
Realized gains on sales of subsidiaries and securities	70.5	27.6
Fair value gains and losses	(34.2)	8.1
Gains (losses) from fair value hedge accounting	(0.6)	4.3
Others	4.7	11.6
Gains and losses on financial assets and liabilities	**40.4**	**51.6**

4 | Operating expenses

in EUR million	Jan–Sep 2015	Jan–Sep 2014*)
Staff costs	(191.0)	(203.8)
Other administrative expenses	(121.4)	(134.3)
Depreciation and amortization on tangible and intangible assets	(24.3)	(22.3)
Restructuring and other one-off expenses	0.0	(3.5)
Operating expenses	**(336.7)**	**(364.0)**

*) Adjusted

5 | Provisions and impairment losses

in EUR million	Jan–Sep 2015	Jan–Sep 2014
Loan-loss provisions and changes in provisions for off-balance credit risk	(31.2)	(52.2)
Impairment losses on financial assets	0.0	0.0
Provisions and impairment losses	**(31.2)**	**(52.2)**

DETAILS OF THE STATEMENT OF FINANCIAL POSITION

6 | Available-for-sale financial assets

in EUR million	Sep 2015	Dec 2014
Bonds	**2,925**	**3,757**
Bonds of other issuers	2,649	3,134
Public sector debt instruments	276	623
Subsidiaries and other equity investments	**68**	**76**
Available-for-sale financial assets	**2,993**	**3,833**

7 | Financial assets held for trading

in EUR million	Sep 2015	Dec 2014
Derivatives in trading book	373	404
Derivatives in banking book	592	759
Financial assets held for trading	**965**	**1,163**

8 | Loans and receivables

Sep 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	**21,715**	**548**	**(166)**	**(53)**	**22,044**
thereof IBNR portfolio provision[1)]	0	0	0	(40)	(40)
Securities	**1,089**	**0**	**0**	**0**	**1,089**
Receivables from credit institutions	**1,580**	**0**	**0**	**0**	**1,580**
Total	**24,384**	**548**	**(166)**	**(53)**	**24,713**

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**	**(226)**	**(52)**	**21,779**
thereof IBNR portfolio provision[1)]	0	0	0	(41)	(41)
Securities	**1,983**	**0**	**0**	**0**	**1,983**
Receivables from credit institutions	**1,518**	**0**	**0**	**0**	**1,518**
Total	**24,942**	**616**	**(226)**	**(52)**	**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:

Sep 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	9,469	202	(117)	(13)	9,540
Corporate Lending and Investments	13,076	63	(41)	0	13,097
Treasury Services and Markets	290	0	0	0	290
Corporate Center	1,550	283	(7)	(40)	1,786
Total	**24,384**	**548**	**(166)**	**(53)**	**24,713**

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	(1)	(41)	1,898
Total	**24,942**	**616**	**(226)**	**(52)**	**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	Sep 2015	Dec 2014
Loans	19,668	19,533
Current accounts	1,417	1,423
Finance leases	614	672
Cash advances	344	151
Receivables from customers	**22,044**	**21,779**

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

in EUR million	Sep 2015	Dec 2014
Issued debt securities	1,178	1,289
Subordinated and supplementary capital	400	386
Financial liabilities designated at fair value through profit or loss	**1,578**	**1,675**

10 | Financial liabilities held for trading

in EUR million	Sep 2015	Dec 2014
Derivatives trading book	353	403
Derivatives banking book	831	771
Financial liabilities held for trading	**1,184**	**1,174**

11 | Financial liabilities measured at amortized cost

in EUR million	Sep 2015	Dec 2014
Deposits from banks	**2,072**	**2,420**
Deposits from customers	**20,919**	**21,135**
Savings deposits – fixed interest rates	2,608	3,439
Savings deposits – variable interest rates	4,492	4,321
Deposit accounts – variable interest rates	5,431	5,344
Current accounts – Retail	5,720	5,654
Current accounts – Corporates	1,976	1,814
Other deposits[1)]	692	563
Issued bonds, subordinated and supplementary capital	**3,255**	**4,438**
Issued debt securities	2,821	3,831
Subordinated and supplementary capital	434	607
Financial liabilities measured at amortized cost	**26,246**	**27,993**

1) Primarily time deposits.

12 | Provisions

in EUR million	Sep 2015	Dec 2014
Provisions for social capital	398	489
Anticipated losses from pending business	26	27
Other items including legal risks	6	6
Provisions	**429**	**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 2.20%, which resulted in an impact of plus EUR 8.9 million in other comprehensive income and plus EUR 0.4 million in profit or loss.

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

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

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

The segment "Corporate Center" includes BAWAG Malta Bank Limited.

in EUR million	Sep 2015
Assets in disposal groups	**125**
Loans and receivables – Securities	89
Available-for-sale financial assets	16
Loans and receivables – Customers	16
Held-to-maturity investments	4
Obligations in disposal groups	**3**
Financial liabilities at amortized cost – Customers	3

14 | Related parties

Transactions with related parties

The following table shows transactions with related parties:

Sep 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	1,381	59	0	159
Securities	0	0	0	22	0
Other assets (incl. derivatives)	0	2	6	0	0
Financial liabilities – customers	17	2	18	141	11
Other liabilities (incl. derivatives)	0	0	0	3	0
Guarantees provided	0	0	0	0	0
Interest income	0.0	37.4	1.4	0.2	2.3
Interest expenses	0.0	0.0	0.0	1.7	0.0
Net fee and commission income	0.0	0.0	0.0	19.1	0.5

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
Net fee and commission income	0.0	0.0	0.0	22.0	1.1

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	**Sep 2015**	**Sep 2015**	Dec 2014	Dec 2014
Current account deposits	3	1	3	2
Savings deposits	0	3	1	2
Loans	0	2	0	2
Securities	0	1	0	1

15 | Segment reporting

This information is based on the Group structure as of 30 September 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. This segment includes as well our 100% direct banking subsidiary *easybank*.

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

- **Treasury Services and Markets –** includes the activities associated with providing hedging 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 Jan–Sep 2015	Retail Banking and Small Business Jan–Sep 2014	Corporate Lending and Investments Jan–Sep 2015	Corporate Lending and Investments Jan–Sep 2014	Treasury Services and Markets Jan–Sep 2015	Treasury Services and Markets Jan–Sep 2014	Corporate Center Jan–Sep 2015	Corporate Center Jan–Sep 2014[1)]	Total Jan–Sep 2015	Total Jan–Sep 2014[1)]
Net interest income	287.5	294.6	182.4	151.6	42.1	39.5	27.0	8.2	539.0	493.9
Net fee and commission income	117.7	125.5	29.4	31.7	0.0	0.0	(2.3)	(3.3)	144.8	153.8
Core revenues	**405.2**	**420.1**	**211.8**	**183.3**	**42.1**	**39.5**	**24.7**	**4.9**	**683.8**	**647.8**
Gains and losses on financial instruments	0.8	0.8	(2.8)	3.3	0.9	21.4	41.5	23.4	40.4	48.9
Other operating income and expenses	0.8	2.3	0.0	0.0	0.0	0.0	(4.4)	10.2	(3.6)	12.6
Operating income	**406.8**	**423.3**	**209.0**	**186.6**	**43.0**	**60.8**	**61.8**	**38.5**	**720.6**	**709.2**
Operating expenses	**(238.0)**	**(267.2)**	**(62.0)**	**(58.2)**	**(14.8)**	**(16.2)**	**(21.9)**	**(22.5)**	**(336.7)**	**(364.0)**
Bank levy	–	–	–	–	–	–	(17.5)	(18.5)	(17.4)	(18.5)
Total risk costs	(27.1)	(32.0)	(3.6)	(21.0)	0.0	0.0	(0.4)	0.7	(31.2)	(52.2)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	–	–	–	3.1	0.4	3.1	0.4
Profit before tax	**141.7**	**124.1**	**143.4**	**107.4**	**28.2**	**44.6**	**25.1**	**(1.2)**	**338.4**	**275.0**
Income taxes	–	–	–	–	–	–	(18.1)	(10.8)	(18.1)	(10.8)
Profit after tax	**141.7**	**124.1**	**143.4**	**107.4**	**28.2**	**44.6**	**7.0**	**(12.0)**	**320.3**	**264.1**
Non-controlling interests	–	–	–	–	–	–	0.0	(0.6)	0.0	(0.6)
Net profit	**141.7**	**124.1**	**143.4**	**107.4**	**28.2**	**44.6**	**7.0**	**(12.7)**	**320.3**	**263.5**
Business volumes										
Assets	9,674	9,636	13,643	14,109	4,957	5,833	4,598	5,289	32,872	34,867
Risk-weighted assets[2)]	3,394	3,605	7,370	8,027	1,774	1,961	3,139	3,505	15,677	17,098

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.

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	Jan–Sep 2015	Jan–Sep 2014
Gains and losses on financial assets and liabilities according to segment report	40.4	48.9
Gains and losses on financial assets attributable to non-controlling interests	0.0	2.7
Gains and losses on financial assets and liabilities according to consolidated profit or loss statement	**40.4**	**51.6**

in EUR million	Jan–Sep 2015	Jan–Sep 2014
Other operating income and expenses according to segment report	(3.6)	12.6
Bank levy	(17.4)	(18.5)
Other operating income and expenses according to consolidated profit or loss statement	**(21.0)**	**(5.9)**

in EUR million	Jan–Sep 2015	Jan–Sep 2014
Profit before tax according to segment report	338.4	275.0
Gains and losses on financial assets attributable to non-controlling interests	0.0	2.7
Profit before tax according to consolidated profit or loss statement	**338.4**	**277.7**

16 | 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 tables show the breakdown of own funds of Promontoria Sacher Holding N.V. Group applying transitional rules and its own funds requirement as of 30 September 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	Sep 2015[3]	Dec 2014
Share capital	**0**	**0**
Reserves (including funds for general banking risk) after deduction of intangible assets	2,417	2,463
Other comprehensive income	(32)	20
IRB risk provision shortfalls[1]	(31)	(11)
Prudent valuation, cumulative gains due to changes in own credit risk on fair valued liabilities, prudential filter for unrealized gains	(61)	(148)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(14)	–
Excess of deduction from AT1 items over AT1 capital	(198)	(235)
Common Equity Tier I	**2,081**	**2,089**
Hybrid capital[2]	–	68
IRB risk provision shortfalls[1]	(24)	(21)
Deduction of intangible assets	(174)	(282)
Excess of deduction from AT1 items over AT1 capital	198	235
Additional Tier I	**–**	**–**
Tier I	**2,081**	**2,089**
Supplementary and subordinated debt capital	484	533
Hybrid capital[2]	–	17
Excess IRB risk provisions	–	21
Less significant investments, IRB risk provision shortfalls[1]	(45)	(43)
Tier II	**439**	**528**
Own funds	**2,520**	**2,617**

1) September 2015: According to CRR, LLPs as of 31 December 2014 including disposals until 30 September 2015.
2) According to CRR, hybrid capital is partially eligible among Additional Tier I and Tier II. In June 2015, the last eligible hybrid capital was redeemed.
3) Own funds as of 30 September 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	Sep 2015	Dec 2014
Credit risk	1,106	1,195
Market risk	9	8
Operational risk	130	129
Capital requirements	**1,245**	**1,332**

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

	Promontoria		BAWAG P.S.K.[1)]	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Common Equity Tier I capital ratio based on total risk	14.1%	11.8%	14.9%	12.1%
Total capital ratio based on total risk	17.2%	15.4%	17.9%	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.	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Common Equity Tier I capital ratio based on total risk	13.4%	n/a	13.7%	n/a
Total capital ratio based on total risk	16.2%	n/a	16.5%	n/a
Common Equity Tier I capital ratio based on total risk (incl. interim profit)	15.0%	12.5%	15.8%	12.9%
Total capital ratio based on total risk (incl. interim profit)	18.0%	15.7%	18.7%	16.1%

17 | Fair value

The following table depicts a comparison of the carrying amounts and fair values for selected items on the statement of financial position:

in EUR million	Carrying amount Sep 2015	Fair value Sep 2015	Carrying amount Dec 2014	Fair value Dec 2014
Assets				
Cash reserves	520	520	684	684
Financial assets designated at fair value through profit or loss	299	299	450	450
Available-for-sale financial assets				
Recognized at fair value	2,925	2,925	3,756	3,756
Recognized at cost	68	n/a	77	n/a
Held-to-maturity investments	2,227	2,311	2,042	2,150
Financial assets held for trading	965	965	1,163	1,163
Loans and receivables	24,713	25,116	25,280	25,629
Hedging derivatives	485	485	546	546
Tangible non-current assets	63	n/a	84	n/a
Thereof investment properties	4	5	3	6
Intangible non-current assets	104	n/a	103	n/a
Other assets	378	n/a	398	n/a
Assets in disposal groups	125	n/a	68	n/a
Total assets	**32,872**		**34,651**	
Equity and liabilities				
Financial liabilities designated at fair value through profit or loss	1,578	1,578	1,675	1,675
Financial liabilities held for trading	1,184	1,184	1,174	1,174
Financial liabilities designated at amortized cost	26,246	26,965	27,993	28,252
Valuation adjustment on interest rate risk hedged portfolios	166	166	196	196
Hedging derivatives	124	124	160	160
Provisions	429	n/a	522	n/a
Other obligations	482	n/a	520	n/a
Obligations in disposal groups	3	n/a	6	n/a
Equity	2,660	n/a	2,405	n/a
Total liabilities and equity	**32,872**		**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 68 million in investments in private and public limited companies. The fair value of these financial instruments has not been disclosed because their fair value cannot be measured reliably. There is no active market for these financial instruments and future cash flows cannot be calculated reliably. 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.

Sep 2015 in EUR million	Level 1	Level 2	Level 3	Others[1)]	Total
Assets					
Financial assets designated at fair value through profit or loss	2	295	2	0	299
Available-for-sale financial assets	2,862	63	0	68	2,993
Financial assets held for trading	0	965	0	0	965
Hedging derivatives	0	485	0	0	485
Total fair value assets	**2,864**	**1,809**	**2**	**68**	**4,743**
Liabilities					
Financial liabilities designated at fair value through profit or loss	0	1,105	473	0	1,578
Financial liabilities held for trading	0	1,184	0	0	1,184
Valuation adjustment on interest rate risk hedged portfolios	0	166	0	0	166
Hedging derivatives	0	124	0	0	124
Total fair value liabilities	**0**	**2,579**	**473**	**0**	**3,052**

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 three quarters 2015, one available-for-sale security was moved from Level 1 to Level 2 due to subsequent illiquid market prices. Six available-for-sale securities were moved from Level 2 to Level 1 due to a more liquid market.

Movements in Level 3 financial instruments measured at fair value

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

in EUR million	Financial assets	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	1	(11)
for assets no longer held at the end of the period	(1)	0
Purchases	0	0
Redemptions	0	(41)
Sales	(2)	0
Foreign exchange differences	0	0
Transfers into or out of Level 3	0	0
Closing balance as of 30.09.2015	**2**	**473**

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 three quarters 2015, the financial liabilities reported under Level 3 in 2014 decreased by a total of EUR 52 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 2 million as of 30 September 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 30 September 2015 would have increased by EUR 3 million (31 December 2014: EUR 4 million). If the fair value of financial assets decreased by 30%, the accumulated valuation result as of 30 September 2015 would have decreased by EUR 1 million (31 December 2014: minus EUR 1 million).

RISK REPORT

The Risk Management function within the Bank has the responsibility to identify, measure, limit, 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. All risk management principles, defined limits for all material risks and established procedures for monitoring these risks are documented in risk manuals and guidelines. The Managing Board is continuously and proactively informed on the overall risk management situation. The monthly risk reporting based on clearly defined risk metrics encompasses all Pillar I and ICAAP-relevant topics as well as operational risk matters and additionally relevant specific risk topics. Quarterly risk reports are submitted to the Supervisory Board's monitoring and control committees.

Risk management policies, procedures and systems are reviewed regularly to reflect changes in regulatory requirements, market conditions as well as 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 following risks are considered as material for BAWAG P.S.K. Group:

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

Furthermore, the risk self-assessment process which is conducted on an annual basis provides an overview of the Bank's risk position and the risk management of the individual risk types, i.e. all potential risks arising in connection with the implementation of the business strategy are evaluated with respect to their relevance, their impact on the Bank as well as their coverage through existing risk management procedures. The quantification of these risks will be considered in the risk bearing capacity.

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

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

The risk bearing capacity is calculated on a monthly basis. A confidence level of 99.9% is applied, which represents the probability of potential losses not exceeding the quantified risk. Limits are determined for all limit categories (and steering portfolios) as part of the risk strategy. Compliance with the limits is monitored in accordance with the defined monitoring processes on a monthly basis. If the defined warning levels are reached or the limits are exceeded, escalation processes are initiated.

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

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

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

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

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

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

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

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

The capital levels defined within the capital planning process and monitored by the Capital Management Meeting are applied for the purpose of stress testing. The capital contingency plan is drawn up to account for extreme stress scenarios. As part of the internal stress tests, senior management reviews whether the capital ratios remain above the recovery levels even in stressed scenarios. A breach of the recovery levels needs to be justified with measures or measures need to be taken to improve the capital position sufficiently to exceed the recovery levels even under a stressed scenario. The ordinary procedure for capital contingencies is applicable in such a situation.

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

19 | 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 ensure functional risk management expertise for both Corporate Lending and Investments as well as Retail Banking 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. Furthermore, Strategic Risk is responsible for the development and validation of all credit risk models.

In Retail Banking and Small Business, the credit risk of private and small business customers is assessed via automated scorecards and via statistically developed scorecards. Furthermore, statistical models are used to assess the loss given default (LGD) as well as the expected utilization of the off-balance-sheet exposure value at the time of default (credit conversion factor, CCF).

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 individually estimated probability of default.

To manage overall concentration risk, exposure limits are defined, monitored and reported to the Managing Board and Supervisory Board on an ongoing basis. Furthermore, high standards are set with respect to credit risk methodologies and processes. New business is assessed along industry-specific underwriting guidelines with distinct credit metrics.

Business segment development in 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.

In 2015, Retail Banking and Small Business experienced further growth in consumer lending and mortgage products. Significant efforts were 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 74% and an overall portfolio LTV of 65%.

Corporate Lending and Investments was characterized by proactive risk management, sustainable growth in stable domestic and international economies (i.e. Western Europe and North America) and maintaining a disciplined approach on risk-adjusted pricing. Consequently, exposures with unfavorable risk/return profiles (i.e. "Watch Loans") were actively managed and reduced within the Bank's early warning process.

The Treasury Services and Markets segment includes interest rate and currency risk positions as well as capital market activities and comprises the Group's portfolio of debt securities. 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. During the third quarter 2015, Treasury Services and Markets exited the CLO portfolio comprised of AAA-securities.

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

In light of the strategic goal to fully exit the legacy non-core portfolio, the Bank's CEE assets were further reduced in the first three quarters of 2015. The current CEE loan portfolio totals EUR 184 million with NPLs below EUR 10 million.

Credit risk and bonds by business segment

	Retail Banking and Small Business		Corporate Lending and Investments		Treasury Services and Markets		Corporate Center		Total portfolio[1]	
in EUR million	**Sep 2015**	Dec 2014	**Sep 2015**	Dec 2014	**Sep 2015**	Dec 2014	**Sep 2015**	Dec 2014	**Sep 2015**	Dec 2014
Book value	9,540	9,308	12,451	12,352	0	0	1,791	1,816	23,782	23,476
Bonds	0	7	1,151	1,465	4,957	5,755	271	818	6,379	8,045
Off-balance business	1,801	1,938	1,544	1,562	428	1,239	254	62	4,027	4,801
Total	**11,341**	**11,253**	**15,146**	**15,379**	**5,385**	**6,994**	**2,316**	**2,696**	**34,188**	**36,322**
thereof collateralized[2]	6,338	6,372	4,316	4,348	182	232	93	150	10,929	11,102
thereof NPL (incl. LLP, gross view)[3]	217	305	85	153	0	0	256	257	558	715
NPL ratio[3]	2.2%	3.2%	0.7%	1.2%	n/a	n/a	n/a	n/a	2.2%	2.8%
NPL coverage ratio[3]	91.1%	92.0%	99.2%	81.1%	n/a	n/a	n/a	n/a	57.2%	62.6%

1) As explained in Note 13, the held for sale position (BAWAG Malta Bank Limited) is not included. This applies to all tables in the Risk Report.
2) Economic collateral comprises residential and commercial real estate, guarantees, life insurance, etc.
3) Starting from June 2015, a revised definition for non-performing loans is applied. Loans are not included in NPLs if no economic loss is expected.

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

Sep 2015 in EUR million	Note 8 Loans and receivables (L&R)	Loans and bonds (not part of L&R)[1]	Risk view Total loans & bonds	Other assets[2]	Segment report Total assets
Retail Banking and Small Business	9,540	0	9,540	134	9,674
Corporate Lending and Investments	13,097	505	13,602	41	13,643
Treasury Services and Markets	290	4,667	4,957	0	4,957
Corporate Center	1,786	276	2,062	2,536	4,598
Total	**24,713**	**5,449**	**30,161**	**2,711**	**32,872**

Dec 2014 in EUR million	Note 8 Loans and receivables (L&R)	Loans and bonds (not part of L&R)[1]	Risk view Total loans & bonds	Other assets[2]	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**

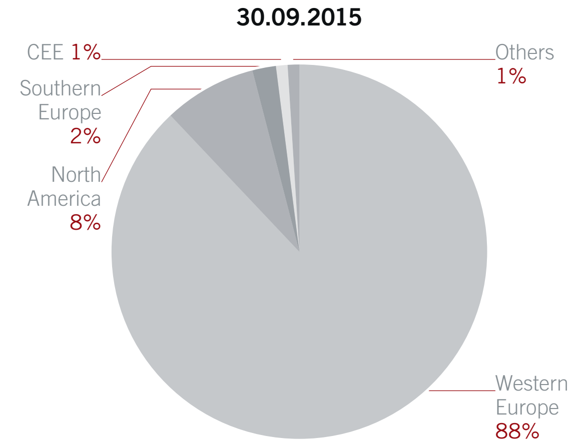
1) Shares and other variable-rate securities (Sep 2015: EUR 4 million, Dec 2014: EUR 7 million) are not included.
2) The Other assets comprise of financial assets held for trading (Sep 2015: EUR 965 million, Dec 2014: EUR 1,163 million), cash reserves (Sep 2015: EUR 520 million, Dec 2014: EUR 684 million) and hedging derivatives (Sep 2015: EUR 485 million, Dec 2014: EUR 546 million).

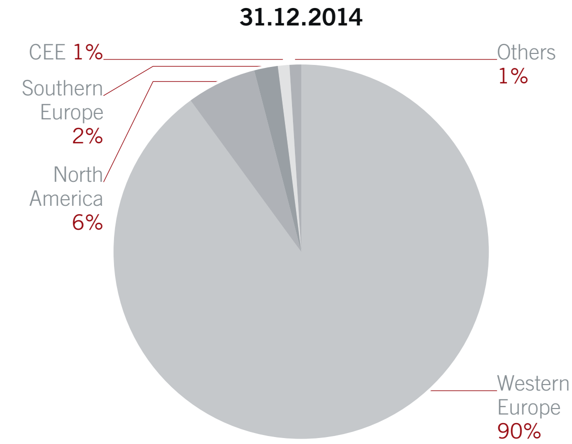
Geographical distribution of the loan and bond portfolio

The geographic distribution of the loan portfolio is in line with the Bank's strategy to focus on stable geographies and currencies. A total of 96% of the loan portfolio is located in Western Europe and North America[1)] and less than 1% in CEE.

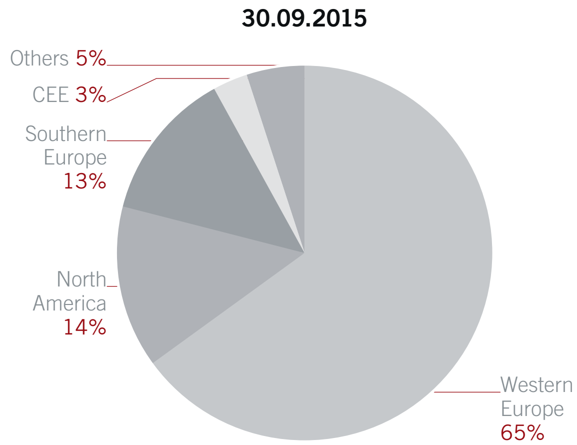
The geographic distribution of the bond portfolio is 79% in Western Europe and North America[2)], 13% in Southern Europe and 3% in CEE.

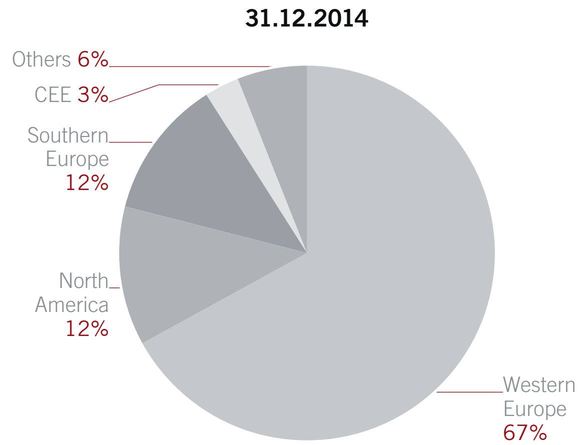
Geographical distribution of loans





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. Contrary to the apparent development conveyed in this table, the volumes of all major currencies decreased analogously to the development of the total portfolio when taking into account the depreciation of the euro.

1) This includes i.a. Austria with 71% (Dec 2014: 72%), Germany with 6% (Dec 2014: 6%), the United States with 8% (Dec 2014: 6%), Great Britain with 5% (Dec 2014: 4%) and France with 2% (Dec 2014: 3%).
2) This includes i.a. Austria with 11% (Dec 2014: 13%), Great Britain with 13% (Dec 2014: 12%), the United States with 14% (Dec 2014: 12%), France with 8% (Dec 2014: 7%) and Germany with 4% (Dec 2014: 4%).

	Book value		Relative value	
in EUR million	Sep 2015	Dec 2014	Sep 2015	Dec 2014
EUR	24,340	25,818	80.7%	81.9%
CHF	2,229	2,286	7.4%	7.3%
USD	2,371	2,240	7.9%	7.1%
GBP	1,107	1,058	3.7%	3.4%
Others	114	119	0.4%	0.4%
Total	**30,161**	**31,521**	**100.0%**	**100.0%**

Impaired loans

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

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

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

General impairment provisions
A general provision is booked on a portfolio basis for incurred but not reported (IBNR) losses as of the reporting date. The general provision is formed for on- and off-balance sheet claims in the Group's credit portfolio. This includes bonds, but not positions measured at fair value. As of 30 September 2015, the IBNR portfolio impairment amounted to EUR 45.3 million (comprised of EUR 39.6 million for financial assets and EUR 5.7 million for off-balance sheet items – e.g. contractual liabilities and guarantees), versus EUR 47.7 million as of prior year-end.

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.

Forborne loans and forbearance measures

Measures of forbearance or refinancing are extended if borrowers face financial difficulties and are considered to be unable to meet contractual obligations. In this respect, strictly temporary measures – i.e. a reduction or postponement of payments 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. Tight processes ensure adequate and timely provisioning if necessary. 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.

Measures of forbearance are defined in line with the EBA technical standards adopted by the EC in 2015. Each individual forbearance measure is appropriately flagged in the relevant front-end system. Regulatory reporting on the stock of forbearance cases is performed quarterly in line with the EBA technical standards.

1) The IBNR portfolio provision does not lead to a classification as "in default." On the other hand, manual and automatic impairment provisions 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	**Sep 2015**	Dec 2014	**Sep 2015**	Dec 2014
Government	2,581	2,343	19.0%	17.0%
Public Sector	1,971	1,871	14.5%	13.5%
Real Estate	1,809	2,185	13.3%	15.8%
Portfolio Financing	1,332	732	9.8%	5.3%
Services	971	635	7.1%	4.6%
Pharmaceuticals & Health Care	701	875	5.2%	6.3%
Hotel, Gaming & Leisure	521	427	3.8%	3.1%
Retail – Non-food	411	513	3.0%	3.7%
Retail – Food	385	407	2.8%	2.9%
Automotive	354	384	2.6%	2.8%
Transport	337	359	2.5%	2.6%
Telecommunication & Electronics	308	337	2.3%	2.4%
Commodity	275	305	2.0%	2.2%
Investment Funds	240	407	1.8%	2.9%
Beverages, Food & Tobacco	233	364	1.7%	2.6%
Wood & Paper	164	204	1.2%	1.5%
Engineering	163	170	1.2%	1.2%
Social Housing	150	128	1.1%	0.9%
Construction & Building Materials	147	161	1.1%	1.2%
Chemicals	127	92	0.9%	0.7%
Finance Companies	120	417	0.9%	3.0%
Media	72	189	0.5%	1.4%
Utilities	72	186	0.5%	1.3%
Others	161	123	1.2%	0.9%
Total	**13,602**	**13,817**	**100.0%**	**100.0%**

20 | 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.

The primary components of market risk for BAWAG P.S.K. Group result from interest rate risk and credit spreads.

Both risk categories are measured via sensitivity, value-at-risk (VaR) and scenario-based approaches. The financial treatment of the positions is considered in the monitoring concepts.

Active trading within the trading book is only performed on risk mitigating measures. The monitoring within the framework of ICAAP is carried out using a parametric VaR model. In the first three quarters 2015, the average value-at-risk of the trading book was measured at minus EUR 0.78 million (first three quarters 2014 average: minus EUR 0.23 million) and the value-at-risk as of 30 September 2015 was measured at minus EUR 1.12 million (31 December 2014: minus EUR 0.32 million), based on a confidence interval of 99% and a one-day holding period. The regulatory capital requirement is calculated using the Standardized Approach.

21 | 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-month rolling liquidity forecast and the Free-Available-Cash-Equivalent (FACE) ratio, which considers the regulatory liquidity requirements and limits.

The first three quarters 2015 were 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 interbank market funding. For the first time in three years, the Bank issued internationally a EUR 500 million Covered Bond, underpinning its capital markets capabilities.

22 | 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 VaR that results from operational risk.

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 risk 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