BAWAG Group

CONSOLIDATED INTERIM REPORT

H1 2016

KEY FIGURES

Profit or loss statement (in EUR million)	**Q2 2016**	Q2 2015	Change (%)	**Jan–Jun 2016**	Jan–Jun 2015	Change (%)
Net interest income	188.6	183.8	2.6	370.4	363.2	2.0
Net fee and commission income	52.1	51.4	1.4	103.0	101.9	1.1
Core revenues	**240.7**	**235.2**	**2.3**	**473.4**	**465.1**	**1.8**
Gains and losses on financial instruments and other operating income and expenses	14.0	(5.0)	–	31.7	29.8	6.4
Operating income	**254.7**	**230.2**	**10.6**	**505.1**	**494.9**	**2.1**
Operating expenses	**(111.2)**	**(108.1)**	**2.9**	**(215.2)**	**(227.9)**	**(5.6)**
Regulatory charges	(17.5)	(7.3)	>100	(34.0)	(16.8)	>100
Total risk costs	(7.2)	(13.0)	(44.6)	(15.9)	(24.7)	(35.6)
Profit before tax	**122.7**	**102.3**	**19.9**	**244.4**	**227.2**	**7.6**
Income taxes	(21.4)	(4.9)	>100	39.3	(18.6)	–
Net profit	**101.2**	**97.4**	**3.9**	**283.5**	**208.6**	**35.9**

Performance ratios (figures annualized)	**Q2 2016**	Q2 2015	Change (pts)	**Jan–Jun 2016**	Jan–Jun 2015	Change (pts)
Return on equity	**14.1%**	**14.2%**	**(0.1)**	**19.3%**	**15.4%**	**3.9**
Return on tangible equity	**16.0%**	**16.1%**	**(0.1)**	**21.8%**	**17.6%**	**4.2**
Return on risk-weighted assets	2.52%	2.43%	0.09	3.52%	2.56%	0.96
Return on total assets	1.16%	1.13%	0.03	1.61%	1.21%	0.40
Net interest margin	2.15%	2.14%	0.01	2.10%	2.11%	(0.01)
Cost-income ratio	43.7%	47.0%	(3.3)	42.6%	46.0%	(3.4)
Risk costs / loans and receivables	0.11%	0.20%	(0.09)	0.12%	0.19%	(0.07)

Statement of financial position (in EUR million)	**Jun 2016**	Dec 2015	Change (%)	Jun 2015	Change (%)
Total assets	34,729	35,708	(2.7)	34,005	2.1
Financial assets	6,586	6,288	4.7	6,646	(0.9)
Customer loans and receivables	23,728	24,712	(4.0)	21,918	8.3
Customer deposits	22,131	21,692	2.0	20,841	6.2
Own issues	4,882	4,505	8.4	5,712	(14.5)
IFRS equity	3,224	2,956	9.0	2,791	15.5
IFRS tangible equity	2,891	2,628	10.0	2,461	17.5
Risk-weighted assets	15,663	16,535	(5.3)	15,786	(0.8)

Balance sheet ratios	**Jun 2016**	Dec 2015	Change (pts)	Jun 2015	Change (pts)
Common Equity Tier 1 capital ratio (fully loaded)	**15.1%**	**12.9%**	**2.2**	**14.3%**	**0.8**
Total capital ratio (fully loaded)	18.1%	15.8%	2.3	17.4%	0.7
Leverage ratio (fully loaded)	6.6%	6.5%	0.1	6.4%	0.2
Liquidity coverage ratio (LCR)	141%	137%	4	165%	(24)
NPL ratio	2.3%	2.1%	0.2	2.3%	0.0

Note: For details on definitions and calculation methodology, please refer to the section entitled “Definitions” on page 27.

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The tables in this report may contain rounding differences.

Any data in this interim report is presented on the BAWAG Holding Group level (referred to as BAWAG P.S.K. throughout the document) unless stated otherwise.

LETTER FROM THE CEO

Dear Stakeholders,

BAWAG P.S.K. delivered strong first half 2016 results with net profit of EUR 284 million, a significant increase compared to the same period last year. From an operating standpoint, this improvement was driven by higher core revenues (up 2%) as well as lower operating expenses (down 6%) and risk costs (down 36%). Additionally, a positive one-time net tax benefit was recorded in the first half, which we expect to reverse over the course of the year. With a return on tangible equity of 22%, a cost-income ratio below 43% and a fully loaded CET1 ratio over 15%, BAWAG P.S.K. ranks amongst the most profitable, efficient and best capitalized banks across Europe.

We continue to maintain a conservative risk profile characterized by disciplined underwriting, low leverage and a business model focused on developed markets in Austria and Western Europe. This is best reflected in a risk cost ratio of 12 basis points and a stable NPL ratio of 2.3%.

At the same time, we further strengthened our capital position during the first half, improving our fully loaded CET1 and total capital ratios to 15.1% (up 2.2 points from year-end) and 18.1% (up 2.3 points), respectively. These ratios already take into account the deduction of a EUR 325 million dividend for 2015, which has not yet been fully distributed.

The investments in our retail franchise continue to pay off. We grew our overall market share in consumer loans, one of our core retail products, to 11.0%, up 80 basis points from year-end 2015, representing net asset growth of 8.4%. In terms of acquisitions, we recently announced to acquire start:bausparkasse, a large Austrian savings & loan association, combined with IMMO-Bank. This transaction will grow our domestic retail footprint, extend our expertise in building society savings & loans and result in a significant increase in the financing volume with real estate companies and social housing associations.

As of June 2016, the business segmentation and the related reporting have been changed to provide greater insight and transparency and to better reflect our strategic focus and the progress of the business units going forward. The Retail Banking and Small Business segment was split into two segments, BAWAG P.S.K. Retail and easygroup. Similarly, the former Corporate Lending and Investments segment was split into DACH Corporates & Public Sector and International Business.

BAWAG P.S.K. Retail recorded new originations of EUR 560 million in the first half 2016. In addition to growing our consumer loan franchise and further optimizing our product mix, we continued to make progress in transforming to digital and driving transactional productivity. As an example of the growing digital influence, 20% of our consumer loan sales were initiated online. Our mobile banking services continued to experience high growth rates, with mobile banking usage up 22% over the past year, approaching 7 million customer logins per month. Overall, more than 80% of all transactions were completed online or through self-service machines, highlighting the significant shift in customer behavior that is taking place.

easygroup, comprising Austria's #1 direct bank *easybank*, our auto and mobile leasing business as well as our international residential mortgage portfolios, further increased its customer base and executed on several strategic initiatives. The integration of our auto leasing platforms, together with various strategic partnerships, provides easygroup 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. During the first half 2016, we recorded strong originations of EUR 187 million in consumer auto leasing, up 15% from the first half 2015. In July, we entered into a partnership with *Autogott*, Austria's leading online car sales channel. Overall, easygroup is well positioned to further build out its asset origination capabilities in auto leasing and consumer loans, both domestically and internationally.

The DACH Corporates & Public Sector business was realigned to better capitalize on corporate banking opportunities across the DACH region, leveraging our Austrian customer base and relationship managers. This will provide a broader base of commercial opportunities and complement the international growth of easygroup in Germany. Our International Business segment continues to be focused on international corporate, real estate and portfolio financing outside the DACH region, serviced from our London branch office. Both DACH Corporates & Public Sector as well as International Business maintained their disciplined approach to originating business with appropriate risk-adjusted returns. Overall, the businesses originated EUR 1.2 billion of new business, despite the muted loan demand.

The successful strategic transformation of the Bank over the past few years was again recognized by Moody's. In April 2016, the rating agency further upgraded BAWAG P.S.K.'s long-term deposit, senior unsecured and issuer ratings by one notch to A3 from Baa1 and the outlook was maintained as "positive." The current rating upgrades make BAWAG P.S.K. the highest rated bank in Austria by Moody's as well as one of the few "A" rated banks across Europe.

In addition, *Euromoney*, one of the leading magazines for banking, finance and capital market issues, elected BAWAG P.S.K. as "Austria's Best Bank 2016" in July 2016. The decision stated that BAWAG P.S.K. was "the standout story of the year" and highlighted its "sector-beating return on equity," efficiency and solid capitalization. After having received *The Banker*'s "Bank of the Year 2015" award for Austria in December 2015, we are again proud to be recognized for the Bank's successful turnaround.

We believe that the European banking landscape is currently undergoing a significant transformation and faces severe headwinds in the form of stagnant growth, low interest rates, increased regulatory costs, structurally inefficient business models and new market entrants in the form of Fintechs. We are ready to play a larger role in addressing these challenges and capitalizing on these unique opportunities.

The continued strong results in the first half 2016 reiterate that BAWAG P.S.K. is well positioned to win in this competitive and evolving European banking landscape. We will continue to maintain our Austria and developed market-focused low-risk strategy while providing our customers with simple, transparent and best-in-class products and services. We are well on track to achieve or exceed our 2016 targets.

This success was only possible thanks to the dedication of our employees. I would like to take the opportunity to thank all of them as well as our customers and shareholders for their continuous support over the past months and years.

Byron Haynes
CEO and Chairman of the Managing Board of
BAWAG P.S.K. AG

Interim Group Management Report

FINANCIAL REVIEW

BAWAG P.S.K. continued to successfully execute on its business plans in the first half 2016 and delivered another quarter of strong results.

A few **key highlights** include:

- BAWAG P.S.K. posted a net profit of EUR 283.5 million in the first half 2016. This represents an increase of 35.9% compared to the same period in 2015, driven by higher core revenues, lower operating expenses and reduced risk costs. In addition, a positive one-time net tax benefit was recognized, which we expect to reverse by the end of the year.
- The return on equity was 19.3%, up 3.9 points versus the first half 2015. The return on tangible equity amounted to 21.8%, up 4.2 points. Both figures are well ahead of our 2016 targets of 14% and 15%, respectively.
- Net interest income rose 2.0% to EUR 370.4 million in the first half 2016 versus the same period in 2015, despite a continued low-interest rate environment.
- The net interest margin remained stable at 2.1%, reflecting the Bank's dedicated focus on risk-adjusted pricing and optimizing the liability structure.
- Our focus on cost efficiency continues to pay off. Operating expenses decreased by 5.6% to EUR 215.2 million in the first half 2016. The cost-income ratio further improved by 3.4 points to 42.6%.
- Regulatory charges, mainly comprising the bank levy as well as contributions to the deposit guarantee scheme and to the single resolution fund, more than doubled compared to the first half 2015, coming in at EUR 34.0 million in the first half 2016.
- Total risk costs decreased by 35.6% to EUR 15.9 million in the first half 2016, resulting from the improved overall credit quality of the individual business segments.
- 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 on a fully loaded basis) of 15.1% and 18.1%, respectively, at 30 June 2016, versus 12.9% and 15.8% at year-end 2015.

As of June 2016, the business segmentation and the related segment reporting have been changed to provide greater transparency and better reflect our strategic focus and our progress in the individual segments going forward. The new segmentation is as follows:

- BAWAG P.S.K. Retail: includes our retail and small business lending activities for domestic customers, our social housing activities as well as real estate leasing.
- easygroup: includes Austria's #1 direct bank *easybank*, our auto and mobile leasing platforms as well as our international residential mortgage portfolio.
- DACH Corporates & Public Sector: includes our corporate and public lending activities and other fee-driven financial services for mainly Austrian customers and select client relationships in Germany and Switzerland.
- International Business: includes our international corporate, real estate and portfolio lending outside the DACH region, with a focus on Western Europe and the United States.
- Treasury Services & Markets: manages the Bank's portfolio of financial securities including the liquidity reserve.
- Corporate Center: includes support functions for the entire Bank, the majority of regulatory charges, accounting positions as well as corporate taxes.

For further details regarding the new segmentation, please refer to Note 14 "Segment reporting" in the consolidated interim financial statements.

ANALYSIS OF PROFIT OR LOSS STATEMENT AND STATEMENT OF FINANCIAL POSITION

Profit or loss statement

in EUR million	**Q2 2016**	Q2 2015	Change (%)	**Jan–Jun 2016**	Jan–Jun 2015	Change (%)
Interest income	259.7	259.5	0.1	522.7	532.7	(1.9)
Interest expense	(73.0)	(82.5)	(11.5)	(154.3)	(178.9)	(13.8)
Dividend income	1.9	6.8	(72.1)	2.0	9.4	(78.7)
Net interest income	**188.6**	**183.8**	**2.6**	**370.4**	**363.2**	**2.0**
Fee and commission income	67.2	74.7	(10.0)	140.8	149.6	(5.9)
Fee and commission expenses	(15.1)	(23.3)	(35.2)	(37.8)	(47.7)	(20.8)
Net fee and commission income	**52.1**	**51.4**	**1.4**	**103.0**	**101.9**	**1.1**
Core revenues	**240.7**	**235.2**	**2.3**	**473.4**	**465.1**	**1.8**
Gains and losses on financial instruments and other operating income and expenses[1)]	14.0	(5.0)	–	31.7	29.8	6.4
Operating income	**254.7**	**230.2**	**10.6**	**505.1**	**494.9**	**2.1**
Operating expenses[1)]	**(111.2)**	**(108.1)**	**2.9**	**(215.2)**	**(227.9)**	**(5.6)**
Regulatory charges	(17.5)	(7.3)	>100	(34.0)	(16.8)	>100
Operating profit	**126.0**	**114.8**	**9.8**	**255.9**	**250.2**	**2.3**
Provisions and loan-loss provisions	(5.6)	(11.9)	(52.9)	(12.7)	(22.9)	(44.5)
Impairment losses	(0.8)	0.0	100	(0.8)	0.0	100
Operational risk	(0.8)	(1.1)	(27.3)	(2.4)	(1.8)	33.3
Share of the profit or loss of associates accounted for using the equity method	3.9	0.5	>100	4.3	1.8	>100
Profit before tax	**122.7**	**102.3**	**19.9**	**244.4**	**227.2**	**7.6**
Income taxes	(21.4)	(4.9)	>100	39.3	(18.6)	–
Profit after tax	**101.3**	**97.4**	**4.0**	**283.7**	**208.6**	**36.0**
Non-controlling interests	(0.1)	0.0	100	(0.2)	0.0	100
Net profit	**101.2**	**97.4**	**3.9**	**283.5**	**208.6**	**35.9**

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of EUR 33.1 million for the first half 2016. The item Operating expenses includes regulatory charges in the amount of EUR 0.9 million for the first half 2016 as well. However, the Bank's management considers regulatory charges as a separate expense. Accordingly, they are shown in a separate expense line in the Interim Group Management Report.

Net profit increased by EUR 74.9 million, or 35.9%, to EUR 283.5 million in the first half 2016. The increase was driven by higher operating income, lower operating expenses and risk costs and tax income resulting from the recognition of deferred tax assets on tax loss carryforwards. These positive developments offset the doubling of regulatory charges.

Net interest income increased by EUR 7.2 million, or 2.0%, to EUR 370.4 million in the first half 2016. Compared to the prior-year period, the **net interest margin** remained stable at 2.10%.

Net fee and commission income was up 1.1% and amounted to EUR 103.0 million.

Gains and losses on financial instruments and **other operating income and expenses** increased by EUR 1.9 million, or 6.4%, to EUR 31.7 million in the first half 2016.

Operating expenses decreased by EUR 12.7 million, or 5.6%, to EUR 215.2 million in the first half 2016, driven by a decrease in personnel expenses and other administrative expenses. This figure includes a EUR 12.1 million restructuring reserve posted during the first half of the year. The **cost-income ratio** decreased by 3.4 points to 42.6% compared to the first half 2015.

Provisions and loan-loss provisions decreased by EUR 10.2 million, or 44.5%, to EUR 12.7 million in the first half 2016.

Total assets

in EUR million	Jun 2016	Dec 2015	Change (%)	Jun 2015	Change (%)
Cash reserves	533	809	(34.1)	446	19.5
Financial assets	6,586	6,288	4.7	6,646	(0.9)
Available-for-sale	2,990	2,745	8.9	3,106	(3.7)
Held-to-maturity	2,328	2,290	1.7	2,210	5.3
Held for trading	1,036	950	9.1	1,022	1.4
Fair value through profit or loss	232	303	(23.4)	308	(24.7)
Loans and receivables	25,967	27,396	(5.2)	25,523	1.7
Customers	23,728	24,712	(4.0)	21,918	8.3
Debt instruments	903	973	(7.2)	1,372	(34.2)
Credit institutions	1,336	1,711	(21.9)	2,233	(40.2)
Hedging derivatives	820	468	75.2	445	84.3
Tangible non-current assets	59	63	(6.3)	75	(21.3)
Intangible non-current assets	333	329	1.2	330	0.9
Tax assets for current taxes	6	20	(70.0)	15	(60.0)
Tax assets for deferred taxes	234	190	23.2	203	15.3
Other assets	191	134	42.5	149	28.2
Assets held for sale	–	9	(100)	173	(100)
Total assets	**34,729**	**35,708**	**(2.7)**	**34,005**	**2.1**

Financial assets increased by EUR 298 million, or 4.7%, to EUR 6,586 million as of 30 June 2016, mainly due to the purchase of bonds classified as available-for-sale.

Loans and receivables with customers decreased by EUR 984 million, or 4.0%, to EUR 23,728 million as of 30 June 2016, mainly due to early redemptions and FX rate changes in our international loan portfolio.

Tax assets for deferred taxes increased by EUR 44 million net, or 23.2%, to EUR 234 million due to the recognition of deferred tax assets on tax loss carryforwards.

Total liabilities and equity

in EUR million	Jun 2016	Dec 2015	Change (%)	Jun 2015	Change (%)
Total liabilities	**31,503**	**32,751**	**(3.8)**	**31,213**	**0.9**
Financial liabilities	29,981	30,854	(2.8)	29,991	(0.0)
Fair value through profit or loss	1,141	1,269	(10.1)	1,609	(29.1)
Issued securities	1,141	1,269	(10.1)	1,609	(29.1)
Held for trading	965	1,071	(9.9)	1,393	(30.7)
At amortized cost	27,875	28,514	(2.2)	26,990	3.3
Customers	22,131	21,692	2.0	20,841	6.2
Issued securities	3,741	3,236	15.6	4,103	(8.8)
Credit institutions	2,003	3,586	(44.1)	2,046	(2.1)
Financial liabilities associated with transferred assets	–	621	(100)	–	–
Valuation adjustment on interest rate risk hedged portfolios	314	169	85.8	119	>100
Hedging derivatives	214	106	>100	132	62.1
Provisions	431	419	2.9	443	(2.7)
Tax liabilities for current taxes	7	6	16.7	20	(65.0)
Other obligations	556	576	(3.5)	506	9.9
Obligations in disposal groups held for sale	–	0	–	1	(100)
Total equity	**3,226**	**2,957**	**9.1**	**2,791**	**15.6**
Shareholders' equity	3,224	2,956	9.1	2,791	15.5
Non-controlling interests	2	1	100	0	100
Total liabilities and equity	**34,729**	**35,708**	**(2.7)**	**34,005**	**2.1**

Deposits from customers increased by EUR 439 million, or 2.0%, to EUR 22,131 million as of 30 June 2016. The increase mainly results from higher deposit account balances.

Issued securities at amortized cost increased by EUR 505 million, or 15.6%, to EUR 3,741 million as of 30 June 2016, primarily due to the issue of a EUR 500 million mortgage covered bond in February 2016.

Total equity increased by EUR 269 million, or 9.1%, to EUR 3,226 million as of 30 June 2016. The change was driven by the interim net profit for the first half, partially offset by the negative impact from other comprehensive income mainly due to actuarial losses on defined benefit plans.

CAPITAL AND LIQUIDITY POSITION

The management team continues to run the Bank on a fully loaded basis from a capital standpoint. The fully loaded capital ratios have further improved since 31 December 2015 from 12.9% to 15.1% (CET1 capital ratio) and from 15.8% to 18.1% (total capital ratio) as of 30 June 2016. These ratios already take into account the deduction of a EUR 325 million dividend, which has not yet been fully distributed. At the same time, we maintained an RWA density of 45%, a conservative ratio relative to our European peers.

Our funding strategy continues to be based on our stable customer deposits, which represent two thirds of our funding base. Additionally, we issued another EUR 500 million mortgage covered bond with a tenor of six years in the first half 2016, after already having placed a similar EUR 500 million benchmark transaction in October of last year. We also maintain a conservative liquidity management strategy, which is reflected in our strong liquidity coverage ratio (LCR) of 141% at the end of the first half 2016.

KEY PERFORMANCE INDICATORS

in EUR million	**Q2 2016**	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Net interest income	188.6	181.7	183.3	175.7	183.8
Net fee and commission income	52.1	50.9	41.1	42.9	51.4
Core revenues	240.7	232.6	224.4	218.6	235.2
Operating income	254.7	250.3	252.1	224.9	230.2
Operating expenses	(111.2)	(104.0)	(129.5)	(112.8)	(108.1)
Total risk costs	(7.2)	(8.7)	(11.3)	(9.9)	(13.0)
Profit before tax	122.7	121.6	100.8	90.5	102.3
Net profit	101.2	182.3	106.8	79.1	97.4
(figures annualized)					
Return on equity	14.1%	25.2%	14.7%	11.2%	14.2%
Return on tangible equity	16.0%	28.5%	16.5%	12.7%	16.1%
Return on risk-weighted assets	2.52%	4.42%	2.64%	2.01%	2.43%
Return on total assets	1.16%	2.05%	1.24%	0.94%	1.13%
Net interest margin	2.15%	2.05%	2.13%	2.10%	2.14%
Cost-income ratio	43.7%	41.6%	51.4%	50.1%	47.0%
Risk costs / loans and receivables	0.11%	0.13%	0.17%	0.16%	0.20%

Note: For details on definitions and calculation methodology, please refer to the section entitled “Definitions” on page 27.

BUSINESS SEGMENTS

BAWAG P.S.K. RETAIL

Strategy

The BAWAG P.S.K. Retail segment services 1.3 million private and small business customers through our centralized branch network that we jointly operate with Austrian Post as well as our online and mobile sales channels supported by our outbound customer care center. We are one of the leading omni-channel retail banks in Austria, offering simple, fair and transparent products and services through various physical and digital sales channels with a strong and well-recognized national brand.

In the first half 2016, we further invested in the development of our operating model to ensure high-quality service and advice for our customers. We established a stronger differentiation in our branch network to focus our team on highly-valued advisory activities and to drive productivity. We automated our mortgage loan application process for brokers in our growing alternative sales channel and continued to invest in sales force development and our online front-end sales system. We continued to be a leader in digital offerings to our customers, making significant advancements to our user experience with new e-banking and mobile features. “SmartPay” technologies and one-touch security functions for smartphones are examples of enabling features for our customers to purchase our products and perform transactions anytime and anywhere, safely and securely.

First Half 2016 Business Review

The segment results reflect the success of our continued focus on the following value drivers:

- Growing our consumer loan franchise
- Optimizing our product mix
- Driving transactional productivity
- Transforming to digital

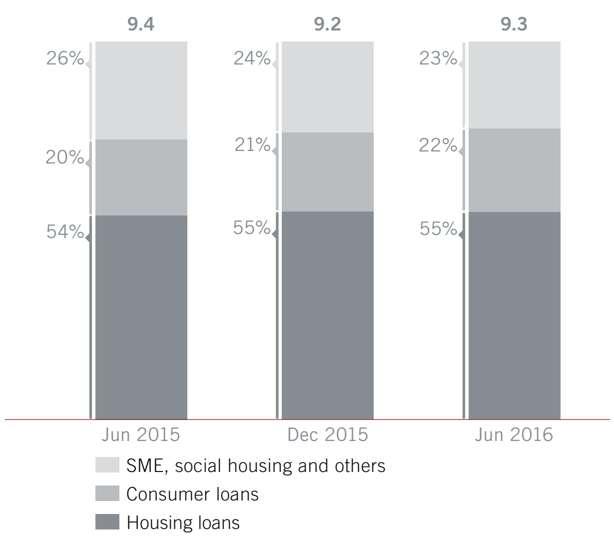
Growing our consumer loan franchise

During the first half 2016, we continued to grow our consumer loan franchise in absolute terms while also capturing market share. At the end of June, our consumer loan market share was 10.6% (excluding easygroup), up 70 basis points from year-end 2015. New business loan originations during the first six months were EUR 283 million, with net asset growth of 7.8%. These results were delivered while moderately increasing margins 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. Our continued investment in data analytics provides a stable flow of sales leads for our sales force for cross-selling to current customers and new customer acquisition.

In addition to the continued growth in consumer loans, we made progress in the migration of our customers towards digital channels. A total of 20% of our consumer loan sales are already initiated through our digital channels, an increase in volume of 45% compared to the first half 2015.

We believe there is continued room for growth in the Austrian consumer loan market as we deepen the relationship with our customer base, which historically has been more oriented towards deposit products. Our ambition is to grow our consumer loan market share (10.6% today) in line with the market share of our current account products (14%). To this end, we ran an integrated online and mass-media campaign focusing on attracting consumer loans from other banks. These initiatives led to the highest monthly new business volumes ever recorded at BAWAG P.S.K.

Asset volume development (in EUR billion)

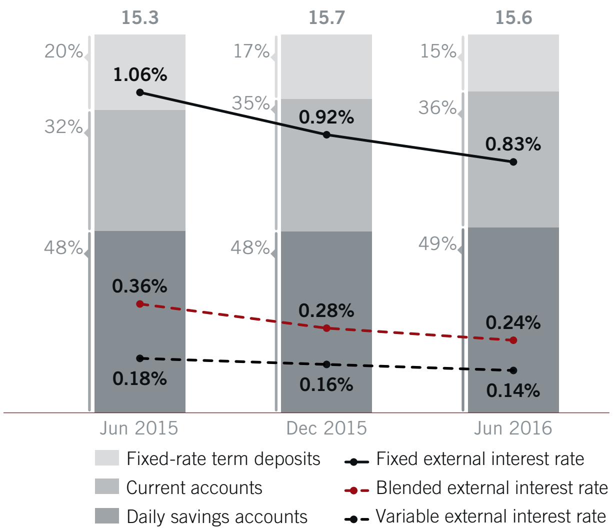


The segment’s assets stood at EUR 9.3 billion at the end of the first half 2016, up 0.8% compared to year-end 2015.

Optimizing our product mix

On the liability side, we continued the 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. Overall, the blended external interest rate on retail deposits stood at 0.24% at the end of the first half 2016, down 4 basis points since year-end 2015.

Customer deposit volume development (in EUR billion)



In the area of fee-generating products, we launched the new generation of our successful KontoBoxes in February 2016, which offers our customers a series of enhanced services, such as a Gold Debit Card with mobile phone based payment functionality ("SmartPay") and in particular our new loyalty program DANKESCHÖN, which incentivizes the use of our products and payment cards. These value-added services will drive greater customer usage and represent a shift towards premium current accounts that provide greater functionality and an improved customer experience. The migration of our customer base towards these new account models will be a revenue driver going forward.

The launch of the new KontoBoxes has been supported by an intensive training program, including on-site training in our training branches and self-learning programs. In addition to the roll-out of the KontoBoxes, we launched new functionalities in our front-end tool "GATE," supporting and automating in particular the sales process for current accounts (e.g. decision tree for proposing account models and automating the upgrading of old models).

Driving transactional productivity

As over-the-counter transactions continue to shift to self-service and online channels, it allows our branch teams to focus their efforts on high-value advisory for our customers.

Over the past five years, the share of online payment transactions increased from 46% to 56% as of June 2016. During the same period, over-the-counter transactions decreased from 32% to 17%, reflecting the changing composition of overall payments and the migration to digital. Today, more than 80% of all transactions are completed online or through self-service machines, further highlighting the significant shift in customer behavior.

In this context, we introduced a more modular approach in our branch network, with core branches focusing on full-service advisory and sales while service branches provide basic services and transactions for our customers. The investment in our advisory and service staff in core branches will enhance customer service quality while driving sales productivity due to larger advisory teams and specialization in these branches. At the same time, we continue to provide basic services and transactions to our customers through our service branches and one of the largest networks of self-service terminals and ATMs across all of Austria.

The optimization of our distribution approach results in lower costs to serve our customers. In addition, the continued development of our proprietary front-end tool "GATE" will further enhance our front-end processes and customer advisory experience.

Transforming to digital

Besides optimizing our branch network, 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.

As part of the new generation of our current accounts, we also launched a market-leading online current account ("Einfach Online Konto"). This attractively-priced product targets customers who bank primarily online and via self-service devices and can be opened via a 100% digital process, including online identity verification and digital signature. In addition, we launched our new SmartPay app, enabling payments via NFC-enabled smartphones.

Furthermore, we relaunched the BAWAG P.S.K. company website in the first half 2016. The new design incorporates best practices in terms of usability and convenience, with a stronger orientation towards product sales.

Our full line of products offered through digital channels is a leader in the marketplace, and we continue to enhance our user experience and personalization features across the distribution system. Our goal is to provide high-value advice and products to our customers and simplify their financial lives.

We continue to experience high growth rates for our mobile banking services. Over the past two years, mobile banking usage has increased 39%, and 22% in the last year alone, approaching 7 million customer logins per month. A total of 38% of our e-banking logins are now done from mobile devices. In addition, as online services have increased, we have experienced higher levels of interaction with our customers. Engagement with our customers allows us to better anticipate their needs and offer products and services at the appropriate time. Our efforts to grow our customer engagement through investments in data-based analytics will be a driver for increased cross-selling in the future.

Outlook

Over the next quarters, we will continue to optimize our distribution network and grow our alternative sales channels. This will further streamline our cost-to-service while also enhancing our overall service-and-advisory quality and convenience. This will be done by investing in both our front-end tool "GATE" and our already broad digital offering. We continue to see opportunities to grow our alternative sales channels through high-quality broker relationships and distributed mobile and point-of-sale marketing. This clear focus makes us confident that we will continue to grow our consumer loan business and other key asset categories while further optimizing our cost structure. In addition, our digital advances allow us to be closer to our customers, with greater engagement, and to deepen our relationship through higher value products and services.

Additionally, we are continuously looking at inorganic growth opportunities. In June, we announced the acquisition of start:bausparkasse, a large Austrian savings & loan association. This transaction will allow us to grow our domestic retail footprint, extend our product expertise to building society savings & loan products and access new partnerships and distribution channels.

Financial Results

Income metrics (in EUR million)	Q2 2016	Q2 2015	Change (%)	Jan–Jun 2016	Jan–Jun 2015	Change (%)
Net interest income	86.5	82.7	4.6	169.4	165.3	2.5
Net fee and commission income	39.0	39.0	–	74.6	79.9	(6.6)
Core revenues	**125.5**	**121.6**	**3.2**	**244.0**	**245.2**	**(0.5)**
Gains and losses on financial instruments	0.0	(1.9)	100	0.8	5.6	(85.7)
Other operating income and expenses	0.3	0.5	(40.0)	1.0	1.4	(28.6)
Operating income	**125.8**	**120.2**	**4.7**	**245.8**	**252.2**	**(2.5)**
Operating expenses	**(67.1)**	**(73.3)**	**(8.5)**	**(136.0)**	**(150.5)**	**(9.6)**
Total risk costs	(9.4)	(8.5)	10.6	(17.3)	(18.8)	(8.0)
Regulatory charges	(8.3)	0.0	100	(12.4)	0.0	100
Profit before tax (= net profit)	**41.1**	**38.4**	**7.0**	**80.1**	**82.9**	**(3.4)**

Key ratios	Q2 2016	Q2 2015	Change (pts)	Jan–Jun 2016	Jan–Jun 2015	Change (pts)
Return on equity	19.6%	19.0%	0.6	18.8%	20.9%	(2.1)
Return on risk-weighted assets	4.34%	3.83%	0.51	4.21%	4.37%	(0.16)
Net interest margin	3.75%	3.53%	0.22	3.68%	3.56%	0.12
Cost-income ratio	53.3%	61.0%	(7.7)	55.3%	59.7%	(4.4)
Risk costs / loans and receivables	0.41%	0.36%	0.05	0.38%	0.41%	(0.03)
NPL ratio	2.2%	2.6%	(0.4)	2.2%	2.6%	(0.4)

Business volumes (in EUR million)	Jun 2016	Dec 2015	Change (%)	Jun 2015	Change (%)
Assets	9,256	9,178	0.8	9,361	(1.1)
Risk-weighted assets	3,785	3,827	(1.1)	3,966	(4.6)
Customer deposits	15,597	15,663	(0.4)	15,312	1.9
Own issues	2,561	2,122	20.7	2,323	10.2

The segment achieved a net profit of EUR 80.1 million in the first half 2016, down 3.4% compared to the same period last year, while also delivering a return on equity of 18.8% and a cost-income ratio of 55.3%. Stable core revenues (flat) and lower operating expenses (down 10%) offset the increased regulatory charges stemming from the deposit guarantee scheme, which represented full-year expenses even though they were booked in the first half.

Accounting for regulatory charges on a pro-rata basis throughout the year would have resulted in a net profit of EUR 86.3 million, or an 8.4% increase compared to the same period last year. Overall risk metrics reflect the high credit quality of the retail business, with a risk cost ratio of 0.38% (down 3 basis points) and an NPL ratio of 2.2% (down 40 basis points).

EASYGROUP

Strategy

easygroup is Austria's first direct banking group offering a full product suite, ranging from current accounts and savings products to credit cards, consumer and housing loans, auto leases and investment products.

Unlike traditional banks with physical distribution networks, easygroup operates in a lean manner, distributing products via digital and partner networks. Due to this, we have become a market leader in innovation with the ability to quickly adapt to new market trends. We continuously explore new technologies in the banking space and incorporate the best features into our customer offerings. We strive to be the one-stop, easy-to-use, innovative financial services solution provider for our customers.

Consumer behavior has been trending towards easier-to-understand and simpler banking products that can be accessed anytime and anywhere. easygroup customers can access all banking products 24/7 via smartphones, tablets or their personal computers. For customers who require the "human touch," we are available 6 days a week via phone also outside normal business hours.

While offering our customers leading-edge technology and outstanding service, we have to remain competitively priced across all of our products. In today's market environment, we continuously focus on efficiency. We believe that cost efficiency is something an organization can never be complacent with and must always strive to improve. In doing so, we can continue to offer our customers the best-priced products.

easygroup has various go-to-market channels, ranging from direct banking to auto dealers and brokers, and strong partnerships with leading Austrian organizations. easygroup is comprised of

- the #1 rated direct bank in Austria, *easybank*;
- the #3 auto lessor in Austria. Our leasing business originated EUR 187 million of new consumer auto leases in the first half 2016; and
- EUR 2.0 billion of performing mortgages in the UK, consisting of approximately 20,000 customers.

easygroup is a cornerstone to the overall growth strategy for BAWAG P.S.K. Group. Our goal is to continue being the leading direct bank within Austria and to expand into larger Western markets, such as Germany and the UK.

First Half 2016 Business Review

Compared to June 2015, easygroup's client base was up 25% to approximately 400,000 customers with more than 670,000 accounts. easygroup ended the first half 2016 with deposits of EUR 3.7 billion, up 19% since June 2015. Our strong results are due to four key pillars:

- Growing our customer base and market share in Austria
- Building and maintaining customer loyalty
- Driving efficiency across the organization
- Expanding internationally into Western markets

Growing our customer base and market share in Austria

At the end of June 2016, easygroup had approximately 380,000 customers within Austria, an increase of 19% compared to June last year. The main driver of this customer growth was our acquisition of Volksbank Leasing in the fourth quarter 2015. In addition, we had strong organic customer growth of 6%, coming from our online channel and key partnerships. Partnerships such as those with ÖAMTC, Shell and Energie Steiermark give us indirect access to approximately half the Austrian population. As we go forward, we will look to leverage these relationships in order to further increase our customer base.

During the first half 2016, we produced strong originations of EUR 187 million in consumer auto leasing, up 15% from the first half 2015. This performance was driven by our ability to provide customers with unique products, a best-in-class sales team, strong relationships and lean processes. We work with approximately 1,000 dealerships, representing roughly 50% of auto dealerships countrywide.

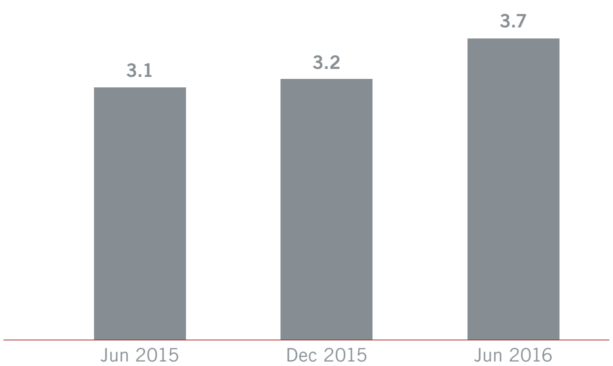
The segment's assets stood at EUR 3.2 billion at the end of June 2016, down 10.9% compared to year-end 2015. Whereas we saw continued increase in leasing and domestic loans, our international residential mortgage portfolio decreased due to redemptions and FX rate changes.

One of our strategies is to find best-in-class vendors to partner with. In July, we entered into an agreement to be the financing partner of Austria's leading online car sales channel, *Autogott*. This partnership is a perfect fit for easygroup, combining our ability to market via an online channel with our leasing expertise. The partnership will also help spread brand awareness for easygroup while leveraging its ability to offer banking services via direct channels.

Building and maintaining customer loyalty

easybank has always been determined to offer our customers the best banking experience. We believe this helps drive customer loyalty. In the first half 2016, *easybank* increased the number of current accounts and savings accounts by 5%. Given the overall interest landscape, *easybank* reduced its external interest rate offered to customers, bringing our average deposit cost from 56 basis points in June 2015 to 44 basis points in June 2016.

Customer deposit volume development (in EUR billion)



Driving efficiency across the organization

During the first half 2016, we continued integrating Volksbank Leasing into our existing leasing franchise. In addition to the strong increase in leasing sales, the combination of the two entities enabled us to benefit from economies of scale.

Expanding internationally into Western markets

Another driver for our increased performance in the first half 2016 was the acquisition of EUR 2.0 billion of high-quality residential mortgages in the UK in the fourth quarter 2015. This acquisition is in line with our strategy to expand into other Western European markets. We are currently in the process of looking at a few other inorganic opportunities that may help us expedite our growth plan. Not only do the acquisitions bring net interest income, they also give us access to customers in future target markets.

Outlook

easygroup will continue to improve its user experience and make its customers’ lives easier. We will leverage our existing customer base and partnerships across Austria while also expanding internationally to Western markets.

In addition to inorganic purchases abroad, we are planning to start offering direct banking services in Germany in the fourth quarter 2016.

Financial Results

Income metrics (in EUR million)	**Q2 2016**	Q2 2015	Change (%)	**Jan–Jun 2016**	Jan–Jun 2015	Change (%)
Net interest income	27.3	11.7	>100	54.3	23.2	>100
Net fee and commission income	2.4	1.9	26.3	4.6	4.2	9.5
Core revenues	**29.7**	**13.5**	**>100**	**58.9**	**27.4**	**>100**
Gains and losses on financial instruments	2.3	0.0	100	5.9	0.0	100
Other operating income and expenses	0.2	(0.5)	–	0.1	0.2	(50.0)
Operating income	**32.3**	**13.0**	**>100**	**64.9**	**27.6**	**>100**
Operating expenses	**(7.6)**	**(5.6)**	**35.7**	**(15.7)**	**(11.5)**	**36.5**
Total risk costs	(1.6)	0.8	–	(2.1)	0.7	–
Regulatory charges	(1.7)	0.0	100	(2.5)	0.0	100
Profit before tax (= net profit)	**21.5**	**8.3**	**>100**	**44.6**	**16.8**	**>100**

Key ratios	**Q2 2016**	Q2 2015	Change (pts)	**Jan–Jun 2016**	Jan–Jun 2015	Change (pts)
Return on equity	27.2%	38.4%	(11.2)	27.7%	39.8%	(12.1)
Return on risk-weighted assets	4.54%	8.22%	(3.68)	4.76%	5.71%	(0.95)
Net interest margin	3.29%	11.92%	(8.63)	3.15%	11.99%	(8.84)
Cost-income ratio	23.5%	43.1%	(19.6)	24.2%	41.7%	(17.5)
Risk costs / loans and receivables	0.19%	(0.82)%	1.01	0.12%	(0.36)%	0.48
NPL ratio	2.5%	0.8%	1.7	2.5%	0.8%	1.7

Business volumes (in EUR million)	**Jun 2016**	Dec 2015	Change (%)	Jun 2015	Change (%)
Assets	3,247	3,644	(10.9)	396	>100
Risk-weighted assets	1,849	1,897	(2.5)	405	>100
Customer deposits	3,673	3,204	14.6	3,078	19.3

The segment achieved a net profit of EUR 44.6 million in the first half 2016 with a return on equity of 27.7% and a cost-income ratio of 24.2%. The underlying performance reflects the acquisition of the Volksbank Leasing business as well as the purchase of a high-quality performing residential mortgage portfolio during the fourth quarter 2015. Comparability of the current 2016 financial metrics and business volumes with previous periods is limited due to the recent acquisitions.

DACH CORPORATES & PUBLIC SECTOR

Strategy

DACH Corporates & Public Sector comprises our corporate and public lending activities and other fee-driven financial services, mainly for Austrian customers. Select client relationships in neighboring countries (mainly Germany and Switzerland) are included as well. The DACH Corporates & Public Sector business was realigned to better capitalize on corporate banking opportunities across the DACH region, leveraging our Austrian customer base and relationship managers to address the broader German and Swiss markets. This will provide a broader base of commercial opportunities and complement the international growth of easygroup into Germany.

The DACH business started the year 2016 with streamlined and rightsized processes in reaction to the changing market environment. We service our corporate and public sector customers with a full range of products focusing on financing, investment and payment service products and a dedicated team of sales professionals across Austria. Non-Austrian clients are either serviced directly from Vienna or with support of our London office in the case of syndicated deals.

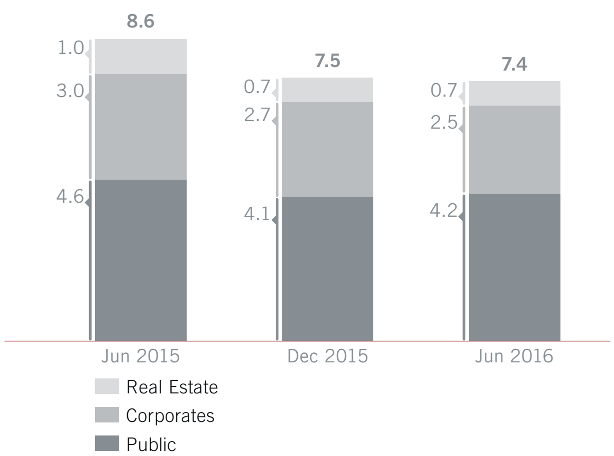
Our focus continues to be on maintaining and acquiring sustainable relationships while staying disciplined on pricing despite the competitive landscape. Additionally, we have rolled out new investment and FX products, which differentiate our offerings from competitors in order to drive fee income opportunities.

First Half 2016 Business Review

Overall commercial loan demand in Austria continued to be weak in the first half 2016, with lower new lending volumes than in the previous year. This is a result of several factors including flat domestic output, lower corporate investment as well as macro risks across Europe. The lower demand and high liquidity available to banks have led to further pressure on margins. Our business solution teams continued to elevate our strong client relationships across financing products as well as payments and cash management services, while striving to maintain and increase strong risk-adjusted pricing for the Bank.

New business volume followed the market trend. In the first half 2016, we recorded EUR 170 million of new lending in addition to normal renewals. Overall market share decreased slightly due to early redemptions of selected loans.

Asset volume development (in EUR billion)



The segment's assets stood at EUR 7.4 billion at the end of the first half 2016, down 1% compared to December 2015. This development reflects the low disbursements with corporate and real estate clients, partly compensated for by short-term lending to municipalities and social insurance companies. More than 90% of the assets are denominated in EUR, with less than 5% in CHF.

Net fee and commission income – mainly arising from payment activities of our clients – was stable compared to the first half 2015.

Outlook

We expect no negative impact from BREXIT on loan demand and plan for a market that will grow slightly but remain very competitive. At the same time, we do not expect improved margins as overall liquidity in the market is supported by the ECB and investment demand is unlikely to recover in the near term. The recent organizational improvements provide the flexibility and speed necessary for strategic transactions requiring complete debt solutions for clients. Overall, we expect our sales team to achieve higher new lending volumes at stable margins. The acquisition of IMMO-Bank will provide further financing opportunities in the commercial real estate space in Austria, with over 1,400 clients.

Financial Results

Income metrics (in EUR million)	**Q2 2016**	Q2 2015	Change (%)	**Jan–Jun 2016**	Jan–Jun 2015	Change (%)
Net interest income	20.4	25.3	(19.4)	40.3	51.6	(21.9)
Net fee and commission income	10.3	10.1	2.0	20.1	19.9	1.0
Core revenues	**30.8**	**35.4**	**(13.0)**	**60.4**	**71.5**	**(15.5)**
Gains and losses on financial instruments	0.4	0.3	33.3	(0.1)	4.5	–
Other operating income and expenses	0.0	0.0	–	0.0	0.0	–
Operating income	**31.1**	**35.7**	**(12.9)**	**60.3**	**76.0**	**(20.7)**
Operating expenses	**(13.0)**	**(13.8)**	**(5.8)**	**(25.7)**	**(28.0)**	**(8.2)**
Total risk costs	1.7	(1.9)	–	1.4	(3.4)	–
Profit before tax (= net profit)	**19.9**	**20.0**	**(0.5)**	**36.0**	**44.6**	**(19.3)**

Key ratios	**Q2 2016**	Q2 2015	Change (pts)	**Jan–Jun 2016**	Jan–Jun 2015	Change (pts)
Return on equity	15.5%	14.8%	0.7	13.5%	16.5%	(3.0)
Return on risk-weighted assets	2.70%	2.27%	0.43	2.41%	2.36%	0.05
Net interest margin	1.07%	1.19%	(0.12)	1.08%	1.18%	(0.10)
Cost-income ratio	41.8%	38.7%	3.1	42.6%	36.8%	5.8
Risk costs / loans and receivables	(0.09)%	0.09%	(0.18)	(0.04)%	0.08%	(0.12)
NPL ratio	1.0%	1.0%	0.0	1.0%	1.0%	0.0

Business volumes (in EUR million)	**Jun 2016**	Dec 2015	Change (%)	Jun 2015	Change (%)
Assets	7,437	7,527	(1.2)	8,578	(13.3)
Risk-weighted assets	2,893	3,087	(6.3)	3,545	(18.4)
Customer deposits (incl. other refinancing)	3,759	5,568	(32.5)	3,907	(3.8)
Own issues	200	203	(1.5)	213	(6.1)

The segment contributed EUR 36.0 million to the Bank's net profit in the first half 2016, down 19.3% versus the first half 2015, but still delivered a return on equity of 13.5%. Core revenues were down 16%, driven by early redemptions, margin pressures and low new business volume. This was offset by an improvement in operating expenses (down 8%) and positive risks costs. The overall quality of the portfolio remained stable, with an NPL ratio of 1.0%, which was a reflection of prior years' de-risking activities and the overall high credit quality of the assets.

INTERNATIONAL BUSINESS

Strategy

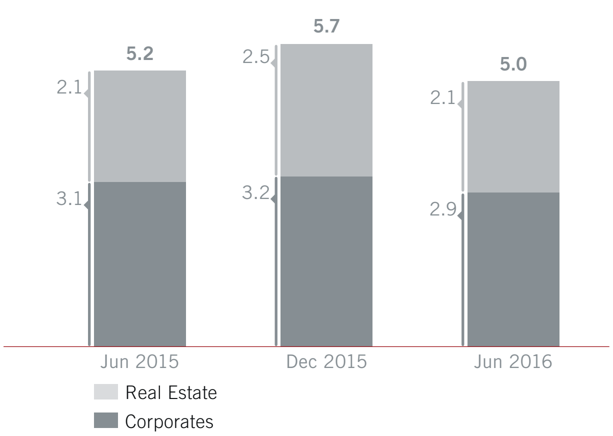
International Business includes our international corporate, real estate and portfolio lending outside of the DACH region, with a focus on stronger Western European countries as well as the United States.

The international corporates portfolio consists primarily of lending to free cash flow generating companies with defensive business profiles and appropriate capital structures in recession-resilient industries. Our international real estate portfolio has a focus on senior loan positions in cash flow generating properties. We have limited exposure in land, development and construction financings.

First Half 2016 Business Review

We continued to focus on our loan origination opportunities primarily in select developed Western countries and generated new business of EUR 1.0 billion in the first half 2016.

Asset volume development (in EUR billion)



Our **international corporate lending business** continued to be faced with early redemptions arising from competitive market conditions in a low-interest rate environment. Together with a strong home currency, the portfolio experienced an asset volume decrease of 9% to EUR 2.9 billion in the first half 2016. Our new business volume primarily consists of investment grade loans with a general focus on 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.

Our **international real estate financing business** was also affected by an increased volume of early redemptions. In combination with a strengthening euro, the total asset volume decreased by 17% to EUR 2.1 billion. Transaction diversification continued 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 remained solid with some shortening of duration as loan amortizations increase ahead of original projections. We are also active in portfolio financing with low loan-to-value (LTV) and 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 >10%) and is structured to perform well in stressed market conditions, with shorter average durations.

Outlook

We see a solid pipeline with diversified opportunities during the second half 2016 and therefore expect volumes to stabilize for both the international corporate lending and real estate financing businesses. Margins will largely remain stable, although competition for defensive, high-quality transactions will continue to remain high.

Based on our stable and conservative business model with select investments in the UK as well as our established risk management strategies, we believe that BREXIT will only have a moderate overall impact on corporate credit risks in this segment due to either the high individual credit quality of the borrowers, their geographic diversification or the nature of the industries they operate in.

Financial Results

Income metrics (in EUR million)	Q2 2016	Q2 2015	Change (%)	Jan–Jun 2016	Jan–Jun 2015	Change (%)
Net interest income	34.5	38.0	(9.2)	67.8	72.8	(6.9)
Net fee and commission income	0.0	0.0	–	0.0	0.0	–
Core revenues	**34.5**	**38.0**	**(9.2)**	**67.8**	**72.8**	**(6.9)**
Gains and losses on financial instruments	(0.7)	(6.9)	89.9	(1.7)	(4.9)	65.3
Other operating income and expenses	0.0	0.0	–	0.0	0.0	–
Operating income	**33.7**	**31.1**	**8.4**	**66.1**	**67.9**	**(2.7)**
Operating expenses	**(6.4)**	**(6.6)**	**(3.0)**	**(13.3)**	**(13.2)**	**0.8**
Total risk costs	3.0	0.1	>100	3.0	0.2	>100
Profit before tax (= net profit)	**30.4**	**24.6**	**23.6**	**55.8**	**54.9**	**1.6**

Key ratios	Q2 2016	Q2 2015	Change (pts)	Jan–Jun 2016	Jan–Jun 2015	Change (pts)
Return on equity	22.3%	17.5%	4.8	19.5%	19.9%	(0.4)
Return on risk-weighted assets	2.94%	2.18%	0.76	2.64%	2.57%	0.07
Net interest margin	2.64%	2.85%	(0.21)	2.51%	2.87%	(0.36)
Cost-income ratio	19.0%	21.2%	(2.2)	20.1%	19.4%	0.7
Risk costs / loans and receivables	(0.24)%	(0.01)%	(0.23)	(0.12)%	(0.01)%	(0.11)
NPL ratio	0.0%	0.0%	0.0	0.0%	0.0%	0.0

Business volumes (in EUR million)	Jun 2016	Dec 2015	Change (%)	Jun 2015	Change (%)
Assets	5,040	5,748	(12.3)	5,151	(2.2)
Risk-weighted assets	3,890	4,565	(14.8)	4,359	(10.8)

The segment contributed EUR 55.8 million to the Bank's net profit in the first half 2016, up 1.6% from the same period last year, and delivered a return on equity of 19.5% despite higher than anticipated early redemptions. Operating income was down 2.7%, offset by positive risk costs. Similar to the DACH business, International Business is characterized by high credit quality assets, with no non-performing loans.

TREASURY SERVICES & MARKETS

Strategy

Treasury Services & 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 & Markets is the management of the Bank's liquidity from the core funding franchise in available-for-sale and held-to-maturity portfolios, including the liquidity reserve as well as certain hedging positions. The investment strategy continues to focus on investment grade securities primarily representing secured and unsecured bonds of financials in Western Europe and the United States as well as select sovereign bond exposures in order to maintain solid diversification.

First Half 2016 Business Review

During the first half 2016, Treasury Services & Markets kept investment and designation in held-to-maturity securities stable at EUR 2.3 billion as of 30 June 2016, while at the same time available-for-sale securities and fair value positions increased by EUR 500 million to EUR 2.7 billion. 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 June 2016, Treasury Services & Markets managed a total investment portfolio of EUR 5.1 billion and a liquidity reserve of EUR 1.2 billion. The investment portfolio's average maturity was 3.9 years, comprised 98% of investment grade rated securities (100% investment grade issuer ratings), of which 78% were rated in the single A category or higher. Exposure to CEE represented less than 3% of the portfolio and was limited to select bonds, with 80% rated in the single A equivalent category or better. The Bank has no exposure to HETA in its securities portfolio. As of 30 June 2016, the portfolio had no direct exposure to China, Russia, Hungary or South-Eastern Europe. Direct exposure to Asian and Latin American emerging markets represents not more than 1% of the portfolio and is denominated in hard currency with high credit quality (AA rating area). Direct exposure to the UK is moderate and focuses on internationally diversified issuers with solid credit quality. Southern Europe continues to be moderate and comprises shorter-dated, liquid bonds of well-known issuers. This overall composition reflects the Bank's strategy to maintain high credit quality, shorter duration and strong liquidity in the securities portfolio in order to balance the goals of generating incremental net interest income while also minimizing fair value volatility.

Outlook

Treasury Services & Markets will continue to focus on keeping streamlined processes and simple products in support of the Bank's core operating activity and in support of customer needs. Ample liquidity supply and asset purchases by the ECB as well as elevated political risks will remain important factors in financial markets. However, Treasury Services & Markets is committed to maintaining high credit quality, highly liquid investments and solid diversification.

Financial Results

Income metrics (in EUR million)	Q2 2016	Q2 2015	Change (%)	Jan–Jun 2016	Jan–Jun 2015	Change (%)
Net interest income	13.9	14.7	(5.4)	28.2	28.1	0.4
Net fee and commission income	0.0	0.0	–	0.0	0.0	–
Core revenues	**13.9**	**14.7**	**(5.4)**	**28.2**	**28.1**	**0.4**
Gains and losses on financial instruments	1.6	1.5	6.7	0.7	2.6	(73.1)
Other operating income and expenses	0.0	0.0	–	0.0	0.0	–
Operating income	**15.4**	**16.2**	**(4.9)**	**28.9**	**30.7**	**(5.9)**
Operating expenses	**(3.8)**	**(4.4)**	**(13.6)**	**(8.0)**	**(9.5)**	**(15.8)**
Total risk costs	0.0	0.0	–	0.0	0.0	–
Profit before tax (= net profit)	**11.6**	**11.8**	**(1.7)**	**20.9**	**21.2**	**(1.4)**

Key ratios	Q2 2016	Q2 2015	Change (pts)	Jan–Jun 2016	Jan–Jun 2015	Change (pts)
Return on equity	13.4%	15.4%	(2.0)	11.9%	11.9%	0.0
Return on risk-weighted assets	2.53%	2.60%	(0.07)	2.31%	2.03%	0.28
Net interest margin	0.91%	0.80%	0.11	0.90%	0.75%	0.15
Cost-income ratio	24.7%	27.2%	(2.5)	27.7%	30.9%	(3.2)

Business volumes (in EUR million)	Jun 2016	Dec 2015	Change (%)	Jun 2015	Change (%)
Assets and liquidity reserve	6,302	6,293	0.1	7,402	(14.9)
Risk-weighted assets	1,842	1,785	3.2	1,843	(0.1)
Own issues and other liabilities	1,880	2,002	(6.1)	3,039	(38.1)

The segment contributed EUR 20.9 million to the Bank's net profit in the first half 2016, down 1.4% versus the first half 2015, and delivered a return on equity of 11.9%.

Overall core revenues were flat, with lower gains and losses from financial instruments offset by lower operating expenses.

CORPORATE CENTER

First Half 2016 Review

The Corporate Center contains central functions for the entire Bank. Accounting entries, e.g. positive market values from derivatives, represent the largest portion of assets, while capital and market values from derivatives represents the majority of the liabilities. Restructuring expenses, contributions to the single resolution fund, the bank levy, corporate taxes and other one-off items are included in this segment.

Profit before tax remained stable compared to the first half 2015. The net profit change in the first half 2016 was mainly driven by increased regulatory charges comprising the bank levy as well as contributions to the single resolution fund as well as the recognition of deferred tax assets on tax loss carryforwards.

Assets and liabilities remained largely stable during the reporting period.

Financial Results

Income metrics (in EUR million)	**Q2 2016**	Q2 2015	Change (%)	**Jan–Jun 2016**	Jan–Jun 2015	Change (%)
Net interest income	6.1	11.5	(47.0)	10.4	22.2	(53.2)
Net fee and commission income	0.4	0.5	(20.0)	3.7	(2.1)	–
Core revenues	**6.4**	**12.0**	**(46.7)**	**14.1**	**20.1**	**(29.9)**
Gains and losses on financial instruments	8.0	0.7	>100	22.9	15.8	44.9
Other operating income and expenses	2.0	1.3	53.8	2.1	4.6	(54.3)
Operating income	**16.4**	**14.0**	**17.1**	**39.1**	**40.5**	**(3.5)**
Operating expenses	**(13.5)**	**(4.4)**	**>100**	**(16.5)**	**(15.2)**	**8.6**
Total risk costs	(0.9)	(3.6)	(75.0)	(0.9)	(3.4)	(73.5)
Regulatory charges	(7.6)	(7.3)	4.1	(19.1)	(16.8)	13.7
Share of the profit or loss of associates accounted for using the equity method	3.9	0.5	>100	4.3	1.8	>100
Profit before tax	**(1.7)**	**(0.8)**	**>100**	**7.0**	**6.8**	**2.9**
Income taxes	(21.4)	(4.9)	>100	39.3	(18.6)	–
Non-controlling interests	(0.1)	0.0	100	(0.2)	0.0	100
Net profit	**(23.2)**	**(5.7)**	**>100**	**46.1**	**(11.8)**	**–**

Volumes (in EUR million)	**Jun 2016**	Dec 2015	Change (%)	Jun 2015	Change (%)
Other assets	3,447	3,317	3.9	3,117	10.6
Risk-weighted assets	1,404	1,373	2.3	1,668	(15.8)
Equity and other liabilities	6,078	5,581	8.9	5,749	5.7

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 financial targets for 2016** – as outlined in our Consolidated Annual Report 2015 – are as follows:

- Net profit >EUR 450 million, return on equity >14% and return on tangible equity >15%
- Cost-income ratio <45%
- Fully loaded CET1 ratio >12%
- Fully loaded leverage ratio >5%

BAWAG P.S.K. delivered strong results in the first half 2016. We anticipate that this positive trend will continue throughout the remainder of the year. All key financial targets are expected to be outperformed from today's perspective.

DEFINITIONS

Common Equity Tier 1 capital (CET1)	Based on IFRS CRR regulatory figures (BAWAG Holding Group) including interim profit and year-to-date loan-loss provision movements, excluding any transitional capital (fully loaded)
Common Equity Tier 1 ratio	Common Equity Tier 1 capital (CET1) / risk-weighted assets
Core revenues	The total of net interest income and net fee and commission income
Cost-income ratio	Operating expenses / operating income
IFRS equity	Equity attributable to the owners of the parent; excluding 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 BAWAG Holding 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 regulatory charges
Return on equity	Net profit / average IFRS equity (after the deduction of foreseeable dividends)
Return on risk-weighted assets	Net profit / average risk-weighted assets
Return on tangible equity	Net profit / average IFRS tangible equity (after the deduction of foreseeable dividends)
Return on total assets	Net profit / average total assets
Risk-weighted assets	Based on IFRS CRR regulatory figures (BAWAG Holding Group, fully loaded)
Risk costs / loans and receivables	Provisions and loan-loss provisions, impairment losses and operational risk (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 Holding 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–Jun 2016	Jan–Jun 2015	Q2 2016	Q2 2015
Interest income		522.7	532.7	259.7	259.5
Interest expense		(154.3)	(178.9)	(73.0)	(82.5)
Dividend income		2.0	9.4	1.9	6.8
Net interest income	**[1]**	**370.4**	**363.2**	**188.6**	**183.8**
Fee and commission income		140.8	149.6	67.2	74.7
Fee and commission expenses		(37.8)	(47.7)	(15.1)	(23.3)
Net fee and commission income	**[2]**	**103.0**	**101.9**	**52.1**	**51.4**
Gains and losses on financial assets and liabilities	[3]	28.5	23.6	11.5	(6.3)
Other operating income and expenses		(29.8)	(9.9)	(14.5)	(5.7)
Operating expenses	[4]	(216.1)	(228.7)	(111.7)	(108.5)
Provisions and impairment losses	[5]	(15.9)	(24.7)	(7.2)	(13.0)
Share of the profit or loss of associates accounted for using the equity method		4.3	1.8	3.9	0.5
Profit before tax		**244.4**	**227.2**	**122.7**	**102.3**
Income taxes		39.3	(18.6)	(21.4)	(4.9)
Profit after tax		**283.7**	**208.6**	**101.3**	**97.4**
Thereof attributable to non-controlling interests		0.2	0.0	0.1	0.0
Thereof attributable to owners of the parent		**283.5**	**208.6**	**101.2**	**97.4**

In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges (bank levy, contributions to the deposit guarantee scheme and to the single resolution fund) in the amount of EUR 33.1 million (Jan–Jun 2015: EUR 16.0 million). The item Operating expenses includes regulatory charges (FMA and ECB supervisory charges) in the amount of EUR 0.9 million (Jan–Jun 2015: EUR 0.8 million) as well. However, the Bank's management sees regulatory charges as a non-operating expense. Accordingly, they are shown in a separate expense line in the Interim Group Management Report. The regulatory expenses include both the total contributions to the single resolution fund and the deposit guarantee scheme for the year 2016.

The income taxes include the recognition of deferred tax assets on tax loss carryforwards in the amount of EUR 95.8 million based on the tax loss carryforwards at the level of BAWAG Holding GmbH in the amount of EUR 383 million, resulting mainly from a tax goodwill amortization of EUR 76 million per year confirmed by the tax office in March 2016 for the periods 2010 and 2011. This effect is offset by net tax expenses in the amount of EUR 56.5 million.

STATEMENT OF COMPREHENSIVE INCOME

in EUR million	[Notes]	**Jan–Jun 2016**	Jan–Jun 2015	**Q2 2016**	Q2 2015
Profit after tax		**283.7**	**208.6**	**101.3**	**97.4**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gain/loss on defined benefit plans	[12]	(15.6)	13.9	(10.1)	33.4
Income tax on items that will not be reclassified		3.9	(3.5)	2.5	(8.4)
Total items that will not be reclassified to profit or loss		**(11.7)**	**10.4**	**(7.6)**	**25.0**
Items that may be reclassified subsequently to profit or loss					
Cash flow hedge reserve		10.4	-	3.3	-
Available-for-sale reserve		(9.8)	(67.6)	(3.7)	(64.6)
Share of other comprehensive income of associates accounted for using the equity method		(2.9)	0.0	(2.9)	0.0
Income tax relating to items that may be reclassified		(1.8)	16.6	0.1	15.9
Total items that may be reclassified subsequently to profit or loss		**(4.1)**	**(51.0)**	**(3.2)**	**(48.7)**
Total comprehensive income, net of tax		**267.9**	**168.1**	**90.5**	**73.7**
Thereof attributable to non-controlling interests		0.2	0.0	0.1	0.0
Thereof attributable to owners of the parent		**267.7**	**168.1**	**90.4**	**73.7**

STATEMENT OF FINANCIAL POSITION

Total assets

in EUR million	[Notes]	Jun 2016	Dec 2015
Cash reserves		533	809
Financial assets designated at fair value through profit or loss		232	303
Available-for-sale financial assets	[6]	2,990	2,745
Held-to-maturity investments		2,328	2,290
Financial assets held for trading	[7]	1,036	950
Loans and receivables	[8]	25,967	27,396
Customers		23,728	24,713
Credit institutions		1,336	1,710
Securities		903	973
Hedging derivatives		820	469
Property, plant and equipment		56	59
Investment properties		3	4
Goodwill		58	58
Brand name and customer relationships		165	168
Software and other intangible assets		110	103
Tax assets for current taxes		6	20
Tax assets for deferred taxes		234	190
Associates recognized at equity		41	43
Other assets		150	92
Assets in disposal groups		–	9
Total assets		**34,729**	**35,708**

The line items Goodwill, Brand name and customer relationships, and Software and other intangible assets are shown under the line item Intangible non-current assets in Note 16 of this Consolidated Interim Report.

Total liabilities and equity

in EUR million	[Notes]	Jun 2016	Dec 2015
Total liabilities		**31,503**	**32,751**
Financial liabilities designated at fair value through profit or loss	[9]	1,141	1,269
Financial liabilities held for trading	[10]	965	1,071
Financial liabilities at amortized cost	[11]	27,875	28,514
Customers		22,131	21,692
Issued bonds, subordinated and supplementary capital		3,741	3,236
Credit institutions		2,003	3,586
Financial liabilities associated with transferred assets		–	621
Valuation adjustment on interest rate risk hedged portfolios		314	169
Hedging derivatives		214	106
Provisions	[12]	431	419
Tax liabilities for current taxes		7	6
Other obligations		556	576
Obligations in disposal groups		–	0
Total equity		**3,226**	**2,957**
Equity attributable to the owners of the parent		3,224	2,956
Non-controlling interests		2	1
Total liabilities and equity		**34,729**	**35,708**

STATEMENTS OF CHANGES IN EQUITY

in EUR million	Subscribed capital	Capital reserves	Retained earnings reserve	AFS reserve net of tax	Cash flow hedge 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 01.01.2015	**100**	**1,086**	**1,410**	**107**	**–**	**(84)**	**2,619**	**–**	**2,619**
Transactions with owners	–	4	–	–	–	–	4	–	4
Owner's contribution	–	4	–	–	–	–	4	–	4
Total comprehensive income	–	–	209	(51)	–	10	168	–	168
Balance as of 30.06.2015	**100**	**1,090**	**1,619**	**56**	**–**	**(74)**	**2,791**	**–**	**2,791**
Balance as of 01.01.2016	**100**	**1,094**	**1,793**	**41**	**–**	**(72)**	**2,956**	**1**	**2,957**
Transactions with owners	–	–	–	–	–	–	–	–	–
Owner's contribution	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	284	(12)	8	(12)	268	1	269
Balance as of 30.06.2016	**100**	**1,094**	**2,077**	**29**	**8**	**(84)**	**3,224**	**2**	**3,226**

CONDENSED CASH FLOW STATEMENT

in EUR million	**Jan–Jun 2016**	Jan–Jun 2015
Cash and cash equivalents at end of previous period	**809**	**684**
Profit (after tax, before non-controlling interests)	284	209
Non-cash items included in the profit (loss) and reconciliation to net cash from operating activities	(349)	(311)
Change in assets and liabilities arising from operating activities after corrections for non-cash items	(409)	(1,018)
Interest receipts	547	571
Interest paid	(109)	(153)
Dividend receipts	2	9
Net cash from operating activities	**(34)**	**(693)**
Cash receipt from sales of subsidiaries	91	105
Cash receipts from sales of		
Financial investments	794	1,031
Tangible and intangible non-current assets	1	9
Cash paid for		
Financial investments	(1,101)	(591)
Tangible and intangible non-current assets	(20)	(8)
Net cash used in investing activities	**(235)**	**546**
Redemption of hybrid capital issue (BCF II)	0	(83)
Others	(7)	(8)
Net cash from financing activities	**(7)**	**(91)**
Cash and cash equivalents at end of period	**533**	**446**

Cash flow from the sale of subsidiaries

In January 2016, BAWAG P.S.K. sold its shares in BAWAG Malta Bank Ltd. after having received all regulatory approvals.

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

in EUR million	Jan–Jun 2016
Sales proceeds	**91**
Assets sold	**87**
Financial assets	9
Other assets	78
Debts sold	**0**
Net assets sold	**87**
Profit from the sale	**4**
Sales proceeds	91
Cash and cash equivalents contained in the assets sold	0
Proceeds from the sale	**91**

NOTES

The consolidated interim financial statements of BAWAG Holding Group (referred to as BAWAG P.S.K. throughout the document unless stated otherwise) as of 30 June 2016 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 interim financial statements for the first half 2016 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 2015, with the exception of the following:

Since January 2016, BAWAG P.S.K. has applied cash flow hedge accounting according to IAS 39 for highly probable future cash flows from certain foreign currency portfolios.

The Bank has identified future spread income from GBP and USD assets as underlyings that are to be protected against changes in variability in cash flows from foreign currency rates.

IAS 39 allows parts of highly probable future cash flows to be designated as a hedged item to cash flow hedge accounting. In each case, BAWAG P.S.K. designates the first cash flows for a defined period of time as a hedged item.

In other operating income, the changes in the value of the hedging instruments that can be attributed to the hedged risk are reported under Cash flow hedge reserve. Therefore, in the first half 2016 fair value gains in the amount of EUR 10.4 million would have been presented in the line item Gains and losses on financial instruments in the income statement if BAWAG P.S.K. had not applied cash flow hedge accounting.

The following new interpretations and amendments to existing standards are mandatory for periods beginning on 1 January 2016, but have no material effect on the consolidated interim financial statements of BAWAG P.S.K.:

- Amendments to IAS 27 Separate Financial Statements
- Amendments to IAS 1 Presentation of Financial Statements
- Annual Improvements to IFRS (2012–2014 Cycle)
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- Amendments to IFRS 11 Joint Arrangements
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture

The valuation principles as of 31 December 2015 were applied again.

As of 30 June 2016, the Group consists of 32 (31 December 2015: 33) fully consolidated entities and 2 (31 December 2015: 2) entities that are accounted for using the equity method in Austria and abroad. In the first half of 2016, BAWAG Malta Bank Limited was sold and thus deconsolidated.

The interim financial statements for the first half 2016 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 2015, we refer to the Notes to the consolidated financial statements as of 31 December 2015.

DETAILS OF THE PROFIT OR LOSS STATEMENT

1 | Net interest income

in EUR million	Jan–Jun 2016	Jan–Jun 2015
Interest income	522.7	532.7
Interest expense	(154.3)	(178.9)
Dividend income	2.0	9.4
Net interest income	**370.4**	**363.2**

2 | Net fee and commission income

in EUR million	Jan–Jun 2016	Jan–Jun 2015
Fee and commission income	**140.8**	**149.6**
Payment transfers	84.1	84.6
Lending	15.2	12.3
Securities and custody business	18.7	30.0
Other	22.8	22.7
Fee and commission expenses	**(37.8)**	**(47.7)**
Payment transfers	(19.1)	(18.7)
Other	(18.7)	(29.0)
Net fee and commission income	**103.0**	**101.9**

3 | Gains and losses on financial assets and liabilities

in EUR million	Jan–Jun 2016	Jan–Jun 2015
Realized gains on sales of subsidiaries and securities	22.9	40.5
Fair value gains and losses	4.1	(14.3)
Gains (losses) from fair value hedge accounting	0.6	0.7
Others	0.9	(3.3)
Gains and losses on financial assets and liabilities	**28.5**	**23.6**

4 | Operating expenses

in EUR million	Jan–Jun 2016	Jan–Jun 2015
Staff costs	(115.3)	(128.1)
Other administrative expenses	(73.3)	(81.4)
Depreciation and amortization on tangible and intangible assets	(18.9)	(19.2)
Restructuring and other one-off expenses	(8.6)	0.0
Operating expenses	**(216.1)**	**(228.7)**

The line item Restructuring and other one-off expenses, totaling minus EUR 8.6 million in the first half 2016, mainly includes expenses for restructuring costs, partially offset by the reclassification of interest expense for social capital to net interest income.

5 | Provisions and impairment losses

in EUR million	Jan–Jun 2016	Jan–Jun 2015
Loan-loss provisions and changes in provisions for off-balance credit risk	(12.7)	(22.9)
Provisions and expenses for operational risk	(2.4)	(1.8)
Impairment losses on financial assets	(0.8)	0.0
Provisions and impairment losses	**(15.9)**	**(24.7)**

DETAILS OF THE STATEMENT OF FINANCIAL POSITION

6 | Available-for-sale financial assets

in EUR million	Jun 2016	Dec 2015
Bonds	**2,909**	**2,661**
Bonds of other issuers	2,391	2,320
Public sector debt instruments	518	341
Subsidiaries and other equity investments	**81**	**84**
Available-for-sale financial assets	**2,990**	**2,745**

7 | Financial assets held for trading

in EUR million	Jun 2016	Dec 2015
Derivatives in trading book	303	320
Derivatives in banking book	733	630
Financial assets held for trading	**1,036**	**950**

8 | Loans and receivables

Jun 2016 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	**23,397**	**569**	**(179)**	**(59)**	**23,728**
thereof IBNR portfolio provision[1)]	0	0	0	(38)	(38)
Securities	**903**	**0**	**0**	**0**	**903**
Receivables from credit institutions	**1,336**	**0**	**0**	**0**	**1,336**
Total	**25,636**	**569**	**(179)**	**(59)**	**25,967**

1) Allowance for incurred but not reported losses.

Dec 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	**24,377**	**571**	**(170)**	**(65)**	**24,713**
thereof IBNR portfolio provision[1)]	0	0	0	(46)	(46)
Securities	**973**	**0**	**0**	**0**	**973**
Receivables from credit institutions	**1,710**	**0**	**0**	**0**	**1,710**
Total	**27,060**	**571**	**(170)**	**(65)**	**27,396**

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:

Jun 2016 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
BAWAG P.S.K. Retail	9,050	203	(126)	(18)	9,109
easygroup	3,207	40	(20)	(3)	3,224
DACH Corporates & Public Sector	7,193	51	(33)	0	7,211
International Business	4,828	0	0	0	4,828
Treasury Services & Markets	1,266	0	0	0	1,266
Corporate Center	92	275	0	(38)	329
Total	**25,636**	**569**	**(179)**	**(59)**	**25,967**

Dec 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
BAWAG P.S.K. Retail	8,982	193	(121)	(18)	9,036
easygroup	3,622	22	(14)	0	3,630
DACH Corporates & Public Sector	7,271	53	(34)	0	7,289
International Business	5,429	0	0	0	5,429
Treasury Services & Markets	1,595	0	0	0	1,595
Corporate Center	162	302	0	(46)	418
Total	**27,060**	**571**	**(170)**	**(65)**	**27,396**

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

Receivables from customers – Breakdown by credit type

in EUR million	**Jun 2016**	Dec 2015
Loans	20,931	22,258
Current accounts	1,193	1,041
Finance leases	1,269	1,283
Cash advances	335	131
Receivables from customers	**23,728**	**24,713**

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

in EUR million	Jun 2016	Dec 2015
Issued debt securities	1,014	1,121
Subordinated and supplementary capital	127	148
Financial liabilities designated at fair value through profit or loss	**1,141**	**1,269**

10 | Financial liabilities held for trading

in EUR million	Jun 2016	Dec 2015
Derivatives trading book	286	291
Derivatives banking book	679	780
Financial liabilities held for trading	**965**	**1,071**

11 | Financial liabilities measured at amortized cost

in EUR million	Jun 2016	Dec 2015
Deposits from banks	**2,003**	**3,586**
Deposits from customers	**22,131**	**21,692**
Savings deposits – fixed interest rates	2,112	2,363
Savings deposits – variable interest rates	4,607	4,556
Deposit accounts	5,916	5,490
Current accounts – Retail	6,663	6,488
Current accounts – Corporates	1,740	2,003
Other deposits[1)]	1,094	792
Issued bonds, subordinated and supplementary capital	**3,741**	**3,236**
Issued debt securities	3,299	2,821
Subordinated and supplementary capital	441	415
Financial liabilities measured at amortized cost	**27,875**	**28,514**

1) Primarily time deposits.

12 | Provisions

in EUR million	Jun 2016	Dec 2015
Provisions for social capital	402	390
Anticipated losses from pending business	24	24
Other items including legal risks	5	5
Provisions	**431**	**419**

According to IAS 19, provisions for post-employment and termination benefits and for jubilee benefits are calculated using the projected unit credit method. The change of the interest rate from 2.05% to 1.50% while adapting the expectations regarding future wage growth for retirees to rates observed in the recent past resulted in a net impact of minus EUR 11.7 million in other comprehensive income and minus EUR 1.6 million in profit or loss.

13 | Related parties

Transactions with related parties

The following table shows transactions with related parties:

Jun 2016 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	766	51	0	147
Securities	0	0	0	20	0
Other assets (incl. derivatives)	30	1	6	0	0
Financial liabilities – customers	0	0	14	96	10
Other liabilities (incl. derivatives)	0	0	0	2	0
Guarantees provided	0	0	0	0	1
Interest income	0.0	16.9	0.9	0.1	1.3
Interest expenses	0.0	0.0	0.0	0.8	0.0
Net fee and commission income	0.0	0.0	0.0	10.8	0.3

Dec 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	1,134	58	0	145
Securities	0	0	0	22	0
Other assets (incl. derivatives)	20	0	7	0	0
Financial liabilities – customers	0	0	13	155	11
Other liabilities (incl. derivatives)	0	0	0	2	0
Guarantees provided	0	0	0	0	2
Interest income	0.0	54.9	1.9	0.3	3.2
Interest expenses	0.0	0.0	0.1	2.3	0.0
Net fee and commission income	0.0	0.0	0.0	25.1	0.7

Jun 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	1,308	60	0	162
Securities	0	0	0	21	0
Other assets (incl. derivatives)	0	2	7	0	0
Financial liabilities – customers	0	0	18	113	13
Other liabilities (incl. derivatives)	0	0	0	4	0
Guarantees provided	0	0	0	0	2
Interest income	0.0	27.0	1.0	0.2	1.6
Interest expenses	0.0	0.0	0.0	1.2	0.0
Net fee and commission income	0.0	0.0	0.0	12.6	0.7

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	**Jun 2016**	**Jun 2016**	Dec 2015	Dec 2015
Current account deposits	5	1	4	1
Savings deposits	0	2	0	3
Loans	1	2	1	2

14 | Segment reporting

This information is based on the Group structure as of 30 June 2016.

The segment reporting presents the results of the operating business segments of BAWAG P.S.K. 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 related results are reported in the Corporate Center. The remaining earnings components and the directly allocable costs are assigned to the respective business units on the basis of where they are incurred. The overhead costs are assigned to the individual segments according to an allocation factor.

As of June 2016, certain changes in the business segment reporting have been made to be more transparent and better reflect the developments and our progress in the individual business segments going forward. The prior year's figures have been adjusted accordingly. A summary of the major changes and rationale are described below:

Old reporting	New reporting	Changes
Retail Banking and Small Business	BAWAG P.S.K. Retail easygroup	Segment split to clearly show ▸ the BAWAG P.S.K. origination capacities in retail and small business banking, adding own issues covered with retail assets and Wohnbaubank bonds from the Corporate Center to combine directly connected business activities in one business segment ▸ our direct bank activities of *easybank* with its leasing subsidiaries including international retail lending activities
Corporate Lending and Investments	DACH Corporates & Public Sector International Business	Segment split to clearly show ▸ direct customer business through the business solution partners in the DACH region, adding own issues covered with corporate or public assets as well as direct refinancings from the Corporate Center to combine directly connected business activities in one business segment ▸ international origination business from the London office predominantly in Western markets
Treasury Services and Markets	Treasury Services & Markets	▸ Adding the liquidity portfolio as well as funding activities (unsecured issues, repos and short-term liquidity actions) from the Corporate Center
Corporate Center	Corporate Center	▸ Splitting out assets/liabilities as described above to clearly focus on non business related positions in the Corporate Center

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

- **BAWAG P.S.K. Retail** – includes savings, payment, card and lending activities, investment and insurance services for our domestic private customers, small business lending and our social housing activities, as well as real estate leasing.

- **easygroup** – includes our direct banking subsidiary *easybank* with a full online product offering, e.g. savings, payments, card and lending activities for private and small business customers, along with our auto and mobile leasing platforms as well as lending to our international retail clients.

- **DACH Corporates & Public Sector** – includes our corporate and public lending business and other fee-driven financial services for mainly Austrian customers; as we also support our clients in their cross-border activities, selective client relationships in neighbouring countries are included in this segment as well.

- **International Business** – includes lending activities to international corporates as well as international real estate financing activities outside the DACH region originated by our London office.

- **Treasury Services & Markets** – includes any treasury activities associated with providing trading and investment services such as certain asset-liability management transactions (including secured and unsecured funding) and the investment results of our portfolio of financial securities.

- **Corporate Center** – includes unallocated items related to support functions for the entire Bank, accounting positions (e.g. market values of derivatives) and select results related to subsidiary and participation holdings. Regulatory charges (except for deposit guarantee scheme contributions) and corporate taxes are assigned to the Corporate Center.

Our segments are fully aligned with our business strategy as well as our objective of providing transparent reporting of our business units and Bank-wide results while minimizing the financial impact within the Corporate Center.

The segments in detail:

Jan–Jun 2016 in EUR million	BAWAG P.S.K. Retail	easygroup	DACH Corporates & Public Sector	International Business	Treasury Services & Markets	Corporate Center	Total
Net interest income	169.4	54.3	40.3	67.8	28.2	10.4	370.4
Net fee and commission income	74.6	4.6	20.1	0.0	0.0	3.7	103.0
Core revenues	**244.0**	**58.9**	**60.4**	**67.8**	**28.2**	**14.1**	**473.4**
Gains and losses on financial instruments	0.8	5.9	(0.1)	(1.7)	0.7	22.9	28.5
Other operating income and expenses	1.0	0.1	0.0	0.0	0.0	2.1	3.2
Operating income	**245.8**	**64.9**	**60.3**	**66.1**	**28.9**	**39.1**	**505.1**
Operating expenses	**(136.0)**	**(15.7)**	**(25.7)**	**(13.3)**	**(8.0)**	**(16.5)**	**(215.2)**
Regulatory charges	(12.4)	(2.5)				(19.1)	(34.0)
Total risk costs	(17.3)	(2.1)	1.4	3.0	0.0	(0.9)	(15.9)
Share of the profit or loss of associates accounted for using the equity method						4.3	4.3
Profit before tax	**80.1**	**44.6**	**36.0**	**55.8**	**20.9**	**7.0**	**244.4**
Income taxes						39.3	39.3
Profit after tax	**80.1**	**44.6**	**36.0**	**55.8**	**20.9**	**46.3**	**283.7**
Non-controlling interests						(0.2)	(0.2)
Net profit	**80.1**	**44.6**	**36.0**	**55.8**	**20.9**	**46.1**	**283.5**
Business volumes							
Assets	9,256	3,247	7,437	5,040	6,302	3,447	34,729
Risk-weighted assets[1]	3,785	1,849	2,893	3,890	1,842	1,404	15,663

1) Based on a fully loaded basis.

Jan–Jun 2015 in EUR million	BAWAG P.S.K. Retail	easygroup	DACH Corporates & Public Sector	International Business	Treasury Services & Markets	Corporate Center	Total
Net interest income	165.3	23.2	51.6	72.8	28.1	22.2	363.2
Net fee and commission income	79.9	4.2	19.9	0.0	0.0	(2.1)	101.9
Core revenues	**245.2**	**27.4**	**71.5**	**72.8**	**28.1**	**20.1**	**465.1**
Gains and losses on financial instruments	5.6	0.0	4.5	(4.9)	2.6	15.8	23.6
Other operating income and expenses	1.4	0.2	0.0	0.0	0.0	4.6	6.2
Operating income	**252.2**	**27.6**	**76.0**	**67.9**	**30.7**	**40.5**	**494.9**
Operating expenses	**(150.5)**	**(11.5)**	**(28.0)**	**(13.2)**	**(9.5)**	**(15.2)**	**(227.9)**
Regulatory charges	0.0	0.0				(16.8)	(16.8)
Total risk costs	(18.8)	0.7	(3.4)	0.2	0.0	(3.4)	(24.7)
Share of the profit or loss of associates accounted for using the equity method						1.8	1.8
Profit before tax	**82.9**	**16.8**	**44.6**	**54.9**	**21.2**	**6.8**	**227.2**
Income taxes						(18.6)	(18.6)
Profit after tax	**82.9**	**16.8**	**44.6**	**54.9**	**21.2**	**(11.8)**	**208.6**
Non-controlling interests						0.0	0.0
Net profit	**82.9**	**16.8**	**44.6**	**54.9**	**21.2**	**(11.8)**	**208.6**
Business volumes							
Assets	9,361	396	8,578	5,151	7,402	3,117	34,005
Risk-weighted assets[1)]	3,966	405	3,545	4,359	1,843	1,668	15,786

1) Based on a fully loaded basis.

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

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

in EUR million	**Jan–Jun 2016**	Jan–Jun 2015
Other operating income and expenses according to segment report	3.2	6.2
Regulatory charges	(33.1)	(16.0)
Other operating income and expenses according to consolidated profit or loss statement	**(29.8)**	**(9.9)**

in EUR million	**Jan–Jun 2016**	Jan–Jun 2015
Operating expenses according to segment report	(215.2)	(227.9)
Regulatory charges	(0.9)	(0.8)
Operating expenses according to consolidated profit or loss statement	**(216.1)**	**(228.7)**

15 | Capital management

Regulatory reporting is performed on the level of BAWAG Holding and Promontoria Sacher Holding N.V. Group as the EU parent financial holding company of the group of credit institutions. The following table shows the breakdown of own funds of Promontoria Sacher Holding N.V. Group and BAWAG Holding Group applying transitional rules and its own funds requirement as per 30 June 2016 and 31 December 2015 pursuant to CRR applying IFRS figures and the CRR scope of consolidation.

	Promontoria		BAWAG Holding	
in EUR million	**Jun 2016**[3)]	Dec 2015	**Jun 2016**[3)]	Dec 2015
Share capital and reserves (including funds for general banking risk)	2,837	2,837	2,989	2,988
Foreseeable dividend for 2015	(286)	(286)	(313)	(313)
Deduction of intangible assets	(177)	(116)	(177)	(116)
Other comprehensive income	(49)	(33)	(49)	(33)
IRB risk provision shortfalls[1)]	(28)	(20)	(28)	(20)
Prudent valuation, cumulative gains due to changes in own credit risk on fair valued liabilities, prudential filter for unrealized gains, cash flow hedge reserve	(50)	(56)	(50)	(56)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences[2)]	(76)	(13)	(76)	(13)
Excess of deduction from AT1 items over AT1 capital	(127)	(189)	(127)	(189)
Common Equity Tier I	**2,044**	**2,124**	**2,169**	**2,248**
IRB risk provision shortfalls[1)]	(9)	(15)	(9)	(15)
Deduction of intangible assets	(118)	(174)	(118)	(174)
Excess of deduction from AT1 items over AT1 capital	127	189	127	189
Additional Tier I	–	–	–	–
Tier I	**2,044**	**2,124**	**2,169**	**2,248**
Supplementary and subordinated debt capital	469	477	469	477
Excess IRB risk provisions	3	16	3	16
Less significant investments, IRB risk provision shortfalls[1)]	(29)	(36)	(29)	(36)
Tier II	**443**	**457**	**443**	**457**
Own funds	**2,487**	**2,581**	**2,612**	**2,705**

1) June 2016: According to CRR, LLPs as of 31 December 2015 including disposals until 30 June 2016.
2) For the changes in deferred tax assets that rely on future profitability excluding those arising from temporary differences, please see the description on page 29.
3) Own funds as of 30 June 2016 differ from those as of 31 December 2015 inter alia because of different CRR transitional rules for 2016 and 2015 for the eligibility of capital (mainly available-for-sale reserve) and deductions from own funds (mainly intangible assets and IRB risk provision shortfall).

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

	Promontoria		BAWAG Holding	
in EUR million	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Credit risk[1)]	13,989	14,751	13,988	14,747
Market risk	80	97	80	97
Operational risk	1,633	1,620	1,633	1,620
Capital requirements (risk-weighted assets)	**15,702**	**16,468**	**15,701**	**16,464**

1) Prior year's figures were adjusted due to the reclassification of Holding customers.

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

	Promontoria		BAWAG Holding[1)]	
	Jun 2016	Dec 2015[2)]	Jun 2016	Dec 2015[2)]
Common Equity Tier I capital ratio based on total risk	14.3%	12.2%	15.1%	12.9%
Total capital ratio based on total risk	17.3%	15.0%	18.1%	15.8%

1) Figures as shown in the Interim Group Management Report.
2) Prior year's figures were adjusted due to the reclassification of Holding customers.

Key figures according to CRR including its transitional rules

	Promontoria		BAWAG Holding	
	Jun 2016	Dec 2015[1)]	Jun 2016	Dec 2015[1)]
Common Equity Tier I capital ratio based on total risk	13.0%	n/a	13.8%	n/a
Total capital ratio based on total risk	15.8%	n/a	16.6%	n/a
Common Equity Tier I capital ratio based on total risk (incl. interim profit)	14.8%	12.9%	15.6%	13.7%
Total capital ratio based on total risk (incl. interim profit)	17.7%	15.7%	18.6%	16.4%

1) Prior year's figures were adjusted due to the reclassification of Holding customers.

16 | Fair value

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

in EUR million	Carrying amount Jun 2016	Fair value Jun 2016	Carrying amount Dec 2015	Fair value Dec 2015
Assets				
Cash reserves	533	533	809	809
Financial assets designated at fair value through profit or loss	232	232	303	303
Available-for-sale financial assets				
Recognized at fair value	2,910	2,910	2,665	2,665
Recognized at cost	80	n/a	80	n/a
Held-to-maturity investments	2,328	2,451	2,290	2,369
Financial assets held for trading	1,036	1,036	950	950
Loans and receivables	25,967	26,075	27,396	27,543
Hedging derivatives	820	820	469	469
Property, plant and equipment	56	n/a	59	n/a
Investment properties	3	6	4	6
Intangible non-current assets	333	n/a	329	n/a
Other assets	431	n/a	345	n/a
Assets in disposal groups	–	n/a	9	n/a
Total assets	**34,729**		**35,708**	
Equity and liabilities				
Financial liabilities designated at fair value through profit or loss	1,141	1,141	1,269	1,269
Financial liabilities held for trading	965	965	1,071	1,071
Financial liabilities at amortized cost	27,875	28,157	28,514	28,755
Financial liabilities associated with transferred assets	–	–	621	621
Valuation adjustment on interest rate risk hedged portfolios	314	314	169	169
Hedging derivatives	214	214	106	106
Provisions	431	n/a	419	n/a
Other obligations	563	n/a	582	n/a
Obligations in disposal groups	–	n/a	0	n/a
Equity	3,224	n/a	2,956	n/a
Non-controlling interests	2	n/a	1	n/a
Total liabilities and equity	**34,729**		**35,708**	

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

The available-for-sale financial assets include EUR 80 million in investments in private and public limited companies. The fair value of these financial instruments has not been disclosed because their fair value cannot be measured reliably. There is no active market for these financial instruments and future cash flows cannot be calculated reliably. BAWAG P.S.K. does not intend to sell or derecognize significant investments in equity held at the reporting date in the near future.

Securities recognized in the line items Held to maturity investments and Loans and receivables are measured at amortized cost. Therefore, their book value does not include unrealized gains in the amount of EUR 157 million. Furthermore, own issues recognized in the line item Financial liabilities designated at amortized cost do not include unrealized losses in the amount of EUR 290 million.

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, exchange-traded derivatives and certain equity instruments.

- **Level 2:** The value is measured 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.

For the determination of the credit value adjustment for the credit risk of OTC derivatives, netting effects at the customer level within transactions of the same kind and currency are taken into account.

Jun 2016 in EUR million	Level 1	Level 2	Level 3	Others[1)]	Total
Assets					
Financial assets designated at fair value through profit or loss	3	228	2	0	232
Available-for-sale financial assets	2,826	84	0	80	2,990
Financial assets held for trading	0	1,036	0	0	1,036
Hedging derivatives	0	820	0	0	820
Total fair value assets	**2,828**	**2,168**	**2**	**80**	**5,078**
Liabilities					
Financial liabilities designated at fair value through profit or loss	0	691	450	0	1,141
Financial liabilities held for trading	0	965	0	0	965
Valuation adjustment on interest rate risk hedged portfolios	0	314	0	0	314
Hedging derivatives	0	214	0	0	214
Total fair value liabilities	**0**	**2,185**	**450**	**0**	**2,634**

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 2015 in EUR million	Level 1	Level 2	Level 3	Others[1)]	Total
Assets					
Financial assets designated at fair value through profit or loss	3	298	2	0	303
Available-for-sale financial assets	2,587	74	4	80	2,745
Financial assets held for trading	0	950	0	0	950
Hedging derivatives	0	469	0	0	469
Total fair value assets	**2,590**	**1,791**	**6**	**80**	**4,467**
Liabilities					
Financial liabilities designated at fair value through profit or loss	0	801	468	0	1,269
Financial liabilities held for trading	0	1,071	0	0	1,071
Valuation adjustment on interest rate risk hedged portfolios	0	169	0	0	169
Hedging derivatives	0	106	0	0	106
Total fair value liabilities	**0**	**2,147**	**468**	**0**	**2,615**

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 half 2016, six available-for-sale securities were moved from Level 1 to Level 2 due to subsequent illiquid market prices. One available-for-sale security was moved from Level 2 to Level 1 due to subsequent liquid market prices.

Movements in Level 3 financial instruments measured at fair value

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

in EUR million	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities
Opening balance as of 01.01.2016	**2**	**4**	**468**
Valuation gains (losses) in profit or loss	0	0	0
for assets held at the end of the period	0	0	2
for assets no longer held at the end of the period	0	0	0
Purchases	0	0	0
Redemptions	0	0	(20)
Sales	0	(4)	0
Foreign exchange differences	0	0	0
Transfers into or out of Level 3	0	0	0
Closing balance as of 30.06.2016	**2**	**0**	**450**

in EUR million	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities
Opening balance as of 01.01.2015	**4**	**0**	**525**
Valuation gains (losses) in line item gains and losses on financial assets and liabilities in profit or loss			
for assets held at the end of the period	1	0	(19)
for assets no longer held at the end of the period	(1)	0	0
Valuation gains (losses) in other comprehensive income			
for assets held at the end of the period	0	4	0
for assets no longer held at the end of the period	0	0	0
Purchases	0	0	0
Redemptions	(2)	0	(38)
Sales	0	0	0
Foreign exchange differences	0	0	0
Transfers into or out of Level 3	0	0	0
Closing balance as of 31.12.2015	**2**	**4**	**468**

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 half 2016, the financial liabilities reported under Level 3 in 2015 decreased by a total of EUR 18 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 June 2016. If the credit spread used in calculating the fair value of own issues increased by 20 basis points, the accumulated valuation result as of 30 June 2016 would have increased by EUR 2.5 million (31 December 2015: EUR 2.9 million). If the fair value of financial assets decreased by 30%, the accumulated valuation result as of 30 June 2016 would have decreased by EUR 0.6 million (31 December 2015: minus EUR 1.8 million).

RISK REPORT

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

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

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

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

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

The following risks including their respective sub-risks are considered as material for BAWAG P.S.K.:

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

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

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

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

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

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

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

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

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

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

The risk bearing 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 strategic risk management, capital management and planning processes of BAWAG P.S.K.

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

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

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

18 | Credit risk

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

The operative credit risk divisions are specifically set up to ensure functional risk management expertise for both the commercial and institutional and the retail and small business customers. The Strategic Risk division is responsible for the consistent calculation and aggregation of the individual risk metrics within the defined monthly reporting framework.

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

The European retail portfolio consists of a UK mortgage portfolio that was acquired in the fourth quarter of 2015. As of June 2016, the outstanding balance amounted to GBP 1.67 billion. The portfolio has an average LTV of 53%.

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

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

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

Business segment development in the first half 2016

The Group'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 the first half 2016, BAWAG P.S.K. Retail experienced further growth in consumer financing. Significant efforts were put in place to enhance overall underwriting standards through automated and continuously enhanced underwriting models as well as strong collateral coverage. The Group's new mortgage originations have an average LTV of 74% and an overall portfolio LTV of 65%.

easygroup includes our direct banking subsidiary *easybank*, our auto and mobile leasing platforms as well as the lending activities to our international retail clients. The overall portfolio performance of international retail and associated risk costs remained stable in June at an average LTV of 53%.

The risk policy of easygroup will continue to be characterized by conservative, low-risk appetite with an emphasis on risk-adjusted returns. Credit decisions are primarily based on automated scoring methods that use proven mathematical and statistical methods that are continuously enhanced. The decision-making processes as well as the lending guidelines are closely aligned to the given framework of the risk organization of BAWAG P.S.K.

The leasing business focuses on leasing of motor vehicles and related business managed in the segment easygroup. The risk policy of the leasing companies is closely aligned to the guidelines of BAWAG P.S.K. The risk systems, which have been adapted to the special requirements of the leasing business, are part of the risk architecture of the Bank.

The segments DACH Corporates & Public Sector as well as International Business were characterized by proactive risk management, disciplined growth in developed markets 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 Group's early warning process.

The Treasury Services & 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 Western Europe and the United States as well as select sovereign bond exposures.

The Corporate Center is comprised primarily of positive market values from derivatives and non-core participations.

BREXIT[1)] was a dominant topic at the end of the first half of 2016 and will remain relevant during the coming years. Based on our stable and conservative business model, we are of the opinion that BREXIT will only have a limited impact on the Bank. In the securities portfolio, market risks are mainly hedged while marginal sensitivities are expected from an economic perspective. A moderate overall impact is expected on corporate credit risks due to either the individual credit quality of the borrowers, their geographic diversification or the nature of the industries they operate in. A moderate overall impact is envisaged on retail credit risks (international mortgage portfolio) due to the seasoned pool of loans that withstood the 2008–09 downturn in the housing market, the matured LTV profile of the portfolio and the geographic diversification of the underlying collateral.

1) United Kingdom's exit from the European Union.

Credit risk and bonds by business segment

Jun 2016 in EUR million	BAWAG P.S.K. Retail	easygroup	DACH Corporates & Public Sector	International Business	Treasury Services & Markets	Corporate Center	Total portfolio
Book value	9,107	3,224	6,853	4,594	1,095	344	25,218
Bonds	0	0	551	446	5,207	9	6,213
Off-balance business	1,363	444	1,030	276	0	1,080	4,193
Total	**10,470**	**3,668**	**8,434**	**5,316**	**6,302**	**1,433**	**35,624**
thereof collateralized[1)]	6,037	2,713	2,511	1,457	199	1	12,918
thereof NPL (incl. LLP, gross view)[2)]	202	82	74	0	0	255	613
NPL ratio[2)]	2.2%	2.5%	1.0%	0.0%	n/a	n/a	2.3%
NPL coverage ratio[2)]	94.7%	95.0%	100.0%	100.0%	n/a	n/a	57.7%

1) Economic collateral comprises residential and commercial real estate, guarantees, life insurance, etc.
2) 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.

Dec 2015 in EUR million	BAWAG P.S.K. Retail	easygroup	DACH Corporates & Public Sector	International Business	Treasury Services & Markets	Corporate Center	Total portfolio
Book value	9,036	3,630	6,935	5,133	1,424	423	26,581
Bonds	0	0	557	615	4,869	22	6,063
Off-balance business	1,394	443	501	744	0	855	3,937
Total	**10,430**	**4,073**	**7,993**	**6,492**	**6,293**	**1,300**	**36,582**
thereof collateralized[1)]	6,051	3,067	2,625	1,258	244	24	13,269
thereof NPL (incl. LLP, gross view)[2)]	204	44	85	0	0	256	588
NPL ratio[2)]	2.0%	1.1%	0.7%	0.0%	n/a	n/a	2.1%
NPL coverage ratio[2)]	97.1%	100.0%	100.0%	100.0%	n/a	n/a	58.3%

1) Economic collateral comprises residential and commercial real estate, guarantees, life insurance, etc.
2) 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.

	Note 8		Risk view		Segment report
Jun 2016 in EUR million	Loans and receivables (L&R)	Loans and bonds (not part of L&R)[1]	Total loans & bonds	Other assets	Total assets
BAWAG P.S.K. Retail	9,107	0	9,107	148	9,256
easygroup	3,224	0	3,224	23	3,247
DACH Corporates & Public Sector	7,211	193	7,404	33	7,437
International Business	4,828	212	5,040	0	5,040
Treasury Services & Markets	1,266	5,036	6,302	0	6,302
Corporate Center	330	23	353	3,094	3,447
Total	**25,967**	**5,464**	**31,431**	**3,297**	**34,729**

1) Shares and other variable-rate securities (June 2016: EUR 4 million, Dec 2015: EUR 5 million) are not included.

	Note 8		Risk view		Segment report
Dec 2015 in EUR million	Loans and receivables (L&R)	Loans and bonds (not part of L&R)[1]	Total loans & bonds	Other assets	Total assets
BAWAG P.S.K. Retail	9,036	0	9,036	142	9,178
easygroup	3,630	0	3,630	15	3,644
DACH Corporates & Public Sector	7,289	203	7,492	35	7,527
International Business	5,429	319	5,748	0	5,748
Treasury Services & Markets	1,595	4,698	6,293	0	6,293
Corporate Center	418	28	446	2,871	3,317
Total	**27,396**	**5,249**	**32,645**	**3,062**	**35,708**

1) Shares and other variable-rate securities (June 2016: EUR 4 million, Dec 2015: EUR 5 million) are not included.

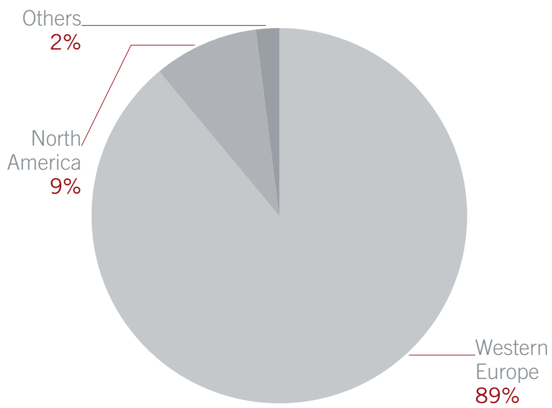
Geographical distribution of the loan and bond portfolio

The geographic distribution of the loan portfolio is in line with the Group's strategy to focus on stable geographies and currencies. A total of 98% of the loan portfolio[1] and 81% of the bond portfolio[2] is located in Western Europe and North America.

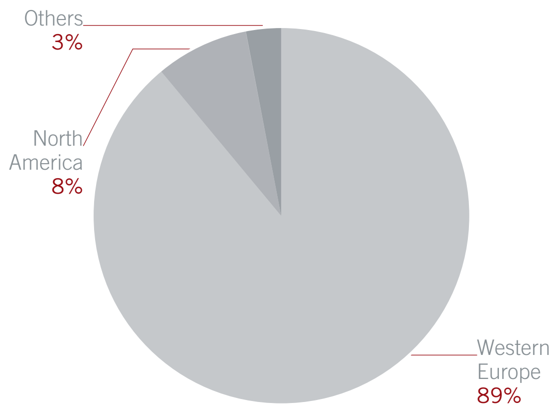
1) This includes i.a. Austria with 67% (Dec 2015: 65%), Great Britain with 12% (Dec 2015: 14%), the United States with 8% (Dec 2015: 8%), Germany with 4% (Dec 2015: 4%) and France with 1% (Dec 2015: 1%).
2) This includes i.a. Great Britain with 15% (Dec 2015: 13%), Austria with 12% (Dec 2015: 12%), the United States with 11% (Dec 2015: 14%), France with 8% (Dec 2015: 8%) and Germany with 4% (Dec 2015: 5%).

Geographical distribution of loans

30.06.2016

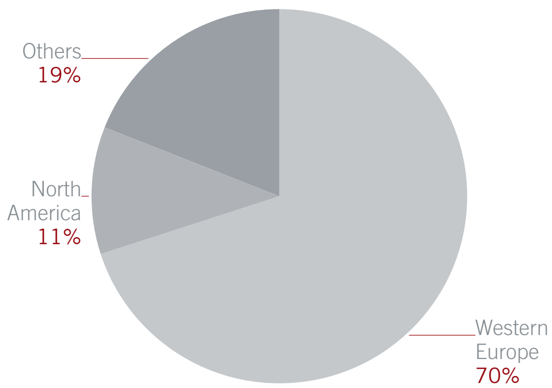


31.12.2015

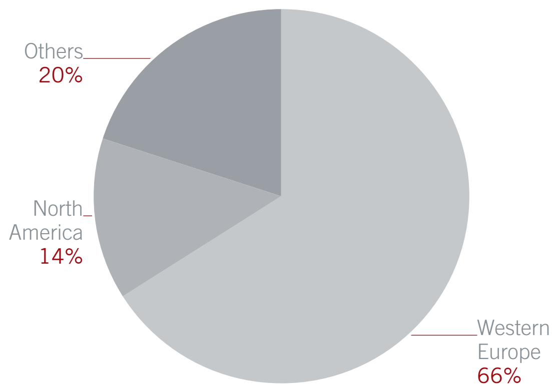


Geographical distribution of bonds

30.06.2016



31.12.2015



Credit portfolio and bonds by currency

Consistent with the Group'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 Group.

	Book value		Relative value	
in EUR million	Jun 2016	Dec 2015	Jun 2016	Dec 2015
EUR	23,952	24,202	76.2%	74.1%
GBP	3,065	3,775	9.8%	11.6%
USD	2,292	2,473	7.3%	7.6%
CHF	2,017	2,109	6.4%	6.5%
Others	106	87	0.3%	0.3%
Total	**31,431**	**32,645**	**100.0%**	**100.0%**

Impaired loans

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

Manual impairment provision
In cases when exposures are restructured according to internal processes, which may include the extension of forbearance measures, an appropriate impairment test is performed. De-recognition 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 in the core banking system for the standard bank products in the case of unpaid balances. This occurs when limits are continuously exceeded on current accounts, installments are continuously not paid on loans 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 June 2016, the IBNR portfolio impairment (incl. for off-balance sheet items) amounted to EUR 43.1 million (31 December 2015: EUR 50.7 million).

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. The Group has sound and transparent processes in place to define the conditions under which concessions, in the form of modification of terms and conditions, or refinancing, may be granted. In this respect, strictly temporary measures – i.e. a reduction or postponement of as well as transfer to terms of interest only repayments – are in place. In exceptional cases, temporary or permanent reduction of interest rates may be granted. Depending on customer segments, a split of loan agreements or refinancing facilities may be accepted as viable measures.

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

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

For reporting as well as internal risk management purposes, the Group implemented processes and methods according to regulatory standards[3)] in order to identify exposures for which forbearance or refinancing measures have been extended.

1) The IBNR portfolio provision does not lead to a classification as "in default." On the other hand, the two further impairment provision types described in the Impaired loan section lead to the immediate default of the customer. All exposure-bearing products of the customer who is defaulted are classified as non-performing loans.
2) Risk class 8 contains all customers that are classified as in default according to the CRR definition.
3) EBA/ITS/2013/03/rev1 published on 24 July 2014.

Risk concentrations by industry segment

	Book value		Relative value	
in EUR million	**Jun 2016**	Dec 2015	**Jun 2016**	Dec 2015
Government	2,504	2,342	20.2%	17.7%
Public Sector	1,681	1,733	13.6%	13.1%
Real Estate	1,529	1,521	12.3%	11.5%
Portfolio	1,273	1,769	10.3%	13.4%
Services	738	704	5.9%	5.3%
Pharmaceuticals & Health Care	729	759	5.9%	5.7%
B-2-C Products	425	462	3.4%	3.5%
Automotive	364	351	2.9%	2.7%
Retail – Food	348	370	2.8%	2.8%
Telecommunication	346	367	2.8%	2.8%
Gaming & Leisure	317	465	2.6%	3.5%
Transport	317	318	2.6%	2.4%
Commodity	298	298	2.4%	2.3%
Investment Funds	204	275	1.6%	2.1%
Hotels	165	0	1.3%	0.0%
Wood & Paper	160	172	1.3%	1.3%
Banks	155	157	1.2%	1.2%
Social Housing	139	142	1.1%	1.1%
Engineering and B-2-B	137	163	1.1%	1.2%
Chemicals	116	126	0.9%	1.0%
Beverages, Food & Tobacco	113	239	0.9%	1.8%
Construction & Building Materials	92	138	0.7%	1.0%
Media	65	94	0.5%	0.7%
Others	184	230	1.5%	1.7%
Total	**12,402**	**13,197**	**100.0%**	**100.0%**

19 | Market risk

Market risk is defined as the risk of losses 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 market risk components for BAWAG P.S.K. are interest rate and credit spread risk.

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 risk reporting concepts.

In the trading book, only risk mitigating measures are performed if necessary. The monitoring within the framework of ICAAP is carried out using a parametric VaR model. In the first half 2016, the average value-at-risk of the trading book was measured at minus EUR 0.55 million (Jan–Jun 2015 average: minus EUR 0.72 million) and the value-at-risk as of 30 June 2016 was measured at minus EUR 0.69 million (31 December 2015: minus EUR 0.64 million) based on a confidence interval of 99% and a one-day holding period. The regulatory capital requirement is calculated using the Standardized Approach.

20 | Liquidity risk

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

Short-term operational liquidity management is performed by the Treasury Services & 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, in which 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 half 2016 was characterized by a solid liquidity position reflected by stable core funding sources and a balanced term funding structure, with retail customers providing the majority of funding. Additionally, the Bank once again underpinned its capital markets strength by successfully placing an international EUR 500 million mortgage covered bond.

21 | Operational risk

The Group continues to apply the Standardized Approach for the calculation of the regulatory own fund requirements according to regulation (EU) No 575/2013 Article 317 to assess operational risk. However, the realized OpRisk losses over the last few years were significantly lower than the regulatory own funds requirements under the Standardized Approach. The OpRisk RWAs are assigned to the segments on the basis of revenues.

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

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

In June 2016, a new methodology – the so-called Key Risk Indicators (KRI) – was implemented. These KRIs allow for the identification of negative trends or a changed risk profile in a timely manner. Each KRI is monitored via a traffic light system (green/yellow/red). For KRIs with a red status, the definition and implementation of appropriate counter-measures is mandatorily required.

In addition to recipient-oriented reporting, the risk organization applies a risk control self-assessment (RCSA) concept in managing operational risk. All business units assess their material operational risks and the effectiveness of their control measures on a yearly basis using this 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 governance. 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

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