HALF-YEAR DISCLOSURE ACCORDING TO REGULATION (EU) NO. 575/2013 (“CRR”)

30.6.2018

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LIST OF ABBREVIATIONS

BP	Basis Point
BPV	Basis Point Value
CHF	Swiss Frank
CLO	Collateralized Loan Obligation
CRR	Capital Requirement Regulation
CVA	Credit Value Adjustment
EBA	European Banking Authority
ERM	Enterprise Risk Meeting
FMA	Financial Market Authority
FX	Foreign Exchange
GBP	British Pound
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IRB	Internal Ratings Based Approach
LGD	Loss Given Default
PD	Probability of Default
RMBS	Residential Mortgage Backed Securities
SALCO	Strategic Asset and Liability Committee
TPU	Temporary Partial Use
USD	US-Dollar
UGB	Unternehmensgesetzbuch (Austrian Commercial Code)
VaR	Value-at-Risk

QUALITATIVE AND QUANTITATIVE INFORMATION AS OF 30 JUNE 2018

In accordance with the requirements laid down in Article 433 Regulation (EU) No 575/2013 (hereinafter abbreviated to "CRR") and Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432 (1), 432 (2) and 433 CRR (EBA/GL/2014/14) BAWAG Group AG reports the following qualitative and quantitative information as of 30 June 2018.

GENERAL PRINCIPLES

SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

Article 436 points (a), (b) (i - iv) CRR

Owing to diverging regulations in the International Financial Reporting Standards ("IFRS") and the CRR, there are two different sets of consolidation guidelines, one for accounting and one for regulatory purposes which also lead to two different scopes of consolidation. The following paragraphs present the scopes of consolidation and explain changes that occurred in the first half year 2018.

Consolidation for accounting purposes

In accordance with IFRS 10, the scope of consolidation includes BAWAG Group AG and all material subsidiaries owned directly and indirectly.

The group's share in total assets and profit or loss of the subsidiary are the criteria for materiality.

The consolidated financial statements as of 30 June 2018 contained 44 fully consolidated companies and two companies that are accounted for using the equity method. The book value of associated equity interests including banks not consolidated at equity amounted to € 55 million as of 30 June 2018. Controlled companies with a book value of € 22 million were not consolidated because of their negligible effect on the assets, financial and earnings position of the group. Proportionate total assets (higher than € 30 million) and profit or loss (higher than € 3 million) of the subsidiary are the criteria for inclusion. Subsidiaries with a negligible effect on the assets, financial and earnings position of the group are not included in the consolidation.

In February 2018, Realplan Beta Liegenschaftsverwaltung Gesellschaft m.b.H. and Eurogiro A/S, were sold.

In March 2018, BAWAG P.S.K. Datendienst GmbH was included in the scope of consolidation due to materiality.

RF 17 BAWAG Immobilienleasing GmbH was sold in May 2018.

Tresides Asset Management GmbH was sold in June 2018.

Consolidation for regulatory purposes

The scope of consolidation in accordance with the CRR includes BAWAG Group AG as the highest financial holding company, and all material subsidiaries owned directly and indirectly.

Consolidation for regulatory purposes is carried out in accordance with Article 18 and 19 CRR, with the financial statements of the individual companies and the consolidated financial statements being prepared in accordance with the principles of the IFRS.

The criteria used to determine the scope of consolidation are total assets and off-balance sheet items. The scope of consolidation for regulatory purposes is different to the scope of consolidation for accounting purposes.

As of 30 June 2018 the scope of consolidation for regulatory purposes included 39 fully consolidated companies, three companies were proportionally consolidated and one company that was accounted for using the equity method.

The following table shows an overview of the companies, which are treated differently in the scopes of consolidation for accounting and for regulatory purposes:

Table 1: Divergent consolidation basis

	IFRS	CRR
BAWAG Leasing & fleet s.r.o. Prague	FVPL	F
BAWAG Leasing s.r.o. Bratislava	FVPL	F
BAWAG P.S.K. Versicherung AG	E	FVOCI
Fides Leasing GmbH	FVOCI	P
Gara RPK Grundstücksverwaltungsgesellschaft m.b.H.	FVPL	F
HFE alpha Handels-GmbH	FVOCI	P
Kommunalleasing GmbH	FVOCI	P
PT Immobilienleasing GmbH	FVOCI	F
SWBI Darmstadt 1 GmbH	F	FVOCI
SWBI Mainz 1 GmbH	F	FVOCI
SWBI München 1 GmbH	F	FVOCI
SWBI Stuttgart 1 GmbH	F	FVOCI
SWBI Stuttgart 2 GmbH	F	FVOCI
SWBI Stuttgart 3 GmbH	F	FVOCI

F ……….. Fully Consolidated
P ……….. Proportionally Consolidated
E ……….. Equity Consolidated
FVOCI … Equity Instruments At Fair Value Through Other Comprehensive Income
FVPL ….. Equity Instruments At Fair Value Through Profit or Loss

Significant subsidiaries in terms of Article 43 CRR were not deducted from CET1, as they did not exceed the defined threshold of Article 48 (1) point (b) CRR. For significant positions in instruments of supplementary capital an obligation for deduction exists (Article 66 CRR).

As all subsidiaries subject to banking regulation laws are included in the scope of consolidation or all relevant book values are deducted from own funds in case the threshold is exceeded, there is no shortfall in own funds in terms of CRR, Part 8, Title II, Article 436 point (d).

IMPEDIMENTS TO THE TRANSFER OF OWN FUNDS

Article 436 point (c) CRR

There are currently no restrictions or other significant impediments to the transfer of own funds or regulatory equity within BAWAG Group.

TOTAL SHORTFALL IN OWN FUNDS OF ALL SUBSIDIARIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION

Article 436 point (d) CRR

No shortfalls in own funds are known among subsidiaries that are not consolidated but deducted from own funds.

USAGE OF ARTICLES 7 AND 9 CRR

Article 436 point (e) CRR

There are no issues for the usage of Articles 7 and 9 CRR in BAWAG Group.

RISK MANAGEMENT

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

Article 438 point (a) CRR
Article 439 point (a) CRR

The Internal Capital Adequacy Assessment Process (ICAAP) is part of the regulations known as Pillar II. The ICAAP-related processes and methods established at BAWAG Group ensure that the existing risk coverage capacity in terms of capital is adequate to cover the relevant risks that may arise.

The risk bearing capability is calculated on a monthly basis. The calculation and its components are discussed and reported monthly to the entire Management Board in the Enterprise Risk Meeting (ERM).

The following risk categories represent the relevant risk type within BAWG Group that are quantified and compared with the available risk bearing capacity:

- **Credit risks**: Credit risk is subdivided into the following types of risks:
  - Default risk: Designates the risk of a complete or partial loss of exposures because of a counterparty's inability or unwillingness to pay. This category includes the default risk from credit transactions with customers of all segments as well as the issuer risk from investment in securities. The default risk also contains concentration risks and risks from foreign currency loans.
  - Participation risk: Pertains to the risk of possible losses from the injection of own capital to investment companies (consolidated participations).
  - Creditworthiness/migration risk or spread risk: Designates the risk of a loss in the value of exposures because the debtor's rating worsens without an event of default having occurred. The creditworthiness risk is attributable to the deterioration in credit quality or the debtor's rating. Basically, spread risks exist even without deterioration in credit quality if there is an increase in the yield premium for bonds with the same currency and term (e.g. due to a different risk appetite in the market or emerging liquidity effects). In terms of accounting, these risks affect the debt instruments of the company's own stock if market value losses lead to a valuation change with an effect in profit or loss or capital.
  - Counterparty risk: Occurs in transactions with a settlement date in the future which were entered into with a fixed price agreement and for which market-related value changes may occur within the term of fulfillment. All conditional and unconditional future contracts and credit derivatives fall under this category. If the counterparty defaults on a transaction of this kind prior to rendering full performance, BAWAG Group might under certain circumstances have to cover the position in the market with a new counterparty at the conditions valid at the time. If the market value has changed unfavorably compared to the original transaction, BAWAG Group incurs replacement losses equal to the difference between the originally agreed and the current market value.
  - Settlement risk: Settlement and delivery risk is composed of the pre-settlement/fulfilment risk and the replacement risk. Pre-settlement/fulfilment risk results from the unilateral provision of an input by BAWAG Group under a mutual transaction. It exists until the complete fulfilment of the counter-performance. Replacement risk occurs if the full settlement of a transaction is not carried out immediately on its conclusion. If the counterparty defaults prior to full performance, the group has to find a replacement in the market based on the conditions prevalent at that time. Due to changes in market value in the meantime, BAWAG Group may incur losses from the necessary replacement. From an economic point of view, replacement risk is identical to the counterparty risk. In contrast to counterparty risk, however, it does not occur for forward transactions, for which a future settlement was explicitly agreed. It exists in the framework of step-by-step transactions where, due to standard market practices, a period of several days may separate conclusion of the contract and settlement.
  - Country risk: Country risk exists in connection with credit extended to foreign borrowers or with the acquisition of bonds from foreign issuers or other assets having an origin outside Austria. It contains transfer risk, the risk that agreed capital payments (payment of interest and/or repayment of principal) are rendered either not at all or only incompletely or late due to international payment restrictions or due to illiquidity or refusal to pay by a governmental debtor or guarantor.
  - Credit risk also includes securitization risk and the risk from the use of techniques for credit risk mitigation.

Credit risk is quantified by using the IRB approach. Additional capital surcharges are applied for credit risk concentrations in connection with loans to major customers/to groups of affiliated customers and for the risk arising from credit lines[1)] not subject to capital requirements under legal regulations. Furthermore, additional capital is held for the CVA risk which is part of the credit risk.

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

- **Liquidity risk**: 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. Dispositive liquidity risks as well as market and liquidity risk are quantified in Market & Liquidity Risk Controlling and are controlled operationally in Liquidity & Funding Management.

- **Non-financial risk:** includes reputational risk, quantified with a simplified valuation model, as well as operational risk (including compliance risk), quantified using a value-at-risk model.

- **Other risks**: This category includes:
  - Participation risk, which is quantified for all participations held directly or indirectly and which are not within the scope of consolidation by using the PD/LGD approach. The calculation is based on IFRS book values. If, in exceptional cases, no current internal rating was available, the risk is quantified by assigning the worst non-default risk class “7”. Consolidated participations are examined in a look-through approach by considering the individual transactions of these companies in the corresponding risk category, namely credit and market risk.
  - Macroeconomic risk: capital estimation is based on expert assessment, taking into account current global developments relevant for BAWAG Group’s core markets).
  - Capital to cover strategic risk and capital risk is quantified by using simplified valuation models.

The individual relevant risk types are subsequently aggregated to form the total risk of the group, without considering correlation effects, and are set into relation with the risk bearing capacity. The aim of BAWAG Group´s ICAAP steering is to ensure an adequate coverage of all risks at any time. This aim is supported via a specifically allocated capital buffer for non-identified risks as well as an additional buffer subject to flexible allocation at Management Board discretion.

The economic risk bearing capital is composed of the following components:

- Tangible IFRS equity (scope of consolidation is CRR)
- Subordinate capital
- Regulatory shortfall (Comparison of loan loss provisions, ECL and expected losses)
- Provisions for redemption carrier loans

A confidence level of 99.9 per cent is applied for the calculations (based on the defined target rating of A). The confidence level indicates the probability that potential losses are not exceeding the quantified risk.

Limits are determined for all limit categories (and steering portfolios) as part of the Risk Strategy. The compliance of the limits is monitored in accordance with the defined monitoring processes on a monthly basis. In addition, escalation processes have been implemented which are initiated in case of reaching defined “warning levels” or exceeding the ICAAP limits. The division Enterprise Risk Management is responsible for these processes which are defined in a specific handbook. This handbook is approved by the ERM on an annual basis. The process regarding the exceedance of the defined warning levels or limits comprises the immediate information of the responsible market and risk manager. In the course of this, the market side is asked to report within a defined time period whether the limit can be kept until the end of the year. If the defined limit cannot be kept, the market manager is asked to initiate immediately risk mitigation measures – the division Enterprise Risk Management has to be informed. If a reduction of the risk position is not possible, the responsible market unit in coordination with the risk manager has to submit a Management Board application for increasing the limit.

1) Consideration risk from not utilised, uncommitted (non-retail) limit

GROUP-WIDE STRESSTESTS

Article 435 (1) point (a) CRR

Stress Test Framework

BAWAG Group performs stress tests on a regular basis in order to assess potential effects on the group's financial situation stemming from unusual yet plausible specific events and variables change like the impact of a severe economic downturn on the group's risk profile and financial position. Stress testing is considered in BAWAG Group as an important management tool and an essential part of internal risk management.

Governance procedure has been defined and established for the conduct of stress tests and the key decisional body is the Stress Test Committee, constituted by the division heads of Enterprise Risk Management, of Market & Liquidity Risk Controlling, of Financial Planning & Analysis, of Accounting & Participations and of Treasury & Markets. The group Portfolio Analysis and Stress Test in the division Enterprise Risk Management is in charge for the coordination and guidance of each stress test exercise.

Stress Test program

A comprehensive program for the management of stress testing within BAWAG Group has been defined as integral part of the stress test framework. The program includes stress test several exercises applying a series of techniques, performed on regular basis as well as on demand. Regular stress tests exercises are for example:

- scenario stress test (ICAAP), performed on a half-year basis (mid and end of the year);
- reverse stress testing, performed in the first and third quarter of each year;
- sensitivity analyses, performed on demand and with the reverse stress testing;
- ad-hoc analyses, performed on demand (like BREXIT scenario impacts)

ICAAP Stress Test

The ICAAP stress test is a macroeconomic stress test with general assumptions of a static balance sheet and without possible mitigation measures during the projection period. BAWAG Group stress test exercise is based on three macroeconomic scenarios (baseline, adverse and idiosyncratic) covering a three-year horizon starting from the reference date of the stress test exercise.

Impact on gross domestic product (GDP) growth rates is quantified by using a vector autoregressive model, based on historical interdependencies between single countries; each macroeconomic scenario is also enriched with projections of the unemployment rates and inflation rates. Macroeconomic scenario effects are transmitted to the portfolio via mechanisms like regression models (e.g.: PD stress factors model regressing macroeconomic variables and historical defaults) as well as stress factors based on expert judgment (for not available historical data or for models with low explanatory power). Outcomes of the ICAAP stress test are expressed in terms of effects on capital ratios, P&L and Risk Bearing Capacity.

Reverse Stress Test

The Reverse Stress Test is performed assuming the full utilization of the limits allocated within the Portfolio Steering Framework for each risk and sub-risk type, segment and sub-segment. In particular, for Credit Risk a sensitivity analysis approach is used on both Expected Loss (EL) and Unexpected Loss (UL). The stressed EL will affect the Risk Bearing Capacity (RBC) and therefore the limit level in each segment/sub-segment of the portfolio (since each limit is dynamically linked to RBC by definition), while the stressed UL will affect the utilization of the limit. EL and UL are stressed via incremental PD and LGD factors and visualization of results is based on the ICAAP warning/limit thresholds (i.e. green up to 95%, yellow between 95% and 100%, red over 100%).

CREDIT RISK

OBJECTIVES AND PRINCIPLES OF CREDIT RISK MANAGEMENT

Article 435 (1) points (a) - (e) CRR
Article 439 point (a) CRR

Strategies and processes

Corporate Customers

Strategies and processes presented in this section on corporate customers are also largely applied to sovereigns, the financing of government authorities, and institutions. Loans are processed and decided upon according to extensive work instructions. The decision-making powers are set forth in competency order.

Credit is granted on the basis of the following considerations:

- All individual customers and customers in a customer group or a corporate group are rated at least annually.
- The analysis of creditworthiness is based on current business documents (the national accounts for sovereigns) including planning calculations of the company and other information to ensure a meaningful analysis for the rating and the decision.
- The assessment of a customer's creditworthiness and credit bearing capability is based on ratings that must systematically cover all information made available from the relationship manager. The final rating confirmation is handled by the responsible organizational risk division. The loan decision is taken solely according to the Competence and Power Regulation.
- BAWAG Group strives to collect suitable collaterals to minimize the credit risk which are assessed by using a standardized valuation based on the Group collateral catalogue. In the event of any net exposure, correspondingly higher collateral must be provided if the rating shows any signs of worsening.
- Finance for complex business models (e.g. leveraged finance) or in new countries or regions is based on a thorough analysis and description of the associated (credit) risks.
- The (credit) risk units must be involved with appropriate expert opinions, as set forth in the product implementation process. New business segments must also be compatible with the general treatment of credit risk in terms of classification and basic rules in order to ensure consistency.
- Any decision that could change the risk position in a customer relationship requires approval from the competent authorized person. Each application requires a positive front-office recommendation (from the customer advisor) before being submitted to the risk unit.
- If key ratios are defined in a credit relationship as auxiliary conditions (known as covenants), they must be stated in the credit application and approved. Compliance with the key ratios at the contractually fixed dates must be checked by the responsible risk unit.
- The exposure per customer or group of affiliated customers is not allowed to exceed certain magnitudes (0.4% of the capital allocated to commercial credit risk) as determined by the specifications in the Risk Strategy.

Retail and Small Business Customers

Risk assesment of new deals is done by using clear and strict underwriting guidelines. Decisions at the point of sale are mostly made on the basis of automated scoring systems that issue recommendations, or the decision is made downstream in the risk division. Special attention is paid in this portfolio to processing compliance and assuring data quality. A central monitoring process ensures on-going quality assurance.

Credit risk in retail business is measured monthly focusing on the following elements:

- Portfolio trends in terms of overdue / late payments (e.g. vintage and flow rate analyses)
- Portfolio trends in terms of risk class distribution and risk concentration
- Portfolio trends in terms of credit affordability and collateralization
- Portfolio trends with regard to defaulted loan facilities
- Portfolio trends in terms of incurred risk costs and losses
- Scorecard performance (approval rates and manual decision)
- Performance monitoring of fraud detection

The findings of the analysis are reported periodically to the Enterprise Risk Meeting.

Independently of this process, risk-relevant data from standardized assessments between business managers and risk management are discussed and documented in monthly committee meetings.

This process ensures a regular and standard flow of information whilst also enabling to respond directly to changes in risk parameters and market conditions.

In the collection process additional measures support the dunning process to be more efficient on working with overdrafts and loans in delay.

COUNTERPARTY DEFAULT RISK ARISING FROM DERIVATIVES, REPURCHASE TRANSACTIONS, SECURITIES AND COMMODITIES LENDING TRANSACTIONS, MARGIN LENDING TRANSACTIONS AND LONG SETTLEMENT TRANSACTIONS

Measures for exposure value

Article 439 point (f) CRR

Treasury business is focused on asset and liability management. Derivative financial transactions are conducted in the form of interest rate and currency swaps, forward exchange dealing, interest rate and foreign exchange options. BAWAG Group was engaged in securities lending but was neither engaged in commodity lending nor in any margin lending transactions or long settlement transactions as of 30 June 2018.

The fair value is applied in the valuation of derivatives and repos. It is determined from publicly quoted prices. If there is no quoted price available, the fair value is determined using accepted valuation methods. The fair value represents the potential replacement cost.

BAWAG Group has opted to use the market valuation method as defined in supervisory law. The counterparty risk thus consists of the potential replacement cost (positive market value) plus the add-on as a risk surcharge. This approach takes account of the possibility that the market value of an instrument can change from the start of a transaction due to market price fluctuations over time. A positive market value from the standpoint of BAWAG Group is an economic exposure in relation to the counterparty, which would be lost in part or altogether in the event of default. The market value thus also represents the additional cost that would be necessary to place a comparable transaction in the market at the time of default, which is why it is referred to as the replacement value. To take account of potential future market price fluctuations as well, an add-on is also determined. Its amount varies depending on the instrument and the remaining term involved and is calculated from a fixed percentage factor added to the nominal value of the transaction. In calculating the internal exposure (limit add-on), BAWAG Group is guided by the procedure stipulated for determining capital adequacy.

RATING SYSTEMS AND RATING PROCESSES

External ratings systems

Article 444 points (a) - (d) CRR

The weighted exposure amounts are calculated for regulatory purposes for a part of the loan portfolio (banks, sovereigns, subsidiaries except *easybank* in TPU, etc. – see chapter Risk measurement systems (approved approaches) of disclosure report FY2017) using the standardized credit risk approach according to Part 3 Title II Chapter 2 of the CRR. It is generally geared solely to ratings from Moody's.

The distinction between issuer rating and issue rating as described in Article 139 CRR is taken into account when external ratings are used. Issuer ratings are used in particular only if no issue rating is available and the conditions in Article 139 CRR are satisfied.

The Commission Implementing Regulation (EU) 2016/1799 is consulted with regard to the mapping of external ratings to the individual Credit Quality Steps.

MARKET RISK

OBJECTIVES AND PRINCIPLES OF THE MANAGEMENT OF MARKET RISK

Article 435 (1) points (a - d) CRR
Article 448 point (a), (b) CRR
Article 449 point (m) CRR

Structure and organization of relevant risk management functions

The division Market & Liquidity Risk Controlling (MR) reports directly to the CRO. The division head is by virtue of his position a member in various bank management committees. The most important committee with regard to market risk is the SALCO. The most important responsibilities concern the monitoring of market risk, in particular foreign currency exchange risk, interest rate risk, stock price risk, volatility risk and credit spread risk. This is achieved through the limitation of the individual types of risk, whereby in this regard it is MR's responsibility to set such limits as approved by the Management Board within the ICAAP. Furthermore, the measurement and monitoring of risk positions as well as the analysis of the associated loss potential occurs during periodic stress tests. A central aspect of these tests is the reporting of results to the relevant decision-makers.

Additionally, MR is responsible for the counterparty credit risk monitoring of treasury positions. The decentral organized Operational Risk is estimated at least annually at the departmental level through the Risk-Self-Assessment process and reported to the responsible department

Strategies and processes

Until autumn 2012, activities in the trading book focused primarily on own trading, i.e. buying and selling in defined markets and in defined product classes. The objective was mainly to carry out proprietary trading activities in highly liquid monetary and capital market instruments in the money market, fixed income and FX segment. All spot products and associated derivatives were traded within their risk class (interest rate, FX). In the autumn of 2012, BAWAG Group decided to extensively reduce active proprietary trading and reduced trading book limits significantly.

Basically, all transactions for which an active market exists and a market price is available are valued at the market price.

The risks are monitored using a limit system. MR measures application of market risk limits and also orders counter-measures if the market risk limit is exceeded (VaR, vega, gamma, worst case, BPV, volume limits).

The objectives of the limit system were defined as follows:

- To create a risk-oriented limit system that consistently and methodically covers all positions in the trading and banking book that are sensitive to market risk and all risk factors using standard risk ratios
- To ensure the controllability of market risk using clear-cut, non-ambiguous risk ratios and to set limits for these ratios in a proactive limit system
- To integrate risk measurement, limit setting and the monitoring of limit utilization systematically for all positions in the trading and banking book sensitive to market risk at individual and aggregate level in order to improve the basis for making decisions on risk policy and risk diversification
- To integrate the market risk limits into budget planning and to take account of calculated risk bearing capacity and, thereafter, of risk appetite in the scope of the overall ICAAP framework

Additional risk restrictions can be put in place for a period ranging from temporary to indefinite in response to the market situation for the actual controlling of risks in current business in the trading and banking books.

Measurement of interest rate risk

The method currently used for the banking book controls all interest-bearing instruments through sensitivity analysis using the basis-point value and value-at-risk and all currency instruments using volume limits for open positions.

To limit the interest rate risk, a maximum available basis point value (BPV) is defined for individual credit institutions which are relevant to the interest rate risk and in the scope of consolidation in accordance with IFRS. The basis point value is also sub-divided into maturity ranges and limited once again at this level. Positions affecting the profit and loss account and equity are also subjected to separate limits. Volume limits per currency are applied to reduce the foreign currency risk of the customer bank; the foreign currency risk in the Treasury banking book is limited by a low overall limit. In general, BAWAG Group follows the strategy of minimizing or avoiding foreign currency risk in the banking book.

The interest rate risk in the banking book is measured at least monthly. A static analysis of interest rate risk is currently conducted for subsidiary banks and other financial institutions relevant to interest rate risk.

Types of interest rate risk examined:

- Present value perspective: Account is taken of risks resulting from changes in the market value of transactions accompanied by a parallel shift in interest rate curves (currencies: EUR, USD, CHF and GBP). Changed interest rate curves are also simulated for the main currencies in the monthly stress tests.
- Income perspective: Risks that may cause an unexpected decline in the interest margin (interest margin risk, impact of possible interest rate scenarios).

In addition to and as part of the ICAAP, the VaR is also reported for the economic and P&L steering circle.

Interest risk reporting systems

Extensive market risk reports are submitted monthly as part of the SALCO and the ERM (Group Risk Report).

Assumptions regarding fixed interest rates

For positions without a defined fixed interest rate, BAWAG Group makes replication assumptions based on mathematical models. These models, in turn, are based on a holistic view of interest rate and liquidity risk and consist of the following four components:

- Future-oriented interest rate scenarios derived from an interest rate model
- Forecasts of customer conditions as a function of market data
- Volume scenarios based on analyses of historical customer behaviour
- Quadratic optimization model for ideal roll-over investments

Back-testing and the adjustment of replication assumptions are carried out at least annually prior to the planning process.

Steering of interest rate risk

For AGAAP accounting, BAWAG Group uses a macro-hedge as specified in the FMA circular letter on accounting issues in connection with derivatives for managing interest rate risk. The management of interest rate risk covers all interest-bearing positions derivatives business in the banking book. Non-interest-bearing positions (equity capital, participations, etc.) are excluded from the macro-hedge.

To manage interest rate risk and valuation results, the department Asset Liability Management (TMA) in the division Treasury Markets (TM) develop hedging and positioning strategies and are in charge of implementing and constantly monitoring them.

To achieve its defined management goals in the income statement, BAWAG Group uses hedge accounting pursuant to IAS 39. The following hedge accounting methods are currently used to value interest rate risk hedges of the balance sheet:

- Micro fair value hedge: hedging against the risk of interest rate changes for fixed-interest instruments held as assets and liabilities
- Portfolio fair value hedge (‘EU carve-out’): application to sub portfolios of sight deposits that are available for the long term after derivation of a bottom layer
- Cash flow hedge accounting: hedging of FX risks of future spread in-come and cross currency basis risks

Interest rate derivatives that are not assigned to a hedge accounting relationship are recognized at their fair values. Information regarding Article 41 of the above FMA circular letter can be found in the annual report in accordance with UGB p. 77 (in the section ‘Information on Financial Derivatives and Hedging Transactions’).

Scenario analysis

A static and a dynamic analysis is currently being carried out for BAWAG Group (internal risk report).

Interest rate gaps, key rate durations, average interest rates and changes in market values for various scenarios are calculated for each defined portfolio as part of the static analysis. The various scenarios and risk parameters below are analyzed to determine their impact on the economic value of the position:

- Parallel shifts in the interest rate curves (+/-25 bp, +/-50 bp, +/-110 bp, +/-145 bp, +/-200 bp, +/-300 bp) as well as non-parallel shifts
- Worst case scenario (derived from historical time series)
- Other scenarios as required

In the dynamic simulation of interest income, different scenarios are investigated along with their impact on net interest income (parallel and non-parallel shifts of the yield curve).

SECURITIZATIONS

SECURITIZATION ACTIVITIES AND FUNCTIONS IN THE SECURITIZATION PROCESS

Article 435 (1) point (a) – (d) CRR
Article 449 point (m) - (q) CRR

In November 2016 BAWAG Group securitized a portion of its UK residential mortgage portfolio. The RMBS transaction Feldspar 2016-1 was the first RMBS issuance for BAWAG Group. The Feldspar 2016-1 transaction represents a pure funding transaction to which the regime of Part 3, Title II, Chapter 5 CRR is not applicable. Therefore this transaction is considered outside the scope of Article 449 CRR.

Since the beginning of 2017, the group has acted as an investor in securitization transactions. All securitization positions of the group are assigned to the banking book. The limit for investing in CLOs currently amounts to € 1 bn, as approved by the Management Board as of 8 August 2018.

Strategy and Process

The securitization portfolio of BAWAG Group essentially contains Collateralized Loan Obligations (CLO). The CRR represents the main regulatory requirements in respect to the CLOs, especially Articles 405 - 408 CRR. The CLOs held by BAWAG Group are more senior tranches (rated AAA and AA) with adequate subordination throughout and with risks primarily arising from Western and Northern European and US companies. The portfolio doesn't include any resecuritization transaction.

Bawag Group established the Investment and Monitoring Policy, which defines the scope for the CLO investments and represents the foundation for the risk management process of the CLO portfolio. The policy specifies criteria, which should be assessed prior to an investment in individual CLO positions. It consists of both "must meet" and "should meet" criteria. "Must meet" criteria are necessary to be fulfilled for a CLO investment to be approved. Any breach of "should meet" criteria should be appropriately assessed and documented. In addition, the policy determines the risk monitoring process, which is carried out on a regular basis after an investment has been approved.

Individual investments in CLOs are subject to joint risk statement by the divisions Market and Liquidity Risk Controlling (MR) and Credit Management (CM). All subsequent quantitative tasks (e.g. stress testing and valuation of individual CLO positions) are carried out by MR.

In general, risk reporting and measurement systems are based on Moody's Structured Finance Tool, which is an internationally recognized system for risk assessment, monitoring and reporting purposes for structured credit products. Risk reporting primarily consists of quarterly risk reports, which are prepared by MR division and presented to the Credit Approval Committee (CAC) for acknowledgement.

Quarterly reports consist of an overview of the total CLO portfolio where key risk parameters for individual positions are summarized. This includes the seniority, weighted average life (WAL), weighted average maturity (WAM), attachment and detachment points, subordination level, expected recovery value, etc. Moreover, MR provides an overview of key parameters in comparison to the previous quarter, as well as the analysis of the underlying collateral. In addition, as part of the quarterly reports stress testing of individual CLO positions is performed by applying the stressed parameters for PD and LGD. Starting point for the stressed parameters are long term averages of PDs and LGDs as reported by Moody's in their Annual Corporate Default Study. The assumptions applied for the stress testing are validated once a year by MR.

Risk-weighted exposure amounts for securitization are calculated under the IRB approach according to the provisions of Article 261 CRR. Positions with no external rating from Moody's, Standard & Poor's or Fitch are assigned a risk weight of 1,250 per cent. If the underlying assets are known at all times, the supervisory formula method according to Article 262 CRR is applied.

PARTICIPATIONS NOT HELD IN THE TRADING BOOK

ACCOUNTING AND VALUATION METHODS

Article 447 point (a) CRR

UGB
The valuation of participations and shares in affiliated companies is based on acquisition costs. In case of persistent losses, an impairment was made. Impairments will be reversed up to the historical acquisition cost at the maximum in case the reason for the impairment no longer applies.

IFRS
The valuation of non-consolidated participations is based on the fair value.

The introductory explanations in the notes of the half-year financial report as of 30 June 2018 contain details on accounting and valuation methods.

Quantitative disclosure

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SCOPE OF CONSOLIDATION AND ACCOUNTING STANDARDS

The section "Scope of consolidation and consolidation methods" of the quantitative part of the disclosure report describes the respective accounting standards and the scope of consolidation which the annual financial statements of BAWAG Group AG as the highest financial holding company are based on. Further, the regulatory standards are in accordance with CRR.

The scope of consolidation for regulatory purposes differs from the scope of consolidation for accounting purposes. These divergences arise from the distinct objectives of the regulations purpose and lead to different values for some items.

The following quantitative part of this disclosure report is in accordance with Article 431- 455 CRR.

STATEMENT OF FINANCIAL POSITION

The consolidated balance sheet is in accordance with the principles of IFRS and is based on the scope of consolidation for accounting purposes.

Table 1: Total assets

in € million	Jun 2018	Dec 2017
Cash reserves	937	1,180
Financial assets		
Held for trading	393	458
Fair value through profit or loss	510	448
Fair value through OCI	2,379	4,408
At amortized cost	38,650	38,027
Customers	30,201	30,804
Debt instruments	3,205	3,563
Credit institutions	5,244	3,660
Hedging derivatives	440	517
Tangible non-current assets	224	223
Intangible non-current assets	513	506
Tax assets for current taxes	19	12
Tax assets for deferred taxes	95	102
Other assets	123	190
Total assets	**44,283**	**46,071**

Table 2: Total liabilities and equity

in € million	Jun 2018	Dec 2017
Total liabilities	**40,381**	**42,461**
Financial liabilities		
Fair value through profit or loss	948	726
Held for trading	295	345
At amortized cost	37,831	39,894
Customers	29,817	30,947
Issued securities	4,051	4,938
Credit institutions	3,963	4,009
Valuation adjustment on interest rate risk hedged portfolios	130	116
Hedging derivatives	131	94
Provisions	417	450
Tax liabilities for current taxes	2	17
Tax liabilities for deferred taxes	10	5
Other obligations	617	814
Total equity	**3,902**	**3,610**
Shareholders' equity	3,603	3,609
AT1 capital	298	0
Non-controlling interests	1	1
Total liabilities and equity	**44,283**	**46,071**

The following quantitative disclosure is in accordance with the principles of IFRS and is based on the scope of consolidation for regulatory purposes.

OWN FUNDS

OWN FUNDS – SCOPE OF CONSOLIDATION

Art. 437 points (a), (d), and (e) CRR

Table 3: Scope of consolidation (IFRS, CRR) (1/3)

30.06.2018 in € million	IFRS consolidation scope BAWAG Group[1]	CRR consolidation scope BAWAG Group[2]	Own funds acc. to CRR including transitional rules
Common Equity Tier 1 capital: instruments and reserves			
Capital instruments and the related share premium accounts	1,251	1,251	1,246
Of which: subscribed capital	100	100	100
Of which: capital reserve	1,151	1,151	1,146
Retained earnings	2,244	2,241	2,197
Accumulated other comprehensive income	(111)	(111)	(91)
Funds for general banking risk	9	9	9
Independently reviewed year end profit net of any foreseeable charge or dividend	159	151	–
Common Equity Tier 1 (CET1) before regulatory adjustments	**3,551**	**3,540**	**3,362**
Common Equity Tier 1 capital: regulatory adjustments			
Additional value adjustments (negative amount)	(5)	(6)	(6)
Intangible assets (net of related tax liability) (negative amount)	(429)	(435)	(439)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(68)	(68)	(63)
Fair value reserves related to gains or losses on cash flow hedges	9	9	(1)
Negative amounts resulting from the calculation of expected loss amounts	(15)	(15)	(11)
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	43	43	58
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(465)**	**(472)**	**(463)**
Common Equity Tier 1 (CET1) capital	**3,086**	**3,068**	**2,899**
Additional Tier 1 (AT1) capital: instruments			
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	300	300	300
Of which: instruments issued by subsidiaries subject to phase out	300	300	300
Additional Tier 1 (AT1) capital before regulatory adjustments	**300**	**300**	**300**

1) The IFRS consolidation scope is disclosed for information purpose.
2) Fully loaded according to CRR.

Table 3: Scope of consolidation (IFRS, CRR) (2/3)

30.06.2018 in € million	IFRS consolidation scope BAWAG Group[1)]	CRR consolidation scope BAWAG Group[2)]	Own funds acc. to CRR including transitional rules
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
Additional Tier 1 (AT1) capital	**300**	**300**	**300**
Tier 1 capital (T1 = CET1 + AT1)	**3,386**	**3,368**	**3,199**
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts	79	79	76
Tier 2 capital issued by entities and hold by third parties	18	18	27
Tier 2 (T2) capital before regulatory adjustments	**96**	**96**	**103**
Tier 2 (T2) capital: regulatory adjustments			
Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	(32)	(32)	(32)
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	38	38	10
Total regulatory adjustments to Tier 2 (T2) capital	**6**	**6**	**(23)**
Tier 2 (T2) capital	**102**	**102**	**80**
Total capital (TC = T1 + T2)	**3,488**	**3,470**	**3,279**
Total risk weighted assets	**n.a.**	**20,185**	**20,270**

1) The IFRS consolidation scope is disclosed for information purpose.
2) Fully loaded according to CRR.

Table 3: Scope of consolidation (IFRS, CRR) (3/3)

30.06.2018 in € million	IFRS consolidation scope BAWAG Group[1)]	CRR consolidation scope BAWAG Group[2)]	Own funds acc. to CRR including transitional rules
Capital ratios			
Common Equity Tier 1 (as a percentage of risk exposure amount)	n/a	15.2%	14.3%
Tier 1 (as a percentage of risk exposure amount)	n/a	16.7%	15.8%
Total capital (as a percentage of risk exposure amount)	n/a	17.2%	16.2%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	n/a	8,066%	7,316%
of which: capital conservation buffer requirement	n/a	2,500%	1,750%
of which: countercyclical buffer requirement	n/a	0,066%	0,066%
of which: systemic risk buffer requirement	n/a	1,000%	1,000%
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	n/a	1,000%	0,500%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	n/a	10.7%	9.8%
Amounts below the thresholds for deduction (before risk weighting) Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	245	245	245
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	68	68	68
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	90	90	90
Applicable caps on the inclusion of provisions in Tier 2			
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	35	35	10
Cap for inclusion of credit risk adjustments in T2 under internal-ratings-based approach	41	41	41

1) The IFRS consolidation scope is disclosed for information purpose.
2) Fully loaded according to CRR.

The following information applies to the column „Own funds acc. to CRR including transitional rules" of the table above.

Regulatory own funds consist of Tier 1 (CET1 + AT1) and Tier 2 (T2) capital. Most of the transitional provisions expired at the end of 2017, therefore, the transitional provisions no longer have a significant impact on own funds. Beside from the deductions mentioned in CRR BAWAG Group applied a voluntary prudential filter of EUR 44 million on the distributable result of FY 2017. All regulatory adjustments are in accordance with the respective regulations in Articles 47, 48, 37, 56, 66 and 79 CRR.

Common Equity Tier 1 (CET1) according to Article 26 et seq. mainly consists of subscribed capital, reserves and retained earnings. Regulatory adjustments of Tier 1 capital are considered according to Article 36 CRR.

The deductible item "intangible assets" consists of goodwill of fully and at-equity consolidated subsidiaries as well as customer relationships/brands and other intangible assets. Tax liabilities related to intangible assets are offset and reduce the deduction item. The simplified approach is applied for additional value adjustments (prudent valuation). The calculation of the deductible item "deferred tax assets" is done according to Article 38 (5) CRR.

Negative amounts resulting from the calculation of expected losses are fully deducted from CET1.

Gains and losses on liabilities valued at fair value resulting from changes in own credit standing have to be fully deducted from CET1. As long as the Total Comprehensive Income is positive (including expected dividend payouts according to dividend policy), the values as of 1 January 2018 of the Other Comprehensive Income (OCI) are used of the own funds calculation based on transitional rules.

In April 2018, BAWAG Group issued a bond with a notional value of € 300 million, which fulfills the criteria for eligibility as AT1 capital (XS1806328750). The costs of the issuance and the accrued coupon payment are deducted from CET1.

Tier 2 capital is calculated according to Article 62 et seq. of CRR under consideration of the minority-calculation (EBA Q&A from 3 November 2017). During the last five years of their residual term Tier 2 capital instruments are only partially eligible. Their eligibility is reduced in relation to their remaining term in days.

Later in the first half of 2018, BAWAG Group received the approval from ECB to buy back an issuance partly still eligible as T2 capital with a notional of € 300 million (XS0987169637). As a result, this issuance is no longer recognized in the own funds.

CAPITAL REQUIREMENTS

CAPITAL REQUIREMENTS

Art. 438 (c)–(f) CRR – EU OV1

Table 4: Overview of RWAs

in € million			RWAs		Minimum capital requirements
			30.06.2018	31.12.2017	30.06.2018
	1	**Credit risk (excluding CCR)**	**17,931**	**19,168**	**1,434**
Article 438 (c)(d)	2	Of which the standardised approach	10,715	11,866	857
Article 438 (c)(d)	3	Of which the foundation IRB (FIRB) approach	4,634	4,979	371
Article 438 (c)(d)	4	Of which the advanced IRB (AIRB) approach	2,435	2,242	195
Article 438 (d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	147	80	12
Article 107 Article 438 (c) (d)	**6**	**CCR**	**335**	**341**	**27**
Article 438 (c)(d)	7	Of which mark to market	179	167	14
Article 438 (c)(d)	8	Of which original exposure	–	–	–
	9	Of which the standardised approach	–	–	–
	10	Of which internal model method (IMM)	–	–	–
Article 438 (c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	9	9	1
Article 438 (c)(d)	12	Of which CVA	147	165	12
Article 438 (e)	13	Settlement risk	–	–	–
Article 438 (o)(i)	**14**	**Securitization exposures in the banking book (after the cap)**	**67**	**67**	**5**
	15	Of which IRB approach	64	64	5
	16	Of which IRB supervisory formula approach (SFA)	3	3	–
	17	Of which internal assessment approach (IAA)	–	–	–
	18	Of which standardised approach	–	–	–
Article 438 (e)	**19**	**Market risk**	**52**	**52**	**4**
	20	Of which the standardised approach	52	52	4
	21	Of which IMA	–	–	–
Article 438 (e)	22	Large exposures	–	–	–
Article 438 (f)	**23**	**Operational risk**	**1,716**	**1,705**	**137**
	24	Of which basic indicator approach	–	–	–
	25	Of which standardised approach	1,716	1,705	137
	26	Of which advanced measurement approach	–	–	–
Article 437(2) Article 48 Article 60	**27**	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**169**	**139**	**14**
Article 500	**28**	**Floor adjustment**	**–**	**–**	**–**
	29	**Total**	**20,270**	**21,473**	**1,622**

RWA UNDER IRB APPROACH

Art. 438 (d) CRR – EU CR8

Table 5: RWA flow statements of credit risk exposures under the IRB approach

30.06.2018 in € million	RWA amounts	Capital requirements
1 RWAs as at the end of the previous reporting period	**7,369**	**589**
2 Asset size	(82)	(7)
3 Asset quality	(21)	(2)
4 Model updates	–	–
5 Methodology and policy	–	–
6 Acquisitions and disposals	–	–
7 Foreign exchange movements	17	1
8 Other	–	–
9 RWAs as at the end of the reporting period	**7,283**	**583**

IRB PORTFOLIO SPECIALIZED LENDING EXPOSURES AND EQUITY EXPOSURES

Art. 438 last sentence CRR – EU CR10

Table 6: Specialized lending exposures

30.06.2018 in € million		On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWAs	Expected losses
Regulatory categories	**Remaining maturity**						
Category 1	Less than 2.5 years	325	–	50%	325	162	–
	Equal or more than 2.5 years	2,166	27	70%	2,187	1,532	9
Category 2	Less than 2.5 years	368	4	70%	371	260	1
	Equal or more than 2.5 years	198	167	90%	323	309	3
Category 3	Less than 2.5 years	51	1	115%	51	60	1
	Equal or more than 2.5 years	28	–	115%	28	32	1
Category 4	Less than 2.5 years	2	–	250%	2	5	–
	Equal or more than 2.5 years	–	–	250%	–	–	–
Category 5	Less than 2.5 years	7	–	0%	6	–	7
	Equal or more than 2.5 years	2	–	0%	2	–	4
Total	**Less than 2.5 years**	**753**	**5**	**–**	**755**	**487**	**9**
	Equal or more than 2.5 years	**2,394**	**194**	**–**	**2,540**	**1,873**	**17**

Art. 438 last sentence CRR – EU CR10

Table 7: Equity exposures

30.06.2018 in € million	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWAs	Expected losses
Regulatory categories						
Private equity	–	–	190%	–	–	–
Exchange traded	–	–	290%	–	–	–
Other equity exposures	40	–	370%	40	147	1
Total	**40**	**–**	**–**	**40**	**147**	**1**

COUNTERPARTY DEFAULT RISK

Art. 439 point (e), (f) and (i) CRR – EU CCR1

Table 8: Analysis of CCR exposure by approach

30.06.2018 in € million	Replacement cost / current market value	Potential future credit exposure	EAD post CRM	RWAs
1 Mark to market	406	401	489	145
9 Financial collateral comprehensive method (for SFTs)	–	–	170	34
11 Total	**–**	**–**	**–**	**179**

Art. 439 point (e), (f) CRR – EU CCR2

Table 9: CVA capital charge

30.06.2018 in € million	Exposure value	RWAs
1 Total portfolios subject to the advanced method	–	–
2 (i) VaR component (including the 3x multiplier)	–	–
3 (ii) SVaR component (including the 3x multiplier)	–	–
4 All portfolios subject to the standardised method	421	147
EU4 Based on the original exposure method	–	–
5 Total subject to the CVA capital change	**421**	**147**

Art. 439 (e) CRR – EU CCR5–A

Table 10: Impact of netting and collateral held on exposure values

30.06.2018 in € million	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1 Derivatives	1,538	598	941	404	537
2 SFTs	167	–	167	–	170
4 Total	**1,706**	**598**	**1,108**	**404**	**707**

Art. 439 (e) CRR – EU CCR5–B

Table 11: Composition of collateral for exposures to CCR

30.06.2018 in € million	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash collateral	11	396	20	36	–	–
Total	**11**	**396**	**20**	**36**	**–**	**–**

Art. 439 (e), (f) CRR – EU CCR8

Table 12: Exposures to CCPs

30.06.2018 in € million	EAD post CRM	RWAs
1 Exposures to QCCPs (total)	**–**	**19**
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	128	5
3 (i) OTC derivatives	128	5
4 (ii) Exchange-traded derivatives	–	–
5 (iii) SFT	–	–
6 (iv) Netting sets where cross-product netting has been approved	–	–
7 Segregated initial margin	86	–
8 Non-segregated initial margin	–	–
9 Prefunded default fund contributions	1	9
10 Alternative calculation of own funds requirements for exposures	–	–
11 Exposures to non-QCCPs (total)	**–**	**–**

Art. 439 (g), (h) CRR – EU CCR6

Table 13: Credit derivatives exposures

30.06.2018 in € million	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notionals	–	–	–
Other credit derivatives	–	30	–
Total notionals	**–**	**30**	**–**

BAWAG Group has no commodity–borrowing transactions, margin lending transactions or transactions involving long–term settlement. Netting is utilized at BAWAG Group in the banking book and trading book. The positive fair values are offset against the negative fair values for each counterparty. Further, any cash collateral held at BAWAG Group is credited to reduce the applicable current values.

As contracts with a central counterparty are not subject to any counterparty risk, the information in the tables is confined to OTC derivatives.

CDS serve as hedges for part of the Bank's securities, synthetic securities (CDS sell positions) and loan portfolio. As of 30 June 2018 the Bank had no CDS in the portfolio.

CREDIT QUALITY OF EXPOSURES

CREDIT QUALITY OF EXPOSURES BY BUSINESS SEGMENT AND INSTRUMENTS

Art. 442 point (g) CRR – EU CR1–A
Table 14: Credit quality of exposures by exposure class and instrument

30.06.2018 in € million	Gross carrying value of		Specific credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures				
3 Corporates	95	7,785	83	4	1	7,793
4 of which: Specialised lending	21	3,356	35	–	1	3,342
5 of which: SMEs	9	699	6	–	–	703
6 Retail	258	11,367	152	34	7	11,438
7 Secured by real estate property	58	5,278	21	–	–	5,315
8 SMEs	16	296	3	–	–	309
9 Non-SMEs	42	4,981	18	–	–	5,005
10 Qualifying revolving	–	1,043	1	–	–	1,043
11 Other Retail	199	5,046	131	34	7	5,081
12 SMEs	25	245	17	3		250
13 Non-SMEs	174	4,802	114	31	7	4,831
14 Equity	–	39	–	–	–	40
15 Total IRB approach	**353**	**19,191**	**235**	**38**	**8**	**19,271**
16 Central governments or central banks	–	5,964	–	–	–	5,964
17 Regional governments or local authorities	398	2,328	130	–	–	2,596
18 Public sector entities	–	2,256	–	–	–	2,256
19 Multilateral development banks	–	16	–	–	–	16
20 International organisations	–	47	–	–	–	47
21 Institutions	–	2,531	1	–	–	2,530
22 Corporates	148	5,151	103	2	3	5,194
23 of which: SMEs	–	1,973	14	–	–	1,959
24 Retail	158	4,793	57	–	–	4,892
25 of which: SMEs	1	1,454	7	–	–	1,447
26 Secured by mortgages on immovable property	–	5,053	7	–	–	5,046
27 of which: SMEs	–	1,098	3	–	–	1,095
29 Items associated with particularly high risk	–	13	–	–	–	13
30 Covered bonds	–	1,576	1	–	–	1,575
32 Collective investments undertakings	–	1,008	16	–	1	992
33 Equity exposures	–	320	–	–	–	320
34 Other exposures	–	637	–	–	–	637
35 Total standardized approach	**705**	**31,693**	**315**	**2**	**4**	**32,081**
36 Total	**1,058**	**50,885**	**550**	**40**	**12**	**51,352**
37 Of which: Loans	1,042	35,618	545	40	12	36,074
38 Of which: Debt securities	–	4,669	5	–	–	4,664
39 Of which: Off-balance-sheet exposures	16	10,598	–	–	–	10,614

Art. 442 point (g) CRR – EU CR1–B

Table 15: Credit quality of exposures by industry or counterparty types

30.06.2018 in € million	Gross carrying value of		Specific credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures				
1 Agriculture, forestry and fishing	13	447	6	–	–	454
2 Mining and quarrying	5	65	2	4	–	64
3 Manufacturing	46	1,660	43	1	–	1,662
4 Electricity, gas, steam and air conditioning supply	14	398	10	–	–	403
5 Water supply	–	19	–	–	–	19
6 Construction	41	751	16	–	–	776
7 Wholesale and retail trade	58	1,244	47	1	–	1,254
8 Transport and storage	8	347	5	1	–	349
9 Accommodation and food service activities	9	353	6	–	–	356
10 Information and communication	6	849	6	–	–	849
11 Finance and Insurance	31	11,273	23	–	–	11,281
12 Real estate activities	35	6,085	41	–	–	6,079
13 Professional, scientific and technical activities	13	402	9	–	–	407
14 Administrative and support service activities	24	969	17	–	–	977
15 Public administration and defence, compulsory social security	398	5,303	130	–	–	5,571
16 Education	1	45	–	–	–	45
17 Human health services and social work activities	4	509	4	–	–	509
18 Arts, entertainment and recreation	1	149	1	–	–	149
19 Other services	10	531	8	–	1	533
20 Private Households	342	19,142	176	33	11	19,273
21 Others	–	342	–	–	–	342
22 Total	**1,058**	**50,885**	**550**	**40**	**12**	**51,352**

Art. 442 point (h) CRR – EU CR1–C

Table 16: Credit quality of exposures by geography

30.06.2018 in € million	Gross carrying value of		Specific credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures				
1 EU	1,041	47,401	528	40	11	47,875
2 of which: Austria	777	30,519	348	34	7	30,915
3 of which: Germany	203	7,875	139	1	3	7,938
4 of which: Great Britain	56	3,017	14	5	–	3,054
5 of which: France	–	1,768	16	–	1	1,752
6 of which: Spain	–	922	2	–	–	919
7 Rest Europe	2	613	1	–	–	614
8 North America	14	2,482	20	–	1	2,476
9 Asia	–	275	1	–	–	274
10 Others	–	115	–	–	–	115
Total	**1,058**	**50,885**	**550**	**40**	**12**	**51,352**

PAST–DUE, NON–PERFORMING AND FORBORNE EXPOSURES

Art. 442 point (g), (i) CRR – EU CR1–D

Table 17: Ageing of past due exposures

30.06.2018 in € million	Gross carrying amount					
	<=30 days	> 30 days <= 60 days	> 60 days <= 90 days	> 90 days <= 180 days	> 180 days <= 1 year	> 1 year
1 Loans	554	108	140	106	105	699
3 Total exposures	**554**	**108**	**140**	**106**	**105**	**699**

Art. 442 (g), (i) CRR – EU CR1–E

Table 18: Non–performing and forborne exposures (1/2)

30.06.2018 in € million	Gross carrying amount of performing and non-performing exposures						
		Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing			
					Of which defaulted	Of which impaired	Of which forborne
1 Debt securities	4,669	–	–	–	–	–	–
2 Loans and advances	36,660	247	279	1,193	1,042	867	511
3 Off-balance-sheet exposures	10,614	1	9	17	16	–	10

Table 18: Non–performing and forborne exposures (2/2)

30.06.2018 in € million	Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
	On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
		Of which forborne		Of which forborne		
1 Debt securities	5	–	–	–	–	–
2 Loans and advances	106	4	439	73	228	134
3 Off-balance-sheet exposures	–	–	–	–	–	–

Art. 442 (i) and last sentence CRR – EU CR2–A

Table 19: Changes in the stock of general and specific credit risk adjustments

30.06.2018 in € million	Accumulated specific credit risk adjustment
1 Opening balance	**503**
2 Increases due to amounts set aside for estimated loan losses during the period	43
3 Decreases due to amounts reversed for estimated loan losses during the period	(55)
4 Decreases due to amounts taken against accumulated credit risk adjustments	(8)
5 Transfers between credit risk adjustments	–
6 Impact of exchange rate differences	–
7 Business combinations, including acquisitions and disposals of subsidiaries	–
8 Other adjustments	67
9 Closing balance	**550**
10 Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	1
11 Specific credit risk adjustments directly recorded to the statement of profit or loss	(2)

Art. 442 (g) (i) – EU CR2–B

Table 20: Changes in the stock of defaulted and impaired loans and debt securities

30.06.2018 in € million	Gross carrying value defaulted exposures
1 Opening balance	**1,091**
2 Loans and debt securities that have defaulted or impaired since the last reporting period	109
3 Return to non-defaulted status	(37)
4 Amounts written off	(40)
5 Other changes	(105)
6 Closing balance	**1,018**

STANDARDIZED APPROACH TO CREDIT RISK

Art. 444 point (e) CRR – EU CR5

Table 21: Standardized approach (1/2)

30.06.2018 in € million	Risk weight						
Exposure class	0%	10%	20%	35%	50%	70%	75%
1 Central governments or central banks	5,478	–	42	–	10	–	–
2 Regional governments or local authorities	3,425	–	9	–	–	–	–
3 Public sector entities	18	–	962	–	–	–	–
4 Multilateral development banks	16	–	–	–	–	–	–
5 International organizations	47	–	–	–	–	–	–
6 Institutions	25	–	1,261	–	1,022	–	–
7 Corporates	7	–	24	–	55	–	–
8 Retail	–	–	–	–	–	1	1,842
9 Secured by mortgages on immovable property	–	–	–	3,936	578	3	126
10 Exposures in default	–	–	–	–	–	–	–
11 Higher-risk categories	–	–	–	–	–	–	–
12 Covered bonds	–	1,481	94	–	–	–	–
13 Institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–
14 Collective investment undertakings	–	–	–	–	–	–	–
15 Equity	–	–	–	–	–	–	–
16 Other items	451	–	–	–	–	–	–
17 Total	**9,467**	**1,481**	**2,392**	**3,936**	**1,665**	**4**	**1,967**

Table 21: Standardized approach (2/2)

30.06.2018 in € million	Risk weight				Total	Of which unrated
Exposure class	100%	150%	250%	Others		
1 Central governments or central banks	–	–	92	–	5,623	5,546
2 Regional governments or local authorities	–	–	–	–	3,434	1,184
3 Public sector entities	–	–	–	–	980	975
4 Multilateral development banks	–	–	–	–	16	11
5 International organizations	–	–	–	–	47	47
6 Institutions	57	–	–	–	2,365	491
7 Corporates	4,159	32	–	–	4,277	3,732
8 Retail	–	–	–	–	1,843	1,843
9 Secured by mortgages on immovable property	293		–	–	4,935	4,935
10 Exposures in default	387	55	–	–	443	443
11 Higher-risk categories	–	13	–	–	13	13
12 Covered bonds	–	–	–	–	1,575	51
13 Institutions and corporates with a short-term credit assessment	–	–	–	–	–	–
14 Collective investment undertakings	–	–	–	991	991	991
15 Equity	252	–	68	–	320	320
16 Other items	186	–	–	–	637	637
17 Total	**5,335**	**101**	**160**	**991**	**27,499**	**21,219**

Art. 444 point (e) CRR – EU CCR3

Table 22: Standardized approach – CCR exposures by regulatory portfolio and risk

30.06.2018 in € million	Risk weight						Total	Of which unrated
Exposure class	0%	4%	20%	50%	75%	100%		
1 Central governments or central banks	–	–	–	–	–	–	–	–
2 Regional governments or local authorities	47	–	–	–	–	–	47	–
3 Public sector entities	–	–	8	–	–	–	8	8
4 Multilateral development banks	–	–	–	–	–	–	–	–
5 International organizations	–	–	–	–	–	–	–	–
6 Institutions	–	128	261	181	–	–	570	173
7 Corporates	–	–	–	–	–	18	18	18
8 Retail	–	–	–	–	2	–	2	2
9 Institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–
10 Other items	–	–	–	–	–	–	–	–
11 Total	**47**	**128**	**269**	**181**	**2**	**18**	**646**	**202**

MARKET RISK

OWN FUNDS REQUIREMENTS FOR MARKET RISK UNDER THE STANDARDIZED APPROACH

Art. 445 CRR – EU MR1

Table 23: Market risk under the standardized approach

30.06.2018 in € million	RWAs	Capital requirements
Outright products		
1 Interest rate (general and specific)	52	4
2 Equity risk (general and specific)	–	–
3 Foreign exchange risk	–	–
4 Commodity risk	–	–
Options		
5 Simplified approach	–	–
6 Delta–plus method	–	–
7 Scenario approach	–	–
8 Securitization (specific risk)	–	–
Total	**52**	**4**

LEVERAGE RATIO

Art. 451 (1)

Table 24: Summary reconciliation of accounting assets and leverage ratio exposures

30.06.2018 in € million	Applicable Amounts incl. transitional rules acc. to CRR
Total assets as per published financial statements	44,283
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(6)
Adjustments for derivative financial instruments	(311)
Adjustments for securities financing transactions	167
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,539
Other adjustments	(542)
Leverage ratio exposure	**45,130**

Table 25: Leverage ratio

30.06.2018 in € million	Applicable Amounts incl. transitional rules acc. to CRR
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	43,446
Asset amounts deducted in determining Tier 1 capital	(504)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**42,942**
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	117
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	402
Deductions of receivables assets for cash variation margin provided in derivatives transactions	(37)
Total derivative exposures	**482**
Total securities financing transaction exposures	**167**
Off-balance sheet exposures at gross notional amount	9,525
Adjustments for conversion to credit equivalent amounts	7,986
Total off-balance sheet exposures	**1,539**
Tier 1 capital	**3,199**
Total leverage ratio exposures	**45,130**
Leverage Ratio	**7.09%**

Table 26: Split–up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

30.06.2018 in € million	Applicable Amounts incl. transitional rules acc. to CRR
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	43,446
Trading book exposures	–
Banking book exposures, of which:	43,446
Covered bonds	1,575
Exposures treated as sovereigns	7,724
Exposures to regional governments, MDB, international organizations and PSE NOT treated as sovereigns	1,627
Institutions	2,494
Secured by mortgages of immovable properties	11,159
Retail exposures	4,674
Corporate	9,999
Exposures in default	590
Other exposures (e.g. equity, securitizations, and other non-credit obligation assets)	3,604

QUANTITATIVE DISCLOSURE USING THE INTERNAL RATINGS BASED APPROACH

EXPOSURES TO CORPORATES

Art. 452 points (d)–(g) CRR – EU CR6

Table 27: Exposures to small and medium–sized enterprises and corporates (1/2)

30.06.2018 in € million	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors
	0.00 to <0.15	339	10	64.5%	200	0.1%	137
	0.15 to <0.25	47	4	72.5%	44	0.2%	32
	0.25 to <0.50	26	5	55.4%	28	0.4%	38
	0.50 to <0.75	28	5	29.1%	29	0.7%	36
	0.75 to <2.50	82	29	55.2%	94	1.8%	172
	2.50 to <10.00	74	8	47.3%	77	5.9%	160
	10.00 to <100.00	38	5	51.1%	40	20.9%	225
	100.00 (Default)	9	–	4.0%	9	100.0%	39
Small and medium-sized enterprises	**Subtotal**	**643**	**65**	**54.4%**	**520**	**3.6%**	**839**
	0.00 to <0.15	1,331	176	10.1%	1,051	0.1%	160
	0.15 to <0.25	535	57	66.4%	563	0.2%	42
	0.25 to <0.50	389	52	6.0%	388	0.4%	70
	0.50 to <0.75	477	42	47.8%	471	0.7%	89
	0.75 to <2.50	449	107	41.3%	484	1.4%	280
	2.50 to <10.00	102	4	39.0%	99	4.7%	49
	10.00 to <100.00	3	5	10.9%	4	22.4%	299
	100.00 (Default)	60	1	50.0%	60	100.0%	37
Corporates	**Subtotal**	**3,346**	**444**	**28.3%**	**3,120**	**2.7%**	**1,026**
Total (Corporates)		**3,989**	**509**	**31.6%**	**3,640**	**2.8%**	**1,865**

Table 27: Exposures to small and medium–sized enterprises and corporates (2/2)

30.06.2018 in € million	PD scale	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
	0.00 to <0.15	37.2%	2.5	43	21.4%	–	–
	0.15 to <0.25	36.8%	2.5	15	34.6%	–	–
	0.25 to <0.50	36.0%	2.5	12	43.9%	–	–
	0.50 to <0.75	37.2%	2.5	16	57.0%	–	–
	0.75 to <2.50	39.0%	2.5	72	76.9%	1	–
	2.50 to <10.00	37.3%	2.5	75	97.2%	2	1
	10.00 to <100.00	35.9%	2.5	54	134.9%	3	1
	100.00 (Default)	39.5%	2.5	–	0.0%	3	4
Small and medium-sized enterprises	**Subtotal**	**36.7%**	**2.5**	**287**	**55.2%**	**9**	**6**
	0.00 to <0.15	39.5%	2.5	293	27.9%	–	–
	0.15 to <0.25	42.5%	2.5	277	49.1%	1	1
	0.25 to <0.50	43.8%	2.5	257	66.3%	1	1
	0.50 to <0.75	44.5%	2.5	396	84.1%	1	1
	0.75 to <2.50	44.2%	2.5	519	107.3%	3	6
	2.50 to <10.00	45.0%	2.5	155	156.2%	2	4
	10.00 to <100.00	44.2%	2.5	9	224.5%	–	–
	100.00 (Default)	42.6%	2.5	–	0.0%	26	29
Corporates	**Subtotal**	**42.3%**	**2.5**	**1,906**	**61.1%**	**34**	**42**
Total (Corporates)		**41.5%**	**2.5**	**2,193**	**60.3%**	**43**	**48**

EXPOSURES TO RETAILS

Table 28: Exposures secured by real estate, qualifying revolving and other retail (1/2)

30.06.2018 in € million	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors
Exposures secured by real estate	0.00 to <0.15	1,176	12	49.9%	1,182	0.1%	8,648
	0.15 to <0.25	484	7	50.1%	487	0.2%	3,326
	0.25 to <0.50	857	18	50.0%	866	0.4%	6,454
	0.50 to <0.75	493	16	49.8%	501	0.6%	3,823
	0.75 to <2.50	1,396	37	49.8%	1,414	1.5%	10,249
	2.50 to <10.00	472	5	49.8%	475	6.0%	3,031
	10.00 to <100.00	303	2	49.8%	304	20.8%	1,646
	100.00 (Default)	58	–	50.0%	58	100.0%	490
	Subtotal	**5,239**	**97**	**49.9%**	**5,287**	**3.4%**	**37,667**
Qualified revolving retail exposures	0.00 to <0.15	51	583	55.5%	375	0.1%	233,203
	0.15 to <0.25	8	81	37.4%	38	0.2%	32,223
	0.25 to <0.50	9	103	28.5%	38	0.4%	38,484
	0.50 to <0.75	7	66	28.2%	26	0.6%	25,731
	0.75 to <2.50	17	94	29.7%	46	1.4%	38,208
	2.50 to <10.00	2	9	30.5%	5	5.3%	3,692
	10.00 to <100.00	1	12	47.0%	7	33.2%	4,651
	100.00 (Default)	–	–	41.8%	–	100.0%	154
	Subtotal	**95**	**948**	**46.2%**	**535**	**0.8%**	**376,346**
Other retail exposures	0.00 to <0.15	298	901	24.6%	520	0.1%	243,064
	0.15 to <0.25	176	209	33.2%	245	0.2%	67,697
	0.25 to <0.50	250	464	34.9%	412	0.4%	137,862
	0.50 to <0.75	293	282	33.9%	389	0.6%	86,501
	0.75 to <2.50	1,096	432	35.3%	1,254	1.6%	177,752
	2.50 to <10.00	386	65	22.8%	405	5.7%	38,560
	10.00 to <100.00	178	16	26.7%	189	24.1%	62,857
	100.00 (Default)	164	1	49.9%	164	100.0%	21,646
	Subtotal	**2,841**	**2,370**	**30.4%**	**3,579**	**5.2%**	**835,939**
Total (Retail)		**8,175**	**3,416**	**35.3%**	**9,401**	**3.9%**	**1,249,952**

Table 28: Exposures secured by real estate, qualifying revolving and other retail (2/2)

30.06.2018 in € million	PD scale	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
	0.00 to <0.15	9.7%	2.5	29	2.4%	–	–
	0.15 to <0.25	10.9%	2.5	25	5.1%	–	–
	0.25 to <0.50	10.6%	2.5	65	7.5%	–	–
	0.50 to <0.75	11.2%	2.5	55	10.9%	–	–
	0.75 to <2.50	10.9%	2.5	262	18.5%	2	1
	2.50 to <10.00	10.4%	2.5	182	38.3%	3	1
	10.00 to <100.00	10.3%	2.5	169	55.5%	6	12
	100.00 (Default)	17.1%	2.5	–	0.0%	10	7
Exposures secured by real estate	**Subtotal**	**10.6%**	**2.5**	**786**	**14.9%**	**23**	**21**
	0.00 to <0.15	46.9%	2.5	11	2.9%	–	–
	0.15 to <0.25	60.2%	2.5	3	7.6%	–	–
	0.25 to <0.50	62.3%	2.5	5	12.5%	–	–
	0.50 to <0.75	61.5%	2.5	5	17.6%	–	–
	0.75 to <2.50	60.5%	2.5	14	30.1%	–	–
	2.50 to <10.00	61.9%	2.5	4	81.3%	–	–
	10.00 to <100.00	47.9%	2.5	11	149.7%	1	–
	100.00 (Default)	69.6%	2.5	–	0.0%	–	–
Qualified revolving retail exposures	**Subtotal**	**51.0%**	**2.5**	**51**	**9.6%**	**2**	**–**
	0.00 to <0.15	51.4%	2.5	69	13.4%	–	–
	0.15 to <0.25	45.7%	2.5	53	21.4%	–	–
	0.25 to <0.50	49.5%	2.5	138	33.5%	1	–
	0.50 to <0.75	45.8%	2.5	154	39.7%	1	–
	0.75 to <2.50	43.9%	2.5	681	54.3%	9	3
	2.50 to <10.00	39.2%	2.5	244	60.3%	9	4
	10.00 to <100.00	39.4%	2.5	174	91.6%	18	8
	100.00 (Default)	47.6%	2.5	–	0.0%	78	116
Other retail exposures	**Subtotal**	**45.4%**	**2.5**	**1,513**	**42.3%**	**117**	**131**
Total (Retail)		**26.1%**	**2.5**	**2,350**	**25.0%**	**142**	**152**

CCR EXPOSURES

Art. 452 (e) CRR – EU CCR4

Table 29: IRB approach – CCR exposures by portfolio and PD scale

30.06.2018 in € million	PD scale	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
	0.00 to <0.15	3	0.1%	8	45%	2.5	1	32%
	0.15 to <0.25	1	0.2%	8	45%	2.5	**1**	45%
	0.25 to <0.50	–	–	–	–	–	–	–
	0.50 to <0.75	–	–	–	–	–	–	–
	0.75 to <2.50	–	–	–	–	–	–	–
	2.50 to <10.00	–	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–	–
	100.00 (Default)	1	100%	1	45%	2.5	**–**	–
Small and medium-sized enterprises	**Subtotal**	**5**	**12.9%**	**17**	**45%**	**2.5**	**2**	**34%**
	0.00 to <0.15	–	–	–	–	–	–	–
	0.15 to <0.25	–	–	–	–	–	–	–
	0.25 to <0.50	1	0.4%	2	45%	2.5	1	68.7%
	0.50 to <0.75	–					**–**	
	0.75 to <2.50	3	1.3%	9	45%	2.5	3	105.7%
	2.50 to <10.00	–	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–
Corporates	**Subtotal**	**4**	**1.4%**	**11**	**45%**	**2.5**	**4**	**97.4%**
Total (Corporates)		**9**	**7.2%**	**28**	**45%**	**2.5**	**6**	**65.3%**

CRM TECHNIQUES

Art. 453 (f), (g) CRR – EU CR3

Table 30: CRM techniques – overview

30.06.2018 in € million	Exposures unsecured – Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1 Total loans	35,485	14,710	13,412	1,915	–
2 Total debt securities	–	–	–	–	–
3 Total exposures	**35,485**	**14,710**	**13,412**	**1,915**	**–**
4 Of which defaulted	444	172	145	–	–

Art. 453 (f), (g) CRR – EU CR4

Table 31: Standardized approach – credit risk exposure and CRM effects

30.06.2018 in € million	Exposure before CCF and CRM		Exposure post CCF and CRM		RWAs and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
Exposures to central governments or central banks	5,431	532	5,593	30	244	4.3%
Exposures to regional governments or local authorities	2,231	98	3,394	40	2	0.0%
Exposures to public-sector entities, administrative bodies and non-commercial undertakings	1,628	628	965	15	192	19.6%
Multilateral development banks	16	–	16	–	–	–
International organizations	47	–	47	–	–	–
Exposures to institutions	2,456	74	2,358	7	821	34.7%
Exposures to corporates	4,055	1,062	4,015	262	4,190	98.0%
Retail exposures	1,926	2,858	1,825	18	1,265	68.6%
Exposures secured by mortgages on immovable property	4,884	163	4,878	57	2,031	41.1%
Exposures in default	443	12	440	3	470	106.3%
Higher-risk categories	13	–	13	–	19	150.0%
Covered bonds	1,575	–	1,575	–	167	10.6%
Institutions and corporates with a short-term credit assessment	–	–	–	–	–	–
Exposures in the form of units or shares in collective investment undertakings ("CIUs") - Look Through	991	3	990	1	875	88.3%
Equity exposures	320	–	320	–	422	131.7%
Other items	637	–	637	–	186	29.3%
Total	**26,652**	**5,429**	**27,066**	**433**	**10,884**	**60.2%**

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