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

30.06.2020

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QUALITATIVE DISCLOSURE

Qualitative disclosure

LIST OF TABLES

LIST OF ABBREVIATIONS

BP	Basis Point
BPV	Basis Point Value
CAC	Credit Approval Committee
CLO	Collateralized Loan Obligation
CRO	Chief Risk Officer
CRR	Capital Requirement Regulation
EBA	European Banking Authority
ECL	Expected Credit Loss
ERM	Enterprise Risk Meeting
EVE	Economic value of equity
FMA	Financial Market Authority
FX	Foreign Exchange
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IRB	Internal Ratings Based Approach
ISTC	ICAAP & Stress Testing Committee
LGD	Loss Given Default
NII	Net Interest Income
NPV	Net Present Value
OCI	Other Comprehensive Income
PD	Probability of Default
PSC	Portfolio Steering Committee
PVBP	Present Value of Basis Point
RBC	Risk Bearing Capacity
RMBS	Residential Mortgage Backed Securities
RSA	Risk self-assessment
RWA	Risk Weighted Assets
SALCO	Strategic Asset and Liability Committee
STC	Stress Test Committee
TM	Treasury & Markets
TPU	Temporary Partial Use
UGB	Unternehmensgesetzbuch (Austrian Commercial Code)
UL	Unexpected Loss
VaR	Value-at-Risk
WAL	Weighted Average Life
WAM	Weighted Average Maturity

QUALITATIVE INFORMATION AS OF 30 JUNE 2020

In accordance with the requirements laid down in Article 433 Regulation (EU) No 575/2013 (herein 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 information as of 30 June 2020.

GENERAL PRINCIPLES

According to Article 13 of Regulation (EU) No 575/2013 (hereinafter abbreviated to "CRR"), this Disclosure Report is published on BAWAG Group AG level. BAWAG Group AG is a financial holding company in form of a corporation. Its main business purpose is the management of the company´s assets (BAWAG P.S.K. with its subsidiaries). From a risk perspective, the main bank-wide steering processes are performed by its subsidiary, BAWAG P.S.K. AG. These processes are disclosed in this report.

SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

Article 436 points (a), (b) sublit (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 2020.

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 2020 contained 62 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 € 10 million as of 30 June 2020.

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.

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 (International Financial Reporting Standards).

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 31 December 2019, the scope of consolidation for regulatory purposes included 52 fully consolidated companies, 3 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 scope 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
Bonnie RE UK 1 B.V.	F	FVOCI
Fides Leasing GmbH	FVOCI	P
Gara RPK Grundstücksverwaltungsgesellschaft m.b.H.	FVPL	F
HFE alpha Handels-GmbH	FVOCI	P
Kommunalleasing GmbH	FVOCI	P
LSREF3 Tiger Aberdeen S.à r.l.	F	FVOCI
LSREF3 Tiger Falkirk I S.à r.l.	F	FVOCI
LSREF3 Tiger Gloucester S.à r.l.	F	FVOCI
LSREF3 Tiger Romford S.à r.l.	F	FVOCI
LSREF3 Tiger Southampton S.à r.l.	F	FVOCI
Promontoria Holding 136 B.V.	F	FVOCI
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 CRR. For significant positions in instruments of supplementary capital an obligation for deduction exists (Article 66 CRR).

According to Article 36 (1) point (h) institutions shall deduct the applicable amount of direct, indirect and synthetic holdings by the institution of CET 1 instruments of financial sector entities where the institution does not have a significant investment in those entities.

Non-significant subsidiaries in terms of Article 46 CRR were deducted from CET 1 in the amount of € 2 million and from Additional Tier 1 in the amount of € 5 million, as they did exceed the defined threshold of Article 46 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 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) AND GROUP-WIDE STRESS TEST

Article 435 (1) point (a) CRR
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.

According to the ICAAP Guides, issued on November 2018 by the European Central Bank, BAWAG Group has implemented both Normative and Economic perspectives for the Group steering.

The risk self-assessment (RSA), which is conducted on an annual basis, provides an overview of BAWAG Group's risk situation 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, materiality and their impact on BAWAG Group. All material and non-material risks are considered under the economic perspective, while the normative perspective encompasses Pillar I risks (credit risk, market risk, operational risk) and all other material risks.

BAWAG Group's economic perspective compares the quantified risks with the risk-bearing capacity. The risk bearing capacity 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 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.
- **Market risks**: for BAWAG Group, the relevant market risks are the interest rate risk and the credit spread risk in the banking book. Both risk types are quantified by using value-at-risk models based on historical full valuation approach and generalized hyperbolic distribution. Conservative correlation assumptions are taken into account as well.
- **Liquidity risk**: the structural liquidity risk quantification is based on current liquidity gaps applying assumed potential deterioration of spreads in connection with a notional spread widening on the market. Simplified quantifications are used for market liquidity risk in the banking book and basis spread risk.
- **Operational risk:** this category covers operational risk quantified using Standardized Measurement Approach, as described in Basel VI regulation.
- **Other risks**: this category includes participation risk, reputation risk and strategic risk. Participation risk is quantified using the PD/LGD approach based on IFRS book values. For all other mentioned risk types, the required economic capital is quantified using simplified 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 subject to flexible allocation at Management Board discretion.

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

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

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

The normative perspective is also fully integrated into the strategic risk management, capital management and planning processes of BAWAG Group.

In connection with the normative perspective, Pillar I risks as well as material risks are quantified, projected and subsequently considered in the respective capital (RWA) and P&L views. The following risk types are considered and quantified:

- **Credit risk**: The quantification of credit risk is based on the regulatory approach (Pillar I view) and is considered under the capital view (RWA). Credit risk losses are also accounted in the P&L view in the form of expected credit losses.

- **Market risk**: The quantification of market risk for the trading book is based on the regulatory approach (Pillar I view) and is considered under the capital view (RWA). BAWAG Group has identified interest rate risk in the banking book and credit spread risk as the material market risks and are considered in the P&L under net interest income, gains & losses and other comprehensive income.

- **Operational risk**: The quantification of operational risk is based on the regulatory approach (Pillar I view) and is considered under the capital view (RWA). Operational risk losses are also accounted for in the P&L view.

A confidence level of 99.9 per cent is applied for the calculations. 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 Risk Controlling 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 Strategic Risk 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.

The methodology and results of both ICAAP perspectives discussed in the regular ICAAP & Stress Testing Committee (ISTC) on quarterly basis and reported to the ERM. The ERM oversees the assessment of the results and defines any corrective action for the risk appetite or business strategy, where necessary.

The link between the ICAAP perspectives and capital management is formally defined within the internal risk and capital governance.

The capital ratios defined within the capital planning process and monitored on a monthly basis by the Capital Management Meeting are used as a benchmark for the normative perspective. The capital contingency plan is drawn up to account for extreme stress scenarios. As part of the normative perspective and stress test exercises, senior management reviews whether the stressed capital ratios remain above the recovery levels. In case of breach of the recovery levels 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.

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 ICAAP & Stress Test Committee, constituted by the division heads of Risk Controlling, Strategic Risk Management, Financial Planning & Analysis, Accounting & Participations and Treasury & Markets. The group Portfolio Steering and ICAAP in the division Risk Controlling 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 quarterly basis
- reverse stress testing, performed once a year
- sensitivity analyses, performed on demand or at least once a year in same cases (like FMA FX-TT stress test)
- ad-hoc analyses, performed on demand.

ICAAP Stress Test

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

Macroeconomic scenario effects are transmitted to the portfolio via regression models (e.g.: IFRS 9 models) 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 and P&L.

Reverse Stress Test

The Reverse Stress Test is designed to identify a set of scenarios leading to a full utilization of the limits allocated within the Risk Strategy. The ICAAP Stress Test framework is utilized as basis for the identification of such scenarios.

ICAAP & Stress Test Committee

The ICAAP & Stress Test Committee (ISTC) provides the central coordination of the stress testing processes at Group level. The main objective is to ensure effective oversight and control over the operative proceedings of all ICAAP and stress test analyses and to recommend strategic decisions.

Meeting is held on quarterly basis and the scope of activity includes:

- ICAAP normative and economic perspectives analyses and monitoring;
- all cross-divisional stress test or similar economic analyses.

For the analyses in scope, the ISTC is in charge of the following items:

- Approval of the process guidelines for each stress test or economic analysis
- Approval of the process guidelines for ICAAP normative and economic perspectives analysis
- Approval of the baseline and adverse scenarios and related assumptions for each stress test exercise and ICAAP perspectives
- Discussion and approval of the results of stress test exercises and ICAAP perspectives
- Definition of the recommended action / mitigation plan for ERM approval based on the ICAAP and stress test results.

Portfolio Steering Framework

Credit Risk Limits in the economic perspective are determined also for all segments and portfolios as part of the Risk Strategy. BAWAG Group follows a detailed Portfolio Steering framework concept based on dynamic and hierarchical capital allocation.

For the main risk categories, namely Credit Risk, Market Risk, Liquidity Risk and Operational Risk, as well as the capital buffers, the defined limits are dynamic by nature depending on the current level of the risk bearing capacity (RBC). The calculation of the limits is updated on a monthly basis jointly with the calculation of the current RBC. For the residual risk categories, grouped under the "other risks" category, the risk quantification is expert opinion based, leading to a fixed capital allocation. This quantification revalidated at least annually in conjunction with the strategic capital allocation process and further updated on a need basis.

The following four levels of capital allocation are considered:

- Level 1: Capital allocation to risk categories and the capital buffers

- Level 2: Capital allocation to business segments (credit risk) and sub-categories (market and liquidity risk)
- Level 3: Capital allocation to business sub-segments (only for credit risk)
- Level 4: Exposure limits for geographical and sectoral concentrations (only for credit risk and the relevant business sub-segments).

Portfolio Steering Committee

Portfolio Steering Committee (PSC) is composed by the heads from all risk and market divisions as well as from Financial Planning & Analysis division. This committee is delegated by ERM to monitor and manage the economic capital allocated on the bottom levels of the Portfolio Steering Framework (level 3 business sub-segments and level 4 countries and industries, up to € 40 million). Meeting of the PSC is held on quarterly basis and duties of the PSC are as follows:

- Monitoring of Credit Risk capital allocation and capital utilization at all levels
- Approval of the standard Portfolio Steering Framework Report

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- Assessment of the portfolio dynamics and the current utilization of the assigned limits
- Assessment of the needs and opportunities for re-allocation of capital within the capital allocation hierarchy
- Tactical capital allocation, within the restrictions defined by the Portfolio Steering Framework Policy
- Assessment of the impact of relevant prospective credit decisions requiring capital re-allocation
- Assessment of the status of risk concentrations in the group's portfolio, across all relevant risk categories
- Monitoring of the single-name concentrations for credit risk, including the Large Capital Consumers and the Outlier List
- Prioritization and assessment of the enhancements to the Portfolio Steering Framework to be sought over time
- Definition and evaluation of in-depth analyses regarding specific discussion topics related to the core responsibilities of the Committee.
- Definition of the recommended action / mitigation plan for ERM approval, where necessary.

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 capacity 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.

Retail and Small Business Customers

Risk from new business is managed 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 on 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
- Portfolio distribution trends by products & channels
- Collection and workout performance

The findings of the analysis are reported periodically to the ERM.

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.

Structure and organization of relevant risk management functions

Credit risk is an integral part of many business activities. Credit risk is controlled in the Commercial Risk Management and Retail Risk Management divisions. In daily business, credit risk is controlled by each business area in coordination with the specific credit risk division based on the powers granted and applying the four-eye principle. The rules regarding the powers granted can be found in the Competence and Power Regulation, published on the company intranet website.

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 2020.

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 in TPU) 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 449 point (m) CRR

Strategies and processes

BAWAG Group has a clearly defined market risk appetite framework. The Group's market risk strategy has a focus on balance sheet hedging and mitigating earnings (volatility of Net Interest Income, Gains & Losses and Other Comprehensive Income) and economic risks arising from market risk factors. Consequently, the bank has decided to discontinue all trading book activities. This risk appetite is reflected in the bank's limit framework, which ensures the management of the respective risk categories within narrow limits.

The quantification and monitoring of market risks comprise of interest rate risk, volatility risk, credit spread risk, funds risk and foreign currency exchange risk. The measurement and monitoring of risk positions is provided by applying sensitivity analyses as well as the analysis of the associated loss potential derived from periodic stress tests. The steering of risks is achieved through setting limits for the individual types of risk, which are approved by the Management Board.

The objectives of the limit system are 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.

Structure and organization of relevant risk management functions

The division Risk Controlling reports directly to the CRO. The division is responsible for steering, measurement, and controlling of liquidity and market risk of BAWAG Group. The most important responsibilities concern the monitoring of market risk, in particular interest rate risk, volatility risk, credit spread risk and foreign currency exchange risk. This is achieved through the limitation of the individual types of risk, whereby in this regard it is the divisions' responsibility to set such limits as approved by the Management Board within the ICAAP.

Additionally, within the area of Market Risk, the counterparty credit risk monitoring of Treasury positions is located.

The most important committee with regard to market risk is the Strategic Asset Liability Committee (SALCO). Topics in the context of total risk including ICAAP are handled within Enterprise Risk Meeting (ERM).

Market Risk limit framework

Market risks are limited at least two levels at a minimum, and where regulatory limits apply, at three levels:

- by ICAAP limits within the context of overall bank risk management (e.g. VaR)
- operational limits for the management of the specific risk category (e.g. PVBP limits, greeks limits, volume limits, etc. including limits by accounting method and time bands).
- regulatory limits (e.g. the Outlier Ratio of 20% for interest rate risk)

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 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. In general, BAWAG Group follows the strategy of minimizing or avoiding foreign currency risk in the banking book.

In addition, a limit framework has been set up to capture the impact of interest rate changes on the bank's future earnings capacity and the resultant implications for internal capital buffer levels. The (cumulative) net interest income risk limit handles the impact on the future earnings capacity/planned NII in a stress scenario over the three-year planning horizon.

In addition to and as part of the ICAAP, both historical VaR and various stress tests are reported for the economic and normative ICAAP perspective respectively.

Reporting systems

The market risk reporting comprises of internal and external risk reporting. Limit compliance is checked daily for FX risk and Interest Rate Risk-BPV and reported to the Management Board. Compliance with the basis-point value limits (enterprise and maturity range limits as well as limits relevant to OCI and P&L for interest rate risk and credit spread risk) is monitored monthly at institution and Group level.

Furthermore, stress tests, reverse stress tests and scenario analyses are conducted. Intended future measures are included in all reports as needed. A net-interest-income simulation (NII simulation) with associated stress tests is performed monthly.

All relevant key figures along with the stress tests, are reported to the SALCO or as part of the Group Risk Report to the ERM. A VaR is calculated monthly at the Group level.

External reporting comprises of the reporting to the Joint Supervisory Team.

Market risks are steered within the applicable limit framework.

To manage market risks within the economic and earnings perspective, the division Treasury & Markets (TM) develops hedging and positioning strategies.

To steer the volatility of Gains & Losses and Other Comprehensive Income, BAWAG Group applies hedge accounting pursuant to IAS 39. The following hedge accounting methods are currently used:

- 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.
- Cash flow hedge accounting: hedging of FX risks of future spread income and cross currency basis risks.
- Net investment hedge accounting: hedging FX risk arising from participations in foreign currency.

Interest rate derivatives that are not assigned to a hedge accounting relationship are recognized at their fair values.

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.

Risk hedging and mitigation

INTERNAL MODELS FOR LIMITATION OF MARKET RISK

Article 455 point (a) (i - iv) CRR

BAWAG Group does not make use of an internal model to calculate its own funds requirements for market risk.

INTEREST RATE RISK FROM POSITIONS NOT HELD IN THE TRADING BOOK

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

Measurement of interest rate risk

The methods currently used for the banking book include sensitivity analysis, stress tests and value-at-risk as well as volume limits for open positions.

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

There are two complementary methods of measuring the potential impact of IRRBB:

- Present value perspective (changes in economic value - EV, or EVE when measuring the change in value relative to equity): Account is taken of risks resulting from changes in the market value of transactions accompanied by shifts in interest rate curves. Changed interest rate curves are simulated for the main currencies in the monthly stress tests.

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

- Income perspective: Risks that may cause an unexpected decline in the interest margin (interest margin risk, impact of possible interest rate scenarios).

Present Value perspective

Economic value of equity (EVE): the change of EVE (ΔEVE), represents a risk measure, which is the present value change in EVE, meaning, in the net present value of the balance sheet excl. equity under a particular interest rate stress scenario.

The PVBP (Present Value of Basis Point) is the difference between the Net Present Value (NPV) based on the yield curve shifted by 1bp and the NPV based on the current yield curve. The NPV is calculated based on a discounted cash flow full valuation method. The NPV is obtained either by discounting the expected cash flows of the contract (Marked to Model) or using a given Market Value observation of the contract (Marked to Market).

For the VaR (Value at Risk) within ICAAP the Group applies a historical simulation combined with a general hyperbolic distribution. Based on the market data history, monthly loss scenarios are defined. The time intervals are not overlapping to ensure independent scenarios. To prevent the underestimation of heavy tails, special cases (including the most general one) of a flexible family of distributions – the generalized hyperbolic (ghyp) distributions – is calibrated to the defined loss scenarios. For each a 1-year VaR is determined and finally, a robust mean is calculated to minimize the model risk. Several well-known distributions (normal distribution, student-t-distribution, normal inverse gauss distribution) belong to the ghyp family.

Income perspective

Net interest income risk is quantified through the simulation of future interest income and expense under various scenarios. The analysis incorporates all of the Group's NII-relevant assets, liabilities, and off-balance instruments. On-balance-sheet contracts with maturities scheduled within the simulation period are replaced upon runoff with planned new business volumes & margins, thereby reflecting the general ALM policy of the bank.

The market rate scenarios applied cover parallel and non-parallel upward and downward shifts of relevant yield curves, thereby incorporating limits to the degree to which rates are allowed to drop below zero.

Furthermore, loan prepayment rates (which govern the early redemption of a certain portion of the loans under a given market rate scenario) are also modelled along with alternate new volume, rate and margin scenarios.

Hedging strategies. for example, the hedging of FX credit spread risk and non-maturity deposits, are generally assumed to be continued through the end of the simulation horizon.

Assumptions regarding Non-Maturity Positions

For positions without a defined interest rate (non-maturity positions), BAWAG Group applies 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 components:

- Future oriented interest rate scenarios derived based on a forward-looking 2-Factor Hull/White Model.
- Client rate prediction based on historical data. Client rates are expressed as functions of market interest rates - the model applies return-based regression models. The functions are then used to estimate client rates for each interest rate scenario.
- Volume prediction: volume trends are developed according to plan figures; seasonal fluctuations are captured by time series models.
- Optimization: The model defines the optimal replication portfolio satisfying a set of liquidity, regulatory and internally defined constraints.

The duration of the replication model is constrained in accordance with EBA guidelines for each product group. Furthermore, the bank has defined a set of different model constraints in order to reflect different types of risk appetite (conservative, moderate, liberal) and mitigate inherent model risks.

The interest rate replication model is reviewed once a year. Back-testing and the adjustment of replication assumptions are carried out prior to the planning process.

Assessment of call rights and prepayment behavior

The measurement of interest rate risk also considers embedded call rights and customer prepayment behavior. To determine the value of such embedded options, two different approaches are applied:

- Rational right holders: For professional market participants (e.g. large corporate customers), who are able and willing to take action if prevailing market conditions are in their favour, rational behaviour is assumed. For such clients call and termination rights are valued using the method of replication with swaptions.
- Behaviour-based assessment: For clients who do not fulfil the assumption of a rational acting right holder (e.g. retail and SME customers), prepayments are modelled on the basis of historically observed behaviour of homogeneous customer groups.

The prepayment models capture historical dependencies between past prepayment rates, market interest rates and portfolio specific parameters (e.g. weighted average maturity). It does so using a time series lasso regression (with fixed-origin rolling cross validation). The selected model is used to make a one-year estimate for future prepayments.

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 (flattening, steepening).
- Worst case scenario (derived from historical time series).
- Regulatory scenarios based on EBA/GL/2018/02 Guidelines on the management of interest rate risk arising from non-trading book activities.
- Forward looking scenarios based on macroeconomic expectations.
- 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).

Interest risk reporting systems

The entire Management Board is informed monthly about all risks in the SALCO based on the comprehensive Market Risk Report and in the ERM (part of Group Risk Report). In addition, the entire Management Board is informed immediately in case of any material change in the risk situation.

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. Depending on the individual classification, changes in fair value are recognized in OCI or PnL.

The notes to the half-year financial report as of 30 June 2020 contain details on accounting and valuation methods.

SECURITIZATIONS

SECURITIZATION ACTIVITIES AND FUNCTIONS IN THE SECURITIZATION PROCESS

Article 449 points (a), (d), (e), (g), (i), (m), (n) (vi), and (r) 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 Three, 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.

RISKS FROM SECURITIZATIONS AND RESECURITIZATIONS

Article 449 points (b), (c), (f) and (m) CRR

The securitization portfolio consists of Collateralized Loan Obligations (CLOs) rated AAA and AA with risks mainly from West- and North European and US companies.

The securitization positions held by BAWAG Group consist primarily of senior tranches with adequate subordination. The portfolio includes no re-securitization positions.

BAWAG Group established an Investment and Monitoring Policy, which 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.

BAWAG Group uses valuation models to determine the market value of the portfolio. Models are also used to determine the economic value of the transactions. Models for calculating sensitivities, stress tests, etc. are developed based on the valuation models. All models are applied to the individual exposures underlying the transactions, i.e. for securitizations they are applied to the pool of exposures.

Risk reporting consists of quarterly risk reports prepared by Risk Controlling and submitted to the Credit Approval Committee (CAC) for approval.

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, Risk Controlling 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.

APPROACHES TO THE CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS

Article 449 point (h) CRR

Risk-weighted exposure amounts for securitization and re-securitization positions for which the transitional provisions of Article 2 Regulation (EU) 2017/2401 apply were calculated according to the IRB as per Article 261 and Article 449, points (b), (c) and (f) CRR. 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 1250 per cent. If the underlying assets are known at all times, the supervisory method according to Article 262 CRR is applied. The aforementioned references to Article 261 and Article 262 CRR imply version OJ L 176 27.6.2013 of the official journal.

Where these transitional provisions were not applicable, the Risk-weighted exposure amounts for securitization are calculated in accordance with Article 254 (1) CRR, where BAWAG Group has chosen to apply the preference of SEC-ERBA (Art. 263 CRR) over SEC-SA (Art. 261 CRR) in line with Article 254 (3) CRR.

ACCOUNTING POLICIES FOR SECURITIZATIONS

Article 449 point (j), (i), (ii) and (iv) - (vi) CRR

This requirement only concerns originators of securitizations and is thus irrelevant for BAWAG Group

Article 449 point (j) (iii) CRR

The valuation models (refer also to section 'Risks from securitizations and resecuritizations') were calibrated at the market prices of comparable transactions (liquid indices such as ABX, iTraxx, CDX, CLO trading runs).

ELIGIBLE EXTERNAL RATING AGENCIES USED FOR SECURITIZATIONS

Article 449 point (k) CRR

Basically, for investment deliberations the estimated ratings of Moody's, Standard & Poor's and Fitch regardless of the category of securitized exposure are utilized. If several ratings are available, the relevant risk weight for the capital requirements is determined as indicated in Article 138 CRR.

INTERNAL ASSESSMENT APPROACH

Article 449 point (l) CRR

BAWAG Group has no disclosure obligations in accordance with Article 449 point (l) CRR, because it does not apply the internal assessment approach.

BAWAG GROUP AG
HALF-YEAR QUANTITATIVE DISCLOSURE REPORT ACCORDING TO REGULATION (EU) NO. 575/2013 (“CRR”)

30.06.2020

LIST OF TABLES

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 Regulation (EU) No 575/2013 ("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 to 455 CRR.

STATEMENT OF FINANCIAL POSITION

Table 1: Total assets

in € million	Jun 2020	Dec 2019
Cash reserves	843	1,424
Financial assets		
Held for trading	375	353
Fair value through profit or loss	811	740
Fair value through OCI	5,140	3,631
At amortized cost	42,135	37,556
Customers	31,372	30,467
Debt instruments	2,500	1,369
Credit institutions	8,263	5,720
Valuation adjustment on interest rate risk hedged portfolios	17	5
Hedging derivatives	423	397
Tangible non-current assets	501	707
Intangible non-current assets	555	569
Tax assets for current taxes	13	15
Tax assets for deferred taxes	7	8
Other assets	260	257
Non-current assets held for sale	198	–
Total assets	**51,278**	**45,662**

Table 2: Total liabilities and equity

in € million	Jun 2020	Dec 2019
Total liabilities	**47,319**	**41,834**
Financial liabilities		
Fair value through profit or loss	332	369
Held for trading	355	334
At amortized cost	43,504	38,543
Customers	30,249	30,378
Issued securities	5,277	5,080
Credit institutions	7,978	3,085
Financial liabilities associated with transferred assets	918	729
Valuation adjustment on interest rate risk hedged portfolios	387	337
Hedging derivatives	61	116
Provisions	457	480
Tax liabilities for current taxes	44	34
Tax liabilities for deferred taxes	78	54
Other obligations	1,183	838
Total equity	**3,959**	**3,828**
Common equity	3,657	3,527
AT1 capital	297	297
Non-controlling interests	4	4
Total liabilities and equity	**51,278**	**45,662**

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

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

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

30.06.2020 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	1,216	1,216	1,214
Of which: subscribed capital	88	88	88
Of which: capital reserve	1,128	1,128	1,126
Retained earnings	2,145	2,126	2,126
Accumulated other comprehensive income	(98)	(98)	(125)
Funds for general banking risk	9	9	9
Non-interim profit net of any foreseeable charge or dividend	61	48	–
Common Equity Tier 1 (CET1) before regulatory adjustments	3,333	3,301	3,224
Common Equity Tier 1 capital: regulatory adjustments			
Additional value adjustments (negative amount)	(7)	(8)	(8)
Intangible assets (net of related tax liability) (negative amount)	(478)	(478)	(495)
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)	(1)	(1)	(1)
Fair value reserves related to gains or losses on cash flow hedges	5	5	17
Negative amounts resulting from the calculation of expected loss amounts	(13)	(13)	(84)
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(1)	(1)	1
Direct and indirect positions by the institute in own instruments of CET1 (negative amount)	(28)	(28)	(24)
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	–	–	(2)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(523)	(524)	(596)
Common Equity Tier 1 (CET1) capital	2,810	2,777	2,628
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)

30.06.2020 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			
Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% theshold and net of eligible short positions) (negative amount)	–	–	(5)
Total regulatory adjustments to Additional Tier 1 (AT1) capital	–	–	(5)
Additional Tier 1 (AT1) capital	300	300	295
Tier 1 capital (T1 = CET1 + AT1)	3,110	3,077	2,923
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts	400	400	400
Tier 2 capital issued by entities and hold by third parties	71	71	76
Tier 2 (T2) capital before regulatory adjustments	471	471	476
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)	(25)	(25)	(25)
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	5	5	–
Total regulatory adjustments to Tier 2 (T2) capital	(20)	(20)	(25)
Tier 2 (T2) capital	451	451	451
Total capital (TC = T1 + T2)	3,562	3,528	3,375
Total risk weighted assets	n.a.	20,750	20,750

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)

30.06.2020 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.	13.4%	12.7%
Tier 1 (as a percentage of risk exposure amount)	n.a.	14.8%	14.1%
Total capital (as a percentage of risk exposure amount)	n.a.	17.0%	16.3%
Institution specific buffer requirement incl. SREP surcharge (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.	9.14%	9.14%
of which: capital conservation buffer requirement	n.a.	2.50%	2.50%
of which: countercyclical buffer requirement	n.a.	0.01%	0.01%
of which: systemic risk buffer requirement	n.a.	1.00%	1.00%
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	n.a.	1.00%	1.00%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	n.a.	8.9%	8.2%
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)	269	269	269
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)	79	79	79
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)	19	19	19
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)	5	5	–
Cap for inclusion of credit risk adjustments in T2 under internal-ratings-based approach	48	48	48

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 above table.

Regulatory own funds consist of Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2) capital. For the transitional period until the full application of the CRR–regulation, the guidelines of the FMA– Regulation No 425 (Austrian CRR Supplementary Regulation) have to be applied. Beside from the mentioned adjustments no further deductions were made. All regulatory adjustments are in accordance with the respective regulations in Articles 37, 47, 48, 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 and 56 CRR. The deductible item "intangible assets" consists of goodwills 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 on liabilities valued at fair value resulting from changes on own credit standing have to be fully deducted from CET1 under full application of CRR as well as during the transitional period. Gains or losses resulting from cash flow hedges are also excluded from own funds in accordance with Article 33 (1) (a) CRR. As long as the Total Comprehensive Income is positive (including expected dividend payouts according to dividend policy), the values as of 1 January 2020 of the Other Comprehensive Income (OCI) are used for the own funds calculation based on transitional rules.

Dividends in the amount of € 230 million and a prudential filter of € 100 million were deducted from retained earnings.

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. For regulatory adjustments of Tier 2 capital Article 66 of CRR is applied.

CAPITAL REQUIREMENTS

CAPITAL REQUIREMENTS

RWA UNDER IRB APPROACH

Art. 438 (c)–(f) CRR – EU OV1

Table 4: Overview of RWAs

			RWAs		Minimum capital requirements
			30.06.2020	31.12.2019	30.06.2020
	1	**Credit risk (excluding CCR)**	**17,980**	**17,724**	**1,439**
Article 438 (c)(d)	2	Of which the standardized approach	9,116	8,853	729
Article 438 (c)(d)	3	Of which the foundation IRB (FIRB) approach	6,372	6,374	510
Article 438 (c)(d)	4	Of which the advanced IRB (AIRB) approach	2,254	2,226	180
Article 438 (d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	238	272	19
Article 107 Article 438 (c)(d)	**6**	**CCR**	**327**	**219**	**26**
Article 438 (c)(d)	7	Of which mark to market	172	86	14
Article 438 (c)(d)	8	Of which original exposure	–	–	–
	9	Of which the standardized 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	15	11	1
Article 438 (c)(d)	12	Of which CVA	140	122	11
Article 438 (e)	13	Settlement risk	–	–	–
Article 438 (o)(i)	**14**	**Securitization exposures in the banking book (after the cap)**	**221**	**93**	**18**
	15	Of which IRB / SEC ERBA approach	221	93	18
	16	Of which IRB supervisory formula approach (SFA)	–	–	–
	17	Of which internal assessment approach (IAA)	–	–	–
	18	Of which standardized approach	–	–	–
Article 438 (e)	**19**	**Market risk**	**–**	**–**	**–**
	20	Of which the standardized approach	–	–	–
	21	Of which IMA	–	–	–
Article 438 (e)	22	Large exposures	–	–	–
Article 438 (f)	**23**	**Operational risk**	**2,024**	**1,983**	**162**
	24	Of which basic indicator approach	–	–	–
	25	Of which standardized approach	2,024	1,983	162
	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)**	**198**	**223**	**16**
Article 500	**28**	**Floor adjustment**	**–**	**–**	**–**
	29	**Total**	**20,750**	**20,241**	**1,661**

Art. 438 (d) CRR – EU CR8

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

30.06.2020 in € million	RWA amounts	Capital requirements
1 RWAs as at the end of the previous reporting period	**8,942**	**715**
2 Asset size	60	5
3 Asset quality	(54)	(4)
4 Model updates	12	1
5 Methodology and policy	(70)	(6)
6 Acquisitions and disposals	–	–
7 Foreign exchange movements	(26)	(2)
8 Other	–	–
9 RWAs as at the end of the reporting period	**8,864**	**709**

IRB PORTFOLIO SPECIALIZED LENDING EXPOSURES AND EQUITY EXPOSURES

Art. 438 last sentence CRR – EU CR10

Table 6: Specialized lending exposures

30.06.2020 in € million **Regulatory categories**	Remaining maturity	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWAs	Expected losses
Category 1	Less than 2.5 years	427	–	50%	427	204	–
	Equal or more than 2.5 years	2,597	159	70%	2,677	1,681	11
Category 2	Less than 2.5 years	527	–	70%	527	330	2
	Equal or more than 2.5 years	563	19	90%	572	495	5
Category 3	Less than 2.5 years	66	–	115%	66	68	2
	Equal or more than 2.5 years	172	19	115%	182	208	5
Category 4	Less than 2.5 years	–	–	250%	–	–	–
	Equal or more than 2.5 years	–	–	250%	–	–	–
Category 5	Less than 2.5 years	19	–	0%	19	–	9
	Equal or more than 2.5 years	–	–	0%	–	–	–
Total	Less than 2.5 years	1,040	–	–	1,039	602	13
	Equal or more than 2.5 years	3,331	197	–	3,431	2,384	21

Art. 438 last sentence CRR – EU CR10

Table 7: Equity exposures

30.06.2020 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	64	–	370%	64	238	2
Total	**64**	**–**	**–**	**64**	**238**	**2**

COUNTERPARTY DEFAULT RISK

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

Table 8: Analysis of CCR exposure by approach

30.06.2020 in € million		Replacement cost / current market value	Potential future credit exposure	EAD post CRM	RWAs
1	Mark to market	735	486	556	139
9	Financial collateral comprehensive method (for SFTs)	–	–	115	33
11	Total	735	486	671	172

Art. 439 point (e), (f) CRR – EU CCR2

Table 9: CVA capital charge

30.06.2020 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 standardized method	299	140
EU4	Based on the original exposure method	–	–
5	**Total subject to the CVA capital change**	**299**	**140**

Art. 439 (e) CRR – EU CCR5–A

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

30.06.2020 in € million	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1 Derivatives	2,156	849	1,307	665	642
2 SFTs	1,034	–	1,034	919	115
4 Total	**3,190**	**849**	**2,341**	**1,584**	**757**

Art. 439 (e) CRR – EU CCR5–B

Table 11: Composition of collateral for exposures to CCR

30.06.2020 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	293	390	47	39	918	–
Total	**293**	**390**	**47**	**39**	**918**	**–**

Art. 439 (e), (f) CRR – EU CCR8

Table 12: Exposures to CCPs

	30.06.2020 in € million	EAD post CRM	RWAs
1	**Exposures to QCCPs (total)**		**23**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	198	8
3	(i) OTC derivatives	185	7
4	(ii) Exchange-traded derivatives	–	–
5	(iii) SFT	13	1
6	(iv) Netting sets where cross-product netting has been approved	–	–
7	Segregated initial margin	102	
8	Non-segregated initial margin	–	–
9	Prefunded default fund contributions	1	15
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

30.06.2020 in € million	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notionals	–	–	–
Other credit derivatives (CLN)	–	31	–
Total notionals	**–**	**31**	**–**

CDS serve as hedges for part of the bank's securities, synthetic securities (CDS sell positions) and loan portfolio. As of 30 June 2020 the bank had no single CDS in the portfolio. The shown notional of 31 million € concern a credit linked note. The CLN is measured at full fair value as a security, hence there is no seperate fair value for the embedded cds sell.

CREDIT RISK AND DILUTION RISK

BREAKDOWN OF EXPOSURE VALUES BY BUSINESS SEGMENTS AND CHARGES FOR GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS

Art. 442 point (g) CRR – EU CR1–A

Table 14: Credit quality of exposures by exposure class and instrument

30.06.2020 in € million		Gross carrying value of					
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values (a+b-c-d-e)
3	Corporates	114	10,830	72	6	43	10,867
4	of which: Specialised lending	19	4,549	14	–	8	4,554
5	of which: SMEs	18	621	6	–	2	634
6	Retail	258	11,945	129	26	112	12,047
7	Secured by real estate property	98	6,272	34	–	7	6,337
8	SMEs	22	322	4	–	1	340
9	Non-SMEs	76	5,951	31	–	6	5,997
10	Qualifying revolving	28	3,373	21	6	10	3,375
11	Other Retail	131	2,300	74	21	95	2,336
12	SMEs	16	189	11	1	2	192
13	Non-SMEs	116	2,111	63	20	93	2,144
14	Equity	–	64	–	–	–	64
15	**Total IRB approach**	**373**	**22,839**	**201**	**32**	**155**	**22,978**
16	Central governments or central banks	–	9,066	–	–	–	9,066
17	Regional governments or local authorities	–	2,699	–	–	–	2,699
18	Public sector entities	–	2,168	–	–	–	2,167
19	Multilateral development banks	–	–	–	–	–	–
20	International organisations	–	–	–	–	–	–
21	Institutions	–	4,567	8	–	4	4,559
22	Corporates	–	2,305	22	–	16	2,283
23	of which: SMEs	–	905	9	–	6	897
24	Retail	–	5,678	21	–	18	5,657
25	of which: SMEs	–	1,290	6	–	7	1,284
26	Secured by mortgages on immovable property	–	3,812	–	–	–	3,812
27	of which: SMEs	–	601	–	–	–	601
28	Exposures in default	601	–	212	4	35	385
29	Items associated with particularly high risk	–	43	1	–	–	41
30	Covered bonds	–	788	1	–	–	786
31	Claims on institutions and corporates with a short-term credit assessment	–	–	–	–	–	–
32	Collective investments undertakings	–	1,003	20	1	4	983
33	Equity exposures	–	366	–	–	–	366
34	Other exposures	–	783	–	–	–	783
35	**Total standardized approach**	**601**	**33,277**	**286**	**5**	**79**	**33,587**
36	**Total**	**973**	**56,116**	**487**	**37**	**234**	**56,565**
37	Of which: Loans	960	41,079	475	37	234	41,527
38	Of which: Debt securities	–	6,471	12	–	–	6,459
39	Of which: Off-balance-sheet exposures	13	8,566	–	–	–	8,579

Art. 442 point (g) CRR – EU CR1–B

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

30.06.2020 in € million		Gross carrying value of					
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
1	Agriculture, forestry and fishing	10	229	4	–	1	236
2	Mining and quarrying	26	224	16	–	10	234
3	Manufacturing	64	1,561	38	6	14	1,581
4	Electricity, gas, steam and air conditioning supply	12	341	8	–	1	344
5	Water supply	–	48	–	–	–	48
6	Construction	40	415	11	–	2	444
7	Wholesale and retail trade	35	1,243	22	–	11	1,255
8	Transport and storage	8	439	6	–	2	442
9	Accommodation and food service activities	13	382	6	–	2	388
10	Information and communication	3	916	8	–	4	911
11	Finance and Insurance	17	16,042	26	2	17	16,031
12	Real estate activities	51	6,783	16	–	6	6,818
13	Professional, scientific and technical activities	12	473	11	–	81	474
14	Administrative and support service activities	23	814	14	–	2	823
15	Public administration and defence, compulsory social security	285	5,452	130	–	3	5,607
16	Education	4	39	–	–	–	42
17	Human health services and social work activities	7	483	2	–	2	489
18	Arts, entertainment and recreation	1	66	1	–	–	66
19	Other services	9	322	8	–	–	323
20	Private Households	352	19,846	161	27	75	20,009
21	Others	–	1	–	–	–	1
22	**Total**	973	56,116	487	37	234	56,565

Art. 442 point (h) CRR – EU CR1–C

Table 16: Credit quality of exposures by geography

30.06.2020 in € million		Gross carrying value of					
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
1	EU	918	50,942	438	37	199	51,385
2	of which: Austria	650	33,409	307	32	132	33,720
3	of which: Germany	199	7,453	85	4	47	7,564
4	of which: Great Britain	65	2,810	14	1	9	2,860
5	of which: France	1	1,518	21	1	5	1,497
6	of which: Spain	–	1,347	3	–	–	1,344
7	Rest Europe	5	661	2	–	2	665
8	North America	49	4,274	45	–	33	4,277
9	Asia	–	170	1	–	–	169
10	Others	–	70	–	–	–	70
	Total	973	56,116	487	37	234	56,565

PAST–DUE, NON–PERFORMING AND FORBORNE EXPOSURES

Art. 443 (c) CRR – EU CQ1

Table 17: Credit quality of forborne exposures

30.06.2020 in € million		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		Performing forborne	Nonperforming forborne			On performing forborne exposures	On non-performing forborne exposures		
				of which: defaulted	of which: impaired				
1	Loans and advances	342	192	154	154	(8)	(39)	147	73
2	Central banks	–	–	–	–	–	–	–	–
3	General governments	1	–	–	–	–	–	–	–
4	Credit institutions	–	–	–	–	–	–	–	–
5	Other fin corporations	67	2	1	1	–	–	1	1
6	Non-fin corporations	151	75	68	68	(7)	(28)	4	3
7	Households	123	115	85	85	(1)	(11)	142	69
8	Debt securities	–	–	–	–	–	–	–	–
9	Loan commitments given	1	1	1	–	–	–	–	–
10	Total	343	193	155	155	(8)	(39)	147	73

Art. 442 point (g), (i) CRR – EU CQ3

Table 18: Credit quality of performing and non-performing exposures by past due days

30.06.2020 in € million		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due <=30 days	Past due > 30 days <=90 days		UTP that are not past due or are past due <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year <= 2 years	Past due > 2 years <= 5 years	Past due > 5 years <= 7 years	Past due > 7 years	Of which defaulted
1	**Loans and advances**	39,226	39,021	204	911	334	62	62	66	63	37	288	827
2	Central banks	8,036	8,036	–	–	–	–	–	–	–	–	–	–
3	General governments	3,421	3,418	2	–	–	–	–	–	–	–	–	–
4	Credit institutions	635	635	–	–	–	–	–	–	–	–	–	–
5	Other fin corporations	1,846	1,838	8	10	8	–	1	–	–	1	–	5
6	Non-fin corporations	11,033	10,988	46	515	135	22	18	25	22	24	269	480
7	of which SMEs	1,662	1,629	33	113	56	14	11	8	14	4	6	89
8	Households	14,254	14,106	148	386	191	39	43	40	40	13	19	342
9	**Debt securities**	8,499	8,499	–	–	–	–	–	–	–	–	–	–
10	Central banks	–	–	–	–	–	–	–	–	–	–	–	–
11	General governments	606	606	–	–	–	–	–	–	–	–	–	–
12	Credit institutions	3,517	3,517	–	–	–	–	–	–	–	–	–	–
13	Other fin corporations	3,264	3,264	–	–	–	–	–	–	–	–	–	–
14	Non-fin corporations	1,112	112	–	–	–	–	–	–	–	–	–	–
15	**Off-balance-sheet exposures**	7,499			12								12
16	Central banks	–			–								–
17	General governments	522			–								–
18	Credit institutions	128			–								–
19	Other fin corporations	236			–								–
20	Non-fin corporations	1,119			8								8
21	Households	5,494			4								4
22	**Total**	55,224	47,521	204	923	334	62	62	66	63	37	288	839

Art. 442 (c) CRR – EU CR1

Table 19: Performing and non-performing exposures and related provisions

30.06.2020 in € million		Gross carrying amount/nominal amount of exposures with forbearance measures						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received on forborne exposures	
		Performing forborne			Non-performing forborne			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated impairment and provisions				On perfor-ming expo-sures	On non-perfor-ming expo-sures
			Stage 1	Stage 2		Stage 2	Stage 3		Stage 1	Stage 2		Stage 2	Stage 3			
1	Loans and advances	343	37	305	192	22	171	(8)	(6)	(2)	(39)	–	(39)	(1)	74	73
2	Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3	General governments	1	–	1	–	–	–	–	–	–	–	–	–	–	–	–
4	Credit institutions	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	Other fin corporations	68	10	57	1	1	2	–	–	–	–	–	–	–	–	1
6	Non-fin corporations	151	27	124	75	–	76	(7)	(6)	(1)	(28)	–	(28)	–	1	3
7	of which SMEs	4	4	1	7	5	2	–	–	–	(1)	–	(1)	–	1	1
8	Households	123	–	123	116	22	94	(1)	–	(1)	(11)	–	(11)	(1)	73	69
9	Debt securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11	General governments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12	Credit institutions	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13	Other fin corporations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14	Non-fin corporations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15	Off-balance-sheet exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
16	Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
17	General governments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
18	Credit institutions	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
19	Other fin corporations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
20	Non-fin corporations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
21	Households	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
22	Total	343	37	305	198	22	171	(8)	(6)	(2)	(39)	–	(39)	(1)	74	73

Art. 442 (c) CRR – EU CQ7

Table 20: Collateral obtained by taking possession and execution processes

30.06.2020 in € million		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	–	–
2	Other than PP&E	21	–
3	Residential immovable property	–	–
4	Commercial Immovable property	21	–
5	Movable property (auto, shipping, etc.)	–	–
6	Equity and debt instruments	–	–
7	Other	–	–
8	Total	21	–

Art. 442 (i) CRR – EU CR2–B

Table 21: Changes in the stock of defaulted and impaired loans and debt securities

30.06.2020 in € million	Gross carrying value defaulted exposures
1 Opening balance	1,004
2 Loans and debt securities that have defaulted or impaired since the last reporting period	74
3 Return to non-defaulted status	(16)
4 Amounts written off	(37)
5 Other changes	(52)
6 Closing balance	973

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

Table 22: Changes in the stock of general and specific credit risk adjustments

30.06.2020 in € million		Accumulated specific credit risk adjustment
1	**Opening balance**	**389**
2	Increases due to amounts set aside for estimated loan losses during the period	234
3	Decreases due to amounts reversed for estimated loan losses during the period	(114)
4	Decreases due to amounts taken against accumulated credit risk adjustments	(58)
5	Transfers between credit risk adjustments	–
6	Impact of exchange rate differences	–
7	Business combinations, including acquisitions and disposals of subsidiaries	–
8	Other adjustments	(16)
9	**Closing balance**	**468**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	–
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	–

STANDARDIZED APPROACH TO CREDIT RISK

Art. 444 point (e) CRR – EU CR5

Table 23: Standardized approach (1/2)

30.06.2020 in € million		Risk weight						
Exposure class		0%	10%	20%	35%	50%	70%	75%
1	Central governments or central banks	9,270	–	–	–	–	–	–
2	Regional governments or local authorities	3,411	–	10	–	–	–	–
3	Public sector entities	18	–	1,127	–	–	–	–
4	Multilateral development banks	–	–	–	–	–	–	–
5	International organizations	–	–	–	–	–	–	–
6	Institutions	–	–	1,230	–	3,030	–	–
7	Corporates	1	–	4	–	12	3	–
8	Retail	1	–	–	–	–	–	2,796
9	Secured by mortgages on immovable property	–	–	–	3,417	374	–	–
10	Exposures in default	–	–	–	–	–	–	–
11	Higher-risk categories	–	–	–	–	–	–	–
12	Covered bonds	–	771	15	–	–	–	–
13	Institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–
14	Collective investment undertakings	–	–	–	–	–	–	–
15	Equity	15	–	–	–	–	–	–
16	Other items	489	–	–	–	–	–	–
17	**Total**	13,205	771	2,386	3,417	3,416	3	2,796

Table 23: Standardized approach (2/2)

30.06.2020 in € million		Risk weight					Total	Of which unrated
	Exposure class	100%	150%	250%	Others	Deducted		
1	Central governments or central banks	–	–	19	–	–	9,289	9,251
2	Regional governments or local authorities	–	–	–	–	–	3,421	3,347
3	Public sector entities	–	–	–	–	–	1,145	1,146
4	Multilateral development banks	–	–	–	–	–	–	–
5	International organizations	–	–	–	–	–	–	–
6	Institutions	78	–	–	–	–	4,338	2,388
7	Corporates	1,897	–	–	–	–	1,917	1,895
8	Retail	–	–	–	–	–	2,797	2,797
9	Secured by mortgages on immovable property	–	–	–	–	–	3,791	3,792
10	Exposures in default	285	96	–	–	–	381	381
11	Higher-risk categories	–	27	–	–	–	27	27
12	Covered bonds	–	–	–	–	–	786	35
13	Institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–
14	Collective investment undertakings	158	–	–	824	–	982	982
15	Equity	272	–	79	–	–	366	366
16	Other items	287	7	–	–	–	783	783
17	**Total**	2,978	130	98	824	–	30,024	27,186

Art. 444 point (e) CRR – EU CCR3

Table 24: Standardized approach – CCR exposures by regulatory portfolio and risk

30.06.2020 in € million		Risk weight						Total	Of which unrated
	Exposure class	0%	4%	20%	50%	75%	100%		
2	Regional governments or local authorities	57	–	–	–	–	–	57	57
3	Public sector entities	–	–	9	–	–	–	9	9
6	Institutions	–	198	185	183	–	–	566	398
7	Corporates	–	–	–	–		32	32	32
8	Retail	–	–	–	–	1	–	1	1
18	**Total**	57	198	194	183	1	32	665	497

LEVERAGE RATIO

Art. 451 (1)

Table 25: Summary reconciliation of accounting assets and leverage ratio exposures

30.06.2020 in € million	Applicable Amounts incl. transitional rules acc. to CRR	 Fully loaded acc. to CRR
Total assets as per published financial statements	51,278	51,278
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(93)	(93)
Adjustments for derivative financial instruments	(214)	(214)
Adjustments for securities financing transactions	–	–
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,468	1,468
Other adjustments	(567)	(567)
Leverage ratio exposure	**51,872**	**51,872**

Table 26: Leverage ratio

30.06.2020 in € million	Applicable Amounts incl. transitional rules acc. to CRR	 Fully loaded acc. to CRR
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	50,381	50,381
Asset amounts deducted in determining Tier 1 capital	(582)	(582)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**49,799**	**49,799**
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	102	102
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	487	487
Deductions of receivables assets for cash variation margin provided in derivatives transactions	(39)	(39)
Total derivative exposures	**550**	**550**
Counterparty credit risk exposure for SFT assets	55	55
Total securities financing transaction exposures	**55**	**55**
Off-balance sheet exposures at gross notional amount	8,569	8,569
Adjustments for conversion to credit equivalent amounts	7,101	7,101
Total off-balance sheet exposures	**1,468**	**1,468**
Tier 1 capital	**2,923**	**2,923**
Total leverage ratio exposures	**51,872**	**51,872**
Leverage Ratio	**5.64%**	**5.64%**

Table 27: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

30.06.2020 in € million	Applicable Amounts incl. transitional rules acc. to CRR	 Fully loaded acc. to CRR
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	50,381	50,381
Trading book exposures	–	–
Banking book exposures, of which:	50,381	50,381
Covered bonds	786	786
Exposures treated as sovereigns	10,899	10,899
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	1,651	1,651
Institutions	4,453	4,453
Secured by mortgages of immovable properties	10,907	10,907
Retail exposures	5,874	5,874
Corporate	10,633	10,633
Exposures in default	597	597
Other exposures (e.g. equity, securitizations, and other non-credit obligation assets)	4,581	4,581

QUANTITATIVE DISCLOSURE USING THE INTERNAL RATINGS BASED APPROACH

EXPOSURES TO CORPORATES

Art. 452 points (d)–(g) CRR – EU CR6

Table 28: Exposures to small and medium–sized enterprises and corporates (1/2)

30.06.2020 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
Small and medium-sized enterprises	0.00 to <0.15	305	16	30.9 %	182	0.1 %	144
	0.15 to <0.25	11	9	38.3 %	11	0.2 %	26
	0.25 to <0.50	20	3	45.5 %	17	0.4 %	31
	0.75 to <2.50	121	29	30.5 %	123	1.9 %	176
	2.50 to <10.00	54	17	37.5 %	58	5.7 %	86
	10.00 to <100.00	30	5	40.8 %	30	19.6 %	165
	100.00 (Default)	18	1	43.7%	18	100.0 %	33
	Subtotal	**560**	**80**	**34.2%**	**441**	**5.1%**	**661**
Corporates	0.00 to <0.15	2,043	295	8.0 %	1,824	0.1 %	173
	0.15 to <0.25	700	46	28.1 %	708	0.2 %	49
	0.25 to <0.50	856	215	32.8 %	917	0.4 %	57
	0.50 to <0.75	426	33	23.0 %	433	0.6 %	33
	0.75 to <2.50	995	19	22.7 %	987	1.3 %	86
	2.50 to <10.00	27	4	29.1 %	25	4.4 %	21
	10.00 to <100.00	1	1	38.5 %	1	20.9 %	39
	100.00 (Default)	70	2	25.0 %	70	100.0 %	23
	Subtotal	**5,118**	**616**	**19.7%**	**4,966**	**1.7%**	**481**
Total (Corporates)		5,678	695	**26.9%**	**5,407**	**2.0%**	**1,142**

Table 28: Exposures to small and medium–sized enterprises and corporates (2/2)

30.06.2020 in € million	PD scale	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Small and medium-sized enterprises	0.00 to <0.15	38.6 %	2.5	28	15.3%	–	–
	0.15 to <0.25	42.5 %	2.5	3	30.1%	–	–
	0.25 to <0.50	31.1 %	2.5	5	31.4%	–	–
	0.75 to <2.50	38.0 %	2.5	72	58.5%	1	1
	2.50 to <10.00	38.1 %	2.5	49	84.0%	1	1
	10.00 to <100.00	36.8 %	2.5	37	120.9%	2	1
	100.00 (Default)	38.3 %	2.5	–	–	7	3
	Subtotal	**38.1%**	**2.5**	**194**	**44.1%**	**11**	**6**
Corporates	0.00 to <0.15	41.8 %	2.5	451	24.7%	–	2
	0.15 to <0.25	44.8 %	2.5	337	47.6%	1	2
	0.25 to <0.50	44.4 %	2.5	589	64.2%	2	5
	0.50 to <0.75	44.7 %	2.5	345	79.6%	1	4
	0.75 to <2.50	43.2 %	2.5	1,004	101.8%	6	13
	2.50 to <10.00	43.2 %	2.5	38	149.0%	–	1
	10.00 to <100.00	45.0 %	2.5	3	244.5%	–	–
	100.00 (Default)	44.6 %	2.5	–	–	31	26
	Subtotal	**43.3%**	**2.5**	**2,767**	**55.7%**	41	**53**
Total (Corporates)		**42.9%**	**2.5**	**2,961**	**54.8%**	53	**58**

EXPOSURES TO RETAILS

Table 29: Exposures secured by real estate, qualifying revolving and other retail (1/2)

30.06.2020 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	1,182	41	49.3 %	1,202	0.1 %	8,484
	0.15 to <0.25	559	18	48.9 %	567	0.2 %	3,628
	0.25 to <0.50	1,140	41	49.7 %	1,161	0.4 %	7,400
	0.50 to <0.75	1,073	48	48.7 %	1,096	0.6 %	7,277
	0.75 to <2.50	1,591	75	46.5 %	1,626	1.5 %	10,293
	2.50 to <10.00	315	17	34.6 %	321	5.7 %	1,890
	10.00 to <100.00	166	7	44.8 %	169	26.0 %	1,026
	100.00 (Default)	96	2	238.4 %	101	100.0 %	649
	Subtotal	**6,122**	**249**	**48.7%**	**6,243**	**3.2%**	**40,647**
Qualified revolving retail exposures	0.00 to <0.15	44	1,369	34.1 %	510	0.1 %	337,499
	0.15 to <0.25	15	299	34.3 %	118	0.2 %	79,787
	0.25 to <0.50	15	486	36.3 %	192	0.4 %	134,671
	0.50 to <0.75	46	448	27.0 %	168	0.6 %	113,068
	0.75 to <2.50	171	371	33.0 %	301	1.5 %	150,453
	2.50 to <10.00	45	33	41.8 %	63	5.3 %	29,624
	10.00 to <100.00	19	13	64.9 %	32	27.9 %	55,477
	100.00 (Default)	21	2	126.4 %	23	100.0 %	16,025
	Subtotal	376	3,020	**33.5%**	**1,407**	**1.5%**	**916,565**
Other retail exposures	0.00 to <0.15	244	19	43.1 %	253	0.1 %	18,105
	0.15 to <0.25	144	13	43.4 %	149	0.2 %	11,113
	0.25 to <0.50	171	22	44.2 %	180	0.4 %	13,053
	0.50 to <0.75	309	26	43.1 %	321	0.6 %	22,820
	0.75 to <2.50	869	46	27.7 %	882	1.7 %	83,848
	2.50 to <10.00	290	30	10.0 %	293	5.7 %	23,290
	10.00 to <100.00	106	11	16.8 %	109	24.1 %	9,536
	100.00 (Default)	110	1	170.3 %	112	100.0 %	7,782
	Subtotal	2,242	168	**32.3%**	2,299	**7.3%**	**189,547**
Total (Retail)		8,740	3,437	**38.2%**	9,949	**3.4%**	**1,146,798**

Table 29: Exposures secured by real estate, qualifying revolving and other retail (2/2)

30.06.2020 in € million	PD scale	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Exposures secured by real estate	0.00 to <0.15	9.7 %	2.5	30	2.5%	–	–
	0.15 to <0.25	10.8 %	2.5	29	5.0%	–	–
	0.25 to <0.50	11.1 %	2.5	92	7.9%	1	–
	0.50 to <0.75	10.8 %	2.5	115	10.5%	1	–
	0.75 to <2.50	11.0 %	2.5	300	18.5%	3	1
	2.50 to <10.00	10.8 %	2.5	120	37.5%	2	1
	10.00 to <100.00	11.5 %	2.5	105	62.2%	5	6
	100.00 (Default)	18.3 %	2.5	–	–	18	11
	Subtotal	**10.8%**	**2.5**	**791**	**12.7%**	30	**20**
Qualified revolving retail exposures	0.00 to <0.15	57.9 %	2.5	19	3.7%	–	1
	0.15 to <0.25	65.6 %	2.5	10	8.3%	–	–
	0.25 to <0.50	71.0 %	2.5	27	14.3%	1	–
	0.50 to <0.75	69.3 %	2.5	33	19.8%	1	1
	0.75 to <2.50	68.0 %	2.5	116	38.5%	3	2
	2.50 to <10.00	67.0 %	2.5	56	89.0%	2	1
	10.00 to <100.00	61.6 %	2.5	58	180.1%	6	2
	100.00 (Default)	81.8 %	2.5	–	–	19	13
	Subtotal	**64.8%**	**2.5**	**319**	**22.7%**	**32**	**20**
Other retail exposures	0.00 to <0.15	39.6 %	2.5	27	10.7%	–	–
	0.15 to <0.25	39.8 %	2.5	28	18.7%	–	–
	0.25 to <0.50	39.5 %	2.5	48	26.7%	–	–
	0.50 to <0.75	39.2 %	2.5	109	33.9%	1	–
	0.75 to <2.50	40.4 %	2.5	445	50.5%	6	5
	2.50 to <10.00	41.1 %	2.5	183	62.2%	7	6
	10.00 to <100.00	41.2 %	2.5	102	93.3%	11	7
	100.00 (Default)	50.1 %	2.5	–	–	56	52
	Subtotal	**40.7%**	**2.5**	**941**	**40.9%**	**81**	**70**
Total (Retail)		**25.3%**	**2.5**	**2,052**	**20.6%**	**143**	**110**

CCR EXPOSURES

Art. 452 (e) CRR – EU CCR4

Table 30: IRB approach – CCR exposures by portfolio and PD scale

30.06.2020 in € million	PD scale	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Corporates	0.00 to <0.15	–	–	–	–	–	–	–
	0.15 to <0.25	–	–	–	–	–	–	–
	0.25 to <0.50	2	0.4%	3	45.0%	2.5	1	33.1%
	0.50 to <0.75	–	–	–	–	–	–	–
	0.75 to <2.50	–	–	–	–	–	–	–
	2.50 to <10.00	–	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–
	Total	2	**0.4%**	**3**	**45.0%**	**2.5**	1	**33.1%**
Total (Corporates)		2	**0.4%**	**3**	**45.0%**	**2.5**	1	**33.1%**

CRM TECHNIQUES

Art. 453 (f), (g) CRR – EU CR3

Table 31: CRM techniques – overview

30.06.2020 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	40,698	14,325	12,636	1,987	–
2 Total debt securities	–	–	–	–	–
3 Total exposures	**40,698**	**14,325**	**12,636**	**1,987**	**–**
4 Of which defaulted	446	228	202	1	–

Art. 453 (f), (g) CRR – EU CR4

Table 32: Standardized approach – credit risk exposure and CRM effects

30.06.2020 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	8,533	533	9,249	41	49	0.5%
Exposures to regional governments or local authorities	2,365	334	3,304	117	2	0.1%
Exposures to public-sector entities, administrative bodies and non-commercial undertakings	1,651	516	1,137	8	225	19.7%
Multilateral development banks	–	–	–	–	–	–
International organisations	–	–	–	–	–	–
Exposures to institutions	4,453	106	4,328	10	1,839	42.4%
Exposures to corporates	1,832	451	1,807	110	1,753	91.5%
Retail exposures	3,412	2,245	2,725	72	1,915	68.5%
Exposures secured by mortgages on immovable property	3,774	38	3,774	17	1,332	35.1%
Exposures in default	379	6	379	2	429	112.6%
Higher-risk categories	24	17	25	2	40	150.0%
Covered bonds	786	–	786	–	80	10.2%
Institutions and corporates with a short-term credit assessment	–	–	–	–	–	–
Exposures in the form of units or shares in collective investment undertakings ("CIUs") - Look Through	982	2	982	1	883	89.9%
Equity exposures	366	–	366	–	469	128.4%
Other items	783	–	783	–	298	38.0%
Total	29,342	4,246	29,645	379	9,314	**31.0%**

COVID-19 RELATED DISCLOSURE

Table 33: Information on loans and advances subject to legislative and non-legislative moratoria (1/2)

30.06.2020 in € million		Gross carrying amount						
			Performing			Non performing		
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
1	**Loans and advances subject to moratorium**	**465**	**419**	**23**	**–**	**46**	**28**	**11**
2	of which: Households	423	377	14	–	46	28	11
3	of which: Collateralised by residential immovable property	377	334	11	–	43	25	10
4	of which: Non-financial corporations	42	42	9	–	–	–	–
5	of which: Small and Medium-sized Enterprises	1	1	–	–	–	–	–
6	of which: Collateralised by commercial immovable property	21	21	9	–	–	–	–

Table 33: Information on loans and advances subject to legislative and non-legislative moratoria (2/2)

30.06.2020 in € million		Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non performing			
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	**Loans and advances subject to moratorium**	**(3)**	**(1)**	**–**	**–**	**(2)**	**(1)**	**(1)**	**5**
2	of which: Households	(3)	(1)	–	–	(2)	(1)	(1)	5
3	of which: Collateralised by residential immovable property	(1)	–	–	–	(1)	–	(1)	4
4	of which: Non-financial corporations	–	–	–	–	–	–	–	–
5	of which: Small and Medium-sized Enterprises	–	–	–	–	–	–	–	–
6	of which: Collateralised by com-mmercial immovable property	–	–	–	–	–	–	–	–

Table 34: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

30.06.2020 in € million		Number of obligors	Gross carrying amount							
				Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances of which moratorium was offered	13,771	1,150							
2	Loans and advances subject to moratorium (granted)	12,858	1,060	740	595	387	62	1	–	15
3	of which: Households		997	677	573	384	39	–	–	–
4	of which: Collateralised by residential immovable property		741	435	364	354	22	–	–	–
5	of which: Non-financial corporations		62	62	20	4	23	–	–	15
6	of which: Small and Medium-sized Enterprises		13	13	13	1	–	–	–	–
7	of which: Collateralised by commercial immovable property		32	32	11	–	20	–	–	–

Table 35: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

30.06.2020 in € million		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	Newly originated loans and advances subject to public guarantee schemes	47	–	–	–
2	of which: Households	14			–
3	of which: Collateralised by residential immovable property	–			–
4	of which: Non-financial corporations	33	–	–	–
5	of which: Small and Medium-sized Enterprises	22			–
6	of which: Collateralised by commercial immovable property	–			–

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