BAWAG Group

CONSOLIDATED INTERIM REPORT

Q3 2017

KEY FIGURES

Profit or loss statement (in EUR million)	**Q3 2017**	Q3 2016	Change (%)	**Jan–Sep 2017**	Jan–Sep 2016	Change (%)
Net interest income	198.0	176.1	12.4	593.5	552.3	7.5
Net fee and commission income	44.8	43.1	3.9	150.8	146.1	3.2
Core revenues	**242.8**	**219.2**	**10.8**	**744.3**	**698.4**	**6.6**
Gains and losses on financial instruments and other operating income and expenses	9.3	18.9	(50.8)	29.0	44.7	(35.1)
Operating income	**252.1**	**238.1**	**5.9**	**773.3**	**743.1**	**4.1**
Operating expenses	**(102.8)**	**(102.9)**	**(0.1)**	**(320.4)**	**(318.1)**	**0.7**
Regulatory charges	(1.7)	(5.9)	(71.2)	(29.8)	(39.8)	(25.1)
Total risk costs	(17.0)	(9.0)	88.9	(43.7)	(24.9)	75.5
Profit before tax	**131.8**	**122.2**	**7.9**	**382.4**	**366.5**	**4.3**
Income taxes	(31.2)	(25.9)	20.5	(78.3)	13.5	–
Net profit	**100.5**	**96.3**	**4.4**	**304.0**	**379.8**	**(20.0)**

Performance ratios (figures annualized)	**Q3 2017**	Q3 2016	Change (pts)	**Jan–Sep 2017**	Jan–Sep 2016	Change (pts)
Return on equity	11.9%	13.0%	(1.1)	12.4%	16.9%	(4.5)
Return on equity (@12% CET1)	**14.9%**	**15.3%**	**(0.4)**	**14.8%**	**18.7%**	**(3.9)**
Return on tangible equity	13.4%	14.6%	(1.2)	14.0%	19.0%	(5.0)
Return on tangible equity (@12% CET1)	**17.3%**	**17.7%**	**(0.4)**	**17.1%**	**21.3%**	**(4.2)**
Net interest margin	2.29%	2.30%	(0.01)	2.25%	2.35%	(0.10)
Cost-income ratio	40.8%	43.2%	(2.4)	41.4%	42.8%	(1.4)
Risk costs / loans and receivables	0.22%	0.14%	0.08	0.19%	0.12%	0.07

Statement of financial position (in EUR million)	**Sep 2017**	Dec 2016	Change (%)	Sep 2016	Change (%)
Total assets	38,350	39,743	(3.5)	34,397	11.5
Financial assets	5,788	6,416	(9.8)	6,169	(6.2)
Customer loans and receivables	27,528	28,494	(3.4)	23,915	15.1
Customer deposits	24,671	25,998	(5.1)	22,722	8.6
Own issues	5,698	6,015	(5.3)	4,712	20.9
IFRS equity (after dividend)	3,395	3,134	8.3	3,027	12.2
IFRS tangible equity (after dividend)	3,016	2,773	8.8	2,690	12.1
Risk-weighted assets	17,812	19,044	(6.5)	16,643	7.0

Balance sheet ratios	**Sep 2017**	Dec 2016	Change (pts)	Sep 2016	Change (pts)
Common Equity Tier 1 capital ratio (fully loaded)	**16.2%**	**13.6%**	**2.6**	**15.1%**	**1.1**
Leverage ratio (fully loaded)	7.5%	6.4%	1.1	7.3%	0.2
Liquidity coverage ratio (LCR)	127%	138%	(11)	125%	2
NPL ratio	2.0%	1.7%	0.3	1.9%	0.1

Note: For details on definitions and calculation methodology, please refer to the section entitled “Definitions” on page 71.

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LETTER FROM THE CEO

Dear Stakeholders,

The past few months have been transformative. On October 25, 2017, BAWAG Group listed on the Vienna Stock Exchange and opened a new chapter in our long and rich 130-year history. The **IPO** was the largest in Austria's history and represents a turning point for the Bank as we transition from private to public ownership. I want to thank all involved for their tremendous efforts in making this a reality, recognizing in particular our amazing team at the Bank for their commitment and dedication. I also want to extend a special thanks to our shareholders, both old and new, for their trust, confidence and faith in our organization and future. We are now fully focused on continuing our successful journey as a public company, which means continuing to deliver value to our customers and shareholders. We will continue to execute on a variety of operational and strategic initiatives during the fourth quarter 2017. Our focus remains on driving operational excellence and profitable growth.

With that, I'd like to draw your attention to the **strong results in the first three quarters 2017**. Profit before tax came in at EUR 382 million, up 4% compared to the first three quarters 2016, with the highest reported quarterly profit before tax ever in the third quarter. This increase was primarily driven by higher core revenues and flat operating expenses, despite integration costs from acquisitions completed in the fourth quarter 2016. For comparison purposes, we focus on pre-tax profit in our reporting, as net profit during 2016 was significantly impacted by a one-time net tax benefit. We expect our deferred tax assets on tax loss carryforwards to be fully absorbed over the course of the next 12–18 months.

With a return on tangible equity (@12% CET1) of 17.1%, a cost-income ratio of 41.4% and a fully loaded CET1 ratio of 16.2%, BAWAG Group ranks amongst the most profitable, efficient and best capitalized banks across Europe. We continue to maintain a conservative risk profile characterized by disciplined underwriting, low leverage and a business model focused on developed markets in Austria and Western Europe. This is best reflected in a risk cost ratio of 19 basis points and an NPL ratio of 2.0% (excluding the legal case with the City of Linz: 1.3%). At the same time, we further strengthened our capital position during the first three quarters 2017, improving our fully loaded CET1 ratio to 16.2% (up 260 basis points) compared to year-end 2016.

Our strong first three quarters 2017 were also characterized by solid operational developments. The **BAWAG P.S.K. Retail** segment recorded new originations of EUR 1 billion, driven primarily by consumer and housing loans. In addition to growing our consumer loan franchise and further optimizing our product mix, we continued to make progress in transforming to digital and driving transactional productivity. Compared to the first three quarters 2016, the number of online payment transactions increased by 8% and the share of online transactions via our mobile apps increased by 60%. During the same period, the number of over-the-counter transactions decreased by 13%, reflecting the continued significant shift in customer behavior that we have observed over the past few years. Our complete line of products offered through digital channels makes us a leader in the marketplace, and we continue to enhance our customer experience across all of our distribution channels. Our efforts are clearly being rewarded with increasing usage by our customers. As an example, 66% of all logins to our eBanking come from mobile devices, up 8 points from September 2016.

On November 9, 2017, we gave notice to Austrian Post, our partner in operating a joint branch network across Austria, to terminate our cooperation agreement. The termination will become effective as of December 31, 2020, unless both parties agree on an earlier termination. Adapting to changing customer behavior, we target, over the mid-term, a smaller but more efficient stand-alone network of approximately 100 branches with larger advisory teams, supported by mobile sales teams and high-quality digital platforms. This approach significantly reduces network costs, creates more productive customer-centric branches and allows us to further invest in the overall customer experience.

easygroup, comprising *easybank*, one of the leading direct banks in Austria, our auto and mobile leasing business, and our residential mortgage portfolios in Western Europe, further increased its customer base and executed on several strategic initiatives. The integration of our auto leasing platforms, together with various strategic partnerships, provides easygroup with yet another platform to expand its market presence, brand awareness and best-in-class service offering to a range of new customers and segments. During the first three quarters 2017, we recorded strong originations of EUR 339 million, comprised primarily of auto leases, consumer loans and mortgages.

We have created a highly efficient, customer-focused organization with the new *easyleasing* brand as our "one brand and one face" to the leasing market in Austria. In October 2017, we completed the acquisition of the commercial card issuing business of SIX Payment Services Austria, better known as PayLife. This acquisition enables us to expedite our growth plans, adding over half a million new customers to the segment as well as making *easybank* a leading credit card issuer in Austria. Integrating and growing this business will be a core focus for the remainder of 2017 and beyond. In addition, we have reached several key milestones in starting our business in Germany, receiving clearance from the regulators to open a branch and developing our operating system and customer-facing digital channels. We target the launch of our new brand *Qlick* in Germany during the fourth quarter 2017. With this setup, easygroup is well positioned to further develop its asset origination capabilities, both domestically and internationally.

Our **International Business** segment continues to be focused on international corporate, real estate and portfolio financing outside the DACH region, serviced from our London office. The focus of the **DACH Corporates & Public Sector** business continues to be on maintaining and acquiring sustainable customer relationships, while staying disciplined on risk-adjusted pricing despite the competitive landscape. Both the DACH Corporates & Public Sector segment and the International Business segment maintained their disciplined approach to originating new business with appropriate risk-adjusted returns. Overall, these two business segments originated EUR 2.3 billion of new business during the first three quarters 2017.

In addition, we recently announced another highlight on the M&A front. We signed an agreement to acquire **Südwestbank**, a regional bank with over EUR 7 billion assets and approximately 100,000 retail and business customers headquartered in Stuttgart, Germany. The expertise and long-standing tradition of Südwestbank in Baden-Württemberg, an economically strong region, make the bank an ideal partner to help us expand our footprint and customer base in Germany. This transaction is part of our larger DACH regional strategy and will provide us access to excellent customers in a highly attractive market. We expect this transaction to close in the fourth quarter 2017.

Our continued strong operating results in the first three quarters 2017 reiterate that BAWAG Group is well positioned to win in a competitive European banking environment. We will continue to maintain our low-risk strategy focused on the DACH region, with Austria as our foundation, while providing our customers with simple, transparent and best-in-class products and services. In addition, we will place a clear focus on technology as this will be one of the key differentiators in the constantly evolving banking landscape.

All the successes mentioned earlier have only been possible thanks to the dedication, trust and respect of our employees, customers and shareholders. I would like to take this opportunity to thank all of them for their continued, unwavering support.

Anas Abuzaakouk, CEO of BAWAG Group AG

Interim Group Management Report

FINANCIAL REVIEW

BAWAG Group continued to successfully execute on its business plans in the first three quarters 2017 and delivered strong results.

A few **key highlights** include:

- Profit before tax came in at EUR 382.4 million, up 4.3% compared to the first three quarters 2016. These strong results were primarily driven by higher core revenues, up 6.6% compared to the first three quarters 2016.
- Return on tangible equity (@12% CET1) was 17.1% in the first three quarters 2017.
- Net interest income rose 7.5% to EUR 593.5 million compared to the first three quarters 2016, despite a continued low-interest rate environment.
- The net interest margin in the third quarter 2017 increased by 6 basis points to 2.29% compared to the second quarter.
- Operating expenses in the first three quarters 2017 remained flat compared to the first three quarters 2016 (up 0.7%), despite integration costs from acquisitions completed in the fourth quarter 2016. The cost-income ratio in the first three quarters 2017 further improved by 140 basis points to 41.4%.
- We continue to maintain a conservative risk profile characterized by disciplined underwriting, low leverage and a business model focused on developed markets in Austria and Western Europe. This is best reflected in a risk cost ratio of 19 basis points and an NPL ratio of 2.0% as of September 2017 (excluding the legal case with the City of Linz: 1.3%). Since year-end 2016, our fully loaded regulatory leverage ratio has increased by 110 basis points to 7.5%, while our balance sheet leverage was 11.3 times as of September 2017.
- We further strengthened our capital position during the first three quarters 2017, improving our fully loaded CET1 ratio to 16.2% (up 260 basis points) compared to year-end 2016.

ANALYSIS OF PROFIT OR LOSS STATEMENT AND STATEMENT OF FINANCIAL POSITION

Profit or loss statement

in EUR million	Q3 2017	Q3 2016	Change (%)	Jan–Sep 2017	Jan–Sep 2016	Change (%)
Interest income	271.7	254.4	6.8	820.7	783.0	4.8
Interest expense	(73.7)	(78.3)	(5.9)	(234.0)	(232.6)	0.6
Dividend income	0.0	0.0	–	6.8	1.9	>100
Net interest income	**198.0**	**176.1**	**12.4**	**593.5**	**552.3**	**7.5**
Fee and commission income	67.4	64.4	4.7	210.1	205.2	2.4
Fee and commission expenses	(22.6)	(21.3)	6.1	(59.3)	(59.1)	0.3
Net fee and commission income	**44.8**	**43.1**	**3.9**	**150.8**	**146.1**	**3.2**
Core revenues	**242.8**	**219.2**	**10.8**	**744.3**	**698.4**	**6.6**
Gains and losses on financial instruments and other operating income and expenses[1)]	9.3	18.9	(50.8)	29.0	44.7	(35.1)
Operating income	**252.1**	**238.1**	**5.9**	**773.3**	**743.1**	**4.1**
Operating expenses[1)]	**(102.8)**	**(102.9)**	**(0.1)**	**(320.4)**	**(318.1)**	**0.7**
Regulatory charges	(1.7)	(5.9)	(71.2)	(29.8)	(39.8)	(25.1)
Operating profit	**147.6**	**129.3**	**14.2**	**423.1**	**385.2**	**9.8**
Provisions and loan-loss provisions	(16.7)	(8.2)	>100	(38.1)	(20.9)	82.3
Impairment losses	0.0	0.0	–	(0.3)	(0.8)	(62.5)
Operational risk	(0.3)	(0.8)	(62.5)	(5.3)	(3.2)	65.6
Share of the profit or loss of associates accounted for using the equity method	1.2	1.9	(36.8)	3.0	6.2	(51.6)
Profit before tax	**131.8**	**122.2**	**7.9**	**382.4**	**366.5**	**4.3**
Income taxes	(31.2)	(25.9)	20.5	(78.3)	13.5	–
Profit after tax	**100.6**	**96.3**	**4.5**	**304.1**	**380.0**	**(20.0)**
Non-controlling interests	(0.1)	0.0	100	(0.1)	(0.2)	(50.0)
Net profit	**100.5**	**96.3**	**4.4**	**304.0**	**379.8**	**(20.0)**

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of EUR 28.1 million for the first three quarters 2017. The item Operating expenses includes regulatory charges in the amount of EUR 1.7 million for the first three quarters 2017 as well. However, BAWAG Group's management considers regulatory charges as a separate expense. Accordingly, they are shown in a separate expense line in the Interim Group Management Report.

Profit before tax increased by EUR 15.9 million, or 4.3%, to EUR 382.4 million in the first three quarters 2017.

Net interest income increased by EUR 41.2 million, or 7.5%, to EUR 593.5 million in the first three quarters 2017.

Compared to the second quarter 2017, the **net interest margin** increased by 6 basis points to 2.29%.

Net fee and commission income increased by EUR 4.7 million, or 3.2%, compared to the first three quarters 2016 and amounted to EUR 150.8 million.

Gains and losses on financial instruments and other operating income and expenses decreased by EUR 15.7 million, or 35.1%, to EUR 29.0 million in the first three quarters 2017.

Operating expenses increased by 0.7% to EUR 320.4 million in the first three quarters 2017.

The **cost-income ratio** decreased by 140 basis points to 41.4% compared to the first three quarters 2016.

Provisions and loan-loss provisions increased by EUR 17.2 million to EUR 38.1 million in the first three quarters 2017.

Income taxes in the first three quarters 2017 amounted to EUR 78.3 million. The figure shown for the first three quarters 2016 is not comparable as it included a EUR 99.6 million one-time tax benefit.

Total assets

in EUR million	Sep 2017	Dec 2016	Change (%)	Sep 2016	Change (%)
Cash reserves	717	1,020	(29.7)	836	(14.2)
Financial assets	5,788	6,416	(9.8)	6,169	(6.2)
Available-for-sale	2,751	3,209	(14.3)	2,986	(7.9)
Held-to-maturity	2,420	2,353	2.8	2,163	11.9
Held for trading	434	652	(33.4)	817	(46.9)
Fair value through profit or loss	183	202	(9.4)	203	(9.9)
Loans and receivables	30,598	30,821	(0.7)	25,815	18.5
Customers	27,528	28,494	(3.4)	23,915	15.1
Debt instruments	1,153	692	66.6	815	41.5
Credit institutions	1,917	1,635	17.2	1,085	76.7
Hedging derivatives	543	677	(19.8)	841	(35.4)
Tangible non-current assets	52	56	(7.1)	58	(10.3)
Intangible non-current assets	378	360	5.0	337	12.2
Tax assets for current taxes	5	10	(50.0)	7	(28.6)
Tax assets for deferred taxes	92	203	(54.7)	204	(54.9)
Other assets	177	180	(1.7)	130	36.2
Total assets	**38,350**	**39,743**	**(3.5)**	**34,397**	**11.5**

Financial assets decreased by EUR 628 million, or 9.8%, compared to year-end 2016, amounting to EUR 5,788 million as of 30 September 2017.

Loans and receivables decreased by EUR 223 million, or 0.7%, and stood at EUR 30,598 million as of 30 September 2017.

Tax assets for deferred taxes decreased by EUR 111 million net, or 54.7%, to EUR 92 million due to the usage of deferred tax assets on tax loss carryforwards.

Total liabilities and equity

in EUR million	Sep 2017	Dec 2016	Change (%)	Sep 2016	Change (%)
Total liabilities	**34,954**	**36,607**	**(4.5)**	**31,368**	**11.4**
Financial liabilities	33,764	34,694	(2.7)	29,828	13.2
Fair value through profit or loss	756	1,115	(32.2)	1,068	(29.2)
Held for trading	338	617	(45.2)	807	(58.1)
At amortized cost	32,670	32,962	(0.9)	27,953	16.9
Customers	24,671	25,998	(5.1)	22,722	8.6
Issued securities	4,942	4,900	0.9	3,644	35.6
Credit institutions	3,057	2,064	48.1	1,587	92.6
Financial liabilities associated with transferred assets	0	300	(100)	0	–
Valuation adjustment on interest rate risk hedged portfolios	135	223	(39.5)	327	(58.7)
Hedging derivatives	124	260	(52.3)	217	(42.9)
Provisions	373	404	(7.7)	421	(11.4)
Tax liabilities for current taxes	3	19	(84.2)	5	(40.0)
Tax liabilities for deferred taxes	6	27	(77.8)	0	100
Other obligations	549	680	(19.3)	570	(3.7)
Total equity	**3,396**	**3,136**	**8.3**	**3,029**	**12.1**
Shareholders' equity	3,395	3,134	8.3	3,027	12.2
Non-controlling interests	1	2	(50.0)	2	(50.0)
Total liabilities and equity	**38,350**	**39,743**	**(3.5)**	**34,397**	**11.5**

Financial liabilities at amortized cost decreased by EUR 292 million, or 0.9%, to EUR 32,670 million as of 30 September 2017, but showed an increase of EUR 4,717 million, or 16.9%, compared to 30 September 2016.

Total equity increased by EUR 260 million, or 8.3%, to EUR 3,396 million as of 30 September 2017. The change was mainly driven by the net profit for the first three quarters 2017.

CAPITAL AND LIQUIDITY POSITION

Maintaining a strong capital position is considered a key strategic priority for BAWAG Group. We have set ourselves the target of maintaining a CET1 ratio of at least 12% on a fully loaded basis. The target CET1 ratio takes the current and the expected future regulatory capital requirements into account and is calibrated to leave a conservative buffer above the minimum capital requirements set by the regulator.

For 2017, the regulatory minimum CET1 ratio applicable to BAWAG Group according to the SREP is 8% (based on the Pillar 1 minimum of 4.50%, a Pillar 2 requirement of 1.75%, a capital conservation buffer of 1.25% and a systemic risk buffer of 0.50%). In addition to the capital requirement, the SREP for 2017 also includes a Pillar 2 guidance for the first time, which has been set by the regulator at 1% for BAWAG Group. The regulator therefore expects BAWAG Group to maintain a CET1 ratio of 9% (8% SREP requirement plus 1% Pillar 2 guidance).

Based on the draft SREP decision for 2018, we expect the CET1 requirement to increase from 8% to 9.625% (based on the Pillar 1 minimum of 4.50%, a Pillar 2 requirement of 2.25%, the capital conservation buffer of 1.875% and a systemic risk buffer of 1.00%) and including Pillar 2 guidance from 9% to 10.625%[1)].

The fully loaded CET1 ratio of 16.2% as of 30 September 2017 significantly exceed both the target ratio and the regulatory requirement detailed above. This strong capital position enables significant growth and our capital distribution strategy.

BAWAG Group targets an annual dividend payout of 50% of net profit[2)]. We aim to invest additional excess capital above the CET1 target ratio in organic growth and pursue earnings-accretive M&A at returns consistent with BAWAG Group's RoTE (@12% CET1) target. To the extent excess capital is not deployed via such organic growth and M&A, we aim to distribute to shareholders, subject to regulatory restrictions on the distribution of earnings.

The acquisition of Südwestbank, which is expected to close in the fourth quarter of 2017, is a key element in this growth strategy. Taking both the Südwestbank acquisition and the dividend target into account, we expect the CET1 ratio (FL) at year end 2017, to remain significantly above 12%.

We are also proactively monitoring upcoming regulatory developments, such as IFRS 9, MREL and Basel IV.

The introduction of IFRS 9 as the new accounting standard for financial instruments is a key development for the financial services industry. First-time application of the new standard is scheduled for 1 January 2018, and BAWAG Group is well on track with its preparations. We expect the aggregate negative impact on the CET1 ratio (FL) to be below 40 basis points.

On November 3, 2017, the European Banking Authority (EBA) published its interpretation of certain capital regulations which impacts the total capital ratio of BAWAG Group. The CET1 ratio and the leverage ratio remain unaffected. The EBA interpretation impacts bank holding companies with a high level of total capital as is the case for BAWAG Group. It implies that the portion of outstanding Tier 2 instruments, issued by BAWAG P.S.K., exceeding the minimum own funds requirement, is no longer fully eligible for the consolidated capital ratios of BAWAG Group. This effect is to be reflected in the capital ratios as of the fourth quarter 2017. The impact of the EBA interpretation would lead to a fully loaded total capital ratio of 17.7% for BAWAG Group as of 30 September 2017.

MREL requirements will be introduced for banks in order to ensure that they have a sufficient amount of equity and debt in place that is eligible to absorb losses in resolution and may be used for a bail-in. These requirements will be determined on a case-by-case basis for each banking group by the competent resolution authority, in the case of BAWAG Group the SRB. We expect that the SRB will start to issue individual MREL requirements in 2018. As of 30 September 2017, the SRB has not yet announced any MREL requirements for BAWAG Group. There is also still significant regulatory uncertainty on the precise MREL eligibility criteria for funding instruments.

We are also monitoring the ongoing discussions on Basel IV. Based on latest draft publications, we expect only a de minimis impact due to our conservative RWA density.

Our funding strategy continues to be based on our stable customer deposits, which represent two thirds of our funding base. In addition to our strong deposit base, we issued a EUR 500 million public sector covered bond in the first quarter 2017. In March 2017, we also participated in the ECB's targeted longer-term refinancing operations (TLTRO II), which provides four-year funding at attractive rates.

1) The figures provided for the SREP requirement exclude the counter-cyclical buffer for simplification reasons. As of September 2017, the counter-cyclical buffer amounted to 0.02%.
2) For 2017, dividend target at 50% for Q4 2017 (calculated on average quarterly profits generated in the financial year 2017).

BAWAG Group maintains a conservative liquidity management strategy, which is reflected in our strong liquidity coverage ratio (LCR) of 127% at the end of the third quarter 2017. No additional LCR requirements were imposed on BAWAG Group as a result of the SREP for 2016 and 2017.

KEY PERFORMANCE INDICATORS

in EUR million	**Q3 2017**	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net interest income	198.0	198.7	196.8	177.6	176.1
Net fee and commission income	44.8	56.3	49.8	46.9	43.1
Core revenues	242.8	255.0	246.6	224.5	219.2
Operating income	252.1	256.3	265.0	247.4	238.1
Operating expenses	(102.8)	(110.5)	(107.2)	(121.3)	(102.9)
Total risk costs	(17.0)	(15.6)	(11.1)	(17.8)	(9.0)
Profit before tax	131.8	128.0	122.6	103.9	122.2
Income taxes	(31.2)	(20.6)	(26.5)	(0.1)	(25.9)
Net profit	100.5	107.4	96.1	103.8	96.3

(figures annualized)					
Return on equity	11.9%	13.1%	12.1%	13.5%	13.0%
Return on equity (@12% CET1)	**14.9%**	**15.4%**	**13.6%**	**15.5%**	**15.3%**
Return on tangible equity	13.4%	14.7%	13.6%	15.2%	14.6%
Return on tangible equity (@12% CET1)	**17.3%**	**17.8%**	**15.6%**	**17.9%**	**17.7%**
Net interest margin	2.29%	2.23%	2.23%	2.20%	2.30%
Cost-income ratio	40.8%	43.1%	40.5%	49.0%	43.2%
Risk costs / loans and receivables	0.22%	0.19%	0.14%	0.25%	0.14%
Tax rate	23.7%	16.1%	21.6%	0.1%	21.2%

Note: For details on definitions and calculation methodology, please refer to the section entitled “Definitions” on page 71.

BUSINESS SEGMENTS

BAWAG P.S.K. RETAIL

Strategy

The BAWAG P.S.K. Retail segment services 1.8 million private and small business customers through a centralized branch network as well as our online and mobile sales channels supported by our customer care center. We are one of the leading omni-channel retail banks in Austria, offering simple, fair and transparent products and services through our physical and digital sales channels with a strong and well-recognized national brand.

In the first three quarters 2017, we further invested in the development of our retail franchise to ensure a high-quality experience for our customers. We enhanced customer service quality and increased sales productivity through our differentiated branch structure, creating more productive and larger advisory teams and specialization in branches.

This product and distribution strategy is complemented by a data-driven approach to offer targeted products and services to customers in context with their lives and financial needs at the right time. This approach relies on the long history we have with most of our customers, paired with purchasing-probability and trigger-based models used to identify customers' needs. In this context, we have developed a new customer segmentation which combines behavioral insights with the revenue potential of customers, allowing us to better target active customers.

Additionally, we continued to invest in our digital customer experience. This includes further development of our omni-channel customer interaction platform as well as the continued release of new digital banking features, including digital crime security insurance and a peer-to-peer payment capability making online payments easier and worry-free for our customers.

First Three Quarters 2017 Business Review

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

- Growing our customer lending franchise
- Optimizing our product mix
- Driving organic productivity and inorganic growth
- Transforming to digital

Growing our customer lending franchise

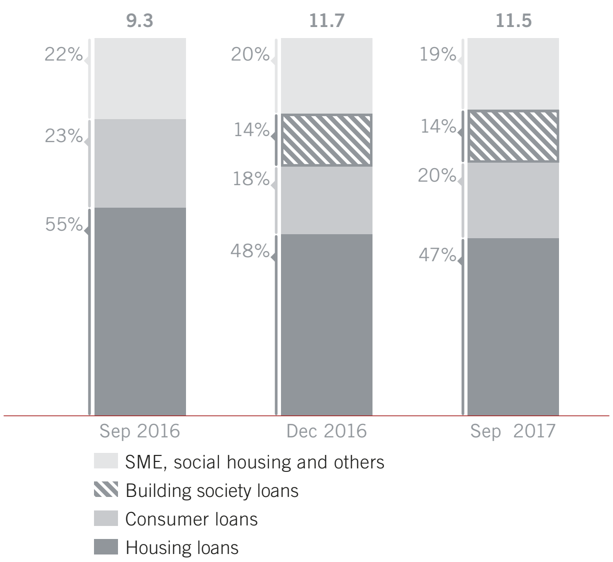
In the first three quarters 2017, we continued to grow our consumer lending franchise by originating EUR 380 million of new consumer loans, which translates into net asset growth of 6% compared to year-end 2016. These results were delivered while maintaining our disciplined underwriting standards.

Our instant credit decisions in our branches, our automated workflow as well as the quality of our advisory and sales processes differentiate us from our competitors. Our continuous investment in data analytics provides a stable flow of relevant and contextual leads for our sales force for cross-selling to current customers and new customer acquisition. All these activities have resulted in a more than 7% higher average volume per consumer loan compared to last year.

We continue to see high customer interest in housing loans and are investing in our housing finance product platform. The market for home ownership and financing continues to grow domestically, and we are expanding our share with a complete product set and increased distribution for this critical relationship product. In the first three quarters 2017, we originated EUR 510 million of new housing loans, up 23% from the prior year. The acquisition of start:bausparkasse in the fourth quarter 2016 further strengthened our presence in this market.

At the end of the third quarter 2017, the total assets of the BAWAG P.S.K. Retail segment stood at EUR 11.5 billion, with total new originations of EUR 1.0 billion.

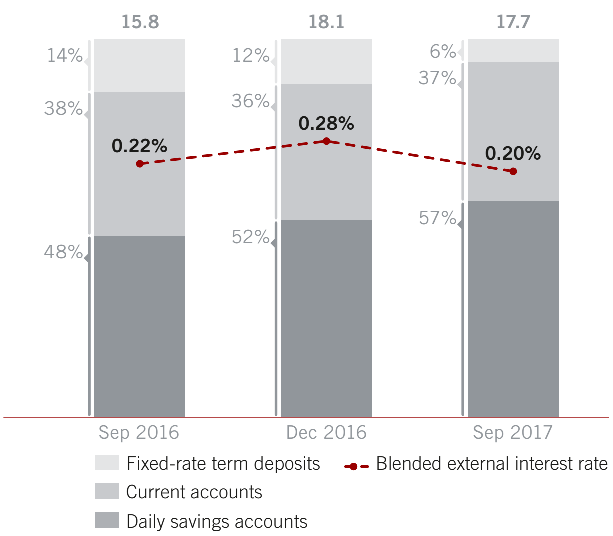
Asset volume development (in EUR billion)



Optimizing our product mix

On the liability side, we continued the shift from fixed-rate term deposits to current accounts and daily savings accounts, thus providing for lower funding costs, freeing up sales force capacity and providing our customers with products with greater functionality. Overall, the blended external interest rate on retail deposits stood at 0.20% at the end of the third quarter 2017. The increase of overall deposits compared to September 2016 reflects the acquisition of start:bausparkasse and IMMO-BANK.

Customer deposit volume development (in EUR billion)



We continue to reap the benefits of a major initiative concerning fee-generating products we launched in 2016. Part of this initiative were the new KontoBox (current accounts) models, which were well received by our customers. More than 63% of our new current account customers selected our premium models in the first three quarters 2017.

We are continuously working on new value-added products and services for our customers through internal development and partnerships, a cornerstone of our strategy. For instance, by providing investment product options to help customers earn better returns in a low-interest rate environment, we have increased the share of actively managed funds, helping to simultaneously drive higher yields for our customers and provide us with increased fee income.

Additionally, we have introduced a new insurance product "KONZEPT:SCHUTZ" that provides earnings security for our customers in protecting them against risks of disability, unemployment and severe illnesses. We sold EUR 15 million in premiums for this product during the third quarter 2017, and EUR 31 million since the product's introduction in March of this year, contributing to the positive fee income development of the segment.

Driving organic productivity and inorganic growth

Our strong results in the BAWAG P.S.K. Retail segment are based on two pillars:

Driving efficiency in the core franchise

We have created a differentiated branch structure to concentrate advisory services in our core locations with the highest customer frequency, while maintaining service reach through a network of self-service devices and transaction points. This branch differentiation drives cost efficiency through better resource management and higher sales productivity, which is evidenced by a 9% increase in sales per advisor in the first three quarters 2017 compared to the prior year.

Additionally, we extended the local responsibility and invested in product and sales training for our advisors. These activities resulted in an improvement of the cost-income ratio of the BAWAG P.S.K. Retail segment by 7.3 points to 47.7% compared to the first three quarters 2016. On top, we are testing new formats for completing our distribution system, ranging from new mobile sales activities to partnerships in the SME segment.

The strong focus of our branch employees on advisory and sales is also supported by the ongoing shift of basic transactions to digital and self-service channels. With this shift, we are accessible for our clients 24/7 from anywhere. Our customers' activities prove the continuously growing interest in our digital services. Compared to the first three quarters 2016, the number of online payment transactions increased by 8% and the share of online transactions via our mobile apps increased by 60%. During the same period, the number of over-the-counter transactions decreased by 13%.

Capitalizing on inorganic growth opportunities

We are continuously evaluating various inorganic growth opportunities. During the first three quarters 2017, we focused on the integration and onboarding of our new customers resulting from the acquisitions of start:bausparkasse and IMMO-BANK in the fourth quarter 2016. The start:bausparkasse brand and distribution network strengthen our housing loan product range offering and provide us with greater access to a profitable segment of the market.

Transforming to digital

Over the past years, our focus has been on optimizing existing digital channels through sales and product feature integration into the online customer journeys, while we drove the development of our technical architecture to anticipate the impact of changes in the market.

As a leader in the digital marketplace, we now have a comprehensive core product offering through our digital channels. Additionally, we are continuously optimizing the experience of our customers when banking with us. As an example, the Touch ID (fingerprint) login functionality for our mobile banking app, launched in December 2016, was very well received by our customers with more than 2.8 million logins since launch, thereof 1.1 million within the third quarter 2017. This led to an increasing number of logins to our eBanking coming from mobile devices, standing at an overall 66% of total logins (up 8 points from September 2016).

As we focus further on shaping the future of our retail franchise, we have kicked off a Bank-wide project to build out a new digital customer experience platform by applying an agile, mobile-first approach to make all of our customers' financial lives easier. The new platform will provide a holistic customer journey with seamless switching between the different sales and service channels as well as a comprehensive set of personalization features, including customization and financial advice based on big data analytics. Additionally, we will continue to round out mobile sales capabilities and further develop our financial service ecosystem. The front-end layer of the platform is integrated to our back-end systems via our public API (application program interface), which will significantly improve our time-to-market and give us full flexibility with enhanced velocity when integrating with fintech and other partners.

Outlook

On November 9, 2017, we gave notice to Austrian Post, our partner in operating a joint branch network across Austria, to terminate our cooperation agreement. The termination will become effective as of December 31, 2020, unless both parties agree on an earlier termination. Adapting to changing customer behavior, we target, over the mid-term, a smaller but more efficient stand-alone network of approximately 100 branches with larger advisory teams, supported by mobile sales teams and high-quality digital platforms. This approach significantly reduces network costs, creates more productive customer-centric branches and allows us to further invest in the overall customer experience.

In the coming quarters, we will continue to execute on our long-term strategy and continued transformation. We offer our products and customized advisory services to help our customers in their financial lives. We do so by aspiring to a superior customer experience through all channels. As such, we are progressing towards a consolidated, digitally integrated platform across all channels.

Financial Results

Income metrics (in EUR million)	Q3 2017	Q3 2016	Change (%)	Jan–Sep 2017	Jan–Sep 2016	Change (%)
Net interest income	100.6	89.2	12.8	298.1	258.6	15.3
Net fee and commission income	35.0	31.7	10.4	117.2	106.3	10.3
Core revenues	**135.6**	**120.9**	**12.2**	**415.3**	**364.9**	**13.8**
Gains and losses on financial instruments	2.3	0.0	100	3.1	0.8	>100
Other operating income and expenses	0.6	0.0	100	1.8	1.0	80.0
Operating income	**138.5**	**120.9**	**14.6**	**420.2**	**366.7**	**14.6**
Operating expenses	**(65.9)**	**(65.7)**	**0.3**	**(200.3)**	**(201.8)**	**(0.7)**
Regulatory charges	0.0	0.0	–	(14.3)	(12.4)	15.3
Total risk costs	(14.2)	(9.3)	52.7	(30.7)	(26.6)	15.4
Profit before tax	**58.4**	**45.9**	**27.2**	**174.9**	**125.9**	**38.9**

Key ratios	Q3 2017	Q3 2016	Change (pts)	Jan–Sep 2017	Jan–Sep 2016	Change (pts)
Pre-tax return on equity	22.7%	21.6%	1.1	23.5%	20.1%	3.4
Pre-tax return on equity (@12% CET1)	28.4%	25.6%	2.8	28.1%	22.2%	5.9
Net interest margin	3.49%	3.84%	(0.35)	3.42%	3.73%	(0.31)
Cost-income ratio	47.6%	54.3%	(6.7)	47.7%	55.0%	(7.3)
Risk costs / loans and receivables	0.49%	0.40%	0.09	0.35%	0.38%	(0.03)
NPL ratio	2.2%	2.4%	(0.2)	2.2%	2.4%	(0.2)

Business volumes (in EUR million)	Sep 2017	Dec 2016	Change (%)	Sep 2016	Change (%)
Assets	11,480	11,659	(1.5)	9,293	23.5
Risk-weighted assets	4,436	4,432	0.1	3,676	20.7
Customer deposits	17,704	18,058	(2.0)	15,788	12.1
Own issues	2,864	2,990	(4.2)	2,522	13.6

The segment achieved a profit before tax of EUR 174.9 million in the first three quarters 2017, up 38.9% compared to the same period last year, and delivered a pre-tax return on equity (@12% CET1) of 28.1% and a cost-income ratio of 47.7%.

Overall risk metrics reflect the high credit quality of the retail business, with a risk cost ratio of 35 basis points (down 3 basis points versus the first three quarters 2016) and an NPL ratio of 2.2% (down 20 basis points versus September 2016).

EASYGROUP

Strategy

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

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

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

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

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

- *easybank*, one of the leading Austrian direct banks,
- the #3 auto lessor in Austria, *easyleasing*;
- *easypay,* a leading credit card issuer in Austria (after the acquisition of PayLife); and
- our international retail business, consisting of high-quality performing residential mortgages in Western Europe.

easygroup is a cornerstone to the overall growth strategy for BAWAG Group. Our goal is to continue being the leading direct bank in Austria and to expand into larger Western markets with focus on the DACH region.

First Three Quarters 2017 Business Review

Compared to September 2016, easygroup's client base was up 7% to 428,000 customers and borrowers with 717,000 accounts. easygroup ended the third quarter 2017 with customer deposits of EUR 3.7 billion. The segment's assets stood at EUR 4.0 billion at the end of the third quarter 2017, up 30% compared to September 2016.

Our strong results are due to four key pillars:

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

Growing our customer base and market share in Austria

easygroup continued to see an inflow of new customers and accounts in Austria. We saw an increase of 3% and 4%, respectively, compared to September 2016. Our customer growth is predominantly coming from our online channel and key partnerships. Partnerships such as those with ÖAMTC, Shell and Energie Steiermark give us indirect access to approximately half the Austrian population. As we go forward, we will look to leverage these relationships in order to further increase our customer base.

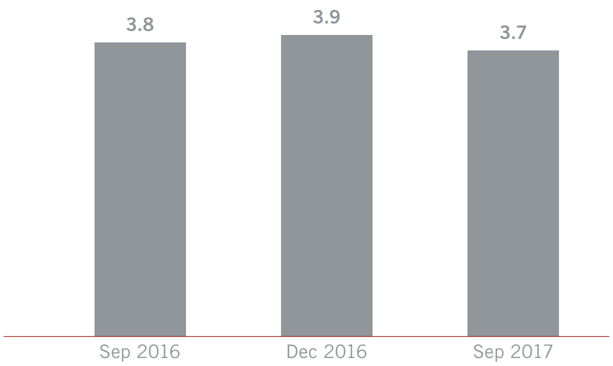
Overall, easygroup recorded strong originations of EUR 339 million in the first three quarters 2017. This is comprised primarily of auto leases, consumer loans and mortgages. The performance was driven by our ability to provide customers with unique products, a best-in-class sales team, strong relationships and lean processes. We work with approximately 1,000 dealerships, representing roughly 50% of auto dealerships in Austria.

In October 2017, we completed a transaction to acquire the commercial card issuing business of SIX Payment Services Austria, better known as PayLife. This acquisition enables easygroup to expedite its growth plans, adding over half a million new customers to the segment as well as making *easybank* a leading credit card issuer in Austria. With this acquisition, we have created a center of excellence called *easypay* that will focus on consolidating all credit card issuing activity across BAWAG Group. The cashless payment space is one of our core activities, which we will look to for future growth and innovation. By creating the *easypay* center of excellence, we benefit from economies of scale and ensure a full focus on maintaining our position as the leading Austrian credit card issuer.

Building and maintaining customer loyalty

easybank has always been determined to offer its customers the best banking experience. We believe this helps drive customer loyalty. Since September 2016, *easybank*'s number of current and savings accounts has increased by 5%. Given the overall interest landscape, *easybank* reduced its external interest rate offered to customers, bringing our average deposit cost from 37 basis points in September 2016 to 6 basis points in September 2017.

Customer deposit volume development (in EUR billion)



As a testament to our commitment to our customer satisfaction, *easybank* was given an award by the Financial Marketing Association Austria (FMVÖ) for the seventh consecutive year in 2017. This association conducts a survey each year on customer satisfaction, in which *easybank* received a Net Promoter Score of 52%, the highest for any bank or insurance company.

Driving efficiency across the organization

During the first three quarters 2017, we continued to heavily invest in *easybank's* digital architecture. Our goal is to create Austria's first truly digital bank – from front to back. Investing in digitizing the bank will not only benefit our bottom line, but it will also provide noticeable benefits to our customers. All of our investments are aimed towards decreasing the friction currently required for consumers to take out banking products as well as decrease the processing time to deliver on customer demands.

Expanding internationally into Western European markets

During the first three quarters 2017, we have reached several key milestones in starting our business in Germany, receiving clearance from the regulators to open a branch and developing our operating system and customer-facing digital channels. We view the German market as a great opportunity for growth within easygroup. By utilizing the lean infrastructure and digital culture that has been cultivated in Austria, we expect to tap into the much larger and growing German online market. With these milestones behind us, we plan to launch our new brand *Qlick* in Germany during the fourth quarter 2017.

Outlook

easygroup will continue to improve its user experience and make its customers' lives easier. We will leverage our existing customer base and partnerships across Austria, while also expanding internationally into Western markets. We are currently developing a brand-new website, mobile app and eBanking platform. These new digital channels will provide a huge overhaul in our customer experience and acquisition capabilities. With the launch of our new website, we will be the only direct bank in Austria with a full suite of financial products that can be opened by consumers within minutes, without them having to leave their homes. The new mobile app and eBanking will be available through the course of 2018 and have a state-of-the-art look and feel and usability.

The completed acquisition of the PayLife card issuing business is a huge win for the segment. The acquisition brings over half a million new customers, an elite credit card team and important distribution partnerships. Integrating and growing this business will be a core focus for the remainder of 2017 and beyond. The PayLife acquisition was the catalyst for the creation of our *easypay* hub, which will be a core area of focus for growth in Austria and Germany in the future.

Financial Results

Income metrics (in EUR million)	Q3 2017	Q3 2016	Change (%)	Jan–Sep 2017	Jan–Sep 2016	Change (%)
Net interest income	37.5	29.6	26.7	115.8	89.7	29.1
Net fee and commission income	2.8	2.4	16.7	8.2	6.9	18.8
Core revenues	**40.3**	**32.0**	**25.9**	**124.0**	**96.6**	**28.4**
Gains and losses on financial instruments	(2.3)	0.0	(100)	(2.3)	0.0	(100)
Other operating income and expenses	(0.6)	(0.2)	>(100)	(1.1)	(0.1)	>(100)
Operating income	**37.4**	**31.8**	**17.6**	**120.6**	**96.5**	**25.0**
Operating expenses	**(7.9)**	**(7.6)**	**3.9**	**(23.7)**	**(23.3)**	**1.7**
Regulatory charges	0.0	0.0	–	(2.4)	(2.5)	(4.0)
Total risk costs	(3.8)	0.2	–	1.8	(1.9)	–
Profit before tax	**25.7**	**24.4**	**5.3**	**96.3**	**68.8**	**40.0**

Key ratios	Q3 2017	Q3 2016	Change (pts)	Jan–Sep 2017	Jan–Sep 2016	Change (pts)
Pre-tax return on equity	19.3%	22.0%	(2.7)	23.3%	20.5%	2.8
Pre-tax return on equity (@12% CET1)	24.2%	26.0%	(1.8)	27.7%	22.7%	5.0
Net interest margin	3.75%	3.81%	(0.06)	3.69%	3.62%	0.07
Cost-income ratio	21.1%	23.9%	(2.8)	19.7%	24.1%	(4.4)
Risk costs / loans and receivables	0.38%	(0.03)%	0.41	(0.06)%	0.08%	(0.14)
NPL ratio	3.0%	3.1%	(0.1)	3.0%	3.1%	(0.1)

Business volumes (in EUR million)	Sep 2017	Dec 2016	Change (%)	Sep 2016	Change (%)
Assets	3,964	4,458	(11.1)	3,053	29.8
Risk-weighted assets	3,274	4,249	(22.9)	3,231	1.3
Customer deposits	3,666	3,893	(5.8)	3,766	(2.7)
Own issues	465	585	(20.5)	0	100

The segment achieved a profit before tax of EUR 96.3 million in the first three quarters 2017, up 40.0% compared to the same period in 2016, with a pre-tax return on equity (@12% CET1) of 27.7% and a cost-income ratio of 19.7%. The underlying performance reflects the purchase of a high-quality performing residential mortgage portfolio in Western Europe in December 2016. Quarter-over-quarter comparability is therefore limited.

DACH CORPORATES & PUBLIC SECTOR

Strategy

DACH Corporates & Public Sector comprises our corporate and public sector lending activities and other fee-driven financial services, mainly for Austrian customers. Germany and Switzerland are included as well.

We service our Austrian corporate and public sector customers with a full range of products focusing on financing, investment and payment service products. Non-Austrian clients are either serviced entirely from Vienna or with the support of our London office in the case of syndicated deals.

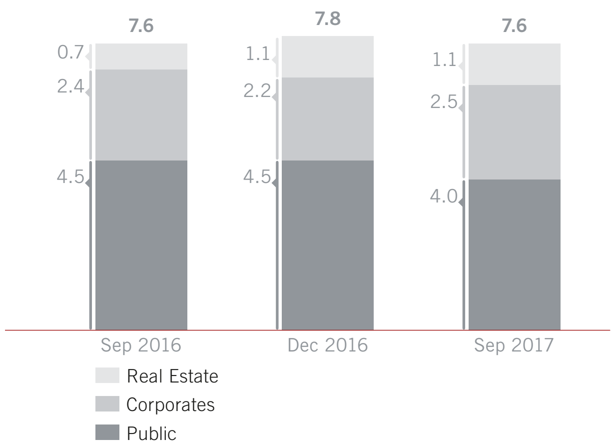
Our focus in Austria continues to be on maintaining and acquiring sustainable relationships while staying disciplined on pricing despite the competitive landscape.

A key focus area in 2017 is to combine our domestic and international lending activities to exploit revenue synergies and identify new markets with a focus on building a DACH regional corporate lending platform. To ensure that we always meet the needs of our customers and improve existing solutions, we established a unit that manages daily product activities as well as product development.

First Three Quarters 2017 Business Review

The DACH Corporates & Public Sector segment originated EUR 0.9 billion of new business during the first three quarters 2017, up significantly compared to the same period last year. Our business solution teams continued to elevate our strong client relationships across financing products as well as payments and cash management services, while aiming to maintain and increase strong risk-adjusted pricing.

Asset volume development (in EUR billion)



The segment's assets decreased by EUR 0.2 billion to EUR 7.6 billion compared to year-end 2016 due to a decrease in short-term lendings to municipalities and social insurance companies.

Net fee and commission income – mainly arising from payments activities of our clients – was largely stable compared to the first three quarters 2016.

Outlook

We expect the market to grow slightly but remain very competitive. We have the flexibility and speed necessary for strategic transactions requiring complete debt solutions for clients. The acquired IMMO-BANK portfolio provides a stronger customer base for commercial real estate financing.

Financial Results

Income metrics (in EUR million)	Q3 2017	Q3 2016	Change (%)	Jan–Sep 2017	Jan–Sep 2016	Change (%)
Net interest income	20.8	18.6	11.8	52.7	58.9	(10.5)
Net fee and commission income	9.2	9.6	(4.2)	29.0	29.7	(2.4)
Core revenues	**30.0**	**28.2**	**6.4**	**81.7**	**88.6**	**(7.8)**
Gains and losses on financial instruments	(1.1)	1.2	–	0.6	1.1	(45.5)
Other operating income and expenses	0.0	0.0	–	0.0	0.0	–
Operating income	**28.9**	**29.4**	**(1.7)**	**82.3**	**89.7**	**(8.2)**
Operating expenses	**(14.5)**	**(12.9)**	**12.4**	**(35.4)**	**(38.7)**	**(8.5)**
Total risk costs	1.5	1.3	15.4	7.0	2.7	>100
Profit before tax	**15.9**	**17.8**	**(10.7)**	**53.9**	**53.7**	**0.4**

Key ratios	Q3 2017	Q3 2016	Change (pts)	Jan–Sep 2017	Jan–Sep 2016	Change (pts)
Pre-tax return on equity	11.4%	14.0%	(2.6)	13.4%	13.6%	(0.2)
Pre-tax return on equity (@12% CET1)	14.3%	16.5%	(2.2)	16.0%	15.0%	1.0
Net interest margin	1.09%	1.00%	0.09	0.90%	1.03%	(0.13)
Cost-income ratio	50.2%	43.9%	6.3	43.0%	43.1%	(0.1)
Risk costs / loans and receivables	(0.08)%	(0.07)%	(0.01)	(0.12)%	(0.05)%	(0.07)
NPL ratio	1.0%	1.0%	0.0	1.0%	1.0%	0.0

Business volumes (in EUR million)	Sep 2017	Dec 2016	Change (%)	Sep 2016	Change (%)
Assets	7,624	7,812	(2.4)	7,647	(0.3)
Risk-weighted assets	2,917	2,916	0.0	2,868	1.7
Customer deposits (incl. other refinancing)	5,584	5,284	5.7	3,792	47.3
Own issues	699	202	>100	201	>100

The segment contributed EUR 53.9 million to BAWAG Group's profit before tax, up 0.4% compared to the first three quarters 2016, and delivered a pre-tax return on equity (@12% CET1) of 16.0%. Core revenues decreased by 7.8% to EUR 81.7 million compared to the same period last year, resulting from the competitive market environment with continued pressure on margins. The overall quality of the portfolio further improved compared to the first three quarters 2016, which is reflected in positive risk costs and a stable NPL ratio of 1.0%. This is a reflection of the prior years' de-risking activities and the overall high asset quality.

INTERNATIONAL BUSINESS

Strategy

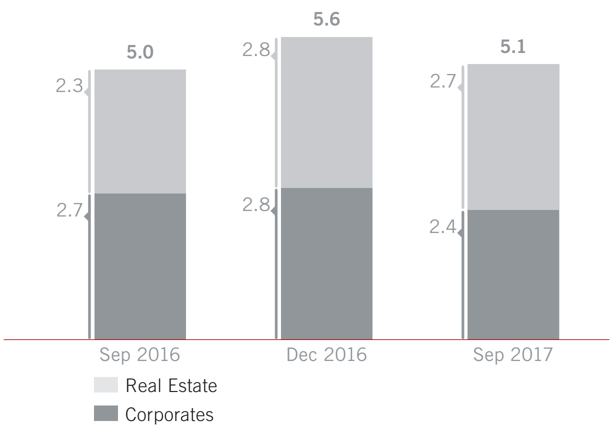
The International Business segment includes our international corporate, real estate and portfolio lending outside of the DACH region, with a focus on developed countries within Western Europe as well as the United States.

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

First Three Quarters 2017 Business Review

We continued to focus on our loan origination opportunities primarily in select developed Western countries. The International Business segment generated new business of EUR 1.4 billion in the first three quarters 2017. Compared to year-end 2016, the FX movement accounts for EUR 270 million of portfolio reduction.

Asset volume development (in EUR billion)



Our **international corporate lending business** continued to be faced with early redemptions arising from competitive market conditions in a low-interest rate environment. As a consequence, the business experienced an asset volume decrease of 8% to EUR 2.4 billion as of September 2017 versus September 2016. Our new business volume primarily consists of high-quality loans with a general focus on defensive industries. Overall blended net leverage of the companies in our international corporate business was below 4.0x[1)] and for the tranches BAWAG Group lends to less than 3.0x[1)].

Our **international real estate financing business** was, to a lesser extent, also affected by an increased volume of early redemptions and currency movements. This was more than compensated by a strong realization of new financings on a year-over-year basis. Transaction diversification continued across our commercial real estate lending business on a geographic, asset and industry basis. These transactions focused primarily on real estate financings with attractive LTVs, strong cash flow, shorter weighted expected maturities and solid covenant characteristics. Overall business performance and credit trends remained solid with some shortening of duration as loan amortizations increased ahead of original projections. We are also active in portfolio financing with low loan-to-value (LTV) and low loan-to-cost (LTC) positions against a more diversified portfolio of cash generating real estate assets. The business has strong collateral coverage characteristics (average LTV <60%), provides strong cash flows and is structured to perform well in stressed market conditions, with shorter average durations.

Outlook

We see market conditions with a similar performance to the previous year and therefore expect a stable volume by the end of 2017 compared to September 2017.

1) Ratios adjusted by one outlier.

Financial Results

Income metrics (in EUR million)	Q3 2017	Q3 2016	Change (%)	Jan–Sep 2017	Jan–Sep 2016	Change (%)
Net interest income	33.6	33.9	(0.9)	98.9	101.7	(2.8)
Net fee and commission income	0.2	0.0	100	0.2	(0.1)	–
Core revenues	**33.8**	**33.9**	**(0.3)**	**99.1**	**101.6**	**(2.5)**
Gains and losses on financial instruments	0.0	(0.6)	100	(0.5)	(2.3)	78.3
Other operating income and expenses	0.0	0.0	–	0.0	0.0	–
Operating income	**33.8**	**33.3**	**1.5**	**98.6**	**99.3**	**(0.7)**
Operating expenses	**(6.1)**	**(6.7)**	**(9.0)**	**(21.0)**	**(20.0)**	**5.0**
Total risk costs	(0.3)	0.1	–	(15.8)	3.1	–
Profit before tax	**27.4**	**26.7**	**2.6**	**61.8**	**82.4**	**(25.0)**

Key ratios	Q3 2017	Q3 2016	Change (pts)	Jan–Sep 2017	Jan–Sep 2016	Change (pts)
Pre-tax return on equity	18.8%	20.5%	(1.7)	14.8%	20.0%	(5.2)
Pre-tax return on equity (@12% CET1)	23.5%	24.3%	(0.8)	17.8%	21.9%	(4.1)
Net interest margin	2.66%	2.74%	(0.08)	2.52%	2.59%	(0.07)
Cost-income ratio	18.0%	20.1%	(2.1)	21.3%	20.1%	1.2
Risk costs / loans and receivables	0.02%	(0.01)%	0.03	0.41%	(0.08)%	0.49
NPL ratio	1.0%	0.0%	1.0	1.0%	0.0%	1.0

Business volumes (in EUR million)	Sep 2017	Dec 2016	Change (%)	Sep 2016	Change (%)
Assets	5,139	5,634	(8.8)	4,954	3.7
Risk-weighted assets	4,152	4,169	(0.4)	3,731	11.3

The segment contributed EUR 61.8 million to BAWAG Group's profit before tax in the first three quarters 2017, down 25.0% compared to the same period last year due to increased operating expenses and higher risk costs, while still delivering a pre-tax return on equity (@12% CET1) of 17.8%. Despite higher-than-anticipated early redemptions and general pressure on margins, core revenues remained largely stable. The higher risk costs compared to the previous year result from precautionary provisions booked on exposures in the oil & gas sector in the second quarter 2017. Similar to the DACH corporate lending business, the international business is characterized by high-quality assets and a low NPL ratio of 1.0%.

TREASURY SERVICES & MARKETS

Strategy

Treasury Services & Markets acts as a service center for our customers, subsidiaries and partners through treasury activities such as ALM, funding, market execution and selective investment activities.

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

First Three Quarters 2017 Business Review

During the first three quarters 2017, we continued to pursue the strategy of balancing the investment portfolio between long-term investment in high-quality securities while still maintaining our available-for-sale portfolio to preserve the flexibility of redeployment into customer loans or other balance sheet management activities.

As of 30 September 2017, the investment portfolio amounted to EUR 5.8 billion and the liquidity reserve was EUR 1.7 billion. The investment portfolio’s average maturity was five years, comprised 97% of investment grade rated securities, of which 87% were rated in the single A category or higher. Exposure to CEE represented less than 2% of the portfolio and was limited to select bonds, with 100% rated in the single A equivalent category or better. As of 30 September 2017, the portfolio had no direct exposure to China, Russia, Hungary or South-Eastern Europe. Direct exposure to the UK is moderate and focuses on internationally diversified issuers with solid credit quality. Exposure to Southern Europe continues to be moderate and comprises shorter-dated, liquid bonds of well-known issuers. This overall composition reflects our strategy of maintaining high credit quality, shorter duration and strong liquidity in the securities portfolio in order to balance the goals of generating incremental net interest income while also minimizing fair value volatility.

Outlook

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

Financial Results

Income metrics (in EUR million)	Q3 2017	Q3 2016	Change (%)	Jan–Sep 2017	Jan–Sep 2016	Change (%)
Net interest income	12.4	13.2	(6.1)	37.3	41.4	(9.9)
Net fee and commission income	0.0	0.0	–	0.0	0.0	–
Core revenues	**12.4**	**13.2**	**(6.1)**	**37.3**	**41.4**	**(9.9)**
Gains and losses on financial instruments	14.0	10.4	34.6	23.8	11.1	>100
Other operating income and expenses	0.0	0.0	–	0.0	0.0	–
Operating income	**26.4**	**23.6**	**11.9**	**61.1**	**52.5**	**16.4**
Operating expenses	**(4.1)**	**(4.0)**	**2.5**	**(12.0)**	**(12.0)**	**–**
Total risk costs	0.0	0.0	–	0.0	0.0	–
Profit before tax	**22.3**	**19.6**	**13.8**	**49.1**	**40.5**	**21.2**

Key ratios	Q3 2017	Q3 2016	Change (pts)	Jan–Sep 2017	Jan–Sep 2016	Change (pts)
Pre-tax return on equity	23.2%	22.5%	0.7	18.3%	15.7%	2.6
Pre-tax return on equity (@12% CET1)	29.0%	26.6%	2.4	21.8%	17.4%	4.4
Net interest margin	0.82%	0.95%	(0.13)	0.83%	0.97%	(0.14)
Cost-income ratio	15.5%	16.9%	(1.4)	19.6%	22.9%	(3.3)

Business volumes (in EUR million)	Sep 2017	Dec 2016	Change (%)	Sep 2016	Change (%)
Assets and liquidity reserve	7,479	6,691	11.8	5,905	26.7
Risk-weighted assets	1,759	2,031	(13.4)	1,868	(5.8)
Own issues and other liabilities	2,127	2,847	(25.3)	2,490	(14.6)

The segment contributed EUR 49.1 million to BAWAG Group's profit before tax in the first three quarters 2017, up 21.2% compared to the same period in 2016, and delivered a pre-tax return on equity (@12% CET1) of 21.8%. Operating income was up 16.4% to EUR 61.1 million, supported by higher gains on financial instruments.

CORPORATE CENTER

First Three Quarters 2017 Review

The Corporate Center contains central functions for BAWAG Group. Market values from derivatives represent the largest portion of assets and liabilities. BAWAG Group's equity is also shown here.

In order to better assess the operational developments in the individual business segments, non-operational items such as restructuring expenses, contributions to the single resolution fund, the bank levy and corporate taxes are shown in the Corporate Center.

Profit before tax was impacted by higher operating expenses as well as lower income on gains and losses on financial instruments. Furthermore, other operating income and expenses includes a provision for potential fines (including associated tax effects) related to a breach of the large exposure limit of clients within the French residential mortgage portfolio.

The income taxes increased significantly in the first three quarters 2017, mainly driven by a one-time positive tax effect in 2016 which did not repeat in 2017.

Other assets as well as other liabilities significantly decreased due to lower market values from derivatives, while risk-weighted assets remained largely stable during the reporting period.

Financial Results

Income metrics (in EUR million)	**Q3 2017**	Q3 2016	Change (%)	**Jan–Sep 2017**	Jan–Sep 2016	Change (%)
Net interest income	(6.9)	(8.5)	18.8	(9.3)	2.0	–
Net fee and commission income	(2.4)	(0.5)	>(100)	(3.8)	3.3	–
Core revenues	**(9.3)**	**(9.0)**	**(3.3)**	**(13.1)**	**5.3**	**–**
Gains and losses on financial instruments	13.3	9.0	47.8	18.8	31.9	(41.1)
Other operating income and expenses	(16.9)	(0.9)	>(100)	(15.2)	1.2	–
Operating income	**(12.9)**	**(0.9)**	**>(100)**	**(9.5)**	**38.4**	**–**
Operating expenses	**(4.4)**	**(5.8)**	**(24.1)**	**(28.0)**	**(22.3)**	**25.6**
Regulatory charges	(1.7)	(5.9)	(71.2)	(13.1)	(24.9)	(47.4)
Total risk costs	(0.2)	(1.3)	(84.6)	(6.0)	(2.2)	>100
Share of the profit or loss of associates accounted for using the equity method	1.2	1.9	(36.8)	3.0	6.2	(51.6)
Profit before tax	**(18.0)**	**(12.0)**	**(50.0)**	**(53.6)**	**(4.8)**	**>(100)**

Volumes (in EUR million)	**Sep 2017**	Dec 2016	Change (%)	Sep 2016	Change (%)
Other assets	2,664	3,489	(23.6)	3,546	(24.9)
Risk-weighted assets	1,274	1,246	2.2	1,270	0.3
Equity	3,396	3,134	8.4	3,027	12.2
Other liabilities	1,838	2,748	(33.1)	2,810	(34.6)

RISK MANAGEMENT

With respect to the explanations on financial and legal risks at BAWAG Group as well as the goals and methods of risk management, please read the information in the Notes section.

OUTLOOK & TARGETS

BAWAG Group delivered strong results in the first three quarters 2017 and anticipates that this strong performance will continue throughout the remainder of the year. For full year 2017, we expect a profit before tax (PBT) of greater than EUR 500 million, a Return on Tangible Equity (RoTE @12% CET1) greater than 16% and a fully loaded CET1 ratio greater than 12% (post Q4 dividend).

Our **targets** are as follows:

- **Profit before tax growth at >5% CAGR** over the coming years. All effects of completed or signed M&A activities (including Südwestbank and PayLife) are factored in. Effects of any potential future acquisitions have not yet been considered.
- Maintain focus on cost efficiency to achieve a **cost-income ratio below 40%** in the mid-term
- Maintain a **RoTE (@12% CET1) at mid to high teens**
- Maintain a **CET1 ratio (FL) of at least 12%**

Our **capital generation and return policy** is as follows:

- **Annual dividend payout of 50% of net profit**[1)] targeted
- **Deployment of additional excess capital of over EUR 1 billion** (above 12% CET1) through 2020
  - Continue to invest in organic growth and pursue earnings-accretive M&A at returns consistent with our RoTE (@12% CET1) target to enhance franchise and growth
  - To the extent excess capital is not deployed via such organic growth and M&A, we are committed to distributing excess capital to shareholders based on a yearly assessment

In respect of the financial year 2017, we target a distribution of 50% of net profit from Q4 2017, calculated on the basis of the average quarterly profits of 2017.

1) Subject to the payment of such dividends being consistent with our long-term and sustainable business development, corporate law and regulatory restrictions on the distribution of capital.

Consolidated Interim Financial Statements

CONSOLIDATED ACCOUNTS

PROFIT OR LOSS STATEMENT

in EUR million	[Notes]	Jan–Sep 2017	Jan–Sep 2016	Q3 2017	Q3 2016
Interest income*)		820.7	783.0	271.7	254.4
Interest expense		(234.0)	(232.6)	(73.7)	(78.3)
Dividend income		6.8	1.9	0.0	0.0
Net interest income	**[1]**	**593.5**	**552.3**	**198.0**	**176.1**
Fee and commission income		210.1	205.2	67.4	64.4
Fee and commission expenses		(59.3)	(59.1)	(22.6)	(21.3)
Net fee and commission income	**[2]**	**150.8**	**146.1**	**44.8**	**43.1**
Gains and losses on financial assets and liabilities*)	[3]	43.5	42.6	26.2	20.0
Other operating income and expenses		(42.6)	(36.4)	(18.0)	(6.6)
Operating expenses	[4]	(322.1)	(319.4)	(103.4)	(103.3)
Provisions and impairment losses	[5]	(43.7)	(24.9)	(17.0)	(9.0)
Share of the profit or loss of associates accounted for using the equity method		3.0	6.2	1.2	1.9
Profit before tax		**382.4**	**366.5**	**131.8**	**122.2**
Income taxes		(78.3)	13.5	(31.2)	(25.9)
Profit after tax		**304.1**	**380.0**	**100.6**	**96.3**
Thereof attributable to non-controlling interests		0.1	0.2	0.1	0.0
Thereof attributable to owners of the parent		**304.0**	**379.8**	**100.5**	**96.3**

*) Adjusted for 2016. See Note 3.

In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges (bank levy, contributions to the deposit guarantee scheme and to the single resolution fund) in the amount of EUR 28.1 million (Jan–Sep 2016: EUR 38.5 million). Expenses for the deposit guarantee scheme and for the single resolution fund comprise the total expected charges for 2017. The bank levy included in this item amounts to EUR 3.5 million for the first three quarters 2017, compared to EUR 16.4 million according to the old bank levy regime for the first three quarters 2016.

The item Operating expenses includes regulatory charges (FMA and ECB supervisory charges) in the amount of EUR 1.7 million (Jan–Sep 2016: EUR 1.3 million) as well. However, the Bank's management sees regulatory charges as a non-operating expense. Accordingly, they are shown in a separate expense line in the Interim Group Management Report.

Earnings per share

	Jan–Sep 2017	Jan–Sep 2016*)
Net result attributable to owners of the parent (in EUR million)	304.0	379.8
Net result attributable to owners of the parent after deduction of dividend (in EUR million)	**304.0**	**379.8**
Weighted average number of outstanding shares*)	100,000,000	100,000,000*)
Basic earnings per share (in EUR)	**3.0**	**3.8**
Weighted average diluted number of outstanding shares	100,000,000	100,000,000*)
Diluted earnings per share (in EUR)	**3.0**	**3.8**

Changes in number of outstanding shares

	Jan–Sep 2017	Jan–Sep 2016*)
Shares outstanding at the beginning of the period*)	100,000,000	100,000,000
Shares outstanding at the end of the period	100,000,000	100,000,000
Weighted average number of outstanding shares*)	100,000,000	100,000,000
Weighted average diluted number of outstanding shares	100,000,000	100,000,000

*) Represents a theoretical figure since the former BAWAG Holding GmbH was converted into BAWAG Group AG in August 2017.

Earnings per share represent the net result attributable to ordinary equity holders divided by the weighted average number of ordinary shares outstanding during the reporting period. As no dilutive potential ordinary shares exist, basic earnings per share correspond to diluted earnings per share.

STATEMENT OF COMPREHENSIVE INCOME

in EUR million	[Notes]	Jan–Sep 2017	Jan–Sep 2016	Q3 2017	Q3 2016
Profit after tax		**304.1**	**380.0**	**100.6**	**96.3**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gain/loss on defined benefit plans	[12]	3.9	(20.3)	–	(4.7)
Income tax on items that will not be reclassified		(1.0)	5.1	–	1.2
Total items that will not be reclassified to profit or loss		**2.9**	**(15.2)**	**–**	**(3.5)**
Items that may be reclassified subsequently to profit or loss					
Cash flow hedge reserve		(2.8)	14.8	3.2	4.4
thereof transferred to profit (-) or loss (+)		(5.0)	(2.6)	(2.4)	(1.8)
Available-for-sale reserve		10.4	12.5	(5.9)	22.3
thereof transferred to profit (-) or loss (+)		(27.5)	(15.9)	(15.9)	(1.8)
Share of other comprehensive income of associates accounted for using the equity method		–	(3.1)	–	(0.2)
Income tax relating to items that may be reclassified		(1.9)	(8.4)	0.7	(6.6)
Total items that may be reclassified subsequently to profit or loss		**5.7**	**15.8**	**(2.0)**	**19.9**
Other comprehensive income		**8.6**	**0.6**	**(2.0)**	**16.4**
Total comprehensive income, net of tax		**312.7**	**380.6**	**98.6**	**112.7**
Thereof attributable to non-controlling interests		0.1	0.2	0.0	0.0
Thereof attributable to owners of the parent		**312.6**	**380.4**	**98.6**	**112.7**

STATEMENT OF FINANCIAL POSITION

Total assets

in EUR million	[Notes]	Sep 2017	Dec 2016
Cash reserves		717	1,020
Financial assets designated at fair value through profit or loss		183	202
Available-for-sale financial assets	[6]	2,751	3,209
Held-to-maturity investments		2,420	2,353
Financial assets held for trading	[7]	434	652
Loans and receivables	[8]	30,598	30,821
Customers		27,528	28,494
Credit institutions		1,917	1,635
Securities		1,153	692
Hedging derivatives		543	677
Property, plant and equipment		47	53
Investment properties		5	3
Goodwill		58	58
Brand name and customer relationships		170	174
Software and other intangible assets		150	128
Tax assets for current taxes		5	10
Tax assets for deferred taxes		92	203
Associates recognized at equity		43	45
Other assets		134	135
Total assets		**38,350**	**39,743**

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

Total liabilities and equity

in EUR million	[Notes]	Sep 2017	Dec 2016
Total liabilities		**34,954**	**36,607**
Financial liabilities designated at fair value through profit or loss	[9]	756	1,115
Financial liabilities held for trading	[10]	338	617
Financial liabilities at amortized cost	[11]	32,670	32,962
Customers		24,671	25,998
Issued bonds, subordinated and supplementary capital		4,942	4,900
Credit institutions		3,057	2,064
Financial liabilities associated with transferred assets		–	300
Valuation adjustment on interest rate risk hedged portfolios		135	223
Hedging derivatives		124	260
Provisions	[12]	373	404
Tax liabilities for current taxes		3	19
Tax liabilities for deferred taxes		6	27
Other obligations		549	680
Total equity		**3,396**	**3,136**
Equity attributable to the owners of the parent		3,395	3,134
Non-controlling interests		1	2
Total liabilities and equity		**38,350**	**39,743**

STATEMENTS OF CHANGES IN EQUITY

in EUR million	Subscribed capital	Capital reserves	Retained earnings reserve	AFS reserve net of tax	Cash flow hedge reserve net of tax	Actuarial gains/losses net of tax	Equity attributable to the owners of the parent	Non-controlling interests	Equity including non-controlling interests
Balance as of 01.01.2016	**100**	**1,094**	**1,793**	**41**	**–**	**(72)**	**2,956**	**1**	**2,957**
Dividends	–	–	(309)	–	–	–	(309)	–	(309)
Total comprehensive income	–	–	379	5	11	(15)	380	1	381
Balance as of 30.09.2016	**100**	**1,094**	**1,863**	**46**	**11**	**(87)**	**3,027**	**2**	**3,029**
Balance as of 01.01.2017	**100**	**1,094**	**1,967**	**39**	**6**	**(73)**	**3,134**	**1**	**3,135**
Dividends	–	–	(52)	–	–	–	(52)	–	(52)
Total comprehensive income	–	–	304	8	(2)	3	313	–	313
Balance as of 30.09.2017	**100**	**1,094**	**2,219**	**47**	**4**	**(70)**	**3,395**	**1**	**3,396**

By way of a resolution dated 7 September 2017, an interim dividend in the amount of EUR 51.6 million was paid to Promontoria Sacher Holding B.V., at the date of the payment the sole shareholder of BAWAG Group AG. The dividend amounted to EUR 0.52 per share. The dividend was taken into account in the calculation of the regulatory ratios.

CONDENSED CASH FLOW STATEMENT

in EUR million	**Jan–Sep 2017**	Jan–Sep 2016
Cash and cash equivalents at end of previous period	**1,020**	**809**
Profit (after tax, before non-controlling interests)	304	380
Non-cash items included in the profit (loss) and reconciliation to net cash from operating activities	(608)	(507)
Change in assets and liabilities arising from operating activities after corrections for non-cash items	(986)	(80)
Interest receipts	839	787
Interest paid	(187)	(188)
Dividend receipts	7	2
Net cash from operating activities	**(631)**	**394**
Cash receipt from sales of subsidiaries	–	91
Cash receipts from sales of		
Financial investments	1,481	1,115
Tangible and intangible non-current assets	0	1
Cash paid for		
Financial investments	(1,045)	(1,222)
Tangible and intangible non-current assets	(42)	(30)
Net cash used in investing activities	**394**	**(45)**
Dividends paid	(52)	(309)
Others	(14)	(13)
Net cash from financing activities	**(66)**	**(322)**
Cash and cash equivalents at end of period	**717**	**836**

NOTES

The condensed consolidated interim financial statements of BAWAG Group as of 30 September 2017 were prepared in accordance with the International Financial Reporting Standards (IFRS) released by the International Accounting Standards Board (IASB) and in accordance with their interpretation by the IFRS Interpretations Committee (IFRIC/SIC) to the extent adopted by the EU.

These interim financial statements for the first three quarters 2017 were prepared in accordance with IAS 34 (Interim Financial Reporting).

The accounting principles used in preparing this interim financial report are the same as those used for the preparation of the consolidated financial statements as of 31 December 2016.

The condensed consolidated interim financial statements include values which are determined, as permitted, on the basis of estimates and judgments. The estimates and judgments used are based on past experience and other factors, such as planning and expectations or forecasts of future events that are considered likely as far as we know today. The estimates and judgments themselves and the underlying estimation methods and judgment factors are reviewed regularly and compared with actual results.

The following items are also subject to the judgment of management:

- assessments of the recoverability of long-term loans are based on assumptions regarding the borrower's future cash flows, and, hence, possible impairments of loans and the recognition of provisions for off-balance-sheet commitments in relation to the lending business
- recognition of provisions for uncertain liabilities
- assessments of legal risks from legal proceedings, supreme court rulings and inspections of regulatory authorities and the recognition of provisions regarding such risks

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

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

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

In other comprehensive income, the changes in the value of the hedging instruments that can be attributed to the hedged risk are reported under Cash flow hedge reserve. Therefore, in the first three quarters 2017, fair value losses in the amount of minus EUR 2.8 million would have been presented in the line item Gains and losses on financial instruments in the income statement if BAWAG Group had not applied cash flow hedge accounting.

Due to BAWAG Group's IPO in October, disclosure requirements according to IAS 33 *Earnings per share* are included for the first time.

As of 30 September 2017, no new standards, interpretations and amendments to existing standards are mandatory for periods beginning on 1 January 2017.

Already in July 2014, the IASB published the final version of IFRS 9 *Financial Instruments*. IFRS 9 establishes three primary measurement categories for financial assets: amortized cost, fair value and fair value through other comprehensive income.

IFRS 9 will become mandatory for reporting periods beginning on or after 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

According to IFRS 7, in 2018 the notes of BAWAG Group will contain transitional tables reconciling financial assets and impairment allowances from IAS 39 to IFRS 9. It is not planned to disclose the IFRS 9 figures for the prior year.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarized below.

Classification of Financial Assets and Financial Liabilities

Financial Assets

IFRS 9 establishes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

A financial asset is measured at amortized cost only if the object of the entity's business model is to hold the financial asset and the contractual cash flows are solely payments of principal and interest on the principal outstanding (simple loan feature). A financial asset is measured at fair value through other comprehensive income if the asset is held in a business model in which assets are managed both in order to collect contractual cash flows and for sale and the contractual cash flows are solely payments of principal and interest on the principal outstanding (simple loan feature). Financial assets that do not meet these criteria are measured at fair value through profit or loss. Furthermore, embedded derivatives will no longer be separated from the financial host asset. The financial instrument is assessed in its entirety and measured at fair value through profit or loss.

Business Model Assessment

The Group made an assessment of business models for all segments and is currently setting up documentation including:

- policies and objectives for the portfolio
- how the performance of the portfolio is evaluated and reported to the Group's management
- the risks that affect the performance of the business model and how those risks are managed

Assessment Whether Contractual Cash Flows Are Solely Payments of Principal and Interest

The Group analyzed its existing loan portfolio and set up a checklist for SPPI criteria. The Group is currently implementing or adjusting relevant software tools for IFRS 9-compliant reporting. Internal processes are being defined and in-house training of relevant divisions is being performed.

Financial Liabilities

The classification and measurement requirements for financial liabilities are only slightly changed compared to IAS 39. However, under IFRS 9 fair value changes of financial liabilities in the fair value option are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Modifications

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

BAWAG Group has evaluated different software solutions and has decided to use the existing systems to implement the automated treatment of modifications. Currently, the Software Solution is being implemented.

Hedge Accounting

IFRS 9 also contains a new general hedge accounting model. This model aligns hedge accounting more closely with operational risk management and allows hedging strategies that are used for the purposes of risk management. The effectiveness test as a requirement for the use of hedge accounting was revised: Instead of the quantitative criterion (bandwidth of 80% to 125%), qualitative and quantitative criteria for a forward-looking effectiveness assessment were introduced. Furthermore, voluntary terminations of hedge relationships are no longer allowed in general, but only if certain requirements are met. Rules for rebalancing were introduced for hedging relationships in which the hedged risk and the risk covered by hedging instruments are not identical. These rules state that the hedge ratio can be adjusted in the event of correlation changes without having to terminate the hedge relationship.

While the macro hedge accounting project is ongoing, adopters of IFRS 9 may, as an accounting policy choice, continue to apply the portfolio fair value hedge accounting model for interest rate risk in IAS 39.

The Group currently expects no major impacts on the consolidated financial statements resulting from IFRS 9 hedge accounting and will continue to apply the macro fair value hedge accounting model for interest rate risk according to IAS 39. IFRS 9 macro hedge accounting provisions will be evaluated after finalization of the respective requirements by the IASB.

Impairment

IFRS 9 requires a bank to determine the expected credit loss (ECL) based on a probability assessment of future cash flows and losses. The ECL is basically defined as the difference between the cash flows that are due to the bank in accordance with the contractual terms of a financial instrument and the cash flows that the bank expects to receive (considering probabilities of default and expected recoveries). The applied methodology is based on the standard-setting document "IFRS 9 Financial Instruments (July 2014)"[1]. Since this document is formulated in a very general manner (with respect to the model requirements), the following documents, which are more detailed and contain further principles for modelling IFRS 9-compliant lifetime expected loss, are also being taken into account as input for the methodology:

- Global Public Policy Committee (June 2016): "The implementation of the IFRS 9 impairment requirements by banks"
- Basel Committee on Banking Supervision (December 2015): "Guidance on credit risk and accounting for ECL"
- European Banking Authority (July 2016): "Draft guidelines on credit institutions' credit risk management practices and accounting for expected credit losses"

The main drivers in the ECL calculation are the lifetime probability of default (PD), the lifetime loss given default (LGD) and the lifetime exposure at default for different products.

The lifetime PD is assumed to consist of a through-the-cycle component and point-in-time component. The through-the-cycle component represents idiosyncratic characteristics of the borrower, whereas the point-in-time stands for business-cycle effects. For the through-the-cycle component, our model approach considers – amongst others – the homogenous and non-homogenous continuous Markov approach. For the point-in-time component, the shift factor and a firm-value based approach ("Peridery approach") PD are used. For each relevant business segment, a separate model was developed to forecast the lifetime PDs by considering forecasts of macroeconomic factors. An initial validation ("back testing") was performed for the models of the main business segments in order to quantify the main impact of lifetime expected loss.

The decision as to whether a financial instrument is assigned to stage 1 ("unchanged credit quality") or stage 2 ("significantly deteriorated credit quality") is based on quantitative transfer criteria as well as on qualitative factors. As quantitative criteria, a relative (ratio of relevant lifetime PDs) and an absolute (difference of relevant lifetime PDs) criterion are considered. For investment grade ratings, the absolute transfer criterion is applied in substitution to the low risk exemption that can be chosen under the IFRS 9 Standard. This allows for more flexibility as stage transfers are also possible for transactions that have an assigned investment grade rating. As soon as the relevant ratios and differences of lifetime PDs exceed defined thresholds, the financial instrument is assigned to stage 2, in which lifetime expected loss numbers are considered as expected credit losses instead of 12-month expected loss numbers.

The qualitative factors include the following tests: 1) whether the financial instrument is 30 days delayed or not, 2) whether the financial instrument is on a watch list or not, 3) whether the financial instrument has a warning signal or not. As soon as one of the qualitative factors is relevant, the financial instrument is assigned to stage 2.

1) In the following, this document is called IFRS 9 Standard.

Status of the Implementation Project

The implementation project of BAWAG Group is at an advanced stage, and parts of the IFRS 9-relevant parameters and models are currently being finally validated. Significant internal and external resources were bundled to ensure a timely implementation of the IFRS 9 project. The governance structure is ensured by the involvement of the CFO and the CRO in the steering committee and to ensure the timely implementation of the project. At the Supervisory Board level, IFRS 9 status updates are provided to the Risk and Credit Committee.

Since June 2017, BAWAG Group performs parallel calculations to test the impacts on the financials and on the process workflows and integrate them into the overall management of BAWAG Group.

When IFRS 9 is applied for the first time, BAWAG Group expects on the basis of the portfolio as of 30 September 2017 and the current project progress the following impacts on its financial accounts: Currently, we expect a slightly negative effect on IFRS equity due to impacts arising from both Classification & Measurement as well as Impairment. Concerning our Common Equity Tier 1 ratio, we expect a negative impact of around 40 basis points.

The disclosed effects are based on the Group's current assessment and may change when IFRS 9 is applied for the first time due to changes in the composition of the portfolio or different economic conditions.

IFRS 15 establishes a framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*. IFRS 15 is effective for annual periods beginning on or after 1 January 2018. BAWAG Group has completed an analysis of the impact of the adoption of IFRS 15 on its consolidated financial statements. The analysis focused on fees and commission income, i.e. income that does not form part of the effective interest rate under IAS 39. IFRS 15 will not have a material impact on BAWAG Group, as the timing of the revenue and the presentation does not change except for immaterial amounts.

IFRS 16 is effective from 1 January 2019, replaces the previous leases standard, IAS 17 *Leases*, and related interpretations and will be applicable to the consolidated financial statements of BAWAG Group. BAWAG Group is currently evaluating the effects of IFRS 16 on the consolidated financial statements. One major effect for BAWAG Group as a lessee in an operating lease contract will be the recognition of a "right-of-use" asset and the related lease liability at commencement of the lease. Furthermore, rental expenses, which so far have been recognized on a straight-line basis, will be replaced by interest expenses for the lease liability and depreciation of the "right-of-use" asset.

Accounting for the acquisition of start:bausparkasse AG and IMMO-BANK AG according to IFRS 3 is still based on preliminary results. BAWAG Group expects finalization within the measurement period according to IFRS 3.45. Currently, the Group does not expect any major impacts on its equity.

The valuation principles as of 31 December 2016 were applied again.

As of 30 September 2017, the Group consists of 36 (31 December 2016: 36) fully consolidated entities and 2 (31 December 2016: 2) entities that are accounted for using the equity method in Austria and abroad. In the second quarter 2017, BV Vermögensverwaltung GmbH was included in the scope of consolidation due to materiality. In the third quarter 2017, BAWAG P.S.K. Leasing GmbH ("BPL") as the transferring company was merged with easyleasing GmbH as the absorbing company. Due to the merger, BPL was eliminated from the scope of consolidation.

The interim financial statements for the first three quarters 2017 were not audited or reviewed by an external auditor.

The tables in this report may contain rounding differences.

CLAIM AGAINST THE CITY OF LINZ

As no material changes have occurred since year-end 2016, we refer to the Notes to the consolidated financial statements as of 31 December 2016.

MAJOR EVENTS AFTER THE REPORTING DATE

Closing PayLife

On October 7, 2017, BAWAG Group closed the acquisition of PayLife, the card issuing business of SIX Payment Services Austria. Combined with its existing credit and prepaid card business, this acquisition makes BAWAG Group one of the largest card issuers in Austria by number of prepaid and credit cards.

Moody's rating outlook

On April 20, 2017, Moody's announced several upgrades to BAWAG P.S.K.'s credit ratings. The long-term senior unsecured debt, issuer and deposit ratings were all raised by one notch to A2. At the same time, BAWAG P.S.K.'s standalone rating (Baseline Credit Assessment) as well as its subordinate debt rating were also upgraded by one notch to baa1 and Baa2, respectively. On October 18, 2017, Moody's affirmed these ratings but changed its outlook for these ratings from "positive" to "stable."

Change in shareholder structure

Effective October 30, 2017, Promontoria Sacher Holding B.V. ("PSH") has ceased to be a financial holding company within the meaning of Art. 4 (1) point (20) CRR, a parent financial holding company in a Member State within the meaning of Art. 4 (1) point (30) CRR as well as the EU parent financial holding company of BAWAG Group within the meaning of Art. 4 (1) point (31) CRR. Accordingly, PSH is no longer the super-ordinated financial holding company (*übergeordnete Finanzholdinggesellschaft*) of BAWAG Group within the meaning of Sec. 73 (3) of the Austrian Banking Act (*Bankwesengesetz* – "BWG").

IPO of BAWAG Group on the Vienna Stock Exchange

On October 25, 2017, the shares of BAWAG Group AG were admitted to the Official Market of the Vienna Stock Exchange and started trading in the prime market segment. Based on the total number of 100,000,000 shares and the offer price of EUR 48.00 per share, the market capitalization of BAWAG Group AG amounted to EUR 4.8 billion. Following the offering, the free float will amount to 35.0% (before exercise of the greenshoe).

On its second trading day, October 27, 2017, BAWAG Group AG was admitted into the ATX (Austrian Traded Index).

DETAILS OF THE PROFIT OR LOSS STATEMENT

1 | Net interest income

in EUR million	Jan–Sep 2017	Jan–Sep 2016
Interest income*)	820.7	783.0
Interest expense	(234.0)	(232.6)
Dividend income	6.8	1.9
Net interest income	**593.5**	**552.3**

*) Adjusted for 2016.

2 | Net fee and commission income

in EUR million	Jan–Sep 2017	Jan–Sep 2016
Fee and commission income	**210.1**	**205.2**
Payment transfers	129.1	127.3
Lending	22.5	22.6
Securities and custody business	30.0	27.6
Other	28.5	27.7
Fee and commission expenses	**(59.3)**	**(59.1)**
Payment transfers	(28.9)	(29.7)
Other	(30.4)	(29.4)
Net fee and commission income	**150.8**	**146.1**

3 | Gains and losses on financial assets and liabilities

in EUR million	Jan–Sep 2017	Jan–Sep 2016
Realized gains on sales of subsidiaries and securities	57.7	33.2
Fair value gains/losses	(14.0)	16.3
Gains/losses from fair value hedge accounting	2.0	(1.0)
Others*)	(2.2)	(5.9)
Gains and losses on financial assets and liabilities	**43.5**	**42.6**

*) Adjusted for 2016.

Change in presentation of amortization of day one profits

IFRS does not provide guidance on the presentation of amortization of day one profits. Accordingly, it can be shown either in interest income or gains and losses on financial assets and liabilities. Until the end of the third quarter 2016, the disclosure was made in gains and losses on financial assets and liabilities. As the day one profit will be amortized on a systematic basis, BAWAG Group considers this regular amortization as similar to interest income. Therefore, since the fourth quarter 2016 the amortization of day one profits is shown in interest income to provide greater transparency. Comparative amounts for the previous period were adjusted accordingly. The following table shows the effects in the first three quarters 2017 and the first three quarters 2016 on each item that was reclassified:

in EUR million	Jan–Sep 2017	Jan–Sep 2016
Decrease in other gains and losses on financial assets and liabilities	(5.7)	(8.0)
Increase in interest income	+5.7	+8.0

4 | Operating expenses

in EUR million	Jan–Sep 2017	Jan–Sep 2016
Staff costs	(184.6)	(166.6)
Other administrative expenses	(103.4)	(108.5)
Depreciation and amortization on tangible and intangible assets	(28.4)	(26.6)
Restructuring and other one-off expenses	(5.7)	(17.7)
Operating expenses	**(322.1)**	**(319.4)**

Last years' acquisitions (start:bausparkasse AG and IMMO-BANK AG) are not included in prior-year comparables, as the closing did not take place until the fourth quarter 2016.

The line item Restructuring and other one-off expenses mainly includes expenses for restructuring costs.

5 | Provisions and impairment losses

in EUR million	Jan–Sep 2017	Jan–Sep 2016
Loan-loss provisions and changes in provisions for off-balance credit risk	(38.1)	(20.9)
Provisions and expenses for operational risk	(5.3)	(3.2)
Impairment losses on financial assets	0.0	(0.8)
Impairment losses on non-financial assets	(0.3)	–
Provisions and impairment losses	**(43.7)**	**(24.9)**

DETAILS OF THE STATEMENT OF FINANCIAL POSITION

6 | Available-for-sale financial assets

in EUR million	Sep 2017	Dec 2016
Bonds	**2,677**	**3,129**
Bonds of other issuers	2,550	2,619
Public sector debt instruments	127	510
Subsidiaries and other equity investments	**74**	**80**
Available-for-sale financial assets	**2,751**	**3,209**

7 | Financial assets held for trading

in EUR million	Sep 2017	Dec 2016
Derivatives in trading book	163	230
Derivatives in banking book	271	422
Financial assets held for trading	**434**	**652**

8 | Loans and receivables

Sep 2017 in EUR million	Unimpaired assets	Impaired assets (total gross carrying amount)	Allowances for individually impaired financial assets	Allowances for collectively impaired financial assets	Total net carrying amount
Receivables from customers	**27,091**	**679**	**(164)**	**(78)**	**27,528**
thereof IBNR portfolio provision[1)]	–	–	–	(41)	(41)
Securities	**1,153**	**–**	**–**	**–**	**1,153**
Receivables from credit institutions	**1,917**	**–**	**–**	**–**	**1,917**
Total	**30,161**	**679**	**(164)**	**(78)**	**30,598**

1) Allowance for incurred but not reported losses.

Dec 2016 in EUR million	Unimpaired assets	Impaired assets (total gross carrying amount)	Allowances for individually impaired financial assets	Allowances for collectively impaired financial assets	Total net carrying amount
Receivables from customers	**28,152**	**547**	**(129)**	**(76)**	**28,494**
thereof IBNR portfolio provision[1)]	–	–	–	(54)	(54)
Securities	**692**	**–**	**–**	**–**	**692**
Receivables from credit institutions	**1,635**	**–**	**–**	**–**	**1,635**
Total	**30,479**	**547**	**(129)**	**(76)**	**30,821**

1) Allowance for incurred but not reported losses.

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

Sep 2017 in EUR million	Unimpaired assets	Impaired assets (total gross carrying amount)	Allowances for individually impaired financial assets	Allowances for collectively impaired financial assets	Total net carrying amount
BAWAG P.S.K. Retail	11,263	214	(106)	(32)	11,339
easygroup	3,885	79	(17)	(5)	3,942
DACH Corporates & Public Sector	7,415	32	(21)	0	7,426
International Business	4,898	52	(18)	–	4,932
Treasury Services & Markets	2,594	–	–	–	2,594
Corporate Center	106	302	(2)	(41)	365
Total	**30,161**	**679**	**(164)**	**(78)**	**30,598**

Dec 2016 in EUR million	Unimpaired assets	Impaired assets (total gross carrying amount)	Allowances for individually impaired financial assets	Allowances for collectively impaired financial assets	Total net carrying amount
BAWAG P.S.K. Retail	11,499	160	(84)	(19)	11,556
easygroup	4,426	32	(20)	(3)	4,435
DACH Corporates & Public Sector	7,568	34	(21)	0	7,581
International Business	5,392	–	–	–	5,392
Treasury Services & Markets	1,496	–	–	–	1,496
Corporate Center	99	321	(5)	(54)	361
Total	**30,479**	**547**	**(129)**	**(76)**	**30,821**

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

Receivables from customers – Breakdown by credit type

in EUR million	**Sep 2017**	Dec 2016
Loans	24,534	25,300
Current accounts	1,204	1,325
Finance leases	1,175	1,202
Cash advances	615	667
Receivables from customers	**27,528**	**28,494**

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

in EUR million	Sep 2017	Dec 2016
Issued debt securities and other securitized liabilities	643	1,006
Subordinated and supplementary capital	113	109
Financial liabilities designated at fair value through profit or loss	**756**	**1,115**

10 | Financial liabilities held for trading

in EUR million	Sep 2017	Dec 2016
Derivatives trading book	65	143
Derivatives banking book	273	474
Financial liabilities held for trading	**338**	**617**

11 | Financial liabilities measured at amortized cost

in EUR million	Sep 2017	Dec 2016
Deposits from banks	**3,057**	**2,064**
Deposits from customers	**24,671**	**25,998**
Savings deposits – fixed interest rates	933	1,928
Savings deposits – variable interest rates	6,892	6,372
Deposit accounts	5,650	6,074
Current accounts – Retail	7,879	7,341
Current accounts – Corporates	2,603	2,505
Other deposits[1]	714	1,778
Issued bonds, subordinated and supplementary capital	**4,942**	**4,900**
Issued debt securities and other securitized liabilities	4,473	4,436
Subordinated and supplementary capital	469	464
Financial liabilities measured at amortized cost	**32,670**	**32,962**

1) Primarily term deposits.

As of 30 September 2017, the line item deposits from banks includes a tranche in the TLTRO II in the amount of EUR 2.0 billion.

12 | Provisions

in EUR million	Sep 2017	Dec 2016
Provisions for social capital	346	386
Anticipated losses from pending business	6	8
Other items including legal risks	21	10
Provisions	**373**	**404**

The line item other items including legal risks includes a provision for possible consequences resulting from inspections of regulatory authorities. Also considering tax effects associated with the payment of potential fines, the Bank expects the impact from such fines (if imposed) on BAWAG Group's profit after tax not to exceed a € million figure in the low teens.

According to IAS 19, provisions for post-employment and termination benefits and for jubilee benefits are calculated using the projected unit credit method. The change of the interest rate from 1.75% to 1.80%, which took place in the second quarter 2017, resulted in a net impact of EUR 2.3 million in other comprehensive income and EUR 0.1 million in profit.

As of September 2017 and 31 December 2016, the line item other items including risk includes provisions for expected refunds of negative interest due to supreme court rulings regarding negative interest reference rates in Austria in the amount of EUR 1 million.

13 | Related parties

Transactions with related parties

The following table shows transactions with related parties:

Sep 2017 in EUR million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidiaries not consolidated	At-equity companies	Other companies
Loans and receivables – customers	138	510	47	–	90
Securities	–	92	–	21	–
Other assets (incl. derivatives)	10	0	5	–	–
Financial liabilities – customers	–	0	20	107	4
Other liabilities (incl. derivatives)	–	–	–	1	–
Guarantees provided	–	–	–	–	1
Interest income	1.6	20.4	0.7	0.2	1.6
Interest expenses	–	6.8	0.0	1.2	0.0
Net fee and commission income	–	0.0	0.0	10.6	0.3

As of 30 September 2017, there is a loan from BAWAG Group to Promontoria Sacher Holding N.V. in the amount of EUR 138.1 million which has been fully repaid in October 2017. The interest rate was determined at standard market terms.

Dec 2016 in EUR million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidiaries not consolidated	At-equity companies	Other companies
Loans and receivables – customers	6	808	48	0	139
Securities	–	43	–	20	–
Other assets (incl. derivatives)	36	0	6	–	–
Financial liabilities – customers	–	0	11	113	10
Other liabilities (incl. derivatives)	–	0	–	1	–
Guarantees provided	–	–	–	–	1
Interest income	–	31.6	1.7	0.3	2.6
Interest expenses	0.0	0.8	0.0	1.5	0.0
Net fee and commission income	0.0	–	0.0	18.0	0.6

Sep 2016 in EUR million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidiaries not consolidated	At-equity companies	Other companies
Loans and receivables – customers	–	783	49	0	140
Securities	–	–	–	20	–
Other assets (incl. derivatives)	18	1	6	–	–
Financial liabilities – customers	–	0	11	107	10
Other liabilities (incl. derivatives)	–	0	0	2	–
Guarantees provided	–	–	0	–	1
Interest income	–	24.1	1.3	0.2	2.0
Interest expenses	–	0.0	–	1.2	0.0
Net fee and commission income	–	–	–	12.7	0.5

Information regarding natural persons

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

in EUR million	Key management of the entity or its parent Sep 2017	Other related parties Sep 2017	Key management of the entity or its parent Dec 2016	Other related parties Dec 2016
Current account deposits	2	2	10	3
Savings deposits	1	0	0	3
Loans	0	3	1	3

14 | Segment reporting

This information is based on the Group structure as of 30 September 2017.

The segment reporting presents the results of the operating business segments of BAWAG Group. The following segment information is based on IFRS 8 *Operating Segments*, which follows the management approach. In this, the segment information is prepared on the basis of the internal reports used by the Managing Board to assess the performance of the segments and to make decisions on allocating resources to the segments.

The breakdown of the net interest income and its allocation to the segments in the management report is based on the principles of the market interest rate method, also taking into account allocated liquidity costs and premiums. According to this method, it is assumed that asset and liability items are refinanced by means of money and capital market transactions with corresponding maturities, and that there is therefore no interest rate risk. The interest rate risk is managed actively through asset and liability management, and the related results are reported in the Corporate Center. The remaining earnings components and the directly allocable costs are assigned to the respective business units on the basis of where they are incurred. The overhead costs and planned depreciation are assigned to the individual segments according to an allocation factor.

BAWAG Group is managed in accordance with the following six main business and reporting segments:

- **BAWAG P.S.K. Retail –** includes savings, payment, card and lending activities, investment and insurance services for our domestic private customers, small business lending and our social housing activities, building society savings and loans, estate leasing as well as own issues covered with retail assets and Wohnbaubank bonds.
- **easygroup –** includes our direct banking subsidiary *easybank* with a full online product offering, e.g. savings, payments, card and lending activities for private and small business customers, along with our auto and mobile leasing platforms as well as lending to our international retail borrowers, including own issues covered with an international mortgage portfolio.
- **DACH Corporates & Public Sector –** includes our corporate and public lending business and other fee-driven financial services for mainly Austrian customers; as we also support our clients in their cross-border activities, selective client relationships in neighboring countries and own issues covered with corporate or public assets are included in this segment as well.
- **International Business –** includes lending activities to international corporates as well as international real estate financing activities outside the DACH region originated by our London office.
- **Treasury Services & Markets –** includes any treasury activities associated with providing trading and investment services such as certain asset-liability management transactions (including secured and unsecured funding) and the investment results of our portfolio of financial securities.
- **Corporate Center –** includes unallocated items related to support functions for the entire Bank, accounting positions (e.g. market values of derivatives), tangible and intangible assets as well as select results related to subsidiary and participation holdings. Regulatory charges (except for deposit guarantee scheme contributions) and corporate taxes are assigned to the Corporate Center.

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

The segments in detail:

Jan–Sep 2017 in EUR million	BAWAG P.S.K. Retail	easygroup	DACH Corporates & Public Sector	International Business	Treasury Services & Markets	Corporate Center	Total
Net interest income	298.1	115.8	52.7	98.9	37.3	(9.3)	593.5
Net fee and commission income	117.2	8.2	29.0	0.2	0.0	(3.8)	150.8
Core revenues	**415.3**	**124.0**	**81.7**	**99.1**	**37.3**	**(13.1)**	**744.3**
Gains and losses on financial instruments	3.1	(2.3)	0.6	(0.5)	23.8	18.8	43.5
Other operating income and expenses	1.8	(1.1)	0.0	0.0	0.0	(15.2)	(14.5)
Operating income	**420.2**	**120.6**	**82.3**	**98.6**	**61.1**	**(9.5)**	**773.3**
Operating expenses	**(200.3)**	**(23.7)**	**(35.4)**	**(21.0)**	**(12.0)**	**(28.0)**	**(320.4)**
Regulatory charges	(14.3)	(2.4)	–	–	–	(13.1)	(29.8)
Total risk costs	(30.7)	1.8	7.0	(15.8)	0.0	(6.0)	(43.7)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	–	–	3.0	3.0
Profit before tax	**174.9**	**96.3**	**53.9**	**61.8**	**49.1**	**(53.6)**	**382.4**
Income taxes	–	–	–	–	–	(78.3)	(78.3)
Profit after tax	**174.9**	**96.3**	**53.9**	**61.8**	**49.1**	**(131.9)**	**304.1**
Non-controlling interests	–	–	–	–	–	(0.1)	(0.1)
Net profit	**174.9**	**96.3**	**53.9**	**61.8**	**49.1**	**(132.0)**	**304.0**
Business volumes							
Assets	11,480	3,964	7,624	5,139	7,479	2,664	38,350
Liabilities	20,569	4,131	6,283	6	2,127	5,234	38,350
Risk-weighted assets	4,436	3,274	2,917	4,152	1,759	1,274	17,812

Jan–Sep 2016 in EUR million	BAWAG P.S.K. Retail	easygroup	DACH Corporates & Public Sector	International Business	Treasury Services & Markets	Corporate Center	Total
Net interest income	258.6	89.7	58.9	101.7	41.4	2.0	552.3
Net fee and commission income	106.3	6.9	29.7	(0.1)	0.0	3.3	146.1
Core revenues	**364.9**	**96.6**	**88.6**	**101.6**	**41.4**	**5.3**	**698.4**
Gains and losses on financial instruments	0.8	0.0	1.1	(2.3)	11.1	31.9	42.6
Other operating income and expenses	1.0	(0.1)	0.0	0.0	0.0	1.2	2.1
Operating income	**366.7**	**96.5**	**89.7**	**99.3**	**52.5**	**38.4**	**743.1**
Operating expenses	**(201.8)**	**(23.3)**	**(38.7)**	**(20.0)**	**(12.0)**	**(22.3)**	**(318.1)**
Regulatory charges	(12.4)	(2.5)	–	–	–	(24.9)	(39.8)
Total risk costs	(26.6)	(1.9)	2.7	3.1	0.0	(2.2)	(24.9)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	–	–	6.2	6.2
Profit before tax	**125.9**	**68.8**	**53.7**	**82.4**	**40.5**	**(4.8)**	**366.5**
Income taxes	–	–	–	–	–	13.5	13.5
Profit after tax	**125.9**	**68.8**	**53.7**	**82.4**	**40.5**	**8.7**	**380.0**
Non-controlling interests	–	–	–	–	–	(0.2)	(0.2)
Net profit	**125.9**	**68.8**	**53.7**	**82.4**	**40.5**	**8.5**	**379.8**
Business volumes							
Assets	9,293	3,053	7,647	4,954	5,905	3,546	34,398
Liabilities	18,310	3,766	3,993	1	2,490	5,838	34,398
Risk-weighted assets	3,676	3,231	2,868	3,731	1,868	1,270	16,644

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

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

in EUR million	**Jan–Sep 2017**	Jan–Sep 2016
Other operating income and expenses according to segment report	(14.5)	2.1
Regulatory charges	(28.1)	(38.5)
Other operating income and expenses according to consolidated profit or loss statement	**(42.6)**	**(36.4)**

in EUR million	**Jan–Sep 2017**	Jan–Sep 2016
Operating expenses according to segment report	(320.4)	(318.1)
Regulatory charges	(1.7)	(1.3)
Operating expenses according to consolidated profit or loss statement	**(322.1)**	**(319.4)**

15 | Capital management

Regulatory reporting is performed on the level of BAWAG Group and Promontoria Sacher Holding B.V. Group as the EEA parent financial holding company of the group of credit institutions. The following table shows the breakdown of own funds of Promontoria Sacher Holding B.V. Group and BAWAG Group applying transitional rules and its own funds requirement as per 30 September 2017 and 31 December 2016 pursuant to CRR applying IFRS figures and the CRR scope of consolidation.

	Promontoria		BAWAG Group	
in EUR million	**Sep 2017[3)]**	Dec 2016	**Sep 2017[3)]**	Dec 2016
Share capital and reserves (including funds for general banking risk)	3,106	3,121	3,160	3,158
Not yet distributed dividend for 2015[1)]	(25)	(25)	–	–
Deduction of intangible assets	(266)	(190)	(266)	(190)
Other comprehensive income	(33)	(30)	(33)	(30)
IRB risk provision shortfalls[2)]	(47)	(19)	(47)	(19)
Prudent valuation, cumulative gains due to changes in own credit risk on fair valued liabilities, prudential filter for unrealized gains, cash flow hedge reserve	(36)	(47)	(36)	(47)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(71)	(100)	(71)	(100)
Excess of deduction from AT1 items over AT1 capital	(73)	(133)	(73)	(133)
Common Equity Tier I	**2,555**	**2,577**	**2,634**	**2,639**
IRB risk provision shortfalls[2)]	(6)	(6)	(6)	(6)
Deduction of intangible assets	(66)	(127)	(66)	(127)
Excess of deduction from AT1 items over AT1 capital	72	133	72	133
Additional Tier I	**–**	**–**	**–**	**–**
Tier I	**2,555**	**2,577**	**2,634**	**2,639**
Supplementary and subordinated debt capital	476	484	476	484
Excess IRB risk provisions	–	24	–	24
Less significant investments, IRB risk provision shortfalls[2)]	(27)	(26)	(27)	(26)
Tier II	**449**	**482**	**449**	**482**
Own funds	**3,004**	**3,059**	**3,083**	**3,121**

1) Dividends for 2015: In the third quarter 2016, BAWAG Group AG paid a dividend of EUR 309 million to Promontoria Sacher Holding B.V., the sole shareholder of BAWAG Group AG. Promontoria Sacher Holding B.V. paid a dividend of EUR 265 million to its shareholders. Another EUR 25 million have not yet been paid but deducted from CET1 as a foreseeable dividend.
2) September 2017: According to CRR, LLPs as of 31 December 2016 including disposals until 30 September 2017.
3) Own funds as of 30 September 2017 differ from those as of 31 December 2016 inter alia because of different CRR transitional rules for 2017 and 2016 for the eligibility of capital and deductions from own funds.

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

	Promontoria		BAWAG Group	
in EUR million	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Credit risk	16,088	17,326	16,159	17,329
Market risk	50	59	50	59
Operational risk	1,580	1,633	1,580	1,633
Capital requirements (risk-weighted assets)	**17,718**	**19,018**	**17,789**	**19,021**

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

	Promontoria		BAWAG Group	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Common Equity Tier I capital ratio based on total risk	15.9%	13.3%	16.2%	13.6%
Total capital ratio based on total risk	18.7%	15.9%	19.0%	16.2%

Key figures according to CRR including its transitional rules

	Promontoria		BAWAG Group	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Common Equity Tier I capital ratio based on total risk (excl. interim profit)	14.4%	n/a	14.8%	n/a
Total capital ratio based on total risk (excl. interim profit)	17.0%	n/a	17.3%	n/a
Common Equity Tier I capital ratio based on total risk (incl. interim profit)	16.0%	13.6%	16.3%	13.9%
Total capital ratio based on total risk (incl. interim profit)	18.7%	16.1%	19.0%	16.4%

Restatement of prior period comparatives in accordance with IAS 8

The European Central Bank conducted an onsite inspection with focus on credit risk in respect to BAWAG Group's international business activities. As a result of the onsite inspection, the false application of certain CRR requirements was identified, in particular in connection with the application of preferred regulatory risk weights for the international residential mortgage portfolios. As a consequence, the respective exposure had to be reclassified in respect to their specific regulatory risk weight category, which led to an increase in risk-weighted assets of the Group. The following tables present the restatements of the disclosures affected:

Capital disclosures for Promontoria Sacher Holding B.V. Group

	Jun 2017		Mar 2017		Dec 2016		Sep 2016	
in EUR million	adjusted	published	adjusted	published	adjusted	published	adjusted	published
Credit risk RWAs on a transitional basis	16,333	15,203	17,323	15,486	17,326	15,423	14,981	14,291
Capital requirements (risk-weighted assets) on a transitional basis	17,958	16,828	18,943	17,106	19,019	17,115	16,685	15,995
Common Equity Tier 1 capital ratio based on total risk (incl. interim profit) on a fully loaded basis	15.0%	16.0%	13.8%	15.3%	13.3%	14.8%	15.0%	15.6%
Total capital ratio based on total risk (incl. interim profit) on a fully loaded basis	17.7%	18.9%	16.3%	18.1%	15.9%	17.6%	17.9%	18.7%
Common Equity Tier I capital ratio based on total risk (excl. interim profit) on a transitional basis	14.1%	15.1%	13.5%	14.9%	n/a	n/a	12.3%	12.8%
Total capital ratio based on total risk (excl. interim profit) on a transitional basis	16.7%	17.8%	15.9%	17.6%	n/a	n/a	15.2%	15.9%
Common Equity Tier 1 capital ratio based on total risk (incl. interim profit) on a transitional basis	15.1%	16.2%	13.9%	15.4%	13.6%	15.1%	15.3%	16.0%
Total capital ratio based on total risk (incl. interim profit) on a transitional basis	17.8%	19.1%	16.5%	18.2%	16.1%	17.9%	18.2%	19.0%

	Jun 2016		Mar 2016		Dec 2015	
in EUR million	adjusted	published	adjusted	published	adjusted	published
Credit risk RWAs on a transitional basis	14,734	13,989	15,425	14,373	15,670	14,751
Capital requirements (risk-weighted assets) on a transitional basis	16,447	15,702	17,159	16,106	17,388	16,468
Common Equity Tier 1 capital ratio based on total risk (incl. interim profit) on a fully loaded basis	13.6%	14.3%	12.4%	13.2%	11.6%	12.2%
Total Capital ratio based on total risk (incl. interim profit) on a fully loaded basis	16.5%	17.3%	15.1%	16.1%	14.3%	15.0%
Common Equity Tier I capital ratio based on total risk (excl. interim profit) on a transitional basis	12.4%	13.0%	12.0%	12.7%	n/a	n/a
Total capital ratio based on total risk (excl. interim profit) on a transitional basis	15.1%	15.8%	14.6%	15.5%	n/a	n/a
Common Equity Tier 1 capital ratio based on total risk (incl. interim profit) on a transitional basis	14.1%	14.8%	13.0%	13.8%	12.2%	12.9%
Total capital ratio based on total risk (incl. interim profit) on a transitional basis	16.9%	17.7%	15.7%	16.7%	14.8%	15.7%

Capital disclosures for BAWAG Group

	Jun 2017		Mar 2017		Dec 2016		Sep 2016	
in EUR million	adjusted	published	adjusted	published	adjusted	published	adjusted	published
Credit risk RWAs on a transitional basis	16,398	15,269	17,315	15,479	17,329	15,426	14,977	14,287
Capital requirements (risk-weighted assets) on a transitional basis	18,024	16,894	18,936	17,099	19,021	17,118	16,643	15,991
Common Equity Tier 1 capital ratio based on total risk (incl. interim profit) on a fully loaded basis	15.4%	16.5%	14.1%	15.7%	13.6%	15.1%	15.1%	15.7%
Total capital ratio based on total risk (incl. interim profit) on a fully loaded basis	18.1%	19.3%	16.7%	18.5%	16.2%	18.0%	18.0%	18.8%
Common Equity Tier I capital ratio based on total risk (excl. interim profit) on a transitional basis	14.4%	15.4%	13.8%	15.3%	n/a	n/a	13.1%	13.7%
Total capital ratio based on total risk (excl. interim profit) on a transitional basis	16.9%	18.1%	16.3%	18.0%	n/a	n/a	16.0%	16.7%
Common Equity Tier 1 capital ratio based on total risk (incl. interim profit) on a transitional basis	15.5%	16.7%	14.3%	15.9%	13.9%	15.4%	15.4%	16.1%
Total capital ratio based on total risk (incl. interim profit) on a transitional basis	18.2%	19.5%	16.9%	18.7%	16.4%	18.2%	18.2%	19.1%

	Jun 2016		Mar 2016		Dec 2015	
in EUR million	adjusted	published	adjusted	published	adjusted	published
Credit risk RWAs on a transitional basis	14,733	13,988	15,421	14,369	15,666	14,747
Capital requirements (risk-weighted assets) on a transitional basis	16,446	15,701	17,155	16,102	17,383	16,464
Common Equity Tier 1 capital ratio based on total risk (incl. interim profit) on a fully loaded basis	14.5%	15.1%	13.2%	14.0%	12.3%	12.9%
Total capital ratio based on total risk (incl. interim profit) on a fully loaded basis	17.3%	18.1%	15.9%	16.9%	15.0%	15.8%
Common Equity Tier I capital ratio based on total risk (excl. interim profit) on a transitional basis	13.2%	13.8%	12.7%	13.5%	n/a	n/a
Total capital ratio based on total risk (excl. interim profit) on a transitional basis	15.9%	16.6%	15.3%	16.3%	n/a	n/a
Common Equity Tier 1 capital ratio based on total risk (incl. interim profit) on a transitional basis	14.9%	15.6%	13.7%	14.6%	12.9%	13.7%
Total capital ratio based on total risk (incl. interim profit) on a transitional basis	17.7%	18.6%	16.4%	17.5%	15.6%	16.4%

Segment disclosures

	Jun 2017		Mar 2017		Dec 2016		Sep 2016	
in EUR million	adjusted	published	adjusted	published	adjusted	published	adjusted	published
Risk-weighted assets easygroup[1)]	3,407	2,278	4,190	2,354	4,249	2,346	3,231	2,541
Risk-weighted assets Retail Banking and Small Business[1)]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total risk-weighted assets BAWAG Group AG	18,024	16,894	18,936	17,099	19,021	17,118	16,643	15,991

	Jun 2016		Mar 2016		Dec 2015	
in EUR million	adjusted	published	adjusted	published	adjusted	published
Risk-weighted assets easygroup[1)]	2,594	1,849	n/a	n/a	n/a	n/a
Risk-weighted assets Retail Banking and Small Business	n/a	n/a	5,760	4,708	5,675	4,756
Total risk-weighted assets BAWAG Group AG[1)]	16,446	15,701	17,155	16,102	17,383	16,464

1) Before the change in the segment reporting of BAWAG Group AG which was implemented in the second quarter 2016, the respective exposure was shown under the Retail Banking and Small Business segment.

16 | Fair value

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

in EUR million	Carrying amount Sep 2017	Fair value Sep 2017	Carrying amount Dec 2016	Fair value Dec 2016
Assets				
Cash reserves	717	717	1,020	1,020
Financial assets designated at fair value through profit or loss	183	183	202	202
Available-for-sale financial assets				
Recognized at fair value	2,678	2,678	3,129	3,129
Recognized at cost	73	n/a	80	n/a
Held-to-maturity investments	2,420	2,495	2,353	2,448
Financial assets held for trading	434	434	652	652
Loans and receivables	30,598	30,828	30,821	31,298
Hedging derivatives	543	543	677	677
Property, plant and equipment	47	n/a	53	n/a
Investment properties	5	5	3	5
Intangible non-current assets	378	n/a	360	n/a
Other assets	274	n/a	393	n/a
Total assets	**38,350**		**39,743**	
Equity and liabilities				
Financial liabilities designated at fair value through profit or loss	756	756	1,115	1,115
Financial liabilities held for trading	338	338	617	617
Financial liabilities at amortized cost	32,670	32,927	32,962	33,261
Financial liabilities associated with transferred assets	–	–	300	300
Valuation adjustment on interest rate risk hedged portfolios	135	135	223	223
Hedging derivatives	124	124	260	260
Provisions	373	n/a	404	n/a
Other obligations	558	n/a	726	n/a
Equity	3,395	n/a	3,134	n/a
Non-controlling interests	1	n/a	2	n/a
Total liabilities and equity	**38,350**		**39,743**	

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

The available-for-sale financial assets include EUR 73 million in equity investments in private and public limited companies. The fair value of these financial instruments has not been disclosed because their fair value cannot be measured reliably. There is no active market for these financial instruments and future cash flows cannot be calculated reliably. BAWAG Group does not intend to sell or derecognize significant investments in equity held at the reporting date in the near future.

Securities recognized in the line items Held to maturity investments and Loans and receivables are measured at amortized cost. As of September 30, 2017, their fair value is EUR 78 million higher than their book value. The fair value of own issues recognized in the line item Financial liabilities at amortized cost is, as of September 30, 2017, EUR 255 million higher than their book value.

Fair value hierarchy

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

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

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

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

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

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

Sep 2017 in EUR million	Level 1	Level 2	Level 3	Others[1]	Total
Assets					
Financial assets designated at fair value through profit or loss	2	180	1	–	183
Available-for-sale financial assets	2,581	96	1	73	2,751
Financial assets held for trading	0	434	–	–	434
Hedging derivatives	–	543	–	–	543
Total fair value assets	**2,583**	**1,253**	**2**	**73**	**3,911**
Liabilities					
Financial liabilities designated at fair value through profit or loss	–	389	367	–	756
Financial liabilities held for trading	–	338	–	–	338
Valuation adjustment on interest rate risk hedged portfolios	–	135	–	–	135
Hedging derivatives	–	124	–	–	124
Total fair value liabilities	**–**	**986**	**367**	**–**	**1,353**

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

Dec 2016 in EUR million	Level 1	Level 2	Level 3	Others[1]	Total
Assets					
Financial assets designated at fair value through profit or loss	2	199	1	–	202
Available-for-sale financial assets	2,949	179	1	80	3,209
Financial assets held for trading	–	652	–	–	652
Hedging derivatives	–	677	–	–	677
Total fair value assets	**2,951**	**1,707**	**2**	**80**	**4,740**
Liabilities					
Financial liabilities designated at fair value through profit or loss	–	638	477	–	1,115
Financial liabilities held for trading	–	617	–	–	617
Valuation adjustment on interest rate risk hedged portfolios	–	223	–	–	223
Hedging derivatives	–	260	–	–	260
Total fair value liabilities	**–**	**1,738**	**477**	**–**	**2,215**

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

BAWAG Group recognizes transfers between levels as of the end of the reporting period during which the transfer has occurred.

Movements between Level 1 and Level 2

In the first three quarters 2017, two available-for-sale securities (2016: seven) were moved from Level 1 to Level 2 due to subsequent illiquid market prices. Six available-for-sale securities (2016: five) were moved from Level 2 to Level 1 due to a more liquid market.

Movements in Level 3 financial instruments measured at fair value

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

in EUR million	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities
Opening balance as of 01.01.2017	**1**	**1**	**477**
Valuation gains (losses) in profit or loss			
for assets held at the end of the period	–	–	(9)
for assets no longer held at the end of the period	–	–	–
Valuation gains (losses) in other comprehensive income			
for assets held at the end of the period	–	–	–
for assets no longer held at the end of the period	–	–	–
Purchases	–	–	–
Redemptions	–	–	(101)
Sales	–	–	–
Foreign exchange differences	–	–	–
Transfers into or out of other levels	–	–	–
Closing balance as of 30.09.2017	**1**	**1**	**367**

in EUR million	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities
Opening balance as of 01.01.2016	**2**	**4**	**468**
Valuation gains (losses) in line item gains and losses on financial assets and liabilities in profit or loss			
for assets held at the end of the period	–	–	(12)
for assets no longer held at the end of the period	–	–	–
Valuation gains (losses) in other comprehensive income			
for assets held at the end of the period	–	–	–
for assets no longer held at the end of the period	–	–	–
Purchases	–	1	–
Redemptions	(1)	(4)	(40)
Sales	–	–	–
Foreign exchange differences	–	–	–
Change in scope of consolidation	–	–	61
Transfers into or out of other levels	–	–	–
Closing balance as of 31.12.2016	**1**	**1**	**477**

Valuation (including the parameterization of observable input factors) is performed by a market-independent back office division within the risk group on a monthly basis. Changes that have occurred are verified, as far as possible, by comparing them to references observable on the market.

In the first three quarters 2017, the financial liabilities reported under Level 3 in 2016 decreased by a total of EUR 110 million, mainly due to redemptions.

Quantitative and qualitative information regarding the valuation of Level 3 financial instruments

The main unobservable input factor for own issues of BAWAG P.S.K. Wohnbaubank and IMMO-BANK is the spread premium on the swap curve, which is used to determine the risk-adjusted discount curve. Subsequently, the fair value is calculated by discounting the future cash flows with the risk-adjusted discount curve. The gross spread premium for own issues of BAWAG P.S.K. Wohnbaubank is currently 100 basis points (31 December 2016: 100 basis points) for all maturities (mid). For issues of IMMO-BANK, the spreads depend on the seniority of the bond and the maturity.

In general, the mentioned input parameter is dependent on the general market development of credit spreads within the banking sector and in detail on the credit rating development of the housing banks, with spread increases having a positive effect.

Sensitivity analysis of unobservable parameters

If the value of financial instruments is dependent on unobservable input parameters, the precise level for these parameters can be drawn from a range of reasonably possible alternatives. Financial liabilities in Level 3 that are measured at fair value through profit or loss relate to own issues of BAWAG P.S.K. Wohnbaubank and IMMO-BANK; BAWAG Group had Level 3 financial assets recognized at their fair value in the amount of EUR 2 million as of 30 September 2017 (31 December 2016: EUR 2 million). If the credit spread used in calculating the fair value of own issues increased by 20 basis points, the accumulated valuation result as of 30 September 2017 would have increased by EUR 1.5 million (31 December 2016: EUR 2.0 million). If the fair value of financial assets decreased by 30%, the accumulated valuation result as of 30 September 2017 would have decreased by EUR 0.6 million (31 December 2016: minus EUR 0.6 million).

RISK REPORT

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

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

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

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

- Strategic Risk
- Market & Liquidity Risk Controlling
- Enterprise Risk Management
- Credit Risk Management
- European Retail Risk Management
- Non-Financial Risk Management and Regulatory Compliance

The following risks including their respective sub-risks are considered as material for BAWAG Group:

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

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

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

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

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

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

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

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

- Liquidity risk: The structural liquidity risk quantification is based on current liquidity gaps applying assumed potential deteriorations of spreads in connection with a notional spread widening on the market. Dispositive liquidity risks as well as market and liquidity risk are quantified in Market & Liquidity Risk Controlling and are controlled operationally in Liquidity & Funding Management.

- Operational risk: The operational risk is quantified using a value-at-risk model.

- Other risks: This risk category includes participation risk, macroeconomic risk, strategic risk, reputation risk, capital risk and compliance risk (including the risk from money laundering and terrorism financing). Participation risk is quantified using the PD/LGD approach based on IFRS book values, while capital is held for the macroeconomic risk based on expert assumptions. For all other mentioned risk types, the required economic capital is quantified using simplified valuation models.

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

The ICAAP stress test is fully integrated into the strategic risk management, capital management and planning processes of BAWAG Group.

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

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

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

18 | Credit risk

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

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

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

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

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

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

Business segment development in the first three quarters 2017

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

The BAWAG P.S.K. Retail segment focuses on the core products consumer, mortgage and small business finance along with a proactive risk management. Significant efforts were undertaken to further develop overall underwriting standards and processes through automated and continuously enhanced underwriting models and processes.

The easygroup segment includes our direct banking subsidiary *easybank*, our auto and mobile leasing platforms as well as our performing residential mortgage portfolios in Western Europe. These portfolios consist of a UK and French performing mortgage portfolio (outstanding balance of GBP 1.3 billion and EUR 1.2 billion, respectively, as of September 30, 2017).

The risk policy of easygroup is defined in accordance with BAWAG Group's guidelines and is characterized by a conservative, low risk appetite with an emphasis on risk-adjusted returns. The leasing business focuses on leasing of motor vehicles and related business managed in the segment easygroup. The risk policy of the leasing companies is closely aligned to the guidelines of BAWAG Group. The risk systems, which have been adapted to the special requirements of the leasing business, are part of the overall risk architecture of BAWAG Group.

The segments DACH Corporates & Public Sector as well as International Business were characterized by proactive risk management, disciplined lending in developed markets and maintaining a disciplined approach on risk-adjusted pricing. Consequently, exposures with unfavorable risk profiles (i.e. "watch loans") are actively managed and reduced within the Group's early warning process. This is exemplified in the Bank's exposure to the oil & gas sector, which – in light of decreasing commodity prices – has been under review since 2015 and has led to a majority of customers being put on the watchlist. As a result, the total credit volume in the oil & gas sector was reduced by 33%, from EUR 324 million in 2015 to EUR 216 million as of September 30, 2017, which currently represents less than 1% of the total corporate book.

The Treasury Services & Markets segment includes interest rate and currency risk positions as well as capital market activities and comprises the BAWAG Group's investment portfolio. The investment strategy continues to focus on investment grade securities predominantly representing secured and unsecured bonds of financials in Western Europe and the United States as well as select sovereign bond exposures. In addition, the Bank also selectively invests in structured credits (CLOs) with high credit quality (AAA and AA), which show a high degree of diversification with respect to countries and industries.

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

Credit risk and bonds by business segment

Sep 2017 in EUR million	BAWAG P.S.K. Retail	easygroup	DACH Corporates & Public Sector	International Business	Treasury Services & Markets	Corporate Center	Total portfolio
Book value	11,339	3,942	7,419	4,796	1,708	366	29,572
Bonds	3	0	184	325	5,771	19	6,302
Off-balance business	1,119	645	560	238	212	769	3,542
Total	**12,461**	**4,587**	**8,163**	**5,360**	**7,692**	**1,154**	**39,417**
thereof collateralized[1)]	6,450	3,484	2,579	2,207	180	0	14,901
thereof NPL (incl. LLP, gross view)	278	139	79	51	0	255	802

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

Dec 2016 in EUR million	BAWAG P.S.K. Retail	easygroup	DACH Corporates & Public Sector	International Business	Treasury Services & Markets	Corporate Center	Total portfolio
Book value	11,558	4,436	7,344	5,242	1,326	368	30,274
Bonds	0	0	446	392	5,366	23	6,227
Off-balance business	1,108	498	1,123	303	314	714	4,060
Total	**12,666**	**4,934**	**8,913**	**5,937**	**7,006**	**1,105**	**40,561**
thereof collateralized[1)]	6,016	3,897	2,403	2,167	193	1	14,677
thereof NPL (incl. LLP, gross view)	214	92	50	0	0	255	611

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

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

Sep 2017 in EUR million	Note 8		Risk view		Segment report
	Loans and receivables (L&R)	Loans and bonds (not part of L&R)[1]	Total loans & bonds	Other assets	Total assets
BAWAG P.S.K. Retail	11,339	3	11,343	138	11,480
easygroup	3,942	0	3,942	22	3,964
DACH Corporates & Public Sector	7,426	177	7,603	21	7,624
International Business	4,932	190	5,122	18	5,139
Treasury Services & Markets	2,594	4,885	7,479	0	7,479
Corporate Center	365	21	386	2,277	2,663
Total	**30,598**	**5,276**	**35,874**	**2,476**	**38,350**

1) Shares and other variable-rate securities (Sep 2017: EUR 4.1 million, Dec 2016: EUR 4.4 million) are not included.

Dec 2016 in EUR million	Note 8		Risk view		Segment report
	Loans and receivables (L&R)	Loans and bonds (not part of L&R)[1]	Total loans & bonds	Other assets	Total assets
BAWAG P.S.K. Retail	11,558	0	11,558	101	11,659
easygroup	4,436	0	4,436	22	4,458
DACH Corporates & Public Sector	7,580	210	7,790	22	7,812
International Business	5,392	242	5,634	0	5,634
Treasury Services & Markets	1,496	5,195	6,691	0	6,691
Corporate Center	359	32	392	3,098	3,489
Total	**30,821**	**5,680**	**36,501**	**3,242**	**39,743**

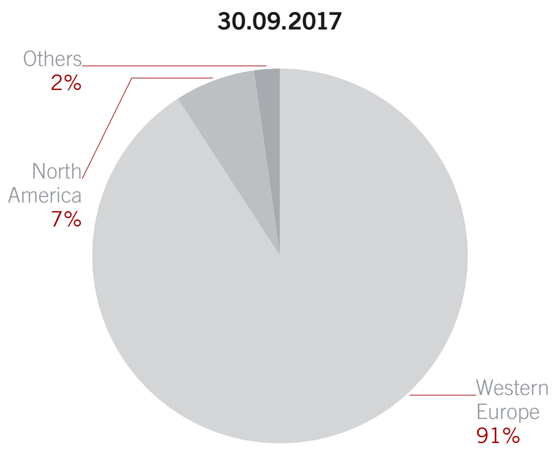
1) Shares and other variable-rate securities (Sep 2017: EUR 4.1 million, Dec 2016: EUR 4.4 million) are not included.

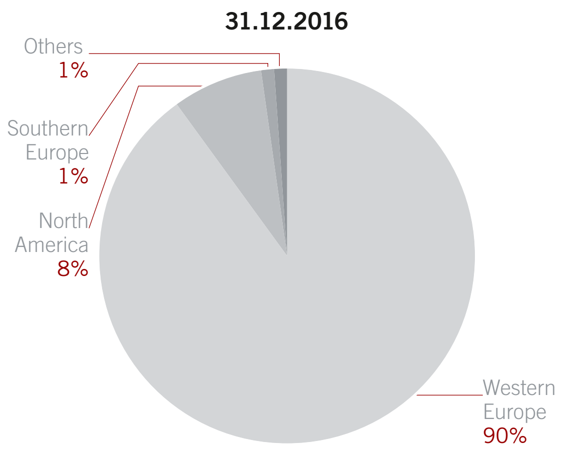
Geographical distribution of the loan and bond portfolio

The geographical distribution of the loan portfolio is in line with the Group's strategy to focus on stable geographies and currencies. A total of 98% (as of 31.12.2016: 98%) of the loan portfolio[1] and 84% (as of 31.12.2016: 84%) of the bond portfolio[2] is located in Western Europe and North America.

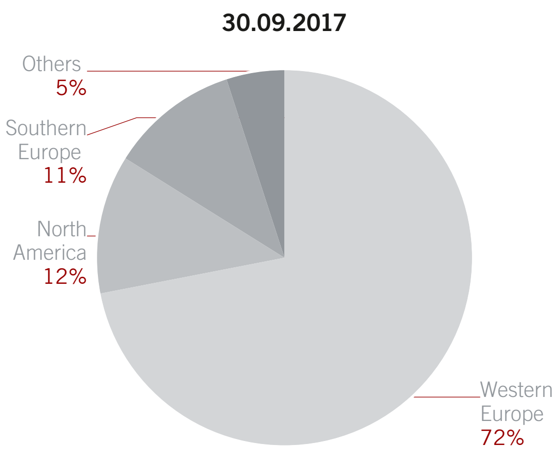
1) This includes Austria with 68% (Dec 2016: 67%), Great Britain with 9% (Dec 2016: 10%), the United States with 7% (Dec 2016: 8%), France with 5% (Dec 2016: 6%) and Germany with 5% (Dec 2016: 3%).
2) This includes Great Britain with 14% (Dec 2016: 14%), the United States with 11% (Dec 2016: 13%), %), Austria with 11% (Dec 2016: 11%), France with 7% (Dec 2016: 8%) and Germany with 1% (Dec 2016: 3%).

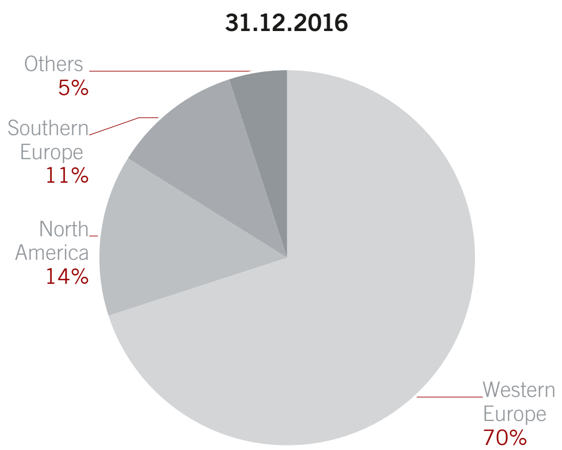
Geographical distribution of loans





Geographical distribution of bonds





Credit portfolio and bonds by currency

	Book value		Relative value	
in EUR million	Sep 2017	Dec 2016	Sep 2017	Dec 2016
EUR	29,121	28,698	81.2%	78.6%
GBP	2,711	2,970	7.5%	8.1%
USD	2,220	2,705	6.2%	7.4%
CHF	1,622	1,863	4.5%	5.1%
Others	201	265	0.6%	0.7%
Total	**35,874**	**36,501**	**100.0%**	**100.0%**

Impaired loans

Provisions are booked on loans for which the probability of full recovery is not fulfilled. The main components of the provisioning framework are shown in the following paragraphs. The volume reported as NPLs includes all claims against customers classified as being in default and against customers for which specific impairment provisions have been formed[1].

Manual impairment provisions

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

Automatic impairment provisions

Loan-loss provisions are booked automatically in the core banking system based on defined standards in the case of overdue balances. This occurs when limits are continuously exceeded on current accounts, installments are continuously not paid on loans and/or when legal action is initiated.

General impairment provision

A general provision is booked on a portfolio basis for incurred but not reported (IBNR) losses as of the reporting date. The general provision is formed for on- and off-balance-sheet claims in the Group's credit portfolio. This includes bonds, but not positions measured at fair value. As of 30 September 2017, the IBNR portfolio provision amounted to EUR 45.0 million (as of 31 December 2016: EUR 59.0 million).

Non-performing loans (NPLs)

Non-performing loans (NPLs) are defined as all customer exposures in default in accordance with Article 178 CRR (internal risk class 8).

Forborne loans and forbearance measures

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

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

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

For reporting as well as internal risk management purposes, the Group implemented processes and methods according to regulatory standards[2] in order to identify exposures for which forbearance or refinancing measures have been extended.

1) The IBNR portfolio provision does not lead to a classification as "in default." On the other hand, the two further impairment provision types described in the Impaired loan section lead to the immediate default of the customer.
2) Commission Implementing Regulation (EU) 2015/227, Annex V, Art. 145–183.

Risk concentrations by industry segment (aggregates the segments DACH Corporates & Public Sector and International Business)[1)]

	Book value		Relative value	
in EUR million	**Sep 2017**	Dec 2016	**Sep 2017**	Dec 2016
Real Estate	2,619	1,969	20.6%	14.7%
Government	2,582	2,839	20.3%	21.1%
Public Sector	1,397	1,876	11.0%	14.0%
Portfolio Financing	1,087	1,443	8.5%	10.8%
Services	816	801	6.4%	6.0%
Retail – Food	533	303	4.2%	2.3%
B-2-C Products	450	578	3.5%	4.3%
Pharmaceuticals & Health Care	401	486	3.2%	3.6%
Investment Funds	380	210	3.0%	1.6%
Automotive	374	362	2.9%	2.7%
Gaming & Leisure	324	386	2.5%	2.9%
Telecommunication	312	188	2.5%	1.4%
Engineering and B-2-B	172	268	1.4%	2.0%
Hotels	165	220	1.3%	1.6%
Commodity	163	223	1.3%	1.7%
Social Housing	129	146	1.0%	1.1%
Wood & Paper	127	226	1.0%	1.7%
Transport	120	278	0.9%	2.1%
Banks	94	135	0.7%	1.0%
Chemicals	90	107	0.7%	0.8%
Media	82	57	0.6%	0.4%
Construction & Building Materials	79	91	0.6%	0.7%
Leasing	76	58	0.6%	0.4%
Beverages, Food & Tobacco	75	76	0.6%	0.6%
NGO	45	49	0.4%	0.4%
Utilities	32	49	0.2%	0.4%
Insurance	0	0	0.0%	0.0%
Mining & Metals	0	1	0.0%	0.0%
Total	**12,725**	**13,424**	**100.0%**	**100.0%**

19 | Market risk

Market risk is defined as the risk of losses caused by open risk positions in the market and the adverse development of market risk factors (interest rates, foreign exchange rates, equity prices, volatilities, credit spreads). Market risk can arise in conjunction with trading and non-trading activities. The primary market risk components for BAWAG Group are interest rate and credit spread risk.

Both risk categories are measured via sensitivity, value-at-risk (VaR) and scenario-based approaches, and are fully embedded in the Bank's ICAAP framework. The accounting treatment of the positions is considered in the risk reporting concepts.

In the trading book, risk mitigating measures are performed only if deemed necessary. The risk quantification, limitation and monitoring within the ICAAP framework is carried out using a parametric VaR model. In the first three quarters of 2017, the average value-at-risk of the trading book was measured at minus EUR 0.49 million (Jan–Sep 2016 average: minus EUR 0.56 million) and the value-at-risk as of 30 September 2017 was measured at minus EUR 0.45

1) Due to the acquisition of IMMO-BANK in December 2016 the risk concentration by industry segments is distorted.

million (30 December 2016: minus EUR 0.74 million) based on a confidence interval of 99% and a one-day holding period. The regulatory capital requirement is calculated using the Standardized Approach.

20 | Liquidity risk

In addition to the risk of not being able to fulfill payment obligations when they become due (dispositive liquidity risk), liquidity risk also relates to the risk of increased refinancing costs, which can influence the Group's earnings situation (structural liquidity risk). Furthermore, liquidity risk includes the risk that transactions cannot be closed or sold, or that they can only be closed or sold at a loss because of insufficient market depth or due to market interruptions (market liquidity risk). Risk measurement is performed by the Market & Liquidity Risk Controlling division.

Liquidity management, compring intraday and short-term operational liquidity management, liquidity planning and forecasting, structural liquidity management as well as liquidity buffer management, is performed by Liquidity & Funding Management, which is part of the Treasury Services & Markets division. The short-term operational liquidity management is based on a 30-day rolling forecast that is updated daily, allowing the close tracking and management of the short-term liquidity position. All measures are closely aligned with Market & Liquidity Risk Controlling. Liquidity & Funding Management is responsible for planning and managing the mid- and long-term funding position. Any important decision on liquidity risk is made within the Strategic Asset Liability Committee, in which all Managing Board members are represented.

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

The first three quarters of 2017 were characterized by a very solid liquidity position by stable core funding sources and a balanced term funding structure, with retail customers providing the majority of funding. Additionally, the Bank once again underpinned its capital market strength by successfully placing an international EUR 500 million public sector covered bond, the first Austrian public sector covered bond since 2014. Furthermore, BAWAG Group participated with EUR 2 billion in the final call of the ECB's TLTRO activities.

21 | Operational risk

The Group continues to apply the Standardized Approach for the calculation of the regulatory own fund requirements to assess operational risk. However, the realized OpRisk losses over the last few years were significantly lower than the regulatory own funds requirements under the Standardized Approach. The OpRisk RWAs are assigned to the segments based on the revenues.

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

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

Key Risk Indicators (KRI) were implemented as additional steering instruments to identify and forecast negative trends or a changed risk profile in company workflows and divisions and subsidiaries in a timely manner. Each KRI is monitored via a traffic light system (green/yellow/red). For KRIs with a red status, the definition and implementation of appropriate countermeasures is mandatorily required.

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

A clear organizational structure and authorization levels form the basis of OpRisk governance. Additionally, a consistent guideline and a risk-adequate internal control system (including automated controls) are in place to manage the Group's OpRisk.

DEFINITIONS

Common Equity Tier 1 capital (CET1)	Based on IFRS CRR regulatory figures (BAWAG Group) including interim profit and year-to-date loan-loss provision movements, excluding any transitional capital (fully loaded)
Common Equity Tier 1 ratio	Common Equity Tier 1 capital (CET1) / risk-weighted assets
Core revenues	The total of net interest income and net fee and commission income
Cost-income ratio	Operating expenses / operating income
IFRS equity	Equity attributable to the owners of the parent; excluding minorities
IFRS tangible equity	IFRS equity reduced by the carrying amount of intangible assets
Leverage ratio	Common Equity Tier 1 capital (CET1) / total exposure (calculation according to CRR, based on BAWAG Group); as of September 2016, the total exposure calculation was adapted from three-month averages to an end-of-period figure in line with changed regulatory requirements
Liquidity coverage ratio (LCR)	Liquid assets / net liquidity outflows (calculation according to CRR, based on Promontoria Sacher Holding B.V. Group)
Net interest margin	Net interest income / average interest-bearing assets; as of year-end 2016, the ratio's denominator was changed from average total assets to average interest-bearing assets and applied retroactively
Net profit	Profit after tax attributable to owners of the parent
NPL ratio	Non-performing loans (NPLs) / exposure; as of June 2017, the ratio's denominator was adapted from loans and receivables incl. provisions to exposure in line with changed regulatory requirements and applied retroactively
Operating income	The total of core revenues, gains and losses on financial instruments and other operating income and expenses
Operating profit	Operating income less operating expenses and regulatory charges
Return on equity	Net profit / average IFRS equity
Return on equity (@12% CET1)	Return on equity calculated at a fully loaded CET1 ratio of 12%
Return on tangible equity	Net profit / average IFRS tangible equity
Return on tangible equity (@12% CET1)	Return on tangible equity calculated at a fully loaded CET1 ratio of 12%
Risk-weighted assets	Based on IFRS CRR regulatory figures (BAWAG Group, fully loaded)
Risk costs / loans and receivables	Provisions and loan-loss provisions, impairment losses and operational risk (total risk costs) / average loans and receivables (including provisions)
RWA density	Risk-weighted assets / total assets
Total capital	Based on IFRS CRR regulatory figures (BAWAG Group) including interim profit and year-to-date loan-loss provision movements, excluding any transitional capital (fully loaded)
Total capital ratio	Total capital / risk-weighted assets

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