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

30.06.2019

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LIST OF ABBREVIATIONS

BP	Basis Point
BPV	Basis Point Value
CAC	Credit Approval Committee
CDX	Credit Default Swap Index
CHF	Swiss Franc
CLO	Collateralized Loan Obligation
CRO	Chief Risk Officer
CRR	Capital Requirement Regulation
CVA	Credit Value Adjustment
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
EL	Expected Loss
ERM	Enterprise Risk Meeting
FMA	Financial Market Authority
FX	Foreign Exchange
GBP	British Pound
GDP	Gross Domestic Product
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IRB	Internal Ratings Based Approach
JPY	Japanese Yen
LGD	Loss Given Default
PD	Probability of Default
PSC	Portfolio Steering Committee
RBC	Risk Bearing Capacity
RMBS	Residential Mortgage Backed Securities
SALCO	Strategic Asset and Liability Committee
STC	Stress Test Committee
TM	Treasury & Markets
TMA	Asset Liability Management
TPU	Temporary Partial Use
UGB	Unternehmensgesetzbuch (Austrian Commercial Code)
UL	Unexpected Loss
USD	US-Dollar
VaR	Value-at-Risk
WAL	Weighted Average Life
WAM	Weighted Average Maturity

QUALITATIVE AND QUANTITATIVE INFORMATION AS OF 30 JUNE 2019

In accordance with the requirements laid down in Article 433 Regulation (EU) No 575/2013 (herein abbreviated to "CRR") and Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432 (1), 432 (2) and 433 CRR (EBA/GL/2014/14) BAWAG Group AG reports the following qualitative and quantitative information as of 30 June 2019.

GENERAL PRINCIPLES

SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

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

Owing to diverging regulations in the International Financial Reporting Standards ("IFRS") and the CRR, there are two different sets of consolidation guidelines, one for accounting and one for regulatory purposes which also lead to two different scopes of consolidation. The following paragraphs present the scopes of consolidation and explain changes that occurred in 2019.

Consolidation for accounting purposes

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

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

The consolidated financial statements as of 30 June 2019 contained 59 fully consolidated companies and two companies that are accounted for using the equity method. The book value of associated equity interests including banks not consolidated at equity amounted to € 17 million as of 30 June 2019. Controlled companies with a book value of € 8 million were not consolidated because of their negligible effect on the assets, financial and earnings position of the group. Proportionate total assets (higher than € 30 million) and profit or loss (higher than € 3 million) of the subsidiary are the criteria for inclusion. Subsidiaries with a negligible effect on the assets, financial and earnings position of the group are not included in the consolidation.

In January 2019, START Immobilienleasing GmbH was deconsolidated in the scope of consolidation due to immateriality.

In February 2019, Tiger Retail UK RE 1 S.à r.l. and Tiger Retail UK RE 2 S.à r.l. were founded and Zahnärztekasse AG was acquired.

In March 2019, a 49% stake in Finventum GmbH was acquired. In addition, Blitz S19-477 GmbH (renamed GTA Global Transformation Advisors GmbH) was acquired. Wohnbauinvestitionsbank GmbH in Liqu. was dissolved and deleted from the commercial register and Gemelo-Lux S.A. and TwinLux S.A. were liquidated.

In April 2019, Tiger Retail UK RE 2 S.à r.l. acquired the following investments: LSREF3 Tiger Aberdeen S.à r.l., LSREF3 Tiger Falkirk I S.à r.l., LSREF3 Tiger Falkirk II S.à r.l., LSREF3 Tiger Gloucester S.à r.l., LSREF3 Tiger Romford S.à r.l. and LSREF3 Tiger Southampton S.à r.l.

In May 2019, EOS Health Honorarmanagement AG was acquired (renamed Health Coevo AG as of 1 July 2019). In addition, BFL Leasing GmbH and its shareholding Morgenstern Miet + Leasing GmbH, as well as Blitz F19-526 GmbH (renamed BFL Vertriebspartner Beteiligungsgesellschaft mbH) were acquired.

In June 2019, both the share of start:bausparkasse AG in ARZ-Volksbanken Holding GmbH and the share in Innovacell Biotechnologie AG were sold.

Consolidation for regulatory purposes

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

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

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

As of 30 June 2019, the scope of consolidation for regulatory purposes included 46 fully consolidated companies, three companies were proportionally consolidated and one company that was accounted for using the equity method.

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

Table 1: Divergent consolidation basis

	IFRS	CRR
BAWAG Leasing & fleet s.r.o. Prague	FVPL	F
BAWAG Leasing s.r.o. Bratislava	FVPL	F
BAWAG P.S.K. Versicherung AG	E	FVOCI
Fides Leasing GmbH	FVOCI	P
Gara RPK Grundstücksverwaltungsgesellschaft m.b.H.	FVPL	F
HFE alpha Handels-GmbH	FVOCI	P
Kommunalleasing GmbH	FVOCI	P
LSREF3 Tiger Aberdeen S.à.r.l.	F	FVOCI
LSREF3 Tiger Falkirk I S.à.r.l.	F	FVOCI
LSREF3 Tiger Gloucester S.à.r.l.	F	FVOCI
LSREF3 Tiger Romford S.à.r.l.	F	FVOCI
LSREF3 Tiger Southampton S.à.r.l.	F	FVOCI
PT Immobilienleasing GmbH	FVOCI	F
ROMAX Immobilien GmbH	F	FVOCI
SWBI Darmstadt 1 GmbH	F	FVOCI
SWBI Mainz 1 GmbH	F	FVOCI
SWBI München 1 GmbH	F	FVOCI
SWBI Stuttgart 1 GmbH	F	FVOCI
SWBI Stuttgart 2 GmbH	F	FVOCI
SWBI Stuttgart 3 GmbH	F	FVOCI
Tiger Retail UK RE 1 S.à.r.l.	F	FVOCI
Tiger Retail UK RE 2 S.à.r.l.	F	FVOCI

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

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

According to Article 36 (1) point (h) institutions shall deduct the applicable amount of direct, indirect and synthetic holdings by the institution of CET 1 instruments of financial sector entities where the institution does not have a significant investment in those entities. Non-significant subsidiaries in terms of Article 46 CRR were deducted from CET 1 in the amount of € 1 million and from Additional Tier 1 in the amount of € 3 million, as they did exceed the defined threshold of Article 46 CRR.

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

IMPEDIMENTS TO THE TRANSFER OF OWN FUNDS

Article 436 point (c) CRR

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

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

Article 436 point (d) CRR

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

USAGE OF ARTICLES 7 AND 9 CRR

Article 436 point (e) CRR

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

RISK MANAGEMENT

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

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

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

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

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

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

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

- **Market risks**: For BAWAG Group, the relevant market risks are the interest rate risk and the credit spread risk in the banking book. Both risk types are quantified by using value-at-risk models based on historical full valuation approach. Conservative correlation assumptions are taken into account as well.

- **Liquidity risk**: The structural liquidity risk quantification is based on current liquidity gaps applying assumed potential deterioration of spreads in connection with a notional spread widening on the market. Simplified quantifications are used for market liquidity risk in the banking book and basis spread risk. All types of liquidity risks are quantified in Market & Liquidity Risk Management and are managed operationally in Treasury & Markets.

- **Non-financial risk:** This category covers operational risk (including compliance risk) quantified using a value-at-risk model as well as reputational risk which is quantified with a simplified valuation model.

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

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

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

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

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

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

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

Portfolio Steering Framework

Limits are determined for all limit categories (and steering portfolios) as part of the Risk Strategy. BAWAG Group follows a detailed Portfolio Steering framework concept based on dynamic and hierarchical capital allocation.

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

The following four levels of capital allocation are considered:

- Level 1: Capital allocation to risk categories and the capital buffers
- Level 2: Capital allocation to business segments (credit risk) and sub-categories (market and liquidity risk)
- Level 3: Capital allocation to business sub-segments (only for credit risk)
- Level 4: Exposure limits for geographical and sectoral concentrations (only for credit risk and the relevant business sub-segments).

Portfolio Steering Committee

Portfolio Steering Committee (PSC) is composed by the heads from all risk and market divisions as well as from controlling and accounting. This committee is delegated by ERM to monitor and manage the economic capital allocated on the bottom levels of the Portfolio Steering Framework (level 3 business sub-segments and level 4 countries and industries, up to € 40 million).

In particular the duties of the PSC are as follows:

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

Compliance with the new ECB ICAAP Guide (ICAAP 2.0)

On November 2018, the European Central Bank issued the new ICAAP and ILAAP Guides with the purpose of harmonizing the capital and liquidity assessment process across the several local regulations in the Eurozone.

The Guides became effective on 1st January 2019 and foresee a strengthening of the existing ICAAP and ILAAP frameworks introduced by the local regulatory authorities, focusing on the following 7 main principles:

- The management body is responsible for the sound governance of the ICAAP
- The ICAAP is an integral part of the overall management framework
- The ICAAP contributes fundamentally to the continuity of the institution by ensuring its capital adequacy from different perspectives
- All material risks are identified and taken into account in the ICAAP
- Internal capital is of high quality and clearly defined
- ICAAP risk quantification methodologies are adequate, consistent and independently validated
- Regular stress testing is aimed at ensuring capital adequacy in adverse circumstances

BAWAG Group was compliant with the majority of the principles and has in 2019 worked on further enhancements with main focus in 1HY 2019 on Normative perspective including the Stress Test and in 2HY 2019 on enhancement of the economic perspective and internal Stress Test.

GROUP-WIDE STRESSTESTS

Article 435 (1) point (a) CRR

Stress Test Framework

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

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

Stress Test program

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

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

ICAAP Stress Test

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

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

Reverse Stress Test

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

Stress Test Committee

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

The scope of activity includes all cross-divisional stress test or similar economic analyses and all such analyses requiring Management Board approval. For the analyses in scope, the STC is in charge of the following items:

- Approval of the process guidelines for each stress test or economic analysis
- Prioritisation and assessment of the enhancements to be sought over time
- Approval of the baseline and related assumptions for each stress test exercise (where required)
- Top-down definition of the scenario(s) or approval of the scenario(s) defined in a bottom-up approach
- Approval of the stress test specifications
- Definition of the timeline for stress test exercises
- Discussion and approval of the results of stress test exercises
- Definition of the recommended action / mitigation plan for ERM approval based on the stress test results.

CREDIT RISK

OBJECTIVES AND PRINCIPLES OF CREDIT RISK MANAGEMENT

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

Strategies and processes

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

Credit is granted on the basis of the following considerations:

- All individual customers and customers in a customer group or a corporate group are rated at least annually.
- The analysis of creditworthiness is based on current business documents (the national accounts for sovereigns) including planning calculations of the company and other information to ensure a meaningful analysis for the rating and the decision.
- The assessment of a customer's creditworthiness and credit bearing capacity is based on ratings that must systematically cover all information made available from the relationship manager. The final rating confirmation is handled by the responsible organizational risk division. The loan decision is taken solely according to the Competence and Power Regulation.
- BAWAG Group strives to collect suitable collaterals to minimize the credit risk which are assessed by using a standardized valuation based on the Group collateral catalogue. In the event of any net exposure, correspondingly higher collateral must be provided if the rating shows any signs of worsening.
- Finance for complex business models (e.g. leveraged finance) or in new countries or regions is based on a thorough analysis and description of the associated (credit) risks.
- The (credit) risk units must be involved with appropriate expert opinions, as set forth in the product implementation process. New business segments must also be compatible with the general treatment of credit risk in terms of classification and basic rules in order to ensure consistency.
- Any decision that could change the risk position in a customer relationship requires approval from the competent authorized person. Each application requires a positive front-office recommendation (from the customer advisor) before being submitted to the risk-unit.
- If key ratios are defined in a credit relationship as auxiliary conditions (known as covenants), they must be stated in the credit application and approved. Compliance with the key ratios at the contractually fixed dates must be checked by the responsible risk unit.

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

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

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

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

Independently of this process, risk-relevant data from standardized assessments between business managers and risk management are discussed and documented in monthly committee meetings. This process ensures a regular and standard flow of information whilst also enabling to respond directly to changes in risk parameters and market conditions.

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

Structure and organization of relevant risk management functions

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

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

Measures for exposure value

Article 439 point (f) CRR

Treasury business is focused on asset and liability management. Derivative financial transactions are conducted in the form of interest rate and currency swaps, forward exchange dealing, interest rate and foreign exchange options. BAWAG Group was engaged in securities lending but was neither engaged in commodity lending nor in any margin lending transactions or long settlement transactions as of 30 June 2019.

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

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

RATING SYSTEMS AND RATING PROCESSES

External ratings systems

Article 444 points (a) – (d) CRR

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

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

The commission implementing regulation (EU) 2016/1799 is consulted with regard to the mapping of external ratings to the individual Credit Quality Steps.

MARKET RISK

OBJECTIVES AND PRINCIPLES OF THE MANAGEMENT OF MARKET RISK

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

Structure and organization of relevant risk management functions

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

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

Strategies and processes

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

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

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

The objectives of the limit system were defined as follows:

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

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

INTEREST RATE RISK FROM POSITIONS NOT HELD IN THE TRADING BOOK

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

Measurement of interest rate risk

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

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

Types of interest rate risk examined:

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

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

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

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

Interest risk reporting systems

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

Assumptions regarding fixed interest rates

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

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

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

Assessment of call rights and prepayment behavior

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

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

modelled on the basis of historically observed behaviour of homogeneous customer groups.

Steering of interest rate risk

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

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

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

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

Interest rate derivatives that are not assigned to a hedge accounting relationship are recognized at their fair values. Information regarding Article 41 of the above FMA circular letter can be found in the BAWAG P.S.K. Annual Financial Report according to section 124 Stock Exchange Act 2018 (German only) on page 293 (in the section ‘Information on Financial Derivatives and Hedging Transactions’).

Scenario analysis

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

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

- Parallel shifts in the interest rate curves (+/-25 bp, +/-50 bp, +/-110 bp, +/-145 bp, +/-200 bp, +/-300 bp) as well as non-parallel shifts
- Worst case scenario (derived from historical time series)
- Regulatory scenarios based on EBA/GL/2018/02 Guidelines on the management of interest rate risk arising from non-trading book activities
- Forward looking scenarios based on macroeconomic expectations
- Other scenarios as required

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

PARTICIPATIONS NOT HELD IN THE TRADING BOOK

ACCOUNTING AND VALUATION METHODS

Article 447 point (a) CRR

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

IFRS
The valuation of non-consolidated participations is based on the fair value. Depending on the individual classification, changes in fair value are recognized in OCI or PnL.

Details on accounting and valuation methods are included in the notes (item 1) of the group annual report 2018.

SECURITIZATIONS

SECURITIZATION ACTIVITIES AND FUNCTIONS IN THE SECURITIZATION PROCESS

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

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

Since the beginning of 2017, the group has acted as an investor in securitization transactions. All securitization positions of the group are assigned to the banking book.

RISKS FROM SECURITIZATIONS AND RESECURITIZATIONS

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

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

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

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

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

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

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

APPROACHES TO THE CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS

Article 449 point (h) CRR

Risk-weighted exposure amounts for securitization and re-securitization positions were calculated according to the IRB as per Article 261 and Article 449, points (b), (c) and (f) CRR.

Risk-weighted exposure amounts for securitization are calculated under the IRB approach according to the provisions of Article 261 CRR. Positions with no external rating from Moody's, Standard & Poor's or Fitch are assigned a risk weight of 1250 per cent. If the underlying assets are known at all times, the supervisory method according to Article 262 CRR is applied.

ACCOUNTING POLICIES FOR SECURITIZATIONS

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

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

Article 449 point (j) (iii) CRR

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

ELIGIBLE EXTERNAL RATING AGENCIES USED FOR SECURITIZATIONS

Article 449 point (k) CRR

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

INTERNAL ASSESSMENT APPROACH

Article 449 point (l) CRR

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

Quantitative disclosure

LIST OF TABLES

SCOPE OF CONSOLIDATION AND ACCOUNTING STANDARDS

The section "Scope of consolidation and consolidation methods" of the quantitative part of the disclosure report describes the respective accounting standards and the scope of consolidation which the annual financial statements of BAWAG Group AG as the highest financial holding company are based on. Further, the regulatory standards are in accordance with Regulation (EU) No 575/2013 ("CRR").

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

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

STATEMENT OF FINANCIAL POSITION

Table 1: Total assets

in € million	Jun 2019	Dec 2018
Cash reserves	803	1,069
Financial assets		
Held for trading	409	351
Fair value through profit or loss	537	504
Fair value through OCI	3,069	3,039
At amortized cost	37,631	38,331
Customers	31,062	30,482
Debt instruments	2,955	3,512
Credit institutions	3,614	4,337
Valuation adjustment on interest rate risk hedged portfolios	4	1
Hedging derivatives	494	401
Tangible non-current assets	637	234
Intangible non-current assets	292	224
Tax assets for current taxes	10	13
Tax assets for deferred taxes	26	52
Other assets	268	169
Total assets	**44,180**	**44,388**

Table 2: Total liabilities and equity

in € million	Jun 2019	Dec 2018
Total liabilities	**40,942**	**40,827**
Financial liabilities		
Fair value through profit or loss	515	576
Held for trading	348	301
At amortized cost	38,208	38,452
Customers	31,003	30,195
Issued securities	4,280	3,849
Credit institutions	2,925	4,408
Financial liabilities associated with transferred assets	99	150
Valuation adjustment on interest rate risk hedged portfolios	390	156
Hedging derivatives	39	104
Provisions	476	465
Tax liabilities for current taxes	11	8
Tax liabilities for deferred taxes	40	30
Other obligations	816	585
Total equity	**3,238**	**3,561**
Common equity	2,940	3,262
AT1 capital	297	298
Non-controlling interests	1	1
Total liabilities and equity	**44,180**	**44,388**

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

OWN FUNDS

OWN FUNDS – SCOPE OF CONSOLIDATION

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

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

30.06.2019 in € million	IFRS consolidation scope BAWAG Group[1)]	CRR consolidation scope BAWAG Group[2)]	Own funds acc. to CRR including transitional rules
Common Equity Tier 1 capital: instruments and reserves			
Capital instruments and the related share premium accounts	1,198	1,198	1,203
Of which: subscribed capital	99	99	99
Of which: capital reserve	1,099	1,099	1,104
Retained earnings	2,419	2,417	2,417
Accumulated other comprehensive income	(143)	(143)	(153)
Funds for general banking risk	9	9	9
Independently reviewed year end profit net of any foreseeable charge or dividend	113	107	–
Common Equity Tier 1 (CET1) before regulatory adjustments	3,595	3,587	3,476
Common Equity Tier 1 capital: regulatory adjustments			
Additional value adjustments (negative amount)	(5)	(6)	(6)
Intangible assets (net of related tax liability) (negative amount)	(492)	(492)	(499)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(19)	(19)	(20)
Fair value reserves related to gains or losses on cash flow hedges	8	8	8
Negative amounts resulting from the calculation of expected loss amounts	(50)	(50)	(69)
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(2)	(2)	(1)
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			(1)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(559)	(560)	(588)
Common Equity Tier 1 (CET1) capital	3,035	3,027	2,888
Additional Tier 1 (AT1) capital: instruments			
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	300	300	300
Of which: instruments issued by subsidiaries subject to phase out	300	300	300
Additional Tier 1 (AT1) capital before regulatory adjustments	**300**	**300**	**300**

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

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

30.06.2019 in € million	IFRS consolidation scope BAWAG Group[1)]	CRR consolidation scope BAWAG Group[2)]	Own funds acc. to CRR including transitional rules
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
Additional Tier 1 (AT1) capital	300	300	297
Tier 1 capital (T1 = CET1 + AT1)	**3,335**	**3,327**	**3,185**
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts	400	400	400
Tier 2 capital issued by entities and hold by third parties	102	102	111
Of which: instruments issued by subsidiaries subject to phase out			
Tier 2 (T2) capital before regulatory adjustments	**502**	**502**	**510**
Tier 2 (T2) capital: regulatory adjustments			
Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	(24)	(24)	(24)
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	8	8	-
Total regulatory adjustments to Tier 2 (T2) capital	**(16)**	**(16)**	**(24)**
Tier 2 (T2) capital	**486**	**486**	**486**
Total capital (TC = T1 + T2)	**3,821**	**3,812**	**3,671**
Total risk weighted assets	**n.a.**	**20,727**	**20,550**

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

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

30.06.2019 in € million	IFRS consolidation scope BAWAG Group[1)]	CRR consolidation scope BAWAG Group[2)]	Own funds acc. to CRR including transitional rules
Capital ratios			
Common Equity Tier 1 (as a percentage of risk exposure amount)	n/a	14.6%	14.1%
Tier 1 (as a percentage of risk exposure amount)	n/a	16.0%	15.5%
Total capital (as a percentage of risk exposure amount)	n/a	18.4%	17.9%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	n/a	8,122%	8,121%
of which: capital conservation buffer requirement	n/a	2,500%	2,500%
of which: countercyclical buffer requirement	n/a	0,122%	0,121%
of which: systemic risk buffer requirement	n/a	1,000%	1,000%
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	n/a	1,000%	1,000%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	n/a	10.1%	9.6%
Amounts below the thresholds for deduction (before risk weighting)			
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	282	282	282
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	56	56	56
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	78	78	80
Applicable caps on the inclusion of provisions in Tier 2			
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	8	8	-
Cap for inclusion of credit risk adjustments in T2 under internal-ratings-based approach	49	49	49

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

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

Regulatory own funds consist of Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2) capital. For the transitional period until the full application of the CRR–regulation, the guidelines of the FMA– Regulation No 425 (Austrian CRR Supplementary Regulation) have to be applied. Beside from the mentioned adjustments no further deductions were made. All regulatory adjustments are in accordance with the respective regulations in Articles 47, 48, 37, 56, 66 and 79 CRR.

Common Equity Tier 1 (CET1) according to Article 26 et seq. mainly consists of subscribed capital, reserves and retained earnings. Regulatory adjustments of Tier 1 capital are considered according to Article 36 and 56 CRR in connection with FMA–Regulation No 425. The deductible item "intangible assets" consists of goodwills of fully and at–equity consolidated subsidiaries as well as customer relationships/brands and other intangible assets. Tax liabilities related to intangible assets are offset and reduce the deduction item. The simplified approach is applied for additional value adjustments (prudent valuation). The calculation of the deductible item "deferred tax assets" is done according to Article 38 (5) CRR. Negative amounts resulting from the calculation of expected losses are fully deducted from CET1.

Gains on liabilities valued at fair value resulting from changes on own credit standing have to be fully deducted from CET1 under full application of CRR as well as during the transitional period. Gains or losses resulting from cash flow hedges are also excluded from own funds in accordance with Article 33 (1) (a) CRR. As long as the Total Comprehensive Income is positive (including expected dividend payouts according to dividend policy), the values as of 1 January 2019 of the Other Comprehensive Income (OCI) are used for the own funds calculation based on transitional rules.

Tier 2 capital is calculated according to Article 62 et seq. of CRR under consideration of the minority–calculation (EBA Q&A from 3 November 2017). During the last five years of their residual term Tier 2 capital instruments are only partially eligible. Their eligibility is reduced in relation to their remaining term in days. For regulatory adjustments of Tier 2 capital Article 66 of CRR is applied.

In 2018, T2 capital was reduced due to the buyback of a T2 capital issuance with a notional of € 300 million of which € 268.3 million have been bought back. For the part not repurchased, an application for re-eligibility was submitted to the ECB, which was approved by the supervisory authority on 3 April 2019. In March 2019, BAWAG Group issued a bond with a notional value of € 400 million, which fulfills the criteria for eligibility as T2 capital.

CAPITAL REQUIREMENTS

CAPITAL REQUIREMENTS

Art. 438 (c)–(f) CRR – EU OV1

Table 4: Overview of RWAs

			RWAs		Minimum capital requirements
			30.06.2019	31.12.2018	30.06.2019
	1	**Credit risk (excluding CCR)**	**18,140**	**18,037**	**1,451**
Article 438 (c)(d)	2	Of which the standardised approach	9,077	10,119	726
Article 438 (c)(d)	3	Of which the foundation IRB (FIRB) approach	6,694	5,617	536
Article 438 (c)(d)	4	Of which the advanced IRB (AIRB) approach	2,096	2,027	168
Article 438 (d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	273	274	22
Article 107 Article 438 (c)(d)	**6**	**CCR**	**254**	**309**	**20**
Article 438 (c)(d)	7	Of which mark to market	139	161	11
Article 438 (c)(d)	8	Of which original exposure			
	9	Of which the standardised approach			
	10	Of which internal model method (IMM)			
Article 438 (c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	9	10	1
Article 438 (c)(d)	12	Of which CVA	106	139	8
Article 438 (e)	13	Settlement risk			
Article 438 (o)(i)	**14**	**Securitization exposures in the banking book (after the cap)**	**85**	**85**	**7**
	15	Of which IRB approach	81	81	7
	16	Of which IRB supervisory formula approach (SFA)	4	4	0
	17	Of which internal assessment approach (IAA)			
	18	Of which standardised approach			
Article 438 (e)	**19**	**Market risk**	**53**	**51**	**4**
	20	Of which the standardised approach	53	51	4
	21	Of which IMA			
Article 438 (e)	22	Large exposures			
Article 438 (f)	**23**	**Operational risk**	**1,878**	**1,821**	**150**
	24	Of which basic indicator approach			
	25	Of which standardised approach	1,878	1,821	150
	26	Of which advanced measurement approach			
Article 437(2) Article 48 Article 60	**27**	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**140**	**170**	**11**
Article 500	**28**	**Floor adjustment**			
	29	**Total**	**20,550**	**20,473**	**1,644**

RWA UNDER IRB APPROACH

Art. 438 (d) CRR – EU CR8

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

30.06.2019 in € million	RWA amounts	Capital requirements
1 RWAs as at the end of the previous reporting period	**8,003**	**640**
2 Asset size	1,224	98
3 Asset quality	(150)	(12)
4 Model updates	65	5
5 Methodology and policy	–	–
6 Acquisitions and disposals	–	–
7 Foreign exchange movements	6	–
8 Other	–	–
9 RWAs as at the end of the reporting period	**9,148**	**731**

IRB PORTFOLIO SPECIALIZED LENDING EXPOSURES AND EQUITY EXPOSURES

Art. 438 last sentence CRR – EU CR10

Table 6: Specialized lending exposures

30.06.2019 in € million Regulatory categories	Remaining maturity	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWAs	Expected losses
Category 1	Less than 2.5 years	809	11	50%	814	407	–
	Equal or more than 2.5 years	2,169	114	70%	2,219	1,553	9
Category 2	Less than 2.5 years	565	4	70%	567	397	2
	Equal or more than 2.5 years	640	256	90%	754	679	6
Category 3	Less than 2.5 years	–	–	115%	–	–	–
	Equal or more than 2.5 years	174	77	115%	196	225	5
Category 4	Less than 2.5 years	–	–	250%	–	–	–
	Equal or more than 2.5 years	25	–	250%	25	63	2
Category 5	Less than 2.5 years	4	–	0%	4	–	2
	Equal or more than 2.5 years	5	–	0%	5	–	3
Total	**Less than 2.5 years**	**1,378**	**15**		**1,385**	**804**	**4**
	Equal or more than 2.5 years	**3,013**	**447**		**3,199**	**2,520**	**25**

Art. 438 last sentence CRR – EU CR10

Table 7: Equity exposures

30.06.2019 in € million **Regulatory categories**	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWAs	Expected losses
Private equity	–	–	190%	–	–	–
Exchange traded	–	–	290%	–	–	–
Other equity exposures	74	–	370%	74	273	2
Total	**74**	**–**	**–**	**74**	**273**	**2**

COUNTERPARTY DEFAULT RISK

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

Table 8: Analysis of CCR exposure by approach

30.06.2019 in € million	Replacement cost / current market value	Potential future credit exposure	EAD post CRM	RWAs
1 Mark to market	931	433	710	137
9 Financial collateral comprehensive method (for SFTs)	–	–	4	2
11 Total	–	–	–	139

Art. 439 point (e), (f) CRR – EU CCR2

Table 9: CVA capital charge

30.06.2019 in € million	Exposure value	RWAs
1 Total portfolios subject to the advanced method	–	–
2 (i) VaR component (including the 3x multiplier)	–	–
3 (ii) SVaR component (including the 3x multiplier)	–	–
4 All portfolios subject to the standardized method	225	106
EU4 Based on the original exposure method	–	–
5 Total subject to the CVA capital change	**225**	**106**

Art. 439 (e) CRR – EU CCR5–A

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

30.06.2019 in € million	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1 Derivatives	1,931	501	1,430	655	775
2 SFTs	99	–	99	99	4
4 Total	**2,030**	**501**	**1,529**	**754**	**779**

Art. 439 (e) CRR – EU CCR5–B

Table 11: Composition of collateral for exposures to CCR

30.06.2019 in € million	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash collateral	221	436	50	13	99	–
Total	**221**	**436**	**50**	**13**	**99**	**–**

Art. 439 (e), (f) CRR – EU CCR8

Table 12: Exposures to CCPs

30.06.2019 in € million	EAD post CRM	RWAs
1 Exposures to QCCPs (total)	**–**	**24**
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	371	15
3 (i) OTC derivatives	371	15
4 (ii) Exchange-traded derivatives	–	–
5 (iii) SFT	–	–
6 (iv) Netting sets where cross-product netting has been approved	–	–
7 Segregated initial margin	110	–
8 Non-segregated initial margin	–	–
9 Prefunded default fund contributions	1	9
10 Alternative calculation of own funds requirements for exposures	–	–
11 Exposures to non-QCCPs (total)	**–**	**–**

Art. 439 (g), (h) CRR – EU CCR6

Table 13: Credit derivatives exposures

30.06.2019 in € million	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notional	–	–	–
Other credit derivatives (CLN)	–	31	–
Total notional	**–**	**31**	**–**

CDS serve as hedges for part of the bank's securities, synthetic securities (CDS sell positions) and loan portfolio. As of 30 June 2019 the bank had no single CDS in the portfolio. The shown notional of 31 million € concern a credit linked note. The CLN is measured at full fair value as a security, hence there is no separate fair value for the embedded CDS sell.

CREDIT RISK AND DILUTION RISK

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

Art. 442 point (g) CRR – EU CR1–A

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

30.06.2019 in € million	Gross carrying value of		Specific credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures				
3 Corporates	129	10,672	72	–	15	10,729
4 of which: Specialised lending	9	4,843	11	–	15	4,841
5 of which: SMEs	7	765	4	–	–	768
6 Retail	225	11,568	98	35	8	11,661
7 Secured by real estate property	65	5,404	16	–	–	5,453
8 SMEs	13	273	2	–	–	285
9 Non-SMEs	52	5,131	15	–	–	5,168
10 Qualifying revolving	26	3,434	14	8	8	3,438
11 Other Retail	133	2,730	67	26	–	2,770
12 SMEs	19	232	14	1	–	236
13 Non-SMEs	114	2,497	53	25	–	2,534
14 Equity	–	74	–	–	–	74
15 Total IRB approach	**354**	**22,314**	**169**	**35**	**23**	**22,463**
16 Central governments or central banks	–	4,369	–	–	–	4,369
17 Regional governments or local authorities	–	2,071	–	–	–	2,071
18 Public sector entities	–	1,965	–	–	–	1,965
19 Multilateral development banks	–	–	–	–	–	–
20 International organisations	–	–	–	–	–	–
21 Institutions	–	2,851	1	–	–	2,850
22 Corporates	–	3,096	19	–	–	3,077
23 of which: SMEs	–	1,439	10	–	–	1,429
24 Retail	–	4,466	5	–	–	4,462
25 of which: SMEs	–	1,251	4	–	–	1,247
26 Secured by mortgages on immovable property	–	4,826	5	–	–	4,820
27 of which: SMEs	–	884	2	–	–	883
28 Exposures in default	682	–	222	5	1	454
29 Items associated with particularly high risk	–	52	2	–	–	50
30 Covered bonds	–	1,459	–	–	–	1,458
31 Claims on institutions and corporates with a short-term credit assessment	–	–	–	–	–	–
32 Collective investments undertakings	–	814	18	–	1	795
33 Equity exposures	–	317	–	–	–	317
34 Other exposures	–	647	–	–	–	647
35 Total standardized approach	**682**	**26,933**	**274**	**5**	**2**	**27,336**
36 Total	**1,036**	**49,247**	**444**	**40**	**25**	**49,799**
37 Of which: Loans	1,024	35,625	440	40	25	36,169
38 Of which: Debt securities	–	4,871	4	–	–	4,867
39 Of which: Off-balance-sheet exposures	12	8,751	–	–	–	8,763

Art. 442 point (g) CRR – EU CR1–B

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

30.06.2019 in € million	Gross carrying value of		Specific credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures				
1 Agriculture, forestry and fishing	11	311	5	–	–	318
2 Mining and quarrying	44	12	25	–	–	31
3 Manufacturing	51	1,629	37	1	4	1,642
4 Electricity, gas, steam and air conditioning supply	15	332	7	2	–	338
5 Water supply	–	43	–	–	–	43
6 Construction	44	533	14	1	–	562
7 Wholesale and retail trade	35	1,322	24	1	2	1,332
8 Transport and storage	6	397	4	–	–	399
9 Accommodation and food service activities	7	427	5	–	–	429
10 Information and communication	17	931	3	–	–	945
11 Finance and Insurance	7	9,495	10	–	2	9,493
12 Real estate activities	50	7,176	27	–	8	7,198
13 Professional, scientific and technical activities	10	517	6	–	–	520
14 Administrative and support service activities	10	904	9	–	–	905
15 Public administration and defence, compulsory social security	387	4,678	130	–	–	4,934
16 Education	1	46	–	–	–	46
17 Human health services and social work activities	6	549	2	–	–	553
18 Arts, entertainment and recreation	1	67	1	–	–	68
19 Other services	7	448	7	–	1	448
20 Private Households	327	19,100	127	35	8	19,265
21 Others	–	331	–	–	–	331
22 Total	**1,036**	**49,247**	**444**	**40**	**25**	**49,799**

Art. 442 point (h) CRR – EU CR1–C

Table 16: Credit quality of exposures by geography

30.06.2019 in € million	Gross carrying value of		Specific credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures				
1 EU	988	45,568	411	40	8	46,105
2 of which: Austria	717	28,122	281	35	4	28,523
3 of which: Germany	163	7,456	93	4	3	7,522
4 of which: Great Britain	51	3,099	11	1	1	3,138
5 of which: France	–	1,714	19	–	–	1,695
6 of which: Spain	–	1,279	1	–	–	1,278
7 Rest Europe	4	568	2	–	–	570
8 North America	44	2,795	30	–	17	2,809
9 Asia	–	216	1	–	–	215
10 Others	–	99	–	–	–	99
Total	**1,036**	**49,247**	**444**	**40**	**25**	**49,799**

PAST–DUE, NON–PERFORMING AND FORBORNE EXPOSURES

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

Table 17: Ageing of past due exposures

30.06.2019 in € million	Gross carrying amount					
	<=30 days	> 30 days <= 60 days	> 60 days <= 90 days	> 90 days <= 180 days	> 180 days <= 1 year	> 1 year
1 Loans	201	41	24	63	48	644
2 Debt securities	11	–	1	3	–	1
3 Total exposures	**212**	**41**	**25**	**67**	**48**	**645**

Art. 442 (g), (i) CRR – EU CR1–E

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

30.06.2019 in € million	Gross carrying amount of performing and non-performing exposures						
		Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing	Of which defaulted	Of which impaired	Of which forborne
1 Debt securities	4,871	–	–	–	–	–	–
2 Loans and advances	35,635	65	2	1,095	1,013	996	3
3 Off-balance-sheet exposures	8,740	1	3	24	23	–	3

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

30.06.2019 in € million	Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
	On performing exposures	Of which forborne	On non-performing exposures	Of which forborne	On non-performing exposures	Of which forborne exposures
1 Debt securities	4	–	–	–	–	–
2 Loans and advances	57	–	367	–	219	–
3 Off-balance-sheet exposures	–	–	–	–	–	–

Art. 442 (i) CRR – EU CR2–B

Table 19: Changes in the stock of defaulted and impaired loans and debt securities

30.06.2019 in € million	Gross carrying value defaulted exposures
1 Opening balance	**987**
2 Loans and debt securities that have defaulted or impaired since the last reporting period	332
3 Return to non-defaulted status	(235)
4 Amounts written off	(40)
5 Other changes	(47)
6 Closing balance	**996**

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

Table 20: Changes in the stock of general and specific credit risk adjustments

30.06.2019 in € million	Accumulated specific credit risk adjustment
1 Opening balance	**445**
2 Increases due to amounts set aside for estimated loan losses during the period	88
3 Decreases due to amounts reversed for estimated loan losses during the period	(83)
4 Decreases due to amounts taken against accumulated credit risk adjustments	(19)
5 Transfers between credit risk adjustments	–
6 Impact of exchange rate differences	–
7 Business combinations, including acquisitions and disposals of subsidiaries	3
8 Other adjustments	(11)
9 Closing balance	**444**
10 Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	(12)
11 Specific credit risk adjustments directly recorded to the statement of profit or loss	(20)

STANDARDIZED APPROACH TO CREDIT RISK

Art. 444 point (e) CRR – EU CR5

Table 21: Standardized approach (1/2)

30.06.2019 in € million	Risk weight							
Exposure class	0%	4%	10%	20%	35%	50%	70%	75%
1 Central governments or central banks	3,897	–	–	14	–	10	–	–
2 Regional governments or local authorities	2,971	–	–	8	–	–	–	–
3 Public sector entities	18	–	–	774	–	–	–	–
4 Multilateral development banks	–	–	–	–	–	–	–	–
5 International organizations	–	–	–	–	–	–	–	–
6 Institutions	–	1	–	1,333	–	1,290	–	–
7 Corporates	9	–	–	25	–	76	–	–
8 Retail	–	–	–	–	–	–	1	2,067
9 Secured by mortgages on immovable property	–	–	–	–	3,850	466	3	140
10 Exposures in default	–	–	–	–	–	–	–	–
11 Higher-risk categories	–	–	–	–	–	–	–	–
12 Covered bonds	–	–	1,389	69	–	–	–	–
13 Institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–
14 Collective investment undertakings	–	–	–	–	–	–	–	–
15 Equity	–	–	–	–	–	–	–	–
16 Other items	456	–	–	–	–	–	–	–
17 Total	**7,351**	**1**	**1,389**	**2,223**	**3,850**	**1,842**	**4**	**2,207**

Table 21: Standardized approach (2/2)

30.06.2019 in € million	Risk weight				Total	Of which unrated
Exposure class	100%	150%	250%	Others		
1 Central governments or central banks	–	–	80	–	4,001	3,933
2 Regional governments or local authorities	–	–	–	–	2,979	1,056
3 Public sector entities	–	–	–	–	792	792
4 Multilateral development banks	–	–	–	–	–	–
5 International organizations	–	–	–	–	–	–
6 Institutions	65	–	–	–	2,688	358
7 Corporates	2,589	–	–	–	2,698	2,524
8 Retail	–	–	–	–	2,068	2,068
9 Secured by mortgages on immovable property	215	–	–	–	4,674	4,674
10 Exposures in default	366	79	–	–	445	445
11 Higher-risk categories	–	27	–	–	27	27
12 Covered bonds	–	–	–	–	1,458	36
13 Institutions and corporates with a short-term credit assessment	–	–	–	–	–	–
14 Collective investment undertakings	–	–	–	795	795	795
15 Equity	261	–	56	–	317	317
16 Other items	191	–	–	–	647	647
17 Total	**3,687**	**106**	**136**	**795**	**23,588**	**17,671**

Art. 444 point (e) CRR – EU CCR3

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

30.06.2019 in € million	Risk weight						Total	Of which unrated
Exposure class	0%	4%	20%	50%	75%	100%		
1 Central governments or central banks	–	–	–	–	–	–	–	–
2 Regional governments or local authorities	55	–	–	–	–	–	55	–
3 Public sector entities	–	–	9	–	–	–	9	9
4 Multilateral development banks	–	–	–	–	–	–	–	–
5 International organizations	–	–	–	–	–	–	–	–
6 Institutions	–	370	108	135	–	–	613	406
7 Corporates	–	–	–	–	–	26	26	26
8 Retail	–	–	–	–	2	–	2	2
9 Institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–
10 Other items	–	–	–	–	–	–	–	–
11 Total	**55**	**370**	**117**	**135**	**2**	**26**	**705**	**443**

OWN FUNDS REQUIREMENTS FOR MARKET RISK UNDER THE STANDARDIZED APPROACH

Art. 445 CRR

Table 23: Market risk under the standardized approach

30.06.2019 in € million		RWAs	Capital requirements
Outright products			
1	Interest rate (general and specific)	53	4
2	Equity risk (general and specific)	–	–
3	Foreign exchange risk	–	–
4	Commodity risk	–	–
Options			
5	Simplified approach	–	–
6	Delta–plus method	–	–
7	Scenario approach	–	–
8	Securitization (specific risk)	–	–
Total		**53**	**4**

LEVERAGE RATIO

Art. 451 (1)

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

30.06.2019 in € million	Applicable Amounts incl. transitional rules acc. to CRR	Applicable Amounts Fully loaded acc. to CRR
Total assets as per published financial statements	44,463	44,463
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(119)	(119)
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure according to Article 429(11) of Regulation	–	–
Adjustments for derivative financial instruments	(163)	(163)
Adjustments for securities financing transactions	–	–
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,354	1,354
Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	–	–
Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013	–	–
Other adjustments	(503)	(503)
Leverage ratio exposure	**45,032**	**45,032**

Table 25: Leverage ratio

30.06.2019 in € million	Applicable Amounts incl. transitional rules acc. to CRR	Applicable Amounts Fully loaded acc. to CRR
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	43,538	43,538
Asset amounts deducted in determining Tier 1 capital	(589)	(589)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**42,949**	**42,949**
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	308	308
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	434	434
Deductions of receivables assets for cash variation margin provided in derivatives transactions	(13)	(13)
Total derivative exposures	**729**	**729**
Total securities financing transaction exposures	**–**	**–**
Off-balance sheet exposures at gross notional amount	8,856	8,856
Adjustments for conversion to credit equivalent amounts	7,502	7,502
Total off-balance sheet exposures	**1,354**	**1,354**
Tier 1 capital	**3,185**	**3,113**
Total leverage ratio exposures	**45,032**	**45,032**
Leverage Ratio	**7.07%**	**6.91%**

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

30.06.2019 in € million	Applicable Amounts incl. transitional rules acc. to CRR	 Fully loaded acc. to CRR
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	43,538	43,538
Trading book exposures	–	–
Banking book exposures, of which:	43,538	43,538
Covered bonds	1,458	1,458
Exposures treated as sovereigns	5,721	5,721
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	1,377	1,377
Institutions	2,874	2,874
Secured by mortgages of immovable properties	11,240	11,240
Retail exposures	4,933	4,933
Corporate	11,054	11,054
Exposures in default	631	631
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	4,250	4,250

QUANTITATIVE DISCLOSURE USING THE INTERNAL RATINGS BASED APPROACH

EXPOSURES TO CORPORATES

Art. 452 points (d)–(g) CRR – EU CR6

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

30.06.2019 in € million	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors
	0.00 to <0.15	456	7	64.6%	224	0.1%	130
	0.15 to <0.25	14	4	49.4%	13	0.2%	22
	0.25 to <0.50	27	1	44.0%	24	0.4%	26
	0.50 to <0.75	20	6	57.1%	23	0.6%	20
	0.75 to <2.50	80	15	64.8%	89	1.6%	114
	2.50 to <10.00	95	4	61.6%	94	5.2%	114
	10.00 to <100.00	34	4	57.5%	36	20.0%	176
	100.00 (Default)	7	–	–	7	100.0%	27
Small and medium-sized enterprises	**Subtotal**	**733**	**41**	**60.7%**	**510**	**2.8%**	**629**
	0.00 to <0.15	974	259	11.5%	982	0.1%	144
	0.15 to <0.25	1,169	103	55.2%	1,080	0.2%	48
	0.25 to <0.50	1,134	163	53.5%	1,210	0.4%	57
	0.50 to <0.75	352	10	48.1%	351	0.6%	38
	0.75 to <2.50	829	36	63.8%	837	1.4%	93
	2.50 to <10.00	30	2	35.4%	26	4.6%	19
	10.00 to <100.00	2	1	10.4%	3	24.7%	166
	100.00 (Default)	103	10	23.9%	105	100.0%	57
Corporates	**Subtotal**	**4,592**	**584**	**35.1%**	**4,594**	**2.7%**	**622**
Total (Corporates)		**5,325**	**625**	**47.9%**	**5,104**	**2.6%**	**1,251**

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

30.06.2019 in € million	PD scale	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
	0.00 to <0.15	39.3%	2.5	43	19%	–	–
	0.15 to <0.25	36.4%	2.5	4	29%	–	–
	0.25 to <0.50	35.3%	2.5	10	40%	–	–
	0.50 to <0.75	37.4%	2.5	13	55%	–	–
	0.75 to <2.50	38.4%	2.5	63	70%	–	–
	2.50 to <10.00	37.9%	2.5	92	98%	2	1
	10.00 to <100.00	36.1%	2.5	52	142%	3	1
	100.00 (Default)	38.3%	2.5	–	–	3	2
Small and medium-sized enterprises	**Subtotal**	**38.3%**	**2.5**	**277**	**54%**	**8**	**4**
	0.00 to <0.15	40.0%	2.5	233	24%	–	1
	0.15 to <0.25	43.6%	2.5	507	47%	2	1
	0.25 to <0.50	44.9%	2.5	786	65%	2	3
	0.50 to <0.75	43.8%	2.5	274	78%	1	1
	0.75 to <2.50	43.0%	2.5	855	102%	5	4
	2.50 to <10.00	44.4%	2.5	40	154%	1	1
	10.00 to <100.00	41.7%	2.5	6	242%	–	–
	100.00 (Default)	43.8%	2.5	–	–	46	42
Corporates	**Subtotal**	**43.1%**	**2.5**	**2,701**	**59%**	**57**	**53**
Total (Corporates)		**43.7%**	**2.5**	**2,978**	**58%**	**65**	**57**

EXPOSURES TO RETAILS

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

30.06.2019 in € million	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors
	0.00 to <0.15	1,125	15	50.0%	1,133	0.1%	8,309
	0.15 to <0.25	570	11	50.0%	575	0.2%	3,909
	0.25 to <0.50	1,263	20	50.0%	1,273	0.4%	8,461
	0.50 to <0.75	527	14	50.0%	533	0.6%	4,031
	0.75 to <2.50	1,405	36	49.8%	1,423	1.5%	9,673
	2.50 to <10.00	252	4	49.6%	254	5.7%	1,672
	10.00 to <100.00	160	2	50.0%	162	24.2%	999
Exposures secured	100.00 (Default)	65	–	50.0%	65	100.0%	507
by real estate	**Subtotal**	**5,367**	**102**	**49.9%**	**5,418**	**2.8%**	**37,561**
	0.00 to <0.15	57	1,497	33.6%	559	0.1%	369,328
	0.15 to <0.25	21	339	34.7%	139	0.2%	92,252
	0.25 to <0.50	18	525	36.2%	209	0.4%	145,883
	0.50 to <0.75	36	239	34.0%	117	0.6%	70,886
	0.75 to <2.50	187	406	31.6%	323	1.5%	165,566
	2.50 to <10.00	46	33	30.4%	60	5.3%	33,332
	10.00 to <100.00	17	13	53.6%	31	26.7%	62,195
Qualified revolving	100.00 (Default)	18	1	47.4%	18	100.0%	15,728
retail exposures	**Subtotal**	**400**	**3,053**	**34.0%**	**1,456**	**1.3%**	**955,170**
	0.00 to <0.15	323	19	46.5%	332	0.1%	17,781
	0.15 to <0.25	200	19	45.6%	208	0.2%	11,141
	0.25 to <0.50	258	24	44.9%	269	0.4%	12,946
	0.50 to <0.75	237	29	44.7%	250	0.6%	13,577
	0.75 to <2.50	1,003	79	37.8%	1,034	1.7%	57,968
	2.50 to <10.00	358	37	18.3%	365	5.7%	20,917
	10.00 to <100.00	127	15	21.6%	133	23.4%	8,533
Other retail	100.00 (Default)	107	1	49.8%	107	100%	6,691
exposures	**Subtotal**	**2,613**	**223**	**36.6%**	**2,698**	**6.5%**	**149,554**
Total (Retail)		**8,380**	**3,378**	**40.1%**	**9,572**	**3.1%**	**1,142,285**

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

30.06.2019 in € million	PD scale	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
	0.00 to <0.15	9.5%	2.5	28	2%	–	–
	0.15 to <0.25	10.2%	2.5	28	5%	–	–
	0.25 to <0.50	10.8%	2.5	98	8%	1	–
	0.50 to <0.75	10.8%	2.5	56	10%	–	–
	0.75 to <2.50	10.4%	2.5	245	17%	2	–
	2.50 to <10.00	9.4%	2.5	83	33%	1	–
	10.00 to <100.00	9.6%	2.5	83	52%	5	10
	100.00 (Default)	15.9%	2.5	–	–	10	6
Exposures secured by real estate	**Subtotal**	**10.3%**	**2.5**	**621**	**11%**	**19**	**16**
	0.00 to <0.15	57.8%	2.5	20	4%	–	–
	0.15 to <0.25	66.1%	2.5	12	8%	–	–
	0.25 to <0.50	71.9%	2.5	30	14%	1	–
	0.50 to <0.75	70.5%	2.5	24	20%	1	–
	0.75 to <2.50	69.3%	2.5	123	38%	3	2
	2.50 to <10.00	68.3%	2.5	55	90%	2	–
	10.00 to <100.00	67.9%	2.5	58	190%	6	–
	100.00 (Default)	83.3%	2.5	–	–	15	12
Qualified revolving retail exposures	**Subtotal**	**65.1%**	**2.5**	**322**	**22%**	**28**	**14**
	0.00 to <0.15	35.3%	2.5	32	10%	–	–
	0.15 to <0.25	35.5%	2.5	35	17%	–	–
	0.25 to <0.50	33.1%	2.5	60	22%	–	–
	0.50 to <0.75	36.5%	2.5	79	32%	1	–
	0.75 to <2.50	37.1%	2.5	478	46%	6	2
	2.50 to <10.00	37.0%	2.5	207	57%	8	2
	10.00 to <100.00	35.4%	2.5	103	79%	11	5
	100.00 (Default)	46.3%	2.5	–	–	49	58
Other retail exposures	**Subtotal**	**36.7%**	**2.5**	**994**	**37%**	**75**	**67**
Total (Retail)		**26.1%**	**2.5**	**1,937**	**20%**	**122**	**98**

CCR EXPOSURES

Art. 452 (e) CRR – EU CCR4

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

30.06.2019 in € million	PD scale	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Small and medium-sized enterprises	0.00 to <0.15	1	0.1%	4	45%	2.5	–	28.4%
	0.15 to <0.25	–	–	–	–	–	–	–
	0.25 to <0.50	–	–	–	–	–	–	–
	0.50 to <0.75	–	–	–	–	–	–	–
	0.75 to <2.50	1	1.2%	9	45%	2.5	1	95.8%
	2.50 to <10.00	–	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–
	Subtotal	**2**	**0.9%**	**13**	**45%**	**2.5**	**1**	**53.8%**
Corporates	0.00 to <0.15	–	–	–	–	–	–	–
	0.15 to <0.25	–	–	–	–	–	–	–
	0.25 to <0.50	2	0.4%	6	45%	2.5	1	57.6%
	0.50 to <0.75	–	–	–	–	–	–	–
	0.75 to <2.50	–	–	–	–	–	–	–
	2.50 to <10.00	1	5.5%	3	45%	2.5	1	134%
	10.00 to <100.00	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–
	Subtotal	**3**	**15.8%**	**9**	**45%**	**2.5**	**2**	**63.3%**
Total (Corporates)		**5**	**13.1%**	**22**	**45%**	**2.5**	**4**	**60.3%**

CRM TECHNIQUES

Art. 453 (f), (g) CRR – EU CR3

Table 30: CRM techniques – overview

30.06.2019 in € million	Exposures unsecured – Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1 Total loans	34,604	14,168	13,064	1,685	–
2 Total debt securities	–	–	–	–	–
3 Total exposures	**34,604**	**14,168**	**13,064**	**1,685**	**–**
4 Of which defaulted	490	203	175	–	–

Art. 453 (f), (g) CRR – EU CR4

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

30.06.2019 in € million	Exposure before CCF and CRM		Exposure post CCF and CRM		RWAs and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
Exposures to central governments or central banks	3,836	532	3,971	31	209	5.2%
Exposures to regional governments or local authorities	1,884	186	2,925	53	2	0.1%
Exposures to public-sector entities, administrative bodies and non-commercial undertakings	1,377	588	779	14	155	19.5%
Multilateral development banks	–	–	–	–	–	–
International organisations	–	–	–	–	–	–
Exposures to institutions	2,775	75	2,683	5	976	36.3%
Exposures to corporates	2,641	436	2,615	83	2,581	95.7%
Retail exposures	2,064	2,399	2,050	18	1,417	68.5%
Exposures secured by mortgages on immovable property	4,776	44	4,658	17	1,879	40.2%
Exposures in default	447	8	444	1	485	108.9%
Higher-risk categories	27	23	27	–	40	149.9%
Covered bonds	1,458	–	1,458	–	153	10.5%
Institutions and corporates with a short-term credit assessment	–	–	–	–	–	–
Exposures in the form of units or shares in collective investment undertakings ("CIUs") - Look Through	794	2	794	1	728	91.6%
Equity exposures	317	–	317	–	401	126.4%
Other items	647	–	647	–	191	29.5%
Total	**23,043**	**4,293**	**23,367**	**223**	**9,217**	**39.1%**

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