CONSOLIDATED ANNUAL REPORT 2023

BAWAG Group

HIGHLIGHTS 2023

ONGOING STRONG PROFITABILITY AND CAPITAL GENERATION

Net profit	**€ 683 million**	**+34% vPY**
Earnings per share	**€ 8.31**	**+43% vPY**
RoTCE	**25.0%**	**+6.4pts**
CIR	**31.8%**	**-4.1pts**

RETURNING CAPITAL TO SHAREHOLDERS AND LEAVING EXCESS CAPITAL AS DRY-POWDER FOR POTENTIAL M&A

€ 305 million	dividend distributed in 2023	**€ 3.7 dividend per share**
€ 175 million	share buyback executed	**3.9 million shares cancelled**
€ 393 million	dividend will be proposed to the AGM in 2024	**€ 5.0 dividend per share**
€ 475 million	excess capital to management	**target of 12.25%**

ALL 2023 TARGETS ACHIEVED

	Actuals	
PBT	**€ 910 million**	✓
EPS	**€ 8.31**	✓
DPS	**€ 5.00**	✓

2024 TARGETS

(excluding recently signed transaction in the Netherlands)

PBT	**>€ 920 million**
RoTCE	**>20%**
CIR	**<34%**

BAWAG GROUP

WHAT WE STAND FOR

WE ARE …

… a multi-brand and multi-channel bank
… with a history dating back to 1883 in Austria
… focusing on mass retail business in the DACH/NL region
… with 2.1 million customers

WE AIM …

… to provide our customers with simple, transparent, and affordable financial products and services they need and that promote their financial health.

WE FOCUS ON …

… simplification, standardization, transparency and ease-of-use for the benefit of customers

WE EXECUTE …

… on our strategic pillars
I. Growth in core markets focused on serving our customers
II. Efficiency through operational excellence
III. Safe and secure risk profile

WE OFFER …

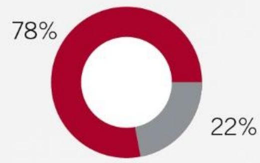
… products aligned to customer needs

- Current accounts, Credit cards
- Investments
- Savings products (Deposits)
- Leasing and Factoring
- Lending
- Insurance

A RETAIL-FOCUSED BANK

Core revenues, FY 2023

Retail & SME
Corporates, Real Estate & Public Sector

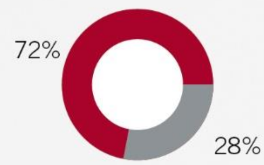


FOCUS ON DEVELOPED AND MATURE MARKETS

Customer assets, FY 2023*

*) No exposure to Russia, Ukraine, limited CEE exposure

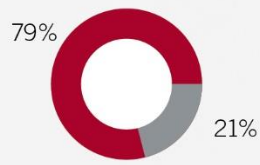
DACH/NL
Western Europe & United States



SAFE & SECURE RISK PROFILE

Customer assets, FY 2023

Focused on safe & secure risk profile
Unsecured



SOLID FUNDING PROFILE

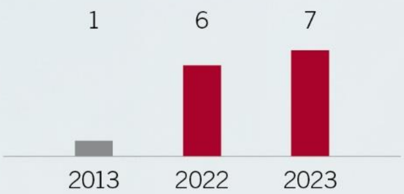
A1
Moody's issuer rating with positive outlook

>90%
retail and public sector deposits

CONSISTENT EXECUTION OF OUR STRATEGY SINCE 2013

GROWTH IN OUR CORE MARKETS FOCUSED ON SERVING OUR CUSTOMERS

Growing core markets



Focus on Retail & SME

Retail & SME assets / Customer business assets

Focus on serving our clients

Retail & SME products

EFFICIENCY THROUGH OPERATIONAL EXCELLENCE

We transformed
… from a transactional to advisory retail bank

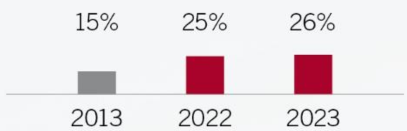
We digitized & modernized
… our products, customer journeys and how we work

We simplified
… workflows, processes and decision-making

We divested
… from non-core businesses and products

Annual technology spend

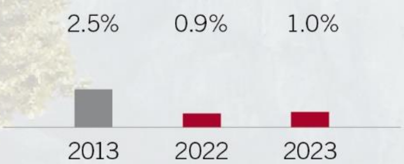
(% of operational expenses)



SAFE & SECURE RISK PROFILE

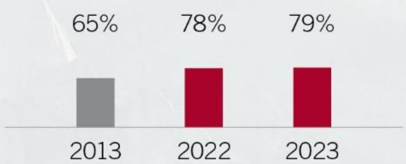
High asset quality

NPL ratio



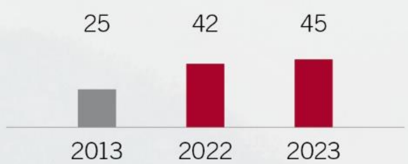
Focus on secured lending

secured and public sector lending/ customer assets



Solid customer funding

(average, in € billion)



VALUE CREATION FOR OUR STAKEHOLDERS

SUSTAINABLE VALUE CREATION IS AT THE CORE OF OUR DECISION-MAKING

CUSTOMERS

We want to be a reliable partner for our customers.

- We provide simple, transparent and affordable financial products
- We focus on high quality and high-touch advisory banking
- We enhance transactional banking with digital capabilities
- We extended €67 billion credit to customers over the past decade
- We did not charge negative interest rates to our retail clients
- We provided support to customers during pandemic

EMPLOYEES

We want to develop our employees, promote diversity, meritocracy and ownership.

- We focus on being an attractive employer
- We focus on diversity … 53 nationalities … 55% female workforce
- We focus on building culture and celebrating success
- We embed an ownership mentality … employee stock grants and matching programs
- We focus on retaining and attracting top talent … senior leadership team average 14 years working together … 32% female quota

INVESTORS

We want to create financial value for our investors by generating and distributing economic value and being good stewards of capital:

- We self-funded organic growth and 8 bolt-on acquisitions since IPO
- We delivered "TSR" of +36% from IPO until end 2023
- We have distributed/earmarked ~€2.6 billion of capital since IPO by end 2023

SOCIETY

We want to play an integral role in the markets we are operating and support our communities.

- We emphasize social programs focused on underserved communities
- >3,700 hours corporate volunteering
- Our branches reflect our local communities

AS PART OF A CONTINUOUS IMPROVEMENT CULTURE, WE WILL WORK TO CAPTURE THE VOICES OF ALL STAKEHOLDERS

KEY FIGURES

Profit or loss statement (in € million)	**2023**	2022 reported	2022 adjusted	Change % adjusted	2021	Change (%)
Net interest income	1,230.2	1,021.1	1,021.1	20.5	938.3	31.1
Net fee and commission income	307.2	309.3	309.3	(0.7)	282.1	8.9
Core revenues	**1,537.4**	**1,330.4**	**1,330.4**	**15.6**	**1,220.4**	**26.0**
Other income[1]	(12.0)	(6.4)	(6.4)	(87.5)	8.1	-
Operating income	**1,525.4**	**1,324.0**	**1,324.0**	**15.2**	**1,228.5**	**24.2**
Operating expenses	**(485.3)**	**(474.8)**	**(474.8)**	**2.2**	**(485.3)**	-
Pre-provision profit	**1,040.1**	**849.2**	**849.2**	**22.5**	**743.2**	**39.9**
Regulatory charges	(39.0)	(48.8)	(48.8)	(20.1)	(51.6)	(24.4)
Total risk costs	(93.2)	(376.3)	(122.0)	(23.6)	(95.0)	(1.9)
Profit before tax	**910.4**	**426.8**	**681.0**	**33.7**	**600.4**	**51.6**
Income taxes	(227.8)	(108.2)	(171.9)	32.5	(120.4)	89.2
Net profit	**682.6**	**318.3**	**508.8**	**34.2**	**479.9**	**42.2**

Performance ratios (figures annualized)	**2023**	2022 reported	2022 adjusted	Change (pts) adjusted	2021	Change (pts) adjusted
Return on common equity	20.9%	9.8%	15.6%	5.3	13.6%	7.3
Return on tangible common equity	**25.0%**	**11.6%**	**18.6%**	**6.4**	**16.1%**	**8.9**
Net interest margin	2.90%	2.33%	2.33%	0.57	2.27%	0.63
Cost-income ratio	31.8%	35.9%	35.9%	(4.1)	39.5%	(7.7)
Risk costs / interest-bearing assets	0.22%	0.86%	0.28%	(0.06)	0.23%	(0.01)

Statement of financial position (in € million)	**2023**	2022	Change (%)	2021	Change (%)
Total assets	55,448	56,523	(1.9)	56,325	(1.6)
Interest-bearing assets	41,732	43,330	(3.7)	42,412	(1.6)
Customer loans	33,593	35,763	(6.1)	34,963	(3.9)
Customer funding	45,822	43,435	5.5	41,712	9.9
Common equity[2]	3,307	3,215	2.8	3,636	(9.1)
Tangible common equity[2]	2,775	2,693	3.1	3,101	(10.5)
Risk-weighted assets	19,317	20,664	(6.5)	20,135	(4.1)

Balance sheet ratios	**2023**	2022	Change (pts)	2021	Change (pts)
Common Equity Tier 1 capital ratio (fully loaded)	**14.7%**	**13.5%**	**1.2**	**15.0%**	**(0.3)**
Total capital ratio (fully loaded)	19.9%	18.5%	1.4	20.4%	(0.5)
Leverage ratio (fully loaded)	5.7%	5.6%	0.1	6.0%	(0.3)
Liquidity coverage ratio (LCR)	215%	225%	(10)	239%	(24)
NPL ratio	1.0%	0.9%	0.1	1.4%	(0.4)

Adjusted excludes the write-off of the City of Linz receivable of € 254 million (€ 190 million after tax) in 2022.
1) The term “Other Income” includes gains and losses on financial instruments and other operating income and expenses
2) Excluding AT1 capital and dividends
Note: For details on definitions and calculation methodology, please refer to the section entitled “Definitions” on pages 370-373.

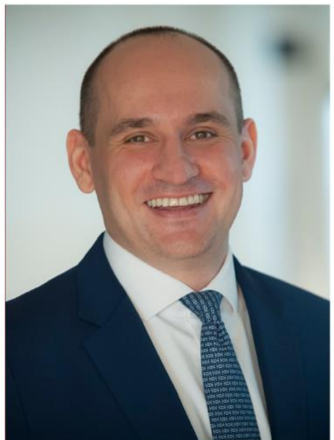
SHARE RELATED FIGURES

Share & stock market data	2023	2022 Reported	2022 Adjusted	Change % Adjusted	2021	Change % Adjusted
Pre-tax earnings per share (in €)[1)]	11.09	4.88	7.78	42.4	6.74	64.5
After-tax earnings per share (in €)[1)]	8.31	3.64	5.81	42.9	5.39	54.3
Book value per share (in €)	42.12	39.14	39.14	7.6	40.92	2.9
Tangible book value per share (in €)	35.35	32.78	32.78	7.8	34.90	1.3
Dividend per share (in €)[2)]	5.00	3.70	3.70	35.1	3.00	66.7
Share price high (in €)	58.95	57.30	57.30	2.9	58.05	1.6
Share price low (in €)	40.46	37.86	37.86	6.9	35.94	12.6
Closing price (in €)	47.98	49.80	49.80	(3.7)	54.20	(11.5)
Price/book ratio	1.14	1.27	1.27	(10.5)	1.32	(14.0)
Price/tangible book ratio	1.36	1.52	1.52	(10.7)	1.55	(12.6)
Shares outstanding at the end of the period	78,507,604	82,147,160	82,147,160	(4.4)	88,855,047	(11.6)
Weighted average diluted number of outstanding shares	82,120,245	87,500,804	87,500,804	(6.1)	89,077,958	(7.8)
Market capitalization (in € billion)	3.8	4.1	4.1	(8.1)	4.8	(21.8)

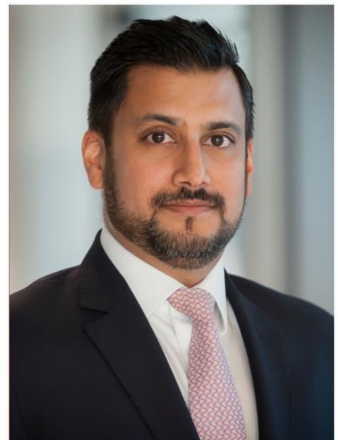
1) Before deduction of AT1 coupon; 2023 Earnings per share after deduction of AT1 coupon pre-tax € 10.79, post-tax € 8.02
2) Based on eop shares incl. respective LTIP tranches

MANAGEMENT BOARD OF BAWAG GROUP AG

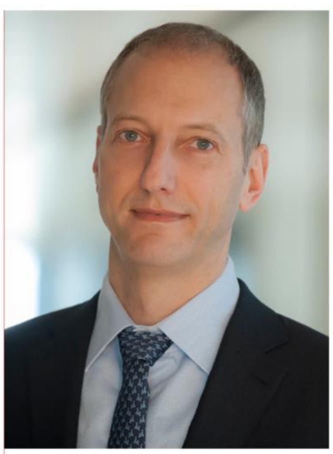
Anas Abuzaakouk
Chairman of the Management Board
Chief Executive Officer
12 years @ BAWAG Group



Enver Sirucic
Member of the Management Board
Chief Financial Officer
Deputy Chief Executive Officer
18 years @ BAWAG Group



Sat Shah
Member of the Management Board
Head of Retail & SME
Deputy Chief Executive Officer
10 years @ BAWAG Group



Andrew Wise
Member of the Management Board
Chief Investment Officer
Head of Non-Retail Lending
12 years @ BAWAG Group

David O'Leary
Member of the Management Board
Chief Risk Officer
10 years @ BAWAG Group

Guido Jestädt
Member of the Management Board
Chief Administrative Officer
12 years @ BAWAG Group

CONTENTS

CEO LETTER

Dear Fellow Shareholders,

This past year has been another record year for the Group. We delivered net profit of € 683 million, EPS of € 8.31, a return on tangible common equity (RoTCE) of 25.0%, and a cost-income ratio (CIR) of 31.8% despite the significant movement in rates, high inflation, and subdued consumer confidence.

We also distributed € 480 million of capital in the form of € 305 million dividends (€ 3.70 per share) and completed a € 175 million share buyback during 2023, reducing our number of shares by 5%, which now stand at 78.6 million shares. We ended the year with a CET1 ratio of 14.7% (post dividend accrual of € 393 million, or € 5.00 per share) and excess capital of € 475 million versus our CET1 target of 12.25%.

I want to thank our customers for placing their trust in us, our shareholders for their continued support, and our team members for their commitment and execution.

Delivering a record year in 2023

2023 was a record year for the Group delivering on all targets despite a challenging macroeconomic environment. The seeds of this past year's success were planted over a decade ago, when we launched our strategic transformation. We must never forget that to be successful year-in and year-out, we cannot take a short-term view. We must anticipate and prepare for the future, always adapting, and continuously investing in our franchise. Although the franchise is in great shape, we need to remain vigilant in guarding against complacency, and continue to adapt from a position of strength. This continuous improvement culture, more than anything else, will secure the long-term success of the franchise.

Being good stewards of capital

Disciplined capital allocation, and M&A in specific, is key to our strategy and how we run the Bank. We aim to be good stewards of capital, making sure we are prudent in our capital distribution plans, maintain our fortress balance sheet, and being ready to capitalize on unique opportunities. Underpinning this is our strong profitability, which allows us to accrete significant amounts of capital each year. We then use this capital to invest in our franchise and teams, extend credit to our customers, acquire businesses, and distribute to our shareholders. Our priority is to invest in our franchise, both organically and through acquisitions. As part of our capital distribution framework, we target a dividend payout of 55% of net profit, which is an important source of income for investors who represent pension funds, private retirement plans, retail investors, and employees. We also make use of share buybacks, as this is a valuable tool that both increases the ownership of remaining shareholders and the dividend per share of future shareholders.

Since our IPO in October 2017, we have generated € 3.1 billion of gross capital, equal to approximately 230 basis points of CET1 on an annual basis. We have extended € 47 billion of credit to our customers and completed 9 acquisitions that were all self-funded allowing us to grow our franchise. We also distributed € 2.6 billion of capital in the form of € 1.7 billion of dividends (paid or earmarked for payment), equivalent to € 19.70 per share, and € 900 million of buybacks, having reduced our total shares outstanding by over 21%.

Staying patient & disciplined

In terms of business activity, 2023 was defined by staying patient and disciplined. We saw an impact on customer lending volumes as high rates and inflation translated into anemic growth negatively impacting lending opportunities across both Retail & SME as well as the Corporates, Real Estate, and Public Sector business.

Despite our record performance in 2023, our best years are still ahead. Our strategy has been consistent over the past decade, one focused on being patient, disciplined, cutting through the noise, and consistent execution. This “patient and disciplined” approach to commercial lending focused on risk-adjusted returns, not blindly chasing volume growth, and thinking beyond the immediate quarter is not always obvious or understood. However, we are rewarded when unique opportunities present themselves and we have the capital and liquidity to take advantage of such opportunities.

We closed the year with a significant amount of dry powder – equal to € 475 million of excess capital and € 13 billion of cash. We are now investing in a transformative and highly accretive acquisition of Knab bank in the Netherlands. This deal will expand our DACH/NL footprint, building-out our customer franchise, and allowing us to significantly grow the business and earnings in the years ahead. We have been disciplined with the 13 acquisitions we’ve made over the past decade, and this acquisition is no different. Our experience with acquisitions, the continuity of our Senior Leadership Team, and the remarkable commitment of our teams and advisors allowed us to pursue this unique opportunity. Although we cannot dictate the timing of deals, we can ensure we are ready once they present themselves.

The € 475 million of excess capital will be earmarked for the acquisition of Knab bank as well pursuing other strategic opportunities. Given the significant capital accretion of the franchise of over 300 basis points per year, we will revisit buybacks as part of our overall capital distributions in 2025.

Overview of Knab bank acquisition

Knab is a digital bank founded in 2012 that has developed a very strong brand and loyal customer base. The bank has ~400,000 Retail & SME current account customers, the majority using the Knab current account as their primary banking relationship. Knab has a diverse customer base and is a leading player in the underserved self-employed space.

This is a strategic acquisition that expands our footprint into the Dutch Retail & SME banking space and will position us for future growth in one of our core markets. This is a great strategic fit in terms of product offering – providing a platform for current accounts, which we will augment with our Retail & SME product offering across the Group as well as our existing Dutch mortgage origination channel. We believe the combination of the Knab team’s experience and expertise coupled with the operating infrastructure of the Group will be a dynamic combination. We will work with the leadership team to continue growing the business.

We’ve had a presence in the Netherlands since 2019 and have always found it an attractive market. Today we have € 4 billion of residential mortgages, of which ~90% are government guaranteed NHG mortgages. Knab bank has € 12 billion of seasoned Dutch mortgages, with 56% of the mortgages being government guaranteed NHG mortgages, and the remaining non-NHG portfolio with a very conservative LTV profile, giving us comfort on the overall credit risk of the transaction. On the funding side, the bank has € 14 billion of funding, of which € 11.6 billion are comprised of customer deposits and € 2.5 billion of covered bonds. The customer deposits are a mix of current accounts, daily savings, and term deposits.

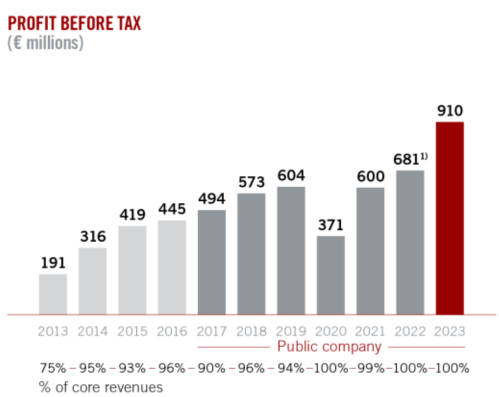
The Knab bank acquisition will be fully funded from our excess capital and consume 100-150 basis points of CET1 capital depending on the scope of strategic actions and capital relief measures taken throughout the year. Given the nature of the transaction and the quality franchise we are buying, the deal will be P&L accretive Day 1 and is projected to contribute ~ € 150 million of pre-tax profit by 2026 with EPS accretion of ~16%, without factoring in any future potential buybacks. The deal was underwritten with a premium to our RoTCE target of > 20%. The transaction is subject to customary regulatory approvals and we hope to provide updates throughout the course of the year. We are extremely excited about the acquisition and welcoming the Knab team into the BAWAG Group.

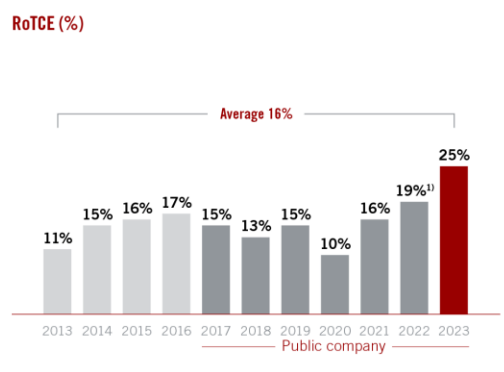
Our strategy over the past decade … consistency + execution

Our strategy has been consistent over the past decade. We focus on growing our franchise in our core markets *"providing customers with simple, transparent, and affordable financial products and services they need and that promote their financial health."* We differentiate ourselves with a commitment to operational excellence, embracing technology, simplicity, and a continuous improvement mindset that allows us to achieve high levels of productivity and efficiency. And we operate a safe and secure business, maintaining a fortress balance sheet with strong asset quality and robust funding profile. This underpins our strategy, our growth, and the investments we've made over the past decade.

Today, BAWAG Group is a multi-channel and multi-brand commercial bank with a strong focus on Retail & SME banking in the DACH/NL region, Western Europe, and the United States. We serve 2.1 million customers, with Austria as our foundation. Our customer franchise is 78% Retail & SME, with 72% of the business located in the DACH/NL region and 28% in Western Europe / United States.

Our strategic transformation was the catalyst for sustainable long-term growth and value generation for all stakeholders. We have grown pre-tax profits in every year since 2013, apart from 2020, when we booked significant management overlay provisions to address potential headwinds brought on by the COVID pandemic, of which we continue to hold € 80 million on the balance sheet. We delivered an average return on tangible common equity of 16% over the past decade, despite operating in a negative interest rate environment for 8 years. We completed 13 acquisitions and have signed one strategic acquisition, all funded from organic earnings and capital generation.





1) excluding City of Linz write-off €190 million after tax

(1) GROWING IN OUR CORE MARKETS FOCUSED ON SERVING OUR CUSTOMERS

We delivered a solid year across the Retail & SME franchise. We continued to invest in developing our branch and digital channels, integrating our online brokerage capabilities, expanding our partnerships and platforms, and continuing our transition to an advisory focused bank all while staying close to our customers despite challenging market conditions. We launched several customer initiatives in 2023 focused on simplifying customer journeys, targeting new customer segments, expanding our community banking footprint, improving our World Savings Day offering, and entering new partnerships such as ACSL (Austrian College Sports League) leveraging our different brands. This will be a key theme in 2024 as we pursue new channels and partnerships. The Retail & SME franchise is positioned well given the efforts over the years to consolidate and streamline our products and channels across the DACH/NL region and planting the seeds for international growth across our core markets.

The Non-Retail & SME business also delivered solid results, staying close to our customers, and remaining patient as we anticipate credit risk being repriced more broadly across asset classes. We expanded our capabilities across payments, funding, investments and growing our Public Sector footprint. Across the Group, we remain committed to disciplined and profitable long-term growth, remaining cautious as markets digest the new normal of higher interest rates.

In addition to signing the strategic acquisition of Knab bank in February 2024 that I touched upon, our teams worked on several strategic growth opportunities in 2023. We completed the acquisition of Peak Bancorp Inc., the holding company of Idaho First Bank in the United States in late November 2023 and are working with the current leadership team to continue growing its community-focused Retail and SME business. In November 2023, our newly established branch in Ireland, operating under the brand name MoCo, executed a soft launch. The team in Ireland has built a unique platform that provides customers with a differentiated mortgage origination and service offering. These are both long-term investments that we are excited about and we believe will be profitable growth drivers for the business. However, as with all investments, we will take a disciplined and methodical approach to growth and always remain patient and disciplined.

With the closed acquisitions in 2023 and the Knab bank signing, we are planting the seeds for future growth across our core markets as we expand our footprint and build-out our customer franchise that will drive long-term profitable growth.

(2) DRIVING EFFICIENCY THROUGH OPERATIONAL EXCELLENCE

Because change is the only constant, we need to continuously evolve and transform ourselves. This requires being self-critical, being open to feedback of all stakeholders, always challenging the status quo, and never growing complacent. We pride ourselves on focusing on the things we can control and embracing a “self-help” DNA. As a result, we believe in proactive absolute cost management, not relying on ratios that are divorced from the underlying operations of the business. We focus on executing key operational initiatives by making strategic long-term investments that ultimately drive greater efficiency through scale, digital engagement, and simplification across the Group.

We stress the merits of consistent execution and having a continuous improvement mindset. A continuous improvement mindset is born out of constantly challenging the status quo to do things better. To this end, we consolidated our Technology, Operations, and Payments teams in 2023 under “TechOps” with the aim of creating frictionless customer journeys across the Group, improving the overall customer experience, simplifying our workflows, and working to be more externally versus internally focused. The goal is to provide high quality services to our customers, build out our analytics and portfolio monitoring capabilities, consistently invest in technology, and leverage our infrastructure and development capabilities across the Group.

A few examples of the strategic initiatives and operational improvements in 2023: Completing the Hello bank! system migration, migrating multiple key infrastructure applications to the cloud, and focusing our development efforts on product enhancements and simplification of customer journeys across different channels. As in prior years, we increased investment in cybersecurity and continue taking over ownership of our key applications and building out technical expertise across all domains. We continued to enhance our overall analytical capabilities and Group data infrastructure, which are the foundation for best-in-class financial and analytical capabilities. This allows us to make real-time decisions - be it risk-adjusted loan pricing, liquidity management, financial forecasting, or stress testing. We continued our multi-year investment in upgrading our retail branch network, reflecting our focus on advisory versus transactional banking. And we continued to pivot to a permanent hybrid home-office model and simplified our corporate structure; providing the framework and tools for an effective hybrid working model as well as merging companies to enable greater centralization and oversight.

We are also carefully assessing cutting-edge technologies like Artificial Intelligence (AI) to identify tangible use cases that will shape our present and future work. We acknowledge the considerable prospects of AI to enhance software development productivity, quality, and security. We believe that leveraging AI technologies thoughtfully can enhance and expand our customer service capabilities. Our primary focus remains pinpointing opportunities within our processes and effectively implementing technologies to capitalize on them.

The goal is to invest in our people, break unnecessary silos, create a single Group identity, and simplify our operations. We have avoided outsourcing and near-shoring programs, while we invest in our own people and capabilities. This has become a differentiator and yet another competitive advantage for the Group. Although our transformation started over a decade ago, this is now being executed from a position of strength as we do our best to anticipate the changes, challenges, and opportunities that lie ahead.

(3) MAINTAINING A SAFE & SECURE RISK PROFILE

First and foremost, we are in the business of managing risk and the past few years have provided us with context and experience that will inform the way we manage risk in the future – from a once in-a-century pandemic, geopolitical conflict, and an unprecedented rising interest rate environment. Our focus has always been on developed markets underpinned by stable and mature economies. This provides greater stability, institutions governed by the rule of law, and the necessary confidence required for investment and lending - which underpins the success of any financial institution. Our aim is to extend credit to customers, while never overextending their ability to repay. We find this to be a win-win relationship for a bank and its customers.

Core to the bank's strategy is to maintain a safe and secure risk profile as this is a key differentiator and competitive advantage. This was best reflected in the EBA/ECB stress test results this past year, where BAWAG ranked #2 among the 57 Eurozone stress-tested banks and #5 among the 70 total EBA sample. This is a result of focusing on risk-adjusted returns, maintaining strong asset quality, conservative interest rate and liquidity risk management, emphasizing secured lending in stable core markets, and proactive de-risking of our balance sheet despite much more severe theoretical stress assumptions. Our year-end 2023 NPL ratio was at 1%, reflecting our solid asset quality. This has been at a constant level since 2021, demonstrating the consistency of our asset quality and conservative risk profile.

The combination of our long-term conservative risk appetite and disciplined underwriting has built a resilient balance sheet. We dynamically manage credit risk, take no interest rate or FX risk, and maintain no market risk RWAs or trading book. We primarily focus on the DACH/NL region with no exposure to Russia or emerging markets and de minimis exposure to Eastern Europe. Our lending is 79% secured or public sector, reflecting our long term strategic growth in low-risk asset classes and collateralized lending. Over 80% of our Retail & SME business is secured lending in the form of mortgages across our core markets with an average LTV of 60%.

Our customer funding, made up of customer deposits and AAA rated mortgage and public sector covered bonds, grew 6% in 2023 to € 45 billion, with a cash position of € 13 billion, equal to 23% of our total balance sheet. We conservatively position ourselves with excess liquidity supported by stress testing and to ensure ample capacity for opportunities as they may arise. We are also benefiting from a strategic decision to go "long liabilities" when others went "long assets" to generate extra yield in a period defined by negative interest rates. From 2019 to 2023, we issued over € 10 billion of covered bonds securing long-term funding, allowing us to match fund our longer duration mortgage portfolio during a period of excess liquidity that presented both very attractive pricing and duration. Our covered bonds have a remaining weighted average life of 7-years, with no maturities until 2026, and an average funding spread of 10 basis points. We are now seeing the importance of liquidity to so many banks and the impact this can have on a bank's profitability and in extreme cases overall viability.

We also enhanced our ESG (Environmental, Social & Governance) strategy in 2023. This is an integral initiative that cuts across the entire Bank underpinning our strategy, how we manage risk, and allowing us to drive responsible, sustainable, and profitable growth. A few tangible examples around ESG are pursuing new green financing opportunities that meet our risk-adjusted returns, reducing our own carbon footprint, supporting existing customers in their green transition, capturing environmental risks in our underwriting and limit setting, maintaining a meritocratic culture, increasing female representation across the Senior Leadership Team, supporting underserved communities, and ensuring that we play a positive role in society.

More than ever, regulation is a moat for the banking industry. With the onset of Basel 4 and corresponding developments in prudential supervision this will reduce leverage in the system, provide for greater harmonization, and hopefully translate into a greater focus on disciplined lending. Banks that can successfully address these topics will have a true competitive advantage.

Our Targets in 2024

As we look ahead to 2024, our business and strategy remain consistent and no different than what has guided our transformation over the past decade. Our foundation is Austria, however, we've grown into six new markets over the past decade and planted the seeds for significant and profitable growth. On the back of a record year in 2023, we are setting the following targets for 2024 (excluding any contributions from the recently announced Knab transaction):

- Profit before tax > € 920 million
- Return on Tangible Common Equity (RoTCE) > 20%
- Cost-Income ratio (CIR) < 34%

The BAWAG Group culture

Our foundation is as strong as ever. I truly believe this is born from our unique culture. One that captures the best parts of our legacy as a trade union bank focused on serving local communities infused with a culture of entrepreneurship, accountability, meritocracy, and inclusion.

Today, our team members span 53 different nationalities operating across 7 core markets, with Austria as our foundation. We pride ourselves on promoting the best-and-brightest-and-hardest working, challenging the status quo, and continuously looking to improve ourselves and our business. We do not shy away from change, knowing that this is the only constant.

As I've stated many times, we see every mistake as an opportunity to learn and grow. We've made our fair share of mistakes, and I am certain we will continue to make many more mistakes long into the future. However, I am also certain that we will learn to adapt and grow from these experiences. Our business transformation is ongoing and will be anchored by our culture and the values we uphold. A great deal has been accomplished since we launched our strategic transformation back in 2012. We are coming off a record year in 2023, however, much more lies ahead and there is much more to do.

Supporting our local communities

Over the years, we have learned that more is required of companies in engaging on the issues of our time. Be it in addressing the climate crisis, issues stemming from socio-economic inequalities across society, or reengaging with the communities we serve on a grassroots level.

The team's efforts around social engagement resulted in a record year of both financial support and volunteerism, which reflect the values of our team members and the Bank. In 2023, we had a record year surpassing 3,700-hour mark of corporate volunteering, with ~ 400 team members (over 15% of all employees) having actively participated in volunteer programs.

Our efforts this past year were focused on partnering with Samariterbund and Kinderuni, providing support to underserved communities and promoting financial literacy. These partnerships have been incredibly rewarding for all involved and as a result we have committed to providing financial and volunteer support over the next two years. The bank also supported various disaster relief efforts, most recently supporting communities in Carinthia and Styria across 19 municipalities in Austria. To further develop our community outreach programs, the Management Board and Extended Management Board collectively donated € 1 million, which will be matched 100% by the Bank, to fund the various social programs BAWAG is supporting.

As a large financial institution, we take immense pride in playing a positive role in society as this reflects the values of our company and demonstrates the positive impact we can have in our local communities. A special thank you to our partners and the many team members who volunteered and have been so generous with your time and resources.

Investing in our team members

In addition to our presence in the community, we have worked hard to invest in our greatest asset, our people. Our HR & Communications team, in partnership with the Workers Council, did an excellent job revamping our employee benefits to reflect a modern and progressive company, reinvigorating our approach to recruiting, and spearheading multiple employee development forums and socials. The various employee benefits, ranging from employee stock grants and the BAWAG "3+1" stock matching program, were established with the principle of broadening employee ownership. To help alleviate the effects of high inflation on so many of our team members in an equitable manner, we rolled out two separate inflation bonuses over 2023. We will also be rolling out a profit share program in 2024, where each employee will directly participate in the overall success of the Group. These various programs are based on creating progressive and equitable employee benefits with employees each owning a stake in the company. We also held our annual company Summer & Winter Bash in Vienna and Salzburg this past year. This was the 7th year we hosted a BAWAG Family Bash, which is an amazing weekend social event celebrating our team members, their families and loved ones. This has become a hallmark of BAWAG Group and can't miss event!

We also made new promotions to our senior leadership team (SLT), which is made up of 98 team members, up 12% from the prior year. This reflects our growing footprint and the broader leadership responsibilities across the Group, ensuring we have the proper leadership and bandwidth to deal with multiple integrations. After the most recent promotions, the SLT is comprised of 13 nationalities, and we have increased female representation from 28% to 32%. Our promotions are based on merit, character, and work ethic. This is the criteria we have, and will always use, in assessing our people. I'm proud that we were also able to identify, promote, and grow a diverse and inclusive leadership team. However, we still have more to do. The SLT represents the diversity of the whole company, our customer base, and our local communities. Diversity is a true strength of the Group and a pillar of the BAWAG culture.

Thank you!

The fourth quarter of 2023 was one of the busiest that I've personally experienced. The teams worked on multiple initiatives that will set the course for 2024 and beyond. A BIG "THANK YOU" to all of the team members across BAWAG Group who span Austria, Germany, Switzerland, the Netherlands, the UK, Ireland, and the United States. Your strong work ethic, commitment and passion is unmatched!

I am truly blessed to be part of a company of dedicated and hardworking team members that care for one another and work as one team. I am proud of how we collectively embody a commitment to excellence, raising the bar every year and bringing the best out of each other in support of our customers, our shareholders, and the communities we serve. This is a feeling that I've been fortunate to have every year since joining BAWAG over a decade ago, and one that I never take for granted. This group of people is truly special and this company truly unique.

Best,
Anas

Anas Abuzaakouk, CEO of BAWAG Group AG

STRATEGY

Our strategy has been unchanged since the beginning of our transformation over the past decade. We remain consistent in our execution, focus on the things that we can control and are set up to deliver results across all economic cycles. Our three strategic pillars are:

GROWTH IN CORE MARKETS FOCUSED ON SERVING OUR CUSTOMERS

Growing in our core markets

BAWAG Group's strategy focuses on growth in developed and mature markets. We pursue organic growth and M&A that is strategic, value-add and earnings-accretive. Our growth strategy is defined by the following:

- Our core markets are Austria, Germany, Switzerland, the Netherlands (DACH/NL region), Western Europe and the United States
- Focus on organic growth, M&A and minority investments
- Invest in platforms and partnerships to drive growth across the Group
- Pursue earnings-accretive M&A meeting our Group RoTCE target of at least 20%
- Continue to build up middle-back-office sales support and product/channel standardization to drive profitable growth

We focus on regions and countries with solid fiscal positions, represented by a sovereign rating of at least Single A, reliable legal systems and a stable geopolitical environment. This will be even more important with evolving ESG and regulatory standards to ensure we meet the needs of our various stakeholders. The past few years, which have been dominated by the pandemic, elevated inflation and geopolitical conflicts, have demonstrated the fiscal strength and capabilities of the countries we operate in. Governments have put in place extensive stimulus packages and support measures to support their citizens and economies.

The DACH/NL region comprises 72% of our customer business and is the foundation of the Group. The region benefits from a common culture and language family, with a stable legal system and credit environment. The region also benefits from low levels of consumer indebtedness, home ownership and digital penetration; all of which presents opportunities for future growth. The macro fundamentals of the DACH/NL region are the following:

- Growing population with 120 million people
- Annual GDP of € 6.7 trillion and GDP per capita of more than € 56,000
- Average unemployment rate of less than 5%

Staying patient and disciplined

With our long-history and headquarters in Austria, the domestic business provides us with a stable and scalable platform to build a multi-channel and multi-product origination engine across our core markets. Within Austria, we continue to focus on disciplined growth in core products such as mortgages, consumer loans and auto leasing. BAWAG Group's expansion outside of Austria has been focused on identifying mature and developed markets with sound macroeconomic fundamentals and profitable growth opportunities. This has been achieved through a mixture of organic growth initiatives and acquisitions. While we remain a niche player in the German, Dutch and Swiss markets, the foundations that we have built provide us with a significant opportunity to accelerate our growth without sacrificing profitability.

We also consistently monitor opportunities across our core markets of Western Europe and the United States. On 30 November 2023, we closed the acquisition of Peak Bancorp, Inc., which is the holding company of Idaho First Bank (IFB) in the United States. The acquisition provides BAWAG Group with a banking platform to pursue further growth opportunities across the United States, while maintaining our disciplined approach to lending focused on risk-adjusted returns and profitable growth. Our focus will primarily be on Retail & SME – raising deposits and providing mortgages, consumer, and small business loans. In addition, we bought a small platform in Ireland in 2023 that allows us to have origination capabilities for housing loans. However, it will take time to build the business. We also signed on the purchase of the shares in Knab bank on 1 February 2024. The acquisition will expand BAWAG Group's footprint in the Dutch Retail and SME banking space and position us for future growth.

Our Retail & SME focus continues to be on providing our customers quality products and services they have come to expect, preserving the differentiated value propositions of our separate brands, while ensuring we maintain a consistent approach to risk-adjusted pricing. The future growth drivers will be on financial advisory, enhanced data analytics, investing in partnerships and platforms, enhancing digital engagement, leveraging technology across all our processes and continuing to pursue earnings-accretive M&A.

The Corporates, Real Estate & Public Sector business is focused on developed and mature markets providing direct lending opportunities and payments. The corporates space has been challenged for a number of years, as we believe credit risk has not been appropriately priced; however, we remain ready to actively engage once we believe risk is properly priced. We continue to expand our public sector business in Austria, where we are the payments provider to the Austrian government. In real estate lending, our focus will always be on risk-adjusted returns, disciplined underwriting, driving profitable growth and being patient without ever chasing blind volume growth.

M&A activitiy in 2023

Since 2015, BAWAG has executed on 12 smaller bolt-on acquisitions in Austria, the United States as well as new markets (Germany, Switzerland, Ireland), adding new channels, new products and new brands across the Group.

On 30 November 2023, after the receipt of all regulatory approvals, BAWAG Group completed the acquisition of Peak Bancorp, Inc, the holding company of Idaho First Bank, a community bank with approximately 10,000 customers and $ 0.5 billion balance sheet. The acquisition enables BAWAG Group to expand its footprint in the United States and better position it for future growth in one of the bank's core markets. The acquisition also provides BAWAG Group with a banking platform to pursue further growth opportunities across the United States.

In December 2023, BAWAG Group entered into a purchase agreement concerning the last remaining leasing activities of the Dexia Group. This transaction will enable BAWAG Group to refinance a roughly € 750 million leasing portfolio from Dexia Crédit Local. The leasing assets being refinanced are comprised of approximately 80 contracts to mainly public sector related counterparties. No employees will be transferred as part of this agreement. The transaction closed on 1 February 2024.

Climate change and ESG

We are committed to addressing the immediate need to combat climate change across our business. However, the reality is today's actions will take time to have real impact on our climate. In 2021 we set a target to double our 2020 annual "green" origination to greater than € 1.6 billion by 2025. Our ESG strategy is aligned with our overall business strategy. As a Retail- & SME-focused bank, we will support our customers as they look to reduce their carbon footprint. We are also committed to keeping our exposure to high-emitting GHG sectors low across our corporates portfolio while supporting our customers in the transition. We will assess a transition plan for our mortgages and CRE portfolio during 2024.

Focusing on the customers and their needs

Customers are looking for a more rewarding and engaging experience with targeted products and services while having 24/7 access to manage their financial lives. We aim to fulfill these needs and to better leverage new and existing technologies to enhance the overall customer experience. We are building a multi-channel and multi-brand Retail & SME franchise from branches-to-partners-to-brokers-to-platforms leveraging digital products and technology across our entire customer value chain. Our products are designed to be simple, transparent and affordable.

The following cornerstones are key to building and maintaining successful customer relationships:

- providing customers with a range of products and services when and where they want,
- providing easy-to-use and easy-to-understand financial products at a fair price,
- leveraging new and existing technologies to simplify processes and reducing complexity,
- focusing on high-touch and high-quality advisory across a modernized branch network, as well as
- establishing new retail partnerships and leveraging lending platforms in acquiring new customers

With the shift towards more digital engagement, we have adjusted our business towards advisory services in our branch network, while shifting more straightforward administrative tasks to our digital/online channels. Fundamental to that development is the continuous enhancement of our digital product offering. As of today, we have digitized over 75% of Retail & SME products with fully automated on-boarding and target a 100% fully automated on-boarding offering by 2025. The COVID-19 pandemic has accelerated the change in customer behavior. Customers are increasingly expecting that traditional branch services be available on e-banking and mobile platforms. Building on our established regulatory frameworks, we are able to offer competitive and convenient services without ever sacrificing on quality, compliance or security.

Digitization also serves to streamline BAWAG Group's relationships with distribution partners, creating faster response time to end customers. With our investments in digital channels, partnerships and platforms, we have diversified our originations away from branches. As a result, over 70% of originations are generated outside of the traditional branch channel.

Outlook 2024

Going into 2024, we will continue executing on our growth strategy in the DACH/NL region, Western Europe and the United States. Our M&A activities focus primarily on our core Retail & SME franchise in European markets; however, we monitor the market for opportunities across the banking sector. These opportunities range from profitable platforms with a solid business model and strong origination channels to financial institutions that require either an extensive operational turnaround or an orderly wind-down. On 1 February 2024, we signed the acquisition of Knab bank in the Netherlands. This is a strategic acquisition that will expand our footprint in the DACH/NL region, increasing our Retail & SME exposure, and adding ~400,000 new customers.

DRIVING EFFICIENCY AND OPERATIONAL EXCELLENCE

The banking industry across Europe continues to undergo a significant transformation and still faces multiple headwinds driven by years of subdued economic growth, broken cost structures, over-leveraged balance sheets, pricing pressure, high regulatory costs and sub-par technology. Additionally, more and more companies from outside the traditional financial services industry (FinTechs and e-commerce platforms) are entering the market, negatively impacting margins as they focus on loss-making growth in an effort to gain market share and attacking the traditional revenue streams and financial institutions.

The focus on efficiency, profitability and driving operational excellence is part of our team's DNA, as we believe this is one of the few things a management team truly controls and will continue to differentiate BAWAG Group from both the established institutions as well as new players entering the market.

We are convinced that even though banks have benefitted from rising interest rates, they have to transform their business models and cost structure to be much more simple and efficient. With the continued advancements in technology, banking is becoming more commoditized. To this end, the key is, and will continue to be, focusing on simplification, standardization, automation and applying technology judiciously as we continue to transform our business and focus on operational excellence. With the inflationary headwinds continuing to impact operating expenses, we believe the ability to maintain cost discipline through operational excellence will be a true differentiator across the banking sector.

Going into 2024, our focus continues to be on driving efficiency through process re-engineering, simplification, standardization and ultimately automation. The benefits of creating a scalable and efficient banking platform are more evident today than ever. Having executed on multiple initiatives over the last years, we were able to deal with ongoing elevated inflation in our core markets in 2023 and successfully limited the cost increase to 2%, well below the inflationary levels of the euro area of 5.4%. In 2024, we expect operating expenses to increase by approximately 3%. While inflation decreased year-over-year, it remained at elevated levels, with Austria having one of the highest inflation rates within the Euro area. We will continue to drive various initiatives in order to combat inflationary headwinds that, left unchecked, create significant cost challenges:

- Focus on the things we control through "self-help" management
- Simplify, standardize and automate product and service offerings across all channels
- Create simple end-to-end processing across the Group
- Continuously optimize our processes, footprint and technology infrastructure
- Continuous simplification of Group structure
- Embrace various forms of technological change and invest judiciously in technology
- Foster a meritocratic culture that promotes employees based on merit and character

Since 2013, we have invested more than € 600 million in technology. Continuous investment in technology over the past decade has allowed us to modernize and simplify our technology stack, avoid large-scale white-elephant digitization projects and, most importantly, systematically work to scale our banking platform. We have expanded partnerships and investments with technology leaders as we modernize our technology infrastructure, simplify our architecture and focus on straight-line processing. These investments will continue and today represent a greater percentage of our overall spend across the Group, moving from 15% in 2013 to 26% of our total Group spend today.

The pandemic in 2020 was a catalyst for accelerating productivity initiatives across the Group. We reduced our physical footprint due to the integration of a hybrid home-office working model and a regular assessment of employee preferences, adapted to changing customer behavior through enhanced digital engagement and further streamlined and simplified operations. These initiatives will allow us to better serve our customers and scale our business as we pursue growth opportunities long into the future.

We aim to further improve the efficiency and integration speed through a platform approach:

- **Data asset management**: Centralized data warehouse consolidating finance, risk and regulatory reporting with customer analytics
- **Technology operations**: Driving towards a greater simplification across front– , middle– , and back-office functions through process re-engineering underpinned by enabling technologies
- **Infrastructure**: Centralized cloud infrastructure, container platform and workplace environment across the Group
- **Service management platform**: Consolidated service management platform for improved transparency over processes and ultimately customer experience

Sustainable value creation is also key for us in order to be able to be a reliable partner to all our stakeholders on a long-term basis. These measures allowed us to weather the cost and profitability challenges faced by the financial services industry over the past decade. Through consistent and continuous investments as well as optimization of our infrastructure, we were able to accelerate the integration of acquired businesses, reduce operational complexity and reduce unnecessary overhead costs. This positions us well for future integrations and collaboration with partners across the entire value chain of financial services.

Lastly, a core centerpiece to our company is the BAWAG culture based on the following values:

- **Leadership & embracing Change**: We value leaders who are dynamic, lead with uncompromising integrity, have a strong work ethic and do not shy away from taking hard decisions. Our Senior Leadership Team (SLT) of 98 team members, which has led our transformation over the past decade, have an average of 14 years of working experience at BAWAG.

- **Simple and flat organization**: We do our best to maintain a simple Group structure and flat organization. We encourage all team members to focus on the work at hand, cut out the noise and always challenge the status quo for the betterment of the team. We believe hierarchy, bureaucracy and a siloed organization lead to disjointed analysis, wide scale inefficiencies, poor decision-making and ultimately a bloated cost structure.

- **Accountability, meritocracy & inclusion**: We believe our diversity, inclusivity and meritocratic culture are a real source of strength. The team members come from 53 different nationalities, and we are fully committed to equity and diversity. This will be a byproduct of merit, integrity and work ethic. Our greatest asset is our human capital, so we are focused on developing and mentoring our team members across the ranks. Our reconstituted SLT of 98 team members is comprised of 13 nationalities with a female representation of 32%. We are proud of the recent promotions this past year, but recognize we have more to do.

- **Management, both Fiduciaries & Shareholders**: The Management Team are both fiduciaries as well as shareholders of the Bank. The incentives are directly tied to real financial and ESG targets, which we believe create long-term shareholder and stakeholder value. The Senior Leadership Team currently owns 4.4% of the Bank. We believe stock ownership is the best way to create alignment with shareholders and long-term strategic value creation.

Instilling this culture within the organization has been pivotal in driving our "self help" DNA, building a scalable commercial banking platform that will compete long into the future. Our culture has been the foundation of our success when it comes to motivating and retainining our team members as well as attracting top talent over the years.

MAINTAINING A SAFE AND SECURE RISK PROFILE

A bank is fundamentally in the business of managing risk. For us, having a safe and secure risk profile is about maintaining a fortress balance sheet through a strong capital position, stable customer funding and a low risk profile through proactive risk management. These are fundamental cornerstones to the execution of our business strategy. Management is committed to running BAWAG Group in a safe and secure way.

Our low risk profile is defined by the following principles:

- **Maintaining strong capital position, stable customer funding, conservative underwriting and a low risk appetite**
  Our business model and strategy already limit certain risk areas. A key role of our activities is transforming deposits and other types of funding into customer loans. Customer deposits remain a key pillar of our funding strategy, supplemented by covered bonds (secured by mortage and public sector collateral) and unsecured funding. In terms of capital, BAWAG Group’s target CET1 ratio is 12.25% (fully loaded), providing a conservative management buffer above our minimum regulatory capital requirements.

- **Focus on mature, developed and sustainable markets**
  Our focus is on Austria, Germany, Switzerland, the Netherlands (DACH/NL region), Western Europe and the United States. These countries/regions share the same characteristics: strong macroeconomic fundamentals, stable legal systems, robust capital markets and governments that have the fiscal capability to support their economies in times of distress. Banking in more volatile and less developed markets provides optically higher returns and higher growth, but we do not believe that the risk-adjusted returns over the medium-to-long term are as attractive as more developed and mature markets. We believe the market will price these risks into the cost of equity of each bank in addition to overall asset quality, earnings volatility, funding profile and sustainability of business model.

- **Applying disciplined underwriting in markets we understand with a focus on secured lending and risk-adjusted returns**
  Our lending is focused on disciplined underwriting focused on risk-adjusted returns across developed and mature markets. We routinely review our underwriting guidelines and adjust accordingly. Fundamental to our business strategy is the core concept of the quality of loan volume versus the quantity. We assess all lending by risk-adjusted returns to ensure our return thresholds are met and our future earnings remain resilient. Approximately 80% of our customer assets represent secured and public sector lending.

- **Maintaining a fortress balance sheet**
  We focus on solid asset quality with a low NPL ratio of 1.0%, strong capital generation with gross capital generation of +330 basis points in 2023 and conservative capitalization levels targeting a CET1 ratio of 12.25% as we maintain a fortress balance sheet. We continue to fortify our balance sheet to withstand all economic cycles.

- **Proactively manage and mitigate non-financial risk**
  Being safe and secure is not limited to balance sheet numbers or regulatory KPIs, it is also about managing non-financial risk (be it AML or ESG risks). We continuously enhance our governance structure as well as risk management frameworks to address these risks, with climate risk having gained more importance across all stakeholders over the years. We will continue to integrate environmental factors further, as we enhance our data collection and underwriting to account for these emerging climate risks. In 2023 we conducted a risk materiality assessment with “low environmental risk” as outcome. As of December 2023, we had no relevant exposure to emerging markets or CEE countries and no operations in countries with elevated AML risk. We are also committed to keeping our exposure to high-emitting GHG sectors low across our corporates portfolio.

Overall, this conservative approach positioned us well over the past years when faced with the risks brought on by a global pandemic, an energy crisis brought on by geopolitical conflict as well as the ongoing crisis in the office commercial real estate sector, with acute distress in the United States. Our focus on developed markets provided us with indirect benefits via the high level of labor market support as well as social safety net benefits our customers received in the form of various stimulus or support programs. Our disciplined underwriting and focus on risk-adjusted returns also minimized our exposure to volatile and cyclical industries, but also to high-emitting industries from an ESG risk perspective.

We will continue to maintain our conservative risk appetite, ensuring that we mitigate against both macro and micro risks. Our goal is to always maintain a fortress balance sheet and conservative underwriting, a cornerstone of how we run the Bank.

BAWAG GROUP ON THE STOCK MARKET

DEVELOPMENTS ON THE STOCK MARKETS

Equity markets in Europe and the United States were impacted by geopolitical conflicts, monetary policy actions to counter rising inflation and an uncertain macroeconomic outlook. After significant rate hikes in the previous year, central banks continued to raise interest rates, with the US Federal Reserve Bank hiking interest rates four times and the ECB hiking six times in 2023. Share prices continued to be volatile, with investors closely monitoring the central banks' actions to fight inflation and the implications on potential rate changes in the future. Overall, share price performance in 2023 was impacted by ambiguous macroeconomic indicators and rising interest rates. Performance and expectations towards US and Eurozone markets varied while the global banking sector experienced turbulence in the first quarter of 2023. However, higher interest rates continued to be a catalyst and drove the performance of bank shares. The Euro Stoxx 600 increased by 12%, the subindex Euro Stoxx Banks increased by 21% and the S&P 500 increased by 25% in 2023.

The financial performance of the corporate sector reflects the overall economic activity as well as the ability to pass on increasing input prices. Earnings per share of the Euro Stoxx 600 and of the Euro Stoxx Banks increased while earnings per share of the S&P 500 decreased slightly. Valuation metrics increased in the United States compared to 2022 and remained stable for the Euro Stoxx 600. Valuation metrics in the Euro Stoxx Banks subsector decreased. Earnings per share of the Euro Stoxx 600 and the S&P 500 were stable while earnings per share of the Euro Stoxx Banks increased.

SHARE PERFORMANCE

BAWAG Group AG shares are listed on the Vienna Stock Exchange. While the share price of BAWAG Group hit a record high of € 58.95 (closing price) at the beginning of the year, the developments of the banking sector as well as the commercial real estate industry weighed on the share price.

BAWAG Group AG's shares closed the year 2023 with a share price of € 47.98, compared to € 49.80 as of year-end 2022. During the same period, the share price high was at € 58.95 and the low at € 40.46. BAWAG Group AG's shares total return, accounting for price performance and dividends, was 4.7%, while the total return of the Euro Stoxx Banks was 31.5% during the year 2023. Since our IPO, the total return of BAWAG Group shares was +36%, whereas the total return of the Euro Stoxx Banks was +18%.

	2023	2022
Closing price 31 December	€ 47.98	€ 49.80
Share price high (closing price)	€ 58.95	€ 57.30
Share price low (closing price)	€ 40.46	€ 37.86
Dividend paid out (in 2023 for financial year 2022)	€ 305 million	€ 267 million
Total return BAWAG Group	4.7%	(1.8%)
Total return Euro Stoxx Banks	31.5%	1.7%

DEBT ISSUANCES

During 2023, BAWAG Group was an active capital market issuer across the full spectrum of capital and funding instruments. BAWAG continued its successful covered bond program with a number of successful benchmark placements totaling in excess of € 2 billion in 2023. In addition, a senior preferred benchmark issuance of € 500 million was executed successfully in 2023. This placement was a green bond under our green bond framework, which is an important element of our funding strategy. On the capital side, BAWAG issued a € 400 million Tier 2 transaction in the fourth quarter, which will replace the existing € 400 million Tier 2 instrument with a call date in March 2024.

INVESTOR COMMUNICATION

Principles

Having an open dialogue, being transparent and providing consistent information is our goal when communicating with investors and other stakeholders. Our aim is to align our interests with those of shareholders, as we are focused on long-term franchise value creation, which in our view is best aligned via stock ownership. The Management Team are both fiduciaries as well as shareholders of BAWAG Group and the incentives are directly tied to the financial and ESG targets. As of year-end 2023, the Senior Leadership Team owned 4.4% of the Bank (31 December 2022: 3.6%).

Investor relations in 2023

In 2023, the priorities of the Investor Relations team were focused on increased communication due to the ongoing market volatility in light of idiosyncratic issues faced by US regional banks, distress in US commercial real estate, as well as the macro- and geopolitical environment. The priorities were as follows:

- **Ongoing dialogue** with existing and prospective equity investors, analysts, bondholders and rating agencies.
  On the day of quarterly earnings releases, we meet with investors for one-on-one as well as group meetings to discuss quarterly and annual developments. In addition, BAWAG Group's management meets current and potential investors during roadshows, conferences and one-on-one meetings. In 2023, members of the Management Board, together with the Investor Relations team, met with investors from the United States, the United Kingdom, Germany, France, Austria, Denmark, Norway, Finland, the Netherlands, Belgium, Ireland, Italy, Spain, Sweden, Poland and across Asia. In addition, we attended 6 conferences dedicated to financial institutions or small-mid cap companies in 2023. This was a mix of both specialists in the financial sector as well as generalists. Besides roadshows and conferences, we held one-on-one (virtual) meetings or calls with potential new investors as well as existing investors and ESG teams. The main discussion points were related to capital distributions, developments across the commercial real estate segment, interest rate developments, asset quality and overall business development.

  As a result of the increased debt issuance activities of BAWAG Group since 2018, we have also increased dialogue with credit analysts and investors.

- **Retail Shareholder Day**
  Following virtual Annual General Meetings since the pandemic, we hosted our inaugural Retail Shareholder Day under the theme "dialogue" on 18 October 2023. We took this as an opportunity to look back at the developments of BAWAG over the past decade as well as to provide insights into our digital and technological progress across the Group. Our guests - Dr. Christoph Boschan, CEO of the Vienna Stock Exchange, as well as Dr. Ewald Nowotny, former Governor of the Austrian National Bank and former CEO of BAWAG, complemented the program with views on BAWAG's IPO, the Austrian capital market, and the outlook on macroeconomic developments in BAWAG Group's core markets. The interactive part gave retail shareholders the opportunity to ask questions and exchange views with members of the Management Board on various topics in breakout sessions divided into "Meet the CEO," "Meet the CFO," and "Meet the Head of Retail & SME." We appreciate having had the opportunity to engage with our retail shareholders outside the Annual General Meeting and plan to host this event bi-annually based on the positive feedback received.

- **ESG communication**
  ESG has become a more integral part of our investor communication over the last years. The topics with dedicated ESG teams of investors have continued to focus more and more on our corporate governance, risk management, social initiatives, and environmental initiatives. In January 2023, we implemented the investor dialogue in regards to remuneration. We engaged with 30 shareholders to solicit their feedback and enhance our remuneration report in order to be more transparent on the framework, peer groups, and other key topics. We continued this dialogue in the fourth quarter 2023.

While having continuously enhanced the disclosure on our ESG approach, we also introduced 2025 ESG targets in 2021. In addition, our sustainability performance is assessed by ESG rating providers on a regular basis. In 2023, BAWAG Group received upgrades from MSCI and Sustainalytics. We are using their assessment to identify further areas of improvement and disclosure gaps in order to also enhance transparency for investors. In addition, preparations for the new sustainability disclosure requirements were in focus. The ESG ratings are available on our website www.bawaggroup.com.

- **Annual General Meeting**
  The dividend of € 305 million (or € 3.70 per share) was distributed on 6 April 2023, following the Annual General Meeting on 31 March 2023. The next Annual General Meeting will take place on 8 April 2024. We will be proposing to the AGM a dividend payment of € 5.00 per share for 2023, equal to € 393 million, to be paid on 15 April 2024, subject to shareholder approval.

Shareholder structure

Our shareholder base is well diversified with a broad geographic reach. The institutional investors are primarily from Europe and North America, with two institutions holding more than 5% and two institutions holding between 4% and 5%. The Senior Leadership Team owns 4.4% as of 31 December 2023. In addition, BAWAG continued to roll out employee participation programs in 2023 on a Group-wide basis. We believe stock ownership is the best way to create alignment with shareholders and long-term strategic value creation.

As of 31 December 2023 the shareholdings based on major shareholder notifications were as follows:

Shareholders	Holding
T. Rowe Price	6.1%
Blackrock	5.9%
Wellington	4.9%
Norges Bank	4.3%
BAWAG Senior Leadership Team (Management Board: 3.8%)	4.4%

The BAWAG Group share is also covered by equity analysts. To the best of our knowledge, the equity analysts cover BAWAG Group AG on a regular basis in their research reports.

	2023	2022
Number of research houses covering the stock	11	12
“Buy” / “Overweight” recommendation	9	11
“Hold” recommendation	2	1
Average target price (31 December)	€ 72.4	€ 71.3

Information on BAWAG Group, share data and the latest analyst recommendations are available on the website https://www.bawaggroup.com/ir.

Ratings

BAWAG P.S.K., the main operating subsidiary of BAWAG Group AG, is rated by Moody's Investors Service. On 11 July 2023, Moody's upgraded BAWAG P.S.K.'s long-term, deposit, issuer and senior unsecured ratings to A1 from A2. The upgrade follows a change in Moody's assumption of the likelihood of the government of Austria providing support from "low" to "moderate", and is now in line with other banking systems in the EU. This is also considered for other Austrian banks as outlined in Moody's release. In addition, the rating outlook was changed to positive (previously: ratings under review). The complete list of ratings is available on BAWAG Group's website at www.bawaggroup.com.

	2023
Long-term Senior Unsecured / Issuer Rating	A1 (positive outlook)
Long-term Bank Deposits Rating	A1 (positive outlook)
Short-term Issuer / Bank Deposits Rating	P-1

Group Management Report

ECONOMIC AND REGULATORY DEVELOPMENTS

ECONOMIC DEVELOPMENTS

Macro trends

Following a strong economic momentum in 2022, the year 2023 represented a more challenging macroeconomic environment. Consumer price inflation across Europe and the United States (US) decreased but remained elevated at levels of 5.4% in the euro area, 7.7% in Austria, 6.0% in Germany, 4.1% in the Netherlands and 4.1% in the US in 2023. Wage-price-spiral effects are, among other developments, causing a more permanent inflationary pressure.

In turn, the US Federal Reserve hiked rates 11 times since the beginning of 2022 to a range of 5.25% – 5.50% as of December 2023.The ECB hiked rates 10 times, reaching a deposit rate of 4% as of December 2023. The rising rate environment has dampened private investment activity in plant and equipment as well as construction activity. Global trade has decreased as well, causing subdued export demand, while private consumption has remained relatively solid. For 2023, GDP change is expected at (0.7)% in Austria, (0.3)% in Germany, +0.2% in the Netherlands, +0.5% in the euro area and +2.5% in the US.[1)]

Market developments in Austria[2)]

Corporate loan demand was solid in Austria despite rising interest rates, with growth rates of approximately 3% compared to the previous year as of Q3 2023. Loans to households, on the other hand, experienced a less dynamic development, with the volume of outstanding loans decreasing by approximately 2% compared to the previous year in Q3 2023. Rising interest rates as well as deteriorating consumer sentiment are the most important drivers of this development.

House prices in Austria have been decreasing since Q3 2022, with the national index for residential real estate being down approximately 2% compared to the year-end 2022.

Deposit dynamics of Austrian households fell significantly short of CPI developments, highlighting an erosion of wealth and purchasing power through inflation. Deposits of Austrian households remained broadly stable in 2023 (-0.4% year-over-year as of Q3 2023).

Outlook

The outlook remains unclear given the various elections in major countries, geopolitical conflicts and economic developments with potentially significant impacts. Monetary policy errors in both directions remain a risk, i.e. keeping rates too low and, hence, causing excessive inflation or keeping rates too high and, in turn, depressing economic recovery. This risk, however, can be managed by a data-based and vigilant decision-making process that central banks continue to stress in public communication. The Federal Reserve as well as the ECB, may start cutting rates in 2024. A balanced approach leading to a soft landing, i.e. a decrease in inflation without a pronounced recession, remains an ever more likely scenario.

For 2024, GDP growth is expected at +0.6% in Austria, +0.3% in Germany, +0.4% in the Netherlands, +0.8% in the euro area and by +1.9% in the US.[1)]

1) Source: EU commission and Conference Board for US
2) Source: Austrian National Bank (OeNB)

Macro data in our core markets 2023 (in %)	Austria	Germany	Netherlands	Euro area	United States
GDP (% yoy)	(0.7)	(0.3)	0.2	0.5	2.5
Inflation (HICP)	7.7	6.0	4.1	5.4	4.1
Unemployment rate	5.3	3.1	3.6	6.6	3.6
Forecast 2024					
GDP (% yoy)	0.6	0.3	0.4	0.8	1.9
Inflation (HICP)	4.0	2.8	2.6	2.7	2.2

Source: EU commission and Conference Board, Core PCE inflation for US, February 2024

REGULATORY DEVELOPMENTS

The European Central Bank (ECB) continued its direct oversight of the Eurozone's main credit institutions, including BAWAG Group, under the Single Supervisory Mechanism (SSM).

In 2023, EBA carried out its biennial EU-wide stress test exercise. The results were published on 28 July 2023. The exercise covered 98 (57 large and 41 medium-sized) banks under direct ECB SSM supervision. The adverse stress test assumptions were set for a three-year time horizon (2023–2025). The stress test was carried out based on a static balance sheet as of December 2022. The assumptions for BAWAG Group in this year's stress test were more severe than in 2021, with a 6% cumulative decline in GDP and inflation of +18% over the forecast period in addition to declines in commercial real estate values of 29% and residential housing prices of 30% on a weighted average. For BAWAG Group, the three-year impact on the CET1 ratio was -90 basis points, compared to -198 basis points in the 2021 stress test exercise. The strength of this result places BAWAG #2 among the 57 EBA Eurozone stress-tested banks and #5 among the total EBA sample of 70 in terms of adverse CET1 impact.

On 11 February 2022, the European Systemic Risk Board (ESRB) issued a recommendation for Austria to take borrower-related measures to reduce the buildup of systemic risk from residential real estate lending. The Austrian Financial Stability Board (FMSG) followed this recommendation at its 31st meeting and tightened the criteria for residential real estate lending to consumers, which the FMA adopted with the "Kreditinstitute-Immobilienfinanzierungsmaßnahmen-Verordnung" (KIM-V). The regulation entered into force on 1 August 2022. At its 35th meeting on 13 February 2023, the FMSG recommended increased flexibility and moderation for the KIM-V, especially in the area of exception quotas or interim financing. The FMA complied with this recommendation and amended the KIM-V on 3 March 2023. For 2023, the systemic risk and OSII buffers at the consolidated level of BAWAG Group AG are set at 1.25% of risk-weighted assets – increasing to 1.4% for 2024. At its 38th meeting in October 2023, the FMSG advised the FMA to maintain the countercyclical capital buffer at its current rate of 0% of risk-weighted assets.

On 27 October 2021, the European Commission adopted a review of the CRR and CRD. This package finalizes the implementation of the international Basel III agreement (also known as Basel IV) in the EU, while taking into account the specific features of the EU's banking sector. Although the Basel Committee timetable calls for the reforms to be implemented on 1 January 2023 (already deferred by one year due to the COVID-19 pandemic), the EU announcement indicates an application date of 1 January 2025, with transitional rules applying over a further five-year period. In November 2023, the European trialogue concluded its review of the Basel IV legislative package. It is expected that the review of the CRR and CRD will be published in the Official Journal at the beginning of 2024, whereas the date of application remains 1 January 2025.

The main points of the banking package primarily consist of significant adjustments to the measurement methods for credit, market and operational risk. The key elements are:

- Introduction of an output floor, limiting the capital benefits from risk models
- Update of the standardized approach for credit risk
- Changes to the internal ratings-based (IRB) approach for credit risk
- A new operational risk framework
- Amendments to the market risk framework and the calculation of credit valuation adjustments (CVA)

BAWAG Group is also preparing for the upcoming ESG requirements and is monitoring the European requirements such as EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector, which was supplemented by Delegated Regulation 2022/1288, as well as expanded Pillar 3 disclosure requirements. Another milestone for the sustainability transformation will take place in the coming year: the provisions of the Corporate Sustainability Reporting Directive (CSRD) will be applied for the first time in the 2024 financial year for reports published in 2025. In order to meet the upcoming requirements, working groups were already established within BAWAG Group in addition to the already appointed ESG officers.

We will continue to proactively monitor and implement the upcoming regulatory changes on a regular basis and to consider them in our business plans accordingly. Due to its strong capital position and profitable business model, BAWAG Group considers itself well prepared for the upcoming requirements.

FINANCIAL REVIEW

ANALYSIS OF PROFIT OR LOSS STATEMENT AND STATEMENT OF FINANCIAL POSITION

in € million	2023	2022 reported	2022 adjusted	Change adjusted	Change % adjusted
Net interest income	1,230.2	1,021.1	1,021.1	209.1	20.5
Net fee and commission income	307.2	309.3	309.3	(2.1)	(0.7)
Core revenues	**1,537.4**	**1,330.4**	**1,330.4**	**207.0**	**15.6**
Other income[1)]	**(12.0)**	**(6.4)**	**(6.4)**	**(5.6)**	**(87.5)**
Operating income	**1,525.4**	**1,324.0**	**1,324.0**	**201.4**	**15.2**
Operating expenses[2)]	**(485.3)**	**(474.8)**	**(474.8)**	**(10.5)**	**2.2**
Pre-provision profit	**1,040.1**	**849.2**	**849.2**	**190.9**	**22.5**
Regulatory charges	(39.0)	(48.8)	(48.8)	9.8	(20.1)
Operating profit	**1,001.1**	**800.4**	**800.4**	**200.7**	**25.1**
Total risk costs	(93.2)	(376.3)	(122.0)	28.8	(23.6)
Share of the profit or loss of associates accounted for using the equity method	2.5	2.7	2.7	(0.2)	(7.4)
Profit before tax	**910.4**	**426.8**	**681.0**	**229.4**	**33.7**
Income taxes	(227.8)	(108.2)	(171.9)	(55.9)	32.5
Profit after tax	**682.6**	**318.6**	**509.1**	**173.5**	**34.1**
Non-controlling interests	0.0	(0.3)	(0.3)	0.3	>-100
Net profit	**682.6**	**318.3**	**508.8**	**173.8**	**34.2**

1) The position “Other Income” includes gains and losses on financial instruments and other operating income and expenses.
2) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 34.1 million for 2023. The item Operating expenses includes regulatory charges in the amount of € 4.9 million for 2023 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 Group Management Report.

Profit after tax increased by € 173.5 million, or 34.1%, to € 682.6 million in 2023. The underlying operating performance of the business was strong during 2023, generating pre-provision profit of € 1,040.1 million, up 22.5% year-over-year. Total risk costs decreased, while we maintained a management overlay of € 80 million in the light of the current market environment.

Net interest income increased by € 209.1 million, or 20.5%, to € 1,230.2 million in 2023, primarily resulting from a higher interest rate environment.

Net fee and commission income decreased by 0.7% to € 307.2 million compared to 2022.

Other income, consisting of Gains and losses on financial instruments and other operating income and expenses, was at € (12.0) million compared to € (6.4) million in 2022.

Operating expenses increased by 2.2% to € 485.3 million in 2023, well below the inflationary levels of 5.4% in the euro area.

Regulatory charges were € 39.0 million in 2023, compared to € 48.8 million in 2022. The resolution fund is now completely funded.

Total risk costs were € 93.2 million in 2023, a decrease of € 28.8 million, or 23.6%, compared to the previous year. We used € 20 million of management overlay in 2023 to address a single case in the commercial real estate business. The remaining management overlay was at € 80 million as of year-end 2023 to ensure adequate provisioning in the light of the economic uncertainty. As of year-end, BAWAG Group had total ECL provisions of € 159 million.

Total assets

in € million	2023	2022	Change	Change (%)
Cash reserves	694	520	174	33.5
Financial assets				
Held for trading	103	156	(53)	(34.0)
Fair value through profit or loss	593	557	36	6.5
Fair value through OCI	2,827	2,743	84	3.1
At amortized cost	49,585	51,585	(2,000)	(3.9)
Customers	33,333	35,763	(2,430)	(6.8)
Debt instruments	3,660	3,167	493	15.6
Credit institutions	12,592	12,655	(63)	(0.5)
Valuation adjustment on interest rate risk hedged portfolios	(310)	(619)	309	49.9
Hedging derivatives	247	338	(91)	(26.9)
Tangible non-current assets	334	352	(18)	(5.1)
Intangible non-current assets	532	522	10	1.9
Tax assets	47	39	8	20.5
Other assets	258	305	(47)	(15.4)
Non-current assets held for sale	538	25	513	>100
Total assets	**55,448**	**56,523**	**(1,075)**	**(1.9)**

The **cash reserves** increased by € 174 million to € 694 million in 2023.

The position **at amortized cost** decreased by € 2.0 billion, or 3.9%, compared to year-end 2022 and stood at € 49.6 billion as of 31 December 2023.

Valuation adjustment on interest rate risk hedged portfolios decreased by € 309 million following the changed interest rate levels in 2023.

Non-current assets held for sale increased due the reallocation of assets from start:bausparkasse AG, Germany.

Total liabilities and equity

in € million	2023	2022	Change	Change (%)
Total liabilities	**51,278**	**52,532**	**(1,254)**	**(2.4)**
Financial liabilities				
Fair value through profit or loss	136	204	(68)	(33.3)
Held for trading	463	692	(229)	(33.1)
At amortized cost	48,673	50,669	(1,996)	(3.9)
Customers	33,270	34,288	(1,018)	(3.0)
Issued securities	13,594	10,037	3,557	35.4
Credit institutions	1,809	6,344	(4,535)	(71.5)
Financial liabilities associated with transferred assets	402	394	8	2.0
Valuation adjustment on interest rate risk hedged portfolios	(415)	(891)	476	53.4
Hedging derivatives	214	245	(31)	(12.7)
Provisions	231	284	(53)	(18.7)
Tax liabilities for current taxes	190	43	147	>100
Tax liabilities for deferred taxes	119	95	24	25.3
Other obligations	783	797	(14)	(1.8)
Obligations in disposal groups held for sale	482	-	482	>100
Total equity	**4,170**	**3,991**	**179**	**4.5**
Common equity	3,699	3,520	179	5.1
AT1 capital	471	471	-	-
Non-controlling interests	-	-	-	-
Total liabilities and equity	**55,448**	**56,523**	**(1,075)**	**(1.9)**

Financial liabilities at amortized cost decreased by € 2.0 billion, or 3.9%, to € 48.7 billion as of 31 December 2023 compared to year-end 2022. Customer deposits decreased by € 1.0 billion, or 3.0%, to € 33.3 billion in 2023. Issued securities increased by € 3.6 billion, or 35%, reflecting four benchmark placements, private placements, and retail issuances.

Obligations in disposal groups held for sale include the liabilities of start:bausparkasse AG, Germany.

Total equity including Additional Tier 1 capital stood at € 4.2 billion as of 31 December 2023. On 6 April 2023, a € 305 million dividend was paid out for the financial year 2022. In addition, a share buyback of € 175 million was executed in the fourth quarter of 2023.

CAPITAL AND LIQUIDITY POSITION

BAWAG Group's **CET1 target ratio** is at 12.25% on a fully loaded basis. The target CET1 ratio takes the regulatory capital requirements into account and is calibrated to leave a conservative buffer above the minimum capital requirements set by the regulator.

	2024	2023
Pillar 1 minimum	4.5%	4.5%
Pillar 2 requirement (CET1 requirement; total requirement 2.15% in 2024)	1.209%	1.125%
Capital conservation buffer	2.5%	2.5%
Systemic risk buffer	0.5%	0.5%
O-SII buffer[1]	0.9%	0.75%
Countercylical buffer (based on year-end exposure)	0.33%	0.33%
Overall capital requirement (OCR)	**9.94%**	**9.70%**
Pillar 2 guidance (P2G)	0.5%	0.75%
Overall capital requirement including P2G	**10.44%**	**10.45%**
CET1 target ratio	**12.25%**	**12.25%**
Management buffer to OCR (in basis points)	231	225
Management buffer to OCR including P2G (in basis points)	181	180

1) According to the KP-VO 2021 in its current version, BAWAG's O-SII buffer on the consolidated level will be 0.90% starting from 1.1.2024.

As of 31 December 2023, our fully loaded CET1 ratio was at 14.7% exceeding our CET1 target ratio of 12.25% and all regulatory requirements. This considers the deduction of the 2023 dividend of € 393 million, which will be proposed to the Annual General Meeting on 8 April 2024.

The Management Board received the decision of the European Central Bank; pursuant to which the ECB approved a share buyback of € 175 million in October 2023. The Management Board resolved to carry out a share buyback program of € 175 million, which started on 9 October 2023 and was completed on 14 December 2023 (3.9 million shares bought back). As a consequence, we canceled 3,900,000 treasury shares with effect as of 18 December 2023; which resulted in a reduction of BAWAG's share capital to € 78,600,000 (78,600,000 shares). Considering € 305 million in dividends paid for 2022, we distributed € 480 million of capital in total in 2023.

	2023	2022
CET1 capital (in € million)	2,841	2,793
Risk-weighted assets (in € million)	19,317	20,664
CET1 ratio (post dividend)	**14.7%**	**13.5%**
Tier1 ratio (post dividend)	**16.8%**	**15.5%**
Total capital ratio (post dividend)	**19.9%**	**18.5%**

Based on the fully loaded capital ratios as of 31 December 2023, the maximum distributable amount above the regulatory requirements for 2023 (Pillar 1 minimum ratios, Pillar 2 CET1 requirement and combined buffer requirements) is € 967 million (after deducting the proposed € 393 million dividend for 2023). Available distributable items as defined in Art. 4.1 (128) CRR on the level of BAWAG Group AG amount to approximately € 3.4 billion as of 31 December 2023.

Capital distribution policy

Maintaining a strong capital base with a conservative buffer above regulatory requirements is a strategic priority for BAWAG Group. At the same time, we want to offer a sustainable and balanced return to our shareholders. Since the IPO in 2017, we have distributed € 2.2 billion of capital through € 1.3 billion in dividends and € 900 million in share buybacks. In addition, we deducted € 393 million for the 2023 dividend, which will be proposed to the Annual General Meeting on 8 April 2024. Our capital distribution framework is as follows:

Dividend – 55% payout
We target a dividend payout of 55% of net profit, barring unforeseen circumstances. Dividends will be distributed annually after the Annual General Meeting in line with the respective shareholders' resolution. Dividend distributions will comply with regulatory and/or corporate law restrictions and take into account recommendations made by a competent regulatory authority.

Excess capital management
Additional capital will be allocated to business growth, M&A, minority and/or platform investments.

Excess capital distribution
Any additional capital will be allocated to share buybacks and/or special dividends, subject to our routine annual assessment.

Payout for financial year 2023	
Dividend which will be proposed to Annual General Meeting	€ 393 million
Dividend per share	€ 5.00

Developments in other types of funding

A key role of our activities is transforming deposits and other types of funding into loans. **Customer deposits** remain a key pillar of our funding strategy. As of year-end 2023, approximately 60% of our assets were funded via customer deposits. Customer deposit funding is complemented by diversified capital market funding.

BAWAG Group has been an active issuer in the covered bond space with a number of successful benchmark placements totaling in excess of € 2.0 billion in 2023. In addition, a senior preferred benchmark issuance of € 500 million was executed successfully in 2023. This placement was a green bond under our green bond framework, which is an important element of our funding strategy. On the capital side, BAWAG issued a € 400 million Tier 2 bond in fourth quarter 2023, which will replace the existing € 400 million Tier 2 instrument with a call date in March 2024.

BAWAG Group has repaid the majority of its funding under the ECB's TLTRO III program. From the maximum drawdown of € 6.4 billion, only € 0.6 billion remain as of 31 December 2023.

Minimum requirement for own funds and eligible liabilities (MREL)

In the first quarter 2024, BAWAG Group received its new MREL decision from the Single Resolution Board (SRB). It is based on a single point of entry resolution strategy with BAWAG P.S.K. AG as the resolution entity. The MREL requirement (including combined buffer requirement[1)]) has been set at 27.1% of RWA on the consolidated level of BAWAG P.S.K. AG, with the final requirement being applicable from 1 January 2024. The MREL decision also sets a binding interim target of 22.6% of RWA (including combined buffer requirement[1)]), which had to be met by 1 January 2022. The current MREL decision does not contain a subordination requirement. In addition to the MREL requirement in % of RWA, according to the new SRB decision the MREL requirement in % of LRE (leverage ratio exposure) has been set at 5.9% on the consolidated level of BAWAG P.S.K. AG, with the final requirement being applicable from 1 January 2022.

As of 31 December 2023, BAWAG reported MREL-eligible instruments amounting to 30.31%[2)] of RWA and 10.24% of LRE, thereby already exceeding the binding interim target in % of RWA and final requirement in % of LRE applicable from 1 January 2023.

Liquidity management

BAWAG Group maintains a conservative liquidity management strategy, which is reflected in our strong liquidity coverage ratio (LCR) of 215% at the end of 2023. BAWAG Group thereby significantly exceeds the regulatory LCR requirement of 100%.

1) Based on 2023 year-end figures.
2) Number on BAWAG P.S.K. level

BUSINESS SEGMENTS

RETAIL & SME

Strategy

BAWAG Group is one of the leading Retail & SME financial service providers across the DACH/NL region, Western Europe and the United States with Austria as our foundation. Over the past few years, we have implemented an organic and inorganic growth strategy to expand the business across new products and channels. BAWAG Group employs a multi-brand and multi-channel strategy specific to the geography, product offering and market segment. These brands range from our traditional BAWAG and easybank brands in Austria, our organically grown brand, Qlick, in Germany and to acquired franchises such as easyleasing, the acquired business of Hello bank! Austria (which has been rebranded to the easybank brand) and start:bausparkasse in Austria. In Germany, we acquired and operate under the Health Coevo AG, BFL Leasing and start:bausparkasse brands. For the start:bausparkasse Germany business, we signed a sale agreement in 2023, which is expected to be completed in 2024. In Switzerland, our factoring business is under the Zahnärztekasse brand. On 30 November 2023, we completed our acquisition of Peak Bancorp, Inc. in the United States, where we will focus on mortgages and consumer loans in the retail segment. Our overarching strategy is to employ a multi-branded business model leveraging simple and efficient products and services, various distribution channels, standardized processes, consistent risk-adjusted pricing, digital innovation, data analytics and niche partnerships to provide the best financial solutions to our customers.

Focusing on our customers

BAWAG Group's customer focus underpins the Retail & SME strategy by working to make the lives of our customers easier and more manageable as it relates to their financial affairs. This entails

- providing customers with an entire range of products and services when and where they want,
- providing easy-to-use and easy-to-understand financial products at a fair price,
- leveraging new and existing technologies to simplify processes and reduce complexity,
- focusing on high-touch and high-quality advisory across a modernized branch network, as well as
- establishing new retail partnerships and leveraging lending platforms in acquiring new customers.

BAWAG Group is dedicated to offering customers the best and most convenient experience when conducting their banking through its digital and physical channels. Its digital initiatives are aimed at increasing convenience and satisfaction for its customers by providing clear, transparent and easy to understand our banking products and services on a 24/7 basis.

Focus on simplification and digitization

The focus on an efficient and simple delivery of our core lending and savings products occurs through our own networks, strategic partners and various digital channels. We operate three main segments within Retail & SME where teams are aligned based on product offerings and not by geography and/or channel: Transactional & Advisory Banking, Retail Lending and SME & Specialty Finance.

Our focus continues to be on providing customers quality products and services they have come to expect and preserving the differentiated value propositions of our separate brands in a well-coordinated and efficient manner that ensures we maintain a single Group mindset as we address the DACH/NL region, as well as Western Europe and the United States.

Across Austria and Germany, we currently operate with 70 branches primarily for our Transactional & Advisory Banking customers as well as small-business banking customers. Our strength is founded in our large share of primary relationships focused on current accounts, credit cards, payments, savings, brokerage, funds and insurance advisory and private banking. This fee-driven business is focused on leveraging our high-quality and high-touch advisory with deep personal relationships, allowing us to understand our customers' needs and deliver tailored offerings via our simple and transparent products and services. Over the years, as customer behavior has evolved, we have rapidly shifted our customers onto digital banking channels, primarily in the non-advisory daily banking needs.

We will continue to invest in our advisory capacity, align our physical footprint to the constantly changing customer behavior and invest in enhancing our overall product and service offerings.

The transformation of financial services will continue to move closer to the customers' everyday experiences through mobile and e-banking, online advisory and partnerships providing our customers the necessary financial products and services to meet their financial goals. With the acquisition of Hello bank! Austria (rebranded to easybank), we plan to further enhance our product offering in the online retail brokerage market, an area in which we see an increasing demand and interest from our Austrian customers.

Our **Retail Lending** product offering consists of secured lending products such as mortgages and building society housing products, as well as unsecured consumer loans. These products are distributed through a variety of channels (both traditional and digital), partnerships and platforms across the DACH/NL region, Western Europe and the United States. Our processes are highly automated, enabling us to have an efficient origination process from front-to-back in the markets in which we compete. This provides for a simple, easy and straightforward customer experience. Across Austria and Germany, our 100+ sales and sales support advisors are physically located within our local communities, close to our partners and end customers, while our back office is centralized in our operations factory, which enables us to ensure timely responses to our customers. While across Western Europe and the United States, we enagage with distribution partners and platforms, levearaging our international competence, digital capabilities and centralized management to efficiently target areas of the market with attractive risk to return profiles. In each of our markets, we try to compete on enhanced customer experiences and responsive turnaround times.

Our **SME & Specialty Finance** offerings span across Austria, Germany and Switzerland, consisting of factoring, auto and equipment leasing and small-business banking (current accounts, lending and securities). We run multi-branded strategies across geographies with 150+ specialized sales & sales support advisors in the field. While our sales organizations are split by experts in certain core products, all our sales professionals are also equipped to sell any of our SME & Specialty Finance products. Our products are distributed across various channels including our branch network, digital channels and/or partner relationships. Our end customers include private entrepreneurs, domestic and international family-run businesses to small cap public companies.

Our Retail & SME franchise is the foundation of the Bank, accounting for a ~80% core revenue contribution.

2023 Business Review

During 2023, the Retail & SME segment delivered a profit before tax of € 701.8 million, a return on tangible common equity of 38.1% and a cost-income ratio of 30.2%. With high interest rates and elevated inflation, new business origination of mortgages remained at low levels, in line with the overall market.

Despite the slowdown in new business, we kept average customer loans flat during 2023.

We continue to maintain disciplined pricing and focus on risk-adjusted returns to ensure responsible and profitable growth. The asset quality remained stable, with the NPL ratio at 1.7%.

While the business environment was moderate in light of the macroenvironment, our teams continued to execute on our simplification strategy. We optimized our footprint, continued to adapt to changing customer behavior and a new competitive landscape and worked to make our operations more simple, straightforward and efficient.

Outlook

We continue to execute on our long-term strategy centered around our 2.1 million customers, ensuring the best products and services are offered in the most efficient and simple manner. We further strengthen this through broadened collaborations and M&A competence in and outside of the DACH region. Our simplified operating model and focus on efficiency provides a cost advantage, enabling us to compete in low-risk but highly competitive markets and invest more to the benefit of both customers and shareholders. While we have lived through challenging environments over the last years, our promise to our customers remains the same – providing simple, transparent and reliable financial products and services they need. We expect the challenging market environment to carry into 2024. In line with our strategic commitment to maintaining a low risk profile, we will remain prudent and conservative in lending across all products.

On 1 February 2024, BAWAG Group signed a transaction to acquire 100% of the shares in Knab, from ASR Nederland N.V. (a.s.r.). The acquisition will expand BAWAG Group's footprint in the Dutch Retail and SME banking space and position it for future growth in one of the bank's core markets. As of the first half of 2023, Knab had € 17.1 billion of total assets, which are primarily comprised of Dutch mortgages, € 11.6 billion customer deposits and € 2.5 billion of covered bonds. BAWAG Group will work with the current leadership team to continue growing its Retail and SME business in the Netherlands. The transaction is subject to customary closing conditions, including regulatory approvals.

Financial results

Income metrics (in € million)	2023	2022	Change (%)
Net interest income	865.6	750.2	15.4
Net fee and commission income	273.0	276.8	(1.4)
Core revenues	**1,138.6**	**1,027.0**	**10.9**
Other income[1)]	3.9	4.5	(13.3)
Operating income	**1,142.5**	**1,031.5**	**10.8**
Operating expenses	**(344.9)**	**(342.7)**	**0.6**
Pre-provision profit	**797.6**	**688.8**	**15.8**
Regulatory charges	(9.7)	(18.4)	(47.3)
Total risk costs	(86.1)	(80.6)	6.8
Profit before tax	**701.8**	**589.8**	**19.0**
Income taxes	(175.4)	(147.5)	18.9
Net profit	**526.4**	**442.4**	**19.0**

Key ratios	2023	2022	Change (pts.)
Return on tangible common equity	38.1%	34.3%	3.8
Net interest margin	3.92%	3.40%	0.52
Cost-income ratio	30.2%	33.2%	(3.0)
Risk costs / interest-bearing assets	0.39%	0.37%	0.02
NPL ratio	1.7%	1.6%	0.1

Business volumes (in € million)	2023	2022	Change (%)
Interest bearing assets	22,021	22,375	(1.6)
Interest bearing assets (average)	22,064	22,065	(0.0)
Risk-weighted assets	9,354	9,587	(2.4)
Own issues	10,003	7,543	32.6
Customer deposits	27,301	27,826	(1.9)
Customer deposits (average)	26,458	27,698	(4.5)
Customer funding	37,456	35,369	5.9
Customer funding (average)	37,009	34,598	7.0

1) The position “Other Income” includes gains and losses on financial instruments and other operating income and expenses.

CORPORATES, REAL ESTATE & PUBLIC SECTOR

The **Corporates, Real Estate & Public Sector** segment focuses on domestic and international lending, deposits and payment services. Across the segment, we focus on risk-adjusted returns and conservative underwriting.

Our regional focus in the **Corporates and Real Estate business** is on the Austrian and German market as well as developed and mature markets in Western Europe and the United States. We primarily target senior secured lending to strong sponsors on cash flow generating companies and assets.

In the **Public Sector** business, our focus is on sovereigns, federal states, municipalities and public sector entities in Austria, Germany and Western Europe. Our goal is to maintain the strong market position in Austria and retain our cash management and payments business. We do this by focusing on high quality of service with our existing top clients, by acquiring new clients for our payments business and by focusing on specific tenders and cross-selling to existing borrowers.

2023 Business Review

During 2023, the Corporates, Real Estate & Public Sector segment delivered a profit before tax of € 224.7 million, a return on tangible common equity of 22.9% and a cost-income ratio of 24.6%. Core revenues increased by 8.5% in 2023, while maintaining our focus on risk-adjusted returns. We used € 20 million of our ECL management overlay to address a single-case in the Commercial Real Estate business. Average customer loans were € 13 billion, down 10% reflecting discipline around risk-adjusted returns as well as muted loan demand.

Higher rates and a more cautious underwriting in 2023 led to reduced loan demand. In addition, our risk appetite was also reduced on selected transactions, as we generally increased margin and reduced advance rates.

Outlook

After staying patient in 2023 and not chasing volume growth, we see a solid lending pipeline with diversified opportunities in 2024. However, competition for defensive, high-quality assets continue to remain high. Our focus will be maintaining our disciplined and conservative underwriting and focusing on risk-adjusted returns without ever chasing blind volume growth. We expect this year to continue to see greater volatility as central banks across our core markets may start to cut interest rates.

Financial results

Income metrics (in € million)	2023	2022	Change (%)
Net interest income	286.4	262.9	8.9
Net fee and commission income	35.3	33.7	4.7
Core revenues	**321.7**	**296.6**	**8.5**
Other income[1)]	(3.7)	17.1	-
Operating income	**318.0**	**313.6**	**1.4**
Operating expenses	**(78.1)**	**(71.5)**	**9.2**
Pre-provision profit	**239.9**	**242.2**	**(0.9)**
Regulatory charges	(10.0)	(12.0)	(16.7)
Total risk costs	(5.2)	(36.2)	(85.6)
Profit before tax	**224.7**	**194.0**	**15.8**
Income taxes	(56.2)	(48.4)	16.1
Net profit	**168.5**	**145.6**	**15.7**

Key ratios	2023	2022	Change (pts.)
Return on tangible common equity	22.9%	17.8%	5.1
Net interest margin	2.05%	1.72%	0.33
Cost-income ratio	24.6%	22.8%	1.8
Risk costs / interest-bearing assets	0.04%	0.24%	(0.20)
NPL ratio	0.8%	0.7%	0.1

Business volumes (in € million)	2023	2022	Change (%)
Interest bearing assets	13,328	14,503	(8.1)
Interest bearing assets (average)	13,946	15,275	(8.7)
Risk-weighted assets	6,352	7,502	(15.3)
Own issues	557	534	4.3
Customer deposits	6,875	5,907	16.4
Customer deposits (average)	5,661	5,482	3.3
Customer funding	8,325	7,511	10.8
Customer funding (average)	7,240	6,732	7.5

1) The position “Other Income” includes gains and losses on financial instruments and other operating income and expenses.

CORPORATE CENTER AND TREASURY

Overview and strategy

The **Corporate Center** contains central functions for BAWAG Group. Hence, the P&L comprises the funds transfer pricing (FTP) result as an outcome of the Asset & Liability Management function, one-off and project-related operating expenses and other one-off items. The balance sheet mainly includes non-interest-bearing assets, liabilities and equity.

Treasury continued to pursue the strategy of balancing the investment portfolio between long-term investment in high-quality securities while still maintaining our hold to collect and sell portfolio to preserve the flexibility of redeployment into customer loans or other balance sheet management activities. The overall composition of the portfolio reflects our strategy of maintaining high credit quality, short/medium 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. Another spike in market volatility during the second half of 2023 with consequently widening credit spreads brought opportunities to deploy part of our excess cash into the securities portfolio at attractive risk-adjusted spreads.

2023 Business Review

As of 31 December 2023, the investment portfolio amounted to € 5.2 billion and the liquidity reserve was € 12.2 billion. The investment portfolio's average maturity was 3.5 years, comprised nearly 100% of investment grade rated securities, of which 67% were rated in the single A category or higher. As of 31 December 2023, the portfolio had no direct exposure to China or Russia, Ukraine, or the Middle East and limited exposure to Central Eastern European countries.

Outlook

Treasury will continue to focus on keeping streamlined processes in support of BAWAG Group's core operating activities and customer needs. In the coming year, largely restrictive measures by the central banks to combat inflation and the economic development of the industrialized countries will be the most important issues and drivers of the financial markets. We are committed to maintaining high credit quality and highly liquid investments with solid diversification.

Financial results

Income metrics (in € million)	2023	2022	Change (%)
Net interest income	78.2	8.0	>100
Net fee and commission income	(1.1)	(1.2)	8.3
Core revenues	**77.1**	**6.8**	**>100**
Other income[1]	(12.2)	(27.9)	56.3
Operating income	**64.9**	**(21.1)**	**-**
Operating expenses	**(62.3)**	**(60.6)**	**2.8**
Pre-provision profit	**2.6**	**(81.8)**	**-**
Regulatory charges	(19.3)	(18.4)	4.9
Total risk costs	(1.9)	(259.5)	(99.3)
Profit before tax	**(16.1)**	**(357.0)**	**95.5**
Income taxes	3.8	87.7	(95.7)
Net profit	**(12.3)**	**(269.7)**	**95.4**

Business volumes (in € million)	2023	2022	Change (%)
Assets	20,099	19,645	2.3
Risk-weighted assets	3,611	3,575	1.0
Equity	3,777	3,686	2.5
Own issues and other liabilities	5,297	4,689	13.0

1) The position "Other Income" includes gains and losses on financial instruments and other operating income and expenses.

OUTLOOK AND TARGETS

2023 was marked by high interest rates, ongoing elevated inflation, broadening geopolitical conflicts, distress in the US office commercial real estate sector, and idiosyncratic issues faced by US regional banks. Governments across Europe have made significant efforts to reduce the burden from higher inflation. However, inflation remained elevated in our core markets, as wage increases resulting from higher inflation in 2022 only came through during 2023.

Despite our strong record of performance over the past decade with an average RoTCE of ~16%, our best years are still ahead. We have an opportunity to deliver more normalized returns in the years to come under a more normalized interest rate environment. However, we should never confuse the tailwind from a normalization of interest rates with the daily execution of our strategy. Our emphasis on managing costs and maintaining a conservative and disciplined risk appetite is more important than ever. The opportunity lies in maintaining our cost discipline and focusing on risk-adjusted returns while capturing the benefits of a normalized interest rate environment. The resilience of our franchise lies in our ability to deliver results across all cycles as we are built for all seasons. Our approach is consistent: focus on the things that we can control, be a disciplined commercial lender, maintain a conservative risk appetite, and only pursue sustainable and profitable growth.

Our **outlook** and **targets** are as follows (excluding recently signed M&A transaction in the Netherlands):

Outlook	2024	2023
Net interest income	+1%	€ 1,230 million
Core revenues	+1%	€ 1,537 million
Operating expenses	~3%	€ 485 million
Risk cost ratio	25–30 basis points	22 basis points
Financial targets		
Profit before tax	>€ 920 million	€ 910 million
Return targets	2024 & beyond	2023
Return on tangible common equity	>20%	25.0%
Cost-income ratio	<34%	31.8%

We reconfirm our 2025 ESG targets, which we laid out during our investory day in 2021. When setting our ESG targets back in 2021, we wanted to serve as a positive example for our customers, launching initiatives to reduce our own CO_2 footprint. However, our biggest emissions as a bank arise from our financed emissions, which we are disclosing for the first time for 2023. In 2024, we will assess a transition pathway for our residential mortgage and commercial real estate assets, as these represent the largest exposures on our balance sheet. As far as other asset classes, we currently have a very low exposure to mid-to-high-emitting sectors across our corporates and public sector exposures.

ESG targets	2020	2025
CO2 emissions (own scope 1&2 emissions*)	3,477	>50% reduction vs. 2020
Women quota	Baseline 2020	
- Supervisory Board	17%	33%
- Senior Leadership Team	15%	33%
Green lending new business	€ 0.8 billion	>€ 1.6 billion

*2020 base restated to reflect enhanced scope; base may be adjusted in case of enhanced scope, M&A etc.

In terms of capital distribution, we will target a dividend payout ratio of 55%. Our primary focus will be to allocate capital towards business growth, M&A, minority, and platform investments.

The Management Board deducted dividends of € 393 million from CET1 capital at the end of 2023, which will be proposed as a dividend payment of € 5.00 per share to the Annual General Meeting on 8 April 2024.

We will continue to maintain our low-risk strategy focused on the DACH/NL region, Western Europe and the United States, providing our customers with simple, transparent, and affordable financial products and services they need and that promote their financial health.

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 refer to the information in the Notes section. For policies on our investment standards in the light of ESG, please refer to our website https://www.bawaggroup.com/BAWAGGROUP/IR/EN/ESG, where the latest policies are available.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

INTRODUCTION

The internal control system (ICS) relates to all processes designed by management and executed within BAWAG Group to facilitate the monitoring and control of

- the effectiveness and efficiency of its operating activities (including protecting assets against losses resulting from damages or misconduct),
- the reliability of the financial reports,
- BAWAG Group's compliance with applicable material legal regulations.

The risk management system covers all processes that serve to identify, analyze, and measure risks and that serve to determine and implement appropriate measures that will ensure that BAWAG Group can still reach its objectives when risks are incurred.

According to the internationally recognized COSO framework for the design of risk management systems and the EBA Guideline on Internal Governance (EBA/GL/2021/05), the internal control system is one part of an organization-wide risk management system. Other aspects include the management and monitoring of risks that can affect the correctness and reliability of the accounting records.

BAWAG Group's management is responsible for the fundamental design, implementation and ongoing adaptation and refinement of the internal control and risk management policies, methods, and system as well as for the alignment of these systems and processes with the existing requirements in a way that takes account of its strategy, the scope of its business and other relevant economic and organizational aspects.

CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Control environment

BAWAG Group's Code of Conduct describes the corporate values and is applicable to all employees. BAWAG Group's corporate culture is based on respect and teamwork, customer focus and image as well as integrity and compliance.

A conscious approach towards compliance topics as well as a sustainable risk culture are established to guide all employees to handle risks within their responsibility. The core of BAWAG Group's risk culture are internal provisions and above all open communication among the employees to ensure that they all have a broad understanding of risks that BAWAG Group faces.

In addition, the policy on the internal control system provides clear guidance and applies to all employees within BAWAG Group and defines the ICS as the sum of all systematically created processual, technical, structural or organizational principles, procedures and (control) measures at the Bank. This includes the organizational guidelines for the entire operational management and the defined control mechanisms and control tasks of the process owner.

The Accounting division is responsible for BAWAG Group's accounting records. Some of the newly acquired subsidiaries operate their own accounting departments, which work in close cooperation with the Accounting division that is primarily responsible for preparing the annual and interim financial statements as well as the annual financial statements of all domestic subsidiaries, maintaining the financial and consolidated accounts and regulatory reporting of domestic bank subsidiaries.

The Accounting division is responsible for setting directives on all matters of accounting and exercises the authority to ensure the application of uniform standards across BAWAG Group. To support the operational implementation, corporate guidelines were drawn up. This policy applies to all consolidated subsidiaries. For all other holdings, the adherence to these principles and standards is enforced and implemented as far as possible.

Risk assessment and control measures

BAWAG Group's internal control and risk management systems contain instructions and processes for the workflows

- to ensure the correct and appropriate documentation of business activities, including the use of assets;
- to record all information required for the preparation of the period-end financial statements; and
- to prevent unauthorized purchases or sales that could have a material effect on the financial statements.

The Accounting division is integrated into BAWAG Group's entire organizational, structural, and operational workflows. Customer and transaction data are generally collected in the market and operating units, and supplementary information is entered by the risk units. The elements of this information that are needed for the accounting records are usually transferred automatically into the electronic accounting systems. In this, the Accounting division fulfills a control and monitoring function to ensure that the automatically transmitted data is handled properly in accordance with the applicable accounting rules, and also completes the various booking entry and other steps needed to prepare the financial statements.

The accounting of BAWAG Group AG, BAWAG P.S.K. AG and the significant domestic subsidiaries is contained in SAP New GL. The preparation of the consolidated financial statements under IFRS is done in SAP-ECCS, which receives the values of the individual financial statements of consolidated companies through interfaces. The accounting and all upstream systems are protected by access permission and automatic and obligatory manual control steps provided for in the process.

Information and communication

A comprehensive report about the balance sheet, the profit or loss statement and other financial and risk data is submitted to the Supervisory Board at least every quarter. Highly detailed reports about this information are also submitted to the Management Board on a regular (monthly or more frequent) basis. Given the increased importance of ESG, the Management Board receives updates on risks arising from these factors on a regular basis.

Monitoring

In order to limit or eliminate operational risks and control deficiencies, risk identification is performed annually through risk control self-assessments (RCSA). Risk minimization measures are tracked proactively by the department Data Governance, OpRisk and ESG with regard to the implementation. Loss incidents are documented separately and reported on a regular basis. Loss incidents are also used to identify necessary improvements in the systems and in the monitoring and control measures.

BAWAG Group's Internal Audit division conducts regular accounting system audits. The findings of these audits are also used to make ongoing improvements to the internal control and risk management systems as they pertain to the accounting process.

CAPITAL, SHARE, VOTING AND CONTROL RIGHTS

As of 31 December 2023, BAWAG Group AG's share capital amounted to € 78,600,000 and was divided into 78,600,000 non-par value bearer shares, which carry equal participation interest in the share capital of BAWAG Group AG.

BAWAG Group AG's Articles of Association contain no restrictions concerning voting rights or the transfer of shares. Based on BAWAG Group AG's information pursuant to the major holdings notifications, no shareholder held, individually or jointly, more than 10% of BAWAG Group AG's share capital. No shareholder has the right to delegate one of the members of the Supervisory Board according to Section 88 Austrian Stock Corporation Act (*Aktiengesetz, AktG*).There is no control of voting rights arising from interests held by employees in the share capital.

Pursuant to Section 7 of the Articles of Association, members of BAWAG Group AG's Management Board and Supervisory Board must fulfill certain personal requirements in order to be eligible.

- Members of the Management Board and Supervisory Board must have adequate professional and personal qualifications and meet the legal requirements. As for the election of board members, attention shall be paid to ensuring the professionally balanced composition of boards and the members' independence.

- Without prejudice to more extensive legal provisions, the following persons shall be excluded from membership in the Management Board and in the Supervisory Board of BAWAG Group AG:
  - employees of BAWAG Group AG, with the exception of staff representatives who are appointed to the Supervisory Board in accordance with the provisions of the Works Constitution Act (*Arbeitsverfassungsgesetz, ArbVG*);
  - members of the management boards and employees of Austrian credit institutions not belonging to the BAWAG P.S.K. group; furthermore, persons holding an interest of over 5% of the voting capital of Austrian credit institutions not belonging to the BAWAG P.S.K. group, unless said credit institutions or persons themselves hold an interest of at least 2% of BAWAG Group AG's voting capital;
  - persons who are directly and immediately related or related by marriage to a member of the Management Board, the Supervisory Board or an employee of BAWAG Group AG or who are the spouse of a member of the Management Board or Supervisory Board (whereas this ground for exclusion is only applicable to the members of the Management Board and to the elected members of the Supervisory Board);
  - persons who are prevented from carrying on a trade by Section 13 Para 1 to 6 of the Trade Act of 1994 (*Gewerbeordnung, GewO*).

Pursuant to Section 10.6 No 1 of the Articles of Association of BAWAG Group AG, the general meetings shall, unless the law mandatorily stipulates a different majority, pass their resolutions by simple majority of the votes cast, and, in cases where a majority of the capital is required, by simple majority of the share capital represented at the time the resolution is passed.

With regard to the authorization of the Management Board to issue or acquire shares, the following applies:

- Pursuant to Section 5 No 7 of the Articles of Association of BAWAG Group AG, the Management Board shall be authorized, with the consent of the Supervisory Board, to increase the share capital within five years from the date of the registration of the amendment to the Articles of Association in the commercial register, also in several tranches against contributions in cash and/or contributions in kind by up to € 40,000,000 by issuing up to 40,000,000 new bearer shares with no par value and to define the issue price conditions in agreement with the Supervisory Board (Authorized Capital 2019).

- The statutory subscription right of the shareholders to the new shares issued from the Authorized Capital 2019 shall be excluded (direct exclusion of the statutory subscription right) if and to the extent that this authorization is utilized by issuing shares against cash payments in a total amount of up to 10% of the share capital in the context of the placement of new shares of BAWAG Group AG to (i) exclude from the shareholders' subscription right fractional amounts which may arise in the case of an unfavorable exchange ratio and/or (ii) to satisfy the exercise of over-allotment options (greenshoe options) granted to the issuing banks.

Furthermore, the Management Board, with the consent of the Supervisory Board, shall be authorized to exclude the statutory subscription right in the following cases:
- to the extent necessary to service debt instruments (including participation rights) with conversion or option rights or a conversion obligation issued by BAWAG Group AG or its subsidiaries (Section 189a No 7 UGB) or yet to be issued;
- to issue shares to employees, senior executives and members of the Management Board of BAWAG Group AG or its subsidiaries (Section 189a No 7 UGB) for remuneration purposes;
- in order to increase the share capital against contributions in kind, provided that the capital increase is carried out for the purpose of (also indirectly) acquiring companies, parts of companies or participations in companies or other assets related to an acquisition project;
- to carry out a so-called “scrip dividend” in the course of which the shareholders of BAWAG Group AG are offered to contribute their dividend claim (in whole or in part) as a contribution in kind against the granting of new shares from the Authorized Capital 2019;
- in case of capital increases against cash contributions, provided the exercise of this authorization is objectively justified on the exercise date in accordance with the respective applicable legal requirements. The shares issued with the exclusion of subscription rights on the basis of this authorization may not exceed a total of 10% of the share capital of BAWAG Group AG at the time of the effective date or, if such value is lower, at the time of the exercise of this authorization.

- Pursuant to Section 5 No 8 of the Articles of Association of BAWAG Group AG, the share capital of BAWAG Group AG shall be conditionally increased by up to € 10,000,000 by issuing up to 10,000,000 no-par value bearer shares for the purpose of issuing them to creditors of convertible bonds which the Management Board, with the consent of the Supervisory Board, may issue in the future on the basis of the authorization granted at the shareholders’ meeting on 30 April 2019. The conditional capital increase may only be carried out to the extent that creditors of convertible bonds to be issued by BAWAG Group AG or their subsidiaries make use of their conversion and/or subscription rights to shares of BAWAG Group AG. The amount to be issued and conversion ratio shall be determined in accordance with the interests of BAWAG Group AG, the existing shareholders and the subscribers of the convertible bonds within the framework of a customary market pricing procedure using recognized customary market methods and the stock exchange price of BAWAG Group AG’s shares. The issue price of the new shares may not be less than the proportionate amount of the share capital. The shares to be issued as part of the conditional capital increase are entitled to dividends to the same extent as the existing shares of BAWAG Group AG.

- On 31 March 2023, the shareholders’ meeting resolved to authorize the Management Board for a period of 30 months from the date of the resolution in accordance with Section 65 Para 1 No 8 and Para 1a and 1b AktG to acquire own shares. Pursuant to the authorization, the consideration to be paid per share when acquiring shares must not be lower than € 1.0 and must not be more than 50% above the volume-weighted average price of the last 20 trading days preceding the respective purchase; in the event of a public offer, the reference date for the end of this period shall be the day on which the intention to launch a public offer has been announced. The Management Board is authorized to determine the repurchase conditions.

  The Management Board may exercise the authorization within the statutory limits on the maximum number of own shares either once or on several occasions, provided that the percentage amount of the share capital of BAWAG Group AG relating to shares acquired by BAWAG Group AG on account of the authorization or otherwise does not exceed 10% of the share capital at any time. Repeated exercise of the authorization is permissible. The authorization may be exercised for one or several purposes by BAWAG Group AG, by a subsidiary or by third parties acting on behalf of BAWAG Group AG.

  The acquisition may take place at the discretion of the Management Board via the stock exchange or a public offer or, with the consent of the Supervisory Board, in another legally permissible, appropriate manner, in particular, also under exclusion of the shareholders’ pro-rata rights to repurchase (reverse exclusion of subscription rights) and also by using equity capital derivatives. Trading in treasury shares is excluded as a purpose for purchase.

On 31 March 2023, the Annual General Meeting also resolved to authorize the Management Board for a period of five years from the date of the resolution in accordance with Section 65 Para 1b AktG, to adopt a resolution, subject to the consent of the Supervisory Board, on the transfer of treasury shares using a different legally permitted method of sale than through the stock exchange or a public offer and on an exclusion of pre-emption rights (subscription rights) of shareholders and to determine the terms and conditions of the transfer of shares.

Pursuant to the authorization, the Management Board may, with the consent of the Supervisory Board, transfer the acquired shares without an additional resolution by the General Meeting via the stock exchange or a public offer and determine the terms of transfer. Furthermore, the Management Board is authorized to cancel the own shares acquired in whole or in part without an additional resolution by the General Meeting with the consent of the Supervisory Board. The cancellation causes a capital reduction by the portion of the share capital that is attributable to the canceled shares.

All of these authorizations can be used once or on several occasions. The authorizations also include the use of treasury shares held by BAWAG Group AG, as well as shares in BAWAG Group AG acquired by subsidiaries or third parties for the account of BAWAG Group AG or a subsidiary pursuant to Section 66 AktG. The authorizations shall also apply to both, treasury shares already held by BAWAG Group AG at the date of the resolution as well as to future treasury shares which are yet to be acquired.

No material agreements exist (or must be disclosed pursuant to Sec 243a Para 1 No 8 UGB) to which BAWAG Group AG is a party and which take effect, change or end upon a change of control in BAWAG Group AG as a result of a takeover bid.

There are no indemnification agreements between BAWAG Group AG and its Management Board and Supervisory Board members or employees that would take effect in the event of a public takeover bid.

CORPORATE SOCIAL RESPONSIBILITY AND ESG

BAWAG Group is one of the largest banking groups in Austria and is active in other core markets with 2.1 million customers. Given our business, as well as the size of the financial services industry as a whole, we must be vigilant in addressing the many challenges facing the industry in the form of competition from Big-tech, FinTech, and overall changing customer behaviors, which have only accelerated the past years with the onset of the pandemic and secular changes in the work environment and how we engage with customers. In addition, environmental and social aspects connect us locally and globally as citizens in a more interconnected and interdependent world. Therefore, it is critical for us to proactively address these challenges by continuously adjusting our business model and objectives, as well as integrating these growing challenges into our risk management framework.

Doing business sustainably is the key to long-term success for all of our stakeholders. We look to create value for all our stakeholders by: being an attractive and stable employer focused on development and opportunity, a consistent partner for our customers and local communities, a reliable tax payer across the jurisdictions we operate in, a consistent source of financial returns for our investors. To achieve this requires financial resilience and a mindset of continuous improvement. Building a franchise that delivers long-term sustainable value requires consistent execution of a sound business strategy, a focus on operational excellence and an understanding that we must fundamentally change the way we consume resources over time to reduce our ecological footprint. Therefore, sustainable value creation is at the core of our decision-making and reflected in how we run the Bank. We do not pursue a separate ESG strategy, as we view it as an integral part of our overall business strategy and it is embedded across the company and our strategic roadmap.

How we address ESG at BAWAG

In order to embed ESG across the organization and drive our initiatives, we have set up dedicated committees in the Supervisory Board and Management Board as well as working groups. We have dedicated ESG officers across the Bank to drive the comprehensive integration into existing processes and strategy. Our detailed ESG initiatives are published in the Corporate Social Responsibility report. With the Corporate Sustainability Responsibility Directive (CSRD) being applied from the financial year 2024, the non-financial reporting will be integrated in the Group management report from 2024 onwards.

ESG targets

Part of integrating ESG into the business is ensuring we outline specific targets that have been integrated into the Group's overall medium-term targets. We reconfirm our 2025 ESG targets, which we laid out during our investory day in 2021. When setting our ESG targets back in 2021, we wanted to serve as a positive example for our customers, launching initiatives to reduce our own CO_2 footprint. However, our biggest emissions as a bank arise from our financed emissions, which we are disclosing for the first time for 2023. In 2024, we will assess a transition pathway for our residential mortgage and commercial real estate assets, as these represent the largest exposures on our balance sheet. As far as other asset classes, we currently have a very low exposure to mid-to-high-emitting sectors across our corporates and public sector exposures.

ESG targets	2020	2025
CO_2 emissions (own scope 1&2 emissions*)	3,477	>50% reduction vs. 2020
Women quota:	Baseline 2020	
- Supervisory Board	17%	33%
- Senior Leadership Team	15%	33%
Green lending new business	€ 0.8 billion	>€ 1.6 billion

*2020 baseline restated due to enhanced scope; base may be adjusted in case of enhanced scope, M&A, etc.

To reduce our own CO_2 emissions (scope 1 & 2) we will switch our entire vehicle fleet to electric cars, reduce emissions caused by heating through investments in infrastructure as well as an ongoing reduction of our footprint. In order to achieve our green lending target, we expect to see a higher share of our originations in green mortgages, opportunities in the corporates and public sector, an increase in electric car leasing and solar panel financing.

Our climate-related and environmental view

As a bank primarily focused on Retail & SME with the target to further grow that share as part of our business, our overall approach is to support the transition through the increase in new green business as reflected in our targets until 2025, commit to maintain a low exposure to high-emitting GHG sectors and to regularly review and assess our lending criteria. We will assess a transition pathway for our residential mortgage and commercial real estate portfolio during 2024. In addition, we plan to issue one green bond per year, depending on market conditions.

Our carbon footprint

As a bank, we can influence climate change in two ways: Our direct use of resources as a bank is fairly limited, however we have continuously driven initiatives to reduce our emissions and set a target to reduce our CO_2 emissions (scope 1 and 2) by over 50% in 2025 versus 2020 baseline. More important is our indirect impact through our lending and investment activities. To limit the negative impact of our lending portfolio, we decided to implement lending criteria for selective industries with high ESG-risks, consisting of industry exclusions and restrictions since 2021. We review this list on an annual basis in order to consider any new developments and will tighten the criteria where applicable. We currently have zero exposure to prohibited businesses. Our oil and gas-related industry exposures are de-minimis. The detailed list is published in the Corporate Social Responsibility Report as well as the up-to-date lending criteria on our website. We expect to maintain the already low levels of ESG risks in our portfolio of <2% exposure in moderate to high or high emitting industries.

We disclose financed emissions using the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry in our Corporate Social Responsibility Report. We have started to collect ESG data from customers as well as have defined methodologies in place. The key challenge when reporting on climate-related topics mainly relates to data availability and data quality provided by customers to comprehensively calculate CO_2 emissions within our lending book.

Further integrating ESG risks into management framework

Because ESG risks span across all risk management pillars, we pursue a multidimensional steering approach within our risk management framework. It is embedded in our key risk policies and processes, ensuring an appropriate consideration of ESG risks. New or modified products and lines of business are examined for ESG contribution based on the ESG statement, inherent risk as well as the general conditions under which the product should be introduced. Service providers are evaluated for their ESG commitment as part of our outsourcing assessments. In the annual risk process assessment (RCSA), ESG-relevant aspects are identified from an operational and organizational perspective including internal controls contributing to risk mitigation.

The interaction of ESG risks and other material risk types is analyzed as part of the overarching risk materiality assessment. Scenarios have been defined as a starting point comprising both physical risks and transition risks, thus providing a holistic view of ESG risks impacting our Bank. ESG risk is integrated into our ICAAP and stress test framework following the ECB's Guide on climate-related and environmental risks (November 2020), allowing an integral steering across the different risk types. During 2023, we have performed a risk materiality assessment, which is described in our Corporate Social Responsibility Report.

The management of restricted and prohibited sectors as part of the underwriting and loan origination process is essential.

The implemented risk management framework ensures the effective identification, measurement and management of risks across the Group and builds the basis to make informed risk-based business decisions. It allows us to react quickly and proactively to market trends or other deteriorating developments as well as support the Bank's sustainable organic and inorganic growth within the overall risk appetite.

Diversity & female leadership

We believe our diversity, inclusivity and meritocratic culture are a real source of strength of the company. The team members come from 53 different nationalities, and we are fully committed to equity and diversity. This will be a byproduct of merit, integrity and work ethic. Our greatest asset is our human capital, so we are focused on developing and mentoring our team members across the ranks. Today, our Senior Leadership Team, totals 98 team members, comprised of 13 nationalities with female representation of 32%. We are proud of what we have achieved to date, however, we are aware of that our efforts in regards to diversity will not end when achieving our 2025 target.

Outlook

While we have continuously worked on enhancing our disclosure on the most critical ESG risks for the banking industry, we are aware that the financial industry plays a key role in combating climate change through its lending practices. Being sustainable is embedded in the choices we make – as a financial partner, as a business partner and how we select our suppliers. However, we are aware that our standards and engagement can be more developed and the disclosure on environmental data enhanced and further integrated into our risk management frameworks. From the financial year 2024 onwards, the non-financial reporting will be reported according to the Corporate Sustianability Responsibility Directive (CSRD).

CSR REPORTING

As of the financial year 2017, the Austrian Sustainability and Diversity Improvement Act extended and specified the reporting obligations for non-financial information (environmental, social and employee issues, respect for human rights and anti-corruption) in the Group Management Report by implementing EU Directive 2014/95/EU. Since the reporting for financial year 2021, the reporting requirement was enhanced by the EU Taxonomy 2020/852 and the Disclosures Delegate Act 2021/2178. The purpose of mandatory reporting is to increase the transparency and comparability of non-financial information.

In 2023, BAWAG Group again uses the statutory option provided for in Section 267a Para 6 UGB to produce a separate consolidated non-financial report. This report can be downloaded from the BAWAG Group website under https://www.bawaggroup.com/csr

RESEARCH AND DEVELOPMENT

BAWAG Group does not engage in any research and development activities pursuant to Section 243 UGB.

BRANCHES

Since November 2014 BAWAG has a branch in London, United Kingdom which supports our International Business.

In 2020, a branch of BAWAG P.S.K. was opened in Stuttgart, Germany, which started its operations in 2021 once the merger with Südwestbank AG was entered in the company register.

We opened a representative office in the United States in 2022.

In 2023, a branch was opened in Dublin, Ireland, which serves BAWAG's credit business.

In addition, another branch was opened in Eschborn, Germany, by easyleasing GmbH under the business name "BFL - easyleasing GmbH Niederlassung Deutschland" in 2023. This branch started operations after BFL Leasing GmbH was merged into easyleasing GmbH on 1 November 2023.

26 February 2024

Anas Abuzaakouk
Chief Executive Officer

Enver Sirucic
Member of the Management Board

Sat Shah
Member of the Management Board

David O'Leary
Member of the Management Board

Andrew Wise
Member of the Management Board

Guido Jestädt
Member of the Management Board

Consolidated Financial Report

CONSOLIDATED FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

CONTENTS

CONSOLIDATED ACCOUNTS

PROFIT OR LOSS STATEMENT

in € million	[Notes]	2023	2022
Interest income		2,649.6	1,309.4
thereof calculated using the effective interest method		2,117.7	1,164.1
Interest expense		(1,421.8)	(304.3)
thereof calculated using the effective interest method		(527.5)	(136.7)
Dividend income		2.4	16.0
Net interest income	**[3]**	**1,230.2**	**1,021.1**
Fee and commission income		393.0	389.0
Fee and commission expense		(85.8)	(79.7)
Net fee and commission income	**[4]**	**307.2**	**309.3**
Gains and losses on financial assets and liabilities	[5]	(16.6)	(13.2)
thereof gains from the derecognition of financial assets measured at amortized cost		0.2	–
thereof losses from the derecognition of financial assets measured at amortized cost		(2.1)	(9.0)
Other operating income	[6]	69.2	87.7
Other operating expenses	[6]	(98.7)	(125.5)
Operating expenses		(490.2)	(479.0)
thereof administrative expenses	[7]	(425.8)	(416.2)
thereof depreciation and amortization on tangible and intangible non-current assets	[8]	(64.4)	(62.8)
Risk costs	[9]	(93.2)	(376.3)
thereof according to IFRS 9		(81.1)	(110.6)
Share of the profit or loss of associates accounted for using the equity method	[10]	2.5	2.7
Profit before tax		**910.4**	**426.8**
Income taxes	[11]	(227.8)	(108.2)
Profit after tax		**682.6**	**318.6**
Thereof attributable to non-controlling interests		0.0	0.3
Thereof attributable to owners of the parent		**682.6**	**318.3**

STATEMENT OF OTHER COMPREHENSIVE INCOME

in € million	[Notes]	2023	2022
Profit after tax		**682.6**	**318.6**
Other comprehensive income	**[31]**		
Items that will not be reclassified to profit or loss			
Actuarial gains (losses) on defined benefit plans		(13.3)	50.1
Fair value changes of shares and other equity investments at fair value through other comprehensive income		(32.3)	(31.9)
Change in credit spread of financial liabilities		(1.1)	6.5
Income tax on items that will not be reclassified		8.8	(8.8)
Total items that will not be reclassified to profit or loss		**(37.9)**	**15.9**
Items that may be reclassified subsequently to profit or loss			
Foreign exchange differences		(1.8)	9.4
Hedge of net investment in foreign operations		0.7	(9.1)
Cash flow hedge reserve		(5.2)	3.5
thereof transferred to profit (-) or loss (+)[1]		9.8	12.0
Fair value changes of debt instruments at fair value through other comprehensive income		34.3	(129.2)
thereof transferred to profit (-) or loss (+)		12.1	22.0
Share of other comprehensive income of associates accounted for using the equity method		6.9	(17.5)
Income tax relating to items that may be reclassified		(7.6)	32.1
Total items that may be reclassified subsequently to profit or loss		**27.3**	**(110.7)**
Other comprehensive income		**(10.6)**	**(94.8)**
Total comprehensive income, net of tax		**672.0**	**223.8**
Thereof attributable to non-controlling interests		0.0	0.3
Thereof attributable to owners of the parent		**672.0**	**223.5**

1) To net interest income.

STATEMENT OF FINANCIAL POSITION

Total assets

in € million	[Notes]	31.12.2023	31.12.2022
Cash reserves	[12]	694	520
Financial assets at fair value through profit or loss	[13]	593	557
Financial assets at fair value through other comprehensive income	[14]	2,827	2,743
Financial assets held for trading	[15]	103	156
Financial assets measured at amortized cost	[16]	49,585	51,585
Customers		33,333	35,763
Credit institutions		12,592	12,655
Securities		3,660	3,167
Valuation adjustment on interest rate risk hedged portfolios		(310)	(619)
Hedging derivatives	[30]	247	338
Property, plant and equipment	[18]	259	268
Investment properties	[18]	75	84
Goodwill	[19]	122	98
Brand names and customer relationships	[19]	233	242
Software and other intangible assets	[19]	177	182
Tax assets for current taxes		28	21
Tax assets for deferred taxes	[20]	19	18
Associates recognized at equity	[51]	13	25
Other assets	[21]	245	280
Non-current assets and disposal groups held for sale	[22]	538	25
Total assets		**55,448**	**56,523**

Total liabilities and equity

in € million	[Notes]	31.12.2023	31.12.2022
Total liabilities		**51,278**	**52,532**
Financial liabilities designated at fair value through profit or loss	[23]	136	204
Financial liabilities held for trading	[24]	463	692
Financial liabilities at amortized cost	[25]	48,673	50,669
Customers		33,270	34,288
Issued bonds, subordinated and supplementary capital		13,594	10,037
Credit institutions		1,809	6,344
Financial liabilities associated with transferred assets	[40]	402	394
Valuation adjustment on interest rate risk hedged portfolios		(415)	(891)
Hedging derivatives	[30]	214	245
Provisions	[28]	231	284
Tax liabilities for current taxes		190	43
Tax liabilities for deferred taxes	[20]	119	95
Other obligations	[29]	783	797
Liabilities in disposal groups held for sale		482	–
Total equity	**[31]**	**4,170**	**3,991**
Equity attributable to the owners of the parent (ex AT1 capital)		3,699	3,520
AT1 capital		471	471
Non-controlling interests		0	0
Total liabilities and equity		**55,448**	**56,523**

STATEMENTS OF CHANGES IN EQUITY

in € million	Subscribed capital	Capital reserves	Other equity instruments issued	Retained earnings reserve	Cash flow hedge reserve net of tax	Actuarial gains/losses net of tax	Debt instruments at fair value through other comprehensive income net of tax
Balance as of 01.01.2022	**88.9**	**1,148.3**	**470.5**	**2,706.4**	**(21.9)**	**(102.9)**	**94.8**
Transfer from other comprehensive income	–	–	–	3.7	–	–	–
Transactions with owners	(6.7)	9.3	–	(585.1)	–	–	–
Share-based payment	0.2	9.3	–	–	–	–	–
Dividends	–	–	–	(267.0)	–	–	–
Buyback of shares	(6.9)	–	–	(318.1)	–	–	–
Transactions with non-controlling interests	–	–	–	0.5	–	–	–
AT1 coupon	–	–	–	(24.0)	–	–	–
Total comprehensive income	–	–	–	318.3	2.6[1)]	34.7	(113.8)[2)]
Balance as of 31.12.2022	**82.2**	**1,157.6**	**470.5**	**2,419.8**	**(19.3)**	**(68.2)**	**(19.0)**
Balance as of 01.01.2023	**82.2**	**1,157.6**	**470.5**	**2,419.8**	**(19.3)**	**(68.2)**	**(19.0)**
Transfer from other comprehensive income	–	–	–	–	–	–	–
Transactions with owners	(3.7)	9.9	–	(475.6)	–	–	–
Share-based payment	0.2	9.9	–	–	–	–	–
Dividends	–	–	–	(304.5)	–	–	–
Buyback of shares	(3.9)	–	–	(171.1)	–	–	–
Transactions with non-controlling interests	–	–	–	0.0	–	–	–
AT1 coupon	–	–	–	(24.0)	–	–	–
Total comprehensive income	–	–	–	682.6	(4.5)[1)]	(10.1)	32.9[2)]
Balance as of 31.12.2023	**78.5**	**1,167.5**	**470.5**	**2,602.8**	**(23.8)**	**(78.3)**	**13.9**

1) Thereof transferred to profit or loss: plus € 7.5 million (2022: plus € 9.0 million).
2) Thereof transferred to profit or loss: plus € 9.3 million (2022: plus € 16.5 million).

Equity investments at fair value through other comprehensive income net of tax	Change in credit spread of financial liabilities net of tax	Hedge of net investment in foreign operations net of tax	Foreign exchange differences	Equity attributable to the owners of the parent	Non-controlling interests	Equity including non-controlling interests
44.9	**(54.2)**	**7.2**	**(8.6)**	**4,373.4**	**4.5**	**4,377.9**
(3.7)	–	–	–	–	–	–
–	–	–	–	(582.5)	0.0	(582.5)
–	–	–	–	9.5	–	9.5
–	–	–	–	(267.0)	0.0	(267.0)
–	–	–	–	(325.0)	–	(325.0)
–	–	–	–	0.5	(4.5)	(4.0)
–	–	–	–	(24.0)	–	(24.0)
(23.6)	4.8	(9.0)	9.5	223.5	0.3	223.8
17.5	**(49.3)**	**(1.8)**	**0.9**	**3,990.9**	**0.3**	**3,991.2**
17.5	**(49.3)**	**(1.8)**	**0.9**	**3,990.9**	**0.3**	**3,991.2**
–	–	–	–	–	–	–
–	–	–	–	(469.4)	(0.2)	(469.6)
–	–	–	–	10.1	–	10.1
–	–	–	–	(304.5)	(0.2)	(304.7)
–	–	–	–	(175.0)	–	(175.0)
–	–	–	–	0.0	(0.1)	(0.1)
–	–	–	–	(24.0)	–	(24.0)
(25.6)	(2.2)	0.7	(1.8)	672.0	0.0	672.0
(8.1)	**(51.5)**	**(1.1)**	**(0.9)**	**4,169.5**	**–**	**4,169.5**

CASH FLOW STATEMENT

in € million	[Notes]	2023	2022
I. Profit (after tax, before non-controlling interests)	Profit or loss statement	**683**	**319**
Non-cash items included in the profit (loss) and reconciliation to net cash from operating activities			
Depreciation, amortization, impairment losses, write-ups	[8], [9]	157	439
Changes in provisions	[28]	175	25
Changes in other non-cash items		250	(706)
Proceeds from the sale of financial investments, tangible non-current assets, intangible non-current assets and subsidiaries	[5], [6]	17	(2)
Share of profit of equity-accounted investees, net of tax	Profit or loss statement	(2)	(3)
Other adjustments (mainly interest income and interest expenses)		(1,165)	(932)
Subtotal		**115**	**(860)**
Change in assets and liabilities arising from operating activities after corrections for non-cash items			
Financial assets at amortized cost		2,440	(2,642)
Other financial assets (not including investing activities)		285	(495)
Other assets		62	8
Financial liabilities at amortized cost		(5,515)	(1,809)
Other financial liabilities (not including financing activities)		2,858	4,654
Other obligations		(55)	(76)
Interest receipts		2,424	1,291
Dividend receipts	Profit or loss statement	2	16
Dividends from equity-accounted investees		3	3
Interest paid		(1,293)	(265)
Income taxes paid		(68)	(174)
II. Net cash from operating activities		**1,258**	**(349)**
Cash receipts from sales and redemptions of			
Debt instruments at amortized cost		336	91
Debt instruments, subsidiaries and other equity instruments at fair value through other comprehensive income		472	1,394
Tangible and intangible non-current assets, investment properties		10	23
Cash paid for			
Subsidiaries and other equity instruments at fair value through other comprehensive income		(2)	(4)
Debt instruments at amortized cost		(779)	(1,114)
Debt instruments at fair value through other comprehensive income		(475)	(711)
Tangible and intangible non-current assets	[18], [19]	(32)	(57)

in € million	[Notes]	2023	2022
Acquisition of subsidiaries, net of cash acquired	[36]	(54)	–
III. Net cash used in investing activities		**(524)**	**(378)**
Changes in treasury shares	Statement of changes in equity	(175)	(325)
Dividends paid	Statement of changes in equity	(305)	(267)
Issuance of subordinated liabilities (including those designated at fair value through profit or loss)		399	–
Changes in ownership interests in subsidiaries not resulting in a loss of control		0	(1)
AT1 coupon	Statement of changes in equity	(24)	(24)
Cash paid for amounts included in lease liabilities		(31)	(30)
Redemption of subordinated liabilities (including those designated at fair value through profit or loss)		(424)	0
IV. Net cash from financing activities		**(560)**	**(647)**
Cash and cash equivalents at end of previous period		**520**	**1,894**
Net cash from operating activities		**1,258**	**(349)**
Net cash used in investing activities		**(524)**	**(378)**
Net cash from financing activities		**(560)**	**(647)**
Cash and cash equivalents at end of period		**694**	**520**

NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 | Accounting policies

BAWAG Group AG is the parent company of BAWAG Group. BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft (BAWAG P.S.K. AG), a subsidiary of BAWAG Group AG, is an Austrian bank operating predominantly in Austria with additional activities in selected international markets. The registered office of BAWAG Group AG is located at Wiedner Gürtel 11, 1100 Vienna.

The consolidated financial statements were prepared applying section 59a BWG in connection with section 245a UGB, according to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and in accordance with the provisions of the standards (IFRS/IAS) published by the International Accounting Standards Board (IASB) and the interpretations by the IFRS Interpretations Committee (IFRIC/SIC) as applicable on the reporting date as adopted by the EU and therefore mandatory with respect to the consolidated financial statements as of 31 December 2023.

These consolidated financial statements for BAWAG Group according to IFRS are based on the individual annual financial statements for all fully consolidated Group companies according to IFRS as of 31 December 2023. Associates are accounted for using the equity method. The principle of materiality is applied.

The preparation of consolidated financial statements according to IFRS requires that assumptions and estimates be made about factors that have a material influence on the Group's business operations. These assumptions are regularly reviewed and adjusted whenever needed. Such adjustments are taken into account in the current period and also for future periods when the adjustment has long-term effects.

The recognition and measurement principles described below have been applied uniformly to all of the financial years stated in these consolidated financial statements.

The reporting currency is euro. Unless indicated otherwise, all figures are rounded to millions of euros. The tables in this report may contain rounding differences.

All monetary figures in foreign currencies are translated at the middle exchange rate on the reporting date.

For details regarding the impact of the current geopolitical situation, please refer to Note 53 in the Risk Report.

Scope of consolidation and consolidation principles

The scope of consolidation includes all direct and indirect material equity investments of BAWAG Group.

As of 31 December 2023, the consolidated financial statements included 40 (2022: 41) fully consolidated companies and 2 (2022: 2) companies that are accounted for using the equity method in Austria and abroad.

In the interest of materiality, the criteria for inclusion are both the amount of an entity's assets and its relative contribution to the Group's consolidated profit. All non-consolidated subsidiaries have only a minor influence on the Group's assets, financial position and the results of its operations. Note 48 List of consolidated subsidiaries contains a list of all fully consolidated subsidiaries and associates accounted for using the equity method.

The carrying amount of the associates that are not accounted for using the equity method totaled € 0 million (2022: € 0 million) on 31 December 2023. Controlled companies with a carrying amount of € 16 million (2022: € 26 million) were not consolidated because they did not have a material effect on the Group's assets, financial position or the results of its operations.

Further details on the scope of consolidation and major changes in the Group's holdings can be found in Notes 48 and 49.

The acquisition method according to IFRS 3 is used for business combinations. Under this method, the acquisition costs for the entity in question must be compared with the value of the net assets at the time of acquisition. The value of the net assets is the fair value of all identifiable assets, liabilities and contingent liabilities assumed at the time of acquisition.

All intragroup receivables and payables, expenses, and income and intragroup profits are eliminated unless they are insignificant.

Capitalized goodwill in the amount of € 122 million (2022: € 98 million) is recognized under Goodwill on the Statement of Financial Position. In accordance with IFRS 3 in conjunction with IAS 36 and IAS 38, the recognized goodwill of all cash-generating units (CGUs) is subject to annual impairment testing in accordance with IAS 36.

Goodwill impairment testing is performed by applying the value in use for the respective entities.

Currently, the goodwill is allocated to the easybank franchise (€ 59 million; 2022: € 59 million), Zahnärztekasse AG (€ 24 million; 2022: € 23 million), Idaho First Bank (€ 23 million; 2022: n/a), Health Coevo AG (€ 15 million; 2022: € 15 million), brokerage business (€ 1 million; 2022: € 1 million) and BAWAG P.S.K. Versicherung AG (€ 11 million; 2022: (€ 11 million) – the last entity is accounted for using the equity method – as these are the smallest CGUs to which goodwill can be assigned. Further details on the entities accounted for using the equity method can be found in Note 35 and Note 51.

The customer business of all entities with a goodwill, except for BAWAG P.S.K. Versicherung AG and PSA Payment Services Austria GmbH, is part of the Retail & SME segment. BAWAG P.S.K. Versicherung AG and PSA Payment Services Austria GmbH are part of the Corporate Center segment.

Also, all equity investments were tested for indicators of a sustained or material impairment. Impairment tests were carried out if necessary due to the indicators. Further details can be found in the respective chapter of Note 1.

All non-consolidated equity instruments are measured according to IFRS 9 and classified as fair value through OCI or fair value through profit or loss. Further details can be found in Note 49.

Exercise of judgment and uncertainty of estimates

The consolidated 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. With respect to the current geopolitical situation, please refer to the bullet point on IFRS 9.

The measurement of financial instruments and the related estimates in respect of measurement parameters, in particular the future development of interest rates, have a material effect on the results of operations. The parameter values applied by the Bank are derived largely from market conditions prevailing as of the reporting date.

The determination of the fair value for financial assets and liabilities for which there is no observable market price (Level 3) requires the use of valuation techniques. For financial instruments that trade infrequently, calculation of fair value requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Details regarding valuation techniques and uncertainty of estimates regarding unobservable input factors are described in Note 1 Accounting policies and in Note 33 Fair value.

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. In light of the current geopolitical situation (Russia-Ukraine conflict, economic slowdown, banking turmoil), assessments regarding the measurement of individual financial assets, assessments regarding the transfer of financial instruments from Stage 1 to Stage 2, macroeconomic assumptions for the determination of forward-looking information in the course of the calculation of expected credit losses and assumptions for expected cash flows for impaired loans are based on the latest observations available to us. The long-term impact of the current geopolitical situation on economic development, the development of labor and other industry-specific markets as well as the payment holidays granted inside and outside of state or industry moratoria may be overestimated or underestimated when applying hindsight in the future. For details regarding quantitative effects of the current geopolitical situation as of 31 December 2023, please refer to the Risk Report.

The Bank may also face an impact from changed climate conditions and consequently see an impact on the loan portfolio or any collaterals (e.g. through floodings). Other ESG risks may contain changes in client behavior, changes in relevant legislation, etc. ESG risks may impact our planning assumptions used for impairment testing, valuation of collateral and financial instruments. The analysis and monitoring of these risks is an ongoing process. For further information on ESG risks, we refer to the Risk Report.

Assessments as to whether or not cash-generating units (CGUs) were unimpaired are based on planning calculations. These naturally reflect the management's evaluations, which are in turn subject to a degree of predictive uncertainty. Details on the impairment test and the analysis of uncertainties surrounding the estimation of goodwill are set out in Note 1 Accounting policies and Note 19 Goodwill, Brand names and customer relationships and Software and other intangible assets.

In determining the amount of deferred tax assets, the Group uses historical utilization possibilities of tax loss carryforwards and a multi-year forecast prepared by the management of the subsidiaries and the approved budget for the following year, including tax planning. The Group regularly re-evaluates its estimates related to deferred tax assets, including its assumptions about future profitability. Details regarding deferred taxes are set out in Note 1 Accounting policies and in Note 20 Net deferred tax assets and liabilities on the Statement of Financial Position.

Pension obligations are measured based on the projected unit credit method for defined benefit pension plans. In measuring such obligations, assumptions have to be made regarding long-term trends for salaries, pensions and future mortality in particular. Changes in the underlying assumptions from year to year and divergences from the actual effects each year are reported under actuarial gains and losses (see Note 1 Accounting policies).

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

- recoverability of intangible assets (Note 19)
- 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
- assessment of the lease term applied for the standard IFRS 16 Leases
- assessing which entities are structured entities, and which involvements in such entities are interests (Note 52)
- IFRS 9: Judgment may be required when assessing the SPPI criterion to ensure that financial assets are classified into the appropriate measurement category.
- fair value calculation for unquoted financial instruments where some parameters required for the valuation model are not observable in the market (Level 3). For details regarding effects of the current geopolitical situation as of 31 December 2023, please refer to Note 33 Fair value.

IFRS 9 Financial Instruments

Financial instruments are recognized and derecognized on the trade date.

Classification of financial assets and financial liabilities

Financial assets – Debt instruments

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 are held for a future sale and if 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.

Premiums and discounts are recognized pro rata temporis via the effective interest rate. Expenses and revenues were set off against or added to interest income from the same financial instrument.

Processing fees are deferred over the term of the loan and recognized in the net interest income after deducting the directly attributable costs.

Please see the Risk Report for information about the formation of provisions.

Business model assessment for financial assets

The Group identified the following business models:

- Hold to collect
  Financial assets held in this business model are in general intended to be held until maturity and managed to realize cash flows by collecting principal and interest over the lifetime of the instruments. Not all of the financial assets need to be held until maturity. Under certain circumstances, sales are consistent with this business model independent of their volume and frequency, for example if the asset is sold close to the maturity of the financial asset and the proceeds approximate the collection of the remaining contractual cash flows or the asset is sold due to an increase in the asset's credit risk due to changes in tax or regulatory laws, within business combinations or reorganizations or in stress case scenarios. In addition, sales are considered as insignificant independent of their reason when sales volumes and earnings do not exceed 5% of the average book value of the respective portfolio in a year.

- Hold to collect and sell
  Financial assets that are held in this business model are managed both in order to collect contractual cash flows and for selling. This business model covers a portfolio of predominantly liquid investment grade bonds that can be sold, put up for an ECB tender or used in a repurchase agreement transaction if needed.

- Other financial assets
  Financial assets in this business model are held to sell. BAWAG Group designated a small portfolio of loans to the public sector in this business model. These loans are incurred principally for the purpose of selling them in the near term (loans are held for a short timeframe and are then sold).

- Held for trading
  This category covers financial assets and liabilities held for trading purposes. These financial instruments are recognized at their fair value. All derivatives in the banking book that are not part of a hedging transaction are assigned to this category. Financial liabilities include liabilities from derivative transactions, short positions and repurchase agreements.

Certain financial assets that do not meet the definition of trading assets are designated at fair value through profit or loss using the fair value option. BAWAG Group exercised the fair value option in the following cases:

- To avoid an accounting mismatch
  - For fixed-income securities and loans whose fair value on the date of acquisition has been hedged with interest rate derivatives;
  - Investment products whose fair value changes have been hedged with derivatives.

Assessment whether contractual cash flows are solely payments of principal and interest for financial assets

To identify whether a financial asset fulfills the SPPI criteria, BAWAG Group analyzes its portfolio in three steps:

1. Identifying all financial assets clearly fulfilling the SPPI criteria;
2. Qualitative benchmark test;
3. Quantitative benchmark test.

A qualitative or quantitative benchmark test must be performed for financial instruments with possibly harmful conditions. A qualitative benchmark test suffices if the possibly harmful feature is clearly immaterial when comparing cash flows, e.g. certain prior fixings. In this case, a quantitative benchmark test is not necessary and the financial instrument fulfills the SPPI criteria. In all other cases, a quantitative benchmark test is required comparing the cash flow of the financial asset with the harmful feature with a cash flow of a theoretical financial instrument having the same conditions but without the harmful feature. If the cash flows deviate significantly, the financial asset does not fulfill the SPPI criteria and must be measured at FVTPL.

When comparing cash flows in the benchmark test, BAWAG Group defined a deviation of 5% when comparing cumulative cash flows and 1% of annual cash flows as immaterial. A portfolio of loans and bonds currently fails the SPPI test, mainly due to their interest rate indicator being non-compliant.

The Bank has granted loans that include features that change contractual cash flows based on the borrower meeting certain contractually specified ESG targets, for example a reduced interest rate if the borrower meets specific targets for reducing carbon emissions. If the ESG feature could only have a de minimis effect (+/- 5%) on the contractual cash flows of the instrument, BAWAG considers the SPPI criterion to be met.

Financial liabilities

In accordance with IFRS 9, financial liabilities
- not held for trading or
- designated as Financial liabilities at fair value through profit or loss

are measured at amortized cost.

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.

Certain financial liabilities that do not meet the definition of trading liabilities are designated at fair value through profit or loss using the fair value option. BAWAG Group exercised the fair value option in the following cases:

- To avoid an accounting mismatch
  - For fixed-income own issues whose fair value on the date of acquisition has been hedged with interest rate derivatives
- Presence of embedded derivatives
  - Own issues with embedded derivatives

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.

Contractual modifications

If the contractual cash flows are changed in the course of renegotiating loans, an assessment of the significance of the change is required. In the event of a non-significant change in the contractual cash flows, the gross carrying amount of the instrument is adjusted to the present value of the new contractual cash flows, discounted at the original effective interest rate. The difference between the old gross carrying amount and the new gross carrying amount is recognized in the income statement as a modification gain or loss in Gains and losses on financial assets and liabilities.

If the cash flows differ significantly (BAWAG Group has chosen a significance threshold for the change in present value of 10%), the contractual rights to the cash flows from the original instruments are considered forfeited. In this case, the original instrument is derecognized, and a new financial instrument is recognized at fair value plus any eligible transaction costs.

In addition, the original asset is derecognized in case of a qualitative modification of the contract. This is the case if there is a change in the contract party or the contract currency (unless this was already agreed in the original contract) and the introduction or removal of a contractual clause that is not SPPI-compliant.

In case of modifications that do not lead to derecognition, BAWAG Group assesses a significant increase in credit risk through one of the stage transfer criteria and determines if the assets' loss allowance is measured at lifetime or 12-month expected loss. A significant increase in credit risk is assessed by comparing:

- the remaining lifetime PD at the reporting date based on the modified terms; and
- the remaining lifetime PD estimated at the initial recognition with the original contractual terms.

When modification of a loan that is not credit-impaired results in a derecognition, a new loan is recognized and allocated to Stage 1.

Equity instruments

IFRS 9 requires all equity instruments to be measured at fair value through profit or loss, but allows users to designate equity instruments that are not intended to be "held for trading" at fair value through OCI. This decision is made on an instrument-by-instrument basis. If the OCI option is used, all fair value changes including sales from gains will be shown in OCI. Gains and losses are not recycled to profit or loss (P&L). Only dividends are recognized in P&L. This designation can only be made at inception and cannot be changed afterwards.

The majority of BAWAG Group's equity investments are intended to be long-term investments and BAWAG Group is not focused on realizing short-term sales profits from these investments. Therefore, equity investments are generally classified as FVOCI, as the Group regards this presentation as giving a clearer picture of the Group's profitability. This mainly concerns non-consolidated interests in subsidiaries as well as investments in AT1 instruments (Additional Tier 1). In case BAWAG Group plans to sell equity investments in the medium or near term, the use of the FVOCI option is decided on a case-by-case basis.

Impairment

Please see the Risk Report for information about impairments.

Cash reserves

Cash reserves include cash on hand and balances at central banks. Cash reserves are carried at amortized cost in the Statement of Financial Position.

Hedge accounting

BAWAG Group chose to continue applying hedge accounting under IAS 39.

BAWAG Group uses fair value hedge accounting to account for hedges of interest rate risk inherent in fixed-rate financial instruments. Hedging instruments are usually interest rate swaps. The hedged items are securities in the category At fair value through other comprehensive income as well as the Group's own issues, customer deposits and loans to customers that are recognized at amortized cost. BAWAG Group applies cash flow hedge accounting according to IAS 39 for highly probable future cash flows from certain foreign currency portfolios. Hedging instruments are usually cross-currency swaps and FX outrights.

In line with general regulations, derivatives are classified as financial assets held for trading or financial liabilities held for trading and are recognized at fair value. The valuation result is shown in the line item Gains and losses on financial assets and liabilities as gains (losses) on financial assets and liabilities held for trading. If derivatives are used to hedge risks of non-trading transactions, BAWAG Group applies hedge accounting if the conditions according to IAS 39 are met.

At inception of the hedge relationship, the relationship between the hedging instrument and the hedged item, the risk management objectives and the method used for assessing hedge effectiveness are documented. Furthermore, BAWAG Group documents at the inception of the hedge and at least on each reporting date whether the hedge is highly effective in offsetting changes in fair values of the hedged item and the hedging instrument attributable to the hedged risk.

Interest rate risk to which the Group applies hedge accounting arises from fixed-rate issues, customer deposits, loans and fixed-rate bonds whose fair value fluctuates when benchmark interest rates change. The Group hedges interest rate risk only to the extent of benchmark interest rates because the changes in fair value of fixed-rate assets or liabilities are significantly influenced by changes in the benchmark interest rate. Hedge accounting is applied where economic hedge relationships meet the hedge accounting criteria.

The Group takes a conservative approach to market risk in general and specifically also to interest rate risk. The interest rate risk position is strategically managed at the IFRS Group level and measured, limited and managed based on the economic view and according to the IFRS accounting treatment (FVTPL, FVOCI). The Group's interest rate risk management approach has a focus on mitigating market risks, thereby using natural hedging capabilities of its balance sheet as well as derivatives for managing the risk position.

The foreign currency risk for which the Group applies cash flow hedge accounting results from future cash flows from foreign currency portfolios whose fair value fluctuates with changes in the FX exchange rate. Both FX outrights and cross-currency swaps are used in the Group to hedge foreign currency risk, as their change in market value is essentially influenced by the change in the FX exchange rate.

FX risks are deemed to be low, as the Group follows a strategy to hedge any FX risks arising from notional and base rate interest cash flows. The risk position is monitored on a daily basis and managed within narrow limits. Furthermore, the Group applies cash flow hedge accounting to mitigate FX risk from future expected spread income.

By using derivative financial instruments to hedge exposures to changes in interest and FX rates, the Group also exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged item. The Group minimizes counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties, requiring the counterparties to post collateral and clearing through CCPs.

BAWAG Group uses fair value hedge accounting for effective hedging relationships that reduce market risk.

The Group's interest rate risk management strategy has not changed due to the current geopolitical situation.

Implications on the accounting of hedging derivatives in connection with Brexit

As of 31 December 2023, BAWAG Group uses hedging derivatives with a notional amount of € 12 billion (2022: € 8 billion) and a market value of € 102 million (2022: minus € 285 million) in a hedging relationship that were cleared via London Clearing House. The London Clearing House will keep its status as a third country central clearing counterparty (TC-CCP) under EMIR until 30 June 2025. Thus, there were no implications on the Group financials of BAWAG Group in 2023 and 2022. BAWAG Group will monitor the development of this topic and will take appropriate measures if necessary.

Micro fair value hedge

In a micro fair value hedge, a financial asset or financial liability or a group of similar financial assets or financial liabilities is hedged against changes in its fair value. Changes in the value of the hedged item and the hedging instrument are recognized in the Profit or Loss Statement in the line item Gains and losses on financial assets and liabilities in the same period. The hedging instrument is recognized at fair value through profit or loss and the hedged item is adjusted for any changes in fair value relating to the hedged risk.

As soon as the hedging instrument is sold, exercised or comes due, or when the eligibility requirements for hedge accounting are no longer met, the hedging relationship is no longer recognized on the Statement of Financial Position.

Any accumulated changes in the value of the former hedged item during the existence of the hedge relationship are recognized through profit or loss distributed over the remainder of the term.

For other types of fair value adjustments and whenever a fair value hedged asset or liability is sold or otherwise derecognized, any basis adjustments are included in the calculation of the gain or loss on derecognition.

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, BAWAG Group performs a qualitative prospective assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying interest rates. The main cause of hedge ineffectiveness is due to the fact that different discounting curves are used to determine the fair value of hedges and hedged items (OIS vs. IBOR discounting).

Portfolio fair value hedge

BAWAG Group applies fair value hedge accounting for a portfolio hedge of interest rate risk. In its accounts, the Bank has identified sight deposits in euros as well as customer loans with interest caps and floors and fixed rate loans as portfolios that are to be protected against interest rate risks. These portfolios are divided into time buckets in accordance with the expected repayment and interest rate adjustment dates. BAWAG Group determines an amount of liabilities and/or loans from the identified portfolios to be hedged as the underlyings for the portfolio fair value hedges. Additions and reductions are initially allocated to the non-designated portion of the identified portfolios using the bottom layer approach. For this, BAWAG Group applies the EU carve-out for IAS 39, which allows sight deposits and similar instruments to be designated as part of a hedging relationship on the basis of the expected withdrawal and due dates. The EU carve-out for IAS 39 also allows the application of the bottom layer approach.

On the balance sheet, the changes in the value of the underlying transactions that can be attributed to the hedged risk are reported under the separate line item Valuation adjustment on interest rate risk hedged portfolios. Changes in the value of the underlying and the hedging transaction are reported on the income statement in the same period under Gains and losses on financial assets and liabilities.

In addition to the reason mentioned in the Micro fair value hedge section (OIS/IBOR basis spread), inefficiencies in portfolio fair value hedge accounting will arise if the volume of hedging transactions exceeds the actual volumes of the hedged positions.

Cash flow hedge

BAWAG Group applies cash flow hedge accounting according to IAS 39 for highly probable future cash flows from certain foreign currency portfolios.

BAWAG Group has identified future spread income from GBP, CHF 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 2023 fair value losses in the amount of minus € 5.2 million (2022: gains in the amount of € 3.5 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.

In addition to the reason mentioned in the Micro fair value hedge paragraph (OIS/IBOR basis spread), inefficiencies in cash flow hedge accounting will arise if the expected cash flows exceed the actual cash flows of the hedged positions.

Net investment hedge

BAWAG Group applies net investment hedge accounting according to IAS 39 for net investments in subsidiaries whose functional currency is not the euro.

Investments in subsidiaries with different functional currencies result in foreign exchange risks for BAWAG Group which are largely eliminated with foreign exchange swaps.

Net investment hedge accounting according to IAS 39 is applied to mitigate impacts on profit or loss resulting from instruments used to hedge the foreign exchange risk. The hedged risk is defined as the foreign currency exposure arising from the functional currency of the foreign operation (currently CHF and USD) and the functional currency of the parent, which is the euro.

The hedging instrument is measured at fair value, with the effective portion of its changes recognized in other comprehensive income in a separate component of equity. Any ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss in the event that the fair value change of the hedging instrument exceeds the fair value change of the hedged item.

In other comprehensive income, the changes in the value of the hedging instruments are reported under Hedge of net investment in foreign operations. In 2023, fair value gains in the amount of € 0.7 million (2022: losses of minus € 9.1 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 net investment hedge accounting.

Inefficiencies in net investment hedge accounting will arise from the hedging instrument (the forward contract), which contains a foreign currency basis spread that is not present in the hedged item (the net investment). Furthermore, hedge ineffectiveness can arise when the carrying value of the net investment falls below the originally designated amount or when the hedged item and the hedging instrument are subject to different counterparty risks (e.g. OIS discounting of hedging instrument).

IBOR reform

BAWAG Group is closely monitoring current developments regarding interest benchmark reforms and the use of risk-free rates (IBOR reform). The Bank completed the transition to reformed IBOR rates in GBP and CHF in 2022 and completed the transition to reformed IBOR rates in USD in 2023. The transition of CAD CDOR is scheduled for H1 2024.

The European Commission has issued a regulation directly applicable in Austria, which provides that the CHF LIBOR used as a rate in all existing contracts (e.g. current account and loan agreements) will be replaced by the SARON Compound Rate as of 1 January 2022. In order to compensate for structural differences between LIBOR and the SARON Compound Rate and thus not to change the original interest rate level to the disadvantage of one party, the regulation provides for fixed spread adjustment which – depending on the duration of the interest period – slightly decreases or increases the SARON Compound Rate. BAWAG Group has informed its customers about this statutory successor rate and will apply it in the contracts from 1 January 2022.

It is expected that the reform of IBOR rates will also have an impact on the Bank's defined interest rate risk steering and management framework. In line with its risk management objectives, the Bank currently is steered and hedged against 3M Euribor and 3M CDOR, including respective hedge accounting relationships. For business in GBP, CHF and USD, steering and hedging is based on overnight rates. BAWAG Group uses fair value hedge accounting (micro fair value and portfolio fair value hedges), cash flow hedge accounting and net investment hedges to mitigate market risks. Hedging instruments and hedged items are predominantly denominated in euro, US dollar, British pound and to a lesser extent in Swiss francs. As of 31 December 2023, approximately € 44 billion (2022: € 40 billion) of hedging instruments were assigned to a hedge accounting relationship (approximately € 21 billion [2022: € 17 billion] in hedged assets and approximately € 23 billion [2022: € 23 billion] in hedged liabilities).

Non-derivative financial assets and financial liabilities as of 31 December 2023

	EURIBOR (incl. EONIA)		CHF LIBOR		USD LIBOR		GBP LIBOR		OFX LIBOR	
in € million	Total	Fallback included	Total	Fallback included	Total	Fallback included	Total	Fallback included	Total	Fallback included
Total Assets	**20,173**	**4,059**	**–**	**–**	**–**	**–**	**–**	**–**	**124**	**123**
Loans and advances	18,789	2,761	–	–	–	–	–	–	124	123
Debt securities	1,384	1,298	–	–	–	–	–	–	–	–

	EURIBOR (incl. EONIA)		CHF LIBOR		USD LIBOR		GBP LIBOR		OFX LIBOR	
in € million	Total	Fallback included	Total	Fallback included	Total	Fallback included	Total	Fallback included	Total	Fallback included
Total Liabilities	**1,436**	**302**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Deposits	1,404	300	–	–	–	–	–	–	–	–
Debt securities issued	32	2	–	–	–	–	–	–	–	–

The securities without replacement language have a total notional of less than € 50 million, will mature within the next two years and refer to € benchmark interest rates.

Non-derivative financial assets and financial liabilities as of 31 December 2022

	EURIBOR (incl. EONIA)		CHF LIBOR		USD LIBOR		GBP LIBOR		OFX LIBOR	
in € million	Total	Fallback included	Total	Fallback included	Total	Fallback included	Total	Fallback included	Total	Fallback included
Total assets	**21,391**	**5,954**	**–**	**–**	**2,566**	**2,509**	**–**	**–**	**371**	**360**
Loans and advances	20,119	4,789	–	–	2,517	2,509	–	–	371	360
Debt securities	1,272	1,166	–	–	49	–	–	–	–	–

	EURIBOR (incl. EONIA)		CHF LIBOR		USD LIBOR		GBP LIBOR		OFX LIBOR	
in € million	Total	Fallback included	Total	Fallback included	Total	Fallback included	Total	Fallback included	Total	Fallback included
Total liabilities	**1,511**	**302**	**–**	**–**	**151**	**–**	**–**	**–**	**–**	**–**
Deposits	1,496	300	–	–	151	–	–	–	–	–
Debt securities issued	14	2	–	–	–	–	–	–	–	–

Derivatives and hedge accounting

The Group holds derivatives for risk management purposes. Some derivatives held for risk management purposes are designated in hedging relationships. The interest rate and cross-currency swaps have floating legs that are indexed to various IBORs. The Group's derivative instruments are governed by ISDA's 2006 definitions.

ISDA has reviewed its definitions in light of the IBOR reform and issued an IBOR fallbacks supplement on 23 October 2020. This sets out how the amendments to new alternative benchmark rates (e.g. SOFR, SONIA) in the 2006 ISDA definitions will be accomplished. The effect of the supplement is to create fallback provisions in derivatives that describe what floating rates will apply on the permanent discontinuation of certain key IBORs or on ISDA declaring a non-representative determination of an IBOR. The Group has adhered to the protocol to implement the fallbacks to derivative contracts that were entered into before the effective date of the supplement. For derivative counterparties also adhering to the protocol, new fallbacks were then automatically implemented in existing derivative contracts when the supplement became effective – i.e. on 25 January 2021. From that date, all new derivatives that reference the ISDA definitions will also include the fallbacks. Consequently, the Group is monitoring whether its counterparties will also adhere to the protocol and, if there are counterparties that will not, then the Group plans to negotiate with them bilaterally about inclusion of new fallback clauses. Counterparties for derivative contracts in the currencies of GBP, CHF, USD and CAD are adhering to the protocol, therefore no negotiations were necessary with these counterparties. For derivatives in the currencies of GBP and CHF, the transition was completed in 2022, for derivatives in USD, the transition was completed in 2023. For derivatives in CAD, the transition is scheduled for H1 2024.

The following tables show the total amounts of unreformed derivative instruments and amounts that include appropriate fallback language at 1 January 2023 and at 31 December 2023 and at 1 January 2022 and at 31 December 2022, respectively. For cross-currency swaps, the Group used the notional amount of the receive leg of the swap.

	CHF LIBOR		GBP LIBOR		USD LIBOR		EONIA		CAD CDOR	
in € million	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause
31.12.2023	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**130**	**130**
Derivatives held for risk management										
Interest rate swaps	–	–	–	–	–	–	–	–	130	130
Cross-currency swaps	–				–	–	–	–	–	–
01.01.2023	**–**	**–**	**–**	**–**	**5,294**	**5,294**	**–**	**–**	**121**	**121**
Derivatives held for risk management										
Interest rate swaps	–	–		–	287	287	–	–	121	121
Cross-currency swaps	–	–	–	–	5,007	5,007	–	–	–	–

in € million	CHF LIBOR Total amount of unreformed contracts	CHF LIBOR Amount with appropriate fallback clause	GBP LIBOR Total amount of unreformed contracts	GBP LIBOR Amount with appropriate fallback clause	USD LIBOR Total amount of unreformed contracts	USD LIBOR Amount with appropriate fallback clause	EONIA Total amount of unreformed contracts	EONIA Amount with appropriate fallback clause
31.12.2022	**–**	**–**	**–**	**–**	**5,294**	**5,294**	**–**	**–**
Derivatives held for risk management								
Interest rate swaps	–	–	–	–	287	287	–	–
Cross-currency swaps	–				5,007	5,007	–	–
01.01.2022	**–**	**–**	**–**	**–**	**5,585**	**5,585**	**–**	**–**
Derivatives held for risk management								
Interest rate swaps	–	–		–	804	804	–	–
Cross-currency swaps	–	–	–	–	4,781	4,781	–	–

Financial guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

In the ordinary course of business, BAWAG Group provides financial guarantees. Financial guarantees are initially measured at fair value. Subsequent to initial recognition, the financial guarantee contract is reviewed in order to determine whether a provision according to IAS 37 is required.

If BAWAG Group is a guarantee holder, the financial guarantee is not recorded in the balance sheet but is taken into consideration as collateral when determining impairment of the guaranteed asset. For details, see Note 28.

Methods for determining the fair value of financial instruments

The assessment of an “active market” of a given security is derived from a set of defined criteria. Additionally, minimum requirements (e.g. issuance size, exchange listing, etc.) apply. BAWAG Group uses market data (e.g. quoted volumes, frequency of quotes) to determine the liquidity and market depth of securities.

Derivatives

To measure exchange-traded instruments such as futures and options on futures, exchange prices are used. Details are presented in Note 33. Some basic information is presented here:

The basic valuation model used for plain vanilla OTC options is the Black-Scholes option price model, which varies according to the underlying instruments and hedged items. Currency options are measured using the Garman-Kohlhagen model, and interest rate options using the Black, Hull-White or Bachelier (in the case of negative interest rates for caps, floors and swaptions) model.

The total value of an interest rate swap is derived from the present values of its fixed and variable rate legs. For cross-currency swaps (CCS), the cash value in the respective transaction currency is also calculated per leg, which is then converted into the functional currency of the Group company and summed up.

In the case of foreign currency forwards and futures, the agreed forward rate, which depends on movements in exchange and interest rates for both currencies, is compared with the forward rate on the reporting date and the result is used to calculate the instrument's value.

Credit default swaps (CDS) are calculated with the Duffie-Singleton model. Based on the credit spread curve, the default probability curve (hazard rate) is calculated, which is used to generate the protection leg. Hence, the total value of a CDS is the sum of the protection and premium leg.

BAWAG Group determines a credit (CVA) or debt value adjustment (DVA) for the credit risk of OTC derivatives. For calculation, internal probabilities of default (PD) are used and a recovery rate (RR) of 0.4 is assumed.

For the counterparties, a market value + add-on model is used to determine the EPE/ENE (expected positive/negative exposure). The add-on is calculated separately for each transaction type and currency and is generally derived from observable parameters on the market.

If a netting agreement is in force, netting effects at the customer level within transactions of the same kind and currency are also taken into account.

The CVA is determined from the discount rates, the counterparty PD and loss rate (1-REC) as well as the EPE. The DVA is determined from BAWAG Group's PD and loss rate as well as the ENE.

If the risk discount rate cannot be derived from market transactions, it is estimated by the management. This applies especially to non-payment risks arising from legal uncertainty that cannot be derived from the customer's general credit spread. Provided that BAWAG Group believes that the transaction is legally enforceable, the Bank still reports an asset in the amount of the positive fair value of the transaction with the counterparty even if objections have been lodged.

To value financial assets whose parameters cannot be derived from market transactions, the expected cash flow (including interest on arrears, if contractually agreed) is discounted on the day of valuation and weighted according to the probability of its occurrence. If the legal validity or enforceability of the claim is contested on the basis of possible grounds for annulment or an appeal, these legal considerations are taken into account in the valuation.

In the case of the close-out of a derivative transaction with a customer, the type of claim changes for BAWAG Group. Before the contract is terminated, the asset is a derivative, while after the contract is closed out, the asset is a contractual claim whose value no longer changes depending on market parameters. For this reason, the claim no longer satisfies the definition of a derivative according to IFRS 9.

In the event of the early termination of a derivative transaction, the variability of the payment flows in terms of amount and time of occurrence are materially changed by the close-out, and the original derivative is replaced with a new asset. This new asset is recognized at its fair value according to IFRS 9.5.1.1. The fair value corresponds to the carrying amount of the derivative at the time that the agreement is terminated, including any valuation adjustments applied up to the time of termination. A claim arising from the termination of the agreement meets the criteria in IFRS 9.4.1.2 for being measured at amortized cost.

This approach was chosen following IFRS 9.3.3.2 and IFRS 9.3.2.7, since IFRS 9 contains no explicit rules for when a financial instrument first fulfills the characteristics of a derivative and then no longer exhibits these characteristics at a later time. According to IAS 8.10 to 8.12, such gaps in the standards must be closed by applying a similar provision in the IFRS and taking the framework into account.

Credit-linked notes

For credit-linked notes where no active markets exist, fair values are determined by applying a valuation model. Credit-linked notes (CLNs) are bonds with an embedded credit default swap (CDS) allowing the issuer to transfer a specific credit risk to investors. The valuation model for CLNs uses bond or CDS spreads of the issuer and the reference entity, as well as coupon and maturity.

Valuations by outside experts are also used when measuring complex structures. Appropriate tests and verifications are carried out.

Measurement for asset backed investments

Each position of the collateralized loan obligation (CLO) portfolio of BAWAG Group is subject to the mark-to-model valuation, which is performed on a monthly basis within the pricing functionality developed by Moody's Analytics. Specifically, the measurement is performed within the CDOnet functionality of Moody's Structured Finance solutions, where the present value technique is applied. The model uses the inputs already available in Moody's Structured Finance (e.g. cash flows, original spreads for each tranche, weighted average maturity, etc.), as well as additional parameters that are derived independently by the Market Risk unit (primarily discounting spreads at the valuation date) from comparable CLO tranches with respect to credit rating, type of CLO, average subordination, etc. The source for the market spread levels is the Moody's Structured Finance Portal as well as other external data sources like Wells Fargo Securities.

Fair value of participations

To determine the fair value of the participations, the present value of the projected potential dividends was calculated by using the risk-weighted pre-tax discount rate in the market applicable to the participation in question. These projections take into account the most recent forecasts including the observed and expected impact of the Russia-Ukraine conflict and further global risks on the relevant entity's profitability.

To determine the value in use of the single entity, the present value of the projected potential dividends was calculated using the risk-weighted after-tax discount rate in the market applicable to the single entity in question.

The general planning horizon used for valuation purposes is five years. The long-term growth rates used in the calculation are generally 1.0%, applying the going concern principle. To the extent necessary, proper company-specific profit retention in perpetuity was considered for the calculation of the continuing value and for the detailed planning phase.

The post-tax discount rate is composed of the risk-free rate, the local market risk premium and the beta factor. The following parameters are used as of 31 December 2023:

- The risk-free rate (2.22%) is the 30-year spot rate calculated in accordance with the Svensson method, based on the parameters published by Deutsche Bundesbank (2022: 2.36%; 30-year spot rate).
- The indicators for the country-specific market risk premium are the website of Damodaran, the recommendation of the Austrian Chamber of Chartered Public Accountants and Tax Consultants, whose Business Valuation working group sets a range from 7.5% to 9.0% (2022: 7.5% to 9.0%) for the expected nominal market yield. Due to the recent rise in yield expectations on the European capital markets, a market risk premium of 7.28% (2022: 7.14%) was chosen.

- The applied beta factor for banks and financial service companies (0.99) is the two-year weekly average beta of 10 banks listed on European stock exchanges with retail as their core business. To avoid unsustainable overemphasis of the market in the wake of one-time events or a crisis, a rolling beta factor is derived, the two-year betas of the peer group are formed over 12 quarters taking the mean value (rolling beta). Bloomberg serves as the relevant source. Banks with an R^2 (coefficient of determination) of at least 0.15 and/or a value for the t-test (hypothesis test) of at least 1.98 qualify for the peer group. The applied beta factor for stock exchanges is 0.81. (2022: The applied beta factor for banks and financial service companies [1.09] is the two-year weekly average beta of 10 banks listed on European stock exchanges with retail as their core business. To avoid unsustainable overemphasis of the market in the wake of one-time events or a crisis, a rolling beta factor is derived, the two-year betas of the peer group are formed over 12 quarters taking the mean value [rolling beta]. Bloomberg serves as the relevant source. Banks with an R^2 [coefficient of determination] of at least 0.15 and/or a value for the t-test [hypothesis test] of at least 1.98 qualify for the peer group. The applied beta factor for stock exchanges is 0.82.)

Based on the aforementioned assumptions, the fair value of the equity investments was calculated for the year under review in accordance with IFRS 13.

Transfers of financial instruments

Financial assets are derecognized as soon as the Group is no longer entitled to receive the financial rewards from the instruments. This generally occurs when the rights and obligations of the financial instruments pass to a third party by exercise, sale or assignment or if the Group has lost its right of disposal or the rights have lapsed.

When financial assets are transferred and BAWAG Group has significant continuing rights and obligations under them, such assets are still reported on the Consolidated Statement of Financial Position.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled.

Repurchase agreements, also known as “repos” or “sale and repurchase agreements,” are contracts under which financial assets are transferred to a transferee (lender) in return for a cash payment while also specifying that the financial assets must later be transferred back to the transferor (borrower) for an amount of money agreed in advance. The financial assets transferred out by BAWAG Group under repurchase agreements remain on the Group’s Statement of Financial Position and are measured according to the rules applicable to the respective Statement of Financial Position item. The liabilities resulting from cash received under repo arrangements are recorded in liabilities held for trading or financial liabilities associated with transferred assets depending on the purpose of the contract.

Conversely, under agreements to resell (known as reverse repos), financial assets are acquired for a consideration while at the same time committing to their future resale.

In securities lending transactions, the lender transfers ownership of securities to the borrower on the condition that the borrower will retransfer, at the end of the agreed loan term, ownership of instruments of the same type, quality and quantity and will pay a fee determined by the duration of the loan. Securities lent to counterparties are accounted for in the same way as repos. They are retained in the Group’s financial statements and are measured in accordance with IFRS 9. Securities lending and borrowing transactions are generally collateralized. Collateral furnished by the securities borrower continues to be recorded in the borrower’s financial statements.

Intangible non-current assets, property, plant and equipment

Intangible non-current assets consist mainly of acquired goodwill and intangible assets such as brand names and customer relationships as well as other acquired and self-developed intangible assets (in particular software) recognized in accordance with IAS 38.

Intangible non-current assets with an indefinite useful life are recognized at cost less impairments and plus reversals of impairments. Brands are not amortized as they are assumed to have an indefinite useful life. An intangible asset has an indefinite useful life if there are no legal, contractual, regulatory or other factors limiting that useful life. Intangible assets and property, plant and equipment with limited useful lives are recognized at cost less straight-line amortization or depreciation and impairments and plus reversals of impairments. Buildings are depreciated at an annual rate of between 2.0% and 14.3% (2022: between 2.0% and 4.0%), other furniture and equipment is depreciated at annual rates between 2.0% and 50.0% (2022: between 2.0% and 50.0%), while IFRS 16 right-of-use assets are depreciated at annual rates between 5.0% and 36.4% (2022: between 5.0% and 48.0%). Purchased and self-produced software and other intangible assets and rights (other than goodwill and brand names) are amortized at annual rates between 2.8% and 33.3% (2022: between 2.8% and 33.3%). Customer relationships are amortized over approximately 8–30 years (2022: approximately 8–30 years) using a linear amortization rate. The amortization method and period are reviewed annually according to IAS 38. For details, please refer to Note 19.

When circumstances change, the useful life is adjusted considering the remaining economic life.

Development costs for internally generated software are capitalized when the development is technically feasible, there is the intention to complete the software, economic benefits will be generated and costs incurred can be measured reliably. Expenses for pre-studies (research costs) are not capitalized.

Government grants

Government grants are recognized in BAWAG Group's consolidated financial statements when there is reasonable assurance that they will be received and that BAWAG Group will comply with the conditions attached to them. These grants relate to the acquisition of assets, are presented as deductions from the acquisition costs of the related asset and are recognized in profit or loss over the periods and in the proportions in which depreciations and amortizations on those assets are recognized.

The total amount of government grants recognized amounts to € 0.5 million as of 31 December 2023 (2022: € 0.3 million). This amount relates to an investment program in Austria ("Investitionsprämie") offered to support the economy in the COVID-19 crisis by supporting the acquisition of property, plant and equipment and intangible assets.

Investment properties

Investment properties include the real estate that meets the criteria for designation as investment property within the meaning of IAS 40.5. These properties are primarily held to earn rental revenue. To a limited degree, the Group also uses some of these properties itself. However, because these portions cannot be sold separately and are insignificant for the purposes of IAS 40.10, the entirety of such properties is included in Investment properties. Investment properties are measured at fair value.

Impairment testing

The fair value of the brand names is calculated using a modified relief from royalty method (the Brand Equity Method). In order to derive the brand share that can be associated with the income before taxes of the relevant profit centers, both the brand relevance and the brand strength are taken into consideration. After having derived the brand-related income, the cash flows are discounted with the specific discount rate. The fair value of the brand name equals the present value of all brand-related cash flows.

The cash flow projections are based on the annual profits planned by the management of the company for the next five years and a perpetual growth rate (depending on the business model 0.5% to 1.0%) thereafter. The sustainable growth rate was determined on the basis of the estimated long-term annual profit growth rate, which matches the assumption that a market participant would make. The discount rate was estimated based on average equity returns in the sector and amounts to 6.96% for Zahnärztekasse AG, 9.70% for Idaho First Bank and 9.43% for all other entities (2022: 6.93% for Zahnärztekasse AG and 10.23% for all other entities). The planning assumptions for the period 2024–2028 are based on the ECB's economic assumptions and adequate estimates for risk costs. The planning input is based on the business strategy, which envisages organic growth in the core market and continuous improvement of our product range.

In addition, intangible and tangible assets are tested at the reporting date to determine whether or not there is evidence that they are impaired. If there is evidence for impairment, the recoverable amount is calculated for the asset. This is the higher of the value in use or the net selling price. If the recoverable amount is lower than the carrying amount, an impairment loss in the amount of the difference is recognized according to IAS 36. Details regarding impairments and appreciations are provided in Note 9.

In accordance with IFRS 3 in conjunction with IAS 36 and IAS 38, the recognized goodwill of all cash-generating units (CGUs) is subject to annual impairment testing in accordance with IAS 36 or when an impairment trigger exists based on the current business plan.

IFRS 16 Leases

Definition of a lease

At the inception of a contract, BAWAG Group assesses whether the contract is a lease according to IFRS 16. This is the case if the leased asset is an identified asset, the lessee substantially obtains all of the economic benefits from the use and the lessee has the right to control the asset.

The lease term starts at the commencement date of the lease contract, which is the date the lessor makes the underlying asset available for use by the lessee. It includes the non-cancelable period as well as periods where it is reasonably certain that the lessee exercises any extension option or does not exercise any termination option. BAWAG Group also considers all relevant circumstances that provide an economical incentive for the execution of such options. Examples are:

- importance of the leased asset for the Bank's business
- scope and costs of leasehold improvements
- costs of termination

A lessee considers all fixed, essentially fixed (i.e. variable but unavoidable) and variable lease payments depending on an index or rate. Other variable payments, such as those based on a percentage of sale or usage and maintenance costs, are not included, but recognized in profit or loss.

BAWAG Group as lessor

A lease is classified as a finance lease if it substantially transfers all the risks and rewards incidental to ownership to the lessee. By contrast, leases that do not substantially transfer all of the risks and rewards to the lessee are classified as operating leases.

For finance leases, the rights of claims against the lessee are recognized in the amount of the present value of the contractually agreed payments, taking any residual value into account, and reported under receivables from customers.

By contrast, operating leases in which BAWAG Group retains all risks and rewards incidental to ownership of the leased asset are reported under tangible non-current assets. Each leased asset is depreciated as appropriate.

Lease payments received for operating leases and interest payments for finance leases are recognized in the Profit or Loss Statement.

The operating leasing business is not material for BAWAG Group.

BAWAG Group as lessee

At the commencement of a lease, a right-of-use asset as well as a lease liability are recognized. The lease liability is measured at the present value of the lease payments. For discounting lease payments for the majority of leasing contracts, BAWAG Group uses the incremental borrowing rate because the implicit interest rate cannot be determined. The incremental borrowing rate corresponds to the interest rate at which BAWAG Group can refinance itself on the market. It is assumed that the refinancing has a term and collateral comparable to that of the leasing contract. Since the share of leasing contracts not denominated in euros is insignificant, only refinancing in euros is considered. The right-of-use asset is recognized in the same amount as the corresponding lease liability, adjusted by initial direct costs.

For the subsequent measurement, the lease liability is increased by interest expense on the outstanding amount and reduced by lease payments made. The right-of-use asset is reduced by the accumulated depreciation on a straight-line basis.

BAWAG Group applies two recognition exemptions for lessees as permitted by the standard:

- short-term leases for contracts with a lease term of 12 months or less at the commencement date
- leases of low-value assets

In applying these exemptions, the lessee does not recognize the lease payments as a right-of-use asset and lease liability, but as rental expenses on a straight-line basis over the lease term in profit or loss.

Existing lease contracts are subject to a regular assessment for the purpose of considering significant events that have an impact on the lease payment or the lease term, e.g. an adjustment of the lease payments to a current index or rate. In such cases, the lease liability is re-measured to reflect the changes. Accordingly, the revised carrying amount is recognized either as an increase or decrease of the existing lease liability. The right-of-use asset is generally adjusted by the same amount.

Income taxes and deferred taxes

According to IAS 12, income taxes must be computed and reported using the liability method. The computation is based on the local tax rates that are legally binding at the time the consolidated financial statements are prepared.

Deferred tax assets and liabilities result from different methods used to measure assets and obligations on the Statement of Financial Position under IFRS and the respective tax code. This generally leads to positive or negative differences in the income tax to be paid for future periods (temporary differences). A deferred tax asset is recognized for the carryforward of unused tax losses when it is probable that future taxable profit will be generated by the same taxable unit. Deferred tax assets and liabilities are not discounted.

Tax expenses allocable to the taxable profit were recognized in the Profit or Loss Statement under Income taxes and broken down into current and deferred income taxes. Other taxes that are not attributable to profit are recognized under Other operating income and expenses.

A tax group pursuant to section 9 KStG was parented by BAWAG Group AG in the financial year. On 31 December 2023, the tax group consisted of the group parent and 24 members, both consolidated and non-consolidated in these financial statements (2022: group parent and 27 members).

In 2017, a tax compensation agreement effective 1 January 2018 was concluded between the group parent and each tax group member. The tax compensation payments shall be calculated using the standalone method. This method simulates that each group member is an independent taxpayer. Group members are obligated to make a tax compensation payment amounting to their taxable profit multiplied by the enacted tax rate. The compensation payment is independent from the taxable result of the group. An internal tax loss carryforward for tax losses transferred to the tax group parent is sustained and taken into account. As far as the tax group parent only has to pay the minimum corporate tax, no tax compensation payment will be charged. A final settlement for uncredited tax losses must be effected upon dissolution of the tax group or when a member entity leaves the group.

In addition, the new tax group and tax compensation agreement stipulates that the tax group parent abstains from subsequently charging tax compensation payments for periods prior to 1 January 2018. Internal tax loss carryforwards for periods prior to 1 January 2018 will be sustained.

As of 31 December 2023, the exit of BAWAG Group AG from the tax group and the exit of all other group members, with the exception of the new members in 2022 and 2023, would not result in a corporate income tax back payment as of 31 December 2023 because the minimum period of three years as required by section 9 paragraph 10 KStG was already fulfilled. The new group members who entered the tax group in 2022 and 2023 would incur a corporate income tax back payment in the amount of € 0 million (2022: € 0 million).

The Austrian corporate income tax rate decreased from 24% to 23% as of 1 January 2024. The domestic deferred tax assets/provisions as of 31 December 2023 are already recognized with a tax rate of 23%, as the temporary differences will be reversed at this tax rate.

BAWAG Group has determined that the global minimum top-up tax is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Provisions for employee benefits

According to IAS 19, provisions for post-employment and termination benefits and for jubilee benefits are calculated using the projected unit credit method. The present values of obligations outstanding as of the measurement date are calculated on the basis of actuarial assumptions applying an appropriate discount rate and taking into account the expected rates of increase in salaries and post-employment benefits. They are recognized as a provision in the Consolidated Statement of Financial Position. Actuarial gains and losses relating to provisions for post-employment and termination benefits are recognized in full in other comprehensive income in the year in which they are incurred.

The principal parameters underlying the actuarial calculations are:

Parameters for post-employment pension obligations

	2023	2022
Interest rate EUR	3.40% p.a.	3.90% p.a.
Interest rate CHF	1.50% p.a.	2.25% p.a.
Wage growth	1.0%–2.5% p.a.	1.0%–2.95% p.a.
Fluctuation discount	0%–10.83% p.a.1)	0%–8.95% p.a.1)

Parameters for severance payments and anniversary bonuses

	2023	2022
Interest rate	3.40% p.a.	3.90% p.a.
Wage growth severance payments	3.25% p.a.	3.95% p.a.
Wage growth anniversary bonuses	3.00% p.a.	2.00%–3.65% p.a.
Fluctuation discount severance payments	0%–0.34% p.a.	0%–0.34% p.a.
Fluctuation discount anniversary bonuses	0%–7.10% p.a.	0%–13.69% p.a.1)
Retirement age	59–65 years2)	59–65 years2)

1) 2022: Südwestbank: 0%–25% p.a.
2) The earliest possible individual retirement age according to the legal requirements (excluding corridor pension) was assumed.

The interest rate used in 2023 was changed from 3.90% in the previous year to 3.40%.

Post-employment benefit plans in BAWAG Group that qualify as defined benefit obligations are financed entirely through provisions. The allocated assets disclosed by the pension fund set up for certain beneficiaries are set off against the determined amounts of provisions for post-employment benefits.

These defined benefit plans expose BAWAG Group to actuarial risks such as interest rate risk and longevity risk.

The post-employment benefit rights of the majority of employees are defined contribution plans. The contributions that are made to these pension funds are recognized as expenses in the current period; there are no further obligations. Payments to pension funds for defined contribution plans amounted to € 7 million in 2023 (2022: € 7 million).

Other provisions

Other provisions for uncertain obligations to third parties are formed in accordance with the expected amount of the obligation. For details, see Note 28.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, where employees render services as consideration for equity instruments (equity-settled and cash-settled transactions). Accounting is based on IFRS 2.

Equity-settled awards

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognized in employee benefits expense together with a corresponding increase in equity (other capital reserves) over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award but without an associated service requirement are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as of the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Cash-settled awards

For cash-settled awards, IFRS 2 defines that the fair value of services received is based on the fair value of the liability. Unlike the grant date model for equity-settled awards for employees, the Group remeasures the fair value of the award at each reporting date and on settlement. The ultimate cost of a cash-settled award is the cash paid to the beneficiary, which is the fair value at settlement date. Until settlement, the cash-settled award is presented as a liability and not within equity. Changes in the measurement of the liability are reflected in the statement of profit or loss.

The effect of a market condition or a non-vesting condition is reflected in the estimation of the fair value of the cash-settled share-based payments both at the grant date and subsequently. Vesting conditions (other than market conditions) are not taken into account when estimating the fair value of cash-settled share-based payments. Instead, vesting conditions (other than market conditions) are taken into account in the measurement of the liability incurred by adjusting the number of awards that are expected to vest. Such an estimate is revised when the liability is remeasured at each reporting date and until the vesting date. On a cumulative basis, no expense is recognized if the awards granted do not vest because of failure to satisfy a vesting condition or a non-vesting condition.

If an employee is not required to provide a service, expense and liability are recognized immediately upon the grant date. If the employee is required to provide services over a specified period, expense and liability are spread over the vesting period, while reconsidering the likelihood of achieving vesting conditions and remeasuring the fair value of the liability at the end of each reporting period.

Modifications from equity-settled to cash-settled and vice versa

In case of modifications of a program from equity-settled to cash-settled share-based payment, a liability to settle in cash is recognized at the modification date based on the fair value of the shares at the modification date to the extent to which the specified services have been received.

If the amount of the liability recognized on the modification date is less than the amount previously recognized as an increase in equity, then no gain is recognized for the difference between the amount recognized to date in equity and the amount reclassified for the fair value of the liability; that difference remains in equity. Subsequent to the modification, the Group continues to recognize the grant-date fair value of equity instruments granted as the cost of the share-based payment. Any subsequent remeasurement of the liability (from the date of modification until the settlement date) is recognized in profit or loss.

In case of modifications of a program from cash-settled to equity-settled share-based payment, the outstanding liability is revalued with the current share price on the date of modification with fair value movements recognized in profit or loss. Afterwards, the liability is released against equity and no further fair value movements are recognized.

Contingent liabilities and unused lines of credit

For the most part, contingent liabilities are guarantees and unused lines of credit. Guarantees are used when subsidiaries of BAWAG Group guarantee payment to the creditor to fulfill the obligation of a third party. Unused lines of credit are commitments from which a credit risk may occur. Loan loss provisions for contingent liabilities and unused lines of credit are reported under provisions for anticipated losses on pending business. For details, see Note 43.

Equity

Equity is the capital provided by the Bank's owners (issued capital and capital reserves), AT1 capital and the capital generated by the Bank (retained earnings, reserves from currency translation, FVOCI reserve, cash flow hedge reserve, net investment hedge reserve, actuarial gains and losses, profit brought forward and the profit for the period). Details are provided in Note 31.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a framework for determining whether, how much and when revenue is recognized. Accordingly, revenues coming from fees and commissions are recognized when control of goods and services is transferred and hence the contractual performance obligation to the customer has been satisfied.

BAWAG Group receives fee and commission income from various services provided to customers. These are presented in net commission income in the statement of profit or loss.

Fees and commissions for services performed over a certain period of time are collected over the period in which the service is performed. This includes commissions from lending and current account business, liability commissions and other management and custody fees. In cases where an associated financial instrument exists, fees that are an integral part of the effective interest rate of this financial instrument are reported as part of interest income.

Fees associated with providing a particular service or the occurrence of a certain event (transaction-related services) are recognized when the service has been provided in full or the significant event has occurred. Commissions from the performance of transaction-related services include securities transactions, the brokerage of insurance policies and building society savings contracts as well as foreign exchange transactions.

Expenses that are directly and incrementally related to the generation of commission income are shown under commission expenses.

Fee and commission income is measured based on consideration specified in a legally enforceable contract with a customer, excluding amounts such as taxes collected on behalf of third parties. Consideration received is allocated to the separately identifiable performance obligations in a contract. Consideration can include both fixed and variable amounts. Variable consideration includes refunds, discounts, performance bonuses and other amounts that are contingent on the occurrence or non-occurrence of a future event. Variable consideration that is contingent on an uncertain event is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue for a contract will not occur.

Note 4 shows a breakdown of commission income and expenses by business segment.

Description of P&L lines

Interest income and interest expense

Interest income consists primarily of interest income from loans and receivables, fixed-income securities, variable-rate securities and assets held for trading. Furthermore, regular income from equity investments, shares as well as fees and commissions similar to interest income are shown in this item. Interest income and interest expense also include premiums and discounts on securities and loans using the effective interest rate method and the amortization of day one gains or losses. Also, the interest portion of interest-bearing derivatives, separated into income and expenses, is recognized in interest income and expense. Income from negative interest liabilities is also included.

Interest expense consists mainly of interest for liabilities to credit institutions and customers, issued bonds, subordinated capital and supplementary capital. Expenses from negative interest assets are also included.

Interest income and interest expense are recognized on an accrual basis

Details concerning the net interest income can be found in Note 3.

Fee and commission income and expense

This item consists mainly of income from and expenses for payment transfers, securities and custody business and lending. Income and expenses are recognized on an accrual basis. For details, see Note 4.

Gains and losses on financial assets and liabilities

This item consists mainly of the valuation and sales gains or losses of the Group's investments, sales gains and losses from non-performing loans and issued securities, and the result from trading in securities and derivatives. Moreover, hedging inefficiencies and foreign exchange differences are shown within this position. The gains and losses from the derecognition of financial assets measured at amortized cost result from sales of financial instruments to third parties. This item also includes modification gains and losses. For details, see Note 5.

Other operating income and expenses

The other operating result reflects all other income and expenses not directly attributable to ordinary activities, such as results on the sale of property. In addition, the other operating result encompasses expenses for other taxes and regulatory charges (bank levy, the contributions to the deposit guarantee scheme and to the bank resolution fund), income from the release of other provisions and the reimbursement of expenses to customers as well as consolidation results from business combinations and related expenses. The annual IAS 40 valuation result is recognized in other operating income for appreciation or in other operating expenses for impairment. For details, see Note 6.

Administrative expenses

General administrative expenses represent personnel and other administrative expenses accrued in the reporting period. Details are explained in Note 7.

Risk costs

This item includes allocations to and releases of specific and portfolio risk provisions for loans and advances and for contingent liabilities bearing credit risk as well as changes in expected credit losses. Also reported in this item are direct write-offs of loans and advances as well as recoveries on written-off loans removed from the balance sheet. Furthermore, this line item includes all charges resulting from operational risk events.

In addition, this line item includes impairment losses or reversals of impairment losses on property and equipment and other intangible assets as well as impairment losses on goodwill. For details, see Note 9.

Net gains or losses on financial instruments

Net gains or losses on financial instruments include fair value measurements recognized in the income statement, impairments, impairment reversals, gains realized on disposal and subsequent recoveries on written-down financial instruments classified in the respective IFRS 9 categories. The components are detailed for each IFRS 9 category in the notes on net interest income, gains and losses on financial assets and liabilities, and risk costs.

Cash Flow Statement

The Cash Flow Statement provides information about the current state and development of the Group's cash and cash equivalents as of the reporting date. It shows inflows and outflows of cash broken down by operational activities, investing activities and financing activities. The amount of cash and cash equivalents reported comprises cash on hand and balances at central banks.

Financial investments include debt instruments recognized at amortized cost or at fair value through other comprehensive income.

The Cash Flow Statement is of low relevance for BAWAG Group. It is not a substitute for liquidity or financial planning and is not used as a management tool.

Effects of adopting amended and new standards

The following standards, amendments and interpretations to existing standards were mandatory for the first time for the 2023 consolidated financial statements:

Standards/Amendments/Interpretation	First-time application	Adopted by the EU	Impact on BAWAG Group
IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	1 January 2023	19 November 2021	Immaterial
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)	1 January 2023	2 March 2022	None
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021)	1 January 2023	2 March 2022	Immaterial
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)	1 January 2023	11 August 2022	None
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)	1 January 2023	8 September 2022	Immaterial
Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023)	1 January 2023	8 November 2023	Immaterial

BAWAG Group has adopted "International Tax Reform – Pillar Two Models Rules (Amendments to IAS 12)" upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the pillar two exposure. The mandatory exception applies retrospectively.

IFRS 17 Insurance Contracts was published by the IASB in 2017 and replaces IFRS 4 for annual reporting periods beginning on or after 1 January 2023. IFRS 17 introduces a uniform international approach to accounting for insurance contracts. IFRS 17 defines insurance contracts as contracts under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As IFRS 17 applies to all insurance contracts entered into by an entity (with limited exceptions), BAWAG Group has analyzed the impact of IFRS 17 on the consolidated financial statements. The Group has analyzed its contracts and concluded that the adoption of IFRS 17 will not have a material impact on the Group's consolidated financial statements.

BAWAG Group treats financial guarantees as financial instruments in accordance with IFRS 9. BAWAG Group and its subsidiaries broker insurance contracts and offer credit cards with insurance coverage, but only act as agents within the meaning of IFRS 17. The insurance cover for credit cards is handled by an external insurance company. For products with capital guarantees, the guarantees are recognized as derivatives and therefore as financial instruments in accordance with IFRS 9.

There are direct effects on the equity of the investment in BAWAG P.S.K. Versicherung AG, which is accounted for using the equity method. The effect from the first-time application of IFRS 17 and IFRS 9 on the equity of BAWAG PSK Versicherung was immaterial. As of 31 December 2023, this investment was reported under "Non-current assets and disposal groups held for sale", so no material effects are expected in the future.

The following standards, amendments and interpretations to existing standards were approved by the International Accounting Standards Board (IASB) and endorsed by the EU but are not yet mandatory for the preparation of IFRS financial statements for the period ended 31 December 2023. BAWAG Group does not plan an early application of endorsed but not yet effective standards:

Standards/Amendments/Interpretation	First-time application	Adopted by the EU	Expected impact on BAWAG Group
Amendments to IAS 1 Presentation of Financial Statements: • Classification of Liabilities as Current or Non-current Date (issued on 23 January 2020); • Classification of Liabilities as Current or Non-current – Deferral of Effective Date (issued on 15 July 2020); • Non-current Liabilities with Covenants (issued on 31 October 2022)	1 January 2024	19 December 2023	Immaterial
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)	1 January 2024	20 November 2023	None

The following standards and amendments approved by the International Accounting Standards Board (IASB) have not yet been endorsed by the European Union. BAWAG Group does not plan early application:

Standard/Interpretation/Amendment	Expected impact on BAWAG Group
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)	None
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)	None

DETAILS OF THE CONSOLIDATED PROFIT OR LOSS STATEMENT

2 | Earnings per share

Earnings per share pursuant to IAS 33

	2023	2022
Net result attributable to owners of the parent (in € million)	682.6	318.3
AT1 coupon (in € million)	(24.0)	(24.0)
Net result attributable to owners of the parent after deduction of AT1 coupon (in € million)	**658.6**	**294.3**
Weighted average number of outstanding shares	81,796,036	87,208,314
Basic earnings per share (in €)	**8.05**	**3.37**
Weighted average diluted number of outstanding shares	82,120,245	87,500,804
Diluted earnings per share (in €)	**8.02**	**3.36**

Supplemental information on after-tax earnings per share according to BAWAG Group's internal definition (before deduction of AT1 coupon; not in accordance with IAS 33)

	2023	2022
Net result attributable to owners of the parent (in € million)	**682.6**	**318.3**
Weighted average diluted number of outstanding shares	82,120,245	87,500,804
After-tax earnings per share in (€) – BAWAG definition	**8.31**	**3.64**

Changes in number of outstanding shares

	2023	2022
Shares outstanding at the beginning of the period	82,147,160	88,855,047
Shares outstanding at the end of the period	78,507,604	82,147,160
Weighted average number of outstanding shares	81,796,036	87,208,314
Weighted average diluted number of outstanding shares	82,120,245	87,500,804

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 part of our long-term incentive program, shares will be awarded to employees after fulfillment of certain conditions. For these shares, a potential dilutive effect is calculated.

3 | Net interest income

in € million	2023	2022
Interest income	**2,649.6**	**1,309.4**
Financial assets at fair value through profit or loss	17.9	14.5
Financial assets at fair value through other comprehensive income	87.5	57.0
Financial assets held for trading	141.6	53.7
Financial assets at amortized cost	2,029.8	1,064.0
Derivatives – Hedge accounting, interest rate risk	372.3	75.2
Interest income from financial liabilities	0.5	43.1
Other assets	–	1.9
Interest expense	**(1,421.8)**	**(304.3)**
Deposits at central banks	–	(23.7)
Financial liabilities designated at fair value through profit or loss	(7.0)	(8.3)
Financial liabilities held for trading	(121.2)	(25.2)
Financial liabilities measured at amortized cost	(525.8)	(107.1)
Derivatives – Hedge accounting, interest rate risk	(754.1)	(128.5)
Provisions for social capital	(9.5)	(3.2)
Interest expense from IFRS 16 lease liabilities	(2.5)	(2.4)
Interest expense from financial assets	(1.7)	(5.9)
Dividend income	**2.4**	**16.0**
Financial assets mandatorily at fair value through profit or loss	0.1	0.7
Financial assets at fair value through other comprehensive income	2.3	15.3
Net interest income	**1,230.2**	**1,021.1**

Interest income on impaired receivables during 2023 amounted to € 13.0 million (2022: € 9.1 million). Interest income includes income from negative interest of € 0.5 million (2022: € 43.1 million). Interest expense includes expenses from negative interest of € 1.7 million (2022: € 29.6 million). Interest income from financial assets at fair value through other comprehensive income and financial assets at amortized cost is calculated using the effective interest method. As in the previous year, dividend income from financial assets at fair value through other comprehensive income is related to investments held at the end of the reporting period.

4 | Net fee and commission income

Net fee and commission income can be broken down by BAWAG Group's segments as follows:

2023 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	BAWAG Group
Fee and commission income	**352.8**	**39.3**	**0.1**	**0.8**	**393.0**
Transactional	195.2	39.3	-	-	234.5
Advisory	104.3	-	-	0.8	105.1
Securities	90.3	-	-	0.8	91.1
Insurance	14.0	-	-	-	14.0
Lending and others	53.3	-	0.1	-	53.4
Lending	30.1	-	-	-	30.1
Factoring	19.8	-	-	-	19.8
Others	3.4	-	0.1	-	3.5
Fee and commission expense	**(79.8)**	**(4.0)**	**(0.5)**	**(1.5)**	**(85.8)**
Transactional	(66.3)	(4.0)	-	-	(70.3)
Advisory	(11.0)	-	-	(0.2)	(11.2)
Securities	(11.0)	-	-	(0.2)	(11.2)
Insurance	-	-	-	-	-
Lending and others	(2.5)	-	(0.5)	(1.3)	(4.3)
Lending	0.1	-	-	-	0.1
Factoring	(2.5)	-	-	-	(2.5)
Others	(0.1)	-	(0.5)	(1.3)	(1.9)
Net fee and commission income	**273.0**	**35.3**	**(0.4)**	**(0.7)**	**307.2**

2022 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	BAWAG Group
Fee and commission income	**351.5**	**37.2**	**0.1**	**0.2**	**389.0**
Transactional	187.4	37.2	-	-	224.6
Advisory	107.2	-	-	1.4	108.6
Securities	95.7	-	-	1.4	97.1
Insurance	11.5	-	-	-	11.5
Lending and others	56.9	-	0.1	(1.2)	55.8
Lending	32.7	-	-	-	32.7
Factoring	18.1	-	-	-	18.1
Others	6.1	-	0.1	(1.2)	5.0
Fee and commission expense	**(74.7)**	**(3.5)**	**(0.8)**	**(0.7)**	**(79.7)**
Transactional	(57.5)	(3.5)	-	-	(61.0)
Advisory	(13.0)	-	-	(0.1)	(13.1)
Securities	(13.0)	-	-	(0.1)	(13.1)
Insurance	-	-	-	-	-
Lending and others	(4.2)	-	(0.8)	(0.6)	(5.6)
Lending	(0.9)	-	-	-	(0.9)
Factoring	(2.3)	-	-	-	(2.3)
Others	(1.0)	-	(0.8)	(0.6)	(2.4)
Net fee and commission income	**276.8**	**33.7**	**(0.7)**	**(0.5)**	**309.3**

Net fee and commission income includes an amount of € 4.8 million (2022: € 2.6 million) for fiduciary transactions. Income from payment transfers and securities and custody business is recognized mainly at a point in time. Income from lending is recognized mainly over time. Other income is recognized using a mix of point in time and over time.

5 | Gains and losses on financial assets and liabilities

in € million	2023	2022
Realized gains and losses on financial assets and liabilities not measured at fair value through profit or loss, net	**(39.6)**	**(91.1)**
Financial assets at fair value through other comprehensive income	(12.6)	(18.8)
Financial assets measured at amortized cost	(1.9)	(9.1)
thereof gains from the derecognition of financial assets measured at amortized cost	0.2	–
thereof losses from the derecognition of financial assets measured at amortized cost	(2.1)	(9.0)
Financial liabilities measured at amortized cost	13.6	(0.1)
Net gain or loss from modification	3.1	(59.4)
Other result	(41.8)	(3.7)
Gains (losses) on financial assets and liabilities held for trading, net	**78.1**	**52.4**
Gains (losses) on financial assets and liabilities measured at fair value through profit or loss, net	**3.5**	**16.5**
Gains (losses) from fair value hedge accounting	**(53.1)**	**(11.5)**
Fair value adjustment of hedged item	(511.7)	1,326.7
Fair value adjustment of hedging instrument	458.6	(1,338.2)
Exchange differences, net	**(5.5)**	**20.5**
Gains and losses on financial assets and liabilities	**(16.6)**	**(13.2)**

The item Gains and losses on financial assets and liabilities was influenced primarily by the valuation and sale of the Group’s investments, the valuation of issued securities and derivatives.

In 2022, the line item Net gain or loss from modification includes a negative impact from valuation losses for the TLTRO following the change of terms.

6 | Other operating income and expenses

in € million	2023	2022
Other operating income	**69.2**	**87.7**
Income from investment properties	10.8	7.2
Lease objects maintenance costs charged to the lessees	33.2	40.7
Settlement City of Linz	–	12.0
Other income	25.2	27.8
Other operating expenses	**(98.7)**	**(125.5)**
Expenses relating to investment properties	(10.1)	(10.9)
Losses from the sale and derecognition of property, plant and equipment	(2.9)	(4.7)
Regulatory charges	(34.1)	(44.6)
Lease objects maintenance costs	(33.3)	(41.3)
Other expenses	(18.3)	(24.0)
Other operating income and expenses	**(29.5)**	**(37.8)**

Income from investment properties includes rental income of € 10.7 million (2022: € 7.2 million).

Expenses relating to investment properties include operating costs of € 7.7 million and negative valuation results of net minus € 2.4 million (2022: operating costs of € 5.4 million and negative valuation results of net minus € 5.5 million).

The line item Regulatory charges includes the bank levy and the contributions to the deposit guarantee scheme and to the bank resolution fund. The bank levy included in this item amounts to € 8.3 million for 2023 (2022: € 7.9 million).

BAWAG contributed to the Single Resolution Fund (SRF) in cash and in the form of irrevocable payment commitments. Total contributions made in the years 2016 to 2023 in the form of irrevocable payment commitments amounted to € 11 million. In 2023, BAWAG did not make use of the option to contribute in form of a payment commitment. BAWAG Group values irrevocable payment commitments with a fair value of zero as no repayment is expected. No asset is recognized, all amounts contributed in form of payment commitments were fully expensed in the year of payment.

Other income and other expenses mainly relate to income and expenses from sublet premises.

7 | Administrative expenses

in € million	2023	2022
Staff costs	**(299.7)**	**(286.9)**
Wages and salaries	(244.2)	(220.2)
Statutory social security contributions	(54.8)	(55.3)
Increase/Release of pension provision and pension payments	(10.8)	(11.0)
Increase/Decrease of provision for severance payments	(2.5)	(3.5)
Increase/Decrease of provision for jubilee benefits	14.9	5.3
Staff benefit fund costs	(2.3)	(2.2)
Other administrative expenses	**(126.1)**	**(129.3)**
IT, data, communication	(66.4)	(70.8)
Real estate, utility, maintenance expenses	(10.7)	(10.1)
Advertising	(8.3)	(8.9)
Legal, consulting, outsourcing	(12.3)	(10.6)
Postage fees and logistics	(14.0)	(13.1)
Regulatory and audit fees	(11.8)	(11.5)
Other general expenses	(2.6)	(4.3)
Administrative expenses	**(425.8)**	**(416.2)**

8 | Depreciation and amortization on tangible and intangible non-current assets

in € million	2023	2022
Depreciation and amortization		
Customer relationships	(9.4)	(9.5)
Software and other intangible assets	(32.3)	(30.8)
Property, plant and equipment	(22.7)	(22.5)
thereof depreciation of right of use assets	(12.1)	(11.6)
Depreciation and amortization	**(64.4)**	**(62.8)**

9 | Risk costs

in € million	2023	2022
Changes in provisions for financial assets at amortized cost	(79.3)	(111.8)
Stage 1	7.3	(8.9)
Stage 2	14.6	(31.2)
Stage 3	(115.6)	(84.8)
POCI loans	14.4	13.1
Changes in provisions for off-balance credit risk	(1.7)	1.5
Stage 1	0.5	(0.7)
Stage 2	(1.9)	0.5
Stage 3	(0.3)	1.7
Change in provisions for financial assets at fair value through other comprehensive income	(0.1)	(0.3)
Stage 1	(0.1)	0.6
Stage 2	–	(0.9)
Subtotal – risk costs according to IFRS 9	**(81.1)**	**(110.6)**
Provisions and expenses for operational risk[1)]	(2.1)	(257.3)
Impairment losses on non-financial assets	(0.5)	–
CDS premia and securitization costs	(9.5)	(8.4)
Risk costs	**(93.2)**	**(376.3)**

1) 2022: includes the full write-off of € 254.3 million related to the City of Linz receivable.

Impairment losses on non-financial assets

in € million	2023	2022
Software and other intangible assets	(0.5)	–
thereof Brand name	(0.5)	–
Impairment and appreciation of non-current assets	**(0.5)**	**–**

For further details regarding impairment losses on non-financial assets, please refer to Note 19.

10 I Share of the profit or loss of associates accounted for using the equity method

The result reported for 2023 of € 2.5 million (2022: € 2.7 million) contains the proportionate shares in BAWAG P.S.K. Versicherung AG and PSA Payment Services Austria GmbH of in total € 6.4 million (2022: € 3.5 million) and impairment of entities accounted for using the equity method of € 3.9 million (2022: € 0.8 million).

Currently, there are no unrecognized shares of the losses of entities that were accounted for using the equity method according to IFRS 12.22 (c).

The following table shows key financial indicators for the Group's associates accounted for using the equity method (2023 excluding BAWAG P.S.K. Versicherung AG due to its IFRS 5 held for sale status):

Associates accounted for using the equity method

in € million	2023	2022
Cumulated assets	307	2,085
Cumulated liabilities	234	2,013
Cumulated equity	73	72
Earned premiums (gross)	–	214
Fee and commission income	328	285
Cumulated net profit	18	20

The associates accounted for using the equity method are BAWAG P.S.K. Versicherung Aktiengesellschaft (stake of 25.00%; held for sale) and PSA Payment Services Austria GmbH (stake of 20.82%). For further details, please refer to Note 35 Related parties.

11 I Income taxes

in € million	2023	2022
Current tax expense	(200.5)	(90.3)
Deferred tax expense/income	(27.3)	(17.9)
Income taxes	**(227.8)**	**(108.2)**

The following reconciliation shows the relationship between computed tax expenses and reported tax expenses:

in € million	2023	2022
Profit before tax	910.4	426.8
Tax rate	24%	25%
Computed tax expenses	**(218.5)**	**(106.7)**
Reductions in tax		
Due to tax-exempt income from equity investments	0.5	4.3
Due to first-time consolidation / deconsolidation	0.1	3.5
Due to tax-deductible dividends	5.8	6.0
Due to foreign exchange differences	(0.0)	0.1
Due to tax rate changes	–	5.9
Due to other tax effects	1.5	2.9
Increases in tax		
Due to gains and losses from the valuation of equity investments	(16.4)	(5.3)
Due to valuation of real estate properties	–	(0.3)
Due to unrecognized deferred taxes on tax loss carryforwards	(0.0)	(0.3)
Due to non-tax deductible expenses	(14.0)	(16.7)
Due to foreign exchange differences	0.1	–
Due to differing foreign tax rates	(9.0)	(0.8)
Due to other tax effects	(2.5)	(1.0)
Income tax in the period	**(252.5)**	**(108.5)**
Out-of-period income tax	24.7	0.3
Reported income tax (expense)	**(227.8)**	**(108.2)**

The Group's assets included deferred tax assets recognized for benefits arising from as-yet-unused tax losses in the amount of € 2 million (2022: € 1 million). The tax losses can be carried forward for an unlimited period.

According to IAS 12.34, a deferred tax asset is recognized for tax loss carryforwards if it is probable that future taxable profit will be available against which the unused tax losses can be utilized. As of 31 December 2023, unused tax losses amounted to € 0 million (2022: € 0 million) at the level of BAWAG Group AG, € 6 million (2022: € 7 million) at the level of members of the tax group included in the consolidated financial statements and € 0 million (2022: € 2 million) at the level of other Austrian companies included in the consolidated financial statements, hence a total of € 6 million (2022: € 9 million).

Furthermore, foreign subsidiaries had tax loss carryforwards of € 106 million as of 31 December 2023 (2022: € 101 million), of which € 4 million (2022: € 0 million) are expected to be utilized for tax purposes.

The utilizability of unused tax losses and deferred tax assets by BAWAG Group was tested on the basis of the Group's long-term plan (planning period: five years). The expected utilization of unused tax losses is projected to amount to € 6 million (2022: € 6 million). In total, deferred tax assets for tax loss carryforwards in the amount of approximately € 2 million (2022: € 1 million) are recognized within BAWAG Group. If the forecasted taxable results varied by 10% compared to management estimates, deferred tax assets would remain unchanged (2022: would remain unchanged) if results improve and would remain unchanged (2022: would remain unchanged) if forecasted results turn out to be lower than expected. The current geopolitical situation has no effect on the utilizability of unused tax losses of BAWAG Group.

In Austria, new legislation was enacted in 2023 to implement the global minimum top-up tax ("Mindestbesteuerungsgesetz"). The Group also operates in UK, Ireland, Switzerland and the Netherlands, where legislation was also enacted. The Group currently does not expect to be subject to the top-up tax. Our current analysis based on country-by-country reporting (see Note 66) shows that the effective tax rate (based on current taxes, excluding deferred taxes) for BAWAG is above the minimum tax rate in all relevant jurisdictions. There is no current or deferred tax impact for the year 2023.

DETAILS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

12 | Cash reserves

in € million	31.12.2023	31.12.2022
Cash on hand	139	138
Balances at central banks	555	382
Cash reserves	**694**	**520**

13 | Financial assets at fair value through profit or loss

in € million	31.12.2023	31.12.2022
Financial assets designated at fair value through profit or loss	**52**	**58**
Receivables from customers	52	58
Financial assets mandatorily at fair value through profit or loss	**541**	**499**
Bonds and other securities	284	307
Receivables from customers	173	78
Subsidiaries and other equity investments	84	113
Financial assets at fair value through profit or loss	**593**	**557**

The category Financial assets designated at fair value through profit or loss contains all financial instruments that are carried at their fair value through profit or loss because the fair value option defined in IFRS 9 has been exercised for them.

Further information on the fair value option can be found in Note 1. The maximum credit risk of loans and advances to customers equals book value.

14 | Financial assets at fair value through other comprehensive income

in € million	31.12.2023	31.12.2022
Debt instruments	**2,688**	**2,578**
Bonds and other fixed income securities	2,688	2,578
Bonds of other issuers	2,659	2,494
Public sector debt instruments	29	83
Subsidiaries and other equity investments	**139**	**165**
AT1 capital	24	16
Investments in non-consolidated subsidiaries	10	10
Interests in associates	0	0
Other shareholdings	105	139
Financial assets at fair value through other comprehensive income	**2,827**	**2,743**

In 2023, 12-month ECL Stage 1 for financial assets at fair value through other comprehensive income was booked in the amount of € 0.1 million (2022: € 0.4 million).

The item AT1 capital comprises investments in AT1 issues by credit institutions.

Other investments mainly include investments in financial institutions and relate to listed shares in the amount of € 0 million and unlisted shares in the amount of € 105 million (2022: listed shares in the amount of € 0 million and unlisted shares in the amount of € 139 million).

In 2023, fair value valuations of non-consolidated participations at fair value through other comprehensive income amounted to minus € 32.3 million (2022: plus € 7.3 million) of which plus € 0.2 million relate to listed shares and minus € 32.5 million relate to non-listed shares (2022: minus € 3.1 million related to listed shares and plus € 10.4 million related to non-listed shares). Dividends received from equity investments recognized at fair value through other comprehensive income amounted to € 2.3 million (2022: € 15.3 million).

15 | Financial assets held for trading

in € million	31.12.2023	31.12.2022
Derivatives in banking book	**103**	**156**
Foreign currency derivatives	30	66
Interest rate derivatives	73	90
Financial assets held for trading	**103**	**156**

16 | Financial assets measured at amortized cost

The following breakdown depicts the composition of the item Financial assets at amortized cost of the Group.

31.12.2023 in € million	Total gross carrying amount	Impairments Stage 1	Impairments Stage 2	Impairments Stage 3	Total net carrying amount
Receivables from customers	33,712	(31)	(116)	(232)	33,333
Securities	3,661	(1)	–	–	3,660
Public sector debt instruments	122	0	–	–	122
Debt instruments of other issuers	3,539	(1)	–	–	3,538
Receivables from credit institutions	12,592	0	0	–	12,592
Total	**49,965**	**(32)**	**(116)**	**(232)**	**49,585**

31.12.2022 in € million	Total gross carrying amount	Impairments Stage 1	Impairments Stage 2	Impairments Stage 3	Total net carrying amount
Receivables from customers	36,191	(37)	(131)	(260)	35,763
Securities	3,169	(2)	–	–	3,167
Public sector debt instruments	141	0	–	–	141
Debt instruments of other issuers	3,028	(1)	–	–	3,027
Receivables from credit institutions	12,655	0	0	–	12,655
Total	**52,015**	**(39)**	**(131)**	**(260)**	**51,585**

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

in € million	**31.12.2023**	31.12.2022
Loans	30,450	32,401
Current accounts	987	1,036
Finance leases	1,494	1,574
Cash advances	170	341
Money market	232	411
Receivables from customers	**33,333**	**35,763**

Financial instruments that have been modified but not derecognized during the reporting period and that have been allocated to Stage 2 or Stage 3 at the time of modification:

31.12.2023 in € million	Lifetime-ECL – not impaired	Lifetime-ECL – impaired	Purchased / originated credit impaired
Amortized cost before modification in the current reporting period	170	14	–
Net gain or loss from modification	0	–	–

31.12.2022 in € million	Lifetime-ECL – not impaired	Lifetime-ECL – impaired	Purchased / originated credit impaired
Amortized cost before modification in the current reporting period	168	8	–
Net gain or loss from modification	0	–	–

Modified financial assets whose risk provision was allocated to Stage 2 or Stage 3 at the time of modification and that have been reallocated to Stage 1 during the reporting period had a gross book value as of 31 December 2023 of € 362 million (2022: € 394 million).

The following breakdown depicts the composition of the item At amortized cost according to the Group's segments:

31.12.2023 in € million	Total gross carrying amount	Impairments Stage 1	Impairments Stage 2	Impairments Stage 3	Total net carrying amount
Retail & SME	21,861	(20)	(72)	(207)	21,562
Corporates, Real Estate & Public Sector	13,125	(11)	(44)	(25)	13,045
Treasury	15,435	(1)	0	–	15,434
Corporate Center	(9)	0	0	0	(9)
Reclassification of start:bausparkasse Germany to held for sale (IFRS 5)	(447)	0	0	0	(447)
Total	**49,965**	**(32)**	**(116)**	**(232)**	**49,585**

31.12.2022 in € million	Total gross carrying amount	Impairments Stage 1	Impairments Stage 2	Impairments Stage 3	Total net carrying amount
Retail & SME	22,312	(25)	(72)	(204)	22,011
Corporates, Real Estate & Public Sector	14,116	(13)	(59)	(56)	13,988
Treasury	15,392	(1)	0	–	15,391
Corporate Center	195	0	0	0	195
Total	**52,015**	**(39)**	**(131)**	**(260)**	**51,585**

17 | Asset maturities

The following table contains a breakdown of financial assets (excluding subsidiaries and other equity investments and derivatives) by remaining period to maturity.

Financial assets – breakdown by remaining period to maturity 2023

31.12.2023 in € million	Repayable on demand	Up to 3 months	3 months up to 1 year	1–5 years	Over 5 years	Total
Financial assets designated at fair value through profit or loss						
Receivables from customers	–	0	0	9	43	52
Financial assets mandatorily at fair value through profit or loss						
Receivables from customers	0	0	2	116	55	173
Bonds and other securities	–	–	177	83	24	284
Financial assets at fair value through other comprehensive income						
Bonds and other fixed income securities	–	3	313	1,705	667	2,688
At amortized cost						
Receivables from customers	1,327	834	1,843	8,998	20,331	33,333
Receivables from credit institutions	1,347	11,140	35	4	66	12,592
Bonds and other fixed income securities	0	37	245	1,255	2,123	3,660
Total	**2,674**	**12,014**	**2,615**	**12,170**	**23,309**	**52,782**

Financial assets – breakdown by remaining period to maturity 2022

31.12.2022 in € million	Repayable on demand	Up to 3 months	3 months up to 1 year	1–5 years	Over 5 years	Total
Financial assets designated at fair value through profit or loss						
Receivables from customers	–	–	1	9	48	58
Financial assets mandatorily at fair value through profit or loss						
Receivables from customers	0	–	1	17	60	78
Bonds and other securities	1	0	190	93	23	307
Financial assets at fair value through other comprehensive income						
Bonds and other fixed income securities	–	56	157	1,594	771	2,578
At amortized cost						
Receivables from customers	1,314	899	1,355	10,706	21,489	35,763
Receivables from credit institutions	698	11,868	4	8	77	12,655
Bonds and other fixed income securities	0	15	141	870	2,141	3,167
Total	**2,013**	**12,838**	**1,849**	**13,297**	**24,609**	**54,606**

18 I Property, plant and equipment, Investment properties

Changes in property, plant and equipment 2023

in € million	Carrying amount 31.12.2022	Acquisition cost 01.01.2023	Change in scope of consolida-tion Acquisition cost	Change in foreign exchange differences	Additions	Disposals	Realloca-tions	Write-downs cumulative	**Carrying amount 31.12.2023**	Depreciation (-), impairments (-) and reversal of impairments (+) Financial year
Property, plant and equip-ment	**268**	**468**	**12**	**0**	**26**	**(24)**	**0**	**(223)**	**259**	**(33)**
Land and buildings used by the enterprise for its own operations	15	27	8	0	0	–	–	(14)	21	0
Office furniture and equipment	75	180	2	0	6	(13)	1	(106)	70	(10)
Plant under construc-tion	1	1	0	0	0	0	(1)	0	0	0
Right of use assets IFRS 16	177	260	2	0	20	(11)	0	(103)	168	(23)

Changes in property, plant and equipment 2022

in € million	Carrying amount 31.12.2021	Acquisition cost 01.01.2022	Change in scope of consolidation Acquisition cost	Change in foreign exchange differences	Additions	Disposals	Realloca-tions	Write-downs cumulative	Carrying amount 31.12.2022	Depreciation (-), impairments (-) and reversal of impairments (+) Financial year
Property, plant and equip-ment	**290**	**502**	**–**	**0**	**22**	**(56)**	**–**	**(200)**	**268**	**(34)**
Land and buildings used by the enterprise for its own operations	19	47	–	0	0	(20)	–	(12)	15	(1)
Office furniture and equipment	82	200	–	0	7	(27)	0	(105)	75	(10)
Plant under construc-tion	1	–	–	–	1	0	0	0	1	–
Right of use assets IFRS 16	188	255	–	0	14	(9)	0	(83)	177	(23)

Changes in investment properties as of 31.12.2023

in € million	Carrying amount 31.12.2022	Change in scope of consolidation	Change in foreign exchange differences	Changes in fair value valuation in accordance with IAS 40	Additions	Disposals	Reallocations	Reclassification to/from non-current assets held for sale	**Carrying amount 31.12.2023**
Investment properties	**84**	**–**	**2**	**(10)**	**–**	**(1)**	**–**	**–**	**75**

Changes in investment properties as of 31.12.2022

in € million	Carrying amount 31.12.2021	Change in scope of consolidation	Change in foreign exchange differences	Changes in fair value valuation in accordance with IAS 40	Additions	Disposals	Reallocations	Reclassification to/from non-current assets held for sale	Carrying amount 31.12.2022
Investment properties	**104**	**–**	**(4)**	**(5)**	**17**	**(8)**	**–**	**(20)**	**84**

19 | Goodwill, brand names and customer relationships and Software and other intangible assets

The brand name “BAWAG P.S.K.” with a book value of € 114 million (2022: € 114 million), customer relationships of Group companies with a total book value of € 108 million (2022: € 117 million) and software and other intangible assets with a total book value of € 177 million (2022: € 182 million) are the Bank’s most important intangible non-current assets. The book value of the customer relationships is amortized on a straight-line pro rata temporis basis.

The discount rate used for impairment testing is before taxes and was estimated based on average equity returns in the sector. The euro risk-free interest rate used is the yield on government bonds with a remaining term to maturity of 30 years published by the German central bank. The Swiss franc interest rate used is the yield on zero coupon bonds with a maturity of at least 30 years published by the Swiss National Bank. This discount rate is adjusted by applying a risk premium that reflects the higher general risk associated with an equity investment and the specific risk of the individual cash-generating unit.

The line items Goodwill, Brand names and customer relationships, and Software and other intangible assets are shown under the line item Intangible non-current assets in Note 33.

Changes in Goodwill, Brand names and customer relationships, Software and other intangible assets 2023

in € million	Carrying amount 31.12.2022	Acquisition cost 01.01.2023	Change in scope of consolidation Acquisition cost	Change in foreign exchange differences	Additions	Disposals	Reallocations	Write-downs cumulative	**Carrying amount 31.12.2023**	Amortization (-), impairments (-) and reversal of impairments (+) Financial year
Goodwill	**98**	**662**	**23**	**1**	**–**	**–**	**–**	**(564)**	**122**	**–**
Brand names and customer relationships	**242**	**486**	**–**	**1**	**–**	**–**	**–**	**(254)**	**233**	**(10)**
Software and other intangible assets	**182**	**622**	**0**	**0**	**27**	**(6)**	**–**	**(466)**	**177**	**(32)**
Software and other intangible non-current assets	176	607	0	0	24	(5)	6	(458)	174	(32)
Thereof purchased	83	450	–	0	5	(5)	2	(376)	76	(14)
Thereof internally generated	93	157	0	–	19	–	4	(82)	98	(18)
Intangible non-current assets in development	6	6	–	–	3	0	(6)	–	3	–
Thereof purchased	2	2	–	–	1	0	(2)	–	1	–
Thereof internally generated	4	4	–	–	2	0	(4)	–	2	–
Rights and compensation payments	–	9	–	–	–	(1)	–	(8)	–	–

Changes in Goodwill, Software and other intangible assets 2022

in € million	Carrying amount 31.12.2021	Acquisition cost 01.01.2022	Change in scope of consolida-tion Acquisition cost	Change in foreign exchange differences	Additions	Disposals	Realloca-tions	Write-downs cumulative	Carrying amount 31.12.2022	Amortiza-tion (-), impair-ments (-) and reversal of impair-ments (+) Financial year
Goodwill	**96**	**661**	**–**	**1**	**–**	**–**	**–**	**(564)**	**98**	**–**
Brand names and customer relationships	**254**	**489**	**–**	**0**	**–**	**(3)**	**–**	**(244)**	**242**	**(9)**
Software and other intangible assets	**185**	**601**	**–**	**0**	**32**	**(12)**	**–**	**(439)**	**182**	**(31)**
Software and other intangible non-current assets	179	585	–	0	27	(11)	5	(430)	176	(31)
Thereof purchased	93	451	–	0	6	(9)	2	(367)	83	(15)
Thereof internally generated	86	134	–	–	21	(2)	3	(63)	93	(16)
Intangible non-current assets in development	6	6	–	–	5	0	(5)	–	6	–
Thereof purchased	2	2	–	–	2	0	(2)	–	2	–
Thereof internally generated	4	4	–	–	3	**0**	(3)	–	4	–
Rights and compensation payments	–	10	–	–	–	(1)	–	(9)	–	–

The following table shows the material intangible assets with their respective book value and their remaining useful life:

Intangible assets	Book value as of 31.12.2023 in € million	Remaining useful life	Book value as of 31.12.2022 in € million
Total goodwill	**122**		**98**
thereof: goodwill easybank franchise	59	Indefinite	59
thereof: goodwill brokerage business	1	Indefinite	1
thereof: goodwill Zahnärztekasse	24	Indefinite	23
thereof: goodwill Health Coevo	15	Indefinite	15
thereof: goodwill Idaho First Bank	23	Indefinite	–
Total brand names	**125**		**125**
thereof: brand name BAWAG P.S.K.	114	Indefinite	114
thereof: brand name Südwestbank franchise	1	Indefinite	1
thereof: brand name Zahnärztekasse AG	7	Indefinite	7
thereof: brand name Health Coevo AG	2	Indefinite	2
Total customer relationships	**108**		**117**
thereof: customer relationships BAWAG P.S.K.	83	7–16 years	86
thereof: customer relationships Südwestbank franchise	1	14 years	1
thereof: customer relationships brokerage business	11	8–14 years	13
thereof: customer relationships start:bausparkasse Austria	3	13 years	4
thereof: customer relationships Paylife	3	2 years	4
thereof: customer relationships IMMO-BANK	1	13 years	2
thereof: customer relationships Zahnärztekasse AG	3	4 years	4
thereof: customer relationships Health Coevo	1	3 years	1
thereof: customer relationships BFL GmbH	2	5 years	2
Total other intangibles	**177**		**182**
thereof: core banking system for Austrian operations (Allegro)	35	17 years	38

Brand names have an indefinite useful life and are therefore tested for impairment at the end of each financial year or when an impairment trigger exists based on the current business plan.

If the carrying amount of the brand name is higher than the recoverable amount, an impairment loss will be recognized. The recoverable amount is calculated using a modified relief from royalty method. BAWAG Group uses the brand's fair value less cost of disposal as its recoverable amount, utilizing Level 2 and Level 3 input parameters. Major parameters are brand-specific core income and the brand's royalty rate. The cash flow projections are based on the annual profits planned by the management of the company for the next five years and a perpetual growth rate (depending on the business model 0.5% to 1.0%) thereafter (2022: 0.5% to 1.0%). The after-tax discount rate was set at 6.96% for Zahnärztekasse AG, 9.70% for Idaho First Bank and 9.43% for other entities (2022: 6.93% for Zahnärztekasse AG and 10.23% for other entities). Additionally, asset-specific premiums between 1% and 2% are added to the discount rate (2022: between 1% and 2%).

As of 31 December 2023, the individual impairment tests for the brand names resulted in an impairment of € 0.5 million (2022: no impairment requirement).

Customer relationships were reviewed for impairment in the event that there was objective evidence of an impairment trigger (such as customer development differing from the initial plans). The fair value or value in use was calculated for all customer relationships taking into account current experience on customer retention, current cash flow forecasts and discount rates. Fair value was calculated using either the value in use or fair value less cost of disposal valuations, using the multi-period excess earnings method, utilizing Level 2 and Level 3 input parameters. Major input parameters used in customer relationships valuation were customer-specific income, churn rate and asset charge. Fair value less costs of disposal represents the recoverable amount from the sale in an arm's length transaction. The value in use is determined by discounting the cash flows at a rate that contains present market rates and the specific risks of the entity.

The planning projections take into account impacts due to the current geopolitical situation. In 2023, there was no impairment requirement for customer relationships. In 2022, part of the Südwestbank franchise customer relationships with a carrying amount of € 2.7 million was derecognized in full due to the impairment tests performed. The pre-tax discount rates used for the impairment test of Südwestbank in 2022 was 23.79%. All customer relationships are part of the Corporate Center segment. The planning periods of both start:bausparkasse Austria and IMMO-Bank last until 2056; the planning period of Südwestbank until 2037. The original valuation was performed by an external advisor; the impairment test was carried out internally.

Impairment testing for cash-generating units with goodwill

For the purposes of impairment testing, goodwill is assigned to the following cash-generating units (CGU) as follows:

in € million	**31.12.2023**	31.12.2022
easybank franchise	59	59
Zahnärztekasse AG	24	23
Idaho First Bank	23	–
Health Coevo AG	15	15
Brokerage business	1	1
Goodwill	**122**	**98**

The material assumptions made in estimating the recoverable amount are explained below. Material assumptions are based on assessments of future developments in the relevant sectors and are based on information obtained from external and internal sources.

The forecast is subject to greater uncertainty due to the current geopolitical situation, which has been reflected in the current cash flow projections. These projections take into account the most recent forecasts including the observed and expected impact of the current geopolitical situation on the relevant CGU's profitability. The planning assumptions for the period 2024–2028 are based on the ECB's economic assumptions and adequate estimates for risk costs. The planning input is based on the business strategy, which envisages organic growth in the core market and continuous improvement of our product range.

in %	2023	2022
Pre-tax discount rate easybank franchise	12.0%	13.0%
Pre-tax discount rate Zahnärztekasse AG	10.9%	11.6%
Pre-tax discount rate Health Coevo AG	13.8%	13.9%
Pre-tax discount rate brokerage business	–	12.9%
Pre-tax discount rate Idaho First Bank	13.1%	–
Planned profit growth rate (average for the next five years) easybank franchise	10.0%	5.7%
Planned profit growth rate (average for the next five years) Zahnärztekasse AG	5.1%	1.8%
Planned profit growth rate (average for the next five years) Health Coevo AG	16.5%	19.2%
Planned profit growth rate (average for the next five years) brokerage business	–	12.7%
Planned profit growth rate (average for the next five years) Idaho First Bank	5.8%	–
Sustainable growth rate easybank franchise	0.5%	0.5%
Sustainable growth rate Zahnärztekasse AG	0.5%	0.5%
Sustainable growth rate Health Coevo AG	0.5%	1.0%
Sustainable growth rate brokerage business	–	0.5%
Sustainable growth rate Idaho First Bank	0.5%	–

The cash flow projections are based on the annual profits planned by the management for the next five years and a perpetual growth rate thereafter. The sustainable growth rate was determined on the basis of the estimated long-term annual profit growth rate, which matches the assumption that a market participant would make. In order to keep growth properly equity backed, profit retentions have been considered in the valuation, both in the planned period and in the calculation of the continuing value.

Sensitivity analysis as of 31.12.2023

A sensitivity analysis was used to test the robustness of the impairment test for goodwill, which was based on the assumptions outlined above. A change in the discount rate and a change in growth were chosen as the relevant parameters. The table below shows to what extent an increase in the discount rate or a decline in growth after 2024 could occur without the fair value of the cash-generating unit falling below the carrying value (equity plus goodwill).

	Change in discount rate (in percentage pts)	Change in growth after 2024 (in %)
easybank franchise	16.01	(12.97)%
Zahnärztekasse AG	0.18	(0.58)%
Health Coevo AG	8.24	(16.17)%
Idaho First Bank	2.65	(6.00)%
PSA Payment Services Austria GmbH	0.00	0.00%
BAWAG P.S.K. Versicherung Aktiengesellschaft	(6.10)	<-20%

in € million	Discount rate increase by 1%	Decrease of net profit by 10% in the period 2024–2026
Fully consolidated		
easybank franchise	no impairment	no impairment
Zahnärztekasse AG	(3.2)	(0.1)
Health Coevo AG	no impairment	no impairment
Idaho First Bank	no impairment	no impairment
Equity method		
BAWAG P.S.K. Versicherung Aktiengesellschaft	no impairment	no impairment
PSA Payment Services Austria GmbH	no impairment	no impairment

Sensitivity analysis as of 31.12.2022

	Change in discount rate (in percentage pts)	Change in growth after 2023 (in %)
easybank franchise	12.79	(10.13)%
Zahnärztekasse AG	0.89	(2.49)%
Health Coevo AG	10.25	(17.89)%
Brokerage business	>20	<(20)%
PSA Payment Services Austria GmbH	0.00	0.00%
BAWAG P.S.K. Versicherung Aktiengesellschaft	>20	<(20)%

in € million	Discount rate increase by 1%	Decrease of net profit by 10% in the period 2023–2025
Fully consolidated		
easybank franchise	no impairment	no impairment
Zahnärztekasse AG	(0.7)	no impairment
Health Coevo AG	no impairment	no impairment
Brokerage business	no impairment	no impairment
Equity method		
BAWAG P.S.K. Versicherung Aktiengesellschaft	no impairment	no impairment
PSA Payment Services Austria GmbH	(0.4)	(1.5)

Sensitivity analysis as of 31.12.2023 for brand name BAWAG P.S.K.

A sensitivity analysis was used to test the robustness of the impairment test for the brand name BAWAG P.S.K., which was based on the assumptions outlined above. A change in the discount rate and a change in growth were chosen as the relevant parameters. The table below shows to what extent an increase in the discount rate or a decline in growth after 2024 could occur without the value-in-use of the brand name falling below the carrying value.

	Change in discount rate (in percentage pts)	Change in growth after 2024 (in %)
Brand name BAWAG P.S.K.	>20	<-20%

in € million	Discount rate increase by 1%	Decrease of net profit by 10% in the period 2024–2026
Brand name BAWAG P.S.K.	no impairment	no impairment

Sensitivity analysis as of 31.12.2022 for brand name BAWAG P.S.K.

A sensitivity analysis was used to test the robustness of the impairment test for the brand name BAWAG P.S.K., which was based on the assumptions outlined above. A change in the discount rate and a change in growth were chosen as the relevant parameters. The table below shows to what extent an increase in the discount rate or a decline in growth after 2023 could occur without the value-in-use of the brand name falling below the carrying value.

	Change in discount rate (in percentage pts)	Change in growth after 2023 (in %)
Brand name BAWAG P.S.K.	>20	<-20%

in € million	Discount rate increase by 1%	Decrease of net profit by 10% in the period 2023–2025
Brand name BAWAG P.S.K.	no impairment	no impairment

20 | Net deferred tax assets and liabilities on Statement of Financial Position

The deferred tax assets and liabilities reported on the Statement of Financial Position are the result of temporary differences between the carrying amounts pursuant to IFRS and the valuations of the following items according to the tax requirements:

in € million	31.12.2023	31.12.2022
Financial liabilities designated at fair value through profit or loss	146	60
Financial liabilities at amortized cost	221	109
Financial assets at fair value through other comprehensive income	21	58
Provisions	5	35
Liabilities held for trading	77	201
Hedging derivatives	12	11
Tax loss carryforwards	2	1
Other	6	–
Deferred tax assets	**490**	**475**
Deferred tax assets netted with deferred tax liabilities	(471)	(457)
Deferred tax assets reported on the balance sheet[1)]	**19**	**18**
Financial assets at fair value through profit or loss	4	12
Financial assets at amortized cost	514	466
Internally generated intangible assets	23	20
Other intangible assets	49	54
Deferred tax liabilities	**590**	**552**
Deferred tax liabilities netted with deferred tax assets	(471)	(457)
Deferred tax liabilities reported on the balance sheet	**119**	**95**

1) Representing deferred tax assets of companies that were not part of the tax group.

For each group member, the deferred tax assets and liabilities pertaining to the same local tax authority were offset against each other and reported under Tax assets or Tax liabilities.

Temporary differences for which no deferred tax liabilities were recognized, as permitted by IAS 12.39, came to € 578 million (2022: € 612 million). IAS 12.39 stipulates that in the case of temporary differences associated with investments in subsidiaries, deferred tax liabilities do not have to be recognized if the parent is able to control the timing of the reversal of the temporary difference and it is not probable that the temporary difference will be reversed in the foreseeable future.

Deferred tax assets and deferred tax liabilities have a remaining maturity of more than one year.

As of 31 December 2023, deferred tax assets on tax loss carryforwards of BAWAG Group amount to € 2 million (31 December 2022: € 1 million). The risk that the current geopolitical situation will have an impact on the recoverability of tax loss carryforwards that have not yet been utilized is therefore considered to be low. As can be seen in the table above, the Statement of Financial Position shows a net deferred tax liability of € 100 million (31 December 2022: € 77 million). There is therefore no increased risk that deferred tax assets cannot be used for future taxable profits.

21 | Other assets

in € million	31.12.2023	31.12.2022
Accruals	31	27
Contract assets	7	12
Other items	207	241
Other assets	**245**	**280**

The other items include accounts relating to payment and miscellaneous other assets. As of 31 December 2023, other assets in the amount of € 2 million (31 December 2022: € 17 million) have a maturity of more than one year.

22 | Disclosures in compliance with IFRS 5 – Non-current assets and disposal groups held for sale and Liabilities in disposal groups held for sale

According to IFRS 5, disposal groups consisting of assets and liabilities are to be classified as held for sale when the associated carrying amount stems primarily from a sale transaction and not from continued usage, and the sale is expected to be effected within twelve months.

On 15 December 2023, BAWAG Group announced the sale of start:bausparkasse AG in Germany to Wüstenrot Bausparkasse AG in Germany. Subject to the approval of the antitrust and supervisory authorities, the transaction is expected to close in the course of 2024. For this reason, the carrying amounts of the assets and liabilities of start:bausparkasse AG, Hamburg, are reported on the Consolidated Statement of Financial Position under the items Non-current assets and disposal groups held for sale and Liabilities in disposal groups held for sale. The segments Retail & SME and Treasury include start:bausparkasse AG, Hamburg.

The sale of the investment in BAWAG P.S.K. Versicherung AG, Vienna, which is accounted for using the equity method, is planned for 2024 and therefore also reported under the item Non-current assets and disposal groups held for sale on the Consolidated Statement of Financial Position. BAWAG P.S.K. Versicherung AG, Vienna, is reported in the Corporate Center segment.

The investment properties classified as non-current assets held for sale as of 31 December 2022 were partly sold in the first half of 2023. The remaining book value amounted to € 5 million as of 31 December 2023. These non-current assets held for sale are reported in the segment Corporate Center.

The following table shows a breakdown of these items.

in EUR million	2023
Assets in disposal groups	**538**
Financial assets at fair value through other comprehensive income	52
Financial assets measured at amortized cost	446
Associates recognized at equity	5
Tax assets for deferred taxes	3
Investment properties	18
Other assets	14
Obligations in disposal groups	**482**
Financial liabilities at amortized cost	451
Provisions	27
Other obligations	4

As of 31 December 2023, the cumulative income of start:bausparkasse AG, Hamburg, recognized in other comprehensive income amounted to € 2.4 million and the cumulative loss of BAWAG P.S.K. Versicherung AG, Vienna, recognized in other comprehensive income amounted to minus € 8.5 million.

According to IFRS 5.15, an entity shall measure non-current assets classified as held for sale and disposal groups at the lower of their carrying amount and fair value less costs to sell. Expected losses from the transactions in the amount of € 42 million were recognized in the 2023 consolidated financial statements under gains and losses from financial assets and liabilities. Taking into account the positive earnings contributions in previous years, this results in an expected net loss of € 11 million.

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

in € million	31.12.2023	31.12.2022
Issued bonds, subordinated and supplementary capital	**131**	**199**
Issued debt securities and other securitized liabilities	63	68
Subordinated capital	29	90
Short-term notes and non-listed private placements	39	41
Deposits from customers	**5**	**5**
Financial liabilities designated at fair value through profit or loss	**136**	**204**

The issued bonds are listed securities. Financial liabilities designated at fair value through profit or loss include issues of the former P.S.K. that are guaranteed by the Republic of Austria.

The carrying amount of the securities issued by BAWAG Group and recognized at their fair value as of 31 December 2023 was € 2 million below their repayment amount (2022: € 5 million below the repayment amount).

24 | Financial liabilities held for trading

in € million	31.12.2023	31.12.2022
Derivatives trading book	**2**	**–**
Interest rate derivatives	2	–
Derivatives banking book	**461**	**692**
Foreign currency derivatives	15	50
Interest rate derivatives	444	639
Credit derivatives	2	3
Financial liabilities held for trading	**463**	**692**

25 | Financial liabilities measured at amortized cost

in € million	31.12.2023	31.12.2022
Deposits from credit institutions	**1,809**	**6,344**
Deposits from customers	**33,270**	**34,288**
Current accounts	15,685	17,709
Retail & SME	12,944	14,721
Corporates, Real Estate & Public Sector	2,726	2,967
Treasury	0	0
Corporate Center	15	21
Deposits	17,585	16,579
Daily deposits	10,141	10,772
Retail & SME	9,753	10,404
Corporates, Real Estate & Public Sector	257	293
Treasury	–	–
Corporate Center	131	75
Term deposits	7,444	5,807
Retail & SME	4,035	2,615
Corporates, Real Estate & Public Sector	3,860	2,646
Treasury	–	546
Corporate Center	–	–
Reclassification of start:bausparkasse Germany term deposits to held for sale (IFRS 5)	(451)	–
Issued bonds, subordinated and supplementary capital	**13,594**	**10,037**
Issued debt securities	11,906	8,678
Subordinated capital	–	43
Supplementary capital	693	602
Other obligations evidenced by paper	995	714
Financial liabilities at amortized cost	**48,673**	**50,669**

The issued bonds are mainly listed securities.

As of 31 December 2023, BAWAG Group utilized € 0.6 billion of funding under the ECB's TLTRO III facility (31 December 2022: € 5.4 billion). An amount of € 2 billion was repaid early in January 2023. An amount of € 2.8 billion was repaid in June 2023 due to contractual maturity.

The interest expense from the TLTRO III program amounting to € 59.8 million (2022: negative interest expense amounting to € 30.7 million) is reported under interest expense (2022: under interest income).

The ECB also allowed for three additional early repayment options and therefore for termination or reduction of these refinancing operations before final maturity. This change of terms and conditions was recognized as a modification by BAWAG Group, which did not result in a derecognition.

The outstanding TLTRO facility is recognized at amortized cost using the effective interest rate method under deposits from credit institutions. BAWAG Group uses the specific applicable interest rate expected for the respective individual interest period of TLTRO III.

Based on an analysis of the conditions observable for BAWAG Group on the market for comparable secured refinancing, the Bank has come to the conclusion that the conditions of the TLTRO III program do not offer any significant advantage compared to the market. The liabilities were therefore recognized as a financial instrument in accordance with IFRS 9.

26 | Issued bonds, subordinated and supplementary capital

Issued bonds, subordinated and supplementary capital are shown in the category Financial liabilities designated at fair value through profit or loss and in the category Financial liabilities measured at amortized cost. The total volume amounts to (IFRS book values):

	Recognized at fair value		Recognized at amortized cost		Total	
in € million	**2023**	2022	**2023**	2022	**2023**	2022
Issued bonds (own issues)	63	68	11,906	8,678	11,969	8,746
Subordinated capital	29	90	–	43	29	133
Supplementary capital	–	–	693	602	693	602
Short-term notes and unlisted private placements	39	41	995	714	1,034	755
Total	**131**	**199**	**13,594**	**10,037**	**13,725**	**10,236**

The following table shows the main conditions of issued bonds exceeding a nominal value of € 200 million:

ISIN	Type	Currency	Nominal value in EUR million	Type of interest payment	Coupon	Maturity date
XS2523326853	Covered	EUR	1,250	Fixed	2.000%	25.08.2032
XS2570759154	Covered	EUR	850	Fixed	3.130%	12.01.2029
XS2234573710	Covered	EUR	750	Fixed	0.010%	23.09.2030
XS2468221747	Covered	EUR	750	Fixed	1.125%	31.07.2028
XS2487770104	Covered	EUR	750	Fixed	1.750%	08.03.2030
XS2556232143	Covered	EUR	750	Fixed	3.000%	17.05.2027
XS2618704014	Covered	EUR	750	Fixed	3.380%	04.05.2026
XS1551294926	Covered	EUR	500	Fixed	0.750%	18.01.2027
XS2013520023	Covered	EUR	500	Fixed	0.625%	19.06.2034
XS2049584084	Senior unsecured	EUR	500	Fixed	0.375%	03.09.2027
XS2058855441	Covered	EUR	500	Fixed	0.010%	02.10.2029
XS2259776230	Covered	EUR	500	Fixed	0.010%	19.11.2035
XS2106563161	Covered	EUR	500	Fixed	0.010%	21.01.2028
XS2320539765	Covered	EUR	500[1)]	Fixed	0.375%	25.03.2041
XS2340854848	Covered	EUR	500	Fixed	0.100%	12.05.2031
XS2380748439	Covered	EUR	500	Fixed	0.010%	03.09.2029
XS2429205540	Covered	EUR	500	Fixed	0.250%	12.01.2032
XS2531479462	Senior unsecured	EUR	500	Fixed	4.130%	18.01.2027
XS2707629056	Tier II	EUR	400	Fixed	6.750%	24.02.2034
AT0000A2Z7V4	Covered	EUR	250[2)]	Fixed	1.900%	27.07.2027
AT0000A2Z7W2	Covered	EUR	250[2)]	Fixed	1.900%	28.06.2027
AT0000A31L43	Senior unsecured	EUR	200[3)]	Fixed	3.750%	10.02.2026
XS2230264603	Tier II	EUR	200	Fixed	Fixed coupon until reset date (23 September 2025) of 1.875%, from including 23 September 2025 to final maturity (23 September 2030), the annual coupon will be a fixed coupon corresponding to 5y swap rate + 235bp, whereas the 5y swap rate being fixed two payment days before the reset date	23.09.2030

1) Thereof € 25 million bought back.
2) Fully retained by BAWAG.
3) Thereof € 1 million bought back.

27 | Liabilities maturities

The following tables depict a breakdown of the financial liabilities (excluding derivatives) by legal maturity.

Financial liabilities – breakdown by remaining period to maturity 2023

31.12.2023 in € million	Repayable on demand	Up to 3 months	3 months up to 1 year	1–5 years	Over 5 years	Total
Liabilities designated at fair value through profit or loss						
Deposits from customers	–	–	5	–	–	5
Bonds	–	–	7	36	20	63
Subordinated capital	–	16	–	13	–	29
Short-term notes and non-listed private placements	–	–	14	25	–	39
Liabilities at amortized cost						
Deposits from customers	25,718	3,683	3,235	556	78	33,270
Deposits from credit institutions	231	829	17	54	678	1,809
Bonds	–	–	53	5,253	6,600	11,906
Subordinated capital	–	–	–	–	–	–
Supplementary capital	–	–	–	591	102	693
Short-term notes and non-listed private placements	–	21	23	903	48	995
Total	**25,949**	**4,549**	**3,354**	**7,431**	**7,526**	**48,809**

Financial liabilities – breakdown by remaining period to maturity 2022

31.12.2022 in € million	Repayable on demand	Up to 3 months	3 months up to 1 year	1–5 years	Over 5 years	Total
Liabilities designated at fair value through profit or loss						
Deposits from customers	–	–	–	5	–	5
Bonds	–	–	4	44	20	68
Subordinated capital	–	31	32	16	11	90
Short-term notes and non-listed private placements	–	–	2	39	–	41
Liabilities at amortized cost						
Deposits from customers	28,134	2,797	2,394	803	160	34,288
Deposits from credit institutions	69	183	4,716	629	747	6,344
Bonds	–	104	20	2,144	6,410	8,678
Subordinated capital	–	–	–	43	–	43
Supplementary capital	–	–	12	–	590	602
Short-term notes and non-listed private placements	–	35	5	632	42	714
Total	**28,203**	**3,150**	**7,185**	**4,355**	**7,980**	**50,873**

28 | Provisions

in € million	31.12.2023	31.12.2022
Provisions for social capital	217	260
Thereof for severance payments	65	65
Thereof for pension provisions	150	174
Thereof for jubilee benefits	2	21
Anticipated losses from pending business	14	13
Credit promises and guarantees	14	13
Other items including legal risks	0	11
Provisions	**231**	**284**

Provisions for social capital are long-term liabilities. Provisions for anticipated losses from pending business in the amount of € 14 million (2022: € 13 million) and other risks including legal risks in the amount of € 0 million (2022: € 11 million) are expected to be used after more than 12 months.

Changes in social capital

in € million	Provisions for pensions	Provisions for severance payments
Defined benefit obligation as of 01.01.2023	**185**	**65**
Service cost	0	3
Interest cost	7	2
Actuarial gain/loss		
from financial assumptions	4	(1)
due to other reasons, mainly experience results	8	3
Other		
Payments	(14)	(7)
Defined benefit obligation as of 31.12.2023	**190**	**65**
Fair value of plan assets	(13)	–
Reclassification to non-current assets and disposal groups classified as held for sale	(27)	–
Provision as of 31.12.2023	**150**	**65**

in € million	Provisions for pensions	Provisions for severance payments
Defined benefit obligation as of 01.01.2022	**237**	**84**
Service cost	0	4
Interest cost	2	1
Actuarial gain/loss		
from demographic assumptions	–	–
from financial assumptions	(40)	(16)
due to other reasons, mainly experience results	4	0
Gain from settlements	0	–
Return on plan assets excluding interest income recognized in profit or loss	1	–
Other		
Payments	(18)	(8)
Other	(1)	–
Defined benefit obligation as of 31.12.2022	**185**	**65**
Fair value of plan assets	(11)	–
Provision as of 31.12.2022	**174**	**65**

On 31 December 2023, the weighted average duration was 9.42 years (2022: 9.60 years) for defined benefit obligations relating to pension plans (excluding Südwestbank, start:bausparkasse Germany, BFL Leasing, Health Coevo, Zahnärztekasse and Depfa Bank) and 9.73 years (2022: 9.99 years) for obligations arising from entitlement to severance payments.

Weighted average duration for defined benefit obligations relating to pension plans in years	2023	2022
start:bausparkasse Germany	12.60	12.50
Südwestbank	6.90	6.90
BFL Leasing	8.60	8.90
Health Coevo	13.80	13.80
Zahnärztekasse	15.50	14.10
Depfa Bank	14.98	14.01

Assignable unit-linked pension fund assets

in € million	2023	2022
Pension fund assets as of 01.01.2023	**11**	**16**
Foreign exchange differences	0	0
Additions	1	1
Payments	0	(4)
Fair value changes	0	(1)
Returns on plan assets	1	(1)
Pension fund assets as of 31.12.2023	**13**	**11**

The fair value changes contain expected returns on plan assets, actuarial gains and losses, contributions by the employer, contributions by plan participants and benefits paid.

The pension fund assets consist of:

in %	2023	2022
Bonds	43%	44%
Equities	26%	25%
Real estate	16%	15%
Cash and cash equivalents	2%	2%
Alternative investments	3%	2%
Other	10%	12%

Bonds issued by BAWAG P.S.K. amount to 0.012% of plan assets.

All equity securities and fixed-income bonds have quoted prices in active markets. All fixed-income investments are mainly issued by European entities and have an average rating of A.

The strategic investment policy of the pension funds can be summarized as follows:

- a strategic asset mix comprising 43% bonds, 26% equities, 16% real estate and 15% other investments;
- the weighting of the investment classes may vary from the long-term strategic asset allocation within a defined range: bonds: 25%–100%, equities: 10%–26%, other investments: 0%–37%;
- interest rate risk is monitored and managed through active duration risk management of all fixed-income assets;
- currency risk is managed with the objective of reducing the risk to a maximum of 20%.

BAWAG Group expects that payments in the amount of € 0.2 million will have to be made to the pension fund in 2024 (2023: € 0.2 million) for asset purchases.

Sensitivity analysis

Reasonably possible changes to one of the relevant actuarial assumptions on the reporting date, holding other assumptions constant, would have resulted in the following defined benefit obligation for pension and severance payments. The basis for the calculation is the present value of the defined benefit obligations as of 31 December 2023 in the amount of € 255 million (2022: € 250 million):

Sensitivity analysis as of 31 December 2023

in € million	Provisions for post-employment benefits and severance payments Increase of variable	Decrease of variable
Discount rate (1) percentage point movement	224	274
Future salary growth (1) percentage point movement	272	226
Attrition (1) percentage point movement	241	247
Future mortality (1) percentage point movement (post-employment benefits only)	182	182

Sensitivity analysis as of 31 December 2022

in € million	Provisions for post-employment benefits and severance payments Increase of variable	Decrease of variable
Discount rate (1) percentage point movement	221	270
Future salary growth (1) percentage point movement	267	233
Attrition (1) percentage point movement	236	244
Future mortality (1) percentage point movement (post-employment benefits only)	178	179

Changes in other provisions

in € million	Balance 01.01.2023	Added	Used	Released	Other adjustments	**Balance 31.12.2023**
Other provisions	**24**	**6**	**(3)**	**(12)**	**(1)**	**14**
Anticipated losses from pending business	13	6	(1)	(4)	–	14
Other items	11	–	(2)	(8)	(1)	–

in € million	Balance 01.01.2022	Added	Used	Released	Other adjustments	Balance 31.12.2022
Other provisions	**48**	**6**	**(22)**	**(9)**	**1**	**24**
Anticipated losses from pending business	15	6	(1)	(7)	–	13
Other items	33	–	(21)	(2)	1	11

29 | Other obligations

in € million	31.12.2023	31.12.2022
Accounts relating to payment transactions	259	286
Lease liabilities IFRS 16	181	192
Liabilities resulting from restructuring	28	35
Other liabilities	299	266
Accruals	16	18
Other obligations	**783**	**797**

According to IFRS 16, a lease liability is recognized at the commencement of a lease. The lease liability is measured at the present value of the lease payments. As of 31 December 2023, other obligations in the amount of € 262 million (31 December 2022: € 285 million) have a maturity of more than one year.

30 | Hedging derivatives

in € million	31.12.2023	31.12.2022
Hedging derivatives in fair value hedges		
Positive market values	37	23
Negative market values	89	150
Hedging derivatives in cash flow hedges		
Positive market values	206	304
Negative market values	123	93
Hedging derivatives in net investment hedge		
Positive market values	4	11
Negative market values	2	2

Fair value hedge

	Notional of hedged items		Net book value of hedging instruments		Net result of hedged item and hedging instrument recognized in the financial year	
in € million	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial assets at fair value through other comprehensive income	**2,576**	**3,436**	**0**	**1**	**(6)**	**5**
Securities	2,576	3,436	0	1	(6)	5
Financial instruments recognized at amortized cost	**37,167**	**29,510**	**(52)**	**(128)**	**(48)**	**(18)**
Securities	1,455	589	0	1	1	2
Own issues	10,949	9,188	(1)	(31)	2	(21)
Loans to customers	9,530	5,394	40	551	(31)	4
Liabilities to customers	15,233	14,339	(91)	(649)	(19)	(3)
Total	**39,743**	**32,946**	**(52)**	**(127)**	**(53)**	**(13)**

The valuation of hedged items and hedging instruments is recognized in profit or loss in the line item Gains and losses on financial assets and liabilities (Note 5).

Cash flow hedge

The time periods in which the hedged cash flows are expected to occur and affect profit or loss are:

31.12.2023 in € million	Within 1 year	1 to 5 years	Over 5 years	Total
	1,676	4,919	2,567	9,162

31.12.2022 in € million	Within 1 year	1 to 5 years	Over 5 years	Total
	910	5,016	3,289	9,215

Profile of the timing of the nominal amount of the hedging instrument:

31.12.2023 in € million	Within 1 year	1 to 5 years	Over 5 years	Total
	1,448	4,213	2,357	8,018

31.12.2022 in € million	Within 1 year	1 to 5 years	Over 5 years	Total
	674	3,363	1,223	5,260

Disclosure according to IFRS 7.24B a)

31.12.2023 in € million	Micro hedges	Hedge adjustments on micro hedges		Macro hedges
	Carrying amount	Hedge adjustments included in the carrying amount of assets/liabilities	Remaining adjustments for discontinued micro hedges including hedges of net positions	Hedged items in portfolio hedge of interest rate risk
ASSETS				
Financial assets measured at fair value through other comprehensive income				
Interest rate related	2,525	(78)	38	–
Financial assets measured at amortized cost				
Interest rate related	2,491	(358)	-20	8,051
LIABILITIES				
Financial liabilities measured at amortized costs				
Interest rate related	10,652	(782)	(127)	11,467

31.12.2022 in € million	Micro hedges	Hedge adjustments on micro hedges		Macro hedges
	Carrying amount	Hedge adjustments included in the carrying amount of assets/liabilities	Remaining adjustments for discontinued micro hedges including hedges of net positions	Hedged items in portfolio hedge of interest rate risk
ASSETS				
Financial assets measured at fair value through other comprehensive income				
Interest rate related	2,350	(219)	0	–
Financial assets measured at amortized cost				
Interest rate related	2,515	(482)	–	3,784
LIABILITIES				
Financial liabilities measured at amortized costs				
Interest rate related	8,327	(1,323)	(149)	11,705

Hedged items in cash flow hedges

31.12.2023 in € million	Change in FV for the period used for calculating hedge ineffectiveness	Cash flow hedge reserve for continuing hedges	Cash flow hedge reserve for terminated hedges
Foreign exchange risk	(5)	(24)	-

31.12.2022 in € million	Change in FV for the period used for calculating hedge ineffectiveness	Cash flow hedge reserve for continuing hedges	Cash flow hedge reserve for terminated hedges
Foreign exchange risk	3	(19)	-

Hedged items in net investment hedges

31.12.2023 in € million	Change in FV for the period used for calculating hedge ineffectiveness	Net investment hedge reserve for continuing hedges	Net investement hedge reserve for terminated hedges
Foreign exchange risk	1	(1)	-

31.12.2022 in € million	Change in FV for the period used for calculating hedge ineffectiveness	Net investment hedge reserve for continuing hedges	Net investement hedge reserve for terminated hedges
Foreign exchange risk	(9)	(2)	-

31 | Equity

Share capital

The fully paid-in share capital of BAWAG Group AG amounts to € 78.6 million (2022: € 82.5 million) divided into 78,600,000 bearer shares (2022: 82,500,000 bearer shares). BAWAG Group AG holds 92,396 own shares (2022: 352,840 own shares), thus the share capital amounts to € 78.5 million for accounting purposes (2022: € 82.1 million). The number of bearer shares excluding own shares is 78,507,604 (2022: 82,147,160).

On 4 October 2023, the Management Board received the decision of the European Central Bank approving a share buyback of € 175 million. On 9 October 2023, a share buyback program of € 175 million was started and was completed on 14 December 2023 (3,847,228 shares bought back).

With effectiveness as of 18 December 2023, 3,900,000 treasury shares were canceled, which resulted in a reduction of share capital to € 78,600,000 (78,600,000 shares).

Authorized capital

Pursuant to Section 5 No 7 of the Articles of Association of BAWAG Group AG, the Management Board shall be authorized, with the consent of the Supervisory Board, to increase the share capital within five years from the date of the registration of the amendment to the Articles of Association in the commercial register, also in several tranches against contributions in cash and/or contributions in kind, by up to € 40 million by issuing up to 40,000,000 new bearer shares with no par value and to determine the issue price conditions in agreement with the Supervisory Board (Authorized Capital 2019).

Conditional capital

In accordance with section 159 Para 2 No 1 AktG, the share capital shall be conditionally increased by up to € 10 million by issuing up to 10,000,000 no-par value bearer shares for the purpose of issuing them to creditors of convertible bonds which the Management Board, with the consent of the Supervisory Board, may issue in the future on the basis of the authorization granted at the Annual General Meeting on 30 April 2019. The conditional capital increase may only be carried out to the extent that creditors of convertible bonds to be issued make use of their conversion and/or subscription rights to shares of BAWAG Group AG. The amount to be issued and the conversion ratio shall be determined in accordance with the interests of BAWAG Group AG, the existing shareholders and the subscribers of the convertible bonds within the framework of a customary market pricing procedure using recognized customary market methods and the stock exchange price of BAWAG Group AG's shares. The issue price of the new shares may not be less than the proportionate amount of the share capital. The shares to be issued as part of the conditional capital increase are entitled to dividends to the same extent as the existing shares.

Capital reserves and retained earnings

Capital reserves include contributions from shareholders that do not represent subscribed capital. Retained earnings and other reserves represent accumulated net profit brought forward as well as income and expense recognized in other comprehensive income.

AT1 capital

In April 2018, BAWAG Group issued Additional Tier 1 capital in the amount of € 300 million. Based on the contractual framework, the issue is classified as equity in accordance with IAS 32. Expenses and tax effects directly related to the issuance are subtracted from equity. Coupon payments are recognized as dividends directly in equity.

In September 2020, BAWAG Group issued Additional Tier 1 capital in the amount of € 175 million. Based on the contractual framework, the issue is classified as equity in accordance with IAS 32. Expenses and tax effects directly related to the issuance are subtracted from equity. Coupon payments are recognized as dividends directly in equity.

Dividends

BAWAG Group earmarked dividends of € 393 million, subject to shareholder approvals, for the financial year 2023, which will be proposed to the ordinary Annual General Meeting on 8 April 2024 (total of € 5.00 per share; based on the number of shares expected to be outstanding at the time of the Annual General Meeting).

Dividends of € 305 million (€ 3.70 per share) were distributed in 2023.

Non-controlling interests

As of 31 December 2023, non-controlling interests amount to € 0.0 million (2022: € 0.3 million; 95% share in Morgenstern Miet + Leasing GmbH and 75% share in ACP-IT Finanzierungs GmbH).

Liability reserve (Haftrücklage)

Credit institutions are required to allocate a liability reserve (Haftrücklage) according to section 57 paragraph 5 BWG. The liability reserve may be reversed only insofar as this is required to meet obligations pursuant to section 93 BWG or to cover other losses to be reported in the annual financial statements.

Changes in other comprehensive income

in € million	Retained earnings reserve	Cash flow hedge reserve net of tax	Actuarial gains/ losses net of tax	Debt instru-ments at fair value through other compre-hensive income net of tax	Equity invest-ments at fair value through other compre-hensive income net of tax	Change in credit spread of financial liabilities net of tax	Hedge of net invest-ment in foreign operations net of tax	Foreign exchange differ-ences	Equity attribu-table to the owners of the parent	Non-controlling interests	Equity including non-controlling interests
Total comprehensive income 2023	**682.6**	**(4.5)**	**(10.1)**	**32.9**	**(25.6)**	**(2.2)**	**0.7**	**(1.8)**	**672.0**	**–**	**672.0**
Consolidated profit/loss	682.6	–	–	–	–	–	–	–	682.6	0.0	682.6
Income and expenses recognized directly in equity	**–**	**(4.5)**	**(10.1)**	**32.9**	**(25.6)**	**(2.2)**	**0.7**	**(1.8)**	**(10.6)**	**–**	**(10.6)**
Change in cash flow hedge reserve	–	(5.2)	–	–	–	–	–	–	(5.2)	–	(5.2)
Change in debt securities at fair value through other comprehensive income	–	–	–	34.3	–	–	–	–	34.3	–	34.3
Share of other comprehensive income of associates accounted for using the equity method	–	–	–	6.9	–	–	–	–	6.9	–	6.9
Actuarial gains (losses) on defined benefit pension plans	–	–	(13.3)	–	–	–	–	–	(13.3)	–	(13.3)
Fair value changes of shares and other equity investments at fair value through other comprehensive income	–	–	–	–	(32.3)	–	–	–	(32.3)	–	(32.3)
Change in credit spread of financial liabilities	–	–	–	–	–	(1.1)	–	–	(1.1)	–	(1.1)
Hedge of net investment in foreign operations	–	–	–	–	–	–	0.7	–	0.7	–	0.7
Foreign exchange differences	–	–	–	–	–	–	–	(1.8)	(1.8)	–	(1.8)
Income taxes	–	0.7	3.2	(8.3)	6.7	(1.1)	–	–	1.2	–	1.2

in € million	Retained earnings reserve	Cash flow hedge reserve net of tax	Actuarial gains/losses net of tax	Debt instruments at fair value through other compre-hensive income net of tax	Equity investments at fair value through other compre-hensive income net of tax	Change in credit spread of financial liabilities net of tax	Hedge of net investment in foreign operations net of tax	Foreign exchange differences	Equity attributable to the owners of the parent	Non-controlling interests	Equity including non-controlling interests
Total comprehensive income 2022	**318.3**	**2.6**	**34.7**	**(113.8)**	**(23.6)**	**4.8**	**(9.0)**	**9.5**	**223.5**	**0.3**	**223.8**
Consolidated profit/loss	318.3	–	–	–	–	–	–	–	318.3	0.3	318.6
Income and expenses recognized directly in equity	**–**	**2.6**	**34.7**	**(113.8)**	**(23.6)**	**4.8**	**(9.0)**	**9.5**	**(94.8)**	**–**	**(94.8)**
Change in cash flow hedge reserve	–	3.5	–	–	–	–	–	–	3.5	–	3.5
Change in debt securities at fair value through other comprehensive income	–	–	–	(129.2)	–	–	–	–	(129.2)	–	(129.2)
Share of other comprehensive income of associates accounted for using the equity method	–	–	–	(17.5)	–	–	–	–	(17.5)	–	(17.5)
Actuarial gains (losses) on defined benefit pension plans	–	–	50.1	–	–	–	–	–	50.1	–	50.1
Fair value changes of shares and other equity investments at fair value through other comprehensive income	–	–	–	–	(31.9)	–	–	–	(31.9)	–	(31.9)
Change in credit spread of financial liabilities	–	–	–	–	–	6.4	–	–	6.4	–	6.4
Hedge of net investment in foreign operations	–	–	–	–	–	–	(9.0)	–	(9.0)	–	(9.0)
Foreign exchange differences	–	–	–	–	–	–	–	9.5	9.5	–	9.5
Income taxes	–	(0.9)	(15.4)	32.9	8.3	(1.6)	–	–	23.3	–	23.3

Deferred income taxes recognized in other comprehensive income

in € million	Before taxes	Income taxes	After taxes
	01.01. –31.12.2023		
Cash flow hedge reserve	(5.2)	0.7	(4.5)
Actuarial gains (losses) on defined benefit pension plans	(13.3)	3.2	(10.1)
Debt instruments at fair value through other comprehensive income net of tax excluding equity associates	34.3	(8.3)	26.0
Debt instruments at fair value through other comprehensive income net of tax from equity associates	6.9	–	6.9
Shares and other equity investments at fair value through other comprehensive income net of tax	(32.3)	6.7	(25.6)
Change in credit spread of financial liabilities net of tax	(1.1)	(1.1)	(2.2)
Hedge of net investment in foreign operations net of tax	0.7	–	0.7
Foreign exchange differences	(1.8)	–	(1.8)
Income and expenses recognized directly in equity	**(11.8)**	**1.2**	**(10.6)**

in € million	Before taxes	Income taxes	After taxes
	01.01.–31.12.2022		
Cash flow hedge reserve	3.5	(0.9)	2.6
Actuarial gains (losses) on defined benefit pension plans	50.1	(15.4)	34.7
Debt instruments at fair value through other comprehensive income net of tax excluding equity associates	(129.2)	32.9	(96.3)
Debt instruments at fair value through other comprehensive income net of tax from equity associates	(17.4)	–	(17.4)
Shares and other equity investments at fair value through other comprehensive income net of tax	(31.8)	8.3	(23.5)
Change in credit spread of financial liabilities net of tax	6.4	(1.6)	4.8
Hedge of net investment in foreign operations net of tax	(9.1)	–	(9.1)
Foreign exchange differences	9.4	–	9.4
Income and expenses recognized directly in equity	**(118.1)**	**23.3**	**(94.8)**

SEGMENT REPORTING

This information is based on the Group structure as of 31 December 2023.

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 based on the internal reports used by the Management 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 based on where they are incurred. The overhead costs and planned depreciations are assigned to the individual segments according to an allocation factor. Regulatory charges and corporate tax are allocated based on relevant input parameters.

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

- **Retail & SME** – includes savings, payment, card and lending activities, investment and insurance services for our private customers, small business lending, factoring & leasing business and our social housing activities as well as own issues covered with retail assets and Wohnbaubank bonds. The segment services its domestic and international private and small business customers through a centrally managed branch network focused on high-touch and high-quality advisory and complementary online, mobile and platform (broker, dealers) and partnership channels providing 24/7 customer access and driving asset origination. Our online product offering for example covers savings, payments, securities, card and lending activities for private and small business customers while the platform business provides auto, mobile and real estate leasing as well as consumer and mortgage loans. It also includes lending portfolios to our international retail borrowers in Western Europe and the United States. While driving our cross-border multi-brand and multi-channel strategy, we are committed to conservative lending strongly supported by our platform business in the DACH/NL-region, which primarily offers secured mortgage lending.

- **Corporates, Real Estate & Public Sector –** includes lending activities to international corporates as well as international real estate financing activities. It also includes our corporate, mid-cap and public sector lending business and other fee-driven financial services for mainly Austrian and German customers. Own issues covered with corporate or public sector assets are included in this segment as well.

- **Treasury –** 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 the portfolio of financial securities of BAWAG Group.

- **Corporate Center –** provides central functions for the entire Group such as legal services, risk management and Group asset-liability management and includes unallocated items related to these support functions, accounting positions (e.g. market values of derivatives), the company’s equity, real estate and fixed assets, non-interest bearing assets and liabilities as well as selected results related to subsidiary and participation holdings and reconciliation positions.

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:

2023 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
Net interest income	865.6	286.4	55.6	22.6	1,230.2
Net fee and commission income	273.0	35.3	(0.4)	(0.7)	307.2
Core revenues	**1,138.6**	**321.7**	**55.2**	**21.9**	**1,537.4**
Other income[1)]	3.9	(3.7)	2.3	(14.4)	(12.0)
Operating income	**1,142.5**	**318.0**	**57.5**	**7.4**	**1,525.4**
Operating expenses	**(344.9)**	**(78.1)**	**(41.7)**	**(20.6)**	**(485.3)**
Pre-provision profit	**797.6**	**239.9**	**15.8**	**(13.1)**	**1,040.1**
Regulatory charges	(9.7)	(10.0)	(7.5)	(11.8)	(39.0)
Total risk costs	(86.1)	(5.2)	(3.4)	1.5	(93.2)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	2.5	2.5
Profit before tax	**701.8**	**224.7**	**4.9**	**(21.0)**	**910.4**
Income taxes	(175.4)	(56.2)	(1.2)	5.0	(227.8)
Profit after tax	**526.4**	**168.5**	**3.7**	**(16.0)**	**682.6**
Non-controlling interests	–	–	–	0.0	0.0
Net profit	**526.4**	**168.5**	**3.7**	**(16.0)**	**682.6**
Business volumes					
Assets	22,021	13,328	18,758	1,341	55,448
Liabilities	37,456	8,918	3,723	5,351	55,448
Risk-weighted assets	9,354	6,352	1,892	1,719	19,317

1) The position "Other Income" includes gains and losses on financial instruments and other operating income and expenses.

2022 **in € million**	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
Net interest income	750.2	262.9	43.7	(35.7)	1,021.1
Net fee and commission income	276.8	33.7	(0.7)	(0.5)	309.3
Core revenues	**1,027.0**	**296.6**	**43.0**	**(36.2)**	**1,330.4**
Other income[1)]	4.5	17.1	34.9	(62.8)	(6.4)
Operating income	**1,031.5**	**313.6**	**77.9**	**(99.0)**	**1,324.0**
Operating expenses	**(342.7)**	**(71.5)**	**(37.4)**	**(23.2)**	**(474.8)**
Pre-provision profit	**688.8**	**242.2**	**40.5**	**(122.3)**	**849.2**
Regulatory charges	(18.4)	(12.0)	(7.6)	(10.8)	(48.8)
Total risk costs	(80.6)	(36.2)	(5.1)	(254.4)	(376.3)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	2.7	2.7
Profit before tax	**589.8**	**194.0**	**27.8**	**(384.8)**	**426.8**
Income taxes	(147.5)	(48.4)	(6.9)	94.6	(108.2)
Profit after tax	**442.4**	**145.6**	**20.9**	**(290.2)**	**318.6**
Non-controlling interests	–	–	–	(0.3)	(0.3)
Net profit	**442.4**	**145.6**	**20.9**	**(290.6)**	**318.3**
Business volumes					
Assets	22,375	14,503	18,386	1,259	56,523
Liabilities	35,369	12,780	3,613	4,761	56,523
Risk-weighted assets	9,587	7,502	1,748	1,827	20,664

1) The position "Other Income" includes gains and losses on financial instruments and other operating income and expenses.

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.

Geographical split

The tables below show a geographical split of the business segments based on the risk-related assignment of individual customers to a country. Customer groups are not aggregated and assigned to a single country (i.e. the country of the parent company) but allocated to their respective countries on a single entity level.

The following tables show core revenues per segment and geography:

2023 **in € million**	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
DACH / NL	1,074.7	136.0	17.7	3.7	1,232.1
thereof Austria	877.5	108.5	2.2	14.4	1,002.6
thereof Germany	146.7	25.3	10.5	(11.0)	171.5
Western Europe / USA	63.9	185.7	37.5	18.2	305.3
Total	**1,138.6**	**321.7**	**55.2**	**21.9**	**1,537.4**

2022 in Mio. €	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
DACH / NL	975.2	109.2	8.2	(53.7)	1,038.9
thereof Austria	790.5	78.7	1.0	(47.0)	823.2
thereof Germany	138.5	27.7	3.1	(6.7)	162.6
Western Europe / USA	51.8	187.4	34.8	17.5	291.5
Total	**1,027.0**	**296.6**	**43.0**	**(36.2)**	**1,330.4**

The segment result can be reconciled with the Profit or Loss Statement as follows:

in € million	2023	2022
Other operating income and expenses according to segment report[1)]	4.6	6.8
Regulatory charges[1)]	(34.1)	(44.6)
Other operating income and expenses according to Consolidated Profit or Loss Statement	**(29.5)**	**(37.8)**

in € million	2023	2022
Operating expenses according to segment report[1)]	(485.3)	(474.8)
Regulatory charges[1)]	(4.9)	(4.2)
Operating expenses according to Consolidated Profit or Loss Statement	**(490.2)**	**(479.0)**

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 34.1 million for 2023 (2022: € 44.6 million). The item Operating expenses includes regulatory charges in the amount of € 4.9 million for 2023 as well (2022: € 4.2 million). However, BAWAG Group's management considers regulatory charges as a separate expense. Accordingly, they are shown in a separate expense line in the Group Management Report.

CAPITAL MANAGEMENT

The capital management of BAWAG Group is based on own funds as defined by the CRR (Capital Requirements Regulation) and the corresponding national regulations (Basel 3 Pillar 1) and the economic capital management approach (Basel 3 Pillar 2) related to the Internal Capital Adequacy Assessment Process (ICAAP).

The Group employs a centralized capital management process. The main responsibilities of this function are to continuously monitor the development of the Group's business, to analyze changes in its risk-weighted assets and to reconcile those with the available regulatory own funds or the ICAAP limit and utilizations for each segment.

The capital management function is fully integrated into the Group's business planning process to ensure that the regulatory requirements as well as the target capital ratio are complied with throughout the planning horizon. Besides regulatory capital management, economic capital limits aligned with the business plan are assigned to the business segments as part of the ICAAP process.

The Capital Management Team gives recommendations to the Management Board of BAWAG Group for strengthening and optimizing the own funds position when necessary and reports to the Bank's Enterprise Risk Meeting once a month.

The ICAAP is modeled taking into account the Group's business and risk profile and is an integral part of the planning and the control system. In the course of the ICAAP, the risk-bearing capacity of the Group is ensured and the efficient use of capital for risk coverage monitored. In addition, stress tests complement the steering process.

As part of the SREP, minimum regulatory capital requirements as well as a Pillar 2 capital guidance are set for BAWAG Group. In addition to the minimum capital ratios required by the regulators, BAWAG Group defines early warning and recovery levels in BAWAG Group's recovery plan and the corresponding processes. The recovery and warning levels refer to regulatory and economic capital figures. The recovery plan was prepared within the framework of the BaSAG (Bundesgesetz über die Sanierung und Abwicklung von Banken, the Austrian Banking Resolution and Recovery Act).

BAWAG Group constantly monitors its compliance with the warning and recovery levels and therefore at the same time with the stipulated own funds ratios on the basis of the notifications sent to Oesterreichische Nationalbank (the Austrian national bank) and on the basis of current business developments.

Additionally, the Capital Management Team tracks all regulatory changes in its field of responsibility, e.g. Basel IV/V. The impact of the regulatory changes is estimated and the expected effects on the capital position of the Bank are presented to the respective division heads and board members. Expected future regulatory requirements are proactively integrated into the capital management process. This is intended to ensure that the Bank adapts its capital management procedures to the new prudential requirement in time.

Regulatory reporting on a consolidated basis is performed on the level of BAWAG Group as the EU parent financial holding company of the group of credit institutions.

As part of the BAWAG Capital Management, MREL requirements are also monitored on a regular basis. In Q1 2024, BAWAG Group received its new MREL decision from the Single Resolution Board ("SRB"). It is based on a single point of entry resolution strategy with BAWAG P.S.K. as the resolution entity. The MREL requirement has been set at 27.1% of RWA (incl. CBR) on the consolidated level of BAWAG P.S.K. AG, with the final requirement being applicable from 1.1.2024. The MREL decision also sets the binding interim target of 22.6% of RWA (incl. CBR), which had to be met by 1.1.2022. The current MREL decision does not contain a subordination requirement. In addition to the MREL requirement in % of RWA, according to the new SRB decision the MREL requirement in % of LRE (leverage ratio exposure) has been set at 5.91% on the consolidated level of BAWAG P.S.K. AG, with the final requirement being applicable from 1.1.2022.

During the financial year 2023, the MREL ratios, based on both risk-weighted assets (RWA) and on leverage ratio exposure (LRE), were complied with. As of 31 December 2023, BAWAG reported MREL-eligible instruments amounting to 30.31% of RWA and 10.24% of LRE (including interim profit and the deduction of the proposed dividend) (31 December 2022: MREL-eligible instruments amounting to 26.08% of RWA and 9.36% of LRE [including interim profit and the deduction of the proposed dividend]).

The table below shows the breakdown of own funds of BAWAG Group applying transitional rules (including interim profit and the deduction of the proposed dividend in the amount of € 393 million payable subject to the respective resolution in the Annual General Meeting) and its own funds requirement as of 31 December 2023 and 31 December 2022 pursuant to CRR applying IFRS figures and the CRR scope of consolidation. In addition to the BAWAG Group own funds, the following tables show the breakdown of the eligible liabilities and own funds (MREL) on the consolidated level of BAWAG P.S.K. Group.

	BAWAG Group	
in € million	**31.12.2023**	31.12.2022
Share capital and reserves (including funds for general banking risk)[1)]	3,468	3,366
Deduction of intangible assets	(431)	(414)
Other comprehensive income	(154)	(144)
IRB risk provision shortfalls	(6)	–
Prudent valuation, cumulative gains due to changes in own credit risk on fair valued liabilities, prudential filter for unrealized gains, cash flow hedge reserve	15	10
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(1)	(0)
Securitization positions which can alternatively be subject to a 1.250% risk weight	(3)	–
Insufficient coverage for non-performing exposures	(5)	(0)
Additional deductions of CET 1 capital due to article 3 CRR	(38)	(25)
Common Equity Tier I	**2,845**	**2,793**
Capital instruments eligible as additional Tier 1 capital	475	475
Deduction of significant investments	(68)	(70)
Additional Tier I	**407**	**405**
Tier I	**3,252**	**3,197**
Tier II capital	599	592
Tier II capital in grandfathering	10	13
Excess IRB risk provisions	20	48
Deduction of significant investments	(24)	(24)
Tier II	**605**	**628**
Own funds	**3,857**	**3,825**

1) In this item, dividends not yet paid out for the financial year 2023 in the amount of € 392.5 million and a share buyback in the amount of € 175.0 million were deducted (31 December 2022: € 304.5 million in dividends not yet paid out for the financial year 2022, share buyback in the amount of € 325.0 million in financial year 2022).

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

	BAWAG Group	
in € million	**31.12.2023**	31.12.2022
Credit risk	17,203	18,642
Operational risk	2,114	2,022
Capital requirements (risk-weighted assets)	**19,317**	**20,664**

Supplemental information on a fully loaded basis

	BAWAG Group	
	31.12.2023	31.12.2022
Common Equity Tier 1 capital ratio based on total risk	14.7%	13.5%
Total capital ratio based on total risk	19.9%	18.5%

Key figures according to CRR including its transitional rules

	BAWAG Group	
	31.12.2023	31.12.2022
Common Equity Tier 1 capital ratio based on total risk	14.7%	13.5%
Total capital ratio based on total risk	20.0%	18.5%

During the financial year 2023, BAWAG Group complied with the overall capital requirement imposed by the SREP of 9.70% CET1, 11.58% Tier 1 and 14.08% total capital or 10.45%/12.33%/14.83% including Pillar 2 guidance. [1)]

During the financial year 2022, BAWAG Group complied with the overall capital requirement imposed by the SREP of 9.18% CET1, 11.06% Tier 1 and 13.56% total capital or 9.93%/11.81%/14.31% including Pillar 2 guidance. [2)]

[1] Countercyclical buffer of 0.3267% based on exposure as of December 2023.

[2] Countercyclical buffer of 0.0593% based on exposure as of December 2022.

MREL

	BAWAG P.S.K.	
in € million	**31.12.2023**	31.12.2022
Legacy MREL – SP	945	997
New senior preferred	859	331
SNP and other subordinated liabilities	500	511
Eligible liabilities	**2,304**	**1,839**
Own funds	**3,446**	**3,550**
Total MREL	**5,750**	**5,389**
RWA	**18,973**	**20,666**
MREL ratio	30.3%	26.1%
MREL requirement	22.6%	22.1%
LRE	**56,146**	**57,542**
MREL ratio	10.2%	9.4%
MREL requirement	5.9%	5.9%

FURTHER DISCLOSURES REQUIRED BY IFRS

32 | Changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes

Liabilities arising from financing activities are liabilities for which cash flows are classified as cash flows from financing activities in the Cash Flow Statement. At BAWAG Group, these are cash flows from subordinated and supplementary capital (for details regarding subordinated and supplementary capital, please refer to Note 26). Thus, the following table discloses the changes from subordinated and supplementary capital in the reporting period:

in € million	01.01.2023	Change in scope of consolidation	Fair value adjustment of hedged item from hedge accounting	Valuation of liabilities designated at fair value through profit or loss	Issuance of new bonds	Additions	Repurchase/ Redemption/ Cash change	Others	**31.12.2023**
Financial liabilities designated at fair value through profit or loss									
Subordinated and supplementary capital	90	–	–	2	–	–	(62)	(1)	29
Financial liabilities measured at amortized cost									
Subordinated and supplementary capital	645	–	17	–	399	–	(362)	(6)	693
Other obligations									
Lease liability	192	2	–	–	–	–	(31)	18	181

in € million	01.01.2022	Change in scope of consolidation	Fair value adjustment of hedged item from hedge accounting	Valuation of liabilities designated at fair value through profit or loss	Issuance of new bonds	Additions	Repurchase/ Redemption/ Cash change	Others	31.12.2022
Financial liabilities designated at fair value through profit or loss									
Subordinated and supplementary capital	103	–	–	(12)	–	–	0	(1)	90
Financial liabilities measured at amortized cost									
Subordinated and supplementary capital	687	0	(19)	–	0	–	0	(23)	645
Other obligations									
Lease liability	209	0	–	–	–	–	(30)	13	192

Regarding changes in equity due to dividends paid, please refer to the Statement of Changes in Equity.

33 | Fair value

The following tables depict a comparison of the carrying amounts and fair values for selected items on the Statement of Financial Position.

in € million	Carrying amount 31.12.2023	Fair value 31.12.2023	Delta Fair value/Carrying amount 31.12.2023	Carrying amount 31.12.2022	Fair value 31.12.2022	Delta Fair value/Carrying amount 31.12.2022
Assets						
Cash reserves	694	694	–	520	520	–
Financial assets designated at fair value through profit or loss	52	52	–	58	58	–
Loans to customers	52	52	–	58	58	–
Financial assets mandatorily at fair value through profit or loss	541	541	–	499	499	–
Securities	284	284	–	307	307	–
Loans to customers	173	173	–	78	78	–
Subsidiaries and other equity investments	84	84	–	113	113	–
Financial assets at fair value through other comprehensive income	2,827	2,827	–	2,743	2,743	–
Debt instruments	2,688	2,688	–	2,578	2,578	–
Subsidiaries and other equity investments	139	139	–	165	165	–
Financial assets held for trading	103	103	–	156	156	–
At amortized cost	49,585	48,757	(828)	51,585	50,102	(1,483)
Customers	33,333	32,543	(790)	35,763	34,374	(1,389)
Credit institutions	12,592	12,586	(6)	12,655	12,639	(16)
Securities	3,660	3,628	(32)	3,167	3,089[1)]	(78)
Valuation adjustment on interest rate risk hedged portfolios	(310)	(310)	–	(619)	(619)	–
Hedging derivatives	247	247	–	338	338	–
Property, plant and equipment	259	n/a	n/a	268	n/a	n/a
Investment properties	75	75	–	84	84	–
Intangible non-current assets	532	n/a	n/a	522	n/a	n/a
Other assets	305	n/a	n/a	344	n/a	n/a
Non-current assets and disposal groups held for sale	538	n/a	n/a	25	25	–
Total assets	**55,448**			**56,523**		

1) Adjusted due to a technical error.

in € million	Carrying amount 31.12.2023	Fair value 31.12.2023	Delta Fair value/Carrying amount 31.12.2023	Carrying amount 31.12.2022	Fair value 31.12.2022	Delta Fair value/Carrying amount 31.12.2022
Equity and liabilities						
Financial liabilities designated at fair value through profit or loss	136	136	–	204	204	–
Issued debt securities and other securitized liabilities	102	102	–	109	109	–
Subordinated and supplementary capital	29	29	–	90	90	–
Deposits from customers	5	5	–	5	5	–
Financial liabilities held for trading	463	463	–	692	692	–
Financial liabilities at amortized cost	48,673	48,419	(254)	50,669	50,289	(380)
Deposits from credit institutions	1,809	1,811	2	6,344	6,326	(18)
Deposits from customers	33,270	33,261	(9)	34,288	34,148	(140)
Issued bonds, subordinated and supplementary capital	13,594	13,347	(247)	10,037	9,815	(222)
Financial liabilities associated with transferred assets	402	402	–	394	394	–
Valuation adjustment on interest rate risk hedged portfolios	(415)	(415)	–	(891)	(891)	–
Hedging derivatives	214	214	–	245	245	–
Provisions	231	n/a	n/a	284	n/a	n/a
Other obligations	1,092	n/a	n/a	935	n/a	n/a
Liabilities in disposal groups held for sale	482	n/a	n/a	–	n/a	n/a
Equity	4,170	n/a	n/a	3,991	n/a	n/a
Non-controlling interests	0	n/a	n/a	0	n/a	n/a
Total liabilities and equity	**55,448**			**56,523**		

The fair values of material investment properties are based on external and internal valuations. The carrying amount of other assets and other obligations is a reasonable approximation of their fair value. Therefore, information on the fair value of these items is not shown.

Market standard valuation methods are used to determine the fair value of assets and liabilities. With regard to Level 3 assets and liabilities for which non-observable valuation parameters are used for measurement, the current macroeconomic environment results in increased uncertainty with regard to the measurement of the fair value of these items.

Carrying amount adjustments of hedged items in a portfolio fair value hedge are presented in a separate balance sheet item Valuation adjustment on interest rate risk hedged portfolios in accordance with IFRS 9. To enable a direct comparison with the balance sheet items, fair value changes relating to the interest rate risk hedged here are also presented in a separate line.

In the following economic view, the fair value of deposits from customers is obtained by using the present value method based on expected cash flows established in the various contracts and subsequently discounted. An internal model for estimating current account maturities and other demand deposits calibrated based on available internal historical information is used for this purpose. This model takes the sensitivity of its remuneration at market rates and the level of permanence of account balances into account.

in € million	Carrying amount 31.12.2023	Fair value 31.12.2023	Delta Fair value/Carrying amount 31.12.2023	Carrying amount 31.12.2022	Fair value 31.12.2022	Delta Fair value/Carrying amount 31.12.2022
Assets						
Cash reserves	694	694	–	520	520	–
Financial assets designated at fair value through profit or loss	52	52	–	58	58	–
Loans to customers	52	52	–	58	58	–
Financial assets mandatorily at fair value through profit or loss	541	541	–	499	499	–
Securities	284	284	–	307	307	–
Loans to customers	173	173	–	78	78	–
Subsidiaries and other equity investments	84	84	–	113	113	–
Financial assets at fair value through other comprehensive income	2,827	2,827	–	2,743	2,743	–
Debt instruments	2,688	2,688	–	2,578	2,578	–
Subsidiaries and other equity investments	139	139	–	165	165	–
Financial assets held for trading	103	103	–	156	156	–
At amortized cost	49,585	48,757	(828)	51,585	50,102	(1,483)
Customers	33,333	32,543	(790)	35,763	34,374	(1,389)
Credit institutions	12,592	12,586	(6)	12,655	12,639	(16)
Securities	3,660	3,628	(32)	3,167	3,089[1)]	(78)
Valuation adjustment on interest rate risk hedged portfolios	(310)	(310)	–	(619)	(619)	–
Hedging derivatives	247	247	–	338	338	–
Property, plant and equipment	259	n/a	n/a	268	n/a	n/a
Investment properties	75	75	–	84	84	–
Intangible non-current assets	532	n/a	n/a	522	n/a	n/a
Other assets	305	n/a	n/a	344	n/a	n/a
Non-current assets and disposal groups held for sale	538	n/a	n/a	25	25	–
Total assets	**55,448**			**56,523**		

1) Adjusted due to a technical error.

in € million	Carrying amount 31.12.2023	Fair value 31.12.2023	Delta Fair value/Carrying amount 31.12.2023	Carrying amount 31.12.2022	Fair value 31.12.2022	Delta Fair value/Carrying amount 31.12.2022
Equity and liabilities						
Financial liabilities designated at fair value through profit or loss	136	136	–	204	204	–
Issued debt securities and other securitized liabilities	102	102	–	109	109	–
Subordinated and supplementary capital	29	29	–	90	90	–
Deposits from customers	5	5	–	5	5	–
Financial liabilities held for trading	463	463	–	692	692	–
Financial liabilities at amortized cost	48,673	47,524	(1,149)	50,669	48,731	(1,938)
Deposits from credit institutions	1,809	1,811	2	6,344	6,326	(18)
Deposits from customers	33,270	32,366	(904)	34,288	32,590	(1,698)
Issued bonds, subordinated and supplementary capital	13,594	13,347	(247)	10,037	9,815	(222)
Financial liabilities associated with transferred assets	402	402	–	394	394	–
Valuation adjustment on interest rate risk hedged portfolios	(415)	(415)	–	(891)	(891)	–
Hedging derivatives	214	214	–	245	245	–
Provisions	231	n/a	n/a	284	n/a	n/a
Other obligations	1,092	n/a	n/a	935	n/a	n/a
Liabilities in disposal groups held for sale	482	n/a	n/a	–	n/a	n/a
Equity	4,170	n/a	n/a	3,991	n/a	n/a
Non-controlling interests	0	n/a	n/a	0	n/a	n/a
Total liabilities and equity	**55,448**			**56,523**		

Fair value hierarchy

The following table depicts an analysis of the fair values of financial instruments and investment properties 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:** If no current, liquid market values are available, generally accepted, standard state-of-the-art methods of measurement are used. This applies to the category liabilities evidenced by paper (issued by BAWAG Group), and, in individual cases, other current financial assets in the Bank's trading portfolio where the valuation of plain vanilla securities was performed on the basis of the yield curve plus the current credit spread. 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.
- For customer receivables accounted for at fair value, modeling techniques following industry standard models are applied, for example discounted cash flow analysis and standard option pricing models. Market parameters such as interest rates, FX rates or volatilities are used as inputs to the valuation models to determine fair value. The discount curves used to determine the pure time value of money contain only instruments that assume no or only low default risk, such as swap rates. Spread curves that reflect the refinancing costs of the respective borrower are either derived from outstanding funding instruments, distinguished by seniority (senior unsecured, subordinated, collateralized funding), or benchmark yield curves (e.g. indices).
- Linear derivative financial instruments containing no optional components (such as interest rate swaps, currency forwards and futures) were also measured using a present value technique (discounting of future cash flows applying the current swap curve, derivatives with counterparties with a Credit Support Annex [CSA] agreement are discounted by the corresponding RFR curve [risk free rate; e.g. €STR]).
- Optional instruments were measured using option price models such as Black-Scholes (swaptions, caps, floors), Bachelier (caps, floors and swaptions in currencies with negative interest rates), Garman-Kohlhagen (currency options) or the Hull-White model (swaps with multiple cancellation rights), which were implemented and applied consistently in the front office systems.
- The basic parameters on which the models are based (yield curves, volatilities and exchange rates) are input into the system by the Market Risk unit independently of the Treasury departments, which ensures the separation of front office functions from back office processing and control.
- For more complex derivatives that are held for hedging purposes and that are concluded back to back, external valuations are obtained by the Market Risk unit and input into the systems for correct processing.
- Standard providers such as Bloomberg and Markit are used to evaluate the spreads of issued securities recognized at fair value through profit or loss. A senior unsecured spread curve and an LT2 spread curve are calculated based on the term structure of the A Europe Financial sector curve and the quotes of the international BAWAG P.S.K. issues. For covered issues, the spread curve is derived directly from the quotes of several BAWAG P.S.K. benchmark bonds. The securities prices for BAWAG P.S.K. issues are then calculated by discounting the swap curve adapted by the spread.

- As of 31 December 2023, the portion of change in fair value of securities issued by BAWAG Group accounted for solely by changes in the Group's credit spreads was minus € 2.0 million (plus € 6.9 million as of 31 December 2022). This is defined as the product of the credit spread basis point value with the respective spread change, supplemented by the pull-to-par effect. As of 31 December 2023, the cumulative fair value change resulting from changes in the Group's credit rating amounted to plus € 2.9 million (plus € 4.9 million as of 31 December 2022).

- A one basis point narrowing of the credit spread is expected to change their valuation by minus € 0.03 million (minus € 0.04 million as of 31 December 2022).

- The cumulative fair value change of receivables recognized at fair value through profit or loss that was recognized due to changes in credit spreads amounted to € 0.2 million as of 31 December 2023 (€ 0.2 million as of 31 December 2022) and is calculated as the change in the spread between the government yield curve and the swap curve during the observed period. The respective annual fair value change amounted to € 0.0 million (€ 0.2 million as of 31 December 2022).

- A one basis point narrowing of the credit spread is expected to change their valuation by plus € 0.02 million (plus € 0.03 million as of 31 December 2022).

- **Level 3:** The measurement is based on unobservable input factors that have a material influence on the market value. This pertains primarily to illiquid funds as well as own issues of BAWAG P.S.K. Wohnbaubank. Loans and receivables and financial liabilities measured at amortized cost are valued using the discounted cash flow method using a spread-adjusted swap curve. This also pertains to stakes in non-consolidated subsidiaries that are classified as mandatorily at fair value through profit or loss or at fair value through other comprehensive income and customer liabilities accounted for at fair value through profit or loss.

  The fair values of material investment properties are based on external and internal valuations.

- 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.

31.12.2023 in € million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets designated at fair value through profit or loss	–	52	–	52
Financial assets mandatorily at fair value through profit or loss	2	25	514	541
Financial assets at fair value through other comprehensive income	2,518	194	115	2,827
Debt instruments	2,509	179	–	2,688
Subsidiaries and other equity investments	9	15	115	139
Financial assets held for trading	–	103	–	103
Financial assets measured at amortized cost	1,366	14,214	33,177	48,757
Valuation adjustment on interest rate risk hedged portfolios	–	(310)	–	(310)
Hedging derivatives	–	247	–	247
Investment properties	–	–	75	75
Total assets	**3,886**	**14,525**	**33,881**	**52,292**
Liabilities				
Financial liabilities designated at fair value through profit or loss	–	112	24	136
Issued debt securities and other securitized liabilities	–	78	24	102
Subordinated and supplementary capital	–	29	–	29
Deposits from customers	–	5	–	5
Financial liabilities held for trading	–	463	–	463
Financial liabilities at amortized cost	–	17,119	31,300	48,419
Financial liabilities associated with transferred assets	–	402	–	402
Valuation adjustment on interest rate risk hedged portfolios	–	(415)	–	(415)
Hedging derivatives	–	214	–	214
Total liabilities	**–**	**17,895**	**31,324**	**49,219**

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31.12.2022 in € million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets designated at fair value through profit or loss	–	58	–	58
Financial assets mandatorily at fair value through profit or loss	2	24	473	499
Financial assets at fair value through other comprehensive income	2,427	167	149	2,743
Debt instruments	2,427	151	–	2,578
Subsidiaries and other equity investments	–	16	149	165
Financial assets held for trading	–	156	–	156
Financial assets measured at amortized cost	1,749	14,560 1)	33,793	50,102
Valuation adjustment on interest rate risk hedged portfolios	–	(619)	–	(619)
Hedging derivatives	–	338	–	338
Investment properties	–	–	84	84
Non-current assets and disposal groups held for sale	–	–	25	25
Total assets	**4,178**	**14,684**	**34,524**	**53,386**
Liabilities				
Financial liabilities designated at fair value through profit or loss	–	172	32	204
Issued debt securities and other securitized liabilities	–	77	32	109
Subordinated and supplementary capital	–	90	–	90
Deposits from customers	–	5	–	5
Financial liabilities held for trading	–	692	–	692
Financial liabilities at amortized cost	–	17,560	32,729	50,289
Financial liabilities associated with transferred assets	–	394	–	394
Valuation adjustment on interest rate risk hedged portfolios	–	(891)	–	(891)
Hedging derivatives	–	245	–	245
Total liabilities	**–**	**18,172**	**32,761**	**50,933**

1) Adjusted due to a technical error.

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 2023, securities at fair value through other comprehensive income with a book value of € 15 million (2022: € 28 million) were moved from Level 1 to Level 2 due to subsequent illiquid market prices. Securities at fair value through other comprehensive income with a book value of € 32 million (2022: € 4 million) 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 in the Level 3 category were as follows:

			Financial assets at fair value through other comprehensive income		
in € million	Financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Debt instruments	Subsidiaries and other equity investments	Financial liabilities
Opening balance as of 01.01.2023	**473**	**–**	**–**	**149**	**32**
Valuation gains (losses) in profit or loss					
for assets held at the end of the period	1	–	–	1	(1)
for assets no longer held at the end of the period	0	–	–	–	–
Valuation gains (losses) in other comprehensive income					
for assets held at the end of the period	–	–	–	(35)	–
for assets no longer held at the end of the period	–	–	–	–	–
Purchases/Additions	111	–	–	2	–
Redemptions	(58)	–	–	–	(7)
Sales	(5)	–	–	0	–
Foreign exchange differences	(5)	–	–	(3)	–
Change in scope of consolidation	(3)	–	–	1	–
Closing balance as of 31.12.2023	**514**	**–**	**–**	**115**	**24**

			Financial assets at fair value through other comprehensive income		
in € million	Financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Debt instruments	Subsidiaries and other equity investments	Financial liabilities
Opening balance as of 01.01.2022	**460**	**–**	**–**	**147**	**40**
Valuation gains (losses) in profit or loss					
for assets held at the end of the period	12	–	–	(1)	(1)
for assets no longer held at the end of the period	(1)	–	–	–	–
Valuation gains (losses) in other comprehensive income					
for assets held at the end of the period	–	–	–	(4)	1
for assets no longer held at the end of the period	–	–	–	–	–
Purchases/Additions	76	–	–	5	–
Redemptions	(24)	–	–	–	(8)
Sales	(56)	–	–	(3)	–
Foreign exchange differences	7	–	–	6	–
Change in scope of consolidation	(1)	–	–	(1)	–
Closing balance as of 31.12.2022	**473**	**–**	**–**	**149**	**32**

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.

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 the former 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 depends on the maturity and is currently 104 basis points (31 December 2022: 125 basis points) for 5 years (mid). For issues of the former 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.

In general, the discounted cash flow method (DCF) is used to determine the fair values of loans. Caps, floors or simple call options, if existing, are measured using the Bachelier model. The discount factor used in the DCF consists of various parameters: the funding curve (derived from a peer group of European banks with the same rating as BAWAG P.S.K.) and a customer-specific credit spread curve (derived from the CDS or CDS Markit Sector curve, depending on availability; for retail and SME, from an internally derived default probability), which is adjusted by the respective collateral ratio.

For illiquid funds that could not be sold in time for the published net asset values, a discount is applied as an input factor which is not directly observable, taking the expected selling price into account. The fair value is subsequently calculated as the difference between the net asset values and this liquidity discount. The funds are reported under Financial assets mandatorily at fair value through profit or loss.

The fair value of non-traded investment funds is based on fair value quotes provided by the fund manager.

For real estate investment funds, the underlying investments are appraised at least annually by an independent appraiser engaged by the fund manager; net asset value (NAV) is determined at least quarterly. The net asset value of the investment fund corresponds to the excess of the value of the investment fund's assets over the value of its liabilities.

Funds investing in loan portfolios are valued by an independent external valuation agent based on a discounted cash flow methodology that uses proprietary default and prepayment models to derive expected cash flows, which are discounted at a market rate. The model utilizes credit and performance as well as macroeconomic indicators to forecast cash flows for each loan pool segmented by origination, vintage, sub-grade and term. Net asset value is calculated on a monthly basis.

The fund's financial statements are prepared according to local GAAP and an independent auditor conducts the annual audit for the funds, providing assurance on the accuracy of the above.

The dividend discount and discounted earnings method is applied to a significant part of the investments in equity instruments. A smaller portion is valued based on external price indications and pro-rata equity.

Expected dividends and earnings as well as external price indications take into account the most recent forecasts, including the observed and expected impact of the current geopolitical situation on the profitability of the companies concerned.

The fair values of customer liabilities at fair value through profit or loss are determined analogously to receivables using the discounted cash flow method and the Bachelier model.

Sensitivity analysis of fair value measurement from changes in 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. The current geopolitical situation results in increased uncertainty with regard to unobservable input parameters and the measurement of the fair value of such items. 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 the former IMMO-BANK and customer deposits in start:bausparkasse Austria.

If the credit spread used in calculating the fair value of own issues increased by 20 basis points, the accumulated valuation result as of 31 December 2023 would have increased by € 0.0 million (31 December 2022: € 0.0 million). If the credit spread used in calculating the fair value of own issues decreased by 20 basis points, the accumulated valuation result as of 31 December 2023 would have decreased by € 0.0 million (31 December 2022: € 0.0 million).

The cumulative fair value change of receivables recognized at fair value through profit or loss that was recognized due to changes in credit spreads amounted to plus € 2.1 million as of 31 December 2023 (31 December 2022: plus € 1.8 million) and is calculated as the change in the credit spread over the swap curve during the observed period. The corresponding annual fair value change amounted to plus € 0.3 million (31 December 2022: minus € 0.2 million).

A one basis point narrowing of the credit spread is expected to change their valuation by plus € 0.07 million (31 December 2022: plus € 0.04 million).

If the credit spread used in calculating the fair value of loans increased by 100 basis points, the accumulated valuation result as of 31 December 2023 would have decreased by € 6.6 million (31 December 2022: € 2.3 million). If the credit spread used in calculating the fair value of loans decreased by 100 basis points, the accumulated valuation result as of 31 December 2023 would have increased by € 7.2 million (31 December 2022: € 2.6 million).

If the liquidity discount of illiquid funds is increased by 10 percentage points, the valuation result as of 31 December 2023 would have decreased by € 0.3 million (31 December 2022: € 0.5 million). If the liquidity discount of illiquid funds is decreased by 10 percentage points, the valuation result as of 31 December 2023 would have increased by € 0.3 million (31 December 2022: € 0.5 million).

For the valuation of a part of the investments in equity instruments, the main input parameters are the discount factor, dividend income or earnings as well as (possibly) necessary capital measures. If the discount rate for investments in equity instruments is decreased by 100 basis points, the fair value would increase by € 3.2 million (thereof € 1.5 million FVTOCI and € 1.7 million FVTPL; 31 December 2022: € 18.1 million; thereof € 14.3 million FVTOCI and € 3.8 million FVTPL), whereas if the discount rate is increased by 100 basis points, the fair value would decrease by € 2.4 million (thereof € 1.1 million FVTOCI and € 1.3 million FVTPL; 31 December 2022: € 14.3 million; thereof € 11.3 million FVTOCI and € 3.0 million FVTPL). If changes in dividend income or net profit where applicable rose by 20%, the fair value of those assets would rise by € 0.6 million (thereof € 0.2 million FVTOCI and € 0.4 million FVTPL; 31 December 2022: € 40.4 million; thereof € 34.2 million FVTOCI and € 6.2 million FVTPL); if changes in dividend income or net profit where applicable declined by 20%, the fair value would decrease by € 0.6 million (thereof € 0.2 million FVTOCI and € 0.4 million FVTPL; 31 December 2022: € 39.4 million; thereof € 33.4 million FVTOCI and € 6.0 million FVTPL).

A part of the investments in equity instruments is valued based on external price indications. If these indications were 10% lower, the fair value of this portion would decrease by € 15.2 million (thereof € 9.0 million FVTOCI and € 6.2 million FVTPL; 31 December 2022: € 8.2 million, thereof € 2.0 million FVTOCI and € 6.2 million FVTPL). If these indications were 10% higher, the fair value of this portion would increase by € 15.2 million (thereof € 9.0 million FVTOCI and € 6.2 million FVTPL; 31 December 2022: € 8.2 million; thereof € 2.0 million FVTOCI and € 6.2 million FVTPL).

The smallest portion is valued based on pro-rata equity. If the equity was 10% lower, this would result in a decrease of € 1.7 million (thereof € 1.1 million FVTOCI and € 0.6 million FVTPL; 31 December 2022: € 3.3 million; thereof € 2.4 million FVTOCI and € 0.9 million FVTPL), whereas if the equity was 10% higher, there would be an increase of € 1.7 million (thereof € 1.1 million FVTOCI and € 0.6 million FVTPL; 31 December 2022: € 3.3 million; thereof € 2.4 million FVTOCI and € 0.9 million FVTPL).

The fair value of the non-traded investment fund is based on fair value quotes provided by the fund manager. Based on the current portfolio allocation, one fund has an expected interest rate sensitivity of approximately minus € 0.1 million (31 December 2022: minus € 0.2 million) if rates rise by 100 bp and a credit spread sensitivity of minus € 0.1 million (31 December 2022: minus € 0.2 million) if credit spreads widen by 100 bp (and vice versa).

For the other fund, the following applies: If the fair value indicated increased by 10%, the Group would recognize a gain of € 17.6 million in profit or loss (31 December 2022: € 19.0 million). If the fair value indicated decreased by 10%, the Group would recognize a loss of € 17.6 million in profit or loss (31 December 2022: € 19.0 million).

Fair value changes of Level 3 assets with alternative parametrization

To determine the potential impact, credit spreads are used for debt securities, income funds with the risk factor credit spreads as well as loans. For these, the value range between +100 bp and -50 bp is used in the sensitivity analysis. An increase (a reduction) in spreads leads to a reduction (an increase) in the respective fair value.

31.12.2023 in € million	(50) bp	+50 bp	+100 bp
Financial assets at fair value through profit or loss	**3.5**	**(3.4)**	**(6.7)**
Debt securities	0.0	0.0	0.0
Loans to customers	3.5	(3.4)	(6.6)
Income funds	0.0	0.0	(0.1)
Financial assets at fair value through other comprehensive income	**0.0**	**0.0**	**0.0**
Debt securities	0.0	0.0	0.0

31.12.2022 in € million	(50) bp	+50 bp	+100 bp
Financial assets at fair value through profit or loss	**1.4**	**(1.3)**	**(2.5)**
Debt securities	0.0	0.0	0.0
Loans to customers	1.3	(1.2)	(2.3)
Income funds	0.1	(0.1)	(0.2)
Financial assets at fair value through other comprehensive income	**0.0**	**0.0**	**0.0**
Debt securities	0.0	0.0	0.0

34 | Treatment of day one gain

IFRS 9.B5.1.2A states that the fair value on initial recognition will normally be equal to the transaction price. If the entity determines that the fair value on initial recognition differs from the transaction price and this fair value measurement is not evidenced by a valuation technique that uses only data from observable markets, the carrying amount of the financial instrument on initial recognition is adjusted. If the fair value of a loan portfolio differs from the transaction price, the initial recognition must be based on the fair value but will be adjusted for any day one gain or loss; this will eventually lead to a book value of the loan portfolio that equals the transaction price.

In the case of the acquisition of several loan portfolios, market interest rates on the transaction date were different than when prices were negotiated. In the majority of cases, the seller wanted to exit the respective business and therefore the transaction prices did not represent the fair value of the loans. The initial recognition is based on the fair value of the acquired loans and receivables determined using a DCF method taking into consideration market conditions on the purchase date. Because the fair value and therefore the day one gain or loss is neither evidenced by a quoted price nor based on a valuation technique that uses only data from observable markets, the day one gain or loss must not be realized on day one but must be accrued and the difference is subsequently recognized as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price. IFRS 9 does not state how to subsequently measure this difference.

IFRS does not provide guidance on the presentation of the amortization of day one gain or loss. Day one gain or loss will be amortized on a systematic basis and is presented as part of interest income for performing loans and as part of risk costs for loans classified as POCI. The following differences will be recognized in income in subsequent years:

in € million	31.12.2023	31.12.2022
Balance at the beginning of the period	**67**	**14**
New transactions	(5)	77
Amounts recognized in profit or loss during the period	(24)	(24)
FX effects	0	0
Balance at the end of the period	**38**	**67**

35 | Related parties

Owners of BAWAG Group AG

The shares of BAWAG Group AG were admitted for trading on the Vienna Stock Exchange.

Major non-fully consolidated subsidiaries, joint ventures and equity investments of BAWAG P.S.K.

BAWAG P.S.K. Versicherung AG

BAWAG Group indirectly holds 25% plus one share of BAWAG P.S.K. Versicherung AG, Vienna. The majority of this company is owned by Generali Group. BAWAG P.S.K. Versicherung AG is accounted for using the equity method in BAWAG Group's accounts. The business dealings between BAWAG Group and BAWAG P.S.K. Versicherung AG cover insurance products, all of which are offered at standard market terms. The business relations between BAWAG Group and Generali are governed by contracts with standard market terms, including a cooperation agreement, a license agreement, a commission agreement and others.

PSA Payment Services Austria GmbH

BAWAG Group holds 20.82% in PSA Payment Services Austria GmbH. PSA is owned by several Austrian banks and banking groups and is engaged in the service and organization of ATM card business. PSA is accounted for using the equity method in BAWAG Group's accounts.

Other subsidiaries

Please refer to Note 49 for a list of all non-consolidated subsidiaries.

Transactions with related parties

The following table shows transactions with related parties (data included in Statement of Financial Position as at 31 December 2023; P&L data are for the full year 2023).

31.12.2023 in € million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidiaries, not consolidated	Associates	Joint ventures	Other companies
Receivables – customers	–	–	53	0	36	–
Unutilized credit lines	–	–	16	4	8	–
Securities	–	–	–	25	–	–
Other assets (incl. derivatives)	–	–	3	–	–	–
Financial liabilities – customers	–	–	11	66	1	–
Other liabilities (incl. derivatives)	–	–	0	–	–	–
Guarantees provided	–	–	3	–	–	–
Interest income[1)]	–	–	2.0	1.8	1.2	–
Interest expense	–	–	0.5	1.2	0.0	–
Net fee and commission income	–	–	0.0	12.0	0.0	–

1) Gross income; hedging costs not offset.

The following table shows transactions with related parties (data included in Statement of Financial Position as at 31 December 2022; P&L data are for the full year 2022).

31.12.2022 in € million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidiaries, not consolidated	Associates	Joint ventures	Other companies
Receivables – customers	–	–	59	0	84	–
Unutilized credit lines	–	–	14	14	7	–
Securities	–	–	–	24	–	–
Other assets (incl. derivatives)	–	–	3	–	–	–
Financial liabilities – customers	–	–	14	77	1	–
Other liabilities (incl. derivatives)	–	–	0	–	–	–
Guarantees provided	–	–	3	–	–	–
Interest income[1)]	–	–	0.8	0.3	0.2	–
Interest expense	–	–	0.0	1.1	0.0	–
Net fee and commission income	–	–	0.0	9.7	0.0	–

1) Gross income; hedging costs not offset.

Business relationships with these entities were subject to normal banking terms and conditions.

Consultancy fees to entities with joint control of, or significant influence over, the entity amounted to € 0.0 million in 2023 (2022: € 0.0 million).

For loans with related parties, there were no valuation losses in the financial year 2023 (2022: no valuation losses).

Information regarding natural persons

Key management

Key management of BAWAG Group refers to the members of the Management Board and the Supervisory Board of BAWAG Group AG and BAWAG P.S.K. AG. Total personnel expenses for the key management amount to € 43.5 million (2022: € 42.0 million).

Expenses for remuneration (including accrued and deferred bonuses and payments to the pension fund) relating to active members of the Management Board of BAWAG Group AG and BAWAG P.S.K. AG during the financial year amounted to € 42.0 million (2022: € 40.5 million). These expenses consist of short-term benefits in the amount of € 20.2 million, expenses for long-term bonus benefits in the amount of € 18.7 million (of which €8.9 million relate to the portion of the total bonus award 2023 of €13.4 million to be expensed in 2023 [including amounts to be deferred], €5.0 million relate to the portion of the bonus award granted in 2022 and 2021 to be expensed in 2023 and €4.8 million relate to expenses in connection with the Long-Term Incentive Program 2025) and payments to the pension fund in the amount of € 3.1 million (2022: short-term benefits in the amount of € 21.0 million, expenses for long-term bonus benefits in the amount of € 16.5 million [of which €8.4 million relate to the portion of the total bonus award 2022 of €14.3 million to be expensed in 2022 [including amounts to be deferred], €3.3 million relate to the portion of the bonus award granted in 2021 to be expensed in 2022 and €4.8 million relate to expenses in connection with the Long Term Incentive Program 2025] and payments to the pension fund in the amount of € 3.1 million). Expenses for remuneration in 2023 for former members of the Management Board amounted to € 0.0 million (2022: € 0.0 million).

As of 31 December 2023, contractual agreements governing the payment of contributions to pension funds were in force for all Management Board members.

In 2022, a long-term incentive program awarded 100% in shares was implemented for Management Board members and certain employees.

As of the reporting date, there were seven outstanding loans in the amount of € 29.6 million to members of the Management Board (2022: ten outstanding loans in the amount of € 35.8 million). Loans, building society loans and leasing financing to members of the Supervisory Board totaled € 0.0 million (2022: € 0.2 million). Repayments of loans granted to executives and staff took place as contractually agreed.

Furthermore, Management Board and Supervisory Board members made no use of current account limits (2022: € 0.0 million) as of the reporting date. Turnover on credit cards guaranteed to third parties by the Bank that belong to Management Board members amounted to € 0.0 million in December 2023 (2022: € 0.2 million). Turnover on guaranteed credit cards that belong to members of the Supervisory Board amounted to € 0.0 million in December 2023 (2022: € 0.0 million).

Remuneration of members of the Supervisory Board of BAWAG P.S.K. AG amounted to € 1.1 million in 2023 (2022: € 1.1 million). Works Council delegates to the Supervisory Board do not receive any incremental remuneration. Remuneration of members of the Supervisory Board of BAWAG Group AG amounted to € 0.4 million (2022: € 0.4 million).

There were no consulting expenses in 2023 or 2022.

Pension payments to former members of the Management Board and their surviving dependents came to € 1.3 million (2022: € 1.4 million).

Expenditures for severance pay for former members of the Management Board came to € 0.0 million (2022: € 0.0 million).

Share-based payments

In January 2022, the Nomination and Remuneration Committee of BAWAG established a new long-term incentive program ("BAWAG LTIP 2025"). The purpose of the BAWAG LTIP 2025 is to retain key personnel (*retention aspect*) and to effectively align the interests of participants with the long-term performance of BAWAG Group by considering BAWAG's externally communicated multi-year performance targets until 2025 (*interest alignment aspect*). The awards under the BAWAG LTIP 2025 will, subject to certain conditions as outlined below, be delivered in the form of ordinary shares of BAWAG Group AG (no phantom shares) in 2026 and 2027.

The vesting conditions comprise the following:

- Retention condition: In light of the retention aspect of the BAWAG LTIP 2025, participants are required to be employed in good standing at the beginning of 2026.
- Performance condition: The performance conditions as specified below.
- Regulatory vesting requirement: Regulatory vesting requirements in accordance with the applicable regulatory framework (e.g. no malus is applied to the individual or to all BAWAG LTIP 2025 participants, vesting is sustainable according to the financial and risk situation of BAWAG Group).

In order to effectively align the interests of participants of the BAWAG LTIP 2025 with the long-term performance of BAWAG Group, the performance conditions are tied to the multi-year performance targets until 2025 as presented at the investor day 2021. They consist of financial and non-financial/ESG targets which are split as follows:

Financial targets	70%	Non-financial/ESG targets	30%
Profit before tax target ("PBT") >€ 750 million	30%	CO2 emission target >50% reduction	10%
Earnings per share target ("EPS") >€ 7.25	20%	Women quota target	10%
Dividend per share target ("DPS") >€ 4.00	20%	*Supervisory Board (33%)*	5%
		Senior Leadership Team (33%)	5%
		Green lending business target	10%

Subject to the vesting conditions as outlined above, 88% of the BAWAG LTIP 2025 award shall vest in early 2026 and 12% of the BAWAG LTIP 2025 award shall vest in early 2027. Upon delivery of the shares, the shares will remain subject to retention during a period in accordance with applicable regulatory requirements, which currently stands at one year (one-year retention period). The financial and non-financial/ESG targets are deemed fulfilled if all financial targets or all non-financial/ESG targets are met at any financial year-end (i.e. year-end 2022/23/24). The assessment of whether and to what extent the vesting conditions (including the performance targets) under the BAWAG LTIP 2025 have been fulfilled will be carried out by the Remuneration Committee of BAWAG.

In addition, with respect to the annual bonus award for the financial year 2022, a number of employees were granted an annual bonus award which partially will be delivered in the form of ordinary shares of BAWAG Group AG (no phantom shares) subject to the employee continuing his employment with BAWAG Group up to and including 29 February 2028. No performance condition applies to this plan. Subject to the vesting conditions as outlined above, the award will be delivered in early 2028, with the shares remaining subject to retention during a period in accordance with applicable regulatory requirements, which currently stands at one year (one-year retention period).

Accounting

These programs represent equity-settled share-based payment transactions that are accounted for in compliance with IFRS 2. The following awards have been granted within the BAWAG LTIP 2025 program:

	Number of shares	Fair value in € million	Fair value per share at the grant date
Granted as of 31.12.2023	677,629	24.7	36.47

The following table shows an overview of the shares awarded per group of beneficiaries:

Group of beneficiaries	Number of shares awarded	Maximum number of shares to be actually allocated	Minimum number of shares to be actually allocated	Number of shares actually allocated on grant date
Members of the Management Board				
Anas Abuzaakouk	104,333	104,333	–	–
Guido Jestädt	25,080	25,080	–	–
David O'Leary	62,199	62,199	–	–
Sat Shah	78,250	78,250	–	–
Enver Sirucic	70,224	70,224	–	–
Andrew Wise	72,231	72,231	–	–
Members of the Senior Leadership Team	265,312	265,312	–	–
Total	**677,629**	**677,629**	**–**	**–**

As described above, the following other awards have been granted:

	Number of shares	Fair value in € million	Fair value per share on the grant date
Granted as of 31.12.2023	192,409	6.4	33.00

The following table shows an overview of the shares awarded per group of beneficiaries:

Group of beneficiaries	Number of shares awarded	Maximum number of shares to be actually allocated	Minimum number of shares to be actually allocated	Number of shares actually allocated on grant date
Members of the Senior Leadership Team	192,409	192,409	–	–
Total	**192,409**	**192,409**	**–**	**–**

Valuation

BAWAG Group used the fair value of the equity instruments granted to measure the fair value of the services received from its employees. The fair value of the equity instruments on the grant date was based on the observable market price of BAWAG Group AG shares on 24 January 2022 for LTIP 2025 and on the observable market price of BAWAG Group AG shares on 24 January 2023 for the award which was granted in ordinary shares as part of the annual bonus for the financial year 2022. An adjustment for expected dividends was incorporated into the measurement of fair value. For the programs, no market and non-vesting conditions were defined.

Non-market performance conditions (including service conditions and non-market financial performance conditions) are not taken into account when measuring the grant date fair value of equity instruments. Instead, those are taken into account by adjusting the number of equity instruments included in the measurement of the transaction.

Accounting for cancellations

If a grant of equity instruments (equity-settled share-based payment) is canceled or settled during the period between granting and vesting, the cancellation or settlement is accounted for as an acceleration of vesting, and the amount that otherwise would have been recognized for services received over the remainder of the vesting period is immediately recognized in profit or loss. Any payment made to the employee on the cancellation or settlement of the grant is accounted for as a deduction from equity. If the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date, the exceeding amount is recognized as an expense.

Amounts recognized in the consolidated financial statements

The services received in an equity-settled share-based payment transaction are recognized as the services are received, with a corresponding increase in equity. The following amounts have been recognized under the BAWAG LTIP 2025 in the Profit or Loss Statement (staff costs) for the period:

in € million	2023	2022
Expenses for equity-settled share-based payments	6.2	6.2
Thereof relating to		
Members of the Management Board	3.8	3.8
Members of the Senior Leadership Team	2.4	2.4

The following amounts have been recognized for the award which was granted in ordinary shares as part of the annual bonus for the financial year 2022 in the Profit or Loss Statement for the period:

in € million	2023	2022
Expenses for equity-settled share-based payments	1.2	–
Thereof relating to		
Members of the Senior Leadership Team	1.2	–

Annual bonus program

Annual bonus awards are granted to selected employees and Management Board members. The bonus of this group is based on the annual result and defined internal targets. If the individual bonus exceeds a certain limit, 50% of the bonus is paid in cash and 50% in the form of BAWAG Group AG phantom shares. Bonus programs include entitlements to phantom dividends which are included in determining the required provision.

All expected bonus allocations for employees that are granted for services rendered in 2023 were taken into account in the consolidated financial statements as of 31 December 2023 by recognition of a provision.

Employee participation

In the fourth quarter 2023, BAWAG introduced its BAWAG Employee Participation Program 2023. Under this program, all entitled employees of BAWAG Group received up to 24 shares of BAWAG Group AG. A total of 56,554 shares with a value of € 2.5 million were transferred to the employees of BAWAG Group.

In the fourth quarter 2023, an additional employee stock participation plan in the form of a matching program was adopted (BAWAG 3+1 Matching Program). Under the BAWAG 3+1 Matching Program, all entitled employees of BAWAG Group can receive one share of BAWAG Group AG for every three shares they acquire within a predefined period. This program will start in 2024.

Business relations with related party individuals

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

	Key management of the entity or its parent	Other related parties[1]	Key management of the entity or its parent	Other related parties[1]
in € million	**31.12.2023**	**31.12.2023**	31.12.2022	31.12.2022
Deposits	4	0	8	1
Loans	30	0	36	2
Interest income	0.8	0.0	0.1	0.0
Interest expense	0.2	0.0	0.0	0.0

1) With respect to key management.

	Key management of the entity or its parent	Other related parties[2]	Key management of the entity or its parent	Other related parties[2]
Number of shares	**31.12.2023**	**31.12.2023**	31.12.2022	31.12.2022
Shares of BAWAG Group AG[1]	2,991,967	55,600	2,609,750	55,200

1) Key management includes related trusts.
2) With respect to key management.

36 | Changes in the Group's holdings

Acquisition of Peak Bancorp Group

On 30 November 2023, BAWAG Group acquired 100% of the shares of Peak Bancorp, Inc., after receiving all the relevant approvals.

Peak Bancorp, Inc. is the holding company of Idaho First Bank, a community bank headquartered in McCall, Idaho, with approximately 10,000 customers. The acquisition enables BAWAG Group to expand its footprint in the United States and better position it for future growth in one of the bank's core markets. The acquisition also provides BAWAG Group with a banking platform to pursue further growth opportunities across the United States.

The purchase price was a fixed amount of € 59 million, which was settled in cash. BAWAG Group incurred acquisition-related costs of € 4.4 million in consulting and legal fees, which were spread over several periods. These costs were included in the line item Other administrative expenses.

The goodwill arising from the acquisition is mainly attributable to the opportunity of further expansion in the United States.

The following table compares the recognized amount of assets and liabilities at the date of acquisition with the total consideration transferred:

in € million	2023
Cash reserves	5
Financial assets at fair value through other comprehensive income	27
Financial assets measured at amortized cost	516
Customers	463
Credit institutions	53
Property, plant and equipment	9
Tax assets for deferred taxes	5
Other assets	2
Financial liabilities at amortized cost	523
Customers	504
Credit institutions	19
Other obligations	4
Total identifiable net assets acquired	**37**
Total consideration transferred	**59**
Goodwill	**23**

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Financial assets

Group-wide valuation methodologies and standards are applied. Depending on the information available for the determination of the fair values, different approaches are chosen.

For financial instruments where the fair value cannot be determined directly by reference to market-observable information (Level 3), a discounted cash flow model is used. The valuation is based on expected future cash flows. Different parameters are used for the discounting of these expected cash flows, which can either be derived from market data or from internal information of the acquired company (e.g. expected credit losses). The discount rates that are then used for valuations are basically composed of a risk-free yield curve, refinancing costs and counterparty credit risk premiums. In addition, a residual spread component is calculated to calibrate the applied discount spreads to current market observed transactions (e.g. new business margins that reflect current fair value spreads).

The acquired loans and receivables from customers in the amount of € 463 million represent the fair value as of the acquisition date. Additionally, loans and receivables from credit institutions in the amount of € 53 million were acquired. The total loans and receivables comprise gross amounts of € 516 million, of which € 0 million was expected to be uncollectable at the date of acquisition.

The business combination is based on provisional amounts as the closing of the acquisition took place shortly before the balance sheet date. The recognition of brand and customer relationships is pending until completion of the valuation. In the event that we obtain new information about facts or circumstances that existed as of the acquisition date and that – if known – would have resulted in the recognition of additional assets or liabilities, the accounting for the business combination would have to be adapted according to IFRS 3.45.

For the period from 30 November 2023 to 31 December 2023, Peak Bancorp Group contributed core revenues (net interest income and net commission income) of € 3.1 million and a profit of € 0.5 million to the consolidated financial statements. If the acquisition had occurred on 1 January 2023, management estimates that Peak Bancorp Group would have contributed core revenues of € 37.0 million and consolidated profit of € 5.5 million. In determining these amounts, management assumed that the provisionally determined fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023.

Changes in the scope of consolidation with no material impact on the consolidated financial statements

In 2023, one company was deconsolidated, as the requirements for consolidation in accordance with IFRS 10 were no longer met. One company was added to the scope of consolidation, due to materiality. Two newly established companies were included in the scope of consolidation and five companies were merged within the scope of consolidated entities.

Changes in the scope of consolidation with material impact on the consolidated financial statements

In the fourth quarter of 2023, two companies were included in the scope of consolidation due to the successful completion of the acquisition process for Idaho First Bank.

For further details, please refer to Note 48 List of consolidated subsidiaries.

37 | Assets pledged as collateral

in € million	31.12.2023	31.12.2022
Receivables and securities assigned to Oesterreichische Kontrollbank AG	91	111
Collateral pledged to the European Investment Bank	95	97
Cover pool for trust savings deposits	155	105
Cover pool for covered bonds	12,490	10,927
Collateral for tender facilities	836	6,086
Cash collateral for derivatives	621	1,010
Other collateral	100	67
Assets pledged as collateral	**14,388**	**18,403**

The Group pledges assets for repurchase agreements that are generally conducted under terms that are usual and customary for standard securitized borrowing contracts. In addition, the Group pledges collateral against other borrowing arrangements and for margining purposes on derivative liabilities. Receivables and securities are also pledged to Oesterreichische Kontrollbank AG in connection with export financing.

Pledges for trust savings deposits are conducted in accordance with legal regulations (section 68 BWG).

The cover pool for covered bonds is subject to the law on covered bank bonds (FBSchVG). Additionally, relevant collateral was provided for refinancing through the European Investment Bank.

38 | Total collateralized debt

The collateral listed in the table above corresponded to the following payables of BAWAG Group:

in € million	31.12.2023	31.12.2022
Liabilities to Oesterreichische Kontrollbank secured with assigned receivables	98	117
Payables arising due to refinancing by the European Investment Bank	30	36
Trust savings deposits	83	91
Payables secured by the cover pool for covered bonds	11,011	8,870
Tender facilities	586	5,279
Negative market values of derivatives	476	880
Other collateral	66	63
Total collateralized debt	**12,350**	**15,336**

39 | Genuine repurchase agreements

in € million	31.12.2023	31.12.2022
Lender – receivables from credit institutions	–	–
Repurchaser – payables to credit institutions	402	394
Repurchase agreements	**402**	**394**

40 | Transferred assets that are not derecognized in their entirety

in € million	31.12.2023	31.12.2022
Carrying amount of transferred assets[1)]	432	430
Carrying amount of associated liabilities	402	394

1) All of the transferred assets are bonds (at amortized cost: € 411 million; at fair value through other comprehensive income: € 21 million; 2022: at amortized cost: € 409 million; at fair value through other comprehensive income: € 21 million).

Transferred assets that are not derecognized in their entirety relate to genuine repurchase agreements. Since BAWAG Group is still the owner of the transferred assets, it remains exposed to market, interest rate, currency and credit risk with regard to these assets. The transferred assets are blocked for sale and are not taken into account in the liquidity calculation.

41 | Subordinated assets

Line items on the assets side of the Statement of Financial Position included the following subordinated assets:

in € million	31.12.2023	31.12.2022
Subordinated assets designated at fair value through profit or loss	28	26
Subordinated assets at fair value through other comprehensive income	40	16
Subordinated assets	**68**	**42**

42 | Offsetting financial assets and financial liabilities

BAWAG Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. Under such agreements, the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are generally aggregated into a single net amount that is payable by one party to the other. Under certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the Statement of Financial Position. This is because BAWAG Group currently does not have any legally enforceable right to offset recognized amounts because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

Repo and reverse repo transactions are covered by master agreements with netting terms similar to those of ISDA master netting agreements.

The disclosures in the tables below include financial assets and financial liabilities that:

- are offset in BAWAG Group's Statement of Financial Position; or
- are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in the Statement of Financial Position.

Prior year numbers have been adjusted to assure a full gross presentation.

Financial assets

31.12.2023 in € million	Gross amounts of recognized financial assets	Gross amounts of financial liabilities offset in the Statement of Financial Position	Net amounts of financial assets presented in the Statement of Financial Position	Amounts not offset in the Statement of Financial Position		Net amount
				Financial instruments	Cash collateral received	
Derivatives (excl. hedging derivatives)	1,130	1,027	103	57	23	23
Hedging derivatives	1,474	1,227	247	157	90	–
Loans to and receivables from customers	139	107	32	–	–	32
Total	**2,743**	**2,361**	**382**	**214**	**113**	**55**

31.12.2022 in € million	Gross amounts of recognized financial assets	Gross amounts of financial liabilities offset in the Statement of Financial Position	Net amounts of financial assets presented in the Statement of Financial Position	Amounts not offset in the Statement of Financial Position		Net amount
				Financial instruments	Cash collateral received	
Derivatives (excl. hedging derivatives)	1,688	1,532	156	104	33	19
Hedging derivatives	1,762	1,424	338	197	138	3
Loans to and receivables from customers	185	147	38	–	–	38
Total	**3,635**	**3,103**	**532**	**301**	**171**	**60**

Financial liabilities

31.12.2023 in € million	Gross amounts of recognized financial liabilities	Gross amounts of financial assets offset in the Statement of Financial Position	Net amounts of financial liabilities presented in the Statement of Financial Position	Amounts not offset in the Statement of Financial Position		Net amount
				Financial instruments	Cash collateral pledged	
Derivatives (excl. hedging derivatives)	1,181	718	463	95	342	26
Hedging derivatives	1,777	1,563	214	91	119	4
Repo transactions	402	–	402	402	–	–
Customer deposits	107	107	–	–	–	–
Total	**3,467**	**2,388**	**1,079**	**588**	**461**	**30**

31.12.2022 in € million	Gross amounts of recognized financial liabilities	Gross amounts of financial assets offset in the Statement of Financial Position	Net amounts of financial liabilities presented in the Statement of Financial Position	Amounts not offset in the Statement of Financial Position		Net amount
				Financial instruments	Cash collateral pledged	
Derivatives (excl. hedging derivatives)	1,673	981	692	96	561	35
Hedging derivatives	2,494	2,249	245	(61)	303	3
Repo transactions	394	–	394	394	–	–
Customer deposits	147	147	–	–	–	–
Total	**4,708**	**3,377**	**1,331**	**429**	**864**	**38**

The following tables reconcile the net amounts of financial assets and financial liabilities presented in the Statement of Financial Position to the respective line items in the Statement of Financial Position:

Financial assets

31.12.2023 in € million	Line item in Statement of Financial Position	Carrying amount of line item in Statement of Financial Position	Thereof without offsetting agreement	Thereof with offsetting agreement
Derivatives (excl. hedging derivatives)	Assets held for trading	103	–	103
Hedging derivatives	Hedging derivatives	247	–	247
Loans to and receivables from customers	Loans to and receivables from customers	33,333	33,301	32
Total		**33,683**	**33,301**	**382**

31.12.2022 in € million	Line item in Statement of Financial Position	Carrying amount of line item in Statement of Financial Position	Thereof without offsetting agreement	Thereof with offsetting agreement
Derivatives (excl. hedging derivatives)	Assets held for trading	156	–	156
Hedging derivatives	Hedging derivatives	338	–	338
Loans to and receivables from customers	Loans to and receivables from customers	35,763	35,725	38
Total		**36,257**	**35,725**	**532**

Financial liabilities

31.12.2023 in € million	Line item in Statement of Financial Position	Carrying amount of line item in Statement of Financial Position	Thereof without offsetting agreement	Thereof with offsetting agreement
Derivatives (excl. hedging derivatives)	Liabilities held for trading	463	–	463
Hedging derivatives	Hedging derivatives	214	–	214
Repo transactions	Financial liabilities associated with transferred assets	402	–	402
Customer deposits	Deposits from customers	33,270	33,270	–
Total		**34,349**	**33,270**	**1,079**

31.12.2022 in € million	Line item in Statement of Financial Position	Carrying amount of line item in Statement of Financial Position	Thereof without offsetting agreement	Thereof with offsetting agreement
Derivatives (excl. hedging derivatives)	Liabilities held for trading	692	–	692
Hedging derivatives	Hedging derivatives	245	–	245
Repo transactions	Financial liabilities associated with transferred assets	394	–	394
Customer deposits	Deposits from customers	34,288	34,288	–
Total		**35,619**	**34,288**	**1,331**

43 | Contingent assets, contingent liabilities and unused lines of credit

in € million	31.12.2023	31.12.2022
Contingent liabilities	**125**	**166**
Arising from guarantees	125	166
Unused customer credit lines	**9,118**	**9,267**
Thereof terminable at any time and without notice	7,336	7,198
Thereof not terminable at any time	1,782	2,069

The Austrian banks in BAWAG Group have an obligation arising from their membership in the deposit guarantee scheme as required by sections 93 and 93a of the Austrian Banking Act and the Deposit Guarantee and Investor Compensation Act (ESAEG). BAWAG is a member of the deposit guarantee scheme “Einlagensicherung AUSTRIA Ges.m.b.H.” (“ESA”).

44 | Foreign currency amounts

BAWAG Group had assets and liabilities in the following foreign currencies:

in € million	31.12.2023	31.12.2022
USD	6,298	5,783
CHF	835	913
GBP	1,010	1,150
Other	451	538
Foreign currency	**8,594**	**8,384**
EUR	**46,854**	**48,139**
Total assets	**55,448**	**56,523**
USD	845	458
CHF	1,078	374
GBP	56	48
Other	11	168
Foreign currency	**1,990**	**1,048**
EUR	**53,458**	**55,475**
Total liabilities	**55,448**	**56,523**

This table only includes Statement of Financial Position items and does not provide information about open currency positions due to off-balance hedging transactions.

45 | Information about geographical areas – Non-current assets

in € million	31.12.2023	31.12.2022
Austria	716	763
Western Europe	131	153
Other	33	–
Total	**880**	**916**

Non-current assets consist of the balance sheet items Property, plant and equipment, Investment properties, Goodwill, Brand name and customer relationships, Software and other intangible assets, Associates recognized at equity and Other assets with a remaining maturity of more than one year.

46 | Leasing

Finance leasing from the view of BAWAG Group as lessor

Finance lease receivables are included in the balance sheet position Loans and advances to customers.

BAWAG Group leases both movable property and real estate to other parties under finance lease arrangements.

The following table shows the reconciliation between gross investment value and present value, broken down according to maturity for all ongoing leasing contracts (without open items):

31.12.2023 in € million	Up to 1 year	1–5 years	Over 5 years	Total
Total outstanding leasing installments (gross investment value)	558	1,065	50	1,673
As yet unrealized financial income	77	111	7	195
Receivables from finance leases (net investment value)	**481**	**954**	**43**	**1,478**

31.12.2022 in € million	Up to 1 year	1–5 years	Over 5 years	Total
Total outstanding leasing installments (gross investment value)	519	1,125	43	1,687
As yet unrealized financial income	41	86	5	132
Receivables from finance leases (net investment value)	**478**	**1,039**	**38**	**1,555**

As of 31 December 2023, the non-guaranteed residual value amounts to € 13 million (2022: € 13 million).

Impairments in the amount of € 6.3 million were recognized in respect of irrecoverable minimum lease installments (2022: € 10.7 million).

Operating leasing from the view of BAWAG Group as lessee

BAWAG Group leases office premises, branches, equipment and vehicles under various rental agreements. The lease contracts are concluded under standard terms and conditions and include price adjustment clauses in line with general office rental market conditions. The lease agreements do not include any clauses that impose any restriction on the Group's ability to pay dividends, engage in debt financing transactions or enter into further lease agreements.

As of 31 December 2023, the right-of-use assets amount to € 169.5 million (2022: € 178.4 million). Of this amount, € 168.6 million (2022: € 177.0 million) are presented within property, plant and equipment and € 0.9 million (2022: € 1.4 million) are presented within receivables from customers at amortized cost. The following table presents the development of the right-of-use assets by asset classes:

31.12.2023 in € million	Land and buildings	Office furniture and equipment	**Total**
Carrying amount 01.01.2023	**177.3**	**1.1**	**178.4**
Additions	5.5	0.1	5.6
Disposals	(0.6)	0.0	(0.6)
Reassessments and modifications	9.6	0.3	9.9
Depreciation	(23.3)	(0.5)	(23.8)
Carrying amount 31.12.2023	**168.5**	**1.0**	**169.5**
thereof property, plant and equipment	167.6	1.0	168.6
thereof lease receivables	0.9	0.0	0.9

31.12.2022 in € million	Land and buildings	Office furniture and equipment	Total
Carrying amount 01.01.2022	**189.2**	**1.1**	**190.3**
Additions	2.1	0.2	2.3
Disposals	(0.4)	0.0	(0.4)
Reassessments and modifications	9.7	0.3	10.0
Depreciation	(23.3)	(0.5)	(23.8)
Carrying amount 31.12.2022	**177.3**	**1.1**	**178.4**
thereof property, plant and equipment	175.9	1.1	177.0
thereof lease receivables	1.4	0.0	1.4

Since 1 January 2023, an addition to the right-of-use assets was recognized in the amount of € 5.6 million (2022: € 2.3 million). This results from new leases of real estate.

As of 31 December 2023, the lease liability amounts to € 181.4 million (2022: € 191.9 million) and is presented within other obligations. The following table presents a maturity analysis of the lease liability:

in € million	31.12.2023	31.12.2022
Up to 1 year	26.5	27.9
1–5 years	68.2	73.3
Over 5 years	86.7	90.7
Total lease liability	**181.4**	**191.9**

The following table presents the impact of IFRS 16 on profit or loss:

in € million	2023	2022
Depreciation of right-of-use assets	23.8	23.8
Land and buildings	23.3	23.3
Office furniture and equipment	0.5	0.5
Interest expense on lease liabilities	2.5	2.4
Expenses relating to short-term leases	0.5	0.8
Expenses relating to low-value assets	0.2	0.2
Expenses relating to variable lease payments independent from an index or rate	0.0	0.0
Total	**27.0**	**27.2**
Total rental payments for lease agreements	**(34)**	**(32)**
Rental income from subleasing right-of-use assets	**11**	**7**

In 2023, interest expenses in the amount of € 2.5 million (2022: € 2.4 million) and depreciation in the amount of € 23.8 million (2022: € 23.8 million) were recorded due to the adoption of IFRS 16.

47 | Derivative financial transactions

Derivative financial transactions as of 31.12.2023

31.12.2023 in € million		Nominal amount/maturity[1)] Up to 1 year	1–5 years	Over 5 years	Total	Fair value[1)] Positive	Negative
Interest rate related business		**15,974**	**28,173**	**30,478**	**74,625**	**147**	**(556)**
Thereof	interest rate swaps banking book	15,970	27,849	30,193	74,012	145	(543)
	interest rate options banking book	4	324	267	595	2	(11)
	interest rate swaps trading book	–	–	18	18	–	(2)
	interest rate options trading book	–	–	–	–	–	–
Currency related business		**3,430**	**4,439**	**2,583**	**10,452**	**198**	**(116)**
Thereof	currency swaps banking book	1,200	3,848	2,583	7,631	148	(85)
	foreign currency forward transactions and options banking book	2,230	591	–	2,821	50	(31)
	currency swaps trading book	–	–	–	–	–	–
	foreign currency forward transactions and options trading book	–	–	–	–	–	–
Securities related business		**9**	**229**	**17**	**255**	**5**	**(5)**
Thereof	securities related business banking book	9	229	17	255	5	(5)
Total		**19,412**	**32,841**	**33,079**	**85,332**	**350**	**(677)**
Thereof	banking book business	19,412	32,841	33,061	85,315	350	(675)
	trading book business	–	–	18	18	–	(2)

1) Banking book derivatives include fair value hedging, cash flow hedging and net investment hedging instruments.

The table above includes the following figures for fair value hedges, cash flow hedges and net investment hedges:

31.12.2023 in € million		Nominal amount/maturity				Fair value	
		Up to 1 year	1–5 years	Over 5 years	**Total**	Positive	Negative
Interest rate related business	Fair value hedge – interest rate risk	5,203	17,444	17,388	40,035	37	(89)
Currency related business	Cash flow hedge – FX risk	1,448	4,213	2,357	8,018	206	(123)
Currency related business	Net investment hedge – FX risk	194	–	–	194	4	(2)
Total		**6,846**	**21,657**	**19,745**	**48,248**	**247**	**(214)**

Derivative financial transactions as of 31.12.2022

31.12.2022 in € million		Nominal amount/maturity[1]				Fair value[1]	
		Up to 1 year	1–5 years	Over 5 years	**Total**	Positive	Negative
Interest rate related business		**17,296**	**28,150**	**27,902**	**73,348**	**140**	**(796)**
Thereof	interest rate swaps banking book	17,281	27,957	27,434	72,672	135	(781)
	interest rate options banking book	15	193	468	676	4	(14)
	interest rate swaps trading book	–	–	–	–	–	–
	interest rate options trading book	–	–	–	–	–	–
Currency related business		**3,390**	**4,260**	**3,018**	**10,668**	**351**	**(136)**
Thereof	currency swaps banking book	762	3,705	3,018	7,485	278	(69)
	foreign currency forward transactions and options banking book	2,628	555	–	3,183	74	(67)
	currency swaps trading book	–	–	–	–	–	–
	foreign currency forward transactions and options trading book	–	–	–	–	–	–
Securities related business		**89**	**325**	**17**	**431**	**4**	**(5)**
Thereof	securities related business banking book	89	325	17	431	4	(5)
Total		**20,775**	**32,735**	**30,937**	**84,447**	**495**	**(937)**
Thereof	banking book business	20,775	32,735	30,937	84,447	495	(937)
	trading book business	–	–	–	–	–	–

1) Banking book derivatives include fair value hedging and cash flow hedging instruments.

The table above includes the following figures for fair value hedges and cash flow hedges:

31.12.2022 in € million		Nominal amount/maturity				Fair value	
		Up to 1 year	1–5 years	Over 5 years	**Total**	Positive	Negative
Interest rate related business	Fair value hedge – interest rate risk	3,806	15,208	16,724	35,738	23	(150)
Currency related business	Cash flow hedge – FX risk	700	4,260	3,018	7,978	304	(93)
Currency related business	Net investment hedge – FX risk	175	–	–	175	11	(2)
Total		**4,681**	**19,468**	**19,742**	**43,891**	**338**	**(245)**

48 | List of consolidated subsidiaries

		31.12.2023		31.12.2022
Banks				
BAWAG P.S.K. AG, Vienna	F	100.00%	F	100.00%
BAWAG P.S.K. Wohnbaubank Aktiengesellschaft, Vienna	F	100.00%	F	100.00%
Idaho First Bank, McCall	F	100.00%	–	–
start:bausparkasse AG, Hamburg	F	100.00%	F	100.00%
start:bausparkasse AG, Vienna	F	100.00%	F	100.00%
Real estate				
Dromalane Mill Limited, Newry[1)]	F	0.00%	F	0.00%
Fairgreen Shopping Centre (Carlow) Limited, Dublin[1)]	–	Deconsolidated	F	0.00%
GEI Newry Ltd, Newry[1)]	F	0.00%	F	0.00%
Promontoria Holding 136 B.V., Amsterdam	F	100.00%	F	100.00%
R & B Leasinggesellschaft m.b.H., Vienna	F	100.00%	F	100.00%
RVG Realitätenverwertungsgesellschaft m.b.H., Vienna	F	100.00%	F	100.00%
Leasing				
ACP IT-Finanzierungs GmbH, Vienna	–	Merged	F	75.00%
BAWAG P.S.K. IMMOBILIENLEASING GmbH, Vienna	F	100.00%	F	100.00%
BAWAG P.S.K. LEASING GmbH & Co. MOBILIENLEASING KG., Vienna	F	100.00%	F	100.00%
BAWAG P.S.K. LEASING Holding GmbH, Vienna	F	100.00%	F	100.00%
BAWAG P.S.K. MOBILIENLEASING GmbH, Vienna	F	100.00%	F	100.00%
BFL Leasing GmbH, Eschborn	–	Merged	F	100.00%
CVG Immobilien GmbH, Vienna	F	100.00%	F	100.00%
easyleasing GmbH, Vienna	F	100.00%	F	100.00%
HBV Holding und Beteiligungsverwaltung GmbH, Vienna	F	100.00%	F	100.00%
KLB Baulandentwicklung GmbH, Vienna	F	100.00%	F	100.00%
Morgenstern Miet + Leasing GmbH, Eschborn	–	Merged	F	95.00%
P.S.K. IMMOBILIENLEASING GmbH, Vienna	F	100.00%	F	100.00%

Other non-credit institutions				
BAWAG Education Trust, Wilmington	F	100.00%	F	100.00%
BAWAG Group Germany GmbH, Eschborn	F	100.00%	F	100.00%
BAWAG P.S.K. IMMOBILIEN GmbH, Vienna	F	100.00%	F	100.00%
BAWAG P.S.K. Versicherung Aktiengesellschaft, Vienna	E	25.00%	E	25.00%
BAWAG Services GmbH, Vienna	–	Merged	F	100.00%
Bonnie RE UK 1 B.V., Amsterdam	F	100.00%	F	100.00%
BPI Holding GmbH & Co KG., Vienna	F	100.00%	F	100.00%
BV Vermögensverwaltung GmbH, Vienna	F	100.00%	F	100.00%
BVV Cayman Ltd., George Town	F	100.00%	F	100.00%
Canadian Mortgage Loan Trust I, Toronto[1)]	F	0.00%	–	–
Canadian Mortgage Loan Trust II, Toronto[1)]	F	0.00%	–	–
E2E Services GmbH, Vienna	–	Merged	F	100.00%
FCT Pearl, Pantin	F	100.00%	F	100.00%
Garrison Earlsfort Investments 2 DAC, Newry[1)]	F	0.00%	F	0.00%
Health Coevo AG, Hamburg	F	100.00%	F	100.00%
Leasing-west GmbH, Rosenheim	F	100.00%	–	–
M. Sittikus Str. 10 Errichtungs GmbH, Vienna	F	100.00%	F	100.00%
Peak Bancorp, Inc., McCall	F	100.00%	–	–
PFH Properties Funds Holding GmbH, Vienna	F	100.00%	F	100.00%
PSA Payment Services Austria GmbH, Vienna	E	20.82%	E	20.82%
P.S.K. Beteiligungsverwaltung GmbH, Vienna	F	100.00%	F	100.00%
RF fünfzehn BAWAG Mobilien-Leasing Gesellschaft m.b.H., Vienna	F	100.00%	F	100.00%
SWB Immowert GmbH, Stuttgart	F	100.00%	F	100.00%
Zahnärztekasse AG, Wädenswil	F	100.00%	F	100.00%

F … Full consolidation, E … Equity method
1) Consolidated according to IFRS 10 due to materiality.

Material subsidiaries are fully consolidated on the basis of IFRS 10, whereas material associates are accounted for using the equity method according to IAS 28.

Subsidiaries are entities that BAWAG Group controls in accordance with IFRS 10. BAWAG Group controls an entity when it is exposed or has rights to variable returns from its involvement with a subsidiary and has the ability to influence those returns through its power over the subsidiary.

Associates in accordance with IAS 28 are all entities over which BAWAG Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

The classification of whether a subsidiary/associate is material is reviewed once a year.

49 | List of subsidiaries and associates not consolidated due to immateriality

	2023	2022
Real estate		
N & M Immobilienentwicklungs GmbH, Vienna	100.00%	100.00%
LSREF3 Tiger Aberdeen S.a.r.l., Luxembourg	100.00%	100.00%
LSREF3 Tiger Falkirk I S.a.r.l., Luxembourg	100.00%	100.00%
LSREF3 Tiger Falkirk II S.a.r.l., Luxembourg	100.00%	100.00%
LSREF3 Tiger Gloucester S.a.r.l., Luxembourg	100.00%	100.00%
LSREF3 Tiger Romford S.a.r.l., Luxembourg	100.00%	100.00%
LSREF3 Tiger Southampton S.a.r.l., Luxembourg	100.00%	100.00%
SWBI Stuttgart 1 GmbH, Stuttgart	100.00%	100.00%
Leasing		
BAWAG Leasing & fleet s.r.o., Prague	100.00%	100.00%
BAWAG Leasing s.r.o., Bratislava	–	100.00%
BAWAG P.S.K. Kommerzleasing GmbH, Vienna	100.00%	100.00%
Fides Leasing GmbH, Vienna	50.00%	50.00%
Gara RPK Grundstücksverwaltungsgesellschaft m.b.H., Vienna	100.00%	100.00%
HFE alpha Handels-GmbH, Vienna	50.00%	50.00%
Kommunalleasing GmbH, Vienna	100.00%	100.00%
Leasing-west GmbH, Rosenheim	–	100.00%
PT Immobilienleasing GmbH, Vienna	100.00%	100.00%
RF sechs BAWAG P.S.K. LEASING GmbH & Co. KG., Vienna	–	100.00%
Other non-credit institutions		
AUSTOST ANSTALT in Liqu., Balzers	100.00%	100.00%
AUSTWEST ANSTALT in Liqu., Triesen	–	100.00%
Cedar Lending Services Limited, Dublin	97.91%	–
Depfa Ireland Holding Limited, Dublin	100.00%	100.00%
BAWAG Group Advisors International GmbH, Eschborn	100.00%	100.00%
Fingorilla GmbH in Liqu., Vienna	–	70.00%
FlexSi Finanz Vermittlungsgesellschaft m.b.H. in Liqu., Hamburg	100.00%	100.00%
Granite GmbH, Vienna	100.00%	100.00%
Gyle Holding GmbH, Vienna	100.00%	100.00%
Gyle JVCo Limited, London	50.00%	50.00%
Huckleberry Merger Sub Inc., Delaware	–	100.00%
Octantos Beteiligungsverwaltungs GmbH, Vienna	–	100.00%
ROMAX Immobilien GmbH, Vienna	100.00%	100.00%
Tiger Retail UK RE 1 S.a.r.l., Luxembourg	100.00%	100.00%
Tiger Retail UK RE 2 S.a.r.l., Luxembourg	100.00%	100.00%
Universa Protection Protocol Offshore LXVI LP, George Town	–	100.00%
US REO Trust, Wilmington	100.00%	100.00%

50 | Associates not accounted for using the equity method due to immateriality

The following table shows key financial indicators for the Bank's unconsolidated associates:

in € million	31.12.2023	31.12.2022
Cumulated assets	84	152
Cumulated equity	(3)	(22)
Cumulated net profit	0	(18)

The amounts presented in the table above are based on the latest available financial statements of the respective companies that have been prepared in accordance with the applicable accounting standards. At the time the annual financial statements of BAWAG Group as of 31 December 2023 were being prepared, financial statements as of 31 December 2022 were available for the majority of the respective entities (prior year: 31 December 2021).

From an economic point of view, we would like to note that the table above does not take the economic share invested into consideration. The average economic share is 50% (2022: 45%).

For further details, please refer to Note 35 Related parties.

51 | Involvement with associated companies

Investments in associates disclosed in this note are accounted for using the equity method. BAWAG Group includes two companies that are accounted for using the equity method: BAWAG P.S.K. Versicherung AG, Vienna, and PSA Payment Services Austria GmbH, Vienna. The table below presents aggregated financial information on the Group's share in associates that are considered to be immaterial compared to the Group's total assets and profit or loss (2023 carrying amounts of all associates excluding BAWAG P.S.K. Versicherung AG due to its IFRS 5 held for sale status).

in € million	31.12.2023	31.12.2022
Carrying amounts of all associates	13	25
Aggregated amount of the Group's share of profit or loss	2.5	2.7
Aggregated amount of the Group's share of other comprehensive income	6.9	(17.5)
Aggregated amount of the Group's share of total comprehensive income	9.4	(14.8)

52 | Non-consolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor for determining control over the entity. This is the case, for example, when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following attributes:

- Restricted activities
- A narrow and well-defined objective
- Insufficient equity
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches)

The entities covered by this disclosure note are not consolidated because the Group does not control them through voting rights, contract, funding agreements or other means. The Group's exposure to unconsolidated structured entities comprises leasing companies engaging in special leasing to which BAWAG Group provides the financing.

The Group provides a different measure for the size of structured entities depending on their nature. Regarding other structured entities, the total assets of these entities in the amount of € 72 million (2022: € 75 million) best measure their size. For securitizations, this is the notional of notes in issue in the amount of € 1,375 million (2022: € 1,166 million). For other special purpose vehicles, this is the financing amount of € 999 million (2022: € 489 million).

The table below shows an analysis of the carrying amounts of assets and liabilities of unconsolidated structured entities recognized by the Group and income from those structured entities. The maximum exposure to loss is the carrying amount of the assets held.

in € million	2023	2022
Carrying amounts of assets in connection with investments in structured entities	**2,415**	**1,689**
on the balance sheet shown under At amortized cost	2,415	1,689
Carrying amounts of liabilities in connection with investments in structured entities	**2**	**–**
on the balance sheet shown under At amortized cost	2	–
Income	**30.2**	**12.0**
Interest income	30.2	12.0
Losses incurred during reporting period	–	–
Maximum exposure to loss	2,413	1,689

BAWAG Group neither provided any financial or other support to an unconsolidated securitization vehicle during the financial year nor does it have any current intention to do so.

RISK REPORT

BAWAG Group is a focused bank with a low-risk, simple and transparent business model. We concentrate on developed markets with strong banking and legal infrastructures, primarily the DACH/NL region, Western Europe and the United States. We specialize in retail and SME banking activities and serve customers with comprehensive savings, lending, investment and bank-assurance products. Our liquidity is primarily provided by stable retail deposits. Simplicity and efficiency are the foundation of our operations, in which we simplify processes from end to end in order to provide our customers with clarity, ease and value through our products.

In addition to our low-risk business model, risk management and the active steering of risks are primary components of the Group's business strategy. "Safe and Secure" is a core pillar of our strategy and there is a high level of commitment across the entire organization to manage the Bank according to a low risk profile. We believe our risk management approach is a differentiator in our market and is key to achieving our strategic and financial objectives as well as creating value for our shareholders and protecting our customers.

Safe and Secure is a cornerstone of our Group strategy and our risk policies and governance. It is founded on the following tenets:

- Maintaining strong capital position, stable retail deposits and low risk profile
- Focus on mature, developed and sustainable markets
- Applying conservative and disciplined underwriting in markets we understand with focus on secured lending
- Maintain fortress balance sheet
- Proactively manage and mitigate non-financial risks

2023 summary

- Stress test 2023 results

  - The EBA and ECB conducted their bi-annual stress test exercise in 2023. Under the theoretical adverse scenario, BAWAG Group's CET1 ratio would fall by 90 basis points to 12.61% after three years from 13.51% at year-end 2022.
  - Despite the harsher economic assumptions in the 2023 exercise, this represents a further improvement from the 2021 stress test results, where BAWAG's impact was a decrease of 198 basis points of CET1 in the adverse case.
  - The strength of this result places BAWAG #2 among the 57 EBA Eurozone stress-tested banks and #5 among the total EBA sample of 70 in terms of adverse CET1 impact.
  - The adverse stress test assumptions were set for a three-year time horizon (2023–2025). The stress test was carried out based on a static balance sheet as of December 2022. The assumptions for BAWAG Group in this year's stress test were more severe than in 2021, with a 6% cumulative decline in GDP and inflation of +18% over the forecast period in addition to declines in commercial real estate values of 29% and residential housing prices of 30% on a weighted average.
  - For BAWAG Group, the three-year impact on the CET1 ratio was -90 basis points in this year's stress test compared to -198 basis points in 2021 and -240 basis points in the 2018 stress test. Despite these stress assumptions, in no year does the Bank's capital fall below the 12.25% CET1 target set by management, with a significant cushion to the minimum requirements throughout. The Bank remains profitable in all years, with dividend payments continuing as per our dividend policy across the stressed time horizon in the adverse case.

- The macroeconomic environment in 2023 was characterized by continuing uncertainty resulting from unprecedented events in the prior years and the economic ripple effects. Inflationary forces and consumer prices have subsided, but central banks remain guarded to ensure the trend continues. Having reversed long-held easy-money economic policy and aggressively raised interest rates to reduce inflation, there is potential for a reduction in rates in 2024, and as evidenced by the forward curves and the messaging from the ECB and US Federal Reserve, the markets expect that interest rates have also peaked. Nevertheless, the impact of these forces on our economies has been visible, yet not fully absorbed. The impacts on the economy were compounded by the banking turmoil, in particular, in the US and

Switzerland. It has resulted in slowed and de-minimis economic growth in 2023. The lag effects continue to impact customers in the Retail & SME segment based on reduced credit affordability as well as increased borrowing costs and reduced valuations.

- Our primary markets in Austria, Western Europe and the US have been anchored by resilient employment levels and the strong financial position of our consumers. Yet the downside risks remain significant, as persistent inflation or disorderly tightening of financial conditions could expose economic vulnerabilities, in particular for entities or customers with high debt levels. We believe that our risk position and historic underwriting has positioned our Bank well to withstand adverse developments. We maintain prudence while facing the current economic uncertainty through management overlays, high levels of capital and liquidity well in excess of requirements and prominent stable funding sources.

- ECL reserves have decreased by 11% to € 159 million (2022: € 180 million), incorporating an improved economic outlook and supported by substantial management overlay.

- The management overlay in excess of modeled reserves remains substantial at € 80 million (2022: € 100 million). The partial usage compensated a single case CRE default in Q3 2023. BAWAG will continue to monitor potential economic development in light of the continuing uncertainty and revisit management overlay assumptions and needs regularly.

- High asset quality demonstrated by stable high share of 92% (2022: 93%) of customer book in Stage 1 (performing) and 6% (2022: 5%) in Stage 2 (performing, but increased credit risk). BAWAG's Stage 2 assets remain low as a share of our total book, reflecting the resilient underwriting standards and credit quality.

- Strong credit profile with stable NPL ratio at 1.0% (2022: 0.9%), with NPL cash coverage at 45% (2022: 52%) and NPL coverage ratio at 76% (2022: 82%); both ratios were influenced by a single case CRE default and partial write-off in Q3 2023.

- 2023 risk costs of € 93 million (2022: € 122 million) represent a 24% decrease to 22 basis points in 2023 (2022: 28 basis points), demonstrating consistent structurally low loss levels.

- Robust liquidity with LCR of 215% (2022: 225%) and NSFR of 140% (2022: 127%), both of which are well above regulatory requirements.

- De minimis high-risk exposures in line with the long-term strategy avoiding highly cyclical industries and fossil fuel. Oil and gas-related exposures are de minimis as well. ESG risks are incorporated into the risk steering framework, risk strategy and internal capital allocation across risk types and risk management guidelines.

Development of key risk metrics

	Total book		
in € million	**31.12.2023**	31.12.2022	Change
NPL ratio	1.0%	0.9%	0.1pts
NPL cash coverage ratio	44.6%	52.3%	(7.7)pts
NPL coverage ratio	75.7%	82.5%	(6.8)pts
Impairments Stage 1 and 2	159	179	(20)
Impairments Stage 3	236	263	(27)
LCR	215%	225%	(10.3)pts
NSFR	140%	127%	13.2pts

53 | Current geopolitical situation – impacts on risk management

The unprecedented events of the last few years and related economic impacts continue to unwind and lagged effects are taking shape, which is leading to continued economic uncertainty. Consensus forecasts point to a reduction in interest rates across markets beginning in 2024 caused by a drop in inflation approaching target levels. Nonetheless, the severity of the previous rate rises and impact on the economy leaves open the potential for lagged effects on markets and customers. Several times in the past few years, the banking industry has been tested with new crises and rather unexpected economic developments and, more broadly, banks have been required to address unique risks and volatile market conditions. The pandemic, the outbreak of a war in Europe and banking turmoil in the US and Switzerland opened new fronts of unprecedented events leading to stress in capital markets, significant economic shifts impacting our customers and uncertain economic consequences. This gives rise to the need for continual re-evaluation of excess capital and liquidity as well as of prudence and highly pro-active risk management as a foundation of our business strategy. The current environment is characterized by:

- Decreasing inflation from a peak representing a 40-year high with an impact on real income with increased cost of living and increased operational expenses for companies
- Continued war in Ukraine and outbreak of war in Gaza with risk of escalation
- Industry headwinds and demand supply normalization
- Potential end of rate hikes by ECB and US Federal Reserve, and possibility for rate reductions in 2024
- Continued tightening impacts of money supply, with central banks reducing central bank balance sheets
- Increased borrowing costs across all markets impacting ability to pay and asset valuations
- Negative impact on commercial real estate markets due to increased borrowing costs and demand issues in office assets in particular

Our risk management is designed to proactively identify and take actions to address the continued stresses of the economy and our customers, as well as integrate regulatory measures. Processes are designed to maintain the highest levels of transparency and monitoring rigor, measure underlying risk development and take early action to manage risks on a real-time basis. This highly proactive risk management approach and granular focus to driving operations has become fully institutionalized in business processes and is foundational in successfully navigating through the current uncertain environment. The discipline to continuously evaluate structured information detailing market developments, driving granular risk adjustments related to the underwriting of new business and continuous data updates to measure risk dynamics in our exposures serves as the management cycle for all risk-related decisions.

In the next section, the development and measures of our proactive risk management processes are described:

- Governance
- Underwriting
- Commercial real estate

Governance

The risk management framework of BAWAG Group has demonstrated that it can seamlessly adapt its risk assessment, measurement and reporting to reflect the unprecedented impacts and fluid nature of the current situation, which is a testament to our robust risk infrastructure (IT, reporting, analytics) and governance framework.

Management relies on a highly proactive and centralized risk management approach with a granular focus to driving operations. Detailed governance steps and frequencies exist to ensure immediacy of performance in areas of stress, and coordinated responses across our operations and data-driven decisions. This setup is unique and critical to dealing effectively across all our markets and channels with the following actions and initiatives being taken or continued:

- Recurring steering meetings on credit risk, liquidity and investments with the Management Board and relevant divisions across the organization and markets to facilitate focused operational reviews, timely decision-making and prioritization for seamless operational execution
- Regular monitoring reports of key performance indicators (KPIs) of customer behavior across the credit risk life cycle covering new business applications, revolving limit utilization and collections performance and macro developments
- Dedicated credit risk reporting and relative market pricing with reviews of certain sub-portfolios and regular outreach to financial sponsors or management to manage lending exposures
- Extended risk reporting to provide up-to-date monitoring of the development of particular portfolios, customer groups and products affected by the current crisis, changes in market prices (funding and pricing) and loss expectations
- Ongoing review of IFRS 9 impairments under various macroeconomic scenarios
- Daily liquidity monitoring and stress test buffers

Underwriting

BAWAG Group follows a conservative underwriting approach with clearly defined underwriting guidelines which focus on high levels of collateralization, debt service with cushions to absorb potential stress, cash flow and capital metrics for risk-adjusted returns. Underwriting decisions are supported by strong risk analytics capabilities. This ensures adherence to risk appetite and execution of associated credit actions to reflect the macroeconomic environment. The underwriting parameters are stressed regularly to ensure cushions included in our credit metrics are sustainable.

Our strategy has been to continue to shift our Retail & SME business mix towards asset-based secured products (primarily residential real estate and leasing), which amounts to 81% of the portfolio at year-end 2023 (2022: 81%). The remaining 19% (2022: 19%) of our portfolio is comprised of unsecured Retail & SME lending.

With regard to our unsecured Retail & SME lending, though mitigating actions have been taken across portfolios, we see a normalization of default rates to pre-pandemic levels due to the current interest rate/inflationary environment across regions with elevated 12-month delinquency rates in the consumer loan portfolio.

Commercial real estate (CRE)

There has been a material slowdown in commercial real estate transactions in 2023, mainly driven by weakening investor sentiment in reaction to the current economic environment. Higher interest rates have led to higher capitalization rate expectations (lower valuations), and decreased ability of current owners to meet interest payment requirements. Inflation has added to operational expenses and cost of living, all of which are compounding to stress the commercial real estate markets in the US and Europe. Office continues to be the primary asset class of stress given lower demand resulting from the migration to working from home arrangements. This has impacted lower-quality buildings (B and C class-defined with aged construction and lack of amenities), whereas high-quality A class buildings have been less affected yet remain quite vulnerable to the market adjustments. Moreover, location and sponsor commitment (substantial initial equity investments and supporting actions to preserve value) support the credit quality in a troubled environment. Industrial and logistics, residential and hospitality assets, which constitute the majority of the CRE portfolio, are performing in line with expectations.

BAWAG Group focuses on senior secured loans to high-quality counterparties, neither doing mezzanine nor pure land financing. We avoid single-asset risk by primarily financing granular multi-asset portfolios, often with multiple collateral types. The asset class diversity provides an additional margin of safety.

Whereas the portfolio is primarily floating rate, our underwriting approach includes several risk-mitigating measures such as hedging requirements, interest reserves and sponsor guarantees. The geographical focus continues to be in Western Europe and the US.

The total CRE portfolio declined by 16% in 2023 from € 6.1 billion to € 5.1 billion. New origination has shifted predominantly to industrial/logistics and residential assets since 2020, asset classes with positive fundamentals, and comprise 65% (2022: 64%) of the total Commercial Real Estate portfolio in 2023, up from 48% in 2020. Conversely, exposures have been materially reduced in Retail from 12% in 2020 to 5% in 2023 (2022: 5%) and in Office from 29% in 2020 to 21% in 2023 (2022: 22%). Impacted by online shopping and work from home trends, fundamentals in these asset classes deteriorated, and new business was avoided. This shift in risk appetite was undertaken several years ago, which benefits us with limited exposure to retail and office today. New originations were subdued in 2023 and focused on residential and multi-asset loan-on-loan deals with low LTVs and strong cross-collateralization. Additional name-by-name stress analysis on office financings was conducted and discussed with the Management Board. All likely scenarios are well covered in the existing ECL overlays.

Our US real estate exposure, which accounts for 48% (€ 2.4 billion) of the total Commercial Real Estate portfolio (2022: 41%), has grown in residential, industrial and logistics assets, where underlying supply and demand remains strong and cash flows continue to develop as expected. These asset classes account for 74% (2022: 67%) of our US commercial real estate assets. US office accounts only for 19% (2022: 26%) of commercial real estate assets of € 0.5 billion, whereby the performing assets (€ 0.4 billion) maintain significant collateral value cushion (LTV of 67%) and underlying cash flows. Portfolio and granular deal-level stress tests are conducted regulary. The management overlay of € 80 million covers adverse impacts on our Commercial Real Estate portfolio, with the impact most focused on office collaterals.

54 | Risk governance

Risk statement

BAWAG Group is active in banking activities, focusing primarily on retail banking in our core markets, with a secondary focus on low-risk public financing, selective corporate lending and commercial real estate financing in established markets that demonstrate adequate risk-adjusted returns. As such, the Bank takes on the typical risks inherent to the banking industry, as well as the economy in general. BAWAG Group closely monitors and manages all such risks within a strict and comprehensive risk framework, with the intent to mitigate such risks as negative impacts may occur and ensure adequate levels of capital and liquidity.

BAWAG Group has established a comprehensive and forward-looking risk management framework, which considers the nature, scale and complexity of the Group’s business activities and the resulting risks. The Group’s risk management governance and oversight involves understanding drivers of risks, types of risks and impacts of risks. BAWAG Group’s approach to risk, risk appetite and governance framework remained unchanged.

BAWAG Group’s approach to risk

BAWAG Group’s risk management framework is based on the following guiding principles:

- **Risk-conscious culture**: Risk management is a joint effort across business units and risk management divisions. We have established a risk-conscious mindset throughout the Group which ensures risk-based decision-making.

- **Prudent approach to risk and underwriting**: Our strategic commitment to maintaining a low risk profile is reflected in our focus on developed markets, our conservative underwriting with emphasis on secured business and risk-adjusted returns, a strong capital position, a stable retail-based funding model and the proactive mitigation of non-financial risks.

- **Integrated risk management**: We manage relevant risk categories on a Group-wide basis, ensuring a consistent and coherent approach towards our risk management activities throughout the Group.

- **Well-established risk governance**: The governance framework ensures a strict separation of business and risk functions at all organizational levels and contributes to the effective implementation and control of the Group's preferred risk appetite and strategy.

- **Effective risk analysis, management and reporting**: Comprehensive risk reporting together with sophisticated risk measurement and validation techniques covering all material risk types ensure the close monitoring and the early detection of emerging risks. Risk analysis is supplemented by a sound and comprehensive stress testing framework, allowing the targeted stressing of the Group's risk vulnerabilities.

The implemented risk management framework ensures the effective identification, measurement and management of risks across BAWAG Group and forms the basis for making informed, risk-based business decisions. It allows us to react quickly and proactively to market trends or other deteriorating developments as well as support the Bank's sustainable organic and inorganic growth within the overall risk appetite.

Risk appetite

BAWAG Group has implemented a clear risk strategy, which is fully aligned with the Group's overall business strategy. The Management Board defines and approves the overall risk appetite and risk strategy at least on an annual basis. This allows us to better manage our risks by explicitly expressing, both qualitatively and quantitatively, how much and what kind of risk we want to take. The overall risk appetite serves as a constraint and represents the Group's intention to use a defined extent of the available internal capital for risks viewed through regulatory and economic capital availability, liquidity position and profitability expectations. The risk strategy breaks the overall risk appetite down into more detailed risk categories and business level metrics and limits.

Governance framework

The established governance framework ensures the implementation of the Bank's risk strategy with the operational and strategic risk management functions and the relevant committees of BAWAG Group. The Group's approach to risk is founded through a coordinated control framework and administered through a strong risk management culture and structure. Governance is maintained through the delegation of authority from the board to individuals by way of the management hierarchy and supported by a committee-based structure to ensure sound decision-making and communications.

The Management Board is continuously informed on the overall risk situation and potential future developments. The management risk reporting is based on well-defined risk metrics and encompasses all Pillar I- and Pillar II-relevant topics (with Pillar I referring to the minimum regulatory capital requirements and Pillar II to the assessment of internal capital adequacy as defined by the Basel framework for covering all risks the Bank can potentially face beyond the minimum requirements). Quarterly risk reports are submitted to the monitoring and control committees of the Supervisory Board. Risk management policies are regularly and rigorously reviewed to reflect anticipated adjustments to the business strategy, regulatory requirements and market conditions. Particular attention is paid to the need for adjustment following BAWAG Group's expansion strategy as well as environmental and sustainability objectives.

Emerging topics, risks and regulatory developments are proactively studied to assess potential impacts on policies and strategy, providing a separate channel of external inputs which continuously require risk management policies and frameworks to be reshaped.

The Chief Risk Officer (CRO) of BAWAG Group, together with the relevant risk management functions, is responsible for the implementation of and compliance with the defined risk strategy for all types of risk. This forms the independent risk management function.

The following divisions oversee the implementation and execution of risk-related guidelines (as of 31 December 2023):

- Risk Modelling
- Validation
- Commercial Risk Management
- Retail Risk Management
- Group Data Warehouse (joint reporting line to CRO and CFO)

In addition, the department Credit Risk Reporting is responsible for the Group's and its subsidiaries' internal and external credit risk portfolio reporting. The department reports to the head of Commercial Risk and to the head of Retail Risk Management (dual report).

Effective compliance and risk management is a crucial aspect of a bank's success. In addition to the conventional risk types, we highlight that the management of non-financial risks, as well as environmental, social and corporate responsibility is prioritized through our NFR & ESG risk framework, which is implemented on a Group-wide basis. Therefore, an ESG framework and corresponding strategy was implemented within the Group-wide (risk) organization following regulatory requirements and conclusions from the risk materiality assessment.

BAWAG promotes a risk culture that considers climate-related and environmental risks. For this purpose, the Group has set up a governance structure to ensure that the identification, measurement, assessment, management and monitoring of ESG risks is fully integrated into the Group's risk management framework across all hierarchy levels and is constantly being improved over time:

- Supervisory Board: ESG Committee
- Management Board: Non-Financial Risk and ESG Committee consisting of Management Board, ESG Officers and selective senior staff to decide on strategic ESG topics, ESG Steering Committee with CFO and CRO
- ESG Officers: ESG Officers from key functions covering Risk Management, Human Resources, Legal & Governance, Corporate Communications and Finance/Investor Relations
- Working groups: various working groups covering specific ESG topics and promoting several ESG initiatives

55 | ICAAP and stress test

The Internal Capital Adequacy Assessment Process (ICAAP) is the central, coordinated procedure of BAWAG Group's risk management and comprises business, finance and risk processes that assess and ensure at all times that BAWAG Group is adequately capitalized. This includes the consideration of the risk profile of the Group and the quality of the Group risk management and control environment. In line with the ECB ICAAP Guides, BAWAG Group has implemented two ICAAP perspectives, normative and economic, to assess capital adequacy over the long term according to regulatory requirements, and in the short term for all risks faced by BAWAG Group, assuming baseline and adverse stress scenarios in both perspectives. The objectives of BAWAG Group's ICAAP encompass all processes and actions that assure:

- the appropriate identification, measurement, evaluation and management of all risks
- appropriate internal capital proportional to the risk profile
- appropriate liquidity situation
- internal capital adequacy
- the use and further development of suitable risk management systems

The framework is designed to support the Group management in managing the risk profile and capital adequacy of BAWAG Group.

The Group-wide ICAAP processes run in conjunction with the planning and budgeting processes. Close monitoring of their development is therefore imperative and is integrated into the proactive risk management of BAWAG Group.

The starting point of the ICAAP yearly review process is the risk self-assessment process (RSA), which provides an overview of the Group's risk situation using quantitative and qualitative evaluation methods, i.e. all potential risks arising in connection with the implementation of the business strategy are evaluated with respect to their relevance, materiality and their impact on BAWAG Group.

Normative perspective

The normative perspective is a multi-year assessment of the institution's ability to fulfill all of its quantitative regulatory and supervisory requirements and demands, and to cope with other external financial constraints, under different macroeconomic scenarios, including severe economic downturns.

In connection with the normative perspective, Pillar I risks (credit risk, market risk, operational risk) as well as all material risks are quantified (and in terms of expected loss alone [via P&L] some non-material risk types), projected and subsequently considered with regards to capital (RWA) and P&L views over a medium-term horizon. The following risk types are considered and quantified:

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

- **Single name concentration risk:** Economic borrower groups that are sufficiently relevant and therefore connected in terms of capital consumption which are to be monitored and managed on an individual basis. The most significant consumers of capital are additionally stressed with a higher probability of default in the ICAAP adverse scenario.

- **Market risk:** The quantification of market risk for the trading book is based on the regulatory approach and is considered under the capital view (RWA). Currently, the Bank holds no positions in the trading book. BAWAG Group has identified interest rate risk in the banking book and credit spread risk as the material market risks and as such they are considered in the P&L under net interest income, gains and losses and other comprehensive income.

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

Economic perspective

BAWAG Group's economic perspective compares all material and non-material risks with internal capital. Limits are defined for all quantifiable risk categories and portfolios as part of the risk strategy in accordance with the annual budget and strategic planning. Compliance with the limits is monitored on a monthly basis according to the actual utilization.

In the economic perspective, the following risk types are considered and quantified accordingly:

- **Credit risk:** The quantification of credit risk is based on the statistical models applying IRB and IFRS 9 point-in-time risk parameters (PD and LGD) for all main portfolio segments. Additional capital surcharges are applied for single name concentration risk and for the FX-induced credit risk. In order to cover losses stemming from deterioration in the debtor's rating, BAWAG Group allocated economic capital for migration risk.

- **Market risk:** The quantification of interest rate risk in the banking book and credit spread risk in the economic perspective are based on value-at-risk models. Other market risks, such as funds risk or foreign currency risk or equity risk in the banking book, are quantified with similar value-at-risk or worst-case valuation models.

- **Liquidity risk:** Structural liquidity risk quantification is based on current liquidity gaps applying assumed potential deteriorations of own funding costs. Quantification methods based on historical worst-case analyses are used for market liquidity risk in the banking book and basis spread risk.

- **Non-financial risk:** Non-financial risk includes operational risk in the narrow sense and further subrisk types such as legal risk, compliance risk, model risk, fraud risk, conduct risk, third-party risk, outsourcing risk and information and communication risk. The quantification of operational risk in the economic perspective is based on two components: the business indicator component (simple financial statement proxy of exposure to operational risk, common to all institutions) and the internal loss multiplier (component with Bank-specific operational loss data); the two components are multiplied in order to obtain the operational risk capital requirement (Standardized Measurement Approach as prescribed by Basel IV).

- **ESG risks:** Explicit internal capital limits were allocated to ESG risk stemming from credit, market, liquidity and operational risk based on the assessment of ESG risks on the portfolio and processes. Overall ESG risk is low given low exposures to high transition risk industries such as fossil fuel and natural resource sectors as well as low exposures to restricted and prohibited industries.

- **Other risks:** This risk category includes reputation risk, participation risk, real estate risk, business risk, pension risk, systemic risk, risk of excessive leverage, macroeconomic risk, capital risk and insurance risk. In general, for all relevant and quantifiable other risks (the first five risk types mentioned) the required economic capital is quantified using a simplified value-at-risk (VaR) model with 99.9% confidence level, based on the historical yearly losses, the expected average losses for the respective financial year and their expected fluctuation (variability). For reputation risk, the simplified VaR model used for the asset side is combined with a simulation of outflow of resources and expensive re-financing for the liability side.

Stress testing

Stress testing is a critical risk management tool that provides valuable input for the strategic assessment of the business as well as operational risk management such as risk identification, risk appetite and limit setting.

Stress testing identifies sources of potential vulnerability and assesses whether capital is adequate to cover the risks that the business faces. It ensures that our business planning accounts not only for the base case of our economic projections, but also accounts for more severe economic stresses and potential outcomes. Critically, the levels of capital and liquidity under such stresses are observed and provide guidance in optimizing results and limiting downsides while ensuring capital adequacy.

Regular stress tests supplement the overall risk management framework and are fully integrated into the strategic risk management, capital management and planning processes of BAWAG Group.

The methodology and results of both ICAAP perspectives as well as the stress test exercises are discussed on a quarterly basis in the ICAAP & Stress Testing Committee (ISTC) and reported to the Enterprise Risk Meeting (ERM). The ERM oversees the assessment of the results of the exercises and defines any corrective action for the risk appetite or business strategy, where necessary. The design and approval of macroeconomic scenarios for internal stress test exercises are delegated to the Macroeconomic Scenario Committee (MSC) that is held on a quarterly basis before the ICAAP & Stress Testing Committee meeting.

The interaction between the ICAAP perspectives, the stress test exercises and capital management is formally defined within the internal risk and capital governance.

The capital ratios, which are defined within the capital planning process and monitored on a monthly basis by the Capital Management Meeting, are used as a benchmark for the normative perspective and for stress testing. The capital contingency plan is drawn up to account for extreme stress scenarios. As part of the normative perspective and stress test exercises, senior management reviews whether the stressed capital ratios remain above the recovery levels. In case the recovery levels are breached, measures must be taken to improve the capital position sufficiently in order to keep the capital ratios above the recovery levels even under a stressed scenario.

ECB stress test 2023

The EBA/ECB conduct periodic theoretical stress tests using consistent methodologies and scenarios to assess the resilience of the financial institutions under their supervision. The adverse stress test assumptions were set for a three-year time horizon (2023–2025). The stress test was carried out based on a static balance sheet as of December 2022. The assumptions for BAWAG Group in this year's stress test were more severe than in 2021, with a 6% cumulative decline in GDP and inflation of +18% over the forecast period in addition to declines in commercial real estate values of 29% and residential housing prices of 30% on a weighted average.

Under the theoretical adverse scenario, BAWAG Group's CET1 ratio would fall by 90 basis points to 12.61% after three years from 13.51% at year-end 2022. Despite the harsher economic assumptions in the 2023 exercise, this represents a further improvement from the 2021 stress test results, where the impact was a decrease of 198 basis points of CET1 in the adverse case. The strength of this result places BAWAG #2 among the 57 EBA Eurozone stress-tested banks and #5 among the total EBA sample of 70 in terms of adverse CET1 impact.

For BAWAG Group, the three-year impact on the CET1 ratio was -90 basis points in this year's stress test compared to -198 basis points in 2021 and -240 basis points in the 2018 stress test. Despite these stress assumptions, in no year does the Bank's capital fall below the 12.25% CET1 target set by management, with a significant cushion to the minimum requirements throughout. The Bank remains profitable in all years, with dividend payments continuing as per our dividend policy across the stressed time horizon in the adverse case.

Thus, BAWAG Group remains strongly capitalized in the ECB stress test exercise.

56 | 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.

BAWAG Group is a banking group that applies the internal rating-based (IRB) approach and therefore sets high standards with regard to credit risk methodologies and processes. The risk organization continuously focuses on enhancements to risk quantification methods. Specific standards are in place for all sub-portfolios that are modeled, monitored, statistically calibrated and validated on a regular basis.

Governance

The operational credit risk divisions are specifically set up to ensure functional risk management expertise for commercial and institutional (Commercial Risk Management) and retail and small business (Retail Risk Management) customers. The Credit Approval Committee (CAC), a specific committee at the Management Board level, is responsible for the approval of loan applications within the authorities defined in the Competence and Power Regulation. The Credit Risk Reporting department is responsible for the consistent calculation and aggregation of the individual credit risk metrics (e.g. risk costs, coverage ratios etc.) within the defined regular BAWAG Group credit risk reporting framework.

Core objectives of credit risk management are to

- Steer conservative credit risk taking in line with approved risk appetite
- Maintain a governance and control framework to oversee credit risks across the lifecycle
- Identify, assess, measure and report credit risk in a timely and accurate manner

In operative terms, these objectives translate into the following key credit risk principles:

- Disciplined underwriting in well-established markets predominantly focused on secured or prime rated clients, based on a through-the-cycle lens view of performance.
- Clearly defined organizational units and approach to manage credit risk based on type of exposure. Corporate exposures are managed on a case-by-case basis by experts with deep expertise in the relevant segment and retail exposures are managed at the segment level leveraging data, analytics and proven rating infrastructure.
- Robust early warning, collections, workout framework and credit risk reporting in place to ensure credit risk at the single obligor level is identified at its earliest stage and appropriate mitigating actions are taken to ensure good outcomes for our clients and for the Bank.

Assessing creditworthiness

In addition to clearly defined lending guidelines, creditworthiness for retail and small business customers 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. Furthermore, external data (e.g. credit bureau information) is also factored into the customer scoring. Based on this information, the individual customer credit ratings are updated monthly.

In addition to the credit rating, the 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. 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 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 at the client and group of affiliated customers level, exposure limits are defined, monitored and reported on a monthly basis.

Due to the centralized structure and coordination of risk management processes across BAWAG Group, new risk regulations or changing market situations are considered and adapted in a timely manner within the risk management strategies.

Overview of total credit risk portfolio

The following sections provide an overview of the structure and the portfolio quality of the total credit risk portfolio and in the individual segments.

31.12.2023 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total portfolio
At amortized cost	21,861	13,125	15,435	(836)	49,585
Loans and advances to customers	21,861	11,941	178	(646)	33,333
Loans and advances to banks	–	75	12,682	(165)	12,592
Debt securities	–	1,110	2,575	(25)	3,660
Financial assets FVPL/FVOCI	160	203	2,629	232	3,224
Other assets	–	–	694	516	1,210
On-balance business	***22,021***	***13,328***	***18,758***	***(87)***	***54,019***
Off-balance business	6,776	2,436	531	322	10,065
Total	**28,797**	**15,764**	**19,289**	**235**	***64,085***
thereof collateralized	18,241	5,429	621	105	24,396
thereof NPL (gross view)	477	132	–	–	609
Impairments Stage 1	24	13	2	–	39
Impairments Stage 2	76	44	–	–	120
Impairments Stage 3	208	27	–	0	236
Total impairments	**308**	**85**	**2**	**0**	**395**
Prudential filter	22	14	–	–	36

Other assets include start:bausparkasse Germany shifted to "held for sale" portfolio as of 31.12.2023 and cash positions.

31.12.2022 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total portfolio
At amortized cost	22,312	14,116	15,392	(236)	51,585
Loans and advances to customers	22,312	13,375	338	(262)	35,763
Loans and advances to banks	–	81	12,542	33	12,655
Debt securities	–	660	2,513	(6)	3,167
Financial assets FVPL/FVOCI	63	387	2,474	119	3,043
On-balance business	***22,375***	***14,503***	***17,866***	***(116)***	***54,628***
Off-balance business	4,027	1,917	1,156	1,222	8,322
Total	**26,402**	**16,420**	**19,022**	**1,106**	**62,950**
thereof collateralized	17,138	5,902	809	302	24,151
thereof NPL (gross view)	419	119	–	–	538
Impairments Stage 1	29	17	1	–	47
Impairments Stage 2	74	59	0	–	133
Impairments Stage 3	205	58	–	–	263
Total impairments	**307**	**134**	**1**	**–**	**442**
Prudential filter	9	10	–	–	19

Regulatory view under CRR consolidation

31.12.2023 in € million	Total book		
	Gross carrying amount	Impairments	Net carrying amount
Total	**40,813**	**(390)**	**40,338**
At amortized cost	**37,721**	**(389)**	**37,333**
Stage 1	35,294	(32)	35,263
Stage 2	1,770	(111)	1,660
Stage 3	657	(246)	410
Financial assets at fair value through other comprehensive income	**2,774**	**(1)**	**2,688**
Stage 1	2,774	(1)	2,688
Stage 2	–	–	–
Stage 3	–	–	–
Financial assets at fair value through profit or loss	**318**	**–**	**318**

This table does not include equity instruments (regulatory definition).
The net carrying amount includes the fair value measurement in the FVOCI position.

31.12.2022 in € million	Total book Gross carrying amount	 Impairments	 Net carrying amount
Total	**42,861**	**(433)**	**41,972**
At amortized cost	**39,826**	**(432)**	**39,394**
Stage 1	37,573	(40)	37,533
Stage 2	1,648	(131)	1,518
Stage 3	605	(261)	344
Financial assets at fair value through other comprehensive income	**2,803**	**(1)**	**2,577**
Stage 1	2,803	(1)	2,577
Stage 2	–	–	–
Stage 3	–	–	–
Financial assets at fair value through profit or loss	**231**	**–**	**231**

This table does not include equity instruments (regulatory definition).
The net carrying amount includes the fair value measurement in the FVOCI position.

Total credit portfolio overview – rating, geography, currencies and collateral

Rating distribution of the total credit portfolio

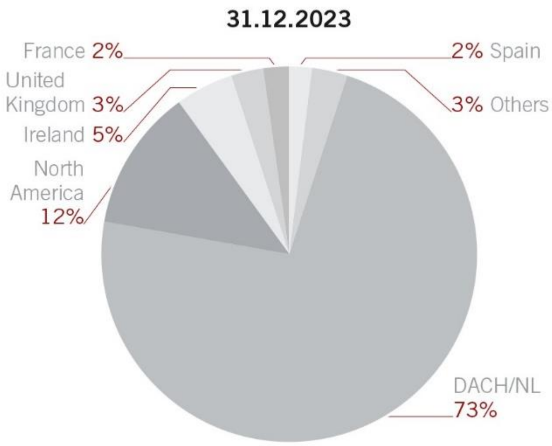
The following table shows the distribution by ratings for the performing portfolio. The risk profile is stable.

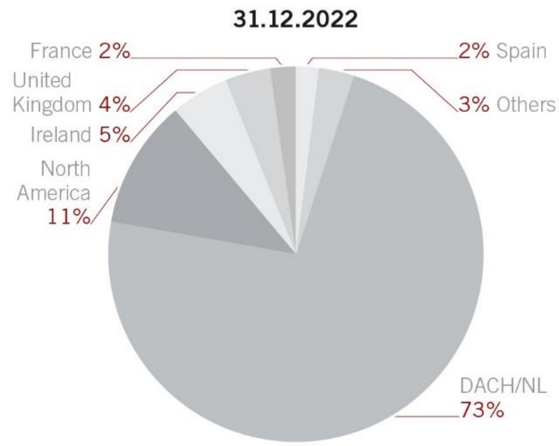
31.12.2023 in %	Moody's rating equivalent	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Total portfolio
Rating class 1	Aaa–Aa2	0.2%	19.0%	83.7%	33.9%
Rating class 2	Aa3–A1	9.8%	16.7%	6.0%	10.2%
Rating class 3	A2–A3	11.0%	9.6%	4.8%	8.5%
Rating class 4	Baa1–Baa3	53.1%	37.4%	4.6%	32.3%
Rating class 5	Ba1–B1	20.5%	15.9%	0.6%	12.4%
Rating class 6	B2–Caa2	3.3%	1.4%	0.0%	1.7%
Rating class 7	Caa3	2.1%	0.0%	0.3%	1.0%

31.12.2022 in %	Moody's rating equivalent	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Total portfolio
Rating class 1	Aaa–Aa2	0.2%	15.0%	83.1%	31.5%
Rating class 2	Aa3–A1	9.7%	14.9%	6.7%	10.1%
Rating class 3	A2–A3	10.5%	6.3%	4.8%	7.5%
Rating class 4	Baa1–Baa3	52.9%	46.1%	5.4%	35.4%
Rating class 5	Ba1–B1	21.8%	16.5%	0.0%	13.2%
Rating class 6	B2–Caa2	2.9%	1.1%	0.0%	1.5%
Rating class 7	Caa3	2.1%	0.1%	0.0%	0.8%

Geographic distribution of the total credit portfolio

The geographic distribution of the credit portfolio is in line with BAWAG Group's strategy of focusing on stable economies and currencies. A total of 97% (2022: 97%) of the portfolio is located in Western Europe and North America.





Currency distribution of the total credit portfolio

Consistent with BAWAG Group's overall positioning, the majority of financing remained stably denominated in EUR with an increase in the USD share following the integration of Idaho First Bank in Q4 2023. The following table depicts the currency distribution of the total credit portfolio.

	Book value		in %	
in € million	**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022
EUR	45,629	46,462	84.5%	85.2%
USD	6,153	5,576	11.4%	10.2%
GBP	951	1,130	1.8%	2.0%
CHF	836	920	1.5%	1.7%
Others	450	540	0.8%	0.9%
Total	**54,019**	**54,628**	**100.0%**	**100.0%**

Collateral distribution of the total credit portfolio and collateral valuation

The following table contains the overview of collateral types with the real estate collateral share of 76% (2022: 76%) stable as the major collateral type in the total credit portfolio.

in € million	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Real estate	19,562	19,759	76.4%	75.6%
thereof residential	14,850	15,076	75.9%	76.3%
thereof commercial	4,712	4,683	24.1%	23.7%
Guarantees	4,407	4,732	17.2%	18.1%
Other collateral	1,217	1,161	4.8%	4.4%
Financial collateral	418	495	1.6%	1.9%
Total	**25,604**	**26,147**	**100.0%**	**100.0%**

BAWAG Group's strategy is to focus on financing supported by collateral and other credit enhancements whenever possible. Collateral serves as essential support for the lending business and reducing loss in the event of default of the debtor. However, during the decision-making process the focus prioritizes the affordability of the borrower in addition to the quality and accessibility of the collateral.

All acceptable collateral types are recorded in the Group Collateral Catalogue, where the principles for the valuation and revaluation of collateral are also defined. The catalogue defines which combinations of goods (characteristics of the economic good/asset) and collateral (to which BAWAG Group has title) are deemed acceptable and which value (market value, nominal value etc.) has to be applied. The Enterprise Risk Meeting decides if a type of collateral is accepted for credit risk mitigation taking the corresponding haircuts into consideration.

The following types of collateral are accepted:

- Real estate properties: residential real estate and commercial real estate
- Other collateral: vehicles and other physical collateral (not used for capital mitigation at the moment), pledging or assignment of life insurance policies
- Financial guarantees: financial collateral, securities, cash deposits at own bank
- Credit enhancements: guarantees and co-obligations

In order to serve as credit risk mitigation, collateral must meet the general legal and regulatory requirements and internal requirements defined in Group-wide internal policies. The collateral policies implemented in the subsidiaries are based on the Group-wide internal policies and include country-specific features. These policies are revised at least once a year. Any exceptions to internal rules must be well-founded, separately requested and explicitly approved.

The centralized Residential Real Estate Appraisal team determines the value of all residential properties in Austria on the basis of a standard methodology and valuation tool. Valuation of real estate properties in other countries is also done by independent experts according to international standards. The periodic review and updating of property values is automated based on the real estate price index published by the Association of Real Estate and Asset Trustees of the Austrian Federal Economic Chamber (Fachverband der Immobilien- und Vermögenstreuhänder der Wirtschaftskammer Österreich) for Austrian residential properties, on the Halifax House Price Index for residential properties in Great Britain and by MAC (MeilleursAgents.com) for French residential properties. The values of the properties in the Netherlands are periodically updated based on the CBS index (Centraal Bureau voor de Statistiek) and the real estate properties situated in Germany are periodically checked with the help of the market volatility concept.

The values of commercial properties are appraised individually by experts in the centralized Commercial Real Estate Appraisal team, by selected external appraisers commissioned by BAWAG Group or by a syndicate partner after an inspection of the property and completion of a full appraisal report.

Forborne loans and forbearance measures and unlikeliness to pay

Measures of forbearance can be granted if borrowers face financial difficulties and are considered to be unable to meet contractual obligations. BAWAG Group has sound and transparent processes in place across the whole BAWAG Group to define the conditions under which concessions, in the form of the modification of terms and conditions, may be granted. Depending on the customer segment, possible measures include the temporary postponement or reduction of interest or principal payments, the restructuring of credit facilities or other forbearance measures. In exceptional cases, a temporary or permanent reduction of interest rates may be granted.

Forbearance or refinancing measures are instruments intended to ultimately reduce the existing risk and avoid default with respect to debt claims if it is expected that a default can thereby be forestalled. However, forbearance measures are by no means used to avoid or postpone the recognition of an unavoidable impairment or disguise the level of credit risk resulting from forborne assets.

By implementing forbearance measures that are appropriate in terms of time and scope, BAWAG Group supports clients in maintaining financial stability. If the supporting measures are not successful, exposures will be recognized as non-performing and impaired according to regulatory and accounting standards.

For reporting as well as internal risk management purposes, BAWAG Group implemented processes and methods according to regulatory standards in order to identify exposures for which forbearance measures have been extended. These are classified as forborne.

31.12.2023	Total forborne book value	thereof defaulted forborne	% forborne of total portfolio	Forbearance coverage ratio	Forbearance defaulted coverage ratio
Retail & SME	335	53	1.5%	60%	63%
Corporates, Real Estate & Public Sector	269	109	2.0%	66%	68%
Total	**604**	**162**	**1.1%**	**62%**	**67%**

31.12.2022	Total forborne book value	thereof defaulted forborne	% forborne of total portfolio	Forbearance coverage ratio	Forbearance defaulted coverage ratio
Retail & SME	320	60	1.4%	65%	69%
Corporates, Real Estate & Public Sector	98	75	0.7%	97%	100%
Total	**418**	**135**	**0.8%**	**72%**	**90%**

Retail & SME

BAWAG Group applies the following principles for credit assessment of retail customers. These principles are clearly reflected in the underwriting guidelines considering approved risk appetite.

- Capacity or affordability measures a borrower's ability to repay a loan by comparing income against recurring expenses and credit commitments. In addition, we apply backstop rules based on the debt service to income ratio (DSTI) to limit borrower leverage.
- Creditworthiness refers to a borrower's reputation or track record of servicing debt as evidenced by previous payment history internally and externally. As an IRB institution, we apply robust statistical scorecards to rate customers at the point of lending and on an ongoing basis. Scorecard cut-offs are set based on risk/reward assessment within the approved risk appetite.
- Conditions refer to how the borrower intends to use the credit and it needs to be aligned to the credit facility's purpose and terms and conditions. We have a clearly defined product construct defining loan amount thresholds, duration and purpose.
- Collateral refers to the ability to recover via enforcement of the collateral in the event of borrower default. Clearly defined eligibility criteria for collateral are in place and are appraised by internal and external experts.
- Own funds commitment considers the borrower's personal financial contribution to the purpose of the facility. Clearly defined minimum borrower contribution and/or loan to value (LTV) thresholds are applied.

The Retail & SME portfolio is comprised of 70% housing loans (2022: 72%) and 30% consumer and SME (2022: 28%). The segment comprises assets across the DACH/NL region as well as Western Europe and North America portfolios.

Product overview of Retail & SME portfolio

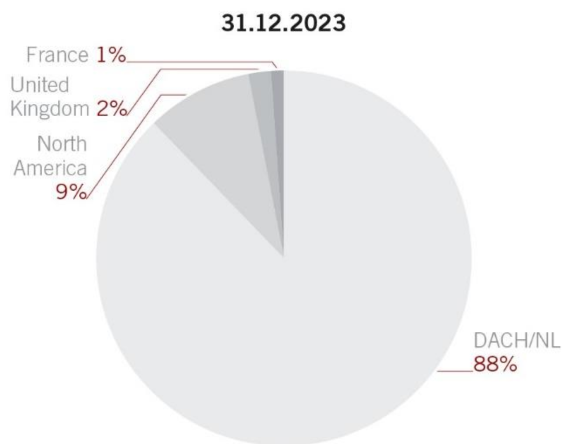
	Book value		NPL ratio	NPL coverage ratio
in € million	**31.12.2023**	31.12.2022	**31.12.2023**	**31.12.2023**
Consumer & SME	6,649	6,338	2.5%	64.1%
Housing loans	15,372	16,037	1.0%	100.0%
Total	**22,021**	**22,375**	**1.7%**	**75.8%**

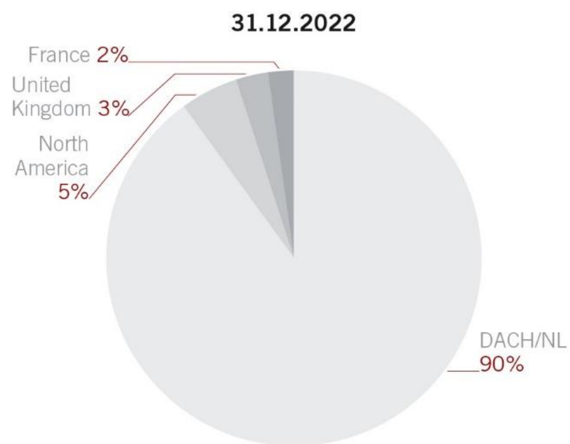
The housing loan portfolio is characterized by standard LTVs, a low NPL ratio, a high coverage ratio and good geographic diversification. The weighted average contractual tenor of the housing loan portfolio is less than 23 years (2022: 23 years).

The Consumer & SME lending portfolio consists of unsecured private loans, overdrafts and credit cards across different sales channels of the Group. It includes leasing activities, which are characterized by a mix of leasing assets (car leasing, IT, equipment and real estate leasing).

For the Retail & SME segment, the overall NPL and coverage ratios reflect a stable and low-risk, highly collateralized portfolio. BAWAG Group has continued to apply the strategy of rigorous management of non-performing loans in order to achieve low NPL volumes and to concentrate on the main business focus. In addition, the early detection, collection and recovery processes were further improved with a view to successfully repaying loans from a technical and risk perspective. The NPL ratio of the Retail & SME portfolio is 1.7% (2022: 1.6%). The NPL coverage ratio is 76% (2022: 77%), which is supportive of the risk profile of this portfolio.

Geographic distribution of Retail & SME portfolio





Currency distribution of Retail & SME portfolio

	Book value		in %	
in € million	31.12.2023	31.12.2022	31.12.2023	31.12.2022
EUR	18,982	19,970	86.3%	89.3%
USD	1,736	1,048	7.9%	4.7%
CHF	715	783	3.2%	3.5%
GBP	467	565	2.1%	2.5%
CAD	116	0	0.5%	0.0%
Others	5	9	0.0%	0.0%
Total	**22,021**	**22,375**	**100.0%**	**100.0%**

Days past due overview of Retail & SME portfolio

The product portfolio is monitored by days past due (i.e. delinquency buckets) on an ongoing basis. The aim is to ensure early identification of negative credit developments within the portfolio and to work with customers on a proactive basis to ensure the full repayment of loans.

The Retail & SME portfolio is 97% (2022: 97%) current (i.e. no days past due). Overall, the low days past due volumes, the stable vintages and the product-specific scorecard results reflect the strong credit quality of the portfolio.

	Consumer & SME		Housing loans		Total	
in € million	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Total book value	**6,649**	**6,338**	**15,372**	**16,037**	**22,021**	**22,375**
No days past due	92.6%	93.7%	98.3%	98.8%	96.6%	97.4%
1–30 days	2.3%	1.8%	0.5%	0.2%	1.0%	0.7%
31–60 days	0.6%	0.6%	0.2%	0.1%	0.3%	0.2%
61–90 days	0.4%	0.3%	0.1%	0.0%	0.2%	0.1%

The days past due counter was adjusted in 2020 based on EBA/GL/2016/07 and Regulation (EU) 2018/1845 to capture the Group-wide amount in arrears compared to the Group-wide on-balance exposure taking into account the new materiality thresholds.

Corporates, Real Estate & Public Sector

	Book value		NPL ratio	NPL coverage ratio	Investment grade
in € million	31.12.2023	31.12.2022	31.12.2023	31.12.2023	31.12.2023
Corporates	3,543	3,856	1.2%	100.0%	92.7%
Real Estate	5,097	6,067	1.5%	44.0%	58.2%
Public Sector	4,688	4,580	–	–	99.2%
Total	**13,328**	**14,503**	**0.8%**	**75.1%**	**82.5%**

The Corporates and Real Estate portfolios include DACH and international assets from stable markets (primarily the US, the UK and Western Europe). This business is based upon a conservative underwriting approach, proactive risk management and disciplined growth in stable and mature developed economies. Throughout the business cycle, we maintain a highly disciplined approach to risk-adjusted pricing. The foundation is based on conservative underwriting over the years with a clear focus on cash flow generating companies, high margins and pricing power with high-quality collateral and solid capital structures with strong lender protection features. The underwriting requirements rarely change with market conditions and can affect our ability to generate new business. Maintaining our low risk profile is paramount, always maintaining adequate risk-adjusted returns and never compensating through increased credit risk or reduced structural protections.

Management of credit risk and interest rate risk in Corporates, Real Estate & Public Sector portfolio
The BAWAG Group closely monitors the interest rate-induced risks in its loan portfolios. Leverage, interest expenses and interest rate structure (fixed/variable, hedging agreements, refinancing dates and risks) are analyzed in-depth at origination, at annual review and on an ad hoc basis even more often. Stressed assumptions are applied to assess creditworthiness and come to a risk assessment. For international commercial real estate most contracts foresee a hedging requirement of variable rate loans once a certain threshold (e.g. Euribor) is reached. Currently, around 70% of the Corporate, Real Estate and Public Sector portfolio is linked to variable interest rates.

Material credit decisions are made by the Credit Approval Committee (CAC), a special body at the Management Board level. Every credit decision is strictly reviewed, discussed and coordinated in accordance with BAWAG Group's guidelines. BAWAG Group's credit risk managers have a diverse and experienced background spanning different asset classes with DACH and international business. For loan applications below a certain threshold, risk managers are granted authority to approve credit applications. An effective monitoring and review process during the lifetime is established.

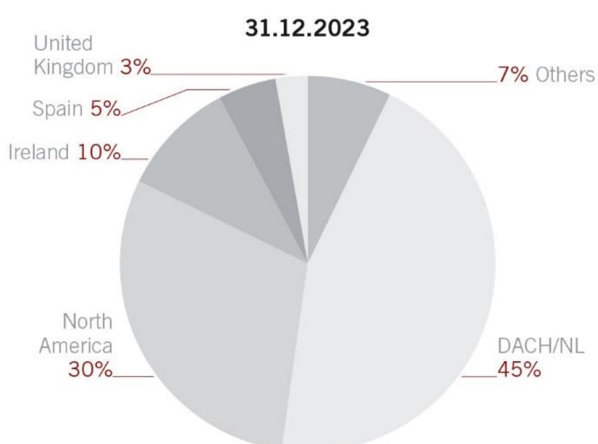
Concentration risk in Corporates, Real Estate & Public Sector portfolio
A major focus of risk management in the Corporates & Public Sector segment is centered on managing concentration risk. Concentration risk arises from large exposures in individual customer segments or from large industry/country/foreign currency exposures.

Industry distribution of Corporates, Real Estate & Public Sector portfolio

Corporates, Real Estate & Public Sector	Book value		in %	
in € million	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Real Estate	5,380	6,270	40%	46%
Public Sector	4,688	4,581	35%	34%
Services	714	604	5%	5%
Food & Beverages	520	727	4%	4%
Pharmaceuticals	314	397	2%	3%
B-2-C Products	270	263	2%	2%
Health Care	218	242	2%	2%
Engineering and B-2-B	208	211	2%	2%
Lender Financing	203	314	2%	1%
Telecommunication	185	185	1%	1%
Other	628	709	5%	5%
Total	**13,328**	**14,503**	**100%**	**100%**

Using internal industry segmentation.

Geographic distribution of Corporates, Real Estate & Public Sector Portfolio



Currency distribution of Corporates, Real Estate & Public Sector Portfolio

	Book value		in %	
in € million	**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022
EUR	8,897	9,510	66.8%	65.6%
USD	3,672	3,900	27.6%	26.9%
GBP	324	449	2.4%	3.1%
AUD	170	187	1.3%	1.3%
CHF	121	134	0.9%	0.9%
Others	144	323	1.1%	2.1%
Total	**13,328**	**14,503**	**100.0%**	**100.0%**

Corporates portfolio: The Corporates portfolio is composed primarily of loans directly issued to companies. The segment is characterized by moderate (net) debt/EBITDA ratios of <4.0x, strong cash flow profiles and 93% in internal rating classes corresponding to investment grade class. We focus on non-cyclical industries, with sustained margins and stress-resistant business models. In addition, the portfolio is predominantly senior secured, reflecting the prioritized first-out positions in the capital structure. The relatively low NPL ratio of 1.2% (2022: 1.5%) in the corporates segment is reflective of the selective underwriting and resilient portfolio.

Industry distribution of Corporates portfolio

	Total	Total	in %	in %
in € million	**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022
Services	714	604	20%	16%
Food & Beverages	520	727	15%	19%
Pharmaceuticals	314	397	9%	10%
B-2-C Products	270	263	8%	7%
Health Care	218	242	6%	6%
Engineering and B-2-B	208	211	6%	5%
Lender Financing	203	314	5%	8%
Telecommunication	185	185	5%	5%
Gaming	171	190	5%	5%
Other	740	723	21%	19%
Total	**3,543**	**3,856**	**100%**	**100%**

Real Estate: Real estate transactions include direct lending against real estate assets or against portfolios backed by several assets/several asset classes. The lending portfolio consists of senior secured structures with a LTV/C of <60% on average. The cross-collateralized ring-fenced portfolio financings contain strong lender protection features such as significant equity contribution, cash flow sweeps, interest coverage requirements, interest rate hedging requirements, sponsor guarantees and covenant tests. The asset classes of our Real Estate portfolio are well diversified. Residential exposures represent 43% of the total book in 2023. New business in 2023 was mainly focused in residential assets, where supply shortages in our markets have continued to support healthy fundamentals. Given the strong impact of the current environment on the real estate markets, we analyzed the relevant markets and asset classes in terms of countries and asset classes to confirm our satisfactory risk assessment and the selective approach.

The assessment is based on the following facts:

- Resilient overall asset quality in high-quality locations/geographies across asset types, in particular industrial/logistics and residential.
- Strong underlying sponsors with significant equity at stake and enduring investment history with BAWAG
- Lower net exposures compared to other industries, with high asset value and strong LTV for international real estate
- Asset classes of residential and logistics have performed well, supported by strong supply and demand dynamics, office is suffering from lack of clarity regarding demand and reduced rent income
- Rising interest rates and inflation putting some pressure on valuations but mitigated by strong LTVs

With the challenges in the commercial real estate sector driven by higher interest rates and impact on cost of capital, we have been cautious about new lending and are actively monitoring refinancing dynamics. As a result, the Commercial Real estate portfolio declined by 16% in 2023 as the market adjusts.

Underlying assets distribution in Real Estate portfolio

	Total	Total	in %	in %
in € million	**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022
Residential	2,191	2,554	43%	42%
Industrial/Logistics	1,105	1,330	22%	22%
Office	1,072	1,343	21%	22%
Hospitality	379	414	7%	7%
Shopping/Retail	277	325	5%	5%
Other	73	101	2%	2%
Total	**5,097**	**6,067**	**100%**	**100%**

Public Sector: The Public Sector portfolio primarily consists of loans and limits directly to public sector entities such as sovereigns, federal states or municipalities or to agencies/companies (partially) owned by such public sector entities. It is customary for an explicit or implicit guarantee to be in place provided by the public sector entity. The main focus of the portfolio is Austria, with secondary exposure in Germany. Overall, this portfolio is characterized by low risk and sovereign, state or municipality guarantees. There is not a significant default history for public sector entities in our portfolio, and sovereign support is strongly assumed for publicly owned entities and agencies, which typically fulfill a public benefit and are therefore systemically important. There are no NPLs in this category, and regulatory-required risk-weighted assets are low.

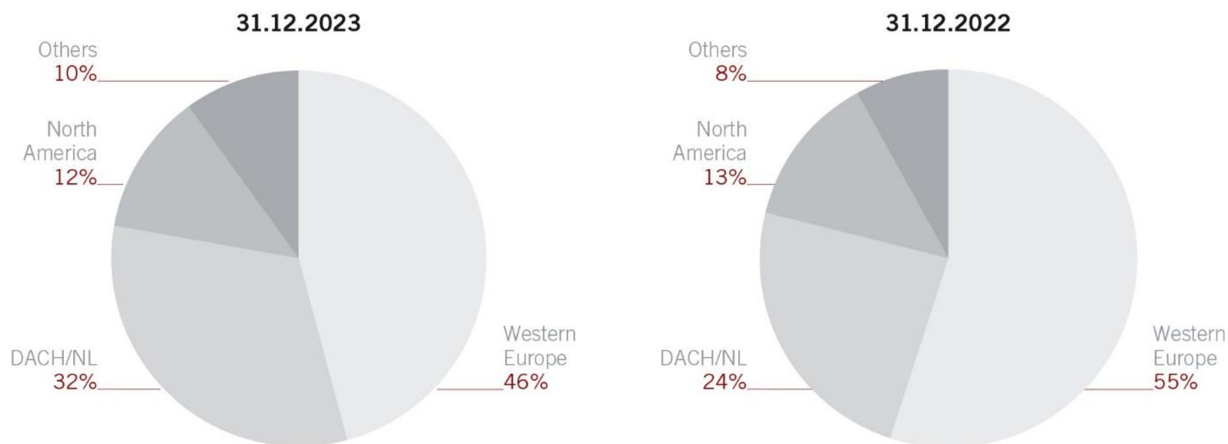
Treasury

	Book value		Investment grade	
in € million	**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022
Cash and cash equivalent & customer assets	13,544	12,865	99.4%	100%
Investment book	5,214	5,001	98.0%	100%
Total	**18,758**	**17,866**	**99.0%**	**100%**

Treasury continued to pursue the strategy of balancing the investment portfolio between long-term investment in high-quality securities while still maintaining our hold to collect and sell portfolio to preserve the flexibility of redeployment into customer loans or other balance sheet management activities. The overall composition of the portfolio reflects our strategy of maintaining high credit quality, short/medium 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. Another spike in market volatility during the second half of 2023 with consequently widening credit spreads brought opportunities to deploy part of our excess cash into the securities portfolio at attractive risk-adjusted spreads.

As of December 2023, the investment portfolio amounted to € 5.2 billion and the liquidity reserve was € 12.2 billion. The investment portfolio's average maturity was 3.5 years, comprised nearly 100% of investment grade rated securities, of which 67% were rated in the single A category or higher. As of December 2023, the portfolio had no direct exposure to China, Russia, Ukraine or Middle East and limited exposure to Central Eastern European countries.

Geographical distribution of the investment book



Currency distribution of investment book

	Book value		in %	
in € million	**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022
EUR	4,495	4,423	86.2%	88.5%
USD	577	487	11.1%	9.7%
Others	142	90	2.7%	1.8%
Total	**5,214**	**5,001**	**100.0%**	**100.0%**

Corporate Center

The Corporate Center contains central functions for BAWAG Group. Hence, the P&L comprises the funds transfer pricing (FTP) result as an outcome of the Asset & Liability Management function, one-off and project-related operating expenses and other one-off items. The balance sheet mainly includes non-interest-bearing assets, liabilities and equity.

In 2022, the Corporate Center included a write-off of the City of Linz receivable of € 254 million before tax (€ 190 million after tax) in the third quarter 2022. In the fourth quarter 2022, a € 12 million recovery was reflected.

Non-performing loans portfolio

The default definition aligned with the latest EBA requirements (EBA/GL/2016/07) is fully implemented in BAWAG Group.

Furthermore, BAWAG Group is fully compliant with the ECB's "Guidance to banks on non-performing loans: supervisory expectations for prudential provisioning of non-performing exposures" and Regulation (EU) 2019/630 amending CRR Regulation (EU) No 575/2013.

The following table shows the non-performing loans (NPL) ratio, provisions, NPL cash coverage ratio and NPL coverage ratios of the credit portfolio. The low risk profile is reflected by the low NPL ratio, low delinquency of loan volumes and good provisioning level and collateral coverage across the portfolios. More than 85% (2022: 85%) of the total exposure can be assigned to an investment grade rating, which corresponds to the external rating classes AAA to BBB.

	Book value		in %	
in € million	**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022
At amortized cost (gross)	**49,965**	**52,016**	**100.0%**	**100.0%**
Provisions	379	430	0.8%	0.8%
thereof Stage 1	32	39	0.1%	0.1%
thereof Stage 2	116	131	0.2%	0.3%
thereof Stage 3	232	260	0.5%	0.5%
At amortized cost (net)	49,585	51,585	99.2%	99.2%
NPL ratio			1.0%	0.9%
NPL cash coverage ratio			44.6%	52.3%
NPL coverage ratio			75.7%	82.5%

The following table shows the NPL ratio, NPL cash coverage ratio and NPL coverage ratio for the segments Retail & SME and Corporates, Real Estate & Public Sector.

	Retail & SME		Corporates, Real Estate & Public Sector	
in € million	**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022
Total	**22,021**	**22,375**	**13,328**	**14,503**
NPL ratio	1.7%	1.6%	0.8%	0.7%
NPL cash coverage ratio	48.3%	50.9%	31.3%	57.5%
NPL coverage ratio	75.8%	77.1%	75.1%	100.0%

Received collateral for the NPL portfolio

The figures below refer to gross NPL (Stage 3) exposure.

31.12.2023 in € million	NPL exposure	Real estate collateral	Other collateral	Financial guarantees	Credit enhancements
Retail & SME	477	142	21	5	4
Corporates, Real Estate & Public Sector	132	82	3	16	3
Total portfolio	**609**	**224**	**25**	**21**	**8**

The values shown are capped market values.

31.12.2022 in € million	NPL exposure	Real estate collateral	Other collateral	Financial guarantees	Credit enhancements
Retail & SME	419	119	23	2	20
Corporates, Real Estate & Public Sector	119	59	13	16	3
Total portfolio	**538**	**179**	**36**	**18**	**23**

The values shown are capped market values.

Impairments

In accordance with IFRS 9, the expected credit loss (ECL) is computed for all performing and loan loss provisions (LLP) for all non-performing financial assets that are recorded at amortized cost (AC) or at fair value through other comprehensive income (FVOCI), including lease receivables, loan commitments and financial guarantees and contract assets according to IFRS 15.

1. Stage allocation

A key aspect of impairment estimation in accordance with IFRS 9 involves the allocation of financial assets into three stages. Stage 1 and 2 comprise assets that are deemed to be performing, while Stage 3 is designated for non-performing assets. Additionally, financial assets that are purchased or originated as credit-impaired at the time of initial recognition (POCI) fall into a distinct and separate category. BAWAG Group examines the stage allocation of assets at each reporting date.

Stage 1: Initial recognition

All financial instruments at initial recognition are in Stage 1 (with a few exceptions, e.g. POCI) along with those which do not show a significant increase in credit risk since initial recognition.

Stage 2: Significant increase in credit risk (SICR)

When a financial instrument has been in Stage 1, but a significant increase of credit risk since the initial recognition is observed, the instrument is transferred to Stage 2. The SICR is generally conducted at the individual loan level. Industry impacts are assessed on a group basis and included in potential watchlist assessments.

The transfer criteria from Stage 1 to Stage 2 are in three pillars:

- quantitative criteria
- qualitative criteria
- backstop criterion

The quantitative criteria examine the worsening of lifetime and forward-looking PDs since the initial recognition, while the qualitative criteria gather additional information about the assets to assess the SICR. As an additional backstop criterion, payment in arrears is considered in BAWAG Group. If one of the criteria is satisfied, a financial instrument is transferred from Stage 1 to Stage 2. Hence, if none of the transfer criteria is active, the asset is kept in or reassigned to Stage 1.

Quantitative criteria

A quantitative criterion examines the financial asset's credit risk profile based on two aspects:

- the relative lifetime PD change
- the absolute lifetime PD change

If both indicators surpass the predetermined thresholds and indicate a significant increase in credit risk, then the asset is transferred to Stage 2.

Qualitative criteria

Qualitative staging criteria factors selected by BAWAG Group are:

- Entry in watch list (non-retail customers)
- Entry in warning list (retail customers)
- Forbearance flag

If one of these factors is flagged as active, the financial asset is transferred to Stage 2.

Backstop criterion

As a backstop criterion, BAWAG Group employs payment in arrears for more than 30 days. All financial instruments that are more than 30 days past due would be transferred to Stage 2, if not yet in Stage 3.

In cases where no staging factor is active, the exposure is automatically reassigned to Stage 1. Defaulted exposures that are not impaired and with no arrears at either the customer or account level on the reporting date are deemed as cured from default and are assigned to Stage 2 considering the riskiest internal risk class for the purpose of the ECL calculation.

Stage 3: Credit impaired / Non-performing

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or group of financial assets is impaired, and impairment losses are incurred if:

- there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the reporting date ("a loss event")
- the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets
- a reliable estimate of the loss amount can be made.

2. Measuring impairment

The impairment calculation for financial instruments is underpinned by three fundamental parameters: probability of default (PD), loss given default (LGD), and exposure at default (EAD). These parameters collectively shape the assessment of expected credit losses and are estimated by internal models. Where applicable, the regulatory internal rating-based (IRB) risk models, which are conceptually through-the-cycle, are the starting point for impairment parameter estimation. For portfolios where no IRB risk models are implemented, i.e. standardized approach or LGDs for F-IRB models, other internal models are applied. Necessary adjustments are made to ensure compliance with the IFRS 9 guideline: increase the forecast horizon from 1 year to lifetime; adjust the through-the-cycle parameters to the point-in-time to reflect recent trends; factor in forward-looking information in the ECL estimation as IFRS 9 requires. The parameters are applied across all three stages, but their application in the final impairment calculation differs based on the stage of the individual financial asset.

Separate models are developed to estimate the lifetime risk parameters across the portfolios with different underlying risks. The accuracy of the models is continuously and rigorously confirmed by the annual internal model validation.

The IFRS 9 lifetime risk parameters consist of a through-the-cycle and a point-in-time component. The through-the-cycle component captures idiosyncratic risks of the financial instruments that are stable over time and are measured by the long-term average of risk parameters. Point-in-time components gauge the systematic risks, typically represented by macroeconomic forecasts and the portfolio credit risk cycle.

Exposure at default (EAD)

Lifetime exposure at default measures the expected exposure amount at the time of default. For loans, the amount is estimated as a sum of discounted future cash flows the Bank expects to receive. For revolving products, EAD is a sum of the expected drawn commitments at the time of default. The expected drawn amounts are approximated by the credit conversion factor (CCF), which is modeled based on the historically observed consumed commitments.

Probability of default (PD)

Lifetime probability of default is the probability of clients' insolvency over the financial instrument's lifetime. The PD is derived by the long-term average migration matrix defined across ratings, where ratings are determined by internal risk models.

Loss given default (LGD)

Lifetime loss given default represents the Bank's expected loss in case the financial assets are in default. It is estimated based on historical recovery rates, considering factors like cures, collateral, cash payments and other sources of recovery. These recoveries are compared to exposure at default at a future point in time over the financial asset's lifetime. This helps to understand the anticipated loss in case of default, considering how recovery factors, e.g. collateral values, change throughout the life of the financial asset.

Forward-looking information for point-in-time adjustment

The specified parameters for expected credit loss are contingent upon forward-looking information. Consequently, these parameters undergo adjustments based on the prevailing macroeconomic conditions and their forecasts at each point in time. For instance, forecasts for real estate collaterals hinge on predictions of the real estate price index, and the relationship between probability of default and macroeconomic factors, such as GDP, is assessed and projected.

BAWAG Group employs a set of three scenarios in its macroeconomic forecast: 30% pessimistic, 40% baseline and 30% optimistic. These are centered around the baseline scenario defined by the internal macroeconomic scenario committee, which analyzes and approves the macroeconomic forecast combining expert opinions, scenario analyses and economic forecasts. Among all macroeconomic variables, BAWAG Group uses the GDP growth as a main source of forward-looking information to consider in ECL estimates, with additional variables such as inflation, unemployment rate or housing prices in a complementary role. The pessimistic scenario assumes a rapid recession in the beginning of 2024 due to the effects of the energy crisis combined with a rapid tightening of monetary policy, followed by a gradual recovery in the next years.

Eurozone macroeconomic forecast considered for ECL calculation:

GDP growth 31.12.2023 in %	2023	2024	2025	2026
Optimistic (30% weight)	0.4	3.5	1.5	1.6
Baseline (40% weight)	0.4	1.2	1.7	1.8
Pessimistic (30% weight)	0.4	(5.1)	2.3	3.1

GDP growth 31.12.2022 in %	2022	2023	2024	2025
Optimistic (30% weight)	3.2	0.4	2.4	2.3
Baseline (40% weight)	3.2	(1.0)	2.1	2.8
Pessimistic (30% weight)	3.2	(3.5)	0.0	3.9

Stage 1 & 2: Expected credit loss (ECL)

Expected credit loss is calculated for each deal individually on the basis of the parameters, i.e. PD, LGD and EAD. BAWAG Group applies a probability-weighted expected outcome under three different macroeconomic scenarios that are aggregated with corresponding weights to constitute a final ECL estimate. The distribution among three scenarios allows the Bank to cover the broad range of future expectations and has been chosen as the most appropriate within the industry standards.

Stage 1: 12-month

The horizon of the expected credit loss calculation for Stage 1 instruments is up to 12 months after the reporting date, considering the forward-looking probability of default, loss given default and exposure structure within this period.

Stage 2: Lifetime

The general ECL calculation for Stage 2 financial assets is in line with Stage 1, but the horizon of the expected credit losses is extended until the end of the instrument's maturity.

Stage 3: Loan loss provision (LLP)

To allow management to determine whether a loss event has occurred on an individual basis, all significant counterparty relationships are reviewed periodically. This evaluation considers current information and events related to the counterparty, such as the counterparty experiencing significant financial difficulty or a breach of contract, for example, default or delinquency in interest or principal payments.

The loan loss provision for significant individual counterparty risks is based on expected future recoveries in accordance with the risk analysts' estimates. For counterparty risks that are not individually significant, the Group applies loss rate estimates for Retail and SME portfolios that are based on historically observed default and recovery information, customer time in default and LTV information (for mortgage loan exposures) to calculate the applicable level of loan loss provision.

The approval procedures for write-offs and debt waivers are described in the handbook on competencies and authorizations. Receivables are written off in coordination with the respective divisions when all reasonable attempts to collect the debt have failed or when there is no intention to actively continue the collection process.

3. Development of book values and impairments, stage transfer of impairments and rating distribution

The following table provides an overview of the development of IFRS book values (net of impairments) across stages.

Development of book values by stage

31.12.2023 in € million	Starting balance	Increases due to origination and acquisition	Decreases due to derecognition	Changes on existing assets	Closing balance
Book values for impairments in Stage 1 (without POCI)	**50,697**	**6,475**	**(4,216)**	**(4,026)**	**48,929**
Retail & SME	20,762	3,014	(1,513)	(2,212)	20,052
Corporates, Real Estate & Public Sector	13,491	2,699	(2,663)	(930)	12,594
Treasury	16,421	757	(34)	(882)	16,263
Corporate Center	23	6	(6)	(2)	21
Book values for impairments in Stage 2 (without POCI)	**1,664**	**184**	**(299)**	**255**	**1,803**
Retail & SME	1,060	136	(108)	183	1,271
Corporates, Real Estate & Public Sector	604	48	(191)	72	532
Treasury	–	–	–	–	–
Corporate Center	–	–	–	–	–
Book values for impairments in Stage 3 (without POCI)	**519**	**30**	**(16)**	**50**	**584**
Retail & SME	411	26	(11)	31	457
Corporates, Real Estate & Public Sector	108	4	(5)	20	127
Treasury	–	–	–	–	–
Corporate Center	–	–	–	–	–
Total POCI	**60**	**–**	**(2)**	**(5)**	**52**
Retail & SME	52	–	(2)	(2)	48
Corporates, Real Estate & Public Sector	8	–	–	(4)	4
Treasury	–	–	–	–	–
Corporate Center	–	–	–	–	–
Total	**52,939**	**6,688**	**(4,533)**	**(3,726)**	**51,368**

Only IFRS 9 ECL-relevant book values are shown.

Development of impairments per stage

31.12.2023 in € million	Starting balance	Increases due to origination and acquisition	Decreases due to derecognition	Changes on existing assets	Closing balance
Impairments Stage 1 (without POCI)	**47**	**9**	**(8)**	**(9)**	**39**
Retail & SME	29	5	(3)	(7)	24
Corporates, Real Estate & Public Sector	17	3	(5)	(2)	13
Treasury	1	1	–	–	2
Corporate Center	–	–	–	–	–
Impairments Stage 2 (without POCI)	**132**	**7**	**(21)**	**2**	**120**
Retail & SME	73	6	(6)	3	76
Corporates, Real Estate & Public Sector	59	1	(15)	(1)	44
Treasury	–	–	–	–	–
Corporate Center	–	–	–	–	–
Impairments Stage 3 (without POCI)	**253**	**9**	**(4)**	**(31)**	**227**
Retail & SME	203	9	(3)	(5)	204
Corporates, Real Estate & Public Sector	50	–	(1)	(26)	23
Treasury	–	–	–	–	–
Corporate Center	–	–	–	–	–
Total POCI	**10**	**–**	**–**	**(1)**	**9**
Retail & SME	3	–	–	2	5
Corporates, Real Estate & Public Sector	7	–	–	(3)	4
Treasury	–	–	–	–	–
Corporate Center	–	–	–	–	–
Total	**442**	**25**	**(33)**	**(39)**	**395**

Stage transfer of impairments

31.12.2023 in € million	From Stage 1 to Stage 2	From Stage 1 to Stage 3	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 1	From Stage 3 to Stage 2
Retail & SME	27	35	(13)	17	(2)	(11)
Corporates, Real Estate & Public Sector	27	–	(0)	1	0	0
Treasury	–	–	–	–	–	–
Corporate Center	–	–	0	–	0	–
Total	**54**	**35**	**(13)**	**19**	**(2)**	**(11)**

31.12.2022 in € million	From Stage 1 to Stage 2	From Stage 1 to Stage 3	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 1	From Stage 3 to Stage 2
Retail & SME	24	21	(28)	15	(3)	(9)
Corporates, Real Estate & Public Sector	7	–	(0)	(0)	0	0
Treasury	–	–	–	–	–	–
Corporate Center	–	–	(0)	–	–	–
Total	**31**	**21**	**(28)**	**15**	**(3)**	**(9)**

Rating distribution of book values by impairment stage

The numbers below refer to IFRS book values (net of Stage 1 to 3 provisions).

31.12.2023 in € million	Rating class 1	Rating class 2	Rating class 3	Rating class 4	Rating class 5	Rating class 6	Rating class 7	Rating class 8	Total portfolio
Book values for impairments in Stage 1 (without POCI)	**16,219**	**5,375**	**4,222**	**16,835**	**5,884**	**325**	**69**	**–**	**48,929**
Retail & SME	34	2,055	2,283	11,260	4,027	324	68	–	20,052
Corporates, Real Estate & Public Sector	2,439	2,201	1,270	4,932	1,751	1	0	–	12,594
Treasury	13,746	1,107	661	643	106	–	–	–	16,263
Corporate Center	0	12	8	1	0	–	0	–	21
Book values for impairments in Stage 2 (without POCI)	**0**	**6**	**7**	**99**	**692**	**564**	**435**	**–**	**1,803**
Retail & SME	0	6	7	98	348	379	433	–	1,271
Corporates, Real Estate & Public Sector	–	–	0	1	344	185	3	–	532
Treasury	–	–	–	–	–	–	–	–	–
Corporate Center	–	–	–	–	–	–	0	–	0
Book values for impairments in Stage 3 (without POCI)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**584**	**584**
Retail & SME	–	–	–	–	–	–	–	457	457
Corporates, Real Estate & Public Sector	–	–	–	–	–	–	–	127	127
Treasury	–	–	–	–	–	–	–	–	–
Corporate Center	–	–	–	–	–	–	–	–	–
Total POCI	**–**	**23**	**0**	**–**	**1**	**10**	**2**	**17**	**52**
Retail & SME	–	23	0	–	1	10	2	13	48
Corporates, Real Estate & Public Sector	–	–	–	–	–	–	0	4	4
Treasury	–	–	–	–	–	–	–	–	–
Corporate Center	–	–	–	–	–	–	–	–	–
Total	**16,219**	**5,404**	**4,229**	**16,934**	**6,577**	**899**	**506**	**601**	**51,368**

Only IFRS 9 ECL-relevant book values are shown.

31.12.2022 in € million	Rating class 1	Rating class 2	Rating class 3	Rating class 4	Rating class 5	Rating class 6	Rating class 7	Rating class 8	Total portfolio
Book values for impairments in Stage 1 (without POCI)	**16,278**	**5,365**	**3,867**	**18,344**	**6,327**	**377**	**138**	**–**	**50,696**
Retail & SME	40	2,092	2,263	11,475	4,459	302	130	–	20,761
Corporates, Real Estate & Public Sector	2,100	2,139	903	6,398	1,868	75	8	–	13,491
Treasury	14,139	1,119	701	462	–	–	–	–	16,421
Corporate Center	–	15	–	8	–	–	–	–	23
Book values for impairments in Stage 2 (without POCI)	**–**	**4**	**10**	**88**	**792**	**399**	**371**	**–**	**1,664**
Retail & SME	–	4	10	83	289	313	361	–	1,060
Corporates, Real Estate & Public Sector	–	–	–	5	503	86	10	–	604
Treasury	–	–	–	–	–	–	–	–	–
Corporate Center	–	–	–	–	–	–	–	–	–
Book values for impairments in Stage 3 (without POCI)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**519**	**519**
Retail & SME	–	–	–	–	–	–	–	411	411
Corporates, Real Estate & Public Sector	–	–	–	–	–	–	–	108	108
Treasury	–	–	–	–	–	–	–	–	–
Corporate Center	–	–	–	–	–	–	–	–	–
Total POCI	**–**	**–**	**–**	**–**	**5**	**8**	**32**	**15**	**60**
Retail & SME	–	–	–	–	5	8	32	6	51
Corporates, Real Estate & Public Sector	–	–	–	–	–	–	–	9	9
Treasury	–	–	–	–	–	–	–	–	–
Corporate Center	–	–	–	–	–	–	–	–	–
Total	**16,278**	**5,369**	**3,877**	**18,432**	**7,124**	**784**	**541**	**534**	**52,939**

Only IFRS 9 ECL-relevant book values are shown.

4. Post-model adjustments – Management overlay on ECL

BAWAG Group estimates ECL using, among other factors, historical data and relationships to develop judgments about future developments. The Bank observed that historical relationships between key variables do not necessarily hold true in the current macroeconomic environment, because comparable economic conditions have not existed in the past. Particularly global political uncertainties, lasting post-COVID-19 effects, high inflation rates and substantially higher interest rates are still not evident in terms of impact on macroeconomic drivers and, ultimately, on default rates. This subsequently becomes apparent in the sensitivity of the respective risk parameters.

Consequently, BAWAG Group is currently reviewing its IFRS 9 methodologies and in the meantime uses post-model adjustments (management overlay) in line with best practice and regulatory expectations, where risks and uncertainties cannot be adequately reflected in existing models. These measures address the current uncertainty to ensure the appropriate and timely identification of distressed debtors and adequate levels of provisioning across all stages of credit risk.

The Bank maintains a comprehensive framework to determine IFRS 9 expected credit loss (ECL), which provides for future losses which have not yet occurred by identifying macro forecast influences, customers with higher risk profiles and ultimately customers with increased likelihood of payment defaults. Due to unprecedented events and actions impacting markets, as well as government support measures, identifying credit deterioration of borrowers in ECL models is becoming increasingly challenging.

BAWAG assessed the adjustment on its Retail & SME segment on the portfolio level. This is due to the nature of the portfolio size (many customers with similar behavior, smaller exposures etc.) being collectively vulnerable to systematic risk effects. Therefore, the Bank considers reasonable and supportable information covering more severe future economic conditions when calculating ECLs on a portfolio basis. BAWAG Group uses the results of the internal stress test (severe adverse scenario) to calculate risk costs and compares them against the baseline scenario. The Retail Risk division then applies an expert's judgment to correct for the identified biases as illustrated above and defines the final amount as management overlay.

For its Corporates, Real Estate and Public Sector portfolio, BAWAG Group assesses the post-model adjustment for clients already in Stage 2 on a case-by-case basis using a qualitative analysis of the appropriateness of the ECL level and considers appropriate adjustments if needed individually. This is because of the characteristics of corporate borrowers (heterogeneity of customers, idiosyncratic aspects etc.) being individually more vulnerable to systematic risk effects depending on individual circumstances.

Based on the approaches mentioned above, the ECL management overlay was assessed to be € 80 million for all portfolios as of 2023, representing a reduction of € 20 million compared to 2022. This reduction is primarily attributed to a defaulted corporate client, which moved to stage 3 and was previously subject to a management overlay. Additionally, the reassessment of other clients led to the reallocation of the management overlay among them.

BAWAG will continue to monitor the outlook and potential risks and act diligently in response to evolving economic and financial conditions.

Impact of management overlays on ECL:

31.12.2023 in € million	Expected credit loss	Management overlay	Total
Impairments Stage 1	39	-	39
Impairments Stage 2	40	80	120
Total	**79**	**80**	**159**

31.12.2022 in € million	Expected credit loss	Management overlay	Total
Impairments Stage 1	47	-	47
Impairments Stage 2	33	100	133
Total	**79**	**100**	**179**

BAWAG Group is closely monitoring the further macroeconomic development in the markets we operate in. The release of the management overlay will be assessed when the volatility and uncertainty of the macroeconomic environment have dissipated.

5. Sensitivity analysis

The following table illustrates the weighted impairment allowance as well as the results of the sensitivity analysis where ECLs are measured under each scenario with 100% weight. The sensitivity analysis is applied on the calculated ECL of € 79 million, excluding the applied management overlay.
The impact of the sensitivity analysis varies from an ECL release of € 6 million when the optimistic scenario is weighted at 100%, to an ECL increase of €11 million when the pessimistic scenario is weighted at 100%.

31.12.2023			ECL scenario change		
in € million	ECL incl. management overlay	ECL excl. management overlay	100% optimistic	100% baseline	100% pessimistic
Stage 1 & Stage 2 impairments	159	79	(6)	(3)	11

31.12.2022			ECL scenario change		
in € million	ECL incl. management overlay	ECL excl. management overlay	100% optimistic	100% baseline	100% pessimistic
Stage 1 & Stage 2 impairments	179	79	(5)	0	5

As of year-end 2023, an additional ECL management overlay of € 80 million (FY 2022: € 100 million) is held to address the geopolitical uncertainties. This overlay would adequately cover the additional provisioning requirement of €11 million in the event that the pessimistic scenario materializes

57 | 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.

BAWAG Group has a clearly defined market risk appetite. All related risks (from an economic perspective as well as regarding IFRS fair value and OCI risks) are strategically managed at the Group level. All subsidiaries of the Group basically run no open market risk positions, as the customer business (e.g. loans and deposits), investment books and own issues are fully hedged according to the ALM hedging policy. All outright risk positions are subject to approval by the Strategic Asset Liability Committee and are measured and reported separately.

The primary market risk components for BAWAG Group are interest rate and credit spread risk. Both risk categories are measured and monitored via sensitivity, value-at-risk (VaR) and scenario-based approaches. In addition, the financial treatment of the positions is considered in the risk reporting.

The primary body for dealing with market risks is the Strategic Asset Liability Committee (S-ALCO). In the monthly S-ALCO, all strategic interest, FX- and liquidity-risk-related business opportunities along with their impact on risk, earnings and balance sheet targets are discussed and the desired balance sheet and risk structure is generally specified, thereby taking into consideration interest rate, FX and liquidity limits for the banking book.

Market risk in the trading book

BAWAG Group runs no active trading book. No trading activities are currently planned for the entire Group.

Market risk in the banking book

The primary components of market risk for BAWAG Group are interest rate risk and credit spread risk.

Interest rate risk in the banking book

Interest rate risk in the banking book is the potential loss resulting from net asset value changes and the future development of net interest income due to adverse interest rate shifts.

The Strategic Asset Liability Committee (S-ALCO) has assigned interest rate risk limits to the Treasury & Markets division in order to manage the interest rate risk in terms of an optimal risk/return ratio at the BAWAG Group level. Risk Modelling reports to the S-ALCO on a daily basis as well as monthly at the BAWAG Group level on limit utilization and the distribution of risk.

The target interest rate risk structure defined by the S-ALCO is implemented by the Treasury & Markets division.
BAWAG Group uses interest rate derivatives:

- to implement the interest risk strategy within the requirements and limits defined by the S-ALCO
- to manage the sensitivity of the valuation result and the revaluation reserve
- to hedge the economic risk position, thereby taking the accounting treatment into consideration

BAWAG Group uses hedge accounting pursuant to IAS 39. The following fair value hedge accounting methods are currently used to mitigate market risks:

Micro fair value hedge
Hedging of financial assets or financial liabilities against changes in their fair value. The decision on instruments to be assigned to micro hedge accounting is made in the context of the overall interest rate risk position.

Portfolio fair value hedge ("EU carve-out"):
BAWAG Group has identified sight deposits in euros as a portfolio that is to be protected against interest rate risks. These deposits are divided into time buckets in accordance with the expected repayment and interest rate adjustment dates. BAWAG Group determines an amount of liabilities from the identified portfolio that corresponds to the amount to be hedged as the underlying for the portfolio fair value hedge using a bottom layer approach. At the end of 2023, approximately 43% (2022: 39%) of the total volume of sight deposits were allocated to a portfolio fair value hedge.

In addition, contractually agreed interest rate caps and/or floors embedded in financial assets (e.g. loan receivables or securities) or liabilities (e.g. savings deposits) are designated to portfolio fair value hedge accounting in order to mitigate changes in the fair value of these instruments resulting from changes in interest rates. The decision on the amount to be designated to portfolio fair value hedge accounting is determined using a bottom layer approach and made in the context of the overall interest rate risk position and limit framework.

Interest rate risk is measured using sensitivities based on the present value of a basis point (PVBP) concept. The PVBP, which is derived from the duration of interest-bearing financial instruments, reflects the impact on net asset value resulting from an upward parallel shift of the yield curves by one basis point (0.01%). The following table depicts BAWAG Group's interest rate risk sensitivities as of 31 December 2023 on the basis of the PVBP concept:

Interest rate sensitivity – total economic risk position

31.12.2023 in € thousand	<1Y	1Y–3Y	3Y–5Y	5Y–7Y	7Y–10Y	>10Y	Total
EUR	(351)	244	183	315	(31)	(229)	131
USD	(8)	(5)	(19)	(7)	43	(23)	(19)
CHF	(31)	6	5	(1)	(4)	(2)	(27)
GBP	(5)	2	(1)	1	1	–	(2)
Other currencies	2	(11)	(21)	–	(2)	–	(32)
Total	**(393)**	**236**	**147**	**308**	**7**	**(254)**	**51**

31.12.2022 in € thousand	<1Y	1Y–3Y	3Y–5Y	5Y–7Y	7Y–10Y	>10Y	Total
EUR	1	82	(92)	323	(380)	(441)	(507)
USD	5	(29)	2	(5)	15	(3)	(15)
CHF	(20)	11	12	–	–	(3)	–
GBP	3	11	9	5	4	2	34
Other currencies	(3)	(2)	(1)	–	–	–	(6)
Total	**(14)**	**73**	**(70)**	**323**	**(361)**	**(445)**	**(494)**

The impact upon the Profit or Loss Statement and Other Comprehensive Income of fair value changes arising from interest rate changes is calculated and monitored separately. The sensitivity of financial assets designated at fair value through profit or loss amounted to minus € 185 thousand on 31 December 2023 (average 2023: plus € 104 thousand, 2022: plus € 310 thousand). For the fair value through other comprehensive income assets, the sensitivity amounted to plus € 10 thousand (2022: plus € 104 thousand).

Furthermore, a value-at-risk calculation for BAWAG Group is conducted within the framework of the Internal Capital Adequacy Assessment Process (ICAAP) on a monthly basis.

Scenario analysis for interest rate sensitivity

The table below illustrates the interest rate risk sensitivity of the total economic risk position from the **valuation perspective** assuming an instantaneous parallel interest rate shift of up to +/- 200 basis points.

31.12.2023 in € million	(200)bp	(100)bp	(50)bp	(25)bp	+25bp	+50bp	+100bp	+200bp
EUR	(43)	(11)	(4)	(2)	2	3	5	7
USD	5	2	1	-	-	(1)	(2)	(3)
CHF	14	4	2	1	(1)	(1)	(2)	(4)
GBP	1	-	-	-	-	-	-	-
Others	4	2	1	-	-	(1)	(2)	(4)
Total	(19)	(3)	-	(1)	1	-	(1)	(4)

31.12.2022 in € million	(200)bp	(100)bp	(50)bp	(25)bp	+25bp	+50bp	+100bp	+200bp
EUR	221	91	39	19	(18)	(36)	(74)	(124)
USD	(6)	(4)	(2)	(1)	1	2	4	7
CHF	4	1	0	0	0	0	1	2
GBP	(10)	(5)	(2)	(1)	1	2	5	10
Others	2	1	0	0	0	0	(1)	(1)
Total	**211**	**83**	**35**	**17**	**(16)**	**(31)**	**(64)**	**(107)**

Under the assumption of a constant balance sheet, commercial margins based on recent transactions, static deposit margins (before applicable 0% client rate floors), and forward rates to reprice cash flow as a baseline scenario, the Net Interest Income would generate an impact of plus € 36 million and minus € 132 million respectively applying an instantaneous parallel interest rate shift of +/- 200 basis points (2022: N/A).

Credit spread risk in the banking book

Credit spread risk in the banking book refers to the risk of decreasing fair values of securities and derivatives due to changes in market credit spreads. The risk management models employed by BAWAG Group to address this risk have been continuously refined. The credit spread risk is measured on the basis of the sensitivities (basis point value). The basis point value reflects the impact on net asset value resulting from an upward parallel shift of the credit spreads by one basis point (0.01%). The following table shows the total credit spread sensitivity of BAWAG Group along with the breakdown by accounting categories impacting the Profit or Loss Statement and other comprehensive income:

Credit spread sensitivity

in € thousand	31.12.2023	31.12.2022
Total portfolio	(2,446)	(2,192)
Financial assets at fair value through profit or loss	(65)	(7)
Financial assets at fair value through other comprehensive income	(670)	(670)
Financial assets at amortized cost	(1,711)	(1,515)

The risk indicators “value-at-risk” and “expected shortfall” are also calculated and scenario calculations are run, both on a monthly basis.

Credit spread risk is also taken into account and limited for BAWAG Group as a whole in the ICAAP and is part of the Bank-wide stress tests.

All employed models are calibrated regularly and validated at least once per year by assessing the assumptions and by back testing.

FX risk in the banking book

The extent of open foreign exchange positions in BAWAG Group’s banking book is managed by conservative limits in order to ensure that only marginal FX risks are carried in the banking book. Compliance with these limits is observed on a daily basis.

The following table shows sensitivities of foreign currencies due to the open currency positions. None of the currencies poses a significant valuation risk.

in € thousand	USD		GBP		CHF		Other FX	
FX change (in %)	(1)	1	(1)	1	(1)	1	(1)	1
Impact	16	(16)	38	(38)	153	(153)	(42)	42

For managing FX risks, BAWAG Group also applies hedge accounting pursuant to IAS 39.

Cash flow hedge
FX risk from the future credit spread income of BAWAG Group's foreign currency portfolios is mitigated by the implementation of a cash flow hedge for FX margins. BAWAG Group applies a bottom layer approach designating defined amounts of cash flows for a defined period of time as the hedged item. Currently, cash flows resulting from margin income denominated in GBP, USD and CHF are hedged via FX forwards. The following target hedge ratios for future FX credit spread income apply:

- USD: 90% of USD credit spread income for next 60 months
- GBP: 70% of GBP credit spread income for next 36 months
- CHF: 70% of CHF credit spread income for next 36 months

BAWAG Group also applies the cash flow hedge for cross-currency risk. The hedged risk is the FX risk of future cash flows of notional and indicator-based payments ("reference rate;"; for example, cash flows based on LIBOR rates) of BAWAG Group's foreign currency portfolios. BAWAG Group has implemented a bottom layer approach in regard to the notional/tenor of the hedged item. Therefore, the amounts of hedged risk and hedging instruments (cross-currency swaps) must be adjusted and rolled over continuously in regard to replaced/new business up to the dedicated bottom layers in order to meet the Bank's hedging requirements. At the end of 2023, approximately 90%, 75% and 32% (2022: 98%, 78% and 90%) of the total notional available have been designated to cash flow hedge accounting for USD, GBP and CHF, respectively.

Net investment hedge
A foreign currency exposure also arises from the Group's net investment in a subsidiary that has CHF as its functional currency and in a subsidiary that has USD as its functional currency. The risk arises from the fluctuation in spot exchange rates between the CHF and the EUR and between the USD and the EUR, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedge is the risk of a weakening CHF against the EUR or the USD against the EUR that will result in a reduction in the carrying amount of the Group's net investment in the CHF functional currency subsidiary or in the USD functional currency subsidiary, respectively.

The full amount of the Group's net investment in its CHF functional currency subsidiary is hedged by a foreign exchange swap between EUR and CHF (notional amount: CHF 45 million; 2022: CHF 45 million), which mitigates the foreign currency risk arising from the subsidiary's net assets. Part of the Group's net investment in its USD functional currency subsidiary is hedged by a foreign exchange swap between EUR and USD (notional amount USD: 161 million; 2022: USD 108 million), which mitigates the foreign currency risk arising from the subsidiary's net assets. The foreign exchange swaps are designated as hedging instruments for the changes in the value of the net investment that is attributable to changes in the EUR/CHF and EUR/USD spot rates.

The Group's policy is to hedge the net investment up to 100% of the net investment amount.

Concentration risk

All essential risk factors are incorporated within VaR models/scenario analyses and stress test calculations, which are applied to all trading and banking book positions. Instabilities of correlations which could result in an overestimation of diversification are taken into consideration by the fact that only correlations within a specific risk factor (interest, FX, volatilities) and (after a comprehensive analysis of empirical coefficients) between interest rate risk in the banking book and credit spread risk are employed, whereas no diversification beyond these is assumed. Stress test results are also broken down, calculated, reported and limited by risk factor category in order to identify any correlations within a single risk factor.

58 | Liquidity risk

Liquidity risk is the risk of not being able to fulfill payment obligations when they become due (dispositive liquidity risk) or only being able to meet these obligations at higher refinancing costs (structural liquidity risk). Furthermore, liquidity risk includes the risk that transactions cannot be closed or sold or that doing so is only achievable at a loss because of insufficient market depth or due to market interruptions (market liquidity risk). The objective of BAWAG Group's liquidity risk management framework is to ensure that BAWAG Group can fulfill its obligations at all times and to manage liquidity risk within the risk appetite.

Liquidity risk management framework

In accordance with the ECB's Supervisory Review and Evaluation Process (SREP), BAWAG Group has implemented an annual Internal Liquidity Adequacy Assessment Process (ILAAP), which forms the basis for the Group-wide assessment, management and monitoring of liquidity risks.

The Management Board defines the liquidity and funding risk strategy as well as the overall liquidity risk appetite. At least once per year, the Management Board reviews the ILAAP and approves the Group-wide limit framework and funding plans.

The main decision-making body for liquidity risk is the Strategic Asset Liability Committee (S-ALCO), in which all board members are represented. The S-ALCO is informed at least once a month about the performance compared to the risk metrics.

Treasury is responsible for managing the overall liquidity and funding position. Risk Controlling acts as an independent risk control function and is responsible for reviewing the ILAAP framework.

Liquidity strategy

BAWAG Group's overall strategy has an explicit commitment to a deposit-based funding strategy. Retail and corporate savings products have been the core part of the funding strategy over the years and will continue to be the dominant source of funding for the balance sheet. The continuous shift of BAWAG Group's assets towards collateralized products also increases the Bank's flexibility in secured funding markets. Consequently, covered bond funding is of growing importance in the overall funding mix.

Liquidity management

Liquidity management is performed on a Group-wide basis.

For managing short-term liquidity, a 30-day liquidity forecast is prepared daily, which allows for the close tracking and management of the short-term liquidity position.

For a mid-term perspective, a liquidity forecast for the next 15 months is prepared and reported monthly to the S-ALCO. As part of the forecast process, which takes scenario analyses for planned measures and assumptions about customer behavior into account, the development of all major liquidity risk metrics is projected based on the underlying business plans to ensure compliance with the overall risk appetite.

Long-term liquidity management is conducted as part of the annual planning process for the coming five years. Strategic measures are also analyzed during the course of the year.

Liquidity stress testing

Liquidity stress testing and scenario analyses are applied to evaluate BAWAG Group's liquidity position, determine the limit framework and calibrate the liquidity buffers. They complement the operational liquidity management and the mid- to long-term liquidity strategy.

Stress testing is conducted at the BAWAG Group level and the subsidiaries level and covers scenarios that differ in length and severity (systemic stress, idiosyncratic stress, combined stress). The results of the stress tests are reported to the S-ALCO monthly.

Liquidity buffer

BAWAG Group maintains a liquidity buffer to cover unexpected liquidity outflows in a stress scenario. The liquidity buffer is kept as a preventive measure against liquidity risk. The liquidity buffer consists of a portfolio of liquid assets which can be used to generate cash in a stress situation in order to prevent the illiquidity of the Bank. BAWAG Group's liquidity buffer only includes assets that can be liquidated with minimal execution risk within 30 days. The market liquidity of the liquidity buffer is tested regularly.

The table below shows the liquidity buffer composition based on the market values of unencumbered assets after a component-specific haircut.

Structure of the liquidity buffer

in € million	**31.12.2023**	31.12.2022
Balances at central banks	12,212	11,744
Securities eligible for Eurosystem operations	1,937	1,059
Other assets eligible for Eurosystem operations	1,499	59
Short-term liquidity buffer	**15,648**	**12,862**
Other marketable securities	2,387	2,142
Total	**18,035**	**15,003**

Maturity analysis of contractual undiscounted cash flows of financial liabilities

31.12.2023 in € million	Contractual cash flows	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years
Liabilities						
Deposits from banks	(2,339)	(472)	(599)	(469)	(208)	(590)
Deposits from customers	(33,969)	(29,536)	(621)	(1,961)	(1,373)	(479)
Debt securities issued	(15,853)	(137)	(195)	(210)	(7,486)	(7,825)
Subtotal	**(52,160)**	**(30,144)**	**(1,416)**	**(2,640)**	**(9,067)**	**(8,894)**
Derivative liabilities	(2,813)	(74)	(241)	(519)	(1,215)	(763)
Other off-balance-sheet financial obligations	(1,907)	(1,907)	–	–	–	–
Total	**(56,880)**	**(32,125)**	**(1,657)**	**(3,159)**	**(10,282)**	**(9,658)**

31.12.2022 in € million	Contractual cash flows	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years
Liabilities						
Deposits from banks	(7,017)	(264)	(23)	(4,919)	(1,185)	(626)
Deposits from customers	(34,360)	(31,927)	(522)	(897)	(928)	(87)
Debt securities issued	(12,540)	(126)	(88)	(232)	(3,828)	(8,266)
Subtotal	**(53,918)**	**(32,317)**	**(633)**	**(6,049)**	**(5,941)**	**(8,979)**
Derivative liabilities	(3,979)	(50)	(119)	(619)	(2,064)	(1,127)
Other off-balance-sheet financial obligations	(2,235)	(2,235)	–	–	–	–
Total	**(60,132)**	**(34,601)**	**(752)**	**(6,668)**	**(8,005)**	**(10,106)**

The table above shows the consolidated nominal (not discounted) cash flows including interest payments on financial liabilities. They are assigned to time buckets on the basis of their contractual maturities. Deposits with non-defined maturity profiles are presented in the shortest time bucket. In the case of call or put options, the end of the term equals the next day on which the option can be exercised.

BAWAG Group maintains a conservative liquidity management strategy, which is reflected in a strong liquidity coverage ratio (LCR) of 215% at the end of 2023 (2022: 225%). BAWAG Group thus significantly exceeds the regulatory LCR requirement.

The year 2023 was characterized by a solid liquidity position with stable core funding sources and a balanced term funding structure, with retail customers providing the majority of funding. Considering the stability of retail deposits that was proved during the COVID-19 crisis and the outbreak of the Russian-Ukrainian crisis, the funding strategy continues to be focused on this funding source.

As of 31 December 2023, BAWAG Group utilized € 580 million of funding under the ECB's TLTRO III facility (after repayment of € 2.0 billion in January 2023 and € 2.8 billion in June 2023). In addition to the stable deposit base, in 2023 the Bank successfully placed € 2.2 billion in mortgage and public covered bonds (€ 870 million in January; CHF 140 million in February; CHF 180 million and € 75 million in April; € 750 million and CHF 125 million in May), € 400 million in subordinated debt and € 710 million in senior unsecured debt, which again proved BAWAG Group's good capital market access and the positive perception among investors.

59 | Operational risk

Operational risk is present in virtually all company transactions and activities and is defined as the risk of loss resulting from inadequacy or failure of internal processes, people, systems or external events. The definition of operational risk explicitly includes legal risk, compliance risk, model risk, fraud risk, conduct risk, ESG risk, third-party risk, outsourcing risk and information and communication risk. Information/cybersecurity and the protection – including the appropriate use – of customer data remain important factors in retaining customer trust.

Governance

A clear organizational structure and authorization levels form the basis of operational risk governance. Operational risks are managed by established Group-wide processes for loss data collection via OpRisk Monitor (ORM), a yearly Risk Control Self-Assessment (RCSA) process for all divisions and subsidiaries, uniform materiality and risk assessment of outsourcing activities, a sound product implementation process (PIP) including ESG statement and monthly key risk indicators. If defined thresholds (e.g. red KRI, high risks identified) are exceeded, madatory measures for risk mitigation are agreed and monitored. In addition, BAWAG Group works continuously to bolster its defenses against cyberattacks. The selected security approach is based on regulatory requirements and the security policy set. A consistent guideline and a risk-adequate internal control system (including automated controls embedded in the IT infrastructure) as well as a security control set including a variety of organizational and technological measures are in place to manage and mitigate BAWAG Group's operational risk.

Risk identification, assessment and mitigation

The losses resulting from operational risk are collected in a centrally administrated, web-based database within clearly defined regulations and processes. The collected data are analyzed to identify patterns/clusters and faulty processes.

Using the RCSA framework, all organizational units and subsidiaries identify and assess their material processes, operational risks, the risk of disregarding regulatory requirements and the effectiveness of their control measures on a yearly basis via a uniform framework. This includes 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 must be determined.

Key risk indicators (KRI) are implemented as additional steering instruments to identify and forecast negative trends or a changed risk profile in company workflows and divisions/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 mandatory.

According to section 39 paragraph 6 BWG (Austrian Banking Act), credit institutions must define appropriate criteria and procedures in writing taking into consideration the nature, scale and complexity of their business activities. In addition, a regular update is necessary to avoid the risk of disregarding guidelines as well as to reveal the associated risks and to keep such risks to a minimum ("BWG compliance").

The identification and assessment of potential risks and measures in the case of ad hoc issues is realized through clearly defined processes, especially for outsourcings and the implementation of new products.

BAWAG Group continues to invest in the awareness of staff and the resilience and security of systems, ensuring that customer data remains safe despite the significant pace of change in technological trends. In addition, the Group also focuses on supporting suppliers in meeting the respective requirements for cybersecurity in our supply chain.

The Management Board receives regular reports about current OpRisk developments, as well as activities to protect and assess cybersecurity in the Non-Financial Risk and ESG Committee (NFR & ESGC).

Risk quantification

BAWAG Group applies the Standardized Approach for the calculation of the regulatory own fund requirements according to Article 317 CRR to assess operational risk. However, the realized operational risk losses over the last few years were significantly lower than the regulatory own funds requirements under the Standardized Approach. The operational risk RWAs are assigned to the segments based on revenues.

For the purpose of ICAAP, a standardized approach is used to calculate the normative and economic perspective for OpRisk. The quantification in the economic perspective is based on the standardized approach for OpRisk (SMA) as defined in Basel III "Finalizing post-crisis reforms." The SMA is calculated based on the business indicator, business indicator component and internal loss multiplier. The method of calculation used is based exactly on the guidelines and covers the expected and unexpected loss.

The normative perspective is based on the P&L impact and qualitative scenarios based on the historic OpRisk losses and the consideration of the business strategy.

60 | ESG risk

Sustainability risks are environmental, social or governance events or conditions which may potentially have significant negative impacts on the assets, financial and earnings situation or reputation of a supervised entity.

BAWAG has developed a framework for assessing the materiality of climate and environmental risks as part of the risk identification process on an annual basis. The results inform the ICAAP process and trigger management actions (if required) related to risk strategy and risk appetite, underwriting standards and limits (e.g. concentrations in sectors or climate-sensitive regions). Overall, BAWAG maintains low exposures to moderate-high to high-risk ESG industries and countries and has de minimis oil and gas or other direct fossil fuel exposure.

The management of restricted and prohibited sectors as part of the underwriting and loan origination process is the primary element in maintaining a low exposure to potential ESG risks. Additionally, as part of our governance framework, ESG risk management is embedded in our key policies and processes, ensuring an appropriate consideration of ESG risks within outsourcing management, product introductions and evaluation of new credit extensions etc. Various initiatives such as learning programs, newsletters etc. support the implementation of the topic in the organization.

The regulatory environment related to ESG is extensive and developing rapidly. BAWAG expects to meet the changing regulatory requirements within designated time targets and following available methodology and standards applied throughout the industry.

BAWAG Group is committed to mitigating negative impacts on our business activities and also to supporting the transition to a greener economy. ESG underpins BAWAG Group's strategy, driving responsible, sustainable and profitable growth.

There are key deliverables regarding the framework, and the biggest challenge continues to be the availability of data from customers, which broadly impacts the banking industry. The current ESG position can be described as follows:

- **ESG integrated in organization:** A defined organizational unit responsible for ESG risk is supported by nominated ESG SPoCs in relevant divisions and all subsidiaries. Committee structures on the Supervisory and Management Board level as well as on the operational working level were implemented and form a comprehensive basis for the management of ESG risks. As part of our robust governance framework, ESG risk management is embedded in our key policies and processes, ensuring an appropriate consideration of ESG risks within outsourcing management, product introductions etc. BAWAG Group took measures to ensure it has the right skills and governance in place.

- **Awareness and training:** Numerous awareness initiatives such as townhall events, newsletters, self-learning programs and many more ensure that the strategy for managing ESG risks is recognized and put into practice across the organization.

- **General ESG strategy defined with specific 2025 targets:** ESG targets were integrated into the business and risk strategy. A separate ESG framework and policy was introduced and ESG-related considerations were part of business planning. An enhanced ESG strategy was defined by year-end 2023. Our goals are the reduction of our Scope 1 and Scope 2 CO2 emissions by more than 50%, an increase in the number of women in our Senior Leadership Team and Supervisory Board, as well as as an expansion of our Green Lending new business volume.

- **Internal reporting:** The data collection capabilities and infrastructure are constantly being improved and the implementation of automated creation of energy certificates further developed. Dedicated ESG reports are a regular part of the Non-Financial Risk and ESG Committee, the ESG Steering Committee, Enterprise Risk Meeting, Supervisory Board as well as MB. The reports include internal ESG KPIs, current and future projects and their status, and the latest results on the calculation of financed emissions.

- **External reporting:** In the first half-year of 2023, BAWAG Group became a signatory of the Partnership for Carbon Accounting Financials (PCAF) and discloses the financed emissions for the first time as part of the Corporate Social Responsibility Reporting.

- **Risk measurement:** The interaction of ESG risks and other material risk types is evaluated as part of the overarching risk self-assessment (RSA). Internal capital is allocated for ESG risk in the ICAAP assessment and is part of regular reporting. A dedicated ESG risk scenario including macroeconomic parameters and portfolio-specific idiosyncratic shocks is considered in the internal stress testing. Within BAWAG Group's portfolio steering framework, both high-ESG-risk sectors and countries are limited accordingly, and a very low exposure to high-ESG-risk industries and de minimis oil and gas exposure are maintained.

  - **Corporates, Real Estate & Public Sector**: Industry-related ESG risk is mainly driven by transition risk, e.g. industries facing challenges adapting to the zero emission targets. Overall, the ESG industry risk is low to moderate with limited high-risk exposures. Restricted (R) and prohibited (P) exposures are very low. In particular, the management of restricted and prohibited sectors as part of the underwriting and loan origination process is essential in this regard. Our risk appetite for industries with high transition risk is low, which drives the consistently low exposures over the years (including low exposure to the energy complex).

	Prohibited/Restricted	Exposure		in %	
in € million		**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022
Gambling	R	177	194	<0.4%	<0.4%
Animal testing (non-medical)	R	–	21	–	<0.1%
Mining of oil/tar sands	R	2	1	<0.1%	<0.1%
Others	P/R	–	–	–	–
Total		**179**	**216**	**<0.3%**	**<0.4%**

  - **Retail & SME:** BAWAG Group operates in developed markets with high legal and environmental standards. Following the issuance of the inaugural Green Bond Benchmark in 2021, BAWAG continued to issue green bonds in 2023. The use of proceeds of these bond issues is dedicated to financing energy-efficient residential housing according to standards defined by the EU Taxonomy Delegated Act. For retail mortgages, in particular ESG-relevant data is collected in an ongoing process with new internally developed tools.

61 | Other risks

The other risks for which economic capital has been allocated within the Risk Self-Assessment process are described below.

Reputation risk

Reputation risk is defined as the potential damage or harm to the Bank's image in the eyes of the interested public (capital investors/lenders, employees, customers, the press, etc) regarding competence, integrity and reliability. For the quantification of the reputation risk, the Group follows a combined approach – in a first step, a simplified VaR model is applied for the calculation of a potential risk on the asset side. In a second step, in order to cover the potential overall risk stemming from reputational risk, an outflow of savings deposits and an associated higher refinancing requirement and consequently increasing refinancing costs are taken into account (liability side). As the Group believes that the liability side reacts much more sensitively to reputation risk, a corresponding weighting of the quantification results was carried out.

The Group actively avoids occurrence of reputation risks with a sound risk management culture, ongoing improvement of risk management and compliance with internal and external regulations. Furthermore, the Group has established a sound complaint management system, and closely follows potential fraud and other operational risk events which might affect public perception.

Participation risk

Participation risk includes potential losses in the fair value of non-consolidated equity investments, potential write-offs on the carrying amount of investments and low profitability of non-consolidated equity investments. Participation risk does not include consolidated operating subsidiaries because their risks are assessed separately according to the specific risk types and accounted for as such. Participation risk is considered non-material.

Impairment tests are conducted every year to validate the values of the equity investments in BAWAG Group's portfolio. These impairment tests are predominantly completed on the basis of the planning projections (budgeted financial statements – i.e. P&L, balance sheet and cash flow) prepared for future periods by the management of each entity. The results indicated in the projections are discounted using risk-adjusted rates. The proportionate value of the entity based on BAWAG Group's shareholding is then compared with the carrying amount of the investment.

In addition to the procedure described above, there are simplified procedures for very small investments or if the book value is covered by the proportionate equity or other value indicators, such as the substance value in the case of real estate companies. The overall results of the impairment tests are reviewed and confirmed by the Credit Risk Management team.

Business risk

Business risk refers to the risk that the Bank's business strategy does not adequately reflect trends in external factors, is not effectively executed or fails to respond in a timely manner to external environments or changes in stakeholder behaviors and expectations. The Group faces significant risks due to the changing regulatory and competitive environments in the financial services sector. The Bank strives to play an active role in the current transformation of the European banking industry. Austria as our core market forms the basis for further organic and inorganic growth in the DACH/NL region, Western Europe and the United States. The multi-brand and multi-channel distribution approach together with targeted use of analytics ensures the capability to adapt product offerings to changes in customer behavior and needs at an early stage. The Group assesses and monitors the impact of the business risk implications of new business, product entries and other business initiatives as part of the business planning processes and stress testing scenarios.

Real estate risk

Real estate risk results from a negative change in value and/or proceeds from proprietary real estate for BAWAG Group. With regard to the Risk Self-Assessment Process, the Group's real estate portfolio is analyzed in detail regarding its assets as well as investment properties and discussed with the responsible risk managers if any losses are expected within the upcoming year.

Pension risk

Pension risk refers to the risk that the provisions for pensions are not sufficiently high to cover potential losses arising from differences between actual pensions and a specific target, which could be related to a specific replacement rate, pension pay or life expectancy. Pension provisions of the Group are calculated by an external actuary according to the projected unit credit method. All actuarial assumptions used are based on past experience and are adjusted for expected changes.

The discount factor is based on current interest rates. Risks related to movements in the discount factor are considered in the calculation of market risk.

Main risks for the Group relating to pension obligations apart from interest rate risk include higher than expected salary increases and changes in demographical assumptions.

The majority of new pension plans are defined contribution plans where the final risk is with a pension fund. Obligations from defined benefit plans relate primarily to pension plans implemented in the past and the majority of beneficiaries is already in retirement. As such, there is limited risk that salary increases for active employees will have an impact on the provision.

ADDITIONAL DISCLOSURES REQUIRED BY AUSTRIAN LAW

62 | Fiduciary assets

in € million	31.12.2023	31.12.2022
Fiduciary assets	**159**	**166**
Receivables from credit institutions	–	–
Receivables from customers	159	166
Fiduciary liabilities	**159**	**166**
Deposits from credit institutions	0	1
Deposits from customers	159	165

63 | Breakdown of securities pursuant to the Austrian Banking Act (BWG)

The following tables break down securities in accordance with section 64 paragraph 1 line 10 and line 11 BWG as of 31 December 2023 and as of 31 December 2022 (IFRS figures):

		Listed			
in € million	Not listed	Total	At amortized cost	Other measurements	BAWAG Group Total 2023
Bonds and other fixed income securities	2,774	3,626	1,460	2,166	6,400
Shares and other variable income securities	207	11	–	11	218
Shares in associates and other shares	179	–	–	–	179
Shares in non-consolidated subsidiaries	16	–	–	–	16
Total securities	**3,176**	**3,637**	**1,460**	**2,177**	**6,813**

		Listed			
in € million	Not listed	Total	At amortized cost	Other measurements	BAWAG Group Total 2022
Bonds and other fixed income securities	2,015	3,790	1,669	2,121	5,805
Shares and other variable income securities	232	3	–	3	235
Shares in associates and other shares	230	–	–	–	230
Shares in non-consolidated subsidiaries	26	–	–	–	26
Total securities	**2,503**	**3,793**	**1,669**	**2,124**	**6,296**

The securities shown in the tables are mainly non-current assets.

The difference between carrying amounts and lower repayment amounts for the purposes of section 56 paragraph 2 BWG amounted to € 18 million (2022: € 25 million). The difference between carrying amounts and higher repayment amounts for the purposes of section 56 paragraph 3 BWG amounted to € 57 million (2022: € 51 million). The difference between carrying amounts and higher market values for the purposes of section 56 paragraph 4 BWG amounted to € 0 million (2022: € 0 million).

Own issues amounting to a repayment amount of € 132 million and bonds and other fixed-income securities amounting to a repayment amount of € 546 million will come due in 2024 under the corresponding contracts. Own issues amounting to a repayment amount of € 287 million and bonds and other fixed-income securities amounting to a repayment amount of € 713 million came due in 2023 under the corresponding contracts.

Subordinated and supplementary capital liabilities are primarily issued in the form of securities. These securities are bullet bonds and some include issuer call options. Supplementary and subordinated capital bonds are primarily sold to major domestic and international investors. In the past, there have also been placements to private investors.

As of 31 December 2023, the average weighted nominal interest rate on supplementary and subordinated capital bonds issued by BAWAG P.S.K. AG was 4.87% (2022: 4.37%), and the average remaining term to maturity was 8.3 years (2022: 4.4 years). BAWAG Group AG issued the following supplementary capital bonds (Tier II):

- Fixed coupon of 2.375%, maturity 2029
- Fixed coupon of 1.875%, maturity 2030
- Fixed coupon of 6.750%, maturity 2034

64 | Collateral received

Different types of collateral have been pledged to BAWAG Group as part of its business transactions. To reduce credit risk for derivative instruments, the Bank received consideration (collateral deals) in the amount of € 287 million (2022: € 315 million) and paid consideration (collateral deals) in the amount of € 621 million (2022: € 1,010 million). The table below does not include collateral for derivative instruments.

in € million	Collateralized on-balance-sheet claims	Collateralized off-balance-sheet claims	**Total 2023**
Financial collateral			
Stocks	72	–	72
Cash deposits	136	399	535
Bonds	1	–	1
Real estate			
Commercial properties	557	9	566
Private properties	10,871	97	10,968
Personal collateral			
Guarantees	4,129	10	4,139
Credit derivatives	189	–	189
Other forms of collateral			
Assignation of claims	–	–	–
Life insurance policies	9	1	10
Collateral received	**15,964**	**516**	**16,480**

65 | Human resources

Headcount – salaried employees

	31.12.2023	31.12.2022
Number of employees on reporting date	3,174	3,305
Average number of employees	3,183	3,438

Full-time equivalents – salaried employees

	31.12.2023	31.12.2022
Number of employees on reporting date	2,776	2,856
Average number of employees	2,759	2,964
Active employees[1]	2,553	2,558

1) Excluding employees on any form of temporary leave or who have entered into an agreement under a social compensation scheme.

66 | Country-by-country reporting

2023	Revenues from third party sales in € million	Revenues from intra-group transactions with other tax jurisdictions in € million	Profit/loss before tax in € million	Tangible assets other than cash and cash equivalents in € million	Corporate income tax paid on a cash basis in € million	Corporate income tax accrued on profit/loss in € million	Effective tax rate excluding deferred taxes	Number of employees in FTE
Austria	1,349.5	8.8	847.0	247	(42.9)	(181.8)	21.5%	2,327
France	15.7	(10.1)	9.8	-	-	-	0.0%	-
Germany	101.6	14.4	47.3	18	(12.2)	(14.4)	30.3%	291
Great Britain	28.2	(1.7)	3.0	57	(1.5)	(1.1)	37.4%	27
Ireland	-	-	(0.8)	-	0.0	-	0.0%	12
Netherlands	0.7	(0.0)	0.0	-	(0.0)	(0.0)	79.9%	2
Switzerland	14.2	(0.0)	4.8	2	(0.9)	(0.8)	16.4%	29
United States	27.4	(2.0)	7.0	9	(10.3)	(2.5)	35.3%	88
Subtotal	**1,537.4**	**9.4**	**918.3**	**334**	**(67.8)**	**(200.5)**	**21.8%**	**2,776**
Reconciliation	-	-	(7.9)	-	-	-		-
Total	**1,537.4**	**9.4**	**910.4**	**334**	**(67.8)**	**(200.5)**	**22.0%**	**2,776**

2022	Revenues from third party sales in € million	Revenues from intra-group transactions with other tax jurisdictions in € million	Profit/loss before tax in € million	Tangible assets other than cash and cash equivalents in € million	Corporate income tax paid on a cash basis in € million	Corporate income tax accrued on profit/loss in € million	Effective tax rate excluding deferred taxes	Number of employees in FTE
Austria	1,124.8	46.4	377.7	265	(152.7)	(67.3)	17.8%	2,458
France	12.1	-	7.5	-	-	-	0.0%	-
Germany	118.3	(0.3)	13.9	19	(14.6)	(16.6)	119.8%	333
Great Britain	47.3	(1.9)	16.1	65	(6.1)	(5.0)	31.3%	26
Ireland	(0.0)	-	(1.9)	-	-	-	0.0%	-
Netherlands	-	(0.0)	(0.0)	-	-	-	0.0%	-
Switzerland	12.6	-	3.2	1	(1.0)	(0.8)	26.0%	26
United States	15.3	(2.9)	2.5	1	-	(0.5)	19.7%	13
Subtotal	**1,330.4**	**41.3**	**419.0**	**352**	**(174.3)**	**(90.3)**	**21.6%**	**2,856**
Reconciliation	-	-	7.8	-	-	-		-
Total	**1,330.4**	**41.3**	**426.8**	**352**	**(174.3)**	**(90.3)**	**21.2%**	**2,856**

The names of the resident companies can be found in Note 48. The primary activities of the organization can be found in Note 1 and the Segment Reporting. The number of employees is calculated as the number of full-time equivalents as at 31 December 2023 and 31 December 2022, respectively.

In the current and the previous reporting period, BAWAG Group did not have any offshore jurisdictions as defined in the EU list: www.consilium.europa.eu/media/52208/st12519-en21.pdf Annex I.

The differences between nominal and effective tax rates of the respective countries result mainly from Austrian group taxation, tax loss utilizations, effects of accounting as well as deferred taxes and taxes from former periods.

67 I Trading book

in € million	31.12.2023	31.12.2022
Derivative financial instruments in the trading book (nominal value)	18	–
Trading book by volume	**18**	**–**

68 | Geographical regions

Gross income of BAWAG Group relates to the following geographical regions according to IFRS 8:

in € million	Austria	Western Europe[1)]	North America	Rest of the world	Total 2023
Interest and similar income	1,563.5	565.8	440.2	80.1	2,649.6
Income from securities and equity interests	1.8	0.0	0.6	0.0	2.4
Fee and commission income	346.3	44.5	0.4	1.8	393.0
Gains and losses on financial instruments	(9.6)	(18.9)	11.9	0.0	(16.6)
Other operating income	29.0	40.2	0.0	0.0	69.2

1) Includes Germany.

in € million	Austria	Western Europe[1)]	North America	Rest of the world	Total 2022
Interest and similar income	594.5	387.1	281.8	46.0	1,309.4
Income from securities and equity interests	(0.7)	12.3	4.4	0.0	16.0
Fee and commission income	340.9	46.3	0.1	1.7	389.0
Gains and losses on financial instruments	(16.0)	18.4	(13.3)	(2.3)	(13.2)
Other operating income	43.5	44.2	0.0	0.0	87.7

1) Includes Germany.

69 | Other disclosures required by BWG and Austrian GAAP (UGB)

The Statement of Financial Position entry for Land and buildings includes land with a carrying amount of € 5 million (2022: € 4 million).

The Statement of Financial Position as of 31 December 2023 contains accrued interest on supplementary capital bonds in the amount of € 5 million (2022: € 8 million).

Expenses for subordinated liabilities amounted to € 35.4 million (2022: € 36.8 million).

Expenses for BAWAG Group's group auditor in the current financial year amount to € 1.9 million (2022: € 2.0 million) and comprise audit fees in the amount of € 1.7 million (2022: € 1.9 million), tax advisory fees of € 0.1 million (2022: € 0.0 million) as well as other advisory fees in the amount of € 0.1 million (2022: € 0.1 million).

As of 31 December 2023, the return on total assets in accordance with section 64 paragraph 1 item 19 BWG amounts to 1.23% (2022: 0.56%).

BAWAG Group uses the Internet as the medium for publishing disclosures under section 65 BWG and the Disclosure Regulation. Details are available on the website of BAWAG Group at https://www.bawaggroup.com/financial-results.

70 | Date of release for publication

The Group financial statements were approved by the Management Board for submission to the Supervisory Board on 26 February 2024. The Supervisory Board is responsible for reviewing and acknowledging the Group financial statements.

71 | Events after the reporting date

Acquisition of Knab

On 1 February 2024, BAWAG Group signed a transaction to acquire 100% of the shares in Knab, from ASR Nederland N.V. (a.s.r.), for a consideration of € 510 million payable at closing. The transaction is subject to customary closing conditions, including regulatory approvals.

Closing of Dexia transaction

On 8 December 2023, BAWAG Group and Dexia signed a sale and purchase agreement for the acquisition of five non-regulated leasing entities of Dexia Crédit Local. The transaction closed on 1 February 2024.

26 February 2024

Anas Abuzaakouk
Chief Executive Officer

Enver Sirucic
Member of the Management Board

Sat Shah
Member of the Management Board

David O'Leary
Member of the Management Board

Andrew Wise
Member of the Management Board

Guido Jestädt
Member of the Management Board

STATEMENT OF ALL LEGAL REPRESENTATIVES

"We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces."

26 February 2024

Anas Abuzaakouk
Chief Executive Officer

Enver Sirucic
Member of the Management Board

Sat Shah
Member of the Management Board

David O'Leary
Member of the Management Board

Andrew Wise
Member of the Management Board

Guido Jestädt
Member of the Management Board

BOARDS AND OFFICERS OF BAWAG GROUP AG

MANAGEMENT BOARD OF BAWAG GROUP AG AS OF 31 DECEMBER 2023

Anas ABUZAAKOUK

Chairperson of the Management Board of BAWAG Group AG from 19 August 2017

David O'LEARY

Member of the Management Board of BAWAG Group AG from 19 August 2017

Sat SHAH

Member of the Management Board of BAWAG Group AG from 19 August 2017

Enver SIRUCIC

Member of the Management Board of BAWAG Group AG from 19 August 2017

Andrew WISE

Member of the Management Board of BAWAG Group AG from 19 August 2017

Guido JESTÄDT

Member of the Management Board of BAWAG Group AG from 1 July 2021

SUPERVISORY BOARD OF BAWAG GROUP AG AS OF 31 DECEMBER 2023

Chairperson

Egbert FLEISCHER

(from 12 December 2019,
Deputy Chairperson of the Supervisory Board of BAWAG Group AG from 15 September 2017 until 12 December 2019,
Member from 15 September 2017 until the end of the Annual General Meeting adopting the Annual Financial Statements for 2025)

Deputy Chairperson

Kim FENNEBRESQUE

(from 12 December 2019,
Member of the Supervisory Board of BAWAG Group AG from 15 September 2017 until the end of the Annual General Meeting adopting the Annual Financial Statements for 2025)

Members

Frederick HADDAD

(Member of the Supervisory Board of BAWAG Group AG from 19 August 2017 until revoked)

Adam ROSMARIN

(Member of the Supervisory Board of BAWAG Group AG from 15 September 2017 until the end of the Annual General Meeting adopting the Annual Financial Statements for 2025)

Tamara KAPELLER

(Member of the Supervisory Board of BAWAG Group AG from 14 September 2021 until the end of the Annual General Meeting adopting the Annual Financial Statements for 2025)

Gerrit SCHNEIDER

(Member of the Supervisory Board of BAWAG Group AG from 14 September 2021 until the end of the Annual General Meeting adopting the Annual Financial Statements for 2025)

Works Council Delegates

Verena SPITZ

(from 25 October 2017)

Konstantin LATSUNAS

(from 1 March 2021)

Beatrix PRÖLL

(from 14 September 2021)

COMMITTEES OF BAWAG GROUP AG AS OF 31 DECEMBER 2023

Risk and Credit Committee

Frederick HADDAD
Chairperson

Kim FENNEBRESQUE

Tamara KAPELLER

Adam ROSMARIN

Verena SPITZ
Works Council Delegate

Beatrix PRÖLL
Works Council Delegate

Audit and Compliance Committee

Gerrit SCHNEIDER
Chairperson

Egbert FLEISCHER

Frederick HADDAD

Adam ROSMARIN

Verena SPITZ
Works Council Delegate

Konstantin LATSUNAS
Works Council Delegate

Nomination Committee

Egbert FLEISCHER
Chairperson

Kim FENNEBRESQUE

Tamara KAPELLER

Adam ROSMARIN

Verena SPITZ
Works Council Delegate

Konstantin LATSUNAS
Works Council Delegate

Remuneration Committee

Kim FENNEBRESQUE
Chairperson

Egbert FLEISCHER

Frederick HADDAD

Gerrit SCHNEIDER

Verena SPITZ
Works Council Delegate

Beatrix PRÖLL
Works Council Delegate

ESG Committee

Tamara KAPELLER
Chairperson

Egbert FLEISCHER

Gerrit SCHNEIDER

Verena SPITZ
Works Council Delegate

Beatrix PRÖLL
Works Council Delegate

AUDITOR'S OPINION

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Audit Opinion

We have audited the consolidated financial statements of **BAWAG Group AG, Vienna, Austria** and its subsidiaries ("the Group"), which comprise the consolidated Statement of Financial Position as at 31 December 2023, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements comply with the legal requirements and present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Austrian commercial and banking law as well as the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB and Section 59a BWG.

Basis for our Opinion

We conducted our audit in accordance with Regulation (EU) 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group, in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

Recoverability of Receivables from Customers Measured at Amortized Cost

The Management Board describes the procedure for recognizing loan loss provisions in the notes to the consolidated financial statements in the risk report.

Risk to the Consolidated Financial Statements

Receivables from customers at amortised cost ("receivables from customers") amount to EUR 33.3 bn in the consolidated statement of financial position and relate mainly to the segments "Retail & SME" and "Corporates, Real Estate & Public Sector".

As part of credit risk management, the Group evaluates whether individual loan loss provisions need to be recognized. This includes evaluating whether customers are able to meet the contractual repayment obligation in full.

The calculation of loan loss provisions for individually significant defaulted receivables from customers is based on an individual analysis of the expected and scenario weighted future repayments. This analysis is subject to the assessment of the economic condition and performance of the respective customer, the evaluation of collateral and an estimate of the amount and timing of the repayments derived therefrom.

For defaulted receivables from customers not individually significant, the calculation of the individual loan loss provisions is based on statistically determined common risk attributes. These loan loss provisions are calculated, among other things, based on the default days or the occurrence of a legal case using statistical loss given default rates and consider collaterals.

For non-defaulted receivables from customers, a loan loss provision is recognized for the expected credit loss ("ECL") according to IFRS 9 as well. Generally, the 12 month ECL (Stage 1) is used. If the credit risk increases significantly, the ECL is calculated based on thelifetime expected credit loss (Stage 2). The determination of ECL requires estimation and assumptions. These comprise rating-based probabilities of default and loss given default, which take information about current conditions and forecasts of future economic conditions as well as transfer between stages into account. In order to take into account the currently difficult economic environment for certain sectors, which is characterized in particular by high inflation and the significantly increased interest rate level, the loan loss provisions for these sectors calculated using the ECL model are increased ("management overlay").

This results in the risk for the consolidated financial statements that the calculation of loan loss provisions taking the management overlay into account, is subject to significant estimation and assumptions, resulting in room for discretion as well as estimation uncertainty in respect of the amount of the loan loss provisions.

Our Audit Approach

In testing the recoverability of receivables from customers we performed the following significant procedures:

- We analyzed the existing documentation for monitoring and recognition of loan loss provisions for receivables from customers and assessed whether these are suitable to identify events of default and to adequately determine the recoverability of these receivables from customers. Additionally, we compiled the relevant key controls relevant to our audit of the consolidated financial statements, assessed their design and implementation, and tested their effectiveness on a sample basis.

- Based on a sample of receivables from customers, we examined whether indicators of default exist. Sampling was performed both random and risk-oriented, taking in particular rating levels and industries with an increased risk of default into account. Potential effects of COVID-19 were also considered.

- We assessed the valuation of real estate collaterals based on a sample basis with the involvement of valuation specialists.

- In case of default of individually significant receivables from customers, we assessed the Group's assumptions for conclusiveness, consistency as well as timing and amount of the expected repayments on a sample basis.

- For individually non-significant defaulted and non-defaulted receivables from customers for which the loan loss provision was determined statistically, we analyzed the documentation of the applied method for consistency with the requirements of IFRS 9. Additionally, we evaluated, based on the internal validation, the models and their mathematical functionalities as well as the parameters used therein as to whether they are suitable to determine loan loss provisions in adequate amounts.

- In particular, we assessed the effects of the current negative economic environment on the method used to determine the default probabilities by analyzing the selection and measurement of estimates and scenarios concerning the future and verifying their use in the estimation of parameters. We evaluated the derivation of and rationale for the amount of the management overlay and the underlying assumptions regarding their appropriateness. We verified the mathematical accuracy by recalculating the loan loss provisions on a sample basis. For this purpose, we involved our financial risk management specialists.

Initial Recognition of Assets and Liabilities from the Acquisition of Peak Bancorp, Inc.

The Management Board describes the procedure for the initial recognition of assets and liabilities in the course of a business combination in the notes to the consolidated financial statements.

Risk to the Consolidated Financial Statements

On 30 November 2023 (date of acquisition) Bawag Group AG acquired 100 % of the shares of Peak Bancorp, Inc., the holding company of Idaho First Bank, USA, for a purchase price of EUR 59 m. This results in the first-time inclusion of the acquired assets - including goodwill - and the liabilities in the consolidated financial statements. The Management Board of BAWAG Group describes this transaction and its accounting effects in the notes to the consolidated financial statements in Note 36 "Changes in the Group´s Holdings". In addition, the procedure for determining the fair values is described in Note 1 "Accounting Policies" section "Latitude of judgment and estimation uncertainties".

Assets acquired and liabilities assumed identified as part of the purchase price allocation are initially recognized at fair value at the acquisition date. The fair values are based on the assumptions made by management, such as expected cash flows and discount rates, taking into account the valuation models used. The estimates and judgement made by management include, in particular, the valuation of loans and liabilities to customers and credit institutions.

The risk for the consolidated financial statements arises from the recognition and valuation of the identified acquired assets, which include goodwill as well, and assumed liabilities, as part of the initial consolidation, as these are based to a large extent on estimates and judgements.

Our Audit Approach

In testing the initial recognition of assets and liabilities from the acquisition of Peak Bancorp, Inc., including the determination of goodwill, we performed the following significant audit procedures:

—By analysing the purchase agreement, we assessed whether the criteria for control of Peak Bankcorp, Inc. were met at the date of acquisition and therefore a business combination had occurred.

—We assessed the valuation models used and the assumptions made therein, considering unobservable factors, to determine the fair values of the individual items. We analyzed whether the underlying assumptions are consistent and conclusive and whether the discount rates used are within an appropriate range of publicly available information and market data. Moreover, we have verified the mathematical accuracy of the model used to determine the fair values on a sample basis. For this purpose, we involved our valuation specialists.

—We verified the mathematical accuracy and the recognition of the goodwill.

—Finally, we assessed whether the disclosures in the notes to the consolidated financial statements regarding this acquisition are appropriate.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements pursuant to Section 245a UGB and Section 59a BWG and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance but provides no guarantee that an audit conducted in accordance with AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, included the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.

- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e., key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the group management report.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on 28 March 2022 and were appointed by the supervisory board on 28 April 2022 to audit the consolidated financial statements of Company for the financial year ending 31 December 2023.

During the Annual General Meeting on 31 March 2023, we have been elected as auditors for the financial year ending 31 December 2024 and appointed by the supervisory board on 16 May 2023.

We have been auditors of the Company, without interruption, since the consolidated financial statements at 31 December 2015.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the audit committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Para. 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.

Engagement Partner

The engagement partner is Mr Georg Blazek.

Vienna, 26 February 2024

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:
Georg Blazek
Wirtschaftsprüfer
(Austrian Chartered Accountant)

CORPORATE GOVERNANCE

BAWAG GROUP'S DECLARATION OF COMMITMENT

In 2006, BAWAG P.S.K. made a (voluntary) commitment to apply the applicable provisions of the Austrian Code of Corporate Governance ("Code", accessible under http://www.corporate-governance.at). Following the listing of BAWAG Group in 2017, BAWAG Group declared its commitment to comply with the rules of the Code.

This is the (consolidated) Corporate Governance Report prepared in accordance with sections 243c and 267b of the Austrian Commercial Code (UGB).

Generally speaking, the Code is a set of self-regulation rules for listed Austrian companies and it contains rules based on compulsory legal requirements (L rules); rules that should be complied with, where deviations must be explained and justified in order for the company's conduct to conform with the Code (C rules, comply or explain); and rules that are recommendations, where non-compliance must not be disclosed or justified (R rules).

NO DEVIATIONS

BAWAG Group fully complies with all L rules and C rules of the Austrian Code of Corporate Governance.

MANAGEMENT BOARD

Management BOARD MEMBERS AND ALLOCATION OF RESPONSIBILITIES

As of the date hereof, the Management Board of BAWAG Group and BAWAG P.S.K. was composed of the following members:

MANAGEMENT BOARD of BAWAG Group and BAWAG P.S.K. per 31 December 2023

Name	Function	Year of birth	Date of first appointment[1)]	End of current tenure
Anas ABUZAAKOUK	Chairperson	1977	19.08.2017	31.03.2026
Guido JESTÄDT	Member	1975	01.07.2021	31.03.2026
David O'LEARY	Member	1975	19.08.2017	31.03.2026
Enver SIRUCIC	Member	1982	19.08.2017	31.03.2026
Sat SHAH	Member	1978	19.08.2017	31.03.2026
Andrew WISE	Member	1971	19.08.2017	31.03.2026

1) Regarding BAWAG Group AG.

As of the date hereof, responsibilities among the Management Board members were allocated as follows:

Name	Responsibilities
Anas ABUZAAKOUK (CEO)	Technology Operations, Procurement, Real Estate & Facilities
Sat SHAH (Retail & SME, Deputy CEO)	DACH Branch Sales, Specialty Finance & SME Lending, Mortgages & Consumer Loans, Payment Solutions, Retail Operations, Digital Sales
Enver SIRUCIC (CFO, Deputy CEO)	Finance, Treasury, M&A, Austrian Corporates & Public Sector, Group Data Warehouse, ESG, Investor Relations, Public Affairs, HR & Corporate Affairs, DACH Enterprise Sales
Andrew WISE (CIO)	International Corporate Lending, Real Estate Lending, US Market
David O'LEARY (CRO)	Commercial & Retail Risk Management, Risk Modelling, Validation, Group Data Warehouse, ESG Risk
Guido JESTÄDT (CAO)	Group Legal, Regulatory Affairs
Entire Management Board	Internal Audit, Compliance, KYC & AML Office, Ethics

The following describes the Supervisory Board mandates and comparable functions of Management Board members as of the date hereof at other Austrian or foreign stock corporations, which are not fully consolidated in the consolidated financial statements. Members not listed in the following do not have any comparable functions:

Enver SIRUCIC

Name of the company	Function
BAWAG P.S.K. Versicherung AG	Chairperson of the Supervisory Board

MANAGEMENT BOARD MEETINGS AND COMMITTEES

Management Board Meetings / Extended Management Board Meetings

The Management Board of BAWAG meets on a weekly basis. BAWAG has also introduced Extended Management Board Meetings which are held approximately eight times per year. In these all-day sessions, the Management Board and executive leaders of BAWAG discuss a variety of topics such as BAWAG's group strategy, the organizational design, M&A and integration, financial updates, technology developments, retail partnerships, the platform business, ESG-related topics, talent assessment and development, regulatory developments and key risk topics amongst other things.

The following committees exist at the level of BAWAG's Management Board:

- Strategic Asset Liability Committee (S-ALCO)
- Enterprise Risk Meeting (ERM)
- Credit Approval Committee (CAC)
- Non-Financial Risk and ESG Committee (NFR & ESGC)

The Management Board committees consist of all members of the Management Board and further voting and non-voting members of BAWAG's senior leadership team (e.g. BAWAG's ESG Officers). They are chaired by the CEO or the CRO. The following section describes the main responsibilities of these Management Board committees.

Strategic Asset Liability Committee (S-ALCO)

The Strategic Asset Liability Committee (S-ALCO) is in charge of strategic capital and liquidity planning as well as operational aspects of asset and liability management. In this capacity the S-ALCO approves interest and FX limit for trading and managed bank books. With respect to liquidity, capital and interest, the S-ALCO approves liquidity costs, capital costs and internal reference rates. It further determines parameters for measuring interest risk, liquidity risk and foreign exchange risk and monitors risk metrics by way of regular reports. The S-ALCO is chaired by the CEO and meets on a monthly basis.

Enterprise Risk Meeting (ERM)

The main duties of the Enterprise Risk Committee (ERM) are risk limit setting for the overall bank, approval of the risk strategy and determination of the risk appetite, approval of capital allocation within the ICAAP framework. The Committee is further responsible for credit guidelines, strategies and reviews and approves policies, procedures and underwriting guidelines/models. The ERM is chaired by the CEO and meets on a monthly basis.

Credit Approval Committee (CAC)

The Credit Approval Committee (CAC) decides on financing transactions above a certain threshold and on the approval of loan applications within the authorities defined in the Competence and Power Regulation. The committee is chaired by the CRO and meets weekly.

Non-Financial Risk and ESG Committee (NFR & ESGC)

The Non-Financial Risk and ESG Committee (NFR & ESGC) is in charge of non-financial risk and ESG related topics. In particular, it discusses the bank-wide non-financial risk assessment (as part of the Group Risk Strategy), significant outcomes of sub risk self-assessments, large-scale marketing campaigns, changes in regulatory requirements and topics with regards to cybersecurity and data privacy. Furthermore, the NFR & ESGC reviews and acknowledges reports on inter alia, operational risk, conducted product implementation processes, complaint management reports and regular reports on cybersecurity and data privacy matters. It also receives regular updates from BAWAG's ESG Officers on ESG related topics and discusses the groupwide ESG strategy. ESG-related topics discussed in the NFR & ESGC at Management Board level are subsequently presented to and reviewed by the ESG Committee which is established at Supervisory Board level. The NFR & ESGC is chaired by the CRO and meets on a quarterly basis.

COMPLIANCE

As a listed company, BAWAG Group AG is obliged to ensure the highest compliance standards.

The Compliance Office reports directly to the entire Management Board and the Audit and Compliance Committee. The key responsibilities of the Compliance Office are prevention of insider dealing and market manipulation and managing of conflicts of interest. The Compliance Policy ensures observation of legal and proper conduct obligations, as well as the identification and prevention of conflicts of interest.

In accordance with the Austrian Stock Exchange Act, personal trades in shares of BAWAG Group AG by members of the Management Board and Supervisory Board as well as their related persons are published on BAWAG Group's website.

SUPERVISORY BOARD

SUPERVISORY BOARD MEMBERS

Per 31 December 2023, the Supervisory Board was composed of the following members:

SUPERVISORY BOARD of BAWAG Group per 31 December 2023

Name	Function	Year of Birth	Date of first appointment	Gender	End of current tenure
Egbert FLEISCHER	Chairperson	1957	15.09.2017	male	2)
Kim FENNEBRESQUE	Deputy Chairperson	1950	15.09.2017	male	2)
Frederick S. HADDAD	Member	1948	15.09.2017	male	1)
Adam ROSMARIN	Member	1963	15.09.2017	male	2)
Tamara KAPELLER	Member	1978	14.09.2021	female	2)
Gerrit SCHNEIDER	Member	1973	14.09.2021	female	2)
Verena SPITZ	Delegated by the Works Council	1970	25.10.2017	female	
Konstantin LATSUNAS	Delegated by the Works Council	1963	01.03.2021	male	
Beatrix PRÖLL	Delegated by the Works Council	1958	14.09.2021	female	

1) Until revoked.
2) Until the end of the Annual General Meeting in 2025

Independence of Supervisory Board Members

According Independence of Supervisory Board Members

According to the company's "Independency criteria for members of the Supervisory Board of BAWAG Group AG", a member of the Supervisory Board shall be deemed independent if said member does not have any business or personal relations to the company or its Management Board that constitute a material conflict of interests and are therefore suited to influence the behavior of the member. The Supervisory Board shall also follow the guidelines below when defining the criteria for the assessment of the independence of a member of the Supervisory Board:

- The Supervisory Board member has not been a member of the Management Board or Managing Director or a management-level staff of the company or a subsidiary in the two years prior to the appointment.
- The Supervisory Board member does not maintain or has not maintained in the past year any business relations with the company or one of its subsidiaries to an extent of significance for the member of the Supervisory Board. This shall also apply to relationships with companies in which a member of the Supervisory Board has a considerable economic interest, but not for exercising functions in the bodies of the Group. The approval of individual transactions by the Supervisory Board pursuant to L Rule 48 does not automatically mean the person is qualified as not independent.
- The Supervisory Board member has not acted as auditor of the company or has owned a share in the auditing company or has worked there as an employee in the past three years.
- The Supervisory Board member is not a member of the Management Board of another company in which a member of the Management Board of the company is a Supervisory Board member.
- The Supervisory Board member has not belonged to the Supervisory Board of the company for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with an entrepreneurial investment in the company or who represent the interests of such a shareholder.
- The Supervisory Board member is not a close family member (direct descendants, spouses, companions, parents, uncles, aunts, siblings, nieces, nephews) of a member of the Management Board of the company or of persons who are in a position described in the points above.

The following members are regarded as independent pursuant to C Rule 53:

Independence of Supervisory Board members

Name	Independent
Egbert FLEISCHER	YES
Kim FENNEBRESQUE	YES
Frederick S. HADDAD	YES
Adam ROSMARIN	YES
Tamara KAPELLER	NO
Gerrit SCHNEIDER	YES

Supervisory Board Mandates and Comparable Functions at Listed Companies

The following describes the Supervisory Board mandates and comparable functions of Supervisory Board members at listed companies in Austria and abroad as at the date hereof.

Members not listed in the following do not have any functions at listed companies.

Kim FENNEBRESQUE

Name of listed company	Function
Albertsons Companies, Inc.	Member
Ally Financial	Member
BlueLinx Holdings	Chairperson

Attendance of meetings of the Supervisory Board and its committees

The Supervisory Board members attended all of the meetings of the Supervisory Board and its committees (attendance rate of 100%, except for the meeting on 5 November 2023 where one capital representative and one member of the worker's council were excused).

Supervisory Board Activity Report

In 2023 the Supervisory Board convened for eight meetings and adopted four resolutions via circulars. With respect to the activities of the Supervisory Board reference is made to the respective paragraph in the report of the Chairperson included in this report.

The Supervisory Board has the following committees:

- Audit and Compliance Committee
- Risk and Credit Committee
- Nomination Committee
- Remuneration Committee
- ESG Committee

Audit and Compliance Committee

Name	Function
Gerrit SCHNEIDER	Chairperson
Egbert FLEISCHER	Member
Frederick S. HADDAD	Member
Adam ROSMARIN	Member
Verena SPITZ	Delegated by the Works Council
Konstantin LATSUNAS	Delegated by the Works Council

Decision Making Powers and Activity Report

The Audit and Compliance Committee reviews the company's accounts and the annual financial statements and monitors the company's internal control system as well as the independence and work of the external auditor. The Audit and Compliance Committee prepares the auditor selection process, receives regular reports on compliance/AML/cybersecurity/ethics and data security and data privacy topics and approves the annual audit plans of Internal Audit and the Compliance Office. The Head of Internal Audit, the Compliance Officer and the external auditor have direct access to the Chairperson and members of the Audit and Compliance Committee and, once a year, the external auditor holds a private session with the members of the Audit and Compliance Committee.

The Audit and Compliance Committee held five meetings. With respect to the activities of the Audit and Compliance Committee reference is made to the respective paragraph in the report of the Chairperson included in this report.

Risk and Credit Committee

Name	Function
Frederick S. HADDAD	Chairperson
Kim FENNEBRESQUE	Member
Adam ROSMARIN	Member
Tamara KAPELLER	Member
Verena SPITZ	Delegated by the Works Council
Beatrix PRÖLL	Delegated by the Works Council

Decision Making Powers and Activity Report

The committee advises the Supervisory Board on the current and future risk-bearing ability of the Group and monitors the effectiveness and efficiency of the risk management systems and compliance with the legal provisions and regulatory requirements. It receives quarterly risk reports (including reports on credit, market, liquidity and operational risks and complaint management) and prepares, on an annual basis, the risk planning guidelines and the risk strategy which are subsequently approved by the entire Supervisory Board.

The Risk and Credit Committee held four meetings. With respect to the activities of the Risk and Credit Committee reference is made to the respective paragraph in the report of the Chairperson included in this report.

Nomination Committee

Name	Function
Egbert FLEISCHER	Chairperson
Kim FENNEBRESQUE	Member
Tamara KAPELLER	Member
Adam ROSMARIN	Member
Verena SPITZ	Delegated by the Works Council
Konstantin LATSUNAS	Delegated by the Works Council

Decision Making Powers and Activity Report

The Nomination Committee deals with Management Board succession planning and the regular Fit & Proper evaluation of Management Board and Supervisory Board members. It also supports the Supervisory Board in preparing recommendations to the General Meeting with respect to new Supervisory Board candidates. In the course of the tasks according new Management Board and Supervisory Board members it stipulates a target quota for the underrepresented gender in the Management Board and the Supervisory Board and develops of a strategy to meet this goal.

The Nomination held no meeting since its establishment per 31 March 2023. The former (combined) Nomination and Remuneration Committee held two meetings. With respect to the activities of the Nomination and Remuneration Committee reference is made to the respective paragraph in the report of the Chairperson included in this report.

Remuneration Committee

Name	Function
Kim FENNEBRESQUE	Chairperson
Egbert FLEISCHER	Member
Frederick S. HADDAD	Member
Gerrit SCHNEIDER	Member
Verena SPITZ	Delegated by the Works Council
Beatrix PRÖLL	Delegated by the Works Council

Decision Making Powers and Activity Report
The Remuneration Committee deals with the general principles of the company's remuneration policy. It also monitors the remuneration policy pursuant to the Austrian Banking Act, remuneration practices and remuneration-based incentive structures pursuant to section 39c of the Austrian Banking Act. It also supports the Supervisory Board in preparing recommendations to the General Meeting with respect to the remuneration policies/reports pursuant to the Austrian Stock Corporation Act.

The Remuneration Committee held three meetings. With respect to the activities of the Remuneration Committee reference is made to the respective paragraph in the report of the Chairperson included in this report.

ESG Committee

Name	Function
Tamara KAPELLER	Chairperson
Egbert FLEISCHER	Member
Gerrit SCHNEIDER	Member
Verena SPITZ	Delegated by the Works Council
Beatrix PRÖLL	Delegated by the Works Council

Decision Making Powers and Activity Report
The ESG Committee deals with the review of the group-wide ESG strategy and ESG targets and monitoring of their implementation and reviews regular updates on ESG-related topics. Furthermore, the committee advises the Supervisory Board regarding the current and future risk appetite and risk strategy relating to ESG-risks. It also monitors the effectiveness and the efficiency of the management of ESG risks (including risk control, risk policies, management reporting on ESG-risks) as well as the compliance with legal and regulatory requirements with regards to ESG topics.

The ESG Committee held three meetings. With respect to the activities of the ESG Committee reference is made to the respective paragraph in the report of the Chairperson included in this report.

REPORT FROM THE CHAIRPERSON OF THE SUPERVISORY BOARD

The Supervisory Board of BAWAG Group AG properly fulfilled all duties incumbent upon it by law, its Articles of Association and its Rules of Procedure. The Management Board informed the Supervisory Board of all material issues in a timely and comprehensive manner either in writing or verbally. In addition to periodic meetings, the Chairpersons of the Supervisory Board and the committees of the Supervisory Board discussed current business matters with the Management Board members. Further details regarding the composition of the Supervisory Board and its committees as well as their working procedures are disclosed further below.

SUPERVISORY BOARD

As of 31 December 2023, the Supervisory Board consisted of four female and five male members, resulting in a 44.4% quota in terms of female representation at the Supervisory Board. The Supervisory Board focused on the annual financial statements and the consolidated financial statements for 2022 and discussed the appointment of the external auditor for 2024.

Other material topics which the Supervisory Board dealt with were BAWAG Group's strategy and budget, the risk strategy and the mid-term plan and topics related to the board's self-evaluation and succession planning, both at the level of the Management Board as well as at the level of BAWAG's Senior Leadership Team. The Supervisory Board also dealt with M&A- related topics, received updates on the Recovery Plan, the results of the ECB Stress Test and resolved on BAWAG's € 175 million share buyback program.

SUPERVISORY BOARD COMMITTEE MEETINGS

Audit and Compliance Committee

The Audit and Compliance Committee discussed the quarterly reports by Internal Audit and the Compliance Office as well as the 2024 audit plans of Internal Audit and of Compliance. The annual audit process for 2023 was also presented. Furthermore, regular updates on compliance/conduct including ethics and AML topics were given, including updates on cybersecurity, data security and data privacy. In addition, the committee discussed the process as well as the criteria for the selection of the auditor for the year 2025. The external auditor attended three, the Head of Internal Audit attended four meetings (out of five meetings).

Risk and Credit Committee

The Risk and Credit Committee discussed the Group Risk Report, which includes the calculation of the risk-bearing capacity and reports on credit, market and operational risk. In addition, the risk planning guidelines were presented to the committee.

Nomination and Remuneration Committee (split into Nomination Committee and Remuneration Committee as of 31 March 2023)

The Nomination and Remuneration Committee approved amendments of the remuneration policy pursuant to the Austrian Banking Act and also prepared the remuneration report for the Supervisory Board and the Management Board which was presented to und ultimately approved by the General Meeting. In addition, the annual Fit & Proper assessment of the Supervisory Board and the Management Board members was performed. The Committee also dealt with BAWAG's organizational structure, gender diversity and succession planning topics, including the implementation of a succession planning policy which covers succession planning at the level of the Management Board as well as at the level of BAWAG's Senior Leadership Team.

Nomination Committee (established 31 March 2023, members appointed 13 April 2023)

The Nomination Committee held no meeting in 2023 since its establishment per 31 March 2023.

Remuneration Committee (established 31 March 2023, members appointed 13 April 2023)

The Remuneration Committee approved amendments of the remuneration policy pursuant to the Austrian Banking Act and has set the 2023 targets for the Management Board. In addition, it approved to introduce new employee benefits (BAWAG Employee Participation Program, BAWAG Cash Profit Participation Program, BAWAG 3+1 Matching Program) which modernized BAWAG's benefit landscape.

ESG Committee

The ESG Committee discussed broad ESG updates which also included details on BAWAG's ESG strategy, its ESG risk portfolio split and social initiatives.

All committees also reported their discussions and decisions to the entire Supervisory Board.

ANNUAL FINANCIAL STATEMENTS

The annual financial statements and the consolidated annual financial statements for 2023 were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungs-gesellschaft headquartered in Vienna. The audit revealed no reason for objections. The legal regulations were complied with in full, and an unqualified auditor's opinion was issued. After an in-depth discussion, the Supervisory Board approved and adopted the annual financial statements in accordance with Section 96 Para 4 Stock Corporation Act. In addition, the Supervisory Board reviewed the separate consolidated non-financial report. The consolidated financial statements were noted by the Supervisory Board.

In conclusion, I would like to express my sincere thanks to the Management Board as well as all employees within BAWAG Group on behalf of the entire Supervisory Board for their performance and sustained commitment in 2023.

February 2024

Egbert Fleischer
Chairperson of the Supervisory Board of BAWAG Group AG

(Consolidated) Non-Financial Report

(CONSOLIDATED) NON-FINANCIAL REPORT

GENERAL INFORMATION AND REPORTING BOUNDARIES

With the NaDiVeG (Sustainability and Diversity Improvement Act), the reporting obligations regarding non-financial information (environmental, social and employee issues, respect for human rights and the fight against corruption) in the management report was expanded and specified as of the 2017 financial year in implementation of EU Directive 2014/95/EU.

To meet the statutory requirement of disclosing non-financial information, BAWAG Group has decided to include the (consolidated) non-financial report in its annual report, thus fulfilling its obligations under sections 243b and 267a of the Austrian Commercial Code (UGB). BAWAG Group has drawn up this non-financial report in conformity with the Global Reporting Initiative (in accordance with GRI Standards), including industry-specific indicator sets for financial services – the report was prepared in accordance with the principles of accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness and verifiability. The CSR Report is accompanied by the GRI Index (starting on page 357) and the UN Global Compact progress reports (page 368). In addition the requirements for disclosing information in accordance with the EU Taxonomy Regulation (Article 8) are fulfilled.

This report describes our concepts, non-financial risks and opportunities and (ongoing) measures, as well as the performance indicators used to manage and steer our key areas of action. In this context, we also explain the innovations and progress in the area of sustainability in 2023 and follow up on the CSR Report 2022.

Unless indicated otherwise, this report covers all operating entities of BAWAG Group as well as their brands. Unless indicated otherwise, this report covers all operating entities of BAWAG Group as well as their brands. The acquisition of Peak Bancorp, Inc., the holding company of the Idaho First Bank was not closed until the end of November 2023, it is highlighted separately, if numbers from Idaho First Bank were not included.

The non-financial report for the financial year 2024 will be reported in line with the Corporate Sustainabiliy Responsibility Directive (CSRD) and therefore the non-financial reporting will be integrated in the management report.

Disclaimer:
We have taken the greatest care in collecting and processing all data and information provided in this report. Nevertheless, errors cannot be completely ruled out. If this report contains statements on future developments or expectations, these assumptions were made on the basis of the data and information available at the time of writing. Due to currently unforeseeable events, the statements made may therefore differ from actual events. We use gender-neutral terms such as “customers” and “employees” to refer to both women and men.

SUSTAINABILITY STRATEGY & GOVERNANCE

We take great pride in our work, doing what is right for our customers and employees, and being good stewards of our shareholders' capital. We are disciplined in our lending, we focus on risk adjusted returns and we believe that ESG underpins sustainable, longterm profitability and capital growth as we look to grow organically in our core markets as well as through M&A. Our sustainability strategy reflects our belief that long-term success requires a commitment to responsible practices that benefit all of our stakeholders and the environment.

2-13 SUSTAINABILITY GOVERNANCE

To us, it is important that sustainability and ESG-related topics are embedded throughout our organization and to have each employee contribute within his or her own responsibilities. The internal organizational structure was expanded during recent years to manage and monitor progress in the area of sustainability and ESG.

We monitor relevant parameters and initiatives in the Non-Financial Risk and ESG Committee, which is chaired by the CRO and attended by all other Management Board members and selected BAWAG senior staff (including BAWAG Group's ESG Officers) as well. The Non-Financial Risk and ESG Committee is responsible for the operational implementation of BAWAG Group's sustainability program and Group-wide ESG strategy and meets on a quarterly basis. The Non-Financial Risk and ESG Committee works with experts in various areas and departments to continuously advance BAWAG Group's commitment to sustainability. We have also established other platforms where ESG Officers and specific working groups discuss strategic priorities with representatives of the organization's divisions who also embed the topics within their teams. Due to the emerging importance of sustainability and ESG topics, our Supervisory Board established a dedicated ESG Committee at the Supervisory Board level.

ESG TARGETS

Part of integrating ESG into the business is ensuring we outline specific targets that have been integrated into the Group's overall medium-term targets. We reconfirm our 2025 ESG targets, which we laid out during our investory day in 2021. When setting our ESG targets back in 2021, we wanted to serve as a positive example for our customers, launching initiatives to reduce our own CO2 footprint. However, our biggest emissions as a bank arise from our financed emissions, which we are disclosing for the first time for 2023. In 2024, we will assess a transition pathway for our residential mortgage and commercial real estate assets, as these represent the largest exposures on our balance sheet. As far as other asset classes, we currently have a very low exposure to mid-to-high-emitting sectors across our corporates and public sector exposures.

ESG targets	2020	2025
CO_2 emissions (own scope 1&2 emissions*)	3,477	>50% reduction vs. 2020
Women quota:	Baseline 2020	
- Supervisory Board	17%	33%
- Senior Leadership Team	15%	33%
Green lending new business	€ 0.8 billion	>€ 1.6 billion

*2020 base restated for enhanced scope; 2020 will be adjusted in case of enhanced scope, M&A etc.

STAKEHOLDER ENGAGEMENT AND MATERIALITY PROCESS

Stakeholder groups

Ten stakeholder groups were defined in 2018 as part of the materiality process through an analysis by the CSR team and external consultants (CSR Report 2018, p. 9). This selection was also used for discussions in 2021 when the materiality matrix was redefined. The stakeholders comprise all material internal and external stakeholder groups and were determined in consultation with sustainability experts who were entrusted with implementing the stakeholder analysis (Consolidated Annual Report 2021, p. 289 et seq). We are in regular contact with all of these stakeholders via different means of communication. Our stakeholders include various groups of our society. Engaging in dialogue with our stakeholders and receiving their feedback enables us to understand the importance and impact of our actions on our stakeholder groups. For our stakeholders, there are various ways of entering into a dialogue with us: They may visit us at our physical branches or provide feedback via phone or e-mail to our investor relations department, our press office, our call center or during our General Meetings.

Materiality matrix

2-12
2-29
3-1

During 2021, the Bank conducted an online stakeholder survey. The goal was to evaluate the importance of various sustainability topics of BAWAG Group from the perspective of representatives of our internal and external stakeholders. Stakeholders of the entire BAWAG Group were invited to participate in the online survey. With respect to BAWAG's employee base, the CEO invited all employees during an internal town hall, and employees were given access to the stakeholder survey via respective internal platforms (e.g. intranet). The results show that all stakeholders rank the topics of "Information security and data protection", "Compliance with legal and ethical standards" and "Economic success" as the most relevant topics. Regarding the three most important topics, no stakeholder-specific preferences or significant deviations could be identified. The results of the 2021 stakeholder survey were subsequently presented and reviewed at an internal workshop with the CFO, the members of the Non-Financial Risk and ESG Committee and other sustainability experts of BAWAG. The 2021 materiality process served as a basis for prioritizing individual sustainability measures and identifying areas of improvement in existing initiatives. As there were no changes in the business model in 2023, we consider the 2021 online stakeholder survey to be representative for evaluating and assessing our material issues for the entire BAWAG Group. There have been no changes to the list of material topics compared to the previous reporting period. In addition, we performed a risk materiality assessment during 2023 and focused on preparations for the regulatory changes under the Corporate Sustainability Reporting Directive (CSRD).

3-3

MATERIAL TOPICS AND KEY FIELDS OF ACTION

BAWAG Group's seven material topics lay the foundation for its CSR strategy and sustainability reporting: "Economic success", "Ethics and integrity," "Responsibility towards customers," "Sustainability in core business," "Social responsibility and personal commitment," "Employee promotion and development, diversity and equal opportunities" and "Environmental and climate protection". The fields of action and BAWAG Group's sustainability program have been derived from them and are also closely linked to external frameworks such as the GRI, the UN SDGs, the principles and goals of the UN Global Compact and the principles of the UN Global Compact Women's Empowerment Program as well as the concerns according to NaDiVeg. The following table shows main topics and corresponding aspects such as (potential) positive/negative impact, actions, due diligence, risks and engagement with stakeholders: Additional remarks regarding the management approach of each material topic can be found in the relevant chapter. Furthermore, GRI codes, SDG, COP and WEP references have been included alongside the text of the CSR chapter to provide better orientation on the various topics. Each chapter provides further insights into how we manage material topics.

BAWAG Group has robust governance arrangements in place. The Management Board and Supervisory Board ensure a suitable and transparent corporate structure that promotes and demonstrates effective and prudent management on an individual basis and at the Group level. On the Group level, the Management Board and Supervisory Board have the overall responsibility for adequate governance across the Group. The Management Board and Supervisory Board fully know and understand the operational structure of the Group and ensure that it is in line with its approved business strategy and risk profile. The governance framework is transparent as it presents the current position and future prospects of the Group in a clear, balanced, accurate and timely way. The Group provides all relevant stakeholders (including shareholders, employees, customers and the general public) with key information necessary to enable them to judge the effectiveness of the Management Board in governing the Group. The Management Board informs and updates employees about the strategies and policies in a clear and consistent way. Strategies and policies are communicated to all employees throughout the Group via intranet. Employees understand and adhere to policies and procedures pertaining to their duties and responsibilities. All relevant types of documents are included in the hierarchy of documents, where policy commitments are embedded and respective areas of responsibility are clearly defined. Furthermore, the commitments are integrated into organizational strategies, operational policies or operational procedures. Polices are available in German and English. The overarching governance arrangements are thus valid for the management of all enlisted material topics, including commitments, actions taken to manage the respective topics and related impacts.

Unless stated otherwise, target setting in the respective material topics takes into account a sustainability context related to the respective impact (e.g. such as SDGs, where applicable). Furthermore, policies and commitments are informed by expectations of authoritative intergovernmental instruments, such as (not exclusively) the UN Global Compact or the Women's Empowerment Program (see table columns).

3-2
3-3

Table: Material topics

Material topic	Impact, effectiveness, due diligence and stakeholder engagement	GRI	SDGs	COP, WEP	NaDiVeG
Economic success	… positive impact: to pursue our simple and transparent business model, which is focused on low risk, high efficiency and regionally oriented towards Austria, Germany and developed markets. … create value for stakeholders across the value chain, leading to a favorable impact on the economy. ... contribute to the success of our stakeholders by consistently driving strategic initiatives. ... to set clear financial targets and be transparent regarding progress. … potential negative impact: economic risks, negative effects on various stakeholders, loss of confidence among relevant stakeholders, declining share price and customer base, depletion of capital reserves. … due diligence: regular auditing, controlling. … effectiveness of actions taken: tracking of key metrics, mitigating changes in macroeconomic backdrop, maintaining a low risk profile, external performance rankings, benchmarkings, external audits, strong internal audit function … engagement with stakeholders: various feedback and interaction formats, with a main focus on investors, analysts, rating agencies, regulators, employees and customers	201-1, 201-2, 201-3 201-4, 202-1, 202-2	1, 8, 9	No assign-ment	No assign-ment
Ethics and integrity	... positive impact: create a positive environment for legally compliant behavior, inside and outside of the company. … to act in accordance with the ethical values of the Code of Conduct, the ten principles of the UN Global Compact and the seven principles of the UN Global Compact Women's Empowerment Program. ... to be guided by the 17 Sustainable Development Goals of the UN as a target framework for sustainable action. … to ensure that taxes follow transactions and thus profits are taxable in the countries where value is created. ... to ensure that all employees act ethically and with integrity through appropriate policies and guidelines. ... to give special priority to the topics of anti-corruption and data protection in compliance management. … to set clear targets and show progress in key areas … potential negative impact: non-compliance with laws and requirements may result in a sustained loss of confidence and reputation. … due diligence: employee training, control systems … effectiveness of actions taken: tracking of key processes, making sure geopolitical changes are accompanied by corresponding measures (e.g. changes in legislation, sanctions etc.), integration of feedback from different regulators, strong internal audit function … engagement with stakeholders: various feedback loops with a broad range of internal (employees) and external (main focus: regulators) stakeholders.	205-1, 205-2, 205-3, 206-1, 415-1, 207-1, 207-2, 207-3, 207-4 418-1, 419-1	8, 16	COP 1, COP 2, COP 10	Respect for human rights, fight against corruption and bribery

Responsibility towards customers	... positive impact: to give our customers the opportunity to conduct their banking transactions according to their individual wishes, whenever and wherever they want, via our digital and physical distribution channels. … to give access to finance, easy to understand, accessible 24/7 via digital devices. ... successful and long-term business relationships with customers across all sales channels and platforms. … to set clear targets and show progress in key areas. … potential negative impact: loss of trust and customers, loss of market share, economic and financial risk. … due diligence: customers' feedback, surveys, market shares, product implementation process, control systems, complaints process. … effectiveness of actions taken: tracking of prioritized initiatives, granting access to finance, collecting feedback from employees and customers, focusing on steady enhancement of product range, strong internal audit function … engagement with stakeholders: various feedback opportunities for customers.	417-1, 417-2, 417-3, FS 13, FS 14	1, 8	COP 1, COP 8	No assign-ment
Sustainability in core business	... positive impact: to promote the development of sustainable business areas and to provide a diverse range of products and services that are geared towards ecological, economic and social requirements. ... to be a reliable partner for companies and the regional economy and to assume ecological and social responsibility. ... to support products and services with a sustainable focus and financing of projects with added value for the regional economy. … to execute on policies designed to create steady and positive developments in key areas relevant to sustainable business. … to set clear targets and show progress in key areas (e.g. regular updates related to green finance framework) … effectiveness of actions taken: tracking of key ESG related numbers in core business, mitigating ongoing changes in overarching macroeconomic backdrop and sustainable business development (e.g. higher inflation rates and lower level of disposable income) and prioritizing access to housing loans to customers who can afford loans, strong internal audit function … potential negative impact: reputational risk, economic risk, climate change. … due diligence: product implementation process, screening of regulatory changes, internal review processes. … engagement with stakeholders: various feedback loops with a broad range of internal (e.g. sales employees and managers) and external stakeholders	FS 1, FS 2, FS 11, FS 6, FS 7, FS 8, 203-1, 412-1 412-2 412-3	1, 7, 8, 9, 12, 13	COP 1, COP 2, COP 7-9	Environ-mental and social concerns, respect for human rights
Social responsibility and personal commitment	... positive impact: to promote civic engagement and the social commitment of employees … increased awareness of social issues … reduction of inequality and poverty … strengthening civil society … (potential) negative impact: reputational risk, loss of trust	No assign-ment	1, 4	No assign-ment	Social issues

	… due diligence: review process for non-profit crowdfunding.at projects, approval process for employee volunteering, review of donation projects and NGOs. … to set clear targets for key metrics (e.g. corporate volunteering days and participating employees). … effectiveness of actions taken: tracking of key social engagement activities (e.g. such as number of volunteering hours), collecting feedback from employees and NGOs, focusing on steadily increasing support of people in need, measuring of responses and interaction rates, mix of measures (e.g. topic wise: financial literacy, social engagement – format wise: corporate volunteering, fund raising and donation campaigns). … engagement with stakeholders: various feedback and interaction formats (e.g. internal: clicks intranet, attendees of workshops, townhall meetings etc.).				
Employee promotion and development, diversity and equal opportunities	... positive impact: to provide employees with a healthy and career-enhancing work environment. ... to maintain an open, appreciative relationship with employees and to promote their potential. ... to actively put equal opportunities and diversity into practice in the company. … to create opportunities by increasing the level of education. … to actively steer new working environment, promote “flex-office” opportunities and mitigate challenges. … to set clear targets for key metrics, both managing positive impacts and mitigating potential negative impacts. … (potential) negative impact: high attrition, increased sick leave, loss of trust, shortage of skilled workers. … due diligence: evaluation platforms, sustainability ratings, employee feedback on various programs, Women’s Advancement Plan … effectiveness of actions taken: tracking of key HR numbers, mitigating changes in workforce development, integration of employees in M&A processes, target evaluation, feedback loops, strong internal audit function. … engagement with stakeholders: various feedback and interaction formats	401-1, 401-2, 401-3, 404-1, 404-2, 404-3, 405-1, 405-2, 406-1, FS 4, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10	4, 5, 8	COP 3-6, WEP 1-7	Social and labor issues, respect for human rights

Environmental and climate protection	… (potential) positive impact: to preserve the natural basis of human life. … to keep the direct impact on the environment in everyday work and the indirect impact through products and services as low as possible, thus ensuring an environment worth living in for future generations … to mitigate climate change and promote a circular economy … to set clear targets for key metrics, both promoting positive impacts (e.g. increasing green lending) and mitigating potential negative impacts (such as reducing own CO2 emissions). …(potential) negative impact: climate change risks, financial risks and reputational risks … due diligence: environmental and resource management, Group-wide processes and standards for business relationships. … effectiveness of actions taken: tracking of key numbers, target evaluation, feedback loops, strong internal audit function. … engagement with stakeholders: regular feedback with key stakeholders related to the topic (both internally and externally).	204-1, 302-1, 302-2, 305-1, 305-2, 305-3, 305-4, 305-5, 305-6, 305-7	1, 7, 8, 13, 16	COP 1-8	Environ-mental

The following table shows a high-level overview of key actions that are being addressed throughout the organization and the current status of each initiative.

Area of action	Measure	Current status[1)]
ESG strategy	**Goal: Strengthening ESG/CSR activities and awareness**	
	… Continuous enhancement of ESG strategy	Ongoing
	… Integration of ESG risks in ESG strategy and business model	Ongoing
	… Enhancement of ESG training	Ongoing
	… Assessment of green lending and further identification of potential opportunities	Ongoing
	… Assessment of transition pathway for mortgages and CRE portfolio	2024
	… Continuous assessment of upcoming regulatory requirements	Ongoing
	… Improvement in sustainability rating agency rankings (focus: MSCI, ISS-ESG, Sustainalytics, Vigeo Eiris, DJ Sustainability Index)	Ongoing
Ethics & Integrity	**Goal: Ensuring compliance with all guidelines and policies**	
	… Assessment of international labour standards for supply chain	Ongoing
	… Expansion of the training program for employees on the subject of information security	Ongoing
	… Launch of revised, mandatory anti-corruption self-learning program for employees	Done
	… Conducting annual risk analyses and audits and, based on these, defining Group-wide control priorities	Ongoing
	… Integration of the assessment of potential sustainability risks into the annual risk control self-assessment process for divisions and subsidiaries	Ongoing
	… Establishment of a clear governance to address climate risks and to address supervisory expectations and regulations	Ongoing

Responsibility towards customers	**Goal: Appropriate products and services for every life circumstance and every stage of life**	
	… Continuous evaluation of processes and implementation of measures to simplify access to finance and increase the use of digital services	Ongoing
Sustainability in our core business	**Goal: Being a reliable financial partner for retail and commercial customers and for the regional economy**	
	… Annual new green lending business of over € 1.6 billion	2025
	… Expansion of the sustainable/ESG offerings (e.g. BAWAG's residential and consumer lending business)	Ongoing
	… Continuation of the "New Chance" account for the financial inclusion of disadvantaged population groups	Ongoing
	… Expansion of the range of paperless, purely digital product application processes for customers	Ongoing
	… Integrating ESG risk in credit application	Ongoing
Social responsibility and personal committment	**Goal: Further focus on volunteer days, social engagement and measures to improve financial education**	
	… Continuation of commitment to financial education	Ongoing
	… Increasing the number of corporate volunteering hours among BAWAG Group employees	Ongoing
	… continuation of support to underprivileged communities	Ongoing
	… Development and publication of a Group-wide Social Engagement Strategy	Ongoing
	… Support for financing of regional social projects	Ongoing
Human Resources: Employee promotion and development, diversity and equal opportunity	**Goal: Appreciation and advancement of employees**	
	… Increase in the proportion of women in management positions in the Senior Leadership Team and Supervisory Board to 33%	2025
	… Simplification of application processes through the use of innovative recruiting technologies	Ongoing
	… Expansion of employee offerings for individualized learning through new online platforms and BAWAG Academy	Ongoing
	… Harmonization of employee benefits for all subsidiaries	Ongoing
	… Expansion of BAWAG's Women's Mentoring Program	Ongoing
Environmental and climate protection	**Goal: Reducing our environmental impact so as not to endanger the basis of life for future generations**	
	… Reduction of own Scope 1 and Scope 2 CO_2 emissions by >50% vs. 2020	2025
	… Maintaining of low exposure to moderate to high ESG risk sectors in Corporates portfolio	Ongoing
	… Implementation of measures to optimize energy consumption during branch conversions in Austria (for example, replacement of lighting with LED lamps and replacement of air conditioning and heating systems)	Ongoing
	… Continuous evaluation of business travel policy	Ongoing
	… Full transition of car fleet to electric cars	2025
	… Digitalization measures to reduce paper use	Ongoing
	… Continuation of the replacement of existing IT equipment with equipment with higher energy efficiency	Ongoing

1) Explanation of current status:
- 2025: Target to be reached in 2025
- Ongoing = measure has been decided and will be updated on a regular basis OR measure has been decided and will be implemented in 2024
- Done = measure has been finalized and successfully executed in 2023

ECONOMIC SUCCESS

201-1 Having a profitable franchise allows us to create value and to support all our stakeholders. Economic success enables us to take into account stakeholder interests, such as those of customers, employees, shareholders, society in general and the environment. It also increases the stability of the economy and the financial sector in particular. Our financial stability as a bank positively influences our lending capacity, which contributes to the building and renovation of homes and the implementation of sustainable infrastructure projects, as well as to corporate financing. This promotes the distribution of wealth and stimulation of the economy, as well as the growth of products and services to benefit customers and businesses through all economic cycles.

Economic success requires responsible, qualified and transparent management and control geared to long-term value enhancement. The Accounting and Financial Planning & Analysis units perform key tasks in this area. Established processes in Accounting ensure the implementation of changes to Austrian GAAP, IFRS and regulatory guidelines and rules, and the division is thus the point of contact for auditors. Key is also to ensure an adequate capitalization. Details regarding BAWAG's financial performance is available in our annual report on page 32.

Table: Direct economic value generated and distributed

in € million	2023	2022
Direct economic value generated		
Interest income	2,649.6	1,309.4
Dividend income	2.4	16.0
Fee and commission income	393.0	389.0
Gains and losses on financial assets and liabilities	(16.6)	(13.2)
Other operating income	69.2	87.7
Share of the profit or loss of associates accounted for using the equity method	2.5	2.7
Write-off of City of Linz receivable	-	(254.0)
ECL management overlay	20.0	(39.0)
Total direct economic value generated	3,120.1	1,498.6
Economic value distributed		
Fee and commission expenses	85.8	79.7
Other operating expenses	90.4	117.5
Operating expenses excl. employee excl. community investment	190.5	192.1
Risk costs	113.2	83.3
Employee wages and benefits	299.7	286.9
Staff costs	299.7	286.9
Payments to providers of capital	1,750.3	595.3
Interest expense	1.421,8	304.3
AT1 coupon	24.0	24.0
Dividends	304.5	267.0
Payments to government[1)]	76.3	182.0
Current income taxes	200.5	90.3
Bank levy	8.3	8.0
Community investments	1.1	0.2
Total economic value distributed	2,739.8	1,433.3
Economic value retained	**380.3**	**(45.3)**
Economic value retained w/o City of Linz	**-**	**235.3**

1) Country reporting see annual report notes section

In 2022, the economic value retained was marked by the write-off of the City of Linz receivable, which impacted the economic value generated by € 254 million.

RATINGS

BAWAG P.S.K., the most relevant operating subsidiary of BAWAG Group AG, is rated by Moody's Investors Service. In 2023, the issuer rating was upgraded from A2 to A1 with a positive outlook. The upgrade follows a change in Moody's assumption of the likelihood of the Government of Austria providing support from "low" to "moderate", and is now in line with other banking systems in the EU. This is also considered for other Austrian banks as outlined in Moody's release. The full ratings are available under www.bawaggroup.com.

BAWAG	2023
Long-term senior unsecured / issuer rating	A1 (positive outlook)
Long-term bank deposits rating	A1 (positive outlook)
Short-term issuer / bank deposits rating	P-1

Our sustainability performance is assessed by ESG rating providers on a regular basis. We use their assessment to identify further areas of improvement and disclosure gaps in order to also enhance transparency for investors. We further integrated ESG in our communication and also provide regular updates on our ESG website at bawaggroup.com for our stakeholders. During 2023, we received upgrades by MSCI and Sustainalytics. The current ESG ratings are published on our ESG website at www.bawaggroup.com.

201-2 FINANCIAL IMPLICATIONS AND RISKS DUE TO CLIMATE CHANGE

Climate change has consequences for the planet and environment, as well as for the economy and financial system. It will change customer behaviors, customer selection and consequently impact the profitability of certain asset classes. This may result in stranded assets and challenged business models in the event companies do not transition to a more sustainable business model. We are committed to addressing the immediate need to combat climate change across our business. However, the reality is today's actions will take time to have real impact on our climate. As a Retail-& SME-focused bank, we will support our customers as they look to reduce their carbon footprint. We are also committed to keeping our exposure to high-emitting GHG sectors low across our corporates portfolio.

The Paris Agreement which was signed in 2015 and came into force in 2016 has the aim to limit global warming to well below 2 degrees by 2050 – and preferably to 1.5 degrees. In order to achieve this goal, the member countries need to have plans to achieve this goal on a national level. The European Union has defined measures with its member states that cover a broad range of initiatives. These measures became the central element of the European Green Deal, the European Climate Act, and the Fit for 55 package, with a binding target to reduce net greenhouse gas emissions by at least 55% compared to 1990 levels by 2030 and to achieve climate neutrality by 2050. Austria has set more ambitous targets with a goal of climate neutrality targeted by 2040 and renewable electricity by 2030.

A client and portfolio based risk materiality assessment was conducted in 2023 as part of the annual risk identification process with a systematic approach to the judgement of the level of risk taking into account the following considerations:

- Business environment and strategy addressing impacts on the banks business model and strategic risk profile,
- The impact of climate & environmental risks on other risk types,
- Inclusion of environmental risks beyond climate (biodiversity, air, water and soil pollution, land use, etc.).

The results inform the ICAAP process and trigger management actions (if required). These can include changes to strategy and risk appetite, underwriting standards, and limits (e.g., concentrations in sectors or climate-sensitive regions).

Furthermore BAWAG committed to the Partnership for Carbon Accounting Financials (PCAF) in 2023 and implemented the calculation of financed emissions following the PCAF standard. In 2024, we will assess a transition plan for our mortgage portfolio as well as our CRE portfolio.

201-3 DEFINED BENEFIT PLAN OBLIGATIONS AND OTHER RETIREMENT PLANS

The post-employment benefit rights of the majority of employees are defined contribution plans. The contributions that are made to these pension funds are recognized as expenses in the current period; there are no further obligations. Payments to pension funds for defined contribution plans amounted to € 7 million in 2023. Post-employment benefit plans in BAWAG Group that qualify as defined benefit obligations amount to € 150 million. Pension payments to beneficiaries amounted to € 14 million in 2023.

For further details we refer to the notes to the consolidated annual financial statements (Note 1 and 28).

ETHICS AND INTEGRITY

RISK CULTURE AND COMPLIANCE

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The Group has robust governance arrangements in place. The Management Board and Supervisory Board ensure a suitable and transparent corporate structure that promotes and demonstrates effective and prudent management on an individual basis and at the Group level. On the Group level, the Management Board and Supervisory Board have the overall responsibility for adequate governance across the Group. The Management Board and Supervisory Board fully know and understand the operational structure of the Group and ensure that it is in line with its approved business strategy and risk profile.

The governance framework is transparent as it presents the current position and future prospects of the Group in a clear, balanced, accurate and timely way. The Group provides all relevant stakeholders (including shareholders, employees, customers and the general public) with key information necessary to enable them to judge the effectiveness of the Management Board in governing the Group. The Management Board informs and updates employees about the strategies and policies in a clear and consistent way. Strategies and policies are communicated to all employees throughout the Group via intranet. Employees understand and adhere to policies and procedures pertaining to their duties and responsibilities. All relevant types of documents are included in the hierarchy of documents, where policy commitments are embedded and respective areas of responsibilities are clearly defined. Furthermore, the commitments are integrated into organizational strategies, operational policies and operational procedures. Hence, commitments and policies refer to the full range of material topics. Policies are available in German and English.

All employees of the Group, whether full-time or part-time, are to be treated fairly and equally, regardless of age, gender, disabilities, sexual orientation, origins (national and ethnic), religion and -beliefs. The Group rejects all forms of discrimination and sees diversity and equal opportunities as a strength and competitive advantage. The Group takes a strong stance against all forms of mobbing, sexual harassment, intimidation and violence. The Management Board develops and promotes high ethical and professional standards, which are described in the Code of Conduct.

We operate in a highly regulated environment and are directly supervised by the European Central Bank (ECB) under the Single Supervisory Mechanism (SSM). We are thus subject to and compliant with the regulatory framework which applies to the governance of significant credit institutions. On top of this, we have adopted internal policies which go beyond the regulatory framework and shall ensure that we stay committed to the highest standards with respect to our risk culture and compliance.

We believe that effective compliance and risk management is a crucial aspect of a bank’s success. In addition to the conventional risk types, we appreciate that the management of non-financial risks is becoming increasingly important. Group-wide compliance and non-financial risk management sets the framework under which laws, requirements and standards are observed and aims to provide comprehensive protection for investors, customers and the company. In addition to the management of operational risks, the tasks include the prevention of money laundering, combating terrorist financing, monitoring compliance with sanctions, fraud prevention, anti-corruption, data protection, information security, securities compliance and the prevention of insider trading, market abuse and conflicts of interest. The term "compliance" refers to the sum of all measures that obligate a company, its management and employees to adhere to applicable regulatory and legal requirements. Beyond this, the aim is also to ensure that business conduct complies with all social guidelines and values. A modern compliance structure pays attention to suspicious circumstances, takes them seriously, reacts, acts and implements preventive measures through the sound preparation of risk analysis and intensive training of all employees.

All risk units in BAWAG Group report to the Chief Risk Officer. The separation between risk origination and risk management functions is strictly adhered to. The full Management Board is informed proactively and at least monthly about the relevant risk KPIs. In 2021, BAWAG Group consolidated and functionally centralized compliance themes under the lead of a designated Management Board member to foster independence and awareness and support businesses and stakeholders. All compliance units are under joint management responsibility and report to the Chief Administration Officer (CAO). Non-financial risks are discussed in the Non-Financial Risk and ESG Committee and assessed as part of the mandatory product implementation processes. Quarterly risk and compliance reports are submitted to the respective committees of the Supervisory Board. The risk policy guidelines are continuously reviewed with regard to adjustments to the business strategy, changes in regulatory requirements and changing market conditions. Violations of legal requirements and internal rules of conduct can lead to reputational risks and serious consequences such as penalties, fines and negative impacts for BAWAG Group. Individual employees involved in such violations face fines or imprisonment as well as disciplinary measures under labor law, up to and including dismissal. Any attempt to commit a financial crime is considered a serious violation of BAWAG Group's business principles and integrity and is investigated accordingly. BAWAG Group applies a zero tolerance policy with respect to such matters.

Risk control self-assessments (RCSA)

Other non-financial risks associated with effects from business activities or business relationships (as defined in Section 267a [3] UGB) are identified annually in the specialist areas as part of the risk control self-assessments (RCSAs). All divisions and subsidiaries are involved in the process. Operational risk includes various subcategories, such as violation of health and safety regulations, discrimination, violations of guidelines and violations of privacy. All organizational units are asked to identify and assess their respective risk, as well as the effectiveness of controls and measures that are put into place.

In 2023, potential sustainability risks were assessed on a quantitative and qualitative level: All divisions and subsidiaries were required to assess whether potential risks could arise from environmental topics or social changes in their areas of activity and business via a questionnaire. In terms of environmental topics, a distinction was made between physical risks (arising directly from the consequences of climate change) and transition risks (arising from the transition to a low-carbon economy). Physical risks included climate change/weather extremes/natural disasters and resource scarcity. Transition risks were differentiated into supply chain changes/disruptions, potential carbon taxation/levies, the impact on existing business lines and the development of new business lines/industries. With respect to social factors, the pandemic/health crisis, an aging society, the widening gap between rich and poor, a lack of access to banking infrastructure/products, a lack of skilled labor, high turnover and new work models and discrimination in terms of gender, age and/or other factors were taken into consideration.

All operational risks were assessed for their ESG relevance and evaluated on a percentage basis. This new method allows us to raise awareness and emphasize awareness for ESG-related topics among our Group.

The collected risk assessments are reported to the Management Board as part of the RCSA process. Additionally a risk materiality assessment was conducted in 2023.

Self-learning programs

Regular and comprehensive training and communication of legal requirements and internal guidelines is key to ensuring that employees are up-to-date with requirements applicable to their area of responsibility. As a part of the onboarding process, all new employees are obligated to successfully complete the key topics through self-learning programs within 30 days of the start of their employment. These initial self-learning programs are linked to conduct and securities compliance, AML (various modules e.g. KYC, ultimate beneficial owner), operational risk, security/data protection, and anti-corruption. Other training courses are conducted throughout the year as part of BAWAG's ongoing training programs.

Code of Conduct

COP 1
COP 2
COP 6

BAWAG Group's Code of Conduct sets forth the understanding of banking and conduct ethics that BAWAG Group applies. It is important that employees internalize these rules and values. Therefore, corresponding training on this matter is conducted (bi-)annually. As part of this training, employees are familiarized with aspects of business ethics and anti-corruption rules, all aspects of compliance and the general principles of conduct that apply in day-to-day business. The Code of Conduct also applies to members of the Management Board and the Supervisory Board. Our Code of Conduct is regularly reviewed to determine any need for revision and is published on the BAWAG Group website in German and English.

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Supplier Code of Conduct

While the Code of Conduct (described above) represents the values BAWAG Group stands for, the Supplier Code of Conduct defines our expectations towards business partners. These expectations cover, in particular, ethically correct and legally compliant behavior, environmental protection and human rights. Among other things, counterparties undertake that they:

- comply with applicable laws of the respective jurisdiction;
- refrain from actions that could unlawfully influence the decisions of government representatives and public bodies or authorities;
- prohibit the acceptance of gifts and gratuities from employees in connection with their work and duties in excess of customary gifts or other benefits;
- respect fundamental rights, health and safety of employees; and
- respect environmental protection by complying with applicable laws, regulations and international standards

Each supplier is obligated to commit to these principles before entering into a business relationship with BAWAG Group. The requirement to sign the Supplier Code of Conduct is stipulated in the Group-wide Corporate Procurement Policy and accordingly applies to all entities of BAWAG Group.

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COP 4

Table: Expenditures to local suppliers[1)]

	2023	2022
Expenditures to local suppliers	80%	72%

1) Suppliers with their main location in Austria, Germany, Switzerland or Great Britain are considered "local". International companies whose branches are located in the aforementioned countries and act as billers to BAWAG Group are also classified as "local" in the presentation. Due to the data situation, it was only possible to report the expenses of BAWAG and partially subsidiaries (incl. BAWAG P.S.K., easybank, start:bausparkasse Austria, start:bausparkasse Germany, SÜDWESTBANK, Health AG, DEPFA). An expansion of the presentation to include the remaining subsidiaries Zahnärztekasse, easyleasing and BFL Leasing is planned.

Prevention of money laundering and terrorism financing (AML / CTF)

BAWAG Group's focus is on low-risk business in its core markets Austria, Germany, Switzerland, the Netherlands (DACH/NL region), Western Europe and the United States. BAWAG Group is committed to combating financial crime and ensuring that accounts held at its organization are not misused for illegal activities like money laundering or terrorism financing. Accordingly, BAWAG Group has implemented Group-wide policies, processes and controls with respect to anti-money laundering ("AML") and counter terrorism financing ("CTF") which, combined with other comprehensive measures and procedures, aim at applying a risk-based approach. These policies implemented the applicable legal framework, such as the Austrian Financial Market Money Laundering Act (FM-GwG) and applicable EU regulations. In terms of AML and CTF, the following principles apply:

- BAWAG Group's AML/CTF strategy is closely aligned with the defined ESG risk appetite of BAWAG Group and aims for customers with a low AML/CTF risk profile. Accordingly, prohibited and restricted countries, customers, industries and products have been defined.
- BAWAG Group's AML/CTF strategy defines minimum standards in respect of know your customer (KYC), customer due diligence (CDD) and enhanced due diligence (EDD) requirements. The defined KYC processes ask for proof of origin, usage, domicile and residence, and industry risk and define regular risk-based customer updates. The onboarding processes of new customers demand the identification and verification of private customers, corporates, trustees and trustors, and their ultimate beneficial owner before account opening or executing a single transaction outside a permanent business relationship in a risk-based manner and following defined CDD or EDD requirements.
- AML/CTF prevention is technically supported by various applications which ensure risk classification as well as customer transaction screening. During the onboarding process, customer screening (PEP and embargo) is performed before the client is onboarded as well as on a regular basis to identify PEPs (weekly), sanctioned persons and terrorists (daily). This is supported by an automated monitoring system which screens customers against internationally recognized lists. Transactions are monitored in real-time (sanctions and CTF) and ex post via specific AML/CTF scenarios and defined thresholds depending on the risk class of customers.
- Additionally, BAWAG Group has defined, implemented and documented internal control systems (ICS) in line with applicable laws. The ICS are intended to ensure efficient and high-quality processes. Findings are reported on a regular basis, with out-of-the-ordinary findings being reported immediately. The ICS comprises, among others, KYC onboarding processes, transaction screenings and various business field reviews. They are continuously updated, especially in the case of the implementation of new products, sales channels, lines of business or business sectors.
- BAWAG Group reports to and supports international and national authorities in combating illicit activities (including terrorism financing, tax fraud and other illegal activities).
- BAWAG Group's AML/CTF policies have clear guidance for its employees and define mandatory, designated AML/CTF training sessions (AML/CTF module, KYC module, ultimate beneficial ownership module, cash module) for all employees which are conducted via computer-based self-learning programs and via face-to-face training by Compliance Officers or external companies.
- Adherence to the guidelines is reviewed by the AML Office in so-called compliance reviews, which are conducted in line with a risk-analysis-based annual plan approved by the Audit and Compliance Committee of the Supervisory Board. These reviews also include subsidiaries of BAWAG Group.

Further details on BAWAG Group's approach towards AML and CTF can be found in the Anti-Money Laundering Policy, which is published on our ESG website (https://www.bawaggroup.com/BAWAGGROUP/IR/EN/ESG).

Securities compliance

Compliant conduct regarding internal and external provisions pertaining to all securities-related business, such as advisory business for customers, personal trading obligations of employees and directors, and rules to prevent market abuse and conflicts of interest is of primary concern to BAWAG. BAWAG Group aims to identify possible risks at an early stage and to communicate appropriate measures in a transparent way.

BAWAG Group has implemented Group-wide policies, processes and controls with respect to securities compliance which, combined with other comprehensive measures and procedures, aim at applying a risk-based approach. Therefore, BAWAG Group's securities compliance strategy is based on a regular risk assessment considering securities related data and processes throughout the Group.

The policies implemented stem from the applicable legal framework, such as the Austrian Securities Act (WAG 2018), the Stock Exchange Act (BörseG 2018) and applicable EU regulations such as MiFID II and the Market Abuse Regulation (MAR).

- Group-wide guidelines govern employees' personal securities transactions as well as the handling of compliance-relevant information, the avoidance of conflicts of interest and market abuse including a daily technically supported screening of clients' and emloyees securities transactions. Additionally, BAWAG Group has defined, implemented and documented internal control systems in line with applicable laws.
- Employee training on securities compliance is conducted at the latest two years, based on an assessment of the individual risk associated with relevant employees (e.g., annual training for securities advisors).
- BAWAG Group's Securities Compliance Policies have clear guidance for its employees and define mandatory, designated and tailored securities compliance training sessions for all employees, which are conducted via computer-based self-learning programs and via face-to-face training by Compliance Officers (e.g. at BAWAG Academy or Regulatory Updates). The mandatory "Compliance and employee obligations" self-learning program covers aspects of the Group Compliance Policy and the Group Conflicts of Interest Policy.
- Adherence to the guidelines is reviewed by the Compliance Office in so-called compliance reviews, which are conducted in line with a risk-analysis-based annual plan as approved by the Audit and Compliance Committee of the Supervisory Board. This also includes reviews at selected subsidiaries of BAWAG Group.
- Daily securities transaction monitoring is technically supported by various applications within the Group that ensure high standards in order to prevent market abuse and insider trading.
- Employees of the Securities Compliance Office receive ongoing internal and external training throughout the year that is particularly focused on but not limited to regulatory developments in the fields of securities compliance, ethics and conduct to continuously improve and maintain high standards of expertise in these fields.

Anti-corruption and ethics

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BAWAG Group does not tolerate any financial crime and applies a zero-tolerance policy in this respect. Any abuse of power, position or resources to gain a personal advantage or an advantage for third parties and to influence the behavior of the recipient in a certain way is prohibited. We therefore expressly prohibit any form of bribery or corruption. Any attempt to bribe or gain other unlawful advantages must be rejected and reported immediately to the Compliance Office, and the relevant place must be informed. We take decisive action against attempts at corruption in all our business areas.

The Anti-Corruption Policy defines among other the terms allowences, corruption and public officials and regulates the handling of gifts as well as sponsorships and charitable donations. The Anti-Corruption Policy provides for a broad definition of benefits to cover all types of gratuities. The policy is available in German and English to all employees in addition to a compact guide that summarizes employees' key anti-corruption obligations in an easy-to-understand manner.

The policy provides for levels of specific benefits that can be accepted up to certain thresholds and are subject to documentation/approval and reporting requirements, while at the same time defining benefits that are prohibited under all circumstances (e.g. benefits that violate applicable law, ethical principles and/or are discriminatory in nature or benefits to and from public officials). All business areas of BAWAG Group are monitored within a very narrow framework as part of a risk assessment. The monitoring processes take place on a regular, individual basis and are structured according to the size of a business unit, its tasks, its relationship with external parties, its self-assessment of operational risks and, if applicable, previous incidents. Depending on the individual classification, certain preventive measures are implemented. These measures include a higher frequency of training and compliance audits for high-risk units.

All employees (including part-time) and members of the governance body of BAWAG Group receive tailored training on ethics and anti-corruption. For training purposes, a mandatory e-self-learning program has been established that covers all topics related to the Code of Conduct and the Anti-Corruption Policy. New employees must complete this self-learning program at the beginning of their employment. The program is constantly updated in line with evolving legal requirements and current incidents and is rolled out to all employees on a regular basis, at least every two years. Each training session ends with a mandatory test in which a minimum score must be achieved in order to complete the training. In addition to these regular training initiatives, ad hoc training measures are also conducted following specific incidents and the results of the regular anti-corruption risk assessment. These ad hoc training measures can take the form of specific training for individual employees, training for specific departments or information for the entire organization via an article on the company's intranet.

Departments that are particularly at risk are regularly informed of obligations during compliance audits. In addition, compliance SPOCs (single point of contacts) across the organization help to raise awareness of the need to handle benefits in accordance with the rules. Based on the training that every employee receives, BAWAG Group expects its employees to act responsibly with regard to anti-corruption and bribery. For this purpose, a self-assessment is carried out by the respective employee in the first control level. In addition to the self-assessment, a control and, if necessary, approval process takes place for the receipt and granting of benefits, which essentially depends on the type and value of the benefit. All benefits are recorded in a gift register to enable retrospective review.

The Compliance Office reviews the gift register annually and evaluates individual cases as part of the grant approval process. Regular audits are conducted in the individual areas at least once a year. These audits address anti-corruption and ethics issues. In the course of BAWAG Group's approach, all provision set in the anti-corruption policy apply to every division within BAWAG Group, including subsidiaries and branches in Germany, Switzerland, the United Kingdom, Irland, the Netherland and the United States of America.

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BAWAG Group also observes anti-corruption regulations that are anchored in the Supplier Code of Conduct in our business relationships with suppliers. Adherence to the anti-corruption guideline is checked, for example, during "compliance reviews", which always include the topic of anti-corruption. Further details on BAWAG Group's approach towards ethics and anti-corruption can be found in the Anti-Corruption Policy and Business Ethics Guidelines, which are published on our ESG website (https://www.bawaggroup.com/BAWAGGROUP/IR/EN/ESG).

All members of the Supervisory Board of BAWAG Group were informed about compliance topics as part of the annual report during the reporting year. No cases of corruption were reported in BAWAG Group in 2023.

CYBERSECURITY

SDG 16

Information and IT security

BAWAG Group's Chief Information Security Office and the IT Security Operations Team are committed to protecting the information, ICT systems and interests of customers, employees and other stakeholders in terms of confidentiality, integrity and availability. BAWAG Group has implemented a comprehensive set of security policies and controls covering both general and specific security topics such as identification and access management.

The security policy document set is regularly adapted to current challenges (e.g. regarding increasing social media and collaboration tool usage) and comprehensively expanded. State-of-the-art technologies and services are used to achieve the expected high level of internal and external security. A set of state-of-the-art tools is deployed to detect and mitigate vulnerabilities. For detection, the experts utilize AI supported monitoring tools to identify anomalies across the entire technical estate. For mitigation, the experts are deploying an automated framework for quick problem detection and resolution. In addition, organizational measures are implemented such as regular security awareness training for employees, security training on demand, security information blogs and security alerts for employees and customers (on our public BAWAG security portal).

The security measures defined in collaboration between the CISO Office and technical experts are executed by certified security experts – both in the CISO Office and in the Security Operations Center Team. A special security focus has been placed on the development, implementation, operation, use and maintenance of ICT solutions in order to identify emerging security risks at an early stage and achieve compliance with new regulatory requirements.

In addition to dedicated organizational security units, BAWAG Group has established interdisciplinary committees and working groups to ensure comprehensive and consistent implementation of organizational and technical security measures, such as the IT Security Roadmap Workshop, the Technical Risk Committee (TRC) and the Committee Fraud and Information Security (CFIS). The engagement between executives and technical experts in these forums facilitates accelerated decision making and execution. Information / cyber security trends and status is regularly reported to the Non-Financial Risk and ESG Committee.

For all internal systems, BAWAG Group performs ongoing vulnerability scans to identify inadequacies in the internal IT landscape. Detected vulnerabilities are dealt with in a timely manner according to their criticality. In addition BAWAG Group regularly performs penetration tests for all systems, especially for customer facing and Internet-connected systems (such as our digital banking solutions). The regular performance of penetration tests is required in BAWAG Group not only by financial market regulations, but also by the internal Penetration Testing Standard policy. The results of the penetration tests are used to further strengthen the security of the tested systems.

To validate our comprehensive cybersecurity approach, we use a renowned cybersecurity rating service, to check the security status of all our Internet connected systems and services. The rating reflects a strong cybersecurity posture of BAWAG Group (including all subidaries) in the financial sector.

DATA PROTECTION

Since we manage sensitive data about the financial lives of our customers, a seamless data protection concept is of particular importance to us. BAWAG Group is therefore committed to implementing high data protection standards in accordance with the legal provisions of the General Data Protection Regulation and the data protection laws in the countries where it operates, as well as taking human rights into account. The Group Data Protection Officer advises relevant stakeholders within BAWAG Group. The Data Protection department is integrated into the General Counsel Office and reports to the Chief Administrative Officer. In addition, data protection and information security topics are dealt with in the Non-Financial Risk and ESG Committee. Projects focusing on data privacy were also implemented in the reporting year, including the review of the IT system catalog regarding data privacy compliance (e.g. data deletion routines). In addition, the procedure directory was updated.

Further details on data protection can be found in BAWAG's Data Protection Guidelines, which are published on our ESG website (https://www.bawaggroup.com/BAWAGGROUP/IR/EN/ESG).

Responsible handling of data

BAWAG Group is obligated to comply with the rights of its customers and employees to information and access to their data as well as to rectification, deletion, restriction of processing, data portability and the right to object. Customers are informed about the collection, use, disclosure and storage of data (including data transfer to third parties). Third parties to whom data is to be transferred must comply with company policies and enter into agreements on commissioned processing and confidentiality. An online inquiry form for customers and detailed information relating to data processing are available on the websites of the Group companies. In addition, customers are informed of the possibility of contacting the data protection team directly via online contact forms on the respective websites, via e-mail or letter.

Procedure in the event of suspected data privacy violations

Data protection violations are reported to the data protection authority in accordance with the General Data Protection Regulation. Any potential breach reported by customers or employees is thoroughly investigated and followed up on. Once the results of the analysis are available, measures are taken to prevent a new incident if an actual breach is identified. Measures include changing process flows, introducing another audit measure, making any necessary technical adjustments and retraining employees. Customers are provided with a data protection information document pursuant to Articles 13 and 14 of the GDPR when products are opened, which contains, among other things, the contact options for the data protection authority for suspected cases of data protection violations. The notification is free of charge for customers. After the notification of a customer, the data protection authority examines the suspicion in the company. BAWAG Group is obligated to submit a statement on the individual case to the data protection authority within 14 days.

Employee training

A comprehensive data protection guideline applies to all employees. A mandatory SLP has been introduced for training purposes and is updated on a regular basis. The SLP must be completed by all employees every two years. In addition, contact persons in the Group help raise awareness for the confidential treatment of the personal data of our customers and employees.

Whistleblowing

Open dialog between managers and employees is very important to us. Employees can report information about suspicious circumstances to their managers at any time. If they wish, employees can also submit such reports anonymously and confidentially via a whistleblowing system, because well-founded tips help us improve as a company and as a team. The web-based whistleblowing system is operated by an external, independent provider and is certified in accordance with European data protection law. The whistleblowing system can be accessed by employees 24/7 and is available in German and English. The employee can choose whether the report is made anonymously or not. If the whistleblower wishes to remain anonymous, a protected multi-stage login procedure with a self-selected pseudonym and password is used to ensure the whistleblower's anonymity. With the help of individual encryption, message data, mailbox data and processing data are protected from access by third parties. Only the administrators and selected, specially trained employees of BAWAG Group who are authorized as "legitimate recipients" can process the data. The security system denies unauthorized third parties any access. All employees with access rights to the reporting system are bound by a mandatory duty of confidentiality by accepting the authorization. This special duty of confidentiality continues to apply indefinitely after the authorization has been deleted. The whistleblowing process is part of the "Compliance and Conduct" self-learning program for employees.

Detailed information on the process can be found in the Group-wide whistleblowing policy, which is available to employees in German and English on the intranet. It sets out rules for the careful handling of reported cases and provides guidelines on how to protect the reporting person from disadvantages and negative consequences. All whistleblower reports are handled in accordance with the specified matrix, documented in detail and reported to the management board in specific cases.

TAXES

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Tax concept

In 2022, a Group tax strategy was introduced and approved by the Management Board. A summary of the main points of this tax strategy is published on the BAWAG Group website. The tax strategy is reviewed at least annually and updated as appropriate. The responsibility for compliance with the tax strategy lies within the accounting division, which includes the tax department. Relevant tax issues are reported to the CFO on a quarterly basis. BAWAG Group recognizes the principle that taxes follow transactions and thus profits are taxable in the countries where the value creation takes place. Compliance with applicable tax obligations in the countries in which we operate plays an important role for us. This applies equally to our own agendas as well as to our employees, customers, and business partners. BAWAG Group is committed to complying with applicable tax laws, guidelines, and reporting obligations according to its business activities. Both own employees as well as consulting companies of the respective country are involved, as appropriate. BAWAG Group does not use non-transparent jurisdictions or tax havens for tax avoidance. Transactions within the Group are structured in accordance with the applicable transfer pricing regulations in accordance with the arm's length principle. We consider the economic and social impact of relevant tax decisions on business and sustainable development in the countries in which we operate.

Tax governance, control and risk management

Our tax compliance culture reflects the attitude and behavior of our company’s governing bodies and management regarding tax compliance. It is important to us that there is a perception at every level of the company that compliance with tax regulations is necessary and important and that every employee must contribute to this. In our company, every action must comply with the legally binding regulations at the national and international level as well as all voluntarily entered obligations. Internal training courses for employees are held on tax topics relevant to BAWAG Group. The employees of the tax department take part in various internal and external tax-relevant training courses. When introducing new products, a tax classification is always carried out in advance. As in previous years, tax risk management is part of BAWAG Group's Group-wide ICS and risk management. BAWAG Group plans to gradually implement an additional tax risk management system in the future. In 2023, we started a project to gradually implement additional tax controls in the future. The remuneration of employees is completely independent of factors such as achieving tax savings or lowering the tax rate. BAWAG Group does not provide tax advice to customers and, to the best of our knowledge and belief, does not offer (its own) tax-optimized models or financial instruments.

Stakeholder engagement and management of concerns regarding taxes

Balancing the interests of all stakeholders is part of the decision-making process on any relevant tax issue. In addition to the possibility to use the whistleblowing hotline, employees also can address questions and concerns regarding the tax implications of the (planned) business activity or positioning of BAWAG Group directly to the tax department and ask for an opinion. External stakeholders, such as suppliers and business partners, have the possibility to express concerns about business conduct and tax implications via the email address csr@bawaggroup.com. This contact option is referred to on the website www.bawaggroup.com. Supervisory Board members may raise issues at quarterly Supervisory Board meetings, and shareholders can exercise their right to information at the Annual General Meeting within the scope provided for by law.

BAWAG Group strives to maintain an open and constructive dialogue with all tax authorities, based on transparency and mutual trust. The aim is to create legal certainty and financial planning certainty. Our stance on political influence is governed by the Political Involvement Policy, which is available on the website (https://www.bawaggroup.com/BAWAGGROUP/IR/EN/ESG).

RESPONSIBILITY TOWARDS CUSTOMERS

As part of our strategic pillar BAWAG Group focuses on growth with focus on serving our customer. We continuously enhance access to banking services and products that fit our customers' individual circumstances and support their financial objectives as well as enhance our distribution channels. Customer behavior and needs are constantly evolving, due in part to the increasing digitalization of everyday life and the changing economic and financial conditions impacting their circumstances. Accordingly, customers' expectations of a bank's products and services are also changing rapidly, and BAWAG Group aims to meet these expectations with innovative strength across all sales channels.

RESPONSIBLE INTERACTION WITH CUSTOMERS

A respectful dialog and proactive communication with our customers are particularly important to us. As part of a continuous improvement culture, we are working to capture the voices of our stakeholders and therefore, our customers have the opportunity to submit inquiries and feedback via various channels. In addition to the employees who work directly with customers at the branches, the customer service center, complaints department and social media are key feedback platforms.

Access to finance

As defined in our business strategy, we want to provide our customers 24/7 banking access through a multi-channel and multi-brand commercial banking platform. Over the last couple of years, we diversified our Retail & SME originations away from branches, thereby increasing the accessibility of our products and services. While our branch footprint was reduced as a response to changing customer behavior, we entered into partnerships, worked with brokers, and continuously enhanced our online/digital access. One key element is the digitization of products: Today, 75% of Retail & SME products are digitized with fully automated on-boarding and we target a 100% fully automated onboarding offering by 2025.

Today, over 80% of originations come by way of non-branch channels as we have invested in digital channels, partnerships and platforms. More than 90% of our transactional banking is done digitally, whether it is via our mobile or web banking functions or self-service devices. And today we have over 900,000 online customers. In addition to the transactional banking, more than 45% of our retail customer loan sales are originated through non-traditional channels.

For all questions about products, services, etc., we have implemented a dedicated section on the website (https://www.bawag.at/bawag/faq) where customers can acquire knowledge in "self-service." In Austria, 95% of households have access to the Internet: Providing the information online increased the number of customers who are able to access the content 24/7 at home. As the Austrian banking market is underpenetrated with securities and investment funds, we held a first webinar for customers to provide easy access to securities investment knowledge and to increase financial literacy. In addition, customers can get access to virtual training materials and receive a "stock market driving license" – free of charge.

Our infrastructure in the region ensures access to banking services

Within the Austrian market, BAWAG provides its customers with access to banking services via various access points. In addition to its branch network, there are 1,220 ATMs outside the branches. Also, BAWAG customers can withdraw cash from any of the about 8,500 ATMs in Austria within the broader network. For the majority of our customers, the usage of ATMs inside and outside of the BAWAG Group network is free of charge. Telephone customer services and 24/7 online offerings complete our service portfolio. By maintaining this infrastructure, we also enable residents in sparsely populated regions to access banking services. In the following provinces, the number of inhabitants per square kilometer is below the Austrian average (106.1*):

FS 13 **Table: Access to banking services in sparsely populated provinces in Austria**

2023	Inhabitants per square kilometer*	Branches	ATMs (outside of branches)
Lower Austria	89.5	8	228
Salzburg	79.4	3	81
Styria	77.1	12	227
Burgenland	76.0	3	58
Tyrol	60.8	3	93
Carinthia	59.7	4	101

Source: Statisik Austria

BAWAG branch network

As a bank, BAWAG helps to provide access to banking services in Austria's rural regions. As of 31 December 2023, our physical branch network in Austria consisted of 59 branches and 9 additional self-service branches that are accessible 24/7. The branch network enables 85% of BAWAG P.S.K. customers to reach a branch within a driving distance of 25 km or less, and 89% of customers up to a maximum of 30 km. Under the Südwestbank brand in Germany, we have 11 branches and Idaho First Bank has 7 branches in the United States.

Barrier-free access to branches and app

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SDG 1

As of 31 December 2023, BAWAG had equipped 68 locations with self-service zones in Austria. All of these self-service zones are barrier-free for the hearing and visually impaired. The functions required for this were implemented in accordance with the criteria of the Austrian Association for the Blind and Visually Impaired. The visually impaired can operate the devices according to their needs, including increasing the screen contrast, selecting larger fonts and switching off images and animations. Account balance inquiries, withdrawals and PIN management can be completed with the help of the audio function. Barrier-free access to BAWAG locations with self-service zones is possible during opening hours at 100% of the branches, and at 96% of the locations outside opening hours. Barrier-free access to safes is possible during opening hours at 74% of branches that have a safe. In 38% of the self-service zones, it is also possible for wheelchair users to position the front of their chair under the ATMs, which makes it much easier for this customer group to operate the machine. All Südwestbank locations offer wheelchair-accessible facilities. In addition, the BAWAG klar app and easybank app are taken into consideration for providing access to our services online 24/7. In the United States there are 7 ATMs under the Idaho First Bank branch, which are compliant with the Americans with Disabilities Act.

Cash service

BAWAG customers who find it difficult to get to the nearest branch or ATM can have cash delivered personally to their home on a day of their choosing. Any customer residing in Austria can order a "domestic cash order" for their account.

Retail customers

In 2023, BAWAG's digital customer engagement channels were again continuously expanded and improved. Amongst various improvements, this year, Google Pay and Apple Pay were rolled out for remaining card portfolios, offering a seamless digital payment for our mobile customers. . For enhanced security and convenience additional device pairing options like QR code scanning and digital identification through selfie and ID scan were added. To increase privacy, customers can now hide account balances while using the app in public spaces. Based on structured user feedback, more customer flows were streamlined, including payments and account unblocking.

Customers across all brands are supported through digital journeys, which were further enhanced and automated. A significant portion of customers is on-boarded and serviced through digital and self-service channels. Further building out digital channels remains a cornerstone of the technology strategy as an opportunity to streamline internal processes and as a response to customer expectations.

1) "Austrian resident population" is defined as the number of persons with their main place of residence in the country. Data as of 2016. Source: Statistics Austria.

Partnership and platform

BAWAG fosters partnerships with retailers in Austria (e.g. supermarkets) where people can withdraw cash as well, further easing access to finance. In addition, BAWAG offers its products through various platforms or via brokers, e.g. for mortgage loans. BAWAG strives for an omni-channel approach, which enables customers to take out products over the phone and through digital channels.

Business customers

BAWAG further expanded its digital business customer experience in 2023 and offers domestic one-person enterprises the opportunity to open a business account in a purely digital manner, without having to visit a branch .The online application process has been launched succesfully which enables customers to have a fully digital experience. Meanwhile, the share of the online applications is 25% of overall sales. In addition, BAWAG will invest in further development of the tool to cover a larger target group (for example existing customers who are currently out of scope).

Outbound services

Furthermore, BAWAG outbound call center agents support customers at different touchpoints in the customer journey: During onboarding processes, customer service employees support customers who, for technical or other reasons, have not been able to get through our online application sections. Furthermore, customers are supported during various application processes (e.g. obtaining documents, explaining contract passages etc.). Regarding digital advisory and multi-touchpoint services, the outbound teams provide online consulting services to customers as an alternative to going to the branch office.

2-26 Complaint management

We analyze our customers' feedback on a regular basis and initiate measures to improve products and processes where necessary. BAWAG's complaint management guideline defines how customer complaints are handled and how this is set up in an organizational and legally compliant manner. Our goal is to deal with complaints responsibly and in accordance with the regulations, to restore customer satisfaction and to improve our service quality through in-depth analysis of the issues presented. We strive to handle every customer complaint as quickly and efficiently as possible and to find satisfactory solutions. Complaints can be submitted through various channels (by phone, web forms, in person at the branches or by regular mail). Regardless of the method of submission, all complaints are registered and customers receive written confirmation of receipt with an individual complaint number if the matter is not resolved immediately. Complaint management handles the examination/coordination of the matter and, if necessary, contacts specialist departments to obtain additional documents.

The customer is contacted by complaint management or other qualified departments in order to find a mutually agreeable resolution. If no agreement can be reached with the customer, the customer is informed in writing of the result of the review. Customers also have the option of contacting arbitration bodies, which are official alternative dispute resolution (ADR) institutions under the Alternative Dispute Resolution Act (AStG). According to this law, businesses and consumers can avail themselves of an alternative dispute resolution procedure to court proceedings. Such a procedure can only be initiated by the consumer. Each of these independent bodies must ensure through its rules of procedure that disputes are resolved in a fair and practicable manner based on an objective assessment of the circumstances of the consumer's complaint and with due regard for the rights of the parties. The law also stipulates that proceedings must be conducted swiftly. The Joint Conciliation Board of the Austrian Banking Industry (bankenschlichtung.at) has been established for the out-of-court settlement of disputes relating to certain customer complaints in the banking industry.

For contracts concluded online, the consumer also has the option of contacting the dispute resolution platform set up by the European Commission (ec.europa.eu/odr). The Internet Ombudsman (ombudsmann.at) is responsible for the out-of-court settlement of disputes relating to contracts concluded over the Internet or other issues of e-commerce, Internet law, data protection, copyright and trademark law in connection with the Internet. Consumer Mediation Austria (www.verbraucherschlichtung.at) is the competent body for complaints relating to foreign currency loans. Consumers are already expressly informed of the possibility of appealing to these arbitration bodies in the contract documents. The Complaint Management department continuously analyzes the data and information received and, on the basis of this, formulates suggestions for improvements to products and internal processes. The evaluation results are submitted to the Non-Financial Risk and ESG Committee and discussed in the meeting.

Responsible customer management

417-1 Responsible and respectful dealings with our customers are priority to us and are laid down in various guidelines (including the Code of Conduct). We comply with the pertinent legal regulations and also set strict internal guidelines for ourselves. In this way, we want to ensure that at every point in the company, the needs of our customers are put at the forefront. In 2020, we introduced the Group-wide responsible marketing and sales policy and communicated it to the employees who are directly responsible for its implementation. The policy serves as a strategic code of conduct for responsible behavior in marketing and sales and to build trust with our customers. The guideline's fundamental principles include a commitment to legally compliant, respectful and ethical behavior, confidential handling of information, no discrimination, expanding analytical capabilities, removing barriers and profitable and responsible growth. The guidelines in marketing include a commitment to transparent and clear language in communication measures, fair pricing, diversity in advertising and a respectful approach to all customer groups. In sales, we are committed to appropriate recommendations for our customers, ongoing training for our sales staff, continuous quality controls and a focus on our core competencies.

The policy can be viewed at the following link: www.bawaggroup.com/BAWAGGROUP/IR/EN/ESG

Other cornerstones of responsible customer management

- Only those BAWAG customers are proactively addressed through marketing campaigns for whom we assume that their financial situation allows them to use the advertised financial services product.
- To counter the impact of rising rates, customers with variable rate mortgages were proactively contacted and offered a fixed rate alternative to better manage the predictability of their cash flows
- The use of overdraft facilities by BAWAG customers is subject to ongoing monitoring. If we notice that a customer is approaching the upper purchase limit and also remains there for a longer period of time, we contact the customer and, if necessary, offer an alternative to the overdraft. In this way, customers not only save debit interest, but also get the opportunity for clear, structured debt reduction. This service goes beyond the legal requirements, as eligible customers are proactively addressed and the criteria BAWAG uses to define the relevant customer group are more comprehensive than required by law.
- To counter long-term credit risk for customers, we offer special insurance packages in the event of illness and unemployment when a loan is taken out. This service is not required by law, but is provided by BAWAG for the benefit of its customers.
- Depending on the account model, BAWAG proactively notifies its current account customers of new fee statements via ePostbox message on a monthly or quarterly basis. In this way, the Bank strives to ensure that customers are always informed of the current terms. The law only requires this information to be provided once per year.

SUSTAINABILITY IN OUR CORE BUSINESS

By embedding responsible and profitable growth in consideration of ESG factors into our Group strategy, we ensure that the further development of our business activities is in line with environmental and social concerns. The work of the Regulatory Office ensures that EU-wide and national regulations and amendments are continuously monitored and forwarded to the relevant units for the adaptation of processes and guidelines. This also applies to statutory regulations relating to sustainable finance.

RISK-AVERSE ESG STRATEGY

We believe that ESG responsibilities underpin sustainable long-term profitability and are a critical part of managing our risk. We have historically considered environmental and social impact factors in our credit decisions, as they will impact our potential borrowers' repayment of loans over time. This supports our continued focus on ESG risk in order to strengthen our current business model.

FS 6 **Table: BAWAG Group sector exposure (% of total exposure) 1)**

as of 31 December in %	2023	2022
Defense industry	**0.0%**	**0.0%**
Production and distribution of NBC weapons	0.0%	0.0%
Production and distribution of conventional weapons	0.0%	0.0%
Production and distribution of other military services	0.0%	0.0%
Nuclear energy	**0.0%**	**0.0%**
Production of electricity in nuclear power plants	0.0%	0.0%
Construction of nuclear technologies for nuclear power plants	0.0%	0.0%
Uranium mining and trading	0.0%	0.0%
Other ethical risks	**0.3%**	**0.3%**
Production of and trade in addictive substances (tobacco, alcohol >20% by volume)	0.0%	0.0%
Production, trade and application of green gene technology	0.0%	0.0%
Gambling and related services/facilities	0.3%	0.3%
Fossil fuels	**0.0%**	**0.0%**
Total fossil energy sector	0.0%	0.0%
Coal mining and power generation	0.0%	0.0%
Extraction of crude oil and natural gas by means of fracking or tar sands	0.0%	0.0%
Climate change	**0.0%**	**0.2%**
Renewable energy	0.0%	0.2%
Sustainable mobility	0.0%	0.0%
Sustainable construction	0.0%	0.0%
Other ethical opportunities	**1.2%**	**1.4%**
Socially oriented companies/projects	0.2%	0.1%
Social housing	1.1%	1.3%
Organic farming	0.0%	0.0%

1) Excluding car leasing and credit cards

PRODUCTS AND SERVICES

BAWAG Group's corporate strategy provides for an increased focus on ESG issues in the coming years. By broadly considering the value chain from an ESG perspective, BAWAG Group aims to expand its understanding of risk and seize business opportunities for the benefit of its shareholders, customers and other stakeholders. In addition to the ESG risk management approach, BAWAG Group also sees specific ESG-related trends as business opportunities. We aim to take advantage of specific growth opportunities associated with environmental and social developments. Examples include the transition to a resource-efficient economy and the need for greater environmental protection and social inclusion.

As a bank, we have the opportunity to contribute to all environmental objectives which are outlined in the EU Taxonomy Regulation:

- climate change mitigation;
- climate change adaptation;
- the sustainable use and protection of water and marine resources;
- the transition to a circular economy;
- pollution prevention and control;
- the protection and restoration of biodiversity and ecosystems.

As a bank, we contribute to those environmental objectives – through our core business activities which allocate towards sustainable investments through two primary objectives:

- increase the positive impact by "enabling activities" to support environmental objectives
- decrease the negative impact by reducing or cutting activities that do significant harm to environmental objectives

We ensure financial products and strategies that pursue environmentally sustainable objectives are available to our customers. Within our advisory and investment offering, BAWAG offers several mutual funds and exchange traded funds (ETFs) that feature environmental objectives, and are provided for our customers based on risk appropriateness and suitability with our cooperation partner Amundi Austria.

Furthermore, the assessment of sustainability goals is a vital part of our internal processes: The product implementation process (PIP) plays a central role in the development of new products and services, entering new markets, and making important changes to existing products, services and markets. All risks, such as credit risk, market risk and operational risk, must be taken into account during product development. Since the beginning of 2020, the inclusion of ESG criteria in the product implementation process has been mandatory.

In 2023 all newly launched products were also reviewed in view of CSR/ESG aspects. Prior to launching new products, positive environmental and social impacts of product implementation are assessed and confirmed. The impact is presented using a statement on sustainability aspects (CSR/ESG statement) which is an integrated part of the tool for product launches. Environmental targets such as the expansion of green energy or electromobility, increased energy efficiency and the reduced use of natural resources are rated positively.

An economic activity should qualify as contributing substantially to one or more of the environmental objectives where it directly enables other activities to make a substantial contribution to one or more of those objectives.

Processes are in place to ensure the mitigation of activities that do significant harm to environmental objectives. One example of this are our lending criteria, consisting of industry exclusions and restrictions in lending. They are accessible via https://www.bawaggroup.com/BAWAGGROUP/IR/EN/ESG

EU TAXONOMY DISCLOSURE

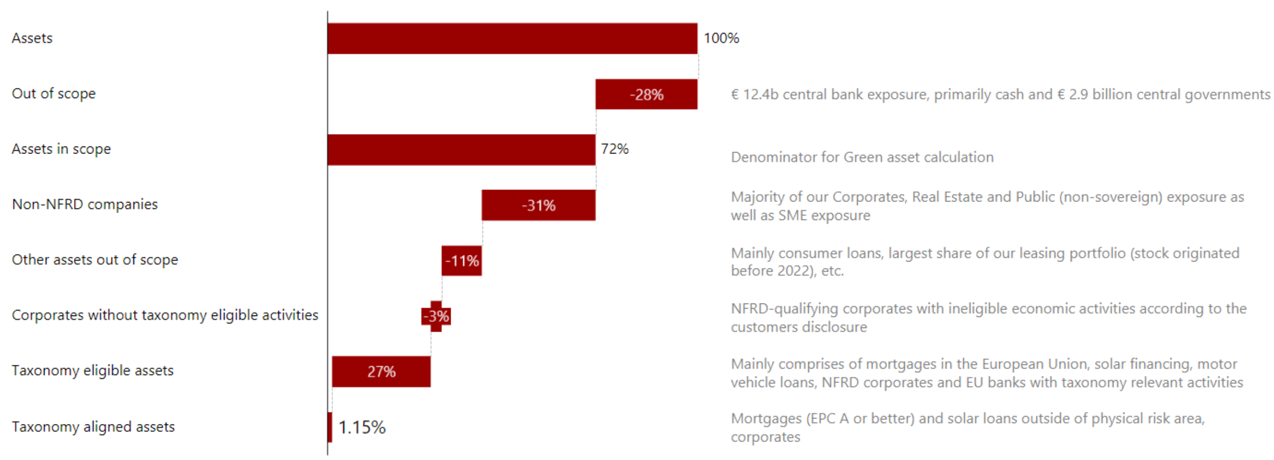
The EU Taxonomy Regulation sets out a framework that allows stakeholders to determine whether or to what part economic activities are environmentally sustainable. The Green Asset Ratio (GAR) indicates the proportion of taxonomy-compliant financial activities relative to all assets covered by the EU Taxonomy. It is designed as the central Key Performance Indicator (KPI) for disclosing a bank's green business. Starting from 2024 for the 2023 fiscal year, banks are required to disclose the GAR.

In the context of financial institutions, the GAR provides insights into how much of the portfolio aligns with sustainable and environmentally friendly activities. It reflects the bank's commitment to supporting the transition to a greener economy.

The GAR calculation considers the share of assets that meet the EU Taxonomy criteria, ensuring transparency and accountability in sustainable finance. By increasing funding for environmental and climate-related expenditures, we can support the collective progress towards sustainable development goals and emissions reductions.

The templates are published in the appendix.

Derivation of taxonomy-eligible and Taxonomy-aligned economic activities



HOW WE ADDRESS CLIMATE-RELATED RISKS IN OUR BUSINESS

The implemented risk management framework ensures the effective identification, measurement and management of risks across the Group and forms the basis for informed risk-based business decisions. It enables a quick and proactive response to market trends or other deteriorating developments and supports the Bank's sustainable organic and inorganic growth within the overall risk appetite.

In line with the regulatory expectations, ESG risks are identified as horizontal risks, i.e. they may materialize directly or indirectly through other risk types. In order to adequately reflect this approach, ESG aspects have been integrated into all important processes along the whole risk management cycle covering the following dimensions:

- Risk identification
- Risk assessment and risk appetite
- Treatment and mitigation
- Monitoring

Risk Materiality Assessment

In 2023, BAWAG Group conducted a top-down and bottom-up materiality assessment to assess the potential impact of physical, transition and environmental risk drivers on its credit risk, market risk, liquidity risk, non-financial risks (operational, compliance, legal, conduct, model and third-party risk) and other risks (strategic, reputational and business risk). All risk drivers and risk types were analyzed over the short-term (1-2 years), medium-term (2-10 years) and long-term (10 years and more) horizon.

Risk drivers in scope	Covered risks
Physical risk	Water stress, river flood, heatwave, coldwave, tropical cyclone/hurricane, wildfire, coastal flood/sea level rise
Transition risk	Policy and legal risks, technological developments, and market changes that occur from transitioning to a lower-carbon economy
Environmental risk	Overfishing, water stress and pollution, soil pollution, deforestation, animal welfare, invasive species and biodiversity loss

The goal of top-down approach is to achieve a holistic top-of-the-house view on the impact of physical, transition and environmental risks on BAWAG Group's environment, operations, business model and strategy. The bottom-up assessment aims at evaluating the exposition, vulnerability and (where possible) the financial impact of physical and transition risks on specific parts of BAWAG Group's business which have been identified as "key areas" for deep dives in the top-down assessment. This is achieved by evaluating physical and transition risks as a driver for internal risk categories (credit risk, market risk, liquidity risk, non-financial risk etc.).

Going forward, the materiality assessment will be performed as part of the risk identification process on an annual basis.

As BAWAG Group is operating predominantly in Austria, Germany, the Netherlands, and the US focusing mostly on service-related industries and secured lending, it is impacted by transitional risks in a very limited manner. In the short- and medium-term, transition risks are evaluated as low to medium. In the longer term, the risks are not expected to increase significantly.

An analysis of all of BAWAG Group's core countries in Europe (AT, DE and NL) showed that all of them have “high performance” CCPI rating regarding economy decarbonization. Governments started to act early (low risk of disorderly transition) and introduce ambitious climate protection laws accompanied by financial aid to support transformation (both corporates and vulnerable social groups). Financial capacity to support a socially just transition is high. Hence, overall risk in BAWAG Group's European core countries is rated as low.

Risk	Climate and Environmental risk	Materiality	Outlook	
Credit risk	Physical risk	Medium	Increasing	↑
	Transition risk	Medium	Stable	→
	Environmental risk	Low	Stable	→
Market risk	Physical risk	Low	Stable	→
	Transition risk	Low	Stable	→
	Environmental risk	Low	Stable	→
Liquidity risk	Physical risk	Low	Stable	→
	Transition risk	Low	Stable	→
Non-financial risks	Physical risk	Low	Stable	→
	Transition risk	Low	Stable	→
Other risks	Physical risk	Low	Stable	→
	Transition risk	Low	Stable	→

The assessment of physical and transition risks as a driver for internal risk categories (credit risk, market risk, liquidity risk, non-financial risk etc.) has shown that only credit risk is impacted by physical and transition risk in a material manner (medium risk). The potential impact of phyiscal and transition risk on all remaining risk categories are currently assessed as low. Therefore, the impact on credit risk is examined more precisely in this paragraph.

Credit Risk

The Transition risk element of Credit risk is classified as medium primarily driven by the low coverage and relatively high share of low EPC labels in the residential and commercial real estate portfolios.

The analysis of BAWAG Group's portfolio and products showed that its corporate loan book is only marginally impacted by climate and environmental risks due to its low exposure to high emitting industries. Furthermore, this exposure to high emitting industries is composed of a few single customers and includes numerous state-affiliated companies in the energy sector which are presumably already working on making their business models climate and future proof and thus transition risk for those companies is expected to decrease over time. As of 31 December 2023, we had approximately € 400 million exposure classified as high and very high from transition risk perspective.

BAWAG Group's Retail & SME business (excluding mortgages) is also rated as low risk. Certain planned strategic actions (i.e., grow in the secured business), will further reduce impact of climate and environmental risks on BAWAG Group's portfolio.

Mortgages and commercial real estate (CRE) were the only products with medium physical and transition risk in the medium- to long-term.

The Physical risk element of Credit risk is classified as medium, primarily driven by the outcomes of sensitivity analyses and concentration measures of the corporate and real estate portfolios. The proportion of real estate (housing loans and CRE) exposures with a "high" physical risk rating stands at <20% resulting in a medium assessment for this driver.

The Environmental risk element of Credit risk is classified as low based on the ENCORE (Exploring Natural Capital Opportunities), Risks and Exposure methodology.

Market risk

The Physical, Transition and Environmental risk elements of Market risk is currently classified as low with stable outlooks due to the relatively low riskiness of BAWAG's bond, FX, and commodities portfolios.

Liquidity risk

On the funding and liquidity side BAWAG is resilient to C&E risks. Liquidity buffer consists of high-quality bonds.

Non-financial risk

Same applies to non-financial risks (in particular, OpRisk). Physical risks evaluated for all locations of BAWAG's operations incl. outsourcing are low (not material).

Lending criteria

BAWAG Group has defined lending criteria for the Corporate, Real Estate & Public Sector segment according to which all customers are screened. If a company is involved in one of these areas and can be held responsible for its involvement, it can be excluded or restricted in lending. The restricted/prohibited criteria are reviewed on a regular basis and may change. The currently applicable list of lending criteria is published and accessible via https://www.bawaggroup.com/BAWAGGROUP/IR/EN/ESG.

Internal ICAAP and stress test framework

ESG risk is also considered within BAWAG Group's ICAAP and stress test framework. A separate scenario has been implemented comprising the following components:

- Macroeconomic effects
- Idiosyncratic shocks for transition and physical risk
- Operational risk effects

As a result of the annual risk assessment, a quantification and usage of internal capital is maintained for ESG risks to ensure sufficient buffer and is monitored monthly versus allocated limits.

Product implementation process

The product implementation process (PIP) plays a central role in the development of new products and services, entering new markets and making important changes to existing products, services and markets. All risks, such as credit risk, market risk and operational risk, must be taken into account during product development. Since the beginning of 2020, the assessment of ESG criteria in the product implementation process has been mandatory.

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FS 2
FS 11

In 2023, all newly launched products were reviewed for CSR/ESG aspects. Prior to launching new products, the responsible product managers were asked to assess and describe potential impacts of product implementation in respect of environmental, social and governance aspects. The impact is queried and presented using a statement on sustainability aspects (CSR/ESG statement), which is an integrated part of the tool for product launches:

- Environmental: Among other things, the expansion of green energy or electromobility, increased energy efficiency and the reduced use of natural resources such as paper are rated positively.
- Social: Factors such as the accessibility for people with special needs, the reduction of discrimination, the fight against poverty and the expansion of educational opportunities are rated positively.
- Governance: Compliance with internal guidelines such as the Code of Conduct, anti-corruption and data protection was defined as a mandatory requirement for a product launch.

A total of 14 PIPs were conducted, 4 of which met at least one environmental criteria, 5 of which met at least one social criteria and all met the governance criteria.

ESG Data Universe

BAWAG Group actively works on several activities to improve the identification, measurement and mitigation of climate-related risks. We believe that ESG related data is the key to a successful transition and therefore closely monitor and improve the already available information (i.e. sector, location data, etc.) and at the same time enhance the infrastructure to collect further ESG relevant information (i.e. energy performance certificates, CO2 emissions).

Data management is a fundamental element of BAWAG's business activities, decisions and governance. Based on the regulatory requirements of BCBS239 and the understanding that data is a corporate asset, we have built a robust data governance framework following consistent standards throughout the Group that apply to ESG data as well.

BAWAG's data is stored in a central data warehouse, which is the basis for data historization, aggregation, steering and reporting. ESG-relevant data consists of existing portfolio data (loan portfolio, industries, countries, etc.) as well as extended specific information that has become part of the regular data warehouse. ESG is a very wide-ranging, comprehensive topic thus the data related to ESG management encompass several dimensions.

Several initiatives are currently ongoing to ensure that further information and data quality will improve over time.

External data will be included into further process adaptions and enhancements for establishment of further ESG identification and assessment methodologies and therefore underlies the same quality requirements as internal data. The implemented risk management framework ensures an effective identification, measurement and management of risks across the Group and builds the basis to make informed risk-based business decisions. It allows to react quickly and proactively to market trends or other deteriorating developments as well as support the bank's sustainable organic and inorganic growth within the overall risk appetite. Sustainability risks are environmental, social or governance events or conditions, which if they occur have or may potentially have significant negative impacts on the assets, financial and earnings situation, or reputation of a supervised entity.

FS 1 **PIP guideline**

CSR/ESG information is part of the guideline on the product implementation process. It states that every product idea must be evaluated for ESG criteria before the product implementation process is started. In the tool used, CSR/ESG data related to product implementation is stored automatically in a centrally available database and can be used for reporting.

Furthermore, we determine the suitability of the product for certain customers, ensuring that customers are given products that are appropriate for risk tolerance, financial goals, etc., and this is incorporated into the sales process.

203-1 **Financing**

203-2

SDG 1 **Corporates & Public Sector business**

SDG 8
SDG 9
COP 9

In the public sector segment, an in 2020 concluded refinancing loan with the EIB was extended at the end of 2023 (total volume: € 150 million). The focus is on investment projects by municipalities, municipal associations etc. in the areas of climate, energy, education, water/waste recycling and health care. A large part of this urban development refinancing EIB loan has already been successfully deployed by supporting mainly investments in the educational and water supply/wastewater disposal segment. EIB urban development loan: https://www.eib.org/de/projects/loans/all/20200238

In addition, numerous companies, municipalities and the public sector place their trust in BAWAG when it comes to financing and implementing projects. Of the infrastructure projects that the Bank has (co-)financed in recent years, the majority were projects that accelerated the expansion and improvement of infrastructure in rural regions throughout Austria. The individual facilities mostly ranged from € 1.0 million to € 4.5 million in 2023 and were used for the following projects:

- Education: BAWAG finances numerous educational institutions in Austria. These include various properties, ranging from schools to day care centres
- Water management: Both water supply and wastewater disposal are financed
- Utilities: financing of green projects of energy suppliers
- Wood processing industry: financing of green projects

Beyond this, BAWAG is constantly working on broadening funding for German affordable/social housing companies. BAWAG's corporate customers also include companies that promote the expansion of alternative energy generation facilities, operate important health care facilities, contribute to the preservation of Austria's flora and fauna and provide further education and training for people with disabilities or who have difficulties in getting access to the labor market.

SME customers – corporate financing

SDG 1
SDG 8

The SME unit retained its ability to support companies with microfinancing. New business in microfinance under € 5,000 for SME customers amounted to € 29,000 in 2023 (overdraft facilities and one-time loans). The SME upload function that was implemented in 2020 (i.e. business documents can be uploaded and branch visits or printouts can be reduced) has been extended again and offers customers the possibility to upload their documents 24/7, thus making it accessible to even more customers.

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Retail customers – consumer and housing financing and leasing

Below are examples of our financing activities:

- Mortgage loans: The data of the energy certificate can be read out automatically. The energy performance certificate enables the customer to take measures on energy efficiency.
- Debt collection policy: In 2021, BAWAG Group implemented a debt collection policy. We strive to provide sustainable financial assistance solutions, tailored to customers' individual circumstances, that consistently deliver the right outcomes. The solution offered is always based on an individual assessment of customer circumstances, in which we look to ascertain (a) the reasons for and nature of financial difficulties, and (b) current and future affordability levels. The debt collection policy is accessible via https://www.bawaggroup.com/BAWAGGROUP/IR/EN/ESG.
- Building society loan: start:bausparkasse is the only building society in Austria offering a building society loan for financing housing measures with a 30-year fixed interest rate.
- Dutch mortgages with state guarantees: In the Netherlands, we offer access to state-guaranteed mortgages, thereby providing a broader range of customers access to affordable mortgage loans.
- Car leasing: easyleasing is fully focused on the automotive business with about 90% of business volume coming from this area. Besides car leasing, an installment model called "easykauf" is offered to customers to finance used cars. A significant difference versus a consumer loan is the risk proposition – "easykauf" is a secured loan where the credentials for approval are significantly lower compared to an unsecured consumer loan. Therefore, easyleasing provides prospective borrowers even easier access to finance their vehicle. By signing such a contract, customers agree to keep the car in good condition – which is often a "natural" incentive for customers to do so as the majority of customers buy the used car after the end of the financing period.

Investments

FS 7 FS 8 SDG 13

Amundi: broad range of investment funds with an ESG approach

It is particularly important for a bank to assume social and ecological responsibility with regard to investments. BAWAG predominantly distributes funds of other providers. Within the offered funds – Amundi Ethik Fonds, Amundi Ethik Fonds ausgewogen, Amundi Ethik Fonds Evolution, Amundi Öko Sozial Euro Short Term Bond, Amundi Öko Sozial Euro Aggregate Bond, Amundi Öko Sozial Dollar Bond, Amundi Öko Sozial Euro Corporate Bond, Amundi Öko Sozial Net Zero Ambition Bond, Amundi Öko Sozial Global High Yield Bond, Amundi Öko Sozial Stock and Amundi CPR Climate Action and four Amundi ETFs from our cooperation partner Amundi Austria, as well as AXA WF Framlington Sustainable Europe, BGF ESG Multi-Asset, Robeco Sustainable Global Stars Equities Fund and Schroder ISF Global Climate Change from our cooperation partners within BAWAG Best In Class – BAWAG offers 15 mutual investment funds and four ETFs that focus on ESG aspects. The individual securities and international issuers of funds are selected according to strict ethical and ecological exclusion criteria (decided by Amundi and the respective fund company) so that the sustainable, ecological and social orientation of the investment is ensured. All Amundi funds have been awarded the EUROSIF transparency logo for sustainability funds, and the Amundi funds from Austria have also been awarded the Austrian Ecolabel for sustainable financial products. BAWAG does not manufacture or issue funds. BAWAG has only a limited product offering for portfolio management under the Südwestbank and easybank brand.

Accounts and cards

Social inclusion accounts at BAWAG

SDG 1

BAWAG's **"New Chance" account,** which was introduced in 2009, is designed for people who would otherwise be excluded from payment transactions. Neither the account number nor the sort code indicate that a customer has such an account. This prevents customers from being directly or indirectly stigmatized in the course of carrying out their financial transactions. In addition, our **consumer payment account**, which is in line with the Consumer Payment Account Act, offers all people very affordable access to a bank account.

Especially people experiencing financial difficulty can get this flat rate account including an account card for € 40 per year. Beihilfenkonten (budget accounts) enable specific target groups (such as asylum seekers) to participate in financial life and carry out financial transactions.

Around 6% of total current accounts are social inclusion accounts. Taking into account the allocation of social inclusion accounts, the current split is 60% for "New Chance" accounts, 40% Beihilfekonten (budget accounts) and <1% for customer payment accounts.

COP 8 **KontoBoxes – simple and paperless**

The KontoBoxes S and L offer maximum convenience and are focused on customers who would like to conduct their account transactions online and offline. The application process and the opening of the account take place completely online. The paperless account opening application was rolled out to more channels in 2021. We went live with our full online application on the easybank and BAWAG website: As a result, we can offer a fully digital and paperless application process from home to all new customers, not only for private customers, but also for SMEs with the legal forms of "non-prot. EU," "prot. EU" and "GmbH".

Debit Mastercard

Customers can use the Debit Mastercard to make online purchases without a credit card. This makes it possible for customers who do not want a credit card or who are not eligible (e.g. due to creditworthiness reasons) to make purchases from online merchants without being disadvantaged by lower security standards. It uses the internationally standardized 3D Secure for Mastercard products procedure, which simply requires free registration.

Credit cards

All our BAWAG, easybank and PayLife credit card customers have the option of retrieving their PIN for payment approval directly in the app, the easybank app or myPayLife, thus eliminating the sending of a PIN letter by regular mail.

Mobile payments

Apple Pay and Google Pay is provided for all debit cards and credit cards, which offers contactless payments.

Instant payments

We offer real-time instant payments to our clients, leading to an indirect economic and social impact with even higher future potential: Technology-wise, we implemented a real-time infrastructure that is capable of doing transactions across Europe as fast as a chat message. This means that our customers can send and receive payments within a maximum of 20 seconds from all over Europe – senders receive a confirmation message, also within these 20 seconds, that the funds have arrived in the beneficiary account – all after having done a couple of security checks. This technology enables customers to use more functionalities, easing their daily financial lives and supporting real-time flexibility.

SOCIAL RESPONSIBILITY AND PERSONAL COMMITMENT

At BAWAG Group, we recognize our social responsibility in contributing to sustainable development. Our commitment to social engagement is an integral part of our identity and extends beyond traditional banking services to actively engaging in initiatives that foster financial education, support underprivileged communities, promote environmental sustainability, and empower individuals to climb the social ladder.

By following this, we aim to contribute positively to society, create long-term value, and achieve an impact that reflect our dedication to sustainable and responsible banking practices.

We believe in supporting projects with a social purpose across all age groups, mainly in the markets we are operating in. We focus on projects on a long-term basis. Therefore, many of our campaigns and measures have a long tradition, which is important for the financial structure of projects with a social purpose. Moreover, we see contributions to a good cause as an important factor to help people in need. We continue to support this outreach through both financial support and volunteerism. Therefore, we are committed to intensifying our measures: One target area, for example, will be focused on increasing corporate volunteering activities. BAWAG Group accepts its social responsibility and is committed to socially relevant issues. We see education as one of the most important cornerstones to keep the partnership of our industry with society at eye level. With a higher level of (financial) education and accessibility of education opportunities, we strive to help people to increase their knowledge and well-being, where we play an active role in creating partnerships and developing projects. Education should never be a question of the origin or education level of one’s parents.

We accept our social responsibility and are committed to socially relevant issues. Basically, there are two pillars in this area:

(i) Corporate Volunteering with “matching” by the Bank via financial support to the organizations and
(ii) Donations with “matching” by the Bank.

Corporate Volunteering

At BAWAG Group, we understand that our responsibility to society extends beyond financial contributions, and we recognize the invaluable impact of human capital. To encourage and amplify the positive influence of our dedicated employees, we are committed to extending the number of corporate volunteering hours on a regular basis. Our team members have the flexibility to choose the number of hours they wish to dedicate to serving the greater good, participating in a range of community-focused activities aligned with our social engagement pillars. This initiative not only empowers our employees to actively contribute to the causes they are passionate about but also strengthens our collective commitment to making a meaningful difference in the communities we serve. By fostering a culture of volunteerism, we aim to harness the diverse skills and talents of our staff to address societal challenges and create lasting positive change.

We focus on community involvement and collaboration with NGOs, actively engaging with stakeholders, including employees, clients, and community leaders, to incorporate their feedback and ensure our social engagement efforts remain relevant and impactful. As a bank, we are fully committed to offering employees a broad variety of opportunities for corporate volunteerism. Employees can use a couple of working days per year to volunteer for charitable organizations and projects without having to take vacation days. Furthermore, the Bank supports these organizations with donations.

Serving people in need

Samariterbund Wien

In November 2022, the "Suppentopf" project of the Samariterbund Vienna was launched. BAWAG started to contribute to regular kitchen soup drives in January 2023 by corporate volunteering and donations. Teams of (on average) up to 6 participants cooked together for a good cause and handed out food to those in need – hot meals were distributed to people affected by poverty in Samariterbund's social markets, homeless and refugee facilities. The food is cooked in a fully equipped gastro kitchen in the 20th district of Vienna and the hot meals are served together after cooking. The soup kitchen thus creates a place that satisfies hunger - and is also a place of encounter and cohesion. Planning, purchasing and logistics are handled by the Samariterbund Wien. During 2023, a total of 87 BAWAG teams participated, with a total of 442 participants – people in need were served with more than 25,000 meals. BAWAG also supported the Samariterbund with additional measures.

Haus Jaro

Haus Jaro provides accommodation for homeless women and men who are not covered by health insurance and who require all-day accommodation after medical treatment and/or during the recovery process. A group of 2023 year's trainees organized a barbecue for the ~70 residents of Haus Jaro.

Financial Education

We collaborate with educational institutions, non-profits, and community organizations to develop and implement financial education programs for diverse demographics. We actively promote financial literacy through workshops, seminars, and online resources to empower individuals with the knowledge needed for sound financial decision-making. We work on establishing scholarship programs to support students from low-income backgrounds in pursuing higher education.

We collaborate with educational institutions to enhance access to quality education.

Kinderuni

Furthermore, BAWAG intensified its social commitment to financial education with the Children's Office at the University of Vienna. The Children's Office at the University of Vienna brings together children from all social backgrounds and motivates them to be curious throughout their lives. In doing so, it conveys a very important message to the next generation, which is also close to our heart as a bank: Education is the best investment for the future! Education helps people to make self-determined decisions and also has a positive influence on the way they handle money, for example. As a bank, it is important to us to support outstanding projects in the field of education.

A couple of milestones were achieved in 2023: Following up on the volunteer day in December 2021 where numerous colleagues participated in a virtual CoCreation Workshop dedicated to building the foundation for developing financial workshops for children, the next corporate volunteering day took place in April 2022. The representatives of Kinderuni facilitated a workshop in which our employees contributed their time and knowledge during a couple of brainstorming sessions (e.g. answering children's questions, giving feedback on ideas for workshop sequences etc.). The results of this workshop formed the basis for the development of lectures that were kicked off at KinderUni in June 2022 and have been held on a regular basis ever since. During the workshops (~3 hours each), volunteers accompany the different workshop methods and serve as banking experts, mainly focusing on answering the children's questions during the "Special Guest" part of the program. Their experience as someone who deals with money on a daily basis has been in demand, and practical insights into working life have been a very valuable contribution for the students. A couple of workshops were held in which BAWAG employees participated as well during the course of 2023. In December 2023, BAWAG participated in the first virtual workshops, which are targeted at extending the outreach to children. Regarding demographics, children participating are – on average – between 8 and 10 years old.

2023 BAWAG sponsored – for the fourth time – “one day-tickets” transportation and supervision of a group of children during the Vienna Children's University in July 2023. This time, a group of 15 refugee children from Ukraine was supported who spent an entire week developing and presenting a fantastic program on the topic of climate and the future.

Furthermore, BAWAG is committed to supporting a new project where BAWAG will support in 2024: Kinderuni – First Generation Program Target is to support 180 teenagers on their way to the Matura (A level exam) who are the first one in their families making it to Matura level in Austria which will allow them to continue their education and access university or to start their professional career (“First Generation”). These are typically teenagers from underserved communities and refugee families. For this group, the way to university is presumably harder as they often lack support, knowledge or experience within their families on how to tackle the challenges to graduate from school. Support for these teenagers will be multifold: By way of private tutoring, coaching, supporting with their readings & presentations, providing them with dedicated space for studying and providing them insights to the working atmosphere so that they get motivated to follow the educational path towards university.

<u>Three Coins</u>

To promote the development of financial literacy at an early age, BAWAG continued to use a financial quiz for children aged 6 and older to help them get started in their financial lives that was developed by Three Coins in 2020: Each child can complete the Safe&Cool check on the BAWAG website free of charge, either independently or together with their parents. The check with its ten questions teaches the fundamentals of sensible consumption and saving, and also how to handle personal bank data safely. The check is also designed as an introductory quiz for all Safe&Cool allowance accounts at BAWAG, in order to establish a foundation for the safe handling of money in the digital world.

<u>Volkshilfe Tirol</u>

Support of clients of Volkshilfe Tirol (people in need) regarding financial education: BAWAG advisors supported Volkshilfe Tirol clients in "dealing with money" and coach individuals and families at risk of poverty either in individual coaching sessions or in presentations. Coaching for women focuses on the topic of "self-empowerment", from managing one's own money to handling an account. For young people at risk of poverty, the main focus is on comparing income and expenditure. The consultations take place in various Volkshilfe offices in Innsbruck and Wörgl.

Ocean Blue

BAWAG is also committed to participate in and to support initiatives aimed at cleaning oceans and preserving marine ecosystems. In 2023, BAWAG continued its support for Ocean Blue. The organization offers companies the opportunity to make their individual contribution to conserving and cleaning the oceans, BAWAG offers its employees the opportunity to participate in BAWAG Community Days, dedicated to corporate volunteering and saving the environment. Partnering with Oceanblue, an organization offering companies the opportunity to make their individual contribution to conserving and cleaning the oceans, BAWAG offered its employees the opportunity to participate in two BAWAG Community Days, dedicated to corporate volunteering and saving the environment. In June 2023, 95 employees participated in the BAWAG Community Day to make a meaningful contribution to a better and healthier environment. The participants formed groups and were equipped with the appropriate tools – gloves, dip nets, grabbers and garbage bags – to clear the banks of the Danube side waters and the green areas in the Floridsdorf water park. The collected garbage weighed 260 kg. In October 2023, 64 employees made a contribution to a better and healthier environment. This time, the BAWAG Beach Cleaning day took place on Danube Island. The participants cleared the section between the Reichsbrücke and Brigittenauer Brücke bridges, resulting in a haul of about 220 kg of garbage.

Donations

Our commitment should bring benefits and added value to people. We regularly donate to initiatives and social projects as a company. In 2023, we increased the amount of our donations. To further develop our community outreach programs in 2023, the Management Board and Extended Management Board collectively donated € 1 million to fund the various social programs BAWAG is supporting. Furthermore, donations were made by employees and contributions were made by the Bank.

Donations to Communities and Disaster Relief

In line with our commitment to social responsibility, BAWAG Group recognizes the importance of direct contributions to communities and rapid response during catastrophic events. We allocate a portion of our resources to charitable donations aimed at addressing the immediate needs of communities facing economic hardships. Additionally, we pledge to provide swift financial support in the aftermath of natural disasters such as floods, earthquakes, or other crises. This commitment involves collaborating with reputable humanitarian organizations and disaster relief agencies to ensure that our donations are strategically deployed to provide timely assistance, aiding in the recovery and rebuilding efforts of affected regions.

Our dedication to supporting communities during both regular economic challenges and unforeseen disasters underscores our holistic approach to social engagement.

SDG 4 Examples & type of activity:

- Floods in Corinthia/Styria: € 80,000
- Earthquake Syria/Turkey: € 100,000
- Licht ins Dunkel: BAWAG supports Licht ins Dunkel with donations which are usually allocated to the “Licht ins Dunkel” emergency aid fund and organizations with a social purpose. This is a long-standing partner of ours and the cooperation dates back to the 1970s.
- BAWAG “Wichtelchallenge”: Many families were not able to celebrate Christmas in their home country this year because they had to flee the war in Ukraine. For this reason, the Samariterbund asked children and young people of the families in care about their Christmas wishes. The result was a list of individual and personalized wishes of 90 children that employees fulfilled. The children’s and young people’s wishes included toys, sports equipment and vouchers for clothing, winter shoes, etc.
- Mödling Women's Shelter: BAWAG provided bedding and linens to provide more comfort and support to the shelter's residents.Social institutions such as the Mödling Women's Shelter play a crucial role in our society by offering

protection and refuge to women and children who have been victims of domestic violence. They create a safe environment in which those affected can recover and rebuild and restructure their lives. However, such facilities often face financial challenges as public support is limited and the demand for their services is constantly increasing.

- CARITAS: In Q2 2023, old clothes were collected at ICON and in the Vienna branches Simmering, Pilgramgasse and Wipplingerstraße. The clothes (345 kilograms) were handed over to the Caritas facility "Garderob 137" in Landstraßer Hauptstraße, where they were distributed free of charge to people in need.

Corporate volunteering

Table: Corporate volunteering (hours)

Name of organization	# hours 2023
Samariterbund Wien	2,652
Ocean Blue	954
Kinderuni	29
Other (Haus Jaro/CARITAS)	77.0
TOTAL	3,712

SDG 1 BAWAG has been the main bank of numerous charitable organizations in Austria for decades.

HUMAN RESOURCES: EMPLOYEE PROMOTION AND DEVELOPMENT, DIVERSITY AND EQUAL OPPORTUNITY

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Our employees are the foundation for delivering on our strategy and building the BAWAG Group of tomorrow. Technology has not only changed customer behavior, but also the way we work together. Besides the traditional banking expertise, the capabilities and skillset of financial institutions' employees have been and will continue to be enhanced to adapt to these changes. Attracting, developing and retaining excellent employees is key and therefore our responsibility is to create a working environment where people are given the space for their development. An active equality policy and the promotion of diversity among employees are synonymous with being a modern employer and a customer-oriented company.

Our culture and values are defined by accountability, humility and embracing change. We value leaders who are dynamic, lead with uncompromising integrity, have a strong work ethic and do not shy away from taking hard decisions. Our Senior Leadership Team, which has led our transformation over the past decade, have an average of 14 years of working experience at BAWAG. We do our best to maintain a simple Group structure and flat organization. We encourage all team members to focus on the work at hand, cut out the noise and always challenge the status quo for the betterment of the team.

We believe our diversity, inclusivity and meritocratic culture are a real source of strength. We are fully committed to gender equality and diversity. Our diversity and gender equality will be a byproduct of merit, integrity and work ethic. Our greatest asset is our human capital, so we are focused on developing and mentoring our team members across the ranks.

At BAWAG Group, people from 53 nations, from all age groups, with different sexual orientations, with limitations and in different faiths, work together every day. Diversity and equal opportunity for all employees are key success factors for the Group and are the responsibility of the management, implemented operationally by Human Resources and put into practice by all managers and employees of the company. All BAWAG Group employees, whether full-time or part-time, are to be treated equally and fairly. BAWAG Group does not tolerate any discrimination based on age, gender, disability, sexual orientation, origin or religion. BAWAG Group also firmly rejects any form of bullying, sexual harassment, threats and violence.

We support our employees in developing their talents and skills at different levels of their career. While offering specific programs, we also provide a wide range of training opportunities to help develop their personal as well as professional skills.

PROMOTING DIVERSITY AND EQUAL OPPORTUNITY

ESG targets

Promoting and embracing a true culture of meritocracy enables us to attract, develop and motivate our team members, which underpins our success. Most importantly, our meritocracy allows us to guard against complacency. In 2021, we embedded HR-related ESG targets into our operating plans: In terms of diversity, we have established a female gender quota of 33%, for both the Supervisory Board as well as the Senior Leadership Team, by 2025. The Supervisory Board's female quota is at 44% already today.

Attracting and retaining the right mix of employees is challenging. We have made great progress over the last few years with the initiatives set. One key aspect of our women's promotion plan has been to encourage women to participate in personnel development programs. We encourage women to take on leadership roles, in full time or part time and in particular after maternity leave that they come back in a leadership role.

Women's Advancement Plan

The Women's Advancement Plan, which has been in place since 2012, serves as a binding framework for promoting equality and ensuring equal opportunity for women and men in the company. The plan is based on four principles and concrete measures: sensitization, equal career opportunities, financial equality and promoting a better work-life balance for women and men.

Women's Initiative

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The BAWAG Women's Initiative is a network of female experts and female managers from all areas of the Bank supported by the Management Board of BAWAG Group. The goal of the initiative is to promote equality for women in BAWAG Group in the form of achieving career goals in management or expert positions, monetary equality and the compatibility of family and career.

Women's Mentoring Program

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The Women's Mentoring Program is aimed at female employees who would like to benefit from internal or external top managers from the business world as mentees and broaden their horizons. The goal of the Women's Mentoring Program is to give female employees the opportunity to deal intensively with the topic of women and careers, to have an in-depth personal exchange with their mentors and to build a network within the Bank. In this program, top executives from BAWAG Group make themselves available to the female mentors to share their experience in joint discussions and to provide advice to the mentees.

During the mentoring year, the mentees are offered professional and personal development content in workshops, networking events and extensive further training as part of the BAWAG Academy. Participants have the opportunity to talk to internal experts on the topics of finance, risk and retail, as well as to exchange ideas with members of BAWAG Group's Management Board in a very personal setting during business talks. The 9th Women's Mentoring Program will be finished in Q1 2024.

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DIVERSITY FIGURES

Table: Change in the number of employees

	2023	2022
Number of employees (including Idaho First Bank)	3,173	3,305
Number of employees (excluding Idaho First Bank)	3,093	3,305
Fluctuation rate (in %)[1)]	7%	11%

1) Not including employee departures under the social plan. The calculation was performed on the basis of headcount.

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Table: Extent of employment

	2023	2022
Full-time	**2,106**	**2,364**
Female	980	1,088
Male	1,126	1,276
Part-time	**1,067**	**1,307**
Female	866	1,025
Male	201	282

Table: Type of employment relationship by gender

	2023	2022
Permanent	**3,091**	**3,213**
Female	1,799	1,852
Male	1,292	1,361
Temporary	**82**	**92**
Female	47	54
Male	35	38

Table: Type of employment relationship by country

	2023	2022
Permanent	**3,091**	**3,213**
Austria	2,605	2,784
Germany	322	359
Other	164	70
Temporary	**82**	**92**
Austria	80	84
Germany	0	6
Other	2	2

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Table: Gender breakdown (in %)

	2023	2022
Female	58%	58%
Male	42%	42%
Proportion of women in management positions	35%	35%

Note: Excluding Idaho First Bank.

Tables: Workforce/governing bodies by age group and gender[1)]

2023		Age group <30	Age group 30–50	Age group >50	Number
Male	Senior Leadership Team (SLT) (incl. Management Board) [1)]	0	50	17	67
	Employees outside the SLT	239	522	499	1,260
Total (male)		**239**	**572**	**516**	**1,327**
Female	Senior Leadership Team (SLT) (incl. Management Board) [1)]	0	19	12	31
	Employees outside the SLT	379	877	559	1,815
Total (female)		**379**	**896**	**571**	**1,846**
Total		**618**	**1,468**	**1,087**	**3,173**

2022		Age group <30	Age group 30–50	Age group >50	Number
Male	Senior Leadership Team (SLT) (incl. Management Board) [1)]	0	50	13	63
	Employees outside the SLT	233	551	552	1,336
Total (male)		**233**	**601**	**565**	**1,399**
Female	Senior Leadership Team (SLT) (incl. Management Board) [1)]	0	15	10	25
	Employees outside the SLT	414	876	591	1,881
Total (female)		**414**	**891**	**601**	**1,906**
Total		**647**	**1,492**	**1,166**	**3,305**

1) We reconstituted our Senior Leadership Team (SLT), which is currently made up of 98 team members, including our core markets (DACH, Western Europe and the US). 2023 Numbers including Idaho First Bank.

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	2023	2022
Supervisory Board (number of members)	9	9
thereof male	5	5
thereof female	4	4

	2023	2022
Supervisory Board by age group	9	9
30-50	1	2
>50	8	7

RECRUITING

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WEP 2

BAWAG Group stands for equal opportunity and diversity. All employees of BAWAG Group, whether in full-time or part-time employment, shall be treated fairly and equally, regardless of age, gender, disability, sexual orientation, origin (national and ethnic), religion or belief.

As multipliers, our recruiters have transferred this knowledge to the managers of BAWAG Group in the introductory workshops on the recruiting tool. BAWAG Group's recruiting workflow tool is successfully in use and continues to support the recruiting process.

Applicants are approached on a wide variety of platforms and recruiting events, such as job fairs at universities, job postings on international job portals and self-organized BAWAG recruiting events for students such as the BAWAG Reception. In addition to traditional job postings, we offer special programs for students to gain their first work experience and to have a talent pipline from young professionals. In order to get the best experts worldwide, we support applicants in obtaining a work visa and a residence permit. The recruiting policy defines key principles and rules of the internal and external recruiting process and is aligned with the strategic and cost-related corporate objectives. BAWAG Group generally promotes open-ended employment relationships. Leasing personnel are only taken on in exceptional cases.

404-2 EMPLOYEE DEVELOPMENT

Programs for new hires

Come & Learn internship
BAWAG Group offers students interesting insights into professional life in up to six-month internships. Interns can further develop the knowledge they have acquired during their studies. They actively work on bank-specific projects and tasks and not only gain valuable practical experience in various specialist areas, but also learn about the Bank's processes. Internships at BAWAG Group offer ideal entry-level opportunities for a successful career at the company.

Trainee program
The trainee program is targeted at university graduates. As part of the one-year program, trainees gain comprehensive insight into the company supported by job rotations, work on bank-related projects and can build up an initial internal network. In addition, they receive in-depth training in their assigned area and within the scope of the BAWAG Academy and can continuously expand their capabilities.

Programs for existing employees

Promoting talents, (new) leaders and experts is a key pillar of our people development strategy at BAWAG Group. When selecting program participants and specific training opportunities for employees, a balanced ratio of women and men is considered. When assessing and creating individual development programs for employees, we partner with external educational institutions to develop or deliver joint training programs for our staff. The leadership training for new managers is carried out as soon as there is a corresponding number of participants.: It supports new leaders in their tasks and provides answers to daily professional challenges within the framework of the program, such as teamwork and leading in remote working situations. As preparation for the program, the PCM (Process Communication Model) methodology is used, with the help of an online-based analysis that describes human personality and communication behavior. A new cohort has already started in Q4 2023.

Targeted, Group-specific use of the wide range of online training courses offered by the GoodHabitz learning platform has been a major success. These trainings courses promote continuing education for every employee across the entire Group.

With over 100 online training courses, this tool enables employees to develop a wide range of personal, leadership, teamwork and technical skills.

The focus continues to be on expanding social, professional and methodological skills. The BAWAG Academy (founded in 2020) consisting of webinars, impulse lectures and livetraining courses, offers enhancement of professional bank wide knowledge: The competences of our own experts are passed on to employees in a structured manner, thus actively stimulating knowledge transfer. Experienced executives and management teams are supported through individual (management) coaching and strategic team workshops to meet specific needs. A training academy (BAWAG Academy Technical Training) for all data analyst trainees was again executed successfully in fall 2023, broadening new content (Python & Data Stack Training, Data Scientist Training with focus on predictive models, data pipelines and model lifecycle management). The BAWAG Academy also provides in-depth internal hands-on training (e.g. banking expertise, technical and programming skills). Each webinar lasted between 1.5 to 3 hours.

Succession planning

BAWAG Group is proud to be an organization that makes promotions based on merit. Employees' potential, career progression and the corresponding promotion opportunities are determined based on talent, ambition and performance. Career opportunities and career paths are defined in line with strategic succession planning. A Group-wide leadership goal for the senior leadership team made leadership development, succession planning, talent development and talent improvement a top priority of leadership. Therefore, an integrated strategic workforce plan is in place: One part of an integrated bundle of measures is related to our recruiting strategy: In 2023, 55% of new hires were female. Furthermore, all of our training and development programs are assessed and re-calibrated on a regular basis.

The Extended Management Board has been in place since 2019 to provide senior managers with a broader platform for strategic discussions and know-how transfer with the Management Board.

BAWAG provides transition assistance programs to facilitate continued employability and the management of career endings resulting from retirement or termination of employment. Examples are flexible agreements to reduce working hours (e.g. higher age) and partial retirement. When contracts are terminated, BAWAG offers support in case there is a need for retraining after termination (e.g. programs for further education like WAFF).

Growth Academy for sales managers

A one-year course, the Growth Academy, was created for both potential future managers and sales experts. The objective is to strengthen communication and cooperation across the team on the one hand, and to develop numerous predetermined social and sales skills in cooperation with external and internal trainer on the other. The involvement of the management of retail sales and the top management of the Bank also ensures that theory and practice are closely synchronized. Furthermore, this also gives sales employees the opportunity to actively exchange ideas with top management.

WEP 1

Leadership development for sales managers – Leader's Choice

In order to provide existing managers with the best possible training, various influencing factors are taken into account. Varied role profiles in sales, differentiated requirements and the strategic orientation of branch sales must be considered. Additionally, input from the results of potential analyses, current performance and sales surveys are required inputs. The aim is to offer sales managers a diverse and tailored range of courses in personal development, leadership and specialist topics to give them the tools they need to lead their teams to success. As the title also describes, topics for leadership and personality development are offered as elective modules. In selecting the topics, the wishes and suggestions of the sales executives as well as trends in the banking industry were taken into account. Each manager will find the optimal training measures for him or her in order to be well equipped for day-to-day management.

Training for all employees: Tailor-made approaches to mitigate retention risks

In general, training measures are accessible to all employees (full-time or part-time) of the entire Group. During feedback process, specific areas for the further development of employees can be identified and corresponding measures can be agreed. The executed training measures vary between a tailor-made concept (e.g. individual coaching), broadening of bank know-how (e.g. job-specific development) and individual development programs, especially targeted at talents and high performers. FS 4

The onboarding pages are continuously reviewed and revised and are posted on the Bank's intranet to serve as support for new employees during their first days at BAWAG Group. In the first few weeks, employees get to know the Bank through mandatory self-learning programs (see the Ethics and integrity section) and individual training sessions in their teams. The increasing significance of sustainability issues is a topic of high importance for us: ESG Officers steer projects and processes as a decentralized body. Example: After a first step in which risk officers attended a special workshop on ESG risk management with an external expert, particularly ESG risks, instruments and methods as well as related challenges were discussed. In a second step, all employees received an overview of sustainability topics in a mandatory self-learning program. In a third step, all employees in the Retail and Business Customers division, employees who offer securities advice, employees in the Corporate Banking division and employees in the Risk division were given in-depth training on the topics of sustainable business and ESG and their application in day-to-day business in a mandatory self-learning program in 2021.

With these measures, BAWAG Group is pursuing the goal of creating company-wide awareness of sustainability, promoting product innovations in the long term and integrating ESG considerations into the Bank's business processes. In addition to self-learning programs and training offered by BAWAG Group, employees also have the opportunity to develop their professional skills through external training and workshops. The specific requirements and prerequisites are determined in regular personal discussions with the direct supervisor. The content and scope of training is tailored to the needs of our employees and the business requirements. BAWAG Group also supports specific training needs (e.g. CFA, MBA, external training) through additional study time, reimbursement of costs or annual membership coverage (e.g. CEFA, CRM, CIIA, CISSP, CISA). BAWAG Group supports employees in Austria in their professional reorientation through a work foundation in cooperation with WAFF. The work foundation helps employees plan their return to work, provides for financial security during this time and arranges training and further education as well as internships. If desired, the work foundation also provides support in the active search for a job.

Table: Training days by gender

404-1

2023	Total days	Average days	Hours
Female	4,530	3.0	36,238
Male	4,264	3.6	34,111
Total	**8,794**	**3.2**	**70,349**

2022	Total days	Average days	Hours
Female	5,949	4.3	47,592
Male	5,692	5.3	45,536
Total	**11,641**	**4.8**	**93,128**

Tables: Training days by position

2023[1)]	Total days	Average days	Hours
Managers			
Female	443	3.5	3,542
Male	914	3.7	7,314
Sales employees			
Female	2,430	6.9	19,441
Male	2,006	9.1	16,044
Employees in central functions			
Female	1,657	1.6	13,255
Male	1,344	1.9	10,753

2022[1)]	Total days	Average days	Hours
Managers			
Female	663	6.0	5,304
Male	971	5.0	7,768
Sales employees			
Female	2,609	8.6	20,872
Male	2,491	11.1	19,928
Employees in central functions			
Female	2,677	2.8	21,416
Male	2,230	3.4	17,840

1) A training day is defined as eight hours, 2023 data excluding Idaho First Bank

Special training for headquarters employees

New employees start their banking career with a “welcome day” workshop and a follow up workshop shortly after. These workshops provide initial insights into the Bank and its strategy, followed by presentations related to risk management, information security and internal audit. In addition, the risk department is presented to all new employees, with a focus on the risk strategy and risk governance. New hires also receive insights on the Group Data Warehouse and the importance of data for our operations. In the presentation on information security, practical examples are used to sensitize new employees and to share guidelines and advice on individual precautionary measures.

Special training for sales staff

Sales Camp: training new sales employees

New employees start off their branch assignment with a welcome day. The sales staff then start their basic training, the Sales Camp. All new employees are supported and guided by their own supervisor. In the Sales Camp, new branch employees go through versatile training modules – technical knowledge and personal skills (such as sales training) are taught. BAWAG takes the blended learning approach into account when training its employees, i.e., versatile and varied training approaches. In addition to classroom training, there are numerous online training courses, with (mandatory) self-study programs (SLPs) that employees work through independently – completed between training sessions and practice days.

Professional development in sales

After the Sales Camp, employees can continue their professional training in securities or housing loans. For both specializations, the training courses are structured similarly and consist of four modules: preparation tasks, training, follow-up tasks and examination/certification.

After the training, we offer employees the chance to take part in a workshop. This allows them to discuss their initial experiences, clarify any questions and consolidate the knowledge they have gained. We also employ a mentoring system: Every new employee is assigned to an experienced mentor. Several self-learning programs as well as online and face-to-face training are available for all sales staff to keep their knowledge up-to-date while meeting the legal further training requirements.

Competencies and sales training

Special topics are offered annually for the further development of competencies, customer orientation or sales techniques – depending on the current strategy and focus. The training methods are varied and range from on-the-job training in the branches to online courses and classroom training over several days. At Südwestbank, employees have the opportunity to complete internal and external seminars on a variety of topics such as personality training, technical training and specialist and sales seminars. Satisfaction with the respective training measure is evaluated after the sessions. Südwestbank attaches great importance to needs-oriented personnel development. The Personnel Development department plans measures for the personal and professional development of employees in close coordination with management and the department heads. In addition to internal Bank opportunities for further training, there are also external courses and bachelor's and master's programs in which Südwestbank participates through targeted support measures.

Branch coaching

To support sales employees regarding branch-specific individual challenges, topic-specific coaching tailored to the respective needs has been offered by professionally trained internal trainers on-site in the branches.

EMPLOYEE EXPERIENCE

WEP 2

Flexible work

At BAWAG Group, there are many benefits available that are accessible to full- and part-time employees, across all entities and countries. Working in a flexible environment with hybrid teams will remain an important pillar of the culture at BAWAG Group in the future. The experience of the past two years has shown that working flexibly from different locations works well for many areas and brings benefits for employees and the Bank. A survey conducted in 2022 showed that the majority of our employees would like to continue using flexible working. BAWAG Group has worked with the BAWAG Works Council to develop appropriate regulations and recommendations. The respective flex-office guide for employees and managers is still in use and is part of the new leaders' program, for example.

In most organizational units, variable working hours with defined function times apply. Individual time models can be agreed upon, including a reduced daily working time or an aggregate number of hours during a certain number of days per week. We offer a variety of models and options for employees who wish to take time off from work or reduce their working hours due to personal commitments. These include:

- Educational leave for 2–12 months
- Part-time work for education for 4–24 months
- Sabbatical: a combination of a savings phase in which the employee receives only a portion of the usual monthly salary, and a time-off phase
- Part-time reintegration: reintegration on a part-time basis after a long period of sick leave for an agreed period of 1–6 months, with the additional option of extending for three months.
- Family hospice leave for three months with extension options and special conditions for seriously ill children
- Caregiver leave for one week per year, a second week for the necessary care of a sick child under 12 years of age
- Nursing leave/part-time care leave for 1–3 months
- Flex-office – flexible working locations

Working in a flexible environment with hybrid teams will remain an important pillar of the culture at BAWAG Group. The experience of the past few months has shown that working flexibly from different locations functions well for many areas and brings benefits for employees and the Bank.

Balance between work and family

SDG 4
SDG 5
WEP 2
WEP 3

BAWAG Group works continuously to offer its employees a flexible and family-friendly working environment. As a responsible employer, it is important to BAWAG Group that the various phases of its employees' lives can be reconciled with their work, their families and their free time. At the employee's request, BAWAG Group in Austria offers the option of remaining in marginal employment during parental leave. This model is intended to make it easier for those on parental leave to return to work. The Group also offers employees flexible working hours and part-time models after paternal leave. Depending on the management position, this option is also offered to executives. Human Resources supports them in agreeing individual part-time models, clearly defined structures and responsibilities.

Table: Parental part-time work

Note: excluding Idaho First Bank	2023	2022
Total number of employees who took parental leave in the reporting period	**244**	**261**
Female	223	230
401-3 Male	21	31
Total number of employees who returned to work after taking parental leave in the reporting period	**78**	**84**
Female	67	67
Male	11	17
Total number of employees who returned after parental leave and were still employed 12 months later	**74**	**86**
Female	62	72
Male	12	14
Return rate		
Female	84%	92%
Male	73%	85%
Retention rate		
Female	94%	91%
Male	71%	82%

Certification
In 2013, BAWAG committed itself to the compatibility of work and family as part of a structured auditing process and received certification as a family-friendly company, which is valid for three years. BAWAG most recently received the certificate in 2020 and this is still valid. At the same time, we also participated in the new “Home Office/Mobile Working” certification for the first time and successfully received this certificate. The application for re-auditing was submitted at the end of 2023, thus starting the new process for the next 3 years.

Dad month and special leave days
We are pleased to support fathers at BAWAG in taking parental leave or taking advantage of the so-called dad month. Since 2014, all fathers at BAWAG have also received two additional special leave days immediately after the birth of their child on top of the two special leave days to which they are entitled under the collective agreement. This gives fathers an additional four days to spend with their family.

Company day care center at central location
BAWAG Group offers childcare at the company day care center at the central location (headquarter) in Vienna. Part-time employees, single parents and employees with special working time arrangements are given priority in the allocation of open slots.

Support for the care of family members

BAWAG Group offers employees the opportunity to provide emergency care and/or elderly care. The access is given upon request and dealt with on the basis of special situations. Since 1 January 2014, it has been possible to take caregiver leave or part-time caregiver leave after prior agreement with the respective manager. Employees can take care leave for one month up to a maximum of three months or reduce the working hours to a minimum of ten hours per week. The entire process is handled by the Federal Ministry of Social Affairs. Since 1st January, 2020 there is also a legally entitled care leave/part-time care leave for up to a maximum of four weeks.

Information event for expectant parents and welcome back event

All expectant mothers and fathers at BAWAG Group are invited to online information events held twice a year on the topic of parental leave management and re-entry into the Bank. Since 2009, Human Resources and the Works Council have organized a welcome back event which allows a smooth transition for employees returning from parental leave.

2-25 Communications

Information is disseminated to employees via communication platforms. A special SharePoint platform has been implemented to cover the additional information requirements in sales. In 2023, town hall meetings with the Management Board were held online and offline. All employees were invited to participate in these events. Management Board members also used this form of online meetings to pass on updates and important information directly to their teams.

BAWAG Employee Survey 2023 – "Voice of the Employees"

In Q4 2023 we rolled out our group-wide employee survey. The aim of the employee survey was to collect feedback from employees regarding BAWAG Group as an employer, measure employee satisfaction, and identify areas for improvement. The employee survey was developed together with an external consultant who ensured that the survey was conducted in an anonymous and confidential manner.

Over 71% (~2,000 employees) of our employee base across all jurisdictions participated in the employee survey, with an employee satisfaction rate of ~75% of the respondents. In Q1 2024 the results will be further analyzed and presented to our employees. This will be accompanied with tangible actions which will be defined and prioritized to address areas for improvement and to enhance measurable progress in such areas. More information on our employee survey will follow in further disclosures during 2024.

Grievances

BAWAG Group promotes open dialogue between managers and employees. Employees can address concerns or complaints directly to their supervisor. Human Resources follows a structured procedure to investigate justified complaints and takes appropriate action when an employee grievance is substantiated. Further details on grievance procedures can be found in BAWAG's Grievance Procedure Principles, which are published on our ESG website (https://www.bawaggroup.com/BAWAGGROUP/IR/EN/ESG).

Occupational Health and Safety

403-1 BAWAG has a comprehensive management system for occupational health and safety that applies to all employees of
403-2 BAWAG Group. The internal requirements are derived, among other things, from external guidelines and laws, such as the
403-3 EBA Guideline, ASchG, OIB guidelines and construction notices. The implementation of and compliance with the guidelines
403-4 are regularly checked by internal inspections and audits. BAWAG's safety manual summarizes key aspects of this - these
403-5 include the following topics: Dealing with environmental hazards, fire protection regulations, conduct in hazardous
403-6 situations, security technology in branches, access regulations for office buildings, house rules and key management.
403-7 BAWAG's preventive specialists advise the employer, employees and the Works Council on workplace design based on the
403-8 applicable legal provisions. As part of this activity, workplace inspections are carried out at BAWAG's branches and office
buildings in cooperation with occupational health specialists. One measure involves information and instruction regarding
ergonomic computer workstations.

A separate Security group deals with the topic of physical security. The aim is to ensure the highest possible level of safety in the company through mutual exchange with employees and technical solutions. The potential options for how employees can report work-related hazards and dangerous situations are set out in the various work manuals. In addition to the safety manual, there are various work instructions that regulate, for example, how to deal with fire-hazardous activities, controls safety technology and how to deal with dangerous threats. In addition, there is a telephone contact facility at BAWAG's security center that employees can turn to at any time if such situations arise. The handling of emergencies are also clearly regulated, as are the handling of first aid and the topic of fire protection. In addition to the work manuals, a separate section on the topic has been set up on the intranet. Employees do not have to fear reprisals if they report work-related hazards or dangerous situations – this is laid down by general employee protection and internal processes.

The prevention of work-related psychological stress is carried out for each subsidiary or department in the form of an online survey by the external occupational psychologist from the occupational health service. The services offered by BAWAG Group are available to all employees (both part-time and full-time employees are entitled to them). All employees are covered by the measures. The framework conditions are presented comprehensively on the intranet. Employees can find everything they need to know about bank security, employee protection, information security and cybersecurity, and business continuity management. Physical security includes access regulations, training and manuals for different situations and contact situations. In the area of employee protection, employees will find comprehensive information on occupational medicine, occupational psychology, computer workstations, first aid and other topics.

Business continuity management (BCM) is the establishment and ongoing maintenance and development of an effective emergency and crisis management system. Due to legal regulations (§39 of the Austrian Banking Act – duty of care) and a Management Board mandate, BCM must be provided for all areas. The aim is to ensure that important business processes are not interrupted, or only temporarily interrupted, in critical situations and in emergencies, and to safeguard the economic existence of the company despite loss events.

To raise awareness, the mandatory self-learning program Employee Protection was offered in 2022. The content included additions to the existing SLPs Display Screen Workplace and SLP Fire Protection: employee protection at BAWAG Group, safety and health protection, protection of use, working materials, safety data sheet, safety and health protection labeling, personal protective equipment, dangers in the office, work design and employees' duties.

Occupational health services

Occupational medicine is a preventive discipline within the framework of employee protection, which deals with the relationship between work-related influencing factors and the health of employees. It influences the design of the workplace and work processes in order to improve working conditions and prevent health hazards. The tasks of occupational medicine include: ergonomic consultations, workplace inspections, work environment (room climate, noise), advice on the selection of new work equipment, reintegration after long periods of sick leave, advice on physical and mental impairments, individual consultations by appointment, eye tests, organization of first aid, non-smoker protection, maternity protection evaluation and advice, cooperation with occupational psychologists, safety specialists and safety confidants, advice and support for the employer and the Works Council. Information on this is transparently accessible on the intranet. The services of the company coordination include: occupational medical examinations and assessments, treatment of acute illnesses, vaccinations, medical first aid and physical therapy. It is possible to take advantage of a free annual preventive medical check-up from the age of 19. Employees can also obtain all the information they need about the reimbursement of therapy costs (subsidies for psychotherapeutic treatment) at the company office.

In addition to occupational medicine, employees can also regularly contact the occupational psychology department of the AMD (Occupational Medicine Service), which offers a wide range of services for employees and managers of BAWAG Group on a variety of issues. In addition to dealing with topics related to workplace health promotion and evaluating workplaces for psychological stress, the occupational psychologists continue to offer regular occupational and health psychology consultation hours. The appointments can be made individually and take place either directly on-site at the company office or digitally or by telephone. During these personal consultations (confidentiality is mandatory!), topics such as dealing with stressful working conditions and conflicts, sleep problems, ways of coping with stress, and the promotion of relaxation can be addressed and worked on. On the one hand, the occupational psychologists try to provide orientation, point out new perspectives and, if necessary, further points of contact, and on the other hand, existing resources and health skills are to be strengthened. In addition, extensive information on nutrition and exercise tips as well as relaxation exercises is available on the intranet.

Employee participation, consultation and communication on occupational health and safety

BAWAG's preventive specialists for employee protection advise the employer, employees and the Works Council on workplace design based on the applicable legal provisions. As part of this activity, workplace inspections are carried out at BAWAG's branches and office buildings in cooperation with occupational health specialists. The Occupational Safety Committee (ASA) meets at least once a year: Participants include employees/preventive specialists and safety experts from the Bank, decision-makers from EF, HR, the Works Council, occupational physicians, occupational psychologists and safety officers from the Bank. All topics and measures relevant in this context are evaluated here in retrospect for the past year and looking ahead to the coming year, requirements are checked, focal points are defined and measures are discussed.

All employees are covered by the measures. The framework conditions are comprehensively presented on the intranet: In this area, employees can find everything about bank security, employee protection, information security and cybersecurity, and BCM.

Employee training on occupational safety and health protection

Regular training sessions on occupational health and safety are held – either in the form of on-site seminars or as part of self-learning programs, such as the Employee Protection self-learning program, which was primarily aimed at raising awareness about how to deal with dangerous situations in the workplace. In addition, first aid courses were held in 2022 to ensure that sufficient first aiders are available. Participants each completed half of the required training hours online and then attended a practical day at ICON. Six first aid courses were held at ICON, with a total of 97 employees attending. In addition, training courses for safety officers and fire safety officers were again held in 2022 on behalf of EF. The training courses were held in cooperation with an external consultant.

Promoting employee health

In 2023, the focus has been continued on eye examinations in accordance with the Display Screen Equipment Ordinance by the occupational physicians of the AMD/Occupational Medical Service (medical history, eye test, advice on display screen glasses, information on eye [muscle] relaxation exercises, advice on working in a home office). In addition,new webinars were offered on the topic of "Eye health when working with computer screens".

The measures also include inspections and advice for employees at ICON on ergonomics in the workplace. Health talks on topics such as ergonomics in the home office, mental, psychological and social challenges, and back health at computer workstations are also taken into account. In connection with part-time reintegration, employees from HR draw up plans for reintegration and support. In addition, webinars were continued by occupational psychologists on the topics of “Strengthening strengths – mastering challenges positively” and the , eight-part webinar series on the topic of “Resilience” has been continued as well. In addition, broad-based information on nutrition and exercise tips as well as relaxation exercises is available on the intranet. In principle, the above-mentioned measures (despite different requirements) apply to all BAWAG Group operating sites in Austria and Germany and thus to the relevant employees. In order to avoid or mitigate potential negative effects on occupational health and safety, the continuous deployment of trained (in-house) preventive specialists (from the EF area as well as AMD occupational physicians), the safety specialists, the first-aiders, the evacuation officers and the safety confidants is ensured.

Other company social benefits

Table: Other company social benefits

401-2

in € thousand	2023	2022
Travel allowances	243	197
Pension fund contributions	8,126	7,155
Anniversary bonus payments	2,339	2,380
Allowances (especially for marriage/birth/death, WAFF)	145	295
Health insurance	187	181
Accident insurance	396	385
Subsidy for supplementary health insurance	266	150
Corporate food allowance	1,351	1,433
Company physician and health programs	124	171
Company day care center	190	185
Employee events (especially Christmas vouchers/Christmas dinner/excursions)	398	251
Subsidy for the Works Council (vaccination campaigns, vacation rooms, sports club etc.)	363	295
Total	**14,128**	**13,078**

Benefits

The benefits offered by BAWAG Group are available to all employees across all regions, both full-time and part-time. Some benefits are, in general, granted from the first day of employment, while some benefits apply only after switching to an unlimited employment relationship or fulfilling the respective waiting period.

To help alleviate the effects of high inflation on so many of our team members in an equitable manner, we rolled out two separate inflation bonuses over 2023, representing additional voluntary payments by the Group. These various programs are based on creating progressive and equitable employee benefits with employees each owning a stake in the company.

Updated Employee Benefits Program

The Management Board, Supervisory Board and Workers Council provide each team member with an opportunity to also be an owner of the company. Therefore, BAWAG Group launched two employee participation programs in 2022: In the first program – the "BAWAG Employee Participation Program 2022" – all employees received 25 BAWAG Group AG shares as recognition of their dedication and commitment, a total of 64,875 shares. Under the second program – the BAWAG Matching Program 2022 – employees received one additional BAWAG Group AG matching share for every three shares they acquired, up to a maximum value of € 2,000 of matching shares. The total number of granted matching shares was 19,427.

As is is our goal is to provide an equitable employee benefits program that works for every employee of the Group, promotes employee ownership, and increases our attractiveness as an employer, the Management Board decided to introduce a modern and equitable benefits program in 2023. The key pillars of the new employee benefits are the following:

- Direct participation in the company's success: Employees will participate more directly in BAWAG's success by way of both share programs and cash profit share participation.
- Sooner & more frequent: Modern employee benefit system that works for all employees and across all countries providing benefits to employees sooner and more frequently. The benefits not only continue to build on an annual basis, but certain benefits also accumulate in value as BAWAG continues to be successful.
- Almost everyone will receive new benefits: Harmonized program on a groupwide basis (including subsidiaries and branches), pursuant to which almost 100% of the employee base will receive new benefits. This is contrast to the prior system which provided benefits to approximately 15% of the employee base.

The framework for these changes was negotiated with the Works Council. The new model of employee benefits consists of the following three elements:

- € 1 per € 1 million net profit of BAWAG Group (annually): Annual payment of an amount which equals € 1 per € 1 million net profit of BAWAG Group.
- BAWAG Employee Participation Program – 1 share per 1 month employment: Employees "save" 1 share per each month of employment and will receive the saved amount of shares on their securities account every three years. The first premium will be paid with the July 2024 salary with reference to the results of the 2023 financial year.
- BAWAG "3+1" Matching Program: In years, in which no stocks pursuant to the BAWAG Employee Participation Program are transferred, we will offer our BAWAG "3+1" Matching Program with an investment period which will span over almost the entire year. Further, we will increase the maximum value of Matching Shares to € 3,000.

In addition to the new employee benefits introduced above, we have also decided to provide an extraordinary stock grant in September 2023 with immediate effect. In the "BAWAG Employee Participation Program 2023" – all eligible employees received 24 BAWAG Group AG shares as recognition of their dedication and commitment, a total of 56,554 shares.

Additional tables on employee promotion and development, diversity and equal opportunity

Table: Exits

401-1

Note: excluding Idaho First Bank	2023	2022
By country		
Austria	400	392
Germany	68	82
Other	9	11
By age group		
<30	130	204
30–50	166	197
>50	181	84
By gender		
Female	252	246
Male	225	239

Table: Exits

in %	2023	2022
By country		
Austria	84%	81%
Germany	14%	17%
Other	2%	2%
By age group		
<30	27%	42%
30–50	35%	41%
>50	38%	17%
By gender		
Women	53%	51%
Men	47%	49%

202-1 **Table: Ratios of standard entry level wage by gender compared to local minimum wage**

	2023	2022
Female		
Austria	1,22	1.22
Germany	1,22	1.22
Other	N/A	N/A
Male		
Austria	1,22	1.22
Germany	1,22	1.22
Other	N/A	N/A

Starting salaries for new employees are mostly above the minimum wage stipulated in the collective bargaining agreement.

Table: Ratio of basic salary of women to men 2023

405-2

2023	Ratio Average	Ratio Median	Gap Average	Gap Median
Group	**61**	**81**	**39%**	**19%**
Excl. Management Board	73	82	27%	18%
Austria (excl. MB)	**79**	**83**	**21%**	**17%**
SLT	67		33%	
Manager	83		17%	
Staff	88		12%	
Germany (excl. MB)	**75**	**76**	**25%**	**24%**
SLT	N/A		N/A	
Manager	80		20%	
Staff	79		21%	

Table: Ratio of total Remuneration of women to men 2023

2023	Ratio Average	Ratio Median	Gap Average	Gap Median
Group	**51**	**81**	**49%**	**19%**
Excl. Management Board	66	81	34%	19%
Austria (excl. MB)	**75**	**82**	**25%**	**18%**
SLT	60		40%	
Manager	80		20%	
Staff	86		14%	
Germany (excl. MB)	**70**	**73**	**30%**	**27%**
SLT	N/A		N/A	
Manager	72		28%	
Staff	75		25%	

405-2 **Table: Ratio of basic salary of women to men 2022**

2022	Ratio Average	Ratio Median	Gap Average	Gap Median
Group	**60**	**81**	**40%**	**19%**
Excl. Management Board	72	81	28%	19%
Austria (excl. MB)	**78**	**81**	**22%**	**19%**
SLT	61		39%	
Manager	82		18%	
Staff	86		14%	
Germany (excl. MB)	**72**		**28%**	
SLT	N/A		N/A	N/A
Manager	78		22%	
Staff	77		23%	

Table: Ratio of total Remuneration of women to men 2022

2022	Ratio Average	Ratio Median	Gap Average	Gap Median
Group	**49**	**79**	**51%**	**21%**
Excl. Management Board	66	80	34%	20%
Austria (excl. MB)	**74**	**81**	**26%**	**19%**
SLT	50		50%	
Manager	82		18%	
Staff	85		15%	
Germany (excl. MB)	**69**	**76**	**31%**	**24%**
SLT	N/A		N/A	N/A
Manager	73		27%	
Staff	75		25%	

The gender pay gap is a reflection of BAWAG Group's structure. The Bank has a share of ~55% female hiring, however less female representation in management functions. Therefore, BAWAG Group aims to tackle this structural issue by offering women-specific trainings, workshops as well as mentoring. In addition, we have set ourselves a target of 33% women in the Senior Leadership Team. We also set up a reporting of gender pay gap to our Management Board in 2023.

Table: New hires

401-1

Note: excluding Idaho First Bank	2023	2022
By country		
Austria	260	295
Germany	25	62
Other	22	22
By age group		
<30	179	196
30–50	110	137
>50	18	46
By gender		
Women	170	210
Men	137	169

Table: New hires

in %	2023	2022
By country		
Austria	85%	78%
Germany	8%	16%
Other	7%	6%
By age group		
<30	58%	2%
30–50	36%	36%
>50	6%	12%
By gender		
Female	55%	55%
Male	45%	45%

ENVIRONMENTAL AND CLIMATE PROTECTION

ENVIRONMENTAL FIGURES

SDG 13 **Table: Environmental indicators**[1)]

		Unit	2023	2022
	Material consumption			
	Paper use	kg	140,708	180,701
	Bank statement envelopes	Piece	3,216,291	3,547,364
302-1	**Energy consumption**			
302-2	Total electricity consumption	kWh	6,510,896	7,253,705
	Space heating			
	Gas	kWh	3,604,507	3,717,691
	District heating	kWh	3,929,038	4,456,934
	Total space heating	kWh	7,533,546	8,259,488
	District cooling[3)]	kWh	611,098	616,005
	Heating oil[4)]	kWh	-	84,863
	Fleet/mobility			
	Fleet gasoline	kWh	339,865	418,681
	Fleet diesel	kWh	952,687	1,074,144
	Fleet electric[3)]	kWh	21,647	768
	Air travel	kWh	1,489,441	1,000,259
305-1	Total energy consumption	kWh	17,437,533	18,622,282
305-2	**CO_2 emissions**[2)]			
305-3	Scope 1 – direct emissions			
	Vehicle fleet	t CO_2-e	428	480
	Space heating (gas)	t CO_2-e	903	996
	Heating oil	t CO_2-e	-	28
	Subtotal Scope 1	t CO_2-e	1,331	1,504
	Scope 2 – indirect emissions from energy purchases (market-based)			
	Electricity[5)]	t CO_2-e	6.3	0.5
	District heating/cooling[4)]	t CO_2-e	1.003	1,081
	Subtotal Scope 2	t CO_2-e	1,009	1,082
	Scope 2 – indirect emissions from energy purchases (location-based)			
	Electricity	t CO_2-e	1,878	2,070
	District heating/cooling	t CO_2-e	1,003	1,081
	Subtotal Scope 2	t CO_2-e	2,881	3,151
	Scope 3 – other indirect emissions			
	Air travel	t CO_2-e	284	182
	Subtotal Scope 3	t CO_2-e	284	182
	Total CO_2 emissions (Scope 1–3, market-based)	t CO_2-e	2,624	2,768
	Total CO_2 emissions (Scope 1–3, location-based)	t CO_2-e	4,495	4,837
302-3 305-4	Energy intensity (total energy consumption / average FTE)	kWh/FTE	6,320	7,269
	Energy intensity (total energy consumption / core revenues in €m)	kWh/€m	11,342	13,998
	GHG intensity (Scope 1-3, market based / average FTE)	t CO_2-e/FTE	0.95	0.93
	GHG intensity (Scope 1-3, market based / core revenues)	t CO_2-e/€m	1.71	2.08

1) The energy consumption data is shown on the basis of current billing information. Due to different billing periods, it is not possible to present the data as of the reporting date. Data excludes Idaho First Bank, as the acquisition was closed on November 30, 2023.

2) Minor deviations may occur due to rounding of decimal places. The calculation method of the CO_2 balance is carried out in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and for each year refers to the latest emission factors published by the Austrian and German Environment Agencies. For district cooling the same emission factor as for district heating was used.

3) Electric Car Charging: Only values of charging stations that invoice by kwH (and not by charging time) could be included.

4) For district heating, the conversion factor of location-based was used. For district cooling the same emission factor as for District heating was used.

5) Electric Car Charging: As there is no information on origin of electricity available for individual charging stations the emission factor for “Austrian electricity” was used.

MEASURES AND INITIATIVES

Even though the environmental impact caused directly by banks is very limited, BAWAG Group is aware of its indirect responsibility and pays attention to the environmental hazards that may arise from its financing business. We aim to minimize impacts on the environment with products, services and in the daily work of all employees. By regularly optimizing energy consumption at our sites and in our IT infrastructure and by focusing on local suppliers, we aim to contribute to reducing the environmental impact of our business activities. Environmental and climate protection create the foundations for the long-term existence of our company. Through our commitment, we position ourselves as a responsible partner and employer that helps create a future worth living in. As a bank, we contribute to sustainable change by providing loans for innovative, resource-conserving business activities. By cooperating with local suppliers and service providers in the DACH region, we contribute to short transport routes and CO2 savings, as well as to increasing value creation in the countries where we do business. Furthermore, we support the protection and continued existence of our sites through climate protection measures.

ESG targets

ESG is a thread that runs through our business strategy – therefore, we have committed ourselves to tangible ESG targets, which we are embedding into our operating plans: To further reduce our carbon footprint, we are planning to reduce our CO2 emissions (Scope 1 and Scope 2) by >50% by 2025. We will achieve this through investments in efficient and sustainable space heating and cooling, efficiency measures regarding space requirements and a complete conversion of our fleet to electric cars.

Supplier management

2-6
204-1
SDG 8
SDG 13
SDG 16
COP 1
COP 2
COP 4
COP 5
COP 6
COP 8
COP 10

The Supplier Code of Conduct defines our expectations towards suppliers with regard to environmental protection. As already mentioned, each supplier is obligated to commit to these principles before entering into a business relationship with BAWAG Group. In the course of the supplier onboarding process, commercial, professional/technical, legal and general parameters surrounding the future cooperation are comprehensively examined and evaluated. As part of the harmonization of procurement processes, a single policy is used across the entire Group, which ensures a uniform approach towards purchasing. Additional internal guidelines govern all topics relating to the organization, procedures and systems in the procurement process. These processes stipulate that, in the case of multiple offers with the same price/performance ratio, the more sustainable company shall be preferred.

Around 80% of all spending by BAWAG (incl. easybank, SWB, helloBank) went to local suppliers[1)] in 2023. Procurement consists primarily of software and information services, marketing, rent, insurance and facility management/business equipment.

Operations management

SDG 7
SDG 13

100% green electricity and energy efficiency

BAWAG Group supplies all of its sites with green electricity. This had already been achieved in 2020 to a large extent and was also driven forward in recent years. THE ICON VIENNA building continues to hold the highest Leadership in Energy and Environmental Design certification of “Platinum” and the Building Research Establishment Environmental Assessment Method certification of “Excellent.” Work continued on the submissions for certification. In 2023, BAWAG continued its branch consolidation program.

Using green electricity is one step, however for us it is also important to generally reduce the amount of electricity consumed. Therefore we have established light sensors in our offices. In our branches we invest in LED lights and sustainable and low energy consuming products. In addition to the light sensors our outdoor signage utilize automated timers.

1) Suppliers with their main location in Austria, Germany or Switzerland are considered “local.” International companies whose branches are located in the aforementioned countries and who submit invoices to BAWAG Group are also classified as “local” in the presentation.

Green postal and courier services

In 2020, an electric vehicle was purchased for the internal logistics of BAWAG Group's central locations in Austria. Südwestbank has already been using an electric vehicle to carry out inner-city courier services for several years. Österreichische Post AG continued to deliver all BAWAG items in a CO2-neutral manner. Südwestbank sent letters and parcels in a climate-neutral manner using GOGREEN. With the help of an independent measurement system, the CO2 emissions of all shipments are precisely assessed. Greenhouse gases are offset by supporting various climate protection projects.

Fleet management

As one of the measures to reduce our own Scope 1 and 2 emissions over 50% by 2025, BAWAG Group started to switch to electric cars for our fleet of company cars. We plan to have no conventional cars in the fleet by 2025.

Digitization of processes

Various initiatives are in place to digitalize our processes and reduce our application and therefore server infrastructure footprint. On the process side, we reduced paper- and letter-based interactions across our front, mid and back offices. A number of products are opened and processes are completed leveraging paperless branch and digital signature technologies. Unless customers specifically request it, payment transaction slips and documents for product closings are not printed out but transmitted electronically. On the infrastructure side, we are streamlining our architecture and decommissioned our own data centers. We partner with technology leaders who are committed to achieving net zero carbon footprint by 2030.

In addition, BAWAG Group employs energy-efficient and resource-saving devices for its IT infrastructure. More than 6,000 laptop and desktop computers, tablets, monitors and workstations in use at BAWAG Group in Austria have Energy Star certification and are thus more resource-efficient than standard devices.

Biodiversity

BAWAG does not own, lease or manage operational sites in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

Scope 3 emissions

The most relevant scope 3 emissions outside of the financed emissions are purchased goods & services, capital goods, business travel and employee commuting. We will report these categories from 2024 onwards.

Financed emissions calculation

As a financial institution, our biggest emissions are related to our lending and investment book. In 2023, BAWAG Group became a signatory of the Partnership for Carbon Accounting Financials (PCAF) and discloses the financed emissions the first time. PCAF provides a framework for financial institutions to assess and disclose greenhouse gas (GHG) emissions. This enables financial institutions to make transparent climate disclosures on their GHG emissions, to identify climate-related transition risks and opportunities, and to set the baseline emissions for target-setting in alignment with the Paris Agreement.

The PCAF Standard provides detailed methodological calculation guidance for seven asset classes (listed equity & corporate bonds, business loans & unlisted equity, project finance, commercial real estate, mortgages, motor vehicle loans and sovereign debt). BAWAG Group primarily used the NACE codes of its customers to classify them into the appropriate PCAF class. Alltogether, the portfolio's financed emissions totaled 2.7 million tCO2e, with emission intensity of 93 tCO2e/EUR million. The weighted average data quality of the quantified portfolio was 4.1.

Asset Class/CO2 Financials	Gross carrying amount in € million	Financed GHG emissions (kt CO2)	Financed GHG emissions (in tCO2e/EUR millions)	Blended data quality score
Mortgages	14.575	388	27	4.0
CRE	5.199	241	46	4.3
Listed Equity & Corporate Bonds	4.825	1.601	332	3.75
Business Loans & Unlisted Equity	3.755	364	97	5.0
Motor Vehicle Loans	957	133	139	2.5
Sovereigns	11	3	271	4.0
Total	**29.327**	**2.731**	**93**	**4.1**

The quantified value of our portfolio covers € 29.3 billion or nearly 55% of the total asset base. After excluding cash and equivalent reserves stored at central banks, it represents a substantial >70% of assets on our balance sheet. The remaining asset value that is not covered is in asset classes such as consumer lending and credit cards whereby emissions calculations are not possible. Therefore, the emissions quantification of our balance sheet covers all relevant assets. Financed emissions for the asset classes 'Residential Mortgages', 'Commercial Real Estate', 'Listed Equity & Corporate Bonds', 'Business Loans & Unlisted Equity', 'Motor Vehicle Loans' and 'Sovereigns' were calculated as of end of 2023.

Several asset categories, including cash and money market, current accounts, credit cards and consumer loans – are out of scope of the PCAF standard and therefore not taken into account for the calculation of financed emissions.

The aggregate level of financed emissions benefited from a favorable balance between the lower financed emission intensity of real estate and the lower share of corporate exposure overall and further the marginal share of high-emission heavy industry and energy sectors. Within the asset class 'Listed Equity & Corporate Bonds', energy providers mostly under the control of public authorities account for the majority of CO2 emissions. To a lesser extent this also applies to the asset class 'Business Loans & Unlisted Equity'.

The high emission sectors comprise less than 10% of our total business loans (listed equity and unlisted business loan categories) and approximately 1% of our total asset base. This minimal exposure is primarily in the electricity distribution sector (~€ 500 million) through a small number of customers that serve as public service entities (or publicly supported). With a low exposure and concentrated customer base, the transition focus here is tactical and on a customer-by-customer basis that will be assessed in an ongoing manner.

The material balance sheet exposures are comprised of residential real estate mortgages as well as commercial real estate collateralized lending. Residential retail mortgages represent with € 14,575 million assets the biggest asset class. Financed GHG emissions amount to 27 tCO2e/€m for this portfolio with a blended data quality score of 4. Initiatives to increase the EPC coverage also for the Austrian portfolio have been implemented, which should enhance reporting in 2024. Despite the low intensity of emissions, mortgages are a substantial contributor of absolute emissions financed due to the materiality of the lending volume. Therefore, this is a focus of our assessment for a transition plan in 2024.

Commercial real estate covers € 5,199 million of assets and a total of 241 kt financed CO2 emissions. Buildings and construction tend to be high contributors of absolute emissions, and represent a material exposure of BAWAG customer loans, and therefore despite the low intensity is a focus of our assessment for a transition planin 2024.

Listed equity and corporate bonds: Financings provided to corporates with listed equity or corporate bonds are the biggest contributor in terms of absolute GHG emissions (1,601 kt). The high emissions are driven primarily by a small number of public sector customers in the electricity industry implying a case-by-case strategy in terms of decarbonization pathways. The total exposure of these public electricity-sector customers represents 8% of assets in this category, yet nearly ~80% of total emissions of this sub-group. The transition plans and progress with this concentrated set of customers will be assessed further in 2024. Execution of these plans is dependent on public or governmental requirements and support, which form the baseline for our expectations and financing strategy. The remainder of the sub-group (excluding the electricity sector) remains at a low level (92% of exposure represents 20% of total emissions) which is due to our risk appetite which avoids significant transition or environmental risks. Listed equity and corporate bonds is comprised of securities of and loans to international corporate entities that are publicly listed and typically provide higher quality of sustainability reporting.

Business loans: Business loans and unlisted equity covers € 3,755 million assets and a total of 364 kt CO_2 emissions. Business loans represents financing to international and national corporate entities as well as small business enterprises that are not publicly listed.

Motor vehicle loans cover the relevant car leasing portfolio of € 957 million assets with a total of 133kt CO_2 emissions. The data quality score in this asset class is considered satisfactory with 2.5 and is based on individual asset details.

Sovereigns builds the smallest asset class of € 11million assets and 3kt CO_2 emissions completing the calculation according to PCAF.

ANNEX

Template 0 – Summary of KPIs

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

		Total environmentally sustainable assets	KPI****	KPI*****	% coverage (over total assets)***	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Main KPI	**Green asset ratio (GAR) stock**	**463.50**	**1.15%**	**1.21%**	**30.14%**	42.23%	27.62%

		Total environmentally sustainable activities	KPI	KPI	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Additional KPIs	*GAR (flow)*	164.73	1.45%	1.47%	NA	NA	NA
	*Trading book**	N/A	N/A	N/A			
	Financial guarantees	-	-	-			
	Assets under management	6.20	1.53%	1.81%			
	*Fees and commissions income***	N/A	N/A	N/A			

* For credit institutions that do not meet the conditions of Article 94(1) of the CRR or the conditions set out in Article 325a(1) of the CRR

**Fees and commissions income from services other than lending and AuM

Instutitons shall dislcose forwardlooking information for this KPIs, including information in terms of targets, together with relevant explanations on the methodology applied.

*** % of assets covered by the KPI over banks´ total assets

****based on the Turnover KPI of the counterparty

*****based on the CapEx KPI of the counterparty, except for lending activities where for general lending Turnover KPI is used

Note 1: Across the reporting templates: cells shaded in black should not be reported.

Note 2: Fees and Commissions (sheet 6) and Trading Book (sheet 7) KPIs shall only apply starting 2026. SMEs´ inclusion in these KPI will only apply subject to a positive result of an impact assessment.

Template 1a – Assets for the calculation of GAR (revenue)

1. Assets for the calculation of GAR based on the turnover KPI of the counterpart

31.12.2023

	Million EUR	a	b	c	d	e	f
		Total [gross] carrying amount	Climate Change Mitigation (CCM)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator						
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	16,719.03	15,117.23	463.50	420.46	-	6.75
2	Financial undertakings	1,595.46	401.68	-	-	-	-
3	Credit institutions	1,595.46	401.68	-	-	-	-
4	Loans and advances	316.27	47.14	-	-	-	-
5	Debt securities, including UoP	1,279.19	354.54	-	-	-	-
6	Equity instruments	-	-	-		-	-
7	Other financial corporations	-	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-
11	Equity instruments	-	-	-		-	-
12	of which management companies	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-
15	Equity instruments	-	-	-		-	-
16	of which insurance undertakings	-	-	-	-	-	-
17	Loans and advances	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-
19	Equity instruments	-	-	-		-	-
20	Non-financial undertakings	586.23	178.21	43.04	-	-	6.75
21	Loans and advances	254.31	115.31	16.94	-	-	6.75
22	Debt securities, including UoP	331.92	62.90	26.11	-	-	-
23	Equity instruments	-	-	-		-	-
24	Households	14,537.34	14,537.34	420.46	420.46	-	-
25	of which loans collateralised by residential immovable property	13,945.62	13,945.62	194.83	194.83	-	-
26	of which building renovation loans	252.26	252.26	225.63	225.63	-	-
27	of which motor vehicle loans	339.46	339.46	-	-	-	-
28	Local governments financing	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-
32	Assets excluded from the numerator for GAR calculation (covered in the denominator)	23,424.36	-	-	-	-	-
33	Financial and Non-financial undertakings	17,103.05					
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	10,383					
35	Loans and advances	7,366					
36	of which loans collateralised by commercial immovable property	1,099					
37	of which building renovation loans	0					
38	Debt securities	3,014					
39	Equity instruments	2.97					
40	Non-EU country counterparties not subject to NFRD disclosure obligations	6,719.58					
41	Loans and advances	4,691.15					
42	Debt securities	2,028.29					
43	Equity instruments	0.08					
44	Derivatives	347.85					
45	On demand interbank loans	1,348.40					
46	Cash and cash-related assets	139.16					
47	Other categories of assets (e.g. Goodwill, commodities etc.)	4,485.90					
48	Total GAR assets	40,143.39	15,117.23	463.50	420.46	-	6.75
49	Assets not covered for GAR calculation	15,320.12					
50	Central governments and Supranational issuers	2,945.86					
51	Central banks exposure	12,374.26					
52	Trading book	-					
53	Total assets	55,463.51	15,117.23	463.50	420.46	-	6.75
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations						
54	Financial guarantees	3.22	-	-	-	-	-
55	Assets under management	406.22	48.18	6.27	-	0.19	3.39
56	Of which debt securities	224.27	20.52	2.48	-	0.06	1.12
57	Of which equity instruments	166.67	26.63	3.73	-	0.12	2.24

31.12.2023 (continued)

	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa
	Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)			
	Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)			
		Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)		
			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling
GAR																				
1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-
7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-
24	-	-	-	-					-	-	-	-								
25	-	-	-	-					-	-	-	-								
26	-	-	-	-					-	-	-	-								
27																				
28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33–47																				
48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49–52																				
53	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance																				
54	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
56	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

31.12.2023 (continued)

	ab	ac	ad	ae	af
	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		Of which environmentally sustainable (Taxonomy-aligned)			
			Of which Use of Proceeds	Of which transitional	Of which enabling
GAR					
1	15,117.23	463.50	420.46	-	6.75
2	401.68	-	-	-	-
3	401.68	-	-	-	-
4	47.14	-	-	-	-
5	354.54	-	-	-	-
6	-	-		-	-
7	-	-	-	-	-
8	-	-	-	-	-
9	-	-	-	-	-
10	-	-	-	-	-
11	-	-		-	-
12	-	-	-	-	-
13	-	-	-	-	-
14	-	-	-	-	-
15	-	-		-	-
16	-	-	-	-	-
17	-	-	-	-	-
18	-	-	-	-	-
19	-	-		-	-
20	178.21	43.04	-	-	6.75
21	115.31	16.94	-	-	6.75
22	62.90	26.11	-	-	-
23	-	-		-	-
24	14,537.34	420.46	420.46	-	-
25	13,945.62	194.83	194.83	-	-
26	252.26	225.63	225.63	-	-
27	339.46	-	-	-	-
28	-	-	-	-	-
29	-	-	-	-	-
30	-	-	-	-	-
31	-	-	-	-	-
32	-	-	-	-	-
33–47					
48	15,117.23	463.50	420.46	-	6.75
49–52					
53	15,117.23	463.50	420.46	-	6.75
Off-balance					
54	-	-	-	-	-
55	-	48.18	6.27	-	0.19
56	-	20.52	2.48	-	0.06
57	-	26.63	3.73	-	0.12

Disclosure reference date T-1

	ag	ah	ai	aj	ak	al	am	an	ao	ap	aq	ar	as	at	au	av	aw	ax	ay	az	ba	bb	bc	bd	be	bf	bg	bh	bi	bj	bk
	Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)		
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
GAR																															
1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-
7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	-	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-
12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	-	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-
16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	-	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-
20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	-	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-
24	-	-	-	-	-	-	-	-	-	-					-	-	-	-									-	-	-	-	-
25	-	-	-	-	-	-	-	-	-	-					-	-	-	-									-	-	-	-	-
26	-	-	-	-	-	-	-	-	-	-					-	-	-	-									-	-	-	-	-
27	-	-	-	-	-	-																					-	-	-	-	-
28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33–47																															
48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49–52																															
53	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance																															
54	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
56	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Template 1b – Assets for the calculation of GAR (capex)

1.Assets for the calculation of GAR based on the CaPex KPI of the counterpart

	Million EUR	a Total [gross] carrying amount	b Climate Change Mitigation (CCM): Of which towards taxonomy relevant sectors (Taxonomy-eligible)	c Of which environmentally sustainable (Taxonomy-aligned)	d Of which Use of Proceeds	e Of which transitional	f Of which enabling	ab TOTAL (CCM + CCA + WTR + CE + PPC + BIO): Of which towards taxonomy relevant sectors	ac Of which environmentally sustainable (Taxonomy-aligned)	ad Of which Use of Proceeds	ae Of which transitional	af Of which enabling
	GAR - Covered assets in both numerator and denominator											
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	16,719.03	15,040.66	484.61	420.46	-	26.05	15,040.66	484.61	420.46	-	26.05
2	**Financial undertakings**	1,595.46	231.78		-	-	-	231.78	-	-	-	-
3	Credit institutions	1,595.46	231.78		-	-	-	231.78	-	-	-	-
4	Loans and advances	316.27	19.69		-	-	-	19.69	-	-	-	-
5	Debt securities, including UoP	1,279.19	212.09		-	-	-	212.09	-	-	-	-
6	Equity instruments	-	-	-		-	-	-	-		-	-
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-	-		-	-	-	-		-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-		-	-	-	-		-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-	-		-	-	-	-		-	-
20	**Non-financial undertakings**	586.23	271.54	64.15	-	-	26.05	271.54	64.15	-	-	26.05
21	Loans and advances	254.31	128.37	27.86	-	-	22.20	128.37	27.86	-	-	22.20
22	Debt securities, including UoP	331.92	143.16	69.13	-	-	3.85	143.16	69.13	-	-	3.85
23	Equity instruments	-	-	-		-	-	-	-		-	-
24	**Households**	14,537.34	14,537.34	420.46	420.46	-	-	14537.34	420.46	420.46	-	-
25	of which loans collateralised by residential immovable property	13,945.62	13,945.62	194.83	194.83	-	-	13945.62	194.83	194.83	-	-
26	of which building renovation loans	252.26	252.26	225.63	225.63	-	-	252.26	225.63	225.63	-	-
27	of which motor vehicle loans	339.46	339.46	-	-	-	-	339.46	-	-	-	-
28	**Local governments financing**	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	-	-	-	-	-	-	-	-	-	-	-
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	23,424.36	-	-	-	-	-	-	-	-	-	-
33	**Financial and Non-financial undertakings**	17,103.05										
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	10,383										
35	Loans and advances	7,366										
36	of which loans collateralised by commercial immovable property	1,099										
37	of which building renovation loans	0										
38	Debt securities	3,014										
39	Equity instruments	2.97										
40	Non-EU country counterparties not subject to NFRD disclosure obligations	6,719.58										
41	Loans and advances	4,691.15										
42	Debt securities	2,028.29										
43	Equity instruments	0.08										
44	**Derivatives**	347.85										
45	**On demand interbank loans**	1,348.40										
46	**Cash and cash-related assets**	139.16										
47	**Other categories of assets (e.g. Goodwill, commodities etc.)**	4,485.90										
48	**Total GAR assets**	40,143.39	15,040.66	484.61	420.46	-	26.05	15,040.66	484.61	420.46	-	26.05
49	**Assets not covered for GAR calculation**	15,320.12										
50	**Central governments and Supranational issuers**	2,945.86										
51	**Central banks exposure**	12,374.26										
52	**Trading book**	-										
53	**Total assets**	55,463.51	15,040.66	484.61	420.46	-	26.05	15,040.66	484.61	420.46	-	26.05
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations											
54	Financial guarantees	3.22	-	-	-	-	-	-	-	-	-	-
55	Assets under management	406.22	25.67	7.35	-	0.13	0.29	25.67	7.35	-	0.13	0.29
56	Of which debt securities	224.27	14.03	4.07	-	0.05	0.21	14.03	4.07	-	0.05	0.21
57	Of which equity instruments	166.67	11.63	3.28	-	0.07	0.08	11.63	3.28	-	0.07	0.08

Template 2a – GAR sector information (revenue)

2. GAR sector information based on the turnover KPI of the counterpart

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	z	aa	ab
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			
	Breakdown by sector - NACE 4 digits level (code and label)	Non-Financial corporates (Subject		SMEs and other NFC not subject		Non-Financial corporates (Subject		SMEs and other NFC not subject		Non-Financial corporates (Subject		SMEs and other NFC not subject		Non-Financial corporates (Subject		SMEs and other NFC not subject		Non-Financial corporates (Subject		SMEs and other NFC not subject		Non-Financial corporates (Subject		SMEs and other NFC not subject		Non-Financial corporates (Subject		SMEs and other NFC not subject	
		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
		Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
1	C1104	31.71	-			-	-			-	-			-	-			-	-			-	-			31.71	-		
2	C1105	4.89	-			-	-			-	-			-	-			-	-			-	-			4.89	-		
3	C1520	14.10	-			-	-			-	-			-	-			-	-			-	-			14.10	-		
4	C1712	9.00	-			-	-			-	-			-	-			-	-			-	-			9.00	-		
5	C2016	16.07	-			-	-			-	-			-	-			-	-			-	-			16.07	-		
6	C2120	56.60	-			-	-			-	-			-	-			-	-			-	-			56.60	-		
7	C2229	38.96	-			-	-			-	-			-	-			-	-			-	-			38.96	-		
8	C2611	0.01	-			-	-			-	-			-	-			-	-			-	-			0.01	-		
9	C2893	5.77	-			-	-			-	-			-	-			-	-			-	-			5.77	-		
10	C2910	63.80	0.13			-	-			-	-			-	-			-	-			-	-			63.80	0.13		
11	D351	105.35	28.99			-	-			-	-			-	-			-	-			-	-			105.35	28.99		
12	F4120	25.00	0.00			-	-			-	-			-	-			-	-			-	-			25.00	0.00		
13	G4651	20.15	-			-	-			-	-			-	-			-	-			-	-			20.15	-		
14	H5223	0.00	0.00			-	-			-	-			-	-			-	-			-	-			0.00	0.00		
15	J6190	13.53	-			-	-			-	-			-	-			-	-			-	-			13.53	-		
16	J6209	0.01	-			-	-			-	-			-	-			-	-			-	-			0.01	-		
17	J6399	22.05	-			-	-			-	-			-	-			-	-			-	-			22.05	-		
18	L6820	91.20	13.92			-	-			-	-			-	-			-	-			-	-			91.20	13.92		
19	M7010	0.01	-			-	-			-	-			-	-			-	-			-	-			0.01	-		
20	M7120	45.08	-			-	-			-	-			-	-			-	-			-	-			45.08	-		
20	N77112	22.94	-			-	-			-	-			-	-			-	-			-	-			22.94	-		

Template 2b – GAR sector information (capex)

2. GAR sector information based on the CaPex KPI of the counterpart

		a	b	c	d	e	f	g	h
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)			
		Non-Financial corporates (Subject		SMEs and other NFC not subject		Non-Financial corporates (Subject		SMEs and other NFC not subject	
	Breakdown by sector - NACE 4 digits level (code and label)	[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
		Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCA)
1	C1104	31.71	2.25			-	-		
2	C1105	4.89	-			-	-		
3	C1520	14.10	-			-	-		
4	C1712	9.00	0.01			-	-		
5	C2016	16.07	-			-	-		
6	C2120	56.60	0.00			-	-		
7	C2229	38.96	-			-	-		
8	C2611	0.01	-			-	-		
9	C2893	5.77	-			-	-		
10	C2910	63.80	5.43			-	-		
11	D351	105.35	48.39			-	-		
12	F4120	25.00	0.00			-	-		
13	G4651	20.15	-			-	-		
14	H5223	0.00	0.00			-	-		
15	J6190	13.53	-			-	-		
16	J6209	0.01	-			-	-		
17	J6399	22.05	-			-	-		
18	L6820	91.20	8.06			-	-		
19	M7010	0.01	-			-	-		
20	M7120	45.08	-			-	-		
20	N77112	22.94	-			-	-		

		i	j	k	l	m	n	o	p
		Water and marine resources (WTR)				Circular economy (CE)			
		Non-Financial corporates (Subject		SMEs and other NFC not subject		Non-Financial corporates (Subject		SMEs and other NFC not subject	
	Breakdown by sector - NACE 4 digits level (code and label)	[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
		Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (CE)
1	C1104	-	-			-	-		
2	C1105	-	-			-	-		
3	C1520	-	-			-	-		
4	C1712	-	-			-	-		
5	C2016	-	-			-	-		
6	C2120	-	-			-	-		
7	C2229	-	-			-	-		
8	C2611	-	-			-	-		
9	C2893	-	-			-	-		
10	C2910	-	-			-	-		
11	D351	-	-			-	-		
12	F4120	-	-			-	-		
13	G4651	-	-			-	-		
14	H5223	-	-			-	-		
15	J6190	-	-			-	-		
16	J6209	-	-			-	-		
17	J6399	-	-			-	-		
18	L6820	-	-			-	-		
19	M7010	-	-			-	-		
20	M7120	-	-			-	-		
20	N77112	-	-			-	-		

		q	r	s	t	u	v	w	x
		Pollution (PPC)				Biodiversity and Ecosystems (BIO)			
		Non-Financial corporates (Subject		SMEs and other NFC not subject		Non-Financial corporates (Subject		SMEs and other NFC not subject	
	Breakdown by sector - NACE 4 digits level (code and label)	[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
		Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (BIO)
1	C1104	-	-			-	-		
2	C1105	-	-			-	-		
3	C1520	-	-			-	-		
4	C1712	-	-			-	-		
5	C2016	-	-			-	-		
6	C2120	-	-			-	-		
7	C2229	-	-			-	-		
8	C2611	-	-			-	-		
9	C2893	-	-			-	-		
10	C2910	-	-			-	-		
11	D351	-	-			-	-		
12	F4120	-	-			-	-		
13	G4651	-	-			-	-		
14	H5223	-	-			-	-		
15	J6190	-	-			-	-		
16	J6209	-	-			-	-		
17	J6399	-	-			-	-		
18	L6820	-	-			-	-		
19	M7010	-	-			-	-		
20	M7120	-	-			-	-		
20	N77112	-	-			-	-		

Template 3a – GAR KPI stock (revenue)

3. GAR KPI stock based on the turnover KPI of the counterpart

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		31.12.2023																														
	% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	37.66%	1.15%	1.05%	-	0.02%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37.66%	1.15%	1.05%	-	0.02%	100.00%
2	**Financial undertakings**	1.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.00%	-	-	-	-	2.66%
3	Credit institutions	1.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.00%	-	-	-	-	2.66%
4	Loans and advances	0.12%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.12%	-	-	-	-	0.31%
5	Debt securities, including UoP	0.88%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.88%	-	-	-	-	2.35%
6	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
20	**Non-financial undertakings**	0.34%	0.11%	-	-	0.02%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.34%	0.11%	-	-	0.02%	1.18%
21	Loans and advances	0.28%	0.04%	-	-	0.02%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.28%	0.04%	-	-	0.02%	0.76%
22	Debt securities, including UoP	0.05%	0.07%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05%	0.07%	-	-	-	0.42%
23	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
24	**Households**	36.21%	1.05%	1.05%	-	-	-	-	-	-					-	-	-	-									36.21%	1.05%	1.05%	-	-	96.16%
25	of which loans collateralised by residential immovable property	34.74%	0.49%	0.49%	-	-	-	-	-	-					-	-	-	-									34.74%	0.49%	0.49%	-	-	92.25%
26	of which building renovation loans	0.63%	0.56%	0.56%	-	-	-	-	-	-					-	-	-	-									0.63%	0.56%	0.56%	-	-	1.67%
27	of which motor vehicle loans	0.85%	-	-	-	-																					0.85%			-	-	2.25%
28	**Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	**Total GAR assets**	37.66%	1.15%	1.05%	-	0.02%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37.66%	1.15%	1.05%		0.02%	100.00%

		ag	ah	ai	aj	ak	al	am	an	ao	ap	aq	ar	as	at	au	av	aw	ax	ay	az	ba	bb	bc	bd	be	bf	bg	bh	bi	bj	bk
		Disclosure reference date T-1																														
	% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which specialised lending	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	**Financial undertakings**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
20	**Non-financial undertakings**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
24	**Households**	-	-	-	-	-	-	-	-	-					-	-	-	-									-	-	-	-	-	-
25	of which loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-					-	-	-	-									-	-	-	-	-	-
26	of which building renovation loans	-	-	-	-	-	-	-	-	-					-	-	-	-									-	-	-	-	-	-
27	of which motor vehicle loans																										-	-	-	-	-	-
28	**Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	**Total GAR assets**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Template 3b – GAR KPI stock (capex)

3. GAR KPI stock based on the CaPex KPI of the counterpart

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
	% (compared to total covered assets in the denominator)	31.12.2023																														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	37.47%	1.21%	1.05%	-	0.06%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37.47%	1.21%	1.05%	-	0.06%	100.00%
2	**Financial undertakings**	0.58%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.58%	-	-	-	-	1.54%
3	Credit institutions	0.58%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.58%	-	-	-	-	1.54%
4	Loans and advances	0.05%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05%	-	-	-	-	0.13%
5	Debt securities, including UoP	0.53%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.53%	-	-	-	-	1.41%
6	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
20	**Non-financial undertakings**	0.68%	0.16%	-	-	0.06%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.68%	0.16%	-	-	0.06%	1.81%
21	Loans and advances	0.32%	0.07%	-	-	0.06%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.32%	0.07%	-	-	0.06%	0.85%
22	Debt securities, including UoP	0.36%	0.17%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.36%	0.17%	-	-	-	0.95%
23	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
24	**Households**	36.21%	1.05%	1.05%	-	-	-	-	-	-					-	-	-	-									36.21%	1.05%	1.05%	-	-	96.65%
25	of which loans collateralised by residential immovable property	34.74%	0.49%	0.49%	-	-	-	-	-	-					-	-	-	-									34.74%	0.49%	0.49%	-	-	92.72%
26	of which building renovation loans	0.63%	0.56%	0.56%	-	-	-	-	-	-					-	-	-	-									0.63%	0.56%	0.56%	-	-	1.68%
27	of which motor vehicle loans	0.85%	-	-	-	-																					0.85%	-	-	-	-	2.26%
28	**Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

		ag	ah	ai	aj	ak	al	am	an	ao	ap	aq	ar	as	at	au	av	aw	ax	ay	az	ba	bb	bc	bd	be	bf	bg	bh	bi	bj	bk
	% (compared to total covered assets in the denominator)	Disclosure reference date T-1																														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which specialised lending	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	**Financial undertakings**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
20	**Non-financial undertakings**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
24	**Households**	-	-	-	-	-	-	-	-	-					-	-	-	-									-	-	-	-	-	-
25	of which loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-					-	-	-	-									-	-	-	-	-	-
26	of which building renovation loans	-	-	-	-	-	-	-	-	-					-	-	-	-									-	-	-	-	-	-
27	of which motor vehicle loans	-	-	-	-	-																					-	-	-	-	-	-
28	**Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Template 4a – GAR KPI flow (revenue)

4. GAR KPI flow based on the turnover KPI of the counterpart

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
	% (compared to flow of total eligible assets)	31.12.2023																														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total new assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	10.27	1.45	1.45	-	1.20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10.27	1.45	-	-	1.20	100
2	**Financial undertakings**	0.34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.34	-	-	-	-	3.31
3	Credit institutions	0.34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.34	-	-	-	-	3.31
4	Loans and advances	0.34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.34	-	-	-	-	3.31
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
20	**Non-financial undertakings**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
24	**Households**	8.56	1.45	1.45	-	1.20	-	-		-	-				-	-	-	-									8.56	1.45	1.45	-	1.20	83.35
25	of which loans collateralised by residential immovable property	5.27	0.25	0.25	-	-	-	-	-	-	-				-	-	-	-									5.27	0.25	0.25	-	-	51.31
26	of which building renovation loans	1.32	1.20	1.20	-	1.20	-	-		-	-				-	-	-	-									1.32	1.20	1.20	-	1.20	12.85
27	of which motor vehicle loans	1.97	-	-	-	-	-	-	-	-	-																1.97	-	-	-	-	19.18
28	**Local governments financing**	1.37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.37	-	-	-	-	13.34
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	
30	Other local government financing	1.37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.37	-	-	-	-	13.34
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	**Total GAR assets**	10.27	1.45	1.45	-	1.20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10.27	1.45	-	-	1.20	100

Template 4b – GAR KPI flow (capex)

	% (compared to flow of total eligible assets)	31.12.2023																														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total new assets covered
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	10.13	1.47	-	-	1.20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10.13	1.47	-	-	1.20	100
2	**Financial undertakings**	0.15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.15	-	-	-	-	1.48
3	Credit institutions	0.15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.15	-	-	-	-	1.48
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	
5	Debt securities, including UoP	0.15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.15	-	-	-	-	1.48
6	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
20	**Non-financial undertakings**	0.05	0.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05	0.02	-	-	-	0.49
21	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			-	-	-	-
22	Debt securities, including UoP	0.05	0.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05	0.02	-	-	-	0.49
23	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
24	**Households**	8.56	1.45	1.45	-	1.20	-	-	-	-					-	-	-	-									8.56	1.45	1.45	-	1.20	84.50
25	of which loans collateralised by residential immovable property	5.27	0.25	0.25	-	-	-	-	-	-					-	-	-	-									5.27	0.25	0.25	-	-	52.02
26	of which building renovation loans	1.32	1.20	1.20	-	1.20	-	-	-	-					-	-	-	-									1.32	1.20	1.20	-	1.20	13.03
27	of which motor vehicle loans	1.97	-	-	-	-																					1.97		-	-	-	19.45
28	**Local governments financing**	1.37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.37	-	-	-	-	13.52
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	1.37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.37	-	-	-	-	13.52
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	**Total GAR assets**	10.13	1.47			1.2																					10.13	1.47			1.2	100

Template 5a – KPI off-balance sheet exposures (stock)

5. KPI off-balance sheet exposures based on the turnover KPI of the counterpart (stock)

31.12.2023

Climate Change Mitigation (CCM)

	% (compared to total eligible off-balance sheet assets)	a	b	c	d	e
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-	-
2	Assets under management (AuM KPI)	11.86%	1.54%	-	0.05%	0.83%

Climate Change Adaptation (CCA)

	% (compared to total eligible off-balance sheet assets)	f	g	h	i
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-
2	Assets under management (AuM KPI)	-	-	-	-

Water and marine resources (WTR)

	% (compared to total eligible off-balance sheet assets)	j	k	l	m
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-
2	Assets under management (AuM KPI)	-	-	-	-

Circular economy (CE)

	% (compared to total eligible off-balance sheet assets)	n	o	p	q
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-
2	Assets under management (AuM KPI)	-	-	-	-

Pollution (PPC)

	% (compared to total eligible off-balance sheet assets)	r	s	t	u
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-
2	Assets under management (AuM KPI)	-	-	-	-

Biodiversity and Ecosystems (BIO)

	% (compared to total eligible off-balance sheet assets)	v	w	x	z
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-
2	Assets under management (AuM KPI)	-	-	-	-

TOTAL (CCM + CCA + WTR + CE + PPC + BIO)

	% (compared to total eligible off-balance sheet assets)	aa	ab	ac	ad	ae
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-	-
2	Assets under management (AuM KPI)	11.86%	1.54%	-	0.05%	0.83%

Template 5b – KPI off-balance sheet exposures (capex)

5. KPI off-balance sheet exposures based on the CaPex KPI of the counterpart (stock)

31.12.2023

% (compared to total eligible off-balance sheet assets)	a	b	c	d	e	f	g	h	i
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling
1 Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-
2 Assets under management (AuM KPI)	6.31%	1.81%	-	0.03%	0.07%	-	-	-	-

% (compared to total eligible off-balance sheet assets)	j	k	l	m	n	o	p	q
	Water and marine resources (WTR)				Circular economy (CE)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling
1 Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-
2 Assets under management (AuM KPI)	-	-	-	-	-	-	-	-

% (compared to total eligible off-balance sheet assets)	r	s	t	u	v	w	x	z
	Pollution (PPC)				Biodiversity and Ecosystems (BIO)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling
1 Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-
2 Assets under management (AuM KPI)	-	-	-	-	-	-	-	-

% (compared to total eligible off-balance sheet assets)	aa	ab	ac	ad	ae
	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
			Of which Use of Proceeds	Of which transitional	Of which enabling
1 Financial guarantees (FinGuar KPI)	-	-	-	-	-
2 Assets under management (AuM KPI)	6.31%	1.81%	-	0.03%	0.07%

Template 5c – KPI off-balance sheet exposures (turnover KPI counterpart)

5. KPI off-balance sheet exposures based on the turnover KPI of the counterpart (flow)

		a	b	c	d	e	f	g	h	i
		31.12.2023								
	% (compared to total eligible off-balance sheet assets)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-
2	Assets under management (AuM KPI)	3.87%	1.23%	-	0.04%	0.88%	-	-	-	-

		j	k	l	m	n	o	p	q
		31.12.2023							
	% (compared to total eligible off-balance sheet assets)	Water and marine resources (WTR)				Circular economy (CE)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
				Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-
2	Assets under management (AuM KPI)	-	-	-	-	-	-	-	-

		r	s	t	u	v	w	x	z
		31.12.2023							
	% (compared to total eligible off-balance sheet assets)	Pollution (PPC)				Biodiversity and Ecosystems (BIO)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
				Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-
2	Assets under management (AuM KPI)	-	-	-	-	-	-	-	-

		aa	ab	ac	ad	ae
		31.12.2023				
	% (compared to total eligible off-balance sheet assets)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-	-
2	Assets under management (AuM KPI)	3.87%	1.23%	-	0.04%	0.88%

Template 5d – KPI off-balance sheet exposures (capex KPI counterpart)

5. KPI off-balance sheet exposures based on the CaPex KPI of the counterpart (flow)

31.12.2023

% (compared to total eligible off-balance sheet assets)	a	b	c	d	e	f	g	h	i
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling
1 Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-
2 Assets under management (AuM KPI)	0.93%	0.07%	-	0.01%	0.04%	-	-	-	-

% (compared to total eligible off-balance sheet assets)	j	k	l	m	n	o	p	q
	Water and marine resources (WTR)				Circular economy (CE)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling
1 Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-
2 Assets under management (AuM KPI)	-	-	-	-	-	-	-	-

% (compared to total eligible off-balance sheet assets)	r	s	t	u	v	w	x	z
	Pollution (PPC)				Biodiversity and Ecosystems (BIO)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling
1 Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-
2 Assets under management (AuM KPI)	-	-	-	-	-	-	-	-

% (compared to total eligible off-balance sheet assets)	aa	ab	ac	ad	ae
	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
			Of which Use of Proceeds	Of which transitional	Of which enabling
1 Financial guarantees (FinGuar KPI)	-	-	-	-	-
2 Assets under management (AuM KPI)	0.93%	0.07%	-	0.01%	0.04%

DISCLOSURES ACCORDING TO ANNEX XII - NUCLEAR ENERGY AND FOSSIL GAS RELATED ACTIVITIES

Economic activities based on KPI Turnover

Template 1: Nuclear and fossil gas related activities

Row	Nuclear energy related activities	Stock	Flow
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	YES	NO
	Fossil gas related activities		
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	YES	NO

Template 2: Taxonomy-aligned economic activities (denominator)

Row	Economic activities based on KPI Turnover in EUR million	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00%	0.00	0.00 %	-	-
2.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00%	0.00	0.00 %	-	-
3.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	5.77	0.01%	5.77	0.01 %	-	-
4.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00%	0.00	0.00 %	-	-
5.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.19	0.00%	0.19	0.00 %	-	-
6.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00%	0.00	0.00 %	-	-
7.	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	457.54	1.14%	457.54	1.14 %	-	-
8.	Total applicable KPI	463.50	1.15%	463.50	1.15 %	-	-

Template 3: Taxonomy-aligned economic activities (numerator)

Row	Economic activities based on KPI Turnover in EUR million	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.0%	0.00	0.0%	-	-
2.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.0%	0.00	0.0%	-	-
3.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	5.77	1.2%	5.77	1.2%	-	-
4.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.0%	0.00	0.0%	-	-
5.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.19	0.0%	0.19	0.0%	-	-
6.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.0%	0.00	0.0%	-	-
7.	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	457.54	98.7%	457.54	98.7%	-	-
8.	Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI	463.50	100.0%	463.50	100.0%	-	-

Template 4: Taxonomy-eligible but not taxonomy-aligned economic activities

Row	Economic activities based on KPI Turnover in EUR million	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.0%	0.00	0.0%	-	-
2.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.0%	0.00	0.0%	-	-
3.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.0%	0.00	0.0%	-	-
4.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	2.24	0.0%	2.24	0.0%	-	-
5.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.52	0.0%	0.52	0.0%	-	-
6.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.25	0.0%	0.25	0.0%	-	-
7.	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	14,650.72	36.3%	14,650.72	36.3%	-	-
8.	Total amount and proportion of taxonomy eligible but not taxonomy- aligned economic activities in the denominator of the applicable KPI	14,653.73	36.3%	14,653.73	36.3%	-	-

In agreement with our auditor, template 5 is not reported, as the included activities are taxonomy-eligible by definition.

Economic activities based on KPI CAPEX

Template 1: Nuclear and fossil gas related activities

Row	Nuclear energy related activities	Stock	Flow
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	YES	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	YES	NO
	Fossil gas related activities		
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	YES	NO

Template 2: Taxonomy-aligned economic activities (denominator)

Row	Economic activities based on KPI CAPEX in EUR million	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00%	0.00	0.00%	-	-
2.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1.31	0.00%	1.31	0.00%	-	-
3.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	9.70	0.02%	9.70	0.02%	-	-
4.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00%	0.00	0.00%	-	-
5.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.79	0.00%	0.79	0.00%	-	-
6.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	3.86	0.01%	3.86	0.01%	-	-
7.	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	468.94	1.17%	468.94	1.17%	-	-
8.	Total applicable KPI	484.61	1.21%	484.61	1.21%	-	-

Template 3: Taxonomy-aligned economic activities (numerator)

Row	Economic activities based on KPI CAPEX in EUR million	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.0%	0.00	0.0%	-	-
2.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	1.31	0.3%	1.31	0.3%	-	-
3.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	9.70	2.0%	9.70	2.0%	-	-
4.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.0%	0.00	0.0%	-	-
5.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.79	0.2%	0.79	0.2%	-	-
6.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	3.86	0.8%	3.86	0.8%	-	-
7.	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	468.94	96.8%	468.94	96.8%	-	-
8.	Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI	484.61	100.0%	484.61	100.0%	-	-

Template 4: Taxonomy-eligible but not taxonomy-aligned economic activities

Row	Economic activities based on KPI CAPEX in EUR million	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.0%	0.00	0.0%	-	-
2.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.0%	0.00	0.0%	-	-
3.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.0%	0.00	0.0%	-	-
4.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1.14	0.0%	1.14	0.0%	-	-
5.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.23	0.0%	0.23	0.0%	-	-
6.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.57	0.0%	0.57	0.0%	-	-
7.	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	14,554.11	36.5%	14,554.11	36.5%	-	-
8.	Total amount and proportion of taxonomy eligible but not taxonomy- aligned economic activities in the denominator of the applicable KPI	14,556.05	36.5%	14,556.05	36.5%	-	-

In agreement with our auditor, template 5 is not reported, as the included activities are taxonomy–eligible by definition.

Assets under Management

Template 1: Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

GRI INDEX

This GRI Index was prepared in accordance with the Global Reporting Initiative 2021 guidelines (GRI Standards, application level "in accordance with GRI Standards," option industry-specific indicator set for financial services). Unless otherwise stated, all data refer to the year 2023 or 31 December 2023. In the course of the materiality process, BAWAG Group identified its key areas for action. These were assigned to the individual GRI topics. The following table provides an overview of the material topics and the corresponding GRI indicators according to the GRI Standards. In addition, GRI codes have been provided alongside the text content in the sections of this report.

Areas of action	GRI codes
Economic success	201-1, 201-2, 201-3, 201-4, 202-1, 202-2
Ethics and integrity	205-1, 205-2, 205-3, 206-1, 207-1, 207-2, 207-3, 207-4, 415-1, 418-1, 419-1
Responsibility towards customers	417-1, 417-2, 417-3, FS 13, FS 14
Sustainability in our core business	203-1, 412-1, 412-2, 412-3, FS 1, FS 2, FS 6, FS 7, FS 8, FS 11
Social responsibility and personal commitment	
Employee promotion and development, diversity and equal opportunity	401-1, 401-2, 401-3, 404-1, 404-2, 404-3, 405-1, 405-2, 406-1, FS 4, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10
Environmental and climate protection	204-1, 302-1, 302-2, 302-3, 302-4, 302-5, 305-1, 305-2, 305-3, 305-4, 305-5

GENERAL DISCLOSURES

GRI code		Content according to GRI Standards (core)	Reference	Notes
The organization and its reporting processes	2-1	Organizational details		Consolidated Annual Report 2023, p. 3-5; p 11
	2-2	Entities included in the organization's sustainability reporting		Consolidated Annual Report 2023, p. 189 (Note 48)
	2-3	Reporting period, frequency and contact point		Reporting period: 1 January 2023 – 31 December 2023 (in line with Consolidated Annual Report 2023) Reporting date: 8 March 2024 Frequency: annually Contact point for questions regarding the report: csr@bawaggroup.com
	2-4	Restatements of information		If figures have been adjusted for 2023, we have indicated this with footnotes under the respective tables. The effects of all changes was not material. Table Economic success: Change from "Income taxes paid" to "Current income taxes" Environmental 2020 base: We have enhanced the scope for missing data. Table Environmental figures: for calculation of energy intensity base was change to total energy consumption.
	2-5	External assurance	p. 366 et seq.	
Activities and workers	2-6	Activities, value chain, and other business relationships		Consolidated Annual Report 2023, p. 190. As of 31 December 2023, BAWAG Group had one headquarters location, three other locations and 70 branches in the DACH/NL region as well as 7 branches in the United States.
	2-7	Employees	p. 313 et seq.	BAWAG does not employ non-guaranteed hours employees.
	2-8	Workers who are not employees		BAWAG does not have any workers who are not employees.
Governance	2-9	Governance structure and composition		See Governance Report section, p. 259-266.
	2-10	Nomination and selection of the highest governance body		See Governance Report section, p. 259-266.

	2-11	Chair of the highest governance body		See Governance Report section, p. 259-266.
	2-12	Role of the highest governance body in overseeing the management of impacts	p. 271	See Governance Report section, p. 259-266.
	2-13	Delegation of responsibility for managing impacts	p.271	See Governance Report section, p. 259-266; 271. The NFR & ESG Committee is chaired by the Chief Risk Officer (deputy: Chief Executive Officer; deputy: Chief Financial Officer). He reports directly to the BAWAG Group Supervisory Board.
	2-14	Role of the highest governance body in sustainability reporting		See Governance Report section, p. 259-266.
	2-15	Conflicts of interest		See Governance Report section, p. 259-266.
	2-16	Communication of critical concerns		See Governance Report section, p. 259-266.
	2-17	Collective knowledge of the highest governance body		See Governance Report section, p. 259-266.
	2-18	Evaluation of the performance of the highest governance body		See Governance Report section, p. 259-266.
	2-19	Remuneration policies		See Remuneration Report.
	2-20	Process to determine remuneration		See Remuneration Report.
	2-21	Annual total compensation ratio		For BAWAG Group, the ratio of the total annual remuneration of the highest-paid individual compared to the median total annual remuneration of all employees (excluding the highest-paid individual) for the year 2023 is 132 to 1. For the purposes of the calculation, BAWAG Group takes into account all fully consolidated Group companies (except Idaho First Bank). The total annual remuneration includes the basic salary, function-related allowances, contributions to pension funds, employee participation programs and one-time payments as well as – if applicable – the annual variable remuneration granted. For part-time employees, total annual compensation was extrapolated to a full-time equivalent; compensation for employees hired during 2023 was annualized. The percentage change in the annual total compensation of the highest-paid individual in BAWAG Group from 2022 to 2023 is minus 4%, while the percentage change in the median annual total compensation of all employees (excluding the highest-paid individual) from 2022 to 2023 is plus 7%.
Strategy, policies and practices	2-22	Statement on sustainable development strategy		Consolidated Annual Report 2023, p. 14.
	2-23	Policy commitments	p. 282	Furthermore, please see our Human Rights Policy: https://www.bawaggroup.com/linkableblob/BAWAGGROUP/536278/530f6d00de2575d79e69e48a034485e3/human-rights-policy-data.pdf and Code of Conduct: https://www.bawaggroup.com/linkableblob/-/443748/d19eec87be5bc747787e2ab13d1404d5/code-of-conduct-data.pdf. The policy commitments apply to all of the organization's activities and business relationships equally.
	2-24	Embedding policy commitments	p. 282	
	2-25	Processes to remediate negative impacts	p. 322	
	2-26	Mechanisms for seeking advice and raising concerns	p. 294	Furthermore, please see our Grievance Procedure Principles: https://www.bawaggroup.com/linkableblob/BAWAGGROUP/523118/53a89bfa8498b04f6be6280501475ec9/grievance-policy-principles-data.pdf
	2-27	Compliance with laws and regulations		There were no significant instances of non-compliance with laws and regulations in the reporting period. When determining the significance of instances of non-compliance we took into account the severity of reputational, organizational and financial impacts on BAWAG resulting therefrom.

	2-28	Memberships of associations		UN Global Compact, UN Global Compact WEP, Austrian Banking Association (Bankenverband), Austrian Federal Economic Chamber (WKO).
Stakeholder Engagement	2-29	Approach to stakeholder engagement		Ten stakeholder groups were defined in 2018 as part of the materiality process through an analysis by the CSR team and external consultants (CSR Report 2018, p. 9). This selection was also used for discussions in 2021 when the materiality matrix was redefined. The stakeholders comprise all material internal and external stakeholder groups and were determined in consultation with sustainability experts who were entrusted with implementing the stakeholder analysis (Consolidated Annual Report 2021, p. 289 et seq)
	2-30	Collective bargaining agreements		Around 90% of BAWAG Group's employees are covered by collective bargaining agreements. (The working conditions and terms of employment of employees who are not covered by collective bargaining agreements are not influenced or determined based on other collective bargaining agreements.)

MANAGEMENT APPROACHES AND PERFORMANCE INDICATORS

GRI code		Content according to GRI Standards (core)	Reference	Remarks
Disclosures on material topics	3-1	Process to determine material topics	p. 272	
	3-2	List of material topics	p. 274 et seq.	

Area of action 1: Economic success

GRI code		Content according to GRI Standards (core)	Reference	Remarks
Management Approach	3.3	Management of material topics	p. 273 et seq.	
Economic Performance	201-1	Direct economic value generated and distributed	p. 279	
	201-2	Financial implications and other risks and opportunities due to climate change	p. 280	The management of risks and opportunities related to climate change is integrated into BAWAG Group's robust governance framework. However, data availability remains one of the biggest challenges in this regard. We are continuously implementation of enhancements to our existing infrastructure to improve the quantification methods.
	201-3	Defined benefit plan obligations and other retirement plans	p. 281	
	201-4	Financial assistance received from government		No financial assistance received from the government.
Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	p. 327	
	202-2	Proportion of senior management hired from the local community		The origin of 100% of the members of the Senior Leadership Team (table "Workforce/Governing bodies by age group and gender") is our core markets (DACH, Western Europe and the US).

Area of action 2: Ethics and integrity

GRI code		Content according to GRI Standards (core)	Reference	Remarks
Management Approach	3.3 (extended)	Management of material topics	p. 273 et seq.	
Anti-corruption	205-1	Operations assessed for risks related to corruption		During the risk assessment, no significant risks were identified.
	205-2	Communication and training about anti-corruption policies and procedures	p. 284, 286, 287	
	205-3	Confirmed incidents of corruption and actions taken	p. 287	
Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		No incidents in the reporting period.
	415-1	Political contributions		Political donations are prohibited throughout the Group by the Anti-Corruption Policy.
Taxes	207-1	Approach to tax	p. 291	

	207-2	Tax governance, control and risk management	p. 291	
	207-3	Stakeholder engagement and management of concerns related to tax	p. 291	
	207-4	Country-by-country reporting		Consolidated Annual report 2023, note 66. p.243
Rights of Indigenous Peoples	411-1	Incidents of violations involving rights of indigenous peoples		There were no identified incidents of violations of the rights of indigenous peoples. In general, there are grievance mechanisms in place where any stakeholder can provide feedback.
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		There were 42 substantiated complaints regarding erasure or rectification of data. Besides these complaints we had 50 data breaches, all of which were solved.

Area of action 3: Responsibility towards customers

GRI code		Content according to GRI Standards (core)	Reference	Remarks
Management Approach	3.3 (extended)	Management of material topics	p. 273 et seq.	
Marketing and Labeling	417-1	Requirements for product and service information and labeling	p. 295	
	417-2	Incidents of non-compliance concerning product and service information and labeling		There were no violations during the reporting period.
	417-3	Incidents of non-compliance concerning marketing communications		There were no violations during the reporting period.
Community	FS 13	Access points in low-populated or economically disadvantaged areas by type	p. 293	
	FS 14	Initiatives to improve access to financial services for disadvantaged people	p. 293	

Area of action 4: Sustainability in our core business

GRI code		Content according to GRI Standards (core)	Reference	Remarks
Management Approach	3.3 (extended)	Management of material topics	p. 273 et seq	Example: By focusing on the essential topic of "sustainability in core business," we are responding to changing customer requirements, which increasingly emphasize the use of sustainable products and services. At the same time, BAWAG Group wants to live up to its responsibility for sustainability – as opposed to achieving its economic goals at the expense of ecology and social contributions. Examples of its green finance methodology can be found here: https://www.bawaggroup.com/linkableblob/-/534994/289e2407a9b6106a0284e8347c942112/202203-technical-summary-data.pdf
	FS 6	Percentage of the portfolio for business lines by specific region,		In addition to the table on overall sector exposure in the CSR Report, the risk concentration by sector for Corporates, Real Estate & Public Sector is also presented in the Consolidated Annual Report 2023 (p.

		size (e.g. micro/SME/ large) and by sector		215). The distribution of the credit portfolio by size cannot be applied in accordance with GRI requirements based on the available data.
Sector-specific disclosure: Product Portfolio	FS 1	Policies with specific environmental and social components applied to our core business	p. 303	
	FS 2	Procedures for assessing and screening environmental and social risks in our core business	p. 302	
	FS 7	Monetary value of products and services, designed to deliver a specific social benefit for each business line broken down by purpose	p. 304	
	FS 8	Monetary value of products and services, designed to deliver a specific environmental benefit, for each business line, broken down by purpose	p. 304	
	203-1	Infrastructure investments and services supported	p. 303	
Sector-specific disclosure: Active Ownership	FS 11	Percentage of assets subject to positive and negative environmental or social screening	p. 302	BAWAG Group predominantly distributes funds issued by third party manufacturers. BAWAG does not manufacture or issue funds. BAWAG has only a limited product offering for portfolio management under the Südwestbank and easybank brand.
Indirect Economic Impacts	203-2	Significant indirect economic impacts	p. 303	

Area of action 5: Social responsibility and personal commitment

GRI code		Content according to GRI Standards (core)	Reference	Remarks
Management Approach	3.3 (extended)	Management of material topics	p. 276-277	
		Volunteer hours completed by employees	p. 310	

Area of action 6: Employee promotion and development, diversity and equal opportunity

GRI code		Content according to GRI Standards (core)	Reference	Remarks
Management Approach	3.3 (extended)	Management of material topics	p. 277	
Sector-specific disclosure: Product Portfolio	FS 4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to our core business	p. 317	
Employment	401-1	New employee hires and employee turnover	p. 327	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 325	

	401-3	Parental leave	p. 321	
Training and Education	404-1	Average hours of training per year per employee	p. 317	
	404-2	Programs for upgrading employee skills and transition assistance programs	p. 325	
	404-3	Percentage of employees receiving regular performance and career development reviews		The aim of the annual feedback process is to consolidate the feedback culture in the company and strengthen employee motivation. The focus of the feedback talk is on professional and personal assessment: this is discussed between the manager and employee using practical examples and important comments are recorded. 60% received the feedback as the process started with a delay in 2023
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	p. 313	
	405-2	Ratio of basic salary and remuneration of women to men	p. 328	
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken		No incidents during the reporting period.
Occupational Health and Safety	403-1	Occupational safety and health management system	p. 323et seq.	
	403-2	Hazard identification, risk assessment and investigation of incidents	p. 334 et seq.	
	403-3	Occupational health services	p. 323 et seq.	
	403-4	Employee participation, consultation and communication on occupational health and safety	p. 323 et seq.	
	403-5	Employee training on occupational health and safety	p. 323 et seq.	
	403-6	Promotion of employee health	p. 323 et seq.	
	403-7	Prevention and mitigation of occupational safety and health impacts directly related to business relationships	p. 323 et seq.	
	403-8	Employees covered by occupational safety and health management system	p. 323 et seq.	
	403-9	Work-related injuries		There were a total of five occupational accidents at BAWAG in 2023 – four of which occurred on the way from home to the office and one in the office. There was one occupational accident at start:bausparkasse Germany and one at SÜDWESTBANK - BAWAG AG Niederlassung Deutschland. There were no work-related fatalities
	403-10	Work-related illnesses		There are no reliable data on work-related illnesses.

Area of action 7: Environmental and climate protection

GRI code		Content according to GRI Standards (core)	Reference	Remarks
Management Approach	3.3	Management of material topics	p. 273 et seq	
Procurement Practices	204-1	Proportion of spending on local suppliers	p. 284, 332	
Energy	302-1	Energy consumption within the organization	p. 331	
	302-2	Energy consumption outside of the organization	p. 331	
	302-3	Energy intensity	p. 331	
	302-4	Reduction of energy consumption		Not applicable. Reduction of energy consumption primarily through energy-saving measures and reduction of floor space.
	302-5	Reduction in energy requirements for products and services		Not applicable.
Emissions	305-1	Direct (Scope 1) GHG emissions	p. 331	
	305-2	Energy indirect (Scope 2) GHG emissions	p. 331	
	305-3	Other indirect (Scope 3) GHG emissions	p. 331	
	305-4	GHG emissions intensity	p. 331	
	305-5	Reduction of GHG emissions		Not applicable. Reduction of energy consumption primarily through energy-saving measures and reduction of floor space.
	305-6	Emissions of ozone-depleting substances (ODS)		Not applicable.
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		Not applicable.

28 February 2024

Anas Abuzaakouk
Chief Executive Officer

Enver Sirucic
Member of the Management Board

Sat Shah
Member of the Management Board

David O'Leary
Member of the Management Board

Andrew Wise
Member of the Management Board

Guido Jestädt
Member of the Management Board

INDEPENDENT ASSURANCE REPORT

2-5 We have performed an independent limited assurance engagement on the combined consolidated non-financial report according to §§ 243b and 267a UGB ("NFI report") for the financial year 2023, which has been published as (consolidated) Non-Financial Report of **BAWAG Group AG, Vienna** (referred to as "BAWAG" or "the Company").

Conclusion

Based on the procedures performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the NFI report of the Company is not in accordance with the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§§ 243b and 267a UGB), the provisions of Article 8 of the Regulation (EU) 2020/852 as amended and the supplementing delegated Regulation (EU) 2021/2178 (hereafter "EU Taxonomy Regulation") and the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option "in accordance with" in all material respects.

Management's Responsibility

The Company's management is responsible for the proper preparation of the NFI report in accordance with the reporting criteria. The Company applies the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§§ 243b and 267a UGB) and the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option "in accordance with" as reporting criteria. In addition, the company prepares disclosures in accordance with the EU Taxonomy Regulation, which are published as part of sustainability reporting.

The Company's management is responsible for the selection and application of appropriate methods for non-financial reporting (especially the selection of significant matters) as well as the use of appropriate assumptions and estimates for individual non-financial disclosures, given the circumstances. Furthermore, their responsibilities include the design, implementation and maintenance of systems, processes and internal controls that are relevant for the preparation of the sustainability report in a way that is free of material misstatements – whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to state whether, based on our procedures performed and the evidence we have obtained, anything has come to our attention that causes us to believe that the Company's NFI report is not in accordance with the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§§ 243b and 267a UGB), the legal requirements of the EU Taxonomy Regulation and the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option "in accordance with" in all material respects.

Our engagement was conducted in conformity with the International Standard on Assurance Engagements (ISAE 3000) applicable to such engagements. These standards require us to comply with our professional requirements including independence requirements, and to plan and perform the engagement to enable us to express a conclusion with limited assurance, taking into account materiality.

An independent assurance engagement with the purpose of expressing a conclusion with limited assurance ("limited assurance engagement") is substantially less in scope than an independent assurance engagement with the purpose of expressing a conclusion with reasonable assurance ("reasonable assurance engagement"), thus providing reduced assurance. Despite diligent engagement planning and execution, it cannot be ruled out that material misstatements, illegal acts or irregularities within the non-financial report will remain undetected.

The procedures selected depend on the auditor's judgment and included the following procedures in particular:

— Inquiries of personnel at the group level, who are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting threshholds of the Company;

- A risk assessment, including a media analysis, on relevant information on the Company's sustainability performance in the reporting period;
- Evaluation of the design and implementation of the systems and processes for the collection, processing and monitoring of disclosures on environmental, social and employees matters, respect for human rights, anti-corruption as well as bribery and also includes the consolidation of data;
- Inquiries of personnel at the group level, who are responsible for providing, consolidating and implementing internal control procedures relating to the disclosure of concepts, risks, due diligence processes, results and performance indicators;
- Inspection of selected internal and external documents, in order to determine whether qualitative and quantitative information is supported by sufficient evidence and presented in an accurate and balanced manner;
- Assessment of the processes for local data collection, validation and reporting, as well as the reliability of the reported data through a (remotely conducted) survey performed on a sample basis at a site or a subsidiary.
- Analytical evaluation of the data and trend of quantitative disclosures regarding the GRI Standards listed in the GRI-Index, submitted by all locations for consolidation at the group level;
- Evaluation of the consistency of the of the Austrian Sustainability and Diversity Improvement Act (§§ 243b and 267a UGB), the EU Taxonomy Regulation and the GRI Standards, Option "in accordance with" to disclosures and indicators of the NFI report, which apply to the Company;
- Evaluation of the overall presentation of the disclosures by critically reading the NFI report.

The procedures that we performed do not constitute an audit or a review. Our engagement did not focus on revealing and clarifying of illegal acts (such as fraud), nor did it focus on assessing the efficiency of management. Furthermore, it is not part of our engagement to audit future-related disclosures, prior year figures, statements from external sources of information, expert opinions or references to more extensive external reporting formats of the Company.

Restriction on use

Because our report will be prepared solely on behalf of and for the benefit of the principal, its contents may not be relied upon by any third party, and consequently, we shall not be liable for any third party claims. We agree to the publication of our assurance certificate and NFI report. However, publication may only be performed in its entirety and as a version has been certified by us.

General Conditions of Contract

Our responsibility and liability towards the Company and any third party is subject to paragraph 7 of the General Conditions of Contract for the Public Accounting Professions.

Vienna, 29 February 2023

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
Mag. Georg Blazek

Wirtschaftsprüfer
(Austrian Chartered Accountant)

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS (COP)

COMMUNICATION ON PROGRESS (COP)

As a signatory to the UN Global Compact, BAWAG Group is committed to complying with the ten principles focusing on labor rights, human rights, environmental protection and anti-corruption and, since signing the UN Global Compact Women's Empowerment Principles (WEP) in 2015, to complying with the seven WEP. This CSR Report 2022 is thus also a report in the sense of the annual "Communication on Progress" (COP). For each principle, examples have been given of how they have been and are being implemented at BAWAG Group.

THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT AND EXAMPLES OF IMPLEMENTATION

The ten principles	Examples of implementation
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence. (COP 1)	p. 284, 332 General/principles/guidelines: Code of Conduct, Supplier Code of Conduct, Human Rights Policy
Principle 2: Businesses should make sure that they are not complicit in human rights abuses. (COP 2)	p. 284, 332 General/principles/guidelines: Code of Conduct, Supplier Code of Conduct, Human Rights Policy
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. (COP 3)	General/principles/guidelines: Freedom of association and the registration of trade unions are enshrined in law in our core markets. There is an ongoing exchange of information between management and the Works Council, and new works agreements are concluded regularly.
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor. (COP 4)	p. 284, 332 General/principles/guidelines: Supplier Code of Conduct; the majority of our suppliers come from the DACH region. The topics of freedom of negotiation, forced labor, working hours and wages are part of the Supplier Code of Conduct item 3 "Respect for fundamental rights, health and safety of employees."
Principle 5: Businesses should uphold the effective abolition of child labor. (COP 5)	p. 284, 332 General/principles/guidelines: Supplier Code of Conduct
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation. (COP 6)	p. 284, 311, 315, 332 General/principles/guidelines: Code of Conduct, Supplier Code of Conduct, recruiting policies, Women's Advancement Plan, Women's Mentoring Program
Principle 7: Businesses should support a precautionary approach to environmental challenges. (COP 7)	p. 304 et seq. Energy efficiency products and services
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility. (COP 8)	p. 305, 332 Energy-efficient sites, paperless branches, digitalization of processes, expansion of online offerings, outbound services
Principle 9: Businesses should encourage the development and diffusion of environmentallyfriendly technologies. (COP 9)	p. 303 et seq Financing of sustainable projects
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. (COP 10)	p. 284, 286, 332 General/principles/guidelines: Code of Conduct, Supplier Code of Conduct, anti-corruption and gift acceptance policy, conflict of interests policy. New entrants in Austria must successfully complete training on the prevention of money laundering. Employees must complete training on topics such as anti-corruption and fraud prevention.

THE SEVEN PRINCIPLES OF THE UN GLOBAL COMPACT WOMEN'S EMPOWERMENT PROGRAM AND EXAMPLES OF IMPLEMENTATION

WEP 7

The seven principles	Examples of implementation
Principle 1: Establish high-level corporate leadership for gender equality (WEP 1)	p. 311, 314, 316 Women's Advancement Plan, Women's Mentoring Program, flexible working time models, focus topic in management programs
Principle 2: Treat all women and men fairly at work – respect and support human rights and nondiscrimination (WEP 2)	p. 312, 315, 320 Recruiting policy, Code of Conduct, flexible working time models, Supplier Code of Conduct, Women's Advancement Plan, part-time parental leave, dad month
Principle 3: Ensure the health, safety and well-being of all women and men workers (WEP 3)	p. 320 Work and family audit, information events for expectant parents, welcome back events for parents returning from parental leave, company day care centers, workplace health promotion, occupational health services
Principle 4: Promote education, training and professional development for women (WEP 4)	p. 311 Women's Advancement Plan, Women's Mentoring Program
Principle 5: Implement enterprise development, supply chain and marketing practices that empower women (WEP 5)	p. 312
Principle 6: Promote equality through community initiatives and advocacy (WEP 6)	p. 312 Women's Initiative
Principle 7: Measure and publicly report on progress to achieve gender equality (WEP 7)	p. 312, 314 Report on measures, objectives and target achievement as part of the annual CSR Report and the Communication on Progress (COP); proportion of female managers; ESG target related to Women's quota in SLT and SB

DEFINITIONS

Key performance indicator	Definition / Calculation	Explanation
After-tax earnings per share	Net profit / weighted average diluted number of shares outstanding	After-tax earnings per share is the portion of net profit per individual share (diluted) of the stock.
Average interest-bearing assets	Month-end interest-bearing assets / number of months	Average of month-end interest-bearing assets within the quarter or the year is used for calculating net interest margin and risk cost ratio (see KPIs below)
Basic earnings per share	(Net profit - AT1 coupon) / weighted average number of shares outstanding	After-tax earnings per share is the portion of net profit (excluding AT1 coupon) per individual share of the stock.
Book value per share	Common equity (excluding AT1 capital and dividends) / number of shares outstanding	Book value per share represents the total amount of common equity divided by the number of shares outstanding at the end of the period.
Common equity	Equity attributable to the owners of the parent	Common equity as presented in the consolidated financial statements
Common Equity Tier 1 (CET1) capital	Based on IFRS CRR regulatory figures (BAWAG Group), excluding any transitional capital (fully loaded)	CET1 capital is defined by the CRR and represents the highest quality of capital. It therefore only comprises capital instruments that are available to the bank for unrestricted and immediate use to cover risks or losses as soon as they occur. The higher the bank's CET1 capital, the higher its resilience against such risks or losses.
Common Equity Tier 1 (CET1) ratio	Common Equity Tier 1 (CET1) capital / risk-weighted assets	The CET1 ratio is one of the most important regulatory metrics and demonstrates the bank's financial strength by providing a measure for how well a bank can withstand financial stress. The ratio is consistently monitored to ensure compliance with regulatory minimum requirements. Before any business opportunities are entered into, they are thoroughly assessed with regard to their impact on the CET1 ratio.
Core revenues	The total of net interest income and net fee and commission income	Core revenues consist of the line items net interest income and net fee and commission income and demonstrate the success of the bank in its core activities.
Cost-income ratio (CIR)	Operating expenses / operating income	The cost-income ratio shows the company's operating expenses in relation to its operating income. The ratio gives a clear view of operational efficiency. BAWAG Group uses the cost-income ratio as an efficiency measure for steering the bank and for easily comparing its efficiency with other financial institutions.
Customer deposits (segment view)	Customer deposits and selected own issues incl. deposits held for sale start:Bausparkasse Germany	Deposits to customers including own issues sold through retail network and private placements incl deposits held for sale of start:Bausparkasse Germany.
Customer funding (segment view)	Customer deposits incl. own issues incl. deposits held for sale start:Bausparkasse Germany	Deposits to customers, covered bonds and senior bonds sold through retail network and private placements incl deposits held for sale of start:Bausparkasse Germany.
Customer deposits average / Customer funding average	Daily average	Averages based on daily figures.
Customer loans	Customer loans measured at amortized cost and held for sale start:Germany	The book value of customer loans measured at amortized cost and assets held for sale start:Germany.
Dividend per share	Dividend payout / shares outstanding	The dividend per share expresses the distributed profit over the dividend eligible share. The base for the shares eligible for dividend is shown is the shares outstanding at period end plus the respective tranches of the LTIP from the following year.
Diluted earnings per share	(Net profit - AT1 coupon) / weighted average diluted number of shares outstanding	After-tax earnings per share is the portion of net profit (excluding AT1 coupon) per individual share (diluted) of the stock.

Interest-bearing assets	Financial assets + Assets at amortized cost – Assets at central banks	Interest-bearing assets comprise the line items Financial assets and Assets at amortized cost excluding Assets at central banks
Leverage ratio	Tier 1 capital / total exposure (calculation according to CRR)	The leverage ratio is a regulatory metric and expresses the relationship between the bank's Tier 1 capital and its total exposure, where total exposure includes on-balance and certain off-balance exposures but not on a risk-weighted basis. The ratio provides a metric to judge how leveraged a bank is. The higher the leverage ratio, the lower a bank is leveraged and the higher the likelihood of a bank withstanding negative shocks to its balance sheet.
Liquidity coverage ratio (LCR)	Liquid assets / net liquid outflows (calculation according to CRR)	The liquidity coverage ratio is a regulatory metric that ensures that banks maintain adequate levels of liquidity, i.e. sufficient highly liquid assets, to meet short-term obligations under stressed conditions. In keeping with this, the bank shall sustain any possible imbalance between liquidity inflows and outflows under stressed conditions over a period of thirty days. The ratio is consistently monitored by the management to ensure compliance with regulatory minimum requirements and short-term liquidity needs.
Loan-to-value (LTV)	Mortgage loans / appraised value (market value) of the property	The LTV ratio is a financial term to express the ratio of a mortgage loan in relation to the value in use or market value of the underlying property.
Net interest margin	Net interest income / average interest-bearing assets	The net interest margin is a performance measure and is expressed as a percentage of what a bank earns on loans and other assets in a time period less the interest it pays on deposits and other liabilities divided by average interest-bearing assets. It is used for external comparison with other banks as well as internal profitability measurement of products and segments.
Net profit	Profit after tax attributable to owners of the parent	This profitability measure represents the profit after tax that is attributable to the owners of the parent in absolute amounts for the respective period as presented in the consolidated financial statements.
Non-performing loans (NPL) ratio	Non-performing loans / Exposure	The NPL ratio is a ratio to demonstrate the proportion of loans that have been classified as non-performing in relation to the entire credit risk exposure (on-balance and off-balance sheet receivables). The ratio reflects the quality of the portfolio and of the Group's credit risk management.
Non-performing loans (NPL) coverage ratio	Stage 3 incl. prudential filter and collateral / NPL exposure economic	The total of stage 3 impairments including prudential filter and collateral relative to the NPL exposure economic
Non-performing loans (NPL) cash coverage ratio	Stage 3 incl. prudential filter / NPL exposure economic	The total of stage 3 impairments including prudential filter relative to the NPL exposure economic
Off-balance business	Off-balance business	Off-balance business refers to assets or liabilities that do not appear on the Group's balance sheet such as loan commitments and financial guarantees.
Operating income	The total of core revenues, gains and losses on financial instruments and other operating income and expenses	As presented in the respective line item in the income statement
Operating profit	Operating income less operating expenses and regulatory charges	As presented in the respective line item in the income statement

Other income	Sum of gains and losses on financial instruments and other operating income and expenses	Other income consists of the line items gains and losses on financial instruments and other operating income and expenses.
Pre-provision profit	Operating income less operating expenses	As presented in the respective line item in the income statement
Pre-tax earnings per share	Profit before tax / weighted average diluted number of shares outstanding	Pre-tax earnings per share is the portion of profit before tax per individual share (diluted) of the stock.
Return on common equity (RoCE)	Net profit / average common equity excluding AT1 capital and dividends and dividend accruals	These metrics provide a profitability measure for both management and investors by expressing the net profit as presented in the income statement as a percentage of the respective underlying (either equity related or asset related). Return on common equity and return on tangible common equity demonstrate profitability of the bank on the capital invested by its shareholders and thus the success of their investment. The "Return on …" measures are useful for easily comparing the profitability of the bank with other financial institutions. Allocated equity to segments is based on an internal model taking into account risk-weighted assets and balance sheet size of the respective segment.
Return on tangible common equity (RoTCE)	Net profit / average tangible common equity excluding AT1 capital and dividends and dividend accruals	
Risk-weighted assets	Based on IFRS CRR regulatory figures (BAWAG Group, fully loaded)	The calculation of risk-weighted assets is defined in the CRR. The figure describes the total amount of exposure at risk for a bank and includes both on-balance and off-balance positions. When calculating the amount, the bank can consider risk-mitigating elements (e.g. collateral) and has to derive regulatory risk weights for each position depending on the (external) credit rating of the counterparty or customer. Risk-weighted assets are used as the denominator for calculating the CET1 ratio (see above). "Fully loaded" refers to the full application of the CRR without any transitional rules.
Risk costs / interest-bearing assets; (risk cost ratio)	Provisions and loan loss provisions, impairment losses and operational risk (total risk costs) / average interest-bearing assets	This ratio is a measure for the quality of credit risk management and the loan portfolio itself. It provides a relative view of the risk costs for the period based on the average interest-bearing assets and allows benchmarking with other banks. Low risk costs may result from a high collateralization and/or a close monitoring of the credit rating of the customers. As a result, this implies that there are only few actual credit losses and little need for provisioning.
RWA density	Risk-weighted assets / total assets	The RWA density is a metric to obtain an "average risk weight" for a bank's balance sheet, i.e. the bank's total risk-weighted assets (see above) compared to the total assets. The ratio indicates the average risk weightings of the assets based on their regulatory assessment, which can be impacted by asset quality, the collateralization level or the applied models for assessing the risk weights.
Tangible book value per share	Tangible common equity (excluding AT1 capital and dividends) / number of shares outstanding	Tangible book value per share represents the total amount of common equity less intangible assets divided by the number of shares outstanding at the end of the period.
Tangible common equity	Common equity reduced by the carrying amount of intangible assets	Tangible common equity is another viability indicator for banks and facilitates the comparison of equity figures excluding intangible assets. It is used as the denominator of the return on tangible equity calculation (see below).
Total capital	Based on IFRS CRR regulatory figures (BAWAG Group), excluding any transitional capital (fully loaded)	Total capital and total capital ratio are regulatory metrics and compare to CET1 capital and the CET1 ratio in a way that the eligible capital for this purpose is extended by other instruments (e.g. Additional Tier 1 and Tier 2 instruments) not falling within the

Total capital ratio	Total capital / risk-weighted assets	strict Common Equity Tier 1 definition. The total capital ratio is consistently monitored by the management to ensure compliance with regulatory minimum requirements. However, CET1 capital is of higher significance as it is also the base for prudential thresholds such as the SREP requirement. Therefore, BAWAG Group focuses more on CET1 capital and the CET1 ratio.
Value-at-risk (VaR)	Measure of risk of investments	A method for quantifying risks that measures the potential maximum future losses that can occur within a specific period and with a certain probability.

GLOSSARY

Associated company	A company over which a material influence is exerted in terms of its business or financial policy and that is recognized in the consolidated accounts using the equity method.
AML	Anti-Money-Laundering
Backtesting	A method for verifying projected VaR values by comparing them with the actual developments.
Banking book	All risk-bearing on- and off-balance-sheet positions of a bank that are not assigned to the trading book.
Cash flow hedge	A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.
CDS	Credit default swap; a financial instrument that securitizes credit risks, for example those associated with loans or securities.
CLO	Collateralized loan obligation; securities that are collateralized by a pool of credit claims.
Cross-selling	The active selling of complementary products and services to existing customers.
CRR	Capital Requirements Regulation; Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 Text with EEA relevance; in the applicable version.
Derivatives	Financial instruments whose value depends on the value of an underlying asset (such as stocks or bonds). The most important derivatives are futures, options and swaps.
Expected credit loss	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).
Fair value	Price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.
Fair value hedge	Assets or liabilities, generally with fixed interest rates, are protected against changes in their fair value using derivatives.
Futures	Standardized, exchange-traded forward agreements in which an asset must be delivered or purchased at a specific time and at a price that is agreed in advance.
Hedge accounting	An accounting technique that aims to minimize the effects that the opposing developments in the value of a hedge transaction and its underlying transaction have on the income statement.
Hedging	Protecting against the risk of disadvantageous interest rate and price changes.
ICAAP	Internal Capital Adequacy Assessment Process; an internal procedure to ensure that a bank has sufficient own funds to cover all material types of risk.
ILLAP	Internal Liquidity Adequacy Assessment Process; an internal procedure to ensure that a bank has robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk.
Impairments stage 1	Impairments (ECL) for assets without increase in credit risk since initial recognition.
Impairments stage 2	Impairments (ECL) with increase in risk since initial recognition but not credit-impaired.
Impairments stage 3	Impairments (provisions and reserves) for credit-impaired debt instruments.
Industry segmentation	Allocation to individual industries based on internal industry codes.
Investment properties	Properties held as financial investments, primarily to generate rental income.
Monte Carlo simulation	A numerical method for solving mathematical problems by modelling random values.
Option	The right to buy (call) or sell (put) an underlying reference asset at an agreed price within a specific period of time or at a fixed point in time.
OTC	Over the counter; trade with non-standardized financial instruments directly between the market participants instead of through an exchange.
SALCO	Strategic Asset Liability Committee; a bank committee with a full board representation that decides on the most relevant issues related to liquidity, capital and interests.
Swap	A financial instrument that is generally used to exchange payment flows between two parties.
Trading book	All positions that a bank holds in financial instruments for the purpose of sale again in the short term when the best result can be achieved depending on the development of prices and interest rates. Positions that are not assigned to the trading book are managed in the banking book.

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