HALF-YEAR FINANCIAL REPORT 2022

BAWAG Group

KEY FIGURES

Profit or loss statement (in € million)	**Jan–Jun 2022**	Jan–Jun 2021	Change (%)
Net interest income	491.5	461.2	6.6
Net fee and commission income	159.2	137.8	15.5
Core revenues	**650.7**	**599.0**	**8.6**
Other income[1]	6.1	4.6	31.5
Operating income	**656.8**	**603.6**	**8.8**
Operating expenses	**(238.7)**	**(243.0)**	**(1.8)**
Pre-provision profit	**418.1**	**360.6**	**15.9**
Regulatory charges	(45.6)	(56.2)	(18.9)
Total risk costs	(50.6)	(53.1)	(4.7)
Profit before tax	**322.8**	**252.7**	**27.7**
Income taxes	(78.1)	(60.0)	30.2
Net profit	**244.6**	**192.8**	**26.9**

Performance ratios (figures annualized)	**Jan–Jun 2022**	Jan–Jun 2021	Change (pts)
Return on common equity [2]	14.7%	11.1%	3.6
Return on tangible common equity [2]	**17.5%**	**13.2%**	**4.3**
Net interest margin	2.29%	2.28%	0.01
Cost-income ratio	36.3%	40.3%	(4.0)
Risk costs / interest-bearing assets	0.23%	0.26%	(0.03)

Share data	**Jan–Jun 2022**	Jan–Jun 2021	Change (%)
Pre-tax earnings per share (in €)[3]	3.62	2.84	27.5
After-tax earnings per share (in €)	2.74	2.17	26.6
Book value per share (in €)	37.65	39.43	(4.5)
Tangible book value per share (in €)	31.68	33.38	(5.1)
Shares outstanding at the end of the period	89,004,800	88,855,047	0.2

Statement of financial position (in € million)	**Jun 2022**	Dec 2021	Change (%)	Jun 2021	Change (%)
Total assets	55,029	56,325	(2.3)	54,132	1.7
Interest-bearing assets	45,382	42,412	7.0	40,815	11.2
Customer loans	37,176	34,963	6.3	32,487	14.4
Customer deposits and own issues	41,482	42,539	(2.5)	40,183	3.2
Common equity[2]	3,351	3,636	(7.8)	3,504	(4.4)
Tangible common equity[2]	2,820	3,101	(9.1)	2,966	(4.9)
Risk-weighted assets	21,326	20,135	5.9	20,142	5.9

Balance sheet ratios	**Jun 2022**	Dec 2021	Change (pts)	Jun 2021	Change (pts)
Common Equity Tier 1 capital ratio (fully loaded) [4]	**12.7%**	**15.0%**	**(2.3)**	**14.4%**	**(1.7)**
Total capital ratio (fully loaded) [4]	17.7%	20.4%	(2.7)	20.0%	(2.3)
Leverage ratio (fully loaded) [4]	5.6%	6.0%	(0.4)	6.1%	(0.5)
Liquidity coverage ratio (LCR)	184%	239%	(55)	265%	(81)
NPL ratio	1.4%	1.4%	0.0	1.5%	(0.1)

1) The term “Other Income” includes gains and losses on financial instruments and other operating income and expenses
2) Excluding AT1 capital, dividends and buyback of € 325 million in 2022
3) Before deduction of AT1 coupon.
4) Capital ratios after deduction of share buyback of € 325 million in 2022.
Note: For details on definitions and calculation methodology, please refer to the section entitled “Definitions” on pages 97-99.

CONTENTS

Half-Year Group Management Report

HIGHLIGHTS

Strong operating results in the first half 2022 … remaining prudent in light of the current environment

BAWAG Group reported a net profit of € 245 million, € 2.74 earnings per share, and a RoTCE of 17.5% for the first six months 2022. The operating performance of our business was strong during the first half 2022 with pre-provision profits of € 418 million and a cost-income ratio of 36.3%. Total risk costs were € 51 million. Despite our record low NPL ratio of 1.4% (1.0% excluding City of Linz legal case), robust credit performance across our business to date, no direct exposure to Russia or Ukraine, and de minimis exposure to Eastern Europe, we decided to remain prudent in our provisioning given the current market environment and potential headwinds building up, increasing our management overlay provisions by € 9 million to a total of € 70 million.

Share buyback of € 325 million approved … execution started on 25 July 2022

In regards to capital distribution, the Management Board of BAWAG Group AG (BAWAG) received the decision of the European Central Bank (ECB) pursuant to which the ECB approved a share buyback of € 325 million on 20 July 2022. The Management Board of BAWAG resolved to carry out a share buyback program of € 325 million, which started on 25 July 2022. Additional capital will be allocated to business growth, M&A, and/or share buybacks and special dividends, subject to our routine annual assessment.

2022 targets reconfirmed: Profit before tax > € 675 million, RoTCE > 17%, and CIR < 38% … updating outlook for core revenue growth > 7% in 2022

In our outlook for 2022, we see full-year core revenues growing by over 7% and operating expenses down by approximately 2%. We expect regulatory charges to be around € 55 million and total underlying risk costs amounting to approximately 20 basis points risk cost ratio. In addition, we will continue to build up the management overlay. We are targeting a profit before tax over € 675 million. In terms of return targets, we target a RoTCE over 17% and a CIR under 38% in 2022.

Acquisition of assets of Sberbank Europe

On 1 March 2022, Sberbank Europe AG (now in liquidation) was prohibited from continuing business operations. BAWAG Group purchased a consumer loan portfolio in Germany and a bond portfolio with a book value of € 0.7 billion as of June 2022. The transaction consumed approximately 30 basis points of CET1 capital. The purchase price was directly paid to the Austrian deposit guarantee scheme. The assets have been transferred beginning May 2022 and the consumer loan portfolio is serviced via our *Qlick* channel.

M&A: Signed acquisition in United States

In February 2022, BAWAG Group signed an agreement to acquire Peak Bancorp, the holding company of Idaho First Bank, a community bank with approximately 10,000 customers and approximately $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. The transaction is subject to customary closing conditions including the approval of US regulators.

ECONOMIC AND REGULATORY DEVELOPMENTS

ECONOMIC DEVELOPMENTS

Macro trends

The first half 2022 was dominated by the geopolitical conflict, significant inflationary headwinds, volatility in the energy markets and shifting global supply chains.

After the severe economic burden of the global pandemic in 2020, a pronounced economic recovery took place in 2021 and the first half 2022. During Q1 2022, GDP experienced robust growth rates of +1.5% in Austria, +0.2% in Germany, +0.4% in the Netherlands and +0.6% in the Euro area compared to the previous quarter. Unemployment remains at all-time lows with levels of 4.8% in Austria, 2.8% in Germany, 3.3% in the Netherlands and 6.6% in the Euro area as of May 2022.

Broad based price increases have caused significantly elevated consumer price inflation throughout Europe and the United States. As of June 2022, consumer price inflation (HICP) reached levels of 8.7% in Austria, 8.2% in Germany, 9.9% in the Netherlands and 8.6% in the Euro area. However, even without the components that experienced the most pronounced price increases, core inflation rates (HICP excluding energy, food, tobacco and alcoholic beverages) have seen persistently elevated levels of 3.4% in Austria, 4.0% in Germany, 3.9% in the Netherlands and 3.7% in the Euro area as of May 2022.

On the back of persistently high inflation, most central banks in the developed world increased key interest rates in the first half 2022, while the ECB started its rate hike cycle with a 50 basis point increase during their July 2022 meeting.

Market developments in Austria

The improving economic environment resulted in stable loan demand from Austrian customers, with outstanding loan volumes of corporate and of retail customers increasing by approximately 2%[1)] in early 2022 compared to year-end 2021. Deposit volumes from Austrian households decreased by approximately 1% in early 2022 compared to year-end 2021.

Outlook

The overlapping factors of geopolitical conflicts, supply chain disruptions, rising food and energy prices, monetary tightening and strong but fading economic momentum are resulting in an uncertain economic outlook. The European Commission expects GDP to continue at a stable pace, with growth of +3.7% in Austria, +1.4% in Germany, +3.0% in the Netherlands and +2.6% in the Euro area in 2022. For 2023, growth is expected to decelerate to +1.5% in Austria, +1.3% in Germany, +1.0% in the Netherlands and +1.4% in the Euro area. Inflationary pressure has been established as a permanent phenomenon, with the EU Commission expecting consumer price inflation to significantly overshoot the ECB target of close to but below 2% in the Euro area until at least 2023. Thus, central banks have started to taper their ultra-expansionary monetary policy measures. The United States Federal Reserve initiated a pronounced interest rate hike cycle starting in March 2022, with rates expected to increase further during the year 2022. The ECB has reduced its bond buying and hiked interest rates more moderately starting in July 2022. However, although monetary policy in Europe is lagging behind the United States, key interest rates are set to increase well beyond 0% in the Euro area as well. Monetary policy errors in both directions remain a risk, i.e. reacting too slow and thus causing excessive inflation or reacting too fast and, in turn, dampening the economic recovery. However, this risk, can be managed by a data-based and vigilant decision-making process, as central banks continue to stress in public communication.

1) Source: Austrian National Bank (OeNB)

REGULATORY DEVELOPMENTS

The European Central Bank's regulatory requirements remained unchanged during the first six months of 2022.

In the first half 2022, ECB carried out a climate risk stress test to assess how prepared banks are for dealing with financial and economic shocks stemming from climate risk. Climate change and the transition to net zero carbon emissions pose risks to households and firms, and therefore to the financial sector. The ECB published the aggregate results on 8 July 2022. Since exposure to climate-related and environmental risks is among the ECB's supervisory priorities next to the stress test, ECB is undertaking a broader set of activities to assess the level of preparedness for properly managing climate risk.

The Financial Market Authority in Austria has issued a regulation to limit the underwriting criteria for residential real estate effective 1 August 2022. BAWAG already applies the new underwriting standards.

Several countries revoked the countercyclical buffer due to the outbreak of COVID-19 in 2020. Some countries announced during the first half of 2022 that they will start to implement a countercyclical buffer again over the course of the next years, e.g. Germany effective 2023.

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 any upcoming requirements.

FINANCIAL REVIEW

ANALYSIS OF PROFIT OR LOSS STATEMENT AND STATEMENT OF FINANCIAL POSITION

Profit or loss statement

in € million	Jan–Jun 2022	Jan–Jun 2021	Change	Change (%)
Net interest income	**491.5**	**461.2**	**30.3**	**6.6**
Net fee and commission income	**159.2**	**137.8**	**21.4**	**15.5**
Core revenues	**650.7**	**599.0**	**51.7**	**8.6**
Gains and losses on financial instruments and other operating income and expenses[1)]	6.1	4.6	1.4	31.5
Operating income	**656.8**	**603.6**	**53.2**	**8.8**
Operating expenses[1)]	**(238.7)**	**(243.0)**	**4.3**	**(1.8)**
Pre-provision profit	**418.1**	**360.6**	**57.5**	**15.9**
Regulatory charges	(45.6)	(56.2)	10.6	(18.9)
Operating profit	**372.5**	**304.4**	**68.1**	**22.4**
Total risk costs	(50.6)	(53.1)	2.5	(4.7)
Share of the profit or loss of associates accounted for using the equity method	0.9	1.4	(0.5)	(35.7)
Profit before tax	**322.8**	**252.7**	**70.1**	**27.7**
Income taxes	(78.1)	(60.0)	(18.1)	30.2
Profit after tax	**244.7**	**192.7**	**52.0**	**27.0**
Non-controlling interests	(0.1)	0.1	(0.2)	-
Net profit	**244.6**	**192.8**	**51.8**	**26.9**

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 43.0 million for the first half 2022. The item Operating expenses includes regulatory charges in the amount of € 2.6 million for the first half 2022 as well. However, BAWAG Group's management considers regulatory charges as a separate expense. Accordingly, they are shown in a separate expense line in the Interim Group Management Report.

Profit after tax increased by € 52.0 million, or 27.0%, to € 244.7 million in the first half 2022. The underlying operating performance of the business remained strong during the first half 2022, generating core revenues of € 650.7 million and a pre-provision profit of € 418.1 million.

Net interest income rose by 6.6% to € 491.5 million, driven by higher average customer loans.

Net fee and commission income increased by 15.5% to € 159.2 million, driven by the contribution stemming from the acquisition of Hello bank! Austria in the fourth quarter 2021 and the ongoing recovery from decreased customer activity driven by the pandemic. While our advisory and brokerage business had a strong first quarter, it was slightly impacted by the current market volatility experienced in the second quarter 2022.

Gains and losses on financial instruments and other operating income and expenses increased by € 1.4 million to € 6.1 million in the first half 2022.

Operating expenses decreased by 1.8% as a result of multiple operational initiatives executed over the past two years, more than compensating significant inflationary pressures.

The first half 2022 also included **regulatory charges** of € 45.6 million, down 18.9% versus prior year, reflecting recoveries from prior bank insolvencies, while the SRB contribution increased. The regulatory charges booked in the first half 2022 represent approximately 85% of the full-year charges that are expected to be required during 2022.

Total risk costs were € 50.6 million in the first half 2022, a decrease of € 2.5 million, or 4.7%, compared to the previous year. While the underlying asset quality remained strong during the first six months of 2022, we decided to remain prudent in our provisioning given the overall volatile market environment triggered by the geopolitical conflict, significant inflationary headwinds, volatility in the energy markets and shifting global supply chains. Therefore, we increased the ECL management overlay by € 9 million to € 70 million.

Total assets

in € million	Jun 2022	Dec 2021	Change (%)	Jun 2021	Change (%)
Cash reserves	735	1,894	(61.2)	944	(22.1)
Financial assets					
Held for trading	194	257	(24.5)	284	(31.7)
Fair value through profit or loss	610	611	(0.2)	559	9.1
Fair value through OCI	2,851	3,754	(24.1)	4,384	(35.0)
At amortized cost	49,723	48,448	2.6	46,491	7.0
Customers	37,176	34,963	6.3	32,487	14.4
Debt instruments	2,653	2,319	14.4	1,960	35.4
Credit institutions	9,894	11,166	(11.4)	12,044	(17.9)
Valuation adjustment on interest rate risk hedged portfolios	(461)	(94)	(100)	(58)	(100)
Hedging derivatives	95	178	(46.6)	237	(59.9)
Tangible non-current assets	377	394	(4.3)	378	(0.3)
Intangible non-current assets	531	535	(0.7)	539	(1.5)
Tax assets for current taxes	26	20	30.0	8	>100
Tax assets for deferred taxes	14	10	40.0	5	>100
Other assets	334	318	5.0	288	16.0
Non-current assets held for sale	-	-	-	73	(100)
Total assets	**55,029**	**56,325**	**(2.3)**	**54,132**	**1.7**

The **cash reserves** were significantly reduced to € 0.7 billion compared to € 1.9 billion at year-end 2021.

The line item **at amortized cost** increased by € 1.3 billion, or 2.6%, compared to year-end 2021 and stood at € 49.7 billion as of 30 June 2022. The customer volumes increased by 6.3% with a strong performance in retail housing loans.

Total liabilities and equity

in € million	Jun 2022	Dec 2021	Change (%)	Jun 2021	Change (%)
Total liabilities	50,743	51,947	(2.3)	49,638	2.2
Financial liabilities					
Fair value through profit or loss	214	234	(8.5)	191	12.0
Held for trading	611	301	>100	237	>100
At amortized cost	48,474	49,666	(2.4)	47,485	2.1
Customers	33,524	35,148	(4.6)	33,013	1.5
Issued securities	7,744	7,157	8.2	6,979	11.0
Credit institutions	7,206	7,361	(2.1)	7,493	(3.8)
Financial liabilities associated with transferred assets	391	-	>100	-	>100
Valuation adjustment on interest rate risk hedged portfolios	(468)	165	-	262	-
Hedging derivatives	263	107	>100	90	>100
Provisions	304	382	(20.4)	398	(23.6)
Tax liabilities for current taxes	68	131	(48.1)	89	(23.6)
Tax liabilities for deferred taxes	74	93	(20.4)	116	(36.2)
Other obligations	812	868	(6.5)	770	5.5
Total equity	4,286	4,378	(2.1)	4,494	(4.6)
Common equity	3,810	3,902	(2.4)	4,019	(5.2)
AT1 capital	471	471	-	471	-
Non-controlling interests	5	5	-	4	25.0
Total liabilities and equity	**55,029**	**56,325**	**(2.3)**	**54,132**	**1.7**

Financial liabilities at amortized cost decreased by € 1.2 billion, or 2.4%, to € 48.5 billion as of 30 June 2022 compared to year-end 2021. This is due to the decrease of deposit volumes across several customer segments and products. We issued three mortgage covered bonds in the first half of 2022 with a total volume of € 2.0 billion.

Total equity including Additional Tier 1 capital stood at € 4.3 billion as of 30 June 2022. The dividend accrual for the first half of 2022 of € 135 million based on our dividend policy as well as the approved share buyback of € 325 million (to be executed in 2022) are not deducted.

CAPITAL AND LIQUIDITY POSITION

BAWAG Group's **CET1 target ratio** is unchanged 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.

	2022	2021
Pillar 1 minimum	4.5%	4.5%
Pillar 2 requirement (CET1 requirement; total requirement 2.0%)	1.125%	1.125%
Capital conservation buffer	2.5%	2.5%
Systemic risk buffer	0.5%	1.0%
O-SII buffer[1]	0.5%	0.0%
Countercylical buffer (based on year-end exposure of 2021)	0.01%	0.01%
Overall capital requirement (OCR)	**9.14%**	**9.14%**
Pillar 2 guidance (P2G)	0.75%	1.00%
Overall capital requirement including P2G	**9.89%**	**10.14%**
CET1 target ratio	**12.25%**	**12.25%**
Management buffer to OCR (in basis points)	311	311
Management buffer to OCR including P2G (in basis points)	236	211

1) According to CRDV, Systemic risk buffer and O-SII buffer are considered additive and not the higher of. Due to this change, those two buffers were both reduced from 1.0% to 0.5%. This change is applicable since the BWG was published on 28.05.2021.

As of 30 June 2022, the fully loaded capital ratios exceeded both the target ratio and the regulatory requirements. These ratios consider the deduction of the first half 2022 dividend accrual of € 135 million based on our dividend policy to accrue for 55% of net profits.

	June 2022 (post deduction of € 325 million approved buyback)	June 2022 (before deduction of € 325 million approved buyback)	2021
CET1 capital (in € million)	2,699	3,024	3,012
Risk-weighted assets (in € million)	21,326	21,326	20,135
CET1 ratio (post dividend)	**12.7%**	**14.2%**	**15.0%**
Tier1 ratio (post dividend)	**14.8%**	**16.3%**	**17.3%**
Total capital ratio (post dividend)	**17.7%**	**19.2%**	**20.4%**

Based on the fully loaded capital ratios as of 30 June 2022, the **maximum distributable amount** above the regulatory requirements for 2022 (Pillar 1 minimum ratios, Pillar 2 CET1 requirement and combined buffer requirements) is € 1.08 billion (after taking € 135 million dividend accrual for 2022 into account). **Available distributable items** as defined in Art. 4.1 (128) CRR on the level of BAWAG Group AG amount to approximately € 3.1 billion as of 30 June 2022.

Capital distribution policy

Since the IPO in 2017, we have distributed € 1.0 billion of capital through dividends and € 0.4 billion through share buybacks. In addition, BAWAG Group received the decision of the European Central Bank (ECB) on 20 July 2022 pursuant to which the ECB approved a share buyback of € 325 million. The Management Board of BAWAG resolved to carry out a share buyback program of € 325 million, which started on 25 July 2022. For the first half 2022 we accrued € 135 million dividend based on our dividend policy.

Our capital distribution plans are 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.

Share buyback 2022
In line with our capital management framework to distribute excess capital to our shareholders above our CET1 target of 12.25%, we filed for a share buyback of € 325 million during the first six months of 2022. On 20 July 2022, the European Central Bank approved the share buyback and the Management Board resolved to carry out the buyback program of € 325 million, starting on 25 July 2022.

Additional capital
Any additional capital will be allocated to business growth, M&A, and/or share buybacks/special dividends, subject to our routine annual assessment.

Developments for / in 2022

Targeted dividend payout ratio	55%
Share buyback (to be executed in 2022)	€ 325 million

Developments in other types of funding

During the first six months of 2022 we were active on the international capital markets and issued three benchmark covered bonds for a total of € 2.0 billion. We plan continuous issuance activity for covered bonds, subject to market conditions, matching the targeted growth in mortgages.

BAWAG Group also continued to use the ECB's TLTRO III funding with the maximum capacity of € 6.4 billion.

MREL

In the first quarter 2022, 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 25.7% 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 22.0% of RWA (including combined buffer requirement[1)]), which must be met by 1 January 2022. The current MREL decision does not contain a subordination requirement.

As of 30 June 2022, BAWAG reported MREL-eligible instruments amounting to 24.0%[2)] of RWA, thereby already exceeding the binding interim target applicable from 1 January 2022.

Liquidity management

BAWAG Group maintains a conservative liquidity management strategy, which is reflected in our strong liquidity coverage ratio (LCR) of 184% at the end of June 2022. BAWAG Group thereby significantly exceeds the regulatory LCR requirement of 100%.

1) based on year-end 2021 figures
2) Number on BAWAG P.S.K. level

KEY QUARTERLY PERFORMANCE INDICATORS

in € million	**Q2 2022**	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Net interest income	249.5	242.0	243.3	233.8	231.6
Net fee and commission income	77.8	81.4	72.5	71.7	70.1
Core revenues	327.3	323.4	315.8	305.5	301.7
Operating income	331.4	325.4	317.7	307.2	302.5
Operating expenses	(118.2)	(120.4)	(121.8)	(120.4)	(121.2)
Pre-provision profit	213.2	205.0	195.9	186.8	181.3
Regulatory charges	(7.3)	(38.4)	8.9	(4.3)	(2.0)
Total risk costs	(30.3)	(20.3)	(20.3)	(21.5)	(23.8)
Profit before tax	176.5	146.3	186.2	161.6	156.2
Income taxes	(42.8)	(35.3)	(22.3)	(38.1)	(37.0)
Net profit	133.7	110.9	163.9	123.2	119.1

(figures annualized)					
Return on common equity[1)]	16.0%	13.3%	18.1%	13.9%	13.8%
Return on tangible common equity[1)]	**19.0%**	**15.9%**	**21.3%**	**16.4%**	**16.4%**
Net interest margin	2.25%	2.33%	2.26%	2.24%	2.28%
Cost-income ratio	35.7%	37.0%	38.3%	39.2%	40.1%
Risk costs / interest-bearing assets	0.27%	0.19%	0.19%	0.21%	0.23%
Tax rate[2)]	24.2%	24.1%	12.0%	23.6%	23.7%

1) Excluding AT1 capital, dividends and share buyback of €325 million in 2022
2) Q4 2021 tax rate lower due to badwill from DEPFA Group acquisition
Note: For details on definitions and calculation methodology, please refer to the section entitled "Definitions" on pages 97-99.

BUSINESS SEGMENTS

RETAIL & SME

During the first six months of 2022, the Retail & SME segment delivered a profit before tax of € 275.7 million, a return on tangible common equity of 31.8% and a cost-income ratio of 34.3%. While interest-bearing assets continued to grow during the first six months of 2022, our advisory and brokerage business was slightly impacted by the current market volatility experienced in the second quarter 2022 after a strong first quarter. The segment also includes the contribution of Hello bank! Austria, which was acquired during the fourth quarter 2021 (now rebranded to easybank) and the consumer loan portfolio of Sberbank Europe, which was transferred in May 2022.

Financial results

Income metrics (in € million)	Jan–Jun 2022	Jan–Jun 2021	Change (%)
Net interest income	355.8	326.6	8.9
Net fee and commission income	144.1	122.1	18.0
Core revenues	**499.9**	**448.6**	**11.4**
Gains and losses from financial instruments & other operating income and expenses	**1.4**	**3.5**	**(60.0)**
Operating income	**501.5**	**452.1**	**10.9**
Operating expenses	**(171.9)**	**(176.2)**	**(2.4)**
Pre-provision profit	**329.6**	**276.0**	**19.4**
Regulatory charges	(18.5)	(31.4)	(41.1)
Total risk costs	(35.4)	(30.3)	16.8
Profit before tax	**275.7**	**214.3**	**28.7**
Income taxes	(68.9)	(53.6)	28.5
Net profit	**206.8**	**160.7**	**28.7**

Key ratios	Jan–Jun 2022	Jan–Jun 2021	Change (%)
Return on tangible common equity [1]	31.8%	25.0%	6.8
Net interest margin	3.29%	3.29%	0.00
Cost-income ratio	34.3%	39.0%	(4.7)
Risk costs / interest-bearing assets	0.33%	0.31%	0.02
NPL ratio	1.9%	2.0%	(0.1)

Business volumes (in € million)	Jun 2022	Dec 2021	Change (%)	Jun 2021	Change (%)
Interest bearing assets (average)	21,971	20,870	5	19,899	10
Risk-weighted assets	9,452	8,105	17	8,075	17
Customer deposits (average)	28,145	27,892	1	26,700	5
Own issues	6,016	5,331	13	5,052	19

1) Excluding AT1 capital, dividends and share buyback of € 325 million in 2022

Outlook

We continue to execute on our long-term strategy centered around our 2.2 million customers, ensuring the best products and services are offered in the most efficient and simple manner. 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. Across the business, we will remain prudent and cautious as we have already tightened our underwriting criteria in preparation for a period of greater volatility and increased headwinds and expect subdued loan growth in the second half of the year given cautious consumer sentiment, impacts of inflation on daily spending, and a wait-and-see approach to new investments.

CORPORATES, REAL ESTATE & PUBLIC SECTOR

During the first six months 2022, the Corporates, Real Estate & Public Sector segment delivered a profit before tax of € 80.1 million, a return on tangible common equity of 18.1% and a cost-income ratio of 22.1%. We continued to focus on loan origination opportunities in select developed markets. The focus remained on risk-adjusted returns and disciplined, profitable lending.

Financial results

Income metrics (in € million)	Jan–Jun 2022	Jan–Jun 2021	Change (%)
Net interest income	128.9	122.7	5.1
Net fee and commission income	15.9	17.2	(7.6)
Core revenues	**144.8**	**139.9**	**3.5**
Gains and losses from financial instruments & other operating income and expenses	**20.2**	**9.5**	**>100**
Operating income	**165.0**	**149.4**	**10.4**
Operating expenses	**(36.5)**	**(35.3)**	**3.4**
Pre-provision profit	**128.4**	**114.0**	**12.6**
Regulatory charges	(10.0)	(8.1)	23.5
Total risk costs	(11.6)	(25.0)	(53.6)
Profit before tax	**106.8**	**80.9**	**32.0**
Income taxes	(26.7)	(20.2)	32.2
Net profit	**80.1**	**60.7**	**32.0**

Key ratios	Jan–Jun 2022	Jan–Jun 2021	Change (%)
Return on tangible common equity [1]	18.1%	13.9%	4.2
Net interest margin	1.69%	1.79%	(0.10)
Cost-income ratio	22.1%	23.6%	(1.5)
Risk costs / interest-bearing assets	0.15%	0.37%	(0.22)
NPL ratio	0.7%	1.1%	(0.4)

Business volumes (in € million)	Jun 2022	Dec 2021	Change (%)	Jun 2021	Change (%)
Interest bearing asset(average)	14,600	14,059	4	12,473	17
Risk-weighted assets	8,309	7,894	5	7,291	14
Customer deposits (average)	5,044	5,557	(9)	5,118	(1)

1) Excluding AT1 capital, dividends and share buyback of € 325 million in 2022

Outlook

We continue to see a solid pipeline with diversified opportunities for the remainder of 2022. We will continue to maintain our disciplined underwriting, focus on risk-adjusted returns, and avoid blindly chasing volume growth. As the markets reprice credit risk, which we believe was long overdue, we have further tightened our credit box and adjusted our risk-return criteria given the uncertainty ahead and reflecting our disciplined approach to lending.

CORPORATE CENTER AND TREASURY

As of 30 June 2022, the investment portfolio amounted to € 4.5 billion and the liquidity reserve was € 8.2 billion. The investment portfolio's average maturity was four years, comprised 99% of investment grade rated securities, of which 71% were rated in the single A category or higher. The portfolio had no direct exposure to China, Russia, Ukraine, or South-Eastern Europe. Exposure to Southern Europe continues to be moderate and comprises shorter-term, liquid bonds of well-known issuers.

Financial results

Income metrics (in € million)	**Jan–Jun 2022**	Jan–Jun 2021	Change (%)
Net interest income	6.7	11.9	(43.7)
Net fee and commission income	(0.8)	(1.4)	42.9
Core revenues	**5.9**	**10.4**	**(43.3)**
Gains and losses from financial instruments & other operating income and expenses	**(15.5)**	**(8.5)**	**(82.4)**
Operating income	**(9.6)**	**2.0**	**-**
Operating expenses	**(30.3)**	**(31.5)**	**(3.8)**
Pre-provision profit	**(39.9)**	**(29.5)**	**(35.3)**
Regulatory charges	(17.1)	(16.6)	3.0
Total risk costs	(3.5)	2.2	-
Profit before tax	**(59.7)**	**(42.5)**	**(40.5)**
Income taxes	17.5	13.8	26.8
Net profit	**(42.3)**	**(28.7)**	**(47.4)**

Business volumes (in € million)	**Jun 2022**	Dec 2021	Change (%)	Jun 2021	Change (%)
Assets	16,760	20,297	(17)	20,656	(19)
Risk-weighted assets	3,566	4,137	(14)	4,776	(25)
Equity	4,147	4,106	1	3,975	4
Own issues and other liabilities	4,334	4,637	(7)	5,070	(15)

Outlook

Treasury will continue to focus on keeping streamlined processes in support of BAWAG Group's core operating activities and customer needs. We are committed to maintaining high credit quality and highly liquid investments with solid diversification.

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.

OUTLOOK AND TARGETS

Since the fourth quarter of 2021 we have witnessed greater market volatility, a surge in inflation, geopolitical conflict and a slowdown in economic growth. The market volatility will most likely be a constant with the ongoing geopolitical conflict and supply chain issues, energy prices soaring and central banks across the globe raising interest rates and unwinding their balance sheets to address significant inflationary pressures. No company will be immune from these developments. Although we don't have direct exposure to Russia or Ukraine, the current environment requires us to be more vigilant in how we manage these risks. However, the resilience of our franchise lies in our ability to deliver results across all cycles as we are built for all seasons. The benefits of having created a scalable and efficient banking platform that can deliver positive operating leverage are more evident today than ever. In the past this allowed us to deliver mid-teen returns in a negative interest rate environment defined by subdued growth and a benign credit environment. We believe having a scalable and efficient banking platform will become even more of a differentiator going forward with rising interest rates, significant inflationary headwinds, and the repricing of risk. Going forward we will be able to demonstrate continued positive operating leverage as we see greater revenue growth opportunities while continuing to maintain strict discipline around costs. Our approach is consistent, focus on the things that we can control, be a disciplined lender, maintain a conservative risk appetite, and only pursue profitable growth.

In our outlook for 2022, we see full-year core revenues growing by over 7% and operating expenses down by approximately 2%. We expect regulatory charges to be around € 55 million and total underlying risk costs amounting to approximately 20 basis points risk cost ratio. In addition, we will continue to build up the management overlay. We are targeting a profit before tax over € 675 million. In terms of return targets, we target a RoTCE over 17% and a CIR under 38% in 2022.

Our 2022 outlook was updated as follows:

Financial targets	2022 Outlook updated	2022 Outlook previous	2021
Core revenues	>7%	>4%	€ 1,220 million
Operating expenses	~(2%)	~(2%)	€ 485 million
Regulatory charges	~ € 55 million	< € 50 million	€ 52 million
Risk cost ratio (underlying)	~20 basis points	~20 basis points	23 basis points
Profit before tax	> € 675 million	> € 675 million	€ 600 million
Return targets	2022 Outlook	2022 Outlook	2021
Return on tangible common equity	>17%	>17%	16.1%
Cost-income ratio	<38%	<38%	39.5%

Note: Financial and return targets are excluding any outcome of the City of Linz case. Dividend payout will be based on net profit excluding a City of Linz case impact.

Our 2025 Targets remain unchanged.

In regards to capital distribution, the Management Board of BAWAG Group AG (BAWAG) received the decision of the European Central Bank (ECB) pursuant to which the ECB approved a share buyback of € 325 million. The Management Board of BAWAG resolved to carry out a share buyback program of € 325 million, which started on 25 July 2022. In addition, we accrued € 135 million dividends for the first six months 2022 based on our dividend policy.

Additional capital will be allocated to business growth, M&A, and/or share buybacks and special dividends, subject to our routine annual assessment.

29 July 2022

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 Half-Year Financial Statements

CONSOLIDATED ACCOUNTS

PROFIT OR LOSS STATEMENT

in € million	[Notes]	**Jan–Jun 2022**	Jan–Jun 2021
Interest income		609.2	564.1
thereof calculated using the effective interest method		452.8	417.7
Interest expense		(132.6)	(106.3)
Dividend income		14.9	3.4
Net interest income		**491.5**	**461.2**
Fee and commission income		200.7	172.0
Fee and commission expense		(41.5)	(34.2)
Net fee and commission income	**[2]**	**159.2**	**137.8**
Gains and losses on financial assets and liabilities	[3]	(2.2)	10.4
thereof gains from the derecognition of financial assets measured at amortized cost		0.0	0.0
thereof losses from the derecognition of financial assets measured at amortized cost		(1.0)	(11.7)
Other operating income		40.5	41.8
Other operating expenses		(75.2)	(101.1)
Operating expenses	[4]	(241.3)	(245.7)
thereof administrative expenses		(210.0)	(210.8)
thereof depreciation and amortization on tangible and intangible non-current assets		(31.3)	(34.9)
Risk costs	[5]	(50.6)	(53.1)
thereof according to IFRS 9		(45.4)	(39.3)
Share of the profit or loss of associates accounted for using the equity method		0.9	1.4
Profit before tax		**322.8**	**252.7**
Income taxes		(78.1)	(60.0)
Profit after tax		**244.7**	**192.7**
Thereof attributable to non-controlling interests		0.1	(0.1)
Thereof attributable to owners of the parent		**244.6**	**192.8**

STATEMENT OF OTHER COMPREHENSIVE INCOME

in € million	[Notes]	Jan–Jun 2022	Jan–Jun 2021
Profit after tax		**244.7**	**192.7**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses) on defined benefit plans		51.0	12.9
Fair value changes of shares and other equity investments at fair value through other comprehensive income		(51.6)	18.5
Change in credit spread of financial liabilities		5.9	0.0
Income tax on items that will not be reclassified		(3.5)	(8.0)
Total items that will not be reclassified to profit or loss		**1.8**	**23.4**
Items that may be reclassified subsequently to profit or loss			
Foreign exchange differences		13.3	4.5
Hedge of net investment in foreign operations		(11.0)	(2.9)
Cash flow hedge reserve		13.7	(19.2)
thereof transferred to profit (-) or loss (+)[1)]		4.0	(1.0)
Fair value changes of debt instruments at fair value through other comprehensive income		(124.8)	(11.8)
thereof transferred to profit (-) or loss (+)		8.8	(26.7)
Share of other comprehensive income of associates accounted for using the equity method		0.3	0.0
Income tax relating to items that may be reclassified		28.2	8.0
Total items that may be reclassified subsequently to profit or loss		**(80.3)**	**(21.4)**
Other comprehensive income		**(78.5)**	**2.0**
Total comprehensive income, net of tax		**166.2**	**194.7**
Thereof attributable to non-controlling interests		0.1	(0.1)
Thereof attributable to owners of the parent		**166.1**	**194.8**

1) To net interest income.

STATEMENT OF FINANCIAL POSITION

Total assets

in € million	[Notes]	30.06.2022	31.12.2021
Cash reserves		735	1,894
Financial assets at fair value through profit or loss	[6]	610	611
Financial assets at fair value through other comprehensive income	[7]	2,851	3,754
Financial assets held for trading	[8]	194	257
Financial assets measured at amortized cost	[9]	49,723	48,448
Customers		37,176	34,963
Credit institutions		9,894	11,166
Securities		2,653	2,319
Valuation adjustment on interest rate risk hedged portfolios		(461)	(94)
Hedging derivatives		95	178
Property, plant and equipment		283	290
Investment properties		94	104
Goodwill		97	96
Brand names and customer relationships		250	254
Software and other intangible assets		184	185
Tax assets for current taxes		26	20
Tax assets for deferred taxes	[10]	14	10
Associates recognized at equity		41	42
Other assets		293	276
Total assets		**55,029**	**56,325**

Total liabilities and equity

in € million	[Notes]	30.06.2022	31.12.2021
Total liabilities		**50,743**	**51,947**
Financial liabilities designated at fair value through profit or loss	[12]	214	234
Financial liabilities held for trading	[13]	611	301
Financial liabilities at amortized cost	[14]	48,474	49,666
Customers		33,524	35,148
Issued bonds, subordinated and supplementary capital		7,744	7,157
Credit institutions		7,206	7,361
Financial liabilities associated with transferred assets		391	–
Valuation adjustment on interest rate risk hedged portfolios		(468)	165
Hedging derivatives		263	107
Provisions	[15]	304	382
Tax liabilities for current taxes		68	131
Tax liabilities for deferred taxes	[10]	74	93
Other obligations		812	868
Total equity		**4,286**	**4,378**
Equity attributable to the owners of the parent (ex AT1 capital)		3,810	3,902
AT1 capital		471	471
Non-controlling interests		5	5
Total liabilities and equity		**55,029**	**56,325**

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 excluding equity associates
Balance as of 01.01.2021 published	**88**	**1,148**	**471**	**2,713**	**(1)**	**(114)**	**121**
Adjustments	–	–	–	0			(4)
Balance as of 01.01.2021 adjusted	**88**	**1,148**	**471**	**2,713**	**(1)**	**(114)**	**117**
Transfer from other comprehensive income	–	–	–	(2)	–	–	–
Transactions with owners	1	0	–	(41)	–	–	–
Share-based payment	1	0	–	–	–	–	–
Dividends	–	–	–	(41)	–	–	–
AT1 coupon	–	–	–	(13)	–	–	–
Total comprehensive income	–	–	–	193	(15)[1]	10	(9)[2]
Balance as of 30.06.2021	**89**	**1,148**	**471**	**2,850**	**(16)**	**(104)**	**108**
Balance as of 01.01.2022	**89**	**1,148**	**471**	**2,706**	**(22)**	**(103)**	**93**
Transfer from other comprehensive income	–	–	–	16	–	–	–
Transactions with owners	0	6	–	(267)	–	–	–
Share-based payment	0	6	–	–	–	–	–
Dividends	–	–	–	(267)	–	–	–
AT1 coupon	–	–	–	(12)	–	–	–
Total comprehensive income	–	–	–	245	10[1]	35	(93)[2]
Balance as of 30.06.2022	**89**	**1,154**	**471**	**2,688**	**(12)**	**(68)**	**0**

1) Thereof transferred to profit or loss: plus € 3.0 million (H1 2021: minus € 0.7 million).
2) Thereof transferred to profit or loss: plus € 6.6 million (H1 2021: minus € 20.0 million).

Debt instruments at fair value through other comprehensive income net of tax from equity associates	Shares and other 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
5	(19)	(54)	18	(21)	4,354	4	4,358
–	–	–	–	–	(4)	–	(4)
5	**(19)**	**(54)**	**18**	**(21)**	**4,350**	**4**	**4,354**
–	–	–	–	–	(2)	–	(2)
–	–	–	–	–	(40)	–	(40)
–	–	–	–	–	1	–	1
–	–	–	–	–	(41)	–	(41)
–	–	–	–	–	(13)	–	(13)
–	14	0	(3)	5	195	0	195
5	(5)	(54)	15	(16)	4,490	4	4,494
2	**45**	**(54)**	**7**	**(9)**	**4,373**	**5**	**4,378**
–	–	–	–	–	16	–	16
–	–	–	–	–	(261)	–	(261)
–	–	–	–	–	6	–	6
–	–	–	–	–	(267)	–	(267)
–	–	–	–	–	(12)	–	(12)
–	(38)	4	(11)	14	166	0	166
2	**7**	**(50)**	**(4)**	**5**	**4,281**	**5**	**4,286**

CONDENSED CASH FLOW STATEMENT

in € million	**Jan–Jun 2022**	Jan–Jun 2021
Profit (after tax, before non-controlling interests)	**245**	**193**
Non-cash items included in the profit (loss) and reconciliation to net cash from operating activities	(476)	(232)
Change in assets and liabilities arising from operating activities after corrections for non-cash items	(1,185)	(1,174)
Interest receipts	600	558
Interest paid	(127)	(113)
Dividend receipts	18	6
Taxes paid	(131)	(8)
Net cash from operating activities	**(1,056)**	**(770)**
Cash receipts from sales of associates	0	0
Cash receipts from sales of		
Financial investments	1,030	1,165
Tangible and intangible non-current assets	6	149
Cash paid for		
Financial investments	(827)	(435)
Tangible and intangible non-current assets	(31)	(15)
Acquisition of subsidiaries, net of cash acquired	0	0
Net cash used in investing activities	**178**	**864**
Dividends paid	(267)	(41)
AT1 coupon	(12)	(13)
Cash paid for amounts included in lease liabilities	(2)	(12)
Redemption of subordinated liabilities (including those designated at fair value through profit or loss)	0	0
Net cash from financing activities	**(281)**	**(66)**
Cash and cash equivalents at end of previous period	**1,894**	**1,032**
Net cash from operating activities	**(1,056)**	**(770)**
Net cash used in investing activities	**178**	**864**
Net cash from financing activities	**(281)**	**(66)**
Cash and cash equivalents at end of period	**735**	**1,060**

NOTES

The condensed Consolidated Half-Year Financial Statements of BAWAG Group as of 30 June 2022 were prepared in accordance with the International Financial Reporting Standards (IFRS) released by the International Accounting Standards Board (IASB) and in accordance with their interpretation by the IFRS Interpretations Committee (IFRIC/SIC) to the extent adopted by the EU.

These Consolidated Half-Year Financial Statements for the first half 2022 were prepared in accordance with IAS 34 (Interim Financial Reporting).

The accounting principles used in preparing these Consolidated Half-Year Financial Statements are the same as those applied in the consolidated annual financial statements as of 31 December 2021.

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 Russia-Ukraine crisis, please refer to Note 19 in the Risk Report.

Latitude of judgment and uncertainty of estimates

The Consolidated Half-Year 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 COVID-19, 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 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 16 Fair value.

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.

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 10 Net deferred tax assets and liabilities on 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.

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

- recoverability of intangible assets
- 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
- IFRS 9: Judgment may be required when assessing the SPPI criterion to ensure that financial assets are classified into the appropriate measurement category. 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 COVID-19 pandemic and the Russia-Ukraine conflict, assessment 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 pandemic 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 COVID-19 and the Russia-Ukraine conflict as at 30 June 2022, please refer to the Risk Report.
- 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 COVID-19 and the Russia-Ukraine conflict as at 30 June 2022, please refer to Note 16 Fair value.

Latitude of judgment and uncertainty of estimates – City of Linz

Uncertainties in estimations also apply to the claim of BAWAG Group against the City of Linz. On 12 February 2007, the City of Linz and BAWAG Group concluded a swap agreement. This transaction was intended by the City of Linz to optimize a CHF bond (please note that the party to the transaction and consequently the lawsuit is BAWAG P.S.K. AG, a subsidiary of BAWAG Group AG).

Because of the development of the Swiss franc exchange rate starting in the autumn of 2009, the City of Linz was obligated to make increased contractual payments to BAWAG Group. On 13 October 2011, the Linz City Council decided that it would make no further payments in connection with the swap agreement. Consequently, BAWAG Group exercised its right to close out the transaction.

The City of Linz filed a lawsuit against BAWAG Group at the Commercial Court of Vienna (court of first instance) at the beginning of November 2011 seeking payment of CHF 30.6 million (equaling € 24.2 million at the exchange rate at that time), which corresponds to the net cash payments made by the City of Linz whilst still performing the swap agreement. BAWAG Group filed a (counter) suit against the City of Linz for the performance of its contractual rights arising from the same transaction in the amount of € 417.7 million, which mainly reflects close-out costs BAWAG Group incurred. The court combined the two suits. The first hearings were held in the spring of 2013 and a court-commissioned expert opinion as well as a supplementary opinion thereto were submitted in August 2016 and December 2017. On 8 April 2019, the City of Linz filed a motion for an interim judgment (Zwischenurteil) with respect to their CHF 30.6 million claim to determine whether the swap agreement is valid. The court responded to such motion with a separation of the previously combined two proceedings and suspended BAWAG Group's (counter) claim pending the outcome of the interim judgment (Zwischenurteil). On 7 January 2020, the court of first instance issued an interim judgment (Zwischenurteil) in which it held that the swap agreement is void. The Court of Appeal confirmed the interim judgment (Zwischenurteil) of the court of first instance on 31 March 2021 and permitted a regular appeal (ordentliche Revision) to the Supreme Court. BAWAG Group filed its appeal to the Supreme Court on 4 May 2021 and the decision of the Supreme Court is still pending.

The interim judgment relates to the validity of the swap agreement only and is not a decision on the mutual payment claims of BAWAG Group and the City of Linz. Therefore, notwithstanding the final decision on the validity of the swap agreement by the Supreme Court, ultimately mutual payment claims will be decided by the court of first instance and potentially again the Court of Appeal and the Supreme Court. BAWAG Group therefore takes the view that its strong legal position remains unchanged and it is well prepared for the forthcoming court proceedings. It is difficult to predict how much longer the lawsuit is going to continue. However, based on experience it is assumed that the further legal proceedings until a final judgment is enforceable will take several years.

Future court decisions on the validity of the swap agreement may impact the recognition of the receivable asserted thereunder. In case the swap agreement is held void by the Supreme Court, BAWAG Group would have to derecognize the receivable against the City of Linz. A potential consequential damage claim resulting therefrom would only be recognized after a final judgment has determined the amount awarded to BAWAG Group. In addition, even if the courts were to hold that the swap agreement is valid, BAWAG Group may still not be awarded, in full or in part, the payment sought, in which case it may also be required to further write down its receivable.

BAWAG Group has valued the transaction until termination according to the general principles (see Note 1 Accounting policies in the Annual Report) and has adequately accounted for the risks associated with the claim arising from the swap agreement. In particular, management had to estimate the risks that are associated with the transaction, such as non-payment, legal, process and other operational risks and had to make judgments as part of the continuous valuation process; this resulted in a respective valuation adjustment.

After the termination of the transaction, the swap was derecognized, and a receivable was recognized under receivables from customers (classified under At amortized cost – receivables from customers). In 2011, when derecognizing the swap, a credit value adjustment of € 164 million (equals around 40% of € 417.7 million) was set off against the gross receivable, thus a new receivable was recognized in the amount of approximately € 254 million.

Miscellaneous

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

As of 30 June 2022, the Group consists of 42 (31 December 2021: 48) fully consolidated companies and 2 (31 December 2021: 2) companies that are accounted for using the equity method in Austria and abroad.

In the first quarter 2022, Leasing-west GmbH and SWBI Stuttgart 1 GmbH were deconsolidated due to immateriality. MF BAWAG Blocker LLC, Wilmington, was dissolved and stricken from the companies register on 1 March 2022.

In the second quarter 2022, Austwest Anstalt was deconsolidated due to immateriality.

By resolution dated 22 November 2021, the Annual General Meeting of BAWAG P.S.K. AG approved the cross-border merger of DEPFA BANK plc as the transferring company with BAWAG P.S.K. AG as the acquiring company in accordance with the provisions of the joint merger plan dated 22 November 2021.

Due to the merger of BAWAG P.S.K. AG with DEPFA BANK plc, BAWAG P.S.K. AG became the sole owner of DEPFA ACS Bank DAC. Therefore, by resolution dated 22 November 2021, the Annual General Meeting of BAWAG P.S.K. AG approved the cross-border merger of DEPFA ACS Bank DAC as the transferring company with BAWAG P.S.K. AG as the acquiring company in accordance with the provisions of the joint merger plan dated 22 November 2021.

The cross-border merger will be carried out in accordance with the Austrian EU Merger Act and has been filed with the Commercial Register Court. The merger was registered on 8 and 9 July 2022, respectively.

MAJOR EVENTS AFTER THE REPORTING DATE

Share buyback

On 20 July 2022, BAWAG Group received the approval of the European Central Bank for a share buyback of € 325 million and the Management Board of BAWAG Group resolved to carry out this share buyback program of € 325 million. The share buyback commenced on 25 July 2022.

DETAILS OF THE CONSOLIDATED PROFIT OR LOSS STATEMENT

1 | Earnings per share

Earnings per share pursuant to IAS 33

	Jan–Jun 2022	Jan–Jun 2021
Net result attributable to owners of the parent (in € million)	244.6	192.8
AT1 coupon (in € million)	(12.0)	(12.5)
Net result attributable to owners of the parent after deduction of AT1 coupon (in € million)	**232.6**	**180.3**
Weighted average number of outstanding shares	88,984,943	88,697,835
Basic earnings per share (in €)	**2.61**	**2.03**
Weighted average diluted number of outstanding shares	89,200,630	89,003,812
Diluted earnings per share (in €)	**2.61**	**2.03**

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)

	Jan–Jun 2022	Jan–Jun 2021
Net result attributable to owners of the parent (in € million)	**244.6**	**192.8**
Weighted average diluted number of outstanding shares	89,200,630	89,003,812
After-tax earnings per share in (€) – BAWAG definition	**2.74**	**2.17**

Changes in number of outstanding shares

	Jan–Jun 2022	Jan–Jun 2021
Shares outstanding at the beginning of the period	88,855,047	87,937,130
Shares outstanding at the end of the period	89,004,800	88,855,047
Weighted average number of outstanding shares	88,984,943	88,697,835
Weighted average diluted number of outstanding shares	89,200,630	89,003,812

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.

2 | Net fee and commission income

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

Jan–Jun 2022 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	BAWAG Group
Fee and commission income	**182.9**	**17.7**	**-**	**0.1**	**200.7**
Transactional	90.5	17.7	-	-	108.2
Advisory	61.7	-	-	0.7	62.4
Securities	54.4	-	-	0.7	55.1
Insurance	7.3	-	-	-	7.3
Lending and others	30.7	-	-	(0.6)	30.1
Lending	19.2	-	-	-	19.2
Factoring	8.6	-	-	-	8.6
Others	2.9	-	-	(0.6)	2.3
Fee and commission expense	**(38.8)**	**(1.8)**	**(0.4)**	**(0.5)**	**(41.5)**
Transactional	(28.4)	(1.8)	-	-	(30.2)
Advisory	(7.0)	-	-	(0.1)	(7.1)
Securities	(7.0)	-	-	(0.1)	(7.1)
Lending and others	(3.4)	-	(0.4)	(0.4)	(4.2)
Lending	(1.9)	-	-	-	(1.9)
Factoring	(1.1)	-	-	-	(1.1)
Others	(0.4)	-	(0.4)	(0.4)	(1.2)
Net fee and commission income	**144.1**	**15.9**	**(0.4)**	**(0.4)**	**159.2**

Jan–Jun 2021 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	BAWAG Group
Fee and commission income	**151.5**	**20.4**	**-**	**0.1**	**172.0**
Transactional	87.7	20.4	-	-	108.1
Advisory	36.5	-	-	0.7	37.2
Securities	30.9	-	-	0.7	31.6
Insurance	5.6	-	-	-	5.6
Lending and others	27.3	-	-	(0.6)	26.7
Lending	13.7	-	-	-	13.7
Factoring	8.1	-	-	-	8.1
Others	5.5	-	-	(0.6)	4.9
Fee and commission expense	**(29.4)**	**(3.2)**	**-**	**(1.6)**	**(34.2)**
Transactional	(24.2)	(3.2)	-	-	(27.4)
Advisory	(0.1)	-	-	(1.3)	(1.4)
Securities	(0.1)	-	-	(1.3)	(1.4)
Lending and others	(5.1)	-	-	(0.3)	(5.4)
Lending	(2.0)	-	-	-	(2.0)
Factoring	(0.9)	-	-	-	(0.9)
Others	(2.2)	-	-	(0.3)	(2.5)
Net fee and commission income	**122.1**	**17.2**	**-**	**(1.5)**	**137.8**

Net fee and commission income includes an amount of € 1.0 million (H1 2021: € 1.4 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.

3 | Gains and losses on financial assets and liabilities

in € million	**Jan–Jun 2022**	Jan–Jun 2021
Realized gains on sales of securities	38.5	14.5
Fair value losses	(12.9)	(1.5)
Gains/Losses from fair value hedge accounting	(23.0)	(5.8)
Others	(4.8)	3.2
Gains and losses on financial assets and liabilities	**(2.2)**	**10.4**

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.

4 | Operating expenses

in € million	Jan–Jun 2022	Jan–Jun 2021
Staff costs	(145.1)	(149.9)
Other administrative expenses	(64.9)	(60.9)
Administrative expenses	**(210.0)**	**(210.8)**
Depreciation and amortization on tangible and intangible non-current assets	(31.3)	(34.9)
Operating expenses	**(241.3)**	**(245.7)**

5 | Risk costs

in € million	Jan–Jun 2022	Jan–Jun 2021
Loan loss provisions and changes in provisions for off-balance credit risk	(45.4)	(39.3)
Provisions and expenses for operational risk	(1.0)	(13.8)
Impairment losses on non-financial assets	–	–
CDS premia	(4.2)	–
Risk costs	**(50.6)**	**(53.1)**

Impairment losses on non-financial assets

in € million	Jan–Jun 2022	Jan–Jun 2021
Software and other intangible assets	–	–
thereof Brand name	–	–
thereof Software and other intangible assets	–	–
Impairment and appreciation of non-current assets	**–**	**–**

DETAILS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6 | Financial assets at fair value through profit or loss

in € million	30.06.2022	31.12.2021
Financial assets designated at fair value through profit or loss	**66**	**77**
Receivables from customers	66	77
Financial assets mandatorily at fair value through profit or loss	**544**	**534**
Bonds and other fixed income securities	352	328
Receivables from customers	93	108
Subsidiaries and other equity investments	99	98
Financial assets at fair value through profit or loss	**610**	**611**

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.

The maximum credit risk of loans and advances to customers equals book value.

7 | Financial assets at fair value through other comprehensive income

in € million	30.06.2022	31.12.2021
Debt instruments	**2,677**	**3,395**
Bonds and other fixed income securities	2,677	3,395
Bonds of other issuers	2,563	3,327
Public sector debt instruments	114	68
Subsidiaries and other equity investments	**174**	**359**
AT1 capital	17	20
Investments in non-consolidated subsidiaries	17	17
Interests in associates	0	0
Other shareholdings	140	322
Financial assets at fair value through other comprehensive income	**2,851**	**3,754**

8 | Financial assets held for trading

in € million	30.06.2022	31.12.2021
Derivatives in banking book	**194**	**257**
Foreign currency derivatives	56	39
Interest rate derivatives	138	218
Financial assets held for trading	**194**	**257**

9 | Financial assets measured at amortized cost

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

30.06.2022 in € million	Total gross carrying amount	Impairments Stage 1	Impairments Stage 2	Impairments Stage 3	Total net carrying amount
Receivables from customers	37,615	(37)	(103)	(299)	37,176
Securities	2,654	(1)	0	0	2,653
Public sector debt instruments	113	0	–	–	113
Debt instruments of other issuers	2,541	(1)	–	–	2,540
Receivables from credit institutions	9,894	0	0	–	9,894
Total	**50,163**	**(38)**	**(103)**	**(299)**	**49,723**

31.12.2021 in € million	Total gross carrying amount	Impairments Stage 1	Impairments Stage 2	Impairments Stage 3	Total net carrying amount
Receivables from customers	35,361	(29)	(100)	(269)	34,963
Securities	2,320	(1)	–	–	2,319
Public sector debt instruments	123	0	–	–	123
Debt instruments of other issuers	2,197	(1)	–	–	2,196
Receivables from credit institutions	11,166	0	0	–	11,166
Total	**48,847**	**(30)**	**(100)**	**(269)**	**48,448**

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

in € million	**30.06.2022**	31.12.2021
Loans	33,281	31,444
Current accounts	1,816	1,230
Finance leases	1,601	1,636
Cash advances	200	150
Money market	278	503
Receivables from customers	**37,176**	**34,963**

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

30.06.2022 in € million	Total gross carrying amount	Impairments Stage 1	Impairments Stage 2	Impairments Stage 3	Total net carrying amount
Retail & SME	22,278	(25)	(56)	(247)	21,950
Corporates, Real Estate & Public Sector	15,465	(13)	(47)	(51)	15,354
Treasury	11,869	0	0	–	11,869
Corporate Center	551	0	–	0	551
Total	**50,163**	**(38)**	**(103)**	**(299)**	**49,723**

31.12.2021 in € million	Total gross carrying amount	Impairments Stage 1	Impairments Stage 2	Impairments Stage 3	Total net carrying amount
Retail & SME	20,974	(21)	(52)	(229)	20,672
Corporates, Real Estate & Public Sector	14,443	(9)	(47)	(39)	14,348
Treasury	13,029	0	0	–	13,029
Corporate Center	401	0	–	(2)	399
Total	**48,847**	**(30)**	**(100)**	**(269)**	**48,448**

10 | 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	30.06.2022	31.12.2021
Financial liabilities designated at fair value through profit or loss	50	25
Financial assets at fair value through other comprehensive income	46	–
Financial liabilities at amortized cost	104	104
Assets held for trading	48	–
Hedging derivatives	8	–
Provisions	43	67
Tax loss carryforwards	2	1
Other	2	–
Deferred tax assets	**303**	**197**
Financial assets at fair value through profit or loss	14	25
Financial assets at fair value through other comprehensive income	–	18
Financial assets at amortized cost	272	36
Assets held for trading	–	16
Hedging derivatives	–	104
Internally generated intangible assets	18	18
Other intangible assets	58	63
Property, plant and equipment	1	–
Deferred tax liabilities	**363**	**280**
Net deferred tax assets/liabilities	**(60)**	**(83)**
Deferred tax assets reported on the balance sheet[1)]	**14**	**10**
Deferred tax liabilities reported on the balance sheet	**74**	**93**

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.

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

As of 30 June 2022, deferred tax assets on tax loss carryforwards of BAWAG Group amount to € 2 million (31 December 2021: € 1 million). The risk that COVID-19 and the Russia-Ukraine conflict 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 € 60 million (31 December 2021: € 83 million). There is therefore no increased risk that deferred tax assets cannot be used for future taxable profits.

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

in € million	30.06.2022	31.12.2021
Issued bonds, subordinated and supplementary capital	**206**	**222**
Issued debt securities and other securitized liabilities	67	73
Subordinated capital	96	103
Short-term notes and non-listed private placements	43	46
Deposits from customers	**8**	**12**
Financial liabilities designated at fair value through profit or loss	**214**	**234**

12 | Financial liabilities held for trading

in € million	30.06.2022	31.12.2021
Derivatives banking book	**611**	**301**
Foreign currency derivatives	143	122
Interest rate derivatives	466	171
Credit derivatives	2	8
Financial liabilities held for trading	**611**	**301**

13 | Financial liabilities measured at amortized cost

in € million	30.06.2022	31.12.2021
Deposits from credit institutions	**7,206**	**7,361**
Deposits from customers	**33,524**	**35,148**
Savings deposits – fixed interest rates	559	572
Savings deposits – variable interest rates	5,095	5,453
Deposit accounts	6,662	6,794
Current accounts – Retail	14,477	14,920
Current accounts – Corporates	3,740	4,638
Other deposits[1)]	2,991	2,771
Issued bonds, subordinated and supplementary capital	**7,744**	**7,157**
Issued debt securities	6,887	6,280
Subordinated capital	45	45
Supplementary capital	606	642
Other obligations evidenced by paper	206	190
Financial liabilities at amortized cost	**48,474**	**49,666**

1) Primarily time deposits.

As of 30 June 2022, BAWAG Group utilized € 6.4 billion of funding under the ECB's TLTRO III facility (31 December 2021: € 6.4 billion). BAWAG Group has decided to participate in the TLTRO III facility despite its already strong liquidity position as an economically attractive measure to pre-position liquidity and to support lending to the real economy.

The negative interest expense from the TLTRO III program amounting to € 31.5 million (H1 2021: € 30.8 million) is reported under interest income.

The TLTRO III funding has a term of three years with an early repayment option after one year. The interest rate on the TLTRO III depends on the lending volumes granted to non-financial corporates and households (excluding housing loans).

For banks that achieved sufficient lending volumes between 1 March 2020 and 31 March 2021, the interest rate applied on all TLTRO III operations outstanding over the period between 24 June 2020 and 23 June 2021 is 50 basis points below the average interest rate on the ECB's deposit facility prevailing over the same period, and in any case not higher than -1%. BAWAG Group met the required lending criteria to benefit from the most advantageous interest rate of -1%.

In December 2020, the ECB decided to extend the special interest rate terms for the period between 24 June 2021 and 23 June 2022 for banks that achieve sufficient lending volumes in the additional reference period between 1 October 2020 and 31 December 2021. BAWAG Group also met the required lending benchmark in the additional reference period and continued to benefit from the most advantageous TLTRO III interest rates.

For the period between 24 June 2022 and the respective maturity, the TLTRO III interest rate will be the average interest rate on the ECB's deposit facility over the life of the respective TLTRO III operation.

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.

There were no changes in estimates of payments due to a revised assessment of meeting the eligibility criteria in the accounting period. Any changes would be accounted for according to the rules of IFRS 9B.5.4.5.

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 for it compared to the market. The liabilities were therefore recognized as a financial instrument in accordance with IFRS 9.

14 | Provisions

in € million	30.06.2022	31.12.2021
Provisions for social capital	270	334
Thereof for severance payments	67	84
Thereof for pension provisions	178	221
Thereof for jubilee benefits	25	29
Anticipated losses from pending business	12	15
Credit promises and guarantees	12	15
Other items including legal risks	22	33
Provisions	**304**	**382**

According to IAS 19, provisions for post-employment and termination benefits and for jubilee benefits are calculated using the projected unit credit method. A discount rate of 3.10% was used (31 December 2021: 1.00%). Furthermore, the wage growth rates were adjusted as well: wage growth post-employment pension obligations of 1.0%–2.0% p.a., wage growth severance payments of 3.3% p.a. and wage growth anniversary bonuses of 2.0%–3.0% p.a. (31 December 2021: wage growth post-employment pension obligations of 1.0%–2.0% p.a., wage growth severance payments of 3.1% p.a. and wage growth anniversary bonuses of 2.0%–2.8% p.a.). Actuarial adjustments resulted in a positive net impact of € 35 million in other comprehensive income and a positive net impact of € 4 million in profit.

15 | Related parties

Transactions with related parties

The following table shows transactions with related parties:

30.06.2022 in € million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidia-ries, not consolida-ted	Associates	Joint ventures	Other companies
Receivables – customers	–	–	66	0	89	–
Unutilized credit lines	–	–	13	14	5	–
Securities	–	–	–	23	–	–
Other assets (incl. derivatives)	–	–	4	–	–	–
Financial liabilities – customers	–	–	8	86	–	0
Other liabilities (incl. derivatives)	–	–	–	–	–	–
Guarantees provided	–	–	1	–	–	–
Interest income[1])	–	–	0.0	0.1	0.1	–
Interest expense	–	–	0.0	0.5	–	–
Net fee and commission income	–	–	0.0	6.0	0.0	–

1) Gross income; hedging costs not offset.

31.12.2021 in € million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidia-ries, not consolida-ted	Associates	Joint ventures	Other companies
Receivables – customers	–	–	80	1	40	–
Unutilized credit lines	–	–	12	0	5	0
Securities	–	–	–	25	–	–
Other assets (incl. derivatives)	–	–	6	–	–	–
Financial liabilities – customers	–	–	8	87	–	0
Other liabilities (incl. derivatives)	–	–	–	–	–	–
Guarantees provided	–	–	1	–	–	–
Interest income[1])	–	–	0.6	0.2	0.2	–
Interest expense	–	–	0.0	1.0	–	0.0
Net fee and commission income	–	–	0.0	8.6	0.0	0.0

1) Gross income; hedging costs not offset.

30.06.2021 in € million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidia-ries, not consolida-ted	Associates	Joint ventures	Other companies
Receivables – customers	–	–	37	2	65	0
Unutilized credit lines	–	–	8	22	20	–
Securities	–	–	–	25	–	–
Other assets (incl. derivatives)	–	–	6	–	–	–
Financial liabilities – customers	–	–	4	89	0	0
Other liabilities (incl. derivatives)	–	–	–	–	–	–
Guarantees provided	–	–	0	–	1	–
Interest income[1])	–	–	0.3	0.2	0.1	–
Interest expense	–	–	0.0	0.5	0.0	0.0
Net fee and commission income	–	–	0.0	4.8	0.0	0.0

1) Gross income; hedging costs not offset.

Information regarding natural persons

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.

in € million	Key management of the entity or its parent 30.06.2022	Other related parties[2] 30.06.2022	Key management of the entity or its parent 31.12.2021	Other related parties[2] 31.12.2021
Current account deposits	11	0	7	0
Savings deposits	1	0	0	0
Loans	8	0	10	0
Building savings deposits	–	0	–	0
Leasing	–	–	0	0
Securities[1]	3	0	2	0
Interest income	0.0	0.0	0.1	0.0
Interest expense	0.0	0.0	0.0	0.0

1) Key management includes related trusts.
2) With respect to Key management.

Number of shares	Key management of the entity or its parent 30.06.2022	Other related parties[2] 30.06.2022	Total 30.06.2022	Key management of the entity or its parent 31.12.2021	Other related parties[2] 31.12.2021	Total 31.12.2021
Shares of BAWAG Group AG[1]	2,595,936	55,223	**2,651,159**	2,337,644	55,023	**2,392,667**

1) Key management includes related trusts.
2) With respect to Key management.

Long-term incentive program

LTIP 2025

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:** Those externally communicated targets of BAWAG Group until 2025 which are 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).

Details on performance conditions

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 externally communicated multi-year performance targets until 2025. 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%

Further terms (conditional delivery of shares [vesting of award] / retention period)

Subject to the vesting conditions as outlined above, 88% of the BAWAG LTIP 2025 award will be delivered in early 2026 and 12% of the BAWAG LTIP 2025 award shall be delivered 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 Nomination and Remuneration Committee of BAWAG.

Accounting

LTIP 2025 represents an equity-settled share-based payment transaction that is accounted for in compliance with IFRS 2.

The following awards have been granted within the LTIP 2025 program:

	Number of shares	Fair value in € million as of grant date	Fair value per share as of grant date[1)]
Granted as of 30.06.2022	681,138	24.8	36.47

1) Average fair value of shares to be transferred in 2025 and 2026.

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 Senior Leadership Team	268,821	268,821	–	–
Total	**681,138**	**681,138**	**–**	**–**

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 at the grant date was based on the observable market price of BAWAG Group AG shares on 24 January 2022. An adjustment for expected dividends was incorporated into the measurement of fair value.

For the LTIP 2025 program, 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 cancelled 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 in the Profit or Loss Statement for the period:

in € million	Jan–Jun 2022	Jan–Jun 2021
Expenses for equity-settled share-based payments	3.1	–
Thereof relating to		
Members of the Management Board	1.9	–
Members of the Senior Leadership Team	1.2	–

LTIP 2018–2020

Shares of the LTIP 2018–2020 program were granted in early 2018 by BAWAG Group. As of the balance sheet date, all performance conditions have been fulfilled and the service period has expired.

For details, please refer to the notes to the annual financial statements as of 31 December 2021.

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 in the Profit or Loss Statement for the period:

in € million	Jan–Jun 2022	Jan–Jun 2021
Expenses for equity-settled share-based payments	-	0.3
Thereof relating to		
Members of the Management Board	-	0.2
Former members of the Management Board	-	0.0
Members of the Senior Leadership team	-	0.1

in € million	Jan–Jun 2022	Jan–Jun 2021
Expenses/Income from cash-settled share-based payments	-	0.3
Thereof relating to		
Members of the Management Board of the Company	-	0.2
Former members of the Management Board	-	0.0
Senior leadership team of the Company and its subsidiaries	-	0.1

Liabilities from cash-settled share-based payments resulting from the LTIP program amounted to € 0.3 million as of 30 June 2022 (31 December 2021: € 0.6 million).

Employee participation

In the second quarter 2022, an employee stock option plan was adopted. Under this program, all entitled employees of BAWAG Group received 25 shares of BAWAG Group AG. A total of 64,675 shares with a value of € 2.5 million were transferred to the employees of BAWAG Group.

SEGMENT REPORTING

This information is based on the Group structure as of 30 June 2022.

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:

Jan–Jun 2022 in Mio. €	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
Net interest income	355.8	128.9	21.1	(14.3)	491.5
Net fee and commission income	144.1	15.9	(0.4)	(0.4)	159.2
Core revenues	**499.9**	**144.8**	**20.6**	**(14.6)**	**650.7**
Gains and losses from financial instruments & other operating income and expenses	1.4	20.2	17.3	(32.8)	6.1
Operating income	**501.5**	**165.0**	**37.9**	**(47.6)**	**656.8**
Operating expenses	**(171.9)**	**(36.5)**	**(19.6)**	**(10.7)**	**(238.7)**
Pre-provision profit	**329.6**	**128.4**	**18.4**	**(58.3)**	**418.1**
Regulatory charges	(18.5)	(10.0)	(6.4)	(10.7)	(45.6)
Total risk costs	(35.4)	(11.6)	(2.7)	(0.9)	(50.6)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	0.9	0.9
Profit before tax	**275.7**	**106.8**	**9.3**	**(69.0)**	**322.8**
Income taxes	(68.9)	(26.7)	(2.3)	19.8	(78.1)
Profit after tax	**206.8**	**80.1**	**7.0**	**(49.2)**	**244.7**
Non-controlling interests	–	–	–	(0.1)	(0.1)
Net profit	**206.8**	**80.1**	**7.0**	**(49.3)**	**244.6**
Business volumes					
Assets	22,353	15,916	15,149	1,611	55,029
Liabilities	34,062	12,486	3,099	5,382	55,029
Risk-weighted assets	9,452	8,309	1,616	1,949	21,326

Jan–Jun 2021 in Mio. €	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
Net interest income	326.6	122.7	27.3	(15.4)	461.2
Net fee and commission income	122.1	17.2	0.0	(1.5)	137.8
Core revenues	**448.6**	**139.9**	**27.3**	**(16.8)**	**599.0**
Gains and losses from financial instruments & other operating income and expenses	3.5	9.5	15.9	(24.3)	4.6
Operating income	**452.1**	**149.4**	**43.2**	**(41.1)**	**603.6**
Operating expenses	**(176.2)**	**(35.3)**	**(17.5)**	**(14.0)**	**(243.0)**
Pre-provision profit	**276.0**	**114.0**	**25.7**	**(55.1)**	**360.6**
Regulatory charges	(31.4)	(8.1)	(6.2)	(10.5)	(56.2)
Total risk costs	(30.3)	(25.0)	3.5	(1.3)	(53.1)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	1.4	1.4
Profit before tax	**214.3**	**80.9**	**23.0**	**(65.5)**	**252.7**
Income taxes	(53.6)	(20.2)	(5.8)	19.6	(60.0)
Profit after tax	**160.7**	**60.7**	**17.2**	**(45.9)**	**192.7**
Non-controlling interests	–	–	–	0.1	0.1
Net profit	**160.7**	**60.7**	**17.2**	**(45.8)**	**192.8**
Business volumes					
Assets	20,250	13,226	18,565	2,091	54,132
Liabilities	32,293	12,793	3,014	6,032	54,132
Risk-weighted assets	8,075	7,291	2,670	2,106	20,142

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:

Jan–Jun 2022 in Mio. €	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
DACH / NL	473.7	52.8	3.8	(28.2)	502.1
thereof Austria	395.5	37.5	(0.2)	(24.6)	408.2
thereof Germany	57.3	13.9	2.2	(3.7)	69.7
Western Europe / USA	26.2	92.0	16.8	13.6	148.6
Total	**499.9**	**144.8**	**20.6**	**(14.6)**	**650.7**

Jan–Jun 2021 in Mio. €	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
DACH / NL	426.8	52.3	6.4	(18.9)	466.6
thereof Austria	354.2	37.3	2.2	(17.8)	375.9
thereof Germany	55.6	13.6	1.4	(1.2)	69.4
Western Europe / USA	21.8	87.6	20.9	2.1	132.4
Total	**448.6**	**139.9**	**27.3**	**(16.8)**	**599.0**

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

in € million	Jan–Jun 2022	Jan–Jun 2021
Other operating income and expenses according to segment report	8.3	(5.9)
Regulatory charges	(43.0)	(53.5)
Other operating income and expenses according to Consolidated Profit or Loss Statement	**(34.7)**	**(59.3)**

in € million	Jan–Jun 2022	Jan–Jun 2021
Operating expenses according to segment report	(238.7)	(243.0)
Regulatory charges	(2.6)	(2.7)
Operating expenses according to Consolidated Profit or Loss Statement	**(241.3)**	**(245.7)**

CAPITAL MANAGEMENT

Regulatory reporting is performed on the level of BAWAG Group. The following table shows the breakdown of own funds of BAWAG Group applying transitional rules and its own funds requirement as per 30 June 2022 and 31 December 2021 pursuant to CRR applying IFRS figures and the CRR scope of consolidation.

	BAWAG Group	
in € million	**30.06.2022**	31.12.2021
Share capital and reserves (including funds for general banking risk)	3,762	3,694
Deduction of intangible assets	(419)	(414)
Other comprehensive income	(124)	(55)
IRB risk provision shortfalls	–	(4)
Prudent valuation, cumulative gains due to changes in own credit risk on fair valued liabilities, prudential filter for unrealized gains, cash flow hedge reserve	3	17
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(0)	–
Deduction for CET1 instruments of financial sector entities where the institution does not have a significant investment	–	(4)
Additional deductions of CET 1 capital due to article 3 CRR	(240)	(222)
Common Equity Tier I	**2,982**	**3,012**
Capital instruments eligible as additional Tier 1 capital	**475**	**475**
Less significant investments	(24)	–
Excess of deduction from AT1 items over AT1 capital	–	0
Additional Tier I	**451**	**475**
Tier I	**3,433**	**3,487**
Supplementary and subordinated debt capital	610	620
Tier II capital in grandfathering	14	19
Excess IRB risk provisions	41	28
Less significant investments	(23)	(25)
Tier II	**641**	**642**
Own funds	**4,074**	**4,129**

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

	BAWAG Group	
in € million	30.06.2022	31.12.2021
Credit risk	19,304	18,117
Operational risk	2,022	2,018
Capital requirements (risk-weighted assets)	**21,326**	**20,135**

Supplemental information on a fully loaded basis

	BAWAG Group		
	30.06.2022[1)]	30.06.2022[2)]	31.12.2021
Common Equity Tier 1 capital ratio based on total risk	12.7%	14.2%	15.0%
Total capital ratio based on total risk	17.7%	19.2%	20.4%

1) Capital ratios after deduction of approved share buyback of € 325 million in 2022.
2) Capital ratios before deduction of approved share buyback of € 325 million in 2022.

Key figures according to CRR including its transitional rules

	BAWAG Group	
	30.06.2022	31.12.2021
Common Equity Tier 1 capital ratio based on total risk	14.0%	15.0%
Total capital ratio based on total risk	19.1%	20.5%

16 | 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 30.06.2022	Fair value 30.06.2022	Carrying amount 31.12.2021	Fair value 31.12.2021
Assets				
Cash reserves	735	735	1,894	1,894
Financial assets designated at fair value through profit or loss	66	66	77	77
Loans to customers	66	66	77	77
Financial assets mandatorily at fair value through profit or loss	544	544	534	534
Securities	352	352	328	328
Loans to customers	93	93	108	108
Subsidiaries and other equity investments	99	99	98	98
Financial assets at fair value through other comprehensive income	2,851	2,851	3,754	3,754
Debt instruments	2,677	2,677	3,395	3,395
Subsidiaries and other equity investments	174	174	359	359
Financial assets held for trading	194	194	257	257
At amortized cost	49,723	48,869	48,448	48,771
Customers	37,176	36,392	34,963	35,238
Credit institutions	9,894	9,885	11,166	11,160
Securities	2,653	2,592	2,319	2,373
Valuation adjustment on interest rate risk hedged portfolios	(461)	(461)	(94)	(94)
Hedging derivatives	95	95	178	178
Property, plant and equipment	283	n/a	290	n/a
Investment properties	94	94	104	104
Intangible non-current assets	531	n/a	535	n/a
Other assets	374	n/a	348	n/a
Total assets	**55,029**		**56,325**	

in € million	Carrying amount 30.06.2022	Fair value 30.06.2022	Carrying amount 31.12.2021	Fair value 31.12.2021
Equity and liabilities				
Financial liabilities designated at fair value through profit or loss	214	214	234	234
Issued debt securities and other securitized liabilities	110	110	119	119
Subordinated and supplementary capital	96	96	103	103
Deposits from customers	8	8	12	12
Financial liabilities held for trading	611	611	301	301
Financial liabilities at amortized cost	48,474	48,104	49,666	49,745
Deposits from credit institutions	7,206	7,202	7,361	7,360
Deposits from customers	33,524	33,406	35,148	35,174
Issued bonds, subordinated and supplementary capital	7,744	7,496	7,157	7,211
Financial liabilities associated with transferred assets	391	391	–	–
Valuation adjustment on interest rate risk hedged portfolios	(468)	(468)	165	165
Hedging derivatives	263	263	107	107
Provisions	304	n/a	382	n/a
Other obligations	954	n/a	1,092	n/a
Equity	4,281	n/a	4,373	n/a
Non-controlling interests	5	n/a	5	n/a
Total liabilities and equity	**55,029**		**56,325**	

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 COVID-19 situation and the Russia-Ukraine conflict result 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.

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 Austrian banking 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 30 June 2022, the portion of change in fair values of securities issued by BAWAG Group accounted for solely by changes in the Group's credit spreads was plus € 6.2 million (plus € 0.5 million as of 31 December 2021). 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 30 June 2022, the cumulative fair value change resulting from changes in the Group's credit rating amounted to plus € 4.3 million (minus € 1.9 million as of 31 December 2021).

A one basis point narrowing of the credit spread is expected to change their valuation by minus € 0.05 million (minus € 0.06 million as of 31 December 2021).

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 30 June 2022 (€ 0.0 million as of 31 December 2021) 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 € 0.2 million (€ 0.0 million as of 31 December 2021).

A one basis point narrowing of the credit spread is expected to change their valuation by plus € 0.03 million (plus € 0.04 million as of 31 December 2021).

- **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.

30.06.2022 in € million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets designated at fair value through profit or loss	–	66	–	66
Financial assets mandatorily at fair value through profit or loss	2	46	496	544
Financial assets at fair value through other comprehensive income	2,587	107	157	2,851
Debt instruments	2,587	90	–	2,677
Subsidiaries and other equity investments	–	17	157	174
Financial assets held for trading	–	194	–	194
Valuation adjustment on interest rate risk hedged portfolios	–	(461)	–	(461)
Hedging derivatives	–	95	–	95
Investment properties	–	–	94	94
Total assets	**2,589**	**47**	**747**	**3,383**
Liabilities				
Financial liabilities designated at fair value through profit or loss	–	179	35	214
Issued debt securities and other securitized liabilities	–	78	32	110
Subordinated and supplementary capital	–	96	–	96
Deposits from customers	–	5	3	8
Financial liabilities held for trading	–	611	–	611
Valuation adjustment on interest rate risk hedged portfolios	–	(468)	–	(468)
Hedging derivatives	–	263	–	263
Total liabilities	**–**	**585**	**35**	**620**

31.12.2021 in € million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets designated at fair value through profit or loss	–	77	–	77
Financial assets mandatorily at fair value through profit or loss	2	72	460	534
Financial assets at fair value through other comprehensive income	3,427	180	147	3,754
Debt instruments	3,235	160	0	3,395
Subsidiaries and other equity investments	192	20	147	359
Financial assets held for trading	–	257	–	257
Valuation adjustment on interest rate risk hedged portfolios	–	(94)	–	(94)
Hedging derivatives	–	178	–	178
Investment properties	–	–	104	104
Non-current assets held for sale	–	–	–	–
Total assets	**3,429**	**670**	**711**	**4,810**
Liabilities				
Financial liabilities designated at fair value through profit or loss	–	194	40	234
Issued debt securities and other securitized liabilities	–	86	33	119
Subordinated and supplementary capital	–	103	–	103
Deposits from customers	–	5	7	12
Financial liabilities held for trading	–	301	–	301
Valuation adjustment on interest rate risk hedged portfolios	–	165	–	165
Hedging derivatives	–	107	–	107
Total liabilities	**–**	**767**	**40**	**807**

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

Movements between Level 1 and Level 2

In the first half 2022, securities at fair value through other comprehensive income with a book value of € 19 million (31 December 2021: € 0 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 € 65 million (31 December 2021: € 63 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 01.01.2022	**460**	**–**	**0**	**147**	**40**
Valuation gains (losses) in profit or loss					
for assets held at the end of the period	9	–	–	–	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	0	–	–	4	(1)
for assets no longer held at the end of the period	0	–	–	–	–
Purchases/Additions	32	–	–	3	–
Redemptions	(11)	–	–	–	(5)
Sales	(1)	–	–	0	–
Foreign exchange differences	9	–	–	0	–
Change in scope of consolidation	(1)	–	–	3	–
Closing balance as of 30.06.2022	**496**	**–**	**–**	**157**	**35**

in € million	Financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial liabilities
			Debt instruments	Subsidiaries and other equity investments	
Opening balance as of 01.01.2021	**513**	**–**	**0**	**41**	**320**
Valuation gains (losses) in profit or loss					
for assets held at the end of the period	52	–	0	–	(1)
for assets no longer held at the end of the period	0	–	0	–	–
Valuation gains (losses) in other comprehensive income					
for assets held at the end of the period	–	–	0	39	1
for assets no longer held at the end of the period	–	–	0	–	–
Purchases/Additions	6	–	–	61	–
Redemptions	(65)	–	(1)	–	(280)
Sales	(58)	–	–	0	–
Foreign exchange differences	13	–	–	6	–
Change in scope of consolidation	(1)	–	–	1	–
Closing balance as of 31.12.2021	**460**	**–**	**0**	**147**	**40**

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 117 basis points (31 December 2021: 117 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 COVID-19 pandemic and the Russia-Ukraine conflict 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 COVID-19 situation and the Russia-Ukraine conflict result 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.

If the credit spread used in calculating the fair value of own issues increased by 20 basis points, the accumulated valuation result as of 30 June 2022 would have increased by € 0.1 million (31 December 2021: € 0.1 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 30 June 2022 would have decreased by € 0.1 million (31 December 2021: € 0.1 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 30 June 2022 (31 December 2021: plus € 2.0 million) and is calculated as the change in the spread between the government yield curve and the swap curve during the observed period. The corresponding annual fair value change amounted to plus € 0.1 million (31 December 2021: plus € 0.8 million).

A one basis point narrowing of the credit spread is expected to change their valuation by plus € 0.05 million (31 December 2021: plus € 0.07 million).

If the credit spread used in calculating the fair value of loans increased by 100 basis points, the accumulated valuation result as of 30 June 2022 would have decreased by € 2.7 million (31 December 2021: € 5.8 million). If the credit spread used in calculating the fair value of loans decreased by 100 basis points, the accumulated valuation result as of 30 June 2022 would have increased by € 2.9 million (31 December 2021: € 6.6 million).

If the liquidity discount of illiquid funds is increased by 10 percentage points, the valuation result as of 30 June 2022 would have decreased by € 0.6 million (31 December 2021: € 0.9 million). If the liquidity discount of illiquid funds is decreased by 10 percentage points, the valuation result as of 30 June 2022 would have increased by € 0.6 million (31 December 2011: € 0.9 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 € 9.6 million (thereof € 7.4 million FVTOCI and € 2.2 million FVTPL; 31 December 2021: € 20.0 million; thereof € 16.1 million FVTOCI and € 3.9 million FVTPL), whereas if the discount rate is increased by 100 basis points, the fair value would decrease by € 26.0 million (thereof € 21.6 million FVTOCI and € 4.4 million FVTPL; 31 December 2021: € 15.8 million; thereof € 12.7 million FVTOCI and € 3.1 million FVTPL). If changes in dividend income or net profit where applicable rose by 20%, the fair value of those assets would rise by € 41.2 million (thereof € 35.3 million FVTOCI and € 5.9 million FVTPL; 31 December 2021: € 39.1 million; thereof € 32.6 million FVTOCI and € 6.5 million FVTPL); if changes in dividend income or net profit where applicable declined by 20%, the fair value would decrease by € 40.2 million (thereof € 34.4 million FVTOCI and € 5.8 million FVTPL; 31 December 2021: € 37.8 million; thereof € 31.8 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 € 6.5 million (thereof € 1.2 million FVTOCI and € 5.3 million FVTPL; 31 December 2021: € 7.9 million, thereof € 0.9 million FVTOCI and € 7.0 million FVTPL). If these indications were 10% higher, the fair value of this portion would increase by € 6.5 million (thereof € 1.2 million FVTOCI and € 5.3 million FVTPL; 31 December 2021: € 7.9 million; thereof € 0.9 million FVTOCI and € 7.0 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 € 2.2 million (thereof € 1.3 million FVTOCI and € 0.9 million FVTPL; 31 December 2021: € 2.1 million; thereof € 2.1 million FVTOCI and € 0.9 million FVTPL), whereas if the equity was 10% higher, there would be an increase of € 2.2 million (thereof € 1.3 million FVTOCI and € 0.9 million FVTPL; 31 December 2021: € 2.1 million; thereof € 2.1 million FVTOCI and € 0.0 million FVTPL).

The fair value of two non-traded investment funds 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 € 0.9 million (31 December 2021: minus € 0.8 million) if rates rise by 100 bp and a credit spread sensitivity of minus € 0.9 million (31 December 2021: minus € 0.8 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 € 19.1 million in profit or loss (31 December 2021: € 17.3 million). If the fair value indicated decreased by 10%, the Group would recognize a loss of € 19.1 million in profit or loss (31 December 2021: € 17.3 million).

If the interest rates used in calculating the fair value of customer liabilities accounted for at fair value through profit or loss increased by 100 basis points, the accumulated valuation result as of 30 June 2022 would have increased by € 0.0 million (31 December 2021: increase by € 0.0 million). If the interest rates decreased by 100 basis points, the accumulated valuation result as of 30 June 2022 would have decreased by € 0.0 million (31 December 2021: decrease by € 0.0 million).

17 | 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 profit 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 four loan portfolios, market interest rates on the transaction date were lower than when prices were negotiated. In all cases, the seller wanted to exit the respective business. Therefore, the transaction prices in these cases 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 is neither evidenced by a quoted price nor based on a valuation technique that uses only data from observable markets, the day one gain 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 profits. Day one profit 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	30.06.2022	31.12.2021
Balance at the beginning of the period	**14**	**25**
New transactions	77	0
Amounts recognized in profit or loss during the period	(9)	(11)
FX effects	0	0
Balance at the end of the period	**82**	**14**

18 | Contingent assets, contingent liabilities and unused lines of credit

in € million	30.06.2022	31.12.2021
Contingent liabilities	**218**	**229**
Arising from guarantees	218	229
Unused customer credit lines	**9,301**	**9,295**
Thereof terminable at any time and without notice	7,280	7,427
Thereof not terminable at any time	2,021	1,868

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 risk

H1 2022 summary

- The H1 2022 macroeconomic environment was characterized by continuing uncertainty following the discontinuation of the governmental COVID-19 measures and by the breakout of the Russia-Ukraine conflict.

- We have no direct exposure to Russia or Ukraine and de minimis exposure to Eastern Europe, reflecting our strategic focus towards the DACH/NL region, Western Europe and the United States over the past decade. While our secondary exposures are de minimis, we will continue to remain cautious and prudent.

- Limited (<1% of total assets) exposures to high energy intensive industries, no exposure to trade finance mitigate impact of energy-driven inflation and supply chain exposures.

- ECL reserves have been increased by 8% to € 150 million (FY 2021: € 139 million), incorporating the current economic outlook and supported by the increase of management overlay.

- Management overlay in excess of modeled reserves increased to € 70 million (FY 2021: € 61 million). BAWAG will continue to monitor potential economic development in light of the sustaining uncertainty and revisit management overlay assumptions and needs frequently.

- The NPL ratio (excluding City of Linz receivable) remains stable at 1.0% (FY 2021: 1.0%), with improved NPL cash coverage of 51% (FY 2021: 46%).

- Including City of Linz receivable and prudential capital, total NPL ratio of 1.4% (FY 2021: 1.4%), with improved NPL cash coverage of 61% (FY 2021: 56%).

- High asset quality demonstrated by asset distribution remaining stable, with 94% of customer assets in Stage 1 (FY 2021: 94%), and 4% in Stage 2 (FY 2021: 4%), and 2% in Stage 3 (FY 2021: 2%)

- Half-year risk cost of € 50.6 million (2021: € 53.1 million) represents decline of 5% without significant reserve releases.

- Robust liquidity at end of half-year, with LCR of 184% (FY 2021: 239%). The ratio has a substantial cushion to regulatory requirements.

- Exposure to industries with moderate to high ESG risk remains low with a strong ESG Risk Governance. 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	**30.06.2022**	31.12.2021	vpY
NPL ratio	1.4%	1.4%	(0)pp
NPL cash coverage ratio	60.7%	56.5%	4.2pp
NPL coverage ratio	81.2%	79.2%	2.0pp
Impairments Stage 1 and 2	150	139	11
thereof management overlay	*70*	*61*	*9*
Impairments Stage 3	302	276	26
Prudential filter	229	211	18
LCR	184%	239%	(55)pp
NSFR	127%	139%	(9)pp

Risk statement

BAWAG Group is active in commercial banking activities, focusing primarily on retail & SME banking with a secondary focus on corporate banking and commercial real estate financing in selective markets constantly assessing appropriate 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 the governance framework remained unchanged.

The following divisions oversee the implementation and execution of risk-related guidelines (as of 30.06.2022):

- Risk Modelling
- Validation
- Commercial Risk Management
- Retail Risk Management
- Group Data Warehouse (joint reporting line to Risk and Finance)

19 | Russia-Ukraine conflict – impacts on risk management

The economic recovery that was achieved as our markets emerged from the pandemic – with restrictions lifted in Q2 2022 in our core markets – was impeded by the breakout of the Russia-Ukraine conflict in February 2022. This opened a new front of unprecedented events leading to uncertain economic consequences, and the need for continuation of crisis management, as well as highly prudent risk management. The current environment is characterized by:

- Inflation at 40-year high with impact on real income with increased cost of living, e.g. energy costs significantly up
- War in Ukraine lacking transparency into economic impacts, potential spread and a foreseeable end
- Industry headwinds and declines in output due to supply chain issues and inflationary forces
- Negative effects from phasing out of pandemic fiscal support which helped to avoid insolvencies and to manage unemployment
- Tightening of monetary policy with central banks stopping asset purchases and increasing base rates

Governance
During the Covid crisis, 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 has created a highly proactive risk management approach and granular focus to driving operations. Enhanced governance steps and frequencies were put into place to ensure immediacy of performance and areas of stress, unified responses across our operations and data-driven decisions. This setup and experience is critical to dealing effectively with the current crisis across all of our markets and channels with the following actions and initiatives taken or continued:

- Recurring steering meetings 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 corporate sub-portfolios and regular outreach to financial sponsors or management to understand the latest position
- Extended risk reporting to provide up-to-date monitoring of the development of particular portfolios, customer groups and products affected by the current crisis
- Ongoing review of IFRS 9 provisions under various macroeconomic scenarios

Underwriting
The Bank follows a conservative underwriting approach with clearly defined underwriting guidelines and a focus on high levels of collateralization, appropriate debt service-to-income metrics and risk-adjusted returns. Underwriting

decisions are supported by strong risk analytics capabilities, which ensured a targeted review of risk appetite and execution of associated credit actions during the crisis to reflect the anticipated adverse macroeconomic environment. The full range of loan products-continues to be provided, thereby consistently following our approach already initiated in 2019 to shift our new business mix towards secured lending products.

Performed impact analysis on current conflict

BAWAG Group reports

- No direct exposure to Russian or Ukrainian companies (ultimate risk view)
- No exposure to sanctioned individuals/entities
- Tight monitoring of developments and sanctions to ensure full and immediate implementation into risk policies/underwriting guidelines
- No trade finance with Russia or CEE countries
- Neither maintaining nor conducting any securities brokerage, custody, settlement or clearing relationships with Russian/Ukrainian counterparties nor with corresponding subsidiaries
- Total exposure towards Eastern Europe (ultimate risk view) below 1% of total assets
- A small share of companies with at total exposure below 1% of total assets with reliance on Russian Markets (automotive, wood, gas) be it with local subsidiaries, clients or suppliers under tight monitoring but currently with no indication of elevated/unmitigatable risk.
- High ability of corporate customers to pass on the effect of increased energy prices to their clients with overall less than 1% of total of assets to energy-intensive industries (e.g. steel, cement, chemicals, building materials) – located in Austria and the US.
- Adjustments to the credit box for retail consumer and mortgage loans to reflect increasing housing costs as well as general inflationary, supply chain and interest rate impacts.
- Commercial Underwriting Guidelines were adjusted reflecting additional information and analysis needs to assess the impacts of current crisis in single deal underwriting
- An ECL overlay in the amount of € 70 million – already incorporating updated base and pessimistic macroeconomic scenarios into the model which the Bank expects to cover the impacts of a stagflation scenario of high inflation and near recession
- Stress testing of all deals to interest rate increases in light of market volatility
- Majority of customers contractually required to hedge interest rate risk

Provisioning
BAWAG Group has taken measures to address the current inherent uncertainty as a result of the crisis to ensure the appropriate and timely identification of distressed debtors and adequate levels of provisioning across all stages of credit risk.

The Bank has established 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. It was ensured that the core concepts for the assessment of a significant increase of credit risk were maintained with the fullest diligence (for a more detailed description, please refer to the ECL section in the credit risk part in this half-year report). Given the current economic uncertainty, the Bank has applied adaptions and created management overlays to these concepts to ensure an adequate level of provisioning. At 30 June 2022, BAWAG Group had increased ECL provisions by 8% to € 150 million (FY 2021: € 139 million, FY 2021: € 130 million) including a management overlay of € 70 million in excess of modeled ECL to ensure adequate provisioning in light of the economic uncertainty. 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 a sustainable improvement of the macroeconomic environment can be observed.

20 | 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.

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 approval of loan applications within the authorities defined in the Competence and Power Regulation. The Risk Controlling division is responsible for the consistent calculation and aggregation of the individual risk metrics within the defined monthly reporting framework.

Risk mitigation: 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 life cycle
- Identify, assess and measure 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 lending and/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. Corporate exposures are managed on a case-by-case basis by experts with deep expertise in the relevant segment and retail exposures managed at the segment level leveraging best-in-class data, analytics and rating infrastructure.
- Robust early warning, collections and workout framework 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 Group.

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.

Measuring credit risk

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.

The following sections provide an overview of the structure and the portfolio quality in the individual segments.

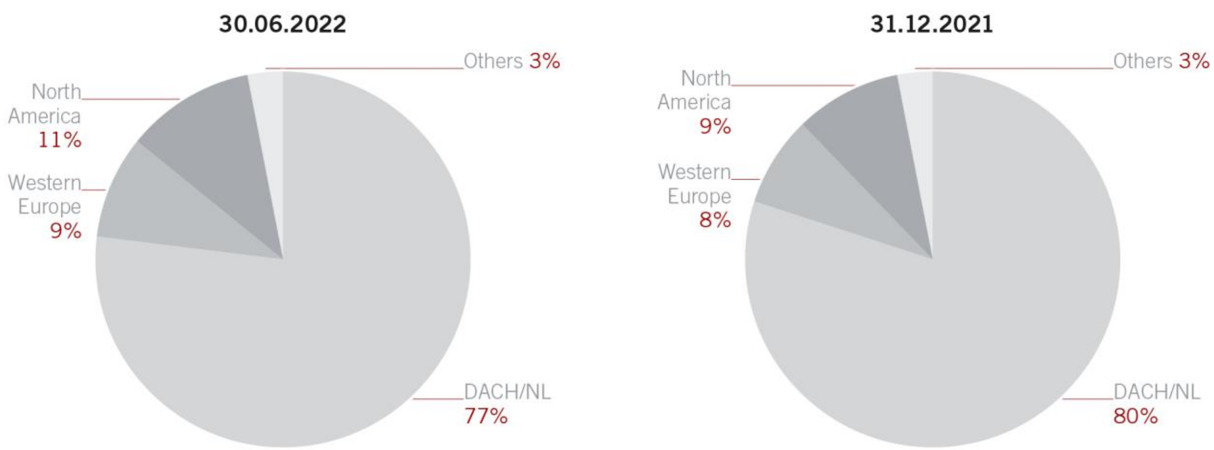
30.06.2022 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total portfolio
At amortized cost	21,950	15,354	11,869	550	49,723
Financial assets FVPL/FVOCI	75	451	2,546	139	3,211
On-balance business	**22,025**	**15,805**	**14,415**	**689**	**52,934**
Off-balance business	4,614	1,859	1,080	569	8,122
Total	**26,639**	**17,664**	**15,494**	**1,258**	**61,055**
thereof collateralized	17,254	8,354	1,576	193	27,377
thereof NPL (gross view)	494	127	–	254	875
Impairments Stage 1	29	15	1	0	45
Impairments Stage 2	56	47	0	–	104
Impairments Stage 3	248	54	–	0	302
Total Impairments	**308**	**104**	**1**	**2**	**415**
Prudential filter	6	7	–	216	229

31.12.2021 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total portfolio
At amortized cost	20,672	14,348	13,029	399	48,448
Financial assets FVPL/FVOCI	155	456	3,291	–	3,902
On-balance business	**20,827**	**14,804**	**16,320**	**399**	**52,350**
Off-balance business	3,929	1,330	1,267	1,196	7,722
Total	**24,756**	**16,134**	**17,587**	**1,595**	**60,072**
thereof collateralized	16,761	5,947	667	385	23,760
thereof NPL (gross view)	476	132	–	254	862
Impairments Stage 1	24	11	1	0	37
Impairments Stage 2	54	47	0	–	102
Impairments Stage 3	230	44	–	2	276
Total Impairments	**308**	**104**	**1**	**2**	**415**
Prudential filter	3	5	–	203	211

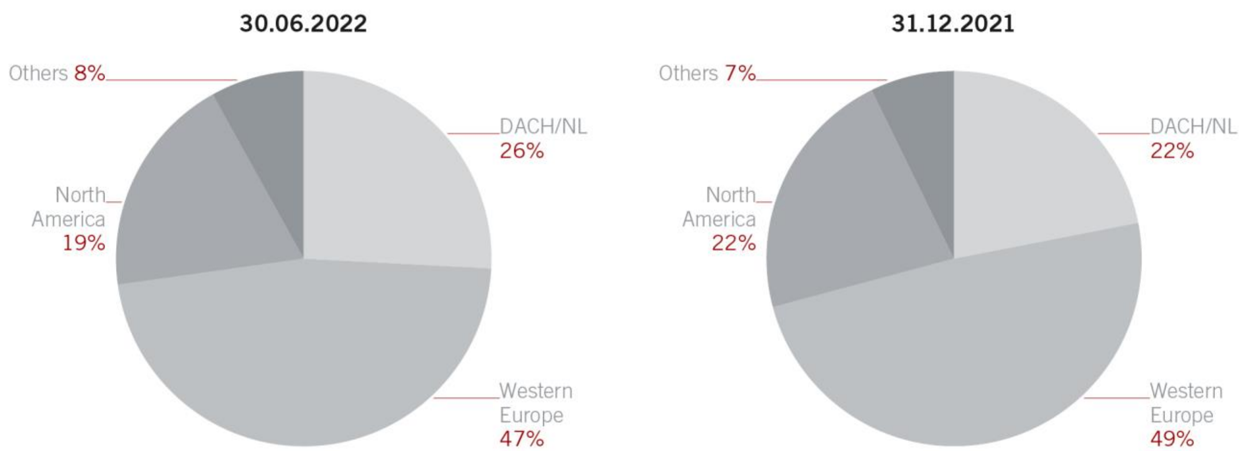
Geographical distribution of the lending and securities portfolio

The geographical distribution of the lending portfolio is in line with BAWAG Group's strategy of focusing on stable economies and currencies. A total of 97% (FY 2021: 97%) of the lending portfolio and 92% (FY 2021: 93%) of the securities portfolio is located in Western Europe and North America.

Geographical distribution of the lending portfolio



Geographical distribution of securities



Lending and securities portfolio by currencies

Consistent with BAWAG Group's overall positioning, the major share of financing is denominated in EUR. The following table depicts the currency distribution of the lending and securities portfolio.

	Book value		in %	
in € million	30.06.2022	31.12.2021	30.06.2022	31.12.2021
EUR	44,208	44,615	83.5%	85.2%
USD	5,969	5,104	11.3%	9.8%
GBP	1,237	1,320	2.3%	2.5%
CHF	963	1,027	1.8%	2.0%
Others	557	284	1.1%	0.5%
Total	**52,934**	**52,350**	**100.0%**	**100.0%**

Credit quality overview: Lending, provisions, delinquencies and collateral

The following table shows the NPL ratio and provisioning of the lending 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 83% (2021: 83%) of the total exposure can be assigned to an investment grade rating which corresponds to the external rating classes AAA to BBB.

	Book value[1)]		in %	
in € million	**30.06.2022**	31.12.2021	**30.06.2022**	31.12.2021
At amortized cost (gross)	**50,162**	**48,847**	**100.0%**	**100.0%**
Provisions	439	399	0.9%	0.8%
thereof Stage 1	38	30	0.0%	0.0%
thereof Stage 2	103	100	0.2%	0.2%
thereof Stage 3	299	269	0.6%	0.6%
At amortized cost (net)	49,723	48,448	99.1%	99.2%
NPL ratio	–	–	1.4%	1.4%
NPL cash coverage ratio	–	–	60.7%	56.5%
NPL coverage ratio	–	–	81.2%	79.2%

1) Securities are not included since the securities portfolio does not show any days past due or any signs of non-performance

The following table shows the NPL ratio for the segments Retail & SME and Corporates, Real Estate & Public Sector:

	Retail & SME		Corporates, Real Estate & Public Sector	
in € million	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Total	**22,025**	**20,827**	**15,805**	**14,804**
NPL ratio	1.9%	1.9%	0.7%	0.8%
NPL cash coverage ratio	51.4%	48.8%	48.2%	37.7%
NPL coverage ratio	77.2%	77.7%	89.3%	81.7%

The following table shows the distribution by ratings for the portfolio which is neither overdue nor impaired. The risk profile is stable.

		Total portfolio		Retail & SME		Corporates, Real Estate & Public Sector	
in %	Moody's rating equivalent	30.06.2022	31.12.2021	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Rating class 1	Aaa–Aa2	27.1%	30.7%	0.2%	0.3%	18.3%	18.1%
Rating class 2	Aa3–A1	10.5%	11.2%	9.6%	10.5%	13.0%	13.8%
Rating class 3	A2–A3	8.1%	9.1%	10.4%	15.5%	4.7%	4.3%
Rating class 4	Baa1–Baa3	37.5%	34.5%	51.5%	50.1%	47.5%	46.5%
Rating class 5	Ba1–B1	14.5%	12.1%	23.8%	19.6%	14.9%	14.9%
Rating class 6	B2–Caa2	1.6%	1.7%	2.9%	2.6%	1.4%	2.1%
Rating class 7	Caa3	0.7%	0.7%	1.6%	1.4%	0.2%	0.3%

Received collateral for the NPL portfolio

The figures below refer to gross NPL (stage 3) exposure.

30.06.2022 in € million	NPL exposure	Real estate collateral	Other collateral	Financial guarantees	Credit enhancements
Lending portfolio	863	199	34	17	23
Securities	–	–	–	–	–
Off-balance business	12	1	2	0	0
Total	**875**	**200**	**36**	**17**	**23**

The values shown are market values.

31.12.2021 in € million	NPL exposure	Real estate collateral	Other collateral	Financial guarantees	Credit enhancements
Lending portfolio	850	212	30	16	25
Securities	–	–	–	–	–
Off-balance business	12	1	7	0	0
Total	**862**	**213**	**37**	**16**	**25**

The values shown are market values.

Impairment

IFRS 9 requires a bank to determine the expected credit loss (ECL) as the difference between the contractual cash flows of a financial instrument and the cash flows that a bank expects to receive, which are probability-weighted future outcomes across several scenarios.

The main drivers in the ECL calculation are the stage allocation and lifetime risk parameters, which represent the Bank's expectation towards loss from the financial assets. With lifetime denoting the remaining maturity terms of a financial asset, lifetime risk parameters are, namely, probability of default (PD), the lifetime loss given default (LGD) and the exposure at default (EAD), which are calculated monthly based on the estimates internally derived by the models developed for IFRS 9 ECL. The ECL models in BAWAG Group are applied to

- Financial assets that are recorded at amortized cost or at fair value through other comprehensive income
- Lease receivables
- Loan commitments and financial guarantees that are not measured at fair value through profit or loss
- Contract assets according to IFRS 15

and remained unchanged versus the 2021 annual report.

Lifetime risk parameters

The IFRS 9 lifetime risk parameters consist of a through-the-cycle and a point-in-time component. The through-the-cycle component captures the idiosyncratic risks of the financial instruments, which are rather stable over time and 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.

Staging criteria and significant increase in credit risk (SICR)

A key feature of ECL estimation under IFRS 9 is the stage allocation of assets. If a financial asset shows a significant increase in credit risk (SICR) since the initial recognition or is recognized as credit-impaired, the ECL estimate of the asset is the lifetime expected credit loss (stage 2 or stage 3), and the 12-month expected credit loss otherwise (stage 1).

Stage 1: 12-month ECLs

The 12-month calculation applies generally to all financial instruments at initial recognition and those which neither show a significant increase in credit risk since initial recognition nor are credit-impaired.

Stages 2 and 3: Lifetime ECLs

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. If the instrument’s credit risk increases further to the point that it is credit-impaired, the instrument is then transferred to stage 3. The measurement of the risk provisions for stage 2 and stage 3 is lifetime expected credit loss, estimated by lifetime risk parameters.

BAWAG Group examines the stage allocation of assets at each reporting date. The transfer criteria from stage 1 to stage 2 are in three pillars:

- quantitative criterion
- qualitative criterion
- backstop criterion

Stage 3: Lifetime ECLs

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; and
- a reliable estimate of the loss amount can be made.

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 were not individually significant, the loss rate estimates used for Retail and SME portfolios 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 following table provides an overview of the development of IFRS book values (net of impairments) across stages.

Reconciliation of book values by stage

30.06.2022 in € million	Starting balance	Increases due to origination and acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Closing balance
Book values for impairments in Stage 1 (without POCI)	**49,009**	**16,528**	**(16,012)**	**(546)**	**48,979**
Lending portfolio	43,281	15,767	(15,157)	(256)	43,635
Securities	5,728	761	(855)	(290)	5,344
Book values for impairments in Stage 2 (without POCI)	**1,334**	**136**	**(156)**	**(101)**	**1,213**
Lending portfolio	1,334	136	(156)	(101)	1,213
Securities	0	–	–	(0)	0
Book values for impairments in Stage 3 (without POCI)	**578**	**108**	**(46)**	**(121)**	**519**
Lending portfolio	578	108	(46)	(121)	519
Securities	–	–	–	–	–
Total POCI	**4**	**45**	**(1)**	**4**	**52**
Lending portfolio	4	45	(1)	4	52
Securities	–	–	–	–	–
Total	**50,925**	**16,818**	**(16,214)**	**(764)**	**50,763**

Only IFRS 9-relevant book values are shown.

Reconciliation of impairments per stage

30.06.2022 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)	**37**	**21**	**(14)**	**1**	**45**
Lending portfolio	30	18	(11)	0	37
Securities	1	1	(1)	1	2
Off-balance business	6	2	(2)	0	6
Impairments Stage 2 (without POCI)	**102**	**54**	**(58)**	**6**	**104**
Lending portfolio	100	54	(57)	6	103
Securities	–	–	–	0	0
Off-balance business	2	0	(1)	(0)	1
Impairments Stage 3 (without POCI)	**267**	**55**	**(36)**	**6**	**292**
Lending portfolio	261	52	(32)	7	288
Securities	–	–	–	–	–
Off-balance business	6	3	(4)	(1)	4
Total POCI	**2**	**–**	**–**	**8**	**10**
Lending portfolio	2	–	–	8	10
Securities	–	–	–	–	–
Off-balance business	–	–	–	–	–
Total	**416**	**131**	**(108)**	**21**	**451**

Transition of impairments by financial instruments

30.06.2022 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
Lending portfolio	16	(0)	(10)	(6)	0	2
Securities	–	–	–	–	–	–
Off-balance business	0	(0)	(1)	(0)	0	0
Total	**16**	**(0)**	**(10)**	**(7)**	**0**	**2**

31.12.2021 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
Lending portfolio	19	(1)	(15)	(13)	0	11
Securities	–	–	–	–	–	–
Off-balance business	0	(0)	(1)	(0)	0	0
Total	**19**	**(1)**	**(16)**	**(13)**	**0**	**11**

Distribution of book values by impairment stage and rating

The numbers below refer to IFRS book values (net of stage 1 to 3 provisions).

30.06.2022 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)	**12,659**	**5,315**	**3,958**	**18,773**	**7,062**	**454**	**758**	**–**	**48,979**
Lending portfolio	11,240	3,765	3,057	18,070	7,012	454	37	–	43,635
Securities	1,419	1,550	901	703	50	–	721	–	5,344
Book values for impairments in Stage 2 (without POCI)	**0**	**4**	**10**	**75**	**397**	**387**	**340**	**–**	**1,213**
Lending portfolio	0	4	10	75	397	387	340	–	1,213
Securities	–	–	–	–	–	–	0	–	0
Book values for impairments in Stage 3 (without POCI)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**519**	**519**
Lending portfolio	–	–	–	–	–	–	–	519	519
Securities	–	–	–	–	–	–	–	–	–
Total POCI	**–**	**–**	**–**	**–**	**5**	**9**	**32**	**1**	**52**
Lending portfolio	–	–	–	–	5	9	32	1	52
Securities	–	–	–	–	–	–	–	–	–
Total	**12,659**	**5,319**	**3,968**	**18,847**	**7,464**	**850**	**1,131**	**571**	**50,763**

Only IFRS 9-relevant book values are shown.

31.12.2021 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)	**15,447**	**5,703**	**4,507**	**17,234**	**5,652**	**425**	**41**	**–**	**49,009**
Lending portfolio	13,132	4,006	3,566	16,502	5,609	425	41	–	43,281
Securities	2,315	1,697	941	732	43	–	–	–	5,728
Book values for impairments in Stage 2 (without POCI)	**3**	**6**	**13**	**79**	**498**	**429**	**306**	**–**	**1,334**
Lending portfolio	3	6	13	79	498	429	306	–	1,334
Securities	–	–	–	–	–	0	–	–	0
Book values for impairments in Stage 3 (without POCI)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**578**	**578**
Lending portfolio	–	–	–	–	–	–	–	578	578
Securities	–	–	–	–	–	–	–	–	–
Total POCI	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4**	**4**
Lending portfolio	–	–	–	–	–	–	–	4	4
Securities	–	–	–	–	–	–	–	–	–
Total	**15,450**	**5,709**	**4,520**	**17,313**	**6,150**	**854**	**347**	**582**	**50,925**

Only IFRS 9-relevant book values are shown.

Expected credit loss

Expected credit losses of BAWAG Group are based on a probability-weighted expected outcome as IFRS 9 stipulates: the ECL estimates under three different scenarios are aggregated with scenario weights to constitute a final ECL estimate. The macroeconomic scenario is comprised of forecasts of major macroeconomic variables: among all 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 distribution among three scenarios (baseline 40%, optimistic 30% and pessimistic 30%) allows the Bank to cover the broad range of future expectations and has been chosen as the most appropriate within industry standards. The following table provides an overview of GDP growth assumptions and scenario weights applied to determine ECL. For half-year 2022 ECL calculation, the ECB's June 2022 forecast assumptions were taken into consideration for selection of the scenarios. To incorporate the uncertainty ahead resulting from the Russia-Ukraine conflict, more weight is given to the forecasts for 2023, when the negative consequences of the conflict are expected to be further realized.

Eurozone macroeconomic forecast assumption considered for ECL calculation:

GDP growth 30.06.2022 in %	2021	2022	2023	2024
Optimistic (30% weight)	5.4	2.7	2.1	2.3
Baseline (40% weight)	5.4	2.3	0.5	3.0
Pessimistic (30% weight)	5.4	1.5	(3.1)	3.1

GDP growth 31.12.2021 in %	2021	2022	2023	2024
Optimistic (30% weight)	5.0	5.6	3.5	1.9
Baseline (40% weight)	5.0	3.8	2.7	2.1
Pessimistic (30% weight)	5.0	(0.4)	1.4	2.9

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 based on the baseline ECL excluding the applied management overlay as described in the COVID-19 section of the Risk Report. As of half-year 2022, an additional ECL management overlay of € 70 million is held to address the uncertainties regarding the further development of the current crisis. This overlay would fully cover the additional provisioning requirements in the event that the pessimistic scenario does materialize.

30.06.2022			ECL scenario change		
in € million	ECL incl. management overlay	ECL excl. management overlay	100% Optimistic	100% Baseline	100% Pessimistic
Stage 1 & Stage 2 impairments	150	80	(4)	(0)	4

31.12.2021			ECL scenario change		
in € million	ECL incl. management overlay	ECL excl. management overlay	100% Optimistic	100% Baseline	100% Pessimistic
Stage 1 & Stage 2 impairments	139	78	(8)	2	5

Forborne loans and forbearance measures

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 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[1)] in order to identify exposures for which forbearance measures have been granted. These exposures are classified as forborne.

For customers who have made use of a payment deferral in connection with the COVID-19 pandemic crisis falling under the EBA definition of a legislative or non-legislative moratorium, the Bank has refrained from classifying these exposures as forborne.

Collateral and valuation of residential and commercial real estate

The centralized Residential Real Estate Appraisal team determines the value of all residential properties in Austria on 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 on 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.

1) Commission Implementing Regulation (EU) 2015/227, Annex V. Art. 145–183

All types of acceptable collateral are listed in the BAWAG Group Collateral Catalogue. Adequate haircuts are defined for each type of collateral.

Workout departments

The workout and collection departments (retail/non-retail) are responsible for the processing, administration and restructuring or collection of troubled and defaulted loan commitments. The primary objective is to minimize losses and to maximize recoveries.

Early recognition of troubled assets

Customers that trigger defined early-warning signals for various reasons (e.g. general deterioration of creditworthiness, significant decline in the stock price, rise in CDS spreads, negative press reports/ad-hoc publicity, unusual risk concentrations, etc.) are placed on the watch list and discussed in the Watch Loan Committee, which is made up of members of the relevant business and risk units. This committee develops and elaborates on risk mitigation actions for single exposures and oversees consistent monitoring of all cases with an elevated probability of default.

21 | Market risk

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

The primary market risk components for BAWAG Group are interest rate and credit spread risk. Both risk categories are measured 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.

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 (SALCO) 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 Controlling reports to the SALCO 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 SALCO 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 SALCO
- 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.
- **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. As of June 2022, approximately 38% (31 Dec 2021: 29%) of the total volume of sight deposits was 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 30 June 2022 on the basis of the PVBP concept:

Interest rate sensitivity

30.06.2022 in € thousand	<1Y	1Y-3Y	3Y-5Y	5Y-7Y	7Y-10Y	>10Y	Total
EUR	70	(152)	(128)	13	(283)	(323)	(803)
USD	7	(9)	(8)	2	59	(10)	41
CHF	(14)	11	5	3	(1)	(2)	3
GBP	5	14	6	5	3	1	36
Other currencies	(5)	(6)	6	(1)	0	0	(6)
Total	**64**	**(142)**	**(119)**	**22**	**(222)**	**(333)**	**(730)**

31.12.2021 in € thousand	<1Y	1Y-3Y	3Y-5Y	5Y-7Y	7Y-10Y	>10Y	Total
EUR	(173)	(27)	(89)	(56)	517	(198)	(26)
USD	23	(29)	(23)	(9)	24	(8)	(22)
CHF	(3)	4	(2)	1	(5)	0	(4)
GBP	15	14	0	(1)	0	7	36
Other currencies	(4)	(5)	0	0	0	0	(10)
Total	**(141)**	**(43)**	**(114)**	**(66)**	**535**	**(198)**	**(27)**

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	30.06.2022	31.12.2021
Total portfolio	(2,331)	(2,541)
Financial assets at fair value through profit or loss	3	(3)
Financial assets at fair value through other comprehensive income	(1,000)	(1,380)
Financial assets at amortized cost	(1,334)	(1,159)

Market risk in the trading book

BAWAG Group runs no active trading book. No trading activities are currently planned for the entire Group.

22 | 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.

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 deposit base is supplemented with a diversified strategy of wholesale funding. BAWAG Group has issued both unsecured bonds as well as bonds secured by mortgages.

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	30.06.2022	31.12.2021
Balances at central banks	8,224	12,000
Securities eligible for Eurosystem operations	527	371
Other assets eligible for Eurosystem operations	56	53
Short-term liquidity buffer	**8,808**	**12,424**
Other marketable securities	1,852	2,867
Total	**10,660**	**15,291**

BAWAG Group maintains a conservative liquidity management strategy, which is reflected in a strong liquidity coverage ratio (LCR) of 184% (31 Dec 2021: 239%). BAWAG Group thereby significantly exceeds the regulatory LCR requirement.

The first half of 2022 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 30 June 2022, BAWAG Group utilized € 6.4 billion of funding under the ECB's TLTRO III facility (stable compared to 31 December 2021). In addition to the stable deposit base, in the first half of 2022 the Bank successfully placed € 2 billion mortgage covered bonds (January € 500 million; € 750 million in April and June), which again proved BAWAG Group's good capital markets access and the positive perception among investors.

23 | Operational risk

Operational risk is present in virtually all of the Company's 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 as well as third-party risk, outsourcing risk and information and communication risk.

Governance:
Operational risks are managed by established Group-wide processes for loss data collection via OpRisk Monitor (ORM), a yearly risk assessment process for all divisions and subsidiaries, uniform materiality and risk assessment of outsourcing activities, a sound product implementation process (PIP) as well as monthly key risk indicators. Upon exceedance of defined thresholds, e.g. red KRI, high risks identified, mandatory measures for risk mitigation are agreed and monitored. In addition, BAWAG Group works continuously to bolster defenses against cyberattacks. The selected security approach is based on regulatory requirements and the security policy set.

Risk identification, assessment and mitigation:
The losses resulting from operational risk are collected and analyzed in a centrally administrated, web-based database within clearly defined regulations and processes to identify patterns/clusters and faulty processes.

Using the RCSAs 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.

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).

According to Austrian Banking Act section 39 paragraph 6, 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.

The Management Board receives regular reports about current OpRisk developments, as well as activities to protect and assess the 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 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.

24 | ESG Risk

The interaction of ESG risks and other material risk types is evaluated as part of the overarching risk self-assessment (RSA). Within BAWAG Group's portfolio steering framework, both high ESG-risk sectors and countries are limited accordingly due to low risk appetite for industries exposed to high transition risk (for example oil and gas industries for which there is de minimis exposure on book, and political or social risk. Due to the currently low exposures to high ESG risks the impact on the half-year 2022 results is not significant.

In particular, the management of restricted and prohibited sectors as part of the underwriting and loan origination process is essential in this regard. 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. 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 practiced across the organization.

In recent months, numerous requirements have developed in connection with ESG. The regulatory environment related to ESG is extensive and is expected to meet the comprehensive regulatory requirements. BAWAG Group is committed not just to keeping the negative impacts of our business activities as low as possible, but also to contributing in a positive way. Whereas ESG underpins BAWAG Group's strategy driving responsible, sustainable, and profitable growth, there are certain key deliverables regarding the overarching framework with the biggest challenge being the data availability. 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 operative working level were implemented and started in 2021. 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 practiced 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 will be defined by YE 2022.

- Internal reporting: The data collection capabilities and infrastructure were set up in 2021. Dedicated ESG reports are a regular part of the Non-Financial Risk & ESG Committee, and the risk report will also be enhanced with ESG information.

- 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 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-risk ESG industries and de minimis oil and gas exposure are maintained.

    - Corporates, Real Estate & Public Sector: Industry-related ESG risk 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).

Activity	P/R	Exposure	
		m€	%
Gambling	R	202	0.33%
Mining of oil/tar sands	R	153	0.25%
Animal testing (non-medical)	R	22	0.04%
Others	P/R	0	0.00%
Total		**376**	**0.61%**

- **Retail & SME:** Operating in developed markets with high legal and environmental standards BAWAG Group continued to originate green mortgages in 2022 following the issuing of the inaugural Green Bond Benchmark in 2021. The use of proceeds is dedicated to financing energy-efficient residential housing according to standards defined by the EU taxonomy delegated act.

STATEMENT OF ALL LEGAL REPRESENTATIVES

"We confirm to the best of our knowledge that the condensed consolidated Half-Year 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 Half-Year Group Management Report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated Half-Year Financial Statements and of the principal risks and uncertainties for the remaining six months of the financial year."

29 July 2022

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

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. For 2022 the deduction of share buyback of € 325 million is considered.
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. For 2022 the deduction of a share buyback of € 325 million is considered.
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 consists 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 loans	Customer loans measured at amortized cost	The book value of customer loans measured at amortized cost.
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 available for distribution to the shareholders 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	CCF-weighted off-balance business	Off-balance sheet business refers to assets or liabilities that do not appear on the Group's balance sheet such as loan commitments and financial guarantees. The off-balance business in the risk report is weighted by a credit conversion factor (CCF).
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
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 tangible common equity (RoTCE)	Net profit / average tangible common equity excluding AT1 capital and dividends and dividend accruals;	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.
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 above). For 2022 the deduction of share buyback of € 325 million is considered.
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 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.
Total capital ratio	Total capital / risk-weighted assets	
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.

OWNER AND PUBLISHER

BAWAG Group AG
Wiedner Gürtel 11, A-1100 Vienna, Austria
Companies Registry number: 269842b
EU VAT number: ATU72252867
Telephone: +43 (0)5 99 05-0
Internet: www.bawaggroup.com

Investor Relations:
investor.relations@bawaggroup.com

Media:
communications@bawaggroup.com

Typesetting:
In-house using firesys