HALF-YEAR
FINANCIAL REPORT

2024

BAWAG Group

KEY FIGURES

Profit or loss statement (in € million)	Jan-Jun 2024	Jan-Jun 2023	Change (%)
Net interest income	621.5	600.2	3.5
Net fee and commission income	162.7	152.9	6.4
Core revenues	**784.2**	**753.1**	**4.1**
Operating income	**773.9**	**750.0**	**3.2**
Operating expenses	**(253.3)**	**(240.1)**	**5.5**
Pre-provision profit	**520.6**	**509.9**	**2.1**
Regulatory charges	(8.0)	(38.3)	(79.1)
Total risk costs	(57.8)	(41.0)	41.0
Profit before tax	**456.3**	**431.5**	**5.7**
Income taxes	(114.2)	(111.2)	2.7
Net profit	**342.1**	**320.3**	**6.8**

Performance ratios (figures annualized)	Jan-Jun 2024	Jan-Jun 2023	Change (pts)
Return on common equity	20.3%	20.1%	0.2
Return on tangible common equity	**24.0%**	**24.0%**	–
Net interest margin	2.98%	2.81%	0.17
Cost-income ratio	32.7%	32.0%	0.7
Risk costs / interest-bearing assets	0.28%	0.19%	0.09

Share data	Jan-Jun 2024	Jan-Jun 2023	Change (%)
Pre-tax earnings per share (in €)[1)]	5.77	5.23	10.3
After-tax earnings per share (in €)[1)]	4.33	3.88	11.6
Book value per share (in €)	43.91	38.50	14.1
Tangible book value per share (in €)	37.20	32.24	15.4
Shares outstanding at the end of the period	78,507,604	82,298,278	(4.6)

Statement of financial position (in € million)	Jun 2024	Dec 2023	Change (%)	Jun 2023	Change (%)
Total assets	53,633	55,448	(3.3)	53,127	1.0
Interest-bearing assets	41,282	41,732	(1.1)	42,144	(2.0)
Customer loans	33,116	33,593	(1.4)	34,295	(3.4)
Customer funding	45,541	45,822	(0.6)	44,214	3.0
Common equity[2)]	3,447	3,307	4.3	3,168	8.8
Tangible common equity[2)]	2,920	2,775	5.2	2,653	10.1
Risk-weighted assets	17,995	19,317	(6.8)	19,622	(8.3)

Balance sheet ratios	Jun 2024	Dec 2023	Change (pts)	Jun 2023	Change (pts)
Common Equity Tier 1 capital ratio (fully loaded)[3)]	**16.5%**	**14.7%**	**1.8**	**13.9%**	**2.6**
Total capital ratio (fully loaded)[3)]	22.1%	19.9%	2.2	19.1%	3.0
Leverage ratio (fully loaded)[3)]	6.2%	5.7%	0.5	5.8%	0.4
Liquidity coverage ratio (LCR)	220%	215%	5	207%	13
NPL ratio	1.1%	1.0%	0.1	0.9%	0.2

1) Before deduction of AT1 coupon.
2) Excluding AT1 capital and dividends. June 2023 excluding share buyback of € 175 million executed in second half-year 2023.
3) June 2023 excluding share buyback of € 175 million executed in second half-year 2023.

Note: For details on definitions and calculation methodology, please refer to the section entitled "Definitions" on pages 89-92

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The tables in this report may contain rounding differences.

Half-Year Group Management Report

ECONOMIC AND REGULATORY DEVELOPMENTS

ECONOMIC DEVELOPMENTS

Macro trends

The first half of 2024 presented a muddled macroeconomic picture. Consumer price inflation across Europe and the United States (US) decreased but remained elevated at levels of 2.6% in the Euro area, 3.3% in Austria, 2.8% in Germany, 2.7% in the Netherlands and 3.3% in the US in May 2024 (or most recent). Wage-price-spiral effects are, among other developments, causing more permanent inflationary pressure in certain jurisdictions.

After hiking key rates 10 times, the ECB ended the cycle of interest rate hikes with a 25 basis points cut to the deposit rate of 3.75% in June 2024 entering a data dependent wait-and-see mode. Further rate cuts will depend on dynamics in consumer prices and wages. The US federal reserve follows a similar approach and has kept the federal funds rate within the range of 5.25% – 5.50% since July 2023. The rising rate environment has dampened private investment activity in plant and equipment as well as construction activity. Global trade has decreased as well, causing subdued export demand, while private consumption has remained relatively solid. In Q1 2024, GDP grew by +0.2% in Austria, +0.2% in Germany, +0.3% in the Netherlands, +0.3% in the Euro area and +1.3% in the US.[1)]

Market developments in Austria[2)]

Corporate loan demand stagnated in Austria due to high interest rates, with a growth rate of approximately 0.2% compared to the previous year as of Q1 2024. Loans to households, on the other hand, experienced an even less dynamic development, with the volume of outstanding loans decreasing by approximately 2.2% compared to the previous year in Q1 2024. High interest rates as well as deteriorating consumer sentiment are the most important drivers of this development.

House prices in Austria have been decreasing since Q3 2022, with the national index for residential real estate down approximately 3% compared to year-end 2022. However, a growing population and rising wages continue to support demand for housing. Deposit dynamics of Austrian households fell short of CPI developments, highlighting an erosion of wealth and purchasing power due to inflation. Deposits of Austrian households increased from Q1 2023 to Q1 2024 (+2.9% year-over-year).

Outlook

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

For 2024, GDP growth is expected at +0.3% in Austria, +0.1% in Germany, +0.8% in the Netherlands, +0.8% in the Euro area and by +2.0% in the US.[1]

Forecast 2024	Austria	Germany	Netherlands	Euro area	United States
GDP (% yoy)	0.3	0.1	0.8	0.8	2.0
Inflation (HICP)	3.6	2.4	2.5	2.5	2.6

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

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

REGULATORY DEVELOPMENTS

The European Central Bank (ECB) continued its direct oversight of the Eurozone's main credit institutions, including BAWAG Group, under the Single Supervisory Mechanism (SSM). The SSM's supervisory priorities for the years 2024-2026 reflect ECB Banking Supervision's medium-term strategy and consist of strengthening resilience to immediate macro-financial and geopolitical shocks, accelerating the effective remediation of deficiencies in governance and in the management of climate-related and environmental risks, and making further progress on digital transformation and building robust operational resilience frameworks.

On 27 October 2021, the European Commission adopted a review of the CRR and CRD. This package finalizes the implementation of the international Basel III agreement (also known as Basel IV) in the EU, while considering the specific features of the EU's banking sector. Although the Basel Committee's timetable calls for the reforms to be implemented on 1 January 2023 (already deferred by one year due to the COVID-19 pandemic), the implementation date in the EU is 1 January 2025, with the transitional rules to apply for a further five years. The final Basel IV texts were published in the European Official Journal on 19 June 2024.

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

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

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

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

FINANCIAL REVIEW

ANALYSIS OF PROFIT OR LOSS STATEMENT AND STATEMENT OF FINANCIAL POSITION

Profit or loss statement

in € million	**Jan-Jun 2024**	Jan-Jun 2023	Change	Change (%)
Net interest income	621.5	600.2	21.3	3.5
Net fee and commission income	162.7	152.9	9.8	6.4
Core revenues	**784.2**	**753.1**	**31.1**	**4.1**
Other income[1)]	(10.3)	(3.1)	(7.2)	>(100)
Operating income	**773.9**	**750.0**	**23.9**	**3.2**
Operating expenses[1)]	**(253.3)**	**(240.1)**	**(13.2)**	**5.5**
Pre-provision profit	**520.6**	**509.9**	**10.7**	**2.1**
Regulatory charges	(8.0)	(38.3)	30.3	(79.1)
Operating profit	**512.6**	**471.6**	**41.0**	**8.7**
Total risk costs	(57.8)	(41.0)	(16.8)	41.0
Share of the profit or loss of associates accounted for using the equity method	1.5	0.9	0.6	66.7
Profit before tax	**456.3**	**431.5**	**24.8**	**5.7**
Income taxes	(114.2)	(111.2)	(3.0)	2.7
Profit after tax	**342.1**	**320.3**	**21.8**	**6.8**
Non-controlling interests	–	–	–	–
Net profit	**342.1**	**320.3**	**21.8**	**6.8**

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 5.5 million for the first half 2024. The item Operating expenses includes regulatory charges in the amount of € 2.5 million for the first half 2024 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 6.8% to € 342.1 million in the first half 2024. The underlying operating performance of the business remained strong during the first half 2024, generating core revenues of € 784.2 million and a pre-provision profit of € 520.6 million.

Net interest income rose by 3.5% to € 621.5 million compared to the first half 2023 resulting from a higher net interest margin.

Net fee and commission income increased by 6.4% to € 162.7 million compared to 2023 reflecting a rebound in payments and advisory business.

Other income was € (10.3) million in the first half 2024. This primarily relates to other operating expenses tied to legal, tax, and transactional advisory costs on M&A transactions.

Operating expenses increased by 5.5% to € 253.3 million, reflecting the impact of the collective bargaining agreement (effective as of April), while operational initiatives executed over the past years compensated further inflationary pressures.

The **regulatory charges** were € 8.0 million in the first half 2024. The charges decreased by 79% versus prior year, as both, the Single Resolution fund as well as Deposit guarantee fund are fully funded.

Total **risk costs** were € 57.8 million in the first half 2024. The underlying asset quality remained strong during the first six months of 2024 with an NPL ratio of 1.1%. The management overlay, which are provisions to address the uncertain macroeconomic outlook and any potential headwinds, remained at € 80 million.

Total assets

in € million	Jun 2024	Dec 2023	Change (%)	Jun 2023	Change (%)
Cash reserves	982	694	41.5	646	52.0
Financial assets					
Held for trading	58	103	(43.7)	123	(52.8)
Fair value through profit or loss	659	593	11.1	597	10.4
Fair value through OCI	2,769	2,827	(2.1)	2,759	0.4
At amortized cost	47,923	49,585	(3.4)	48,294	(0.8)
Customers	32,862	33,333	(1.4)	34,295	(4.2)
Debt instruments	3,556	3,660	(2.8)	3,293	8.0
Credit institutions	11,505	12,592	(8.6)	10,706	7.5
Valuation adjustment on interest rate risk hedged portfolios	(451)	(310)	(45.5)	(600)	24.8
Hedging derivatives	80	247	(67.6)	172	(53.5)
Tangible non-current assets	315	334	(5.7)	342	(7.9)
Intangible non-current assets	527	532	(0.9)	515	2.3
Tax assets for current taxes	13	28	(53.6)	20	(35.0)
Tax assets for deferred taxes	31	19	63.2	18	72.2
Other assets	231	258	(10.5)	236	(2.1)
Non-current assets held for sale	496	538	(7.8)	5	>100
Total assets	**53,633**	**55,448**	**(3.3)**	**53,127**	**1.0**

The **cash reserves** increased to € 1.0 billion compared to € 0.7 billion at year-end 2023.

The line item **at amortized cost** decreased by € 1.7 billion, or 3.4%, compared to year-end 2023 and stood at € 47.9 billion as of 30 June 2024. The customer volumes decreased by 1.4% during the first half 2024 due to muted loan demand.

Non-current assets held for sale include the reallocation of assets from start:bausparkasse AG, Germany, which was sold July 1, 2024.

Total liabilities and equity

in € million	Jun 2024	Dec 2023	Change (%)	Jun 2023	Change (%)
Total liabilities	49,527	51,278	(3.4)	49,137	0.8
Financial liabilities			-		
Fair value through profit or loss	102	136	(25.0)	165	(38.2)
Held for trading	435	463	(6.0)	615	(29.3)
At amortized cost	47,457	48,673	(2.5)	47,100	0.8
Customers	32,398	33,270	(2.6)	32,659	(0.8)
Issued securities	14,193	13,594	4.4	12,840	10.5
Credit institutions	866	1,809	(52.1)	1,601	(45.9)
Financial liabilities associated with transferred assets	-	402	(100)	398	(100)
Valuation adjustment on interest rate risk hedged portfolios	(479)	(415)	(15.4)	(780)	38.6
Hedging derivatives	231	214	7.9	313	(26.2)
Provisions	249	231	7.8	282	(11.7)
Tax liabilities for current taxes	222	190	16.8	128	73.4
Tax liabilities for deferred taxes	131	119	10.1	82	59.8
Other obligations	743	783	(5.1)	834	(10.9)
Obligations in disposal groups held for sale	436	482	(9.5)	-	>100
Total equity	4,106	4,170	(1.5)	3,990	2.9
Common equity	3,635	3,699	(1.7)	3,519	3.3
AT1 capital	471	471	-	471	-
Non-controlling interests	-	-	-	-	-
Total liabilities and equity	53,633	55,448	(3.3)	53,127	1.0

Financial liabilities at amortized cost decreased by € 1.2 billion, or 2.5%, to € 47.5 billion as of 30 June 2024 compared to year-end 2023.

Total equity including Additional Tier 1 capital stood at € 4.1 billion as of 30 June 2024.

CAPITAL AND LIQUIDITY POSITION

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

	June 2024	December 2023
Pillar 1 minimum	4.5%	4.5%
Pillar 2 requirement (CET1 requirement; total requirement 2.15% in 2024)	1.209%	1.125%
Capital conservation buffer	2.5%	2.5%
Systemic risk buffer	0.5%	0.5%
O-SII buffer[1]	0.9%	0.75%
Countercyclical buffer (based on year-end exposure)	0.37%	0.33%
Overall capital requirement (OCR)	**9.98%**	**9.70%**
Pillar 2 guidance (P2G)	0.5%	0.75%
Overall capital requirement including P2G	**10.48%**	**10.45%**
CET1 target ratio	**12.25%**	**12.25%**
Management buffer to OCR (in basis points)	227	255
Management buffer to OCR including P2G (in basis points)	177	180

1) According to the KP-VO 2021 in its current version, BAWAG's O-SII buffer on the consolidated level is 0.90% as of 1.1.2024.

As of 30 June 2024, our CET1 ratio was at 16.5%, our Tier1 ratio was at 18.8% and our Total capital ratio was at 22.1% (fully loaded view). Thereby, exceeding our CET1 target ratio of 12.25% and all regulatory requirements. These ratios consider the deduction of the accrued dividend of € 188 million for the first half 2024.

	June 2024	December 2023
CET1 capital (in € million)	2,974	2,841
Risk-weighted assets (in € million)	17,995	19,317
CET1 ratio (post dividend)	**16.5%**	**14.7%**
Tier1 ratio (post dividend)	**18.8%**	**16.8%**
Total capital ratio (post dividend)	**22.1%**	**19.9%**

Based on the fully loaded capital ratios as of 30 June 2024, the maximum distributable amount above the regulatory requirements for 2024 (Pillar 1 minimum ratios, Pillar 2 CET1 requirement and combined buffer requirements) is € 1.2 billion (after deducting the accrued dividend of € 188 million for the first six months 2024). Available distributable items as defined in Art. 4.1 (128) CRR on the level of BAWAG Group AG amount to approximately € 3 billion as of 30 June 2024.

Capital distribution policy

Maintaining a strong capital base with a conservative buffer above regulatory requirements is a strategic priority for BAWAG Group. At the same time, we aim to be good stewards of capital offering a sustainable and balanced return to our shareholders. Since the IPO in October 2017, we have distributed € 2.6 billion of capital through € 1.7 billion in dividends and € 900 million in share buybacks. We accrued € 188 million for dividends for the first half 2024. Our capital distribution framework is as follows:

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

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

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

Developments excess capital

As of the end of June 2024, BAWAG Group had € 770 million of excess capital, which we are investing in two strategic acquisitions. In February, BAWAG Group signed a transaction to acquire 100% of the shares in Knab, from ASR Nederland N.V. (a.s.r.), for a consideration of € 510 million payable at closing. The acquisition will expand BAWAG Group's footprint in the Dutch Retail and SME banking space and position it for future growth in one of the bank's core markets. As of December 2023, Knab had € 17.8 billion of total assets, which are primarily comprised of Dutch mortgages, and € 12.2 billion customer deposits and € 2.5 billion of covered bonds. In addition to the acquisition of Knab, an agreement was reached to transfer the management of the servicing of mortgages on Knab's balance sheet from a.s.r. to BAWAG in due time after closing, for an additional consideration of € 80 million to be paid to a.s.r. The transaction, subject to customary closing conditions, including regulatory approvals, is expected to close in the second half of 2024.

On July 4, 2024, BAWAG Group signed a transaction to acquire Hamburg-based Barclays Consumer Bank Europe from Barclays Bank Ireland PLC. The acquisition will expand BAWAG Group's footprint in the DACH/NL region and position it for future growth in one of the bank's core markets. As of March 31, 2024, Barclays Consumer Bank Europe had gross assets of € 4.7 billion primarily comprising of card and loan receivables, of which approximately € 2 billion are credit card receivables. The acquisition creates long-term value to BAWAG's franchise, with an expected profit before tax contribution of greater than € 100 million in 2027 once the deal is fully integrated. The transaction, subject to customary closing conditions, including regulatory approvals, is expected to occur in Q4 2024 / Q1 2025.

In combination, the transactions are forecasted to add over € 250 million pre-tax profit by 2027. The two deals will consume ~250-300 basis points of CET1 and are subject to regulatory approvals.

Developments in other types of funding

A key role of our activities is transforming deposits and other types of funding into loans. **Customer deposits** remain a key pillar of our funding strategy. As of 30 June 2024, approximately 60% of our assets were funded via customer deposits. Customer deposit funding is complemented by diversified capital market funding.

BAWAG Group has been an active issuer in the covered bond space with a successful benchmark placement totaling € 750 million in the first half 2024. On the capital side, BAWAG Group called the outstanding residual of a Tier 2 bond, which was replaced and pre-financed in a successful tender and new issue exercise in the fourth quarter of 2023.

BAWAG Group has repaid all funding under the ECB's TLTRO III program.

Credit rating

On 29 June 2024, Moody's Ratings (Moody's) affirmed BAWAG P.S.K. AG's A1 long-term deposit, issuer and senior unsecured ratings, and changed the outlook on these from positive to stable.

Minimum requirement for own funds and eligible liabilities (MREL)

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

As of 30 June 2024, BAWAG P.S.K. Group reported MREL-eligible instruments amounting to 31.3%[2)] of RWA and 10.3% of LRE, thereby exceeding the final requirement in % of RWA as well as the final requirement in % of LRE.

Liquidity management

BAWAG Group maintains a conservative liquidity management strategy, which is reflected in our strong liquidity coverage ratio (LCR) of 220% at the end of June 2024. BAWAG Group thereby significantly exceeds the regulatory LCR requirement of 100%.

1) Based on June 2024 figures
2) Number on BAWAG P.S.K. level

BUSINESS SEGMENTS

RETAIL & SME

During the first half 2024, the Retail & SME segment delivered a profit before tax of € 358.3 million, a return on tangible common equity of 35.7% and a cost-income ratio of 30.6%. During the first half of the year loan growth was subdued due to the high interest rate environment and overall cautious customer behavior. The payments and advisory business rebounded in the first six months of 2024 from depressed levels in 2023. We continue to maintain our focus on risk-adjusted returns as we focus on sustainable profitable growth. The asset quality remained solid, with the NPL ratio at 1.9%. Total retail customer funding, which is a combination of customer deposits and AAA rated Austrian mortgage covered bonds, was € 37.4 billion, an increase of 1% compared to the first six months 2023. At the same time, we continued to execute on our strategic initiatives to provide our customers with simple, transparent, and affordable financial products and services they need and that promote their financial health.

Financial results

Income metrics (in € million)	**Jan-Jun 2024**	Jan-Jun 2023	Change (%)
Net interest income	447.1	423.9	5.5
Net fee and commission income	147.0	135.1	8.8
Core revenues	**594.1**	**559.0**	**6.3**
Other income [1]	1.5	2.3	(34.8)
Operating income	**595.6**	**561.3**	**6.1**
Operating expenses	**(182.2)**	**(173.1)**	**5.3**
Pre-provision profit	**413.4**	**388.2**	**6.5**
Regulatory charges	(4.3)	(12.7)	-66.1
Total risk costs	(50.8)	(39.4)	28.9
Profit before tax	**358.3**	**336.1**	**6.6**
Income taxes	(89.6)	(84.0)	6.7
Net profit	**268.7**	**252.1**	**6.6**

Key ratios	**Jan-Jun 2024**	Jan-Jun 2023	Change (pts.)
Return on tangible common equity [2]	35.7%	37.2%	(1.5)
Net interest margin	4.08%	3.82%	0.26
Cost-income ratio	30.6%	30.8%	(0.2)
Risk costs / interest-bearing assets	0.46%	0.36%	0.10
NPL ratio	1.9%	1.7%	0.2

Business volumes (in € million)	**Jun 2024**	Dec 2023	Change (%)	Jun 2023	Change (%)
Interest bearing assets	21,836	22,021	(0.8)	22,033	(0.9)
Interest bearing asset (average) [3]	21,892	22,064	(0.8)	22,166	(1.2)
Risk-weighted assets	9,510	9,354	1.7	9,295	2.3
Own issues	9,812	10,003	(1.9)	9,651	1.7
Customer deposits	27,399	27,301	0.4	27,327	0.3
Customer deposits (average) [3]	26,585	26,458	0.5	26,686	(0.4)
Customer funding	37,356	37,456	(0.3)	36,978	1.0
Customer funding (average) [3]	37,484	37,009	1.3	36,799	1.9

1) The position “Other Income” includes gains and losses on financial instruments and other operating income and expenses
2) Excluding AT1 capital and dividends. June 2023 excluding share buyback of € 175 million executed in second half-year 2023
3) Average of Dec 2023 is the full year average

Outlook

We continue to execute on our long-term strategy centered around our 2.1 million customers, ensuring the best products and services are offered in the most efficient and simple manner. We signed on the acquisition of two unique franchises that will expand our customer base and Retail & SME footprint in the DACH/NL region. While we have had to navigate a challenging economic environment due to high interest rates and an overall subdued loan demand, our promise to our customers remains the same – providing simple, transparent and reliable financial products and services they need.

In February, BAWAG Group signed a transaction to acquire 100% of the shares in Knab, from ASR Nederland N.V. (a.s.r.). The acquisition will expand BAWAG Group's footprint in the Dutch Retail and SME banking space and position it for future growth in one of our core markets.

On July 4, 2024, BAWAG Group signed a transaction to acquire Hamburg-based Barclays Consumer Bank Europe from Barclays Bank Ireland PLC. The acquisition will expand BAWAG Group's footprint in the Germany retail banking space and position us for future growth in one of our core markets.

The transactions, subject to customary closing conditions, including regulatory approvals, are expected to close in Q4 2024 / Q1 2025. Together, they are forecast to add over € 250 million pre-tax profit by 2027.

CORPORATES, REAL ESTATE & PUBLIC SECTOR

During the first six months 2024, the Corporates, Real Estate & Public Sector segment delivered a profit before tax of € 107.4 million, a return on tangible common equity of 23.2% and a cost-income ratio of 24.8%. Core revenues decreased by 4.3% in 2024 as we avoided chasing blind volume growth and focused on risk-adjusted returns. Asset quality remained strong with an NPL ratio of 0.8% and a risk cost ratio for the first half 2024 of 10 basis points. Customer funding, which is a combination of public sector / corporate deposits and AAA Austrian Public sector covered bonds, was at € 8.1 billion, down 3.3% compared to year-end 2023.

Financial results

Income metrics (in € million)	Jan-Jun 2024	Jan-Jun 2023	Change (%)
Net interest income	139.2	144.0	(3.3)
Net fee and commission income	16.4	18.6	(11.8)
Core revenues	**155.6**	**162.6**	**(4.3)**
Other income [1]	(0.9)	(1.6)	-43.8
Operating income	**154.7**	**161.0**	**(3.9)**
Operating expenses	**(38.4)**	**(37.4)**	**2.7**
Pre-provision profit	**116.3**	**123.6**	**(5.9)**
Regulatory charges	(1.8)	(8.2)	-78.0
Total risk costs	(7.1)	0.0	n.m.
Profit before tax	**107.4**	**115.4**	**(6.9)**
Income taxes	(26.8)	(28.9)	7.3
Net profit	**80.6**	**86.5**	**(6.8)**

Key ratios	Jan-Jun 2024	Jan-Jun 2023	Change (pts.)
Return on tangible common equity [2]	23.2%	23.3%	(0.1)
Net interest margin	2.04%	2.01%	0.03
Cost-income ratio	24.8%	23.2%	1.6
Risk costs / interest-bearing assets	0.10%	0.00%	0.10
NPL ratio	0.8%	0.7%	0.1

Business volumes (in € million)	Jun 2024	Dec 2023	Change (%)	Jun 2023	Change (%)
Interest bearing assets	13,234	13,328	(0.7)	13,742	(3.7)
Interest bearing asset (average) [3]	13,656	13,946	(2.1)	14,349	(4.8)
Risk-weighted assets	5,054	6,352	(20.4)	6,988	(27.7)
Own issues	1,289	557	>100	524	>100
Customer deposits	5,979	6,875	(13.0)	5,540	7.9
Customer deposits (average) [3]	6,444	5,661	13.8	5,197	24.0
Customer funding	8,053	8,325	(3.3)	7,158	12.5
Customer funding (average) [3]	8,330	7,240	15.1	6,864	21.4

1) The position “Other Income” includes gains and losses on financial instruments and other operating income and expenses
2) Excluding AT1 capital and dividends. June 2023 excluding share buyback of € 175 million executed in second half-year 2023
3) Average of Dec 2023 is the full year average

Outlook

We have remained patient during the first half 2024. However, we see a solid lending pipeline with diversified opportunities in the second half of the year. Competition for defensive and high-quality assets continues to remain high. Our focus will be maintaining our disciplined and conservative underwriting focused on risk-adjusted returns without ever blindly chasing volume growth.

CORPORATE CENTER AND TREASURY

As of 30 June 2024, the investment portfolio amounted to € 4.8 billion and the liquidity reserve was € 11.3 billion. The investment portfolio's average maturity was 3.6 years, comprised 98% of investment grade rated securities, of which 69% were rated in the single A category or higher. As of 30 June 2024 the portfolio had no direct exposure to China or Russia and limited exposure to Central Eastern European countries.

Financial results

Income metrics (in € million)	Jan-Jun 2024	Jan-Jun 2023	Change (%)
Net interest income	35.2	32.3	9.0
Net fee and commission income	(0.7)	(0.8)	12.5
Core revenues	**34.5**	**31.5**	**9.5**
Other income [1]	(10.9)	(3.9)	>(100)
Operating income	**23.6**	**27.7**	**(14.8)**
Operating expenses	**(32.7)**	**(29.6)**	**10.5**
Pre-provision profit	**(9.1)**	**(2.0)**	**>(100)**
Regulatory charges	(1.9)	(17.4)	-89.1
Total risk costs	0.1	(1.6)	-
Profit before tax	**(9.4)**	**(20.0)**	**53.0**
Income taxes	2.2	1.7	29.4
Net profit	**(7.2)**	**(18.3)**	**60.7**

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

Business volumes (in € million)	Jun 2024	Dec 2023	Change (%)	Jun 2023	Change (%)
Assets	18,563	20,099	(7.6)	17,352	7.0
Risk-weighted assets	3,431	3,611	(5.0)	3,340	2.7
Equity	3,918	3,777	3.7	3,814	2.7
Own issues and other liabilities	4,306	5,297	(18.7)	4,596	(6.3)

Outlook

Treasury will continue to focus on maintaining streamlined processes in support of BAWAG Group's core operating activities and customer needs. In the remaining year, the pace of easing restrictive monetary policies set by central banks to combat inflation, key elections and related changes to (economic) policies and, more in general, the economic performance of core European countries will be the most important topics and drivers of the financial markets. 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

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

Our **outlook** and **targets** for 2024 remain unchanged (excluding M&A):

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

We also reconfirm our 2025 ESG targets.

In terms of capital distribution, we will target a dividend payout ratio of 55%. Our primary focus will be to allocate capital towards business growth, M&A, minority, and platform investments. For details to the M&A signed, please refer to the chapter “Capital and liquidity position”.

For the first six months 2024, € 188 million dividend accruals were deducted from CET1 capital based on our dividend policy. With excess capital of € 770 million as of June 2024 (post the first-half year dividend accruals), we are investing in two strategic acquisitions. We have purposely maintained our dry powder for the two signed M&A transactions and we will reassess additional capital distribution as part of our annual review with full-year financials.

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

26 July 2024

Anas Abuzaakouk
Chief Executive Officer

Enver Sirucic
Member of the Management Board

Sat Shah
Member of the Management Board

David O'Leary
Member of the Management Board

Andrew Wise
Member of the Management Board

Guido Jestädt
Member of the Management Board

Consolidated Half-Year Financial Statements

CONSOLIDATED ACCOUNTS

PROFIT OR LOSS STATEMENT

in € million	[Notes]	Jan–Jun 2024	Jan–Jun 2023 adjusted
Interest income		1,918.5	1,468.5
thereof calculated using the effective interest method		1,179.5	984.5
Interest expense		(1,300.8)	(870.7)
thereof calculated using the effective interest method		(366.4)	(212.3)
Dividend income		3.8	2.4
Net interest income	**[2]**	**621.5**	**600.2**
Fee and commission income		204.7	193.1
Fee and commission expense		(42.0)	(40.2)
Net fee and commission income	**[3]**	**162.7**	**152.9**
Gains and losses on financial assets and liabilities	[4]	(15.0)	(4.6)
thereof gains from the derecognition of financial assets measured at amortized cost		1.1	0.0
thereof losses from the derecognition of financial assets measured at amortized cost		0.0	(1.4)
Other operating income		38.0	32.2
Other operating expenses		(38.8)	(66.6)
Operating expenses	[5]	(255.8)	(242.5)
thereof administrative expenses		(223.3)	(210.3)
thereof depreciation and amortization on tangible and intangible non-current assets		(32.5)	(32.2)
Risk costs	[6]	(57.8)	(41.0)
thereof according to IFRS 9		(48.5)	(35.9)
Share of the profit or loss of associates accounted for using the equity method		1.5	0.9
Profit before tax		**456.3**	**431.5**
Income taxes		(114.2)	(111.2)
Profit after tax		**342.1**	**320.3**
Thereof attributable to non-controlling interests		–	0.0
Thereof attributable to owners of the parent		**342.1**	**320.3**

STATEMENT OF OTHER COMPREHENSIVE INCOME

in € million	[Notes]	Jan–Jun 2024	Jan–Jun 2023
Profit after tax		**342.1**	**320.3**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses) on defined benefit plans		3.6	(3.5)
Fair value changes of shares and other equity investments at fair value through other comprehensive income		(1.1)	(33.7)
Change in credit spread of financial liabilities		(1.8)	(1.0)
Income tax on items that will not be reclassified		(0.1)	7.4
Total items that will not be reclassified to profit or loss		**0.6**	**(30.8)**
Items that may be reclassified subsequently to profit or loss			
Foreign exchange differences		3.1	(2.1)
Hedge of net investment in foreign operations		(3.3)	1.6
Cash flow hedge reserve		(19.8)	5.4
thereof transferred to profit (-) or loss (+)[1)]		5.8	4.0
Fair value changes of debt instruments at fair value through other comprehensive income		15.7	14.6
thereof transferred to profit (-) or loss (+)		8.3	10.0
Share of other comprehensive income of associates accounted for using the equity method		–	7.6
Income tax relating to items that may be reclassified		0.9	(5.2)
Total items that may be reclassified subsequently to profit or loss		**(3.4)**	**21.9**
Other comprehensive income		**(2.8)**	**(8.9)**
Total comprehensive income, net of tax		**339.3**	**311.4**
Thereof attributable to non-controlling interests		–	0.0
Thereof attributable to owners of the parent		**339.3**	**311.4**

1) To net interest income.

STATEMENT OF FINANCIAL POSITION

Total assets

in € million	[Notes]	30.06.2024	31.12.2023
Cash reserves		982	694
Financial assets at fair value through profit or loss	[7]	659	593
Financial assets at fair value through other comprehensive income	[8]	2,769	2,827
Financial assets held for trading	[9]	58	103
Financial assets measured at amortized cost	[10]	47,923	49,585
Customers		32,862	33,333
Credit institutions		11,505	12,592
Securities		3,556	3,660
Valuation adjustment on interest rate risk hedged portfolios		(451)	(310)
Hedging derivatives		80	247
Property, plant and equipment		255	259
Investment properties		60	75
Goodwill		121	122
Brand names and customer relationships		228	233
Software and other intangible assets		178	177
Tax assets for current taxes		13	28
Tax assets for deferred taxes	[11]	31	19
Associates recognized at equity		12	13
Other assets		219	245
Non-current assets and disposal groups held for sale	[12]	496	538
Total assets		**53,633**	**55,448**

Total liabilities and equity

in € million	[Notes]	30.06.2024	31.12.2023
Total liabilities		**49,527**	**51,278**
Financial liabilities designated at fair value through profit or loss	[13]	102	136
Financial liabilities held for trading	[14]	435	463
Financial liabilities at amortized cost	[15]	47,457	48,673
Customers		32,398	33,270
Issued bonds, subordinated and supplementary capital		14,193	13,594
Credit institutions		866	1,809
Financial liabilities associated with transferred assets		–	402
Valuation adjustment on interest rate risk hedged portfolios		(479)	(415)
Hedging derivatives		231	214
Provisions	[16]	249	231
Tax liabilities for current taxes		222	190
Tax liabilities for deferred taxes	[11]	131	119
Other obligations		743	783
Obligations in disposal groups held for sale	[12]	436	482
Total equity		**4,106**	**4,170**
Equity attributable to the owners of the parent		3,635	3,699
AT1 capital		471	471
Non-controlling interests		–	0
Total liabilities and equity		**53,633**	**55,448**

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 compre-hensive income net of tax
Balance as of 01.01.2023	**82**	**1,158**	**471**	**2,420**	**(19)**	**(68)**	**(20)**
Transactions with owners	0	4	–	(304)	–	–	–
Share-based payment	0	4	–	–	–	–	–
Dividends	–	–	–	(304)	–	–	–
Transactions with non-controlling interests	–	–	–	0	–	–	–
AT1 coupon	–	–	–	(12)	–	–	–
Total comprehensive income	–	–	–	320	3[1)]	(3)	19[2)]
Balance as of 30.06.2023	**82**	**1,161**	**471**	**2,424**	**(16)**	**(71)**	**0**
Balance as of 01.01.2024	**79**	**1,168**	**471**	**2,603**	**(24)**	**(78)**	**14**
Transactions with owners	–	1	–	(393)	–	–	–
Share-based payment	–	1	–	–	–	–	–
Dividends	–	–	–	(393)	–	–	–
AT1 coupon	–	–	–	(12)	–	–	–
Total comprehensive income	–	–	–	342	(15)[1)]	3	12[2)]
Balance as of 30.06.2024	**79**	**1,169**	**471**	**2,540**	**(39)**	**(75)**	**26**

1) Thereof transferred to profit or loss: plus € 4.5 million (H1 2023: plus € 2.9 million).
2) Thereof transferred to profit or loss: plus € 6.4 million (H1 2023: plus € 7.8 million).

	Equity investments at fair value through other comprehensive income net of tax	Change in credit spread of financial liabilities net of tax	Hedge of net investment in foreign operations net of tax	Foreign exchange differences	Equity attributable to the owners of the parent	Non-controlling interests	Equity including non-controlling interests
	18	**(49)**	**(2)**	**1**	**3,991**	**0**	**3,991**
	–	–	–	–	(300)	–	(300)
	–	–	–	–	4	–	4
	–	–	–	–	(304)	–	(304)
	–	–	–	–	0	–	0
	–	–	–	–	(12)	–	(12)
	(26)	(2)	2	(2)	311	0	311
	(8)	**(51)**	**0**	**(1)**	**3,990**	**0**	**3,990**
	(8)	**(52)**	**(1)**	**(1)**	**4,170**	**–**	**4,170**
	–	–	–	–	(392)	–	(392)
	–	–	–	–	1	–	1
	–	–	–	–	(393)	–	(393)
	–	–	–	–	(12)	–	(12)
	(2)	(1)	(3)	3	339	–	339
	(10)	**(53)**	**(4)**	**2**	**4,106**	**–**	**4,106**

CONDENSED CASH FLOW STATEMENT

in € million	**Jan–Jun 2024**	Jan–Jun 2023 adjusted
Profit (after tax, before non-controlling interests)	**342**	**320**
Non-cash items included in the profit (loss) and reconciliation to net cash from operating activities	(366)	1
Change in assets and liabilities arising from operating activities after corrections for non-cash items	173	(204)
Interest receipts	1,916	1,343
Interest paid	(1,378)	(814)
Dividend receipts	9	5
Taxes paid	(59)	(37)
Net cash from operating activities	**637**	**614**
Cash receipts from sales and redemptions of		
Financial investments	964	389[1)]
Tangible and intangible non-current assets	0	16
Cash paid for		
Financial investments	(768)	(516)
Tangible and intangible non-current assets	(21)	(16)
Net cash used in investing activities	**175**	**(127)**
Dividends paid	(393)	(304)
AT1 coupon	(12)	(12)
Cash paid for amounts included in lease liabilities	(15)	(15)
Redemption of subordinated liabilities (including those designated at fair value through profit or loss)	(104)	(30)
Net cash from financing activities	**(524)**	**(361)**
Cash and cash equivalents at end of previous period	**694**	**520**
Net cash from operating activities	**637**	**614**
Net cash used in investing activities	**175**	**(127)**
Net cash from financing activities	**(524)**	**(361)**
Cash and cash equivalents at end of period	**982**	**646**

1) Adjusted due to correction of editorial error.

NOTES

The condensed Consolidated Half-Year Financial Statements of BAWAG Group as of 30 June 2024 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 2024 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 2023, except for changes in presentation of interest income and expense for derivatives. Details regarding these changes are presented in Note 2.

The Half-Year Financial Report as of 30 June 2024 was not audited or reviewed by the external auditor.

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 balance sheet figures in foreign currencies are translated at the middle exchange rate on the reporting date.

For details regarding the impact of the current geopolitical situation, please refer to Note 21 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 the current geopolitical situation, please refer to the bullet point on IFRS 9.

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

The determination of the fair value for financial assets and liabilities for which there is no observable market price (Level 3) requires the use of valuation techniques. For financial instruments that trade infrequently, calculation of fair value requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Details regarding valuation techniques and uncertainty of estimates regarding unobservable input factors are described in Note 18 Fair value.

Assessments of the recoverability of long-term loans are based on assumptions regarding the borrower’s future cash flows and, hence, possible impairments of loans and the recognition of provisions for off-balance-sheet commitments in relation to the lending business. In light of the current geopolitical situation, assessments regarding the measurement of individual financial assets, assessments regarding the transfer of financial instruments from Stage 1 to Stage 2, macroeconomic assumptions for the determination of forward-looking information in the course of the calculation of expected credit losses and assumptions for expected cash flows for impaired loans are based on the latest observations available to us. The long-term impact of the current geopolitical situation on economic development as well as the development of labor and other industry-specific markets may be overestimated or underestimated when applying hindsight in the future. For details regarding quantitative effects of the current geopolitical situation as of 30 June 2024, please refer to the Risk Report.

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

Assessments as to whether or not cash-generating units (CGUs) were unimpaired are based on planning calculations. These naturally reflect the management's evaluations, which are in turn subject to a degree of predictive uncertainty.

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 11 Net deferred tax assets and liabilities on the Statement of Financial Position.

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

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.
- fair value calculation for unquoted financial instruments where some parameters required for the valuation model are not observable in the market (Level 3). For details regarding effects of the current geopolitical situation as of 30 June 2024, please refer to Note 18 Fair value.

Miscellaneous

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

As of 30 June 2024, the Group consists of 40 (31 December 2023: 40) fully consolidated companies and 2 (31 December 2023: 2) companies that are accounted for using the equity method in Austria and abroad.

In the first quarter of 2024, five newly acquired non-regulated leasing entities formerly owned by Dexia Crédit Local were added to the scope of consolidation.

In the second quarter of 2024, one company was deconsolidated since the requirements for consolidation according to IFRS 10 were no longer fulfilled. In addition, two companies there deconsolidated due to immateriality. One company was merged within the scope of consolidated entities. One company was stricken from the companies register.

EVENTS AFTER THE REPORTING DATE

Sale of start:bausparkasse AG in Germany

On 15 December 2023, BAWAG Group announced the sale of start:bausparkasse AG in Germany to Wüstenrot Bausparkasse AG in Germany. After the approval of the antitrust and supervisory authorities, the transaction was closed on 1 July 2024.

Acquisition of Barclays Consumer Bank Europe

On 4 July 2024, BAWAG Group announced the signing of a transaction to acquire Hamburg-based Barclays Consumer Bank Europe from Barclays Bank Ireland PLC. The transaction, subject to customary closing conditions, including regulatory approvals, is expected to close in Q4 2024 / Q1 2025.

DETAILS OF THE CONSOLIDATED PROFIT OR LOSS STATEMENT

1 | Earnings per share

Earnings per share pursuant to IAS 33

	Jan–Jun 2024	Jan–Jun 2023
Net result attributable to owners of the parent (in € million)	342.1	320.3
AT1 coupon (in € million)	(12.0)	(12.0)
Net result attributable to owners of the parent after deduction of AT1 coupon (in € million)	**330.1**	**308.3**
Weighted average number of outstanding shares	78,507,604	82,259,037
Basic earnings per share (in €)	**4.20**	**3.75**
Weighted average diluted number of outstanding shares	79,013,913	82,500,069
Diluted earnings per share (in €)	**4.18**	**3.74**

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 2024	Jan–Jun 2023
Net result attributable to owners of the parent (in € million)	**342.1**	**320.3**
Weighted average diluted number of outstanding shares	79,013,913	82,500,069
After-tax earnings per share in (€) - BAWAG definition	**4.33**	**3.88**

Changes in number of outstanding shares

	Jan–Jun 2024	Jan–Jun 2023
Shares outstanding at the beginning of the period	78,507,604	82,147,160
Shares outstanding at the end of the period	78,507,604	82,298,278
Weighted average number of outstanding shares	78,507,604	82,259,037
Weighted average diluted number of outstanding shares	79,013,913	82,500,069

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 interest income

In the past, BAWAG netted the cash flows from the payer and receiver leg of an interest rate derivative within a steering group when presenting the net interest income from derivatives. The net interest balance across a group of derivatives was subsequently recognized under interest income or interest expense.

Due to the improved technical possibilities, BAWAG has changed this presentation and now recognizes the deal balance proposed in the literature for each derivative as interest income or interest expense. The elimination of the netting of cash flows from groups of derivatives results in an increase in interest income and interest expense while net interest income remains the same. To ensure comparability between the financial years, the previous year's figures in the income statement have been adjusted. This results in the following effects:

in € million	Jan–Jun 2023 published	Adjustment	Jan–Jun 2023 adjusted
Interest income	1,213.6	254.9	1,468.5
Interest expense	(615.8)	(254.9)	(870.7)
Dividend income	2.4	-	2.4
Net interest income	**600.2**	**-**	**600.2**

3 | Net fee and commission income

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

Jan–Jun 2024 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	BAWAG Group
Fee and commission income	**185.9**	**18.3**	**0.1**	**0.4**	**204.7**
Transactional	99.4	18.3	-	-	117.7
Advisory	58.1	-	-	0.4	58.5
Securities	49.6	-	-	0.4	50.0
Insurance	8.5	-	-	-	8.5
Lending and others	28.4	-	0.1	-	28.5
Lending	16.7	-	-	-	16.7
Factoring	9.5	-	-	-	9.5
Others	2.2	-	0.1	-	2.3
Fee and commission expense	**(38.9)**	**(1.9)**	**(0.3)**	**(0.9)**	**(42.0)**
Transactional	(32.0)	(1.9)	-	-	(33.9)
Advisory	(5.9)	-	-	(0.1)	(6.0)
Securities	(5.9)	-	-	(0.1)	(6.0)
Lending and others	(1.0)	-	(0.3)	(0.8)	(2.1)
Lending	(0.1)	-	-	-	(0.1)
Factoring	(0.8)	-	-	-	(0.8)
Others	(0.1)	-	(0.3)	(0.8)	(1.2)
Net fee and commission income	**147.0**	**16.4**	**(0.2)**	**(0.5)**	**162.7**

Jan–Jun 2023 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	BAWAG Group
Fee and commission income	**172.3**	**20.7**	**-**	**0.1**	**193.1**
Transactional	95.4	20.7	-	-	116.1
Advisory	50.1	-	-	0.5	50.6
Securities	43.1	-	-	0.5	43.6
Insurance	7.0	-	-	-	7.0
Lending and others	26.8	-	-	(0.4)	26.4
Lending	16.1	-	-	-	16.1
Factoring	9.6	-	-	-	9.6
Others	1.1	-	-	(0.4)	0.7
Fee and commission expense	**(37.2)**	**(2.1)**	**(0.3)**	**(0.6)**	**(40.2)**
Transactional	(30.3)	(2.1)	-	-	(32.4)
Advisory	(5.4)	-	-	(0.1)	(5.5)
Securities	(5.4)	-	-	(0.1)	(5.5)
Lending and others	(1.5)	-	(0.3)	(0.5)	(2.3)
Lending	(0.2)	-	-	-	(0.2)
Factoring	(1.3)	-	-	-	(1.3)
Others	-	-	(0.3)	(0.5)	(0.8)
Net fee and commission income	**135.1**	**18.6**	**(0.3)**	**(0.5)**	**152.9**

Net fee and commission income includes an amount of € 1.0 million (H1 2023: € 3.7 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.

4 | Gains and losses on financial assets and liabilities

in € million	Jan–Jun 2024	Jan–Jun 2023
Realized gains/losses on sales of securities	(31.1)	(3.7)
Fair value gains/losses	41.9	(1.7)
Gains/losses from fair value hedge accounting	(36.3)	(30.5)
Others	10.5	31.3
Gains and losses on financial assets and liabilities	**(15.0)**	**(4.6)**

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.

5 | Operating expenses

in € million	Jan–Jun 2024	Jan–Jun 2023
Staff costs	(160.2)	(153.1)
Other administrative expenses	(63.1)	(57.2)
Administrative expenses	**(223.3)**	**(210.3)**
Depreciation and amortization on tangible and intangible non-current assets	(32.5)	(32.2)
Operating expenses	**(255.8)**	**(242.5)**

6 | Risk costs

in € million	Jan–Jun 2024	Jan–Jun 2023
Loan loss provisions and changes in provisions for off-balance credit risk	(48.5)	(35.9)
Provisions and expenses for operational risk	(2.1)	(0.5)
Impairment losses on non-financial assets	–	–
Securitization costs and similar expenses	(7.2)	(4.6)
Risk costs	**(57.8)**	**(41.0)**

DETAILS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

7 | Financial assets at fair value through profit or loss

in € million	30.06.2024	31.12.2023
Financial assets designated at fair value through profit or loss	**47**	**52**
Receivables from customers	47	52
Financial assets mandatorily at fair value through profit or loss	**612**	**541**
Bonds and other fixed income securities	359	284
Receivables from customers	169	173
Subsidiaries and other equity investments	84	84
Financial assets at fair value through profit or loss	**659**	**593**

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.

8 | Financial assets at fair value through other comprehensive income

in € million	30.06.2024	31.12.2023
Debt instruments	**2,628**	**2,688**
Bonds and other fixed income securities	2,628	2,688
Bonds of other issuers	2,580	2,659
Public sector debt instruments	48	29
Subsidiaries and other equity investments	**141**	**139**
AT1 capital	27	24
Investments in non-consolidated subsidiaries	7	10
Interests in associates	0	0
Other shareholdings	107	105
Financial assets at fair value through other comprehensive income	**2,769**	**2,827**

9 | Financial assets held for trading

in € million	30.06.2024	31.12.2023
Derivatives in banking book	**58**	**103**
Foreign currency derivatives	2	30
Interest rate derivatives	56	73
Financial assets held for trading	**58**	**103**

10 | Financial assets measured at amortized cost

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

30.06.2024 in € million	Total gross carrying amount	Impairments Stage 1	Impairments Stage 2	Impairments Stage 3	Total net carrying amount
Receivables from customers	33,271	(34)	(123)	(252)	32,862
Securities	3,557	(1)	0	0	3,556
Public sector debt instruments	138	0	–	–	138
Debt instruments of other issuers	3,419	(1)	–	–	3,418
Receivables from credit institutions	11,505	0	0	–	11,505
Total	**48,333**	**(35)**	**(123)**	**(252)**	**47,923**

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

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

in € million	30.06.2024	31.12.2023
Loans	29,523	30,450
Current accounts	964	987
Finance leases	2,107	1,494
Cash advances	156	170
Money market	112	232
Receivables from customers	**32,862**	**33,333**

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

30.06.2024 in € million	Total gross carrying amount	Impairments Stage 1	Impairments Stage 2	Impairments Stage 3	Total net carrying amount
Retail & SME	21,679	(25)	(72)	(229)	21,353
Corporates, Real Estate & Public Sector	13,044	(10)	(51)	(23)	12,960
Treasury	13,945	0	–	–	13,944
Corporate Center	73	0	0	0	73
Reclassification of start:bausparkasse Germany to held for sale (IFRS 5)	(408)	0	0	0	(407)
Total	**48,333**	**(35)**	**(123)**	**(252)**	**47,923**

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

11 | 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	30.06.2024	31.12.2023
Financial liabilities designated at fair value through profit or loss	40	146
Financial assets at fair value through other comprehensive income	17	21
Financial liabilities at amortized cost	270	221
Liabilities held for trading	90	77
Hedging derivatives	12	12
Provisions	6	5
Tax loss carryforwards	7	2
Other	4	6
Deferred tax assets	**446**	**490**
Deferred tax assets netted with deferred tax liabilities	(415)	(471)
Deferred tax assets reported on the balance sheet[1)]	**31**	**19**
Financial assets at fair value through profit or loss	11	4
Financial assets at amortized cost	463	514
Internally generated intangible assets	24	23
Other intangible assets	48	49
Deferred tax liabilities	**546**	**590**
Deferred tax liabilities netted with deferred tax assets	(415)	(471)
Deferred tax liabilities reported on the balance sheet	**131**	**119**

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 2024, deferred tax assets on tax loss carryforwards of BAWAG Group amount to € 7 million (31 December 2023: € 2 million). The risk that the current geopolitical situation will have an impact on the recoverability of tax loss carryforwards that have not yet been utilized is therefore considered to be low. As can be seen in the table above, the Statement of Financial Position shows a net deferred tax liability of € 100 million (31 December 2023: € 100 million). There is therefore no increased risk that deferred tax assets cannot be used for future taxable profits.

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

The basic composition of these balance sheet items has not changed compared to 31 December 2023.

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

in € million	30.06.2024	31.12.2023
Issued bonds, subordinated and supplementary capital	**97**	**131**
Issued debt securities and other securitized liabilities	61	63
Subordinated capital	14	29
Short-term notes and non-listed private placements	22	39
Deposits from customers	**5**	**5**
Financial liabilities designated at fair value through profit or loss	**102**	**136**

14 | Financial liabilities held for trading

in € million	30.06.2024	31.12.2023
Derivatives trading book	**0**	**2**
Interest rate derivatives	0	2
Derivatives in banking book	**435**	**461**
Foreign currency derivatives	11	15
Interest rate derivatives	422	444
Credit derivatives	2	2
Financial liabilities held for trading	**435**	**463**

15 | Financial liabilities measured at amortized cost

in € million	30.06.2024	31.12.2023
Deposits from credit institutions	**866**	**1,809**
Deposits from customers	**32,398**	**33,270**
Current accounts	15,296	15,685
Retail & SME	12,622	12,944
Corporates, Real Estate & Public Sector	2,663	2,726
Treasury	–	0
Corporate Center	11	15
Deposits	17,102	17,585
Daily deposits	10,039	10,141
Retail & SME	9,724	9,753
Corporates, Real Estate & Public Sector	268	257
Treasury	–	–
Corporate Center	47	131
Term deposits	7,063	7,444
Retail & SME	4,557	4,035
Corporates, Real Estate & Public Sector	2,864	3,860
Treasury	74	–
Corporate Center	–	–
Reclassification of start:bausparkasse Germany term deposits to held for sale (IFRS 5)	(432)	(451)
Issued bonds, subordinated and supplementary capital	**14,193**	**13,594**
Issued debt securities	12,461	11,906
Subordinated capital	–	–
Supplementary capital	604	693
Other obligations evidenced by paper	1,128	995
Financial liabilities at amortized cost	**47,457**	**48,673**

As of 30 June 2024, BAWAG Group utilized no funding under the ECB's TLTRO III facility (31 December 2023: € 0.6 billion). An amount of € 0.6 billion was repaid in March 2024 due to contractual maturity.

The interest expense from the TLTRO III program amounting to € 5.8 million (H1 2023: interest expense amounting to € 48.3 million) is reported under interest expense.

16 | Provisions

in € million	30.06.2024	31.12.2023
Provisions for social capital	237	217
Thereof for severance payments	65	65
Thereof for pension provisions	170	150
Thereof for jubilee benefits	2	2
Anticipated losses from pending business	12	14
Credit promises and guarantees	12	14
Other items including legal risks	0	0
Provisions	**249**	**231**

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 3.6% was used for pension provisions in euro (31 December 2023: 3.4%). For pensions provisions in Swiss franc a discount rate of 1.5% was used (31 December 2023: 1.5%). Furthermore, the wage growth rates were adjusted as well: wage growth post-employment pension obligations of 1.0%–2.2% p.a., wage growth severance payments of 2.75% p.a. and wage growth anniversary bonuses of 2.5% p.a. (31 December 2023: wage growth post-employment pension obligations of 1.0%–2.5% p.a., wage growth severance payments of 3.25% p.a. and wage growth anniversary bonuses of 3.0% p.a.).

Actuarial adjustments resulted in a positive net impact of € 2.8 million in other comprehensive income and a positive net impact of € 0.1 million in profit (H1 2023: a negative net impact of € 2.7 million in other comprehensive income and a positive net impact of € 0.0 million in profit).

17 | Related parties

Transactions with related parties

The following table shows transactions with related parties:

30.06.2024 in € million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidia-ries, not consoli-dated	Associates	Joint ventures	Other companies
Receivables – customers	–	–	47	0	14	–
Unutilized credit lines	–	–	16	4	2	–
Securities	–	–	–	25	–	–
Other assets (incl. derivatives)	–	–	2	–	–	–
Financial liabilities – customers	–	–	11	58	20	–
Other liabilities (incl. derivatives)	–	–	0	–	–	–
Guarantees provided	–	–	3	–	–	–
Interest income[1])	–	–	1.1	0.7	0.8	–
Interest expense	–	–	0.1	0.6	–	–
Net fee and commission income	–	–	0.0	7.0	–	–

1) Gross income; hedging costs not offset.

31.12.2023 in € million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidia-ries, not consoli-dated	Associates	Joint ventures	Other companies
Receivables – customers	–	–	53	0	36	–
Unutilized credit lines	–	–	16	4	8	–
Securities	–	–	–	25	–	–
Other assets (incl. derivatives)	–	–	3	–	–	–
Financial liabilities – customers	–	–	11	66	1	–
Other liabilities (incl. derivatives)	–	–	0	–	–	–
Guarantees provided	–	–	3	–	–	–
Interest income[1])	–	–	2.0	1.8	1.2	–
Interest expense	–	–	0.5	1.2	0.0	–
Net fee and commission income	–	–	0.0	12.0	0.0	–

1) Gross income; hedging costs not offset.

30.06.2023 in € million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidia-ries, not consoli-dated	Associates	Joint ventures	Other companies
Receivables – customers	–	–	56	0	83	–
Unutilized credit lines	–	–	16	4	8	–
Securities	–	–	–	24	–	–
Other assets (incl. derivatives)	–	–	3	–	–	–
Financial liabilities – customers	–	–	11	60	–	–
Other liabilities (incl. derivatives)	–	–	0	–	–	–
Guarantees provided	–	–	3	–	–	–
Interest income[1])	–	–	0.7	0.5	0.4	–
Interest expense	–	–	0.0	0.5	0.0	–
Net fee and commission income	–	–	0.0	6.1	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.

	Key management of the entity or its parent	Other related parties[1)]	Key management of the entity or its parent	Other related parties[1)]
in € million	**30.06.2024**	**30.06.2024**	31.12.2023	31.12.2023
Deposits	5	0	4	0
Loans	22	0	30	0
Interest income	0.3	0.0	0.8	0.0
Interest expense	0.1	0.0	0.2	0.0

1) With respect to Key management.

	Key management of the entity or its parent	Other related parties[2)]	**Total**	Key management of the entity or its parent	Other related parties[2)]	**Total**
Number of shares	**30.06.2024**	**30.06.2024**	**30.06.2024**	31.12.2023	31.12.2023	31.12.2023
Shares of BAWAG Group AG[1)]	2,991,967	55,600	**3,047,567**	2,991,967	55,600	**3,047,567**

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

SEGMENT REPORTING

This information is based on the Group structure as of 30 June 2024.

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, international public sector 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 2024 in Mio. €	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
Net interest income	447.1	139.2	31.1	4.1	621.5
Net fee and commission income	147.0	16.4	(0.2)	(0.5)	162.7
Core revenues	**594.1**	**155.6**	**30.9**	**3.6**	**784.2**
Other income [1)]	1.5	(0.9)	11.5	(22.4)	(10.3)
Operating income	**595.6**	**154.7**	**42.4**	**(18.8)**	**773.9**
Operating expenses	**(182.2)**	**(38.4)**	**(22.0)**	**(10.7)**	**(253.3)**
Pre-provision profit	**413.4**	**116.3**	**20.4**	**(29.5)**	**520.6**
Regulatory charges	(4.3)	(1.8)	(1.6)	(0.3)	(8.0)
Total risk costs	(50.8)	(7.1)	0.5	(0.4)	(57.8)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	1.5	1.5
Profit before tax	**358.3**	**107.4**	**19.3**	**(28.7)**	**456.3**
Income taxes	(89.6)	(26.8)	(4.8)	7.0	(114.2)
Profit after tax	**268.7**	**80.6**	**14.5**	**(21.7)**	**342.1**
Non-controlling interests	–	–	–	0.0	0.0
Net profit	**268.7**	**80.6**	**14.5**	**(21.7)**	**342.1**
Business volumes					
Assets	21,836	13,234	17,505	1,058	53,633
Liabilities	37,356	8,053	3,003	5,221	53,633
Risk-weighted assets	9,510	5,054	1,687	1,744	17,995

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

Jan-Jun 2023 in Mio. €	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
Net interest income	423.9	144.0	26.3	6.0	600.2
Net fee and commission income	135.1	18.6	(0.3)	(0.5)	152.9
Core revenues	**559.0**	**162.6**	**26.0**	**5.5**	**753.1**
Gains and losses from financial instruments & other operating income and expenses	2.3	(1.6)	(0.3)	(3.6)	(3.1)
Operating income	**561.3**	**161.0**	**25.7**	**2.0**	**750.0**
Operating expenses	**(173.1)**	**(37.4)**	**(20.0)**	**(9.6)**	**(240.1)**
Pre-provision profit	**388.2**	**123.6**	**5.7**	**(7.7)**	**509.9**
Regulatory charges	(12.7)	(8.2)	(5.8)	(11.6)	(38.3)
Total risk costs	(39.4)	0.0	(1.8)	0.2	(41.0)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	0.9	0.9
Profit before tax	**336.1**	**115.4**	**(1.9)**	**(18.1)**	**431.5**
Income taxes	(84.0)	(28.9)	0.5	1.2	(111.2)
Profit after tax	**252.1**	**86.5**	**(1.4)**	**(16.9)**	**320.3**
Non-controlling interests	–	–	–	0.0	0.0
Net profit	**252.1**	**86.5**	**(1.4)**	**(16.9)**	**320.3**
Business volumes					
Assets	22,033	13,742	16,664	688	53,127
Liabilities	36,978	7,739	3,472	4,938	53,127
Risk-weighted assets	9,295	6,988	1,828	1,511	19,622

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

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

Geographical split

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

The following tables show core revenues per segment and geography:

Jan-Jun 2024 in Mio. €	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
DACH / NL	553.3	67.7	10.1	(2.4)	628.7
thereof Austria	462.4	55.6	4.6	(3.7)	522.3
thereof Germany	66.1	10.7	3.7	1.3	78.4
Western Europe/USA	40.8	87.9	20.8	6.0	155.5
Total	**594.1**	**155.6**	**30.9**	**3.6**	**784.2**

Jan-Jun 2023 in Mio. €	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
DACH / NL	525.7	67.4	8.5	(1.2)	600.4
thereof Austria	421.5	51.8	1.2	(0.6)	473.9
thereof Germany	78.7	14.5	4.9	(0.8)	97.3
Western Europe/USA	33.3	95.2	17.5	6.7	152.7
Total	**559.0**	**162.6**	**26.0**	**5.5**	**753.1**

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

in € million	**Jan–Jun 2024**	Jan–Jun 2023
Other operating income and expenses according to segment report	4.7	1.6
Regulatory charges	(5.5)	(36.0)
Other operating income and expenses according to Consolidated Profit or Loss Statement	**(0.8)**	**(34.4)**

in € million	**Jan–Jun 2024**	Jan–Jun 2023
Operating expenses according to segment report	(253.3)	(240.1)
Regulatory charges	(2.5)	(2.4)
Operating expenses according to Consolidated Profit or Loss Statement	**(255.8)**	**(242.5)**

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 per 30 June 2024 and 31 December 2023 pursuant to CRR applying IFRS figures and the CRR scope of consolidation.

	BAWAG Group	
in € million	30.06.2024	31.12.2023
Share capital and reserves (including funds for general banking risk)	3,456	3,468
Deduction of intangible assets	(434)	(431)
Other comprehensive income	(157)	(154)
IRB risk provision shortfalls	(26)	(6)
Prudent valuation, cumulative gains due to changes in own credit risk on fair valued liabilities, prudential filter for unrealized gains, cash flow hedge reserve	32	15
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(2)	(1)
Securitization positions which can alternatively be subject to a 1,250 % risk weight	(20)	(3)
Insufficient coverage for non-performing exposures	(7)	(5)
Additional deductions of CET 1 capital due to article 3 CRR	(51)	(38)
Common Equity Tier I	**2,792**	**2,845**
Capital instruments eligible as additional Tier 1 capital	**475**	**475**
Less significant investments	(70)	(68)
Additional Tier I	**405**	**407**
Tier I	**3,197**	**3,252**
Tier II capital	598	599
Tier II capital in grandfathering	9	10
Excess IRB risk provisions	15	20
Less significant investments	(25)	(24)
Tier II	**597**	**605**
Own funds	**3,793**	**3,857**

Own funds on a fully loaded basis

	BAWAG Group	
in € million	30.06.2024	31.12.2023
Common Equity Tier I	2,974	2,841
Tier I	3,379	3,248
Own funds	3,984	3,842

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

	BAWAG Group	
in € million	30.06.2024	31.12.2023
Credit risk	15,782	17,203
Operational risk	2,300	2,114
Capital requirements (risk-weighted assets)	**18,082**	**19,317**

Capital requirements (risk-weighted assets) on a fully loaded basis

	BAWAG Group	
in € million	30.06.2024	31.12.2023
Credit risk	15,695	17,203
Operational risk	2,300	2,114
Capital requirements (risk-weighted assets)	**17,995**	**19,317**

Key figures according to CRR including its transitional rules

	BAWAG Group	
	30.06.2024	31.12.2023
Common Equity Tier 1 capital ratio based on total risk	15.4%	14.7%
Total capital ratio based on total risk	21.0%	20.0%

Supplemental information on a fully loaded basis

	BAWAG Group	
	30.06.2024	31.12.2023
Common Equity Tier 1 capital ratio based on total risk	16.5%	14.7%
Total capital ratio based on total risk	22.1%	19.9%

18 | 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 30.06.2024	Fair value 30.06.2024	Delta Fair value/Carrying amount 30.06.2024	Carrying amount 31.12.2023	Fair value 31.12.2023	Delta Fair value/Carrying amount 31.12.2023
Assets						
Cash reserves	982	982	–	694	694	–
Financial assets designated at fair value through profit or loss	47	47	–	52	52	–
Loans to customers	47	47	–	52	52	–
Financial assets mandatorily at fair value through profit or loss	612	612	–	541	541	–
Securities	359	359	–	284	284	–
Loans to customers	169	169	–	173	173	–
Subsidiaries and other equity investments	84	84	–	84	84	–
Financial assets at fair value through other comprehensive income	2,769	2,769	–	2,827	2,827	–
Debt instruments	2,628	2,628	–	2,688	2,688	–
Subsidiaries and other equity investments	141	141	–	139	139	–
Financial assets held for trading	58	58	–	103	103	–
At amortized cost	47,923	46,996	(927)	49,585	48,757	(828)
Customers	32,862	31,970	(892)	33,333	32,543	(790)
Credit institutions	11,505	11,499	(6)	12,592	12,586	(6)
Securities	3,556	3,527	(29)	3,660	3,628	(32)
Valuation adjustment on interest rate risk hedged portfolios	(451)	(451)	–	(310)	(310)	–
Hedging derivatives	80	80	–	247	247	–
Property, plant and equipment	255	n/a	n/a	259	n/a	n/a
Investment properties	60	60	–	75	75	–
Intangible non-current assets	527	n/a	n/a	532	n/a	n/a
Other assets	275	n/a	n/a	305	n/a	n/a
Non-current assets and disposal groups held for sale	496	n/a	n/a	538	n/a	n/a
Total assets	**53,633**			**55,448**		

in € million	Carrying amount 30.06.2024	Fair value 30.06.2024	Delta Fair value/Carrying amount 30.06.2024	Carrying amount 31.12.2023	Fair value 31.12.2023	Delta Fair value/Carrying amount 31.12.2023
Equity and liabilities						
Financial liabilities designated at fair value through profit or loss	102	102	–	136	136	–
Issued debt securities and other securitized liabilities	83	83	–	102	102	–
Subordinated and supplementary capital	14	14	–	29	29	–
Deposits from customers	5	5	–	5	5	–
Financial liabilities held for trading	435	435	–	463	463	–
Financial liabilities at amortized cost	47,457	47,183	(274)	48,673	48,419	(254)
Deposits from credit institutions	866	867	1	1,809	1,811	2
Deposits from customers	32,398	32,354	(44)	33,270	33,261	(9)
Issued bonds, subordinated and supplementary capital	14,193	13,962	(231)	13,594	13,347	(247)
Financial liabilities associated with transferred assets	–	–	–	402	402	–
Valuation adjustment on interest rate risk hedged portfolios	(479)	(479)	–	(415)	(415)	–
Hedging derivatives	231	231	–	214	214	–
Provisions	249	n/a	n/a	231	n/a	n/a
Other obligations	1,096	n/a	n/a	1,092	n/a	n/a
Liabilities in disposal groups held for sale	436	n/a	n/a	482	n/a	n/a
Equity	4,106	n/a	n/a	4,170	n/a	n/a
Non-controlling interests	–	n/a	n/a	0	n/a	n/a
Total liabilities and equity	**53,633**			**55,448**		

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

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

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

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

in € million	Carrying amount 30.06.2024	Fair value 30.06.2024	Delta Fair value/Carrying amount 30.06.2024	Carrying amount 31.12.2023	Fair value 31.12.2023	Delta Fair value/Carrying amount 31.12.2023
Assets						
Cash reserves	982	982	–	694	694	–
Financial assets designated at fair value through profit or loss	47	47	–	52	52	–
Loans to customers	47	47	–	52	52	–
Financial assets mandatorily at fair value through profit or loss	612	612	–	541	541	–
Securities	359	359	–	284	284	–
Loans to customers	169	169	–	173	173	–
Subsidiaries and other equity investments	84	84	–	84	84	–
Financial assets at fair value through other comprehensive income	2,769	2,769	–	2,827	2,827	–
Debt instruments	2,628	2,628	–	2,688	2,688	–
Subsidiaries and other equity investments	141	141	–	139	139	–
Financial assets held for trading	58	58	–	103	103	–
At amortized cost	47,923	46,996	(927)	49,585	48,757	(828)
Customers	32,862	31,970	(892)	33,333	32,543	(790)
Credit institutions	11,505	11,499	(6)	12,592	12,586	(6)
Securities	3,556	3,527	(29)	3,660	3,628	(32)
Valuation adjustment on interest rate risk hedged portfolios	(451)	(451)	–	(310)	(310)	–
Hedging derivatives	80	80	–	247	247	–
Property, plant and equipment	255	n/a	n/a	259	n/a	n/a
Investment properties	60	60	–	75	75	–
Intangible non-current assets	527	n/a	n/a	532	n/a	n/a
Other assets	275	n/a	n/a	305	n/a	n/a
Non-current assets and disposal groups held for sale	496	n/a	n/a	538	n/a	n/a
Total assets	**53,633**			**55,448**		

in € million	Carrying amount 30.06.2024	Fair value 30.06.2024	Delta Fair value/Carrying amount 30.06.2024	Carrying amount 31.12.2023	Fair value 31.12.2023	Delta Fair value/Carrying amount 31.12.2023
Equity and liabilities						
Financial liabilities designated at fair value through profit or loss	102	102	–	136	136	–
Issued debt securities and other securitized liabilities	83	83	–	102	102	–
Subordinated and supplementary capital	14	14	–	29	29	–
Deposits from customers	5	5	–	5	5	–
Financial liabilities held for trading	435	435	–	463	463	–
Financial liabilities at amortized cost	47,457	46,445	(1,012)	48,673	47,524	(1,149)
Deposits from credit institutions	866	867	1	1,809	1,811	2
Deposits from customers	32,398	31,616	(782)	33,270	32,366	(904)
Issued bonds, subordinated and supplementary capital	14,193	13,962	(231)	13,594	13,347	(247)
Financial liabilities associated with transferred assets	–	–	–	402	402	–
Valuation adjustment on interest rate risk hedged portfolios	(479)	(479)	–	(415)	(415)	–
Hedging derivatives	231	231	–	214	214	–
Provisions	249	n/a	n/a	231	n/a	n/a
Other obligations	1,096	n/a	n/a	1,092	n/a	n/a
Liabilities in disposal groups held for sale	436	n/a	n/a	482	n/a	n/a
Equity	4,106	n/a	n/a	4,170	n/a	n/a
Non-controlling interests	–	n/a	n/a	0	n/a	n/a
Total liabilities and equity	**53,633**			**55,448**		

Fair value hierarchy

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

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

- **Level 2:** If no current, liquid market values are available, generally accepted, standard state-of-the-art methods of measurement are used. This applies to the category liabilities evidenced by paper (issued by BAWAG Group), and, in individual cases, other current financial assets in the Bank's trading portfolio where the valuation of plain vanilla securities was performed on the basis of the yield curve plus the current credit spread. The value is measured using input factors (default rates, costs, liquidity, volatility, interest rates, etc.) to derive values from quoted prices (Level 1). This pertains to prices that are calculated using internal models or using valuation methods, as well as to external price quotes for securities that are traded on markets with limited liquidity and that are demonstrably based on observable market prices.

  This category includes the majority of the OTC derivative contracts, corporate bonds and other bonds for which no quoted price is available, as well as the majority of the Group's own issues that are recognized at their fair values.

  For customer receivables accounted for at fair value, modeling techniques following industry standard models are applied, for example discounted cash flow analysis and standard option pricing models. Market parameters such as interest rates, FX rates or volatilities are used as inputs to the valuation models to determine fair value. The discount curves used to determine the pure time value of money contain only instruments that assume no or only low default risk, such as swap rates. Spread curves that reflect the refinancing costs of the respective borrower are either derived from outstanding funding instruments, distinguished by seniority (senior unsecured, subordinated, collateralized funding), or benchmark yield curves (e.g. indices).

  Linear derivative financial instruments containing no optional components (such as interest rate swaps, currency forwards and futures) were also measured using a present value technique (discounting of future cash flows applying the current swap curve, derivatives with counterparties with a Credit Support Annex [CSA] agreement are discounted by the corresponding RFR curve [risk free rate; e.g. €STR]).

  Optional instruments were measured using option price models such as Black-Scholes (swaptions, caps, floors), Bachelier (caps, floors and swaptions in currencies with negative interest rates), Garman-Kohlhagen (currency options) or the Hull-White model (swaps with multiple cancellation rights), which were implemented and applied consistently in the front office systems.

  The basic parameters on which the models are based (yield curves, volatilities and exchange rates) are input into the system by the Market Risk unit independently of the Treasury departments, which ensures the separation of front office functions from back office processing and control.

  For more complex derivatives that are held for hedging purposes and that are concluded back to back, external valuations are obtained by the Market Risk unit and input into the systems for correct processing.

  Standard providers such as Bloomberg and Markit are used to evaluate the spreads of issued securities recognized at fair value through profit or loss. A senior unsecured spread curve and an LT2 spread curve are calculated based on the term structure of the A Europe Financial sector curve and the quotes of the international BAWAG P.S.K. issues. For covered issues, the spread curve is derived directly from the quotes of several BAWAG P.S.K.

benchmark bonds. The securities prices for BAWAG P.S.K. issues are then calculated by discounting the swap curve adapted by the spread.

As of 30 June 2024, the portion of change in fair value of securities issued by BAWAG Group accounted for solely by changes in the Group's credit spreads was minus € 1.8 million (minus € 2.0 million as of 31 December 2023). 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 2024, the cumulative fair value change resulting from changes in the Group's credit rating amounted to plus € 1.0 million (plus € 2.9 million as of 31 December 2023).

A one basis point narrowing of the credit spread is expected to change their valuation by minus € 0.02 million (minus € 0.03 million as of 31 December 2023).

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 2024 (€ 0.2 million as of 31 December 2023) and is calculated as the change in the spread between the government yield curve and the swap curve during the observed period. The respective annual fair value change amounted to € 0.0 million (€ 0.0 million as of 31 December 2023).

A one basis point narrowing of the credit spread is expected to change their valuation by plus € 0.03 million (plus € 0.02 million as of 31 December 2023).

- **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.

30.06.2024 in € million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets designated at fair value through profit or loss	–	47	–	47
Financial assets mandatorily at fair value through profit or loss	2	26	584	612
Financial assets at fair value through other comprehensive income	2,369	285	115	2,769
Debt instruments	2,360	268	–	2,628
Subsidiaries and other equity investments	9	17	115	141
Financial assets held for trading	–	58	–	58
Valuation adjustment on interest rate risk hedged portfolios	–	(451)	–	(451)
Hedging derivatives	–	80	–	80
Investment properties	–	–	60	60
Total assets	**2,371**	**45**	**759**	**3,175**
Liabilities				
Financial liabilities designated at fair value through profit or loss	–	99	3	102
Issued debt securities and other securitized liabilities	–	80	3	83
Subordinated and supplementary capital	–	14	–	14
Deposits from customers	–	5	0	5
Financial liabilities held for trading	–	435	–	435
Valuation adjustment on interest rate risk hedged portfolios	–	(479)	–	(479)
Hedging derivatives	–	231	–	231
Total liabilities	**–**	**286**	**3**	**289**

31.12.2023 in € million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets designated at fair value through profit or loss	–	52	–	52
Financial assets mandatorily at fair value through profit or loss	2	25	514	541
Financial assets at fair value through other comprehensive income	2,518	194	115	2,827
Debt instruments	2,509	179	–	2,688
Subsidiaries and other equity investments	9	15	115	139
Financial assets held for trading	–	103	–	103
Valuation adjustment on interest rate risk hedged portfolios	–	(310)	–	(310)
Hedging derivatives	–	247	–	247
Investment properties	–	–	75	75
Total assets	**2,520**	**311**	**704**	**3,535**
Liabilities				
Financial liabilities designated at fair value through profit or loss	–	112	24	136
Issued debt securities and other securitized liabilities	–	78	24	102
Subordinated and supplementary capital	–	29	–	29
Deposits from customers	–	5	–	5
Financial liabilities held for trading	–	463	–	463
Valuation adjustment on interest rate risk hedged portfolios	–	(415)	–	(415)
Hedging derivatives	–	214	–	214
Total liabilities	**–**	**374**	**24**	**398**

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 2024, securities at fair value through other comprehensive income with a book value of € 0 million (31 December 2023: € 15 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 € 130 million (31 December 2023: € 32 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 01.01.2024	**514**	**–**	**–**	**115**	**24**
Valuation gains (losses) in profit or loss					
for assets held at the end of the period	7	–	–	–	0
for assets no longer held at the end of the period	0	–	–	–	–
Valuation gains (losses) in other comprehensive income					
for assets held at the end of the period	–	–	–	(2)	0
for assets no longer held at the end of the period	–	–	–	–	–
Purchases/Additions	73	–	–	1	–
Redemptions	(13)	–	–	0	(21)
Sales	(1)	–	–	(1)	–
Foreign exchange differences	5	–	–	2	–
Change in scope of consolidation	(1)	–	–	0	–
Closing balance as of 30.06.2024	**584**	**–**	**–**	**115**	**3**

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 01.01.2023	**473**	**–**	**–**	**149**	**32**
Valuation gains (losses) in profit or loss					
for assets held at the end of the period	1	–	–	1	(1)
for assets no longer held at the end of the period	0	–	–	–	–
Valuation gains (losses) in other comprehensive income					
for assets held at the end of the period	–	–	–	(35)	–
for assets no longer held at the end of the period	–	–	–	–	–
Purchases/Additions	111	–	–	2	–
Redemptions	(58)	–	–	–	(7)
Sales	(5)	–	–	0	–
Foreign exchange differences	(5)	–	–	(3)	–
Change in scope of consolidation	(3)	–	–	1	–
Closing balance as of 31.12.2023	**514**	**–**	**–**	**115**	**24**

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 73 basis points (31 December 2023: 104 basis points) for 5 years (mid). For issues of the former IMMO-BANK, the spreads depend on the seniority of the bond and the maturity.

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

In general, the discounted cash flow method (DCF) is used to determine the fair values of loans. Caps, floors or simple call options, if existing, are measured using the Bachelier model. The discount factor used in the DCF consists of various parameters: the funding curve (derived from a peer group of European banks with the same rating as BAWAG P.S.K.) and a customer-specific credit spread curve (derived from the CDS or CDS Markit Sector curve, depending on availability; for retail and SME, from an internally derived default probability), which is adjusted by the respective collateral ratio.

For illiquid funds that could not be sold in time for the published net asset values, a discount is applied as an input factor which is not directly observable, taking the expected selling price into account. The fair value is subsequently calculated as the difference between the net asset values and this liquidity discount. The funds are reported under Financial assets mandatorily at fair value through profit or loss.

The fair value of non-traded investment funds is based on fair value quotes provided by the fund manager.

For real estate investment funds, the underlying investments are appraised at least annually by an independent appraiser engaged by the fund manager; net asset value (NAV) is determined at least quarterly. The net asset value of the investment fund corresponds to the excess of the value of the investment fund's assets over the value of its liabilities.

Funds investing in loan portfolios are valued by an independent external valuation agent based on a discounted cash flow methodology that uses proprietary default and prepayment models to derive expected cash flows, which are discounted at a market rate. The model utilizes credit and performance as well as macroeconomic indicators to forecast cash flows for each loan pool segmented by origination, vintage, sub-grade and term. Net asset value is calculated on a monthly basis.

The fund's financial statements are prepared according to local GAAP and an independent auditor conducts the annual audit for the funds, providing assurance on the accuracy of the above.

The dividend discount and discounted earnings method is applied to a significant part of the investments in equity instruments. A smaller portion is valued based on external price indications and pro-rata equity.

Expected dividends and earnings as well as external price indications take into account the most recent forecasts, including the observed and expected impact of the current geopolitical situation on the profitability of the companies concerned.

The fair values of customer liabilities at fair value through profit or loss are determined analogously to receivables using the discounted cash flow method and the Bachelier model.

Sensitivity analysis of fair value measurement from changes in unobservable parameters

If the value of financial instruments is dependent on unobservable input parameters, the precise level for these parameters can be drawn from a range of reasonably possible alternatives. The current geopolitical situation results in increased uncertainty with regard to unobservable input parameters and the measurement of the fair value of such items. Financial liabilities in Level 3 that are measured at fair value through profit or loss relate to own issues of BAWAG P.S.K. Wohnbaubank and the former IMMO-BANK and customer deposits in start:bausparkasse Austria.

If the credit spread used in calculating the fair value of own issues increased by 20 basis points, the accumulated valuation result as of 30 June 2024 would have increased by € 0.0 million (31 December 2023: € 0.0 million). If the credit spread used in calculating the fair value of own issues decreased by 20 basis points, the accumulated valuation result as of 30 June 2023 would have decreased by € 0.0 million (31 December 2023: € 0.0 million).

The cumulative fair value change of receivables recognized at fair value through profit or loss that was recognized due to changes in credit spreads amounted to plus € 3.0 million as of 30 June 2024 (31 December 2023: plus € 2.1 million) and is calculated as the change in the credit spread over the swap curve during the observed period. The corresponding annual fair value change amounted to plus € 0.9 million (31 December 2023: plus € 0.3 million).

A one basis point narrowing of the credit spread is expected to change their valuation by plus € 0.06 million (31 December 2023: 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 2024 would have decreased by € 6.0 million (31 December 2023: € 6.6 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 2024 would have increased by € 6.6 million (31 December 2023: € 7.2 million).

If the liquidity discount of illiquid funds is increased by 10 percentage points, the valuation result as of 30 June 2024 would have decreased by € 0.3 million (31 December 2023: € 0.3 million). If the liquidity discount of illiquid funds is decreased by 10 percentage points, the valuation result as of 30 June 2023 would have increased by € 0.3 million (31 December 2023: € 0.3 million).

For the valuation of a part of the investments in equity instruments, the main input parameters are the discount factor, dividend income or earnings as well as (possibly) necessary capital measures. If the discount rate for investments in equity instruments is decreased by 100 basis points, the fair value would increase by € 3.2 million (thereof € 1.5 million FVTOCI and € 1.7 million FVTPL; 31 December 2023: € 3.2 million; thereof € 1.5 million FVTOCI and € 1.7 million FVTPL), whereas if the discount rate is increased by 100 basis points, the fair value would decrease by € 2.5 million (thereof € 1.1 million FVTOCI and € 1.4 million FVTPL; 31 December 2023: € 2.4 million; thereof € 1.1 million FVTOCI and € 1.3 million FVTPL). If changes in dividend income or net profit where applicable rose by 20%, the fair value of those assets would rise by € 0.7 million (thereof € 0.3 million FVTOCI and € 0.4 million FVTPL; 31 December 2023: € 0.6 million; thereof € 0.2 million FVTOCI and € 0.4 million FVTPL); if changes in dividend income or net profit where applicable declined by 20%, the fair value would decrease by € 0.6 million (thereof € 0.3 million FVTOCI and € 0.3 million FVTPL; 31 December 2023: € 0.6 million; thereof € 0.2 million FVTOCI and € 0.4 million FVTPL).

A part of the investments in equity instruments is valued based on external price indications. If these indications were 10% lower, the fair value of this portion would decrease by € 15.5 million (thereof € 9.2 million FVTOCI and € 6.3 million FVTPL; 31 December 2023: € 15.2 million, thereof € 9.0 million FVTOCI and € 6.2 million FVTPL). If these indications were 10% higher, the fair value of this portion would increase by € 15.5 million (thereof € 9.2 million FVTOCI and € 6.3 million FVTPL; 31 December 2023: € 15.2 million; thereof € 9.0 million FVTOCI and € 6.2 million FVTPL).

The smallest portion is valued based on pro-rata equity. If the equity was 10% lower, this would result in a decrease of € 1.6 million (thereof € 1.0 million FVTOCI and € 0.6 million FVTPL; 31 December 2023: € 1.7 million; thereof € 1.1 million FVTOCI and € 0.6 million FVTPL), whereas if the equity was 10% higher, there would be an increase of € 1.6 million (thereof € 1.0 million FVTOCI and € 0.6 million FVTPL; 31 December 2023: € 1.7 million; thereof € 1.1 million FVTOCI and € 0.6 million FVTPL).

The fair value of the non-traded investment fund is based on fair value quotes provided by the fund manager. Based on the current portfolio allocation, one fund has an expected interest rate sensitivity of approximately minus € 0.1 million (31 December 2023: minus € 0.1 million) if rates rise by 100 bp and a credit spread sensitivity of minus € 0.1 million (31 December 2023: minus € 0.1 million) if credit spreads widen by 100 bp (and vice versa).

For the other funds, the following applies: If the fair value indicated increased by 10%, the Group would recognize a gain of € 25.0 million in profit or loss (31 December 2023: € 17.6 million; one fund). If the fair value indicated decreased by 10%, the Group would recognize a loss of € 25.0 million in profit or loss (31 December 2023: € 17.6 million; one fund).

Fair value changes of Level 3 assets with alternative parametrization

To determine the potential impact, credit spreads are used for debt securities, income funds with the risk factor credit spreads as well as loans. For these, the value range between +100 bp and -50 bp is used in the sensitivity analysis. An increase (a reduction) in spreads leads to a reduction (an increase) in the respective fair value.

30.06.2024 in € million	(50) bp	+50 bp	+100 bp
Financial assets at fair value through profit or loss	**3.3**	**(3.1)**	**(6.1)**
Debt securities	0.0	0.0	0.0
Loans to customers	3.2	(3.0)	(6.0)
Income funds	0.1	(0.1)	(0.1)
Financial assets at fair value through other comprehensive income	**0.0**	**0.0**	**0.0**
Debt securities	0.0	0.0	0.0

31.12.2023 in € million	(50) bp	+50 bp	+100 bp
Financial assets at fair value through profit or loss	**3.5**	**(3.4)**	**(6.7)**
Debt securities	0.0	0.0	0.0
Loans to customers	3.5	(3.4)	(6.6)
Income funds	0.0	0.0	(0.1)
Financial assets at fair value through other comprehensive income	**0.0**	**0.0**	**0.0**
Debt securities	0.0	0.0	0.0

19 | Treatment of day one gain

IFRS 9.B5.1.2A states that the fair value on initial recognition will normally be equal to the transaction price. If the entity determines that the fair value on initial recognition differs from the transaction price and this fair value measurement is not evidenced by a valuation technique that uses only data from observable markets, the carrying amount of the financial instrument on initial recognition is adjusted. If the fair value of a loan portfolio differs from the transaction price, the initial recognition must be based on the fair value but will be adjusted for any day one gain or loss; this will eventually lead to a book value of the loan portfolio that equals the transaction price.

In the case of the acquisition of several loan portfolios, market interest rates on the transaction date were different than when prices were negotiated. In the majority of cases, the seller wanted to exit the respective business and therefore the transaction prices did not represent the fair value of the loans. The initial recognition is based on the fair value of the acquired loans and receivables determined using a DCF method taking into consideration market conditions on the purchase date. Because the fair value and therefore the day one gain or loss is neither evidenced by a quoted price nor based on a valuation technique that uses only data from observable markets, the day one gain or loss must not be realized on day one but must be accrued and the difference is subsequently recognized as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price. IFRS 9 does not state how to subsequently measure this difference.

IFRS does not provide guidance on the presentation of the amortization of day one gain or loss. Day one gain or loss will be amortized on a systematic basis and is presented as part of interest income for performing loans and as part of risk costs for loans classified as POCI. The following differences will be recognized in income in subsequent years:

in € million	30.06.2024	31.12.2023
Balance at the beginning of the period	**38**	**67**
New transactions	–	(5)
Amounts recognized in profit or loss during the period	(8)	(24)
FX effects	0	0
Balance at the end of the period	**30**	**38**

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

in € million	30.06.2024	31.12.2023
Contingent liabilities	**118**	**125**
Arising from guarantees	118	125
Unused customer credit lines	**8,951**	**9,118**
Thereof terminable at any time and without notice	7,329	7,336
Thereof not terminable at any time	1,622	1,782

RISK REPORT

BAWAG Group is a focused commercial bank with a low-risk, simple and transparent business model. We concentrate on developed markets with strong banking and legal infrastructures, primarily the DACH/NL region, Western Europe and the United States. We specialize in Retail and SME banking activities and serve customers with comprehensive savings, lending, investment and bank-assurance products. Our liquidity is primarily provided by stable retail deposits. Simplicity and efficiency are the foundation of our operations, in which we simplify processes from end to end in order to provide our customers with clarity, ease and value through our products.

In addition to our low-risk business model, risk management and the active steering of risks are primary components of the Group's business strategy. "Safe and Secure" is a core pillar of our strategy and there is a high level of commitment across the entire organization to manage the Bank according to a low risk profile. We believe our risk management approach is a differentiator in our market and is key to achieving our strategic and financial objectives as well as creating value for our shareholders and protecting our customers.

Safe and Secure is a cornerstone of our Group strategy and our risk policies and governance. It is founded on the following tenets:

- Maintaining strong capital position, stable retail deposits and low risk profile
- Focus on mature, developed and sustainable markets
- Applying conservative and disciplined underwriting in markets we understand with focus on secured lending
- Maintain fortress balance sheet
- Proactively manage and mitigate non-financial risks

H1 2024 summary

- The macroeconomic environment in H1 2024 was characterized by continuing uncertainty resulting from unprecedented events in the prior years and the economic ripple effects. Inflationary forces and consumer prices have subsided, but central banks remain guarded to ensure the trend continues. Central banks have reversed from long-held easy-money economic policy and aggressively raised interest rates to reduce inflation. Although inflation has moderated, expectations of rate cuts have muted given persisting price driving forces especially strong consumer demand and continued low unemployment. ECB has taken the first step by reducing rates by 25bps in June 2024, whereas the Federal Reserve has left target range steady with markets anticipating one or two rate cuts in 2024. As rates remain elevated, the lag effects continue to impact customers, particularly in the Retail & SME segment based on reduced credit affordability as well as increased borrowing costs and impacted valuations.

- Our primary markets in Austria, Western Europe and the US have been anchored by resilient employment levels and the strong financial position of our consumers. Yet the downside risks remain significant, as persistent inflation or disorderly tightening of financial conditions could expose economic vulnerabilities, in particular for entities or customers with high debt levels. We believe that our risk position and historic underwriting has positioned our Bank well to withstand adverse developments. We maintain prudence while facing the current economic uncertainty through management overlays, high levels of capital and liquidity well in excess of requirements and prominent stable funding sources.

- ECL reserves have increased by 5% to € 167 million (FY 2023: € 159 million), incorporating the current economic outlook and supported by substantial management overlay.

- The management overlay in excess of modeled reserves remains substantial at € 80 million (FY 2023: € 80 million). BAWAG will continue to monitor potential economic development and revisit management overlay assumptions and needs regularly.

- High asset quality demonstrated by stable high share of 92% (FY 2023: 92%) of customer book in Stage 1 (performing) and 6% (FY 2023: 6%) in Stage 2 (performing, but increased credit risk). BAWAG's Stage 2 assets remain low as a share of our total book, reflecting the resilient underwriting standards and credit quality.

- Strong credit profile with NPL ratio at 1.1% (FY 2023: 1.0%), with stable NPL cash coverage at 45% (FY 2023: 45%) and NPL coverage ratio at 76% (FY 2023: 76%).

- H1 2024 risk costs of € 58 million (HY 2023: € 41 million) representing 27 basis points in H1 2024 (HY 2023: 19 basis points) as Retail & SME risk costs return to pre-COVID levels.

- Robust liquidity with LCR of 220% (FY 2023: 215%) and NSFR of 144% (FY 2023: 140%), both of which are well above regulatory requirements.

- De minimis high climate and environmental risk exposures in line with the long-term strategy avoiding highly cyclical industries. Oil and gas-related exposures are de minimis as well. ESG risks are incorporated into the risk steering framework, risk strategy and internal capital allocation across risk types and risk management guidelines. Decarbonisation strategies are currently being developed for the most material portfolios.

- In February, BAWAG Group signed a transaction to acquire 100% of the shares in Knab, from ASR Nederland N.V. (a.s.r.), and on July 4, 2024, BAWAG Group signed a transaction to acquire Hamburg-based Barclays Consumer Bank Europe from Barclays Bank Ireland PLC. The acquisitions will expand BAWAG Group's footprint in the DACH/NL region and are fully in line with BAWAG Group´s Risk Strategy and Risk appetite. Both Portfolios will be integrated into the BAWAG Groupwide risk management processes ensuring the regulatory compliance from first day after closing of the transactions.

Development of key risk metrics

	Total book		
in € million	**30.06.2024**	31.12.2023	Change (pts)
NPL ratio	1.1%	1.0%	0.1
NPL cash coverage ratio	45.3%	44.6%	1
NPL coverage ratio	76.3%	75.7%	1
Impairments Stage 1 and 2	167	159	8
Impairments Stage 3	258	236	21
LCR	220%	215%	5
NSFR	144%	140%	4

21 | Current geopolitical situation – Impacts on risk management

Consensus forecasts which pointed to a reduction in interest rates across markets beginning in 2024 have yet to be implemented broadly due to a slow reduction in inflation across markets. Only the ECB setting a first 25bps step-down in June 2024. Nonetheless, the severity of the previous rate rises and impact on the economy leaves open the potential for lagged effects on markets and customers. Several times in the past few years, the banking industry has been tested with new crises and rather unexpected economic developments and, more broadly, banks have been required to address unique risks and volatile market conditions. The pandemic, the outbreak of a war in Europe and banking turmoil in the US and Switzerland opened new fronts of unprecedented events leading to stress in capital markets, significant economic shifts impacting our customers and uncertain economic consequences. This gives rise to the need for continual re-evaluation of excess capital and liquidity as well as of prudence and highly pro-active risk management as a foundation of our business strategy. The current environment is characterized by:

- Continued decrease in inflation from a peak representing a 40-year high – but still above target levels – with an impact on real income with increased cost of living and increased operational expenses for companies and individuals
- Continued wars in Ukraine and in the Middle East with risk of escalation
- Industry headwinds and supply and demand normalization
- End of rate hikes by ECB and US Federal Reserve, and possibility for further rate reductions by ECB and first step from FED in the second half of 2024
- Continued tightening impacts of money supply, with central banks reducing central bank balance sheets
- Increased borrowing costs across all markets impacting ability to pay and asset valuations
- Negative impact on commercial real estate markets due to increased borrowing costs and demand issues in office assets in particular

Our risk management is designed to proactively identify and take actions to address the continued stresses of the economy and our customers, as well as integrate regulatory measures. Processes are designed to maintain the highest levels of transparency and monitoring rigor, measure underlying risk development and take early action to manage risks on a real-time basis. This highly proactive risk management approach and granular focus to driving operations has become fully institutionalized in business processes and is foundational in successfully navigating through the current uncertain environment. The discipline to continuously evaluate structured information detailing market developments, driving granular risk adjustments related to the underwriting of new business and continuous data updates to measure risk dynamics in our exposures serves as the management cycle for all risk-related decisions.

In the next section, the development and measures of our proactive risk management processes are described:

- Governance
- Underwriting
- Commercial real estate

Governance

The risk management framework of BAWAG Group has demonstrated that it can seamlessly adapt its risk assessment, measurement and reporting to reflect the unprecedented impacts and fluid nature of the current situation, which is a testament to our robust risk infrastructure (IT, reporting, analytics) and governance framework.

Management relies on a highly proactive and centralized risk management approach with a granular focus to driving operations. Detailed governance steps and frequencies exist to ensure immediacy of performance in areas of stress and coordinated responses across our operations and data-driven decisions. This setup is unique and critical to dealing effectively across all our markets and channels with the following actions and initiatives being taken or continued:

- Recurring steering meetings on credit risk, liquidity and investments with the Management Board and relevant divisions across the organization and markets to facilitate focused operational reviews, timely decision-making and prioritization for seamless operational execution
- Regular monitoring reports of key performance indicators (KPIs) of customer behaviour and trends across the credit risk life cycle covering new business applications, revolving limit utilization and collections performance and macro developments
- Dedicated credit risk reporting and relative market pricing with reviews of certain sub-portfolios and regular outreach to financial sponsors or management to manage lending exposures
- Extended risk reporting to provide up-to-date monitoring of the development of specific portfolios, customer groups and products affected by the current crisis, changes in market prices (funding and pricing) and loss expectations
- Ongoing review of IFRS 9 impairments under various macroeconomic scenarios
- Daily liquidity monitoring and stress test buffers

Underwriting

BAWAG Group follows a conservative underwriting approach with clearly defined underwriting guidelines which focus on high levels of collateralization, debt service with cushions to absorb potential stress, cash flow and capital metrics for risk-adjusted returns. Underwriting decisions are supported by strong risk analytics capabilities and rigor. This ensures adherence to risk appetite and execution of associated credit actions to reflect the macroeconomic environment. The underwriting parameters are stressed regularly to ensure cushions included in our credit metrics are sustainable.

Our strategy has been to continue to shift our Retail & SME business mix towards asset-based secured products (primarily residential real estate and leasing), which amounts to 80% of the portfolio at half year 2024 (FY 2023: 81%). The remaining 20% (FY 2023: 19%) of our portfolio is comprised of unsecured Retail & SME lending.

With regard to our unsecured Retail & SME lending, though mitigating actions have been taken across portfolios, we see a normalization of default rates to pre-pandemic levels due to the current interest rate/inflationary environment across regions with elevated 12-month delinquency rates in the consumer loan portfolio.

Commercial real estate (CRE)

There was a material slowdown in commercial real estate transactions in 2023 – mainly driven by the increase in borrowing costs and weakening investor sentiment in reaction to the current economic environment – which has not yet recovered in 2024. Higher interest rates have led to higher capitalization rate expectations (lower valuations), and decreased ability of current owners to meet interest payment requirements. Inflation has added to operational expenses and cost of living, all of which are compounding to stress the commercial real estate markets in the US and Europe. Office continues to be the primary asset class of stress given lower demand resulting from the migration to working from home arrangements. This has impacted lower-quality buildings (B and C class-defined with aged construction and lack of amenities), whereas high-quality A class buildings have been less affected yet remain quite vulnerable to the market adjustments. BAWAG has benefitted from high quality locations and strong sponsor commitment (substantial initial equity investments and continuing actions to preserve value) continuing to support the credit quality in a troubled environment. Industrial and logistics, residential and hospitality assets, which constitute the majority of the CRE portfolio, are performing in line with expectations as supply and demand dynamics in these asset classes remain strong.

BAWAG Group focuses on senior secured loans to high-quality counterparties, neither doing mezzanine nor pure land financing. We avoid single-asset risk by primarily financing granular multi-asset portfolios, often with multiple collateral types. The asset class diversity provides an additional margin of safety.

Whereas the portfolio is primarily floating rate, our underwriting approach includes several risk-mitigating measures such as hedging requirements, interest reserves and sponsor guarantees, mitigation features that have proven to be very supportive in the current rate environment. The geographical focus continues to be in Western Europe and the US.

The total CRE portfolio declined by 2% in H1 2024 from € 5.1 billion to € 5.0 billion. New origination has shifted predominantly to industrial/logistics and residential assets since 2020, asset classes with positive fundamentals, and comprise 66% (FY 2023: 65%) of the total Commercial Real Estate portfolio in H1 2024, up from 48% in 2020. Conversely, exposures have been materially reduced in Retail from 12% in 2020 to 5% in H1 2024 (FY 2023: 5%) and in Office from 29% in 2020 to 19% in H1 2024 (FY 2023: 21%). Impacted by online shopping and work from home trends, fundamentals in these asset classes deteriorated, and new business was avoided. This shift in risk appetite was undertaken several years ago, which benefits us with limited exposure to retail and office today. New originations were subdued in H1 2024 and focused on residential and multi-asset loan-on-loan deals with low LTVs and strong cross-collateralization. Office lending exposure continues to be closely monitored and regularly discussed with the Management Board. All likely downsides are well covered in the existing ECL overlays.

Our US real estate exposure, which accounts for 51% (€ 2.6 billion) of the total Commercial Real Estate portfolio (FY 2023: 48%), has grown in residential, industrial and logistics assets, where underlying supply and demand remains strong and cash flows continue to develop as expected. These asset classes account for 77% (FY 2023: 74%) of our US commercial real estate assets.

US office exposure has been reduced significantly in the first half of 2024 to 15% (FY 2023: 19%) of commercial real estate assets or € 0.4 billion. This was driven by refinancings of several assets in H1 2024 which supports the quality of the assets in the portfolio. The remaining performing US office assets (€ 0.3 billion) maintain significant collateral value cushion (LTV of 73%) and underlying cash flows. It is less than 1% of our total customer loan book. Portfolio and granular deal-level stress tests are conducted regularly. The management overlay of € 80 million covers adverse impacts on our Commercial Real Estate portfolio, with the impact most focused on office collaterals.

22 | Credit risk

The definitions of Risk Governance, ICAAP and Stress Test, Credit Risk (including the Credit risk governance, assessing creditworthiness, Collateral valuation, Definition of default, Forbearance and Impairments remained unchanged in first half of 2024 compared to FY 2023.

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

30.06.2024 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total portfolio
At amortized cost	21,679	13,044	13,945	(745)	47,923
Loans and advances to customers	21,678	11,642	159	(616)	32,863
Loans and advances to banks	1	64	11,546	(106)	11,505
Debt securities	–	1,338	2,240	(22)	3,556
Financial assets FVPL/FVOCI	157	190	2,578	307	3,233
Other assets	–	–	982	475	1,457
On-balance business	***21,836***	***13,234***	***17,505***	***38***	***52,613***
Off-balance business	6,757	2,296	23	703	9,779
Total	**28,593**	**15,530**	**17,528**	**741**	***62,392***
thereof collateralized	18,074	5,743	161	69	24,047
thereof NPL (gross view)	548	131	–	–	680
Impairments Stage 1	29	12	1	0	42
Impairments Stage 2	74	51	–	0	125
Impairments Stage 3	231	26	–	0	258
Total impairments	**335**	**89**	**1**	**0**	**425**
Prudential filter	35	15	–	–	51

Other assets include start:bausparkasse Germany shifted to “held for sale” portfolio as of 30.06.2024 and cash positions.

31.12.2023 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total portfolio
At amortized cost	21,861	13,125	15,435	(836)	49,585
Loans and advances to customers	21,861	11,941	178	(646)	33,333
Loans and advances to banks	–	75	12,682	(165)	12,592
Debt securities	–	1,110	2,575	(25)	3,660
Financial assets FVPL/FVOCI	160	203	2,629	232	3,224
Other assets	–	0	694	516	1,210
On-balance business	***22,021***	***13,328***	***18,758***	***(87)***	***54,019***
Off-balance business	6,776	2,436	531	322	10,065
Total	**28,797**	**15,764**	**19,289**	**235**	**64,085**
thereof collateralized	18,241	5,429	621	105	24,396
thereof NPL (gross view)	477	132	–	–	609
Impairments Stage 1	24	13	2	–	39
Impairments Stage 2	76	44	–	–	120
Impairments Stage 3	208	27	–	0	236
Total impairments	**308**	**85**	**2**	**0**	**395**
Prudential filter	22	14	–	–	36

Other assets include start:bausparkasse Germany shifted to "held for sale" portfolio as of 31.12.2023 and cash positions.

Total credit portfolio overview – rating, geography, currencies and collateral

Rating distribution of the total credit portfolio

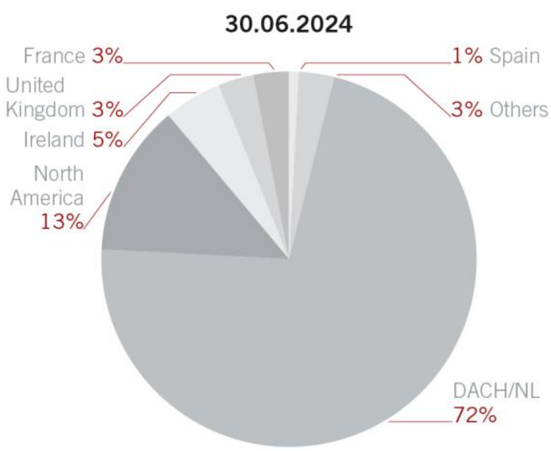
The following table shows the distribution by ratings for the performing portfolio. The risk profile is stable. More than 85% (FY 2023: 85%) of the total exposure can be assigned to an investment grade rating, which corresponds to the external rating classes Aaa to Baa3.

30.06.2024 in %	Moody's rating equivalent	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Total portfolio
Rating class 1	Aaa–Aa2	0.2%	20.3%	80.9%	32.4%
Rating class 2	Aa3–A1	9.1%	18.3%	6.6%	10.6%
Rating class 3	A2–A3	11.1%	9.7%	4.8%	8.6%
Rating class 4	Baa1–Baa3	53.2%	37.4%	7.2%	33.7%
Rating class 5	Ba1–B1	21.1%	12.6%	0.5%	12.0%
Rating class 6	B2–Caa2	3.2%	1.5%	0.0%	1.7%
Rating class 7	Caa3	2.1%	0.2%	0.1%	0.9%

31.12.2023 in %	Moody's rating equivalent	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Total portfolio
Rating class 1	Aaa–Aa2	0.2%	19.0%	83.7%	33.9%
Rating class 2	Aa3–A1	9.8%	16.7%	6.0%	10.2%
Rating class 3	A2–A3	11.0%	9.6%	4.8%	8.5%
Rating class 4	Baa1–Baa3	53.1%	37.4%	4.6%	32.3%
Rating class 5	Ba1–B1	20.5%	15.9%	0.6%	12.4%
Rating class 6	B2–Caa2	3.3%	1.4%	0.0%	1.7%
Rating class 7	Caa3	2.1%	0.0%	0.3%	1.0%

Geographic distribution of the total credit portfolio

The geographic distribution of the credit portfolio is in line with BAWAG Group's strategy of focusing on stable economies and currencies. A total of 97% (FY 2023: 97%) of the portfolio is located in Western Europe and North America.



Currency distribution of the total credit portfolio

Consistent with BAWAG Group's overall positioning, the majority of financing remained stably denominated in EUR. The following table depicts the currency distribution of the total credit portfolio.

	Book value		in %	
in € million	30.06.2024	31.12.2023	30.06.2024	31.12.2023
EUR	44,103	45,629	83.9%	84.5%
USD	6,378	6,153	12.1%	11.4%
GBP	911	951	1.7%	1.8%
CHF	737	836	1.4%	1.5%
Others	484	450	0.9%	0.8%
Total	**52,613**	**54,019**	**100.0%**	**100.0%**

Collateral distribution of the total credit portfolio and collateral valuation

The following table contains the overview of collateral types with the real estate collateral share of 75% (FY 2023: 76%) stable as the major collateral type in the total credit portfolio.

in € million	30.06.2024	31.12.2023	30.06.2024	31.12.2023
Real estate	19,142	19,562	75.2%	76.4%
thereof residential	14,493	14,850	75.7%	75.9%
thereof commercial	4,649	4,712	24.3%	24.1%
Guarantees	4,283	4,407	16.8%	17.2%
Other collateral	1,659	1,217	6.5%	4.8%
Financial collateral	375	418	1.5%	1.6%
Total	**25,459**	**25,604**	**100.0%**	**100.0%**

Forborne loans and forbearance measures and unlikeliness to pay

Measures of forbearance can be granted if borrowers face financial difficulties and are considered to be unable to meet contractual obligations. BAWAG Group has sound and transparent processes in place across the whole BAWAG Group to define the conditions under which concessions, in the form of the modification of terms and conditions, may be granted. Depending on the customer segment, possible measures include the temporary postponement or reduction of interest or principal payments, the restructuring of credit facilities or other forbearance measures. In exceptional cases, a temporary or permanent reduction of interest rates may be granted.

Forbearance or refinancing measures are instruments intended to ultimately reduce the existing risk and avoid default with respect to debt claims if it is expected that a default can thereby be forestalled. However, forbearance measures are by no means used to avoid or postpone the recognition of an unavoidable impairment or disguise the level of credit risk resulting from forborne assets.

By implementing forbearance measures that are appropriate in terms of time and scope, BAWAG Group supports clients in maintaining financial stability. If the supporting measures are not successful, exposures will be recognized as non-performing and impaired according to regulatory and accounting standards.

For reporting as well as internal risk management purposes, BAWAG Group implemented processes and methods according to regulatory standards in order to identify exposures for which forbearance measures have been extended. These are classified as forborne.

30.06.2024	Total forborne book value	thereof defaulted forborne	% forborne of total portfolio	Forbearance coverage ratio	Forbearance defaulted coverage ratio
Retail & SME	364	74	1.7%	61%	65%
Corporates, Real Estate & Public Sector	365	118	2.8%	66%	71%
Total	**729**	**192**	**1.4%**	**63%**	**68%**

31.12.2023	Total forborne book value	thereof defaulted forborne	% forborne of total portfolio	Forbearance coverage ratio	Forbearance defaulted coverage ratio
Retail & SME	335	53	1.5%	60%	63%
Corporates, Real Estate & Public Sector	269	109	2.0%	66%	68%
Total	**604**	**162**	**1.1%**	**62%**	**67%**

Non-performing loans portfolio

The default definition aligned with the latest EBA requirements (EBA/GL/2016/07) is fully implemented in BAWAG Group.

Furthermore, BAWAG Group is fully compliant with the ECB's "Guidance to banks on non-performing loans: supervisory expectations for prudential provisioning of non-performing exposures" and Regulation (EU) 2019/630 amending CRR Regulation (EU) No 575/2013.

The following table shows the non-performing loans (NPL) ratio, provisions, NPL cash coverage ratio and NPL coverage ratios of the credit portfolio. The low risk profile is reflected by the low NPL ratio, low delinquency of loan volumes and good provisioning level and collateral coverage across the portfolios.

	Book value		in %	
in € million	30.06.2024	31.12.2023	30.06.2024	31.12.2023
At amortized cost (gross)	**48,333**	**49,965**	**100.0%**	**100.0%**
Provisions	410	379	0.8%	0.8%
thereof Stage 1	35	32	0.1%	0.1%
thereof Stage 2	123	116	0.3%	0.2%
thereof Stage 3	252	232	0.5%	0.5%
At amortized cost (net)	47,923	49,585	99.2%	99.2%
NPL ratio			1.1%	1.0%
NPL cash coverage ratio			45.3%	44.6%
NPL coverage ratio			76.3%	75.7%

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

	Retail & SME		Corporates, Real Estate & Public Sector	
in € million	30.06.2024	31.12.2023	30.06.2024	31.12.2023
Total	**21,836**	**22,021**	**13,234**	**13,328**
NPL ratio	1.9%	1.7%	0.8%	0.8%
NPL cash coverage ratio	48.6%	48.3%	31.3%	31.3%
NPL coverage ratio	76.4%	75.8%	75.6%	75.1%

Received collateral for the NPL portfolio
The figures below refer to gross NPL (Stage 3) exposure.

30.06.2024 in € million	NPL exposure	Real estate collateral	Other collateral	Financial guarantees	Credit enhancements
Retail & SME	548	159	22	7	5
Corporates, Real Estate & Public Sector	131	83	5	16	3
Total portfolio	**680**	**241**	**27**	**23**	**8**

The values shown are capped market values.

31.12.2023 in € million	NPL exposure	Real estate collateral	Other collateral	Financial guarantees	Credit enhancements
Retail & SME	477	142	21	5	4
Corporates, Real Estate & Public Sector	132	82	3	16	3
Total portfolio	**609**	**224**	**25**	**21**	**8**

The values shown are capped market values.

Impairments

Forward-looking information for point-in-time adjustment

The specified parameters for expected credit loss are contingent upon forward-looking information. Consequently, these parameters undergo adjustments based on the prevailing macroeconomic conditions and their forecasts at each point in time. For instance, forecasts for real estate collaterals hinge on predictions of the real estate price index, and the relationship between probability of default and macroeconomic factors, such as GDP, is assessed and projected.

BAWAG Group employs a set of three scenarios in its macroeconomic forecast: 30% pessimistic, 40% baseline and 30% optimistic. These are centered around the baseline scenario defined by the internal macroeconomic scenario committee, which analyzes and approves the macroeconomic forecast combining expert opinions, scenario analyses and economic forecasts. Among all macroeconomic variables, BAWAG Group uses the GDP growth as a main source of forward-looking information to consider in ECL and LLP estimates, with additional variables such as inflation, unemployment rate or housing prices in a complementary role. The pessimistic scenario assumes a rapid recession in the end of 2024 and 2025 due to the effects of the energy crisis combined with a rapid tightening of monetary policy, followed by a gradual recovery in the next years.

Eurozone macroeconomic forecast considered for ECL/LLP calculation:

GDP growth 30.06.2024 in %	2024	2025	2026	2027
Optimistic (30% weight)	1.4	3.2	1.5	1.4
Baseline (40% weight)	0.8	1.6	1.7	1.5
Pessimistic (30% weight)	(0.3)	(3.5)	2.4	2.7

GDP growth 31.12.2023 in %	2023	2024	2025	2026
Optimistic (30% weight)	0.5	2.6	2.1	1.5
Baseline (40% weight)	0.5	0.9	1.6	1.7
Pessimistic (30% weight)	0.5	(3.0)	(0.9)	3.2

The definitions of impairment, ECL parameters (exposure at default, probability of default, loss given default), SICR (significant increase in credit risk) criteria and Stage 1 to 3 remained unchanged in the first half of 2024 compared to FY 2023.

The following table provides an overview of the development of IFRS book values (net of impairments) across the stages.

Development of book values per stage

30.06.2024 in € million	Starting balance	Increases due to origination and acquisition	Decreases due to derecognition	Changes on existing assets	Closing balance
Book values for impairments in Stage 1 (without POCI)	**48,929**	**3,263**	**(1,308)**	**(2,866)**	**48,018**
Retail & SME	20,052	1,647	(663)	(1,209)	19,826
Corporates, Real Estate & Public Sector	12,594	1,306	(639)	(703)	12,559
Treasury	16,263	309	–	(957)	15,614
Corporate Center	21	1	(6)	4	19
Book values for impairments in Stage 2 (without POCI)	**1,803**	**44**	**(54)**	**(89)**	**1,704**
Retail & SME	1,271	36	(54)	(3)	1,249
Corporates, Real Estate & Public Sector	532	8	–	(85)	455
Treasury	–	–	–	–	–
Corporate Center	–	–	–	–	–
Book values for impairments in Stage 3 (without POCI)	**584**	**4**	**(6)**	**71**	**653**
Retail & SME	457	4	(6)	72	526
Corporates, Real Estate & Public Sector	127	–	–	–	127
Treasury	–	–	–	–	–
Corporate Center	–	–	–	–	–
Total POCI	**52**	**–**	**(1)**	**(3)**	**48**
Retail & SME	48	–	(1)	(2)	45
Corporates, Real Estate & Public Sector	4	–	–	(1)	4
Treasury	–	–	–	–	–
Corporate Center	–	–	–	–	–
Total	**51,368**	**3,310**	**(1,369)**	**(2,887)**	**50,423**

Only IFRS 9-ECL-relevant book values are shown.

Development of impairments per stage

30.06.2024 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)	**39**	**6**	**(2)**	**(1)**	**42**
Retail & SME	24	4	(1)	2	29
Corporates, Real Estate & Public Sector	13	1	(1)	(2)	12
Treasury	2	–	–	(1)	1
Corporate Center	–	–	–	–	–
Impairments Stage 2 (without POCI)	**120**	**3**	**(3)**	**5**	**125**
Retail & SME	76	3	(3)	(1)	74
Corporates, Real Estate & Public Sector	44	–	–	6	51
Treasury	–	–	–	–	–
Corporate Center	–	–	–	–	–
Impairments Stage 3 (without POCI)	**226**	**4**	**(2)**	**21**	**249**
Retail & SME	203	3	(2)	22	226
Corporates, Real Estate & Public Sector	23	1	–	(1)	22
Treasury	–	–	–	–	–
Corporate Center	–	1	–	–	–
Total POCI	**9**	**–**	**–**	**–**	**9**
Retail & SME	5	–	–	–	5
Corporates, Real Estate & Public Sector	4	–	–	–	3
Treasury	–	–	–	–	–
Corporate Center	–	–	–	–	–
Total	**394**	**12**	**(6)**	**25**	**425**

Stage transfer of impairments

30.06.2024 in € million	From Stage 1 to Stage 2	From Stage 1 to Stage 3	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 1	From Stage 3 to Stage 2
Retail & SME	20	17	(8)	18	(1)	(5)
Corporates, Real Estate & Public Sector	0	–	(0)	–	–	–
Treasury	–	–	–	–	–	–
Corporate Center	–	–	–	–	–	–
Total	**20**	**17**	**(8)**	**18**	**(1)**	**(5)**

31.12.2023 in € million	From Stage 1 to Stage 2	From Stage 1 to Stage 3	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 1	From Stage 3 to Stage 2
Retail & SME	27	35	(13)	17	(2)	(11)
Corporates, Real Estate & Public Sector	27	–	(0)	1	0	0
Treasury	–	–	–	–	–	–
Corporate Center	–	–	0	–	0	–
Total	**54**	**35**	**(13)**	**19**	**(2)**	**(11)**

Rating distribution of book values per impairment stage

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

30.06.2024 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)	**15,458**	**5,371**	**4,195**	**17,050**	**5,577**	**303**	**64**	**–**	**48,018**
Retail & SME	39	1,885	2,276	11,152	4,110	302	62	–	19,826
Corporates, Real Estate & Public Sector	2,608	2,378	1,261	4,925	1,385	1	1	–	12,559
Treasury	12,810	1,098	651	973	83	–	–	–	15,615
Corporate Center	1	10	8	–	–	–	–	–	19
Book values for impairments in Stage 2 (without POCI)	**–**	**8**	**5**	**96**	**599**	**559**	**435**	**–**	**1,702**
Retail & SME	–	8	5	96	339	368	433	–	1,249
Corporates, Real Estate & Public Sector	–	–	–	1	260	191	3	–	455
Treasury	–	–	–	–	–	–	–	–	–
Corporate Center	–	–	–	–	–	–	–	–	–
Book values for impairments in Stage 3 (without POCI)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**653**	**653**
Retail & SME	–	–	–	–	–	–	–	526	526
Corporates, Real Estate & Public Sector	–	–	–	–	–	–	–	127	127
Treasury	–	–	–	–	–	–	–	–	–
Corporate Center	–	–	–	–	–	–	–	–	–
Total POCI	**–**	**21**	**–**	**–**	**1**	**8**	**1**	**18**	**49**
Retail & SME	–	21	–	–	1	8	1	14	45
Corporates, Real Estate & Public Sector	–	–	–	–	–	–	–	3	3
Treasury	–	–	–	–	–	–	–	–	–
Corporate Center	–	–	–	–	–	–	–	–	–
Total	**15,458**	**5,399**	**4,201**	**17,146**	**6,177**	**870**	**501**	**670**	**50,422**

Only IFRS 9-relevant book values are shown.

31.12.2023 in € million	Rating class 1	Rating class 2	Rating class 3	Rating class 4	Rating class 5	Rating class 6	Rating class 7	Rating class 8	Total portfolio
Book values for impairments in Stage 1 (without POCI)	**16,219**	**5,375**	**4,222**	**16,835**	**5,884**	**325**	**69**	**–**	**48,929**
Retail & SME	34	2,055	2,283	11,260	4,027	324	68	–	20,052
Corporates, Real Estate & Public Sector	2,439	2,201	1,270	4,932	1,751	1	0	–	12,594
Treasury	13,746	1,107	661	643	106	–	–	–	16,263
Corporate Center	0	12	8	1	0	–	0	–	21
Book values for impairments in Stage 2 (without POCI)	**0**	**6**	**7**	**99**	**692**	**564**	**435**	**–**	**1,803**
Retail & SME	0	6	7	98	348	379	433	–	1,271
Corporates, Real Estate & Public Sector	–	–	0	1	344	185	3	–	532
Treasury	–	–	–	–	–	–	–	–	–
Corporate Center	–	–	–	–	–	–	0	–	0
Book values for impairments in Stage 3 (without POCI)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**584**	**584**
Retail & SME	–	–	–	–	–	–	–	457	457
Corporates, Real Estate & Public Sector	–	–	–	–	–	–	–	127	127
Treasury	–	–	–	–	–	–	–	–	–
Corporate Center	–	–	–	–	–	–	–	–	–
Total POCI	**–**	**23**	**0**	**–**	**1**	**10**	**2**	**17**	**52**
Retail & SME	–	23	0	–	1	10	2	13	48
Corporates, Real Estate & Public Sector	–	–	–	–	–	–	0	4	4
Treasury	–	–	–	–	–	–	–	–	–
Corporate Center	–	–	–	–	–	–	–	–	–
Total	**16,219**	**5,404**	**4,229**	**16,934**	**6,577**	**899**	**506**	**601**	**51,368**

Only IFRS 9-relevant book values are shown.

Sensitivity analysis

The following table illustrates the weighted impairment allowance as well as the results of the sensitivity analysis where ECLs are measured under each scenario with 100% weight. The sensitivity analysis is applied on the calculated ECL of € 88 million, excluding the applied management overlay.

The impact of the sensitivity analysis varies from an ECL release of € 9 million when the optimistic scenario is weighted at 100%, to an ECL increase of € 16 million when the pessimistic scenario is weighted at 100%.

30.06.2024

			ECL scenario change		
in € million	ECL incl. management overlay	ECL excl. management overlay	100% optimistic	100% baseline	100% pessimistic
Stage 1 & Stage 2 impairments	167	87	(8)	(4)	16

31.12.2023

			ECL scenario change		
in € million	ECL incl. management overlay	ECL excl. management overlay	100% optimistic	100% baseline	100% pessimistic
Stage 1 & Stage 2 impairments	159	79	(6)	(3)	11

Post-model adjustments – Management overlay on ECL BAWAG Group estimates ECL using, among other factors, historical data and relationships to develop judgments about future developments. The Bank observed that historical relationships between key variables do not necessarily hold true in the current macroeconomic environment, because comparable economic conditions have not existed in the past. Particularly global political uncertainties, high inflation rates and substantially higher interest rates are still not evident in terms of impact on macroeconomic drivers and, ultimately, on default rates. This subsequently becomes apparent in the sensitivity of the respective risk parameters. Consequently, BAWAG Group is currently reviewing its IFRS 9 methodologies and in the meantime uses post-model adjustments (management overlay) in line with best practice and regulatory expectations, where risks and uncertainties cannot be adequately reflected in existing models. As of HY 2024, an additional ECL management overlay of € 80 million (FY 2023: € 80 million) is held to address these uncertainties.

23 | Market risk

The definitions of market risk (including interest rate and credit spread risk tools and processes) and interest risk in the banking book remained unchanged in the first half of 2024 compared to FY 2023.

The target interest rate risk structure defined by the S-ALCO is implemented by the Treasury & Markets division.
BAWAG Group uses interest rate derivatives:

- to implement the interest risk strategy within the requirements and limits defined by the S-ALCO
- to manage the sensitivity of the valuation result and the revaluation reserve
- to hedge the economic risk position, thereby taking the accounting treatment into consideration

BAWAG Group uses hedge accounting pursuant to IAS 39. The following fair value hedge accounting methods are currently used to mitigate market risks:

- **Micro fair value hedge:** Hedging of financial assets or financial liabilities against changes in their fair value.

- **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 2024, approximately 42% (FY 2023: 43%) 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 2024 on the basis of the PVBP concept:

Interest rate sensitivity – total economic risk position

30.06.2024 in € thousand	<1Y	1Y–3Y	3Y–5Y	5Y–7Y	7Y–10Y	>10Y	Total
EUR	(283)	88	158	36	66	(265)	(200)
USD	(13)	–	8	(4)	38	(18)	11
CHF	(21)	6	4	(2)	(2)	(2)	(17)
GBP	(9)	1	–	1	1	–	(6)
Other currencies	–	(21)	6	(1)	(2)	–	(18)
Total	**(326)**	**74**	**176**	**30**	**101**	**(285)**	**(230)**

31.12.2023 in € thousand	<1Y	1Y–3Y	3Y–5Y	5Y–7Y	7Y–10Y	>10Y	Total
EUR	(351)	244	183	315	(31)	(229)	131
USD	(8)	(5)	(19)	(7)	43	(23)	(19)
CHF	(31)	6	5	(1)(4)		(2)	(27)
GBP	(5)	2	(1)	1	1	–	(2)
Other currencies	2	(11)	(21)	–	(2)	–	(32)
Total	**(393)**	**236**	**147**	**308**	**7**	**(254)**	**51**

Scenario analysis for interest rate sensitivity – total economic risk position

The table below illustrates the interest rate risk sensitivity of the total economic risk position from the **valuation perspective** assuming an instantaneous parallel interest rate shift of up to +/- 200 basis points.

30.06.2024 in € million	(200)bp	(100)bp	(50)bp	(25)bp	+25bp	+50bp	+100bp	+200bp
EUR	27	25	12	6	(6)	(12)	(24)	(47)
USD	(7)	(3)	(1)	(1)	1	1	2	4
CHF	12	3	1	0	0	(1)	(1)	(2)
GBP	1	1	0	0	0	0	(1)	(1)
Others	1	0	0	0	0	0	0	(1)
Total	**33**	**26**	**12**	**5**	**(5)**	**(12)**	**(24)**	**(46)**

31.12.2023 in € million	(200)bp	(100)bp	(50)bp	(25)bp	+25bp	+50bp	+100bp	+200bp
EUR	(43)	(11)	(4)	(2)	2	3	5	7
USD	5	2	1	0	0	(1)	(2)	(3)
CHF	14	4	2	1	(1)	(1)	(2)	(4)
GBP	1	0	0	0	0	0	0	0
Others	4	2	1	0	0	(1)	(2)	(4)
Total	**(19)**	**(3)**	**0**	**(1)**	**1**	**0**	**(1)**	**(4)**

From the **earnings perspective**, an instantaneous parallel interest rate shift of +/- 200 basis points would generate an impact of plus € 10 million (FY 2023: plus € 36 million) and minus € 105 million respectively (FY 2023: minus € 132 million). The most important assumptions on which this calculation is based are the use of a constant balance sheet projection, commercial margins based on recent transactions and forward rates to reprice cash flow as a baseline scenario.

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	**30.06.2024**	31.12.2023
Total portfolio	(2,560)	(2,446)
Financial assets at fair value through profit or loss	(90)	(65)
Financial assets at fair value through other comprehensive income	(788)	(670)
Financial assets at amortized cost	(1,682)	(1,711)

Market risk in the trading book

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

24 | Liquidity risk

The definition of liquidity risk and liquidity risk management framework, tools and processes remained unchanged in the first half of 2024 compared to FY 2023.

BAWAG Group's overall strategy has an explicit commitment to a deposit-based funding strategy. Retail and corporate savings products have been the core part of the funding strategy over the years and will continue to be the dominant source of funding for the balance sheet. The continuous shift of BAWAG Group's assets towards collateralized products also increases the Bank's flexibility in secured funding markets. Consequently, covered bond funding is of growing importance in the overall funding mix.

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	30.06.2024	31.12.2023
Balances at central banks	11,313	12,212
Securities eligible for Eurosystem operations	1,760	1,937
Other assets eligible for Eurosystem operations	1,497	1,499
Short-term liquidity buffer	**14,569**	**15,648**
Other marketable securities	2,170	2,387
Total	**16,739**	**18,035**

BAWAG Group maintains a conservative liquidity management strategy, which is reflected in a strong liquidity coverage ratio (LCR) of 220% as of HY 2024 (FY 2023: 215%). BAWAG Group thus significantly exceeds the regulatory LCR requirement. The assets of the liquidity buffer are highly liquid with the majority held in deposits with central banks.

The first half of 2024 was characterized by a solid liquidity position with broadly stable core funding sources and a balanced term funding structure, with retail customers providing the majority of funding. After 2 years of the sharp rise in interest rates and the associated repricing of customer deposits and revaluation of assets H1 2024 has been relatively stable with moderate changes in interest rates, lowering inflation rate and stabilization in money supply. BAWAG Group's liquidity position remains strong and retail customer deposits that have repeatedly proven to be a stable funding source in this challenging environment continues to be the main focus point of our funding strategy.

With its conservative risk profile and diversified funding sources, BAWAG Group is well positioned to maintain its solid liquidity position in the current environment of structural changes (changes in interest rates, reduction of excess liquidity by central banks, change in deposit mix, high inflation).

As of 30 June 2024, BAWAG Group has no funding under the ECB's TLTRO III facility (after last repayment of € 0.6 billion in March 2024). In addition to the stable deposit base, in February and March 2024 the Bank successfully placed € 0.77 billion in public covered bonds, € 150 million in senior preferred debt, which again proved BAWAG Group's good capital market access and the positive perception among investors.

25 | Operational risk

The definitions of operational risk, its governance, risk identification, assessment and mitigation and risk quantification remained unchanged in the first half of 2024 compared to FY 2023.

26 | 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 2024 results is not significant.

The management of restricted and prohibited sectors as part of the underwriting and loan origination process is the primary element in maintaining a low exposure to potential ESG risks. Additionally, as part of our governance framework, ESG risk management is embedded in our key policies and processes, ensuring an appropriate consideration of ESG risks within outsourcing management, product introductions and evaluation of new credit extensions etc. Various initiatives such as learning programs, newsletters etc. support the implementation of the topic in the organization.

The regulatory environment related to ESG is extensive and developing rapidly. BAWAG expects to meet the changing regulatory requirements within designated time targets and following available methodology and standards applied throughout the industry.

BAWAG Group is committed to mitigating negative impacts on our business activities and also to supporting the transition to a greener economy. ESG underpins BAWAG Group's strategy, driving responsible, sustainable and profitable growth.

There are key deliverables regarding the framework, and the biggest challenge continues to be the availability of data from customers, which broadly impacts the banking industry. The current ESG position can be described as follows:

- **ESG integrated in organization:** A defined organizational unit responsible for ESG risk is supported by nominated ESG SPoCs in relevant divisions and all subsidiaries. Committee structures on the Supervisory and Management Board level as well as on the operational working level were implemented and form a comprehensive basis for the management of ESG risks. As part of our robust governance framework, ESG risk management is embedded in our key policies and processes, ensuring an appropriate consideration of ESG risks within outsourcing management, product introductions etc. BAWAG Group took measures to ensure it has the right skills and governance in place.

- **Awareness and training:** Numerous awareness initiatives such as townhall events, newsletters, self-learning programs and many more ensure that the strategy for managing ESG risks is recognized and put into practice across the organization.

- **General ESG strategy defined with specific 2025 targets:** ESG targets were integrated into the business and risk strategy. A separate ESG framework and policy was introduced, and ESG-related considerations were part of business planning. An enhanced ESG strategy was defined by year-end 2023. Our goals are the reduction of our Scope 1 and Scope 2 CO2 emissions by more than 50%, an increase in the number of women in our Senior Leadership Team and Supervisory Board, as well as an expansion of our Green Lending new business volume. Targets for the decarbonization of the most significant portfolios are currently being developed and will be established as part of the upcoming strategy and planning process.

- **Internal reporting:** The data collection capabilities and infrastructure are constantly being improved and the implementation of automated creation of energy certificates further developed. Dedicated ESG reports are a regular part of the Non-Financial Risk and ESG Committee, the ESG Steering Committee, Enterprise Risk Meeting, Supervisory Board as well as Management Board. The reports include internal ESG KPIs, current and future projects and their status, and the latest results on the calculation of financed emissions.

- **External reporting:** The increasing requirements for ESG reporting also pertain to external reporting. At the end of 2023, the Green Asset Ratio of BAWAG was published for the first time, along with the financed emissions determined according to the Partnership for Carbon Accounting Financials (PCAF). Additional expansions in the context of external reporting will be taken into account and reported accordingly throughout the year.

- **Risk measurement:** The interaction of ESG risks and other material risk types is evaluated as part of the overarching risk self-assessment (RSA). Internal capital is allocated for ESG risk in the ICAAP assessment and is part of regular reporting.

A dedicated ESG risk scenario including macroeconomic parameters and portfolio-specific idiosyncratic shocks is considered in the internal stress testing. Within BAWAG Group's portfolio steering framework, both high-ESG-risk sectors and countries are limited accordingly, and a very low exposure to high-ESG-risk industries and de minimis oil and gas exposure are maintained.

- **Corporates, Real Estate & Public Sector**: Industry-related ESG risk is mainly driven by transition risk, e.g. industries facing challenges adapting to the zero emission targets. Overall, the ESG industry risk is low to moderate with limited high-risk exposures. Restricted (R) and prohibited (P) exposures are very low. In particular, the management of restricted and prohibited sectors as part of the underwriting and loan origination process is essential in this regard. Our risk appetite for industries with high transition risk is low, which drives the consistently low exposures over the years (including low exposure to the energy complex). In Q1 2024 we have included an additional control lever and introduced a limit of 5% to maintain the low exposure.

	Prohibited/Restricted	Exposure		in %	
in € million		**30.06.2024**	31.12.2023	**30.06.2024**	31.12.2023
Gambling	R	203	177	<0.4%	<0.4%
Animal testing (non-medical)	R	–	–	–	0.00
Mining of oil/tar sands	R	2	2	<0.1%	<0.1%
Others	P/R	–	–	–	–
Total		**205**	**179**	**<0.4%**	**<0.3%**

- **Retail & SME:** BAWAG Group operates in developed markets with high legal and environmental standards. In the Retail & SME segment special focus lies on the mortgage portfolio. In particular ESG-relevant data is collected in an ongoing process with new internally developed tools. Additionally, the mandatory provision of energy performance certificates has been included in the contracts beginning of 2024 to improve the overall coverage of EPCs and allow a more differentiated steering of transition risks for this portfolio.

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."

26 July 2024

Anas Abuzaakouk
Chief Executive Officer

Enver Sirucic
Member of the Management Board

Sat Shah
Member of the Management Board

David O'Leary
Member of the Management Board

Andrew Wise
Member of the Management Board

Guido Jestädt
Member of the Management Board

DEFINITIONS

Key performance indicator	Definition / Calculation	Explanation
After-tax earnings per share	Net profit / weighted average diluted number of shares outstanding	After-tax earnings per share is the portion of net profit per individual share (diluted) of the stock.
Average interest-bearing assets	Month-end interest-bearing assets / number of months	Average of month-end interest-bearing assets within the quarter or the year is used for calculating net interest margin and risk cost ratio (see KPIs below)
Basic earnings per share	(Net profit - AT1 coupon) / weighted average number of shares outstanding	After-tax earnings per share is the portion of net profit (excluding AT1 coupon) per individual share of the stock.
Book value per share	Common equity (excluding AT1 capital and dividends) / number of shares outstanding	Book value per share represents the total amount of common equity divided by the number of shares outstanding at the end of the period.
Common equity	Equity attributable to the owners of the parent	Common equity as presented in the consolidated financial statements
Common Equity Tier 1 (CET1) capital	Based on IFRS CRR regulatory figures (BAWAG Group), excluding any transitional capital (fully loaded)	CET1 capital is defined by the CRR and represents the highest quality of capital. It therefore only comprises capital instruments that are available to the bank for unrestricted and immediate use to cover risks or losses as soon as they occur. The higher the bank's CET1 capital, the higher its resilience against such risks or losses.
Common Equity Tier 1 (CET1) ratio	Common Equity Tier 1 (CET1) capital / risk-weighted assets	The CET1 ratio is one of the most important regulatory metrics and demonstrates the bank's financial strength by providing a measure for how well a bank can withstand financial stress. The ratio is consistently monitored to ensure compliance with regulatory minimum requirements. Before any business opportunities are entered into, they are thoroughly assessed with regard to their impact on the CET1 ratio.
Core revenues	The total of net interest income and net fee and commission income	Core revenues consist of the line items net interest income and net fee and commission income and demonstrate the success of the bank in its core activities.
Cost-income ratio (CIR)	Operating expenses / operating income	The cost-income ratio shows the company's operating expenses in relation to its operating income. The ratio gives a clear view of operational efficiency. BAWAG Group uses the cost-income ratio as an efficiency measure for steering the bank and for easily comparing its efficiency with other financial institutions.
Customer deposits (segment view)	Customer deposits and selected own issues incl. deposits held for sale start:Bausparkasse Germany	Deposits to customers including own issues sold through retail network and private placements incl deposits held for sale of start:Bausparkasse Germany.
Customer funding (segment view)	Customer deposits incl. own issues incl. deposits held for sale start:Bausparkasse Germany	Deposits to customers, covered bonds and senior bonds sold through retail network and private placements incl deposits held for sale of start:Bausparkasse Germany.
Customer deposits average / Customer funding average	Daily average	Averages based on daily figures.
Customer loans	Customer loans measured at amortized cost and held for sale start:Germany	The book value of customer loans measured at amortized cost and assets held for sale start:Germany.
Dividend per share	Dividend payout / shares outstanding	The dividend per share expresses the distributed profit over the dividend eligible share. The base for the shares eligible for dividend is shown is the shares outstanding at period end plus the respective tranches of the LTIP from the following year.

Diluted earnings per share	(Net profit - AT1 coupon) / weighted average diluted number of shares outstanding	After-tax earnings per share is the portion of net profit (excluding AT1 coupon) per individual share (diluted) of the stock.
Interest-bearing assets	Financial assets + Assets at amortized cost – Assets at central banks	Interest-bearing assets comprise the line items Financial assets and Assets at amortized cost excluding Assets at central banks
Leverage ratio	Tier 1 capital / total exposure (calculation according to CRR)	The leverage ratio is a regulatory metric and expresses the relationship between the bank's Tier 1 capital and its total exposure, where total exposure includes on-balance and certain off-balance exposures but not on a risk-weighted basis. The ratio provides a metric to judge how leveraged a bank is. The higher the leverage ratio, the lower a bank is leveraged and the higher the likelihood of a bank withstanding negative shocks to its balance sheet.
Liquidity coverage ratio (LCR)	Liquid assets / net liquid outflows (calculation according to CRR)	The liquidity coverage ratio is a regulatory metric that ensures that banks maintain adequate levels of liquidity, i.e. sufficient highly liquid assets, to meet short-term obligations under stressed conditions. In keeping with this, the bank shall sustain any possible imbalance between liquidity inflows and outflows under stressed conditions over a period of thirty days. The ratio is consistently monitored by the management to ensure compliance with regulatory minimum requirements and short-term liquidity needs.
Loan-to-value (LTV)	Mortgage loans / appraised value (market value) of the property	The LTV ratio is a financial term to express the ratio of a mortgage loan in relation to the value in use or market value of the underlying property.
Net interest margin	Net interest income / average interest-bearing assets	The net interest margin is a performance measure and is expressed as a percentage of what a bank earns on loans and other assets in a time period less the interest it pays on deposits and other liabilities divided by average interest-bearing assets. It is used for external comparison with other banks as well as internal profitability measurement of products and segments.
Net profit	Profit after tax attributable to owners of the parent	This profitability measure represents the profit after tax that is attributable to the owners of the parent in absolute amounts for the respective period as presented in the consolidated financial statements.
Non-performing loans (NPL) ratio	Non-performing loans / Exposure	The NPL ratio is a ratio to demonstrate the proportion of loans that have been classified as non-performing in relation to the entire credit risk exposure (on-balance and off-balance sheet receivables). The ratio reflects the quality of the portfolio and of the Group's credit risk management.
Non-performing loans (NPL) coverage ratio	Stage 3 incl. prudential filter and collateral / NPL exposure economic	The total of stage 3 impairments including prudential filter and collateral relative to the NPL exposure economic
Non-performing loans (NPL) cash coverage ratio	Stage 3 incl. prudential filter / NPL exposure economic	The total of stage 3 impairments including prudential filter relative to the NPL exposure economic
Off-balance business	Off-balance business	Off-balance business refers to assets or liabilities that do not appear on the Group's balance sheet such as loan commitments and financial guarantees.
Operating income	The total of core revenues, gains and losses on financial instruments and other operating income and expenses	As presented in the respective line item in the income statement
Operating profit	Operating income less operating expenses and regulatory charges	As presented in the respective line item in the income statement

Other income	Sum of gains and losses on financial instruments and other operating income and expenses	Other income consists of the line items gains and losses on financial instruments and other operating income and expenses.
Pre-provision profit	Operating income less operating expenses	As presented in the respective line item in the income statement
Pre-tax earnings per share	Profit before tax / weighted average diluted number of shares outstanding	Pre-tax earnings per share is the portion of profit before tax per individual share (diluted) of the stock.
Return on common equity (RoCE)	Net profit / average common equity excluding AT1 capital and dividends and dividend accruals	These metrics provide a profitability measure for both management and investors by expressing the net profit as presented in the income statement as a percentage of the respective underlying (either equity related or asset related). Return on common equity and return on tangible common equity demonstrate profitability of the bank on the capital invested by its shareholders and thus the success of their investment. The "Return on …" measures are useful for easily comparing the profitability of the bank with other financial institutions. Allocated equity to segments is based on an internal model taking into account risk-weighted assets and balance sheet size of the respective segment.
Return on tangible common equity (RoTCE)	Net profit / average tangible common equity excluding AT1 capital and dividends and dividend accruals	
Risk-weighted assets	Based on IFRS CRR regulatory figures (BAWAG Group, fully loaded)	The calculation of risk-weighted assets is defined in the CRR. The figure describes the total amount of exposure at risk for a bank and includes both on-balance and off-balance positions. When calculating the amount, the bank can consider risk-mitigating elements (e.g. collateral) and has to derive regulatory risk weights for each position depending on the (external) credit rating of the counterparty or customer. Risk-weighted assets are used as the denominator for calculating the CET1 ratio (see above). "Fully loaded" refers to the full application of the CRR without any transitional rules.
Risk costs / interest-bearing assets; (risk cost ratio)	Provisions and loan loss provisions, impairment losses and operational risk (total risk costs) / average interest-bearing assets	This ratio is a measure for the quality of credit risk management and the loan portfolio itself. It provides a relative view of the risk costs for the period based on the average interest-bearing assets and allows benchmarking with other banks. Low risk costs may result from a high collateralization and/or a close monitoring of the credit rating of the customers. As a result, this implies that there are only few actual credit losses and little need for provisioning.
RWA density	Risk-weighted assets / total assets	The RWA density is a metric to obtain an "average risk weight" for a bank's balance sheet, i.e. the bank's total risk-weighted assets (see above) compared to the total assets. The ratio indicates the average risk weightings of the assets based on their regulatory assessment, which can be impacted by asset quality, the collateralization level or the applied models for assessing the risk weights.
Tangible book value per share	Tangible common equity (excluding AT1 capital and dividends) / number of shares outstanding	Tangible book value per share represents the total amount of common equity less intangible assets divided by the number of shares outstanding at the end of the period.
Tangible common equity	Common equity reduced by the carrying amount of intangible assets	Tangible common equity is another viability indicator for banks and facilitates the comparison of equity figures excluding intangible assets. It is used as the denominator of the return on tangible equity calculation (see below).
Total capital	Based on IFRS CRR regulatory figures (BAWAG Group), excluding any transitional capital (fully loaded)	Total capital and total capital ratio are regulatory metrics and compare to CET1 capital and the CET1 ratio in a way that the eligible capital for this purpose is extended by other instruments (e.g. Additional Tier 1 and Tier 2 instruments) not falling within the

Total capital ratio	Total capital / risk-weighted assets	strict Common Equity Tier 1 definition. The total capital ratio is consistently monitored by the management to ensure compliance with regulatory minimum requirements. However, CET1 capital is of higher significance as it is also the base for prudential thresholds such as the SREP requirement. Therefore, BAWAG Group focuses more on CET1 capital and the CET1 ratio.
Value-at-risk (VaR)	Measure of risk of investments	A method for quantifying risks that measures the potential maximum future losses that can occur within a specific period and with a certain probability.

GLOSSARY

Associated company	A company over which a material influence is exerted in terms of its business or financial policy and that is recognized in the consolidated accounts using the equity method.
AML	Anti-Money-Laundering
Backtesting	A method for verifying projected VaR values by comparing them with the actual developments.
Banking book	All risk-bearing on- and off-balance-sheet positions of a bank that are not assigned to the trading book.
Cash flow hedge	A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.
CDS	Credit default swap; a financial instrument that securitizes credit risks, for example those associated with loans or securities.
CLO	Collateralized loan obligation; securities that are collateralized by a pool of credit claims.
Cross-selling	The active selling of complementary products and services to existing customers.
CRR	Capital Requirements Regulation; Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 Text with EEA relevance; in the applicable version.
Derivatives	Financial instruments whose value depends on the value of an underlying asset (such as stocks or bonds). The most important derivatives are futures, options and swaps.
Expected credit loss	IFRS 9 requires a bank to determine the expected credit loss (ECL) based on a probability assessment of future cash flows and losses. The ECL is basically defined as the difference between the cash flows that are due to the bank in accordance with the contractual terms of a financial instrument and the cash flows that the bank expects to receive (considering probabilities of default and expected recoveries).
Fair value	Price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.
Fair value hedge	Assets or liabilities, generally with fixed interest rates, are protected against changes in their fair value using derivatives.
Futures	Standardized, exchange-traded forward agreements in which an asset must be delivered or purchased at a specific time and at a price that is agreed in advance.
Hedge accounting	An accounting technique that aims to minimize the effects that the opposing developments in the value of a hedge transaction and its underlying transaction have on the income statement.
Hedging	Protecting against the risk of disadvantageous interest rate and price changes.
ICAAP	Internal Capital Adequacy Assessment Process; an internal procedure to ensure that a bank has sufficient own funds to cover all material types of risk.
ILLAP	Internal Liquidity Adequacy Assessment Process; an internal procedure to ensure that a bank has robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk.
Impairments stage 1	Impairments (ECL) for assets without increase in credit risk since initial recognition.
Impairments stage 2	Impairments (ECL) with increase in risk since initial recognition but not credit-impaired.
Impairments stage 3	Impairments (provisions and reserves) for credit-impaired debt instruments.
Industry segmentation	Allocation to individual industries based on internal industry codes.
Investment properties	Properties held as financial investments, primarily to generate rental income.
Monte Carlo simulation	A numerical method for solving mathematical problems by modelling random values.
Option	The right to buy (call) or sell (put) an underlying reference asset at an agreed price within a specific period of time or at a fixed point in time.
OTC	Over the counter; trade with non-standardized financial instruments directly between the market participants instead of through an exchange.
SALCO	Strategic Asset Liability Committee; a bank committee with a full board representation that decides on the most relevant issues related to liquidity, capital and interests.
Swap	A financial instrument that is generally used to exchange payment flows between two parties.
Trading book	All positions that a bank holds in financial instruments for the purpose of sale again in the short term when the best result can be achieved depending on the development of prices and interest rates. Positions that are not assigned to the trading book are managed in the banking book.

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