easybank

ANNUAL REPORT
2016

EASYBANK AT A GLANCE

easybank is Austria's first direct bank offering a full product portfolio, ranging from current accounts and savings products to credit cards, consumer and housing loans, auto leases, security products and investment funds.

With approximately 420,000 customers and 710,000 accounts across the group, *easybank* is one of Austria's most profitable digital banks operating under a well-recognized brand.

The Bank had a very successful year in 2016 generating EUR 50.8 million annual profit, up 65 % versus the prior year, maintaining a return on equity ratio of 44.2 % and being well capitalized with a fully-fledged Common Equity Tier 1 ratio of 18.6 %.

easybank strives to be the one-stop, easy-to-use and innovative financial services solution provider. Customers can reach us around the clock on their digital devices or via phone six days a week during and outside normal business hours.

easybank was the recipient of multiple awards in 2016, reiterating our customer's satisfaction with the products and services we provide. For the sixth year in a row, we were awarded a Recommender Award for "excellent customer orientation" by FMVÖ as well as "Best Direct Bank" in Austria by *DerBörsianer*.

Our focus in 2017 will be on continuing to make our customers' lives easier. A fresh suite of products and services will be launched as well as a new digital experience, enabling our customers to fulfill their needs from anywhere, at any time in a simple and efficient manner.

On behalf of *easybank* and our employees, we would like to thank our customers and strategic partners for their loyalty and trust, and for helping make *easybank* so successful.

KEY FIGURES

Profit or loss statement (in EUR thousand)	2016	2015	Change (%)	2014	Change (%)
Core revenues	**57,238**	**51,643**	**10.8**	**45,627**	**25.4**
Operating income	73,275	52,294	40.1	45,782	60.1
Operating expenses	(19,379)	(19,107)	1.4	(16,143)	20.0
Risk costs	(3,575)	(1,161)	>100	(503)	>100
Profit before tax	50,321	32,026	57.1	29,137	72.7
Annual profit	**50,803**	**30,778**	**65.1**	**18,027**	**>100**

Performance ratios	2016	2015	Change (pts)	2014	Change (pts)
Return on equity	44.2%	37.7%	6.5	34.7%	9.5
Return on risk-weighted assets	13.70%	10.72%	2.98	9.06%	4.64
Return on total assets	1.38%	0.98%	0.40	0.63%	0.75
Net interest margin	1.37%	1.39%	(0.02)	1.36%	0.01
Cost-income ratio	26.4%	36.5%	(10.1)	35.3%	(8.9)
Risk costs / loans and receivables	0.23%	0.30%	(0.07)	0.29%	(0.06)

Statement of financial position (in EUR thousand)	2016	2015	Change (%)	2014	Change (%)
Total assets	**4,047,081**	**3,335,461**	**21.3**	**2,945,691**	**37.4**
Customer loans and receivables	982,027	621,394	58.0	198,514	>100
Customer deposits	3,895,383	3,209,246	21.4	2,861,788	36.1
Equity (UGB)	125,795	103,993	21.0	59,179	>100
Risk-weighted assets	371,879	369,949	0.5	204,189	82.1

Balance sheet ratios	2016	2015	Change (pts)	2014	Change (pts)
Common Equity Tier 1 capital ratio (transitional)	18.6%	18.1%	0.5	18.4%	0.2
Total capital ratio (transitional)	20.3%	19.4%	0.9	20.4%	(0.1)
Common Equity Tier 1 capital ratio (fully loaded)	18.9%	17.5%	1.4	16.9%	2.0
Total capital ratio (fully loaded)	20.8%	19.4%	1.4	20.4%	0.4
Liquidity coverage ratio (LCR)	351%	108%	242	n/a	n/a
NPL ratio	1.0%	1.6%	(0.6)	1.3%	(0.3)

Disclaimer:

Certain statements contained in this report may be statements of future expectations and other forward-looking statements that are based on management's current view and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Actual results may differ materially from the results predicted, and reported results should not be considered as an indication of future performance.

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This report does not constitute an offer or invitation to purchase or subscribe for any securities and neither it nor any part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

The tables in this report may contain rounding differences.

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OUR STRATEGY

easybank – one-stop, easy-to-use, innovative

easybank is Austria's first direct bank offering a full product portfolio, ranging from current accounts and savings products to credit cards, consumer and housing loans, auto leases, security products and investment funds. We are one of the few direct banks globally and the only direct bank in Austria that offers a comprehensive suite of banking products.

Modern consumers demand speed and convenience in selecting their goods and services, and banking is no exception. We continually invest in our digital channels to improve the speed and ease in which our customers can securely access their banking products.

As with most industries today, there have been a lot of changes in the banking sector. With new regulations and the entry of new FinTechs, modern banks must be quick to adapt and innovate in order to remain competitive. *easybank* continuously monitors the banking environment to determine ways to bring the benefits of new banking trends to the Austrian consumer.

Born and raised in Austria

Founded in Vienna in 1997, *easybank* has continued to extend its roots in its home country. Unlike traditional banks, *easybank* has no traditional branch networks. Instead of relying on traditional forms of media or distribution, we use our online brand recognition and indirect channels to acquire our customers.

Our partnerships, such as those with ÖAMTC, Shell and Energie Steiermark give us indirect access to approximately half the Austrian population. Going forward, we will continue leveraging these relationships to continue growing our customer base.

Due to our excellent customer experience and satisfaction, word of mouth is a unique source of customer acquisition for *easybank*. Many of our customers participate in our "Member Get Member" program, in which they recommend that friends and family open an account with *easybank*. Thanks to the utilization of our unique customer channels, *easybank* is:

- the #1 rated direct bank in Austria
- the #3 auto lessor in Austria via its 100 % owned subsidiary, easyleasing

Driving efficiency across the organization

A huge competitive advantage for many digital banks is their ability to provide banking services without the burdensome legacy banking infrastructure. At *easybank,* we inherently benefit from this but believe that this is not good enough. Our organizational culture is set to consistently focus on increasing efficiency and looking at how we can do things more simply, in order to make our customers' experience better. By being so efficient, this enables us to be the most profitable digital bank in Austria while also:

- providing our customers with products and services at the most competitive prices
- enhancing our customers' experiences by providing seamless and quick solutions.

By focusing on efficiency across the organization, we are able to create a highly efficient, customer-oriented organization where the customer always comes first.

Building and cultivating long-lasting customer loyalty

easybank has always been determined to provide our customers with the best banking experience and service. We pride ourselves on not only being a direct bank that offers easy-to-use digital channels, but also providing customer support over the phone six days a week outside of business hours for customers that still require the "human touch."

By ensuring that each touch point with our customers provides the best user experience, either with an easy-to-navigate website, an easy-to-use mobile app or an easy-going, friendly voice over the phone, we make sure that every experience leaves a smile on our customers' faces. *easybank* has continuously won awards for our dedication to customers, such as the FMVÖ's "Recommender Award" in 2016 and "Best Direct Bank" in Austria by *DerBörsianer*.

The investments we make in the customer experience help us to build an extremely valuable brand. The market research institute Marketagent.com recently validated the strength of our brand, measuring a brand recognition score of 80 % for *easybank*.

Providing customers with simple and transparent products

As a direct bank, providing simple and transparent products is extremely essential. Traditional banks can rely on trained sales personnel at branches to explain any complexities regarding their products. At *easybank,* we ensure that our products and their pricing are self-explanatory. We believe that empowering customers with the information required to make the right decision about their finances benefits all parties involved.

Expanding into other Western European markets

easybank's foundation has been built on serving our customers digitally. With our foundation being digital banking, we know how to serve customers without the need for the traditional brick and mortar banking networks, enabling us to duplicate our success in other markets with limited incremental investment. In January of 2017, *easybank* opened its international headquarters based out of Düsseldorf, Germany. We plan to start offering direct banking services across Germany, starting with loans during the first half 2017 and credit cards in the second half 2017.

CORPORATE GOVERNANCE

SUPERVISORY BOARD

As of 31 December 2016, the Supervisory Board of *easybank* consisted of five members. Effective 15 January 2016, Wolfgang Klein resigned and David O´Leary was appointed as a member of the Supervisory Board. Effective 12 July 2016, Sonja Sarközi was appointed as a member of the Supervisory Board. On 28 January 2017, Ms. Sarközi resigned from the Supervisory Board. Doris Butuci left the Supervisory Board, and the Works Council delegated Helmut Holzheu as a new Supervisory Board member.

The Rules of Procedure of the Supervisory Board comprise the rights and obligations of this board and define the individual committees of the Supervisory Board and their responsibilities. The individual members of the Supervisory Board and the composition of the committees are presented in the chapter "Boards and Officers of easybank AG."

Risk and Credit Committee

The approval of loans and credit (as well as other forms of financing) to individual borrowers or groups of associated customers for the purposes of Article 392 of Regulation (EU) No. 575/2013 (exposures that equal 10 % or more of the Bank's eligible own funds) has been delegated to the Risk and Credit Committee. A report about large exposures approved by the Risk and Credit Committee is submitted to the Supervisory Board at least once a year. The Risk and Credit Committee also approves transactions with the Bank's affiliated parties pursuant to section 28 BWG. and the Bank's material credit policies. It also advises the Supervisory Board on the current and future risk-bearing ability and risk strategy of the Bank and monitors the effectiveness and efficiency of the risk management systems and compliance with the legal provisions and regulatory requirements.

Audit and Compliance Committee

The Audit and Compliance Committee is responsible for reviewing the Bank's accounts and the annual financial statements and monitors the Bank's risk management and internal control systems. This committee is also in regular contact with the external auditor, the internal audit department and the Compliance Office. The annual audit plans and reports about the activities of the internal audit department and the Bank's Compliance Office are also submitted to the Audit and Compliance Committee.

Remuneration Committee

The Remuneration Committee approves general principles of the Bank's remuneration policy. It also monitors the remuneration policy, remuneration practices, and remuneration-based incentive structures pursuant to section 39c BWG, except for those pertaining to Managing Board members.

Nomination Committee

The Nomination Committee deals with Managing Board succession planning and the regular Fit & Proper evaluation of Managing Board members and Supervisory Board members. Among other tasks, this committee is also responsible for the approval of the assumption of executive functions by members of the Managing Board in companies not belonging to the group.

MANAGING BOARD

As of 31 December 2016, the Managing Board of *easybank* consisted of five members.

- Sat Shah, Chief Executive Officer (CEO)
- Julian Blazar, Chief Growth Officer (CGO)
- Helmut Kaufmann, Chief Risk Officer (CRO)
- Rainer Henke, Chief Financial Officer (CFO)
- Wolfgang Hanzl, Chief Operating Officer (COO)

Chief Executive Officer Sonja Sarközi resigned from the Managing Board as of 12 July 2016. Robert Cerwinka resigned from his position as a member of the Managing Board with effect as of 20 August 2016.

The Supervisory Board appointed Sat Shah as Chief Executive Officer effective 24 May 2016. Furthermore, Wolfgang Hanzl and Helmut Kaufmann were appointed as members of the Managing Board effective 5 August 2016 and Julian Blazar effective 20 August 2016. (The members of the Managing Board are listed in the notes in the section "Boards and Officers of easybank AG").

The Rules of Procedure of the Managing Board define the responsibilities and tasks of this board.

COMPLIANCE

BAWAG P.S.K. Group's Compliance Office also works for *easybank*. Regular reports are submitted directly to the Managing Board of *easybank*, which in turn reports to the Audit Committee of the Supervisory Board.

The key responsibilities of the Compliance Office are preventing money laundering and combating terrorism financing, monitoring compliance with sanctions, securities compliance and the prevention of insider trading, market abuse and conflicts of interest. A series of detailed guidelines have been put into place to ensure compliance with all legal requirements.

In addition to all relevant laws such as the Securities Supervision Act, all employees are also bound by a Compliance Code that contains, among other things, guidelines for business conduct and customer service, for how conflicts of interest are to be handled and for preventing market abuse and money laundering.

REPORT FROM THE CHAIRMAN OF THE SUPERVISORY BOARD

The Supervisory Board of *easybank* properly fulfilled all duties incumbent upon it by law, the Bank's Articles of Association and its Rules of Procedure.

The Managing Board informed the Supervisory Board of all material issues in a timely and comprehensive manner either in writing or verbally. In addition to periodic meetings, the Chairmen of the Supervisory Board and of the Audit and Compliance Committee discussed current business matters with the Managing Board members. The Managing Board of the Bank was continuously monitored and regularly advised.

The annual financial statements for 2016 were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Porzellangasse 51, A-1090 Vienna. The audit revealed no reason for objections. The legal regulations were complied with in full, and an unqualified auditor's opinion was issued. After an in-depth discussion, the Supervisory Board approved and adopted the annual financial statements 2016 in accordance with section 96 para 4 Stock Corporation Act. The financial statements were noted by the Supervisory Board.

The Supervisory Board would like to take this opportunity to thank all of the Bank's employees for their performance and sustained commitment in 2016.

Byron Haynes
Chairman of the Supervisory Board

Management Report

ECONOMIC DEVELOPMENTS

MACRO TRENDS

Austria's gross domestic product growth accelerated to a rate of 1.5 % in 2016, up from 1.0 % in 2015, driven by a turn in the investment cycle and solid growth in private consumption. Private consumption was supported by favorable demographics and tax reform legislation in 2016, while net exports made a negative contribution to growth. Since 2015, the key driver of growth in Austria has been private demand as opposed to net exports in prior years. The minimal increase in the unemployment rate to 5.7 % has to be seen in the context of continuous growth in employment of approximately 1.5 % per year. Corporates as well as private households continued to prove financially sound.

MARKET DEVELOPMENTS

Demand for loans to Austrian households increased in 2016 on the back of solid demand for housing products. The volume of private households' deposits increased more pronouncedly than consumer price inflation. Demand for loans to corporates remained stable and thus lagged behind total economic investment activity, which grew substantially in 2016.

Various developments point to a continuation of the strong growth environment in 2017 and beyond. We expect a dynamic investment environment given the turn in the investment cycle. Construction activity is expected to be well supported by improving demographics trends (annual population growth in Vienna of 1.4 % expected over the next five years) and by public housing initiatives (a commitment to invest EUR 5.75 billion to add 30,000 additional homes by 2022).

OUTLOOK

The 2017 outlook for the Austrian economy remains optimistic and offers more favorable growth opportunities in various segments compared to recent years. Corporate loan demand will likely be better supported by the dynamic investment environment. Loan demand from the private sector is expected to increase in 2017 on the back of solid demand for housing loans. Given the expected sound financial position of private households, we expect low default rates despite a moderate increase in the unemployment rate. We expect markets to remain significantly influenced by the ample liquidity environment in Europe. With a focus on Austrian and German retail banking, *easybank* is well positioned in the current economic environment.

FINANCIAL REVIEW

Assets

in EUR thousand	Balance 31/12/2016	Share of total 31/12/2016	Balance 31/12/2015	Share of total 31/12/2015	Change	
Loans and advances to customers	982,027	24%	621,394	19%	360,632	58.0%
Loans and advances to credit institutions	2,864,191	71%	2,562,906	77%	301,285	11.8%
Equity interests and shares in subsidiaries	29,282	1%	29,217	1%	65	0.2%
Other assets	171,581	4%	121,945	4%	49,636	40.7%
Total	**4,047,081**	**100%**	**3,335,461**	**100%**	**711,619**	**21.3%**

The Bank's assets totaled EUR 4,047.1 million on 31 December 2016.

easybank met all minimum reserve and liquidity requirements laid down in the Austrian Banking Act (BWG in the following) and in Regulation (EU) No. 575/2013 (EU Capital Requirements Regulation, CRR in the following) throughout 2016 and had deposits at the Austrian national bank totaling EUR 142.1 million on 31 December.

Loans and advances to customers increased by 58 % to EUR 982 million in 2016 (2015: EUR 621.4 million), including receivables to the wholly owned leasing subsidiaries BAWAG P.S.K. LEASING GmbH and easyleasing GmbH as well as to Leasing-west GmbH in the total amount of EUR 690.1 million (2015: 366.1 million) as well as loans and advances to customers in the amount of EUR 291.9 million (2015: EUR 255.3 million).

Loan-loss provisions decreased from EUR 3.2 million to EUR 2.3 million on a comparable basis. Additionally, *easybank* built a loan-loss provision for performing loans in the amount of EUR 1.7 million following the first-time application of the respective provision of the 2014 Financial Reporting Amendment Act (Rechnungslegungsänderungs-gesetz 2014; RÄG 2014).

Loans and advances to credit institutions increased by 11.8 % to EUR 2,864.2 million (2015: EUR 2,562.9 million) in 2016.

The tangible fixed assets came to EUR 3.6 million (2015: EUR 3.8 million), and shares in affiliated companies and other equity interests remained virtually unchanged at EUR 29.3 million (2015: EUR 29.2 million).

Liabilities and equity

in EUR thousand	Balance 31/12/2016	Share of total 31/12/2016	Balance 31/12/2015	Share of total 31/12/2015	Change	
Savings deposits	2,765,560	68%	2,265,719	68%	499,841	22.1%
Other liabilities to customers	1,129,822	28%	943,527	28%	186,295	19.7%
Amounts owed to credit institutions	6,196	0%	6,251	0%	(56)	(0.9)%
Other liabilities	19,707	0%	15,971	0%	3,736	23.4%
Equity incl. retained earnings	125,795	3%	103,993	3%	21,803	21.0%
Total	**4,047,081**	**100%**	**3,335,461**	**100%**	**711,619**	**21.3%**

Liabilities to customers increased by 21.4 % to EUR 3,895.4 million (2015: EUR 3,209.2 million), accounting for roughly 96 % of the balance sheet total.

Liabilities to credit institutions were virtually unchanged at EUR 6.2 million (2015: EUR 6.3 million).

Provisions increased to EUR 3,847.2 million from EUR 2,174.1 million, including EUR 1,183.6 million in loan-loss provisions for performing off-balance loans pursuant to the applicable provisions of the RÄG 2014.

Total equity before supplementary capital increased to EUR 125.8 million (2015: EUR 104.0 million) following a profit for the year increase from EUR 29.1 million in 2015 to EUR 50.8 million in 2016.

The share capital (EUR 25 million divided into 175,000 shares), the committed capital reserve (EUR 356 thousand), the statutory retained earnings (EUR 2.1 million) and the fund for general banking risks (EUR 8.5 million) remained unchanged compared to the previous year. *easybank* is a wholly owned subsidiary of BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft (BAWAG P.S.K. in the following).

The transfer of the auto leasing operations of BAWAG P.S.K. LEASING GmbH and the subsequent capital contributions by BAWAG P.S.K. in 2015 led to an unchanged uncommitted capital reserve in the amount of EUR 29.0 million and a corresponding carrying amount of BAWAG P.S.K. LEASING GmbH at *easybank*. The liability reserve pursuant to section 57 (5) BWG as well as the other retained earnings are unchanged at EUR 3.6 million and EUR 6.2 million, respectively. The supplementary capital also remained unchanged at EUR 7.027 million.

In financial year 2016, the ECB granted approval in accordance with Article 113 (6) CRR to assign a risk weight of 0 % to *easybank's* exposures to its subsidiary easyleasing GmbH, which further strengthened the capital position of *easybank*.

At a capital requirement pursuant to Article 92 CRR of EUR 29.8 million, the Bank's eligible own funds pursuant to Part Two CRR total EUR 75.6 million including interim profit after dividend. The capital requirement for operational risk was calculated using the standardized approach, while the IRB approach was used for credit risk. With a core capital ratio of 18.6 % and a total capital ratio of 20.3 %, *easybank's* capital adequacy is considerably above average. The Bank had excess own funds of 154.0 % as of 31 December 2016.

The ECB further granted approval to exempt inflows from intragroup companies from the inflow cap within the LCR in accordance with Article 425 (1) and Article 33 (2) (b) of Commission Delegated Regulation 575/2013, which further substantiated the excellent liquidity situation of *easybank*.

Income statement

in EUR thousand	2016	2015	Change	Change (%)
Net interest income including income from securities	50,436	43,547	6,889	15.8
Net income from equity interests	15,814	51	15,763	>100
Net commission income	6,802	8,096	(1,294)	(16.0)
Net profit from trading activities	51	74	(24)	(31.8)
Other operating income	173	526	(353)	(67.2)
Operating income	**73,275**	**52,294**	**20,981**	**40.1**
Operating expenses	(19,379)	(19,107)	(271)	1.4
Operating profit	**53,896**	**33,187**	**20,710**	**62.4**
Risk costs	(3,575)	(1,161)	(2,415)	>100
Profit on ordinary activities	**50,321**	**32,026**	**18,295**	**57.1**
Taxes	481	(1,249)	1,730	–
Annual profit	**50,803**	**30,778**	**20,025**	**65.1**
Changes in reserves, retained earnings, advance payment	167	(1,611)	1,778	–
Net profit	**50,969**	**29,167**	**21,803**	**74.8**

Net interest income came in at EUR 50.4 million, an increase of EUR 6.9 million compared to EUR 43.5 million realized in the previous year. The increase in net interest income was positively supported by the expansion of customer loans and the leasing business as well as by *easybank's* funding structure. Net commission income decreased by EUR 1.3 million to EUR 6.8 million following regulatory caps on interchange fees in the credit cards business and increased expenses on transaction fees in line with the business development.

easybank's strategic subsidiaries strongly contributed to the result from participating interests in the amount of EUR 15.8 million including same phase dividends from easyleasing GmbH of EUR 11.0 million, BAWAG P.S.K. LEASING GmbH of EUR 4.5 million as well as from easy green energy GmbH & Co KG of EUR 0.3 million.

Net operating income for the period showed an increase of 40.1 % to EUR 73.3 million (2015: EUR 52.3 million), or 10 % excluding participating interests.

Operating expenses were actively managed to EUR 19.4 million (2015: EUR 19.1 million), including among others *easybank's* contribution to the statutory deposit guarantee scheme and the Austrian bank resolution fund in the amount of EUR 2.5 million (2015: EUR 1.0 million).

The Bank posted a significantly improved operating profit for the period of EUR 53.9 million in 2016, up 62.4 % compared to EUR 33.2 million in the previous year.

First-time application of loan-loss reserves on performing loans according to the RÄG 2014 led to additional loan-loss reserves in the amount of EUR 2.9 million in 2016, adding up to EUR 3.6 million in 2016 compared to EUR 1.2 million in 2015.

easybank achieved a result on ordinary activities of EUR 50.3 million, an increase of 57.1 %.

Taxes follow *easybank's* tax allocation agreement in BAWAG Holding Group and included deferred income taxes in the amount of EUR 0.9 million and a prepayment for the new bank levy in the amount of EUR 0.4 million. In 2016, the Austrian government passed a resolution on the bank levy, generally lowering the amount of the bank levy and enabling a prepayment while also lowering the eligibility thresholds. As a result of this legislation, *easybank* is subject to the new bank levy and opted for the down payment.

Below the line *easybank* reports a net profit of EUR 50.9 million, including a profit carried forward of EUR 167 thousand.

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Own funds

in EUR thousand	31/12/2016	31/12/2015
Share capital	**25,000**	**25,000**
Reserves including profit for the fiscal year 2016	52,795	49,993
Deduction of intangible assets	(3,051)	(2,417)
Shortfall IRB risk provisions	(5,741)	(5,514)
Common Equity Tier I (CRR) / Core Tier I (BWG)	**69,003**	**67,061**
Supplementary and subordinated debt capital	7,027	7,027
Excess IRB risk provisions	983	–
Shortfall IRB risk provisions	(1,435)	(2,363)
Supplementary capital – Total Tier II (CRR/BWG)	**6,575**	**4,664**
Own funds	**75,578**	**71,724**
Own funds ratio	**20.3%**	**19.4%**
Required own funds	29,750	29,596
Excess own funds	45,828	42,218

RISK REPORT

INTRODUCTION AND OVERVIEW

The following risks including their respective sub-risks are considered as material for *easybank*:

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

Due to its focus on retail banking centered on current and savings accounts, lending and credit card services, *easybank* is exposed to these risks to a relatively limited extent.

As a member of the BAWAG P.S.K. bank group, *easybank* is integrated into this group's risk management organization. The portfolio risk figures presented in the consolidated annual report for BAWAG P.S.K. Group also include the figures for *easybank*.

In addition, *easybank* takes all necessary measures as an individual institution to adequately manage, monitor and limit the business and operational risks to which it is exposed. To this end, a risk report covering all material risk positions is drawn up monthly.

RISK MANAGEMENT FRAMEWORK AND RISK ORGANIZATION

The members of the group supervisory board and managing board are responsible for BAWAG P.S.K. Group's risk strategy. The principles of risk management, limits for all relevant risks and procedures for monitoring these risks are documented in risk manuals and work guidelines. *easybank* also has its own manuals and guidelines that document the internal processes and deviations from BAWAG P.S.K.'s practices. The Managing Board of *easybank* is responsible for these documents. Policies are established to identify and analyze the risks faced by BAWAG P.S.K. Group, to set appropriate risk limits and controls, and to monitor risks and compliance with the specified limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, current legal requirements and changes in the products and services offered.

easybank has agreements with BAWAG P.S.K. concerning services of its risk divisions. These are the following divisions:

- Strategic Risk
- Commercial and Institutional Risk
- Retail Risk and Administration
- European Retail Risk Management

Internal audit

easybank set up its own internal audit department pursuant to section 42 (6) 3 BWG. *easybank* is also subject to the audits conducted by the internal audit department of BAWAG P.S.K. Group. The existing audit plans, which are adopted annually by the group managing board on the basis of recommendations from the internal audit department, lay down the types and scopes of audits that will be completed to ensure that the entire Company is audited sufficiently within a reasonable period of time.

SPECIFIC RISKS OF EASYBANK

Credit risk

Credit risk is defined as the risk of loss due to a party in a financial transaction failing to pay its obligation to the other party. The internal ratings-based (IRB) approach is used to calculate the minimum capital requirement for credit risk.

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

The specific risk categories from the uniform BAWAG P.S.K. master scale are assigned to the customer on this basis and represent its individual estimated probability of default. All non-consumer exposure components that exist in BAWAG P.S.K. Group are aggregated at the customer and customer group level using a specific software application. Duties requiring that exposures be reported to the Managing Board and Supervisory Board of *easybank* are defined for customers/groups of affiliated customers by risk grades to identify the concentration of risk exposure.

A risk report covering the following is submitted to the Managing Board every month and to the Supervisory Board every quarter:

- Credit risk: portfolio distribution, development of new business, development of risk costs, development of commercial customer exposures
- Market risk: development of PVBP values and outlier ratio, interest rate gap analysis
- Operational risk: development of risk costs
- Liquidity risk: inflow/outflow analysis, development of liquidity indicators

Risk policy for retail and small business customers

The framework for the granting of loans to retail and small business customers is defined in the Bank's credit risk guidelines. These guidelines are reviewed regularly and adjusted to changes in business conditions as well as to new knowledge whenever necessary.

Collateral and valuation of residential and commercial real estate

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

The central group Residential Real Estate Appraisal department determines the value of all residential properties in Austria on the basis of a standard methodology and valuation tool. The periodic review and updating of property values is automated based on the real estate price index published by the Association of Real Estate and Asset Trustees of the Austrian Federal Economic Chamber (Fachverband der Immobilien- und Vermögenstreuhänder der Wirtschaftskammer Österreich) for Austrian residential properties.

The values of commercial properties are appraised individually by experts in the central group Commercial Real Estate Appraisal department, by selected external appraisers commissioned by the group or by a syndicate partner after an inspection of the property and completion of a full appraisal report.

Portfolio development in 2016

The following table shows *easybank's* portfolio broken down by individual segments as of the end of 2015 and 2016.

Credit risk by customer segment

	Carrying value loans[3]		Securities including funds		Off-balance-sheet transactions[4]		Total risk	
in EUR thousand	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Banks[1]	2,864,191	2,562,906		–		–	2,864,191	2,562,906
Sovereigns/ Public sector		–	16	10		2	16	11
Corporates[2]	725,280	391,242		–	11,006	11,876	736,286	403,118
Retail	256,747	230,152		–	14,442	18,010	271,189	248,162
Others		–		–		–		–
Total	**3,846,218**	**3,184,300**	**16**	**10**	**25,447**	**29,888**	**3,871,681**	**3,214,198**

1) Primarily contains investments with BAWAG P.S.K.
2) Increase is primarily due to investments with BAWAG P.S.K. LEASING GmbH and easyleasing GmbH.
3) Carrying value loans without participations and group companies amounting to EUR 29.3 million.
4) Includes credit risks in the form of bank guarantees, (50 % risk weight) and undrawn and non-revocable credit facilities.

The total risk across all segments rose by roughly 21 % from EUR 3.2 billion to EUR 3.8 billion. This is primarily due to the loans in the corporates segment (which increased from EUR 391 million to 725 million), specifically deposits with the wholly owned subsidiaries BAWAG P.S.K. LEASING GmbH and easyleasing GmbH. The overall increase reflects the growth in customer deposits in *easybank* accounts.

The following table shows the development and coverage of NPLs at the end of 2015 and 2016:

Non-performing loans

Exposures relating to all customers in default risk class 8 are categorized as non-performing loans (NPL), regardless of whether a limit has been exceeded or a payment missed on an individual account or not. As soon as the material exposure of a customer is over 90 days past due, an impairment provision has been allocated or a customer-specific default criterion applies, the customer is considered to be in default with all of its exposure-related products and is assigned to risk class 8.

Development and coverage of NPLs

	Exposure		Impairment/provisions		Collateral		Net position		Coverage	
in EUR thousand	**31/12 2016**	31/12 2015	**31/12 2016**	31/12 2015	**31/12 2016**	31/12 2015	**31/12 2016**	31/12 2015	**31/12 2016**	31/12 2015
Banks	–	–	–	–	–	–	–	–	–	–
Sovereigns/ Public sector	–	–	–	–	–	–	–	–	–	–
Corporates	–	–	–	–	–	–	–	–	–	–
Retail	3,002	4,047	2,338	3,220	313	441	352	386	88.3%	90.5%
Others	–	–	–	–	–	–	–	–	–	–
Total	**3,002**	**4,047**	**2,338**	**3,220**	**313**	**441**	**352**	**386**	**88.3%**	**90.5%**

As in the previous year, the non-performing loans are solely from the retail segment. The total volume of NPLs decreased by 28.8 % from EUR 4,047 thousand to EUR 3,002 thousand. The impairment provisions decreased by 27.4 % from EUR 3,220 thousand to EUR 2,338 thousand; the net position decreased from EUR 386 thousand to EUR 352 thousand. The coverage of the NPLs by impairment provisions and collateral decreased slightly from 90.5 to 88.3 % following an NPL sale, while the NPL ratio improved considerably from 1.6 % to 1.0 %.

Market risk

Market risk refers to the risk of loss for *easybank* resulting from disadvantageous changes in the fair values of assets due to changes in trading prices, market indices, market spreads and/or market liquidity levels. Market risk includes interest rate risk and currency risk.

In BAWAG P.S.K. Group, the identification, measurement, analysis and management of market risk is performed by the Strategic Risk division. All strategies, organizational procedures and principles of risk management and monitoring are documented in an internal group market risk manual.

easybank does not maintain a securities trading book. For this reason, market risk is only measured for the banking book.

Risks arising from changes in the fair value of transactions because of changes in the yields being traded on the market for top-rated interest-bearing securities as well as interest surplus risks are considered interest rate risk. Such risks can have an effect on the Bank's own investments in bonds, on time deposits and on interest-related forward transactions. *easybank* measures and monitors interest rate risk at the portfolio level.

Market risk is bounded by the market risk limits and outlier ratios that are approved by *easybank's* Managing Board. These are centrally calculated and monitored by BAWAG P.S.K. for *easybank*. Determining the market risk provides a basis for deciding on transactions that are relevant for the banking book.

An additional sensitivity analysis by the Risk Pro ALM software measures interest rate risk for the specific date using the present value of a basis point (PVBP) concept. The present value of a basis point is an absolute value that is derived from the duration of interest-bearing financial instruments that indicates the change in the net cash value of the instrument that will occur when the market yield curves shift by one basis point (0.01 %). The PVBP calculation for *easybank* as of 31 December 2016 yields minus EUR 305 (2015: minus EUR 6,017). The PVBP limit amounted to EUR ±25,000 for the financial year. The ratio between the daily basis point value for a yield shift of 200 basis points and the eligible own funds (internal outlier ratio) was 0.1 % as of 31 December 2016 (2015: 1.7 %).

The replication model used by *easybank* for current account deposits and other call deposits was most recently reviewed in October 2016. The replication assumptions for the current account deposits consist of a combination of the rates for overnight, three-month and ten-year terms; the assumptions for the other sight deposits comprise a combination of the rates for overnight, three-month, six-month and ten-year terms. Rolling investments were assumed in modelling the replication assumptions.

easybank is using term deposits as on balance instruments and interest rate swaps as off balance instruments for the management of interest rate risks. As of 31 December 2016 *easybank* had concluded seven interest rate swaps totaling EUR 115 million nominal value with maturity up to 10 years. *easybank* is using these interest rate swaps to set up a macro hedge for the interest rate risks of the banking book as a whole. They are included in the PVBP calculation and in the calculation of the outlier ratios of *easybank*. The net market value as of 31 December 2016 totaled plus EUR 209 thousand. Further information is provided in the notes in the chapter “Information on Financial Derivatives and Heding Transacitons.”

Foreign exchange risk is part of market risk and is the risk that the Bank may incur a loss resulting from a possible disadvantageous change in the value of an open spot exchange position (in EUR), an open claim or liability in a foreign currency or an open forward transaction. *easybank’s* foreign currency exposures arise from loans granted in foreign currencies and are fully hedged. *easybank* has no relevant foreign exchange risk in the banking book.

Liquidity risk

In addition to the risk of not being able to hold a liability until maturity (liquidity risk in a narrower sense, call risk), this risk also includes the danger that the Bank will be unable to obtain sufficient liquidity because of unexpected conditions (refinancing risk). It also includes the risk that investors will not be able to liquidate or settle their positions because of a lack of market depth or possible slides or losses on the markets (market liquidity risk).

easybank’s business focuses traditionally on customer deposits, and the Bank has excellent liquidity. Most surplus deposits are invested with its group parent.

The liquidity cover ratio (LCR) and net stable funding ratio (NSFR) for *easybank* are calculated on a monthly basis in cooperation with BAWAG P.S.K. and reported to the supervisory authorities. Compliance for the LCR pursuant to Article 38 of the Commission Delegated Regulation from 10 October 2014 based on Article 460 CRR has been mandatory since 1 October 2015. The minimum requirement for 2016 was 70 %, increasing to 80 % for 2017 and subsequently to 100 % by 2018. The LCR calculation for *easybank* as of 31 December 2016 yields 351 % (2015: 108 %). As part of the operational liquidity management, the factors that are relevant for the calculation of the LCR are monitored on an ongoing basis. The results of this monitoring are analyzed, and appropriate measures are taken by *easybank’s* Managing Board if necessary. Mandatory introduction of the NSFR is scheduled for 2018.

easybank manages its liquidity risk by appropriately structuring the maturities of its receivables and payables and its interest rates and minimum commitment periods. Measures, methods, processes and responsibilities according to the national and European regulations are defined in the manual governing the liquidity planning and management process and in the liquidity contingency plan. Daily reports on all lending and deposit positions are prepared as part of the financial controlling to monitor the liquidity situation.

Operational risk

Operational risk covers potential losses arising from insufficient and/or failed systems, methods or processes as a result of intentional or accidental misconduct by employees or as a result of external influences. This definition includes legal risk to the extent that such incidents arise from operational causes as specified in this definition. It does not include strategic risk or business risk.

BAWAG P.S.K. Group – including *easybank* – continues to apply the Standardized Approach for the calculation of the regulatory own fund requirements according to Article 317 of Regulation (EU) No. 575/2013 to assess operational risk. However, the realized OpRisk losses over the last few years were significantly lower than the regulatory own funds requirements under the Standardized Approach.

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

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

A clear organizational structure and authorization levels form the basis of OpRisk governance. Additionally, a consistent guideline and a risk-adequate internal control system (including automated controls embedded in the IT infrastructure) are designed to allow the group to manage OpRisk.

Participation risk

Participation risk is the risk that an equity investment held by the Bank can lead to losses from provided equity capital, earnings transfer agreements or liability risks.

easybank owns BAWAG P.S.K. LEASING GmbH and easyleasing GmbH. The risk management for these two leasing companies is integrated into the risk organization of BAWAG P.S.K. Group. *easybank* exerts direct influence through delegated personnel at the senior management level of these companies.

easybank holds a 49 % share in easy green energy GmbH & Co KG, a joint venture in cooperation with the Austrian power utility Unsere Wasserkraft GmbH & Co KG. This company provides electricity and natural gas on the Austrian market. Compliance with *easybank's* risk principles is ensured through representatives in the company's executive boards and committees.

easybank also holds a share in the deposit insurance association and a 0.1 % share in BAWAG P.S.K. Datendienst Gesellschaft m.b.H.

Other risks

Other risks covers a wide range of different risks that cannot be assigned to one of the other categories above.

These include:

Business risk and strategic risk, in other words the risk of financial damage from decisions with a long-term effect made on the basis of assumptions that turn out to be incorrect and that have an effect on the development of individual business areas of *easybank* or on the development of *easybank* as a whole.

Sales risks refer to the danger arising from failure to meet sales targets (new business volume and/or margins) in customer business and the negative effects that this can have on the earnings of *easybank*.

Reputational risk is the danger of direct or indirect negative effects arising from damage to the Company's reputation and the associated opportunity costs, such as the loss of customers and higher refinancing costs.

Macroeconomic risks refer to the risks arising from disadvantageous changes in the development of the economies in which *easybank* does business.

HUMAN RESOURCES DEVELOPMENT

easybank's employees are required to be highly flexible in their working hours because of the Bank's focus on the customer's needs. The ever-increasing demands for improved quality of advice and communication methods also make it necessary for the employees to undergo regular training.

Characteristics such as reliability, initiative, and a sense of responsibility combined with the professional qualifications of each of our employees make our success possible.

easybank attaches considerable importance to ongoing employee training and offers a variety of different courses and workshops from IT training to project management and from soft skills development to workshops about self, stress and time management.

RESEARCH AND DEVELOPMENT

easybank's business activity is the provision of banking services. The provision of these services does not entail the research and development that is typical of manufacturing companies. However, to meet our customers' needs for full and easy digital banking services anytime, anywhere and from any devices involves development processes that require a high degree of creativity and drive. One concrete example of this is the easy app for smartphones and tablets, in which considerable development work is continuously invested to develop its security, design and functions.

BRANCHES

easybank operates as a direct bank without branches or staffed outlets in Austria. In December 2016, *easybank* notified the Austrian Financial Markets Authority in accordance with Article 35 of Directive 2013/36/EU of its intention to establish a branch in Düsseldorf, Germany, as the basis for *easybank's* international expansion.

OUTLOOK

easybank had a very successful year in 2016, with record earnings and strong customer growth.

While we continue to face a low-interest rate environment, a competitive banking landscape with new market entrants and increased regulatory requirements, we focus on the areas we can control and adapt to those we cannot. Even in this environment, we believe it is extremely attractive to be in retail digital banking and are well positioned to continue leading in this space.

In 2017, our focus will be on making our customers' lives easier, continuing to provide unique and innovative products and services, and expanding our reach both domestically and internationally.

Vienna, 23 February 2017

Sat Shah
Chief Executive Officer

Rainer Henke
Member of the Managing Board

Julian Blazar
Member of the Managing Board

Wolfgang Hanzl
Member of the Managing Board

Helmut Kaufmann
Member of the Managing Board

DEFINITIONS

Key performance indicator	Definition / Calculation
AGAAP equity	Equity attributable to the owners of the parent; excluding supplementary capital
Annual profit	Profit after tax before changes in reserves
Common Equity Tier 1 (CET1) capital	Based on CRR regulatory figures
Common Equity Tier 1 (CET1) ratio	Common Equity Tier 1 (CET1) capital / risk-weighted assets
Core revenues	The total of net interest income and net fee and commission income
Cost-income ratio	Operating expenses / operating income
Liquidity coverage ratio (LCR)	Liquid assets / net liquidity outflows (calculation according to CRR)
Net interest margin	Net interest income / average total assets
NPL ratio	Non-performing loans (NPLs) / loans and receivables
Operating income	The total of core revenues, income from equity interests, net profit from trading activities and other operating income
Return on equity	Annual profit / average AGAAP equity
Return on risk-weighted assets	Annual profit / average risk-weighted assets
Return on total assets	Annual profit / average total assets
Risk-weighted assets	Based on CRR regulatory figures
Risk costs / loans and receivables	Provisions and loan-loss provisions (total risk costs) / average loans and receivables, excluding effect of first time application of IBNR
Total capital	Based on CRR regulatory figures
Total capital ratio	Total capital / risk-weighted assets

Financial Statements

STATEMENT OF FINANCIAL POSITION

Total assets

	in EUR		in EUR thousand	
	31/12/2016		31/12/2015	
1. Cash on hand, balances with central banks		**145,828,003**		**113,650**
2. Treasury bills and other bills eligible for refinancing with central banks		**16,242**		**10**
3. Loans and advances to credit institutions		**2,864,190,996**		**2,562,906**
a) Repayable on demand	285,521,352		144,202	
b) Other loans and advances	2,578,669,644		2,418,703	
4. Loans and advances to customers		**982,026,717**		**621,394**
5. Participating interests		**145,622**		**146**
6. Shares in affiliated undertakings		**29,136,000**		**29,071**
7. Intangible fixed assets		**3,051,269**		**2,417**
8. Tangible assets		**3,552,272**		**3,837**
9. Other assets		**17,758,351**		**1,395**
10. Prepayments and accrued income		**500,473**		**636**
11. Deferred tax assets		**874,746**		**0**
Total assets		**4,047,080,691**		**3,335,461**
Off-balance sheet items				
1. Foreign assets		**10,430,672**		**24,931**

Liabilities and equity

	in EUR		in EUR thousand	
	31/12/2016		31/12/2015	
1. Liabilities to credit institutions		**6,195,523**		**6,251**
a) Repayable on demand	270,520		110	
b) With agreed maturity dates or periods of notice	5,925,003		6,141	
2. Liabilities to customers		**3,895,382,679**		**3,209,246**
a) Other liabilities				
aa) Repayable on demand	3,765,983,330		3,080,663	
bb) With agreed maturity dates or periods of notice	129,399,348		128,583	
3. Other liabilities		**7,766,680**		**5,768**
4. Accruals and deferred income		**1,066,743**		**1,003**
5. Provisions		**3,847,245**		**2,174**
a) Provisions for severance payments	865,616		779	
b) Provisions for pensions	52,358		70	
c) Other provisions	2,929,271		1,325	
5a Fund for general banking risks		**8,500,000**		**8,500**
6. Supplementary capital		**7,026,728**		**7,027**
7. Subscribed capital		**25,000,000**		**25,000**
8. Capital reserves		**29,392,295**		**29,392**
a) Committed	356,295		356	
b) Uncommitted	29,036,000		29,036	
9. Retained earnings		**8,343,705**		**8,344**
a) Statutory reserves	2,143,705		2,144	
b) Other reserves	6,200,000		6,200	
10. Liability reserve pursuant to Article 57 (5) BWG		**3,590,000**		**3,590**
11. Net profit for the year		**50,969,093**		**29,166**
Total liabilities and equity		**4,047,080,691**		**3,335,461**

	in EUR		in EUR thousand	
	31/12/2016		31/12/2015	
Off-balance sheet items				
1. Contingent liabilities		**1,645,677**		**15,463**
Thereof: guarantees and assets pledged as collateral security	1,645,677		15,463	
2. Credit risks		**835,096,464**		**847,129**
3. Commitments arising from agency services		**648,333**		**478**
4. Eligible own funds pursuant to Part Two Regulation (EU) No. 575/2013 (CRR)		**75,578,290**		**71,724**
Thereof: Supplementary capital	6,575		4,663	
5. Required own funds pursuant to Article 92 Regulation (EU) No. 575/2013 (CRR)		**371,878,941**		**369,949**
Achieved capital ratios				
pursuant to Article 92 (1) lit a	18.6%		18.1%	
pursuant to Article 92 (1) lit b	18.6%		18.1%	
pursuant to Article 92 (1) lit c	20.3%		19.4%	
6. Foreign liabilities		**46,995,255**		**45,011**

INCOME STATEMENT

	in EUR		in EUR thousand	
	2016		2015	
1. Interest and similar income		66,184,402		59,924
thereof: from fixed-income securities	253		0	
2. Interest and similar expenses		(15,748,397)		(16,377)
I. Net interest income		**50,436,005**		**43,547**
3. Income from securities and participating interest		15,814,056		51
4. Fee and commission income		14,145,834		14,705
5. Fee and commission expenses		(7,344,151)		(6,609)
6. Net profit on financial operations		50,608		74
7. Other operating income		172,714		526
II. Operating income		**73,275,064**		**52,294**
8. General administrative expenses		(17,398,150)		(17,448)
a) Staff costs	(6,489,103)		(6,961)	
aa) Wages and salaries	(4,861,687)		(5,442)	
bb) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	(1,223,475)		(1,240)	
cc) Other social expenses	(33,407)		(7)	
dd) Expenses for pensions and assistance	(103,848)		(100)	
ee) Allocation to the provision for pensions	(305)		(7)	
ff) Expenses for severance payments and contributions to severance and retirement funds	(266,380)		(164)	
b) Other administrative expenses	(10,909,048)		(10,487)	
9. Depreciation on assets in items 7 and 8		(1,771,222)		(1,659)
10. Other operating expenses		(209,235)		
III. Operating expenses		**(19,378,608)**		**(19,107)**
IV. Operating profit		**53,896,456**		**33,187**
11. Balance of impairment provisions on receivables and allocation to provisions for contingent liabilities and for commitments and income from their release		(3,575,309)		(1,161)
V. Profit on ordinary activities		**50,321,147**		**32,026**
12. Taxes on profit or loss		867,576		(1,249)
13. Other taxes		(386,204)		
VI. Annual profit or loss for the year		**50,802,520**		**30,778**
14. Changes in reserves		0		(1,640)
a) Retained earnings (statutory)	0		0	
b) Retained earnings (other reserves)	0		(150)	
c) Liability reserve	0		(1,490)	
VII. Profit for the year		**50,802,520**		**29,138**
15. Profit brought forward from previous year		166,573		29
VIII. Net profit or loss for the year		**50,969,093**		**29,167**

SCHEDULE OF CHANGES IN FIXED ASSETS

Changes in fixed assets pursuant to section 226 (1) UGB

	Cost of purchase or conversion				Write-downs (-) / write-ups (+) and impairment losses[1)]		Carrying values	
in EUR	As of 1/1/2016	Additions 2016	Disposals 2016	As of 31/12/2016	Cumulative	2016	As of 31/12/2016	As of 31/12/2015
Debt instruments from public issuers	9,769	6,255	0	16,023	0	0	16,023	9,769
Participations items	145,622	0	0	145,622	0	0	145,622	145,622
Shares in affiliated companies	29,071,000	65,000	0	29,136,000	0	0	29,136,000	29,071,000
Intangible assets	5,579,501	1,884,956	0	7,464,457	(4,413,188)	(1,250,943)	3,051,269	2,417,255
Tangible non-current assets	4,515,531	236,628	3,549	4,748,609	(1,196,338)	(517,644)	3,552,272	3,836,838
Total	**39,321,423**	**2,192,838**	**3,549**	**41,510,712**	**(5,609,526)**	**(1,771,222)**	**35,901,186**	**35,480,484**

1) Including amortization of low-value assets in the amount of EUR 2,635.20.

NOTES

RECOGNITION AND MEASUREMENT PRINCIPLES

The annual financial statements were prepared in accordance with the provisions of the Uniform Commercial Code (UGB) and the relevant provisions of the Austrian Banking Act (BWG) that were in force on the balance sheet date and in accordance with the forms specified in Annex 2 to section 43 BWG. The principles used in the preparation of the balance sheet correspond to standard bank practice and have not changed. All information pertaining to the BWG is based on the version in effect as of 31 December 2016.

The Company is a member of the consolidated group headed by Promontoria Sacher Holding N.V., which is domiciled in Baarn in the Netherlands. Promontoria Sacher Holding N.V. is the most senior parent company for which BAWAG P.S.K. as the primary credit institution according to the provisions of section 59 BWG prepares consolidated financial statements. The consolidated financial statements of Promontoria Sacher Holding N.V. are prepared according to the International Financial Reporting Standards (IFRS) under the provisions of section 59a BWG and are available at the BAWAG P.S.K.'s headquarter in Vienna. BAWAG P.S.K. prepares consolidated financial statements according to the International Financial Reporting Standards (IFRS) pursuant to the provisions of section 59a BWG. These annual financial statements are published on the Internet (www.bawagpsk.com/BAWAGPSK/IR/EN/Financial-Results) and are available at BAWAG P.S.K's headquarter in Vienna.

The annual financial statements were prepared according to generally accepted accounting principles and provide a true and fair view of the Company's financial and earnings position. The values of the assets were measured individually under a going concern assumption. The principle of prudence was applied, taking account of the specific characteristics of the banking business.

Loans and advances to credit institutions and customers are generally recognized using the nominal value of the receivable item. In the case of identifiable default risks, impairment provisions are formed for each individual risk item. Loan loss reserves for incurred but not reported losses were set up on the basis of the expected losses of the receivables in accordance with the provisions of the 2014 Financial Reporting Amendment Act (Rechnungslegungsänderungsgesetz; RÄG 2014).

Securities held for purposes of ongoing business are classified as financial investments and recognized as such on the balance sheet. If the acquisition cost is higher than the redemption amount, the difference is written down on a pro rata basis pursuant to section 56 (2) BWG. If the acquisition cost is lower than the redemption amount, the difference is written up on a pro rata basis pursuant to section 56 (3) BWG. All other securities, especially those that can serve as a liquidity reserve, are valued at the lower of cost or market. A securities trading book is not maintained.

Participating interests and shares in group companies are valued at cost. Corresponding write-downs are made when non-temporary impairments are determined. When the reasons for non-temporary impairment no longer apply, the asset is written up to no more than its cost of acquisition.

Intangible and tangible fixed assets are recognized at cost less scheduled straight-line amortization. The amortization rate for intangible assets is between 20 and 33.3 %. The amortization rate for tangible assets is between 10 and 33.3 %. Acquisitions in the first half of the year are written down using the full annual rate, acquisitions made in the second half of the year are written down using half the annual rate. Low-value assets with an individual purchase cost of EUR 400 or less are written down in full in their year of acquisition. If circumstances change, the useful economic life is adjusted based on the reassessment of the remaining useful economic life.

Liabilities are valued at their repayment amount in accordance with the principle of prudence.

Provisions for severance payments were calculated on 31 December 2016 using discounted methods (interest rate of 3.25 % (2015: 1.9 %), entry age normal method) in accordance with expert opinion KFS RL 2 of the Board of Experts in the Austrian Chamber of Public Accountants (Fachsenat für Unternehmensrecht und Revision) applying a fluctuation discount of 3 % (2015: 3 %).

Provisions for jubilee benefits were calculated according to the entry age normal method with an interest rate of 3.25 % (2015: 1.9 %) and a fluctuation discount of 3 % (2015: 3 %).

The provisions for pensions were calculated using actuarial methods (entry age normal method, AVÖ 2008 P-Angestellte actuarial tables) using an interest rate of 3.25 % (2015: 1.9 %).

The other provisions were formed in accordance with the expected obligations. They take into account all recognizable risks and obligations, including those that have not yet been valued.

Deferred tax assets/liabilities were recognized for the first time in 2016 with their expected tax reduction/increasing effect following the first time application of the respective provisions of the RÄG 2014.

Receivables and liabilities in foreign currencies are translated at the middle exchange rate on the balance sheet date.

The reporting currency is the Euro. Unless indicated otherwise, all figures are shown rounded in thousands of euros. The following tables may contain rounding differences.

Calculation of fair value of Financial Derivatives

The total value of an interest rate swap is the sum of the present values of its fixed and variable-rate legs. *easybank* concluded interest rate swaps exclusively with BAWAG P.S.K. AG to steer its interest rate risk.

NOTES AND ADDITIONAL INFORMATION

Asset and liability items in foreign currencies (pursuant to section 64 para. 1 item 2 BWG)

in EUR thousand	**31/12/2016**	31/12/2015
Assets	5,962	6,224
Liabilities	5,925	6,141

Sub-items pursuant to section 45 BWG

in EUR thousand	**31/12/2016**	31/12/2015
Asset 3: Loans and advances to credit institutions		
- From group companies	2,864,191	2,562,906
Asset 4: Loans and advances to customers		
- From group companies	690,135	342,871
Liability 1: Liabilities to credit institutions		
- From group companies	6,170	6,204
Liability 2: Liabilities to customers		
- From group companies	3,138	1,030
Liability 3: Other liabilities		
- From group companies	2,098	1,496

The increase in loans and advances to customers is due to the financing of leasing subsidiaries.

All securities are valued in the same manner as non-current assets pursuant to section 56 (1) BWG. easybank AG does not maintain a securities trading book.

Maturity breakdown

The loans and advances to credit institutions and non-credit institutions with agreed maturity dates or periods of notice can be broken down as follows:

in EUR thousand	31/12/2016	31/12/2015
Up to 3 months	174,643	244,881
More than 3 months to 1 year	715,618	360,189
More than 1 year to 5 years	1,507,421	1,483,248
More than 5 years	1,050,510	915,197
Total	**3,448,192**	**3,003,515**

The maturities of the amounts owed to credit institutions and non-credit institutions not payable on demand can be broken down as follows:

in EUR thousand	31/12/2016	31/12/2015
Up to 3 months	13,429	17,926
More than 3 months to 1 year	25,317	22,653
More than 1 year to 5 years	86,419	79,991
More than 5 years	13,183	13,525
Total	**138,348**	**134,095**

Information on asset item 9 – Other assets

in EUR thousand	31/12/2016	31/12/2015
Receivables from payroll accounting	454	238
Receivables from credit card services	965	1,022
Receivables from input tax	49	40
Receivables from subsidiaries	15,917	0
Other receivables	373	95
Total	**17,758**	**1,395**

The receivables from subsidiaries include a dividend from BAWAG P.S.K. LEASING in the amount of EUR 15,500 thousand. All other assets have a maturity of less than one year.

Information on liabilities item 3 – Other liabilities

in EUR thousand	31/12/2016	31/12/2015
Payables taxes	1,335	1,023
Other liabilities	573	239
Intragroup liabilities	2,098	1,496
ATM settlement	3,761	3,010
Total	**7,767**	**5,768**

Of the amounts (expenses) in the table above, EUR 7,767 thousand (2015: EUR 5,768 thousand) will come due after the balance sheet date.

Information concerning related parties pursuant to section 237 item 8b UGB

Financing agreements with group companies and equity investments are concluded at standard market terms as of the time of the transaction. There are no profit or loss transfer agreements with subsidiaries in place.

Information on equity investments pursuant to section 238 (2) UGB

in EUR thousand	Company headquarter	General partner	Equity 31.12.2016	Nominal capital	Share in equity	Profit for the year 2016	Carrying amount 31/12/2016
BAWAG P.S.K. LEASING GmbH	1100 Vienna, Quellenstraße 51-55		26,217	100	100%	19,110	29,136
easy green energy GmbH	1100 Vienna, Quellenstraße 51-55		46	35	49%	5	38
easy green energy GmbH& Co KG	1100 Vienna, Quellenstraße 51-55	easy green energy GmbH	1,042	100	49%	942	107

Provisions

Other provisions not reported separately on the balance sheet have been formed primarily for staff, tax audit, restructuring and loan loss provisions for off-balance exposures.

The contingent liabilities from the granting of credit by way of bank guarantee and unused lines of credit were as follows on the balance sheet date:

in EUR thousand	31/12/2016	31/12/2015
Contingent liabilities	1,646	15,463
Unused lines of credit	835,096	847,129

Contingent liabilities result primarily from bank guarantees in the context of floor plan financing transactions for car dealers.

Unused lines of credit include credit lines for corporate and retail customers which were not utilized at the balance sheet date. These unused credit lines consist mainly of credit card limits. Deferred tax assets amounted to EUR 875 thousand (2015: EUR 0) and are primarily related to IBNR (EUR 724 thousand), social capital provisions (EUR 97 thousand) and other provisions, which are not tax deductible (EUR 54 thousand). The applied tax rate is 25 %.

Own funds

The share capital amounts to EUR 25,000,000 and is divided into 175,000 shares.

The supplementary capital in the amount of EUR 7,026,728.34 was issued in the form of three commercial obligation certificates. One commercial obligation certificate in the amount of EUR 2,300,000 and another in the amount of EUR 4,000,000 are linked to the 12-month Euribor with a premium. The remaining supplementary capital in the amount of EUR 726,728.34 has a fixed annual interest rate of 6 %.

The term of the supplementary capital ends on 1 January 2022. The supplementary capital is compliant with the requirements of Article 63 CRR for full eligibility in 2016.

The interest expenses for the supplementary capital in financial year 2016 amounted to EUR 149 thousand (2015: EUR 136 thousand).

The other retained earnings remained unchanged during the reporting period and total EUR 6,200,000.

The liability reserve pursuant to section 57 (5) BWG remained unchanged and totals EUR 3,590,000.

The statutory reserve remained unchanged compared with the prior year and amounts to EUR 2,143,704.72. The fund for general banking risks also remained unchanged compared with the previous year and totals EUR 8,500,000.

Breakdown of core and supplementary capital components:

in EUR thousand	31/12/2016	31/12/2015
Fund for general banking risks	8,500	8,500
Subscribed capital	25,000	25,000
Capital reserves	29,392	29,392
Retained earnings	8,344	8,344
Liability reserve pursuant to section 57 (5) BWG	3,590	3,590
Net profit less approved dividend distribution	2,969	167
Common Equity Tier 1 capital	**77,795**	**74,993**
- Book value of intangible assets	(3,051)	(2,417)
- Shortfall IRB risk provisions (for non-default portfolio) pursuant to Article 36 (1) lit. d CRR	(5,741)	(5,514)
Common Equity Tier 1 capital after deductions	**69,003**	**67,061**
Supplementary capital	7,027	7,027
- Shortfall IRB risk provisions (for non-defaulted portfolio) pursuant to Article 36 (1) lit. d CRR	(1,435)	(2,363)
+ Excess IRB risk provisions (for defaulted portfolio) pursuant to Article 62 lit. d CRR	983	0
Supplementary capital (total Tier II)	**6,575**	**4,664**
Eligible own funds	**75,578**	**71,724**

Own funds as of 31 December 2016 differ from those as of 31 December 2015 inter alia because of different CRR transitional rules for 2016 and 2015 for the eligibility of capital and deductions from own funds.

Comparison of these own funds pursuant to transitional provisions of CRR with the capital requirements:

in EUR thousand	31/12/2016	31/12/2015
Credit risk	304,117	318,262
Operational risk	66,662	51,687
Other items	1,100	0
Capital requirement	**371,879**	**369,949**

The return on total assets (ratio of annual surplus after taxes to total assets) amounted to 1.38 % (2015: 0.98 %) as of the balance sheet date.

As of 31 December 2016, the core capital ratio amounted to 18.6 % and the own funds ratio to 20.3 %.

Further Information on the balance sheet and income statement

Interest income and fee and commission income are generated exclusively domestically.

Other operating income consists primarily of income from tax refunds and the release of provisions.

in EUR thousand	31/12/2016	31/12/2015
Release of provisions	110	300
Other income	63	226
Other operating income	**173**	**526**

Changes in social capital provisions are included in staff costs whereas changes in other provisions are included in other operating income and other operating expenses, respectively.

Obligations arising from the use of tangible fixed assets not recognized on the balance sheet will amount to EUR 1,763 thousand in 2017 (previous year: EUR 2,100 thousand); the expected amount in the five years following the reporting period is EUR 6,688 thousand (previous year: EUR 7,133 thousand).

Trustee transactions on the assets side that are eligible for segregation represented a total volume of EUR 648 thousand as of the balance sheet date (2015: EUR 478 thousand).

The Bank is also an obligatory member of the deposit insurance association Einlagensicherung der Banken und Bankiers GmbH. Contributions to the deposit guarantee scheme, which are dependent on the amount of covered deposits adjusted by regulatory key figures, amounted to EUR 2,408 thousand in 2016. At the end of the contribution period in 2024 the deposit guarantee fund shall have an amount covered equal to 0.8 % of all covered deposits.

Contributions to the Single Resolution Fund (SRF) amounted to EUR 50 thousand, which represents a lump-sum payment. The SRF was originated in the course of the financial crisis to make the banking environment more resilient and to make sure, that governments respectively tax payers do not have to bail out banking institutions in the future. The contributions to the SRF are based on the balance sheet sum less covered deposits adjusted by specific risk parameters.

With the entry into force of the 2014 Financial Reporting Amendment Act (Rechnungslegungsänderungsgesetz 2014; RÄG 2014) institutions are committed to set up loan loss reserves on performing loans as to be better prepared when a customer defaults. A form of estimating recognizable credit risks is based on the so-called IBNR (incurred but not reported losses). The losses incurred during the financial year from statistically discernible credit risks, which however, are not attributable to specific individual cases are recognized as general provision. The total expenses in conjunction with these general loan loss reserves amounted to EUR 2,896 thousand in 2016.

On 1 January 2010, a new taxable group was formed pursuant to section 9 KStG; this group is headed by BAWAG Holding GmbH and includes easybank AG, among other entities. A tax allocation agreement was concluded. The allocation method was chosen for determining the tax allocations. This method is based on the tax result of the group as a whole. The payable tax is allocated to each group member with a positive tax result on the basis of its proportionate share of the group's tax result. In this, an internal loss carryforward is taken into account for tax losses allocated to the group parent. If the group parent is required to pay a minimum corporate income tax amount, this group parent is entitled to allocate this minimum corporate income tax to each of the group members in accordance with the portion of this tax incurred by each entity.

A settlement agreement for the intragroup and tax allocation agreement was concluded between the group parent and the individual members of the tax group in the reporting period. This agreement specifies an interim settlement of the tax allocations for the financial years 2010 to 2014, with all tax allocations in these financial years being considered as settled. easybank AG's tax expenses from this interim settlement amount to EUR 0 thousand in 2016 (2015: EUR 1,249 thousand).

No profit transfer agreements with the parent company were in force in the reporting period.

Pursuant to section 237 item 14 UGB, expenses for the financial auditor in the period are presented in the consolidated financial statements.

Information on staff, boards, and officers: As of 31 December 2016, the Bank had 99 employees (2015: 106 employees); the average number of employees for the year was 103 (2015: 106).

Expenses for remuneration paid to active members of the Managing Board during the financial year 2016 added up to EUR 421 thousand (2015: EUR 788 thousand). Expenses for remuneration paid to former members of the Managing Board during the financial year 2016 added up to EUR 322 thousand (2015: EUR 0 thousand).The members of the Supervisory Board were not remunerated for their services in 2016.

Expenses for severance pay and post-employment benefits for the active members of the Managing Board came to EUR 95 thousand (2015: EUR 132 thousand). Expenses for severance pay and post-employment benefits for the former members of the Managing Board came to EUR 63 thousand (2015: EUR 0 thousand).

Contributions to staff benefit funds for financial year 2016 amounted to EUR 43 thousand (2015: EUR 42 thousand).

Expenses for severance pay and post-employment benefits totaled EUR 328 thousand (2015: EUR 229 thousand).

Information on Financial Derivatives and Hedging Transactions

Macro hedge information

easybank accounts for a macro hedge as defined by the FMA circular “derivatives used for interest rate risk management”, which came into force on 31 December 2013. The net fair values of the employed derivatives amounted to EUR 209 thousand (2015: EUR 0 thousand) as of the reporting date. Thereof, the Bank recognized market values of the derivatives for the above underlying transactions on the asset side came to EUR 1 thousand (2015: EUR 0 thousand).

easybank uses interest rate derivatives to set up a macro hedge for the interest rate risks of the banking book as a whole. The actual effectiveness is measured using the dollar offset method. If these interest management derivatives have a negative fair value, they are compared with the interest-rate-related value increases in the underlying transactions. If this comparison yields a negative result, a provision is set up for imminent losses from pending contracts; positive fair values are not taken into account.

The following table shows the total of the negative and positive fair values of the derivatives used for interest rate hedging purposes in EUR thousand:

in EUR thousand	Pos. FV	Neg. FV	**2016**	2015	Change
EUR	245	36	209	0	209
Total	**245**	**36**	**209**	**0**	**209**

On 31 December 2016, the designated volume of interest rate hedges came to EUR 115 million (2015: EUR 0 million).

in EUR million	2016	2015	Change
Nominal value of designated derivatives in the macro hedge	115	0	115

The macro hedge does not cover non-interest-bearing transactions or the associated hedges. Interest risk management and hedge adjustment are completed on a continuous basis by means of individual offsetting and in any case every month on the basis of the interest rate risk reports to ensure the current and future effectiveness on the interest rate hedges.

Events after the Reporting Date

No material events occurred after the reporting date.

Proposal for appropriation of net income

The Managing Board will propose to the Supervisory Board to distribute a dividend in the amount of EUR 48,000 thousand to its parent company BAWAG P.S.K. Furthermore, the Managing Board will propose in the Annual General Meeting that the remaining balance of the net profit for the year, which is already included in the own funds, will be retained.

Vienna, 23 February 2017

Sat Shah
Chief Executive Officer

Rainer Henke
Member of the Managing Board

Julian Blazar
Member of the Managing Board

Wolfgang Hanzl
Member of the Managing Board

Helmut Kaufmann
Member of the Managing Board

BOARDS AND OFFICERS OF EASYBANK AG

The executive bodies of the Company are the Managing Board, the Supervisory Board, and the Annual General Meeting. The Company is represented by two members of the Managing Board together, or by one member of the Managing Board together with a proxy holder.

MANAGING BOARD

Sat SHAH
CEO (since 24.05.2016)

Rainer HENKE
CFO (since 07.04.2015)

Julian BLAZAR
CGO (since 20.08.2016)

Wolfgang HANZL
COO (since 05.08.2016)

Helmut KAUFMANN
CRO (since 05.08.2016)

Sonja SARKÖZI
(from 01.01.2001 until 12.07.2016)

Robert CERWINKA
(from 19.05.2003 until 20.08.2016)

SUPERVISORY BOARD

Byron HAYNES
Chairman (since 09.01.2010)

Wolfgang KLEIN
Deputy Chairman (from 01.02.2011 until 20.02.2016)

Anas ABUZAAKOUK
Deputy Chairman (since 25.06.2014)

David O'LEARY
(since 20.02.2016)

Sonja SARKÖZI

(from 12.07.2016 until 28.01.2017)

Doris BUTUCI
Works Council delegate (from 29.08.2013 until 26.08.2016)

Stefan SCHAFFER
Works Council delegate (since 03.01.2009)

Helmut HOLZHEU
Works Council delegate (since 20.08.2016)

Audit Committee

Wolfgang KLEIN
Chairman (until 20.02.2016)

Byron HAYNES
Chairman

Anas ABUZAAKOUK
Deputy Chairman

Doris BUTUCI
Works Council delegate (until 26.08.2016)

Stefan SCHAFFER
Works Council delegate

Remuneration Committee

Byron HAYNES
Chairman

Anas ABUZAAKOUK
Deputy Chairman

Stefan SCHAFFER
Works Council delegate

Doris BUTUCI
Works Council delegate (until 26.08.2016)

Nomination Committee

Byron HAYNES
Chairman

Anas ABUZAAKOUK
Deputy Chairman

Stefan SCHAFFER
Works Council delegate

Doris BUTUCI
Works Council delegate (until 26.08.2016)

Risk Committee

Byron HAYNES
Chairman

Anas ABUZAAKOUK
Deputy Chairman

Stefan SCHAFFER
Works Council delegate

Doris BUTUCI
Works Council delegate (until 26.08.2016)

State Commissioner

Christa LATTNER

Deputy State Commissioner

Robert SCHRÖCKER

AUDITOR'S REPORT

REPORT ON THE FINANCIAL STATEMENTS

Audit Opinion

We have audited the financial statements of **easybank AG, Vienna, Austria** which comprise the statement of financial position as of 31 December 2016, the income statement for the year then ended, and the notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2016, and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accouting Principles and other legal or regulatory requirements.

Basis for our Audit Opinion

We conducted our audit in accordance Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of our report. We are independent of the Company within the meaning of Austrian commercial law and professional regulations, and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility and Responsibility of the Audit Committee for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Company's ability to continue as a going concern, and, where appropriate, to disclose matters that are relevant to the Company's ability to continue as a going concern and to apply the going concern assumption in its financial reporting, except in circumstances in which liquidation of the Company or closure of operations is planned or cases in which such measures appear unavoidable.

The audit committee is responsible for the oversight of the financial reporting process of the Company.

Auditors' Responsibility

Our aim is to obtain reasonable assurance about whether the financial statements taken as a whole, are free of material – intentional or unintentional – misstatements and to issue an audit report containing our audit opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if they could, individually or as a whole, be expected to influence the economic decisions of users based on the financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, we exercise professional judgment and retain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements – intentional or unintentional – in the financial statements, we plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or override of internal control.

- We consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.

- We conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In case we conclude that there is a material uncertainty about the entity's ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, in case such disclosures are not appropriate, to modify our audit opinion. We conclude based on the audit evidence obtained until the date of our audit report. Future events or conditions however may result in the Company departing from the going concern assumption.

- We assess the overall presentation, structure and content of the financial statements including the notes as well as whether the financial statements give a true and fair view of the underlying business transactions and events.

- We communicate to the audit committee the scope and timing of our audit as well as significant findings including significant deficiencies in internal control that we identify in the course of our audit.

REPORT ON OTHER LEGAL REQUIREMENTS

Management Report

In accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements the management report is to be audited as to whether it is consistent with the financial statements and as to whether it has been prepared in accordance with legal requirements.

The legal representatives of the Company are responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles.

We have conducted our audit in accordance with generally accepted standards on the audit of management reports as applied in Austria.

Opinion

In our opinion, the management report has been prepared in accordance with legal requirements and is consistent with the financial statements.

Statement

Based on our knowledge gained in the course of the audit of the financial statements and the understanding of the Company and its environment, we did not note any material misstatements in the management report.

Other Information

The legal representatives of the Company are responsible for the other information. Other information comprises all information provided in the annual report, with the exception of the financial statements, the management report, and the auditor's report thereon.

Our opinion on the financial statements does not cover other information, and we will not provide any assurance on it.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether it contains any material inconsistencies with the financial statements and our knowledge gained during our audit, or any apparent material misstatement of fact. If on the basis of our work performed, we conclude that there is a material misstatement of fact in the other information, we must report that fact. We have nothing to report with this regard.

Vienna, 23 February 2017

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by
Bernhard Mechtler
Wirtschaftsprüfer
(Austrian Chartered Accountant)

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