



CORPORATE GOVERNANCE REPORT

2013

| | | |
|-----------|---|--|
| 4 | PREFACE BY THE CHAIRPERSON OF THE MANAGING BOARD | |
| 5 | 1. MANDATORY INFORMATION IN THE CORPORATE GOVERNANCE REPORT | |
| 5 | 1.1. BAWAG P.S.K.'s Declaration of Commitment | |
| 5 | 1.2. Corporate Governance Structure | |
| 6 | 2. MANAGING BOARD | |
| 6 | 2.1. Composition | |
| 6 | 2.1.1. Managing Board Members | |
| 7 | 2.1.2. Allocation of Responsibilities on the Managing Board | |
| 8 | 2.1.3. Supervisory Board Mandates and Comparable Functions | |
| 8 | 2.1.4. Managing Board Committees | |
| 9 | 3. SUPERVISORY BOARD | |
| 9 | 3.1. Composition of the Supervisory Board | |
| 9 | 3.1.1. Supervisory Board Members | |
| 10 | 3.1.2. Limitations on Changing from the Managing Board to the Supervisory Board | |
| 10 | 3.1.3. Independence of Supervisory Board Members | |
| 11 | 3.1.4. Independent Members at Companies with Shares in Free Float | |
| 11 | 3.1.5. Supervisory Board Mandates and Comparable Functions at Listed Companies | |
| 11 | 3.1.6. Supervisory Board Activity Report | |
| 12 | 3.1.7. Supervisory Board Committees | |
| 15 | 3.1.8. Presence of Supervisory Board Members at Meetings | |
| 15 | 3.1.9. Contracts Requiring Approval | |
| 16 | 4. INFORMATION ABOUT THE REMUNERATION OF THE MANAGING BOARD AND SUPERVISORY BOARD | |
| 17 | 5. PRINCIPLE OF ONE SHARE – ONE VOTE | |
| 18 | 6. REFINEMENT OF THE DIVERSITY RULES | |
| 19 | 7. MEASURES TAKEN TO PROMOTE WOMEN ON THE MANAGING BOARD, ON THE SUPERVISORY BOARD AND IN MANAGEMENT POSITIONS | |
| 20 | 8. FIGHTING CORRUPTION | |
| 21 | 9. ACCOUNTING AND COOPERATION BETWEEN THE SUPERVISORY BOARD AND THE EXTERNAL AUDITOR | |
| 22 | 10. REPORT ABOUT THE EXTERNAL EVALUATION | |
| 24 | 11. CONTACT INFORMATION | |

PREFACE BY THE CHAIRPERSON OF THE MANAGING BOARD

Dear Ladies and Gentlemen,

BAWAG P.S.K. has prepared its Corporate Governance Report for the fifth year in a row.

In 2006, BAWAG P.S.K. made a voluntary commitment to apply the Austrian Code of Corporate Governance ("Code", <http://www.corporate-governance.at/>). The Code is mainly geared towards listed companies. It contains rules based on compulsory legal requirements (L rules); rules that should be complied with, where deviations must be explained and justified in order for the company's conduct to conform with the Code (C rules, comply or explain); and rules that are recommendations, where non-compliance must not be disclosed or justified (R rules). In addition, there are certain legal provisions that only apply to companies that are listed on the Austrian stock exchange. For non-listed companies, these are to be interpreted as C rules.

This Corporate Governance Report on BAWAG P.S.K. was prepared in accordance with Annex 2 of the Code.

Compliance with the Code is verified in an external evaluation performed by Deloitte Audit Wirtschaftsprüfungs GmbH and by Fellner, Wratzfeld & Partner Rechtsanwälte

GmbH (regarding questions relating to the auditor). The evaluation is performed using the questionnaire prepared by the Austrian Working Group for Corporate Governance.

The majority of the rules were observed in the financial year 2013 to the extent that they were included in BAWAG P.S.K.'s declaration of commitment. Individual exceptions are due to the Bank's closed shareholder structure and are explained in accordance with the comply or explain principle.

Through this voluntary self-regulatory measure, BAWAG P.S.K. aims to further strengthen the confidence of its customers and its employees.

Sincerely,
Byron Haynes



1. MANDATORY INFORMATION IN THE CORPORATE GOVERNANCE REPORT

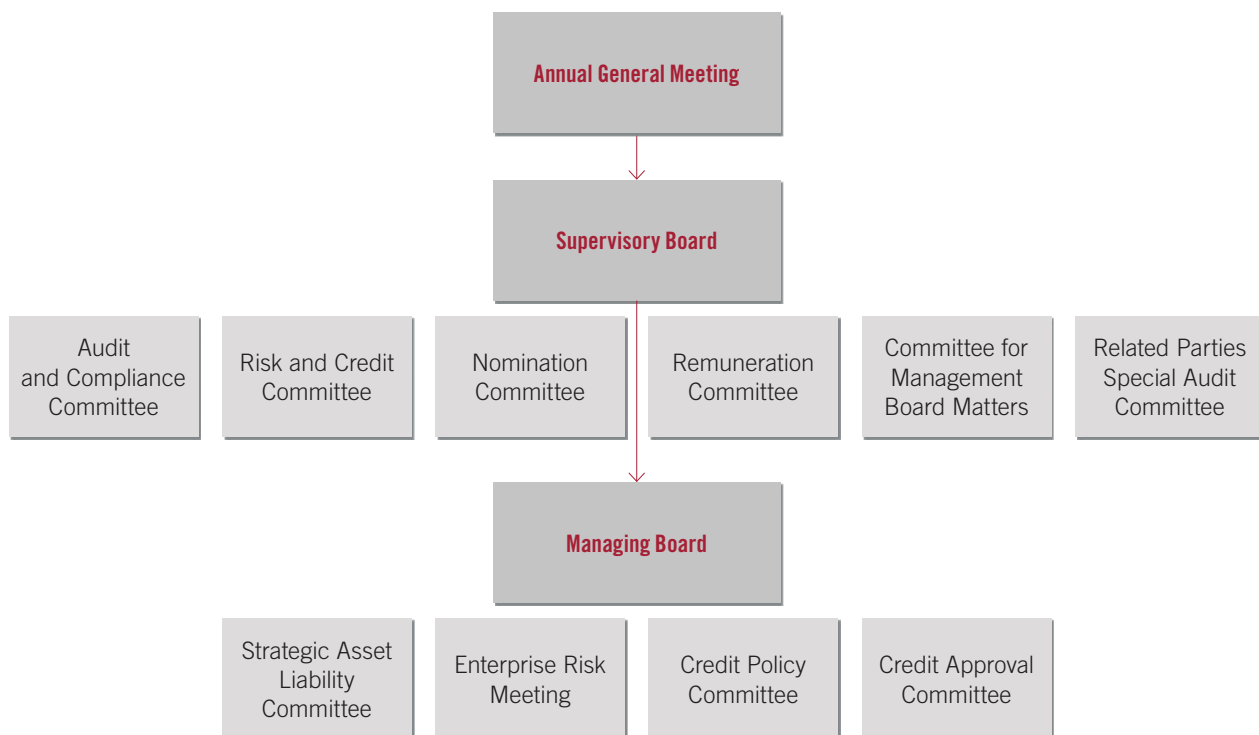
1.1. BAWAG P.S.K.'S DECLARATION OF COMMITMENT

Although BAWAG P.S.K. shares are not listed on a stock exchange, the Bank's Managing Board and Supervisory Board have decided to adopt and adhere to the rules contained in the Austrian Code of Corporate Governance (as amended).

BAWAG P.S.K.'s declaration of commitment can be viewed on the Bank's web site (www.bawagpsk.com) under "About us"/"Our bank" or "Investor relations". This declaration shows all deviations from the Austrian Code of Corporate Governance (www.corporate-governance.at), along with explanations as to why these deviations occurred.

1.2. CORPORATE GOVERNANCE STRUCTURE

The corporate governance structure of BAWAG P.S.K. is as follows:



2. MANAGING BOARD

2.1. COMPOSITION

C16

2.1.1. Managing Board Members

As of 1 January 2014, the Bank's Managing Board was composed of the following five members:



Corey PINKSTON

Corporate Lending and Investments / Treasury Services and Markets

Wolfgang KLEIN

Deputy Chairperson / Retail Banking & Small Business

Byron HAYNES

Chairperson of the Managing Board and CEO

Anas ABUZAAKOUK

Chief Financial Officer

Jochen KLÖPPER

Chief Risk Officer

Byron Haynes is the Chairperson of the Managing Board. Wolfgang Klein, Managing Board member responsible for Retail Banking and Small Business since November 2010, was appointed as Deputy Chairperson of the Managing Board as of 1 January 2013. The Supervisory Board appointed Corey Pinkston, Head of Strategy and Economics at BAWAG P.S.K., as the Managing Board member responsible for the now renamed Corporate Lending and Investments as well as Treasury Services and Markets segments effective 1 January 2013. The duties of the Chief

Operating Officer were assumed according to their responsibilities by Wolfgang Klein and Corey Pinkston. Chief Financial Officer Andreas Arndt resigned from the Managing Board as of 31 December 2013. He had been responsible for the financial areas of BAWAG P.S.K. since October 2010. In December 2013, the Supervisory Board appointed Anas Abuzaakouk, Head of Restructuring and Strategy at BAWAG P.S.K., as Chief Financial Officer effective 1 January 2014.

MANAGING BOARD of BAWAG P.S.K. as of December 2013/March 2014

| Name | Function | Year of birth | Date of first appointment | End of current tenure |
|-----------------|--------------------|---------------|---------------------------|-----------------------|
| Byron HAYNES | Chairperson | 1966 | 01.08.2008 | 31.03.2016 |
| Wolfgang KLEIN | Deputy Chairperson | 1964 | 01.11.2010 | 31.12.2015 |
| Anas ABUZAAKOUK | Member | 1977 | 01.01.2014 | 31.12.2016 |
| Jochen KLÖPPER | Member | 1970 | 01.04.2012 | 31.03.2017 |
| Corey PINKSTON | Member | 1966 | 01.01.2013 | 31.12.2015 |

The following Managing Board member left the Bank in 2013:

Member who left the Managing Board in 2013

| Name | Function | End of current tenure |
|---------------|----------|-----------------------|
| Andreas ARNDT | Member | 31.12.2013 |

C16 2.1.2. Allocation of Responsibilities on the Managing Board

As of the end of December 2013, duties were allocated as follows on the Managing Board: Chief Executive Officer (Corporate Office, Communications, Human Resources, Restructuring & Strategy, Legal & Compliance), Deputy Chairperson (Project Portfolio Management, Retail Sales, Retail Innovation, Strategy & Planning, Marketing & Products, E-Commerce, Information Technology, Operations, Procurement, Real Estate & Facility Management, Customer Care), Chief Financial Officer (Controlling &

Investor Relations, ALM & Capital Management, Accounting & Participations), Chief Risk Officer (Credit Risk Retail & SME, Corporate & Institutional Risk, Strategic Risk, Market Risk), Managing Board member responsible for Corporate & Financial Markets (Austrian Corporates Business, Financial Markets, International Business, Operations Corporates & Financial Markets) and Managing Board (Internal Audit, Compliance Office, FATCA Office).

As of March 2014, duties were allocated as follows on the Managing Board:

Byron HAYNES
Chairperson of the Managing Board
and Chief Executive Officer

Corporate Office
Communications
Human Resources
Legal & Compliance

Anas ABUZAAKOUK
Chief Financial Officer

Accounting, Participations & Regulatory Capital
Controlling, ALM & Pricing
Procurement, Real Estate & Facility Management
Restructuring & Strategy

Corey PINKSTON
Corporate Lending and Investments,
Treasury Services and Markets

Austrian Corporate Business
International Business
Capital Markets Activities, Treasury Services & Investments
Investor Relations
Corporate & Markets Operations

Wolfgang KLEIN
Deputy Chairperson, Retail Banking & Small Business

Retail & Small Business Sales
Retail Innovation, Strategy & Planning
Retail Marketing & Products
E-Commerce
Information Technology
Retail Operations
Customer Care

Jochen KLÖPPER
Chief Risk Officer

Corporate & Institutional Risk
Credit Risk Retail & SME
Market Risk
Strategic Risk

Managing Board

Compliance Office
FATCA Office
Internal Audit

2.1.3. Supervisory Board Mandates and Comparable Functions

The following describes the Supervisory Board mandates and comparable functions of Managing Board members as of 31 December 2013 at other Austrian or foreign

companies which are not fully consolidated in the consolidated financial statements. Members not listed in the following do not have any comparable functions:

Byron HAYNES

| Name of the company | Function |
|---------------------------|--------------------------|
| Wiener Börse AG | Supervisory Board member |
| CEESEG Aktiengesellschaft | Supervisory Board member |

Wolfgang KLEIN

| Name of the company | Function |
|--|-------------------------------|
| Comma Soft AG, Germany | Supervisory Board Chairperson |
| BAWAG P.S.K. Versicherung AG | Supervisory Board Chairperson |
| BWA Beteiligungs- und Verwaltungs-Aktiengesellschaft | Supervisory Board member |
| Bausparkasse Wüstenrot AG | Supervisory Board member |

Members of the Managing Board shall not hold more than four Supervisory Board mandates (chairperson counts double) in stock corporations that do not belong to the Group. Companies that are included in the consolidated financial statements or in which the Company has an investment with a business interest shall be considered as Group-related companies. Regarding the assessment of

compliance with C 26, BAWAG P.S.K. Versicherung AG is assessed as a Group-related company.

Pursuant to the Austrian Banking Act as of 1 July 2014, members of the Managing Board shall not hold more than two Supervisory Board mandates (however, exemptions may apply).

2.1.4. Managing Board Committees

The rules of procedure of the Managing Board define the responsibilities and tasks of this Board. According to these rules of procedure, the Managing Board has the right to form committees and to issue statutes for these committees. The following executive committees have been formed:

- ▶ the Enterprise Risk Meeting for steering the total bank risk,

- ▶ the Credit Policy Committee, which focuses on credit guidelines and strategies,
- ▶ the Credit Approval Committee, which decides on financing transactions above a certain threshold, and
- ▶ the Strategic Asset Liability Committee, which deals with strategic capital and liquidity planning issues as well as operational aspects of asset and liability management.

3. SUPERVISORY BOARD

3.1. COMPOSITION OF THE SUPERVISORY BOARD

C58

3.1.1. Supervisory Board Members

As of 31 December 2013, the following individuals were members of BAWAG P.S.K.'s Supervisory Board:

SUPERVISORY BOARD of BAWAG P.S.K. as of 31.12.2013

| Name | Function | Year of birth | Date of first appointment | End of current tenure |
|-----------------------|--|---------------|---|-----------------------|
| Franklin W. HOBBS | Chairperson | 1947 | 12.03.2013 | 1) |
| Cees MAAS | First Deputy Chairperson (since 12.03.2013) | 1947 | Chairperson from 15.10.2009 to 12.03.2013, Supervisory Board member since 27.07.2009 | 2) |
| Pieter KORTEWEG | Second Deputy Chairperson (since 12.03.2013) | 1941 | Deputy Chairperson from 15.12.2009 to 12.03.2013, Supervisory Board member since 27.08.2007 | 2) |
| Walter OBLIN | Member | 1969 | 15.03.2012 | 2) |
| Keith TIETJEN | Member | 1971 | 05.10.2010 | 2) |
| Frederick S. HADDAD | Member | 1948 | 12.03.2013 | 1) |
| André WEISS | Member | 1952 | 12.03.2013 | 2) |
| Chad A. LEAT | Member | 1956 | 05.12.2013 | 2) |
| Ingrid STREIBEL-ZARFL | Delegated by the Works Council | 1959 | 01.10.2005 | |
| Beatrix PRÖLL | Delegated by the Works Council | 1958 | 01.10.2005 | |
| Konstantin LATSUNAS | Delegated by the Works Council | 1963 | 12.03.2013 | |
| Manuela GÖSTEL | Delegated by the Works Council | 1961 | 18.09.2013 | |
| Beate SCHAFFER | State Commissioner | 1959 | Since 01.08.2009, Deputy State Commissioner from 01.03.2007 to 31.07.2009 | |
| Markus CHMELIK | Deputy State Commissioner | 1973 | 01.03.2010 | |

1) Until revoked.

2) Until the end of the Annual General Meeting deciding on the 2014 annual financial statements.

Members who left the Supervisory Board in 2013

| Name | Function | End of tenure |
|----------------------|--------------------------------|---------------|
| Christopher BRODY | Member | 12.03.2013 |
| Marius J.L. JONKHART | Member | 05.12.2013 |
| Brigitte JAKUBOVITS | Delegated by the Works Council | 17.09.2013 |

In March 2013, the number of Supervisory Board members increased from nine to twelve. Consequently, the composition of the Supervisory Board and its Committees changed: The controlling shareholder, Cerberus Capital Management L.P., appointed the new Chairperson pursuant to section 88 of the Austrian Stock Corporation Act (AktG). Franklin W. Hobbs assumed the chair of the Supervisory Board as of 12 March 2013. He succeeded the previous Chairperson, Cees Maas, who had served in this position since October 2009. Mr Maas is now the Deputy Chairperson of the Supervisory Board. The new shareholder, GoldenTree Asset Management LP, which owns a significant minority stake in the Bank, appointed Frederick S. Haddad, a partner in GoldenTree Asset Management, to the Supervisory Board pursuant to section 88 AktG.

Due to the increase in the number of capital representatives, the Works Council delegates an additional member as well. Consequently, Konstantin Latsunas is the fourth representative of the Works Council on the Supervisory Board of BAWAG P.S.K.

Christopher Brody resigned from the Supervisory Board on 12 March 2013. André Weiss succeeded him as a Supervisory Board member. He has been appointed until the end of the Annual General Meeting deciding on the 2014 annual financial statements.

In September 2013, Works Council delegate Brigitte Jakubovits stepped down from the Supervisory Board and the Committees of BAWAG P.S.K. after 25 years of service. The Works Council delegated Manuela Göstel to the Supervisory Board as a new member.

Marius J.L. Jonkhart resigned from the Supervisory Board and the chair of the Audit and Compliance Committee in December 2013. The Annual General Meeting on 5 December 2013 appointed Chad A. Leat as his successor. The Supervisory Board elected him as the successor of Marius J.L. Jonkhart to the Audit and Compliance Committee and as its Chairperson.

3.1.2. Limitations on Changing from the Managing Board to the Supervisory Board

This provision was integrated from the Austrian Stock Corporation Act into the Austrian Code of Corporate Governance: "An individual who has been a Managing Board member at a listed company in the last two years may not be a member of that company's Supervisory Board unless the appointment is the result of a proposal by

shareholders who hold more than 25 per cent of voting rights in the company. However, the Supervisory Board may not contain more than one former Managing Board member whose two-year time limit has not yet expired. A member of the Supervisory Board who has been a Managing Board member at the company in the last two years may not be appointed as Chairperson of the Supervisory Board."

By resolution of the Annual General Meeting, this clause was incorporated into BAWAG P.S.K.'s Articles of Association.

3.1.3. Independence of Supervisory Board Members

According to Annex 1 of the Austrian Code of Corporate Governance, "Guidelines for Independence", a member of the Supervisory Board shall be deemed independent if said member does not have any business or personal relations with the Company or its Managing Board that constitute a material conflict of interests and are therefore suited to influence the behaviour of the member. The Supervisory Board shall also follow the guidelines below when defining the criteria for the assessment of the independence of a member of the Supervisory Board:

- ▶ The Supervisory Board member shall not have served as a member of the Managing Board or as a management-level employee of the Company or one of its subsidiaries in the past five years.
- ▶ The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the Company or one of its subsidiaries to an extent of significance for the member of the Supervisory Board. This shall also apply to relationships with companies in which a member of the Supervisory Board has a considerable economic interest, but it shall not apply to serving on boards in the Group. The approval of individual transactions by the Supervisory Board pursuant to L Rule 48 does not automatically mean the person is qualified as not independent.
- ▶ The Supervisory Board member shall not have acted as auditor of the Company or have owned a share in the auditing company or have worked there as an employee in the past three years.
- ▶ The Supervisory Board member shall not be a member of the Managing Board of another company in which a member of the Managing Board of the Company is a Supervisory Board member.
- ▶ The Supervisory Board member may not remain on the Supervisory Board for more than 15 years. This shall not

apply to Supervisory Board members who are shareholders with a direct investment in the Company or who represent the interests of such a shareholder.

- ▶ The Supervisory Board member shall not be a close relative (direct offspring, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the Managing Board or of persons who hold one of the aforementioned positions.

C53 According to their own accounts, the following members are regarded as independent:

Independence of Supervisory Board members

| Name | Independent |
|---------------------|-------------|
| Franklin W. HOBBS | YES |
| Cees MAAS | YES |
| Pieter KORTEWEG | YES |
| Walter OBLIN | YES |
| Keith TIETJEN | YES |
| Frederick S. HADDAD | YES |
| André WEISS | YES |
| Chad A. LEAT | YES |

C54 3.1.4. Independent Members at Companies with Shares in Free Float

Since none of BAWAG P.S.K.'s shares are in free float, this rule does not apply.

C58 3.1.5. Supervisory Board Mandates and Comparable Functions at Listed Companies

The following describes the Supervisory Board mandates and comparable functions of Supervisory Board members at listed companies in Austria and abroad as of 31 December 2013. Members not listed in the following do not have any functions at listed companies.

Cees MAAS

| Name of the listed company | Function |
|----------------------------|-----------------------|
| National Bank of Kuwait | Advisory Board member |

Pieter KORTEWEG

| Name of the listed company | Function |
|----------------------------|--|
| AerCap Holdings NV | Non-executive Director and Chairperson |

Chad A. LEAT

| Name of the listed company | Function |
|----------------------------|----------|
| Global Indemnity plc | Director |

3.1.6. Supervisory Board Activity Report

The Supervisory Board convened for six meetings in 2013 and decided two proposals via circular resolution. All members attended nearly all of the meetings in person.

The meeting in March 2013 focused on the financial statements for 2012 as well as the new election of Committees due to the expansion of the Supervisory Board. Among other things, the Supervisory Board discussed the Corporate Governance Report and Code including the Supervisory Board's yearly discussion on its performance and efficiency. A focus of discussions in 2013 was the partial redemption of participation capital to the Republic of Austria as well as the Bank's capital and cost structure. In December 2013, the Supervisory Board approved the Budget for 2014 and the Risk Strategy for 2014. Another key focus of the Supervisory Board during the reporting period was the Nearshoring Initiative and the establishment of a Whistleblowing Programme which was implemented during the year.

The agenda of each meeting included the discussion of the business and capital situation. The Supervisory Board discussed the Management Letter of the External Auditor as well as the appointment of the External Auditor for the year 2014. Reports were given regularly on the swap transaction concluded with the City of Linz in 2007 and the associated civil and criminal proceedings.

The focuses of the individual meetings also included reports on personnel matters, reports pursuant to section 21 Securities Supervision Act, the Fit & Proper Policy which went into effect for the Group in May 2013, regulatory issues as well as the new Single Supervisory Mechanism implemented by the European Central Bank and the annual report on large exposures.

C39

3.1.7. Supervisory Board Committees

The Supervisory Board has the following committees:

- ▶ Audit and Compliance Committee
- ▶ Risk and Credit Committee
- ▶ Nomination Committee
- ▶ Remuneration Committee
- ▶ Committee for Management Board Matters
- ▶ Related Parties Special Audit Committee

In urgent cases, the Supervisory Board convenes conference calls at short notice. In general, all Supervisory Board members make themselves available.

The following section describes the composition and the activities of the individual committees.

3.1.7.1. Audit and Compliance Committee

C39

3.1.7.1.1. Composition

This committee has the following members:

Audit and Compliance Committee

| Name | Function |
|-----------------------|--------------------------------|
| Chad A. LEAT | Chairperson |
| Cees MAAS | Deputy Chairperson |
| Walter OBLIN | Member |
| Frederick S. HADDAD | Member |
| Ingrid STREIBEL-ZARFL | Delegated by the Works Council |
| Konstantin LATSUNAS | Delegated by the Works Council |

C34

3.1.7.1.2. Decision-Making Powers

The most important functions of the Audit and Compliance Committee are the review of and preparations for the formal approval of the annual financial statements (consolidated financial statements) of BAWAG P.S.K., the proposal for the appropriation of profits, the management report and the Corporate Governance Report as well as the evaluation of the effectiveness of the Bank's internal control system. The committee is also responsible for ensuring compliance with the official public disclosure requirements. In addition, the Audit and Compliance Committee recommends the appointment of the External Auditor. The audit programme, the annual audit schedule and reports on the activities of Internal Audit and the Compliance Office are submitted to the Audit and Compliance Committee. The head of the Internal Audit and the Compliance Officer have direct access to the Chairperson and members of the Audit and

Compliance Committee. The Audit and Compliance Committee is authorised to obtain external legal advice or to call on consultants or other advisors for support in fulfilling its responsibilities, and BAWAG P.S.K. must provide sufficient funds for this purpose.

3.1.7.1.3. Activity Report 2013

C39

The Audit and Compliance Committee held six meetings in 2013. The meetings in February and March focused on reviewing the Bank's financial statements for 2012 and the Corporate Governance Report for 2012, as well as on the annual reports from Internal Audit and the Compliance Officer. In March, a report on the outcome of the penetration test (July/August 2012) was presented, in June the Committee discussed the Management Letter among other things and in July, the focus was on the topic of whistleblowing. In October, the Audit and Compliance Committee discussed the recommendation for the appointment of the External Auditor, the annual report on the measures taken to fight corruption as well as the Code of Conduct. In December 2013, the Audit and Compliance Committee approved the 2014 audit plans of Internal Audit and of the Compliance Office. Internal Audit and the Compliance Office submitted quarterly reports. Legal updates were given in nearly all meetings.

Reports on audits and enquiries by the regulatory authorities were also provided to the Audit and Compliance Committee. In 2013, the focus was on the IRB application, the JRAD process and the onsite review "Market Risk in the Bank Book".

The External Auditors were present at all meetings. The Audit and Compliance Committee also met in private sessions with the External Auditors, the Compliance Officer and the head of Internal Audit without the members of the Managing Board being present.

3.1.7.2. Risk and Credit Committee

C39 3.1.7.2.1. Composition

This committee has the following members:

Risk and Credit Committee

| Name | Function |
|-----------------------|--------------------------------|
| Franklin W. HOBBS | Chairperson |
| Cees MAAS | Deputy Chairperson |
| Walter OBLIN | Member |
| Frederick S. HADDAD | Member |
| Ingrid STREIBEL-ZARFL | Delegated by the Works Council |
| Beatrix PRÖLL | Delegated by the Works Council |

C34 3.1.7.2.2. Decision-Making Powers

The Risk and Credit Committee is responsible for the approval of limits and the approval of loans as well as other forms of financing to individual borrowers or to a group of associated customers in the case of exposures that equal 10 per cent or more of the Bank's eligible own funds. A report is submitted to the Supervisory Board at least once a year about the large exposure investments that are approved.

The Risk and Credit Committee is also responsible for making decisions regarding affiliated parties transactions. The approval for certain transactions or types of transactions can be granted in advance for a period of one year. Transactions with members of the Managing Board or the Supervisory Board (and their relatives according to section 28 para 1 item 5 BWG) have to be approved individually and by explicitly stating the terms and conditions. Approvals in advance are not permitted for this group of persons. A report about each of these affiliated parties transactions and each of these loans and advances must be made to the Risk and Credit Committee at least once a year.

The Risk and Credit Committee is also responsible for approving material credit policies (e.g. new business segments), for advising the Managing Board on basic credit risk policy issues according to an arrangement made with the board and for advising the Supervisory Board on the current and future risk-bearing ability and risk strategy of the Bank and monitoring the implementation of this risk strategy in connection with the control, monitoring and limitation of risks, own funds and liquidity. The committee also regularly monitors the effectiveness and efficiency of the risk management system (including risk control, risk principles, risk reports, risk strategies and risk orientation)

and compliance with the legal provisions and regulatory requirements.

3.1.7.2.3. Activity Report 2013

The Risk and Credit Committee held five meetings in 2013. One credit application was decided upon by way of circular resolution. In addition to the approval of loans, the Risk and Credit Committee also dealt with general credit risk topics.

The meeting in March focused on the limit prolongations of transactions with affiliated parties as well as the topic of FX loans. All topics regarding transactions with affiliated parties have been concentrated in the Risk and Credit Committee. Reports on the Bank's most important equity holdings and on country limits as well as the IRB reply and the ULSG portfolio were presented in June. The focus in July was on the steering of economic capital (ICAAP). In October, the Risk and Credit Committee discussed the retail non-food industry report, the adequacy of own funds and the sale of the structured credit securities portfolio. In December, the focus was on the risk strategy for 2014 as well as the overview of the International Business Portfolio. The risk report for the Bank, which includes the calculation of the Bank's risk-bearing capacity and reports on corporate, retail and market risk, was a regular item on the Risk and Credit Committee's agenda.

3.1.7.3. Nomination Committee

3.1.7.3.1. Composition

This committee has the following members:

Nomination Committee

| Name | Function |
|-----------------------|--------------------------------|
| Franklin W. HOBBS | Chairperson |
| Cees MAAS | First Deputy Chairperson |
| Pieter KORTEWEG | Second Deputy Chairperson |
| Frederick S. HADDAD | Member |
| Ingrid STREIBEL-ZARFL | Delegated by the Works Council |
| Beatrix PRÖLL | Delegated by the Works Council |

C39

C39

C34 3.1.7.3.2. Decision-Making Powers

The Nomination Committee deals with Managing Board succession planning, the regular evaluation of the personal and professional suitability of Managing Board members and Supervisory Board members, and the efficiency of the Managing Board. Further tasks of this Committee are the Fit & Proper evaluation of Managing Board members and Supervisory Board members regarding their personal reliability, sufficient professional know-how and experience as well as compliance with governance regulations, the monitoring of the recruiting process with regard to senior management and the approval of the assumption of executive functions by members of the Managing Board as a Supervisory Board member, member of the Managing Board, managing director or partner with personal liability in companies not belonging to the Group.

C39 3.1.7.3.3. Activity Report 2013

The Nomination Committee held one meeting in 2013 and took one decision by way of circular resolution. The most important topics of discussion in December were the Fit & Proper evaluation of the Managing Board members and the Supervisory Board members as well as the declaration regarding gender balance.

In August 2013, the tasks of the Nomination Committee were expanded to include the Fit & Proper evaluation of the Managing Board members and the Supervisory Board members. In December 2013, the tasks were amended according to the new Basel 3 requirements. The Nomination Committee also assessed the appointment of a new Chief Financial Officer. Furthermore, the Nomination Committee completed the preparations for the Supervisory Board's annual discussion about its own performance and efficiency. The entire Supervisory Board will discuss these topics in detail in March 2014.

Due to the increased number of Supervisory Board members, the Nomination Committee was expanded from five to six members in March 2013.

3.1.7.4. Remuneration Committee

3.1.7.4.1. Composition

C39

The following individuals are members of this committee:

Remuneration Committee

| Name | Function |
|-----------------------|--------------------------------|
| Franklin W. HOBBS | Chairperson |
| Cees MAAS | Deputy Chairperson |
| Keith TIETJEN | Member |
| Frederick S. HADDAD | Member |
| Ingrid STREIBEL-ZARFL | Delegated by the Works Council |
| Beatrix PRÖLL | Delegated by the Works Council |

3.1.7.4.2. Decision-Making Powers

C34

The Remuneration Committee deals with the 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 of the Austrian Banking Act, except for those pertaining to Managing Board members.

3.1.7.4.3. Activity Report 2013

C39

The Remuneration Committee (pursuant to section 39c Banking Act) held two meetings in 2013. In March, the new remuneration guidelines were approved; these guidelines were then updated in October. Furthermore, the statistical bonus review for 2012 was presented.

Due to the increased number of Supervisory Board members, the Remuneration Committee was expanded from three to six members in March 2013.

3.1.7.5. Committee for Management Board Matters

3.1.7.5.1. Composition

C39

C43

The following individuals are members of this committee:

Committee for Management Board Matters

| Name | Function |
|---------------------|---------------------------|
| Franklin W. HOBBS | Chairperson |
| Cees MAAS | First Deputy Chairperson |
| Pieter KORTEWEG | Second Deputy Chairperson |
| Keith TIETJEN | Member |
| Frederick S. HADDAD | Member |

C34 3.1.7.5.2. Decision-Making Powers**C43**

The Committee for Management Board Matters deals with relationships between the Bank and the members of the Managing Board. For example, it decides about the provisions of employment and severance agreements with Managing Board members and about the remuneration paid to members of the Managing Board as well as performance targets. It also monitors the remuneration policy, remuneration practices and remuneration-based incentive structures pursuant to section 39c of the Banking Act pertaining to Managing Board members.

C39 3.1.7.5.3. Activity Report 2013**C43**

The Committee for Management Board Matters held four meetings in which it discussed and agreed the Managing Board compensation, MbO objectives and contracts of the Managing Board members. The Committee for Management Board Matters also decided on amendments to the Bank's remuneration guidelines. The topics bonus for the senior leadership team, share appreciation rights (SARs) plan and Bank bonus pool were also discussed.

Due to the increased number of Supervisory Board members, the Committee for Management Board Matters was expanded from three to five members in March 2013.

3.1.7.6. Related Parties Special Audit Committee**C39** 3.1.7.6.1. Composition

The following individuals are members of this committee:

Related Parties Special Audit Committee

| Name | Function |
|-----------------------|--------------------------------|
| Franklin W. HOBBS | Chairperson |
| Cees MAAS | Deputy Chairperson |
| André WEISS | Member |
| Frederick S. HADDAD | Member |
| Ingrid STREIBEL-ZARFL | Delegated by the Works Council |
| Beatrix PRÖLL | Delegated by the Works Council |

C34 3.1.7.6.2. Decision-Making Powers

The Related Parties Special Audit Committee audits whether transactions of BAWAG P.S.K. and BAWAG P.S.K.'s subsidiaries with related parties pursuant to IAS 24 ("Related Parties") are executed at arm's length terms that are no more favourable than would be given to non-related parties. Every related parties transaction requires the

approval of this Committee, which shall only be granted if it is determined that the related parties transaction is concluded at arm's length terms that are no more favourable than would be given to non-related parties.

3.1.7.6.3. Activity Report 2013**C39**

The Related Parties Special Audit Committee held three meetings in 2013. Additionally, ten proposals were decided upon by way of circular resolution. In June 2013, the Committee's tasks were defined in more detail. In December 2013, the current portfolio of related parties transactions was reviewed and acknowledged.

All committees also reported regularly about their discussions and decisions to the entire Supervisory Board.

3.1.8. Presence of Supervisory Board Members at Meetings**C58**

The Chairperson of the Supervisory Board was present in person at all Supervisory Board meetings and at all meetings of committees of which he is a member.

Eight other Supervisory Board members were present in person at all Supervisory Board meetings and at all meetings of committees of which they are members. All other Supervisory Board members were present at more than half of the meetings.

The state commissioner or her deputy was present in person at all Supervisory Board meetings and committee meetings.

3.1.9. Contracts Requiring Approval**C49**

According to the declaration of commitment, this information is not included in the Corporate Governance Report because it is known to shareholders as a result of the Bank's closed shareholder structure.

4. INFORMATION ABOUT THE REMUNERATION OF THE MANAGING BOARD AND SUPERVISORY BOARD

L26a At the meeting in December 2012, the Supervisory Board
 L29 decided to follow the recommendation of the Managing
 C30 Board and to publish only the aggregate figures for the
 C31 remuneration paid to the Supervisory Board and Managing
 C51 Board.
 L60

Annex 2

Expenses for remuneration paid to active members of the Managing Board during the financial year amounted to EUR 8,740 thousand including retention payments to be paid out in future years in accordance with the Bank's Remuneration Policy.

Supervisory Board members do not receive variable remuneration. The remuneration scheme for Supervisory Board members approved at the Annual General Meeting stipulates that the Chairperson of the Supervisory Board shall receive EUR 60,000 per calendar year, the Deputy Chairperson shall receive EUR 40,000 per calendar year and the members of the Supervisory Board shall each receive EUR 30,000 per calendar year. The Chairpersons of the Risk and Credit as well as Audit and Compliance Committees each receive EUR 20,000 and all other members of the Risk and Credit as well as Audit and Compliance Committees each receive EUR 10,000 (these additional remuneration rules do not apply to the Chairperson of the Supervisory Board). Remuneration of members of the Supervisory Board came to EUR 364 thousand. Works Council delegates to the Supervisory Board do not receive remuneration.

Two Supervisory Board members had signed advisory contracts with BAWAG P.S.K. which expired in March and in April 2013. Furthermore, no contracts with Supervisory Board members exist.

Information on long-term remuneration models for Supervisory Board and Managing Board members is given in the Annual Report as of 31 December 2013.

BAWAG P.S.K. does not have a stock option plan.

The remuneration policy principles applied at BAWAG P.S.K. are described in the Annual Report and the Disclosure Report.

The ratio of fixed to variable components of the total remuneration of the Managing Board is disclosed in the Disclosure Report pursuant to Basel II – Pillar 3.

The Committee for Management Board Matters, which was set up by the Supervisory Board of BAWAG P.S.K. pursuant to section 11 of the Supervisory Board's rules of procedure, is responsible for monitoring the proportionality of the total remuneration of the Managing Board members.

At 31 December 2013, contractual agreements governing the payment of contributions to pension funds were in force for all Managing Board members.

The principles of the Company pension scheme applied for the Managing Board at BAWAG P.S.K. and its requirements are not disclosed to the public.

The principles for entitlements and claims by the Managing Board in the case of termination are not disclosed to the public.

BAWAG P.S.K. has D&O insurance.

5. PRINCIPLE OF ONE SHARE – ONE VOTE

C2 Rule C 2 of the Austrian Code of Corporate Governance stipulates that shares are to be construed in accordance with the principle of one share – one vote.

In December 2012, GoldenTree Asset Management LP (“GoldenTree”) acquired an indirect stake of approximately 39 per cent in BAWAG P.S.K. as part of the restructuring of the shareholder group. A company related to GoldenTree and a company related to Cerberus each acquired one registered share in BAWAG P.S.K. with restricted transfer rights so that they can exercise various shareholder rights.

The applicable Articles of Association of BAWAG P.S.K. (passed in the Annual General Meeting on 14 December 2012) state in section 7 para 3 that shareholders are entitled to one vote for every ordinary share held. Furthermore, section 7 para 4 stipulates that the share certificates number 1 and number 2 are excluded from the right to receive dividends and liquidation proceeds, but afford to their respective holders the right to delegate members of the Supervisory Board in accordance with these Articles of Association (section 88 Stock Corporation Act). The share certificates number 1 and number 2 may only be transferred with the Annual General Meeting’s prior approval, to be granted with the simple majority of votes cast by the shareholders present or represented.

6. REFINEMENT OF THE DIVERSITY RULES

C42 Due to BAWAG P.S.K.'s closed shareholder structure, its
L52 Supervisory Board members are proposed directly by the
owner and appointed at the Annual General Meeting.

Rule L 52, which was incorporated from section 87 para 2a of the Stock Corporation Act, requires that the aspects of diversity be appropriately taken into consideration in the Supervisory Board with regard to the representation of both genders and the age structure, and, at listed companies, also with regard to the internationality of its members.

According to the interpretation of the Austrian Working Group for Corporate Governance, the individual bodies to whom each rule is addressed are responsible for compliance with Corporate Governance principles pursuant to Rule 61. Although Rule 52 is not directly binding for shareholders, compliance with corporate governance principles should be strived for by the Company in general. To this end, the individual bodies (Managing Board, Supervisory Board) should encourage the shareholders to implement the rule, for example, by referring to it at the

Annual General Meeting or in the published documents for the Annual General Meeting. Compliance with the rule is therefore achieved by making reference at the Annual General Meeting or in the documents for the Annual General Meeting to the principles for appointing members to the Supervisory Board including the importance of taking appropriate consideration of the aspects of diversity.

BAWAG P.S.K. takes into account the members' expert knowledge, internationality, age structure and professional reliability.

In the case of a new appointment and/or an extension, all of these aspects should be taken into consideration. The Nomination Committee has defined a target ratio for the underrepresented gender among the Supervisory Board and on the Managing Board. The strategy for reaching this goal will be developed in the course of 2014.

This report contains a section dedicated to the topic of promoting women in management positions.

7. MEASURES TAKEN TO PROMOTE WOMEN ON THE MANAGING BOARD, ON THE SUPERVISORY BOARD AND IN MANAGEMENT POSITIONS

Preamble L60

The preamble of the Austrian Code of Corporate Governance governs companies' responsibility toward society and recommends that appropriate voluntary measures and initiatives be taken such as to reconcile work and family life. According to Rule L 60, the Corporate Governance Report must contain measures taken to promote women on the Managing Board, on the Supervisory Board and in management positions.

BAWAG P.S.K. makes efforts to implement initiatives and measures aimed, for example, at increasing the number of women in management positions.

BAWAG P.S.K.'s Women's Initiative was launched in May 2009. In coordination with the Works Council, BAWAG P.S.K. prepared a programme for promoting the advancement of women and agreed to its implementation in writing in 2011. With the women's promotion programme introduced in 2012, BAWAG P.S.K. has taken another important step towards ensuring equality between women and men.

The programme focuses on fostering awareness for the importance of equality of opportunity – combined with concrete goals:

- ▶ Financial equality between women and men for equal performance
- ▶ Increasing the number of women in leadership and expert positions
- ▶ Promoting a better balance between career and family for women and men, especially the provision of targeted information for employees before, during and after parental leave

On 19 November 2013, BAWAG P.S.K. was awarded the basic certificate as a family-friendly company. This certificate from the Federal Ministry of Economy, Family and Youth is given to companies that commit to promoting a good balance between family and career under the framework of a structured audit process and through corresponding measures. It is intended to motivate companies to sustainably address this issue and to adopt concrete improvements; the certificate can also be used for personnel marketing purposes.

A total of 18 measures were adopted to promote this balance and will be implemented by 2016. The planned measures include the creation of a manager's guide for the optimal management of parental leave, the revision of the telecommuting agreement, two additional special holiday days for fathers upon the birth of a child ("father days") and rules for bringing children to the workplace in exceptional cases.

The BAWAG P.S.K. Women's Prize was awarded for the first time in 2013 in order to set a visible example. The EUR 3,000 BAWAG P.S.K. Women's Prize is given in recognition of outstanding achievements by women or special commitment to furthering women in society. BAWAG P.S.K. aims to motivate women and organisations to tackle challenging and innovative projects with this award.

The BAWAG P.S.K. Women's Prize is awarded annually in cooperation with a public or charitable organisation that is committed to promoting women. A new organisation is chosen every year by the BAWAG P.S.K. Women's Initiative. The prize is awarded to women who set an outstanding example for women on the basis of their achievements and commitment, especially in the areas of:

- ▶ science, journalism and art,
- ▶ social commitment,
- ▶ intercultural understanding,
- ▶ promoting equality of opportunity between women and men, and
- ▶ creating awareness for the role of women in the professional world.

The BAWAG P.S.K. Women's Prize was awarded for the first time this year in cooperation with the Vienna University of Technology and went to the structural engineer Ildiko Merta. She works at the Institute for Structural Engineering and Technology at the Vienna University of Technology. In addition to her teaching work in the field of the history of structural engineering, her research focuses on the development of sustainable types of concrete from regenerative recycled materials.

8. FIGHTING CORRUPTION

C18a

The annual report submitted by the Managing Board to the Supervisory Board regarding arrangements for fighting corruption at the Bank, which is required by the Code of Corporate Governance, was last performed at BAWAG P.S.K. in October 2013 in the Audit and Compliance Committee.

The Compliance Office reports directly to the Managing Board. Regular reports are also submitted to the Bank's Audit and Compliance Committee.

The key responsibilities of the Compliance Office are preventing money laundering and combating terrorism, 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 Code of Conduct 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. A detailed anti-corruption guideline governs the acceptance and awarding of gifts and keeps employees and management abreast of the valid anti-corruption regulations.

BAWAG P.S.K. has also been a member of the Austrian chapter of Transparency International since the end of November 2012. This non-profit organisation seeks to increase general awareness of the need to combat corruption and increase transparency in Austria, and it works to facilitate the implementation of relevant measures and reforms.

9. ACCOUNTING AND COOPERATION BETWEEN THE SUPERVISORY BOARD AND THE EXTERNAL AUDITOR

C81a Close cooperation takes place between the Managing Board, the Supervisory Board, the Audit and Compliance Committee of BAWAG P.S.K. and the External Auditor.

C82a

C66

The External Auditor was present at all meetings of the Audit and Compliance Committee. Communication between the Audit and Compliance Committee and the External Auditor is ensured by the auditor's participation in meetings. In addition, the External Auditor is in direct communication with the Chairperson of the Audit and Compliance Committee.

The sharing of information between the Audit and Compliance Committee and the External Auditor without the Managing Board present takes place in a private session that is held annually.

In June 2013, the Managing Board also provided the Supervisory Board with a list showing the total expenses (for the financial year 2012) for the financial auditor regarding the audits at all of the Group subsidiaries.

Reports pursuant to IFRS are compiled twice per year and published on the web site. Quarterly reports pursuant to IFRS were not published in the financial year 2013 because they are not legally required.

10. REPORT ABOUT THE EXTERNAL EVALUATION

Report on the evaluation of the public statement of BAWAG P.S.K. on compliance with the Austrian Code of Corporate Governance for the financial year 2013 (Convenience translation)

Although shares of Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft (hereinafter “BAWAG P.S.K.”) are not listed on a stock exchange, the Bank’s Managing Board and Supervisory Board have decided to adopt and adhere voluntarily to the rules of the Austrian Code of Corporate Governance (“ÖCGK”) in the applicable version. In the preamble of the ÖCGK a voluntary external evaluation of the compliance with the rules of the ÖCGK is recommended.

BAWAG P.S.K. follows this recommendation and engaged us to evaluate BAWAG P.S.K.’s compliance with the ÖCGK rules for the financial year 2013, except for questions concerning the auditor (no. 77–83). The purpose of this evaluation is to provide an overview of BAWAG P.S.K.’s compliance with the Corporate Governance principles to the stakeholders.

Our evaluation of compliance with the ÖCGK rules is based on verbal information provided to us by representatives and employees of BAWAG P.S.K. as well as randomly checking the provided documents and certificates. Our evaluation is further based on the questionnaire prepared by the Austrian Working Group for Corporate Governance (ÖCGK questionnaire) for the voluntary external evaluation of compliance with the ÖCGK. As per the guidance in the ÖCGK, banking law supersedes the ÖCGK rules. Therefore, when evaluating the compliance with ÖCGK rules at a bank, banking laws prevail.

From our point of view, BAWAG P.S.K. complied with the rules of the ÖCGK in the financial year 2013 – as far as included in the declaration of commitment by BAWAG P.S.K. – under consideration of the exceptions due to the Bank’s closed direct and indirect shareholder structure as follows:

▶ **Question 2/1**

The principle of “one share one vote” is not implemented, as “golden shares” have been granted to the two indirect major shareholders.

▶ **Questions 27/4 and 31/1**

No limitation regarding variable remuneration components have been made and no details regarding the variable remuneration of the Board are disclosed. Also, the fixed and variable remuneration for each member of the Board are not made publicly available. This information is only provided to the major shareholders and shareholder representatives in the Supervisory Board of BAWAG P.S.K.

During the evaluation period, some of the rules (e.g. related to listed companies) were not applicable to BAWAG P.S.K.

This confirmation about the evaluation of the compliance with the rules of the ÖCGK is addressed solely to BAWAG P.S.K., and third parties shall not derive any rights from it. In particular, the result of our evaluation shall not be read as investment advice and should not be considered when contracting with BAWAG P.S.K.

Vienna, 4 March 2014

Deloitte Audit Wirtschaftsprüfungs GmbH

Dr. Peter Bitzyk m.p. ppa. Mag. Monika Dabrowska m.p.
Certified Public Accountant Certified Public Accountant

Zusammenfassende Beurteilung der Einhaltung des Corporate Governance Kodex durch die BAWAG P.S.K.

Wir wurden von der BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft („BAWAG P.S.K.“) beauftragt, die freiwillige Evaluierung der Einhaltung des Österreichischen Corporate Governance Kodex in der Fassung der Verpflichtungserklärung vom 14.12.2012 bezüglich der Pflichten betreffend den Abschluss und Bankprüfer (Regeln 77 bis 83), während des Wirtschaftsjahres 2013 durchzuführen. Im Einzelnen handelt es sich hierbei um die Regeln bezüglich

- ▶ der Prüfung des Jahresabschlusses;
- ▶ der wechselseitigen Kommunikation zwischen Abschlussprüfer und Prüfungsausschuss;
- ▶ der Aufwendungen für die Prüfungen in Konzerngesellschaften;
- ▶ der Evaluierung der Funktionsfähigkeit des Risikomanagements durch den Abschlussprüfer.

Grundlage für die Evaluierung war der „Fragebogen für die freiwillige externe Evaluierung der Einhaltung des österreichischen Corporate Governance Kodex“, herausgegeben vom Österreichischen Arbeitskreis für Corporate Governance. Abgefragt werden hierbei die C-Regeln des Corporate Governance Kodex nach dem Prinzip „Comply or Explain“, demzufolge die Nichteinhaltung von Regeln keine Verletzung des Kodex darstellt, wenn die Abweichung zufriedenstellend begründet wird. Die Evaluierung erfolgte anhand von Unterlagen, die uns von der BAWAG P.S.K. zur Verfügung gestellt wurden.

Da es sich um eine freiwillige Evaluierung handelt, richten sich die Ergebnisse ausschließlich an die BAWAG P.S.K. Dritte können aus der Evaluierung keinerlei Rechte ableiten; insbesondere ist die Evaluierung nicht als Anlageempfehlung zu betrachten.

Unseres Erachtens entspricht die BAWAG P.S.K. den C-Regeln des Corporate Governance Kodex in der Fassung der Verpflichtungserklärung vom 14.12.2012 bezüglich der Pflichten betreffend Abschluss- und Bankprüfer (Regeln 77 bis 83). Geringfügige Abweichungen von den Regeln ergeben sich aus den Besonderheiten des Bankbetriebes und werden entsprechend erläutert.

Wien, am 28. Februar 2014

Markus Fellner

Fellner Wratzfeld & Partner Rechtsanwälte GmbH

11. CONTACT INFORMATION

If you have any questions or require additional information, please contact:

BAWAG P.S.K.
Tamara Kapeller
Corporate Office

Georg-Coch-Platz 2
A-1018 Vienna

E-mail: tamara.kapeller@bawagpsk.com
Telephone: +43 (0) 5 99 05

OWNER AND PUBLISHER

BAWAG P.S.K.
Bank für Arbeit und Wirtschaft und
Österreichische Postsparkasse Aktiengesellschaft
Georg-Coch-Platz 2, A-1018 Vienna, Austria
Companies Registry number: 205340x
Data Protection Authority number: 1075217
EU VAT number: ATU 51286308
Telephone: +43 (0)5 99 05-0
E-mail: ge@bawagpsk.com
Internet: www.bawagpsk.com

Editor: Tamara Kapeller, Elfi Köck (BAWAG P.S.K., Corporate Office)
Translation: LanguageLink Sprachdienste, Vienna
Production: Gottfried Neubauer (BAWAG P.S.K.)
Layout: CONTEAM:WIEN GmbH
Typesetting: AV+Astoria Druckzentrum, Vienna

As of March 2014

