



---

CORPORATE GOVERNANCE REPORT

2014



# CONTENTS

<b>4</b>	<b>PREFACE BY THE CHAIRPERSON OF THE MANAGING BOARD</b>	
<b>5</b>	<b>MANDATORY INFORMATION IN THE CORPORATE GOVERNANCE REPORT</b>	
5	BAWAG P.S.K.'s Declaration of Commitment	
5	Corporate Governance Structure	
<b>6</b>	<b>MANAGING BOARD</b>	
6	Managing Board Members	
8	Allocation of Responsibilities on the Managing Board	
9	Supervisory Board Mandates and Comparable Functions	
9	Managing Board Committees	
<b>10</b>	<b>SUPERVISORY BOARD</b>	
10	Supervisory Board Members	
11	Limitations on Changing from the Managing Board to the Supervisory Board	
11	Independence of Supervisory Board Members	
12	Independent Members at Companies with Shares in Free Float	
12	Supervisory Board Mandates and Comparable Functions at Listed Companies	
12	Supervisory Board Activity Report	
13	Supervisory Board Committees	
16	Presence of Supervisory Board Members at Meetings	
16	Contracts Requiring Approval	
<b>17</b>	<b>INFORMATION ABOUT THE REMUNERATION OF THE MANAGING BOARD AND SUPERVISORY BOARD</b>	
<b>19</b>	<b>PRINCIPLE OF ONE SHARE – ONE VOTE</b>	
<b>19</b>	<b>REFINEMENT OF THE DIVERSITY RULES</b>	
<b>20</b>	<b>MEASURES TAKEN TO PROMOTE WOMEN ON THE MANAGING BOARD, THE SUPERVISORY BOARD AND IN MANAGEMENT POSITIONS</b>	
<b>21</b>	<b>FIGHTING CORRUPTION</b>	
<b>22</b>	<b>ACCOUNTING AND COOPERATION BETWEEN THE SUPERVISORY BOARD AND THE EXTERNAL AUDITOR</b>	
<b>23</b>	<b>REPORT ABOUT THE EXTERNAL EVALUATION</b>	
<b>25</b>	<b>CONTACT INFORMATION</b>	

## PREFACE BY THE CHAIRPERSON OF THE MANAGING BOARD

BAWAG P.S.K. has prepared its Corporate Governance Report for the sixth year.

Since 2006, BAWAG P.S.K. has made a voluntary commitment to apply the applicable provisions of 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 Dorda Brugger Jordis Rechtsanwälte

(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 2014 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, stakeholders and its employees.



# MANDATORY INFORMATION IN THE CORPORATE GOVERNANCE REPORT

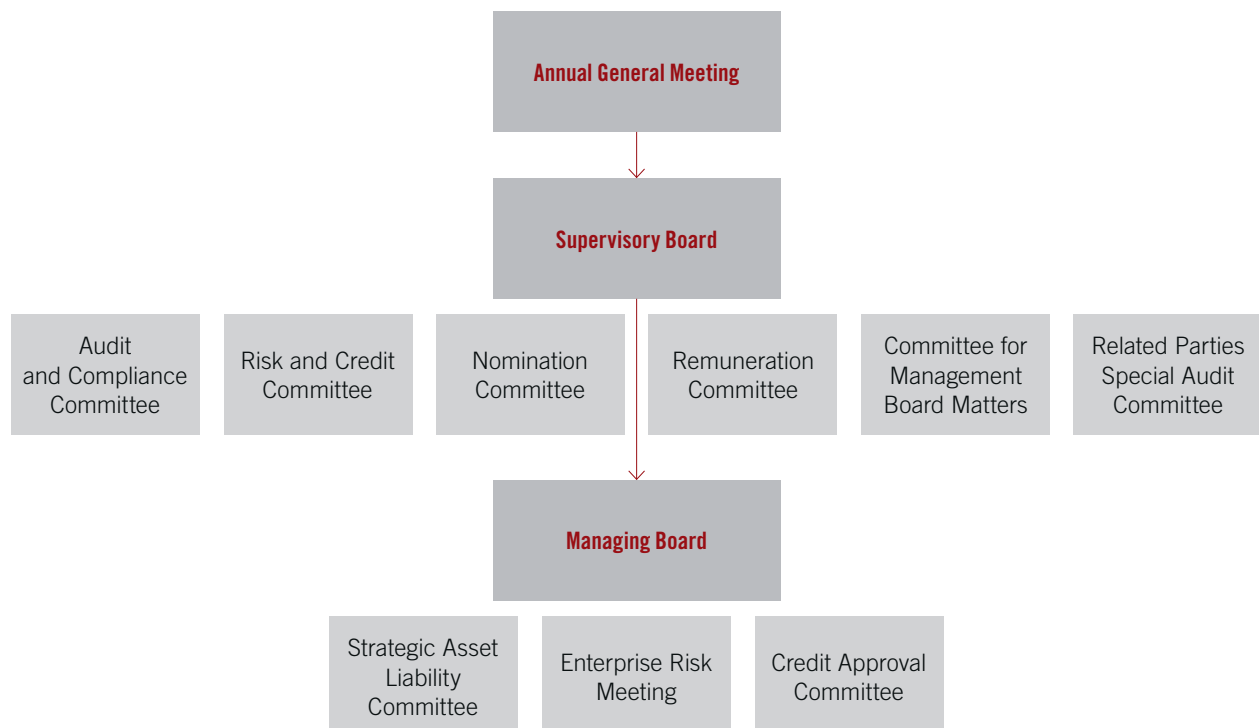
## BAWAG P.S.K.'S DECLARATION OF COMMITMENT

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 generally 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](http://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](http://www.corporate-governance.at)), along with explanations as to why these deviations occurred.

## CORPORATE GOVERNANCE STRUCTURE

As of March 2015, the corporate governance structure of BAWAG P.S.K. is as follows:



# MANAGING BOARD

## MANAGING BOARD MEMBERS

[C16]

As of March 2015, the Managing Board was composed of the following six members:



**1** **Byron Haynes**  
CEO and Chairman of the Managing Board

**2** **Wolfgang Klein**  
Deputy CEO and Head Retail Banking and Small Business

**3** **Corey Pinkston**  
Head Corporate Lending and Investments / Treasury Services and Markets

**4** **Anas Abuzaakouk**  
Chief Financial Officer

**5** **Stefan Barth**  
Chief Risk Officer

**6** **Sat Shah**  
Chief Operating Officer

Byron Haynes is the CEO of BAWAG P.S.K. and Chairman of the Managing Board. Wolfgang Klein is responsible for Retail Banking and Small Business and the Deputy Chairman of the Managing Board. Corey Pinkston is responsible for Corporate Lending and Investments & Treasury Services and Markets. Anas Abuzaakouk is Chief Financial Officer. Jochen Klöpfer was Chief Risk Officer resigning as of 31 December 2014.

In the beginning of 2015, the Supervisory Board appointed Stefan Barth as Chief Risk Officer and Sat Shah as Chief Operating Officer. Stefan Barth is responsible for Risk Management and has been with BAWAG P.S.K. since 2013. Sat Shah joined BAWAG P.S.K. in 2014 and is responsible for Strategy, Operations, Information Technology, Communications and Investor Relations.

#### **MANAGING BOARD of BAWAG P.S.K. as of March 2015**

<b>Name</b>	<b>Function</b>	<b>Year of birth</b>	<b>Date of first appointment</b>	<b>End of current tenure</b>
Byron HAYNES	Chairperson	1966	01.08.2008	31.03.2016
Wolfgang KLEIN	Deputy Chairperson	1964	01.11.2010	31.12.2015
Corey PINKSTON	Member	1966	01.01.2013	31.12.2015
Anas ABUZAAKOUK	Member	1977	01.01.2014	31.12.2016
Stefan BARTH	Member	1977	01.02.2015	31.01.2018
Sat SHAH	Member	1978	04.03.2015	03.03.2018

The following Managing Board member left the Bank in 2014:

#### **Member who left the Managing Board in 2014**

<b>Name</b>	<b>Function</b>	<b>End of current tenure</b>
Jochen KLÖPPER	Member	31.12.2014

## ALLOCATION OF RESPONSIBILITIES ON THE MANAGING BOARD

[C16]

As of March 2015, duties were allocated as follows on the Managing Board:

**Byron HAYNES**  
**Chairperson of the Managing Board**  
**and Chief Executive Officer**

Corporate Office  
 Human Resources  
 Legal

**Wolfgang KLEIN**  
**Deputy Chairperson,**  
**Retail Banking & Small Business**

Retail Sales  
 Marketing & Products  
 Digital Sales

**Anas ABUZAAKOUK**  
**Chief Financial Officer**

Quality Management  
 Controlling & ALM  
 Accounting & Participations  
 Procurement, Real Estate & Facility Management

**Stefan BARTH**  
**Chief Risk Officer**

Strategic Risk  
 Corporate & Institutional Risk  
 Retail Risk & Administration  
 Corporate Workout & Portfolio Management

**Corey PINKSTON**  
**Corporate Lending and Investments,**  
**Treasury Services and Markets**

Austrian Corporate Business  
 International Business  
 Treasury Services & Markets  
 Operations Capital Markets

**Sat SHAH**  
**Chief Operating Officer**

Strategy  
 Operations  
 Information Technology  
 Communications

**Managing Board**

Compliance & KYC  
 Internal Audit



## SUPERVISORY BOARD MANDATES AND COMPARABLE FUNCTIONS

### [C16, C26]

The following describes the Supervisory Board mandates and comparable functions of Managing Board members as

of 31 December 2014 at other Austrian or foreign stock corporations which are not fully consolidated in the consolidated financial statements. Members not listed in the following do not have any comparable functions:

#### 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).

## 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.

As of February 2015, the topics of the Credit Policy Committee were merged into the Enterprise Risk Meeting.

# SUPERVISORY BOARD

## SUPERVISORY BOARD MEMBERS

[C58]

### SUPERVISORY BOARD of BAWAG P.S.K. as of 04.03.2015

Name	Function	Year of Birth	Date of first appointment	End of current tenure
Franklin W. HOBBS	Chairperson	1947	12.03.2013	1)
Pieter KORTEWEG	Deputy Chairperson	1941	27.08.2007	2)
Cees MAAS	Deputy Chairperson	1947	27.07.2009	2)
Keith TIETJEN	Deputy Chairperson	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)
Walter OBLIN	Member	1969	15.03.2012	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 2015 annual financial statements.

In the Annual General Meeting on 4 March 2015 the mandates of all elected Supervisory Board members have been extended.

### Members who left the Supervisory Board in 2014

Name	Function	End of tenure
none		

## LIMITATIONS ON CHANGING FROM THE MANAGING BOARD TO THE SUPERVISORY BOARD

### [L55]

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% 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.

## INDEPENDENCE OF SUPERVISORY BOARD MEMBERS

### [C53]

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 behavior of the member. The Supervisory Board shall also follow the guidelines below when defining the criteria for the assessment of the independence of a member of the Supervisory Board:

- ▶ The Supervisory Board member 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.

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

### [C53]

#### 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

## INDEPENDENT MEMBERS AT COMPANIES WITH SHARES IN FREE FLOAT

### [C54]

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

## SUPERVISORY BOARD MANDATES AND COMPARABLE FUNCTIONS AT LISTED COMPANIES

### [C58]

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 2014. Members not listed in the following do not have any functions at listed companies.

#### Franklin W. HOBBS

Name of listed company	Function
Ally Financial	Supervisory Board member and Chairperson
Molson Coors Brewing Company	Supervisory Board member

#### Pieter KORTEWEG

Name of listed company	Function
AirCap Holdings NV	Non-executive Director and Chairperson

#### Chad A. LEAT

Name of listed company	Function
Global Indemnity plc	Supervisory Board member

## SUPERVISORY BOARD ACTIVITY REPORT

### [C36]

The Supervisory Board convened for five meetings in 2014 and decided four proposals via circular resolution. All members attended nearly all of the meetings in person.

The meeting in March 2014 focused on the financial statements for 2013. 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 2014 was the full redemption of participation capital to the Republic of Austria as well as the Bank's capital and cost structure. In May 2014, the recovery plan was approved and subsequently submitted to the FMA. In December 2014, the Supervisory Board approved the Budget for 2015

and the resolution plan which was submitted to the FMA before the year end. Other key focus areas of the Supervisory Board during the reporting period were the establishment of the London Branch and the proposed sale of BAWAG P.S.K. INVEST. Further reports contained the results of the Comprehensive Assessment comprising the Asset Quality Review (AQR) and the EBA Stress Test.

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 Auditors for the year 2015. Regular reports were provided on the civil and criminal proceedings regarding the City of Linz.

The focus of the individual meetings also included reports on personnel matters, reports pursuant to section 21 Securities Supervision Act, Fit & Proper Policy topics

focusing on the limitation of mandates, regulatory topics as well as the Single Supervisory Mechanism by the European Central Bank and the annual report on large exposures.

## SUPERVISORY BOARD COMMITTEES

### [C39]

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 at short notice (meeting or conference call). In general, all Supervisory Board members make themselves available. The following section describes the composition and the activities of the individual committees.

### Audit and Compliance Committee

#### Composition [C39]

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

#### Decision Making Powers [C34]

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 program, the annual audit schedule and reports on the activities of Internal Audit and Compliance & KYC are submitted to the Audit and Compliance Committee. The Head of Internal Audit and the Head of Compliance & KYC have direct access to the Chairperson and members of the Audit and Compliance Committee. The Audit and Compliance Committee is authorized to obtain external legal advice or to call on consultants or other advisors for support in fulfilling its responsibilities.

#### Activity Report 2014 [C39]

The Audit and Compliance Committee held six meetings in 2014. The meetings in February and March focused on reviewing the Bank's financial statements for 2013 and the Corporate Governance Report for 2013, as well as on the annual reports from Internal Audit and Compliance & KYC. In February, the information security report 2013 was presented, in May the Committee discussed, among other things, the Management Letter and in July, the focus was on the half year numbers. In October, the Audit and Compliance Committee discussed the recommendation for the appointment of the External Auditors and the annual audit process 2014. In December 2014, the Audit and Compliance Committee approved the 2015 audit plans of Internal Audit and of Compliance & KYC. Furthermore, the annual report on the measures taken to fight corruption was discussed. Internal Audit and Compliance & KYC submitted quarterly reports. Improvements and upgrades around fraud prevention tools and processes were discussed. Reports on audits and enquiries by the regulatory authorities were also provided to the Audit and Compliance Committee.

The External Auditor was present at all meetings. The Audit and Compliance Committee also met in private sessions with the External Auditors and the Heads of Compliance & KYC and Internal Audit without the members of the Managing Board being present.

## Risk and Credit Committee

### Composition [C39]

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

### Decision Making Powers [C34]

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% or more of the Bank's eligible own funds. A report on approved large exposure investments is submitted to the Supervisory Board, at least once a year.

The Risk and Credit Committee approves 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 as well as 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. Furthermore, the Committee also reviews whether prices of offered services and products take fully into account the business model and the risk strategy as well as whether initiatives provided by the Bank's remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings.

### Activity Report 2014 [C39]

The Risk and Credit Committee held five meetings in 2014. 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 on reports on the real estate markets in Austria, Germany, France, Spain and the UK. The main topic in May was on the updates regarding the Internal Ratings-Based Approach (IRB) and the Asset Quality Review (AQR). Reports on the Bank's most important equity holdings and on the status of the Comprehensive Assessment comprising the AQR and the EBA Stress Test were presented in July. In October, the Risk and Credit Committee discussed the results of the IT Security Penetration Test 2014. In December, the focus was on the results of the FMA On-Site-Review "Market Risk in the Bank Book". The Group Risk Report of 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.

## Nomination Committee

### Composition [C39]

This committee has the following members:

#### Nomination Committee

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

### Decision Making Powers [C34]

The Nomination Committee deals with Managing Board succession planning and the regular Fit & Proper evaluation of Managing Board members and Supervisory Board members regarding their knowledge, skills and experience. Following these tasks, the Nomination Committee had stipulated a target quota for the underrepresented gender in the Managing Board and in the Supervisory Board. The Nomination Committee assesses the structure, size, composition and performance of the Managing Board and the Supervisory Board periodically but in any case if occasions imply the necessity for a new evaluation. Further tasks of this Committee are 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.

### Activity Report 2014 [C39]

The Nomination Committee held one meeting in 2014 and took one decision by way of a conference call. 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 succession planning of senior management in BAWAG P.S.K. Furthermore, the scope of the Nomination Committee was discussed and assessed.

In a conference call held in November 2014, the Nomination Committee acknowledged the resignation of Jochen Klöpffer and discussed the replacement of the CRO. In the December meeting, the Nomination Committee recommended to appoint Stefan Barth as CRO.

## Remuneration Committee

### 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

### 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.

### Activity Report 2014 [C39]

The Remuneration Committee (pursuant to section 39c Austrian Banking Act) held one meeting in 2014. In March, the remuneration policy was updated. Furthermore, the statistical review for 2013 according to CRD III and the compensation policy were presented.

## Committee for Management Board Matters

### Composition [C39, C43]

The following individuals are members of this committee:

#### Committee for Management Board Matters

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

### Decision Making Powers [C34, 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 Austrian Banking Act pertaining to Managing Board members.

#### **Activity Report 2014 [C39, C43]**

The Committee for Management Board Matters held three meetings in 2014 in which it discussed and agreed the Managing Board compensation, MbO goals and contracts of the Managing Board members. The Committee for Management Board Matters also decided on amendments to the Bank's remuneration guidelines.

#### **Related Parties Special Audit Committee**

##### **Composition [C39]**

The following individuals are members of this committee:

##### **Related Parties Special Audit Committee**

<b>Name</b>	<b>Function</b>
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

#### **Decision Making Powers [C34]**

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

#### **Activity Report 2014 [C39]**

The Related Parties Special Audit Committee held two meetings in 2014. In December 2014, 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.

## **PRESENCE OF SUPERVISORY BOARD MEMBERS AT MEETING**

### **[C58]**

The Chairperson of the Supervisory Board was present in person at all Supervisory Board meetings and at nearly all meetings of committees of which he is a member. He joined one meeting of the Committee for Management Board Matters via phone.

Six 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.

## **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.



# INFORMATION ABOUT THE REMUNERATION OF THE MANAGING BOARD AND SUPERVISORY BOARD

**[L26a, C27, C27a, C28, L29, C30, C31, C43, C49, C51, L60]**

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

Expenses for remuneration paid to active members of the Managing Board during the financial year amounted to EUR 10,228 thousand including accrued and deferred bonuses, benefits in kind and contribution to pension funds. Contractual agreements governing the payment of contributions to pension funds were in force for all Managing Board members in 2014.

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 381 thousand. Works Council delegates to the Supervisory Board do not receive remuneration. 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 2014. BAWAG P.S.K. does not have a stock option plan.

BAWAG P.S.K. has a Remuneration Committee, which is a Supervisory Board committee. The Remuneration Committee specifies the remuneration policy, monitors its implementation and submits regular reports on its activities to the full Supervisory Board. This Committee is chaired by the chairman of the Supervisory Board, and consists of five further Supervisory Board members, including two members of the Works Council.

BAWAG P.S.K.'s Remuneration Committee has adopted a remuneration guideline that applies to the members of the Managing Board and the employees of the Group and that takes into account the principles of the EU's CRD IV Directive, the CEBS guideline and the associated provision of the Austrian Banking Act.

For Managing Board members this guideline stipulates a remuneration policy that does not impede effective risk management. It is designed to align the objectives of the Managing Board members with the long-term interests of the Bank and to ensure an appropriate balance between fixed and variable remuneration components. The annual budget for variable remuneration components is based on the degree to which the Bank achieves its earnings targets.

Approval for the payment of a bonus is granted by the Remuneration Committee, taking into account the market conditions and development, the appropriateness of bonus payments, the development of risk and the strengthening of the Bank's equity base.

The rules were implemented in the remuneration guideline as follows:

- ▶ To ensure risk adequacy, the variable remuneration must not provide an incentive to enter into inappropriate risks.
- ▶ To ensure sustainability, success is determined based on a longer-term observation period. For this reason, parts of the bonus are distributed over a period of up to five years. The payment of the retained portions is subject to strict Bank success criteria.
- ▶ Because the Bank has no marketable shares, a "phantom scheme" was implemented that is also tied to the Bank's business performance.
- ▶ The appropriateness and market adequacy of remuneration is ensured, applying a balanced relationship between fixed and variable components.

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 individual matters concerning the remuneration and for monitoring the proportionality of the total remuneration of the Managing Board members.

The variable remuneration is determined on the basis of the individual's success (in quantitative and qualitative terms) as well as on the success of the respective

organizational unit and the Bank. Specific maximum limits for variable remuneration is not determined in advance.

Due to the closed shareholder structure of BAWAG P.S.K., the following information is available to the shareholders and is therefore not disclosed in the Corporate Governance Report. Further, parts of this information are considered as personal data of the individual members:

- ▶ The ratio of fixed to the variable components of the total remuneration of the Managing Board as well as fixed

and variable components of the total remuneration on an individual basis.

- ▶ The principles of the Bank's pension scheme applied for the Managing Board at BAWAG P.S.K. and its requirements.
- ▶ The principles for entitlements and claims by the Managing Board in the case of termination.

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

## 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 40% 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 no. 1 and no. 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 no. 1 and no. 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.

## REFINEMENT OF THE DIVERSITY RULES

### [C42, L52]

Due to BAWAG P.S.K.'s closed shareholder structure, its 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 has been developed in the course of 2014. The progress will be published in the CSR report.

# MEASURES TAKEN TO PROMOTE WOMEN ON THE MANAGING BOARD, 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.

## Women's promotion program

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 program for promoting the advancement of women and agreed to its implementation in writing in 2011. With the women's promotion program that it introduced in 2012, BAWAG P.S.K. has taken another important step towards ensuring equality between women and men.

The program 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

## BAWAG P.S.K. Women Mentoring Program

In 2014, the BAWAG P.S.K. Women Mentoring Program was successfully continued for the second time. The program's focus is on female employees, experts and leaders of BAWAG P.S.K. interested in advancing their professional development through a mentoring relationship. The program was launched by BAWAG P.S.K. Women Initiative together with Human Resources.

In June 15 internal mentoring tandems throughout the whole organization started the one-year mentoring program which includes beside the meetings with the mentor and Managing Board members also networking events and external trainings.

## Audit family and career

On 19 November 2013, BAWAG P.S.K. was awarded the 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.

## BAWAG P.S.K. Women's Prize

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 organizations 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 organization that is committed to promoting women. A new organization 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 second time in 2014 in cooperation with the City of Vienna.

The prize went to Andrea Brem, Managing Director of the *Verein Wiener Frauenhäuser*. The Association of Vienna Women's Shelters was founded in 1978. Currently, four women's shelters provide protection and assistance to abused and/or threatened women and their children. A total of about 175 places for women and children are available. Further, the Association offers advice in an ambulant counseling center where consultations are anonymously and free.

## 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 December 2014 in the Audit and Compliance Committee.

The Head of Compliance & KYC reports directly to the Managing Board. Regular reports are also submitted to the Bank's Audit and Compliance Committee.

The key responsibilities of the Head of Compliance & KYC 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 organization 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.

## ACCOUNTING AND COOPERATION BETWEEN THE SUPERVISORY BOARD AND THE EXTERNAL AUDITOR

### [C81a, C82a, C66]

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

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 May 2014, the Managing Board also provided the Supervisory Board with a list showing the total expenses (for the financial year 2013) for the financial auditor regarding the audits at all of the Group subsidiaries.

Reports pursuant to IFRS are quarterly compiled and published on the website in the business year 2014.

# REPORT ABOUT THE EXTERNAL EVALUATION

## **Report on the evaluation of the public statement of BAWAG P.S.K. on compliance with the Austrian Code for Corporate Governance for the financial year 2014 (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 2014, 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 2014 – 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

No limitation regarding variable remuneration components have been made. 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 an investment advice and should not be considered when contracting with BAWAG P.S.K.

Vienna, 24 February 2015

### **Deloitte Audit Wirtschaftsprüfungs GmbH**

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

### **Corporate Governance Evaluation 2014 (convenience translation)**

BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft (“BAWAG P.S.K.”) retained us to carry out the voluntary evaluation of the compliance with the C-rules in the rules no. 77-83 of the Austrian Corporate Governance Code (“Code”) concerning the duties of the external auditor for the financial year 2014. BAWAG P.S.K., as company not listed on a stock exchange, voluntarily adheres to the rules of the Code according to the corresponding recommendation in its preamble. The evaluation aims at informing the public on the compliance with the officially declared corporate governance principles by the company.

Our evaluation is based on the “Questionnaire for the Voluntary External Evaluation of Compliance with the Austrian Corporate Governance Code” (version July 2012) of the Austrian Working Group for Corporate Governance concerning the following topics:

- ▶ performance of the annual audit according to International Standards on Auditing (ISAs);
- ▶ the mutual communication between external auditor and the audit and compliance committee;
- ▶ the expenses for the group audit;

- ▶ the evaluation of the effectiveness of the risk management system by the external auditor.

The C-rules were evaluated following the principle “comply or explain”, which means that any deviation has to be explained and justified in order to be in compliance with the code. BAWAG P.S.K. provided the necessary documents for this evaluation.

After the accomplished evaluation, we can confirm that BAWAG P.S.K. complied with the C-rules evaluated by us concerning the external auditor (C-rules in the rules no. 77-83) of the Code in the financial year 2014.

As the evaluation of the compliance with the rules of the Code is voluntary, this confirmation is solely addressed to BAWAG P.S.K. In particular, it shall not be considered as investment advice. Third parties shall not derive any rights from this confirmation.

Vienna, 17 February 2015

Andreas Zahradnik  
DORDA BRUGGER JORDIS  
Rechtsanwälte GmbH



# 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](mailto: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  
VAT number: ATU 51286308  
Telephone: +43 (0)5 99 05-0  
Internet: [www.bawagpsk.com](http://www.bawagpsk.com)

Investor Relations:  
[investor.relations@bawagpsk.com](mailto:investor.relations@bawagpsk.com)

Media:  
[presse@bawagpsk.com](mailto:presse@bawagpsk.com)

Typesetting:  
In-house using FIRE.sys

As of March 2015

