



CONSOLIDATED CORPORATE GOVERNANCE REPORT

2017

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MANDATORY INFORMATION IN THE CORPORATE GOVERNANCE REPORT

BAWAG GROUP'S DECLARATION OF COMMITMENT

In 2006 BAWAG P.S.K. made a (voluntary) commitment to apply the applicable provisions of the Austrian Code of Corporate Governance ("Code", accessible under <http://www.corporate-governance.at>). Following the listing of BAWAG Group in 2017, BAWAG Group declared its commitment to comply with the rules of the Code.

This is the (consolidated) Corporate Governance Report prepared in accordance with Sections 243c and 267b of the Austrian Commercial Code (UGB).

Generally speaking, the Code is a set of self-regulation rules for listed Austrian companies and 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).

DEVIATIONS

Since issuance of its commitment to comply with the rules, BAWAG Group has complied with all L rules and all R rules. Furthermore, BAWAG Group deviates from C rules in two instances, whereas BAWAG Group nevertheless complies with the Code in all respects in light of the following explanations and justifications:

Rule 2: the principle of "one share one vote" is not implemented since two shareholders have each and separately been granted the right to nominate one member of BAWAG Group's Supervisory Board for as long as the respective shareholder holds at least one share in the company. Such right of the respective shareholder to nominate a member of the company's Supervisory Board shall be repealed, in each case, once the shareholding of the Golden Tree shareholders (jointly) or the Cerberus

shareholders (jointly), respectively, taken as a whole falls below 20% of the voting rights in the company.

Rule 47: the granting of loans by the company outside the scope of its ordinary business activity is not forbidden. However, such transactions fall within the scope of related party transactions within the meaning of Sec 28 of the Austrian Banking Act (*Organgeschäfte*), which pursuant to the Rules of Procedure for the Managing Board and the Rules of Procedure for the Supervisory Board require prior approval by the Supervisory Board's Risk and Credit Committee. Therefore, the company takes the view that it has implemented a suitable procedure regarding the granting of loans by the company to members of the Supervisory Board.

MANAGING BOARD

MANAGING BOARD MEMBERS AND ALLOCATION OF RESPONSIBILITIES

As of 31 December 2017, the Managing Board of BAWAG Group and BAWAG P.S.K. was composed of the following members:

MANAGING BOARD of BAWAG Group and BAWAG P.S.K. as of 31 December 2017

Name	Function	Year of birth	Date of first appointment ¹⁾	End of current tenure
Anas ABUZAAKOUK	Chairperson	1977	19.08.2017	31.03.2021
Stefan BARTH	Member	1977	19.08.2017	31.03.2021
David O'LEARY	Member	1975	19.08.2017	31.03.2021
Enver SIRUCIC	Member	1982	19.08.2017	31.03.2021
Sat SHAH	Member	1978	19.08.2017	31.03.2021
Andrew WISE	Member	1971	19.08.2017	31.03.2021

1) Regarding BAWAG Group AG.

Member who left the Managing Board since BAWAG Group's declaration of commitment

Name	Function	End of current tenure
None		

As of 31 December 2017, duties were allocated as follows on the Managing Board:

Anas ABUZAAKOUK

Chairperson of the Managing Board and Chief Executive Officer

Legal & Corporate Office
Human Resources
Information Technology
M&A Integration & Strategy
Cost Optimization, Strategic Sourcing & Real Estate
Südwestbank segment

Stefan BARTH

Chief Risk Officer

Strategic Risk
Credit Risk Management
European Retail Risk Management
Non-Financial Risk Management & Regulatory Compliance
Enterprise Risk Management
Market & Liquidity Risk Controlling

David O'LEARY

BAWAG P.S.K. Retail

Retail Sales
Retail Planning
Marketing & Products
start:bausparkasse AG

Sat SHAH

Chief Operating Officer

Operations
Transformation & Strategic Processes
Operations Capital Markets
easygroup segment (including easybank AG)

Enver SIRUCIC

Chief Financial Officer

Financial Planning & Analysis
Accounting & Participations
Treasury & Markets
Investor Relations & Communications

Andrew WISE

Chief Investment Officer

Austrian Corporates & Public Sector
International Corporates
International Commercial Real Estate
International Mortgages & Special Situations

Entire Managing Board

Internal Audit
Compliance Officer
AML Officer

SUPERVISORY BOARD MANDATES AND COMPARABLE FUNCTIONS

The following describes the Supervisory Board mandates and comparable functions of Managing Board members as of 31 December 2017 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:

David O'LEARY

Name of the company	Function
Amundi Austria GmbH	Supervisory Board member
BAWAG P.S.K. Versicherung AG	Supervisory Board member

SUPERVISORY BOARD

SUPERVISORY BOARD MEMBERS

As of 31 December 2017, the Supervisory Board was composed of the following members:

SUPERVISORY BOARD of BAWAG Group as of 31 December 2017

Name	Function	Year of Birth	Date of first appointment	End of current tenure
Pieter KORTEWEG	Chairperson	1941	15.09.2017	1)
Christopher BRODY	Deputy Chairperson	1968	15.09.2017	2)
Egbert FLEISCHER	Deputy Chairperson	1957	15.09.2017	2)
Kim FENNEBRESQUE	Member	1950	15.09.2017	2)
Frederick S. HADDAD	Member	1948	15.09.2017	1)
Adam ROSMARIN	Member	1963	15.09.2017	2)
Ingrid STREIBEL-ZARFL	Delegated by the Works Council	1959	25.10.2017	
Beatrix PRÖLL	Delegated by the Works Council	1958	25.10.2017	
Verena SPITZ	Delegated by the Works Council	1970	25.10.2017	

1) Until revoked.

2) Until the end of the Annual General Meeting deciding on the discharge of the members of the Supervisory Board for the financial year 2018.

Members who left the Supervisory Board since BAWAG Group's declaration of commitment

Name	Function	End of tenure
None		

INDEPENDENCE OF SUPERVISORY BOARD MEMBERS

According to the company's "Independency criteria for members of the Supervisory Board of BAWAG Group AG", a member of the Supervisory Board shall be deemed independent if said member does not have any business or personal relations to 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 has not been a member of the Managing Board or Managing Director or a management-level staff of the company or a subsidiary in the two years prior to the appointment.
- ▶ The Supervisory Board member does not maintain or has not 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 not for exercising functions in the bodies of 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 has not acted as auditor of the company or has owned a share in the auditing company or has worked there as an employee in the past three years.
- ▶ The Supervisory Board member is not 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 has not belonged to the Supervisory Board of the company for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with an entrepreneurial investment in the company or who represent the interests of such a shareholder.

- ▶ The Supervisory Board member is not a close family member (direct descendants, spouses, companions, parents, uncles, aunts, siblings, nieces, nephews) of a member of the Managing Board of the company or of persons who are in a position described in the points above.

According to their own accounts, the following members are regarded as independent pursuant to C Rule 53:

Independence of Supervisory Board members

Name	Independent
Pieter KORTEWEG	YES
Christopher BRODY	YES
Kim FENNEBRESQUE	YES
Egbert FLEISCHER	YES
Frederick S. HADDAD	YES
Adam ROSMARIN	YES

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 2017. Members not listed in the following do not have any functions at listed companies.

As of 31 December 2017

Pieter KORTEWEG

Name of listed company	Function
AerCap Holdings NV	Chairperson

Kim FENNEBRESQUE

Name of listed company	Function
Ally Financial	Member
BlueLinx Holdings	Chairperson
Sonus Networks, Inc.	Member

Christopher BRODY

Name of listed company	Function
eMagin Corp	Chairperson

SUPERVISORY BOARD ACTIVITY REPORT

Since August 2017 the Supervisory Board convened for two meetings and decided four proposals via circular resolution. No member of the Supervisory Board failed to personally attend more than half of the meetings of the Supervisory Board.

The Supervisory Board focused on the annual financial statements and the consolidated financial statements for 2016. The Supervisory Board discussed the appointment of the external auditor for 2018.

Other material topics which the Supervisory Board dealt with were the appointment of the Managing Board members, decisions in connection with the IPO, regular M&A and integration updates (start:bausparkasse, IMMO-Bank), discussions on the budget 2018, the mid-term plan and the acquisition and integration of Südwestbank AG. Furthermore, the Supervisory Board approved the termination of the cooperation with Austrian Post and reviewed BAWAG Group's strategy.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has the following committees:

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

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

Audit and Compliance Committee

Name	Function
Adam ROSMARIN	Chairperson
Kim FENNEBRESQUE	Deputy Chairperson
Egbert FLEISCHER	Member
Frederick S. HADDAD	Member
Ingrid STREIBEL-ZARFL	Delegated by the Works Council
Verena SPITZ	Delegated by the Works Council

Decision Making Powers

The Audit and Compliance Committee reviews the company's accounts and the annual financial statements and monitors the company's internal control system as well as the independence and work of the external auditor. The annual audit plans and regular reports of Internal Audit and the Compliance Office are submitted to the Audit and Compliance Committee. The Head of Internal Audit and the Compliance Officer have direct access to the Chairperson and members of the Audit and Compliance Committee.

Activity Report 2017

The Audit and Compliance Committee held one meeting. The Audit and Compliance Committee discussed the quarterly reports by Internal Audit and the Compliance Office as well as the audit plans 2018 of Internal Audit and of Compliance of BAWAG P.S.K. AG. The annual audit process for 2017 was also presented. Furthermore, regular updates on legal issues, compliance and AML topics were given. The external auditor as well as the Head of Internal Audit attended all meetings.

Risk and Credit Committee

Name	Function
Christopher BRODY	Chairperson
Frederick S. HADDAD	Deputy Chairperson
Egbert FLEISCHER	Member
Adam ROSMARIN	Member
Ingrid STREIBEL-ZARFL	Delegated by the Works Council
Beatrix PRÖLL	Delegated by the Works Council

Decision Making Powers

The committee advises the Supervisory Board on the current and future risk-bearing ability and risk strategy of the Group and monitors the effectiveness and efficiency of the risk management systems and compliance with the legal provisions and regulatory requirements.

Activity Report 2017

The Risk and Credit Committee held one meeting. The Risk and Credit Committee discussed the Group Risk Report, which includes the calculation of the risk-bearing capacity and reports on corporate, retail and market risk. In addition, the credit risk validation reports 2017, an update on regulatory topics as well as the risk planning guidelines of the Group were presented to the committee.

Nomination and Remuneration Committee

Name	Function
Pieter KORTEWEG	Chairperson
Kim FENNEBRESQUE	Deputy Chairperson
Christopher BRODY	Member
Egbert FLEISCHER	Member
Ingrid STREIBEL-ZARFL	Delegated by the Works Council
Beatrix PRÖLL	Delegated by the Works Council

Decision Making Powers

The Nomination and Remuneration Committee deals with Managing Board succession planning and the regular Fit & Proper evaluation of Managing Board and Supervisory Board members. The committee further deals with the general principles of the company's remuneration policy. It also monitors the remuneration policy, remuneration practices and remuneration-based incentive structures pursuant to section 39c BWG, except for those pertaining to Managing Board members.

Activity Report 2017

The Nomination and Remuneration Committee held one meeting. The Nomination and Remuneration Committee approved the remuneration policy and acknowledged the mandates of Managing Board members which they hold outside the Group.

Committee for Management Board Matters

Name	Function
Pieter KORTEWEG	Chairperson
Kim FENNEBRESQUE	Deputy Chairperson
Christopher BRODY	Member
Egbert FLEISCHER	Member
Frederick S. HADDAD	Member

Decision Making Powers

The Committee for Management Board Matters deals with relationships between the company and the members of the Managing Board. The committee decides on the

provisions of executive and severance agreements with Managing Board members. It also monitors the remuneration policy, remuneration practices and remuneration-based incentive structures pursuant to section 39c BWG pertaining to Managing Board members.

Activity Report 2017

The Committee for Management Board Matters held one meeting in which it discussed and approved the amendments of the Group's remuneration policy as well as the long term incentive program (LTIP).

Related Parties Special Audit Committee

Name	Function
Christopher BRODY	Chairperson
Adam ROSMARIN	Deputy Chairperson
Kim FENNERBRESQUE	Member
Egbert FLEISCHER	Member
Ingrid STREIBL-ZARFL	Delegated by the Works Council
Beatrix PRÖLL	Delegated by the Works Council

Decision Making Powers

The Related Parties Special Audit Committee audits whether transactions of BAWAG Group and BAWAG Group's subsidiaries with related parties pursuant to IAS 24 are granted at arm's length terms.

Activity Report 2017

The Related Parties Special Audit Committee held one meeting.

INFORMATION ABOUT THE REMUNERATION OF THE MANAGING BOARD AND SUPERVISORY BOARD

During the reporting period, members of the Supervisory Board did not receive any remuneration for their activities as members of the Supervisory Board of BAWAG Group.

The remuneration policy of BAWAG Group determines the principles of the compensation of Managing Board members in consideration of European and Austrian legal framework. The remuneration policy is compatible with an effective risk management. It is designed to align the personal objectives of the Managing Board members with the long-term interests of BAWAG Group and to ensure an appropriate balance between fixed and variable remuneration components. 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 company. In deciding on any awards of a variable compensation to members of the Managing Board, the Committee for Management Board matters takes into account apart from the evaluation of the performance criteria, the market situation and market trends, the appropriateness of bonus payments, the risk trends and the strengthening of the equity base.

In accordance with the legal framework, identified staff, and therefore for Managing Board members, receive the

bonus distributed over a period of five years and at least 80% in shares of BAWAG Group AG provided a certain amount of the variable remuneration is reached. For the Managing Board members and selected persons out of the group of identified staff a long-term incentive program (LTIP) was implemented under consideration of the regulatory principles, which is awarded to 100% in shares of BAWAG Group AG under the precondition of a long-term corporate success measured by pre-tax earnings per share and which replaces the bonus for the performance-year 2017. The high proportion of shares of the variable compensation for identified staff leads to a high level of alignment between the interests of the management and the shareholders focused on a growth of the corporate value as externally communicated to the shareholders.

A Committee for Management Board Matters is in place to deal with individual matters of remuneration for Management Board members, which also monitors the implementation of the remuneration policy and submits regular reports on its activities to the Supervisory Board.

The remuneration of the members of the Managing Board is illustrated in the following tables:

Cash-based remuneration for 2017

in EUR thousand	Fixed salaries	Other remuneration	Total
Anas ABUZAAKOUK	3,375	1,872	5,247
Stefan BARTH	1,500	414	1,914
David O'LEARY	1,670	1,109	2,779
Enver SIRUCIC	1,001	182	1,183
Sat SHAH	2,625	1,724	4,349
Andrew WISE	2,127	1,328	3,455
Total	12,298	6,629	18,927

Non-cash performance-based remuneration for 2017

in number of shares	Number of shares awarded in part 1 of the LTIP program	Maximum number of shares to be actually allocated
Anas ABUZAAKOUK	169,880	226,506
Stefan BARTH	60,497	80,663
David O'LEARY	108,395	144,526
Enver SIRUCIC	60,497	80,663
Sat SHAH	136,979	182,639
Andrew WISE	124,573	166,097
Total	660,821	881,094

REFINEMENT OF THE DIVERSITY RULES

Rule L 52, which was incorporated from Sec 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 C 61. Although Rule L 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 Group takes into account the members' expert knowledge, internationality, age structure and professional reliability. The Nomination and Remuneration Committee has defined a target ratio for the underrepresented gender among the Supervisory Board and the Managing Board.

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

The preamble of the Code 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 as well as in key functions within BAWAG Group.

BAWAG Group 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 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 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

BAWAG P.S.K. Women's Initiative together with Human Resources organized in the past years a one-year women mentoring program for female employees, experts and leaders of BAWAG P.S.K. Group interested in advancing their professional development and their internal networks through a mentoring relationship. In 2016/2017 this program was extended to the BAWAG P.S.K. Women Mentoring^{Business}. Female leaders and experts of BAWAG

P.S.K. have been mentored for one year by top executives from selected industries in Austria.

Audit family and career

In 2013, BAWAG P.S.K. was audited and distinguished by the Ministry of Science, Research and Economy as a "family-friendly company." BAWAG P.S.K. is committed to enabling a good work-life balance. Following the expiration of the three-year basic certificate, BAWAG P.S.K. started the re-auditing process in summer 2016. This process was successfully completed at year-end 2016. The seven new measures that were defined will be implemented until end of 2019. In conjunction with the "berufundfamilie" career and family audit, BAWAG P.S.K. also joined the "Network of Family-Friendly Companies" in 2016.

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. This EUR 3,000 award is given in recognition of outstanding achievements by women or special commitment to furthering women in society.

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.

In 2017, the prize was awarded to Edeltraud Hanappi-Egger, Rector of the Vienna University of Economics and Business (WU). Through the intensive scientific examination of gender and diversity in numerous papers, Hanappi-Egger created a valuable basis for the development and expansion of gender and diversity management in companies. She has been Rector of WU since 1 October 2015, and is the first woman ever holding this position.

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In-house using firesys

As of March 2018

