

## **Remuneration Policy for the Members of the Management Board**

of

### **BAWAG Group AG**

(Commercial Register Number FN 269842 b)

#### **1. General notes**

BAWAG Group AG (the "**Company**") is the listed holding company of BAWAG P.S.K., which is headquartered in Vienna, Austria. This remuneration policy (the "**MB Remuneration Policy**") contains remuneration principles for each member of the management board of the Company (each member of the management board of the Company referred to as "**Management Board Member**") pursuant to Section 78a of the Austrian Stock Corporation Act (Aktiengesetz; "**AktG**"). The Company and its direct and indirect subsidiaries form the BAWAG group (the "**BAWAG Group**").

The MB Remuneration Policy has been approved by the supervisory board of the Company (the "**Supervisory Board**") – after having been prepared by the nomination and remuneration committee of the Supervisory Board – and will be presented to the shareholders for the first time at the annual general meeting 2020 for voting and subsequently at least every fourth financial year or at an earlier annual general meeting in case substantial changes to the MB Remuneration Policy are made.

BAWAG Group operates in a highly regulated environment and is under direct supervision of the European Central Bank (ECB). The MB Remuneration Policy is compliant with the regulatory framework applicable to the BAWAG Group.

#### **2. Principles and Objectives**

##### *2.1. Principles of the MB Remuneration Policy and alignment with the Company's business strategy*

A competitive remuneration system is crucial for the Company's and BAWAG Group's long-term success. The MB Remuneration Policy is aligned with the Company's and BAWAG Group's business strategy which is based on four pillars:

- ▶ **growing** in BAWAG Group's core markets;
- ▶ **focusing** on customer centricity;
- ▶ **driving** efficiency and operational excellence; and
- ▶ **maintaining** a safe and secure risk profile.

In accordance with its business strategy the Company has clear, objective, predetermined and transparent criteria for fixed and variable remuneration. Remuneration granted by the Company is qualified as either fixed or variable remuneration. The Company regularly benchmarks its remuneration system with remuneration and benefits surveys in order to have a valid benchmark to ensure that the MB Remuneration Policy is in line with international standards.

The MB Remuneration Policy determines the principles of the remuneration of Management Board Members in accordance with the European and Austrian legal framework. The MB Remuneration Policy is compatible with an effective risk management. It is designed to align the personal objectives of Management Board Members with the long-term interests of the Company and ensures an appropriate balance between fixed and variable remuneration.

The variable remuneration is determined based on the individual Management Board Member's success (in quantitative and qualitative terms) as well as on the success of the BAWAG Group. In deciding on any awards of a variable remuneration, the nomination and remuneration committee considers apart from the evaluation of the performance criteria, the market situation and market trends, the appropriateness of bonus awards, the risk trends and the strengthening of the equity base.

## *2.2. Objectives of the MB Remuneration Policy*

The following objectives have been established:

- ▶ **sustainability** by conducting a long-term, risk adjusted assessment of the performance;
- ▶ **adequacy of remuneration** with a focus on a balanced ratio between fixed and variable remuneration; and
- ▶ **performance-driven variable remuneration** linked to target achievement.

## *2.3. Remuneration and Employment Conditions of Employees*

Section 78a paragraph 3 AktG applies only to the Company as a listed holding company and does not apply to subsidiaries of the Company. However, remuneration and employment conditions of employees which are employed with subsidiaries of the Company were considered when establishing the MB Remuneration Policy.

Employees receive a base salary in accordance with the applicable salary schemes.

Employees as well as Management Board Members may be granted a discretionary variable remuneration. The granting of such a discretionary variable remuneration to employees, if any, depends on the achievement of defined targets. The objectives set forth in Section 2.2 must be considered when granting a variable remuneration.

## **3. Remuneration Governance**

The Company pays remuneration to Management Board Members in accordance with the MB Remuneration Policy.

The Company established a nomination and remuneration committee. Appointed members of the nomination and remuneration committee have proper knowledge, expertise and professional experience with respect to remuneration policies and practices, risk management and control activities. The nomination and remuneration committee has at least one remuneration and benefits expert. His/her

expertise is assessed by BAWAG Group’s Fit&Proper Office based on a personal interview, review of resume and other sources.

The responsibilities of the nomination and remuneration committee with respect to Management Board Members are as follows:

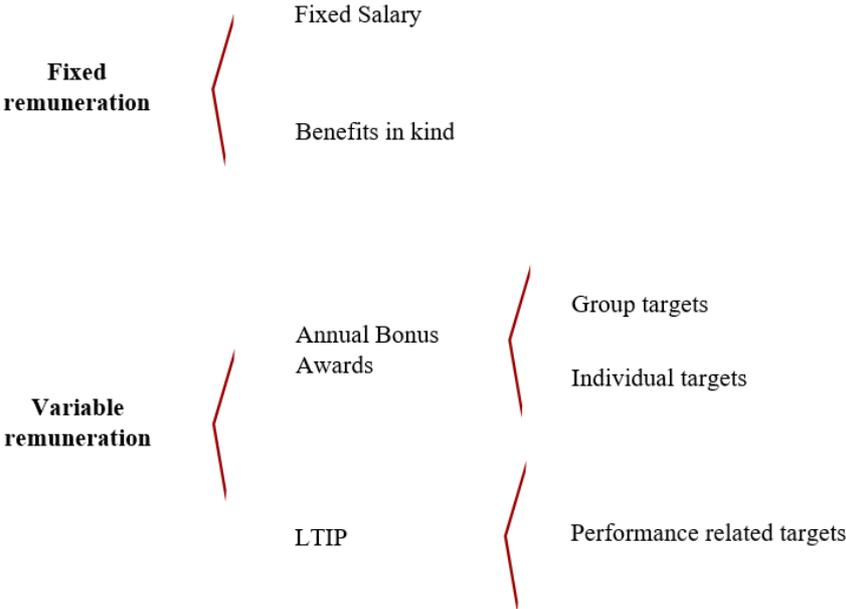
- ▶ **determination** of terms and conditions for contracts of Management Board Members as well as target determination and target evaluation and bonus granting for each Management Board Member;
- ▶ **preparation of** the MB Remuneration Policy and the remuneration report;
- ▶ **review** of the MB Remuneration Policy, the applied remuneration practices as well as the remuneration related incentive structures at least annually;
- ▶ **approval** of the aggregate bonus pool for BAWAG Group; and
- ▶ **recommendations** towards the supervisory board with respect to the MB Remuneration Policy and the remuneration report which require to be resolved by the annual general meeting.

The Supervisory Board remains responsible, amongst other things, for the decision-making with respect to the MB Remuneration Policy, the remuneration report and any corresponding resolution proposals which require to be resolved by the annual general meeting.

**4. Remuneration Structure**

*4.1. Overview*

The remuneration of Management Board Members includes a fixed component and a variable component.



## 4.2. Fixed Remuneration

### 4.2.1. Fixed Salary

The fixed base salary is generally paid in monthly installments.

### 4.2.2. Benefits in kind

Management Board Members may be granted benefits in kind. Benefits in kind may for example include insurance benefits such as private medical insurance, accident disability insurance, term life insurance or D&O insurance. Management Board Members may be offered to participate in a defined contribution pension plan.

## 4.3. Variable Remuneration

The Company may grant Management Board Members a discretionary variable remuneration for a specific accrual period ("**Award**").

### 4.3.1. Annual Bonus Award

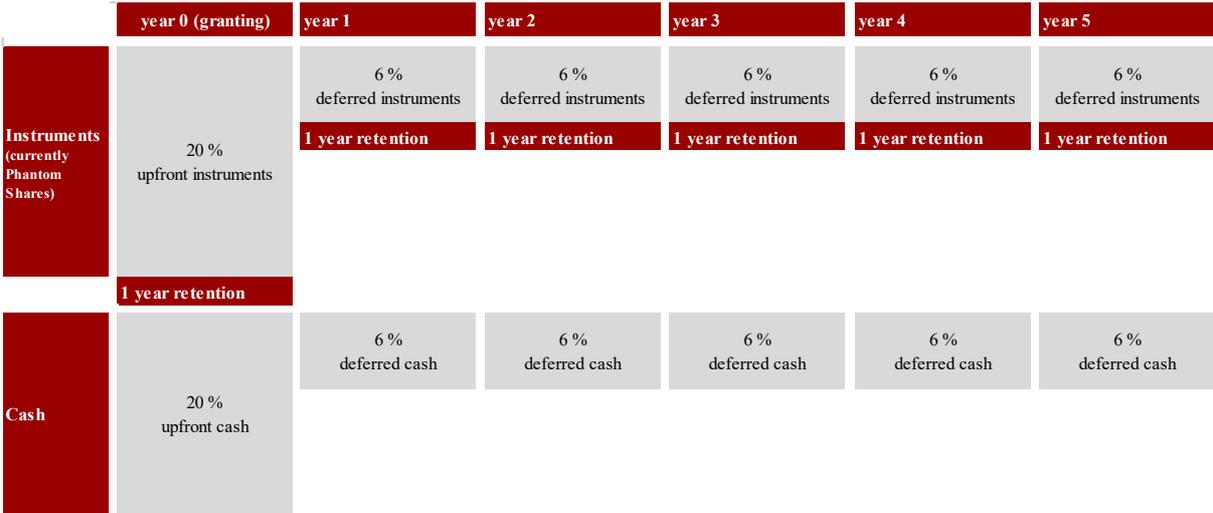
The Company may grant Management Board Members an Award based on target achievement. The targets are currently divided in three equally weighted categories which may be adjusted from time to time considering the Company's business strategy as set forth in Section 2.1:

- ▶ **group targets** which are tied to the externally communicated targets;
- ▶ **individual targets** such as results of the respective business unit, specific projects and tasks; and
- ▶ **leadership/culture/compliance/integrity/sustainability/ESG targets** such as leadership development, succession planning, talent development, results of internal and external audits, on-site reviews by regulators, embrace of technology and entrepreneurial spirit.

Each Award shall be composed of a cash payment and instruments which are currently granted in phantom shares whereby the Award granted in instruments shall be at least 50% of the total Award in line with the current regulatory framework.

In general, 60% of the Award will be deferred. The deferral period is 5 years. The part of the Award not subject to deferral currently vests in the year the Award is being granted (i.e. year 0). The deferral part of any bonus award shall vest in five subsequent annual instalments in equal amounts. Only upon vesting, the respective Management Board Member will become the legal owner of the Award subject to, if applicable, a one-year retention period. The split between cash payment and payment in instruments as well as the deferral periods may be adjusted from time to time always taking into account the regulatory requirements then applicable.

A graphical overview of the current process regarding a deferral of 60% is illustrated below:



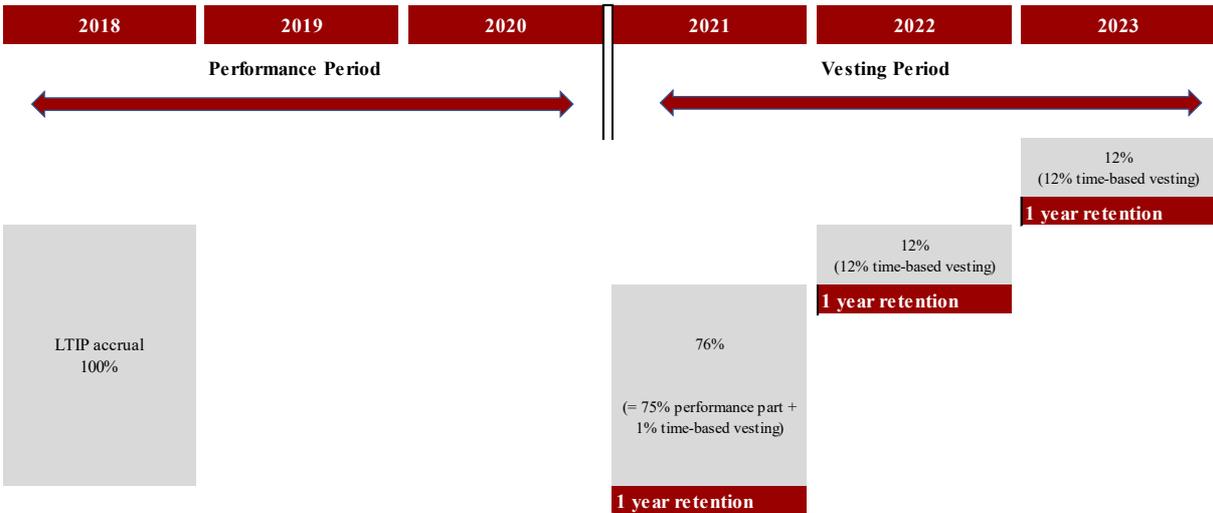
4.3.2. Current Long Term Incentive Program 2018-2020

Management Board Members participate in a long-term incentive program ("LTIP"). In 2018 an LTIP Award was granted to Management Board Members in lieu of an annual bonus Award based on the individual performance in 2017. The purpose of the LTIP, in particular, is to effectively align the interests of Management Board Members to the long-term performance of the Company.

A part of the Award corresponding to 75% of the total Award depends on performance targets. Based on the achieved average consolidated pre-tax earnings per share, as adjusted, if applicable, between 0% and 100% of those shares will be attributed. A part of the Award corresponding to 25% of the total Award contains a time-based vesting condition.

The final assessment on meeting the performance targets with respect to the LTIP in place for the years 2018-2020 will take place in early 2021.

A graphical overview of the process is illustrated below:



4.3.3. Future Long-Term Incentive Programs

Other long-term programs with terms different to the current LTIP may be resolved upon and become effective in the future.

#### *4.4. Assessment of Target Achievement*

The performance of each Management Board Member is assessed annually by the nomination and remuneration committee which is also responsible for the granting of the annual bonus Award, if any.

#### *4.5. Remuneration caps*

In general, the target for Management Board Members' variable remuneration is set at 100% of their fixed remuneration. The variable remuneration may not exceed the levels set by the applicable regulatory requirements which currently stand at 200%.

#### *4.6. Malus and Clawback*

The Company has defined clawback and malus provisions to provide for risk adjustment mechanisms specifically with respect to participants engaged in fraud or intentional illegal conduct. The provisions were implemented in accordance with regulatory requirements. The period during which malus or clawback applies follows the regulatory framework.

#### *4.7. Bonus Pool*

The bonus pool limits the maximum amount of variable remuneration which can be awarded in the award process.

When sizing the scope of the available bonus pool for the management board certain determined performance and risk factors are taken into consideration and may result in an adjustment of the overall pool. Such adjustment factors may include profit before tax, Return on tangible equity (RoTE), Common Equity Tier 1 capital ratio, Cost-income ratio, or Assets and Dividend. To ensure that the variable remuneration is fully aligned with actual and potential risks, ex-ante risk adjustments are made based on quantitative and qualitative criteria such as the Risk Bearing Capacity (RBC) or the evaluation of internal audit and compliance reports. In addition, macro-economic risks and the monetary outlook shall be considered in the adjustment process.

### **5. Contractual Provisions**

#### *5.1. General Terms of Contract*

The management board member agreements are concluded for a limited period of up to five years. The management board member agreement may be terminated by each party for cause without observing a notice period.

#### *5.2. Entitlements upon Termination*

The Company may offer severance pay in case of a Management Board Member's death or permanent disability prior to the end of the term.

The Company may offer early retirement plans to Management Board Members. However, at the present no such plans are offered to Management Board Members.

## **6. Temporary Deviation from the MB Remuneration Policy**

### *6.1. Exceptional Circumstances*

Pursuant to Section 78a paragraph 8 AktG a temporary deviation from the MB Remuneration Policy with respect to the remuneration of Management Board Members as set forth in Section 4 is permissible in case of special circumstances such as, but not limited to:

- ▶ changes within the BAWAG Group such as restructuring measures, organizational changes, acquisition of companies;
- ▶ changes in conditions generally affecting the banking and financial services industry;
- ▶ changes in regulatory accounting requirements applicable to the banking and financial services industry in which the BAWAG Group or any of its subsidiaries operate;
- ▶ changes in applicable law with respect to, but not limited to, regulations on remuneration applicable to the banking and financial services industry; or
- ▶ changes in global, national or regional political conditions.

In the event of such special circumstances as set out above, a deviation from the MB Remuneration Policy shall be permitted. Such deviation may concern changes and alterations with respect to, for example, the reduction or increase of the fixed remuneration (fixed salary and/or benefits in kind) as well as modifications on the variable remuneration. This shall be justified as long as it is in the best interest of the Company and its subsidiaries and it supports to achieve its objectives and to implement its business strategy as outlined in Section 2.1.

### *6.2. Procedural Conditions*

To the extent a temporary deviation from the MB Remuneration Policy is required to serve the long-term interests and sustainability of the Company, the nomination and remuneration committee shall prepare the respective change proposals. Any temporary deviation from the MB Remuneration Policy requires the approval of the Supervisory Board.