

Remuneration Report 2020



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BAWAG GROUP HIGHLIGHTS 2020



FINANCIALS

€ 284 million

Net profit
and € 653 million
pre-provision profit

10.2%

**Return on tangible
common equity**

44.3%

Cost-income ratio

CAPITAL MANAGEMENT



14.0%

CET1 ratio
post dividend accruals;
16.3% pre dividend deduction

+180 bps

**Gross capital generation
through earnings**
in 2020 despite macroeconomic
downturn during pandemic

€ 460 million

Earmarked dividend for payout in 2021:
€ 40 million paid in Q1 2021 and
€ 420 million to be paid in Q4 2021
(subject to shareholder approval)

HIGHLIGHTS

2020 marked by COVID-19 pandemic
Outbreak of COVID-19 triggered market
uncertainty and macroeconomic downturn

**Generating 10% RoTCE during a severe
economic downturn**
With the transformation since 2012, we
positioned BAWAG Group to weather such a
deteriorating economic environment

Remaining cautious and prudent
Conservative provisioning given continued
economic uncertainty

**Earmarked € 460 million dividends for
payout in 2021**
Given the ECB recommendation from
December 2020, a down payment of € 40
million on the total € 460 million earmarked
dividend was paid in Q1 2021 ... remaining
€ 420 million dividend to be paid in Q4 2021,
subject to shareholder approval



TARGETS 2021

As communicated with H1 2021 results

~15%

**Return on tangible
common equity**

~40%

Cost-income ratio

**New Targets & 4-year Plan through 2025
to be presented at Investor Day on
20 September 2021**

INTRODUCTION

At the annual general meeting 2020, the shareholders of BAWAG Group AG ("**BAWAG Group**") approved the remuneration policy (the "**Remuneration Policy**") for members of the management board of BAWAG Group (each, a "**Management Board Member**") and for members of the supervisory board of BAWAG Group (each, a "**Supervisory Board Member**"). In accordance with the requirements of the amended Austrian Stock Corporation Act (Aktiengesetz – "**AktG**") BAWAG Group presents its remuneration report for Management Board and Supervisory Board Members (the "**Remuneration Report**") the first time at the annual general meeting 2021.

BAWAG Group and its direct and indirect subsidiaries form the BAWAG group. The BAWAG group operates in a highly regulated environment and is under direct supervision of the European Central Bank (ECB).

This Remuneration Report provides a detailed and comprehensive overview of the remuneration of Management Board and Supervisory Board Members with respect to the financial year 2020.

The year 2020 was a year like no other and redefined many aspects of our lives. The year was defined by the outbreak of the COVID-19 global pandemic. This health crisis triggered significant market volatility and unprecedented amounts of fiscal and monetary support from governments and central banks across the globe. The governments in our core markets of the DACH/NL-region (Germany, Austria, Switzerland and the Netherlands) have gone to great lengths to support their economies and have put in place extensive fiscal stimulus packages and support measures, reflecting their financial strength and commitment to softening the economic and social impacts stemming from this health crisis.

We entered into this health crisis from a position of strength, having transformed our business over the years to be able to withstand economic downturns. We have strong capital levels, solid funding and liquidity, and an efficient platform that generated mid-teen returns pre-COVID-19. This allowed us to play our part in supporting our customers and our local communities, protecting our franchise and continuing to grow our business. The events of the past year will forever change how we operate.

Our performance in 2020 was resilient, delivering net profit of € 284 million, EPS of € 3.19, and an RoTCE of 10%. Our solid operating performance was a result of having transformed our business over the years and entering the crisis as one of the most efficient banking platforms, which allowed us to offset COVID-19-related headwinds and generate pre-provision profits of € 653 million. Despite total revenues being down 5%, booking € 22 million restructuring reserves to accelerate a number of productivity initiatives and taking € 225 million of reserves (~3.3x prior year levels); we still generated a 10% RoTCE and a cost-income ratio of 44%.

In 2020, we also consolidated the domestic and international Retail & SME board roles, with Sat Shah leading the newly consolidated business and David O'Leary being appointed Chief Risk Officer. Enver Sirucic continues in his role as CFO and Andy Wise as CIO and head of all Non-Retail lending. Stefan Barth left the management board of BAWAG Group at the end of 2020.

In response to the continuing health crisis the European Banking Authority and the ECB have updated their guidance on capital distribution and variable remuneration. In light of these guidelines and the overall environment and challenges faced by many due to this health crisis, the Management Board Members have voluntarily waived their bonuses for 2020, in addition to having already waived their bonuses for 2019, which is reflected in this Remuneration Report.

REMUNERATION OF THE MANAGEMENT BOARD

Remuneration principles for Management Board Members as outlined in the Remuneration Policy

In October 2020 the shareholders of BAWAG Group voted on the Remuneration Policy in accordance with Sections 78b and 98a of the Austrian Stock Corporation Act and approved the Remuneration Policy with a vast majority of votes cast. The Remuneration Policy is available on BAWAG Group's website (www.bawaggroup.com).

The Remuneration Policy is aligned with BAWAG Group's business strategy which is based on four pillars: (i) **growing** in BAWAG group's core markets; (ii) **focusing** on customer centricity; (iii) **driving** efficiency and operational excellence; and (iv) **maintaining** a safe and secure risk profile. In accordance with its business strategy clear, objective, predetermined and transparent criteria for fixed and variable remuneration have been defined.

In general, remuneration paid to Management Board Members can be qualified as either fixed or variable remuneration.

Fixed Remuneration

Fixed Salary

The fixed base salary of Management Board Members is non-discretionary and generally paid in monthly installments. It reflects the individual level of professional experience, the specific board function and the responsibilities of the respective Management Board Member.

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 directors' and officers' liability insurance. Management Board Members may be offered to participate in a defined contribution pension plan.

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 BAWAG Group. In deciding on any variable remuneration awards ("**Bonus**"), the nomination and remuneration committee of BAWAG Group considers, apart from the evaluation of the performance criteria, the market situation and market trends, the appropriateness of the Bonus, the risk trends and the strengthening of the equity base.

BAWAG Group may grant Management Board Members a Bonus based on target achievement. As outlined in the Remuneration Policy, the targets are currently divided into three equally weighted categories:

- ▶ **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
- ▶ **ESG & leadership targets** such as leadership development, succession planning, talent development, strengthening of internal governance and enhancing compliance culture as well as sustainability-related topics across the group.

Any Bonus will be composed of a cash payment and instruments, currently granted in the form of phantom shares. In line with the current regulatory framework, at least 50% of any Bonus is granted in the form of instruments.

In years in which a Bonus is granted to a Management Board Member, generally 60% of the Bonus will be deferred. The deferral period is 5 years. The part of the Bonus which is not subject to deferral currently vests in the year in which the

Bonus is being granted (i.e. year 0). The deferred part of any Bonus then vests in five subsequent annual instalments in equal amounts. Only upon vesting, the respective Management Board Member will become the legal owner of the Bonus subject to, in case of the part paid in instruments, 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 and complying with applicable regulatory requirements.

As outlined in the introduction, Management Board Members have voluntarily waived their Bonus for the financial year 2020, in addition to having already waived their Bonus for the financial year 2019.

With respect to the waived Bonus for the financial year 2020 the Management Board Members followed the ECB's recommendation that institutions adopt moderation with regard to variable remuneration, in particular for its management board members and other identified staff. By voluntarily waiving their Bonus for the financial year 2020 (in addition to having already waived their Bonus for the financial year 2019) the Management Board Members proactively addressed this topic and, by doing so, met ECB's expectations to preserve a sound capital base in the light of the possible consequences of the COVID-19 pandemic.

TOTAL REMUNERATION AWARDED OR OWED IN THE FINANCIAL YEAR

In 2020 the Supervisory Board extended the mandates of all five Management Board Members for a five-year term through the end of March 2026. In addition, Enver Sirucic and Sat Shah were appointed as Deputy CEOs and David O'Leary was appointed as Chief Risk Officer, succeeding Stefan Barth who left BAWAG Group at the end of 2020.

The total remuneration per Management Board Member for the financial year 2020 is shown in the following table:

in € thousand	Position 2020	Fixed salaries	Pension	Other	Bonus	Total
Anas Abuzaakouk	CEO	3,990	806	494	0	5,290
David O'Leary	CRO	2,400	520	370	0	3,290
Sat Shah	Retail & SME, Deputy CEO	3,000	606	584	0	4,190
Enver Sirucic	CFO, Deputy CEO	2,300	345	115	0	2,760
Andrew Wise	CIO, Head of non-retail lending	2,880	585	395	0	3,860
Total active Management Board Members		14,570	2,862	1,958	0	19,390
Stefan Barth	former CRO	1,580	236	94	0	1,910
Total of Management Board Members as of 31 December 2020		16,150	3,098	2,052	0	21,300

The total remuneration per Management Board Member for the financial year 2019 is shown in the following table:

in € thousand	Position 2019	Fixed salaries	Pension	Other	Bonus	Total
Anas Abuzaakouk	CEO	3,000	879	1,041	0	4,920
David O'Leary	Domestic Retail & SME	1,750	583	837	0	3,170
Sat Shah	Head of International Retail & SME	2,250	634	1,226	0	4,110
Enver Sirucic	CFO	1,500	225	175	0	1,900
Andrew Wise	CIO, Head of non-retail lending	2,250	631	899	0	3,780
Total active Management Board Members		10,750	2,952	4,178	0	17,880
Stefan Barth	CRO	1,500	225	195	0	1,920
Total of Management Board Members as of 31 December 2020		12,250	3,177	4,373	0	19,800

The fixed base salary is paid to Management Board Members in fourteen installments and covers all work performed by the respective Management Board Member. Management Board Members are not entitled to receive separate remuneration for performing board functions within the BAWAG group.

Other remuneration as shown in the table above consists in particular of insurance contributions such as health insurance, accident insurance and term life insurance as well as allowances granted to Management Board Members. In addition, Management Board Members are covered by a directors' and officers' liability insurance. The costs of the directors' and officers' liability insurance are borne by BAWAG group.

Since the Management Board Members waived their potential bonuses for the financial years 2019 and 2020 the relative proportion of fixed and variable remuneration is not shown in the table[s] above.

TOTAL REMUNERATION PAID

Remuneration paid

In the financial years 2020 and 2019 the amounts shown in the table below were paid out to the Management Board Members. The table includes paid out deferred Bonus payments awarded in previous financial years starting with 2017, the year of BAWAG Group's IPO. Deferred Bonus payments are paid out to Management Board Members in accordance with the regulatory framework.

in € thousand	Anas Abuzakouk		David O'Leary		Sat Shah		Enver Sirucic		Andrew Wise		Stefan Barth	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Fixed remuneration												
Base Salary	3,000	3,990	1,750	2,400	2,250	3,000	1,500	2,300	2,250	2,880	1,500	1,580
Pension	879	806	583	520	634	606	225	345	631	585	225	236
Other Remuneration	1,041	494	837	370	1,226	584	175	115	899	395	195	94
Variable remuneration												
<i>Cash payment</i>												
Financial year 2019	0	0	0	0	0	0	0	0	0	0	0	0
Financial year 2018	290	87	280	84	200	60	270	81	220	66	60	18
Financial year 2017	0	0	0	0	0	0	0	0	0	0	0	0
<i>Phantom shares</i>												
Financial year 2019	0	0	0	0	0	0	0	0	0	0	0	0
Financial year 2018	0	185	0	179	0	128	0	173	0	141	0	38
Financial year 2017	0	0	0	0	0	0	0	0	0	0	0	0
Total	5,210	5,562	3,450	3,553	4,310	4,378	2,170	3,014	4,000	4,067	1,980	1,966

As indicated in the table above, the Management Board Members waived their potential bonuses for the financial years 2019 and 2020. There was no Bonus payout in respect of the financial year 2017, as the LTIP 2018-2020 award was granted to Management Board Members in lieu of an annual Bonus based on the individual performance in 2017 (see below for further information on the LTIP 2018-2020).

Phantom shares in retention

The number of phantom shares vested in 2020 but which are subject to a one-year retention period is shown in the table below:

	Number of phantom shares vested in 2020
Anas Abuzaakouk	2,175
David O'Leary	2,100
Sat Shah	1,500
Enver Sirucic	2,025
Andrew Wise	1,650
Total active Management Board Members	9,450
Stefan Barth	450
Total	9,900

The cash amount of the phantom shares which vested in 2020 will be disclosed in the remuneration report 2021.

OPEN MARKET PURCHASES BY MANAGEMENT BOARD MEMBERS

The table below shows the number of BAWAG Group shares acquired via open markets by Management Board Members in the financial year 2020.

	Number of shares acquired in 2020	Purchase price
Anas Abuzaakouk	144,604	€ 30.52
Sat Shah	34,923	€ 29.23
Total	179,527	€ 30.27

COMPARATIVE INFORMATION

The table below contains information on the annual change in total remuneration, the performance of BAWAG Group and of average fixed remuneration on a full-time equivalent basis of employees of the entire BAWAG group.

	2019	2020	absolute	relative
Total remuneration of Management Board Members	€ 19.8 million	€ 21.3 million	€1.5 million	7.58 %
Performance of BAWAG Group AG				
Return on Tangible Common Equity (RoTCE)	16.1%	10.2%		
Cost/Income Ratio (CIR)	42.7%	44.3%		
Common Equity Tier 1 capital ratio (fully loaded)	13.3%	14.0%		
earmarked dividends	€ 230 million	€ 230 million		
Average remuneration on a FTE basis				
Employees of BAWAG group	€ 63,670	€ 63,790		0.2%

The individual remuneration awarded to the respective Management Board Member is shown in the section "total remuneration owed or awarded in the financial year" above. The average remuneration of employees in the table above shows the average of fixed remuneration (excluding bonuses) in respect of all employees within the entire BAWAG group (including domestic and foreign subsidiaries/branches).

LONG TERM INCENTIVE PROGRAM 2018-2020

Management Board Members participate in a long-term incentive program ("LTIP 2018-2020"). Management Board Members were granted an LTIP award in lieu of an annual Bonus based on the individual performance in 2017. Further information with respect to the LTIP 2018-2020 is disclosed in the Remuneration Policy.

With respect to the LTIP 2018-2020 no shares were awarded to Management Board Members or due in the financial year 2020. Respective disclosure will, as legally required, follow in the remuneration report for the financial year 2021.

MALUS AND CLAWBACK

In the financial year 2020 no malus or clawback event has occurred. Therefore, no Bonus granted in previous years has been reduced or reclaimed.

As outlined in the Remuneration Policy, malus and clawback provisions exist 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.

DEVIATION OF THE REMUNERATION POLICY

In the financial year 2020 there was no deviation from the Remuneration Policy.

COMPLIANCE WITH REMUNERATION POLICY AND APPLICATION OF PERFORMANCE CRITERIA

Any remuneration to Management Board Members in the financial year 2020 was paid in compliance with the Remuneration Policy. In terms of variable remuneration and the performance criteria applied to such variable remuneration, the nomination and remuneration committee of BAWAG Group sets the target for each individual Management Board member in line with the principles set forth in the Remuneration Policy in its formal Q1 session of each year. The table below shows the targets defined for the CEO in the financial year 2020 and the respective weighting of such targets. The group performance as well as the ESG & leadership targets are identical for all Management Board Members, while the individual targets differ, taking into consideration the respective role and focus area of each individual Management Board Member.

In April 2020, BAWAG Group communicated the withdrawal of the 2020 targets due to the onset of the COVID-19 pandemic. Subsequently, a revised 2020 outlook of ROTCE > 10% was published. BAWAG Group delivered an ROTCE of 10.2% and a fully loaded CET1 ratio of 14% (post deduction of € 460 million earmarked dividends). The underlying operating performance of the business remained solid during 2020 with pre-provision profits of € 653 million and a cost-income ratio of 44%. Total risk costs amounted to € 225 million, of which approximately € 100 million were tied to overlays and strengthening of ECL reserves. The changes to Management Board responsibilities in Q3/2020 and withdrawal of group-wide targets resulted in removal of the individual targets.

The focus for all Management Board Members in 2020 was ensuring to provide support to customers, employees and local communities. This was reflected through "customer care" calls, local community outreach programs, prioritizing paying special bonuses to front-line workers in branches that were providing critical infrastructure during the pandemic and committing to implementing an ESG roadmap.

Anas ABUZAAKOUK, CEO

GROUP PERFORMANCE	Weigthing
Profit before Tax (PBT) & net income	7.0%
Cost/Income Ratio	4.5%
Return on Tangible Common Equity	7.3%
CET1 ratio (fully loaded)	7.0%
Earnings per Share (EPS)	7.5%
	33.30%
INDIVIDUAL PERFORMANCE	Weigthing
Overall Capital Management & individual cost targets	10.5%
Technology: talent upgrades, improved developments & delivery and operational stability	7.6%
Enhancing Risk, Compliance, Internal Audit & regulatory teams	7.6%
Enhancing operational structure (including succession planning & organizational dynamics; assessment of Senior Leadership Team, promotions and recruitment)	7.6%
	33.30%
ESG & LEADERSHIP	Weigthing
Human Capital Development	8.25%
Promoting strong risk, controllership & compliance culture across the Group	8.65%
Promoting the values of the Group – integrity in our daily work and creating meritocratic environment	8.25%
Entrepreneurship, innovation and thought leadership	8.25%
	33.30%

REMUNERATION OF THE SUPERVISORY BOARD

Principles of the remuneration policy for Supervisory Board Members

This section of the Remuneration Report deals with the remuneration paid to Supervisory Board Members. Supervisory Board Members receive a remuneration which is strongly aligned with the market and the interests of BAWAG Group's shareholders. All remuneration of Supervisory Board Members is paid in accordance with resolutions adopted by the annual general meeting.

Supervisory Board Members receive a fixed remuneration which depends on the actual function performed (Chairman of the supervisory board, Deputy chairman of the supervisory board or (ordinary) member of the supervisory board). Supervisory Board Members being also a member of a committee may receive additional remuneration which depends on the respective committee (Audit and Compliance Committee or other committee) in which a Supervisory Board Member participates and furthermore, the specific function performed in the committee (Chairman or other (ordinary) seat in the committee). Supervisory Board Members do not receive any additional attendance fees.

The supervisory board has the following committees:

- ▶ **Audit and Compliance Committee**
- ▶ **Risk and Credit Committee**
- ▶ **Nomination and Remuneration Committee**

Deviation of the remuneration policy

In the financial year 2020 there was no deviation from the Remuneration Policy.

Membership in supervisory board committees

	Nomination & Remuneration Committee	Audit & Compliance Committee	Risk & Credit Committee
Chairperson	Egbert Fleischer	Adam Rosmarin	Frederick Haddad
Member	Kim Fennebresque	Egbert Fleischer	Kim Fennebresque
Member	Frederick Haddad	Frederick Haddad	Adam Rosmarin
Member	Ingrid Streibel-Zarfl	Ingrid Streibel-Zarfl	Ingrid Streibel-Zarfl
Member	Verena Spitz	Verena Spitz	Verena Spitz

Attendance rate in 2020

	Supervisory Board 6 Meetings	Nomination & Remuneration Committee 3 Meetings	Audit & Compliance Committee 4 Meetings	Risk & Credit Committee 4 Meetings
Egbert Fleischer	100%	100%	100%	no member
Kim Fennebresque	100%	100%	no member	100%
Frederick Haddad	100%	100%	100%	100%
Adam Rosmarin	100%	no member	100%	100%
Ingrid Streibel-Zarfl	100%	100%	100%	100%
Verena Spitz	100%	100%	100%	100%

In 2020 the Supervisory Board Members attended all of the meetings of the supervisory board and its committees (attendance rate of 100%). Outside of these formal meetings, the Management Board also regularly updated Supervisory Board members on ongoing topics.

Remuneration paid to Supervisory Board Members in 2020

The total remuneration of Supervisory Board Members paid by BAWAG Group and BAWAG PSK is illustrated in the table below

in € thousand	BAWAG Group	BAWAG PSK	Total
Egbert Fleischer	86.25	258.75	345
Kim Fennebresque	66.25	198.75	265
Frederick Haddad	53.75	161.25	215
Adam Rosmarin	51.25	153.75	205
Total	257.5	772.50	1,030

In addition, Supervisory Board Members are covered by a directors' and officers' liability insurance. The costs of the directors' and officers' liability insurance are borne by BAWAG group.