

REPORT FROM THE CHAIRMAN OF THE SUPERVISORY BOARD

The Supervisory Board of BAWAG Group AG properly fulfilled all duties incumbent upon it by law, its Articles of Association and its Rules of Procedure. The Managing Board informed the Supervisory Board of all material issues in a timely and comprehensive manner either in writing or verbally. In addition to periodic meetings, the Chairmen of the Supervisory Board, the Audit and Compliance Committee and the Risk and Credit Committee discussed current business matters with the Managing Board

members. Further details regarding the composition of the Supervisory Board and its committees as well as their working procedures will be disclosed in the Consolidated Corporate Governance Report 2018. The Managing Board was continuously monitored and regularly advised.

The Chairman of the Supervisory Board regularly met with the CEO and other Managing Board members outside of formal meetings.

SUPERVISORY BOARD

As of December 2018, the Supervisory Board consisted of nine members. The Supervisory Board focused on the annual financial statements and the consolidated financial statements for 2017 and discussed the appointment of the external auditor for 2019.

Other material topics which the Supervisory Board dealt with were BAWAG Group's strategy, regular updates on

digital transformation, M&A and integration (Südwestbank), discussions on the 2019 budget, the mid-term plan and the acquisition and integration of Deutscher Ring Bausparkasse. Furthermore, the Supervisory Board was regularly informed about the progress of the new headquarters (ICON), the new branch concept (*Concept 21*) and several retail initiatives.

SUPERVISORY BOARD COMMITTEE MEETINGS

Audit and Compliance Committee

The Audit and Compliance Committee discussed the quarterly reports by Internal Audit and the Compliance Office as well as the 2019 audit plans of Internal Audit and of Compliance. The annual audit process for 2018 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

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 2018 credit risk validation reports, an update on regulatory topics as well as the risk planning guidelines of BAWAG Group were presented to the committee.

Nomination and Remuneration Committee

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

Committee for Management Board Matters

The Committee for Management Board Matters discussed and approved the amendments of BAWAG Group's remuneration policy. Furthermore, the committee dealt with succession planning.

Related Parties Special Audit Committee

The Related Parties Special Audit Committee acknowledged the overview of the related parties transactions.

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

ANNUAL FINANCIAL STATEMENTS

The annual financial statements and the consolidated annual financial statements for 2018 were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft headquartered in Vienna. The audit revealed no reason for objections. The legal regulations were complied with in full, and an unqualified auditor's opinion was issued. After an in-depth discussion, the Supervisory Board approved and adopted the annual financial statements in accordance with Section 96 Para 4 Stock Corporation Act. In addition, the Supervisory Board reviewed the separate consolidated non-financial report. The consolidated financial statements were noted by the Supervisory Board.

In conclusion, I would like to express my sincere thanks to the Managing Board as well as all employees within BAWAG Group on behalf of the entire Supervisory Board for their performance and sustained commitment in 2018.

March 2019

Pieter Korteweg
Chairman of the Supervisory Board of BAWAG Group AG