

REMUNERATION
REPORT
2022



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HIGHLIGHTS 2022

"This past year has confirmed one key tenet we have always embraced, the only constant is change." (CEO Anas Abuzaakouk)

€ 509 million

Net profit*
€318.3 million reported

€ 5.81

Earnings per share*
€ 3.64 reported

18.6%

RoTCE*
11.6% reported

35.9%

CIR

€ 100 million

ECL management overlay versus € 61 million
at year-end 2021

CAPITAL DISTRIBUTIONS

€ 267 million

dividend distributed in 2022

€ 325 million

share buyback with 6.6
million shares cancelled

€ 305 million

dividend to be
proposed to AGM in
2023

CHANGED MARKET ENVIRONMENT

Geopolitical conflict
Energy price volatility
Inflation in EU of 10%
ECB exiting negative interest rates
3-month Euribor widening by 270bps
Euro at-or-below parity with the US Dollar

*Adjusted for the write-off of City of Linz receivable

All 2022 targets achieved

- ✓ **9% core revenue growth**
€ 1,330 million versus € 1,220 million in 2021
- ✓ **2% net cost-out**
€ 475 million versus € 485 million in 2021
- ✓ **~20bps underlying risk cost ratio**
(19bps excluding City of Linz write-off, ECL management overlay)
- ✓ **>€ 675 million profit before tax**
€ 681 million versus € 600 million in 2021
- ✓ **> 17% RoTCE**
18.6% (adjusted) versus 16.1% in 2021
- ✓ **< 38% CIR**
35.9% versus 39.5% in 2021

2025 financial targets accelerated to 2023

- > **€ 825 million profit before tax**
versus € 681 million in 2022
- > **€ 7.50 earnings per share**
versus € 5.81 in 2022
- > **€ 4.10 dividend per share**
versus € 3.70 in 2022

Higher return targets 2023 & beyond

- > **20% RoTCE**
versus 18.6% (adjusted) in 2022
- < **34% CIR**
versus 35.9% in 2022

INTRODUCTION

Dear Fellow Shareholders,

This past year has confirmed one key tenet we have always embraced, the only constant is change. The year 2022 was the year of the unexpected. Our Investor Day in September 2021 feels like a century ago. This seems even crazier given the fact that 2020 and 2021 were dominated by the COVID pandemic. We started 2022 ready to embrace a post-COVID world and were expecting a return to normalcy. However, what we witnessed was anything but normal. Inflation in the EU hit a four-decade high of 10%, 3-month Euribor widened by 270 basis points from -57 basis points to 213 basis points, Russia invaded Ukraine triggering an energy crisis across Europe, the Euro was at-or-below parity with the US dollar for significant parts of the year, the repricing of risk with widening of investment grade corporate and financial credit spreads, and the ECB exiting negative interest rates after eight years and set on a course for quantitative tightening going into 2023. The lesson is we must be ready to adapt to whatever comes our way. Having an ability to adapt, whatever comes your way, is important for any company and a hallmark of BAWAG Group. Plans are important, having the ability to pivot and execute is far more important. This flexibility has been cultivated over the past decade. Our management team is experienced, tested and prepared for whatever may come our way. Across our senior leadership team, we repeatedly stress flexible thinking, patience, conservatism, and a bias towards execution focusing on the things that we can control.

Despite headwinds building up, volatile capital markets and a slowdown in the second half of the year, 2022 was another record year for the Group in which we exceeded all our targets. On an adjusted basis (excluding the City of Linz legal case) we delivered net profit of € 509 million, EPS of € 5.81, a return on tangible common equity (RoTCE) of 18.6% and a cost-income ratio (CIR) of 35.9%. On a non-adjusted basis, this equaled net profit of € 318 million, EPS of € 3.64, an RoTCE of 11.6%, and a CIR of 35.9%.

We also distributed € 592 million of capital in the form of € 267 million dividends (€ 3.00 per share) and completed a € 325 million share buyback during 2022, reducing our number of shares by 7%, which now stand at 82.5 million shares. We ended the year with a CET1 ratio of 13.5% (post dividend accrual of € 305 million) and excess capital of € 261 million versus our CET1 target of 12.25% with a management overlay provision of € 100 million to address any macro uncertainty. We are purposely maintaining dry powder for organic opportunities and potential M&A in the coming quarters. If specific opportunities do not materialize, any potential buyback in 2023 will be under 100 basis points of CET1% as we remain prudent and conservative.

Our foundation is as strong as ever. I truly believe this is born from our unique culture. One that captures the best parts of our legacy as a trade union bank focused on serving local communities infused with a culture of accountability, meritocracy, empathy, and inclusion. Today, our team members span 53 different nationalities operating across 7 markets, with Austria as our foundation. We pride ourselves on promoting the best-and-brightest, being entrepreneurial, challenging the status quo and looking to improve ourselves and our business. We do not shy away from change, knowing that this is the only constant.

I feel blessed to be part of a company with dedicated, hardworking, and committed team members that care for one another and work as one team. I, and my colleagues on the senior leadership team, are incredibly thankful for the support from all stakeholders. I want to thank our customers for placing their trust in us, our shareholders for their continued support and our team members for their commitment and execution. We have an amazing team and resilient business that will deliver results across all cycles allowing us to consistently support our customers, local communities, team members and shareholders.

Best,
Anas

COMPENSATION-RELATED DEVELOPMENTS SINCE PUBLISHPMENT OF LAST REMUNERATION REPORT

Vote at the AGM 2022

Last year's vote on approval of the remuneration report received 32% support from shareholders. The Management Board as well as the Supervisory Board recognize how this level of support indicates broad shareholder dissatisfaction with the remuneration disclosed for 2021. As such, we have dedicated considerable time and focus during the past year reviewing our remuneration design, appropriateness of pay levels, and have engaged with both shareholders and third-party compensation consulting firms to gather feedback and find opportunities to improve.

Investor Outreach

After a thorough review of the remuneration policy, a comprehensive outreach program to our investor base has been launched. In early 2023, we engaged with approximately 30 shareholders. We specifically sought feedback from shareholders on our executive remuneration program to consider ways to further evolve our program. Our Supervisory Board was directly involved in these conversations with our Chairperson and our Deputy Chairperson personally participating in these meetings with shareholders. From these calls, we gathered multiple perspectives on which aspects of the program shareholders found dissatisfying, as well as elements that shareholders wish to maintain. From those conversations, we highlight the most salient topics and actions which we have taken to address these topics:

Topic	Description	BAWAG's Response
Enhancement of disclosure	Certain sections of last year's Remuneration Report did not meet shareholders' expectations in terms of disclosure.	Our aim is to provide a level of transparency which allows shareholders to review and understand our remuneration design and to form a well-informed opinion on our remuneration design. Please see section " <i>Enhancement of disclosure in the Remuneration Report</i> " in this chapter for further details.
Peer group / benchmarking	Absence of disclosure regarding the peer group(s) relevant for remuneration-related topics and how this peer group(s) is/are used for benchmarking purposes.	We added a dedicated section on market analysis which entails disclosure of the peers and the methodology pursuant to which this peer group was derived. We also added context regarding how our Nomination and Remuneration Committee considers market data, which is one of numerous factors involved in the remuneration process. Please see section " <i>Assessment of Management Board Remuneration (Market Analysis)</i> " in this chapter for further details.

Explanation of year-over-year pay increases	Fixed salary increases between 2020 and 2021 remained unexplained and led to misinterpretation and investor concerns.	Besides quantitative aspects, we included additional narrative and qualitative disclosure to allow shareholders to better understand the underlying rationale for year-over-year pay changes.
Metrics for STI	STI performance metrics were considered vague under the individual as well as the ESG/leadership components, which in total account for two-thirds of the STI goals.	<p>We provided additional disclosure with respect to individual as well as ESG/leadership targets to enable shareholders to form a more fulsome view on target achievement.</p> <p>As of financial year 2023, the percentage of quantifiable financial metrics/KPIs will be increased to 75%, leaving only 25% for individual targets, including ESG targets.</p> <p>See page 23 (section “<i>New Performance Criteria to be applied as of Financial Year 2023</i>”) for further details</p>
Total remuneration of Management Board	A select minority of shareholders shared their concerns in respect of the total quantum of Management Board remuneration.	<p>Despite a record performance in 2022, the bonus pool for the Management Board was reduced by 20%+ for variable remuneration.</p> <p>This was proactively proposed by the CEO to address uncertain macroeconomic developments as well as the monetary outlook.</p>

We are further committed to identifying policies and actions which further enhance the alignment between the interests of shareholders and management.

Enhancement of disclosure in the Remuneration Report

Consistent with themes we heard through engaging with investors, this Remuneration Report provides enhanced and more transparent disclosure of remuneration at BAWAG. We have included a more robust description of the process and information used to make remuneration decisions for 2022 year-end, which will be carried forward for 2023 and beyond.

- ▶ **Process of making remuneration decisions:** The Nomination and Remuneration Committee conducts a thorough, data-driven process to help inform remuneration decisions that are in the best interest of the Company's strategy and its shareholders. This process takes into account numerous perspectives from inside BAWAG and externally – including absolute financial performance, relative performance in the financial services sector, assessment of the management team, and best practices in corporate governance.

In 2022, the Nomination and Remuneration Committee began by considering the financial and strategic performance of the Management Board to determine appropriate levels of incentive pay for the past year, then reviewing appropriateness of the program for the following year. The remuneration program's overall level of pay was compared to external market benchmarks (see more below) through the assistance of a third-party consultant (FW Cook). The structure of the program, including fixed versus variable pay components, were reviewed for market appropriateness. The Nomination and Remuneration Committee then engaged with investors to further refine the program to consider both positives and negatives of the program from an investor perspective, making further changes to align management incentives with the expectations of the shareholders. See more detail on the process in section titled "*Responsibility and processes related to Management Board Remuneration*"

- ▶ **Market benchmarks:** To assist in determining appropriate remuneration levels for the Management Board, the Nomination and Remuneration Committee considers a variety of comparison points in appropriate talent markets. See the following section for additional detail.

Assessment of Management Board Remuneration (Market Analysis)

The Nomination and Remuneration Committee does not target a specific competitive position versus the market or peer companies in determining the compensation of Management Board Members as it believes that strict adherence to a specific market positioning fails to appropriately reflect the unique nature of our business portfolio and the degree of difficulty in leading the company and key businesses and functions.

However, the Nomination and Remuneration Committee believes it is important to understand the competitive marketplace for executive talent to inform its decision-making and ensure that our executive compensation program supports our recruitment and retention needs. As a result, the Nomination and Remuneration Committee uses a multi-faceted approach including various peer sets for purposes of assessing competitive compensation practices and design, and periodically reviews compensation data for the peer group derived from publicly filed proxy statements. The Nomination and Remuneration Committee periodically reviews these peer sets to ensure they remain appropriate.

The three peer groups used have different considerations when it comes to comparisons: comparable business activities as well as a comparable size and international presence, the competitive landscape from an investment perspective as well as a broader regional perspective in terms of potential employment.

Group	Rationale	Sample
PEER GROUP 1	<ul style="list-style-type: none"> - Business model - Geographic focus (Western Europe and US) - Similar financial size (focus on assets and revenues) 	18 banks AIB Group plc, Bankinter, S.A., Banque Cantonale Vaudoise, Basler Kantonalbank, Berner Kantonalbank AG, Cadence Bank, Citizens Financial Group, Inc., Close Brothers Group plc, Comerica Incorporated, First Horizon Corporation, Huntington Bancshares Incorporated, Jyske Bank A/S, KeyCorp, PacWest Bancorp, Signature Bank Synchrony Financial, Valiant Holding AG, Virgin Money UK PLC
PEER GROUP 2	<ul style="list-style-type: none"> - Profitability levels - European banks investor universe 	13 banks ABN AMRO Bank NV, Banco Bilbao Vizcaya Argentaria SA, Banco Santander SA, BNP Paribas SA, Commerzbank AG, Deutsche Bank AG, Erste Group Bank AG, ING Groep NV, Intesa Sanpaolo SpA, KBC Group NV, Nordea Bank Abp, Societe Generale SA, UniCredit SpA
PEER GROUP 3	<ul style="list-style-type: none"> - Non-industry related peers in terms of potential employment in core markets 	ATX, DAX, SMI20

For the **first peer group**, BAWAG engaged FW Cook as external compensation consultant to assist in reviewing its executive compensation program, including benchmarking pay levels and pay design to the market, through a custom group of peer companies. These companies were selected through the following criteria:

- ▶ Banks with similar business focus as BAWAG
- ▶ Geographic focus on Western Europe and North America, as these geographies represent where BAWAG most competes for talent and business
- ▶ Similar financial size, primarily focusing on assets and revenue, which are the closest indicators of complexity of financial services organizations and thus strong proxies for determining competitive compensation, with additional consideration of profitability and market capitalization

The resulting peer group of 18 banks in Western Europe and North America was used to better understand the latest market design and levels of pay relevant to BAWAG.

To improve the diversity of perspectives informing remuneration policy, the Nomination and Remuneration Committee also incorporates remuneration trends from other market sources and therefore established **peer groups 2 and 3**.

For the **second peer group**, the Nomination and Remuneration Committee compared the design of BAWAG's remuneration program with the remuneration designs and corporate governance policies of major financial institutions across Western Europe, including Austria, France, Italy, Germany, Spain, Switzerland, and beyond. The financial institutions in peer group 2 reflect the European banking investment universe for investors.

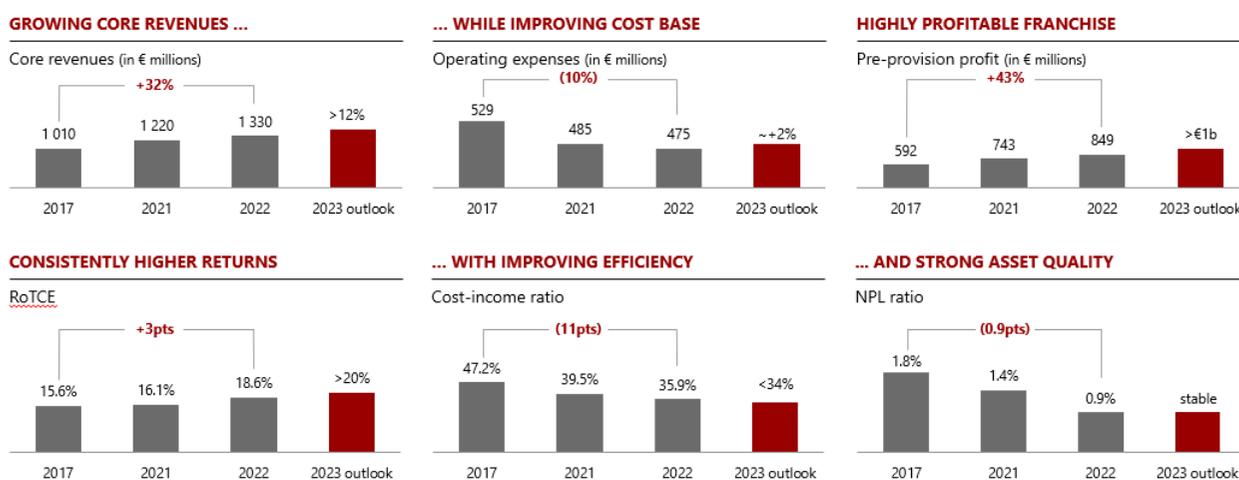
The **third peer group** considers the broader regional perspective in terms of potential employment of Management Board members, regardless of industry. Highly relevant to the talent strategy of BAWAG is to provide a competitive employment opportunity for high-performing executives across Europe. As such, the Nomination and Remuneration Committee compares to companies in the ATX, DAX and SMI20, who are considered as competitors in the battle for talent in certain of BAWAG's core markets.

With the combination of the peer group described above, the broader European financial services sector, and additional international perspective from international indices, the Nomination and Remuneration Committee has a strong foundation of market-current pay design trends upon which to build a highly competitive remuneration program.

COMPARATIVE INFORMATION

Our Performance since the IPO in 2017

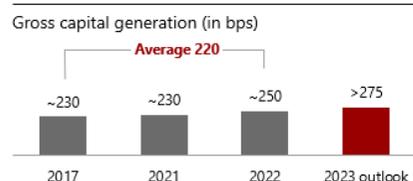
Despite the changing sentiment in equity markets, we have stayed the course, focusing on the fundamentals of running a good business, and not chasing the latest fad or short-termism. We strengthened our franchise by consistently growing earnings, improving our operating performance and being good stewards of capital. We completed 7 acquisitions and entered 2 new markets, which were all self-funded, as we generated an average of 220 basis points of CET1 capital per year. In 2017, we delivered pre-tax profit of € 500 million, EPS of € 4.49, RoTCE of 15.6% and CIR of 47.2%. In 2022, we delivered an adjusted pre-tax profit of € 681 million, EPS of € 5.81, RoTCE of 18.6% and CIR of 35.9%. This represented a 30% EPS increase, +3.0 point improvement in RoTCE and -11.3 point reduction in CIR. Core revenues grew by 32% while operating expenses were down 10% over the same period. We improved on every operational and financial metric by focusing on the things that we can control, being patient and prudent, and pursuing sustainable and profitable growth.



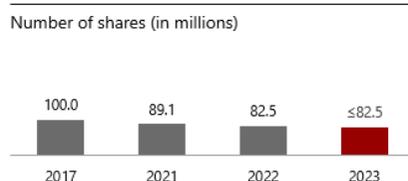
Note: 2022 RoTCE adjusted for City of Linz write-off.

We take pride in being good stewards of capital and disciplined in our capital allocation. We distributed € 1.725 billion of capital in the form of dividends and share buybacks. We paid € 1.0 billion in dividends, equal to € 10.96 in cumulative dividends per share. We completed share buybacks worth € 725 million, reducing our number of shares by 17.5% to 82.5 million shares. We will be proposing to the AGM a dividend payment of € 3.70 per share for 2022, equal to € 305 million, to be paid on April 6, 2023, subject to shareholder approval. Therefore, this will take total distributions since our IPO in October 2017 to over € 2 billion. During this same period, our total shareholder return was +30%, outperforming the benchmark European bank indices, the SX7P and SX7E, by 38 and 43 points, respectively.

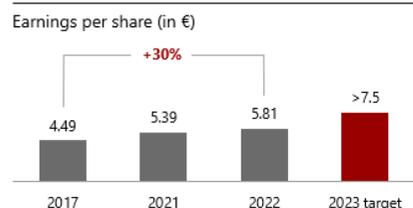
STRONG CAPITAL GENERATION POWER



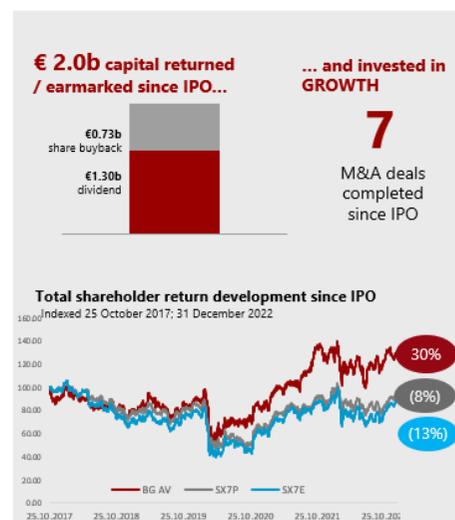
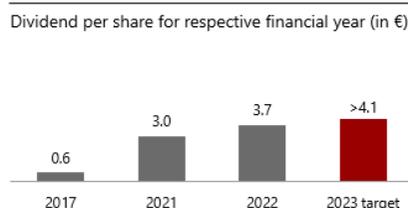
LOWER SHARE COUNT FOLLOWING BUYBACKS



STEADY INCREASE IN EARNINGS



€14.6 ACCUMULATED DPS SINCE IPO



Development of Remuneration & KPIs

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, as required pursuant to the Austrian Stock Corporation Act.

We believe that following factors should be taken into consideration when analyzing the comparison:

- ▶ **Financial performance since IPO:** Earlier in this chapter, we highlighted our financial performance between the IPO and year end 2022. Over this period, we achieved a 30% EPS increase, +3.0 point improvement in RoTCE and -11 point reduction in CIR, with core revenues growing by 32% while operating expenses were down 10%. In a nutshell, we improved on every operational and financial metric.
- ▶ **Increase of dividends & additional share buybacks:** We distributed € 1.725 billion of capital in the form of dividends and share buybacks since our IPO. We will be proposing a dividend payment of € 3.70 per share for 2022, equal to € 305 million. This will take total distributions since our IPO in October 2017 to over € 2 billion.
- ▶ **Employee Equity Programs & one-time payment in 2022:** In 2022, we launched 2 employee equity programs to reward our team members for their dedication and commitment as well as to give everyone a chance to participate in the success of the company through direct share ownership in 2022. The first program was a stock grant of 25 BAWAG Group shares, equivalent to approximately € 1,000 at the time of granting. The second equity program was a stock matching program, providing one additional BAWAG Group matching share for every three shares acquired, up to a maximum value of € 2,000 of purchased shares with over 25% employee participation. Besides, employees received a one-time payment for 2022 which was paid to address the inflation.

- ▶ **Management Board waiver of bonus in 2019 and 2020:** Management Board Members waived their bonuses for the financial year 2020, after having already waived their potential bonuses for the financial year 2019. This waiver was proactively proposed by the entire Management Board to address economic uncertainties in light of the pandemic and impact this had on the communities we serve.
- ▶ **Reduction of Management Board bonus pool 2022:** Despite record year in 2022, the bonus pool for the Management Board was reduced by 20%+ for variable remuneration. This was proactively proposed by the CEO to address uncertain macroeconomic developments as well as the monetary outlook.

	2019	2020	2021	2022	2021 vs 2022
Total remuneration of Management Board Members in € thousand	19,800	21,536	41,638	38,261	(8.1%)
Fixed remuneration	19,800	21,536	23,638	24,011	+1.6%
Cash Bonus	0	0	18,000	14,250	(21%)
Total remuneration of each Management Board Member in € thousand					
Anas Abuzaakouk	4,920	5,290	10,575	9,443	(11%)
Enver Sirucic	1,900	2,760	6,544	6,869	+5%
Sat Shah	4,110	4,190	8,067	7,473	(7%)
Guido Jestädt	n/a	n/a -	2,676	2,470	(8%)
David O'Leary	3,170	3,290	6,343	4,994	(21%)
Andrew Wise	3,780	3,860	7,433	7,012	(8%)
Former Management Board Members					
Stefan Barth	1,920	2,146	-	-	-
Performance of BAWAG Group AG					
Return on Tangible Common Equity (RoTCE)	16.1%	10.2%	16.1%	18.6%	+2.5pts
Cost-income ratio (CIR)	42.7%	44.3%	39.5 %	35.9%	(3.6)pts
Common Equity Tier 1 capital ratio (fully loaded)	13.2%	14.0%	15.0%	13.5%	(1.5)pts
earmarked dividends	€ 230 million	€ 230 million	€ 267 million	€ 305 million	+14%
Average remuneration on an FTE basis*					
Employees of BAWAG Group	€ 63,670	€ 63,790	€ 64,360	€ 69,350	+8%
Employee Stock Grant Program				€ 947	
Employee Stock Matching Program				€ 347	
Other cash payments**		€ 366	€ 268	€ 551	
Total	€ 63,670	€ 64,156	€ 64,628	€ 71,195	

*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).

** Other cash payments include one-time payments in connection to address specific circumstances, such as the Covid-19 pandemic in the financial years 2020 and 2021 or inflation in the financial year 2022.

REMUNERATION OF THE MANAGEMENT BOARD

Responsibility and processes related to Management Board Remuneration

The Nomination and Remuneration Committee is responsible for overseeing the design of the remuneration system as well as for setting individual remuneration amounts and procedures for awarding remuneration to the Management Board. The Nomination and Remuneration Committee monitors the implementation of the remuneration system and, upon a periodic review, makes adjustments to the system, if required. In the case of significant changes, but at least every four years, the Remuneration Policy is submitted to the AGM for approval in accordance with Sections 78b and 98a of the Austrian Stock Corporation Act.

To that end, in October 2020 the shareholders of BAWAG Group voted on the Remuneration Policy 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).

On the basis of the approved Remuneration Policy, the Nomination and Remuneration Committee sets targets for each Management Board member for the respective financial year, while taking into account the scope and complexity of the respective Management Board member's functional responsibilities as well as BAWAG's financial situation. In the process, the Nomination and Remuneration Committee also considers market compensation, based on a periodical review of a peer group (please refer to the section "*Assessment of Management Board Remuneration (Market Analysis)*" for further details).

Alignment of Management Board Remuneration to BAWAG's strategy

Conducting business in a sustainable way is key to the long-term success of all of our stakeholders. Through our value generation, we aim to be an attractive employer, a dependable partner for our customers, a reliable taxpayer, and a positive contributor to society and the local communities we serve. While focusing on these core values, we also believe we can serve as a wealth generator for our investors through capital distributions. To achieve this, it not only requires the financial resilience, but also a mindset of continuous improvement, in order to ensure BAWAG drives all initiatives as well as adapts proactively to a changing environment ensuring our business model remains sustainable in the future. Therefore, sustainable value creation is at the core of our decision-making and how we run the Bank.

Despite our strong record of performance over the past decade with an average RoTCE ~15%, we have underearned over this period defined by negative rates. We have an opportunity to deliver more normalized returns in the years ahead. However, we should never confuse the tailwind of rising interest rates with the daily execution of our strategy. Our emphasis on managing costs and maintaining a conservative and disciplined risk appetite are more important than ever. The opportunity lies in maintaining our cost discipline and focusing on risk-adjusted returns while benefiting from a normalized interest rate environment. The resilience of our franchise lies in our ability to deliver results across all cycles as we are built for all seasons. Going forward we will be able to demonstrate continued positive operating leverage as we see greater revenue growth opportunities while maintaining our cost discipline. Our approach is to focus on the things that we can control, be a disciplined lender, maintain a conservative risk appetite, and to only pursue profitable growth.

While BAWAG Group ranks among the most profitable and efficient banks in Europe with a RoTCE of 18.6% (adjusted for the City of Linz write-off) and a CIR of 35.9% in 2022, we have set ambitious targets for the Group for 2023 and sustainable underlying return targets. Our achievement of these ambitious targets can be measured by the following KPIs:

- 1) Profit before tax > € 825 million
- 2) Earnings per share > € 7.50
- 3) Dividend per share > € 4.10
- 4) a sustainable RoTCE > 20% and
- 5) CIR < 34%

Therefore, our plan is to meet all our 2025 financial targets in 2023.

To sustainably achieve and maintain these return levels, the foundation of our strategy is consistent execution, a continuous improvement mindset, and a “self-help” DNA. This is born from our unique culture of accountability, meritocracy, empathy, and inclusion. Our goal is to develop our leaders in-house that will lead the bank long into the future, which is embedded in the remuneration system of the Management Board as well. In the interest of our shareholders, the remuneration of the Management Board is fully aligned to BAWAG’s strategy which aims to ensure a profitable and sustainable growth in the future providing a balanced incentive for the achievement of the targets. This is also reflected in the capital distribution of BAWAG.

General Remuneration Principles

As guided by the Remuneration Policy, described in more detail below, the Nomination and Remuneration Committee considers the following principles closely when making remuneration decisions:

Alignment with BAWAG’s strategy	BAWAG’s business strategy is based on the pillars of Growth, Efficiency, and Maintaining Safe and Secure Risk Profile. Our remuneration strategy is designed to incentivize management to pursue these pillars to create a more valuable enterprise.
Alignment with all stakeholders and ESG principles	As stewards of stakeholder interests, the remuneration policy is designed to align management’s compensation with the experience of all stakeholders. Alignment with financial shareholders is done largely through linkage of variable pay to financial performance as well as through delivering compensation in equity. Alignment with stakeholders beyond just financial shareholders is accomplished through variable pay structures that incentivize management to pursue strategies tied to the interests of customers, the workforce, suppliers, community, and the environment (including common ESG principles).
Use of multiple time horizons	Our remuneration program is comprised of multiple components that cover different time horizons. This is done by basing variable pay on near-term performance but deferring a significant portion of pay over a multi-year time horizon, thus ensuring that management decisions are taking into account multiple perspectives. Please see the relevant sections of this Remuneration Report which include an illustration of the time-horizons of the STI/respective LTIP.
Balance of individual and team performance	The Nomination and Remuneration Committee recognizes that performance is determined through a combination of individual contributions to BAWAG and the collective accomplishments of the team. Thus, remuneration for any one individual is determined through a holistic view of what that individual has accomplished in the past year and the performance of the entire company.
Maintenance of proper risk controls	The remuneration program is designed to encourage our Management Board members to deliver strong results while discouraging them from taking unnecessary or excessive risk. This is accomplished through the balance of metric-driven pay-for-performance and safeguards, such as limits on variable pay components and other risk mitigating features.

Adherence to corporate governance best practices	The Nomination and Remuneration Committee employs a portfolio of corporate governance best practices to ensure that remuneration is designed and delivered in an appropriate manner.
Cap of Variable Remuneration	Variable remuneration is capped and may not exceed 200% of fixed remuneration. This applies to both, any STI as well as LTIP. If in any given year an STI and an LTIP are awarded, the sum of both awards is considered in respect of the 200% cap calculation.
Variable remuneration tied to retention aspects	Variable remuneration is tied to retention aspects as deferred parts of variable remuneration will only vest, if the respective Management Board member is in good standing employment in the year of vesting. Thus, deferred portions of granted awards may be forfeited and never be realized under certain circumstances if the respective Management Board member exits prior to the end of the member's function period (currently until March 2026).

Remuneration principles as outlined in the Remuneration Policy

Total remuneration consists of fixed and variable compensation components. Besides the short-term incentives, the achievement of the targets originally set for 2025 is tied to a long-term incentive program. The structure of the remuneration is set in a way that it gives the Management Board members motivation to achieve their targets both on a group level as well as on an individual level.

Remuneration paid to Management Board Members can be qualified as either fixed or variable remuneration. The following overview provides guidance and further details on specific remuneration components as well as on specifics of the remuneration design at BAWAG.

Component	Details
Fixed salary	
<i>Base salary</i>	<p>Base salary of Management Board Members is fixed (non-discretionary) and 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.</p> <p>Management Board Members do not receive any separate remuneration for their activities for board memberships in affiliated companies.</p>
<i>Pension</i>	<p>Pension benefits are pre-defined and correspond to 15% of the base salary.</p> <p>This component of our remuneration program rewards Management Board Members for their loyalty to the company and ensures that appropriate funds are set aside to assist with income during retirement.</p>

<p><i>Fringe benefits (“Others”)</i></p>	<p>We provide limited fringe benefits to remain competitive in the markets in which we compete for talents. Benefits-in-kind include the following insurance benefits:</p> <ul style="list-style-type: none"> • private medical (health) insurance • accident/disability insurance • term life insurance • D&O insurance <p>This list is exhaustive and Management Board members do not benefit from any other fringe benefits or benefits-in-kind that go beyond the insurance benefits listed above.</p>
<p>Short-term remuneration</p>	
<p><i>Targets for STI</i></p>	<p>Any variable remuneration is paid based on performance. Targets for each Management Board member for the respective financial year are set by the Nomination and Remuneration Committee, while considering the scope and complexity of the respective Management Board member’s functional responsibilities as well as BAWAG’s financial situation.</p> <p>From our outreach to shareholders, we understand that the current STI metrics do not emphasize financial performance to the degree that shareholders prefer. We will thus dedicate a larger percentage to quantifiable financial metrics/KPIs to 75%, starting with FY 2023 and beyond.</p> <p>See page 23 (section “<i>New Performance Criteria to be applied as of Financial Year 2023</i>”) for further details.</p>
<p><i>Equity-linked pay</i></p>	<p>More than half of STI remains at risk, as it is tied to BAWAG’s share performance. Any bonus will be composed of a cash payment and phantom shares which will make at least 50% of the entire bonus award.</p>
<p><i>Deferral of bonus over 5 years period & one year retention period re (equity & equity-linked) instruments</i></p>	<p>60% of any bonus granted to Management Board members will be deferred over a period of 5 years and therefore remains at risk. The part of the bonus which is not subject to deferral vests in the year in which the bonus is being granted, with at least 50% (phantom shares) remaining at risk as such part is subject to a one-year retention period. The deferred portions of any bonus then vest in five equal annual instalments. This approach provides appropriate risk-mitigating safeguards and retention aspects to our remuneration program.</p>
<p><i>Remuneration Cap</i></p>	<p>Variable remuneration is capped and may not exceed 200% of fixed remuneration. This applies to both, any STI as well as LTIP. If in any given year an STI and an LTIP are awarded, the sum of both awards is considered in respect of the 200% cap calculation.</p>
<p><i>Long-term remuneration (LTIP)</i></p>	<p>Long-term incentive plans further align Management Board interests with the long-term strategy of BAWAG. Currently the BAWAG LTIP 2025 is in place which measures a multi-year performance period from 2022 through 2025.</p>

	2022	2023	2024	2025	2026	2027	2028
STI Annual Bonus	Performance period	40% 20% Cash 20% Phantom Shares	12% 6% Cash 6% Phantom Shares				

TOTAL REMUNERATION AWARDED OR OWED IN THE FINANCIAL YEAR

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 below consists of insurance contributions such as health insurance, disability insurance and term life insurance. 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.

The total remuneration per Management Board Member for the financial year 2022 is shown in the following table:

in € thousand	Position 2022	Fixed salaries	Pension	Other	in % of total	Bonus	in % of total	Total
Anas Abuzaakouk	CEO	5,200	780	113	65%	3,350	35%	9,443
Enver Sirucic	CFO, Deputy CEO	3,500	525	44	59%	2,800	41%	6,869
Sat Shah	Retail & SME, Deputy CEO	3,900	585	88	61%	2,900	39%	7,473
Guido Jestädt	CAO	1,250	188	32	60%	1,000	40%	2,470
David O'Leary	CRO	3,100	465	29	72%	1,400	28%	4,994
Andrew Wise	CIO, Non-retail lending	3,600	540	72	60%	2,800	40%	7,012
Total of Management Board Members		20,550	3,083	378	63%	14,250	37%	38,261

in € thousand	Position 2021	Fixed salaries	Pension	Other	in % of total	Bonus	in % of total	Total
Anas Abuzaakouk	CEO	5,200	780	95*	57%	4,500	43%	10,575
Enver Sirucic	CFO, Deputy CEO	3,200	480	39	57%	2,825	43%	6,544
Sat Shah	Retail & SME, Deputy CEO	3,900	585	82*	56%	3,500	44%	8,067
Guido Jestädt** (since July 1, 2021)	CAO	1,250	188	38	n/a	1,200	n/a	2,676
David O'Leary	CRO	3,100	465	28*	56%	2,750	44%	6,343
Andrew Wise	CIO, Non-retail lending	3,600	540	68*	56%	3,225	44%	7,433
Total of Management Board Members		20,250	3,038	350	57%	18,000	43%	41,638

*The column "Other" includes adjusted figures as health insurance invoices of certain individuals in relation to insurance coverage related to the financial year 2021 were only issued after the publishing of the Remuneration Report 2021.

** Figures annualized to enable like-for-like comparison.

Explanations of changes from 2021 to 2022

The fixed annual salary of Enver Sirucic (Deputy CEO, CFO) increased in 2022 by € 300,000 to a total of € 3.5 million. This was decided by the Nomination & Remuneration Committee in order to improve internal pay parity between individuals holding similar responsibilities and to reflect the growing relevance of business areas of responsibility within the CFO-resort.

The 2021 pay figures regarding Guido Jestädt were adjusted to improve clarity relative to other management members in the table, as the figures now include annualized salary to enable shareholders to make a like-for-like comparison.

The column *Other* includes private medical (health) insurance, accident/disability insurance, term life insurance and D&O insurance. There are no other allowances or other fringe benefits included that go beyond these insurances. The increase stems from adjustments to the individual coverages as well as common contract indexations.

TOTAL REMUNERATION PAID

Remuneration paid

In the financial years 2021 and 2022 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. As indicated already above, Management Board Members waived their potential bonuses for the financial year 2020 (after having already waived their potential bonuses for the financial year 2019).

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. The below table includes the number of shares that were delivered to the Management Board Members under the LTIP 2018-2020 in the financial year 2021 and 2022. A total of 60,497 shares were delivered to a former Management Board Member. Further information on the LTIP 2018-2020 is disclosed under the section "*Long-term Incentive Program 2018-2020 - expired*" and in the Remuneration Policy.

in € thousand	Anas Abuzaakouk		Enver Sirucic		Sat Shah		Guido Jestädt		David O'Leary		Andrew Wise	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Fixed remuneration												
Base Salary	5,200	5,200	3,200	3,500	3,900	3,900	1,250	1,250	3,100	3,100	3,600	3,600
Pension	780	780	480	525	585	585	188	188	465	465	540	540
Other Remuneration	95	113	39	44	82	88	38	32	29	29	68	72
Variable remuneration												
<i>Cash part</i>												
Financial year 2021		887		565		691		240		543		636
Financial year 2020	0	0	0	0	0	0	n/a	n/a	0	0	0	0
Financial year 2019	0	0	0	0	0	0	n/a	n/a	0	0	0	0
Financial year 2018	87	87	81	81	60	60	n/a	n/a	84	84	66	66
Financial year 2017	0	0	0	0	0	0	n/a	n/a	0	0	0	0
<i>Phantom share part (paid in cash)</i>												
Financial year 2021		0		0		0		0		0		0
Financial year 2020	0	0	0	0	0	0	n/a	n/a	0	0	0	0
Financial year 2019	0	0	0	0	0	0	n/a	n/a	0	0	0	0
Financial year 2018	69	101	64	95	48	69	n/a	n/a	67	97	52	76
Financial year 2017	0	0	0	0	0	0	n/a	n/a	0	0	0	0
Total variable remuneration (in cash)	156	1,075	145	741	108	820	n/a	240	151	724	118	778
<i>number of BAWAG Group shares delivered (LTIP 2018-2020)</i>												
169,880	28,313	60,497	10,083	136,979	22,830		n/a	2,319	108,395	18,066	124,573	20,762
Total cash (€)	6,231	7,168	3,864	4,810	4,675	5,393		1,710	3,744	4,318	4,326	4,990
Total shares #	169,880	28,331	60,497	10,083	136,979	22,830	n/a	2,319	108,395	18,066	124,573	20,762

Phantom shares in retention

The number of phantom shares vested in 2022 but which are subject to a one-year retention period is shown in the table below:

	Number of phantom shares vested in 2022
Anas Abuzaakouk	20,230
Enver Sirucic	13,361
Sat Shah	15,543
Guido Jestädt	4,814
David O'Leary	13,134
Andrew Wise	14,589
Total	81,671

The cash amount of the phantom shares which vested in 2022 will be disclosed in the remuneration report 2023. The calculation of the cash amount is based on BAWAG Group's VWAP during the retention year.

SHARES HELD BY MANAGEMENT BOARD MEMBERS

The Management Board's level of ownership is distinct when compared to other European financial institutions, and emblematic of the commitment our leadership has to this firm.

More than 70% of the Management Board's shareholding is derived from their personal investment, demonstrating the commitment of the team into BAWAG. Living a true "owner-operator" mindset, the voluntary personal investment in BAWAG further strengthens the link between management's performance, the strategic business decisions they make, and their focus on long-term value creation in line with shareholders. In addition, this is the mindset that the Management Board members aim to instill across the company – that each employee acts as an owner.

The table below shows the number of BAWAG Group shares held by each Management Board member at the date of this Remuneration Report, with a break-down into shares acquired individually and shares delivered under the LTIP 2018-2020. As indicated below, Management Board Members hold approximately 3.3 % of the shares in BAWAG Group. BAWAG's entire Senior Leadership Team (including the Management Board) hold approximately 3.7%.

Shares delivered under the LTIP 2018-2020 and shown in the table below were transferred on a gross basis. For example, to receive a granted award of 100 shares in full, each Management Board member had to pay income tax levied on the 100 shares. Therefore, assuming an average income tax rate of 50%, the figures shown below under the LTIP 2018-2020 column include an individual investment of 50% of the number of shares shown in the table below.

	# of shares acquired individually	# of shares under LTIP 2018-2020	# of shares held
Anas Abuzaakouk	751,674	226,506	978,180
Enver Sirucic	169,503	80,663	250,166
Sat Shah	442,800	182,639	625,439
Guido Jestädt	31,911	18,550	50,461
David O'Leary	226,718	144,526	371,244
Andrew Wise	297,024	166,097	463,121
Total	1,919,630	818,981	2,738,611

BAWAG LONG-TERM INCENTIVE PROGRAM 2025

General

In January 2022, the Nomination and Remuneration Committee established a new long-term incentive program (“**BAWAG LTIP 2025**”). The purpose of the BAWAG LTIP 2025 is to retain key personnel (*retention aspect*) and to effectively align the interests of participants with the long-term performance of BAWAG Group by considering BAWAG’s externally communicated multi-year performance targets until 2025 (*interest alignment aspect*). The key commercial terms of the BAWAG LTIP 2025 are summarized in this section.

All Management Board Members participate in the BAWAG LTIP 2025, as well as approximately 80 selected key leaders of BAWAG. The overall program size amounts to approximately 800,000 shares for all participants of the BAWAG LTIP 2025, including Management Board Members, whereas approximately 50% of the BAWAG LTIP 2025 has been allocated to the Management Board and the remaining approximately 50% has been allocated to selected key leaders. The awards under the BAWAG LTIP 2025 will, subject to certain conditions as outlined below, be delivered in the form of ordinary shares of BAWAG Group AG (no phantom shares) in 2026 and 2027.

As already presented in our Half-Year Financial Report 2022, Management Board Members were awarded the following number of shares under the BAWAG LTIP 2025:

	# of shares awarded under BAWAG LTIP 2025
Anas Abuzaakouk	104,333
Enver Sirucic	70,224
Sat Shah	78,250
Guido Jestädt	25,080
David O’Leary	62,199
Andrew Wise	72,231

Vesting conditions

The vesting conditions comprise the following:

- ▶ **Retention Condition:** Due to the retention aspect of the BAWAG LTIP 2025, participants are required to be employed in good standing at the beginning of 2026.
- ▶ **Performance Condition:** The performance conditions as specified below.
- ▶ **Regulatory Vesting Requirement:** Regulatory vesting requirements in accordance with the applicable regulatory framework (e.g. no malus is applied to the individual or to all BAWAG LTIP 2025 participants, vesting is sustainable according to the financial and risk situation of BAWAG Group).

Details on performance conditions and ratchets for targets

In order to effectively align the interests of participants of the BAWAG LTIP 2025 with the long-term performance of BAWAG Group, the performance conditions are tied to the multi-year performance targets until 2025 as presented at the investor day 2021. They consist of financial and non-financial/ESG targets which are split as follows:

Financial targets		70%	Non-Financial /ESG targets		30%
Profit before tax target ("PBT")	(>€750 m)	30%	CO2 emission target	(>50% reduction)	
	10%				
Earnings per share target ("EPS")	(>€7.25)	20%	Women quota target		/
	10%				
Dividend per share target ("DPS")	(>€4.00)	20%	Supervisory Board (33%)		5%
			Senior Leadership Team (33%)		5%
			Green lending business target		10%

Further Terms (conditional delivery of shares (vesting of award) / retention period)

Subject to the vesting conditions as outlined above, 88% of the BAWAG LTIP 2025 award (*Part I*) shall vest in early 2026 and 12% of the BAWAG LTIP 2025 award shall vest in early 2027. Upon delivery of the shares, the shares will remain subject to retention during a period in accordance with applicable regulatory requirements, which currently stands at one year (one-year retention period).

The financial and non-financial/ESG targets are deemed fulfilled if all financial targets or all non-financial/ESG targets are met at any financial year end (i.e. year-end 2022/23/24). The assessment of the vesting conditions (including the performance targets) under the BAWAG LTIP 2025 will be carried out by the Nomination and Remuneration Committee of BAWAG Group.



LONG-TERM INCENTIVE PROGRAM 2018-2020 - EXPIRED

Management Board Members have participated 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. Accordingly, the LTIP award under the LTIP 2018-2020 was considered for the bonus cap with respect to the financial year 2017.

Vesting of 75% of the LTIP award was dependent on a single performance metric (pre-tax EPS for 2018-2020), which was assessed and confirmed by the Nomination and Remuneration Committee in early 2021. This 75% portion was not tied to any service condition and the respective amount of BAWAG Group shares were delivered to the beneficiaries in 2021. Vesting of the remaining 25% of the LTIP award was subject to a service condition, requiring good standing employment on March 31, 2021, and the respective BAWAG Group shares were delivered in two equal tranches of each 12.5% in 2022 and 2023. Any shares transferred under this LTIP 2018-2020 remain subject to a one-year retention period. Furthermore, malus and clawback rules apply (see below).

With respect to the LTIP 2018-2020 the number of shares which were delivered to Management Board Members in the financial year 2022 is shown in the section “total remuneration paid” above.

Following the implementation of the LTIP 2018-2020, we received the feedback from shareholders, that the implementation of a long-term incentive program was generally perceived as a positive. However, in our discussions with shareholders, the topic was raised that the LTIP 2018-2020 was based on a single financial performance metric (pre-tax EPS for 2018-2020). Shareholders would have expected more than one single KPI as well as the minority of the award being tied to the fulfilment of non-financial KPIs.

We have taken this feedback into account when structuring the LTIP 2025. The performance conditions for the LTIP 2025 comprise of both, a robust set of financial and non-financial/ESG targets, which are described in further detail in the chapter “BAWAG Long Term Incentive Program 2025” above.



MALUS AND CLAWBACK

In the financial year 2022 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 2022 there was no deviation from the Remuneration Policy.

COMPLIANCE WITH REMUNERATION POLICY AND APPLICATION OF PERFORMANCE CRITERIA

New Performance Criteria to be applied as of Financial Year 2023

The design of BAWAG's incentive plan was one topic of interest raised by shareholders during outreach meetings. For FY 2022, our program rewards management across equally weighted performance pillars of financial, individual, and ESG/leadership success. While this plan established rigorous objectives for management, ultimately it did not emphasize financial performance to the degree that our shareholders preferred. After such consultation, we have increased the focus on financial metrics, while still requiring high performance in individual and ESG-related matters.

FY22 Performance Criteria	Feedback Received	FY23 Performance Criteria	Comments
33% Financial 33% Individual 33% ESG & Leadership	2/3 of current performance metrics are not bound to financial targets, which equates to a largely discretionary STI design	75% Financial 25% Other	Based on externally communicated KPIs Non-Financial criteria will continue to include ESG and individual factors and will be as robust and measurable as possible

Note that 2022 Scorecards remain unchanged. While shareholder feedback encouraged the above changes to our award design, the Nomination and Remuneration Committee determined it would be impractical and unfair to make modifications to targets which had already been communicated to both management and external constituents. Scorecards will be enhanced in coming years and detailed in next year's remuneration report.

Performance Criteria for the Financial Year 2022

Remuneration paid to Management Board Members in the financial year 2022 was 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 sets the target for each individual Management Board member in line with the principles set forth in the Remuneration Policy at the beginning of the bonus cycle.

The group performance as well as the ESG & leadership targets are identical for all Management Board Members, except for the CRO and the CAO for whom we do not set group financial targets given their function, role, and responsibilities. Individual targets differ, taking into consideration the respective role and focus area of each individual Management Board Member.

The table below shows the targets defined for the CEO in the financial year 2022, the respective weighting of such targets and the score as assessed by the Nomination and Remuneration Committee in respect of the CEO as well as the average score of the other Management Board Members.

ANAS ABUZAAKOUK; CEO

GROUP PERFORMANCE		Weighting	Actual	Score CEO	Avg. score other MB members*
Profit before Tax (PBT)	> €675m	11.1%	€ 681m	11.1%	11.1%
Cost-income ratio	< 38%	11.1%	35.9%	11.1%	11.1%
Return on Tangible Common Equity	>17%	11.1%	18.6%	11.1%	11.1%
		33.3%		33.3%	33.3%
INDIVIDUAL PERFORMANCE					
Overall Capital Management & individual cost targets					
<ul style="list-style-type: none"> Determining capital allocation decisions & being good stewards of capital Driving disciplined organic growth focused on risk-adjusted returns Building robust M&A pipeline while staying disciplined on valuation Actively engaging in investor community to communicate the BAWAG story Individual Cost target 		10.5%		9.5%	
Technology: talent upgrades, improved developments / delivery, and operational stability					
<ul style="list-style-type: none"> Talent upgrade across Technology Operations, Development & Data teams Infrastructure modernization Cost optimization while enhancing overall infrastructure stability and reliability 		7.6%		6.0%	
Enhancing Risk, Compliance, Internal Audit & regulatory teams					
<ul style="list-style-type: none"> Closing out internal audit finding and remediating outstanding items from on-site reviews Addressing open topics addressed in SREP letter 		7.6%		4.5%	
Enhancing operational structure (including succession planning & organizational dynamics; assessment of Senior Leadership Team, promotions and recruitment)					
<ul style="list-style-type: none"> Succession Planning & organizational dynamics Senior Leadership Team assessment, reorganization, promotions and external recruitment 		7.6%		7.6%	
		33.3%		27.5%	28.8%
ESG & LEADERSHIP					
Human Capital Development					
<ul style="list-style-type: none"> Recruiting, retaining and promoting top talent across the Group Driving diversity of leadership (including promotion of women) 		8.25%		7.0%	
Promoting strong risk, controllership & compliance culture across the Group					
<ul style="list-style-type: none"> Ensuring policies are embraced by leadership and the workforce Enhancing 2nd and 3rd line of defence across the Group Defining specific parameters around Environmental and Governance topics that can be communicated to all stakeholders and in-line with regulatory expectations. 		8.65%		6.5%	
Promoting the values of the Group – integrity in our daily work and creating meritocratic environment within the framework of human capital and governance as part of ESG roadmap					
<ul style="list-style-type: none"> Promoting meritocracy, embracing flat organization, leading by example and eliminating bureaucracy Enhancing 2nd and 3rd line of defence across the Group 		8.25%		8.0%	
Entrepreneurship, innovation and thought leadership					
<ul style="list-style-type: none"> Being thought leaders and encouraging open and honest dialogue Apply critical thinking Embracing technology and disrupting status quo 		8.25%		8.25%	
		33.3%		29.75%	30.2%
TOTAL		100.0%		90.58%	92.1%

*CRO and CAO were excluded from the average as their scorecards differ substantially (see explanation above).

We understand that investors prefer hard-coded KPIs versus soft factors. As described earlier in this section, the split will change as of financial year 2023 and going forward. We did make any changes retrospectively. However, we would like to provide background and narrative in respect of certain aspects of the *Group Performance*, the *Individual Performance*, and the *ESG & Leadership* goals for 2022 to increase the level of transparency and allow shareholders to review and understand the determination of the STI for 2022.

Explanations regarding Group Performance

All of the group performance targets have been met in 2022. Our PBT landed at € 681m (vs >€ 675m target), our cost-income ratio fell to 35.9% (vs <38% target) and our RoTCE amounted to 18.6% (vs >17% target).

Explanations regarding Individual Performance

In 2022, we continued to focus on disciplined growth in our core products, which was partially impacted by the changing market environment. BAWAG Group's expansion outside of Austria has been focused on identifying mature and developed markets with sound macroeconomic fundamentals and profitable growth opportunities. This has been achieved through a mixture of organic growth initiatives and acquisitions. While we remain a niche player in the German, Dutch and Swiss markets, the foundations that we have built provides us with a significant opportunity to accelerate our growth without sacrificing profitability.

We also consistently monitor opportunities across our core markets of Western Europe (e.g. UK & Ireland) and the United States (US). We opened a representative office in the United States in 2022 to better serve our US clients and pursue future growth. We've been lending to US corporate and real estate clients for over a decade. In terms of M&A, we signed one acquisition and acquired one portfolio in 2022: In February 2022, BAWAG Group signed an agreement to acquire Peak Bancorp, the holding company of Idaho First Bank, a community bank with approximately 10,000 customers and \$ 0.5 billion balance sheet. The acquisition enables us to expand our footprint in the United States and better position BAWAG Group for future growth in one of the bank's core markets. The acquisition also provides BAWAG Group with a banking platform to pursue further growth opportunities across the United States. The transaction is subject to regulatory approvals.

In March 2022, Sberbank Europe AG (now in liquidation) was prohibited from continuing business operations. BAWAG Group purchased a German consumer loan portfolio and a bond portfolio with a book value of € 0.7 billion. The transaction consumed approximately 30 basis points of CET1 capital with the purchase price directly paid to the Austrian deposit guarantee scheme.

BAWAG Group distributed € 592 million of capital in the form of € 267 million dividends, or € 3.00 per share, and completed a € 325 million share buyback during 2022. The Management Board will be proposing a dividend of € 3.70 per share, equal to € 305 million, for approval at the AGM in March. We ended the year with a CET1 ratio of 13.5% (post dividend accrual) and excess capital of € 261 million versus our CET1 target of 12.25%, with an additional management overlay provision of € 100 million to address any macro uncertainty. The Management Board is purposely maintaining dry powder for potential organic opportunities and M&A in the coming quarters. If specific opportunities do not materialize, any buyback will be under 100 basis points of CET1% (subject to regulatory approval) as we remain prudent and conservative.

In 2022, members of the Management Board met with investors from the United States, the United Kingdom, Germany, France, Austria, Denmark, Norway, Finland, Netherlands, Belgium, Italy, Spain, Sweden, Poland and across Asia. In addition, we attended 8 conferences dedicated to financial institutions or small-mid cap companies in 2022. This was a mix of both specialists in the financial sector as well as generalists. Besides roadshows and conferences, we held one-on-one (virtual) meetings or calls with potential new investors as well as existing investors and ESG teams. The main discussion

points were related to the share buyback, macroeconomic environment, interest rate sensitivities, asset quality and details on our business model.

Since 2012 we have invested approximately € 600 million in technology. Continuous investment in technology over the past decade has allowed us to modernize and simplify our technology stack, avoid large scale white-elephant digitization projects, and most importantly systematically work to scale our banking platform. We have expanded partnerships and investments with technology leaders as we modernize our technology infrastructure, simplify our architecture, and focus on straight-line processing. These investments will continue and today represent a greater percentage of our overall spend across the Group, moving from 15% in 2012 to ~ 25% of our total Group spend today.

Explanations regarding ESG & Leadership

Our foundation, the key for our transformation and the daily execution of our strategy are our employees. Further embedding our culture into the organization is therefore essential to the success of BAWAG Group. The Management Board members act as an owner-operator and this represents the values they want to embed across the company. The culture is based on the following:

- ▶ **Leadership & Embracing Change:** We value leaders who are dynamic, lead with uncompromising integrity, have a strong work ethic, and do not shy away from taking hard decisions. During 2022, several promotions have been made to our Senior Leadership Team, which now stands at 86 between our Management Board, Extended Management Board, and Senior Leaders. The group consists of 11 nationalities, with 28% female representation and average working experience at BAWAG of 14 years, driving diversity across this group. In 2022 we have been able to achieve our goal to develop our leaders in-house that will lead the bank long into the future. This was made possible given the various training programs, leadership development, mentoring, and challenging roles on hand.
- ▶ **Simple and flat organization:** We do our best to maintain a simple group structure and flat organization. We encourage all team members to focus on the work at hand, cut-out the noise, and always challenge the status quo for the betterment of the team. We believe hierarchy, bureaucracy, and a siloed organization lead to disjointed analysis, wide scale inefficiencies, poor decision-making, and ultimately a bloated cost structure. Having embedded this mindset, it was possible to cut our operating expenses by 2% in an environment of high inflation.
- ▶ **Accountability, Meritocracy & Inclusion:** We believe our diversity, inclusivity and meritocratic culture are a real source of strength. The team members come from over 50 different nationalities, and we are fully committed to equity and diversity. This will be a byproduct of merit, integrity, and work ethic. Our greatest asset is our human capital, so we are focused on developing and mentoring our team members across the ranks. In 2022, we continued to increase our female representation in our Senior Leadership Team and is now at 28%.
- ▶ **Management, both Fiduciaries & Shareholders:** The Management Team are both fiduciaries as well as shareholders of the Bank. The incentives are directly tied to real financial and ESG targets, which we believe create long-term shareholder and stakeholder value. The Senior Leadership Team currently owns ~3.7% of the Bank. We believe stock ownership is the best way to create alignment with shareholders and long-term strategic value creation. In order to embed this attitude across the company, we launched 2 employee equity programs to reward our team members for their dedication and commitment as well as to give everyone a chance to participate in the success of the company through direct share ownership in 2022. The first program was a stock grant of 25 BAWAG Group shares, equivalent to approximately € 1,000. The second equity program was a stock matching program, providing one additional BAWAG Group matching share for every three shares acquired, up to a maximum value of € 2,000 of purchased shares with over 25% employee participation.

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
- ▶ ESG Committee

Deviation of the remuneration policy

In the financial year 2022 there was no deviation from the Remuneration Policy.

Membership in supervisory board committees (per year-end 2022)

	Nomination & Remuneration Committee	Audit & Compliance Committee	Risk & Credit Committee	ESG Committee
Chairperson	Egbert Fleischer	Gerrit Schneider	Frederick Haddad	Tamara Kapeller
Member	Kim Fennebresque	Egbert Fleischer	Kim Fennebresque	Egbert Fleischer
Member	Frederick Haddad	Frederick Haddad	Adam Rosmarin	Gerrit Schneider
Member	Adam Rosmarin	Adam Rosmarin	Tamara Kapeller	Verena Spitz
Member	Verena Spitz	Verena Spitz	Verena Spitz	Beatrix Pröll
Member	Konstantin Latsunas	Konstantin Latsunas	Beatrix Pröll	

Attendance rate in 2022

	Supervisory Board 5 Meetings	Nomination & Remuneration Committee 3 Meetings	Audit & Compliance Committee 4 Meetings	Risk & Credit Committee 4 Meetings	ESG Committee 3 Meeting
Egbert Fleischer	100%	100%	100%	no member	100%
Kim Fennebresque	100%	100%	-	100%	-
Frederick Haddad	100%	100%	100%	100%	-
Adam Rosmarin	100%	100%	100%	100%	-
Gerrit Schneider	100%	-	100%	-	100%
Tamara Kapeller	100%	-	-	100%	100%
Verena Spitz	100%	100%	100%	100%	100%
Konstantin Latsunas	80%	66%	75%	-	-
Beatrix Pröll	100%	-	-	100%	100%

In 2022 the Supervisory Board Members attended all of the meetings of the supervisory board and its committees (attendance rate of 100%), except for Konstantin Latsunas who was excused for one meeting. Outside of these formal meetings, the Management Board also regularly updated Supervisory Board members on ongoing topics.

Remuneration paid to Supervisory Board Members in 2022

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	91	274	365
Kim Fennebresque	66	199	265
Frederick Haddad	54	161	215
Adam Rosmarin	53	157	210
Gerrit Schneider	51	154	205
Tamara Kapeller	49	146	195
Total	364	1,091	1,455

Explanation of changes from 2021 to 2022

Gerrit Schneider and Tamara Kapeller only joined the Supervisory Boards of BAWAG Group and BAWAG PSK in August / September 2021. Their remuneration for the financial year 2022 corresponds to the annualized remuneration which they received in 2021 (no increase).

The remuneration of Egbert Fleischer and Adam Rosmarin increased in 2022 as they took on further responsibilities in BAWAG's Supervisory Board committees. Egbert Fleischer became member of the ESG committee and Adam Rosmarin became member of the Nomination and Remuneration Committee which results in additional remuneration for being committee members, in line with the remuneration principles as approved by BAWAG's AGM and summarized above.

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.