

First Supplement
dated 30 April 2021
to the Base Prospectus dated 12 March 2021

This first supplement (the "**First Supplement**") constitutes a supplement within the meaning of Art. 23 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "**Prospectus Regulation**") relating to two base prospectuses: (i) the base prospectus of BAWAG Group AG ("**BAWAG**", together with its consolidated subsidiaries, including BAWAG P.S.K. (as defined herein) "**BAWAG Group**") in respect of non-equity securities within the meaning of Article 2 point (c) of the Prospectus Regulation ("**Non-Equity Securities**") and (ii) the base prospectus of BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft ("**BAWAG P.S.K.**", together with its consolidated subsidiaries, "**BAWAG P.S.K. Group**" and BAWAG and BAWAG P.S.K. the "**Issuers**" and each an "**Issuer**") in respect of Non-Equity Securities (together, the "**Debt Issuance Programme Prospectus**" or the "**Base Prospectus**").



BAWAG Group AG

Vienna, Republic of Austria
– Issuer –

**BAWAG P.S.K. Bank für Arbeit und Wirtschaft und
Österreichische Postsparkasse Aktiengesellschaft**

Vienna, Republic of Austria
– Issuer –

EUR 10,000,000,000

**Debt Issuance Programme
(the "Programme")**

The Issuers have requested the *Commission de Surveillance du Secteur Financier* of the Grand Duchy of Luxembourg (the "**CSSF**") in its capacity as competent authority under the Luxembourg act relating to prospectuses for securities securities dated 16 July 2019 (*Loi du 16 juillet 2019 relative aux prospectus pour valeurs mobilières et portant mise en œuvre du règlement (UE) 2017/1129*), as amended (the "**Luxembourg Law**") to approve this First Supplement and to provide the competent authorities in the Federal Republic of Germany and the Republic of Austria with a certificate of approval attesting that the First Supplement has been drawn up in accordance with the Prospectus Regulation (the "**Notification**"). The Issuer may request the CSSF to provide competent authorities in additional host Member States within the European Economic Area with a Notification.

This First Supplement has been prepared following the publication of BAWAG's quarterly financial information and in order to account for recent regulatory requirements for own funds and eligible liabilities instruments and to add some further recent developments.

The Prospectus was published on 12 March 2021, in accordance with article 21 paragraph 2 of the Prospectus Regulation in electronic form on the website of the BAWAG Group AG (www.bawaggroup.com). This First Supplement will also be published in accordance with article 23 paragraph 1 and article 21 paragraph 2 of the Prospectus Regulation in electronic form on the website of BAWAG Group AG (www.bawaggroup.com) and will be available free of charge at the specified offices of the Issuers.

This First Supplement has been approved by the CSSF, has been filed with said authority and will be published in electronic form together with all documents incorporated by reference on the website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website of BAWAG Group (www.bawaggroup.com).

This First Supplement should only be distributed in connection with the Base Prospectus. It should only be read in conjunction with the Base Prospectus.

Each Issuer accepts responsibility for the information contained in this First Supplement and hereby declares, that having taken all reasonable care to ensure that such is the case, the information contained in this First Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

To the extent that there is any inconsistency between (a) any statement in this First Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Terms defined or otherwise attributed meanings in the Base Prospectus have the same meaning in this First Supplement.

In accordance with Article 23 paragraph 2a of the Prospectus Regulation, investors who had already agreed to purchase or subscribe for the securities before the supplement was published and where the securities had not yet been delivered to the investors at the time when the significant new factor, material mistake or material inaccuracy arose or was noted, have the right, exercisable within three working days after the publication of this Supplement, to withdraw their acceptances. The final date of the right of withdrawal will be 5 May 2021. Investors should contact BAWAG Group's head of investor relations (investor.relations@bawagroup.com) for the exercise of the right of withdrawal.

This First Supplement may only be used for the purpose for which it has been published as set out below. This First Supplement may not be used for the purpose of an offer or solicitation by and to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

This First Supplement does not constitute an offer or an invitation to subscribe for or purchase any of the Notes.

The following changes are made to the Base Prospectus:

- 1. In the section "2.1.4. Risks relating to regulatory, legal and tax matters", in the sub-section "2.1.4.3. BAWAG Group is, and may in the future be, subject to a number of legal and regulatory proceedings, the outcome of which could have a material adverse effect on BAWAG Group's business, financial condition, results of operations and prospects" on pages 28 to 29 of the Base Prospectus, the first bullet point shall be deleted and replaced by the following information:**

- "• On 12 February 2007, BAWAG P.S.K. entered into a resettable CHF linked swap agreement with the City of Linz based on the Austrian framework agreement for derivatives transactions. In October 2011, the City of Linz refused to make further payments. Consequently BAWAG P.S.K. terminated the swap agreement. In November 2011, the City of Linz sued BAWAG P.S.K. asserting that the swap agreement was void based on the allegation that the resolutions adopted by the city council did not cover such a transaction and an approval by the Austrian province of Upper Austria (*Oberösterreich*) would have been required. The City of Linz sought payment of CHF 30.6 million (equaling approximately € 24.2 million for the purposes of the court procedure) plus interest and costs. BAWAG P.S.K. rejected these claims and has filed a counter-claim seeking payment of € 417.7 million plus interest and costs. For reasons of utmost precaution, this receivable has been written down to a carrying value of approximately € 254 million in the financial year 2011. Furthermore, given the overall capital strength of the BAWAG Group, the receivable has been fully provisioned from a capital standpoint in the financial year 2020. BAWAG P.S.K. bases its claim on costs related to the termination of the swap transaction (€ 397.7 million) and an outstanding payment due under the swap transaction (€ 20 million). In April 2019 the City of Linz filed a motion for an interim judgment (*Zwischenurteil*) to be rendered solely on the validity of the swap agreement with the aim to seek a final decision from the Austrian Supreme Court on that question before continuing the main proceedings which will then deal with the mutual payment claims of BAWAG P.S.K. and the City of Linz. The main proceedings are still pending in the court of first instance. On 7 January 2020, the court of first instance issued its interim judgment (*Zwischenurteil*) holding the swap agreement to be void. The court of appeals confirmed the outcome of the first instance on 6 April 2021 but expressly permitted a further appeal to the Austrian Supreme Court (*Oberster Gerichtshof*). BAWAG P.S.K. is in the process of filing its appeal to the Austrian Supreme Court. Following a decision of the Austrian Supreme Court on the validity of the swap agreement the main proceedings will continue in the court of first instance which will have to decide on the mutual payment claims. Appeals against such further decision will be possible to the court of appeals and potentially also (again) to the Austrian Supreme Court (*Oberster Gerichtshof*). Eventually, BAWAG P.S.K. could be obligated to pay the claimed amount to the City of Linz in full or in part, and/or BAWAG P.S.K. may not be awarded, in full or in part, the payment sought and would then be required to write-down its claims further. Whether and to what extent the mutual claims of the parties exist depends, among other aspects, on whether the swap agreement entered into between BAWAG P.S.K. and the City of Linz was valid. In addition, even if the courts ultimately would hold that the swap transaction was valid, BAWAG P.S.K. may still not be awarded, in full or in part, the payment sought, in which case it would also be required to further write down its claims. Finally, depending on the outcome of the proceedings, BAWAG P.S.K. may be required under statutory law to bear some or all of the court and legal fees of the City of Linz."

- 2. In the section "7.3.2 Recent developments and outlook", the first paragraph under the sub-heading "Recent Developments" on page 282 of the Base Prospectus shall be deleted and replaced by the following information:**

"On 15 February 2021, BAWAG P.S.K. signed a definitive agreement to acquire DEPFA BANK plc, and its subsidiary DEPFA ACS Bank DAC, from Germany's FMS Wertmanagement AöR. The transaction is subject to customary closing conditions and regulatory approvals and expected to be completed in the second half of the year 2021."

- 3. In the section "7.3.2 Recent developments and outlook", the last sub-paragraph "Recent funding activities" on page 282 of the Base Prospectus shall be deleted and replaced by the following information:**

"Following the accelerated change in composition of the P2R as part of the measures taken by the ECB, BAWAG Group optimized its capital structure by issuing € 175 million Additional Tier 1 capital. Further, BAWAG Group issued € 200 million Tier 2 capital under the Programme in the third quarter 2020.

On the back of a € 1.0 billion mortgage covered bond issuance in 2019, BAWAG P.S.K. issued notes covered by a mortgage-backed pool of assets in the amount of € 750 million under the Programme in the third quarter 2020, followed by another issuance of notes covered by a mortgage-backed pool of assets in the amount of € 500 million in the fourth quarter 2020 (both with 0.01% coupon) and a mortgage-backed pool of assets in the amount of € 500 million in the first quarter 2021 (due 2041 with 0.0375% coupon).

With a strong customer deposit base and a maturity profile of own issuances that BAWAG Group believes to be comfortable, BAWAG Group expects to take on any additional debt funding only in favorable conditions. BAWAG plans to issue an additional approximately € 1.0 billion to € 1.5 billion senior instruments to replace maturities and meet MREL requirements and build up a buffer until year end 2023."

4. In the section "7.3.2 Recent developments and outlook", after the last sub-paragraph "Recent funding activities" on page 282 of the Base Prospectus (as amended by this First Supplement) a new sub-paragraph "Changes in the Mortgage Bond Act" shall be inserted with the following information:

"After the recent ministerial proposal, the Austrian legislature is currently processing the draft for a new Mortgage Bond Act. It is supposed to enter into effect on 8 July 2022. A date for the parliamentary vote has not been scheduled yet. The new Mortgage Bond Act (*Pfandbriefgesetz – PfandBG*) is supposed to implement Directive (EU) 2019/2162, in addition to creating a modern and standardized legal regime for all forms of mortgage bonds in Austria. To this end, the Mortgage Bank Act (*Hypothekbankgesetz – HypBG*), the current Mortgage Bond Act (*Pfandbriefgesetz – PfandBG*) and the Covered Bonds Act (*Gesetz betreffend fundierte Bankschuldverschreibungen – FBSchVG*) will be replaced by the new Mortgage Bond Act. Directive (EU) 2019/2162, on which the current draft of the new Mortgage Bond Act is based, aligns with the Recommendations on Harmonization of Covered Bond Frameworks in the EU of 20 December 2016 (EBA-Op-2016-23)."

5. In the section "7.6.1 Litigation with the City of Linz" on page 285 of the Base Prospectus, the text shall be deleted and replaced by the following information:

"On 12 February 2007, BAWAG P.S.K. entered into a resettable CHF linked swap agreement with the City of Linz based on the Austrian framework agreement for derivatives transactions. In October 2011, the City of Linz refused to make further payments. Consequently BAWAG P.S.K. terminated the swap agreement. In November 2011, the City of Linz sued BAWAG P.S.K. asserting that the swap agreement was void based on the allegation that the resolutions adopted by the city council did not cover such a transaction and an approval by the Austrian province of Upper Austria (*Oberösterreich*) would have been required. The City of Linz sought payment of CHF 30.6 million (equalling approximately € 24.2 million for the purposes of the court procedure) plus interest and costs. BAWAG P.S.K. rejected these claims and has filed a counter-claim seeking payment of € 417.7 million plus interest and costs. For reasons of utmost precaution, this receivable has been written down to a carrying value of approximately € 254 million in the financial year 2011. Furthermore, given the overall capital strength of the BAWAG Group, the receivable has been fully provisioned from a capital standpoint in the financial year 2020. BAWAG P.S.K. bases its claim on costs related to the termination of the swap transaction (€ 397.7 million) and an outstanding payment due under the swap transaction (€ 20 million). In April 2019 the City of Linz filed a motion for an interim judgment (*Zwischenurteil*) to be rendered solely on the validity of the swap agreement with the aim to seek a final decision from the Austrian Supreme Court on that question before continuing the main proceedings which will then deal with the mutual payment claims of BAWAG P.S.K. and the City of Linz. The main proceedings are still pending in the court of first instance. On 7 January 2020, the court of first instance issued its interim judgment (*Zwischenurteil*) holding the swap agreement to be void. The court of appeals confirmed the outcome of the first instance on 6 April 2021 but expressly permitted a further appeal to the Austrian Supreme Court (*Oberster Gerichtshof*). BAWAG P.S.K. is in the process of filing its appeal to the Austrian Supreme Court. Following a decision of the Austrian Supreme Court on the validity of the swap agreement the main proceedings will continue in the court of first instance which will have to decide on the mutual payment claims. Appeals against such further decision will be possible to the court of appeals and potentially also (again) to the Austrian Supreme Court (*Oberster Gerichtshof*). Eventually, BAWAG P.S.K. could be obligated to pay the claimed amount to the City of Linz in full or in part, and/or BAWAG P.S.K. may not be awarded, in full or in part, the payment sought and would then be required to write-down its claims further. Whether and to what extent the mutual claims of the parties exist depends, among other aspects, on whether the swap agreement entered into between BAWAG P.S.K. and the City of Linz was valid. In addition, even if the courts ultimately would hold that the swap transaction was valid, BAWAG P.S.K. may still not be awarded, in full or in part, the payment sought, in which case it would also be required to further write down its claims. Finally, depending on the outcome of the proceedings, BAWAG P.S.K. may be required under statutory law to bear some or all of the court and legal fees of the City of Linz."

6. The section "9.4.2 Asset decomposition and asset split by region" on pages 296 to 297 of the Base Prospectus shall be supplemented by the following information:

"Asset decomposition as of 31 March 2021

The following table provides an overview of the asset decomposition of BAWAG Group's segments Retail & SME and Corporates & Public:

Asset decomposition	31 March 2021
(in € million)	(unaudited)
Retail & SME	
Housing loans.....	14,861
Consumer and SME	4,994
Total.....	19,856
Corporates & Public	

Asset decomposition	31 March 2021
Corporate lending	4,227
Asset-backed lending.....	4,955
Public clients.....	5,046
Total.....	14,228

Source: Company information.

Asset split by region as of 31 March 2021

The following table provides an overview of the asset split by region of BAWAG Group's segments Retail & SME and Corporates & Public:

Asset split by region	31 March 2021
(in € million)	(unaudited)
Retail & SME	
DACH/NL.....	18,242
Western Europe / USA	1,614
Total.....	19,856
Corporates & Public	
DACH/NL.....	7,565
Western Europe / USA	6,663
Total.....	14,228

Source: Company information."

7. In the section "10.1.2 Selected financial information" on pages 299 to 302 of the Base Prospectus, after the sub-heading "*Selected financial information for the financial years ended 31 December 2020 and 31 December 2019*", a new sub-heading "*Selected financial information for the three months period ended 31 March 2021*" is inserted with the following information:

"The following tables show selected financial information of BAWAG Group that are taken from the internal reporting of BAWAG Group:

Financial position	31 March 2021
(in € million)	(unaudited)
Cash reserves.....	720
Financial assets held for trading	322
Financial assets at fair value through profit or loss	637
Fair value through other comprehensive income	4,405
Financial assets at amortised cost.....	45,397
thereof: Customers	33,015
Debt instruments	2,048
Credit institutions.....	10,334
Valuation adjustment on interest rate risk hedged portfolios.....	(52)
Hedging derivatives	258
Tangible non-current assets.....	379
Intangible non-current assets	540
Tax assets for current taxes.....	13
Tax assets for deferred taxes.....	9
Other assets	274
Non-current assets held for sale	73
Total assets	52,975
Average interest-bearing assets.....	40,842

Financial position	31 March 2021
Total liabilities	48,605
Financial liabilities designated at fair value through profit or loss.....	181
Financial liabilities held for trading.....	267
Financial liabilities at amortized cost ...	46,207
thereof: Customers	32,035
Issued bonds, subordinated and supplementary capital.....	6,544
Credit institutions.....	7,628
Financial liabilities associated with transferred assets ... transferred assets	0
Valuation adjustment on interest rate risk hedged portfolios.....	299
Hedging derivatives	164
Provisions	410
Tax liabilities for current taxes.....	67
Tax liabilities for deferred taxes.....	105
Other obligations.....	905
Total equity	4,370
thereof: Equity attributable to the owners of the parent (ex AT 1 capital)	3,895
AT 1 capital	471
Non-controlling interests...	4
Total liabilities and equity	52,975

Source: Company information.

(in € million)	31 March 2021
	(unaudited)
Customer deposits and own issues ¹⁾ ..	38,760

¹⁾ Calculated by adding the line items 'financial liabilities designated at fair value through profit or loss', 'financial liabilities – at amortized costs – customers' and 'financial liabilities – at amortized costs – issued bonds, subordinated and supplementary capital' from BAWAG Group's internal reporting.

Source: Company information.

Profit and loss statement	For the 3-month period ended
	31 March 2021
(in € million)	(unaudited)
Net interest income	229.6
Net fee and commission income	67.7
Core Revenues¹⁾	297.3
Gains and losses on financial instruments and other operating income and expenses ²⁾	3.7
Operating income	301.0
Operating expenses²⁾	(121.8)
Pre-Provision Profit^{1), 3)}	179.2
Regulatory charges ²⁾	(54.2)

Profit and loss statement	For the 3-month period ended 31 March 2021
Total risk costs.....	(29.3)
Share of the profit or loss of associates accounted for using the equity method.....	0.7
Profit before tax.....	96.4
Income taxes.....	(23.0)
Net profit.....	73.6

¹⁾ The number or ratio is an APM. For a definition, see "10.1.3 Alternative performance measures" below.

²⁾ In accordance with IFRS, the item 'Other operating income and expenses' also includes regulatory charges. The item 'Operating expenses' includes regulatory charges as well. However, BAWAG Group's management considers regulatory charges as a separate expense. Accordingly, they are shown separately.

³⁾ Unaudited.

Source: Company information.

The following tables show selected financial information from the segment reporting of BAWAG Group for its business segments Retail & SME and Corporates & Public:

Retail & SME	For the 3-month period ended 31 March 2021
(in € million)	(unaudited)
Net interest income.....	163.1
Net fee and commission income.....	59.7
Core Revenues¹⁾.....	222.8
Operating income.....	224.6
Operating expenses.....	(89.4)
Pre-Provision Profit¹⁾.....	135.2
Regulatory charges.....	(30.5)
Total risk costs.....	(15.4)
Profit before tax.....	89.3
Income taxes.....	(22.3)
Net profit.....	67.0

¹⁾ Calculated as the line item 'Operating income' less the line item 'Operating expenses'.

Source: Company information.

Corporates & Public	For the 3-month period ended 31 March 2021
(in € million)	(unaudited)
Net interest income.....	61.0
Net fee and commission income.....	8.7
Core Revenues¹⁾.....	69.7
Operating income.....	74.4
Operating expenses.....	(18.6)
Pre-Provision Profit¹⁾.....	55.8
Regulatory charges.....	(6.9)
Total risk costs.....	(15.1)
Profit before tax.....	33.8

Corporates & Public	For the 3- month period ended 31 March 2021
Income taxes.....	(8.5)
Net profit.....	25.4

¹⁾ Calculated as the line item 'Operating income' less the line item 'Operating expenses'.

Source: Company information."

8. In the section "10.1.3.2 Alternative performance measures" on pages 303 to 306 of the Base Prospectus, after the sub-heading "*Financial years ended 31 December 2020 and 31 December 2019*", a new sub-heading "*Financial information for the three months period ended 31 March 2021*" is inserted with the following information:

"The tables below sets out certain APMs that are based on the internal reporting, including segment reporting, of BAWAG Group:

	31 March 2021 (unaudited)
BAWAG Group	
Equity attributable to the owners of the parent (ex AT 1 capital).....	3,895
Dividend accruals (in € million).....	457
Common equity less dividend accruals (in € million).....	3,439
Equity attributable to the owners of the parent (ex AT 1 capital).....	3,895
Intangible non-current assets.....	540
Dividend accruals (in € million)	457
Tangible Common Equity Less Dividend Accruals (in € million)	2,899

Source: Company information.

	For the 3- month period ended 31 March 2021 (unaudited)
BAWAG Group	
Return on common equity.....	8.6%
Return on Tangible Common Equity	10.2%
Net Interest Margin	2.28%
Cost-Income Ratio	40.5%
Core Revenues (in € million)	297.3
Pre-Provision Profit (in € million)	179.2
Risk Cost Ratio	0.29%
Retail & SME	
Return on Tangible Common Equity	21.6%
Core Revenues (in € million)	222.8
Pre-Provision Profit (in € million)	135.2
Cost-Income Ratio.....	39.8%
Risk Cost Ratio	0.31%

Corporates & Public	
Return on Tangible Common Equity	11.6%
Core Revenues (in € million)	69.7
Pre-Provision Profit (in € million)	55.8
Cost-Income Ratio	25.0%
Risk Cost Ratio	0.43%

Source: Company information."

9. After the section "11.1.2 Regulatory figures and ratios for the six-month period ended 31 December 2020 and 31 December 2019" on page 310 of the Base Prospectus, a new section "11.1.3 Regulatory figures and ratios for the three month period ended 31 March 2021" is inserted with the following information:

"The following table shows key regulatory figures and ratios of BAWAG Regulatory Group, including information for the business segments Retail & SME and Corporates & Public:

Regulatory figures and ratios ¹⁾	As of 31 March 2021 (unaudited)
BAWAG Group	
Common Equity Tier 1 capital (in € million) ¹⁾	2,838
Own funds (in € million) ¹⁾	3,969
Total risk-weighted assets (in € million)	20,053
Common equity tier 1 (CET 1) ratio (fully loaded) ¹⁾	14.2%
Tier 1 ratio ¹⁾	16.5%
Total capital ratio ¹⁾	19.8%
Leverage ratio (fully loaded) ²⁾	6.1%
Liquidity coverage ratio ³⁾	229%
NPL ratio ³⁾	1.5%
Retail & SME	
NPL ratio ³⁾	1.9%
Risk-weighted assets (in € million)	8,091
Corporates & Public	
NPL ratio ³⁾	1.1%
Risk-weighted assets (in € million)	7,516

¹⁾ Calculated in accordance with regulatory requirements.

¹⁾ Includes deductions of approximately € 230 million dividend earmarked for the financial year 2019, deductions of approximately € 230 million dividend earmarked for the financial year 2020 and earnings accruals for the financial year 2020.

²⁾ The leverage ratio is calculated pursuant to Article 429 CRR II as an institution's capital measure divided by that institution's total exposure measure, expressed as a percentage, and is designed to discourage the build-up of excessive leverage by the Issuer.

³⁾ Calculated in accordance with Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions. The liquidity coverage ratio, according to Article 412 (1) CRR II, is designed to promote short-term resilience of the BAWAG Regulatory Group's liquidity risk profile and aims to ensure that the Issuer has an adequate stock of unencumbered high quality liquid assets (HQLA) to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

⁴⁾ Calculated as the sum of non-performing loans and advances divided by total gross loans and advances (exposure) in accordance with the European Banking Associations' Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures).

Source: Company information."

ADDRESSES

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