

Report of the Management Board

of

BAWAG Group AG

in accordance with Section 174 Para 4 in conjunction with
Section 153 Para 4 of the Stock Corporation Act ("*AktG*")

direct exclusion of subscription rights when issuing convertible bonds according to Section 174 AktG

on item 11 of the agenda of the
Annual General Meeting held on 8 April 2024

In the Annual General Meeting of BAWAG Group AG, commercial register number 269842 b, Wiedner Gürtel 11, 1100 Vienna (the "**Company**"), held on 8 April 2024, the Management Board of the Company shall be authorized, with the consent of the Supervisory Board, to issue convertible bonds (agenda item 11) according to Section 174 AktG within five years from the date of the resolution, thus until 8 April 2029. Therefore, the following resolution to item 11 on the agenda is proposed to be adopted in Annual General Meeting held on 8 April 2024:

Pursuant to Section 174 Para 2 Austrian Stock Corporation Act (AktG), the Management Board is authorized, with the consent of the Supervisory Board, for a period of five years from the date of the resolution by the Annual General Meeting, thus until 8 April 2029, to issue convertible bonds in the amount of up to a maximum of EUR 500,000,000, granting the right to the conversion and/or subscription rights for up to 7,860,000 bearer shares of the Company, the pro rata amount of which corresponds to up to EUR 7,860,000 of the share capital. This authorization may be exercised in one or more tranches. The convertible bonds may be issued against consideration in cash or contribution in kind or against a combination of these two forms of contribution. The shareholders' subscription right is excluded (direct exclusion). The issue price and the terms and conditions of the convertible bonds (in particular: interest rate, term, denomination, dilution protection, conversion modalities, conversion price, conversion and/or subscription conditions, etc) shall be determined by the Management Board with the consent of the Supervisory Board. In addition, the issue amount and conversion ratio must be determined in accordance with a customary market pricing procedure using recognized methods and the stock exchange price of the Company's shares, while safeguarding the interests of the Company, the existing shareholders and the subscribers of the convertible bonds. The conversion and/or subscription rights may be serviced by conditional capital, authorized

capital, own shares, by delivery of shares by third parties or a combination of these forms.

With respect to the issuance of convertible bonds (to be resolved on in agenda item 11) according to Section 174 AktG the statutory subscription rights shall be excluded (direct exclusion of the statutory subscription rights).

Pursuant to the statutory provisions in accordance with Section 174 Para 4 in conjunction with Section 153 Para 4 AktG, the Management Board of the Company hereby issues the following

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to the General Meeting as to the reasons for the direct exclusion of subscription rights with respect to the issuance of convertible bonds according to Section 174 AktG:

Pursuant to Section 174 AktG, convertible bonds according to Section 174 AktG with conversion or option rights may be issued on basis of a resolution by the General Meeting. Also, the General Meeting may authorize the Management Board to issue such Instruments within five years from the day of the resolution of the General Meeting. Such authorization is about to be resolved on in this Annual General Meeting 2024.

In the context of issuing convertible bonds or other instruments according to Section 174 AktG with or without conversion or option rights or a conversion obligation, in principle, shareholders of the Company have statutory subscription rights (Section 174 Para 4 AktG in conjunction with Section 153 AktG).

If shareholders waive to exercise their subscription rights or if such subscription rights have been directly excluded by the General Meeting, then the convertible bonds or other instruments according to Section 174 AktG with or without conversion or option rights or a conversion obligation may also be issued to non-shareholders of the Company.

A direct exclusion of the shareholders' subscription rights by the General Meeting entails that neither a subsequent resolution by the Management Board and/or the Supervisory Board to exclude shareholders' subscription rights nor the publication of a separate report on the grounds of the exclusion of the subscription rights will be required in the course of the issuance.

For the reasons set forth in this report, the direct exclusion of the shareholders' subscription rights in the course of the issuance of convertible bonds according to Section 174 AktG with conversion or option rights is in the predominant interest of the Company, objectively justified, necessary and proportionate.

The issuance of such Instruments can enhance the Company's ability on the capital markets to obtain new funds and optimize its capital structure. Thus, corporate financing can be organized more flexibly and thus be optimized. Undoubtedly, this lies in the best interest of the Company. The issuance of such Instruments without exclusion of the subscription right would rather unusual compared to the international capital markets' situation and would also slow down the process to issue such Instruments.

Therefore, the direct exclusion of subscription rights when issuing such Instruments bears *inter alia* the following possible advantages:

Firstly, such Instruments may be issued, and financing measures may be taken without any loss of time. This goal could not be achieved by the Company if the subscription rights were not directly excluded by the General Meeting. According to international market standards, such issuance is carried out in Accelerated Bookbuilding-Procedures which are advantageous to the Company as the issued capital can usually be placed with better conditions and with less placement risks in comparison with an issuance without a direct exclusion of the shareholders' subscription rights. As a result, a higher inflow of capital can be achieved, and the risk of an incomplete placement can be lowered.

In case the General Meeting only authorized the Management Board to exclude the shareholders' subscription right – as opposed to the direct exclusion as proposed to be resolved on in this General Meeting – the Management Board would have to publish a separate report at least two weeks before the respective resolution to issue such instruments. This would cause a delay in the process of issuance, which could harm the Company's goals, as outlined above, to rapidly raise capital.

If the Company issued such convertible bonds according to Section 174 AktG with conversion or option rights with subscription rights of the Company's shareholders, this would reduce the Company's ability to quickly react to the need of capital due to, for example, investment opportunities and entail the necessity of a substantial number of costly and time-consuming organizational measures, such as drawing up a prospectus. This obligation would lead to a considerable use of its own resources and significant external costs, as well as liability for the content of the prospectus. Also, the preparation of a prospectus requires a long lead-time and makes it impossible for the Company to respond quickly and flexibly to emerging market opportunities.

In addition, convertible bonds according to Section 174 AktG with conversion or option rights might also be used by the Management Board, with consent of the Supervisory Board, as transaction currency when acquiring Companies, stakes in Companies or Assets from Third Parties. By using such Instruments as consideration, the Company's liquidity can be preserved. Also, a deferral of payment of the purchase price can be achieved by using such instruments as transaction currency.

Moreover, some investors on the capital markets prefer to invest in convertible bonds according to Section 174 AktG with conversion or option rights rather than in shares. So, the Company can approach potential new (institutional) investors. Thus, new groups of investors might be attracted to the Company which is also clearly in the best interest of the Company.

Furthermore, the authorization to issue convertible bonds is limited to a maximum number of convertible bonds, granting the right to the conversion and/or subscription rights for up to 7,860,000 bearer shares of the Company which represents 10 % of the total share capital at the moment of this Annual General Meeting. Thus, a substantial dilution of the voting rights of the current shareholders is not to be expected from the issuance of convertible bonds granting conversion and/or subscription rights for up to only 10 % of the share capital. Besides, the shareholders can also maintain their relative participation ratio and relative voting right ratio through additional purchases at the stock exchange.

In conclusion, the authorization of the Management Board with the consent of the Supervisory Board to issue convertible bonds according to Section 174 AktG under (direct) exclusion of the shareholders' subscription right entails a large number of advantages both for the Company and its shareholders. Thus, this direct exclusion of the present shareholders' subscription right as set forth in the resolution proposal is necessary, appropriate, and objectively justified and indicated in the interest of the Company.

Vienna, this March 2024

The Management Board of BAWAG Group AG