



Addiko Bank

Consolidated Corporate Governance
Report 2019

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Glossary

Addiko or Bank	Addiko Bank AG
ABG	Addiko Group
AktG	Aktiengesetz (Stock Corporation Act)
AML	Anti Money Laundering
BiH	Bosnia and Hercegovina
BWG	Bankwesengesetz (Banking Act)
Code	Austrian Code of Corporate Governance
CRR	Capital Requirements Regulation
D&O Insurance	Directors-and-Officers Insurance
FX	Foreign Exchange
GoB	Group of Borrowers
ICAAP	Internal Capital Adequacy Assessment Process
ICS	Internal Control System
ICV	Internal collateral value
NPE	Non-performing exposure
oGA	Ordinary General Assembly
OPEX	Operational expenditure

Corporate Governance Statement

Addiko's Declaration of Commitment

On 12 July 2019, the shares of Addiko Bank AG (hereafter called "Addiko" or "Bank") were admitted to the Official Market of the Vienna Stock Exchange and started trading in the ATX Prime market segment. Addiko has declared its commitment to comply with the rules of the Austrian Code of Corporate Governance ("Code", <https://www.corporate-governance.at>).

The Code contains:

- rules based on compulsory legal requirements (L rules);
- rules that should be complied with, where deviations must be explained and justified in order for the company's conduct to conform with the Code (C rules, comply or explain);
- and rules that are recommendations, where noncompliance must not be disclosed or justified (R rules).

Certain legal provisions only apply to companies that are listed on the Austrian stock exchange. For non-listed companies, these are to be interpreted as C rules.

Deviations from the Code

Addiko observes the rules of the Austrian Code of Corporate Governance.

Deviations in below table refer to a period before listing at Vienna Stock Exchange:

No	Deviations	Comments
L(C)-4	The announcement convening the General Assembly is not made available on the company's website	Ordinary General Assembly was held on 1 March 2019. At this point of time Addiko was not listed at the Vienna Stock Exchange.
L(C)-5	The candidates for Supervisory Board elections are not disclosed on the company's website prior to the General Assembly	Extraordinary General Assembly was held on 6 June 2019. At this point of time Addiko was not listed at the Vienna Stock Exchange.
L(C)-6	The resolutions passed at the General Assembly are not disclosed on the company's website at the latest on the 2nd workday after the meeting of General Assembly.	Ordinary and Extraordinary General Assembly of Addiko were held on 1 March, respectively 6 June 2019. At this point of time Addiko was not listed at the Vienna Stock Exchange.
C-12	The materials and documents required for a supervisory board meeting haven't been made available at least one week before the respective meeting with each and every session.	Before listing the respective documentation has not been sent at least seven days before the date of the meeting with each and every session. Delays in this matter were accepted by Supervisory Board in the respective meeting. After the date of the listing Addiko generally met this requirement.

Further deviations referring to the entire business year 2019:

No	Deviations	Comments
C-31	The fixed and variable performance-linked annual remunerations of each individual management board member are not disclosed in the Corporate Governance Report.	The remuneration of the members of the Management Board is disclosed in accordance with the legally mandatory provisions. The Management Board has decided to omit a disclosure of the fixed and variable performance-linked annual remunerations of each individual member for reasons of data protection and in consideration of the right of privacy of each Management Board member.

According to the strict remuneration regulations according to the applicable banking law any variable remuneration for members of the Management Board complies with the personal achievements of the respective member as well as with the earnings performance, risk and liquidity situation of the company.

C-39	The supervisory board shall ensure that a committee has the authorisation to take decisions in urgent cases.	The Supervisory Board has not implemented a dedicated committee to take decisions in urgent cases. In urgent cases the Supervisory Board as well as its committees are authorized to adopt resolutions outside of regular meetings in written form, for instance via email, fax or any other verifiable electronic means, if no objections are raised by a member (at least within 24 hours after such decision has been made). Representation by other members of the Supervisory Board is not permitted in the case of circular resolutions.
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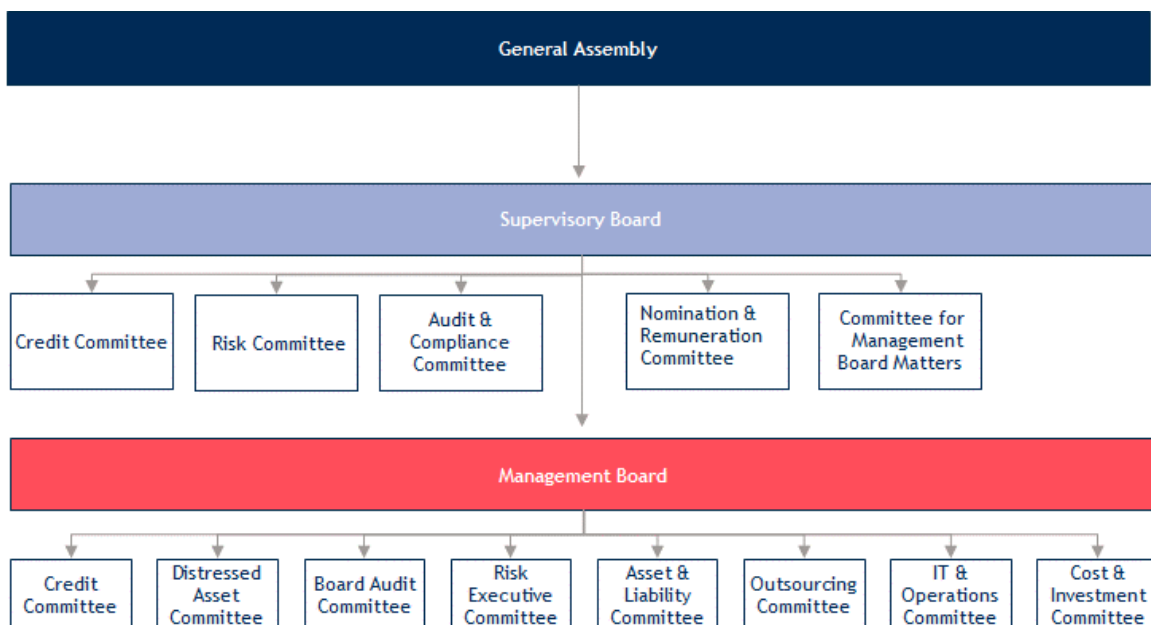
Corporate Structure

Addiko is a stock corporation established according to Austrian law with a Management Board and a Supervisory Board (two-tier-system).

The Management Board is responsible for managing the company as required for the benefit of the company considering the interests of the shareholder and the employees as well as public interest. The Management Board develops the strategic orientation of the company and aligns it with the Supervisory Board. It ensures an effective risk management and risk controlling. The Management Board takes its decisions in compliance with all relevant legal provisions, the articles of association and its internal rules of procedure.

The Supervisory Board appoints the members of the Management Board, decides on the remuneration of the Management Board and monitors and evaluates its activity on a yearly basis. The Supervisory Board advises the Management Board on the determination of the business strategy. It takes part in making decisions as provided by law, the articles of association and its internal rules of procedure.

Figure 1 – Corporate Governance Structure of Addiko as of 31 December 2019

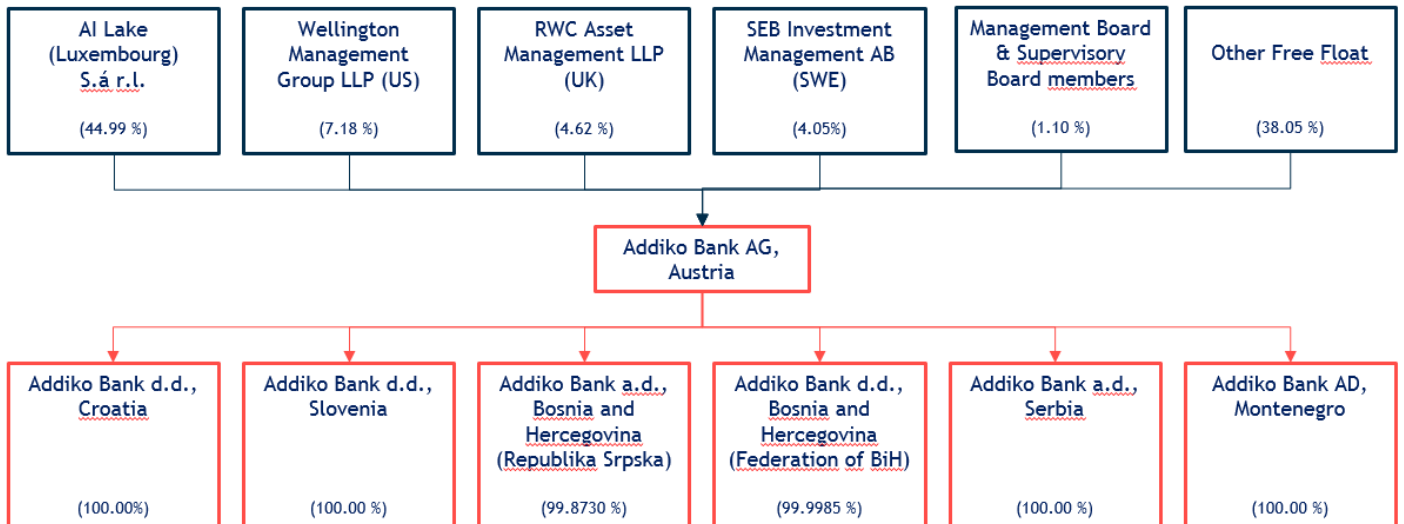
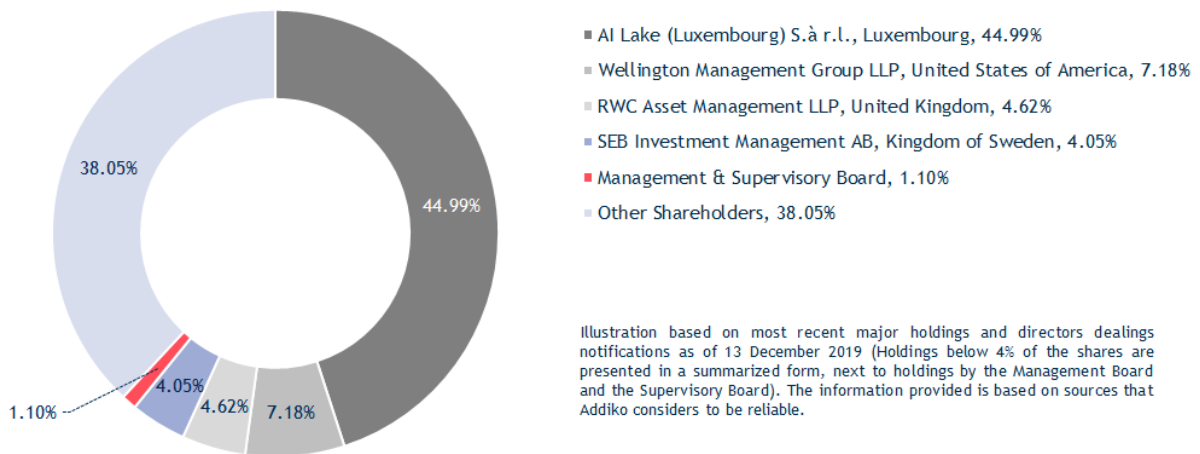


General Assembly

The General Assembly consists of the shareholders of the company. The share capital of Addiko amounts EUR 195,000,000 and is divided into 19,500,000 non-par value bearer shares which carry equal participation interest in the share capital. The General Assembly convened for one ordinary and one extraordinary meeting in 2019.

Al Lake (Luxembourg) S.à r.l. was the sole shareholder of Addiko until its listing at the Vienna Stock Exchange on 12 July 2019.

Figure 2 – Shareholder structure of Addiko as of 31 December 2019



Supervisory Board

Supervisory Board members at 31 December 2019

[C-58]

Name	Position	Year of birth	Date of first appointment	End of the mandate
Hermann Josef Lamberti	Chair	1956	01.12.2015	oGA 2022
Hans-Hermann Lotter	Deputy	1964	17.07.2015	oGA 2022
Henning Giesecke	Deputy	1960	17.07.2015	oGA 2022
Dragica Pilipovic-Chaffey	Member	1946	17.07.2015	oGA 2022
Sebastian Prinz Schoenaich-Carolath	Member	1957	06.06.2019	oGA 2022
Christian Lobner	Member / Works Council	1978	22.09.2015	until dismissal
Thomas Wieser	Member / Works Council	1980	29.07.2019	until dismissal

Members who left Supervisory Board in 2019

[C-58]

Name	Position	Year of birth	Date of first appointment	End of the mandate
Horst Floriantschitz	Member / Works Council	1964	22.09.2015	29.07.2019

State Commissioner at 31 December 2019

Name	Position	Year of birth	Date of first appointment	End of the mandate
Vanessa Koch	State Commissioner	1989	01.03.2019	29.02.2024
Lisa Marie Pölzer	Dep. State Commissioner	1989	01.03.2019	29.02.2024

Supervisory Board Mandates and comparable functions at other listed companies

[C-58]

The following Supervisory Board members hold any Supervisory Board mandate or performs a comparable function at a listed company. Members not listed, do not have a comparable function.

Name	Company	Mandate	Position
Hermann Josef Lamberti	ING Group N.V. Amsterdam	Supervisory Board	Member
Hermann Josef Lamberti	Airbus Group N.V. Amsterdam	Supervisory Board	Member
Henning Giesecke	The Social Chain AG, Berlin	Supervisory Board	Deputy

Independence Criteria for Assessment of Independence of the Supervisory Board members

[C-53]

According to Annex 1 of the Austrian Code of Corporate Governance (“Guidelines for Independence”), a member of the Supervisory Board shall be deemed independent if said member does not have any business or personal relations with the Company or its Management Board that constitute a material conflict of interests and is therefore suited to influence the behavior of the member.

The majority of the members of the Supervisory Board elected by the general assembly or delegated by shareholders in accordance with the articles of incorporation shall be independent of the Company and its Management Board. The guidelines in Annex 1 of the Corporate Governance Code shall serve as further orientation. According to the criteria defined, it shall be the responsibility of every member of the Supervisory Board to declare its independence vis-à-vis the Supervisory Board.

The Supervisory Board shall follow the guidelines below when defining the criteria for the assessment of the independence of a member of the Supervisory Board:

- The Supervisory Board member shall not have served as a member of the Management Board or as a management level employee of the Company or one of its subsidiaries in the past five years.
- The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the company or one of its subsidiaries to an extent of significance for the member of the Supervisory Board. This shall also apply to relationships with companies in which a member of the Supervisory Board has a considerable economic interest, but not for exercising functions in the bodies of the group. The approval of individual transactions by the Supervisory Board pursuant to L-Rule 48 does not automatically mean the person is qualified as not independent.
- The Supervisory Board member shall not have acted as auditor of the company or have owned a share in the auditing company or have worked there as an employee in the past three years.
- The Supervisory Board member shall not be a member of the Management Board of another company in which a member of the Management Board of the company is a Supervisory Board member.
- A Supervisory Board member may not remain on the Supervisory Board for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with a direct investment in the company or who represent the interests of such a shareholder.
- The Supervisory Board member shall not be a closely related (direct offspring, spouses, life partners, parents, uncles, aunts, sisters, nieces, nephews) of a member of the Management Board or of persons having one of the aforementioned relations.

According to those criteria all members of the Supervisory Board can be classified as independent.

Independent members of the Supervisory Board at year-end 2019

[C-54]

In the case of companies with a free float of more than 20%, the members of the Supervisory Board elected by the General Assembly or delegated by shareholders in accordance with the articles of incorporation shall include at least one independent member pursuant to C-Rule 54 who is not a shareholder with a stake of more than 10% or who represents such a shareholder’s interests.

In the case of companies with a free float of over 50%, at least two members of the supervisory board must meet these criteria.

In Addiko following members of Supervisory Board can be classified as independent members in this matter:

Name	Position	Year of birth	Date of first appointment	End of the mandate
Hermann Josef Lamberti	Chair	1956	01.12.2015	oGA 2022
Henning Giesecke	Deputy	1960	17.07.2015	oGA 2022
Dragica Pilipovic-Chaffey	Member	1946	17.07.2015	oGA 2022
Sebastian Prinz Schoenaich-Carolath	Member	1957	06.06.2019	oGA 2022

Supervisory Board Activity Report

[C-36, C-58]

In 2019 the Supervisory Board convened for six meetings and adopted six decisions via circular resolution.

The attendance of the of the members of Supervisory Board on the meetings can be stated as follows:

Name	Position	All meetings to be attended	Attendance in person	Attendance via video/phone	Excused
Hermann Josef Lamberti	Chair	6	2	2	2
Hans-Hermann Lotter	Deputy	6	6	0	0
Henning Giesecke	Deputy	6	6	0	0
Dragica Pilipovic-Chaffey	Member	6	5	0	1
Sebastian Prinz Schoenaich-Carolath ¹	Member	3	1	0	2
Christian Lobner	Member / Works Council	6	6	0	0
Thomas Wieser ²	Member / Works Council	2	2	0	0
Horst Floriantschitz ³	Member / Works Council	4	4	0	0

The Supervisory Board assisted the Management Board in an advisory capacity and by continually monitoring the governance of the enterprise. At the meetings of the Supervisory Board and its Committees, the Management Board reported in depth on the Addiko Group's financial situation, business performance and risk environment. The Management Board discussed in detail strategies and major specific measures with the Supervisory Board. Legal transactions requiring approval were submitted to the Supervisory Board, and the Supervisory Board was given ample opportunity to thoroughly examine any reports and resolutions proposed by the Management Board.

The Supervisory Board received regularly reports by Internal Audit, Compliance, ICS and Risk function and examined those in detail.

In particular, the Supervisory Board reviewed the annual financial statements as well as the consolidated financial statements and the consolidated Non-Financial Report for 2018, the Management Board Report and Corporate Governance Report for 2018, the Report of the Supervisory Board, the proposal on the allocation of the annual profit and the proposal on the appointment of the external auditor for the financial year 2020. In addition, the Supervisory Board decided, among other topics, upon the Budget 2019 and the medium-term Business Plan, the Recovery Plan of 2019, the amendments of the Organizational Chart, the amendments of the Business and the Risk Strategy, amendments of the Rules of Procedure for the Management and the Supervisory Board, the amendments of the Credit Approval Authorities and Rights, the Internal Audit Charter and Internal Audit Plan, the Remuneration Policy, the Diversity Targets and Strategy, the Fit & Proper Policy as well as the Fit & Proper Assessment of the Supervisory Board and Management Board. Furthermore, the Supervisory Board took decisions on several transactions requiring approval according to the Rules of Procedure of Management Board and of Supervisory Board.

¹ Sebastian Prinz Schoenaich-Carolath was appointed as new member of the Supervisory Board on 6 June 2019, afterwards 3 meetings were still held in business year 2019

² Thomas Wieser was delegated by the Worker's Council to the Supervisory Board on 29 July 2019, afterwards 2 meetings were still held in business year 2019

³ Horst Floriantschitz was replaced by Thomas Wieser from 29 July 2019, as member of the Supervisory Board delegated by the Worker's Council

Committees of the Supervisory Board

[C-34, C-39]

The following committees of the Supervisory Board have been established according to the applicable rules of the Articles of Association of Addiko and the Austrian Banking Act (Bankwesengesetz, "BWG").

Credit Committee

<u>Name</u>	<u>Position</u>
Henning Giesecke	Chair
Hans-Hermann Lotter	Deputy
Hermann Josef Lamberti	Member
Christian Lobner	Member / Works Council
Thomas Wieser	Member / Works Council - since 29.07.2019
Horst Floriantschitz	Member / Works Council - until 29.07.2019

The Credit Committee is a decision-making committee and highest credit authority responsible for the granting of loans and credits to customers or to a group of affiliated customers in accordance with the Rules of Procedure of the Supervisory Board. Those credit authority levels refer to credit decisions for "Group of Borrowers" in group competence, e.g. with gross exposure exceeding the institutional credit competence of the respective subsidiaries.

Furthermore, any intragroup limit to any subsidiary within Addiko Group referring to any kind of exposure/investment must be approved by the Credit Committee of the Supervisory Board.

The Credit Committee held six meetings and adopted five decisions via circular resolution in 2019.

Audit and Compliance Committee

<u>Name</u>	<u>Position</u>
Hans-Hermann Lotter	Chair
Henning Giesecke	Deputy
Christian Lobner	Member / Works Council since 29.07.2019
Horst Floriantschitz	Member / Works Council until 29.07.2019

The Audit and Compliance Committee examines the Annual Financial Statements and Consolidated Group Financial Statements including the consolidated Non-Financial-Report and prepares the adoption of the Annual Financial Statements as well as the proposal on the allocation of the annual profit by the Supervisory Board. The Committee further reviews the report of the Supervisory Board and the (consolidated) management report.

The Audit and Compliance Committee receives regularly reports by Internal Audit, Compliance, ICS and Risk function and examines those in detail.

The Audit and Compliance Committee conducts the procedure for selecting the auditor taking into consideration the appropriateness of the fee as well as the recommendations for the appointment of the auditor (group auditor) to the Supervisory Board. The Committee monitors the auditing process including its results in the audit opinion and consolidated audit opinion.

Further tasks of the Audit and Compliance Committee are to monitor accounting process and the effectiveness of the internal control system, to supervise and audit the group internal audit and group compliance, as well as to examine and supervise the independence of the auditor and group auditor, in particular about the services rendered additionally for the company.

The Committee held six meetings in 2019.

Risk Committee

Name	Position
Henning Giesecke	Chair
Hans-Hermann Lotter	Deputy
Hermann Josef Lamberti	Member
Thomas Wieser	Member / Works Council - since 29.07.2019
Christian Lobner	Member / Works Council
Horst Florianschitz	Member / Works Council - until 29.07.2019

The Risk Committee advises the Management Board on the current and future risk appetite and risk strategy and monitors the implementation of that risk strategy.

The Committee examines the risk environment of the company with regard to all material risks. It assesses if prices of the services and products adequately consider the business model and risk strategy. Additionally, the Risk Committee endorses the Recovery Plan of Addiko Group.

Furthermore, the Risk Committee assesses whether the incentives offered by the internal remuneration system take into account risk, capital, liquidity and the probability of realizing profits as well as the point in time when realized.

The Committee held five meetings in 2019.

Nomination and Remuneration Committee

Name	Position
Sebastian Prinz Schoenaich-Carolath	Chair
Dragica Pilipovic-Chaffey	Deputy
Hans-Hermann Lotter	Member
Thomas Wieser	Member / Works Council

The Nomination and Remuneration Committee was newly implemented on 6 June 2019 according to sections 29 and 39c Austrian Banking Act (Bankwesengesetz, "BWG").

The Nomination and Remuneration Committee submits proposals to the Supervisory Board for new members of the Management Board and deals with issues relating to succession planning. The Committee supports the Supervisory Board also with the preparation of proposals to the General Assembly for filling of vacancies on the Supervisory Board.

The Committee considers in its recommendation's diversity targets as well as balanced skills and experience of the members of the corporate bodies and periodically assesses the Management Board's and Supervisory Board's structure, size, composition and performance.

Furthermore, it prepares resolutions on remuneration matters, including resolutions that have an impact on the company's risk and risk management and must be passed by the Supervisory Board. The Committee reviews the remuneration policy and monitors the remuneration practices as well as the incentive structure of the company.

The Committee held one meeting in 2019.

Committee for Management Board Matters

Name	Position
Hermann-Josef Lamberti	Chair
Hans-Hermann Lotter	Deputy
Henning Giesecke	Member

The Committee for Management Board Matters is a decision-making committee responsible for the exercise of representative rights pursuant to the Stock Corporation Act (Aktiengesetz, "AktG") and is required to advise on and manage the legal relationships between the company and the members of the Management Board except for the appointment and dismissal of the members of the Management Board.

The Committee held one meeting and adopted one decision via circular resolution in 2019.

Management Board

Management Board members of Addiko Bank AG at year-end 2019 and allocation of responsibilities

[C-16]

Name	Position	Year of birth	Date of first appointment	End of the mandate
Razvan Munteanu	CEO	1966	01.01.2016	31.03.2021
Markus Krause	CRO	1968	17.08.2015	16.08.2021
Csongor Nemeth	CCBO	1974	01.11.2015	31.10.2021
Johannes Proksch	CFO	1969	01.07.2015	31.07.2021



Razvan Munteanu
Chief Executive Officer (CEO)

Group Audit
Group Compliance & Corporate Governance
Group Corporate Communication & Marketing
Group Balance Sheet Management & Treasury
Group Human Resources
Group IT
Group Retail Product Management
Group Sales, Distribution & Customer Experience



Markus Krause
Chief Risk Officer (CRO)

Group Data Office
Integrated Risk Management
Group Operational Risk Management
Risk Auxiliary Support
Group Corporate Credit Risk
Group Retail Risk Management
Group Model & Credit Portfolio Management



Csongor Nemeth
Chief Corporate & SME Banking Officer (CCBO)

Group Operations
Group Large Corporate & Public
Group Customer Experience & Digitalisation
Group Sales Development
Group Organisation, Projects & Process Management
Corporate Business Development



Johannes Proksch
Chief Financial Officer (CFO)

Group Financial Controlling
Group Accounting & Reporting
Group Business & Sales Controlling
Group Cost & Investment Controlling
Group Legal
Investor Relation / Group Corporate Development

Group Audit, Group Compliance as well as Data Protection Officer report to the whole Management Board.

Members who left Management Board in 2019

[C-16]

No member left the Management Board in 2019.

Committees of the Management Board

Following committees of the Management Board have been established in Addiko.

Credit Committee

The Credit Committee is a decision-making committee and approves all counterparty risks (including credits to associated companies of the Addiko Bank-network or problem loans) above the credit authority of the subsidiaries and/or above the delegated credit competence of single persons, except borrower with Watch Loan 2 or default (NPE) status.

Distressed Asset Committee

The Distressed Asset Committee is a decision-making committee and approves all counterparty risks for Group of Borrowers (GoB) or any borrower within GoB which has Watch Loan 2 or default (NPE) status.

Board Audit Committee

The Board Audit Committee is an advisory committee, which oversees the proper monitoring and supervision of regulatory topics and acts as a strategic platform for its participants to discuss operational risk on a group-wide level. Moreover, it provides an overview of significant audit deficiencies, legal and compliance issues as well as AML.

Risk Executive Committee

The Risk Executive Committee is an advisory committee in charge of ICAAP and risk bearing capacity, portfolio steering and limitation and other methodological and project-related topics.

Asset and Liability Committee

The Asset and Liability Committee is a decision-making committee and monitors the steering of interest-, liquidity, FX- and equity risk.

Outsourcing Committee

The Outsourcing Committee is an advisory committee dealing with new and changed outsourcing request as defined in the Group Outsourcing Policy and monitoring Group Outsourced Activities.

IT and Operations Committee

The IT and Operations Committee is founded to decide upon all important matters in IT and Operations from a Group perspective. It monitors key IT and Operations projects and initiatives and ensures the operational functionality in IT and Operations across the Group.

Cost and Investment Committee

The Cost and Investment Committee is a decision-making committee in charge of monitoring the cost development in all entities of Addiko Group and deciding on procurement orders above a certain threshold.

Information on the working procedures of the Management Board

[C-16]

In addition to the allocation of tasks and responsibilities within the Management Board, attachment 1 shows all transactions and measures exceeding the scope of section 95 (5) of the Austrian Stock Corporation Act and, therefore, requiring the approval of Supervisory Board.

Supervisory Board Mandates and Comparable Functions in companies outside the Group

[C-16, 26]

Johannes Proksch is appointed as Management Board member of CLEDOMKO Privatstiftung, 1010 Vienna (FN 343079d). No other Management Board member holds any Supervisory Board mandate or performs any comparable function in a company outside the Group.

Members of the Management Board and Supervisory Board of Addiko held mandates in following subsidiaries of Addiko Group at year-end 2019

Management Board Members

Name	Subsidiary	Corporate Body	Position
Razvan Munteanu	Addiko Bank d.d., Bosnia and Herzegovina	Supervisory Board	Member
Razvan Munteanu	Addiko Bank a.d., Bosnia and Herzegovina	Supervisory Board	Member
Johannes Proksch	Addiko Bank d.d., Slovenia	Supervisory Board	Chair
Johannes Proksch	Addiko Bank a.d., Montenegro	Board of Directors	Chair
Csongor Nemeth	Addiko Bank d.d., Croatia	Supervisory Board	Deputy
Markus Krause	Addiko Bank a.d., Serbia	Board of Directors	Chair

Supervisory Board Members

Name	Subsidiary	Corporate Body	Position
Hans-Hermann Lotter	Addiko Bank d.d., Croatia	Supervisory Board	Chair
Hans-Hermann Lotter	Addiko Bank a.d., Bosnia and Herzegovina	Supervisory Board	Chair
Hans-Hermann Lotter	Addiko Bank d.d., Bosnia and Herzegovina	Supervisory Board	Chair
Henning Giesecke	Addiko Bank d.d., Slovenia	Supervisory Board	Deputy
Henning Giesecke	Addiko Bank a.d., Serbia	Board of Directors	Deputy
Henning Giesecke	Addiko Bank a.d., Montenegro	Board of Directors	Deputy

Information about the remuneration of the Management Board and the Supervisory Board

Supervisory Board

[C-49, C-51]

For their activities as members of the Supervisory Board of Addiko during the reporting period, members of the Supervisory Board were entitled to the following remuneration:

Remuneration in financial year 2019

In € thousand	Remuneration
Hermann Josef Lamberti	65,0
Hans-Hermann Lotter	55,0
Henning Giesecke	55,0
Dragica Pilipovic-Chaffey	42,5
Sebastian Prinz Schoenaich-Carolath	31,6

Contracts with members of Supervisory Board

In the business year 2019 no member of the Supervisory Board was performing services for Addiko Bank AG outside of their activity as member of the Supervisory Board.

Management Board

[C-28, C-30, C-31]

The remuneration policy provides a framework of remuneration for all Addiko employees including Management Board members. The policy determines the principles of remuneration and rewards taking the European and Austrian legal framework into account. It aims to enable the Group to attract and retain employees and ensure achievement of company objectives, in line with its strategy, long term goals and risk management framework. It is designed to align the personal objectives of the Management Board members with the long-term interests of Addiko and to ensure an appropriate balance between fixed and variable remuneration components.

The methods according to which fulfilment of the performance criteria is determined:

The variable remuneration is determined based on the individual's success (in quantitative and qualitative terms) as well as on the success of the company. In deciding on any award of variable compensation to members of the Management Board, the Committee for Management Board matters considers performance criteria, the market situation and market trends, the appropriateness of bonus payments and risk trends. In case of termination of their function, entitlements and claims of members of the Management Board will be agreed on an individual basis.

The remuneration of Management Board members must be clearly defined in the contract of employment, with the following framework:

The remuneration of Management Board members is to be determined as a combination of fixed, performance-based variable pay and non-monetary remuneration, taking into consideration the reciprocity of value for employees and for the Group in line with the interests of shareholders. Fixed remuneration is based on the level of responsibility, which constitutes a relevant part of total pay. Variable annual remuneration linked to the achievement of previously defined individual target agreement and prudent risk management, which in any case should be lower than fixed remuneration for the respective business year.

The maximum thresholds determined for variable remuneration:

In accordance with the Group Remuneration Policy, current contracts of Addiko Bank AG Management Board members define the variable remuneration in the amounts below the fixed remuneration for the respective business year (Annual

bonus is defined in a range from 60% to 78% of annual base salary), without any material changes in bonus system compared to previous year.

The principles applicable to eligibility and claims of the Management Board in the event of termination of the function:

In case of premature termination by the Company without good cause or for a good cause which was not caused by fault of the Management Board member, as well as in case of a justified premature termination by the Board member for good cause attributable to the Company, Management Board members could be entitled to a one-time compensation for the loss of income for the then remaining time period until the end of the Fixed Term. Such one-time compensation cannot be higher than (i) nine times the gross monthly base salary plus (ii) pro-rated Christmas and vacation allowance for six months plus (iii) variable bonus, calculated based on the most recent target values and parameters (under assumption of no more than 100% target achievement) for nine months.

The principles of the company retirement plan for the Management Board and the conditions:

No retirement plan for the Management Board has been implemented in Addiko so far.

Stock Option Programme

No stock option program was implemented in business year 2019.

D&O Insurance

Management Board and Supervisory Board members are covered by a D&O insurance at the level of Addiko.

Remuneration of the active members of the Management Board in business year 2019

In 2019, the active Management Board members received in total TEUR 2.953, thereof TEUR 1.010 as variable remuneration.

The fixed and variable performance-linked annual remunerations of each individual management board member will not be disclosed in the Corporate Governance Report.

Measures taken to promote women on the Management Board, the Supervisory Board and in management positions

The Addiko Group Diversity and Inclusion policy, aligned with EU directives, provides a structured process through which the bank defines diversity objectives and targets. The Supervisory Board, during the annual review of the composition of the Management Board and the self-assessment of the Supervisory Board, reviews the diversity strategy and targets set. These define voluntary measures and initiatives that promote women on the Supervisory Board, Management Board and in senior management positions.

Women in the Management Board, the Supervisory Board and in management positions [C-60]

Figure 3 - Women in the Management Board, the Supervisory Board and in management positions as of 31 December 2019

Function	Addiko Bank AG		Addiko Group ⁴	
	Female no.	Female %	Female no.	Female %
Supervisory Board ⁵	1	20%	6	25%
Management Board	0	0%	5	22%
Senior Management (B-1)	4	20%	69	53%

Diversity Concept

Promoting Diversity and Inclusion

Addiko Bank actively promotes diversity by closely measuring and monitoring talent statistics and talent development. As part of building an inclusive workplace, the focus is upon establishing a framework to promote equality and equal opportunities for women and men in the bank.

The Bank launched its Diversity and Inclusion policy and initiatives in 2019 to increase the number of women in management positions. Three-year gender targets have been set for the Management Board and Supervisory Board representation to identify ready-now successors, both female and male, by year-end 2021. The Supervisory Board also reflects the wide aspects of diversity and inclusion reflected in the gender, age structure and nationality of its Supervisory Board members. All vacancies for senior and top managerial positions must also include equal gender representation.

Diversity and inclusion principles are embedded in the Bank's Group Diversity and Inclusion policy, supported by that corporate Values and Behaviors that are encouraged in the Bank. The objective is to strengthen the foundations and good practices of an inclusive work environment aiming to manage talent diversity, ensure financial equality, raise awareness, provide career opportunities and promote flexible working arrangements for our employees.

Diversity in the Supervisory Board

[L-52]

Aspects of diversity that are taken into consideration in the ABG Supervisory Board are the representation of both genders, the age structure and (in case of listed companies) the internationality (citizenship) of its members in the Holding and across the subsidiaries.

⁴ Including, in addition to Addiko Bank AG, its subsidiaries Addiko Bank d.d. Croatia, Addiko Bank d.d. Slovenia, Addiko Bank a.d. Serbia, Addiko Bank d.d. Sarajevo, Addiko Bank a.d. Banja Luka and Addiko Bank AD Montenegro

⁵ Excluding members of the works council in Addiko Bank AG since neither the shareholder nor the Supervisory Board have any influence on their selection

Figure 4 - Diversity in the Supervisory Boards of Addiko and Addiko Group as of 31 December 2019

Addiko Bank AG ⁶		Addiko Group	
Age Structure	SB members	Age Structure	SB members
< 40 Y	0	< 40 Y	2
40 - 49 Y	0	40 - 49 Y	9
50 - 60 Y	2	50 - 60 Y	7
> 60 Y	3	> 60 Y	6

Addiko Bank AG		Addiko Group	
Gender	SB members	Gender	SB members
female	1	female	6
male	4	male	18

Addiko Bank AG		Addiko Group	
Citizenship	SB members	Citizenship	SB members
Germany	4	Austria	1
United Kingdom	1	Belgium	1
		Bosnia and Herzegovina	4
		Croatia	3
		Germany	5
		Hungary	3
		Montenegro	1
		Romania	1
		Serbia	3
		United Kingdom	2

External Evaluation

Deloitte Wirtschaftsprüfungs GmbH evaluated the implementation and compliance with the Code for the financial year 2019 except of Rule 77 to 83 of the Code, those rules were evaluated by CMS Reich-Rohrwig Hainz Rechtsanwälte GmbH.

The review was essentially carried out by using the questionnaire for evaluating compliance with the Code, published by the Austrian Working Group for Corporate Governance (version of January 2018).

After the evaluation, Deloitte Wirtschaftsprüfungs GmbH and CMS Reich-Rohrwig Hainz Rechtsanwälte GmbH were able to confirm that Addiko complied with the rules of the ÖCGK in financial year 2019- insofar as these were included in the Addiko declaration of conformity. Some rules were not applicable to Addiko during the evaluation period.

⁶ Excluding members of the works council in Addiko Bank AG since neither the shareholder nor the Supervisory Board have any influence on their selection

Vienna, 04 March 2020
Addiko Bank AG

MANAGEMENT BOARD

Razvan Munteanu m.p.
(Chairman)

Markus Krause m.p.

Johannes Proksch m.p.

Csongor Bulcsu Németh m.p.

Attachment 1: Transactions and measures exceeding the scope of section 95(5) Austrian Stock Corporation Act and, therefore, requiring the approval of Supervisory Board as of 31 December 2019

Transaction		Threshold (single basis unless stated otherwise)	refers to
1.	<p>Determination of general business policy, including</p> <ul style="list-style-type: none"> (i) the definition of general principles of corporate policy as well as Company's strategy, (ii) medium term plans for the Company and the Group for the subsequent 5 financial years, (iii) the commencement or termination of business activities provided that such activities are material or outside the ordinary course of business, (iv) the establishment or closing of branches of the Company's subsidiaries, provided that (a) this involves a major economic or financial impact to the Company's subsidiary or (b) it refers to a branch in a country, different from the one this subsidiary is registered in 	in any case	Group
2.	Allocation of responsibilities within the Management Board	in any case	ABH
3.	Granting power of attorney (<i>Prokura</i>)	in any case	ABH
4.	Establishment and closing of branches of the Company as well as changes to the overall organizational structure of the Company	in any case	ABH
5.	Conclusion of cooperation agreements with credit institutions and insurance companies	in any case	Group
6.	Annual budget of the Company and the Group for the subsequent financial year.	in any case	Group
7.	<p>Loans, limits and all credit relevant transactions according to the Group Credit Principles</p> <p>The Management Board delegates to the Group Credit Committee (<i>GCC</i>) its approval right for all limit and loan applications and its voting right for limit and loan applications, which have to be finally approved in the Credit Committee of Supervisory Board (<i>CC SB</i>). The GCC informs the Management Board prior to submission to the CC SB and the members of the Management Board have the right to make applications to the CC SB.</p> <p>The Supervisory Board delegates to CC SB all approval right for all limit and loan applications and its voting right for limit and loan applications.</p> <p>Client applications submitted to CC SB for approval have to include all approvals made by GCC (and all lower approval authorities, if any) based on delegation of rights (exemptions), done in the period after last CCSB approval for respective client.</p>		Group

a)	<p>General authorities based on value limitations:</p> <ul style="list-style-type: none"> - Public Finance and Financial Institutions, Sovereigns/Sub-sovereigns - Rating 1E or better - Public Finance and Financial Institutions, Sovereigns/Sub-sovereigns - Rating worse than 1E - PL and WL/NPL - Corporate - PL and WL/NPL 	<p>> €m 50 or large exp.</p> <p>> €m 30 or large exp.</p> <p>> €m 15 or large exp.</p>	
b)	Exemptions:		
ba)	any increase/change of exposure up to €t 100 "on top" of existing exposure		
bb)	<p>increase of existing exposure:</p> <ul style="list-style-type: none"> - up to 10 % of GCC approval rights for Corporate and SME clients, - additionally, up to 10 % of GoB exposure for Corporate and SME clients if specific increase is fully cash collateralized, <p>provided that (i) maturity of 3 years (if not fully cash covered) will not be exceeded and (ii) no material deterioration of credit quality will be created by specific decision (max. 3 rating notches)</p>		
bc)	waiver on fulfilment of specific conditions or change of price terms, in each case as set forth in the credit agreement		
bd)	prolongation of (i) review date up to 3 months or (ii) maturity date, including change of repayment schedule, up to 12 months		
be)	write off of interests/fees not recoverable and fully provisioned		
bf)	conclusion of a standstill agreement up to 6 months but not longer than 3 months after maturity date		
bg)	contract cancellation and/or starting a lawsuit to enforce exposure collection		
bh)	changes in collateral unless such change causes deterioration of more than 10 % internal collateral value (methodological changes which trigger ICV deterioration are not to be considered by CC SB); collateral rights have to remain legally valid		
bi)	collateral sale/release up to a collateral value of up to €m 1, if financial offset corresponds to internal collateral value or falls below up to €t 50		
c)	All limit and loan applications achieving respectively exceeding the large exposure limits pursuant to section 28b BWG in conjunction with Art 392 of Regulation (EC) No. 575/2013 (CRR) require the prior approval of the CC SB.		
8.	Intragroup limits to affiliated companies referring to any kind of exposure/investment	in any case	Group
9.	<p>In relation to a subsidiary</p> <ul style="list-style-type: none"> (i) the establishment, reorganisation (in terms of merger or spin-off) and liquidation of a subsidiary, (ii) equity capital measures (especially - but not limited to - debt to equity swaps) relating to a subsidiary, and (iii) purchase (including those from capital increase measures), sale and pledge of shares of a subsidiary <p>and <i>provided further</i> that in each such case the Supervisory Board shall be informed without undue delay irrespective of the applicable threshold.</p>	>€m 5 transaction value	Group

10.	Purchase, sale and mortgaging/pledging of assets	>€m 5 transaction value	Group
11.	Guarantees and warranty commitments	> €m 100	Group
12.	Issuing, repurchasing, changing of terms, or early redemption of regulatory capital instruments	in any case	Group
13.	Issuance of other, non-regulatory capital instruments (e.g, bonds, including <i>Schuldscheindarlehen</i> , covered bonds, equity linked instruments, etc.)	in any case	Group
14.	Borrowing monies for a term of more than one year (e.g., interbank funding)	>€m 100	Group
15.	Operational expenses / capital expenditures calculated on an aggregate basis for the entire project/transaction other than (i) personnel costs, (ii) OPEX resulting from existing continuing obligations or (iii) the continuation or renewal of existing services at materially similar terms in the ordinary course of business	>€m 0,5	Group
16.	Approval of taking over any executive, advisory or supervisory function by a member of the Management Board or by a Managing Director (B-1) in a political party, a private/public enterprise outside the Group or a (business-related) non-profit organization	in any case	ABH
17.	Transactions pursuant to section 28 BWG or section 80 AktG relating to persons outlined in section 28 BWG and section 80 AktG (<i>Persons Concerned</i> ⁷). No credits shall be granted to members of the Management Board, the Supervisory Board or executives of the Company, as well as their relatives, other than to members of the Management Board and the Supervisory Board who may obtain credit cards or limits on any other current accounts up to €t 5, provided that the requirements in section 28 BWG are fulfilled. This shall also apply to any major transactions concluded by company's subsidiaries that are of relevance to the Group.	in any case	Group
18.	Entering into agreements with members of the Supervisory Board through which they undertake to provide services to the Company or a subsidiary.	in any case	ABH
19.	Contracts with the auditor on additional consulting or other services which do not bear a direct relationship to auditing of the annual financial statements	in any case	ABH
20.	Definition of principles for remuneration systems (fixed and variable remuneration components) including the granting of participations in profit and sales and guaranteed pension payments to executives within the meaning of section 80 (1) AktG, taking into account section 39b BWG	in any case	ABH
21.	Granting options on company shares to employees and executives of the Company or a Company's subsidiary as well as to members of the Management and Supervisory Board of Group companies, as well as definition of principles for granting of participations in profit and sales and guaranteed pension payments.	in any case	ABH
22.	Transactions of related parties within the meaning of Regulation (EC) No 1606/2002	>5% consolidated balance sheet	Group

⁷ Persons Concerned are company's members of the executive board, members of the supervisory board and executives of the company, legal representatives and senior executives in its subordinate and superordinate undertakings as well as the relatives of the persons indicated before and third parties acting for the account of a person indicated before.