

EXECUTIVE SUMMARY:

REVISED EXECUTIVE REMUNERATION IN ADDIKO BANK AG

In July 2020 Addiko Bank AG received an analysis conducted by Glass Lewis, a voting consultant, reviewing the Remuneration Policy for the Group Management Board of Addiko Bank AG. The Glass Lewis Report identified four areas that could be improved in the Policy (Table 1). Addiko Bank AG has taken into account Glass Lewis's advice and has accordingly revised the Remuneration strategy of the Bank's Senior Management. This document describes: (i) the changes that have been made to the Remuneration Policy for the Group Management Board; and (ii) the omnibus plan that will link and incentivize executive performance with share performance leveraging equity payments.

The 'Vergütungspolitik des Vorstandes' (Remuneration Policy for Group Management Board) provides a framework for managing executive remuneration. It connects to the Bank's strategy, sets appropriate limits and safeguards, and provides flexibility to manage exceptional remuneration issues transparently. The Policy describes the annual performance cycle and now reflects the advice of the Glass Lewis report, as described in Table 2.

The Glass Lewis Report strongly suggested that the Bank's remuneration framework for the Group Management Board should have Long-Term Incentive Plans and long-term performance assessment tools linked to the best interest of shareholders. As a result, Addiko Bank AG evaluated two scenarios: the implementation a Stock Options Framework or launching an omnibus plan that would link share performance and equity compensation. Implementation of a Stock Option plan as a remuneration tool would carry several difficulties and risks. The current regulatory environment for variable remuneration of bank employees in Austria is highly complex and restrictive. Most peer banks have stopped using Stock Options for these reasons. At this point in time Addiko Bank AG will therefore not launch a Stock Options Plan.

Alternatively, Addiko Bank AG will activate an omnibus plan for the two-year period 2021 and 2022. It will link senior leadership incentives to share performance while still being aligned with EBA and Austrian remuneration regulations. The Performance Acceleration Incentive Framework (PAIF) is an additional incentive scheme through which Addiko Bank AG will address Glass Lewis's recommendation to link Long-Term Incentive Plans and long-term performance assessments tools to the best interest of shareholders. Table 3 describes the principles and criteria that will be used in PAIF 2021-2022.

Table 1: Glass Lewis Report comments and changes made in Addiko AG Remuneration Strategy

Glass Lewis Report Comments	Changes implemented to Addiko AG Remuneration Strategy for Senior Management
Performance Metrics and Weightings Not Disclosed	<ul style="list-style-type: none"> Clarified in Remuneration Policy of Group Management Board
Authority to Award Discretionary Bonuses	<ul style="list-style-type: none"> Clarified in Remuneration Policy of Group Management Board
Long-Term Incentives: Omnibus Plan, Share Ownership, Equity Compensation	<ul style="list-style-type: none"> Equity Compensation and link to long term performance clarified in Remuneration Policy of Group Management Board Omnibus Plan (PAIF)* will be introduced to link share performance and equity compensation

* The Performance Acceleration Incentive Framework (PAIF) is a mid-term incentive scheme available to senior management in Addiko AG linking individual performance to share price performance.

Table 2: Sections of the Remuneration Policy for the Group Management Board that have been re-written to reflect the findings of the Glass Lewis Report

Glass Lewis Report Comments	Sections in the Policy
Performance Metrics and Weightings explained	<ul style="list-style-type: none"> Section 6.2 refers to the balanced scorecards for Board Members with performance metrics and weightings. Section 6.3.2 provides examples of the Balanced Scorecard and Individual Success Factors of Board Members.
Authority to Award Discretionary Bonuses	<ul style="list-style-type: none"> Section 2.1.4 explains that exceptional compensation agreements are approved by the ABG Supervisory Board and are clearly defined in European Banking Authority (EBA) Guidelines. Section 3.1 defines the three components of remuneration. Section 5.3 explains that the maximum ratio of variable to fixed remuneration includes extraordinary awards. The annual variable reward value is capped at 100% of the fixed component as per defined by EBA. Section 5.4 describes the payment of variable remuneration components in context of risk adjustments where current and future risks are considered when allocating variable remuneration. Section 5.4 previously had a sentence stating that the Supervisory Board had the discretion to approve all exceptions. This sentence was deleted.

	<ul style="list-style-type: none"> • Section 5.5 states that the maximum value of a Cashless incentive and recognition plans can be 3.000 EUR. • Section 13 outlines that temporary deviations must be in line with the EBA guidelines and relevant regulation.
<p>Long-Term Incentives: Omnibus Plan, Share Ownership, Equity Compensation</p>	<ul style="list-style-type: none"> • Section 6.4.2 introduces significant changes to the bonus payout model, ensuring alignment with long-term shareholder interests. Going forward payouts will be 50% in cash and 50% in ordinary shares, with deferrals over a 5-year time period. • Section 9 links individual variable remuneration to the long-term and the sustainable development of the Company where the annual bonus payout model ensures alignment with long-term shareholder interests. • Section 13 explains that a deviation from the Policy can be, for example, an introduction of an annual or multi-year incentive scheme intended for select leaders.

Table 3: Principles of the 2021-2022 PAIF (Performance Acceleration Incentive Framework)

CONTEXT	The Performance Acceleration Incentive Framework (PAIF) has been part of the Addiko Group Remuneration Policy since 2019 intended for senior leaders. It is an additional incentive scheme, separated from the annual performance reward. All rules defined in the Group Remuneration Policy also apply to the PAIF (e.g. deferred payment rules, knock out criteria, discretionary character, malus and claw-back).
TARGET POPULATION	ABG Executive Management: Group Management Board, Country Management Boards Members, Group Managing Directors
TARGET	<p>The target Share Price will be set at the Year End 2020 by the Supervisory Board, and should be higher than the actual share price at that time in order to provide an incentive to improve the bank and therefore the Share Price of Addiko Shares*</p> <p>Necessity for introducing specific risk targets to avoid risk taking non compliant with Addiko risk strategy will be assessed at the Year End 2020 by ABG's risk control function</p>
TIMEFRAME	Kick off: January 2021 for 2021; Reset in December 2021 for 2022
REWARD	If Addiko Share Price target is achieved, the target population individually receives up to 30% of their annual based salary of which 50% may be in cash; 50% may be in Addiko Shares*

*Details to be confirmed in December 2020