Addiko Bank

Remuneration Policy of the Management Board of Addiko Bank AG

Date:	30.03.2021.
Version:	1.3

Addiko Bank

1. LEGAL BASIS AND ESTABLISHMENT OF REMUNERATION POLICY

This remuneration policy for the Management Board of Addiko Bank AG ("Remuneration Policy") regulates the principles of remuneration for the Management Board of Addiko Bank AG ("Company") in accordance with Section 78a of the Austrian Stock Corporation Act ("AktG").

This Remuneration Policy was drawn up by the Nomination and Remuneration Committee of the Supervisory Board and adopted by resolution of the Supervisory Board on March 30, 2021. It will be submitted for resolution to the company's Annual General Meeting at the next Annual General Meeting.

This Remuneration Policy is largely based on, and is consistent with, the Addiko Group's internal Group Remuneration Policy (remuneration policy according to section 39b BWG).

2. OBJECTIVE

This Remuneration Policy shall promote the business strategy and long-term development of the company. This is done by setting out principles for the remuneration of the members of the Management Board, taking into account:

- their tasks and workload;
- their expertise and experience;
- their responsibilities and the risks involved;
- the size, location and sustainable and long-term development of the Company and its subsidiaries and
- the relevant legal and regulatory requirements and the Austrian Corporate Governance Code.

This remuneration policy must also provide sufficient flexibility to respond to short-term market developments and to ensure a balanced composition of the Management Board.

Its purpose is to enable the Company to attract and retain experienced and competent members of the Board of Management and to ensure that the Company's objectives are achieved in line with its strategy, long-term objectives and risk profile.

2.1 Principles of Remuneration

2.1.1 Financial performance of the Addiko Group

It is imperative that the compensation system takes into account the performance of the Addiko Group and not only the performance of the company or an individual.

2.1.2 Solid Capital Base

The Company must consider the risk associated with its compensation system in terms of its potential impact on its capital base and the Addiko Group's capital base.

Therefore, the Company must consider the impact of the level of compensation - both immediate and deferred - in its capital planning and in the overall capital valuation process, taking into account the current capital position.

The total variable remuneration granted by the Company must not restrict the ability of the Company and the Addiko Group to maintain or restore a sound capital base in the long term.

If the company or the Addiko Group does not achieve its capital objectives, priority shall be given to building up the necessary capital or solvency buffer and a conservative remuneration policy shall be pursued, in particular with regard to variable remuneration.

2.1.3 Support for the Long-Term Strategy

The compensation system must be aligned with the long-term business strategy of the Company and the Addiko Group in such a way that it includes the general business strategy and quantified risk tolerance levels with a multi-year horizon.

2.1.4 Exceptional Remuneration Arrangements

Exceptional compensation agreements are those compensation elements which are not normally provided to members of the Management Board and which are considered exceptions (e.g. welcome bonus, sign-on bonus, guaranteed bonus, *retention bonus*, severance package).

Such exceptional remuneration arrangements shall comply with the 9th Chapter of the EBA Guidelines on Sound Compensation Policies (EBA/GL/2015/22) (or any subsequent guidelines) and shall be approved by the company's supervisory board for directors on a case-by-case basis.

Exceptional compensation arrangements are limited to certain situations related to recruitment phases, special projects, high risk of retirement or restructuring. They must comply with all relevant principles of this remuneration policy and be documented in writing.

2.1.5 Avoidance of Conflicts of Interest

The company operates in accordance with the Code of Business Conduct & Ethics, which every employee - including the members of the Management Board - must comply with. The remuneration system is fully compliant with the Code of Business Conduct and the *fit& proper guidelines*, which include measures to avoid conflicts of interest.

2.1.6 Equal Pay

In determining the remuneration system, the company must comply with all legal requirements, including the provisions on equal pay, irrespective of race, nationality, religion, national origin, ethnicity, sexual orientation, gender, age, citizenship, marital status or pregnancy, to ensure that equal work is of equal value.

2.1.7 Shareholder Participation

In accordance with § 78b (1) AktG, the Supervisory Board of the company must submit this remuneration policy to the Annual General Meeting of the company for resolution.

2.1.8 Market Data

In determining the remuneration, a benchmarking against the company's own industry and against companies of similar size on the local market is carried out (market trends, selected competitors, peer groups, international practices).

3. REMUNERATION STRUCTURE

3.1 Basic Information about the Remuneration Structure

This remuneration policy distinguishes between three main components of remuneration:

- The fixed remuneration, which includes any non-performance-related payment;
- Variable remuneration, including an annual bonus and incentive schemes (which could also be paid more than once a year); and
- Other benefits (all other types of reward and recognition instruments that are neither fixed nor variable).

The remuneration of the members of the Management Board shall be determined as a combination of (i) fixed, (ii) performance-related variable remuneration and (iii) non-monetary remuneration, taking into account the mutual value for employees of the Company and the Group in line with the interests of the shareholders.

The Supervisory Board or its responsible committees specifically determine, approve and monitor the remuneration of the members of the Management Board.

The remuneration of Management Board Members must be clearly defined in the employment contract, subject to the following framework:

- Fixed remuneration based on the level of responsibility of the respective Management Board member, whereby the fixed remuneration should represent a relevant part of the total remuneration;
- variable annual remuneration, which is linked to the attainment of predetermined individual target agreements and prudent risk management and should in any case be lower than the fixed remuneration for the respective financial year;
- In the event of premature termination by the company without good cause or for good cause not attributable to the Management Board member, as well as in the event of justified premature termination by the Management Board member for good cause attributable to the company, the following claims may arise:
  - Compensation for loss of income for the period then remaining until the end of the fixed term may be increased up to a maximum of 75% of a gross annual basic salary or until the end of the fixed term, whichever is lower. For members of the Board of Management, this must be approved by the Supervisory Board of the company;
  - A pro-rata annual bonus payment for the year in which the employment contract is terminated may be included in the remuneration on the assumption that no more than 100% is achieved.
  - Management Board members may be entitled to insurance coverage, including D&O insurance, in accordance with the existing group insurance contracts for Management Board members.

The Members of the Board of Management do not receive separate remuneration for their function as members of the Supervisory Board of a direct or indirect subsidiary of the company.

4. FIXED REMUNERATION

4.1 Definition of Fixed Remuneration

The fixed remuneration is the remuneration paid to the individual members of the Board of Management for the performance of their work for a contractually agreed period of time and for the extent of their responsibility, and reflects the experience and competence required.

The following components are regarded as fixed remuneration:

- Basic salary; benefits, allowances and supplements which are part of a general, non-discretionary, company-wide policy and have no incentive effect in terms of risk taking;
- Compensation components that are by nature not fixed, but which do not depend on the performance of a member of the Board of Management and are considered exceptions.

4.2 Basic Salary

4.2.1 Positioning of the Basic Salary

The basic salary must be high enough not to encourage an inappropriate willingness to take risks.

A positioning of the base salary above the market value is only justified for board positions that are rare in the market and of crucial importance for the company.

4.2.2 Increase in Basic Salary

The most important factors influencing the decision on a basic salary increase are the economic situation of the company (sustainability), the development of market interest rates and the inflation rate.

The increase in basic salary must be based on a combination of market rates and the skills and seniority of the individual.

4.3 Benefits, Allowances and Supplements to Basic Salary Required by Law

Any benefits, allowances and supplements to basic salary required by law are regarded as fixed remuneration. They are based on applicable legal provisions and must be granted to the Management Board member in compliance with these provisions.

Any benefits, allowances and/or surcharges imposed/required by law that exceed national requirements must be reviewed and approved by the Company's Human Resources Department before being submitted to the Supervisory Board for approval.

4.4 Enhancement of the working environment (job enrichment), expansion of the working environment or increased responsibilities

Any allowance and/or supplement to the basic salary that is related to *job enrichment* or expansion of the field of work or increased responsibility/skills within the existing position is considered a fixed salary.

Such allowances and supplements shall depend on the duration of the relevant upgrading, extension or increased responsibility and shall not exceed 20% of gross basic salary in the relevant period.

4.5 Remuneration Components that are not Fixed by Nature but are Independent of Performance

Remuneration components that are by nature not fixed but which do not depend on the performance of the Addiko Group, the company or the individual are considered fixed remuneration.

A sign-on bonus can only be granted in exceptional circumstances during the first year of employment.

In limited cases, such as restructuring and where there are good reasons to retain key management board members, a bonus or bonus may be granted to retain the management board member.

4.6 Regular Review

Fixed remuneration components must be reviewed regularly, at least once a year. The relevance of fixed remuneration is to reduce the risk of excessive risk-taking behaviour, prevent initiatives focusing on short-term results and allow flexibility in the remuneration mix (fixed vs. variable remuneration).

5. VARIABLE REMUNERATION - BASIC PRINCIPLES

5.1 Definition

Variable remuneration is used to reward achievements by linking remuneration directly to performance (group, company and individual performance). It also serves to motivate the members of the Management Board to pursue the goals and interests of the Company and to allow them to share in the Company's success.

5.2 Flexibility/ Adaptation

Any variable remuneration system must be flexible enough to allow variable remuneration to be reduced - even to zero - if results are negative or if the competent supervisory authority so requires.

Ex-post risk adjustments to variable remuneration are made in response to the actual risk results of the Board member's actions or changed circumstances. Such ex-post risk adjustment is an explicit risk adjustment mechanism by which the remuneration of the Management Board member is adjusted by means of a malus agreement or clawback clauses as described below under 6.5.

5.3 Maximum Ratio of Variable to Fixed Remuneration Components

The separation between the fixed and variable remuneration components must be clearly understandable. The variable remuneration component, including any type of extraordinary benefits, may not exceed 100% of the fixed component of the total remuneration for each individual member of the Board of Management.

5.4 Restrictions on the payment of variable remuneration components and risk adjustment

When allocating variable remuneration components within the company, all types of current and future risks must be taken into account. The performance measurement used to calculate the variable remuneration components or pools of variable remuneration components shall include an adjustment for all types of current and future risks and take into account the cost of capital and the liquidity required.
Variable remuneration components (including performance-related bonuses) may only be paid if the financial situation of the company is sustainable and the payment is justified. Entitlement to variable performance-related remuneration (both new and deferred elements) can only arise if the capital requirements, described below, are met.

Payments of variable remuneration components are only permitted if the applicable capital requirements are met. Exceptions can only be made if the payment of variable remuneration is consistent with and promotes sound and effective risk management and does not encourage the taking of risks in excess of those tolerated by the company and does not restrict the company's ability to maintain or restore a sound capital base.

5.5 Cashless incentive and recognition plans

Non-cash incentives and recognition plans are methods of rewarding individual Board members for exceptional performance that is not rewarded with other variable payments.

They are retroactive, as they recognise past performance and behaviour, and can also be discretionary.

Maximum value of the prizes / awards is defined as 3,000 EUR.

5.6 Effective Risk Management, Risk Identification and Quantification

The remuneration system must be compatible with and promote effective risk management. It must not encourage taking risks beyond the prescribed / tolerated risk level.
Each variable compensation programme shall be consistent with the Company's internal capital adequacy process (ICAAP) and with the Company's individual liquidity assessment.
Whenever an assessment is used for risk and performance measurement or risk adjustment, the following requirements must be observed:

- A clearly worded document setting out the parameters and key considerations on which the assessment is based
- Clear and complete documentation of the final decision on risk and performance measurement or risk adjustment;
- The involvement of experts from relevant control functions; and
- The necessary approvals, in particular from the company's Supervisory Board, have been obtained.

When determining variable remuneration pools or individual remuneration, the company should take into account the full range of current and potential (unexpected) risks associated with the activities performed.

The performance indicators used in the determination of the remuneration pool may not capture the risks taken or may not capture them adequately and ex-ante adjustments should therefore be made to ensure that variable remuneration is fully aligned with the risks taken.

In order to ensure a sound and effective remuneration system, the company should use quantitative and qualitative measures/criteria for its risk adjustment process. The assessment of risk and performance should take into account both current and future risks taken by a member of the Management Board, his department, the company and the Addiko Group as a whole.

6. VARIABLE REMUNERATION – BONUS PAYMENTS

6.1 Entitlement to Bonus Payments

6.1.1 Basic Information

The bonus payments are performance-related and are not guaranteed, with the exception of a possible guaranteed variable remuneration in the first year of employment.

Bonus payments should reflect business results, take into account individual performance and the Addiko Group's consolidated business results and capital position.

Bonus payments can only be made after presentation of the audited consolidated IFRS financial statements, which have been approved by the Supervisory Board of the Company.

6.1.2 Personal Entitlement

A member of the Management Board is entitled to a bonus payment if he or she was employed by the company for at least five months during the financial year for which the bonus is paid.

If the departing Management Board member is considered a "*good leaver*", he or she retains the right to receive bonus or deferred bonus payments and is also entitled to a pro rata bonus payment for the year in which the employment relationship ends. In this remuneration policy, *good leaver* status includes the following circumstances:

- Termination of employment due to physical illness, injury or permanent disability, in accordance with the applicable laws
- Retirement, even in the event of a special agreement with the Company;
- Death of the Management Board Member (the bonus or deferred bonus amounts are paid to the heirs in accordance with the applicable law of succession); and

- the employment contract of the member of the Management Board was terminated by the company without justification on an extraordinary basis.

If, as a result of the above circumstances, the Member of the Board of Management cannot be considered a "*good leaver*", he loses the right to a bonus payment for the year in which the reasons for the termination of the employment relationship arose.

6.2 Balanced Scorecards for Board Members

The objectives for Board Members are defined in individual *balanced scorecards*, which form a basis for the evaluation of individual results in the annual performance cycle.

The objectives, a list of at least 4 (four) (no more than 8 (eight) are proposed) performance targets, should be defined as a combination of group, board responsibility and individual objectives. For board members with combined responsibilities, it shall be determined which board divisional target is measured with which weighting.

Board performance targets are set as a balanced combination of quantitative/financial ("hard") targets and discretionary/non-financial ("soft") targets.

The quantitative/financial targets are defined on the basis of the budget and focus primarily on the risk-based profitability measurement framework (RaRoC target - risk-adjusted return on capital), cost management (OPEX target) and productivity (net operating profit target). Discretionary/non-financial targets are defined on the basis of business performance and the specific requirements placed on the Management Board and include, for example, team leadership skills, successful completion of business segment reporting, support for the Group-wide digital transformation, strengthening the risk culture.

The individual *Balanced Scorecard* should be balanced and ensure that objectives are aligned with the business strategy, within the risk appetite and risk management framework of the company. The weighting of the performance targets is set at the individual level, with the focus for the CRO position being on the risk-based target.

The tables below are examples of the types of targets and weightings that could be set in the Individual Balanced Scorecard of Management Board Members. These targets and weightings may vary in each annual bonus cycle.

CEO / CRBO / CCBO / COO	Weighting %
Cost management	20,0%
Risk-based profitability	30,0%
Productivity	30,0%
Non-financial objectives	20,0%
TOTAL	100,0%

CRO / CFO*	Weighting %
Cost management	20,0%
Risk-based profitability 1	30,0%
Risk-based profitability 2	30,0%
Non-financial objectives	20,0%
TOTAL	100,0%

**In this example, the CFO and CRO Management Board positions are joint roles and are held by the same person.*

For each quantitative/financial objective, the precise indicators (KPIs) for low and high performance achievement, as in the example in 6.3.2, should be defined. Final confirmation of all quantitative/financial targets (target & actual) should be provided by the CFO/planning staff, risk management and other relevant functions. Individual targets, weightings and achievement will be reported annually in the Bank's Remuneration Report.

6.3 Bonus Amounts

6.3.1 Target bonus/maximum bonus amount

The amount of the target bonus and the maximum amount of the bonus depends on the function of the Management Board member and on relevant market benchmarks in the respective working environment.

The amount of the target bonus for an Management Board member who has not worked for the full financial year is calculated pro rata, taking into account the days on which the Management Board member worked for the Company in the respective year (period for which he received a salary from the Company).

6.3.2 Individual Success Factor

The final individual performance assessment for members of the Board of Management is defined by calculating the *individual success factor* (range 0% - 100%), which represents the weighted achievement of objectives from the individual *balanced scorecard*.

Sample calculation for the individual *Balanced Scorecard* for a management board and an example of the individual success factor:

LIST OF TARGETS		Weighting (%)	KPI (Target setting)			KPI (Achievement)		
				value	target weighting %	achieved result	factor	target weighting (weighting * factor)
1	**Cost management** OPEX	**20%**	high low	EUR 185,3 million EUR 189,0 million	100% 50%	EUR 186,0 million	90,5%	18,1%
2	**Risk-based profitability** RAROC	**30%**	high low	-1,0% -2,8%	100% 50%	-0,5%	100,0%	30,0%
3	**Productivity** Net Operating Income	**30%**	high low	EUR 56,2 million EUR 48,8 million	100% 50%	EUR 53,8 million	83,8%	25,1%
4	**Non-financial objective**	**20%**	discretionary evaluation			75,0%	75,0%	15,0%
		100%				INDIVIDUAL SUCCESS FACTOR		**88,2%**

The individual success factor is calculated on the basis of the achievement of the performance targets from the individual *balanced scorecard* with the following comments:

- A *factor - Achievement* equal to or above the high KPI is considered to be 100% *target weighting %*;
- A *factor - Achievement* equal to the low KPI is considered as 50% *target weighting %;*
- A *factor - Achievement* which is lower than the low KPI is considered as 0% *target weighting %;*
- A *factor - Achievement* between the high and the low KPI is calculated linearly between 50% and 100% *target weighting %*.

If the individual performance factor is below 50%, the member of the Board of Management is not entitled to any bonus payments for the financial year.
In assessing individual performance, strict consideration is also given to breaches of conduct or compliance/values regulations, findings and assessments by supervisory authorities or internal audit, compliance, risk management and human resources management.

It should be ensured that bonus results reflect not only individual performance but also business results and affordability (including from a capital perspective).

6.3.3 Calculation of Bonus

The final bonus amount for the members of the Group Management Board is calculated as follows:

TARGET BONUS AMOUNT

x

INDIVIDUAL SUCCESS FACTOR

=

ANNUAL INDIVIDUAL BONUS AMOUNT

6.4 Payout Process

6.4.1 Basic Requirements / Knockout Criteria

Variable compensation components may only be paid if the financial position of the Addiko Group (as well as the company) is sustainable and the bonus is justified. The right to receive a new bonus as well as the payment of deferred payments from previous years exists only if the basic conditions are met.

Basic requirement / knock-out criterion

Bonus payments can only be granted if the capital requirements are met. The capital requirements are defined by the Addiko Group's SREP requirements. For the purposes of this remuneration policy, the SREP requirements and the capital position refer to the status at the end of the relevant performance year.

If the capital requirements are not met at the end of the relevant performance year, the basic requirement is not met, which is a knock-out criterion. This means that the bonus for the respective year is not capitalised and no bonus is paid in the respective year (neither a new bonus nor deferred payments that would be due in the respective year).

The bonus is calculated and paid once a year.

6.4.2 Bonus Payout Model

If the basic condition is fulfilled, the bonus determined according to point 6.3.3 is considered the basis for the calculation of the bonus instalments.

A value limit for the deferral of the bonus was set on the basis of the currently applicable regulations. Taking into account the risk profile and the nature of the Addiko Group's lending business, the variable compensation amount, which is calculated as the sum of all variable compensation components in a specific performance year, is only deferred if:

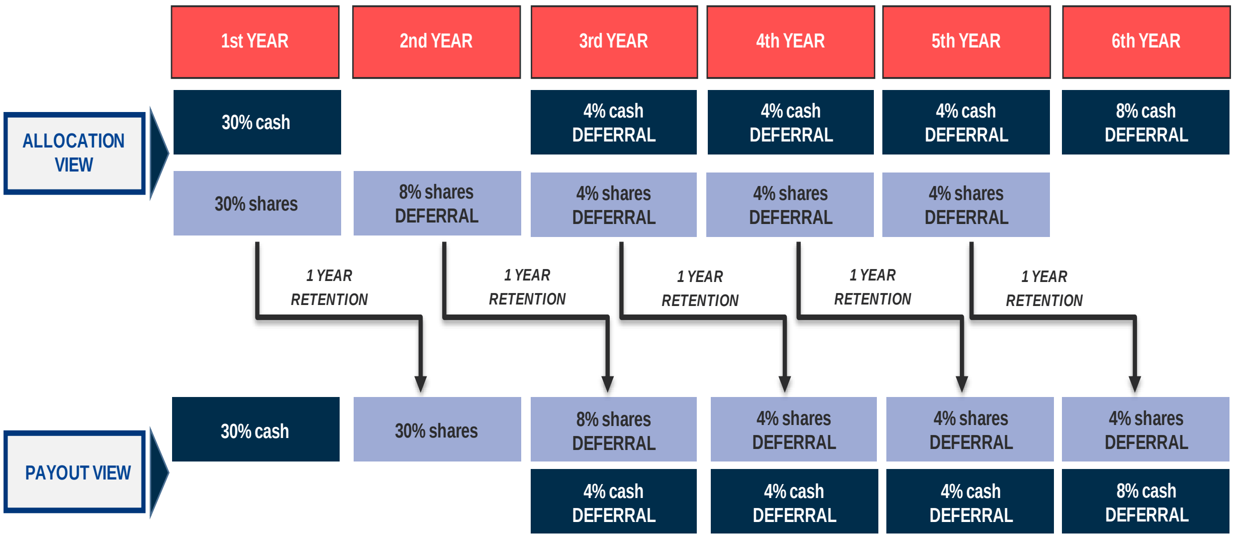
- the variable remuneration amount is equal to or higher than EUR 30,000; or
- the variable remuneration amount exceeds 25% of the annual fixed remuneration of the member of the Management Board.

If applicable rules are stricter for any of the above thresholds, a combination of the stricter thresholds will be applied.

Addiko Bank AG today considers itself to be a medium complex institution and will introduce a variable remuneration model for the Management Board according to the criteria described in the delegated regulation (EU) 527/2014 of the Commission as amended on March 12, 2014, consisting of a payment of 50% in cash and a payment of 50% in company shares as follows In the first half of the following financial year, an employee is entitled to a bonus instalment amounting to 60% of the bonus calculated in accordance with point 6.3.3, payable half in cash and half in company shares. The first cash instalment will be paid as soon as possible after the end of the financial year for which the employee was rewarded (at the latest by the end of the first half of Y+1). At the same time, the Management Board shall receive the other half of the bonus instalment in company shares, for which a retention period of one year is prescribed.

(i) The remaining 40% of the bonus calculated in accordance with point 6.3.3 will be deferred and paid out and distributed proportionally over a period of 5 years (8% per year) in the following manner:

- The second instalment corresponds to 8% of the calculated bonus and is paid in company shares as soon as possible after the end of the first financial year (at the latest by the end of the first half of Y+2). A retention period of 1 year is prescribed for the company shares.
- The third, fourth and fifth instalments represent 8% of the bonus and are payable half in cash (4%) and half in company shares (4%). The cash instalments are paid as soon as possible after the end of the second / third / fourth financial year (at the latest by the end of the first half of Y+3 / Y+4 / Y+5). According to the same scheme, the other half is to be paid out in company shares, with a retention period of one year for each share.
- The sixth instalment is equivalent to 8% of the bonus and we will pay it in cash as soon as possible after the end of the fifth financial year (at the latest by the end of the first half of Y+6).



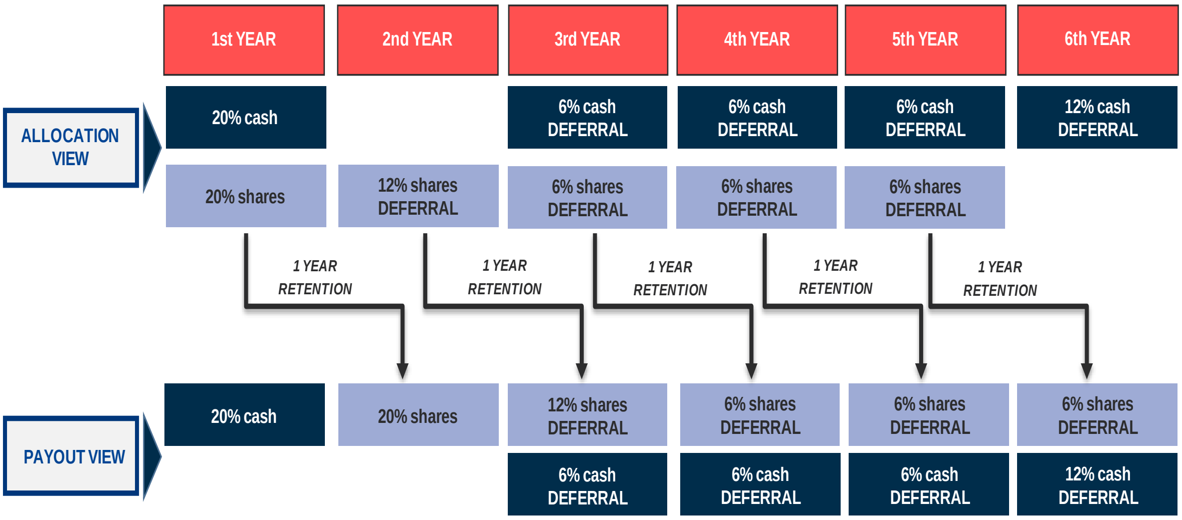
If, exceptionally, the bonus amount determined in accordance with point 6.3.3. exceeds EUR 150,000, 60% of the total bonus amount is reserved and paid out pro rata over a period of 5 years as follows:

(i) In the first half of the following financial year, the employee is entitled to a bonus instalment amounting to 40% of the bonus calculated in accordance with point 6.3.3., half of whic is payable in cash and half in company shares. The first cash instalment will be paid as soon as possible after the end of the financial year for which the employee was rewarded (at the latest by the end of the first half of Y+1). At the same time, the Management Board shall receive the other half of the bonus instalment in company shares, for which a retention period of one year is prescribed.

(ii) The remaining 60% of the bonus calculated in accordance with item 6.3.3. will be deferred and paid out and distributed proportionally over a period of 5 years (12% per year) in the following manner:

- The second instalment corresponds to 12% of the calculated bonus and is paid in company shares as soon as possible after the end of the first financial year (at the latest by the end of the first half of Y+2). A retention period of 1 year is prescribed for the company shares.
- The third, fourth and fifth instalments represent 12% of the bonus and are payable half in cash (6%) and half in company shares (6%). The cash instalments are paid as soon as possible after the end of the second / third / fourth financial year (at the latest by the end of the first half of Y+3 / Y+4 / Y+5). According to the same scheme, the other half is to be paid out in company shares, with a retention period of one year for each share.

- The sixth instalment is equivalent to 12% of the bonus and we will pay it in cash as soon as possible after the end of the fifth financial year (at the latest by the end of the first half of Y+6).



The amount that has to be exchanged into shares is fifty percent (50%) of the bonus as defined in Section 6.3.3. The share price to be used to determine the number of shares corresponds to the average monthly share price of Addiko Bank AG (symbol: ADKO) on the Vienna Stock Exchange in the month prior to the calendar month in which the Supervisory Board approved the remuneration for a specific year.

6.5 Malus and Clawback

The company can make ex-post risk adjustments by reducing payments to board members (malus) or by requiring the board member to repay (claw back) if the payment was not justified under the predefined rules.

Employment contracts for newly appointed and existing members of the company's Management Board must contain a malus and clawback clause.

Malus and clawback can be applied to all forms of variable remuneration. Malus and recall can be applied independently and the Supervisory Board of the Company has the discretion and the right to decide whether a malus or clawback situation exists and which measure is appropriate. The period during which the malus can be applied corresponds to the specified period of deferral. Clawback may be applied to part or all of the variable compensation paid during (i) a period of one (1) year after the end of the fiscal year for which the member of the Board of Directors has been remunerated with non-deferred compensation and (ii) a period of six (6) years after the end of the fiscal year for which the member of the Board of Directors has been remunerated with deferred variable compensation.

The performance-related adjustment in the form of a malus affecting both the variable payments of the performance year and the deferrals may be applied in the following cases:

- If the company suffers a significant decline in its financial performance, unless a significant decline has been planned and budgeted and no knock-out criterion has been met. The quantitative definition of the thresholds for a significant downturn will be part of the annual definition of indicators (KPIs) to be approved by the Company's Board of Directors;
- Significant changes in the economic or regulatory capital base of the Company;
- Evidence of misconduct or serious mistakes by the member of the Board of Management;
- A significant risk management failure; or
- Regulatory sanctions if the conduct of the board member contributed to the sanctions.

A claw back of the variable remuneration can be applied in the following cases:

- Fraud or contribution to fraud by the board member;
- Where a member of the Management Board has been dismissed following disciplinary proceedings for conduct that had a negative effect on the financial results or caused a loss;
- The director has contributed to weak or negative financial results; or
- Any other intentional or grossly negligent conduct by a member of the Board of Management that has led to a significant loss.

6.6 Other Provisions

6.6.1 Ratio of annual bonus provisions to the employment relationship

Notwithstanding any other provisions of the annual bonus regulations and unless otherwise provided by applicable law, the following applies

- Nothing in the bonus provisions shall be construed or interpreted to mean that the Company or any affiliated company is obliged to continue the employment relationship and/or the obligation of the Management Board member for the period during which the claims under the bonus provisions are vested or can be exercised, nor shall it in any way impair the right of the Company or any affiliated company to terminate the employment relationship of the Management Board member at any time, with or without cause;
- Any payment that may be made in connection with the bonus provisions is performance related and purely voluntary; if the director is entitled to variable remuneration in any particular year, such payment will be considered a one-off, non-binding act which does not constitute a right for the director to receive any further bonus or similar payment in the future; and
- If the Management Board member is no longer in an employment relationship with the Company, he is not entitled to compensation for the loss of a right or benefit or a prospective right or benefit under the bonus provisions, whether as damages or otherwise.

6.6.2 Taxes and Social Security

All payments made under this remuneration policy are subject to all applicable statutory deductions, including but not limited to income tax, social security and other similar charges.

6.6.3 Personal Protection and Insurance; Short-term Incentives

The Management Board member should not use personal insurance or certain types of insurance to hedge against the risks of variable compensation agreements.
A variable part of the remuneration consisting mainly of incentives which are paid immediately, without deferral or subsequent risk adjustment mechanisms (malus or recall) and/or based on a formula which links the variable remuneration to the business results of the current year and not to the risk-adjusted profit and long-term viability is not allowed.

6.7 Governance Structures

The Committee for Management Board Matters of the Supervisory Board of the company is informed about bonus proposals and confirms the final bonus amounts to ensure that the bonus payments adequately reflect the situation of the Addiko Group.

An annual preliminary calculation of the quantitative targets is prepared by the Addiko Group's Human Resources Department for the Board Affairs Committee meeting. Prior to this, the HR department of Addiko Bank AG will receive the following reports from the Group Finance Controlling of Addiko Bank AG:

- Annual bonus budget;
- Achievement of objectives (achievement of Group, company and Board of Management objectives and calculation of the performance bonus factor);

- Distribution of the individual performance criteria (according to the evaluation criteria); and
- Distribution of the highest 15% bonuses in each institution.

The reports must be submitted at least one week before the meeting of the Nomination and Compensation Committee and the Committee for Management Board Matters.

The milestones / timeframe of the review process are set by the Addiko Group Human Resources Department.

7. VARIABLE REMUNERATION - PERFOMANCE ACCELARATION FRAMEWORK PROGRAMM (PAIF)

The PAIF is a multi-year incentive scheme approved by the Supervisory Board of Addiko Bank AG, in addition to the annual bonus, activated by the following triggers:

- The Group Result after Tax[1] must reach the targeted Group Result, which is defined in the Business plan for the respective year, or be even higher
- The Capital requirements defined by the SREP are fulfilled
- The following share price (volume weighted average price - VWAP) of Addiko Bank AG on the Vienna Stock Exchange must be reached in December 2021[2]:

ADKO at Wiener Börse	Price measured as average VWAP in December 2021 (in EUR)		
	12,00	12,01 - 13,99	14,00 or above
% of PAIF target bonus eligibility	50%	pro-rata	100%

("Knock-out-Criteria for Activation")

In case the Knock-out-Criteria for Activation are fulfilled, ex-ante Risk assessments and ex-post Risk assessments[3] are conducted before any pay-out. The following indicators[4] are relevant for these Risk assessments:

- Inflow into Non-Performing Exposures (NPE Inflow)
- Non–Performing Exposure Ratio (NPE ratio)
- Coverage of Non-Performing exposure with provisions (NPE Coverage Ratio)

[1] Group Result After Tax = Total Income – OPEX – Risk Cost - Taxes

[2] For subsequent financial years, the targeted share price in each case is to be determined by the Supervisory Board, taking into account the objectives of the PAIF and the applicable legal and regulatory framework conditions.

[3] Prior to pay out of any variable remuneration (Bonus and / or PAIF) Addiko Banks follow the guidelines set out in the Addiko Group Remuneration Policy and conducts ex-ante (for newly issued rewards) and ex-post (for deferred instalments) Risk assessments.

[4] These three Indicators are recognized and tracked in the recovery plan and within the Group Risk Appetite Framework. These Indicators show the impact of management and sales activities in previous periods on the amount of risk that the bank has assumed within its portfolio and are constantly compared to predefined thresholds enabling constant tracking if the risk is above the limits that the bank is prepared to assume. The thresholds observed are also communicated to the Regulator and their calibration is also commented upon by the Regulator, as well as under focus of shareholders and other stakeholders.

The material level of Risk assessment shows the need for a Risk adjustment if the above- mentioned indicators are amber or red:

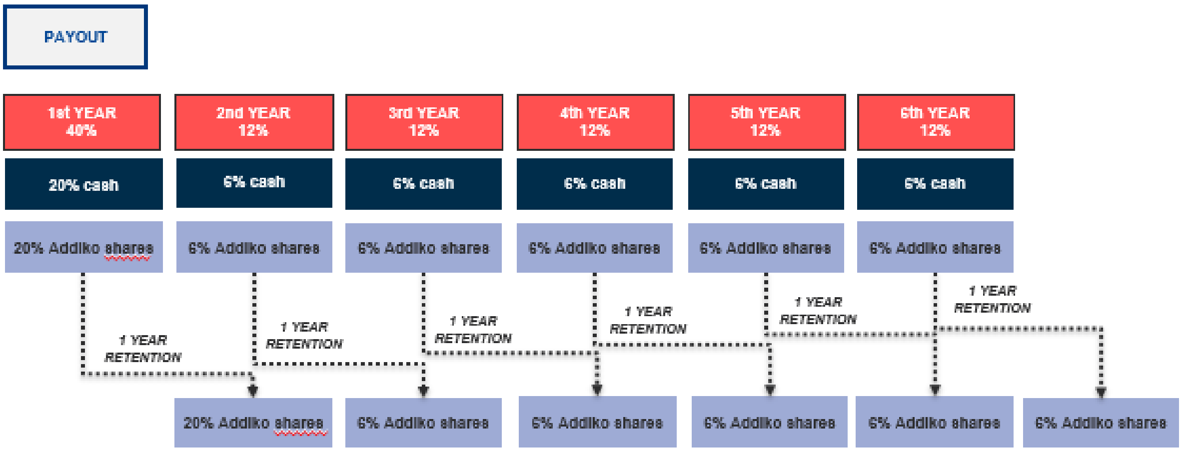
- If an amber level recovery plan threshold is breached for more than 6 months
- if a red level threshold is breached for more than 3 months.

If the material level of Risk assessment shows the need for the Risk adjustment, the PAIF would not be activated for payout. The Risk assessments would be confirmed at the Group Risk Committee while a decision to not activate the payout of PAIF would be confirmed at the Group Remuneration Committee.

Furthermore, the payment of the PAIF bonus is subject to the following general/personal requirements:

1. Any amounts payable would not be possible if the individual performance of the PAIF participant does not reflect Full Performance (achieving 50% or above their individual annual performance targets or meets expectations)
2. The PAIF payments are discretionary, and the amounts are payable when the Knock-out-Criteria for Activation are fulfilled.
3. The PAIF is awarded in addition to (and not embedded in) the annual bonus, but the total amount is defined in such a way that, together with the Target bonus amount, does not exceed the amount of annual fixed compensation (except in case of an increase of the variable remuneration component by shareholders' resolution, see point 8.) or lower regarding Control Functions Holders.
4. In the case that an employee is internally appointed or externally hired, taking a Board role during the respective actual year, a pro-rata reward would be defined.
5. The PAIF is an incentive scheme of Addiko Bank and the applicable principles of variable remuneration described in the Addiko Group Remuneration Policy apply, insofar as not described differently within this Chapter 7. Point 6.6 also applies analogously to the PAIF.
6. This incentive scheme is gender neutral. All guidelines will be equally applied to both female and male participants without any element of discrimination.
7. Malus and clawback will be activated if needed and follow the rule stipulated under Point 6.5.
8. Management Board members participating in the PAIF are (a) not allowed to hedge their risk from the variable remuneration and will be asked to commit not to hedge their risk from the variable remuneration; (b) cannot trade any shares in the relevant period to affect price of shares.
9. The PAIF for 2021 is being activated for 2021, amidst the COVID-19 pandemic. If the Regulator should impose additional guidelines or restrictions related to the payout of variable remuneration impacting the PAIF reward scheme, the Bank will act accordingly and inform participants in writing of the decisions and changes. In such circumstance no commitments related to the PAIF incentive scheme for 2021 would incur for the Bank.
10. For Management Board Members whose reward will be paid partially in shares, (i.e. not in cash), these payments shall be in line with Capital Market Compliance rules contained in Compliance Policy and respective other applicable regulations.
11. As per the Addiko Group Remuneration Policy, ex-ante risk assessment is performed based on previous year performance, prior to payout of the reward, and may influence the payout while ex-post risk assessment is performed in the year after the payout reward and may result in the clawback of the already paid amount or malus applied to the unpaid or deferred payouts.

The pay-out of the Paif reward of the Management Board will be half in shares[5] and half in cash and will follow the following scheme:



8. UPPER LIMIT OF VARIABLE REMUNERATION

The individual amount of the variable remuneration, including both Annual bonus and PAIF, should not exceed the maximum amount specified in the employment contract of the member of the Board of Management and may never exceed the amount of the annual fixed remuneration of the member of the Board of Management.

9. SEVERANCE PAY

A severance pay / exit package is granted in the event of premature termination of employment in the following cases:

- The Company terminates the employment contracts of the members of the Management Board due to a failure of the Company (official intervention, liquidation measures, insolvency, lack of a solid capital base, etc.);
- The Company wishes to terminate the employment contract after a significant reduction in the activities of the Company or in business areas which are taken over by other institutions, without the possibility for the members of the Management Board to remain in the acquiring institutions; or
- In the event of the settlement of a labour dispute.

Identified failures should be distinguished between failures by the company and failures by the director (lack of appropriate standards of suitability and adequacy, acting contrary to internal rules, values or procedures based on intent or gross negligence, etc.).

The criteria for determining the amount of the severance payments relates to the length of the employment relationship with the Company, a possible severance payment for loss of function and a competition clause from the employment contract. When determining the severance payment amounts, long-term performance should be taken into account.

Regular remuneration payments that relate to the duration of a notice period should not be considered as severance payments.

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[5] The payout in shares is subject to a retention period of at least 1 year

A severance payment should not be granted if there is an obvious failure which would allow the immediate termination of the employment contract or the dismissal of the member of the Board of Management or if a member of the Board of Management resigns to take up a position with another legal entity.

Severance pay should generally be considered as variable remuneration, but in the following cases severance pay may be paid in financial instruments without the application of a deferral and without payment:

- At a level that does not exceed the amount stipulated by national labour law;
- A severance payment to be paid on the basis of a final court decision;
- Severance pay for loss of function if it is subject to a competition clause in the contract of employment and is paid in future periods, but only to the extent of the fixed remuneration that would have been paid in salary for that period; or
- Sums paid as compensation for damages in the event of judicial termination of the contract in accordance with the national labour law governing the employment relationship.

10. OTHER BENEFITS

10.1 Definition

A number of non-monetary benefits and benefits in kind may be made available to the member of the Board of Management:

- to comply with market practice (e.g. company car);
- provided that they offer the Management Board member a certain degree of security (e.g. accident or D&O insurance); or
- in order to keep the member of the board.

Benefits that are part of a general, non-discretionary, company-wide policy and do not have an incentive effect in terms of risk-taking are considered to be fixed remuneration.

10.2 Statutory Benefits

Compulsory are those benefits which must be paid on the basis of labour law regulations. Statutory benefits are regarded as fixed remuneration.

11. PROMOTION OF THE BUSINESS STRATEGY AND LONG-TERM DEVELOPMENT OF THE COMPANY

The remuneration structure of the Company's Management Board as described in this remuneration policy promotes the objectives set out in Section 2. by linking individual variable remuneration to the long-term and sustainable development of the Company:

1. Late payments and payment in company shares
2. Compliance with the applicable legal and regulatory requirements; and
3. Ensuring that the individual success factors of the members of the Management Board are in line with the Addiko Group's business strategy by means of the *balanced scorecard model*.

The variable compensation model, consisting of payments in 50% cash and 50% company shares over 6 years, allows for consideration of long-term shareholder interests and counteracts risky behaviour that improves short-term performance at the expense of long-term sustainable business success.

12. CONSIDERATION OF THE REMUNERATION AND EMPLOYMENT CONDITIONS OF THE COMPANY'S EMPLOYEES

The remuneration and employment conditions of the company's employees have not been explicitly taken into account in determining this remuneration policy. Relevant factors may be defined as targets for members of the Management Board in the individual *balanced scorecards*".

13. CONTRACT PERIOD, NOTICE PERIODS AND OTHER CONTRACTUAL PROVISIONS

The term of the employment contracts of members of the Board of Management shall not exceed 4 (four) years. The term of the employment contracts is in any case linked to the appointment of the Management Board.
If a member of the Board of Management is dismissed due to culpable acts which, in analogous application of § 27 of the Salaried Employees Act (Angestelltengesetz), are deemed grounds for dismissal or dismissal in accordance with § 75 (4) of the Austrian Stock Corporation Act (AktG), the employment contract may be extraordinarily terminated by the Company with immediate effect. Extraordinary termination for other important reasons, including loss of *fit&proper status*, remains unaffected.

The employment contracts of the members of the Management Board do not contain any notice periods. If the Company terminates the employment contracts in an orderly manner, the members of the Management Board are entitled to termination compensation in certain cases. In the event of a:

a) premature termination by the Bank without serious cause or for a serious reason without fault of the member of the Management Board, and
b) in the event of justified premature termination by the member of the Management Board for an important reason attributable to the Bank,

the member of the Board of Management is entitled to a one-time compensation for loss of income for the remaining period until the end of the term of appointment in the amount of up to 75% of a gross annual basic salary plus 75% of the target bonus. This entitlement must be in line with the Bank's remuneration policy and the applicable supervisory law.

The employment contracts of the members of the Board of Management generally contain standard market competition and non-solicitation clauses.

The gross monthly salary of the member of the Board of Management includes contributions to a pension fund, therefore the members of the Board of Management are not entitled to any additional remuneration or payment in connection with the pension fund.

14. PROCEDURAL PROVISIONS

This remuneration policy is established by the Supervisory Board and reviewed by it at least once a year.

This remuneration policy must be submitted to the company's Annual General Meeting for resolution at least every fourth financial year and every significant change in accordance with § 78b (1) AktG. In advance, the supervisory board of the company must adopt the remuneration policy, if necessary amended, and submit a proposal for a resolution to the general meeting.

The decision of the general meeting on this remuneration policy is of a recommendatory nature and is not open to challenge.

This remuneration policy must be published on the company's website after the resolution has been adopted at the general meeting, together with the date of the resolution and its outcome, no later than the second working day after the resolution is adopted, and must be made available free of charge for the duration of its validity.

15. TEMPORARY DEROGATION FROM THIS REMUNERATION POLICY

In exceptional circumstances, the Company may temporarily deviate from points 4. to (inclusive) 6. of this remuneration policy, provided that this has been approved by the Supervisory Board of the Company. Deviations from that remuneration policy shall only be possible within the framework of the EBA Guidelines on Sound Compensation Policies (EBA/GL/2015/22) or any other applicable provisions and shall be reported to the general meeting.

Such a deviation could, for example, be the introduction of an annual or multi-year incentive system for selected managers.

Only situations where the deviation from that remuneration policy is necessary for the long-term development of the company or to ensure its viability are considered exceptional circumstances. These include in particular:

- Significant changes in the legal or regulatory framework;
- Significant changes to the assessment and calculation criteria relating to variable remuneration;
- force majeure events and significant changes in the macroeconomic environment; and
- Significant changes to remuneration policy pursuant to Article 39b BWG which are required as a result of a mandate, a recommendation or a determination by a competent authority.