Addiko Bank

# Remuneration Policy of the Management Board of Addiko Bank AG

# 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 8, 2022. 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, 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 by setting out principles for the remuneration of Management Board Members, 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,
- 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 ensure balanced composition of the Management Board.

Its purpose is to enable the Company to attract and retain experienced and competent Management Board Members and 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 Addiko Group's Financial Performance

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

### 2.1.2 Sound Capital Base

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

Therefore, the Company must consider the impact of the level of compensation – both upfront and deferred – in its capital planning and in the overall capital valuation process, taking the current capital position into account. The guidance on this process shall be provided by the respective Group units.

The total variable remuneration granted by the Company must not restrict the ability of the Company and Addiko Group to maintain or restore a sound capital base in the long term. When assessing if the capital base is sound, the institution should consider its overall own funds and, in particular, the Common Equity Tier 1 capital, the capital requirement, including the combined capital buffer requirement, the leverage ratio buffer requirement, and the minimum requirement for own funds and eligible liabilities, as well as any capital add-ons and restrictions on distributions.

If the Company or 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 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 Management Board Members, and which are considered to be exceptions (e.g., welcome bonus, sign-on bonus, guaranteed bonus, retention bonus, severance package).

Such exceptional remuneration arrangements shall comply with Chapter 9 of the EBA Guidelines (EBA/GL/2021/04) (or any consecutive guidelines) (and any other guidelines or recommendations issued by the supervisory authorities) and shall be approved by the Supervisory Board of Addiko Bank AG for Management Board Members on a case-by-case basis.

Exceptional compensation arrangements are limited to certain situations related to recruitment phases, special projects, a high risk of retirement, or restructuring. They must comply with all the 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 Management Board Members - 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

When determining a remuneration system, companies must meet all legislative requirements including provisions on equal pay.

Equal pay is the principle and practice of paying men and women, as well as all other diverse genders, in the same organisation at the same rate for like work, or work that is considered to be of equal value. This principle of equal pay applies, meaning equal work of equal value, not only with regard to gender, but to all types of diversity covered by the Group’s Diversity Policy.

#### 2.1.7 Shareholder Participation

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

#### 2.1.8 Market Data

In determining remuneration, benchmarking is carried out against the Company's own industry and against similar sized companies on the local market (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 remuneration components:

- 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 Management Board Members shall be determined as a combination of (i) fixed, (ii) performance-related variable remuneration, and (iii) non-monetary remuneration, considering 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 Management Board Members.

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 fixed remuneration should represent a relevant part of 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 remaining until the end of the fixed term may be increased up to a maximum of 75% of a gross annual base salary or until the end of the fixed term, whichever is lower. For Management Board Members, this must be approved by the Company's Supervisory Board;
    - 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 Management Board Members 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

Fixed remuneration is the remuneration paid to the individual Management Board Members for their work performance over 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:

- Base 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 Management Board Member and are considered to be exceptions.

## 4.2 Base Salary

### 4.2.1 Positioning of the Base Salary

The base 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 Base Salary

The most important factors influencing the decision to increase a base salary are the Company's economic situation (sustainability), the development of market interest rates, and the inflation rate.

The increase in base 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 Base Salary Required by Law

Any benefits, allowances, and supplements to base 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 base salary that is related to job enrichment, expansion of the field of work, or increased responsibility / skills within the existing position is considered to be 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 the gross base salary in the relevant period.

### 4.5 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 Management Board Members 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 Management Board Member's actions or changed circumstances. Such an 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 clause, as described below under Point 6.6.

### 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 Management Board Member.

The remuneration of the Management Board Member responsible for risk management (CRO) should be predominantly fixed and the individual maximum amount of total variable remuneration should never exceed 50% of the Management Board Member’s annual fixed compensation.

Addiko Bank AG may set a lower maximum percentage but can propose that the shareholders approve a higher maximum level of the ratio between the fixed and variable components of remuneration, provided that the overall level of the variable component does not exceed 200% of the fixed component of the total remuneration for each Management Board Member. Such exceptions can be justified if they do not harm the maintenance of a sound capital base for the Company, especially in terms of compulsory own funds requirements. These exceptions should be endorsed by Group HR and Group Compliance, recommended by the Group Nomination and Remuneration Committee and Group Supervisory Board, and approved by the General Meeting.

## 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 applied 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 the cost of capital and the liquidity required into account. Variable remuneration components (including performance-related bonuses) may only be paid if the Company's financial situation 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, 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

Recognition rewards are utilised by employers to recognise teams or individual employees who demonstrate Addiko Values, contribute with dedication and extra effort, and are not rewarded with other variable payments (as defined in Articles 6, 7 and 8). They can be informal and discretionary and are retrospective, as they recognise past performance and behaviours.

Maximum amount or value of prizes / awards
- In the case of non-cash incentives, the value of prizes / awards must be symbolic.
- The maximum amount or value is defined as 30% of the average monthly gross base pay of non-managerial employees or 5,000 EUR, whichever is lower.

Tax implications need to be considered, as awards over a certain level are subject to income tax.

Criteria and features of any incentive plan need to be approved by the Nomination and Remuneration Committee and the Supervisory Board of Addiko Bank AG.

## 5.6 Variable Remuneration Not Based on Performance Criteria

### Retention Bonuses

Retention awards or retention bonuses may be granted on the condition that the Management Board Member stays in the institution for a predefined period of time. They can be granted in limited circumstances, such as a restructuring or an organisational change and where a strong case can be made for retaining key employees.

When assessing and considering whether the award of a retention bonus to a Management Board Member is appropriate, institutions and competent authorities should take the following into account:
a. the concerns that lead to the risk that the applicable Management Board Member may choose to leave the institution;
b. the reasons why the retention of the Management Board Member is crucial for the institution;
c. the consequences if the Management Board Member concerned leaves the institution; and
d. whether the value of the retention bonus awarded is necessary and proportionate to retain the targeted Management Board Member.

When a retention bonus is granted, Addiko must document the event or justification that made it necessary to award a retention bonus, as well as the time period (start date + end date) for which the reasons assumed apply. The retention and performance conditions have to be defined for each retention bonus. Within this definition, Addiko shall specify a retention period and a date / event after which it determines whether the retention and performance conditions have been met.

In general, multiple retention bonuses should not be awarded. Multiple retention bonuses are only allowed in exceptional cases and where duly justified. Retention bonuses should not be awarded to merely compensate for performance-related remuneration not paid due to insufficient performance or the Company's financial situation. Moreover, the retention bonus should only be awarded if no reasons exist that lead to a situation where the retention bonus should not be awarded, e.g., material compliance breaches, misconduct, or other failures of the Management Board Member concerned.

Retention bonuses are variable remuneration and must therefore comply with the requirements on variable remuneration, including the bonus cap, ex-post risk alignment, payment in instruments, deferral, retention, malus, and clawback. Ex-ante risk adjustments are not necessary because retention bonuses are not exclusively based on performance criteria, but on other conditions.

A retention bonus must be considered within the calculation of the ratio between the variable and fixed remuneration as variable remuneration, with retention bonus amounts split into annual amounts for each year of the retention period calculated on a linear pro rata basis.

**Guaranteed Variable Remuneration**

Guaranteed variable remuneration can take several forms, such as a 'guaranteed bonus', 'welcome bonus', 'sign-on bonus', 'minimum bonus', etc., and can be awarded either in cash or in instruments.

Guaranteed variable remuneration may only be granted in exceptional circumstances in the first year of employment and if the capital base is sound in accordance with Point 2.1.2. Guaranteed variable remuneration may be paid out in non-deferred cash and the requirements on malus and clawback arrangements are not mandatory for this type of variable remuneration.

## 5.7 Effective Risk Management, Risk Identification, and Quantification

The remuneration system must be compatible with and promote effective risk management. It must not encourage risk-taking 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 upon 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 consider 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 consider both current and future risks taken by a Management Board Member, his or her department, the Company, and Addiko Group as a whole.

# 6 Variable Remuneration – Bonus Payments

## 6.1 Entitlement to Bonus Payments

### 6.1.1 Basic Information

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

Bonus payments should reflect business results and consider individual performance, 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 Company's Supervisory Board.

### 6.1.2 Personal Entitlement

A Management Board Member 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 Management Board Member's employment contract was terminated by the Company without justification on an extraordinary basis.

If, in accordance with the circumstances listed above, the Management Board Member cannot be considered a "good leaver", he or she 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 the 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, with a total weighting of 100%.

Quantitative targets are based on budget and include targets from the following categories:

- Business transformation (number of customers with active performing loans in the focus area, focus revenue growth, …)
- Risk (Non-performing exposures / NPE ratio, Non-performing loans / NPL stock, Net NPL migration ratio, …)
- Efficiency (Cost Income Ratio / CIR, Operating expenses / OPEX, Operating result / NBI - OPEX, Return on equity / ROE, …)
- Financial performance (Net profit, Profit after Tax, …)

The performance and risk targets defined for the CRO position should predominantly be based on the objectives related to the Risk area and separated from the business units the CRO controls, including performance which results from business decisions where Risk is involved as a control function.

The specific targets set for each business year, as well as the weighting of each target, are determined by the Supervisory Board at the beginning of the performance monitoring cycle.

For each quantitative / financial target, the precise indicators (KPIs) for low (Floor), targeted (Target), and high (Cap) performance achievement are defined. The calculation of KPIs for quantitative targets is prepared by the CFO / financial controlling, risk management, and other relevant functions. Final confirmation of these KPIs is given by the Supervisory Board.

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, and 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.

Individual targets, weightings, and achievement are reported annually in the Bank's Remuneration Report.

## 6.3 Bonus Amounts

### 6.3.1 Target Bonus / Maximum Bonus Amount

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

The target bonus amount for a 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 or she received a salary from the Company).

### 6.3.2 Individual Success Factor

For each quantitative target determined in accordance with Point 6.2, the following achievements are defined:

- 50% for the result at the level of Floor value,
- 100% for the result at the level of Target value, and
- 125% for the result at the level of Cap value.

The final individual performance assessment for Management Board Members is defined by calculating the Individual Success Factor, which represents the weighted achievement of objectives from the individual balanced scorecard.

The Individual Success Factor is calculated on the basis of the achievement of the performance targets from the individual *balanced scorecard*.

The achievement of quantitative targets is calculated as follows:

- A result equal to or above the Cap KPI is considered to be 125% of the target weighting;
- A result which is lower than the Floor KPI is considered as 0% of the target weighting;
- A result between the Floor and the Target KPI is calculated linearly between 50% and 100% of the target weighting;
- A result between the Target KPI and the Cap KPI is calculated linearly between 100% and 125% of the target weighting.

The achievement of qualitative targets is calculated as follows:

- An assessment of the target achievement cannot be higher than 100%, so the maximum achievement is 100% of the target weighting;
- An assessment of the target achievement below 50% is considered as 0% of the target weighting;
- An assessment of the target achievement between 50% and 100% is calculated linearly between 50% and 100% of the target weighting.

Individual Success Factor calculation example:

| Target descriptions | | weighting | KPI values (amounts in EURm) | | | achievement at | | | Actuals | Weighted achievement |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Floor | Target | Cap | Floor | Target | Cap | | |
| 1 | TARGET 1 (quantitative) | 20% | 1.00 | **2.00** | 3.00 | *50%* | *100%* | *125%* | 1.50 | 15.0% |
| 2 | TARGET 2 (quantitative) | 20% | 5.00% | **3.00%** | 2.00% | *50%* | *100%* | *125%* | 1.80% | 25.0% |
| 3 | TARGET 3 (quantitative) | 10% | 60.00 | **50.00** | 40.00 | *50%* | *100%* | *125%* | 61.00 | 0.0% |
| 4 | TARGET 4 (quantitative) | 30% | 10.00 | **15.00** | 18.00 | *50%* | *100%* | *125%* | 15.00 | 30.0% |
| 5 | TARGET 5 (qualitative) | 20% | defined by the Supervisory Board | | | *50%* | *100%* | *100%* | 90% | 18.0% |
| | Total | 100% | | | | | | | | 88.0% |

If the overall Individual Success Factor is below 50%, the Management Board Member 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 do not only reflect individual performance, but also business results and affordability (including from a capital perspective).

#### 6.3.3 Bonus Calculation

The final bonus amount for the Group's Management Board Members is calculated as follows:

TARGET BONUS AMOUNT

X

INDIVIDUAL SUCCESS FACTOR

=

ANNUAL INDIVIDUAL BONUS AMOUNT

### 6.4 Payout Requirements

#### 6.4.1 Basic Requirements / Knock-out Criteria

Variable remuneration components may only be paid if Addiko Group's financial position is sustainable, and the bonus is justified. The right to receive new variable remuneration as well as the payout of deferred payments from previous years only exists if the basic conditions are met.

Bonus payments can only be granted if the capital requirements are met. The capital requirements are defined by Addiko Group's SREP requirements. For the purpose 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).

#### 6.4.2 Additional Knock-out Criteria

In addition to the knock-out criteria defined in Point 6.4.1, additional knock-out criteria are defined for the activation of the bonus payout for each respective business year.

These additional knock-out criteria are defined by the Supervisory Board for each business year and could include measures from the following categories:
- Risk (Non-performing exposures, Risk-adjusted return on capital / RAROC, …)
- Financial performance (Net profit, …)

The calculation of KPIs for additional knock-out criteria defined is conducted by the CFO / financial controlling, risk management, and other relevant functions. The final confirmation of these KPIs is given by the Supervisory Board.

The bonus is calculated and paid once a year.

### 6.5 Risk Assessment and Payout Model

Provided that the Risk Assessment, as described in Article 9 of this Policy, has been completed successfully, the payment is made in accordance with Article 11 of this Policy.

### 6.6 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 (clawback) 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 clawback can be applied independently, and the Company's Supervisory Board 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 Management Board Member 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 Management Board Member 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 Management Board;
- Significant changes to the economic or regulatory capital base of the Company;
- Evidence of misconduct or serious mistakes by the Management Board Member;
- A significant risk management failure; or
- Regulatory sanctions if the conduct of the Board Member contributed to the sanctions.

Clawback of variable remuneration can be applied in the following cases:

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

## 6.7 Other Provisions

### 6.7.1 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 Management Board Member 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 Management Board Member 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 or she 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.

### 6.7.2 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.

### 6.7.3 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 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.

### 6.7.4 Governance Structures

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

The Committee for Management Board Matters of the Company’s Supervisory Board is responsible for the evaluation of qualitative targets for all Management Board Members.

An annual preliminary calculation of quantitative target achievement is prepared by Addiko Group's HR Department for the Committee for Management Board Matters' meeting. Prior to this, Addiko Group's HR Department receives the following information from Addiko Group's Finance Controlling Department:

- Annual bonus budget
- Achievement of quantitative objectives (achievement of Group, Company, and Management Board objectives)

Addiko Group's HR Department is responsible for the preparation of the preliminary annual bonus calculation for all Management Board Members. The reports must be submitted at least one week before the meeting of the Committee for Management Board Matters.

The Committee for Management Board Matters is responsible for confirming the final bonus amounts to ensure that Addiko Group's situation is adequately reflected. This final activation of defined bonus amounts depends on the risk assessment as described in Article 9 of this Policy.

# 7 Variable Remuneration – Performance Acceleration Framework Programme (PAIF)

The PAIF is an incentive scheme for key employees with a critical role in delivering Group results, approved by the Supervisory Board of Addiko Bank AG, in addition to the annual bonus. The amount of the target PAIF reward for Management Board Members is defined by the Supervisory Board.

## 7.1 Basic Requirements

The structure of basic requirements and additional knock-out criteria for activation of the PAIF is the same as for the annual bonus scheme, described in Points 6.4.1 and 6.4.2 of this Policy. If any of the KPIs defined for PAIF are different from the ones set for the bonus scheme, they can only be stricter.

## 7.2 Additional Requirements / Scalers

In addition to the basic requirements and additional knock-out criteria, additional requirements ("scalers") linked to shareholder participation and business transformation are defined for each business year.

The structure, weightings, Floor (low value), and Cap (high value) of scalers are set by the Supervisory Board for each scaler defined.

### 7.2.1 Scalers Linked to Shareholder Participation

The scaler linked to shareholder participation is measured by calculating the average volume-weighted total return (VWTR) of Addiko Bank AG's share on the Vienna Stock Exchange (ADKO) in the last two months of the respective year.

### 7.2.2 Scalers Linked to Business Transformation

The scaler linked to business transformation is determined by the Supervisory Board for each year in accordance with Addiko's business strategy (e.g., income growth rate vs. expenses growth rate / JAWS, number of customers with active performing loan in focus area, …).

## 7.3 Calculation of the Individual PAIF Amount

The achievement of each scaler is calculated as follows:

- A result equal to or above the Cap KPI is considered to be 100% of the scaler weighting %;
- A result which is lower than the Floor KPI is considered as 0% of the scaler weighting %;
- A result between the Floor and Cap KPI is calculated linearly between 50% and 100% of the scaler weighting %;

The final PAIF amount for the Group's Management Board Members is calculated as follows:

**TARGET PAIF AMOUNT**

**x**

**SCALERS ACHIEVEMENT**

**=**

**INDIVIDUAL PAIF AMOUNT**

### 7.4 Risk Assessment and Payout Model

Provided that the Risk Assessment, as described in Article 9 of this Policy, has been completed successfully, payment is made in accordance with Article 11 of this Policy.

### 7.5 General / Personal Requirements

Payment of the PAIF bonus is subject to the following general / personal requirements:

1. Any amounts payable are not possible if the individual performance of the PAIF participant does not reflect Full Performance (achieving 80% or higher in their individual annual performance targets).
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, it does not exceed the amount of annual fixed compensation (except in case of an increase of the variable remuneration component by shareholders' resolution, see Article 10 of this Policy) or lower in the case of holders of control functions.
4. In the case of an employee being internally appointed or externally hired to take on a Board role during the current respective year, a pro-rata reward is 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 Article 7 of this Policy. Point 6.7 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 rules stipulated under Article 6.6.
8. Management Board Members participating in the PAIF are (a) not allowed to hedge their risk from variable remuneration and will be asked to commit to not hedging their risk from variable remuneration; (b) cannot trade any shares in the relevant period to affect the price of shares.
9. If the regulator should impose additional guidelines or restrictions related to the payout of variable remuneration for the respective year impacting the PAIF reward scheme, the Bank will act accordingly and inform participants in writing of the decisions and changes. In such circumstances, the Bank will incur no commitments related to the PAIF incentive scheme for the respective year.
10. For Management Board Members whose reward is paid partially in shares, (i.e., not in cash), these payments shall be in line with the Capital Market Compliance rules contained in the Compliance Policy and respective other applicable regulations.
11. As per the Addiko Group Remuneration Policy, ex-ante risk assessment is performed based on the previous year's 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.

## 8 Variable Remuneration – Long Term Incentive (LTI)

The Long Term Incentive scheme (LTI) is a multi-year incentive scheme which relates to the Fixed Term of Management Board Member's Agreement (LTI period) and which should honour the successful transformation and implementation of Addiko Group's strategy. Participation in this scheme is subject to the full discretion of the Supervisory Board.

Each period of 12 months of the Fixed Term of a Management Board Member's Agreement (LTI period) is considered as one LTI year.

### 8.1 Basic Requirements

The structure of basic requirements and additional knock-out criteria for activation of the LTI is the same as for the annual bonus scheme, as described in Points 6.4.1 and 6.4.2 of this Policy. If any of the KPIs defined for LTI are different to the ones set for the bonus scheme, they can only be stricter.

The assessment of the basic requirements for relevant years shall be based on the financial data and business years of Addiko Group.

### 8.2 Additional Requirements / Scalers

In addition to the basic requirements and additional knock-out criteria, additional requirements ("scalers") linked to shareholder participation should be defined for each 12 months of the Fixed Term of the Management Board Member's Agreement.

The structure, Floor (low value), and Cap (high value) of scalers should be defined in the Management Board Member's Agreement.

The achievement of scalers is calculated as follows:

- A result equal to or above the Cap KPI is considered to be 100% of the scaler weighting %;
- A result which is lower than the Floor KPI is considered as 0% of the scaler weighting %;
- A result between the Floor and Cap KPI is calculated linearly between 50% and 100% of the scaler weighting %;

The relevant month for the scalers shall be the last month of the LTI year.

### 8.3 Calculation of the Individual LTI Amount

The final LTI amount is calculated as follows:

CONTRACTED ANNUAL LTI AMOUNT

X

SCALER ACHIEVEMENT

=

INDIVIDUAL LTI AMOUNT

For the years in which LTI is not activated for a whole calendar year, the pro-rated contracted annual LTI amount will be used for the calculation of the individual LTI amount.

The achievement of annual targets shall only result in a payout of 40% of the contracted annual LTI amount. The remaining 60% portion of the calculated amount for each LTI year shall only be paid if and when all targets are fulfilled for the whole LTI period.

### 8.4 Risk Assessment and Payout Model

Provided that the Risk Assessment, as described in Article 9 of this Policy, has been completed successfully, payment is made in accordance with Article 11 of this Policy.

## 9 Variable Remuneration – Risk Assessment

If the basic and additional requirements for any type of variable remuneration determined according to Article 6 (Annual Bonus), Article 7 (PAIF), and Article 8 (LTI) are fulfilled, ex-ante risk assessments and ex-post risk assessments[1] are conducted before any payout. The following indicators[2] 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)

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[1] Prior to payout of any variable remuneration (Bonus, PAIF, LTI) Addiko Banks follow the guidelines set out in the Addiko Group Remuneration Policy and conduct ex-ante (for newly issued rewards) and ex-post (for deferred instalments) risk assessments.

[2] These three Indicators are recognised and tracked in the recovery plan and within the Group's 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 the 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 risk adjustment, the variable remuneration is not activated for payout. The risk assessments are confirmed by the Group Credit & Risk Committee, while a decision not to activate the payout of variable remuneration is confirmed by the Group Supervisory Board.

# 10 Upper limit of Variable Remuneration

The individual amount of variable remuneration, including the annual bonus, PAIF, and LTI, should be considered in accordance with Point 5.3.

# 11 Variable Remuneration Payout Model

If the basic conditions are fulfilled, the total variable remuneration determined according to Point 6.3.3 (annual bonus) and Article 7 (PAIF) or Article 8 (LTI) is considered as the base for the calculation of variable remuneration instalments.

A value limit for the deferral of variable remuneration was set on the basis of the currently applicable regulations. The variable remuneration amount is only deferred if:

- the variable remuneration amount is equal to or higher than EUR 50,000; or
- the variable remuneration amount exceeds 1/3 (one third) of the Management Board Member's annual fixed remuneration.

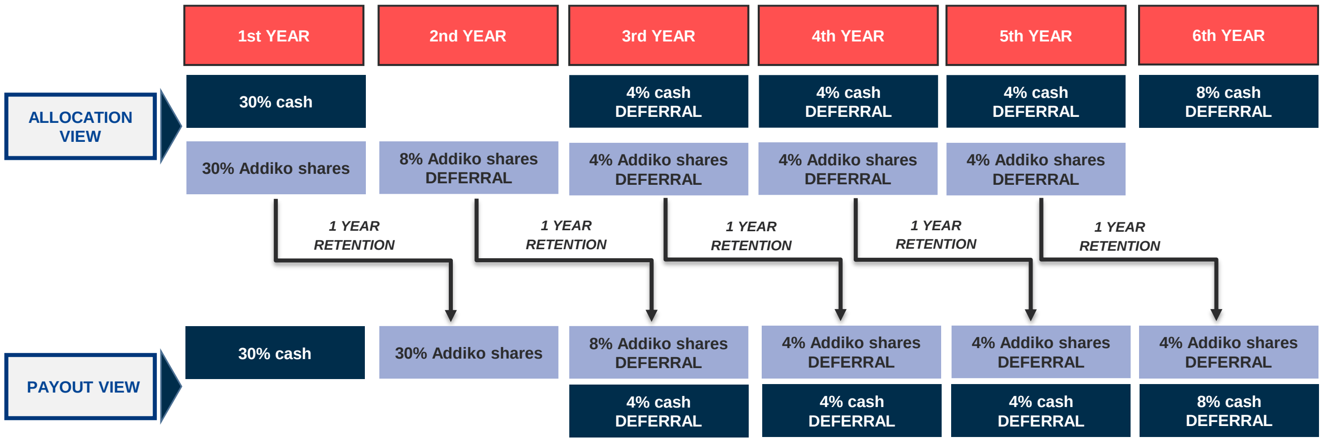
If the applicable rules are stricter for any of the above thresholds, a combination of the stricter thresholds will be applied.

The variable remuneration of Management Board Members consists of a payment of 50% in cash and a payment of 50% in company shares as follows:

**(i)** In the first half of the following financial year, a Management Board Member is entitled to a variable remuneration instalment amounting to 60% of the total variable remuneration calculated in accordance with Points 6.3.3 (annual bonus) and 7.3 (PAIF) or Article 8 (LTI), payable half in cash and half in company shares. The first cash instalment is paid as soon as possible after the end of the financial year for which the Management Board Member was rewarded (at the latest by the end of the first half of Y+1). At the same time, the Management Board Member 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 40% of the total variable remuneration calculated in accordance with Points 6.3.3 (annual bonus) and 7.3 (PAIF) or Article 8 (LTI) is 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 total variable remuneration 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 total variable remuneration 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 instalment.
- The sixth instalment is equivalent to 8% of the total variable remuneration and is paid 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).

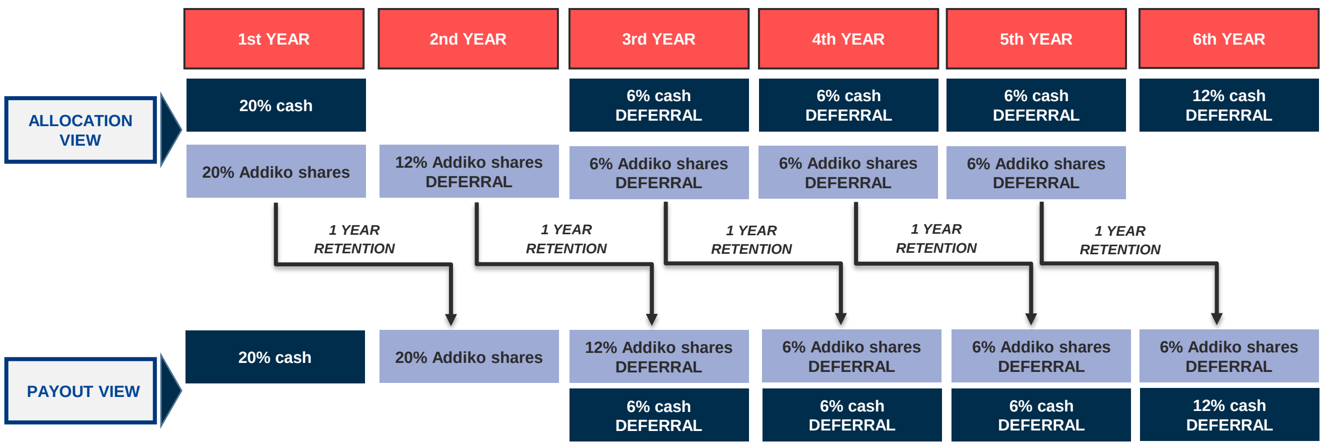



If, exceptionally, the total variable remuneration amount determined in accordance with Points 6.3.3. (annual bonus) and 7.3 (PAIF) or Article 8 (LTI) exceeds EUR 150,000, 60% of the total variable remuneration amount is reserved and paid out pro rata over a period of 5 years as follows:

**(i)** In the first half of the following financial year, the Management Board Member is entitled to a variable remuneration instalment amounting to 40% of the total variable remuneration, half of which is payable in cash and half in company shares. The first cash instalment is paid as soon as possible after the end of the financial year for which the Management Board Member was rewarded (at the latest by the end of the first half of Y+1). At the same time, the Management Board Member 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 total variable remuneration calculated in accordance with Points 6.3.3 (annual bonus) and 7.3 (PAIF) or Article 8 (LTI) is 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 total variable remuneration 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 total variable remuneration 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 instalment.
- The sixth instalment is equivalent to 12% of the total variable remuneration and is paid 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 total variable remuneration, as defined in Points 6.3.3 (annual bonus) and 7.3 (PAIF) or Article 8 (LTI). The share price to be used to determine the number of shares corresponds to Addiko Bank AG's average volume weighted share price (symbol: ADKO) on the Vienna Stock Exchange in the three (3) months prior to the calendar month in which the Supervisory Board approved the remuneration for a specific year.

# 12 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 Management Board Members 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 Management Board Members to remain in the acquiring institutions; or
- In the event of the settlement of a labour dispute.

It is necessary to distinguish between the failures identified and define whether they constitute failures by the Company or failures by the Management Board Member (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 severance payment amounts relate 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 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.

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 Management Board Member, or if a Management Board Member 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:

- in an amount not exceeding the amount determined by the national labour law,
- severance pay that is paid on the basis of a final court decision,
- severance payments corresponding to the additional amount due in the application of a non-competition clause in the contract and paid out in future periods, but only in the amount up to the fixed remuneration which would be paid for that period through salaries for the non-competition period, if staff were still employed,
- an amount paid as compensation for damages in the event of a court termination of the contract, as prescribed by the national labour law regulating employment relationships.

# 13 Other Benefits

## 13.1 Definition

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

- 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 retain the Board Member.

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.

## 13.2 Statutory Benefits

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

Addiko Bank

## 14 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 Article 2 of this Policy, 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 Management Board Members are in line with 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.

## 15 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 Management Board Members in the individual balanced scorecards.

## 16 Contract Period, Notice Periods, and Other Contractual Provisions

The term of Management Board Members' employment contracts shall not exceed 4 (four) years. The term of employment contracts is linked to the appointment of the Management Board in any case.

If a Management Board Member 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.

Management Board Members' employment contracts do not contain any notice periods. If the Company terminates the employment contracts in an orderly manner, the Management Board Members are entitled to termination compensation in certain cases. This applies in the event of:
a) premature termination by the Bank without serious cause or for a serious reason without fault of the Management Board Member, and
b) justified premature termination by the Management Board Member for an important reason attributable to the Bank.

The Management Board Member is entitled to 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 base 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 Management Board Members' employment contracts generally contain standard market competition and non-solicitation clauses.

## 17 Procedural Provisions

This remuneration policy has been established by the Supervisory Board. It is reviewed by the Supervisory Board 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 upon every significant change in accordance with § 78b (1) AktG. In advance, the Company's Supervisory Board must adopt the remuneration policy, if necessary amended, and submit a proposal for resolution to the General Meeting.

The General Meeting's decision 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.

The Management Board Member's gross monthly salary includes contributions to a pension fund, therefore the Management Board Members are not entitled to any additional remuneration or payment in connection with the pension fund.

# 18 Temporary Derogation from this Remuneration Policy

In exceptional circumstances, the Company may temporarily deviate from Articles 4 to (inclusive) 6 of this remuneration policy, provided that this has been approved by the Company's Supervisory Board. Deviations from this remuneration policy shall only be possible within the framework of the EBA Guidelines on Sound Compensation Policies (EBA/GL/2021/04) or any other applicable provisions and shall be reported to the General Meeting.

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

Only situations in which deviation from this remuneration policy is necessary for the long-term development of the Company or to ensure its viability are considered to be exceptional circumstances. These include, in particular:

- Significant changes to the legal or regulatory framework;
- Significant changes to the assessment and calculation criteria relating to variable remuneration;
- Force majeure events and significant changes to 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 determination by a competent authority.