Addiko Bank

Remuneration Policy of the Management Board of Addiko Bank AG

1 Introduction

1.1 Scope

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

This Remuneration Policy was assessed by the Nomination and Remuneration Committee of the Supervisory Board and adopted by resolution of the Supervisory Board on 3 March 2023. It will be submitted for resolution to the next following Annual General Meeting of the Company.

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

1.2 Addressees

This Remuneration Policy applies to all remuneration payable from the beginning of the year 2023 and in subsequent years, regardless of the performance period the remuneration is granted for and therefore also covering payments of deferred instalments of variable remuneration from previous years, if existing.

This Remuneration Policy applies to the performance review period from 1 January to 31 December of each respective business year.

This Remuneration Policy is applicable to the Management Board members of Addiko Bank AG.

1.3 Legal Basis

This Remuneration Policy is based on §§ 39(2), 39b and 39c of the Austrian Banking Act (*Bankwesengesetz* – "BWG") and the Annex to § 39b BWG ("Annex"), which implement the remuneration rules stipulated by Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures ("CRD V") in Austria. It also takes into account the EBA Guidelines on Sound Remuneration Policies under Directive 2013/36/EU (EBA/GL/2021/04) dated 2 July 2021 ("EBA Guidelines") as well as the FMA-Circular regarding §§ 39(2), 39b and 39c BWG on the Principles of Remuneration Policies and Practices (*FMA-Rundschreiben zu §§ 39 (2), 39b und 39c BWG über Grundsätze der Vergütungspolitik und -praktiken*) (Document-No 05/2022) dated 15 June 2022 ("FMA Circular"), the Austrian Corporate Governance Code and all other applicable laws and regulations.

This Remuneration Policy is conditional upon:

- Approval by the Supervisory Board based on a recommendation of the Group Nomination and Remuneration Committee of the Supervisory Board; and
- Adoption of a resolution by the Company's Annual General Meeting

2 Objectives

2.1 Goals

This Remuneration Policy aims to promote the business strategy and long-term development of the Company. To this end, the principles set for the remuneration of the Management Board members take into account, *inter alia*:

- tasks and workload of the members of the Management Board;
- their expertise and experience;
- their responsibilities and the risks involved;
- size, location and sustainable and long-term development of the Company and the Addiko Group;
- the aim to create mutual value for employees of the Company and the Group, in line with the due interests of the shareholders; and
- applicable statutory and regulatory requirements and relevant guidelines.

This Remuneration Policy should 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 Management Board members and to ensure that the Company's objectives are achieved in line with its strategy, long-term objectives and risk profile.

2.2 Principles of Remuneration

2.2.1 Financial Performance of Addiko Group

It is imperative that the compensation system takes into account the performance of the Addiko Group as a whole, and not only the performance of the Company or any individual member of the Addiko Group.

2.2.2 Sound Capital Base

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

Therefore, the Company shall consider the impact of the level of compensation - both upfront and deferred - in its capital planning and in the overall capital valuation process, taking into account the current capital position. The respective Group units are tasked to provide the required input and guidance for such process.

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 whether the capital base is sound, the institution should take into account its overall own funds and in particular the Common Equity Tier 1 capital ("CET1"), 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-on and restrictions on distributions, if any.

Should the Company or Addiko Group not meet its capital objectives, priority will be given to building up the necessary capital or solvency buffer, and a conservative remuneration policy must be pursued, in particular with regard to variable remuneration, until such capital objectives are met.

2.2.3 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.

2.2.4 Exceptional Remuneration Arrangements

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

Such exceptional remuneration arrangements must comply with Chapter 9 of the EBA Guidelines on Sound Remuneration Policies and the FMA Circular and shall be approved by the Supervisory Board of Addiko Bank AG for Management Board members only on a case-by-case basis.

Exceptional compensation arrangements are limited to certain exceptional situations, e.g. related to recruitment phases, special projects, high risk of retirement or restructuring etc. They must comply with the principles of this Remuneration Policy and with applicable law and regulation, and shall be documented in writing.

2.2.5 Conflicts of Interest

The Company operates in accordance with the Code of Business Conduct & Ethics, which every employee - including the Management Board members - must comply with. The remuneration system shall observe the Code of Business Conduct& Ethics, which includes the implementation of measures to avoid conflicts of interest.

2.2.6 Equal Pay

The remuneration system must meet all legal and regulatory requirements, including those on equal pay.

Equal pay is the principle and practice of paying men, women and any other gender in the same organization at the same rate for like work, or work that is rated as 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 Diversity Policy.

2.2.7 Shareholder Participation

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

2.2.8 Market Data

When determining remuneration, a benchmarking against the Company's own industry and against companies of similar size on the local market should be carried out (market trends, selected competitors, peer groups, international practices etc).

3 Remuneration Structure

3.1 General

This Remuneration Policy distinguishes three main components of remuneration:

- Fixed remuneration, which includes any non-performance-related payments;
- Variable remuneration, which includes the annual bonus (see Chapter 6) and the Performance Acceleration Incentive Framework ("PAIF", see Chapter 7); and
- Other benefits (see Chapter 5.5).

The remuneration of the Management Board members will be determined as a combination of (i) fixed, (ii) performance-related variable remuneration and (iii) non-monetary benefits, taking into account the objectives of this Remuneration Policy (see Chapter 2).

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

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

- Fixed remuneration shall be 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, shall be linked to the attainment of predetermined individual target agreements and prudent risk management, and shall be in line with the upper limits defined in Chapter 9;
- in the event of premature termination by the Company without good cause or for good cause not attributable to the respective 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, claims for severance payments (as described in Chapter 11) or termination compensation (as described in Chapter 15) may arise.

The Management Board members do not receive separate or additional remuneration for functions as members of the supervisory board of a direct or indirect subsidiary of the Company, if any.

4 Fixed Remuneration

4.1 Definition of Fixed Remuneration

Fixed remuneration is remuneration paid to individual Management Board members for the performance of work during a contractually agreed period of time and for assuming such responsibility and should reflect 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 exceptions.

4.2 Base Salary

4.2.1 Positioning of the Base Salary

The base salary must be sufficient not to encourage an inappropriate willingness to take risks.

A positioning of the base salary above the market value is only justified for 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 on a base salary increase are the financial situation of the Company, the development of market value and the inflation rate.

An increase of the base salary must be based on a combination of market value and the skills and seniority of the individual.

4.3 Benefits, Allowances and Supplements Required by Law

Any benefits, allowances and supplements to the base salary required by law are regarded as fixed remuneration and must be granted to the Management Board member in compliance with the legal 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 Job Enrichment, Expansion of the Working Environment, Increased Responsibilities

Any allowance and/or supplement to the base 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 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 Introduction

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

The variable remuneration is calculated and paid once a year.

5.2 Flexibility and Risk Adjustment

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.

When allocating variable remuneration components, all types of current and future risks must be considered. 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 consider the cost of capital and the liquidity required.

Ex-post risk adjustments to variable remuneration are made in response to actual risk results of a Management Board member's actions or changed circumstances. Such ex-post risk adjustment is an explicit risk adjustment mechanism by which the remuneration of the respective Management Board member is adjusted by means of a malus agreement or clawback clauses as described in Chapter 8.

5.3 Payment Restrictions

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, and payment only be made, if the applicable capital requirements (see below) 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.

5.4 Knock-out Criteria

The Company applies strict knock-out criteria for the variable remuneration of the Management Board. Given the impact of the knock-out criteria on awards as well as pay-outs of variable remuneration (for both new as well as deferred variable remuneration), these criteria serve both as ex-ante as well as ex-post risk adjustment.

5.4.1 General Knock-out Criterion

Awards and payments of variable remuneration may only be made if all 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 refer to the status at the end of the relevant performance year.

If the capital requirements, as a knock-out criterion, are not met at the end of the relevant performance year, the variable remuneration for the respective year is not activated and no variable remuneration is paid in the respective year (neither new variable remuneration nor payments of deferred variable remuneration that would be due in the respective year).

5.4.2 Additional Knock-out Criteria

In addition to the knock-out criterion defined in Chapter 5.4.1, additional knock-out criteria will be defined for activation of the variable remuneration pay-out for each respective business year.

These additional knock-out criteria are to be defined by the Supervisory Board for each business year and may include measures from the following categories:

- Risk (non-performing exposures, NPE coverage, etc)

- Financial performance (net profit, net banking income, OPEX, etc)

The calculation of KPIs for additional knock-out criteria is prepared by Addiko Group's Finance Controlling, Risk Management and other relevant functions. The final confirmation of those KPIs is issued by the Supervisory Board.

5.5 Cashless Incentive and Recognition Plans

Recognition rewards are employer's methods of recognizing teams or individual employees who demonstrate Addiko Values and contribute through their dedication and extra effort and who are not rewarded with other variable remuneration (as defined in Chapters 6, 7 and 8). They can be informal and optional and are retrospective as they recognize past performance and behaviours.

Maximum amount or value of prizes / awards:
- In case of non-cash incentive, the value of prizes / awards must be symbolic.
- 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 certain forms or amounts of rewards may be 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.

5.6 Variable Remuneration Not Based on Performance Criteria

5.6.1 Retention Bonuses

Retention awards or retention bonus may be granted on the condition that a Management Board member stays in the Company for a predefined period of time. It may 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, at least the following should be taken into account:
- the concerns that lead to the risk that the certain Management Board member may choose to leave the Company;
- the reasons why the retention of that Management Board member is crucial for the Company;
- the consequence if the Management Board member concerned leaves the institution; and
- whether the amount of the awarded retention bonus is necessary and proportionate to retain the targeted Management Board member.

In case of granting a retention bonus, the Company must document the event or justification that made it necessary to award a retention bonus and the time period (start date and end date), for which the reasons assumed exist. For each retention bonus the retention and performance conditions have to be defined. Within this definition the Company shall specify a retention period and a date / event, after which it determines whether the retention and performance conditions have been met. The specific performance conditions for a retention bonus should lead to the retention objective (i.e., retention of staff in the institution for a predefined period of time or until a certain event) which should differ from the performance conditions applied to other parts of the variable remuneration.

In general, multiple retention bonuses should not be awarded. Multiple retention bonuses are only allowed in exceptional cases and where duly justified, but at different moments in time and under the conditions specified in the previous paragraph for each retention bonus.

Retention bonuses should not be awarded to merely compensate for performance-related remuneration which was not paid due to insufficient performance or the Company's financial situation.

Retention bonuses are variable remuneration and therefore must 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 in each case necessary because retention bonuses are not exclusively based on performance criteria, but also on other conditions.

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

Retention bonuses should not lead to a situation where the total variable remuneration, consisting of performance-related variable remuneration and retention bonus, of the staff member is no longer linked to the performance of the individual, the business unit concerned and the overall results of the institution.

5.6.2 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 be granted only in exceptional circumstances in the first year of the management board function at the Company, i.e. would only be applicable to new management board members, and only if the capital base is sound in accordance with Chapter 3.1.2. Guaranteed variable remuneration may be pay 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 scheme must be compatible with and promote effective risk management. It must not encourage taking risks beyond the prescribed / tolerated risk level.

Each variable compensation scheme 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 (incl. knock-out criteria) 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 – Annual Bonus

6.1 Entitlement to Annual Bonus

6.1.1 Basic Information

The annual bonus payments ("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 such member was employed by the Company for at least five months during the financial year for which the bonus is paid.

If a departing Management Board member is considered a "good leaver", such member retains the right to receive the 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, death or permanent disability, in accordance with applicable laws;
- Retirement, even in the event of a special agreement with the Company; and
- Termination of the employment contract of the member of the Management Board by the Company without justification on an extraordinary basis.

If, as a result of the above circumstances, the Management Board member cannot be considered a "good leaver", such member shall lose the right to a bonus payment for the year in which the reasons for the termination of the employment relationship have arisen.

6.2 Balanced Scorecards for Management Board Members

The objectives for Management 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 Management Board members with combined responsibilities, it shall be determined which board divisional target is measured with which weighting.

Performance targets for members of the Management Board are set as a balanced combination of quantitative/financial ("hard") targets and qualitative/non-financial ("soft") targets, with the 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 loan in focus area, focus revenue growth, etc)
- Risk (Non-performing exposures / NPE ratio, NPL migration ratio, NPE coverage, capital ratio, etc)
- Efficiency (Cost income ratio / CIR, Operating expenses / OPEX, net banking income, net banking income - OPEX, etc)
- Financial performance (Net profit, Return on equity / ROE, etc)

The performance and risks targets defined for the CRO, and identified staff, should be aligned to all risks and the performance of the Company, the business unit and the individual. The criteria used for assessing the performance and risks should mainly be based on the objectives related to the risk area and separately from the business units the CRO controls, including the performance which results from business decisions where the risk is involved as a control function.

The specific targets that will be 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 will be defined. The calculation of KPIs for quantitative targets is prepared by Addiko Group's Finance Controlling, Risk Management and other relevant functions. Final confirmation of those KPIs is given by the Supervisory Board.

Qualitative/non-financial targets are defined on the basis of business performance and the specific requirements placed on each member of 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 etc.

As Management Board members are relevant for the fulfilment of the action plan related to the execution of Addiko's ESG strategy, they have to have targets related to the fulfilment of the internally defined ESG action plan included in their scorecards and its total weighting cannot be lower than 5%.

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 will be reported annually in the Company'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 a Management Board member who has not worked for the full financial year is calculated pro rata, considering 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

For each quantitative target determined in accordance with Chapter 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 target weighting;
- A result which is lower than the Floor KPI is considered as 0% of target weighting;
- A result between the Floor and the Target KPI is calculated linearly between 50% and 100% of target weighting;
- A result between the Target KPI and the Cap KPI is calculated linearly between 100% and 125% of 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 target weighting;
- An assessment of the target achievement below 50% is considered as 0% of target weighting;
- An assessment of the target achievement between 50% and 100% is calculated linearly between 50% and 100% of 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 shall also be 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 the 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 Management Board is calculated as follows:

TARGET BONUS AMOUNT

X

INDIVIDUAL SUCCESS FACTOR

=

ANNUAL INDIVIDUAL BONUS AMOUNT

6.4 Knock-out Criteria, Risk Assessment and Payout Model

The awarding and payment of the annual bonus will be made in accordance with Chapter 10 of this Remuneration Policy, but only provided that:

- the knock-out criteria, as defined in Chapter 5.4 of this Remuneration Policy, has been fulfilled; and
- the risk assessment, as described in Chapter 8 of this Remuneration Policy, has been completed successfully.

6.4.1 Disclaimer

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, such member 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.

6.4.2 Process

The milestones / timeframes of the review process are set by Addiko Group HR.

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

An annual preliminary calculation of quantitative targets achievement is to be prepared by Addiko Group's HR function for the Committee for Management Board Matters meeting. Prior to this, Addiko Group's HR function will receive 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 function is responsible for the preparation of preliminary annual bonus calculations 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 of the Supervisory Board is responsible to confirm the final bonus amounts. This final activation of defined bonus amounts depends on the non-fulfilment of the knock-out criteria as defined in Chapter 5.4 and risk adjustment as described in Chapter 8.

7 Variable Remuneration – Performance Acceleration Incentive Framework (PAIF)

The performance acceleration incentive framework ("PAIF") scheme is designed as a long-term reward scheme with a performance monitoring period of three years. It is composed of the main long-term component, that monitors achievements over a three-year period, and a second component that allows yearly adjustments.

The component that allows for yearly adjustments provides the Supervisory Board with the ability to balance the incentive towards achieving the initially set long-term target at the end of the three-year period, and to take into account external events within the three-year period, e.g. to have an additional mechanism when the trigger for the long-term target has already been achieved (before the end of the performance period) or if the share price dropped extraordinarily in the previous year related to external events. Such component will be defined for each year of the three-year performance monitoring period.

The PAIF is defined for key employees having a critical role in delivering Addiko Group results, in addition to the annual bonus (as defined in Chapter 6), as approved by the Supervisory Board. The aim of the PAIF is, subject to applicable law and regulations, to align the business strategy and long-term objectives of the Addiko Group senior management team with the interests of shareholders and to provide a long-term incentive for the management to ensure a sustainable development of the Company.

The PAIF is to be approved by the Supervisory Board. The target PAIF amounts for Management Board members are also defined by the Supervisory Board.

7.1 Basic Requirements

The entitlement rules for annual bonuses set out in Chapter 6.1 shall apply *mutatis mutandis* to the PAIF, whereby the individual achievement of the Management Board member, calculated in accordance with Chapter 6.3.2, must not be lower than 50% in the year for which the PAIF should be activated. Furthermore, the knock-out criteria described in Chapter 5.4 are also applicable for the activation of the PAIF. If any of the KPIs relevant for the PAIF differs from the ones set in Chapter 5.4 or Chapter 6, they can only be stricter.

The criteria defined for the activation of the PAIF are valid for both the long-term component (at the end of the performance period) and the component that allows yearly adjustments (for the particular year).

7.2 PAIF Performance Measure

In addition to the basic requirements defined in Chapter 7.1 of this Remuneration Policy, the PAIF performance measure will be defined for both the long-term component and the component that allows yearly adjustments.

Such PAIF performance measure is defined as the Total Shareholder Return ("TSR"). The TSR is calculated as set forth below in 7.3.2.

The target TSR will be expressed as a percentage and will be calculated as a ratio of the expected TSR in the performance period to the Volume Weighted Average Price (VWAP) of ADKO shares in the fourth quarter before the beginning of the performance period.

Target TSR values are determined for both the long-term component and the component that allows yearly adjustments ("annual component"), with the target TSR for the long-term component determined at the beginning of the three-year period and the target TSRs for the annual components before the beginning of each year of the three-year cycle.

The target TSR is defined by the Supervisory Board.

7.3 PAIF Amount

7.3.1 Target PAIF Amount

The target PAIF amount depends on the function of the respective Management Board member and on relevant market benchmarks in the respective working environment. It should be defined considering, together with the annual bonus target amount, the upper limit of variable remuneration as per Chapter 9.

The target PAIF amounts are proposed by the Committee for Management Board Matters and approved by the Supervisory Board.

The total PAIF Target amount should be defined for the whole performance period of three years, where a ratio between the long-term and annual components will proposed by the Committee for Management Board Matters and approved by the Supervisory Board. Considering the specified ratio, the total PAIF target amount consists of:

- long-term target amount; and
- annual target amount, which will be distributed evenly over each of the three years of the performance period.

7.3.2 PAIF Performance Evaluation

The calculation of the long-term target achievement will be conducted at the end of the performance period of three years based on the Total Shareholder Return (TSR) calculated as the sum of:

- the change of the Company's share price, calculated as a difference of the VWAP of the Company's shares in three months of the fourth quarter at the end of the performance period and VWAP of the Company's shares in three months of the fourth quarter preceding the beginning of the performance period; and
- the total amount of dividends per share paid during the performance period.

If the achievement of the long-term target is equal or greater than the Target TSR, the long-term component is considered activated.

The calculation of the target achievement of annual components will be done at the end of each year of the three-year cycle based on the Total Shareholder Return (TSR) calculated as the sum of:

- the change of the Company's share price, calculated as a difference of the VWAP of the Company's shares in three months of the fourth quarter of a particular year and VWAP of Addiko shares in three months of the fourth quarter preceding a particular year of the three-year cycle; and
- the total amount of Dividends per share paid during a particular year.

If the target achievement of annual component is equal or greater than the Target TSR for that annual component, the particular annual component is considered activated.

During the evaluation period of three years, the achievement of the long-term target will be continuously monitored. This calculation will be done on a rolling basis and will be based on the VWAP of the previous three months including any already paid dividends per share (since the start of the program). If the long-term Target TSR is achieved during a three-year period, but by the end of that period the achieved TSR falls below the target value, the long-term component of the PAIF remains activated if the achieved TSR is equal or greater than 75% of the long-term Target TSR.

7.3.3 Calculation of Individual PAIF Amount

For each activated component of the PAIF, the corresponding target PAIF amount will be considered as the final individual PAIF amount.

7.4 Risk Adjustment and Payout Model

The awarding and payment of the PAIF amount will be made in accordance with Chapter 10, provided that:

- the basic requirements, as defined in Chapter 7.1 (including knock-out criteria), have been fulfilled; and
- the risk assessment, as described in Chapter 8, has been completed successfully.

7.5 Other Provisions

- Since the long-term target amount is defined for a three-year accrual period that does not revolve annually, it will be divided by three and the resulting amount will accrue each year (“Annual Target Amount”) and be taken into consideration for the purpose of calculation of the ratio between variable and fixed compensation. Should no amounts be payable for any given year, such amounts must not be paid out in any subsequent year.
- The Annual Target Amount will be considered for the purpose of the calculation of the ratio between variable and fixed compensation for each year of the three-year performance period.
- Any individual PAIF award requires a written agreement with the beneficiary. Neither this PAIF program description nor any remuneration policy provides for or establishes a claim for participation in the PAIF and/or benefits from the PAIF. Repeated benefits or payments under PAIF do not create an entitlement for the future.

- The PAIF is embedded in and subject to this Remuneration Policy and the regulatory remuneration requirements. In particular the rules on risk adjustment, deferral, malus and clawback shall apply.
- The Company reserves the right to abolish, change and amend the PAIF at any time, in particular because of changes of the regulatory requirements or requests of the supervisory authorities.
- If a supervisory authority imposes additional guidelines or restrictions related to the pay-out of variable remuneration for the respective year impacting the PAIF, the Company will act accordingly and inform participants in writing of the decisions and changes. In such circumstance no commitments related to the PAIF or the respective year would incur for the Company.

8 Variable Remuneration – Risk Adjustment

In case the basic and additional requirements determined according to Chapters 5.4.1 and 5.4.2 are fulfilled, additional ex-ante risk assessments and ex-post risk assessments are conducted before any pay-out. Prior to a pay-out of any performance related variable remuneration (annual bonus, PAIF), the Company follows 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.

If the material level of risk assessment indicates a possible risk adjustment, the variable remuneration could be adjusted or even not activated for pay out. The risk assessments are confirmed by the Credit & Risk Committee of the Supervisory Board, while a decision to adjust or not activate the pay out of variable remuneration will be decided by the Supervisory Board.

8.1 Ex-ante Risk Adjustment

For every newly issued reward, ex-ante risk assessments are conducted using the following indicators:
- Average PD of performing portfolio
- Cost-of-Risk
- Stage 2 share of performing portfolio
- Risk Bearing Capacity

In case the above-mentioned indicators are worse than the defined thresholds which are approved by the Supervisory Board within budget targets, the underlying impact on the risk profile indicates the need for a possible risk adjustment. Based on a decision of the Supervisory Board, a (ex-ante) risk adjustment up to the full amount of the otherwise awarded variable remuneration of the Management Board member can be applied.

8.2 Ex-post Risk Adjustment

Addiko can use ex-post risk adjustments and decrease payment (malus) or ask the individual to pay back if the payment was not justified (clawback).

Employment contracts for newly hired and existing Management Board members shall contain a malus and clawback clause. Malus and clawback can be applied to all types of variable remuneration. Malus and clawback can be applied independently from each other, and the Supervisory Board has the possibility and the legal right to decide whether a malus or clawback situation exists and what the appropriate action is. The period during which malus can be applied is equal to the defined period of deferral, while clawback actions can be applied on to part or the entire variable payment that had been paid out depending on the specifics set in the employment contract as well as implications from labour, civil and criminal law depending on the specific circumstances (in particular in case of fraud).

8.2.1 Malus

Performance related adjustment as a Malus arrangement will be activated in case of:
- The Company is suffering a significant downturn in its financial performance – affecting the variable payment of the performance year and the deferrals on an Addiko Group-wide basis, except a significant downturn was planned and budgeted and no knock-out criteria apply. The quantitative definition of significant downturn thresholds will be part of the annual target KPI setting, which has to be approved by the Supervisory Board;
- significant changes in the Company's economic or regulatory capital base – affecting both variable payments of the performance year and deferrals on an Addiko Group wide basis;
- evidence of misbehaviour or serious error by the employee – affecting both variable payments of the performance year and deferrals on an individual basis,

- the Company suffering a significant failure of risk management – affecting both variable payments of the performance year and deferrals on an individual basis;
- regulatory sanctions where the conduct of the employee contributed to the sanction – affecting both variable payments of the performance year and deferrals on an individual basis.

In case the below-mentioned multi-year assessment indicators are worse than the defined thresholds which are approved by the Supervisory Board within budget targets, the underlying impact on the risk profile indicates the need for the application of the malus arrangements:
- Loan portfolio vintage cohort analysis of default rate
- Loan portfolio vintage cohort analysis of stage 2 share

Based on a decision of the Supervisory Board, a (ex-post) risk adjustment up to the full amount of the deferred amount due for pay-out from the individual performance cycle (of the respective vintage cohort) can be applied.

The risk adjustment of total deferred instalments due for pay-out are conducted using the following assessment indicators:
- Inflow into Non-Performing Exposures (NPE Inflow)
- Non-Performing Exposure Ratio (NPE ratio)
- Coverage of Non-Performing exposure with provisions (NPE Coverage Ratio)

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 Company has assumed within its portfolio and are constantly compared to predefined thresholds enabling constant tracking if the risk is above the limits that the Company is prepared to assume.

Based on a decision of the Supervisory Board, a (ex-post) risk adjustment up to the full amount of the deferred amount due for pay-out can be applied if in relation to the above-described indicators:
- an amber level recovery plan threshold is breached for more than 6 months
- if a red level recovery plan threshold is breached for more than 3 months.

8.2.2 Clawback

A clawback should be used in the case of:
- fraud or contribution to fraud by the Management Board member,
- when an Management Board member has been released from the position upon disciplinary procedure based on a behaviour which had a negative impact on the financial results of the Company or triggered a loss,
- the Management Board member has contributed to weak or negative financial results
- any other wilful or grossly negligent behaviour of an employee, which has led to a significant loss.

9 Upper Limit of Variable Remuneration

The separation between the fixed and variable remuneration components must be clearly understandable. The variable remuneration component, including annual bonus, PAIF and any type of extraordinary benefits, may not exceed 100% of the fixed component of the total remuneration of 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 shall not exceed 50% of such Management Board member’s annual fixed compensation.

The Company may set a lower maximum percentage, but also can propose to shareholders to 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% (100% for the CRO position) of the fixed component of the total remuneration for each Management Board member. Such exceptions can be justified if they do not harm the maintaining of a solid capital base for the Company especially in terms of compulsory own funds requirements and should be endorsed by Group HR and Group Compliance and recommended by the Committee for Management Board matters and Supervisory Board and approved by the Annual General Meeting.

10 Variable Remuneration Payout Model

If the basic conditions are fulfilled, the total variable remuneration determined according to Chapter 6.3.3 (annual bonus) and Chapter 7.3 (PAIF) is considered as the base for the calculation of the variable remuneration instalments.

A value limit for the deferral of the variable remuneration and pay-out in instruments was set on the basis of the currently applicable regulations. The variable remuneration amount is only deferred and partially paid out in instruments if:

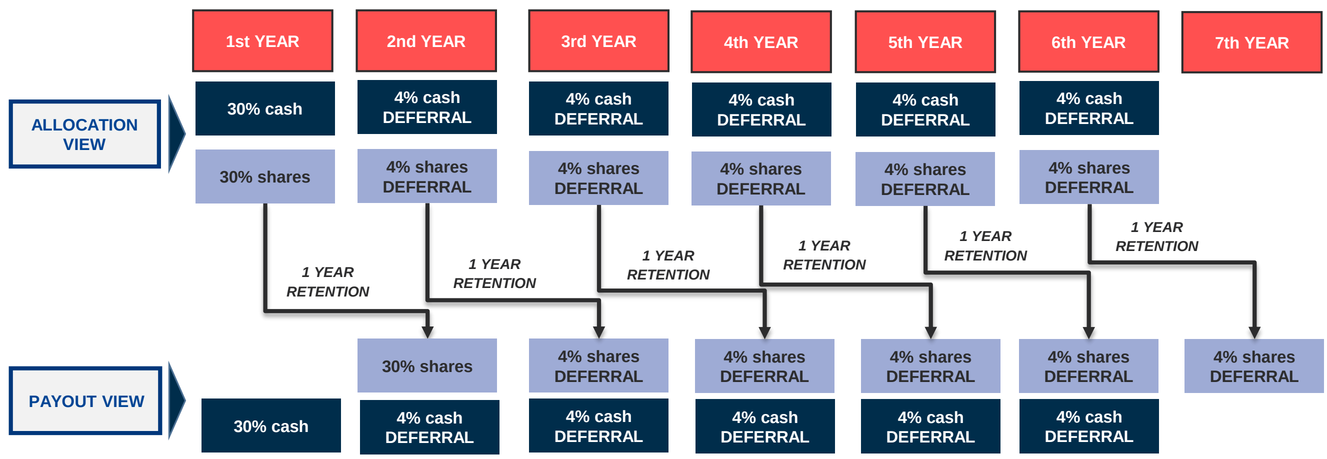
- the annual variable remuneration amount is higher than EUR 50,000; or
- the variable remuneration amount exceeds 1/3 (one third) of the annual fixed remuneration of the member of the Management Board.

If applicable regulations are stricter in relation to any of the above thresholds, the stricter thresholds will be applied.

The variable remuneration of active Management Board members consists of a payment of 50% in cash and a payment of 50% in the Company's 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 Chapter 6.3.3 (annual bonus) and Chapter 7.3 (PAIF), payable half in cash (30%) and half in shares of the Company (30%). The first cash instalment will be 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 30% of the remuneration instalment in shares of the Company, for which a retention period of one year is prescribed.

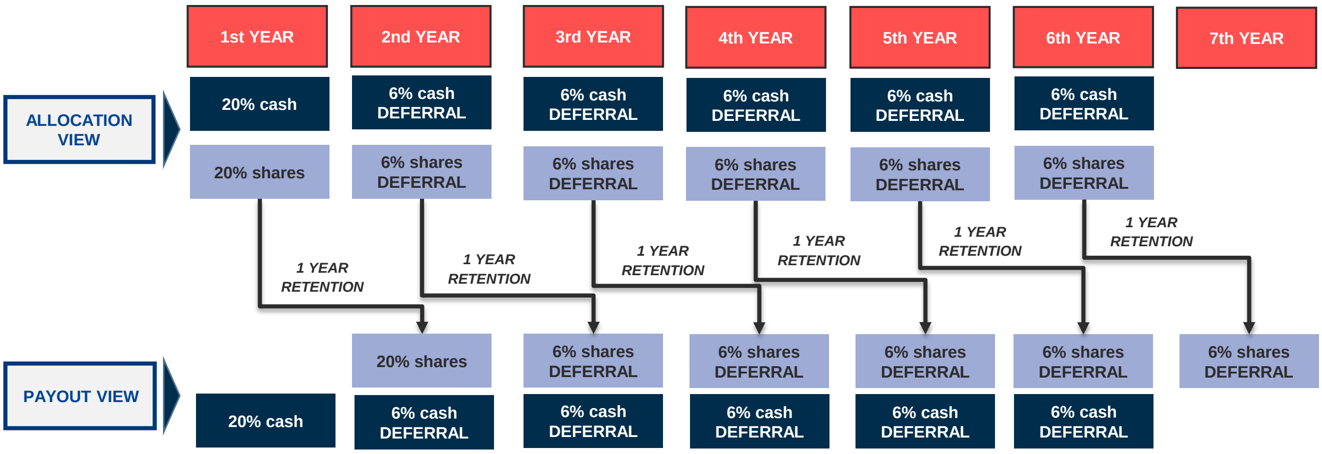
(ii) The remaining 40% of the total variable remuneration calculated in accordance with Chapter 6.3.3 (annual bonus) and Chapter 7.3 (PAIF) will be deferred and paid out and distributed proportionally over a period of 5 years (8% per year), payable half in cash (4%) and half in shares of the Company (4%). The cash instalments are paid as soon as possible after the end of the first / second / third / fourth / fifth financial year (at the latest by the end of the first half of Y+2 / Y+3 / Y+4 / Y+5 / Y+6). According to the same scheme, the other half is to be paid out in shares of the Company, with a retention period of one year for each instalment.



If the total variable remuneration amount of active Management Board members determined in accordance with the types of variable remuneration as outlined in Chapter 6.3.3. (annual bonus) and Chapter 7.3 (PAIF) exceeds EUR 150,000, then 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 (20%) and half in shares (20%) of the Company. The first cash instalment will be 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 20% of the remuneration instalment in shares of the Company, for which a retention period of one year is prescribed.

(ii) The remaining 60% of the total variable remuneration calculated in accordance with Chapter 6.3.3. (annual bonus) and Chapter 7.3 (PAIF) will be deferred and paid out and distributed proportionally over a period of 5 years (12% per year), payable half in cash (6%) and half in shares of the Company (6%). The cash instalments are paid as soon as possible after the end of the first / second / third / fourth / fifth financial year (at the latest by the end of the first half of Y+2 / Y+3 / Y+4 / Y+5 / Y+6). According to the same scheme, the other half is to be paid out in shares of the Company, with a retention period of one year for each instalment.



The amount that has to be exchanged into shares is fifty percent (50%) of the total variable remuneration as defined in Chapter 6.3.3 (annual bonus) and Chapter 7.3 (PAIF). The share price to be used to determine the number of shares corresponds to the average volume weighted share price of the Company (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. For active 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.

The payout method for non-active Management Board members follows the above rules, save that share installments of former members of the Management Board irrespective of the performance period to which they relate, may, in justified cases (ie subject to agreement of adequate malus and clawback provisions) be paid out in cash, provided this is in compliance with applicable rules and regulations and was agreed upon by the Supervisory Board. Upon effectiveness of a change of control, share installments will automatically convert into cash installments, subject to agreement of adequate malus and clawback provisions and provided this is in compliance with applicable rules and regulations. Change of control shall mean that a person (alone or together with persons acting in concert) directly or indirectly acquires a controlling holding (*kontrollierende Beteiligung*) in the Company pursuant to § 22 paras 2 and 3 of the Austrian Takeover Code (*Übernahmegesetz*).

11 Severance Pay

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

- The Company terminates the employment contract of a Management Board member 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 course of the settlement of a labour dispute.

Identified failures should be distinguished between failures by the company and 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 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.

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:
- 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 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; or
- amount paid as compensation for damages in the event of a court termination of the contract as prescribed by national labour law.

12 Other Benefits

12.1 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 member of the Management Board and in accordance with Chapter 5.6.1 of this Remuneration Policy.

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.

12.2 Statutory Benefits

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

13 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 Chapter 2, by linking individual variable remuneration to the long-term and sustainable development of the Company, *inter alia* through:
- Deferred payments and payment in shares of the Company;
- compliance with applicable legal and regulatory requirements; and
- 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% shares of the Company over six 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.

14 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.

15 Contract Period, Notice Periods and Other Contractual Provisions

The term of the employment contracts of Management Board members 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 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) 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 Management Board members 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. In the event of a:

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

the Management Board member 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 base salary plus 75% of the target bonus. This entitlement must be in line with this Remuneration Policy and applicable law.

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

16 Procedural Provisions

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

A 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 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 the 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, 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.

16.1 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.

16.2 No Hedging

No Management Board member should use instruments to hedge against the risks of variable remuneration agreements.

A variable part of the remuneration consisting mainly of incentives which are paid immediately, without deferral or subsequent risk adjustment mechanisms (malus or clawback) and/or based on a formula which links the variable remuneration only to the business results of the current year and not to the risk-adjusted profit and long-term viability is not allowed.

17 Temporary Derogation from Remuneration Policy

In exceptional circumstances, the Company may temporarily deviate from Chapters 5. to (inclusive) 7., provided that this has been approved by the Supervisory Board. Deviations from this Remuneration Policy shall only be possible within the applicable statutory and regulatory framework 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 this 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 the remuneration policy pursuant to Chapter§ 39b BWG which are required as a result of a mandate, a recommendation or a determination by a competent authority.