

## Addiko Bank AG Remuneration Report 2021

This remuneration report provides a comprehensive overview of the remuneration paid or granted to current and former members of Addiko Bank AG's Supervisory Board and Management Board members for the business year 2021.

### Key highlights of the business year 2021

2021 was an eventful year. By the beginning of June 2021, the changes to Addiko's Management Team had been completed. On 1 May 2021, Herbert Juranek took over as CEO. He was joined by Edgar Flaggl as CFO, as a direct report, and Tadej Krašovec as CRO on 1 June 2021.

Together, the new management team started the Transformation Programme to boost growth in the focus areas and to lower costs by streamlining operations with the overall aim of making Addiko the leading specialist bank for Consumer & SME customers in the CSEE region.

The programme has already yielded initial results:

- Acceleration of the loan book transformation: Addiko is placing even greater focus on smaller SME customers while reducing the concentration in the higher-sized medium SME segment, resulting in an overall focus book growth of 9.5% excluding the medium SME segment. At the same time, the run-down of the non-focus book proceeded as planned and decreased by 33%.
- Reduction of the operational OPEX run-rate by approximately EUR 10 million compared to the EUR 174 million guidance for 2021. Initial results are already visible with reported operating expenses of EUR 171.1 million (down EUR 2.9 million vs. the 2021 guidance).
- Push for NPE reduction: initiatives started in the second half of 2021 resulted in a decrease of the NPE volume by EUR 50 million, thereby improving the NPE ratio to 2.9% at the end of 2021 compared to 2020's 3.5%. The NPE ratio related to on-balance loans decreased to 4.0% (2020: 4.7%).

Overall, the CSEE economies showed solid growth and exceeded previous forecasts with strong household consumption, flourishing business investments, and a rebound in tourism. The ongoing pandemic had no significant effect on the economy. Business activities seem to be normalising. People and enterprises have adapted to the new normality and are acting as if there were no pandemic.

The favourable economic environment is also reflected in the financial results. For 2021, Addiko Group posted a profit of EUR 13.6 million, supported by solid operating performance and the Transformation Programme. The focus areas are growing, the accelerated run-down of the non-focus book is progressing as planned, and the Group is well on track to achieve the 95% goal of the loan book in the focus areas in the mid-term. At the end of 2021, the share of the two focus segments Consumer and SME in the gross performing loan book increased to 74% (YE20: 65%). The size of the overall gross performing loan book declined to EUR 3.28 billion (YE20: EUR 3.60 billion) as a result of the managed run-down of the non-focus portfolios as well as the reduction in the higher-sized medium SME segment.

In autumn 2021, Addiko received the draft 2021 SREP letter from the European Central Bank, which was confirmed in February 2022. The new SREP foresees a considerable reduction in the Group's capital requirements. The Pillar 2 Requirement (P2R) decreased to 3.25% (4.1% in 2020) and the Pillar 2 Guidance (P2G) to 2% (4.0% in 2020).

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Overall, Addiko Group's financial position remained solid. The CET1 ratio further improved to 22.2% on a transitional basis (21.6% IFRS 9 fully loaded), proving the resilient asset quality and the Group's strong balance sheet.

## Remuneration of Supervisory Board and Management Board members (regulatory framework)

Addiko Group's compensation approach has been defined to be compliant with the most recent international and national regulatory requirements, including the following documents:

- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Capital Requirements Directive IV - "CRD IV")
- 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")
- §§ 39(2), 39b, and 39c of the Austrian Banking Act (Bankwesengesetz - "BWG") and the Annex to § 39b BWG
- § 78a of the Austrian Stock Corporation Act (Aktengesetzes - "AktG")
- Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units, and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive
- EBA Guidelines on internal governance under Directive 2013/36/EU (EBA/GL/2021/05) dated 2 July 2021
- EBA Guidelines on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04) dated 2 July 2021
- FMA-Circular regarding §§ 39(2), 39b, and 39c BWG on the principles of remuneration policies

At Addiko Group, remuneration is generally prescribed by the Addiko Group Remuneration Policy. For the members of the Group's Management Board, it is additionally elaborated in the Remuneration Policy of Addiko Bank AG's Management Board ("Vergütungspolitik des Vorstandes der Addiko Bank AG"), while for the members of the Group's Supervisory Board it is additionally elaborated in the Remuneration Policy of Addiko Bank AG's Supervisory Board ("Vergütungspolitik des Aufsichtsrates der Addiko Bank AG").

## Supervisory Board Remuneration

The framework for remuneration for the Supervisory Board defines the principles of remuneration of Addiko Bank AG's Supervisory Board members, who are elected by the General Assembly pursuant to Section 98a in conjunction with Section 78a Austrian Stock Corporation Act ("AktG"). This framework and the principles are described in the Remuneration Policy of the Supervisory Board of Addiko Bank AG ("Vergütungspolitik des Aufsichtsrates der Addiko Bank AG").

Members of the Supervisory Board, who are not employed by an Addiko Company, are compensated for this mandate. Members of the Supervisory Board, who are employed by an Addiko Company, are not compensated for this mandate, as their supervisory activity is considered to be part of their official duties. This must be adequately regulated in the respective job/role descriptions and employment contracts within each Addiko Company. Works Council representatives, who are members of the Supervisory Board, do not receive payment for this role.

According to the Addiko Group Remuneration Policy, Supervisory Board members' remuneration packages may consist of the following components:

1. Fixed remuneration — function payment, defined on an annual basis and aliquot to the period of assignment, based on the:
  - a. Role in the Supervisory Board, and
  - b. Role in a Supervisory Board Committee
2. Attendance fee for participation in a Supervisory Board Working Group (per meeting).

Any other components of the Supervisory Board members' remuneration must not be linked to the performance of the subject they supervise.

## Supervisory Board remuneration for the business year 2021

In the business year 2021, the remuneration system for Addiko Bank AG's Supervisory Board members consisted of:

1. Fixed remuneration based on their role in the Supervisory Board (Figure 1),
2. Fixed remuneration based on their role in a Supervisory Board Committee (Figure 2),
3. Attendance fee for participation in a Supervisory Board Working Group (1,000 EUR gross per meeting).

Figure 1 - Fixed remuneration by role in the Supervisory Board in 2021 (EUR gross)

<u>Supervisory Board role</u>	<u>Annual amount</u>
Chair	115,000
Deputy Chair	95,000
Member	75,000

Figure 2 - Fixed remuneration by role in a Supervisory Board committee in 2021 (EUR gross)

<u>Role in a Supervisory Board Committee (per Committee)</u>	<u>Annual amount</u>
Chair	20,000
Deputy Chair	10,000

The total remuneration paid to the members of Addiko Bank AG's Supervisory Board for the business year 2021 amounted to EUR 739,685.44. This sum was divided between the individual Supervisory Board members, as presented in Figure 3.

Figure 3 - Remuneration of the members of Addiko Bank AG's Supervisory Board for 2021 (EUR gross)

<u>Name</u>	<u>Supervisory Board role</u>	<u>Fixed remuneration</u>	<u>Travel expenses</u>	<u>TOTAL</u>
Kurt Pribil	Chair	158,000.00	769.00	<b>158,769.00</b>
Pieter van Groos <sup>1</sup>	Deputy Chair	87,547.95	0.00	<b>87,547.95</b>
Dragica Pilipovic-Chaffey	Member	105,054.79	0.00	<b>105,054.79</b>
Monika Wildner	Member	111,589.04	0.00	<b>111,589.04</b>
Sebastian Prinz Schoenaich-Carolath	Member	122,465.75	3,376.84	<b>125,842.59</b>
Frank Schwab	Member	101,589.04	3,388.92	<b>104,977.96</b>
<i>Herbert Juranek <sup>2</sup></i>	<i>Deputy Chair</i>	<i>45,904.11</i>	<i>0.00</i>	<b><i>45,904.11</i></b>

<sup>1</sup> Deputy Chair from April 2021

<sup>2</sup> Deputy Chair until April 2021

In accordance with the Remuneration Policy of the Supervisory Board of Addiko Bank AG (“Vergütungspolitik des Aufsichtsrates der Addiko Bank AG”), no Supervisory Board remuneration was paid to the Supervisory Board members delegated by the Works Council.

## Management Board remuneration

The principles of remuneration for Addiko Bank AG’s Management Board are regulated in accordance with §§ 78a of the Austrian Stock Corporation Act (“AktG”) by the Remuneration Policy of Addiko Bank AG’s Management Board (“Vergütungspolitik des Vorstandes der Addiko Bank AG”).

The Remuneration Policy of Addiko Bank AG’s Management Board was drawn up by the Supervisory Board’s Nomination and Remuneration Committee, adopted by a resolution of the Supervisory Board on 4 November 2021, and acknowledged at Addiko Bank’s Annual General Meeting on 26 April 2021.

In addition, the Remuneration Policy of Addiko Bank AG’s Management Board is designed to align the Management Board members’ personal objectives with Addiko’s long-term interests and ensure an appropriate balance between fixed and variable remuneration components.

### Requirements for variable remuneration activation:

Variable remuneration components may only be paid if Addiko Group’s financial position is sustainable, and the variable remuneration is justified. The right to receive a new form of variable remuneration as well as the pay-out of deferred payments from previous years exists only if the basic conditions are met, as described below.

Variable remuneration can only be activated if the capital requirements are met. The capital requirements are defined in Addiko Group’s SREP requirements.

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 variable remuneration for the performance year is not capitalised, and it is not activated (this applies to any new bonus payments and deferred payments due in the respective year).

Additional knock-out criteria are also defined for each respective business year in order to activate the variable remuneration.

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

- Risk (e.g., non-performing exposures, risk-adjusted return on capital/RAROC, etc.)
- Financial performance (e.g., net profit, etc.)

### Fulfilment of performance criteria for the annual bonus scheme:

As a form of performance-based variable remuneration, the annual bonus scheme is determined based on the individual’s success (in quantitative and qualitative terms) as well as the success of the Company. When deciding on any form of variable reward for members of the Management Board, the Supervisory Board Committee for Management Board Matters considers performance criteria, the market situation and market trends, the appropriateness of bonus payments, and risk trends. In the case of termination, Management Board members’ entitlements and claims are agreed on an individual basis.

Board performance targets are set as a balanced combination of quantitative/financial targets and discretionary/non-financial targets, with a total weighting of 100%.

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

- Business transformation (e.g., number of customers with active performing loans in the focus area; focus revenue growth, etc.)
- Risk (e.g., non-performing exposures/NPE ratio, non-performing loans/NPL stock, net NPL migration ratio, etc.)
- Efficiency (e.g., cost income ratio, operating expenses, operating result, return on equity, etc.)
- Financial performance (net profit, etc.)

## **Performance Acceleration Incentive Framework (PAIF):**

The PAIF is an incentive scheme in addition to the annual bonus scheme. It is associated with Addiko Group's performance and Addiko's share price values to ensure that the interests of the senior leadership team and shareholders are aligned.

In addition to the basic requirements, an additional knock-out criterion is linked to defined shareholder participation and will be defined for each business year.

The additional requirement linked to shareholder participation is measured by the average volume-weighted total return (VWTR) of Addiko Bank AG's share on the Vienna Stock Exchange (ADKO) in the final month of the respective business year.

## **Long Term Incentive (LTI):**

The Long Term Incentive scheme (LTI) is a multi-year incentive scheme for select Management Board members. It relates to the fixed term of the Management Board member's agreement (referred to as the LTI period). Each period of 12 months of a fixed term of a Management Board member's agreement is considered as one LTI year.

The structure of basic requirements and additional knock-out criteria for activation of the LTI is the same as for all types of variable remuneration. If any of the KPIs defined for LTI were to differ from those for the other types of variable remuneration, the KPI targets can only be stricter.

The assessment of whether the basic requirements and additional knock-out criteria have been achieved for a relevant period will be carried out based on financial data from Addiko Group's business year.

In addition to the basic requirements and additional knock-out criteria defined for all types of variable remuneration, an additional requirement linked to shareholder participation should be defined for each LTI year. The additional requirement linked to shareholder participation is measured by the average volume-weighted average price (VWAP) of Addiko Bank AG's share on the Vienna Stock Exchange (ADKO). The relevant month for the additional requirement shall be the last month of the LTI year.

For the years in which LTI is not activated for a whole calendar year, the prorated contracted annual LTI amount will be used to calculate the individual LTI amount.

The achievement of annual targets shall only result in a pay-out of 40% of the contracted annual LTI amount. The remaining 60% portion of the calculated amount for each LTI year shall be paid only if and when all targets have been fulfilled for the entire LTI period.

Participation in this scheme is subject to the full discretion of the Supervisory Board.

The LTI scheme was first established whilst the organisational changes were taking place in Addiko Bank AG's Management Board in the second quarter of 2021, after the acknowledgement of the Remuneration Policy of the Management Board ("Vergütungspolitik des Vorstandes der Addiko Bank AG") in the General Assembly as of 26 April 2021. The scheme was established directly in the new CEO's Management Board Member Agreement. The new version of the Remuneration Policy of



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Addiko Bank AG's Management Board ("Vergütungspolitik des Vorstandes der Addiko Bank AG"), which will be proposed together with this report for acknowledgement at Addiko Bank AG's next General Assembly on 14 April 2022, includes a definition of the LTI scheme.

## **Risk Assessment for Variable Remuneration:**

If the basic and additional requirements for any type of variable remuneration are fulfilled, ex-ante risk assessments and ex-post risk assessments are conducted before any pay-out is carried out. The following indicators 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)

The material level of risk assessment shows the need for 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 pay-out. The risk assessments are confirmed by Addiko Bank AG's Supervisory Board Credit & Risk Committee, while a decision not to activate the pay-out of variable remuneration is confirmed by the Supervisory Board.

## **Remuneration of Management Board members must be clearly defined in the employment contract:**

As defined in the Remuneration Policy of Addiko Bank AG's Management Board, the remuneration of Management Board members is to be determined as a combination of fixed, performance-based variable pay, and non-monetary remuneration, 'allowing for an alignment of interests between the Management Board and its shareholders'. Fixed remuneration is based on the level of responsibility, which constitutes a relevant part of total pay.

Variable annual remuneration is linked to the achievement of individual targets and prudent risk management which, in any case, should be lower than the fixed remuneration for the respective business year.

## **The maximum thresholds determined for variable remuneration:**

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

The annual bonus scheme is considered to be part of the total variable remuneration and ranges between 50-60% of the annual base salary, without any material changes in the bonus system compared to the previous year.

## **Malus and clawback:**

Addiko Bank AG can use ex-post risk adjustments and decrease payment (Malus) or ask the individual to pay a sum back if the payment was not justified (clawback), under the predefined rules.

Malus and clawback may be applied to all types of variable remuneration. Malus and clawback may be applied independently, and the relevant Addiko Bank Group bodies have the discretion 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. Clawback actions can be applied to part of or the entire variable payment that was paid out, during a period of one year following the end of financial year for which the employee was rewarded the

non-deferred remuneration. For deferred variable remuneration, this period is six years following the end of the financial year for which the employee was rewarded the remuneration.

Performance-related adjustment as a malus arrangement is activated if:

- the institution 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. If a significant downturn was planned and budgeted and no knock-out criteria applied, this is considered to be an exception. The quantitative definition of significant downturn thresholds is part of the annual KPI target setting, which has to be approved by the Supervisory Board of Addiko Bank AG,
- there are significant changes to the institution's economic or regulatory capital base - affecting both variable payments for the performance year and deferrals on an Addiko Group-wide basis,
- there is evidence of misbehaviour or serious error by the employee - affecting both variable payments for the performance year and deferrals on an individual basis,
- the institution is suffering as a result of a significant risk management failure - affecting both variable payments for the performance year and deferrals on an individual basis,
- there are regulatory sanctions, where the employee's conduct contributed to the sanction - affecting both variable payments for the performance year and deferrals on an individual basis.

A clawback should be applied:

- in the case of fraud or contribution to fraud by the employee,
- when an employee has been released from their position following a disciplinary procedure based on behaviour which had a weak/negative impact on the financial results, or triggered a loss,
- if the employee contributed to weak or negative financial results,
- upon any other wilful or grossly negligent behaviour of an employee, which has led to a significant loss.

### **The principles of a Management Board member's contract termination:**

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

### **The principles and conditions of the company's retirement plan for the Management Board:**

No retirement plan has been implemented for the Management Board at Addiko Bank AG so far.

### **Stock Option Programme**

No stock option programme was implemented in the business year 2021.

### **D&O Insurance**

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



## Remuneration of active members of the Management Board for the business year 2021

### Fixed remuneration

In addition to their base salary, the fixed component of Management Board members' remuneration includes car allowance and social security amounts.

For Tadej Krašovec, newly appointed member of the Management Board, the relocation allowance of EUR 25,000 was defined as a part of the remuneration package in 2021.

For two members of the Management Board whose contracts were terminated during 2021 (Csongor Nemeth and Markus Krause), the unused vacation day payments were also considered as fixed remuneration in 2021.

### Variable remuneration

The basic requirement for the activation of variable remuneration at Addiko Group for 2021 was defined by Addiko Group's SREP requirements.

The additional knock-in criteria defined for the activation of variable remuneration for 2021 were defined as follows:

- Addiko Group's Profit After Tax
- Addiko Group's RAROC

Figure 4 - Achievement of the knock-in criteria for activation of variable remuneration for 2021 showing that all three knock-in criteria were achieved.

	Target	YE 2021 result
<b>Basic requirement</b>		
Addiko Group's Total Capital Ratio	>18.6%	<b>22.19%</b>
<b>Additional Knock-in criteria</b>		
Addiko Group's Profit After Tax	EUR 10.2 million	<b>EUR 13.6 million</b>
Addiko Group's RAROC	-12.3%	<b>-10.3%</b>

### Variable remuneration - annual bonus scheme

Considering the organisational changes that occurred in the Management Board during 2021 and the introduction of the Transformation Programme in the second part of the year, the individual targets for Management Board members defined at the beginning of the year were revised for the second half of the year, resulting in a specific situation with two sets of targets for the first and second half of the year.

The targets for the second half of 2021 were based on the Transformation Programme, which rests on three pillars:

- Boosting growth in the focus areas with new Consumer & SME initiatives, the expansion of digital and hybrid offerings, and the acceleration of the loan book transformation towards the defined focus segments,
- aligning the Group's organisational structure and cost base with its specialist strategy by reducing costs and complexity on the one hand, and streamlining the operating model on the other hand, leveraging digital capabilities,
- tackling special topics proactively, including an ambitious reduction of NPEs as well as the exploration of structural opportunities.

The individual targets defined for the first half of 2021, together with the achievement of the quantitative targets in the respective period, are presented in Figure 5.

Figure 5 - Balanced Scorecard for the first half of 2021

KPI Type	KPI Descriptions	weightage	H1 2021 weighted target achievement
Quantitative	Group Operating income	30%	29.3%
Quantitative	Group OPEX	20%	20.3%
Quantitative	Group Net NPL migration ratio	20%	24.0%
Quantitative	Group Digital transformation	15%	18.0%
Qualitative	Cultural transformation	15%	Discretionary target evaluated by Supervisory Board

The targets shown in Figure 5 were defined for the members of the Management Board in the first half of 2021 as follows:

- Csongor Nemeth, for the period of employment on Addiko Bank AG's Management Board (01.01.2021 - 31.05.2021)
- Markus Krause, for the period of employment on Addiko Bank AG's Management Board (01.01.2021 - 31.05.2021)
- Ganesh Krishnamoorthi, for the period 01.01.2021 - 30.06.2021

Figure 6 shows the individual targets defined for the second half of 2021, together with the achievement of the quantitative targets in the respective period.

Figure 6 - Balanced Scorecard for the second half of 2021

KPI Type	KPI Descriptions	weightage	H1 2021 weighted target achievement
Quantitative	Group Operating result	20%	24.0%
Quantitative	Group NPE ratio	10%	10.1%
Quantitative	Group Digital transformation	5%	6.0%
Quantitative	Group OPEX clean run-rate December 2021	30%	16.2%
Quantitative	Group Focus clean revenue run-rate December 2021	20%	14.7%
Qualitative	Cultural transformation	15%	Discretionary target evaluated by Supervisory Board

The targets shown in Figure 6 were defined for the members of the Management Board in the second half of the year as follows:

- Herbert Juranek, for the period of employment on Addiko Bank AG's Management Board (01.05.2021 - 31.12.2021)
- Tadej Krašovec, for the period of employment on Addiko Bank AG's Management Board (01.06.2021 - 31.12.2021)
- Ganesh Krishnamoorthi, for the period 01.07.2021 - 31.12.2021

Figure 7 shows the final bonus amounts for each the members of the Management Board, calculated in accordance with the individual achievement for the respective period of 2021 (pro-rated amount of the target bonus as defined in their employment contracts):

Figure 7 - Bonus calculation for Management Board members in 2021 (EUR gross)

Name	MB member from - to	Pro-rata Target bonus	2021 Annual bonus
Herbert Juranek	01.05.-31.12.2021	233,333.33	<b>200,557.18</b>
Tadej Krašovec	01.06.-31.12.2021	116,666.67	<b>100,278.59</b>
Ganesh Krishnamoorthi	01.01.-31.12.2021	300,000.00	<b>267,679.61</b>
Csongor Nemeth	01.01.-31.05.2021	143,750.00	<b>135,125.00</b>
Markus Krause	01.01.-31.05.2021	125,000.00	<b>117,500.00</b>

## Variable remuneration - Performance Acceleration Incentive Framework (PAIF)

Figure 8 depicts the additional knock-out criteria for the PAIF in 2021, linked to shareholder participation and defined by the Supervisory Board:

Figure 8 - PAIF additional requirement linked to shareholder participation

	Addiko share price of December 2021 (EUR)		
	= 14.00	14.01 - 15.99	>= 16.00
Activated % of PAIF target amount	50%	Linearly between 50% and 100%	100%

Figure 9 depicts the achievement of the PAIF additional requirement for the business year 2021, measured by the average volume-weighted total return (VWTR) of Addiko Bank AG's share on the Vienna Stock Exchange (ADKO) in December 2021:

Figure 9 - Achievement of the PAIF additional requirement for business year 2021

	Average share price in December 2021	Dividend paid in November 2021	Volume-weighted total return	Achievement for 2021
PAIF additional requirement	13.5747 EUR	2.03 EUR	15.6047 EUR	<b>90.12%</b>

In assessing the PAIF additional requirement for the business year 2021, the average volume-weighted total return (VWTR) indicator was used, which, in addition to the volume weighted average price (VWAP), also includes the dividend paid in the business year 2021. VWTR is a better reflection of the impact on shareholder return and is therefore a better indicator for the inclusion of shareholder participation.

The new version of the Remuneration Policy of Addiko Bank AG's Management Board ("Vergütungspolitik des Vorstandes der Addiko Bank AG"), which will be proposed together with this report for acknowledgement at Addiko Bank AG's next General Assembly on 14 April 2022, includes a definition of the average volume-weighted total return (VWTR) as a PAIF additional requirement.

Figure 10 shows the Management Board participants, who participated in the PAIF scheme for 2021, and their PAIF target amounts as defined by the Supervisory Board.

Figure 10 - PAIF amount calculation for Management Board members in 2021 (EUR gross)

Name	PAIF Target bonus	2021 PAIF achievement	2021 PAIF amount
Tadej Krašovec	100,000.00	90.12%	<b>90,117.50</b>
Ganesh Krishnamoorthi	100,000.00	90.12%	<b>90,117.50</b>

## 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 the Management Board member's agreement (LTI period).

In 2021, there was one eligible participant, Herbert Juranek, with an LTI period defined from 01.05.2021 to 30.04.2024. Each period of 12 months of a fixed term of a Management Board member's agreement is considered as one LTI year, so the first LTI year is defined as the period from 01.05.2021 to 30.04.2022.

The additional requirement, linked to shareholder participation for the first LTI year, is depicted in Figure 11:

Figure 11 - LTI additional requirement linked to shareholder participation

	Addiko share price of April 2022 (EUR)		
	= 12.00	12.01 - 14.99	>= 14.00
Activated % of LTI target amount	50%	Linearly between 50% and 100%	100%

The assessment of the basic requirements and additional knock-out criteria for activation of the LTI for 2021 is based on financial data from Addiko Group's 2021 business year, as shown in Figure 4.

However, as the first LTI year runs until 30.04.2022 and the additional requirement linked to shareholder participation should be measured with the average volume-weighted average price (VWAP) of Addiko Bank AG's share in April 2022, the final evaluation of achievement and calculation of the LTI amount for 2021 cannot be concluded before the publication of this report. The result of the evaluation will be included in the report for the next period.

## Overview of the active members of the Management Board's total remuneration defined for the business year 2021

The Management Board members active during 2021 received EUR 4,216,248.93 in total, thereof EUR 1,001,375.38 as performance-related variable remuneration and EUR 1,365,000.00 related to termination agreements.

Figure 12 - Remuneration of the members of Addiko Bank AG's Management Board defined for 2021 (EUR gross) with a comparison to the remuneration paid for 2020

Name	MB member from - to	Base salary	Other fixed <sup>1</sup>	Total fixed	Variable remuneration	Extraordinary remuneration	Total
Herbert Juranek CEO	01.05.-31.12.2021	433,349.76	21,422.91	454,772.67	200,557.18	0	655,329.85
Tadej Krašovec CRO	01.06.-31.12.2021	233,336.10	43,964.61	277,300.71	190,396.09 <sup>2</sup>	0	467,696.80
Ganesh Krishnamoorthi CMO/CIO	01.01.-31.12.2021	500,000.06	31,256.06	531,256.12	357,797.11 <sup>3</sup>	0	889,053.23
	01.08.-31.12.2020	208,335.73	13,536.16	221,871.89	0	243,750.00 <sup>4</sup>	465,621.88
Csongor Nemeth	01.01.-31.05.2021	239,586.07	54,661.66	294,247.73	135,125.00	690,000.00 <sup>5</sup>	1,119,372.73
	01.01.-31.12.2020	492,502.01	31,018.33	523,520.34	0	0	523,520.34
Markus Krause	01.01.-31.05.2021	250,002.84	42,293.48	292,296.32	117,500.00	675,000.00 <sup>5</sup>	1,084,796.32
	01.01.-31.12.2020	529,999.96	31,018.33	561,018.29	0	0	561,018.29

<sup>1</sup> Other fixed includes car allowance, social security, relocation allowance, and unused vacation day payments in case of termination

<sup>2</sup> Calculated annual bonus and PAIF rewards for 2021, but the amount to be paid will be considered with regard to the regulatory requirements for the CRO position

<sup>3</sup> Variable remuneration includes annual bonus and PAIF rewards

<sup>4</sup> Contractual sign-on & guaranteed bonus

<sup>5</sup> Remuneration related to the mutual termination agreement

The payment of any performance-related variable remuneration defined for 2021 will be initiated only if the risk assessment has been completed successfully and in accordance with regulatory requirements as described in the Remuneration Policy of Addiko Bank AG's Management Board ("Vergütungspolitik des Vorstandes der Addiko Bank AG").

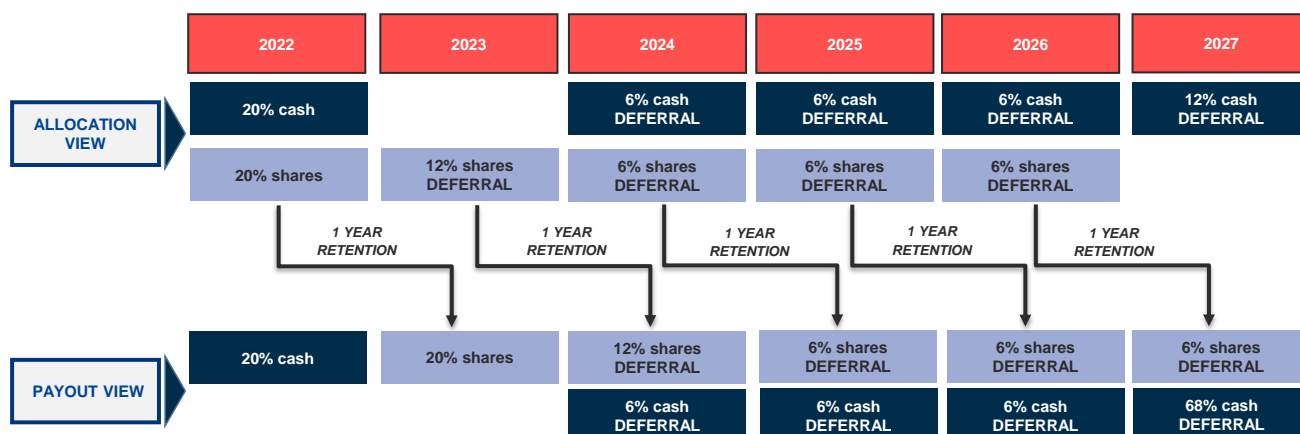
The variable remuneration of active Management Board members consists of a payment of 50% in cash and a payment of 50% in Addiko shares as follows:

- (i) In the first half of 2022, 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 Addiko shares. For the instalment in Addiko shares, a retention period of one year is prescribed.
- (ii) The remaining 60% of the total variable remuneration for 2021 will be deferred and paid out and distributed proportionally over a period of 5 years (12% per year) in the following manner:
  - The second instalment corresponds to 12% of the calculated total variable remuneration and is paid in Addiko shares as soon as possible after the end of 2022. A retention period of 1 year is prescribed for this instalment in Addiko 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 2023 / 2024 / 2025 financial years. According

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to the same scheme, the other half is to be paid out in Addiko shares, with a retention period of one year for each instalment.

- The sixth instalment is equivalent to 12% of the total variable remuneration and will be paid in cash as soon as possible after the end of the 2026 financial year (at the latest by the end of the first half of 2027).



The share price to be used to determine the number of shares corresponds to the average volume weighted share price (VWAP) of Addiko Bank AG (symbol: ADKO) on the Vienna Stock Exchange in the month prior to the calendar month in which the Supervisory Board approved the remuneration for the business year 2021 (February 2022).

Based on the information from the Vienna Stock Exchange, the average volume weighted share price of Addiko Bank AG in the respective months was 11.0246 EUR.

Considering the variable remuneration amounts defined for the business year 2021 and the average share price, the 50% of variable remuneration defined for the members of the Management Board will be transferred into Addiko shares as follows:

Figure 13 - Number of shares defined for the 2021 variable remuneration cycle

Name	2021 Variable remuneration	50% to be paid in shares	VWAP for 2021 cycle	Number of shares defined for 2021
Herbert Juranek	200,557.18	100,278.59	11.0246	9,095
Tadej Krašovec	190,396.09	95,198.05	11.0246	8,635
Ganesh Krishnamoorthi	357,797.11	178,898.56	11.0246	16,227

The shares will be allocated to the members of the Management Board in accordance with the previously presented dynamics.



## Comparative information on the change of remuneration and company performance

Figure 14 - Comparative information on the change of remuneration and company performance (2020 & 2021)

Management Board members' remuneration (fixed + performance related variable remuneration EUR gross)	2020	2021 vs. 2020	2021
<b>TOTAL<sup>1</sup></b>	<b>1,811,080.94</b>	<b>+57.4%</b>	<b>2,851,248.93</b>
Addiko Bank AG performance	2020	2021 vs. 2020	2021
Result after tax	EUR 1.4 m	+871.4%	EUR 13.6 m
Operating result (new P&L structure)	EUR 62.8 m	-12.6%	EUR 54.9 m
Operating expenses	EUR -169.7 m	-0.8%	EUR -171.1 m
Cost-income ratio	72.4%	no change	72.4%
Average remuneration of Addiko Bank AG's employees (fixed + performance bonus EUR gross)	2020	2021 vs. 2021	2021
Addiko Bank AG's employees w/o MB members	84,239.62	+9.9%	92,537.30

<sup>1</sup> only relevant on a total Management Board level, as there were no Management Board members who worked full years in 2020 & 2021

## Remuneration from previous years paid to the Management Board in the business year 2021

Since Addiko Bank AG met the criteria for small and non-complex institutions in terms of point 145 of Article 4(1) of Regulation (EU) No 575/2013 and is not a large institution as defined in point 146 of Article 4(1) of Regulation (EU) No 575/2013, in previous variable remuneration cycles the following model concerning the payment of variable remuneration was applied to Addiko Group's institutions:

- (i) in the first half of the following financial year, an employee is entitled to a variable remuneration instalment equal to 60% of the variable remuneration, payable in cash. The first instalment is paid as soon as reasonably possible following the end of financial year for which it was rewarded to the employee (no later than end of the first half of Y+1),
- (ii) the remaining 40% of the variable remuneration shall be deferred and thus paid out and proportionally allocated over a period of 5 years (8% per year), payable as soon as reasonably possible after the end of the first / second / third / fourth / fifth year following the financial year for which it was rewarded to the employee (no later than the end of the first half of Y+2 / Y+3 / Y+4 / Y+5 / Y+6).

Exceptionally, in the case of the variable remuneration amount exceeding EUR 150,000, 60% of the total variable remuneration amount will be deferred and proportionally allocated over a period of 5 years, payable in the following manner:

- (i) in the first half of the following financial year, employees will be entitled to a variable remuneration instalment equal to 40% of the variable remuneration, payable in cash. The first instalment will be paid as soon as reasonably possible after the end of the financial year for which it was rewarded to the employee (no later than end of the first half of Y+1),
- (ii) the remaining 60% of the variable remuneration shall be deferred and thus paid out and proportionally allocated over a period of 5 years (12% per year), payable as soon as reasonably possible after the end of the first / second / third / fourth / fifth year following the financial

year for which it was rewarded to the employee (no later than the end of the first half of Y+2 / Y+3 / Y+4 / Y+5 / Y+6).

By applying the model described above in the previous variable remuneration cycles (2015, 2016, 2017, 2018 & 2019), a total amount of EUR 884,786.27 was due for payment and paid in 2021 to Addiko Bank AG's Management Board members, of which EUR 221,840.50 was paid to active members and EUR 662,945.77 to former members of the Management Board.

Figure 15 - Bonus instalments from previous bonus cycles paid to active Management Board members in 2021 (EUR gross)

<b>Name</b>	<b>Bonus 2015</b>	<b>Bonus 2016</b>	<b>Bonus 2017</b>	<b>Bonus 2018</b>	<b>Bonus 2019</b>	<b>Total in 2021</b>
Csongor Nemeth		24,959.84	24,960.00	20,238.48	24,560.59	94,718.91
Markus Krause	10,935.12	29,160.43	27,570.00	30,892.32	28,563.72	127,121.59

In addition to the amounts listed above, former Management Board members Ulrich Kissing, Martin Thomas, Christian Kubitschek, Razvan Munteanu, and Johannes Proksch received deferred bonus payments of EUR 662,945.77 in total during 2021, on account of their previous work on Addiko Bank AG's Management Board.