

Report of the Supervisory Board

Dear Shareholders,

2020 was the first full year after Addiko Bank AG went public and was admitted to the Vienna Stock Exchange in July 2019. In the midst of its continuous and consistent execution of the focused business strategy, Addiko Bank AG was like all banks impacted by the Covid-19 pandemic and its effects on the economy.

Despite these challenging economic, social and global circumstances due to this Covid-19 pandemic, Addiko Group kept its focus on its activities serving customers with Consumer and SME financing in Central and South-Eastern Europe as well as with payment services. Addiko Group offers convenient and fast banking services to its customers and puts a particular emphasis on innovative digital solutions. In essence, the global pandemic accelerated clients willingness to switch their banking services to digital while Addiko Group was ready to provide such services as requested by its customers. Online & mobile banking services for the aforementioned focus segments were further improved in the course of the ongoing digitization and optimization of business processes. The loan book of the non-focus segments mortgage financing, loans to large corporates and to public institutions was further reduced as planned during the financial year 2020.

Due to the pandemic and the measures taken by different governments, the existing prudent risk management framework and risk strategy have been further tightened and contributed to a prudent balance between risk and return. While this has been at the expense of loan volume growth during 2020, such prudent approach aims to ensure to minimize risks for the bank. To compensate for lower revenues due to reduced new business activities, Addiko Group kept its course of further driving sustainable cost efficiency while maintaining a balanced risk profile.

As of 13 October 2020, the former shareholder Al Lake (Luxembourg) S.à r.l. sold all its remaining shares.

Activities of the Supervisory Board

During the reporting year, the Supervisory Board performed all of the duties incumbent upon it in a highly conscientious manner and in accordance with the law, the Company's statutes and its own rules of procedure.

It held nineteen meetings in total in the financial year 2020, adopted seventeen circular decisions and assisted the Management Board in an advisory capacity and by continually monitoring the governance of the company. At the meetings of the Supervisory Board and its Committees, the Management Board reported in depth on Addiko Group's financial situation, risks and their mitigation and business performance. The Management Board discussed in detail strategies and related measures with the Supervisory Board. Legal transactions requiring approval were submitted to the Supervisory Board, and the Supervisory Board was given sufficient opportunity to thoroughly examine any reports and resolutions proposed by the Management Board.

In this context, the Supervisory Board undertook the measures necessary to assure that the governance of the Addiko Group's affairs was effective, lawful, compliant and appropriate.

The Supervisory Board had formed the following five standing Committees:

- the Audit and Compliance Committee/Audit, Compliance & AML Committee (which held seven meetings and adopted two circular decisions in 2020),
- the Credit Committee (which held three meetings and adopted fourteen circular decisions in 2020),
- the Risk Committee (which held five meetings in 2020),
- the Nomination & Remuneration Committee (which held nine meetings and adopted two circular decisions in 2020) and
- the Committee for Management Board Matters (which held five meetings and adopted one circular decision in 2020).

Addiko Bank

The Chairman of the Supervisory Board, as well as the Chairmen of the Committees of Addiko Bank AG's Supervisory Board were in regular contact with the Management Board. Within meetings taking place at least once every quarter in person and via virtual meetings, the Supervisory Board regularly received information on the following topics: business performance in the previous quarter, financial performance, risk development and significant matters, as well as major legal disputes. Between the quarterly reports, the Management Board also informed the Supervisory Board of current economic developments. In addition, the Supervisory Board received regular reports of key executives, especially of the Compliance Officer and Internal Audit Officer.

Changes to the Management Board and the Supervisory Board

The Management Board of Addiko Bank AG changed during the reported business year, i.e. two management board members Mr. Johannes Proksch and Mr. Razvan Munteanu stepped down from their mandates and Mr. Ganesh Krishnamoorthi was appointed as a management board member. Hence, the management board consists of three members since 1 August 2020.

In 2020, the Supervisory Board of Addiko Bank AG changed in such a way that Mr. Herman Josef Lamberti (resigned as of 15 May 2020), Mr. Hans-Hermann Lotter (Chair as of 20 May 2020 following Mr. Lamberti) and Mr. Henning Giesecke resigned as of 27 November 2020 from their Supervisory Board mandate and Mrs. Monika Wildner, Mr. Kurt Pribil (both as per 10 July 2020) and Mr. Herbert Juranek and Mr. Frank Schwab (both as per 27 November 2020) were appointed to the Supervisory Board by the General Meetings on 10 July 2020 respectively 27 November 2020. Accordingly, the Supervisory Board consists of eight members, thereof two delegated by the Workers Council.

Consolidated Corporate Governance Report, Austrian Code of Corporate Governance

Deloitte Audit Wirtschaftsprüfungs GmbH (with regard to Rules 1 to 76 of the Austrian Code of Corporate Governance) and CMS Reich-Rohrwig Heinz Rechtsanwälte GmbH (with regard to Rules 77 to 83 of the Austrian Code of Corporate Governance) audited the Consolidated Corporate Governance Report of Addiko Bank AG pursuant to Section 96 (2) Austrian Stock Corporation Act, and issued a report thereon to the Management Board and the Supervisory Board. In its meeting dated 9 March 2021, the Supervisory Board examined the Consolidated Corporate Governance Report based on the report of the Audit, Compliance and AML Committee from 8 March 2021 pursuant to Section 96 Austrian Stock Corporation Act, with this examination not resulting in any objections.

Being a publicly listed entity, Addiko Bank AG adheres to the Austrian Code of Corporate Governance. The Supervisory Board determined that Addiko Bank AG is to comply with the Austrian Code of Corporate Governance as amended in January 2020. The Supervisory Board strives to consistently comply with the provisions of the Code that relate to the Supervisory Board. In this context, the Supervisory Board complies with all Rules relating to the cooperation of the Supervisory Board and the Management Board, and to the Supervisory Board itself, except for the deviations presented in the Corporate Governance Report.

Separate and Consolidated Financial Statements 2020

Deloitte Audit Wirtschaftsprüfungs GmbH audited the separate Financial Statements of Addiko Bank AG and the Consolidated Financial Statements of the Addiko Group as at 31 December 2020, issuing unqualified audit opinions. Pursuant to statutory provisions, the Management Report and the Group Management Report have been audited as to whether they are consistent with the separate and Consolidated Financial Statements and have been prepared in accordance with the applicable legal requirements. The Consolidated Non-Financial Report was read and considered not to be materially inconsistent with the Consolidated Financial Statements nor to be materially misstated.

The separate Financial Statements of Addiko Bank AG were prepared in accordance with the regulations of the Austrian Banking Act (BWG) and - where applicable - with the provisions of the Austrian Commercial Code (UGB). The Consolidated Financial Statements of the Addiko Group were prepared in accordance with IFRS as adopted by the EU and in compliance with the requirements under Section 245a Austrian Commercial Code (UGB) and Article 59a Austrian Banking Act (BWG). The Annual Report, the Group Annual Report, the Consolidated Corporate Governance Report, the Consolidated Non-Financial Report and the Management Board's proposal for the allocation of the annual profit 2020 - all prepared by the Management Board - were discussed in detail with Deloitte Audit Wirtschaftsprüfungs GmbH at the meeting of the Audit and Compliance Committee held on 8 March 2021.

At the meeting, the aforementioned Committee inter alia resolved to propose approval of the separate Financial Statements of Addiko Bank AG by the Supervisory Board.

The Chairman of the Audit, Compliance and AML Committee reported on the Committee's recommendations at the meeting of the Supervisory Board on 9 March 2021. At this meeting, the separate and Consolidated Financial Statements were examined thoroughly in the presence of the auditor and verified by the Supervisory Board to ensure, in particular, that they were lawful, compliant and appropriate.

The Annual Report of Addiko Bank AG as well as that of the Addiko Group, the Consolidated Corporate Governance Report and the Consolidated Non-Financial-Report were examined and found, in the opinion of the Supervisory Board, to be consistent with legal requirements.

The Supervisory Board has examined and endorses the Management Board's proposal for the allocation of the annual profit as follows.

As adopted in the annual general meeting ("AGM") on 27 November 2020, the distribution of the 2019 dividend of EUR 2.05 per share is dependent on two conditions, namely that until 10 March 2021 (which is the anticipated date of publication of the Annual Report 2020) neither a recommendation of the European Central Bank ("ECB") would in the company's view conflict with a distribution of dividends nor a legally mandatory distribution ban is effective or applicable, and that the Common Equity Tier 1 (CET1) capital ratio of Addiko Bank AG (and Addiko Group) after such distribution is not lower than 18.6%.

The ECB has on 15 December 2020 published a recommendation that banks exercise extreme prudence on dividends and has to this end asked all banks to consider not distributing any cash dividends or to limit such distributions until 30 September 2021. As a consequence of such recommendation, despite a CET 1 ratio of 20.3% on a transitional basis or 19.3% fully-loaded as of year-end 2020 with the currently envisaged dividend amounts already deducted, the existing profit allocation resolution dated 27 November 2020 does not permit a dividend distribution. The 2019 balance sheet profit of EUR 40 million is therefore carried forward to the financial year 2020, as resolved by the AGM.

Pursuant to Austrian GAAP in connection with the Austrian Banking Act, Addiko Bank AG generated net accumulated profits in the amount of EUR 46.6 million in the financial year 2020, which includes the communicated 2019 balance sheet profit of EUR 40 million (carried forward to the financial year 2020). Following a constructive dialogue and considering the European Central Bank (ECB) recommendation on dividend distribution, the Management Board of Addiko Bank AG intends to propose to the upcoming AGM 2021 on 26 April 2021 to allocate such balance sheet profit in the following manner: In total, the Bank aims to generate shareholder return of ca. EUR 46.6 million (EUR 2.39 per share) to be proposed for distribution in two tranches, one un-conditional and one conditional tranche.

The first, unconditional tranche of ca. EUR 7 million (EUR 0.36 per share) shall, subject to shareholder approval, be distributed on the dividend payment date of 4 May 2021 and represents the maximum dividend allowed under the currently valid recommendation of the ECB (i.e. below 15% of the cumulated profit for 2019-20 and not higher than 20 basis points of the Common Equity Tier 1 (CET1) ratio, whichever is lower).

In addition, the conditional distribution of the second tranche of up to ca. EUR 39.6 million (up to EUR 2.03 per share) is, subject to shareholder approval, envisaged to be paid after 30 September 2021 under the condition and to the extent that on the twelfth working day of each calendar month after 30 September 2021 until 31 January 2022 neither a recommendation of the ECB would, in the company's view, conflict with a distribution of dividends nor a legally mandatory distribution restriction is effective or applicable.

The result of the examination is that the Supervisory Board had no objections to the separate Financial Statements, the Consolidated Financial Statements and the audit performed by the auditor.

The Supervisory Board, therefore, concurred with the results of the audit on 9 March 2021 and approved the separate Financial Statements of Addiko Bank AG. The separate Financial Statements have, therefore, been adopted.

The Supervisory Board would like to express thanks to the members of the Management Board, the leadership team and to the entire staff for their outstanding commitment and achievements in 2020.

On behalf of the Supervisory Board

Kurt Pribil m.p.
Chairman of the Supervisory Board

Vienna, 9 March 2021