

Remuneration Policy of the Management Board of Addiko Bank AG

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1. LEGAL BASIS AND PREPARATION OF THE REMUNERATION POLICY

This remuneration policy for the Management Board of Addiko Bank AG (“Remuneration Policy”) lays down the principles of remuneration of the Management Board of Addiko Bank AG (“Company”) pursuant to Section 78a Austrian Stock Corporation Act (“AktG”).

This Remuneration Policy was prepared by the Nomination & Remuneration Committee of the Supervisory Board and resolved by Supervisory Board resolution dated 4 March 2020. It will be submitted to the Company’s General Assembly for resolution in the course of the next Annual General Meeting.

The essential parts of this Remuneration Policy are based on and consistent with the internal *Group Remuneration Policy* (remuneration policy pursuant to Section 39b Austrian Banking Act (BWG)) of the Addiko Group.

2. OBJECTIVES

This Remuneration Policy shall promote the Company’s business strategy and long-term development. This shall be achieved based on principles for the remuneration of Management Board members, taking into account:

- their duties and workload;
- their expertise and experience;
- their responsibility and the risks associated therewith;
- the size, situation as well as a sustainable and long-term development of the Company, including its subsidiaries; and
- the relevant legal and regulatory requirements as well as the Austrian Code of Corporate Governance.

Moreover, this Remuneration Policy shall provide for sufficient leeway to be able to respond to short-term market developments and to ensure a well-balanced appointment of the Management Board members.

It is intended to enable the Company to recruit and retain experienced and qualified Management Board members and to ensure the achievement of the Company’s objectives in line with its strategy, its long-term targets and its risk profile.

2.1 Remuneration principles

2.1.1 Financial standing of the Addiko Group

It is essential for the remuneration system to consider the standing of the Addiko Group in addition to the standing of the Company or an individual.

2.1.2 Sound capital base

The Company must take into account the risk associated with its remuneration system as regards its potential effects on the Company’s and the Addiko Group’s capital base. Thus, the Company must take into account the effects of the remuneration amount - both of immediately payable and of deferred remuneration components - in its capital planning and in the entire capital assessment process, and in doing so, also consider the current capital position.

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

If the Company or the Addiko Group does not achieve its capital targets, priority shall be given to build up the required capital or solvency buffer and a conservative remuneration policy shall be pursued, particularly in respect of variable remuneration.

2.1.3 Support of long-term strategy

The remuneration system must be coordinated with the Company's and the Addiko Group's long-term business strategy in such a way that it includes the general business strategy and quantified risk tolerance levels over a period of several years.

2.1.4 Extraordinary remuneration arrangements

Extraordinary remuneration arrangements are such elements of remuneration as are usually not made available to the Management Board members and regarded as exceptions (e.g. welcome bonus, signing bonus, guaranteed bonus, *retention bonus*, severance package).

Such extraordinary remuneration arrangements are approved by the Company's Supervisory Board for Management Board members on a case-by-case basis.

Extraordinary remuneration arrangements are limited to certain situations related to recruiting phases, special projects, a high risk of leaving or restructuring. They must comply with all relevant principles of this Remuneration Policy and must be documented in writing.

2.1.5 Avoiding conflicts of interest

The Company operates in accordance with the Code of Business Conduct & Ethics, which shall be complied with by every staff member - including the Management Board members. The remuneration system is fully consistent with the Code of Business Conduct & Ethics as well as the *fit&proper* guidelines which also contain measures to avoid conflicts of interest.

2.1.6 Equal pay

In determining the remuneration system, the Company must comply with all legal requirements, including the provisions on equal pay.

2.1.7 Shareholder participation

Pursuant to Section 78b (1) AktG, the Company's Supervisory Board shall submit this Remuneration Policy to the Company's General Assembly for resolution.

2.1.8 Market data

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

3. REMUNERATION STRUCTURE

3.1 Basic principles of remuneration structure

This Remuneration Policy differentiates between three main remuneration components:

- Fixed remuneration, containing each payment not linked to performance;

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- Variable remuneration, containing an annual bonus and an incentive system (which may also be paid out more often than once a year); and
- Other benefits (all other kinds of reward and recognition instruments which are neither divided into fixed nor variable remuneration).

Remuneration of the Management Board members is intended to be determined as a combination of (i) fixed remuneration, (ii) performance-linked variable remuneration, and (iii) non-monetary remuneration taking into account the mutual value for the Company's and the Group's staff members consistent with shareholder interests.

The Supervisory Board and its competent committees determine, approve and monitor the specific remuneration of the Management Board members.

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

- Fixed remuneration based on the level of responsibility of the respective Management Board member, whereby the fixed remuneration is intended to constitute a relevant part of total remuneration;
- Variable annual remuneration which is linked to the achievement of individual target agreements defined in advance as well as a prudent risk management, and which is, in any case, intended to be lower than the fixed remuneration for the respective financial year;
- In the case of early termination by the Company without significant grounds or on significant grounds for which the Management Board member is not responsible as well as in the case of a justified early termination by the Management Board member on significant grounds attributable to the Company, the following entitlements may arise:
- Compensation for loss of income for the then remaining period of time until the end of the fixed term, which can be increased up to a maximum of 75% of a gross annual base salary or until the end of the fixed term, whichever amount is lower. This must be approved by the Company's Supervisory Board for Management Board members.
- A proportionate annual bonus payment for the year in which the contract of employment is terminated may be taken into account in the remuneration, assuming that it does not amount to more than 100%.
- Management Board members may be granted an entitlement to insurance, including D&O insurance, in line with the group insurance contracts in place for Management Board members.

The Management Board members do not receive separate remuneration for their positions as Supervisory Board members at a direct or indirect subsidiary of the Company.

4. FIXED REMUNERATION

4.1 Definition of fixed remuneration

Fixed remuneration is the remuneration paid to individual Management Board members for the performance of their work for a contractually defined period of time and for the extent of their responsibility, reflecting the required experience and qualifications.

The following components are regarded as fixed remuneration:

- Base salary; benefits, salary supplements and bonuses added to the salary that are part of a general, non-discretionary, company-wide policy which do not have incentive effect with regard to the assumption of risks;

- Remuneration components which are not inherently fixed but which are not linked to the performance of a Management Board member and are regarded as exceptions.

4.2 Base salary

4.2.1 Level of salary

The base salary must be of such an amount that an inappropriate level of risk appetite is not encouraged.

A level of base salary above market value is only justifiable for management positions that are rare in the market and of vital importance to the Company.

4.2.2 Increase of base salary

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

An increase of the base salary must be based on a combination of market interest rates as well as the qualifications and the seniority of the individual.

4.3 Legally stipulated/required benefits, supplements and bonuses added to the base salary

Any legally stipulated/required benefits, supplements and bonuses added to the base salary are regarded as fixed remuneration. They are based on applicable legal provisions and must be granted to the Management Board member in compliance with these provisions.

Any legally stipulated/required benefits, supplements and/or bonuses added to the salary beyond the provisions under national law must be assessed and approved by the Company's human resources department prior to submission for approval to the Supervisory Board.

4.4 *Job enrichment*, extension of field of work and increased responsibilities

Each supplement and/or each bonus added to the base salary relating to *job enrichment* or an extension of the field of work or increased responsibilities / increased competence within the existing position are regarded as fixed remuneration.

Such supplements and bonuses added to the salary depend on the duration of the respective enrichment, extension or increased responsibility and are intended not to exceed 20% of the gross base salary in the respective period of time.

4.5 Remuneration components which are not inherently fixed but which are not linked to performance

Remuneration components which are not inherently fixed but which are not linked to the performance of the Addiko Group, the Company or an individual are regarded as fixed remuneration.

A signing bonus may only be granted under exceptional circumstances in the first year of employment.

In limited cases such as a restructuring and if there are good reasons to retain key members of the Management Board, an additional compensation or bonus may be granted to retain the Management Board member.

4.6 Regular review

Fixed remuneration components must be reviewed on a regular basis and at least once a year. Fixed remuneration is relevant insofar as it is intended to decrease the risk of excessively risk-oriented conduct, to prevent initiatives focused on short-term results and to enable flexibility with regard to the remuneration mix (fixed vs. variable remuneration).

5. BASIC PRINCIPLES OF VARIABLE REMUNERATION

5.1 Definition

Variable remuneration serves as a reward for success by directly linking remuneration to performance (group, company and individual performance). It also serves to motivate the Management Board members as regards the pursuit of the Company's objectives and interests and to have them be a part of the Company's success.

5.2 Flexibility/adjustment

Each variable remuneration system must be flexible enough for a reduction in variable remuneration - even to zero - to be possible if negative results are generated or the competent supervisory authority requests it.

Ex-post risk adjustments of variable remuneration are carried out as a response to actual risk results of actions taken by the Management Board member or the changed circumstances. An ex-post risk adjustment of this kind constitutes an explicit risk alignment tool which is used to adjust the remuneration of the Management Board member via a penalty agreement or clawback clauses as described further below under Item 0.

5.3 Maximum ratio of the variable to the fixed remuneration component

The differentiation between the fixed and variable portions of remuneration must be clear and plausible.

The variable remuneration portion must not exceed 100% of the fixed portion of the total remuneration for each individual Management Board member.

5.4 Payment restrictions of variable remuneration components and risk adjustment

Measurement of performance, which is used to calculate variable remuneration components or pools of variable remuneration components, includes an adjustment for all types of current and future risks and takes into account cost of capital and the required liquidity. In allocating the variable remuneration components within the Company, all types of current and future risks shall be taken into consideration.

Variable remuneration components (including performance-linked benefits) may only be paid out if the Company's financial situation is sustainable and the payment is justifiable. An entitlement to variable performance-linked remuneration (both new remuneration and the payment of deferred elements) may only arise if the capital requirements as described below are met.

Payments of variable remuneration components are only permissible if the applicable capital requirements are met. Exceptions are only possible if payment of the variable remuneration can be reconciled with a sound and effective risk management, if it promotes such sound and effective risk management and does not constitute an encouragement to exceed the risk level tolerated by the Company, as well as if it does not restrict the Company's ability to maintain or restore a sound capital base. All exceptions must be approved by the Company's Supervisory Board.

5.5 Non-cash incentive and recognition plans

Non-cash incentives and recognition plans are methods to honour individual Management Board members for special and extraordinary performance not rewarded by other variable payments.

They have retroactive effect as they recognise past performance and conduct and can also be made informally and on a discretionary basis.

Maximum amount of prizes/awards:

- The amount of prizes/awards must be symbolic in nature.
- The maximum amount is defined as 30% of the average monthly gross base salary of the Company's employees that do not have a management function.

5.6 Effective risk management, risk identification and risk quantification

The remuneration system must be reconcilable with an effective risk management and promote such effective risk management. It must not constitute an encouragement to assume risks exceeding the required/tolerated level of risk.

Each programme for variable remuneration is intended to comply with the Company's internal capital adequacy assessment processes (ICAAP) and with the Company's individual liquidity assessment.

Whenever an assessment is used to measure risk and performance or to adjust risk, the following prerequisites shall be complied with:

- Clearly elaborated document stating the parameters and key considerations upon which the assessment is based;
- Clear and complete documentation of the final decision as regards the measurement of risk and performance or the risk adjustment;
- Involvement of experts as regards the relevant control functions; and
- Existence of the required approvals, in particular by the Company's Supervisory Board.

In determining variable remuneration pools or individual remuneration, the Company is intended to take into account the entire range of current and potential (unexpected) risks related to the activities performed.

The key performance indicators used in determining the remuneration pool may not record the risks assumed, or only record such risks insufficiently, which is why ex-ante adjustments are intended to be made to make sure that variable remuneration is entirely in line with the risks assumed.

To ensure a sound and effective remuneration system, the Company is intended to apply quantitative and qualitative measures/criteria in its risk adjustment process. In assessing risk and performance, both current and future risks assumed by a Management Board member, his or her department, the Company and the Addiko Group as a whole should be taken into consideration.

6. VARIABLE REMUNERATION - BONUS PAYMENTS

6.1 Entitlements to bonus payments

6.1.1 Basic principles

Bonus payments are performance-linked and are not guaranteed, except for a potential guaranteed variable remuneration in the first year of employment.

Bonus payments are intended to reflect the business results and take into account individual performance as well as the consolidated business results and the capital position of the Addiko Group.

Bonus payments can only be made after submission of the audited consolidated IFRS financial statements which have been adopted by the Company's Supervisory Board.

6.1.2 Personal entitlement

A Management Board member is entitled to a bonus payment if he or she has been employed by the Company for a minimum of five months during the financial year for which the bonus is paid.

If the leaving Management Board member is regarded as a “*good leaver*”, he or she retains the right to be paid bonus amounts and/or deferred bonus amounts, and he or she is also entitled to a proportionate bonus payment for the year in which the employment relationship ends. In this Remuneration Policy, the status of “*good leaver*” comprises the following circumstances:

- Termination of employment relationship due to physical illness, injury or permanent disability, in accordance with the applicable laws;
- Retirement, also in the case of a special agreement with the Company;
- Death of the Management Board member (the bonus amounts and/or deferred bonus amounts are paid to the heirs pursuant to the applicable inheritance law); and
- Unjustified extraordinary termination of the Management Board member's contract of employment by the Company.

If the Management Board member cannot be regarded as “*good leaver*” due to the circumstances stated above, he or she loses his or her entitlement to bonus payments for the year in which the grounds for the termination of the employment relationship have arisen.

6.2 Balanced scorecards for Management Board members

Targets for Management Board members are defined in individual *balanced scorecards*, constituting a basis for the assessment of the individual results in the annual performance cycle.

The targets, a list of at least 4 (four) performance targets (no more than 8 (eight) are suggested) are intended to be defined as a combination of group, area of responsibility of the Management Board member and individual targets. For Management Board members with combined duties, it is determined which management target is given which weight.

The Management Board's performance targets are determined as a well-balanced combination of quantitative/financial (“hard”) targets as well as discretionary/non-financial (“soft”) targets.

The quantitative/financial targets are defined based on the budget and primarily focus on the risk-based performance measurement framework (RaRoC target - risk adjusted return on capital), cost management (OPEX target) and productivity (net operating result target). The discretionary/non-financial targets are defined based on the course of business and the specific requirements for the Management Board, comprising, e.g., team leading skills, successful completion of business segment reporting, support of group-wide digital transformation, reinforcement of risk culture.

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The individual *balanced scorecard* is intended to be well-balanced and to ensure that targets are in line with the business strategy within the Company's risk appetite and risk management framework.

For each quantitative/financial target, exact key performance indicators (KPIs) for low and high achievement of performance targets are intended to be defined. The final confirmation of all quantitative/financial targets (target & actual) is intended to be made by the CFO/the planning team, Risk Management and other relevant functions.

6.3 Bonus amounts

6.3.1 Target bonus/maximum amount of bonus

The amount of the target bonus and the maximum amount of the bonus depend on the Management Board member's function and on the 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 Company for the entire financial year is calculated proportionally, considering the days the Management Board member worked for the Company in the respective year (period of time for which he or she received a salary from the Company).

6.3.2 Individual success factor

The final individual performance assessment for Management Board members is defined by calculating the *individual success factor* (range between 0% and 100%), representing the weighted target achievement of the individual *balanced scorecard*.

Calculation example for the individual success factor:

LIST OF TARGETS		Weighting (%)	KPI			ACHIEVEMENT		
			value	target weighting %	achieved result	factor	target weighting (weighting * factor)	
1	TARGET 1	20%	high	EUR 50M	100%	45M	87,5%	17,5%
			low	EUR 30M	50%			
2	TARGET 2	20%	high	2,0%	100%	2,1%	100,0%	20,0%
			low	0,5%	50%			
3	TARGET 3	20%	high	EUR 60M	100%	60,5M	95,8%	19,2%
			low	EUR 66M	50%			
4	TARGET 4	15%	Discretionary target			75%	75,0%	11,3%
5	TARGET 5	10%	Discretionary target			100%	100,0%	10,0%
6	TARGET 6	15%	high	EUR 2,13BN	100%	2,05bn	0,0%	0,0%
			low	EUR 2,10BN	50%			
		100,0%				INDIVIDUAL SUCCESS FACTOR		77,9%

The individual success factor is calculated based on the achievement of performance targets of the individual *balanced scorecard*, observing the following:

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- An *achievement factor* corresponding to or exceeding the high KPI is considered to constitute a *target weighting of 100%*;
- An *achievement factor* corresponding to the low KPI is considered to constitute a *target weighting of 50%*;
- An *achievement factor* lower than the low KPI is considered to constitute a *target weighting of 0%*;
- An *achievement factor* between the high and low KPI is calculated on a straight-line basis at a *target weighting between 50% and 100%*.

If the individual success factor is below 50%, the Management Board member is not entitled to bonus payments for the financial year.

Assessment of individual performance also strictly considers violations of the code of conduct or regulations as regards compliance and values, findings and assessments made by supervisory authorities or internal audit, Compliance, Risk Management and Human Resources.

It should be ensured that, in addition to individual performance, bonus results also reflect business results and affordability (as far as, among others, capital is concerned).

6.3.3 Calculation of bonus

For members of the Group Management Board, the final amount of the bonus is calculated as follows:

$$\begin{array}{c} \text{TARGET BONUS AMOUNT} \\ \times \\ \text{INDIVIDUAL SUCCESS FACTOR} \\ = \\ \text{ANNUAL INDIVIDUAL BONUS AMOUNT} \end{array}$$

6.3.4 Cap of variable remuneration

The individual amount of the variable remuneration should not exceed the maximum amount as defined in the Management Board member's contract of employment and must never exceed the amount of the Management Board member's annual fixed remuneration.

6.4 Process of payment

6.4.1 Basic prerequisite / knockout criterion

Variable remuneration components may only be paid if the Addiko Group's (as well as the Company's) financial situation is sustainable and the bonus is justifiable. An entitlement to a new bonus as well as the payment of deferred bonuses from prior years only arises if the basic prerequisites are met.

Basic prerequisite / knockout criterion

Bonus payments can only be granted if the capital requirements are met. Capital requirements are defined by the SREP requirements of the Addiko Group. For the purposes of this Remuneration Policy, the SREP requirements and the capital position refer to the applicable status at the end of the respective performance year.

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

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The bonus is calculated and paid on an annual basis.

6.4.2 Bonus payment model

If the basic prerequisite is fulfilled, the bonus determined as defined in Item 6.3.3 is considered to be the basis for the calculation of partial bonus payments.

Based on the currently applicable provisions, a value threshold for the deferral of the bonus was defined. Taking into account the risk profile and the type of lending business of the Addiko Group, the variable remuneration amount, which is calculated as the total of variable remuneration components in a certain performance year, is only deferred if:

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

If applicable regulations for one of the above stated thresholds are stricter, a combination of the stricter thresholds is intended to be applied.

Addiko Bank AG considers itself to be a medium-sophisticated institution and, pursuant to the principle of proportionality codified in Article 92 (2) of Directive 2013/36/EU, generally applies a model of paying variable remuneration in cash, as described in the following:

- (i) In the first half of the subsequent financial year, a staff member is entitled to a bonus instalment in the amount of 60% of the bonus calculated as defined in Item 6.3.3, payable in cash. The first instalment is paid as soon as possible after the end of the financial year for which the staff member has been rewarded (no later than at the end of the first half of Y+1).
- (ii) The remaining 40% of the bonus calculated as defined in Item 6.3.3 are deferred and paid and distributed proportionately over a period of 5 years (8% per year), payable as soon as possible after the end of the first/second/third/fourth/fifth year after the financial year for which the staff member has been rewarded (no later than at the end of the first half of Y+2/Y+3/Y+4/Y+5/Y+6).

If, by way of exception, the bonus amount determined as defined in Item 6.3.3 exceeds EUR 150,000, 60% of the total bonus amount are deferred and paid proportionately over a period of 5 years as follows:

- (i) In the first half of the subsequent financial year, the staff member is entitled to a bonus instalment in the amount of 40% of the bonus calculated as defined in Item 6.3.3, payable in cash. The first instalment is paid as soon as possible after the end of the financial year for which the staff member has been rewarded (no later than at the end of the first half of Y+1).
- (ii) The remaining 60% of the bonus calculated as defined in Item 6.3.3 are deferred and paid and distributed proportionately over a period of 5 years (12% per year), payable as soon as possible after the end of the first/second/third/fourth/fifth year after the financial year for which the staff member has been rewarded (no later than at the end of the first half of Y+2/Y+3/Y+4/Y+5/Y+6).

However, the Supervisory Board may decide to define a payment method consisting of a combination of cash and financial instruments in accordance with the relevant regulatory and legal provisions. The decision on the payment method consisting of a combination of cash and financial instruments can be made by the Supervisory Board during the process of defining the targets for the respective financial year.

6.5 Penalty and clawback

If the payment was not justifiable under the predefined regulations, the Company may make ex-post risk adjustments by reducing payments to Management Board members (penalty) or by requesting repayment from the Management Board member (clawback).

Contracts of employment for newly appointed and existing Management Board members of the Company must contain a penalty and clawback clause.

Penalty and clawback may be applied to all types of variable remuneration. Penalty and clawback may be applied independently of one another and it is at the discretion of the Company's Supervisory Board, and also its right, to decide whether a penalty or clawback situation exists and which measures are appropriate. The period of time in which a penalty may be applied corresponds to the period of time determined for the payment deferral. Clawback may be applied to a part of or the total variable remuneration paid during (i) a period of one (1) year after the end of the financial year for which the Management Board member was rewarded with a non-deferred remuneration, and (ii) a period of six (6) years after the end of the financial year for which the Management Board member was rewarded with a deferred variable remuneration.

The performance-linked adjustment in the form of a penalty, which affects both the variable payments of the performance year and the deferrals, may be applied in the following cases:

- If the Company sustains a significant decline in its financial standing, unless a significant decline was planned and budgeted and no knock-out criterion was met. The quantitative definition of the thresholds for a significant downturn will be part of the annual determination of key performance indicators (KPIs) which are subject to the approval of the Company's Supervisory Board;
- Significant changes to the Company's economic or regulatory capital base;
- Evidence of misconduct or grave errors of the Management Board member;
- Substantial failure of risk management; or
- Regulatory sanctions if the Management Board member's conduct contributed to the sanctions.

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

- Fraud or contribution to fraud by the Management Board member;
- The Management Board member was removed from his or her position due to disciplinary proceedings resulting from conduct that adversely affected financial results or caused a loss;
- The Management Board member contributed to poor or negative financial results; or
- Any other deliberate or grossly negligent conduct of a Management Board member having resulted in a substantial loss.

6.6 Miscellaneous

6.6.1 Ratio of annual bonus provisions to employment relationship

Any other provisions of the annual bonus provisions notwithstanding, and insofar as not otherwise regulated by applicable law, the following applies:

- Nothing in the bonus provisions may be interpreted or understood as creating an obligation for the Company or an affiliated company to continue the employment relationship and/or the position held by the Management Board member for the period in which the entitlements under the bonus provisions are vested or can be exercised, nor may anything in the bonus provisions restrict in any way the right of the Company or an affiliated company to terminate the employment relationship with the Management Board member at any time with or without cause;
- Any payments made in connection with the bonus provisions shall be performance-based and wholly discretionary. If the Management Board member is entitled to receive variable remuneration in a given year, this payment shall be regarded as a one-off, non-binding act, which does not imply a right of the Management Board member to receive a further bonus or similar benefit in future; and
- If the Management Board member no longer has an employment relationship with the Company, he or she shall have no entitlement to compensation for the loss of a right or benefit or an anticipated right or benefit under the bonus provisions, whether in the form of compensation for damages or otherwise.

6.6.2 Taxes and social security

All payments effected in accordance with this Remuneration Policy are subject to all applicable statutory deductions, including but not limited to income tax, social security and similar contributions.

6.6.3 Personal coverage and insurance; short-term incentives

The Management Board member should not use any personal coverage or certain types of insurance to protect himself or herself against the risks of variable remuneration arrangements.

A variable part of the remuneration consisting predominantly of incentives which are paid immediately without deferral or subsequent risk adjustment tools (penalty or clawback) and/or which are based on a formula linking variable remuneration to the business results of the current year instead of the risk-adjusted profit and long-term sustainability is not permissible.

6.7 Governance structures

The Committee for Management Board Matters of the Company's Supervisory Board is notified of any proposed bonuses and confirms the final bonus amounts to make sure that the bonus payments appropriately reflect the Addiko Group's situation.

The Addiko Group's human resources department prepares an annual preliminary calculation of the quantitative targets for the meeting of the Committee for Management Board Matters. Prior to this, Addiko Bank AG's human resources department will receive the following reports from Group Finance Controlling of Addiko Bank AG:

- Annual bonus budget;
- Target achievement (achievement of targets of the Group, the Company as well as management targets and calculation of the success bonus factor);
- Distribution of individual performance criteria (in accordance with the assessment criteria); and
- Distribution of the highest 15% bonuses at each institution.

The reports must be submitted at least one week prior to the meeting of the Nomination & Remuneration Committee and of the Committee for Management Board Matters.

Milestones/time schedule for the review process are determined by the Addiko Group's human resources department.

7. TERMINATION BENEFITS

Termination benefits/a severance package is granted for early termination of the employment relationship in the following cases:

- The Company terminates the Management Board members' contracts of employment due to a failure of the Company (regulatory intervention, resolution tools, insolvency, lack of sound capital base, etc.);
- The Company intends to terminate the contract of employment after a significant reduction of the activities of the Company or in business segments taken over by other institutions without the option for the Management Board members to remain at the institutions taking over the segments; or
- In the case of settlement of a labour dispute.

Identified failures should be differentiated between failures of the Company and failures of the Management Board member (lack of appropriate standards for suitability and appropriateness, acts conflicting with internal regulations, values or processes based on intent or gross negligence, etc.).

The criteria for determining the amount of the termination benefits relate to the duration of the employment relationship with the Company, a potential termination benefit for the loss of function and a competition clause from the contract of employment. In determining the amount of the termination benefits, long-term performance is intended to be taken into account.

Regular remuneration payments relating to the duration of a period of notice should not be regarded as termination benefits paid.

Termination benefits should not be granted in the case of an obvious failure permitting the immediate termination of the contract of employment or the removal of the Management Board member from his or her position, or if a Management Board member gives notice to assume a position at another legal entity.

Termination benefits should generally be regarded as variable remuneration, but in the following cases termination benefits may be paid without applying a deferral and without payment in financial instruments:

- At an amount not exceeding the amount defined by national labour law;
- A termination benefit paid on the basis of a final court decision;
- Termination benefits for the loss of function if subject to a competition clause in the contract of employment and if paid out in future periods, but only in the amount of the fixed remuneration which would be paid via salaries for this period; or
- Amounts paid in the form of compensation for damages in the case of a dissolution of the contract ordered by the court under the national labour law governing the employment relationship.

8. OTHER ADVANTAGES

8.1 Definition

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

- To satisfy market practice (e.g. company car);

- If they offer a certain extent of security to the Management Board member (e.g. accident insurance or D&O insurance); or
- To retain the Management Board member.

Benefits that are part of a general, non-discretionary, company-wide policy which do not have incentive effect with regard to the assumption of risks are regarded as fixed remuneration.

8.2 Legally stipulated benefits

Those benefits that must be paid on the basis of labour law requirements are compulsory. Legally stipulated benefits are regarded as fixed remuneration.

9. PROMOTION OF THE COMPANY'S BUSINESS STRATEGY AND LONG-TERM DEVELOPMENT

The remuneration structure of the Company's Management Board described in this Remuneration Policy promotes the objectives stated in Item 2. by linking the individual variable remuneration to the long-term and sustainable development of the Company by (i) deferred payments and payment in financial instruments, (ii) observing the applicable legal and regulatory provisions, and (iii) ensuring the conformity of the Addiko Group's business strategy to the individual success factors of the Management Board members by way of the *balanced scorecard* model.

10. CONSIDERATION OF THE REMUNERATION AND EMPLOYMENT CONDITIONS OF THE COMPANY'S STAFF

The remuneration and employment conditions of the Company's staff were not explicitly taken into consideration in determining this Remuneration Policy. Relevant factors can be defined as targets for Management Board members in the individual *balanced scorecards*.

11. CONTRACT TERM, NOTICE PERIODS AND OTHER CONTRACTUAL PROVISIONS

The term of the Management Board members' contracts of employment is intended not to exceed 4 (four) years. In any case, the term of the contracts of employment is linked to the appointment of the Management Board.

In the case of removal of a Management Board member from his or her position due to culpable acts to be deemed as grounds for dismissal or removal pursuant to Section 75 (4) AktG by analogy with Section 27 Austrian Salaried Employees Act, the contract of employment may be extraordinarily terminated by the Company with immediate effect. An extraordinary termination on other significant grounds, including the loss of the *fit&proper* status, shall remain unaffected.

The Management Board members' contracts of employment do not contain any notice periods. If the Company ordinarily terminates the contracts of employment, the Management Board members have, in certain cases, a right to compensation for termination. In the case of:

- a) an early termination by the Bank without significant grounds or on significant grounds for which the Management Board member is not responsible, as well as
- b) a justified early termination by the Management Board member on significant grounds attributable to the Bank,

the Management Board member is entitled to a one-off compensation for the loss of income for the remaining period of time until the end of the appointment period up to a maximum of 75% of a gross annual base salary plus 75% of the target bonus. This entitlement must be in accordance with the Bank's Remuneration Policy and the applicable supervisory law.

Addiko Bank

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

A Management Board member's gross monthly salary includes contributions to a pension fund, which is why the Management Board members are not entitled to any additional remuneration or payment in connection with the pension fund.

12. PROCEDURAL PROVISIONS

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

Pursuant to Section 78b (1) AktG, this Remuneration Policy shall be submitted to the Company's General Assembly for resolution at least in every fourth financial year as well as for each material amendment. Prior to this, the Company's Supervisory Board shall resolve the Remuneration Policy - or the amended Remuneration Policy where applicable - and submit a proposal for resolution to the General Assembly.

The General Assembly's resolution on this Remuneration Policy takes the form of a recommendation and cannot be contested.

After resolution in the course of the Annual General Meeting, this Remuneration Policy shall be published on the Company's website together with the date of the resolution and its result no later than on the second business day after resolution, and be made available for the duration of its validity free of charge.

13. TEMPORARY DEROGATION FROM THIS REMUNERATION POLICY

Under exceptional circumstances, the Company may temporarily derogate from Items 4. to and including 0. of this Remuneration Policy, provided that the Company's Supervisory Board has approved such derogation. Derogations from this Remuneration Policy shall be reported to the General Assembly.

Only situations in which the derogation from this Remuneration Policy is necessary for the long-term development of the Company or the ensuring of its profitability are deemed exceptional circumstances. This includes, in particular:

- Material changes to the legal or regulatory framework;
- Material changes to the assessment and calculation criteria with regard to variable remuneration;
- Force majeure events and material changes to the macroeconomic environment; and
- Material changes to the Remuneration Policy pursuant to Section 39b BWG required as a result of a request, recommendation or finding by the competent authority.

This document is a translation of the German original version. In any case of doubt, the German original version shall prevail.