



Addiko Bank

Consolidated Non-Financial Report 2019

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Glossary

Addiko Bank	Addiko Bank Group
ABH	Addiko Bank AG, Austria
ABC	Addiko Bank d.d., Croatia
ABS	Addiko Bank d.d., Slovenia
ABSA	Addiko Bank d.d., Bosnia & Herzegovina / Federation
ABBL	Addiko Bank a.d., Bosnia & Herzegovina / Republika Srpska
ABSE	Addiko Bank a.d., Serbia
ABM	Addiko Bank a.d., Montenegro
ARZ	ARZ Allgemeines Rechenzentrum GmbH
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRO	Chief Risk Officer
CRBO	Chief Retail Banking Officer
CO2	Carbon Dioxide
CSEE	Central and South-Eastern Europe
CSR	Corporate Social Responsibility
DPO	Data Protection Officer
DXC	DXC Technology
EBA	European Banking Authority
EU	European Union
etc.	et cetera
GDPR	General Data Protection Regulation
HC	Headcount
HR	Human Resources
ICERTIAS	International Certification Association
ISO 9001	The international standard that specifies requirements for a quality management system
KPI	Key Performance Indicator/s
LED	Light-Emitting Diode
Large Corporates	The segment Large Corporates includes legal entities and entrepreneurs with annual gross revenues of more than EUR 40mn
NGO	Non-Governmental Organisation/s
oGA	Ordinary General Assembly
PI	Private Individual
PPI	Payment Protect Insurance
Retail (PI/Micro)	Retail includes the following categories: (i) PI, private individuals that are not representing a group, company, or organisation and (ii) Micro, Includes private entrepreneurs and profit-oriented entities with annual gross revenues of less than EUR 0.5 million.
SME	Small and Medium Sized Enterprises
YE	Year End

1. Addiko Bank - The Straightforward Bank

Addiko Bank is an international banking group operating through seven banks with its core business in Croatia, Slovenia, Bosnia and Herzegovina, Serbia and Montenegro.

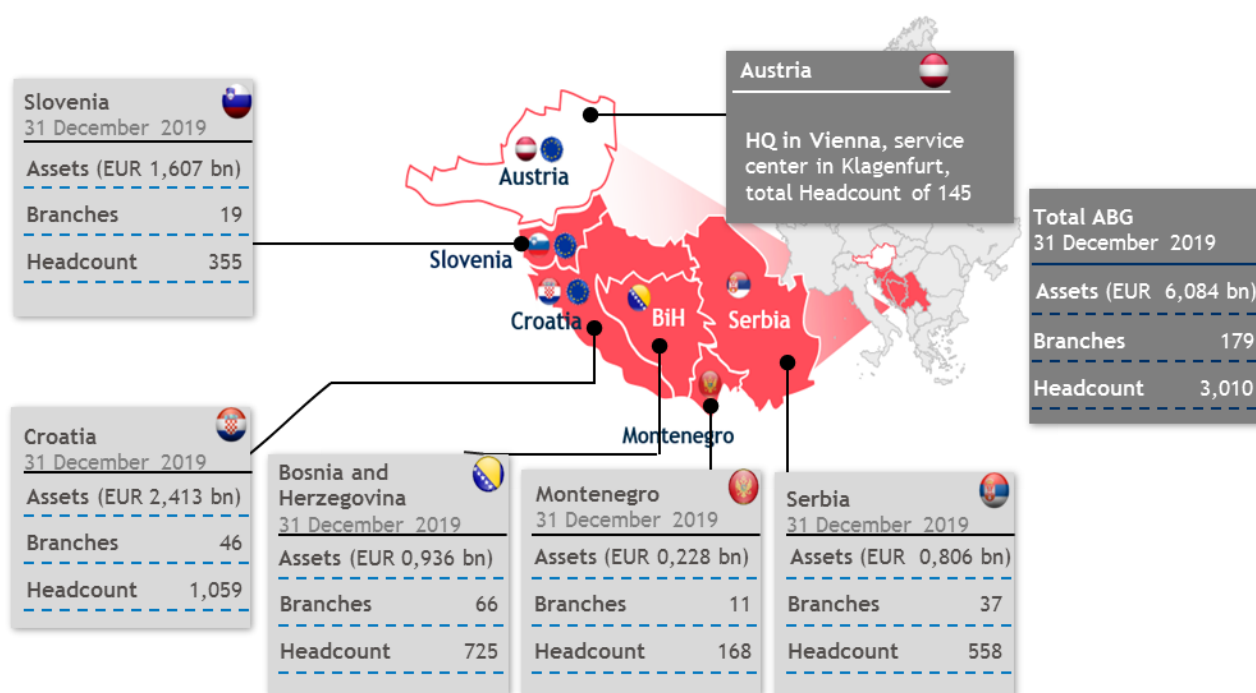
In total, Addiko Bank provides services to 0.8 million customers, using a well-dispersed network of 179 branches and modern digital banking channels. Addiko Bank's strategy is focused on those markets in Central and South-Eastern Europe (CSEE) region delivering core products and services relevant to Retail, Small and Medium Sized Enterprises (SME) as well as Large Corporate customers.

Addiko Bank repositioned itself as a specialist Retail and SME banking group with a focus on growing its Retail Business and SME lending activities as well as payment services (so-called "focus areas"), offering un-secured personal loan products for consumers and working capital loans for its SME customers funded largely by retail deposits. Addiko Bank's mortgage business, as well as lending business to public institutions and large corporate customers (so-called "non-focus areas") have been gradually reduced over time, thereby providing liquidity and capital for the gradual growth in its Retail Business and SME lending.

Addiko Bank AG (ABH), the Austrian holding company, registered in Vienna, is listed at the Vienna Stock Exchange and as a fully licenced bank, regulated by the Austrian Financial Markets Authority. It provides online deposit services in Austria and Germany.

Addiko Bank believes its offering of straightforward banking with enhanced digital capabilities provides a solid basis for increasing its future business in the region. Addiko Bank focuses on the essentials, delivers on efficiency and communicates simplicity; provided customer services are in line with its value proposition of convenience and speed while reducing costs and ensuring a balanced risk profile.

Figure 1 - Addiko Bank



1.1. Corporate Governance

Addiko Bank operates fully in line with the internationally accepted standards of sound corporate governance ensuring a responsible management with emphasis on sustainable, long-term value creation.

The Austrian holding company ABH is a stock corporation established according to Austrian law with a Management Board and a Supervisory Board (two-tier-system). ABH is listed at the Vienna Stock Exchange in the prime market segment.

1.1.1. Management Board

The Management Board of ABH is responsible for managing the company, taking into account the interests of the shareholder, the employees as well as the public interest. The Management Board develops the strategy of the company, to be further aligned with the Supervisory Board. Moreover, it ensures effective risk management and risk controlling. It goes without saying that the Management Board takes its decisions in compliance with all relevant legal provisions, the articles of association and its internal rules of procedure.

Figure 2 - Management Board Members of Addiko Bank AG as of 31 December 2019 and Allocation of Responsibilities



Razvan Munteanu
Chief Executive Officer (CEO)

Group Audit
Group Compliance & Corporate Governance
Group Corporate Communication & Marketing
Group Balance Sheet Management & Treasury
Group Human Resources
Group IT
Group Retail Product Management
Group Sales, Distribution & Customer Experience



Markus Krause
Chief Risk Officer (CRO)

Group Data Office
Integrated Risk Management
Group Operational Risk Management
Risk Auxiliary Support
Group Corporate Credit Risk
Group Retail Risk Management
Group Model & Credit Portfolio Management



Csongor Nemeth
Chief Corporate & SME Banking Officer (CCBO)

Group Operations
Group Large Corporate & Public
Group Customer Experience & Digitalisation
Group Sales Development
Group Organisation, Projects & Process Management
Corporate Business Development



Johannes Proksch
Chief Financial Officer (CFO)

Group Financial Controlling
Group Accounting & Reporting
Group Business & Sales Controlling
Group Cost & Investment Controlling
Group Legal
Investor Relation / Group Corporate Development

Group Audit, Group Compliance as well as the Data Protection Officer report to the whole Management Board.

Name	Position	Year of birth	Date of first appointment	End of the mandate
Razvan Munteanu	CEO	1966	01.01.2016	31.03.2021
Markus Krause	CRO	1968	17.08.2015	16.08.2021
Csongor Nemeth	CCBO	1974	01.11.2015	31.10.2021
Johannes Proksch	CFO	1969	01.07.2015	31.07.2021

1.1.2. Supervisory Board

The Supervisory Board, inter alia, appoints the members of the Management Board, monitors as well as evaluates its activities on a regular basis and decides on its remuneration. The Supervisory Board advises the Management Board on the determination of the business strategy. It takes part in the decision-making process as provided by law, the articles of association and its internal rules of procedure.

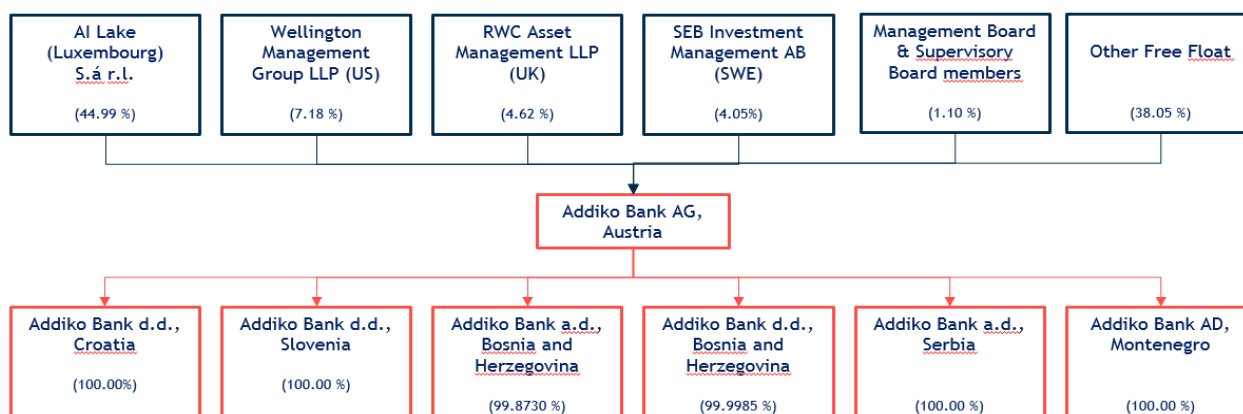
Figure 3 - Supervisory Board Members of Addiko Bank AG as of 31 December 2019

Name	Position	Year of birth	Date of first appointment	End of the mandate
Hermann Josef Lamberti	Chair	1956	01.12.2015	oGA 2022
Hans-Hermann Lotter	Deputy	1964	17.07.2015	oGA 2022
Henning Giesecke	Deputy	1960	17.07.2015	oGA 2022
Dragica Pilipovic-Chaffey	Member	1946	17.07.2015	oGA 2022
Sebastian Prinz Schoenaich-Carolath	Member	1957	06.06.2019	oGA 2022
Christian Lobner	Member / Works Council	1978	22.09.2015	until dismissal
Thomas Wieser	Member / Works Council	1980	29.07.2019	until dismissal

1.1.3. General Assembly

The General Assembly consists of the shareholders of the company. The share capital of ABH amounts EUR 195,000,000 and is divided into 19,500.000 non-par value bearer shares which carry equal participation interest in the share capital.

Figure 4 - Shareholder Structure of Addiko Bank as of 31 December 2019

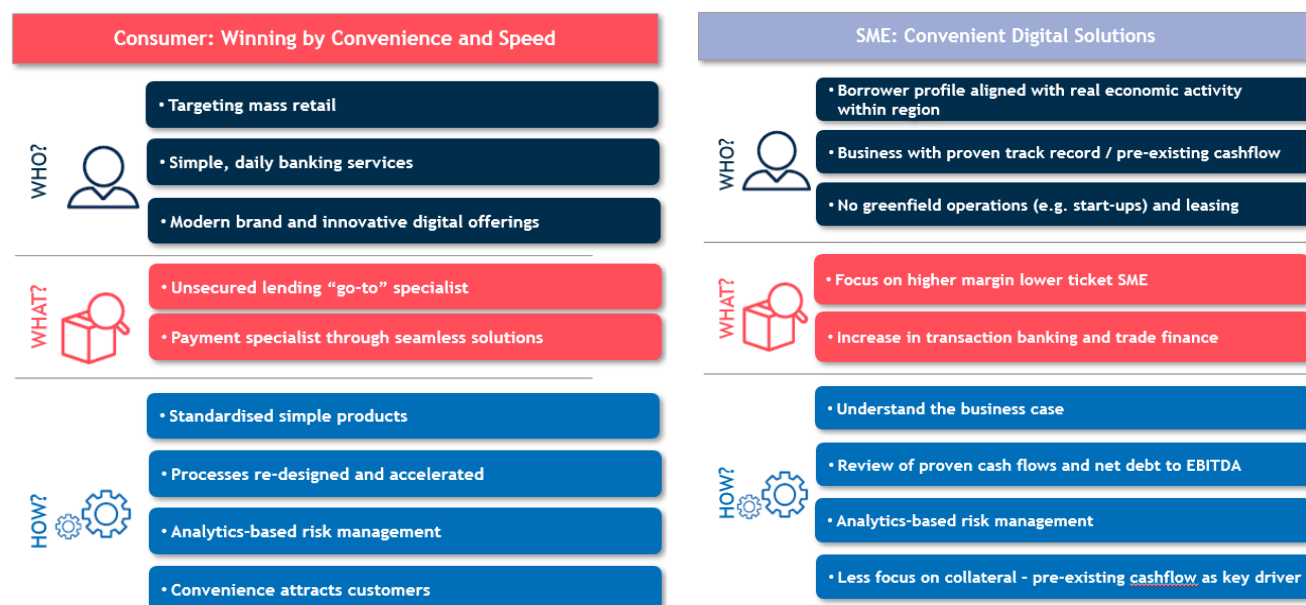


1.2. Addiko Bank's Strategy

Addiko Bank delivers a modern customer experience in line with its strategy of providing straightforward banking - "Focus on the Essentials, Deliver on Efficiency and Communicate Simplicity". In order to differentiate itself from the many universal banks operating in the CSEE region, Addiko Bank specialises on daily banking activities for which convenience and speed can command higher margins. Such services consist mainly of transactions requiring low or no advisory support, suitable to standardisation and delivery over digital channels.

Addiko Bank focuses on its Retail and SME Business. Unsecured lending to consumers, SME lending and payments are its key focus activities.

Figure 5 - Retail and SME Approach of Addiko Bank



1.2.1. Ensure Efficiency and Operational Excellence

To achieve greater efficiency and ensure operational excellence, Addiko Bank concentrates its efforts on the following four pillars:

Addiko Bank strives for improvements in its brand awareness:

Addiko Bank currently has a good level of brand awareness in its countries of operation and will continue to work on expanding awareness of its brand among potential new customers. The rebranding has allowed Addiko Bank to anchor its new brand around simple, straightforward banking through essential services, simplicity and efficiency. The brand also authentically mirrors its internal focus and culture. This alignment of communicated and internal focus areas enables faster and wider- spread brand awareness in Addiko Bank's markets.

Addiko Bank aims for even better execution:

By motivating and re-energizing the sales force through the implementation of performance standards, the utilisation of key performance indicators (KPI) and the elimination of secondary and non-focus products, Addiko Bank continues to strive for significant expansion in its Retail portfolio and SME lending.

Addiko Bank constantly seeks to improve Addiko Bank's risk management:

Building strong competencies in risk management is necessary for properly managing the past portfolio, but even more for future operations. Successful Retail and SME lending requires excellent risk evaluation, automation and collection. Moreover, good execution of these tasks will allow a significant reduction of Addiko Bank's risk cost. Addiko Bank has invested in expert talent to deliver world-class risk management capabilities.

Addiko Bank pursues more effective cost management:

Addiko Bank continues to undertake effective cost cutting initiatives, such as the reduction of personnel expenses through reorganization, switching to paperless statements, improving its sourcing and optimising its marketing strategy. Addiko Bank's strong cost discipline will allow to reduce its operational costs, improve its efficiency and achieve greater returns.

1.2.2. Leveraging Addiko Bank's Established Branch Network to Attract New Customers

Addiko Bank already has a well-established branch network in the region, providing the ability to quickly and effectively communicate with a large number of existing customers and potential new customers. Addiko Bank uses its existing branches to promote its newly implemented digital offerings, while at the same time providing current and potential new customers the reassurance of being able to speak in person to bank representatives.

1.2.3. Expanding Digital Capabilities and Automation

The development of digital capabilities is an essential pillar for delivering our strategy. Digital enablement of sales and services to target customers allows Addiko Bank to deliver increased convenience and speed, generate efficiency leading to cost optimisation, and achieve a broader reach than through physical locations, primarily as the markets' digital transformation will accelerate.

1.3. Addiko Bank's Competitive Strengths

The following primary strengths will be the main drivers that allow Addiko Bank to successfully pursue its strategy:

Addiko Bank is well positioned in a region with a high potential in the banking sector

Addiko Bank operates in the last European Union (EU) convergence region in which financial intermediation is low and digital transformation is still nascent. In addition, the retail unsecured consumer lending market in the region is growing faster than in the EU. Addiko Bank believes its offering of straightforward banking with enhanced digital capabilities will provide a solid basis for increasing its future business in the region.

Addiko Bank has a well-established, pan-regional platform with potential for synergies and operational leverage for future competitiveness

Addiko Bank has a powerful combination of in-depth international expertise and local capabilities with a presence in CSEE countries, creating a regional team that provides a lean and efficient platform for pursuing its business strategy. Addiko Bank has an efficient operating model with key functions outsourced across the network of subsidiaries which allows for the reduction of costs via centralisation of services, economies of scale, agility and execution power as well as talent attraction.

Addiko Bank has been transforming into a focused Retail and SME specialist

Addiko Bank transformed from a universal bank into a specialist bank for the CSEE region, focusing on highly profitable Retail and SME Business lending (defined as "focus areas"), addressed with simple, convenient and digitally-empowered banking offering. Addiko Bank provides straightforward banking, which is also consistently reflected in its communication with customers. Convenience and speed are among the most important factors for the customers of the Retail and the SME Business segments. Addiko Bank's expansion into Retail and SME lending is supported by prudent risk management of a solid, well-provisioned portfolio from past business, which Addiko Bank can utilise in a managed run-down to finance its expansion into the Retail and SME Business.

Addiko Bank unlocks opportunities in traditional markets with innovative digital solutions

Addiko Bank has placed the progression to digital banking at the core of its strategy. The Group has implemented technological solutions that have already been thoroughly proven in more developed markets but that are innovative in the CSEE markets. Addiko Bank believes that its focus on digital banking will help to gain market share in its focus areas without having to expand its branch network.

Addiko Bank has a solid balance sheet foundation enabling profit increases

Addiko Bank has a solid and well-capitalised balance sheet that can support the expansion of its business in its focus areas of Retail and SME lending. Addiko Bank operates on strong parameters with respect to funding, risk parameters and capital base which provide it with the financial ability to pursue its strategy.

2. Addiko Bank - Relevant Non-Financial Topics

Addiko Bank meets the criteria of a large company of public interest which employs more than 500 employees on a consolidated basis (annual average), set out in sections 243b and 267a of the Austrian Commercial Code. Hence, by fulfilling these specific criteria, Addiko Bank draws up a Consolidated Non-Financial Report according to the applicable law.

As part of a systematic panel of experts, built up by representatives of various corporate divisions, Addiko Bank carried out a materiality check to define and specify relevant non-financial topics. The aim was, among other things, to collect information about the economic, social and environmental impact of Addiko Bank's business. The impact of Addiko Bank's business activities on the economy, environment and society was examined in terms of extent, probability and ability to be influenced. In this regard, not only were sections 243b and 267a of the Austrian Commercial Code - focusing on environmental, social and labour topics, human rights and combating corruption and bribery - appraised, but also the Materiality Map¹ of the Sustainability Accounting Standards Board for the purpose of decision-making.

Based on the results of the panel of experts and after an appropriate analysis, Addiko Bank has identified its most important stakeholders in customers, employees, workers' counsel, supervisory board, shareholders, regulators, suppliers and service providers, interest groups, competitors and rating agencies and furthermore, has prioritised the topics indicated in this Non-Financial Report. Moreover, it was, inter alia, determined that Addiko Bank, its business relationships, its products or services do not pose any significant risks or negative effects on product design & lifecycle management as Addiko Bank just offers products regarding daily banking activities requiring no or low advisory support, suitable to standardisation.

The main topics covered in this Non-Financial Report include, especially but not exclusively, Addiko Bank's Role in Society, Access & Affordability of Products, Selling Practices & Product Labelling, Employees (including equality, fair working conditions, remuneration and development) and Group-Wide Compliance (including Anti-Corruption, Anti-Bribery, Customer Privacy and Data Security).

Furthermore, Addiko Bank has considered the 17 Global Sustainable Development Goals (SDGs), which the United Nations General Assembly adopted at the core of its 2030 Agenda in 2015. Following a sustainable development approach, all 193 member states of the United Nations are committed to working towards the implementation of the 2030 Agenda comprising the 17 SDGs at national, regional and international level by 2030.

Figure 6 - 17 Global Sustainable Development Goals of the United Nations



¹ The SASB Foundation (2018): SASB Materiality Map, retrieved from: <https://materiality.sasb.org/>, accessed 15 November 2019.

As part of Addiko Bank's business activities, Addiko Bank can make a contribution to the implementation of the SDGs "Good Health and Well-Being" (3), "Gender Equality" (5), "Decent Work and Economic Growth" (8) and "Climate Action" (13).



Good Health and Well-Being

Addiko Bank supports Good Health and Well-Being. Addiko Bank employees are encouraged to live a healthy, active life style. Office kitchens encourage healthy eating habits while employees are also encouraged to join local gyms and participate in business runs and local marathons. In-office health checks and health-awareness guest speakers are also common in Addiko Bank.

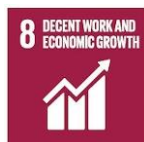
For further details please see chapter 2.4.8.



Gender Equality

Addiko Bank formalised and implemented its Group Diversity and Inclusion Policy across all Addiko countries, setting group-wide diversity targets for Management and Supervisory Boards. All leadership training programmes have been revised to embrace diversity and inclusion and a "Diversity Forum" has been organised for two years in a row, to discuss and brainstorm initiatives that would encourage an inclusive working environment. One action point that has been taken is to achieve top employer recognition in all Addiko Bank's entities by 2022. Such recognition certificates confirm that equality and inclusion practices and policies are a proper way of working.

For further details please see chapter 2.4.5.



Decent Work and Economic Growth

As part of Addiko Bank's effort to create well-paid quality jobs and provide employment opportunities for young professionals, Addiko Bank a.d., Serbia (ABSE) and Addiko Bank d.d., Bosnia & Herzegovina / Federation (ABSA) signed agreements of collaboration in 2019 with the University of Belgrade and the University of Sarajevo respectively. The purpose is to encourage traineeships and cooperation. In addition, Addiko Bank d.d., Croatia (ABC) and Addiko Bank a.d., Montenegro (ABM) work closely with universities and student organisations across each respective country to elevate employment opportunities for young graduates. Moreover, for the regions Addiko Bank is operating there is still a high potential for further developing financial intermediation and improving digital transformation.

For further details please see chapter 2.2.



Climate Action

Climate protection is an important element of Addiko Bank's operational business. Addiko Bank endeavours to contribute to a better environmental awareness. Optimised business processes lead to a sustainable approach to continuously reduce CO2 emissions, energy and plastic.

For further details please see chapter 2.6.

2.1. Addiko Bank's Role in Society

Addiko Bank takes its responsibility towards society and its stakeholders seriously and is actively engaged on the corporate social responsibility (CSR) front constantly making valuable contributions to the stabilisation and economic development of all the markets where Addiko Bank operates. Addiko Bank tries to be in touch with the community and its needs, and to support projects and initiatives that have a good cause by means of corporate volunteering and/or donations. All the activities and the group-wide corporate social responsibility strategy 'Addiko Cares' are represented in Addiko Bank's corporate value system - in other words, our way of giving back to the communities in which we live and work.

Across the organisation Addiko Bank continued corporate volunteering programmes thus providing the framework for employee engagement with Addiko Bank volunteers providing important services that support local communities. Addiko Bank donations are focused on a relevant area - children and youth related activities and by such focus, the CSR activities have a stronger and long-term impact in the societies where Addiko Bank operates. ABC has signed a 'Volunteering Charter' through the Croatian Employer's Association committing to encourage employee community volunteering.

The financial literacy programme is a segment in which Addiko Bank has been very active in order to raise the awareness and level of understanding in the public and has successfully positioned itself as a responsible organisation. Accordingly, Addiko Bank's entities organised and supported these activities during the European Money Week and International Savings Day, held presentations and lectures at a variety of educational institutions, ranging from elementary schools to universities, with ABC also having designed and organised national online quizzes where the public of all ages were able to test their knowledge of finances. Addiko Bank also participated in similar programmes and conferences organised by Non-Governmental Organisations (NGO), Chambers of Commerce and national banking associations.

Over 480 employees, meaning 16% of all employees have participated in at least one corporate responsibility project and dedicated their time and effort for the greater good. Over 10,000 individuals were directly and/or indirectly affected by and benefited from 'Addiko Cares' corporate social responsibility activities.

2.2. Access & Affordability of Products

In order to ensure the broadest possible access to its products and services, Addiko Bank is able to answer questions related to general financial needs by applying its "Focus on the Essentials" approach. Addiko Bank is fully compliant with local laws and regulations in terms of enabling access to people with disabilities. Moreover, besides fulfilling the legal requirements, Addiko Bank steadily improves the access conditions of its branches for disabled persons (wheelchair ramps, etc.).

Retail Business

Addiko Bank approaches its retail customers primarily through branches and for the coming years expects an increased contribution from alternative touchpoints (such as express facilities with more self-service multi-functional machines, virtual branches, teams of skilled sellers), digital channels and partnerships with third parties.

With respect to daily banking, Addiko Bank aims to differentiate itself from the competition through superior online and mobile banking services, innovative banking channels and innovative ways of helping customers manage their daily financial needs, for instance by giving them the ability to utilise various types of payment methods. Additional digital sales and service channels, such as virtual branch in Croatia and mobile-loans in Serbia, have been introduced throughout 2019. ABC's Virtual branch has been recognised to be the "Best Product Innovation" and has received the "Retail Banking Europe Award 2019" which is presented to the most innovative banking institutions and seen as recognition to some of the best retail banking practices. Moreover, ABC, Addiko Bank a.d., Bosnia & Herzegovina / Republika Srpska (ABBL), ABSA, ABSE and ABM received the "Market Shaker Award 2019" for special contribution in the field of promoting contactless payments. In 2019 Mastercard globally presented only nine such special contribution awards. Addiko Bank received the award for its unique contactless fragrance card developed in cooperation with Mastercard.

To support modern servicing of customers, Addiko Bank entirely re-launched new internet and mobile banking concepts, based on the latest standards of user interface and user experience. Solutions such as photopay and introduction of chat services are examples of how Addiko Bank introduces continuously improving servicing standards.

Addiko Bank focuses particularly on selling standardised products (unsecured loans and account packages) over digital channels, in line with specific restrictions/limitations of the individual markets. Products are accessible through digital, allowing simulations where appropriate, end-to-end sales where legally possible, and lead generation. A state-of-the-art loan application processing system combined with a credit decision engine has been rolled out in Addiko Bank entities in Serbia, Bosnia & Herzegovina and Montenegro, with Croatia and Slovenia to follow.

Content delivery through social media, support of regular communication through digital, and implementation of features such as chat pay over Viber, chatbot, branch designs compatible with the digital age - all such features contribute to the strengthening of the digital dimension of Addiko Bank's brand, customers' accessibility and convenience.

Addiko Bank's retail customers are able to conduct digital banking transactions via Addiko Bank's digital banking offerings and non-customers are able to find out details and apply for Addiko Bank's consumer products via specific Addiko Bank landing pages, which consists of interactive calculators, contact forms and a multichannel acquisition platform / chatbot that performs sales dialogues with a focus on the products provided in each particular market. In addition, Addiko Bank implemented chat banking as one of the first banks in the world to include banking services on the world-renowned messaging and voice platform Viber. Addiko Bank's contact centre has an essential role in servicing

customers, accelerating cross-sell activities, improving customer care programmes and digital acquisition. Moreover, the ATM fleet, consisting of updated machines and new functionalities, are available in sufficient quantity.

SME and Corporate Business

Regarding its corporate segment, Addiko Bank serves all SME customers by their own relationship manager. Relationship managers are located in 40 SME business centres across Addiko Bank's countries of operation. The role of the relationship managers is not only to sell banking products, but also to serve as a trusted financial advisor to their respective customers. Addiko Bank branches located in SME business centres offer a full range of products to walk-in customers, while all other Addiko Bank branches provide basic account keeping services to all SME customers. SME relationship managers actively visit their current and prospective customers on-site. In fact, a majority of the interactions with SME customers occur outside of the branches at the premises of the customers.

From 2018, Addiko Bank entities in Serbia and Slovenia started selling working capital loans and trade finance products via digital platform, allowing corporate customers to either apply for such products in one of Addiko Bank's SME centres or via a relationship manager, equipped with an iPad, visiting the customer on-site. Customers are then served via a streamlined digital process resulting in an effective credit decision. In 2019, Addiko Bank developed the same functionality for SME customers in Croatia, with remaining two countries - Montenegro and Bosnia and Herzegovina to follow in the first quarter of 2020. In parallel, Addiko Bank is working on the introduction of further products and product categories to the digital channels.

In 2019, Addiko completed unifying the e-banking experience across all of Addiko Bank's countries of operation. In this respect, Addiko Bank recently introduced a completely revamped e-banking platform for corporate customers in Slovenia and Montenegro (2019) and Croatia, Bosnia & Herzegovina and Serbia (2018). The new e-banking platform was developed in cooperation with key customers and focuses heavily on convenience and user experience, especially regarding transactional banking. Moreover, it provides the technical foundation for moving the e-banking distribution channel increasingly away from a pure information gathering channel towards a self-service channel offering digital product applications initiated by the customer.

2.3. Selling Practices & Product Labelling

Addiko Bank in line with its straightforward banking principle pays special attention to the transparent, direct and clear communication which is represented in its communication approach on all platforms.

The three principles of straightforward banking are: Focus on the Essentials, Deliver Efficiency and Communicate Simplicity. For the clients this means we provide them with an easier choice and a convenient service, while at the same time ensuring Addiko Bank is seen as a responsible lender. Such efforts and delivery have been recognised and rewarded with certificates for customer service by independent authorities, such as "Customers' Friend Certificate" awarded by the International Certification Association (ICERTIAS) for ABBL and ABSA and, following earlier certificates also being granted to ABC and Addiko Bank d.d. (ABS). At the same time representatives of Addiko Bank are members of the national banking associations and as such also closely involved in setting and implementing professional industry standards that are aligned with the highest ethical principles.

The dedication to be a responsible lender is particularly evident in Addiko Bank's product design, as well as communication and advertising that follows with the ads and commercials addressing product characteristics in a direct and transparent way, with the sales and prudent risk management being fully aligned.

In product advertising Addiko Bank uses representative examples which ensures full transparency and provides customers with all necessary information needed so that they can make a conscious decision about their finances. Even more detailed information on products and services are always available on Addiko Bank websites.

All marketing efforts have been recognised and Addiko Bank brand consideration, that represents customers being willing to consider Addiko Bank as a bank they want to do business with, which is one of the main indicators of customer perception, has been increasing and shows stable growth over the years.

This together with the fact that Addiko Bank's brand awareness is growing in a desired way in all markets, undisputedly demonstrates Addiko Bank's image, which has been recognised for its straightforward advertising and that encompasses the highest standards and values a responsible lender should have, and in Addiko Bank's case does have.

2.4. Employees

Engaged employees are the base of growth and success in Addiko Bank. In 2019, efforts continued in ensuring a positive working environment. ABC and ABSE received the "Employer Partner Certificate", issued by the SELECTIO Group, aimed at identifying and promoting companies with quality human resource (HR) management practices. ABS received a full certification for a family friendly work place. All entities of Addiko Bank continued to elevate internal HR practices preparing for employer certification and recognition working towards being an attractive employer in each market. In Serbia, Croatia and Bosnia & Herzegovina, agreements were signed with local universities and student organisations to encourage student traineeship programmes. Numerous non-financial employee recognition initiatives continue to be part of how we work. The first group-wide recognition programme was launched - The "Group Operations Recognition Programme", recognising extraordinary employee contribution each quarter.

In 2019, ABS, ABSE and ABC introduced and enhanced flexible working arrangements in the form of "Work-from-Home" options, "No Meeting Fridays" and flexible working hours allowing employees to find ways to balance work and life responsibilities. On the topics of health & healthcare, in ABH, the employer provides employees with accident insurance and pays half of the premium for additional private health insurance. In most of the Addiko Bank's entities, the employer pays for additional annual private health care examinations allowing employees access to top medical specialists and annual checks.

The responsibility for Addiko Bank's employees is also reflected in intensified focus on internal communication. Addiko Bank's Intranet has been refreshed, regular meetings with the Management Board are several times a year where employees are able to speak freely about strategically important topics. Furthermore, Addiko Bank continued to promote Addiko Values and Behaviours (Communicate Simplicity, Focus on the Essentials, Deliver on Efficiency, One Winning Team) as pillar of performance, talent development and desired workplace behaviours.

Ensuring fair working conditions is part of the Addiko Bank's ongoing strategy towards building a great place to work. Workplace health and safety is paramount, reflected in the modern, ergonomic and engaging office spaces that have been renovated across all Addiko Bank entities. This is also reflected in the continuous improvement of HR and Remuneration Policies and practices, aiming to offer employees engaging career experiences with competitive salaries and benefits.

2.4.1. Number of Employees

At the end of the year 2019, the total of 3,010 employees were employed in Addiko Bank.

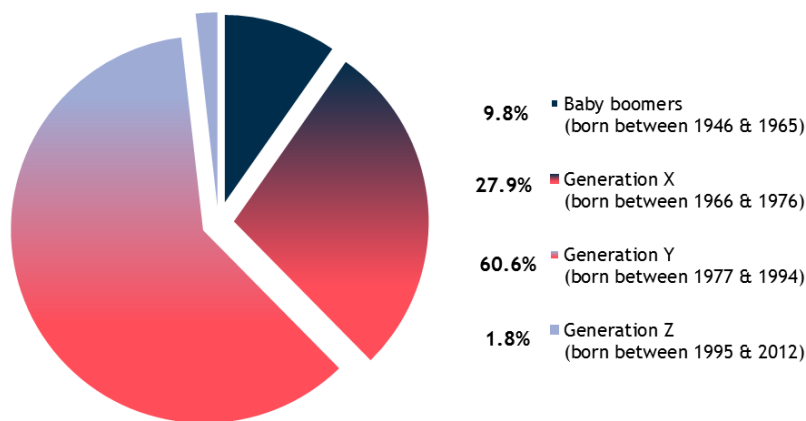
Figure 7 - Overview of Headcount, Type of Contract and Working Time 2019

EoY 2019 (Gender, Type of contract, Working time)	Gender distribution			Type of contract		Working time	
	TOTAL	FEMALE Headcount	MALE Headcount	PERMANENT	TEMPORARY	FULL TIME	PART TIME
ADDIKO BANK	100%	71%	29%	92%	8%	99%	1%
TOTAL	3,010	2,140	870	2,779	231	2,970	40
ABC	1,059	771	288	1,003	56	1,056	3
ABS	355	224	131	336	19	341	14
ABBL	354	282	72	329	25	350	4
ABSA	371	290	81	308	63	367	4
ABSE	558	401	157	523	35	558	0
ABM	168	116	52	144	24	167	1
ABH	145	56	89	136	9	131	14

2.4.2. Age Structure of Group Employees

The average age at Addiko Bank overall is 40.5 years, with increasing number of Generation Y (+1.9% compared to 2018) and Generation Z employees (+1.1% compared to 2018).

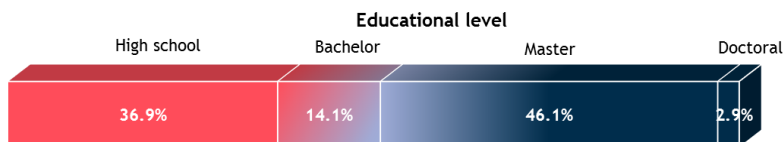
Figure 8 - Overview of Age Distribution as of YE 2019



2.4.3. Educational Level

On Addiko Bank overall level, over 63% of employees are educated above the High school level.

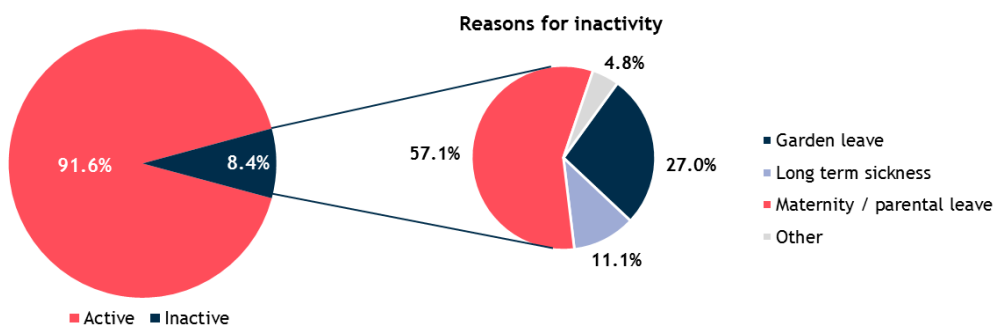
Figure 9 - Educational Level at YE 2019



2.4.4. Percentage Distribution by Activity

At the end of the year 2019, the total percentage of inactive employees at Addiko Bank overall level was 8.4% of the total headcount, with maternity / paternity leaves as the major reason for it.

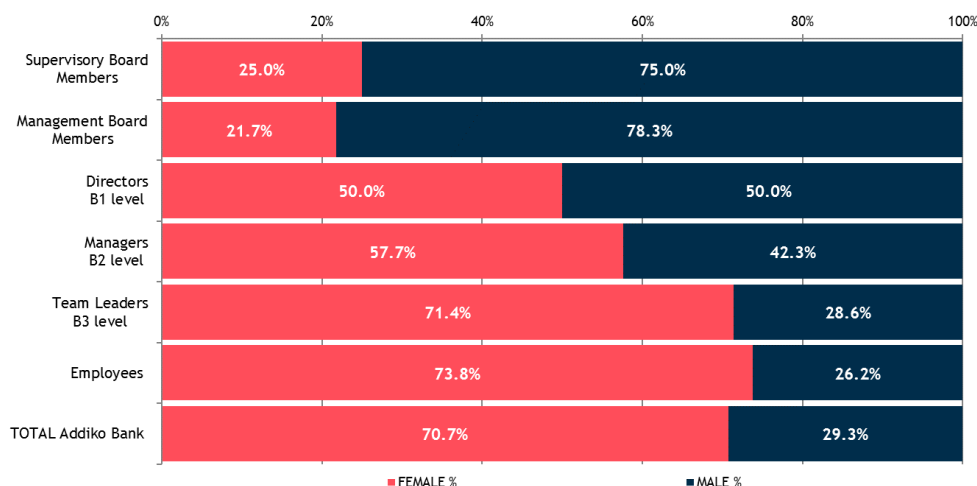
Figure 10 - Activity and Reason for Inactivity at YE 2019



2.4.5. Diversity and Equal Opportunity

In 2019, all Addiko Bank's entities implemented the Group Diversity and Inclusion Policy confirming our commitment to building a diverse and inclusive workforce. The female to male ratio is listed in the chart below.

Figure 11 - Diversity and Equal Opportunity



A Diversity & Inclusion framework and related succession targets for senior leaders was implemented in 2019. Addiko Bank has implemented industry best market practices enabling equal opportunities that will enable, diverse talent pools and an open and inclusive organisation where principles of equal treatment for all employees and prevention of any discrimination are part of the daily life at Addiko Bank.

A diverse workforce leads to a broader range of experience, knowledge, skills and values, and is one of the factors that enhance the functioning of Addiko Bank with a variety of views, independent opinions, balanced decision making and innovations.

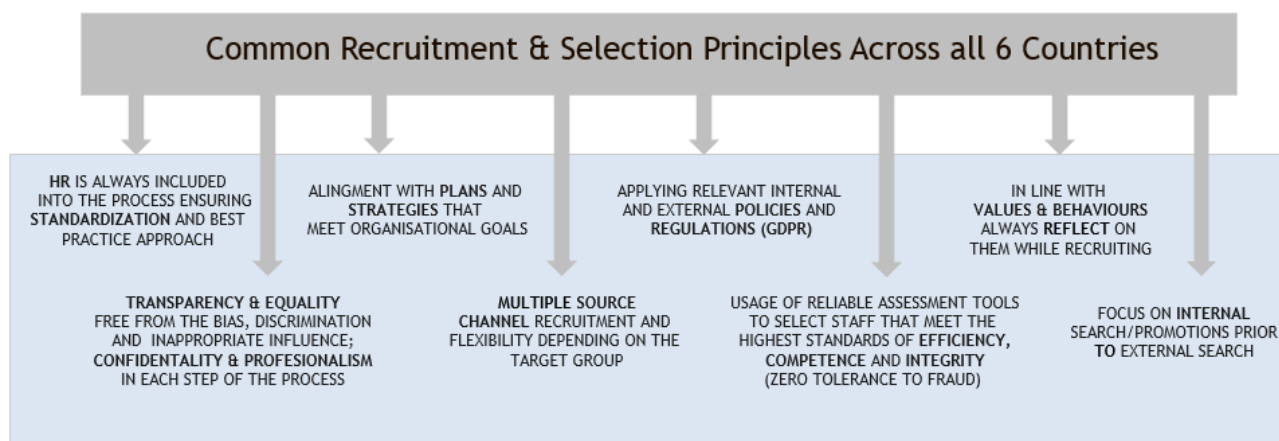
As already mentioned above, Addiko Bank is present in six countries, employing citizens from 16 European countries, which ensures also geographical diversity.



2.4.6. Recruitment

Selection and recruitment of employees are based on clearly defined business needs. Priority is given to internal placements and promotions. Focus has been upon identifying talent and defining career development opportunities which will allow employees across the group to further develop and transition internally to new exciting career opportunities. The internal fill rate for all vacant positions across Addiko Bank in 2019 is estimated at 65%. In 2020 the aim will be to further encourage internal opportunities.

Figure 12 - Common Recruitment & Selection Principles



Candidates are selected on the basis of their expertise, attitude, cultural fit to Addiko Bank's Values and Behaviours as well as personal characteristics that are identified during the selection process. For key functions in Addiko Bank an assessment of the applicant's ability and suitability (Fit & Proper) is also carried out under an internal procedure complying with all local and European legal and regulatory standards and guidelines.

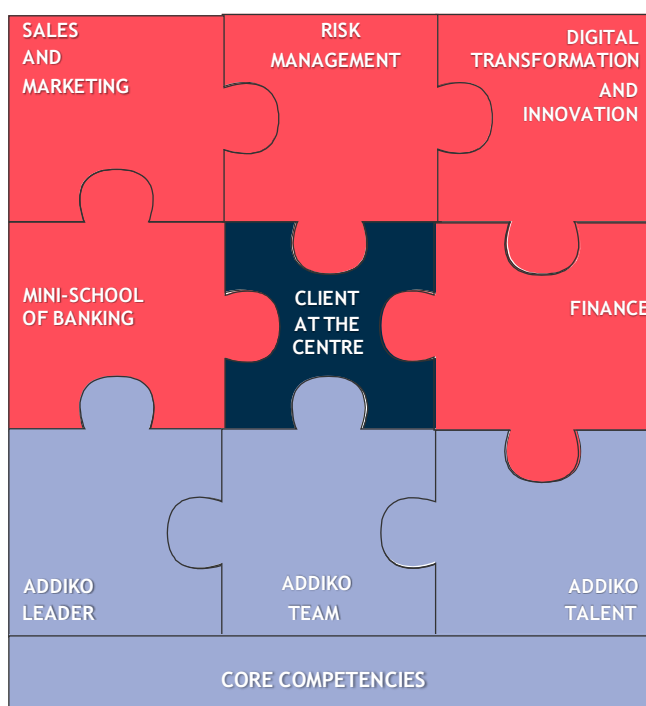
2.4.7. Education and Training

Addiko Bank believes that only highly qualified staff can follow the trends and challenges of the financial market. For this reason, it provides constant and comprehensive expert training to employees. Addiko Academy is organised, offering three sets of curriculums:

- Addiko Leader
- Addiko Customer
- Addiko Risk Awareness

These key educational areas reflect Addiko Bank's strategic transformation from a universal bank to a specialised, risk-averse and digital bank focused on Retail and SME. Individual development is also encouraged.

Figure 13 - Addiko Academy Strategic Development Areas



Each year the Addiko Bank also organises numerous internal trainings sessions focused upon talent management, performance, leadership, local legal requirements and employee interests. All members of Addiko Bank's management boards as well as all senior managers, have received 360° feedback for their professional development. In addition, many professional, compliance and legally required trainings are continually offered ensuring effective employee competencies, skills and capabilities.

In 2019 Addiko Bank put its development focus on elevating eLearning programmes that will add to the already existing curriculum of Group-standardised eLearning tools. The objective is to continue to enhance the Addiko Bank eLearning library which currently consists of trainings such as stress management, local banking legislation, Security Awareness, General Data Protection Regulation (GDPR), Anti-Money Laundering and fraud awareness topics.

2.4.8. Employee Satisfaction

As part of the roadmap to culturally transform Addiko Bank, employee feedback and engagement are an important element of Addiko Bank's corporate culture. Addiko Bank conducts internal employee engagement "pulse check" surveys every quarter. In 2019 Addiko Bank also held an Organisational Culture Inventory survey among 200 Addiko Bank senior leaders. Employee feedback is also collected through interactive employee workshops facilitated by HR. The feedback received from employees is continually used to help management and HR to verify employee views and to define engagement, retention and great-place-to-work initiatives.

Employee well-being events and celebrations build the team spirit. Addiko Bank continuously supports in-office and community activities promoting healthy active lifestyles. These include participation in the Addiko Sports and Culture Association in Slovenia, Addiko Walk and Run in Croatia, Business Run in Austria and participation in the Sarajevo Marathon, to mention just a few. Employee well-being is encouraged through guest speakers, fitness membership, interactive workshops with health care professionals and office wellness such as yoga organised in Addiko Bank's offices encouraging and educating employees to care for the mental and physical well-being.

The feedback received from Addiko Bank's employees in 2019 confirms that although there is still work to do, Addiko Bank has established a positive and motivating work place.

2.4.9. Performance and Development Interviews and Target-Oriented Management

In 2019, Addiko Bank continued the Addiko Performance Management Cycle through which employee performance versus set targets is evaluated and rewarded. The aim of continual performance feedback and the year-end performance review is to build a performance culture, ensure successful individual performance and elevate the operations of Addiko Bank on a long-term basis. The objective is to continue to improve the performance cycle, providing a systematic and professional platform for fair performance evaluation and personal development.

2.4.10. Remuneration

The Addiko Bank remuneration strategy aims to reward performance and contribution in an appropriate mix of fixed and variable remuneration. This is market based, preventing Addiko Bank from an excessive risk taking, while rewarding sustainability and long-term results.

The remuneration policy is governed by the provisions of the applicable legislation, guidelines of the European Banking Authority (EBA), the decisions defined by each local national bank and EU directives on capital requirements. These regulations set criteria and conditions for the payment of variable compensation to managerial staff and employees. The key functions that can significantly affect Addiko Bank's risk profile within their duties, tasks and activities include members of the Management Board and directors of individual departments, including risk management and internal audit.

Addiko Bank's variable compensation is awarded according to a variable pay framework and is closely linked to target-oriented management. By paying variable compensation, individual outstanding performance is recognised as well as organisational team performance.

2.5. Group-Wide Compliance

2.5.1. Code of Business Conduct and Ethics

Addiko Bank is committed to conduct business in compliance with the highest ethical standards. Its Code of Business Conduct and Ethics is a binding regulatory framework, which is applicable groupwide for all employees, third-party service providers and business partners.

It is designed to promote honest, ethical and lawful conduct while its standards govern employee interactions with customers, competitors, business partners, governmental authorities, shareholders as well as with each other. Addiko Bank demands from its employees a particular responsibility to comply with legal, regulatory and internal requirements as well as with all internal acts, conducts and ethical principles defined by the Code of Business Conduct and Ethics.

As compliance is part of organisational culture, compliance function is decentralized in Addiko Bank. Functional managers have organisational and supervisory duties to ensure that no infringement of the applicable rules and laws governing the financial industry take place that could have been prevented by adequate measures and supervision.

The main Addiko Bank standards are:

- Treat others with dignity & respect
- Act ethically & lawfully
- Conduct business fairly, openly & responsibly

2.5.2. Human Rights

Addiko Bank respects the protection of internationally proclaimed human rights. Addiko Bank is committed to upholding the fundamental human rights of Addiko Bank's fellow employees, and it expects vendors, partners and others who provide services on behalf of Addiko Bank to adhere to the same high standards.

Addiko Bank is committed to a workplace that is free from sexual, racial and other unlawful harassment, and from threats or acts of violence or physical intimidation. Abusive, harassing or other offensive conduct is unacceptable, whether verbal, physical or visual.

Addiko Bank's values and behaviours are built on trust, respect and integrity. Addiko Bank is an equal opportunity employer and bases its recruitment, employment, development and promotion decisions solely on a person's ability and potential in relation to the needs of the job.

2.5.3. Anti-Corruption, Anti-Bribery

Addiko Bank has zero tolerance principle towards any form of corruption or bribery. To ensure compliance with respective laws and regulations, group standards and policies are implemented.

Clear rules are applicable for acceptance of gifts and gratuities, contracting third parties (anti-corruption clause), approval of donations or sponsorship, mandating lobbyists.

Addiko Bank strictly prohibits giving or promising, directly or indirectly, anything of value to any employee or official of a government (including state-owned companies) or a political party, candidate for office, or to any person performing public duties or state functions in order to obtain or retain business or to secure an improper advantage with respect to any aspect of Addiko Bank's business.

It is strictly prohibited to request, accept or offer any form of under-the-table payment, kickback, bribe, barter or other improper payment or gratuity in connection with any corporate expenditure or sale of goods or services.

In line with international standards and the strategy of Addiko Bank, it is illegal for Addiko Bank entities and persons working for or on behalf of Addiko Bank to offer, pay, give, promise or authorise the payment of any money or of anything of value, directly or indirectly, to any foreign government official or employee, foreign political party or candidate for foreign political office for the purpose of obtaining or retaining business or to secure an improper advantage (direct and indirect).

Addiko Bank requires that all third party contracts include a provision to comply with applicable anti-corruption laws.

In 2019, Addiko Bank did not discover or record any incident of corruption.

2.5.4. Whistleblowing

Addiko Bank is committed to avoid violations or any negative developments within the group and therefore established a whistleblowing procedure - as an early warning system - that enables employees to raise concerns about potential risks relate to illegal, unethical, incorrect and unacceptable behaviour through various channels such as ordinary mail, email or telephone.

“Whistleblowers” will not suffer any negative professional consequences as a result of their whistleblowing actions. Addiko Bank strictly prohibits retaliation against anyone who reports in good faith a possible violation, no matter whom the report involves.

Cases are always treated strictly confidentially, investigated thoroughly and managed with due care in a sensitive manner.

2.5.5. Transparency

Addiko Bank’s mission is to communicate in a fair, clear, open, transparent and not misleading way that provides relevant, proper and timely information for its clients and other stakeholders.

Hence, Addiko Bank is committed to full, fair, accurate, timely and understandable disclosure in the public reports and documents that each entity of Addiko Bank submits or provides to regulatory authorities, employees, costumers, business partners, stakeholders and the public in general.

2.5.6. Conflict of Interest

Addiko Bank is committed to the highest levels of integrity. Employees of Addiko Bank are expected to conduct their relationships with each other, within Addiko Bank and outside organisations with objectivity and honesty.

As general rule, all employees are obligated to avoid and disclose ethical, legal, financial, or other conflicts of interest involving Addiko Bank and/or its clients and/or third parties and exclude themselves from a position of decision-making authority with respect to any conflict situation involving Addiko Bank. Referring to Management and Supervisory Board members, specific rules have been implemented within the respective rules of procedures.

2.5.7. Customer Privacy

Data protection is an increasing socially significant issue, particularly since the GDPR entered into force on 25 May 2018. GDPR strengthened the rights of data subjects, imposed new requirements on data controllers and data processors when managing and handling personal data and increased expectations of clients, employees and regulators.

As Addiko Bank’s business involves processing of personal data, protecting such data is of the utmost importance.

Within Addiko Bank, a data protection implementation project was performed in order to align the existing data processing activities with the GDPR requirements and to amend existing vendor contracts to take GDPR requirements into account.

Addiko Bank has established a data protection compliance management system, inter alia setting forth policies, processes as well as technical and organisational measures. This group-wide data protection compliance framework also applies to the Addiko Bank entities established in non-EU countries, which entities have to comply with GDPR standards, unless mandatory local data protection and privacy laws would require otherwise. All Addiko Bank’s entities run individual data processing inventories and have implemented standard processes for the handling of requests for the exercising of data subjects’ rights (e.g. access, erasure, objection).

Education and training about data protection requirements are a key factor in ensuring effective data protection within Addiko Bank. All employees are regularly trained on the implications of data protection via an online tool (eLearning programme) in relation to data protection compliance. Also, data protection impact assessments are done for the most critical systems.

Addiko Bank uses multi-party data protection agreements (in line with the requirements set out in Art 28 GDPR) when a vendor or a third party is providing a service to at least two affiliates of Addiko Bank. Therefore, compliance with data protection requirements is ensured and oversight enabled.

Each Addiko Bank entity has appointed a data protection officer (DPO) as a specialised, independent function, who reports directly to the respective Management Board. In addition, a group DPO coordinates data protection tasks in relation to the entire Addiko Bank. This ensures proper direct and indirect reporting lines and regular exchanges on data protection topics within the whole Addiko Bank.

Addiko Bank has applied for the approval of binding corporate rules to facilitate intra-group transfers from its entities within the EU to those outside.

Addiko Bank has implemented various reporting and escalation processes to ensure that potential data breaches can be assessed and handled in a timely manner. No data breaches of systemic relevance were observed in 2019.

2.5.8. Data Security

Addiko Bank has established a state-of-the-art information security framework that adequately protects information assets and associated technologies, applications, systems, and processes in the digital ecosystem Addiko Bank operates in.

Given that Addiko Bank - as any other institution - relies on its IT systems for a variety of functions (incl. processing applications, providing information to customers, and maintaining financial records) it has developed and implemented a comprehensive information security management based on high industry standards. Furthermore, Addiko Bank has information security policies, standards and manuals in place while employees are being trained once a year, thereby underpinning the importance of the topic.

Addiko Bank performs vulnerability scans on a monthly basis and penetration tests on a yearly basis. Finally, weekly meetings with the major data centres (DXC and ARZ) are being held to be informed of any possible problems or security breaches.

2.6. Environmental Matters

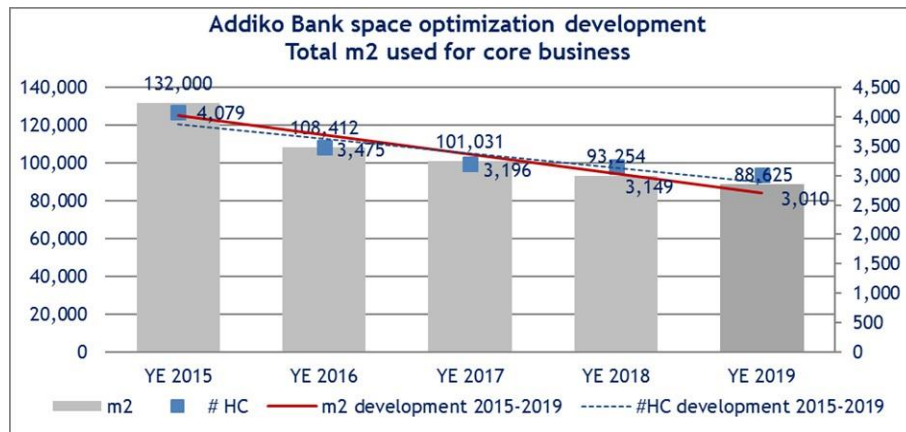
Acting in an environmentally responsible way is every person's and organisation's responsibility as well as a legal duty. Although a direct impact of banks on the environment may be regarded as rather limited and not as significant as in other industries, Addiko Bank recognises its responsibility in preserving the environment. It is further consciously treating environmental matters, being committed to reducing its own consumption of natural resources, mainly in terms of electricity and heating as well as fuel and paper consumption.

Protection of the environment is an important part of Addiko Bank's strategy and is directed towards the sustainable improvement of the living and working environment conditions. The current activities of Addiko Bank concerning environmental issues include the sub-chapters mentioned below.

2.6.1. Space Optimisation

One of Addiko Bank long-term measures is a group wide space optimisation initiative aiming to reduce the space used for the Addiko Bank's core business. This results, amongst other positive effects, also in a decrease of electricity and heating consumption. Addiko Bank follows an open-floor concept in all its head offices in the CSEE region as well as in back offices. Such approach is above all effective in terms of the usage of heating and cooling systems and furthermore, decreases the required number of needed illuminates.

Figure 14 - Space Optimisation



2.6.2. Energy Saving

Addiko Bank continues to promote light-emitting diode (LED) lighting as an energy saving solution as standard for the entire Addiko Bank network. Purchasing high quality products does not only result the advantage of a reduction in energy consumption, but it also guarantees that the manufacturing is according to ISO 9001 standard, with a stable product quality. This is important as less technical services are needed resulting in additional saving of fuel and resources for production.

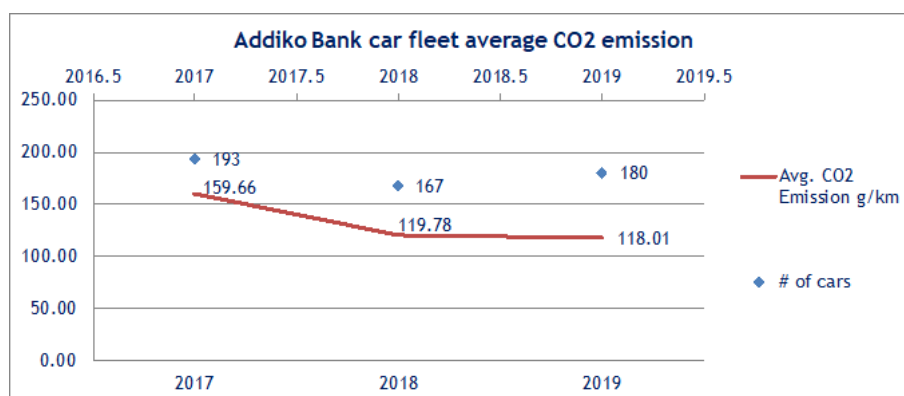
2.6.3. Reduction of CO2 emissions - new generation of vehicles

With the renewal of the Addiko Bank's car pool and the acquisition of a new generation of vehicles, Addiko Bank focused in 2019 on reduced CO2 emissions (g/km) per car. CO2 emissions have dropped significantly by 26% to a weighted average CO2 emission of 118.01 g/km, as shown in the table below.

Figure 15 - Reduction of CO2 Emissions

ADDIKO BANK	Addiko car fleet 2017		Addiko car fleet 2018		Addiko car fleet 2019	
	# of cars 2017	Avg. CO2 Emission g/km	# of cars 2018	Avg. CO2 Emission g/km	# of cars 2019	Avg. CO2 Emission g/km
ABC	68	153.85	69	120.34	69	120.00
ABS	11	171.86	10	122.00	19	118.35
ABBL	27	149.00	18	134.00	25	134.00
ABSA	30	n.a.	20	101.00	20	101.00
ABSE	32	155.92	29	108.03	29	108.03
ABM	5	n.a.	5	99.00	5	99.00
ABH	20	167.69	16	134.69	13	128.00
Total	193	159.66	167	119.78	180	118.01*

* the table may contain differences in rounding



In addition, more conscious fuel consumption is promoted throughout Addiko Bank, encouraging its employees to choose alternative options, for example using video conference facilities instead of driving to a meeting.

2.6.4. Travel Management

The best way to reduce CO2 emissions on business trips is to generally avoid respectively to keep such trips limited. Addiko Bank has therefore implemented a sophisticated video conferencing system in all its entities and is encouraging its employees to use video calls as alternative to meetings in person whenever possible. For inevitable business trips, however, Addiko Bank has a travel guideline which is set up to keep the number of trips as low as possible. In order to avoid commuting at the business trip destination, Addiko Bank provides its employees with a list of recommended hotels, which, besides a special contracted fee, are in close proximity to regular meeting locations.

2.6.5. Document Management System

Addiko Bank is engaged in continuous improvement of its internal procedures in order to be more efficient and to save resources (especially paper) wherever possible. While some organisational units are legally required to use paper, other documents are fully digitalised as result of previous years' initiatives for optimisation of Addiko Bank's document management.

2.6.6. Effects from Digital Banking

Addiko Bank's promotion of digital banking services respectively e-banking, m-banking, besides evident benefits for the clients, has also some environmental benefit in form of the reduction of printing and paper (e.g. less payment and deposit slips and other documents, less toner consumption, etc.).

2.6.7. Paper Reduction and Sustainable Printing

Optimised printing management does not only save paper, but it has a substantial influence on waste through the use of toners and the energy consumption. Addiko Bank is using common multifunctional large-scale printers, classified as category "A" energy efficiency. The default printer settings are set to print in duplex mode and in black and white.

2.6.8. General Awareness Raising

Addiko Bank shall continue improving its environmental footprint by a group wide building of employees' awareness regarding the environmental protection by encouraging a more efficient usage of company resources (for example, use of company cars, conscious use of electricity, electronic documents instead of paper print, etc.).

Vienna, 04.03.2020

Addiko Bank AG

MANAGEMENT BOARD

Razvan Munteanu m.p.
(Chairman)

Markus Krause m.p.

Johannes Proksch m.p.

Csongor Bulcsu Németh m.p.