Addiko Bank AG
2024 Disclosure Report

pursuant to Article 450
of the Capital Requirements
Regulation (CRR)

This Disclosure provides information in accordance with the requirements pursuant to Article 450 of the Capital Requirements Regulation (CRR) for the business year 2024.

1. QUALITATIVE DISCLOSURE – Remuneration Policy and practices (EU REMA)

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

- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Capital Requirements Directive IV - "CRD IV")
- Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures ("CRD V")
- § 39(2), 39b and 39c of the Austrian Banking Act (Bankwesengesetz – "BWG") and the Annex to § 39b BWG
- § 78a of the Austrian Stock Corporation Act (Aktiengesetzes - "AktG")
- Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive
- EBA Guidelines on internal governance under Directive 2013/36/EU (EBA/GL/2021/05) dated 2 July 2021
- EBA Guidelines on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04) dated 2 July 2021
- FMA-Circular regarding § 39(2), 39b and 39c BWG on the Principles of Remuneration Policies and Practices

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

With specific reference to Identified Staff, the Group People & Culture function establishes guidelines and coordinates a centralized and consistent management of remuneration and incentive systems. In compliance with both the Group Remuneration Policy and local regulation, Addiko Bank Austria AG and its legal entities apply the remuneration framework for all employees, with local adaptations based on specific regulations and/or business specifics.
In 2024, the local Remuneration Committees continued with supporting the local Supervisory Boards of the subsidiary banks. The Group Remuneration Policy is locally implemented in all Addiko Bank entities where Group standards are monitored by these committees as well as by the local Supervisory Board and Management Board, also supported by the local People & Culture and Internal Audit units.

The remuneration system is aligned with the Group's long-term business strategy so that it includes the overall business strategy and quantified risk tolerance levels with a multi-year horizon. Variable remuneration serves to remunerate achievements by directly linking pay to performance (Group, Bank, and individual performance). It also serves to motivate staff members to pursue the targets and interests of the Bank and enables them to participate in its success.

1.1. Composition and mandate of the Remuneration Committee

In 2024, the Remuneration Committee, as a committee of the Supervisory Board of Addiko Bank AG, consisted of 6 members (5 elected members and 1 representative of the Works Council), and was tasked with overseeing and recommending changes to the Remuneration Policy of Addiko Bank AG in accordance with sections 29 and 39c Austrian Banking Act (BWG). Furthermore, remuneration matters including variable remuneration and resolutions that have an impact on the Bank 's risk and how they will be managed were under the Committee's governance.
The Remuneration Committee also cooperated with other committees of the Supervisory Board whose activity possibly had an impact on the design and proper functioning of remuneration policies and practices, e.g. the Credit & Risk Committee and the Audit, Compliance & AML Committee.

Group People & Culture provided the documents and data required for monitoring of the Remuneration Policy and remuneration practices and they were presented to the members of the respective committee. Furthermore, GPC in its role advises the Management Board of Addiko Bank AG on remuneration matters.

The risk management function assisted in and informed on the definition of suitable risk-adjusted performance measures (including ex post adjustments), as well as assessed on how the variable remuneration structure affects the risk profile and culture of the Bank. The risk management function validated and assessed risk adjustment data.

Without prejudice to the tasks of the Remuneration Committee, the Credit & Risk Committee had to examine whether incentives provided by the remuneration policies and practices took the Bank's risk, capital and liquidity and the likelihood and timing of earnings into consideration.

The compliance function analysed how the Remuneration Policy affected the bank's compliance with legislation, regulations, internal policies, and risk culture, and reported all identified compliance risks and issues of non-compliance to the management body, in both its management and supervisory functions. The findings of the Compliance function were always considered by the supervisory function during the approval, review procedures, and oversight of the Remuneration Policy.

The Group Internal Audit function provided an independent review of the design, implementation and effects of the bank's Remuneration Policies on its risk profile. Moreover, the function was tasked with performing the central review of the compliance with the regulation, group policies, procedures and internal rules, while all entities of Addiko Group were to perform the independent review on an individual basis.

The Remuneration Committee met 4 times and approved one circular decision throughout the year 2024.
During 2024, the Committee used the services of external consultants in connection with changes in the method of payment of variable receipts in financial instruments, as well as in connection with the new mandates of members of the Management Board of Addiko Bank AG. Although the previously mentioned consultations were carried out at the end of 2024, it had no impact on the remuneration framework in 2024, but rather referred to the framework that will be applied in 2025 and beyond.

1.2. Revisions to the Group Remuneration Policy in 2024

In accordance with regulatory requirements, the Group Remuneration Policy must be revised at least once a year or upon regulatory change. Group People & Culture recommended the changes while the Management Board of Addiko Bank AG, the Remuneration Committee and the Supervisory Board of Addiko Bank AG reviewed and approved the Remuneration Policy and the changes to it three times in 2024.

The main changes of the Group Remuneration Policy compared to the previous year were driven by the aim to ensure a further improved alignment of the remuneration strategy with the strategic direction of the Group’s material business activities, while complying with the latest regulatory updates. These changes included, among others:

- Clarification of the procedure in the PAIF scheme in case of a possible CoC event
- Clarification on entitlement to annual bonus schemes or cash incentive plans
- Removal of Rating names from Performance rating scale
- Corporate targets weighting adjustment for employees, Heads of Internal Audit and Compliance & AML functions
- Gender Pay Gap – removal of Supervisory Board data from calculation
- Change of the variable remuneration payout method for Group Management Board members from 50% in Company shares to 50% in Financial Instruments linked to Company shares

1.3. Criteria for the Identification of Staff

The process of identification of staff in entities of Addiko Group is based on the Regulatory Technical Standards on criteria to define managerial responsibility and control functions, a material business unit and a significant impact on its risk profile, and categories of staff whose professional activities have a material impact on an institution’s risk profile (EBA/RTS/2020/05), the Articles 92 & 94 of Directive 2013/36/EU (the Capital Requirements Directive – CRD), the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 and EBA Guidelines on sound remuneration policies under Directive 2013/36/EU.

In accordance with the above regulations, it is considered that employees have a material impact on the risk profile of the Bank if the quantitative and / or qualitative criteria specified in the Regulatory Technical Standards are met.

For the purpose of determining identified employees at the beginning of the current financial year on the basis of quantitative criteria, the Bank considers the total cash and non-cash benefits granted to the employee in the previous business year, regardless of when these benefits were paid or will be paid.

The Group periodically updates the process of determination Identified Staff, at least in terms of qualitative criteria. Employees identified on the basis of qualitative criteria for a period of at least three months in a business year are considered to be Identified Staff for that business year.

In 2024, 188.5 employees on overall Addiko Group level were defined as Identified Staff (7.5% of total staff).

1.4. Fixed Remuneration

The main parameters for determining the amount of fixed remuneration are:

- Statutory and collective remuneration regulations
- The Group Remuneration Policy
- The Remuneration Policy of the Management Board of Addiko AG
- The job or role performed and job grading as defined in the Group Remuneration Policy
- The position within the Bank (hierarchy levels, assuming corporate responsibility, assessing past performance)
- Basic remuneration in line with market rates and the specific role (fulfilment is assessed by benchmarks)

1.5. Variable Remuneration

Variable remuneration components (including benefits that depend on performance) may only be paid out if the financial position of the company is sustainable and the payment is justified.

All variable remuneration schemes are flexible enough to be able to be reduced, even to zero if results turn out to be negative or the competent supervising authority requires so. All variable remuneration payments can only be granted if the capital requirements are met. The capital requirements are defined by the Addiko Group's SREP requirements.

If the capital requirements are not fulfilled at the year-end of the respective performance year, the basic condition is not met, which triggers the knockout criteria. This means that annual variable remuneration for the respective year will not be activated and that no bonus will be paid out in the respective year (new bonus as well as deferred instalments due to in the respective year). Additional Knock out criteria defined for 2024 were as follows:

- Group's Total Capital Ratio <= 18,35%
- Group's Liquidity Coverage Ratio (LCR) <= 120%
- Group's NPE Ratio (EBA) >= 5,0%
- Group's Profit after Tax <= 0

1.5.1. Annual Bonus

Following the transposition of the European Banking Authority's CEBS Guidelines on Remuneration Policies and Practices into national law in Section 39b Austrian Banking Act (BWG), including the associated annex, Addiko Bank AG created a bonus policy in line with legal requirements and implemented it throughout all entities of Addiko Group.

Corporate success is measured by using defined performance and risk indicators. The staff member's individual performance is assessed via a Management By Objectives (MBO) and / or the performance evaluation process.

Performance management contributes to the effective management of individuals in order to achieve high levels of organizational performance. The Performance Management process is conducted on an annual basis, and it includes:

1. Target Setting
2. Ongoing Performance Communication during the year
3. Annual Performance Review
4. Evaluation i.e., Performance Calibration and
5. Communication of Overall Performance Appraisal Rating and Remuneration

Targets for participants are defined in individual scorecards allowing for the assessment of individual results in the annual performance cycle. Targets are set as a balanced combination of quantitative / financial targets and discretionary / non-financial targets, with the total weighting of 100%. The individual scorecard is balanced and ensures that objectives are aligned with the business strategy, within the risk appetite and risk management framework of the respective banking entity.

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

- Business transformation (number of customers with active performing loan in focus area, focus revenue growth, etc.)
- Risk (Non-performing exposures / NPE ratio, Non-performing loans / NPL stock, Net NPL migration ratio, etc.)
- Efficiency (Cost Income Ratio / CIR, Operating expenses / OPEX, Operating result / NBI - OPEX, Return on equity / ROE, etc.)
- Financial performance (Net profit, Profit after Tax, etc.)

The specific targets are set for each business year. For each quantitative / financial target, the precise indicators (KPIs) for low (Floor), targeted (Target) and high (Cap) performance achievement are defined. The calculation of KPIs for quantitative targets is prepared by the CFO / financial controlling, risk management and other relevant functions. Final confirmation of those KPIs is undertaken by the Supervisory Board. Qualitative / non-financial targets are defined on the basis of business performance and the specific requirements placed on the Management Board and include, for example, team leadership skills, successful completion of business segment reporting, support for the Group-wide digital transformation, strengthening the risk culture.

The individual targets of employees are derived from the Bank's goals and the goals set for the corresponding organizational unit. They are compliant with the values prescribed in the Code of Business Conduct and Ethics as well as with regard to the specifics of the job. Individual targets encourage employees to become more involved and to show extraordinary performance.

Target setting follows the guidelines explained below:
- Individual targets for employees in Control Functions reflect primarily the performance of their own function (to minimize potential conflicts of interest)
- B1 level managers to have 30% of their individual annual performance targets assigned as Corporate Targets. Board is defining the Corporate Targets at the beginning of each business year
- For all other employees, at least 10% of individual targets should be based on Addiko values and behaviours, corporate culture and the Code of Business Conduct and Ethics.

The prerequisite for fulfilling the performance criteria is the documented achievement of targets, which include agreed-upon financial and non-financial, as well as quantitative and qualitative, staff and departmental targets.

When calibrating performance, the following aspects are also taken into consideration:
- Managerial skills,
- collaboration with internal users,
- Compliance (regulatory compliance, internal audit findings, penalties, protection of interests and consumer rights).

The potential amount of the variable remuneration depends on the job / function performed by the employee and is capped at a maximum amount.

A bonus is understood as the last step of the performance management process where performance-related remuneration compliments the fixed remuneration.

The annual bonus is determined considering three factors: Target bonus (defined by function and annual base salary), Company Success Factor (Group / Country performance) and Individual Performance (Individual Success Factor). The minimal overall Individual Success Factor for the activation of the variable remuneration is defined for all eligible participants.
In assessing individual performance, strict consideration is also given to breaches of conduct or compliance or values regulations, findings and assessments by Supervisory authorities or Internal Audit, Compliance, Risk management and People & Culture.

1.5.2. Performance Acceleration Incentive Framework (PAIF)

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

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

The PAIF scheme is defined in addition to the annual bonus scheme. The aim of the PAIF scheme is to align the business strategy and long-term objectives of the Addiko Group senior management team with the interests of shareholders and to provide a long-term incentive for the management and the leadership team to ensure a sustainable development of Addiko Group.

In addition to the previously stated requirements for the activation of variable remuneration, the individual achievement of the participant, calculated in accordance with the performance criteria for the Annual Bonus scheme, must not be lower than 50%.

Because of the long-term nature of the PAIF scheme and in order to ensure long-term sustainability of the capital structure, the Bank would evaluate one additional long-term criteria, the Capital utilization for credit risk in the ICAAP (economic view).

In addition to the basic requirements / knock-out criteria, a PAIF performance measure linked to shareholder participation will be defined for both the long-term component and the annual component that allows yearly adjustments.

Such PAIF performance measure is defined through the Total Shareholder Return (TSR). The TSR is calculated as the sum of:

- Capital gains or losses (the change of the Addiko share price on the Vienna Stock Exchange) and
- Distribution of Earnings/Dividends per share (paid in the performance period)

The change of the Addiko share price is calculated as a difference of the Volume Weighted Average Price (VWAP) of Addiko shares in the fourth quarter at the end of the performance period and the VWAP of Addiko shares in the fourth quarter before the beginning of the performance period.

The target TSR will be expressed as an improvement during the performance period, in percentage terms, based on the VWAP of Addiko shares in the fourth quarter before the beginning of the performance period, and reflects the expected additional shareholder value to be achieved in the performance period.

Target TSR values are determined for both the long-term component and the component that allows yearly adjustments ("annual component"). The target TSR for the long-term component was determined at the beginning of the three-year period and the target TSRs for the annual components are determined before the beginning of each year within the three-year cycle.
The target TSR is defined by the Supervisory Board of Addiko Bank AG.

1.6. Maximum Ratio of the Variable to Fixed Remuneration Component

Each Addiko Bank shall set in its Remuneration Policy explicit maximum ratio(s) on the variable component in relation to the fixed component of remuneration. This maximum ratio must be set for the different relevant categories of staff whose professional activities have a material impact on the risk profile of the Bank. The maximum balance between fixed and variable remuneration should be set in a sufficiently granular way.

In all cases, the separation between the fixed and variable components must be absolute. There must be no leakage between these two components.

The variable remuneration component in general shall not exceed 100 % of the fixed component of the total remuneration for each individual. An entity within Addiko Group may set a lower maximum percentage, but can also propose to shareholders to approve a higher maximum level of the ratio between the fixed and variable components of remuneration, provided that the overall level of the variable component does not exceed 200% of the fixed component of the total remuneration for each individual. Such exceptions can be justified if they do not harm the maintaining of a solid capital base for the Bank especially in terms of compulsory own funds requirements and should be endorsed by Group People & Culture as well as Group Compliance and recommended by the Group Remuneration Committee and the Supervisory Board of Addiko Bank AG and approved by the General Meeting of Addiko Bank AG. Further specific local law approval and reporting requirements have to be observed. At the end of 2022, Addiko Bank AG put forward a proposal for the Annual General Meeting (AGM) to increase maximum ratio between fixed and variable remuneration for the members of the Management Board of Addiko Bank AG (up to 100% for Chief Risk Officer and up to 200% for other members of the Management Board). Nevertheless, as the achievement of higher ratio between fixed and variable remuneration corresponds only to the long-term remuneration component, during 2024 no member of the Management Board of Addiko Bank AG benefitted from such increased maximum ratio.

The mix of fixed and variable remuneration for control function personnel should be weighted in favour of fixed remuneration. If they receive variable remuneration, this part should be based on function-specific objectives and should not be determined by the individual financial performance of the business area they monitor.

A more conservative approach is applied to control functions and the upper limit of variable remuneration is set at one third of the total annual remunerations, so that the individual maximum amount of variable remuneration never exceeds 50% of the individual's annual fixed remuneration.

There were no employees within Addiko Group who were granted performance-driven variable remuneration for 2024 in the amount higher than the fixed remuneration for that year.

1.7. Effective Risk Management

When determining the variable remuneration pools or individual awards, Addiko Bank AG considers a full range of current and potential (unexpected) risks associated with the activities undertaken. Performance measures used in setting the remuneration pool may not fully or adequately capture risks undertaken, thus, ex-ante adjustments can be applied to ensure that the variable remuneration is fully aligned with the risks undertaken. The Addiko group uses quantitative and qualitative measures for their risk adjustment process. When assessing risk and performance both current and future risks that are considered by the staff member, the business unit, the Bank and Group as a whole.

Ex-post risk adjustments of variable remuneration are used as a response to the actual risk outcomes of the employee's actions or the changed circumstances. Such ex-post risk adjustment is an explicit risk alignment mechanism through which the Addiko group is able to adjusts remuneration of the employee by means of Malus arrangement or Claw back clauses. In addition, the Remuneration Policy promotes effective risk management and does not encourage risk taking that exceeds the regulated / tolerated risk level. All variable schemes are consistent with the Addiko group's Internal Capital Adequacy Assessment Process (ICAAP) and with the Addiko group's individual liquidity adequacy assessment.

Addiko bank AG and all entities of Addiko Group must consider the risk associated with its remuneration system with regard to its possible impact on its capital base on a consolidated and sub – consolidated basis.

Therefore, Addiko Bank AG and all entities of Addiko Group have to include the impact of variable remuneration - both upfront and deferred amounts - in their capital planning and in their overall capital assessment process, considering their current capital position. The guidance on the process shall be provided by the respective control functions on local and Addiko Bank AG level.

The total variable remuneration awarded by an entity of Addiko Group shall not limit the ability of the bank to maintain or restore a sound capital base in the long term. When assessing if the capital basis is sound, the institution should consider its overall own funds and in particular the Common Equity Tier 1 capital, the capital requirement, including the combined capital buffer requirement, the leverage ratio buffer requirement and the minimum requirement for own funds and eligible liabilities as well as any capital add on and the re-strictions on distributions.

In line with EBA Guidelines on sound remuneration policies, as also defined in the Addiko Group Remuneration Policy, Addiko should evaluate the:

- indicators for ex-ante risk adjustment,
- indicators for ex-post risk adjustment,
- indicators for multi-year ex post risk adjustment, and
- impact on remuneration pay out for 2024 on capital adequacy.

<u>Ex-ante Risk adjustment</u>

For every newly issued reward, the ex-ante Risk assessments are conducted using the following indicators:

- Average PD of performing portfolio,
- Cost-of-Risk,
- Stage 2 share of performing portfolio,
- Risk Bearing Capacity.

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

Ex-post Risk adjustment

Entities of Addiko Group can use ex-post risk adjustments and decrease payment (Malus) or ask the individual to pay back if the payment was not justified (Claw back) under the predefined rules.

Malus and Claw back can potentially be applied on all types of variable remuneration. Malus and Claw back can be applied independently, and the relevant Addiko Bank Group bodies have the discretion and the legal right to decide whether a Malus or Claw back situation exists and what the appropriate action is. The period during which Malus can be applied is equal to the defined period of deferral, while Claw back actions can be applied on a part or on the entire variable payment that has been paid out depending on the specifics set in the employment contract as well as implications from labour, civil and criminal law depending on the specific circumstances (in particular in case of fraud).

Malus

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

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

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

These three Indicators are recognized and tracked in the recovery plan and within the Group Risk Appetite Framework. These Indicators show the impact of management and sales activities in previous periods on the amount of risk that the Company has assumed within its portfolio and are constantly compared to predefined thresholds enabling constant tracking if the risk is above the limits that the Company is prepared to assume.

Based on a decision of the Supervisory Board of Addiko Bank AG, a (ex-post) risk adjustment up to the full amount of the deferred amount due for payout can be applied if the following indicators are “amber” or “red”:
- If an amber level recovery plan threshold is breached for more than 6 months
- if a red level threshold is breached for more than 3 months.

Claw back

Claw back should be used in the case of:

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

Depending on the circumstances as well as the applicable labour law, a Claw back might also be applied for staff that is not part of the Identified Staff (e.g., in case of fraud conducted to receive bonus).

Multi-year ex-post risk adjustment

In case the below-mentioned multi-year assessment indicators are worse than the defined thresholds which are approved by the Supervisory Board of Addiko Bank AG within budget targets, the underlying impact on the risk profile indicates the need for the application of the malus arrangements:

- Loan portfolio vintage cohort analysis of default rate
- Loan portfolio vintage cohort analysis of stage 2 share

Both indicators are assessed follows:

- Calibration: Based on average NPE Inflow / stage 2 share of the next 5 BU year succeeding the reference year
- Assessment: Based on 3-year average Vintage Cohort of the portfolio, compared to budgeted values for 2023

Impact of variable remuneration pay out for 2024 on capital adequacy

The objective of the analysis was the identification of effects of award and variable remuneration payout for 2024 on the capital adequacy from regulatory / normative (Pillar I) and internal/economic (Pillar 2) perspective.

Effective Risk Management - conclusion

As stated earlier, Addiko is, in addition to the basic and additional requirements for variable remuneration activation, evaluating also the indicators for ex-ate risk adjustment, ex-post risk adjustment and multi-year ex-post risk adjustment, as well as the impact on remuneration pay out on capital adequacy.

The above-mentioned assessments are prepared by the Group Integrated Risk Management function and, prior to the discussion and conclusion of the Remuneration Committee, were analysed and discussed on the Credit & Risk Committee.
Based on the discussion on the Credit & Risk Committee, the opinion forwarded to the Remuneration Committee was that there was no indication of need for ex-post risk adjustment for deferred payouts and that remuneration payouts do not constitute a knockout due to all capital indicators being satisfied.

The Remuneration Committee considered, from the remuneration point of view, the possible need to adjust variable remuneration based on risk assessment. With regard to the opinion of the Credit & Risk Committee and further discussion, it was concluded that, according to the results of the risk assessment, there is no reason to apply Malus or Claw-back and that the variable remuneration for 2024 can be activated.

1.8. Variable Remuneration Payout Model

Based on the currently valid regulation, a value threshold for deferring a variable remuneration has been defined. Having considered the risk profile and the nature of the credit business of Addiko Bank, a variable remuneration amount, calculated as the sum of all variable components of remuneration in a given performance year, shall be deferred only if:

- the variable remuneration amount is equal or higher than EUR 50,000 or
- the variable remuneration amount exceeds 1/3 (one third) of the individual's annual fixed remuneration

In case that local regulation is stricter in any of above stated thresholds, the combination of more strict thresholds should be applied.

The entities / institutions of Addiko Group will generally apply a model of payment of variable remuneration in cash as described as follows:

(i) in the first half of the following financial year, an employee will be entitled to bonus instalment equal to 60% of the variable remuneration calculated according to paragraph 5.3, payable in cash. The first instalment will be paid as soon as reasonably possible after the end of the financial year for which the employee has been rewarded (no later than end of first half of Y+1).

(ii) the remaining 40% of the Bonus calculated according to paragraph 5.3 shall be deferred and paid out and proportionally allocated over a period of 5 years (8% per year), payable as soon as reasonably possible after the end of first / second / third / fourth / fifth year following the financial year for which the employee has been rewarded (no later than end of first half of Y+2 / Y+3 / Y+4 / Y+5 / Y+6).

Exceptionally, in case that the variable remuneration amount determined according to paragraph 5.3 and 6 exceeds EUR 150,000, the same shall be paid in a way that 60% of the total Bonus amount will be deferred and proportionally allocated over a period of 5 years, payable in the following manner:

(i) in the first half of the following financial year, the employee will be entitled to a bonus instalment equal to 40% of the Bonus calculated according to paragraph 5.3, payable in cash. The first instalment will be paid as soon as reasonably possible after the end of financial year for which employee has been rewarded (no later than end of first half of Y+1).

(ii) the remaining 60% of the Bonus calculated according to paragraph 5.3 shall be deferred and paid out and proportionally allocated over a period of 5 years (12% per year), payable as soon as reasonably possible after the end of first / second / third / fourth / fifth year following financial year for which the employee has been rewarded (no later than end of first half of Y+2 / Y+3 / Y+4 / Y+5 / Y+6).

The relevant Supervisory Board may propose a payment method with a combination of cash and financial instruments for Identified Staff in accordance with the Provisions and stricter local law. Such proposal may be provided by the competent Supervisory Board during the Target setting process for the respective business year.

For the 2024 variable remuneration cycle, payout in financial instruments linked to Addiko Bank AG shares was applied for Group Management Board members at Addiko Bank AG in Austria, while financial instruments were used at Addiko Bank d.d. in Slovenia, Addiko Bank d.d. in Croatia, Addiko Bank d.d. Sarajevo and Addiko Bank a.d. Banja Luka.

Addiko does not benefit from derogation laid down in Article 94(3) CRD point (a) and (b) in accordance with point (k) of article 450(1) CRR.

2. QUANTITATIVE DISCLOSURE - Capital Requirements Regulation (CRR), Article 450, ANNEX XXXIII

2.1. EU REM1 - Remuneration awarded for the financial year

	Remuneration in €	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	19	22	110	37,5
	Total fixed remuneration	910.461 €	5.678.489 €	8.976.831 €	2.024.185 €
	Of which: cash-based	910.461 €	5.678.489 €	8.976.831 €	2.024.185 €
	(Not applicable in the EU)				
	Of which: shares or equivalent ownership interests				
	Of which: share-linked instruments or equivalent non-cash instruments				
	Of which: other instruments				
	(Not applicable in the EU)				
	Of which: other forms				
	(Not applicable in the EU)				
Variable remuneration	Number of identified staff	0	19	83	26
	Total variable remuneration		2.942.259 €	1.064.627 €	169.482 €
	Of which: cash-based		1.588.842 €	1.064.627 €	169.482 €
	Of which: deferred		744.753 €		
	Of which: shares or equivalent ownership interests		761.875 €		
	Of which: deferred		761.875 €		
	Of which: share-linked instruments or equivalent non-cash instruments				
	Of which: deferred				
	Of which: other instruments		591.542 €		
	Of which: deferred		216.487 €		
	Of which: other forms				
	Of which: deferred				
	Total remuneration	**€ 910.461**	**€ 8.620.748**	**€ 10.041.458**	**€ 2.193.667**

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2.2. EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

Remuneration in €	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards - Number of identified staff	0	1	1	0
Guaranteed variable remuneration awards -Total amount	0 €	11.295 €	7.166 €	0 €
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap				
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	0	0	0	0
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	0	0	0	0
Severance payments awarded during the financial year				
Severance payments awarded during the financial year - Number of identified staff	0	0	0	0
Severance payments awarded during the financial year - Total amount	0	0	0	0
Of which paid during the financial year				
Of which deferred				
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap				
Of which highest payment that has been awarded to a single person				

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2.3. EU REM3 - Deferred remuneration

Deferred and retained remuneration (in €)	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. Changes due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory function	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0
Cash-based								
Shares or equivalent ownership interests								
Share-linked instruments or equivalent non-cash instruments								
Other instruments								
Other forms								
MB Management function	€ 6.415.835	€ 1.796.195	€ 4.619.640	€ 0	€ 0	€ 0	€ 1.369.148	€ 427.047
Cash-based	4.241.425 €	1.150.125 €	3.091.300 €				1.150.125 €	
Shares or equivalent ownership interests	1.001.460 €	143.115 €	858.345 €					143.115 €
Share-linked instruments or equivalent non-cash instruments								
Other instruments	1.172.951 €	502.955 €	669.996 €				219.023 €	283.932 €
Other forms								
Other senior management	€ 227.370	€ 116.946	€ 110.424	€ 0	€ 0	€ 0	€ 111.613	€ 5.333
Cash-based	199.503 €	92.830 €	106.673 €			-	92.830 €	
Shares or equivalent ownership interests								
Share-linked instruments or equivalent non-cash instruments								
Other instruments	27.867 €	24.116 €	3.751 €			-	18.783 €	5.333 €
Other forms								
Other identified staff	€ 3.840	€ 1.920	€ 1.920	€ 0	€ 0	€ 0	€ 1.015	€ 0
Cash-based	3.840 €	1.920 €	1.920 €			-	1.015 €	
Shares or equivalent ownership interests								
Share-linked instruments or equivalent non-cash instruments								
Other instruments								
Other forms								
Total amount	€ 6.647.045	€ 1.915.061	€ 4.731.984	€ 0	€ 0	€ 0	€ 1.481.776	€ 432.380

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2.4. EU REM4 - Remuneration of 1 million EUR or more per year

	Remuneration in €	Identified staff that are high earners as set out in Article 450(i) CRR
1	1,000,000 to below 1,500,000	1
2	1,500,000 to below 2,000,000	
3	2,000,000 to below 2,500,000	
4	2,500,000 to below 3,000,000	
5	3,000,000 to below 3,500,000	
6	3,500,000 to below 4,000,000	
7	4,000,000 to below 4,500,000	
8	4,500,000 to below 5,000,000	
9	5,000,000 to below 6,000,000	
10	6,000,000 to below 7,000,000	
11	7,000,000 to below 8,000,000	

2.5. EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions’ risk profile (identified staff)

		Management body remuneration			Business areas						
	Remuneration in €	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset mgmt.	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff**										188,5
2	Of which: members of the MB	19	22	41							
3	Of which: other senior management				0	26	0	55	23	6	
4	Of which: other identified staff				0	13	0	17,5	7	0	
5	**Total remuneration of identified staff**	910.461 €	8.620.748 €	9.531.209 €		3.393.184 €		5.954.253 €	2.459.533 €	428.154 €	
6	Of which: variable remuneration		2.942.259 €	2.942.259 €		427.095 €		547.352 €	224.141 €	35.521 €	
7	Of which: fixed remuneration	910.461 €	5.678.489 €	6.588.950 €		2.966.089 €		5.406.901 €	2.235.393 €	392.633 €	

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2.6. EU GPG - Gender pay gap (Addiko Bank AG Austria stand-alone view)

Total number of staff	115
Total number identified staff	22

	Representation of staff of different genders per quartile of remuneration level				Gender pay gap based on the total gross remuneration			
	All male staff in percent of all staff	All female staff in percent of all staff	All male identified staff in percent based on all identified staff	All female identified staff in percent based on all identified staff	Gender pay gap of all staff, based on median	Gender pay gap of all staff, based on mean	Gender pay gap of identified staff, based on median	Gender pay gap of identified staff based on mean
Quartile 1 (low)	46,43%	53,57%	83,33%	16,67%	-1,18%	1,34%	-13,61%	-19,53%
Quartile 2 (low to medium)	55,17%	44,83%	66,67%	33,33%	1,40%	1,94%	3,53%	3,08%
Quartile 3 (medium to high)	65,52%	34,48%	60,00%	40,00%	-5,69%	-3,69%	2,08%	1,10%
Quartile 4 (high)	75,86%	24,14%	100,00%	0,00%	2,28%	40,34%	100,00%	100,00%
Total staff/identified staff	60,87%	39,13%	77,27%	22,73%	15,13%	35,09%	3,86%	44,55%