Addiko Bank

Remuneration Policy of the Management Board of Addiko Bank AG

Document Summary	The Remuneration Policy for the Management Board of Addiko Bank AG ("*Vergütungspolitik des Vorstands*") regulates the principles of remuneration for the Management Board of Addiko Bank AG in accordance with Section 78a of the Austrian Stock Corporation Act ("AktG"). It is largely based on, and is consistent with, Addiko Bank's Group Remuneration Policy (remuneration policy according to section 39b BWG).
Addressees	Management Board of Addiko Bank AG

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Addiko Bank

I. Table of Contents

II. Scope and Goals

1 What is this Internal Act intended for?

The Remuneration Policy for the Management Board of Addiko Bank AG ("*Vergütungspolitik des Vorstands*") regulates the principles of remuneration for the Management Board of Addiko Bank AG in accordance with Section 78a of the Austrian Stock Corporation Act ("AktG"). It is largely based on, and is consistent with, Addiko Bank's Group Remuneration Policy (remuneration policy according to section 39b BWG).

This Remuneration Policy applies to annual bonus payments for performance from the date of adaptation, replacing any previous versions, and subsequent years, as well as payments of deferred instalments from previous years, if existing. It refers to the performance review period 1 January to 31 December of the respective year. It is solely applicable to Management Board Members of Addiko Bank AG.

2 Why is this Internal Act relevant for Addiko?

A clear and structured Remuneration Policy for Management Board Members ensures transparency, alignment with strategic objectives, and compliance with regulatory requirements. It supports sustainable business performance by linking compensation to long-term value creation, risk management, and the interests of shareholders and stakeholders. It fosters responsible decision-making, strengthens governance, and enhances the Bank's credibility by adhering to legal and supervisory expectations. Additionally, it helps attract and retain experienced executives, reinforcing stability and continuity in leadership.

The Remuneration Policy for Group Management Board Members shall promote the business strategy and long-term development of the Bank. This is done by setting out principles for the remuneration of the Management Board Members of Addiko Bank AG, taking into account:

- their tasks and workload
- their expertise and experience
- their responsibilities and the risks involved
- the size, location and sustainable and long-term development of the Company and its subsidiaries
- the relevant legal and regulatory requirements and the Austrian Corporate Governance Code.

It must furthermore provide sufficient flexibility to respond to short-term market developments and to ensure a balanced composition of the Management Board.

3 Remuneration Principles

3.1. Financial Performance of the Addiko Group

It is imperative that the compensation system takes into account the performance of the Addiko Group and not only the performance of the Company, or as an individual.

3.2. Sound Capital Base

The Company must consider the risk associated with its compensation system in terms of its potential impact on its capital base and the Addiko Group's capital base.

Therefore, the Company must consider the impact of the level of compensation - both upfront and deferred - in its capital planning and the overall capital valuation process, taking into account the current capital position. The guidance on process shall be provided by the respective Group units.

The total variable remuneration granted by the Company must not restrict the ability of the Company and the Group to maintain or restore a sound capital base in the long term. When assessing if the capital basis is sound, the institution should take into account 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 restrictions on distributions.

If the Company or the Group does not achieve its capital objectives, priority shall be given to building up the necessary capital or solvency buffer and a conservative remuneration policy shall be pursued, in particular with regard to variable remuneration.

3.3. Long-Term Strategy Support

The compensation system must be aligned with the long-term business strategy of the Company and the Group in such a way that it includes the general business strategy and quantified risk tolerance levels with a multi-year horizon.

3.4. Exceptional Remuneration Arrangements

Exceptional compensation agreements are those compensation elements which are not normally provided to Management Board Members, and which are considered exceptions (e.g., welcome bonus, sign-on bonus, guaranteed bonus, retention bonus, severance package).

Such exceptional remuneration arrangements shall comply with Chapter 9 of the EBA Guidelines and shall be approved by the Supervisory Board of Addiko Bank AG for Management Board Members on a case-by-case basis.

Exceptional compensation arrangements are limited to certain situations related to recruitment phases, special projects, high risk of retirement or restructuring. They must comply with all relevant principles of this Remuneration Policy and be documented in writing.

3.5. Avoiding Conflicts of Interest

The Company operates in accordance with the Code of Business Conduct & Ethics, which every employee - including the Management Board Members - must comply with. The remuneration system is fully compliant with the Code of Business Conduct and the fit & proper guidelines, which include measures to avoid conflicts of interest.

3.6. Equal Pay

When determining the remuneration system, companies must meet all legislative requirements including provisions on equal pay.

Equal pay is the principle and practice of paying men and women, as well as any other diverse gender, in the same organization at the same rate for like work, or work that is rated as of equal value. This principle of equal pay applies, meaning equal work of equal value, not only with regard to gender, but to all types of diversity covered by the Group Diversity Policy in its applicable version.

3.7. Shareholder Participation

In accordance with § 78b (1) AktG, the Supervisory Board of the Bank must submit this remuneration policy to the Annual General Meeting of the Company for resolution.

3.8. Market Data

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

4 Remuneration Structure

The Remuneration Policy of the Group Management Board distinguishes between three main components of remuneration:

- Fixed remuneration, which includes any non-performance-related payment,
- Variable remuneration, including an annual bonus and incentive schemes (which could also be paid more than once a year), and
- Other benefits (all other types of reward and recognition instruments that are neither fixed nor variable).

The remuneration of the Management Board members shall be determined as a combination of (i) fixed, (ii) performance-related variable remuneration and (iii) non-monetary remuneration, taking into account the mutual value for employees of the Company and the Group in line with the interests of the shareholders.

The Supervisory Board or its responsible committees specifically determine, approve and monitor the remuneration of the Management Board Members.

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

- Fixed remuneration based on the level of responsibility of the respective Management Board Member, whereby the fixed remuneration should represent a relevant part of the total remuneration,
- variable annual remuneration, which is linked to the attainment of predetermined individual target agreements and prudent risk management and should in any case be lower than the fixed remuneration for the respective financial year,
- In the event of premature termination by the Bank without good cause or for good cause not attributable to the Management Board Member, as well as in the event of justified premature termination by the Management Board Member for good cause attributable to the Bank, the following claims may arise:
  - Compensation for loss of income for the period then remaining until the end of the fixed term may be increased up to a maximum of 75% of a gross annual base salary or until the end of the fixed term, whichever is lower. For Management Board Members, this must be approved by the Supervisory Board of the Company,
  - A pro-rata annual bonus payment for the year in which the employment contract is terminated may be included in the remuneration on the assumption that no more than 100% is achieved,
  - Management Board Members may be entitled to insurance coverage, including D&O insurance, in accordance with the existing group insurance contracts for Management Board Members.

The Management Board Members do not receive separate remuneration for their function as members of the Supervisory Board of a direct or indirect subsidiary of the Bank.

5 Principles of Fixed Remuneration

5.1. Definition

The fixed remuneration is the remuneration paid to the individual Management Board Members for the performance of their work for a contractually agreed period of time and for the extent of their responsibility, and reflects the experience and competence required.

The following components are regarded as fixed remuneration:

- Base salary, benefits, allowances and supplements which are part of a general, non-discretionary, company-wide policy and have no incentive effect in terms of risk taking,
- Compensation components that are by nature not fixed, but which do not depend on the performance of a Management Board Member and are considered as exceptions.

5.2. Base Salary

5.2.1. Base Salary Positioning

The base salary must be high enough not to encourage an inappropriate willingness to take risks.

The positioning of the base salary above the market value is only justified for board positions that are rare in the market and of crucial importance to the Company.

5.2.2. Increase in Base Salary

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

The increase in base salary must be based on a combination of market rates and the skills and seniority of the individual.

5.3. Benefits, Allowances and Supplements to Base Salary Required by Law

Any benefits, allowances and supplements to the base salary required by law are regarded as fixed remuneration. They are based on applicable legal provisions and must be granted to the Management Board Member in compliance with these provisions.

Any benefits, allowances and/or surcharges imposed/required by law that exceed national requirements must be reviewed and approved by the Bank's People & Culture department before being submitted to the Supervisory Board for approval.

5.4. Enhancement and Expansion of the Working Environment, or Increased Responsibilities

Any allowance and/or supplement to the base salary that is related to job enrichment or expansion of the field of work or increased responsibility/skills within the existing position is considered a fixed salary.
Such allowances and supplements shall depend on the duration of the relevant upgrading, extension or increased responsibility and shall not exceed 20% of gross base salary in the relevant period.

5.5. Regular Review

Fixed remuneration components must be reviewed regularly, at least once a year. The relevance of fixed remuneration is to reduce the risk of excessive risk-taking behavior, prevent initiatives focusing on short-term results and allow flexibility in the remuneration mix (fixed vs. variable remuneration).

6 Principles of Variable Remuneration

6.1. Definition

Variable remuneration is used to reward achievements by linking remuneration directly to performance (Group, Company and individual performance). It also serves to motivate the Management Board Members to pursue the goals and interests of the Company and to allow them to share in the Company's success.

6.2. Flexibility / Adaption

Any variable remuneration system must be flexible enough to allow variable remuneration to be reduced - even to zero - if results are negative or if the competent supervisory authority so requires.

Ex-post risk adjustments to variable remuneration are made in response to the actual risk results of the Management Board Member's actions or changed circumstances. Such ex-post risk adjustment is an explicit risk adjustment mechanism by which the remuneration of the Management Board Member is adjusted by means of a malus agreement or claw back clauses as described in Chapter 8.5.

6.3. Restrictions on the Payment of Variable Remuneration Components and Risk Adjustment

When allocating variable remuneration components within the Company, all types of current and future risks must be considered. The performance measurement used to calculate the variable remuneration components or pools of variable remuneration components shall include an adjustment for all types of current and future risks and consider the cost of capital and the liquidity required. Variable remuneration components (including performance-related bonuses) may only be paid if the financial situation of the Company is sustainable, and the payment is justified. Entitlement to variable performance-related remuneration (both new and deferred elements) can only arise if the capital requirements described below are met.

Payments of variable remuneration components are only permitted if the applicable capital requirements are met. Exceptions can only be made if the payment of variable remuneration is consistent with and promotes sound and effective risk management and does not encourage the taking of risks in excess of those tolerated by the Company and does not restrict the Company's ability to maintain or restore a sound capital base.

6.4. Knock-Out Criteria

Remuneration policies and practices must be consistent with and promote sound and effective risk management. Furthermore, it must be ensured that variable remuneration is not detrimental to maintaining a sound capital base.
Hence, Addiko Bank applies strict knock-out criteria for variable remuneration applicable to all staff. Given the impact of the knock-out criteria on the award as well as the pay-out of the variable remuneration (for both new as well as deferred variable remuneration), these criteria serve both the ex-ante as well as ex-post risk adjustment.
Given the material impact of Identified Staff on Addiko's risk profile, the alignment of their risk-related performance with their variable remuneration is of special importance. Hence, further ex-ante/ex-post adjustments are prescribed particularly for Group Management Board Members as Identified Staff (see Chapter 9).

6.4.1. Basic Requirements / Knock-Out Criteria

Variable remuneration components may only be awarded or paid if the financial position of the Group is sustainable, and the bonus is justified. The right to receive a new variable remuneration as well as the payment of deferred payments from previous years exists only if the basic conditions are met.

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

If the capital requirements are not met at the end of the relevant performance year, the basic requirement is not met, which is a knock-out criteria. This means that the bonus for the respective year is not capitalized, and no bonus is paid in the respective year (neither a new bonus nor deferred payments that would be due in the respective year).

6.4.2. Additional Knock-Out Criteria

In addition to the knock-out criteria defined in Chapter 6.4.1, additional knock-out criteria will be defined for activation of the variable remuneration payout for each respective business year.

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

- Risk (Non-performing exposures, Risk-Adjusted Return On Capital - RAROC, etc.)
- Financial performance (Net profit, etc.)

The calculation of KPIs for defined additional knock-out criteria is prepared by the CFO / Financial Controlling, Risk Management and other relevant functions. The final confirmation of those KPIs is done by the Supervisory Board.

The variable remuneration is calculated and paid once a year.

6.5. Cashless Incentive and Recognition Plans

Recognition rewards are the employer's methods of recognizing teams or individual employees who demonstrate Addiko's values and contribute through their dedication and extra effort and who are not rewarded with other variable payments as defined in this Policy. They can be informal and optional and are retrospective as they recognize past performance and behaviors.

Maximum amount or value of prizes / awards:

- In case of non-cash incentive, the value of prizes / awards must be symbolic.
- Maximum amount or value is defined as 30% of the average monthly gross base pay of non-managerial employees or 5.000 EUR, whichever is lower.

Tax implications need to be considered as awards over a certain level are subject to income tax.

Criteria and features of any incentive plan need to be approved by the Remuneration Committee and the Supervisory Board of Addiko Bank AG.

6.6. Variable Remuneration Not Based on Performance Criteria

<u>Retention Bonuses</u>

Retention awards or retention bonuses may be granted on the condition that the Management Board Member stays in the Bank for a predefined period of time. It can be granted in limited circumstances, such as a restructuring or an organizational change and where a strong case can be made for retaining key employees.

When assessing and considering whether the award of a retention bonus to a Management Board Member is appropriate, institutions and competent authorities may take into account at least the following:

a. the concerns that lead to the risk that the certain Management Board Member may choose to leave the institution,
b. the reasons why the retention of that Management Board Member is crucial for the institution,
c. the consequence if the Management Board Member concerned leaves the institution, and
d. whether the amount of the awarded retention bonus is necessary and proportionate to retain the targeted Management Board Member.

In case of granting a retention bonus, Addiko Bank must document the event or justification that made it necessary to award a retention bonus and the time period (start date and end date), for which the reasons assumed exist. For each retention bonus, the retention and performance conditions have to be defined. Within this definition, Addiko Bank shall specify a retention period and a date / event, after which it determines whether the retention and performance conditions have been met. The specific performance conditions for a retention bonus should lead to the retention objective (i.e., retention of staff in the institution for a predefined period of time or until a certain event) which should differ from the performance conditions applied to other parts of the variable remuneration.

In general, multiple retention bonuses should not be awarded and are only allowed in exceptional cases and where duly justified, but at different moments in time and under the conditions specified in the previous paragraph for each retention bonus.

Retention bonuses should not be awarded to merely compensate for performance-related remuneration not paid due to insufficient performance or the Company's financial situation. Moreover, the retention bonus should only be awarded if no reasons exist that lead to a situation where the retention bonus should not be awarded, e.g. material compliance breaches, misconduct or other failures of that Management Board Member.

Retention bonuses are considered variable remuneration and therefore must comply with the requirements on variable remuneration, including the bonus cap, ex-post risk alignment, payment in instruments, deferral, retention, malus and claw back. Ex-ante risk adjustments are not necessary because retention bonuses are not exclusively based on performance criteria, but on other conditions.
A retention bonus must be considered within the calculation of the ratio between the variable and the fixed remuneration as variable remuneration, with retention bonus amounts split into annual amounts for each year of the retention period calculated on a linear pro rata basis.

Retention bonuses should not lead to a situation where the total variable remuneration, consisting of performance-related variable remuneration and retention bonus, of the staff member is no longer linked to the performance of the individual, the business unit concerned and the overall results of the institution.

Guaranteed Variable Remuneration

Guaranteed variable remuneration can take several forms such as a "guaranteed bonus", "welcome bonus", "sign-on bonus", "minimum bonus", etc., and can be awarded either in cash or in instruments.

Guaranteed variable remuneration may be granted only in exceptional circumstances in the first year of employment and if the capital base is sound in accordance with Chapter 4. Guaranteed variable remuneration may be paid out in non-deferred cash and the requirements on malus and claw back arrangements are not mandatory for this type of variable remuneration.

6.7. Effective Risk Management, Risk Identification and Quantification

The remuneration system must be compatible with and promote effective risk management. It must not encourage taking risks beyond the prescribed / tolerated risk level.

Each variable compensation program shall be consistent with the Company's internal capital adequacy assessment process (ICAAP) and with the Company's individual liquidity assessment.

Whenever an assessment is used for risk and performance measurement or risk adjustment, the following requirements must be observed:
- A clearly worded document setting out the parameters and key considerations on which the assessment is based,
- Clear and complete documentation of the final decision on risk and performance measurement or risk adjustment,
- The involvement of experts from relevant control functions, and
- The necessary approvals, in particular from the Company's Supervisory Board, have been obtained.

When determining variable remuneration pools or individual remuneration, the company should take into account the full range of current, and potential (unexpected) risks associated with the activities performed.

The performance indicators used in the determination of the remuneration pool may not capture the risks taken or may not capture them adequately and ex-ante adjustments should therefore be made to ensure that variable remuneration is fully aligned with the risks taken.

In order to ensure a sound and effective remuneration system, the company should use quantitative and qualitative measures/criteria for its risk adjustment process. The assessment of risk and performance should take into account both current and future risks taken by a Member of the Management Board, their department, the Company and the Group as a whole.

7 Variable Remuneration – Annual Bonus

7.1. Annual Bonus Entitlement

7.1.1. Basic Information

The Annual Bonus payments ("bonus payments") are performance-related and are not guaranteed, with the exception of a possible guaranteed variable remuneration in the first year of employment. Bonus payments should reflect business results, take into account individual performance and the Group's consolidated business results and capital position.

Bonus payments can only be made after the presentation of the audited consolidated IFRS financial statements, which have been approved by the Supervisory Board of the Company.

7.1.2. Personal Entitlement

A Member of the Management Board is entitled to a bonus payment if they were employed by the Company for at least five months during the financial year for which the bonus is paid.

If the departing Management Board Member is considered a "Good leaver", they retain the right to receive bonus or deferred bonus payments and are also entitled to a pro rata bonus payment for the year in which the employment relationship ends. In this Remuneration Policy, the "Good leaver" status includes the following circumstances:

- Termination of employment due to physical illness, injury or permanent disability, in accordance with applicable laws,
- Retirement, even in the event of a special agreement with the Company,
- Death of the Management Board Member (the bonus or deferred bonus amounts are paid to the heirs in accordance with the applicable law of succession),
- The employment contract of the Member of the Management Board was terminated by the Company without justification on an extraordinary basis, and
- The Member of the Management Board has been transferred to another entity of the Group.

If, based on the above circumstances, the Management Board Member cannot be considered a "Good leaver", they lose the right to a bonus payment for the year in which the reasons for the termination of the employment relationship arose.

7.2. Balanced Scorecards for Management Board Members

The objectives for Management Board Members are defined in individual balanced scorecards, which form the basis for the evaluation of the individual results in the annual performance cycle.

The objectives, a list of at least 4 (four) (no more than 8 (eight) are proposed) performance targets, should be defined as a combination of Group, board responsibility and individual objectives. For Management Board Members with combined responsibilities, it shall be determined which Board divisional target is measured with which weighting.

Board performance targets are set as a balanced combination of quantitative/financial ("hard") targets and qualitative/non-financial ("soft") targets, with a total weighting of 100%.

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

- Business transformation (number of customers with active performing loan in focus areas, 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 (Profit before Tax, Profit after Tax, etc.)

The performance and risks targets defined for the CRO position should predominantly be based on objectives related to the Risk area and determined separately from the business units the CRO controls, including the performance which results from business decisions where Risk is involved as a control function.

The specific targets that will be set for each business year, as well as the weighting of each target, are determined by the Supervisory Board at the beginning of the performance monitoring cycle.

For each quantitative/financial target, the precise indicators (KPIs) for low (Floor), targeted (Target) and high (Cap) performance achievement will be 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 done 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 implementation of business segment reporting, support of the Group-wide digital transformation, strengthening the risk culture.

As Management Board Members are relevant to the fulfilment of the ESG strategy, they must have targets related to the fulfilment of the ESG action plan included in their scorecards and their total weighting cannot be lower than 5%.

The individual Balanced Scorecard should be balanced and ensure that objectives are aligned with the business strategy and are within the risk appetite and risk management framework of the Company.

Individual targets, weightings and achievements will be reported annually in the Bank's Remuneration Report.

7.3. Bonus Amounts

7.3.1. Target Bonus / Maximum Bonus Amounts

The amount of the target bonus and the maximum amount of the bonus depends on the function of the Management Board Member and on relevant market benchmarks in the respective working environment.

The amount of the target bonus for a Management Board Member who has not worked for the full financial year is calculated pro-rata, considering the days on which the Management Board Member worked for the Company in the respective year (the period for which he received a salary from the Company).

7.3.2. Individual Success Factor

For each quantitative target determined in accordance with Chapter 7.2, the following achievements are defined:

- 50% for the result at the level of Floor value,
- 100% for the result at the level of Target value and
- 125% for the result at the level of Cap value

The final individual performance assessment for Management Board Members is defined by calculating the Individual Success Factor, which represents the weighted achievement of the objectives from the individual balanced scorecard.

The Individual Success Factor is calculated on the basis of the achievement of the performance targets from the individual *balanced scorecard*.

The achievement of quantitative targets is calculated as follows:

- A result equal to or above the Cap KPI is considered to be 125% of target weighting,
- A result which is lower than the Floor KPI is considered as 0% of target weighting,
- A result between the Floor and the Target KPI is calculated linearly between 50% and 100% of target weighting,
- A result between the Target KPI and the Cap KPI is calculated linearly between 100% and 125% of target weighting.

The achievement of qualitative targets is calculated as follows:

- An assessment of the target achievement cannot be higher than 100%, so the maximum achievement is 100% of target weighting,
- An assessment of the target achievement below 50% is considered as 0% of target weighting,
- An assessment of the target achievement between 50% and 100% is calculated linearly between 50% and 100% of target weighting.

Individual Success Factor calculation example:

Target description		weight	KPI values			Achievement at			Actuals	Weighted achievement
			Floor	Target	Cap	Floor	Target	Cap		
Financial targets		**75%**								
1	TARGET 1 (Financial)	20%	1.00	2.00	3.00	50%	100%	125%	1.5	15.0%
2	TARGET 2 (Financial)	20%	5.0%	3.0%	2.0%	50%	100%	125%	1.8%	25.0%
3	TARGET 3 (Financial)	10%	60.00	50.00	40.00	50%	100%	125%	61.0	0.0%
4	TARGET 4 (Financial)	25%	10.00	15.00	18.00	50%	100%	125%	15.00	25.0%
Strategic targets		**25%**								
5	TARGET 5 (Strategic)	10%	Defined by the Supervisory Board			50%	100%	125%	100%	10.0%
6	TARGET 6 (Strategic)	15%	Defined by the Supervisory Board			50%	100%	125%	90%	13.5%
	Total	100%								88.5%

If the overall Individual Success Factor is below 50%, the Management Board Member is not entitled to any bonus payments for the financial year.

In assessing individual performance, strict consideration is also given to breaches of conduct or compliance/values regulations, findings and assessments by supervisory authorities or Internal Audit, Compliance, Risk Management and People & Culture.

It should be ensured that bonus results reflect not only individual performance but also business results and affordability (including from a capital perspective).

7.3.3. Company Success Factor

The overall Company success is expressed as percentage (rating from 0% - 125%) through the Company Success Factor and it represents the main financial results and overall transformation efforts of the Addiko Bank Group and the individual Entity.

The Company Success Factor is defined based on the financial results and overall transformation effects on the Addiko Group level. It is defined and calculated within the Group CFO area and approved and adopted by the Supervisory Board of Addiko Bank AG, based on a recommendation of the Remuneration Committee.

7.3.4. Bonus Calculation

The final bonus amount for the members of the Group Management Board is calculated as follows:

TARGET BONUS AMOUNT	x	INDIVIDUAL SUCCESS FACTOR	x	COMPANY SUCCESS FACTOR	=	INDIVIDUAL BONUS AMOUNT

7.4. Knock-Out Criteria, Risk Assessment and Payout Model

The awarding and payment of the Annual Bonus will be made in accordance with Chapter 11, but only provided that:
- the Knock-out criteria, as defined in Chapter 7.4, has been fulfilled and
- the risk assessment, as described in Chapter 9, has been completed successfully.

7.5. Other Provisions

The Annual Bonus scheme is gender neutral. All guidelines will be equally applied to both female and male participants without any element of discrimination.

7.5.1. Ratio of Annual Bonus Provisions to the Employment Relationship

Notwithstanding any other provisions of the annual bonus regulations and unless otherwise provided by applicable law, the following applies:
- Nothing in the bonus provisions shall be construed or interpreted to mean that the Company or any affiliated company is obliged to continue the employment relationship and/or the obligation of the Management Board Member for the period during which the claims under the bonus provisions are vested or can be exercised, nor shall it in any way impair the right of the Company or any affiliated company to terminate the employment of the Management Board Member at any time, with or without cause;
- Any payment that may be made in connection with the bonus provisions is performance related and purely voluntary; if the Management Board Member is entitled to variable remuneration in any particular year, such payment will be considered a one-off, non-binding act which does not constitute a right for the Management Board member to receive any further bonus or similar payment in the future; and
- If the Management Board Member is no longer in an employment relationship with the Company, they are not entitled to compensation for the loss of a right or benefit or a prospective right or benefit under the bonus provisions, whether as damages or otherwise.

7.5.2. Governance Structures

The milestones / timeframes of the review process are set by Group People & Culture.

The Remuneration Committee of the Supervisory Board of the Company is responsible for the evaluation of qualitative targets for all Management Board Members.
An annual preliminary calculation of quantitative targets achievement is prepared by the Group People & Culture for the Remuneration Committee. Prior to this, Group People & Culture will receive the following information from the Group Finance Controlling department:
- Annual bonus budget,
- Achievement of quantitative objectives (achievement of Group, Company and Management Board objectives).

The Group People & Culture function is responsible for the preparation of the preliminary annual bonus calculation for all Management Board Members. The reports must be submitted at least one week before the meeting of the Remuneration Committee.

The Remuneration Committee is responsible for confirming the final bonus amounts to ensure that the situation of the Addiko Bank Group is adequately reflected. This final activation of defined bonus amounts depends on the fulfilment of the Knock-out criteria as defined in Chapter 6.4 and Risk adjustment as described in Chapter 9.

8 Variable Remuneration – 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 take into account external events within the three-year period. For instance, to have 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 a component will be defined for each year of the three-year performance monitoring period.

The PAIF scheme is defined for key employees having a critical role in delivering Group results, in addition to the annual bonus, approved by the Supervisory Board. The aim of the PAIF scheme is to align the business strategy and long-term objectives of Addiko Group senior management team with the interests of shareholders and to provide a long-term incentive for the management to ensure sustainable development of the Company.

The PAIF scheme is approved by the Supervisory Board of Addiko Bank AG. The target PAIF amounts for Management Board members are also defined by the Supervisory Board.

If the departing Management Board Member is considered a “Good leaver”, they retain the right of obtaining PAIF /deferred PAIF and are also entitled to a pro-rated PAIF amount for the year in which the employment relationship ends. In this Remuneration Policy, the “Good leaver” status includes the following circumstances:

- Termination of employment due to physical illness, injury or permanent disability, in accordance with the applicable laws
- Retirement, even in the event of a special agreement with the Company,
- Death of the Management Board Member (the bonus or deferred bonus amounts are paid to the heirs in accordance with the applicable law of succession),
- the employment contract of the Member of the Management Board was terminated by the Company without justification on an extraordinary basis, and
- The member of the Management Board has been transferred to another entity of the Group (the entitlement for the payment refers exclusively to the past period in the Addiko entity from which the Member of the Management Board is being transferred and does not represent an obligation to continue the eligibility to the PAIF in the Group Entity to which the Member of the Management Board transfers).

If, as a result of the above circumstances, the Management Board Member cannot be considered a “Good leaver”, they lose the right to a bonus payment for the year in which the reasons for the termination of the employment relationship arose.

8.1. Basic Requirements

The structure of Knock-out criteria for activation of the PAIF is described in Chapter Chapter 6.4. If any of the KPIs defined for PAIF would differ from the one set in Chapter 6.4, they can only be stricter.
The criteria defined in this way for the activation of the PAIF scheme are valid for both the long-term component (at the end of the performance period) and the component that allows yearly adjustments (for the particular year).

In addition to the Knock-out criteria defined Chapter 6.4, the individual achievement of the Management Board Member, calculated in accordance with the Chapter 7.3.2, must not be lower than 50%.

Additional long-term criteria

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 criterion:
- Capital utilization for credit risk in the ICAAP (economic view)

This criterion was selected due to credit risk being a principal risk for Addiko, both in the perspective of Business and Risk strategy, as well as from perspective of capital absorbed and revenue created by assuming credit risk. Therefore, this indicator is of highest importance and influences the long-term sustainability of the institution.
Furthermore, the indicator encompasses a forward-looking economic perspective of the risk the institution is facing, as well as the ability of the available capital to cover the potential losses in the economic perspective, therefore ensuring the long-term forward-looking sustainability of the institution.

The long-term criteria act as “knock-out criteria” affecting both award and payment of remuneration, thus, acting as ex-ante and ex-pot risk adjustment.

8.2. PAIF Performance Measure

In addition to the basic requirements / knock-out criteria, PAIF performance measure linked to the Shareholder participation will be defined for both the long-term component and the 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 between 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 a percentage and will be calculated as the ratio of the expected additional shareholder value in the performance period to the VWAP of Addiko shares in the fourth quarter before the beginning of the performance period.
Target TSR values are determined for both long-term component and the component that allows yearly adjustments (“annual component”), with the target TSR for the long-term component determined at the beginning of the three-year period and the target TSRs for the annual components before the beginning of each year of the three-year cycle.

The target TSR is defined by the Supervisory Board of Addiko Bank AG.

8.3. PAIF Amount

8.3.1. Target PAIF Amount

The target PAIF amount depends on the function of the Management Board member and on relevant market benchmarks in the respective working environment. It should be defined considering, together with the Annual Bonus target amount, the upper limit of variable remuneration as per Chapter 10 of this Policy.

The target PAIF amounts are proposed by the Remuneration Committee and approved by the Supervisory Board.

The total PAIF Target amount should be defined for the whole performance period of three years, where a ratio between the long-term and annual components will be proposed by the Remuneration Committee and approved by the Supervisory Board. By applying the specified ratio, the total PAIF target amount will be distributed to:

- long-term target amount and
- annual target amount, which will be distributed evenly over each of the three years of the performance period.

8.3.2. PAIF Performance Evaluation

Calculation of long-term target achievement will be done at the end of the performance period of three years considering the:

- the change of the Addiko share price on the Vienna Stock Exchange, calculated as a difference of the VWAP of Addiko shares in three months of the fourth quarter at the end of the performance period and VWAP of Addiko shares in three months of the fourth quarter preceding the beginning of the performance period and
- the total amount of Dividends per share paid during the performance period.

If the achievement of the long-term target is equal or greater than the Target TSR, the long-term component is considered activated.

Calculation of target achievement of annual components will be done at the end of each year of the three-year cycle, considering the:

- the change of the Addiko share price on the Vienna Stock Exchange, calculated as a difference of the VWAP of Addiko shares in three months of the fourth quarter of a particular year and VWAP of Addiko shares in three months of the fourth quarter preceding a particular year of the three-year cycle and
- the total amount of Dividends per share paid during a particular year.

If the target achievement of the annual component is equal or greater than the Target TSR for that annual component, the particular annual component is considered activated.

During the evaluation period of three years, the achievement of the long-term target will be continuously monitored. This calculation will be done on a rolling basis and will be based on the VWAP of the previous three months including any already paid dividends per share (since the start of the program). If the long-term Target TSR is achieved during a three-year period, but by the end of that period the achieved TSR falls below the target value, the long-term component of the PAIF scheme remains activated if the achieved TSR is equal or greater than 75% of the long-term Target TSR.

<u>Change of Control</u>

If the legal and commercial possibilities of influence to the Company’s decision-making changes decisively, such as through the sale of the majority of shares in a Company, even if the change does not occur all at once, the Target TSR values pursuant the long-term component, as well as all short-term/annual components for which the Target TSR has not yet been defined, shall be (irrevocably) deemed to be achieved if the average price paid for the takeover (“takeover price”) reflects the economic value of the target TSR values pursuant the long-term component.

For the short-term/annual component of the year in which a Change of Control event occurs, the Target TSR shall be (irrevocably) deemed to be achieved if the average offered takeover price reflects the economic value of the target TSR value defined for that particular year.

The Change of Control does not affect the dynamics of PAIF activation in terms of activation dates and mechanisms.

8.3.3. Individual PAIF Amount Calculation

For each activated component of the PAIF scheme, the corresponding Target PAIF amount will be considered as the final individual PAIF amount.

8.4. Risk Adjustment and Payout Model

The awarding and payment of the PAIF amount will be made in accordance with Chapter 12, but only provided that:

- the Basic requirements, as defined in Chapter 8.1, have been fulfilled and
- the risk assessments, as described in Chapter 9 have been completed successfully.

8.5. Other Provisions

a) The PAIF scheme is gender neutral. All guidelines will be equally applied to both female and male participants without any element of discrimination.
b) Since the long-term target amount is defined for a three-year accrual period that does not revolve annually, it will be divided by 3 and the resulted amount will be each year accrued and taken into consideration for the purpose of the calculation of the ratio between variable and fixed compensation.
c) The annual target amount, evenly distributed over 3 years, will be for the purpose of the calculation of the ratio between variable and fixed compensation, considered for each year of the three-year performance period.
d) Any individual PAIF award requires a written agreement with the employee. Neither this PAIF program description nor the remuneration policy provides for or establishes a claim for participation in the PAIF and/or benefits from the PAIF. Repeated benefits or payments under PAIF do not create entitlement for the future.
e) The PAIF program is embedded in and subject to this Policy and the regulatory requirements for the remuneration of banks. In particular the rules on risk adjustment, deferral, malus and claw-back shall apply. In case of discrepancies or in case of doubt this Policy and the regulatory requirements for the remuneration of banks shall prevail.
f) The PAIF program is compliant with the regulatory requirements for the remuneration of banks. Addiko reserves the right to abolish, change and amend the PAIF program at any time, in particular because of changes of the regulatory requirements or requests of the regulatory authorities.
g) If the Regulator should impose additional guidelines or restrictions related to the payout of variable remuneration for the respective year impacting the PAIF reward scheme, the Bank will act accordingly and inform participants in writing of the decisions and changes. In such circumstances, no commitments related to the PAIF incentive scheme for the respective year would be incurred for the Bank.

9 Variable Remuneration – Risk Adjustment

In case the basic and additional requirements determined according to Chapter 6.4 are fulfilled, ex-ante Risk assessments and ex-post Risk assessments are conducted before any pay-out. Prior to the pay out of any performance related variable remuneration (Bonus, PAIF), Addiko Banks follow the guidelines set out in the Addiko Group Remuneration Policy and conducts ex-ante (for newly issued rewards) and ex-post (for deferred instalments) Risk assessments.

If the material level of Risk assessment indicates a possible Risk adjustment, the variable remuneration could be adjusted or even not activated for pay out. The Risk assessments would be confirmed at the Credit & Risk Committee while a decision to adjust or not activate the pay out of variable remuneration would be decided on by the Supervisory Board.

9.1. Ex-Ante Risk Adjustment

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

- Exposure weighted average PD of the newly disbursed loans to Focus portfolio
- Cost-of-Risk
- Stage 2 share of performing portfolio
- Risk Bearing Capacity

In case the above-mentioned indicators are worse than the defined or implied risk appetite, as stipulated in the Risk Appetite Statement which is approved by the Supervisory Board consistently with budget and corporate targets, the underlying impact on the risk profile indicates the need for a possible Risk adjustment. Based on a decision by the Group Supervisory Board, (ex-ante) risk adjustment up to the full amount of the otherwise awarded variable remuneration of Identified Staff can be applied.

9.2. Ex-Post Risk Adjustment

Addiko Bank 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.

Employment contracts for newly hired and existing Management Board Members shall contain a Malus and Claw back clause. Malus and Claw back could be applied on all types of variable remuneration. Malus and Claw back could 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 had been paid out depending on the specifics set in the employment contract as well as implications from labor, 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 of:

- the Company suffering a significant downturn in its financial performance – affecting the variable payment of the performance year and the deferrals on an Addiko Bank 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 – affecting both variable payments of the performance year and deferrals on an Addiko Group wide basis,
- evidence of misbehavior or serious error by the employee – affecting both variable payments of the performance year and deferrals on an individual basis,
- the Company suffering a significant failure of risk management – affecting both variable payments of the performance year and deferrals on an individual basis,
- regulatory sanctions where the conduct of the employee contributed to the sanction – affecting both variable payments of the performance year and deferrals on an individual basis.

In case the below-mentioned multi-year assessment indicators are worse than the defined thresholds which are approved by the Supervisory Board 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

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

The Risk adjustment of total deferred instalments due for pay-out 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 Group Supervisory Board, a (ex-post) risk adjustment up to the full amount of the deferred amount due for pay-out can be applied if the above-mentioned indicators are amber or red:

- If an amber level recovery plan threshold is breached for more than 6 months
- if a red level threshold is breached for more than 3 months.

Claw back

A 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 behavior 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 willful or grossly negligent behavior of an employee, which has led to a significant loss.

Depending on the circumstances as well as the applicable labor 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).

10 Variable Remuneration – Upper Limits

The separation between the fixed and variable remuneration components must be clearly understandable. The variable remuneration component, including annual bonus, PAIF and any type of extraordinary benefits, may not exceed 100% of the fixed component of the total remuneration for each individual Management Board Member.

The remuneration of the Management Board Member responsible for risk management (CRO) should be predominantly fixed and the individual maximum amount of total variable remuneration should never exceed 50% of the Management Board member’s annual fixed compensation.

Addiko Bank AG may set a lower maximum percentage but also can propose 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% (100% for the CRO position) of the fixed component of the total remuneration for each Management Board member. Such exceptions can be justified if they do not harm the maintaining of a solid capital base for the Company, especially in terms of compulsory own funds requirements and should be endorsed by Group People & Culture and Group Compliance and recommended by the Committee for Management Board matters and Group Supervisory Board and approved by the General Assembly.

11 Variable Remuneration – Payout Model

If the basic conditions are fulfilled, the total variable remuneration determined according to Chapter 7.3.3 (annual bonus) and Chapter 8.3 (PAIF) (“annual reward”) is considered as the base for the calculation of the variable remuneration instalments.

A value limit for the deferral of the variable remuneration was set on the basis of the currently applicable regulations. The variable remuneration amount is only deferred if:

- the annual reward is equal to or higher than EUR 50.000; or
- the annual reward exceeds 1/3 (one third) of the annual fixed remuneration of the Member of the Management Board.

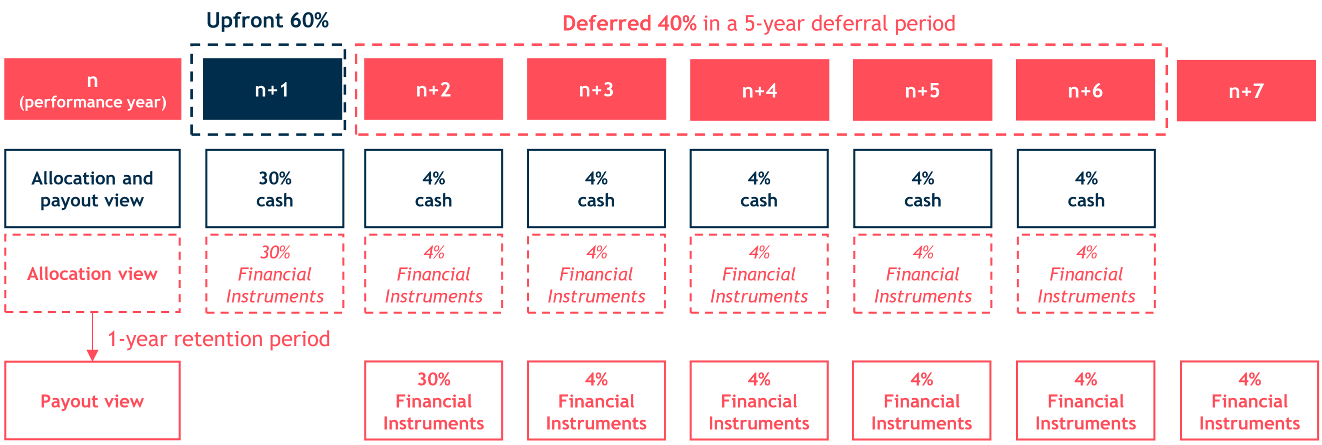
If applicable rules are stricter for any of the above thresholds, a combination of the stricter thresholds will be applied.

The variable remuneration of Management Board Members consists of a payment of 50% in cash and a payment of 50% in the form of Financial Instruments, which can be company shares (Addiko Bank AG shares, symbol: ADKO) or share-linked instruments such as phantom shares linked to Addiko Bank AG shares (symbol: ADKO).

The payout method for annual rewards amounting up to EUR 150.000 consists of a 40% up-front part and 60% deferred part, as follows:

(i) In the first half of the following financial year, a Management Board Member is entitled to a variable remuneration instalment amounting to 60% of the annual reward, payable half in cash and half in Financial Instruments. The first cash instalment will be paid as soon as possible after the end of the financial year for which the Management Board member was rewarded (at the latest by the end of the first half of Y+1). At the same time, the Management Board Member shall receive the other half of the bonus instalment in Financial Instruments, for which a retention period of one year is prescribed.

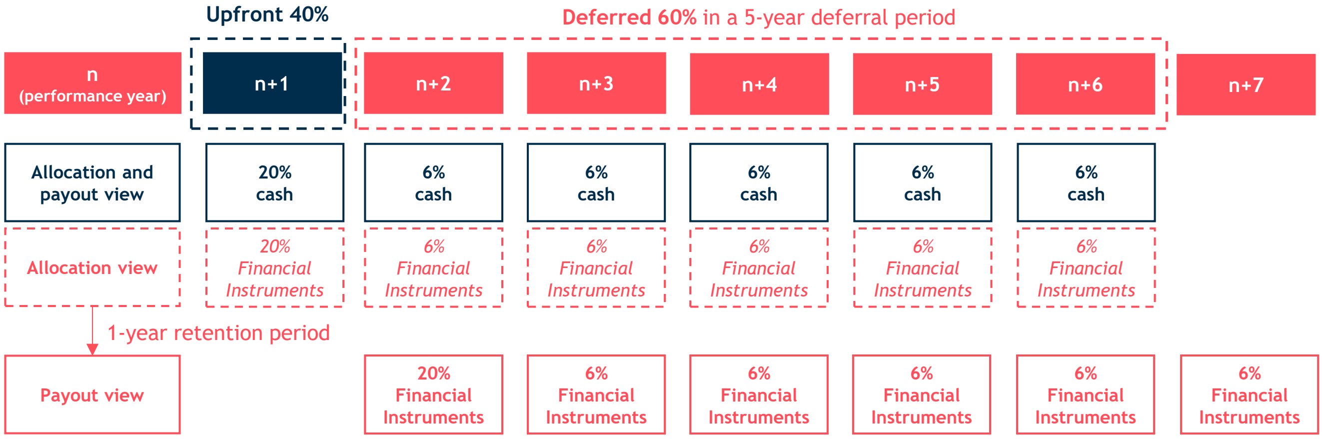
(ii) The remaining 40% of the annual reward will be deferred and paid out and distributed proportionally over a period of 5 years (8% per year), payable half in cash (4%) and half in Financial Instruments (4%). The cash instalments are paid as soon as possible after the end of the first / second / third / fourth / fifth financial year (at the latest by the end of the first half of Y+2 / Y+3 / Y+4 / Y+5 / Y+6). According to the same scheme, the other half is to be paid out in Financial Instruments, with a retention period of one year for each instalment.



If, exceptionally, the annual reward exceeds EUR 150.000, 60% of the annual reward is reserved and paid out pro rata over a period of 5 years as follows:

(i) In the first half of the following financial year, the Management Board Member is entitled to a variable remuneration instalment amounting to 40% of the annual reward, half of which is payable in cash and half in Financial Instruments. The first cash instalment will be paid as soon as possible after the end of the financial year for which the Management Board Member was rewarded (at the latest by the end of the first half of Y+1). At the same time, the Management Board Member shall receive the other half of the bonus instalment in Financial Instruments, for which a retention period of one year is prescribed.

(ii) The remaining 60% of the annual reward will be deferred and paid out and distributed proportionally over a period of 5 years (12% per year), payable half in cash (6%) and half in Financial Instruments (6%). The cash instalments are paid as soon as possible after the end of the first / second / third / fourth / fifth financial year (at the latest by the end of the first half of Y+2 / Y+3 / Y+4 / Y+5 / Y+6). According to the same scheme, the other half is to be paid out in Financial Instruments, with a retention period of one year for each instalment.



The amount which shall be exchanged into Financial Instruments equals fifty percent (50%) of the total variable remuneration as defined in to Chapter 7.3.3 and Chapter 8.3. The share price to be used to determine the number of Financial Instruments corresponds to the average volume weighted share price of Addiko Bank AG (symbol: ADKO) on the Vienna Stock Exchange in the 12 months of the business year for which the Supervisory Board approved the variable remuneration and for which it is granted.

Financial Instruments in the form of company shares

In the case of the usage of Financial Instruments in the form of company shares, the payments shall be in line with Capital Market Compliance rules contained in Compliance Policy and respective other applicable regulations.

Financial Instruments in the form of share-linked instruments e.g., phantom shares

In the case of the usage of Financial Instruments in the form of share-linked instruments, such as phantom shares, the amount for payout of installments in Financial Instruments will be determined in relation to the number of Financial Instruments due for payment and the average weighted share price of Addiko Bank AG (symbol: ADKO) on the Vienna Stock Exchange in the 12 months of the calendar year, which equals the financial year, preceding the year of payment.
In the event of a Change of Control as described in Chapter 8.3.2 the offered takeover price will be used to calculate the amount for payout of installments determined in Financial Instruments.

12 Severance Pay

A severance pay / exit package is granted in the event of premature termination of employment in the following cases:

- The Company terminates the employment contracts of the Management Board members due to a failure of the Company (official intervention, liquidation measures, insolvency, lack of a solid capital base, etc.),
- The Company wishes to terminate the employment contract after a significant reduction in the activities of the Company or in business areas which are taken over by other institutions, without the possibility for the Management Board members to remain in the acquiring institutions, or
- In the event of the settlement of a labor dispute.

Identified failures should be distinguished between failures by the company and failures by the Management Board Member (lack of appropriate standards of suitability and adequacy, acting contrary to internal rules, values or procedures based on intent or gross negligence, etc.).

The criteria for determining the amount of the severance payments relates to the length of the employment relationship with the Company, a possible severance payment for loss of function and a competition clause from the employment contract. When determining the severance payment amounts, long-term performance should be taken into account.

Regular remuneration payments that relate to the duration of a notice period should not be considered as severance payments.

Severance payment should not be granted if there is an obvious failure which would allow the immediate termination of the employment contract or the dismissal of the Management Board Member or if a Management Board member resigns to take up a position with another legal entity.

Severance pay should generally be considered as variable remuneration, but in the following cases severance pay may be paid in financial instruments without the application of a deferral and without payment:

- in an amount not exceeding the amount determined by the national labor law,
- severance pay that is paid on the basis of a final court decision,
- severance payments corresponding to the additional amount due in application of a non-competition clause in the contract and paid out in future periods, but only in the amount up to the fixed remuneration which would be paid for that period through salaries for the non-competition period, if staff were still employed
- amount paid as compensation for damages in the event of a court termination of the contract as prescribed by the national labor law that regulating employment relationships.

13 Other Benefits

13.1. Definition

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

- to comply with market practice (e.g., company car),
- provided that they offer the Management Board Member a certain degree of security (e.g., accident or D&O insurance); or
- in order to retain the Member of the Management Board.

Benefits that are part of a general, non-discretionary, company-wide policy and do not have an incentive effect in terms of risk-taking are considered to be fixed remuneration.

13.2. Statutory Benefits

Compulsory are those benefits which must be paid on the basis of labor law regulations. Statutory benefits are regarded as fixed remuneration.

14 Promotion of the Business Strategy and Long-Term Development of the Company

The remuneration structure of the Bank's Management Board as described in this Remuneration Policy promotes the objectives set out in Chapter 3, by linking individual variable remuneration to the long-term and sustainable development of the Company:

1. Late payments and payments in company shares
2. Compliance with the applicable legal and regulatory requirements; and
3. Ensuring that the individual success factors of the Management Board Members are in line with the Addiko Bank Group's business strategy by means of the balanced scorecard model.

The variable compensation model, consisting of payments in 50% cash and 50% company shares over 6 years, allows for consideration of long-term shareholder interests and counteracts risky behavior that improves short-term performance at the expense of long-term sustainable business success.

15 Consideration of the Remuneration and Employment Conditions of the Company's Employees

The remuneration and employment conditions of the company's employees have not been explicitly taken into account in determining this remuneration policy. Relevant factors may be defined as targets for Management Board Members in the individual balanced scorecards.

16 Contract Period, Notice Periods and other Contractual Provisions

The term of the employment contracts of Management Board Members shall not exceed 5 (five) years. The term of the employment contracts is in any case linked to the appointment of the Management Board.

If a Management Board Member is dismissed due to culpable acts which, in analogous application of § 27 of the Salaried Employees Act (Angestelltengesetz), are deemed grounds for dismissal or dismissal in accordance with § 75 (4) of the Austrian Stock Corporation Act (AktG), the employment contract may be extraordinarily terminated by the Company with immediate effect. Extraordinary termination for other important reasons, including loss of fit & proper status, remains unaffected.

The employment contracts of the Management Board Members do not contain any notice periods. If the Company terminates the employment contracts in an orderly manner, the Management Board Members are entitled to termination compensation in certain cases. In the event of a:

a) premature termination by the Bank without serious cause or for a serious reason without fault of the Management Board Member, and
b) in the event of justified premature termination by the Management Board Member for an important reason attributable to the Bank.

The Management Board member is entitled to one-time compensation for loss of income for the remaining period until the end of the term of appointment in the amount of up to 100% of a gross annual base salary plus 100% of the target bonus. This entitlement must be in line with the Company's Remuneration Policy and the applicable supervisory law.

The employment contracts of the Management Board Members generally contain standard market competition and non-solicitation clauses.

17 Procedural Provisions

This Remuneration Policy on Group Management Board Remuneration is established by the Supervisory Board and reviewed by it at least once a year.

This Remuneration Policy must be submitted to the company's Annual General Meeting for resolution at least every fourth financial year and every significant change in accordance with § 78b (1) AktG. In advance, the Supervisory Board of the company must adopt the Remuneration Policy, if necessary amended, and submit a proposal for a resolution to the general meeting.

The decision of the general meeting on this Remuneration Policy is of a recommendation nature and is not open to challenge.

This Remuneration Policy must be published on the company's website after the resolution has been adopted at the general meeting, together with the date of the resolution and its outcome, no later than the second working day after the resolution is adopted and must be made available free of charge for the duration of its validity.

The gross monthly salary of the Management Board Member includes contributions to a pension fund; therefore, the Management Board Members are not entitled to any additional remuneration or payment in connection with the pension fund.

17.1. Taxes and Social Security

All payments made under this remuneration policy are subject to all applicable statutory deductions, including but not limited to income tax, social security and other similar charges.

17.2. Personal Protection and Insurance

The Management Board member should not use personal insurance or certain types of insurance to hedge against the risks of variable remuneration agreements.

A variable part of the remuneration consisting mainly of incentives which are paid immediately, without deferral or subsequent risk adjustment mechanisms (malus or claw back) and/or based on a formula which links the variable remuneration only to the business results of the current year and not to the risk-adjusted profit and long-term viability is not allowed.

18 Temporary Derogation from this Remuneration Policy

In exceptional circumstances, the Company may temporarily deviate from Chapter 6 to (including) Chapter 8. of this Remuneration Policy, provided that this has been approved by the Supervisory Board of the Company. Deviations from that remuneration policy shall only be possible within the framework of the EBA Guidelines on Sound Compensation Policies (EBA/GL/2015/22) or any other applicable provisions and shall be reported to the general meeting.

Such a deviation could, for example, be the introduction of an annual or multi-year incentive system for selected managers.

Only situations where the deviation from that remuneration policy is necessary for the long-term development of the company or to ensure its viability are considered exceptional circumstances. These include in particular:

- Significant changes in the legal or regulatory framework,
- Significant changes to the assessment and calculation criteria relating to variable remuneration,
- force majeure events and significant changes in the macroeconomic environment, and
- Significant changes to remuneration policy pursuant to Article 39b BWG which are required as a result of a mandate, a recommendation or a determination by a competent authority.

III. Glossary of Terms

Term used	Definition
ABG or Group	Addiko Bank Group
ABH	Addiko Bank AG (Holding)
AktG	Austrian Stock Corporation Act (Aktiengesetz)
Award	Granting of variable remuneration for a specific accrual period, independent of the actual point in time where awarded amount is paid.
BWG	Austrian Banking Act (Bankwesengesetz)

Claw back	A contractual agreement under which an employee agrees to return an amount of remuneration to the company under certain circumstances as defined by applicable legal provisions and regulatory requirements as well EBA guidelines, Group People & Culture guidelines and any other guidance or criteria provided by the local regulators / supervisors. This can be applied to both upfront and deferred variable remuneration
Company	In this policy the term "Company" has the following meaning: a firm / legal entity within the Addiko Group
CRD IV	Directive 2013/36/EU of the European Parliament and of the Council dated 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 V	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
Deferred variable remuneration	A part of variable remuneration that has to be deferred
EBA	European Banking Authority
Fixed remuneration	payments or benefits without consideration of any performance criteria
Group Remuneration Committee	Established on the Addiko Bank AG level
Group Supervisory Board	Supervisory Board of Addiko Bank AG
ICAAP	Internal Capital Adequacy Assessment Process
KPI, KRI	Key Performance Indicator, Key Risk Indicator
Malus	A contractual agreement which permits a firm to prevent payment of all or part of deferred remuneration award based on risk outcomes and other circumstances as defined by applicable legal provisions and regulatory requirements as well EBA guidelines, Group People & Culture guidelines and any other guidance or criteria provided by the local regulators / supervisors
Management Body	Management Board (Management Body in its management function) and Supervisory Board (Management Body in its supervisory function)
Other benefits	Benefits that are offered to employees by their employer voluntarily i.e., without legal entitlement thereto (are not mandated through law or collective agreement or contractual arrangement)
Redundancy payment / Severance pay	Means payments to staff relating to the early termination of a contract, i.e. in the case of temporary contracts, termination before the end date of the contract and in the case of indefinite contracts, before the contractual or legal retirement, by an institution or its subsidiaries
Remuneration Committee	Established on the level of any Addiko Group Company
Remuneration package	Employee's total pay, including bonuses and benefits: the salary, pension contributions, bonuses, and other forms of payment or benefits that an employer gives an employee (also called total remuneration)
Supervisory Board	Supervisory Board of any Addiko Group Company
Variable remuneration	Additional payments or benefits depending on performance, generally payments under an Incentive Scheme or Bonus Scheme

Vergütungspolitik	In accordance with §78b and §98 of the Austrian Stock Corporation Act (Aktiengesetz – AktG) the “Vergütungspolitik”