

## Agenda Item 2

The Management Board and the Supervisory Board propose that the Annual General Meeting pass the following resolution:

### RESOLUTION

The profit available for distribution recognised in the Company's financial accounts as at 31 December 2019 and amounting to EUR 644,700,000.00 will be appropriated as follows:

For each share entitled to a dividend, a dividend of EUR 0.75 will be disbursed on the dividend payment day, adding up to a total of no more than EUR 322,350,000.00 provided that on 8 February 2021

- (i) no mandatory legal ban on dividends is in effect and
- (ii) in the Company's own reckoning no recommendation of the European Central Bank applicable to the Company opposes the payment of a dividend.

To the extent that the profit available for distribution is not to be disbursed on the dividend payment day in accordance with above calculation, it shall be carried forward to new account. The Company is not entitled to any dividend payments from own shares.

Dividend payment day is 15 February 2021.

## JUSTIFICATION

The European Central Bank published its Recommendation ECB/2020/19 on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/01 on 27 March 2020. The purpose of the Recommendation is to conserve capital so that credit institutions can continue to fulfil their role in funding households, small and medium business, and corporations amid the coronavirus disease 2019 (COVID 19)-related economic shock. Holding the opinion that the level of economic uncertainty remains elevated and credit institutions face difficulties in accurately forecasting their medium-term capital needs, the European Central Bank decided to extend this Recommendation until 1 January 2021 (ECB/2020/35) on 27 July 2020. In its view, distributions need to be postponed or cancelled in order to preserve the capital position of credit institutions. As this measure is temporary in nature and warranted only by these exceptional circumstances, the European Central Bank intends to decide in Q4 of 2020 on the approach to be followed after 1 January 2021.

The Recommendation issued by the European Central Bank is addressed to credit institutions, i.e. to significant supervised entities and significant supervised groups as defined in points (16) and (22) of Article 2 of Regulation (EU) No 468/2014 (ECB/2014/17), and to the national competent authorities with regard to less significant supervised entities and less significant supervised groups as defined in points (7) and (23) of Article 2 of Regulation (EU) No 468/2014 (ECB/2014/17), but not to shareholders who do not fall into any of the aforementioned categories.

Erste Group's dividend policy is dictated by the bank's profitability, growth expectations and capital requirements. Except for 2011 and 2014, dividend payments have been made every year since 1997. The Management Board would have proposed an unqualified disbursement of dividends this year, too, had there been no COVID-19 pandemic.

However, as the Recommendation of the European Central Bank cited above is addressed to the Company, the Management Board has resolved to defer to this recommendation. The Management Board thus proposes not to pay out the dividend until after 1 January 2021 as there is currently no recommendation for the period after 1 January 2021 that opposes disbursements.

However, in its Recommendation, the European Central Bank announced that it will 'decide' in Q4 of 2020 'on the approach to be followed after 1 January 2021' in consideration of '*the economic environment, the stability of the financial system and the level of certainty around capital planning*'. In view of how the COVID-19 pandemic is currently playing out and the ongoing economic uncertainty, the Management Board expects the European Central Bank to either extend its Recommendation of 27 July 2020 or to issue a new recommendation, possibly based on differentiated criteria. It is impossible to say from today's perspective what such a new

recommendation will look like. It is particularly unclear which criteria this recommendation will include, how compliance with the criteria will be determined and who will assess this, which company data will have to be used, how long the review of the criteria will take and what procedure will be applicable in the event of differences in opinion.

The Management Board deems it imperative in the Company's interest to comply with any future recommendations issued by the European Central Bank concerning dividend disbursements. A dividend will only be paid after 1 January 2021 if no such recommendation provides otherwise. As there is no knowing at this present point in time whether a new recommendation will follow or what such a recommendation will likely contain, the Company will need to closely consider all the facts with all due care and determine whether the conditions set forth in section (ii) of the resolution on the appropriation of profit presented to it by the Annual General Meeting have been met for the disbursement of a dividend.

Unless the Company is able to determine with reasonable assurance on 8 February 2021 (start of the day) that the payment of a dividend is compatible with the recommendation of the European Central Bank, no dividend will be paid out. This will also apply if the material criteria for a disbursement have been met but not all formal criteria have been fulfilled yet. The Company reserves the right to call an extraordinary general meeting if necessary.

Unlike previous years, the disbursement of dividends will be subject to withholding tax in accordance with the tax regulations.