

Remuneration Policy

Remuneration policy of the management board and the supervisory board of Erste Group Bank AG

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Preamble

Erste Group Bank AG (in the following also referred to as Erste Group or the Company) is committed to effective and sustainable shareholder engagement on the topic of remuneration (Say on Pay). In accordance with the Austrian Stock Corporation Act (AktG), we invite the annual general meeting to make a non-binding vote on the remuneration policy for the management board and the supervisory board at least every four years, as well as on any significant change in this policy.

While the remuneration policy seeks to ensure reasonable remuneration ex ante and provides a frame of reference for the remuneration scheme over a period of up to four years, the annual remuneration report aims to ensure ex post transparency and gives a detailed and comprehensive overview of the remuneration awarded to management board and supervisory board members in the course of the previous year.

Since its first approval in 2020, the remuneration policy has been further refined taking into account shareholders' feedback, including, among others, a more comprehensive description of the remuneration principles and detailed information on the management board members' performance assessment. Simultaneously, the remuneration structure of Erste Group management board has been reviewed and further developed, including a new long-term remuneration component (Long-term Incentive, LTI). The remuneration policy presented here covers these changes and replaces the version presented at the annual general meeting 2020.

Remuneration policy for members of the management board

Principles

Erste Group Bank AG's remuneration policy is aiming to attract, motivate and retain key employees with the abilities, experiences, skills and values required for Erste Group Bank AG to fulfil its role as a multi-national bank, sustainably executing its strategy while committing to our purpose and the Company's values.

The design of the remuneration policy for management board members is in accordance with the provisions of the Austrian Stock Corporation Act (AktG), the Austrian Banking Act (BWG) as well as all binding regulations at both national and EU level. In line with stakeholders' interests, the remuneration policy is designed to support the long-term development of the bank by offering a well-balanced remuneration package that promotes effective risk management.

The members of the management board are incentivised by the principles established in this remuneration policy to reach the objectives established in Erste Group's purpose and strategy to promote a sustainable and positive corporate development.

The design of the remuneration policy and the decisions related to the structure and amount of the remuneration of management board members are the responsibility of the supervisory board and are taken in accordance with the following principles:

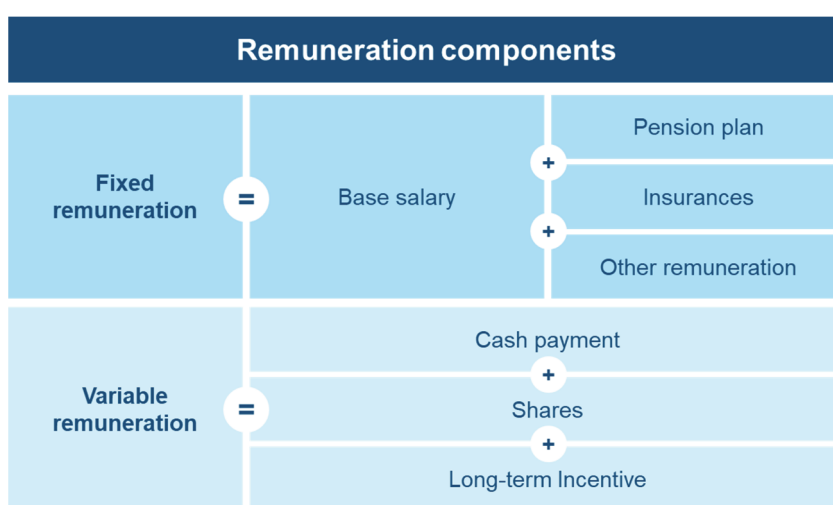
| Remuneration principles | |
|---------------------------------|--|
| Competitiveness | <ul style="list-style-type: none">• Remuneration of the management board is set at competitive market levels relative to comparable national and international credit institutions to attract leaders who are crucial for the success of Erste Group.• The remuneration structures and design are simple, transparent and aligned with market practices.• Fixed and variable components are set at an adequate, well-balanced level and provide for flexibility of remuneration decisions. |
| Pay for sustainable performance | <ul style="list-style-type: none">• Variable remuneration is aligned with sustainable performance and reflects both, financial and non-financial performance criteria, including Environmental, Social and Governance (ESG) factors.• Remuneration structures and practices are consistent with effective risk management and do not encourage risk-taking that exceeds the tolerated level of risk of the group.• In assessing the performance relevant for remuneration, group, business line as well as individual performance and leadership are taken into account and weighted according to the responsibility of the respective member of the management board. |
| Long-term focus | <ul style="list-style-type: none">• Remuneration principles and practices are aligned with and contribute to Erste Group's business strategy, objectives, values and long-term interests, and incorporate measures to avoid conflicts of interest.• Remuneration and performance are assessed annually but multi-year considerations are being accounted for to properly reflect whether the remuneration rewards long-term performance.• Sufficient safeguard mechanisms are in place to ensure remuneration practices avoid arrangements that risk "pay for failure". |

Structure of the remuneration of management board members

The remuneration of management board members of Erste Group consists of two components: fixed remuneration and variable remuneration.

While fixed remuneration is not linked to performance, variable remuneration is performance-related and designed to create suitable incentives for the achievement of key corporate targets and the sustainable creation of value. Among other things, the fixed, non-performance-linked remuneration includes the base salary, the contributions to the company pension plan (pension fund), insurance benefits and other fringe benefits. The variable portion of remuneration is composed of cash payments and share-based awards.

Any remuneration not included in fixed remuneration is considered variable remuneration. On an individual basis, variable remuneration must not exceed the amount of fixed remuneration (100% bonus cap).



The management board members of Erste Group are not awarded any guaranteed variable remuneration. Furthermore, no discretionary payments are granted that are not part of the described remuneration structure and governance procedure.

FIXED REMUNERATION

Fixed remuneration is based on each management board member's scope of responsibility taking into account strategic and operating functions. It is set at competitive market levels. Fixed remuneration is not performance-linked and includes the base salary, pension plan, insurances and other remuneration.

Base salary

Every management board member receives a base salary.

Pension plan

All management board member contracts provide for a defined external contribution pension plan. All management board members participate in the defined contribution pension plan and severance fund.

Insurances

Erste Group has taken out insurance to cover the risk of occupational disability and death as well as insurance to cover the risk of accidents on behalf of management board members or of beneficiaries specified by the respective management board member. The premiums due for this are paid by the Company.

Other remuneration

Other fixed remuneration components can include, for instance, payments for unused holidays, non-performance-linked one-time payments (sign-on bonus, which is only granted in exceptional circumstances and limited to one year, and if awarded, will be disclosed in the annual remuneration report for the respective performance year) and additional non-cash remuneration granted by the company, such as the provision of a company car including driver and parking spot.

VARIABLE REMUNERATION

Determination of variable remuneration

The total variable remuneration is awarded based on risk-adjusted performance. This means that award and payment of the variable remuneration are tied to specific verifiable performance criteria that are coordinated with Erste Group's business strategy and long-term development.

The criteria are established by the supervisory board at the beginning of each financial year.

The consideration of financial and non-financial targets ensures that besides the level of success, the quality of the achievements is considered, which aligns the individual variable remuneration with long-term and sustainable corporate development. Variable remuneration is ultimately determined by the supervisory board after prior discussion and recommendation by the remuneration committee.



1: Depending on the level of variable remuneration, below EUR 150,000 60% is paid upfront and 40% is deferred.

The management board member's remuneration is used as a **basis for the maximum target amount of variable remuneration, i.e. bonus potential**. In order to determine the variable remuneration awarded to an individual management board member, the respective bonus potential is multiplied by group performance factors as well as individual factors.

Under no circumstances can the variable remuneration be higher than the applicable cap, which is defined relative to fixed remuneration (100% or, by shareholder resolution, 200%).

Group factors

The first criterion for calculation of the individual variable remuneration is the success of Erste Group as a whole. The fulfilment of group minimum performance criteria is the basic prerequisite for the award of variable remuneration. If these are not achieved, the management board is not awarded any variable remuneration. The minimum performance criteria may include but are not limited to the fulfilment of capital and liquidity requirements as well as group profit.

If the minimum performance criteria are met, a bonus pool multiplier is determined using group financial performance criteria (KPIs), which reflect the achievement of targets by the group management board at group level. Group performance is measured by the bonus pool multiplier, which is a weighted average of key figures, e.g. operating result, operating result minus risk costs, cost income ratio or the Customer Experience Index. The bonus pool multiplier can reach a maximum of 120%.

The supervisory board may adjust the result based on an overall assessment of performance, considering affordability, competitiveness and multi-year considerations. This adjustment is limited to 25% of the bonus pool multiplier up- or downwards.

Individual factors

For the individual factors, the assessment is based on a scorecard that considers operational and strategic targets as well as leadership performance.

| Scorecard for individual management board member assessment (illustrative) | | |
|---|---|--|
| Operations | Strategy | Leadership |
| <ul style="list-style-type: none"> Operational performance targets are defined at the beginning of the performance year by the supervisory board following consultations with the responsible organisational units and taking into account the responsibility of the respective management board member. Target achievement is measured by reference to indicators such as, e.g.: <ul style="list-style-type: none"> Operational result Return on tangible equity Data management NPL ratios¹ Risk costs¹ | <ul style="list-style-type: none"> Strategic performance targets are defined in accordance with the business strategy of Erste Group by the supervisory board reference for each management board member individually. Among other things, criteria considered are: <ul style="list-style-type: none"> Transformation Digitalisation Sustainability Project-specific targets² | <ul style="list-style-type: none"> The leadership performance reflects the management quality of each individual management board member. The criteria used for the assessment cover but are not limited to: <ul style="list-style-type: none"> Adherence to our values and purpose Leading Change Customer Mindset Collaboration and Innovation Diversity and Inclusion Leading People and Teams Strategy and Communication |

1: Key risk figures are especially considered in the performance targets for the Chief Risk Officer and guarantee adequate consideration of each specific board division within the framework of individual KPIs.

2: In order to ensure a sustainable target achievement, annual targets are derived from multi-year projects.

Operational and strategic targets. Operational and strategic targets are derived from Erste Group's business strategy, are defined by the remuneration committee at the beginning of the year for each financial year and are disclosed in detail in the respective remuneration report. Operational targets primarily cover financial performance while strategic targets also refer to non-financial performance. Depending on the individual management board member's area of responsibility, targets relate to group or business division performance and are weighted accordingly.

Criteria related to sustainable corporate governance and social responsibility (ESG) are part of the strategic priorities and as such are also considered in the assessment of the strategic objectives. Erste Group put forward a set of most impacting environmental, social and governance objectives (ESG). Through these objectives the Group is striving for positive impact in its sustainable finance activities and simultaneously strengthening the mitigation efforts of negative impacts. ESG objectives of Erste Group are strongly aligned with the goals of EU Green Deal and firmly contributing to the global efforts of Paris Agreement as well as to the relevant 17 Sustainable Development Goals set by United Nations General Assembly.

ESG as a fundamental value set within our purpose driven strategy, are part of strategic priorities and taken into account in the assessment of strategic targets. ESG targets are consequently integrated into our business-, risk-, and operational strategies.

Operational and strategic targets generally account for 75% of the individual factor.

Leadership. The leadership component is annually assessed by the remuneration committee based on non-financial performance targets and leadership principles. The results of multi-source feedback are used as an objective basis for this assessment. The members of the remuneration committee discuss each individual feedback profile and adjust the rating based on situational observations. In addition, the leadership criteria for top executives are consulted to underpin the final rating. These leadership criteria for top executives are reviewed by the remuneration committee on an annual basis and are disclosed in the respective remuneration report. After discussing all profiles, the remuneration committee considers all individual ratings side by side and may make comparative adjustments as necessary before approving the final ratings. The annual leadership assessment process and the result are described in detail in the respective remuneration report.

The leadership component weighting is generally 25% of the individual factor.

Payment of variable remuneration

Pay-out scheme

Variable remuneration is partially awarded as upfront remuneration and partially as deferred remuneration spread over several years. For members of the management board with variable remuneration of greater than EUR 150,000, 60% of awarded variable remuneration is deferred. For variable remuneration levels below this threshold, 40% is deferred.

At least half of the upfront remuneration and deferred remuneration respectively is delivered in the form of a non-cash instrument, the other part in cash. Awards are granted in the year following the performance period.

Variable remuneration system in shares (NEW)

Erste Group Bank AG uses shares, Performance Share Units (PSUs) and cash payments as variable remuneration components from performance year 2021 onwards. This way, variable remuneration is strongly aligned to the shareholders' perspective and long-term in nature.

Upfront remuneration

A maximum of 20% of total variable remuneration consists of a cash payment, which is paid in the 1st subsequent year after the performance period.

At least 20% of total variable remuneration is awarded in shares, which are retained for one year (retention period) after the date of award.

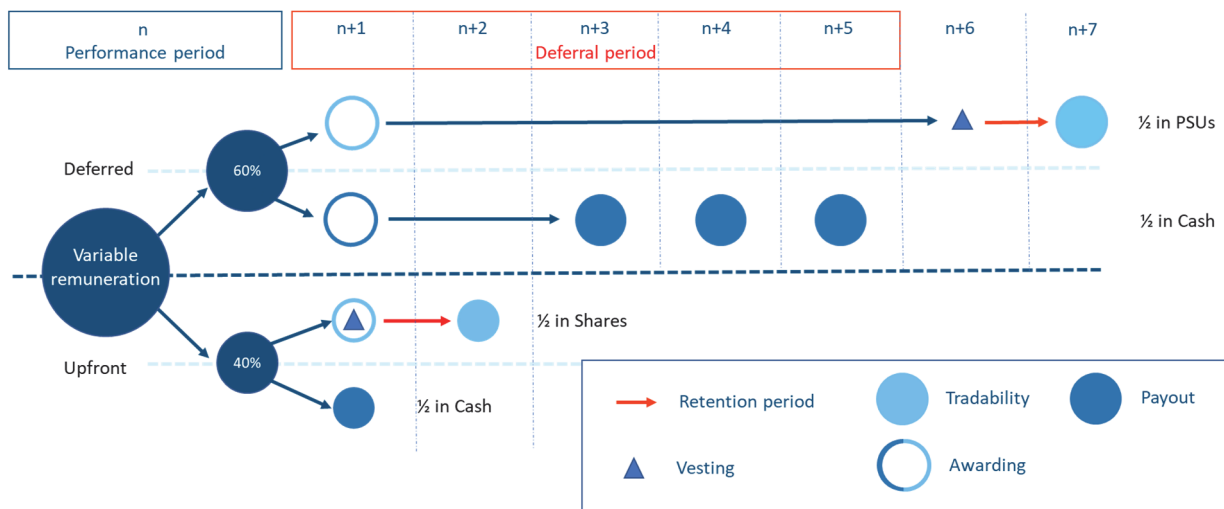
Deferred remuneration

Long Term Incentive (LTI) in the form of Performance Share Units (PSUs). For the deferred variable remuneration, the share award part is made as an LTI. Under this plan, at least 30% of the awarded variable remuneration of management board members is allocated in the form of PSUs. A PSU represents an unsecured contingent right to receive Erste Group shares in the future. This unsecured contingent right depends on the achievement of pre-determined group performance criteria that are assessed over the deferral period of 5 years.

This way, management is kept accountable for the sustainability of success, which further fosters the alignment of remuneration with the shareholders' interests. Group performance is measured on the basis of the annual weighted target achievements of group KPIs, e.g. operating result minus risk costs, cost income ratio and the Customer Experience Index, which are also part of the bonus pool multiplier. The number of PSUs is calculated according to the average group performance achievements at the end of the deferral period and may vary between 0% and 120%. After the date of vesting, the PSUs remain retained for an additional year (retention period).

The remaining 30% of the awarded variable remuneration is paid in cash in the third, fourth and fifth year following the performance period (**deferred cash payment**) – provided that group minimum performance requirements are met.

For upfront and deferred remuneration plans, the relevant share price for the number of shares or PSUs respectively allocated is the average share price of Erste Group on the 30 consecutive trading days before the date of the award.



Variable remuneration system with phantom shares (OLD)

Until the performance year 2020, Erste Group used phantom shares (share equivalents). During a transition period, payments will therefore still be made based on this old model. Phantom shares are not shares traded on the stock exchange, but a technical figure that reflects the development of the share price of Erste Group Bank AG. The non-cash amount awarded for the past performance period is converted into share units.

If variable remuneration for the respective performance period exceeds EUR 150,000 gross and if the conditions for the award of variable remuneration have been met, 40% of the variable remuneration is paid in succession in the first two years following the performance period (upfront payment): the cash payment of 20% of aggregate variable remuneration immediately in the following year (1st subsequent year), the non-cash portion of likewise 20% one year later. The remaining 60% of the variable remuneration is deferred and paid pro rata over a period of 5 years, starting from the 2nd subsequent year (after the respective performance year) – provided the requirements are met. The non-cash portion of the deferred payment is distributed over the deferral period, taking the retention period into account, and its ad valorem equivalent is paid out in the subsequent years in accordance with the annual average weighted current rate calculated in that year.

Malus and clawback

In all cases, variable remuneration is awarded only if it is justified based on the financial situation of Erste Group and the documented performance as well as the conduct of the relevant management board member. If these prerequisites are not fulfilled, variable remuneration is not awarded or only to a limited extent.

Up to 100% of any awarded variable remuneration is subject to malus or clawback agreements. Specifically, malus or clawback agreements may apply if the relevant management board member was involved in or responsible for conduct that resulted in substantial losses for Erste Group or failed to meet reasonable “fit & proper” standards regarding aptitude and conduct. Malus conditions are applied to all outstanding deferred awards, including the possibility of full forfeiture.

In proven cases of misconduct or a serious violation of duties by the management board member, Erste Group may reclaim any variable remuneration that was paid out within the previous five years (clawback) and may retain any deferred variable remuneration.

Identification of such misconduct and reclaiming or reducing remuneration, if appropriate, is the responsibility of the supervisory board. Regardless of any misconduct on the part of a management board member, Erste Group reserves the right not to award any variable remuneration at all.

Management board members' contracts of employment

Duration

Management board member contracts are usually agreed for a term of three to five years. In special cases, terms may also be shorter. The supervisory board usually decides on an extension of management board member contracts no later than 6 months before they are due to expire.

Notice periods

All management board member contracts can be terminated by giving 6 months' advance notice to the end of a month.

Pension systems

All management board member contracts provide for a defined external contribution pension plan as part of fixed remuneration.

Termination payments and terms

On termination of employment, remuneration will continue to be paid during the notice period and, furthermore, until the end of the remaining term of the original appointment, but not exceeding the amount of one gross annual salary (without variable remuneration). Malus and clawback arrangements continue to apply.

Non-competition clause

During the contractual relationship, the company's prior written consent is required for the performance of any other gainful activity or any activity which, by its nature and scope, is usually remunerated, as well as for a shareholding in other companies (exceptions are regulated in an internal policy). In addition, for a period of up to one year from the end of the management board contract, an obligation applies not to work for any other credit institution – without the approval of the supervisory board – in Austria or in countries where credit and/or financial institutions are established in which Erste Group directly or indirectly holds a majority interest at the time this management board member's contract ends.

Activities and board functions in related companies

Management board members do not receive separate remuneration for activities and board functions in related companies.

Remuneration policy for supervisory board members

In accordance with the law, Erste Group's articles of association may lay down supervisory board remuneration or define a range that the annual general meeting is bound to observe. Erste Group currently does not use this option, as a result of which supervisory board remuneration is determined exclusively by Erste Group's annual general meeting.

The annual fixed remuneration of the members of the supervisory board is regularly reviewed and is subject to a vote by the annual general meeting at least every four years. No variable remuneration is paid to members of the supervisory board.

Remuneration for a financial year is paid to a supervisory board member after the annual general meeting granting the member's discharge for the financial year for which remuneration is to be granted. In the event of a change in the supervisory board during the financial year, remuneration is paid to the supervisory board member affected by the change on a pro rata temporis basis (based on the length of service on the supervisory board) in arrears, after the member's discharge.

In accordance with the law and the articles of association, the employees' council has the right to delegate members from among its ranks to the supervisory board. Delegated members of the employees' council do not receive any additional remuneration.

Attendance fees

In addition, attendance fees paid to shareholders' representatives on the supervisory board were set at EUR 1,000 per meeting of the supervisory board or any of its committees until further notice. Delegated members of the employees' council do not receive attendance fees. Attendance fees are paid quarterly in arrears.

Other remuneration

Erste Group reimburses supervisory board members for cash outlays and reasonable travel expenses incurred in relation to their supervisory board functions plus any turnover tax due on remuneration, attendance fees and reimbursed expenses. In addition, supervisory board members are reimbursed for their expenses for education and training incurred in relation to their function.

Term and termination of supervisory board mandates

Unless the shareholders' meeting has determined a shorter term of office for individuals, several or all supervisory board members at the occasion of their appointment, the term of office of the members of the supervisory board ends at the end of the shareholders' meeting that resolves on the approvals of their actions for the fourth business year following election; re-election is permissible.

Procedure

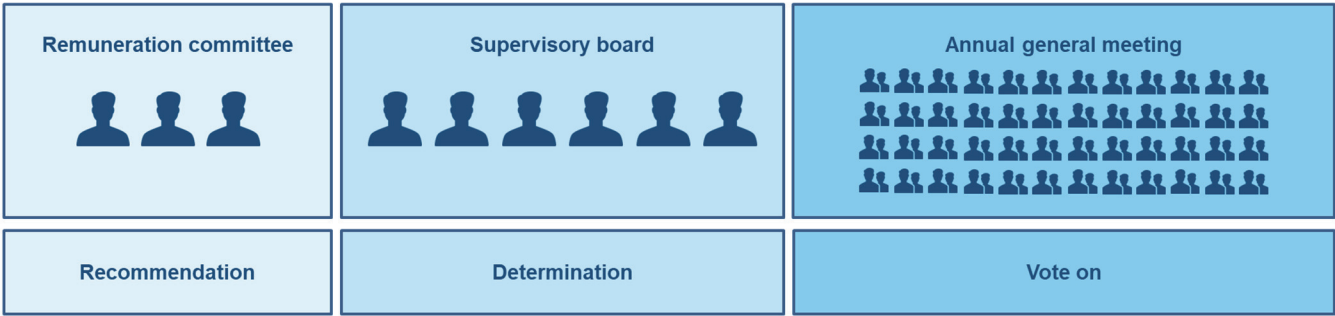
Governance process

In accordance with statutory requirements, the supervisory board of Erste Group has established an independent remuneration committee that prepares the resolutions of the supervisory board regarding remuneration. The remuneration policy for the management board and the supervisory board is discussed in detail in the remuneration committee and a recommendation to the supervisory board is adopted for approval. The supervisory board then determines the remuneration policy for the management board and supervisory board by adopting it. The actual remuneration of the supervisory board is determined by the annual general meeting.

The remuneration committee consists of members of the supervisory board, with at least one member having expertise and practical experience in the field of remuneration policy (“remuneration expert”). The remuneration committee can consult external consultants.

It is a stated objective of Erste Group to take into account in its remuneration policy for the management board and the supervisory board the long-term interests of shareholders, investors and employees of the credit institution as well as the economic interest in a functioning banking system and financial stability. The remuneration committee takes the remuneration and terms of employment of Erste Group employees into account when setting the remuneration policy for members of the management board.

Procedure for the determination of the remuneration policy



Regularly reviewing the remuneration policies for the management board and the supervisory board is the responsibility of the supervisory board, with the support of the remuneration committee or another one of its committees, if expedient. All significant amendments to the remuneration policy are described and explained by the supervisory board, indicating how shareholders’ votes and views on the remuneration policy and the remuneration reports have been taken into account since the last vote on the remuneration policy was taken at the annual general meeting.

The remuneration and employment terms of Erste Group employees must be duly considered in setting the remuneration policy. Meeting this objective is the responsibility of the supervisory board, which is also reflected by the inclusion of employees’ representatives in the work of the supervisory board and, in particular, the remuneration committee.

The handling of potential conflicts of interest of management and supervisory board members is stipulated in the internal Suitability Policy (Fit & Proper Guideline) of Erste Group.

Deviation from the remuneration policy in the event of exceptional circumstances

Erste Group reserves the right to deviate from the principles governing the determination of management board remuneration as laid down in the remuneration policy in the event of exceptional circumstances.

An exceptional circumstance is any external event that necessitates a deviation from the remuneration policy to serve the overall long-term interests and sustainability of Erste Group and protect the company's profitability. This includes corporate crises that endanger Erste Group's financial and operating results in such a way that the company's long-term stability can no longer be guaranteed, general economic crises and other unpredictable developments such as pandemics and epidemics, which probably have a major impact on the business activity of the company. Recommendations, guidelines and other provisions of the competent supervisory authorities of the company as well as binding regulations at both EU and national level, which were unknown at the time of the vote on this remuneration policy at the annual general assembly, are also classified as exceptional circumstances.

Exceptional circumstances can lead to a significant reduction of the maximum target amount, the remuneration pool of the variable remuneration awarded overall, longer deferral and/or retention periods or to a change in the proportion of the non-cash instruments in relation to the cash component. Taking the decision on a deviation from the remuneration policy is the responsibility of the supervisory board, with the support of the remuneration committee or another one of its committees, if expedient. Any such deviation from the remuneration policy shall be reported in the annual remuneration report to the annual general meeting.

D&O insurance

Erste Group has Directors and Officers Liability Insurance in place. It covers all former, current and future management board members and supervisory board members. The premiums due are paid by the Company.

For the supervisory board

Friedrich Rödler e.h.