Management report

ECONOMIC ENVIRONMENT

The global economy experienced an exceptionally strong recovery in 2021, despite temporary pandemic-related lockdown measures imposed by most countries around the globe. This recovery was characterised by sharp rebounds of most of the major economies, most notably the United States, owing to substantial fiscal support. In many emerging markets and developing economies a slower pace of vaccination – often linked to later availability – and a partial withdrawal of macroeconomic support offset some of the benefits of strengthening external demand and elevated commodity prices. Among emerging and developing markets, China and India again outperformed other major economies. Most industries around the globe performed well, but the services sectors struggled to overcome headwinds from the pandemic-induced lockdown measures. Although labour markets recovered at a faster pace than during the global financial crisis, employment remained below its pre-pandemic level. The broad-based global GDP growth was mainly driven by recovering consumption and investments. Manufacturing was constrained by supply chain disruptions, which were temporarily exacerbated by the blockage of the Suez Canal in March 2021 and by the closure of some of the major harbours in China. Supply chain disruptions were also a main driver of inflation in 2021. The sharp rise in consumer goods prices reflected a huge surge in demand, fuelled by stimulus measures, particularly in the United States. Commodity prices have seen a sharp rise with many well above their pre-pandemic levels. Oil demand continued to remain strong. Metal and agricultural prices increased substantially. Overall, global real GDP increased by 5.9%[1]

Among the world's major central banks only the Bank of England increased its policy rate in 2021. The Federal Reserve (Fed), the Bank of Japan and the European Central Bank (ECB) left their base rates unchanged throughout the year. While central banks continued their pandemic-era bond buying programmes, both the Fed and the ECB indicated in the second half of the year plans to reduce the monthly asset purchases in the future.

The economic performance of the United States was strong in 2021. The US economy recovered quicker than most advanced economies, supported by greater amounts of fiscal relief. Surging personal income has boosted consumption. The unemployment rate declined significantly to 3.9%[2]. The American Rescue Act, signed in March 2021, offered USD 1.9 trillion in additional fiscal support, bringing the cumulative fiscal relief provided since the beginning of the pandemic to over one-quarter of GDP – an unprecedented level of support in peacetime. The Fed indicated that its expansive monetary policy since the beginning of the pandemic was coming to a close to respond to rising inflation. In December 2021, it announced to end its pandemic-era bond purchases in March 2022, paving the way for interest rate hikes, as policymakers voiced concerns over high inflation against the backdrop of a steady labour market recovery. By the end of 2021, the Fed had bought over USD 4 trillion worth of Treasuries and other securities. Real GDP in the US grew by 5.6%[3] in 2021.

The euro area also rebounded with its real GDP growing by 5.2%[4]. France, Italy, and Spain outperformed Germany as the latter was significantly more impacted by shortages of raw materials, intermediate goods, semiconductors, in particular for the automotive industry, but also lumber for the construction sector. Summer tourism was supported by less strict travel restrictions. Households responded to the temporary relaxations of containment measures with spending sprees that propelled private consumption growth in the European Union. Overall, the rebound of economic activity was broad-based, with all components of domestic demand contributing positively. Growth was also supported by improving labour markets. The Recovery and Resilience Facility of the European Commission, coupled with the NextGenerationEU, a fund created in 2020, is the largest stimulus package ever financed in Europe. Surging energy prices, most notably for natural gas and electricity led to higher inflation, prices for electricity and gas increased fivefold in the course of the year and reached new highs in December 2021. The ECB has maintained an accommodative monetary policy. It confirmed to continue its asset purchases under the Pandemic Emergency Purchase Programme (PEPP) until at least the end of March 2022, and net purchases under the asset purchase programme (APP) continued at a monthly pace of EUR 20 billion. Refinancing operations, notably the third series of the targeted longer-term refinancing operations (TLTRO III), continued to provide liquidity to euro area banks to support the flow of credit to households and enterprises. The ECB kept its discount rate at zero throughout 2021.

In line with the European development, Austria experienced an economic rebound in 2021. Due to the rapid recovery and progress towards normalisation in many sectors, the Austrian government started to adjust its Covid-support programmes from mid-2021 by reducing or withdrawing measures in sectors where conditions improved. In November 2021, however, due to the sharp increase of infection rates and medical capacity being stretched to its limits, the government imposed a new nationwide lockdown until mid-December. As this lockdown lasted only a few weeks it did not have a drastic impact on the overall economic performance. The easing of travel restrictions led to a recovery in the economically important tourism sector. After a very strong start of the year, the Austrian export industry faced headwinds from supply chain disruptions but still contributed to growth. The economic rebound was also supported by private consumption and considerable increases

[1] IMF: World Economic Outlook Update, January 2022: Rising Caseloads, A Disrupted Recovery, and Higher Inflation (imf.org) (Download on 16 February 2022)

[2] Bureau of Labor Statistics: The Employment Situation - January 2022 (bls.gov), Household Data, p. 8 (Download on 16 February 2022)

[3] IMF: World Economic Outlook Update, January 2022: Rising Caseloads, A Disrupted Recovery, and Higher Inflation (imf.org) (Download on 16 February 2022)

[4] IMF: World Economic Outlook Update, January 2022: Rising Caseloads, A Disrupted Recovery, and Higher Inflation (imf.org) (Download on 16 February 2022)

in investments. Rising oil and gas prices drove the noticeable increase of inflation over the course of the year. Overall, average inflation amounted to 2.8%[5] in 2021. Short-time work schemes helped to mitigate the effect of the economic downturn on the labour market. The unemployment rate stood at 6.2%[6]. The Covid-19 crisis management fund set up in March 2020 continued to finance temporary support measures such as fixed cost subsidies as well as various measures to compensate for losses or shortfalls in sales during the various lockdown periods. In 2021, the Austrian economy grew faster than expected and GDP per capita amounted to EUR 45,600 [7]at year-end.

Central and Eastern European economies performed well despite temporary lockdown measures. The fast recovery was mainly driven by household consumption and investments while supply chain disruptions have impacted industrial output and exports. The supply bottlenecks particularly hit the Czech, Slovak and Hungarian automotive industries. The Croatian economy was strongly supported by a better than expected performance of the country's dominant tourism industry. In Romania, the country's important agricultural sector also supported economic growth. Government measures helped cushion the negative impact of the periodic restrictions on employment and fiscal packages prevented household incomes to be dented.# As a result, unemployment rates in CEE increased only modestly and remained low compared to many Western European countries. In most CEE countries, the total debt relative to the GDP stayed below its pre-crisis peak level. Many of the region's central banks increased their key rates in the course of the year. The interest rate hikes of the Czech National Bank were the most pronounced but Poland, Hungary and Romania also increased their policy rates numerous times in the second half of the year. Supply-side constraints, higher service and energy price pressures, together with food prices and some local factors such as imputed rents or tightness of the local labour markets contributed to inflationary pressure across the region. The Czech koruna was the only regional currency that appreciated against the euro in 2021, mainly due to monetary tightening of the Czech National Bank. Other CEE currencies, such as the Romanian leu, the Hungarian forint or the Polish zloty slightly depreciated against the euro. Overall, CEE economies developed positively with GDP growth rates ranging from 3.0%[8] in Slovakia to a double-digit figure in Croatia[9] in 2021.

Overall, the Covid-19 pandemic had no material impact on the economic recovery of Erste Group's markets in 2021. The banking sector in the region developed positively. This is reflected in net loan growth as well as in increased operating revenues. Erste Group is of the opinion that the moratoria introduced due to the Covid-19 pandemic in 2020 met the conditions as defined in the EBA guidelines published in the past two years 2020. The relief offered to borrowers therefore did not lead to a significant increase in credit risk.

PERFORMANCE IN 2021

P&L data of 2021 is compared with data of 2020, balance sheet data as of 31 December 2021 is compared to data as of 31 December 2020.

Acquisitions and disposals in Erste Group in 2021 did not have any significant impact and therefore had no effect on the rates of change stated below.

Overview

Net interest income increased to EUR 4,975.7 million (+4.2%; EUR 4,774.8 million), primarily due to rate hikes in the Czech Republic and in Hungary, strong volume growth in all markets and a positive one-off effect resulting from TLTRO III take-up in Austria and Slovakia. **Net fee and commission income** rose to EUR 2,303.7 million (+16.5%; EUR 1,976.8 million) supported by a strong economic recovery and rising equity markets. Increases were posted across all key fee and commission categories and core markets – most notably Austria, with significant growth seen in particular in payment services and in asset management. **Net trading result** declined to EUR 58.6 million (EUR 137.6 million); the line item **gains/losses from financial instruments measured at fair value through profit or loss** rose to EUR 173.2 million (EUR 62.0 million). The development of these two line items was driven mostly by valuation effects, apart from a rise in income from the foreign exchange business in net trading result. **Operating income** increased to EUR 7,742.0 million (+8.2%; EUR 7,155.1 million).

General administrative expenses were up at EUR 4,306.5 million (+2.0%; EUR 4,220.5 million), personnel expenses rose to EUR 2,578.1 million (+2.3%; EUR 2,520.7 million). Other administrative expenses increased to EUR 1,180.3 million (+1.9%; EUR 1,158.9 million). Payments into deposit insurance schemes included in other administrative expenses decreased to EUR 122.4 million (EUR 132.2 million). Depreciation and amortisation rose to EUR 548.0 (+1.3%; EUR 540.9 million). The **operating result** was up markedly at EUR 3,435.5 million (+17.1%; EUR 2,934.6 million) and the **cost/income ratio** (see glossary for definition) improved significantly to 55.6% (59.0%).

Due to net allocations, the **impairment result from financial instruments** amounted to EUR -158.8 million or 9 basis points of average gross customers loans (EUR -1,294.8 million or 78 basis points). Net allocations to provisions for loans and advances as well as for commitments and guarantees given were posted in the Czech Republic, Romania, Croatia, Serbia and Hungary, but generally remained at a very low level. A positive contribution came from income from the recovery of loans already written off as well as from

[5] Statistik Austria: http://www.statistik.at/web_de/statistiken/wirtschaft/preise/verbraucherpreisindex_vpi_hvpi/022835.html (Download on 16 February 2022)
[6] Statistik Austria): Arbeitslose (internationale Definition) – Monatsschätzer (statistik.at) (Download on 16 February 2022)
[7] Statistik Austria: https://pic.statistik.at/web_de/statistiken/wirtschaft/volkswirtschaftliche_gesamtrechnungen/index.html (Download on 16 February 2022), 2020 data amended by GDP growth

[8] European Commission: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-performance-country/slovakia/economic-forecast-slovakia_en (Download on 18 February 2022)
[9] European Commission: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-performance-country/slovakia/economic-forecast-slovakia_en (Download on 18 February 2022)

releases, most notably in Austria (in the Savings Banks segment). In the comparative period, updated risk parameters with forward looking information related to Covid-19 had resulted in high net allocations to provisions for loans and advances as well as for commitments and guarantees given. The **NPL ratio** (see glossary for definition) based on gross customer loans improved to a historic low at 2.4% (2.7%). The **NPL coverage ratio** (see glossary for definition) (excluding collateral) increased to 90.9% (88.6%).

Other operating result amounted to EUR -310.5 million (EUR -278.3 million). This deterioration was attributable to valuation effects and higher expenses for the annual contributions to resolution funds; the latter rose – most strongly in Austria and Romania – to EUR 108.6 million (EUR 93.5 million). Banking levies declined to EUR 73.5 million (EUR 117.7 million), primarily due to the abolition of banking tax in Slovakia and lower levies in Austria. At present, banking levies are payable in two core markets: in Hungary, banking tax amounted to EUR 15.0 million (EUR 14.5 million) and transaction tax to another EUR 48.0 million (EUR 44.0 million). In Austria, banking tax equalled EUR 10.5 million (EUR 25.5 million).

Taxes on income rose to EUR 525.2 million (EUR 342.5 million). The minority charge increased to a record EUR 484.8 million (EUR 242.3 million) due to significantly higher earnings contributions of the savings banks. The **net result attributable to owners of the parent** rose to EUR 1,923.4 million (EUR 783.1 million) on the back of the strong operating result and low risk costs.

Cash earnings per share (see glossary for definition) amounted to EUR 4.18 (reported EPS: EUR 4.17) versus EUR 1.59 (reported EPS: 1.57) in the previous year.

Cash return on equity (see glossary for definition), i.e. return on equity adjusted for non-cash expenses such as goodwill impairment and straight-line amortisation of customer relationships, stood at 11.7% (reported ROE: 11.6%) versus 4.7% (reported ROE: 4.7%) in the previous year.

Total assets increased to EUR 307.4 billion (+10.8%; EUR 277.4 billion). On the asset side, cash and cash balances increased, primarily in Austria, to EUR 45.5 billion (EUR 35.8 billion), loans and advances to banks declined to EUR 21.0 billion (EUR 21.5 billion). **Loans and advances to customers** (net) rose to EUR 180.3 billion (+8.6%; EUR 166.1 billion). On the liability side, deposits from banks grew significantly to EUR 31.9 billion (EUR 24.8 billion) as a result of increased ECB refinancing (TLTRO III). **Customer deposits** rose in all core markets – most strongly in Austria and the Czech Republic – to EUR 210.5 billion (+10.2%; EUR 191.1 billion). The **loan-to-deposit ratio** (see glossary for definition) declined to 85.6% (86.9%).

The **common equity tier 1 ratio** (CET 1, CRR final, see glossary for definition) stood at 14.5% (14.2%), the **total capital ratio** (see glossary for definition) at 19.1% (19.7%).

OUTLOOK

Erste Group's goal for 2022 is to again achieve a double-digit return on tangible equity (ROTE). Among the factors that will support achievement of this goal is the continued strong economic performance of all core markets – Austria, Czech Republic, Slovakia, Hungary, Romania, Croatia and Serbia – and, on this basis, an improvement in the operating result and a continued benign risk environment. A continuation or further escalation of Covid-19 measures by governments as well as potential – and as yet unquantifiable – (geo-)political, regulatory or economic risks may render meeting these goals more challenging.

Erste Group's core markets are expected to post real GDP growth in the order of 3-5% in 2022. Inflation is set to remain a key theme throughout the year but at the same time is expected to remain broadly stable at elevated 2021 levels. In line with the strong economic outlook unemployment rates are expected to decline from already low levels in all markets. In most countries, sustained competitiveness should again result in sustainable current account balances. The fiscal situation should likewise improve again after significant budget deficits in 2021. Public debt to GDP is projected to improve across the board, albeit from elevated levels.

Against this backdrop, Erste Group expects net loan growth in the mid-single digits. This performance as well as interest rate tailwinds should lead to an at least mid-single-digit increase in net interest income despite negative policy rates in the euro zone. The second most important income component – net fee and commission income is expected to rise in the low to mid-single digits, following the exceptional performance in 2021. As in 2021, positive momentum should again come from asset management and securities business, assuming a continued constructive capital markets environment. Insurance brokerage as well as payment services fees are also expected to contribute. The net trading and fair value result is expected to come in at a similar level as in the previous year. This, however, will depend substantially on the financial market environment. The remaining income components are forecast to remain, by and large, stable. Overall, operating income should increase in 2022. Operating expenses are expected to rise at a lower level than operating income, thus resulting in a cost income ratio of below 55% in 2022, significantly earlier than planned (2024). In addition, Erste Group will continue to invest in IT in 2022 and thus strengthen its competitive position, with a focus on progressive IT modernisation, back office digitalisation and further development of the digital platform George.

Based on the robust macro outlook described above, risks costs should remain at a low level in 2022. While precise forecasting is hard at current low risk cost levels, Erste Group believes that in 2022 risk costs will be below 20 basis points of average gross customer loans. The NPL ratio is expected below 3.0%.

Other operating result is expected to remain unchanged in the absence of significant one-off effects. Assuming a low effective group tax rate of about 19% and similar minority charges as in 2021, Erste Group aims to achieve a double-digit ROTE. Erste Group's CET1 ratio is expected to remain strong. Consequently, Erste Group will propose a dividend of EUR 1.6 per share for the 2021 fiscal year to the 2022 AGM.

Potential risks to the guidance include (geo)political and economic (including monetary and fiscal policy impacts) developments, regulatory measures as well as global health risks and changes to the competitive environment. In addition, given the Covid-19 governmental measures and their impact on the economic development, financial forecasts are still subject to an elevated level of uncertainty. The evolving Russia-Ukraine situation does not impact Erste Group directly, as it has no operating presence in those countries; exposures to both countries are negligible and no additional risk provisioning is currently required in this context. Indirect effects, such as financial market volatility or sanctions-related knock-on effects on some of our customers cannot be ruled out, though. Further geopolitical developments might lead to economic difficulties and failure of banks based in EU Member States. As a consequence, the possible activation of national or European deposit insurance and resolution systems might have financial impacts on member banks of Erste Group. Any resulting financial effects cannot be assessed at the current point in time. Erste Group is moreover exposed to non-financial and legal risks that may materialise regardless of the economic environment. Worse than expected economic development may put goodwill at risk.

ANALYSIS OF PERFORMANCE

Net interest income

Net interest income rose to EUR 4,975.7 million (EUR 4,774.8 million). The benign interest rate environment in the Czech Republic and in Hungary, strong volume growth in all markets and especially in the housing loan segment, and a one-off effect from the take-up of TLTRO III funds in Austria and in Slovakia in the amount of EUR 93.0 million (EUR 8.0 million) were among the key growth drivers. A decline in modification losses from lending, which are reported in net interest income, also had a positive effect. The net interest margin (calculated as the annualised sum of net interest income, dividend income and net result from equity method investments over average interest-bearing assets) stood at 2.05% (2.08%).

Net fee and commission income

Net fee and commission income increased to EUR 2,303.7 million (EUR 1,976.8 million). Significant growth was recorded across all fee and commission categories and all core markets. The most marked rises were seen in payment services and asset management (most notably in Austria). The latter benefitted from strongly performing equity markets. Income from the custody business and brokerage commissions was likewise up substantially.

Net trading result & gains/losses from financial instruments measured at fair value through profit or loss

Valuation effects have a substantial impact on the net trading result as well as the line item gains/losses from financial instruments measured at fair value through profit or loss. Debt securities issued measured at FV through profit or loss have a significant impact on these line items as related valuation results are shown in the line item gains/losses from financial instruments measured at fair value through profit or loss, while the valuation results of corresponding hedges are shown in net trading result – as are financial assets in the fair value and trading portfolios.

Due to valuation effects in the derivatives business resulting from interest rate developments, net trading result declined to EUR 58.6 million (EUR 137.6 million) despite continued strong foreign exchange trading. Gains/losses from financial instruments measured at fair value through profit or loss rose to EUR 173.2 million (EUR 62.0 million). Due to the rise in long-term interest rates, lower income from the valuation of the securities portfolio in Austria and losses from the valuation of the loan portfolio measured at fair value in Hungary were offset by significantly higher gains from the valuation of debt securities in issue.

General administrative expenses

General administrative expenses rose to EUR 4,306.5 million (EUR 4,220.5 million). **Personnel expenses** increased to EUR 2,578.1 million (EUR 2,520.7 million), most notably in the Czech Republic, but also in Hungary and Croatia. On the back of lower average headcounts, cost reductions were achieved primarily in Austria, Romania and Slovakia. **Other administrative expenses** were higher at EUR 1,180.3 million (EUR 1,158.9 million), with marketing and IT expenses up most markedly. Contributions to deposit insurance systems declined to EUR 122.4 million (EUR 132.2 million). In Austria they decreased to EUR 85.5 million (EUR 95.0 million) after a one-off effect in the previous year. No contributions are currently payable in Croatia. In Slovakia, contributions rose to EUR 9.4 million (EUR 1.1 million). **Depreciation and amortisation** amounted to EUR 548.0 million (EUR 540.9 million).

Operating result

Operating income increased to EUR 7,742.0 million (+8.2%; EUR 7,155.1 million), with a marked rise in the key income components, most notably net fee and commission income but also net interest income, and a strong net trading and fair value result. General administrative expenses rose to EUR 4,306.5 million (+2.0%; EUR 4,220.5 million). The operating result rose to EUR 3,435.5 million (+17.1%; EUR 2,934.6 million). The cost/income ratio improved to 55.6% (59.0%).

Gains/losses from derecognition of financial instruments not measured at fair value through profit or loss

Losses from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR 32.8 million (EUR 6.5 million). This line item includes primarily one-off losses from derecognition of liabilities and negative results from the sale of securities in the Czech Republic and Austria.

Impairment result from financial instruments

The impairment result from financial instruments amounted to EUR -158.8 million (EUR -1,294.8 million). Net allocations to provisions for loans and advances declined to EUR 119.1 million (EUR 1,231.0 million), those for commitments and guarantees given to EUR 104.8 million (EUR 159.2 million). Positive contributions came from the release of provisions for loans in Austria (Savings Banks segment) as well as from income from the recovery of loans already written off in all segments in the amount of EUR 90.8 million (EUR 145.0 million). In the comparative period, updated risk parameters with forward-looking information as well as stage overlays related to the Covid-19 pandemic had led to a significant rise in allocations to provisions.

Other operating result

Other operating result came in at EUR -310.5 million (EUR -278.3 million). The deterioration was primarily due to valuation effects. Levies on banking activities declined to EUR 73.5 million (EUR 117.7 million). This decline is attributable to the abolition of banking levies in Slovakia, which had amounted to EUR 33.8 million in the comparative period. Banking levies payable in Austria decreased to EUR 10.5 million (EUR 25.5 million) on the back of significantly lower levies payable by the Holding. Hungarian banking tax rose slightly to EUR 15.0 million (EUR 14.5 million). Together with the financial transaction tax of EUR 48.0 million (EUR 44.0 million), banking levies in Hungary totalled EUR 63.0 million (EUR 58.5 million).

The balance of allocations/releases of other provisions improved to EUR 5.1 million (EUR -18.4 million). Other operating result also reflects the annual contributions to resolution funds in the amount of EUR 108.6 million (EUR 93.5 million). Increases were recorded above all in Austria to EUR 51.5 million (EUR 43.6 million) and in Romania to EUR 11.4 million (EUR 7.7 million).

Profit/loss for the year

The pre-tax result from continuing operations amounted to EUR 2,933.4 million (EUR 1,368.0 million). Taxes on income rose to EUR 525.2 million (EUR 342.5 million). The minority charge increased to EUR 484.8 million (EUR 242.3 million) due to higher earnings contributions of savings banks resulting primarily from a significant improvement in the impairment result from financial instruments. The net result attributable to owners of the parent rose to EUR 1,923.4 million (EUR 783.1 million).

Tax situation

Pursuant to section 9 of the Austrian Corporate Tax Act (KStG), Erste Group Bank AG and its main domestic subsidiaries constitute a tax group. As opposed to previous periods, in 2021 a significant taxable profit was accounted for. According to the applicable legal regulations, 75 per cent of the taxable profit was offset with tax loss carryforward, for the remaining 25 per cent current income tax was accounted for. In 2021 the current tax loss carried forward decreased accordingly.

Taxes on income are made up of current taxes on income calculated in each of the Group companies based on the results reported for tax purposes, corrections to taxes on income for previous years, and the change in deferred taxes. The reported total income tax expense amounted to EUR 525.2 million (EUR 342.5 million).

Balance sheet development

The rise in **cash and cash balances** to EUR 45.5 billion (EUR 35.8 billion) was primarily due to rising cash balances held at central banks, not least as a result of increased TLTRO III funds. **Trading and investment securities** held in various categories of financial assets increased to EUR 53.2 billion (EUR 46.8 billion).

Loans and advances to credit institutions (net), including demand deposits other than overnight deposits, declined slightly to EUR 21.0 billion (EUR 21.5 billion). **Loans and advances to customers (net)** rose – most notably in Austria and the Czech Republic – to EUR 180.3 billion (EUR 166.1 billion) driven by retail and corporate loan growth.

Loan loss allowances for loans to customers amounted to EUR 3.9 billion (EUR 4.0 billion). **The NPL ratio** – non-performing loans as a percentage of gross customer loans – improved to 2.4% (2.7%), the **NPL coverage ratio** (based on gross customer loans) rose to 90.9% (88.6%)

Intangible assets were stable at EUR 1.4 billion (EUR 1.4 billion). **Miscellaneous assets** amounted to EUR 6.1 billion (EUR 5.8 billion).

Financial liabilities – held for trading declined to EUR 2.5 billion (EUR 2.6 billion). **Deposits from banks,** primarily in the form of term deposits, rose to EUR 31.9 billion (EUR 24.8 billion), including TLTRO III funds with a carrying amount of EUR 20.9 billion (EUR 14.1 billion); **deposits from customers** increased to EUR 210.5 billion (EUR 191.1 billion) due to strong growth in overnight deposits (leasing liabilities of EUR 0.6 billion are not included in this position). The **loan-to-deposit ratio** declined to 85.6% (86.9%). **Debt securities in issue** increased to EUR 32.1 billion (EUR 30.7 billion). **Miscellaneous liabilities** amounted to EUR 6.9 billion (EUR 5.8 billion).

Total assets rose to EUR 307.4 billion (EUR 277.4 billion). **Total equity** increased to EUR 23.5 billion (EUR 22.4 billion). This includes AT1 instruments in the amount of EUR 2.2 billion from four issuances (April 2017, March 2019, January 2020 and November 2020). After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR**) common equity tier 1 capital** (CET1, CRR final) rose to EUR 18.8 billion (EUR 17.1 billion) as were total **own funds** (CRR final) to EUR 24.8 billion (EUR 23.6 billion). Total risk – **risk-weighted assets** including credit, market and operational risk (CRR final) – increased moderately to EUR 129.6 billion (EUR 120.2 billion).

Consolidated regulatory capital is calculated in accordance with CRR taking into consideration transitional provisions as defined in the Austrian CRR Supplementary Regulation and the Regulation (EU) 2016/445 of the European Central Bank on the exercise of options and discretions available in Union law. These transitional provisions define the percentages applicable to eligible capital instruments and regulatory deduction items as well as filters.

The **total capital ratio**, total eligible qualifying capital in relation to total risk (CRR final), declined to 19.1% (19.7%), primarily due to the early redemption of a portion of AT1 capital but remained well above the legal minimum requirement.

The **tier 1 ratio** (CRR final) stood at 16.2% (16.5%), the **common equity tier 1 ratio** (CRR final) at 14.5% (14.2%).

RISK MANAGEMENT

Comments on the risk profile of Erste Group

In light of the business strategy of Erste Group Bank AGthe main risks are credit risk, market risk, liquidity risk and non-financial risks. In addition, a risk materiality assessment is undertaken on an annual basis. It is ensured that all relevant material risks are covered by Erste Group Bank AG's control and risk management framework. This entails a set of different tools and governance to ensure adequate oversight of the overall risk profile and sound execution of the risk strategy, including appropriate monitoring and escalation of issues that could materially impact the risk profile of the group. The main types of risk can be summarised as follows:

- Credit risk: is the risk of loss from the potential collapse of counterparties, particularly of borrowers in the conventional lending business, and any related credit losses.
- Market risk: describes the risk of loss from unfavourable price changes in marketable and traded products, such as shares, fixed-income securities and derivatives, as well as from interest and foreign exchange volatility and fluctuations in raw material prices.
- Liquidity risk: describes the risk of the bank's insufficient liquidity or inability to make funds available in a timely manner to service its debts.
- Non financial risk: includes operational risks and other business risks. Operational risks are losses as a result of error or malfunction of internal procedures, humans and systems or external events. Major sub-categories of other business risks are strategic risks, reputational risks and compliance risks.

With respect to the explanations on substantial financial and non-financial risks at Erste Group as well as the goals and methods of risk management, we would like to draw the reader's attention to the information provided in the Notes 27, 32, 34, 35, 36, 37 and 43 of the the consolidated financial statements.

RESEARCH AND DEVELOPMENT

Erste Group does not engage in any research activities pursuant to section 243 (3) no. 3 UGB, but in 2021 development costs in the amount of EUR 51 million (EUR 70 million) were capitalised in connection with software developed in-house.

In order to drive improvements for retail customers and in the ongoing services, Erste Group launched the Innovation Hub. Its purpose is to initiate and coordinate across-the-board initiatives with a strong focus on customer experiences. As a multi-disciplinary team consisting of marketing, product and IT as well as design experts, the Innovation Hub is tasked with creating innovations and managing new programme initiatives.

BRANCHES

Erste Group Bank AG maintains branches in New York, Hong Kong and Germany (Berlin and Stuttgart) that provide commercial lending to foreign banks, leasing companies and sovereign debtors as well as institutional sales. The London branch was closed in the financial year 2021.

CAPITAL, SHARE, VOTING AND CONTROL RIGHTS

Capital structure

For details of the mandatory disclosures in respect of capital structure, class of shares and treasury shares please refer to Note 44 of the consolidated financial statements.

As of 31 December 2021, together with its syndicate partners (savings banks, Anteilsverwaltungssparkassen and savings banks foundations), DIE ERSTE oesterreichische Spar-Casse Privatstiftung ('ERSTE Stiftung'), a foundation, controls 22.25% (prior year: 31.17%) of the shares in Erste Group Bank AG and with 16.50% (prior year: 16.50%) is the main shareholder. The ERSTE Stiftung holds 5.90% (prior year: 5.90%) of the shares directly; the indirect participation of the ERSTE Stiftung amounts to around 10.60% (prior year: 10.60%) of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the ERSTE Stiftung. 1.67% (prior year: 1.67%) are held directly by savings bank foundations, savings banks and Erste Mitarbeiterbeteiligungsstiftung acting together with the ERSTE Stiftung. At the beginning of November 2021, the 9.92% share of CaixaBank S.A. was sold, resulting in the exit from the syndicate.

Erste Group Bank AG forms a recognised institutional protection scheme (IPS) in accordance with article 113 (7) CRR together with the Austrian savings banks. The joint liability scheme complies with the requirements of article 4 (1) Z 127 CRR, whereby the required individual contributions of the individual members of the scheme are subject to an individual and general ceiling. An IPS ex-ante fund has been established in connection with the approval of the IPS.

The payments of the individual members are recognised in the balance sheet as a share in IPS GesbR, which manages the ex-ante fund and are accounted for as revenue reserve. Due to the contractual terms, this revenue reserve represents a blocked reserve. The release of this blocked reserve may only take place as a result of the utilisation of the ex-ante fund due to a claim. This reserve can therefore not be utilised internally to cover losses and on member level does not qualify as own funds according to the CRR; on a consolidated level, the ex-ante fund does qualify, however.

Erste Group Bank AG is the central institution for the associated Austrian savings banks, and together they form a cash pool pursuant to section 27a Austrian Banking Act (BWG). Where necessary, Erste Group Bank AG must supply liquidity to an associated savings bank in accordance with legal and contractual provisions.

Restrictions of voting rights and of the transfer of shares

In shareholder agreements ERSTE Stiftung agreed with its partners the following: concerning the appointment of the members of the supervisory board the partners are obliged to vote as required by ERSTE Stiftung. The partners can dispose of shares according to a predefined sale procedure and can purchase shares only within the quotas agreed with ERSTE Stiftung (of a maximum of 2% within12 months in total); with this regulation an unwanted creeping-in according to takeover law shall be prevented. In addition, the partners have committed themselves not to make a hostile takeover bid, nor to participate in a hostile takeover bid nor to act together with a hostile bidder in any other way.

The Articles of Association contain no restrictions in respect of voting rights or the transfer of shares.

Special control rights, bodies and amendments of the articles of association

This concerns:

_ Art. 15.1 of the Articles of Association, which provides that ERSTE Stiftung will be granted the right to nominate up to one third of the members of the Supervisory Board to be elected by the shareholders' meeting, as long as ERSTE Stiftung is liable for all present and future liabilities of the company in the case of its insolvency pursuant to Section 92 (9) Banking Act and

_ Art. 15.4 of the Articles of Association, which provides that a three-quarter majority of valid votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal are required to pass a motion for removal of Supervisory Board members

_ Art. 19.9 of the Articles of Association, which provides that the Articles of Association, in so far as they do not alter the business purpose, may be passed by simple majority of votes cast and simple majority of the subscribed capital represented at the shareholders meeting considering the amendment. Where higher majority votes are required by individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority vote. Moreover, amendments to Art. 19.9 require a three-quarter majority of the votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal.

Capital participation of employees

The voting rights of shares of employees of corporate employers according to section 4d (5) (1) Income Tax Act (EStG) participating in employee share programs held in trust by the Erste Mitarbeiterbeteiligung Privatstiftung are exercised by the Board of Directors of Erste Mitarbeiterbeteiligung Privatstiftung. The members of the Board of Directors are appointed and dismissed by the Advisory Board through resolution with simple majority. Both Erste Group Bank AG as well as the statutory employee representatives of Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG jointly are entitled to appoint a person of their choice to the board of directors. A further member of the Board of Directors to be appointed by the Advisory Board shall be a former member of the management board or a former (freelance) employee of the corporate employers pursuant to section 4d (5) (1) Income Tax Act (EStG). The Advisory Board of Erste Mitarbeiterbeteiligung Privatstiftung comprises of up to five members.

Powers of the Management Board to issue and repurchase shares

As per decision of the Annual General Meeting of 19 May 2021:

_ the Management Board is entitled to purchase up to 10% of the subscribed capital in treasury shares for trading purposes according to section 65 (1) (7) Austrian Stock Corporation Act (AktG). However, the trading portfolio of these shares may not exceed 5% of the subscribed capital at the end of any calendar day. The consideration for the shares to be purchased must not be less than 50% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase and must not exceed the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase by more the 20%. This authorisation is valid for a period of 30 months, i.e. until 18 November 2023.

_ the Management Board is entitled, pursuant to section 65 (1) (8) as well as (1a) and (1b) Stock CorporationAct and for a period of 30 months from the date of the resolution, i.e. until 18 November 2023, to acquire own shares of up to 10% of the subscribed capital, subject to approval by the Supervisory Board, with the option of making repeated use of the 10% limit, either at the stock exchange or over the counter, likewise to the exclusion of the shareholders' right to tender proportional payment. The authorization may be exercised in whole or in part or in several instalments and in pursuit of one or several purposes. The market price per share must not be below EUR 2.00 or above EUR 120.00. Pursuant to section 65 (1b) in conjunction with sec. 171 Stock Corporation Act, the Management Board is authorised, from the date of the resolution, i.e. until 18 May 2026, on approval by the Supervisory Board, to sell or use the company's own shares, also by means other than the stock exchange or a public offering for any purpose allowed by the law, particularly as consideration for the acquisition and financing of the acquisition of companies, businesses, business divisions or shares in one or several businesses in Austria or abroad to the exclusion of the shareholders' proportional purchase option.

_ The Management Board is authorised to redeem shares without further resolution at the Annual General Meeting with the approval of the Supervisory Board.
_ According to section 65 (1) (4) as well as (1a) and (1b) Stock Corporation Act, the Management Board is authorised for the duration of 30 months following the date of resolution, hence until 18 November 2023, and with the approval of the Supervisory Board to purchase own shares at an amount equalling up to 10% of share capital of the company also under repeated utilisation of the 10% limit either at the stock exchange or over the counter, likewise to the exclusion of the shareholders' right to tender proportional payment for the purpose of granting shares for free or at concessionary terms to Erste Mitarbeiterbeteiligung Privatstiftung, their beneficiaries, employees, executive employees and members of the board at Erste Group Bank AG or of an affiliated undertaking or of any other undertaking pursuant to section 4d (5) (1) Income Tax Act. The authorisation may be exercised in whole or in part or in several installments and in pursuit of one or several purposes. The value per share may neither be lower than the floor value of two Euros nor higher than the ceiling of 120 Euros.

All sales and purchases were carried out as authorised at the Annual General Meeting.

According to section 8.3 of the Articles of Association, the Management Board is authorized, until 24 May 2023 and with the approval of the Supervisory Board, to issue convertible bonds (including conditional compulsory convertible bonds according to section 26 Austrian Banking Act (BWG)), which grant subscription or conversion rights to the acquisition of company shares, while paying due consideration or excluding the subscription right of shareholders. The terms of issue can also set out a conversion obligation at the end of the term or at another point in time in addition or instead of subscription or conversion rights. The issue of convertible bonds may only take place to the extent that guarantees the fulfilment of agreed conversion or subscription rights and, in the case of a conversion obligation set out in the conditions of issue, the fulfilment of the corresponding conversion obligations from the conditional capital increase. The issue amount, conditions or issue and the exclusion of shareholders' subscription rights are to be determined by the Management Board with consent of the Supervisory Board.

Obstacles for takeover

Joint liability agreement (Haftungsverbund)

The agreement in principle of the joint liability scheme provides for the possibility of early cancellation for good cause. Good cause allowing the respective other contracting parties to cancel the agreement is deemed to exist if:

_ a contracting party grossly breaks its obligations resulting from the agreement;
_ the ownership structure of a party to the contract changes in such a way – particularly by transfer or capital increase – that one or more third parties from outside the savings bank sector directly and/or indirectly gain a majority of the equity capital or voting rights in the contracting party or
_ one contracting party resigns from the savings bank sector irrespective of the reason.

The joint liability scheme's agreement in principle and supplementary agreement expire if and as soon as any entity that is not a member of the savings bank sector association acquires more than 25% of the voting power or equity capital of Erste Group Bank AG in any manner whatsoever and a member savings bank notifies the joint liability scheme's steering company and Erste Group Bank AG by registered letter within twelve weeks from the change of control that it intends to withdraw from the joint liability scheme.

Directors and Officers Insurance

Changes in control

In the event that any of the following transactions or processes occur during the term of the insurance policy (each constituting a 'change in control') in respect of the insured:

_ the insured ceases to exist as a result of a merger or consolidation, unless the merger or consolidation occurs between two insured parties, or
_ another company, person or group of companies or persons acting in consent, who are not insured parties, acquire more than 50% of the insured's outstanding equity or more than 50% of its voting power (resulting in the right to control the voting power represented by the shares, and the right to appoint the Management Board members of the insured),

then the insurance cover under this policy remains in full force and effect for claims relating to unlawful acts committed or alleged to have been committed before this change in control took effect. However, no insurance cover is provided for claims relating to unlawful acts committed or allegedly committed after that time (unless the insured and insurer agree otherwise). The premium for this insurance cover is deemed to be completely earned.

In the event that a subsidiary ceases to be a subsidiary during the insurance period, the insurance cover under this policy shall remain in full force and effect for that entity for the remainder of the insurance period or (if applicable) until the end of the extended discovery period, but only in respect of claims brought against an insured in relation to unlawful acts committed or alleged to have been committed by the insured during the existence of this entity as a subsidiary. No insurance cover is provided for claims brought against an insured in relation to unlawful acts committed or allegedly committed after this entity ceased to exist.

Cooperation between Erste Group Bank AG and Vienna Insurance Group (VIG)

Erste Group Bank and Vienna Insurance Group AG Wiener Versicherung Gruppe (VIG) are parties to a general distribution agreement (the Agreement) concerning the framework of the cooperation of Erste Group and VIG in Austria and CEE with respect to bank and insurance products. Originally concluded in 2008 (between Erste Bank der österreichischen Sparkassen AG and Vienna Insurance Group der WIENER STÄDTISCHE Versicherung AG), the Agreement was renewed and extended in 2018 until the end of 2033. The objective for the renewal and extension in particular was to adapt the Agreement to the corporate restructuring of the original parties, to amend some commercial parameters and to align the Agreement with recent developments in the legal framework. Already in the original Agreement the parties stipulated that both parties have the right to terminate the Agreement in case of a change of control of one of the parties. In case of change of control of Erste Group Bank AG, VIG has the right to terminate the Agreement. In case of change of control of VIG, Erste Group Bank AG has the reciprocal right. A change of control is defined, with respect to Erste Group Bank AG, as the acquisition of Erste Group Bank AG by any person/entity other than DIE ERSTE österreichische Spar-Casse Privatstiftung or Austrian savings banks of 50% plus one share of Erste Group Bank AG's shares or voting rights. In respect to VIG, the aforementioned provisions apply analogously, except for share purchases by Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group.

Apart from this regulation on the termination of the Agreement, the parties agreed in the renewal and extension of the Agreement for an additional termination for cause if based on new legal or regulatory provisions, the continuation of the Agreement is unreasonable for each or both of the parties.

Erste Group Bank and VIG are furthermore parties to an asset management agreement, pursuant to which Erste Group undertakes to manage certain parts of VIG's and its group companies' securities assets. In case of a change of control (as described above), each party has the termination right. The asset management agreement has been renewed and extended until 2033 concurrently with the renewal and extension of the Agreement outlined above.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM FOR THE GROUP FINANCIAL REPORTING PROCEDURES

Internal Control System Framework Requirements

The internal control system (ICS) is an essential element of the corporate governance system of Erste Group contributing to the safeguarding of shareholders' investments and company's assets. Erste Group's ICS plays a key role in identifying risks associated with the respective internal processes.

The ICS policy provides the framework conditions for the internal control system at Erste Group. It defines current standards concerning general tasks and responsibilities as well as minimum criteria for ICS documentation. In Erste Group, a top-down, risk oriented, decentralized ICS approach is to be applied, designed based on the local process map, which promotes adequacy by focusing on all material risks. This means, that all material risks identified have to be mitigated by key controls which are involved in the ICS process. The following criteria are applied for an adequate local ICS:

- Completeness: The process landscape as well as policies and procedures issued within Group Policy Framework ensure that all identified risks and potential risk scenarios are considered, regulated and maintained, aiming to set up a comprehensive and integrated control environment throughout the entity. All material risks must be covered with key controls, which constitute the relevancy.
- Effectiveness and traceability: Functionality of key controls are regularly checked, optimal control environment is reviewed and challenged during monitoring activity of risk appetite/tolerance.
- Comprehensibility: Process landscape together with local policies and procedures constitute documentation of identified key controls, which ensures that relevant employees are aware of all key controls and their role in the internal control process in transparent and accountable way within the entire local entity.

The risk profile, which includes the current and target situation, is monitored by each individual risk function unit and is illustrated in the framework of the consolidated risk reporting (GRR) for the management or relevant risk committee.

Control environment

The management board is responsible for the establishment, structure and application of an appropriate internal control and risk management system that meets the company's needs in its group accounting procedures.

The management in each subsidiary is responsible for implementing group-wide instructions. Compliance with group rules is monitored as part of the audits performed by group and local auditors.

Group Accounting and Group Performance Management are responsible for preparing the consolidated financial reporting, both divisions are assigned to the CFO of Erste Group. Consolidated financial statements are prepared by the Group Consolidation department. The assignment of powers, the process description and the necessary control procedures are defined in the operating instructions.

Risk assessment

The main risk in the financial reporting procedures is that errors or deliberate action (fraud) prevent facts from adequately reflecting the company's financial position and performance. This is the case if the data provided in the financial statements and notes is essentially inconsistent with the correct figures, i.e. whenever, alone or in aggregate, they are apt to influence the decisions made by the users of financial statements. Such a decision may incur serious damage, such as financial loss, the imposition of sanctions by the banking supervisor or reputational harm.

Furthermore, especially estimates for the determination of the fair value of financial instruments for which no reliable market value is available, estimates for the accounting of risk provisions for loans and advances and for provisions, complex measurement requirements for accounting as well as a volatile business environment bear the risk of significant financial reporting errors.

Controls measures

Erste Group issues group policies used for preparation of consolidated financial statements in accordance with IFRS. A summary description of the accounting process is provided in Erste Group's IFRS Accounting Manual. All transactions in subsidiaries have to be recorded, posted and accounted for in accordance with the accounting and measurement methods set out in this manual.

The basic components of the internal control system (ICS) within Erste Group are:

_ systemic, automatic control systems and measures in the formal procedure and structure, e.g. programmed controls during data processing.
_ principles of functional separation and checks performed by a second person (the four-eye principle).
_ Controlling as a permanent financial/business analysis (e.g. comparison of target and actual data between accounting and controlling) and control of the company and/or individual corporate divisions.

Group Consolidation

The data provided by the group entities is checked for plausibility by the department Group Consolidation department. The subsequent consolidation steps are then performed using the consolidation system (TAGETIK). These include consolidation of capital, expense and income consolidation, and debt consolidation, any intragroup gains are eliminated. At the end of the consolidation process, the notes to the consolidated financial statements are prepared in accordance with IFRS and BWG/UGB.

The consolidated financial statements and the group management report are reviewed by the audit committee of the supervisory board and are also presented to the supervisory board for approval. They are published as part of the annual report, on Erste Group's website and in the Official Journal of Wiener Zeitung and finally filed with the Commercial Register.

Information and communication

Throughout the year, the group produces consolidated monthly reports for group management. Statutory interim reports are produced that conform to the provisions of IAS 34 and are also published quarterly in accordance with the Austrian Stock Corporation Act. Before publication, the consolidated financial information is presented to senior managers and the CFO for final approval and then submitted to the supervisory board's audit committee.

Reporting is almost fully automated, based on source systems and automated interfaces, and guarantees up-to-date data for controlling, segment reporting and other analyses. Accounting information is derived from the same data source and is reconciled monthly for reporting purposes. Close collaboration between accounting and controlling permits continual target/actual comparisons for control and reconciliation purposes. Monthly and quarterly reports to the management board and the supervisory board ensure a regular flow of financial information and monitoring of the internal control system.

Responsibilities of Internal Audit

Internal Audit is in charge of auditing and evaluating all areas of the bank based on risk-oriented audit areas (according to the annual audit plan as approved by the management board and reported to the audit committee). The main focus of audit reviews is to monitor the completeness and functionality of the internal control system. Internal Audit has the duty of reporting its findings to the group's management board, supervisory board and audit committee several times within one year.

According to section 42 Austrian Banking At (BWG), Internal Audit is a control body that is directly subordinate to the management board. Its sole purpose is to comprehensively verify the lawfulness, propriety and expediency of the banking business and banking operation on an on-going basis. The mandate of Internal Audit is therefore to support the management board in its efforts to secure the bank's assets and promote economic and operational performance and thus in the management board's pursuit of its business and operating policy. The activities of Internal Audit are governed in particular by the currently applicable Rules of Procedure, which were drawn up under the authority of all management board members and approved as well as implemented by them. The Rules of Procedure are reviewed on a regular basis and whenever required and adapted should the need arise.

Audit activities of Internal Audit

In its auditing activities, Internal Audit puts a special focus on:

_ operating and business areas of the bank;
_ operating and business processes of the bank;
_ internal bank standards (policies, guidelines, operating instructions), also with regard to their compliance and up-to-dateness;
_ audit areas stipulated by the law as they inter alia result from the rules of the Austrian Banking Act (BWG) and the Capital Requirements Regulation (CRR).

Internal Audit performs its responsibilities based on its own discretion and in compliance with the annual audit plan as approved by the management board. Once approved, the audit plan is also reported to the audit committee.

CORPORATE GOVERNANCE

The consolidated corporate governance report of Erste Group is disclosed and published on the website of Erste Group (www.erstegroup.com/investor-relations).

Erste Group convinced that considering socio-environmental responsibility, climate change prevention and strong governance aspects in doing business not only support its purpose to disseminate prosperity but also secures the financial resilience of the bank.
Based on Erste Group's legacy strong focus on social responsibility and the ambition to be the leading financial institution driving the green transition in Central and Eastern Europe, Erste Group implemented its 'ESG Strategic Framework' in 2021.

It is based on four impact pillars:
_ Sustainable Finance*:* Erste Group is committed to increase the green wholesale funding rates in all core markets, thus strengthening CEE debt capital markets and defending its leading position in the ethical and environmental funds in the CEE region.
_ Working together for a sustainable future: Erste Group believes there is a need to not only raise awareness for green transition and potentially related social impacts but also to develop new sustainable market standards. Consequently, Erste Group is committed to actively participate in and to support public initiatives in this field and to pursue collaborations with business partners and NGOs.
_ Good corporate citizenship and operations: Erste Group is committed to reach climate neutrality by 2023. After having reduced Scope 1 and Scope 2 emissions since 2016 by 25%, Erste Group targets to reduce them further by 25% by obtaining at least 90% of electricity from green sources and by implementing further efficiency measures.
_ Our employees: Erste Group puts emphasis on raising awareness of the importance of a sustainable lifestyle and motivating all employees to actively support efforts to reach climate neutrality. In addition, Erste Group plans to offer a climate literacy programme to the staff incorporating inputs from academics of the Vienna University of Economics and Business and environmental experts of the Austrian World Wide Fund For Nature, and climate simulation workshops.

Erste Group's ESG governance framework includes the following elements:
_ the Supervisory Board oversees the sustainability strategy, the ESG framework and its implementation.
_ the Management Board defines the sustainability strategy and is responsible for the ESG framework, priorities and targets.
_ the Group Sustainability Board takes decisions on strategy, priorities, governance and key performance indicators and monitors the implementation progress.
_ the ESG Core Team is set up as a collaboration platform to develop objectives, targets and corresponding initiatives through senior managers of various areas.
_ the main objective of the Group Sustainable Finance Committee is to ensure a coordinated development of ESG principles in steering instruments like portfolio limits, pricing or the ESG Factor heatmap.
_ the Group ESG Office promotes Erste Group's sustainability strategy and acts as main advisor to the management board on the ESG strategy, targets and priorities.
_ Local ESG Offices develop local sustainability strategies aligned to the group-wide strategy and support the respective local management boards.
_ Group Business Divisions are in charge of the business strategy, objectives, targets and developing initiatives and action plans. In addition, they are responsible for defining green/social eligibility rules and ensure their integration into products as well as ESG risk management processes.
_ Group Risk Management functions ensure that ESG aspects are covered in the risk management framework and risk appetite assessment and are properly taken into account in risk control and operative risk management tools and processes.

Regulations on sustainability disclosures and risk management obligations: the EU Taxonomy Regulation (EC 2020/852), Sustainability Disclosure Regulation (EC 2019/2088), EBA Guideline on Loan Origination and Monitoring, ECB Guide on climate related and Environmental Risks are properly taken into account and will be integrated with due care into the business model of Erste Group Bank AG.

CONSOLIDATED NON-FINANCIAL DECLARATION

The consolidated non-financial declaration of Erste Group is issued as separate consolidated non-financial report. The consolidated non-financial report of Erste Group is disclosed and published on the website of Erste Group (www.erstegroup.com/investor-relations).

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Management Board	
Bernhard Spalt mp, Chairman	Ingo Bleier mp, Member
Stefan Dörfler mp, Member	Alexandra Habeler-Drabek mp, Member
David O'Mahony mp, Member	Maurizio Poletto mp, Member

Vienna, 28 February 2022