Erste Group Bank AG

Financial Statements 2021

ERSTE Group

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I. Balance Sheet of Erste Group Bank AG as of 31 December 2021

in EUR or in EUR thousand	Dec 21	Dec 20
Assets		
1. Cash in hand, balances with central banks	**18,859,481,697.79**	**17,420,983**
2. Treasury bills and other bills eligible for refinancing with central banks	**5,405,454,904.55**	**4,898,136**
a) treasury bills and similar securities	5,405,454,904.55	4,898,136
b) other bills eligible for refinancing with central banks	0.00	0
3. Loans and advances to credit institutions	**22,928,850,079.58**	**21,368,924**
a) repayable on demand	1,250,789,737.40	1,260,580
b) other loans and advances	21,678,060,342.18	20,108,344
4. Loans and advances to customers	**19,075,168,948.43**	**16,792,700**
5. Debt securities and other fixed-income securities	**4,810,129,788.90**	**3,874,932**
a) issued by public bodies	750,281,377.00	845,796
b) issued by other borrowers	4,059,848,411.90	3,029,136
of which: own debt securities	1,587,532,094.64	846,778
6. Shares and other variable-yield securities	**1,185,302,200.88**	**1,186,461**
7. Participating interests	**130,696,025.09**	**137,102**
of which: in credit institutions	49,335,589.50	55,247
8. Shares in affiliated companies	**8,454,525,458.41**	**7,366,746**
of which: in credit institutions	7,681,806,997.73	6,656,013
9. Intangible fixed assets	**22,612,349.11**	**23,342**
10. Tangible fixed assets	**141,213,765.17**	**98,543**
of which: land and buildings used by the credit institution for its own business operations	4,192,623.34	3,485
11. Shares in a controlling company	**0.00**	**0**
of which: par value	0.00	0
12. Other assets	**3,267,534,508.79**	**3,691,227**
13. Subscribed capital called but not paid	**0.00**	**0**
14. Prepayments and accrued income	**107,115,528.93**	**116,569**
15. Deferred tax assets	**238,463,245.96**	**79,759**
Total assets	**84,626,548,501.59**	**77,055,424**
Off-balance sheet items		
1. Foreign assets	**45,732,038,771.41**	**43,671,770**

in EUR or in EUR thousand	Dec 21	Dec 20
Liabilities and equity		
1. Liabilities to credit institutions	**35,907,602,016.25**	**32,144,836**
a) repayable on demand	5,281,583,077.98	5,658,088
b) with agreed maturity dates or periods of notice	30,626,018,938.27	26,486,748
2. Liabilities to customers (non-banks)	**7,806,404,564.09**	**5,891,721**
a) savings deposits	0.00	0
aa) repayable on demand	0.00	0
bb) with agreed maturity dates or periods of notice	0.00	0
b) other liabilities	7,806,404,564.09	5,891,721
aa) repayable on demand	4,897,316,947.53	4,510,246
bb) with agreed maturity dates or periods of notice	2,909,087,616.56	1,381,475
3. Securitised liabilities	**20,197,388,439.37**	**18,897,750**
a) debt securities issued	18,935,466,008.64	18,380,222
b) other securitised liabilities	1,261,922,430.73	517,528
4. Other liabilities	**3,584,142,634.91**	**3,784,127**
5. Accruals and deferred income	**230,372,610.77**	**237,694**
6. Provisions	**581,014,290.31**	**523,192**
a) provisions for severance payments	0.00	0
b) provisions for pensions	288,399,987.00	310,596
c) provisions for taxes	65,809,581.12	8,242
d) other	226,804,722.19	204,354
6a. Special fund for general banking risks	**0.00**	**0**
7. Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	**4,692,445,971.14**	**4,583,911**
8. Additional Tier 1 capital pursuant to Part 2 Title I Chapter 3 of Regulation (EU) No 575/2013	**2,272,771,099.49**	**2,778,909**
of which: Compulsory convertible bonds pursuant to § 26 Austrian Banking Act (BWG)	0.00	0
8b Instruments without a vote pursuant to § 26a Austrian Banking Act (BWG)	**0.00**	**0**
9. Subscribed capital	**859,600,000.00**	**859,600**
10. Capital reserves	**1,628,111,165.08**	**1,628,105**
a) committed	1,628,111,165.08	1,628,105
b) uncommitted	0.00	0
10a. Reserves for share-based payments	**3,195,660.37**	**0**
11. Retained earnings	**5,324,520,962.35**	**4,229,879**
a) statutory reserve	1,537,900,000.00	1,537,900
b) reserves provided for by the articles	0.00	0
c) other reserves	3,485,740,882.99	2,557,082
d) blocked reserves	300,880,079.36	134,897
12. Reserve pursuant to section 57 -5 of Austrian Banking Act (BWG)	**851,000,000.00**	**851,000**
13. Net profit or loss for the year	**687,680,000.00**	**644,700**
14. Investment grants	**299,087.46**	**0**
Total Liabilities and equity	**84,626,548,501.59**	**77,055,424**
Off-balance sheet items		
1. Contingent liabilities of which	**4,455,783,051.13**	**3,753,048**
a) acceptances and endorsements	0.00	0
b) guarantees and assets pledged as collateral security	4,116,054,481.33	3,185,793
c) credit derivatives	339,728,569.80	567,255
2. Commitments	**11,676,641,458.00**	**9,940,427**
of which: commitments arising from repurchase agreements	0.00	0
3. Liabilities arising out of fiduciary activities	**175,320.00**	**147**
4. Own funds pursuant to Part 2 of Regulation (EU) No 575/2013	**13,552,265,958.92**	**13,225,985**
of which: Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	3,106,480,928.32	3,075,184
5. Own funds requirements pursuant to Art 92 of Regulation (EU) No 575/2013 of which: capital required pursuant to Art 92 (1) of Regulation (EU) No 575/2013	**34,553,589,400.52**	**33,611,087**
a) Common Equity Tier 1 capital ratio	23.66%	22.02%
b) Tier 1 capital ratio	30.23%	30.20%
c) Total capital ratio	39.22%	39.35%
6. Foreign liabilities	**10,205,773,888.60**	**8,337,708**

II. Income Statement of Erste Group Bank AG for the Year ended 31 December 2021

in EUR or in EUR thousand	1-12 21	1-12 20
1. Interest and similar income	2,044,308,717.81	2,098,618
of which: from fixed-income securities	205,614,669.28	208,165
2. Interest and similar expenses	-1,758,348,309.10	-1,867,176
I. NET INTEREST INCOME	**285,960,408.71**	**231,442**
3. Income from securities and participating interests	703,510,522.95	421,312
a) income from shares, other ownership interests and variable-yield securities	63,144,838.20	68,279
b) income from participating interests	7,632,413.56	6,483
c) income from shares in affiliated companies	632,733,271.19	346,550
4. Commissions income	194,182,599.56	171,844
5. Commissions expenses	-138,302,141.19	-154,957
6. Net profit or loss on financial operations	14,164,870.31	-4,766
7. Other operating income	89,919,050.59	91,813
II. OPERATING INCOME	**1,149,435,310.93**	**756,688**
8. General administrative expenses	-536,126,056.98	-570,261
a) staff costs	-266,964,912.39	-295,722
aa) wages and salaries	-215,482,827.32	-207,872
bb) expenses for statutory social security contributions and compulsory contributions related to wages and salaries	-43,553,969.50	-42,995
cc) other social expenses	-1,903,479.22	-2,026
dd) expenses for pensions and assistance	-6,560,256.58	-10,190
ee) release / allocation to the provision of pensions	3,547,104.70	-17,957
ff) expenses for severance payments and contributions to severnace and retirement funds	-3,011,484.47	-14,682
b) other administrative expenses	-269,161,144.59	-274,539
9. Value adjustments in respect of assets items 9 and 10	-10,420,503.38	-7,262
10. Other operating expenses	-31,755,158.32	-32,363
III. OPERATING EXPENSES	**-578,301,718.68**	**-609,886**
IV. OPERATING RESULT	**571,133,592.25**	**146,802**
11./12. Income/expenses from value adjustments of loans and advances as well as individual provisions for liabilities and credit risks	820,615.66	-230,252
13./14. Income/expenses from value adjustments of transferable securities held as financial fixed assets, participating interests and shares in affiliated companies	994,122,363.86	-5,839
V. PROFIT OR LOSS ON ORDINARY ACTIVITIES	**1,566,076,571.77**	**-89,289**
15. Extraordinary income	15,576,872.31	0
of which: withdrawals from the special fund for general banking risks	0.00	0
16. Extraordinary expenses	0.00	0
of which: allocation to the special fund for general banking risks	0.00	0
17. Extraordinary result (sub-total of items 15 and 16)	15,576,872.31	0
18. Tax on profit or loss	202,068,489.57	-10,945
19. Other taxes not reported under item 18	-1,399,680.14	-18,121
VI. PROFIT OR LOSS FOR THE YEAR AFTER TAX	**1,782,322,253.51**	**-118,355**
20. Changes in reserves	-1,094,642,253.51	118,355
of which: allocation to liability reserve pursuant to section 23 -6 of the Austrian Banking Act (BWG)	0.00	0
of which: reversal of liability reserve pursuant to section 23 -6 of the Austrian Banking Act (BWG)	0.00	0
VII. PROFIT OR LOSS FOR THE YEAR AFTER DISTRIBUTION ON CAPITAL	**687,680,000.00**	**0**
21. Profit brought forward from previous year	0.00	644,700
22. Profit transferred on the basis of profit transfer agreement	0.00	0
VIII. PROFIT OR LOSS FOR THE YEAR	**687,680,000.00**	**644,700**

III. Notes to the Financial Statements 2021

A. GENERAL INFORMATION

Erste Group Bank AG is listed on the Vienna Stock Exchange. It is also quoted on the Prague Stock Exchange and on the Bucharest Stock Exchange. Erste Group Bank AG is registered in the company register at the Commercial Court of Vienna under FN 33209m. The address of its registered office is: Am Belvedere 1, 1100 Vienna, Austria.

The 2021 financial statements of Erste Group Bank AG have been prepared in accordance with the regulations of the Commercial Code (Unternehmensgesetzbuch, UGB) and in conjunction with the applicable provisions of the Austrian Banking Act (Bankwesengesetz, BWG).

Pursuant to section 59a Austrian Banking Act (BWG), Erste Group Bank AG prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) on the same balance sheet date. The Erste Group's consolidated financial statements are filed with the commercial register at the Commercial Court of Vienna.

The Erste Group Bank AG has formed a recognised institutional protection scheme in accordance with article 113 (7) CRR together with the Austrian savings banks. Erste Group Bank AG also forms a cross-guarantee scheme (Haftungsverbund), together with the Austrian savings banks, in accordance with article 4 (1) Z 127 CRR as well as an institutional protection scheme (IPS) approved by the supervisory authority pursuant to article 113(7) CRR. The cross-guarantee scheme (Haftungsverbund) complies with the requirements of article 4 (1) Z 127 CRR, whereby the required individual services of the individual members of the scheme are subject to an individual and general ceiling. The applicable amounts are determined by the steering company and made known to the paying members. Due to the requirements for an IPS (Institutional Protection Scheme), the ceilings for individual members' support measures were raised and an ex-ante fund established. Further explanations can be found in chapter 24: Recovery & Resolution Fund, deposit guarantee fund, IPS fund. On 15 November 2021, österreichische Sparkassen AG's building society become a further member of the cross-guarantee scheme (Haftungsverbund) (article 4 (1) Z 127 CRR) and the institutional protection scheme (IPS) pursuant to article 113 (7) CRR.

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 retained earnings. Due to the contractual terms, this retained earnings represents a blocked reserve. The writing off of this blocked reserve may only take place as a result of the mobilisation 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 capital according to the CRR; on a consolidated level, the ex-ante fund does qualify, however.

Furthermore, 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.

Ongoing legal cases

Erste Group Bank AG is party to lawsuits that, for the most part, relate to ordinary banking business. The outcome of these proceedings is not expected to have a significant negative impact on the financial position and profitability of Erste Group Bank AG. Erste Group Bank AG is currently also involved in the following legal case:

Lawsuit filed by minority shareholders in Česká Spořitelna a.s.: Following the completion of a squeeze-out procedure in Česká Spořitelna a.s. resulting in Erste Group Bank AG becoming the sole share-holder of Česká Spořitelna a.s., some former minority shareholders of Česká Spořitelna a.s. filed a lawsuit with the courts in Prague. In the case against Česká Spořitelna a.s., the plaintiffs aim in essence a declaration that the shareholders´ resolution approving the squeeze-out is invalid. In the proceedings against Erste Group Bank AG, the plaintiffs allege in essence that the share price of CZK 1,328.00 (at that time around EUR 51.00) paid by Erste Group Bank AG in the squeeze-out of the Česká Spořitelna a.s. minority shareholders in 2018 was unfair and too low and should be increased. If the courts were to decide there ought to be an increase, this would affect all minority shareholders squeezed-out. In the squeeze-out performed in 2018, Erste Group Bank AG acquired a total of 1.03% of minority shares for a consideration of EUR 80,327,547.67. Erste Group Bank AG views that the purchase price, established by a valuation carried out by professional external experts, was correct and fair.

Disclosure

Erste Group Bank fulfils the publishing disclosure requirements according to Part 8 of the regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – CRR) published on the Internet. Details are available on the website of Erste Group at www.erstegroup.com/ir. Relevant disclosures are included in the annual report in the section ‘reports’ or published as separate documents in the section ‘regulatory disclosure’.

The preparation of consolidated capital as well as consolidated capital requirements is published in Erste Group’s consolidated financial statements. Further disclosures can be found in the annual report in the section ‘reports’ or as specially publicised documents in the section ‘regulatory disclosure’.

Size according to section 221 Commercial Code (UGB)

Pursuant to section 221 (3) in connection with section 189a Commercial Code (UGB), the legal regulations for large companies are valid for the financial year ending 31 December 2021.

B. NOTES ON ACCOUNTING AND MEASUREMENT METHODS

Generally accepted accounting principles

The financial statements were prepared in accordance with the generally accepted accounting principles and according to the standard principle that the financial statements should provide a fair and accurate view of the company's financial position, income and expenses. In the preparation of the financial statements, the principle of completeness was applied. The principle of individual measurement was applied in assessing the company’s assets and liabilities, and the assumption was that the company would continue to operate (going concern). In applying the principle of prudence, the particularities of the banking business were taken into account.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currencies were measured at the ECB reference rates applicable at the balance sheet date. The currencies for which ECB did not publish a reference rate were recognised at the mid-rate published by Erste Group Bank AG applicable at the balance sheet date. Foreign exchange forward transactions and FX swaps were principally rated at the forward exchange rate.

Participating interests and shares in affiliated companies

The valuation approach for participating interests and shares in affiliated companies is the modified lower of cost or market principle.

The fair value is determined based on expert assessments of the corporate value and recent transactions or market values. In general, the value is determined using a discounted cash flow model (DCF model), which incorporates the specifics of the banking business and its regulatory environment. For this purpose, Erste Group Bank AG performs an annual impairment test at the balance sheet date, although an impairment test is also carried out during the year if evidence exists that might indicate depreciation. Methodologically, this is carried out following IAS 36.

The estimation of future earnings distributable to shareholders is based on financial plans (budgets) as agreed by the management of the subsidiaries while taking into account the fulfilment of the respective regulatory capital requirements. The calculation of corporate value is based upon different budget scenarios, in order to demonstrate the future macro-economic development and the development of risk costs. The base scenario utilises the budgets agreed upon. The downside scenario evaluates the macro-economic data more conservatively, which results in higher risk costs and lower income. The scenarios are weighted with their expected probability of occurrence.

Any forecast beyond the planning period are derived based on the last year of the planning period and a long-term growth rate (perpetual annuity). As long as the implicit return on equity is higher than the equity capital costs at the end of the planning period, the return on equity for the perpetuities is aligned with the equity capital costs. The present value of perpetual earnings growing at a stable rate (referred to as terminal value) takes macro-economic parameters and economically sustainable cash flows into consideration.

The interest rate used for calculation was determined on the basis of the CAPM (Capital Asset Pricing Model). Key input factors include:

- A risk-free interest rate (Source: Svensson yield curve method for 30-year German government bonds)
- Market risk premium
- Beta factor
- Weighted country risk premium (Source: Damodaran).

Dividend earnings from participating interests and shares in affiliated companies are reported according to the resolution on dividend payouts and shown in item 3 Income from securities and participating interests.

Loans and advances to credit institutions and customers

Credit loans and advances to credit institutions and customers were measured in accordance with the provisions set out in the provision paper by the AFRAC (Austrian Financial Reporting and Auditing Committee) of 14 June 2021 concerning the subsequent valuation of financial institutions using the effective interest rate method. Default risks, which were recognised at the balance sheet date, were covered by loan loss provisions. Write-ups from the release of loan loss provisions were carried out. Methodologically, the calculation of loan loss provisions is conducted using the IFRS 9 impairment models set out in the Commercial Code (UGB).

Securities

Depending on their classification, securities are held either as trading assets, current assets, or financial assets, or defined to be receivables and similar financial instruments (Forderungen und forderungsähnliche Finanzinstrumente (FFI)). According to the classification, they are valued as specified below:

- trading assets at market value, even when acquisition costs are exceeded
- current assets at amortised acquisition cost or at the lower stock market price or market price. If the stock market price or market price cannot be determined, they are valued according to whichever is lower out of acquisition costs or fair value. Bonds admitted to trading on stock exchanges are valued at market value, even when acquisition costs are exceeded (in accordance with section 207 Commercial Code in connection with section 56 (5) Austrian Banking Act (BWG)) and repurchased own listed bonds (retained covered bonds) are valued at the settlement amount.
- fixed assets at amortised acquisition cost and where permanent impairment can be presumed, at the lower fair value (discretionary application of the valuation rule "whichever is lowest out of market value or acquisition costs"). As long as there is no evidence of permanent impairment, no impairment loss is recognised. Securities in item 6 are valued according to the strict lowest value principle without exception.
- Securities, which are FFI, are valued at amortised cost less impairment for default risks. Only securities held as fixed assets are FFI. FFI are debt instruments which are intended to be kept until their final maturity and for which the value is not potentially affected by risk and income structures that differ significally from the instrument’s default risks.

Securities were allocated to trading assets, current assets or to financial assets assets and it was deemed that they would be kept until their final maturity in accordance with the organisational policies adopted by the management board. The fair value is the price that can be achieved by selling a financial instrument or the price payable for its purchase, in an active market. Where available, market prices were used for asset valuation. Valuation methods, especially the present value method, were used for assets without market prices.

Amortised Costs and Effective Interest Rate Method

Pursuant to section 56 (2) and (3) Austrian Banking Act (BWG) and section 198 (7) Commercial Code, the difference between acquisition cost and redemption amount for fixed-income securities with the characteristics of financial investments as well as for securitised liabilities is amortised on a pro rata basis. The distribution of the difference takes place in line with AFRAC statement 14 “Accounting of non-derivative financial instruments” according to the effective interest rate method either until the first possibility for termination by the issuer, or until the redemption date

The amortised acquisition costs of financial assets are the amount, which the asset is valued at when initially recognised, minus redemptions, plus or minus the cumulated amortisation of any difference between the original amount and the amount redeemable at maturity using the effective interest rate method. In the lending business, fees and commission similar in nature to interest as well as changes in estimates are amortised on a pro rata basis using the effective interest method.

The effective interest rate is the interest rate with which the estimated future in- and outflows over the expected life of the asset or liability are discounted exactly at the amortised costs of an asset or a liability. The estimated cash flows take into consideration all conditions set out in the contract for the asset or liability; expected credit losses, however, are not taken into consideration. Furthermore, the calculation includes transaction costs and handling fees, if these are distributable, as well as all other premiums and discounts on the nominal value.

Lending Business

Should the base interest rate change during the life of a variable interest rate loan and this change is not due to contractual modification, the changes to the expected future in/outflows are taken into consideration by recalculating the EIR. Any caps and floors agreed on the base interest rate are also taken into account.

If the expected future in/outflows of a loan change during the contract term and the change is neither due to contractual modification nor to an adjustment to the nominal interest rate, nor to deterioration of credit rating, the amortised costs of the asset are adjusted by recording a changed estimate. This changed estimate corresponds to the difference between the amortised acquisition costs before the change in the expected in/outflows and the cash value of the newly expected in/outflows, discounted by the original effective interest rate. In the profit and loss statement the change in estimates is reflected in the interest income.

Handling of contractual modifications

A contractual adjustment occurs if a contract is adjusted, and the contract does not already stipulate such a possibility for it to be adjusted. Most contractual adjustments take place in the lending business. These contractual adjustments are split into significant and non-significant adjustments, depending on qualitative and quantitative aspects.

A contractual adjustment is considered to be significant if, following qualitative and quantitative assessment, there is a significant change which adjusts the asset's economic substance significantly. A contractual adjustment can be classified as significant for performing loans if it leads to a borrower change, a currency conversion (if this was not stipulated in the contract), certain changes to the interest clause, a change in present value, or a change to the weighted residual term to maturity of a certain magnitude. Significant contractual modifications lead to the derecognition of the original financial asset and to the initial recognition of a new financial asset in accordance with the contractual modifications. If the debtor has defaulted or the significant contractual modification leads to a default, the new asset is treated as a defaulted asset. The difference between the carrying value of the derecognised asset and the fair value of the new asset is initially recognised in item 11/12 of the profit and loss statement. If the debtor has not defaulted and the significant contractual modification does not lead to default, the new asset is recorded in stage 1 following the derecognition of the original asset. The non-amortised amount of processing fees/transaction costs, which are taken into account in the effective interest rate, is recognised at the time of derecognition in the interest result. The reversal of impairments, which were recorded for the original asset until the contract was significantly modified, as well as the recording of impairments for the new asset are shown in item 11/12 in the profit and loss statement. The remaining difference is shown in other operating income or expenses. The remaining difference between the old book value following the release of the handling fees and transaction costs and the fair value of the new asset is shown in other operating income or expenses.

A contractual adjustment is considered to be non-significant if, following qualitative and quantitative assessment, there is no significant change and the asset's economic substance is only insignificantly adjusted. Non-significant contractual modifications are accounted for according to general corporate law principles.

Market-based adjustments to interest conditions, which fulfil specific conditions, are taken into account by recalculating the effective interest rate. Such changes to the interest conditions usually concern loans, which have no forbearance status and for which there is a prepayment option and a sufficiently competitive refinancing market. Moreover, the costs, which are incurred by the debtor in the case of prepayment or early termination, must be considered to be low.

Impairment for Credit Risks

Impairments for default risks are recognised for receivables and similar financial instruments. Impairments for default risks are particularly recognised for loans and advances, certain securities held as fixed assets, and off-balance sheet credit risks from financial guarantees and certain loan commitments.

For loan receivables, the book value of the asset recorded in the balance sheet corresponds to the difference between the amortised acquisition costs and the cumulated impairments. Impairments for loan commitments and financial guarantee contracts are reported in the balance sheet item other provisions. In the profit and loss statement, impairment losses and income are recorded in items 11/12 for all assets in accordance with section 53 Austrian Banking Act (BWG).

The calculation of impairments is carried out by using the IFRS 9 model in the Commercial Code in accordance with AFRAC statement 14 (June 2021). The impairment model is based on expected credit loss and considers the "statistically determined empirical values from similar facts and circumstances" in Section 201 (2) Z 7 Commercial Code, which are also necessary for the valuation of expected credit loss in the Commercial Code.
Expected credit loss (ECL) reflects the following:

- an undistorted and probability-weighted amount, which is determined by a series of possible scenarios;
- the time value of money; and
- plausible and comprehensible information about past events and current conditions as well as prognoses about future economic developments.

Three Stage Model

An impairment model based upon a three stage approach is used for the calculation of risk provisioning:

_ Stage 1 includes financial assets at initial recognition (as long as these are not already impaired) and financial assets which have not significantly shown increased credit risk since initial recognition, independent of their creditworthiness.
_ Stage 2 includes financial assets which have shown significantly increased credit risk since initial recognition, however for which there is not yet any impairment at the time of report. Stage 2 also includes non-impaired assets, which could not be assigned with a credit risk at the time of acquisition due to missing data in the framework of the IFRS 9 transition. Specific rules for the classification of initial utilisations of approved lines of credit exist. Dependent on the development of credit risk between confirmation and initial utilisation, the loan is classified at stage 1 or stage 2.
_ Stage 3 includes financial assets that are impaired on the reporting date. A financial asset is principally impaired if the customer defaults.

Across the Group, the definition used for loan default is based on EBA/GL/2016/07 guide to using the definition of default in accordance with Article 178 of EU regulation number 575/2013 and delegated regulation EU/2018/171 “on supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the materiality threshold for credit obligations past due.”

In stage 1 risk provisions are calculated in the amount of the expected losses over 12 months. In stages 2 and 3 risk provisions are calculated in the amount of the expected credit losses over the (remaining) duration.

Significant Increase in Credit Risk

Concerning the modelling of the expected credit loss (ECL) and the calculation of the risk provisions for credit risks resulting therefrom, the identification of a significant increase in credit risk (SICR) since the recognition of the loan receivable is one of the substantial determinants for the expected impact. For this purpose, quantitative and qualitative indicators for the estimation of a SICR are defined for all portfolios and product types, including receivables overdue by more than 30 days.

Quantitative indicators include adverse changes in the probability of default (PD) over the total (remaining) duration, whereby the significant increase is determined by means of a combination of relative and absolute change threshold levels. Generally, the indicators for the PD are defined in order to represent the risk in consideration of forward-looking information (“forward looking-information”, FLI) as a point-in-time measurement. The PD threshold values are defined for customer segments or (individual) customer rating and are subject to continuous validation.

Qualitative indicators for calculating an SICR include forbearance measures and the transfer of the customer to the workout department as well as early warning indicators (if these are not already sufficiently considered in the rating) and indications of fraud. The setting of qualitative indicators is based inherently on the expert evaluation of credit risks, which is to be carried out in an appropriate and timely manner. The group-wide and institution-specific guidelines and processes concerning this ensure the required governance framework. Besides the qualitative determinants on a customer level, the calculation of a SICR is carried out at portfolio level if the increase to the credit risk on a business or customer level occurs only after some delay or if the increase is only noticeable at portfolio level. Due to the Covid-19 pandemic and the resulting economic impacts, additional criteria were introduced for the determination of a significant increase in the credit risk on a portfolio level. Please see the explanations further down in the chapter titled “Covid-19”.

Calculation of Risk Provisions

The calculation of risk provisions for defaulted customers is generally carried out on an individual level. The individual method is used for significantly defaulted customers and comprises an individual definition of those restructuring or liquidation scenarios deemed currently possible, their probability of occurrence, and the expected recoveries per scenario (amortisations and collateral proceeds) by the workout risk manager. The cash value comes from the discounting of the expected cash flows based on the original effective interest rate. The required risk provision is the difference between the gross book value and the cash value of the expected cash flows in a scenario, calculated over all probability weighted scenarios. A customer is classified as significant if the total receivables and off-balance sheet items are above a certain materiality threshold.

Otherwise, the customer is classed as “insignificant”, whereby a rule-based approach is applied for the calculation of the value adjustment. Statistically calculated risk parameters are used for the expected loss of a customer classed as “insignificant”, depending on the length of recovery and the status of the restructuring and workout process, the potential restructuring and settlement scenarios, their probability of occurrence, and the associated expected returns. The current risk provisions are calculated by taking the gross book value, minus the returns discounted by the effective interest rate per scenario, calculated over all probability weighted scenarios.

The calculation of value adjustments for receivables for customers not in default usually follows a rule-based approach. The credit risk parameters used to do this include the gross book value level upon default, the probability of default (PD), the loss given default (LGD), and the conversion factor (CCF) for off-balance sheet items. In the determination of the loss upon default, the impact on the cash value of discounting future cashflows is taken into account. For the calculation of rule-based value adjustments, the applicable risk positions are grouped into homogeneous clusters based upon common risk characteristics. The criteria for this grouping can be different depending on the customer segment (private customers, corporate customers) and include type of product, type of security, type of repayment, loan-to-value ratios, or rating ratios.

The risk parameters applied in the calculation of the expected credit loss consider both the information available on past events and current conditions on the reporting date as well as future-related information in the form of forecasts concerning future economic developments. Depending on the characteristics of each portfolio and in consideration of the IFRS rules, the risk parameters which are used in the calculation of the rule-based value adjustments can differ from the risk parameters used to calculate the capital requirements.

Covid-19

Erste Group AG concludes that the moratoria introduced due to the COVID-19 pandemic fulfil the conditions defined in the European Banking Supervisors Guidelines published on this topic in the past two years. The relief offered to borrowers against this backdrop therefore did not cause a significant increase in credit risk, neither did it cause an automatic shift from stage 1 to stage 2. An increase in the expected credit loss did, however, occur due to the change from future-oriented information and movements between levels based upon professional estimates.

On the basis of new, future-oriented macro-economic information, a revaluation of the risk parameters was carried out in December 2021. The special situation due to the Covid-19 pandemic and the comprehensive support measures led to a delay in the presentation of macro-economic indicators in the credit risk parameters. Therefore, macro-economic variables for 2020 and 2021 were included, besides forecast values, as additional predictors for future values of credit risk parameters.

For the recognition of a significant increase in credit risk due to the Covid-19 pandemic, portfolio shifts (overlays) were carried out on the basis of professional estimates. The portfolio was split into private and non-private customers. The evaluation of customers was carried out by investigating whether Covid-19-related help measures were utilised, which branch category they belonged to, and how likely the customer-specific default probability was according to IFRS. Based upon this information and in combination with an individual assessment, customers were additionally shifted into stage 2, meaning that the expected credit loss over the entire term was calculated. With regard to the effects of the Covid-19 pandemic, the branches are categorised as significantly, strongly, mildly, or hardly affected. In order to consider current developments, the classifications are regularly checked on the basis of a rolling 12-month forecast. In 2021, several upgrades were made from significantly or strongly affected to lower risk categories, due to economic development and the ability of various branches to adapt to the changed circumstances. After the expiry of the statutory moratorium for private customers at the beginning of 2021, the portfolio shifts which resulted from professional estimates were lifted for this customer segment.

Intangible and tangible assets

Intangible and tangible assets were measured at purchase or production cost less depreciation and impairment. Straight-line depreciation was applied as scheduled. The useful life is 25 to 50 years for buildings and 4 to 20 years for fixtures and fittings; the amortisation period for intangible assets is 4 to 15 years. Low-value assets were fully written off in the year of acquisition.

Liabilities

Liabilities were recognised in the balance sheet at their settlement values.

Issuing costs for securities were expensed immediately; premiums and discounts on issues were amortised on a pro rata temporis basis using the effective interest rate method.

Provisions

Defined benefit plan

Defined benefit plans of Erste Group Bank AG comprise provisions for pension, severance and jubilee benefits. In Austria, defined pension plans now only apply to retired employees. In previous years, pension obligations for active employees were transferred to VBV-Betriebliche Altersvorsorge AG. Remaining with Erste Group Bank AG is a defined-benefit obligation for entitlements of former employees who had already retired by 31 December 1998 before the pension reform took effect, and for those former employees who did not retire until 1999 but continued to be entitled to a direct pension from Erste Group Bank AG under individual agreements. Entitlements to resulting survivor pensions also remained with the Erste Group Bank AG. Severance entitlements continue to be applicable for employees whose employment contract with Erste Group Bank AG commenced prior to 1 January 2003. Severance pay is a one-off payment which employees are entitled to when their employment is terminated. Entitlement to this severance pay arises after three years of employment. Defined benefit plans include jubilee benefits. The amount of jubilee benefits (payments for long-term service/loyalty to the company) is determined by the length of employment with the employer. The entitlement to jubilee benefits is established by a collective agreement, which defines both the conditions and amount of the entitlement.

Obligations under defined benefit plans for employees are determined using the projected unit credit method. Future obligations are determined based on actuarial reports. The calculation takes into account not only the known salaries, pensions and entitlements to future pension payments but also salary and pension increases expected in the future.

The interest rate applied for the calculation of long-term personnel provisions is derived from the current interest rate of a portfolio of high-quality (AA-rating) corporate bonds. For this purpose, the weighted average of the yield of the underlying portfolio is determined with a corresponding duration.

Tax provisions and other provisions

Unless the amounts were small, provisions were set aside on a best estimate basis. Tax provisions and other provisions with a term of more than a year were discounted at a customary market interest rate of corporate bonds with an AA rating as at the closing day. Depending on the applicable remaining duration, interest rates between 0.0% and 0.85% were applied.

Assets held in trust

Recoverable trust assets were declared off-balance sheet in accordance with section 48 (1) Austrian Banking Act (BWG).

Derivative business

Derivatives in a hedge relationship under AFRAC-statement 15 (September 2017) are treated as a valuation unit, thus the fair value neither of the derivative nor of the hedged item is part of the balance sheet. Derivatives in the Banking Book, which are not in a hedge relationship under AFRAC statement 15 (September 2017) are recognised based on the imparity principle in profit and loss as provisions for contingent losses with the expected loss exceeding the book value. The interest income/expenses as well as possible financial compensation from the current period are accrued based on the effective interest rate. These are shown in the interest result.

Depending on the contract, derivatives in the trading book are shown in the balance sheet based on mark-to-market valuations.

The attributed fair value is the amount which could be achieved in an active market from the sale of a financial instrument, or the amount which would need to be paid for a relevant acquisition. As long as market rates were available, these are used for valuation. If market rates were not available, valuation models were used, which included the present value method in particular. Fair values for options are calculated with recognised option price models. Amongst others, the valuation models include the Black-Scholes model, binomial model, Hull-White model, local volatility model and Vanna-Volga model.

Credit Value Adjustment (CVA) and Debt Value Adjustment (DVA) are used for the calculation of the fair value of derivatives.

Derivatives with the same counterparty and a netting agreement, which comply with the requirements for offsetting (central counterparts), are netted in the balance sheet.

Deferred tax assets

Deferred tax assets are recognised to the extent of convincing substantial evidence that sufficient taxable income will be available in future against which tax-deductible temporary differences and tax losses can be offset. Valuation is carried out using those tax rates (and tax laws), which are already in force on the balance sheet date or have been decided by the National Assembly and are expected to be in force at the time of reversal of the temporary differences. The valuation methods were based on expected results for all larger incorporated companies in the tax group.

The calculation of deferred tax assets of Erste Group Bank AG as group parent of the group of companies, which includes only group members in Austria, was completed in accordance with AFRAC-Statement 30 "Deferred Tax Assets in single and consolidated financial statements" (December 2020).

Securities lending and repurchase transactions

In repurchase agreements / securities lending transactions, the assets assigned are still recognised in the balance sheet. A liability is presented against the pledgee in the amount received for the transfer. In reverse repurchase agreements / securities lending transactions, the assets taken over are not part of the balance sheet. The amount owed by the pledgor is recognised as a receivable in the amount paid for the transfer.

Investment grants

Investment grants, as defined by the law on investment grants (InvPrG), which were mainly capitalised for tangible assets, are recognised, in accordance with the gross method, on the liabilities side of the balance sheet under investment grants and recognised in profit and loss according to the respective useful lives of the subsidised capital assets.

Changes in accounting and measurement methods

Further to the already mentioned adaptions in other chapters, the following change was applied. In the financial year 2021, securities at a book value including interest accruals in the amount of EUR 5,110,361,872.75, which are to be classified as receivables and similar financial instruments, were valued at acquisition costs less impairment for default for the first time, due to the changes to AFRAC statement 14 (June 2021). This change resulted in a decrease in the book value and an expsense of EUR 1,458,380.39.

C. NOTES ON THE BALANCE SHEET AND INCOME STATEMENT

Unless otherwise indicated, amounts for the reporting year are stated in Euros, for the previous year in thousand Euros. The tables in this report may contain rounding differences.

1. Maturity structure of loans and advances as well as liabilities to credit institutions and customers (by residual time to maturity)

Loans and Advances

in EUR or in EUR thousand	Dec 21	Dec 20
Loans and advances to credit institutions	**22,928,850,079.58**	**21,368,924**
payable on demand	1,250,789,737.40	1,260,580
0-3 months	11,275,857,190.86	10,357,594
3-12 months	2,344,761,292.00	2,862,567
1-5 years	6,020,202,593.66	5,400,517
>5 years	2,037,239,265.66	1,487,665
Loans and advances to customers	**19,075,168,948.43**	**16,792,700**
payable on demand	1,705,267,537.20	663,096
0-3 months	1,773,557,213.46	1,637,409
3-12 months	1,856,625,523.11	1,215,998
1-5 years	7,229,917,929.91	7,768,967
>5 years	6,509,800,744.75	5,507,229

Liabilities

in EUR or in EUR thousand	Dec 21	Dec 20
Liabilities to credit institutions	**35,907,602,016.25**	**32,144,836**
payable on demand	5,281,583,077.98	5,658,088
0-3 months	15,836,800,415.56	13,215,244
3-12 months	1,010,376,633.85	828,963
1-5 years	12,296,878,351.37	10,996,795
>5 years	1,481,963,537.49	1,445,746
Liabilities to customers (non-banks)	**7,806,404,564.09**	**5,891,721**
Other Liabilities	**7,806,404,564.09**	**5,891,721**
payable on demand	4,897,316,947.53	4,510,246
0-3 months	2,630,466,712.49	1,223,908
3-12 months	20,484,128.07	5,538
1-5 years	109,579,604.67	103,000
>5 years	148,557,171.33	49,029

2. Debt securities due within one year

Purchased debt securities worth EUR 899,766,280.57 (prior year: EUR 817,429 thousand) and issued debt securities worth EUR 1,725,416,251.44 (prior year: EUR 2,438,999 thousand) are scheduled to mature in the year following 31 December 2021.

3. Assets and liabilities in foreign currencies

in EUR or in EUR thousand	Dec 21	Dec 20
Assets	20,134,930,411.15	19,266,535
Liabilities	9,903,448,285.61	7,607,017

4. Loans and advances as well as liabilities to affiliated companies and companies in which participating interests are held

	Loans and advances to affiliated companies		Loans and advances to participating interests	
in EUR or in EUR thousand	Dec 21	Dec 20	Dec 21	Dec 20
Treasury bills and other bills eligible for refinancing with central banks	0.00	0	0.00	0
Loans and advances to credit institutions	17,405,049,508.20	16,069,416	0.00	0
Loans and advances to customers	1,125,513,681.91	1,189,996	5,228,978.58	4,547
Debt securities and other fixed-income securities (incl. securitised loans and advances to credit institutions)	396,234,782.87	494,795	0.00	0
Shares and other variable-yield securities	1,008,259,599.74	1,107,034	3,517,411.50	3,524

	Liabilities to affiliated companies		Liabilities to participating interests	
in EUR or in EUR thousand	Dec 21	Dec 20	Dec 21	Dec 20
Liabilities to credit institutions	18,594,033,926.48	17,071,599	1,641,375.58	401
Liabilities to customers (non-banks)	1,657,879,732.43	649,402	1,153,455.59	2,212
Securitised liabilities	316,366,680.82	419,132	0.00	0
Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	2,072,919.53	1,500	0.00	0

Business with affiliated companies is conducted at arm's length.

5. Subordinated assets

in EUR or in EUR thousand	Dec 21	Dec 20
Loans and advances to credit institutions, thereof	**499,612,709.98**	**729,952**
to affiliated companies	476,879,982.38	708,510
to companies with participating interests	0.00	0
Loans and advances to customers, thereof	**534,559.48**	**77**
to affiliated companies	0.00	0
to companies with participating interests	112,657.42	77
Shares and other fixed-income securities, thereof	**166,197,058.72**	**32,281**
to affiliated companies	0.00	0
to companies with participating interests	0.00	0

6. Fiduciary business

No fiduciary business without the right of disposal was disclosed as of the balance sheet date.

7. Securities

Breakdown of securities admitted to trading on stock exchange items A5 to A8

pursuant to section 64 -1 no. 10 Austrian Banking Act (BWG)	Listed		Not listed	
in EUR or in EUR thousand	Dec 21	Dec 20	Dec 21	Dec 20
Debt securities and other fixed-income securities	4,810,129,788.91	3,874,932	0.00	0
Shares and other variable-yield securities	166,877,029.30	68,777	6,611,867.00	6,372
Participating interests	0.00	0	0.00	0
Shares in affiliated companies	0.00	0	0.00	0
Total	**4,977,006,818.21**	**3,943,708**	**6,611,867.00**	**6,372**

Breakdown of securities admitted to trading on stock exchange items A5 to A6

pursuant to section 64 -1 no. 11 Austrian Banking Act (BWG)	Fixed assets		Current assets	
in EUR or in EUR thousand	Dec 21	Dec 20	Dec 21	Dec 20
Debt securities and other fixed-income securities	2,239,590,603.78	2,054,258	1,525,569,157.53	829,075
Shares and other variable-yield securities	51,744.11	52	6,610,156.70	11,488
Total	**2,239,642,347.89**	**2,054,310**	**1,532,179,314.23**	**840,563**

Securities that are listed on a non-regulated market, for example those on the third market of the Vienna Stock Exchange, are considered as approved for trading on the stock market, yet they are not publicly listed.

Allocation pursuant to section 64 (1) no. 11 Austrian Banking Act (BWG) was carried out in accordance with the organisational policies adopted by the management board, with positions being included under fixed assets that are held for strategic purposes of liquidity. As of 31 December 2021, the difference to the redemption value – items A2 to A6 - resulting from the pro rata write-downs pursuant to section 56 (2) Austrian Banking Act (BWG) amounts to EUR 180,473,396.85 (prior year: EUR 156,960 thousand), whereas the difference to the redemption value from the pro-rata write-ups pursuant to section 56 (3) Austrian Banking Act (BWG) amounts to EUR 39,995,766.28 (prior year: EUR 33,707 thousand).

Repurchase agreements

The carrying amount of assets subject to sale and repurchase agreements amounts to EUR 1,355,889,372.31 on the balance sheet date (prior year: EUR 622,717 thousand).

Differences of the securities listed for trade on the stock exchange not held as financial fixed assets

The difference between the higher market value on the balance sheet date and the cost of purchase pursuant to section 56 (5) Austrian Banking Act (BWG) amounts to EUR 1,929,112.62 (prior year: EUR 2,025 thousand).

Breakdown of debt securities and other fixed-income securities

in EUR or in EUR thousand	Dec 21	Dec 20
Issued by public-sector issuers	750,281,377.00	845,796
Own issues	1,587,532,094.64	846,778
Bonds - domestic credit institutions	39,356,501.76	30,939
Bonds - foreign credit institutions	1,409,247,315.51	1,076,554
Mortgage and municipal securities	872,189,529.01	899,795
Convertible bonds	0.00	0
Other bonds	151,522,970.98	175,070
Total position A5	**4,810,129,788.90**	**3,874,932**

8. Trading book

Erste Group Bank AG kept a trading book pursuant to Art. 102 CRR throughout the financial year. As of 31 December 2021, the securities portfolio (assets and liabilities) assigned to the trading book was EUR 12,604,947,397.36 (prior year liabilities adjusted: EUR 9,538,807 thousand). Money market instruments worth EUR 7,834,910,832.10 (prior year: EUR 9,254,386 thousand) were assigned to the trading book as of 31 December 2021.

The volume of other financial instruments included in the trading book had a par value of EUR 237,533,809,459.78 as of 31 December 2021 (prior year: EUR 246,262,702 thousand). The values from the prior year were adjusted from EUR 254,349,174 thousand to EUR 246,262,702 thousand, to improve presentation of the nominal values from securities related contracts in 2021.

The disclosure of other financial instruments includes external transactions as well as booked internal transactions concerning hedge relationships. Further information on internal transactions can be found in section 28 of this chapter.

9. Participating interests and shares in affiliated companies

The amounts for equity and result are denominated in euro and, as a rule, are derived from the IFRS financial statements prepared to consolidate the consolidated financial statements according to uniform group guidelines. The share indicated below represents direct and indirect shares.

Holdings as of 31 December 2021

Company name, registered office	Interest of Erste Group in %	Equity	Result	Balance sheet date
Credit institutions according to CRR				
Banca Comerciala Romana SA, Bucuresti	99.89	1,916,923,853.00	280,007,445.00	31.12.2021
Banka Sparkasse d.d., Ljubljana	28.00	139,297,001.00	15,453,300.00	31.12.2021
Ceska sporitelna, a.s., Praha 4	100.00	5,388,292,516.00	493,478,445.00	31.12.2021
Erste & Steiermärkische Bank d.d., Rijeka	69.26	1,239,847,966.00	112,539,139.00	31.12.2021
ERSTE BANK AKCIONARSKO DRUŠTVO, NOVI SAD, Novi Sad	80.50	317,552,832.00	20,496,644.00	31.12.2021
Erste Bank der oesterreichischen Sparkassen AG, Wien	100.00	1,951,810,025.00	241,152,953.00	31.12.2021
Erste Bank Hungary Zrt, Budapest	85.00	1,173,340,651.00	155,755,206.00	31.12.2021
Prva stavebna sporitelna, a.s., Bratislava	35.00	283,306,986.41	17,170,412.46	31.12.2021
Public Joint-stock company commercial Bank "Center-Invest", Rostowna Donu	9.09	174,877,409.72	9,821,550.81	31.12.2020
Slovenska sporitelna, a. s., Bratislava	100.00	2,026,032,033.00	239,428,435.00	31.12.2021
SPAR-FINANZ BANK AG, Salzburg	50.00	5,422,337.57	216,528.17	31.12.2021
Financial institutions				
EB Erste Bank Internationale Beteiligungen GmbH, Wien	100.00	29,402,499.00	1,132,546.00	31.12.2021
Erste Finance (Delaware) LLC, Wilmington	100.00	36,550.00	-16,243.00	31.12.2021
Erste Group Immorent GmbH, Wien	100.00	369,478,798.00	48,926,099.00	31.12.2021
ERSTE GROUP IMMORENT LJUBLJANA, financne storitve, d.o.o., Ljubljana	100.00	-35,664.00	-88,494.00	31.12.2021
EUROPEAN INVESTMENT FUND, Luxembourg	0.07	1,978,727,319.00	128,597,267.00	31.12.2020
Holding Card Service s.r.o., Praha 4	100.00	43,578,525.00	-2,634.00	31.12.2021
Intermarket Bank AG, Wien	93.79	109,843,188.00	5,051,903.00	31.12.2021
VBV - Betriebliche Altersvorsorge AG, Wien	29.76	64,334,735.87	12,587,670.05	31.12.2021

Company name, registered office	Interest of Erste Group in %	Equity	Result	Balance sheet date
Other holdings				
Austrian Reporting Services GmbH, Wien	14.32	111,966.41	11,484.50	31.12.2020
aws Gründerfonds Beteiligungs GmbH & Co KG, Wien	5.11	53,309,723.84	11,466,688.59	31.12.2020
Dateio s.r.o., Praha 5	22.23	2,970,754.26	295,306.19	31.12.2020
EB-Restaurantsbetriebe Ges.m.b.H., Wien	100.00	1,119,751.00	-4,071,076.00	31.12.2021
Erste Asset Management GmbH, Wien	91.06	144,346,719.00	73,513,204.00	31.12.2021
ERSTE CAMPUS Immobilien AG & Co KG, Wien	100.00	92,856,555.00	-9,189,138.00	31.12.2021
ERSTE d.o.o., Zagreb	45.19	15,481,459.61	2,474,569.82	31.12.2021
Erste Digital GmbH, Wien	82.84	111,691,206.00	592,372.00	31.12.2021
Erste Group Card Processor d.o.o., Zagreb	100.00	19,630,284.00	1,369,687.00	31.12.2021
Erste Group Services GmbH, Wien	100.00	429,089.00	381,251.00	31.12.2021
Erste Group Shared Services (EGSS), s.r.o., Hodonin	100.00	749,731.00	243,434.00	31.12.2021
Erste Reinsurance S.A., Luxemburg	100.00	55,638,538.00	-723,551.00	31.12.2021
FRC2 Croatia Partners SCSp, Luxembourg	5.59	13,127,669.00	-2,686,514.00	31.12.2020
George Labs GmbH, Wien	100.00	3,016,652.00	1,641,583.00	31.12.2021
Graben 21 Liegenschaftsverwaltung GmbH, Wien	100.00	20,236.71	-9,473.70	31.12.2020
Haftungsverbund GmbH, Wien	64.35	725,499.00	3,356.00	31.12.2021
IPS Fonds Gesellschaft bürgerlichen Rechts, Wien	64.44	206,189,992.00	4,661.00	31.12.2021
OM Objektmanagement GmbH, Wien	100.00	35,926,049.00	1,055,407.00	31.12.2021
Österreichische Wertpapierdaten Service GmbH, Wien	32.56	266,237.04	26,811.09	31.12.2020
Procurement Services GmbH, Wien	99.86	1,078,870.00	282,147.00	31.12.2021
Society for Worldwide Interbank Financial Telecommunication scrl, La Hulpe	0.26	493,915,151.00	-136,748.00	31.12.2020
Speedinvest III EuVECA GmbH & Co KG, Wien	2.50	14,885,840.56	-6,091,694.18	31.12.2020
TAUROS Capital Investment GmbH & Co KG, Wien	40.43	4,377,501.52	-120,108.26	31.12.2020
TCEE Fund IV SCA SICAR, Senningerberg	9.76	Foundation 2021		
Therme Wien GmbH & Co KG, Wien	15.33	23,895,086.81	-4,955,607.63	31.12.2020
WE.TRADE INNOVATION DESIGNATED ACTIVITY COMPANY, Dublin 2	3.18	1,893,156.00	-8,045,709.00	31.12.2020
Wiener Börse AG, Wien	11.77	166,278,282.57	41,396,314.40	31.12.2020
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Wien	2.15	545,873,588.42	84,495,626.20	31.12.2020

In 2016, the European Bank for Reconstruction and Development (EBRD) and Corvinus Nemzetközi Befektetési Zártkörüen Müködö Részvénytársaság (Corvinus) each acquired 15% of the shares in Erste Bank Hungary Zrt. (EBH) from Erste Group Bank AG. At the same time, call-put option agreements were entered into for the acquisition of the overall 30% of the shares between Erste Group Bank AG and the EBRD and with Corvinus. Due to the different structures of these option agreements, 15% of the shares that were sold to the EBRD are still included as investments in affiliated companies in the Erste Group Bank AG's annual financial report, at the same time a financial liability in the value of the expected exercise price is accounted for. For the remaining part (Corvinus), the put-call agreements were recognised off-balance as options.

There are open payment obligations to the nominal capital amounting to EUR 4,000,000.00 EUR (prior year: EUR 4,000 thousand) to the EUROPEAN INVESTMENT FUND, Luxembourg.

10. Fixed assets

The carrying amount of developed land was EUR 6,758,201.35 as of 31 December 2021 (prior year: EUR 6,725 thousand). The carrying amount as of 31 December 2021 did not include leased assets. For the next financial year, Erste Group Bank AG will have expenses from the use of tangible assets not disclosed in the balance sheet (rental and leasing contracts) of EUR 15,769,760.90 (prior year: EUR 16,484 thousand), and of EUR 79,943,080.54 for the next five financial years (prior year: EUR 83,052 thousand).

Intangible fixed assets include assets with a value of EUR 20,975,133.00 (prior year: EUR 22,689 thousand) that were acquired from an affiliated company. During the reporting year, assets were acquired in the value of EUR 5,919,328.69 (prior year adjusted: EUR 5,872 thousand).

Statement of changes in fixed and long-term assets 2021

At cost

in EUR	Stand zum 1. Jänner 2021	Additions	Disposals	Reclassification	Currency translation (+/-)	As of 31 December 2021
Participating interests	207,241,654.47	7,902,987.81	7,107,937.24	0.00	0.00	208,036,705.04
Shares in affiliated companies	10,872,169,226.88	81,687,172.89	1,938,328.93	0.00	0.00	10,951,918,070.84
Intangible assets	97,833,877.70	7,237,566.41	1,038,833.36	0.00	8,880.24	104,041,490.99
Tangible assets	132,126,014.96	46,120,295.04	3,463,935.44	0.00	269,972.99	175,052,347.55
Securities	**9,686,517,744.69**	**3,204,257,281.05**	**2,442,831,734.58**	**0.00**	**-20,196,872.89**	**10,427,746,418.27**
Treasury bills and similar securities	4,123,180,589.95	1,289,006,762.56	467,476,124.71	-18,497,501.36	0.00	4,926,213,726.44
Loans and advances to credit institutions	1,123,517,465.24	259,274,032.43	197,088,876.55	65,637,099.86	-7,208,723.10	1,244,130,997.88
Loans and advances to customers	1,212,555,247.53	291,158,700.60	485,688,156.76	18,288,602.55	-1,211,126.44	1,035,103,267.48
Bonds and other fixed-income securities	2,123,814,374.80	1,012,217,785.46	842,578,576.56	-65,428,201.05	-11,777,023.35	2,216,248,359.30
Shares and other non-fixed-income securities	1,103,450,067.17	352,600,000.00	450,000,000.00	0.00	0.00	1,006,050,067.17
Total	**20,995,888,518.70**	**3,347,205,303.20**	**2,456,380,769.55**	**0.00**	**-19,918,019.66**	**21,866,795,032.69**

Accumulated depreciation

in EUR	Accumulated write ups / downs As of 1 January 2021	Write-ups (-)	Write-downs (+)	Accumulated write ups / downs Additions / Disposals (-/+)	Currency translation (+/-)	Accumulated write ups / downs As of 31 December 2021
Participating interests	70,140,062.33	19,000.00	7,219,617.62	0.00	0.00	77,340,679.95
Shares in affiliated companies	3,505,423,010.49	1,018,380,398.06	10,350,000.00	0.00	0.00	2,497,392,612.43
Intangible assets	74,492,341.05	0.00	7,967,574.33	-1,038,833.36	8,059.86	81,429,141.88
Tangible assets	33,582,643.91	0.00	2,457,500.63	-2,411,185.94	209,623.78	33,838,582.38
Securities	**216,055,109.88**	**8,805,080.39**	**25,914,452.75**	**-41,377,887.78**	**-180,496,590.73**	**11,290,003.72**
Treasury bills and similar securities	54,805,978.19	2,499,894.11	17,392,608.23	-19,880,000.43	0.00	49,818,691.88
Loans and advances to credit institutions	48,905,596.39	538,515.00	3,111,627.11	-3,708,561.51	-48,586,201.28	-816,054.28
Loans and advances to customers	30,951,634.30	3,993,198.41	1,345,916.12	-4,553,597.59	-46,073,058.04	-22,322,303.62
Bonds and other fixed-income securities	81,418,543.60	1,773,472.87	4,057,846.04	-13,235,728.25	-85,837,324.02	-15,370,135.51
Shares and other non-fixed-income securities	-26,642.60	0.00	6,455.25	0.00	-7.40	-20,194.75
Total	**3,899,693,167.66**	**1,027,204,478.45**	**53,909,145.33**	**-44,827,907.08**	**-180,278,907.09**	**2,701,291,020.36**

Carrying amount

in EUR	Clean Price	Contractual interest accrual	As of 31 December 2021	As of 1 January 2021
Participating interests	130,696,025.09	0.00	130,696,025.09	137,101,592.14
Shares in affiliated companies	8,454,525,458.41	0.00	8,454,525,458.41	7,366,746,216.39
Intangible assets	22,612,349.11	0.00	22,612,349.11	23,341,536.65
Tangible assets	141,213,765.17	0.00	141,213,765.17	98,543,371.05
Securities	**10,416,456,414.55**	**56,919,926.09**	**10,473,376,340.64**	**9,537,682,228.22**
Treasury bills and similar securities	4,876,395,034.56	33,239,148.56	4,909,634,183.12	4,105,231,394.75
Loans and advances to credit institutions	1,244,947,052.16	4,520,294.39	1,249,467,346.55	1,077,991,881.80
Loans and advances to customers	1,057,425,571.10	5,429,880.72	1,062,855,451.82	1,189,788,325.95
Bonds and other fixed-income securities	2,231,618,494.81	7,972,108.99	2,239,590,603.80	2,054,277,680.60
Shares and other non-fixed-income securities	1,006,070,261.92	5,758,493.43	1,011,828,755.35	1,110,392,945.11
Total	**19,165,504,012.33**	**56,919,926.09**	**19,222,423,938.42**	**17,163,414,944.45**

11. Other assets

in EUR or in EUR thousand	Dec 21	Dec 20
Securities transactions	136,080,226.10	5,836
Derivatives	2,832,413,865.19	3,523,730
Accrued income	9,016,766.50	9,786
Receivables from participating interests and affiliated companies	82,371,123.04	62,744
Other payments and settlements	207,652,527.96	89,131
Other assets	**3,267,534,508.79**	**3,691,227**

The carrying amounts for derivatives are shown post offsetting with central counterparties. Derivative assets and liabilities as well as provided and received cash collateral to cover the market values of outstanding derivatives are included in offsetting. Offsetting is carried out according to clearing agent, central clearer and currency.

The balance sheet item other assets includes derivatives with a reduced carrying amount of EUR 2,241,095,000.58 (prior year: EUR 2,001,083 thousand). In the balance sheet item loans to credit institutions, the carrying amounts were reduced by EUR 234,350,065.02 (prior year: EUR 59,042 thousand).

12. Accrued and deferred items

Prepayments and accrued income decreased to EUR 107,115,528.93 as of 31 December 2021 (prior year: EUR 116,569 thousand). Of these, EUR 77,148,756.22 (prior year: EUR 74,664 thousand) were accruals in connection with securities and derivative instruments and EUR 23,606,555.73 (prior year: EUR 35,410 thousand) were prepayments on commissions.

13. Deferred tax assets

In accordance with Section 198 Paragraph 9 of the Austrian Commercial Code (UGB) an amount of EUR 238,463,245.96 (prior year: EUR 79,759 thousand) deferred tax assets were accounted for in 2021 based on recognition of tax losses EUR 168,552,314.94 (prior year: EUR 32,608 thousand) and temporary differences between the book values EUR 69,910,931.02 (prior year: EUR 47,151 thousand). The increase in deferred tax assets in comparison to the prior year is attributable to higher anticipated tax results in the plan years. Use was made of the right to recognise tax losses carried forward, as according to multi-annual tax planning, taxable profits are expected in the future against which the tax losses carried forward can be offset, thus from today's perspective, a tax advantage seems achievable. To calculate deferred taxes, the local tax rate in Austria in the amount of 25.0% is applied for the parent company as well as for the branch with the tax credit method according to the double taxation agreement. For the branch in Hong Kong (double taxation agreement with tax exemption method), the local tax rate in the amount of 16.5% is applied.

14. Securitised liabilities

in EUR or in EUR thousand	Dec 21	Dec 20
Non-covered loans and bank bonds	8,934,690,678.42	7,565,132
Mortgage and municipal bonds	10,000,775,330.22	10,815,090
Certificates of deposits	1,261,922,430.73	517,528
Securitised liabilities	**20,197,388,439.37**	**18,897,750**

Erste Group Bank AG issues commercial papers and certificates of deposit for the US money market via the New York branch and the fully consolidated subsidiary Erste Finance Delaware LLC. The New York branch`s Dollar Certificates of Deposit Program had reached EUR 17,659,230.42 on 31 December 2021 (prior year: EUR 517,528 thousand). The Dollar Commercial Paper Program of Erste Finance Delaware LLC is fully secured by Erste Group Bank AG. The framework program amounted to EUR 6,621,931,838.24 on 31 December 2021 (prior year: EUR 6,111,971 thousend), of which commercial papers are in circulation in the amount of EUR 1,386,005,085.89 (prior year: EUR 519,214 thousand) for which the issue amount was immediately transferred to Erste Group Bank AG and are recognised in the item liabilities to customers.

15. Other liabilities

in EUR or in EUR thousand	Dec 21	Dec 20
Securities transactions	55,193,709.52	21,938
Derivatives	2,475,200,511.87	2,996,151
Accrued income	2,751,634.92	2,761
Other liabilities and settlements	1,050,996,778.60	763,277
Other liabilities	**3,584,142,634.91**	**3,784,127**

The carrying amounts for derivatives are shown post offsetting with central counterparties. Derivative assets and liabilities as well as provided and received cash collateral to cover the market values of outstanding derivatives are included in offsetting. Offsetting is carried out according to clearing agent, central clearer and currency.

The balance sheet item other assets includes derivatives with a reduced carrying amount of EUR 2,391,653,882.26 (prior year: EUR 2,021,349 thousand). In the balance sheet item loans to credit institutions, the carrying amounts were reduced by EUR 83,791,183.34 (prior year: EUR 38,776 thousand).

16. Provisions

in EUR or in EUR thousand	Dec 21	Dec 20
Provisions for pensions	288,399,987.00	310,596
Provisions for taxation	65,809,581.12	8,242
Provisions for contingent liabilities	94,552,296.94	77,344
Provisions for negative market values of standalone derivatives without hedge relationships	120,774.35	91
Other	132,131,650.90	126,918
Provisions	**581,014,290.31**	**523,192**

Assumptions for the actuarial calculation of pension entitlements

	Dec 21	Dec 20
Interest rate	1.05%	0.50%
Expected increase in pension benefits (including career- and collective agreement trend)	2.40%	2.00%

The expected retirement age was individually calculated per employee due to the amendments determined in the Ancillary Budget Act 2003 (BGBl I 71/2003) concerning the raising of the earliest possible retirement age. The currently applicable legislation specifiying a gradual rise of the retirement age for men and women to 65 was taken into consideration.

An interest rate of 2.82% (prior year: 2.60%) was used for the calculation of pension obligations in the New York branch.

The pension entitlements for the New York branch are outsourced to Milliman Inc. The calculated pension obligations amount to EUR 43,184,851.67 (prior year: EUR 40,160 thousand). On 31 December 2021, the balance at the bank dedicated to the fulfilment of the outsourced pension obligations amounted to EUR 33,656,731.42 (prior year: EUR 28,241 thousand).

Assumptions for the actuarial calculation of severance entitlements and jubilee benefits

	Dec 21	Dec 20
Interest rate	1.05%	0.50%
Average salary rise (including career- and collective agreement trend)	3.30%	2.90%

The obligations were calculated in accordance with the Association of Actuaries' (AVÖ) mortality table "AVÖ 2018 – Rechnungsgrundlagen für die Pensionsversicherung".

Severance and anniversary entitlements are outsourced to Wiener Städtische Versicherung AG. Severance entitlements measured in accordance with commercial law and based on the above parameters amount to EUR 38,571,914.16 (prior year: EUR 44,870 thousand), respectively EUR 17,937,796.24 (prior year: EUR 18,549 thousand) for jubilee benefits obligations and are posted as a contingent liability off-balance. The credit intended for the performance of outsourced severance entitlements with the insurer as of 31 December 2021 amounted to EUR 38,801,021.70 (prior year: EUR 44,870 thousand) and the amount defined for jubilee benefits obligations is EUR 18,054,019.94 (prior year: EUR 18,549 thousand).

The outsourcing of severance/jubilee benefits entitlements to Wiener Städtische Versicherung AG has not resulted in any change to employee claims against Erste Group Bank AG, which continues to be liable for the severance entitlements of eligible employees.

17. Subordinated liabilities

Subordinated debt (subordinated liabilities and supplementary capital) amounted to EUR 7,484,318,815.84 as of 31 December 2021 (prior year: EUR 7,881,922 thousand). Out of the subordinated liabilities taken by Erste Group Bank AG (including supplementary capital), one issue with a nominal value amounting to EUR 750,000,000.00 was above the 10% limit for total subordinated liabilities. This issue from 2020, denominated in Euros, currently carries a 4.25% coupon, and does not have a specific expiry date. It is an Additional Tier 1 bond according to article 52 CRR. The nominal value will be reduced as soon as the core capital ratio falls below 5.125%. Conversion into shares is not planned. The terms of all subordinated liabilities in the value of EUR 4,692,445,971.14 (prior year: EUR 4,583,911 thousand) are in compliance with the requirements set forth in section 62 until 71 CRR (corresponds to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013).

Movements in total subordinated liabilities were as follows:

in EUR or in EUR thousand	1-12 21	1-12 20
Opening balance	**7,881,921,765.83**	**7,105,392**
Increase due to new issues	502,789,304.46	1,888,003
Decrease due to redemption	-942,495,349.43	-1,123,754
Decrease due to partial extinguishment	-15,255.99	-28,793
Changes in carrying amount of bonds, of accrued interest and of FX valuation	42,118,350.97	41,075
Closing balance	**7,484,318,815.84**	**7,881,922**

Supplementary capital liabilities are primarily issued in the form of securities. The securities are due at the end of the term. Supplementary capital bonds are sold to international institutional customers and private customers.

In the upcoming year, securitised supplementary capital liabilities in the value of EUR 1,139,562,441.42 (prior year: EUR 432,986 thousand) are due for repayment due to maturity.

The weighted average interest rate of supplementary capital bonds was 2.9% on 31 December 2021 (prior year: 3.4%) and the average remaining term was 5.0 years (prior year: 4.9 years).

The term “subordinated” is defined in accordance with section 45 paragraph 4 and section 51 paragraph 9 of the Austrian Banking Act.

In 2021, Erste Group Bank AG's expenses for subordinated liabilities amounted to EUR 283,887,970.63 (prior year: EUR 293,175 thousand).

18. Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013

As of the 2021 balance sheet date, the carrying amount of supplementary capital is EUR 4,692,445,971.14 (prior year: EUR 4,583,911 thousand). Thereof the repurchased supplementary capital from own issues of Erste Group Bank AG with a carrying amount including interest accruals in the amount of EUR 24,538,012.56 (prior year: EUR 18,648 thousand).

19. Additional core capital

In the reporting year 2021, Erste Group Bank AG issued no further bonds (prior year: EUR 1,250,000 thousand) as part of its Additional Tier 1 programme from 20 April 2016. On 15 October 2021, one additional core capital bond in the amount of EUR 500,000.00 was terminated early.

Article 52 (1) lit n CRR provides for the loss absorbency of financial instruments of additional core capital (write-down or conversion). A trigger event for the write-off or conversion of additional core capital is deemed to occur according to Article 54 Section 1 lit a CRR if the core capital ratio of the issuer falls below 5.125% or below another higher value defined by the issuer. In 2021 no write-downs occured.

20. Subscribed capital

Subscribed capital on 31 December 2021 was EUR 859,600,000.00 (prior year: EUR 859,600 thousand), represented by 429,800,000 voting bearer shares (ordinary shares). Erste Group Bank AG held no own shares on the balance sheet date.

21. Authorised and conditional capital as of 31 December 2021

Authorised capital

According to clause 5 of the Articles of Association, the management board is authorised to increase the registered capital of the Company until 24 May 2023 subject to the supervisory board's consent - also in several tranches - by an amount of up to EUR 343,600,000.00 by issuing up to 171,800,000 voting no-par value bearer shares in return for contributions in cash and/or in kind, with the issue price and issuing conditions being determined by the management board subject to the supervisory board's consent.

Furthermore, the management board is authorised to fully or partly exclude the shareholders' statutory subscription right subject to the supervisory board's consent (exclusion of the subscription right):

- if the capital increase is in return for a cash contribution and the shares issued to the exclusion of the subscription right of the shareholders, taken together, do not exceed EUR 43,000,000.00; and/or
- if the capital increase is in return for contributions in kind.

These two measures may also be combined. However, the aggregate pro rata amount of registered capital represented by shares for which the shareholders' subscription rights are excluded under the referenced authorisation, together with the pro rata amount of registered capital attributable to shares issued to creditors of convertible bonds, which had been issued and sold after the beginning of 24 May 2018, in order to grant conversion or subscription rights or fulfil obligations must not exceed the amount of EUR 171,920,000.00.

Conditional Capital

Pursuant to clause 6.3 of the Articles of Association, conditional capital based on the management board resolutions in 2002 and 2010 (both approved by the supervisory board) with a nominal value of EUR 21,923,264.00 persists, which can be consumed by issuing up to 10,961,632 ordinary bearer shares or ordinary registered shares with an issue price of at least EUR 2.00 per share against cash contribution and by excluding the subscription rights of the current shareholders. According to clause 6.4 of the Articles of Association, the Company has additional conditional capital from the general meeting's resolution of 12 May 2009 of EUR 124,700,000.00 from the issuance of up to 62,350,000 ordinary bearer shares. This conditional capital serves to grant conversion or subscription rights to investors of convertible bonds. In the case of a specified conversion obligation in the terms of issue of convertile bonds, it should also serve to fulfil this conversion obligation. The issue amount and conversion ratio are to be determined according to financial calculation methods as well as the company's share prices in a recognised pricing procedure.

Authorized conditional capital

According to clause 7 of the Articles of Association no authorisation currently exists to grant conditional capital.

22. Major shareholders

As of 31 December 2021, together with its syndicate partners (savings banks, share management savings banks – "Anteilsverwaltungssparkassen", and savings bank foundations – "Sparkassenstiftungen), DIE ERSTE oesterreichische Spar-Casse Privatstiftung ("ERSTE Stiftung"), a foundation, controls approx. 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 the Erste employee share participation foundation (Erste Mitarbeiterbeteiligungsstiftung), acting together with the ERSTE Stiftung. 4.08% (prior year: 3.08%) are held by other partners to the shareholder agreement. Until the sale of its share in the capital amounting to 9.92% (prior year: 9.92%) on 4 November 2021, Caixabank S.A. was a further member of the syndicate.

As described in chapter E concerning the appropriation of profit, dividends were paid at a total of EUR 1.50 per share in 2021. The dividend for the financial year 2020 was paid in two instalments. On 19 May 2021, a decision was made at the annual general meeting in favour of paying a dividend in the amount of EUR 0.50 per share. At the extraordinary general meeting on 25. November 2021, it was decided that a further dividend amounting to EUR 1.00 per share would be paid out, following the expiry of the European Central Bank's recommendation to avoid or limit dividend payments. According to its share in Erste Group Bank AG, a dividend was paid for the ERSTE Stiftung amounting to EUR 72,542,934.00 (prior year: EUR 0 thousand) in the financial year 2021.

The purpose of the ERSTE Stiftung, to be achieved notably by way of holding interests in Erste Group Bank AG, is to support social, scientific, cultural as well as charitable institutions and to promote the guiding principles of the savings bank philosophy. As of 31 December 2021, Boris Marte (CEO), Wolfgang Schopf (CFO), Martin Wohlmuth (COO) and Eva Höltl were appointed as board members of the ERSTE Stiftung. The ERSTE Stiftung's supervisory board had eleven members at the end of 2021, two of whom also serve as members of the supervisory board of Erste Group Bank AG.

In accordance with clause 15.1 of the Articles of Association, and for the time in which the ERSTE Stiftung assumes liability for all current and future debts in the event of their default on payment, it is entitled, pursuant to section 92 (9) Austrian Banking Act, to nominate up to one-third of the supervisory board members for election at the annual general meeting. So far, the ERSTE Stiftung has not exercised this right.

The ERSTE Stiftung held as of 31 December 2021 bonds of Erste Group Bank AG in the amount of EUR 150,000.00 (prior year: EUR 6,634 thousand). In 2021, the interest expenses of Erste Group Bank AG from announced bonds held amounted to EUR 72,999.99 (prior year EUR 216 thousand) for the reporting period. With the exception of the facts already mentioned in this section, there were, as in the prior year, no further business relations between Erste Group Bank AG and ERSTE Stiftung.

Until the sale on 4 November 2021, Caixabank S.A. held a 9.92% share in the capital of Erste Group Bank AG and was one of the bank's key shareholders according to the syndicate agreement. Upon sale of the shares, CaixaBank S.A. exited the syndicate and their two designated supervisory board members (Mr. Jordi Gual Sole and Mr. Matthias Bulach) resigned from their mandates as of 31 December 2021. For its share in Erste Group Bank AG, CaixaBank S.A. received a dividend payment amounting to EUR 21,317,124,00 in 2021 (prior year: 0 thousand).

23. Reserves

In 2021, the reserves of Erste Group Bank AG developed as follows:

in EUR	As of Dec 20	Zugang / Allocations (+)	Releases (-)	As of Dec 21
Capital reserves	**1,628,104,885.97**	**6,279.11**	**0.00**	**1,628,111,165.08**
Committed	1,628,104,885.97	6,279.11	0.00	1,628,111,165.08
Uncommitted	0.00	0.00	0.00	0.00
for own shares and shares in a controlling company	**0.00**	**3,195,660.37**	**0.00**	**3,195,660.37**
Retained earnings	**4,229,878,708.84**	**1,094,642,253.51**	**0.00**	**5,324,520,962.35**
statutory reserve	1,537,900,000.00	0.00	0.00	1,537,900,000.00
reserves provided for by the articles	0.00	0.00	0.00	0.00
other reserves	2,557,081,483.52	928,659,399.47	0.00	3,485,740,882.99
blocked reserves	134,897,225.32	165,982,854.04	0.00	300,880,079.36
Reserve pursuant to section 57 -5 of the Austrian Banking Act (BWG)	**851,000,000.00**	**0.00**	**0.00**	**851,000,000.00**

From the purchase and sale of treasury shares in the long position, Erste Group Bank AG achieved capital gains in the amount of EUR 6,279.11 (prior year: EUR 0 thousand), which are recorded as an addition under committed capital reserves pursuant to section 229 (1) sentence 3 of the Commercial Code (UGB).

The allocation of retained earnings amounted to EUR 1,094,642,253.51 (prior year: release EUR 118,355 thousand) and concerned other reserves amounting to EUR 928,659,399.47 (prior year: release EUR 55,228 thousand) as well as blocked reserves amounting to EUR 165,982,854.04 (prior year: release EUR 63,127 thousand). The latter includes allocation the ex-ante-fund (see Annex chapter C point 24) in the amount of EUR 7,278,571.77 (prior year: EUR 7,463 thousand) as well as the allocation of deferred tax assets amounting to EUR 159,008,196.81 (prior year: release EUR 69,945 thousand) in Austria and EUR 134,229.24 (prior year: release EUR 718 thousand) at the Hong Kong branch, and the release of deferred tax assets in the amount of EUR 438,143.78 (prior year: allocation EUR 74 thousand) at the New York branch.

The capital contributed to the ex-ante fund is reported under blocked reserves, which, on a member level, does not qualify as own funds according to article 26 (1) CRR, as well as amounts from the capitalisation of deferred taxes which, pursuant to section 235 (2) Commercial Code, are subject to a payout block. Due to the restricted right of disposal, disclosure is carried out separately to the remaining equity items.

24. Recovery & Resolution Fund, deposit guarantee fund, IPS fund

Recovery & Resolution Fund

EU directive 2014/59/EU (Bank Recovery and Resolution Directive, BRRD) was transposed into Austrian law via the Austrian Banking Restructuring and Resolution Act (BaSAG). BaSAG became effective on 1 January 2015. The law governs a number of aspects, including the creation of financing mechanisms for the resolution of credit institutions that provide for the annual payment of contributions by banks to a joint European recovery and resolution fund (Single Resolution Fund, SRF).

BaSAG defines the target level of the Austrian Recovery & Resolution Fund and the contribution payable by the Austrian credit institutions. The law requires that the Recovery & Resolution Fund be endowed with at least 1% of the secured deposits of all credit institutions authorised in Austria by 31 December 2024. Therefore, the fund shall be set up over a period of 10 years and, to the extent practicable, contributions will be equally distributed over the entire period.

The contributions to be made by the credit institutions are calculated as a ratio of their respective liabilities (exclusive of own funds) less secured deposits to the aggregate liabilities (exclusive of own funds) less secured deposits of all institutions authorised in Austria, distributed over a period of 10 years. Furthermore, these contributions will be weighted in accordance with the risk profile of the credit institution. The amount payable as contribution is thus determined not only by the respective credit institution's unsecured liabilities, but also significantly influenced by the unsecured liabilities held by all Austrian institutions and the risk weighting. The resolution authority is tasked with determining the risk weighting. In 2021, Erste Group Bank AG paid EUR 28.104.685,26 (prior year: EUR 23.595 thousand), which is included in the item other operating expenses.

Deposit guarantee fund

The deposit guarantee scheme, based on an EU directive (2014/49/EU), serves to protect customer deposits held at credit institutions. This EU directive was transposed into national law in Austria by way of the Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG) and came into effect on 14 August 2015.

Every guarantee scheme has its own deposit guarantee fund consisting of available financial resources amounting to no less than 0.8% of the sum total of covered deposits held at the member institutions (target level). This target level is to be achieved over a period of 10 years.

As long as the target level has not been reached, the guarantee schemes will require their member institutions to pay an annual contribution. The contributions payable by the member institutions are calculated on the basis of the volume of covered deposits (0.8% of the covered deposits distributed over a 10-year period) and are determined in relation to the nature of the risks to which each relevant member institution is specifically exposed. The method used to determine the risk weighting must be approved by the FMA. In 2021, Erste Group Bank AG paid a total of EUR 120.426,21 (prior year: EUR 58 thousand), which is included in the item other administrative expenses.

IPS fund (ex-ante-fund)

The IPS fund is an ex-ante-fund of the Austrian savings banks' institutional guarantee system (IPS) that is intended to secure financial support to members facing economic difficulties. The IPS fund is a "Gesellschaft bürgerlichen Rechts" (IPS Fonds GesBR - a partnership under civil law) – the low-risk, readily available investment of the ex-ante-fund is recognised as a special asset. Shareholders with a stake in the assets are Erste Group Bank AG, Erste Bank der oesterreichischen Sparkassen AG, the building society of österreichische Sparkassen AG (as well as all other Austrian savings banks), and all other Austrian savings banks that subscribe to the institutional guarantee system. Cross-guarantee scheme (Haftungsverbund) GmbH is an active partner but not obliged to make a capital contribution.

By means of annual allocations from the member institutes, the ex-ante fund will be built up until 31 December 2031. The aim is to achieve a volume amounting to 0.5% of the total risk exposure amount of Erste Group on a consolidated level, in accordance with article 92 (3) CRR. Cross-guarantee scheme (Haftungsverbund) GmbH is tasked with determining the amount of the respective payment due. The contributions (deposits) are to be taken from the annual financial result, with other reserves being released where necessary. Erste Group Bank AG created a reserve of EUR 7,278,571.77 (prior year: EUR 7,463 thousand) in 2021, which corresponds to the amount of the contributions made (deposits).

25. Own funds and capital requirement

These unconsolidated financial statements of Erste Group Bank AG have yet to be approved by the supervisory board. Erste Group Bank AG is in compliance with the transitional provisions concerning capital requirements, market risk and credit risk set forth by Austria's accompanying CRR ordinance as well as EU Regulation No. 2016/445 of the European Central Bank concerning the use of options and discretions available in European Union Law, EZB/2016/4.

Own funds

Capital structure according to Regulation (EU) No 575/2013 (CRR)		CRR	
in EUR or in EUR thousand	Article pursuant to CRR	Dec 21	Dec 20
Common equity tier 1 capital (CET1)			
Capital instruments eligible as CET1	26 (1) (a) (b), 27-30, 36 (1) (f), 42	2,486,009,510.67	2,487,195
Own CET1 instruments	36 -1 (f), 42	-181,323,602.79	-7,385
Retained earnings	26 -1 (c), 26 -2	6,114,195,783.36	5,025,740
Interim loss	36 -1 (a)	0.00	0
Other reserves	4 -117, 26 -1 (e)	0.00	0
Prudential filter: cash flow hedge reserve	33 -1 (a)	0.00	0
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 -1 (b)	0.00	0
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 -1 (c), 33 -2	-2,141,003.20	-1,712
Value adjustments due to the requirements for prudent valuation	34, 105	-55,347,256.39	-16,631
Regulatory adjustments relating to unrealised gains and losses	467, 468	0.00	0
Other intangible assets	4 -115, 36 -1 (b), 37 (a)	-13,416,013.90	-23,342
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 -1 (c), 38	-168,552,314.94	-32,608
IRB shortfall of credit risk adjustments to expected losses	36 -1 (d), 40, 158, 159	0.00	0
Excess of deduction from AT1 items over AT1	36 -1 (j)	0.00	0
Other components or deductions of the CET1	47 (c)	-5,011,171.70	-28,956
Common equity tier 1 capital (CET1)	**50**	**8,174,413,931.11**	**7,402,301**
Additional tier 1 capital (AT1)			
Capital instruments eligible as AT1	51 (a), 52-54, 56 (a), 57	2,272,771,099.49	2,750,000
Own AT1 instruments	52 -1 (b), 56 (a), 57	-1,400,000.00	-1,500
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	0.00	0
Transitional adjustments due to grandfathered AT1 instruments	483 -4 -5, 484-487, 489, 491	0.00	0
AT1 instruments of financial sector entities where the institution has a significant investment	**4 -27, 56 (d), 59, 79**	**0.00**	**0**
Excess of deduction from AT1 items over AT1	**36 -1 (j)**	**0.00**	**0**
Additional tier 1 capital (AT1)	**61**	**2,271,371,099.49**	**2,748,500**
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier1 (AT1)		10,447,872,966.74	10,150,801
Tier 2 capital (T2)			0
Capital instruments and subordinated loans eligible as T2	62 (a), 63-65, 66 (a), 67	2,991,548,552.86	2,993,508
Own T2 instruments	63 (b) (i), 66 (a), 67	-44,986,322.55	-46,209
Instruments issued by subsidiaries recognised in T2	87, 88	0.00	0
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	0.00	
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 -6 -7, 484, 486, 488, 490, 491	56,521,670.95	19,413
IRB excess of provisions over expected losses eligible	62 (d)	103,397,027.06	108,472
Standardised approach general credit risk adjustments	**62 (c)**	**0.00**	**0**
T2 instruments of financial sector entities where the institution has a significant investment	**4 -27, 66 (d), 68, 69, 79**	**0.00**	**0**
Tier 2 capital (T2)	**71**	**3,106,480,928.32**	**3,075,184**
Total own funds		**13,552,265,958.92**	**13,225,985**
Total Risk Exposure Amount	**92 -3, 95, 96, 98**	**34,553,589,400.52**	**33,611,087**
Common Equity Tier 1 capital ratio	**92 -2 (a)**	**23.66%**	**22.02%**
Tier 1 capital ratio	**92 -2 (b)**	**30.23%**	**30.20%**
Total capital ratio	**92 -2 (c)**	**39.22%**	**39.35%**

Capital Requirements

Risk structure according to Regulation (EU) No 575/2013 (CRR)		Dec 21		Dec 20	
in EUR or in EUR thousand	Article pursuant to CRR	Calculation base /total risk (phased-in)	Capital requirement (phased-in)	Calculation base /total risk	Capital requirement
Total Risk Exposure Amount	92 -3, 95, 96, 98	34,553,589,400.52	2,764,287,152.04	33,611,087	2,688,887
Risk weighted assets (credit risk)	92 -3 (a) (f)	29,074,233,180.74	2,325,938,654.46	28,351,311	2,268,105
Standardised approach		4,439,837,855.83	355,187,028.47	4,714,133	377,131
IRB approach		24,627,405,509.52	1,970,192,440.76	23,621,688	1,889,735
Default fund contributions to a central counterparty		6,989,815.39	559,185.23	15,490	1,239
Settlement Risk	-3 (c) (ii), 92 -4 (b)	249,184.01	19,934.72	865	69
Trading book, foreign FX risk and commodity risk	92 -3 (b) (i) und (iii), 92 -4 (b)	4,337,432,316.64	346,994,585.33	4,168,381	333,470
Operational Risk	92 -3 (e), 92 -4 (b)	767,772,976.50	61,421,838.12	687,398	54,992
Exposure for CVA	92 -3 (d)	373,901,742.63	29,912,139.41	402,866	32,229
Other amounts receivable (regulatory Add-On)		0.00	-	265	21
Other exposure amounts incl. Basel 1 floor	3, 458, 459, 500	0.00	0.00	0	0

For the preparation of consolidated capital and consolidated capital requirements, reference is made to the respective statements in the 2021 consolidated financial statements of Erste Group.

26. List of assets pledged as collateral for liabilities (acc. to section 64 [1] no. 8 Austrian Banking Act)

Assets in EUR or in EUR thousand	Dec 21	Dec 20	Liability description	Balance sheet item
OeNB asset pool (tender)				
Fixed-income securities	10,777,813,888.88	9,379,278	Refinancing by OeNB / ECB	Liability 1
Total	**10,777,813,888.88**	**9,379,278**		
Collateral pool for covered Erste Bank bonds				
Loans and advances to customers	0.00	173,264	Covered Erste Bank bonds	Liability 3
Collateral pool for municipal and mortgage bonds				
Loans and advances to customers	703,481,440.72	586,810	Issued municipal and mortgage bonds	Liability 3
Fixed-income securities	0.00	220,708	Issued municipal and mortgage bonds	Liability 3
Total	**703,481,440.72**	**980,782**		
Cash Collateral for OTC-derivatives	668,821,561.11	453,647	Other liabilities	Liability 4
Cash Collateral for exchange traded derivatives	4,979,989.38	4,484	margin requirement	
Blocked securities account as collateral for OTC- and exchange traded derivatives	618,849,896.11	546,606	Other liabilities / margin requirement	Liability 4
Total	**1,292,651,446.60**	**1,004,737**		
Coverage for the pension provisions				
Pension provisions § 11 BPG	202,860,520.28	188,937	Coverage for the pension provisions	Liability 6
Total	**202,860,520.28**	**188,937**		
Pledge agreements				
Money market loan	0.00	64,900	Guarantees and contingent liabilities pledged as collateral	
Securities loan	260,093,418.87	259,901	Guarantees and contingent liabilities pledged as collateral	
Total	**260,093,418.87**	**324,801**		
Aggregate Total	**13,236,900,715.35**	**11,878,536**		

27. Total volume of unsettled derivatives

Dec 21 in EUR	Time to maturity for notional amounts < 1 years	 1-5 years	 > 5 years	 Total
Interest rate contracts	**54,965,308,371.43**	**79,787,643,666.40**	**52,292,365,582.95**	**187,045,317,620.78**
OTC products	54,758,106,391.56	79,787,643,666.40	52,292,365,582.95	186,838,115,640.91
Options	1,415,227,811.05	5,500,346,937.89	1,322,955,991.10	8,238,530,740.04
Other (f.i.: Interest rate swaps)	53,342,878,580.51	74,287,296,728.51	50,969,409,591.85	178,599,584,900.87
Exchange-traded products	207,201,979.87	0.00	0.00	207,201,979.87
Options	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	207,201,979.87	0.00	0.00	207,201,979.87
Securities related contracts	**1,193,327,642.35**	**3,105,424,326.97**	**801,017,393.43**	**5,099,769,362.75**
OTC products	783,924,771.16	3,103,862,769.61	801,017,393.43	4,688,804,934.20
Options	356,583,058.12	1,698,391,385.80	216,665,457.67	2,271,639,901.59
Other (f.i.: Stock swaps)	427,341,713.04	1,405,471,383.81	584,351,935.76	2,417,165,032.61
Exchange-traded products	409,402,871.19	1,561,557.36	0.00	410,964,428.55
Options	121,154,480.71	1,011,747.36	0.00	122,166,228.07
Other (f.i.: Futures)	288,248,390.48	549,810.00	0.00	288,798,200.48
Currency contracts	**51,718,461,175.73**	**13,321,769,855.59**	**2,293,534,439.32**	**67,333,765,470.64**
OTC products	51,704,722,642.71	13,321,769,855.59	2,293,534,439.32	67,320,026,937.62
Options	800,732,455.21	322,540,893.11	101,030,511.21	1,224,303,859.53
Other (f.i.: Currency swap)	50,903,990,187.50	12,999,228,962.48	2,192,503,928.11	66,095,723,078.09
Exchange-traded products	13,738,533.02	0.00	0.00	13,738,533.02
Options	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	13,738,533.02	0.00	0.00	13,738,533.02
Credit derivatives	**173,871,413.54**	**1,075,431,550.57**	**11,540,000.00**	**1,260,842,964.11**
OTC products	173,871,413.54	1,075,431,550.57	11,540,000.00	1,260,842,964.11
Credit Default Options	0.00	0.00	0.00	0.00
Other (f.i.: Credit Default Swaps)	173,871,413.54	1,075,431,550.57	11,540,000.00	1,260,842,964.11
Exchange-traded products	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
Commodity contracts	**15,807,672.61**	**0.00**	**0.00**	**15,807,672.61**
OTC products	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00
Other (f.i.: Commodity swaps)	0.00	0.00	0.00	0.00
Exchange-traded products	15,807,672.61	0.00	0.00	15,807,672.61
Options	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	15,807,672.61	0.00	0.00	15,807,672.61
Other	**40,000,000.00**	**442,463,802.35**	**499,180,695.10**	**981,644,497.45**
OTC products	40,000,000.00	442,463,802.35	499,180,695.10	981,644,497.45
Options	40,000,000.00	37,500,000.00	140,000,000.00	217,500,000.00
Other (f.i.: Inflation swaps)	0.00	404,963,802.35	359,180,695.10	764,144,497.45
Exchange-traded products	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
Total	**108,106,776,275.66**	**97,732,733,201.88**	**55,897,638,110.80**	**261,737,147,588.34**
OTC products	**107,460,625,218.97**	**97,731,171,644.52**	**55,897,638,110.80**	**261,089,434,974.29**
Exchange-traded products	**646,151,056.69**	**1,561,557.36**	**0.00**	**647,712,614.05**

The presentation of nominal values was made without offsetting the transactions with central counterparties.

Dec 20 in EUR thousand	Time to maturity for notional amounts < 1 years	 1-5 years	 > 5 years	 Total
Interest rate contracts	**62,097,849**	**77,551,828**	**48,882,993**	**188,532,669**
OTC products	61,923,251	77,551,828	48,882,993	188,358,071
Options	2,088,668	4,643,357	2,679,700	9,411,725
Other (f.i.: Interest rate swaps)	59,834,583	72,908,470	46,203,293	178,946,346
Exchange-traded products	174,598	0	0	174,598
Options	0	0	0	0
Other (f.i.: Futures)	174,598	0	0	174,598
Securities related contracts	**1,188,338**	**2,405,712**	**1,128,809**	**4,722,859**
OTC products	815,252	2,404,208	1,128,809	4,348,269
Options	568,057	1,662,907	322,640	2,553,604
Other (f.i.: Stock swaps)	247,195	741,301	806,169	1,794,665
Exchange-traded products	373,085	1,504	0	374,589
Options	132,236	859	0	133,096
Other (f.i.: Futures)	240,849	645	0	241,494
Currency contracts	**58,682,727**	**12,579,765**	**2,158,386**	**73,420,879**
OTC products	58,635,380	12,579,765	2,158,386	73,373,531
Options	1,482,280	294,438	0	1,776,718
Other (f.i.: Currency swap)	57,153,100	12,285,327	2,158,386	71,596,813
Exchange-traded products	47,348	0	0	47,348
Options	0	0	0	0
Other (f.i.: Futures)	47,348	0	0	47,348
Credit derivatives	**292,853**	**1,434,383**	**32,780**	**1,760,017**
OTC products	292,853	1,434,383	32,780	1,760,017
Credit Default Options	0	0	0	0
Other (f.i.: Credit Default Swaps)	292,853	1,434,383	32,780	1,760,017
Exchange-traded products	0	0	0	0
Options	0	0	0	0
Other	0	0	0	0
Commodity contracts	**16,289**	**0**	**0**	**16,289**
OTC products	0	0	0	0
Options	0	0	0	0
Other (f.i.: Commodity swaps)	0	0	0	0
Exchange-traded products	16,289	0	0	16,289
Options	0	0	0	0
Other (f.i.: Futures)	16,289	0	0	16,289
Other	**14,000**	**77,500**	**879,858**	**971,358**
OTC products	14,000	77,500	879,858	971,358
Options	2,000	52,500	165,000	219,500
Other (f.i.: Inflation swaps)	12,000	25,000	714,858	751,858
Exchange-traded products	0	0	0	0
Options	0	0	0	0
Other	0	0	0	0
Total	**122,292,056**	**94,049,188**	**53,082,826**	**269,424,071**
OTC products	**121,680,736**	**94,047,684**	**53,082,826**	**268,811,247**
Exchange-traded products	**611,320**	**1,504**	**0**	**612,824**

The presentation of the nominal values from securities related contracts was improved in 2021. The prior year values from securities related contracts were adjusted from EUR 16,976,798 thousand to EUR 4,722,859 thousand. The same is true for the total values and values thereof.

28. Derivative financial instruments and fixed-asset financial instruments

Derivative financial instruments

Dec 21	Notional amount		Carrying amount	Fair Value	
in EUR		thereof sells	Assets (+) / Liabilities (-)	Positive	Negative
Interest rate contracts	**187,045,317,620.78**	**4,133,969,261.84**	**217,556,838.79**	**4,398,375,645.18**	**-4,092,678,878.86**
OTC products	186,838,115,640.91	4,133,969,261.84	217,556,838.79	4,398,375,645.18	-4,092,678,878.86
Options	8,238,530,740.04	4,133,969,261.84	26,627,010.00	140,554,611.32	-113,606,998.95
Other (f.i.: Interest rate swaps)	178,599,584,900.87		190,929,828.79	4,257,821,033.86	-3,979,071,879.91
Exchange-traded products	207,201,979.87	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	207,201,979.87		0.00	0.00	0.00
Securities related contracts	**5,099,769,362.75**	**1,122,503,161.80**	**42,414,309.48**	**183,576,602.85**	**-143,689,374.90**
OTC products	4,688,804,934.20	1,051,672,750.72	43,457,391.65	179,684,837.33	-138,754,527.20
Options	2,271,639,901.59	1,051,672,750.72	53,652,948.40	113,601,914.26	-71,359,349.00
Other (f.i.: Stock swaps)	2,417,165,032.61		-10,195,556.75	66,082,923.07	-67,395,178.20
Exchange-traded products	410,964,428.55	70,830,411.08	-1,043,082.17	3,891,765.52	-4,934,847.70
Options	122,166,228.07	70,830,411.08	-1,043,082.17	3,891,765.52	-4,934,847.70
Other (f.i.: Futures)	288,798,200.48		0.00	0.00	0.00
Currency contracts	**67,333,765,470.64**	**673,363,288.02**	**-67,148,978.86**	**764,518,670.82**	**-837,413,918.86**
OTC products	67,320,026,937.62	673,363,288.02	-67,148,978.86	764,518,670.82	-837,413,918.86
Options	1,224,303,859.53	673,363,288.02	-2,551,717.70	13,182,319.53	-16,347,409.29
Other (f.i.: Currency swap)	66,095,723,078.09		-64,597,261.16	751,336,351.29	-821,066,509.57
Exchange-traded products	13,738,533.02	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	13,738,533.02		0.00	0.00	0.00
Credit derivatives	**1,260,842,964.11**	**25,153,159.10**	**152,477.36**	**21,629,496.97**	**-29,098,550.59**
OTC products	1,260,842,964.11	25,153,159.10	152,477.36	21,629,496.97	-29,098,550.59
Credit Default Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Credit Default Swaps)	1,260,842,964.11	25,153,159.10	152,477.36	21,629,496.97	-29,098,550.59
Exchange-traded products	0.00	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other	0.00		0.00	0.00	0.00
Commodity contracts	**15,807,672.61**	**0.00**	**0.00**	**0.00**	**0.00**
OTC products	0.00	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Commodity swaps)	0.00		0.00	0.00	0.00
Exchange-traded products	15,807,672.61	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	15,807,672.61		0.00	0.00	0.00
Other	**981,644,497.45**	**24,250,000.00**	**-28,904,741.38**	**66,787,931.81**	**-50,451,626.13**
OTC products	981,644,497.45	24,250,000.00	-28,904,741.38	66,787,931.81	-50,451,626.13
Options	217,500,000.00	24,250,000.00	145,562.83	145,562.83	0.00
Other (f.i.: Inflation swaps)	764,144,497.45		-29,050,304.21	66,642,368.98	-50,451,626.13
Exchange-traded products	0.00	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other	0.00		0.00	0.00	0.00
Total	**261,737,147,588.34**	**5,979,238,870.76**	**164,069,905.39**	**5,434,888,347.63**	**-5,153,332,349.34**
thereof external/internal deals					
External	239,687,977,010.53	5,442,358,722.56	386,574,765.56	4,704,738,238.95	-4,423,182,240.12
Internal	22,049,170,577.81	536,880,148.20	-222,504,860.17	730,150,108.68	-730,150,109.22
thereof OTC/Exchange-traded products					
OTC products	261,089,434,974.29	5,908,408,459.68	165,112,987.56	5,430,996,582.11	-5,148,397,501.64
Exchange-traded products	647,712,614.05	70,830,411.08	-1,043,082.17	3,891,765.52	-4,934,847.70
thereof trading book/banking book					
Trading book	237,533,809,459.78	5,632,777,335.65	231,936,712.50	4,772,528,668.96	-4,757,813,261.23
Banking book	24,203,338,128.56	346,461,535.11	-67,866,807.11	662,359,678.67	-395,519,088.11
thereof hedges	23,488,208,128.56	131,331,535.11	-55,288,935.51	662,359,678.67	-383,157,609.22

The presentation of nominal values was made without offsetting the transactions with central counterparties.

The carrying amounts for derivatives are shown in the balance sheet following the balancing of transactions with central counterparties. The balancing includes derivatives classified as assets or liabilities, as well as cash collateral taken to cover market values of still outstanding derivatives. The extent of the net carrying amounts is included either under other assets or other liabilities.

Fair values for options are calculated using recognised option pricing models. Amongst others, the valuation models include the Black-Scholes model, binomial model, Hull-White model, local volatility model and Vanna-Volga model.

Dec 20 in EUR thousand	Notional amount	thereof sells	Carrying amount Assets (+) / Liabilities (-)	Fair Value Positive	Negative
Interest rate contracts	**188,532,669**	**4,964,346**	**311,394**	**5,081,881**	**-4,157,406**
OTC products	188,358,071	4,964,346	311,394	5,081,881	-4,157,406
Options	9,411,725	4,964,346	12,321	287,519	-274,473
Other (f.i.: Interest rate swaps)	178,946,346		299,073	4,794,362	-3,882,933
Exchange-traded products	174,598	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Futures)	174,598		0	0	0
Securities related contracts	**4,722,859**	**1,211,299**	**16,621**	**141,618**	**-165,515**
OTC products	4,348,269	1,134,920	17,238	140,075	-163,354
Options	2,553,604	1,134,920	24,736	105,012	-129,775
Other (f.i.: Stock swaps)	1,794,665		-7,498	35,063	-33,579
Exchange-traded products	374,589	76,379	-618	1,544	-2,161
Options	133,096	76,379	-618	1,544	-2,161
Other (f.i.: Futures)	241,494		0	0	0
Currency contracts	**73,420,879**	**909,934**	**39,549**	**865,030**	**-833,616**
OTC products	73,373,531	909,934	39,549	865,030	-833,616
Options	1,776,718	909,934	2,127	17,354	-14,984
Other (f.i.: Currency swap)	71,596,813		37,421	847,676	-818,632
Exchange-traded products	47,348	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Futures)	47,348		0	0	0
Credit derivatives	**1,760,017**	**23,943**	**-4,508**	**25,564**	**-33,006**
OTC products	1,760,017	23,943	-4,508	25,564	-33,006
Credit Default Options	0	0	0	0	0
Other (f.i.: Credit Default Swaps)	1,760,017	23,943	-4,508	25,564	-33,006
Exchange-traded products	0	0	0	0	0
Options	0	0	0	0	0
Other	0		0	0	0
Commodity contracts	**16,289**	**0**	**0**	**0**	**0**
OTC products	0	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Commodity swaps)	0		0	0	0
Exchange-traded products	16,289	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Futures)	16,289		0	0	0
Other	**971,358**	**26,250**	**-41,871**	**90,678**	**-68,699**
OTC products	971,358	26,250	-41,871	90,678	-68,699
Options	219,500	26,250	15	15	0
Other (f.i.: Inflation swaps)	751,858		-41,886	90,663	-68,699
Exchange-traded products	0	0	0	0	0
Options	0	0	0	0	0
Other	0		0	0	0
Total	**269,424,071**	**7,135,772**	**321,185**	**6,204,772**	**-5,258,241**
thereof external/internal deals					
External	245,825,011	6,428,954	647,874	5,264,986	-4,318,454
Internal	23,599,060	706,818	-326,689	939,786	-939,786
thereof OTC/Exchange-traded products					
OTC products	268,811,247	7,059,393	321,802	6,203,228	-5,256,080
Exchange-traded products	612,824	76,379	-618	1,544	-2,161
thereof trading book/banking book					
Trading book	246,262,702	6,809,814	348,522	5,163,400	-4,935,960
Banking book	23,161,369	325,958	-27,337	1,041,372	-322,281
thereof hedges	22,976,214	150,803	-27,238	1,041,372	-322,184

The presentation of the nominal values from securities related contracts was improved in 2021. The prior year values from securities related contracts were adjusted from EUR 16,976,798 thousand to EUR 4,722,859 thousand. The same is true for the total values and values thereof.

The book values are presented in following balance sheet items:

in EUR or in EUR thousand	Dec 21	thereof internal trades	Dec 20
A12 Other assets	2,832,413,865.19	482,037,129.58	3,523,730
A14 Prepayments and accrued income	8,514,217.53	8,095,961.50	6,458
P04 Other liabilities	2,475,200,511.88	568,339,077.02	2,996,151
P05 Accruals and deferred income	201,536,891.10	144,298,874.23	212,761
P06 Provisions	120,774.35	0.00	91

Fixed-asset instruments

In the following table the figures are displayed without contractual interest accruals.

	Dec 21			
in EUR	**Carrying amount**	**Positive fair value**	**Hidden losses**	**Hidden reserves**
Treasury bills	1,456,244,827.88	1,397,995,039.00	-58,249,788.88	
	3,420,150,206.68	3,606,162,315.00		186,012,108.32
Loans and advances to credit institutions	251,366,152.15	248,994,984.60	-2,371,167.55	
	993,580,900.01	1,008,250,728.03		14,669,828.02
Loans and advances to customers	212,904,871.73	211,877,057.34	-1,027,814.39	
	844,520,699.37	887,623,352.45		43,102,653.08
Debt securities	655,726,924.29	649,508,980.83	-6,217,943.46	
	1,575,891,570.52	1,616,700,652.05		40,809,081.53
Shares and other non-fixed-income securities	748,600,000.00	737,735,571.73	-10,864,428.27	
	257,470,261.92	330,409,529.39		72,939,267.47
Financial instruments carried as fixed assets	**3,324,842,776.05**	**3,246,111,633.50**	**-78,731,142.55**	
	7,091,613,638.50	**7,449,146,576.92**		**357,532,938.42**

	Dec 20			
in EUR thousand	**Carrying amount**	**Positive fair value**	**Hidden losses**	**Hidden reserves**
Treasury bills	70,343	69,902	-441	
	3,998,031	4,321,166		323,134
Loans and advances to credit institutions	181,478	181,223	-255	
	893,134	914,028		20,894
Loans and advances to customers	405,463	402,380	-3,084	
	776,140	841,718		65,578
Debt securities	166,499	166,012	-487	
	1,875,896	1,962,292		86,396
Shares and other non-fixed-income securities	300,000	297,806	-2,194	
	803,477	812,271		8,794
Financial instruments carried as fixed assets	**1,123,784**	**1,117,324**	**-6,460**	
	8,346,679	**8,851,475**		**504,796**

Assets were not impaired, since impairment is not presumed to be permanent. No permanent impairment of value is expected due to the decline in the fair value resulting from changed market interest rates. The fair value is the amount that could be obtained in an active market through the sale of a financial instrument, or correspondingly the amount that would be payable for its purchase. Market prices were used to determine fair value where available. Where no market price was available, valuation models were used, particularly the net present value method.

29. Market value for securities in inactive markets

Erste Group Bank AG calculates theoretical prices for securities in an inactive market. A market is assumed to be inactive when prices for the relevant security are formed only sporadically, there is only small-volume trading or no current prices are available.

Of the securities allocated to trading on stock exchanges and valued to market price, theoretical prices were used for the following volumes.

In the following tables the figures are shown without contractual interest accruals:

Carrying amount of securities not marked on the basis of market prices in EUR	Fair value on the basis of the price in the inactive market	Difference 2021
220,413,598.24	197,801,026.87	-22,612,571.37

Carrying amount of securities not marked on the basis of market prices in EUR thousand	Fair value on the basis of the price in the inactive market	Difference 2020*
165,866	153,830	-12,036

*Prior year adapted by retained covered bonds in current assets

The last available rates are used as rates for inactive markets. Of the differential amount in the reporting year in the value of EUR 22,612,571.37 (prior year adapted by retained covered bonds in current assets: EUR 12,036 thousand), EUR 23,095,152.04 (prior year: EUR 11,305 thousand) can be attributed to a zero-coupon bond (for which the last available market price dates from 2001) with a term of 30 years, from which further nominal values were acquired in the financial year 2021.

30. Reclassification in securities positions

In 2021 no need for reclassification of security positions to the current asset portfolio occurred.

31. Hedging transactions

Erste Group Bank AG uses interest swaps, currency swaps, credit derivatives and options in order to to hedge against the market risk (interest-change risk and price risk) from balance sheet assets (bonds, long-term repurchase agreements on asset side) and liabilities (own issues) either individually or as a group.

Derivatives are used as specified by the hedging strategy in accordance with the Commercial Code (UGB) to hedge the fair value of underlying transactions (e.g. by swapping fixed for variable interest payments) and thereby reducing the interest rate risk of Erste Group Bank AG to the level defined under the interest risk strategy.

in EUR	Dec 21	Dec 20	Change
Fair Value Hedge			
Positive market value fair value hedge	547,537,765.95	856,876,528.55	-309,338,762.60
Negative market value fair value hedge	-279,709,184.11	-211,266,436.65	-68,442,747.46

The table above represents the proportion of the fair value (Dirty Price) of derivatives in a hedging relationship that were not recognized in the balance sheet (prior to netting). As of 31 December 2021, fair value hedges with maturity up to 2051 were held.

The Commercial Code hedging efficiency measurement is carried out for Erste Group Bank AG for the year 2021 in form of a critical terms match.

For derivatives in the banking book, compensation fees had to be paid in connection with the change to the reference rates (change EONIA to €STR and CHF LIBOR to SARON). These were immediately recognised in profit and loss (other operating income and expenses). These compensation fees were not significant.

There are 35 hedging derivatives with USD-LIBOR interest rates with a notional value of EUR 253,593,684.48 that serve hedging the fair value of several issues. A further 77 hedging derivates with USD-LIBOR interest rates with a notional value of EUR 273,476,955.68 serve to hedge the fair value of bonds held as assets. These hedging relationships with transaction terms lasting beyond 30 June 2023 are currently subject to uncertainty in connection with the exact structure of the successor rate.

32. Consideration of CVA/DVA in derivative valuation

Credit value adjustments (CVA) for counterparty default risk and debt value adjustments (DVA) for own credit risk are applied for all OTC derivatives. The CVA adjustment depends on the expected positive exposure and the counterparty's credit worthiness. DVA is determined by the expected negative exposure and by the credit quality of Erste Group Bank AG. The calculation of expected exposure is based on a model that relies on replicated options and on a Monte Carlo simulation, respectively, the probability of default is based on market-based information. No CVA was recognised for counterparties fully backed by Credit support annex – agreements (CSA).

For portfolios that are marked-to-market, both a CVA and a DVA in the amount of EUR -4,714,822.51 (prior year: EUR -7,125 thousand) and EUR 2,141,003.20 (prior year: EUR 1,712 thousand), respectively, were recognised. For the banking book portfolio as in prior years no CVA (prior year: EUR 0 thoursand) was recognised, due to the fact that hedging transactions are carried out via a central counterparty whereby trades are collateralised.

33. Risk provisions

Changes in risk provisions (loans and advances to credit institutions and to customers, receivables and similar financial instruments to credit institutions, receivables and similar financial instruments to customers, and contingent liabilities):

in EUR or in EUR thousand	Dec 21	Dec 20
Opening balance	**420,811,317.56**	**204,147**
Allocations / Releases (-)	21,722,453.78	234,403
Use	-38,285,991.37	-14,358
Reclassification	0.00	0
Exchange rate changes	8,385,494.23	-3,381
Closing balance	**412,633,274.20**	**420,811**

34. Contingent liabilities

Within the off-balance item contingent liabilities in the amount of EUR 4,455,783,051.13 (prior year: EUR 3,753,048 thousand) necessary provisions were deducted. The largest part of the amount totalling EUR 4,116,054,481.33 (prior year: EUR 3,185,793 thousand) relates to liabilities and guarantees from collateralization. This amount also includes comfort letters in the amount of EUR 440,247,600.00 (prior year: EUR 454,125 thousand). A large part of this sum totalling EUR 309,186,648.00 (prior year: 324,968 thousand) was issued by Erste Group Bank AG in 2015 for affiliated companies in case they do not meet their rent payment obligations for the Erste Campus. Moreover, this item also includes credit derivatives in the amount of EUR 339,728,569.80 (prior year: EUR 567,255 thousand).

35. Credit Risk

There is credit risk in the amount of EUR 11,340,691,693.82 (prior year: EUR 9,638,806 thousand) primarily for loan and guarantee commitments which have not yet been exercised. These amounts are net of the appropriate provisions.

36. Gross income – regional breakdown

Gross income of Erste Group Bank AG was broken down as follows (according to the location of branches):

	1-12 21			1-12 20		
in EUR or in EUR thousand	Domestic	Abroad	Total	Domestic	Abroad	Total
Interest and similar income	1,977,779,049.12	66,529,668.69	2,044,308,717.81	1,985,207	113,411	2,098,618
Income from securities and participating interests	703,510,522.95	0.00	703,510,522.95	421,312	0	421,312
Commission income	194,101,060.51	81,539.05	194,182,599.56	171,391	454	171,844
Net profit or loss on financial operations	9,540,953.08	4,623,917.23	14,164,870.31	-3,496	-1,271	-4,767
Other operating income	87,018,491.43	2,900,559.16	89,919,050.59	89,562	2,251	91,813
Gross income	**2,971,950,077.09**	**74,135,684.13**	**3,046,085,761.22**	**2,663,976**	**114,845**	**2,778,821**

37. Net interest income

Erste Group Bank AG recognises negative interest charged on loans from money market claims, particularly with central banks (assets) in the amount of EUR 169,162,428.11 (prior year: EUR 71,342 thousand) under interest and similar expenses and negative interest paid for deposits particularly with central banks (liabilities) in the amount of EUR 213,007,313.55 (prior year: EUR 69,126 thousand) as interest and similar income.

38. Income from participating interests and shares in affiliated companies

The balance sheet item income from participating interests and shares in affiliated companies includes EUR 145,767,306.20 (prior year: EUR 268,274 thousand) and the balance sheet item extraordinary income includes EUR 15,545,000.00 (prior year: EUR 0 thousand) from group members, which are subsidiaries belonging to the fiscal group of Erste Group Bank AG within the framework of the group taxation regulations which came into power in 2005.

39. Other operating income

Other operating income of EUR 89,919,050.59 (prior year: EUR 91,813 thousand) included income from personnel and other administrative expenses passed on to group members in the value of EUR 81,228,234.59 (prior year: EUR 70,587 thousand).

40. Personnel expenses

In terms of personnel expenses, expenses for severance payments and payments to severance-payment funds included expenses for severance payments in the amount of EUR 841,595.65 (prior year: income EUR 12,419 thousand).

Expenses for pensions are accounted for as follows:

_ Costs for defined pension payments in the amount of EUR -3,547,104.70 (prior year: EUR 17,957 thousand) as income from the release of pension provisions and interest expenses in the amount of EUR 1,932,937.18 (prior year: EUR 4,051 thousand) as interest costs;
_ Costs for pension fund contributions in the amount of EUR 6,099,760.69 (prior year: EUR 9,648 thousand) also as personnel costs.

41. Other administrative expenses

Other administrative expenses include fees paid for auditing and tax advisory services. The table below lists the fees or charges charged by the external auditors (Sparkassen-Prüfungsverband and PwC Wirtschaftprüfung GmbH):

in EUR or in EUR thousand	1-12 21	1-12 20
Fees charged for auditing the financial statements	2,879,714.00	2,710
Fees charged for audit-related services	1,454,723.00	1,204
Fees charged for tax advisory services	4,630.00	0
Fees charged for other services	83,590.00	5
Total	**4,422,657.00**	**3,919**

As statutory auditors, Sparkassen-Prüfungsverband (auditing agency) provided auditing services for affiliated companies of Erste Group Bank AG in the value of EUR 5,709,507.81 (prior year: EUR 5,343 thousand). Other advisory services were charged to other affiliated companies in the value of EUR 40,468.89 (prior year: EUR 18 thousand). The amount charged for other services for affiliated companies came up to EUR 0.00 (prior year: EUR 2 thousand).

PwC Wirtschaftsprüfung GmbH provided auditing services for affiliated companies of Erste Group Bank AG in the value of EUR 561,038.50 (prior year: EUR 682 thousand). Other advisory services were charged to other affiliated companies in the value of EUR 202,800.00 (prior year: EUR 289 thousand).

42. Other operating expenses

Other operating expenses amounting to EUR 31,755,158.32 (prior year: EUR 32,363 thousand) primarily concerned expenses for the Recovery & Resolution fund in the amount of EUR 28,104,685.26 (prior year: EUR 23,595 thousand) as well as expenses for the Operational Risk Insurance Programme in the value of EUR 6,864,468.44 (prior year: EUR 6,549 thousand).

43. Value adjustments as well as results from purchases and sales in respect of participating interests and shares in affiliated companies

In 2021, the balance from value adjustments as well as results from sales of participating interests and shares in affiliated companies resulted in a write-up of EUR 1,001,077,939.51 (prior year: write-off EUR 9,460 thousand). This was largely attributable to the write-up of Banca

Comercială Română S.A. at EUR 743,700,265.63 (prior year: EUR 129.859 Tsd) as well as the write-up of Erste Bank Hungary Zrt.at EUR 266,500,000.00 (prior year: write-off EUR 84,300 thousand).
For group members (subsidiaries that are considered a tax group with Erste Group Bank AG under the group taxation regulations of 2005) revaluation requirements in the amount of EUR 4,750,000.00 (prior year: EUR 87,875 thousand) and write-ups amounting to 4,000,000.00 (prior year: EUR 0 thousand) are included in this item. As in the prior year, no group members were sold in the reporting year.

44. Taxes on profit and loss

The item taxes on profit or loss shows income amounting to EUR 202,068,489.57 (prior year: expense EUR 10,945 thousand). This includes income in the amount of EUR 97,908,322.10 (prior year: income EUR 63,305 thousand) from the current tax allocation, income of EUR 772,730.78 (prior year: income EUR 734 thousand) from the retroactive accounting of the prior years according to section 9 Corporate Tax Act (Körperschaftssteuergesetz) on group taxation, as well as an income of EUR 158,518,612.40 (prior year: expense EUR 70,444 thousand) from deferred tax assets. For current corporate income tax to the Austrian tax authority, an expense amounting to on EUR 55,600,000.00 (prior year: EUR 0 Tsd) was recorded.

Since 2005, Erste Group Bank AG and its main domestic subsidiaries have formed a tax group in accordance with section 9 Corporate Tax Act, with Erste Group Bank AG as parent of the group ("Gruppenträger"). Group and tax equalisation agreements were concluded with all affiliated companies. Under these agreements, affiliated companies allocate amounts equivalent to the corporation tax on taxable profits to Erste Group Bank AG. Since tax losses from prior years are recorded and offset against their current tax liability by the affiliated companies themselves, there is no obligation to make tax allocation payments to Erste Group Bank AG. Moreover, Erste Group Bank AG undertakes to make compensatory payments for any tax losses utilised up to that point to any affiliated companies leaving the Group.

Foreign income tax and other foreign income-related taxes were expenses of EUR 46,191.02 (prior year: EUR 7,146 thousand).

45. Other taxes

The balance sheet item other taxes not shown under item 18 in the amount of EUR 1,399,680.14 (prior year: EUR 18,1211 thousand) includes the bank levy to the amount of EUR 929,155.79 (prior year: EUR 17,019 thousand). Due to the annual deficit in 2020, section 4 Z 3 StabAbgG (minimum contribution) applies for the calculation of the bank levy.

46. Branches on a consolidated basis

Dec 21 Business		Commercial lending to foreign banks, leasing companies and sovereign debtors		Institutional sales-business
Branches	London	New York	Hong Kong	Berlin, Stuttgart
Country of domicile	Great Britain	USA	China	Germany
Net interest income in EUR	-48,754.37	35,773,702.16	12,337,516.49	-2,030.34
Operating result in EUR	2,396,754.29	37,429,192.19	9,233,697.48	-1,593.92
Headcount / as of reporting date	0	22	24	12
Profit or loss from ordinary activities in EUR	198,716.95	36,315,343.39	2,185,653.38	-3,379,846.83
Taxes on income in EUR	0.00	-1,227,095.57	723,109.38	-31,789.24
Public benefits received	None	None	None	None

Erste Group Bank AG closed London branch as of 30. June 2021.

Dec 20 Business		Commercial lending to foreign banks, leasing companies and sovereign debtors		Institutional sales-business
Branches	London	New York	Hong Kong	Berlin, Stuttgart
Country of domicile	Great Britain	USA	China	Germany
Net interest income in EUR	16,609,885.21	22,388,561.31	20,977,751.45	-635.38
Operating result in EUR	18,758,918.42	22,652,859.62	20,259,747.98	526.23
Headcount / as of reporting date	26	21	24	12
Profit or loss from ordinary activities in EUR	2,052,478.57	-3,603,503.09	13,302,669.38	-3,287,197.62
Taxes on income in EUR	124,286.61	-5,788,486.82	-1,948,391.10	-33,509.34
Public benefits received	None	None	None	None

47. Return on assets

Profit or loss for the year after tax before changes in reserves expressed in proportion to the average total assets was at balance sheet date 2.2% in 2021 (prior year: -0.2%).

48. Events after balance sheet date

In January 2022 the Austrian National Assembly decided an ecosocial tax reform which includes a gradual reduction in corporate tax rates from 25% to 23% (2023: 24%, from 2024: 23%). As the approval of the tax reform was taking place after the balance date, the Austrian deferred tax assets and liabilities as at 31 December 2021 were still calculated with a fixed corporate income tax rate of 25%. The application of the reduced corporate tax rates (2023: 24%, from 2024: 23%) would result in lower deferred tax assets in the amount of approximately EUR 12 million.

At 27 February 2022, the European Central Bank (ECB) has assessed that Sberbank Europe AG and its two subsidiaries in the banking union, Sberbank d.d. in Croatia and Sberbank banka d.d. in Slovenia, are failing or likely to fail. As a consequence, the possible activation of national or European deposit insurance and resolution systems might have financial impacts on Erste Group. Any resulting financial effects cannot be assessed at the current point in time.

D. INFORMATION ON BOARD MEMBERS AND EMPLOYEES

Employees

The average number of employees at Erste Group Bank AG (weighted, excluding employees on leave and management board members) was 1,865 during the financial year 2021 (prior year: 1,948).

In 2021, 140 employees (prior year: 159) worked at other companies against reimbursement of expenses. The reimbursement costs of EUR 17,466,249.18 (prior year: EUR 19,263 thousand) are included in other operating income.

Bodies

Neither in 2021 nor in the previous year did Erste Group Bank AG grant loans directly to members of the board or supervisory board.

Board members

Remuneration paid to board members, who left during this financial year, is reported as active board members.

Remuneration of management and supervisory board members

The following table displays the total remuneration of the management board and the supervisory board. This was recognised on an accrued basis. The amounts indicated correspond to the expected payments on the balance sheet date and can deviate from those amounts, which are actually paid out.

The distribution of remuneration to active members of the management and supervisory boards is as follows:

			1-12 21			1-12 20
in EUR or in EUR thousand	**Management Board**	**Supervisory Board**	**Total**	**Management Board**	**Supervisory Board**	**Total**
Short-term benefits	6,539,291.05	1,608,716.00	8,148,007.05	5,952	1,636	7,588
Post-employment benefits	1,622,384.66	0.00	1,622,384.66	889	0	889
Other long-term benefits	764,790.21	0.00	764,790.21	7	0	7
Termination benefits	0.00	0.00	0.00	0	0	0
Share-based payments	4,779,197.82	0.00	4,779,197.82	4,421	0	4,421
Total	**13,705,663.74**	**1,608,716.00**	**15,314,379.74**	**11,270**	**1,636**	**12,906**

Short-term benefits

This category includes salaries, payments in kind, social security contributions and other short-term benefits. These also include variable remuneration components, which are paid in cash within a year. The supervisory board remuneration indicated includes supervisory board remuneration, attendance fees and remuneration for serving on the boards of affiliated companies.

Post-employment beneftis

The members of the management board participate in the defined contribution pension plan of Erste Group Bank AG according to the same principles as the employees of the Group (see Annex chapter C point 16). Termination benefits primarily include contributions paid to pension funds and employee provision funds.

Other long-term benefits

These primarily include variable remuneration components, which are paid in cash only after a year and distributed over several years. Moreover, expenses for provisions for jubilee benefits (see Annex chapter C point 16) are presented in this category.

Share-based payments

This category includes expenses for share-based variable compensation components.

The outstanding amount for variable compensation components to members of the Management Board as of 31 December 2021 amounts to EUR 12,936,652.37 (previous year: EUR 8,697 thousand). This amount includes amounts from the Long Term Incentive Plan (LTI) program (for the performance year 2021) as well as tranches not yet disbursed from the phantom share program (for performance years before 2020).

The members of the management board of Erste Group Bank AG were granted a total compensation of 0.5% (previous year: 0.4%) of Erste Group’s total personnel expenses for their activities in the financial year.

Total remuneration of EUR 4,741,618.22 (previous year: EUR 9,205 thousand) was granted to former board members and their surviving dependents in the financial year 2021 and 83,868 (previous year: 83,569) share equivalents were awarded.

The total expense recognised during the reporting period arising from share-based payment transactions amounts to EUR 15,333,706.45, thereof EUR 3,195,660.37 relate to equity-settled share-based payment transactions. At the end of the reporting period the provision arising from share-based payment transactions amounts to EUR 27,296,585.01. The intrinsic value of the provision is EUR 31,148,835.01.

Share-based payment for the Management Board of Erste Group Bank AG

In 2021, a new remuneration plan in shares applies to the Executive Board of Erste Group Bank AG. The plan comprises short-term and long-term variable remuneration components. The total amount of variable compensation is determined in the following year by a resolution of the Supervisory Board.

Upfront share-based remuneration

20% of the bonus will be converted into shares on the date of this Supervisory Board resolution and is transferred to the participant’s securities deposit after one year.

Deferred share-based remuneration

30% of the bonus is converted into performance share units (PSUs) on the day of the Supervisory Board resolution using the average share price of the last 30 trading days (Long Term Incentive Plan). A PSU represents an unsecured, conditional right to receive shares of Erste Group Bank AG in the future. In the following five years, the initial number of PSUs is adjusted in a range from 120% to 0% to the group’s performance based on performance criteria, which will be determined by the Supervisory Board. The final number of PSUs corresponds to the number of shares, which is transferred to the participant’s securities deposit after a retention period of another year.

The shares and PSUs granted are equity-settled share-based payments that vest by the end of the performance year. The share-based payments are recognized at the fair value of the shares or PSUs at the grant date, i.e., the date when the parties on both sides have a common understanding of all the terms and conditions. The determination of the grant date requires the judgment of all circumstances. As the Supervisory Board has significant discretionary powers in connection with the assessment of performance in the performance year, the grant date is the date of the Supervisory Board's resolution on the bonus awarded for the past performance year.

For the performance year 2021, it is expected that 26,012 shares and 39,019 PSUs will be granted to participants. The fair value of PSUs on the measurement date is calculated based on a Monte Carlo simulation model considering the achievement level of Erste Group performance over the next five years and the share price of Erste Group Bank AG. The estimated fair value on the balance sheet date is EUR 2,424,181.13. Personnel expenses of EUR 2,424,181.13 and a corresponding reserve for share-based remuneration was recognised.

Phantom shares program

Erste Group Bank AG awards selected employees every year a bonus for services rendered in the past year (vesting period). If the individual bonus exceeds a certain limit, the final payout amount of at least 25% depends on the development of the average, volume-weighted, daily price of Erste Group shares in subsequent years (phantom share program). The share equivalents (phantom shares) are divided into several tranches, which differ in the duration of the observation period for the development of the Erste Group share price.

The phantom share program meets the criteria for cash-settled share-based payments in accordance with AFRAC 3.

The estimated fair value of variable compensation for share equivalents is recognised in profit or loss. The provision for stock equivalents that have not yet been paid out is continuously measured at fair value until payment is made. Fair value changes and changes of the final allocation in subsequent years are recognised in profit or loss. The fair values of the share equivalents for the respective payout year are determined using an option pricing model (Black-Scholes model). The main parameters are the share price of the Erste Group Bank AG on the balance sheet date and the dividend payments expected until payment.

For 2021, it is expected that 58,407 share equivalents with a fair value of EUR 2,217,842.42 will be granted to eligible employees. The total expense recognised in the reporting period for the phantom share program amounts to EUR 12,138,046.08, the carrying amount of the provision as at the balance sheet date is EUR 27,296,585.01. The intrinsic value of the provision from unpaid share equivalents is EUR 31,148,835.01.

Employee share program

Employees, who had an active employment relationship with Erste Group for at least 6 months on the balance sheet date, will receive free shares of Erste Group Bank AG in an amount equivalent to EUR 350.00 net, provided that the Annual General Meeting of 2022 decides to distribute dividends. The expected number of free shares, which are granted under this program for the period, is 18,920. Based on the number of entitled employees, personnel expenses in the amount of EUR 771,479.24 were recorded and a corresponding reserve for share-based remuneration was created.

Supervisory board members

The supervisory board consists of at least three and a maximum of fourteen members elected in the annual general meeting. Unless the annual general meeting has determined a shorter term of the mandate for individual, several or all supervisory board members on the occasion of their appointment, the term of office of the members of the supervisory board ends at the close of the annual general meeting that resolves on the approvals of their actions for the fourth financial business year following their election; re-election is permitted. In addition, membership of the supervisory board ceases upon death, revocation, resignation or in the event of a defined impediment. Revocation requires a majority of three quarters of valid votes cast and a majority of three-quarters of the registered capital represented at the time of the resolution.

Breakdown of supervisory board remuneration

Pursuant to the decision passed at the annual general meeting of 24 May 2018, the supervisory board adopted in its constituent meeting the following yearly remuneration structure for the financial year 2017 and the following years:

in EUR	Number	Allowance per person	Total allowance
Chairman	1	150,000.00	150,000.00
1st Vice Chairmen	1	90,000.00	90,000.00
2nd Vice Chairmen	1	80,000.00	80,000.00
Members	9	60,000.00	540,000.00
Total	**12**		**860,000.00**

In addition, the chairmen of the risk, audit and IT committee each receive further annual compensation of EUR 10,000.00 (prior year: EUR 10 thousand) and the chairmen of the remuneration and nomination committee each receive further annual compensation of EUR 5,000.00 (prior year: EUR 5 thousand).

The additional attendance fee to be paid to the members of the Supervisory Board was set at EUR 1,000 per meeting of the Supervisory Board or one of its committees

Erste Group Bank AG did not conclude other legal transactions with its members of the supervisory board.

Transactions and shares held by management board and supervisory board members

The tables below provide information on Erste Group Bank AG shares held by management board and supervisory board members as well as transactions carried out with Erste Group Bank AG shares (numbers of shares). Erste Group Bank AG shares held by management board and supervisory board members, whose office term began or ended during the financial year, as at the date of inception or termination of their term in office were recognised as additions or disposals.

Management board member	As of 31 December 2020	Additions	Disposals	As of 31 December 2021
Bleier Ingo	3,111	0	0	3,111
Dörfler Stefan	1,500	0	0	1,500
Habeler-Drabek Alexandra	72	0	0	72
O'Mahony David	0	0	0	0
Poletto Maurizio	0	0	0	0
Schaufler Thomas (bis 31. Oktober 2021)	0	815	815	0
Spalt Bernhard (Vorsitzender)	10,000	5,000	0	15,000

Supervisory board members did not receive any options on Erste Group Bank AG shares for exercising their mandate.

Members of the supervisory board	As of 31 December 2020	Additions	Disposals	As of 31 December 2021
Bulach Matthias	0	0	0	0
Egerth-Stadlhuber Henrietta	0	0	0	0
Gual Solé Jordi	0	0	0	0
Haag Markus	176	0	0	176
Haberhauer Regina	188	0	0	188
Hardegg Maximilian	240	0	0	240
Homan Jan	4,400	0	0	4,400
Khüny Marion	0	0	0	0
Krainer Senger Weiss Elisabeth	0	0	0	0
Lachs Andreas	0	0	0	0
Pichler Barbara	309	0	0	309
Pinter Jozef	0	0	0	0
Rödler Friedrich (Vorsitzender)	2,502	0	0	2,502
Santner Friedrich	0	0	0	0
Schuster Michael (ab 19. Mai 2021)	0	0	0	0
Simor András	0	0	0	0
Stack John James (bis 19. Mai 2021)	32,761	0	0	32,761
Sutter-Rüdisser Michèle F.	0	0	0	0
Zeisel Karin	38	0	0	38

Persons related to management board or supervisory board members held 111 pieces of Erste Group Bank AG shares as of 31 December 2021 (prior year: 111 pc.).

Severance payments and pensions

Income for severance payments and pensions for members of the management board and managers amounted to EUR 1,905,720.25 (prior year: expense EUR 2,110 thousand). Expenses for severance payments and pensions for other employees amounted to EUR 7,930,356.60 (prior year: EUR 40,719 thousand). Expenses for surviving dependents and pensioners are included in the reported amounts. In accordance with section 239 (2) Commercial Code, statements regarding members of the executive and supervisory boards are disclosed separately in the annex.

E. APPROPRIATION OF PROFIT

At the annual general meeting, the board will suggest that a dividend be paid to the shareholders from the total net retained earnings in the amount of EUR 1.60 per share (prior year: EUR 1.50 per share paid in two instalments at EUR 0.50 per share on 27 May 2021 and EUR 1.00 per share on 2 December 2021). The amount blocked according to section 235 (1) Commercial Code is EUR 0.00 (prior year: EUR 0 thousand).

F. APPENDIX 1: MANAGEMENT BODIES OF ERSTE GROUP BANK AG AS OF 31 DECEMBER 2021

Supervisory board

Position	Name	Year of birth	Occupation	Date of initial appointment	End of the current period of office
Chairman	Rödler Friedrich	1950	Auditor and tax advisor	4 May 2004	AGM 2022
1st Vice Chairman	Homan Jan	1947	General Manager, ret.	4 May 2004	AGM 2022
2nd Vice Chairman	Hardegg Maximilian	1966	Entrepreneur	12 May 2015	AGM 2025
Member	Bulach Matthias	1976	Head of Financial Accounting, Control and Capital	15 May 2019	31 December 2021
Member	Egerth-Stadlhuber Henrietta	1971	General Manager	26 June 2019	AGM 2022
Member	Gual Solé Jordi	1957	Chairman Board of Directors, Caixa Bank	17 May 2017	31 December 2021
Member	Khüny Marion	1969	Advisor	17 May 2017	AGM 2022
Member	Krainer Senger-Weiss Elisabeth	1972	Lawyer	21 May 2014	AGM 2024
Member	Santner Friedrich	1960	General Manager	10 November 2020	AGM 2023
Member	Schuster Michael	1980	General Manager	19 May 2021	AGM 2024
Member	Simor András	1954	Senior Vice President, EBRD i.R.	10 November 2020	AGM 2023
Member	Stack John James	1946	CEO i.R.	31 May 2007	19 May 2021
Member	Sutter-Rüdisser Michèle F.	1979	Honorary Professor, University of St. Gallen	15 May 2019	AGM 2022
Delegated by the employees‘ council					
Member	Haag Markus	1980		21 November 2011	11 January 2022
Member	Haberhauer Regina	1965		12 Mai 2015	Until further notice
Member	Lachs Andreas	1964		9 August 2008	Until further notice
Member	Pichler Barbara	1969		9 August 2008	Until further notice
Member	Pinter Jozef	1974		25 June 2015	Until further notice
Member	Zeisel Karin	1961		9 August 2008	Until further notice

Representatives of the supervisory authority

Name	Position
Bartsch Wolfgang	State Commissioner
Kremser Michael	Deputy State Commissioner.
Niedrist Clemens Wolfgang	State Controller for Premium Reserve
Moser Erhard	Deputy State Controller for Premium Reserve
Kienzl Irene	Trustee under the Mortgage Bank Act (Hypothekenbank- und Pfandbriefgesetz)
Offner Gabriela	Deputy trustee under the Mortgage Bank Act

Management board

Board member	Year of birth	Date of initial appointment	End of current period of office
Spalt Bernhard (Vorsitzender)	1968	1 July 2019	30 June 2023
Bleier Ingo	1970	1 July 2019	30 June 2026
Dörfler Stefan	1971	1 July 2019	31 December 2023
Habeler-Drabek Alexandra	1970	1 July 2019	31 December 2023
O'Mahony David	1965	1 January 2020	31 December 2022
Poletto Maurizio	1973	1 January 2021	31 December 2023
Schaufler Thomas	1970	1 January 2021	31 October 2021

Vienna, February 28, 2022

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

IV. 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.

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[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 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 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. The relief offered to borrowers therefore did not lead to a significant increase in credit risk.

The economic development of 2021 is reflected in the income statement – above all in the position income from securities and participating interest respectively income/expenses from allowances of securities that are valued as financial assets, as well as on investments and shares in affiliated companies – and is described in the sub-chapter Details on Earnings.

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[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)

FINANCIAL PERFORMANCE INDICATORS

Explanatory notes on the balance sheet

As of 31 December 2021, **total assets** had increased by 9.8% from EUR 77.1 billion to EUR 84.6 billion in comparison to the end of 2020. The individual items developed as follows:

The item **cash in hand, balances with central banks** increased by 8.3% from EUR 17.4 billion to EUR 18.9 billion, which was primarily attributable to amounts payable on demand at central banks not least because of higher TLTRO (targeted longer-term refinancing operation)-funds. Fixed asset acquisitions in particular led to a 10.4% rise to EUR 5.4 billion (prior year: EUR 4.9 billion) in **treasury bills**. The increase in the item **loans and advances to credit institutions** by 7.3%, from EUR 21.4 billion in the prior year to EUR 22.9 billion in the reporting year, resulted from the acquisition of unlisted securities in foreign currencies in the trading portfolio. New business with domestic customers in Euros as well as unlisted treasury bills from public sector institutions in the trading book contributed in particular to an increase in **customer deposits** by 13.6% in comparison to the end of 2020 to EUR 19.1 billion (prior year: EUR 16.8 billion). Compared to the prior year, **debt securities and other fixed-income securities** increased by 24.1% from EUR 3.9 billion to EUR 4.8 billion, which can be attributed to EUR 0.7 billion more repurchased covered bonds on the one hand, and larger holdings of listed bonds from foreign banks in fixed assets and in the trading portfolio on the other. Mainly due to write-ups, the book values of **participating interest and shares in affiliated companies** rose by 14.4% from EUR 7.5 billion to EUR 8.6 billion as of 31 December 2021. The item **other assets** amounting to EUR 3.3 billion (prior year: EUR 3.7 billion) decreased by 11.5%, which is largely a result of the 19.6% decrease in derivatives, which only accounted for 86.7% of this position in the reporting year (prior year: 95.5%).

Liabilities to credit institutions, particularly time deposits linked, on the one hand, to the liquidity reserve to be kept by savings banks and, on the other, the utilisation of TLTRO III (totalling EUR 10.9 billion at the end of December 2021), increased by 11.7% to EUR 35.9 billion (prior year: EUR 32.1 billion). The main reason for the 32.5% growth in the item **amounts owed to customers** from EUR 5.9 billion to EUR 7.8 billion is Erste Finance Delaware LLC's increase in time deposits by EUR 0.9 billion. Following the increased issue of certificates of deposit in Vienna, which more than compensated for the decrease at the New York branch, the securitised liabilities increased by 6.9% to EUR 20.2 billion (prior year: EUR 18.9 billion). On 15 October 2021, in the scope of its Additional Tier 1 program, Erste Group Bank AG bought back EUR 0.5 billion prematurely, which is why the item **subordinated** and **additional tier capital** reduced by 5.4% to EUR 7.0 billion (prior year: EUR 7.4 billion). As the 52.0% increase in the short position (by EUR 0.3 billion) did not balance out the 17.4% reduction in derivatives (by EUR 0.5 billion), **other liabilities** decreased by 5.3% to EUR 3.6 billion (prior year: EUR 3.8 billion).

After deduction and filtering as specified in the CRR, **Tier 1 Capital** (CET 1 and AT1) amounted to EUR 10.4 billion (prior year: EUR 10.2 billion); **Common Equity Tier 1 Capital** (CET 1) amounted to EUR 8.2 billion (prior year: EUR 7.4 billion). **Own Funds** of Erste Group Bank AG pursuant to Part 2 of Regulation (EU) No 575/2013 (primarily core and supplementary capital) amounted to EUR 13.6 billion on 31 December 2021 (prior year: EUR 13.2 billion). The **Common Equity Tier 1 Capital Ratio** (CET 1) was 23.7% (prior year: 22.0%), whereas the **Total Capital Ratio** was 39.2% (prior year: 39.4%)

Details on Earnings

Despite the EUR 20.1 million increase in interest expenses for AT1, Erste Group Bank AG's **net interest income** improved by 23.6% to EUR 286.0 million (prior year: EUR 231.4 million). This is explained by the EUR 49.2 million from one-off effects linked to the utilisation of TLTRO III and fees for premature prepayment in the lending business. Largely due to the fact that Ceska sporitelna, a.s., Banca Comerciala Romana SA, and Erste Bank Hungary Zrt., which are all affiliated companies, once again paid dividends, the **income from securities and participating interests** rose by 67.0% to EUR 703.5 million (prior year: EUR 421.3 million). The balance from **fee and commission income and expenses** almost quadrupled from EUR 16.9 million in the prior year to EUR 55.9 million in the financial year 2021, which was largely attributable to increased transactions in the securities business and a negative one-off effect from the issuing business in 2020. **Net profit or loss on financial operations** made a u-turn from EUR 4.8 million expenses in the prior year to EUR 14.2 million income in 2021. This was caused by significantly lower losses from trading with derivatives, which were more than compensated for with substantially increased income from foreign exchange trading. **Other operating income** reduced by 2.1% to EUR 89.9 million (prior year: EUR 91.8 million). On the whole, there was a 51.9% improvement in **operating income** to EUR 1,149.4 million in 2021 (prior year: EUR 756.7 million).

In addition to salaries (both fixed and variable) and statutory charges, **personnel expenses** also include expenses for long-term employee provisions and pension fund contributions. Personnel expenses decreased by a total of 9.7% to EUR 267.0 million (prior year:

EUR 295.7 million). The actuarial profits recognised on the balance sheet (in particular as a result of the discount rate having increased from 0.50% to 1.05%) from compensation related liabilities of EUR 7.8 million (prior year: loss EUR 18.5 million) as well as the reduced number of employees were the drivers for this.

The **number of employees** at Erste Group Bank AG (weighted according to the extent of employment) went down by 4.2% compared to 31.12.2020 and compares to the previous year as follows:

	As of 31 December 2021	As of 31 December 2020
Domestic	**1,944.5**	**2,006.4**
Foreign branches	**58.0**	**83.0**
London	0.0	26.0
New York	22.0	21.0
Hong Kong	24.0	24.0
Berlin, Stuttgart	12.0	12.0
Total	**2,002.5**	**2,089.4**
thereof maternity/paternity leave	128.9	138.0

Due to cost savings particularly in IT, **other administrative expenses** decreased by 2.0% to EUR 269.2 million (prior year: EUR 274.5 million). Extraordinary write-downs led to a 43.5% increase in **depreciation and amortization on fixed assets and intangible assets** from EUR 7.3 million to EUR 10.4 million. The other operating expenses reduced by 1.9% to EUR 31.8 million (prior year: EUR 32.4 million). As a result, **operating expenses** decreased by 5.2% to EUR 578.3 million (prior year: EUR 609.9 million).

After deduction of all operating expenses from operating income, **net operating income** amounted to EUR 571.1 million in the financial year 2021 (prior year: EUR 146.8 million). At 50.3%, the **cost-income ratio** (operating expenses as a percentage of operating income) was above the prior year's figure of 80.6%.

In particular thanks to the significantly decreased provisioning requirement connected to the Covid-19 pandemic in comparison to 2020, and income from customer receivables that have already been written off, Erste Group Bank AG reports **net expenses for provisions for risks to loan receivables** (including write-offs offset against income from written off loans) in the amount of EUR 0.8 million (prior year: EUR 229.3 million). The successful balance from **current securities** (valuation and gains) as well as the result and value adjustment positions on **participating interests and fixed-asset securities** was a positive EUR 995.8 million in 2021 (prior year: negative EUR 6.8 million). Participation valuations (primarily the appreciation of Banca Comercială Română S.A. and Erste Bank Hungary Zrt.) in particular had a positive impact on the results in the reporting year.

Accordingly, the **result on ordinary income** was a positive EUR 1,566.1 million in the year 2021 (prior year: negative EUR 89.3 million).

As Erste Group Bank AG did receive dividends (not resulting from operative income), the **extraordinary income** is EUR 15.6 million in the reporting year 2021 (prior year: EUR 0.0 million). The increase in deferred tax assets particularly contributed to positive **taxes on income and earnings** amounting to EUR 202.1 million (prior year: negative EUR 10.9 million). In 2021, contrary to prior years, there was a taxable profit, 75% of which was offset with the tax losses carried forward in accordance with the legal requirement. The remaining 25% was recorded as ongoing corporate income tax expenditure. Driven by the banking levy, **other taxes** decreased by 92.3% from EUR 18.1 million to EUR 1.4 million due to the consideration of the annual deficit in 2020.

After accounting for the **changes in reserves** (see Annex chapter C note 23), which resulted in the allocation of EUR 1,094.6 million (prior year: release of EUR 118.4 million), there was an **annual and net profit** of EUR 687.7 million (prior year: EUR 0.0 million or EUR 644.7 Millionen; as no dividends were paid in the financial year 2019 due to the ECB's recommendation, the annual profit 2019 was carried forward to 2020).

OUTLOOK

Since Erste Group Bank AG's economic success is substantially determined by Erste Group's profitability, the Erste Group's outlook is presented below.

Erste Group Bank AG'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 Bank AG'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 Bank AG 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 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. Operating expenses are expected to rise at a lower level than operating income, thus resulting in a decreasing cost income ratio in 2022. In addition, Erste Group Bank AG 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 Bank AG 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 Bank AG aims to achieve a double-digit ROTE. Erste Group Bank AG's CET1 ratio is expected to remain strong. Consequently, Erste Group Bank AG 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 Bank AG 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 Bank AG. Any resulting financial effects cannot be assessed at the current point in time. Erste Group Bank AG is moreover exposed to non-financial and legal risks that may materialise regardless of the economic environment.

OWN SHARES

Month	Purchase/Sale	Portfolio as of	Purchase price	Selling price	Par value in share capital
January	Purchase	92,574	2,373,544		4,747,089
January	Sale	-138,234		3,551,042	7,102,085
February	Purchase	70,040	1,861,679		3,723,358
February	Sale	-127,765		3,427,555	6,855,111
March	Purchase	890,093	25,692,873		51,385,746
March	Sale	-68,099		1,926,453	3,852,907
April	Purchase	155,707	4,534,901		9,069,801
April	Sale	-56,667		1,657,841	3,315,683
May	Purchase	79,311	2,639,145		5,278,289
May	Sale	-120,483		3,873,826	7,747,651
June	Purchase	928,877	31,021,191		62,042,382
June	Sale	-870,986		29,288,566	58,577,133
July	Purchase	59,857	1,832,094		3,664,189
July	Sale	-99,634		3,106,512	6,213,023
August	Purchase	61,610	2,081,896		4,163,792
August	Sale	-36,602		1,239,503	2,479,006
September	Purchase	155,260	5,599,295		11,198,590
September	Sale	-191,555		6,872,794	13,745,587
October	Purchase	65,101	2,497,526		4,995,052
October	Sale	-43,298		1,693,867	3,387,734
November	Purchase	6,962,488	263,301,839		526,603,678
November	Sale	-6,952,756		264,369,058	528,738,116
December	Purchase	67,262	2,646,701		5,293,402
December	Sale	-364,038		15,296,790	30,593,580

The primary purpose of the transactions was market making and hedging of ATX positions. As of 31 December 2021, other liabilities include a short position in Erste Group Bank AG shares amounting to 339,293 units with a carrying amount of EUR 14,029,765.55 (prior year: 857,356 units, carrying amount EUR 21,382,458.64), which is covered by securities lending deals. Erste Group Bank AG generated capital gains of EUR 6,279.11 (previous year: EUR 0 thousand) from the purchase and sale of its own shares in the long portfolio, which were recognized as an addition to the commited capital reserve.

RESEARCH AND DEVELOPMENT

Erste Group Bank AG ´s business purpose is to provide banking services. The production process of a bank is therefore not connected with research and development in an industrial sense. However, development work impacts permanently the current business of the bank.

BRANCHES

Erste Group Bank AG maintained branches in London, 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.

SHARE, VOTING AND CONTROL RIGHTS

Investor information pursuant to section 243a (1) of the Austrian Commercial Code ("UGB")

With regard to the statutory disclosure requirements in the Management Report, special reference is made to the relevant information in the notes to the financial statements, in section C 22.

As of 31 December 2021, together with its syndicate partners (Sparkassen, Anteilsveraltungssparkasen und Sparkassenstiftungen), 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 (Sparkassenstiftungen, Sparkassen and Erste Mitarbeiterbeteiligungsstiftung) respectively saving banks foundations acting together with the ERSTE Stiftung and affiliated with Erste Group Bank AG through the cross-guarantee scheme (Haftungsverbund)/IPS fund 4.08% (prior year: 3.08%) are held by other syndicate partners. On 4th November 2021, the 9.92% share of CaixaBank S.A. was sold and resulting the exit from the syndicate followed.

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 cross-guarantee scheme (Haftungsverbund) complies with the requirements of article 4 (1) Z 127 CRR, whereby the required individual services 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 writing off of this blocked reserve may only take place as a result of the mobilisation 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 capital 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.

Additional disclosures pursuant to section 243a (1) UGB

All restrictions on voting rights or the transfer of shares, even if they are included in agreements between shareholders, insofar as they are known to the Management Board pursuant to section 243a (1) no. 2 UGB:

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.

Pursuant to section 243a (1) no. 5 UGB 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.

Pursuant to section 243a (1) no. 6 UGB not directly prescribed by the law regarding the appointment and dismissal of members of management and supervisory boards as well as on the amendment 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 or 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 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.

Pursuant to section 243a (1) no. 7 UGB members of the Management Board have the right to issue or repurchase shares, where such a right is not prescribed by statutory law:

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 20% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase. 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 I 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 ErsteMitarbeiterbeteiligung 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.

Pursuant to section 243a (1) no. 8 UGB Significant agreements to which the company is party, and which become effective, are amended or are rendered ineffective when there is a change in the control of the company as a result of a takeover bid, as well as their effects:

Cross-guarentee scheme agreement

The agreement in principle of the cross-guarantee scheme (Haftungsverbund) 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:

_ one contracting party grossly harms the duties resulting from the present 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 cross-guarantee scheme's (Haftungsverbund) 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 cross-guarantee scheme's (Haftungsverbund) 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 cross-guarantee scheme (Haftungsverbund).

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.

Co-operation 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 Group Oesterreich and WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group), the Agreement was renewed and extended in 2018 until the end of 2033. The objective for the renewal and extension was in particular 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. A change of control is defined, with respect to Erste Group Bank, as the acquisition of Erste Group Bank 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's voting shares, and with respect to VIG, as the acquisition of VIG by any person/entity other than Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group of 50% plus one share of VIG's voting shares. Apart from this regulation on the termination of the Agreement, the parties agreed in the renewal and extension of the Agreement for an additional atermination 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 CONTROL RIGHTS FOR FINANCIAL REPORTING PROCEDURES

ICS Framework Requirements

The 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 based on the group´s processes.
The ICS policy provides the framework conditions for the internal control system (ICS) 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 inte grated control environment throughout the entity. All material risks must be covered with key controls, which constitute the rele vancy.
- *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 control environment provides the framework for the introduction, implementation and monitoring of IKS principles, procedures and measures. The Management Board of Erste Group Bank AG 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 accounting procedures.

Accounting AT & Group Methodology, which are part of Group Accounting, coordinate and verify the final accounts' compilation for Erste Group Bank AG. The assignment of powers, account responsibilities and the necessary control procedure are defined in the operating instructions.

Risk assessment

The main risk in the accounting procedures is that errors or deliberate action (fraud) prevent facts from adequately reflecting the company's financial position and performance. This is the case whenever 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 able to influence the decisions made by the addressees on the basis of the final accounts. Such decision may cause serious damage, such as financial loss, the imposition of sanctions by the banking supervisor or reputational harm.

Controls - Accounting

The relevant units are obliged to comply with the accounting and measurement principles that are applicable for capturing, posting and accounting transactions and laid out in the operating instructions relating to the UGB and in the IFRS Accounting Manual.

The basic components of the internal control system (IKS) at Erste Group Bank AG are:

- 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.
- systemic, automatic control systems and measures in the formal procedure and structure e.g. programmed controls during data processing (SAP).
- principles of functional separation and the four-eye principle.

Information and communication -Accounting

In accordance with Austrian Commercial Code (UGB) / Austrian Banking Act (BWG), the final accounts are prepared in a standardized format and in compliance with the control measures described above. Before being passed on to the Audit Committee of the Supervisory Board, the financial statements to be published are submitted to the managers and CFO for approval. During the year the UGB-result is presented to the responsible board member (CFO) on a quarterly basis.

Reporting is nearly fully automated using input systems and automatic interfaces. This warrants that the data for controlling, (segment) and earnings accounting as well as other evaluations are always up to date. The information used by the accounting department is derived from the same database and reconciled monthly for reporting. Close collaboration between Accounting and Controlling ensures that target and actual data are constantly compared, allowing for effective control and harmonization.

Responsibilities of Internal Audit
Internal Audit is in charge of auditing and evaluating all areas of the bank at appropriate intervals based on legally required and on risk oriented planned audits (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 functionality of the internal control system. Internal Audit reports its findings to the Group's Management Board and Audit Committee several times a year.

According to section 42 BWG, Internal Audit is a control body that is directly subordinate to the Management Board. It serves the exclusive purpose of ongoing and comprehensive reviews of the legal compliance, appropriateness and suitability of the banking business and banking operation. 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 guided in particular by the the law, guidelines and minimum standards of the authority, by the professional standards for internal audits and their policy, which is checked regularly and adapted if necessary.

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 Requirement Regulation (CRR).

RISK MANAGEMENT

Comments on the risk profile of Erste Group Bank AG
In light of the business strategy of Erste Group Bank AG, besides participation risk, the main risks included credit risk, market risk, interest-change risk in the banking book, 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.
- *Interest rate risk in the banking book, including net interest income risk:* is the risk of an adverse change in the market value of financial instruments or in net interest income due to market interest rate movements. This type of risk arises due to differences in maturities, interest rate linkages, and interest rate reset periods between assets and liabilities including derivatives.
- *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 reputational and operational risks. Operational risks are risks of losses due to mistakes or failures linked to internal processes, people and systems, or external events.

Participation Risk
Participation risk refers to the risk of potential value losses from providing equity, as current-value write-offs, capital losses from sales, omissions of dividends or decline of hidden reserves as well liability risks from letters of comfort or capital payment commitments. The majority of direct and indirect participations are fully consolidated in the group balance sheet and thus these risks are

recorded ascertained. Consequently, potential risks of investments are usually covered by other types of risks and correspondingly considered in their monitoring and control methods.

The participations entered into by Erste Group Bank AG took place in line with the strategic objective to invest in retail banking whereby own experience and expertise could be contributed. In order to participate more in growth markets, geographic diversification was increased by investing in central and eastern European states. In order to reduce the political, legal and economic risks, the management focuses on countries within the EU or on potential EU candidate countries.

Risk management objectives and methods

Taking risks in a conscious and selective manner and to manage such risks professionally is one of the core functions of a bank. Adequate risk policy and risk strategy is essential to a bank's fundamental financial health and operational business success.

Erste Group has developed a risk management framework that is forward-looking and tailored to its business and risk profile. This framework is based on a clear risk strategy that sets out general principles according to which risk taking must be performed across the group. The risk strategy is consistent with the business strategy and incorporates the expected impact of external environment on the planned business and risk development.

The risk strategy describes the current and targeted risk profile, defines the principles of risk management, the strategic goals as well as initiatives for the most important types of risk and sets strategic limits for the significant types of financial and non-financial risk, which are considered in the risk materiality assessment. The risk strategy is implemented within the framework of a clearly defined governance structure. This also serves to observe the risk appetite and complementary measures as well as for the escalation of exceeded limits.

In 2021, management attention has been dedicated not only to ongoing Covid-19 pandemic, but also to Environmental, Social and Governance (ESG) risks as new risk type. ESG has been assessed as material risk in 2021 Group Risk Materiality Assessment (first-time assessment), based on climate-related and environmental risks ("E" component), while the assessment of social ("S") and governance ("G") risks is planned for 2022. In order to mitigate this risk, significant resources in both business and risk area have been dedicated to set-up and implement ESG action plan, which includes the establishment of comprehensive internal framework ranging from business strategy, dedicated governance, over risk management to disclosures.

For credit risk, the most important risk category, Erste Group Bank AG applies the internal ratings-based (IRB) approach according to the Capital Requirements Regulation (CRR) and adopts this approach also for the assessment of economic capital requirements according to Pillar 2. Furthermore, all methods and processes affiliated with and necessary for this approach are applied. At Erste Group Bank AG, all essential internal models are validated annually and revised if necessary, whereby both observations made by the supervisory authorities and foreseeable future amendments to the legal requirements are taken into consideration.

The market risks in the trading book are backed by equity capital on the basis of an internal model. In order to hedge the market risk from balance sheet assets (bonds, repurchase agreements on the asset side) and liabilities (own issues), the bank uses interest swaps, currency swaps, credit derivatives and options as hedging instruments in micro-hedge relationships. Together with the hedged underlying transaction, these hedging instruments are recorded in the balance sheet as a valuation unit based on section 201 Commercial Code (UGB).

The requirements for the generation of valuation units are fulfilled by the fair value hedge accounting processes which are applied at Erste Group Bank AG. Details on these processes are presented in the notes to the financial statement, section C note 31.

In accordance with the Advanced Measurement Approach (AMA), operational risk for Erste Group Bank AG is backed by equity.

In order to provide a comprehensive overview of current and future risk and the cover pools of the Bank, the bank's risk-bearing capacity is determined by the Internal Capital Adequacy Assessment Process (ICAAP). The risk-bearing capacity provides regular updates on the risk profile and capital adequacy, forming the basis for defining and implementing any measures that may be necessary.

Erste Group Bank AG defines its risk strategy and risk appetite within the framework of the annual strategic planning process, during which adequate orientation of the risk, capital and results and earnings targets is ensured. Strategic limits and principles are defined for all types of risk on the basis of the RAS in the risk strategy. These limits and principles support the implementation of the medium and long-term risk decisions. Risk Management governance ensures the comprehensive overview of all risk decisions and the proper execution of the risk strategy. Risk-reducing measures are carried out as part of the ordinary risk management process in order to make sure that the Group acts in accordance with the defined risk appetite.

Risk management organization

Risk control and risk steering are performed based on the business strategy and the risk appetite approved by the Management Board. Together with the chief risk officers of the subsidiaries, the chief risk officer of Erste Group Bank AG (Group CRO) is responsible for implementation of and adherence to the risk control and risk management strategies across all risk types and business lines.

Committees with explicit strategic and operative controlling functions have been set up to ensure the Bank's effective and optimal management. At the top of the risk committee hierarchy within Erste Group Bank AG is the Risk Committee of the Supervisory Board. It is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the Management Board according to the internal approval authority policies. Furthermore, it is charged with granting approval to large exposures pursuant to Article 392 CRR, if such a claim is equal or exceeds 10% of the eligible capital of a credit institution. Within the competence assigned to it, the Committee may grant advance approvals to the extent permitted by law.

The Management Board and in particular, the Group CRO ensure the availability of appropriate infrastructure and staff as well as methods, standards and processes. The actual identification, measurement, assessment, approval, monitoring, steering and limit setting for the relevant risks are performed at the operating entity level within Erste Group Bank AG. The management board is supported by several divisions established to perform operating risk control functions and exercise strategic risk management responsibilities.

The following risk management functions report directly to the Group CRO:

_ Group Liquidity and Market Risk Management;
_ Enterprise wide Risk Management;
_ Credit Risk Methods;
_ Retail Risk Management:
_ Credit Risk Portfolio;
_ Corporate Risk Management;
_ Group Compliance;
_ Group Legal;
_ Cyber Risk Management.

The division Group Liquidity and Market Risk Management comprises all market and liquidity risk functions in Erste Group. This division is responsible for steering, measuring, and controlling liquidity and market risk. It covers both banking book and trading book and ensures the development and validation of liquidity and market risk models for regulatory as well as for internal steering purposes.

Enterprise-wide Risk Management (ERM) focuses on holistic risk management and ensures comprehensive cross-risk group-wide risk portfolio steering, monitoring, analysis, and reporting. ERM drives key strategic initiatives to establish greater cohesion between risk strategy (including risk appetite and limit steering) and operational execution. It includes the preparation of recovery and wind-down plans as well as the management of non-financial risks.

The responsibilities of Credit Risk Methods comprise the development, maintenance and validation of credit risk models in accordance with the regulatory requirements for the internal ratings-based approach. A dedicated organisational unit takes care of model risk governance and the strategic planning of model changes.

Retail Risk Management covers the operational credit decisions and the collection and workout activities for retail clients of Erste Bank der oesterreichischen Sparkassen AG (EBOe). In order to ensure the sustained profitability of the retail loan portfolio in Erste Group, Retail Risk Management defines group-wide framework conditions and requirements for lending within the Group's risk/return profile.

Credit Risk Portfolio monitors the development of the overall loan portfolio in Erste Group Bank AG with a specific focus on nonretail clients. Active steering ensures the operative implementation of the Group's credit risk strategies. The division is also in charge of continuously improving underwriting processes as well as for corporate and retail risk management projects with a particular focus on digital initiatives. Other responsibilities of credit risk portfolios are checking ratings, real estate valuations and analyzing credit portfolios.

Corporate Risk Management is responsible for credit underwriting and restructuring (including sales of non-performing loans) for corporate and real estate clients, financial institutions, sovereigns and municipalities in EBOe and Erste Group Bank AG as well as group-wide for local customers if their local credit limits are exceeded.

In line with Austrian and European Union legislations, Group Compliance ensures the implementation and steering of measures to prevent money laundering, terrorism financing and fraud. Furthermore, it is responsible for standards and measures to comply with financial sanctions and embargoes. Another central task consists in the implementation and enforcement of regulatory provisions for insider trading, market manipulation and other misconduct in securities business.

Group Legal acts as the central legal department of Erste Group Bank AG. This division provides legal support and counsel for the management board, the business units and the central functions, and mitigates legal risk. It also attends to legal sourcing and to dispute resolution and litigation.

Cyber Risk Management is a risk control unit segregated from IT and security operations, responsible for managing and overseeing cyber risks as well as for monitoring and controlling adherence to cyber risk management framework.

Statements concerning value adjustments for credit risks can be found in Annex section C note 33 and concerning off-balance sheet risk items in Annex section C note 34 of this financial statement. Litigations are dealt with in Annex section A (Ongoing legal cases).

CORPORATE GOVERNANCE

Compliance with laws and international initiatives against bribery and corruption is a matter of fact. Erste Group Bank AG places particular emphasis on continuous training of employees. A particular point of focus is on the strict requirements regarding whether gifts may be accepted at all from customers, or where appropriate the size of the gift. Another such point is the whistleblowing office. The Erste Integrity Line promotes lawful and fair behaviour, enabling all employees to report suspicious events. A detailed consolidated corporate governance report can be found in the annual report of Erste Group. This is published on the website of Erste Group at www.erstegroup.com/ir.

Erste Group Bank AG decided to prepare and publish a separate non-financial report – integrated in the annual report. Erste Group Bank AG is 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 Bank AG'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 Bank AG implemented its "ESG Strategic Framework" in 2021.

It is based on four impact pillars:
_ *Sustainable Finance:* Erste Group Bank AG 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 Bank AG 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 Bank AG 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 Bank AG is committed to reach climate neutrality by 2023. After having reduced Scope 1 and Scope 2 emissions since 2016 by 25%, Erste Group BankAG 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 Bank AG 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 Bank'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, 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 Regulation (EU) 2020/952 Taxonomy Regulation, the Regulation (EU) 2019/2088 Disclosure Regulation, 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.

CLAIM PURSUANT TO SECTION 243B COMMERCIAL CODE (UGB)

Non-financial reporting for Erste Group Bank AG pursuant to Section 243b of the Commercial Code (UGB) is published together with the Group's separately consolidated non-financial report in the financial statement of Erste Group. The separate non-financial report is disclosed in the financial statement on the homepage at www.erstegroup.com/ir.

GLOSSARY

CEE (Central and Eastern Europe)
English abbreviation also commonly used in German applied to the economic area of Central and Eastern Europe. Includes the new EU member states from expansion in 2004 and 2007 as well as the successor states to Yugoslavia and the Soviet Union and Albania.

Cost-Income Ratio
Operating expenses as a % of the operating income.

Common Equity Tier 1 Capital Ratio
Common Equity Tier 1 capital (CET1) according to Article 50 CRR expressed in % of the total risk amount according to Article 92 (3) CRR.

Forbearance
Concessions to the debtor due to financial difficulties.

Operating Expenses
Sum of general administrative expenses, value adjustments in respect of assets items 9 and 10 as well as other operating expenses.

Operating Income
Sum of net interest income, net commissions income, income from securities and participating interests, net profit or loss on financial operations and other operating income.

Operating Result
Operating income less operating expenses.

Return on Assets
The annual net profit before allocation to reserves divided by the average balance sheet total (average of the last 5 quarterly cut-off dates).

Return on Tangible Equity (ROTE)
Results from profit or loss for the year after tax before changes in reserves divided by the average equity adjusted for intangible assets. The average is calculated on the basis of quarterly final values.

Risk Appetite Statement (RAS)
The RAS is a strategic explanation that describes the maximum risk that a company is prepared to take to achieve its goals.

Tier 1 Capital Ratio
Tier 1 Capital according to Article 25 CRR in % of the total risk amount according to Article 92(3) CRR.

Total Capital Ratio
The total eligible own capital according to Article 72 CRR expressed in % of the total risk amount according to Article 92 (3) CRR.

Vienna, February 28, 2022

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

We draw attention to the fact that the English translation of this auditor’s report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

V. Auditors’ Report

REPORT ON THE FINANCIAL STATEMENTS

Audit Opinion

The Sparkassen-Prüfungsverband (Prüfungsstelle) and PwC Wirtschaftsprüfung GmbH, Vienna, – hereinafter referred to as “we” – have audited the financial statements of Erste Group Bank AG, Vienna, which comprise the balance sheet as at December 31, 2021, the income statement for the fiscal year then ended, and the notes.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance for the fiscal year then ended in accordance with the Austrian Company Code and the special legal requirements.

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report.

We are independent of the Company in accordance with Austrian Generally Accepted Accounting Principles, the provisions of the Austrian Banking Act and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor’s report is sufficient and appropriate to provide a basis for our opinion by this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:
- Description
- Audit approach
- Reference to related disclosures

Loss allowances for Loans and Advances to Customers (expected credit losses)

Description

Loss allowances represent management's best estimate of the credit losses expected with respect to the loan portfolio at balance sheet date.

The calculation of impairments is carried out in line with the AFRAC 14 (June 2021) by using the IFRS 9 model in the Austrian Company Code (UGB).

For loans and advances to customers in the amount of EUR 19 billion, Erste Group Bank AG has recognized credit loss allowances in the amount of EUR 0.3 billion as at December 31, 2021. Due to the underlying assumptions and estimates, determining expected credit losses is inherently subject to substantial judgement applied by management.

Erste Group Bank AG has implemented internal guidelines and specific processes to identify significant increases in credit risk as well as loss events. These processes rely significantly on quantitative criteria and involve management judgement.

The following methods are applied to determine the level of loss allowances using scenario-based discounted cash flow methods as required by IFRS 9:

_ For non-defaulted loans, loss allowances are generally determined collectively and measured at an amount equal to 12-month expected credit loss. If a significant increase in credit risk has occurred, loss allowances are measured as lifetime expected credit losses. Similarly, the lifetime expected credit losses are measured for those non-defaulted loans and advances whose credit risk at initial recognition could not be determined due to missing data at the first-time adoption of IFRS 9.
_ The collectively measured loss allowances are calculated considering the probability of default, forward-looking information and parameters that reflect the expected cash flows as well as the expected proceeds from the realization of collateral. The parameters applied are estimated based on statistical models.
_ For defaulted loans considered to be significant at customer level, loss allowances are determined on a case-by-case basis. These loss allowances are calculated considering scenario probabilities, expected cash flows as well as expected proceeds from the realization of collateral. This process involves significant judgement and management estimates.

The models used for determining loss allowances are specific to the types of loan portfolios. There are country-specific features both with regard to products and economic environment that are relevant to the respective loss estimate resulting in heightened complexity of models and input factors.

The uncertainty which is inherent to estimating expected credit losses continues to be elevated due to the ongoing economic implications of the Covid-19 pandemic.

To reduce the economic impacts of the Covid-19 pandemic, numerous states introduced relief programs (e.g., moratoria, deferral options, support programs, hardship funds, short-hour schemes). Whereas such programs were able to reduce the economic impacts of the Covid-19 pandemic, they resulted in low default rates observed and made the timely reflection of a potential deterioration of the loan portfolio more difficult. Even though some of those relief programs were phased out, they still have a negative impact on the predictive power of statistical credit risk models.

Erste Group Bank AG therefore introduced additional sets of criteria based on which customer groups were identified that potentially were specifically affected by the economic impacts of the Covid-19 pandemic, and individually assessed the customers within those groups as to whether a significant increase in credit risk has occurred (Post Model Adjustment). These sets of criteria were continuously reviewed and revised during the year. Details on the methodology of this portfolio stage transfer due to the Covid-19 pandemic are presented in the "Impairment for Credit Risks" chapter in the disclosure notes.

With respect to the forward-looking information used for modelling expected credit losses, the continuing heightened uncertainty about the future economic developments that results from the pandemic was reflected by using macroeconomic assumptions and adjusting the relative weight of the scenarios applied.

In addition to the adjustment of forward looking information, further adjustments to the estimation methodology applied for estimating credit risk parameters were required in Erste Group Bank AG's view with respect to the Covid-19 pandemic.

Due to

_ the substantial judgement to be applied by management in defining of the Post Model Adjustments and determining and weighting macro-economic future scenarios,
_ a high degree of uncertainty due to the economic impact of the Covid-19 pandemic which led to a high degree of the auditor judgement,
_ the complexity of models and interdependent assumptions and the resulting audit effort and
_ the significance of credit loss allowances

we identified this area to be a key audit matter.

Audit Approach

To assess the appropriateness of the expected credit losses, we:

_ updated our understanding of the Expected Credit Loss calculation methodology applied by Erste Group Bank AG based on policies, documentation and interviews and re-assessed its compliance with the requirements of IFRS 9. We focused on adjustments to methods and processes made in order to capture the increased uncertainties of the present and future environment due to the Covid-19 pandemic in expected credit losses.

_ evaluated control activities in credit risk management and lending business processes and tested key controls, notably with respect to the approval of loans, ongoing monitoring and the early warning system as well as the processes around the early identification of default, as well as understood and evaluated the assessment of unlikeness to pay ("UTP").
_ evaluated control activities and tested key controls in the area of rating models and collateral valuation.
_ evaluated model governance and validation processes and critically reviewed the information brought to the attention of the management. We evaluated, with the support from our credit risk modelling experts, the model governance and validation processes as well as the results of back-testing and model validations.
_ evaluated the adequacy of credit risk parameters and models taking into consideration possible distortions of currently observed data due to various forms of state or private relief programs (e.g., low default rates due to payment moratoria) and local specifics, and critically assessed the plausibility of expectations and estimates that have been introduced due to aforementioned distortions to identify significant increases in credit risk of single customers or customer groups.
_ assessed the correctness of the stage allocation for a sample of loans based on applicable policies.
_ analyzed sensitivities and impacts of accounting specific model aspects.
_ evaluated whether key components of the calculation of expected credit losses are correctly incorporated in the models by performing walkthroughs and reviewing steering tables.
_ assessed the appropriateness and reasonableness of forward-looking information incorporated in the estimates. In this context, we have specifically compared the underlying macro-economic forecasts with external sources of information and critically assessed the individual weights attributed to scenarios.
_ tested, on a sample basis, whether default events have been identified in accordance with applicable policies, and evaluated whether events occurred that significantly affect the borrower's ability to repay loans and advances. Furthermore, we tested, on a sample basis, the adequacy of individual loan loss allowances assessing the scenarios adopted and the estimates of expected cash flows made.

Reference to related disclosures
For further details regarding the process of determining loss allowances as well as regarding the design of the models involved we refer to the management's disclosures under item B. Credit Loss Allowances.

Other Information
Management is responsible for other information. Other information comprises any information included in the annual report, but does not include the financial statements, the management report and the auditor's report.

We obtained the corporate governance report in accordance with Section 243c UGB prior to the date of this auditor`s report, all other parts of the annual report are expected to be made available to us after that date.

Our opinion on the financial statements does not cover other information and we will not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Austrian Company Code and the special legal requirements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.
We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Company

Pursuant to the Austrian Company Code, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Company Code and the special legal requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 243a UGB and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and the obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Additional Information in accordance with Article 10 of the EU Regulation

Pursuant to Sections 23 and 24 Austrian Savings Bank Act (SpG), the Sparkassen-Prüfungsverband (Prüfungsstelle) is the statutory auditor of Erste Group Bank AG, Vienna.

At the ordinary general meeting dated November 10, 2020 and pursuant to Section 1 (1) of the Auditing Rules for Savings Banks, Annex to Section 24 SpG, PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2021 and, subsequently, was engaged by the supervisory board. At the ordinary general meeting dated May 19, 2021 PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2022 and, subsequently, was engaged by the supervisory board. Since 2017 PwC Wirtschaftsprüfung GmbH, Vienna, has constantly been appointed as additional auditor.

We confirm that the audit opinion in the "Report on the Financial Statements" section is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that we did not provide any prohibited non-audit services (Article 5 (1) of the EU Regulation) and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

Responsible for the proper performance of the engagement are Mr. Herwig Hierzer, Austrian Certified Public Accountant (Prüfungsstelle des Sparkassen-Prüfungsverbandes), and Ms. Dorotea-E. Rebmann, Austrian Certified Public Accountant (PwC Wirtschaftsprüfung GmbH, Vienna).

Vienna, February 28, 2022

Sparkassen-Prüfungsverand
(Prüfungsstelle)

(Bank Auditor)

Herwig Hierzer
Austrian Certified Public Accountant

Stephan Lugitsch
Austrian Certified Public Accountant

PwC Wirtschaftsprüfung GmbH

Dorotea-E. Rebmann
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. For deviating versions, the provisions of Section 281 (2) UGB apply.

VI. Statements of all members of the management board

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, February 28, 2022

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