

Key financial and operating data

Income statement (in EUR million)	2018	2019	2020	2021	2022
Net interest income	4,582.0	4,746.8	4,774.8	4,975.7	5,950.6
Net fee and commission income	1,908.4	2,000.1	1,976.8	2,303.7	2,452.4
Net trading result and gains/losses from financial instruments at FVPL	193.7	293.8	199.5	231.8	-47.3
Operating income	6,915.6	7,255.9	7,155.1	7,742.0	8,570.6
Operating expenses	-4,181.1	-4,283.3	-4,220.5	-4,306.5	-4,574.9
Operating result	2,734.6	2,972.7	2,934.6	3,435.5	3,995.8
Impairment result from financial instruments	59.3	-39.2	-1,294.8	-158.8	-299.5
Other operating result	-304.5	-628.2	-278.3	-310.5	-398.5
Pre-tax result from continuing operations	2,495.0	2,329.7	1,368.0	2,933.4	3,222.4
Net result attributable to owners of the parent	1,793.4	1,470.1	783.1	1,923.4	2,164.7
Net interest margin (on average interest-bearing assets)	2.30%	2.18%	2.08%	2.05%	2.21%
Cost/income ratio	60.5%	59.0%	59.0%	55.6%	53.4%
Provisioning ratio (on average gross customer loans)	-0.03%	0.02%	0.78%	0.09%	0.15%
Tax rate	13.3%	18.0%	25.0%	17.9%	17.3%
Return on tangible equity	15.2%	11.2%	5.1%	12.7%	13.8%
Earnings per share (in EUR)	4.02	3.23	1.57	4.17	4.83
Balance sheet (in EUR million)	Dec 18	Dec 19	Dec 20	Dec 21	Dec 22
Cash and cash balances	17,549	10,693	35,839	45,495	35,685
Trading, financial assets	43,930	44,295	46,849	53,211	59,833
Loans and advances to banks	19,103	23,055	21,466	21,001	18,435
Loans and advances to customers	149,321	160,270	166,050	180,268	202,109
Intangible assets	1,507	1,368	1,359	1,362	1,347
Miscellaneous assets	5,382	6,012	5,830	6,090	6,456
Total assets	236,792	245,693	277,394	307,428	323,865
Financial liabilities held for trading	2,508	2,421	2,625	2,474	3,264
Deposits from banks	17,658	13,141	24,771	31,886	28,821
Deposits from customers	162,638	173,846	191,070	210,523	223,973
Debt securities issued	29,738	30,371	30,676	32,130	35,904
Miscellaneous liabilities	5,381	5,437	5,840	6,902	6,599
Total equity	18,869	20,477	22,410	23,513	25,305
Total liabilities and equity	236,792	245,693	277,394	307,428	323,865
Loan/deposit ratio	91.8%	92.2%	86.9%	85.6%	90.2%
NPL ratio	3.2%	2.5%	2.7%	2.4%	2.0%
NPL coverage ratio (based on AC loans, ex collateral)	73.4%	77.1%	88.6%	90.9%	94.6%
Texas ratio	24.5%	19.9%	20.3%	18.3%	16.4%
Total own funds (CRR final, in EUR million)	20,891	21,961	23,643	24,758	26,184
CET1 capital ratio (CRR final)	13.5%	13.7%	14.2%	14.5%	14.2%
Total capital ratio (CRR final)	18.1%	18.5%	19.7%	19.1%	18.2%
About the share	2018	2019	2020	2021	2022
Shares outstanding at the end of the period	429,800,000	429,800,000	429,800,000	429,800,000	429,800,000
Weighted average number of outstanding shares	426,696,221	426,565,097	426,324,725	426,246,662	427,019,261
Market capitalisation (in EUR billion)	12.5	14.4	10.7	17.8	12.9
High (in EUR)	42.38	37.07	35.6	41.95	44.98
Low (in EUR)	28.10	28.23	15.34	24.80	21.66
Closing price (in EUR)	29.05	33.56	24.94	41.35	29.90
Price/earnings ratio	7.0	9.8	13.7	9.2	5.9
Dividend per share (in EUR)	1.40	0.00	1.50	1.60	1.90
Payout ratio	35.1%	0.0%	96.4%	38.7%	39.6%
Dividend yield	4.8%	0.0%	6.0%	3.9%	6.4%
Book value per share (in EUR)	31.1	32.9	34.0	36.7	39.8
Price/book ratio	0.9	1.0	0.7	1.1	0.8
Additional information	Dec 18	Dec 19	Dec 20	Dec 21	Dec 22
Employees (full-time equivalents)	47,397	47,284	45,690	44,596	45,485
Branches	2,507	2,373	2,193	2,091	2,029
Customers (in million)	16.2	16.6	16.1	16.1	16.1

CRR: Capital Requirements Regulation

Shares outstanding include Erste Group shares held by savings banks that are members of the Haftungsverbund (cross-guarantee system).

Financial data

Earnings per share

in €

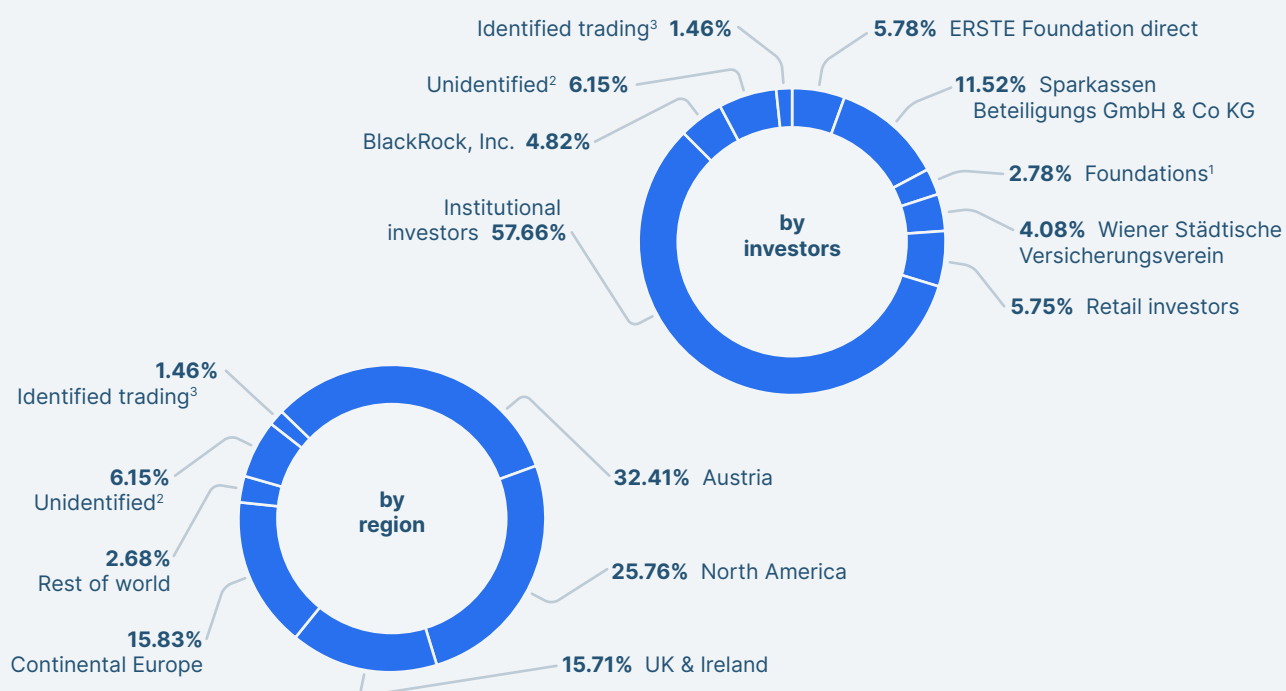


Return on tangible equity, ROTE

in %



Shareholder structure as of 31 December 2022



¹ Erste Employee Foundation, syndicated savings banks foundations, own holdings of savings banks

² Unidentified institutional and retail investors

³ Incl. market makers, prime brokerage, proprietary trading, collateral and stock lending positions which are visible through custodian banks.

Cost/income ratio

in %



Net interest margin

in %



Financial calendar



28 April	Results for the first quarter 2023
2 May	Record date Annual General Meeting
12 May	Annual General Meeting in Vienna
16 May	Ex-dividend day
17 May	Record date dividend
19 May	Dividend payment
31 July	Half-year financial report 2023
30 October	Results for the first three quarters 2023

Ratings as of 31 December 2022



Fitch	
Long-term	A
Short-term	F1
Outlook	Stable
Moody's	
Long-term	A2
Short-term	P-1
Outlook	Stable
Standard & Poor's	
Long-term	A+
Short-term	A-1
Outlook	Stable

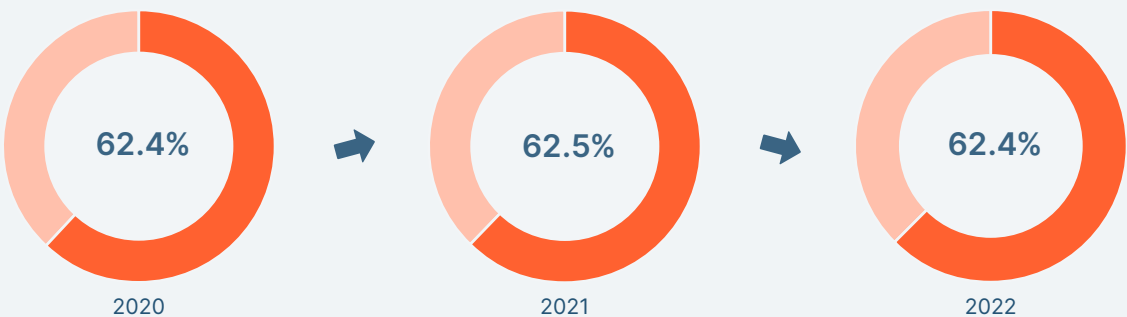
The financial calendar is subject to change.

The latest updated version is available on Erste Group's website (www.erstegroup.com/investorrelations).

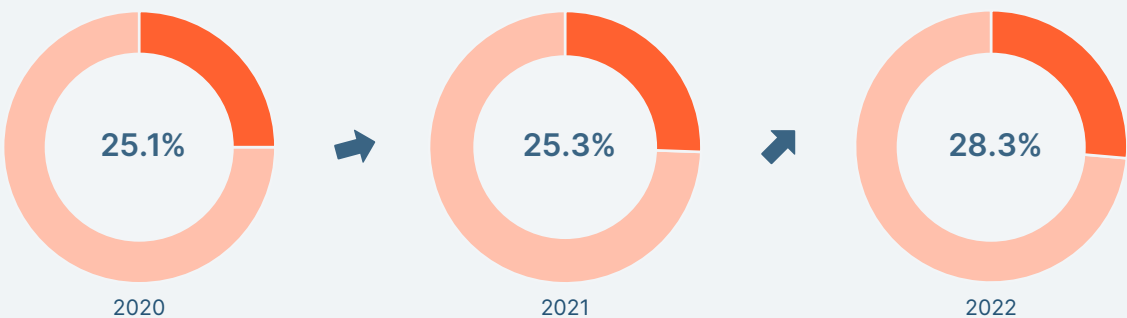
Non-financial data

Share of women

Female employees



Female top managers



Social Banking until 2022

40,445
clients supported

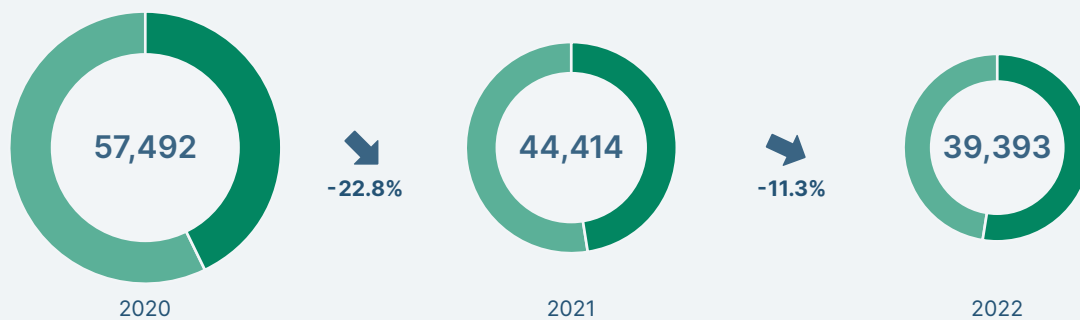
€ 464 millions
disbursed loans

48,000
clients received education
and mentoring

For the reported share of female top managers, the scope of consolidation corresponds to the Holding and the subsidiaries of Erste Group.
The number of clients supported corresponds to the number of clients in the areas of microfinance, start-up finance and financing of social organisations,
as well as the number of supported clients in financial difficulties.

Operational greenhouse gas emissions

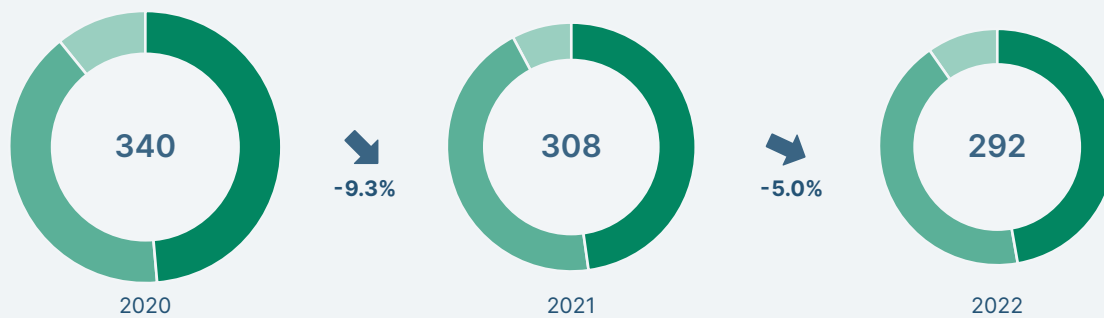
in tonnes CO₂e



● Scope 1 (direct) ● Scope 2 (indirect)

Energy consumption

in GWh



● Electricity ● Heating, warm water and district cooling ● Carpool

CO₂e: CO₂-equivalents are the sum of all greenhouse gas emissions, e.g. carbon dioxide, methane and nitrogen oxide
 Scope 1: Direct greenhouse gas emissions from burnt natural resources (e.g. heating oil, petrol)
 Scope 2: Indirect greenhouse gas emissions from energy production (e.g. electric energy, district heating)

Your Notes

Highlights

Sustainable profitability

- Net result of EUR 2,164.7 million
- Local banks in all core markets are profitable
- Dividend of EUR 1.9 per share proposed to AGM

Operating performance improves

- Operating revenues increase by 10.7% driven by net interest income and net fee and commission income
- Operating expenses increase amid inflationary environment by 6.2%
- Cost/income ratio target set for 2024 already met in 2022, improves to 53.4%

Customer business drives balance sheet growth

- Net loans increase by 12.1% to EUR 202.1 billion, primarily due to increasing demand from corporate customers
- Solid deposit growth supported by all customer groups

Sound asset quality

- NPL ratio improves to 2.0%, the lowest level since the IPO
- NPL provision coverage at 94.6%
- Risk costs of 15 basis points (on average gross customer loans)

Favourable capitalisation

- CET1 ratio (CRR final) increases to 14.2%
- Capital significantly above regulatory requirements and internal target

Excellent funding and liquidity position

- Strong retail deposit base in all core countries is key trust indicator and competitive advantage
- Loan-to-deposit ratio at 90.2%
- All local banks successfully placed MREL-related issuances

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Editorial deadline: 28 February 2023, unless stated otherwise

Management board



Maurizio Poletto

David O'Mahony

Alexandra Habeler-Drabek



Stefan Dörfler

Willi Cernko

Ingo Bleier

Letter from the CEO

Dear shareholders,

On 1 July, I assumed responsibility for Erste Group as CEO with a sense of joy and momentum. It is a privilege to lead a bank with a tried-and-tested business model and a proven strategic positioning. Erste Group focuses on the financial needs and concerns of its retail and corporate customers, the provision of value-adding products and services and the delivery of adequate advisory services through traditional branch offices and, increasingly, digital channels. We believe in the people, in the businesses and in our region of Central and Eastern Europe. Since Erste Group's foundation more than 200 years ago, it has been our stated goal to help our customers achieve financial independence and build prosperity – regardless of status, nationality, faith, gender or age. As a leading banking group, we keep developing our offerings in line with our mission: from socially and ecologically responsible financial services to financial health and security. I am convinced of Erste Group's potential, its capacity for innovation and its resilience in the face of challenges of all kinds. Our readiness to engage in transformation and growth, our rigorous focus on the digital transition and the pursuit of the manifold facets of financial health make us fit for the future.

For 2022, Erste Group posted a very gratifying result – a net profit of EUR 2,164.7 million based on an excellent operating result and lower risk costs – and achieved all of the targets it had set itself. Erste Group's capital as well as liquidity and funding positions remain strong. At year-end, the common equity tier 1 ratio amounted to 14.2%.

Before going into the details of our economic performance I should like to briefly outline the environment in which we operated.

A year marked by crises and change

The economic environment changed fundamentally in the course of the year. Early in the year, our region showed signs of a solid recovery after the restrictions of the Covid-19 pandemic. Then, the war in Ukraine, the knock-on effects of the sanctions, uncertainty surrounding gas supplies from Russia and turmoil in the energy markets as well as continued international supply chain disruptions slowed the rebound of the economy. Governments implemented once again support programmes, this time to cushion the impact of soaring energy prices. The rise in inflation had an adverse impact on consumer spending and investment activity. In the first half of the year, the economy did better than originally expected, though, and so the 2022 growth forecasts for our core markets were nonetheless raised several times. Labour market stability was remarkable, with unemployment rates at historically low levels across all core markets. While the central banks of the Czech Republic, Hungary and Romania had reacted to accelerating inflation pressure by raising interest rates as early as 2021, the ECB implemented its first rate hike in a decade only in July. After the fifth rate hike of 16 March 2023, the euro zone's policy rate now stands at 3.5%.

Excellent operating result

How did this macroeconomic environment impact the performance of Erste Group? In a nutshell: both of our two key income components performed solidly. Net interest income rose almost 20% to EUR 5.95 billion on the back of robust loan growth in all core markets and rate hikes that, driven by inflation, came in higher than originally expected in both the CEE core markets and the eurozone. At the same time, net fee and commission income hit an all-time high at EUR 2.45 billion. The 6.5% rise is all the more remarkable as the baseline had already been elevated after years of dynamic growth. Especially payment services and asset management were very strong despite a clouded economic outlook and capital market volatility. Overall, Erste Group posted EUR 8.57 billion in operating income, up more than 10% year on year. At the same time, we maintained the cost discipline that we had already practiced for many years. In this context, I consider it particularly important to mention that we have not made any cuts to our digitalisation efforts whatsoever. Another set of costs that has been carefully monitored – regulatory costs typical of banks (payments to resolution funds and deposit insurance systems as well as banking and transaction taxes) – stood at around EUR 470 million. Overall, costs rose at a slower pace than income, by 6.2% to EUR 4.57 billion, despite the inflationary environment. The resulting cost/income ratio of 53.4% has enabled us to set an even more ambitious target of 52% for 2024.

Risk costs at low level

Asset quality improved once again in 2022. At year-end, Erste Group's NPL ratio was 2.0%, the best level since its 1997 IPO. While risk costs were up they remained, overall, low. Provisions for credit risks were mainly driven by updated forward looking economic indicators (FLIs) as well as stage overlays for cyclical industries and energy-intensive sectors. Overall, (net) provisions were set aside in the amount of approx. EUR 300 million in 2022, which is the equivalent of a provisioning ratio of 15 basis points of average gross customer loans.

Strong loan growth

Despite rate hikes and slower growth in the second half of the year, Erste Group saw extraordinary loan growth, with net loans up 12.1%. In the 2022 fiscal year, growth was particularly vigorous in the corporate segment, fuelled by brisk demand for working capital loans. In the retail segment, demand for housing loans declined visibly in the second half of the year, particularly in Austria and the Czech Republic, due partly to higher interest rates and partly to stricter regulatory standards.

Solid deposit base, low reliance on money and capital market funding

One of Erste Group's traditional strengths – a well diversified deposit base in all core markets – should not go unmentioned. The inflow of deposits remained strong in 2022, with customer deposits increasing by 6.4%. Because of its business model and solid

market positions, Erste Group has a large proportion of granular retail customer deposits, which at year-end 2022 accounted for nearly 70% of all customer deposits. The loan-to-deposit ratio stood at 90.2%.

Digital progress

The expansion of our digital platform George was continued. The number of digital users and digital transactions increased continuously. Across the Group, nearly nine million clients were using George by year-end 2022. In the second half of 2022, products sold through digital channels already accounted for more than one third. Roll-out of George Business, our solution for corporate clients, was started in Austria. Additional areas of priority in IT modernisation have been the automation of transactions and processes and digital data analysis.

Solid capitalisation and dividend proposal

I would particularly like to highlight the strong capitalisation of Erste Group: in addition to sustainable profitability, a strong capital base is important as it is the precondition for the bank's ability to grow and pay dividends. At 14.2% at the end of December 2022, the common equity tier 1 ratio (final) was again excellent and substantially above our 13.5% target as well as far above the regulatory minimum requirement.

For the 2022 fiscal year, the management board will propose at the annual general meeting to pay a dividend of EUR 1.9 per share. In addition, Erste Group has applied for regulatory approval of a share buyback with a volume of up to EUR 300 million in 2023.

Sustainability and growth are no contradiction

Where sustainability is concerned, our strategic priorities are based on the conviction that the green transition and social inclusion are crucial to the long-term prosperity of our region. Here, I should like to name a few of our ESG targets or significant milestones: as member of the Net Zero Banking Alliance we

are planning for Erste Group's operations to achieve climate neutrality by year-end 2023 and net-zero emissions by 2030. Achieving a net-zero portfolio will take some more time, until 2050. Additional targets have been defined for social banking and the diversity of our staff.

Further information on Erste Group's targets and numerous sustainability initiatives as well as a wide range of ESG performance indicators are provided in the non-financial report, which again forms part of the Annual Report for fiscal year 2022. Going forward, we will brief you in even more depth on the ecological, social and governance themes that are of relevance to us.

Outlook for 2023

At this point, I should like to highlight a few key components of our outlook for 2023. In the current fiscal year, we expect loan growth to slow to about 5%. Combined with higher interest rates in the eurozone, this should result in net interest income growth of about 10%. Net fee and commission income is expected to rise by about 5%. Even with inflation running higher, operating expenses should increase in 2023 again less strongly than operating income by about 7 to 8%. The cost/income ratio target set for 2024 is more ambitious at around 52%. In view of strong employment, we do not expect risk costs to exceed 35 basis points in 2023. This should, finally, yield a continued solid return on tangible equity (ROTE) of 13 to 15%.

It is of special importance to me to thank the employees of Erste Group for their personal commitment. Our joint efforts and our conviction have helped us to further strengthen Erste Group's position in the CEE region. I would be pleased if, this year again, a large number of Erste Group employees took advantage of the employee share ownership programme, which enables them to participate in the future success of Erste Group like all of our shareholders.

Willi Cernko mp

Supervisory board



Karin Zeisel, Barbara Pichler, Markus Haag, Marion Khüny, Christine Catasta, Andreas Lachs, Henrietta Egerth-Stadlhuber, Friedrich Rödler, Hikmet Ersek (f.l.t.r.)



Alois Flatz, Friedrich Santner, András Simor, Mariana Kühnel, Michèle F. Sutter-Rüdisser, Elisabeth Krainer Senger-Weiss, Regina Haberhauer, Maximilian Hardegg, Martin Grießer, Michael Schuster (f.l.t.r.); not in the picture: Jozef Pinter

Report of the supervisory board

Dear shareholders,

While in the previous years the Covid-19 pandemic had confronted us with new and unexpected challenges, the war in Ukraine was the world-shaking event that deeply moved and affected us in the 2022 fiscal year. From the very beginning, Erste Group took part in the effort to support Ukrainian refugees by providing financial and humanitarian aid. I should like to warmly thank all employees who, in innumerable initiatives and with support from the management board, lent a helping hand.

Apart from causing human suffering, this war has had a major impact on the development of the economy, not only in the countries involved, but world-wide: rising energy prices, inflation, supply bottlenecks, to name just a few. To date, Erste Group has dealt with these challenges quite well and has emerged stronger from the fiscal year ended. This shows that our banking group is built on good foundations and that the decisions taken in the past were the right ones.

The environment is changing quite generally: the accelerating digital transition and the potential uses of artificial intelligence are signalling the start of a new era. In the efforts to create a resource-efficient economy, banks are among the first that are forced to test their business models from ecological and social standpoints and to make adaptations, if necessary.

In the fiscal year ended, there was one change in the management board of Erste Group Bank AG: Bernd Spalt, who had steered Erste Group through the time of the Covid-19 pandemic as CEO, announced in May 2022 that he would not seek renewal of his management board mandate. The supervisory board thanks him very cordially for his many years of successful service for Erste Group, to whose development he has contributed in a wide range of functions. The supervisory board decided to appoint a highly experienced manager as his successor: Willi Cernko had already held the position of CEO of a major Austrian commercial bank and served in management board functions at Erste Group for several years. Since July 2022, he has been serving as chairman of Erste Group's successful management board team.

The supervisory board also extended David O'Mahony's management board mandate until 31 December 2026.

I am particularly pleased that in 2022 the supervisory board meetings increasingly returned from purely virtual or hybrid sessions to a form of communication that was marked by personal contact. The technical means of electronic communication that had been set up in the course of the pandemic were resorted to, though, whenever this was considered appropriate or beneficial.

In the 2022 fiscal year, there were also changes in the composition of the supervisory board: the mandate of 1st vice chair Jan Homan expired at the annual general meeting on 18 May 2022. Jan Homan had been a member of the supervisory board since 2004, and in this function, thanks to his ample experience and

expertise, made a significant contribution to the development of Erste Group into a leading bank in Central Europe. We wish to thank him very warmly and are pleased that he will stay with us as a member of the supervisory board of Erste Bank Oesterreich and Slovenská sporiteľňa.

My own mandate as member of the supervisory board was extended at the 2022 annual general meeting. For this trust I wish to extend my most cordial thanks. This annual general meeting also decided to re-elect Henrietta Egerth-Stadlhuber, Marion Khüny and Michèle F. Sutter-Rüdisser. Hikmet Ersek, Alois Flatz, Marianna Kühnel and Christine Catasta were newly elected to the supervisory board, the last named effective 1 July 2022. The supervisory board then re-elected me as its chair, Maximilian Hardegg as 1st vice chair and Elisabeth Krainer Senger-Weiss as 2nd vice chair. Markus Haag was delegated to the supervisory board by the employees' council as of 18 May 2022, as was Martin Grießer as of 1 July 2022.

The supervisory board of Erste Group brings together members of diverse ages with a wide range of diverse theoretical and practical knowledge and skills gained in Austria and abroad as well as great professional experience. In this context I wish to point out that now almost as many women as men are holding mandates. I am looking forward to further cooperation.

As regards the composition and independence of the supervisory board, the criteria for its independence, its working procedures, the number and type of committees and their decision-making powers, the meetings of the supervisory board and the main focus of its activities, please refer to the (consolidated) corporate governance report drawn up by the management board and reviewed by the supervisory board.

As regards the activities of the audit committee, please also refer to its separate report. In the course of a total of 47 supervisory board and committee meetings, the management board promptly and comprehensively informed the supervisory board. This allowed us to act in accordance with the mandate laid down in the law, the articles of association and the Austrian Code of Corporate Governance, as well as to ascertain the proper conduct of business.

The financial statements (consisting of the balance sheet, income statement and notes) and the management report as well as the consolidated financial statements and the group management report for 2022 were audited by Sparkassen-Prüfungsverband, the legally mandated auditor, and by PwC Wirtschaftsprüfung GmbH, the elected supplementary auditor, and received an unqualified audit opinion. Representatives of both auditors attended the financial statements review meetings of the audit committee and the supervisory board and presented their comments on the audits they had conducted. Based upon its own review, the supervisory board endorsed the findings of these audits and agreed to the proposal for appropriation of the profit of the 2022 fiscal year.

PwC Wirtschaftsprüfung GmbH was also mandated with the voluntary audit of the (consolidated) corporate governance report for 2022 as well as with the audit of the (consolidated) non-financial report for 2022.

The supervisory board has approved the financial statements and these have thereby been duly endorsed in accordance with section 96 para 4 of the Austrian Stock Corporation Act (Aktiengesetz). The management report, consolidated financial statements, group management report, (consolidated) corporate governance report and the (consolidated) non-financial report have also been reviewed by the supervisory board and accepted on the basis of the audit reports received by the supervisory board.

We thank the management board and all employees of Erste Group for their great dedication and exceptional commitment, which enabled Erste Group to offer our customers the best possible support in a geopolitically and economically challenging environment and to post a highly satisfactory result for the year 2022.

For the supervisory board,
Friedrich Rödler mp, Chairman of the supervisory board
Vienna, March 2023

Report of the audit committee

Dear shareholders,

It is a great pleasure for me to be able to address you for the first time as chair of the audit committee. Last year saw a change in the membership of the audit committee due to the departure of Jan Homan, who left the supervisory board on reaching the age limit, as well as new members elected to the supervisory board. Up until the constituent meeting of the supervisory board on 18 May 2022, the audit committee had been chaired by Friedrich Rödler, followed by Michèle F. Sutter-Rüdisser until 30 June 2022 before the function was passed on to me when I started serving on the supervisory board of Erste Group Bank AG from 1 July 2022. I thank my two predecessors very warmly for their invaluable support and their dedicated work for Erste Group's supervisory board.

The audit committee is one of seven committees established by the supervisory board. Its mandate is derived from the law, the rules of the Austrian Code of Corporate Governance and its rules of procedure. As of 31 December 2022, the audit committee comprised six shareholder representatives and three members delegated by the employees' council.

In 2022, the audit committee met seven times and, in addition, held one informal meeting to prepare the meeting on the audit of the (consolidated) financial statements. The meetings were attended by those management board members responsible for accounting, controlling and risk management as well as the representatives of Erste Group Bank AG's auditors and, as required, representatives of the auditors of key (foreign) subsidiaries. Responsible division heads were also invited to attend as permanent guests or to attend as guests in discussions on specific agenda items. The chair of the audit committee and the financial expert regularly conducted one-on-one meetings with, amongst others, the auditors (Sparkassen-Prüfungsverband as the legally mandated bank auditor and PwC as additional auditor elected by the annual general meeting), members of the management board, the head of internal audit, the head of group compliance and with other division heads as required. The supervisory board was informed on the committee's activities and the subject matters of its meetings and discussions at the respective subsequent supervisory board meetings.

2022 was challenging also for credit institutions. It was marked by the Russia-Ukraine conflict and the aftermath of the Covid-19 pandemic as well as by changes in the interest rate environment and new legal and regulatory requirements for Erste Group entities. All this had an impact on the work of the audit committee and was considered by the audit committee members with the required care and diligence in exercising their duties. Among other things, the supervisory board also tasked the audit committee with reviewing the (consolidated) non-financial report.

Preparatory to forthcoming changes in legislation including the Corporate Sustainability Reporting Directive (CSRD), the audit committee as well as the strategy and sustainability committee, newly created this year, decided to place a stronger focus on matters such as aligning financial and non-financial reporting, continuing improvements in data quality and new organisational measures at Erste Group.

In 2022, the audit committee specifically considered the following topics: after receipt of the auditors' report on the (Group) financial statements for 2021, the audit committee held the final discussion, reviewed the (Group) financial statements and the (Group) management report, the (consolidated) non-financial report as well as the (consolidated) corporate governance report and recommended to the supervisory board the approval of the annual financial statements and distribution of a dividend as proposed by the management board. The additional report of the auditors pursuant to Article 11 of Regulation (EU) No 537/2014 was taken note of.

Key audit matters relating to subsidiaries were likewise discussed in depth and commented on with regard to their impact on the Group financial statements. In its additional function as audit committee of Erste Digital GmbH pursuant to Section 30g para 4a(3) GmbHG (Act on Limited Liability Companies), it recommended that the supervisory board of Erste Digital GmbH advise the shareholders' meeting of Erste Digital GmbH to approve the annual financial statements, give its consent to the management board's proposal for the appropriation of profit and take note of the management report of the shareholders' meeting of Erste Digital GmbH.

After on-site inspections conducted by supervisory authorities, the audit committee took note of the respective audit reports and the plan to address the supervisory authorities' findings and, where necessary, requested to be briefed on the current status of implementation. The joint supervisory team of the regulatory authorities was informed about the audit committee's work in a meeting with the chair of the audit committee and the chair of the supervisory board.

Further information on the activities of the audit committee and its composition is contained in the (consolidated) corporate governance report prepared by the management board and reviewed by the supervisory board.

For the audit committee,
Christine Catasta mp

Erste Group on the capital markets

After two years that had been overshadowed by the coronavirus pandemic, 2022 was marked by Russia's invasion of Ukraine and the ensuing far-reaching consequences for the global economy. The significant rise in commodity prices combined with existing supply shortages in raw materials and intermediate products pushed inflation rates to historic highs such as 9.1% in the US in June and 10.6% in the eurozone in October 2022. The central banks responded to this environment by carrying out multiple significant rate hikes. Against the backdrop of continued high inflation, further tightening by the central banks, existing supply shortages and the energy crisis in Europe, the outlook for global economic growth clouded in the course of the year. While in the US the downturn was driven primarily by central bank intervention, the eurozone economy was facing additional pressure from the strong rise in energy prices and reduced natural gas supply. This was also reflected in the weakness of the euro, which temporarily fell below parity against the US dollar for the first time since 2002. Geopolitical uncertainty, elevated rates of inflation, the central banks' rate hikes and the slowdown of the global economy caused growing uncertainty among investors and led to repeated setbacks in the capital markets.

EQUITY MARKET REVIEW

A challenging year

After the strong performance of the previous year, the Russia-Ukraine war, uncertainty over energy supplies and changes in inflation and interest rates had an adverse impact on equity markets. Rising yields in the developed markets, high energy costs and inflation as well as expectations of an economic downturn clouded the outlook of a large number of companies and resulted in a continuous weakening of consensus estimates of revenues and earnings. Despite a slight easing of inflation rates, economic indicators and energy prices in the final quarter, the indices covered declined in most cases by double digits. In the US, the Dow Jones Industrial Average Index closed the reporting period at 33,147.25 points, down 8.8% year-on-year. The broader Standard & Poor's 500 Index declined by 19.4% to 3,839.50 points in the year ended, the Nasdaq technology index even by 33.1% to 10,466.48 points. In Europe, the Euro Stoxx 600 Index decreased by 12.9% year-on-year, ending the year 2022 at 424.89 points. The Austrian Traded Index (ATX) declined by 19.0%.

Central banks start turnaround in interest rates

Central banks have to cope with the trade-off – intensified by the ongoing geopolitical crisis – between fighting inflation and working to stabilise the economy, financial and public debt. To bring down persistently high inflation rates, the central banks issued clear signals and ended their previously expansionary monetary policies, tolerating in the process even adverse impacts on the economy. After rates had been raised in a number of CEE countries and in the United Kingdom, the US Federal Reserve (Fed) likewise started its rate-hike cycle in mid-March. Overall, the Fed raised its rates seven times in the course of the year. As of year-end, the interest rate is in the range of 4.25% to 4.50%. With

some time lag, the European Central Bank (ECB) likewise ended its zero-interest-rate policy after more than six years in July by embarking on its first rate hike in 11 years. Overall, the ECB raised its benchmark rate four times to 2.5% at year-end. Both central banks said they would continue their rate-hike cycles to contain the high rates of inflation.

Economy growth slowing

The International Monetary Fund (IMF) has adjusted its global growth outlook. Global economic growth is expected to come in at 3.4% for 2022 and at 2.9% in 2023, with the forecast for the eurozone being 3.5% for 2022 and 0.7% for 2023.

Banking shares affected by inflation and economic outlook

In the given environment, bank shares also suffered – partly substantial – setbacks. Despite higher net interest income driven by rising interest rates, bank shares came under pressure because of concerns over a decline in loan demand and a potential rise in defaults. The Dow Jones Euro Stoxx Banks Index, which is composed of the leading European bank shares, declined by 4.6% to 95.86 points during the reporting period.

Vienna stock market down

The Austrian stock market was hit harder than other markets due to its close relations with Eastern Europe. After posting gains of around 39% in the previous year, the ATX declined by 19.0% in 2022 in a market slide that was sharper than in 2020, the first year affected by the coronavirus (-12.8%). At year-end, the index stood at 3,126.39 points.

ERSTE GROUP SHARE

Challenging environment weighing on share price

After posting its second-highest gain last year since going public in 1997, the Erste Group share saw a strong start to the year, but then suffered significant losses in the wake of geopolitical events. Strong operating performance, solid asset quality and risk cost forecasts were not acknowledged by the market. The key themes were macroeconomic developments (specifically GDP growth, inflation and labour market data) and their impact on income components as well as the introduction of windfall profit taxes. It was only in the final quarter of the reporting period, after the release of better-than-expected results, including in particular net interest income, that the share recovered some of the ground previously lost. Despite such growth, the Erste Group share was down disproportionately versus the European banking index and, at its year-end closing price of EUR 29.90, was 27.7% lower than at year-end 2021. It marked its low at EUR 21.66 on 26 August and its high at EUR 44.98 on 9 February.

Performance of the Erste Group share and major indices (indexed)



25th anniversary of Erste Group's IPO

25 years ago, on 4 December 1997, Erste Group went public in an IPO with a volume corresponding to EUR 510 million, at the time the largest-ever share issue in Austrian stock market history. The IPO laid the foundation for Erste Group's growth in Central and Eastern Europe. The funds raised also helped fund investments into technology and digital innovation. Together with later supplemental public offerings, the stock market listing played a key role in Erste's growth from a regional savings bank in Austria to being a leading financial services provider in Central and Eastern Europe servicing some 16 million customers in seven core markets.

Performance of the Erste Group share versus indices

	Erste Group share	ATX	DJ Euro Stoxx Banks Index
Since IPO (Dec 1997)	169.8%	145.0%	-
Since SPO (Sep 2000)	154.5%	167.6%	-72.7%
Since SPO (Jul 2002)	71.6%	156.3%	-61.9%
Since SPO (Jan 2006)	-33.6%	-19.8%	-74.7%
Since SPO (Nov 2009)	3.1%	20.0%	-57.9%
2022	-27.7%	-19.0%	-4.6%

IPO ... initial public offering, SPO ... secondary public offering.

Employee Share Programme

In the year ended, Erste Group started offering its employees the new employee share programme. By joining this programme, employees participate not only directly in the success of Erste Group, but also become co-owners of their company. In 2022, approximately 30,000 employees took part in this programme. This also strengthened Erste Mitarbeiterbeteiligung Privatstiftung (Erste Employee Foundation), in which the voting rights of the shares acquired under the employee share programme are combined and exercised in a uniform manner.

Number of shares, market capitalisation and trading volume

In the year ended, the number of shares of Erste Group Bank AG remained unchanged at 429,800,000. At year-end 2022, Erste Group's market capitalisation stood at EUR 12.9 billion, 27.7% down on year-end 2021 (EUR 17.8 billion).

The Erste Group share is listed on the stock exchanges of Vienna, Prague and Bucharest. Its main stock exchange is Vienna, where in the year ended its trading volume averaged 820,277 shares per day.

Sustainability indices and ratings

The Erste Group share has been part of VÖNIX, the Vienna Stock Exchange's sustainability index, since its launch in 2008. Since 2011, the Erste Group share has been included in the STOXX Global ESG Leaders Index, which represents the best sustainable companies world-wide on the basis of the STOXX Global 1800. Since 2016, the Erste Group share has been included in the FTSE4Good Index Series, since 2017 in the Euronext Vigeo Europe 120 Index. In addition, Erste Group has held prime status in the ISS ESG corporate ratings since 2018. MSCI has rated Erste Group with AA. Since February 2021, Sustainalytics has assessed Erste Group to be at low risk of experiencing material financial impacts from ESG factors. In 2022, Erste Group participated in the CDP (Carbon Disclosure Project) Rating; its sustainability measures were assessed with B.

DIVIDEND

Erste Group's dividend policy is guided by the Bank's profitability, growth outlook and capital requirements. We target a payout ratio in the range of 40-50%, based on reported net profit, net of AT1 coupons.

The 29th annual general meeting that took place on 18 May 2022 was again held virtually. The annual general meeting agreed to distribute a dividend of EUR 1.60 per share for the fiscal year 2021, which was paid out on 25 May 2022.

RATINGS OF ERSTE GROUP BANK AG

The ratings of Erste Group remained unchanged in 2022 despite geopolitical uncertainty. Standard & Poor's left its rating at A+/A-1, Moody's at A2/P-1 and Fitch at A/F1, all with a stable outlook.

FUNDING ACTIVITIES

2022 was characterised by innovations of Erste Group's capital market activities. With the dual issuance of a 6.5-year and a 15-year covered bond (EUR 750 million each) at the beginning of 2022, Erste Group opened up the European capital market for issuers from the financial sector. The two tranches were issued at extremely attractive terms at -3bps + midswap for the shorter tenor and +5bps for the longer one. At the end of the first quarter

of 2022, a EUR 500 million Senior Preferred Benchmark with a 4-year tenor was issued. The fourfold oversubscription of the order book (priced at MS+55bps) confirmed our decision for a shorter tenor compared to previous transactions in a difficult market environment.

The market environment remained volatile. At the end of May 2022, however, at by and large stable conditions, we issued a EUR 500 million Tier2 bond (MS+255bps), which also generated high demand (order book over EUR 1.8 billion). The last benchmark bond followed in September, when we returned to the covered bond market with a EUR 750 million covered bond. The 8-year tenor served the untapped mid-tenor band and was issued at MS+16bps.

INVESTOR RELATIONS

Open and regular communication with investors and analysts

As Covid-induced restrictions were gradually lifted in the course of the year, banking and investor conferences were no longer held only virtually as phone or video conferences events but, starting from the second quarter, increasingly with in-person attendance. A large part of banking and investor conferences organised by Autonomous, Bank of America, BNP Paribas Exane, JP Morgan, Kepler Cheuvreux, Barclays, Morgan Stanley, PKO, Société Générale, Concorde, Pekao, HSBC, Deutsche Bank, mBank and Wood were held as in-person events. This also applied to the road show conducted with investors in Europe and North America in late May after the release of first-quarter results and the autumn road show held after the release of the third-quarter results in November, likewise in Europe and North America. The management and the investor relations team met with investors in a total of 250 one-on-one and

group meetings, in which Erste Group's strategy was presented against the backdrop of the current environment and questions raised by investors and analysts were answered. 48 meetings were held to intensify the dialogue with bond investors. A large number of face-to-face meetings with analysts and portfolio managers were held at conferences, virtual road shows and investors' days hosted by the European Covered Bond Council (ECBC), Barclays, Bank of America, Citigroup, Danske Bank, Goldman Sachs, Morgan Stanley, ING and UBS. The website <http://www.erstegroup.com/ir> provides comprehensive information on Erste Group and the Erste Group share. Investors and the broader public can follow the investor relations team on the social media platform Twitter at <http://twitter.com/ErsteGroupIR>. These sites provide users with the latest news on Erste Group on the social web. More details on the social media channels, the news/reports subscription and reminder service are available at <https://www.erstegroup.com/en/investors/ir-service>.

Analyst recommendations

In 2022, 22 analysts regularly released research reports about Erste Group. The Erste Group Bank AG share was covered by financial analysts at the following national and international firms: Autonomous, Bank of America, Barclays, BNP Paribas Exane, Carraighill, Citigroup, Concorde, Deutsche Bank, HSBC, JP Morgan, JT Banka, KBW, Kepler Cheuvreux, mBank, Mediobanca, Morgan Stanley, PKO, Pekao, RBI, Société Générale, UBS and Wood. As of the end of the year, 17 analysts had issued buy recommendations, four had rated the Erste Group share as neutral and one as underperform. The average year-end target price stood at EUR 40.00. The latest updates on analysts' estimates for the Erste Group share are posted at <https://www.erstegroup.com/en/investors/share/analyst-estimates>.

Strategy

We strive to be the leading retail and corporate bank in the eastern part of the European Union, including Austria. To achieve this goal, we aim to support our retail, corporate and public sector customers in realising their ambitions and ensuring financial health by offering excellent financial advice and solutions, lending responsibly and providing a safe harbour for deposits. Our business activities will continue to contribute to economic growth and financial stability and thus to prosperity in our region.

In all of our core markets in the eastern part of the European Union, we pursue a balanced business model focused on providing the best banking services to each of our customers. In this respect, digital innovations are playing an increasingly important role. Sustainability of the business model is reflected in our ability to fund customer loans by customer deposits, with most customer deposits being stable retail deposits. Sustainability of our strategy is reflected in long-term client trust, which underpins strong market shares in almost all of our core markets. However, market leadership is not an end in itself. Market leadership creates value only when it goes hand in hand with positive economies of scale and contributes to the long-term success of the company.

The banking business, however, should not only be run profitably, but should also reflect its corporate responsibility towards all material stakeholders, in particular customers, employees, society and the environment. Therefore, we pursue the banking business in a socially responsible manner and aim to earn an adequate premium on the cost of capital.

Long-standing tradition in customer banking

Erste Group has been active in the retail business since 1819. This is where the largest part of our capital is tied up, where we generate most of our income and where we fund the overwhelming part of our core activities by drawing on our customers' deposits. The retail business represents our strength and is our top priority when developing products such as modern digital banking that enable us to meet customers' expectations more effectively.

Offering attractive, easy-to-understand products and services that meet the individual needs and objectives of bank customers is important in building and maintaining strong long-term customer relationships. Today, we serve a total of approximately 16 million customers in seven core markets.

Our core activities also include advisory services and support for our corporate customers with regard to financing, investment, hedging activities and access to international capital markets. Public sector funding includes providing finance for infrastructure projects and acquiring sovereign bonds issued in the region. To meet the short-term liquidity management needs of the customer business, we also operate in the interbank market.

Core markets in the eastern part of the European Union

When Erste Group went public as an Austrian savings bank with no meaningful foreign presence in 1997, it defined its target region as consisting of Austria and the part of Central and Eastern Europe that had realistic prospects of joining the European Union. The aim was to benefit from the attractive growth prospects in these countries. Against the backdrop of emerging European integration and limited potential for growth in Austria, Erste Group acquired savings banks and financial institutions in countries adjacent to Austria from the late 1990s onwards. While the financial and economic crisis has slowed the economic catch-up process across the countries of Central and Eastern Europe, the underlying convergence trend continues unabated. This part of Europe offered, and still offers, the best structural, and therefore long-term, growth prospects.

Today, we have an extensive presence in the following core markets: Austria, the Czech Republic, Slovakia, Romania, Hungary and Croatia – all of which are members of the European Union. Following significant investments in our subsidiaries, we hold considerable market positions in these countries. In Serbia, which has been assigned European Union candidate status, we maintain a minor market presence, but one that may be expanded through acquisitions or organic growth as the country makes progress towards European Union integration. In addition to our core markets, we also hold direct and indirect majority and minority banking participations in Slovenia, Montenegro, Bosnia and Herzegovina, North Macedonia and Moldova.

Growing importance of innovation and digitalisation

The pace of digital transformation has accelerated considerably as a result of technological changes, demographic developments regulatory interventions and also due to the pandemic in recent years. As a result, customer behaviour and customer expectations towards financial products have also changed significantly. We are convinced that the digital banking business will continue to gain in importance and will be essential for the economic success in the long term and therefore foster digital innovation. Intra-group, interdisciplinary teams are developing innovative solutions with the aim to digitalise banking products end-to-end including associated processes (e.g. onboarding of corporate customers).

Our digital strategy is based on our own digital platform, George, including digital marketplaces (ecosystem). It aims at providing customers access to personalised products from us and also third-party suppliers through application programming interfaces (APIs) in the secure IT environment of a financial platform. APIs enable a wide range of co-operations, whether with fintechs, start-ups or across industries, and can therefore help open up new markets and attract new customers.

The digital platform George was implemented for retail customers in Austria in 2015. In the meantime, it is also running in the Czech Republic, Slovakia, Romania, Croatia and Hungary. It will

also be rolled out in Serbia. The range of digitally available products and services is being constantly expanded. Customers can activate applications of Erste Group or third parties via plug-ins and use them to manage their finances. In 2022, George reached another evolutionary level. George Business was implemented for corporate customers in Austria, and it will be rolled out in the local banking subsidiaries, by 2024 in Romania and the Czech Republic. It aims at offering group-wide an outstanding digital user experience across all customer segments on one platform.

Our omni-channel approach integrates various sales and communication channels. Customers decide on how, when and where they do their banking business. Contact centers serve as interfaces between digital banking and traditional branch business. These contact centers offer advice and sales, thus going far beyond the traditional help desk function.

It is our clear ambition to be the key contact for our customers. This means that we must also continue to focus on the prerequisites in order to meet this requirement. Two core areas are of particular importance:

- _ Improving data analysis so that we can better understand the needs of our clients and offer appropriate solutions with pinpoint accuracy.
- _ Further simplifying our digital offerings, with a focus on ensuring the perfect user journey, and also expanding these offerings to include new products.

Focus on sustainability and profitability

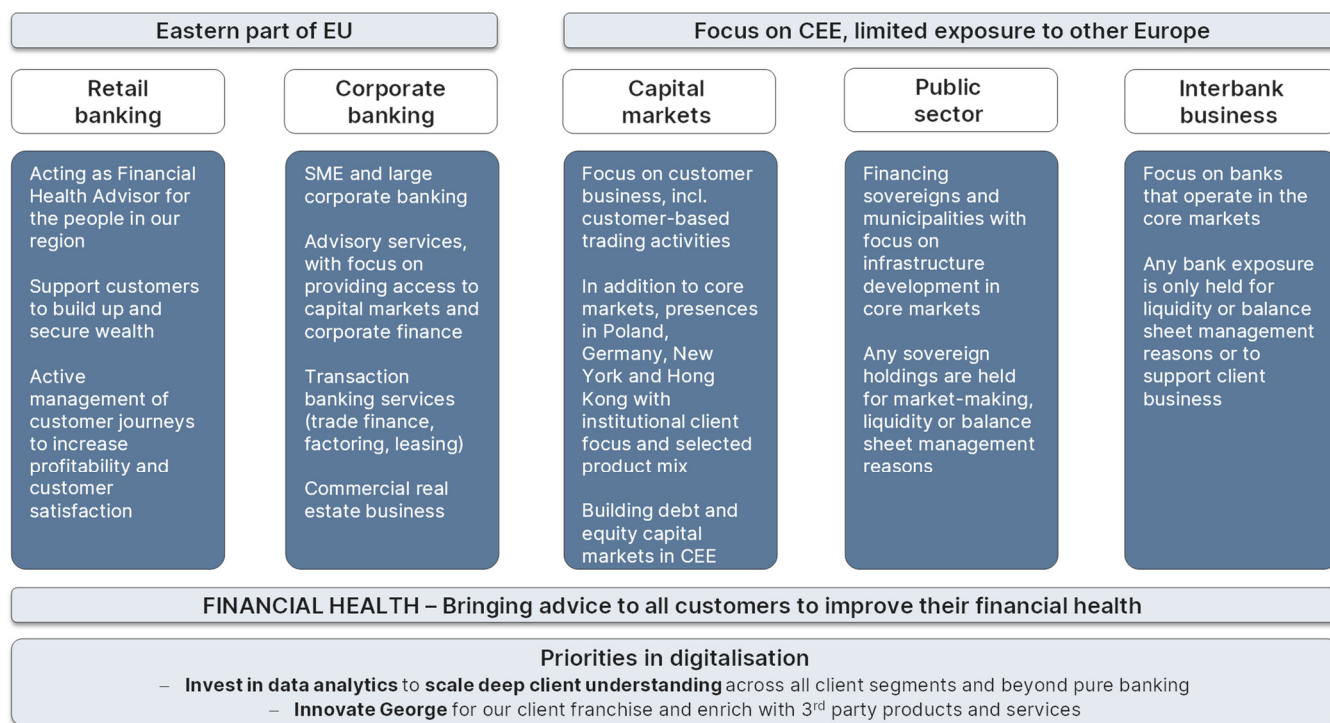
Acting responsibly and earning a premium on the cost of capital is a key prerequisite for the long-term survival of any company and the creation of value for customers, investors and employees. Only a bank that operates in a sustainable manner – balancing the social,

ecological and economic consequences of its business activities – and profitably can achieve the following: provide products and services to customers that support them in achieving their financial ambitions; deliver the foundation for share price appreciation as well as dividend and coupon payments to investors; create a stable and rewarding work environment for employees and be a reliable contributor of tax revenues to society at large.

The management board adopted a Statement of Purpose to reaffirm and state in more detail the purpose of Erste Group to promote and secure prosperity across the region. Building on this Statement of Purpose, a Code of Conduct defines binding rules of the day-to-day business for employees and members of both the management and supervisory boards. At the same time, the Code of Conduct underlines that in pursuing our business activities, we value responsibility, respect and sustainability. The Code of Conduct is an important tool for preserving the reputation of Erste Group and strengthening stakeholder confidence. Sustainability in this context means to operate the core business both in a socially and environmentally responsible manner and economically successfully.

Through a combination of stable revenues, low loan loss provisions, and cost efficiency, profits can be achieved in the long term. This is helped by a strong retail-based funding profile. When growth opportunities are elusive, as they will be from time to time, or the market environment is less favourable as a result of factors including high taxation, increased regulation or low interest rates, there will be a stronger focus on cost cutting. When the operating environment improves, more time will be devoted to capturing growth in a responsible way. Irrespective of the environment, we should benefit materially from operating in the region of Europe that offers the best structural growth opportunities for some time to come.

Banking leadership in Central and Eastern Europe



THE STRATEGY IN DETAIL

The basis of our banking operations is the retail and corporate customer business in the eastern part of the European Union, including Austria. The capital markets and interbank activities as well as the public sector business are defined more broadly to be able to meet our customers' needs as effectively as possible.

Retail business

Our key business is the retail business, covering the entire spectrum from lending, deposit and investment products to current accounts and credit cards. Our core competence in retail banking has historical roots. In 1819, wealthy Viennese citizens donated funds to establish Erste Group's predecessor, the first savings bank in Central Europe. It was their aim to bring basic banking services such as safe savings accounts and mortgage loans to wide sections of the population. Today, we serve a total of approximately 16 million customers in our markets and operate about 2,000 branches. Wealthy private clients, trusts and foundations are served by our private banking staff and benefit from services that are tailored to the needs of this target group.

In addition, we use and promote digital distribution channels such as Internet and mobile banking, not only to meet the increasing importance of digital banking, but to actively shape the digital future. This has already become visible through the activities of fintech companies, which offer financial services online and typically operate without a banking licence. George, our digital

platform, is available in Austria, the Czech Republic, Slovakia, Romania, Croatia and Hungary. It will also be rolled out in Serbia.

Retail banking is attractive to us for a number of reasons: It offers a compelling business case that is built on market leadership, an attractive risk-reward profile and the principle of self-funding. In addition, it benefits from a comprehensive range of products that are simple and easy to understand and provide substantial cross-selling potential. We take advantage of these factors in all core markets and make best use of our resulting position of strength by pursuing an omni-channel strategy. In addition to the expansion of digital sales channels, the branch network remains an important component of the business strategy. Only a retail bank that offers modern digital services and operates an extensive distribution network is able to fund loans in local currency mainly from deposits made in the same currency. In short, our retail banking model supports sustainable and deposit-funded growth even in economically more challenging times. Another positive factor is the diversification of the retail business across countries that are at differing stages of economic development, such as Austria, the Czech Republic, Romania, Slovakia, Hungary, Croatia and Serbia.

Corporate business

The second main business line, which also contributes significantly to our earnings, is business with small and medium-sized enterprises, regional and multi-national groups and real estate companies. Our goal is to enhance relationships with our clients beyond pure lending business. Specifically, our goal is for SMEs and large corporate customers to choose Erste Group as their

principal bank and also route their payment transfers through our banking entities and, in fact, regard Erste Group as their first point of contact for any kind of banking service.

Catering to their different requirements, we serve small and medium-sized enterprises locally in branches or separate commercial centres, while multinational groups are serviced by the Group Corporates' units. This approach permits us to combine industry-specific and product expertise with an understanding of regional needs and the experience of our local customer relationship managers. In view of regulatory interventions, advising and supporting corporate customers in capital market transactions is becoming increasingly important.

Capital markets business

Client-driven capital markets activities are also part of the comprehensive portfolio of products and services that we offer to our retail and corporate customers. The strategic significance of our centrally governed and locally rooted capital markets operations consists in supporting all other business areas in their dealings with the capital markets and, hence, in providing our customers with professional access to the financial markets. We, therefore, view our capital markets business as a link between financial markets and our customers. As a key capital markets player in the region, we also perform important functions such as market making, capital market research and product structuring.

The capital markets business serves the needs of our retail and corporate customers as well as those of government entities and financial institutions. Due to our strong network in the eastern part of the European Union, we have a thorough understanding of local markets and customer needs. In our capital markets business, too, we concentrate on core markets of the retail, SME and large corporate business: Austria, the Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia. For institutional customers, specialised teams have been established in Germany and Poland as well as in Hong Kong and New York that offer these customers a tailor-made range of products.

In many countries where we operate, the local capital markets are not yet as highly developed as in Western Europe or in the United States of America. That means our banking subsidiaries are pioneers in some of these markets. Therefore, building more efficient capital markets in the region is another strategic objective of our capital markets activities.

Public sector business

Solid deposit business is one of the key pillars of our business model. Customer deposits surpass lending volume in many of our geographic markets. Our banking entities make a significant part of this liquidity available as financing to the region's public sector entities. In this way, we facilitate essential public sector investment. Our public sector customers are primarily municipalities, regional entities and sovereigns that we additionally support and advise in capital market issuance, infrastructure financing and

project financing. Furthermore, we cooperate with supranational institutions. In terms of sovereign bond investments, we focus on Central and Eastern Europe equally.

Adequate transport and energy infrastructure and municipal services are absolute key prerequisites for sustainable economic growth in the long term. Therefore, we view infrastructure finance and all associated financial services to be of extreme importance. Between 2021 and 2027, the European Union has earmarked EUR 95 billion in funding for the Czech Republic, Slovakia, Croatia, Hungary and Romania through the European Structural and Investment Funds. The share for these five CEE countries is well above their 11% share of the population. Three quarters of the funds for CEE are available for regional development (EFRE, 57% of the funds) and for the Cohesion Fund (19% of the funds). When using EFRE funds, at least 50% of the projects are concentrated on thematic priority areas (research and innovation, digital agenda, support for small and medium-sized enterprises (SMEs) and the low-carbon economy). In addition to the classic cohesion policy, a further EUR 36 billion in grants will be available for the region as part of the European Covid-19 development plan (Next Generation EU). This temporary economic stimulus package will focus on the areas of digitalisation, climate policy and strengthening resilience.

Interbank business

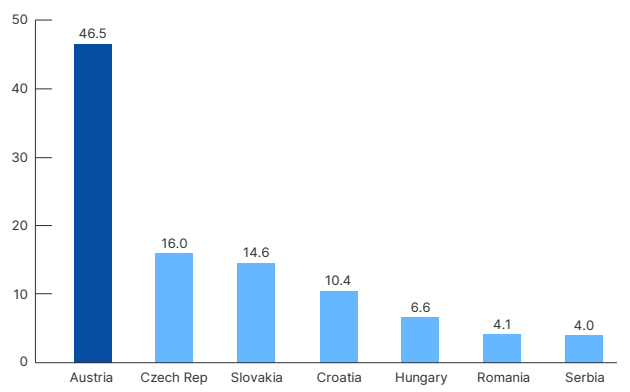
Interbank business is an integral part of our business model that performs the strategic function to ensure that the liquidity needs of our customer business are met. This involves, in particular, short-term borrowing and lending of liquid funds in the interbank market.

LONG-TERM GROWTH TRENDS IN CENTRAL AND EASTERN EUROPE

The economic catch-up process across the countries of Central and Eastern Europe and the underlying convergence trend continues. This is on the one hand due to the fact that the region has to make up for almost half a century of communist mismanagement of the economy, and on the other hand, due to the fact that banking activities were largely non-existent during that time. With the exception of deposit-taking, modern banking services were largely unknown in these countries after the fall of communism. On the lending side, this was due to high nominal and real interest rates and also to disposable incomes that did not support household credit growth. In addition, a healthy competitive environment was lacking due to extensive state ownership. All this has changed. Disposable income has risen strongly on the back of growing gross domestic product. Most formerly state-owned banks have been sold to strategic investors that have fostered product innovation and competition. Economic growth, which temporarily declined substantially in some countries in CEE following the economic and financial crisis, recovered again. Despite such economic slowdowns and potential temporary negative impacts on the banking markets in Central and Eastern Europe, these factors will remain the driving force behind future development.

In addition, most countries of Central and Eastern Europe have human resources that are at least equivalent to those of Western European countries but do not need to struggle with the unaffordable costs of the Western welfare states in the long term and have labour markets that are considerably more flexible. These advantages are complemented by – on average – highly competitive export industries that benefit from wage costs that are low relative to workforce productivity and from investor-friendly tax and welfare systems. A comparison of per capita private debt levels in Central and Eastern Europe with those of advanced economies reveals that even today an enormous gap exists between these markets. Countries such as the Czech Republic and Slovakia, but also Croatia and Hungary, are many years away from reaching Austrian or Western European levels of loans per capita; also in relative terms, these countries differ substantially regarding debt levels common in the West. The contrast to Serbia or Romania is even more pronounced – private debt levels, and particularly household debt, are substantially lower than in the advanced economies. Even though the developments of very recent years will probably lead to a reassessment of what constitutes acceptable debt levels and to only a gradual rise in lending in Central and Eastern Europe, we still firmly believe that credit expansion accompanied by economic growth in this region will prove to be a lasting trend rather than a short-term process that has already peaked.

Customer loans/capita in CEE (2022) in EUR thousand



Source: Local central banks, Erste Group

Over the upcoming 15 to 20 years, on average, the countries of the eastern part of the European Union are therefore expected to experience higher growth rates than the countries of Western Europe, even though periods of expansion may alternate with times of economic stagnation or even setbacks on this long-term path of sustainable growth.

BUILDING ON A STRONG BRAND

Slightly more than 200 years ago, our founding fathers wrote: “No age, gender, social class, or nationality shall be excluded from the benefits that a savings bank offers every depositor.”

With this founding principle – which was revolutionary at the time – Erste österreichische Spar-Casse contributed substantially to making financial services available for all segments of the population across our region.

Erste Group was founded to give everyone access to financial services and has developed into an institution that has an impact on the prosperity and the future of a region. Today, we are one of the largest banking groups and employers in Central and Eastern Europe. The trust that we and our local banks have been enjoying stems from the fact that we have actually been putting the founding principle into practice.

A brand is a consistent promise. It is more than a logo – it is about the perception of people when they think or hear of an organisation, its products and services. Brands have an important identification and differentiation function, which in turn determines whether a customer chooses one brand over another. Ultimately, companies with strong brands benefit from emotional relationships with their customers. Only a few businesses were founded with the aspiration of achieving more than just making profit. We are one of these and have been benefitting from a high degree of brand awareness and trustworthiness.

Over the last years, we have transformed our brand communication from being category- and product-driven to having a purpose-driven approach. To this end, we have established a statement of purpose as the main group-wide pillar of our brand communication: “Our region needs people who believe in themselves and a bank that believes in them.”

More than 200 years ago, a success story started that continues until the present day. The savings banks were founded on this basis of personal trust and the belief in ideas, plans for the future, and people’s capabilities and potential. Whether it is in any individual’s own life, in a business start-up or a long-established enterprise, in business or in society at large – trust and confidence in the future, believing in oneself and others, the belief in ideas and entrepreneurship are the key prerequisites for personal growth and social well-being.

Therefore, it is not products and services that mark the beginning of the relationship between us and our customers, but ideas, goals, needs, dreams and plans. It all starts with people who believe in their ability to attain prosperity and shape the future. The future is created by people who believe in themselves and their ideas – their visions of the future.

“Our region needs people who believe in themselves. And a bank that believes in them” is the key sentence that stands for the approach to which we have been firmly committed for more than 200 years. #believeinyourself is more than a lead narrative. It encourages people to pursue their aspirations, to create something, and embodies our promise to assist them along the way.

Business overview

PERFORMANCE ANALYSIS

P&L 2022 compared with 2021; balance sheet as of 31 December 2022 compared with 31 December 2021

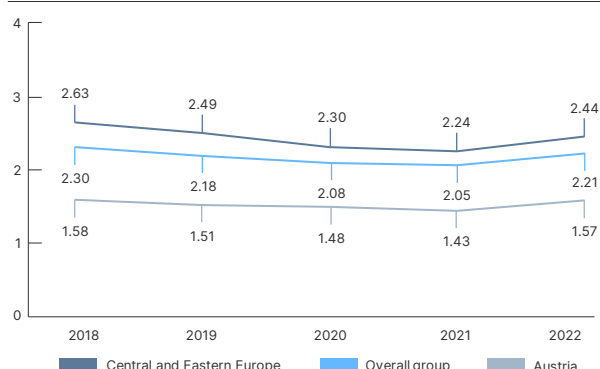
Profit and Loss Statement

in EUR million	2021	2022	Change
Net interest income	4,975.7	5,950.6	19.6%
Net fee and commission income	2,303.7	2,452.4	6.5%
Net trading result and gains/losses from financial instruments at FVPL	231.8	-47.3	n/a
Operating income	7,742.0	8,570.6	10.7%
Operating expenses	-4,306.5	-4,574.9	6.2%
Operating result	3,435.5	3,995.8	16.3%
Impairment result from financial instruments	-158.8	-299.5	88.6%
Other operating result	-310.5	-398.5	28.3%
Levies on banking activities	-73.5	-187.1	>100.0%
Pre-tax result from continuing operations	2,933.4	3,222.4	9.9%
Taxes on income	-525.2	-556.1	5.9%
Net result for the period	2,408.1	2,666.3	10.7%
Net result attributable to non-controlling interests	484.8	501.6	3.5%
Net result attributable to owners of the parent	1,923.4	2,164.7	12.5%

Net interest income

Net interest income rose significantly in both private and corporate business. The increase in retail business was due to higher market rates in the Czech Republic, Hungary, Romania, Austria and Slovakia as well as growth of loan volumes predominantly in the Czech Republic, Slovakia and Austria driven by housing loans. In the corporate business, it improved markedly on the back of continued loan growth in all markets and, most importantly, higher interest rates, in particular in the Czech Republic, Hungary and Romania. Group Market's net interest income also increased due to higher market interest rates, favourable market positioning in interest rate derivatives and higher volumes of money market placements.

Net interest margin in %

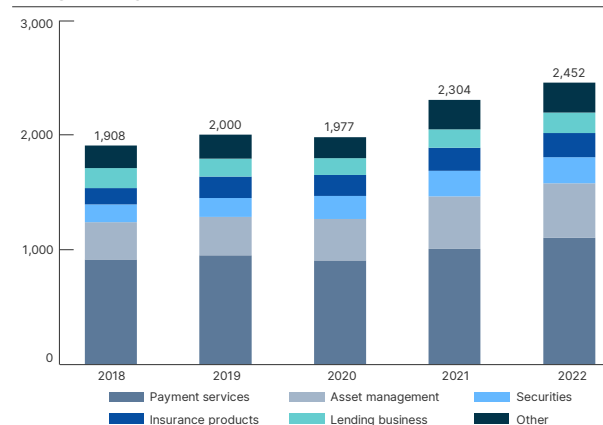


Despite one-off effects from the take-up of TLTRO III funds in the amount of EUR -123.2 million (EUR +93.0 million), net interest income was also up in Austria and Slovakia. The net interest margin (calculated as the annualised sum of net interest income, dividend income and net result from equity method investments over average interest-bearing assets) stood at 2.21% (2.05%).

Net fee and commission income

Growth was recorded across all core markets and nearly all fee and commission categories. In all markets, the strongest rises were seen in payment services (based on a higher number of transactions as well as price increases) and in asset management, most significantly in Austria and the Czech Republic.

Net fee and commission income, structure and trend in EUR million



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

Net trading result as well as the line item gains/losses from financial instruments measured at fair value through profit or loss (fair value result) are materially affected by the fair value measurement of debt securities issued. The related valuation is shown in the fair value result, while the valuation of corresponding hedges is shown in the net trading result.

Due to valuation effects resulting from interest rate developments in the derivatives business, net trading result deteriorated to EUR 778.6 million (EUR 58.6 million). Gains/losses from

financial instruments measured at fair value through profit or loss trended in the opposite direction and rose to EUR 731.3 million (EUR 173.2 million). With long-term interest rates up, losses from the valuation of the securities portfolio in Austria

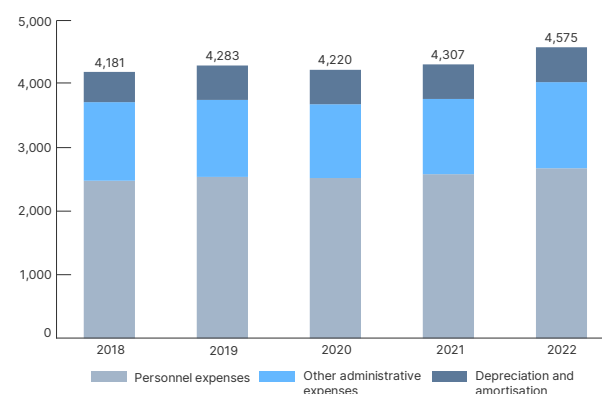
(in the Savings Banks segment) and the loan portfolio measured at fair value in Hungary were offset by significantly higher gains from the valuation of debt securities in issue.

General administrative expenses

in EUR million	2021	2022	Change
Personnel expenses	2,578.1	2,668.0	3.5%
Other administrative expenses	1,180.3	1,356.2	14.9%
Depreciation and amortisation	548.0	550.7	0.5%
General administrative expenses	4,306.5	4,574.9	6.2%

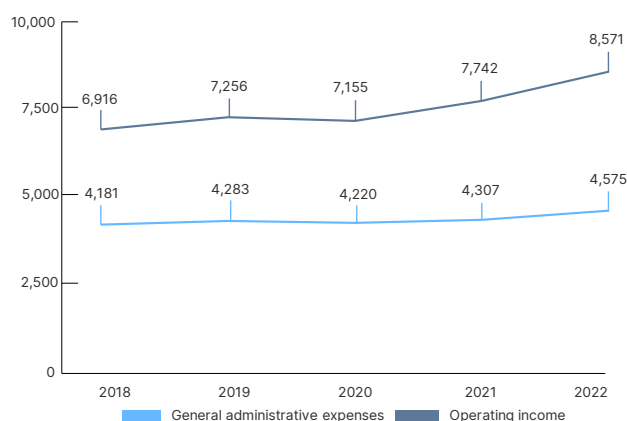
Personnel expenses increased most significantly in the Czech Republic, but also in Romania and Croatia. **Other administrative expenses** rose across all cost categories. In addition to markedly higher IT expenses in Austria on the back of continuing digitalisation efforts, expenses for office space were up in all core markets due to significantly higher energy costs. Contributions to deposit insurance systems increased to EUR 142.9 million (EUR 122.4 million). In Hungary, expenses rose to EUR 18.2 million (EUR 7.1 million) mainly due to a deposit insurance case (Sberbank Europe AG). In Romania, contributions increased to EUR 9.3 million (EUR 3.4 million), in Croatia to EUR 7.5 million (EUR 1.9 million). In Austria, contributions declined to EUR 79.7 million (EUR 85.5 million).

General administrative expenses, structure and trend, in EUR million



The **cost/income ratio** improved to 53.4% (55.6%).

Operating income and operating expenses in EUR million



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

Losses from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR 75.3 million (EUR 32.8 million). This line item includes primarily losses from the sale of securities in the Czech Republic.

Impairment result from financial instruments

The impairment result from financial instruments amounted to EUR -299.5 million (EUR -158.8 million). Net allocations to provisions for loans and advances rose, primarily on the back of allocations in Austria, to EUR 336.4 million (EUR 119.1 million). Positive contributions came from continued high

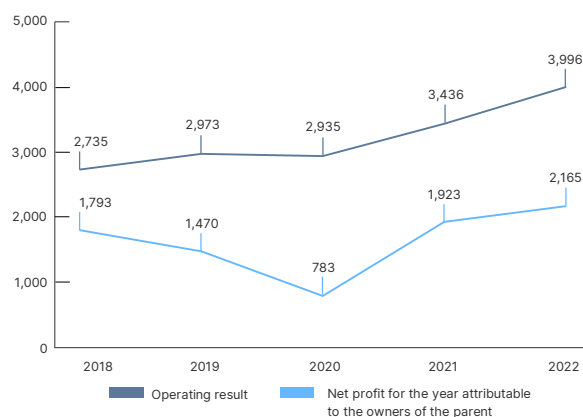
income from the recovery of loans already written off in all segments – primarily in the Czech Republic, Austria and Croatia – in the amount of EUR 82.1 million (EUR 90.8 million). Net allocations for commitments and guarantees declined to EUR 27.6 million (EUR 104.8 million). Net allocations to credit loss allowances were driven mainly by updated credit risk parameters based on the latest macro-scenarios (FLIs) as well as portfolio stage overlays for cyclical and energy intense industries. At the end of December, crisis-induced performing risk provisions stood at EUR 928 million.

Other operating result

Other operating result was largely affected by levies on banking activities in the amount of EUR 187.1 million (EUR 73.5 million). Banking levies payable in Austria were up at EUR 63.0 million (EUR 10.5 million). Half of this rise is due to a one-off effect in 2022. Regular Hungarian banking tax rose marginally to EUR 15.1 million (EUR 15.0 million). Together with financial transaction tax in the amount of EUR 59.1 million (EUR 47.9 million) and a new windfall profit tax of EUR 49.9 million based on the net revenues of the preceding year, banking levies in Hungary totalled EUR 124.1 million (EUR 63.0 million).

The balance of allocations/releases of other provisions improved to EUR 46.3 million (EUR 5.1 million). Legal risks relating to the Romanian building society resulted in expenses in the amount of EUR 46.9 million. In addition, a provision in the amount of EUR 20.1 million was set aside following the held-for-sale classification of a Romanian subsidiary. These negative effects in Romania were partly offset by the release of provisions in the amount of EUR 54.3 million for risks resulting from consumer protection claims. In addition, other operating result also reflects the annual contributions to resolution funds in the amount of EUR 139.1 million (EUR 108.6 million). Increases were recorded above all in Austria, to EUR 73.9 million (EUR 51.5 million), and in the Czech Republic, to EUR 39.2 million (EUR 31.9 million).

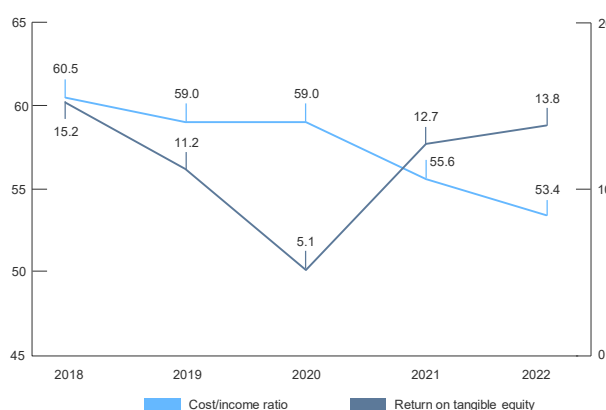
Operating result and net profit/loss for the year attributable to owners of the parent in EUR million



Cash earnings per share amounted to EUR 4.85 in 2022 (EUR 4.18). **Earnings per share** are EUR 4.83 (EUR 4.17).

The **cash return on equity**, i.e. the return on equity adjusted for non-cash expenses such as goodwill amortization and straight-line depreciation for the customer relationships, was 12.7% (**return on equity**: 12.6%) after 11.7% (return on equity: 11.6%) last year.

Key profitability ratios in %



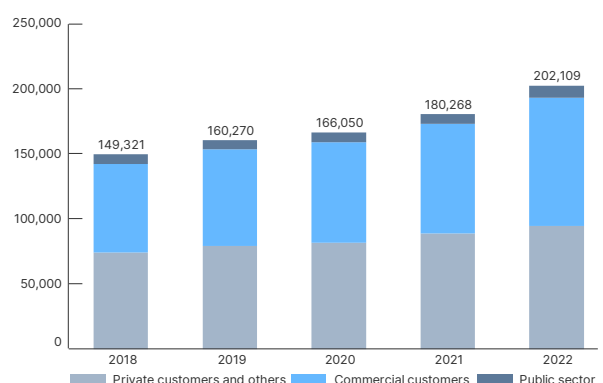
Balance sheet

in EUR million	Dec 21	Dec 22	Change
Assets			
Cash and cash balances	45,495	35,685	-21.6%
Trading, financial assets	53,211	59,833	12.4%
Loans and advances to banks	21,001	18,435	-12.2%
Loans and advances to customers	180,268	202,109	12.1%
Intangible assets	1,362	1,347	-1.1%
Miscellaneous assets	6,090	6,456	6.0%
Total assets	307,428	323,865	5.3%
Liabilities and equity			
Financial liabilities held for trading	2,474	3,264	31.9%
Deposits from banks	31,886	28,821	-9.6%
Deposits from customers	210,523	223,973	6.4%
Debt securities issued	32,130	35,904	11.7%
Miscellaneous liabilities	6,902	6,599	-4.4%
Total equity	23,513	25,305	7.6%
Total liabilities and equity	307,428	323,865	5.3%

Cash and cash balances declined to EUR 35.7 billion (EUR 45.5 billion), mostly due to the early repayment of TLTRO III funds. Trading and investment securities held in various categories of financial assets increased to EUR 59.8 billion (EUR 53.2 billion).

Loans and advances to banks (net), including demand deposits other than overnight deposits, declined to EUR 18.4 billion (EUR 21.0 billion). **Loans and advances to customers (net)** increased – primarily in Austria and the Czech Republic – to EUR 202.1 billion (EUR 180.3 billion).

Loans and advances to customers, structure and trend, in EUR million

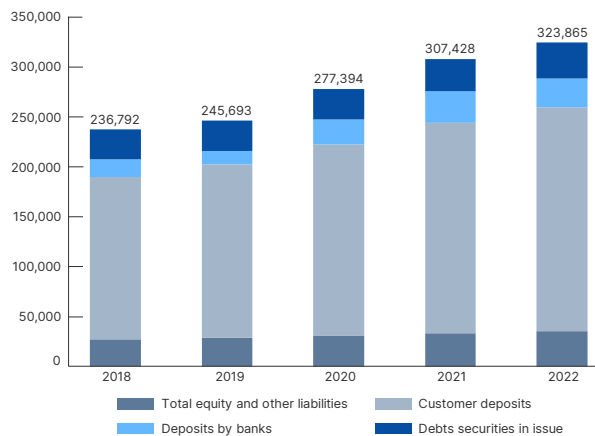


Loan loss allowances for loans to customers amounted to EUR 4.0 billion (EUR 3.9 billion). The **NPL ratio** – non-performing loans as a percentage of gross customer loans – improved to 2.0% (2.4%), the **NPL coverage ratio** (based on gross customer loans) rose to 94.6% (90.9%)

Financial liabilities – held for trading increased to EUR 3.3 billion (EUR 2.5 billion). The decline in **deposits from banks** to EUR 28.9 billion (EUR 31.9 billion) is primarily due to the early repayment of TLTRO III liabilities, the end-of-year

carrying value of which was EUR 15.6 billion (EUR 20.9 billion). Deposits from customers rose to EUR 224.0 billion (EUR 210.5 billion), mostly on the back of strong growth in term deposits.

Balance sheet structure/liabilities and total equity in EUR million

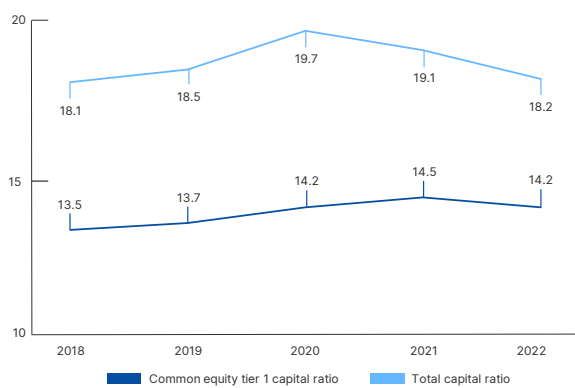


The **loan-to-deposit ratio** stood at 90.2% (85.6%). Debt securities in issue increased to EUR 35.9 billion (EUR 32.1 billion).

Total assets rose to EUR 323.9 billion (EUR 307.4 billion). **Total equity** increased to EUR 25.3 billion (EUR 23.5 billion). This includes AT1 instruments in the amount of EUR 2.2 billion from four issuances (April 2017, March 2019, January 2020 and November 2020). After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR) **common equity tier 1 capital** (CET1, CRR final) rose to EUR 20.4 billion (EUR 18.8 billion) as were **total own funds** (CRR final) to EUR 26.2 billion (EUR 24.8 billion). Total risk – **risk-weighted assets** including credit, market

and operational risk (CRR final) – increased to EUR 143.9 billion (EUR 129.6 billion).

Total capital ratio and common equity tier 1 capital ratio in %



The **total capital ratio**, total eligible qualifying capital in relation to total risk (CRR final), declined to 18.2% (19.1%), but remained well above the legal minimum requirement. The **tier 1 ratio** stood at 15.8% (16.2%), the **common equity tier 1 ratio** stood at 14.2% (14.5%) (both ratios CRR final).

OUTLOOK

Erste Group's goal for 2023 is to achieve a return on tangible equity (ROTE) in the range of 13 to 15%. Four key factors will support achievement of this goal: firstly, positive economic growth in all core markets (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia) despite significant geopolitical and political risks, which, should they materialise, would likely negatively impact economic performance; secondly, an interest rate environment that is characterised by broadly stable central bank rates in such countries as the Czech Republic, Romania and Hungary, as well as eurozone interest rates that rise in line with market expectations (as per mid-February 2023); thirdly, a credit risk environment marked by low default rates as in 2022; and, finally, the continuous ability of Erste Group to innovate and successfully expand its digital offering. Assuming that these conditions are met, operating result and the cost/income ratio are projected to improve, putting Erste Group on a path to achieve its cost/income ratio target of approximately 52% by 2024.

The current expectation (as per mid-February 2023) by economists is for Erste Group's core markets to avoid recession in 2023 and, in fact, to post real GDP growth in the order of 0 to 3% in 2023. Inflationary pressures are expected to subside in 2023, following double digit-levels in 2022 as a result of exceptionally high energy prices. Continued strong labour markets should be supportive of economic performance in all of Erste Group's markets. Current account balances, which suffered significantly during 2022 on the back of exceptionally high energy prices, are expected to improve again in 2023 benefiting

from a reversal in energy prices. Fiscal balances should likewise consolidate again after significant budget deficits in 2022. Public debt to GDP in all Erste Group markets is projected to be broadly stable, and hence remain materially below the eurozone average.

Against this backdrop, Erste Group expects net loan growth in the mid-single digits. Retail and corporate business should contribute in all markets of Erste Group towards the aim to grow in line with the banking markets. Loan growth as well as interest rate tailwinds, as detailed above, should result in an increase of net interest income of approximately 10%. The second most important income component – net fee and commission income – is expected to rise in the mid-single digits. As in 2022, positive growth momentum should again come from payment services and insurance brokerage fees, while additional contributions from asset management and securities business are dependent on a constructive capital markets environment. The net trading and fair value result, which suffered significantly in 2022 from negative valuation effects tied to strongly rising interest rates mostly in the CEE region but also in the eurozone, should normalise again in 2023 due to less steep interest rate increases in the eurozone. This, however, will depend substantially on the actual interest rate environment. The remaining income components are forecast to remain, by and large, stable. Overall, operating income should increase in 2023. Operating expenses are expected to rise by 7-8%, and thus at a lower level than operating income – although this is dependent on the foreign-currency developments in the CEE region – resulting in a further cost/income ratio improvement compared to 2022. Based on the robust macro outlook described above, risk costs should remain at a low level in 2023. While precise forecasting is hard at current low risk cost levels, Erste Group believes that in 2023 risk costs will be below 35 basis points of average gross customer loans. Other operating result is expected to remain by and large unchanged in the absence of significant one-off effects. Assuming an effective group tax rate of below 20% and similar minority charges as in 2022, Erste Group aims to achieve a ROTE in the range of 13 to 15%. Erste Group's CET1 ratio is expected to remain strong. Consequently, Erste Group will propose a dividend of EUR 1.90 per share for the 2022 fiscal year to the 2023 AGM. In addition, Erste Group targets a share buy-back in a volume of up to EUR 300 million in 2023, subject to regulatory approval.

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. The evolving Russia-Ukraine conflict does not impact Erste Group directly, as it has no operating presence in those countries. Indirect effects, such as financial market volatility, sanctions-related knock-on effects or the emergence of deposit insurance or resolution cases cannot be ruled out, though. Erste Group is moreover exposed to non-financial and legal risks that may materialise regardless of the economic environment. Worse than expected economic development may put goodwill at risk.

Development in the core markets

This chapter provides an overview of the developments in our seven core markets (by segments). In addition to economic reviews we provide updates on the banking markets. Interviews with the CEOs of our local banks and board members of the Holding provide further insights to the respective business environment.

The descriptions of the core markets are complemented by financial and credit reviews. For more details, please see Note 1 Segment Reporting. Additional information is available in Excel format at www.erstegroup.com/en/investors/reports/financial-reports.

Operating income consists of net interest income, net fee and commission income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, dividend income, net result from equity method investments, and rental income from investment properties and other operating leases. The latter three listed items are not shown in the financial review tables. Net trading result and gains/losses from financial instruments measured at fair value through profit or loss are summarised under one position. Operating expenses correspond to the position general administrative expenses. Operating result is the net amount of operating income and operating expenses. Risk provisions for loans and receivables as well as impairments and provisions for commitments and guarantees given are included in the position impairment result from financial instruments. Other result summarises the positions other operating result and gains/losses from financial instruments not measured at fair value through profit or loss, net. The cost/income ratio is calculated as operating expenses in relation to operating income. The return on allocated capital is defined as the net result after tax/before minorities in relation to the average allocated capital.

Austria

Economic review

Austria's well diversified, open and developed economy continued to benefit from its high value-adding industrial base, well educated workforce and a strong tourism and service sector. In 2022, the country's economic performance was strong. Economic growth, visibly more pronounced in the first half of the year, was supported by almost all sectors, in particular hotels and hospitality, transportation, services and manufacturing. Most economic sectors reached or even exceeded pre-pandemic levels. Net trade was a key contributor to the expansion. Exports, with a share of

45% of the country's GDP, also benefitted from the depreciation of the euro against the US dollar and Swiss franc. Austria's well developed tourism sector continued to recover as travel restrictions significantly eased during the year. While private consumption remained strong in the first half of the year it slowed down in the third and fourth quarter due to the impact of high inflation on disposable income. Investments were also impacted by high inflation and the partly still existing supply chain disruptions. Austria's labour market remained strong, and the unemployment rate decreased to 4.8%. Overall, real GDP increased by 4.7%; GDP per capita amounted to EUR 51,300.

Austria's public finance improved with the general government deficit declining to 3.5% of GDP. Revenues increased on higher taxes, while expenses benefitted from the drop of Covid-19 related government subsidies. While most Covid-era measures expired, the government launched support packages aimed at easing the impact of the surging inflation. Measures included additional family allowances, tax benefits and one-off payments such as a climate bonus. The anti-inflation and climate-supporting measures alone accounted for more than EUR 4 billion in 2022. Public debt as a percentage of GDP decreased to 78.3%.

Surging energy prices, most notably for natural gas and electricity, led to inflation levels not seen in Austria for decades. Inflation peaked in October at 11.0%, while average inflation amounted to 8.6% in 2022. Core inflation, excluding food and energy prices, increased by 5.1%. The noticeable downward trend of both gas and oil prices combined with Austria's very high gas storage level and the introduction of price caps led to a slowdown of inflation in the last months of the year. Austria's monetary policy is set by the ECB, which hiked its key policy rate by 250bps in the second half of 2022. In addition, the ECB revised the conditions of the targeted longer-term refinancing operations (TLTROs). Furthermore, the ECB started to reduce its asset purchases, ending its economic stimulus scheme in the face of inflationary pressures.

The three main major rating agencies affirmed their credit ratings for Austria in 2022. Fitch and Standard & Poor's maintained their credit ratings at AA+ but changed their outlook from stable to negative. Both rating agencies cited high inflation as the reason for the weaker outlook. Moody's credit rating for Austria was kept unchanged at Aa1 with a stable outlook.

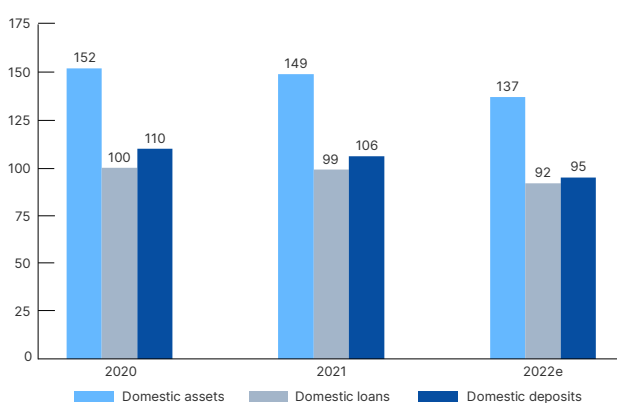
Key economic indicators – Austria	2019	2020	2021	2022e
Population (average, million)	8.9	8.9	9.0	9.1
GDP (nominal, EUR billion)	397.5	379.3	406.1	461.8
GDP/capita (in EUR thousand)	44.8	42.5	45.4	51.3
Real GDP growth	1.5	-6.7	4.6	4.7
Private consumption growth	0.7	-8.5	3.6	4.3
Exports (share of GDP)	42.7	40.5	42.6	44.4
Imports (share of GDP)	44.5	42.9	46.8	46.3
Unemployment (Eurostat definition)	4.8	6.1	6.2	4.8
Consumer price inflation (average)	1.5	1.4	2.8	8.6
Short term interest rate (3 months average)	-0.4	-0.4	-0.6	0.4
Current account balance (share of GDP)	2.1	1.9	0.4	0.5
General government balance (share of GDP)	0.6	-8	-5.9	-3.5

Source: Erste Group

Market review

Austria's highly competitive banking sector performed well and continued to significantly support the country's economy. Both retail and corporate lending activity remained strong ahead of the anticipated rise of interest rates. In 2022, loans to households expanded by 8.3% on the back of continued demand for housing loans while the volume of consumer loans remained relatively muted. The share of variable rate loans continued to decline. Reflecting the demand for housing loans, residential property prices increased further, in particular in the first half of the year, followed by a slowdown after the ECB started to raise interest rates. The demand for corporate loans was mainly driven by the financing needs for inventories and working capital. Growth was more pronounced in the first half of the year. Overall, corporate loans grew by 8.8%. At 1.4%, customer deposits increased significantly less than loans. The banking system's loan to deposit ratio increased to 96.4% by the end of 2022.

Financial intermediation – Austria (in % of GDP)



Source: Oesterreichische Nationalbank, Erste Group

Stress test results, published by the Austrian National Bank annually, confirmed again that the domestic banking sector's risk-bearing capacity was adequate. Funding and liquidity profiles remained strong. The Austrian Financial Market Authority (FMA) issued new regulations for sustainable lending standards for residential real estate financing – including upper limits for loan-

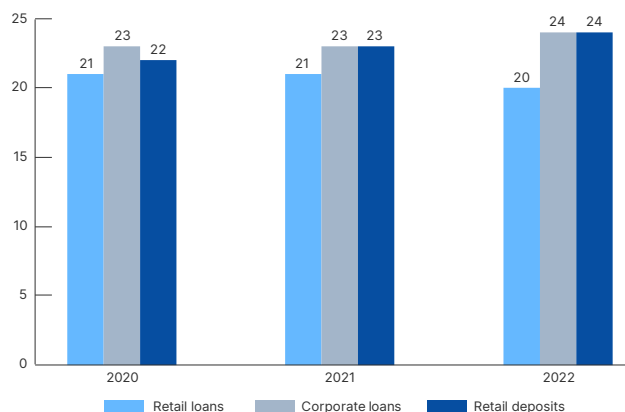
to-value ratios (90%), debt service-to-income ratios (40%) and a maximum tenor of 35 years. As of August 2022, these thresholds were applied to new mortgage lending to households exceeding EUR 50,000, visibly impacting new business volumes. In addition, the Systemic Risk (SRB) and the Other Systemically Important Institutions (OSII) buffers were increased by 50 basis points as of December 2022.

The Austrian banking sector's profitability increased further. Operating income, especially net interest income, was in particular supported by higher interest rates and volume growth. Net fee and commission income also grew dynamically. Rising personnel expenses and IT investments weighed on overall cost developments. Digital financial services and products were improved, and digital penetration increased further. Asset quality was strong, with the share of non-performing loans standing at below 2% at the end of the year. Risk provisions were low.

Following severe liquidity outflows in February 2022, the Single Resolution Board (SRB) decided to resolve Sberbank Europe AG. In May 2022, the Austrian FMA decided to prohibit Sberbank Europe AG's Austrian entity from continuing business operations. Several asset portfolios were sold to other banks. Following the resolution of the entity, deposit guarantee contributions increased temporarily in the first quarter of 2022. Austrian banks continued to pay banking tax.

Erste Bank Oesterreich and the savings banks defended their combined market shares both in retail and corporate business. Benefitting from their balanced business model, the market shares ranged from 20% to 24%. Market share in asset management increased to 28%. George, Erste Group's market-leading digital banking platform, continued to be very popular. In 2022, the number of clients using George grew by approximately 200,000. With 2.3 million users and more than 50 million monthly logins in the country, more than a third of the Austrian online banking customers used George.

Market shares – Austria (in %)



Source: Oesterreichische Nationalbank, Erste Group

ERSTE BANK OESTERREICH & SUBSIDIARIES

Business review 2022 – interview with Gerda Holzinger-Burgstaller, CEO of Erste Bank Oesterreich

How did the competitive environment change?

Like the previous years, the first half of 2022 was again marked by strong demand for real estate finance along with intense pricing competition. In the second half of the year, however, the significant change in the macroeconomic environment, rate hikes by the ECB, rising inflation and the change in the regulatory framework affecting housing loans led to a marked decline in demand for retail housing loans.

The changed environment is also directly reflected in customer behaviour. While investment products such as bonds were significantly more in demand than in previous years on the back of the development of interest rates, momentum in deposits declined in the course of the year as a result of higher inflation.

Which ESG related topics were most relevant for you?

Environmental, social and economic sustainability remain core elements of our strategy. In 2022, the focus in environmental sustainability was not only on the decarbonisation of our loan portfolio and green financing in accordance with the EU Taxonomy, but also on preparations for the climate-neutral operation of our business from the end of next year onwards. Associated with that we defined CO₂ reduction targets for our large real estate portfolios – retail mortgage loans, commercial real estate and non-profit housing associations – and took some first concrete action.

We keep offering our customers a broad spectrum of green investment products and steadily expand our advisory services regarding sustainable funding plans. In our engagement with corporate customers, ESG is a key aspect. We complement our financial services by offering our clients targeted advice support-

ing them in their sustainable transformation, round table meetings with industry experts and products focusing on current key issues. Highlights in the context of social sustainability are clearly the Social Housing Initiative as well as the work of Zweite Wiener Vereins-Sparcasse.

How did you manage to successfully differentiate your business activities from those of your competition?

What we do is guided by our focus on our customers' financial health: we expanded our advisory approach as well as our portfolio of products and services to further enhance the financial well-being of our customers. We work continuously on showing our customers ways and means of monitoring and further improving their financial health. In addition, we also seek to offer financial education to all our customer segments. The consistent development of our omni-channel capability enables our customers to handle their daily banking needs digitally in a simple and efficient way while, at the same time, creating opportunities for high-quality advice on more complex financing and investment matters.

Looking back at the year, what major achievements or challenges were especially noteworthy?

We are very pleased to have grown our client base by 100,000 new customers. This confirms our strategy and what we do on a daily basis. We want to keep growing, addressing customer needs and increasing customer satisfaction by rigorously implementing our brand promise including, specifically, the themes of financial health, digitalisation and innovation leadership.

On the products side, one of the highlights in 2022 was the implementation of our new credit card portfolio. While steadily expanding our offerings and the customer experience, we are at the same time reducing complexity for our customers.

In addition, the successful launch of Google Pay underlines our innovative and pioneering position in the domestic market. We are pleased to be the first Austrian universal bank to offer our customers this modern banking service.

How did the cooperation with the savings banks develop, and what were the major achievements in this area?

2022 was the first year in which the Savings Banks Group served more than 4 million customers in Austria. The consistently large number of new customers is proof of the attractiveness of our services, the professional quality of customer service and the importance of a regional orientation.

Within the Savings Banks Group, the customer support models have been increasingly harmonised and expanded to include advanced technology solutions. Savings banks' customers, for example, can access full-scale customised services via video channels without having to visit a branch. Other approaches that have already been tested successfully at Erste Bank, such as team support, have been rolled out already in a number of savings banks.

The Savings Banks Group has been cooperating both cross-divisionally and cross-business. The aim is to develop cross-channel finance processes from a customer's perspective. These new processes are designed to offer our customers a choice of

channels for different sections of their path to the fulfilment of their financing needs. At the same time, our modern IT architecture creates a maximum of synergies.

Financial review

in EUR million	2021	2022	Change
Net interest income	646.4	708.9	9.7%
Net fee and commission income	460.1	480.1	4.3%
Net trading result and gains/losses from financial instruments at FVPL	17.0	-0.8	n/a
Operating income	1,193.3	1,250.4	4.8%
Operating expenses	-702.7	-688.6	-2.0%
Operating result	490.6	561.7	14.5%
Cost/income ratio	58.9%	55.1%	
Impairment result from financial instruments	-31.5	-31.1	-1.3%
Other result	-34.8	-35.8	3.0%
Net result attributable to owners of the parent	306.6	320.1	4.4%
Return on allocated capital	16.4%	14.6%	

The **Erste Bank Oesterreich & Subsidiaries** segment comprises Erste Bank der oesterreichischen Sparkassen AG (Erste Bank Oesterreich) and its main subsidiaries (e.g. sBausparkasse, Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg).

Net interest income increased due to higher loan volumes and higher market interest rates, partially off-set by a negative impact of one-off bookings in an amount of EUR -40.5 million related to TLTRO III refinancing with ECB (EUR 20.1 million). Net fee and commission income rose on the back of higher income from payment fees. The decrease in net trading result and gains/losses from financial instruments at FVPL was driven by valuation effects. The deconsolidation of a subsidiary was the main driver for the decline in rental income from investment properties & other operating leases. The deconsolidation led also to lower operating expenses, which was partially offset by higher IT and personnel costs. Deposit insurance contribution amounted to EUR 32.1 million (EUR 33.8 million). Overall, operating result went up and the cost/income ratio improved. Impairment result from financial instruments remained stable as the release of Covid-related provisions was offset by provisions related to geopolitical risks and macroeconomic deterioration. Other result deteriorated mainly due to higher banking tax of EUR 23.3 million (EUR 4.3 million) driven by a one-off

effect of EUR 18.0 million and higher payments into the resolution fund of EUR 17.2 million (EUR 12.3 million), partially compensated by higher real estate selling gains. Overall, the net result attributable to owners of the parent increased.

Credit risk

Credit risk exposure in the Erste Bank Oesterreich & Subsidiaries segment rose to EUR 51.6 billion (+4.8%), customer loans increased to EUR 40.1 billion (+7.1%). This segment accounted for 19.4% (20.3%) of Erste Group's total loan portfolio. The share of retail customers in total loan volume declined to 37.2% (39.1%), while the share of corporates, including self-employed individuals and small businesses, significantly rose to 58.0% (55.6%). Loans to professionals, other self-employed individuals and small businesses are less significant than they are for other Austrian savings banks. Lending to the public sector declined slightly to EUR 2.0 billion (-2.5%), its proportion of the total loan portfolio is on a declining trend. Non-performing loans were slightly down and, as percentage of total loans to customers, remained low at 1.5% (1.5%). The development was slightly positive across all customer segments. The NPL coverage ratio based on loan loss provisions stood at 61.7% (62.0%).

SAVINGS BANKS

Financial review

in EUR million	2021	2022	Change
Net interest income	1,080.3	1,222.5	13.2%
Net fee and commission income	584.5	623.1	6.6%
Net trading result and gains/losses from financial instruments at FVPL	42.6	-53.4	n/a
Operating income	1,754.3	1,843.9	5.1%
Operating expenses	-1,108.8	-1,143.4	3.1%
Operating result	645.5	700.5	8.5%
Cost/income ratio	63.2%	62.0%	
Impairment result from financial instruments	23.8	-62.2	n/a
Other result	-15.9	-24.8	56.1%
Net result attributable to owners of the parent	83.2	56.9	-31.6%
Return on allocated capital	12.5%	9.8%	

The **Savings banks** segment includes those savings banks which are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings banks sector and in which Erste Group does not hold a majority stake but which are fully controlled according to IFRS 10. The fully or majority owned Erste Bank Oesterreich, Tiroler Sparkasse, Salzburger Sparkasse and Sparkasse Hainburg are not part of the Savings Banks segment.

Net interest income increased due to higher interest rates, partially offset by customer deposit repricing and a negative impact of one-off bookings related to TLTRO III refinancing with ECB in an amount of EUR -17.1 million (EUR 13.6 million). Net fee and commission income increased mainly on the back of higher payment fees. The deterioration of net trading result and gains/losses from financial instruments at FVPL was primarily driven by valuation effects. Operating expenses increased mainly due to higher expenses for personnel, IT, marketing and office space. Payments into the deposit insurance fund decreased to EUR 47.6 million (EUR 51.6 million). Consequently, operating result increased and the cost/income ratio improved. Impairment result from financial instruments deteriorated due to non-recurrence of the last year's recoveries and overlays applied for cyclical and energy industries leading to higher allocations. Other result worsened mainly due to the higher banking tax of EUR 17.7 million (EUR 5.1 million), driven by a one-off effect of EUR 12.0 million, and higher contributions to the resolution fund of EUR 14.9 million (EUR 11.2 million) partially compensated by lower provisions for legal issues. Overall, the net result attributable to the owners of the parent decreased.

Credit risk

Credit risk exposure in the Savings Banks segment increased at a steady pace during the year to EUR 79.4 billion (+5.7%), while loans to customers rose more dynamically to EUR 58.0 billion (+7.7%). Their share in Erste Group's total loans to customers slightly decreased to 28.1% (29.2%). Lending to private households registered slightly above-average growth, but its share in the Savings Banks' total customer loan portfolio decreased to 38.8% (39.8%). Loans to professionals, other self-employed persons and small businesses increased to EUR 6.7 billion (+3.5%). Despite a decline of its share to 11.6% (12.1%) of total loans, the share of this

customer segment was again significantly larger than at Erste Group's subsidiaries in Central and Eastern Europe. This reflects the Savings Banks' predominantly local and regional operations as well as the different general structure of the Austrian economy, with a higher percentage of small and medium-sized businesses than in Central and Eastern Europe. Swiss franc-denominated foreign-currency loans decreased to EUR 1.1 billion (-11.7%). Although the government support provided amid the Covid-19 pandemic was ended, non-performing loans as a percentage of total loans to customers declined to 2.2% (2.4%). The NPL coverage ratio based on loan loss provisions increased to 73.6% (70.2%).

OTHER AUSTRIA

Business review 2022 – interview with Ingo Bleier, Chief Corporates and Markets Officer

How did the competitive environment change?

Last year was characterised by a quite dynamic interest rate and economic environment, volatile CEE currencies as well as geopolitical risks. While most central banks in the CEE region started to raise rates already in 2021, the ECB waited until July 2022 to do so. In the second half of 2022, the key rate in the euro area was raised from 0 to 2.5%. Corporate business saw a dynamic growth in the first half of the year, predominantly driven by an increase in working capital facilities and investment loans.

In January 2022, we opened up the European capital market for issuers from the financial sectors with a dual covered bond issuance of Erste Group Bank AG. Thanks to our superior rating, we benefited from significantly advantageous institutional funding throughout the year.

Last but not least, banks that are active or somewhat linked to Russia were exposed to substantial pressure to leave the country.

Which ESG related topics were most relevant for you?

Owing to ambitious target setting and increased awareness across our organisation, 2022 was the first year with a strong focus on ESG deal generation. At EUR 2.2 billion, our target of EUR 1.4 billion of new green investments in the corporate loan book was

substantially overachieved. ESG-related advisory services in the corporate banking front office were very well perceived by customers and together with many other efforts resulted in increases in customer satisfaction in our Corporate business.

While total funds under management decreased due to the market environment, the size of green funds pursuant to Art. 8 and 9 of the Sustainable Finance Disclosure Regulation (SFDR) grew by 4.2%. They amounted to EUR 15.0 billion by year-end, equalling 21.7% of all funds in Erste Asset Management.

How did you manage to successfully differentiate your business activities from those of your competition?

Our innovation focus is dedicated to digital. The strong brand and technology of George has been expanded to corporate customers. George Business was launched in Austria and will gradually be rolled out in our other markets in the future.

In addition, we believe that transparency in relationships is key for building trust. Consequently, we consider it important to show our clients their financial rating. Our analytical finance know-how will contribute to sustain the financial health of our customers in the long run. Both the concept and the offered solution of this approach have received positive customer feedback during pilots.

We are the only large player in our region that has launched end-to-end digital onboarding to businesses. In a first step, we are offering this service to simple company structures in some CEE regions and working on expanding the offer.

In general, we maintained a healthy appetite for organic growth of corporate banking, which is demonstrated by the strong loan book growth of 17.5% to EUR 74 billion (gross) at year-end.

Looking back at the year, what major achievements or challenges were especially noteworthy?

I am proud of the achievements made in every country and business line of corporates and markets. All of them were exceptional. We achieved extraordinary results in Group Markets Business, with an incredible operating income of EUR 841 million.

I mentioned already the organic growth of our loan portfolio. This was based on the solid base of our corporate banking client relationships backed by consistently improving customer satisfaction. In 2022, we succeeded to increase our CXI, the customer satisfaction index.

The launch of George Business in Austria was an important step in our digitalisation efforts. Also noteworthy is the business integration of Commerzbank in Hungary, an example for a successful bolt-on acquisition in our core markets.

Financial review

in EUR million	2021	2022	Change
Net interest income	417.2	634.3	52.1%
Net fee and commission income	301.3	293.1	-2.7%
Net trading result and gains/losses from financial instruments at FVPL	48.6	-21.7	n/a
Operating income	813.3	953.9	17.3%
Operating expenses	-352.0	-363.2	3.2%
Operating result	461.3	590.6	28.0%
Cost/income ratio	43.3%	38.1%	
Impairment result from financial instruments	3.4	-64.3	n/a
Other result	7.1	4.0	-42.9%
Net result attributable to owners of the parent	351.1	401.7	14.4%
Return on allocated capital	14.6%	15.7%	

The **Other Austria** segment comprises the Corporates and Group Markets business of Erste Group Bank AG (Holding), Erste Group Immorent, Erste Asset Management and Intermarket Bank.

Net interest income improved significantly on the back of interest rate hikes in several non-eurozone core markets, resulting in a significantly higher contribution of money market and interest related derivatives in Group Markets business of the Holding. In addition, the substantial increase in corporate loan volumes contributed positively. Net fee and commission income deteriorated due to lower fee income in Erste Group Immorent on the non-recurrence of the positive one-off effects and lower fees from origination activities in the Holding, compensated only partially by lending business related income in corporate business in the Holding. Net trading result and gains/losses from financial instruments at FVPL deteriorated on valuation effects. Although operat-

ing expenses increased, operating result improved notably as did the cost/income ratio. The impairment result from financial instruments deteriorated due to overlays in the corporate portfolio of Holding and a new corporate rating model, partially compensated by lower provisions in the Erste Group Immorent portfolio. Other result declined due to lower selling gains and higher provisions for legal expenses. Other result included the resolution fund contribution of EUR 8.4 million (EUR 8.0 million). Overall, the net result attributable to owners of the parent improved.

Credit risk

The credit risk exposure in the Other Austria segment, almost completely related to Holding and Erste Group Immorent business, increased substantially to EUR 50.7 billion (+26.4%). Its share in Erste Group's total credit risk exposure increased to 14.5% (12.8%). A large proportion of risk positions was account-

ed for by securities and cash balances held with other banks. Consequently, at EUR 21.4 million, the share of loans to customers in Erste Group's total loan portfolio was lower than its contribution to credit risk exposure. It rose to 10.4% (9.4%). Robust growth in total loans to customers was driven primarily by large corporates business, while lending to the public sector declined further. The decline in the NPL ratio (non-performing loans as a percentage of the total loan portfolio) to 2.0% (2.4%) was primarily attributable to a significantly reduced inflow of non-performing loans against the backdrop of substantial growth in business volume. Loan loss provisions stood at 72.2% (72.6%) of non-performing loans.

Czech Republic

Economic review

The Czech Republic is among the most open economies in the CEE region, with well-developed services and industry sectors. The country's economy posted a very strong performance in the first half of 2022 followed by a significant slowdown after the summer months. Although domestic demand faded in the second half of the year, it still proved to be the main driver of economic growth. Consumption was impacted by the deterioration of consumer and business sentiment and the impact of rising inflation on households. Investment activity picked up significantly in 2022, inflows of European Union structural funds and Recovery and Resolution Facility funds played an important role. Accumulation of inventories was substantial. Exports had a positive impact on economic growth. The automotive sector, one of the most important industries in the Czech Republic, employed 170,000 people and accounted for approximately 10% of the country's economy. Following three years of declines, the production of passenger vehicles increased by 10% due to a substantial volume of backlogs related to the Covid

era. The unemployment rate decreased to 2.4% and remained the lowest among the European Union countries. Overall, real GDP increased by 2.5%, and GDP per capita amounted to EUR 26,300.

After parliamentary elections in October 2022, a new coalition government was formed, consisting of five political parties. Prudent fiscal policy was maintained throughout the year, and the Czech Republic's budget deficit declined to 3.5% of GDP. The decrease was mainly due to a gradual withdrawal of Covid related support measures, and inflation boosted tax revenues. Indexation of pensions and support measures to mitigate the impact of surging energy prices, however, contributed to the budget deficit. These measures altogether accounted for approximately 1% of GDP in 2022. At 44.5%, public debt as a percentage of GDP remained one of the lowest in the European Union.

Inflation in the Czech Republic increased significantly and substantially exceeded the 3% upper end of the central bank's tolerance range. Similar to other CEE countries, inflation was mainly driven by the rise in energy and food prices. Overall, average consumer price inflation reached 15.1%, while core inflation amounted to 13.2%. The Czech koruna appreciated against the euro to EUR/CZK 24.2 by the end of the year. To fight inflation, the Czech National Bank increased its policy rate in four steps in the first half of the year to 7.0%. It announced that further hikes would not be necessary.

Two of the three major rating agencies changed their outlook for the Czech Republic citing the negative impact of rising geopolitical tensions. In May 2022, Moody's and Fitch lowered their outlook from stable to negative, whilst affirming the rating at Aa3 and AA-, respectively. Standard and Poor's confirmed its ratings at AA- with a stable outlook.

Key economic indicators – Czech Republic	2019	2020	2021	2022e
Population (average, million)	10.7	10.7	10.5	10.5
GDP (nominal, EUR billion)	225.7	215.8	238.1	276.7
GDP/capita (in EUR thousand)	21.2	20.2	22.7	26.3
Real GDP growth	3.0	-5.5	3.5	2.5
Private consumption growth	2.6	-7.4	4.1	-0.5
Exports (share of GDP)	63.6	61.1	64.1	59.8
Imports (share of GDP)	61.1	57.9	64.2	60.2
Unemployment (Eurostat definition)	2.0	2.6	2.9	2.4
Consumer price inflation (average)	2.8	3.2	3.8	15.1
Short term interest rate (3 months average)	2.1	0.9	1.1	6.3
EUR FX rate (average)	25.7	26.5	25.6	24.6
EUR FX rate (eop)	25.4	26.2	24.9	24.2
Current account balance (share of GDP)	0.3	2.0	-0.8	-5.6
General government balance (share of GDP)	0.3	-5.8	-5.1	-3.5

Source: Erste Group

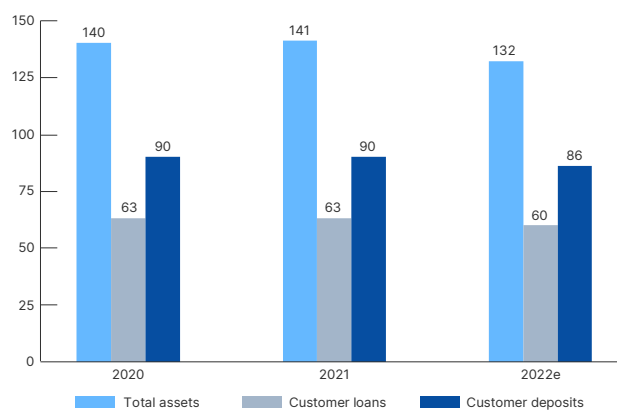
Market review

The Czech banking sector performed well in 2022. Its resilience was confirmed by the central bank's stress test underlining the banking system's high capitalisation and robust profitability. In 2022, customer loans grew by 5.8%, mostly driven by corporate lending with investment-related and working capital loans being

key factors. Retail loans – driven by housing loans – increased by 4.8%. As interest rates rose strongly, the demand for retail loans gradually decreased. The Czech central bank tightened rules on mortgage business (effective as of April 2022), contributing to the decline in retail lending. It set the debt-to-income ratio and the debt-service-to-income ratio for mortgage applicants to 8.5 and

45%, respectively. In addition, the upper limit on the loan-to-value ratio was reduced to 80%. The central bank also decided to increase the countercyclical capital buffer to 2.0% from January 2023 and to 2.5% from April 2023. Customer deposit inflows remained strong with a growth rate of 6.5%. Growth was almost equally distributed between retail and corporate business. Mutual funds were impacted by the general uncertainty and the decline of disposable income. The Czech banking market remained one of the most liquid in Central and Eastern Europe. At year-end, the banking sector's loan-to-deposit ratio stood at 69.5%. The solid fundamentals were confirmed by the sector's total capital ratio of above 20%.

Financial intermediation – Czech Republic (in % of GDP)

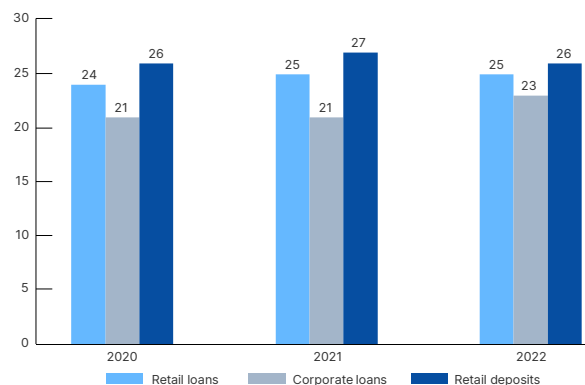


Source: Czech National Bank, Erste Group

Revenues, especially net interest income, significantly benefitted from loan growth and the rise in interest rates. Net fee and commission income was supported mainly by card transactions and insurance business. Cost management remained strict, with banks further reducing their number of branches. Asset quality remained very good, and low risk provisions also contributed to the banking system's profitability. The introduction of a new windfall tax for energy, oil and mining companies as well as banks was approved by the parliament in November 2022. The windfall tax will be paid in the years 2023 to 2025. Overall, the banking sector ended the year with a return on equity of 14.9%.

Consolidation of the banking sector continued. Česká spořitelna signed an agreement to purchase the loan portfolio of the Czech subsidiary of Sberbank Europe. The transaction was approved by the Czech National Bank and Antimonopoly Office. Among the smaller acquisitions, Raiffeisenbank acquired Equabank while Creditas bought the local subsidiary of Expobank. Moneta Money Bank and PPF Group agreed to terminate the acquisition process of Air Bank and Home Credit's Czech and Slovak businesses. The termination agreement was prompted by macroeconomic changes which radically altered the parameters of the originally planned merger. The three largest banks have a combined market share of approximately 60% in customer loans and deposits.

Market shares – Czech Republic (in %)



Source: Czech National Bank, Erste Group

Česká spořitelna maintained its very strong market positions across all product categories. Retail lending market shares ranged from 25% to 26% while market shares in the corporate lending business rose to 23%. At 25%, the bank also retained the top position in consumer lending, including the credit card business. Česká spořitelna maintained its market leadership position in asset management products with a market share of 25.0%. George mobile banking was the most used banking app on the market in 2022, both in terms of number of users and transaction volume. The number of transactions increased by 27%, while the volume of payment transactions went up by 35%. Overall, Česká spořitelna's market share in terms of total assets stood at 18.3%.

Business review 2022 – interview with Tomáš Salomon, CEO of Česká spořitelna

How did the competitive environment change?

The Russian aggression against Ukraine, rising inflation and energy prices have put the Czech society and economy, and consequently Czech banks and the market, through a stress test. It is good news that banks have passed this test well and have managed to help both their clients and the economy. However, the economic crisis changes the perception of the role of banks and also the nature of the competitive environment. Banks have always liked to call themselves “the lifeblood of the economy”, but now these proclamations are becoming real public expectations that might persist even once the economic slowdown and high inflation go away.

Customers and the public have started to compare interest rates on deposits, the rate of appreciation of their investment and pension assets. Banks are increasingly under scrutiny: how they are treating debtors, and how they are willing to help and finance companies from industries impacted by the economic crisis? All these changes and factors can and most likely will have a lasting impact on the competitive environment.

Which ESG related topics were most relevant for you?

Of course, Česká spořitelna offers a broad portfolio of specific ESG products, from environmentally friendly loans and mortgages for households and ESG investment products for retail investors to green transformation advisory for corporate clients.

But for us ESG isn't only a portfolio of specific products with that label. We are convinced that the common denominator of all ESG topics is sustainability. We thus see sustainability as the base and the ultimate goal of our strategy to strengthen the financial health of the Czech population and to lead the society towards prosperity.

How did you manage to successfully differentiate your business activities from those of your competition?

We started a new way to differentiate ourselves from other banks already in 2021, when we launched our financial health strategy. The aim of this long-term strategy is to re-position Česká spořitelna from merely "the biggest and the oldest" bank towards "the first company that takes care of financial health".

We further strengthened our differentiation in 2022 when we managed to react swiftly and offer help to clients, households and companies impacted by the economic crisis as well as to Ukrainian refugees.

Looking back at the year, what major achievements or challenges were especially noteworthy?

I can hardly find a better representation of our success than that 2022 was the fifth consecutive year in which not only the number of our primary clients rose, but also their satisfaction increased. The fact that our Net Promoter Score significantly improved in 2022 is another evidence that our strategy to become the first financial health company on the market is the right one.

Worth mentioning are also the domestic as well as international awards Česká spořitelna received. The one which I do cherish the most is our victory in the prestigious global Customer Centricity World Series Awards 2022. The competition was contested by 122 companies from 53 countries.

Financial review

in EUR million	2021	2022	Change
Net interest income	1,150.5	1,416.7	23.1%
Net fee and commission income	358.2	386.9	8.0%
Net trading result and gains/losses from financial instruments at FVPL	63.5	134.4	>100.0%
Operating income	1,589.9	1,952.3	22.8%
Operating expenses	-795.3	-868.5	9.2%
Operating result	794.6	1,083.8	36.4%
Cost/income ratio	50.0%	44.5%	
Impairment result from financial instruments	-69.4	-25.9	-62.7%
Other result	-75.9	-143.4	88.9%
Net result attributable to owners of the parent	504.1	758.5	50.5%
Return on allocated capital	16.6%	19.7%	

The Czech Republic segment comprises Česká spořitelna Group, the segment analysis is done on a constant currency basis. The CZK appreciated by 4.2% against the EUR in the reporting period. Net interest income increased due to significantly higher interest rates combined with higher business volumes partially offset by customer deposit repricing. The increase in net fee and commission income was mainly driven by higher lending and insurance brokerage fees. Higher income from foreign currency transactions as well as from bonds, money market instruments and interest rate derivatives resulted in a notably improved net trading result and gains/losses from financial instruments at FVPL. Operating expenses increased due to higher personnel, office space as well as marketing costs. Contributions into the deposit insurance fund rose to EUR 13.4 million (EUR 10.8 million). Overall, the operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved notably on the back of fewer defaults and high income from the recovery of loans already written off. Other result deteriorated mainly on selling losses from bonds. Contributions to the resolution fund increased to EUR 39.2 million (EUR 31.9 million). Altogether, these developments led to a significant increase in the net result attributable to the owners of the parent.

Credit risk

Credit risk exposure in the Czech Republic segment rose to EUR 76.6 billion (+7.6%), while loans to customers increased to EUR 38.7 billion (+12.4%). The strong growth rates were supported by the appreciation of the Czech koruna against the euro. Retail business volume registered above-average growth mainly due to a vivid demand for mortgage loans. Large corporate business also expanded significantly. Customer loan volume as a percentage of Erste Group's total loans to customers increased marginally to 18.8% (18.7%). In terms of business volume, the Czech Republic is by far the second most important market for Erste Group after Austria. The quality of customer loans improved slightly and was again better than the average of Erste Group's core markets in Central and Eastern Europe. Non-performing loans as a percentage of total loans to customers declined to 1.9% (2.1%). Loan loss provisions amounted to 117.4% (111.3%) of non-performing loans.

Slovakia

Economic review

Slovakia is an open economy with one of the most developed industry sectors in the CEE region, characterised by strong automotive and services sectors. In 2022, economic growth was main-

ly driven by domestic demand, especially household consumption. Investment activity remained suppressed after the pandemic but rebounded significantly in the second half of the year and contributed to economic growth. European Union fund inflows were again significant in 2022. The industry-heavy export sector, however, remained adversely affected by some still existing supply-chain disruptions. The Slovak car industry produced around one million vehicles in 2022, down by 5% compared to 2021. Slovakia's labour market remained solid. The unemployment rate declined to 6.1% supported by government measures to secure jobs. Overall, real GDP increased by 1.7%, and GDP per capita amounted to EUR 19,700.

The general government deficit decreased to 4.0% of GDP in 2022, mainly driven by increasing tax revenues and lower pandemic related spending. Measures to mitigate higher energy prices, on the other hand, contributed to the deficit. Slovakia introduced compensation schemes for private individuals and corporates including price caps for electricity and gas and provided further aid for energy intensive businesses. These measures altogether amounted to EUR 3.5 billion in 2022. The country's public debt as a percentage of GDP decreased to 60.5%.

Slovakia experienced double-digit price increases in 2022. Inflation significantly accelerated in the second half of the year and reached a two-decade record high of 15% in the last month of the year. Similar to other countries in CEE, main drivers of inflation were energy and food prices. Overall, average consumer price inflation amounted to 12.8%. The ECB increased its key policy rate by 250 basis points between July and December and revised the terms of the targeted longer-term refinancing operations (TLTROs). The ECB also decided to reduce its asset purchases, putting an end to its economic stimulus scheme in the face of inflationary pressures.

All three major rating agencies changed their outlook for Slovakia due to the unfavourable macroeconomic backdrop. In May 2022, Standard and Poor's revised the outlook from stable to negative, citing a worry over the lower level of economic growth and post-pandemic fiscal consolidation, but kept Slovakia's long-term credit rating at A+. In August, Moody's and Fitch also changed their outlook for Slovakia to negative and affirmed their long-term credit rating at A2 and A, respectively.

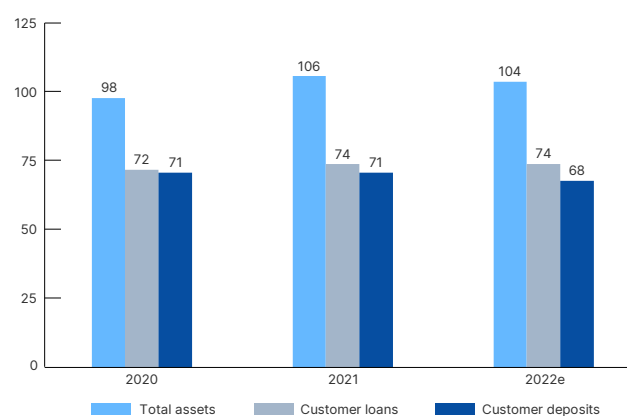
Key economic indicators – Slovakia	2019	2020	2021	2022e
Population (average, million)	5.5	5.5	5.5	5.5
GDP (nominal, EUR billion)	94.4	93.4	98.5	108.5
GDP/capita (in EUR thousand)	17.3	17.1	18.0	19.7
Real GDP growth	2.5	-3.4	3.0	1.7
Private consumption growth	2.6	-1.2	1.6	4.8
Exports (share of GDP)	80.0	74.9	82.7	87.9
Imports (share of GDP)	81.2	73.9	82.8	93.0
Unemployment (Eurostat definition)	5.8	6.7	6.8	6.1
Consumer price inflation (average)	2.7	1.9	3.2	12.8
Short term interest rate (3 months average)	-0.4	0.0	0.0	0.0
Current account balance (share of GDP)	-3.3	0.1	-1.9	-6.8
General government balance (share of GDP)	-1.3	-5.4	-6.1	-4.0

Source: Erste Group

Market review

The Slovak banking market performed well in 2022. Lending demand was visibly stronger ahead of the expected euro-zone interest rate hikes. Despite the higher interest rates, customer loan growth amounted to 10.4%. Retail and corporate loans grew at a similar pace, by 10.3% and 11.0%, respectively. Retail lending growth was mainly driven by housing loans while consumer loans increased only moderately. Investment and working capital loans played an important role in the double-digit increase of corporate lending. The National Bank of Slovakia maintained its macroprudential measures and left the debt-service-to-income (DSTI), debt-to-income (DTI) and loan-to-value (LTV) regulations unchanged throughout the year. The countercyclical buffer was kept at 1.00% and is set to increase by 50 basis points as of August 2023. At 6.0%, customer deposits grew significantly less than loans, mainly driven by corporate business. Asset management business was adversely affected by the uncertain market environment. The banking system's loan-to-deposit ratio increased to 108.7%, significantly higher than those of peer CEE countries.

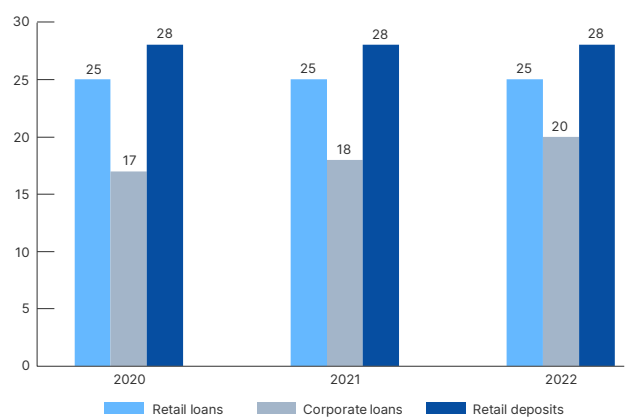
Financial intermediation – Slovakia (in % of GDP)



Source: National Bank of Slovakia, Erste Group

For the Slovak banking market, 2022 was its most profitable year ever. Operating income, especially net interest income, benefitted significantly from loan growth and the higher interest rate environment. In addition, TLTRO measures also supported net interest income. Fee and commission income performed well on higher payment and insurance-related fees. Despite increasing personnel expenses, operating costs remained under control. Banks continued to reduce their branch networks, although at a slower pace compared to previous years. Risk costs were low and asset quality remained very solid. The sector's NPL ratio decreased further to 1.9%, the NPL coverage ratio stood at 112.0%. Despite ongoing political discussions windfall taxes were not introduced in Slovakia in 2022. The banking sector remained well capitalised. Overall, the sector's return on equity stood at 8.2%.

Market shares – Slovakia (in %)



Source: National Bank of Slovakia, Erste Group

While there was no major acquisition in the banking market in 2022, consolidation of the industry is expected to continue. Slovenská sporiteľňa remained the country's largest bank. It still controls more than one fifth of the country's banking market in terms of total assets and led the market in retail loans and deposits. The bank continued to benefit from its solid asset management business, holding a 19% market share. Market shares were higher in the retail than in the corporate sector. In the retail business, the bank's market shares stood between 25% and 28%. Digitalisation remained one of the key strategic priorities of Slovenská sporiteľňa. This was confirmed by the increasing number of customers using George, up by 16% to 936,000.

Business review 2022 – interview with Peter Krutil, CEO of Slovenská sporiteľňa

How did the competitive environment change?

After years of extremely low interest rates, net interest income – most banks' most important revenue source – once again started to grow as the ECB reacted to high inflation in the eurozone. I admit, that at a first glance, this may be seen as an ideal situation for banks. But one must realise that there are forces in other

directions as well. Apart from the direct impact of inflation through higher administrative costs, there are secondary pressures from increasing wages and higher risk costs. Since the macroeconomic situation worsened unexpectedly due to the Russian attack on Ukraine and the subsequent energy crisis banks had to create higher loan loss provisions. Uncertainty is simply much higher than in the pre-Covid era, but we are ready.

Which ESG related topics were most relevant for you?

A great deal of ESG related work has been done at Slovenská sporiteľňa. I would like to split it in three main areas: organisation within the bank, setting up of a strategy and business. Just a couple of years ago, the topic was virtually alien to us. Now, we have new people, a huge implementation project, new processes, and all is running as smooth as it is possible with such a complex topic.

We defined what we want to do as a bank and sketched a path of how to get there. And this is not just about our relatively small carbon footprint, but about our financed portfolio as well. All this would not make sense without direct support to the economy through loan products supporting the green transition and advisory to our clients. Last but not least, I am proud that Slovenská sporiteľňa was the first bank in Slovakia and in Erste Group to issue a green covered bond.

How did you manage to successfully differentiate your business activities from those of your competition?

Fully in line with our strategic priorities, we focused on the financial health of our customers as well as on digitalisation and innovations. An ideal example of the fusion of these topics is the new personal investment plan which guides a client through the investment process either via George or in a branch through the advisor's tablet.

The so called financial health index is a new tool for corporate clients: it shows the financial situation of a company plus a comparison to its peers on the advisor's tablet. Of course, many other improvements were implemented last year which led to an almost 30% share of sales made through digital channels. I would like to mention another special achievement I consider very important – we started an exceptional venture capital programme called Seed Starter.

Looking back at the year, what major achievements or challenges were especially noteworthy?

Slovenská sporiteľňa was awarded with two "Bank of the Year" awards from renowned magazines – global Euromoney and the local weekly Trend. 2022 was indeed successful for us in terms of financial and business results. Not only was net profit higher than ever in history, but the double-digit annual growth of operating income is a clear indication that we did a good job.

Looking at the market position, despite the turbulent environment and fierce competition, we managed to defend the leading position in retail lending with roughly 25% and to improve the market share in corporate above the magical threshold of 20%. This is an enormous achievement, as it was below 12% just six years ago.

Financial review

in EUR million	2021	2022	Change
Net interest income	434.9	449.5	3.4%
Net fee and commission income	174.3	192.2	10.3%
Net trading result and gains/losses from financial instruments at FVPL	9.0	25.9	>100.0%
Operating income	625.0	671.3	7.4%
Operating expenses	-292.4	-307.1	5.0%
Operating result	332.6	364.2	9.5%
Cost/income ratio	46.8%	45.8%	
Impairment result from financial instruments	-1.1	-32.1	>100.0%
Other result	-18.2	-11.9	-34.6%
Net result attributable to owners of the parent	237.9	249.3	4.8%
Return on allocated capital	18.6%	16.8%	

Net interest income in the Slovakia segment (comprising Slovenská sporiteľňa Group) increased due to higher loan volumes and market interest rates, partially offset by negative one-off bookings of EUR -4.0 million (EUR 12.9 million) related to TLTRO III refinancing with ECB. Net fee and commission income increased on the back of higher income from payment, securities and insurance brokerage fees. Net trading result and gains/losses from financial instruments at FVPL went up due to valuation effects. The increase in operating expenses was due to higher IT and office space costs as well as higher personnel expenses. Contributions into the deposit insurance fund amounted to EUR 9.9 million (EUR 9.4 million). Consequently, operating result increased and the cost/income ratio improved. Impairment result from financial instruments worsened due to overlays for cyclical and energy industries as well as defaults in the corporate business. Despite a higher payment into the resolution fund of EUR 5.9 million (EUR 4.7 million), other result improved on lower provisions for legal expenses. Overall, the net result attributable to the owners of the parent increased.

Credit risk

Credit risk exposure in the Slovakia segment increased significantly to EUR 26.9 billion (+19.4%), while loans to customers rose to EUR 18.3 billion (+12.6%). Their share of Erste Group's total loan portfolio went up slightly to 8.9% (8.8%). Loan volume growth was driven mostly by retail customers and small and medium-sized businesses, while business growth of large corporates was more moderate. The share of loans to private households was again significantly larger in the Slovakia segment than in Erste Group's other core markets and accounted for 67.6% (66.8%) of total loans to customers. This customer mix with a substantial proportion of retail mortgage loans also explains the large share of secured business. At year-end it stood at 52.2% (57.2%) exceeding that of other Central and Eastern European core markets. The NPL ratio declined significantly to a new historically low level of 1.6% (1.8%). The positive trend was particularly notable in the Corporate business. Loan loss provisions exceeded non-performing loans significantly. The NPL coverage ratio increased to 121.3% (115.9%).

Romania

Economic review

In 2022, Romania achieved one of the highest economic growth rates in Central and Eastern Europe. The country's economy was mainly driven by household consumption, which was supported by tight labour market conditions and wage increases. Investments benefitted from European Union funds including inflows from the Multiannual Financial Framework and NextGeneration EU. In total, inflows from EU funds amounted to EUR 11 billion. Household consumption slowed down in the second half of the year, while investments accelerated visibly. Exports were partly affected by supply-chain disruptions and did not contribute to economic growth. Agriculture suffered from the extreme heat during the summer months. Romania's labour market proved its resilience, and the unemployment rate remained stable at 5.6%. Overall, real GDP grew by 4.8%, while GDP per capita increased to EUR 15,100.

Fiscal consolidation continued, and the budget deficit narrowed to 6.1% of GDP. State revenues benefitted from the stronger-than-expected nominal economic growth. On the expenditure side, public wages, social welfare and government-related purchases increased less than the nominal GDP. Net nominal wages increased by 11.3%, with a significantly faster growth rate in the private than in the public sector. Expenses were also impacted by the introduction of measures to mitigate the energy-related inflationary pressures. Public debt to GDP decreased to 46.8%.

Despite the introduction of government measures such as price caps and subsidies for energy, inflation in Romania increased to levels not seen in two decades. Consumer price inflation surged from 5.1% in 2021 to an average of 13.7%, mainly due to higher gas, electricity and fuel prices. The Romanian leu was relatively stable against the euro and traded between 4.80 and 4.95 throughout the year. In response to accelerating inflation, the National Bank of Romania increased its key policy rate eight times from 1.75% to 6.75% in 2022.

Key economic indicators – Romania	2019	2020	2021	2022e
Population (average, million)	19.4	19.3	19.2	19.0
GDP (nominal, EUR billion)	224.2	220.5	240.2	287.6
GDP/capita (in EUR thousand)	11.5	11.4	12.5	15.1
Real GDP growth	3.9	-3.7	5.8	4.8
Private consumption growth	3.3	-3.9	7.1	6.0
Exports (share of GDP)	30.8	28.2	31.1	32.0
Imports (share of GDP)	38.5	36.5	41.0	43.8
Unemployment (Eurostat definition)	4.9	6.0	5.6	5.6
Consumer price inflation (average)	3.8	2.7	5.1	13.7
Short term interest rate (3 months average)	3.1	2.4	1.8	6.2
EUR FX rate (average)	4.7	4.8	4.9	4.9
EUR FX rate (eop)	4.8	4.9	4.9	4.9
Current account balance (share of GDP)	-4.9	-4.9	-7.3	-9.2
General government balance (share of GDP)	-4.3	-9.3	-7.1	-6.1

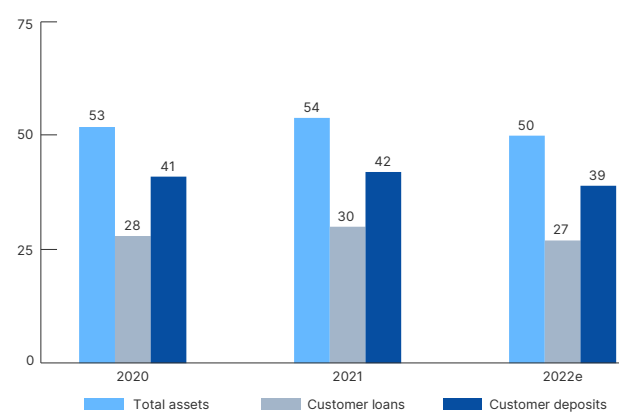
Source: Erste Group

All three major rating agencies affirmed their credit ratings for Romania in 2022. Moody's left its long-term credit rating unchanged at Baa3 with a stable outlook. Standard & Poor's and Fitch kept their credit ratings at BBB- with stable and negative outlook, respectively.

Market review

The Romanian banking market continued to expand in 2022. Customer loans increased by 11.8%, while customer deposits were up by 9.0%. The rise in customer deposits was mainly driven by the corporate sector. On the lending side, growth was driven by corporate loans, which expanded by 18.4%. Retail loans rose by 4.3% with housing loans advancing by 5.4%. The National Bank of Romania kept the thresholds for mortgage lending (namely debt-to-income, debt service-to-income and loan-to-value) unchanged. To strengthen the resilience of the banking sector, it raised the counter-cyclical capital buffer from 0.5% to 1% as of October 2023. Overall, the banking system's loan-to-deposit ratio increased marginally to 70.5%. The Romanian banking sector remained strongly capitalised, with a capital adequacy ratio of 21.7%.

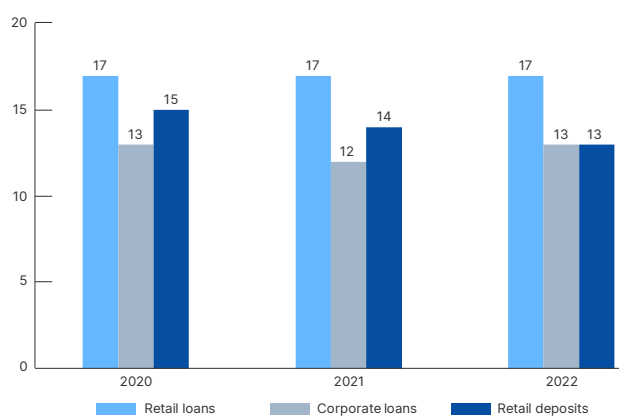
Financial intermediation – Romania (in % of GDP)



Source: National Bank of Romania, Erste Group

Net profit of the Romanian banking sector increased by 25%. Net interest income was supported by interest rate hikes and volume growth. Expenses were impacted by higher wages. Banks continued to reduce their branch networks and the number of employees in which rising digitalisation and mergers and acquisitions played an important role. Overall, the banking system's cost/income ratio improved further. While the cost/income ratio of large banks stood at about 50%, that of medium or smaller sized banks was approximately 70%. Asset quality improved further, and risk provisions were low. The banking sector's NPL ratio stood at 2.7%, compared to 3.4% at the end of the previous year. Overall, the Romanian banking sector achieved a return on equity of 16.6%.

Market shares – Romania (in %)



Source: National Bank of Romania, Erste Group

Banca Comercială Română remained the second largest bank in the country both in terms of customer loans and deposits. George, introduced in Romania in 2018, remained very popular and reached 1.6 million active users. The bank's customer loan market share stood at 14%, its retail loan market share at 17.0%, while in corporate lending it amounted to 13%. At 13.9%, Banca Comercială Română kept its second position in Romania in terms of total assets.

Business review 2022 – interview with Sergiu Manea, CEO of Banca Comercială Română

How did the competitive environment change?

Rising inflation was the main theme of last year, as it prompted central banks around the world, including the National Bank of Romania, to rapidly hike their policy rates. Higher interest rates and robust credit growth supported the sector's performance, while the NPL ratio declined further given prudent credit underwriting and tight macroprudential policies. Retail registered a slower mid-single digit advance, as consumer confidence weakened due to several shocks, from the war in Ukraine to the higher cost of living. Nevertheless, government backed programmes continued to support lending in 2022.

The competition between Romanian banks remained fierce. The digital transformation accelerated, while the challenge to attract human talent and high inflation put extra pressure on personnel expenditures. However, the Romanian banking system managed to withstand such headwinds and ended the year with a record bottom line.

Which ESG related topics were most relevant for you?

In 2022, we continued to get involved and increased our impact on communities by financing both ecological and social initiatives. We set up a dedicated Sustainability Department to coordinate all our ESG related actions. On the educational front, we introduced not only an online ESG course for our employees and dedicated courses for ESG specialists, but also roundtables as well as ESG dialogues with clients, NGOs, public authorities and academic community.

Our green mortgage product accounted for 42% of the bank's new mortgage volumes granted in 2022. In addition, we launched a new product dedicated to energy efficiency projects for microenterprises. Last year, our bank also issued its second green bond in the amount of RON 702 million and published the first allocation report for the previous green bond.

How did you manage to successfully differentiate your business activities from those of your competition?

We are innovation leaders, with data, technology and respect at the core of our strategy. Our aim is to provide advisory and in-depth personalisation throughout the client's financial lifecycle.

In June, we launched an advisory platform based on data analytics and one-to-one client interaction. By year-end, it generated over 35,000 financial diagnoses, and the number is expected to increase tenfold in 2023. This is a non-commercial tool, available free of charge to anyone who visits our branches. Our aim is to make financial life planning available to everyone.

Last year we also launched the first chatbot for retail and corporate clients on the local banking market called ADA, a game-changer in terms of virtual banking assistance. With over 40 financing programmes mapped in, ADA is an integrated part of George, our intelligent banking ecosystem, and so far has had over 500,000 client interactions.

Taking a step further, in 2022 we initiated a roadshow covering ten of Romania's largest cities, a series of consultative meetings with our customers on how they define financial health and how we can support them. On the same note, we continued to scale up our flagship financial literacy programmes. The Money School exceeded 600,000 people trained offline and online in the last six years, while BCR Business School, offering free online courses for entrepreneurs, reached 20,000 users in the last three years. Furthermore, the InnovX-BCR business accelerator that we started some years ago currently works with 152 companies.

Looking back at the year, what major achievements or challenges were especially noteworthy?

We all started 2022 facing a geopolitical crisis. Our bank was the first in Romania taking measures in support of Ukrainian refugees. We were the only bank to provide free hryvnia-leu cash exchange. We charged no fees for daily banking, deployed translators in our branches, set up dedicated support lines and made direct financial donations. An initiative we are particularly proud of is the development of the 'Jobs for Ukraine' platform.

On a different note, we digitised all retail operations and continue with the corporate core banking transformation. We reached 2.1 million internet and mobile banking users, of which 1.6 million are active George users. Over 130,000 companies have so far enrolled in George for Business (George Pro). In 2022, three in four new cash loans, credit cards and overdrafts were granted on a fully digital flow through George. Furthermore, we accounted for about 18% of the new mortgage market and about 6,500 companies creating over 360,000 jobs received financing from BCR.

Just like in most sectors, retaining young talent remains a challenge. In 2022, we continued to take measures to mitigate inflation and adjust salaries to current labour market realities. Nevertheless, BCR succeeded to further improve its cost/income ratio to 40.7%.

Last but not least, in 2022 Euromoney selected BCR as the "Best Bank in Romania" and EFFIE Awards Europe recognized us for our communication campaign "For a financially intelligent Romania".

Financial review

in EUR million	2021	2022	Change
Net interest income	432.6	530.0	22.5%
Net fee and commission income	176.4	191.5	8.6%
Net trading result and gains/losses from financial instruments at FVPL	77.9	127.8	63.9%
Operating income	710.9	867.9	22.1%
Operating expenses	-339.7	-381.2	12.2%
Operating result	371.2	486.7	31.1%
Cost/income ratio	47.8%	43.9%	
Impairment result from financial instruments	-46.4	-79.8	72.1%
Other result	-32.8	-37.3	13.7%
Net result attributable to owners of the parent	236.1	296.6	25.6%
Return on allocated capital	13.7%	16.5%	

The segment analysis is done on a constant currency basis. The RON depreciated by 0.2% against the EUR in the reporting period. Net interest income in the Romania segment (comprising Banca Comercială Română Group) was positively impacted by interest rate hikes combined with higher business volumes. Net fee and commission income improved mainly due to higher payment fees in retail and corporate business. Documentary and insurance brokerage fees went up as well. The increase of net trading result and gains/losses from financial instruments at FVPL was attributable to an improved contribution from FX business as well as higher income from bonds, money market instruments and interest rate derivatives. Operating expenses went up mainly due to a higher deposit insurance contribution of EUR 9.3 million (EUR 3.4 million) as well as higher personnel expenses, office space and business operations costs. Overall, operating result increased and the cost/income ratio improved. Impairment result from financial instruments deteriorated on rating downgrades, update of parameters and overlays for cyclical and energy industries. Provisions in the amount of EUR 46.9 million in relation to business activities of the local building society and the sale of another subsidiary were not entirely compensated by the release of provisions for legal expenses and led to a worsening of the other result.

Credit risk

Credit risk exposure in the Romania segment rose to EUR 21.7 billion (+14.9%). A key contribution to growth came from customer loans, which rose by EUR 1.5 billion to EUR 11.7 billion. Their share in Erste Group's total customer loan portfolio slightly increased to 5.7% (5.5%). An expansion of lending volume was seen primarily in the corporate business, specifically in large corporates and in the public sector. Non-performing loans significantly decreased to EUR 327 million (-18.3%), with declines registered across all customer segments. As a result of this development and the growth of the loan portfolio, non-performing loans as a percentage of total loans to customers decreased substantially to 2.8% (3.9%). Loan loss provisions increased to 171.4% (138.2%) of non-performing loans.

Hungary

Economic review

Hungary's economy performed well in 2022. It maintained strong momentum in the first half of the year, mainly driven by higher consumption. In the second half of the year, however, soaring food prices adversely affected disposable income, consequently impacting consumption. Exports contributed to growth with the automotive sector catching up with its significant backlogs. One third of the country's manufacturing output was produced by car producing companies. Investments, which depend on European Union funds, contributed to growth. Agriculture did not contribute to economic growth in 2022. The country's labour market remained tight. The unemployment rate decreased to 3.6%, low compared to many other European countries. Overall, real GDP increased by 4.6%, GDP per capita amounted to EUR 17,500.

The general government deficit decreased but remained relatively high at 6.1%. Public revenues benefitted from higher corporate and personal income tax as well as value-added tax. The government introduced sectoral windfall taxes. Public expenditure was impacted by the introduction of measures including various state subsidised retail and corporate loan programmes, a 15% pension increase and newly introduced family allowances. The public debt to GDP improved to 73.6%.

Inflation increased substantially due to higher energy and food prices. Regulated prices for energy and selected food items and a cap on fuel prices mitigated the price increase. Overall, average consumer prices rose by 14.5%. The Hungarian forint depreciated significantly against the euro and reached an all-time low of EUR/HUF 431 in October mainly due to the energy import-led deterioration of the foreign trade balance. The Hungarian National Bank increased its key policy rate ten times to 13% in 2022. The central bank also introduced a new one-day deposit facility, at year-end offering 18% interest payment. In addition, the upper end of the interest rate corridor was increased to 25%. Those central bank measures aimed at a reduction of the inter-bank liquidity and an increase of the effectiveness of the transmission mechanism.

Key economic indicators – Hungary	2019	2020	2021	2022e
Population (average, million)	9.8	9.8	9.8	9.7
GDP (nominal, EUR billion)	146.5	137.9	153.8	169.9
GDP/capita (in EUR thousand)	15.0	14.1	15.8	17.5
Real GDP growth	4.9	-4.5	7.1	4.6
Private consumption growth	4.5	-1.9	4.2	5.9
Exports (share of GDP)	63.2	64.3	67.1	73.4
Imports (share of GDP)	65.7	65.3	70.1	81.9
Unemployment (Eurostat definition)	3.3	4.1	4.1	3.6
Consumer price inflation (average)	3.4	3.3	5.1	14.5
Short term interest rate (3 months average)	0.2	0.7	1.4	10.0
EUR FX rate (average)	325.4	351.2	358.5	391.3
EUR FX rate (eop)	330.5	365.1	369.0	400.3
Current account balance (share of GDP)	-0.8	-1.1	-4.2	-7.8
General government balance (share of GDP)	-2.1	-7.8	-6.8	-6.1

Source: Erste Group

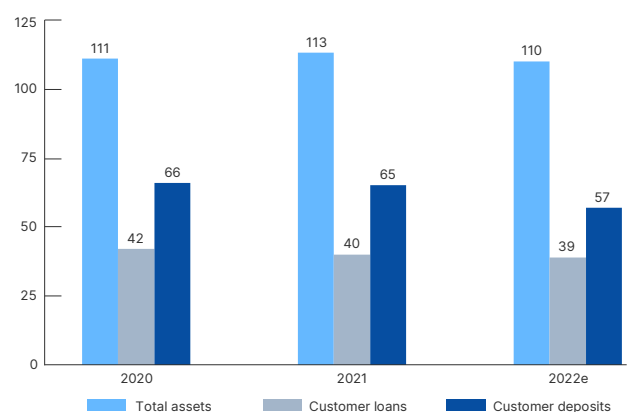
Standard & Poor's affirmed Hungary's BBB sovereign rating, but revised the outlook from stable to negative. Moody's kept the country's long-term credit rating at Baa2 with a stable outlook. Fitch left the country's long-term credit rating unchanged at BBB with a stable outlook throughout the year.

Market review

Hungary's banking market performed well in 2022. Customer loans grew by 11.5%, mainly due to strong demand for corporate loans. Corporate loan growth amounted to 16.3%, driven by inventory building and working capital loans. The Széchenyi loan programme, a subsidised loan scheme for small companies, played an important role. At 6.3%, retail loans increased at a lower pace, mainly driven by housing loans. The demand for housing loans slowed down visibly due to rapidly rising interest rates. The baby-loan programme, which continued to be very popular, was extended until 31 December 2024. The government also extended its state guaranteed mortgage programme for families with children until 31 December 2024. Two other preferential loan programmes – the green home programme for new and highly energy-efficient residential real estate and another one for home renovation – were also very popular. The 5% preferential VAT rate for home construction was also extended until the end of 2024. The government extended the fixing of the reference interest rates for residential mortgage loans with floating interest rates until 30 June 2023 and extended the scope of the interest rate cap to non-interest-subsidized mortgage loan contracts with a 5 year interest period. This regulation limits the reference interest rate of qualifying mortgages at levels of 27 October 2021. The government also introduced an interest rate cap for SME loans for non-subsidized, forint-based credit to levels on 28 June 2022. The measure became effective on 15 November 2022 and runs until 30 June 2023. The government extended the moratoria on loan repayments for vulnerable borrowers until 31 December 2022. Corporate borrowers with a decline in revenue of at least 25% also remained eligible. In addition, a payment moratorium for agricultural enterprises was introduced between 1 September 2022 and 31 December 2023. Participation in the extended moratoria remained low, though. At 2.5%, customer deposits, mainly

driven by corporate deposits, grew less than loans. Overall, the banking system's loan-to-deposit ratio stood at 68.0%.

Financial intermediation – Hungary (in % of GDP)

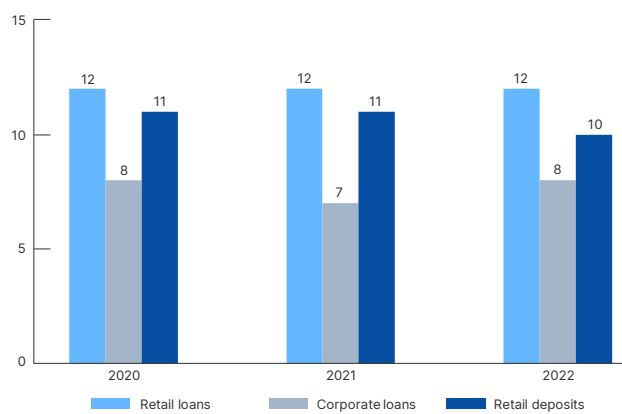


Source: National Bank of Hungary, Erste Group

The Hungarian banking sector remained profitable in 2022. Revenues were supported by rising interest rates, fee and commission income benefitted from asset management business. Administrative expenses remained under control, although the increase of personnel expenses was visible. Asset quality developed favourably, and risk costs were low. The profitability of the banking sector was impacted by one-offs such as loan moratoria and interest rate caps. Banks continued to pay banking and transaction taxes. In addition, a windfall tax was introduced for 2022 and 2023. For banks, the windfall tax was set at 10% of adjusted income in 2022 and 8% in 2023. Banks were also ordered to pay extraordinary additional fees into the National Deposit Insurance Fund due to the resolution of the local subsidiary of Sberbank Europe. The Hungarian National Bank increased the countercyclical capital buffer (for the first time since its introduction six years ago) to 0.5% from 1 July 2023. Overall, the banking sector's return on equity stood at 8.3%. The Hungarian banking sector continued to be well capitalised, with a capital adequacy ratio of around 18.2%.

The consolidation of the Hungarian banking market continued in 2022. Erste Bank Hungary has successfully integrated the clients and activities of Commerzbank's Hungarian subsidiary into its corporate business. The merger of Budapest Bank and MKB Bank was completed. This merger represents another milestone in the triple bank merger led by Hungarian Bank Holding which aims to be the second largest universal bank in Hungary by integrating Budapest Bank, MKB Bank and the Takaréék Group.

Market shares – Hungary (in %)



Source: National Bank of Hungary, Erste Group

Erste Bank Hungary remained one of the major market players in the country. Erste Bank Hungary's market share in customer loans increased to 7%, with retail business remaining more dominant than corporate business. The customer deposit market share improved to 9%. Erste Bank Hungary significantly increased its market share in asset management to 22%. At 7%, Erste Bank Hungary's was the fifth-largest bank in the country in terms of total assets.

Business review 2022 – interview with Radován Jelasy, CEO of Erste Bank Hungary,

How did the competitive environment change?

The consolidation of the Hungarian banking market sped up. In December 2022, we successfully integrated Commerzbank's Hungarian subsidiary into our corporate business. As a result of the transaction, Erste Bank became Hungary's fifth-largest corporate lender. We are proud that during Erste Group's 25-year presence in Hungary, we have completed the 10th successful acquisition on the market, three of those during the last four years.

On 1 March 2022, the Single Resolution Board ordered the winding up of Sberbank Europe AG, the parent company of Sberbank Hungary. With the parent company declared insolvent, the Hungarian National Bank revoked the operating license of Sberbank Hungary and ordered its discontinuation. Sberbank Hungary's assets were acquired by MKB Bank. The creation of the new Hungarian Bankholding – by integrating Budapest Bank, MKB

Bank and the Takaréék Group – will substantially impact the future development of the Hungarian banking sector.

Which ESG related topics were most relevant for you?

Last year, we focused on the environmental issues of ESG. The aim was to increase our green lending and prepare the decarbonisation path of our portfolio. We made good progress. Our new green investments amounted to over EUR 80 million in the Commercial Real Estate segment only. In addition, we already have decarbonisation paths ready for more than half of our financed emissions to reach net zero in 2050, in particular for residential real estate, commercial estate and the energy sector, which together represent more than half of our bank's financed emissions.

How did you manage to successfully differentiate your business activities from those of your competition?

George, Erste Group's digital banking platform introduced in Hungary in 2021, further strengthened our digital footprint, our end-to-end sales capabilities and servicing functionalities: 555 thousand customers, about two thirds of the retail clients, actively used George at the end of 2022. George outperforms the Hungarian competitors' digital solutions because of the wider range of Internet banking and mobile app functionalities as well as user experience features such as the Personal Finance Manager.

We are also very happy with the development of our wealth management. Supported by its segment-based, digital, data-driven approach, we extended our market share in mutual funds from 18% to 21% and security account penetration from 14% to 18%. In addition, 2022 brought a breakthrough in regular investment penetration. 5.7% of our total customers are also Erste Future customers, up from 3.5% last year.

A newly launched programme "We speak your language" promotes Erste Bank as the bank, communicating with customers in a clear, understandable and customer centric way. Erste Bank Hungary kept its high level of employee engagement score at 79%, maintained the high level of Customer Satisfaction Index (CXI) and retained its market leader position in micro and SME.

Looking back at the year, what major achievements or challenges were especially noteworthy?

In 2022, just after the pandemic crisis, we faced the war in Ukraine and related challenges like the high inflation. Supporting financial health became even more important, not only for our clients, but for our employees. Erste Group introduced an employee share programme that makes employees shareholders and enables them to directly benefit from the future economic success of Erste Group. Owing to this initiative Erste Bank Hungary was awarded the golden prize of HR KOMM Award in the category "Reward system based on employee life cycle". Supporting diversity also led to external acknowledgements, such as the Open Minded Companies Award and Diverse Workplace, 2nd place, by HR KOMM.

Financial review

in EUR million	2021	2022	Change
Net interest income	257.2	395.8	53.9%
Net fee and commission income	207.4	222.8	7.4%
Net trading result and gains/losses from financial instruments at FVPL	10.0	-72.5	n/a
Operating income	482.7	553.8	14.7%
Operating expenses	-230.7	-246.8	7.0%
Operating result	252.0	306.9	21.8%
Cost/income ratio	47.8%	44.6%	
Impairment result from financial instruments	-16.2	-18.4	14.0%
Other result	-56.9	-137.9	>100.0%
Net result attributable to owners of the parent	156.0	125.1	-19.9%
Return on allocated capital	13.0%	10.0%	

The segment analysis is done on a constant currency basis. The HUF depreciated by 9.0% against the EUR in the reporting period. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) increased on the back of significantly higher interest rates supported by higher loan volumes and money market placements, despite the negative impact from modification losses related to the mortgage interest cap prolongation and the SME loans interest cap. Net fee and commission income rose on higher payment and securities fees. Net trading result and gains/losses from financial instruments at FVPL deteriorated due to by and large temporary valuation effects. Operating expenses went up on the back of higher personnel and IT costs as well as a substantially higher contribution into the deposit insurance fund of EUR 18.2 million (EUR 7.1 million). This increase was predominantly driven by the Sberbank Europe AG deposit insurance case. Overall operating result increased and the cost/income ratio improved. Impairment result from financial instruments deteriorated on rating downgrades, update of parameters and impairments allocations related to the newly integrated Commerzbank portfolio. The worsening of the other result was predominantly driven by higher regulatory charges: the banking tax rose to EUR 65.0 million (EUR 15.0 million), it included the regular banking tax and a windfall profit tax of EUR 49.9 million. The transaction tax went up to EUR 59.1 million (EUR 47.9 million). The contribution to the resolution fund decreased to EUR 3.6 million (EUR 5.6 million). Consequently, the net result attributable to the owners of the parent declined.

Credit risk

Credit risk exposure in the Hungary segment rose to EUR 13.0 billion (+6.1%). This growth was mainly attributable to increased investments in the corporate business. Loans to customers grew to a lesser extent to EUR 5.9 billion (+12.7%). The share of the Hungary segment in Erste Group's total loans to customers remained stable at 2.8%. While loans to private households decreased to EUR 2.8 billion (-6.5%), loans to corporates increased substantially and stood at EUR 3.0 billion (+39.5%). The acquisition of Commerzbank Hungary was a key driver for growth in this year. Non-performing loans as a percentage of total loans to customers decreased to 2.8% (3.7%). Loan loss provisions increased to 102.8% (92.4%) of non-performing loans.

Croatia

Economic review

Croatia was again one of the best performing economies in CEE in 2022. The country's economic growth was broad based and similar to its peer countries, mainly driven by the excellent performance in the first half of the year. Booming exports, strong household consumption and the rebound of Croatia's well-developed tourism were the main drivers of growth. Tourism, accounting for approximately one fifth of Croatia's GDP, performed better than expected and almost returned to pre-Covid levels. Overnight stays increased by 28% compared to 2021. In addition, both public and private investments benefitted from European Union fund flows. External demand showed some weakening in the second half of the year. Croatia's labour market remained very strong, and the unemployment rate declined to 6.8%. Overall, real GDP increased by 6.0%, and GDP per capita amounted to EUR 17,400.

Due to the economic growth and the phasing out of Covid support measures, the country's general government deficit declined to 1.8% of GDP. On the revenue side, indirect tax grew significantly due to the robust economic performance and higher inflation. Direct taxes benefitted from rising employment and nominal wages. The government introduced anti-inflationary measures which amounted to EUR 2.8 billion. These measures included limits on electricity, gas and heating-related costs. The government continued the country's green transition including renovation of buildings. In addition, waste and water management was improved by using available EU funds. A special one-off tax on companies' windfall profits was introduced as a solidarity measure. Public debt as a percentage of GDP decreased significantly to 69.5%.

Despite being among the countries least dependent on Russian gas in CEE, Croatia's inflation increased significantly. In November 2022, it reached 13.5% mainly due to rising energy and food prices and partly to some still existing supply chain disruptions. Average consumer prices increased by 10.7%, less than in many other CEE countries. The Croatian National Bank's objective to preserve nominal exchange rate stability remained unchanged throughout the year. The Croatian kuna remained broadly stable against the euro trading close to the exchange

rate mechanism parity throughout the year. As of 1 January 2023, Croatia became the 20th member of the eurozone and joined the Schengen area.

Rating agencies also acknowledged Croatia's euro adoption and raised their long-term credit ratings to investment grade. After

the European Council's Economic and Financial Affairs Council approved Croatia's application to join the euro, all three major rating agencies upgraded their ratings in 2022. Fitch and Standard & Poor's raised Croatia's long-term credit rating to BBB+, Moody's to Baa2, all of them with a stable outlook.

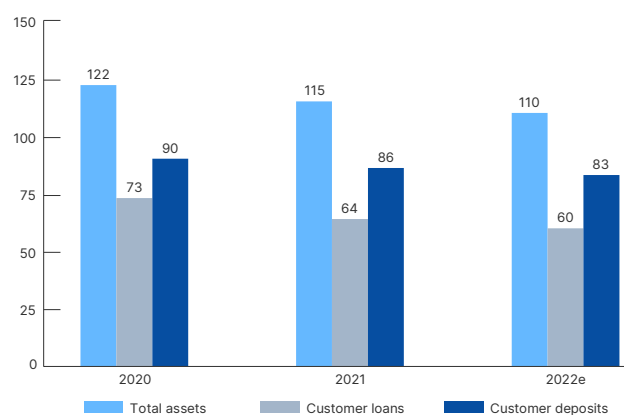
Key economic indicators – Croatia	2019	2020	2021	2022e
Population (average, million)	4.1	4.1	4.0	3.9
GDP (nominal, EUR billion)	54.8	50.5	58.2	67.4
GDP/capita (in EUR thousand)	13.4	12.4	14.4	17.4
Real GDP growth	3.4	-8.6	13.1	6.0
Private consumption growth	4.0	-5.1	9.9	5.8
Exports (share of GDP)	23.4	23.8	25.4	30.5
Imports (share of GDP)	42.6	41.4	45.0	56.8
Unemployment (Eurostat definition)	6.6	7.5	7.6	6.8
Consumer price inflation (average)	0.8	0.1	2.6	10.7
Short term interest rate (3 months average)	0.5	0.0	0.0	0.0
EUR FX rate (average)	7.4	7.5	7.5	7.5
EUR FX rate (eop)	7.4	7.6	7.5	7.5
Current account balance (share of GDP)	2.9	-0.5	1.8	-2.0
General government balance (share of GDP)	0.2	-7.3	-2.6	-1.8

Source: Erste Group

Market review

In 2022, the single most important development in the Croatian banking system was the preparation for the adaption of the euro. Financial institutions made major adjustments in their IT systems, and ATM networks and prepared for the imminent conversion of the local currency. In addition, clients converted their cash reserves denominated in kuna into euro. Starting with September 2022, dual-price listings started and are to remain mandatory throughout 2023.

Financial intermediation – Croatia (in % of GDP)

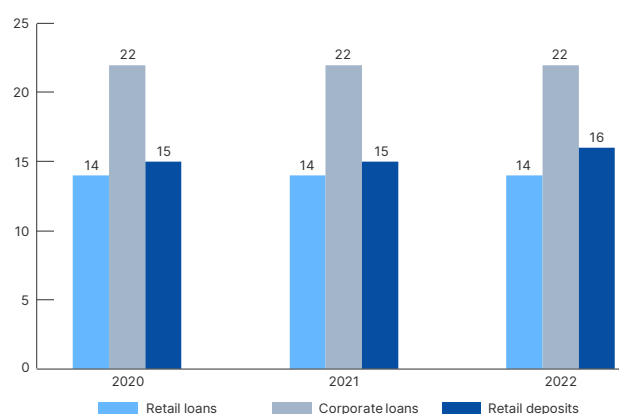


Source: National Bank of Croatia, Erste Group

Reflecting the country's outstanding economic growth, the Croatian banking market grew dynamically in 2022. Consolidation of the banking sector continued with the state-owned Croatian Postal Bank (HPB) acquiring the local subsidiary of Sberbank Europe. Customer loans grew by 8.3%, mainly driven by corporate loans,

which increased by 20.2%. Corporate loan volume picked up significantly following the strong demand after the Covid related impact. At 5.5%, retail loans grew significantly less. Demand for housing loans was substantially stronger than that of consumer loans. On the deposit side, growth was very strong ahead of the euro adoption. Customer deposits increased by 11.9%, thereof retail deposits grew by 9.7% and corporate deposits by 13.9%. The Croatian National Bank increased the countercyclical capital buffer by 50 basis points to 1.0% as of 1 January 2023. At year-end, the banking system's loan-to-deposit ratio stood at 71.8%.

Market shares – Croatia (in %)



Source: National Bank of Croatia, Erste Group

Profitability of the Croatian banking system increased mainly on rising revenues and low risk provisions. Revenues benefitted from rising interest margins and volume growth. Operating expenses remained under control, and the banking system's cost/income ratio

stood at 52.5%. Non-performing loans as a percentage of total customer loans decreased to 3.0%, the coverage ratio stood at 67.0%. The Croatian government introduced a one-off windfall tax of 33% on the corporate sector. The tax is calculated on the arithmetic average of the historical tax bases for the years 2018 to 2021, increased by 20%. Banks had to pay their share in the last quarter of 2022. The capital adequacy ratio of the banking system remained robust at 24.6%. Overall, the country's banking sector achieved a return on equity of 8.2%.

Erste Bank Croatia remained among the three largest banks in the country. In terms of total assets, the bank had a market share of 18%. It continued to benefit from its very strong brand and the digital platform George which was introduced in 2020. In addition to George, the digital platform KEKS Pay reached more than 320,000 users, of which 75% were not customers of Erste Bank Croatia. The bank's customer loan and customer deposit market shares stood at 18.0% and 17.8%, respectively. The bank's market share in asset management stood at 16.7%. The bank's loan-to-deposit ratio amounted to 74.2%.

Business review 2022 – interview with Christoph Schöfböck, CEO of Erste Bank Croatia,

How did the competitive environment change?

After a prolonged period of gradual decline in interest rates, this trend turned in 2022, influenced by inflationary developments, consequences of monetary policy stance and global geopolitical developments. However, the benefits of the Croatian integration into the monetary union, such as the practical elimination of currency risk, have to some extent mitigated the increase in interest rates in Croatia, compared to some other European countries, especially non-euro ones.

Which ESG related topics were most relevant for you?

Being part of Erste Group, one of the largest providers of financial services in Central and Eastern Europe, Erste Bank Croatia benefits from a sustainable business model as a ground pillar of its operations. We have identified nine fundamental Sustainable Development Goals to which we want to contribute: No poverty (SDG 1), Good health and well-being (SDG 3), Quality education (SDG 4), Gender equality (SDG 5), Clean water and sanitation (SDG 6), Affordable and clean energy (SDG 7), Sustainable cities and communities (SDG 11), Responsible consumption and production (SDG 12) and Climate action (SDG 13).

Apart from an almost 20% market share in renewable energy financing and other green incentives, it is to be highlighted that,

in cooperation with Erste Group, we have launched a financial health tool, designed to support our corporate clients in reaching an improved financial balance by giving them access to transparent and understandable information about their current financial situation. Last but not least, we have continued with our free-of-charge financial literacy programme, School of Smart Finance, with more than 11,500 attendees in total so far.

How did you manage to successfully differentiate your business activities from those of your competition?

We are satisfied with the results achieved in 2022 in all business segments, with special emphasis on the growth of total loans, a steady growth of deposits, the influx of new clients, continued leading customer satisfaction position on the market and the increase in the number of users of digital solutions, George online banking and KEKS Pay applications.

With further developments of these digital solutions, we reached one of our strategic goals: to be a leader in digital innovation. As such, we have further positioned our digital strategy as the trademark of the Erste brand in Croatia. The George online banking platform recorded a total of nearly 425 thousand users at the end of 2022, which is an increase of 24% compared to year-end 2021, and the KEKS Pay app recorded an increase of 37%.

Looking back at the year, what major achievements or challenges were especially noteworthy?

The final preparation of Croatia's entry into the European monetary union was certainly one of the most important events in 2022. Joining the eurozone will lead to further integration of the Croatian economy into the European financial and economic flows, positively increasing its competitiveness and attractiveness to investors, which will ultimately ensure further intensification of the process of convergence. At the same time, the demanding criteria that Croatia had to fulfil as part of the euro adoption process will positively contribute to the achievement of the basic objective – a high-quality and long-term sustainable position of the Croatian economy based on solid foundations.

When it comes to Erste Bank Croatia, we are glad that our solid operating and financial performance was awarded with two prestigious prizes. Firstly, our bank was chosen as the "Bank of the Year 2022" in Croatia by the renowned The Banker magazine. Furthermore, we won the award for the most successful bank in Croatia, sponsored by the Croatian Chamber of Commerce. Consequently, our main goal stays the same: to foster the prosperity of our employees, our clients and the entire Croatian society.

Financial review

in EUR million	2021	2022	Change
Net interest income	269.5	284.7	5.6%
Net fee and commission income	107.5	117.2	9.1%
Net trading result and gains/losses from financial instruments at FVPL	30.0	37.9	26.5%
Operating income	416.9	448.7	7.6%
Operating expenses	-217.8	-239.6	10.0%
Operating result	199.1	209.2	5.1%
Cost/income ratio	52.2%	53.4%	
Impairment result from financial instruments	-22.2	42.2	n/a
Other result	5.3	-27.0	n/a
Net result attributable to owners of the parent	103.7	120.4	16.1%
Return on allocated capital	14.1%	14.2%	

The segment analysis is done on a constant currency basis. The HRK remained largely stable against the EUR in the reporting period. Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) increased due to higher income from securities and lower refinancing costs, while the impact from loan growth was offset by the lower interest rate environment. Net fee and commission income went up mainly due to higher payment fees. Securities, documentary and insurance brokerage fees increased as well. Net trading result and gains/losses from financial instruments at FVPL improved driven by a higher result from foreign currency transactions. Operating expenses went up due to higher personnel and IT costs. Contribution into the deposit insurance fund rose to EUR 7.5 million (EUR 1.9 million). While the operating result improved, the cost/income ratio went up. The significant improvement of the impairment result from financial instruments was a consequence of releases due to rating upgrades and recoveries. Other result worsened mainly due to provisions for legal expenses and the higher resolution fund contribution of EUR 4.6 million (EUR 3.4 million). Overall, the net result attributable to the owners of the parent increased.

Credit risk

In the Croatia segment, credit risk exposure significantly rose to EUR 14.1 billion (+16.1%), while loans to customers increased by EUR 1 billion to EUR 8.6 billion (+13.0%). Customer loan volume as a percentage of Erste Group's total loans to customers increased moderately to 4.2% (4.1%). The change in the composition of the loan portfolio by business segments continued. The share of retail loans decreased to 41.7% (44.2%), while the share of corporate loans increased to 58.1% (55.6%). There are significant changes in the currencies of the portfolio. At year-end, loans denominated in Croatian kuna accounted for 31.0% (38.4%) of total loans to customers while loans denominated in euro sharply rose to 68.7%. Croatia joined the eurozone as of 1 January 2023. In line with the trend seen in recent years, loan quality improved further. The NPL ratio decreased to 3.6% (5.5%). The NPL coverage ratio based on loan loss provisions increased to 105.9% (102.5%).

Serbia

Economic review

Serbia's economic growth slowed in 2022. After a strong performance in the first half of the year, the impact of persistent high inflation on real disposable income and the slowdown of Serbia's main trading partners dampened economic growth. Exports contributed to growth only marginally due to the country's rising import needs driven by the energy crisis. Private consumption, on the other hand, maintained a supportive role in economic expansion, albeit at a slower pace in the second half of the year. Production benefitted from the continued strong performance of the services sector. Investments had a neutral contribution to growth due to high public investment in the previous year. Agricultural output was weak due to the very dry summer months. The country's unemployment rate decreased to 9.4%, but remained among the highest in Central and Eastern Europe. Overall, real GDP increased by 2.3%, and GDP per capita amounted to EUR 8,900.

General parliamentary elections were held in April 2022, a new government was formed in October. Serbia's general government deficit decreased to 3.1% of GDP mainly due to relatively low investment spending and strong revenues. High capital transfers to state owned enterprises and increased financing needs to gas and electricity imports, on the other hand, contributed to the deficit. The Serbian government introduced several decrees to mitigate the impacts of high inflation including caps on fuel, selected food items, and electricity and gas prices. Furthermore, the government banned the export of certain items, most notably fuel and natural gas. Public debt as a percentage of GDP decreased slightly to 55.1%.

Inflationary pressure intensified and stood at 15.1% in the last quarter of the year. Surging prices were due to some still existing supply chain constraints and higher energy and food prices. Overall, average consumer prices increased by 11.9%. The Serbian dinar was among the most stable currencies in CEE, trading around EUR/RSD 117 throughout the year. The National Bank of Serbia continued to tighten its monetary policy and raised its policy rate in nine steps from 1.0% to 5.0% in 2022. It also increased the average repo rate.

Key economic indicators – Serbia	2019	2020	2021	2022e
Population (average, million)	7.0	6.9	6.8	6.8
GDP (nominal, EUR billion)	46.0	46.8	53.3	60.7
GDP/capita (in EUR thousand)	6.6	6.8	7.8	8.9
Real GDP growth	4.3	-0.9	7.5	2.3
Private consumption growth	3.7	-1.9	7.8	3.8
Exports (share of GDP)	38.2	36.4	40.5	44.7
Imports (share of GDP)	51.9	49.0	53.6	62.4
Unemployment (Eurostat definition)	11.2	9.0	11.0	9.4
Consumer price inflation (average)	1.9	1.6	4.0	11.9
Short term interest rate (3 months average)	2.5	1.2	0.9	2.5
EUR FX rate (average)	117.9	117.6	117.6	117.5
EUR FX rate (eop)	117.6	117.6	117.6	117.3
Current account balance (share of GDP)	-6.9	-4.1	-4.2	-6.8
General government balance (share of GDP)	-0.2	-8.0	-4.1	-3.1

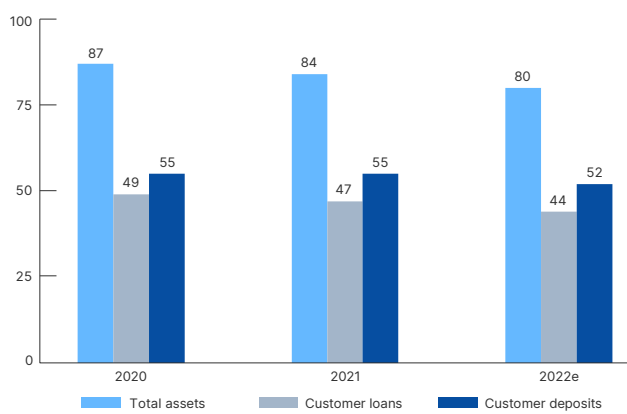
Source: Erste Group

Rating agencies affirmed Serbia's long-term credit ratings. Standard & Poor's left its rating at BB+ and maintained a positive outlook. Moody's kept the country's long-term credit rating at Ba2, Fitch at BB+, both with a stable outlook.

Market review

Serbia's banking market continued to perform well in 2022. Customer loan growth stood at 7.1% and was almost equally driven by corporate and retail lending. Corporate lending benefited from the high demand for working capital and investment loans. Retail loans grew by 6.1% and were mainly driven by housing loans, while demand for consumer loans remained relatively subdued. At 7.0%, customer deposit growth was in line with that of customer loans, driven mainly by corporate business. Overall, the banking system's loan to deposit ratio remained almost unchanged and stood at 86.2%.

Financial intermediation – Serbia (in % of GDP)



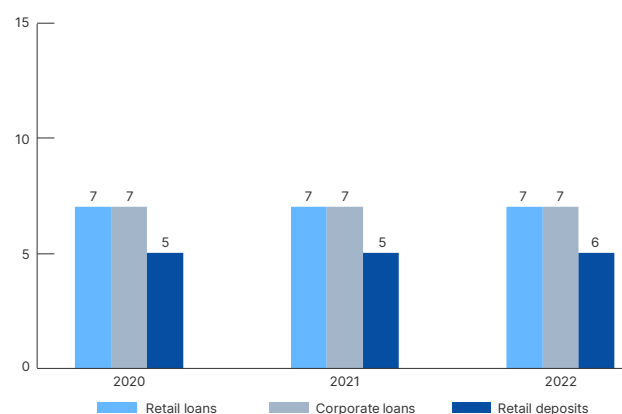
Source: National Bank of Serbia, Erste Group

Serbia's banking system continued to be profitable. Operating revenues were mainly driven by volume growth and rising interest rates. Operating expenses remained under control despite rising personnel expenses. The number of branches declined further. Digitalisation was boosted significantly due to the banks'

continuous efforts to migrate customers to digital channels. Asset quality trends remained favourable, and risk costs were low. The National Bank of Serbia introduced a 6 to 12 months payment moratorium for agricultural producers as of October 2022. Eligible clients are allowed to submit their request until April 2023. The National Bank of Serbia did not change capital requirements throughout the year and kept the countercyclical buffer at 0%. The banking system's capital adequacy remained strong at 19.5%, its return on equity improved to 10.6%.

The Serbian banking market continued to consolidate, with significant changes among the top 10 players which now hold almost 90% of total assets. The Slovenian banking group Nova Ljubljanska Banka completed its merger with Serbian Komercijalna Banka. Raiffeisen acquired the Serbian subsidiary of Crédit Agricole and is expected to merge its two banks in the first half of 2023. AIK Banka acquired Sberbank's subsidiary in the resolution process.

Market shares – Serbia (in %)



Source: National Bank of Serbia, Erste Group

Erste Bank Serbia remained among the ten largest banks in the country. At 6.3% in terms of total assets, the bank further strengthened its market position. Its market share in customer loans was unchanged at 7.1%. At 7.2%, the bank's market share

in retail loans was marginally higher than in corporate loans. The bank's customer deposit market share increased to 6.4%. The bank's euro denominated deposits significantly outgrew that of deposits in Serbian dinar. Overall, the bank's loan-to-deposit ratio stood at 98.1%.

Business review 2022 – interview with Jasna Terzić, CEO of Erste Bank Serbia

How did the competitive environment change?

Following two pandemic years filled with various challenges, 2022 threw in even more uncertainty with the disastrous effects of the Russian invasion of Ukraine. After the war started, the Serbian market faced domestic currency liquidity issues. High interest rates paid for deposits denominated in dinar were challenging throughout the year. However, at the end of the year, we saw a stabilisation. Rising inflation and higher interest rates (the key policy rate was increased from 1% to 5%) led to a change in customer behaviour. That impacted loan demand, fixed interest rates became popular again as well as term savings. Last but not least, we saw, in general, overall credit standards tightening.

Owing to the consolidation on the market competition increased, but this development should support more rational behaviour in terms of pricing and marketing of banking products.

Which ESG related topics were most relevant for you?

Last year was extremely dynamic in terms of ESG. We established a manual for green investment reporting, introduced a green asset check tool for screening deals related to renewable energy and cooperated with consultants for screening real estate.

For the first time KPIs for ESG were implemented for the local management board. We are recognising the significance of the ESG topics, so we have put a focus on governance and responsibility and hired an expert to oversee this matter.

The most relevant ESG topics in retail were related to the promotion of energy efficiency and energy crisis loans as well as social banking activities. We are strategically committed to preserving the environment, and in cooperation with EBRD, we financed

procuring and installing energy-efficient technologies for households. We are one of three banks in Serbia that offers these loans. Currently, we are in the final stage of loans for financing housing associations for the purchase of energy-efficient equipment and materials. We will be a pioneer in this field as the first bank giving financial support to housing communities.

Overall, ESG is still low on the agenda in Serbia and not widely recognised. We regard this as an opportunity to position ourselves as a leading advisor for ESG in the years to come.

How did you manage to successfully differentiate your business activities from those of your competition?

We managed to improve our customer satisfaction position, moving to the first place. We have introduced and applied a new segmentation for customers which enables us to even better understand our clients' needs and future goals, and based on that to offer suitable customised solutions.

Improvements in the card business help us stay competitive. We have expanded the self-service zones and increased the ATM network. We are known in the market for our focus on our clients and their needs, trying to provide solutions for their financial problems and not just selling products.

Looking back at the year, what major achievements or challenges were especially noteworthy?

We successfully continued to grow as a lender to both retail and corporate customers. Our loan-to-deposit ratio stood at 98% due to stronger growth of customer deposits by more than 9%.

Our efforts have been duly recognised, resulting in several noteworthy achievements. To name a few, the Association of Economic Journalists of Serbia (UEPS) awarded a bronze medal in the financial sector and services category for the campaign "Our Heroines". VISA recognised Erste Bank for exceptional growth and overachieved targets, and we won the award as the second most gender-sensitive company in Serbia, awarded by the Association of Business women in Serbia.

Financial review

in EUR million	2021	2022	Change
Net interest income	72.8	83.0	13.9%
Net fee and commission income	20.2	23.0	14.1%
Net trading result and gains/losses from financial instruments at FVPL	4.7	5.6	19.3%
Operating income	97.9	111.9	14.4%
Operating expenses	-65.4	-74.4	13.7%
Operating result	32.4	37.5	15.8%
Cost/income ratio	66.9%	66.5%	
Impairment result from financial instruments	-8.2	-20.0	>100.0%
Other result	-5.8	-2.9	-50.3%
Net result attributable to owners of the parent	13.9	11.2	-18.9%
Return on allocated capital	6.7%	4.7%	

The segment analysis is done on a constant currency basis. The Serbian Dinar (RSD) remained largely stable against the EUR in the reporting period. Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased due to higher loan volumes and market interest rates. Net fee and commission income went up on higher payment fees. The net trading result and gains/losses from financial instruments at FVPL improved driven by a higher result from foreign currency transactions. Operating expenses rose mainly due to higher personnel, IT as well as legal and consultancy costs. The deposit insurance contribution rose to EUR 4.8 million (EUR 4.3 million). Overall, operating result increased, and the cost/income ratio improved. Impairment result from financial instruments worsened on rating downgrades and

parameters update in corporate business. Other result improved mainly due to lower provisions for legal expenses. Overall, the net result attributable to owners of the parent decreased.

Credit risk

As in previous years, credit risk exposure in the Serbia segment increased significantly and stood at EUR 3.6 billion (+23.6%). The customer loan portfolio recorded an upward trend as well. Loans to customers increased to EUR 2.1 billion (+9.0%), whereas retail loans grew at a slower pace than corporate loans. Non-performing loans stood at 2.4% (2.1%) of total loans to customers. Loan loss provisions slightly declined to 119.8% (124.4%) of non-performing loans.

(Consolidated) non-financial report

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ABOUT THIS REPORT

Erste Group has decided to prepare its non-financial statement as a separate non-financial report (option pursuant to section 267a para 6 / section 243b para 6 of the Austrian Commercial Code; UGB) and to combine the non-financial report for Erste Group Bank with the consolidated non-financial report for the group. The scope of consolidation is shown in Note 46 of the 2022 consolidated financial statements. As a matter of principle, information in this report relates to entities in the said scope of consolidation. Where this is not the case, this is indicated in the text.

We report annually about our strategy, goals, achievements, opportunities and risks in the area of sustainability in conformity with GRI Standards 2021 and follow the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). The information below covers the reporting period from 1 January to 31 December 2022.

Group ESG Office has drawn up this report and compiled information and data from all group divisions and units. The report was completed by the management board as of the date of its execution and will be reviewed by the Supervisory Board prior to publication. As commissioned by the Supervisory Board's Audit Committee, PwC Wirtschaftsprüfung GmbH, one of the two external accountants tasked with auditing Erste Group Bank AG's single-entity financial and consolidated financial statements for the 2022 fiscal year, conducted a limited assurance engagement in accordance with ISAE 3000; the report provided is released on 31 March 2023.

1. Sustainability at Erste Group

The foundation of Erste Group is its belief in people, their ideas and plans for the future, their skills and potential for personal development as well as a promise to disseminate and secure prosperity throughout the region.

“No age, no gender, no social class, or nationality shall be excluded from the benefits that Spar-Casse offers every depositor.” This excerpt from the founding charter of 1819 summarises the underlying idea that applies today as it did back then.

1.1 ESG STRATEGY

GRI 2-22, 2-24, 2-29

Our promise to key stakeholders

For us, it is important that our sustainability efforts are perceived as a clear promise of value to our most important stakeholder groups and that these efforts meet their expectations.

Our goal is to secure our **customers'** prosperity through our advisory and sustainable financial products. The products are developed and promoted with due care in terms of accessibility, security, transparency and responsibility for the environment. Erste Group guarantees data protection and security in all relevant services.

We want our **employees** to benefit from our services and participate in the company's success, which has been achieved through sustainable and efficient service to our customers. We care about the development of talents, a work-life balance and proper working conditions and will not tolerate any discrimination.

To ensure that our **shareholders** receive a reasonable and, in the long run, sustainable return, we pursue an inclusive growth strategy and ensure resilient company value. We build our sustainable growth and our resilience on the long-term success of our customers and on the support of their transition to a resource-efficient and emission-free business model.

“Sustainability and growth are no contradiction”

Willi Cernko, CEO

We firmly believe that Erste Group's economic success in our region can be sustainable only if the green transition is successful and social justice is advanced. These two dimensions of the long-term prosperity of the region are perfectly aligned with the significance and historical role of Erste Group.

We strive to be a role model and a leader in the **green transition** by mobilising resources for climate action, investment in the preservation of clean water and the transition to a circular economy. We believe that the green transition will be an opportunity for

people in the CEE region. We also believe in a fair transition for all and therefore help our customers to secure their personal prosperity. The bank's efforts towards **inclusiveness in society** are as relevant today as they were 200 years ago. The social cohesion of our societies creates a strong and reliable basis for a well-functioning socio-economic environment that will bring prosperity to many. We therefore launch effective initiatives to promote financial inclusion, social banking, financial education, affordable housing and gender equality.

These are, therefore, our **strategic priorities** in the pursuit of sustainability:

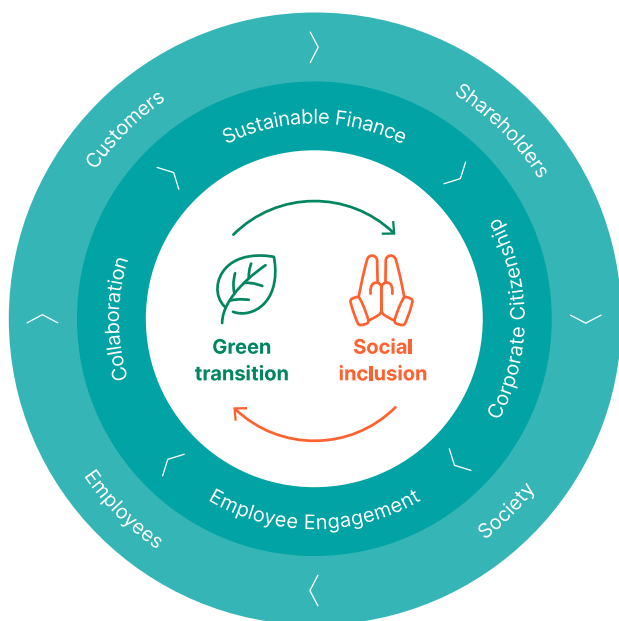
Green transition – leading finance company

- Strengthening our leading position in green finance in CEE and the region to secure growth opportunities for the future.
- Creating the foundations for achieving climate neutrality of our portfolio by 2050 – our contribution to climate protection and at the same time the prerequisite and basis of the long-term resilience of our customers and our investments.
- Being a role model for effective climate action: climate neutrality of our banking operations by 2023.

Social inclusion – social cohesion through integration

- Promoting financial inclusion through our social banking activities, thereby strengthening social cohesion and a civil society.
- Helping our customers and the younger generation to gain financial health and a financial education.
- Investing in affordable housing and contributing to the well-being of the lower-middle class, including in particular young professionals, young families and civil servants.
- Promoting gender diversity as a significant element of a healthy corporate culture.

We take this responsibility very seriously. To secure long-term survival and create value for customers, investors, employees and society as a whole, it is our responsibility in managing the bank to resolve conflicting targets such as profitability and the environmental and social impacts of our activities in a positive manner and to take advantage of the enormous opportunities that arise in these times of transformation and change.




Baselines of our sustainability strategy

Green transition

Our long-term strategic considerations regarding the financial resilience of Erste Group's business model while taking into account sustainability-related risks are based on a comprehensive analysis of climate-induced challenges and the legislative and economic impacts of climate change in our region ("Climate Change House View"). The European Climate Law, the EU's Green Deal and the Fit for 55 Package form the setting for future changes in EU strategy and legislation. All countries of the region will have to align with these European goals, manage their impact on their economies and adapt their investment and consumer expectations.

The investment need is enormous:



Climate Action

€ 459 bn

Needed to achieve EU targets on energy saving, green energy ambitions (32%), emission reduction (40%).

Key investment areas

- Energy grid
- Renewable energy sources
- Building renovations
- Changing heating appliances
- Electrification of railways

Source: National Energy and Climate Plans 2019



Clean Water

€ 12 bn

Needed to comply with Urban Waste Water Treatment Directive requirements.

Key investment areas

- Urban waste water collection systems
- Water treatment plants
- Sewerage sludge processing (energy and biogas recuperation, fertilizer production)
- Rainwater capture and reuse infrastructure

Source: EU 10th technical assessment on Urban Waste Water Treatment Directive implementation 2018.



Recycling

€ 2.8 bn

Needed to achieve targets of EU Waste Framework Directive. Further investments assumed to meet tightening landfill and waste separation quotas 2025-2030.

Key investment areas

- Separated waste collection
- Material recovery and reprocessing plants
- Energy recuperation
- Biowaste treatment

Source: EUMONIA Study on investment needs in the waste sector and on the financing of municipal waste management in Member States 2019

An essential portion of these funds will be provided by the EU or local sovereign funds as shown in the national recovery and resilience plans and national energy and climate plans. Until

2030, however, public funds will need to be supplemented by the private sector in an expected amount of approximately EUR 30 billion per year. In this effort, Erste Group is seeking to play a leading role.

Social inclusion

Since the last financial crisis, the risk of poverty and social exclusion has been declining in all of our markets, but there is persistently high and little improvement in working poverty (as many people work for minimal wages, partly compensated by income from the shadow economy). The rise in the cost of living across the region has also had an adverse impact on satisfaction with living standards. A low supply of new affordable housing and the

near absence of a social housing sector is leading to substantial overcrowding in CE, as many young people cannot afford to move out of their parents' homes. As property prices have risen over the past decade, not only the young and those on low incomes are barely able to afford to buy homes in larger cities, but even the middle class. Energy poverty (inability to pay for fuel), which still affects some 10% of the population, underlines the strong need for energy efficiency action and refurbishment of old buildings.

Concrete measurable targets

Our short and medium-term targets are derived from these analyses:

Leading the **green transition** in the region and strengthening **social cohesion** through inclusivity. These are our goals!



25% of corporate book as green investments
in 2026

15% share of green housing mortgages
in 2027

17 Ecolabel funds
offered to our clients by 2023 to promote investment opportunities



2050 Net Zero Portfolio
interim targets established in 2022 for at least 50% of financed emissions

2030 Net Zero Operations

Climate Neutral Operations
by end of 2023

90% green electricity
by 2023



€ 1 bn Social Banking
financing till 2030

200,000 jobs
created or preserved through Social Banking by 2030

15,000 affordable housing units
to be established till 2030



40% share of women
in other management positions (B-2 & B-3) by 2025

37% share of women in top management
(Board & B-1) by 2025









Our path to net zero

As member of the **Net-Zero Banking Alliance**, Erste Group firmly believes that decarbonisation is possible and necessary. Erste Group is convinced that the development of a forward-looking strategy leading towards net zero will not only produce important insights into the future development of the market and visibility of emerging risks but will also create opportunities. This knowledge allows us to be one step ahead and it will support growth and resilience in the future.








As planned, we have set ambitious milestones for this path in early 2023. We have designed the planning process in such a way that we have been able to develop plausible targets that are based on science and are endorsed by the management across all of our markets.

Based on the calculation of financed CO₂e emissions for each portfolio (see chapter 2.2 “Limiting financing in high-emission sectors”), we have defined sectors such as energy, retail mortgage lending and commercial real estate as priority areas. These sectors account for around 50% of our financed Scope 1+2 CO₂e emissions and, against the backdrop of available technologies, regulatory standards and market experience, offer good potential for emission reductions.

Target identification and forecasts rely on existing and projected customer data, scientific scenarios and data from the International Energy Agency. The results have been used as inputs in our strategic financial planning.

Sector	Target
 Housing Mortgages	1.75 °C* 
 Commercial Real Estate	1.75 °C* 
 Electricity production	1.50 °C* 
 Heat production	1.75 °C* 

*aligned Scenario

 Cement	planned for 2024
 Auto manufacturing	planned for 2024
 Oil & Gas	planned for 2024
 Steel	planned for 2024
 Agriculture	planned
 Coal	not planned: phase-out by 2030
 Aluminium	not planned: not material

1.2 GOVERNANCE

GRI 2-5, 2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-15, 2-17, 2-18, 2-19, 2-20, 2-21

Erste Group is committed to responsible and transparent corporate governance and, since 2003, to applying the rules of the Austrian Code of Corporate Governance (Austrian CCG). The principles of the corporate constitution, the selection, collaboration and composition of its management bodies are described in detail in the (consolidated) corporate governance report.

Integrated sustainability governance

The **management board** is responsible for managing the company as required for the benefit of the company, taking into account the interests of the shareholders and the employees as well as public interest. It describes the company's values and goals in concrete terms and lays down the corporate strategy with due regard to sustainability aspects and the associated opportunities and risks in respect of the environment, social concerns and corporate governance. It defines the sustainability strategy and is responsible for the ESG framework, priorities and goals. In addition, it ensures implementation of the sustainability strategy by allocating adequate resources and controls and is periodically informed on the current status and milestones achieved. These tasks are implemented through the **Group Sustainability Board**, an integrated sub-committee of the management board. In 2022, these bodies were briefed nine times by means of presentations held by the Group ESG Office on climate- and environment-related matters.

Group ESG Office, which reports to the CEO, promotes Erste Group's sustainability strategy and acts as the main advisor to the

management board on ESG strategy, targets and priorities. It develops key ESG policies, secures in-house expertise on climate, environmental, social and governance objectives, defines the ESG governance framework and financing rules and selectively intervenes in single transactions. In addition, it ensures transparency on Erste Group's sustainability impact and works with investors, ESG rating agencies, NGOs and regulatory and public bodies. It facilitates co-ordination with local ESG Offices. The ESG Office manages cross-divisional and group-wide co-ordinating bodies, the ESG Core Team and the Group Sustainable Finance Committee.

The **ESG Core Team** is a collaboration platform on which senior managers from various areas – business, finance, risk management, data management and other support functions – work together to develop ESG objectives and initiatives. It agrees and co-ordinates initiatives, timelines and other matters for implementation by the relevant internal stakeholders. Meetings are held bi-weekly.

The main task of the **Group Sustainable Finance Committee** is the co-ordinated development of fundamental ESG methods for steering instruments such as portfolio limits, pricing and the ESG Factor Heatmap (graphical representation of ESG risk factors by industry segment). The Committee is chaired by Erste Group's Sustainability Officer, who is supported by senior risk and business unit managers with voting rights. The Committee is responsible for Erste Group's Sustainable Finance Framework, group-wide criteria for the classification of sustainable assets, asset allocation and reporting obligations. The committee's recommendations are submitted to the relevant decision makers for adoption within the usual governance structures. The committee is organised by the Group ESG Office and convenes on demand. In 2022, ten meetings were held on topics including selection criteria for green assets for financing purposes and changes in the calculation of financed emissions.

The **supervisory board's** core duties include approving the management board's fundamental decisions on strategy and hence also the sustainability strategy and the ESG framework. The supervisory board oversees their implementation. In 2022, the supervisory board set up its own **Strategy and Sustainability Committee** for this purpose; its activities are described in the (consolidated) corporate governance report. Reviewing the (consolidated) non-financial report prepared by the management board is the responsibility of the **Audit Committee**. In 2022, these bodies were briefed on climate- and environment-related matters eleven times in presentations by the Group ESG Office. In addition, two scientific lectures were organised for the supervisory board on the economic impact of climate change and the relevance of ESG aspects for our customers in our core markets. These presentations were also attended by Erste Group's management board.

Risk management

These bodies are hence also tasked with monitoring and managing the environmental risks arising from Erste Group's operations, i.e. essentially financed emissions (see chapter 2.2 "Limiting financing in high-emission sectors"). How Erste Group identifies and mitigates climate-related risks as part of its risk management is described in detail in the consolidated financial reports, Notes 32 and 36. This also comprises the materiality assessment, the application of quantification methods and the resulting duties of care.

Sustainability-related remuneration

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

The 2021 annual general meeting approved the remuneration policy for the Management Board and the Supervisory Board with a vote of 99.08%. The remuneration report for 2021 was adopted by the 2022 annual general meeting with a vote of 91.31%.

The remuneration policy for the management board is consistent with the strategy of Erste Group and is designed to motivate management board members to promote a sustainable and posi-

tive development of the company. The remuneration of management board members of Erste Group Bank AG consists of two components: fixed and variable remuneration.

Fixed remuneration is granted regardless of performance and comprises the basic salary as well as contributions to the company's pension scheme (pension fund), insurance benefits and other benefits in kind. It is based on each board member's respective area of responsibility, taking into account the strategic and operational scope of their duties. Variable remuneration is always performance-linked. Variable remuneration is granted and paid on the basis of specific, measurable performance criteria that are aligned with Erste Group Bank AG's business strategy and long-term development. Both group and single-entity level targets and individual targets are taken into account. When defined minimum performance criteria are not met, variable remuneration is not granted or paid out. Variable remuneration is partly paid out upfront and partly as deferred remuneration, spread out over several years. This way, variable remuneration is strongly aligned with shareholder interests and a long-term view. Group performance is measured at group level based on the annual weighted achievement of performance targets. At least half of the up-front and deferred remuneration is settled in the form of a non-cash instrument, the other portion is paid out in cash. It is awarded in the year following the performance period.

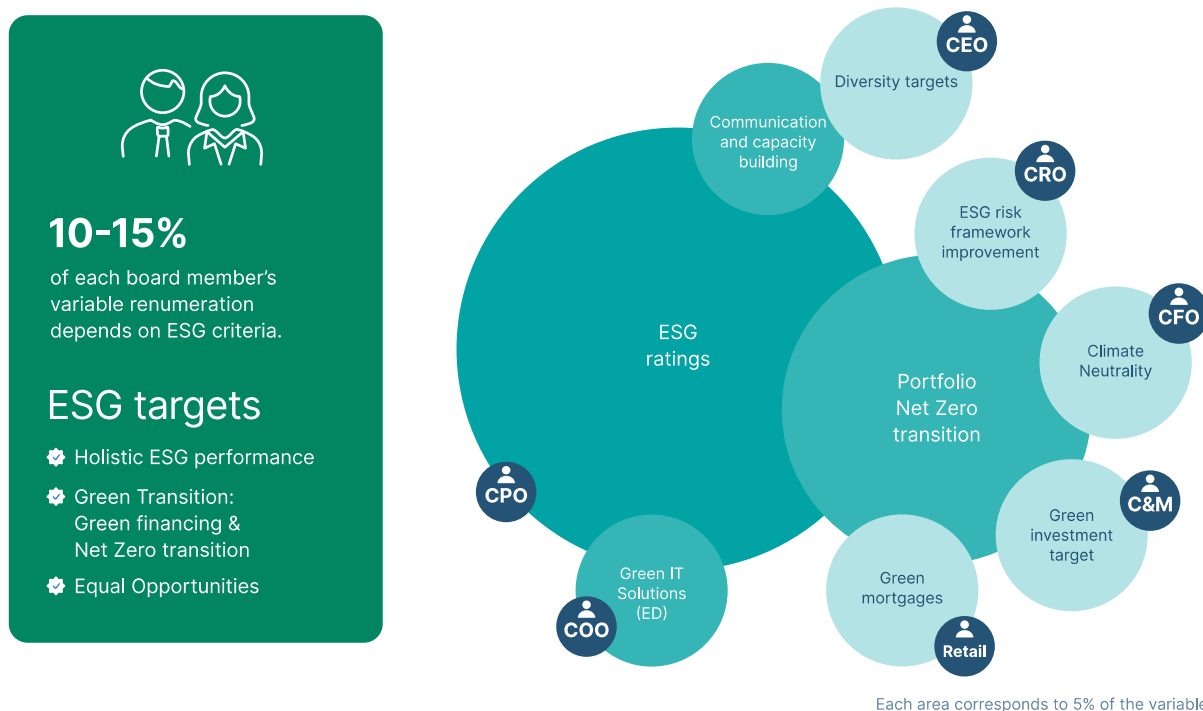
The remuneration policy also includes malus and clawback provisions in accordance with EBA guidelines.

Remuneration of board members

Type/ component	Elements	Method of payments	Feature
Fixed remuneration			
Base Salary		Cash	- consideration of the area of responsibility of the respective board member - promoting cooperation with the board
Other remuneration	Pension fund	Assumption of contributions by the company	- defined contribution pension plan via an external pension fund - severance fund (Mitarbeiter-Vorsorgekasse)
	Insurances	Assumption of contributions by the company	- risk insurance against occupational disability and in case of death - risk accident insurance
	Benefits in kind	Various	- any annual leave payments - possible one-time sign-on - benefits in kind, e.g. company car incl. driver and parking space, employee shares
Variable remuneration			
Upfront remuneration (40%)	Upfront cash payments (50% of the upfront part)	Cash payment in the subsequent fiscal year	- alignment with the fulfilment of certain comprehensible performance criteria aligned with business strategy and long-term development of Erste Group - consideration of goals on group or individual institute level as well as consideration of individual goals
	Upfront non-cash component	Share-based settlement in the second following fiscal year (1-year holding period)	
Deferrals (60%)	Deferral cash payments (50% of deferrals)	Cash payment from the third following fiscal year in 3 annual tranches	
	Deferral non-cash component (50% of deferral)	Share-based settlement after expiry of the deferral period and the holding period	

The key criterion determining the variable remuneration of management board members is the overall financial performance of Erste Group.

In 2022, the ESG targets of the management board members were as follows:



The remuneration of management board members is set by the supervisory board. Remuneration consultants are not involved in determining remuneration. Leadership performance is assessed by the supervisory board annually, taking into account non-financial performance goals including specifically criteria concerning sustainable corporate governance and corporate social responsibility (ESG criteria) of Erste Group Bank AG. The supervisory board of Erste Group Bank AG has set up an independent Remuneration Committee pursuant to legal requirements, which prepares the supervisory board's resolutions on remuneration. For further details on the remuneration governance process, please see the chapter on "Procedure" in the remuneration policy of Erste Group Bank AG. The work of the Remuneration Committee in 2022 is described in the section on Supervisory Board Committees and their decision-making powers in the (consolidated) corporate governance report.

By resolution dated 24 May 2018, the annual general meeting granted the supervisory board members an annual remuneration for the fiscal year 2017 and subsequent years (unless otherwise decided by a future annual general meeting) as follows: in accordance with this resolution, the chair of the supervisory board will receive a remuneration of EUR 150,000, the first vice chair EUR 90,000, the second vice chair EUR 80,000 and ordinary members of the supervisory board EUR 60,000 each. Chairs of the Risk, Audit and IT Committees will each receive additional remuneration of EUR 10,000, chairs of the Remuneration and Nomination Committees EUR 5,000. Supervisory board members

delegated by the employees' council receive neither remuneration nor attendance fees.

Annual remuneration ratio

Erste Group shows the income distribution within the company by comparing the annual fixed remuneration of the highest-paid employee with the median annual fixed remuneration of all employees in Austria, the Czech Republic, Slovakia, Hungary, Romania, Croatia, Serbia and all other countries in which Erste Group has subsidiaries. All salaries are calculated as annual salaries on the basis of full-time equivalents. The remuneration ratio for the 2022 fiscal year is 36.8.

It is calculated by means of the following formula. Annual fixed remuneration of the highest-paid employee of Erste Group (CEO) divided by the median annual fixed remuneration of all employees of the organisation with the exception of the highest-paid person.

Limitations. The only partial availability of data in a number of entities in Romania, Hungary, Slovenia, Croatia, Montenegro, North Macedonia and Moldova reduced overall population size, as a result of which the ratio shown is not representative of the entire Erste Group.

In addition, the salary differences among the European markets in which we operate are substantial, which has an impact on the median calculated.

1.3 STAKEHOLDER ENGAGEMENT

GRI 2-29

It is important to us to engage in an open dialogue with our stakeholders. This is what is required by our Code of Conduct and this is what we do. A few examples:

- Our customer relationship managers are in continuous personal contact with our **customers** – in advisory sessions, at events and seminars. We also receive feedback through our customer experience programme. For details, see Customer Satisfaction and Ethical Conduct/Complaints Management.
- In addition to periodic employee and feedback talks as part of our talent management programme, our **employees** have manifold opportunities for participation, ranging from institutionalised upward feedback for managers to a major crowd-sourcing project on corporate culture and values conducted in the past year, which, in a digital, dynamic approach, invited all employees to contribute their views, review and assess colleagues' contributions and express their perspectives on the future. Employees' representation is in conformity with the respective local laws and represents employees' interests vis-à-vis the employer. For details, see chapter 3 "Our Employees".
- We communicate with **investors** and **analysts** by means of investor presentations and webcasts, at road shows and conferences.
- We conduct a permanent, pro-active dialogue with national and European **supervisory and regulatory authorities**. Working with the European Central Bank, we successfully concluded a thematic review on climate and environmental risks in 2022.
- We conduct content-driven debates with **academic institutions** as well as **environmental and social NGOs** (non-government organisations). Here, the focus is on climate change, physical risks and other key social concerns.

1.4 MATERIAL TOPICS

GRI 3-1, 3-2

Our report on Erste Group's contribution to sustainable development focuses on the most significant impacts that the business activities of Erste Group have on the economy, the environment

and people and how sustainability themes impact its operations (risks & opportunities). For this purpose we identified and assessed actual and potential impacts and selected the most material topics for reporting ("material topics").

Identification of material topics

Impact analysis

The identification and assessment of actual and potential negative and positive impacts that Erste Group's business activities have on the economy, the environment and people was comprehensively updated in 2021. For this purpose, the ESG Office organised a survey among its in-house and external experts and consulted with institutional investors of Erste Group.

In 2022, we conducted a critical review of the results in light of current developments such as geopolitical tensions, volatile energy markets and supply, new scientific findings on the impacts of climate change, including the Sixth Assessment Report of the IPCC (Intergovernmental Panel on Climate Change), and observable climate phenomena and came to the conclusion that our assessment continues to be valid. This was taken note of by the Audit Committee.

Materiality analysis

In 2021, we conducted telephone surveys among customers and online surveys among employees, investors, NGOs, academics and supervisory board members to prioritise material topics for reporting purposes. Overall, participants included 1,524 employees and 1,639 customers from Erste Group's seven core markets as well as 60 representatives of investors and NGOs, academics and supervisory board members. The topics were subsequently ranked on this basis. We report on the 12 most material topics.

For the reporting year 2022, we re-evaluated the weighting of topics against the backdrop of the climate crisis and in this report have therefore placed the focus on environmental themes.

Material topics & classification in the report

The table below shows the final material topics that resulted from the materiality analysis.

Material topics	Chapter in the report
Sustainability criteria in financing and investment	2. Climate and environment
Limit financing of high emission sectors	
Ecological impact of banking operations	
Diversity and equal opportunity	3. Our employees
Employee health & work-life balance	
Talent attraction	4. Our customers
Customer satisfaction	
Data security	5. Our social responsibility
Access to banking products for the socially excluded	
Financial literacy	6. Business ethics
Ethical conduct of employees in banking operations	
Anti-corruption measures	

GRI 3-2

2. Climate and environment

Climate change has undoubtedly become the most prominent challenge we need to face in order to secure a future worth living in our region of the world. We are committed to the Paris Agreement and prepared to make a contribution towards limiting global warming to 1.5 degrees. As a financial service provider, Erste Group's focus is not only on transforming its own operations, but above all on the effects climate change has on our investment and finance activities.

To be able to meet this challenge, we aim for a net zero portfolio by 2050, following clear-cut sustainability criteria for investment and finance. A key focal point in this context are high-emission sectors. We regard the EU Taxonomy Regulation as an opportunity and strive to increase our investment in sustainable business activities. Last, but not least, we are also taking the necessary measures in our own business activities, aiming to make our banking operations climate neutral by the end of 2023.

2.1 SUSTAINABLE FINANCE AND INVESTMENT

GRI 3-3

Supporting the transition of our customers' activities and investments towards net zero emissions is the most effective way in which we can have a positive impact on sustainable transformation in our region. This is why our sustainability strategy (see chapter 1.1 "ESG Strategy") sets out a strategic priority in this respect, which is to strengthen our leading position in sustainable finance in the CEE region to ensure growth for the future.

Risks / impact

As our in-depth analysis of climate-related challenges and of the legislative and economic effects of climate change in our region (Climate Change House View) has revealed, finance for, and investment in, businesses exposed to physical and transitional climate risks present a major exposure for our core business in

the medium to long term. It is above all in customer investment and advisory processes that we would also have to face consequences should products advertised as "sustainable" not stand up to regulatory scrutiny. Such "greenwashing" would entail fines as well as reputational damage.

Another aspect is the potential for adverse impacts on the environment and on society resulting from financing for, or investment in, businesses whose operations are harmful to the environment and that fail to respect fundamental human rights or the principles of good governance. By contrast, setting out sustainability criteria will ensure that we avoid relationships with businesses that have adverse impacts on sustainability, with funds being directed instead to businesses and activities that make a contribution towards transformation.

Opportunities

The transition towards a sustainable economy requires massive investment. This holds business opportunities for Erste Group, provided we are able to offer the requisite expertise along with customised products. Given the plethora of funding programmes available and the advanced technical standards for sustainable economic activities defined in the EU taxonomy, our customers need advice tailored to their specific needs. Demand for sustainable investment products – by businesses, institutional investors and private individuals – keeps growing. Taking advantage of this trend, we can secure new sources of income while at the same time making a valuable contribution towards a sustainable future.

Targets

Erste Group has set itself two targets: reducing financed emissions along the net zero pathway (see chapter 2.1 "Sustainable Finance and Investment"), and significantly increasing the share of sustainable finance and investment over the short and medium term:

	Metric	Baseline		Actual		Targets			
		Year	Value	Year	Value	short term		mid term	
						Year	Target	Year	Target
Corporate banking	% of credit exposure	-	-	-	-	-	-	2026	25%
Retail housing	% of credit exposure	-	-	-	-	-	-	2027	15%
Ecolabel funds	# of funds offered	2021	11	2022	16	2023	17		

The proportion of sustainable lending to businesses is set to reach 25% by 2026, supporting our pathway towards net zero emissions. In the retail segment, we aim to attain a share of 15% of mortgage loans serving to finance sustainable buildings and structures by 2027. The range of sustainable investment funds ("Article 9 funds" under the EU's Sustainable Finance Disclosure Regulation) will be expanded in 2023 and beyond.

Our sustainable financing activities take guidance from the criteria set out in the EU taxonomy. In addition, we have defined clear rules as to which sectors or projects we will abstain from financing for ethical reasons.

Governance / responsibility

Responsibility for reaching the targeted “sustainable” proportion in our retail mortgage loan portfolio lies with the Chief Retail Officer. Responsibility for reaching the corresponding targets in

our corporate customer and investment portfolios lies with the Chief Corporates and Markets Officer. Our financing targets have been broken down to the level of individual business segments and geographical regions, both for corporates and retail customers.

Measures and key performance indicators

	Austria	Hungary	Czech Republic	Slovakia	Romania	Croatia	Serbia
Increase share of renewable energy project and high quality real estate financing	•	•	•	•	•	•	
Support corporate client transition by offering sustainability linked loans	•						
Increase retail mortgage financing with high EPC labels	•	•	•	•	•	•	
Raise marketing budgets for ESG topics & products	•						

Ethical exclusion criteria for business loans and our banking book

The Group Responsible Financing Policy sets out exclusion criteria for specified economic activities, defining harmful socio-ecological activities that are to be excluded from finance and banking services. The focus of the policy is on climate action, which includes an alignment of Erste Group’s energy finance activities with the Paris Agreement, the limitation of global warming, the prevention of extensive environmental degradation, and measures to preserve biodiversity through refraining from financing arctic oil and gas exploration and unconventional mining practices, while investing in hydropower projects only on a highly selective basis. In addition, the policy aims to limit the impact of socially harmful activities such as those found, for instance, in the weapons and defence industry.

In response to the energy crisis in Europe, Erste Group adapted its Responsible Financing Policy while remaining committed to its target of exiting the coal sector by no later than 2030. Mindful of our responsibility towards society, we decided to grant our customers time until the end of 2025 to define their plans for a coal phase-out. We believe that this will be a sufficient timeframe for them to draw up credible phase-out plans. Given the current energy crisis, we recognise nuclear energy as a necessary transition technology. With our responsibility for the region in mind, we support only projects offering the highest standards of safety as well as solutions for long-term nuclear waste management, as set out in the EU taxonomy.

Specialised advisory services for corporates

Erste Group has, in some instances, set up dedicated teams – such as Sustainable Finance Corporates in Austria – for corporates in its core markets. In general, the first item on the agenda with corporate customers is a sector and customer-specific analysis of relevant ESG issues and, where applicable, links to the EU Taxonomy Regulation. The next step involves selecting and implementing the necessary finance instruments in conformity with the customers’ sustainability and finance strategies.

Investment banking

Outcome-oriented investment has been playing a key role on the market for responsible investment, especially since the 21st UN Climate Conference in Paris in 2015. On the financial institutions and sovereign/supra/agency debt capital markets side, both social bonds and green bonds saw an increase in issuance volumes in 2022. Investor interest in social bonds likewise recorded a significant rise in the reporting year. In 2022, Erste Group Bank again acted as bookrunner for a large number of such bonds and arranged a total volume of EUR 8.2 billion of green/social/ sustainable bond issuances for corporates, governments and supranational organisations.

The sustainable corporate debt market is no longer dominated just by green bonds issued by utility companies but has already become well-diversified, offering a broader variety of instruments from issuers across various industries. Transactions include green bonds in the real estate segment, ESG rating-linked Schuld-scheindarlehen for the packaging industry and a combination of KPI-linked and green structure in the utility segment. Erste Group was again very active in the sustainable finance market and arranged transactions at a combined volume of more than EUR 3 billion for corporate issuances in 2022.

The Group’s Sustainable Finance Framework defines rules for bond issuances in conformity with the ICMA Green Bond Principles. When it comes to buildings and energy, we look to the EU taxonomy’s technical screening criteria for guidance.

Ethical exclusion criteria for investment products

Erste Group’s retail investment products (investment funds, bonds, structured bonds) are governed by the Sustainable Retail Investment Framework. All third-party-issued investment products actively marketed to retail customers by Erste Group must likewise meet the sustainability standards. The four issuers represented on Zertifikate Forum Austria (ZFA) – Erste Group Bank AG among them – have developed uniform product and transparency standards for structured products based on sustainable investment criteria. This means that structured investment products are sustainable both from the perspective of the issuer and at the underlying level.

Sustainable investment and real estate funds

Erste Group's capital investment company, Erste Asset Management (Erste AM), became a signatory of the Principles for Responsible Investment (PRI) in 2009.

Erste AM has long been offering a broad range of funds and investment services that take account of ESG factors:

- **Impact Investing.** The investment strategy is focused exclusively on sustainable investment ("dark green" funds). Such funds are in conformity with Article 9 of the EU's Sustainable Finance Disclosure Regulation (SFDR).
- **Responsible Investing.** The investment strategy takes account of environmental, social and governance data, which enter into an ESG rating specifically introduced by EAM for business evaluation purposes ("light green funds"). Such funds are in conformity with Article 8 SFDR.
- **Integration.** Integration means integrating ESG criteria in the investment process in view of their potential positive impacts. Businesses with a high level of ESG exposure will be excluded, for instance. Such funds are likewise in conformity with Article 8 SFDR.
- **Discretionary Portfolio Management (DPM).** Portfolio management is based on a broad interpretation of sustainability. The use of proprietary sustainability approaches by the management company promotes both environmental and social characteristics in accordance with Article 8 of EU Regulation 2019/2088.

Erste AM's integrated approach combines exclusion criteria, positive screening, a best-in-class approach based on an ESG analysis, corporate dialogue and voting as well as investment decisions made in line with the desired impact and an assessment of the sustainable yield thus achieved. Furthermore, Erste AM offers tailor-made solutions to its institutional customers.

The Ethics Advisory Board, a body consisting of five external experts, supplements the expertise of the experts at Erste AM in the field of ethical assessment. Erste AM is an active member of the following institutions: Eurosif (European Sustainable Investment Forum), FNG (forum for sustainable investment), and CRIC (Corporate Responsibility Interface Center).

In 2022, sixteen funds were awarded the 3-star FNG label. The FNG label is the quality standard for responsible investment in the German-speaking countries and was first awarded by Forum Nachhaltige Geldanlagen (FNG) in 2015. In addition, 16 funds have been awarded the Austrian Ecolabel for sustainable financial products, most of them for many years in a row.

Erste AM is a leading provider of sustainable investment funds in Austria and the CEE region. At year-end 2022, Erste AM managed assets worth approximately EUR 69.4 billion. The internally managed assets of investment funds that promote ecological and/or social characteristics, categorised as ESG Impact, ESG Responsible and ESG Integration, including sustainable real

estate assets that promote environmental and/or social characteristics, amounted to EUR 15.03 billion, held in a total of 90 investment funds, divided into mutual funds, special funds and individual mandates.

Green Consumption Pledge

In June 2021, Erste Group was the first financial institution to accede to the European Commission's Green Consumption Pledge to accelerate its contribution to a sustainable economic recovery. Erste Group is committed to ensuring the availability of sustainable investment products and to promoting sustainable investment to facilitate the participation of consumers in the green transition. Erste Asset Management (Erste AM), Erste Group's investment fund and asset management subsidiary, is tasked with implementing this pledge.

Since becoming a signatory of the Green Consumption Pledge in June 2021, Erste AM has increased the number of investment funds awarded the Austrian Ecolabel from 11 to 16. There are plans to launch another fund that will meet the Ecolabel's stringent sustainability criteria by the end of 2023.

Erste AM has also committed to raising the share of its marketing budget dedicated to ESG topics and products to at least 25% by the end of 2023.

Three or four times a year, the ESG investment team issues a specialised ESG publication – Erste Responsible Return – The ESG Letter on Environmental, Social and Governance Issues. The publication discusses special ESG aspects in detail, for instance, most recently, the social aspects of financial investment. In addition, blog articles on ESG topics are published regularly, addressing, for instance, topics such as addressing sustainability in advisory settings.

In 2022, Erste AM offered webinars for retail sales advisors of Erste Bank Oesterreich and the savings banks reaching more than 1,000 participants. With quarterly webinars and its annual outlook scenario analysis that includes more and more ESG topics, Erste AM attracts an increasing number of institutional investors as well as distribution partners. At the end of April, Erste AM hosted a sustainability conference for institutional investors at Erste Campus in Vienna, with climate change and climate politics the top items on the agenda.

Since 2022, Erste AM has been providing regular and standardised reporting on the United Nations Sustainable Development Goals (SDGs), with quarterly updates available on Erste AM's website.

Structured retail bonds

Sustainable ESG products that promote environmental and/or social characteristics are subjected to an ESG rating based on a predefined methodology, respecting ESG exclusion criteria (e.g. weapons, child labour) to avoid social, environmental and financial risks. The ESG portion of structured products issued by Erste Group in Austria in 2022 came to far in excess of 70% (2021: 50%), which is a year-on-year increase of approx. 40%.

Sustainable lending

Sustainable lending is lending made available exclusively to fund or refinance, in whole or in part, eligible new and/or existing “green” projects with a focus on achieving or ensuring some form of environmentally sustainable impact. In the case of “social projects”, the focus is on achieving or ensuring social and/or governance-related impacts.

Sustainable finance

in EUR million	2022
New corporate financing of environmental objectives, total committed amount	2,172.6
Construction and real estate	1,372.5
Renewable energy	427.2
Transportation	259.6
Other Corporate ¹	113.3
Green retail mortgages² (Austria only), total outstanding amount	4,283.1

¹ Loans to corporate customers: These figures represent new business under all corporate lending in the core market (Erste Group Bank AG including CE subsidiaries, Erste Bank der oesterreichischen Sparkassen AG) in fiscal year 2022

² Retail mortgages: These figures represent the total of all housing loans at Erste Bank der oesterreichischen Sparkassen AG and all savings banks as of 31 December 2022

Sustainable investment

in EUR million	2022	2021	2020
SFDR Erste Asset Management - ESG-assets (funds, portfolio management, insourcing-mandates)	15,039.5	15,421.9	13,454.0
Article 9 ESG Impact	1,799.4	1,956.4	1,317.5
Responsible & Ethics	7,924.0	7,687.1	7,381.8
Article 8 ESG Integration	4,744.7	5,778.3	4,754.7
ESG DPM	571.5	0.0	0
ESG-assets - in % of total	21.7%	20.1%	19.7%

In 2022, the proportion of ESG assets rose to 21.7%, up 1.6% year-on-year.

Under Article 9 of EU Regulation 2019/2088, the following tools are applied to investment funds which promote or rate environmental or social characteristics or a combination thereof: exclusion criteria, norm-based screening (conformity with specified international standards and norms), best-in-class, integration (reduction of ESG risks) and theme funds.

Some Erste AM funds were awarded certifications under the sustainability standards currently applicable on the financial market, such as the FNG seal or the Austrian Ecolabel. Investment funds under Article 9 of EU Regulation 2019/2088 which have sustainable investment as their objective must, in addition, achieve a focused sustainability impact.

2.2 LIMITING FINANCING IN HIGH-EMISSION SECTORS

GRI 3-3

Key steps along the path toward a decarbonisation of our portfolio include the measuring of financed greenhouse gas (GHG) emissions and – based on the outcome – effective steering measures for the portfolio. Erste Group laid the necessary foundations by joining the Partnership for Carbon Accounting Financials (PCAF) and conducting a first-time evaluation of financed emissions in 2021. In 2022, further asset classes were included in the calculation, and first specific decarbonisation targets were set for four sectors. At the same time, we are working to reduce our risk exposure in high-emission sectors.

Risks, impact and opportunities

The financing of high-emission sectors comes with both adverse effects on the climate and the environment and risks and opportunities for Erste Group.

Targets

In a bid to reach the zero net emissions target for our portfolios by 2050, we have set ourselves the following ambitious interim targets:

	Metric	Methodology	Scenario/Pathway	Baseline		Targets			
				Year	Value	2030	% reduction	2050	% reduction
Mortgages	kgCO ₂ e/m ²	SBTi SDA	IEA B2DS	2022	53.3	30.5	-43%	0.8	-98%
Commercial real estate	kgCO ₂ e/m ²	SBTi SDA	IEA B2DS	2022	50.9	25.7	-50%	1.0	-98%
Electricity production	kgCO ₂ e /MWh	PACTA	IEA NZE2050	2022	421.4	215.6	-49%	24.9	-94%
Heat & steam production	thousand tCO ₂ e	SBTi AC	IEA B2DS	2022	1,382	801	-42%	138	-90%

Governance / responsibility

Overall responsibility at Erste Group for managing financed emissions and aligning our portfolio with the goals of the Paris Agreement lies with the management board. The net zero transition strategy is a strategic initiative managed by the Group ESG Office, with operational implementation being ensured by Group Enterprise Risk Management and Group Credit Risk Portfolio Management. The business units of Erste Group Bank AG (Holding) and of the subsidiaries are in charge of developing and implementing the specific measures to be taken. In a first step, our objectives will be implemented in our CEE countries, at the Holding, Erste Bank Oesterreich & subsidiaries. The savings banks segment (members of the Haftungsverbund (cross-guarantee system) of the Austrian savings banks sector in which Erste Group does not hold a majority stake but which it fully controls in accordance with IFRS 10) will implement the target agreement in a second step, in line with the Group implementation policy. The savings banks segment's targets are approved on a dedicated platform by the board member in charge of strategy.

Measures and KPIs

To be able to take measures to limit financing in high-energy-use sectors, it is first of all necessary to identify such sectors and, using the PCAF accounting standard, to arrive at an estimate of the emissions contained in our portfolios (assets).

Depending on the intended purpose, different metrics may apply for the steering of financed emissions. While the metrics for determining the financed portfolio are expressed in EUR million, in metric tonnes of carbon dioxide equivalent or as the ratio between the former and the latter, business goal metrics are in most cases expressed as physical activity-based emission intensities per sector (e.g. kgCO₂e per MWh of electrical power). The advantage of goals based on physical activity-based emission intensities is that they reference the relevant decarbonisation of the financed sector, while targets expressed in absolute emission figures can potentially be achieved also by cutting down on the portfolio. What is more, the business goal metrics are the ones applied throughout the fiscal year to control the development of business internally and are therefore of more practical relevance to our sales teams. The table below provides a sample overview of these parameters:

Portfolio measures	Financed emissions	Target setting	Business KPIs
Credit exposure, EUR million	Absolute measure, tCO ₂ e,	Production metrics: kgCO ₂ e/m ² , kgCO ₂ e/MWh	share of green financing in critical sector in %
	Relative measure gCO ₂ e/€	Emission metric: tCO ₂ e	absolute green financing per sector in EUR million

Financed emissions – PCAF reporting

Erste Group used PCAF methodology (version 2022) to account for its financed emissions. We included the following PCAF-defined asset classes in our calculation: corporate bonds, business loans, commercial real estate, project finance, and mortgages. The corporate bond asset class was included in this report for the first time. Amounting to EUR 2.1 billion, the credit exposure for corporate bonds corresponded to approx. 1.2% of the total quantified portfolio (EUR 178.3 billion). In 2022, Erste Group also newly added the portfolios of the subsidiaries in Serbia, Montenegro, North Macedonia, Bosnia & Herzegovina, and Slovenia, as well as the micros portfolio, with a corresponding total credit exposure of EUR 11.2 billion, or 6.3% of the total quantified portfolio.

Overall, the 2022 financed emissions calculation covered already 89% of total customer loans (i.e. credit exposure excluding off-balance-sheet positions, central banks, governments and credit institutions). The difference of about 11% is mainly due to the large number of consumer loans, for which PCAF does not yet provide a specific calculation methodology.

Two out of the seven currently existing PCAF calculation methodologies have not been included in the calculation yet. Given its low volume, the motor vehicles asset class has so far not been a priority, and the sovereign debt asset class was officially adopted in the PCAF standard only at the end of 2022.

Share of the portfolio covered by the calculation

	Credit exposure in EUR million	covered by financed emissions		not covered by financed emissions	
		in EUR million	%	in EUR million	%
Off-balance sheet exposures and derivatives HfT	65,670	-	0%	65,670	100%
Central banks	16,656	-	0%	16,656	100%
Central governments	51,434	-	0%	51,434	100%
Credit institutions	15,146	-	0%	15,146	100%
Other financial corporations	7,125	5,638	79.1%	1,487	20.9%
Non-financial corporations	97,043	94,048	96.9%	2,994	3.1%
Households	96,092	78,632	81.8%	17,460	18.2%
Total	349,166	178,319	51.1%	170,847	48.9%

Methodology

We used our in-house customer segmentation by sectors for the purpose of PCAF measuring and disclosure.

In the case of business loans, corporate bonds and project finance, we followed the PCAF methodology by relying either on emissions reported by the businesses or on estimates based on finance data and emission factors drawn from the PCAF database. In the case of commercial real estate and mortgages, our emission estimates were based on building data (energy performance certificates (EPCs) and floor area) or on national averages and national emission factors. In the case of renewable energy projects (wind, solar, geothermal), we assume zero emissions.

We relied on PCAF methodology for scoring **data quality**, where the scale ranges from a score of DQ 1 (= highest data quality) to DQ 5 (= lowest data quality).

The data quality of our calculations reflects the high dependence on sectoral emission factors, as relevant customer information was not widely available. However, our increased efforts at data collection have helped us to successfully improve our data quality levels.

Sectors were classified as high-emission sectors based on company revenue-based emission intensity. Everything above 6 kg of CO₂e/EUR of revenue was classified as high emissions sector, while everything from 1 to 6 kg of CO₂e/EUR of revenue was classified as critical emissions sector.

2022 brought the introduction of a number of significant changes in methodology, which impacted the outcomes in terms of financed emissions. The most important change related to the new second edition of the PCAF standard (2022), which, by compari-

son with the first one, provides for additional sectors where Scope 3 emissions must be included in the calculations. At Erste Group, this impacted above all finance in manufacturing, i.e. in typical industrial operations, and, to a smaller extent, also the construction and transportation sectors. Overall, this change resulted in an increase of financed Scope 3 emissions by 14.3 million tCO₂e, which was 49% of total financed emissions (29.4million tCO₂e).

Other changes or new features in PCAF methodology concerned (i) the newly added asset class of corporate bonds, which accounted for 0.3 million tCO₂e, (ii) portfolios which provide no relevant information other than exposure – measurement based on average values or the remaining portfolio in 2021 was changed in the first half of 2022 to measurement based on PCAF emission factors, causing financed emissions to rise by 0.5 million tCO₂e at the time –, and (iii) the energy mix for mortgages and commercial real estate, the granularity of which was increased in the first half of 2022, requiring a subsequent update of related emission factors and resulting in an overall reduction of financed emissions by 0.9 million tCO₂e.

Outcomes

Altogether, the portfolio's financed emissions came to 29.4 million tCO₂e (prior year: 11.1 million tCO₂e), of which Scope 1 and Scope 2 emissions accounted for 14.3 million tCO₂e and Scope 3 emissions for 15.1 million tCO₂e. Financed emission intensity stood at 165.1 tCO₂e/EUR million (prior year: 79.0 tCO₂e/EUR million).

The weighted average data quality of the quantified portfolio was 3.9. Weighted average data quality was first measured in the first half of 2022, when it amounted to 4.3, which indicates that data quality registered a significant improvement.

Financed Emissions

	Credit exposure in EUR million	Credit exposure covered by emissions calculation in EUR million	Financed emissions, thousand tCO ₂ e		Emission intensity tCO ₂ e/EUR mln	Weighted data quality High = 1, Low = 5
			Scope 1 + Scope 2	Scope 3		
2021	312,439	140,200	11,0531		79,0¹	4,3²
2022						
by PCAF asset class						
Corporate bonds		2,073	313	441	363.6	3.9
Business loans		74,270	9,990	14,648	331.7	4.1
Project finance		2,295	349	27	164.2	3.1
Mortgages		72,632	2,987	0	41.1	3.9
Commercial real estate		27,050	689	0	25.5	3.6
Total	349,166	178,319	14,329	15,116	165.1	3.9
by sector						
Natural resources & commodities	13,881	9,046	3,093	2,418	609.2	3.9
Energy	14,912	8,000	3,644	525	521.1	3.3
Construction	16,111	7,393	1,192	2,026	435.4	4.0
Automotive	7,715	5,624	389	4,755	914.6	3.8
Cyclical consumer goods	9,314	4,311	143	220	84.3	3.8
Non-cyclical consumer goods	9,947	5,575	454	483	167.9	4.0
Machinery	6,188	6,873	588	2,134	395.9	3.6
Transportation	7,394	3,322	279	1,636	576.6	4.1
TMT	7,487	4,043	298	572	215.2	3.9
Healthcare & Services	11,123	7,478	355	102	61.1	4.2
Hotels and Leisure	9,487	7,637	241	31	35.7	4.1
Real estate ³	43,208	36,986	932	214	31.0	4.0
Public sector	66,994	365	2	-	4.5	4.1
Financial institutions	28,074	3,090	37	-	11.8	4.2
Private customers	96,992	68,545	2,682	-	39.1	3.9
Other sectors	339	32	1	-	19.0	4.9
Total	349,166	178,319	14,329	15,116	165.1	3.9
by carbon intensity of corporate clients						
High (1 - 6 kgCO ₂ e/EUR revenue)		3,371	2,661	950	1,071	3.6
Critical (>6 kgCO ₂ e/EUR revenue)		410	1836	10	4,500	3.1

¹ In the prior year, financed emissions had been shown only in the aggregate, for Scope 1, Scope 2 and Scope 3 combined.

² It was not until the first half of 2022 that weighted data quality was first calculated; the figure shown represents the corresponding value from the first half of 2022.

³ The loans granted to large real estate management companies (NACE L68) are included in the PCAF business loans asset class as long as the finance purpose cannot be unambiguously assigned to one or more commercial real estate properties. As the PCAF database provides only very low emission intensity figures for these exposures, we replaced them with the higher emission intensities found for the commercial real estate asset class. In doing so, we proceeded on the conservative assumption that a large part of the funds granted to real estate management companies will *de facto* be used to finance the relevant buildings, even if the loan agreements as such contain no evidence thereof.

The aggregate level of financed emissions benefited from a favourable balance between the low financed emission intensity of real estate and the marginal share of the high-emission heavy industry and energy sectors.

The sector posting the highest financed emission intensity, at 915 tCO₂e/EUR million, was the automotive industry, with an exposure of EUR 7.7 billion.

Altogether, high and critical emission categories made up EUR 3.7 billion in exposure, or 2.1% of the quantified loans-to-customers portfolio of EUR 178.3 billion. This constituted an increase over the prior year, where such exposure came to EUR 2.5 billion, or about 1.4% of the quantified portfolio, such increase being attributable primarily to the new PCAF standard 2.0 and the related rise in financed Scope 3 emissions.

Corporate bonds. This year saw the first-time inclusion of corporate bonds in an amount of EUR 2.1 billion in financed

emissions accounting. Financed emissions were measured at 0.7 million tCO₂e, with emission intensity coming to 364 tCO₂e / EUR million.

Business loans. Business loans in the amount of EUR 74.3 billion were a major source of financed emissions, both in absolute terms (24.6 million tCO₂e) as well as in terms of financed emission intensity (332 tCO₂e/EUR million). Business loans comprise financing granted to large international and national corporates, small and medium-sized enterprises as well as micro entrepreneurs (non-financial corporates).

Project finance. The project finance portfolio had a moderate exposure of EUR 2.3 billion and 0.4 million tCO₂e of financed emissions, or an emission intensity of 164 gCO₂e/EUR million.

Commercial real estate. Commercial real estate accounted for an exposure of EUR 27.1 billion, with emissions of 0.7 million tCO₂e and a financed emission intensity of 26 tCO₂e/EUR mil-

lion. Although buildings are among the highest contributors of absolute emissions in Erste Group's markets, they have a low financed emission intensity.

Mortgages. Retail mortgages with an exposure of EUR 72.6 billion were the second largest contributor of absolute emissions with 3.0 million tCO₂e, but had a low financed emission intensity of 41 tCO₂e/EUR.

Portfolio net zero transition by 2050 (Net Zero Banking Alliance Reporting)

Having committed to transitioning our loan and investment portfolios to net zero emissions, we have become keenly aware of the future shift in quality needed in terms of financed assets, customer activities or market-driven technological progress. We believe in technology driven progress. We also believe that the forward-looking knowledge gives us the possibility to build step-by-step portfolio decarbonization.

Our objectives are linked to specific measures and forward-looking business strategies. The first such measure, which was implemented in 2021, was to tighten our policy for lending in the critical energy and coal sectors (see chapter 2.1 "Sustainable Finance and Investment").

Methodology

Our methodology must bridge the gap between general scientific scenarios and portfolio- or customer-specific attributes. With this in mind, we developed an approach that combines bottom-up portfolio modelling with scientifically informed top-down objectives. Our bottom-up models take account of factors such as energy demand, energy source and floor area in the case of financed buildings, and of the technology mix used in financed electricity or heat generation in the energy sector. National energy and climate plans, which are aligned with long-term scenarios at EU level, inform the assumptions underlying our scenarios for future technological change in our region. Our top-down models for real estate are based on the methodologies developed by the Science Based Target initiative (SBTi), while in the energy sector context we rely on the methodology of the Paris Agreement Capital Transition Assessment (PACTA).

Scenarios, objectives and offsets

We used recognised benchmark climate scenarios to ensure our portfolio is aligned with the temperature goals of the Paris Agreement. These scenarios served as upper limits for both medium-term (2030) and long-term (2050) planning. In selecting relevant benchmark scenarios, we made sure that, apart from meeting the Paris Agreement requirements as a minimum target, we will also achieve a level of decarbonisation which is in line with the bottom-up model outcomes, i.e. which is likely to be achieved under the national energy and climate plans. The scenarios we exclusively relied upon were all well-documented and had been drawn up by widely recognised institutions. Our objectives for the selected sectors included solely scenarios supplied by the International

Energy Agency (IEA). Generation of electricity and heat & steam are benchmarked against the IEA Net Zero Energy 2050 (NZE2050) scenario meeting the 1.5 degrees objective. When it comes to buildings, both commercial real estate and mortgages for housing real estate were, at this stage, compared against the IEA Beyond Two Degree (B2DS) scenario, which assumes that the global rise in temperature can be limited to 1.75 degrees. We are aware that we must step up our efforts and mobilise this segment to achieve our ambitious 1.5-degrees target. To have a realistic chance of achieving this target, we need the support of a broad group of stakeholders and, in particular, the understanding and support of political decision-makers in all the countries where Erste Group operates.

We acknowledge that the EU Commission's initiative on certifying carbon removals is laying the legal foundations, and thus creating incentives, for investing in carbon removal technologies. At present, however, we have only very limited insights into how these technologies can be scaled and industrialised, which is why our scenario assumptions are conservative as to the extent such technologies will be available and applicable.

Governance

The only way to achieve the net zero transition is for us to combine effective measures, longterm management commitment, and KPIs aligned with the net zero pathway. Consequently, our objectives are integrated in Erste Group's strategic planning process, which means that our targets are aggregated from commitments of our local banks and business units. The Group targets are discussed and reviewed by the management board and approved by the Group Sustainability Board. Final approval is given by our Supervisory Board based on the review and recommendation of Strategy and Sustainability Committee. Our performance KPIs on Board and senior management levels are aligned with the Net Zero targets.

2.3 FINANCING OF ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES

Managing the transition towards a low-carbon and resource-efficient economy and achieving the objective of a climate-neutral Europe by 2050 will require the channelling of private investment towards sustainable investments alongside public expenditure. This is why the European Union adopted the Taxonomy Regulation (Regulation (EU) 2020/852) to serve as guidance to investors and other sponsors or donors, by highlighting which economic activities contribute to achieving the EU climate objectives. Its aim is to channel finance streams in the EU towards sustainable investment.

To be considered environmentally sustainable, economic activities must substantially contribute to at least one of six defined environmental objectives without, at the same time, causing significant harm for the other objectives. The six environmental objectives are:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

The assessment as to whether or not an economic activity qualifies as environmentally sustainable within the meaning of the EU taxonomy is linked to it meeting specified technical screening criteria, which are set out in the Delegated Acts adopted in accordance with the Taxonomy Regulation (Delegated Regulation (EU) 2021/2139 and/or Delegated Regulation (EU) 2022/1214). The taxonomy also requires that environmentally sustainable activities respect minimum social safeguards.

Since the fiscal year 2022, real economy businesses are under an obligation to disclose the respective portion of taxonomy-aligned activities. The rule for all businesses is that such disclosures are, at present, mandatory only for the environmental objectives of climate change mitigation and climate change adaptation. The criteria for the remaining objectives were still pending finalisation at the end of the reporting period.

As of the fiscal year 2023, credit institutions will have to disclose the extent to which they are financing, or investing in, taxonomy-aligned economic activities. The share of such exposures in the overall assets of an institution is referred to as the Green Asset Ratio. In the fiscal year 2022, credit institutions still benefited from transitional exemptions (cf. Delegated Regulation (EU) 2021/2178, Article 10(3)). Credit institutions had to disclose their financing of and investment in taxonomy-eligible economic activities only as a proportion of their total assets. Taxonomy-eligible economic activities differ from taxonomy-aligned economic activities in that they, while still covered by the EU Taxonomy, do not meet all of the defined technical screening criteria.

Credit institutions had to disclose the following key performance indicators for the fiscal year 2022:

- The proportion in their total assets of exposures to taxonomy non-eligible and taxonomy-eligible economic activities.

- The proportion in their total assets of exposures to governments, central banks and supranational issuers.
- The proportion in their total assets of derivatives.
- The proportion of exposures to undertakings not subject to the obligation to prepare a non-financial statement or non-financial report under the EU's Non-Financial Reporting Directive (NFRD).
- The proportion in their total assets of their trading portfolio.
- The proportion in their total assets of on-demand inter-bank loans.

The exposures listed under the first item cover the following accounting categories for financial assets, including loans and advances, debt securities, equity holdings and repossessed collaterals: (a) financial assets at amortised cost, (b) financial assets at fair value through other comprehensive income, (c) investments in subsidiaries, (d) joint ventures and associates, (e) financial assets designated at fair value through profit or loss, and non-trading financial assets mandatorily at fair value through profit or loss, (f) real estate collaterals obtained by credit institutions by taking possession in exchange for the cancellation of debts.

The disclosure of taxonomy-eligible assets requires only such businesses to be included as are themselves subject to the EU's Non-Financial Reporting Directive (NFRD). Generally, these are listed companies meeting certain size criteria and having an average number of employees per year in excess of 500 as well as banks and insurance companies having more than 500 employees. No comparable size criteria apply to private households and local government entities. As for the assets described in items 2 to 6 above, there is no legal obligation to disclose the taxonomy-eligible or taxonomy non-eligible proportion thereof. The scope of prudential consolidation as set out in Regulation (EU) No. 575/2013 applies to all such disclosures.

KPI development

In 2022, the proportion of taxonomy-eligible assets declined by 30.6% as compared against the prior year. This decline is attributable mainly to changes in the calculation method used, where sector-based estimates were replaced with identification of assets with clear financing purpose.

Taxonomy-related disclosure (Del.Reg.(EU) 2021/2178, Article 10)

Mandatory taxonomy-related disclosure

	2022	2021
Central governments, central banks, supranational issuers and derivatives / total assets ¹	29.8%	32.3%
Derivative / total assets	0.1%	
SMEs and NFCs not subject to NFRD disclosure obligations / total assets ²	28.6%	12.9%
Trading portfolio / total assets	2.4%	2.2%
On-demand interbank loans / total assets	0.2%	0.3%
Taxonomy-eligible activities / total assets ³	30.6%	51.2%
Non-eligible taxonomy activities / total assets ³	69.4%	26.7%

¹In contrast to the prior year, derivatives were included in the numerator of this KPI.

²In contrast to the prior year, customers which are subject to the NFRD were included based on customer level identification.

³In contrast to the prior year, a stricter approach was applied to taxonomy-eligible activities, with taxonomy-eligible finance purposes known to us being the sole selection criterion. Furthermore, the denominator of this KPI was changed to the balance sheet total.

Voluntary disclosure

	2022	2021
Estimated taxonomy-aligned activities / total GAR assets	7,1%	6,0%

KPI calculation

The taxonomy figures were based on all on-balance sheet exposures under CRR consolidation (balance sheet total as shown in table) in the amount of EUR 316.0 billion and were used to form the denominator. Pursuant to Annex V, Delegated Act (EU) 2021/2178, they comprise the accounting categories of financial assets, including loans and advances, debt securities, equity holdings and repossessed collaterals, as well as investments in subsidiaries, joint ventures and associates.

According to the interpretation published by the European Commission in its FAQs in December 2021, the disclosure of taxonomy-eligible exposures should be based on actual information provided by the relevant – financial or non-financial – undertaking. To arrive at a calculation of taxonomy-eligible assets, we included lending for specified purposes in the fields of commercial real estate finance, non-profit housing, private mortgages (including for refurbishment and renovation projects), renewable energies as well as other project finance with a clearly defined environmentally sustainable finance purpose.

In the case of lending and debt securities not tied to specific purposes as well as equity instruments of customers subject to the NFRD, we determined whether they were taxonomy-eligible or not based on the revenue-related taxonomy eligibility indicators published in their non-financial reports. We identified customers subject to the NFRD based on the above-mentioned size criteria and reviewed their respective non-financial reports.

Repossessed real estate collaterals held for sale were taken into account in the aggregate. Loans extended by financial institutions to other businesses were not included in the calculation, as we were unable, based on the disclosures reported in 2022, to review these assets and loans for conformity with the taxonomy (weighting of taxonomy KPIs).

All other assets were classified as taxonomy-non-eligible.

In 2023, we plan to gradually include other areas (such as car leasing, project finance for municipalities and local communities as well as debt securities issued for defined purposes) into the calculation of taxonomy eligibility or alignment.

Activities in the nuclear and natural gas sectors

In 2022, the EU's Delegated Regulation 2022/1214 added activities in the nuclear and gas sectors to the list of taxonomy-eligible economic activities.

However, corporate customers for whom this may potentially be relevant will not be obligated to disclose such information until 2023. Our in-house evaluations showed that Erste Group had no

direct exposures to nuclear activities 2 (new nuclear installations), not least because of its current Nuclear Finance Policy. While nuclear activities 1 (research) and 3 (safe operation) are acceptable under the Responsible Financing Policy, information on direct or indirect exposure was not gathered at this level of detail and was therefore not available.

Information on gas activities (1-3) was gathered, but not at the level of granularity required for the taxonomy, which is why we are unable to publish any relevant figures here. Data collection for the gas sector is a manual process at Erste Group, carried out to the best of our knowledge, as no pertinent customer information is available in the public domain.

As a consequence, we are unable to disclose exposures relating to any of these topics (gas and nuclear).

Voluntary disclosure

For the purposes of voluntary disclosure we tried to provide estimates on taxonomy alignment by applying NACE-code-based coefficients (TACs) as published in the European Commission's taxonomy alignment tool 2020. Economic activities not assigned to any NACE code were not taken into account, with the exception of retail mortgages, to which we assigned the real estate sector TAC. Applying the methodology described above, we arrived at a portion of estimated taxonomy-aligned finance of 7.1%.

The role of the EU taxonomy in corporate strategy

Providing finance for the green transition is one of Erste Group's top priorities. The taxonomy provides the basis for checking the finance policies as laid down in the Group's Sustainable Finance Framework (SFF) and the in-house Sustainable Finance Guidelines (SFG) for conformity.

2.4 ECOLOGICAL IMPACT OF BANKING OPERATIONS

GRI 3-3, GRI 302-1, 302-3, 302-4, GRI 305-1, 305-2, 305-3, 305-4, 305-5

There can be no doubt that the most significant impact a credit institution has on the environment and the climate are the emissions attributable to its finance portfolio. Of course it is equally important to lead by example and reduce the greenhouse gas (GHG) emissions caused by our own operations to a minimum. We intend to achieve climate neutrality in our own operations by the end of 2023.

The information provided below refers to Erste Group's Scope 1, Scope 2 and Scope 3 GHG emissions. Financed emissions (Scope 3, category 15) are discussed in the chapter 2.2 "Limiting finance in high-emission sectors".

Risks / impact

Non-mitigated GHG emissions caused by banking operations have adverse effects on the environment, even if they are less significant than financed GHG emissions. Conversely, a high level of emissions or a degradation of the ecological footprint may present a reputational risk for Erste Group, undermining its credibility as a pioneer of sustainability.

Opportunities

Reducing our GHG emissions will strengthen Erste Group's profile as a sustainable full-service bank, contribute directly to ecological change and have a positive effect on its attractiveness as an employer.

Targets

We have defined quantitative targets in different fields for Erste Core Group (Erste Holding, Erste Bank Oesterreich and CEE subsidiaries):

- We intend to achieve climate neutrality in our own operations by the end of 2023. This target refers to Erste Core Group's Scope 1, Scope 2 and Scope 3 GHG emissions.
- We aim to reduce our Scope 1 and Scope 2 emissions by 80% as compared to 2017 (base year) by 2030. Interim goals are a 55% reduction by 2023 and a 60% reduction by 2025.
- We aim to raise the share in our total electricity consumption of power from renewable sources (green electricity) to 90% by 2023.
- The proportion of electric vehicles in our fleet is set to amount to 100% by 2030.

	Metric	Baseline		Actual		Targets			
		Year	Value	Year	Value	short term Year	Target	mid term Year	Target
Total Scope 1 + Scope 2 emissions	tCO ₂ e	2017	72,433	2022	30,047	2025	28,973	2030	14,487
Share of green electricity	% of green electricity	-	-	2022	83%	2023	90%		
Electric fleet	% of e-cars								
	in total carfleet	-	-	2022	4%	2025	25%	2030	100%

We chose 2017 as our base year because the scope of consolidation for reporting purposes had been enlarged at the time to such an extent that it is comparable to the present one. What is more, 2017, as the year following the adoption of the Paris Agreement, saw renewed efforts and high expectations at global level with respect to the fight against global warming, to which we also want to contribute.

As compared to the base year 2017, we reduced our Scope 1 and Scope 2 emissions by 58%, from 72,154 down to 30,047 tCO₂e. Scope 1 emissions fell from 25,733 to 20,707 tCO₂e, Scope 2 emissions from 46,421 to 18,686 tCO₂e. The proportion in total electricity consumption of green electricity stood at 83%, which is already a high level. We also achieved progress in transforming our vehicle pool, attaining a share of 4% of electrical vehicles in the Core Group.

Governance / responsibility and participation

Overall responsibility for energy and climate protection matters in the Group lies with the management board, while the Group ESG Office is tasked with implementation. Our subsidiaries are in charge of developing and implementing the specific measures to be taken. All the targets mentioned above were adopted by Erste Core Group. The savings bank sector in Austria will conduct a separate approval process during the course of 2023.

Measures and success indicators

Reduction of GHG emissions

The most significant GHG reduction potential for Erste Group lies in switching to renewable electricity sources, in improving the energy efficiency of the premises it uses and in raising the share of e-vehicles in its vehicle pool. For this reason, 2022 saw further efforts at increasing the proportion of low-emission electricity, for instance by switching providers in Slovakia and Romania. Another positive factor was the installation of PV systems on Erste Group's office buildings, which produced 1,192 MWh of electricity in 2022. The share of e-vehicles in the vehicle fleet came to 6% in 2022, and the new Group Car Policy will, once implemented, result in a steady rise in the number of e-vehicles. There are also plans to support employees on the pathway towards sustainable mobility by offering a ramped-up car sharing programme.

The continuous reduction of GHG emissions from Erste Group's operations is a testament to how successful these measures have been. To establish how effective the implemented measures were, it was particularly important to compare the figures to those of the prior reporting period, with 2021 being used as the basis for comparison. As compared to the prior year, Erste Group reduced its Scope 1 and Scope 2 emissions by 11%, from 44,414 tCO₂e down to 39,393 tCO₂e in 2022. As the share of green electricity across the Group rose from 66% in 2021 to 82% in 2022, market-based Scope 2 emissions from purchased electricity concurrently fell by 26%, from 13,671 tCO₂e to 10,093 tCO₂e.

Reduction of energy consumption

Although the rate of employees working from home had declined again after the COVID-19 restrictions were lifted, aggregate group-

wide energy consumption decreased by 5% or 15,549 MWh as efficiency-enhancing measures taken in Erste Group's office buildings and branches resulted in energy savings. Electricity consumption was down 6%, and heat consumption was down 8% on the prior year. An increase in employee mobility resulted in an 18% rise in consumption in Erste Group's vehicle pool.

As energy consumption at all our locations is measured individually and recorded in the UL360 system, we are able to track and analyse year-on-year changes at high granularity. 2021 was chosen as the comparison base year for showing the effects of the energy efficiency measures we implemented.

Environmental data 2022

	Measure	Erste Group	Austria	Czech Republic	Slovakia	Romania	Hungary	Croatia	Serbia
Full-time equivalents (FTE)	Number	45,311	16,411	10,010	3,613	5,484	3,409	3,178	1,261
Net floor area	m²	1,535,141	622,823	303,838	133,398	266,363	75,365	64,904	23,949
Total energy consumption	MWh	292,487	107,747	59,675	24,398	50,340	15,217	18,467	5,787
Change compared to previous year	MWh	-15,549	-4,124	-3,805	-2,312	-4,781	-839	-677	857
Consumption of non-renewable fuels	MWh	88,368	25,973	9,954	13,151	27,083	4,564	4,782	1,159
Diesel for cars and emergency generators	MWh	21,101	5,189	4,179	1,269	4,634	1,771	2,267	790
Gasoline	MWh	6,755	1,079	2,903	531	986	656	0	67
Natural gas	MWh	56,993	16,650	2,871	11,351	21,209	2,137	2,382	303
LPG	MWh	109	28	0	0	77	0	0	0
Heating oil	MWh	3,411	3,027	0	0	177	0	133	0
Consumption of renewable fuels	MWh	0	0	0	0	0	0	0	0
Purchased electricity, heating and cooling energy	MWh	202,927	80,658	49,721	11,247	23,257	10,653	13,610	4,628
Purchased electricity	MWh	137,563	51,583	25,477	10,896	20,334	7,517	11,967	2,663
District heating	MWh	62,827	26,539	24,244	351	2,923	3,136	1,643	1,965
District cooling	MWh	2,536	2,536	0	0	0	0	0	0
Self-generated electricity	MWh	1,192	1,115	0	0	0	0	74	0
Average electricity consumption per m²	kWh/m²	90	84	84	82	76	100	185	111
Average heating energy usage per m²	kWh/m²	82	78	89	88	92	70	64	95
Total internal energy consumption per FTE	kWh/FTE	6	7	6	7	9	4	6	5
Share of green electricity	%	82%	95%	83%	86%	72%	100%	85%	16%
Share of e-cars in carpool	%	6%	18%	2%	2%	6%	2%	3%	2%
Total waste production	t	8,830	2,883	1,209	469	426	140	442	149
Total copy paper	t	956	270	117	63	209	74	88	57

Environmental data 2021

	Measure	Erste Group	Austria	Czech Republic	Slovakia	Romania	Hungary	Croatia	Serbia
Full-time equivalents (FTE)	Number	44,424	16,023	9,861	3,680	5,381	3,298	3,023	1,199
Net floor area	m²	1,634,277	667,680	293,720	136,965	331,239	71,756	64,737	23,540
Total energy consumption	MWh	308,036	111,871	63,480	26,710	55,121	16,056	19,144	4,930
Average electricity consumption per m²	kWh/m²	90	84	97	87	63	110	193	96
Average heating energy usage per m²	kWh/m²	84	75	101	98	87	82	74	83
Total internal energy consumption per FTE	MWh/FTE	7	7	6	7	10	5	6	4
Share of green electricity	%	66%	94%	78%	0%	16%	88%	85%	71%
Share of e-cars in carpool	%	4%	12%	1%	1%	6%	1%	3%	0%

GRI 302-1 and 302-3.

FTE: full-time equivalent, defined as an employee in active employment times his/her hours-worked factor. Green electricity is defined as electricity from renewable sources.

Operational Emissions 2022

	Measure	Erste Group	Austria	Czech Republic	Slovakia	Romania	Hungary	Croatia	Serbia
Scope 1 + 2 - total	tCO ₂ e	39,393	8,858	8,953	3,030	7,797	1,764	1,732	2,357
Scope 1 + 2 - total change YoY	tCO ₂ e	-5,021	-225	-534	-2,530	-2,195	-148	-322	1,368
Scope 1 - total	tCO ₂ e	20,707	6,182	2,833	2,761	5,873	1,082	1,147	304
Heating	tCO ₂ e	12,435	4,153	581	2,296	4,355	432	518	61
Carpool	tCO ₂ e	6,739	1,480	1,729	439	1,368	594	547	207
Cooling agents and fuel for emergency generators	tCO ₂ e	1,533	549	523	26	150	56	83	35
Scope 2 (market based) - total	tCO ₂ e	18,686	2,676	6,120	269	1,923	682	585	2,054
Electricity (market based)	tCO ₂ e	10,093	278	1,981	209	1,424	147	304	1,718
District heating and cooling	tCO ₂ e	8,593	2,398	4,139	60	499	535	281	335
Scope 3 - total	tCO ₂ e	54,578	18,133	13,926	3,793	7,007	3,355	3,755	1,745
3.1. Purchased goods and services	tCO ₂ e	3,369	633	1,185	283	716	95	175	137
3.2. Capital goods	tCO ₂ e	470	61	210	58	62	15	22	16
3.3. Fuel- and energy related activities	tCO ₂ e	9,359	2,514	2,173	591	1,906	398	431	403
3.4. Upstream transportation and distribution	tCO ₂ e	9,440	2,103	2,447	527	470	2,037	1,322	163
3.5. Waste generated in operations	tCO ₂ e	760	53	189	79	175	29	84	66
3.6. Business travel	tCO ₂ e	7,339	3,254	2,091	357	742	187	81	315
3.7. Employee commuting	tCO ₂ e	23,841	9,514	5,632	1,898	2,936	593	1,639	645
Scope 1 + 2 + 3 - total	tCO ₂ e	93,971	26,991	22,880	6,823	14,803	5,119	5,487	4,103
Scope 1 + 2 + 3 per employee	tCO ₂ e/FTE	2.1	1.6	2.3	1.9	2.7	1.5	1.7	3.3

Operational Emissions 2021

	Measure	Erste Group	Austria	Czech Republic	Slovakia	Romania	Hungary	Croatia	Serbia
Scope 1 - total	tCO ₂ e	21,530	6,082	2,199	3,040	6,881	1,071	1,399	273
Scope 2 (market based) - total	tCO ₂ e	22,884	3,001	7,289	2,520	3,110	841	655	716
Scope 1 + 2 - total	tCO ₂ e	44,414	9,083	9,488	5,560	9,991	1,912	2,054	989
Scope 1 + 2 per employee	tCO ₂ e/FTE	1.00	0.57	0.96	1.51	1.86	0.58	0.68	0.83

GRI 305-1, 305-2, 305-3 and 305-4.

CO₂e equivalents (CO₂e) are the sum of all greenhouse gas emissions, i.e. carbon dioxide, methane and nitrogen oxide.

Climate neutrality by 2023

With a view to reaching the goal of climate neutrality in Erste Core Group's banking operations by year-end 2023, we defined reduction targets for operational Scope 1 and Scope 2 emissions. Reducing our Scope 1+2 emissions by 80% compared to the base year 2017, we should be able to achieve net zero status for emissions from operations by 2030. Net zero means the reduction of all operational emissions to the extent that is technically feasible

at the given time. A lack of technical solutions or non-availability of renewable energy at given locations might prevent us from reaching our goals. Our operational Scope 3 emissions are to a large extent driven by employee behaviour, for instance in the context of mobility. In this respect, we plan to induce changes in behaviour in a bid to set out a roadmap for reducing our Scope 3 emissions.

Implementation of climate neutrality measures at local level

	Austria	Hungary	Czech Republic	Slovakia	Romania	Croatia	Serbia
Green electricity sourcing	•	•	•	•	•	•	•
PV system installed	•					•	
E-cars in carfleet	•	•	•	•	•	•	•
Car sharing offer for employees	•	•	•	•		•	
Erste Green community established	•	•					
Volunteering day offered		•	•	•	•	•	•

How climate neutrality measures help reduce our climate risk

Our transition-related risks are driven mainly by emissions. The three most important sources of emissions are heating, electricity and transportation, the latter above all due to employee mobility. Within the scope of our plans to achieve climate neutrality and a net zero status for our emissions, the following measures will be particularly important:

- Increased switching to electricity-powered heating and to biogas, in combination with measures aimed at reducing consumption
- Purchase of green electricity and in-house electricity generation based on PV systems
- Promotion of the use of sustainable means of transport for business travel and commuting

“Erste Green” communities

A key success factor for Erste Group’s climate neutrality goal is employee commitment and training. “Erste Green” communities are to be established in all of Erste Group’s core markets to serve as a platform for sharing information on sustainability among interested parties. Project teams will be set up to jointly implement sustainability initiatives at our locations, for instance to provide more infrastructure for bike use or to include more vegan dishes on in-house catering menus. The first “Erste Green” community was established already back in 2016, by staff members of Erste Bank Hungary. In 2022, it was enlarged to also include Austria.

Notes on how KPIs are measured

GHG emissions caused by Erste Group’s operations are calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. Calculations cover Scope 1, Scope 2 and Scope 3 emissions, each measured in CO₂ equivalents (CO₂e), which are the sum of all greenhouse gas emissions, i.e. carbon dioxide, methane and nitrogen oxide (Global Warming Potential (GWP-20) CO₂ = 1, CH₄ (fossil) = 82.5 und N₂O = 273). In 2022, the reporting scope of environmental data covered the whole consolidation scope of Erste Group entities following the financial control approach.

The aggregate data shown for Erste Group in the tables encompass all values measured for Erste Group. A separate presentation of Holding data is not provided, as a meaningful segregation of environmental indicators is not possible due to the shared use of the location (Erste Campus in Vienna) with other entities. The environmental KPIs for 2022 comprise 45.311 FTEs.

Erste Group uses the UL360 software programme from UL solutions to gather Scope 1 and Scope 2 environmental data. Energy consumption at approximately 2,500 business locations is individually recorded and evaluated. For conversion to greenhouse gas equivalents (CO₂e), UL360 uses emission factors from DEFRA (UK Department for Environment, Food & Rural Affairs) and the IEA (International Energy Agency).

In 2022, Scope 3 emissions were added to the Group’s operational GHG emissions (with the exception of Scope 3.15, financed emissions) based on a comprehensive materiality analysis and the development of a suitable calculation methodology under the GHG Protocol. Further targeted measures were taken to identify the main emission sources.

3. Our employees

GRI 2-7 2-30

Erste Group’s employees are a key asset in the successful transformation of our organisation, corporate culture and competences. Modern organisations enable people to work in a more flexible, adaptive and customer-centric way. Attracting, retaining, and engaging highly qualified employees is crucial to the business success of Erste Group. Erste Group strives to be the employer of

choice in the region both in the financial and in the IT sectors by offering various learning and development opportunities, diverse and international teams, as well as challenging tasks in a flexible organisation. In 2022 reporting period, Erste Group had 48,303 employees, broken down as follows:

Headcount

2022	Total		< 30 years		30-50 years		>50 years	
	Women	Men	Number	in %	Number	in %	Number	in %
Erste Group	30,134	18,169	7,685	16%	28,412	59%	12,206	25%
thereof Holding	946	1,010	251	13%	1,164	60%	541	28%
Austria incl. Holding	9,799	8,600	3,141	17%	9,406	51%	5,852	32%
Hungary	2,206	1,308	526	15%	2,383	68%	605	17%
Czech Republic	6,947	3,491	1,717	16%	6,082	58%	2,639	25%
Slovakia	2,503	1,150	463	13%	2,304	63%	886	24%
Romania	4,182	1,506	960	17%	3,500	62%	1,228	22%
Croatia	2,296	1,065	420	12%	2,443	73%	498	15%
Serbia	930	351	224	17%	868	68%	189	15%
Others	1,271	698	234	12%	1,426	72%	309	16%

GRI 2-7

2022	Total		Full-time employees		Part-time employees		Temporary employees		Permanent employees	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Erste Group	30,134	18,169	23,918	17,127	6,269	989	2,494	1,299	27,640	16,870
therof Holding	946	1,010	658	913	288	97	99	140	847	870
Austria incl. Holding	9,799	8,600	5,078	7,834	4,778	709	576	579	9,223	8,021
Hungary	2,206	1,308	1,931	1,228	275	80	108	59	2,098	1,249
Czech Republic	6,947	3,491	6,124	3,411	820	83	561	241	6,386	3,250
Slovakia	2,503	1,150	2,408	1,137	94	14	339	124	2,164	1,026
Romania	4,182	1,506	3,918	1,413	264	93	351	85	3,831	1,421
Croatia	2,296	1,065	2,282	1,063	14	2	293	130	2,003	935
Serbia	930	351	927	350	3	1	150	26	780	325
Others	1,271	698	1,250	691	21	7	116	55	1,155	643

GRI 2-7

Staff indicators refer to the end of the reporting period as per 31 December 2022. Data are reported in headcounts (one person = one headcount, irrespective of the number of hours worked). Altogether, 87.5% of all employees of Erste Group are covered by collective bargaining schemes. The remaining 12.5%, who are employed with Erste Bank Hungary, are subject to agreements with the employees' council (based on the respective Working Time Act).

3.1 EMPLOYEE INVOLVEMENT AND REPRESENTATION

In accordance with legal requirements, Erste Groups involves its employees in management decisions via representative bodies, in particular in matters that directly affect them.

Under the Austrian Works Constitution Act, the employees' council is the permanent employee representation body. Its main tasks are:

- Monitoring adherence to laws relating to employees, payment of wages/ salaries, occupational health and safety, etc.
- Intervention to ensure compliance with employee related legislation, improving working conditions, setting up/organising in-company training, etc.
- Two-way information: from the management board to the employees' council and from the employees' council to the employees, and vice versa.
- Employee counselling, but also consultations with the employer on current matters. In addition, management is required to hold quarterly talks with the employees' council.

The performance of these duties culminate in the conclusion of works agreements and in participation in the work of the executive bodies of the employer (1/3 of the members of the Supervisory Board are employee representatives).

In Austria, the trade union of private sector employees, GPA, represents the interests of employees working in finance (banks, savings banks, etc.) and also negotiates collective agreements, including the special payments customarily referred to as holiday and Christmas remuneration. Many employees' council bodies are members of GPA and therefore part of the negotiating body. They provide advice on labour-law issues and general support to the employee representatives.

Representation of employees in the subsidiary banks (CEE)

The subsidiary banks in CEE (Central and Eastern Europe) have differing forms of employee representation. In BCR (Romania), employee interests are represented through trade unions, which are installed at company level. They inform employees about their rights and about current issues, either through e-mail or through ad-hoc meetings. The trade unions are in direct contact with the Management Board and Human Resources. Collective bargaining is conducted between the trade union associations and government bodies.

Erste Bank Hungary has an employees' council in place which regularly consults with management primarily on social benefits for employees. The eligibility criteria for social benefits (e.g. annual leave allowance, gift packages for children of employees) are laid down in a works agreement. Employees are informed about current issues through various channels such as the intranet, e-mail or postings.

In the Czech Republic, the Labour Code provides for employees to be represented primarily by trade unions. At Česká spořitelna, a.s., 46 trade union organisations are united in one single All-Company Committee of *ČS Trade Unions*. This committee coordinates trade union activities and is the trade union body competent to engage in collective bargaining. The collective bargaining agreement is in force until 30 June 2026. Trade unions represent employees in labour-law matters. Three members of the Supervisory Board of Česká spořitelna, a.s. are directly elected by the bank's employees; two of these members are currently trade union representatives.

At Slovenská sporiteľňa, employee interests are represented by trade unions at company level. The collective bargaining agreement is renegotiated each year with the Management Board. In addition to pay rises, the agreement offers all employees various benefits in excess of what is prescribed by applicable law.

Erste Bank Croatia is continuously working on improving cooperation with employee representation bodies and arranges regular meetings between the Management Board and the employees' council to achieve this. The latter is responsible for collective bargaining. Concluded in 2006, the relevant agreement has since been renewed every time it has expired.

3.2 DIVERSITY AND EQUAL OPPORTUNITY

GRI 3-3, 405-1, 406-1

Gender diversity, anti-discrimination, and accessibility feature high on our agenda, and we have adopted specific measures in this respect.

Risks / impacts

Sustainable human resources management encompasses effective diversity and inclusion management. The absence of such measures increases the potential for financial and operational risks arising due to a drain of talent and skilled labour as well as due to potentially negative media coverage.

Opportunities

A work environment which fosters diversity and integration leads to higher workforce satisfaction and has a positive impact on staff loyalty. Different perspectives and approaches can be expressed and translated into practice only in a work environment that encourages diversity. Implementing the relevant measures and initiatives to the best of our abilities, we strive to provide such an environment and to harness the resultant opportunities as best we can, such as Erste Group being perceived as an attractive employer.

Targets

The scope of consolidation to which the defined goals apply are the local parent banks. The following institutions are considered parent banks: Česká spořitelna, Erste Holding, Erste Bank Österreich, Slovenská sporiteľňa, Banca Comercială Română, Erste Bank Hungary, Erste Bank Croatia, and Erste Bank Serbia. Accordingly, the goals apply only to the above-mentioned institutions, i.e. the parent banks, and not to their subsidiaries.

Metric	Year	Baseline		Year	Actual		Short term targets	
		Value	Value		Value	Value	Year	Target
Women in top management (Board & B-1)		2021	25%	2022	28%		2025	37%
Women in other managerial positions (B-2, B-3)		2021	51%	2022	52%		2025	40-60%

Here, the scope of consolidation is the parent banks.

Top management positions cover all board and board-1 positions (positions reporting directly to the board).

Governance / responsibility

People and Culture and the Health Centre are responsible for all matters relating to diversity, equal opportunity, and inclusion. An Anti-Discrimination Officer provides advice and mediation services in cases of harassment, discrimination or bullying. Advice for employees is confidential and if required a structured conflict solution process will be initiated. Drafted by the Anti-Discrimination Officer, the anonymised discrimination report covers all reported cases of discrimination and is communicated to the management board, Human Resources, and the employees' council.

Policies & works agreement (discrimination)

Diversity and Inclusion Policy

The Diversity and Inclusion Policy was revised and newly adopted in 2021. It is binding on all local companies. A key element of the Diversity and Inclusion Policy is defining a target for the proportion of women in management positions, which is to be attained by the end of 2025, at the level of the local parent banks. The specific targets defined for each local parent bank in Central and Eastern Europe are monitored at least twice a year by Group Diversity Management.

Status of target achievement at a glance

	Share of women in top management		Share of women in other managerial positions	
	2022	2021	2022	2021
Erste Group	28.3%	25.3%	52.4%	51.0%
thereof Holding	17.7%	17.7%	31.6%	31.0%
Austria incl. Holding	23.4%	20.3%	36.2%	35.7%
Hungary	32.3%	27.8%	46.7%	48.0%
Czech Republic	19.6%	15.4%	52.4%	44.0%
Slovakia	29.0%	27.6%	58.9%	60.0%
Romania	32.1%	32.1%	56.7%	56.0%
Croatia	35.7%	33.3%	63.9%	66.0%
Serbia	41.7%	42.9%	54.3%	53.0%

Here, the scope of consolidation is the parent banks.

Top management positions cover all board and board-1 positions (positions reporting directly to the board).

Other managerial positions cover all board-2, board-3 and board-4 positions.

The targets were defined back in 2020 and will be reviewed in 2023 when a policy update is due. Possible steps to attain the interim targets and the 2025 targets are already under consultation.

Works agreement (Anti-Discrimination and Respectful Behaviour in the Workplace)

The works agreement enshrines Erste Group's efforts to create a work environment that is free of discrimination and that values the work of each and every person regardless of gender, age, disability, marital status, family obligations, sexual orientation, religion, political affiliation, nationality, skin colour, social or ethnic background, and any other aspects unrelated to their employment. The works agreement defines the procedure to be followed when cases of discrimination are reported. As a general principle, the least-escalation approach is chosen and a solution that suits both sides will be sought. All employees have the right to demand that an internal conciliation body be convened. Involving relevant stakeholders, its task is to handle and resolve cases of discrimination, the respective process being also laid down in the works agreement.

Measures

Gender pay gap

A survey on the Gender Pay Gap in Austria carried out by the Vienna University of Economics for Erste Group clearly shows the importance of diversity in management. The study reveals that female managers tend to motivate women to also seek a career in management and to pay fairer wages and salaries to their employees. Erste Group Bank AG is planning to close the unaccountable gender pay gap in all countries by the end of 2027. To this end, Erste Women's Hub – the Erste Group women's network – offers special coaching that proactively addresses female talent. For the medium term, Erste Group has set itself the aim of at least one female candidate being shortlisted for each job recruitment.

Anti-discrimination

Experience obtained from conflict situations is perceived as an opportunity to continually develop corporate culture. Awareness-building and prevention measures implemented by the Anti-Discrimination Officer in cooperation with management are instrumental to achieving that aim. The primary focus is on raising awareness and improving processes, behaviour and organisational issues for both management and employees. No cases of discrimination were reported in 2022.

Accessibility and inclusion

Erste Group defines accessibility as designing real-world environments as well as information and product offers in such a way that people with disabilities can use them without the need for additional assistance. Programmes are being implemented in all countries to ensure that customers with disabilities can easily access all Erste Group services and products.

In addition to barrier-free access for the blind and visually impaired (e.g. cash dispensers equipped to provide audio instructions), Erste Group also offers a variety of functions on George Go, its digital platform: zoom, contrast adjustment, extra-large fonts, and speech output. The barrier-free functions were developed in cooperation with blind persons and persons with a variety of visual impairments.

Moreover, Erste Group is preparing for the EU Accessibility Directive. A pilot study will be commissioned in 2023, involving the ErsteABILITY employee network as well as ombudspersons for the disabled as experts. In Austria, this pilot study will be made available to local diversity managers for the purpose of a group-wide roll-out of accessibility measures.

	Austria	Hungary	Czech Republic	Slovakia	Romania	Croatia	Serbia
Developing Women's Hub, education & networking for women leadership	•	•	•	•	•	•	•

Key performance indicators

Women in top management and other managerial positions

	Share of women in top management		Share of women in other managerial positions		Number of employees with health disability	
	2022	2021	2022	2021	2022	2021
Erste Group	24.1%	22.8%	43.8%	41.8%	706	717
thereof Holding	17.6%	17.6%	31.6%	30.7%	20	22
Austria incl. Holding	17.2%	16.2%	26.7%	25.7%	343	364
Hungary	26.5%	23.9%	44.5%	47.2%	12	12
Czech Republic	19.8%	16.1%	51.5%	43.7%	90	130
Slovakia	26.2%	22.2%	58.6%	59.4%	161	152
Romania	37.3%	34.0%	60.2%	57.4%	53	37
Croatia	29.3%	27.7%	61.7%	63.9%	36	15
Serbia	33.3%	35.5%	54.1%	52.5%	2	1
Others	42.2%	41.1%	48.3%	48.3%	9	6

GRI 405-1

Please note that this table does not lend itself to comparison with the table in the Diversity Inclusion Policy section, as the scopes of consolidation differ. The table in the Diversity and Inclusion Policy section refers to the parent banks, while this table refers to each country as a whole.

¹ In 2021, there were 12 (147) employees with a disability in Hungary. In 2021, two subsidiaries reported employees with a disability, though without a degree of disability being specified.

² Institutions must have more than 250 employees to reach the defined threshold where board-1 is included in the calculation for top management. In 2021, board-1 functions were included under top management in subsidiaries with less than 250 employees. This adjustment led to a change from 23.3% to 16.2% in Austria, and from 25.8% to 22.8% across the Group.

Women in other managerial positions and age structure

2022	<30 years			30-50 years		>50 years	
	Number	Number	in %	Number	in %	Number	in %
Erste Group	1,984	46	1.0%	1,421	31.3%	517	11.4%
thereof Holding	59	1	0.5%	44	23.5%	14	7.5%
Austria incl. Holding	459	20	1.2%	293	17.0%	146	8.5%
Hungary	186	2	0.5%	138	33.0%	46	11.0%
Czech Republic	369	13	1.8%	240	33.5%	116	16.2%
Slovakia	163	1	0.4%	103	37.1%	59	21.2%
Romania	296	9	1.8%	236	48.0%	51	10.4%
Croatia	287	0	0.0%	222	47.7%	65	14.0%
Serbia	98	1	0.6%	81	44.8%	16	8.8%
Others	126	0	0.0%	108	41.4%	18	6.9%

GRI 405-1 Data by age groups were recorded for the first time in 2022 (only for B-2,3,4).

Partnerships and awards

Diversity Charter. Erste Group enjoys an excellent international reputation also for its support of the Diversity Charter. Under the Charter, Erste Group commits to establish for its employees an inclusive working culture regardless of gender, ethnicity, religion, age, disability, sexual orientation, and other characteristics.

Orange the World. In 2022, Erste Group was for the third time a main partner of the United Nations Orange the World initiative. The purpose of the campaign is to raise awareness for violence against women and support women globally in leading a life free from all forms of violence. Moreover, Erste Group became a signatory of Aids Hilfe Österreich's #positivarbeiten initiative in 2022, supporting the discrimination-free treatment of HIV-positive employees and job candidates.

equalitA quality seal. The equalitA quality seal is awarded by the Austrian Federal Ministry of Labour and Economy in recognition of efforts undertaken by companies to promote women with a view to ensuring gender diversity and equal opportunity. Criteria include fair pay, women in management positions, general positions of women in the company, compatibility of work and family, professional development for women, etc.

3.3 EMPLOYEE HEALTH AND WORK-LIFE BALANCE

GRI 3-3, 401-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7

Erste Group accords high priority to the health of its employees, mindful that the contribution, knowledge, qualifications, and skills of each individual employee are valuable, and that every employee is special. A sound work-life balance is essential for maintaining and promoting health. Given the tight labour markets in our region, it is just as essential for our ability to recruit and retain employees with the required high-level qualifications and experience.

Risks / impacts

Prevailing working conditions may be harmful to the health of employees. While the risk of physical health hazards is low in our field of business, not least because of exacting statutory requirements as to occupational safety (in Austria, e.g., the Occupational Health and Safety Act), we cannot generally preclude health hazards related to stress and other mental factors. As we are seeing an increase in lifestyle-related and chronic illnesses also affecting Erste Group employees, this may lead to an increase in sick days, especially long-term sick leave, which may translate into higher costs in banking operations as well as higher operational risk.

Social framework conditions which make it more difficult to reconcile private and family life with work (e.g. lack of child-care facilities) may prevent people from starting or continuing to work for us – even if they have all the assets and talents Erste Group needs for a successful future. In combination with demographic developments which have caused a shortage of labour that will last for years to come, this may give rise to a serious risk for Erste Group.

Opportunities

The workplace offers an ideal setting for raising health-awareness among large groups of people, thus making occupational health an important contributor to public health. A work environment that fosters employee health and allows to reconcile life and work is not only quintessential for Erste Group's attractiveness as an employer and for the commitment of our staff, but also has, as we firmly believe, a positive impact on society as a whole.

Targets

Erste Group is committed to proactively assisting its employees in identifying and preventing health risks. The focus here is on mental health, as well on preventing chronic illnesses, which account for 50% to 80% of all healthcare costs. Reintegrating employees into work life after lengthy periods of illness is one of our key priorities.

We have a set of measures in place to ensure that working times can be adjusted to individual needs. In Austria, we want to encourage fathers to fully harness the potentials of parental leave.

Governance / responsibility and participation

Overall responsibility in the Group lies with People and Culture, which reports to the CEO. As labour-law and health policy frameworks vary widely between individual countries, it is mainly at country level that initiatives are coordinated and information sharing is promoted; the specific measures are then designed and implemented in our subsidiary banks. Employees are involved in the development of new offers via the respective employee representation bodies (employees' councils).

Measures and success indicators

Growing flexibility in terms of working time and leave models

Mindful of the high priority of this issue, Erste Group offers a whole range of family-friendly measures which are regularly adapted to the needs of our employees. With family-friendly flexitime and work-from-home schemes, Erste Group enables its employees to reconcile parental time and work. In addition, Erste

Campus has a company kindergarten where fully qualified educators provide full-day care for 120 children. Our offer is complemented by nursing-care leave, sabbaticals, parental leave, and summer programmes for children at primary school age. Executive-level staff may opt to have interim managers substitute for them during periods of leave and then resume their management position on their return. The scope of these measures varies from country to country.

The certification issued by the Austrian Federal Ministry for Education, Science and Research under the *berufundfamilie* (work and family) audit scheme, which we obtained in 2021, is a testament to how successful our efforts in this respect have been. One of the key outcomes of the certification audit in Austria was the need for effective interim management models ("bridging models") for periods of parental leave, so that career gaps can be organised flexibly and with a clear focus on continued professional development during such leave. In 2022, Erste Group further pursued an initiative designed to encourage men to make full use of the possibilities available under the parental leave schemes for fathers. In general, all employees (women and men) are entitled to take parental leave.

Parental leave

2022	Parental leave				Return to work after parental leave			
	Women		Men		Women		Men	
	Number	in %	Number	in %	Number	in %	Number	in %
Erste Group	1,816	92.0%	158	8.0%	1,113	80.6%	172	96.6%
thereof Holding	37	61.7%	23	38.3%	40	97.6%	20	100.0%
Austria incl. Holding	551	84.4%	102	15.6%	324	90.0%	115	100.0%
Hungary	86	100.0%	0	0.0%	80	80.8%	3	100.0%
Czech Republic	423	99.5%	2	0.5%	174	63.3%	0	0.0%
Slovakia	327	92.6%	26	7.4%	103	60.6%	27	84.4%
Romania	201	96.6%	7	3.4%	125	83.9%	6	85.7%
Croatia	107	83.6%	21	16.4%	228	100.0%	21	100.0%
Serbia	61	100.0%	0	0.0%	41	95.3%	0	0.0%
Others	60	0.0%	0	0.0%	38	66.7%	0	0.0%

GRI 401-3 b), c), d) and e

Erste Group Health Centre

Issues addressed in preventive health care include, amongst others, lifestyle, work-life balance, mental health, stress prevention and nutrition counselling. A multi-professional team of occupational physicians, workplace psychologists and physiotherapists assist Erste Group's employees in all matters of health and well-being. The processes for designing and reviewing the programmes offered and the measures being implemented are participatory and evidence-based and ensure ongoing consultation with employees. (Talks with the employees' council and the ombudsperson for employees with disabilities are held at regular intervals). Internal communication channels (intranet) are used to inform employees about health issues.

The Erste Group Health Centre, which is located at Erste Campus in Vienna and caters to Erste Group Bank AG, Erste Bank der österreichischen Sparkassen, and 30 subsidiaries in Austria, focuses first and foremost on the mental health of employees, a

factor which is taking on an ever more important role on the labour market. Employees have access to workplace psychologists and to an external service to help them with issues such as childcare, school, domestic and other problems, as well as caring for elderly family members. This service is available either online or by telephone, and every other week also for in-person consultations on-site. A free-of-charge hotline at Erste Campus Vienna provides anonymous counselling by qualified experts. In compliance with the Labour Relations Act, youth ombudspersons have been appointed to act as peer contacts.

Another focus of the Erste Group Health Centre is the prevention of chronic illnesses, which account for 50% to 80% of all healthcare costs. Erste Group has implemented a range of different measures designed to prevent chronic illnesses or at least mitigate their effects. These include health screenings, melanoma screenings, the prevention and early detection of intestinal cancer, prevention of cardio-vascular diseases through nutrition counsel-

ling and fitness offers, as well as blood pressure checks and other check-ups. Close cooperation with local health service providers such as rehabilitation centres ensures that our employees have ready access to treatment.

Personalised reintegration after long-term illness

A works agreement on reintegration ensures that employees can return to work gradually after a lengthy period of illness. Erste Group is one of the few companies which has concluded such an agreement, which has brought about a significant decline in extremely long sick leaves in recent years.

Sick leave days per employee

	2022	2021
Erste Group	10	10
thereof Holding	6	3
Austria incl. Holding	9	6
Hungary	7	9
Czech Republic	11	19
Slovakia	11	10
Romania	10	9
Croatia	15	17 ¹
Serbia	10	9
Others	9	10

¹Social insurance-funded sick leave days have been included in the report as from the 2022 reporting period. By analogy, the figure for 2021 increases from 5 to 17 days.

3.4 TALENT ATTRACTION AND RETENTION

GRI 3-3, 401-1, 404-1, 404-2, 404-3

Erste Group is convinced that its current and future success in business can be ensured only by investing in people, developing their potential, and enabling them to deliver in alignment with Erste Group's vision for the future. Erste Group's special focus lies on two areas: education, and employer branding & recruiting.

Risks / impacts

Erste Group needs to be attractive both for its employees and for potential jobseekers. Demographic transformation and changing values have brought in their wake an extremely tight labour market in our entire region, which we expect to remain that way in the foreseeable future. For the high-quality financial services we offer, we depend on specialised expertise and experienced staff so we can deliver on our goal of top-level customer satisfaction (see chapter 4.1 "Customer satisfaction"). Staff turnover and quiet quitting harbour operational risks and come with high recruitment and training costs.

Opportunities

Erste Group wants to play a part in shaping tomorrow's banking world. To be able to do that, we need innovative ideas as well as people with commitment, passion and empathy. Erste Group will be able to harness its full innovative potential only by being an employer that attracts new talent while also proactively investing in leveraging existing employee potential.

Acquiring health literacy

Moreover, our employees regularly attend training events on health literacy, nutrition, mental health, or infection protection.

Average number of sick leave days per employee

Sick leave is a type of leave that is either paid for by the employer or by social insurance or is unpaid; the cause for such leave is illness or incapacity (health problems). Sick leave is to be calculated in workdays from the first day of leave. The total duration of illness-related absences from work is to be calculated based on the total number of days of leave attributable to sickness or incapacity for the given period.

Targets

Erste Group wants to be perceived as an attractive employer and intends to improve further in this area year on year. Our two-fold aim is to recruit new talent, from job starters to experienced professionals, all while fostering existing talent among our staff.

At the same time, we accord high priority to a time-efficient recruiting process. In 2022, we achieved an average time to fill (i.e. the time between when a job requisition is approved and when a job offer is made to the final candidate) of 62 days, the initial target having been set at 70 days or less.

Governance / responsibility and participation

Responsibility for attracting talent lies with Group People & Culture, which centrally coordinates all training programmes. The department closely interacts with the business units on the (further) development of training programmes so that educational offers can be dovetailed to their specific needs.

Measures and success indicators

Erste Group's measures in respect of talent attraction come under two separate headings: education, and employer branding & recruitment.

Learning, talent management, leadership and competence development

Erste Group strives to develop the professional and interpersonal skills of its employees. Erste Group continuously develops and

aligns group-wide training programmes for professionals and managers.

Specialised courses are offered covering corporates & markets, finance including controlling, asset/liability management, accounting and data excellence. The Risk Management College programmes take account of changes in regulatory frameworks and impart knowledge in various areas of risk management.

Accessibility was further expanded by a massive roll-out of digital learning formats. Cooperation with renowned institutions such as IESE Business School, IMD Lausanne, WU Executive Academy in Vienna and Ashridge Executive Education underscore the high quality of the training programmes being offered.

Through cooperation agreements with international business schools, Erste Group in 2022 acquired quotas for continued professional development programmes to make available to our management-level staff. It is our aim to take full advantage of the annually budgeted quota and to attain a 100% graduation rate. In 2022, Erste Group succeeded in fully using the available quota for management training programmes.

Talent management is driven by constructive feedback, a fair and transparent assessment of individual potential, and high-quality development activities in partnership with internationally renowned institutions. Each year, all employees are invited to an employee appraisal interview with their line managers to define goals for the current year and come up with development plans to assist employees in their further personal development. In 2022, appraisal talks were held with 98.6% of all employees of Erste Group Bank AG, of whom 49.3% were women and 50.7% men, and 11.7% were management-level staff and 88.3% employees without management responsibility.

Employer branding and recruiting

Erste Group focuses on a comprehensive offer of development opportunities in a bid to attract young talent and remain attractive as an employer. The goal of the annual Group Graduate Programme for university graduates is to attract top international graduates and provide them with fundamental banking and risk management skills over a period of 18 months. The share of women in the current programme cycle is 70%. The next Group Graduate Programme is scheduled for autumn 2023.

Moreover, 2022 saw new measures being added to the Recruiting & Employer Branding portfolio. An initiative was launched to expand direct sourcing, i.e. directly contacting potential new employees. We have been able to massively strengthen our employer brand through a variety of partly sponsored campaigns on various social media channels (e.g. LinkedIn, XING, Facebook). In a bid to boost its name recognition and employer credentials, Erste Group also presented itself at various off- and online events, trade fairs, as well as selected universities.

In 2022, Erste Group's employees completed on average 32.3 hours of professional development (as against 24.5 hours in 2021) (women 34.1 hours (as against 24.3 hours) and men 29.3 hours (as against 24.7 hours)). Employees in management positions completed an average of 43.3 training hours (prior year 28.5 hours). The significant increase in training hours completed is due to the fact that many non-consumed training courses were made up for once Covid-19 restrictions had been lifted.

For 2023, Erste Group will step up investment in employee training, adjusting, expanding, and newly designing programmes so as to live up to its reputation as a top employer, both internally and externally.

Country-specific personalised development and career-building measures are in place with a view to maintaining staff employability. This includes all professional education and development measures which ensure that our staff have the skills and competences they need to face new tasks and challenges. These programmes can be directly accessed and booked through the Learning Management System.

In Austria, each institution has different measures in place to facilitate retirement from work. This covers various pre-retirement schemes that make it easier for employees to retire (e.g. flexible transition based on part-time work agreements), as well as individual support measures to help staff to regain a foothold on both the internal and the external job market (e.g., applications for jobs on the internal job market, reintegration after lengthy periods of illness, outplacement foundations, or counselling on reorientation on the labour market).

New hires

2022	Women		Men		<30 years		30-50 years		>50 years	
	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
Erste Group	4,162	63.7%	2,372	36.3%	3,208	49.1%	2,958	45.3%	368	5.6%
thereof Holding	112	44.1%	142	55.9%	154	60.6%	89	35.0%	11	4.3%
Austria incl. Holding	1,235	56.2%	961	43.8%	1,213	55.2%	848	38.6%	135	6.1%
Hungary	360	64.3%	200	35.7%	214	38.2%	294	52.5%	52	9.3%
Czech Republic	1,001	63.3%	580	36.7%	700	44.3%	787	49.8%	94	5.9%
Slovakia	321	70.1%	137	29.9%	226	49.3%	213	46.5%	19	4.1%
Romania	636	75.0%	212	25.0%	481	56.7%	341	40.2%	26	3.1%
Croatia	193	62.1%	118	37.9%	147	47.3%	157	50.5%	7	2.3%
Serbia	210	74.5%	72	25.5%	126	44.7%	137	48.6%	19	6.7%
Others	206	69.1%	92	30.9%	101	33.9%	181	60.7%	16	5.4%

GRI 401-1 a)

The percentages refer to the total number of newly hired employees.

Fluctuation incl. retirement & using the Schlüter formula

2022	Women		Men		<30 years		30-50 years		>50 years	
	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
Erste Group	3,958	11.7%	2,075	10.3%	1,791	29.7%	3,144	52.1%	1,098	18.2%
thereof Holding	101	9.8%	103	9.3%	97	47.5%	86	42.2%	21	10.3%
Austria incl. Holding	1,148	10.5%	865	9.2%	762	37.9%	744	37.0%	507	25.2%
Hungary	396	15.9%	214	14.3%	163	26.7%	372	61.0%	75	12.3%
Czech Republic	927	11.9%	393	10.1%	292	22.1%	785	59.5%	243	18.4%
Slovakia	377	13.1%	118	9.3%	147	29.7%	284	57.4%	64	12.9%
Romania	625	13.3%	217	13.0%	293	34.8%	444	52.7%	105	12.5%
Croatia	151	6.4%	82	7.2%	48	20.6%	156	67.0%	29	12.4%
Serbia	140	12.3%	70	16.5%	39	18.6%	140	66.7%	31	14.8%
Others	194	13.0%	116	14.4%	47	15.2%	219	70.6%	44	14.2%

GRI 401-1 b)

This table presents the number of employees who left Erste Group (including retirement) during the fiscal year. It does not include employees on parental leave, internal transfers within Erste Group, or departing trainees and interns. Fluctuation in % is calculated using the Schlüter formula. Fluctuation at Erste Group (total of men and women) stood at 11.2%, unchanged in a year-on-year comparison.

Awards for Erste Group

Erste Group's efforts to remain an attractive employer for new talent are reflected in a number of awards bestowed upon the bank in the reporting year. In 2022, Erste Group won several Best Employer awards reflecting its strong position on the employer market. In a ranking of 40,000 Austrian employers carried out by the Leading Employers Institute, Erste Bank attained the top position in banking and came second in the overall ranking. In 2022, Forbes Magazine ranked Erste Group as number 103 in the "World's Best Employers" category. The Universum platform (which focuses on

employer attractiveness for students) ranks Erste Bank among the top 20 for business students. Erste Group scored among the top 10 of 200 businesses in Austria in the Quality Awards evaluated by Market Institut. "Kununu", an Austrian employer rating platform, awarded Erste Bank the Top Company label, currently the most widely known employer label in Austria. Recognising role-model companies providing apprenticeship training, the Austrian Federal Economic Chamber (WKÖ) awarded Erste Group the Vienna Quality Label as a top apprenticeship provider. *Familie & Beruf* certified Erste Group as a family- friendly employer.

4. Our customers

Being a financial services provider, it is in our DNA to manage and increase the wealth of our customers. Thanks to our unique expertise, which derives from our network of local savings banks and our regional activities as Erste Group, we are well placed to take excellent care of the specific needs of our corporate and retail customers. Our strength and our good reputation are rooted to a large extent in the trust which many long-standing customers place in us. To be able to live up to their expectations in the future, we are constantly working on improving customer satisfaction, all while optimising our security measures, especially in view of digital transformation scenarios.

4.1 CUSTOMER SATISFACTION

GRI 3-3

The long-term success of a credit institution largely rests on its customer relations. We can maintain our competitive edge only if our customers place their trust in us and are satisfied with our products and services. This is why we are continuously striving to improve our services by making them not only better, but also more relevant and more accessible.

Risks, impacts and opportunities

Outdated products and services and poor customer service may be the root cause for customers being dissatisfied. If we fail to adequately address these risks, we jeopardise the long-term success of our business. On the other hand, high levels of customer satisfaction breed customer loyalty, which in turn is reflected in an ever-growing customer base and market leadership.

Targets

Erste Group has set itself the goal of remaining and/or becoming, in each single market in which it operates, the market leader in customer satisfaction, a factor we measure through our Customer Experience Index (CXI).

Policies / Governance

The CXI is determined by Group Customer Experience, which is part of Group Brand Management & Communication, which in turn reports to the Chief Executive Officer. The Chief Retail and/or Corporate Officer are responsible for goal achievement.

Measures

To be better able to cater to a broad variety of customer requirements and provide customer-centric advisory, we have taken specific steps to address customer satisfaction in different areas, such as in digital banking, in the branches, in the Contact Centre, in product design as well as in sales.

Moreover, we can rely on our Customer Experience Framework to obtain feedback on customers' interactions with the bank, a valuable input to inform work on further improving Erste Group's products and services.

Digital banking

At Erste Group, digital banking means not only making all banking transactions easy to handle and verify, but also providing appropriate remote advice.

Under the George digital banking brand, Erste Group offers a unique digital experience spanning multiple markets and comprising a wide range of services. George enables customers to access an ecosystem of products and services provided both by the bank and by third parties (e.g. Erste Group's strategic partner Vienna Insurance Group) in a secure IT environment and use the platform for managing their finances.

At year-end 2022, George was available to a total of 9 million people in their local language in almost all the countries in which Erste Group operates. Roll-out in Serbia has been scheduled for early 2024.

Set up in November 2022, Let's do Business, George! is the digital banking platform for businesses. Compared to retail-focused George, it features additional services and products, such as the Messenger or Financial Health functionalities, which are

designed to make day-to-day banking for businesses simpler and easier.

Branches

Direct contact with customers through branches remains a key element of customer satisfaction, especially for more complex customer needs. Branch interiors and infrastructures are being upgraded to enable customers to handle their banking business in the branches quickly and easily. In doing so, Erste Group relies on a group-wide branch concept featuring new technologies (e.g. video walls, digital onboarding in George) and allowing more space for person-to-person advisory services. At year-end 2022, more than 330 branches operated under the new concept in Erste Group's core markets in Austria, the Czech Republic, Slovakia, Romania, Hungary, Croatia, and Serbia.

Contact Center

Erste Group's Contact Center is the first port of call for instant customer support. It is available 24/7 and can be contacted by telephone, e-mail or chat. Trained employees not only answer questions regarding products and services and assist users with the operation of self-service terminals, but also help potential customers navigate digital product acquisition processes. If necessary, they also handle customer complaints or respond to emergencies such as requests to block credit cards and debit cards. If permitted under applicable regulations, the Contact Centre will also provide assistance with end-to-end digital banking services, such as unsecured loans, insurance, credit cards or online banking.

Product design and sales

The development and approval of new products and services is based on a structured process which is informed by strategic goals (identified customer needs and market opportunities) and guarantees comprehensive quality assurance. Products and services are designed for flexibility, life-cycle changes, simplicity, security, transparency and ease of use.

The advisory concept is supported by a sales incentive scheme that emphasises quality criteria such as quality of customer relationships and active use of digital channels rather than product-driven targets.

Success indicators and customer satisfaction

In the retail segment, a representative survey called the Banking Market Monitor is carried out on a quarterly basis. 2,400 telephone interviews (with customers and non-customers) are conducted annually across Erste Group's markets. In the corporate customer segment, an extensive survey with at least 1,500 companies per country is carried out once a year.

These analyses are conducted by an external market research institute and provide data for a performance comparison both within Erste Group and with its top three competitors.

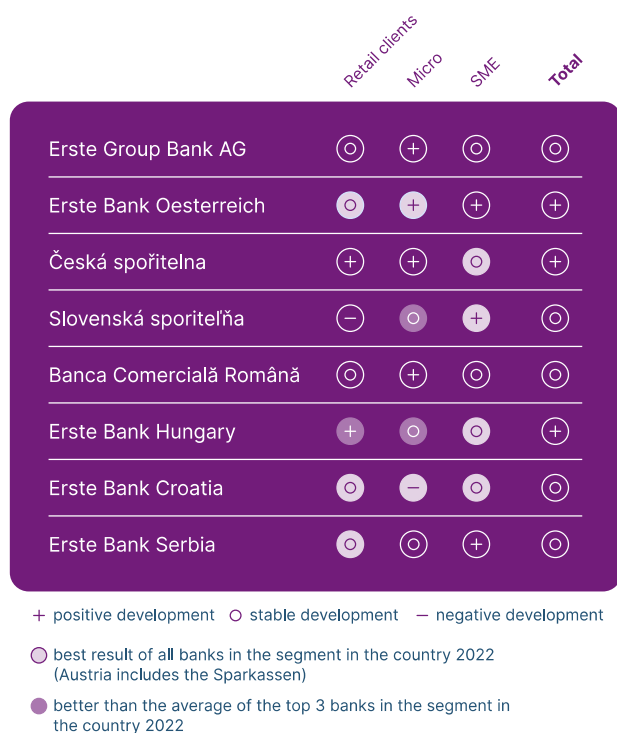
Based on these surveys, our customer relations are rated in five categories (dissatisfied, non-engaged, simply satisfied, loyal and advocate) and successful improvement of customer service is measured using the CXI (Customer Experience Index).

The CXI is an index value that is derived from the evaluation of satisfaction ratings, referrals, readiness to switch to another bank, customer effort score and the repurchase rate of the main customers of the individual banks. This value is put in relation to the three best competitors in each country and in each segment and is used to determine the strengths and weaknesses of the local banks as compared to the market leaders.

The CXI index is of great relevance for the bank as it is also part of the bonus assessment for members of the management board of Erste Group, individual local banks and all other employees.

Development of the CXI

in relation to the top three competitors 2021-2022 per segment



GRI 3-3

In 2022, Erste Group again succeeded in maintaining the excellent customer satisfaction ratings of the previous year, or even improving its score in relation to the top three banks of the respective countries. Looking at the development of the CXI in the individual countries by comparison with 2021, Erste Bank Oesterreich, Česká spořitelna and Erste Bank Hungary reported better results in relation to the top three banks of these countries. All other banks showed stable figures.

4.2 DATA SECURITY

GRI 3-3, 418-1

Personal information is key in today's financial services. The data of Erste Group's customers must be protected at all times and therefore call for a particularly high standard of security. At European Union level, data privacy requirements are defined by the General Data Protection Regulation (GDPR), which we have fully implemented.

Risks / impacts

Any loss of customer data such as identity theft, fraud, financial loss etc. may have a negative impact, first and foremost on the customers affected. As for Erste Group as a business enterprise, successful IT attacks may lead to data losses and even business interruptions, and may entail legal consequences. Unreliability in connection with data protection harms the reputation of Erste Group and may adversely affect both customer retention and our ability to win new customers in the long term.

Opportunities

Ultimately, high customer satisfaction goes hand in hand with data security. The security of customer data is therefore a key prerequisite for long-term success in the banking industry.

Targets

Our aim here is to not only maintain the high level of security achieved so far, but to also implement additional technical and organisational measures in response to mounting challenges. Preserving our customers' trust as the process of digitalisation continues is a top priority.

Governance / responsibility

By continuously sharing information and best practices across all markets, the Group Data Protection Office, which reports to the Chief Risk Officer, ensures a consistently high level of data protection throughout Erste Group. In 2022, a new Data Privacy and Security Management was set up, substantially improving the way data protection is organised. With a headcount of ten staff members, this department acts as a first line of defence, assisting the bank's business units in complying with data privacy regulations. In addition, the data protection officer carried out a multitude of monitoring measures required under Article 39 GDPR, both at local and at international level.

Measures

The data security measures adopted by Erste Group meet the highest standards. Technically, Erste Group has a number of defence mechanisms in place at different levels, from the network to the application level. We use different systems and technologies, such as an intrusion prevention system or data leak prevention, to identify and prevent data leakages.

For the purposes of cyber-physical security, we apply additional internal rules for the protection of properties and valuables to

complement the European EN 50600 standard for the protection of IT infrastructure in data centre facilities. This standard sets out requirements for the planning, construction and operation of data centre facilities and cloud infrastructures. When it comes to outsourcing information and communication technology (ICT), Erste Group is certified under international certification standard ISO 27001 and the International Standard on Assurance Engagements ISAE 3402.

Organisationally, a large number of security policies govern security-relevant requirements for systems, infrastructure and employees. Compliance with these policies is mandatory for all banking subsidiaries of Erste Group. A security maturity assessment currently featuring about 150 controls is used to record any non-compliance with these policies, to document measures taken to resolve such non-compliance and to regularly evaluate the progress made in implementing relevant solutions. Moreover, all employees of Erste Group undergo mandatory training in respect of the same uniform requirements on a regular basis. Our cooperation partners are contractually held to meet these requirements as well.

At the operational level, security KPIs (key performance indicators) have been implemented to inform monitoring, control and

decision-making by the Chief Security Officers and the relevant board members at Erste Group.

To earn trust, you need to ensure transparency: Erste Group puts great emphasis on providing customers with clear and understandable information about how their personal data are being processed. Where necessary, we obtain prior consent to the processing of personal data.

Performance indicators

An internal message chain will be activated if, in spite of all our precautionary measures, a data breach (loss, modification or unauthorised transmission of personal data or unauthorised access to personal data) does occur. All internal and external reports are centrally collected and evaluated. A report will be filed with the competent data protection authority if, based on such evaluation, we come to the conclusion that the data breach compromises the rights and freedoms of any natural persons affected.

In 2022, there were 8 data breach reports (none of which for Erste Group Bank AG). Should a data breach result in a high level of risk, the persons affected will also be notified. In 2022, 2 such notifications were issued (none of which for the Holding).

5. Our social responsibility

Erste Group's commitment to society has never been limited to business activities alone. By providing funding or in some cases staff and expertise, we support institutions, initiatives and projects as well as communities in social, arts and culture, education, sports and ecological activities in all core markets. We consider financial literacy, access to banking products for financially excluded groups, community involvement and volunteering as areas where we can generate a significant positive impact on society.

As needs and interests vary across Erste Group's markets, depending on local circumstances, specific project sponsorships and initiatives are determined and managed locally. Social and sponsoring activities are combined group-wide under the umbrella of the ExtraVALUE programme, which is characterised by a regional focus, cross-thematic initiatives and cooperation. The guiding principle is to support personal development and help people to meet their social and cultural needs. Erste Group's ExtraVALUE programme is therefore a visible sign of how committed the bank is to its responsibility towards society and the individual. The sponsoring policy governs all actions taken under this heading.

5.1 ACCESS TO BANKING PRODUCTS FOR DISADVANTAGED GROUPS

GRI 3-3

More than 14 million people in Erste Group's core markets are still at risk of poverty or social exclusion, and even today, some segments of the population do not have access to basic financial services. The cost of living is on the rise in the region, and affordable housing is becoming harder to find. These developments present a significant danger for inclusive and socially sustainable societies and encourage economic disparity.

Risks / impact

By making basic financial products available to disadvantaged groups, Erste Group contributes to fighting poverty and increasing prosperity. A decline in social stability and economic development presents a risk for our business model, which depends on these very factors to succeed.

Opportunities

Assuming societal and social responsibility is not only in line with Erste Group's strategy but also enriches the brand. Opportunities include the potential for building a loyal and prospering customer base as well as benefits from a positive image transfer to the brand, increasing the brand's emotional appeal as well as employee identification with the brand.

Targets

To achieve our goal of promoting social cohesion, our Social Banking programme defines four targets:

	Metric	Baseline		Actual		Targets			
		Year	Value	Year	Value	short term Year	Target	mid term Year	Target
Affordable housing	# of built housing units (cumulative)	-	-	2022	500	2025	3,300	2030	15,000
Social banking financing	in EUR million, cumulative	2017	115	2022	464	2025	650	2030	1,000
Financial literacy participants ¹	# in thousand, cumulative	2017	7	2022	48	2025	-	2030	80
Job creation and retention	# in thousand, cumulative	2017	20	2021	78	2025	-	2030	200

¹ The goal describes the total number of persons participating in educational activities organised or initiated by Group Social Banking.

Goal achievement may be jeopardised over the medium term if the amount of bad loans substantially exceeds expected and reasonable limits. A special Group Social Banking Risk Policy sets out the key requirements for managing credit risk related to social banking at Erste Group. This policy applies to social banking activities concerning private individuals, micros and new entrepreneurs, social organisations and special social projects. It provides a framework adapted to local needs and local legal regulations. In a bid to reduce the risk related to the funding of social organisations, Erste Group Social Banking availed itself, until year-end 2022, of the portfolio guarantee under the EU Programme for Employment and Social Innovation (EaSI). To be able to continue to offer preferential terms and loans to social entrepreneurs and new entrepreneurs, Erste Group Social Banking applied for a portfolio guarantee under the new InvestEU programme.

Governance / responsibility and participation

Overall responsibility for access to banking products for financially disadvantaged groups lies with the Group ESG Office and

with Social Banking, which report to the CEO. Responsibility for the Austrian market lies with the CEO of Erste Bank Oesterreich, including, among other things, the microfinance programme. In addition, we cooperate with Erste Social Finance Holding, a joint venture between Erste Stiftung and Erste Group Bank AG. Our employees are involved in the development of new initiatives and projects to facilitate access to banking products for financially disadvantaged groups on an ongoing basis via their respective representatives (works council).

Measures and success indicators

Erste Group's social banking initiatives focus on financially excluded or vulnerable individuals (people at risk of poverty or social exclusion), start-ups and micro entrepreneurs and social organisations (non-profit sector, non-governmental organisations and social enterprises), offering them fair access to financial products, sound financial advice, as well as business training and mentoring.

	Austria	Hungary	Czech Republic	Slovakia	Romania	Croatia	Serbia
Establishment of local project team and foundation of local affordable housing entity if needed	•	•	•	•	•	•	
Identification of pilot projects, interested municipalities	•	•	•	•	•	•	
Development and operation of affordable rental apartments	•			•			
Scaling Social Banking programmes	•	•	•	•	•	•	•
Financial education programmes for young generation	•	•	•	•	•	•	•

Zweite Sparkasse

Since its foundation in 2006, Zweite Sparkasse has helped a total of 22,433 people in financial difficulties in Austria and currently serves 8,098 customers. Working with its network of social organisations in an effort to relieve the cost pressure experienced by vulnerable groups, Zweite Sparkasse has developed a finance product which covers rent deposits and basic home furnishings and equipment for vulnerable groups.

Affordable housing initiative

Making affordable housing available is fraught with more and more challenges. Young people and lower-income groups fail to earn enough to be able to afford adequate living quarters despite having a paid job. Erste Group Social Banking's Affordable Housing initiative was launched to generate as much support as possible for those affected to strengthen their autonomy. Rent in our projects is typically 20% lower than the average on the respective regional market. In Vienna, Erste Bank Social Banking provides

the equity portion needed for affordable homes made available by partner organisations such as Neunerhaus, Volkshilfe and others. In the Czech Republic, a subsidiary called Dostupne byvanie (Affordable Housing) specifically set up for this purpose has already brought first affordable housing projects onto the market. In Slovakia, Slovenská sporiteľňa cooperated with the Slovak Investment Holding and the Slovenská Sporiteľňa Foundation in 2020 to found Dostupný Domov, an organisation which selectively purchases apartments on the primary and secondary markets to then rent them out at below-market-value prices to social organisations that care for marginalised groups. A special programme was launched in Slovakia in 2018 to help socially marginalised individuals and communities (primarily of Roma ethnicity) to finance and build suitable family homes on their own.

Erste Bank Oesterreich's microfinance programme

It is not only socially marginalised groups who may be faced with financial problems – the same holds for entrepreneurs as well. One of the most difficult tasks for new entrepreneurs is raising finance to start their business. Small entrepreneurs provide not only income for themselves and their families, but often create new jobs in their communities when they expand their business operations. Erste Group offers access to start-up micro loans, business training, e-learning tools, mentoring sessions and networking to these customers.

In Austria, the microfinance programme offered by Erste Bank Oesterreich and the Austrian Federal Ministry of Social Affairs, Health, Care and Consumer Protection provides support mainly to unemployed and vulnerable individuals who intend to set up a business of their own and have either limited access or no access at all to start-up finance. The term of this initiative, which was launched ten years ago, has been extended until 2025. An increase in the maximum loan amount to EUR 15,000, with a term of five years, is expected to lead to hundreds of new businesses being set up. With help from the European Investment Fund, a similar initiative was launched for Ukrainian refugees planning to set up a business of their own and gain a foothold in the Austrian business world. In conformity with the currently applicable Council Implementing Decision (EU) 2022/382 introducing temporary protection for displaced persons from Ukraine, microloans are being offered with a maximum term of two years. Overall, Erste Group financed 371 new entrepreneurs with a total volume of EUR 6.4 million in 2022.

Microfinance in Romania

Very often, even a small working capital loan can be sufficient to scale micro businesses and successfully fight poverty. BCR Social Finance was established in 2009 as an enterprise with a social inclusion mission that ploughs any profits it makes back into its operations. It provides microfinance products to micro-businesses, small agricultural producers and freelancers in both rural and urban areas in Romania. In 2022, BCR Social Finance granted more than 1,533 loans to Romanian micro-entrepreneurs, paying out a total EUR 20 million, and at the same time added education loans to its product range, which are offered to students as well as to individuals who either want to change jobs or upgrade their skills for the jobs they already hold.

Debt counselling in Slovakia

In Slovakia, Slovenská sporiteľňa's Social Banking continued its debt counselling programme, assisting some 10,900 low-income customers in taking control of their debts and improving their household finances management skills.

Support for social organisations

Erste Group's social banking experts and mentors offer professional advice and financial solutions to support social organisations and new entrepreneurs. For these customers, Erste Group offers working capital loans, bridging loans and investment loans. In 2022, Erste Foundation provided Erste Group Social Banking with a new guarantee which enables the bank to finance social organisations not covered by other EU guarantees. In 2022, Erste Group financed 183 social organisations, NGOs and social entrepreneurs in a total amount of EUR 23.4 million.

Erste Social Finance Holding extended its impact investment programme, which offers quasi-equity for the social sector, and added sustainable enterprises to its scope. With help from the European Union, it was also possible to offer free non-financial support, such as bespoke counselling, mentoring, training and technical support for social and sustainable entrepreneurs. These services are provided by the social innovation incubator Impact Hub Vienna and its partner organisations. Quasi-equity is equity provided in the form of a qualified subordinated loan, which contributes to strengthening customers' equity positions, enabling them to grow and expand their social impact. This type of equity is made available to social enterprises, non-profit and non-governmental organisations in Austria, the Czech Republic, Slovakia, Serbia, Croatia, and Romania.

Social Banking Financing

	2022	2021	2020	2019	2018	2017	till 2017
New Social Banking financing in EUR million	49.8	39.8	52.3	120.8	85.7	41.2	74.1
Microfinance and start-up finance in EUR million	26.4	24.0	38.0	91.0	68.7	20.5	64.9
Microfinance and start-up finance in number of new financed clients	1,087	1,018	1,259	3,108	2,317	1,075	6,136
Social organisation finance in EUR million	23.4	15.8	14.3	29.8	17.0	20.7	9.2
Social organisation finance in number of new financed clients	183	141	98	123	183	166	111
Number of supported private clients in financial difficulties (cumulative)	23,440	22,288	21,240	19,433			
Number of education participants	13,323	6,679	4,372	9,811	6,349	6,151	1,160
Number of preserved and created jobs (cumulative)		77,536		44,897		19,892	

Stand with Ukraine

The Stand with Ukraine movement provided us with an opportunity to demonstrate how seriously we take our responsibility to give all people in the region access to basic financial products – we opened a total of 15,567 free-of-charge accounts for Ukrainian refugees in Austria and arranged for more than 4,500 wire transfers to Ukraine at no cost. Banca Comercială Română (BCR) also responded promptly to the outbreak of the war, taking measures to provide refugees with access to banking services (currency exchange, wire transfers, cash withdrawal, free-of-charge accounts).

5.2 FINANCIAL EDUCATION

GRI 3-3

In line with its corporate goal of spreading and securing prosperity, Erste Group is involved in a wide variety of financial education activities, helping people of all ages to acquire the skills and abilities they need. In accordance with the recommendation of the Organisation for Economic Cooperation and Development (OECD) that financial education should start as early as possible, Erste Group places particular emphasis on financial education projects for children and young people. Erste Group helps young people to acquire the confidence they need to actively participate in economic life and to understand how the financial system works.

Risks / impact

Financial literacy is essential for creating equal opportunities, economic well-being and social inclusion. Conversely, a lack of financial literacy may limit what people are able to achieve in life. By participating in financial education and financial literacy initiatives and projects in all our core markets, Erste Group makes a valuable contribution to preventing poverty and fostering a strong and stable financial system. Customers who lack sufficient financial literacy are more likely to be exposed to financial risk that may lead to loss both for the customers and the bank.

Opportunities

Where customers are able to make well-informed decisions, they are also more willing to take control of their finances. The result: better investment and finance decisions for customers, higher earnings and lower risk for the bank. Also, customers showing more confidence in their own financial decisions means fewer complaints and higher customer satisfaction ratings.

Targets

Our goal is to offer financial education with a sustainable effect.

Governance / responsibility and participation

Responsibility for the business and financial education strategy and the Financial Life Park (FLiP) lies with the Innovation Hub (Erste HUB), which reports to the Chief Platform Officer in organisational terms. As needs and interests vary across Erste Group's markets, depending on local circumstances, specific projects and initiatives for financial education are determined and managed by the respective local management boards and supervisory boards.

Measures

Erste Group's financial education efforts are geared primarily towards offering increased scalability while maintaining or even raising existing quality levels. For this reason, Erste Group subjects its financial education projects to constant evaluation and makes continuous efforts to identify potentials for improvement for the various projects in the countries of the region.

FLiP. FLiP is a financial education project that offers a broad range of options aiming to promote self-responsibility, counteract over-indebtedness and thus prevent poverty. FLiP guided tours make the importance of finance for people's personal lives tangible. Since FLiP opened its doors in October 2016, more than 67,000 visitors from all types of schools and all age groups have taken part in the interactive tours offered in Vienna. Supported by Erste Bank Oesterreich and the regional savings banks, FLiP2Go, the mobile version of FLiP launched in April 2019, has attracted more than 21,300 visitors on its tour all over Austria. The demand for FLiP's digital offerings, such as FLiP Challenges, FLiP Digi Tours and online-teaching resources, continued to grow in 2022 as well. Under the overarching theme of "Geld im Griff" (Take Control of Your Money), FLiP has partnered up with the NGO The Connection to develop teaching resources to be used in German-language courses for young people with a migrant background with the aim of building financial, consumer and language skills. Under a cooperation agreement with Danube University Krems, a workshop was held – for the second time in a row – to provide young people with a migrant background with information on how to set up a business and how to manage their finances. Since its inception, FLiP has reached out to an audience of more than 250,000, mainly children and young people.

In 2022, conceptual work was started on a “FLiP to Metaverse” project under which a digital platform would ensure that the services offered by FLiP become accessible to an even wider audience.

Money School. Banca Comercială Română continued its Money School programme in 2022, organising both online and offline training courses for over 64,000 participants (children and adults alike). In April, it hosted EduFinFest, a “living library” series of 100 events throughout the country in which 10,000 young people and 100 BCR staff-members-turned-trainers took part. October 2022 was declared Financial Literacy Month, with training opportunities being organised for 15,000 participants. The Money School platform www.scoaladebani.ro also launched two new online courses (1. Green finance guidelines – how to be a responsible consumer, and 2. Responsible shopping – how to avoid impulse buying).

FinQ. It was their shared interest in improving financial education in Slovakia that motivated the Slovenská sporiteľňa foundation and the Národná banka foundation to establish FinQ Centrum. The work of this not-for-profit organisation is centred around FinQ, an innovative and highly successful programme for financial education and the promotion of financial literacy at schools. The programme is open to all teachers interested in integrating its approach and content into classroom teaching. A further 100 schools joined the 25 schools that had taken part in the pilot project, bringing the number of pupils and students who have taken the financial literacy exam up to 11,264 in 2022.

ČSF. The Česká spořitelna Foundation (ČSF) ranks among the top three corporate foundations in the Czech Republic. It makes the case for societies becoming stronger and more sustainable if they can rely on financially literate and confident individuals and enterprises. Its main task is to provide active support for skills development in children and young people and to encourage teachers and school administrators to align classroom teaching with a skills-based approach to education. In 2022, the foundation made a record sum of more than CZK 150 million available to its partner organisations. It was also in 2022 that ČSF launched its first proprietary programme called “Volunteers for Schools”, which aims to bring knowledgeable volunteers from the business world together with primary and secondary schools. More than 12,000 children benefited from the programme in its first year. Teachers are able to reach over 650 volunteers from a range of different fields.

ABC of Money. Česká spořitelna’s “ABC of Money” initiative is the largest financial education programme in the Czech Republic. The programme is free of charge and targets not only children, parents and teachers but also older people, who are invited to develop their digital skills. In 2022, 70,000 children at 750 schools in the Czech Republic participated in the programme. A similar Ukrainian-language programme was made available for Ukrainian children.

EBH Social Banking. Erste Bank Hungary’s financial literacy activities in 2022 focused on disadvantaged groups in society. The bank’s Financial Literacy Education Programme was launched in 2019, working together with several NGOs. Its target groups include children from educationally disadvantaged backgrounds as well as students from vocational schools in Budapest, Roma students and people with limited cognitive abilities. So far the programme has reached more than 3,500 participants. Since autumn 2022, EBH Social Banking has placed a special focus on providing financial education to children living under state care as well as to poor and often indebted families in which at least one parent grew up in a state care facility.

Smart Finance School. Erste Bank Croatia not only continued its Smart Finance School online workshops in 2022, but also started to hold live workshops in its branches in several Croatian cities (Rijeka, Split, Osijek, and Zagreb). In a bid to make the financial education programme accessible to as many young people as possible, the bank also organised more than 40 workshops for primary schools, grammar schools and colleges, attracting nearly 1,000 attendees. Overall, more than 90 workshops were offered between the start of 2022 and the end of November, with over 2,200 participants. The number of workshop participants since the beginning of 2019 comes to more than 11,000.

#ErsteZnali. Erste Bank Serbia further developed its financial education programme #ErsteZnali, adding new content in 2022. The programme, which also comprises the #ErsteZnali platform providing online financial education to the public at large since 2019, focused on activities for the younger generation in 2021 and 2022. These included a mobile phone game for 7 to 10-year-olds (“Guardians of the Dragon’s Treasure”), Money School – an initiative to promote financial literacy in primary schools organised in cooperation with the Ministry of Education, workshops for young adults, and an interactive theatre play based on the theme of the “Guardians of the Dragon’s Treasure” app.

6. Business ethics

GRI 2-23

As an institution, we place the same importance on ethical conduct as our stakeholders do. Our Statement of Purpose reaffirms and states in more detail Erste Group's aim of promoting and securing prosperity across the region. It defines the following tasks and principles:

- _ Disseminating and securing prosperity
- _ Accessibility, independence and innovation
- _ Profitability
- _ Financial literacy
- _ It is about people
- _ Serving civil society
- _ Transparency, stability, simplicity

Two key questions must be answered every time a business decision is taken: "Is it profitable?" and "Is it legal?". For Erste Group, this has never been enough. Every employee has to consider a "third question" that arises from the Statement of Purpose: "Is it the right thing to do?".

Building on this Statement of Purpose, our Code of Conduct (which was approved by the management board in 2015 and last updated in 2021) defines binding rules and ethical principles applicable in day-to-day business for employees and members of both the management board and supervisory board. At the same time, the Code of Conduct underlines that in pursuing its business activities, Erste Group values responsibility, respect and sustainability.

Under the UN Global Compact, we commit ourselves to meeting our responsibilities with respect to human rights, labour standards and the fight against corruption. The principles which are included within our strategy derive from the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the United Nations Convention Against Corruption, amongst others.

6.1 ETHICAL CONDUCT OF EMPLOYEES IN BANKING OPERATIONS

GRI 3-3, 2-25, 2-26, 2-27

Our basic rules are respect, trust, fairness and integrity, which define our self-image that we display in our activities.. To achieve these targets, we rely on a corporate culture characterised by responsibility, on a clear-cut compliance framework and on employees who have the appropriate qualifications.

Our focus is on measures designed to prevent money laundering, financial crime, terrorism financing and fraud and to ensure compliance with financial sanctions and embargoes, data protection rules, securities compliance and good conduct compliance

(which also includes conflict of interest, anti-bribery and anti-corruption agendas).

Risks / impacts

Unethical behaviour can harm all our key stakeholders and can also impair Erste Group's corporate value through reputational damage and criminal proceedings.

Opportunities

Consistently implementing ethical behaviour enables us to make a positive contribution towards continued trust in the financial sector, which has a stabilising impact in both economic and social terms. A high level of ethical integrity translates into fewer customer complaints, increased customer satisfaction and less misconduct by employees.

Targets

Zero tolerance for any violation of our compliance rules.

Governance / responsibility

Responsibility for compliance matters lies with Compliance, which is assigned to the Chief Risk Officer in organisational terms but reports directly to the management board.

Policies & memberships

The Code of Conduct provides the primary guidance for Erste Group's staff and defines binding rules for our day-to-day business. Together with national and international laws and standards, it forms the basis for the compliance management system, which ensures conduct in compliance with laws and standards. Erste Group is a member of Transparency International (TI), and Erste Group's chairman of the supervisory board is a board member of TI.

Measures

Compliance systems and processes

The systems we use to monitor money laundering, financial crime and terrorism financing, financial sanctions and embargoes, fraud, data protection, securities compliance and good conduct compliance are subject to ongoing critical review and improvement.

Comprehensive training efforts

Erste Group has introduced a compliance training programme which includes targeted policies, guidelines and training initiatives defining rules and principles for its staff. To ensure compliance with all laws and regulations, policies and processes are continuously evaluated and reviewed across the Group. Compliance training is mandatory for all employees and includes awareness building as well as an introduction to the prevention of compliance risks, including corruption. Additional compliance training is mandatory for staff in selected business areas, in line with the respective risk assessment.

Communication of measures and policies

Erste Group's compliance programme has laid the basis for a common understanding of values within the Group. The programme and the reporting channels being provided ensure that staff is informed pro-actively on the intranet, through training, and by managers.

"Erste Integrity Line" – whistleblowing

Erste Group is legally required to offer its staff a mechanism for reporting incidents of non-compliance. "Erste Integrity" – the in-house reporting office – is a cornerstone of the programme. It is the contact point for employees to report suspicious incidents or ask questions about what actions might constitute non-compliance.

"Erste Integrity" reviews all reports submitted to it in line with a standardised process. The Whistleblowing Committee then decides on the further steps to take in each individual case. The further processing of such reports is confidential and subject to the need-to-know principle. All reports were appropriately investigated, and the necessary measures were taken as and when required.

Zero tolerance

Where non-compliance with our rules has been verified, disciplinary action will follow without exception, up to and including termination of employment or dismissal for cause as measures of ultimate resort.

Conflicts of interest

Conflicts of interest between customers, Erste Group and its staff are governed by clear internal rules. Policies, training and organisational measures have been implemented to identify, avoid or manage various types of conflicts of interest that are relevant to Erste Group's business, including confidentiality of information, treatment of related-party relationships, secondary activities and accepting and awarding benefits, to name a few. Specific legal provisions apply with respect to information barriers, employee transactions, investor protection and research disclaimers. Erste Group's Corporate Governance Report provides further information on conflicts of interest concerning management board and supervisory board members.

Tax compliance

Based on Erste Group's General Code of Conduct, the Tax Code of Conduct sets out clear principles of conduct and action in respect of tax matters. Under the Tax Code of Conduct, our employees undertake to comply with tax laws, rules, regulations as well as reporting and disclosure requirements in all the countries in which Erste Group operates. This includes of course paying taxes on time. In all dealings with tax authorities, our focus is on pursuing a pro-active and transparent approach.

Each year, a review of the Tax Code of Conduct is submitted to Erste Bank Group AG's CFO for approval. All subsidiaries in

Austria and abroad agree to the Tax Code of Conduct in their own processes, which creates a uniform understanding of tax strategy across the Group. Every six months, tax experts from all major abroad consolidated entities come together to share information and ensure uniform standards in tax matters across the Group.

Ombuds office

Both our customers and stakeholders can address complaints to Erste Group's central ombuds office in Vienna. Complaints Management, which reports to the Chief Risk Officer, coordinates and monitors the handling of complaints. The ombuds office's aim is to settle complaints within 30 days. Complaints which are not settled within 30 days entail legal risks, which is why it is particularly important to keep the number of such complaints to a minimum.

Performance indicators

With the aim of monitoring complaints handling and providing an early-warning system for potential problems, the central ombuds office reviews the operations of local ombuds offices across the Group based on two key risk indicators (KRIs):

- Complaint ratio, which is the number of complaints received per 1,000 active customers. The purpose of this indicator is to show how well the individual banks cope with registering complaints and how openly they handle them.
- Number of complaints settled within 30 days.

The complaint ratio and non-settled complaints indicators are further broken down by critical products and critical processes. Should the number of cases rise, Operational Risk will carry out an in-depth analysis.

The results for 2022 were good, with KRIs to be rated positive even in countries where stricter statutory requirements apply. While the situation in 2022 was challenging for some banks, steps were taken to improve it. Česká spořitelna, for instance, will promptly refund amounts up to a defined threshold when there are complaints regarding card chargebacks, thus settling complaints faster and improving customer satisfaction in the process. A dedicated automated complaints processing system has been introduced to ensure customers will receive a response to complaints about fee increases as quickly as possible.

6.2 ANTI-CORRUPTION MEASURES

GRI 3-3, 2-16, 205-1, 205-3

Reliability and conformity with laws and regulations are cornerstones of financial transactions, which is why the fight against corruption is a key aspect of everything Erste Group does.

Risks / impacts

Corruption undermines the rule of law, the stability of political institutions, and, as a consequence, the economic, political and

social development of any country, while at the same time promoting an unequal distribution of both resources and opportunities.

The mere suspicion of corruption can cause drastic financial penalties for Erste Group as well as damage to our reputation. This may result in the loss of business. In addition, personal liability may be imposed on the part of members of the management board, senior management, and the supervisory board.

Opportunities

Having effective measures in place to prevent and fight corruption not only contributes to a well-functioning and sustainable society, but also strengthens Erste Group's reputation as a reliable partner for current and future customers. In addition, it protects our employees on an individual level from possible inadvertent misconduct as to what constitutes proper conduct. Consistently applying anti-corruption measures helps to ensure our bank's resilience.

Targets

Erste Group's highly ambitious target is to have no incidents of bribery and corruption in its organisation. To reach this target, it is crucial for our detection and disciplinary measures in this area to work without fail.

In 2022, a group-wide policy on conflicts of interest and anti-bribery and anti-corruption measures was revised, with no material changes being made. By the end of 2022, about 90% of our staff had already completed a multilingual e-learning programme set up for this purpose.

Our aim is to reach a 100% completion rate in 2023, which also requires all new hires to complete the programme as quickly as possible. Another project for 2023 is the group-wide roll-out of our new reporting tool.

Governance / responsibility

Responsibility for compliance matters lies with Compliance, which is assigned to the Chief Risk Officer in organisational terms but reports directly to the management board. Conduct Compliance is the department in charge of anti-corruption matters.

Policies

Erste Group promotes zero-tolerance towards any form of bribery and corruption. A group-wide Policy on Conflicts of Interest and Anti-Bribery & Corruption ensures that everyone in Erste Group is familiar with the material rules and minimum standards – such as key national provisions, e.g. the Austrian Criminal Code, as well as the impact of the UK Bribery Act and the US Foreign Corrupt Practices Act (FCPA) – and knows how to apply them. The policy, which constitutes the minimum standard for all employees, was thoroughly revised in 2021 and rolled out, on a step-by-step basis, for implementation by all relevant Group entities (roughly 40) in 2022.

Controls

Risk assessment

All relevant risk drivers are assessed as part of the risk assessment process. This assessment relates both to the evaluation of corruption risk drivers and to the general conflicts of interest that can potentially occur in a financial institution.

- Governance
- Organisational conflicts of interest
- Related party conflicts of interest
- Secondary activities conflicts of interest
- Sponsoring, cooperative ventures, donations
- Confidentiality
- Remuneration conflicts of interest
- Procurement management conflicts of interest
- Accepting and awarding benefits, anti-corruption measures

Risk assessment was launched in Erste Holding, Erste Bank Oesterreich and Erste Digital in 2022, with preliminary results already subjected to evaluation. Risk assessment for the CEE banks is to be completed by the end of 2022, so the risk results for the separate and consolidated levels will be available in the first quarter of 2023 (retroactively for 2022). Based on the outcome, new in-house controls will be set up for processes identified as particularly risk exposed.

Training and awareness building

Our multilingual e-learning programme on conflicts of interest and anti-corruption measures, which was first introduced across the Group in 2022, helps the management board, senior management and staff members to implement our policy in the course of day-to-day business.

In April 2022, completion of the e-learning programme was made mandatory for all employees and managers. What is more, the e-learning contents were translated into the respective CEE languages in 2022, and the programme will be rolled out for implementation on a step-by-step basis to further relevant Erste Group entities (banks and non-banks) in Austria and in the CEE region on the strong recommendation of Group Compliance. Central monitoring of e-learning implementation and taking action in cases of non-compliance also lies with Group Compliance.

In higher-risk business units (e.g. those dealing with large and international clients and public officials, sponsoring units, procurement, top management) specific awareness-building initiatives, training events and frequent sharing of information are offered in addition to e-learning.

Reporting

Our staff members have to meet a variety of reporting duties, including reporting on accepting or awarding benefits, both in the public and the private sectors as well as benefits received from or awarded to third parties within the meaning of MiFID II. While direct line managers represent the first line of defence to assess

benefits offered or accepted and awarded, staff can contact Compliance when questions arise in connection with corruption prevention or in cases of doubt. This can be done through various channels, such as e-mail, conflict of interest reporting tools (as are currently being used in some Austrian entities) or anonymously (whistleblowing). More information on whistleblowing can be found in the chapter 6.1 “Ethical conduct of employees in banking operations”.

Management of consequences

All suspicious cases are reviewed, and disciplinary action is taken as necessary. Misreporting or failure to abide by the anti-bribery and corruption policies and procedures leads to disciplinary consequences, regardless of any civil and criminal law consequences as might be applicable. The management of consequences is assigned to People & Culture; the relevant processes are set out in a works agreement.

Performance indicators

Critical conflicts of interest, including those that are indicators of corruption, are reported to the Group’s management and supervisory boards every quarter or as the need arises. Ad-hoc reporting on “critical conflicts of interest” is submitted to Group Compliance, Group Internal Audit as well as the management board and the supervisory board.

In 2022, a quarterly report included two cases of conflicts of interest, both of which were successfully resolved. Otherwise, no critical conflicts of interest or improper awarding of benefits were registered in 2022.

7. GRI Index

Statement of use	Erste Group Bank AG has reported in accordance with the GRI Standards for the period 1 January 2022 to 31 December 2022					
GRI 1	GRI 1: Foundation 2021					
			OMISSION			
GRI Standard	DISCLOSURE	LOCATION	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	REMARKS
General disclosures						
GRI 2 General disclosures 2021	2-1 Organizational details	Management Report a) General information“ in the notes to the group financial statements of Erste Group b) Chapter „Capital, share, voting and control rights and associated agreements“ in the group management report c) Chapter „ Business performance and economic situation“ in the group management report d) Note 1 „segment reporting“ in the notes to the group financial statements of Erste Group				a) Erste Group Bank AG c) Am Belvedere 1, Wien 1100
	2-2 Entities included in the organization's sustainability reporting	Note 59.				
	2-3 Reporting period, frequency and contact point	Imprint				1.1.2022 to 31.12.2022 annually No significant changes in the organisation (neither in terms of size, structure nor in the supply chain
	2-4 Restatements of information					
	2-5 External assurance	p. 109 Management Report 2022 Chapter: Co-operation between Erste Group Bank AG and Vienna Insurance Group (VIG); Part consolidation in Annex (Commerzbank)				Partnership with Vienna Insurance Group; Co-operation with Commerzbank
	2-6 Activities, value chain and other business relationships					
	2-7 Employees	p. 70	2-7 iii) non-guaranteed hours employees	Not applicable	Does not apply to Erste Group.. Workers who are not employees do not perform a significant portion of organization's activities.	
	2-8 Workers who are not employees			Not applicable		
	2-9 Governance structure and composition	CG Report				TCFD:Governance
	2-10 Nomination and selection of the highest governance body	CG Report	2-10 i Consideration of views of Stakeholder (inc. Shareholder) for the nomination of the highest governance body members	Not applicable	Syndicat members are subordinated to the Erste Foundation	
	2-11 Chair of the highest governance body	CG Report				

GRI Standard	DISCLOSURE	LOCATION	REQUIREMENT(S) OMITTED	OMISSION	EXPLANATION	REMARKS
				REASON		
GRI 2: General Disclosures 2021	2-12 Role of the highest governance body in overseeing the management of impacts	p. 53 and CG Report				TCFD: Governance
	2-13 Delegation of responsibility for managing impacts	p. 53-54				TCFD: Governance
	2-14 Role of the highest governance body in sustainability reporting	p. 53-54 and CG Report				TCFD: Governance
	2-15 Conflicts of interest	CG Report				
	2-16 Communication of critical concerns	p. 87-88				
	2-17 Collective knowledge of the highest governance body	CG Report and p. 53-54				TCFD: Governance
	2-18 Evaluation of the performance of the highest governance body	p. 54-55				
	2-19 Remuneration policies	p. 54-55				
	2-20 Process to determine remuneration	p. 54-55				
	2-21 Annual total compensation ratio	p. 55				
	2-22 Statement on sustainable development strategy	p. 50-52				
	2-23 Policy commitments for responsible business conduct	p. 86				Code of Conduct: https://www.erstegroup.com/de/ueber-uns/nachhaltigkeit-esg
	2-24 Embedding policy commitments for responsible business conduct	p. 50-52				
	2-25 Processes to remediate negative impacts	p. 86-87				
	2-26 Mechanisms for seeking advice and raising concerns	p. 87				

GRI Standard	DISCLOSURE	LOCATION	REQUIREMENT(S) OMITTED	OMISSION REASON	EXPLANATION	REMARKS
GRI 2: General Disclosures 2021	2-27 Compliance with laws and regulations					In 2022, there were neither significant fines nor non-monetary sanctions for non-compliance with laws and/or regulations in the social, economic and environmental area.
	2-28 Membership associations					Erste Group Bank AG has the following significant memberships: WSBI (World Savings Banks Institute), ESBG (European Savings Banks Group), Österreichischer Sparkassenverband, WKO (Austrian Economic Chambers, Industry Sector: Banking and Insurance), OEVFA (Österreichische Vereinigung für Finanzanalyse und Asset Management), BWG (Bankwissenschaftliche Gesellschaft Österreich), WIFO (Wirtschaftsforschungsinstitut Österreich), Österreichische Industriellenvereinigung, respACT (Austrian Business Council for Sustainable Development), Transparency International, UNEP FI, Net Zero Banking Alliance, PCAF; UN GC participant
						Erste Group's banking subsidiaries in CEE have following important memberships : Erste Bank Croatia: Croatia Green Building Council (CGBC), Croatian Association of Accountants and Financial Experts (CAAFE); Erste Bank Serbia: Association of Banks of Serbia, Chamber of Commerce Serbia; Slovenská sporiteľňa: Slovak Banking Association, Central European Corporate Governance Association; Erste Bank Hungary: Hungarian Banking Association, Budapest Chamber of Commerce and industry; Banca Comercială Română: Romanian Banking Association, Financial Markets Association; Česká spořitelna: Czech Banking Association, Economic chamber of the Czech Republic
	2-29 Approach to stakeholder engagement	p. 50, 56				
	2-30 Collective bargaining agreements	p. 71				
Material topics						
GRI 3: Material topics 2021	3-1 Process to determine material topics	p. 56				
	3-2 List of material topics	p. 56				

GRI Standard	DISCLOSURE	LOCATION	OMISSION				
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	REMARKS	
Climate and environment - Sustainability risks in financing and investment							
GRI 3: Sustainability risks in financing and investment	3-3 Management of material topics	p. 57-60					
Climate and environment - Limit financing of high emission sectors							
GRI 3: Limit financing of high emission sectors	3-3 Management of material topics	p. 60-64					
Climate and environment -Ecological impact of banking operations							
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 66-70					
GRI 302: Energy 2016	302-1 Energy consumption within the organization	p. 66-69	d. in joules, watt-hours, or multiples of units, the total(s): i. electricity sold ii. heat sold iii. cooling energy sold iv. steam sold	Not applicable	Erste Group does not generate revenues from the sale of electricity, heat, steam or cooling energy	TCFD Metrics and Targets;	
	302-2 Energy consumption outside of the organization			Information unavailable / incomplete	Data on energy consumption outside the organization is not available, but is included in the Group's Scope 3 emissions using a spend-based calculation approach. Next year, data collection will be extended to include the energy consumption of external data centers.		
	302-3 Energy intensity	p. 66-69					
	302-4 Reduction of energy consumption	p. 66-69				TCFD Metrics and targets	
	302-5 Reductions in energy requirements of products and services			Not applicable	Our products are intangible and thereforedo not consume energy.		
	GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	p. 66-69	c. Biogenic CO2 emissions in metric tons of CO2 equivalent	Not applicable	No biogenic emissions are emitted	TCFD Metrics and Targets
		305-2 Energy indirect (Scope 2) GHG emissions	p. 66-69			Scope 2 - location based: 44.593 tCO2e Scope 2 - market based: 18.686 tCO2e Scope 2 - marktbasiert: 18.686 tCO2e	TCFD Metrics and Targets
		305-3 Other indirect (Scope 3) GHG emissions	p. 66-69	c. Biogenic CO2 emissions in metric tons of CO2 equivalent	Not applicable	No biogenic emissions are emitted	
		305-4 GHG emissions intensity	p. 66-69				
		305-5 Reduction of GHG emissions	p. 66-69				
		305-6 Emissions of ozone-depleting substances (ODS)			Not applicable	Due to the nature of our business not applicable	
		305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions			Not applicable	Due tot he nature of our business not applicable.	

GRI Standard	DISCLOSURE	LOCATION	OMISSION		EXPLANATION	REMARKS
REQUIREMENT(S) OMITTED						
REASON						
Our employees - Diversity and equal opportunity						
GRI 3: Material topics 2021	3-3 Management of material topics	p. 70-78				
GRI 3: 405 Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	p. 72-74	ii) Age group iii) Other indicators of diversity where relevant (such as minority or vulnerable groups).	ii) Not applicable iii) Information partly unavailable	ii) Age group: figures were not collected for B0 and B-1..	
GRI 3: 405 Diversity and equal opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men			Information unavailab- le/incomplete	Process for data collection is not available	
GRI 406 Anti-discrimination 2016	406-1 Non discrimination	p. 72-74				
Our employees -Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 74-76				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	p. 74-76				
	403-2 Hazard identification, risk assessment, and incident investigation	p. 74-76				
	403-3 Occupational health services	p. 74-76				
	403-4 Worker participation, consultation, and communication on occupational health and safety	p. 75				
	403-5 Worker training on occupa- tional health and safety	p. 76				
	403-6 Promotion of worker health	p. 74-76				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by busi- ness relationships	p. 74-76				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by busi- ness relationships			Information unavailab- le/incomplete	No central data collection system	
	403-9 Work-related injuries		403-9	Not applicable	Due to the nature of our business this indicator can only be dis- closed partially	In the Holding there was 1 work- related injury.in 2022.
	403-10 Work-related ill health			Not applicable	Due to the nature of our business disclosure of this indicator is not possible	

GRI Standard	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	REMARKS
Our employees -Talent attraction						
GRI 3: Material topics 2021	3-3 Management of material topics	p. 76-78				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	p. 78				pursuant to Schlüter formula: (total of employees leaving) / (number of employees at the beginning of the year + total of newly hired employees)
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees		Not applicable		Benefits are provided for all employees.	
	401-3 Parental leave	p. 76				There is no dismissal protection after return from parental leave.in Serbia, Czech Republic, Slovakia.
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	p. 77				
	404-2 Programs for upgrading employee skills and transition assistance programs	p. 77				
	404-3 Percentage of employees receiving regular performance and career development reviews	p. 77	404-3	Information unavailable/incomplete	Data on Group level is not available. Nor the changes to last year.	

GRI Standard	DISCLOSURE	LOCATION	REQUIREMENT(S) OMITTED	OMISSION REASON	EXPLANATION	REMARKS
Our customers- Customer satisfaction						
GRI 3: Material topics 2021	3-3 Management of material topics	p. 78-80				
Our customers- Data security						
GRI 3: Material topics 2021	3-3 Management of material topics	p. 80-81				
GRI 418: Customer Privacy 2016	Data on Group level is not available. Nor the changes to last year.	p. 80				
Social commitment - Access to banking products for the socially excluded						
GRI 3Material topics 2021	3-3 Management of material topics	p. 81-83				
FS 14 of GRI G4	Initiatives to improve access to financial services for disadvantaged people	p. 81-83				Old GRI which cannot be replaced by a new one as Sector Standards for banks hve not been published yet.
Social commitment - Financial literacy						
GRI 3: Material topics 2021	3-3 Management of material topics	p. 84-85				
FS 14 of GRI G4	Initiatives to improve access to financial services for disadvantaged people	p. 84-85				Old GRI which cannot be replaced by a new one as Sector Standards for banks hve not been published yet.
Business ethics Anti corruption						
GRI 3 Material topics 2021	3-3 Management of Material topics					
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption		205-1 a)Total number and percentage of operations assessed for risks related to corruption	Confidentiality constraints		Analysis was not available until the editorial deadline.
	205-2 Communication and training about anti-corruption policies and procedures			Information unavailable/incomplete		Data is currently not available according to GRI requirements.
	205-3 Confirmed incidents of corruption and actions taken					In 2022, Erste Group did not record any incident of corruption.
Business Ethics						
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices					No legal actions for anti-competitive behavior, anti-trust, or monopoly practices have been initiated against Erste Group Bank AG. During the reporting period, subsidiaries of Erste Group Bank AG were directly or indirectly involved in three such cases. One of these cases got resolved in 2022 by imposing a fine by the respective Competition Authority, which is already paid. Two cases remain pending. We do not expect these cases to lead to any fines or sanctions that would have a material effect on Erste Group.

8. Principles for Responsible Banking Reporting



Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

1.1 Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Erste Group aims to be the leading bank for retail and corporate customers in the CE region, including Austria. In all of its core markets, Erste Group pursues a well-balanced business model that is designed to offer each customer the best banking services. Today, Erste Group serves approx. 15.9 million customers in Austria (market share up to 25%), the Czech Republic (20%), Slovakia (25%), Romania (13.9%), Hungary (7%), Croatia (17%) and Serbia (7%).

Erste Group's main business segment is the retail business, which accounts for 46% of total operating income and covers the entire spectrum from lending, deposit and investment products to current accounts and credit cards. In addition to Erste Group's traditional strength in serving retail customers, its core activities also include advisory services and support for corporate and SME clients. This accounts for 45% of total operating income in the areas of financing, investment including access to international capital markets, public sector funding and interbank market transactions.

Through public sector finance, Erste Group provides funding for major infrastructure projects in the CE region.

Innovation and digitalisation are key pillars of Erste Group's business strategy, which seeks to offer customers access to personalised products of Erste Group and third parties via application programming interfaces (APIs) in the secure IT environment of the financial platform. The digital platform George was launched in Austria in 2015 and supports access to digitally available products and services of Erste Group at any time and from any place. At this point, George has also been rolled out in the Czech Republic, Slovakia, Romania, Croatia and Hungary.

Chapters:
Strategy, Business
Overview and
[Erste Group Website](#)

1.2 Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

☒ Yes ☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- ☐ UN Guiding Principles on Business and Human Rights
- ☐ International Labour Organization fundamental conventions
- ☒ UN Global Compact
- ☐ UN Declaration on the Rights of Indigenous Peoples
- ☐ None of the above

Erste Group's ESG strategy is based on the conviction that consideration of social and environmental responsibility, climate action and strong corporate governance in its operations will support not only the bank's main goal – to disseminate prosperity – but will also secure the bank's financial stability. Our two strategic pillars – advancing the transition to a green economy in our region and promoting social inclusion – have been aligned with the priorities and expectations of our main stakeholders.

Erste Group strives to act as a role model in the course of the green transition and to provide resources for a technology-based transition, the conservation of clean water and a more efficient use of materials, as this provides a major opportunity for citizens in CEE (SDGs 6, 13, 12).

As our most important contribution to climate action and as a member of the Net-Zero Banking Alliance, we are transitioning our portfolio towards net zero in a manner that is consistent with the goals of the Paris Agreement and takes account of technological progress in the sectors concerned, thereby creating added value for both the bank and its customers.

Erste Group's efforts to promote social inclusion are reflected in our activities in social banking, financial education, affordable housing and promotion of gender equality (SDGs 1, 4, 5, 11). All of these themes are as relevant today as they were when we were founded 200 years ago.

Chapters:
1.1 ESG strategy and
1.4 Material topics



Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products, and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):

a. Scope

What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

For the impact analysis we included our most important corporate and retail business activities covering all our Core Markets and amounting to 91% of the group's operating income.

For the corporate business we applied an exposure threshold per industry sector of EUR 1 billion, which allowed us to focus on the most impacting financed economic activities. With that we reached a coverage of our corporate lending book of 93%.

We did not consider investment banking, capital markets and third-party asset management that we offer to our clients as a service. However, these areas do not represent our mainstream banking activities.

Chapter:
Business Overview

b. Portfolio composition

Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

In the analysis of our corporate customer portfolio we focused on the main industries in our portfolio, namely (in percent of exposure) real estate activities (37.6%), trade and commerce (10.4%), manufacturing (8.1%), energy (4.3%), leisure and hotel services (3.9%) and transport (2.4%). We identified the group of relevant sectors by applying the NACE code classification. In addition, we also included the most emission-intensive sectors, which we identified by means of the PCAF (Partnership for Carbon Accounting Financials) method for the calculation of financed emissions.

For our analysis of the retail business, we used the total exposure of all products offered by Erste Group. Our assessment of the relevance of products and services is based on the number of customers per type of product, which showed the most important categories to be current accounts (42.4%), savings accounts (24.6%), consumer loans (23.2%), credit cards (6.7%) and mortgage loans (3.1%). Even though mortgage loans represent only a small number of customers, they account for a significant portion of volume outstanding (31.4%).

Chapters:
Business Overview
and 2.2 Limiting
financing in high-
emission sectors

c. Context:

What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

For a large part of society, affordability of essential goods and services as well as access to affordable housing have become a major concern. Inflation and the continuing energy crisis are accelerating these developments. At the same time, climate action and the reduction of CO₂e emissions are becoming more urgent. Lack of action at both the national and international levels is already leading to a noticeable increase in extreme weather events in our region, such as droughts, flooding and heat waves.

In the assessment of the social-environmental priorities of the CE region we included contributions from researchers, external experts and stakeholders:

- **Erste Group's in-house research team** publishes reports that provide insights into current economic and societal developments in both the CE region and internationally.
- The **members of our management board** regularly take part in a variety of national and international high-level stakeholder groups to assess Europe's current political environment.
- The **European Council's recommendation to our Member States** on their convergence programmes and the Commission's supporting working papers within the framework of the European Semester offer an important perspective on the economic situation and progress in achieving the SDGs in our core markets. In addition, our decision on the most important challenges and priorities has been influenced by **EU SDG monitoring and National Energy and Climate Plans**.

Chapters:
Business Overview,
Development in the
core markets and
7. GRI Index

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.

By using the Context Module provided by UNEP FI we were able to make a first high-level assessment of the main priorities in all our core markets. Availability, accessibility, affordability & quality of resources and services, as well as Climate stability and Circularity were identified as common fields of priority for all seven countries. Based on the statistical data provided by UNEP FI improvement is needed with regard to access to good quality food, affordable housing and the countries' health security and capabilities. In addition to social concerns, more attention also needs to be given in our core markets to the environment, specifically the avoidance of climate risks, resource intensity and waste recycling.

Both the Institutional and the Consumer Banking modules have shown us how the main priorities of our core markets can be translated into the most important positive and negative impact areas of Erste Group by considering our actual business activities in the corporates and retail business. As a conclusion from these findings we classified financial health and inclusion as well as climate change mitigation as those two relevant impact areas in which we want to set targets within the framework of our Principles for Responsible Banking commitment.

d. For these (min. two prioritized impact areas): Performance measurement

Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

Measuring our impact on Climate Change:

To measure the impact of our business activities on climate change we performed a detailed calculation of our financed emissions using the PCAF methodology. The calculation helped us to identify the most emission intensive sectors we are financing and to benchmark ourselves compared to our peers. Understanding our financed emissions was the basis for our Net-Zero commitment by 2050 and our membership in the Net-Zero Banking Alliance. The first set of decarbonization targets have already been defined for the real estate, mortgage, and energy sectors.

Identifying our contribution to Financial Health and Inclusion:

To measure our impact on society through our financial health and inclusion efforts such as social banking loans and financial education we regularly perform an impact assessment. We support financially excluded or vulnerable private individuals, start-up and micro entrepreneurs and social organisations by offering them fair access to financial products, sound financial advice and business training, and mentoring. In the published impact and annual reports, we document how the services provided by Erste Group support job creation and preservation, financial and housing stability and expansion of our customers' businesses' impact.

Chapters:

1.2 Governance,
5.1 Access to banking
products for disadvantaged groups and
5.2 Financial education

Self-assessment summary

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

Scope	<input checked="" type="radio"/> Yes	<input type="radio"/> In progress	<input type="radio"/> No
Portfolio composition	<input checked="" type="radio"/> Yes	<input type="radio"/> In progress	<input type="radio"/> No
Context	<input checked="" type="radio"/> Yes	<input type="radio"/> In progress	<input type="radio"/> No
Performance measurement	<input checked="" type="radio"/> Yes	<input type="radio"/> In progress	<input type="radio"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation and financial health & inclusion

How recent is the data used for and disclosed in the impact analysis?

- ☐ Up to 6 months prior to publication
☒ Up to 12 months prior to publication
☐ Up to 18 months prior to publication
☐ Longer than 18 months prior to publication

2.2 Target Setting

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a. Alignment

Which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

When setting our decarbonization targets we strive to align our portfolio with a below 2-degree global warming scenario as defined in the Paris Agreement. At the same time, we want to ensure that the sector-by-sector decarbonization approach is realistic, implementable, and supported by society, and in line with the strategic priorities we have set ourselves according to the UN Sustainable Development Goals.

Financial Literacy and Financial Health remain a main limitation of the wellbeing of many in the region. Our main objective through social banking is to make financing accessible for the currently non-banked population and to support them with financial education and knowledge building. With this aspiration we are contributing to the EU goal of reducing poverty by 50% by 2030 as well as to progress on the UN SDGs.

Chapters:
 1.1 ESG Strategy,
 2.2 Limiting financing in high-emission sectors and 5.1 Access to banking products for disadvantaged groups

b. Baseline

Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

For our impact area of climate mitigation, we aligned the structure of our reporting with the requirements set by the NZBA and have therefore included the following indicators:

Impact area	Indicator code	Response / Chapter
Climate change mitigation	A.1.1 – Climate Strategy	Yes
	A.1.2 – Paris Alignment Target	Yes + Chapter 2.2
	A.1.3 – Policy and Process and Climate Relationships	Yes
	A.1.4 – Portfolio Analysis	Yes + Chapter 2.2
	A.1.5 – Business Opportunities	Yes + Chapter 2.1
	A.2.1 – Client Engagement	Yes + Chapter 2.1
	A.2.2 – Absolute Financed Emissions	Total GHG emissions or CO ₂ e + Chapter 2.2
	A.2.3 – Sector specific Emission Intensity	Chapter 2.2
	A.2.4 – Proportion of Financed Emissions covered by Decarbonization targets	Chapter 2.2
	A.3.1 – Financial Volume of Green Assets	Chapter 2.1 and 2.3
	A.3.2 – Financial Volume lent to/invested in Carbon intensive sectors and activities	Chapter 2.2
	A.4.2 – Portfolio Alignment	Chapter 2.2

Financial Health and Inclusion is especially important for the most vulnerable groups of society. Therefore, we have defined our indicators on the contribution to promote Financial Literacy, job creation and access to finance for these marginalized groups. The group-wide establishment of our Social Banking activities in 2017 mark the baseline for our target setting. In the first year our Social Banking provided EUR 75 million in loans, ensured the creation and preservation of 200.000 jobs and supported 6.000 people with Financial Literacy education organized by Social Banking.

Chapters:
5.1 Access to banking products for disadvantaged groups and Financial education

c. SMART targets (incl. key performance indicators (KPIs))

Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

To align our portfolio with the Paris Agreement objectives and to reach net-zero financed emissions by 2050 we have put forward the first set of interim 2030 decarbonization targets for commercial real estate (reduction of emission intensity by 50%), mortgages (-43%), electricity production (-49%) and commercial heat production (reduction of absolute emissions by 42%).

We build prosperity through Financial Health and Inclusion by 2030 through providing EUR 1 billion Social Banking loans, preserving or creating 200,000 jobs, arranging 15,000 affordable housing units and reaching 80,000 beneficiaries with our financial education.

Chapters:

2.2 Limiting financing in high-emission sectors, 5.1 Access to banking products for disadvantaged groups and 5.2 Financial education

d. Action plan

Which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analyzed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

We believe in the net-zero transition through investments in green technologies and not divestments. Therefore, our ambition is to reach 25% green investments in our corporate lending by 2026, ensuring our alignment with the set decarbonization trajectories. Similarly, to transition our financed mortgage assets we want to reach 15% of green investments in our housing loan portfolio by 2027.

Going forward we aim to increase the portfolio coverage of our decarbonization targets to include additional emission intensive sectors. Sectors include automotive, metal and cement as well as oil and gas. We continue to engage with clients in high emission sectors to support their net-zero transition.

In Social Banking we are monitoring the success of our activities bi-annually by conducting a group-wide impact assessment. The most important performance indicator for in this regard is how many clients were able to improve their economic situation or could start and expand their business activities due to our involvement. We are also monitoring the satisfaction rate for the education we offer to our clients. In addition, we are putting efforts into constant product innovation to help our clients become financially healthy and integrate into society.

Chapters:

2.1 Sustainable finance and investments, 2.2 Limiting financing in high-emission sectors, 5.1 Access to banking products for disadvantaged groups and 5.2 Financial education

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your areas of most significant impact.

	Climate Change Mitigation			Financial Health & Inclusion		
Alignment	<input checked="" type="radio"/> Yes	<input type="radio"/> In progress	<input type="radio"/> No	<input checked="" type="radio"/> Yes	<input type="radio"/> In progress	<input type="radio"/> No
Baseline	<input checked="" type="radio"/> Yes	<input type="radio"/> In progress	<input type="radio"/> No	<input checked="" type="radio"/> Yes	<input type="radio"/> In progress	<input type="radio"/> No
SMART targets	<input checked="" type="radio"/> Yes	<input type="radio"/> In progress	<input type="radio"/> No	<input checked="" type="radio"/> Yes	<input type="radio"/> In progress	<input type="radio"/> No
Action plan	<input checked="" type="radio"/> Yes	<input type="radio"/> In progress	<input type="radio"/> No	<input checked="" type="radio"/> Yes	<input type="radio"/> In progress	<input type="radio"/> No

2.3 Target implementation and monitoring

For each target separately

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only)

Describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Since this is the first time reporting under the Principles for Responsible Banking we will show Erste Group's progress towards the set targets in next year's report.



Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

☒ Yes ☐ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☒ Yes ☐ In progress ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see Principle 2).

Erste Group believes that sustainable finance benefits from public and entrepreneurial awareness, commitment and specific knowledge. We set up a dedicated team for corporate clients across our core markets. Typically, the process starts with an industry- and client-specific assessment of ESG issues and leads to the identification of sustainable finance instruments that match the clients' sustainability and funding strategy.

One concrete example for how we actively engage with our clients to support them on their green transition is defined in our responsible financing policy. To fulfil our commitment to phase out all coal financing by 2030 we seek in depth discussions with clients until the end of 2025 to set the respective transition plans and support their transition efforts to disengage from the thermal coal sector.

Chapter:
2.1 Sustainable finance
and investments

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

We have developed sustainable products and solutions on our most important customer sectors, and we refer to the chapter on Sustainable Finance Investments in this report.

Chapter:
2.1 Sustainable finance and investments



Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

☒ Yes ☐ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

We regularly engage with various stakeholders that are relevant for implementing the Principles for Responsible Banking:

- **Memberships:** Within the PCAF (Partnership for Carbon Accounting Financial) we participate on further developing methodologies and validating the database of emission factors for the CEE region. As members of the Net-Zero Banking Alliance we are engaging in awareness building and mobilization of necessary investments together with like-minded peers. We have contributed to developing a set of common indicators for the Commitment for Financial Health and inclusion as a founding signatory member.
- **Clients:** Erste Group regularly performs surveys among the population in our core markets. Some of these specifically address ESG factors and how important they are perceived as being by our clients. In addition, we organize regional client events on specific ESG relevant topics (e.g. energy transition).
- **Employees:** We inform and engage with employees on ESG topics via the Intranet, educational events and by setting up "Erste Green" communities to give employees the chance to participate in and actively contribute to sustainability projects in our offices and beyond.
- **Management and supervisory board:** Our management is engaged in all ESG related strategy decisions and target achievements.

Chapters:
1.2 Governance,
1.3 Stakeholder
Engagement and
7 GRI Index



Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☒ Yes ☐ In progress ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

The fulfilment of our Principles for Responsible Banking commitment as well as our ESG strategy lies with the Sustainability Board and the Strategy & Sustainability Committee, consisting of Board and Supervisory Board members. Meetings take place twice a year. For details we refer to the Governance Chapter in the report.

Chapter:
1.2 Governance

5.2 Promoting a culture of responsible banking

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Our approach to foster a culture of responsible banking builds on awareness raising, experiences and motivation. To create awareness for the importance of sustainability in our daily business ESG trainings and events are mandatory for client advisors and are offered to all employees to provide information themselves about Erste Group's ESG strategy and ongoing initiatives.

To drive green change in the Erste family by sharing and implementing ideas together and inspiring other colleagues the Erste Green Community was established and gives employees the opportunity to actively support change initiatives.

The institution-wide implementation of sustainability and responsible banking principles is supported by ESG key performance indicators defined, not only on board level, but also cascaded to senior and lower management levels.

Chapter:
1.2 Governance and
2.4 Ecological impact
of banking operations

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

For our exclusion policies please refer to chapter “Sustainable Financing and Investments” in the report. For our Diversity and Inclusion Policy please refer to the chapter “Diversity and Equal Opportunities”. Details on our Whistleblower Policy can be found in the “Ethically correct behavior of employees in banking operations” chapter of this report. Our ESG Risk Definition Policy can be found on the Erste Group ESG website.

Chapters:
2.1 Sustainable Finance and Investments,
3.2 Diversity and equal opportunities and
6.1 Ethical conduct of employees in banking operations

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank’s governance system?

☒ Yes ☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☒ Yes ☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes ☐ In progress ☐ No



Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society’s goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☒ Yes ☐ Partially ☐ No

If applicable, please include the link or description of the assurance statement.

The details of the limited assurance provided for this reporting can be found in the Assurance Report.

Chapter 9 Independent limited assurance report

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- ☒ GRI
- ☐ SASB
- ☒ CDP
- ☐ IFRS Sustainability Disclosure Standards (to be published)
- ☒ TCFD

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

In the next 12 months we plan to complete the following steps to further progress on the fulfilment of our Principles for Responsible Banking commitment and the targets we have set ourselves (a) Extend our decarbonization targets, (b) define business measure to implement net-zero transition targets, (c) extend our Responsible Financing policy to include exclusion rules on activities harming biodiversity and (d) include financial health indicators in our target setting.

Chapters:
1.1 ESG Strategy,
2.1 Sustainable Finance and Investments and
2.2 Limiting financing in high-emission sectors

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question)

- | | |
|---|--|
| <input type="radio"/> Embedding PRB oversight into governance | <input type="radio"/> Customer engagement |
| <input type="radio"/> Gaining or maintaining momentum in the bank | <input type="radio"/> Stakeholder engagement |
| <input type="radio"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="radio"/> Data availability |
| <input type="radio"/> Conducting an impact analysis | <input type="radio"/> Data quality |
| <input type="radio"/> Assessing negative environmental and social impacts | <input checked="" type="radio"/> Access to resources |
| <input type="radio"/> Choosing the right performance measurement methodology/ies | <input type="radio"/> Reporting |
| <input type="radio"/> Setting targets | <input type="radio"/> Assurance |
| <input type="radio"/> Other: ... | <input checked="" type="radio"/> Prioritizing actions internally |

Management Board

Willibald Cernko mp, Chairman

Ingo Bleier mp, Member

Stefan Dörfler mp, Member

Alexandra Habeler-Drabek mp, Member

David O'Mahony mp, Member

Maurizio Poletto mp, Member

Vienna, 28 February 2023

We draw attention to the fact that the English translation of this report is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Independent Limited Assurance Report on the (Consolidated) Non-financial Report as at December 31, 2022

(Translation)

We performed a limited assurance engagement on the (consolidated) non-financial report of Erste Group Bank AG, Vienna, as at December 31, 2022.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the (consolidated) non-financial report as at December 31, 2022, is not prepared, in all material aspects, in accordance with section 243b and section 267a UGB as well as Article 8 of Regulation (EU) 2020/852 (“EU Taxonomy Regulation”) and the Delegated Acts issued thereon.

Management’s Responsibility

Management is responsible for the preparation of the (consolidated) non-financial report in accordance with section 243b and section 267a UGB as well as the EU Taxonomy Regulation and the Delegated Acts issued thereon.

Management’s responsibility includes the selection and application of appropriate methods to prepare the report as well as making assumptions and estimates about specific disclosures which are reasonable in the circumstances, including the interpretation of the wording and terms used in the EU Taxonomy Regulation and its Delegated Acts. Management is responsible for such internal control as management determines is necessary to enable the preparation of a non-financial report that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express a conclusion based on our procedures performed and evidence obtained as to whether anything has come to our attention that causes us to believe that the (consolidated) non-financial report as at December 31, 2022, is not prepared, in all material aspects, in accordance with section 243b and section 267a UGB as well as Article 8 of Regulation (EU) 2020/852 (“EU Taxonomy Regulation”) and the Delegated Acts issued thereon.

We performed our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information. These standards require that we plan and perform our procedures to be able to express a limited assurance conclusion based on the assurance obtained. We do not, however, provide a separate conclusion for each disclosure. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The selection of the procedures lies in the sole discretion of the auditor.

In the course of our engagement, we performed, amongst others, the procedures and other activities below:

- _ Interviewing employees to gain an understanding of the structure of the sustainability organization
- _ Interviewing employees responsible for performing the materiality analysis regarding the approach for identifying material topics and involving stakeholders
- _ Interviewing employees involved in preparing the non-financial report on the preparation process, on the internal control system related to this process as well as on the relevant matters and the data basis for the disclosures in the (consolidated) non-financial report
- _ Assessment of risks of material misstatements in the (consolidated) non-financial report

- _ Gaining an understanding of the approach to environmental, social and employee matters, respect for human rights and combatting corruption and bribery, including the due diligence processes implemented and risks
- _ Comparing selected qualitative disclosures in the (consolidated) non-financial report with appropriate evidence such as group guidelines, minutes and handbooks
- _ Performing analytical procedures and checking samples of selected quantitative disclosures in the (consolidated) non-financial report for their plausibility
- _ Comparing selected disclosures with corresponding data in the consolidated financial statements and the consolidated management report
- _ Evaluating the presentation and the completeness of the relevant disclosures based on the implemented framework pursuant to section 243b para. 5 UGB and section 267a para. 5 UGB (GRI standards 2021)
- _ Interviewing employees and inspecting documentation to gain an understanding of the methodology applied for estimating financed emissions
- _ Interviewing employees to gain an understanding of the methodology for identifying the share in total assets of risk exposures from taxonomy-eligible and taxonomy-non-eligible economic activities
- _ Evaluating the process for identifying the share in total assets of risk exposures from taxonomy-non-eligible and taxonomy-eligible economic activities and the corresponding disclosures in the (consolidated) non-financial report

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Ensuring the Auditor's independence and quality

We are independent of the Company in accordance with Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities, in particular the requirements for quality assurance, in accordance with these requirements.

Restriction of Use

This report is addressed to the Supervisory Board of the Company and is intended solely to inform the Supervisory Board of the result of the engagement. The report may therefore not be suitable for any other purpose than the purpose named above and is not intended to serve as basis for any (investment) decisions by third parties. Therefore, no legal claims of third parties can be derived from it.

General Conditions of Contract

Our report is issued based on the engagement agreed upon with you and is governed by the General Conditions of Contract for the Public Accounting Professions (AAB 2018) dated April 18, 2018, enclosed to this report, which also apply towards third parties. Deviating from item 7 para. 2 AAB 2018, our liability in case of gross negligence is limited to a total of EUR 2 million.

Vienna
February 28, 2023

PwC Wirtschaftsprüfung GmbH

Dorotea-E. Rebmann
Austrian Certified Public Accountant

signed

(Consolidated) corporate governance report

COMMITMENT TO CORPORATE GOVERNANCE CODE

Since 2003 Erste Group Bank AG has been committed to complying with the rules of the Austrian Code of Corporate Governance (Austrian CCG – see <http://www.corporate-governance.at>) and hence to responsible and transparent corporate governance. In addition, the management board adopted a Statement of Purpose in 2015. This statement states in more detail and reaffirms the purpose of Erste Group Bank AG to promote and secure prosperity throughout the region in which Erste Group is active. Building on this Statement of Purpose, a Code of Conduct defines binding rules for the day-to-day business.

This Corporate Governance Report has been prepared in accordance with sections 243c and 267b of the Austrian Commercial Code (UGB) and Rules 60 et seq. of the Austrian CCG and combines the corporate governance report of Erste Group Bank AG, the parent, and the consolidated corporate governance report in one single report. For the financial year 2022, the management board has also prepared a (consolidated) non-financial report in accordance with sections 243b and 267a of the Austrian Commercial Code. Information on the total remuneration of individual members of the management board and the supervisory board and the principles governing the remuneration policy are disclosed in a separate remuneration report pursuant to section 78e Austrian Stock Corporation Act (AktG).

In the 2022 financial year, Erste Group Bank AG complied with all L-Rules (Legal Requirements – mandatory legal norms) and R-Rules (Recommendations – these rules are more similar to recommendations; non-compliance does not need to be disclosed or explained) as well as – with three exceptions – all C-Rules (Comply-or-Explain – deviations are permitted, but must be described and explained) of the Austrian CCG. The permitted deviations were as follows:

- Pursuant to C-Rule 2 of the Austrian CCG, shares are to be construed in accordance with the principle of one share – one vote, i.e. the company may only issue shares that have one vote per share and no right to nominate members to the supervisory board. Under Erste Group Bank AG's articles of association (Art. 15.1), the shareholder DIE ERSTE österreichische Spar-Casse Privatstiftung is, however, granted the right to nominate up to one third of the members of the supervisory board to be elected by the annual general meeting as long as it is liable for all present and future liabilities of Erste Group Bank AG in case of its insolvency pursuant to section 92 para 9 of the Austrian Banking Act. The Privatstiftung has not exercised this right to date.
- Pursuant to C-Rule 27 CCG, care must be taken to ensure that for the variable remuneration components for management board members, measurable performance criteria shall be fixed in advance as well as maximum limits for amounts or as percentage of the fixed remuneration components. One deviation concerns the treatment of the deferred variable remunera-

tion for management board members of Erste Group Bank AG, the share-based portion of which is treated as a long-term incentive (LTI) in the form of performance share units (PSUs). The number of PSUs is initially calculated at the time of the granting and adjusted according to the average group performance at the end of the deferral period (vesting). The performance criteria used to measure group performance are defined by the supervisory board annually in advance, as a result of which there are no fixed performance criteria for the duration of the deferral period. The approach chosen by Erste Group Bank AG corresponds, however, most closely to a risk-based variable remuneration that is in line with Erste Group's long-term performance and regulatory requirements. For more details see the remuneration policy adopted by the annual general meeting of Erste Group Bank AG pursuant to section 78a of the Austrian Stock Corporation Act see www.erstegroup.com/de/rechtliches/corporate-governance.

– Pursuant to C-Rule 52a of the Austrian CCG, the number of supervisory board members (without employees' representatives) shall be ten at most. In 2022, the supervisory board of Erste Group Bank AG comprised up to thirteen members elected by the annual general meeting. The deviation from C-Rule 52a of the Austrian CCG is due to the size of Erste Group and its market position in seven core markets in Central and Eastern Europe as well as to the fact that the supervisory board has to perform a multitude of financial-market-related and prudential review and oversight duties. Moreover, the supervisory board must meet various criteria to comply with diversity requirements.

CORPORATE CONSTITUTION

Erste Group Bank AG is a stock corporation established under Austrian law and has a two-tier management system comprising a management board and a supervisory board. The management board is responsible for managing the company as required for the benefit of the company taking into account the interests of the shareholders and the employees as well as public interest. The management board takes its decisions in compliance with the articles of association and its internal rules as well as the Statement of Purpose. The supervisory board supervises and advises the management board, in particular when taking decisions of fundamental importance, but without engaging in any operational management tasks itself. The supervisory board appoints members of the management board. The supervisory board members being shareholder representatives are elected by the annual general meeting of Erste Group Bank AG, with due regard to the right of nomination granted to shareholder DIE ERSTE österreichische Spar-Casse Privatstiftung under the articles of association. The employees' council of Erste Group Bank AG has the right to nominate one employees' representative for every two shareholder representatives to the supervisory board. If the number of shareholder representatives is an odd number, then one more member is appointed as an employees' representative.

COMPOSITION AND WORKING PROCEDURE OF THE CORPORATE BODIES

Selection and assessment of members of corporate bodies

The qualification requirements for members of the corporate bodies (management board and supervisory board) of Erste Group Bank AG are governed by the internal guidelines for the selection and assessment of members of the management and supervisory boards (Suitability Policy).

These guidelines define the internal framework for the selection and assessment of members of the corporate bodies taking into account relevant national and EU legal provisions for banks and exchange-listed stock corporations such as section 5 para 1 nos 6 to 13 of the Austrian Banking Act, section 28a of the Austrian Banking Act, ESMA and EBA guidelines for assessing the suitability of members of the management body and key function holders (EBA/GL/ 2021/06), the ESMA and EBA guidelines on internal governance pursuant to Directive (EU) 2019/2034 (EBA/GL/2021/05), the ECB's guide to fit and proper assessments as well as the FMA circular on the assessment of suitability of executive directors, non-executive directors and key function holders. The assessment of proposed and appointed members of corporate bodies is based on the following criteria: personal reputation, professional qualifications and required experience as well as potential conflicts of interest, independence, time availability, overall composition of the management or supervisory board and diversity.

Continuing development of members of corporate bodies

To maintain an appropriate level of professional qualification and continuing development of members of the corporate bodies, Erste Group regularly organises events and seminars for members of the management board and supervisory board and facilitates their participation in external training events hosted, for example, by Wiener Börse AG, KPMG Alpen-Treuhand GmbH and the Vienna University of Economics and Business. In 2022, the in-house training programme for members of the management and supervisory boards covered, for example, the following topics and included debates and discussions with experts: crypto-currencies as well as digital currencies in general, the law on banking supervision and other acts of law of relevance to banks, cyber-security and other IT matters. Training sessions were also held on a range of sustainability-related topics. These covered in depth not only the three sustainability criteria – environmental, social and governance – but also explored and analysed the role and relevance of sustainability for credit institutions in general and Erste Group Bank AG in particular in accordance with current studies, regulatory and legal requirements and potential future developments. Erste Group's sustainability strategy was explained and expectations of customers, employees and Erste Group entities discussed in detail.

Members of the supervisory board of Erste Group Bank AG also attended professional meetings organised by Sparkassenverband. In addition, a comprehensive on-boarding process was conducted with the members newly elected to the supervisory board at the annual general meeting held on 18 May 2022.

Measures taken to avoid conflicts of interest

Every year, the members of the supervisory board are obligated to consider the regulations of the Austrian CCG regarding conflicts of interest. Furthermore, members of the management and supervisory boards receive internal guidelines on how to deal with conflicts of interest (Suitability Policy). These internal guidelines are based on Article 83 of the ESMA and EBA guidelines for assessing the suitability of members of the management body and key function holders (EBA/GL/2021/06) and Chapter 3.3.2 of the ECB's guide to fit and proper assessments as well as additional legal requirements (section 28 of the Austrian Banking Act, section 95 para 5 no 12 of the Austrian Stock Corporation Act, section 95a para 1 of the Austrian Stock Corporation Act) and, among other things, describe the appropriate procedure for identifying and avoiding conflicts of interest, the contents of the report, responsibilities and documentation requirements. As soon as members of the management board and the supervisory board identify (potential) conflicts of interest, these shall be reported by them proactively to the chair of the nomination committee; if this reporting obligation concerns the chair of the nomination committee himself, the chair must inform their deputy thereof.

The nomination committee will subsequently decide whether the conflict of interests is material and what measures need to be taken (abstention from voting on resolutions, ban on attendance at meetings, voting ban, changing the duties of the body concerned, termination of the mandate of the management board or supervisory board member concerned). The conflict of interest will be disclosed in the relevant bodies and, if required, to the supervisory authority. In individual cases, the (potential) conflict of interest will be monitored by the Compliance function or Group Audit. Furthermore, new members of the management board and the supervisory board receive comprehensive information regarding the avoidance of conflicts of interest when taking up their board functions.

Directors and officers liability insurance

Erste Group Bank AG has directors and officers liability insurance. Unless otherwise provided by local law, the insurance policy covers former, current and future members of the management board or managing directors, of the supervisory board, of the administrative board and of the advisory board and senior management, holders of statutory powers of attorney (Prokuristen) and management staff of Erste Group Bank AG and the subsidiaries in which Erste Group Bank AG holds more than 50% of the shares or voting rights either directly or indirectly through one or more subsidiaries. The costs are borne by the company.

MANAGEMENT BOARD

In 2022, the management board consisted of six members.

Management board member	Year of birth	Date of initial appointment	End of current period of office
Willibald Cernko (Chairman since 1 July 2022)	1956	1 July 2022	31 December 2024
Bernhard Spalt (Chairman until 30 June 2022)	1968	1 July 2019	30 June 2022
Ingo Bleier	1970	1 July 2019	30 June 2026
Stefan Dörfler	1971	1 July 2019	31 December 2023
Alexandra Habeler-Drabek	1970	1 July 2019	31 December 2023
David O'Mahony	1965	1 January 2020	31 December 2026
Maurizio Poletto	1973	1 January 2021	31 December 2023

Bernhard Spalt resigned from his mandate as of 30 June 2022.

On 15 June 2022, the supervisory board appointed Willibald Cernko to the management board of Erste Group Bank AG and as

chairman of the board. David O'Mahony's management board mandate was extended until 31 December 2026.

Management board member	Areas of responsibility
Willibald Cernko (since 1 July 2022), Bernhard Spalt (until 30 June 2022)	Group Secretariat, Group Audit, Group Brand Management & Communications, Group Investor Relations, Group Strategy, Group Corporate Affairs & Stakeholder Management, Group People and Culture, Group Legal (since 1 November 2022), Group Retail Development Financial Health (since 1 July 2022, formerly Group Retail Strategy)
Ingo Bleier	Group Corporates, Group Commercial Real Estate, Group Markets, Group Product and Business Management C. and M., Group Research, Group Retail Strategy (until 30 June 2022)
Stefan Dörfler	Group Balance Sheet Management, Group Data Management, Group Accounting, Group Performance Management
Alexandra Habeler-Drabek	Group Compliance, Credit Risk Methods, Retail Risk Management, Credit Risk Portfolio, Group Legal (until 31 October 2022), Corporate Risk Management, Enterprise wide Risk Management, Group Liquidity and Market Risk Management
David O'Mahony	CIO Group Functions, Banking Services, Group Security, Governance and Steering
Maurizio Poletto	Strategic Innovations, Platform Governance

The internal rules of the management board of Erste Group Bank AG do not provide for the establishment of committees from among its ranks. In addition to holding senior management positions at Erste Group, management board members, however, also serve as members of committees on a wide variety of matters at Erste Group Bank AG. For more details on such committees see in particular the (consolidated) non-financial report (Group Sustainable Finance Committee) and the notes to the annual financial statements (Note 32: Coordination of risk management activities at group level).

The expertise of management board members is reflected specifically, but not exclusively in their respective current areas of responsibility. As part of the individual suitability assessment conducted prior to the appointment of each management board member, the supervisory board of Erste Group Bank AG carefully evaluates their expertise based on the standards applicable to credit institutions. For additional details see the curricula vitae of management board members at www.erstegroup.com. Short profiles are provided below.

Willibald Cernko has held a wide range of management and executive positions in credit institutions since 1985, including a seven-year term as CEO of UniCredit Bank Austria AG. Prior to his appointment as CEO/chairman of the board he had served as Chief Risk Officer of Erste Group Bank AG and as Chief Corporates Officer and, at the same time, vice chairman of the management board of Erste Bank der oesterreichischen Sparkassen AG.

Ingo Bleier (background in law and commercial sciences) had been entrusted with management tasks in corporate banking, project finance and loan syndication first at Creditanstalt and then at UniCredit Bank Austria AG before assuming management functions in Corporate and Acquisition Finance, Investment Banking and Group Corporates at Erste Group Bank AG in 2008.

Stefan Dörfler (background in technical mathematics) started his career as interest rate derivatives trader at GiroCredit Bank AG; after holding various management positions, most recently as Head of Group Markets and Capital Markets, he served as chairman of the management board of Erste Bank der oesterreichischen Sparkassen AG from 2016 to June 2019.

Alexandra Habeler-Drabek (background in commercial sciences) held various management positions at Creditanstalt (later UniCredit Bank Austria AG) in the fields of credit risk, restructuring and workout. Among the positions she had held at Erste Group were, among others, Head of Operative Risk Management of Erste Bank der oesterreichischen Sparkassen AG, Head of Group Enterprise-wide Risk Management at Erste Group Bank AG and Chief Risk Officer of Slovenská sporiteľňa, a.s..

David O'Mahony (background in computer science and mathematics) worked for credit institutions in Ireland, Great Britain and the Czech Republic, among them Unicredit S.p.A., where he served as Head of Department Global Banking Services Business Partner CEE and Sberbank Europe AG, where he was Chief

Operating Officer and Chief IT Officer. At Erste Group he served as Head of COO Group Governance and Head of Holding IT.

Maurizio Poletto (background in design) initially gathered experience working for companies as designer and art director before he successfully started his own business in 2003, holding the position of Creative Director. At Erste Group Bank AG, Maurizio Poletto started the in-house fintech (George Labs GmbH) and over the approximately last ten years has been engaged in the development and expansion of George.

Management positions in subsidiaries

Willibald Cernko

Erste Bank der österreichischen Sparkassen AG,
Member of the management board (Chief Corporates Officer)
(until 31 August 2022)

Stefan Dörfler

Erste Bank der österreichischen Sparkassen AG,
Member of the management board (Chief Finance Officer)

Alexandra Habeler-Drabek

Erste Bank der österreichischen Sparkassen AG,
Member of the management board (Chief Risk Officer)

David O'Mahony

Erste Digital GmbH,
Member of the managing board (since 6 December 2022)

Mandates on supervisory boards and similar functions

As of 31 December 2022, management board members held the following supervisory board mandates or similar functions in domestic or foreign companies or material subsidiaries of Erste Group Bank AG (the latter are marked with *).

Willibald Cernko

Česká spořitelna, a.s.*, Chair
Erste & Steiermärkische Bank d.d.* (Erste Bank Croatia), Chair
TIROLER SPARKASSE Bankaktiengesellschaft Innsbruck*, Chair

Ingo Bleier

Erste Bank der österreichischen Sparkassen AG*, Member
Erste & Steiermärkische Bank d.d.* (Erste Bank Croatia), Member
Erste Bank a.d. Novi Sad*, Chair
Österreichische Kontrollbank Aktiengesellschaft, Member

Stefan Dörfler

Banca Comercială Română S.A.*, Vice Chair
Česká spořitelna ,a.s.*, Member
Erste Digital GmbH*,(Chair since 23 Dec. 2022, previously Member)
Sparkassen-Haftungs GmbH*, Member
Wiener Börse AG, Member

Alexandra Habeler-Drabek

Erste Bank Hungary Zrt.*, Member
Österreichische Kontrollbank Aktiengesellschaft, 2nd Vice Chair

David O'Mahony

Erste Digital GmbH*, Chair (until 5 Dec. 2022)
Erste Bank a.d. Novi Sad*, Member
Slovenská sporiteľňa, a.s.*, Chair

Maurizio Poletto

Česká spořitelna, a.s.*, Member
Erste Bank Hungary Zrt.*, Member
Erste Digital GmbH*, Member

As of 31 December 2022, Bernhard Spalt (management board member until 30 June 2022) did not hold any supervisory board mandates or similar functions in domestic or foreign companies or in material subsidiaries of Erste Group Bank AG.

SUPERVISORY BOARD

In the 2022 financial year, the following persons were members of the supervisory board:

Position	Name	Gender	Year of birth	Nationality	Date of initial appointment	End of the current period of office
Chairman	Friedrich Rödler	male	1950	Austria	4 May 2004	AGM 2025
1st Vice Chairman (until 18. May 2022)	Jan Homan	male	1947	Austria	4 May 2004	AGM 2022
1st Vice Chairman (since 18. May 2022)	Maximilian Hardegg	male	1966	Austria	12 May 2015	AGM 2025
2nd Vice Chairwoman (since 18. May 2022)	Elisabeth Krainer Senger-Weiss	female	1972	Austria	21 May 2014	AGM 2024
Member	Christine Catasta	female	1958	Austria	18 May 2022	AGM 2026
Member	Henrietta Egerth-Stadlhuber	female	1971	Austria	26 June 2019	AGM 2026
Member	Hikmet Ersek	male	1960	Austria	18 May 2022	AGM 2026
Member	Alois Flatz	male	1966	Austria	18 May 2022	AGM 2026
Member	Marion Khüny	female	1969	Austria	17 May 2017	AGM 2022
Member	Mariana Kühnel	female	1983	Austria	18 May 2022	AGM 2025
Member	Friedrich Santner	male	1960	Austria	10 November 2020	AGM 2023
Member	Michael Schuster	male	1980	Austria	19 May 2021	AGM 2024
Member	András Simor	male	1954	Hungary	10 November 2020	AGM 2023
Member	Michèle F. Sutter-Rüdisser	female	1979	Switzerland	15 May 2019	AGM 2026
Delegated by the employees' council:						
Member	Martin Grießer	male	1969	Austria	26 June 2019	until further notice
Member	Markus Haag	male	1980	Austria	21 November 2011	until further notice
Member	Regina Haberhauer	female	1965	Austria	12 May 2015	until further notice
Member	Andreas Lachs	male	1964	Austria	9 August 2008	until further notice
Member	Barbara Pichler	female	1969	Austria	9 August 2008	until further notice
Member	Jozef Pinter	male	1974	Slovakia	25 June 2015	until further notice
Member	Karin Zeisel	female	1961	Austria	9 August 2008	until further notice

In 2022, the composition of the supervisory board changed as follows: the supervisory board mandate of Jan Homan expired as of the end of the annual general meeting on 18 May 2022 and was not extended due to the age limit for supervisory board members specified in the articles of association of Erste Group Bank AG.

At the annual general meeting on 18 May 2022, Friedrich Rödler, Henrietta Egerth-Stadlhuber, Marion Khüny and Michèle F. Sutter-Rüdisser were re-elected and Hikmet Ersek, Alois Flatz, Mariana Kühnel and Christine Catasta were newly elected to the supervisory board, the last named effective 1 July 2022.

From 18 May 2022, Maximilian Hardegg served as 1st Vice Chair (previously 2nd Vice Chair), Elisabeth Krainer Senger-Weiss as 2nd Vice Chair (previously as member). The employees' council delegated Markus Haag as of 18 May 2022 and Martin Grießer as of 1 July 2022 to the supervisory board.

Expertise of supervisory board members

The table below provides an overview of the core expertise and selected specific qualifications of members of the supervisory board of Erste Group Bank AG. It is by no means exhaustive but intends to highlight the expertise and qualifications of supervisory board members that were considered relevant at the time they were elected as members of the supervisory board or that are of particular significance for their current work.

Expertise is assessed on the basis of education and training as well as relevant professional experience. The table does not include the employees' representatives delegated to the supervisory board by the employees' council of Erste Group Bank AG, whose suitability was assessed and confirmed exclusively by the employees' council in accordance with applicable fit & proper requirements.

Occupation	Core competences						Specific competences		
	Banking and finance	Industry	Advisory	Directors/ senior management	Accounting/ auditing/ risk management	Regulatory/ public domain	IT/ digitalisation/ innovation	Corporate acquisitions/ reorganisation/ capital market	Sustainability topics
Friedrich Rödler Auditor and tax advisor	x		x	x	x	x		x	x
Maximilian Hardegg Entrepreneur		x		x	x		x		x
Elisabeth Krainer Senger-Weiss Lawyer		x	x			x		x	x
Christine Catasta Auditor and tax advisor		x	x	x	x			x	
Henrietta Egerth-Stadlhuber Managing director		x	x	x		x	x		
Hikmet Ersek Investor	x			x	x		x	x	
Alois Flatz Investor	x		x	x			x	x	x
Marion Khüny Consultant	x		x	x	x			x	
Mariana Kühnel Deputy secretary general, Austrian Federal Economic Chamber	x	x		x		x	x		
Friedrich Santner Entrepreneur	x	x		x	x		x	x	
Michael Schuster Investor	x		x	x			x	x	
András Simor Governor, Central Bank of Hungary, ret.	x			x	x	x		x	
Michèle F. Sutter-Rüdissner Professor	x		x	x	x	x		x	x

In addition to the table above: Directors (Geschäftsleiter) are those natural persons who under the law or the articles of association are tasked with the management of the affairs of a company, including in particular the definition of the strategy, goals and overall policies as well as with the representation of the company in its external relations. Senior management are those natural persons who in an entity perform management tasks (e.g. personnel-related tasks) or executive activities and are responsible and accountable to the directors for the day-to-day business.

Mandates on supervisory boards or similar functions

As of 31 December 2022, supervisory board members held the following additional supervisory board mandates or similar functions in domestic or foreign companies. Material subsidiaries of Erste Group Bank AG are marked with *, listed companies are marked with **.

Friedrich Rödler

Erste Bank der österreichischen Sparkassen AG*, Chair
Erste Bank Hungary Zrt.*, Member
Sparkassen-Prüfungsverband, Chair
Audit Oversight Body of Austria, Member

Maximilian Hardegg

DIE ERSTE österreichische Spar-Casse Privatstiftung, Member
Česká spořitelna, a.s.*, Member
TIROLER SPARKASSE Bankaktiengesellschaft Innsbruck*, Member
Constantia Industries AG, Member

Elisabeth Krainer Senger-Weiss

Banca Comercială Română S.A., Member*,
Gebrüder Weiss Holding AG, Vice Chair
Gebrüder Weiss Gesellschaft m.b.H., Vice Chair

Christine Catasta (since 1 July 2022)

Erste Bank der österreichischen Sparkassen AG*, Member (since 1 Feb. 2022)
Banca Comercială Română S.A.*, Member (since 30 Dec. 2022)
Austrian Airlines AG*, Member
ÖLH Österreichische Luftverkehrs-Holding-GmbH, Member
Bundesimmobiliengesellschaft m.b.H., Chair
Telekom Austria Aktiengesellschaft**, Member
VERBUND AG**, 2nd Vice Chair

Henrietta Egerth-Stadlhuber

NÖ Kulturwirtschaft GesmbH, Member

Alois Flatz (since 18 May 2022)

CEBS AG, Member
Crate.io, Inc., Member
Inyova AG, Member (until 31 December 2022)

Marion Khüny

Valiant Bank AG**, Member

Friedrich Santner

Steiermärkische Bank und Sparkassen AG*, Chair
Styria Media Group AG, Chair
SAG Immobilien AG, Chair

Michèle F. Sutter-Rüdissler

Helsana Versicherungen AG, Member
Graubündner Kantonalbank AG**, Member

As of 31 December 2022, Hikmet Ersek (since 18 May 2022), Mariana Kühnel (since 18 May 2022), Michael Schuster and András Simor did not hold any supervisory board mandates or similar functions in other domestic or foreign companies.

The supervisory board member who left after the annual general meeting 2022:

Jan Homan

Erste Bank der oesterreichischen Sparkassen AG*, Vice Chair
Slovenská sporiteľňa, a.s.*, Vice Chair
Bausparkasse der österreichischen Sparkassen AG*, Member (since 29 March 2022)
FRAPAG Beteiligungsholding AG, Vice Chair
Loparex International Holding B.V., Member

Delegated by the employees' council

Regina Haberhauer

Erste Asset Management GmbH*, Member

Andreas Lachs

VBV-Pensionskasse Aktiengesellschaft, Member

Barbara Pichler

DIE ERSTE österreichische Spar-Casse Privatstiftung, Member

Martin Grießer (since 1 July 2022), Markus Haag (until 11 January 2022, and then again since 18 May 2022), Jozef Pinter and Karin Zeisel did not hold any supervisory board mandates or similar functions in other domestic or foreign companies.

Mechanism for shareholders and employees to provide recommendations and direction to the supervisory board

In accordance with the law and the articles of association, the employees' council has the right to delegate one member to the supervisory board from among its ranks for every two supervisory board members elected by the annual general meeting (statuto-

ry one-third parity rule.) If the number of shareholder representatives is an odd number, then one more member is appointed as an employees' representative.

Independence of the supervisory board

Pursuant to C-Rule 53 of the Austrian CCG, the majority of the members of the supervisory board elected by the annual general meeting or delegated by shareholders in accordance with the articles of association shall be independent of the company and its management board. A member of the supervisory board is deemed to be independent if such person does not have any business or personal relations with the company or its management that would constitute a material conflict of interest and, therefore, might influence the member's conduct. The supervisory board adheres to the independence criteria guidelines as set out in Annex I of the Austrian CCG.

- The supervisory board member shall not have been a member of the management board or a managing employee of the company or a subsidiary of the company in the past five years.
- The supervisory board member shall not have or not have had in the past year any business relations with the company or a subsidiary of the company to an extent of significance for the supervisory board member. This shall also apply to business relations with companies in which the supervisory board member has a significant economic interest, but not to positions held in the Group's corporate bodies. The approval of individual transactions by the supervisory board pursuant to L-Rule 48 does not automatically qualify the respective supervisory board member as not being independent.
- The supervisory board member shall not have served as auditor for the company or been involved in an audit or worked as an employee of the audit firm that audited the company in the past three years.
- The supervisory board member shall not serve as a management board member at another company in which a member of the company's management board is a supervisory board member.
- The supervisory board member shall not serve on the supervisory board for more than 15 years. This shall not apply to members of the supervisory board that hold investments with a business interest or that represent the interests of such a shareholder.
- The supervisory board member shall not be a close family member (child, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the management board or of persons holding one of the positions described in the points above.

Based on the above criteria, all supervisory board members have declared their independence with the exception of Friedrich Rödler and Jan Homan (until 18 May 2022). Friedrich Rödler has been serving and Jan Homan had been serving on the supervisory board for more than 15 years. No member of the supervisory board holds directly or indirectly more than 10% of the shares of Erste Group Bank AG. In 2022, two members of the supervisory board (Maximilian Hardegg and Barbara Pichler) served on a managing body of DIE ERSTE österreichische Spar-Casse Privatstiftung, which holds more than 10% of the shares of Erste Group Bank AG.

Independence and membership in supervisory board committees

Supervisory board members of credit institutions exchange-listed in Austria are required to meet different types of independence requirements, which may also vary depending on the committee and function concerned.

The tables below show both the membership of the committees as well as the independence of committee members as defined in the C-Rule 53 of the Austrian CCG in conjunction with Annex 1 of the Austrian CCG – this rule is also in line with the concept of independence of the ICGN Global Governance Principles 2021 – as well as pursuant to section 28 para 5b of the Austrian Banking Act.

The chair of the audit committee and the financial expert have to meet the definition of independence pursuant to section 63a para 4 of the Austrian Banking Act, the chair of the remuneration committee and the remuneration expert that of section 39c para 3 of the Austrian Banking Act. Friedrich Rödler qualifies as independent in accordance with these legal requirements.

The proportion of independent members is stated for the supervisory board and for those committees (nomination committee, audit committee, risk committee, remuneration committee) for which independence criteria are also specified by law.

Employees' representatives are not included in the calculation of the independence ratio for the supervisory board as a whole or for the committees. When calculating the gender quota pursuant to section 86 para 9 AktG, employees' representatives are included, substitute members do not count.

In 2022 there were numerous changes in the composition of the supervisory board and the committees. Supplementary information is on the presentation in the tables: Markus Haag was a member of the risk committee (until 11 January 2022, then again from 18 May 2022) and a substitute member of both the remuneration committee and the IT committee. Barbara Pichler was a substitute member of the risk committee from 11 January 2022 to 18 May 2022. Regina Haberhauer was a substitute member until 11 Janu-

ary 2022, a member until 18 May 2022, and a substitute member again from 18 May 2022, in each case in the risk committee. From 11 January 2022 to 18 May 2022, Regina Haberhauer was also a substitute member of the remuneration committee and the IT committee. Since his reappointment to the supervisory board as of 1 July 2022, Martin Grießer has been a member of the audit committee, remuneration committee and IT committee, and a substitute member of each of the executive committee, nomination committee, risk committee, and strategy and sustainability committee. Jozef Pinter was a substitute member of the executive committee, nomination committee, remuneration committee, IT committee and strategy and sustainability committee until 30 June 2022 and has been a substitute member of the audit committee since 1 July 2022. From 1 January to 30 June 2022 Karin Zeisel was a member of the remuneration committee and a substitute member of both the audit committee and the risk committee; since 1 July 2022, she has been a substitute member of the remuneration committee and the IT committee. The composition of the shareholder representatives on the committees changed in 2022 following the elections to the supervisory Board. In addition, Michèle Sutter-Rüdisser was a member of the remuneration committee until 18 May 2022, and then a member of the nomination committee. Elisabeth Krainer Senger-Weiss has been a member of the remuneration committee since 18 May 2022. Maximilian Hardegg was a member of the audit committee until 18 May 2022, thereafter substitute member. Marion Khüny was a substitute member of the audit committee until 18 May 2022, after which she became a member.

At the beginning of her office term on 1 July 2022, Christine Catasta took over her committee functions and, in particular, the chairmanship of the audit committee. Prior to her, Friedrich Rödler (1 January to 18 May 2022) and Michèle Sutter-Rüdisser (18 May to 30 June 2022) held this position.

The chairmanship of the strategy and sustainability committee, which was newly established as of 18 May 2022, was held by Friedrich Rödler (deputy Maximilian Hardegg) until 15 September 2022, before he handed it over to Alois Flatz (new deputy Friedrich Rödler, Maximilian Hardegg now a full member).

Share of independent members

	Supervisory board		Committees						
	Pursuant to Austrian CCG	Pursuant to Austrian Banking Act	Executive committee	Nomination committee	Audit committee	Risk committee	Remuneration committee	IT-committee	Strategy and sustainability committee
31 Dec 2022	92%	92%	n.a.	83%	100%	83%	100%	n.a.	n.a.
1 Jan 2022	80%	80%	n.a.	50%	100%	67%	100%	n.a.	-

Membership of the supervisory board and its committees

Membership of the Supervisory Board and its committees										
Supervisory board (independency)			Committees (function of the supervisory board member)							
	Pursuant to Austrian CCG	Pursuant to Austrian Banking Act	Executive committee	Nomination committee	Audit committee	Risk committee	Remuneration committee	IT- committee	Strategy and sustainability committee	
31 Dec 2022										
					Deputy, Financial expert		Chair, Remuneration expert			
Friedrich Rödler	dependent	dependent	Chair	Chair		Deputy		Deputy	Vice Chair	
Maximilian Hardegg	independent	independent	Deputy	Deputy	Substitute	Chair	Deputy	Chair	Member	
Elisabeth Krainer										
Senger-Weiss	independent	independent	Member	Member	-	Member	Member	Substitute	Substitute	
Christine Catasta	independent	independent	Member	Member	Chair	Member	Substitute	-	-	
Henrietta Egerth-Stadlhuber	independent	independent	-	-	-	Member	-	Member	Member	
Hikmet Ersek	independent	independent	-	Member	-	-	Member	-	Member	
Alois Flatz	independent	independent	-	Substitute	-	-	Member	-	Chair	
Marion Khüny	independent	independent	-	-	Member	Member	-	Member	-	
Mariana Kühnel	independent	independent	-	-	Member	-	-	Member	-	
Friedrich Santner	independent	independent	-	-	Member	-	-	-	-	
Michael Schuster	independent	independent	-	-	-	-	-	Member	Substitute	
András Simor	independent	independent	-	-	-	-	Member	-	Member	
Michèle F. Sutter-Rüdisser	independent	independent	-	Member	Member	-	-	-	-	
Delegated by the employees council:										
Martin Grießer	n.a.	n.a.	Substitute	Substitute	Member	Substitute	Member	Member	Substitute	
Markus Haag	n.a.	n.a.	-	-	-	Member	Substitute	Substitute	-	
Regina Haberhauer	n.a.	n.a.	-	Substitute	Member	Substitute	-	-	Substitute	
Andreas Lachs	n.a.	n.a.	Substitute	Member	Substitute	Member	Member	Member	Member	
Barbara Pichler	n.a.	n.a.	Member	Member	Member	-	Member	Member	Member	
Jozef Pinter	n.a.	n.a.	-	-	Substitute	Member	-	-	-	
Karin Zeisel	n.a.	n.a.	Member	Member	-	-	Substitute	Substitute	Member	
1 January 2022										
					Chair Financial expert		Chair Remuneration expert			
Friedrich Rödler	dependent	dependent	Chair	Chair		Member		Deputy	-	
Jan Homan	dependent	dependent	Deputy	Deputy	Member	Deputy	Deputy	-	-	
Maximilian Hardegg	independent	independent	Member	Member	Deputy	Chair	Member	Chair	-	
Henrietta Egerth-Stadlhuber	independent	independent	-	-	-	Member	-	Member	-	
Marion Khüny	independent	independent	-	-	Substitute	Member	-	Member	-	
Elisabeth Krainer										
Senger-Weiss	independent	independent	Member	Member	-	Member	-	Substitute	-	
Friedrich Santner	independent	independent	-	-	Member	-	Substitute	-	-	
Michael Schuster	independent	independent	-	-	-	-	-	Member	-	
András Simor	independent	independent	-	-	-	-	Member	-	-	
Michèle F. Sutter-Rüdisser	independent	independent	-	-	Member	-	Member	-	-	
Vom Betriebsrat entsandt:										
Markus Haag	n.a.	n.a.	-	-	-	Member	Substitute	Substitute	-	
Regina Haberhauer	n.a.	n.a.	-	-	Member	Substitute	-	-	-	
Andreas Lachs	n.a.	n.a.	Substitute	Substitute	Substitute	Member	Member	Member	-	
Barbara Pichler	n.a.	n.a.	Member	Member	Member	-	Member	Member	-	
Jozef Pinter	n.a.	n.a.	Substitute	Substitute	Member	Member	Substitute	Substitute	-	
Karin Zeisel	n.a.	n.a.	Member	Member	Substitute	Substitute	Member	Member	-	

Share of the underrepresented gender

	Supervisory board	Executive committee	Nomination committee	Audit committee	Risk committee	Remuneration committee	IT- committee	Strategy and sustainability committee
31 December 2022	45%	33%	44%	33%	44%	22%	44%	33%
1 January 2022	44%	50%	50%	38%	33%	38%	50%	-

Self-evaluation of the supervisory board

At its meetings of 16 February 2022 and 22 March 2022, the nomination committee performed an evaluation of the activities of the supervisory board and its committees for 2021 and of its collective suitability. It discussed, for example, the supervisory board members' attendance at supervisory board and committee meetings in 2021, assessed the efficiency of the supervisory board's activities, organisation and working practices and undertook a critical review of the composition of committees. Potential conflicts of interest of management board and supervisory board members as well as the requirements of section 29 no 6 and no 7 of the Austrian Banking Act were considered, and the number of mandates and secondary activities of management and supervisory board members were discussed. Taking into account the reports from nomination committee meetings, the supervisory board, at its meeting of 7 April 2022, concluded its evaluation pursuant to C-Rule 36 of the Austrian CCG for 2021 with a positive assessment. In addition, the supervisory board discussed its collective suitability with the current committee memberships also in the course of its strategy retreats on 23 June 2022 and 14 September 2022. At its meeting of 20 February 2023, the nomination committee considered, among other things, potential conflicts of interest of supervisory board members and evaluated the supervisory board's attendance at supervisory board and committee meetings in 2022.

Contracts subject to approval (C-Rule 49 Austrian CCG)

No contracts have been entered into that would require approval pursuant to section 95 para 5 no 12 of the Austrian Stock Corporation Act.

SUPERVISORY BOARD COMMITTEES AND THEIR DECISION-MAKING POWERS

The supervisory board has set up seven committees: the risk committee, the executive committee, the audit committee, the nomination committee, the remuneration committee, the IT committee and the strategy and sustainability committee. Some of these committees are required by law and support the supervisory board in preparing and stating its position on all matters that the supervisory board is required to deal with. The supervisory board moreover has the right, within its statutory remit, to transfer decision-making powers to committees or to withdraw powers from the committees.

Risk committee

The tasks of the risk committee are governed in particular by section 39c para 2 of the Austrian Banking Act and the internal rules of the risk committee. The risk committee advises the management board with regard to the bank's current and future risk appetite and risk strategy and monitors the implementation of this risk strategy and risk management. The committee also reviews whether the services and products offered are adequately priced in accordance with the bank's business model and risk strategy. Without prejudice to the duties of the remuneration committee,

the risk committee is also responsible for reviewing whether the incentives offered by the internal remuneration system adequately take into account risk, capital, liquidity and the probability and timing of profit realisation. The risk committee 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 defined in the approval authority regulation. The approval of the risk committee is required for every large loan as defined in section 28b of the Austrian Banking Act. The supervisory board has delegated to the risk committee the right of consent to the granting of special statutory power of attorney (Prokura) or commercial power (Handlungsvollmacht) for all business operations. The tasks of the risk committee include the acknowledgement of reports on legal disputes. In addition, the risk committee is responsible for reviewing potential stress scenarios in order to assess how the bank's risk profile reacts to external and internal events. The risk committee is also tasked with taking note of reports on activities relating to Erste Group's resolution planning and resolvability.

Executive committee

The executive committee meets on an ad hoc basis at the supervisory board's request for the purpose of preparing specific topics for meetings or for circular resolutions. The committee may also be assigned the power to take final decisions. In case of imminent danger and to prevent significant damage, the executive committee may be convened by its chairperson in order to take action in the interest of the company even without a specific mandate from the supervisory board.

Audit committee

The tasks of the audit committee result, among others, from section 63a para 4 of the Austrian Banking Act and section 92 para 4a no 4 of the Austrian Stock Corporation Act as well as from the internal rules of the audit committee. The audit committee is responsible for overseeing the accounting process; monitoring the implementation of accounting policies; monitoring the effectiveness of the company's internal control system, internal audit system and risk management system; overseeing the annual audit of single-entity and consolidated financial statements; reviewing and supervising the qualification and independence of the auditor (Group auditor) in particular with respect to the additional services rendered to the audited company or group company; submitting a report on the results of the annual audit to the supervisory board and explaining how the annual audit contributes to the reliability of financial reporting and the role of the audit committee in doing so; reviewing the annual financial statements and preparing their approval; reviewing the proposal for the allocation of profits, the management report, the (consolidated) corporate governance report and the (consolidated) non-financial report and submitting the report on the results of the review to the supervisory board; reviewing the consolidated financial statements of the group and the group management report and submitting a report on the results of the review to the supervisory board; carrying out the procedure for the selection of the auditor (group auditor); recom-

mending the renewal of the auditor's (group auditor's) mandate to the supervisory board; acknowledging the additional report of the auditor (report pursuant to Art. 11 Regulation (EU) No. 537/2014), acknowledging the participations report, acknowledging the audit plan of the company's internal audit function; acknowledging information on current matters relevant to the internal audit of the Group; acknowledging the internal auditors' report on the audit areas and material audit findings and the activity report pursuant to Article 25 para 3 in conjunction with Article 24 of the Delegated Regulation (EU) 565/2017; in the case of on-site inspections conducted by supervisory authorities acknowledging the inspection report, the report on the contents of the plan to address identified findings. The audit committee is also responsible for preparing supervisory board decisions concerning the approval of the conclusion of a material transaction pursuant to section 95a of the Austrian Stock Corporation Act. The audit committee is furthermore tasked with monitoring the effectiveness of Erste Group Bank AG's internal quality control with regard to resolution-relevant information. Pursuant to section 92 para 4a no 3 of the Austrian Stock Corporation Act and section 30g para 4a no 3 of the Austrian Limited Liability Companies Act (GmbHG), the audit committee may also take on the tasks and other duties of the audit committee for subsidiaries in which Erste Group Bank AG directly or indirectly holds an interest of at least 75%.

Nomination committee

The tasks of the nomination committee are governed in particular by section 29 of the Austrian Banking Act and the internal rules of the nomination committee. The nomination committee submits proposals to the supervisory board for filling management board mandates that become vacant and deals with issues of succession planning. It deals with and decides on relationships between the company and the members of the management board except for resolutions to appoint members to the management board or revoke such appointments and on the granting of company stock options. Furthermore, the nomination committee supports the supervisory board in making proposals to the annual general meeting for filling supervisory board mandates that have become vacant and assesses the fit and properness of the candidates. The nomination committee furthermore adopts the internal policy for dealing with conflicts of interest for the management board and the supervisory board, monitors compliance with it and regularly reports to the supervisory board on existing conflicts of interest and the measures taken to control them. The nomination committee periodically assesses the management board's and the supervisory board's structure, size, composition and performance. In addition, the nomination committee must conduct periodic assessments of the expertise, skills and experience of both the management board members and individual members of the supervisory board as well as of each body in its entirety and report its findings to the supervisory board. As regards the selection for senior management positions, the nomination committee must review actions taken by the management board and support the supervisory board in making recommendations to the management board.

Remuneration committee

The tasks of the remuneration committee result, among others, from section 39c para 2 of the Austrian Banking Act (BWG), the Guidelines on sound remuneration under Directive 2013/36/EU and the internal rules of the remuneration committee. The remuneration committee prepares resolutions on remuneration matters. The remuneration committee approves the general principles of remuneration policy, reviews them regularly and is responsible for their implementation. The committee monitors remuneration policy, remuneration practices and remuneration-linked incentive programmes in relation to the control, monitoring and containment of risks, the capital base and liquidity. The committee approves material exceptions from the application of the remuneration policy to individual staff members of the company and monitors the payment of variable remuneration to members of the management board. In addition, it approves the identification of employees having a significant impact on the company's risk profile. The remuneration committee prepares the principles for the remuneration of management and supervisory board members pursuant to sections 78a and 98a of the Austrian Stock Corporation Act (AktG) (Remuneration Policy according to Austrian Stock Corporation Act). In addition, it is responsible for preparing the report on the remuneration of members of the management and supervisory boards pursuant to sections 78a and 98a of the Austrian Stock Corporation Act (Remuneration Report according to Austrian Stock Corporation Act), reviewing it and, subsequently, reporting the audit findings to the supervisory board.

IT committee

The IT committee monitors and supervises IT-related issues and IT strategy in general. In addition, the IT committee is also responsible for taking note of reports from the IT department; monitoring the operating continuity and crisis management of data security and taking note of critical changes in the organisational structure and responsibilities of the IT department.

Strategy and sustainability committee

The committee advises the management board on the definition of principles of business strategy as well as with regard to the definition of business strategies for a sustainable development of Erste Group. The strategy and sustainability committee also supports the supervisory board in performing its oversight function regarding the implementation of the business strategy and ESG (environment, social, governance) strategy, takes note of reports on the business strategy and the sustainability strategy, advises on the definition of sustainability goals and assesses opportunities and risks in the field of ESG; it supports the remuneration committee in defining ESG goals for the management board and reviews the achievements of these goals.

MEETINGS OF THE SUPERVISORY BOARD AND REPORT ON PRINCIPAL ACTIVITIES

Eight meetings of the supervisory board were held in 2022. At the ordinary meetings of the supervisory board, the respective monthly developments of the balance sheet and the income statement were presented and reports were given on individual risk types and the bank's total risk exposure; the status of individual bank subsidiaries in Central and Eastern Europe was discussed, and quarterly reports were delivered on the areas audited and on the internal audit department's material audit findings pursuant to section 42 para 3 of the Austrian Banking Act. The chairpersons of the committees reported on the main topics dealt with by the committees since the last supervisory board meeting. Recurring topics at supervisory board meetings in 2022 were reports of management board members on matters concerning their respective areas of responsibility, on the geopolitical situation including the Russia-Ukraine war and its impact on Erste Group as well as on current regulatory developments in the banking environment and their impacts on Erste Group. The management board regularly presented proposals to the supervisory board that required its approval under the law, the articles of association and internal rules.

At the meeting of 24 March 2022, the 2021 financial statements and management report, the 2021 consolidated financial statements and management report, the 2021 (consolidated) corporate governance report as well as the 2021 (consolidated) non-financial report were extensively discussed and reviewed; the auditors' reports and the audit committee's report pursuant to section 63a para 4 no 5 of the Austrian Banking Act were discussed and the 2021 financial statements were adopted in accordance with the recommendation of the audit committee. It was also decided to propose PwC Wirtschaftsprüfung GmbH to the annual general meeting 2022 as an additional auditor of the (consolidated) financial statements for the 2023 financial year. The supervisory board's report pursuant to section 96 of the Austrian Stock Corporation Act was discussed in detail and approved. The report on the assessment of the effectiveness of risk management was submitted to the supervisory board by the chairman of the audit committee and the list prepared pursuant to C-Rule 82a of the Austrian CCG was taken note of. The annual report of the supervisory board on loans to board members pursuant to section 28 para 4 of the Austrian Banking Act was discussed and approved. The meeting was also attended by members of the supervisory authorities' Joint Supervisory Team, who gave presentations and answered questions raised by supervisory board members.

At the meeting of 7 April 2022, note was taken of the annual report of Group Compliance, the report on the collective suitability of the supervisory board and the annual report on conflicts of interest. In addition, a report on Erste Group's capital market activities was discussed and the Česká spořitelna's headquarters project was considered. Reports of management board members on their respective areas of responsibility were taken note of. In addition, resolutions were passed on the implementation of the

new employee share programme. The resolutions proposed for the annual general meeting in May 2022 were discussed and approved. The management board's variable remuneration and the remuneration report prepared for the 2022 financial year pursuant to the Austrian Stock Corporation Act were adopted. In addition, the supervisory board took note of the report on the evaluation of the supervisory board and the management board prepared by the nomination committee pursuant to section 29 of the Austrian Banking Act and completed its self-evaluation pursuant to C-Rule 36 of the Austrian CCG.

At the constituent meeting of 18 May 2022 held after the annual general meeting, Friedrich Rödler was re-appointed chairman of the supervisory board; Maximilian Hardegg was elected as 1st vice chair and Elisabeth Krainer Senger-Weiss as 2nd vice chair. In addition, it was decided to appoint new members to the supervisory board committees.

At the meeting of 15 June 2022, note was taken of the resignation of Bernhard Spalt as CEO and Willibald Cernko was appointed CEO. David O'Mahony's management board mandate was extended. Both decisions were made in accordance with recommendations of the nomination committee.

At the meeting held on 23 June 2022, the new allocation of duties and the representation rules of the management board from 1 July 2022 were approved and a framework programme for the buy-back of own shares was adopted.

At the meeting of 15 September 2022, the supervisory board was given an update on the strategy of Erste Group. The general situation in the capital market was analysed and discussed and a resolution was passed on a capital increase in a subsidiary. The supervisory board furthermore elected Alois Flatz as chair of the strategy and sustainability committee and Friedrich Rödler as his deputy.

At the meeting of 17 November 2022, an extensive report on the economic development of Erste Group was discussed and taken note of. At the meeting of 15 December 2022, Erste Group's (ESG) strategy was presented, discussed in detail and approved, taking into account the recommendation of the strategy and sustainability committee. In addition, the supervisory board adopted Erste Group's capital plan for the 2023 to 2027 period as well as the budget, the investment plan and the capital plan of Erste Group Bank AG for 2023 to 2027 and a resolution on the implementation of a new employee share programme. An anticipatory resolution was made pursuant to section 95 para 5 no 12 of the Austrian Stock Corporation Act and a resolution was adopted on long-term funding activities in the 2023 financial year.

At strategy retreats held on 23 June 2022 and 14 September 2022, the supervisory board, supported by an external consultant, considered its activities extensively and in detail, with a particular focus on its organisation, work practices and contribution to the company's strategic orientation.

MEETINGS OF THE COMMITTEES AND REPORT ON ACTIVITIES

The risk committee held seventeen meetings in 2022, at which it regularly took decisions on exposures and loans exceeding the powers of the management board, was briefed on loans granted within the scope of authorisation of the management board and approved the granting of statutory powers of attorney (Prokura). The committee was regularly informed on the risk strategy, risk appetite, the monitoring required to comply with these limits, individual risk types, risk-bearing capacity and large exposures. Furthermore, reports were given on current regulatory risk topics, on compliance matters at single-entity and group levels, business continuity management and crisis management, cyber risk management, the impact of non-financial standards on lending and the situation of specific sectors and industries, including the resulting impact on the risk strategy. Further items on the agenda were audits by supervisory authorities, internal risk models, an update on the Graben project and various legal disputes. Reports were regularly delivered on risk development in individual countries and subsidiaries. Without prejudice to the duties of the remuneration committee, the risk committee members were also informed on whether the incentives offered by the internal remuneration system adequately account for risk, capital, liquidity and the probability and timing of profit realisation. Also on the agenda were reports on stress tests. In addition, the members of the risk committee were informed about developments in the corporate workout portfolio in general and major workout cases in particular. A strong focus was also on the economic fallout of the Covid-19 pandemic, the Russia-Ukraine war and the sanctions imposed on Russia.

The executive committee did not meet in 2022.

The audit committee met seven times in 2022 and, in addition, held one informal meeting to prepare the meeting on the review of the (consolidated) financial statements. The external auditors were present at all meetings. Among other things, the auditors reported on the audit of the single-entity and consolidated financial statements for 2021, and the audit committee subsequently conducted the final discussion. The financial statements and the management report, the consolidated financial statements and the management report, the (consolidated) corporate governance report as well as the (consolidated) non-financial report were reviewed and the financial statements recommended for approval by the supervisory board. The additional report of the auditors pursuant to Article 11 of Regulation (EU) No 537/2014 was taken note of. The head of the internal audit department reported on the audit subjects and material audit findings for the year 2021 and, on an ongoing basis, about audit-relevant matters in the group and explained the audit plan for 2022. The internal audit department presented its reports pursuant to section 42 para 3 of the Austrian Banking Act, on the quality assurance programme as well as a report pursuant to Article 25 para 3 in conjunction with Article 24 of the Delegated Regulation (EU) 565/2017. In addition,

a report was delivered on the assessment of the functionality of the risk management system pursuant to Rule 83 of the Austrian CCG and on the effectiveness of the internal control system. Based on these reports, the audit committee monitored the effectiveness of the internal control system, the internal audit system and the risk management system pursuant to section 63a para 4 no 2 of the Austrian Banking Act. The audit committee also discussed its work plan for 2023 and defined agenda topics for the meetings. It was decided to recommend the renewal of the audit mandate of PwC Wirtschaftsprüfung GmbH as additional auditor of the (consolidated) financial statements for the 2024 financial year to the supervisory board. The auditors provided information about the preliminary audit of the single-entity and consolidated financial statements for 2022. In addition, reports were delivered on the development of participations and the half-year report as of 30 June 2022 and a discussion was held on the 2021 management letter. Reports on on-site inspections conducted by supervisory authorities were taken note of, as were reports on the contents of the plan to address the findings made. The audit committee continuously reviewed and monitored the independence of the auditors of the (consolidated) financial statements with a particular focus on non-audit services rendered for Erste Group pursuant to section 63a para 4 no 4 of the Austrian Banking Act. Among other things, the audit committee gave pre-approval to permissible non-audit services rendered by the (group) auditor and received reports on their current status. The audit committee's report on activities included in the 2021 annual report was discussed and approved. The exchange of views between the audit committee and the auditors in the absence of the management board pursuant to C-Rule 81a of the Austrian CCG was conducted in December 2022. The head of internal audit was also evaluated by the audit committee. The annual report of Group Regulatory Compliance was taken note of. Pursuant to section 30g para 4 no 3 of the Austrian Limited Liabilities Companies Act (GmbHG), the audit committee performed the tasks and duties of the audit committee for the subsidiary Erste Digital GmbH.

The nomination committee held nine meetings in 2022. At one of these meetings the resignation of Bernhard Spalt as of 30 June 2022 was discussed and the required resolutions were passed. The nomination committee was closely involved in succession planning for the positions of both CEO and Chief Retail Officer. It conducted a suitability assessment of Willibald Cernko for his appointment as member and chairman of the management board of Erste Group Bank AG and recommended his appointment to the supervisory board. One of the meetings reviewed whether the requirements for the extension of the contract and early re-appointment of David O'Mahony had been met. As the result was positive, a recommendation to this effect was made to the supervisory board. The dual function of Alexandra Habeler-Drabek as a member of the management boards of both Erste Group Bank AG and Erste Bank Oesterreich was successfully re-evaluated. The nomination committee conducted fit and proper assessments of potential candidates for the elections to the supervisory board at the annual general meeting of Erste Group Bank AG on 18 May

2022. In addition, the nomination committee reviewed the evaluation of the supervisory board and the management board pursuant to C-Rule 36 of the Austrian CCG and section 29 nos 6 and 7 of the Austrian Banking Act and considered, in particular, potential conflicts of interest and the supervisory board members' attendance at meetings. The collective suitability of the management board was likewise established, and the report on the collective suitability of the management board and the supervisory board was discussed in general, with a special focus on members' time availability. The report on the selection of senior management pursuant to section 28 of the Austrian Banking Act was taken note of.

The remuneration committee met five times in 2022. It prepared the supervisory board's resolutions on the variable remuneration of the management board as well as the resolution on the remuneration report pursuant to section 78e of the Austrian Stock Corporation Act. In addition, various remuneration topics concerning Erste Group Bank AG were discussed and approved, including the structure of key performance indicators, the bonus policy, including the requirements for the payment of variable remuneration components, and remuneration rules for Material Risk Takers as well as the question of which employees are subject to these rules. Supervisory board remuneration was discussed and assessed as comprehensively as that of the management board. In addition, changes to the internal remuneration policy of Erste Group Bank AG and Erste Group were approved. Reports were delivered on the remuneration of directors in countries in which Erste Group operates and on the review of the internal remuneration policy by internal audit. The remuneration committee also considered the implementation of the 2022 employee share programme. It furthermore discussed the launch of another employee share programme.

The IT committee met four times in 2022. The main topics were periodic updates on IT projects of Erste Group Bank AG and within Erste Group, priorities of IT activities in 2022, the timeline set for their implementation and their impacts on ongoing processes. The IT project portfolio and IT governance for Erste

Group as well as IT risk management were considered on an ongoing basis. Reports were also presented on strategic priorities for 2022 and individual projects were explained in detail. Two major subsidiary banks provided updates on their IT development. Discussions were held on IT security, cloud services and the strategy concerning use of data, the handling of data and digitalisation. Reports were also delivered on the current status of various projects. In addition, the IT budget and IT costs were discussed and the impacts of the current geopolitical situation were considered.

The strategy and sustainability committee was created in 2022 and met on 29 November 2022. This meeting considered and discussed the (ESG) strategy in detail and recommended its adoption by the supervisory board. The committee also reported on and discussed the inclusion of ESG and strategy targets in the management board's key performance indicators.

Attendance of meetings

In 2022, all members of the supervisory board attended in person more than half of the supervisory board meetings that took place after their election or delegation to the supervisory board or before their resignation from their mandate or revocation of their delegation.

Furthermore, in 2022, the ordinary members attended in person, by videoconferencing or teleconferencing at least half of the committee meetings held after their election or delegation to the supervisory board or before resigning from their mandate or their delegation being revoked.

The following table shows attendance of meetings by ordinary members without accounting for the attendance of substitute members. In the exceptional circumstances caused by Covid-19 in 2022, members attending virtual meetings only via acoustic channels are still considered to be in regular attendance under an ordinance issued by the Federal Ministry of Justice.

Meeting attendance

Name	Supervisory board (8 meetings)	Nomination committee (9 meetings)	Audit committee (7 meetings)	Risk committee (17 meetings)	Remuneration committee (6 meetings)	IT committee (4 meetings)	Strategy and sustainability committee (1 meeting)
Friedrich Rödler	100%	100%	100%	100%	100%	100%	100%
Jan Homan	100%	100%	67%	100%	100%		
Maximilian Hardegg	100%	100%	100%	100%	80%	100%	100%
Elisabeth Krainer Senger-Weiss	88%	100%		100%	100%		
Christine Catasta	100%	100%	100%	100%			
Henrietta Egerth-Stadlhuber	100%			76%		100%	100%
Hikmet Ersek	100%	100%			100%		100%
Alois Flatz	100%				100%		100%
Marion Khüny	100%		100%	100%		100%	
Mariana Kühnel	100%		100%			100%	
Friedrich Santner	100%		86%				
Michael Schuster	100%					100%	
András Simor	100%				100%		100%
Michèle F. Sutter-Rüdisser	100%	100%	100%		100%		
Vom Betriebsrat entsandt:							
Martin Grießer	67%		67%		50%	50%	
Markus Haag	83%			90%			
Regina Haberhauer	75%		57%	57%			
Andreas Lachs	100%	75%		71%	100%	75%	100%
Barbara Pichler	100%	75%	100%		80%	100%	100%
Jozef Pinter	88%		100%	82%			
Karin Zeisel	100%	63%			100%	100%	100%

PROMOTING WOMEN ON MANAGEMENT BOARDS, SUPERVISORY BOARDS AND IN MANAGING POSITIONS

General information as well as details on the promotion of women on the management board, the supervisory board and in managing positions is provided in the (consolidated) non-financial report. In addition, it is noted that with Alexandra Habeler-Drabek serving as CRO on the management board of Erste Group Bank in 2022, the share of women on the six-member management board of Erste Group Bank AG was 16.7%. Pursuant to section 86 para 7 of the Austrian Stock Corporation Act, the supervisory board of Erste Group Bank AG must include at least 30 percent women and at least 30 percent men.

At year-end 2022, women accounted for 45% of the Holding's supervisory board members (2021: 38.9%). As of 31 December 2022, the share of women in managing positions as defined in section 80 of the Austrian Stock Corporation Act stood at 27.12%. Erste Group Bank AG and its affiliated companies are committed to achieving the target of 37% women in top management (board and board-1) by 2025. The target corridor of 40 to 60% that had been adopted for all management positions has already been reached by Erste Group.

PROMOTING DIVERSITY

General information as well as details on diversity are provided in the (consolidated) non-financial report. For the sake of completeness it is noted that the Diversity and Inclusion Policy takes full account of the diversity concept applicable in appointing management board and supervisory board members with regard to

age, gender, education and professional career. In selecting proposed candidates for supervisory board mandates, the focus must be on a well-balanced composition of the board and diversity within the board in terms of educational background and professional expertise.

Diversity must be observed in particular with regard to the representation of both genders and age structure. International experience represented on the supervisory board by supervisory board members of different nationalities or persons with a long international track record is to be maintained.

In addition, in assessing the qualifications, composition and independence of the supervisory board, the criteria defined by Erste Group Bank AG's supervisory board pursuant to Rule 53 of the Austrian CCG must be taken into account. In setting up supervisory board committees, special care must be taken to ensure that each committee will always have adequate expertise as required for its work (e.g. the remuneration committee must have expert knowledge and practical experience in the area of remuneration policy (section 39c para 3 of the Austrian Banking Act), the risk committee must have the expertise and experience necessary for monitoring the implementation of the bank's risk strategy (Article 39d para 3 of the Austrian Banking Act), the audit committee must possess specific expertise and practical experience in banking finance and accounting (section 63a para 4 of the Austrian Banking Act), etc.).

EXTERNAL EVALUATION

Under C-Rule 62 of the Austrian CCG, Erste Group Bank AG commissioned external evaluations of its compliance with the C-Rules of the Code of Corporate Governance at least every three years, most recently for the 2020 fiscal year. All evaluations reached the conclusion that Erste Group Bank AG had met all requirements of the Code. Deviations from the C-Rules of the Code were described and explained. Summary reports on these evaluations are available on the website of Erste Group Bank AG.

SHAREHOLDERS' RIGHTS

It is noted that Erste Group Bank AG has no rights arising from its own shares. Neither a subsidiary nor a third party holding shares on behalf of Erste Group Bank AG or of a subsidiary may exercise its voting rights and its rights for subscription to these shares.

Voting rights

Each share of Erste Group Bank AG entitles its holder to one vote at the annual general meeting. In general, shareholders may pass resolutions at an annual general meeting by a simple majority of the votes cast or, in the event that the majority of the share capital present is required to approve a measure, by a simple majority of the share capital present, unless Austrian law or the articles of association require a qualified majority vote.

The articles of association differ from the statutory majority requirements in three cases: first, the appointment of supervisory board members can be revoked before the end of their respective term by a resolution of the annual general meeting that requires a majority of 75% of the votes cast and a majority of 75% of the share capital present at such meeting. Second, the articles of association may be amended by a resolution of the annual general meeting. Provided that such amendment does not concern the business purpose, this requires a simple majority of the votes cast and a simple majority of the share capital present at such meeting. Third, any provision regulating increased majority requirements can only be amended with the same increased majority.

Dividend rights

Each shareholder is entitled to receive dividends if and to the extent the distribution of dividends is resolved by the annual general meeting.

Liquidation proceeds

In case of dissolution of Erste Group Bank AG, the assets remaining after the discharge of liabilities and repayment of supplementary capital as well as additional tier 1 capital will be distributed pro-rata to the shareholders. The dissolution of Erste Group Bank AG requires a majority of at least 75% of the share capital present at an annual general meeting.

Subscription rights

All holders of shares have subscription rights allowing them to subscribe to any newly issued shares to maintain their existing share in the share capital of Erste Group Bank AG. Such subscription rights are in proportion to the number of shares held by such shareholders prior to the issue of the new shares. The said subscription rights do not apply if the respective shareholder does not exercise these subscription rights or the subscription rights are excluded in certain cases by a resolution of the annual general meeting or by a resolution of the management board and the supervisory board.

The Austrian Stock Corporation Act contains provisions that protect the rights of individual shareholders. In particular, all shareholders must be treated equally under equal circumstances unless the shareholders affected have consented to unequal treatment. Furthermore, measures affecting shareholders' rights, such as capital increases and the exclusion of subscription rights, generally require a shareholders' resolution.

The articles of association of Erste Group Bank AG do not contain any provisions regarding a change in the share capital, the rights associated with the shares or the exercise of the shareholders' rights that differ from the statutory requirements.

Stock corporations such as Erste Group Bank AG must hold at least one annual general meeting (ordinary shareholders' meeting) per year, which must be held within the first eight months of any financial year and cover at least the following items:

- _ Presentation of certain documents
- _ Appropriation of profit
- _ Discharge of the members of the management board and the supervisory board for the financial year ended.

At the annual general meetings, shareholders may ask for information about the company's affairs to the extent that this is required for the proper assessment of an agenda item.

Management Board

Willibald Cernko mp, Chairman
Stefan Dörfler mp, Member
David O'Mahony mp, Member

Ingo Bleier mp, Member
Alexandra Habeler-Drabek mp, Member
Maurizio Poletto mp, Member

Vienna, 28. February 2023