



Erste Group Sustainable Bond Allocation and Impact Reporting 2021

April 2022 reference portfolio
ISIN AT0000A2RAAO

ERSTE 
Group

Sustainability at Erste Group

Prosperity, equal opportunities, fairness and social wellbeing are at the heart of Erste Group's core values and business objectives. It is also very clear that the accelerating level of environmental degradation and the urgency of climate change are threatening the most vulnerable sections of our societies, in particular. Reflecting the importance of social wellbeing in the CEE region, Erste Group is committed to the United Nations Sustainable Development Goals ("SDGs") as well as to meeting the targets set by the Paris COP21 of limiting global warming to well below 2, preferably 1.5, degrees Celsius compared to pre-industrial levels. In line with these global targets, Erste Group in 2020 approved an overarching set of internal Environmental-Social-Governance ("ESG") business objectives and set out a strategic roadmap for achieving them.

Erste Group in all its countries attaches great importance to financing socially and economically important infrastructure, public administration or common good projects. Erste Group applies across its regions a social banking concept to support the most vulnerable parts of society (individuals, NGOs but also start-ups) and fosters financial literacy. Erste Group refrains from financing projects that have could have negative ethical, social and environmental implications.

Erste Group's Sustainable Finance Framework is designed as an umbrella framework that will allow Erste Group to issue sustainable finance instruments to finance new and/or refinance existing loans to its clients for projects with environmental and/or social benefits.

Erste Group's Sustainable Finance Framework adheres to the:

- International Capital Market Association (ICMA) Green Bond Principles ("**GBP**") 2018;
- International Capital Market Association (ICMA) Social Bond Principles ("**SBP**") 2020;
- International Capital Market Association (ICMA) Sustainability Bond Guidelines ("**SBG**") 2018.

The GBP, SBP and SBG are voluntary guidelines that promote transparency, disclosure and integrity in the development of green and social instrument markets. In alignment with these, Erste Group's Sustainable Finance Framework is based on the following key pillars:

- a. Use of proceeds
- b. Process for project evaluation and selection
- c. Management of proceeds
- d. Reporting
- e. External Review

Allocation of Green Loans

Allocation highlights

- EUR 500 million green funding
- EUR 407 million of proceeds allocated to sustainable green buildings
- 6 262 tonnes of CO2 saved per annum

In May 2021 Erste Group issued its first Sustainability Bond as a benchmark bond of € 500 million, as a first step in line with Erste's group strategy to remain an active issuer of sustainable finance instruments.

As defined in Erste's Sustainable Finance Framework, Erste Group entities will strive, within 24 months after issue, to reach a level of allocation of the loan portfolio that at least matches the net proceeds from its outstanding sustainable finance instruments.

The allocation process is based on selecting projects which are in line with Erste's Sustainable Finance Framework. For the issue in May 2021, € 407 million has been assigned to loans with a purpose of constructing and acquiring buildings that are amongst the top 15% low-carbon developments in the respective country.

Energy performance certificates and the construction regulations applicable to the building processes of the financed projects have been viewed and taken into consideration to assess the eligibility of the loans' contribution towards acquiring and constructing buildings in Austria and Romania's top 15 percent segment.

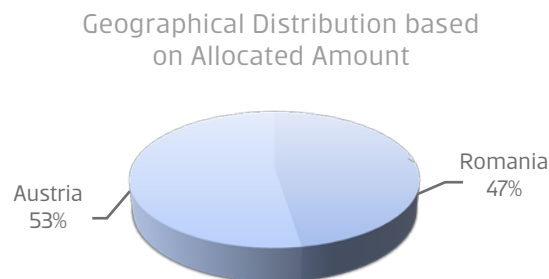


Figure 1 - Geographical distribution of sustainability bond allocation based on allocated amounts as at April 2022

The green buildings projects that have been financed within the sustainable bond portfolio are located in Austria and Romania.

The geographical distribution is split based on the location of the property and calculated by the percentage of balances attributed to the property in question compared to the full allocation.

Approximately 80 % of the sustainability bond's proceeds have been allocated to existing projects.

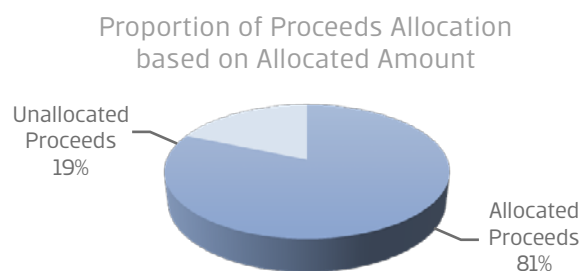


Figure 2 - Proportion of proceeds allocation based on allocated amount as at April 2022

Sustainable Finance Impact

Erste's bond invested in projects that are primarily in the fields of building construction and property acquisition that are in line with Erste's Sustainable Finance Framework, providing funding for multi-family homes, office and retail buildings.

In Austria, total project financing of around € 220 million has been granted through the sustainable finance portfolio, while in Romania roughly € 200 million of financing has been provided for green building construction and acquisition.

Portfolio	Total Costs	Project Financing Amount	Share of total Project Financing	Building Type
AT Green Buildings	€ 430.136.103,22	€ 219.887.562,35	51%	Multi-Family
RO Green Buildings	€ 182.894.526,22	€ 106.718.526,22	58%	Office Building
	€ 132.925.000,00	€ 92.120.000,00	69%	Sales Building
	€ 745.955.629,44	€ 418.726.088,57		

The longest average project lifetime of allocated loans can be found in the multi-family building segment with an average maturity of around 23 years.

Portfolio	Allocated Amount	Project Lifetime in years	Gross Building Area	Building Type
AT Green Buildings	€ 213.552.893,25	22,73	224961	Multi-Family
RO Green Buildings	€ 106.718.526,22	7,18	89537	Office Building
	€ 87.427.406,77	4,50	98436	Sales Building
	€ 407.698.826,24		412935	

In Erste Group's impact assessment each reduction in CO₂ or primary energy use can be clearly attributed to Erste Group's investment. While buildings have a total impact when compared to local benchmarks, the impact assessment only depicts the part of the building that has been financed by Erste Group.

As a result of Erste Group's investments in the multi-family segment, reductions in primary energy use of up to 31 % have been achieved.

Portfolio	Gross Building Area	Primary Energy Use in kWh/m ² of GBA p.a.	Primary Energy Use in % of energy use avoided	Building Type
AT Green Buildings	224961	88	31%	Multi-Family
RO Green Buildings	89537	177	26%	Office Building
	98436	249	25%	Sales Building
	412935			

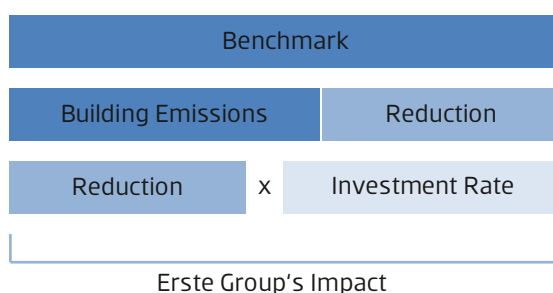
The primary energy demand provided represents the estimated annual energy consumption based on the building's energy performance certificate weighted by the balances of each building type.

While the energy performance has been provided based on energy performance certificates, the gross building area has been selected to be reported based on a unified internal calculation approach to avoid having different types of utility spaces. The internal utility spaces are based on assessing all space in use to achieve a utility space. This value is calculated to a gross building area by applying a common factor.

The highest carbon footprint reduction has been achieved by Romanian retail buildings, with the reduction being 38% compared to local benchmarks.

Portfolio	Gross Building Area	Carbon Reductions in kg Co ₂ /m ² of GBA p.a.	Carbon Reduction in tonnes of Co ₂ equivalent reduced/avoided p.a.	Carbon Reduction in % of carbon emissions reduced/avoided	Building Type
AT Green Buildings	224961	11	2528	34%	Multi-Family
RO Green Buildings	89537	15	1327	28%	Office Building
	98436	24	2407	38%	Sales Building
	412935		6262		

The assessment is based on comparing the buildings impact as follows:



Methodology

Bond principles

- Erste Group adheres to regular reporting within the first year after issue, assuring regular reporting as required by the Green Bond Principles.
- Erste Group's compliance with the main pillars have been audited in the context of a Second Party Opinion prepared prior to issue.

Reporting principles

- Erste Group Bank AG commissioned Drees & Sommer to set up a methodological approach to implement the EU Taxonomy's eligibility criteria and to provide advice on portfolio impact reporting for the environmental objective of climate change mitigation for non-residential and residential properties in Austria and Romania.
- The net proceeds of the sustainable finance instruments issued under the Sustainable Finance Framework will be managed by Erste Group taking a portfolio approach.
- The local impact is made visible by a split between geographical regions.
- To assure transparency on the impact specific to different types of buildings with varying benchmarks, the data is split into segments accordingly.
- Erste Group strictly adheres to non-double counting of impact. To ensure this, a factor of allocated amount to total amount is calculated which is then applied to the final impact.
- Eligibility criteria have been determined in accordance with the criteria in the SFF using the top 15 % criterion ("Buildings that are amongst the top 15 % low-carbon developments in the respective country").
- The top 15 % have been determined based either on the year of construction of the respective building or by its overall energy performance, which is an approach often used in the market; Drees & Sommer's expert methodology links applicable construction regulations in a specific year and area to the top 15% low-carbon performance list

- Environmental impact data is assessed individually for each case by comparing actual energy performance certificates to benchmarks. These benchmarks (CO₂ and PEU) were derived by D&S from publicly available sources and literature for historic and current building stock and energy data. Austria: OIB-RL6 2007-2019, cost-optimal reports 2013/2018, WIFO study 2008, Poehn et al. 2012, Statistik Austria 2021
- Romanian benchmarks are based on energy standards C 107-2005/2010, Mc 001-2006/2017, cost-optimal reports 2013/2018, MRDPA study 2017, National Institute of Statistics 2021
- Environmental impact data is assessed based on energy performance certificates and evaluated individually for each case.
- Reporting content complies with ICMA reporting and harmonized reporting by Pfandbriefforum working groups.
- Investment amounts in Erste Group's reporting are provided in euros after converting at current exchange rates.

Allocation and Impact Reporting

Sustainable Bond Impact Report

Portfolio	Total Costs	Project Financing Amount	Share of total Project Financing	Outstanding Amount	Share eligible for Green Bonds (in %)	Amount eligible for Green Green Bonds (in EUR)	Green Building component	Allocated Amount	Project Lifetime in years	Gross Building Area	Primary Energy Use 1 kwh/m ² of GBA p.a.	Primary Energy Use in % of energy use avoided	Carbon Reductions in kg Co ₂ /m ² of GBA p.a.	Carbon Reductions in tonnes of Co ₂ equivalent reduced/avoided p.a.	Carbon Reductions in % of carbon emissions reduced/avoided	Building Type
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Sustainable Bond Allocation Report

GREEN BUILDINGS ELIGIBLE LOAN PORTFOLIO

Geographical Distribution	Number of Loans	Size of Loan Portfolio
RO	4	€194,145,932.99
AT	30	€213,552,893.25
Total	34	€407,698,826.24

GREEN FUNDING

ISIN Code	Maturity Date	Issue Date	Amount
AT0000A2RAAO	17May2028	17May2021	€500,000,000.00
Total			€500,000,000.00

Allocated Proceeds	Percentage of Allocated Proceeds	Unallocated Proceeds
€407,698,826.24	81.54%	€92,301,173.76



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To the
Management Board of
Erste Group Bank AG
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Independent Limited Assurance Report on the Erste Group Bank AG Sustainable Bond Allocation and Impact Report 2021 as of April 2022

We have performed an assurance engagement of the Sustainable Bond Allocation and Impact Report 2021 as of April 2022 of Erste Group Bank AG (the “Company”), Vienna.

Management’s Responsibility

Preparing the Sustainable Bond Allocation and Impact Report 2021 as of April 2022 (“the Allocation and Impact Report”) in accordance with the criteria described in the Erste Group Sustainable Finance Framework (“the Framework”), Version 1.0, dated April 2021, is the responsibility of Erste Group Bank AG’s management.

This responsibility includes adequate documentation as well as design, implementation and maintenance of internal control relevant to the preparation of the Allocation and Impact Report that is free from material misstatement, whether due to fraud or error. Erste Group Bank AG’s management is also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the Allocation and Impact Report and for ensuring that those criteria are publicly available to the Report users.

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. In addition, CO₂ quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Auditor's Responsibility

Our responsibility is to express a limited assurance conclusion based on the procedures performed and the evidence obtained on whether any matters have come to our attention that would lead us to assume that the Allocation and Impact Report does not comply, in all material aspects, with the Framework.

We have performed our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than the Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board, and the professional standards applicable in Austria with regard to other assurance engagements (KFS/PG 13). These standards require that we comply with ethical requirements, including rules on independence, and that we plan and perform the engagement to obtain limited assurance within the limits of materiality.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures that were performed in response to the assessed risks. The procedures we have performed in our limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance we have obtained in our limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

The procedures we have performed were based on our professional judgement and include inquiries, observation of processes, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we

- inquired with Erste Group Bank AG's staff involved in the preparation of the Allocation and Impact Report to obtain an understanding of the process for selecting loans to be allocated to the bond, including the methodology applied to measure eligibility criteria, how reporting of the allocated portfolio is derived from underlying records as well as the methodology applied for estimating the impact indicators and the presentation in the report;
- inspected the Framework as well as principles and guidelines referred to in the Framework and comparing identified practices of management of proceeds and reporting to those principles and guidelines;
- inspected the documentation provided by management's external expert regarding the methodology for measuring and determining eligibility criteria, evaluating the management's expert's competence, capabilities and objectivity and, at a very high level, evaluated the management's expert's approach and conclusions;
- reperformed, on a sample basis, the application of the eligibility criteria provided by management's expert to the allocated loans by corroborating documentation with underlying evidence;
- traced indicators describing the allocated loan portfolio to the information recorded in the underlying lending system and checked mathematical accuracy;

- inspected the documentation provided by management's external expert regarding the methodology for estimating impact indicators, assessed accordance of the indicators chosen with the Framework and, at a very high level, evaluated the methodological approach to measurement provided by management's expert;
- reperformed the application of the methodological approach to measurement of impact indicators to the allocated loans, traced, on a sample basis, to underlying documentation, and checked mathematical correctness.

The engagement performed by us constitutes neither a financial statements audit nor a review of financial statements. Also, detecting and solving criminal acts, as e.g. embezzlement or other kinds of fraudulent acts, and administrative offences or the assessment of the effectiveness and efficiency of the Company's management are not subject to our engagement.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that

- the Allocation and Impact Report has not been drawn up, in all material respects, in line with the Framework,
- the loan portfolio allocated to the Sustainable Bond does not meet the eligibility criteria defined in the Framework,
- the information provided with respect to the loan portfolio allocated to the Sustainable Bond does not agree, in all material respects, to underlying data,
- the impact indicators are not prepared, in all material respects, in accordance with the methodology disclosed.

Restriction of Use

Because our report is prepared solely for and on behalf of the management board of Erste Group Bank AG, we will not accept or assume liability to any party other than Erste Group Bank AG, for our work, for the limited assurance report or for the conclusions that we have reached.

General Conditions of Contract

Our report is issued based on the terms of engagement agreed upon with Erste Group Bank AG which also apply towards third parties and is governed by the General Conditions of Contract for the Public Accounting Professions (AAB) in its current applicable version enclosed to this report.

Vienna
May 16, 2022

PwC Wirtschaftsprüfung GmbH

Dorotea-E. Rebmann
Austrian Certified Public Accountant



Qualifizierte elektronische Signatur · EU-Recht

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