

**Disclosure pursuant to article 450
Capital Requirements Regulation**
As of 31 December 2019

Disclosure of information on remuneration policy and practices at Erste Bank der oesterreichischen Sparkassen AG¹

PRINCIPLES APPLICABLE TO THE GOVERNANCE OF REMUNERATION POLICY AND PRACTICES

DISCLOSURE REQUIREMENTS Art. 450 (1) (a) CRR

The management board of Erste Bank der oesterreichischen Sparkassen AG (“Erste Bank”) actively oversees the compensation system’s design and operation. Experts from Human Resources, Strategy, Compliance, Controlling and Risk Management advise the management board regarding remuneration policies and practices.

The remuneration committee (which is a committee of the supervisory board) approves, implements, periodically reviews and – if needed – amends the general principles of the remuneration policy. The implementation of the remuneration policy is, at least annually, subject to central and independent internal review for compliance with legal requirements, regulatory provisions and procedures for remuneration adopted by the institution.

The management board and the remuneration, audit, nomination and the risk committee work closely together and ensure that the remuneration policy is consistent with and promotes sound and effective risk management, especially incorporating financial performance, risk, capital, liquidity and strategic plans into the remuneration decision-making process.

The remuneration committee shall take into account the short-term and long-term interests of shareholders, investors and other stakeholders. The remuneration committee of Erste Bank met three times in 2019.

PRINCIPLES APPLICABLE TO THE PERFORMANCE-LINKED COMPONENTS OF REMUNERATION

DISCLOSURE REQUIREMENTS Art. 450 (1) (b) (c) (d) (e) (f) CRR

All employees’ fixed salary components (base salary) represent a sufficiently high proportion of the total remuneration to allow for financial independence of variable pay on an individual level, thus creating the possibility not to pay any performance-linked variable remuneration at all. In 2019, the ratio variable/fixed remuneration is capped at 100% of the annual fixed remuneration for Material Risk Takers² and employees.

The performance-linked components of remuneration serve both the short-term and long-term interests of Erste Bank and help avoid excessive risk-taking behavior. The performance-linked components consider:

- _ Risk, capital, liquidity and probability as well as time of realized profits of Erste Bank,
- _ Overall results of Erste Bank,
- _ Performance of the business unit (department/division/entity) concerned, and
- _ Performance of the individual, consisting of the achievement of agreed targets and the way these business targets have been achieved, including the individual’s risk behavior according to Erste Bank strategy and policies.

Erste Bank has implemented a comprehensive Enterprise-wide Risk Management (ERM) Framework, including a Risk Strategy and Risk Appetite Statement (RAS). The RAS represents a strategic statement that expresses the maximum level of risk that Erste Bank is willing to accept in order to deliver its business objectives. The RAS provides a quantitative direction for the overall risk-return steering, qualitative statements in the form of key risk principles, sets the boundary for limits and target setting, and forms a key input into the annual strategic planning process, creating a holistic perspective on capital, liquidity and risk-return trade-offs. The RAS and the remuneration policy are directly linked at Group and entity level as the determination of the annual bonus pool³ requires the relevant core metrics to be above the defined limit (e.g. minimum capital requirements). The size of the bonus pool is calculated based on bonus potential applicable to the various staff categories. The bonus potential is either a fixed amount or a percentage related to the base salary. The bonus pool is adjusted based on the performance of Erste

¹ This refers to Erste Bank der oesterreichischen Sparkassen AG at single entity level.

² Staff, whose professional activities have a material impact on an institution’s risk profile, selected according to respective Regulatory Technical Standards (RTS) of EBA.

³ Determination of the total volume of funds earmarked for variable remuneration.

Bank and its divisions. The individual bonus is linked to individual and business unit performance and overall results. The sum of individual bonuses is capped by the size of the bonus pool after the malus adjustments.

In 2019, the bonus pool was determined on entity level and was calculated ex-ante and ex-post based on the following indicators:

- _ Meeting all RAS capital and liquidity requirements on Group as well as entity level,
- _ Erste Group net profit, and
- _ Minimum achievement of Erste Bank's financial and market performance targets.

The total reward system of Erste Bank consists of the following components:

- _ Fixed remuneration, and
- _ Variable remuneration.

These reward components are summarized in the following figure:

Type of remuneration	Detailed description
Annual basic salary	Monthly basic salary multiplied by 12
Annual base salary	Annual basic salary plus any 13th or 14th salary based on local regulations
Annual guaranteed cash	Annual base salary plus the annual value of major allowances such as market / leadership allowance and/or overtime lump sum
- Allowances	Leadership Allowance Market Allowance Individual Allowances
Annual total cash (also called "compensation")	Annual guaranteed cash plus short term incentive and other incentives
- Short-term incentive	Annual (or shorter period based) bonus scheme based on the annual (period-based) performance evaluation of an employee
- Commission-based incentive	Typically a monthly or quarterly incentive scheme based on quantity and quality of sales, products, services, transactions, operations and/or recoveries
- Project-based incentive	Incentive scheme based on special, highly complex and high-material impact projects
- Retention bonus	Institutions may use retention bonuses under restructurings, in wind down or after a change of control, but also in situations where the institution can provide a rationale for its legitimate interest in retaining a staff member. The amount of a retention bonus can neither be promised nor guaranteed
- Awards	Incentive scheme which is based on an open participation for employees in a (cross-border) business line or function. Granting the award is based on practices that supported business growth or improvement and the outcome is translated into a learning event for other employees
Total remuneration	Total annual cash plus any major company-wide provided benefits (benefits in kind or cash allowances as parts of fix pay)
Total reward	Total remuneration plus annual value of other significant employment terms

Figure 1: Overview of reward components at Erste Bank

Erste Bank does not provide shares, stock options or equities, neither to Material Risk Takers nor to other employees.

Erste Bank seeks to be competitive on the labor market and to have personnel cost flexibility to allow for changes in the organization and to adapt to changes in the market. Erste Bank benchmarks itself with Austrian and Central European financial institutes.

The bonus potential is based on the base salary, the role and the position of the individual employee. Key Performance scorecards of employees contain well balanced qualitative and quantitative objectives. On average 50-60% of objectives are quantitative. Employees who work in the Retail area are required to have at least 40% of qualitative targets. The Key Performance scorecards for the top-management are a balance of financial, risk-related, business-specific, customer and leadership objectives. At year-end, the top-management performance is assessed using a multi-source feedback evaluation process.

For **Material Risk Takers** the payout of performance-linked compensation components depends as for all other employees on achieving the minimum performance criteria as approved by the remuneration committee and individual performance. Erste Bank defines minimum performance criteria, which meet legal requirements (implementing the CRD IV provisions) and are aligned with the long-term interests of Erste Bank.

The pay-out of performance-linked components for Material Risk Takers consists of two models: 40-60% or 60-40% deferred amounts; a minimum of 50% of variable remuneration consists of instruments with a minimum retention period of 1 year.

Variable remuneration is deferred over a period of 5 years and the applied non-cash instrument is the phantom share, using the average weighted daily share price of Erste Group of the performance year. The average weighted daily share price in 2019 was EUR 32.08 (2018: EUR 36.88)

As an example, the following figure shows the bonus payment structure applied to Material Risk Takers, when the amount is equal to or higher than 60,000 EUR.

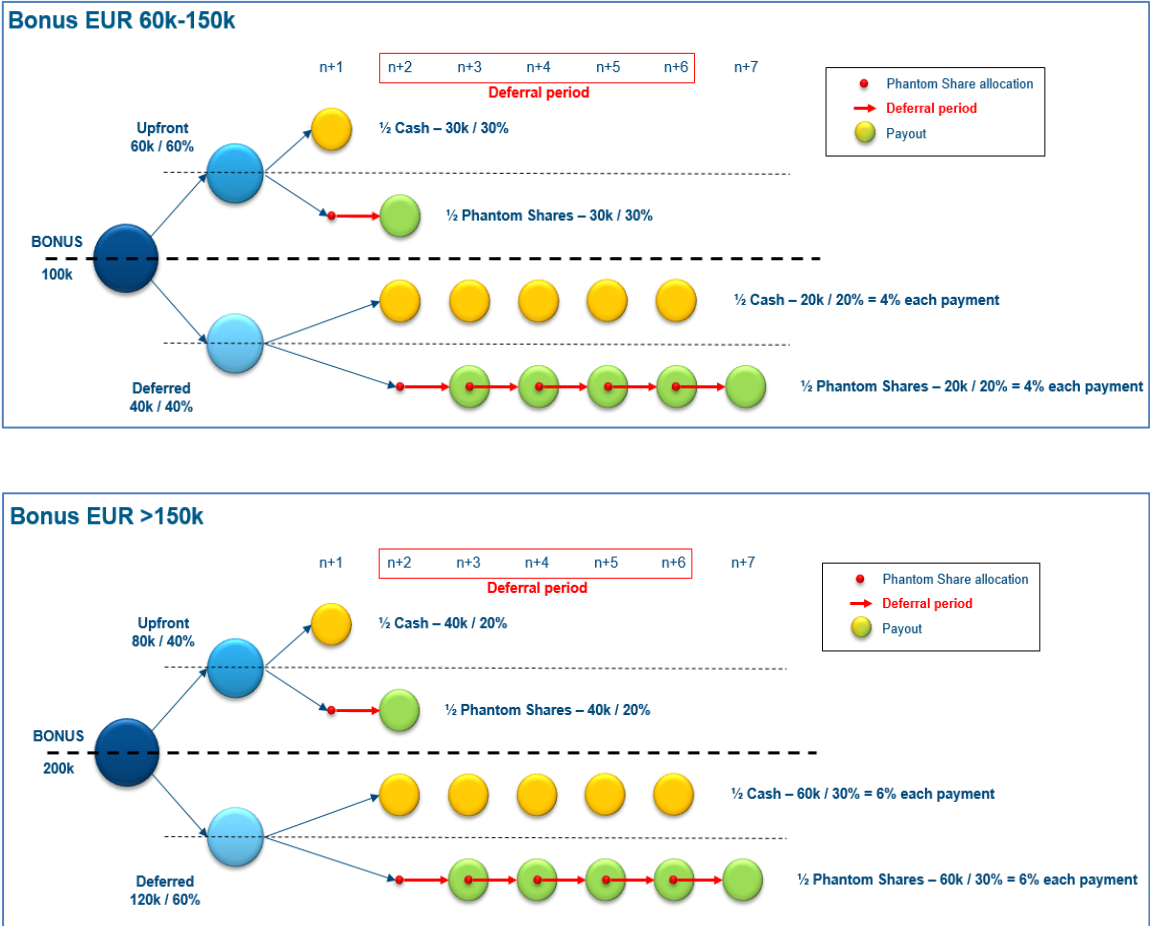


Figure 2: Bonus payment structure visualization for Material Risk Takers

Following EBA- *Statement on dividends distribution, share buybacks and variable remuneration*⁴, in order to achieve an appropriate alignment with risks stemming from the COVID-19 pandemic a larger part of the variable remuneration will be deferred for a longer period and a larger proportion could be allocated and depending on meeting minimum performance standards be paid out in phantom shares.

For the performance year 2019, 100% of any variable remuneration of the management board in Erste Bank are granted in non-cash instruments. After the performance period the number of phantom shares is calculated in the following way: 100% of the gross bonus amount is divided by the average weighted daily share price of Erste Group Bank AG shares during the performance period (year n/2019). The result constitutes the total number of non-cash instruments (phantom shares). The payout starts proportionally from 2021.

⁴ Published on 31.3.2020

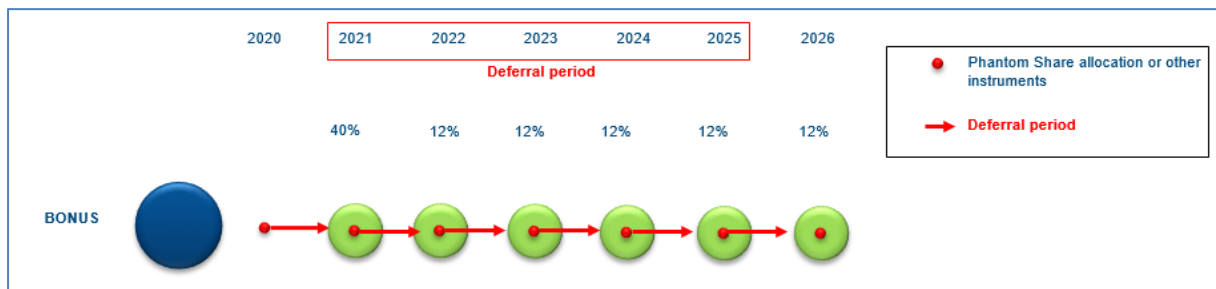


Figure 3: Bonus payment structure visualization for Erste Bank Management Board for performance year 2019

Related to Material Risk Takers at individual level, additional reviews are conducted each year of the deferral period in order to determine whether there are any reasons for justifying a cancellation or reduction of the deferred compensation. Such reasons may be a lack of sustainability in the performance serving as the basis for the performance assessment, the employee's risk behavior but also collective criteria such as the liquidity and profitability of Erste Bank. Individual contribution or decision which is assessed ex-post as disadvantageous or negative may result in the reduction or cancellation of a deferred variable remuneration.

For members of Erste Bank's management board, the criteria for performance-linked components for the financial year 2019 (Key Performance Indicators, "KPIs") were: operating result, pre-tax profit, NPL ratio, risk costs/loans, Credit RWA, Net Promoter Score, data management, leadership and other individual strategic and business-specific KPIs.

Furthermore, there are minimum performance requirements for paying outstanding deferrals for Material Risk Takers for previous performance periods. The minimum performance requirement is also a criterion for paying deferral elements of retained bonus amounts for Material Risk Takers. It is based on at least two indicators, which both have to be met:

- _ Financial results and
- _ Capital ratio of the entity.

REMUNERATION INFORMATION

DISCLOSURE REQUIREMENTS COVERED: Art. 450 (1) (g) (h) (i) (j) and Art. 450 (2) CRR

The tables below provide further information on remuneration.

Quantitative information on remuneration of employees in Erste Bank on single entity level is provided for the following main categories:

- _ Members of the supervisory board,
- _ Members of the management board,
- _ Investment Banking (includes Corporate Finance, Private Equity, Capital Markets, Treasury),
- _ Retail Banking (lending to private individuals and small and medium-sized companies),
- _ Asset Management (managing of equity, bond and money market funds, or other alternative investments),
- _ Control functions (Audit, Risk and Compliance),
- _ Corporate support functions (among others Finance, Accounting, IT, HR, Legal, Marketing), and
- _ Others (among others drivers).

The assessment process for Material Risk Takers (MRTs) is performed pursuant to the selection criteria of the Erste Bank Remuneration Policy and to the EU Regulatory Technical Standard with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile⁵.

⁵ Commission delegated regulation (EU) No 604/2014 in conjunction with correction EBA/RTS/2015/09
<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R0604>

The total number of members of the supervisory board is divided into external and internal members. External members have no employment contract within Erste Bank. They receive fixed remuneration (supervisory board compensation) and/or fees for attending supervisory board meetings (meeting fees). No variable remuneration is paid to members of the supervisory board. Internal members of the supervisory board are those who have employment contracts within Erste Group.

Employees of Erste Bank, who in addition to their daily function, are nominated by the shareholders as internal supervisory board members of Erste Bank subsidiaries, are not eligible for receiving supervisory board remuneration (this also refers to members of the Employees' Council). Fixed remuneration and attendance fees for members of Employees' Council are paid into the Employees' Council fund.

The scope of this disclosure is based on the requirements of the EBA Remuneration Benchmarking Exercise (EBA/GL/2014/08), while the scope of the Annual Report is based on the Provisions of the Corporate Code (UGB) taking into account the relevant provisions of the Banking Act (BWG) in the currently applicable version. This leads to certain differences in reporting.

The table "Information on remuneration of high earners" shows the number of employees who receive a total remuneration (fix and variable) equal to or exceeding EUR 1 million. In 2019 there were no employees in this category in Erste Bank. Governing bodies' remuneration is disclosed in the Annual report:

<https://www.sparkasse.at/content/dam/at/spk-erstebank/wir-%C3%BCber-uns/ebo-jahresabschluss-2019.pdf>

AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION OF EMPLOYEES AND MATERIAL RISK TAKERS

Information on remuneration for all staff

Divisions	Supervisory functions	Management board functions	Investment Banking	Retail Banking	Asset Management	Corporate functions	Independent functions	Other	Total for all divisions
Number of employees (headcount)	12	4							16
Total number of staff (FTE)				1733	109	354	289	63	2.548
Net income									226.880.738
Total remuneration	133.750	3.278.846		110.885.523	9.997.668	27.166.859	23.745.480	5.645.578	180.853.704
hereof granted variable remuneration	0	1.510.028		7.065.113	1.681.542	1.971.059	1.119.351	2.113	13.349.206

Information on remuneration for Material Risk Takers

Divisions	Supervisory functions	Management board functions	Investment Banking	Retail Banking	Asset Management	Corporate functions	Independent functions	Other	Total for all divisions
Number of MRTs (headcount)	12	4							16
Total number of staff (FTE)				18	2	11	15		46
hereof senior management ⁶				5	2	10	5		22
Total remuneration	133.750	1.768.818		2.859.841	339.955	1.439.165	1.862.124		8.403.653
hereof total fixed remuneration	133.750	1.768.818		2.859.841	339.955	1.439.165	1.862.124		8.403.653
hereof in cash									
hereof in equity (i.e. phantom shares)									
hereof in other instruments									
hereof total variable remuneration		1.510.028		1.021.400	229.972	570.391	421.274		3.753.065
hereof in cash				719.396	145.000	322.950	288.700		1.476.046
hereof in equity (i.e. phantom shares)		1.510.028		302.004	84.972	247.441	132.574		2.277.019
hereof in other instruments									
hereof total deferred variable remuneration		905.990		295.208	68.002	197.957	106.087		1.573.244
hereof in cash				158.400	34.000	99.000	53.000		344.400
hereof in equity (i.e. phantom shares)		905.990		136.808	34.002	98.957	53.087		1.228.844
hereof in other instruments									

Additional information on variable pay to material risk takers

Deferred variable remuneration	Supervisory functions	Management board functions	Investment Banking	Retail Banking	Asset Management	Corporate functions	Independent functions	Other	Total for all divisions
Total amount of outstanding deferred variable remuneration granted in previous years		1.853.589		861.913	2.694	723.574	307.673		3.749.443
hereof vested		200.032		140.497		136.423	61.299		538.251
hereof non vested		1.653.557		721.416	2.694	587.151	246.374		3.211.192
Reduction of deferred payments from previous years based on performance adjustments		42.508		26.480		24.241	11.034		104.263
Guaranteed remuneration									
Number of employees who received guaranteed variable payments (sign-on bonus)									
Total amount of guaranteed variable payments (sign-on bonus)									
Severance payments									
Number of employees who received severance payments due to (early) termination									
Total amount of severance payments									
Highest severance payment to a single person due to early termination									

⁶ The line-item "senior management" includes those managers who report directly to the management board.