

**Disclosure pursuant to article 450
Capital Requirements Regulation**

as of 31 December 2018

Extensive presence in Central and Eastern Europe



■ Core markets of Erste Group
□ Indirect presence in CEE

Disclosure of information on remuneration policy and practices at Erste Group¹

PRINCIPLES APPLICABLE TO THE GOVERNANCE OF REMUNERATION POLICY AND PRACTICES

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

The management board of Erste Group Bank AG actively oversees the compensation system's design and operation. Experts from Group HR, Group Strategy, Group Controlling and Group Risk Management advise the management board regarding remuneration policies and practices.

The remuneration committee of an entity (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. Erste Group's local subsidiaries have implemented the same governance structure for remuneration policies and practices. The remuneration committee met three times in 2018.

PRINCIPLES APPLICABLE TO THE PERFORMANCE-LINKED COMPONENTS OF REMUNERATION

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

All employees² 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 making the possibility not to pay any performance-linked variable remuneration at all. In 2018, the ratio variable/fixed remuneration is capped at 100% of the annual fixed remuneration for Material Risk Takers³ and employees.

The performance-linked components of remuneration serve both the short-term and long-term interests of Erste Group 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 the respective entity,
- _ Overall results of the entity,
- _ 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 Group strategy and policies.

Erste Group has implemented a comprehensive Enterprise-wide Risk Management (ERM) Framework, including a Group Risk Strategy and Risk Appetite Statement (RAS). The Group RAS represents a strategic statement that expresses the maximum level of risk that Erste Group 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 local level as the determination of the annual bonus pool⁴ requires the relevant core metrics to be above the defined limit (e.g. minimum capital requirements).

¹ This refers to Erste Group Bank AG and all subsidiaries within the scope of "CRR" (full) consolidation.

² Employees of all entities included in Erste Group, see footnote 1.

³ Staff, whose professional activities have a material impact on an institution's risk profile, selected according to respective Regulatory Technical Standards (RTS) of EBA.

⁴ Determination of the total volume of funds remarked for variable remuneration.

The size of the bonus pool is calculated based on bonus potential applicable to the various staff categories. 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 the entity and division. The individual bonus is linked to individual and business unit performance and overall entity results. The sum of individual bonuses is capped by the size of the bonus pool after the malus adjustments.

In 2018, the bonus pool was determined on a legal entity level. In general, the bonus pool was calculated ex-ante and ex-post based on the following indicators:

- _ Meeting all RAS capital requirements and regulatory liquidity requirements,
- _ Erste Group net profit, and
- _ Minimum achievement of financial and market performance targets.

The total reward system of Erste Group 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 Group

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

Erste Group wants 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 Group benchmarks itself with Central European financial institutes and targets to be positioned around the median of the salary benchmark.

The bonus potential is based on the base salary, the role and the position of the individual employee. Key Performance scorecards of employees contain qualitative and quantitative objectives. On average 60-70% of objectives are qualitative. 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 on achieving the minimum performance criteria as approved by the remuneration committee. Local entities have defined minimum performance criteria, which meet local legal requirements (implementing the CRD IV provisions) and are aligned with the long-term interests of the entity as well as of Erste Group.

The pay-out of performance-linked components for Material Risk Takers consists of 40-60% upfront and 40-60% deferred amounts; both upfront and deferred amounts consist of a 50% cash part and a 50% non-cash instrument part. The 50% non-cash part is retained for 1 year in all countries with the exception of the Czech Republic, where the retention period is 1.5 years. In Austria and Croatia the deferred element is paid out over a period of 5 years. In other countries the deferred element is paid out over a period of 3 years, with the exception of Slovakia where the deferred bonus is paid out in one amount after a 3 years holding period. Further restrictions related to the members of the management board of significant institutions, based on local requirements, may apply. In all countries, Erste Group adheres to the local rules for payment of bonuses to Material Risk Takers. In general, the applied non-cash instrument is the phantom share, using the average weighted daily share price of Erste Group of the performance year (except for bank subsidiaries in the Czech Republic and Slovakia where the non-cash instrument is a certificate). The average weighted daily share price in 2018 was EUR 36.88 (2017: EUR 32.97).

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

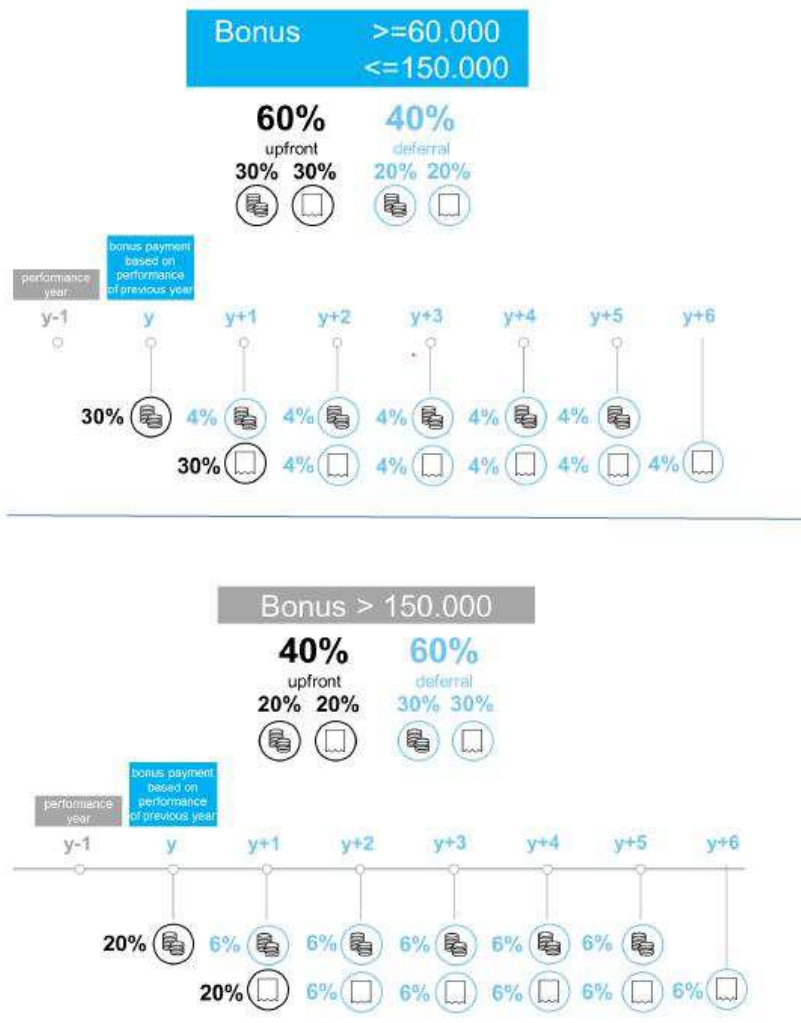


Figure 2: Bonus payment structure visualization for Material Risk Takers (Austria)

Equities are granted to neither Material Risk Takers nor other employees.

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 Group. 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 Group Bank AG's management board, the criteria for performance-linked components for the financial year 2018 (Key Performance Indicators, "KPIs") were: Group (or Group Business Line/Division) operating result minus risk costs, return on tangible equity, Group NPL ratio, risk costs/loans, Customer Experience Index, cost optimization, individual strategic goals and leadership.

For members of the management boards of local entities, the criteria for performance-linked components (bonus payment) for the financial year 2018 were: Economic Value Added, operating result minus risk costs, NPL ratio, risk costs/loans, Customer Experience Index, leadership and other individual strategic and business-specific Key Performance Indicators. The leadership component is evaluated based on several leadership criteria.

Furthermore, there are minimum performance requirements for paying a bonus for Material Risk Takers (including members of the management board of Erste Group Bank AG and of local entities) for a performance period. 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 Group, including all companies which are part of the CRR scope of consolidation, 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 Group 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 profile; Commission delegated regulation (EU) No 604/2014 in conjunction with correction EBA/RTS/2015/09⁵.

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

Employees of Erste Group Bank AG, who in addition to their daily function, are nominated by the shareholders as internal supervisory board members of Erste Group Bank AG subsidiaries, are not eligible for receiving supervisory board remuneration (this also refers to members of the Employees' Council). Fixed remuneration and attendance fee for members of Employees' Council /Trade Union are paid into Employees' Council fund (based on local entity guidelines).

The scope of this disclosure is different from the scope of the Annual Report, the latter is based on IFRS consolidation scope.

The number of FTEs is calculated based on the requirements of the EBA Remuneration Benchmarking Exercise (EBA/GL/2014/08), therefore, the numbers – besides the scope of the two reports – are different than those disclosed in the Annual Report of Erste Group for 2018 (e.g. employees on unpaid leave are included in the table below, but such are excluded from the FTEs of the Annual Report).

The table “Information on remuneration of high earners” shows the number of employees who received a total remuneration (fix and variable) in the year 2018 equal to or exceeding EUR 1 million.

The details of remuneration for members of the management board are disclosed in the annual report:

https://www.erstegroup.com/content/dam/at/eh/www_erstegroup_com/en/Investor%20Relations/2018/Reports/AR2018_FIN_AL_en.pdf

⁵ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R0604>

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)	392	262	-	-	-	-	-	-	654
Total number of staff (FTE)	-	-	2,068	26,777	636	13,627	3,236	2,041	48,385
Total remuneration	3,645,235	74,689,515	141,642,398	818,944,171	47,340,717	606,556,899	163,368,416	57,018,529	1,913,205,880
hereof granted variable remuneration	15,201	20,661,059	32,953,598	80,822,574	6,824,894	48,894,254	14,954,643	2,997,632	208,123,855

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)	392	262	-	-	-	-	-	-	654
Total number of staff (FTE)	-	-	107	291	102	306	256	11	1,073
hereof senior management ⁶	-	-	41	118	21	236	131	11	558
Total remuneration	3,645,235	74,689,298	18,832,972	32,383,638	12,821,845	39,143,149	28,809,769	2,050,538	212,376,444
hereof total fixed remuneration	3,630,034	54,028,456	12,380,503	27,482,858	9,706,063	31,691,674	24,767,438	1,287,118	164,974,144
hereof in cash	3,630,034	54,028,456	12,380,503	27,482,858	9,706,063	31,691,674	24,767,438	1,287,118	164,974,144
hereof in equity (i.e. phantom shares)	-	-	-	-	-	-	-	-	-
hereof in other instruments	-	-	-	-	-	-	-	-	-
hereof total variable remuneration	15,201	20,660,842	6,452,469	4,900,780	3,115,782	7,451,475	4,042,331	763,420	47,402,300
hereof in cash	15,201	12,523,179	3,602,838	3,761,170	2,063,738	4,957,722	2,881,576	428,319	30,233,743
hereof in equity (i.e. phantom shares)	-	5,542,301	2,069,530	816,696	1,052,044	1,557,877	748,651	256,444	12,043,543
hereof in other instruments	-	2,595,362	780,101	322,914	-	935,876	412,104	78,657	5,125,014
hereof total deferred variable remuneration	10,642	10,193,862	2,935,232	1,249,317	1,573,236	2,388,817	1,104,528	473,237	19,928,871
hereof in cash	10,642	5,002,451	1,323,621	563,184	596,398	965,700	464,071	185,330	9,111,397
hereof in equity (i.e. phantom shares)	-	3,305,875	1,140,871	473,267	976,838	760,166	369,715	256,444	7,283,176
hereof in other instruments	-	1,885,536	470,740	212,866	-	662,951	270,742	31,463	3,534,298

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	12,611	24,117,746	7,090,928	2,493,456	1,509,419	5,792,541	1,763,323	812,377	43,592,401
hereof vested	5,405	3,315,469	1,509,998	749,137	352,558	1,376,768	549,440	343,550	8,202,325
hereof non vested	7,206	20,802,277	5,580,930	1,744,319	1,156,861	4,415,773	1,213,883	468,827	35,390,076
Reduction of deferred payments from previous years based on performance adjustments	-	-	-	-	-	-	-	-	-
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	-	1	-	1	-	3	1	1	7
Total amount of severance payments	-	129,863	-	109,257	-	104,634	85,346	74,675	503,775
Highest severance payment to a single person due to early termination	-	129,863	-	109,257	-	75,615	85,346	74,675	474,756

Information on remuneration of high earners

	Supervisory function	Management board function	Business divisions
Number of employees	-	8	-
Remuneration between EUR 1.0 and 1.5 million	-	2	-
Remuneration between EUR 1.5 and 2.0 million	-	5	-
Remuneration between EUR 4.0 and 4.5 million	-	1	-

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