

Corporate Governance

Corporate Governance Report

of Erste Group Bank AG pursuant to Section 243b Austrian Commercial Code and rules 60 et seq of the Austrian Code of Corporate Governance as of 31 December 2010.

CODE OF CORPORATE GOVERNANCE

In Austria, the Code of Corporate Governance (CCG) prepared by the Working Group for Corporate Governance under the leadership of the Special Government Representative for the Capital Market has been widely recognized since 1 October 2002. The code is based on voluntary self-imposed obligations and its requirements are more stringent than the legal requirements for stock corporations. The aim is to establish responsible corporate management and accounting focused on long-term growth that regulates all rights and obligations of all stakeholders – management, supervisory board, customers, staff, shareholders and the public – as well as their relations to each other. The Austrian CCG has the objective of guaranteeing a high degree of transparency for all stakeholders. The rules of the Code are grouped into L rules, which contain the mandatory legal requirements, and C rules, which permit a deviation but need to be explained, as well as R rules, which permit a deviation without requiring an explanation.

The current version of the Austrian CCG is available on the website of the Working Group at www.corporate-governance.at. This website also includes an English translation of the Austrian Code of Corporate Governance and the interpretations of the Working Group.

COMMITMENT TO COMPLY WITH THE RULES OF THE AUSTRIAN CCG

In February 2003, Erste Group Bank AG declared its commitment to comply with the rules of the Austrian Code of Corporate Governance with the objective of ensuring responsible and transparent corporate governance.

In financial year 2010, Erste Group Bank AG complied with all L rules (legal requirement) and R rules (recommendation). The deviation from a “Comply or Explain” rule (C rules) is presented and explained below.

QUALIFICATION AND COMPOSITION OF THE SUPERVISORY BOARD 52 (C)

When appointing the supervisory board, the general meeting shall take due care to ensure a balanced composition of the supervisory board with respect to the structure and the business of the company as well as the expertise and the personal qualifications of the supervisory board members. The number of members on the supervisory board (excluding employees’ representatives) shall be ten at most.

Due to the size of the company, the supervisory board of Erste Group Bank AG (excluding employees’ representatives) consists of 12 members.

INFORMATION ON THE MANAGEMENT BOARD PURSUANT TO SECTION 243B PAR. 2 AUSTRIAN COMMERCIAL CODE

Name, year of birth and date of initial appointment and end of current period of office of each member of the management board

Andreas Treichl (Chairman)

Born 1952
Member of the management board since 1 October 1994
End of the current period of office: 30 June 2012

Franz Hochstrasser (Vice Chairman)

Born 1963
Member of the management board since 1 January 1999
End of the current period of office: 30 June 2012

Herbert Juranek

Born 1966
Member of the management board since 1 July 2007
End of the current period of office: 30 June 2012

Johannes Leobacher †

1964 - 2010
Member of the management board from 1 April 2009 to 14 October 2010

Martin Škopek

Born 1967

Member of the management board since 1 July 2010

End of the current period of office: 30 June 2012

Bernhard Spalt

Born 1968

Member of the management board since 1 November 2006

End of the current period of office: 30 June 2012

Manfred Wimmer

Born 1956

Member of the management board since 1 September 2008

End of the current period of office: 30 June 2012

Gernot Mittendorfer

Born 1964

Member of the management board since 1 January 2011

End of the current period of office: 30 June 2012

Mandates on supervisory boards or similar functions in other domestic or foreign companies not included in the consolidated financial statements for each member of the management board (C rule 16 Austrian CCG)

Andreas Treichl

DONAU Versicherung AG Vienna Insurance Group
(Vice Chairman)

MAK – Österreichisches Museum für angewandte Kunst
(Chairman)

Österreichische Galerie Belvedere

Sparkassen Versicherung AG Vienna Insurance Group (Chairman)

Franz Hochstrasser

CEESEG Aktiengesellschaft

Oesterreichische Kontrollbank Aktiengesellschaft (Vice Chairman)

Wiener Börse AG

Herbert Juranek

None

Johannes Leobacher †

None

Martin Škopek

None

Bernhard Spalt

Österreichische Clearingbank AG (Vice Chairman)

Manfred Wimmer

None

Gernot Mittendorfer (since 1 January 2011)

None

INFORMATION ON THE SUPERVISORY BOARD PURSUANT TO SECTION 243B PAR. 2 AUSTRIAN COMMERCIAL CODE

Name, year of birth and date of initial appointment and end of current period of office of each member of the supervisory board

Heinz Kessler

General Director, ret.

Born 1938

Supervisory board member since 26 May 1998

End of the current period of office: AGM 2012

Georg Winckler

Born 1943

Rector of the University of Vienna

Professor of economic sciences at the University of Vienna

Supervisory board member since 27 April 1993

End of the current period of office: AGM 2015

Theresa Jordis

Born 1949

Attorney at law

Supervisory board member since 26 May 1998

End of the current period of office: AGM 2013

Bettina Breiteneder

Born 1970

Entrepreneur

Supervisory board member since 4 May 2004

End of the current period of office: AGM 2014

Elisabeth Gürtler

Born 1950

Entrepreneur

Supervisory board member since 26 May 1998

End of the current period of office: AGM 2015

Jan Homan

Born 1947

Chairman

Supervisory board member since 4 May 2004

End of the current period of office: AGM 2014

Brian D. O'Neill

Born 1953

Vice Chairman

Supervisory board member since 31 May 2007

End of the current period of office: AGM 2012

Juan Maria Nin Génova

Born 1953

President and CEO

Supervisory board member since 12 May 2009

End of the current period of office: AGM 2014

Wilhelm Rasinger

Born 1948
 Consultant
 Supervisory board member since 11 May 2005
 End of the current period of office: AGM 2015

Friedrich Rödler

Born 1950
 Auditor and tax advisor
 Supervisory board member since 4 May 2004
 End of the current period of office: AGM 2014

John James Stack

Born 1946
 President and CEO, ret.
 Supervisory board member since 31 May 2007
 End of the current period of office: AGM 2012

Werner Tessmar-Pfohl

Born 1942
 Entrepreneur, ret.
 Supervisory board member since 6 May 2008
 End of the current period of office: AGM 2013

Delegated by the employees council

Markus Haag

Born 1980
 Supervisory board member from 16 June to 17 Sept. 2010

Christian Havelka

Born 1966
 Supervisory board member since 31 October 2001
 End of the current period of office: until withdrawn

Andreas Lachs

Born 1964
 Supervisory board member since 9 August 2008
 End of the current period of office: until withdrawn

Friedrich Lackner

Born 1952
 Supervisory board member since 24 April 2007
 End of the current period of office: until withdrawn

Bertram Mach

Born 1951
 Supervisory board member until 16 June and as of 17 Sept. 2010
 End of the current period of office: until withdrawn

Barbara Smrcka

Born 1969
 Supervisory board member since 9 August 2008
 End of the current period of office: until withdrawn

Karin Zeisel

Born 1961
 Supervisory board member since 9 August 2008
 End of the current period of office: until withdrawn

Chairman and Vice Chairpersons of the supervisory board

Heinz Kessler	Chairman
Georg Winckler	1st Vice Chairman
Theresa Jordis	2nd Vice Chairwoman

Membership in the committees of the supervisory board, stating the function as chairperson (C rule 39 Austrian CCG)

Listed by member

Heinz Kessler

Committee for Management Board Matters (Chair)
 Construction Committee
 Audit Committee (Chair)
 Risk Management Committee
 Strategy Committee (Chair)

Georg Winckler

Committee for Management Board Matters
 Audit Committee
 Risk Management Committee
 Strategy Committee

Theresa Jordis

Committee for Management Board Matters
 Audit Committee
 Risk Management Committee
 Strategy Committee

Bettina Breiteneder

Construction Committee (Chair)
 Audit Committee (Substitute)
 Risk Management Committee

Elisabeth Gürtler

Risk Management Committee (Substitute)

Jan Homan

Audit Committee
 Risk Management Committee (Substitute)
 Strategy Committee

Juan Maria Nin Génova

Strategy Committee

Wilhelm Rasinger

Audit Committee
 Risk Management Committee
 Strategy Committee (Substitute)

Friedrich Rödler

Audit Committee
Construction Committee
Risk Management Committee (Chair)
Strategy Committee

Werner Tessmar-Pfohl

Construction Committee

Delegated by the employees council

Markus Haag (from 16 June to 17 Sept. 2010)

Risk Management Committee
Strategy Committee

Christian Havelka

Audit Committee
Risk Management Committee (Substitute)
Strategy Committee

Andreas Lachs

Audit Committee (Substitute)
Risk Management Committee
Strategy Committee (Substitute)

Friedrich Lackner

Audit Committee
Construction Committee
Strategy Committee

Bertram Mach (until 16 June and as of 17 Sept. 2010)

Risk Management Committee
Strategy Committee

Barbara Smrcka

Audit Committee
Construction Committee

Karin Zeisel

Risk Management Committee

Listed by committee

Committee for Management Board Matters

Heinz Kessler (Chair)
Georg Winckler
Theresa Jordis

Construction Committee

Bettina Breiteneder (Chair)
Heinz Kessler
Friedrich Rödler
Werner Tessmar-Pfohl
Friedrich Lackner
Barbara Smrcka

Audit Committee

Heinz Kessler (Chair)
Georg Winckler
Theresa Jordis
Jan Homan
Wilhelm Rasinger
Friedrich Rödler
Bettina Breiteneder (Substitute)
Friedrich Lackner
Barbara Smrcka
Christian Havelka
Andreas Lachs (Substitute)

Risk Management Committee

Friedrich Rödler (Chair)
Heinz Kessler
Georg Winckler
Theresa Jordis
Bettina Breiteneder
Wilhelm Rasinger
Elisabeth Gürtler (Substitute)
Jan Homan (Substitute)
Andreas Lachs
Bertram Mach (until 16 June and as of 17 Sept. 2010)
Markus Haag (from 16 June to 17 Sept. 2010)
Karin Zeisel
Christian Havelka (Substitute)

Strategy Committee

Heinz Kessler (Chair)
Georg Winckler
Theresa Jordis
Jan Homan
Juan Maria Nin Génova
Friedrich Rödler
Wilhelm Rasinger (Substitute)
Friedrich Lackner
Christian Havelka
Bertram Mach (until 16 June and as of 17 Sept. 2010)
Markus Haag (from 16 June to 17 Sept. 2010)
Andreas Lachs (Substitute)

Mandates in supervisory boards or similar functions in other foreign and domestic companies for each supervisory board member (listed companies are marked with “*”)

Heinz Kessler

Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung (Vice Chair)
Česká spořitelna, a.s. (Vice Chair)
DIE ERSTE österreichische Spar-Casse Privatstiftung
Erste Bank der oesterreichischen Sparkassen AG (Vice Chair)
Nettingsdorfer Papierfabrik Management AG (Chair)
Rath Aktiengesellschaft* (Chair)
Reform-Werke Bauer & Co. Gesellschaft m.b.H. (Chair)

Georg Winckler

Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung (Chair)
 DIE ERSTE österreichische Spar-Casse Privatstiftung (Vice Chair)
 Innovationszentrum Universität Wien GmbH
 Steiermärkische Bank und Sparkassen Aktiengesellschaft
 UNIQA Versicherungen AG* (Vice Chair)

Theresa Jordis

Miba Aktiengesellschaft* (Chair)
 Mitterbauer Beteiligungs - Aktiengesellschaft (Chair)
 Prinzhorn Holding GmbH (Chair)
 Wolford Aktiengesellschaft* (Chair)
 Austrian Airlines AG*

Bettina Breiteneder

ZS Einkaufszentren Errichtungs- und Vermietungs-Aktiengesellschaft

Elisabeth Gürtler

ATP Planungs- und Beteiligungs-Aktiengesellschaft (Vice Chair)
 Chokoladefabriken Lindt & Sprüngli AG
 Oesterreichische Nationalbank (General Council)
 Österreich Werbung
 Österreichische Hotelierversammlung (Board of Directors)
 Wiener Kongresszentrum Hofburg Betriebs GmbH

Jan Homan

Allianz Elementar Versicherungs-Aktiengesellschaft
 Alucommerz AG
 Constantia Colmar Inc.

Brian D. O'Neill

Emigrant Bank (Dir.)
 CorpBanca (Dir.)

Juan Maria Nin Génova

Academic Board, APD
 Banco BPI, S.A.* (Portugal) (BoD)
 Circulo Ecuestre (BoD)
 Criteria CaixaCorp, S.A.* (Deputy Chairman)
 Gas Natural* (BoD)
 Grupo Vidacaixa Grup, S.A. (Insurances)
 Deusto University (BoD)
 Deusto Business School (BoD)
 Economic Group, Spain-China Forum
 Esade Business School Foundation (Trustee)
 Federació Catalana de Caixes d'Estalvis (Secretary)
 Federico García Lorca Foundation (Trustee)
 Repsol YPF* (BoD)
 Grupo Financiero Inbursa, S.A.B. DE C.V.* (BoD)
 "la Caixa" Foundation (Deputy Chairman)
 Spain-India Council Foundation (Deputy Chairman)
 Spain-United States Council Foundation

Wilhelm Rasinger

CEE Immobilien Development AG
 Sparkassen Immobilien AG*
 Wienerberger AG*

Friedrich Rödler

Erste Bank der oesterreichischen Sparkassen AG

John James Stack

Ally Financial Inc.*
 ShoreBank International
 Mutual of America*

Werner Tessmar-Pfohl

Sattler AG (Chair)
 Steiermärkische Bank und Sparkassen Aktiengesellschaft (Chair)
 Teufelberger Holding Aktiengesellschaft (Vice Chair)

Delegated by the employees council

Friedrich Lackner

DIE ERSTE österreichische Spar-Casse Privatstiftung

Markus Haag

None

Christian Havelka

None

Andreas Lachs

None

Bertram Mach

None

Barbara Smrcka

None

Karin Zeisel

None

INDEPENDENCE CRITERIA DEFINED BY THE SUPERVISORY BOARD (C RULE 53 OF THE AUSTRIAN CCG)

The supervisory board of Erste Group Bank AG defined the guidelines set out in Annex 1 of the Austrian Code of Corporate Governance as independence criteria at its meeting of 15 March 2006.

Guidelines for Independence

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 board and these relations would constitute a conflict of interest, and therefore, would be suited to influence the behaviour of a member.

- _ The supervisory board member is not permitted to 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 should not have any business relations with the company or a subsidiary of the company to an extent of significance for the supervisory board member or in the past year. This shall also apply to business relations with companies in which the supervisory board member has a material economic interest, but not for carrying out functions on the bodies of the Group. 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 should not have served as auditor for the company or have been involved in an audit or worked as an employee of the auditing firm in the past three years.
- _ The supervisory board member should not be a management board member at another company in which a member of the management board of the company is a supervisory board member.
- _ The supervisory board member should not have been a member of the supervisory board for more than 15 years. This does not apply to members of the supervisory board that are shareholders with stakes in the company or that represent the interests of such shareholders.
- _ The supervisory board member should not be a close family relation (children, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the management board or of persons that are in one of the aforementioned positions.

Presentation of the members deemed independent (C rule 53 of the Austrian CCG)

Based on the above mentioned criteria, all members of the supervisory board have declared their independence with the exception of one. John James Stack declared that he is not independent pursuant to the criteria defined due to his position as chairman of the board of Česká spořitelna until May 2007.

Presentation of the members of the supervisory board which meet the criteria of C rule 54 of the Austrian CCG

Four members of the supervisory board hold a function on a body of a company that owns over 10% of the shares in Erste Group Bank AG (Kessler, Winckler, Lackner, Nin); additionally, in 2010, one member (Rasinger) represented, above all, the interests of retail shareholders.

Note if a member of the supervisory board failed to personally attend more than half of the meetings of the supervisory board in the reporting year (C rule 58 Austrian CCG)

With the exception of one member, all members personally attended at least half of the meetings.

Object and remuneration of contracts subject to approval pursuant to Section 95 par. 5 fig. 12 Stock Corporation Act (C rule 49 Austrian CCG)

The firm DORDA BRUGGER JORDIS Rechtsanwälte GmbH, in which Theresa Jordis is a partner, invoiced companies of Erste Group for consulting work for an amount of EUR 348,775.69 in 2010. Friedrich Rödler is Senior Partner at PricewaterhouseCoopers Austria. Companies of this group billed companies of Erste Group for consulting work in an amount of EUR 54,726.00 in 2010.

INFORMATION ON THE WORKING METHODS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD PURSUANT TO SECTION 243B PAR. 2 AUSTRIAN COMMERCIAL CODE

Management Board

The management board of Erste Group Bank AG manages the company on its own responsibility. Its purpose is to pursue the welfare of the company and the interests of the shareholders and employees. The management board develops the strategic orientation of the company and accords it with the supervisory board. It ensures an effective risk management and risk control. The management board reaches its decisions taking into account all relevant legal provisions, the rules of the articles of association and its internal rules of procedure.

Supervisory Board

The supervisory board advises the management board in its strategic planning and actions. It takes part in the decisions as stipulated by law, the articles of association and its internal rules of procedure. The supervisory board has the task of supervising the management board in the management of the company.

AREAS OF COMPETENCE ON THE MANAGEMENT BOARD AS OF 31 DECEMBER 2010 (C RULE 16 AUSTRIAN CCG)

Andreas Treichl (Chairman)

Chairman's Office, Group Audit, Group Communications, Group Human Resources, Group Investor Relations, Group Marketing, Group Identity, Group Secretariat, good.bee – banking for the unbanked, Health Center

Franz Hochstrasser (Vice Chairman)

Group Research, Group Balance Sheet Management, Group Capital Markets

On an interim basis: Group Real Estate & Leasing, Group Investment Banking, Group Large Corporates Banking, Local Corporate Banking, Corporate Support and Operations, GCIB Portfolio Management

Herbert Juranek

Group Org/IT, Group Operations/Processing, Group Property Management

Martin Škopek

Group Retail Business Development, Wealth Creation, Group Card Management

Bernhard Spalt

Group Strategic Risk Management, Group Corporate Risk Management, Group Retail Risk Management, Group Legal, Group Corporate Workout, Group Compliance, Group Security Management

Manfred Wimmer

Group Accounting, Group Performance Management, Management of Subsidiaries and Investments

AREAS OF COMPETENCE ON THE MANAGEMENT BOARD AS OF 1 JANUARY 2011

Andreas Treichl (Chairman)

Chairman's Office, Group Audit, Group Communications, Group Human Resources, Group Investor Relations, Group Marketing, Group Identity, Group Secretariat, good.bee – banking for the unbanked, Health Center

Franz Hochstrasser (Vice Chairman)

Group Research, Group Balance Sheet Management, Group Capital Markets

Herbert Juranek

Group Org/IT, Group Operations/Processing, Group Property Management

Gernot Mittendorfer

Group Real Estate & Leasing, Group Investment Banking, Group Large Corporates Banking, Local Corporate Banking, Corporate Support and Operations, GCIB Portfolio Management

Martin Škopek

Group Retail Business Development, Wealth Creation, Group Card Management

Bernhard Spalt

Group Strategic Risk Management, Group Corporate Risk Management, Group Retail Risk Management, Group Legal, Group

Corporate Workout, Group Compliance, Group Security Management

Manfred Wimmer

Group Accounting, Group Performance Management, Management of Subsidiaries and Investments

NUMBER AND TYPE OF COMMITTEES OF THE SUPERVISORY BOARD AND THEIR DECISION-MAKING POWERS (C RULE 34 AUSTRIAN CCG)

The supervisory board has set up a risk management committee, a strategy committee, an audit committee, a committee for management board matters as well as a construction committee.

Risk management committee

The risk management 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 according to the approval authority regulation. It is charged with granting approval to exposures or large exposures pursuant to section 27 of the Banking Act, if such an investment in credit institutions exceeds 10% of the own funds of Erste Group Bank or if the investment amounts to at least 10% of the consolidated own funds of the banking group. Within the competence assigned to it, the committee may grant advance approvals to the extent permitted by law. In addition, it is responsible for the supervision of the risk management of Erste Group Bank AG.

Strategy committee

In connection with the strategic positioning of Erste Group Bank, the strategy committee is responsible for the preparation of and comments on all matters which are brought to the attention of the supervisory board, unless they are assigned to other committees. Furthermore, it is in charge of scrutinising the budget, acknowledging the reports of the individual business units and the reports on business performance, determining investment policy, and setting key strategic goals for the company. The supervisory board delegated to the committee the right of approval of the establishment and closing of branches; the right of approval of the granting of special statutory power of attorney (Prokura) or commercial power for the entire operation of the business; the right of approval for entering into agreements between employers and staff councils and for the determination of guidelines for staff policy and salary policy. The committee is also responsible for overseeing the company's portfolio of participations.

Audit committee

The audit committee is responsible for the supervision of the accounting process; the supervision of the effectiveness of the internal controlling system, the internal audit system and the risk management system; the supervision of the annual audit and the annual group audit; reviewing and supervising the qualification and the independence of the auditor (group auditor); reviewing and prepar-

ing the approval of annual financial statements, the proposal for the appropriation of profits, the status report and the corporate governance report and submitting a report on the results of the review to the supervisory board; reviewing the consolidated financial statements of Erste Group and the group status report; the preparation of the supervisory board's proposal for the selection and revocation of the auditor; the conclusion of the contract with the appointed auditor on the execution of the annual audit and the agreement on the auditor's remuneration; acknowledging prompt information on the focal points of the audit and the right to submit proposals for additional focal points of the audit; acknowledging the inspection plan of the Company's internal audit; acknowledging information on current matters relevant for the internal audit of the Erste Group and on the efficiency and effectiveness of the internal audit; acknowledging the internal auditors' report on the areas of inspection and important findings on the basis of inspections made and the activity report pursuant to § 20 in connection with § 21 paragraph 2 of the Austrian Securities Supervisory Act ("Wertpapieraufsichtsgesetz"); acknowledging immediate information on important findings of the auditor, the internal audit or an inspection by a regulatory authority; acknowledging immediate information on damages, which could exceed 5% of the consolidated equity or 10% of the budgeted net result; acknowledging reports of the management board on current developments in the fields of corporate governance and anti-money laundering, and the status of compliance; acknowledging the compliance activities report.

Committee for management board matters

According to rule 43 of the CGC, the compensation committee in Erste Group Bank is identical with the nomination committee and has been named "committee for management board matters". The committee for management board matters shall deal with and decide on relationships between Erste Group Bank AG and members of the management board with the exception of resolutions on appointment or revocation of appointment of management board members as well as the granting of stock options of the company.

Due to changes in legislation, the committee for management board matters will be renamed nomination and remuneration committee and its scope of functions will be enlarged in the financial year 2011.

Construction committee

The construction committee is responsible for advising the management board and for preparing resolutions to be adopted by the supervisory board with respect to "Erste Campus", the future headquarters of Erste Group.

Information on the number of meetings of the supervisory board during the reporting year and report on the focus of its activities

Six meetings of the supervisory board were held in the financial year 2010.

At each ordinary meeting of the supervisory board, the monthly developments of the balance sheet and the income statement were presented and reports were given on current market risk, risk-bearing capacity, the individual status of the banking subsidiaries in Central and Eastern Europe and on the areas audited and the material findings of these audits by the internal audit department. The chairpersons of the committees reported on the main topics dealt with by the committees since the last supervisory board meeting. A topic repeatedly discussed at supervisory board meetings was the respective status of the development of capital and liquidity regulation in Europe.

On 16 March 2010, the financial statements and management report 2009, the consolidated financial statements and management report 2009 as well as the corporate governance report 2009 were audited; the financial statements 2009 were adopted in accordance with the recommendation of the audit committee, and the proposal for the distribution of the profit 2009 approved. The approval for the construction of the new corporate headquarters in Vienna was given; the move to "Erste Campus" will be completed in 2015. The supervisory board lauded the outstanding achievements of Elisabeth Bleyleben-Koren who resigned from her position at Erste Bank Oesterreich on 30 June 2010 and expressed its appreciation for her many years of service. Martin Škopek was appointed to the management board as seventh member as of 1 July 2010 through 30 June 2012. Furthermore, proposals for resolutions to be submitted to the ordinary shareholders' meeting 2010 were approved. The findings of the internal evaluation of the supervisory board pursuant to the Code of Corporate Governance were discussed and the annual compliance report submitted.

At the constituent meeting on 12 May 2010, after the general shareholders' meeting, the resolution was passed on the appointments to the committees of the supervisory board and on the distribution key for the remuneration of the supervisory board resolved at the general shareholders' meeting.

On 23 June 2010, a report was delivered on the IT strategy of Erste Group and the report on major participations for 2009 and the first quarter 2010 were discussed. Another item on the agenda was the new distribution of responsibility for business areas: by circular resolution, after the meeting, retail banking was assigned to Martin Škopek and corporate banking to Johannes Leobacher.

On 15 September 2010, a report on the status of Basle III was delivered and the guidelines for the new remuneration policy were presented.

At the extraordinary meeting of the supervisory board on 28 October 2010, a moment of silence was held in honour of Johannes Leobacher who passed away unexpectedly on 14 October 2010. Following a swift and intensive search by the committee for management board matters, the decision was taken to propose to the supervisory board Gernot Mittendorfer for appointment as a member to the management board; Gernot Mittendorfer had served as

chairman and CEO of Česká spořitelna since May 2007. The supervisory board unanimously passed the resolution to appoint Gernot Mittendorfer to the management board as of 1 January 2011 through 30 June 2012.

On 15 December 2010, the budget and the investment plan 2011 of Erste Group Bank AG were approved and the Group projections for 2011 were presented. The annual report on large exposures was also presented and the latest update on the planned banking tax given.

Information on the number of meetings of committees during the reporting year and report on their activities

The risk management committee held 17 meetings in 2010, at which it regularly took decisions on exposures and loans exceeding the powers of the management board and was briefed on loans granted within the scope of authorization of the management board. The committee was regularly informed of current credit risk, market risk, risk bearing capacity and large exposures. Special reports were delivered on hedge fund exposure, audits by the OeNB and on the exposure to southern European eurozone countries.

The strategy committee met four times in 2010. Reports were presented on the planned changes to the holding organisation, equity participations, the competitive situation in Austria and the CEE states as well as several times on Basel III and the planned banking tax. Furthermore, the committee decided on the appointment of persons authorised to sign on behalf of the bank as well as on changes to existing management-works' council agreements.

The audit committee met four times in 2010. The auditors reported on the status of the audit of the financial statements and consolidated financial statements. Subject to the approval of the supervisory board, the decision was taken to propose Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. to the general shareholders' meeting as additional (Group) auditor for the financial year 2011. The supervisory board approved this proposal at its next meeting. Furthermore, the audit committee conducted its final discussion. The financial statements and the management report, as well as the group financial statements and the group management report, and the corporate governance report were audited and recommended to the supervisory board for adoption, and the proposal of the management board for the distribution of the net profit for the financial year 2009 was acknowledged. The head of the internal audit department reported on the areas audited and the key findings of the audit for the year 2009 and explained the audit plan for 2010. The internal audit department presented its report pursuant to Section 42 paragraph 3 Banking Act. A report on changes to money laundering provisions was presented together with the results of the audit on compliance with money laundering provisions. At the last meeting of the year 2010, the bank auditors presented the results of the preliminary audit and the focal points of their audit. The audit committee issued the instructions to obtain a bid for the audit of the (consolidated) financial statements 2012.

The committee for management board matters met five times in 2010. The topics discussed included the new remuneration policy, the appointment of a new member to the management board responsible for the Retail Banking division and the appointment of a successor to Johannes Leobacher.

The construction committee met five times in 2010. The main topics discussed were the project plan, project organisation, budget and costs, procedure for tenders, deadlines and related developments for "Erste Campus", the new headquarters of Erste Group in Vienna.

MEASURES TO PROMOTE WOMEN ON MANAGEMENT BOARDS, SUPERVISORY BOARDS AND IN MANAGING POSITIONS PURSUANT TO SECTION 243B AUSTRIAN COMMERCIAL CODE

Generally, Erste Group complies with the principle of equal treatment as of the first contact with a potential employee, during the entire period of employment and in some countries also after the active working life. Erste Group promotes equal opportunity and diversity ("Living and Promoting Diversity"), especially as regards gender, age and ethnicity.

Above all, the promotion of women and the work-life balance have a long tradition at Erste Group. The offers are diverse and take cultural differences in the different countries of Erste Group into account. Measures include flexible working hours and part-time work schemes as well as special support for employees during and after childcare leave such as the option of extending childcare leave, childcare leave for fathers, free childcare facilities, access to the internal job market and important news during childcare leave, seminars for women returning to work, etc.

The success of the measures implemented to date is shown by the steadily increasing share of women in management positions and bodies (e.g. supervisory board) over the past few years. The participation of women in management development programmes shows that this trend will not only continue in the future, but will become even stronger.

DISCLOSURE OF INFORMATION ON THE REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD (C RULES 30 AND 31 AUSTRIAN CCG)

Principles applicable to the performance-linked components of the management board remuneration, criteria for the performance-linked components, and major changes versus the previous year

The total compensation of the management board is given in detail in the Notes. The compensation consists of a fixed basic salary, a performance-linked payment and other remuneration.

Performance-linked payments are limited to 200% of gross annual salary for the CEO, 300% of gross annual salary for management board members with responsibility for divisions and 100% of gross annual salary for other members of the management board. The criteria for the performance-linked component of the management board compensation in the financial year 2009 (payout 2010) were net profit and the result of a leadership appraisal. In addition, management board members with division responsibility must have met business targets set by the supervisory board.

The amounts actually paid out are presented in the table below and are based on the net profit achieved of EUR 903 million (target: EUR 1,150 million) and the division target achievement, taking into account the results of the leadership appraisal.

Since the financial year 2010, the compensation criteria for the variable salary components have been extended. Apart from net profit, the criteria for the performance-linked payments include the increase in the core tier 1 ratio in relation to total risk and adjusted for participation capital, the NPL coverage ratio, the cost/income ratio and the result of the leadership appraisal (short-term incentive). Moreover, as of 1 January 2010, a long-term incentive programme was introduced. It is based on changes in the share price of Erste Group Bank AG compared to a group of peers and the Dow Jones Euro Stoxx Banks, with payout being exclusively in shares after a vesting period.

Principles of the pension scheme for management board members

The members of the management board participate in the defined contribution pension plan of Erste Group according to the same principles as the employees of the Group. If a management board member's tenure ends before he or she reaches the age of 65 by no fault of the member, then for three of the six management board members the corresponding compensatory payments are made to the pension fund.

Principles for eligible time periods and benefit entitlements of the management board members in the case of termination of the position

Regarding benefit entitlements of management board members in the event of termination of their position, the standard legal termination benefit conditions of Section 23 of the Salaried Employees Act apply for three members of the management board. All other members of the management board are not entitled to receive any termination benefits.

Directors and officers insurance

A directors and officers insurance policy exists for the members of the management board paid for by Erste Group Bank AG.

Remuneration of the management board members

in EUR thousand	Salary for the FY 2010	Performance-linked cash compensation for the FY 2009	Other compensation for the FY 2010	Total FY 2010
Management board member				
Andreas Treichl	1,050	1,297	448	2,795
Franz Hochstrasser	570	925	144	1,638
Bernhard Spalt	570	405	60	1,035
Herbert Juranek	570	405	60	1,035
Manfred Wimmer	570	365	158	1,093
Martin Škopek	326	0	53	379
Johannes Leobacher †	466	289	98	853

Disclosure of remuneration paid to each member of the supervisory board in 2009 (C rule 51)

in EUR thousand	Meeting fees for 2010	Supervisory board compensation for 2009	Total
Supervisory board member			
Heinz Kessler	18.5	50.0	68.5
Georg Winckler	13.5	37.5	51.0
Theresa Jordis	14.0	37.5	51.5
Bettina Breiteneder	12.0	25.0	37.0
Elisabeth Gürtler	3.0	25.0	28.0
Jan Homan	4.0	25.0	29.0
Wilhelm Rasinger	13.5	25.0	38.5
Friedrich Rödler	17.5	25.0	42.5
Werner Tessmar-Pfohl	5.0	25.0	30.0
Gabriele Zuna-Kratky	0.0	8.3	8.3
Brian Deveraux O'Neill	2.0	25.0	27.0
John James Stack	2.0	25.0	27.0
Juan Maria Nin Genova	3.0	16.7	19.7
Markus Haag	3.5		3.5
Christian Havelka	6.5		6.5
Friedrich Lackner	8.5		8.5
Andreas Lachs	11.0		11.0
Bertram Mach	8.0		8.0
Barbara Smrcka	5.5		5.5
Karin Zeisel	10.5		10.5

REPORT ON THE EXTERNAL EVALUATION

In 2006, for the first time, Erste Group Bank AG conducted an external evaluation of compliance with the Code of Corporate Governance for 2005. In April 2009, a voluntary external evaluation was completed for the financial year 2008. The two evaluations arrived at the results that Erste Group Bank AG complied with all of the rules of the Code. The summaries of the reports on these evaluations are available on the website of Erste Group Bank AG.

The next external evaluation is planned for the year 2012.

SHAREHOLDERS' RIGHTS

Voting rights

Each share of Erste Group Bank AG entitles its holder to one vote at the shareholders' meeting. In general, shareholders may pass resolutions at a shareholders' 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 shareholders' meeting, which requires a majority of 75% of the votes cast and a majority of 75% of the share

capital present at such a meeting. Second, the articles of association may be amended, provided that such amendment does not concern the business purpose, by a resolution of the shareholders' meeting, which requires a simple majority of the votes cast and a simple majority of the share capital present at such a meeting. Third, each 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 shareholders' meeting.

Liquidation proceeds

In case of dissolution of Erste Group Bank AG, the assets remaining after the discharge of liabilities and supplementary capital will be distributed pro-rata to the shareholders and the holders of participation capital securities. The dissolution of Erste Group Bank requires a majority of at least 75% of the share capital present at a shareholders' meeting.

Subscription rights

In principle, 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. Such subscription rights are in proportion to the number of shares held by such shareholders prior to the issue of the new shares. The aforementioned subscription rights do not apply if the respective shareholder

does not exercise his or her subscription rights, or the subscription rights are excluded by a resolution of the shareholders' meeting or a resolution of the management board and the supervisory board in certain cases.

The Austrian Stock Corporation Act contains provisions that protect the rights of individual shareholders. In particular, all shareholders must, under equal circumstances, be treated equally, unless the affected shareholders 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 or the rights associated with the shares or the exercise of the shareholders' rights that differ from statutory requirements.

Stock corporations like Erste Group Bank AG must hold at least one shareholders' meeting per year (ordinary shareholders' meeting), which must be held within the first eight months of any business year and must cover at least the following issues:

- _ **Presentation of certain documents;**
- _ **Distribution of the annual profit;**
- _ **Approval of the actions of the management board and the supervisory board for the preceding business year.**

Vienna, 1 March 2011

Management Board

Andreas Treichl mp
Chairman

Franz Hochstrasser mp
Vice Chairman

Herbert Juranek mp
Member

Gernot Mittendorfer mp
Member

Martin Škopek mp
Member

Bernhard Spalt mp
Member

Manfred Wimmer mp
Member