



Corporate governance

Corporate Governance Report

In 2003, Erste Group Bank AG declared its commitment to comply with the rules of the Austrian Code of Corporate Governance (Austrian CCG) with the objective of ensuring responsible and transparent corporate governance. The Corporate Governance Report has been prepared in accordance with section 243b of the Austrian Commercial Code and Rules 60 et seq of the Austrian Code of Corporate Governance and also complies with sustainability reporting guidelines (www.globalreporting.org). The current version of the Austrian CCG as well as its English translation are publicly available on the website www.corporate-governance.at.

The Austrian CCG 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 control oriented to creating value over the long term. Application of the Austrian CCG guarantees a high degree of transparency for all stakeholders including investors, customers and employees. The Code contains the following sets of rules: L-Rules (Legal Requirements – mandatory legal norms), C-Rules (Comply-or-Explain – deviations are permitted, but must be explained) and R-Rules (Recommendations – these rules are more similar to recommendations; non-compliance does not need to be disclosed or explained).

In the financial year 2013, Erste Group complied with all L-Rules and R-Rules of the Austrian CCG as well as with all C-Rules with the exception of the one described below.

Pursuant to C-Rule 57 of the Austrian CCG, supervisory board members holding a position on the management board of a listed company are not permitted to hold more than a total of four supervisory board mandates in non-Group stock corporations (chairmanship counts double). Companies included in the consolidated financial statements or in which an investment with a business interest is held are not considered non-Group stock corporations. Juan María Nin Génova, a member of the management board of the listed company CaixaBank S.A., held five supervisory board mandates in non-Group stock corporations in 2013. CaixaBank S.A., in which he serves as a member of the management board, became a listed company only after he had assumed his supervisory board mandates.

Working methods of the management board and the supervisory board

Erste Group Bank AG has a two-tier governance structure with a management board and a supervisory board as management bodies.

The management board of Erste Group Bank AG is responsible for the management of the company. Its duty is to promote the welfare of the company with due regard to the shareholders' and the employees' interests. The management board develops the strategic orientation of the company and aligns it with the supervisory board. It ensures effective risk management and risk control. The management board takes its decisions in compliance with all relevant legal provisions, the articles of association and its internal rules of procedure.

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

Selection and assessment of members of management bodies

The qualification requirements for members of the management bodies (management board and supervisory board) of Erste Group Bank AG are governed by the internal guidelines for the selection and assessment of members of the management and supervisory boards. These guidelines define, in accordance with applicable legal provisions, the internal framework for the selection and assessment of proposed and appointed members of the management bodies and are also an important tool for ensuring good corporate governance and control. The assessment of proposed and appointed members of management bodies is based on the following criteria: personal reputation, professional qualifications and experience as well as governance criteria (potential conflicts of interest, independence, time availability, overall composition of the management or supervisory board and diversity).

Training and development

To maintain an appropriate level of professional qualification of members of the management bodies, Erste Group regularly organises events and seminars for its staff and management. Speakers at these events are in-house and outside experts.

MANAGEMENT BOARD

In the financial year 2013, the management board of Erste Group Bank AG consisted of five members.

Management board member	Year of birth	Date of initial appointment	End of the current period of office
Andreas Treichl (Chairman)	1952	1 October 1994	30 June 2017
Franz Hochstrasser (Vice Chairman)	1963	1 January 1999	30 June 2017
Herbert Juranek	1966	1 July 2007	30 June 2017
Gernot Mittendorfer	1964	1 January 2011	30 June 2017
Andreas Gottschling	1967	1 September 2013	30 June 2017
Manfred Wimmer*	1956	1 September 2008	31 August 2013

Manfred Wimmer resigned from the management board as of 31 August 2013. Andreas Gottschling joined the management board on 1 September 2013.

Distribution of responsibilities on the management board

Management board member	Areas of responsibility
Andreas Treichl (Chairman)	Group Strategy & Participation Management, Group Secretariat (including Corporate Social Responsibility, Group Environmental Management), Group Communications, Group Investor Relations, Group Human Resources (including Group Diversity), Group Audit, Group Brands, Employees' Council
Franz Hochstrasser (Vice Chairman)	Group Large Corporates Banking, Erste Group Immortent Client, Industries and Infrastructure, Group Capital Markets, Group Research, Group Investment Banking, Steering & Operating Office Markets, Steering & Operating Office Large Corporates/Erste Group Immortent
Herbert Juranek	Group Organisation/IT, Group Banking Operations, Group Services
Gernot Mittendorfer	Since 28 October 2013: Group Accounting, Group Performance Management, Group Asset Liability Management Until 27 October 2013: Group Strategic Risk Management, Group Corporate Risk Management, Group Retail Risk Management, Group Corporate Workout, Group Compliance Legal & Security, Erste Group Immortent Real Estate Risk Management, Group Risk Governance and Projects, Quantitative Risk Methodologies
Andreas Gottschling	Since 28 October 2013: Operational Risk, Compliance & Security, Group Workout, Risk Methods and Models, Corporate Credit Risk Management, Group Risk Operating Office, Group Validation, Enterprise wide Risk Management, Group Legal, Group Retail and SME Risk Management
Manfred Wimmer	Until his resignation: Group Accounting, Group Performance Management, Group Asset Liability Management

Supervisory board mandates and similar functions

In the financial year 2013, the management board members of Erste Group Bank AG held the following supervisory board mandates or similar functions in domestic or foreign companies not included in the consolidated financial statements:

Andreas Treichl

DONAU Versicherung AG Vienna Insurance Group (Vice Chairman), MAK – Österreichisches Museum für angewandte Kunst (Chairman), Sparkassen Versicherung AG Vienna Insurance Group (Chairman)

Franz Hochstrasser

CEESEG Aktiengesellschaft, Oesterreichische Kontrollbank Aktiengesellschaft (Vice Chairman), Wiener Börse AG

Manfred Wimmer

Österreichische Galerie Belvedere

Herbert Juranek, Gernot Mittendorfer and Andreas Gottschling did not hold any supervisory board mandates or similar functions in domestic or foreign companies not included in the consolidated financial statements.

SUPERVISORY BOARD

In the financial year 2013, the following persons were members of the supervisory board of Erste Group Bank AG:

Position	Name	Year of birth	Occupation	Date of initial appointment	End of the current period of office
Chairman	Friedrich Rödler	1950	Auditor and tax advisor	4 May 2004	AGM 2014
1st Vice Chairman	Georg Winckler	1943	Former rector of the University of Vienna; Professor emeritus of Economics	27 April 1993	AGM 2015
2nd Vice Chairwoman	Theresa Jordis	1949	Lawyer	26 May 1998	29 July 2013
Member	Bettina Breiteneder	1970	Entrepreneur	4 May 2004	AGM 2014
Member	Jan Homan	1947	General Manager, ret.	4 May 2004	AGM 2014
Member	Brian D. O'Neill	1953	Vice Chairman Lazard International	31 May 2007	AGM 2017
Member	Juan María Nin Génova	1953	Vice Chairman and CEO CaixaBank	12 May 2009	AGM 2014
Member	Wilhelm Rasinger	1948	Consultant	11 May 2005	AGM 2015
Member	John James Stack	1946	CEO, ret.	31 May 2007	AGM 2017
Member	Werner Tessmar-Pfohl	1942	Entrepreneur, ret.	6 May 2008	16 May 2013
Delegated by the employees' council					
Member	Andreas Lachs	1964		9 August 2008	Until further notice
Member	Friedrich Lackner	1952		24 April 2007	Until further notice
Member	Bertram Mach	1951		9 August 2008	Until further notice
Member	Barbara Smrcka	1969		9 August 2008	29 July 2013
Member	Karin Zeisel	1961		9 August 2008	Until further notice

Changes in the supervisory board in the financial year: Werner Tessmar-Pfohl resigned at the end of the annual general meeting (AGM) on 16 May 2013. Theresa Jordis resigned on

29 July 2013. The delegation of Barbara Smrcka was revoked as of the same date.

Membership in supervisory board committees

Committee membership as of 31 December 2013:

Name	Construction committee	Executive committee	Nomination committee	Audit committee	Risk management committee	Remuneration committee
Friedrich Rödler	Vice Chairman	Chairman	Chairman	Vice Chairman*	Chairman	Chairman**
Georg Winckler	Member	Vice Chairman	Vice Chairman	Chairman	Vice Chairman	Vice Chairman
Bettina Breiteneder	Chairwoman	-	-	Member	Member	-
Jan Homan	-	Member	-	Substitute	Member	Substitute
Brian D. O'Neill	-	-	-	-	-	Member
Juan María Nin Génova	-	Member	-	-	-	Member
Wilhelm Rasinger	-	Substitute	-	Member	Member	-
John James Stack	-	-	-	-	-	Member
Delegated by the employees' council						
Andreas Lachs	-	Substitute	-	Member	Member	Substitute
Friedrich Lackner	Member	Member	Member	Member	-	Member
Bertram Mach	Substitute	Member	Substitute	-	Member	Member
Karin Zeisel	-	-	-	Substitute	Member	Member

*Financial expert, **Remuneration expert

Mandates on supervisory boards or similar functions

As of 31 December 2013, the supervisory board members of Erste Group Bank AG held the following additional supervisory board mandates or similar functions in domestic or foreign companies. Listed companies are marked with *.

Friedrich Rödler

Erste Bank der oesterreichischen Sparkassen AG, Erste Bank Hungary Zrt.

Georg Winckler

Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung (Chair), DIE ERSTE österreichische Spar-Casse Privatstiftung (Chair), Educational Testing Service (ETS) (Trustee), Erste Bank der oesterreichischen Sparkassen AG, UNIQA Insurance Group AG* (Vice Chair)

Bettina Breiteneder

ZS Einkaufszentren Errichtungs- & Vermietungs-Aktiengesellschaft

Jan Homan

Allianz Elementar Versicherungs-Aktiengesellschaft, Billerud

Korsnäss AB, Constantia Flexibles Group GmbH (Chair), Frapag Beteiligungsholding AG (Chair), Slovenská sporiteľňa, a.s.

Brian D. O'Neill

Council of the Americas (BoD), Emigrant Bank (BoD), Inter-American Dialogue (BoD), Banca Comercială Română S.A., Seven Seas Water (BoD)

Juan María Nin Génova

APD – Association for the Advancement of Management (Member of the Academic Board), Banco BPI, S.A.* (Portugal) (BoD), CaixaBank, S.A.* (Vice Chair), Criteria CaixaHolding S.A. (Vice Chair), Gas Natural SDG, S.A.* (BoD), Grupo Financiero Inbursa, S.A.B. DE C.V.* (BoD), Repsol YPF* (BoD), VidaCaixa Grupo, S.A.U. (BoD), “la Caixa” Foundation (Vice Chair), Circulo Ecuestre (BoD), Aspen Institute Spain Foundation (Trustee), CEDE Foundation (BoD), Deusto University (BoD), Deusto Business School (BoD), Esade Business School Foundation (Trustee), Federico Garcia Lorca Foundation (Trustee), FUOC-Foundation for the Open University of Catalonia (Member of the Global Strategy Council), Spain-China Council Foundation (BoD), Spain-India Council Foundation (BoD), Spain-United States Council Foundation (BoD)

Wilhelm Rasinger

Friedrichshof Wohnungsgenossenschaft reg. Gen. mbH (Chair), S IMMO AG*, Wienerberger AG*, Haberkorn Holding AG

John James Stack

Ally Bank (BoD), Česká spořitelna, a.s. (Chair), Mutual of America* (BoD)

Theresa Jordis (resigned on 29 July 2013)

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

Werner Tessmar-Pfohl (resigned on 16 May 2013)

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

Andreas Lachs

VBV-Pensionskasse AG

Bertram Mach, Barbara Smrcka and Karin Zeisel did not hold any mandates on supervisory boards or similar functions in domestic or foreign companies.

Mechanism for shareholders and employees to provide recommendations and direction to the supervisory board

In accordance with the law and the articles of association, the Employees' Council has the right to delegate one member from among its ranks for every two members appointed by the annual general meeting (statutory one-third parity rule). If the number of shareholder representatives is an odd number, then one more member is appointed as an employee representative.

Under the articles of association (Art. 15.1), DIE ERSTE österreichische Spar-Casse Privatstiftung, a private foundation, is accorded the right to delegate up to one third of the members of the supervisory board to be elected by the annual general meeting. The Privatstiftung has not exercised this right to date.

Measures to avoid conflicts of interest

The members of the supervisory board are annually obligated to consider the regulations of the Austrian CCG regarding conflicts of interest. Furthermore, new members of the supervisory board receive comprehensive information regarding the avoidance of conflicts of interest when taking up their supervisory board functions.

Independence of the supervisory board

At its meeting of 15 March 2006, the supervisory board of Erste Group Bank AG defined the guidelines set out in Annex I of the Austrian Code of Corporate Governance as independence criteria pursuant to C-Rule 53 of the Austrian CCG:

A member of the supervisory board is deemed to be independent if such person does not have any business or personal relations with the company or its management that would constitute a material conflict of interest and, therefore, might influence the member's conduct.

- _ The supervisory board member shall not have been a member of the management board or a managing employee of the company or of a subsidiary of the company in the past five years.
- _ The supervisory board member shall not have or not have had in the past year any business relations with the company or a subsidiary of the company to an extent of significance for the supervisory board member. This shall also apply to business relations with companies in which the supervisory board member has a significant economic interest, but not to positions held in the Group's managing bodies. The approval of individual transactions by the supervisory board pursuant to L-Rule 48 does not automatically qualify the respective supervisory board member as not being independent.
- _ The supervisory board member shall not have served as auditor for the company or been involved in an audit or worked as an employee of the audit firm that audited the company in the past three years.
- _ The supervisory board member shall not serve as a management board member at another company in which a member of the company's management board is a supervisory board member.
- _ The supervisory board member shall not serve on the supervisory board for more than 15 years. This shall not apply to members of the supervisory board that hold investments with a business interest or that represent the interests of such a shareholder.
- _ The supervisory board member shall not be a close family relation (child, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the management board or of persons holding one of the positions described in the points above.

Based on the above criteria, all members of the supervisory board have declared their independence.

In 2013, two members of the supervisory board (Georg Winckler, Friedrich Lackner) served on a management body of a company holding more than 10% of the shares of Erste Group Bank AG. One member (Wilhelm Rasinger) represented in particular the interests of retail shareholders.

Attendance of supervisory board meetings

In 2013, all members of the supervisory board attended at least half of its meetings.

Self-evaluation of the supervisory board

The supervisory board performed a self-evaluation of its activity pursuant to C-Rule 36 of the Austrian CCG. In the supervisory board meeting of 28 October 2013, it considered the efficiency of its activity, including in particular its organisation and methods of work.

Contracts subject to approval pursuant to section 95 (5) 12 Austrian Stock Corporation Act (C-Rule 49 Austrian CCG)

In 2013, the firm DORDA BRUGGER JORDIS Rechtsanwälte GmbH, in which Theresa Jordis was a partner, invoiced companies of Erste Group for consulting work in the total amount of EUR 314,727.77. Friedrich Rödlner was a Senior Partner at PricewaterhouseCoopers Austria until 30 June 2013. Companies of this group billed companies of Erste Group for consulting work in the total amount of EUR 348,471 up to and including 30 June 2013.

SUPERVISORY BOARD COMMITTEES AND THEIR DECISION-MAKING POWERS

The supervisory board has set up six committees: the risk committee (until 31 December 2013 the risk management committee), the executive committee, the audit committee, the nomination committee, the remuneration committee and the construction committee.

Risk committee

The risk committee is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the management board defined in the approval authority regulation. The approval of the risk committee is required for any exposure or large exposure as defined in section 27 (beginning with 1 January 2014 section 28a) of the Austrian Banking Act if the carrying value of such an investment exceeds 10% of the company's eligible own funds or of the banking group's eligible consolidated own funds. In addition, it may grant advance approvals to the extent permitted by law. The risk committee is responsible for monitoring the risk management of Erste Group Bank AG. The supervisory board has delegated to the risk committee the right to approve the establishment of branches, to grant special statutory power of attorney (Prokura) or commercial power (Handlungsvollmacht) for all business operations. The committee is responsible for monitoring the Group's portfolio of participations except in cases where this is the responsibility of the audit committee. The tasks of the risk committee include the acknowledgement of reports on legal disputes and on the risk impact and costs of major IT projects as well as of reports on important audits of subsidiaries conducted by regulatory authorities.

Executive committee

The executive committee meets on an ad hoc basis at the supervisory board's request for the purpose of preparing specific topics for meetings or for resolutions to be taken by circular. The com-

mittee may also be assigned the power to take final decisions. In case of imminent danger and to prevent severe damage, the executive committee may be convened by its chairperson in order to take action in the interest of the company even without a specific mandate from the supervisory board.

Audit committee

The audit committee is responsible for overseeing the accounting process; monitoring the effectiveness of the company's internal control system, internal audit system and risk management system; overseeing the annual audit of single-entity and consolidated financial statements; reviewing and monitoring the qualification and independence of the auditor (Group auditor); reviewing and preparing the adoption of annual financial statements, the proposal for the appropriation of profits, the management 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 management report; preparing the supervisory board's proposal for the selection and revocation of the auditor; conclusion of the contract with the appointed auditor for the performance of the annual audit and agreement on the auditor's remuneration; acknowledging timely information on the focal points of the audit and submitting proposals for additional focal points of the audit; taking note of the annual financial statements of key subsidiaries; acknowledging the audit plan of the company's internal audit function; acknowledging information on current matters relevant for the internal audit of the Group and on the efficiency and effectiveness of the internal audit; acknowledging the internal auditors' report on the audit areas and material audit findings and the activity report pursuant to section 20 in connection with section 21 (2) of the Austrian Securities Supervisory Act (Wertpapieraufsichtsgesetz); acknowledging immediate information on material findings of the auditor, the internal audit function or an audit conducted by a regulatory authority; acknowledging immediate information on loss events that could exceed 5% of consolidated equity or 10% of the budgeted net result; acknowledging reports of the management board on current developments and compliance regarding corporate governance and anti-money laundering rules; acknowledging the compliance activity report pursuant to section 18 in connection with section 21 of the Austrian Securities Supervisory Act (Wertpapieraufsichtsgesetz).

Nomination committee

Meetings of the nomination committee are held as needed (beginning with 1 January 2014 at least once a year) or when a member of the committee or of the management board requests a meeting. The nomination committee submits proposals to the supervisory board for filling management board mandates that become vacant and deals with issues of succession planning. The committee discusses and decides on the content of employment contracts for members of the management board. It deals with and decides on relationships between the company and the members of the management board except for resolutions to appoint members to the management board or revoke such appointments

and on the granting of company stock options. Furthermore, the nomination committee submits proposals to the supervisory board for filling supervisory board mandates that become vacant. Particular attention is given to the members' personal and professional qualifications, a well-balanced composition of the supervisory board in terms of expertise and to diversity.

Remuneration committee

The remuneration committee approves the general principles of remuneration policy, reviews them regularly and is also responsible for their implementation. The committee monitors remuneration policy, remuneration practices and remuneration-linked incentive programmes. The committee monitors the payment of variable remuneration to members of the management board and to the company's second management level as well as to management board members of major subsidiaries. Furthermore, the remuneration of senior managers in risk management and in compliance functions is reviewed directly by the remuneration committee. Once a year, the committee is presented with a comprehensive report on the remuneration system including key performance indicators as well as a report on the situation regarding personnel and management in the Group.

Construction committee

The construction committee is responsible for advising the management board and for preparing resolutions of the supervisory board with respect to Erste Campus, the future headquarters of Erste Group. The supervisory board may assign further tasks to the committee, if necessary.

MEETINGS OF THE SUPERVISORY BOARD AND REPORT ON PRINCIPAL ACTIVITIES

Eight meetings of the supervisory board were held in the financial year 2013.

At each ordinary meeting of the supervisory board, the monthly developments of the balance sheet and the income statement were presented, reports were given on individual risk types and the bank's total risk; the status of individual banking subsidiaries in Central and Eastern Europe was discussed and reports were delivered on the areas audited and on the internal audit department's material audit findings. The chairpersons of the committees reported on the main topics dealt with by the committees since the last supervisory board meeting. A recurring topic at the supervisory board meetings was the status of the future banking supervisory regime at the European level and in Austria and its implications for Erste Group. The management board regularly presented proposals to the supervisory board that require its approval under the law, the articles of association and the rules of procedure.

On 8 March 2013, the financial statements and the management report 2012, the consolidated financial statements and consolidated management report 2012 as well as the corporate governance report 2012 were reviewed; the bank auditors' reports were dis-

cussed, the financial statements 2012 were adopted in accordance with the recommendation of the audit committee, and the proposal for the appropriation of the profit 2012 was approved. Furthermore, the resolutions proposed for the annual general meeting were discussed and approved.

At the joint extraordinary meeting of the management board, the audit committee and the supervisory board held on 9 April 2013, previously passed resolutions on the financial statements prepared in February 2013 by the management board and adopted by the supervisory board in March 2013 were revoked due to an error in the calculation of risk-weighted assets. The auditors were requested to revoke their auditors' opinion on the financial statements for the year ended on 31 December 2012 of Erste Group Bank AG. The auditors complied with this request. At the meeting, the financial statements for 2012 were restated and adopted. The error concerned exclusively the single-entity financial statements prepared in accordance with the Austrian Commercial Code and hence did not have any impact on the consolidated financial statements 2012 to which, therefore, no changes had to be made. The changes made were regarded as not material.

On 8 May 2013, a report was given on the status quo and developments at the foreign branches of Erste Group Bank AG in New York, London, Hong Kong and Malta. This meeting also approved the internal guidelines of Erste Group Bank AG on the selection and assessment of members of the management board and the supervisory board as well as of persons holding key functions.

At the constituent meeting of 16 May 2013 after the annual general meeting, the distribution key for the remuneration of supervisory board members approved by the annual general meeting was adopted.

On 19 June 2013, the report on major participations for 2012 and the first quarter of 2013, the report on directors' dealings and the annual compliance report were presented and discussed. The resignation of Manfred Wimmer was accepted and amongst others the appointment of Andreas Gottschling as a new member of the management board of Erste Group Bank AG was approved. In this context it was decided that, because of his expertise and experience, Andreas Gottschling will succeed Gernot Mittendorfer as chief risk officer while Gernot Mittendorfer will succeed Manfred Wimmer as chief financial officer. Due to these changes, responsibilities were newly assigned and new rules of representation were adopted.

On 5 September 2013, a detailed report was given on developments regarding Erste Campus, the future headquarters building of Erste Group, and on the entire Quartier Belvedere. It was furthermore advised that Theresa Jordis had resigned for health reasons from her function as member of the supervisory board and as second vice chairwoman of the supervisory board. Conse-

quently, the Employees' Council revoked the nomination of Barbara Smrcka and committee appointments were adjusted.

The meeting on 28 October started with a moment of silence in remembrance of Theresa Jordis, who had passed away on 7 September 2013. After discussion of the results of the supervisory board's self-evaluation 2012/13, a report was given on the activities of Erste Hub, the Erste Group's innovation centre for new banking solutions. The diversity strategy of Erste Group was approved.

On 19 December 2013, the budget and the investment plan 2014 of Erste Group Bank AG were approved and a report on the consolidated budget for the year 2014 was presented. Furthermore, a detailed report on the restructuring programme for the Romanian subsidiary Banca Comercială Română was presented. Information was provided on anti-corruption measures taken within the Group, on the recovery and resolution plan of Erste Group Bank AG and on the status of the ECB's Asset Quality Review. At this meeting, the supervisory board approved the restructuring of the Austrian savings banks' cross-guarantee system (*Haftungsverbund*), which had become necessary due to new regulatory requirements. Finally, the meeting adopted the rules of procedure of the management board, the supervisory board and its committees that had been amended to comply with the new provisions of the Austrian Banking Act.

MEETINGS OF THE COMMITTEES AND REPORT ON ACTIVITIES

The risk committee held seventeen meetings in 2013 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 authorisation of the management board. The committee was regularly informed of the individual risk types, risk-bearing capacity and large exposures. Furthermore, reports were given on the situation of specific sectors and industries, on the audits conducted by supervisory authorities, on various legal disputes as well as on risk development in certain countries and subsidiaries, on the activities of Group Compliance and on the new supervisory regime at the European level and in Austria.

The executive committee met twice in 2013 within the scope of the powers assigned to it by the supervisory board to adopt the resolutions needed to carry out the capital increase in connection with the redemption of the participation capital.

The audit committee met six times in 2013. Among other things, the auditors reported on the status of the audit of the single-entity 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 annual general meeting as an additional auditor of the (consolidated) financial statements for the financial year 2014. The supervisory board approved this proposal at its next

meeting. The audit committee also conducted the final discussion. The financial statements and the management report, the consolidated financial statements and the consolidated management report as well as the corporate governance report were audited and recommended to the supervisory board for adoption, and the proposal of the management board for the appropriation of the net profit for the financial year 2012 was acknowledged. The head of the internal audit department reported on the audit subjects and material audit findings for the year 2012 and explained the audit plan for 2013. The internal audit department presented its reports pursuant to section 42 (3) of the Austrian Banking Act. A report was given on the audit of the functionality of the risk management system according to Rule 83 of the Austrian CCG and on the effectiveness of the internal control system. The audit committee also discussed its work plan and defined which topics were to be on the agendas of which meetings.

The nomination committee met three times in 2013 and dealt with various personnel matters relating to the management board and the supervisory board. One of the meetings assessed the qualification of the new chief risk officer Andreas Gottschling, a subsequent one reassessed Gernot Mittendorfer due to his change from chief risk officer to chief financial officer. Furthermore, the nomination committee dealt with proposals for membership of the supervisory board to be approved at the annual general meeting 2014.

The remuneration committee met four times in 2013 and discussed various remuneration topics relating to Erste Group and its subsidiaries including the structure of key performance indicators and the bonus policy, and was informed about regulatory developments relating to remuneration.

The construction committee met four times in 2013. Its main topics were project planning, project organisation, the budget, costs and risks as well as procedures relating to tenders, scheduling and developments regarding Erste Campus, the Erste Group's headquarters building currently under construction in Vienna.

MEASURES TAKEN TO PROMOTE WOMEN ON MANAGEMENT BOARDS, SUPERVISORY BOARDS AND IN MANAGING POSITIONS

Erste Group was founded on the principles of accessibility and inclusion. Diversity and equal opportunities are firmly embedded in Erste Group's corporate philosophy and corporate culture, thus providing a solid foundation for building strong and mutually beneficial relationships between Erste Group, its employees and the communities and societies in Erste Group's markets.

Erste Group institutionalised its commitment to promoting equal opportunities and diversity by appointing a Diversity Manager in mid-2013. She is responsible for developing a Group-wide diversity policy, identifying targets and measures, as well as regular monitoring and reporting on targets.

Based on in-depth fact-finding and an analysis of the gender balance in the Group, the management board set an internal target to increase the share of women on the management board, in senior management positions as well as on supervisory boards (Group-wide) to 35% by 2019. Currently, 26% of senior management and 16% of supervisory board members are female. The management board also approved an action plan to reach greater gender parity through succession planning, mentoring and leadership development.

Local initiatives to support measures to promote gender parity in management positions also continued in 2013. Erste Bank Oesterreich set its own internal target to increase the share of women in management positions from the current 33% to 40% by 2017. Its WoMen Business programme contributes towards the development and promotion of female leadership by offering special training programmes and networking events for women. Česká spořitelna's diversity and inclusion programme *Diversitas*, which was launched in 2008, supports mentoring and networking for women and has received many awards and recognitions for its diversity efforts. It is considered a best practice model on the Czech labor market and within Erste Group.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Principles governing the remuneration policy

The principles governing management board remuneration are specified in the remuneration policy of Erste Group Bank AG, including in particular the definition and evaluation of perfor-

mance criteria. In accordance with legal provisions, performance-linked payments to the CEO and the management board member responsible for Corporate and Markets shall not exceed 200% of the respective annual gross salary, those to other management board members shall not exceed 100% of gross annual salary. The method for determining whether the performance criteria have been met is defined at the beginning of the year by the supervisory board following a proposal of the responsible organisational units (Group Performance Management, Group Risk Management and Group Human Resources). For 2013, both the ratio between fixed and short-term variable remuneration components and the maximum levels remained unchanged. The performance criteria for the management board are defined at both company level and individual level. The first criterion is Erste Group's overall performance. For the year 2013, this criterion is measured by reference to the solvency ratio and the payment of dividends to shareholders and investors holding participation capital. The second performance criterion is the achievement of individual objectives: these include return on equity, common equity tier-1 ratio, solvency ratio, NPL coverage ratio, cost/income ratio as well as customer satisfaction and leadership.

Since the financial year 2010, the variable part of the management board's remuneration, including both cash payments and share-equivalents, is distributed over five years in accordance with legal requirements and is paid out only under certain conditions. Share-equivalents are not exchange-traded shares but phantom shares that are paid out in cash after a one-year vesting period based on defined criteria.

Remuneration of management board members

Remuneration in 2013

in EUR thousand	Fixed salaries	Other remuneration	Performance-linked remuneration		Total
			for 2012	for previous years	
Andreas Treichl	1,262.4	470.9	392.6	65.4	2,191.4
Franz Hochstrasser	750.0	177.4	203.0	42.7	1,173.1
Herbert Juranek	631.2	98.8	120.0	16.9	866.9
Gernot Mittendorfer	633.0	97.6	129.0	0.0	859.6
Andreas Gottschling (since 9/2013)	211.0	25.8	0.0	0.0	236.8
Total	3,487.6	870.6	844.6	125.0	5,327.8

The item "Other remuneration" comprises pension fund contributions, contributions to employee provision funds (for new-type severance payments) and remuneration in kind. Apart from performance-linked remuneration and share equivalents for the financial year 2012, deferred portions of performance-linked remuneration for 2010 were also paid out or vested in 2013.

Non-cash performance-linked remuneration in 2013

Share-equivalents (in units)	For 2012	For previous years
Andreas Treichl	24,898	2,182
Franz Hochstrasser	12,449	1,423
Herbert Juranek	7,013	563
Gernot Mittendorfer	7,539	0
Andreas Gottschling (since 9/2013)	0	0
Total	51,899	4,168

Share-equivalents were valued at the average weighted daily share price of Erste Group Bank AG of the year 2013 in the amount of EUR 23.85 per share. Pay-outs will be made in the year 2014 after the one-year vesting period.

Long-term incentive programme

Currently, one long-term incentive programme (LTI), which is based on changes in the share price of Erste Group Bank AG versus a group of peers and the Dow Jones Euro Stoxx Banks, is still active. It was started on 1 January 2010 and led to the following payments in 2013.

in EUR thousand	LTI 2010
Andreas Treichl	226.5
Franz Hochstrasser	56.6
Herbert Juranek	56.6
Gernot Mittendorfer	0
Andreas Gottschling (since 9/2013)	0
Total	339.8

Manfred Wimmer resigned from the management board as of 31 August 2013. In 2013, he received EUR 421,000 in fixed and EUR 137,000 in performance-linked remuneration from previous years as well as EUR 111,000 in other remuneration. In addition, he was awarded 7,584 share-equivalents. He received EUR 57,000 under the LTI programme 2010. The severance payment, payments for unused holidays and compensatory payment to the pension fund made on his departure are included in

the remuneration of previous members of management bodies and their dependants. In 2013, EUR 3,095,000 was paid in cash and 1,066 share-equivalents were assigned to former members of management bodies and their dependants.

Principles governing the pension scheme for management board members

Members of the management board participate in the defined contribution pension plan of Erste Group on the basis of the same principles as employees. For two members of the management board, compensatory payments have to be made to the pension fund in case the management board member's tenure ends before he or she reaches the age of 65 by no fault of the member.

Principles governing vested benefits and entitlements of management board members in case of termination of the position

Regarding vested benefits and entitlements of management board members in the event of termination of their position, the standard legal severance benefit provisions of section 23 of the Austrian Salaried Employees Act (Angestelltengesetz) still apply to two members of the management board. All other members of the management board are not entitled to receive any severance benefits.

The remuneration granted to the management board members complies with the banking rules on management remuneration.

Remuneration of members of the supervisory board

in EUR thousand	Attendance fees for 2013	Supervisory board remuneration for 2012	Total
Friedrich Rödler	45.0	81.4	126.4
Georg Winckler	39.0	75.0	114.0
Bettina Breiteneder	26.0	50.0	76.0
Jan Homan	16.0	50.0	66.0
Wilhelm Rasinger	34.0	50.0	84.0
Brian D.O'Neill	9.0	50.0	59.0
John James Stack	7.0	50.0	57.0
Juan María Nin Génova	6.0	50.0	56.0
Theresa Jordis	8.0	75.0	83.0
Werner Tessmar-Pfohl	5.0	50.0	55.0
Heinz Kessler	0.0	37.4	37.4
Elisabeth Gürtler	0.0	18.7	18.7
Friedrich Lackner	0	0	0
Andreas Lachs	0	0	0
Bertram Mach	0	0	0
Karin Zeisel	0	0	0
Barbara Smrcka	0	0	0
Total	195.0	637.5	832.5

The annual general meeting 2013 granted the members of the supervisory board remuneration totalling EUR 637,568.30 for the financial year 2012, whereby the distribution of this remuneration is at the supervisory board's discretion. In addition, attendance fees paid to the members of the supervisory board were set at EUR 1,000 per meeting of the supervisory board or one of its committees.

Directors' and officers' liability insurance

Erste Group Bank AG has directors' and officers' liability insurance. The insurance policy covers former, current and future members of the management board or managing directors, of the supervisory board, the administrative board and the advisory board as well as senior management, holders of statutory powers of attorney (Prokuristen) and management staff of Erste Group Bank AG and the subsidiaries in which Erste Group Bank AG holds more than 50% of the shares or voting rights either directly or indirectly through one or more subsidiaries. The costs are borne by the company.

EXTERNAL EVALUATION

Erste Group Bank AG commissioned an external evaluation of compliance with the Austrian Code of Corporate Governance in accordance with R-Rule 62 of the Austrian CCG in the years 2006, 2009 and 2012 for the respective preceding business years. All evaluations reached the conclusion that Erste Group Bank AG had met all requirements of the Code. Summary reports on these evaluations are available at the website of Erste Group Bank AG.

SHAREHOLDERS' RIGHTS

Voting rights

Each share of Erste Group Bank AG entitles its holder to one vote at the annual general meeting. In general, shareholders may pass resolutions at an annual general meeting by a simple majority of the votes cast or, in the event that the majority of the share capital present is required to approve a measure, by a simple majority of the share capital present, unless Austrian law or the articles of association require a qualified majority vote.

The articles of association differ from the statutory majority requirements in three cases: First, the appointment of supervisory board members can be revoked before the end of their respective term by a resolution of the annual general meeting that requires a majority of 75% of the votes cast and a majority of 75% of the share capital present at such meeting. Second, the articles of association may be amended by a resolution of the annual general meeting. Provided that such amendment does not concern the business purpose, this requires a simple majority of the votes cast and a simple majority of the share capital present at such meeting. Third, any provision regulating increased majority requirements can only be amended with the same increased majority.

Dividend rights

Each shareholder is entitled to receive dividends, if and to the extent the distribution of dividends is resolved by the annual general meeting.

Liquidation proceeds

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

Subscription rights

All holders of shares have subscription rights allowing them to subscribe to any newly issued shares to maintain their existing share in the share capital of Erste Group Bank AG. Such subscription rights are in proportion to the number of shares held by such shareholders prior to the issue of the new shares. The said subscription rights do not apply if the respective shareholder does not exercise these subscription rights, or subscription rights are excluded in certain cases by a resolution of the annual general meeting or by a resolution of the management board and the supervisory board.

The Austrian Stock Corporation Act contains provisions that protect the rights of individual shareholders. In particular, all shareholders must be treated equally under equal circumstances unless the shareholders affected have consented to unequal treatment. Furthermore, measures affecting shareholders' rights, such as capital increases and the exclusion of subscription rights, generally require a shareholders' resolution.

The articles of association of Erste Group Bank AG do not contain any provisions regarding a change in the share capital, the rights associated with the shares or the exercise of the shareholders' rights that differ from statutory requirements.

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

- _ Presentation of certain documents
- _ Appropriation of profit
- _ Discharge of the members of the management board and the supervisory board for the financial year ended.

At annual general meetings, shareholders may ask for information about the company's affairs to the extent that this is required for the proper assessment of an agenda item.

Vienna, 28 February 2014

Management board

Andreas Treichl mp Franz Hochstrasser mp
Chairman Vice Chairman

Andreas Gottschling mp Herbert Juranek mp
Member Member

Gernot Mittendorfer mp
Member