



# 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 CCG and also complies with sustainability reporting guidelines ([www.globalreporting.org](http://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](http://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 2014, Erste Group Bank AG complied with all L-Rules and R-Rules of the Austrian CCG. The deviation from one C-rule is described and explained below. Pursuant to C-Rule 52a of the Austrian CCG, the number of supervisory board members (without employee representatives) shall not be higher than ten. Due to the size of the company, however, the number of shareholder representatives temporarily reached eleven in the course of the financial year 2014. After the resignation of Juan Maria Nín Génova on 11 December 2014, the number of shareholder representatives was ten as of 31 December 2014.

## **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 is responsible for managing the company as required for the benefit of the company taking into account the interests of the shareholders and the employees as well as public interest. 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

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	31 December 2014
Herbert Juranek	1966	1 July 2007	31 December 2014
Gernot Mittendorfer	1964	1 January 2011	30 June 2017
Andreas Gottschling	1967	1 September 2013	30 June 2017

In the financial year 2014, the management board consisted of five members. Franz Hochstrasser and Herbert Juranek resigned from the management board as of 31 December 2014. The supervisory board appointed Peter Bosek and Jozef Síkela (both

effective 1 January 2015) and Petr Brávek (effective 1 April 2015) as new members of the management board.

In the financial year 2014, the allocation of duties among the members of the management board was as follows:

### Allocation of duties on the management board

Management board member	Areas of responsibility
Andreas Treichl (Chairman)	Group Strategy, 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, Social Banking Development
Franz Hochstrasser (Vice Chairman)	Until the resignation as of 31 December 2014: Large Corporates, Erste Group Immortent, Group Capital Markets, Group Research, Group Investment Banking, Steering & Operating Office Markets, Steering & Operating Office Corporates
Herbert Juranek	Until the resignation as of 31 December 2014: Group Organisation/IT, Group Banking Operations, Group Services
Gernot Mittendorfer	Group Asset Liability Management, Group Controlling, Group Accounting, Group Business Information Center, Participation Management
Andreas Gottschling	Enterprise wide Risk Management, Group Risk Operating Office, Operational Risk, Compliance & Security, Group Credit and Market Risk Management, Risk Methods and Models, Group Workout, Group Validation, Group Retail and SME Risk Management, Group Legal

### Supervisory board mandates and similar functions

In the financial year 2014, the management board members 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 Chair), MAK – Österreichisches Museum für angewandte Kunst (Chair), Sparkassen Versicherung AG Vienna Insurance Group (Chair)

#### Franz Hochstrasser

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

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 2014, the following persons were members of the supervisory board.

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 2019
1st Vice Chairman	Georg Winckler	1943	Former rector of the University of Vienna and Professor emeritus of Economics	27 April 1993	AGM 2015
2nd Vice Chairman	Jan Homan	1947	General Manager, ret.	4 May 2004	AGM 2019
Member	Elisabeth Bleyleben-Koren	1948	General Manager, ret.	21 May 2014	AGM 2019
Member	Bettina Breiteneder	1970	Entrepreneur	4 May 2004	AGM 2019
Member	Gunter Griss	1945	Lawyer	21 May 2014	AGM 2019
Member	Elisabeth Krainer Senger-Weiss	1972	Lawyer	21 May 2014	AGM 2019
Member	Brian D. O'Neill	1953	Vice Chairman Lazard International	31 May 2007	AGM 2017
Member	Juan Maria Nin Génova	1953	CEO, ret.	12 May 2009	11 December 2014
Member	Wilhelm Rasinger	1948	Consultant	11 May 2005	AGM 2015
Member	John James Stack	1946	CEO, ret.	31 May 2007	AGM 2017
<b>Delegated by the employees' council</b>					
Member	Markus Haag	1980		21 November 2011	until further notice
Member	Andreas Lachs	1964		9 August 2008	until further notice
Member	Friedrich Lackner	1952		24 April 2007	11 December 2014
Member	Bertram Mach	1951		9 August 2008	until further notice
Member	Barbara Pichler	1969		9 August 2008	until further notice
Member	Karin Zeisel	1961		9 August 2008	until further notice

Changes in the supervisory board in the financial year: at the annual general meeting (AGM) held on 21 May 2014, the shareholder representatives Elisabeth Bleyleben-Koren, Gunter Griss and Elisabeth Krainer Senger-Weiss were elected to the supervisory board. The shareholder representatives Bettina Breiteneder, Jan

Homan, Juan Maria Nin Génova and Friedrich Rödler were re-elected on the same date. Concurrently Markus Haag and Barbara Pichler were delegated by the employees' council. Juan Maria Nin Génova resigned on 11 December 2014, however. Concurrently, the delegation of Friedrich Lackner was revoked.

### Membership in supervisory board committees

Committee membership as of 31 December 2014:

Name	Construction committee	Executive committee	Nomination committee	Audit committee	Risk 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
Jan Homan	-	Member	Member	Substitute	Member	Substitute
Elisabeth Bleyleben-Koren	-	-	-	Member	Member	-
Bettina Breiteneder	Chairwoman	-	Substitute	Member	Member	-
Gunter Griss	-	-	-	-	-	Member
Elisabeth Krainer Senger-Weiss	Member	-	-	-	-	-
Brian D. O'Neill	-	-	-	-	-	Member
Wilhelm Rasinger	-	Substitute	-	Member	Member	-
John James Stack	-	-	-	-	-	Member
<b>Delegated by the employees' council</b>						
Markus Haag	-	-	-	Substitute	Substitute	-
Andreas Lachs	Substitute	Substitute	Member	Member	Member	Member
Bertram Mach	Member	Member	Member	-	Member	Member
Barbara Pichler	Member	Member	Substitute	Member	-	Substitute
Karin Zeisel	-	-	-	Member	Member	Member

\*Financial expert, \*\*Remuneration expert

### **Mandates on supervisory boards or similar functions**

As of 31 December 2014, the supervisory board members 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., Österreichische Industrie Holding AG

#### **Georg Winckler**

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

#### **Jan Homan**

Allianz Elementar Versicherungs-Aktiengesellschaft, Billerud Korsnäs AB\*, Constantia Flexibles Group GmbH, Frapag Beteiligungsholding AG (Chair), Slovenská sporiteľňa, a.s.

#### **Bettina Breiteneder**

Generali Holding Vienna AG, ZS Einkaufszentren Errichtungs- & Vermietungs-Aktiengesellschaft

#### **Gunter Griss**

AVL List GmbH (Chair), Bankhaus Krentschker & Co. AG (Vice Chair), BDI - BioEnergy International AG\* (Chair), Steiermärkische Bank und Sparkassen AG (Chair)

#### **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 Maria Nin Génova** (resigned as of 11 December 2014)

Gas Natural SDG, S.A.\* (BoD), Repsol YPF\* (BoD)

#### **Wilhelm Rasinger**

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

#### **John James Stack**

Ally Bank (BoD), Ally Financial Inc.\* (BoD), Česká spořitelna, a.s. (Chair), Mutual of America Capital Management (BoD)

Elisabeth Bleyleben-Koren and Elisabeth Krainer Senger-Weiss did not hold any mandates on supervisory boards or similar functions in domestic or foreign companies as of 31 December 2014.

Delegated by the employees' council:

#### **Friedrich Lackner** (until 15 December 2014)

DIE ERSTE österreichische Spar-Casse Privatstiftung

#### **Barbara Pichler** (since 16 December 2014)

DIE ERSTE österreichische Spar-Casse Privatstiftung

#### **Andreas Lachs**

VBV-Pensionskasse AG

Markus Haag, Bertram Mach 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 Erste Group Bank AG's 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**

Pursuant to C-Rule 53 of the Austrian CCG, the majority of the members of the supervisory board elected by the general meeting or delegated by shareholders in accordance with the articles of association shall be independent of the company and its management board.

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 adheres to the independence criteria guidelines as set out in Annex I of the Austrian CCG.

– 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 member (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 2014, three members of the supervisory board (Georg Winckler, Friedrich Lackner and Barbara Pichler) 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**

Friedrich Lackner could not attend at least half of the meetings in 2014 due to illness. All other members of the supervisory board attended at least half of the 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 22 October 2014, it considered the efficiency of its activity, including in particular its organisation and methods of work.

#### **Contracts subject to approval pursuant to section 95 para 5 no 12 Austrian Stock Corporation Act (C-Rule 49 Austrian CCG)**

In 2014, the firm Griss & Partner Rechtsanwälte, in which Gunter Griss is a senior partner, invoiced companies of Erste Group for legal representation and consulting services in the total amount of EUR 17,777.28.

## **SUPERVISORY BOARD COMMITTEES AND THEIR DECISION-MAKING POWERS**

The supervisory board has set up six committees: the risk committee, the executive committee, the audit committee, the nomination committee, the remuneration committee and the construction committee.

#### **Risk committee**

The risk committee advises the management board with regard to the bank's current and future risk appetite and risk strategy and monitors the implementation of this risk strategy. The committee also reviews whether the services and products offered are adequately priced in accordance with the bank's business model and risk strategy. Without prejudice to the duties of the remuneration committee, the risk committee is also responsible for reviewing whether the incentives offered by the internal remuneration system adequately take into account risk, capital, liquidity and the probability and timing of profit realisation. 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 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. A report providing key information about the organisation, structure and operation of the risk management system in place for the company and major subsidiaries has to be submitted to the committee at least once a year. The supervisory board has delegated to the risk committee the right to approve the establishment and closure 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 committee 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), especially with regard to additional services rendered for the audited company and/or consolidated group companies; 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 and of the participations report; 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 (2) 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 supports the supervisory board in making proposals to the annual general meeting for filling supervisory board mandates that have become vacant. In filling vacant management board and supervisory board mandates,

the focus is in particular on the members' personal and professional qualifications, a well-balanced board composition in terms of expertise, a well-balanced and broad range of knowledge, skills and experience of the members on each body, and on aspects of diversity. The nomination committee also defines a target quota for the underrepresented gender and develops a strategy to achieve this target. Furthermore, the nomination committee has to ensure that the management board's and the supervisory board's decision-making processes are not dominated by one single person or a small group of persons. The nomination committee periodically assesses the management board's and the supervisory board's structure, size, composition and performance and submits proposals for changes to the supervisory board, if necessary. In addition, the nomination committee has to conduct periodic assessments of the expertise, skills and experience of both the management board members and the individual members of the supervisory board as well as of each body in its entirety and to report its findings to the supervisory board. As regards the selection for senior management positions, the nomination committee has to review the course of action adopted by the management board and supports the supervisory board in making recommendations to the management board.

### Remuneration committee

The remuneration committee prepares resolutions on remuneration matters, including resolutions that have an impact on the bank's risk and risk management and have to be passed by the supervisory board. 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, in relation to the control, monitoring and containment of risks, the capital base and liquidity, with due regard to the long-term interests of the bank's shareholders, investors and employees as well as the national interest in a well-functioning banking system and financial market stability. 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 2014.

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 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 in the financial year 2014 was reports on current regulatory developments in the banking environment and their impacts on Erste Group, including in particular the status of the banking supervisory regime at the European level and in Austria. In the financial year 2014, reports were also issued repeatedly on the current status of the asset quality review and the stress test conducted by the European Central Bank (ECB) and the European Banking Authority (EBA), respectively. 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 13 March 2014, the financial statements and the management report 2013, the consolidated financial statements and consolidated management report 2013 as well as the corporate governance report 2013 were reviewed; the bank auditors' reports were discussed, the financial statements 2013 were adopted in accordance with the recommendation of the audit committee, and the proposal for the appropriation of the profit 2013 was approved. Furthermore, the resolutions proposed for the annual general meeting were discussed and approved. It was also decided to propose Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. to the annual general meeting on 21 May 2014 as an additional auditor of the (consolidated) financial statements for the financial year 2015. In addition, a report was delivered on the economic outlook in the CEE region for the years 2014 and 2015.

At the meeting held on 24 April 2014, a report was given on the status quo and the business development of the Slovak subsidiary Slovenská sporiteľňa, a.s. In addition, resolutions were adopted relating to variable remuneration components and the allocation of duties on the management board.

At the constituent meeting of 21 May 2014 held after the annual general meeting, Friedrich Rödler was elected chairman of the supervisory board and Jan Homan second vice chairman. In addition, supervisory board members were elected to the respective supervisory board committees and the composition of the committees was thus realigned. The distribution key for the re-

muneration of supervisory board members approved by the annual general meeting was adopted for 2013.

At the meeting held on 26 June 2014, the report on major participations for 2013 and the first quarter of 2014, the report on directors' dealings and the annual compliance report were discussed. The Group Recovery Plan 2014 was submitted to the supervisory board for its information and discussed.

At the meeting held on 17 September 2014, a report was given on the FMA's revised Fit & Proper circular concerning the assessment of the qualifications of directors, supervisory board members and holders of key functions and information was provided on the resulting consequences. In addition, it was announced that a self-evaluation of the supervisory board would be performed in accordance with section 29 no 6 and 7 of the Austrian Banking Act and information was provided on the further procedure.

At the meeting held on 22 October 2014, the main focus was on the changes to the management board following the resignations of Franz Hochstrasser and Herbert Juranek. It was decided to appoint Peter Bosek as a new member of the management board of Erste Group Bank AG as of 1 January 2015. Because of his expertise and experience as management board member of Erste Bank Oesterreich, it was decided that Peter Bosek will steer the retail business on a group-wide basis in addition to Austria in the newly created position of Retail Officer of Erste Group Bank AG. In addition, the results of the supervisory board's self-evaluation were discussed.

At the extraordinary meeting of 24 October 2014, the resignations of Franz Hochstrasser and Herbert Juranek effective 31 December 2014 were dealt with once again and the proposed nomination of Jozef Síkela as a new member of the management board of Erste Group Bank AG was discussed. The supervisory board subsequently decided by circular resolution dated 26 October 2014 to authorise the chairman to terminate the contracts with the resigning management board members. The appointment of Jozef Síkela as a new member of the management board of Erste Group Bank AG as of 1 January 2015 was likewise approved by circular resolution on 26 October 2014. It was also decided that in view of his expertise and experience as chairman of the management board of the Slovak subsidiary Slovenská sporiteľňa, a.s. Jozef Síkela would take over the responsibility for Erste Group's Corporate & Markets division from Franz Hochstrasser.

At the meeting held on 11 December 2014, the appointment of Petr Brávek as a new management board member of Erste Group Bank AG as of 1 April 2015 was approved. It was decided that in view of his expertise and experience as a member of the management board of the Slovak subsidiary Slovenská sporiteľňa, a.s., Petr Brávek would succeed Herbert Juranek as Chief Operations Officer of Erste Group Bank AG and would hence have responsibility for Organisation/IT and Banking Operations. The realignment of the allocation of duties and updated rules of representation for the management board as of 1 January 2015 – required due to

the changes in the management board – were also approved. Finally, a cordial farewell was bid to Juan Maria Nin Génova, who had announced his resignation from the supervisory board as of the end of 11 December 2014.

## MEETINGS OF THE COMMITTEES AND REPORT ON ACTIVITIES

The risk committee held seventeen meetings in 2014 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. In the financial year 2014, recurring reports were issued on developments in Hungary, in particular in connection with foreign-currency loans, as well as on the current status of the asset quality review and the stress test conducted by the European Central Bank (ECB) and the European Banking Authority (EBA), respectively. Reports were also delivered on the activities of Group Compliance and on regulatory developments at the European level and in Austria.

The executive committee did not meet in 2014.

The audit committee met seven times in 2014. Among other things, the auditors reported on the audit of the single-entity and consolidated financial statements for 2013, and the audit committee subsequently 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 2013 was acknowledged. The head of the internal audit department reported on the audit subjects and material audit findings for the year 2013 and explained the audit plan for 2014. The internal audit department presented its reports pursuant to section 42 para 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 for 2015 and defined which topics were to be placed on the agendas of which meetings. 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 on 21 May 2015 as an additional auditor of the (consolidated) financial statements for the financial year 2016. The auditors provided information about the preliminary audit of the single-entity and consolidated financial statements for 2014. They also reported about the audit conducted by Österreichische Prüfstelle für Rechnungslegung (OePR), the Austrian Financial Reporting Enforcement Panel (AFREP), as well as about the impacts of the asset quality review conducted by the ECB and the EBA. Tax issues relating to the recognition of deferred tax assets were also discussed. In addition, the audit committee explored the impacts of the entry into force of the EU Statutory Audit Directive and the implementation of the group policy on the independence of auditors (Pre-Approval Policy).

The nomination committee met four times in 2014 and dealt with various personnel matters relating to the management board and the supervisory board. These included, first of all, the election of supervisory board members at the annual general meeting 2014. The nomination committee assessed the qualifications of the candidates nominated for first-time or re-election and recommended that the supervisory board propose to the annual general meeting the first-time election of Elisabeth Bleyleben-Koren, Gunter Griss and Elisabeth Krainer Senger-Weiss and the re-election of Bettina Breiteneder, Jan Homan, Juan Maria Nin Génova and Friedrich Rödler to the supervisory board. Due to the changes in the management board, the nomination committee also assessed the qualifications of the candidates nominated for appointment to the management board – Peter Bosek, Jozef Síkeľa and Petr Brávek – and recommended their appointment by the supervisory board. In addition, the nomination committee reviewed the evaluation pursuant to C-Rule 36 of the Austrian CCG and evaluation of the management board and the supervisory board pursuant to section 39 no 6 and 7 of the Austrian Banking Act.

The remuneration committee met five times in 2014 and discussed various remuneration topics relating to Erste Group and its subsidiaries including the structure of key performance indicators and the bonus policy concerning the requirements for the payment of variable remuneration components. In addition, information was provided about regulatory developments concerning remuneration, including in particular the impacts of CRD IV/CRR rules.

The construction committee met five times in 2014. 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 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. The commitment to promoting equal opportunities and diversity was institutionalised by appointing a Diversity Manager responsible for developing a group-wide diversity policy, identifying targets and measures, as well as regular monitoring and reporting on targets.

At the beginning of 2014, the management board together with the supervisory board set a group-wide internal target of having 35% women at top management level (management board and senior management) and on supervisory boards by 2019. At the end of 2014, the share of female top managers was 31%, which is an increase of one percentage point over 2013 or five percentage points over 2012. In 2014, two more female managers were appointed at the first management level below the Holding board, increasing the share of women at that management level to 19% from 13% at the beginning of 2013. As two more women joined the supervisory board in 2014, the total share of women on supervisory boards rose to 25% compared with 16% at the beginning of 2013. One of the measures to increase the number of women in top management positions is to strive for a greater gender and age balance in our talent pools. The new international talent pool is made up of almost 40% women. Other measures to help increase the number of women in top management include succession pool and career planning for women, as well as mentoring, coaching and networking.

The Erste Women's Hub network was launched on 24 July 2014 and brings together women at all stages in their professional careers from the Holding, Erste Bank Oesterreich and subsidiaries. It aims to create an inclusive, sustainable network that is driven and owned by its members. Three working groups with specific goals and initiatives were established: *Women - Careers - Opportunities*, *Women Financial Lifetime* and *Erste World*.

Local initiatives to support measures to promote gender parity in management positions also continued in 2014. Erste Bank Oesterreich set its own internal target to increase the share of women in management positions to 40% by 2017. With a share of female

top managers of 41%, the target was already met at the end of 2014. The share of female top managers (from the second management level) was 36%, up three percentage points over 2013. 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 labour 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 performance criteria. The contractual maximum value of performance-linked payments to management board members shall not exceed 100% of the fixed salaries. 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 2014, both the ratio between fixed and short-term variable remuneration components and the maximum levels were reduced. Management board members have to achieve defined performance criteria at both company level and individual level. The first criterion is Erste Group's overall performance. For the year 2014, this criterion is measured by reference to four indicators: the operating result, the solvency ratio (JRAD), the common equity tier 1 ratio and the achievement of strategic goals. The second performance criterion is the achievement of individual objectives. These are, for example, the operating result, the common equity tier 1 ratio, the NPL coverage ratio, customer satisfaction and leadership quality.

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 2014

in EUR thousand	Fixed salaries	Other remuneration	Performance-linked remuneration		Total
			for 2013	for previous years	
Andreas Treichl	1,333.7	498.2	225.2	122.2	2,179.4
Franz Hochstrasser	792.4	260.3	167.0	71.1	1,290.7
Herbert Juranek	666.9	92.3	56.4	32.9	848.5
Gernot Mittendorfer	633.0	88.3	69.1	17.2	807.6
Andreas Gottschling	633.0	76.2	30.0	0.0	739.2
<b>Total</b>	<b>4,059.0</b>	<b>1,015.2</b>	<b>547.8</b>	<b>243.4</b>	<b>5,865.3</b>

The item "Other remuneration" comprises pension fund contributions, contributions to employee provision funds (for new-type severance payments) and remuneration in kind. In 2014, performance-linked remuneration and share equivalents were paid out or vested for the financial year 2013 and previous years. No performance-linked remuneration was paid to members of the management board for the financial year 2011. No performance-linked remuneration will be paid to members of the management board for the financial year 2014 either.

### Non-cash performance-linked remuneration in 2014

Share equivalents (in units)	for 2013	for previous years
Andreas Treichl	10,881	5,502
Franz Hochstrasser	6,918	3,083
Herbert Juranek	2,365	1,498
Gernot Mittendorfer	3,145	1,005
Andreas Gottschling	1,285	0
<b>Total</b>	<b>24,594</b>	<b>11,088</b>

Pay-outs will be made in the year 2015 after the one-year vesting period. Share equivalents are valued at the average weighted daily share price of Erste Group Bank AG of the year 2014 in the amount of EUR 22.25 per share.

### 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 but did not result in any payment in 2014.

In 2014, EUR 2,080.0 thousand was paid in cash and 2,572 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 one member 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 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 one member 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	Meeting fees for 2014	Supervisory board compensation for 2013	Total
Friedrich Rödler	46.0	100.0	146.0
Georg Winckler	44.0	75.0	119.0
Jan Homan	21.0	50.0	71.0
Elisabeth Bleyleben-Koren	14.0	0.0	14.0
Bettina Breiteneder	29.0	50.0	79.0
Gunter Griss	9.0	0.0	9.0
Theresa Jordis	0.0	43.4	43.4
Elisabeth Krainer Senger-Weiss	9.0	0.0	9.0
Brian D.O'Neill	12.0	50.0	62.0
Juan Maria Nin Génova	7.0	50.0	57.0
Wilhelm Rasinger	30.0	50.0	80.0
John James Stack	12.0	50.0	62.0
Werner Tessmar Pfohl	0.0	18.8	18.8
Markus Haag	0.0	0.0	0.0
Friedrich Lackner	0.0	0.0	0.0
Andreas Lachs	0.0	0.0	0.0
Bertram Mach	0.0	0.0	0.0
Barbara Pichler	0.0	0.0	0.0
Karin Zeisel	0.0	0.0	0.0
<b>Total</b>	<b>233.0</b>	<b>537.3</b>	<b>770.3</b>

The annual general meeting 2014 granted the members of the supervisory board remuneration totalling EUR 537,317.0 for the financial year 2013. The distribution of this remuneration is at the supervisory board's discretion and was approved at the constituent meeting of the supervisory board on 21 May 2014. 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 a voluntary 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. A voluntary external evaluation for 2014 is scheduled for spring 2015. A summary report of this evaluation will also be available at the website.

## 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, 27 February 2015

### Management board

Andreas Treichl mp  
Chairman

Gernot Mittendorfer mp  
Member

Andreas Gottschling mp  
Member

Peter Bosek mp  
Member

Jozef Síkela mp  
Member