

Corporate Governance

(Consolidated) corporate governance report

In 2003, Erste Group Bank AG declared its commitment to complying with the rules of the Austrian Code of Corporate Governance (Austrian CCG – see www.corporate-governance.at) with the objective of ensuring responsible and transparent corporate governance. In addition, the management board adopted a Statement of Purpose in 2015. This statement reaffirms and states in more detail the purpose of Erste Group Bank AG to promote and secure prosperity throughout the region in which Erste Group is active. Building on this Statement of Purpose, a Code of Conduct defines binding rules for day-to-day business. Erste Group values responsibility, respect and sustainability in pursuing its business activities. The Code of Conduct therefore helps to protect the reputation of Erste Group and to strengthen stakeholder confidence. The Corporate Governance Report has been prepared in accordance with sections 243c and 267b of the Austrian Commercial Code and Rules 60 et seq. of the Austrian CCG and combines the corporate governance report of Erste Group Bank AG, the parent, and the consolidated corporate governance report in one single report. For the first time, the management board has also prepared a (consolidated) non-financial report in accordance with sections 243b and 267a of the Austrian Commercial Code, which is released as part of the annual report.

In the financial year 2017, Erste Group Bank AG complied with all L-Rules (Legal Requirements – mandatory legal norms) and R-Rules (Recommendations – these rules are more similar to recommendations; non-compliance does not need to be disclosed or explained) as well as – with two exceptions – all C-Rules (Comply-or-Explain – deviations are permitted but must be explained) of the Austrian CCG. The two deviations are described and explained below: Pursuant to C-Rule 2 of the Austrian CCG, shares are to be construed in accordance with the principle of one share – one vote, i.e. investors have one vote per share and no right to nominate members to the supervisory board. Under Erste Group Bank AG's articles of association (Art. 15.1), DIE ERSTE österreichische Spar-Casse Privatstiftung is, however, granted the right to nominate up to one third of the members of the supervisory board to be elected by the shareholder meeting as long as it is liable for all present and future liabilities of Erste Group Bank AG in case of its insolvency according to section 92 para. 9 of the Austrian Banking Act. The Privatstiftung has not exercised this right to date. Pursuant to C-Rule 52a of the Austrian CCG, the number of supervisory board members (without employees' representatives) shall be ten at most. At the beginning of the year 2017, the supervisory board of Erste Group Bank AG comprised twelve members elected by the annual general meeting and at present has eleven members. The deviation from C-Rule 52a of the Austrian CCG is due to the size of Erste Group and its market

position in seven core markets in Central and Eastern Europe as well as to the fact that the supervisory board of Erste Group Bank AG must perform a multitude of financial market related and prudential review and oversight duties. Moreover, the supervisory board must meet various criteria to comply with the diversity requirements.

Working methods of the management board and the supervisory board

Erste Group Bank AG is a stock corporation established according to Austrian law with a management board and a supervisory board as management bodies (two-tier system). 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 controlling. The management board takes its decisions in compliance with all relevant legal provisions, the articles of association and its internal rules of procedure as well as the Statement of Purpose. The supervisory board appoints the members of the management board, decides on the remuneration of the management board and monitors and evaluates on a yearly basis its activity. The supervisory board advises the management board on the determination of the business strategy. It takes part in making decisions as provided for by law, the articles of association and its internal rules of procedure.

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 (Suitability Policy). These guidelines define, in accordance with applicable legal provisions, the internal framework for the selection and assessment of members of the management bodies. 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 members of the management board and supervisory board, management and staff. Speakers at these events are in-house and outside experts.

MANAGEMENT BOARD

Management board member	Year of birth	Date of initial appointment	End of current period of office
Andreas Treichl (Chairman)	1952	1 October 1994	30 June 2020
Peter Bosek	1968	1 January 2015	31 December 2020
Petr Brávek	1961	1 April 2015	31 December 2020
Willibald Cernko	1956	1 January 2017	31 December 2020
Gernot Mittendorfer	1964	1 January 2011	31 December 2020
Jozef Sikela	1967	1 January 2015	31 December 2020

In the financial year 2017, the management board consisted of six members.

As of 1 January 2018, the allocation of duties among the members of the management board is as follows:

Management board member	Areas of responsibility
Andreas Treichl (Chairman)	Group Strategy, Group Secretariat, Brand Management and Company Transformation, Group Investor Relations, Group Human Resources, Human Resources, Group Audit, Group Board Support & Stakeholder Management, Social Banking Development
Peter Bosek	Erste Hub, Digital Sales, Group Retail Strategy
Petr Brávek	Holding IT, Holding Banking Operations, Group COO Governance, Group Architecture and Portfolio Management
Willibald Cernko	Executive Divisional Director Strategic Risk, Group Liquidity and Market Risk Management, Enterprise wide Risk Management, Credit Risk Models, Group Non Financial Risk, Group Workout, Group Credit Risk Management, Group Legal
Gernot Mittendorfer	Executive Divisional Director Strategic Data Program, Group ALM, Group Data Management and Reporting, Group Accounting and Group Controlling, Group Services
Jozef Sikela	Group Corporates, GCRE & Leasing, Group Markets, Operating Office C and M, Group Research

Supervisory board mandates and similar functions, management roles in subsidiaries

As of 31 December 2017, the management board members held the following supervisory board mandates or similar functions in domestic or foreign companies or material subsidiaries of Erste Group Bank AG (the latter are marked with *). No management board member holds a management position in a material subsidiary of Erste Group Bank AG.

Andreas Treichl

Erste Bank der oesterreichischen Sparkassen AG* (Member),
Banca Comercială Română S.A.* (Vice Chair),
Česká spořitelna, a.s.* (Vice Chair),
Die Zweite Wiener Vereins-Sparcasse* (Chair),
Leoganger Bergbahnen Gesellschaft m.b.H. (Member)

Peter Bosek

Wiener Städtische Versicherung AG Vienna Insurance Group (2nd Vice Chair),
Sparkassen Versicherung AG Vienna Insurance Group (Member),
Česká spořitelna, a.s.* (Member)

Petr Brávek

Česká spořitelna, a.s.* (Member),
s IT Solutions AT Spardat GmbH* (2nd Vice Chair),
Erste Group IT International GmbH* (Chair)

Willibald Cernko

Semper Constantia Privatbank Aktiengesellschaft (Vice Chair),
Erste Bank der oesterreichischen Sparkassen AG* (Member),
Erste & Steiermärkische Bank d.d.* (Erste Bank Croatia) (Chair)

Gernot Mittendorfer

Banca Comercială Română S.A.* (Member),
Erste Bank Hungary Zrt.* (Member),
Erste Bank a.d. Novi Sad* (Chair),
Slovenská sporiteľňa, a.s.* (Chair),
Erste Group IT International GmbH* (Vice Chair)

Jozef Sikela

Oesterreichische Kontrollbank Aktiengesellschaft (Member),
Prvá stavebná sporiteľňa, a.s.* (Member)

SUPERVISORY BOARD

In the financial year 2017, 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 2022
1 st Vice Chairman	Jan Homan	1947	General Manager, ret.	4 May 2004	AGM 2022
2 nd Vice Chairwoman (until 17 May 2017)	Bettina Breiteneder	1970	Entrepreneur	4 May 2004	AGM 2017
2 nd Vice Chairman (since 17 May 2017)	Maximilian Hardegg	1966	Entrepreneur	12 May 2015	AGM 2020
Member	Elisabeth Bleyleben-Koren	1948	General Manager, ret.	21 May 2014	AGM 2019
Member	Gunter Griss	1945	Lawyer	21 May 2014	AGM 2019
Member	Jordi Gual Solé	1957	Chairman, CaixaBank	17 May 2017	AGM 2022
Member	Marion Khüny	1969	Consultant	17 May 2017	AGM 2019
Member	Elisabeth Krainer Senger-Weiss	1972	Lawyer	21 May 2014	AGM 2019
Member	Antonio Massanell Lavilla	1954	Deputy Chairman, CaixaBank	12 May 2015	15 September 2017
Member	Brian D. O'Neill	1953	Senior Advisor, Lazard Frères & Co	31 May 2007	AGM 2022
Member	Wilhelm Rasinger	1948	Consultant	11 May 2005	AGM 2020
Member	John James Stack	1946	CEO, ret.	31 May 2007	AGM 2021
Delegated by the employees' council					
Member	Markus Haag	1980		21 November 2011	until further notice
Member	Regina Haberhauer	1965		12 May 2015	until further notice
Member	Andreas Lachs	1964		9 August 2008	until further notice
Member	Barbara Pichler	1969		9 August 2008	until further notice
Member	Jozef Pinter	1974		25 June 2015	until further notice
Member	Karin Zeisel	1961		9 August 2008	until further notice

Changes in the supervisory board in the financial year 2017: Bettina Breiteneder, 2nd Vice Chairwoman, resigned as member of the supervisory board with effect as of the end of the annual general meeting on 17 May 2017.

At the annual general meeting Jordi Gual Solé and Marion Khüny were elected to the supervisory board. Antonio Massanell Lavilla resigned as member of the supervisory board as of 15 September 2017.

Membership in supervisory board committees

Committee membership as of 26 January 2018:

Name	Executive committee	Nomination committee	Audit committee	Risk committee	Remuneration committee	IT committee
Friedrich Rödler	Chairman	Chairman	Member*	Chairman	Chairman**	Vice Chairman
Jan Homan	Vice Chairman	Vice Chairman	Chairman	Vice Chairman	Vice Chairman	Substitute
Maximilian Hardegg	Member	Member	Member	Member	Substitute	Chairman
Elisabeth Bleyleben-Koren	-	-	Member	Member	-	-
Gunter Griss	-	-	-	-	Member	-
Jordi Gual Solé	-	-	-	-	Member	-
Marion Khüny	-	-	-	Member	-	Member
Elisabeth Krainer Senger-Weiss	-	Member	-	Substitute	-	Member
Brian D. O'Neill	-	-	-	-	Member	-
Wilhelm Rasinger	Substitute	-	Member	Member	-	-
John James Stack	-	-	-	-	Member	-
Delegated by the employees' council						
Markus Haag	-	-	-	Member	Substitute	-
Regina Haberhauer	-	-	Member	Substitute	-	-
Andreas Lachs	Substitute	Substitute	Substitute	Member	Member	Member
Barbara Pichler	Member	Member	Member	-	Member	Substitute
Jozef Pinter	Substitute	Substitute	Member	Member	Substitute	Substitute
Karin Zeisel	Member	Member	Substitute	Substitute	Member	Member

*Financial expert, **Remuneration expert

Mandates on supervisory boards or similar functions

As of 31 December 2017, the supervisory board members held the following additional supervisory board mandates or similar

functions in domestic or foreign companies. Material subsidiaries of Erste Group Bank AG are marked with *, listed companies are marked with **.

Friedrich Rödler

Erste Bank der oesterreichischen Sparkassen AG* (Chair),
Erste Bank Hungary Zrt.*,
Sparkassen-Prüfungsverband (Chair),
Abschlussprüferaufsichtsbehörde (Audit Oversight Body of Austria)

Jan Homan

Constantia Flexibles Holding GmbH,
Frapag Beteiligungsholding AG (Chair),
Slovenská sporiteľňa, a.s.*

Bettina Breiteneder

DIE ERSTE österreichische Spar-Casse Privatstiftung,
PAPPAS Holding GmbH,
Generali Holding Vienna AG,
Best in Parking-Holding AG (Vice Chair)

Maximilian Hardegg

DIE ERSTE österreichische Spar-Casse Privatstiftung,
Česká spořitelna, a.s.*

Gunter Griss

AVL List GmbH (Chair),
Bankhaus Krentschker & Co. Aktiengesellschaft* (2nd Vice Chair),
Steiermärkische Bank und Sparkassen Aktiengesellschaft* (Chair)

Jordi Gual Solé

CaixaBank, S.A.** (Chair),
Repsol S.A.**

Marion Khüny

KA Finanz AG

Elisabeth Krainer Senger-Weiss

Gebrüder Weiss Holding AG,
Gebrüder Weiss GmbH

Brian D. O'Neill

Emigrant Bank,
Banca Comercială Română S.A.*,
Aqua Venture Holdings, LLC

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

Elisabeth Bleyleben-Koren did not hold any mandates on supervisory boards or similar functions in domestic or foreign companies as of 31 December 2017.

Antonio Massanell Lavilla resigned as member of the supervisory boards of Repsol S.A.**, SAREB, S.A., Telefónica, S.A.** und Cecabank, S.A. (Chair) as of 31 December 2017.

Delegated by the employees' council:

Regina Haberhauer

ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.*,
Erste Asset Management GmbH*

Barbara Pichler

DIE ERSTE österreichische Spar-Casse Privatstiftung

Andreas Lachs

VBV-Pensionskasse Aktiengesellschaft

Markus Haag, Jozef Pinter 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.

Measures to avoid conflicts of interest

Every year, the members of the supervisory board are 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 annual 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.

No member of the supervisory board holds directly or indirectly more than 10% of the shares of Erste Group Bank AG. In 2017, three members of the supervisory board (Maximilian Hardegg, Bettina Breiteneder 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

In 2017, all members of the supervisory board attended more than half of the supervisory board meetings that took place after their election or delegation to the supervisory board.

Self-evaluation of the supervisory board

At its meeting of 24 January 2018, the nomination committee performed an evaluation of the activities of the supervisory board and its committees. It discussed the supervisory board members' attendance of supervisory board and committee meetings in 2017, evaluated the efficiency of the supervisory board's activities as well as organisation and working practice of the supervisory board and undertook a critical review of the composition of committees. Potential conflicts of interest of management board and supervisory board members were discussed and the number

of mandates and secondary activities of management and supervisory board members were reviewed. The supervisory board will discuss and consider the results of this evaluation pursuant to C-Rule 36 of the Austrian CCG.

Contracts subject to approval (C-Rule 49 Austrian CCG)

No contracts have been entered into that would require approval pursuant to section 95 para 5 no 12 Austrian Stock Corporation Act.

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 IT 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 must 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 and 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 circular resolutions. The committee may also be assigned the power to take final decisions. In case of imminent danger and to prevent significant 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 supervising the independence of the auditor (Group auditor), in particular with respect to the additional services rendered to the audited company and the group companies; submitting a report on the results of the annual audit to the supervisory board and explaining how the annual audit has affected the reliability of financial reporting and the role of the audit committee in doing so; reviewing the annual financial statements and preparing its approval; reviewing the proposal for the allocation of profits, the management report and the (consolidated) corporate governance report and submitting a report on the results of the review to the supervisory board; reviewing the consolidated financial statements of the group and the group management report and submitting the report on the results of the review to the supervisory board; carrying out the procedure for the selection of the auditor (group auditor), taking into account the appropriateness of the fees and recommending the appointment of the auditor (group auditor) to the supervisory board; recommending the renewal of the auditor's (group auditor's) mandate to the supervisory board; acknowledging the additional report of the auditor and discussing this report; 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 material subsidiaries and of the participations report; acknowledging the audit plan of the company's internal audit function; acknowledging information on current matters relevant to 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. Furthermore, the supervisory board assigned the

audit committee the task of reviewing the (consolidated) non-financial report (section 243b of the Austrian Commercial Code) and preparing its approval by the supervisory board to.

Nomination committee

Meetings of the nomination committee are held as needed (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 decides on the 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 must 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 must 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 must review actions taken 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 must 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 approves exceptions from the application of the remu-

neration policy to individual staff members of the company and 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. It furthermore reviews the (variable) remuneration of senior managers of the company performing independent control functions such as risk management and compliance and of staff members having a significant impact on the company's risk profile. In addition, it approves the identification of employees having a significant impact on the company's risk profile and reviews the criteria on which the management board's decision is based as well as the procedure used in taking such decisions. The committee also ensures that information on the remuneration policy and practices provided to shareholders is appropriate. 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.

IT committee

The IT committee monitors and supervises IT-related issues and IT strategy in general. In addition, the IT committee is also responsible for taking note of IT reports, of reports on the IT outsourcing strategy and on the outsourcing of IT-related functions; taking note of the Group IT budget; of reports on the status of the IT support function and on the development of key IT initiatives and projects; monitoring the capacity and performance of systems, operating continuity and crisis management, data security, computer and network security and taking note of critical changes in the organisational structure and responsibilities of the IT department.

MEETINGS OF THE SUPERVISORY BOARD AND REPORT ON PRINCIPAL ACTIVITIES

Six meetings of the supervisory board were held in the financial year 2017.

At each ordinary meeting of the supervisory board, with the exception of the meeting of 17 May 2017, 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 bank subsidiaries in Central and Eastern Europe was discussed and quarterly reports were delivered on the areas audited and on the internal audit department's material audit findings pursuant to section 42 para 3 of the Austrian Banking Act. 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 supervisory board meetings in 2017 was reports on current regulatory developments in the banking environment and their impacts on Erste Group. The management board regularly presented proposals to the supervisory board that required its approval under the law, the articles of association and internal rules.

At the meeting of 29 March 2017, the financial statements and the management report 2016, the consolidated financial statements and consolidated management report as well as the (consolidated) corporate governance report 2016 were reviewed; the auditors' reports were discussed and the financial statements 2016 were adopted in accordance with the recommendation of the audit committee. Furthermore, the resolutions proposed for the annual general meeting were discussed and approved. It was also decided to propose PwC Wirtschaftsprüfung GmbH to the annual general meeting on 17 May 2017 as an additional auditor of the (consolidated) financial statements for the financial year 2018. In addition, a report was delivered on current developments at Erste Bank Hungary Zrt., the supervisory board's report to the annual general meeting was approved and the annual report of the supervisory board on loans to board members pursuant to section 28 para 4 of the Austrian Banking Act as well as the list prepared pursuant to C-Rule 82a Austrian CCG were each taken note of.

At the constituent meeting of 17 May 2017 held after the annual general meeting those present were informed that Marion Khüny and Jordi Gual Solé had been newly elected and Friedrich Rödler, Jan Homan, Brian O'Neill and John James Stack had each been re-elected to the supervisory board of Erste Group Bank AG. The chairman further announced that Bettina Breiteneder had resigned as member of the supervisory board at her own request. Friedrich Rödler was elected chairman, Jan Homan first vice chairman and Maximilian Hardegg second vice chairman. In addition, supervisory board members were elected to the respective supervisory board committees and the composition of the committees thus reorganised. The distribution key for the remuneration of supervisory board members approved by the annual general meeting was adopted for 2016. Finally, the annual report of Group Compliance was taken note of.

At the meeting of 29 June 2017, which was also attended by members of the supervisory authorities' Joint Supervisory Team, who gave presentations and answered questions raised by supervisory board members, reports were delivered on the current status of a number of projects and the report on the implementation of the ALM strategy was taken note of. In addition, the framework plan for the issuance of certificates and warrants was adopted.

At the meeting of 14 September 2017, reports were delivered on current developments at Erste Bank der oesterreichischen Sparkassen, key competitors, risk tolerance across the Group and at individual banks in the second quarter of 2017 and on the current status of the Group Recovery Plan 2017. Changes to the remuneration committee's rules of procedure and the organisational structure of the risk division were also approved. In addition, the chairman informed those present about the procedures used in auditing the (consolidated) non-financial report.

At the meeting of 19 October 2017, the current status of specific projects was discussed and the report on the strategy for small and medium-sized enterprises was taken note of.

At the meeting of 14 December 2017, retail and ALM strategies were discussed. Reports were delivered on the current status of a project to improve data quality as well as on the development of Erste Group Immortent AG and foreign branches of Erste Group Bank AG. Furthermore, the reports on large exposures pursuant to section 28b of the Austrian Banking Act and the annual plan for the financial year 2018 were discussed, approved and taken note of. The areas of responsibility as of 1 January 2018 were approved and an anticipatory resolution was taken pursuant to section 95 para 5 no 12 of the Austrian Stock Corporation Act as well as a resolution on long-term funding activities in the financial year 2018. With regard to the supervisory board's self-evaluation it was noted that an external advisor had been engaged to provide support and that it will be continued in 2018, also for taking into account information relating to the full year of 2017.

MEETINGS OF THE COMMITTEES AND REPORT ON ACTIVITIES

The risk committee held seventeen meetings in 2017, 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 on the risk strategy, risk appetite, the monitoring required to comply with these limits, individual risk types, risk-bearing capacity and large exposures. Furthermore, reports were given on the situation of specific sectors and industries, including the real estate and automotive industries and the resulting impacts on the risk strategy. Further items on the agenda were audits by supervisory authorities, internal risk models and various legal disputes. Reports were regularly delivered on risk development in individual countries and subsidiaries. In 2017, the members of the risk committee were also briefed on recent developments in current IT projects. Without prejudice to the duties of the remuneration committee, the risk committee members were also informed on whether the incentives offered by the internal remuneration system adequately account for risk, capital, liquidity and the probability and timing of profit realisation. Also on the agenda were regulatory developments at the European level and in Austria. A report on a recovery plan required under applicable regulations was also delivered in the risk committee. In addition, the members of the risk committee were informed about developments in the corporate workout portfolio in general and major workout cases in particular.

The executive committee did not meet in 2017.

The audit committee met five times in 2017 and, in addition, held one informal meeting to prepare the meeting on the review of the (consolidated) financial statements. The external auditors were present at all meetings. Among other things, the auditors reported on the audit of the single-entity and consolidated financial statements for 2016 and the audit committee subsequently conducted the final discussion. The financial statements and the management

report, the consolidated financial statements and the management report as well as the (consolidated) corporate governance report were reviewed and the financial statements recommended for approval by the supervisory board. The head of the internal audit department reported on the audit subjects and material audit findings for the year 2016 and, on an ongoing basis, about audit-relevant matters in the group and explained the audit plan for 2017. The internal audit department presented its reports pursuant to section 42 para 3 of the Austrian Banking Act and, jointly with the compliance department, a report pursuant to section 21 para 2 of the Austrian Securities Supervision Act. In addition, a report was delivered on the assessment of the functionality of the risk management system pursuant to Rule 83 of the Austrian CCG and on the effectiveness of the internal control system. Based on these reports, the audit committee monitored the effectiveness of the internal control system, the internal audit system and the risk management system pursuant to section 63a para 4 no 2 of the Austrian Banking Act. The audit committee also discussed its work plan for 2018 and defined agenda topics for the meetings. It was decided to recommend the renewal of the audit mandate of PwC Wirtschaftsprüfung GmbH as additional auditor of the (consolidated) financial statements for the financial year 2019 to the supervisory board. The auditors provided information about the preliminary audit of the single-entity and consolidated financial statements for 2017. Besides, discussions were held on the reports on the development of participations, on the half year report as of 30 June 2017, on current legal developments impacting audit committee activities, on the impacts of supreme court decisions on negative interest rates in loan agreements, on the current status of the IFRS 9 project and its impacts within Erste Group as well as on reviews conducted by the European Central Bank and on the 2016 management letter. The audit committee continuously reviewed and monitored the independence of the auditors of the (consolidated) financial statements with a particular focus on non-audit services rendered for Erste Group pursuant to section 63a para 4 no 4 of the Austrian Banking Act. Among other things, the audit committee gave therefore pre-approval to permissible non-audit services rendered by the (group) auditor, received reports on their current status and laid down and communicated throughout the Group guidelines for the approval of such non-audit services for Erste Group. It also discussed the process for the preparation of a (consolidated) non-financial report for 2017. The audit committee consulted Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. to assist in its review of the non-financial report. The audit committee's report on activities included in the 2016 annual report was discussed and approved. The exchange of views between the audit committee and the auditors in the absence of the management board pursuant to C-Rule 81a Austrian CCG was conducted in December 2017.

The nomination committee met three times in 2017 and assessed the qualifications of Jordi Gual Solé, Marion Khüny, John James Stack, Brian O'Neill, Friedrich Rödler and Jan Homan ahead of their respective elections as members of the supervisory board by the annual general meeting of Erste Group Bank AG in May

2017. In addition, the nomination committee reviewed the evaluation pursuant to C-Rule 36 of the Austrian CCG and the evaluation of the management board and the supervisory board pursuant to section 29 no 6 and 7 of the Austrian Banking Act and considered, in particular, the topic diversity within Erste Group.

The remuneration committee met five times in 2017. The members discussed the result of the Remuneration Deep Dive conducted by the supervisory authorities' Joint Supervisory Team. In addition, they discussed and approved various remuneration topics relating to Erste Group Bank AG and its subsidiaries, including the structure of key performance indicators and the bonus policy including the requirements for the payment of variable remuneration components and remuneration rules for Material Risk Takers. Furthermore, the remuneration of members of the supervisory board was discussed and a decision of principal was passed concerning the proposal to the annual general meeting regarding fixed remuneration for supervisory board members. Reports were delivered on current changes in performance-linked remuneration for employees with sales responsibilities and on regulatory developments concerning remuneration and their implementation by Erste Group.

The IT committee met five times in 2017. Its main topics were the IT project portfolio and IT governance for Erste Group, risk management relating to IT and an IT audit plan, which was discussed on an ongoing basis. Reports were delivered on IT security, on the strategy concerning using of data while handling data and digitalisation, on the current status of various infrastructure projects and on IT strategy. In addition, the IT budget was discussed and the structure of the organisation considered in more detail.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Principles governing the remuneration policy

The principles governing the remuneration of the management boards of Erste Group Bank AG and of consolidated material subsidiaries are specified in the remuneration policy of Erste

Group Bank AG at Group level, 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 performance criteria and their impact on the variable remuneration of the management board of Erste Group Bank AG are defined at the beginning of the year by the supervisory board following a proposal of the responsible organisational units (Group Strategy und Group Human Resources). Management board members must achieve defined performance criteria at both company level and individual level. The first criterion is Erste Group's overall performance. For the year 2017, target achievement is measured by reference to the following indicators: compliance with capital and liquidity requirements, net profit and operating result minus risk cost. The second performance criterion is the achievement of individual objectives. These are, for example, operating result minus risk cost, return on tangible equity, net impairment loss as a percentage of average gross customer loans, customer satisfaction index, data quality and NPL ratio.

The performance criteria and their impact on the variable remuneration of the management boards of major consolidated subsidiaries are defined at the beginning of the year by the respective supervisory or advisory boards following proposals of the responsible organisational units (Group Strategy und Group Human Resources). Management board members must achieve the defined performance criteria at both company level and individual level.

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 2017

in EUR thousand	Fixed salaries	Other remuneration	Performance-linked remuneration		Total
			for 2016	for previous years	
Andreas Treichl	1,475.0	643.7	310.8	170.6	2,600.0
Peter Bosek	700.0	136.3	132.4	36.0	1,004.7
Petr Brávek	700.0	135.7	150.4	36.0	1,022.0
Willibald Cernko	700.0	129.1	0.0	0.0	829.1
Gernot Mittendorfer	700.0	136.7	156.0	63.2	1,055.9
Jozef Sikela	700.0	135.5	139.9	36.0	1,011.4
Total	4,975.0	1,316.9	889.4	341.8	7,523.1

Between 1 January 2015 and 31 January 2016, Peter Bosek was a management board member of Erste Group Bank AG as well as of

Erste Bank der oesterreichischen Sparkassen AG. Thus, the remuneration was split equally between both entities for that period.

The item “Other remuneration” comprises pension fund contributions, contributions to employee provision funds (for new-type severance payments) and remuneration in kind. In 2017, performance-linked remuneration and share equivalents were paid out or vested for previous years. No performance-linked remuneration was paid to members of the management board for 2014 and 2011. Pension fund contributions declined as one member of the management board reached the legal retirement age of 65.

Non-cash performance-linked remuneration in 2017

Share equivalents (in units)	for 2016	for previous years
Andreas Treichl	14,408	7,923
Peter Bosek	6,512	1,433
Petr Brávek	6,512	1,433
Willibald Cernko	0	0
Gernot Mittendorfer	6,349	2,857
Jozef Sikela	6,512	1,433
Total	40,293	15,079

Pay-outs will be made pro rata in 2018 after the one-year vesting period. Share equivalents are valued at the average weighted daily share price of Erste Group Bank AG in 2017 in the amount of EUR 32.97 per share.

Remuneration of members of the supervisory board

in EUR thousand	Meeting fees for 2017	Supervisory board compensation for 2016	Total
Friedrich Rödler	42.0	100.0	142.0
Jan Homan	34.0	75.0	109.0
Bettina Breiteneder	6.0	75.0	81.0
Maximilian Hardegg	34.0	50.0	84.0
Elisabeth Bleyleben-Koren	28.0	50.0	78.0
Gonzalo Gortázar Rotaèche	0.0	41.2	41.2
Gunter Griss	11.0	50.0	61.0
Jordi Gual Solé	9.0	0.0	9.0
Marion Khüny	17.0	0.0	17.0
Elisabeth Krainer Senger-Weiss	20.0	50.0	70.0
Antonio Massanell Lavilla	9.0	50.0	59.0
Brian D. O'Neill	11.0	50.0	61.0
Wilhelm Rasinger	28.0	50.0	78.0
John James Stack	10.0	50.0	60.0
Markus Haag	0.0	0.0	0.0
Regina Haberhauer	0.0	0.0	0.0
Andreas Lachs	0.0	0.0	0.0
Barbara Pichler	0.0	0.0	0.0
Jozef Pinter	0.0	0.0	0.0
Karin Zeisel	0.0	0.0	0.0
Total	259.0	691.2	950.2

The 2016 annual general meeting granted the members of the supervisory board remuneration totalling EUR 691,200 for the financial year 2016. The distribution of this remuneration is at the supervisory board's discretion and was approved at the meeting of the supervisory board on 17 May 2017. 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

In 2017, EUR 2,097.8 thousand was paid in cash and 8,390 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 other employees of the company.

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.

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

members of the management board or managing directors, of the supervisory board, of the administrative board and of 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.

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

Erste Group's diversity and inclusion principles are embedded both in its Statement of Purpose and Code of Conduct, which places emphasis on providing a work environment free of discrimination and harassment and valuing the work and worth of each and every person, regardless of gender, age, marital status, sexual orientation, physical ability, race, skin colour, religious or political affiliation, ethnic background, nationality, citizenship or any other aspect unrelated to employment.

At the end of 2016, the management board of Erste Group Bank AG formally approved the group-wide Diversity Policy, which provides the formal structures and processes for diversity management in Erste Group. The policy was adopted and implemented in local entities in 2017.

In 2014, the nomination committee of Erste Group Bank AG's supervisory board approved a group-wide target to have 35% women in board and B-1 positions (combined) by 2019 and a second target of 35% women in supervisory boards by 2019. This is a group-wide target which is aggregated from the following entities: Erste Group Bank AG, Erste Bank der oesterreichischen Sparkassen AG, Česká spořitelna, a.s., Slovenská sporiteľňa, a.s., Erste Bank Hungary Zrt., Erste Bank Croatia, Erste Bank Serbia, Banca Comercială Română S.A. While the target does not apply individually to the aforementioned entities, they are encouraged to align with the group target.

At the end of 2017, 31% (29%) of positions in top management in the Group were filled by women. The share of female supervisory board members also increased by two percentage points from 34% to 36%.

Erste Group implemented a variety of initiatives to support female leadership. In Austria, the Erste Women's Hub employee resource group continued key initiatives such as the *WoMentoring* program, financial education for women, networking events for female employees and clients and focused on encouraging more men to take advantage of parental leave options and flexible working. A new initiative focusing on Erste Women in IT (*Erste WIT*) was launched to look at ways in which to encourage more women to pursue IT careers and develop those who are in IT. Erste Bank Hungary launched *Erste Nő* (Women's Club) which focuses on promoting a family friendly organisation, the work-life balance of working women and supporting mothers returning from maternity leave, as well as on mentoring and networking activities. Slovenská sporiteľňa organised a networking conference for its female managers *ZenyZenam* (women to women) and Česká spořitelna continues to support female leadership through its internal and external mentoring activities. To increase the number of women in senior management positions, Erste Group also aims for a greater gender and age balance in its talent pools.

EXTERNAL EVALUATION

Erste Group Bank AG commissioned an external evaluation of compliance with the Austrian Code of Corporate Governance in accordance with C-Rule 62 of the Austrian CCG at least every three years, most recently for the 2017 fiscal year. All evaluations reached the conclusion that Erste Group Bank AG had met all requirements of the Code. The deviations of C-Rules were described and explained. Summary reports on these evaluations are available at the website of Erste Group Bank AG.

SHAREHOLDERS' RIGHTS

Erste Group Bank AG has no rights arising from its own shares. Neither a subsidiary nor a third party holding shares on behalf of Erste Group Bank AG or of a subsidiary may exercise its voting rights and its rights for subscription of these shares.

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 as well as additional tier 1 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.

Management board

Andreas Treichl mp, Chairman	Willibald Cernko mp, Member
Peter Bosek mp, Member	Gernot Mittendorfer mp, Member
Petr Brávek mp, Member	Jozef Sikela mp, Member

Vienna, 28 February 2018