



Corporate Governance

Corporate Governance Report

of Erste Group Bank AG pursuant to Section 243b Austrian Commercial Code and rules 60 et seq of the Austrian Code of Corporate Governance as of 31 December 2011

CODE OF CORPORATE GOVERNANCE

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

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

COMMITMENT TO COMPLY WITH THE RULES OF THE AUSTRIAN CCG

(C rule 61 Austrian CCG)

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

In financial year 2011, Erste Group Bank AG complied with all L rules (legal requirement) and R rules (recommendation). The deviation from two “Comply or Explain” rule (C rules) is presented and explained below.

Qualification and Composition and Independence of the Supervisory Board

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

Due to the size of the company, the supervisory board of Erste Group Bank AG (excluding employees’ representatives) consists of 12 members. Ahead of the elections to the supervisory board in the general meeting 2010, Mr. Rasinger was elected to be a representative of private shareholders as a result of a selection process.

57 (C) Supervisory board members who are on the management board of a listed company must not exercise more than a total of 4 supervisory board mandates (chairmanship counts as double) in external limited companies. Companies included in the consolidated financial statements or in which there is a business involvement are not considered as being group external limited companies.

Juan Maria Nin Génova, as a member of the management board of the listed company CaixaBank S.A., held five supervisory board mandates in group external limited companies in the 2011 financial year. The stock exchange listing of the CaixaBank S.A., in which he is acting as a member of the management board, only took place in 2011 after he had taken up his supervisory board mandates.

INFORMATION IN ACCORDANCE WITH THE SUSTAINABILITY REPORTING GUIDELINES

The sustainability reporting guidelines define standards for the improvement of the reporting and disclosure requirements. Publisher of these guidelines is the non-governmental organisation “Global Reporting Initiative” (www.globalreporting.org).

Governance structure

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

Mechanisms for shareholders and employees to provide recommendations or direction to the supervisory board

The DIE ERSTE österreichische Spar-Casse Privatstiftung (Privatstiftung) is accorded the right by the articles of association (Point 15.1) to delegate up to one third of the members of the supervisory board to be elected by the general meeting. The Privatstiftung has not yet exercised this right.

The employees' council, according to the legal stipulations and the articles of association, is authorized to delegate up to one third of the members for the supervisory board to be elected by the general meeting. In the financial year 2011, six members represented the interests of the employees in the supervisory board of Erste Group Bank AG.

Measures in place for the supervisory board to ensure conflicts of interest are avoided

The members of the supervisory board are made to annually consider the regulations of the Austrian Corporate Governance Code 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.

INFORMATION ON THE MANAGEMENT BOARD

(section 243b par. 2 Austrian Commercial Code)

Name, year of birth and date of initial appointment and end of current period of office of each member of the management board (C rule 16 Austrian CCG)

Andreas Treichl (Chairman)

Born 1952

Member of the management board since 1 October 1994
End of the current period of office: 30 June 2017

Franz Hochstrasser (Vice Chairman)

Born 1963

Member of the management board since 1 January 1999
End of the current period of office: 30 June 2017

Herbert Juranek

Born 1966

Member of the management board since 1 July 2007
End of the current period of office: 30 June 2017

Gernot Mittendorfer

Born 1964

Member of the management board since 1 January 2011
End of the current period of office: 30 June 2017

Martin Škopek*

Born 1967

Member of the management board since 1 July 2010
End of the current period of office: 30 June 2012

Bernhard Spalt*

Born 1968

Member of the management board since 01 November 2006
End of the current period of office: 30 June 2012

Manfred Wimmer

Born 1956

Member of the management board since 01 September 2008
End of the current period of office: 30 June 2017

* The mandates of the members of the management board Martin Škopek and Bernhard Spalt were terminated by mutual agreement, effective as of 31 January 2012. The number of management board mandates was thus reduced to five from previously seven.

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

Andreas Treichl

DONAU Versicherung AG Vienna Insurance Group
(Vice Chairman)

MAK – Österreichisches Museum für angewandte Kunst
(Chairman)

Sparkassen Versicherung AG Vienna Insurance Group

(Chairman) Franz Hochstrasser

CEESEG Aktiengesellschaft

Oesterreichische Kontrollbank Aktiengesellschaft (Vice Chairman)
Wiener Börse AG

Herbert Juranek

None

Martin Škopek

None

Bernhard Spalt

None

Manfred Wimmer

Österreichische Galerie Belvedere

Gernot Mittendorfer

Oesterreichische Kontrollbank Aktiengesellschaft

INFORMATION ON THE SUPERVISORY BOARD

(section 243b par. 2 Austrian Commercial Code)

Name, year of birth, occupation and date of initial appointment and end of current period of office of each member of the supervisory board (C rule 58 Austrian CCG)

Position	Name	Year of birth	Occupation	Date of initial appointment	End of the current period of office
Chairman	Heinz Kessler	1938	General Director, ret.	26.05.1998	AGM 2012
1.Vice Chairman	Georg Winckler	1943	Former rector of the University of Vienna and Professor of Economics	27.04.1993	AGM 2015
2.Vice Chairman	Theresa Jordis	1949	Attorney at law	26.05.1998	AGM 2013
Member	Bettina Breiteneder	1970	Entrepreneur	04.05.2004	AGM 2014
Member	Elisabeth Gürtler	1950	Entrepreneur	26.05.1998	AGM 2015
Member	Jan Homan	1947	General Manager Constantia Teich GmbH	04.05.2004	AGM 2014
Member	Brian D. O'Neill	1953	Vice Chairman Lazard International	31.05.2007	AGM 2012
Member	Juan Maria Nin Génova	1953	Vice Chairman and CEO CaixaBank	12.05.2009	AGM 2014
Member	Wilhelm Rasinger	1948	Consultant	11.05.2005	AGM 2015
Member	Friedrich Rödler	1950	Auditor and tax advisor	04.05.2004	AGM 2014
Member	John James Stack	1946	President and CEO, ret.	31.05.2007	AGM 2012
Member	Werner Tessmar-Pfohl	1942	Entrepreneur, ret.	06.05.2008	AGM 2013
Delegated by the employees council					
Member	Christian Havelka	1966		31.10.2001	21.11.2011
Member	Markus Haag	1980		21.11.2011	until further notice
Member	Andreas Lachs	1964		09.08.2008	until further notice
Member	Friedrich Lackner	1952		24.04.2007	until further notice
Member	Bertram Mach	1951		09.08.2008	until further notice
Member	Barbara Smrcka	1969		09.08.2008	until further notice
Member	Karin Zeisel	1961		09.08.2008	until further notice

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

Name	Construction Committee	Nomination and Remuneration Committee	Audit Committee	Risk Management Committee	Strategy Committee
Heinz Kessler	Member	Chairman	Chairman	Member	Chairman
Georg Winckler	-	Member	Vice Chairman	Member	Vice Chairman
Theresa Jordis	-	Member	Member	Member	Member
Bettina Breiteneder	Chairwoman	-	Substitute	Member	-
Elisabeth Gürtler	-	-	-	Substitute	-
Jan Homan	-	-	Member	Substitute	Member
Brian D. O'Neill	-	-	-	-	-
Juan Maria Nin Génova	-	-	-	-	Member
Wilhelm Rasinger	-	-	Member	Member	Substitute
Friedrich Rödl	Member	Member	Member	Chairman	Member
John James Stack	-	-	-	-	-
Werner Tessmar-Pfohl	Member	-	-	-	-
Delegated by the employees council					
Christian Havelka (from 31.10.2001 to 21.11.2011)	-	-	Member	Substitute	Member
Markus Haag (since 21.11.2011)	-	-	Substitute	Substitute	Member
Andreas Lachs	-	-	Member	Member	Substitute
Friedrich Lackner	Member	Member	Member	-	Member
Bertram Mach	-	Member	-	Member	Member
Barbara Smrcka	Member	-	Member	-	-
Karin Zeisel	-	Substitute	-	Member	-

Mandates in supervisory boards or similar functions in other foreign and domestic companies for each supervisory board member with reference date 31 December 2011 (listed companies are marked with *)
(C rule 16 Austrian CCG)

Heinz Kessler

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

Georg Winckler

Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung (Chair)
DIE ERSTE österreichische Spar-Casse Privatstiftung (Vice Chair)
Educational Testing Service (ETS) (Trustee)
UNIQA Versicherungen AG* (Vice Chair)

Theresa Jordis

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

Bettina Breiteneder

ZS Einkaufszentren Errichtungs- und Vermietungs-Aktiengesellschaft
Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung

Elisabeth Gürtler

ATP Planungs- und Beteiligungs-Aktiengesellschaft (Vice Chair)
Chokoladefabriken Lindt & Sprüngli AG (Administrative Board)
Oesterreichische Nationalbank
Österreich Werbung
Wiener Kongresszentrum Hofburg Betriebs GmbH

Jan Homan

Allianz Elementar Versicherungs-Aktiengesellschaft
Constantia Flexibles GmbH (Chair)
Drukkerij Verstraete
Alfred Umdasch Privatstiftung
European Aluminium Foil Association (Chair)
Globalpack Mexico
Flexible Packaging Europe (Chair)

Brian D. O'Neill

Council of the Americas (BoD)
Emigrant Bank (BoD)
Inter-American Dialogue (BoD)

Juan Maria Nin Génova

Academic Board, APD
Banco BPI, S.A.* (Portugal) (BoD)
CaixaBank, S.A.* (Deputy Chairman)
Criteria Caixaholding S.A. (Deputy Chairman)
Gas Natural SDG, S.A.* (BoD)
Grupo Financiero Inbursa, S.A.B. DE C.V. (Mexico)* (BoD)
Repsol YPF* (BoD)
VidaCaixa Grupo, S.A.U. (Insurances) (BoD)
"la Caixa" Foundation (Deputy Chairman)
Circulo Ecuestre (BoD)
CEDE Foundation (BoD)
Deusto University (BoD)
Deusto Business School (BoD)
Esade Business School Foundation (Trustee)
Federació Catalana de Caixes d'Estalvis (Secretary)
Federico Garcia Lorca Foundation (Trustee)
Spain-China Council Foundation (BoD)
Spain-India Council Foundation (BoD)
Spain-United States Council Foundation (BoD)

Wilhelm Rasinger

S IMMO AG*
Wienerberger AG*

Friedrich Rödler

Erste Bank der oesterreichischen Sparkassen AG

John James Stack

Ally Financial Inc.* (BoD)
Mutual of America* (BoD)
CERGE-EI (BoD)

Werner Tessmar-Pfohl

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

Delegated by the employees council

Friedrich Lackner

DIE ERSTE österreichische Spar-Casse Privatstiftung

Christian Havelka

None

Markus Haag

None

Andreas Lachs

None

Bertram Mach

None

Barbara Smrcka

None

Karin Zeisel

None

INDEPENDENCE CRITERIA DEFINED BY THE SUPERVISORY BOARD

(C rule 53 Austrian CCG)

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

Guidelines for Independence

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

- The supervisory board member is not permitted to have been a member of the management board or a managing employee of the company or a subsidiary of the company in the past five years.
- The supervisory board member should not have any business relations with the company or a subsidiary of the company to an extent of significance for the supervisory board member or in the past year. This shall also apply to business relations with companies in which the supervisory board member has a material economic interest, but not for carrying out functions on the bodies of the Group. The approval of individual transactions by the supervisory board pursuant to L rule 48 does not automatically qualify the respective supervisory board member as not being independent.
- The supervisory board member should not have served as auditor for the company or have been involved in an audit or worked as an employee of the auditing firm in the past three years.
- The supervisory board member should not be a management board member at another company in which a member of the management board of the company is a supervisory board member.
- The supervisory board member should not have been a member of the supervisory board for more than 15 years. This does not apply to members of the supervisory board that are shareholders with stakes in the company or that represent the interests of such shareholders.

– The supervisory board member should not be a close family relation (children, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the management board or of persons that are in one of the aforementioned positions.

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

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

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

Until November 2011, four members of the supervisory board held a function on a body of a company that owns over 10% of the shares in Erste Group Bank AG (Kessler, Winckler, Lackner, Nin). Since November 2011, only three members of the supervisory board, as the CaixaBank S. A. – whose CEO is Nin – fell below the 10 % threshold at this time; additionally, in 2010, one member (Rasinger) represented, above all, the interests of retail shareholders.

Note if a member of the supervisory board failed to personally attend more than half of the meetings of the supervisory board in the reporting year

(C rule 58 Austrian CCG)

All members personally attended at least half of the meetings.

Object and remuneration of contracts subject to approval pursuant to section 95 par. 5 fig.12 Stock Corporation Act

(C rule 49 Austrian CCG)

The firm DORDA BRUGGER JORDIS Rechtsanwälte GmbH, in which Theresa Jordis is a partner, invoiced companies of Erste Group for consulting work for an amount of EUR 156,266.76 in 2011. Friedrich Rödler is Senior Partner at PricewaterhouseCoopers Austria. Companies of this group billed companies of Erste Group for consulting work in an amount of EUR 142,095.14 in 2011.

INFORMATION ON THE SELFEVALUATION OF THE SUPERVISORY BOARD

(C rule 36 Austrian CCG)

The supervisory board annually considers the efficiency of its work, in particular with its organisation and working methods (Supervisory Board meeting on 14 September 2011).

INFORMATION ON THE WORKING METHODS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

(section 243b par. 2 Austrian Commercial Code)

Management Board

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

Supervisory Board

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

AREAS OF COMPETENCE ON THE MANAGEMENT BOARD

(C rule 16 Austrian CCG)

As of 31 December 2011

Andreas Treichl (Chairman)

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

Franz Hochstrasser (Vice Chairman)

Group Capital Markets, Group Research, Group Balance Sheet Management

Herbert Juranek

Group Organisation/IT, Group Operations/Markets, Group Property Management and Services, Group Operations Retail and Corporate

Martin Škopek

Group Retail Business Development, Wealth Creation and Group-Private Banking, Group Card Management, Group Retail Management Information System

Gernot Mittendorfer

Erste Group Immigrant Client Industries and Infrastructure, Group Investment Banking, Group Large Corporates Banking, Corporate Support and Operations, Group Public Sector, Group Corporate Investment Banking Portfolio Management

Bernhard Spalt

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

Manfred Wimmer

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

As of 1 February 2012

Andreas Treichl (Chairman)

Strategy & Participation Management, Group Secretariat, Group Communications, Group Investor Relations, Group Human Resources, Group Audit, Group Marketing, Employees' Council, Group Retail

Franz Hochstrasser (Vice Chairman)

Group Capital Markets, Group Research, Group Investment Banking, Group Large Corporates Banking, Steering & Services, Erste Group Immortent Client Industries and Infrastructure

Herbert Juranek

Group Organisation/IT, Group Operations/Markets, Group Operations Retail and Corporate, Group Services

Gernot Mittendorfer

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

Manfred Wimmer

Group Accounting, Group Performance Management, Group Balance Sheet Management

NUMBER AND TYPE OF COMMITTEES OF THE SUPERVISORY BOARD AND THEIR DECISION-MAKING POWERS

(C rule 34 Austrian CCG)

The supervisory board has set up a risk management committee, a strategy committee, an audit committee, a nomination and remuneration committee as well as a construction committee.

Risk management committee

The risk management committee is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the management board according to the approval authority regulation. It is charged with granting approval to exposures or large exposures pursuant to section 27 of the Banking Act, if such an investment to credit institutions exceeds 10% of the own funds of Erste Group Bank or if the investment amounts to at least 10% of the consolidated own funds of the banking group. Within the competence

assigned to it, the committee may grant advance approvals to the extent permitted by law. In addition, it is responsible for the supervision of the risk management of Erste Group Bank AG.

Strategy committee

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

Audit committee

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

Nomination and remuneration committee

According to rule 43 of the Austrian CGC the remuneration committee in Erste Group Bank is identical with the nomination committee and has been named "Remuneration and nomination committee". The remuneration and nomination committee deals with the contents of employment contracts for members of the management board and decides on relationships between the company and members of the management board with the exception of resolutions on appointment or revocation of appointment of management board members as well as the granting of stock options of the company. In addition, the remuneration and nomination committee approves the general principles of the remuneration policy and monitors the remuneration practices and compensation related incentive structures.

Construction committee

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

INFORMATION ON THE NUMBER OF MEETINGS OF THE SUPERVISORY BOARD DURING THE REPORTING YEAR AND REPORT ON THE FOCUS OF ITS ACTIVITIES

(C rule 36 Austrian CCG)

Six meetings of the supervisory board were held in the financial year 2011.

At each ordinary meeting of the supervisory board, the monthly developments of the balance sheet and the income statement were presented and reports were given on current market risk, risk-bearing capacity, the individual status of the banking subsidiaries in Central and Eastern Europe and on the areas audited and the material findings of these audits by the internal audit department. The chairpersons of the committees reported on the main topics dealt with by the committees since the last supervisory board meeting. A topic repeatedly discussed at supervisory board meetings was the respective status of the future banking supervisory regime at European level (Basel 3/CRD IV) and its implications for Erste Group.

On 18 March 2011, the financial statements and management report 2010, the consolidated financial statements and management report 2010 as well as the corporate governance report 2010 were audited; the financial statements 2010 were adopted in accordance with the recommendation of the audit committee, and the proposal for the distribution of the profit 2010 approved. Furthermore, the management board was authorized to carry out negotiations with regard to acquisition of additional shares in BCR, the Romanian subsidiary of Erste Group. Also, a change of the current trademark and the retail strategy were discussed.

At the constituent meeting on 12 May 2011 after the general shareholders' meeting, the resolution was passed on the appointments to

the committees of the supervisory board and on the distribution key for the remuneration of the supervisory board resolved at the general shareholders' meeting.

On 22 June 2011, the annual compliance report, the report on major participations for 2010 and the 1st quarter of 2011, and the strategy for corporate business were discussed, among other items on the agenda.

On 14 September 2011, the go-ahead for the commissioning of the construction work on the "Erste Campus", the new corporate head office in Vienna, was given. Furthermore, the results of the self evaluation 2010/2011 of the supervisory board and the refinancing situation of Erste Group were discussed.

In the joint, extraordinary meeting of the management and supervisory boards on 10 October 2011, the various measures by Erste Group in connection with the sovereign debt crisis in Europe were discussed, approved by the management board and announced to the supervisory board. The measures in particular concerned goodwill amortisations in Hungary and Romania, the uniform group-wide application of the effective interest method and the CDS-portfolio. Due to the volatilities in the financial and capital markets, the management of Erste Group has analysed the existing portfolio of Credit Default Swaps (CDS), which are held in the business unit International Business, with regard to the business orientation of Erste Group. Based on this analysis, Erste Group has retroactively adjusted the financial reporting for these instruments, which in previous periods were accounted as financial instruments. As a result of this, these instruments will henceforth be accounted and rated as financial instruments, at fair value through profit and loss. Because of the significantly deteriorated forecast for the economies of the euro area, but also as a precautionary measure, the premature repayment of the public share of the participation capital was deferred by at least one year.

On 14 December 2011, the budget and the investment plan 2012 of Erste Group Bank AG were approved and the Group projections for 2012 were presented. At the centre of discussions was the capital planning with regard to achieving the core capital ratio of 9 % as required by the European Banking Authority. A further item on the agenda was to approve changes in the structure of the management board, on recommendation of the nomination and remuneration committee. As from the supervisory board's point of view, stronger management focus should be put on the subsidiaries of Erste Group in Hungary and Romania, it was decided that two members of the management board, Bernhard Spalt und Martin Škopek, would take over management board duties in Erste Bank Hungary and in BCR, respectively. The mandates for the other five members were extended for additional five years, at which Andreas Treichl was appointed chairman and Franz Hochstrasser vice chairman. Also, the new distribution of the agendas resulting from these changes, effective as of 1 February 2012, was discussed. Furthermore, directors dealings were reported on and the annual report on large exposures presented.

INFORMATION ON THE NUMBER OF MEETINGS OF COMMITTEES DURING THE REPORTING YEAR AND REPORT ON THEIR ACTIVITIES

(C rule 39 Austrian CCG)

The risk management committee held seventeen meetings in 2010, at which it regularly took decisions on exposures and loans exceeding the powers of the management board and was briefed on loans granted within the scope of authorization of the management board. The committee was regularly informed of current credit risk, market risk, risk bearing capacity and large exposures. Special reports were delivered on various civil disputes, the new concept in the field of group compliance, the preparation for and results of the EU stress test, the fraud case in the UBS regarding the illegitimate trade in securities and the requirements of the European Banking Authority with regard to the 9 % core capital ratio for systemically relevant banks.

Also, the risk management committee reported extensively on the situation in Erste Hungary Leasing, the Hungarian leasing subsidiary. In the committee meetings as from September, the disputed law passed by the Hungarian Parliament was regularly reported on, which makes possible early repayment of mortgage collateralized foreign currency loans at a fixed exchange rate, which is considerably more favourable than the current rate in the currency markets. As a result of the decisions made at the joint meeting of the management and supervisory boards on 10 October 2011, the accounting treatment of the CDS-portfolio in Erste Group was discussed in several meetings of the risk management committee.

The strategy committee met four times in 2011. New regulatory developments at European and national level (Basel 3/CRD IV and sustainable business models) were reported on. A recurring topic was the complex situation triggered by the Euro crisis and its ramifications on Erste Group. Furthermore, the state of the negotiations for the acquisition of additional shares in the Romanian subsidiary bank BCR was reported on. In the committee meeting on 15 June 2011, the participations report was discussed.

The audit committee met four times in 2011. The auditors reported on the status of the audit of the financial statements and consolidated financial statements. Subject to the approval of the supervisory board, the decision was taken to propose Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. to the general shareholders' meeting as an additional (Group) auditor for the financial year 2012. The supervisory board approved this proposal at its next meeting. Furthermore, the audit committee conducted its final discussion. The financial statements and the management report, as well as the group financial statements and the group management report, and the corporate governance report were audited and recommended to the supervisory board for adoption, and the proposal of the management board for the distribution of the net profit for the financial year 2010 was acknowledged. The head of the internal audit department reported on the areas audited and the key findings of the audit for the year 2010 and explained the audit plan for 2011. In the

committee meetings on 24 February 2011 and 5 December 2011, the internal audit department presented its report pursuant to section 42 paragraph 3 Banking Act. At the meeting on 5 December 2011, the bank auditors presented the results of the preliminary audit and the focal points of their audit. The audit committee issued the instructions to obtain a bid for the audit of the (consolidated) financial statements 2013. Furthermore, in the meeting on 5 December 2011, the handling of the CDS and the measures on their reclassification adopted by Erste Group on 10 October 2011 were discussed. In the same meeting, the results and measures with regard to a fraud case in Erste Hungary Leasing, the Hungarian leasing subsidiary, was discussed at length.

The remuneration and nomination committee met four times in 2011. In its meetings, the remuneration policy of Erste Group and its subsidiaries was discussed, which was compiled in the course of 2011 and finally approved in the meeting on 14 December 2011. Furthermore, in the meetings of the remuneration and nomination committee, changes to the structure in the management board were prepared and discussed. These consisted of, on the one hand, terminating the management board mandates of Bernhard Spalt and Martin Škopek by mutual agreement in order to allow them to take up work for a certain period of time in those subsidiaries in which there is a difficult situation, Erste Bank Hungary and BCR, and on the other hand to extend the mandates of the other five members of the management board for another five years.

The construction committee met three times in 2011. The main topics discussed were project plan, project organisation, budget and costs, procedure for tenders, deadlines and connected developments for "Erste Campus", the planned new headquarters of Erste Group at the future central station in Vienna. In its meeting on 13 September 2011, the construction committee decided to recommend the supervisory board to give the go-ahead for the commissioning of the construction work.

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

(section 243b Austrian Commercial Code)

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

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

the internal job market and important news during childcare leave, seminars for women returning to work, etc.

The success of the measures implemented to date is shown by the steadily increasing share of women in management positions and bodies (e.g. supervisory board) over the past few years.

DISCLOSURE OF INFORMATION ON THE REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Remuneration of the management board

(C rules 30 and 31 Austrian CCG)

Salary for the financial year 2011

in EUR thousand	Fixed salaries	Other compensation	Performance-linked cash component for the FY 2011	Total FY
Andreas Treichl	1,242.3	463.2	0.0	1,705.6
Franz Hochstrasser	621.2	148.3	0.0	769.4
Bernhard Spalt	621.2	60.4	0.0	681.5
Herbert Juranek	621.2	60.3	0.0	681.5
Manfred Wimmer	621.2	161.1	0.0	782.2
Martin Škopek	660.0	130.1	0.0	790.1
Gernot Mittendorfer	600.0	54.5	0.0	654.5
	4,987.0	1,077.8	0.0	6,064.8

There will be no performance-linked compensation to the management board for the 2011 financial year.

The item 'other compensation' includes pension fund contributions (at severance payments – new) and various other forms of compensation.

Payouts for previous years

Since the 2010 financial year, the variable part of the compensation to the management board is distributed over five years as according to the legal regulations and only paid out under specific conditions.

In keeping with the terms of the Long-Term Incentive-Programm (LTI) from 2007, a payout was made in 2011 for 2010. Beginning with 1st January 2010, a Long-Term Incentive-Programme was again introduced. Like the previous programme which has now

The systematic approach of succession pooling and group-wide development programmes is being further pressed ahead with, following the example of Česká spořitelna, which was elected Diversity Employer of the Year.

Differences and discrimination in salaries between male and female employees are well below the Austrian average. In some departments, these differences have already been overcome.

expired, it is based on changes in the share price of Erste Group Bank AG compared to a group of peers and the Dow Jones Euro Stoxx Banks. For the share equivalents awarded for the year 2010, the first-time payout can be made in 2012, following a one-year retention period.

In connection with the measures for the strategic strengthening of the bank, the management board has paid back performance-linked compensation for the year 2010 to the amount of EUR 585 thousand and relinquished claims for performance-linked compensation for the year 2010 to the amount of EUR 1,340 thousand, which would have been due in the years 2012–2016. This relinquishment is considered in the following table.

Performance-linked compensation paid out in the financial year 2011

in EUR tsd	LTI programme 2007	LTI programme 2010	For the FY 2010
Andreas Treichl	284.7	0.0	490.7
Franz Hochstrasser	71.2	0.0	320.0
Bernhard Spalt	71.2	0.0	134.9
Herbert Juranek	71.2	0.0	126.6
Manfred Wimmer	0.0	0.0	128.4
Martin Škopek	0.0	0.0	104.8
Gernot Mittendorfer	0.0	0.0	0.0
	498.3	0.0	1,305.4

In addition to the aforementioned performance bonus, the beneficiaries received a total of 43,529 share equivalents of Erste Group Bank AG (Andreas Treichl 16.362, Franz Hochstrasser 10.671, Bernhard Spalt 4.497, Herbert Juranek 4.223, Manfred Wimmer 4.283, Martin Škopek 3.493, Gernot Mittendorfer 0 share equivalents). Valuation is based on the average, weighted daily share price of Erste Group Bank AG in 2011, which was EUR 25.37. Pay-outs will be made in 2012 after a one-year retention period.

The performance-linked compensation of the member of the management board deceased in 2010 Johannes Leobacher in the amount of EUR 1,207,500 was accounted for in May 2011.

Principles of the pension scheme for management board members

The members of the management board participate in the defined contribution pension plan of Erste Group according to the same principles as the employees of the Group. If a management board

member's tenure ends before he or she reaches the age of 65 by no fault of the member, then for three of the management board members the corresponding compensatory payments are made to the pension fund.

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

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

Directors and officers insurance

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

Disclosure of remuneration paid to each member of the supervisory board in the financial year (C rule 51 Austrian CCG)

in EUR thousand	Meeting fees for 2011	Supervisory board compensation for 2010	Total
Heinz Kessler	31.0	100.0	131.0
Georg Winckler	22.5	75.0	97.5
Theresa Jordis	25.5	75.0	100.5
Bettina Breiteneder	20.0	50.0	70.0
Elisabeth Gürtler	6.5	50.0	56.5
Jan Homan	9.0	50.0	59.0
Wilhelm Rasinger	23.0	50.0	73.0
Friedrich Rödler	30.0	50.0	80.0
Werner Tessmar-Pfohl	6.5	50.0	56.5
Brian D.O'Neill*	4.5	56.3	60.8
John James Stack	3.5	50.0	53.5
Juan Maria Nin Génova	4.5	50.0	54.5
Markus Haag	3.0	0.0	3.0
Christian Havelka	9.0	0.0	9.0
Friedrich Lackner	17.0	0.0	17.0
Andreas Lachs	20.5	0.0	20.5
Bertram Mach	25.0	0.0	25.0
Barbara Smrcka	10.5	0.0	10.5
Karin Zeisel	15.0	0.0	15.0
	286.5	706.3	992.8

* Brian O'Neill was paid the remuneration for the supervisory board from the year 2007 of EUR 6,262.20 in arrears in 2011.

The general meeting 2011 granted the members of the supervisory board compensation in the amount of EUR 706,262.20 for the 2010 financial year, whereby the distribution of this compensation is at the discretion of the supervisory board. In addition, meeting fees are paid to the members of the supervisory board; these were set at EUR 1,000 per meeting of the supervisory board or one of its committees.

REPORT ON THE EXTERNAL EVALUATION (R rule 62 Austrian CCG)

In 2006, for the first time, Erste Group Bank AG conducted an external evaluation of compliance with the Code of Corporate Governance for 2005. In April 2009, a voluntary external evaluation was completed for the financial year 2008. The two evaluations arrived at the results that Erste Group Bank AG complied with all of the requirements of the Code. The summaries of the reports on these evaluations are available on the website of Erste Group Bank AG. A further external evaluation will be carried out in 2012 for the financial year 2011.

SHAREHOLDERS' RIGHTS

Voting rights

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

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

Dividend rights

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

Liquidation proceeds

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

Subscription rights

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

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

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

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

- _ Presentation of certain documents;
- _ Distribution of the annual profit;
- _ Grant of discharge to the members of the management board and supervisory board for the preceding business year.

Vienna, 29 February 2012

Management Board

Andreas Treichl mp
Chairman

Franz Hochstrasser mp
Vice Chairman

Herbert Juranek mp
Member

Gernot Mittendorfer mp
Member

Manfred Wimmer mp
Member