



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 2012

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 recognised 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 to 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, C-Rules, which permit a deviation but need to be explained, and R-Rules, which permit a deviation without requiring an explanation.

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

COMMITMENT TO COMPLY WITH THE RULES OF THE AUSTRIAN CCG

(C-Rule 16 Austrian CCG)

In 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 2012, Erste Group Bank AG complied with all L-Rules (legal requirements) and R-Rules (recommendations). The deviation from two “Comply or Explain” rules (C-Rules) is presented and explained below.

Qualifications, composition and independence of the supervisory board

52a (C) The number of members on the supervisory board (excluding employees’ representatives) shall be ten at most. Each new member of the supervisory board is responsible for being duly informed about the organisation and business activities of the company as well as the tasks and responsibilities of the supervisory board members

Due to the size of the company, the supervisory board of Erste Group Bank AG (excluding employees’ representatives) consisted until 15 May 2012 of twelve members. At the Annual General Meeting 2012, a resolution was passed to reduce the number of members of the supervisory board to ten.

57 (C) Supervisory board members who are on the management board of a listed company must not exercise more than a total of four 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 non-Group limited companies.

Juan María Nin Génova, as a member of the management board of the listed company CaixaBank S.A., held five supervisory board mandates in non-Group limited companies in the financial year 2012. The stock exchange listing of CaixaBank S.A., in which he is acting as a member of the management board, only took place 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. The publisher of these guidelines is Global Reporting Initiative (<https://www.globalreporting.org>), a non-governmental organisation.

Governance structure

Erste Group Bank AG has 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

DIE ERSTE österreichische Spar-Casse Privatstiftung (Privatstiftung), a private foundation, is accorded the right by the articles of association (item 15.1) to delegate up to one third of the members of the supervisory board to be elected by the Annual General Meeting. Privatstiftung has not yet exercised this right.

The employees' council, according to the legal stipulations and the articles of association, is authorized 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 in place for the supervisory board to ensure conflicts of interest are avoided

The members of the supervisory board are annually obligated to 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, 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

Manfred Wimmer

Born 1956

Member of the management board since 1 September 2008

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: 31 January 2012

Bernhard Spalt

Born 1968

Member of the management board since 1 November 2006

End of the current period of office: 31 January 2012

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 the previous 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

Gernot Mittendorfer

None

Manfred Wimmer

Österreichische Galerie Belvedere

Martin Škopek

None

Bernhard Spalt

None

INFORMATION ON THE SUPERVISORY BOARD

(section 243b par. 2 Austrian Commercial Code)

Position, name, year of birth, occupation, 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	Friedrich Rödler*	1950	Auditor and tax advisor	4/05/2004	AGM 2014
1st Vice Chairman	Georg Winckler	1943	Former rector of the University of Vienna and Professor emeritus of Economics	27/04/1993	AGM 2015
2nd Vice Chairwoman	Theresa Jordis	1949	Lawyer	26/05/1998	AGM 2013
Member	Bettina Breiteneder	1970	Entrepreneur	4/05/2004	AGM 2014
Member	Jan Homan	1947	General Manager, ret.	4/05/2004	AGM 2014
Member	Brian D. O'Neill	1953	Vice Chairman Lazard International	31/05/2007	AGM 2017
Member	Juan María Nin Génova	1953	Vice Chairman and CEO CaixaBank	12/05/2009	AGM 2014
Member	Wilhelm Rasinger	1948	Consultant	11/05/2005	AGM 2015
Member	John James Stack	1946	President and CEO, ret.	31/05/2007	AGM 2017
Member	Werner Tessmar-Pfohl	1942	Entrepreneur, ret.	6/05/2008	AGM 2013
Chairman	Heinz Kessler*	1938	General Manager, ret.	26/05/1998	AGM 2012
Member	Elisabeth Gürtler**	1950	Entrepreneur	26/05/1998	AGM 2012
Delegated by the employees' council					
Member	Andreas Lachs	1964		9/08/2008	until further notice
Member	Friedrich Lackner	1952		24/04/2007	until further notice
Member	Bertram Mach	1951		9/08/2008	until further notice
Member	Barbara Smrcka	1969		9/08/2008	until further notice
Member	Karin Zeisel	1961		9/08/2008	until further notice
Member	Markus Haag***	1980		21/11/2011	until further notice

* Heinz Kessler resigned from the supervisory board at the end of the annual Annual General Meeting on 15 May 2012. Friedrich Rödler was elected chairman of the supervisory board.

** Resigned from the supervisory board at the end of the annual Annual General Meeting on 15 May 2012

*** Withdrawal of appointment on 15 May 2012

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

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

* Financial expert

** Remuneration expert

Mandates in supervisory boards or similar functions in other foreign and domestic companies for each supervisory board member with reference date 31 December 2012 (listed companies are marked with *) (C-Rule 58 Austrian CCG)

Friedrich Rödler

Erste Bank der oesterreichischen Sparkassen AG
Erste Bank Hungary Zrt.

Georg Winckler

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

Theresa Jordis

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

Bettina Breiteneder

ZS Einkaufszentren Errichtungs- und Vermietungs-Aktiengesellschaft
Gain Capital SA, SICAV-FIS Real Estate Car Parks I (BoD)

Jan Homan

Allianz Elementar Versicherungs-Aktiengesellschaft
BillerudKorsnäss AB
Constantia Flexibles GmbH (Chair)
Constantia Flexibles Group GmbH (Chair)
Drukkerij Verstraete
European Aluminium Foil Association (Chair)
Flexible Packaging Europe (Chair)
Slovenská sporiteľňa, a.s.

Brian D. O'Neill

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

Juan María Nin Génova

APD – Association for the Advancement of Management (Member of the Academic Board)
Banco BPI, S.A.* (Portugal) (BoD)
CaixaBank, S.A.* (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)
Aspen Institute Spain Foundation (Trustee)
CEDE Foundation (BoD)
Deusto University (BoD)
Deusto Business School (BoD)
Esade Business School Foundation (Trustee)

Federico Garcia Lorca Foundation (Trustee)
FUOC-Foundation for the Open University of Catalonia
(Member of the Global Strategy Council)
Spain-China Council Foundation (BoD)
Spain-India Council Foundation (BoD)
Spain-United States Council Foundation (BoD)

Wilhelm Rasinger

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

John James Stack

Ally Bank (BoD)
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)

Heinz Kessler (resigned on 15 May 2012)

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)
Reform-Werke Bauer & Co. Holding Aktiengesellschaft (Chair)

Elisabeth Gürtler (resigned on 15 May 2012)

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

Delegated by the employees' council

Friedrich Lackner

DIE ERSTE österreichische Spar-Casse Privatstiftung

Andreas Lachs

VBV-Pensionskasse AG

Bertram Mach

None

Barbara Smrcka

None

Karin Zeisel

None

Markus Haag (resigned on 15 May 2012)

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 or had have 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 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 criteria, all members of the supervisory board have declared their independence.

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

Until 15 May 2012, three members of the supervisory board held a function on the body of a company that owns over 10% of the shares of Erste Group Bank AG (Kessler, Winckler, Lackner). Since 15 May 2012, there have been only two such members on the supervisory board following the resignation of Heinz Kessler. Additionally, in 2012, 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 Austrian 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 totalling EUR 236,418.57 in 2012. Friedrich Rödler is Senior Partner at PricewaterhouseCoopers Austria; companies of this group billed companies of Erste Group for consulting work totalling EUR 501,000.00 in 2012.

INFORMATION ON THE SELF-EVALUATION OF THE SUPERVISORY BOARD (C-Rule 36 Austrian CCG)

For self-evaluation, the supervisory board created a working group in March 2012 to look at the activities and efficiency of the supervisory board. The supervisory board considered the proposals of the working group and approved them on 27 June 2012.

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 aligns it with the supervisory board. It ensures effective risk management and risk control. When reaching its decisions, the management board takes 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.

DISTRIBUTION OF RESPONSIBILITIES ON THE MANAGEMENT BOARD (C-Rule 16 Austrian CCG)

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 Immort 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

As of 27 November 2012

Andreas Treichl (Chairman)

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

Franz Hochstrasser (Vice Chairman)

Group Large Corporates Banking, Erste Group Immort Client, Industries and Infrastructure, Group Capital Markets, Group Research, Group Investment Banking, Steering & Operating Office Markets, Steering & Operating Office Large Corporates/Erste Group Immort

Herbert Juranek

Group Organisation/IT, Group Banking Operations, Group Services

Gernot Mittendorfer

Group Strategic Risk Management, Group Corporate Risk Management, Group Retail Risk Management, Group Corporate Workout, Group Compliance Legal & Security, Erste Group Immortent Real Estate Risk Management, Group Risk Governance and Projects, Quantitative Risk Methodologies

Manfred Wimmer

Group Accounting, Group Performance Management, Group Asset Liability 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 six committees: the risk management committee, the executive committee, the audit committee, the nomination committee, the remuneration committee and the 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 Austrian Banking Act if such an investment in credit institutions exceeds 10% of the own funds of Erste Group Bank AG 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. The supervisory board delegated to the committee the right of approval for the establishment of branches and the right of approval for 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 monitoring the group's portfolio of participations except in cases where this is the responsibility of the audit committee. The tasks of the risk management committee include the acknowledgement of reports on legal disputes and on the risk impact and costs of major IT projects as well as of reports on important audits of subsidiaries conducted by regulatory authorities.

Executive committee

The executive committee meets on an ad hoc basis at the supervisory board's request for the purpose of preparing specific topics for meetings or for resolutions to be taken by circular. The committee may also be assigned the power to take final decisions. In case of imminent danger and to prevent severe damage, the executive committee may be convened by its chairperson in order to take action in the interest of the company even without a specific mandate from the supervisory board.

Audit committee

The audit committee is responsible for supervising the accounting process; supervising the effectiveness of the internal controlling system, the internal audit system and the risk management system; supervising 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 management report and the corporate governance report and submitting a report on the results of the review to the supervisory board; reviewing the consolidated financial statements of Erste Group and the group management report; preparing the supervisory board's proposal for the selection and revocation of the auditor; 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 audit 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 audit topics and important findings on the basis of audits made and the activity report pursuant to section 20 in connection with section 21 par. 2 of the Austrian Securities Supervisory Act (Wertpapieraufsichtsgesetz); acknowledging immediate information on important findings of the auditor, the internal audit or an audit by a regulatory authority; acknowledging immediate information on cases of damage that could exceed 5% of the 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; acknowledging the compliance activity report pursuant to section 18 in connection with section 21 of the Austrian Securities Supervisory Act (Wertpapieraufsichtsgesetz).

Nomination committee

Meetings of the nomination committee are held as needed or when a member of the committee or the management board requests a meeting. The nomination committee submits proposals to the supervisory board for filling management board mandates that become vacant and deals with issues of succession planning. The committee discusses and decides on the content of employment contracts for members of the management board. It deals with and decides on relationships between the company and the members of the management board except for resolutions to appoint members to the management board or to revoke such appointments and on the granting of stock options. Furthermore, the nomination committee submits proposals to the supervisory board for filling supervisory board mandates that become vacant. Particular attention is given to the members' personal and professional qualifications, a well-balanced composition of the supervisory board in terms of expertise and to diversity.

Remuneration committee

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

Construction committee

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

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 2012.

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 different types of risk and the bank's overall risk, on the individual status of the banking subsidiaries in Central and Eastern Europe as well as on the audit subjects and the material findings of 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 the European level and in Austria and its implications for Erste Group. Proposals to the management board that require the approval of the supervisory board by law, the articles of association and the rules of procedure are presented regularly to the supervisory board.

At the extraordinary meeting on 30 January 2012, responsibilities were reassigned and new rules of representation defined following the reduction of the management board members from seven to five in accordance with a resolution passed in December 2011.

On 14 March 2012, the financial statements and the management report 2011, the consolidated financial statements and manage-

ment report 2011 as well as the corporate governance report 2011 were reviewed; the bank auditors' reports were discussed, the financial statements 2011 were adopted in accordance with the recommendation of the audit committee, and the proposal for the distribution of the profit 2011 was approved. The annual compliance report was presented, and the report of the supervisory board and the proposals for resolutions to be taken at the Annual General Meeting were approved.

At the constituent meeting on 15 May 2012 after the Annual General Meeting, the chairman of the supervisory board and the vice chairpersons were elected, the committees of the supervisory board were newly appointed, and the distribution key for the remuneration of supervisory board members resolved at the Annual General Meeting was adopted.

On 27 June 2012, the findings of a working group set up by the supervisory board to deal with the activities and the efficiency of the supervisory board were discussed. The rules of procedure of the supervisory board and its committees were amended in line with these findings and appointments to supervisory board committees adapted accordingly. The report on major participations for 2011 and the first quarter of 2012 were discussed as well.

On 19 September 2012, the situation at three major subsidiaries was discussed in detail and information on directors' dealings was presented.

On 12 December 2012, the budget and the investment plan 2013 of Erste Group Bank AG were approved and a report on the consolidated budget for the year 2013 was presented. Information was provided on anti-corruption measures in the Group and cost reduction plans were discussed. At this meeting, the supervisory board passed the resolution in principle to sell Erste Bank Ukraine and authorised the executive committee to take the final decision within the set price range.

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 2012, 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 different types of risk, risk-bearing capacity and large exposures. Special reports were delivered on the situation of specific sectors and industries, on audits conducted by supervisory authorities and various legal disputes as well as on risk development in individual countries and subsidiaries, on the activities of Group Compliance and on the new supervisory regime at the European level and in Austria.

The strategy committee met for the last time in 2012. At this meeting, it focused in particular on the future format of supervisory board and committee meetings.

The executive committee, which was newly set up in 2012, met once in 2012 within the scope of the powers assigned to it by the supervisory board to reach a decision on the sale of Erste Bank Ukraine. Information on the sale was published as an ad hoc release on 20 December 2012.

The audit committee held four meetings in 2012. Among other things, the auditors reported on the status of the audit of the financial statements and consolidated financial statements. After a bidding process, the decision was taken, subject to approval by the supervisory board, to propose Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. to the Annual General Meeting as an additional auditor of the (consolidated) financial statements for the financial year 2013. The supervisory board approved this proposal at its next meeting. The audit committee conducted its final discussions. The financial statements and the management report, the consolidated financial statements and the consolidated management report as well as the corporate governance report were reviewed and recommended to the supervisory board for adoption, and the proposal of the management board for distribution of the net profit for the financial year 2011 was acknowledged. The head of the internal audit department reported on the audit subjects and the key findings of the audit for the year 2011 and explained the audit plan for 2012. The internal audit department presented its reports pursuant to section 42 par. 3 of the Austrian Banking Act (Bankwesengesetz). The audit committee also discussed its work plan and defined which topics were to be included on the agendas of which of its meetings.

The nomination and remuneration committee was divided into two committees in 2012: into the nomination committee and the remuneration committee. There was no reason that required a meeting of the nomination committee in 2012. The remuneration committee met twice after the separation of the two committees and discussed various remuneration issues relating to Erste Group and its subsidiaries including the structure of key performance

indicators and the bonus policy, and was informed on continuing professional development and succession programmes.

The construction committee met four times in 2012. The main topics discussed were project plan, project organisation, budget, costs and risks as well as procedure for tenders, deadlines and connected developments for Erste Campus, the planned new headquarters of Erste Group at the future central station in Vienna.

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

(section 243b Austrian Commercial Code)

Ever since the bank's foundation, diversity has played a major role in its organisation and has been firmly embedded in Erste Group's corporate philosophy. Erste Group promotes equal opportunity and diversity in particular with regard to gender, age and ethnicity.

The representation of women and men in management positions continues to be a key topic. Erste Group has been working consistently and steadily on improving the gender balance in management positions. In 2012, 54% of new appointments to management positions were women. Local initiatives underline the importance of this issue, among them projects initiated by Erste Bank Oesterreich: WoMen Potential (supporting women pursuing specialist careers) and WoMen in Leadership (aimed at raising the proportion of women in management from currently 30% to 40% over the next five years).

Erste Group is committed to continuing to implement measures designed to enhance equality of opportunity. Extensive debates at management board level on the impact of gender diversity on Group management led to the launch of a group-wide Diversity and Inclusion Initiative. It is based in part on experiences and practices at Česká spořitelna, which has received multiple Equal Opportunity and Diversity Awards. To underline the importance of this issue and his personal commitment, Andreas Treichl is supporting the initiative as project sponsor.

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)

Remuneration in the financial year 2012

in EUR thousand	Fixed salaries	Other compensation	Performance-linked compensation for previous years	Total
Andreas Treichl	1,236.7	470.9	0	1,707.6
Franz Hochstrasser	690.6	164.4	0	855.0
Herbert Juranek	631.2	60.9	0	692.1
Manfred Wimmer	631.2	163.4	0	794.6
Gernot Mittendorfer	599.2	55.0	0	654.2
	3,788.9	914.6	0	4,703.5

The item “other compensation” comprises pension fund contributions (at severance payments – new) and various other forms of compensation.

Performance-linked compensation

Since the financial year 2010, the variable part of the compensation of the management board members is distributed over five years in accordance with legal requirements and is paid out only under specific conditions. For the financial year 2011, no performance-linked compensation was paid to the management board. No performance-linked compensation for previous years was paid

out in 2012. Neither were any commitments made to pay share-equivalents to management board members.

Long-term incentive programmes

Currently, two long-term incentive programmes (LTI) are run, which are based on changes in the share price of Erste Group Bank AG versus a group of peers and the Dow Jones Euro Stoxx Banks. The final payout under the LTI 2007 programme was made in 2012. The LTI 2010 was started on 1 January 2010 and also runs for four years. In accordance with its terms, the following payments were made in 2012:

in EUR thousand	LTI 2007	LTI 2010	Total
Andreas Treichl	240.9	0	240.9
Franz Hochstrasser	60.2	84.0	144.2
Herbert Juranek	60.2	84.0	144.2
Manfred Wimmer	0	84.0	84.0
Gernot Mittendorfer	0	0	0
	361.3	252.0	613.3

Bernhard Spalt and Martin Škopek left the management board effective 31 January 2012. Bernhard Spalt received EUR 52,600 in fixed and EUR 5,600 in other compensation. Martin Škopek received EUR 75,000 in fixed and EUR 35,100 in other compensation. Martin Škopek received EUR 42,000 and Bernhard Spalt EUR 144,200 under the LTI programmes.

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 Austrian Salaried Employees Act (Angestelltengesetz) apply for two members of the management board. All other members of the management board are not entitled to receive any termination benefits.

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

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 2012	Supervisory board compensation for 2011	Total
Friedrich Rödler	36.0	50.0	86.0
Georg Winckler	31.0	75.0	106.0
Theresa Jordis	29.0	75.0	104.0
Bettina Breiteneder	19.0	50.0	69.0
Jan Homan	10.0	50.0	60.0
Wilhelm Rasinger	27.0	50.0	77.0
Werner Tessmar-Pfohl	12.0	50.0	62.0
Brian D. O'Neill	7.0	50.0	57.0
John James Stack	6.0	50.0	56.0
Juan María Nin Génova	5.0	50.0	55.0
Heinz Kessler	14.0	100.0	114.0
Elisabeth Gürtler	2.0	50.0	52.0
Friedrich Lackner	0	0	0
Andreas Lachs	0	0	0
Bertram Mach	0	0	0
Barbara Smrcka	0	0	0
Karin Zeisel	0	0	0
Markus Haag	0	0	0
	198.0	700.0	898.0

The Annual General Meeting 2012 granted the members of the supervisory board compensation totalling EUR 700,000 for the financial year 2011, 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.

Directors and officers insurance

Erste Group Bank AG has directors and officers liability insurance. The insurance policy covers former, current and future members of the management board or managing directors, the supervisory board, the administrative board, the advisory board and senior employees, authorised signatories 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.

REPORT ON THE EXTERNAL EVALUATION

(R-Rule 62 Austrian CCG)

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

SHAREHOLDERS' RIGHTS

Voting rights

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

The articles of association differ from the statutory majority requirements in three cases. First, the appointment of supervisory board members can be revoked before the end of their respective term by a resolution of the Annual General Meeting that requires a majority of 75% of the votes cast and a majority of 75% of the share capital present at such meeting. Second, the articles of association may be amended, provided that such amendment does not concern the business purpose, by a resolution of the Annual General Meeting that 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 General 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 AG requires a majority of at least 75% of the share capital present at an Annual General 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 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 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 Annual General Meeting or in certain cases 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, 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 Annual General Meeting per year (ordinary shareholders' meeting), which must be held within the first eight months of any financial year and cover at least the following issues:

- _Presentation of certain documents
- _Distribution of the annual profit
- _Granting of discharge to the members of the management board and supervisory board for the preceding financial year.

Vienna, 28 February 2013

Management Board

Andreas Treichl mp
Chairman

Franz Hochstrasser mp
Vice Chairman

Herbert Juranek mp
Member

Gernot Mittendorfer mp
Member

Manfred Wimmer mp
Member