



Corporate governance

Corporate governance report

In 2003, Erste Group Bank AG declared its commitment to comply with the rules of the Austrian Code of Corporate Governance (Austrian CCG) with the objective of ensuring responsible and transparent corporate governance. In addition, the management board adopted a Statement of Purpose in 2015. This statement reaffirms and states in more detail the purpose of Erste Group Bank AG to promote and secure prosperity throughout the region. Building on this Statement of Purpose, a Code of Conduct defines binding rules for the day-to-day business. At the same time, the Code of Conduct underlines that in pursuing its business activities, Erste Group values responsibility, respect and sustainability. The Code of Conduct hence helps to protect the reputation of Erste Group and to strengthen stakeholder confidence. The Corporate Governance Report has been prepared in accordance with section 243b of the Austrian Commercial Code and Rules 60 et seq of the Austrian CCG and also complies with sustainability reporting guidelines (www.globalreporting.org). The current version of the Austrian CCG as well as its English translation are publicly available on the website www.corporate-governance.at.

The Austrian CCG is a set of self-regulation rules for Austrian listed companies supplementing Austrian laws on stock markets and capital markets. The aim is to establish responsible corporate management and control to create long-term value. Application of the Austrian CCG guarantees a high degree of transparency for all stakeholders including investors, customers and employees. The Code contains the following sets of rules: L-Rules (Legal Requirements – mandatory legal norms), C-Rules (Comply-or-Explain – deviations are permitted but must be explained) and R-Rules (Recommendations – these rules are more similar to recommendations; non-compliance does not need to be disclosed or explained).

In the financial year 2015, Erste Group Bank AG complied with all L-Rules and R-Rules as well as – with two exceptions – all C-Rules of the Austrian CCG. The two deviations are described and explained below.

Pursuant to C-Rule 2 of the Austrian CCG, shares are to be construed in accordance with the principle of one share – one vote, i.e. investors have one vote per share and no right to nominate members to the supervisory board. Under Erste Group Bank AG's

articles of association (Art. 15.1), DIE ERSTE österreichische Spar-Casse Privatstiftung is, however, granted the right to nominate up to one third of the members of the supervisory board to be elected by the shareholder meeting as long as it is liable for all present and future liabilities of Erste Group Bank AG in case of its insolvency according to section 92 para 9 of the Austrian Banking Act. The Privatstiftung has not exercised this right to date.

Pursuant to C-Rule 52a of the Austrian CCG, the number of supervisory board members (without employees' representatives) shall be ten at most. At present, though, Erste Group Bank AG's supervisory board consists of twelve shareholder representatives elected by the 22nd annual general meeting held on 12 May 2015. The deviation from C-Rule 52a of the Austrian CCG is due to the size of Erste Group and its market position in seven core markets in Central and Eastern Europe as well as to the fact that Erste Group is subject to a multitude of financial market and prudential regulations, which have increased in recent years and will continue to increase in the future. In addition, the supervisory board has to meet a rising number of additional review and control requirements under current laws and regulations.

Working methods of the management board and the supervisory board

Erste Group Bank AG has a two-tier governance structure with a management board and a supervisory board as management bodies. The management board is responsible for managing the company as required for the benefit of the company taking into account the interests of the shareholders and the employees as well as public interest. The management board develops the strategic orientation of the company and aligns it with the supervisory board. It ensures effective risk management and risk control. The management board takes its decisions in compliance with all relevant legal provisions, the articles of association and its internal rules of procedure.

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

Selection and assessment of members of management bodies

The qualification requirements for members of the management bodies (management board and supervisory board) of Erste Group Bank AG are governed by the internal guidelines for the selection and assessment of members of the management and supervisory boards. These guidelines define, in accordance with applicable legal provisions, the internal framework for the selection and assessment of proposed and appointed members of the management bodies and are also an important tool for ensuring good corporate governance and control. The assessment of proposed

and appointed members of management bodies is based on the following criteria: personal reputation, professional qualifications and experience as well as governance criteria (potential conflicts of interest, independence, time availability, overall composition of the management or supervisory board and diversity).

Training and development

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

MANAGEMENT BOARD

Management board member	Year of birth	Date of initial appointment	End of current period of office
Andreas Treichl (Chairman)	1952	1 October 1994	30 June 2020
Peter Bosek	1968	1 January 2015	31 December 2017
Petr Brávek	1961	1 April 2015	31 December 2017
Andreas Gottschling	1967	1 September 2013	30 June 2017
Gernot Mittendorfer	1964	1 January 2011	30 June 2017
Jozef Síkela	1967	1 January 2015	31 December 2017

In the financial year 2015, the management board consisted until 31 March 2015 of five members, since 1 April 2015 of six members.

The supervisory board had already appointed Peter Bosek and Jozef Síkela (both effective 1 January 2015) and Petr Brávek

(effective 1 April 2015) as new members of the management board in the financial year 2014.

As of 1 February 2016, the allocation of duties among the members of the management board is as follows:

Allocation of duties on the management board

Management board member	Areas of responsibility
Andreas Treichl (Chairman)	Group Strategy, Group Secretariat, Group Communications, Group Investor Relations, Group Human Resources, Group Audit, Employees' Council, Social Banking Development
Peter Bosek	Erste Hub, Digital Sales, Group Private Banking, Group Brands Communication, Group Customer Experience, Group Retail Steering a. Projects, Group Retail Strategy
Petr Brávek	Group Org/IT, Holding Banking Operations, Group COO Governance
Andreas Gottschling	Enterprise wide Risk Management, Risk Methods and Models, Op. Risk, Compliance and Security, Group Workout, Group Credit and Market Risk Management, Group Risk Operating Office, Group Validation, Group Retail and SME Risk Management, Group Legal
Gernot Mittendorfer	Group ALM, Group Controlling and Information Management, Group Accounting, Group Services
Jozef Síkela	Group Corporates, Group Commercial Real Estate, Group Markets, Operating Office C and M, Group Research

Supervisory board mandates and similar functions

In the financial year 2015, the management board members held the following supervisory board mandates or similar functions in domestic or foreign companies not included in the consolidated financial statements:

Andreas Treichl

DONAU Versicherung AG Vienna Insurance Group (Vice Chair), Sparkassen Versicherung AG Vienna Insurance Group (Chair), Leoganger Bergbahnen Gesellschaft m.b.H. (Member)

Peter Bosek

Wiener Städtische Versicherung AG Vienna Insurance Group (Member), Sparkassen Versicherung AG Vienna Insurance Group (Member), Wien 3420 Aspern Development AG (Member)

Andreas Gottschling

Oesterreichische Kontrollbank Aktiengesellschaft (Member)

Jozef Síkela

Oesterreichische Kontrollbank Aktiengesellschaft (Member)

Petr Brávek and Gernot Mittendorfer did not hold any supervisory board mandates or similar functions in domestic or foreign companies not included in the consolidated financial statements.

SUPERVISORY BOARD

In the financial year 2015, the following persons were members of the supervisory board.

Position	Name	Year of birth	Occupation	Date of initial appointment	End of the current period of office
Chairman	Friedrich Rödler	1950	Auditor and tax advisor	4 May 2004	AGM 2019
1st Vice Chairman (until 12 May 2015)	Georg Winckler	1943	Former rector of the University of Vienna and Professor emeritus of Economics	27 April 1993	AGM 2015
1st Vice Chairman (since 12 May 2015)	Jan Homan	1947	General Manager, ret.	4 May 2004	AGM 2019
2nd Vice Chairwoman (since 12 May 2015)	Bettina Breiteneder	1970	Entrepreneur	4 May 2004	AGM 2019
Member	Elisabeth Bleyleben-Koren	1948	General Manager, ret.	21 May 2014	AGM 2019
Member	Gonzalo Gortázar Rotaeché	1965	CEO, CaixaBank	12 May 2015	AGM 2020
Member	Gunter Griss	1945	Lawyer	21 May 2014	AGM 2019
Member	Maximilian Hardegg	1966	Entrepreneur	12 May 2015	AGM 2020
Member	Elisabeth Krainer Senger-Weiss	1972	Lawyer	21 May 2014	AGM 2019
Member	Antonio Massanell Lavilla	1954	Deputy Chairman, CaixaBank	12 May 2015	AGM 2020
Member	Brian D. O'Neill	1953	Senior Advisor, Lazard Frères & Co	31 May 2007	AGM 2017
Member	Wilhelm Rasinger	1948	Consultant	11 May 2005	AGM 2020
Member	John James Stack	1946	CEO, ret.	31 May 2007	AGM 2017
Delegated by the employees' council					
Member	Markus Haag	1980		21 November 2011	until further notice
Member	Regina Haberhauer	1965		12 May 2015	until further notice
Member	Andreas Lachs	1964		9 August 2008	until further notice
Member	Bertram Mach	1951		9 August 2008	25 June 2015
Member	Barbara Pichler	1969		9 August 2008	until further notice
Member	Jozef Pinter	1974		25 June 2015	until further notice
Member	Karin Zeisel	1961		9 August 2008	until further notice

Changes in the supervisory board in the financial year: at the annual general meeting (AGM) held on 12 May 2015, the shareholder representatives Maximilian Hardegg, Gonzalo Gortázar Rotaeché and Antonio Massanell Lavilla were elected to the supervisory board. The shareholder representative Wilhelm Rasinger was re-elected on the same date, Regina Haberhauer was delegated

by the employees' council. A re-election of Georg Winkler at the AGM was not possible due to the age limit of 70 years defined in the articles of association. By a letter of 25 June 2015 to the chairman of the supervisory board, Jozef Pinter was delegated by the employees' council and the delegation of Bertram Mach was revoked.

Membership in supervisory board committees

Committee membership as of 31 December 2015:

Name	Executive committee	Nomination committee	Audit committee	Risk committee	Remuneration committee	Construction/ IT committee
Friedrich Rödler	Chairman	Chairman	Chairman*	Chairman	Chairman**	Vice Chairman
Jan Homan	Vice Chairman	Vice Chairman	Substitute	Vice Chairman	Vice Chairman	Substitute
Bettina Breiteneder	Member	Member	Member	Member	-	Chairwoman
Elisabeth Bleyleben-Koren	-	-	Member	Member	-	-
Gonzalo Gortázar Rotaeché	-	-	-	-	-	-
Gunter Griss	-	-	-	-	Member	-
Maximilian Hardegg	Member	Member	Vice Chairman	Member	Substitute	Member
Elisabeth Krainer Senger-Weiss	-	-	-	Substitute	-	Member
Antonio Massanell Lavilla	-	-	Member	-	-	Member
Brian D. O'Neill	-	-	-	-	Member	-
Wilhelm Rasinger	Substitute	-	Member	Member	-	-
John James Stack	-	-	-	-	Member	-
Delegated by the employees' council						
Markus Haag	-	-	-	Member	Substitute	-
Regina Haberhauer	-	-	Member	Substitute	-	-
Andreas Lachs	Substitute	Substitute	Substitute	Member	Member	Substitute
Barbara Pichler	Member	Member	Member	-	Member	Member
Jozef Pinter	Substitute	Substitute	Member	Substitute	Substitute	Substitute
Karin Zeisel	Member	Member	Substitute	Member	Member	Member

*Financial expert, **Remuneration expert

Mandates on supervisory boards or similar functions

As of 31 December 2015, the supervisory board members held the following additional supervisory board mandates or similar functions in domestic or foreign companies. Listed companies are marked with *.

Friedrich Rödler

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

Georg Winckler (until end of AGM 2015)

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

Jan Homan

Billerud Korsnäs AB*, Constantia Flexibles Holding GmbH, Frapag Beteiligungholding AG (Chair), Slovenská sporiteľňa, a.s.

Bettina Breiteneder

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

Gonzalo Gortázar Rotaeche (since end of AGM 2015)

Grupo Financiero Inbursa*, VidaCaixa, S.S. Seguros y Reaseguros (Chair), Repsol S.A.*

Gunter Griss

AVL List GmbH, Bankhaus Krentschker & Co. AG, Steiermärkische Bank und Sparkassen AG

Maximilian Hardegg (since end of AGM HV 2015)

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

Antonio Massanell Lavilla (since end of AGM 2015)

Mediterránea Beach & Golf Community, S.A.U. (Vice Chair), SAREB, S.A., Telefónica, S.A.*, Cecabank, S.A. (Chair)

Brian D. O'Neill

Emigrant Bank, Banca Comercială Română S.A., Seven Seas Water

Wilhelm Rasinger

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

John James Stack

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

Elisabeth Bleyleben-Koren and Elisabeth Krainer Senger-Weiss did not hold any mandates on supervisory boards or similar functions in domestic or foreign companies as of 31 December 2015.

Delegated by the employees' council:

Regina Haberhauer (since end of AGM HV 2015)

ERSTE-SPARINVEST KAG, Ringturm KAG

Barbara Pichler

DIE ERSTE österreichische Spar-Casse Privatstiftung

Andreas Lachs

VBV-Pensionskasse Aktiengesellschaft

Markus Haag, Bertram Mach (until 25 June 2015), Jozef Pinter (since 25 June 2015) and Karin Zeisel did not hold any mandates on supervisory boards or similar functions in domestic or foreign companies.

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

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

Measures to avoid conflicts of interest

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

Independence of the supervisory board

Pursuant to C-Rule 53 of the Austrian CCG, the majority of the members of the supervisory board elected by the annual general meeting or delegated by shareholders in accordance with the articles of association shall be independent of the company and its management board. A member of the supervisory board is deemed to be independent if such person does not have any business or personal relations with the company or its management that would constitute a material conflict of interest and, therefore, might influence the member's conduct. The supervisory board adheres to the independence criteria guidelines as set out in Annex I of the Austrian CCG.

- _ The supervisory board member shall not have been a member of the management board or a managing employee of the company or of a subsidiary of the company in the past five years.
- _ The supervisory board member shall not have or not have had in the past year any business relations with the company or a subsidiary of the company to an extent of significance for the

supervisory board member. This shall also apply to business relations with companies in which the supervisory board member has a significant economic interest but not to positions held in the Group's managing bodies. The approval of individual transactions by the supervisory board pursuant to L-Rule 48 does not automatically qualify the respective supervisory board member as not being independent.

- _ The supervisory board member shall not have served as auditor for the company or been involved in an audit or worked as an employee of the audit firm that audited the company in the past three years.
- _ The supervisory board member shall not serve as a management board member at another company in which a member of the company's management board is a supervisory board member.
- _ The supervisory board member shall not serve on the supervisory board for more than 15 years. This shall not apply to members of the supervisory board that hold investments with a business interest or that represent the interests of such a shareholder.
- _ The supervisory board member shall not be a close family member (child, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the management board or of persons holding one of the positions described in the points above.

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

No member of the supervisory board holds directly or indirectly more than 10% of the shares of Erste Group Bank AG. In 2015, three members of the supervisory board (Georg Winckler, Maximilian Hardegg and Barbara Pichler) served on a management body of a company holding more than 10% of the shares of Erste Group Bank AG. One member (Wilhelm Rasinger) represented in particular the interests of retail shareholders.

Attendance of supervisory board meetings

In 2015, all members of the supervisory board attended more than half of the supervisory board meetings that took place after their election to the supervisory board.

Self-evaluation of the supervisory board

The supervisory board performed a self-evaluation of its activity pursuant to C-Rule 36 of the Austrian CCG. In the supervisory board meeting of 17 December 2015, it considered the efficiency of its activity, including in particular its organisation and methods of work.

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

In 2015, the firm Griss & Partner Rechtsanwälte, in which Gunter Griss is a senior partner, invoiced companies of Erste Group for legal representation and consulting services in the total amount of EUR 8,121.00.

SUPERVISORY BOARD COMMITTEES AND THEIR DECISION-MAKING POWERS

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

Risk committee

The risk committee advises the management board with regard to the bank's current and future risk appetite and risk strategy and monitors the implementation of this risk strategy. The committee also reviews whether the services and products offered are adequately priced in accordance with the bank's business model and risk strategy. Without prejudice to the duties of the remuneration committee, the risk committee is also responsible for reviewing whether the incentives offered by the internal remuneration system adequately take into account risk, capital, liquidity and the probability and timing of profit realisation. The risk committee is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the management board defined in the approval authority regulation. The approval of the risk committee is required for any exposure or large exposure as defined in section 28a of the Austrian Banking Act if the carrying value of such an investment exceeds 10% of the company's eligible own funds or of the banking group's eligible consolidated own funds. In addition, it may grant advance approvals to the extent permitted by law. The risk committee is responsible for monitoring the risk management of Erste Group Bank AG. A report providing key information about the organisation, structure and operation of the risk management system in place for the company and major subsidiaries has to be submitted to the committee at least once a year. The supervisory board has delegated to the risk committee the right to approve the establishment and closure of branches, to grant special statutory power of attorney (Prokura) or commercial power (Handlungsvollmacht) for all business operations. The committee is responsible for monitoring the Group's portfolio of participations except in cases where this is the responsibility of the audit committee. The tasks of the risk committee include the acknowledgement of reports on legal disputes and on the risk impact and costs of major IT projects as well as of reports on important audits of subsidiaries conducted by regulatory authorities.

Executive committee

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

Audit committee

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

Nomination committee

Meetings of the nomination committee are held as needed (beginning with 1 January 2014 at least once a year) or when a member of the committee or of the management board requests a meeting. The nomination committee submits proposals to the supervisory board for filling management board mandates that become vacant and deals with issues of succession planning. The committee decides on the employment contracts for members of the management board. It deals with and decides on relationships between the company and the members of the management board except for resolutions to appoint members to the management board or revoke such appointments and on the granting of company stock options. Furthermore, the nomination committee supports the supervisory board in making proposals to the annual general meeting for filling supervisory board mandates that have become vacant. In filling vacant management board and supervisory board mandates, the focus is in particular on

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

Remuneration committee

The remuneration committee prepares resolutions on remuneration matters, including resolutions that have an impact on the bank's risk and risk management and have to be passed by the supervisory board. The remuneration committee approves the general principles of remuneration policy, reviews them regularly and is also responsible for their implementation. The committee monitors remuneration policy, remuneration practices and remuneration-linked incentive programmes in relation to the control, monitoring and containment of risks, the capital base and liquidity, with due regard to the long-term interests of the bank's shareholders, investors and employees as well as the national interest in a well-functioning banking system and financial market stability. The committee monitors the payment of variable remuneration to members of the management board and to the company's second management level as well as to management board members of major subsidiaries. Furthermore, the remuneration of senior managers in risk management and in compliance functions is reviewed directly by the remuneration committee. Once a year, the committee is presented with a comprehensive report on the remuneration system including key performance indicators as well as a report on the situation regarding personnel and management in the Group.

Construction committee/IT committee

The construction committee is responsible for advising the management board and for preparing resolutions of the supervisory board with respect to Erste Campus, the headquarters of Erste Group. The supervisory board may delegate further duties to the committee, if necessary. Following the completion and handing over of Erste Campus, the construction committee was renamed IT committee as of 2 December 2015 and its scope of duties and internal rules were amended. The IT committee monitors and supervises IT-related issues and IT strategy in general. The IT

committee is also responsible for rendering advice to the management board and for the preparation of any resolutions of the supervisory board regarding Erste Campus.

MEETINGS OF THE SUPERVISORY BOARD AND REPORT ON PRINCIPAL ACTIVITIES

Six meetings of the supervisory board were held in the financial year 2015.

At each ordinary meeting of the supervisory board, the monthly developments of the balance sheet and the income statement were presented and reports were given on individual risk types and the bank's total risk; the status of individual banking subsidiaries in Central and Eastern Europe was discussed and quarterly reports were delivered on the areas audited and on the internal audit department's material audit findings according to section 42 para 3 of the Austrian Banking Act. The chairpersons of the committees reported on the main topics dealt with by the committees since the last supervisory board meeting. A recurring topic at the supervisory board meetings in the financial year 2015 was reports on current regulatory developments in the banking environment and their impacts on Erste Group, including in particular the status of the banking supervisory regime at the European level and in Austria. The management board regularly presented proposals to the supervisory board that require its approval under the law, the articles of association and the internal rules.

On 12 March 2015, the financial statements and the management report 2014, the consolidated financial statements and consolidated management report 2014 as well as the corporate governance report 2014 were reviewed; the bank auditors' reports were discussed and the financial statements 2014 were adopted in accordance with the recommendation of the audit committee. Furthermore, the resolutions proposed for the annual general meeting were discussed and approved. It was also decided to propose Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. to the annual general meeting on 12 May 2015 as an additional auditor of the (consolidated) financial statements for the financial year 2016. In addition, reports were delivered on the development of risk and credit risk, on anti-corruption activities and on a project regarding the sale of non-performing loans of Banca Comercială Română S.A. and a decision was taken on the re-organisation of the Corporates and Markets division.

At the meeting of 22 April 2015, which was also attended by staff members of the European Central Bank (ECB), who answered questions raised by supervisory board members, reports were delivered on the current status and the development of the business of Erste Bank Hungary Zrt. A report was also given on the situation of HETA Asset Resolution AG and its impact on Erste Group, on capital planning and its implementation as well as on the restructuring of the COO division. An update was presented on initiatives and cooperation arrangements, and the report on directors' dealings as well as the annual compliance report were

discussed. In addition, resolutions were adopted relating to variable remuneration components for the management board.

At the constituent meeting of 12 May 2015 held after the annual general meeting, Jan Homan was elected first vice chairman and Bettina Breiteneder second vice chairwoman of the supervisory board. In addition, supervisory board members were elected to the respective supervisory board committees and the composition of the committees was thus realigned. The distribution key for the remuneration of supervisory board members approved by the annual general meeting was adopted for 2014.

At the meeting held on 24 June 2015, the report on major participations for 2014 and the first quarter of 2015, the risk development and credit risk report as well as the report on the current status and the development of the business of the Hungarian subsidiary Erste Bank Hungary Zrt were discussed.

At the meeting of 16 September 2015, Andreas Treichl was reappointed early as member of the management board for a term ending 30 June 2020 and his function as chairman of the management board was confirmed at the same time. In addition, reports were delivered on Česká spořitelna, a.s. and Banca Comercială Română S.A., on the current status of the Group Recovery Plan 2015, on the development of risk and on the Credit Risk Remediation programme.

At the meeting of 17 December 2015, the strategy and reorganisation of Group Retail was approved and reports on cyber security, diversity, large exposures pursuant to section 28b of the Austrian Banking Act, committee activities and the annual plan for the financial year 2016 were discussed and taken note of. It was further decided to propose PwC Wirtschaftsprüfung GmbH to the annual general meeting on 11 May 2016 as an additional auditor of the (consolidated) financial statements for the financial year 2017. The findings of the supervisory board's self-evaluation were discussed. Maximilian Hardegg was elected as an additional member of the IT committee (formerly: construction committee).

MEETINGS OF THE COMMITTEES AND REPORT ON ACTIVITIES

The risk committee held eighteen meetings in 2015, at which it regularly took decisions on exposures and loans exceeding the powers of the management board and was briefed on loans granted within the scope of authorisation of the management board. The committee was regularly informed of the individual risk types, risk-bearing capacity and large exposures. Furthermore, reports were given on the situation of specific sectors and industries and resulting effects on the risk strategy, on the audits conducted by supervisory authorities, on various legal disputes and on risk development in certain countries and subsidiaries. In 2015, reports were delivered repeatedly on developments in Hungary and Croatia, focusing in particular on foreign-currency loans and on the impacts of Swiss franc exchange rate fluctua-

tions. Further topics were the evaluation of remuneration schemes and salary schemes for workout managers within the Group as well as the activities of Group Compliance and regulatory developments at the European level and in Austria.

In 2015, a meeting of the executive committee was held to discuss a project regarding the sale of non-performing loans of Banca Comercială Română S.A.

The audit committee met seven times in 2015. Among other things, the auditors reported on the audit of the single-entity and consolidated financial statements for 2014, and the audit committee subsequently conducted the final discussion. The financial statements and the management report, the consolidated financial statements and the consolidated management report as well as the corporate governance report were audited and recommended to the supervisory board for adoption. The head of the internal audit department reported on the audit subjects and material audit findings for the year 2014 and explained the audit plan for 2015. The internal audit department presented its reports pursuant to section 42 para 3 of the Austrian Banking Act as well as a report pursuant to section 39 of the Austrian Banking Act. A report was given on the assessment of the functionality of the risk management system according to Rule 83 of the Austrian CCG and on the effectiveness of the internal control system. The audit committee also discussed its work plan for 2016 and defined which topics were to be placed on the agendas of which meetings. After completion of a bidding process and evaluation of its results, it was decided, subject to the approval of the supervisory board, to propose PwC Wirtschaftsprüfung GmbH to the annual general meeting on 11 May 2016 as an additional auditor of the (consolidated) financial statements for the financial year 2017. The auditors provided information about the preliminary audit of the single-entity and consolidated financial statements for 2015. Further reports were about the audit conducted and the decision taken by the Austrian Financial Reporting Enforcement Panel (Österreichische Prüfstelle für Rechnungslegung) as well as about the outcome of the Asset Quality Review and the findings of an outside auditor's review of the internal audit function's asset quality assessment. Reports were also delivered on the audit of Erste Campus, the performance of investments and the internal control system and the management letter 2014 was discussed.

The nomination committee met three times in 2015 and dealt with various personnel matters relating to the management board and the supervisory board. These included, first of all, the election of supervisory board members at the annual general meeting 2014. The nomination committee assessed the qualifications of the candidates nominated for first-time or re-election and recommended that the supervisory board propose to the annual general meeting the first-time election of Maximilian Hardegg, Gonzalo Gortázar Rotaecbe und Antonio Massanell Lavilla and the re-election of Wilhelm Rasinger to the supervisory board. The nomination committee also assessed the qualifications of Andreas Treichl for early re-appointment as member and chairman of the management board

and recommended his re-appointment by the supervisory board. In addition, the nomination committee reviewed the evaluation pursuant to C-Rule 36 of the Austrian CCG and evaluation of the management board and the supervisory board pursuant to section 39 no 6 and 7 of the Austrian Banking Act.

The remuneration committee met five times in 2015 and discussed various remuneration topics relating to Erste Group and its subsidiaries including the structure of key performance indicators and the bonus policy concerning the requirements for the payment of variable remuneration components. In addition, the remuneration of members of the supervisory board was discussed, and decisions regarding the remuneration of management board members were made. Information was provided about regulatory developments concerning remuneration and their implementation by Erste Group, including in particular the impacts of CRD IV/CRR rules.

The construction committee met three times in 2015. Its main topics were project planning, project organisation, the budget, costs and risks as well as procedures relating to tenders, scheduling and developments regarding Erste Campus, the new Erste Group headquarters building in Vienna. After the successful completion and acceptance of the Erste Campus project in December 2015, the construction committee was renamed IT committee, its scope of duties was redefined and its internal rules were amended accordingly. In 2015, a meeting of the IT committee was held, which discussed, among other things, the IT strategy and fundamental strategic COO initiatives.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Principles governing the remuneration policy

The principles governing management board remuneration are specified in the remuneration policy of Erste Group Bank AG, including in particular the definition and evaluation of performance criteria. The contractual maximum value of performance-linked payments to management board members shall not exceed 100% of the fixed salaries. The method for determining whether the performance criteria have been met is defined at the beginning of the year by the supervisory board following a proposal of the responsible organisational units (Group Performance Management, Group Risk Management and Group Human Resources). Management board members have to achieve defined performance criteria at both company level and individual level. The first criterion is Erste Group's overall performance. For the year 2015, this criterion is measured by reference to three indicators: the SREP ratio, the common equity tier 1 ratio and operating result minus risk cost. The second performance criterion is the achievement of individual objectives. These are, for example, operating result, operating result minus risk costs, return on tangible equity, risk costs to customer loans, the NPL coverage ratio and the NPL ratio.

Since the financial year 2010, the variable part of the management board's remuneration, including both cash payments and share equivalents, is distributed over five years in accordance with legal requirements and is paid out only under certain condi-

tions. Share equivalents are not exchange-traded shares but phantom shares that are paid out in cash after a one-year vesting period based on defined criteria.

Remuneration of management board members

Remuneration in 2015

in EUR thousand	Fixed salaries	Other remuneration	Performance-linked remuneration		Total
			for 2014	for previous years	
Andreas Treichl	1,335.1	1,454.4	0.0	156.8	2,946.3
Peter Bosek	633.0	84.4	0.0	0.0	717.4
Petr Brávek (since 1 April 2015)	495.3	63.6	0.0	0.0	558.9
Andreas Gottschling	633.0	157.4	0.0	4.0	794.4
Gernot Mittendorfer	633.0	86.3	0.0	27.2	746.5
Jozef Síkela	633.0	82.2	0.0	0.0	715.2
Total	4,362.4	1,928.3	0.0	188.0	6,478.7

In 2015, Peter Bosek was a management board member of the Holding as well as of Erste Bank Oesterreich. Therefore, the remuneration was split equally between both entities.

The item "Other remuneration" comprises pension fund contributions, contributions to employee provision funds (for new-type severance payments) and remuneration in kind. In 2015, performance-linked remuneration and share equivalents were paid out or vested for previous years. No performance-linked remuneration was paid to members of the management board for the financial years 2014 and 2011.

Non-cash performance-linked remuneration in 2015

Share equivalents (in units)	for 2014	for previous years
Andreas Treichl	0	6.953
Peter Bosek	0	0
Petr Brávek (since 1 April 2015)	0	0
Andreas Gottschling	0	168
Gernot Mittendorfer	0	1,424
Jozef Síkela	0	0
Total	0	8,545

Pay-outs will be made in the year 2016 after the one-year vesting period. Share equivalents are valued at the average weighted daily share price of Erste Group Bank AG of the year 2015 in the amount of EUR 25.13 per share.

Long-term incentive programme

A long-term incentive programme (LTI) that was started on 1 January 2010 expired in 2015. It was based on changes in the

share price of Erste Group Bank AG versus a group of peers and the Dow Jones Euro Stoxx Banks. In 2015, it did not result in any payment.

In 2015, EUR 3,140.0 thousand was paid in cash and 8,390 share-equivalents were assigned to former members of management bodies and their dependants.

Principles governing the pension scheme for management board members

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

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

Regarding vested benefits and entitlements of management board members in the event of termination of their position, the standard legal severance benefit provisions of section 23 of the Austrian Salaried Employees Act (Angestelltengesetz) still apply to one member of the management board. No other members of the management board are entitled to receive any severance benefits.

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

Remuneration of members of the supervisory board

in EUR thousand	Meeting fees for 2015	Supervisory board compensation for 2014	Total
Friedrich Rödler	46,0	100,0	146,0
Georg Winckler	13,0	75,0	88,0
Jan Homan	29,0	65,5	94,5
Bettina Breiteneder	27,0	50,0	77,0
Elisabeth Bleyleben-Koren	30,0	30,7	60,7
Gonzalo Gortázar Rotaeché	3,0	0,0	3,0
Gunter Griss	10,0	30,7	40,7
Maximilian Hardegg	25,0	0,0	25,0
Elisabeth Krainer Senger-Weiss	19,0	30,7	49,7
Antonio Massanell Lavilla	9,0	0,0	9,0
Juan Maria Nin Génova	0,0	47,5	47,5
Brian D.O'Neill	11,0	50,0	61,0
Wilhelm Rasinger	34,0	50,0	84,0
John James Stack	9,0	50,0	59,0
Markus Haag	0,0	0,0	0,0
Regina Haberhauer	0,0	0,0	0,0
Friedrich Lackner	0,0	0,0	0,0
Andreas Lachs	0,0	0,0	0,0
Bertram Mach	0,0	0,0	0,0
Barbara Pichler	0,0	0,0	0,0
Jozef Pinter	0,0	0,0	0,0
Karin Zeisel	0,0	0,0	0,0
Total	265,0	580,1	845,1

The 2015 annual general meeting granted the members of the supervisory board remuneration totalling EUR 580,100 for the financial year 2014. The distribution of this remuneration is at the supervisory board's discretion and was approved at the constituent meeting of the supervisory board on 12 May 2015. In addition, attendance fees paid to the members of the supervisory board were set at EUR 1,000 per meeting of the supervisory board or one of its committees.

Directors' and officers' liability insurance

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

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

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

for developing a group-wide diversity policy, identifying targets and measures, and regularly monitoring and reporting on targets.

At the beginning of 2014, Erste Group set a group-wide internal target of having 35% of positions in top management and on supervisory boards filled by women by 2019. This target applies to the local banking subsidiaries (excluding the savings banks in Austria). Currently, 28% of positions in top management are filled by women, which is a 2 percentage point decrease over 2014 resulting from organisational changes. The share of female supervisory board members increased by 1 percentage point to 24% in 2015. To increase the number of women in senior management positions, Erste Group aims for a greater gender and age balance in its talent pools.

The *Erste Women Hub* focuses on supporting women in advancing their careers, reaching out to female customers and encouraging an inclusive work environment. Various initiatives in Austria, such as the *WoMentoring* programme, *Women Financial Lifetime* and *Securities Dialogue for Women*, were launched. Česká spořitelna continues its comprehensive diversity and inclusion programme *Diversitas*. The programme is focused on all aspects of diversity management, such as supporting the career advancement of women through mentoring, coaching, leadership development and networking, and offering flexible work arrangements and a parental support programme as well as age management and an intergenerational dialogue. Both Slovenská sporiteľňa and Banca Comercială Română offered workshops dedicated to women in their diversity approach. In addition, Slovenská sporiteľňa recruits disabled persons for their call centre, and Erste Bank Hungary agreed with the employees' council to provide additional 5 days of paid leave for disabled employees.

EXTERNAL EVALUATION

Erste Group Bank AG commissioned an external evaluation of compliance with the Austrian Code of Corporate Governance in accordance with C-Rule 62 of the Austrian CCG at least every three years, most recently in 2015, 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. An external evaluation for 2017 is scheduled for spring 2018. A summary report of this evaluation will also be available at the website.

SHAREHOLDERS' RIGHTS

Voting rights

Each share of Erste Group Bank AG entitles its holder to one vote at the annual general meeting. In general, shareholders may pass resolutions at an annual general meeting by a simple majority of the votes cast or, in the event that the majority of the share capital present is required to approve a measure, by a simple majority of the share capital present, unless Austrian law or the articles of association require a qualified majority vote. The articles of association differ from the statutory majority requirements in three cases: First, the appointment of supervisory board members can be revoked before the end of their respective term by a resolution of the annual general meeting that requires a majority of 75% of the votes cast and a majority of 75% of the share capital present at such meeting. Second, the articles of association may be amended by a resolution of the annual general meeting. Provided that such amendment does not concern the business purpose, this requires a simple majority of the votes cast and a simple majority of the share capital present at such meeting. Third, any provision regulating increased majority requirements can only be amended with the same increased majority.

Dividend rights

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

Liquidation proceeds

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

Subscription rights

All holders of shares have subscription rights allowing them to subscribe to any newly issued shares to maintain their existing share in the share capital of Erste Group Bank AG. Such subscription rights are in proportion to the number of shares held by such shareholders prior to the issue of the new shares. The said subscription rights do not apply if the respective shareholder does not exer-

cise these subscription rights or subscription rights are excluded in certain cases by a resolution of the annual general meeting or by a resolution of the management board and the supervisory board.

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

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

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

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

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

Vienna, 26 February 2016

Management board

Andreas Treichl mp Chairman	Andreas Gottschling mp Member
Peter Bosek mp Member	Gernot Mittendorfer mp Member
Petr Brávek mp Member	Jozef Síkela mp Member