

Corporate Governance

(Consolidated) corporate governance report

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

In the financial year 2018, Erste Group Bank AG complied with all L-Rules (Legal Requirements – mandatory legal norms) and R-Rules (Recommendations – these rules are more similar to recommendations; non-compliance does not need to be disclosed or explained) as well as – with two exceptions – all C-Rules (Comply-or-Explain – deviations are permitted but must be explained) of the Austrian CCG. The two deviations are described and explained below: Pursuant to C-Rule 2 of the Austrian CCG, shares are to be construed in accordance with the principle of one share – one vote, i.e. investors have one vote per share and no right to nominate members to the supervisory board. Under Erste Group Bank AG's articles of association (Art. 15.1), DIE ERSTE österreichische Spar-Casse Privatstiftung is, however, granted the right to nominate up to one third of the members of the supervisory board to be elected by the shareholder meeting as long as it is liable for all present and future liabilities of Erste Group Bank AG in case of its insolvency according to section 92 para 9 of the Austrian Banking Act. The Privatstiftung has not exercised this right to date. Pursuant to C-Rule 52a of the Austrian CCG, the number of supervisory board members (without employees' representatives) shall be ten at most. In 2018, the supervisory board of Erste Group Bank AG comprised eleven members elected by the annual general meeting. The deviation from C-Rule 52a of the Austrian CCG is due to the size of Erste Group and its market position in seven core markets in

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

Working methods of the management board and the supervisory board

Erste Group Bank AG is a stock corporation established according to Austrian law with a management board and a supervisory board as management bodies (two-tier system). The management board is responsible for managing the company as required for the benefit of the company taking into account the interests of the shareholders and the employees as well as public interest. The management board develops the strategic orientation of the company and aligns it with the supervisory board. It ensures effective risk management and risk controlling. The management board takes its decisions in compliance with all relevant legal provisions, the articles of association and its internal rules of procedure as well as the Statement of Purpose. The supervisory board appoints the members of the management board, decides on the remuneration of the management board and monitors and evaluates its activity on a yearly basis. The supervisory board advises the management board on the determination of the business strategy. It takes part in making decisions as provided for by law, the articles of association and its internal rules of procedure.

Selection and assessment of members of management bodies

The qualification requirements for members of the management bodies (management board and supervisory board) of Erste Group Bank AG are governed by the internal guidelines for the selection and assessment of members of the management and supervisory boards (Suitability Policy). These guidelines define, in accordance with applicable legal provisions, the internal framework for the selection and assessment of members of the management bodies. The assessment of proposed and appointed members of management bodies is based on the following criteria: personal reputation, professional qualifications and experience, potential conflicts of interest, independence, time availability, overall composition of the management or supervisory board and diversity.

Training and development

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

MANAGEMENT BOARD

Management board member	Year of birth	Date of initial appointment	End of current period in office
Andreas Treichl (Chairman)	1952	1 October 1994	31 December 2019
Peter Bosek	1968	1 January 2015	31 December 2020
Petr Brávek	1961	1 April 2015	31 December 2020
Willibald Cernko	1956	1 January 2017	31 December 2020
Gernot Mittendorfer	1964	1 January 2011	31 December 2020
Jozef Síkela	1967	1 January 2015	31 December 2020

In 2018, the management board consisted of six members.

Andreas Treichl resigned from the management board as of 31 December 2019. The supervisory board appointed Bernhard Spalt in September 2018 effective 1 July 2019 to 31 December 2022 as additional member of the management board.

Bernhard Spalt will initially be Vice Chairman of the management board and assume the role of Chairman as of 1 January 2020.

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

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

Supervisory board mandates and similar functions, management roles in subsidiaries

As of 31 December 2018, the management board members held the following supervisory board mandates or similar functions in domestic or foreign companies or material subsidiaries of Erste Group Bank AG (the latter are marked with *). No management board member holds a management position in a material subsidiary of Erste Group Bank AG.

Andreas Treichl

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

Peter Bosek

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

Petr Brávek

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

Willibald Cernko

Erste Bank der oesterreichischen Sparkassen AG* (Member),
Erste & Steiermärkische Bank d.d.* (Erste Bank Croatia) (Chair),
Erste Reinsurance S.A. (Chair)

Gernot Mittendorfer

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

Jozef Síkela

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

SUPERVISORY BOARD

In the financial year 2018, the following persons were members of the supervisory board:

Position	Name	Year of birth	Occupation	Date of initial appointment	End of the current period in office
Chairman	Friedrich Rödler	1950	Auditor and tax advisor	4 May 2004	AGM 2022
1st Vice Chairman	Jan Homan	1947	General Manager, ret.	4 May 2004	AGM 2022
2nd Vice Chairman	Maximilian Hardegg	1966	Entrepreneur	12 May 2015	AGM 2020
Member	Elisabeth Bleyleben-Koren	1948	General Manager, ret.	21 May 2014	AGM 2019
Member	Gunter Griss	1945	Lawyer	21 May 2014	AGM 2019
Member	Jordi Gual Solé	1957	Chairman, CaixaBank	17 May 2017	AGM 2022
Member	Marion Khüny	1969	Consultant	17 May 2017	AGM 2019
Member	Elisabeth Krainer Senger-Weiss	1972	Lawyer	21 May 2014	AGM 2019
Member	Brian D. O'Neill	1953	Executive Vice President	31 May 2007	AGM 2022
Member	Wilhelm Rasinger	1948	Consultant	11 May 2005	AGM 2020
Member	John James Stack	1946	CEO, ret.	31 May 2007	AGM 2021
Delegated by the employees' council					
Member	Markus Haag	1980		21 November 2011	until further notice
Member	Regina Haberhauer	1965		12 May 2015	until further notice
Member	Andreas Lachs	1964		9 August 2008	until further notice
Member	Barbara Pichler	1969		9 August 2008	until further notice
Member	Jozef Pinter	1974		25 June 2015	until further notice
Member	Karin Zeisel	1961		9 August 2008	until further notice

There were no changes in the supervisory board in 2018.

Membership in supervisory board committees

Committee membership as of 26 January 2018:

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

*Financial expert, **Remuneration expert

Mandates on supervisory boards or similar functions

As of 31 December 2018, the supervisory board members held the following additional supervisory board mandates or similar functions in domestic or foreign companies. Material subsidiaries of Erste Group Bank AG are marked with *, listed companies are marked with **.

Friedrich Rödler

Erste Bank der oesterreichischen Sparkassen AG* (Chair),
Erste Bank Hungary Zrt.*,
Sparkassen-Prüfungsverband (Chair)

Jan Homan

Frapag Beteiligungsholding AG (Chair),
Slovenská sporiteľňa, a.s.* (1st Vice Chair)

Maximilian Hardegg

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

Gunter Griss

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

Jordi Gual Solé

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

Marion Khüny

KA Finanz AG

Elisabeth Krainer Senger-Weiss

Gebrüder Weiss Holding AG (Vice Chair),
Gebrüder Weiss Gesellschaft m.b.H. (Vice Chair),
Banca Comercială Română S.A.*

Brian D. O'Neill

Emigrant Bank,
Banca Comercială Română S.A.*,
Aqua Venture Holdings Limited (until 19 February 2019)

Wilhelm Rasinger

Friedrichshof Wohnungsgenossenschaft reg. Gen. mbH (Chair),
Gebrüder Ulmer Holding GmbH,
S IMMO AG** (2nd Vice Chair),
Wienerberger AG**

John James Stack

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

Elisabeth Bleyleben-Koren did not hold any mandates on supervisory boards or similar functions in domestic or foreign companies as of 31 December 2018.

Delegated by the employees' council:

Barbara Pichler

DIE ERSTE österreichische Spar-Casse Privatstiftung

Andreas Lachs

VBV-Pensionskasse Aktiengesellschaft

Regina Haberhauer, Markus Haag, Jozef Pinter and Karin Zeisel did not hold any mandates on supervisory boards or similar functions in domestic or foreign companies.

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

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

Measures to avoid conflicts of interest

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

Independence of the supervisory board

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

- _ The supervisory board member shall not have been a member of the management board or a managing employee of the company or of a subsidiary of the company in the past five years.
- _ The supervisory board member shall not have or not have had in the past year any business relations with the company or a subsidiary of the company to an extent of significance for the supervisory board member. This shall also apply to business relations with companies in which the supervisory board member has a significant economic interest but not to positions held in the Group's managing bodies. The approval of individual transactions by the supervisory board pursuant to L-Rule 48 does not automatically qualify the respective supervisory board member as not being independent.
- _ The supervisory board member shall not have served as auditor for the company or been involved in an audit or worked as an employee of the audit firm that audited the company in the past three years.
- _ The supervisory board member shall not serve as a management board member at another company in which a member of the company's management board is a supervisory board member.
- _ The supervisory board member shall not serve on the supervisory board for more than 15 years. This shall not apply to members of the supervisory board that hold investments with a business interest or that represent the interests of such a shareholder.
- _ The supervisory board member shall not be a close family member (child, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the management board or of persons holding one of the positions described in the points above.

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

No member of the supervisory board holds directly or indirectly more than 10% of the shares of Erste Group Bank AG. In 2018,

two members of the supervisory board (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 2018, all members of the supervisory board attended more than half of the supervisory board and committee meetings that took place after their election or delegation to the supervisory board.

Self-evaluation of the supervisory board

At its meeting of 24 January 2018, the nomination committee performed an evaluation of the activities of the supervisory board and its committees for the year 2017. The supervisory board discussed afterwards the results of this evaluation pursuant to C-Rule 36 of the Austrian CCG at its meeting of 22 March 2018 and concluded the evaluation for 2017 with a positive assessment. To prepare for its self-evaluation in the year 2018, the supervisory board engaged an external advisor, who supported in drawing up questionnaires, in interviews with selected members of the supervisory board, in an extensive discussion of insights gained and in analysing the results. In addition, an external peer was also included in the discussion, who assessed the results against international standards and contributed impressions gained in serving on supervisory boards. These were presented at the supervisory board meeting of 28 June and 13 September 2018. At its meeting of 30 January 2019, the nomination committee performed an evaluation of the activities of the supervisory board and its committees for the year 2018. It discussed, for example, the supervisory board members' attendance at supervisory board and committee meetings in 2018, assessed the efficiency of the supervisory board's activities, organisation and working practice and undertook a critical review of the composition of committees. Potential conflicts of interest of management board and supervisory board members were considered and the number of mandates and secondary activities of management and supervisory board members were reviewed.

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

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

SUPERVISORY BOARD COMMITTEES AND THEIR DECISION-MAKING POWERS

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

Risk committee

The risk committee advises the management board with regard to the bank's current and future risk appetite and risk strategy and

monitors the implementation of this risk strategy. The committee also reviews whether the services and products offered are adequately priced in accordance with the bank's business model and risk strategy. Without prejudice to the duties of the remuneration committee, the risk committee is also responsible for reviewing whether the incentives offered by the internal remuneration system adequately take into account risk, capital, liquidity and the probability and timing of profit realisation. The risk committee is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the management board defined in the approval authority regulation. The approval of the risk committee is required for large loan as defined in section 28b of the Austrian Banking Act. 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. The supervisory board has delegated to the risk committee the right to approve the establishment and closure of branches and to grant special statutory power of attorney (Prokura) or commercial power (Handlungsvollmacht) for all business operations. The committee is responsible for monitoring the Group's portfolio of participations except in cases where this is the responsibility of the audit committee. The tasks of the risk committee include the acknowledgement of reports on legal disputes as well as on important audits of subsidiaries conducted by regulatory authorities. In addition, the risk committee is responsible for reviewing potential stress scenarios in order to assess how the bank's risk profile reacts to external and internal events. Furthermore, the risk committee assesses recommendations of internal and external auditors and monitors the appropriate implementation of measures taken that are not covered by reports of other committees. It also advises and supports the supervisory board in monitoring current and future risk appetite and the risk strategy and submits recommendations on required adjustments to the risk strategy to the supervisory board.

Executive committee

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

Audit committee

The audit committee is responsible for overseeing the accounting process; monitoring the effectiveness of the company's internal control system, internal audit system and risk management system; overseeing the annual audit of single-entity and consolidated financial statements; reviewing and supervising the independence of the auditor (Group auditor), in particular with respect to the additional services rendered to the audited company and the group companies; submitting a report on the results of the annual audit to the supervisory board and explaining how the annual audit

has affected the reliability of financial reporting and the role of the audit committee in doing so; reviewing the annual financial statements and preparing its approval; reviewing the proposal for the allocation of profits, the management report and the (consolidated) corporate governance report as well as the (consolidated) non-financial report and submitting a report on the results of the review to the supervisory board; reviewing the consolidated financial statements of the group and the group management report and submitting the report on the results of the review to the supervisory board; carrying out the procedure for the selection of the auditor (group auditor), taking into account the appropriateness of the fees and recommending the appointment of the auditor (group auditor) to the supervisory board; recommending the renewal of the auditor's (group auditor's) mandate to the supervisory board; acknowledging the additional report of the auditor and discussing this report; acknowledging timely information on the focal points of the audit and submitting proposals for additional focal points of the audit; taking note of the annual financial statements of material subsidiaries and of the participations report; acknowledging the audit plan of the company's internal audit function; acknowledging information on current matters relevant to the internal audit of the Group and on the efficiency and effectiveness of the internal audit; acknowledging the internal auditors' report on the audit areas and material audit findings and the activity report pursuant to Article 25 (3) in conjunction with Article 24 of the Delegated Regulation (EU) 2017/565; in the case of on-site inspection conducted by supervisory authorities acknowledging the inspection report, the report on the contents of the plan to address identified findings and/or the result of administrative proceedings initiated on the basis of the identified findings; 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 Article 25 (3) in conjunction with Article 22 of the Delegated Regulation (EU) 2017/565.

Nomination committee

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

board mandates, the focus is in particular on the members' personal and professional qualifications, but also 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 (collective suitability) 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. The nomination committee furthermore adopts the internal policy for dealing with conflicts of interest for the management board and the supervisory board, monitors compliance with it and regularly reports to the supervisory board on existing conflicts of interest and the measures taken to control them. The nomination committee must ensure that the management board's and the supervisory board's decision-making processes are not dominated by one single person or a small group of persons. The nomination committee periodically assesses the management board's and the supervisory board's structure, size, composition and performance and submits proposals for changes to the supervisory board, if necessary. In addition, the nomination committee must conduct periodic assessments of the expertise, skills and experience of both the management board members and the individual members of the supervisory board as well as of each body in its entirety and to report its findings to the supervisory board. As regards the selection for senior management positions, the nomination committee must review actions taken by the management board and supports the supervisory board in making recommendations to the management board.

Remuneration committee

The remuneration committee prepares resolutions on remuneration matters, including resolutions that have an impact on the bank's risk and risk management and must be passed by the supervisory board. The remuneration committee approves the general principles of remuneration policy, reviews them regularly and is also responsible for their implementation. The committee monitors remuneration policy, remuneration practices and remuneration-linked incentive programmes in relation to the control, monitoring and containment of risks, the capital base and liquidity, with due regard to the long-term interests of the bank's shareholders, investors and employees as well as the national interest in a well-functioning banking system and financial market stability. The committee approves exceptions from the application of the remuneration policy to individual staff members of the company and monitors the payment of variable remuneration to members of the management board and to the company's second management level as well as to management board members of major subsidiaries. It furthermore reviews the (variable) remuneration of senior managers of the company performing independent control functions such as risk management and compliance and of staff members having a significant impact on the company's risk profile. In addition, it approves the identification of employees having a significant impact on the company's risk profile and reviews the criteria on which the management board's decision is based as well as the procedure used in taking such decisions. The committee also ensures that information on the remuneration policy and practices provided to shareholders is appropriate. Once a year, the

committee is presented with a comprehensive report on the remuneration system including key performance indicators as well as a report on the situation regarding personnel and management in the Group.

IT committee

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

MEETINGS OF THE SUPERVISORY BOARD AND REPORT ON PRINCIPAL ACTIVITIES

Six meetings of the supervisory board were held in the financial year 2018.

At the ordinary meetings of the supervisory board the respective monthly developments of the balance sheet and the income statement were presented and reports were given on individual risk types and the bank's total risk; the status of individual bank subsidiaries in Central and Eastern Europe was discussed and quarterly reports were delivered on the areas audited and on the internal audit department's material audit findings pursuant to section 42 para 3 of the Austrian Banking Act. The chairpersons of the committees reported on the main topics dealt with by the committees since the last supervisory board meeting. A recurring topic at supervisory board meetings in 2018 was reports on current regulatory developments in the banking environment and their impacts on Erste Group. The management board regularly presented proposals to the supervisory board that required its approval under the law, the articles of association and internal rules.

At the meeting of 22 March 2018, the financial statements and the management report 2017, the consolidated financial statements and consolidated management report as well as the (consolidated) corporate governance report 2017 and the (consolidated) non-financial report 2017 were reviewed; the auditors' reports as well as the report of the audit committee pursuant section 63a para 4 (5) of BWG were discussed and the financial statements for 2017 were adopted in accordance with the recommendation of the audit committee. It was also decided to propose PwC Wirtschaftsprüfung GmbH to the annual general meeting on 14 May 2018 as an additional auditor of the (consolidated) financial statements for the financial year 2019. In addition, a report was presented on Erste Group's brands, the annual report of Group Compliance and the annual report of the supervisory board on loans to board members pursuant to section 28 para 4 of the Austrian Banking Act as well as

the list prepared pursuant to C-Rule 82a of the Austrian CCG were each taken note of. The report on the assessment of the effectiveness of the risk management was submitted to the supervisory board by the chairman of the audit committee. The supervisory board performed a self-evaluation as well as an evaluation of the management board pursuant to section 29 of the Austrian Banking Act and C-Rule 36 of the Austrian CCG and approved changes to the internal rules of the audit committee.

At the meeting of 19 April 2018, the resolutions proposed for the annual general meeting were discussed and approved and the current status of a project was discussed. The variable remuneration of members of the management board for the financial year 2017 was adopted.

At the meeting of 24 May 2018 held after the annual general meeting the report on strategic decisions was taken note of and the framework for the establishment of Erste Mitarbeiterbeteiligung Privatstiftung was approved.

At the meeting of 28 June 2018, which was also attended by members of the supervisory authorities' Joint Supervisory Team, who gave presentations and answered questions raised by supervisory board members, the impacts of Austria's EU presidency were discussed and reports on the performance of Erste Group in the capital market and on the self-evaluation of the supervisory board with the support of an external advisor were taken note of. In addition, the framework plan for the issuance of certificates and warrants and changes in the areas of responsibility of management board members was adopted.

At the meeting of 13 September 2018, the supervisory board took note of the resignation of Andreas Treichl as CEO as of 31 December 2019 and appointed Bernhard Spalt as member of the management board of Erste Group Bank AG from 1 July 2019 to 31 December 2022. Bernhard Spalt will serve as deputy chairman from 1 July 2019 to 31 December 2019 and as chairman of the management board of Erste Group Bank AG from 1 January 2020 to 31 December 2022. In addition, reports were presented on the current status of projects and the Group Recovery Plan 2017 was taken note of.

At the meeting of 13 December 2018, preparations of celebrations to mark the 200-year anniversary of Erste Group were discussed. In addition, the reports on capital-related matters, large exposures pursuant to section 28b of the Austrian Banking Act and the annual plan and the capital plan for the financial year 2019 were discussed, approved and taken note of. In addition, an anticipatory resolution was taken pursuant to section 95 para 5 no 12 of the Austrian Stock Corporation Act as well as a resolution on long-term funding activities in the financial year 2018 and changes to the internal rules of the supervisory board, the nomination committee and the risk committee were approved.

MEETINGS OF THE COMMITTEES AND REPORT ON ACTIVITIES

The risk committee held seventeen meetings in 2018, at which it regularly took decisions on exposures and loans exceeding the powers of the management board and was briefed on loans granted within the scope of authorisation of the management board. The committee was regularly informed on the risk strategy, risk appetite, the monitoring required to comply with these limits, individual risk types, risk-bearing capacity and large exposures. Furthermore, reports were given on the situation of specific sectors and industries, including the real estate and automotive industries and the resulting impacts on the risk strategy. Further items on the agenda were audits by supervisory authorities, internal risk models and various legal disputes. Reports were regularly delivered on risk development in individual countries and subsidiaries. Without prejudice to the duties of the remuneration committee, the risk committee members were also informed on whether the incentives offered by the internal remuneration system adequately account for risk, capital, liquidity and the probability and timing of profit realisation. Also on the agenda were reports on stress tests. A report on a recovery plan required under applicable regulations was also delivered in the risk committee. In addition, the members of the risk committee were informed about developments in the corporate workout portfolio in general and major workout cases in particular.

The executive committee did not meet in 2018.

The audit committee met six times in 2018 and, in addition, held one informal meeting to prepare the meeting on the review of the (consolidated) financial statements. The external auditors were present at all meetings. Among other things, the auditors reported on the audit of the single-entity and consolidated financial statements for 2017 and the audit committee subsequently conducted the final discussion. The financial statements and the management report, the consolidated financial statements and the management report as well as the (consolidated) corporate governance report and the (consolidated) non-financial report were reviewed and the financial statements recommended for approval by the supervisory board. The additional report of the auditors pursuant to Article 11 of EU Regulation 2014/537 was taken note of. The head of the internal audit department reported on the audit subjects and material audit findings for the year 2017 and, on an ongoing basis, about audit-relevant matters in the group and explained the audit plan for 2018. The internal audit department presented its reports pursuant to section 42 para 3 of the Austrian Banking Act and, jointly with the compliance department, a report pursuant to Article 25 (3) in conjunction with Article 24 of the Delegated Regulation (EU) 2017/565. In addition, a report was delivered on the assessment of the functionality of the risk management system pursuant to Rule 83 of the Austrian CCG and on the effectiveness of the internal control system. Based on these reports, the audit committee monitored the effectiveness of the internal control system, the internal audit system and the risk management system pursuant to section

63a para 4 no 2 of the Austrian Banking Act. The audit committee also discussed its work plan for 2019 and defined agenda topics for the meetings. It was decided to recommend the renewal of the audit mandate of PwC Wirtschaftsprüfung GmbH as additional auditor of the (consolidated) financial statements for the financial year 2020 to the supervisory board. In addition, the audit committee also discussed and considered the feedback on the annual audit with the auditors. The auditors provided information about the preliminary audit of the single-entity and consolidated financial statements for 2018. Besides, discussions were held on the reports on the development of participations, on the half year report as of 30 June 2018, the IFRS 9 adoption as well as on reviews conducted by the European Central Bank and on the 2017 management letter. The audit committee continuously reviewed and monitored the independence of the auditors of the (consolidated) financial statements with a particular focus on non-audit services rendered for Erste Group pursuant to section 63a para 4 (4) of the Austrian Banking Act. Among other things, the audit committee gave therefore pre-approval to permissible non-audit services rendered by the (group) auditor, received reports on their current status. The audit committee's report on activities included in the 2017 annual report was discussed and approved. The exchange of views between the audit committee and the auditors in the absence of the management board pursuant to C-Rule 81a Austrian CCG was conducted in December 2018. The head of internal audit was evaluated by the audit committee and the current status of the (consolidated) non-financial report 2018 was discussed. The questionnaire of the auditors' supervisory authority was discussed, completed and returned by the audit committee.

The nomination committee met four times in 2018 and assessed in one meeting the qualification of Bernhard Spalt for his appointment as member and future chairman of the management board of Erste Group Bank AG and recommended that the supervisory board approve his appointment. The nomination committee conducted fit and proper assessments of potential candidates for the elections to the supervisory board at the annual general meeting of Erste Group Bank AG on 15 May 2019. In addition, the nomination committee reviewed the evaluation pursuant to C-Rule 36 of the Austrian CCG and the evaluation of the management board and the supervisory board pursuant to section 29 no 6 and 7 of the Austrian Banking Act and considered, in particular, the possible conflicts of interest and the attendance in meetings by supervisory board members.

The remuneration committee met three times in 2018. The resolution on the variable remuneration of members of the supervisory board was prepared. In addition, various remuneration topics relating to Erste Group Bank AG were discussed and approved, including the structure of key performance indicators, the bonus policy including the requirements for the payment of variable remuneration components and remuneration rules for Material Risk Takers and the question of which employees are subject to these rules. In addition, changes to the remuneration policy of Erste Group Bank AG and Erste Group were approved and the 2017

remuneration report was presented. Reports were delivered on current changes in performance-linked remuneration for employees with sales responsibilities at Erste Group and the report on the review of the remuneration policy by internal audit was acknowledged.

The IT committee met four times in 2018. Its main topics were the IT project portfolio and IT governance for Erste Group, as well as risk management relating to IT. Reports were delivered on IT security, on the strategy concerning using of data while handling data and digitalisation, on the current status of various infrastructure projects and on IT strategy. In addition, the IT budget was discussed and the structure of the organisation considered in more detail.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Principles governing the remuneration policy

The principles governing the remuneration of the management boards of Erste Group Bank AG and of consolidated material subsidiaries are specified in the remuneration policy of Erste Group Bank AG at Group level, including in particular the definition and evaluation of performance criteria.

The contractual maximum value of performance-linked payments to management board members shall not exceed 100% of the fixed salaries.

The performance criteria and their impact on the variable remuneration of the management board of Erste Group Bank AG are defined at the beginning of the year by the supervisory board following consultations with the responsible organisational units (Group Strategy and Group Human Resources). Management board members must achieve defined performance criteria at both company level and individual level. The first criterion is Erste Group's overall performance. For the year 2018, target achievement is measured by reference to the following indicators: compliance with capital and liquidity requirements, net profit and operating result minus risk cost and customer experiences. The second performance criterion is the achievement of individual objectives. For 2018 these are, for example, operating result minus risk cost, return on tangible equity, risk costs, NPL ratio and strategic goals depending on areas of responsibilities.

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

The variable part of the management board's remuneration, including both cash payments and share equivalents, is distributed over five years in accordance with legal requirements and is paid out only under certain conditions. Share equivalents are not exchange-traded shares but phantom shares that are paid out in cash after a one-year vesting period based on defined criteria

Remuneration of management board members

Remuneration in 2018

in EUR thousand	Fixed salaries	Other remuneration	Performance-linked remuneration		Total
			for 2017	for previous years	
Andreas Treichl	1,475.0	643.8	317.5	276.8	2,713.1
Peter Bosek	700.0	138.4	127.6	84.0	1,049.9
Petr Brávek	700.0	138.8	158.4	84.0	1,081.3
Willibald Cernko	700.0	133.6	160.0	0.0	993.6
Gernot Mittendorfer	700.0	139.9	160.0	110.0	1,109.9
Jozef Síkela	700.0	138.5	134.8	84.0	1,057.3
Total	4,975.0	1,333.0	1,058.3	638.8	8,005.0

The item "Other remuneration" comprises pension fund contributions, contributions to employee provision funds (for new-type severance payments) and remuneration in kind. In 2018, performance-linked remuneration and share equivalents were paid out or vested for previous years. No performance-linked remuneration was paid to members of the management board for 2014 and 2011.

Non-cash performance-linked remuneration in 2018

Share equivalents (in units)	for 2017	for previous years
Andreas Treichl	10,738	12,245
Peter Bosek	4,853	3,387
Petr Brávek	4,853	3,387
Willibald Cernko	4,853	0
Gernot Mittendorfer	4,853	4,762
Jozef Síkela	4,853	3,387
Total	35,003	27,168

Pay-outs will be made pro rata in 2019 after the one-year vesting period. Share equivalents are valued at the average weighted daily share price of Erste Group Bank AG in 2018 in the amount of EUR 36.88 per share.

In 2018, EUR 1,081.6 thousand was paid in cash and 8,392 share-equivalents were assigned to former members of management bodies and their dependants.

Principles governing the pension scheme for management board members

Members of the management board participate in the defined contribution pension plan of Erste Group on the basis of the same principles as other employees of the company.

Remuneration of members of the supervisory board

in EUR thousand	Meeting fees for 2018	Supervisory board compensation for 2017	Total
Friedrich Rödler	40.0	170.0	210.0
Jan Homan	33.0	100.0	133.0
Bettina Breiteneder	0.0	33.8	33.8
Maximilian Hardegg	33.0	78.7	111.7
Elisabeth Bleyleben-Koren	27.0	60.0	87.0
Gunter Griss	9.0	60.0	69.0
Jordi Gual Solé	6.0	37.6	43.6
Marion Khüny	27.0	37.6	64.6
Elisabeth Krainer Senger-Weiss	20.0	60.0	80.0
Antonio Massanell Lavilla	0.0	42.4	42.4
Brian D.O'Neill	9.0	60.0	69.0
Wilhelm Rasinger	30.0	60.0	90.0
John James Stack	6.0	60.0	66.0
Markus Haag	0.0	0.0	0.0
Regina Haberhauer	0.0	0.0	0.0
Andreas Lachs	0.0	0.0	0.0
Barbara Pichler	0.0	0.0	0.0
Jozef Pinter	0.0	0.0	0.0
Karin Zeisel	0.0	0.0	0.0
Total	240.0	860.2	1,100.2

The 2018 annual general meeting granted the members of the supervisory board annual remuneration for the financial year 2017 and subsequent years based on the following fixed scale: in accordance with this resolution, the chairman of the supervisory board receives a remuneration of EUR 150,000, the 1st vice chairman EUR 90,000, the 2nd vice chairman EUR 80,000 and ordinary members of the supervisory board EUR 60,000 each. Chairmen of the risk, audit and IT committees receive additional remuneration of EUR 10,000 each, chairmen of the remuneration and nomination committees EUR 5,000. Total remuneration for supervisory board members for the financial year 2017 thus totalled EUR 860,219. 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

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

Regarding vested benefits and entitlements of management board members in the event of termination of their position, the standard legal severance benefit provisions of section 23 of the Austrian Salaried Employees Act (Angestelltengesetz) still apply to one member of the management board.

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

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.

PROMOTING WOMEN TO MANAGEMENT BOARDS, SUPERVISORY BOARDS AND MANAGING POSITIONS

In 2014, the nomination committee of Erste Group Bank AG's supervisory board approved a target for the main banking subsidiaries to have 35% women in board and B-1 positions (combined) by 2019 and a second target of 35% women in supervisory boards by 2019. The following entities contribute to the target: Erste Group Bank AG (Holding), Erste Bank Oesterreich, Česká spořitelna, Slovenská sporiteľňa, Erste Bank Hungary, Erste Bank Croatia, Erste Bank Serbia, Banca Comercială Română. While the target does not apply individually to the aforementioned

entities, they are encouraged to align with the group target. A key instrument for increasing the number of women in senior management positions is a better gender and age balance in its talent and succession pools.

At the end of 2018, 30% (31%) of positions in top management in the Group were filled by women. The target to increase the number of women in top management by at least one percentage point in 2018 was not achieved. While the share of female supervisory board members decreased slightly by 0.8 percentage points to 35.2% (36.0%), it remained above the target of at least 35%. But Erste Bank Oesterreich increased in 2018 its percentage of management positions held by women by one percentage point from 40% to 41%. With 47.4% woman in top management Banca Comercială Română is the only local banking subsidiary almost at gender parity.

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

DIVERSITY

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

Erste Group's Diversity and Inclusion Policy provides the framework for local diversity managers to define priorities and initiatives that support the group diversity strategy. By the end of 2018, all local Erste banks in had become signatories to their national Diversity Charters, with Banca Comercială Română and Slovenská sporiteľňa joining in 2018. The Diversity and Inclusion

Policy defines diversity and inclusion principles by which Erste Group is committed to live. It also provides a common understanding on what diversity and inclusion means for Erste Group and outlines roles and responsibilities, as well as general guidelines on how to develop, implement and adjust diversity and inclusion targets and strategy.

The policy also defines diversity concepts applied when appointing members to the management board and supervisory board with respect to age, gender as well as educational and professional background. In addition to setting a Group-wide target for women in top management and supervisory boards, it requires, *inter alia*: that all positions, including managerial positions, shall be advertised on the internal job market (unless there are succession pool candidates in line for that position). The selection process and criteria must be transparent and gender-neutral language must be used in job advertisements; talent pools and programs shall be open to qualified employees of all ages, genders and backgrounds; short lists of candidates for top management positions shall include at least one of each gender; and for candidates to supervisory boards, nominating committees of supervisory boards (Holding and local banks) shall keep short lists of suitable female candidates.

The diversity priorities for 2018 were the following: develop more group-wide initiatives to support female leadership; make careers in the field of IT more attractive for women through *Erste WIT*; develop and encourage more initiatives in the area of LGBT+ inclusion; further develop local diversity initiatives in CEE; and continue monitoring the gender pay gap on a country-by-country basis and identify measures for closing it.

EXTERNAL EVALUATION

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

SHAREHOLDERS' RIGHTS

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

Voting rights

Each share of Erste Group Bank AG entitles its holder to one vote at the annual general meeting. In general, shareholders may pass resolutions at an annual general meeting by a simple majority of the votes cast or, in the event that the majority of the share capital

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

Dividend rights

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

Liquidation proceeds

In case of dissolution of Erste Group Bank AG, the assets remaining after the discharge of liabilities and repayment of supplementary capital as well as additional tier 1 capital will be distributed pro rata to the shareholders. The dissolution of Erste Group Bank AG requires a majority of at least 75% of the share capital present at an annual general meeting.

Subscription rights

All holders of shares have subscription rights allowing them to subscribe to any newly issued shares to maintain their existing share in the share capital of Erste Group Bank AG. Such subscription rights are in proportion to the number of shares held by such shareholders prior to the issue of the new shares. The said subscrip-

tion rights do not apply if the respective shareholder does not exercise these subscription rights or subscription rights are excluded in certain cases by a resolution of the annual general meeting or by a resolution of the management board and the supervisory board.

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

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

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

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

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

Management board

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

Vienna, 28 February 2019