

## Erste Group Bank AG

(Incorporated as a stock corporation in the Republic of Austria under registered number FN 33209 m)

### EUR 2,000,000,000 Additional Tier 1 Notes Programme

This supplement (the "**Supplement**") constitutes a prospectus supplement pursuant to Article 16 (1) of the Directive 2003/71/EC as amended (the "**Prospectus Directive**") and § 6 (1) of the Austrian Capital Market Act as amended (*Kapitalmarktgesetz*, the "**KMG**") and is supplemental to, and should be read in conjunction with, the prospectus dated 20 April 2016 (the "**Original Prospectus**" or, the "**Prospectus**") relating to the EUR 2,000,000,000 Additional Tier 1 Notes Programme (the "**Programme**") of Erste Group Bank AG (the "**Issuer**" or "**Erste Group Bank**").

The Original Prospectus has been approved on 20 April 2016 by the Austrian Financial Market Authority (*Finanzmarktaufsichtsbehörde*, the "**FMA**").

This Supplement has been filed for approval with the FMA in its capacity as competent authority under the KMG on 10 May 2016. This Supplement has been filed with the Wiener Börse, which has admitted the Programme to the "*Amtlicher Handel*" (Official Market) and the "*Geregelter Freiverkehr*" (Second Regulated Market). This Supplement has been published in electronic form on the website of the Issuer under "[www.erstegroup.com/de/Capital-Markets/Prospekt/Anleihen](http://www.erstegroup.com/de/Capital-Markets/Prospekt/Anleihen)".

The Issuer has requested the FMA to provide the competent authority in the Grand Duchy of Luxembourg with a certificate of approval attesting that this Supplement has been drawn up in accordance with the Prospectus Directive and the KMG.

Terms defined in the Prospectus shall have the same meaning when used in this Supplement.

To the extent that there is any inconsistency between a) any statement in this Supplement or any statement incorporated by reference in the Prospectus by this Supplement and b) any other statement in or incorporated by reference in the Prospectus, the statements mentioned in a) above will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

**In accordance with Article 16 of the Prospectus Directive and § 6 KMG, investors who have agreed to subscribe for Notes after the occurrence of the significant new factors described in this Supplement but before the publication of this Supplement have a right to withdraw their acceptances until, and including, 12 May 2016.**

**This Supplement has been filed with the FMA in its capacity as competent authority under the KMG for approval. The accuracy of the information contained in this Supplement does not fall within the scope of examination by the FMA under applicable Austrian law and the Prospectus Directive. The FMA has examined this Supplement only in respect of its completeness, coherence and comprehensibility pursuant to § 8a (1) KMG.**

No person has been authorised to give any information or to make any representation other than those contained in this Supplement in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or Erste Group Bank AG in its capacity as arranger of the Programme (the "**Arranger**") or Erste Bank der oesterreichischen Sparkassen AG and Erste Group Bank AG in their capacities as dealers under the Programme (the "**Dealers**"). Neither the delivery of the Prospectus and/or this Supplement nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or Erste Group since the date hereof or the date upon which the Prospectus has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer or Erste Group since the date hereof or the date upon which the Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Supplement and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Supplement comes are required to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may include Notes in bearer form that are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to U.S. persons except in certain transactions permitted by U.S. tax regulations and the Securities Act. For a description of certain restrictions on offers and sales of Notes, see "12. Subscription and Sale" in the Prospectus.

This Supplement does not constitute an offer of, or an invitation by or on behalf of any of the Issuer, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

The Dealers have not independently verified the information contained in this Supplement. None of the Dealers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Supplement. Neither this Supplement nor any financial statements supplied in connection with the Programme or any Notes are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Supplement or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Supplement or any financial statements and its purchase of Notes should be based upon any such investigation as it deems necessary. None of the Dealers undertakes to review the financial condition or affairs of the Issuer or Erste Group during the life of the arrangements contemplated by this Supplement nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers.

Significant new factors and/or inaccuracies (as referred to in Article 16 (1) of the Prospectus Directive and § 6 (1) KMG) have arisen which in the Issuer's perception are capable of affecting the assessment of the Notes, and are thus herewith included in the Prospectus as follows:

**1. AMENDMENTS TO THE SECTION ENTITLED "DOCUMENTS INCORPORATED BY REFERENCE" COMMENCING ON PAGE 7 OF THE ORIGINAL PROSPECTUS**

**1.1 On page 7 of the Original Prospectus, after the table with regard to the Audited Consolidated Financial Statements 2014, the following table shall be inserted:**

**"English translation of the Unaudited Interim Condensed Consolidated Financial Statements of the Issuer for the first quarter year ended 31 March 2016 – Interim Report First Quarter 2016 (the "Unaudited Interim Condensed Consolidated Financial Statements as of 31 March 2016")**

Condensed Statement of Comprehensive Income	15 - 17
Condensed Balance Sheet	18
Condensed Statement of Changes in Total Equity	19
Cash Flow Statement	20
Condensed notes to the Financial Statements of Erste Group for the period from 1 January to 31 March 2016	21 - 59"

**1.2 On page 7 of the Original Prospectus, after the table with regard to the Audited Consolidated Financial Statements 2014 the following paragraph shall be added:**

"Furthermore, this Prospectus should be read and construed in conjunction with the document "Erste Group Key Financials Q1 2016" and the pages 5, 7, 14 and 21 of the document "Presentation Teleconference Q1 2016" which are incorporated by reference into this Prospectus and which have been filed with the FMA."

**1.3 On page 7 of the Original Prospectus, the paragraph below the table with regard to the Audited Consolidated Financial Statements 2014 shall be replaced by the following paragraph:**

"For the avoidance of doubt, such parts of the Issuer's Audited Consolidated Financial Statements 2015 and 2014 respectively as well as of the Unaudited Interim Condensed Consolidated Financial Statements as of 31 March 2016 which are not explicitly listed in the tables above, or such parts of the document "Presentation Teleconference Q1 2016" which are not explicitly stated in the paragraph above, are not incorporated by reference into this Prospectus as these parts are either not relevant for the investor or covered elsewhere in this Prospectus."

**2. AMENDMENTS TO THE SECTION ENTITLED "DOCUMENTS AVAILABLE FOR INSPECTION" ON PAGE 8 OF THE ORIGINAL PROSPECTUS**

**2.1 On page 8 of the Original Prospectus, the following list paragraphs "(vi)", "(vii)" and "(viii)" shall be added at the end of the list:**

"(vi) the Unaudited Interim Condensed Consolidated Financial Statements as of 31 March 2016 incorporated by reference into this Prospectus

("https://www.erstegroup.com/content/dam/at/eh/www\_erstegroup\_com/en/Investor%20Relations/2016/Reports/IR\_Interim\_Report\_EG\_Q116en.pdf");

- (vii) the Erste Group Key Financials Q1 2016 incorporated by reference into this Prospectus  
("https://www.erstegroup.com/content/dam/at/eh/www\_erstegroup\_com/en/Investor%20Relations/2016/Tab/IR\_Tab\_Q116\_EG\_fin-data-sheets.xlsx");
- (viii) the Presentation Teleconference Q1 2016 incorporated by reference into this Prospectus  
("https://www.erstegroup.com/content/dam/at/eh/www\_erstegroup\_com/en/Investor%20Relations/2016/Presentations/IR\_Pres\_CC160504\_Q116.pdf")."

### **3. AMENDMENTS TO THE SECTION ENTITLED "SOURCES OF INFORMATION" ON PAGE 8 OF THE ORIGINAL PROSPECTUS**

#### **3.1 On page 8 of the Original Prospectus, the first sentence of the first paragraph shall be replaced by the following sentence:**

"Unless otherwise stated, statistical and other data provided in this Prospectus has been extracted from the Audited Consolidated Financial Statements 2015 and the Annual Report thereon and the Unaudited Interim Condensed Consolidated Financial Statements as of 31 March 2016."

### **4. AMENDMENTS TO THE SECTION ENTITLED "1. RISK FACTORS" COMMENCING ON PAGE 10 OF THE ORIGINAL PROSPECTUS**

#### **4.1 The information in the risk factor entitled "The Notes may be subject to write-down or conversion to equity upon the occurrence of a certain trigger event, which may result in Holders losing some or all of their investment in the Notes (statutory loss absorption)." commencing on page 45 of the Original Prospectus shall be replaced by the following information:**

"On 12 June 2014, the Bank Recovery and Resolution Directive ("**BRRD**") was published. The stated aim of the BRRD is to provide relevant resolution authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

The BaSAG implementing BRRD entered into force on 1 January 2015.

The powers provided to such resolution authorities (in Austria, the FMA) include write-down and conversion powers which may be used prior to or on entry into resolution to ensure that, *inter alia*, relevant capital instruments fully absorb losses at the point of non-viability (defined below) of the issuing institution and/or the group. The relevant resolution authority may also apply the bail-in tool in resolution with the objective of restoring the capital of the failing institution to enable it to continue to operate as a going concern. Accordingly, resolution authorities will be required to order the write-down of such capital instruments on a permanent basis, or convert them into Common Equity Tier 1 items ("**CET 1**") (such as ordinary shares or other instruments of ownership), at the point of non-viability and before any resolution tool other than the bail-in tool is made use of (statutory loss absorption). Resolution authorities shall exercise the write-down or conversion in relation to statutory loss absorption in a way that results in: (i) CET 1 items being reduced first in proportion to the relevant losses; and (ii) thereafter, if CET 1 is not sufficient to cover the relevant losses, the principal amount of Additional Tier 1 instruments ("**AT 1**") (such as the Notes) being reduced or converted to cover the relevant losses and recapitalise the entity; and (iii) thereafter, if CET 1 and AT 1 are

not sufficient, the principal amount of Tier 2 instruments ("**Tier 2**") being reduced or converted; and in case of a bail-in tool also: (iv) thereafter, if CET 1, AT 1 and Tier 2 are not sufficient to cover the relevant losses and recapitalise the entity, other subordinated debt (in accordance with the hierarchy of claims in the normal insolvency proceedings); and (v) if still insufficient, the rest of eligible liabilities including certain senior debt (in accordance with the hierarchy of claims in the normal insolvency proceedings) being reduced down to zero on a permanent basis or converted. When the bail-in tool is applied for the purpose of restoring the capital of the institution, write-down or conversion of non-equity instruments into CET 1 items is to be made in the same order.

As a safeguard, no creditor shall by use of the bail-in tool be in a worse position than it would be in ordinary insolvency proceedings (the "no creditor worse off principle").

For the purposes of statutory loss absorption, the point of non-viability is the point at which the following conditions are met:

1. the competent authority or the resolution authority determines that the institution is failing or likely to fail, i.e.:
  - (a) the conditions for the withdrawal of the authorisation by the competent authority are met or there are objective elements to support a determination that this will be the case in the near future, including but not limited to because the institution has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds;
  - (b) the assets of the institution are or there are objective elements to support a determination that the assets of the institution will, in the near future, be less than its liabilities;
  - (c) the institution is or there are objective elements to support a determination that the institution will, in the near future, be unable to pay its debts or other liabilities as they fall due;
  - (d) extraordinary public financial support is required except when the extraordinary public financial support takes certain forms in order to remedy a serious disturbance in the economy of a Member State and preserve financial stability; and
2. having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures, including measures by an institutional protection scheme, or supervisory action, including early intervention measures or the write-down or conversion of relevant capital instruments taken in respect of the institution, would prevent the failure of the institution within a reasonable timeframe; and
3. in case of the application of the bail-in tool, a resolution action is necessary in the public interest; or
4. in case of exercising the power to write down or conversion of capital instruments, a group shall be deemed to be failing or likely to fail where the group infringes, or there are objective elements to support a determination that the group, in the near future, will infringe, its consolidated prudential requirements in a way that would justify action by the competent authority including but not limited to because the group has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds.

Any write-down or conversion of all or part of the principal amount of any instrument, including accrued but unpaid interest in respect thereof, in accordance with the bail-in tool or the write-down and conversion powers would not constitute an event of default under the terms of the relevant instruments (including the Notes). Consequently, any amounts so written down or converted would be irrevocably lost and the holders of such instruments would cease to have any

claims thereunder, regardless whether or not the institution's financial position is restored.

The resolution authorities may also amend or alter the maturity of certain instruments or the amount of interest payable under such instruments, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

Hence, the Notes may be subject to write-down or conversion into CET 1 upon the occurrence of the relevant trigger event, which may result in Holders losing some or all of their investment in the Notes. According to the sequence of write-down and conversion under the BRRD and the BaSAG, the Notes would be subject to any such measure before instruments having a lesser degree of subordination, including Tier 2 instruments would be affected. The exercise of any such power is highly unpredictable and any suggestion or anticipation of such exercise could materially adversely affect the market price of the Notes.

Apart from potentially being subject to resolution tools and powers as set out above, the Issuer may also be subject to national insolvency proceedings."

**5. AMENDMENTS TO THE SECTION ENTITLED "2. GENERAL INFORMATION" COMMENCING ON PAGE 53 OF THE ORIGINAL PROSPECTUS**

**5.1 On page 53 of the Original Prospectus, the third paragraph shall be replaced by the following paragraph:**

**"Significant and material adverse changes.** Except as disclosed under "6.5 *Current Regulatory and Tax Topics*" starting on page 122, and "6.7 *Recent Developments*" starting on page 126 of this Prospectus, there has been no significant change in the financial position of the Erste Group since 31 March 2016 and no material adverse change in the prospects of the Issuer since 31 December 2015."

**6. AMENDMENTS TO THE SECTION ENTITLED "6. ERSTE GROUP BANK AG" COMMENCING ON PAGE 106 OF THE ORIGINAL PROSPECTUS**

**6.1 On page 112 of the Original Prospectus, in the table with regard to "Regulatory ratios on a consolidated basis" the following information shall be added:**

"in %	31 March 2016
Fully loaded leverage ratio	5.7%
Liquidity coverage ratio	122.9%
Liquidity buffer	24.6%"

- 6.2 At the end of page 112 of the Original Prospectus, the following information shall be inserted:

**"Available Distributable Items**

in EUR million	31 December 2015
Net profit or loss for the year	214.9
Other reserves (retained earnings)	624.5
Distributable Items applicable to AT1 distributions in 2016 pre-dividend payment	839.4

Source: Audited financial statements of Erste Group Bank AG for the financial year ended 31 December 2015

Erste Group targets capital ratios (Basel III fully loaded) of 100 basis points above the regulatory minima on group level."

- 6.3 In the subsection entitled "6.7 RECENT DEVELOPMENTS" commencing on page 126 of the Original Prospectus, the information contained therein shall be replaced by the following information:

**"Erste Group's outlook as presented in the interim report for the first quarter 2016 is as follows:**

**Operating environment anticipated to be conducive to credit expansion**

Real GDP growth in 2016 is expected to be between 1.5% and 4.1% in all major CEE markets, including Austria, driven by solid domestic demand.

**Return on tangible equity (ROTE) expected at about 10% to 11% in 2016 underpinning continued dividend payout**

Support factors include continued loan growth; further improvement in asset quality amid a benign risk environment as well as a positive one-off impact related to the sale of a participation in VISA in the amount of about EUR 127 million pre-tax. Headwinds are the persistent low interest rate environment affecting group operating income, primarily net interest income, as well as lower operating results in Hungary (lower volumes) and Romania (following asset re-pricing). Banking levies (comprising banking taxes, financial transaction tax, resolution funds and deposit insurance fund contributions) will have a negative pre-tax impact of about EUR 360 million in 2016.

**Risks to guidance**

Geopolitical risks and global economic risks, impact from negative interest rates, consumer protection initiatives."

7. **AMENDMENTS TO THE SECTION ENTITLED "GLOSSARY AND LIST OF ABBREVIATIONS" COMMENCING ON PAGE 158 OF THE ORIGINAL PROSPECTUS**

- 7.1 On page 163 of the Original Prospectus, after the row with regard to "Tranche" the following row shall be inserted:

<b>"Unaudited Condensed Consolidated Financial</b>	<b>Interim</b>	the English translation of the unaudited interim condensed consolidated financial statements of Erste
--	----------------	---

**Statements as of** Group for the first quarter year ended 31 March 2016"  
**31 March 2016**



# **RESPONSIBILITY STATEMENT OF ERSTE GROUP BANK AG**

Erste Group Bank AG, with its registered office at Am Belvedere 1, A-1100 Vienna, Austria, is responsible for the information given in this Supplement.

The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of the knowledge of the Issuer, in accordance with the facts and contains no omission likely to affect its import.

Vienna, 10 May 2016

Erste Group Bank AG  
as Issuer

Stefan Dörfler

Head of Group Markets

Bernhard Leder

Head of Group Markets Origination and  
Funding