

## Prospectus Supplement No. 2

# Erste Group Bank AG

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

relating to the

**€30,000,000,000**

## Debt Issuance Programme

This supplement (the "Supplement") constitutes a prospectus supplement pursuant to Art 16 (1) of the Directive 2003/71/EC (the "Prospectus Directive") and Article 13.1 of Chapter 1 of Part II of the Luxembourg Act dated 10 July 2005 on prospectuses for securities (the "Prospectus Act") and is supplemental to, and should be read in conjunction with, the prospectus dated 8 June 2011 (the "Original Prospectus") relating to a €30,000,000,000 Debt Issuance Programme (the "Programme") of Erste Group Bank AG (the "Issuer" or "Erste Group Bank") as supplemented by the Supplement No. 1 dated 11 October 2011 (together with the Original Prospectus, the "Prospectus").

The Original Prospectus was approved on 8 June 2011 by the *Commission de Surveillance du Secteur Financier* ("CSSF") of the Grand-Duchy of Luxembourg ("Luxembourg") in its capacity as competent authority under the Prospectus Act.

This Supplement has been filed for approval with the CSSF in its capacity as competent authority under the Prospectus Act. 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" and the website of the Luxembourg Stock Exchange under www.bourse.lu. Printed copies of this Supplement will be made available free of charge at the registered office of the Issuer, Graben 21, 1010 Vienna, Austria. The Issuer has requested the CSSF to provide the competent authorities in other host Member States within the European Economic Area including Austria, Germany, the Czech Republic, Hungary, the Slovak Republic, Romania, Slovenia, Italy and Malta with a certificate of approval attesting that this Supplement has been drawn up in accordance with the Prospectus Directive and relevant implementing legislation in Luxembourg.

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

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

To the extent that there is any inconsistency between a) any statement in this Supplement or any statement incorporated by reference into the Prospectus by this Supplement and b) any other statement in or incorporated by reference in the Prospectus, the statements 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 Art 16 of the Prospectus Directive and Article 13.2 of Chapter 1 of Part II of the Prospectus Act, 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 within two banking days after the date of publication of this Supplement.**

**31 October 2011**

*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 any of the Dealers (as defined in "Subscription and Sale" of the Prospectus) or either of J.P. Morgan Securities Ltd. (the "International Arranger") or Erste Group Bank AG (in its capacity as the arranger of issues of Domestic Notes only, the "Domestic Arranger" and together with the International Arranger, the "Arrangers"). Neither the delivery of 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 the Erste Group since the date hereof or the date upon which this Supplement has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Erste Group since the date hereof or the date upon which this Supplement has been most recently amended or 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 by the Issuer, the Dealers and the Arrangers 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 US tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to US persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Supplement, see "Subscription and Sale" of the Prospectus.*

*The Dealers and the International Arranger have not separately verified the information contained in this Supplement. None of the Dealers or the International Arranger 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 Dealers or the Arrangers 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 or the International Arranger undertakes to review the financial condition or affairs of the Issuer or the 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 or the International Arranger.*

Significant new factors (as referred to in Art 16.1 of the Prospectus Directive and Article 13.1 of Chapter 1 of Part II of the Prospectus Act) relating to the information included in the Prospectus which are capable of affecting the assessment of the Notes, have arisen and the following changes / supplements are herewith made to the Prospectus:

On 28 October 2011, the unaudited consolidated interim financial statements of the Issuer for the third quarter year ended 30 September 2011 were published. In the Issuer's perception this information contains significant new factors capable of affecting the assessment of the Notes and is thus included in the Prospectus as follows:

**1. The following section is included in the chapter "Recent developments"**

At the end of the chapter "Erste Group Bank AG" under the heading "Recent developments" after the sub-chapter "*Management board decision dated 10 October 2011 on CDS portfolio, Hungarian and Romanian operations, and effective interest rate method*" the following new section is included:

***"Extract from the investor information published on 28 October 2011***

A decline in operating income due to negative market valuations and a moderate rise in operating expenses caused the operating result to decrease to EUR 2,631.9 million in the first nine months of 2011 (-8.8% versus EUR 2,884.5 million in the first nine months of 2010).

Operating income totalled EUR 5,523.5 million in the first nine months of 2011 (1-9 2010: EUR 5,756.2 million). An increase in net interest income (+0.9% to EUR 4,134.1 million) offsets the decline in net fee and commission income (-1.3% to EUR 1,352.0 million) but not the drop in the net trading result (-87.1% to EUR 37.4 million). General administrative expenses were up 0.7% to EUR 2,891.6 million (1-9 2010: EUR 2,871.7 million). This resulted in a cost/income ratio of 52.4% (1-9 2010: 49.9%).

Net loss after minorities for the first nine months of 2011 amounted to EUR 973.0 million. Over the same period of the previous year, Erste Group had posted a profit of EUR 633.8 million.

Cash return on equity, i.e. return on equity adjusted for such non-cash expenses as goodwill impairment and straight-line amortisation of customer relationships, was 0.1% for the first nine months of 2011 (reported ROE: -9.7%) versus 6.8% (reported ROE: 6.5%) in the first nine months of 2010.

The cash loss per share amounted to EUR -0.26 in the first nine months of 2011 (reported EPS: EUR -2.87) versus cash earnings per share of EUR 1.49 (reported EPS: EUR 1.41) in the first nine months of 2010.

Total assets, at EUR 216.1 billion, were up 5.0% on year-end 2010. On the liabilities side, this was due to growth in customer deposits and new bond issues. On the assets side, it reflects a rise in loans and advances to customers and in financial and trading assets.

With change in risk-weighted assets and total eligible qualifying capital largely flat, the solvency ratio was stable at 13.5% at 30 September 2011 (year-end 2010: 13.5%). Therefore, it remained comfortably above the statutory minimum requirement of 8.0%. The tier 1 ratio in relation to total risk was 9.8% at 30 September 2011 (versus 10.2% at year-end 2010).

**Outlook**

As a result of the above measures Erste Group is expected to post a net loss of about EUR 700 to 800 million in 2011 (before extraordinary charges a net profit of about EUR 850 to 950 million). Risk costs on group level are expected to amount to EUR 2.3 billion (before extraordinary charges: EUR 1.8 billion) in 2011.

The European Banking Authority ("EBA") has defined a capital threshold of 9% that has to be met by June 2012. Based on the figures for the first six months of 2011 and excluding private participation capital of EUR 540 million, Erste Group has a capital short fall of EUR 59 million. The final figure for the capital shortfall will be based on the figures according to the interim report for the third quarter ended 30 September 2011 and therefore take into account Erste Group's recently implemented measures. Based on EBA's given calculation definitions as well as on the figures as per end of September the Managing Board of Erste Group expects the core-capital short fall in a total amount of approx. EUR 750 million. EBA is expected to publish the Q3 numbers by mid of November."

## 2. Financial results for the third quarter 2011

2.1 In the chapter "Documents incorporated by reference" commencing on page 8 of the Original Prospectus in the table relating to the financial information which is incorporated by reference in the Original Prospectus, after the section headed "English translation of the Unaudited Consolidated Interim Financial Statements of the Issuer for the first half year ended 30 June 2011" the following new section is incorporated and the subsequent paragraph is replaced by the below paragraph:

Document/Heading	Page reference in the relevant financial report
<b>English translation of the Unaudited Consolidated Interim Financial Statements of the Issuer for the third quarter year ended 30 September 2011 – Interim Report Third Quarter 2011 (the "Unaudited Consolidated Interim Financial Statements 30 September 2011")</b>	
Statement of Comprehensive Income	9
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For the avoidance of doubt, such parts of the annual report of the Issuer for the financial years 2009 and 2010 respectively as well as of the quarterly report for the first quarter year in 2011 as well as of the the semi-annually report for the first half year in 2011 and of the quarterly report for the third quarter year in 2011 which are not explicitly listed in the table 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."

2.2 The third paragraph on page 11 of the Original Prospectus is replaced by the following paragraph:

"The Audited Consolidated Financial Statements 2009 and 2010, the Unaudited Consolidated Interim Financial Statements 31 March 2011, the Unaudited Consolidated Interim Financial Statements 30 June 2011 and the Unaudited Consolidated Interim Financial Statements 30 September 2011 incorporated by reference into this Prospectus will be available on the website of the Issuer under "www.erstegroup.com" and on the website of the Luxembourg Stock Exchange under "www.bourse.lu"."

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

Erste Group Bank AG, with its registered office at Graben 21, A-1010 Vienna, Austria, is solely 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.