

## Erste Group Bank AG

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

### Warrants 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 15 July 2016 (the "**Original Prospectus**" or, the "**Prospectus**") relating to the Warrants Programme (the "**Programme**") of Erste Group Bank AG (the "**Issuer**" or "**Erste Group Bank**").

The Original Prospectus has been approved on 15 July 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 6 April 2017. This Supplement has been filed with the Wiener Börse, which has admitted the Programme to 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/OS-Zertifikate\\_ab2006](http://www.erstegroup.com/de/Capital-Markets/Prospekt/OS-Zertifikate_ab2006)".

The Issuer has requested the FMA to provide the competent authorities in other host Member States within the European Economic Area including Croatia, the Czech Republic, Germany, Hungary and Romania 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 already agreed to purchase or subscribe for Warrants before this Supplement is published have a right, exercisable within two working days after the publication of this Supplement, to withdraw their acceptances until, and including, 10 April 2017, provided that that the new factor, mistake or inaccuracy arose before the final closing of the offer to the public and the delivery of the Warrants.**

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.



6 April 2017

*No person has been authorised to give any information or to make any representation other than those contained in the Prospectus and this Supplement in connection with the issue or sale of the Warrants and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer. Neither the delivery of the Prospectus and/or this Supplement nor any sale made in connection therewith 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 the Prospectus has been most recently 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 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 Warrants in certain jurisdictions may be restricted by law. Persons into whose possession this Supplement comes are required by the Issuer to inform themselves about and to observe any such restriction. The Warrants have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may include Warrants in bearer form that are subject to US tax law requirements. Subject to certain exceptions, Warrants may not be offered, sold or delivered within the United States or to US persons except in certain transactions permitted by US tax regulations and the Securities Act. For a description of certain restrictions on offers and sales of Warrants, see "10. 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 to subscribe for, or purchase, any Warrants.*

*Neither the Prospectus, this Supplement nor any financial statements supplied in connection with the Programme or any Warrants are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer that any recipient of the Prospectus, this Supplement or any financial statements should purchase the Warrants. Each potential purchaser of Warrants should determine for itself the relevance of the information contained in the Prospectus, this Supplement or any financial statements and its purchase of Warrants should be based upon any such investigation as it deems necessary.*

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 Warrants, 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, the sentence in footnote numbered "1" shall be replaced by the following sentence:**

"The officially signed German language versions of the Issuer's Audited Consolidated Financial Statements 2016, 2015 and 2014 are solely legally binding and definitive."

**1.2 On page 8 of the Original Prospectus, after the table with regard to the Unaudited Interim Condensed Consolidated Financial Statements as of 31 March 2016, the following table shall be inserted:**

**"German language version of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2016 – Annual Report 2016 (Geschäftsbericht 2016) (the "Audited Consolidated Financial Statements 2016")<sup>1</sup>**

Consolidated Income Statement (Konzerngesamtergebnisrechnung)	104 - 105
Consolidated Balance Sheet (Konzernbilanz)	106
Consolidated Statement of Changes in Total Equity (Konzern-Kapitalveränderungsrechnung)	107
Consolidated Cash Flow Statement (Konzerngeldflussrechnung)	108
Notes to the Consolidated Financial Statements (Anhang (Notes) zum Konzernabschluss)	109 - 301
Auditors' Report (Bestätigungsvermerk (Bericht der unabhängigen Abschlussprüfer))	306 - 311

**English language translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2016 – Annual Report 2016<sup>2</sup>**

Consolidated Income Statement	100 - 101
Consolidated Balance Sheet	102
Consolidated Statement of Changes in Total Equity	103
Consolidated Cash Flow Statement	104
Notes to the Consolidated Financial Statements	105 - 284
Auditors' Report	289 - 294"

- 1.3 On page 8 of the Original Prospectus, the first paragraph after the table with regard to the Unaudited Interim Condensed Consolidated Financial Statements as of 31 March 2016 shall be replaced by the following paragraph:**

"For the avoidance of doubt, such parts of the Audited Consolidated Financial Statements 2016, 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, are not incorporated by reference into this Prospectus as these parts are either not relevant for the investor or covered elsewhere in this Prospectus. Any information not listed above but included in the documents incorporated by reference is given for information purposes only."

- 1.4 On page 8 of the Original Prospectus, the sentence in footnote numbered "2" shall be replaced by the following sentence:**

"The English translations of the Audited Consolidated Financial Statements of the Issuer for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 are not legally binding and are incorporated into this Prospectus by reference for convenience purposes only."

**2. AMENDMENTS TO THE SECTION ENTITLED "DOCUMENTS AVAILABLE FOR INSPECTION" COMMENCING ON PAGE 10 OF THE ORIGINAL PROSPECTUS**

**On page 10 of the Original Prospectus, after the list item numbered "(xi)" the following list items numbered "(xii)" and "(xiii)" shall be inserted:**

- "(xii) the Audited Consolidated Financial Statements 2016 incorporated by reference into this Prospectus  
([https://www.erstegroup.com/content/dam/at/eh/www\\_erstegroup\\_com/de/ir/2016/Berichte/GB2016\\_FINAL\\_de.pdf](https://www.erstegroup.com/content/dam/at/eh/www_erstegroup_com/de/ir/2016/Berichte/GB2016_FINAL_de.pdf));
- (xiii) the English language translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2016 incorporated by reference into this Prospectus  
([https://www.erstegroup.com/content/dam/at/eh/www\\_erstegroup\\_com/en/Investor%20Relations/2016/Reports/AR2016\\_FINAL\\_en.pdf](https://www.erstegroup.com/content/dam/at/eh/www_erstegroup_com/en/Investor%20Relations/2016/Reports/AR2016_FINAL_en.pdf))."

**3. AMENDMENTS TO THE SECTION ENTITLED "SOURCES OF INFORMATION" ON PAGE 11 OF THE ORIGINAL PROSPECTUS**

**On page 11 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 2016 and 2015 and the annual reports thereon as well as the Unaudited Interim Condensed Consolidated Financial Statements as of 31 March 2016."

**4. AMENDMENTS TO THE SECTION ENTITLED "SIGNIFICANT CHANGES AND MATERIAL ADVERSE CHANGES" ON PAGE 11 OF THE ORIGINAL PROSPECTUS**

**On page 11 of the Original Prospectus, the paragraph is replaced by the following paragraph:**

"Except as disclosed under "5.5 *Current Regulatory and Tax Topics*" starting on page 203, and "5.6 *Recent Developments*" on page 206 of this Prospectus, there has

been no significant change in the financial position of the Erste Group since 31 December 2016 and no material adverse change in the prospects of the Issuer since 31 December 2016."

**5. AMENDMENTS TO THE SECTION ENTITLED "1. SUMMARY" COMMENCING ON PAGE 13 OF THE ORIGINAL PROSPECTUS**

**5.1 In element B.12 in the right column the following table shall be added to the end of the subsection entitled "Selected historical key financial information:" commencing on page 15 of the Original Prospectus:**

<b>"in millions of Euro (rounded)</b>	<b>31 December 2016 audited</b>	<b>31 December 2015 audited</b>
Total liabilities and equity	208,227	199,743
Total equity	16,602	14,807
Net interest income	4,375	4,445
Pre-tax result from continuing operations	1,950	1,639
Net result for the period	1,537	1,275
Net result attributable to owners of the parent	1,265	968

Source: Audited Consolidated Financial Statements 2016."

**5.2 In element B.12, in the subsection entitled "Statement with regard to no material adverse change in the prospects of the issuer since the date of its last published audited financial statements or a description of any material adverse change:" on page 16 of the Original Prospectus, the paragraph in the right column shall be replaced by the following paragraph:**

"There has been no material adverse change in the prospects of the Issuer since 31 December 2016."

**5.3 In element B.12, in the subsection entitled "Description of significant changes in the financial or trading position subsequent to the period covered by the historical financial information:" on page 16 of the Original Prospectus, the paragraph in the right column shall be replaced by the following paragraph:**

"Not applicable. There has been no significant change in the financial position of the Issuer since 31 December 2016."

**6. AMENDMENTS TO THE SECTION ENTITLED "5. ERSTE GROUP BANK AG" COMMENCING ON PAGE 189 OF THE ORIGINAL PROSPECTUS**

**The information contained in the subsection entitled "5.6 RECENT DEVELOPMENTS" on page 206 of the Original Prospectus is replaced by the following:**

**"Erste Group's outlook as presented in the annual report 2016 is as follows:**

Erste Group expects a return on tangible equity (ROTE) of more than 10% in 2017. The anticipated solid macro-economic development in the core markets Czech Republic, Slovakia, Hungary, Romania, Croatia, Serbia and Austria, the unchanged positive

assessment of the Issuer's risk profile and the reduction of banking tax in Austria should be supportive factors to achieve this target. On the other hand, the persistent low interest rate environment, the non-recurrence of one-off effects such as the sale of VISA shares and potential – and as yet unquantifiable – political risks might jeopardize it.

In 2017, the positive development of the economy should be reflected in growth rates (real GDP growth) between 1.5% to 4.5% in Erste Group's CEE core markets. All other economic parameters are currently expected to develop likewise robustly. Unemployment rates should decline further – in the Czech Republic and in Hungary they are already among the lowest in the EU. Inflation is forecast to remain low and strong competitive positions should again lead to current account surpluses. The fiscal situation and public debt levels are also projected to remain sound. In Austria, by contrast, growth is forecast to be less dynamic, at a rate of 1.5%. Unemployment is expected to stabilise in 2017 after rising in 2016. Overall, growth continues to be driven by domestic demand across all economies, even though exports are expected to make a positive contribution to growth in most countries.

Against this backdrop, Erste Group expects mid-single digit net loan growth which is required to offset margin pressure resulting from sovereign bond reinvestments in the ongoing low interest rate environment. The improvement in asset quality also has an adverse impact on net interest income. With every further reduction of the NPL portfolio – driven, on the one hand, by NPL sales but also by the improved portfolio quality – net interest income will decline on the back of the lower unwinding effect. Overall, Erste Group expects that, at best, it will be able to keep net interest income stable in 2017. If the interest rate environment remains unchanged, a slight decline might also be possible, though.

The second key income component, net fee and commission income, is expected to remain at about the same level in 2017 as in the previous year. Some positive momentum should come from the anticipated rising loan demand and the dynamic economic environment. After a weak year in 2016, the securities business should also pick up again. The other income components are expected to remain flat, by and large, despite the volatility of the net trading and fair value result. Operating income should hence remain stable in 2017 or decline marginally in the case of lower-than-expected loan growth.

Operating expenses are expected to rise by 1% to 2% in 2017. This cost inflation will be mainly driven by IT investments necessary to secure Erste Group's future competitiveness and measures induced by regulatory requirements. Further investments in product simplification, process standardisation or the group-wide implementation of the digital platform George underline the digital strategy. After its rollout in Austria, George will be launched in the Czech Republic, in Slovakia and Romania in 2017. Additional cost drivers are regulatory expenses related for example to the implementation of IFRS 9 from the beginning of 2018 or to preparations for Anacredit, a Europe-wide bank loans dataset overseen by the ECB. The operating result is therefore projected to slightly decline in 2017.

Risk costs should again support net profit in 2017. While the low interest rate environment has a negative impact on net interest income, it does have a positive effect on risk costs which, unlike net interest income, benefit additionally from the reduction of NPL. Erste Group, however, does not expect a recurrence of the historically low risk cost level of the year 2016 of just 15 basis points of average

customer loans. While precise forecasts are difficult in the current environment, Erste Group projects for 2017 risk costs of about 30 basis points of average customer loans.

Other result is anticipated to develop positively. Even though the one-off effects of the sale of VISA shares will not recur, banking tax in Austria is set to decrease after the one-off payment of EUR 200.9 million to the Austrian innovation fund in 2016. As a result, this line item will improve barring the occurrence of any unforeseen events.

Assuming a similar tax rate as in 2016 and a similar level of minority charges, Erste Group aims to achieve a return on tangible equity (ROTE) of more than 10%.

Potential risks to the guidance are the impact from expansionary monetary central bank policies including negative interest rates, political risks e.g. related to various elections in key EU economies, geopolitical risks and global economic risks or consumer protection initiatives."

**7. AMENDMENTS TO THE SECTION ENTITLED "AUDIT AND AUDITORS' REPORTS" ON PAGE 212 OF THE ORIGINAL PROSPECTUS**

**On page 212 of the Original Prospectus, the paragraph is replaced by the following paragraph:**

"Sparkassen-Prüfungsverband Prüfungsstelle (statutory auditor, two current directors of which are members of "*Kammer der Wirtschaftstreuhänder Österreich*") at Am Belvedere 1, A-1100 Vienna, Austria, and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (a member of "*Kammer der Wirtschaftstreuhänder Österreich*") at Wagramer Straße 19, A-1220 Vienna, Austria, have audited the German language consolidated financial statements of Erste Group Bank as of 31 December 2016, 2015 and 2014 and issued unqualified audit opinions for the Audited Consolidated Financial Statements 2016 (dated 28 February 2017), 2015 (dated 26 February 2016) and 2014 (dated 27 February 2015). The financial year of Erste Group Bank is the calendar year."

**8. AMENDMENTS TO THE SECTION ENTITLED "GLOSSARY AND LIST OF ABBREVIATIONS" COMMENCING ON PAGE 257 OF THE ORIGINAL PROSPECTUS**

**On page 257 of the Original Prospectus, after the row with regard to the Audited Consolidated Financial Statements 2015 the following row shall be inserted:**

<b>"Audited Consolidated Financial Statements 2016"</b>	German language version of the audited consolidated annual financial statements of Erste Group Bank AG for the financial year ended 31 December 2016"
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**9. AMENDMENTS TO THE SECTION ENTITLED "GERMAN TRANSLATIONS" COMMENCING ON PAGE 268 OF THE ORIGINAL PROSPECTUS**

**The following translation of selected sections of the original summary and the risk factors of the Prospectus has not been approved by the FMA. Further, the FMA did not review its consistency with the original text of the Prospectus.**

**Die folgende Übersetzung von ausgewählten Abschnitten der originalen Zusammenfassung und der Risikofaktoren des Prospekts wurde nicht von der FMA gebilligt. Auch die Übereinstimmung mit dem originalen Text des Prospekts**

**wurde nicht von der FMA geprüft.**

- 9.1 Im Element B.12 wird in der rechten Spalte die folgende Tabelle am Ende des Unterabschnitts "Ausgewählte historische Finanzinformationen:" auf Seite 271 des Original Prospekts ergänzt:**

<b>"in Millionen Euro (gerundet)</b>	<b>31.12.2016 geprüft</b>	<b>31.12.2015 geprüft</b>
Summe der Verbindlichkeiten und Eigenkapital	208.227	199.743
Gesamtes Eigenkapital	16.602	14.807
Zinsüberschuss	4.375	4.445
Ergebnis vor Steuern aus fortzuführenden Geschäftsbereichen	1.950	1.639
Periodenergebnis	1.537	1.275
Eigentümern des Mutterunternehmens zuzurechnendes Periodenergebnis	1.265	968

Quelle: Geprüfter konsolidierter Jahresabschluss 2016"

- 9.2 Im Element B.12 im Unterabschnitt "Erklärung, dass sich die Aussichten der Emittentin seit dem Datum des letzten veröffentlichten geprüften Abschlusses nicht wesentlich verschlechtert haben, oder beschreiben Sie jede wesentliche Verschlechterung:" auf Seite 271 des Original Prospekts, wird der Absatz in der rechten Spalte durch den folgenden Absatz ersetzt:**

"Die Aussichten der Emittentin haben sich seit 31.12.2016 nicht wesentlich verschlechtert."

- 9.3 Im Element B.12 im Unterabschnitt "Beschreibung wesentlicher Veränderungen bei der Finanzlage oder Handelsposition der Emittentin, die nach dem von den historischen Finanzinformationen abgedeckten Zeitraum eingetreten sind:", der auf Seite 271 des Original Prospekts beginnt, wird der Absatz in der rechten Spalte durch den folgenden Absatz ersetzt:**

"Nicht anwendbar. Es gab keine wesentlichen Veränderungen in der Finanzlage der Emittentin seit dem 31.12.2016."



# **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, 6 April 2017

Erste Group Bank AG  
as Issuer

Oswald Huber  
Head of Group Markets

Bernhard Leder  
Head of Group Markets Origination and  
Funding