

## 2. SUPPLEMENTARY MANAGEMENT BOARD REPORT

OF

**Erste Group Bank AG**

Graben 21, A-1010 Vienna

FN 33209m

The Management of Erste Group Bank AG ("**Erste Group**" or the "**Company**") submits the following 2<sup>nd</sup> Supplementary Report, supplementing its report published in the official gazette *Amtsblatt der Wiener Zeitung* on 20 October 2011 (the "**Report**") and supplementing the report published in the official gazette *Amtsblatt der Wiener Zeitung* on 26 November 2011 (the "**1<sup>st</sup> Supplementary Report**") pursuant to sec. 171 (1) Stock Corporation Act (AktG) in combination with sec. 153 (4) Stock Corporation Act:

### 1. Basics

Based upon the authorisation granted to Erste Group by the resolution passed at the General Meeting on 12 May 2010 to increase the company's share capital by drawing from authorised capital, the Management Board passed a Framework Resolution on 18 October 2011 (the "**Framework Resolution**") according to which the share capital of Erste Group is to be increased by a nominal amount of up to EUR 40,255,656 from the then EUR 756,932,768 to up to EUR 797,188,424. The shareholders' subscription rights were excluded. The Framework Resolution was approved by the Erste Group Supervisory Board on 9 November 2011. The Management Board's relevant report was published in the official gazette *Amtsblatt der Wiener Zeitung* on 20 October 2011.

On 24 November 2011, the Erste Group Management Board passed the 1<sup>st</sup> resolution supplementing the Framework Resolution (the "**1<sup>st</sup> Supplementary Resolution**"). The 1<sup>st</sup> Supplementary Resolution amended the distribution of number of shares held in BCR to be contributed between instalment 2011 and instalment 2012. The relevant Management Board report was published on 26 November 2011 in the official gazette *Amtsblatt der Wiener Zeitung*. The 1<sup>st</sup> supplementary resolution was approved by the Erste Group Supervisory Board on 11 December 2011.

### 2. Issuing price instalment 2012

In accordance with subsection 2.1.2, third paragraph, of the Framework Resolution, the issuing price for instalment 2012 equals the average of the unweighted closing share prices of Erste Group shares on the Vienna Stock Exchange over the last month, the last three, or the last six months preceding 31 March 2012; the final determination

of the period used as the basis of calculation will be made by the Management Board after consulting with the Supervisory Board and obtaining its approval.

Plans are now to have the SIFs contribute their remaining shares held in BCR, to be contributed in the context of the 2012 instalment as resolved in the Framework Resolution, earlier, i.e. during the 1<sup>st</sup> quarter of 2012. As a result, it was necessary to bring forward the reference period for calculating the issuing price for the 2012 instalment and to determine an issuing price directly.

Accordingly, the Company's Management Board passed a 2<sup>nd</sup> Supplementary Resolution on 6 February 2012 to supplement the Framework Resolution, amending subsection 2.1.2, third paragraph of the Framework Resolution to read as follows:

*"The issuing price of the 2012 instalment amounts to € 17,62. This issuing price equals the average of the unweighted closing share prices of Erste Group Bank AG shares on the Vienna Stock Exchange over the last six months preceding 31 January 2012."*

All remaining provisions of the Framework Resolution (as amended by the 1<sup>st</sup> Supplementary Resolution), shall remain unchanged.

### **3. Supplementary Report**

#### **3.1. Amended version**

Further to the amendments in subsection 2, subsection 1.4 (e) (ii) of the report will be modified to read as follows:

*"The issuing price of the 2012 instalment amounts to € 17,62. per share. This issuing price equals the average of the unweighted closing share prices of Erste Group shares on the Vienna Stock Exchange over the last six months preceding 31.1.2012."*

#### **3.2. Rationale**

##### **3.2.1. Calculation period for the issuing price for Erste Group shares of the 2012 instalment to be issued**

The Management Board of Erste Group is of the opinion that the implementation of the 2012 instalment in the first quarter of 2012 will be to the benefit of Erste Group and its shareholders, because the early

implementation of the 2012 instalment will allow Erste Group to achieve the positive effects of the contribution of the shares held in BCR, that is to say,

- a) **expansion and penetration** of the Central European market, as well as **consolidation of the company's current market position**, and
- b) achievement of maximised equity interest in their subsidiaries in Central and Eastern Europe,

as soon as possible. The Management Board's report of 20 October 2011, regarding the exclusion of pre-emptive subscription rights remains unchanged.

### **3.2.2. Issuing price**

The Management Board has established a reference period of six months, until 31 January 2012. The Management Board's decision was guided by the consideration that the current market situation is characterised by highly volatile share prices. For this reason, a longer average period, i.e. of six months, appears appropriate.

On the basis of the exchange ratio of 127.9583 shares held in BCR for one Erste Group share, the total value of contributions in kind shall amount to at least the issuing price of the new shares established above (sec. 151 (3) Stock Corporation Act).

From the Management Board's perspective, the issuing price for the 2012 instalment is appropriate and complies with legal requirements.

It equals the value of the Erste Group shares to be issued in relation to the proportionate value of the shares held in BCR to be contributed, which was determined using recognised business methods. Future developments and advantages from synergies gained were also taken into account in the evaluation.

After the capital increase, shareholders in Erste Group will therefore still hold at least the same value as before non-cash contribution, since they will indirectly hold a higher share in BCR following the transaction.

The 2<sup>nd</sup> Supplementary Resolution supplementing the Framework Resolution is conditional on the approval of the Erste Group Supervisory Board. This resolution by the Supervisory Board shall presumably ensue by 24 February 2012, under observance of the two-week period following publication of this Supplementary Report in accordance with sec. 171 (1) Stock Corporation Act.

Vienna, on 6 February 2012

The Management Board of Erste Group Bank AG:

Andreas Treichl \_\_\_\_\_

Franz Hochstrasser \_\_\_\_\_

Manfred Wimmer \_\_\_\_\_

Herbert Juranek \_\_\_\_\_

Gernot Mittendorfer \_\_\_\_\_