[The German text of this Report shall be binding. The English translation is for information purposes only.]

# JOINT REPORT

## OF THE MANAGEMENT BOARD

**of**

**ERSTE BANK DER OESTERREICHISCHEN SPARKASSEN AG**

**(„Erste Bank“ or „Transferring Company“)**

**and**

**THE MANAGEMENT BOARD**

**of**

**ERSTE GROUP BANK AG**

**(„Erste Group“ or „Acquiring Company“)**

**on the**

**de-merger of the Business GLC&GRE-Austria**
**(Business Division Group Large Corporate Austria and Group Real Estate and Leasing Austria)**

**from Erste Bank to Erste Group according to the**
**De-Merger and Acquisition Agreement**

## Introduction

Erste Bank is an Austrian credit institution that primarily engages in domestic banking business and other business activities. Such activities encompass primarily banking business with private customers and small and medium sized enterprises in Austria.

Within the scope of its business activities, Erste Bank also operates the business divisions Group Large Corporate Austria and Group Real Estate and Leasing Austria ("Business Division GLC&GRE-Austria").

Against the backdrop of an intended clear specialization on certain business activities in Erste Group, Erste Bank now seeks to legally separate the client business handled by the Business Division GLC&GRE-Austria from the rest of the activities through a de-merger to its 100% parent company.

The implementation should occur by way of transfer of the Business Division GLC&GRE-Austria described in more detail under clause 6 of the De-Merger and Acquisition Agreement from Erste Bank to Erste Group through de-merger for the purpose of takeover by way of universal succession in accordance with the Austrian De-Merger Act (Spaltungsgesetz, "SpaltG").

Erste Group intends to take over the de-merged Business Division GLC&GRE-Austria from Erste Bank by way of universal succession.

**The Management Board of Erste Bank der oesterreichischen Sparkassen AG as Transferring Company and the Management Board of Erste Group Bank AG as Acquiring Company herewith jointly issue their report in accordance with sec 4 and 17 No 5 SpaltG in connection with § 220a of the Austrian Stock Corporation Act (*Aktiengesetz*, „AktG"):**

### 1. De-Merger and Acquisition Agreement

1.1 Erste Bank as Transferring Company and Erste Group as Acquiring Company prepared on 2 March 2010 a de-merger and acquisition agreement regarding the transfer of the Business Division GLC&GRE-Austria from Erste Bank to Erste Group; it exists in a draft version (in the following „De-Merger and Acquisition Agreement") and constitutes the basis of this report.

1.2 Terms used in this report shall have the same meanings as in the De-Merger and Acquisition Agreement, if used in the De-Merger and Acquisition Agreement.

## 2. Description of the de-merger

2.1 As already outlined in the introduction, Erste Bank intends to concentrate on the business with private customers and small and medium sized enterprises in Austria.

2.2 For this reason, it will de-merge its Business Division GLC&GRE-Austria to Erste Group in accordance with the SpaltG and with recourse to the benefits of Article VI Reorganisation Tax Act (*Umgründungssteuergesetz*, „UmgrStG“) under the waiver of granting new shares and by way of a universal succession.

## 3. Description of the De-Merger and Acquisition Agreement

3.1 General

3.1.1 The De-Merger and Acquisition Agreement exists as a draft version and will be concluded in week 11 2010 by way of a notarial deed, which is the form required by sec 17 No 1 SpaltG.

3.1.2 As the latest financial statements of the companies involved in the de-merger – prepared as of 31 December, respectively – refer to a business year the expiry of which on the date of execution of the De-Merger and Acquisition Agreement in week 11 2010 dates back no longer than six months, the preparation of an interim balance sheet pursuant to sec 7 para 2 No 3 SpaltG is not required.

3.2 Name, seat and articles of association of the involved companies

Sec 17 No 1 in connection with sec 2 para 1 No 1 SpaltG mandatorily require that statements on the name, the seat, and the articles of association of the involved companies have to be included into the De-Merger and Acquisition Agreement. This was done in Clause 1 of the De-Merger and Acquisition Agreement.

3.3 Transfer of assets of the Transferring Company

3.3.1 Upon registration of the de-merger in the Companies Register, the de-merged Assets of Erste Bank transfer by way of universal succession in accordance with sec 14 para 2 SpaltG to Erste Group. By way of the de-merger process, the Business Division GLC&GRE-Austria and all Assets attributed thereto including all rights and obligations connected therewith, will be transferred in the meaning of the De-Merger and Acquisition Agreement to Erste Group. Further perfection acts for the transfer are not required.

3.3.2 In case of a universal succession, the rights and obligations from contractual relations with regard to the concerned assets and liabilities transfer to the

acquiring company without the requirement of further consents by the contracting parties. Contracts included in the transfer may contain provisions, that in case of a change of the economic or legal ownership or control rights of a contracting party, the other contracting party may unilaterally demand the termination of the contract or an amendment of the contractual conditions. As Erste Bank is, however, a wholly owned subsidiary of Erste Group, and the transfer of the de-merged Assets to Erste Group as Acquiring Company does not result in a change of the economic or legal ownership or control rights, these prerequisites are not fulfilled.

3.4. No granting of shares

3.4.1 The reason for not granting shares in Erste Group to the shareholders of Erste Bank is outlined in Clause 3.1 of the De-Merger and Acquisition Agreement. According to sec 17 No 5 SpaltG in connection with sec 224 para 1 No 1 AktG, the granting of shares in the acquiring company to the shareholders of the transferring company shall be omitted as the Transferring company is a wholly owned subsidiary of Erste Group and therefore of the the Acquiring Company. Furthermore, the de-merger of the Business Division GLC&GRE-Austria does not violate the prohibition of repayment of equity, due to the fact that the Business Division GLC&GRE-Austria is transferred to the Acquiring Company from a wholly owned subsidiary and the assets of Erste Group are thereby not diminished.

3.4.2 Clause 3.2 of the De-Merger and Acquisition Agreement outlines which statements provided in the SpaltG are not required in the De-Merger and Acquisition Agreement due to the fact that a granting of shares in Erste Group does not take place. In general, these provisions relate to statements on the exchange ratio of the shares, their assignment, and further aspects in this context. A discussion of such provisions which do not apply can be omitted.

3.5 No capital decrease

If a de-merger loss occurs in the transferring company pursuant to sec 17 No 3 SpaltG in the course of a de-merger in such a way, that the share capital of the transferring company needs to be decreased, the de-merger must be registered only after compliance with the provisions concerning ordinary capital decrease. In case of the de-merger of the Business Division GLC&GRE-Austria, no such loss occurs. With regard to taxes, this results in neither a profit nor a loss. A reduction of the share capital or a release of capital reserves at the Transferring Company is therefore not necessary.

3.6 Effective date of the de-merger

The effective date of the de-merger is the end of 31 December 2009. The Final Balance Sheet refers to that date. The de-merger becomes effective – notwithstanding the effectiveness of the transfer pursuant to sec 14 para 2 SpaltG upon registration of the de-merger in the Austrian Companies

Register – with regard to tax and contractual effects with the beginning of 1 January 2010.

3.7 Exact description and allocation of assets and liabilities

3.7.1 Sec 17 No 1 in connection with sec 2 para 1 No 10 SpaltG provides that the De-Merger and Acquisition Agreement has to contain an exact description and allocation of the assets and liabilities transferred to the Acquiring Company. The Assets to be de-merged consist of the Business Division GLC&GRE-Austria.

3.7.2 The Business Division GLC&GRE-Austria is described in more detail in the De-Merger and Acquisition Agreement. General clauses are used to describe the de-merged Assets to the maximum extent possible and are specified in particular cases by detailed lists and annexes.

3.7.3 The items included in the de-merged Assets can be identified with the help of the allocation rules in Clause 6 of the De-Merger and Acquisition Agreement.

3.7.4 The exact allocation of the transferred Assets is described in Clause 6 of the De-Merger and Acquisition Agreement. Clause 2.1 of the De-Merger and Acquisition Agreement and the detailed rules in Clause 6 provide in detail which Assets are part of the Business Division GLC&GRE-Austria and are therefore included in the de-merger, and which assets and liabilities are part of the residue assets and liabilities and therefore remain with the Transferring Company. Clause 6.7 of the De-Merger and Acquisition Agreement contains the provisions required by sec 2 para 1 No 11 SpaltG with respect to the allocation of assets and liabilities which would otherwise not be able to be allocated to one of the companies involved in the de-merger according to the De-Merger and Acquisition Agreement, and it provides for such case that said assets remain with the Transferring Company.

3.8 Final Balance Sheet, De-Merger Balance Sheet and Transfer Balance Sheet

According to sec 17 No 1 in connection with 2 para 1 No 12 SpaltG, the De-Merger and Acquisition Agreement has to include following balance sheets:

a) the final balance sheet of the Transferring Company, hence the Final Balance Sheet of Erste Bank;
b) the De-Merger Balance Sheet which shows the assets and liabilities remaining with the Transferring Company after the de-merger;

Furthermore, the De-Merger and Acquisition Agreement includes a Transfer Balance Sheet which outlines the de-merged Assets.

This balances have been drawn up. They are attached to the De-Merger and Acquisition Agreement as Annex 1, Annex 2 and Annex 3, and constitute integral parts of the De-Merger and Acquisition Agreement.

3.9 Miscellaneous

3.9.1 Clause 10 of the De-Merger and Acquisition Agreement contains statements on circumstances which have to be made pursuant to sec 2 para 1 Nos 8 and 9 SpaltG. Rights in the meaning of sec 2 para 1 No 8 SpaltG are not granted to individual shareholders or holders of special rights, nor are any kinds of advantages in the meaning of sec 2 para 1 No 9 SpaltG granted to any member of the management board or supervisory board of the companies involved in the de-merger or to an auditor involved in the de-merger.

3.9.2 Clause 10 of the De-Merger and Acquisition Agreement also outlines why the offer for a cash compensation in accordance with sec 17 SpaltG in connection with sec 11 SpaltG in connection with sec 2 para 1 No 13 SpaltG can be omitted. The de-merger on hand constitutes neither a de-merger between different legal forms pursuant to sec 11 SpaltG nor a non-proportionate de-merger according to sec 8 para 3 SpaltG. The provision of sec 11 SpaltG (cash compensation offer; *Barabfindungsgebot*) would only apply in case that shareholders of the Transferring Company would suffer a disadvantage by the granting of shares in the Acquiring Company due to the fact that the Transferring Company has a different legal form than the Acquiring Company. As with the transaction on hand this is not the case, this provision is not applicable.

3.10 Effectiveness of the de-merger

The De-Merger and Acquisition Agreement is conditional on the approval by the Shareholders' Meetings of Erste Bank and Erste Group and by the approval of the de-merger by the Financial Markets Authority (*Finanzmarktaufsichtsbehörde*) in accordance with sec 21 para 1 No 6 of the Austrian Banking Act (*Bankwesengesetz*). Only when all three conditions have been fulfilled, the De-Merger and Acquisition Agreement enters into force by registration in the Companies Register of the Commercial Court Vienna. The documents required for the de-merger will also be filed with the mentioned court.

Vienna, 2 March 2010

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| Dr. Elisabeth Bleyleben-Koren | Dr. Thomas Uher |

as collectively authorized members of the Management Board of
Erste Bank der oesterreichischen Sparkassen AG

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| Mag. Dr. Franz Hochstrasser | Mag. Johannes Leobacher |

as collectively authorized members of the Management Board of
Erste Group Bank AG