REPORT

of the Management Board of Erste Group Bank AG

regarding agenda item 8

of the 20th ordinary shareholders' meeting on 16 May 2013

Report of the Management Board of Erste Group Bank AG regarding the authorisation of the Management Board to exclude the tender option for shareholders in the over-the-counter buy-back of own shares and to exclude the purchase option (exclusion of subscription right) for shareholders when own shares are disposed of by means other than the stock exchange or a public offering (§ 65 para 1b in conjunction with § 153 para 4 Stock Corporation Act [Aktiengesetz - AktG]).

1) Exclusion of shareholders' purchase option when disposing own shares

a) Company’s best interests

The exclusion of the shareholders' purchase option when the company sells own shares in accordance with the proposed resolution lies in the Company's best interest for the following reasons:

Own shares should be used particularly as consideration for the acquisition of equity interest or companies. In the context of acquiring companies, equity interest, businesses, business divisions or shares of specific assets, it may be advantageous for the Company to offer own shares as partial or complete consideration, e.g. to pay shareholders of target companies or in case the seller – for tax reasons, for example – prefers to receive partial or complete payment in the form of Company shares instead of cash. The acquisition of existing companies, businesses or business sections and shares of a business has the purpose of preparing market entry or strengthening an already existing market presence. This allows a rapid market entry that builds on an existing customer base and takes over employees who are familiar with the local market.

In addition to tax benefits, sometimes a lower purchase price can be achieved if own shares are used as consideration rather than cash. The use of own shares reduces the liquidity the Company requires for investments or acquisitions and the closing of the investment or acquisition is accelerated because existing shares can be used instead of having to create new shares. Finally, another advantage of using own shares also lies in the fact that the dilutive effects characteristic of any acquisition in exchange for newly created shares, e.g. through authorized capital, can be avoided.

The envisaged authorisation of the Management Board to opt for a different type of disposal, also to the exclusion of the shareholders' general purchase option, will allow the Management Board to make use of the over-the-counter sale of own share packages quickly and flexibly and at a reasonable price. This will enable the Company to make use of market opportunities quickly and flexibly and to cover the required capital and financing requirements at favourable financing terms.

The Company will be prevented from incurring any disadvantages, such as downward price changes caused by the selling pressure on the stock exchange and during a divestment programme.

b) Suitability, Necessity and Proportionality

The authorisation of the Management Board to sell own shares by means other than the stock exchange or a public offering and to the exclusion of the shareholders' purchase option (exclusion of subscription rights) is a suitable and necessary means to ensure the best possible realisation of own shares, to achieve optimum financing conditions and raise the required funds within a short time frame.

Within the scope of normal trading volumes, the shareholders are free to acquire shares on the stock exchange anyway so that they should usually be able to prevent a dilution of their ownership percentage in the Company's over-the-counter divestment of own shares to the exclusion of the shareholders’ purchase option. Own shares will be sold at a reasonable price. In addition, the shareholders do not have the same risk of dilution when the company sells own shares as they would have with a capital increase.

The shareholder’s ownership percentage actually changes with the sale of own shares; however, this only causes the original percentage that prevailed prior to the buy-back of own shares by the Company to be re-established, which had changed temporarily in favour of the shareholders on account of restrictions to the Company's own share rights.

Irrespective of the above, the exclusion of the purchase option is suitable, necessary and proportionate, if, given the normal trading volumes on the stock exchange, a share package cannot be sold on the stock exchange within the time frame required for the financing or the transaction. What must be kept in mind is that, after all, a volume of maximum 10% may be sold.

Finding a balance between the Company's interests in an optimised divestment of own shares and financing of the Company, on the one hand, and the shareholders' interests in maintaining the ownership percentage, on the other, prevents the authorisation for the sale of own shares to the exclusion of the shareholders' purchase rights/subscription rights from becoming disproportionate.

c) Selling price

The selling price for over-the-counter sale is subject to specific maximum and minimum limits and must be duly set according to market conditions by the Management Board subject to the Supervisory Board's consent. By determining the limits and because of the obligations of the administrative bodies to exercise due care when setting the prices, there is no risk of any disproportionate disadvantage caused by dilution.

2. Exclusion of shareholders' right to tender in the over-the-counter buy-back of own shares

As previously specified, the Company can benefit from offering own shares as consideration (currency for acquisition) in acquisitions and investments for an exchange or also for a merger or demerger. It may therefore be necessary for the Company to be able to procure own shares as acquisition currency quickly and at reasonable terms.

It is therefore in the Company’s interest to acquire own shares over-the-counter as share packages to the exclusion of the shareholders’ right to tender proportional payment if the Company is not expected to be in a position to acquire the required own shares within the necessary time frame or at a reasonable price on the stock exchange by a public offering, particularly due to the time frame available or in consideration of general and specific market as well as share price movements of the trading volumes available on the stock exchange or the statutory volume restrictions for share buy-back programmes on the stock exchange. Authorising the Management Board allows the Company to acquire the volume of own shares required for corporate purposes flexibly and at the most favourable terms.

The over-the-counter acquisition of shares and the related exclusion of the shareholders’ right to tender are means to prevent the Company from suffering any disadvantages in a buy-back programme; in particular, price changes during the buy-back programme can be avoided with their negative effects on the success and costs of the measure, on the achievement of a specific investment volume for the buy-back programme and on the avoidance of price peaks on the stock exchange caused by the increased demand on the stock exchange resulting from the Company’s share buy-back.

As previously specified for the exclusion of the purchase option, the exclusion of the right to tender is a suitable, necessary and proportional means to ensure the availability of own shares for acquisition purposes and to cover any special financing requirements.

In particular, the buy-back does not result in the dilution of the shareholders' ownership percentage, nor in an asset dilution, if reasonable prices for the buy-back of shares are paid. The balance established between the Company's interests and the shareholders' interests prevents the authorisation for the over-the-counter buy-back of own shares to the exclusion of the shareholders' right to tender from being disproportionate and makes it a necessary and suitable means to achieve the investment objectives in the Company's and the shareholders' interest.

The Management Board may only implement the over-the-counter buy-back of own shares to the exclusion of the shareholders' right to tender, determine the conditions for the buy-back and sell shares to the exclusion of the shareholders' purchase option subject to the Supervisory Board's consent.

Vienna, April 2013

Management Board