

Working Translation

Report by the Supervisory Board

on the Redemption

of Participation Capital

of Erste Group Bank AG

pursuant to § 102a of the Banking Act [*Bankwesengesetz*]

**"Terms and Conditions of the 2009 Issue of up to EUR 2,700,000,000 Bearer
Participation Capital Securities of ERSTE GROUP BANK AG", ISIN AT0000A0D4T3**

Pursuant to § 102a of the Banking Act [BWG] and (by analogy) § 2 sec 3 of the Reorganisation Act [UmwG] in conjunction with § 220 of the Stock Corporation Act [AktG], the supervisory board of Erste Group Bank AG (hereinafter "*Erste Group Bank*" or the "*Company*"), with its registered office in Vienna and its business address at Graben 21, 1010 Vienna, registered in the commercial register of the Vienna Commercial Court [*Handelsgericht Wien*] under FN 33209m, issues the following

**report on the redemption of participation capital
pursuant to § 102a of the Banking Act [BWG]**

1. Subject of the Report and Basic Legal Conditions

1.1. On the basis of the "Terms and Conditions of the 2009 Issue of up to EUR 2,700,000,000 Bearer Participation Capital Securities of Erste Group Bank AG" (hereinafter "*Terms and Conditions of Erste Participation Capital*"), ISIN AT0000A0D4T3, the Company, in three tranches, issued participation capital totalling EUR 1,763,744,000, hence a total of 1,763,744 Participation Capital Securities (hereinafter "*Erste Participation Capital Securities*") in the nominal value of EUR 1,000 each (hereinafter the "*Erste Participation Capital*"), as follows:

1.1.1. The first tranche of the Erste Participation Capital totalling EUR 1,000,000,000 was subscribed to on 10 March 2009 by the Republic of Austria on the basis of the Financial Market Stabilisation Act [*Finanzstabilitätsgesetz*] (Federal Law Gazette I 136/2008, as amended) and the *Grundsatzvereinbarung*, entered into between the Republic of Austria, represented by the Federal Minister of Finance, and the Company on 26 February 2009 (hereinafter the "*Grundsatzvereinbarung*").

1.1.2. The second tranche of the Erste Participation Capital totalling EUR 539,744,000 was subscribed to on 13 May 2009 by private investors on the basis of (i) an offer to shareholders of the Company and (ii) a public offering in Austria, Germany, the Czech Republic, Romania, and Slovakia.

1.1.3. The third tranche of the Erste Participation Capital totalling EUR 224,000,000 was subscribed to on 13 May 2009 by the Republic of Austria on the basis of the Financial Market Stabilisation Act (Federal Law Gazette I 136/2008, as amended) and the *Grundsatzvereinbarung*, entered into between the Republic of Austria, represented by the Federal Minister of Finance, and the Company on 26 February 2009.

- 1.1.4. In addition, by public offering dated October 2009 and April 2013, the Company offered holders of Erste Participation Capital Securities existing own Erste Participation Capital Securities for purchase, i.e. in October 2009 the purchase of three additional Erste Participation Capital Securities per 16 Erste Participation Capital Securities, and in April 2013 the purchase of one additional Erste Participation Capital Security per 21 Erste Participation Capital Securities. The purpose of such issue of existing own Participation Capital Securities was to offset a dilution pursuant to § 9 (2) of the Terms and Conditions of Erste Participation Capital.
- 1.2. Pursuant to § 102a sec 2, second sentence, BWG, the shareholders' meeting of 12 May 2010 authorised the management board to redeem by 12 May 2015, subject to approval by the supervisory board, the entire Participation Capital or the Participation Capital of individual tranches already distinguished upon the issue, also in parts if the equal treatment of the beneficiaries of the Participation Capital is ensured. Such authorisation was included in Section 8.4 of the Company's articles of association.
- 1.3. On 18 June 2013, the management board decided to exercise the authorisation pursuant to Section 8.4 of the Company's articles of association and to adopt the redemption of the entire outstanding Erste Participation Capital by way of application of § 102a BWG in conjunction with § 2 sec 3 UmwG (by analogy). The supervisory board approved such resolution by the management board on 24 June 2013 by circular resolution.
- 1.4. Pursuant to § 102a sec 4 BWG, the Company must grant the beneficiaries of the Participation Capital adequate cash compensation. The provisions of § 2 sec 3 UmwG must be applied by analogy. Pursuant to § 6 (2) of the Terms and Conditions of Erste Participation Capital, the Erste Participation Capital Securities will be repaid at their nominal values.
- 1.5. Pursuant to § 102a sec 4 BWG, by way of application by analogy of § 2 sec 3 UmwG, the supervisory board must review the redemption of the Erste Participation Capital and issue a written report.

2. Documents

The following documents are available to the supervisory board:

- a) The Redemption Plan by the Company's management board (the "*Redemption Plan*");
- b) The report on the redemption of Participation Capital issued by the Company's management board pursuant to § 220a AktG (by analogy) (the "*Report by the Management Board*");

- c) The audit report by Deloitte Audit Wirtschaftsprüfungs GmbH, 1013 Vienna, Rengasse 1/Freyung, as court-appointed redemption auditor by way of application by analogy of § 2 sec 3 UmwG in conjunction with § 220b AktG (the "*Audit Report by the Redemption Auditor*"); and
- d) The Company's financial statements including the directors' report for the business year 2012.

3. Report by the Supervisory Board

We have inspected the documents referred to in Section 2 above and note the following to our best knowledge and after thorough review of the documents:

- 3.1 The information provided in the Redemption Plan is correct and consistent with legal requirements. The information provided by the management board of Erste Group Bank in the Redemption Plan and the Redemption Report concerning the consequences of the redemption of the Erste Participation Capital is complete and correct.
- 3.2 Based on the terms of issue of the Erste Participation Capital (Terms and Conditions of the 2009 Issue of up to 2,700,000,000 Bearer Participation Capital Securities of Erste Group Bank AG, ISIN AT0000A0D4D3), the adequate compensation of the beneficiaries of the Erste Participation Capital is EUR 1,000 per Erste Participation Capital Security in the nominal value of EUR 1,000.
- 3.3 The cash compensation is adequate and consistent both with the Terms and Conditions of Erste Participation Capital and the laws.
- 3.4 The actual requirements of the redemption of the Erste Participation Capital set out in the Audit Report by the Redemption Auditor are consistent with the results of the review by the supervisory board.
- 3.5 Neither shareholders nor holders of bonds and profit participation rights will be granted any special rights or other rights as defined in § 220 sec 2 No 6 AktG. No measures as defined in § 220 sec 2 No 6 in conjunction with § 226 sec 3 AktG will be taken.
- 3.6 Neither the members of the management board of Erste Group Bank, nor the members of the supervisory board of Erste Group Bank, nor a balance sheet auditor, a bank auditor, a redemption auditor or any other auditor of Erste Group Bank, nor any company involved in the redemption will be granted a special benefit pursuant to § 220 sec 2 No 7 AktG. The reasonable fees payable to the redemption auditor for the redemption audit pursuant to § 220b AktG (by analogy) do not constitute a special benefit as defined in § 220 sec 2 No 7 AktG.

4. Final Statements

To the supervisory board's best knowledge and after thorough review and on the basis of the documents referred to in Section 2 above, we have reviewed the redemption under consideration and concluded that the Redemption Plan submitted to the supervisory board, the Report by the Management Report, and the Audit Report by the Redemption Auditor are consistent with applicable laws and that the procedure of the contemplated redemption is in compliance with the provisions of the Banking Act and that the other legal provisions to be applied by analogy pursuant to § 2 sec 3 are complied with.

This report was adopted by the supervisory board of Erste Group Bank by circular resolution.

Vienna, this 2 July 2013

Friedrich Rödler
Chairman of the Supervisory Board of Erste Group Bank AG