REPORT

of the Management Board of Erste Group Bank AG

regarding agenda items 9 and 10
of the 24^{th} Annual General Meeting held on 17 May 2017

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

A) Exclusion of purchase option / subscription option

1. Exclusion of shareholders' purchase option / subscription option on general disposal of own shares (agenda item 9)

a) Company’s best interests

The exclusion of the shareholders' purchase option when the company sells own shares in accordance with the resolution proposed under agenda item 9 lies in the Company's best interest for the following reasons:

Own shares should be used specifically as consideration for the acquisition of equity interest or companies. On 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 the shareholders of target companies or where 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 divisions and shares of businesses has the purpose of preparing for market entry or of strengthening an already existing market presence. This allows for swift 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, a lower purchase price can sometimes 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 as existing shares can be used and no new shares need to be created. Finally, another advantage of using own shares also lies in the fact that the typical 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 possibility of selling own share packages over the counter 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 requirement 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 to raise the required funds within a short time frame.

Within the scope of normal trading volumes, the shareholders are anyhow free to acquire shares on the stock exchange 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 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 obliging 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' purchase / subscription option in connection with agenda item 10

In order to offer shares to employees, managers and to members of the Management Board of either the Company or an undertaking affiliated with the Company or to a private foundation whose sole purpose is to hold and manage the shares for one or several of the referenced persons, it is likewise necessary to exclude the shareholders' proportional purchase option (exclusion of subscription option).

The objective is to create the possibility of a participation model for employees, managers and/or members of the Management Board of the Company and of the Company's affiliated undertakings with the support of a private foundation whose sole purpose is to hold and manage the shares for the referenced persons with a view to further strengthening employee identification with Erste Group and retaining employees in Erste Group. Stock ownership through a private foundation gives employees and/or Management Board members the option of benefiting even more from the positive performance of Erste Group by means of bundling and joint administration. A positive effect can be expected for Erste Group on account of the incentive created by virtue of the private foundation.

Just like when issuing Company shares to employees, managers and to members of the Company's Management Board, the law provides in sec. 153 (5) Stock Corporation Act (AktG) that issuing shares to the private foundation whose sole purpose is to hold and manage shares for one or several of the referenced persons is good enough reason to exclude the shareholders' purchase option.

B) Exclusion of shareholders' tender option in the over-the-counter buy-back of own shares

With regard to agenda item 9

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

With regard to agenda item 10

The acquisition of own shares for the purpose of issuing them to employees, managers and/or members of the Management Board of the Company and of affiliated undertakings and to a private foundation whose sole purpose is to hold and manage the shares for one or several of the referenced persons is likewise in the Company's interests, since a special motivation and commitment on the part of employees, managers and Management Board members is created from which the Company benefits. The same is true when engaging a private foundation that bundles the shares of employees and Management Board members.

Stock ownership through such a private foundation gives employees and/or Management Board members the option of benefiting even more from the positive performance of Erste Group by means of bundling and joint administration; a positive effect can be expected for Erste Group on account of the incentive created by virtue of the private foundation.

With regard to agenda items 9 and 10

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’ tender options 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.

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' tender option from being disproportionate and makes it a necessary and suitable means to achieve the above referenced 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' tender option, 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.

The portion of the registeredcapital associated with the shares acquired by the Company (on the basis of agenda items 8, 9 and 10) together with the other own shares previously acquired by the Company and still held by it must not exceed ten percent of the registered capital.

Vienna, April 2017

Management Board