

REPORT of the Management Board of Erste Group Bank AG

regarding agenda items 9 and 10
of the 26th Annual General Meeting on 15 May 2019

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]).

1. Exclusion of shareholders' purchase option/subscription right when disposing own shares

a) Company's best interests

Exclusion of the shareholders' purchase option when the Erste Group Bank AG sells own shares in accordance with the resolution proposed in acc. with item 10 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 Erste Group Bank AG 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 Erste Group Bank AG 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, 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 of Erste Group Bank AG required for acquisitions and the closing of the investment or acquisition is accelerated because existing shares can be used instead of having to create new shares. Another advantage of using own shares lies in the fact that the dilutive effects typical of any acquisition in exchange for newly created shares, e.g. from approved capital, can be avoided

The authorisation of the Management Board to opt for a disposal, also to the exclusion of the shareholders' general purchase options, 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 Erste Group Bank AG to make use of market opportunities quickly and flexibly and to cover the required capital and financing requirement at favourable financing terms.

Erste Group Bank AG 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

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.

The shareholders have the option of buying standard volumes of shares via the stock exchange anyway. Therefore, shareholders should generally have the possibility of preventing the dilution of their own shares by buying shares in the stock exchange also in the event of over-the-counter divestments 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, 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. Finally, what must be kept in mind is that, after all, only a maximum volume of 10% may be sold.

Finding a balance between the interests of Erste Group Bank AG in an optimised divestment of own shares and financing of Erste Group Bank AG, 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' 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 obliging the administrative bodies to exercise due care when setting the prices, there is no risk of any disproportionate disadvantage caused by dilution.

In the spirit of the draft resolution under item 9, the issue of Company shares to Erste Mitarbeiterbeteiligung Privatstiftung and the issue of shares to employees, managers and the Company's Management Board members pursuant to sec. 153 (5) Stock Corporation Act (AktG) are sufficient reason under the law for exclusion of the shareholders' subscription rights.

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

As previously specified, Erste Group Bank AG can benefit from offering own shares as consideration (currency for acquisition) in acquisitions and investments for an

exchange or also for a merger or spin-off. It may therefore be necessary for Erste Group Bank AG 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.

The acquisition of own shares for the purpose of offering free or concessionary shares to Erste Mitarbeiterbeteiligung Privatstiftung, to their beneficiaries, employees, managers and members of the management board of Erste Group Bank AG and affiliated undertakings or other companies within the meaning of sec. 4d (5) (1) Austrian Income Tax Act (EstG) 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.

Stock ownership through Erste Mitarbeiterbeteiligung Privatstiftung gives employees the option of benefiting even more from the positive performance of Erste Group on account of the bundling and joint administration; a positive effect can be expected for Erste Group due to the incentive created by virtue of Erste Mitarbeiterbeteiligung Privatstiftung.

It thus lies in the interest of Erste Group Bank AG to also acquire shares over the counter in the form of packages to the exclusion of the shareholders' prorated tender option. This applies particularly based on the assumption that (given the available time frame or in consideration of the market performance and share price movements of the trading volumes available in the stock exchange or the statutory volume restrictions for share buy-back programmes in the stock exchange) the required own shares cannot be purchased within the necessary time frame or at a reasonable price in the stock exchange by way of a public offering. Authorising the Management Board allows Erste Group Bank AG to acquire the volume of own shares required for corporate purposes flexibly and at the most favourable terms.

By acquiring shares over the counter and duly excluding the participation certificate holders' right to tender, Erste Group Bank AG can be spared any disadvantages arising from a general buy-back programme. In particular, negative price changes during the share buy-back programme and peak prices in the stock exchange

resulting from an increase in demand at the stock exchange on account of the share buy-backs by the Company can be avoided.

The buy-back results neither in the dilution of the shareholders' ownership percentage nor in an asset dilution if reasonable prices are paid for the buy-back of shares.

The balance established between the interests of Erste Group Bank AG 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 interests of Erste Group Bank AG and the shareholders.

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.

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

Vienna, April 2019

Management Board