

29th Annual General Meeting of Erste Group Bank AG on 18 May 2022

**Report of the Management Board
of Erste Group Bank AG
on Agenda Item 8**

Regarding agenda item 8: Authorization of the Management Board to issue convertible bonds with the exclusion of subscription rights

At the 29th Annual General Meeting of Erste Group Bank AG, the Management Board shall be authorized, with the approval of the Supervisory Board, to issue convertible bonds until 18 May 2027, which grant subscription or conversion rights for shares of the Company, in each case while maintaining or excluding the subscription rights of the shareholders. The terms of issue may, in addition to or instead of a subscription or conversion right, also establish a conversion obligation at the end of the term or at another time. Convertible bonds may be issued only to the extent that conversion or subscription rights are satisfied and, in the case of a conversion obligation stipulated in the terms and conditions of issue, the corresponding conversion obligations are fulfilled from conditional capital. The issue amount, the issue conditions and the exclusion of subscription rights shall be determined by the Management Board with the consent of the Supervisory Board.

The Management Board therefore submits the following report pursuant to § 174 (4) in connection with § 153 (4) of the Austrian Stock Corporation Act on the reasons for the exclusion of the subscription right:

The authorization of the Management Board to issue convertible bonds submitted to today's General Meeting for resolution replaces the existing authorization of section 8.3 of the Articles of Association.

Exclusion of shareholders' subscription rights in the event of the issue of convertible bonds

The authorization to issue convertible bonds, which shall be resolved, is for the issue of instruments with a conversion option into core capital. It shall be possible to exclude shareholders' subscription rights.

The Management Board must be able to issue instruments with the possibility of conversion into core capital quickly and in tranches of any size. The allocation to institutional investors must be possible promptly in order to place issues quickly and successfully. The subscription right would considerably restrict the necessary flexibility. It would lead to uncertainty regarding the amount of the possible issue of convertible bonds to third parties as long as not all shareholders have declared their intention to exercise their subscription rights.

Practice has shown that in the case of issues with the exclusion of subscription rights, better conditions can usually be achieved for the Company, since these enable the immediate placement, and price-effective risks from a change in the market situation during the offer phase, which could have a negative effect on the Company, are reduced or avoided as far as possible. In contrast to a rights issue, for which a subscription period of at least two weeks must be observed in accordance with the statutory provisions, the exclusion of subscription rights can, if the market situation is correctly assessed, generate comparatively more financial

resources for the Company with a lower number of shares to be issued - if the conversion right is exercised. For this reason, the exclusion of subscription rights has become common practice on the capital market when issuing convertible bonds. Without this possibility, the Company would have economic disadvantages when issuing convertible bonds compared to other market participants, which indirectly affect all shareholders.

The bondholders are granted the right to acquire shares in the Company in the future at a price already fixed at the time of issuance of the convertible bond or at a price formula fixed in advance ("conversion price"), which also gives the creditors - after conversion - access to the Company's equity and earning power. Convertible bonds are an adequate means for Erste Group to keep its cost of capital low because the interest rate on convertible bonds is usually lower than on ordinary bonds. This gives Erste Group flexible and quick access to attractive financing terms compared to (pure) debt instruments.

In accordance with the terms and conditions customary in the capital market for convertible bonds, the issue price of the conversion shares to be issued is set above the prevailing share price at the time of issue of the convertible bonds ("conversion premium"), so that Erste Group can achieve a higher issue price compared to an immediate capital increase, thereby injecting additional capital into Erste Group.

Issue amount and conversion rate

The issue price upon exercise of the conversion or subscription rights shall be determined in accordance with international capital market practices on the basis of the stock exchange price of the shares of the Company at the time of allotment of the bonds, plus a premium, which corresponds to the Company's estimate of the further price development in connection with the premiums achieved in comparable capital market transactions on the relevant market.

Since the share price at the time of the issue is an important factor influencing the terms and conditions of the convertible bond, it is in the interest of the Company to be able to estimate as accurately as possible the reference price of the Company's share at the time of the allotment, which is decisive for the terms and conditions.

Both the share price performance and the market assessment within a two-week subscription period (as would be the case if subscription rights were not excluded) may be subject to considerable fluctuations or changes. During this period, the Company is exposed to market risk. In the case of an issue with the exclusion of subscription rights, on the other hand, the Company can choose an allotment time, which it considers favourable and can carry out the issue quickly and flexibly.

In this way, the Company will be in a position to flexibly set attractive issue conditions within the authorization period at a time that is optimal from its point of view and thus optimize its

conversion conditions in the interest of all shareholders. At the same time, the expected development of the share price can be taken into account and the usual conditions and practices of the international financial markets at the time of issue can be addressed.

Restriction of the exclusion of subscription rights

The proportionate amount of the share capital attributable to new shares (i) for which the subscription right is excluded in the case of a cash capital increase from authorized capital pursuant to section 5.1.2 of the Articles of Association, (ii) which serve to fulfil subscription rights, conversion rights and conversion obligations arising from convertible bonds issued with the exclusion of subscription rights from 18 May 2022 onwards pursuant to section 8.3 of the Articles of Association, and (iii) which are issued from conditional capital pursuant to section 6.3 of the Articles of Association to satisfy stock options of employees, senior employees and members of the Management Board of the Company or a group company, must not exceed 10% of the share capital in total.

Summary weighing of interests

The full or partial exclusion of subscription rights is objectively justified by the objectives pursued, namely the optimization of the capital structure, the reduction of financing costs, the optimization of the conversion price, all of which are in the interest of the shareholders.

The exclusion of subscription rights is appropriate and necessary because the expected injection of debt capital through the target group-specific orientation of the convertible bonds replaces more cost-intensive capital measures, offers favourable financing conditions and ensures flexible long-term business planning and realisation of the planned corporate goals for the benefit of the Company and all shareholders. Without the exclusion of the subscription right, it is not possible for the Company to react comparatively quickly and flexibly to favourable market conditions. The exclusion of subscription rights also gives the Company the opportunity to raise capital without the time-consuming and costly preparation of a prospectus.

In summary, the Management Board of Erste Group comes to the conclusion that the exclusion of subscription rights within the described limits is necessary, suitable, appropriate and objectively justified and required in the overriding interest of the Company, but also in the interest of the shareholders.

Vienna, April 2022

The Management Board