

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 9**

Regarding agenda item 9: Authorization of the Management Board to increase the share capital of the Company under exclusion of subscription rights

At the Annual General Meeting of Erste Group Bank AG on 18 May 2022, the authorization of the Management Board granted by the Annual General Meeting on 24 May 2018 to increase the share capital and issue new shares shall be revoked and the Management Board shall be granted a new authorization pursuant to section 169 of the Austrian Stock Corporation Act (AktG) to increase the share capital of the Company, with the consent of the Supervisory Board, by up to EUR 343,600,000 until 18 May 2027 by issuing up to 171,800,000 no-par value bearer shares with voting rights against contributions in cash and/or in kind, whereby the issue price and the terms of issue shall be determined by the Management Board with the consent of the Supervisory Board. The Management Board shall also be authorized, with the consent of the Supervisory Board, to exclude the shareholders' subscription rights in whole or in part (exclusion of subscription rights),

- a. if the capital increase is in return for contributions in kind or
- b. if the capital increase is in return for cash and

the pro rata amount of the share capital attributable to the shares issued under exclusion of subscription rights in both cases a and b does not exceed a total of EUR 85,960,000.

These measures can also be combined.

The proportionate amount of the share capital attributable to new shares (i) for which the subscription right is excluded on the basis of paragraphs a and b, (ii) which serve to fulfil subscription rights, conversion rights and conversion obligations from convertible bonds issued under 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 share 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.

To the extent that the authorized capital provided for in paragraph b is used for the issue of shares to employees, senior employees and members of the Management Board of the Company or a group company, the sum of the proportionate amounts of the share capital attributable thereto and that of shares issued from conditional capital for the purpose of satisfying share options of employees, senior employees and members of the Management Board of the Company or a group company shall not exceed 5% of the share capital.

The Management Board therefore submits the following report pursuant to § 153 para 4 AktG on the reasons for the exclusion of the subscription right:

The authorized capital to be resolved at today's Annual General Meeting replaces the existing authorized capital pursuant to section 5. of the Articles of Association.

ad a. Exclusion of subscription rights when issuing shares against contributions in kind of up to 10% new shares

The penetration of the Central European market plays an important role in Erste Group's strategy. One of the options available to the Managing Board is to acquire existing companies, businesses, parts of businesses or shares in companies for the purpose of market entry or to consolidate an existing market position. The acquisition of existing companies is advantageous because it enables a rapid market entry, an existing customer base can be built upon and employees familiar with the local market can be taken over.

When acquiring companies, businesses, parts of businesses and shares in companies, it may be advantageous to use treasury shares as consideration, for example to pay off shareholders of target companies or if the seller prefers to receive Erste Group shares instead of cash. Furthermore, by granting own shares, a more favourable purchase price may be obtained than in the case of cash payment.

If no or not sufficient treasury shares are available or if the existing treasury shares serve other purposes, the Management Board of Erste Group shall have the option to create new shares by way of a capital increase, which may be used as consideration for the contribution of assets in kind.

Especially a capital increase against contribution in kind requires the exclusion of shareholders' subscription rights, as the assets to be contributed are usually unique in their composition and cannot be contributed equally by all shareholders, such as shares in a company that is strategically important for Erste Group.

In view of the liquid market for Erste Group shares and the limitation of the exclusion of subscription rights to a maximum of 10% of the share capital in the case of contributions in kind, the dilution of shareholders with regard to their participation in the enterprise value and their voting rights is also kept within reasonable limits.

ad b. Exclusion of subscription rights in case of cash capital issue of up to 10% new shares

In order to be able to meet the increasingly stringent regulatory requirements at any time, it is in Erste Group's interest to ensure that financial resources in the form of new share capital can be made available to the Company quickly, if necessary. Share capital as "hard own funds" is of particular importance compared to other categories of own funds under banking law, because other categories of own funds are either not recognized at all or only to a limited extent for numerous regulatory requirements. The proposed authorization to issue shares of

up to 10% of the share capital under exclusion of subscription rights will give the Management Board the opportunity to react quickly and cost-efficiently to developments in the capital market and to optimize the conditions of a capital increase in the interest of all shareholders.

In particular, the exclusion of the subscription right enables Erste Group to offer the new shares by way of an *accelerated bookbuilding process*. With the accelerated bookbuilding process, the market's price expectations can be assessed more accurately and quickly during a short offer period than in the context of a rights issue, which requires a subscription period of at least two weeks. This makes it possible to reduce the placement risk associated with the capital increase.

Furthermore, in the case of a rights issue, Erste Group has the option of approaching one or a number of selected institutional investors in advance, who undertake to subscribe to a minimum number of shares. By committing to a fixed allotment, a higher issue price can usually be achieved and also a positive signalling effect for any subsequent rights issue.

Finally, a share issue under subscription rights requires the preparation and approval of a prospectus with corresponding documentation and involvement of the authorities under the Capital Markets Act. Issuing new shares in the context of a prospectus issue necessarily results in a longer lead time and higher issue costs. On the other hand, capital increases aimed exclusively at qualified investors are exempt from the prospectus requirement if structured appropriately. By excluding subscription rights, Erste Group is able to structure the transaction and offer the new shares to a limited group of selected strategic and institutional financial investors in a quick and flexible manner without having to prepare a prospectus.

In view of the liquid market for Erste Group shares and the limitation of the exclusion of subscription rights to a maximum of 10% of the share capital in the case of cash contributions, the dilution of shareholders with regard to their participation in the enterprise value and their voting rights is also kept within reasonable limits. Shareholders interested in maintaining their shareholding quota can purchase the corresponding number of Erste Group shares on the stock exchange at any time.

In summary, the exclusion of subscription rights enables Erste Group to cover any financing needs of the Company quickly and efficiently through the injection of additional equity of the highest quality, whereby the exclusion of subscription rights in capital increases is limited to 10% of the share capital. This is not only in the interest of the Company, but also in the interest of all shareholders.

Upper limit of 10% for the exclusion of subscription rights

In order to limit the exclusion of subscription rights in the case of capital increases from authorized capital against cash or contributions in kind, an upper limit of 10% of the share capital is proposed. This corresponds to international recommendations.

Erste Group includes in the calculation and application of the limit also those shares that are issued to grant conversion or subscription rights or to fulfil conversion obligations to creditors of convertible bonds issued with the exclusion of subscription rights from 18 May 2022 onwards based on the authorization in section 8.3 of the Articles of Association, as well as those shares that are issued from conditional capital pursuant to section 6.3 of the Articles of Association to satisfy stock options held by employees, senior employees and members of the Management Board of the Company or a group company. As a result, the exclusion of subscription rights for these three categories is limited to a total share volume of 10% of the share capital. The possible dilution of shareholders with regard to their participation in the value of the Company and their voting rights is consequently limited and can be offset at any time by additional purchases on the stock exchange.

Issue of shares to employees, senior employees and members of the Management Board

Shares from authorized capital shall also be able to be used for issuance to employees, senior employees and members of the Management Board of the Company or a group company. Likewise, shares from authorized capital can be transferred to natural persons or legal entities holding such shares (in trust) for the benefit or in the interest of employees and executives, such as an employee foundation. In this way, Erste Group intends to increase the focus of participating individuals on the long-term value of the Company, to increase the identification of employees with Erste Group and to retain key employees at Erste Group. Additional reward incentives are to be created for top performers of Erste Group. The share participation scheme enables employees to benefit from the positive development of Erste Group also as shareholders and thus represents a performance incentive beyond existing performance-related variable salary components, which is expected to have a positive effect for Erste Group.

The preferential issue of shares to employees, senior employees and members of the Management Board of the Company or a group company constitutes a sufficient reason for the exclusion of subscription rights pursuant to § 153 para 5 AktG.

In order to comply with international voting recommendations, an upper limit of 5% of the share capital shall be set for employee shares.

Summary weighing of interests

The full or partial exclusion of subscription rights in the case of capital increases of up to 10% of the share capital is objectively justified by the goals pursued. The exclusion of subscription rights is appropriate and necessary because without the exclusion of subscription rights it would not be possible for the Company to quickly and flexibly fulfil regulatory requirements or to react to favourable market conditions. The exclusion of subscription rights gives the Company the opportunity to carry out a capital increase without the time-consuming and cost-intensive preparation of an offering prospectus.

Furthermore, the exclusion of subscription rights is justified according to the Stock Corporation Act if shares are issued to employees, senior employees and members of the Management Board of the Company or a group company.

The exclusion of subscription rights is also objectively justified in the case of an issue of shares in return for contributions in kind, if the authorized capital is used for the acquisition of companies or shares in companies as consideration for a contribution in kind, which by its nature cannot be raised in the same way by other shareholders.

The exclusion of subscription rights is proportionate from the Management Board's point of view, as it is limited to no more than 10% of the share capital in the case of a capital increase, whereby the issue of convertible bonds with exclusion of subscription rights and the issue of employee shares from conditional capital are to be included in the calculation of the 10% limit. The dilution of shareholders in terms of their participation in the value of the Company and their voting rights is accordingly limited. In view of the liquid market for Erste Group shares, shareholders interested in maintaining their shareholding quota can acquire the corresponding number of Erste Group shares via the stock exchange at any time.

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.

The exclusion of the subscription right as well as the determination of all conditions of the capital increase may only take place with the consent of the Supervisory Board.

Vienna, May 2022

The Management Board