

## Report of the Management Board of Erste Group Bank

concerning agenda item 10 of the 30th Annual General Meeting held on 12 May 2023

### Report of the Management Board on the exclusion of the shareholders' pro rata tender rights in the case of acquisition of own shares and on the exclusion of the shareholders' subscription rights in the case of sale of own shares

#### 1 Authorizations

For the 30th Annual General Meeting of Erste Group Bank AG the following resolutions in connection with item 10 of the agenda were proposed:

#### **RESOLUTION 1**

*Pursuant to § 65 (1) (8) and (1a) and (1b) Stock Corporation Act (AktG), the Management Board is authorized for a period of 30 months from the date of the resolution, i.e. until 12 November 2025, with the consent of the Supervisory Board and without any further resolution of the General Meeting, to acquire own shares of the Company in the amount of up to 10% of the share capital at a lowest consideration of EUR 2 (two euros) per share and a highest consideration not exceeding 50% above the average Vienna Stock Exchange price, weighted according to trading volumes, of the last 20 trading days prior to the respective acquisition of the shares; in the case of a public offer, the cut-off date for the end of the calculation period shall be the day on which the intention to make a public offer is announced (sec 5 (2) and (3) Austrian Takeover Act [ÜbG]). The proportion of own shares to be acquired by the Company and the own shares already acquired and still held by the Company may not exceed a total of 10% of the share capital.*

*The Management Board is authorized to determine the other purchase conditions. Trading in own shares is excluded as a purpose of the acquisition.*

*The acquisition may, at the discretion of the Management Board and with the consent of the Supervisory Board, be effected on the stock exchange or by means of a public offer or in any other legally permissible and expedient manner, in particular also off the stock exchange and/or from individual shareholders and excluding the pro rata tender right (reverse subscription right). The authorization may be exercised in whole or in part or in several partial amounts and in pursuit of one or more purposes by the Company, its affiliated companies (sec 189a (8) Commercial Code [UGB]) or for their account by third parties.*

*In addition, the Management Board shall be authorized, with the consent of the Supervisory Board, to reduce the share capital of the Company pursuant to sec 65 (1) (8) last sentence in conjunction with sec 192 Stock Corporation Act (AktG) by cancelling own shares without any further resolution of the General Meeting, whereby the Supervisory Board shall be authorized to resolve on amendments to the Articles of Association resulting from the cancellation of shares.*

*The authorization to acquire and cancel own shares resolved by the 28th Annual General Meeting on 19 May 2021 under agenda item 11 is revoked.*

## **RESOLUTION 2**

*Pursuant to § 65 (1b) Stock Corporation Act (AktG), the Management Board, with the consent of the Supervisory Board, is authorized for a period of five years from the date of the resolution, i.e. until 12 May 2028, to sell or dispose of own shares of the Company also in a way other than via the stock exchange or by means of a public offer for any legally permissible purpose, to determine the terms and conditions of the sale and to decide on the exclusion of the shareholders' subscription rights. These authorizations include the sale of own shares in particular for the following purposes:*

- I. in order to be able to sell the shares for a consideration other than cash, provided that this serves the purpose of acquiring (also indirectly) companies, businesses, parts of businesses, shares in one or more companies domestically or abroad;*
- II. to transfer shares free of charge or at a reduced price to employees, executives and members of the Management Board of the Company or of an affiliated company (sec 189a (8) Commercial Code [UGB]) or of any other company within the meaning of sec 4d (5) (1) Austrian Income Tax Act (EStG), as well as to Erste Mitarbeiterbeteiligung Privatstiftung and its beneficiaries; and*
- III. to resell own shares with partial or full exclusion of the subscription rights in any manner permitted by law, including over-the-counter.*

*The authorizations in this resolution may be exercised once or several times, in whole or in part, individually or jointly.*

*The authorization to sell own shares resolved by the 28th Annual General Meeting on 19 May 2021 under agenda item 11 is revoked.*

*Reference is made to the report of the Management Board made available on the Company's website at [www.erstegroup.com/generalmeeting](http://www.erstegroup.com/generalmeeting).*

In order to prepare the adoption of the resolutions, the Management Board submits a written report to the Annual General Meeting pursuant to § 65 (1b) in conjunction with § 153 (4) Stock Corporation Act (AktG) stating the reasons for the authorization to exclude the shareholders' subscription rights.

## **2 Exclusion of the shareholders' subscription right in the course of a sale or use of own shares**

### **2.1 Interest of the Company**

The exclusion of the shareholders' subscription right in case the Company sells or uses own shares is particularly in the interest of the Company for the following reasons:

#### **2.1.1 Acquisition purposes**

In the case of an acquisition of companies, parts of companies, equity participations, business operations or parts of business operations as well as an acquisition of assets it may be advantageous to the Company to offer its own shares as a consideration in return, for instance, to compensate shareholders of target companies. Furthermore, it may be necessary for the Company on account of strategic or corporate-organizational reasons to include the seller as shareholder. By use of own shares the liquidity requirements of Erste Group for investments or acquisitions can be reduced and its completion can be accelerated as existing shares are used and no new shares have to be created. In contrast to the use of newly created shares (e.g. from authorized capital) the dilution effect can be avoided when using own shares.

### **2.1.2 Transfer to the Erste Mitarbeiterbeteiligung Privatstiftung and to employees, senior executives and members of the Management Board**

The exclusion of the shareholders' subscription rights is necessary in order to be able to (i) transfer own shares to Erste Mitarbeiterbeteiligung Privatstiftung within the applicability of article 4d Austrian Income Tax Act (EStG) or to (ii) transfer own shares directly to employees, senior executives and members of the Management Board of the Company and its affiliates.

Transferring own shares for such purposes strengthens Erste Group's attractiveness as an employer and the commitment and motivation of its employees. Erste Group is particularly concerned about promoting the financial health and entrepreneurial mindset of its employees. This can be achieved through employee share ownership programs (granting own shares to employees, senior executives and members of the Management Board with a binding retention period). This enables employees of Erste Group to participate directly in the success of their own company by benefiting from dividends and the positive share price performance of their Erste Group shares. Through financial participation, Erste Group, as a responsible employer, supports its employees to build up assets over the long term and to make additional provisions for future challenges (e.g. as pension plans or against inflation). Another positive effect can be seen in the employees' loyalty to Erste Group as an appreciative employer. In addition, it should be noted that, pursuant to sec 65 (1b) Stock Corporation Act (AktG), the issuance of own shares under item (ii) above does not require a resolution by the Annual General Meeting.

2022, Erste Group successfully implemented its first group-wide employee share ownership program. The granting of own shares to eligible employees, senior executives and members of the Management Board was made by the respective employer company. The voting rights for all shares from this employee share ownership program are managed by Erste Mitarbeiterbeteiligung Privatstiftung in accordance with the terms and conditions of this program.

Erste Mitarbeiterbeteiligung Privatstiftung is a private foundation established under Austrian law which, pursuant to section 4d (1) Austrian Income Tax Act (EStG), (i) grants shares to its beneficiaries free of charge or at a reduced price, (ii) holds and administers shares of the beneficiaries in fiduciary custody, (iii) exercises the voting rights transferred by the beneficiaries on a uniform basis, (iv) may acquire and temporary hold shares over a period of several years up to a share of 10% of the voting rights in Erste Group Bank AG for the purpose of transferring them to the beneficiaries free of charge or at a reduced price, whereby such transfer must take place according to a plan.

With the remuneration policy from 2021, a remuneration model in line with the international standard was established for the Management Board, which, among other things, provides for a long-term, variable share-based remuneration component (LTI), taking further account of investor feedback.

Further details can also be found in the remuneration report, which is annually published on Erste Group's website.

### **2.1.3 Transfer for any lawful means, including off-market transactions**

Besides from the means specified in 2.2.1 and 2.2.2, there may be also other lawful means to transfer own shares that can justify an exclusion of the shareholders' subscription rights depending on the circumstances. The Management Board shall be authorized, with the consent of the Supervisory Board, to exercise any lawful means to exclude the subscription rights of the shareholders' for the benefit of the Company. This allows the Management Board the quick, flexible off-market sale of blocks of own shares at a reasonable price. Thereby, Erste Group Bank AG is able to take advantage of market opportunities quickly and flexibly and to cover the necessary capital and special financing requirements at favourable financing conditions. This allows Erste Group Bank AG to avoid potential disadvantages, such as negative share price changes due to selling pressure on the stock market and during a de-investment program (sale).

## **2.2 Suitable, required and proportionate**

The authorization of the Management Board to sell own shares in a way other than over the stock exchange or through a public offer with the exclusion of the shareholders' pro rata subscription rights, is suitable and required in the interest of the Company to ensure the best possible realization of the own shares and to achieve optimized financing conditions or to raise the necessary funds within a narrow time frame.

To the extent of usual trading volumes the shareholders are free to purchase shares over the stock exchange. Consequently, when the Company sells or uses own shares with exclusion of the shareholders' subscription rights, the shareholders have the opportunity to avoid a dilution of their shareholding quota by way of share purchase over the stock exchange.

When selling or using listed own shares there is usually no dilution risk for shareholders which is comparable to capital increases provided that the sale price of own shares is adequate. The shareholding quota of a shareholder may change in the case of sale of own shares, but the sale will only restore the ratio of participation existing prior to the Company's acquisition of own shares, which has changed temporarily for the benefit of the shareholders due to the limitations on the rights arising from own shares for the Company.

The use of own shares as consideration for an acquisition typically requires the exclusion of the shareholders' purchase rights.

In the case of a transfer of own shares to employees, senior executives and members of the Management Board of the Company or of an affiliate (sec 189a (8) Commercial Code [UGB]) or of any other company within the meaning of sec 4d (5) (1) Austrian Income Tax Act (EStG) and in the case of a transfer of own shares to Erste Mitarbeiterbeteiligung Privatstiftung, this already constitutes sufficient grounds for the exclusion of the subscription right pursuant to sec 153 (5) Stock Corporation Act (AktG). The exclusion is objectively justified because employee share ownership or option programs are in the overriding interest of the Company. In this context, the exclusion of shareholders' subscription rights is objectively justified, required and proportionate.

Financing transactions using own shares, may only be executed with certain market participants, for appropriate and practical reasons, in particular to react in a quick and flexible way to the market situation. Therefore, the exclusion of the shareholders' subscription rights is necessary to execute these transactions.

In any case the exclusion of the shareholders' subscription rights is suitable, required and proportionate, if a block of shares cannot be sold over the stock exchange within the required time frame or for adequate prices due to the usual trading volumes on the stock exchange.

Even if disadvantages occur for existing shareholders by the exclusion of the subscription rights, such disadvantages will remain within tight limits due to the statutory threshold of 10% of the share capital for own shares held by the Company.

Considering the Company's interests in the use and sale of own shares and/or financing of the Company and the interests of the existing shareholders to preserve their proportional investment the authorization to sell own shares with the exclusion of the shareholders' subscription right is proportionate.

The sale or use of own shares with the exclusion of the shareholder's subscription rights and the specification of the conditions for the sale or use may only be exercised with the consent of Supervisory Board.

### **2.3 Sales price**

If own shares are used as consideration for acquisitions (acquisition currency), the selling price for own shares must be adequate always considering the value of the asset to be acquired.

In the case of a sale or use of own shares under exclusion of the shareholders' subscription rights, the sales prices shall be determined depending on market conditions with regard to (average) share

prices and the price level of the shares. In most cases, with such pricing based on market standard calculation and pricing methods generally no disadvantage occurs to the shareholders, in any case, however, no disproportionate disadvantage occurs as a result of a pro-rata dilution.

The primary transfer of own shares to employees, senior executives and members of the Management Board of the Company or of an affiliate (sec 189a (8) Commercial Code [UGB]) or of another company within the meaning of sec 4d (5) (1) Austrian Income Tax Act (EStG) as well as the transfer to Erste Mitarbeiterbeteiligung Privatstiftung may also be made free of charge or at a discount (i.e. below the intrinsic value).

### **3 Exclusion of the shareholders' pro rata tender rights in case of an acquisition of own shares**

#### **3.1 Interest of the Company**

The exclusion of the shareholders' pro rata tender rights (reverse subscription right) when the Company acquires own shares is particularly in the interest of the Company, if the Company intends to use its own shares for the purposes described above under point 2.1 or if the Company acquires its own shares for "investment purposes", for the "management" of the capital structure, particularly with regard to the relationship between equity and debt or, in the case of a buyback, in order to cancel its own shares.

The purchase of blocks of own shares from one or more shareholders with the exclusion of the other shareholders' pro rata tender rights is in the interest of the Company if, for example due to the available time frame, the consideration of general and special market developments and share price performance, the trading volume on an exchange or the statutory volume restrictions for stock buy-back programs over an exchange, it can be assumed that the required own shares cannot be purchased by the Company within the available period of time or cannot be purchased at reasonable prices over an exchange or through a public offer.

The purchase of blocks of own shares from one or more shareholders with the exclusion of the other shareholders' pro rata tender rights is also in the interest of the Company if, as a result, the shareholder structure of the Company can be stabilized, in particular with regard to strategic investors.

In the case of sale of companies, parts of companies, equity participations, business operations or parts of business operations it may be advantageous to the Company to accept own shares in part or in full as the consideration in return. Thus, it will be possible to combine a de-investment (sale) of assets of the Company with the buyback of own shares or blocks of own shares. The possibility of

being able to accept own shares as acquisition currency gives the Company an advantage in the course of sale transactions.

By purchasing blocks of shares, which require a corresponding exclusion of the shareholders' pro rata tender rights, potential disadvantages to the Company in the course of a share buyback program or a public offering can be avoided. This applies specifically to share price changes during the term of the buyback program with negative impacts on the success or the costs of the capital measure (particularly in volatile markets), hedging of a certain investment volume for the buyback program as well as the avoidance of peak share prices because of increased demand driven by the share buybacks by the Company.

### **3.2 Suitable, required and proportionate**

The authorization of the Management Board for the buyback of own shares under the exclusion of the shareholders' pro rata tender rights (reverse subscription right) are suitable and required and in the interest of the Company for the procurement of own shares, particularly for the above described purposes.

As the purchase price is determined depending on market conditions in most cases no disadvantage of shareholders will arise out of the exclusion of the shareholders' possibility to tender and in the (fewer) remaining cases no disproportionate disadvantage will occur as the shareholders are free to sell their shares over the stock exchange within the limits of usual trading volumes.

Considering the described interest of the Company for the buyback of own shares on the one hand and the interest of the shareholders of the Company to sell shares to the Company via the stock exchange in the course of a share buyback program or to tender the shares in other ways to the Company on the other hand, the authorization to repurchase own shares with exclusion of the shareholders' pro rata tender rights is proportionate and based on the reasons described above is required and suitable in order to achieve the objectives in the interest of the Company and the shareholders.

The repurchases of own shares under exclusion of the shareholders' pro rata tender rights and the determination of the terms for the repurchase requires the consent of the Supervisory Board of the Company.

**The proportion of the share capital represented by the own shares acquired (based on the agenda items 9 and 10) together with the own shares already acquired and still held by the Company may not exceed 10% of the share capital.**