REPORT OF THE MANAGEMENT BOARD
OF
Erste Group Bank AG

Graben 21, A-1010 Vienna
FN 33209m

The Management Board of Erste Group Bank AG hereby presents the following report in accordance with sec 171 (1) of the Austrian Stock Corporation Act (hereinafter referred to as "AktG") in conjunction with sec 153 (4) AktG:

1. Utilisation of Authorised Capital

1.1. Existence of authorised capital

Subject to the Supervisory Board’s approval, the General Meeting of Erste Group Bank AG (Company Register number: FN 33209m) (hereinafter referred to as "**Erste Group**") held on 12 May 2010 authorised the Management Board, pursuant to sec. 169 AktG, to raise the Company’s share capital by up to EUR 200,000,000 (200 million) through the issue of up to 100,000,000 (100 million) new shares by 12 May 2015 – if required, in several instalments –while maintaining the same shareholding ratio of the new shares to the old shares in the following manner:

a) by issuing shares for cash contributions without exclusion of the shareholders’ pre-emptive subscription rights; notwithstanding the foregoing, the shareholders’ pre-emptive subscription rights shall be excluded if the capital increase is used to issue shares to the employees, managers or Management Board members of the Company or of an affiliated undertaking;

b) by issuing shares for non-cash contributions under **exclusion of the shareholders' pre-emptive subscription rights**;

the type of shares, the issuing price, the terms of issue and, where applicable, exclusion of the pre-emptive subscription rights shall be determined by the Management Board subject to the Supervisory Board’s approval.

On the occasion of the General Meeting of 12 May 2010, the Management Board gave a report in accordance with sec 153 (4) AktG, in which it pointed out that pre-emptive subscription rights need to be excluded when issuing shares in exchange for non-cash contributions. In this regard, please refer to the contents of this report.
The above-mentioned authorisation was incorporated into Article 5.1 of Erste

Group's Articles of Association. The requisite amendment to the Articles of Association was recorded in the Company Register on 26 June 2010.

1.2. Background to the envisaged transaction

a) On 21 December 2005, Erste Group signed a share purchase agreement for the **acquisition of 61.8825%** of the shares of Banca Comerciala Romana S.A., with its registered office in Bucharest and business address at Regina Elisabeta Blvd. 5, District 3 (hereinafter referred to as "**BCR**").

b) An additional 7.6349% of the BCR shares has since been acquired from minority BCR shareholders, so that Erste Group currently holds a BCR share of about 69.5174%.

c) In total, another 30.0060% (3,257,561,011 shares) in BCR is held by Rumanian financial investment companies ("Societati de investitii financiare", hereinafter referred to as "**SIFs**" for short).

1.3. Envisaged transaction

a) Erste Group is now planning to acquire the shareholdings of the SIFs in the BCR. The SIFs have received relevant offers from Erste Group to transfer their BCR shares.

b) By virtue of a capital increase out of the authorised capital, the SIFs are to receive Erste Group shares for up to **2,575,523,440 BCR shares** at an exchange ratio of 1:127.9583. The remaining BCR shares held by the SIFs are to be purchased in cash by Erste Group.

c) The BCR shares held by the SIFs are not to be contributed by way of a single contribution but **in several instalments** as specified below:

   (i) **Instalment 1**: Before the end of 2011, a total of up to 1,477,814,672 BCR shares held by the SIFs are to be contributed (by reason of restrictions in the Articles of Association that do not allow the SIFs to contribute all their shares at once) (hereinafter referred to as the "**2011 Instalment**").

(ii) **Instalment 2**: This instalment is to be implemented in the first six months of 2012 on the basis of put options granted to the SIFs by Erste Group. In further stages, the SIFs will be able to contribute any remaining BCR shares they hold that have not yet been contributed or sold (i.e. 2,575,523,440 shares less the shares contributed to Erste Bank in 2011) (hereinafter referred to as the "**2012 Instalment**").

(iii) It will also be possible for some SIFs in the 2011 Instalment and 2012 Instalment not to contribute all their BCR shares on the same transaction date but rather to stagger their contributions.

(iv) The maximum number of BCR shares contributable in the 2011 and 2012 Instalments is 2,575,523,440 shares.

d) Upon completion of the transaction, Erste Group's equity interest in BCR will increase from **93.24%** (including the BCR shares purchased for cash (see subparagraph (b) above) to about **99.52%**.

1.4. Resolution on the Utilisation of the Authorised Capital

To carry out the above-described transaction and in accordance with the authorisation to raise the Company's share capital as described in subsection 1.1 above, the Management Board adopted the following **framework resolution** on 18 October 2011 (the "**Framework Resolution**"):

a) The subscribed capital of Erste Group shall be increased from the current EUR 756,932,768[1] by a nominal amount of up to EUR 40,255,656 to EUR 797,188,424.

b) The capital increase shall be achieved by issuing up to 20,127,828 no-par voting bearer shares, each of which shall represent a €2.00 share in the share capital. The final scope of the capital increase and any more detailed terms and conditions of the share issue will be determined by special resolution of the Management Board at the end of the two-week

[1] Note that these figures – which depart from the current status in the Company Register – already take into account the capital increase out of contingent capital that was published on 14 June 2011 in "Amtsblatt der Wiener Zeitung" but not yet recorded in the Company Register. In this conditional capital increase, 289,663 share certificates evidencing share capital of a nominal amount of €579,326 were issued to Erste Group employees as part of the 2011 Employee Stock Option Plan (ESOP).

period from the publication date of the present report until the adoption of the resolution by the Supervisory Board required by sec 171 (1) in conjunction with sec 153 (4) AktG.

c) The capital increase shall be made **against non-cash contributions**, i.e. by contribution of up to a total of 2,575,523,440 BCR shares held by the SIFs; the contribution shall take place in several instalments, divided into the 2011 Instalment and the 2012 Instalment (see above).

d) The new shares shall carry the same profit-sharing rights as the shares existing as of the dates of issue (i.e. 1 January 2011 for the shares issued in 2011 or 1 January 2012 for the shares issued in 2012).

e) The **issuing price** of the Erste Group shares to be issued shall be determined as follows:

   (i) **2011 Instalment**: EUR 20.79 (twenty euros and seventy-nine cents) per share. This issuing price amounts to the average of the unweighted closing share prices of Erste Group shares on the Vienna Stock Exchange in the month of September 2011 (the month preceding the signing of the transaction documents).

   (ii) **2012 Instalment**: average of the unweighted closing share prices of Erste Group shares on the Vienna Stock Exchange over the last month, the last three, or the last six months preceding 31 March 2012; the final determination of the period used as the basis of calculation will be made by the Management Board after consulting with the Supervisory Board and obtaining its approval. Once this issuing price has been determined, a corresponding supplementary report will be published in "Amtsblatt zur Wiener Zeitung".

f) The non-cash contribution consists of up to **2,575,523,440 BCR** shares that can be contributed by the SIFs. The following SIFs are eligible for subscription of the new shares:

   (i) Societatea de Investitii Financiare Banat-Crişana S.A. with its registered office in Arad and its business address at Calea Victoriei 35A. Arad, company register no. J2/1898/1992, identification code 2761040, against a contribution of up to

(ii) Societatea de Investitii Financiare Transilvania S.A with its registered office in Brasov and its business address at Nicolae Iorga Straße 2, Brasov, company register no. J8/3306/1992, identification code 3047687, against a contribution of up to 515,104,688 BCR shares;

(iii) Societatea de Investitii Financiare Muntenia S.A. with its registered office in Bukarest and its business address at Splaiul Unirii16, District 4, Bukarest, company register no. J40/27499/1992, identification code 3168735, against a contribution of up to 515,104,688 BCR shares;

(iv) Societatea de Investitii Financiare Oltenia S.A. with its registered office in Craiova and its business address at Tufanele Straße 1, Craiova, company register no. J16/1210/1993, identification code 4175676 against a contribution of up to 515,104,688 BCR shares;

(v) Societatea de Investitii Financiare Moldova S.A. with its registered office in Bacau and its business address at Pictor Amann Straße 94C, company register no. J04/2400/92, identification code 2816642-R against a contribution of up to 515,104,688 BCR shares.

g) The **exchange ratio** has been set as follows: 127.9583 BCR shares will trade for 1 Erste Group share, rounded off to the nearest whole share.

h) All costs of the capital increase shall be borne by Erste Group.

1.5. Envisaged transaction meets the objectives of the authorisation

Using the authorised capital **under exclusion of the pre-emptive subscription rights** of the shareholders in order to carry out the above-described transaction is in compliance with the requirements set forth by the resolution of authorisation (for further details, see the section justifying the exclusion of pre-emptive subscription rights).

2. Report on the Exchange Ratio and Issuing Amount

2.1. Exchange ratio

For the contribution of BCR shares and the issuing of Erste Group shares, the exchange ratio has been set at 127.9583 BCR shares for one Erste Group share. The number of shares shall be rounded off to the nearest whole share.

Based on the monthly average price of the Erste Group shares (unweighted closing price) in the month of September 2011 of EUR 20.79 (twenty euros and seventy-nine cents) per share, which has been set as the issuing price, BCR is valued at a price/book value ratio of 1.0. This lies within the range of market valuations of Romanian and other banks in Central and Eastern Europe.

On the basis of this exchange ratio, the total value of the non-cash contributions amounts to at least the issuing price of the new shares defined above (sec. 151 (3) AktG). Moreover, the Management Board has had the appropriateness of the exchange ratio confirmed by a **fairness opinion**.

2.2. Issuing price

The issuing price for the shares issued in the 2011 Instalment has been set at €20.79 (twenty euros and seventy-nine cents) per share. The Management Board has deemed that the issuing price is fair and meets the legal requirements.

The issuing price corresponds to the value of the Erste Group shares to be issued in proportion to the prorated value attributable to the BCR shares to be contributed, determined according to the generally recognised business administration methods. The valuation takes into account future developments and benefits from the resulting synergies.

After the capital increase, shareholders in Erste Group will therefore still hold at least the same value as before non-cash contribution, since they will indirectly hold a higher share in BCR following the transaction.

For the 2012 Instalment, the right to set the issuing price has been reserved (see above). Once this issuing price has been determined, a corresponding supplementary report will be published in "Amtsblatt zur Wiener Zeitung".

3. Exclusion of Pre-emptive Subscription Rights

3.1. Introduction

As previously explained in the Management Board's report given on the occasion of the General Meeting on 12 May 2010, new shares can be issued out of the authorised capital under exclusion of the pre-emptive subscription rights if the shares are transferred in exchange for the acquisition of businesses, business divisions or participatory interests in companies. Generally, the acquisition of businesses by contributing shares in an enterprise in exchange for non-cash contributions while excluding the pre-emptive subscription rights of the other shareholders in the company is recognised as a **material justification** for the exclusion of pre-emptive subscription rights (sec 153 (4) AktG). On the occasion of the General Meeting on 12 May 2010, the Management Board had already given a report in accordance with sec 153 (4) AktG, in which it had pointed out that it is necessary to exclude pre-emptive subscription rights when issuing shares in exchange for non-cash contributions.

To ensure maximum transparency, the following section explains why the exclusion of pre-emptive subscription rights is a measure to be taken in the Company's best interests that is both necessary and reasonable.

3.2. Company's best interests

In any case, the envisaged transaction is **in the best interests of the Company**. The equity interest in BCR is one of the **most important equity interests** for Erste Group and is of **great importance** for the **strategic positioning of** Erste Group in Central and Eastern Europe. All the more so since Romania is one of the key markets of Erste Group, and BCR, as Romania's leading bank, is of particular **strategic importance** for Erste Group.

Upon completion of the transaction, Erste Group's equity interest in BCR will increase from **93.24%** (including the BCR shares purchased for cash) to about **99.52%**, as explained above. This is in line with Erste Group's strategy:

a) to strive for e**xpansion and penetration** of the Central European market, as well as for the **consolidation of the company's current market position**, and

b) **to maximise its equity interests in Central and Eastern European subsidiaries** while reducing its minority shareholdings accordingly.

What must also be borne in mind is that Erste Group has **already fully consolidated** BCR so that the BCR's overall performance is reflected in the consolidated annual reports, but Erste Group does not yet **share in BCR's profits** (through dividend distributions) **to the same extent**. Increasing Erste Group's equity interest in BCR is therefore in the best interests not only of Erste Group but also of its shareholders.

Finally, by carrying out the envisaged transaction, Erste Group will increase its equity interest in BCR to over 75% and thereby attain a relevant qualified majority under Romanian law.

3.3. Appropriateness and necessity

The capital increase and exclusion of pre-emptive subscription rights in the envisaged transaction is by all means **appropriate** to accomplish the desired objective, namely to penetrate the Central European market and consolidate our current market position by increasing Erste Group's equity interest in BCR. This objective would not be achieved without the capital increase and, more specifically, without acquiring the additional BCR shares.

At the same time, the capital increase through non-cash contributions and the exclusion of pre-emptive subscription rights constitute the **most moderate way**, as t**here is no equivalent** a**lternative** to the envisaged transaction.

The structure of the transaction is also **necessary** in order to allow Erste Group to acquire these BCR shares, which are so important. The BCR shares that are to be contributed in exchange for the acquisition of Erste Group shares are considered non-cash contribution. The BCR shares to be contributed **cannot be contributed by any other shareholders** in Erste Group, which explains why the exclusion of pre-emptive subscription rights is necessary in the context of this non-cash contribution.

In addition, it is in the best interests of Erste Group to have the **SIFs as shareholders in Erste Group**. Erste Group strives to have shareholders from all countries in which Erste Group holds equity interests. That is why Erste Group has issued shares in the past to BCR employees. Now, in this second stage, it is time to anchor Romanian institutional investors in Erste Group's shareholding structure.

3.4. Proportionality

The Management Board's deems the exclusion of pre-emptive subscription rights to be proportionate, because, as described above, it is in the best interests of the Company to acquire additional BCR shares. Moreover, the SIFs are set to acquire only a small equity interest in Erste Group **of no more than about 1.00% per SIF**.

The best interests of Erste Group's shareholders are also safeguarded by the fact that, after performing a **company valuation**, the BCR shares are being acquired in exchange for **a proportionate number of Erste Bank shares** (for more on this subject, see the explanations of the issuing price above). The existing Erste Group shareholders will also benefit indirectly from a higher share in BCR's future profits.

The existing Erste Group shareholders minority positions will not be affected at all, or only slightly, and no majority positions will be created or strengthened for the following reasons: the extent of the capital increase is relatively small compared to the current market capitalisation of the Erste Group and the newly created shares will be distributed broadly among five different SIFs.

3.5. Equal treatment

Any unequal treatment **can be ruled out**, since all the pre-emptive subscription rights of all shareholders are excluded in the scope of the capital increase.

Finally, please note that according to the terms of the authorisation granted by the General Meeting held on 12 May 2010, the Supervisory Board's needs to approve the Management Board's Framework Resolution of 18 October 2011, including the exclusion of the existing shareholders' pre-emptive subscription rights. The Supervisory Board will make that decision after observing the two-week waiting period following the publication of this report required by sec 171 (1) AktG, presumably by 14 November 2011.

Vienna, 18 October 2011

The Management Board of Erste Group Bank AG:

Andreas Treichl ____________________

Franz Hochstrasser ____________________

Bernhard Spalt ____________________

Manfred Wimmer ____________________

Herbert Juranek ____________________

Martin Skopek ____________________

Gernot Mittendorfer ____________________