

REPORT
of the Management Board
of Erste Bank der oesterreichischen Sparkassen AG

regarding agenda items 10 and 12
of the 11th ordinary shareholders' meeting on 4 May 2004

1. Agenda Item No. 10: Authorization of the Management Board to increase the registered capital of the company excluding the subscription rights of existing shareholders

The *Vorstand* ("Management Board") requests the authorisation from today's ordinary shareholders' meeting of Erste Bank der oesterreichischen Sparkassen AG ("Erste Bank") to increase the registered capital of the company with the consent of the *Aufsichtsrat* ("Supervisory Board") – also in several tranches – preserving the ratio of the shares to the existing shares by an amount of up to EUR 160,000,000 by issuing up to 80,000,000 new shares during a period of five years as follows:

- a. by issuing shares against cash contribution without excluding the subscription rights of the shareholders; however, in case the capital increase serves the issuing of shares to employees, senior employees or members of the management board of the company or of a group company, by excluding the subscription rights of the shareholders;
- b. by issuing shares against contributions in kind, excluding the subscription rights of shareholders.

The management board therefore submits the following report according to § 153 para 4 Stock Corporation Act ("AktG") concerning the justification for the exclusion of subscription rights:

ad a. Exclusion of the subscription rights of the shareholders in case of the issue of shares to employees, senior employees or members of the management board of the company or of a group company

The authorized capital which is the subject of this resolution shall primarily be used without the exclusion of the subscription rights of the shareholders. However, in case the capital increase serves the issue of shares to employees, senior employees or members of the management board of the company or of a group company it shall be permitted to exclude the subscription rights of the shareholders.

The issue of shares of the company to employees, senior employees or members of the management board of the company or of a group company constitutes a sufficient justification for the exclusion of the subscription rights of the shareholders according to § 153 para 5 AktG.

The Employee Share Ownership Program (ESOP) of Erste Bank aims at increasing the identification of the employees with the Erste Bank group and at binding its key personnel to the enterprise. Compensation incentives shall be established for high performing employees of the Erste Bank group. Through their shareholding the employees will be in a position to benefit to a higher degree from the positive development of the Erste Bank group. Therefore, such shareholdings constitute a performance incentive above and beyond already existing performance oriented variable compensation elements, and positive effects are expected for the Erste Bank group therefrom.

The authorized capital created hereby shall not be used for the existing Management Stock Option Plan. For this purpose, conditional capital has already been authorized by the shareholders' meeting, implemented by the Management Board, and incorporated in clause 4.4.3 of the articles of association of Erste Bank.

ad b. Exclusion of subscription rights of the shareholders for issuing shares against contributions in kind

As will be described in more detail in point 2.2 below it may, in pursuit of the strategy of Erste Bank, be advantageous to issue own shares as consideration for the acquisition of promising companies, businesses, parts of businesses or shares in companies. The advantages of such a procedure are described in point 2.2 and also apply in case of a capital increase generated from authorized capital against contributions in kind.

The Management Board of Erste Bank shall have the option to create new shares by means of a capital increase which can be used as consideration for the contribution of assets in kind if no or an insufficient number of own shares are available or if the available own shares are reserved for other purposes.

Especially a capital increase against contributions in kind requires the exclusion of subscription rights because the assets to be contributed are in most circumstances unique and cannot be contributed by all shareholders, such as shares in companies that are of strategic importance for Erste Bank or the like.

For these reasons it shall be permitted to exclude the subscription rights of shareholders in case a capital increase takes place against contributions in kind. The terms and conditions of a capital increase are subject to approval of the Supervisory Board of Erste Bank.

The authorized capital to be resolved in today's shareholders' meeting shall replace the existing authorized capital set forth in clause 4.4 of the articles of association.

The requested resolution conforms content-wise with the resolution taken in the 10th ordinary shareholders' meeting on 6th May 2003. It differs only with regard to the number of shares and the partial amount of the registered capital, both of which are adjusted to the capital adjustment and the share split.

2. Agenda Item No. 12: Authorization of the Management Board to acquire own shares and to dispose of those shares by other means than via the stock exchange or a public offering

2.1 Acquisition of own shares

The Management Board of Erste Bank requests the authorisation from today's ordinary shareholders meeting of Erste Bank der oesterreichischen Sparkassen AG ("Erste Bank") to acquire own shares of the company without being bound to a special purpose and with the prohibition of trading these own shares (§ 65 para 1 No. 8 AktG).

The Management Board requests the authorization to acquire shares of Erste Bank up to a maximum amount of 10 % (ten per cent) of the respective registered capital of the company, whereby own shares acquired according to § 65 para 1 Nos. 1, 4 and 7 AktG shall be included. EUR 10.00 (ten euros) per share are proposed to constitute the lowest consideration for the acquisition of own shares; EUR 70.00 (seventy euros) per share the maximum consideration.

The authorization shall be valid for a period of 18 months starting from the registration of the shareholders' meeting's resolutions concerning the capital adjustment (agenda item 8) and the share split (agenda item 9) in the business register. It shall then replace the existing authorization granted in the 10th ordinary shareholders' meeting of Erste Bank.

Erste Bank is in a position to make the necessary reserves for own shares pursuant to § 225 para 5 HGB (Commercial Code) without its net assets falling below the registered capital and the bound reserves prescribed by law or the articles of association. The issue price of the shares has been fully paid in.

2.2 Authorization of the Management Board to dispose of own shares of the company by other means than via the stock exchange or a public offering

The Management Board requests the shareholders' meeting's authorization to dispose of its own shares by other means than via the stock exchange or a public offering. To this end the Management Board submits the following written report according to §§ 65 para 1b in connection with 153 para 4 AktG:

The expansion into and the penetration of the central European market is of high importance in the strategy of Erste Bank. To that end the Management Board should be in a position to acquire existing companies, businesses, parts of businesses or shares in companies in order to prepare its market entry or to strengthen an already existing market presence. The acquisition of existing companies is advantageous because it allows a rapid market entry, building upon an existing customer base and taking over employees who are familiar with the local market. In the context of the acquisition of companies, businesses, parts of businesses or shares of a business it may be advantageous to use own shares as consideration, e.g. where shareholders of the target company need to be compensated. Equally, it may be advantageous in case the seller prefers to receive shares of Erste Bank instead of cash. Furthermore, it may be possible to achieve a lower purchase price if own shares are used as consideration rather than cash. The liquidity required for acquisitions is reduced and the

closing of the transaction is accelerated because existing shares can be used instead of having to create new shares.

Therefore, the Management Board should be authorized by the shareholders' meeting according to § 65 para 1b sentence 3 AktG to dispose of own shares by other means than via the stock exchange or a public offering. The disposal of own shares as well as the determination of all terms and conditions of the disposal can only be effected with the consent of the Supervisory Board.

The proposed resolution conforms content-wise with the resolution that has been taken in the 10th ordinary shareholders' meeting on 6 May 2003 and differs only in that the minimum price and the maximum price for the shares are adjusted to the share split.

Vienna, April 2004

Mag. Andreas Treichl

Dr. Elisabeth Bleyleben-Koren

Mag. Reinhard Ortner

Mag. Dr. Franz Hochstrasser

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