

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

regarding agenda item 10
of the 13th ordinary shareholders' meeting on 19 May 2006

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

The Management Board of Erste Bank der oesterreichischen Sparkassen AG ("Erste Bank") requests the authorisation from the 13th ordinary shareholders' meeting of Erste Bank, for a period of five years after the registration of the amendment of the articles of association, to effect a conditional increase of the registered capital with the consent of the Supervisory Board by a nominal amount of EUR 20,000,000 (in words: Euro twenty million) by issuing up to 10,000,000 (in words: ten million) bearer or registered ordinary shares (shares with no par value) at an issue price of at least EUR 2 (in words: Euro two) per share against cash contribution and by excluding the subscription rights of the current shareholders. The authorised conditional capital serves to grant share options to employees, senior employees and members of the Management Board of the Company or a group company.

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:

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 conditional capital which is the subject of this resolution shall serve 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 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.

Vienna, April 2006

The Management Board