

*Translation from the German original text
In case of doubt the German text prevails*

**Report of the Management Board (*Vorstand*) of
Erste Bank der oesterreichischen Sparkassen AG
with its registered office in Vienna
pursuant to § 171 para 1 in connection with § 153 para 4 AktG**

In the shareholders' meeting of Erste Bank der oesterreichischen Sparkassen AG ("**Erste Bank**") of 19 May 2006, the Management Board (*Vorstand*) of Erste Bank was authorised pursuant to § 169 AktG for a period of five years after the registration of the amendment of the articles of association with the companies' register to increase the registered capital of the company with the consent of the Supervisory Board (*Aufsichtsrat*) – also in several tranches - by an amount of up to EUR 180,000,000 by issuing up to 90,000,000 shares, with the type of shares, the issue price, the issuing conditions and, to the extent provided for, the exclusion of the subscription rights being determined by the Management Board with the consent of the Supervisory Board. The capital increase may, inter alia, be effected against contributions in kind, excluding the subscription rights of shareholders (see clause 4.4.2 of the articles of association). The Management Board has not hitherto made use of this authorisation.

In accordance with this authorisation, the Management Board resolved on 29.8.2006, subject to the authorisation of the Supervisory Board, to increase the registered capital of the company by an amount of up to EUR 24,000,000 by issuing up to 12,000,000 no-par value bearer shares (ordinary shares), excluding the subscription rights of shareholders. It is envisioned that a yet-to-be-determined legal person acting as a formal underwriter (*Formalzeichner*) will be authorised to underwrite the entire capital increase with the obligation to pass on the new shares to those employees of Banca Commerciale Romana ("**BCR**") who have accepted the conversion offer described in more detail below.

Background of the planned capital increase against contributions in kind

On 21 December 2005, Erste Bank concluded a share purchase agreement for the purchase of 61.8825% of the shares in BCR. Employees of BCR hold, in total, an additional 8% of the shares in BCR (the "**BCR Employee Shares**"). After the consummation of the share purchase agreement, Erste Bank intends to offer the employees of BCR who hold BCR Employee Shares the opportunity to exchange all or a part of their BCR shares against Erste Bank shares.

The issue price corresponds to the average of the unweighted closing prices of Erste Bank shares on the Vienna Stock Exchange during the last three, six, nine or twelve months prior to the day before the start of the acceptance period for the conversion offer made to BCR employees, whereby the final determination of the calculation period will be made by the Management Board after consultation with and authorisation by the Supervisory Board.

The conversion ratio of BCR shares (which will be contributed as contributions in kind) to the Erste Bank shares (which will be newly issued as a result of the capital increase) corresponds to the ratio of the price of one BCR Employee Share to the issue price of one Erste

Bank share, whereby shares will be commercially rounded to half shares. For this purpose, one BCR Employee Share will be valued at EUR 7.65. This corresponds to the price paid by Erste Bank per share when acquiring the 61.8825% of the shares in BCR.

Employees of BCR currently hold 63,397,500 BCR Employee Shares, representing 8% of the share capital

The final conversion ratio, the final calculation period for the issue price, the final issue price, the formal underwriter, the final number of newly to be issued Erste Bank shares in the course of the capital increase, and the resulting increase in the registered capital of Erste Bank, are yet to be determined.

Exclusion of subscription rights

The Erste Bank shares newly to be issued as a result of the planned capital increase will be offered exclusively to employees, executives or members of the management board of BCR, which, at that point in time, will be a company affiliated with Erste Bank. It is envisaged that a yet-to-be-determined legal person acting as formal underwriter will underwrite the Erste Bank shares with the obligation to pass them on in accordance with the final conversion ratio to the BCR employees that have accepted the conversion offer within the acceptance period. Pursuant to § 153 para 5 AktG the preferential issue of shares to employees, executives and members of the management board of the company or of an affiliated company represents a sufficient justification for the exclusion of the subscription rights of the shareholders.

Furthermore, the BCR Employee Shares that are to be contributed in return for the receipt of the Erste Bank shares are to be considered contributions in kind. The BCR Employee Shares that are to be contributed cannot be contributed by other shareholders of Erste Bank. Therefore, it is necessary to exclude the subscription rights for these contributions in kind. The legitimacy of an exclusion of the subscription rights of the shareholders in case of contributions in kind is recognised by case law and legal scholars.

The contribution of the BCR Employee Shares in the course of the capital increase is in the overriding interest of Erste Bank and its shareholders. Through the exchange employees of BCR will be enabled to participate in the existing Employee Share Ownership Program ("*ESOP*") of Erste Bank. The ESOP aims at increasing the identification of the employees with the Erste Bank group and at binding its key personnel to 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. In the Management Board's report prepared for the shareholders' meeting of 19 May 2006, the Management Board, pursuant to § 153 para 4 AktG, referred to the necessity of the exclusion of subscription rights in connection with the ESOP and the advantages of an ESOP.

Through the exchange, the employees hitherto invested in BCR will receive a direct shareholding in Erste Bank. This will be a significant step towards the harmonisation of the ESOP within the Erste Bank group, which will allow for a simplification of the future administration of the ESOP. Moreover, a direct shareholding of BCR employees in Erste Bank will contribute to an increase in the identification of the BCR employees with the whole

Erste Bank group. This is very important, particularly in connection with the upcoming integration of BCR into the Erste Bank group.

The exclusion of subscription rights within the scope of the capital increase against contributions in kind is well-suited to achieve the goal of having the BCR employees participate in the existing ESOP of Erste Bank. There is no alternative through which the goal specified by Erste Bank can be achieved in a comparably efficient way.

Finally, the exclusion of the subscription rights of the shareholders is also proportional. The relatively small scale of the capital increase that is expected in proportion to the actual market capitalisation of Erste Bank, and the wide distribution of the newly issued shares to employees of BCR, will barely or only marginally interfere with minority positions of the shareholders, and no majority positions will be established or strengthened.

Thus, in total, the exclusion of subscription rights is factually justified and in the overriding interest of Erste Bank and its shareholders.

Vienna, August 2006

The Management Board