

**REPORT
of the Management Board
of Erste Group Bank AG**

regarding agenda item 7
of the 17th ordinary shareholders' meeting on 12 May 2010

Agenda Item No. 7: Authorization of the Management Board to increase the registered capital of the company excluding the subscription rights of existing shareholders

The Management Board of Erste Group Bank AG ("Erste Group") requests the authorisation from the 17th ordinary shareholders' meeting of Erste Group to increase the registered capital of the company with the consent of the Aufsichtsrat ("Supervisory Board") by an amount of up to EUR 200,000,000 by issuing up to 100,000,000 new shares until 12 May 2015 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 of Erste Group aims at increasing the identification of the employees with Erste Group and at binding its key personnel to the enterprise. Compensation incentives shall be established for

high performing employees of Erste Group. Through their shareholding the employees will be in a position to benefit to a higher degree from the positive development of Erste Group. Therefore, such shareholdings constitute a performance incentive above and beyond already existing performance oriented variable compensation elements, and positive effects are expected for Erste Group therefrom.

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

The expansion into and the penetration of the central European market is of high importance in the strategy of Erste Group. 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 Group 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 Management Board of Erste Group 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 Group 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 Group.

The authorized capital to be resolved in today's shareholders' meeting shall replace the existing authorized capital set forth in clause 5. of the articles of association.

Vienna, March 2010

The Management Board