OFFERING CIRCULAR

Dated 21st March 2005

ERSTE BANK

EUR 200,000,000

Erste Finance (Jersey) (6) Limited

(Incorporated with limited liability under the laws of Jersey)

Series J
5.25% Non-cumulative Non-voting Preference Shares

(liquidation preference of EUR 1,000 per Series J Preference Share)

having the benefit of a support agreement entered into with

Erste Bank der oesterreichischen Sparkassen AG

(Incorporated as a joint stock company in the Republic of Austria)

Issue Price: 100% of the liquidation preference per Series J Preference Share

200,000 Series J 5.25% Non-cumulative Non-voting Preference Shares with a liquidation preference of EUR 1,000 each (the "Series J Preference Shares") are proposed to be issued by Erste Finance (Jersey) (6) Limited (the "Issuer") on 23rd March 2005 (the "Closing Date"). The holders of the Series J Preference Shares will have the benefit of a support agreement to be entered into by Erste Bank der oesterreichischen Sparkassen AG ("Erste Bank") and the Issuer, as further described in the "Support Agreement" herein, and in connection therewith the Issuer will have the benefit of an intercompany agreement to be entered into between the Issuer and Erste Bank, as further described in the "Intercompany Agreement" herein.

The Series J Preference Shares will entitle holders to receive (subject to the limitations described in the "Statement of Rights of the Series J Preference Shares") non-cumulative preferential cash dividends at a fixed rate of 5.25% per annum. Dividends will be payable annually in arrear on the Dividend Dates (as defined herein) falling on 23rd September in each year commencing on the Dividend Date falling on 23rd September 2005.

The Series J Preference Shares will be redeemable at the option of the Issuer, (subject to the law of Jersey and to the prior consent of Erste Bank and provided that the Series J Preference Shares are (subject to certain exceptions) substituted by capital of equal or better quality unless the Financial Markets Authority (as defined herein) determines that Erste Bank and the Credit Institute Group (as defined herein) have sufficient Own Funds (as defined in the Austrian Banking Act 1993, as amended) required for an adequate risk coverage even after repayment of the Series J Preference Shares), in whole but not in part, at EUR 1,000 per Series J Preference Share plus accrued and unpaid dividends (whether or not declared) for the then current Dividend Period to the Optional Redemption Date (as defined herein), on the Dividend Date falling on 23rd September 2010 or any Dividend Date falling thereafter and, for taxation reasons or capital reasons, on any Dividend Date, subject as described in "Statement of Rights of the Series J Preference Shares".

In the event of the liquidation, dissolution or winding-up of the Issuer, holders of Series J Preference Shares will be entitled to receive for each Series J Preference Share a liquidation preference of EUR 1,000 plus accrued and unpaid dividends (whether or not declared) for the then current applicable Dividend Period to the date of payment, subject as described in "Statement of Rights of the Series J Preference Shares".

See "Investment Considerations" for a discussion of certain factors that should be considered by prospective investors.

Application for the listing of the Series J Preference Shares has been made to the Luxembourg Stock Exchange and the Official Segment of the stock market of Euronext Amsterdam N.V. ("Euronext Amsterdam").

JPMorgan **UBS Investment Bank**

A copy of this Offering Circular will be delivered to the Jersey Registrar of Companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, in order that he gives his consent to its circulation.

The consent of the Jersey Financial Services Commission under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue by the Issuer of the Series J Preference Shares will be sought prior to the issue of the Series J Preference Shares. The Jersey Financial Services Commission is protected by the Borrowing (Control) (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that Law.

It must be distinctly understood that when giving these consents, neither the Jersey Registrar of Companies nor the Jersey Financial Services Commission will take any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.

This Offering Circular constitutes a prospectus for the purposes of the Listing and Issuing Rules (Fondsenreglement) of Euronext Amsterdam N.V.

The Issuer confirms, after having made all reasonable inquiries, that this Offering Circular contains all information with regard to the Issuer and the Series J Preference Shares which is material to the issue of the Series J Preference Shares, that such information is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular on the part of the Issuer are honestly held and that there are no other facts the omission of which makes any such information or the expression of any such opinion or intention misleading in any material respect. The Issuer accepts responsibility accordingly.

The Issuer has taken all reasonable care to ensure that the facts stated in this document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of fact or of opinion. The Issuer accepts responsibility accordingly.

Erste Bank confirms, after having made all reasonable inquiries, that this Offering Circular contains all information with regard to the Issuer, Erste Bank and its subsidiaries and affiliates and the Series J Preference Shares which is material to the issue of the Series J Preference Shares, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular on the part of Erste Bank and the Issuer are honestly held and that there are no other facts the omission of which makes this Offering Circular as a whole or any such information or the expression of any such opinion or intention misleading in any material respect. Erste Bank accepts responsibility accordingly.

No person has been authorised to give information or to make any representation other than those contained in this document and, if given or made, such information or representation must not be relied on as having been authorised by the Issuer, Erste Bank or the Joint Lead Managers (as defined in "Subscription and Sale" below). Neither the delivery of this document nor any subscription, sale or purchase made in connection herewith shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer or Erste Bank since the date hereof.

Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposition of Series J Preference Shares and any foreign exchange restrictions that might be relevant to them. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, Erste Bank or either Joint Lead Manager to subscribe for or purchase any of the Series J Preference Shares.

Investors should satisfy themselves that they understand all the risks associated with making investments in the Series J Preference Shares. If a prospective investor is in any doubt whatsoever as to the risks involved in investing in the Series J Preference Shares, he or she should consult his or her professional advisers.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. It should be remembered that the price of securities and the income from them can go down as well as up.

The Series J Preference Shares are only suitable for financially sophisticated investors who are capable of evaluating the risks involved in investing in the Series J Preference Shares.

The distribution of this document and the offering of the Series J Preference Shares in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Issuer, Erste Bank and the Joint Lead Managers to inform themselves about, and to observe, any such restrictions.

No action has been taken as a matter of the laws of any jurisdiction to permit the public offering of the Series J Preference Shares in any jurisdiction. Accordingly, the Series J Preference Shares may not be offered or sold, directly or indirectly, and this Offering Circular may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in that jurisdiction. In particular, the Series J Preference Shares have not been and will not be registered under the United States Securities Act of 1933 as amended (the "Securities Act"). Subject to certain exceptions, the Series J Preference Shares may not be offered, sold or delivered within the United States or to U.S. persons. A further description of certain restrictions on the offering and sale of the Series J Preference Shares and on the distribution of this document is given under "Subscription and Sale" below.

References to "HUF" are to the lawful currency of Hungary, references to "HRK" are to the lawful currency of Croatia, references to "SKK" are to the lawful currency of the Slovak Republic, references to "CZK" are to the lawful currency of the Czech Republic, references to "US$" are to the lawful currency of the United States of America, references to "£" are to the *lawful currency of the United Kingdom, references to "¥" are to the lawful currency of Japan and references to "euro", "EUR" and "€" are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended from time to time.*

In connection with this issue, J.P. Morgan Securities Ltd. may over-allot or effect transactions with a view to supporting the market price of the Series J Preference Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on J.P. Morgan Securities Ltd. or any agent of its to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period ending, in any event, no later than 30 days after the issue date. Such stabilising shall be carried out in accordance with all applicable laws and regulations.

Definitions

In this Offering Circular, the following definitions will be used to refer to Erste Bank der oesterreichischen Sparkassen AG and its majority owned and other subsidiaries (save that for the "Statement of Rights" these terms shall have the meanings referred to therein):

"Erste Bank AG" or "Erste Bank" means Erste Bank der oesterreichischen Sparkassen AG the parent company alone, which prepares separate non-consolidated financial statements in accordance with Austrian GAAP. Certain statistical information included in this Offering Circular was prepared exclusively for Erste Bank AG.

"Erste Bank Group" means Erste Bank AG together with its consolidated subsidiaries and associates (which are stated at equity and where Erste Bank has a significant influence). Before the *Haftungsverbund* became effective on 1st January 2002, Erste Bank Group's consolidated financial statements included only subsidiaries in which Erste Bank AG owned a majority interest and associates. As of 1st January 2002, the term "Erste Bank Group" includes the savings banks consolidated by Erste Bank Group under the *Haftungsverbund* agreement. Therefore, unless otherwise stated, the term "Erste Bank Group" in this Offering Circular in respect of any period from and including 1st January 2002 includes the consolidated savings banks under the *Haftungsverbund* agreement.

"Subsidiaries" means all companies consolidated with Erste Bank AG under International Financial Reporting Standards ("IFRS").

"Savings Bank Group" means Erste Bank AG, the savings banks consolidated under the *Haftungsverbund* agreement (together, Erste Bank Group) and nine other savings banks that are not members of the *Haftungsverbund* agreement, not including Bank Austria Creditanstalt AG ("Bank Austria").

"Savings Bank Sector" means the Savings Bank Group together with Bank Austria and is the legal definition of all Austrian savings banks combined and is the basis on which the Austrian National Bank (*Oesterreichische Nationalbank*), the Austrian central bank, prepares statistical information for the savings bank industry.

Incorporation by Reference

The memorandum and articles of association of the Issuer, the audited consolidated financial statements and annual reports of Erste Bank as at and for the years ended 31st December 2003 and 2002 and the unaudited financial statements of Erste Bank as at and for the nine months ended 30th September 2004 are incorporated by reference in this Offering Circular. Copies of those documents are available free of charge from the paying agents in Luxembourg and Amsterdam shown on the back page of this Offering Circular during normal business hours for so long as the Series J Preference Shares are outstanding and at the registered offices of the Issuer and Erste Bank.

It should be noted that the consolidated financial statements for periods prior to 1st January 2002 are not directly comparable to the consolidated financial statements as at and for periods ended on or after 1st January 2002 since Erste Bank AG entered into a *Haftungsverbund* with a number of other Austrian savings banks with effect from 1st January 2002, as a result of which Erste Bank is required (under IFRS) to consolidate all members of the *Haftungsverbund* in its own consolidated financial statements prepared in accordance with IFRS. This has a significant effect on Erste Bank's consolidated financial statements. For a description of the *Haftungsverbund* see "Erste Bank der oesterreichischen Sparkassen AG – Relationship with Austrian Savings Banks Sector" on page 19 below and see generally the Notes to the unaudited consolidated financial statements as at and for the nine months ended 30th September 2004. All financial information presented from and including 1st January 2002 for the Erste Bank Group includes the savings banks consolidated by the Erste Bank Group under the *Haftungsverbund* agreement.

Forward-looking Statements

Certain statements contained in this Offering Circular and other written and oral statements made from time to time by Erste Bank do not relate strictly to historical or current facts. As such, they are considered "forward-looking statements" that provide current expectations or forecasts of future events. Such statements can be identified by the use of terminology such as "anticipate," "believe," "estimate," "intend," "may," "could," "possible," "plan," "project," "will," "forecast," and similar words or expressions. Erste Bank's forward-looking statements generally relate to its growth strategies and financial results. These forward-looking statements should be considered with the understanding that such statements involve a variety of risks and uncertainties, known and unknown, and may be affected by inaccurate assumptions. Consequently, no forward-looking statement can be guaranteed and actual results may vary materially.

Many factors could cause actual results to differ materially from Erste Bank's forward-looking statements. These factors include, but are not limited to: (1) general economic, political and business conditions in Austria; (2) management's expectations and estimates concerning Erste Bank's future financial performance and financing plans and programs; (3) existing and future governmental regulations applicable to the banking sector in Austria; (4) inflation and depreciation of the euro; (5) changes in market prices, customer demand and preferences and competitive conditions; (6) cyclical and seasonal fluctuations in Erste Bank's operating results; and (7) Erste Bank's ability to successfully implement its growth strategy.

Erste Bank undertakes no obligation to update forward-looking statements. It is not possible to foresee or identify all factors that could cause actual results to differ from expected or historic results. Therefore, investors should not consider the foregoing factors to be an exhaustive statement of all risks, uncertainties or factors that could potentially cause actual results to differ.

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Summary of the Issue

The following summary is qualified in its entirety by the more detailed information included elsewhere in this Offering Circular. Unless otherwise specified, capitalised terms used in this Summary are as defined in the "Statements of Rights of the Series J Preference Shares".

Issuer: Erste Finance (Jersey) (6) Limited, an indirect wholly-owned subsidiary of Erste Bank incorporated in Jersey and organised under the Companies (Jersey) Law 1991.

Grandparent: Erste Bank der oesterreichischen Sparkassen AG.

Issue Size: EUR 200,000,000

Issue Details: 200,000 Series J 5.25% Non-cumulative Non-voting Preference Shares each with a liquidation preference of EUR 1,000.

Dividends: Dividends will be payable annually in arrear by the Issuer, whether or not declared by the Board of Directors of the Issuer. Dividends for each Dividend Period will be payable at a fixed rate of 5.25% per annum. If no Dividend is paid by the Issuer in respect of any Dividend Period, rights to such dividends shall lapse.

Support Agreement: The holders of the Series J Preference Shares will have the benefit of a support agreement to be entered into as a deed poll by Erste Bank and the Issuer in respect of the obligations of the Issuer under the Series J Preference Shares (the "**Support Agreement**"). In connection with the Support Agreement, the Issuer will have the benefit of an intercompany agreement to be entered into between the Issuer and Erste Bank (the "Intercompany Agreement") in respect of Erste Bank's obligations under the Support Agreement. See "Support Agreement" and "Intercompany Agreement" below.

Restrictions on Payments: Erste Bank will not be obliged to make any payment in respect of Dividends under the Support Agreement in respect of any fiscal year:

(a) to the extent that such payment, together with the amount of:

(i) any Dividends (including any Additional Amounts in respect thereof) previously paid by the Issuer in respect of the Series J Preference Shares in respect of such fiscal year;

(ii) any Dividends previously paid on, or payments made to holders in respect of, Dividend Parity Securities in respect of such fiscal year; and

(iii) any Dividends proposed to be paid on, or payments proposed to be made to holders in respect of, Dividend Parity Securities in respect of such fiscal year,

would exceed Distributable Funds for the preceding fiscal year; or

(b) even if sufficient Distributable Funds are available, to the extent that, when calculated in accordance with applicable Austrian banking regulations affecting banks which fail to meet their capital ratios on a consolidated basis pursuant to the Austrian Banking Act 1993, as amended, Erste Bank would be limited in making payments on preferred securities or preference shares issued by it ranking *pari passu* as to participation in profits with Erste Bank's obligations under the Support Agreement relating to Dividend Parity Securities.

In the event that the payments described above cannot be made in full by reason of any such limitation, such payments will be made *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation.

For the text of the Support Agreement, see "Support Agreement".

The above restrictions are imposed *mutatis mutandis* on payments by the Issuer of Dividends in respect of the Series J Preference Shares; see "Statement of Rights of the Series J Preference Shares".

If no payment is made by Erste Bank under the Support Agreement pursuant to the foregoing provisions, the entitlement of the holders of Series J Preference Shares to enforce payment by Erste Bank to the Issuer shall lapse, and no payment in respect of any missed or reduced Dividend need be made at any time by the Issuer or by Erste Bank in such circumstances.

Erste Bank will agree under the Support Agreement to pay to the Issuer all amounts required by the Issuer to pay dividends on the Series J Preference Shares prior to paying out any dividends in respect of its ordinary shares or its preferred stock.

Withholding Tax and Additional Amounts:

The Issuer will pay such additional amounts to each holder of the Series J Preference Shares as may be necessary in order that every net payment in respect of the Series J Preference Shares, after withholding for any taxes imposed by Jersey or Austria upon or as a result of such payment, shall equal the amounts which would have been receivable in the absence of such withholding, subject to the exceptions described in "Statement of Rights of the Series J Preference Shares". The obligations of the Issuer to pay any such additional amounts are described more fully in "Statement of Rights of the Series J Preference Shares".

Optional Redemption:

The Series J Preference Shares are redeemable at the option of the Issuer, subject to the law of Jersey and to the prior consent of Erste Bank, in whole but not in part, on the Dividend Date falling on 23rd September 2010 or any Dividend Date thereafter, upon not less than 30 and no more than 60 Business Days' notice to the Holders, each to be redeemed at EUR 1,000 per Series J Preference Share plus accrued and unpaid dividends (whether or not declared) for the then current Dividend Period on the specified Optional Redemption Date, provided that the Series J Preference Shares which are redeemed are substituted by capital of equal or better quality Own Funds (as defined in the Austrian Banking Act 1993, as amended), unless the Financial Markets Authority (as provided for in the Austrian Financial Markets Supervision Act 2001, as amended) determines that Erste Bank and the Credit Institute Group have sufficient Own Funds required for an adequate risk coverage even after repayment of the Series J Preference Shares. Upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Series J Preference Shares accordingly.

Redemption for Tax Reasons and Capital Reasons:

In addition, the Series J Preference Shares are redeemable at the option of the Issuer, subject to the law of Jersey and to the prior consent of Erste Bank and provided (subject to certain exceptions) that the Series J Preference Shares are substituted by capital of equal or better quality Own Funds, unless the Financial Markets Authority determines that Erste Bank and the Credit Institute Group have sufficient Own Funds required for an adequate risk coverage even after repayment of the Series J Preference Shares. The Series J Preference Shares are redeemable in whole but not in part, at EUR 1,000 per Series J Preference Share plus accrued and unpaid dividends (whether or not declared) for the then current Dividend Period to the Optional Redemption Date, on any Dividend Date if (i) the Issuer is or would be required to pay Additional Amounts in respect of payments due on the Series J Preference Shares; or (ii) the statutory countability of the Series J Preference Shares as Tier I regulatory capital as part of the Own Funds of Erste Bank for Austrian capital adequacy purposes on a consolidated basis (for capital adequacy purposes) changes to the detriment of Erste Bank; or (iii) as a result of a change in law or regulation or the interpretation thereof, payments made directly by Erste Bank (or any Subsidiary) on any Investments cease to be fully deductible as expenses for Austrian income tax purposes, and in so far as applicable the requirements in paragraph 6.1.4 of the "Statement of Rights of the Series J Preference Shares" have been satisfied.

Rights upon Liquidation:

In the event of the liquidation, dissolution or winding-up of the Issuer, holders of Series J Preference Shares will be entitled to receive for each such Series J Preference Share a liquidation preference of EUR 1,000 plus accrued and unpaid dividends (whether or not declared) for the then current Dividend Period to the date of payment.

Notwithstanding the availability of sufficient assets of the Issuer to pay any liquidation distribution to the holders of the Series J Preference Shares as aforesaid, if, at the time such liquidation distribution is to be paid, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of Erste Bank, the liquidation distribution paid to holders of Series J Preference Shares and Asset Parity Securities shall not exceed the amount per share that would have been paid as the liquidation distribution from the assets of Erste Bank (after payment in full in accordance with Austrian law of all creditors of Erste Bank, including holders of its subordinated debt but excluding holders of any liability expressed to rank *pari passu* with or junior to the Support Agreement) had the Series J Preference Shares and all such Asset Parity Securities been issued by Erste Bank and ranked (i) junior to all liabilities of Erste Bank (other than any liability expressed to rank *pari passu* with or junior to the Support Agreement), (ii) *pari passu* with all Asset Parity Securities of Erste Bank and (iii) senior to Erste Bank Share Capital.

Erste Bank has undertaken in the Support Agreement that, so long as any of the Series J Preference Shares are outstanding, unless Erste Bank itself is in liquidation, Erste Bank will not permit, or take any action to cause, the liquidation, dissolution or winding-up of the Issuer.

Voting Rights:	Holders of the Series J Preference Shares will not be entitled to vote at any general meeting of shareholders of the Issuer. Holders of the Series J Preference Shares together with the holders of any other preferred or preference shares of the Issuer having the right to vote for the election of Directors in such event are entitled to elect two additional Directors to the Issuer's Board of Directors if Dividends and any Additional Amounts in respect of such Dividends have not been paid in full for a Dividend Period. Such Directors must vacate their office if dividend payments and any Additional Amounts in respect of such Dividends are made by the Issuer in full. For a fuller description see "Statement of Rights of the Series J Preference Shares".
Form of the Shares:	The Series J Preference Shares will be issued in registered form. On the Closing Date, a single share certificate representing the Series J Preference Shares will be deposited with JPMorgan Chase Bank, N.A. (the "Common Depositary") as common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear system ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). The initial share certificate will be issued, and the Series J Preference Shares will be registered, in the name of Chase Nominees Limited as nominee for the Common Depositary. For so long as the Series J Preference Shares are deposited and registered as described above, book-entry interests in the Series J Preference Shares will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. If either or both of Euroclear and Clearstream, Luxembourg announces an intention permanently to cease business and the Issuer is unable to locate a qualified successor within 60 days of receiving notice of, or becoming aware of, such intention, the number of Series J Preference Shares corresponding to its book-entry interest in the Series J Preference Shares represented by the initial share certificate will be transferred to each holder of Series J Preference Shares, and each such holder will be registered as a holder of the Series J Preference Shares in the register of members maintained by the Issuer, and receive a share certificate made out in its name. Other than in the circumstances referred to in this paragraph, definitive share certificates will not be available to holders of the Series J Preference Shares.
Ratings:	On issue, the Series J Preference Shares are expected to be assigned an [A3] rating by Moody's Investor Services, Limited ("Moody's"). A rating is not a recommendation to buy, sell or hold securities or shares and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Governing Law:	The Series J Preference Shares will be governed by and construed in accordance with the law of Jersey. The Support Agreement and the Intercompany Agreement will be governed by and construed in accordance with English law save that the provisions concerning the ranking of the Support Agreement and the Intercompany Agreement and those provisions described under "Restrictions on Payments" above will be governed by, and construed in accordance with, Austrian law.
Listing:	Application has been made for the Series J Preference Shares to be listed on the Luxembourg Stock Exchange and Euronext Amsterdam.
Listing Agents and Paying Agents:	J.P. Morgan Bank Luxembourg S.A. (Luxembourg) and ABN AMRO Bank N.V. (Amsterdam).
ISIN:	XS0215338152
Common Code:	021533815
Deutsche WKN:	AODOCZ

Investment Considerations

Prospective investors should carefully consider the following information in conjunction with the other information contained in this Offering Circular. Unless otherwise specified, capitalised terms used below are as defined in the "Statement of Rights of the Series J Preference Shares".

Risks associated with Erste Bank's financial condition

An investment in the Series J Preference Shares will have similar economic risks to an investment in non-cumulative perpetual preference shares issued directly by Erste Bank having the same liquidation preference and rate of distribution as the Series J Preference Shares.

The Issuer is a newly established company with no previous operating history or revenues. The Series J Preference Shares have the benefit of the Support Agreement entered into between the Issuer and Erste Bank. Accordingly, if Erste Bank's financial condition were to deteriorate, the holders of the Series J Preference Shares may suffer direct and materially adverse consequences, including nonpayment of Dividends on the Series J Preference Shares.

For risks associated with litigation involving Erste Bank see "Erste Bank der oesterreichischen Sparkassen AG – Legal Proceedings" and "General Information – Litigation".

Distributions not cumulative

Distributions on the Series J Preference Shares are not cumulative. As set out in "Statement of Rights of the Series J Preference Shares", Dividends on the Series J Preference Shares will be paid on each Dividend Date out of accumulated retained earnings and any other reserves and surpluses of Erste Bank capable under the companies laws of Austria of being available for distribution as cash dividends to holders of ordinary shares of Erste Bank (together with all other securities issued by Erste Bank ranking *pari passu* with the ordinary shares of Erste Bank as to participation in a liquidation surplus), unless Erste Bank has insufficient Distributable Funds to enable the Issuer to pay Dividends on the Series J Preference Shares (and in respect of any Dividend Parity Securities), or such payment would breach or cause a breach of Austrian banking capital adequacy requirements then applicable. If Dividends on the Series J Preference Shares for any Dividend Period are not paid for such reasons, the holders of the Series J Preference Shares will not be entitled to receive such Dividends, even if Distributable Funds subsequently become available.

Perpetual nature of the Series J Preference Shares

The Series J Preference Shares have no fixed final redemption date and holders have no rights to call for the redemption of the Series J Preference Shares. Although the Issuer may redeem the Series J Preference Shares in certain circumstances (including at its option on 23rd September 2010 or on any Dividend Date thereafter), there are limitations on its ability to do so. Therefore, holders should be aware that they may be required to bear the financial risks of an investment in the Series J Preference Shares for an indefinite period of time.

The Issuer may redeem the Series J Preference Shares at any time upon the occurrence of certain tax or capital events

In addition to the right of the issuer to redeem the Series J Preference Shares at its option on 23rd September 2010 or on any Dividend Date thereafter, the Issuer has the right, subject to the law of Jersey and to the prior consent of Erste Bank, upon the occurrence of certain tax and capital events provided for in Paragraph 6 of the Statement of Rights of the Series J Preference Shares, to redeem the Series J Preference Shares (in whole but not in part) on any Dividend Date.

Holders of the Series J Preference Shares have no voting rights

The Series J Preference Shares are non-voting (except that holders of the Series J Preference Shares will in certain circumstances have the right to vote for the election of Directors). Consequently, the holders of the Series J Preference Shares cannot influence, among other things, any decision by the Issuer's shareholders to pay dividends on other securities issued by the Issuer or any other decisions by the Issuer's shareholders concerning the capital structure of the Issuer.

The Issuer may issue further debt

The Issuer may issue further debt ranking *pari passu* or senior to the Series J Preference Shares. The Statement of Rights of the Series J Preference Shares does not limit the ability of the Issuer to incur indebtedness.

Absence of prior public markets

The Series J Preference Shares constitute a new issue of securities by the Issuer. Prior to this issue, there will have been no public market for the Series J Preference Shares. Although application has been made for the Series J Preference Shares to be listed on the Luxembourg Stock Exchange and Euronext Amsterdam, there can be no assurance that an active public market for the Series J Preference Shares will develop and, if such a market were to develop, the Joint Lead Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Series J Preference Shares can be expected to vary with changes in market and economic conditions, the financial condition and prospects of Erste Bank and other factors that generally influence the market prices of securities.

Regulatory authorities have oversight powers over the Erste Bank Group

The Austrian Financial Markets Authority or its respective successors, regulatory authorities in the EU and regulatory authorities in other countries have oversight powers over the Issuer and its related entities. Under certain circumstances, any of such regulatory authorities could make determinations or take decisions in the future with respect to any such entities or a portion of their respective operations or assets that could adversely affect the ability of the Issuer, among other things, to make payment to its security holders, engage in transactions with affiliates, purchase or transfer assets, pay obligations and make any redemption or liquidation payments to its security holders.

Summary Financial Information for Erste Bank

Subject as provided below, the following summary financial information has been extracted from the audited consolidated financial statements of Erste Bank for the years ended 31st December 2003 and 31st December 2002:

	At 31st December	
	2003	2002
	(in EUR millions)	
Balance sheet		
Assets		
Cash and balances with central banks	2,549	3,181
Loans and advances to credit institutions	13,140	15,492
Loans and advances to customers	67,766	64,435
Risk provisions for loans and advances	(2,772)	(2,983)
Trading assets	5,259	3,487
Investments available for sale	7,379	6,736
Financial investments	26,454	22,572
Intangible fixed assets	1,868	1,596
Tangible assets	1,814	1,866
Other assets	5,118	4,840
Total Assets	**128,575**	**121,222**
Liabilities and equity		
Amounts owed to credit institutions	25,704	26,425
Amounts owed to customers	64,839	61,308
Debts evidenced by certificates	16,944	14,191
Provisions	6,366	5,488
Other liabilities	5,514	5,220
Subordinated capital	3,538	3,386
Minority interests	2,879	2,723
Equity(1)	2,791	2,481
Total Liabilities and Equity	**128,575**	**121,222**

	Year ended 31st December	
	2003	2002
Income statement		
Net interest income	2,586.8	2,463.0
Operating income(2)	3,830.9	3,583.2
General administrative expenses	(2,460.8)	(2,432.0)
Operating result	**1,370.1**	**1,151.2**
Pre-tax profit for the period	**761.6**	**664.6**
Profit for the period	537.4	513.2
Net profit after minority interests	**353.3**	**255.2**
Qualifying Capital		
Core Capital (Tier 1)	3,912.0	3,800.0
Qualifying Supplementary Capital (Tier 2)	2,894.0	2,949.0
Short-term subordinated capital (Tier 3)	340.0	325.0
Deductions according to Section 23(13) and Section 29 Austrian Banking Act	(137.0)	(91.0)
Total Eligible Qualifying Capital	**7,009.0**	**6,983.0**
Risk weighted basis according to Section 22 Austrian Banking Act	62,188	60,257
Tier 1 ratio (%)	**6.3**	**6.3**
Solvency ratio (%)	10.7	11.0

(1) Equity is equal to subscribed capital, reserves and accumulated profits

(2) Operating income includes net interest income, net commission income net trading results and income from insurance business

Subject as provided below, the following summary financial information has been extracted from the unaudited consolidated financial statements of Erste Bank as at and for the nine months ended 30th September 2004 and 30th September 2003:

	At 30th September 2004 Erste Bank Group	At 30th September 2003 Erste Bank Group
	(in EUR millions)	
Balance sheet		
Assets		
Cash and balances with central banks	2,802	2,512
Loans and advances to credit institutions	19,113	17,851
Loans and advances to customers	72,117	65,854
Risk provisions for loans and advances	(2,861)	(2,781)
Trading assets	4,277	4,352
Investments available for sale	9,052	8,713
Financial investments	29,275	25,726
Intangible fixed assets	1,824	1,560
Tangible assets	1,766	1,839
Other assets	4,873	4,855
Total assets	**142,238**	**130,481**
Liabilities and equity		
Amounts owed to credit institutions	31,217	27,774
Amounts owed to customers	68,983	64,329
Debts evidenced by certificates	19,693	16,815
Provisions	6,987	6,122
Other liabilities	6,000	5,969
Subordinated capital	3,191	3,843
Minority interests	3,032	3,028
Equity[1]	3,135	2,601
Total liabilities and equity	**142,238**	**130,481**

(1) Equity is equal to subscribed capital, reserves and accumulated profits

	For the nine months ended 30th September	
	2004	2003
	Erste Bank Group	Erste Bank Group
	(in EUR millions)	
Income statement		
Net interest income	1,993.7	1,934.7
Operating income[(1)]	3,026.3	2,853.6
General administrative expenses	(1,950.9)	(1,837.0)
Operating result	**1,075.4**	**1,016.6**
Pre-tax profit for the period	**769.6**	**589.2**
Profit for the period	572.6	418.6
Net profit after minority interests	**382.6**	**255.2**

	as per 30th September 2004	as per 30th September 2003
Qualifying Capital		
Core capital (Tier 1)	**4,073**	**3,958**
Qualifying supplementary capital (Tier 2)	2,726	3,117
Short-term subordinated capital (Tier 3)	353	339
Deductions according to Section 23 (13) and Section 29 (1, 2) of the Austrian Banking Act	(143)	(71)
Total Eligible Qualifying Capital	**7,009**	**7,343**
Risk weighted basis according to Section 22 Austrian Banking Act	66,614	60,640
Tier 1 ratio (%)	**6.1**	**6.5**
Solvency ratio (%)	10.0	11.6

(1) Operating income includes net interest income, net commission income, net trading results and result from insurance business

Use of Proceeds

The net proceeds of the issue, which are expected to amount to approximately EUR 196,000,000 (after deduction of fees and commissions), will be on-lent within the Erste Bank Group and used to strengthen the capital base of the Erste Bank Group.

The Issuer

History

The Issuer was incorporated in Jersey on 24th February 2005 for an unlimited duration and with limited liability under the laws of Jersey.

The registered office of the Issuer is 22 Grenville Street, St Helier, Jersey JE4 8PX. The Issuer has no place of business in Austria.

The Issuer is a wholly-owned subsidiary of Erste Bank (Malta) Limited, an indirect wholly-owned subsidiary of Erste Bank.

Business and Activities

The Issuer was incorporated for the purpose of carrying out the transactions referred to in this document and has conducted business activities incidental to, and necessary for, compliance with the Issuer's obligations in relation to the Series J Preference Shares.

Powers

There are no constitutional or statutory restrictions in Jersey on the corporate powers of the Issuer.

Share Capital

(a) The existing issued ordinary shares are not listed on the Luxembourg Stock Exchange, Euronext Amsterdam or on any other stock exchange and are not dealt in on any other recognised market.

(b) The Issuer was established with an authorised share capital consisting of an unlimited number of shares of no par value designated as ordinary shares and an unlimited number of shares of no par value designated as unclassified shares. Two ordinary shares were issued and fully paid at an issue price of EUR 1.00 on incorporation of the Issuer and are the only shares currently in issue. Such shares have been beneficially held by Erste Bank (Malta) Limited since the transfer from the subscribers of the Issuer on 15th March 2005. Save as described, there has been no subsequent change in the share capital of the Issuer.

(c) The holders of the Ordinary Shares in the Issuer have no rights of pre-emption or preferential subscription rights in respect of the Series J Preference Shares.

(d) No capital of the Issuer is under option or is agreed conditionally or unconditionally to be put under option.

Indebtedness

Since the date of its incorporation, the Issuer has not had outstanding any loan capital and has not incurred any other borrowings or indebtedness in the nature of borrowings and has had no contingent liabilities or granted any guarantees.

Directors

(a) The Directors of the Issuer and their principal activities outside the Issuer are as follows:

Name	Function in the Issuer	Principal Activity Outside the Issuer	Address
Helen Grant	Executive Director	Corporate services manager of Mourant & Co. Limited	22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands
Daniel Le Blancq	Executive Director	Corporate Services Manager of Mourant & Co. Limited	22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands
Gareth Essex-Cater	Executive Director	Corporate services manager and associate director of Mourant & Co. Limited	22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands
Martin Sadleder	Executive Director	Managing Director of Erste Bank (Malta) Limited	Bisazza Street, 72 Regent House SLM 15, Malta
Peter Muscat	Executive Director	General Manager of Erste Bank (Malta) Limited	Bisazza Street, 72 Regent House SLM 15, Malta
Richard Wilkinson	Non-Executive Director	Head of Group Large Corporates of Erste Bank	Boersegasse 14 1010 Vienna Austria

The partners of the Mourant Group (of which the Issuer's legal advisers Mourant du Feu & Jeune is part) own the issued share capital of Mourant & Co. Limited which supplies administrative services and the Company Secretary to the Issuer.

(b) The Directors do not, and it is not proposed that they will, have service contracts with the Issuer. No Director has entered into any transaction on behalf of the Issuer which is or was unusual in its nature or conditions or is or was significant to the business of the Issuer since its incorporation.

No Director or any connected person has any interest, whether or not held by a third party, in the share capital of the Issuer.

At the date of this document there were no loans granted or guarantees provided by the Issuer to any Director of the Issuer.

(c) As at the date of this document, the Directors have not received any remuneration from the Issuer for the provision of their services to the Issuer.

(d) The Articles of Association of the Issuer provide that:

Subject to the provisions of the Law, any Director of the Issuer may be counted in the quorum present at any meeting at which any proposed arrangement or contract in which he or she is interested is considered and, subject to the Articles of Association, may vote on any proposal, arrangement or contract in which he is materially interested provided he has disclosed the nature of his interest in it prior to its consideration and any vote thereon, provided however that notwithstanding the above, no Director of the Issuer may vote or be counted in the quorum in relation to any proposal, arrangement or contract in which he is materially interested.

The remuneration of the Directors shall from time to time be determined by the Issuer in general meeting.

Subject to the provisions of the Articles of Association, a Director shall hold office until such time as he resigns, ceases to be eligible to be a Director or is removed from office by an ordinary resolution of the Issuer in general meeting.

For purposes of this paragraph (d) "Law" means the Companies (Jersey) Law, 1991.

Secretary

The Secretary of the Issuer is Mourant & Co. Secretaries Limited, of 22 Grenville Street, St. Helier, Jersey JE4 8PX.

General

(a) Since 24th February 2005, the date upon which the Issuer was incorporated, there has been no significant change in the trading or financial position of the Issuer.

(b) BDO Attard Buttigieg Psaila & Co. of 136 St. Christopher Street, Valletta, VLT 05, Malta and BDO Alto Limited of 28-30 The Parade, St. Helier, Jersey, JE1 1BG have been appointed as auditors to the Issuer.

(c) No accounts have yet been prepared for the Issuer nor have any dividends been declared or paid since the date of the Issuer's incorporation.

(d) No transactions have occurred since incorporation of the Issuer other than (i) the allotment of the shares described under "Share Capital" and (ii) the execution of the Subscription Agreement and the Agency Agreement described in this Offering Circular and of a Corporate Administration Agreement dated 21st March 2005 and made between the Issuer, Erste Bank and Mourant & Co. Limited.

(e) There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had since the incorporation of the Issuer a significant effect on the financial position of the Issuer.

Capitalisation of the Erste Bank Group

The following table sets forth, as at 30th September 2004, the unaudited consolidated capitalisation of the Erste Bank Group. This table should be read in conjunction with the unaudited consolidated financial statements as at and for the nine months ended 30th September 2004 and the notes thereto which appear elsewhere in this Offering Circular.

	As at 30th September 2004
	Erste Bank Group
	(in EUR millions)
Capitalisation	
Subscribed capital[1]	483
Capital reserves	1,448
Retained earnings	1,204
Total equity	3,135
Minority interests	3,032
Total shareholders' equity (including minority interests)	6,167
Total supplementary capital	1,868
Total subordinated debt	1,323
Total secured debt	1,014
Total long-term unsecured debt	18,679
Total Capitalisation[2]	29,051
Qualifying Capital as determined pursuant to the Austrian Banking Act	
Core Capital (Tier 1)	4,073
Qualifying supplementary capital (Tier 2)	2,726
Short-term subordinated capital (Tier 3)	353
Total Qualifying Capital	7,152
Deductions according to Sections 23 (13) and 29 (1,2) of the Austrian Banking Act	(143)
Total Eligible Qualifying Capital	7,009
Total capital requirement	5,682
Surplus capital	1,327
Cover Ratio in %	123.4
Tier 1 ratio in %	6.1
Solvency ratio in %	10.0

Notes:

(1) As at 30th September 2004, the subscribed capital consisted of 241,442,832 voting shares with no par nominal value representing a share capital of EUR 482,885,784.00.

(2) Figures are based on financial statements in accordance with IFRS.

(3) Save as described herein, there has been no material change in the capitalisation of the Erste Bank Group since 30th September 2004.

Erste Bank der oesterreichischen Sparkassen AG

Introduction

Erste Bank was established under Austrian law and registered as an *Aktiengesellschaft* (joint-stock company) under the *Aktiengesetz* 1965 as amended (Stock Corporation Act). DIE ERSTE österreichische Spar-Casse Bank Aktiengesellschaft ("Die Erste") changed its name to "Erste Bank der oesterreichischen Sparkassen AG" on 4th October 1997, following the merger of GiroCredit Bank Aktiengesellschaft der Sparkassen ("GiroCredit"), the third largest Austrian bank, with Die Erste, the fifth largest Austrian banking group (the "Merger"), which created the second largest banking group in Austria. Die Erste was established in 1819 as a *Vereinssparkasse* (foundation savings bank) and, as the name suggests, was the first savings bank in Austria ("erste" means "first" in German). GiroCredit traces its history to 1937, when it was established by the savings bank sector to serve as their central institution and as a clearing bank for payments between savings banks.

The Merger was effected pursuant to a merger agreement dated 27th June 1997 and was approved by the shareholders of both GiroCredit and Die Erste at extraordinary general meetings held on 21st August 1997. The Merger was formally completed when it was entered into the Companies Register kept at the Commercial Court, Vienna on 4th October 1997.

On 6th October 1997 the newly combined bank began operating as Erste Bank der oesterreichischen Sparkassen AG ("Erste Bank") under the direction of one *Vorstand* (Managing Board) and an integrated senior management team. The integration of the business and operations of Die Erste, GiroCredit and their respective subsidiaries was completed in 1998.

Background

Erste Bank is a leading retail bank in Central Europe. Serving as the lead bank of the Austrian savings bank sector, Erste Bank, together with the savings banks, has a strong presence in its extended home market which covers Austria and adjacent Central Europe (the Czech Republic, the Slovak Republic, Croatia, Hungary and Slovenia) where it serves almost 12 million customers. Next to its geographic focus, the Bank's strengths lie above all in the quality of its products and services and the commitment of its employees.

In terms of total assets Erste Bank Group (as defined below) is the largest banking group in Austria with assets of EUR 142.2 billion at 30th September 2004. Erste Bank Group carries on a full range of banking and financial services, including deposit taking, lending, mortgage lending, investment banking, securities trading and derivatives business (on its own account and for its customers), portfolio management, project finance, international trade finance, corporate finance, capital and money market services, foreign exchange, leasing, factoring and bank assurance.

Erste Bank Group consists of Erste Bank, together with its majority owned financial and non-financial subsidiaries and participations, including Česká spořitelna, a.s. (in the Czech Republic), Slovenská sporiteľňa, a.s. (in the Slovak Republic), Salzburger Sparkasse Bank AG ("Salzburger Sparkasse"), Tiroler Sparkasse Bankaktiengesellschaft Innsbruck ("Tiroler Sparkasse"), ERSTE Bank Hungary Rt. ("Erste Bank Hungary"), Erste & Steiermärkische Bank d.d. (in Croatia), ERSTE-SPARINVEST Kapitalanlagengesellschaft m.b.H. ("Erste SparInvest"), Bausparkasse der österreichischen Sparkassen Aktiengesellschaft ("S-Bausparkasse"), Sparkassen Versicherung AG, EBV-Leasing Gesellschaft mbH & Co KG ("EBV-Leasing"), IMMORENT AG ("IMMORENT"), S-Wohnbaubank AG ("S-Wohnbaubank") and others. Until the *Haftungsverbund* agreement (the details of which are explained below) came into force on 1st January 2002, Erste Bank Group's consolidated financial statements included these subsidiaries and associates. As of 1st January 2002, the term "Erste Bank Group" includes the savings banks consolidated by Erste Bank Group under the *Haftungsverbund* agreement.

Comprising some 2,370 branches, Erste Bank Group employed approximately 36,370 people worldwide as of 30th September 2004. Erste Bank Group is represented in many countries, with a particular focus on its extended home market in Central Europe, and operates in the major financial centres of the world, including New York, London and Hong Kong.

In order to grant share options to employees, senior employees and members of the Management Board of Erste Bank or a group company, the shareholders' meeting of 8th May 2001 authorised the Management Board to effect a conditional capital increase with the consent of the supervisory board by at the same time preserving the ratio of the shares to the existing shares of up to a nominal value of EUR 18,168,208.54 by issuing up to 2,500,000 shares at an issue price of at least EUR 7.27 per share against cash contributions and by excluding the subscription rights of the current shareholders. The authorisation was granted until 25th July 2006.

Pursuant to a resolution of the Management Board on 21st January 2002 in connection with the Employee Stock Ownership Programme 2002 ("ESOP 2002"), 252,159 ordinary bearer shares were subscribed for by employees, senior employees and members of the Managing Board of Erste Bank and of Erste Bank Group in 2002.

In the context of the Employee Stock Ownership Programme 2003 ("ESOP 2003") 117,926 shares were subscribed for. Under the Management Stock Option Plan ("MSOP 2002"), 768 share options were exercised. Thus, under the ESOP 2003 and MSOP 2002, 118,694 shares representing share capital of EUR 862,582.94 were subscribed for in 2003. The capital increase became effective upon the issue of the shares, and the registration of the increased share capital in the Companies Register took place on 26th July 2003.

Erste Bank continued its Employee Stock Ownership Programme in May 2004 ("ESOP 2004") and 69,735 shares were subscribed for. Under the Management Stock Option Plan ("MSOP 2002") 347,948 share options were exercised. Thus, under the ESOP 2004 and MSOP 2002, a total of 1,667,660 shares (representing 416,915 shares prior to the stock split mentioned below) representing share capital of EUR 3,335,320.00 were subscribed for in 2004. The capital increase became effective upon the issue of the shares, and the registration of the increased share capital in the Companies Register took place on 8th July 2004.

In addition, as part of the Management Stock Option Plan 2002, 311,248 stock options representing the 3rd tranche of the MSOP 2002 were distributed to top management and key executive staff in 2004.

Erste Bank intends to continue its employee stock participation and manager stock option schemes in 2005.

The Annual General Meeting ("AGM") of Erste Bank held on 4th May 2004 approved a four-to-one stock split. To simplify the process by ensuring that the accounting par value of the resulting shares is a round number, the AGM has at the same time approved a capital increase. This increase has been funded from capital reserves of Erste Bank. As no new shares have been issued in this capital increase, there was no dilution to the value of existing holdings. As a result of the capital increase, the amount of Erste Bank's share capital represented by each share has risen from the previous level of EUR 7.27 to EUR 8.00. After the stock split, this resulted in each share representing EUR 2 of the share capital of Erste Bank. The capital increase and the split became effective by entry in the Companies Register on 8th July 2004.

As at 31st December 2003, Erste Bank's authorised and issued capital stood at EUR 435,628,641.82 (divided into 59,943,808 Ordinary Shares). As at 31st December 2004, Erste Bank's authorised and issued capital stood at EUR 482,885,784 (divided into 241,442,892 ordinary shares).

Die Erste österreichische Spar-Casse Privatstiftung, a private foundation since 19th December 2003, holds 32.5% of the voting stock of Erste Bank. Before its transformation into a private foundation Die Erste österreichische Spar-Casse Anteilsverwaltungssparkasse was a special form of savings bank holding company (Anteilsverwaltungssparkasse) which held 100% of the voting stock of Die Erste prior to the Merger with GiroCredit in 1997. This transformation did not entail a change in the shareholding of Die Erste österreichische Spar-Casse Privatstiftung in Erste Bank. Austria Versicherungsverein auf Gegenseitigkeit ("Austria Verein") holds 6.0% of the voting stock in Erste Bank, the balance of 61.5% being held by the public.

Erste Bank's shares are listed and officially traded (amtlicher Handel) on the Vienna Stock Exchange and on the Prague Stock Exchange.

Strategy

Erste Bank has four core strategies, namely: (i) focusing on and exploiting core business potentials in Austria, (ii) building a strong retail franchise with the Austrian savings banks, (iii) targeting a home market of 40 million people in Central Europe, and (iv) transferring the multi-channel distribution model throughout Central Europe.

Relationship with Austrian Savings Banks Sector

The savings bank sector comprises all savings banks including Bank Austria Creditanstalt AG ("Bank Austria"). In October 2004 Bank Austria, legally organised as a saving bank, left the privately organised Sparkassenverband which represents all savings banks, also in collective bargaining. Consequently Bank Austria is not any more included in the statistics of the Austrian Central bank as a savings bank since 2005. However, Bank Austria still participates in the deposit insurance system and the Sparkassen-Prüfungsverband Prüfungsstelle is its statutory auditor. Excluding Bank Austria, the sector is referred to as the "savings banks group". The savings bank group accounted for 18.4% of the total assets of the Austrian banking system at 30th November 2004. At the same date, the Austrian savings banks group comprised 59 legally independent savings banks with a branch network of approximately 1,126 outlets. References in this Offering Circular to the "savings banks group" or the "savings banks" refer to the Austrian savings banks excluding Bank Austria unless indicated otherwise. See also "The Austrian Banking System-Savings Banks".

Having succeeded GiroCredit, by merging it in 1997 into Erste Bank, as the lead bank of the savings banks group, Erste Bank is continuing to provide a wide range of services and products to the savings bank group and its customers. These services and products include syndication services, risk management advice, legal advice, retail mortgage, life insurance and investment fund products and portfolio and asset management services as well as securities-related services which enable independent savings banks to reduce costs while providing full service to their clients.

The relationship with the savings banks has clear advantages for Erste Bank and the other savings banks; with a network of some 980 branches it offers Erste Bank a large additional distribution network for its products without the operational costs of additional branches.

The Austrian Banking Act requires savings banks to maintain a specified amount of their savings deposits and other Euro deposits (the "Liquidity Reserve") with Erste Bank (as the central financial institution of the savings bank group). Although a legal change was recently required by the European Commission, which would have meant that the savings banks would not be required to keep the Liquidity Reserve with the central financial institution, this does not in fact affect the savings banks group because the central institution function of Erste Bank has been separately stipulated in the *Haftungsverbund* agreement. The Liquidity Reserve is intended to ensure that the savings banks have sufficient liquidity available to meet their commitments, in particular to customers for repayments of deposits while meeting their own cash flow needs. As at 31st December 2004, the Liquidity Reserve at Erste Bank amounted to EUR 3.9 billion, of which EUR 478.6 million were held with the Austrian Central Bank at the interest rate set by the European Central Bank.

The savings banks group co-operates in five main areas:

- Common development of products and services.
- The projection of a unified identity through a one-brand strategy.
- The standardisation of business and marketing strategies for retail and corporate banking.
- The development of common management information and control systems and integration of central functions.
- The introduction of a common performance-related remuneration scheme for management.

Examples of actions taken to date are:

In a process begun in 1997 and continually deepened and broadened since then, Erste Bank continued the co-operation with the savings banks in the areas of joint marketing and the central settlement of securities transactions. In order to improve advisory services and the delivery of asset/liability management ("ALM"), a common interface was established for data transmission. Sales support has been greatly reinforced since 2001. Thus, the Erste Bank retail model, which combines a customer-centred approach to advice and sales with professional support tools, is already in use at approximately 97% of all savings bank locations as of 31st December 2004. In housing finance, the distribution of speciality products (such as car leases) and in the launch of electronic sales channels (e-business), Erste Bank and the savings banks regularly move in unison.

On 26th September 2001, the majority of the Austrian savings banks signed an agreement called *Haftungsverbund*.

The *Haftungsverbund*, as an integral part of the overall joint-marketing strategy and of the close co-operation between the savings banks, is based on three pillars:

- joint product development and centralisation of processing functions, a uniform risk policy (including standardised credit risk classification), co-ordinated liquidity management and common standards of control;
- a joint early-warning system that is designed to identify financial difficulties at member savings banks and that provides support mechanisms, including intervention in management to avoid such members becoming insolvent;
- the cross-guarantee of certain liabilities of member savings banks.

The *Haftungsverbund* came into force on 1st January 2002. Since then, under IFRS, all member savings banks are consolidated into Erste Bank Group's financial statements ("Erste Bank Group").

Pursuant to the *Haftungsverbund*, s Haftungs- und KundenabsicherungsGmbH (the "Steering Company"), an entity of which Erste Bank is required to own at least 51% (currently Erste Bank owns 55.6%) of the share capital leaving the other savings banks with a maximum of 49% (currently 44.4%) of the share capital, was invested with the power to establish the common risk policies of its members and to monitor adherence to these policies. In addition, if a member encounters serious difficulties (which may be discerned from the specific information that is required to be continually generated by members and provided to the Steering Company) the Steering Company has the authority to provide assistance and/or intervene accordingly in the management (by appointing or removing the members of the managing board) of the affected member savings bank and to require other member savings banks to support and contribute to such assistance as the Steering Company determines.

Assistance may be in the form of injections of liquidity, the granting of loans, assumption of guarantees or claims, the assignment of claims and infusions of equity. To support the Steering Company, member savings banks each consent to contribute funds up to a maximum cumulative amount of 1.5% of the member's risk weighted assets from time to time determined on a non-consolidated basis plus 75% of the member's anticipated pre-tax profits for the current financial year.

Once a troubled financial member becomes insolvent, through the Steering Company, members guarantee the payment of all amounts owed to customers by the insolvent member. Such amounts include:

(a) all deposits (as defined by Section 1(1.1) Austrian Banking Act);

(b) all monetary claims based on credit balances from banking transactions; and

(c) all monetary claims from the issuance of securities

except to the extent that the relevant amounts are owed to a credit institution. Such guarantee is also subject to the cumulative limit on members' obligations referred to above.

A customer of one member savings bank has no direct claim against another individual savings bank. It may however have recourse to the Steering Company which would, in turn, have recourse to each individual member savings bank up to the limit of such member's obligation described above. The *Haftungsverbund* agreement is currently being challenged at the Federal Competition Authority (see "Legal Proceedings" below).

Austria

Savings Banks

In accordance with its core strategies, Erste Bank aims to expand and deepen the co-operation between Erste Bank and the Austrian savings banks. As the savings banks' lead bank, Erste Bank's aim is to set up a division of labour within the savings banks group. In this undertaking, every group member focuses on its particular strengths under the umbrella of the shared "Sparkasse" brand. This is intended to produce a steady increase in market share and profitability for the savings banks group. For the first time in several years, Erste Bank and the savings banks increased their market share in Austria in 2003. In 2003, the client share increased to 26.8%. In 2004, the share was maintained.

Branch Transfers

One purpose of the co-operation between Erste Bank and the savings banks is to avoid overlaps in their local market presence that would result in duplication of effort. With this objective in mind, the streamlining of the branch network which began in 1999 continued in 2004. This process has already been completed in the provinces of Salzburg, Carinthia, Upper Austria and Styria.

On 4th May 2004, the AGM accepted the transfer of four branches to the respective local savings banks in Tyrol (2) and Lower Austria (2). To date, 98 locations with more than 150,000 customers have been transferred to regional savings banks since 1999.

By the beginning of October 2003, all savings banks were linked to the unified information technology platform developed jointly by Erste Bank and the savings banks. Within two years, Erste Bank and the savings banks have created the basis for uniform, standardised processes in the savings banks group as well as for joint planning and development. A major underpinning of the *Haftungsverbund* is the definition of common standards of control for Erste Bank and the savings banks (see "Relationship with the Austrian Saving Banks Sector", above). These standards were developed in 2003 and implemented throughout the savings banks group. This is intended to ensure not only the controlling of all institutions by consistent managerial criteria, but also the comparability of product- and customer-segment-specific results between the savings banks as well as joint, more cost-efficient staff training and development. In 2003, Erste Bank and the savings banks, using a reorganised planning process, for the first time prepared joint cost and investment budgets for several years in advance.

Erste Bank's Central Europe strategy (see "Central Europe" below) is now also having positive effects for the customers of the entire savings banks group. For example, as a result of the Group's presence in multiple countries, customers only pay the domestic fees for BankCard cash withdrawals at the automated teller machines of the Central European subsidiaries.

Erste Bank's equity stakes in savings banks at 31st December 2004

	Ownership in %	**Total assets in EUR million**[1]
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft	26.9	8,132.6
Kärntner Sparkasse Aktiengesellschaft	25.0	3,050.7
Salzburger Sparkasse Bank Aktiengesellschaft	98.7	3,902.9
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft	75.0	704.3
Sparkasse Kremstal-Pyhrn Aktiengesellschaft	24.1	483.7
Sparkasse Mühlviertel-West Bank Aktiengesellschaft	40.0	408.7
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft	7.0	441.1
Steiermärkische Bank und Sparkassen Aktiengesellschaft	25.0	9,867.7
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck	74.7	3,546.0

(1) according to IFRS (unaudited).

Retail

Erste Bank pursues the goal of becoming entrenched as the best retail bank in all its geographic markets. It seeks to achieve this through its 'retail model' which is focussed on meeting the individual customer's specific needs with made-to-measure personal service. The target groups of this business segment are retail customers, the professions and small businesses. Through a wide array of distribution channels, Erste Bank gives customers around-the-clock access to a variety of financial products and services. In Austria, the retail model is delivered by Erste Bank and the savings banks; in Central Europe it is implemented by the Group's local subsidiaries.

Erste Bank intends to structure its distribution network consistently along profitability lines and so, in 2003, conducted a comprehensive analysis of its branches. Every location was scrutinised for its earning power and future market potential. Acting on this analysis, a total of 14 branches were closed or transferred to local savings banks in 2004 (including four in Vienna, nine in Lower Austria and one in the Burgenland region). A new branch was opened in Vienna in response to newly created market potential in a specific location. In the course of changing Erste Bank's retail business over to a multichannel distribution model, the offering of the individual branches was updated and further differentiated. To concentrate customer service expertise, regional branch management centres of competence were created and indications to date suggest they have improved the quality of customer care.

The cross-selling rate (the number of product groups sold to each customer) at Erste Bank increased from 1.6 in 2002 to 1.7 in 2003. This equals a ratio of 1.79 under a modified calculation process introduced in 2004. During 2004 the ratio further improved to 1.84.

Private Banking and Asset Management

One priority for Erste Bank's asset management business is to expand activities in the extended home market, Central Europe, where the demand for portfolio management and life insurance is increasing. Erste Bank intends to take advantage of this potential through its subsidiary banks.

Private banking

In its private banking operations, the Group provides personal, customised service to high-net-worth individuals and institutional clients. In addition to the wide array of international mutual funds and the other Erste Bank products, these customers can choose from products for private foundations, made-to-measure investment concepts, special-fund structures and individual discretionary portfolio management. Erste Bank's objective for 2004 was to achieve growth in the private banking business at a rate above the Austrian market average. Despite a subdued first half of the year on stock markets and customer reticence about new investment, this target was achieved, with assets under management growing by nearly 23% to more than EUR 15.5 billion. The number of customers rose by nearly 12% to 1,344. Erste Bank's strategy of providing a comprehensive service for private banking clients is now also being followed by four savings banks. First steps to establish private banking units in the Czech Republic and the Slovak Republic were taken in 2004.

Portfolio management

In portfolio management, Erste Bank offers both standardised products – such as Erste Capital Management ("ECM"), ECM Plus and the Private Banking Management Program – and custom-tailored products involving the selection of individual securities investments based on a thorough understanding of the client's unique needs. In spite of an increased rotation from standardised, fund-based portfolio management to capital-guaranteed products and to one-of-a-kind solutions at the portfolio level, total assets under management increased in 2004, from EUR 1.2 billion to EUR 1.3 billion.

Funds management

ERSTE-SPARINVEST KAG is the fund company of Erste Bank and the savings banks. In mutual funds it is a longstanding market leader in Austria. In 2004, the assets managed in 242 funds grew 13.5% to EUR 21.5 billion (an increase of EUR 2.6 billion when compared with 2003). With an overall market share of 17.26%, ERSTE-SPARINVEST KAG remains Austria's second largest provider of investment funds. In retail funds, assets under management grew by EUR 1.5 billion (when compared with 2003) to EUR 13.8 billion. The market share (20.4%) was slightly increased compared to 2003, and the market-leading position was strengthened. Assets managed in institutional funds grew by EUR 1.0 billion (when compared with 2003) to EUR 7.7 billion. The market share amounted to 13.8% in 2004, with ERSTE-SPARINVEST KAG maintaining its third-place position in this market segment. ERSTE-SPARINVEST KAG is engaged in the market for individual retirement savings accounts in Austria, both through its own mutual funds and by acquiring mandates to manage such assets for insurance companies. ERSTE-SPARINVEST KAG currently manages EUR 100 million of assets dedicated to retirement savings. ERSTE-SPARINVEST KAG also improved the overall performance of its funds in 2004. The number of four- and five-star funds (as rated by Standard & Poor's) increased – as did the the total ERSTE-SPARINVEST Performance (Peer-Group comparison from 2.1 to 1.8). In 2004 ERSTE-SPARINVEST KAG was ranked number 1 bond manager in Germany by Morning Star and the ESPA STOCK VIENNA was the worldwide best performing fund (+63% performance). In the swiftly growing markets of Central Europe, next to the local products of the regional fund companies, products of ERSTE-SPARINVEST KAG, such as enhanced cash funds and equity funds, are increasingly being offered.

Market share of Erste Bank by assets under management as at 31st December 2004

Country	Market size in EUR million	Market share in %
Austria	124,800	17.27
Czech Republic	5,640	37.30
Slovak Republic	1,818	27.89
Hungary	4,299	9.47
Croatia	590	8.23

Insurance

Sparkassen Versicherung

Sparkassen Versicherung focuses mainly on life insurance. It is the exclusive life insurance partner for Erste Bank, the savings banks and their building society, Bausparkasse der österreichischen Sparkassen. The approach taken on insurance services in Austria is to be extended to Central Europe. With the help of its local banking subsidiaries, Erste Bank intends to attain a leading position in life insurance in Central Europe.

In 2004, the Austrian market for life insurance grew by approximately 7%. overall in terms of premium volume. Sparkassen Versicherung maintained its position as Austria's largest life insurer in terms of premium income (including accident insurance) in the fourth consecutive year. It saw especially strong growth in regular-premium life insurance. Despite the sustained low interest rates, single-premium volume increased by 14.8% to EUR 552.5 million, when compared with 2003. Sparkassen Versicherung performed better than the industry average and, with a market share of more than 30% in single-premium life insurance, remains the clear market leader. In 2004, Sparkassen Versicherung reached a premium volume of EUR 887.6 million in life insurance. This represents a market share of 14% and a growth of 16.8% when compared with 2003. In casualty insurance, Sparkassen Versicherung's premium income was EUR 13.3 million, an increase of 7.8% when compared with 2003. Its total number of insurance contracts increased by approximately 10% in 2004 to a year-end level of some 972,000 policies in the life and accident lines. In 2004, Sparkassen Versicherung closed a total of approximately 30,000 contracts known as "s Private Pensions with Premium Plus", a new government-subsidised retirement savings product, thereby taking a leading position in this area of the market.

The co-operation between Erste Bank and the Wiener Städtische Insurance Group in non-life business in Austria and Central Europe was deepened in April 2004 when Wiener Städtische Allgemeine Versicherung AG ("WSV") acquired a 2% stake in the mortgage company s Bausparkasse from Erste Bank. At the same time, WSV has been granted the option until 2009 to increase its holding in s Bausparkasse up to a limit of 5% The acquisition also includes an agreement stipulating the preferential sale of s Bausparkasse's mortgage products through WSV.

Real Estate

The real estate finance unit serves non-profit and commercial housing developers, property management companies, real estate brokers, real estate trusts and retail mortgage customers. By positioning itself as a centre of competence for every aspect of home building, Erste Bank seeks to optimise the co-operation in this field between real estate developers and retail customers, with the goal of providing the best possible service to its customers. A focal point of this effort is the cooperation with the savings banks, particularly in matters of target group management, syndicated loans and the provision of finance. The transfer of real estate finance know-how to the subsidiaries in Central Europe is being increased in order to provide seamless service for customers' cross-border transactions throughout the extended home market of the Group. By issuing bonds with dual tax advantages, s Wohnbaubank raises low-cost capital at stable long-term interest rates for social-welfare housing and municipal residential construction.

Commercial housing finance

The market environment in 2004 was characterised by a still sluggish construction cycle and continuing low level of subsidies for public sector funding. The relatively low level of new construction continues to have positive implications for the ability of developers to find buyers and tenants. As the non-profit housing corporations largely have good capital strength, banks concentrate their efforts on this target group. Due to its high placement power s Wohnbaubank provides competitive financing by means of housing bonds. New bond issues by s Wohnbaubank were stable at a high level, reaching EUR 195.1 million and totalling EUR 1.1 billion at 30th September 2004 which corresponds to an increase of 21.5%.

The commercial housing finance business of s Bausparkasse amounted to EUR 466 million at 30th September 2004, which represents an increase of 44.6% when compared with 2003.

Retail housing finance

The expansion of the "wohnquadrat" centres – a marketplace for real estate advice – to 84 locations across Austria improved the savings banks group's "wohnquadrat" offering. Business was further fuelled both by the lending opportunities arising from the ongoing industry concentration among real estate trusts and by the recent greater readiness of private commercial real estate investors to invest. Growth was also recorded by s Bausparkasse in home savings deposits, which increased by 1.4% to EUR 5,355 million at 30th September 2004. The total loan book grew by 1.9% to EUR 4,863 million (as at 30th September 2004).

Other activities

Erste Bank's specialist real estate brokerage and appraisal firm, s REAL, brokered real estate transactions worth EUR 330 million in 2004. This represents a growth of approximately 13% when compared with 2003.

Small and Medium-Sized Corporate Customers

Small and medium-sized enterprises ("SMEs") constitute a traditional core segment of Erste Bank's customer base.

The financing and service products of Erste Bank aim to provide a complete answer to this customer group's need for highly specialised expertise. Regional SME banking centres provide comprehensive advisory and other services and are especially active in the Vienna, Lower Austria and Burgenland regions. Erste Bank's department for syndicated lending provides support to the local savings banks for SME financing. The Group serves Austrian SME clients across national borders, a capability that is becoming more evident in view of EU enlargement in this part of Europe. The Central European subsidiaries of the Group are partners in this endeavour. Likewise, the services of EBV-Leasing, an automotive leasing firm, are made available to the customers of Erste Bank and the savings banks via the Group's extensive distribution network.

The economic setting in 2004 remained unfavourable for SMEs. Although business investment increased, the number of corporate insolvencies in Austria rose somewhat, particularly among SMEs. Erste Bank therefore realigned its portfolio of SME customers to reflect expected returns on equity, in order to enhance the profit trend in this customer segment. The SME loan portfolio remained at EUR 1,550 million at 30th September 2004 (which corresponds to the year-end figure of 2003).

The measures taken allowed Erste Bank to further expand margins in the Austrian SME business in 2004, both in lending and deposit operations. For long-term loans, the average margin improved by 10 to 161 basis points (compared with 151 basis points at year-end 2003). In short-term lendings, there was a rise of 15 to 131 basis points (compared with 116 basis points at year-end 2003). In spite of the unfavourable business environment and the more conservative positioning of the SME portfolio, Erste Bank won new customers in this segment. By regular evaluation of clients' current needs, greater use was made of the scope for cross-selling with the existing customers. Among the cross-selling activities, the leasing business is continuously gaining importance.

While the auto leasing market grew 4.2% in the first 8 months in 2004 (when compared with 2003) based on new vehicle registrations, the Group's auto leasing firm, EBV-Leasing, recorded EUR 233.3 million of new business in the first 3 quarters of 2004. This represents an increase of 23.8% (when compared with 2003), greatly exceeding expectations for the 2004 financial year. A total of 11,439 new lease agreements were signed at 30th September 2004, compared to 10,311 in 2003. With a market share of some 12.8%, EBV-Leasing remains the largest manufacturer and independent provider of automobile leases in Austria.

Large Corporate Customers

The large corporate customers segment serves companies in Austria and abroad with a turnover of at least EUR 70 million in Austria. It has a strong tradition of financing trading companies and the service sector and therefore focuses on structured finance, trade and export finance with extensive project lending – such as for tourism development projects, tourist facilities and commercial real estate in Austria and internationally.

Erste Bank intends to acquire additional major accounts in Austria, however, a pure nominal increase in market share is not the main priority in this business segment. The paramount guiding principle remains "quality before quantity", for example, in credit approval decisions, the dominant consideration is credit quality.

Erste Bank responded to the growing importance of the markets in Central and Eastern Europe for large Austrian and international corporate customers by creating a centre of excellence for supra-regional servicing of multinational groups. While large corporate accounts in the extended Central European home market are, as a rule, catered for by the local subsidiaries, the Erste Bank business relations with large corporate customers are now centrally co-ordinated and optimised. This assists Erste Bank in achieving its aim of increasing fee and commission income in general but especially from treasury and leasing products.

As the expected improvement of the economic situation did not materialise, numerous companies remained in a phase of consolidation in 2004. The capacity adjustments, scaling-down of investment plans and the cost reduction programmes continued in 2004. Nevertheless, a portfolio analysis showed no significant changes in the earnings situation of Erste Bank's large corporate customers.

At present, prices in the large corporate customer business are generally unsatisfactory, especially by international standards. Due to the low demand for bank financing in 2004, pressure on lending margins increased. Through risk-appropriate pricing, Erste Bank nonetheless succeeded in maintaining almost constant margins.

As a result of these low margins, Erste Bank reduced its activities in the short-term financing business but carefully avoided any negative influence for existing customer relationships. This explains the slight reduction of the assets in this business segment as at September 2004. In the asset management business Erste Bank was able to acquire several new large customers' positions. This success is reflected in the increased commission income of the securities business. In general, the increased focus on fee and commission business led to good results in 2004.

During the first three quarters of 2004 net profit in this business segment was EUR 42.1 million compared to EUR 27.6 million in the same period of 2003. Net profits in this segment rose 31.0% to EUR 45.2 million due to a strong improvement in net commission income (primarily in project finance), combined with the positive valuation of securitised financing instruments under the other operating result item. The return on equity grew to 13.1%, while the cost-income ratio remained practically unchanged year-on-year at 40.0%.

IMMORENT

IMMORENT is Erste Bank's leasing specialist for equipment and real estate. In addition to providing financing, IMMORENT focuses on planning, construction and construction management of real estate and on managing real estate investment funds. In addition to its activities in Austria, IMMORENT operates especially in Erste Bank's extended Central European home market, where the company's entire portfolio of services is available. Under the slogan "leasing & more", IMMORENT provides a full line of services in real estate leasing, equipment leasing, project development and real estate investment. The volume of new leases in the domestic, cross-border and international segments reached a total of EUR 1.3 billion in 2004 compared to EUR 1.2 billion in 2003, representing an increase of 5.5%. New real estate leases decreased from EUR 777.5 million in 2003 to EUR 665.2 million in 2004. The decline results from the high growth in 2003 which reduced in 2004 to normal growth. New equipment leases rose in 2004 from EUR 421.7 million in 2003 to EUR 600.2 million. The domestic share of the new contracts rose to EUR 360.6 million. Growth was also achieved by the foreign subsidiaries: new business increased 47.7% from EUR 127.9 million in 2003 to EUR 188.9 million in 2004. In cross-border financing, new business exceeded the budgeted amount by 18% to EUR 50.7 million.

In order to unify the marketing of IMMORENT's equipment leasing business and facilitate the integration of this unit's offering into the distribution network of the Erste Bank Group and the savings banks, the "s Leasing" brand was launched in 2003. In addition, through a new distribution leasing company, F&S Leasing, the presence in the equipment segment was further reinforced. On balance, IMMORENT's Austrian business generated new leases amounting in value to EUR 640.8 million in 2004 compared to EUR 544 million in 2003 (an increase of 17.8%). IMMORENT, is a full-service provider of real estate services. This positioning was further strengthened in 2004. Thus, revenues from project planning, design and construction co-ordination services rose from EUR 6.6 million in 2003 to EUR 7.0 million in 2004. In property management, revenues in 2004 were EUR 11.9 million compared to EUR 7 million in 2003. Given IMMORENT's strategic positioning as a full-service provider in the leasing market, the project development offering is to form a key focus of the company's activity. Revenues in this business segment could be raised from EUR 5.3 million in 2003 to EUR 13 million in 2004.

Trading and Investment Banking

Treasury

The primary task of the Treasury unit is to safeguard the liquidity of the Erste Bank Group in Austria and Central Europe, both in the short and long term. The Treasury unit is also responsible for the further development of group-wide systems for profit-oriented and risk-conscious liquidity management. Furthermore, the Treasury unit supports the Group (including the savings banks in the *Haftungsverbund*) in asset/liability management with the analysis of interest-rate and currency risk and with management of their own financial investments. Treasury has the important task of developing retail products and leveraging the high potential of the customers in the Central European growth markets. International companies which deal with Erste Bank in several countries of the extended home market are served centrally by the Treasury unit.

Trading and sales

The negative effects of a tough market environment with low volatility and correlation of the asset classes was balanced by the good results in foreign exchange and fixed income trading. In foreign exchange trading, Erste Bank was able to capitalise on its position as a market maker in Central Europe (especially in CZK, SKK and HUF). This was only possible due to the efficient usage of the contacts of Erste Bank's foreign subsidiaries. As in 2003, Erste Bank's operations in structured fixed-income and equity-linked products exceeded their targets substantially. The Treasury product range was diversified further in 2004 in order to satisfy the demand for alternative investments from retail as well as institutional customers. Additionally, the service for the retail business as well as the range of products for the retail segment were increased. As the first bank on the Austrian market, Erste Bank offers hedging instruments against interest and currency risks for retail customers.

New issues

In order to strengthen its capital structure, Erste Bank issued through its indirect subsidiary EUR 275 million of hybrid Tier 1 capital. This was the largest single hybrid Tier 1 transaction in Austria in 2004. In April 2004, the 10-year, EUR 750 million fixed interest benchmark bond due in September 2013 was increased by EUR 250 million to EUR 1 billion.

Although A-1 rated by Moody's, Erste Bank's issues are traded near the level of its peers' AA3 issues.

Asset/liability management

The number of savings banks using Erste Bank's ALM service increased by 4 savings banks in 2004. Erste Bank now has 96%. of the total assets within the *Haftungsverbund* agreement. The group-wide liquidity rule book was approved and the regular analysis and reporting process was further improved and expanded.

Information technology ("IT")

In addition to the group-wide standardisation of the platform for market risk, a group-wide IT-solution for asset and liability management was introduced in 2004. Since 2003, IT contracts valid for the whole Group are concluded in order to utilise cost and resource synergies. In the front-, mid- and back-office areas of treasury and investment banking STP (straight through processing) systems were introduced.

Investment banking

In the investment banking unit, Erste Bank's aim is to become the leading full-service bank in the Austrian capital markets and offer, under one roof, the whole spectrum of investment banking services, such as capital markets transactions, corporate finance and advisory, M&A consulting, investment research and sales. Consistent with the Group's strategy, the investment banking operation especially targets the core clientele of Austrian SMEs. Within Erste Bank, this business unit is to be established as a central contact hub for non-credit financing. Additionally, Erste Bank is working towards deeper cooperation with the savings banks in the area of capital markets and corporate finance. Erste Bank's strategy is to entrench itself as an investment banking specialist in the extended home market and to be the partner of choice for customers operating in Central Europe.

Investment banking CEE

The development of the equity markets in Central and Eastern Europe was positively influenced in 2004 by the enlargement of the European Union and the cultivation of a closer relationship with Croatia. The investment banking units of Erste Bank Group did benefit from this development and were able to maintain or increase their already substantial market shares.

Capital markets and corporate finance

In 2004 the expected stimulation of the primary equity markets was mainly driven by secondary offerings rather than initial public offerings ("IPOs"). Apart from being lead manager for the sole IPO on the Vienna Stock Exchange, Erste Bank acted as joint lead manager on the largest secondary offering ever in Austria. In a combined transaction, new shares in the amount of EUR 657 million and a convertible bond offering amounting to EUR 550 million were successfully placed with private as well as national and international institutional investors for OMV AG.

Equity sales were able to benefit from the development of the Austrian Traded Index ("ATX") (which increased by 57.4% in 2004) and succeeded in extending the institutional client base. The cooperation with local Central European sales units enabled Erste Bank to offer its clients extensive market access to its core markets. These Central European core markets showed favourable trends fuelled by the enlargement of the European Community and the convergence story (referring to the convergence criteria). Investment banking operations of Erste Bank Group capitalised on those developments and extended market shares in most regions.

2004 market share in total trading volume of local securities exchanges (in %)

Institution	**Market share in %**	**Position**
EB Investment Hungary	20.84	1st
Česká spořitelna	8.41	3rd
Erste Securities Zagreb	11.41	3rd
Slovenská sporitel'ňa	3.36	9th
Erste Securities Polska	3.19	10th

Source: Internet site of the relevant Stock Exchanges.

Central Europe

Erste Bank defines the Central European countries near Austria as its extended home market. This region of approximately 40 million people consists of the Czech Republic, Slovak Republic, Hungary, Croatia and Slovenia. For Erste Bank, a strong market presence is an important prerequisite for success in retail banking. The Group's goal is therefore to attain a market share of at least 20% in each country of its extended home market. The expansion of Erste Bank's position in Central Europe is achieved through acquisitions and organic growth. Strategically, Erste Bank seeks to increase its market share in those countries of the extended home market where it has not yet reached 20%. This is to be achieved by marketing campaigns to utilise the existing potential for organic growth, and can also be attained by further acquisitions. Target markets include those countries which are expected to join the EU as of 2007 and therefore present prospects for growth.

Holdings of Erste Bank in Central Europe at 31st December 2004

Country	Erste Bank subsidiary	Ownership in %
Slovak Republic	Slovenská sporitel'ňa, a.s.[1]	80.01
Czech Republic	Česká spořitelna, a.s.	97.97
Hungary	Erste Bank Hungary Rt	99.92
Croatia	Erste & Steiermärkische Bank d.d.[2]	59.81

(1) Ownership increased to 100.0% after the purchase of 19.99% from EBRD in January 2005

(2) Ownership decreased to 51.0% after the sale of 8.81% to Steiermärkische Bank und Sparkassen AG in January 2005

Česká spořitelna

In the first three quarters of 2004, Česká spořitelna's market share in total lendings to customers increased from 19.5% (year-end 2003) to 20.4% and the share in customer deposits rose from 21.0% in 2003 to 21.6%. The total loan portfolio (loans to customers) of Česká spořitelna (group) grew until September 2004 by 11.6% to EUR 7,402 million when compared with year-end 2003. Retail lending increased 19.6%. in the first three quarters of 2004 to CZK 86.9 billion, including growth of 48.3% in retail mortgages to CZK 39.8 billion when compared with year-end 2003. Corporate loans increased by 5.6% to CZK 91.7 billion by 30th September 2000 when compared with year-end 2003.

With the sale of the last tranche of fully provisioned legacy loans from before the privatisation, Česká spořitelna completed the clean up of its credit portfolio at the end of August 2003.

The implementation of a customer relationship management ("CRM") system in 2003 now permits Group-wide analytical and operational CRM for efficient, sustained customer care across all distribution channels. The primary purpose is not the acquisition of new clients, but the optimum servicing of the existing customer base and the expansion of cross-selling. Thus, the number of customers using the "Servis 24" products (Telebanking and netbanking) rose 12.1% compared to 2003 to almost 760,000. By 30th September 2004 some 876,000 people availed themselves of alternative distribution channels.

In October 2004, Česká spořitelna received the Most Credible Bank title in the MasterCard Bank of the Year contest. In the third year of the contest Česká spořitelna also defended for the third time the Mortgage of the Year title. In September 2004, Česká spořitelna repeatedly received a major international award as Bank of the Year for the Czech Republic in the prestigious contest The Banker Awards 2004. The bank thus successfully defended its title from last year. In July 2004, Česká spořitelna won Awards for Excellence 2004, which are hosted every year by Euromoney monthly magazine for the banking and capital markets sectors. Česká spořitelna was named as the best bank in the Czech Republic.

To further increase efficiency, Česká spořitelna's staff was reduced by 5.7% compared to year-end 2003 to about 11,700 employees as of 30th September 2004.

In line with the Erste Bank Group's strategy of focusing its insurance operations exclusively on life insurance, subsidiary Pojitovna CS sold its property and casualty insurance business to Kooperativa pojitovna, the Czech subsidiary of Wiener Städtische Versicherung, as of 30th November 2003. Wiener Städtische Versicherung thus became a partner of the Erste Bank Group in Central Europe. The one-off impact arising from the sale on Česká spořitelna's consolidated net profit represents CZK 1.16 billion. Pojitovna CS is 55% owned by Česká spořitelna, whilst the remaining 45% is held by Sparkassen Versicherung.

Slovenská sporitel'ňa

During the first three quarters of 2004, Slovenská sporitel'ňa was able to maintain or increase its market shares in the most important business areas. In this period, Slovenská sporitel'ňa's loans and advances to customers rose by 16.9% to EUR 1,552 million (representing a market share of 20.4%), with the retail portion of this portfolio increasing by 24.8% to SKK 24.43 billion compared to 2003. Retail mortgage loans increased by 27.5% to SKK 7.95 billion when compared with 2003 (representing a market share of 32.1%).

The restructuring and selective re-sizing of the branch network continued in 2004. With 337 branches as at 31st December 2004, Slovenská sporitel'ňa remains the leading bank in the Slovak Republic. Alternative distribution channels continued to expand in 2004. In mid 2004, more than three quarters of all transactions were conducted through electronic banking channels.

The founding of Leasing Slovenskej sporitelne, a joint auto leasing firm of Slovenská sporitel'ňa and EBV-Leasing, in 2003 broadened the product range with a view to intensified cross-selling. A strong performer in the first three quarters of 2004 was mortgage and overdraft loans to natural persons, where Slovenská sporitel'ňa increased its volume by 43% and 140%., respectively in comparison to the same period in 2003.

In 2004 Erste Bank finalised the purchase of an additional 10% of the share capital of Slovenská sporitel'ňa, a.s from the Slovak National Property Fund. Following the signing of the share purchase agreement in Bratislava and the payment of the total purchase price of EUR 72 million, closing of the transaction took place on 20th April 2004, when the bank's shares were transferred to Erste Bank. With this transaction Erste Bank increased its stake in Slovenská sporitel'ňa from 70.01% to 80.01% The remaining stake (19.99%) was held by the European Bank for Reconstruction and Development. According to a call/put option agreement Erste Bank exercised its right to buy those remaining shares in January 2005. Thus, Slovenská sporitel'ňa's is now solely owned by Erste Bank.

Erste Bank Hungary

In 2003, Erste Bank strengthened its presence in the Hungarian market when, on 20th October 2003, it signed an agreement to buy 99.97% of the shares of Postabank és Takarékpénztár Rt. ("Postabank") after having been chosen as the successful bidder in the privatisation process. The shares were transferred on 16th December 2003.

The legal merger between Erste Bank Hungary and Postabank was effected on 1st September 2004. The combined entity, Erste Bank Hungary, is Hungary's second largest retail bank, and a market leader in investment banking and leasing.

A strategic partnership with the Hungarian postal service, which has been revitalised, gives customers access to an additional 3,200 post offices. The resulting cross-selling opportunities and the cost savings from Postabank's merger with Erste Bank Hungary (including, for example, the integration of the IT systems and central control functions and the optimisation of the retail network) represent crucial benefits from this acquisition.

In 2004, massive efforts were made to ensure the successful integration of the two entities. A thorough integration program was set up, covering all aspects of banking operations. Following the merger, the migration of cards, client data and accounts has been completed. The integration program was successfully completed in 2004. The second wave of IT migration (retail loans, corporate accounts and loans) and the related accounting tasks is expected to be completed in the first half of 2005.

Despite the strong focus on the integration, Erste Bank Hungary had a solid business and financial performance. As of 30th September 2004, the bank's total assets reached EUR 4,371 million. Customer loans totalled EUR 3,001 million (a 24.0% increase compared with year-end 2003), mainly driven by boosting retail loans. Customer deposits declined slightly by 0.1% to EUR 2,380 million at 30th September 2004, partly affected by the withdrawal from some unprofitable products of Postabank under the old postal cooperation. Erste Bank Hungary managed to make a breakthrough in the investment fund segment, increasing its market share from 2.6% to 9.5% during 2004.

Net interest income increased by 20.5% and net commission income increased by 37%. Cost per income ratio improved from 78.5% to 66.6% at 30th September 2004. In the first nine months of 2004, net profit totalled EUR 17.0 million, representing a 57.4% increase compared with the same period of 2003. This translates into a return on equity of 10.1% increase (nine-month data) in the year of integration.

Erste & Steiermärkische Bank

For Erste & Steiermärkische Bank, 2003 was marked by a profound transformation and merger process. The merger of subsidiaries Erste & Steiermärkische banka and Rijecka banka to form the new Erste & Steiermärkische Bank was legally effected on 1st August 2003, with retroactive effect from 1st January 2003. Just 16 months after the purchase of Rijecka banka, this unit's transformation was completed and it now forms the basis for strengthening the position in the Croatian banking market. With a market share of about 10%, Erste & Steiermärkische Bank ranks third in Croatia.

Given Croatia's regional significance for Steiermärkische Bank und Sparkassen AG, this bank is Erste Bank's partner in Croatia and, in January 2004 as well as in January 2005, Steiermärkische Bank und Sparkassen AG increased its stake in Erste & Steiermärkische Bank to 35.0%. and 43.8% respectively by acquiring shares from Erste Bank and by making a voluntary offer to the minority shareholders. Erste Bank retains a majority participation of 51%. The free float was reduced to 5.2%.

Symbolising the identity as part of the Group, a new logo was introduced at Erste & Steiermärkische Bank after the conclusion of the merger in August 2003. With restructuring in progress, Erste & Steiermärkische Bank succeeded in growing its business. For example, lending to customers grew by 26.8% to EUR 1,753 million during the first three quarters of 2004. At the beginning of 2004 this achievement was made more difficult by the restrictions imposed by the Croatian central bank on banks' lending. Customer deposits also grew by 20.9% to EUR 1,763 million compared to 2003.

in EUR million	Česká spořitelna 2004[1]	Česká spořitelna 2003[2]	Slovenská sporitel'ňa 2004[1]	Slovenská sporitel'ňa 2003[2]	Erste Bank Hungary 2004[1]	Erste Bank Hungary 2003[2]	Erste & Steiermärkische Bank 2004[1]	Erste & Steiermärkische Bank 2003[2]
Operating result	262.8	314.2	90.2	145.7	64.3	44.9	41.5	39.7
Profit for the year[(3)]	204.0	234.9	57.9	66.3	17.0	18.5	28.3	29.9
ROE (in %)	24.8	23.7	18.9	19.2	10.1	8.2	17.6	14.7
Cost-income ratio (in %)	57.6	59.8	56.7	51.9	66.6	78.6	53.3	62.3
Total assets	18,875	17,095	5,791	5,060	4,371	3,805	2,916	2,551
Shareholder's equity	1,145	1,062	395	377	238	211	211	210
Number of employees	11,699	12,420	5,239	5,283	2,517	3,145	1,443	1,463
Number of customers (in million)	5.5	5.5	2.5	2.5	0.9	0.9	0.6	0.6
Number of branches	647	667	337	339	169	194	119	118

(1) Data as at 30th September 2004

(2) Data as at 31st December 2003

(3) After taxes and minority interests

International Business

The International Business unit has the function of balancing the risk profile of the Erste Bank Group's loan portfolios in Austria and Central Europe. This business unit does not lend directly to customers, but instead operates largely in the secondary and syndication markets. All profit centres actively manage their credit portfolios by risk-return criteria in order to make stable contributions to the Erste Bank Group's results over periods of several years.

New York profit centre

The New York branch focuses on corporate, trade and project finance. About two-thirds of all lending consists of syndicated senior secured loans to corporate clients. A reduction in defaults during 2004 has increased demand for these forms of investment in the United States markets. Trade finance activities with Latin American banks in 2004 increased slightly from the level of the previous years.

London profit centre

The activities of the London branch included acquisition finance with a substantial market share in Central Europe, asset backed securities, structured trade finance, commercial property finance and aerospace finance. The amount of new business booked in 2004 has been comparable to the previous year. Substantial margin pressure and the enormous demand for all types of financial assets by banks and investors has led to a deterioration of the risk/reward profile of many new deals. By applying strict credit selection criteria and an active portfolio management, the branch was able to maintain the quality of the portfolio with almost 70% at investment-grade level. Overall the financial performance of the branch has been satisfactory and adequate reserves for the credit exposure have been accumulated.

Hong Kong profit centre

The Hong Kong branch lends to financial institutions, governments and companies with good credit ratings which are located in the Asia-Pacific region. Loans outstanding at the end of 2004 were higher than 2003 levels, primarily as a result of increased lending to financial institutions and the positive translation impact arising from the substantially weaker US$. Portfolio credit quality also continued to improve with investment grade assets accounting for 87% of total exposures compared with 85%. in 2003.

The portfolio grew by 38% from US$ 1,825 million to US$ 2,536 million mainly because of (i) increased lending to financial institutions; and (ii) translation impact due to substantially weaker US$ at year end. Investment grade exposures represented 87% of total portfolio as compared with 85% in 2003.

Vienna profit centre

International Business in Vienna is centred on lending to governments and banks, with a small portfolio of corporate loans. The strategic emphasis lies in maximum diversification of country risks. In accordance with Erste Bank's strategy, in 2004, the unit continued to have considerable exposure in Central and Eastern Europe, as well as supporting the activities of the banking subsidiaries in this region. The portfolio consists largely of asset swaps (27%), euroloans (about 30%) and floating rate notes (some 20%). Portfolio quality was maintained, with investment-grade assets remaining over 85% of the total exposure. Despite the weak US$ – the currency in which one-fourth of the portfolio is denominated – total lendings grew significantly in 2004.

Corporate Centre

Marketing

The Group Marketing unit establishes the brands of the Erste Bank Group in its extended home market in Austria and Central Europe. As part of its Group-wide responsibility, Marketing ensures the co-ordination of the marketing activities and advertising of all entities in the Erste Bank Group, including the Austrian savings banks. Together with the savings banks, Erste Bank has reinforced the positioning of the successful dual logo representing the strong shared brand. As in 2003, recognition of the shared maxim “Every relationship is about people” increased in the third quarter of 2004. In 2003, a new strategy was developed for Erste Bank’s sports sponsorship activities that is in keeping with the Group’s brand positioning. The backing given to sports eloquently embodies the dynamism and forward-looking focus of Erste Bank’s expansion strategy. The year 2004 was mainly characterised by a group-wide corporate design change and the enlargement of the European Union and its relevant marketing activities.

Erste Bank Group was awarded “Retail group of the year 2004” by the Lafferty Group.

In the autumn of 2004, the merger of the Hungarian banking subsidiaries Erste Bank Hungary and Postabank és Takarékpénztár was successfully concluded. The combined entity now operates under the Erste Bank logo. In 2004, Česká spořitelna received the “Most Credible Bank” award from Mastercard as well as the “Bank of the year” award from The Banker. The Slovak subsidiary Slovenská sporitel’ňa received the “Koloseum award” in 2004, the award given for the best brand in banking. Erste & Steiermärkische Bank received the “Golden share award” for the best media contacts in Croatia.

Organisation & IT

The overall goal of the Organisation & IT unit is to ensure the cost-efficient functioning of the entire day-to-day IT operations of Erste Bank and the savings banks. Key objectives are to increase the performance transparency for customers and realise ongoing cost savings by reaping synergies. In addition, Organisation & IT is responsible for the further development of the long-term IT strategy, which fits into the core strategy of Erste Bank Group. The IT strategy is based on the expectations and requirements of Erste Bank Group’s individual business units and technology departments. The organisational methods of Erste Bank continue to be extended more widely to the Austrian savings banks and Central European subsidiaries through selected initiatives. Examples include the standardisation of project management training and the institutionalisation of methods, processes and quality assurance efforts.

Activities in Austria

After migrating to the IT platform of the savings banks in 2002, the business processes based on this shared software were to a large extent unified within the project s-Plus during 2003. While in 2003 s-Plus and the integration of the newly acquired subsidiaries in CEE into Erste Bank’s IT-infrastructure were the main priorities, the focus in 2004 was on the development of a long-term IT-strategy aimed at significant and lasting cost savings.

As far as the lending process is concerned, in 2004 further steps towards an efficient implementation of the Basle II directives throughout the savings banks group were taken. Amongst others, a central data pool for risk information was formed, the implementation of a common rating process into the local IT-systems of its subsidiaries began and a new tool for data collection regarding operational risk was introduced.

Since 2003, Erste Bank has been working to generate payments synergies beyond the savings banks group through a co-operation agreement with Austrian banking group BAWAG P.S.K. Gruppe. The agreement covers key areas of domestic and international payments. In 2004, in connection with the creation of NACH, a national automated clearing house, the Austrian National Bank is promoting this model of collaboration as an infrastructural basis for the clearing house and, in fact, for harnessing additional synergies between all Austrian credit institutions.

Projects at the banking subsidiaries in Central Europe

Following the merger of Rijecka banka with Erste & Steiermärkische banka, the complete integration of the respective IT-systems of the two institutions was also accomplished on schedule.

After the integration of products and operational processes, the migration of the IT-systems of Postabank to Erste Bank Hungary was completed on 1st November 2004.

Due to the databases-centralisation of the core-system of Slovenská sporitel’ňa, significant synergy effects were realised. Apart from a substantial reduction of the operational risk, a noticeable performance improvement was achieved, which led to an improved quality of service for customers.

Starbank, the core-system at Česká spořitelna, received a comprehensive update in 2004. The implementation of Erste Bank’s CRM (customer relationship management) system in all branches of Česká spořitelna resulted in a clear strategic competitive advantage compared to other banks in the Czech Republic.

E-Business

One of Erste Bank’s core strategies is to give customers the choice of how and when to use its services. As a cornerstone of this multi-channel approach to distribution, e-business is quickly becoming indispensable. The electronic banking products of Erste Bank are developed and rolled out together with the Austrian savings banks.

The Customer Sales Service Center ("CSSC"), a virtual branch, accessible to some 1.1 million customers of the savings bank group around the clock for standard financial transactions, handled more than 1.7 million customer contacts in 2004. Growth continued in the number of retail customers of Erste Bank and the savings banks who use netbanking, the platform for PC-based access to banking services. The user base grew by 17% in 2004 to 573,000 clients when compared with 2003. Growth within netbanking is particularly strong in standard transactions. For instance, account statement transactions increased by 24% in 2004 when compared with 2003 to just under 2.1 million and electronic requests to customer service representatives grew 48% to more than 135,000 when compared with 2003.

Nearly 22 million customer contacts were logged in 2004 altogether through all electronic transaction channels. "Phonebanking" was used by 387,000 customers, an increase of 18% compared to 2003. Similarly, the customer base of nettrading and brokerjet, the securities trading platforms designed for different client investment horizons, was expanded by 17% in 2004 to more than 23,500 when compared with 2003.

The current use of electronic payments via telebanking rose continuously in 2004. EUR 67.0 billion have been moved via telebanking. The growth rate was 11.7% compared to 2003. In Austria, telebanking was used by more than 44,000 commercial clients in 2004.

The multi-channel management ("MCM") model for enhancing customer service and accelerating the expansion of the additive distribution channels was further expanded in 2004 by the following main initiatives and features:

— The CRM support for proactive sales offensives was continued. Further developments of the analytical processes of the data-mining unit and increased integration of CRM in the sales process led to improved results of the CRM-based sales campaigns.

— In the area of additive distribution channels, Erste Bank launched new functionalities in netbanking and mobilebanking, and rolled out online purchases of savings products via netbanking. Moreover, the retail support activities of the ServiceCenter were integrated into the MCM distribution processes. For example, 2,200 profit-accounts, 520 building society contracts and about 60 pension plans were contracted online. These figures indicate the extensive activities in the field of online purchase.

By updating the accounts management system, new services were created in 2003, such as the 24-hour availability of netbanking turnover and the ability to view all cash transactions immediately at the account statement printer. Some improvements have been made to functionalities in netbanking in 2004, for example, the realtime-domestic transfer, the extended possibility of searching for transactions using the parameter posting text and the display for owners of secondary cards.

Credit risk at the Erste Bank Group

Group risk management

Strategic risk management in the Erste Bank Group defines Group standards for ensuring uniform methods and processes of credit risk management and assembles an aggregate picture of the credit risk of the Erste Bank Group from the data supplied by the Group institutions. Strategic risk management is also responsible for implementing the requirements for the earliest possible qualification of the Erste Bank Group for the IRB (internal-ratings-based) approach under Basle II. The necessary steps were taken on schedule in 2003 and 2004.

Operational credit risk management in the Erste Bank Group is, as a rule, performed at the level of the individual Group companies.

In line with the central importance of risk management, Management-Board-level responsibility for risk management is separated from responsibility for business management and profits.

Credit portfolio of the Erste Bank Group

Total credit risk

The credit exposure corresponds to the sum of the balance sheet items loans and advances to credit institutions and loans and advances to customers, fixed-income securities (whether held in the trading book or as investments available for sale or financial investments) and the off balance sheet credit risks in the form of guarantees and letters of credit. The investment portfolio of Sparkassen Versicherung also forms part of the credit exposure.

The total credit risk of the Erste Bank Group as of 30th September 2004 increased by 12.1% (EUR 14.6 billion) to EUR 135.0 billion as of 30th September 2004. Of this rise, EUR 2.9 billion was contributed by the Austrian group companies, while EUR 11.7 billion was accounted for by the subsidiaries in the Central European core markets.

Trend in credit quality

The expansion in total credit risk fell mainly into the best risk class ("low risk") showing a rise in the amount of EUR 15.0 billion as of 30th September, while the size of the "management attention" and "substandard" categories decreased by about EUR 158 million and EUR 308 million, respectively. Some 85.1% (compared with 82.9% in 2003) of the Erste Bank Group's total credit portfolio is now in the best risk category; the relative importance of the other risk levels declined.

Trend in Austria and abroad

In Austria, total credit risk increased by EUR 2.9 billion or 4.7% as of 30th September 2004 when compared with year-end 2003. The sub-standard and non-performing loan categories showed a decline of some EUR 288 million (8.4%) and EUR 62 million (1.9%), respectively.

Credit risk abroad (including cross border exposure of the Austrian group companies) increased by EUR 11.7 billion or 20.0% in the first 3 quarters 2004 when compared to 2003. Here growth in the best risk class was above average while the risk categories management attention and sub-standard showed a decline of some EUR 377 million and EUR 20 million. Nevertheless, the non-performing loan category increased by EUR 78 million.

Credit risk distribution by sector

As of 30th September 2004, the sectors with the highest credit risk exposure were banks and insurance companies, private households and the public administration, which is the same sequence as in 2003. The next highest exposure levels were found in real estate, manufacturing and trade. With the exception of construction (3.0%), the shares of the other industries are less than 2.1%. The sector mix thus remains balanced, with an appropriate degree of risk diversification.

Total credit risk by sector

in EUR million	Low Risk	Management attention	Substandard	Non-performing	Total exposure
Agriculture and forestry	851	265	61	84	1,261
Mining	347	144	235	37	764
Manufacturing	5,352	1,453	817	456	8,079
Energy and water supply	1,076	446	49	48	1,620
Construction	2,525	937	267	364	4,093
Trade	4,851	1,719	651	606	7,827
Hotels and restaurants	1,035	926	465	394	2,821
Transport and communication	1,646	727	107	224	2,704
Banking and insurance	47,314	792	72	66	48,244
Real estate and other business activities	7,862	2,750	450	603	11,664
Public administration	19,329	254	11	20	19,614
Health and social work	850	136	38	31	1,055
Other service activities	1,001	363	122	131	1,617
Private households	20,093	1,369	404	966	22,833
Other	731	58	13	24	827
Total	114,866	12,339	3,762	4,055	135,022

In Austria, the largest decrease was observed in the construction industry (EUR 211 million) and the manufacturing industry (EUR 103 million) when compared with year-end 2003. In Austria, the largest increase was observed in the banking and insurance industry (EUR 1,482 million), private households (EUR 1,116 million) and the real estate industry (EUR 462 million) when compared with 2003.

Outside Austria the increase in the aforesaid total risk exposure is mainly due to an increase in the banking and insurance industry (EUR 7.5 billion), private households (EUR 0.9 billion) and public administration (EUR 1.7 billion), whereas decreases in the total risk exposure was observed in the energy sector (EUR 152 million) and the transportation industry (EUR 132 million).

Regional distribution of credit risk

Of the total growth of EUR 14.6 billion in the first three quarters 2004, industrialised countries (including European Union member states outside the core market) accounted for EUR 7.9 billion (with a growth rate of 29.3% when compared with year-end 2003) and the core market (i.e. including Austria) grew by EUR 7.0 billion (7.8% when compared with year-end 2003). The largest increase outside Austria was achieved in the Czech Republic (with a growth of EUR 1.5 billion) and in Hungary (showing an increase of EUR 0.9 billion). The credit exposure in emerging markets and developing countries decreased by EUR 317 million when compared with year-end 2003.

Total credit risk by region

in EUR million	Low Risk	Management attention	Substandard	Non-performing	Total exposure
Extended Home Market	78,776	10,735	3,525	3,750	96,786
Austria	49,615	9,330	3,148	3,136	65,229
Czech Republic	15,142	361	83	191	15,778
Hungary	5,327	219	114	132	5,791
Slovak Republic	5,205	250	73	101	5,628
Croatia	2,573	442	89	147	3,251
Slovenia	914	134	18	43	1,110
Other EU countries	24,329	852	72	192	25,445
Other industrialised countries	9,136	296	72	53	9,557
Emerging Markets	2,625	457	94	59	3,234
South-Eastern Europe/CIS	483	90	12	3	589
Asia	1,151	53	8	28	1,241
Latin America	622	92	39	6	759
Middle East/Africa	369	222	34	22	646
Total	114,866	12,339	3,762	4,055	135,022

Non-performing loans ("NPL") and risk provisions

Loans are classified as non-performing if one or more of the default criteria set out by Basle II are met: full repayment unlikely, interest or principal payments more than 90 days past due, restructuring resulting in a loss to lender, write-off of a loan loss, or opening of bankruptcy proceedings. By adopting the Basle II definition of default, Erste Bank has chosen a conservative approach. The NPL figures presented here constitute gross amounts, meaning that collateral has not been taken into account. Where guarantees exist risk is transferred to the guarantor.

In the first three quarters of 2004, NPL increased by EUR 17 million to EUR 4,055 million, or 0.4% compared to year-end 2003. At the same time, risk provisions for loans and advances increased by EUR 88 million to EUR 2,917 million (3.1%) compared with year-end 2003. On average in the Group, risk provisions cover 71.9% of reported NPL. As NPL include secured outstandings, this level can be considered sufficient, especially when taking into account the actual loss experience given default.

Legal Proceedings

Haftungsverbund

Assertions made by an Austrian competitor at the end of 2003 to the Austrian Financial Markets Authority and to the Austrian Federal Competition Authority allege that the formation of the *Haftungsverbund* between Erste Bank and most of the other Austrian savings banks does not comply with European and/or national legislation.

At present, the Cartel Court (on request by the Federal Competition Authority and the competitor) is reviewing the question of the applicability of European competition law to the co-operation under the *Haftungsverbund* between Erste Bank and the member savings banks. While under national competition law, groups under sec 30 (2a) of the Austrian Banking Act are explicitly exempt from competition rules, plaintiffs argue that the *Haftungsverbund* has an effect on interstate commerce between Austria and other EU member states and therefore also falls under Art 81 of the EC Treaty, although no explicit ruling on co-operations of this kind exists. In a worst case-scenario, the Cartel Court could decide that Art 81 (1) of the EC Treaty is applicable to the *Haftungsverbund*, and that an exemption for the *Haftungsverbund* under Art 81 (3) of the EC Treaty would require certain amendments to the co-operation.

The co-operation under the *Haftungsverbund* existing between Erste Bank and the other members qualify as a credit institute group within the meaning of sec 30(2a) of the Austrian Banking Act. The credit institute group forms the basis for Erste Bank's consolidation of qualifying capital (required under sec 24 of the Austrian Banking Act) and of risk weighted assets (required under sec 22 of the Austrian Banking Act) of the members of the *Haftungsverbund*.

An examination by the Austrian Financial Markets Authority of the validity of the competitor's allegations has already been completed with the following conclusion: the Financial Markets Authority shall continue to apply sec 30 (2a) of the Austrian Banking Act. Furthermore it has confirmed that the *Haftungsverbund* existing between Erste Bank and the other members qualifies as a credit institute group.

The consolidation of *Haftungsverbund* members' qualifying capital and risk weighted assets improved by 55 basis points (0.55%) the Tier 1 ratio of the Erste Bank Group upon first application in September 2002. Even without the equity of the other *Haftungsverbund* member savings banks, the statutory minimum levels of regulatory capital would have been fully complied with.

In the opinion of Erste Bank, the *Haftungsverbund* is in full compliance with all applicable laws and regulations, and Erste Bank's co-operation with the participating savings banks does not breach any laws and any regulations.

In December 2004, Erste Bank, together with some other members of the *Haftungsverbund*, filed an application with the Cartel Court for a declaratory decision that the cooperation of the applicants under the *Haftungsverbund* qualifies as a "*Zusammenschluss*" (combination) within the meaning of the cartel merger rules. This procedure does not alter in any way the principles on which the *Haftungsverbund* is based.

State Aid

In connection with the accession to the European Union, the European Commission is screening state aid granted by the governments of the accession countries in the past with respect to their conformity with European Union standards for the period after the accession date of 1st May 2004. The European Commission's examinations of the restructuring of the Czech Republic's Česká spořitelna, a.s. and of the Slovak Republic's Slovenska spořitelna were completed in 2004 with a positive outcome: the European Commission found that the restructuring measures have no effect on the period after the accession date.

With respect to the Republic of Hungary's Postabank, the European Commission completed its examination under the Interim Procedure in October 2004. The European Commission found that all but one of eighteen measures in favour of Postabank, including an "indemnity for threatened litigation claims", have no effect on the period after the accession date. With regard to one particular measure notified by the Hungarian Government and reviewed by the European Commission, an "indemnity for unknown claims" granted by the Republic of Hungary to Erste Bank in the share purchase agreement on the sale of 99.9% of Postabank (in the course of the privatisation of Postabank, following a public two-round tender process), the European Commission has informed the Republic of Hungary that it has serious doubts about the compatibility of this particular indemnity with the *acquis communautaire* and that it has therefore decided to object to that measure and to initiate the formal investigation procedure laid down in Article 88 (2) of the Treaty of the European Community.

In 2003, in connection with the financial collapse at the end of the 1980s of the WEB-IMMAG group, a conglomerate of real estate and finance companies in Salzburg, Austria, a trial court passed criminal judgements against three former managers of Salzburg Sparkasse. The verdicts are subject to appeal. The three retired managers were charged with being accessories to acts of embezzlement committed by the individuals responsible at the WEB-IMMAG conglomerate, who where already convicted by the court of last instance. Since the beginning of 2004, with reference to these sentences and the alleged liability of Salzburger Sparkasse for the acts of its former managers, some three thousand former WEB-IMMAG investors, with the support of the Verein für Konsumentenschutz, an Austrian consumer protection association, have brought civil suits against Salzburger Sparkasse claiming alleged damages in an amount of EUR 61 million plus interest in an amount of EUR 66 million. The hearings at the court of first instance were scheduled to start in February 2005. Right before the beginning of the hearings the claimants have considerably reduced their claims – they are now claiming damages in the total amount of EUR 44 million plus interest/loss of profit in the amount of EUR 10 million. Salzburger Sparkasse is contesting these claims. In view of the complex legal and factual issues involved it is expected that it will take several years before a final judgement will be available.

Supervisory Board as at 1st February 2005

Name	Position	Principal Activities outside the Erste Bank Group
Heinz Kessler	Chairman	Former CEO of Nettingsdorfer Papierfabrik AG
Klaus Braunegg	First Deputy Chairman	Attorney-at-Law
Theresa Jordis	First Deputy Chairwoman	Attorney-at-Law
Werner Hutschinski	Member of the Supervisory Board	Businessman
Georg Winckler	Member of the Supervisory Board	Rector of the University of Vienna
Friedrich Rödler	Member of the Supervisory Board	Senior Partner of PwC Pricewaterhouse Coopers GmbH
Bettina Breiteneder	Member of the Supervisory Board	Businesswoman
Elisabeth Gürtler	Member of the Supervisory Board	Businesswoman
Jan Homan	Member of the Supervisory Board	CEO of Teich AG
Josef Kassler	Member of the Supervisory Board	Former CEO of Steiermärkische Bank u. Sparkassen AG, President of the Savings Bank Association
Hubert Singer	Member of the Supervisory Board	CEO of Dornbirner Sparkasse Bank AG
Lars-Olof Ödlund	Member of the Supervisory Board	Senior Adviser FöreningsSparbanken AB, Sweden
Günter Benischek	Employee Representative	—
Christian Havelka	Employee Representative	—
Erika Hegmala	Employee Representative	—
Ilse Fetik	Employee Representative	—
Joachim Härtel	Employee Representative	—
Anton Janku	Employee Representative	—

Managing Board

Name	Position
Andreas Treichl	Chief Executive Officer
Elisabeth Bleyleben-Koren	Deputy Chief Executive Officer
Reinhard Ortner	Member of the Managing Board
Franz Hochstrasser	Member of the Managing Board
Erwin Erasim	Member of the Managing Board
Christian Coreth	Member of the Managing Board

Representatives of the Supervisory Authority as at 1st February 2005

Name	Position
Robert Spacek	Senate Councillor, State Commissioner
Dietmar Griebler	Deputy Municipal Director, Deputy State Commissioner
Sabine Kanduth-Kristen	Councillor, Commissioner for Guarantee Stock
Erhard Moser	Councillor, Vice-Commissioner for Guarantee Stock
Irene Kienzl	Councillor, Trustee for Guarantee of Mortgage and Municipal Bonds
Anton Rainer	Councillor, Trustee for Guarantee of Mortgage and Municipal Bonds

Statement of Rights of the Series J Preference Shares

Erste Finance (Jersey) (6) Limited (the "Company")

Series J Non-cumulative Non-voting

Preference Shares

The following are the terms and conditions of the Unclassified shares of the Company hereby designated as Series J Non-cumulative Non-voting Preference Shares (the "**Series J Preference Shares**"), which expression shall include any further shares of the same Series issued pursuant to Article 6 of the Company's Articles of Association (the "**Articles**"), as adopted by the Board of Directors pursuant to their meeting held on 3rd March 2005. The Series J Preference Shares shall have attached to them the following rights and obligations in addition to the rights and obligations set out in the Articles.

1 Definitions and Interpretation

1.1 Capitalised terms used but not defined herein shall have the meanings given to them in the Articles. In addition, as used in this Statement, if not inconsistent with the subject or context, the terms set out below shall have the following meanings:

the "**Agent**" means JPMorgan Chase Bank or such other entity as is appointed by the Company and notified to the Holders of the Series J Preference Shares in accordance with Paragraph 10;

the "**Act**" means the Austrian Banking Act 1993, as amended;

"**Asset Parity Security**" means any preferred or preference share or other security issued by Erste Bank, the Company or any other Subsidiary of Erste Bank (i) ranking *pari passu* as to participation in the assets of Erste Bank with Erste Bank's obligations under the Support Agreement, or (ii) entitled to the benefit of a guarantee or support agreement from Erste Bank ranking *pari passu* as to participation in the assets of Erste Bank with Erste Bank's obligations under the Support Agreement;

"**Austrian Tax**" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic of Austria or by any authority therein or thereof having power to tax;

"**Bank Share Capital**" means the ordinary shares of Erste Bank, together with all other securities issued by Erste Bank (including *Vorzugsaktien*), ranking *pari passu* with the ordinary shares of Erste Bank as to participation in a liquidation surplus;

"**Business Day**" means a London business day on which TARGET is operating;

"**Credit Institute Group**" means all companies consolidated with Erste Bank pursuant to §30 of the Act for capital adequacy purposes;

"**Distributable Funds**" means, in respect of each fiscal year of Erste Bank, the aggregate amount, as calculated as of the end of the immediately preceding fiscal year, of accumulated retained earnings and any other reserves and surpluses of Erste Bank capable under the companies laws of Austria of being available for distribution as cash dividends to holders of Bank Share Capital, but before deduction of the amount of any dividend or other distribution declared on Bank Share Capital in respect of such prior fiscal year;

"**Dividend Date**" means 23rd September in each year, commencing on 23rd September 2005 and shall remain unadjusted if any such Dividend Date falls on a date which is not a Business Day;

"**Dividend Parity Security**" means any preferred security or preference share or other security (i) issued by Erste Bank and ranking *pari passu* as to payment of dividends with Erste Bank's obligations under the Support Agreement or (ii) issued by the Company or any other Subsidiary of Erste Bank and entitled to the benefit of a guarantee or support agreement from Erste Bank ranking *pari passu* as to payment of dividends with Erste Bank's obligations under the Support Agreement;

"**Dividend Period**" means the period from (and including) 23rd March 2005 to (but excluding) the first Dividend Date and each successive period from (and including) a Dividend Date to (but excluding) the next succeeding Dividend Date;

"**Dividend Rate**" means 5.25% per annum;

"**Dividends**" means the amount of dividends payable on the Series J Preference Shares in accordance with the terms thereof;

"**Euro-zone**" means the region comprised of member states of the European Union that adopt or have adopted the single currency in accordance with the Treaty;

"**Financial Markets Authority**" means the authority provided for in the Austrian Financial Markets Supervision Act 2001, as amended;

"**Holder**" means a person whose name is entered in the Register as a holder of Series J Preference Shares;

"**Investments**" means direct or indirect investments in the Erste Bank Group which the Issuer shall acquire or subscribe for using the proceeds of the issue of the Series J Preference Shares;

"**Jersey Tax**" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Island of Jersey or by any authority therein or thereof having power to tax;

"**Liquidation Distribution**" means €1,000 per Series J Preference Share plus accrued and unpaid Dividends (whether or not declared) for the then current Dividend Period to the date of payment;

"**Optional Redemption Date**" means any date designated for the optional redemption, the redemption for tax reasons or the redemption for capital reasons of the Series J Preference Shares pursuant to Paragraph 5 or 6;

"**Optional Redemption Price**" means €1,000 per Series J Preference Share plus accrued and unpaid Dividends (whether or not declared) for the then current Dividend Period to the Optional Redemption Date;

"**Own Funds**" has the meaning given in section 23 of the Act;

"**Paid-Up Amount**" means €1,000 per Series J Preference Share;

"**Paying and Transfer Agents**" means J.P. Morgan Bank Luxembourg S.A., ABN AMRO Bank N.V. or such other entity as is appointed by the Company and notified to the Holders of the Series J Preference Shares in accordance with Paragraph 10 (provided that, for so long as the Series J Preference Shares are listed on the Luxembourg Stock Exchange and Euronext Amsterdam, paying and transfer agents will be maintained in Luxembourg and Amsterdam);

"**Registrar**" means J.P. Morgan Bank Luxembourg S.A. or such other entity as is appointed by the Company and notified to the Holders of the Series J Preference Shares in accordance with Paragraph 10;

"**Subsidiary**" means a company consolidated with Erste Bank under International Accounting Standards;

"**Support Agreement**" means the Support Agreement to be dated 21st March 2005 entered into by Erste Bank and the Company;

"**TARGET**" means the Trans European Real-Time Gross Settlement Express Transfer (TARGET) system; and

"**Treaty**" means the Treaty establishing the European Community, as amended by the Treaty on European Union.

1.2 A reference to a numbered Paragraph herein is to the corresponding numbered paragraph of this Statement of Rights relating to the Series J Preference Shares.

1.3 The provisions of Paragraph 3.2 hereof shall be construed in accordance with Austrian law.

2 Form, Denomination, Title and Listing

2.1 The Series J Preference Shares shall be issued in registered form at a price per Series J Preference Share equal to the Paid-Up Amount.

2.2 Transfers of the Series J Preference Shares shall be effected in accordance with the provisions contained in the Articles.

2.3 Application has been made to list the Series J Preference Shares on the Luxembourg Stock Exchange and the Official Segment of the stock market of Euronext Amsterdam N.V. ("Euronext Amsterdam"). The Company shall use its best endeavours to obtain and maintain a listing of the Series J Preference Shares on the Luxembourg Stock Exchange and Euronext Amsterdam.

3 Dividend

3.1 Subject as provided in Paragraph 3.2, non-cumulative dividends on the Series J Preference Shares will accrue from (and including) 23rd March 2005 and are payable annually in arrear on each Dividend Date (whether or not declared by the Board of Directors) save that, the first Dividend shall be payable on 23rd September 2005 in respect of the period from (and including) 23rd March 2005 to, (but excluding) 23rd September 2005 and shall amount to €26.25 per liquidation preference of €1,000 per Series J Preference Share. Dividends in respect of each Dividend Period will be payable annually in arrear on the relevant Dividend Date at the Dividend Rate on the amount of the liquidation preference of €1,000 per Series J Preference Share, subject to the Law.

The amount of the Dividend payable for any Dividend Period or any period less than a Dividend Period will be calculated on the basis of the number of days elapsed in the period using a calendar year of 360 days consisting of 12 months of 30 days each divided by 360 unless (a) the last day of the relevant period is the 31st day of a month but the first day of the relevant period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30 day month, or (b) the last day of the relevant period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month.

3.2 Dividends on the Series J Preference Shares will be non-cumulative and will be deemed to accrue on a day by day basis whether or not declared. Dividends on the Series J Preference Shares will be paid by the Company out of funds legally available therefor *provided*, *however*, that the Company will not be obliged to pay Dividends during any fiscal year:

3.2.1 to the extent that the aggregate of such Dividends, together with:

(i) any Dividends (including any Additional Amounts (as defined in Paragraph 9) in respect thereof) previously paid by the Company in respect of the Series J Preference Shares in the then current fiscal year;

(ii) any dividends previously paid on, or payments made to holders in respect of, Dividend Parity Securities in the then current fiscal year; and

(iii) any dividends proposed to be paid on, or payments proposed to be made to holders in respect of, Dividend Parity Securities in the then current fiscal year,

would exceed Distributable Funds for the prior fiscal year; or

3.2.2 even if sufficient Distributable Funds are available, to the extent that, if the Board of Directors has received a certified copy of the minutes of a meeting of the Board of Directors of Erste Bank in which the Board of Directors of Erste Bank has resolved that, in accordance with applicable Austrian banking regulations affecting banks which fail to meet their capital ratios on a consolidated basis pursuant to the Act, Erste Bank would be limited in making such payments on Dividend Parity Securities.

If the Company does not pay a Dividend in respect of the Series J Preference Shares in any Dividend Period then the right of Holders of the Series J Preference Shares to receive a Dividend in respect of the Dividend Period ending on the relevant Dividend Date will be extinguished and the Company will have no obligation to pay the Dividend accrued for such Dividend Period or to pay any interest thereon, whether or not Dividends on the Series J Preference Shares are paid for any future Dividend Period.

3.3 When, by reason of any limitation described in Paragraph 3.2 above, Dividends are not paid in full on the Series J Preference Shares and any Dividend Parity Securities, all Dividends declared or payable upon the Series J Preference Shares and any such Dividend Parity Securities will be payable *pro rata* in the proportion that the amounts available for payment on the Series J Preference Shares and any such Dividend Parity Securities on the due date of payment shall bear to the full amount that would have been payable on the Series J Preference Shares and such Dividend Parity Securities but for such limitation and any claims in respect of the difference between the full amount and the amount so payable shall be thereupon extinguished. If Dividends are not paid in full in accordance with the foregoing, the Holders will be notified in accordance with Paragraph 10.

3.4 Save as described in this Paragraph 3, Holders of the Series J Preference Shares will have no right to participate in the profits of the Company.

3.5 So long as any Series J Preference Share remains outstanding the Company will maintain an Agent.

4 Liquidation Distributions

4.1 In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the Holders of the Series J Preference Shares at the time outstanding will be entitled to receive the Liquidation Distribution in respect of each Series J Preference Share held out of the assets of the Company available for distribution to shareholders.

Such entitlement will arise before any distribution of assets is made to holders of ordinary shares or any other class of shares of the Company ranking junior as regards participation in assets to the Series J Preference Shares, but such entitlement will rank equally with the entitlement of the holders of any other preferred or preference shares, if any, of the Company ranking *pari passu* with the Series J Preference Shares as regards participation in assets of the Company.

Notwithstanding the availability of sufficient assets of the Company to pay any Liquidation Distribution to the Holders of the Series J Preference Shares, if, at the time such Liquidation Distribution is to be paid, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of Erste Bank, the Liquidation Distribution per share paid to Holders of the Series J Preference Shares and the liquidation distribution per share paid to the holders of all Asset Parity Securities, shall not exceed the amount per share that would have been paid as the liquidation distribution from the assets of Erste Bank (after payment in full in accordance with Austrian law of all creditors of Erste Bank, including holders of its subordinated debt but excluding holders of any liability expressed to rank *pari passu* with or junior to the Support Agreement) had the Series J Preference Shares and all Asset Parity Securities been issued by Erste Bank and ranked (x) junior to all liabilities of Erste Bank (other than any liability expressed to rank *pari passu* with or junior to the Support Agreement), (y) *pari passu* with all Asset Parity Securities of Erste Bank and (z) senior to Erste Bank's Bank Share Capital.

4.2 If the Liquidation Distribution and any other such liquidation distributions cannot be made in full by reason of the limitation described in Paragraph 4.1 above, such amounts will be payable *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation. After payment of the Liquidation Distribution, as adjusted if applicable, the Holders of Series J Preference Shares will have no right or claim to any of the remaining assets of the Company or Erste Bank.

4.3 In the event of the liquidation, dissolution or winding-up of Erste Bank, the amount per share to which Holders of the Series J Preference Shares shall be entitled as a Liquidation Distribution will be as set out in Paragraphs 4.1 and 4.2 above.

5 Optional Redemption

The Series J Preference Shares are redeemable, at the option of the Company, subject to the law of Jersey and to the prior consent of Erste Bank, in whole but not in part, on the Dividend Date falling in September 2010 or any Dividend Date thereafter, upon not less than 30 and no more than 60 Business Days' notice to the Holders of the Series J Preference Shares (in accordance with Paragraph 10) specifying the relevant Optional Redemption Date (which notice shall be irrevocable), each to be redeemed at the Optional Redemption Price on the specified Optional Redemption Date; provided that such Series J Preference Shares which are redeemed are substituted by capital of equal or better Own Funds quality, unless the Financial Markets Authority determines that Erste Bank and the Credit Institute Group have sufficient Own Funds required for an adequate risk coverage even after repayment of the Series J Preference Shares. Upon the expiry of such notice, the Company shall be bound to redeem the relevant Series J Preference Shares accordingly.

6 Redemption for Tax Reasons and for Capital Reasons

Notwithstanding the foregoing, the Series J Preference Shares will, subject as provided below, be redeemable, at the option of the Company on any Dividend Date after the issuance of the Series J Preference Shares, if:

6.1.1 the Company is or would be required to pay Additional Amounts (as defined in Paragraph 9);

6.1.2 the statutory countability of the Series J Preference Shares as Tier 1 regulatory capital as part of the Own Funds of Erste Bank for Austrian capital adequacy purposes on a consolidated basis (for capital adequacy purposes) is changed to the detriment of Erste Bank; or

6.1.3 as a result of a change in law or regulation or the interpretation thereof, payments made directly by Erste Bank (or any Subsidiary) on any Investments cease to be fully deductible as expenses for Austrian income tax purposes

and

6.1.4 the Company has delivered to the Agent:

(a) a certificate signed on behalf of the Company by two of its Directors stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Company so to redeem have occurred; and

(b) with respect to any redemption pursuant to Clause 6.1.1 only, an opinion of independent legal advisers of recognised standing confirming that the event provided for in Clause 6.1.1 has occurred and that the Company has or will become obliged to pay such Additional Amounts.

Subject to the law of Jersey and to the prior consent of Erste Bank, in each such case the Series J Preference Shares will be redeemable in whole but not in part, on any Dividend Date, upon not less than 30 and no more than 60 Business Days' notice to the Holders of the Series J Preference Shares specifying the relevant Optional Redemption Date (which notice shall be irrevocable), each to be redeemed at the Optional Redemption Price on the specified Optional Redemption Date provided that in each case such Series J Preference Shares are substituted by capital of equal or better Own Funds quality, unless the Financial Markets Authority determines that Erste Bank and the Credit Institute Group have sufficient Own Funds required for an adequate risk coverage even after repayment of the Series J Preference Shares. Upon the expiry of such notice, the Company shall be bound to redeem the Series J Preference Shares accordingly.

7 Payments and Purchases

7.1 Dividends declared or payable on the Series J Preference Shares (other than Dividends forming part of the Optional Redemption Price) will be payable by the Company on the relevant Dividend Date (or if in any case such day is not a Business Day, the next following Business Day but without adjustment or interest in respect of a delay where such Dividend Date is not a Business Day) or other due date for payment as provided herein to the Holders of record thereof as they appear on the Register for the Series J Preference Shares on the relevant record date, which will be five days prior to the relevant date for payment.

If the Company gives a notice of redemption in respect of the Series J Preference Shares, then, by 3.00 p.m. (London time) on the Optional Redemption Date, the Company will irrevocably deposit with the Agent funds sufficient to pay the Optional Redemption Price, and will give the Agent irrevocable instructions and authority to pay the Optional Redemption Price to the Holders of the Series J Preference Shares as at the relevant record date, which will be seven days prior to the relevant Optional Redemption Date. If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of Holders of the Series J Preference Shares will be extinguished, except the right of the Holders of Series J Preference Shares to receive the Optional Redemption Price in respect of each share, but without interest, and the Series J Preference Shares will cease to be outstanding and will be cancelled.

7.2 Subject to any applicable fiscal or other laws and regulations:

7.2.1 each payment in respect of Dividends will be made by cheque and mailed to the Holder of record at such Holder's address as it appears on the Register on the relevant record date for the Series J Preference Shares; and

7.2.2 any payment in respect of the redemption of any Series J Preference Share will be made by cheque against presentation and surrender of the relevant share certificate at the office of a Paying and Transfer Agent, provided however, that a Holder of Series J Preference Shares may receive any such payment by wire transfer if the Company (or its agent) so agrees with such Holder and if appropriate wire transfer instructions have been received by the relevant Paying and Transfer Agent in sufficient time prior to the relevant date of payment.

7.3 In the event that payment of the Optional Redemption Price in respect of any Series J Preference Share is improperly withheld or refused and not paid by the Company, Dividends on such Series J Preference Share will continue to accrue, at the Dividend Rate, from the Optional Redemption Date to the date of actual payment of such Optional Redemption Price.

7.4 In making any payment in respect of the Series J Preference Shares, amounts shall be rounded, if necessary, to the nearest €0.01 (with €0.005 being rounded upwards).

7.5 Subject to the foregoing and to applicable law (including, without limitation, to Jersey and Austrian securities and banking laws and regulations), the Company or Erste Bank or any of Erste Bank's other Subsidiaries may at any time and from time to time purchase outstanding Series J Preference Shares by tender, in the open market or by private agreement. If purchases are made by tender, the tender must be available to all Holders of Series J Preference Shares alike. Any such Series J Preference Share so purchased by Erste Bank or any of Erste Bank's Subsidiaries may be resold or cancelled.

Any such purchase if made by the Company shall be made in such manner and in such terms as the Company shall approve in a general meeting of shareholders.

8 Voting Rights

8.1 Holders of Series J Preference Shares will not be entitled to receive notice of or attend or vote at any general meeting of shareholders of the Company.

8.2 If for any one Dividend Period, Dividends (whether or not declared) and any Additional Amounts in respect of such Dividends have not been paid in full on the Series J Preference Shares by the Company, then the Holders of outstanding Series J Preference Shares together with the holders of any other preferred or preference shares of the Company having the right to vote for the election of Directors in such event, acting as a single class without regard to series, will be entitled, by written notice to the Company given by the Holders of a majority in liquidation preference of such shares or by ordinary resolution passed by the Holders of a majority in liquidation preference of such shares present in person or by proxy at a separate general meeting of such Holders convened for the purpose, to appoint two additional members of the Board of Directors who, whether because of their individual residency status or otherwise, do not adversely affect the Company's regulatory or taxation position or status.

Not later than 30 days after such entitlement arises, if the written notice of the Holders of outstanding Series J Preference Shares and the holders of any other preferred or preference shares of the Company having the right to vote for the election of Directors in the circumstances described in the preceding paragraph has not been given as provided for in the preceding paragraph, the Board of Directors will convene a separate general meeting for the above purpose. If the Board of Directors fails to convene such meeting within such 30 day period, the Holders of 10% in liquidation preference of the Series J Preference Shares and such other preferred or preference shares will be entitled to convene such meeting. The provisions of the Articles concerning the convening and conduct of general meetings of shareholders will apply with respect to any such separate general meeting.

Any member of the Board of Directors so appointed shall vacate office, subject to the terms of such other preferred or preference shares, if for any one Dividend Period, Dividends and any Additional Amounts in respect of such Dividends have been paid in full on the Series J Preference Shares by the Company.

8.3 The Company will cause a notice of any meeting at which Holders of the Series J Preference Shares are entitled to vote to be mailed to each Holder of a Series J Preference Share. Each such notice will include a statement setting forth (a) the date, time and place of such meeting, (b) a description of any resolution to be proposed for adoption at such meeting on which such Holders are entitled to vote and (c) instructions for the delivery of proxies.

9 Additional Amounts

9.1 All payments in respect of the Series J Preference Shares by the Company will be made without withholding or deduction for, or on account of, any Jersey Tax or Austrian Tax, unless the withholding or deduction of such Jersey Tax or Austrian Tax is required by law. In that event, the Company will pay, as further Dividends, such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amounts received by the Holders of Series J Preference Shares after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Series J Preference Shares in the absence of such withholding or deduction; except that no such Additional Amounts will be payable to a Holder of Series J Preference Shares (or to a third party on his behalf) with respect to any Series J Preference Share:

9.1.1 to the extent that such Jersey Tax or Austrian Tax is imposed or levied by virtue of such Holder (or the beneficial owner of such Series J Preference Share) having some connection with Jersey or Austria, other than being a Holder (or beneficial owner) of such Series J Preference Share; or

9.1.2 where such Additional Amount is imposed on a payment to an individual and is required to be made pursuant to European Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

9.1.3 in respect of which the share certificate representing it is presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Series J Preference Share, to another Paying and Transfer Agent in a Member State of the European Union;*

except that the Company's obligations to make any such payments are subject to the limitations provided in Paragraph 3.2 and 3.3 and Paragraphs 4.1 and 4.2 above.

The Company shall at all times maintain a Paying and Transfer Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

10 Notices

All notices to the Holders will be mailed to the Holder of record and, for so long as the Series J Preference Shares are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, in a leading Luxembourg daily newspaper (which is expected to be the *Luxemburger Wort*) and, for so long as the Series J Preference Shares are listed on Euronext Amsterdam, in a daily newspaper of wide circulation in the Netherlands and in the Daily Official List (*Officiële Prijscourant*) of Euronext Amsterdam N.V.

Signed on behalf of

ERSTE FINANCE (JERSEY) (6) LIMITED

by

....

Director

....

Date

* For so long as the Series J Preference Shares are listed on the Luxembourg Stock Exchange and Euronext Amsterdam, paying and transfer agents will be maintained in Luxembourg and Amsterdam.

Other Provisions of the Issuer's Articles

In addition, the Articles of Association of the Issuer contain, *inter alia*, provisions (with the exception of sections in italics) to the following effect:

(a) Transfer of Shares

The shares of the Issuer are in registered form. Shares may be transferred by instrument in writing in the usual or common form, or in such other form as the Directors may approve. All instruments of transfer shall be signed by or on behalf of the transferor and, in the case of a partly paid share, by the transferee. Registration of transfers of shares will be effected without charge by or on behalf of the Issuer, but upon payment (or the giving of such indemnity as the Issuer may require) in respect of any tax or other governmental charges which may be imposed in relation to it. The Directors of the Issuer may, without assigning any reason, refuse to register a transfer of any share which is not fully paid and may also refuse the registration of any transfer of any share (which is not fully paid) on which the Issuer has a lien. The Directors of the Issuer will not be required to register the transfer of any Series J Preference Share after it has been called for redemption. Save as aforesaid, the Articles of Association contain no restrictions on the transferability of fully paid shares, provided that the instrument of transfer is lodged at the office of the Paying and Transfer Agent in Luxembourg or in Amsterdam or at the offices of any other authorised transfer agent appointed by the Issuer in respect of the Series J Preference Shares, accompanied by the relevant share certificate and such other evidence of the right to make the transfer as the Directors may require and is only in respect of one class of share.

Every person whose name is entered as a member in the Register shall be entitled without payment to one certificate, for each class of shares, evidencing all shares in registered form held by him. Where a Holder has transferred part of the shares comprised in his holding, he shall be entitled to a share certificate for the balance without charge. Every certificate with respect to shares shall be issued within two months after allotment or the lodgement at the office of the Paying and Transfer Agent in Luxembourg or in Amsterdam or such other authorised transfer agent appointed by the Issuer for such purposes. If definitive share certificates are made available in respect of Series J Preference Shares, such share certificates will be available from the Paying and Transfer Agents at their offices in Luxembourg and Amsterdam, respectively.

In the Agency Agreement (the "Agency Agreement") to be dated 21st March 2005 between the Issuer, Erste Bank, the Agent and the Registrar and Paying and Transfer Agents, the Issuer will agree that if a transferee is not a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, it shall give sufficient notice to the Registrar to allow for the appointment of a replacement registrar, if necessary.

The Registrar and Paying and Transfer Agents will be J.P. Morgan Bank Luxembourg S.A. and ABN AMRO Bank N.V. (or such other person as the Issuer may appoint and notify to the Holders). For so long as the Series J Preference Shares are listed on the Luxembourg Stock Exchange and Euronext Amsterdam, the Issuer will maintain a paying and transfer agent in Luxembourg and Amsterdam.

(b) Replacement of Share Certificate

If a share certificate is damaged, defaced, lost, stolen or destroyed, a new share certificate representing the same shares may be issued on payment of such fee and on such terms (if any) as to evidence and indemnity and the payment of out-of-pocket expenses as the Directors of the Issuer may think fit and on payment of any exceptional expenses of the Issuer incidental to its investigation of the evidence and, if damaged or defaced, on delivery of the old share certificate.

(c) Alteration in Capital

Subject as described in "Description of the Series J Preference Shares" above, the Issuer may from time to time by special resolution alter its share capital in any manner permitted by the Law.

Subject as described in "Statement of Rights of the Series J Preference Shares" above, the Issuer may from time to time by special resolution, cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and redeem its shares and may by special resolution, reduce, or otherwise alter its share capital and stated capital account in any manner authorised by Jersey law.

(d) Variation of Rights

All or any of the rights attached to any class of shares (other than the Series J Preference Shares) may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, with the consent in writing of the holders of not less than two-thirds of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class. The necessary quorum for such separate meeting (other than an adjourned meeting) is two holders holding or representing at least one-third in number of the issued shares of that class or, if there is only one holder of the issued shares of such class, such holder.

(e) Dividends

Subject to the Law the general meeting may declare annual or interim dividends out of profits on the recommendation of, and not exceeding the amount recommended by, the Directors. No dividend may be declared or paid on the ordinary shares unless all dividends on the Series J Preference Shares shall have been declared and paid in full for the immediately preceding twelve month period. *No dividend has been paid on the ordinary shares of the Issuer since its incorporation.*

(f) Prescription and Governing Law

Any dividend or distribution unclaimed for a period of ten years from its date of declaration shall be forfeited and shall cease to be owing by the Issuer. The Series J Preference Shares are governed by Jersey law.

(g) Members' Rights

Subject to any rights or restrictions as to voting attached to any class of shares, at any general meeting on a show of hands, every member who is present in person or by proxy has one vote, and on a poll, every member present in person or by proxy has one vote for every share of any class of which he is the holder.

Subject to the rights attached to the preference shares of the Issuer, the Issuer may, with the sanction of a special resolution of the Issuer and any other sanction required by Law, divide amongst the members *in specie* or in kind the whole or any part of the assets of the Issuer and the liquidator (or, if none, the directors) may determine how such division shall be carried out as between the members or different classes of members.

Support Agreement

THIS SUPPORT AGREEMENT (the "**Support Agreement**"), dated 21st March 2005, is executed and delivered by each of ERSTE BANK DER OESTERREICHISCHEN SPARKASSEN AG, incorporated under the laws of Austria ("**Erste Bank**") and ERSTE FINANCE (JERSEY) (6) LIMITED, a company incorporated with limited liability under the laws of Jersey (the "**Company**").

WHEREAS, Erste Bank desires to cause the Company to issue, and the Company desires to issue, the Series J Preference Shares (as defined below) and Erste Bank and the Company desire to enter into this Support Agreement.

NOW, THEREFORE each of Erste Bank and the Company executes and delivers this Support Agreement for the benefit of the Holders (as defined below).

1 As used in this Support Agreement, the following terms shall, unless the context otherwise requires, have the following meanings:

"**Additional Amounts**", in relation to the Company, has the meaning given to that term in Paragraph 9 of the Statement of Rights;

"**Articles of Association**" means the Articles of Association of the Company, as amended from time to time;

"**ASCA**" means the Austrian Stock Corporation Act, as amended from time to time;

"**Asset Parity Security**" means any preferred or preference share or other security issued by Erste Bank, the Company or any other Subsidiary of Erste Bank (i) ranking pari passu as to participation in the assets of Erste Bank with Erste Bank's obligations under this Support Agreement, or (ii) entitled to the benefit of a guarantee or support agreement from Erste Bank ranking pari passu as to participation in the assets of Erste Bank with Erste Bank's obligations under this Support Agreement;

"**Bank Share Capital**" means the ordinary shares of Erste Bank, together with all other securities issued by Erste Bank (including *Vorzugsaktien*) ranking pari passu with the ordinary shares of Erste Bank as to participation in a liquidation surplus;

"**Credit Institute Group**" means all companies consolidated with Erste Bank pursuant to §30 of the Austrian Banking Act 1993, as amended;

"**Distributable Funds**" means, in respect of each fiscal year of Erste Bank, the aggregate amount, as calculated as of the end of the immediately preceding fiscal year, of accumulated retained earnings and any other reserves and surpluses of Erste Bank capable under the companies and banking laws of Austria of being available for distribution as cash dividends to holders of Bank Share Capital, but before deduction of the amount of any dividend or other distribution declared on Bank Share Capital in respect of such prior fiscal year;

"**Dividend Parity Security**" means any preferred or preference share or other security (i) issued by Erste Bank, and ranking pari passu as to payment of dividends with Erste Bank's obligations under this Support Agreement, or (ii) issued by the Company or any other Subsidiary of Erste Bank and entitled to the benefit of a guarantee or support agreement as to payment of dividends from Erste Bank ranking pari passu with Erste Bank's obligations under this Support Agreement;

"**Dividend Period**" has the meaning, in relation to the Series J Preference Shares, given to such term in the Statement of Rights;

"**Dividends**" means the amount of dividends payable on the Series J Preference Shares in accordance with the terms thereof;

"**Holder**" means any "Holder" as defined in the Statement of Rights from time to time of any Series J Preference Share of the Company, provided, however, that in determining whether the Holders of the requisite percentage of Series J Preference Shares have given any request, notice, consent or waiver hereunder, such term shall not include Erste Bank or any entity of which Erste Bank, either directly or indirectly, owns 20% or more of the voting shares or similar ownership interests (including the Company);

"**Liquidation Date**" means the date of final distribution of the assets of the Company in the case of a liquidation, dissolution or winding-up of the Company (whether voluntary or involuntary);

"**Liquidation Distribution**" means, with respect to the Series J Preference Shares, the liquidation preference per share as provided by the terms thereof;

"**Optional Redemption Date**" has the meaning, in relation to the Series J Preference Shares, given to such term in the Statement of Rights;

"**Optional Redemption Price**" has the meaning, in relation to the Series J Preference Shares, given to such term in the Statement of Rights;

"**Series J Preference Shares**" means all of the euro Series J 5.25% Non-cumulative Non-voting Preference Shares of the Company in issue from time to time, whether or not in issue on the date of this Support Agreement, the Holders of which are entitled to the benefits of this Support Agreement as evidenced by the execution of this Support Agreement;

"**Statement of Rights**" means the statement of rights adopted and prevailing from time to time in relation to the Series J Preference Shares and setting out the rights attaching thereto as issued by or on behalf of the Directors on behalf of the Company pursuant to Article 6(b)(i) of the Articles of Association; and

"**Subsidiary**" means a company consolidated with Erste Bank under International Accounting Standards.

Any other terms used in this Agreement and defined in the Statement of Rights or the Articles of Association of the Company shall have the same meaning when used in this Agreement.

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2.1 (a) Subject to the limitations contained in the following paragraphs of this clause 2.1, Erste Bank irrevocably and unconditionally agrees, if at any time the Company has insufficient funds to enable it to meet in full all of its obligations under or in respect of the Series J Preference Shares as and when such obligations fall due, to make available to the Company such funds in such form as are sufficient to enable it to meet such payment obligations. The Company shall use any amount made available to it by Erste Bank pursuant to this Support Agreement solely for the purposes of enabling the Company to fulfil its payment obligations under or in respect of the Series J Preference Shares.

(b) Notwithstanding clause 2.1(a), Erste Bank will not be obliged to make any payment to the Company under this Support Agreement in respect of Dividends (including accrued and unpaid Dividends relating to any payment due upon redemption or liquidation distribution and any Additional Amounts payable by the Company in respect of Dividends) on any Series J Preference Shares in any fiscal year:

(i) to the extent that such payment, together with the amount of:

(a) any Dividends (including any Additional Amounts in respect thereof) previously paid by the Company in respect of the Series J Preference Shares in the then current fiscal year;

(b) any dividends previously paid on, or payments made to holders in respect of, Dividend Parity Securities in the then current fiscal year; and

(c) any dividends proposed to be paid on, or payments proposed to be made to holders in respect of, Dividend Parity Securities in the then current fiscal year,

would exceed Distributable Funds for the preceding fiscal year; or

(ii) even if sufficient Distributable Funds are available to the extent that, in accordance with applicable Austrian banking regulations affecting banks which fail to meet their capital ratios on a consolidated basis pursuant to the Austrian Banking Act 1993, as amended, Erste Bank would be limited in making payments on Dividend Parity Securities.

(c) Notwithstanding clause 2.1(a), if, at the time that any amounts are to be paid in respect of Liquidation Distributions on the Series J Preference Shares, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, distribution or winding-up of Erste Bank, payment under this Support Agreement of amounts in respect of such Liquidation Distributions and payment by Erste Bank in respect of any liquidation distributions payable with respect to any Asset Parity Securities shall not exceed the amount per share that would have been paid as the liquidation distribution from the assets of Erste Bank (after payment in full in accordance with Austrian law of all creditors of Erste Bank, including holders of its subordinated debt but excluding holders of any liability expressed to rank pari passu with or junior to this Support Agreement) had the Series J Preference Shares and all such Asset Parity Securities been issued by Erste Bank and ranked (i) junior to all liabilities of Erste Bank (other than any liability expressed to rank *pari passu* with or junior to this Support Agreement), (ii) *pari passu* with all Asset Parity Securities of Erste Bank and (iii) senior to Bank Share Capital.

(d) In the event that any amounts owed by Erste Bank to the Company under clause 2.1(a) cannot be paid in full by reason of any limitation referred to in clause 2.1(b) or (c), such amounts will be payable by Erste Bank to the Company pro rata in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation.

The determination of any such limitation of Erste Bank's obligations under this Support Agreement as set forth above will be made on the relevant Dividend Date, Optional Redemption Date or Liquidation Date, as the case may be.

2.2 This Support Agreement shall be deposited with and held by JPMorgan Chase Bank, as Agent until all the obligations of Erste Bank have been discharged in full. Erste Bank hereby acknowledges the right of every Holder to the production of, and the right of every Holder to obtain a copy of, this Support Agreement.

2.3 Subject to applicable law, Erste Bank, at its sole option, shall be entitled to purchase Series J Preference Shares from any Holder and hold or resell any Series J Preference Share so purchased.

2.4 Subject to applicable law, Erste Bank's obligations hereunder constitute unsecured obligations of Erste Bank and rank and will at all times rank (a) junior to all liabilities of Erste Bank (other than any liability expressed to rank pari passu with or junior to Erste Bank's obligations under this Support Agreement in particular those in Clause 2.1), (b) pari passu with all payment obligations of Erste Bank in respect of Asset Parity Securities and (c) senior to all payment obligations of Erste Bank in respect of Bank Share Capital.

3

3.1 Erste Bank undertakes that it will not issue any preferred securities or preference shares ranking senior to its obligations under this Support Agreement or enter into any support agreement or give any guarantee in respect of any preference shares issued by any Subsidiary of Erste Bank if such support agreement or guarantee (including, without limitation, any support agreement or guarantee that would provide a priority of payment with respect to Distributable Funds) would rank senior to this Support Agreement unless, in each case, (a) this Support Agreement is changed to give the Holders such rights and entitlements as are contained in or attached to such preferred securities or preference shares or such other support agreement or guarantee so that this Support Agreement ranks *pari passu* with, and contains substantially equivalent rights of priority as to payment out of Distributable Funds as, any such preferred securities or preference shares or other support agreement or guarantee and (b) the most recent dividend payment on the Series J Preference Shares has been paid in full by the Company.

3.2 Erste Bank undertakes that any amount required to be paid to the Company pursuant to this Support Agreement to enable the Company to pay any Dividend payable in respect of the most recent Dividend Period will be paid prior to any payment or other distribution in respect of any dividends (except dividends in the form of Erste Bank's ordinary shares, *Vorzugsaktien* or other shares of Erste Bank ranking junior to the obligations of Erste Bank under this Support Agreement) upon ordinary shares, *Vorzugsaktien* or any other shares of Erste Bank ranking junior to this Support Agreement (whether issued directly by Erste Bank or by a Subsidiary and entitled to the benefit of a support agreement or guarantee ranking junior to this Support Agreement).

Erste Bank also undertakes that Bank Share Capital and any other shares of Erste Bank ranking *pari passu* with or junior to the obligations of Erste Bank under this Support Agreement (whether issued directly by Erste Bank or by a Subsidiary and entitled to the benefits of any support agreement or guarantee ranking *pari passu* with or junior to this Support Agreement) will not be redeemed or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by Erste Bank or any Subsidiary (except by conversion into or in exchange for shares of Erste Bank ranking junior to this Support Agreement), at any time whilst the Company is unable to pay Dividends in full until such time as the Company shall have resumed the payment of, or set aside payment with respect to, full Dividends on all outstanding Series J Preference Shares for one Dividend Period, unless such Bank Share Capital or any such other shares of Erste Bank are redeemed, repurchased or otherwise acquired (i) as a result of the trading of Erste Bank in such shares in its ordinary course of business as permitted by the ASCA, or (ii) in order to fulfil its obligations under stock option or employee stock ownership schemes as permitted by the ASCA.

3.3 Erste Bank undertakes to maintain the Company as a Subsidiary for so long as any Series J Preference Share shall remain in issue. Erste Bank undertakes that, so long as any of the Series J Preference Shares is outstanding, unless Erste Bank is itself in liquidation, Erste Bank will not permit, or take any action to cause, the liquidation, dissolution or winding-up of the Company.

4 This Support Agreement shall terminate and have no further force and effect upon full payment of the Optional Redemption Price on, or purchase and cancellation of, all outstanding Series J Preference Shares or full payment of the Liquidation Distributions and liquidation of the Company, provided however that this Support Agreement will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the Series J Preference Shares or this Support Agreement must be restored by a Holder for any reason whatsoever.

5 Each of Erste Bank and the Company undertakes, for the benefit of the Holders:

(a) that it will perform its obligations under this Support Agreement and, in the case of the Company (without limitation to the foregoing), will exercise its rights under an agreement between it and Erste Bank on similar terms to this Support Agreement to enforce performance of the terms of this Support Agreement by Erste Bank; and

(b) that it will consent to an order for specific performance or similar relief by any court of competent jurisdiction in the event that any such order or relief is sought in an action brought by a Holder in respect of this Support Agreement.

6 This Support Agreement shall take effect as a Deed Poll for the benefit of the Holders. Each of Erste Bank and the Company hereby acknowledges and covenants that the obligations binding upon it contained in this Support Agreement are owed to, and shall be for the benefit of, each and every Holder, and that each Holder shall be entitled severally to enforce the said obligations against Erste Bank or the Company.

7

7.1 Subject to applicable law, all undertakings and agreements contained in this Support Agreement shall bind the successors, assigns, receivers, trustees and representatives of Erste Bank and the Company (as the case may be) and shall inure to the benefit of the Holders. The Company shall not transfer its obligations hereunder in any circumstances and Erste Bank shall not transfer its obligations hereunder without the prior approval of the Holders of not less than two-thirds of the Series J Preference Shares, which consent shall be obtained in accordance with procedures contained in the Statement of Rights or the Company's Memorandum and Articles of Association and the applicable laws of Jersey; *provided, however,* that the foregoing shall not preclude Erste Bank from merging or consolidating with, or transferring or otherwise assigning all or substantially all of its assets and obligations (including its obligations under this Agreement) to, a banking organisation organised under the laws of a member state of the European Union, without obtaining any approval of any Holders.

7.2 Except for those changes (a) required by clause 3.1 hereof; (b) which do not materially adversely affect the rights of Holders; or (c) necessary or desirable to give effect to any one or more transactions referred to in the proviso to clause 7.1 (in any of which cases no agreement will be required), this Support Agreement shall be changed only by agreement in writing signed by Erste Bank and the Company with the prior approval of the Holders of not less than two-thirds of the Series J Preference Shares (excluding in each case any Series J Preference Shares held by Erste Bank or any entity of which Erste Bank, either directly or indirectly, owns 20% or more of the voting shares or other similar ownership interests), in accordance with the procedures contained in the Statement of Rights or the Company's Memorandum and Articles of Association and the applicable laws of Jersey.

7.3 Any notice, request or other communication required or permitted to be given hereunder to Erste Bank shall be given in writing by delivering the same against receipt therefor or by facsimile transmission (confirmed by mail) addressed to Erste Bank, as follows (and if so given, shall be deemed given upon mailing of confirmation, if given by facsimile transmission), to:

Erste Bank der oesterreichischen Sparkassen AG
Börsegasse 14
A-1010 Vienna
Austria

Facsimile: +43 50100 85080

Attention: Balance Sheet Manager

The address of Erste Bank may be changed at any time and from time to time and shall be the most recent such address furnished in writing by Erste Bank to JPMorgan Chase Bank as Agent.

Any notice, request or other communication required or permitted to be given hereunder to the Company shall be given in writing by delivering the same against receipt therefor or by facsimile transmission (confirmed by mail) addressed to the Company, as follows (and if so given, shall be deemed given upon mailing of confirmation, if given by facsimile transmission), to:

Erste Finance (Jersey) (6) Limited
22 Grenville Street
St. Helier
Jersey JE4 8PX

Facsimile: +44 1534 609333

Attention: Jersey Corporate 3
Mourant International Finance Administration

The address of the Company may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Company to JPMorgan Chase Bank as Agent.

Any notice, request or other communication required or permitted to be given hereunder to the Holders shall be given by Erste Bank or the Company in the same manner as notices sent by the Company to the Holders.

7.4 The obligations of Erste Bank and the Company to the Holders under this Support Agreement are solely for the benefit of the Holders and are not separately transferable from the Series J Preference Shares.

7.5 Erste Bank will furnish any Holder, upon request of such Holder, with a copy of its annual report, and any interim reports made generally available by Erste Bank to holders of the ordinary shares of Erste Bank.

8

8.1 This Support Agreement shall be governed by, and construed in accordance with English law save that Clauses 2.1(b) and (c) and Clause 2.4 shall be governed by, and construed in accordance with, Austrian law.

8.2 Each of Erste Bank and the Company hereby irrevocably agrees for the benefit of the Holders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Support Agreement and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as ("**Proceedings**") may be brought in such courts.

Each of Erste Bank and the Company irrevocably and unconditionally waives and agrees not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England or any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agrees that a final judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon Erste Bank and the Company and may be enforced in the courts of any other jurisdiction. Nothing contained in this clause shall limit any right to take Proceedings against Erste Bank or the Company in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

Each of Erste Bank and the Company hereby irrevocably and unconditionally appoints Erste Bank der oesterreichischen Sparkassen AG, London branch at 68 Cornhill, London EC3V 3QE or at its London office for the time being as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of its ceasing so to act it will appoint another person as its agent for that purpose.

9 A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement but this does not affect the rights of any person which exist apart from that Act.

IN WITNESS WHEREOF this Support Agreement has been executed as a deed and delivered on behalf of each of Erste Bank and the Company on the date shown below:

Executed as a deed by

ERSTE BANK DER OESTERREICHISCHEN SPARKASSEN AG }

By: By:

acting under the authority of that company in the presence of:

Witness's Signature:

Name:

Address:

Executed as a deed by

ERSTE FINANCE (JERSEY) (6) LIMITED }

By:

acting under the authority of that company in the presence of:

Witness's Signature:

Name:

Address:

Dated: 21st March 2005

Intercompany Agreement

Set forth below is the text of the Intercompany Agreement:

THIS INTERCOMPANY AGREEMENT (the "**Intercompany Agreement**"), dated 21st March 2005, is entered into by ERSTE BANK DER OESTERREICHISCHEN SPARKASSEN AG, incorporated under the laws of Austria ("**Erste Bank**") and ERSTE FINANCE (JERSEY) (6) LIMITED, a company incorporated with limited liability under the laws of Jersey (the "**Company**").

WHEREAS, Erste Bank desires to cause the Company to issue, and the Company desires to issue, the Series J Preference Shares (as defined below).

WHEREAS, Erste Bank and the Company have, for the benefit of the Holders (as defined below), entered into the Support Agreement (as defined below).

NOW, THEREFORE Erste Bank and the Company execute and deliver this Intercompany Agreement to give the Company the benefit of the Support Agreement.

1 As used in this Intercompany Agreement, the following terms shall, unless the context otherwise requires, have the following meanings:

"**Series J Preference Shares**" means all of the euro Series J 5.25% Non-cumulative Non-voting Preference Shares of the Company in issue from time to time, whether or not in issue on the date of the Support Agreement, the Holders of which are entitled to the benefits of the Support Agreement as evidenced by the execution of the Support Agreement; and

"**Support Agreement**" means the Support Agreement dated 21st March 2005 entered into by Erste Bank and the Company.

Any other capitalised terms used in this Agreement shall have the same meaning as in the Support Agreement.

2 Erste Bank irrevocably and unconditionally agrees to extend all of the obligations assumed by it pursuant to the Support Agreement to and for the benefit of the Company as if the Support Agreement were given by Erste Bank only and references therein to "Holders" and "Holder" (other than in Clause 2.3 thereof and the second reference to Holders in Clause 7.2 thereof) were references to the "Company" and the words immediately following "Holders" in the second sentence of Clause 7.1 thereof up to the semi-colon therein were deleted.

3 This Intercompany Agreement shall terminate and be of no further force and effect upon full payment of the Optional Redemption Price on, or purchase and cancellation of, all outstanding Series J Preference Shares or full payment of the Liquidation Distributions and liquidation of the Company, provided however that this Intercompany Agreement will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the Series J Preference Shares or the Support Agreement must be restored by a Holder for any reason whatsoever.

4 This Intercompany Agreement shall take effect as a Deed. Erste Bank hereby acknowledges and covenants that the obligations binding upon it contained in this Intercompany Agreement are owed to, and shall be for the benefit of, the Company, and that the Company shall be entitled to enforce the said obligations against Erste Bank.

5 Subject to operations of law, all undertakings and agreements contained in this Intercompany Agreement shall bind the successors, assigns, receivers, trustees and representatives of Erste Bank and shall inure to the benefit of the Company.

6 Any notice, request or other communication required or permitted to be given hereunder to Erste Bank shall be given in writing by delivering the same against receipt therefor or by facsimile transmission (confirmed by mail) addressed to Erste Bank, as follows (and if so given, shall be deemed given upon mailing of confirmation, if given by facsimile transmission), to:

Erste Bank der oesterreichischen Sparkassen AG
Börsegasse 14
A-1010 Vienna
Austria

Facsimile: +43 50100 85080

Attention: Balance Sheet Manager

Any notice, request or other communication required or permitted to be given hereunder to the Company shall be given in writing by delivering the same against receipt therefor or by facsimile transmission (confirmed by mail) addressed to the Company, as follows (and if so given, shall be deemed given upon mailing of confirmation, if given by facsimile transmission), to:

Erste Finance (Jersey) (6) Limited
22 Grenville Street
St. Helier
Jersey JE4 8PX

Facsimile: +44 1534 609333

Attention: Jersey Corporate 3
Mourant International Finance Administration

7

7.1 This Intercompany Agreement shall be governed by, and construed in accordance with, English law.

7.2 Each of Erste Bank and the Company hereby irrevocably agrees for the benefit of each other that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Intercompany Agreement and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as ("Proceedings") may be brought in such courts.

Each of Erste Bank and the Company irrevocably and unconditionally waives and agrees not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England or any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agrees that a final judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon Erste Bank and the Company and may be enforced in the courts of any other jurisdiction. Nothing contained in this clause shall limit any right to take Proceedings against Erste Bank or the Company in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

Each of Erste Bank and the Company hereby irrevocably and unconditionally appoints Erste Bank der oesterreichischen Sparkassen AG, London branch at 68 Cornhill, London EC3V 3QE or at its London office for the time being as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of its ceasing so to act it will appoint another person as its agent for that purpose.

8 A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

IN WITNESS WHEREOF this Intercompany Agreement has been executed as a deed and delivered on behalf of each of Erste Bank and the Company on the date shown below:

Executed as a deed by

ERSTE BANK DER OESTERREICHISCHEN SPARKASSEN AG }

By: By:

acting under the authority of that company in the presence of:

Witness's Signature:

Name:

Address:

Executed as a deed by

ERSTE FINANCE (JERSEY) (6) LIMITED }

By:

acting under the authority of that company in the presence of:

Witness's Signature:

Name:

Address:

Dated: 21st March 2005

The Austrian Banking System

Overview

In common with other continental European countries, Austria's banking system is comprised of a diverse array of financial institutions. The Austrian banking system is divided into seven "sectors" according to the legal status of a bank and classification in a sector association: (i) *Sparkassen* (savings banks), (ii) *Raiffeisenbanken* (agricultural credit co-operatives), (iii) *Landes-Hypothekenbanken* (provincial mortgage banks), (iv) *Volksbanken* (commercial credit co-operative banks); (v) *Aktienbanken und Bankiers* (commercial banks); (vi) *Sonderbanken* (specialist banks), and (vii) *Bausparkassen* (building societies). Erste Bank is a member of the Savings Banks Sector.

Changes in banking practice generally, and in Austrian banking law specifically, have contributed to an erosion of the original distinctions between the sectors. Today, commercial banks, savings banks and co-operative banks all engage in substantially similar business; however, each may have different business policies.

As at 30th November 2004, the Austrian banking system consisted of 894 independent banks with a total of 4,359 branches and estimated total assets of EUR 651 billion. The structure of Austria's banking system is characterised by a large number of small banks, a smaller number of medium to large banks and the absence of any banks of international scale other than Bank Austria Creditanstalt AG ("Bank Austria"), a subsidiary of HVB Group, and Erste Bank.

Of the seven sectors, the Savings Banks Sector is the largest, accounting for EUR 232 billion of total assets. The Savings Bank Sector comprises of 63 independent savings banks (including Bank Austria), with Erste Bank operating as the central financial institution of the Savings Bank Sector (excluding Bank Austria). Erste Bank is not only the central financial institution of the savings bank group, but also the second largest savings bank by total assets in Austria (first is Bank Austria), accounting for some 30% of the Savings Banks Sector.

Savings Banks

The Savings Bank Act (*Sparkassengesetz*) in Austria differentiates between two types of savings banks. Vereinssparkassen and their operating savings bank stock corporations, such as Erste Bank, as opposed to *Gemeindesparkassen* and their operating savings bank stock corporations, such as Bank Austria Creditanstalt AG. Savings banks were historically subject to geographical restrictions in their operations, which contributed to the development of a savings bank sector characterised by a large number of small, local savings banks. Savings banks were established either by a benevolent association (*Verein*), or by the community (*Gemeinde*) itself. The historical role of both the *Verein* and the *Gemeinde* with respect to *Vereinssparkassen* and *Gemeindesparkassen* was to provide the foundation capital for the savings bank and to act in a supervisory capacity. The primary difference between a *Vereinssparkasse* and a *Gemeindesparkasse* is the fact that creditors of a *Gemeindesparkasse* and of its operating savings bank stock corporation have the benefit of a municipal deficiency guarantee and, to an extent a *Gemeindesparkasse* and its operating savings bank stock corporation are influenced by their municipality.

Following an arrangement reached between EU and Austrian authorities, the deficiency guarantee had to be abolished. Liabilities existing as of 2nd April 2003 will continue to be covered until their maturity. Liabilities entered into between 2nd April 2003 and 1st April 2007 will be covered until the end of September 2017. Appropriate Austrian legislation to adopt this arrangement had to be passed at State and Federal level. As the savings banks traditionally did not expressly use this guarantee for cheaper financing no major impact will result from the loss of this guarantee. Only some 16 smaller savings banks will be affected by the loss of the guarantee.

In 1986, an amendment to the Banking Act 1979 (*Kreditwesengesetz*) permitted a savings bank to reorganise as a joint-stock company in order to enable transfers of shares or to raise capital. Such reorganisation involved the creation of an *Anteilsverwaltungssparkasse* (special savings bank holding company) which holds the shares in the respective operating savings bank stock corporation. In 1993, Die Erste changed its structure accordingly.

Such *Anteilsverwaltungssparkassen* may opt to transform into privately organised foundations. Accordingly, on 19th December 2003, Die ERSTE österreichische Spar-Casse-Anteilsverwaltungssparkasse (AVS) was transformed into a private law foundation named DIE ERSTE österreichische Spar-Casse Privatstiftung.

Anteilsverwaltungssparkassen or such privately organised foundations may sell their shares in the savings bank; however, Erste Bank as the Savings Bank Sector's lead bank has the statutory right of first refusal once 51% of the shares are offered. This right expires on 31st December 2005.

Regulation and Supervision

The structure of the regulation and supervision of the Austrian banking system is set forth in a number of statutes, including the Financial Markets Supervision Act (*Finanzmarktaufsichtsgesetz*), the Banking Act (*Bankwesengesetz*), the National Bank Act 1984 (*Nationalbankgesetz*), the Savings Bank Act 1979 (*Sparkassengesetz*) and the Mortgage Bank Act 1899 (*Hypothekenbankgesetz*), each as amended.

The Financial Markets Supervision Act of 2001 puts the responsibility for the supervision of banks, insurance companies, securities exchanges, investment and pension funds on the Financial Markets Authority ("FMA", *Finanzmarktaufsichtsbehörde*). Most supervisory tasks previously assigned to the Austrian Ministry of Finance and the Austrian Securities Authority (*Bundes-Wertpapieraufsicht*) were transferred to the FMA as of 1st April 2002. Under the

Banking Act, regulation and supervision of Austrian banks and of the branches of foreign banks in Austria are the responsibility of the FMA assisted by the Oesterreichische Nationalbank (Austrian National Bank, the central bank of Austria). The FMA may take a variety of actions under the Banking Act to supervise banks on a comprehensive and consolidated basis. In order to enable the FMA and the National Bank to fulfil their obligations, banks must, amongst other requirements, prepare monthly interim balance sheets and quarterly profit and loss statements, and submit annual audit reports.

Financial Markets Authority

The FMA is subject to supervision by the Minister of Finance and is headed by a two-member management board. The board members are nominated by the Minister of Finance and Oesterreichische Nationalbank and appointed by the Austrian Government. A supervisory board consisting of eight members, two of which are non-voting, approves the FMA's budget, financial statements, top employees and other important matters. The expenses of the FMA are borne primarily by the supervised banks, companies and funds, whilst the Federal Government bears a minor portion thereof.

Authority of the FMA. The FMA is afforded an array of powers to regulate and supervise the Austrian banking system. These powers include the power to require the delivery of certain reports, to inspect banks, to require audits, and to appoint certain officers and advisers to assist in the discharge of regulatory and supervisory duties. The FMA may utilise its own auditors or Oesterreichische Nationalbank may be required by the FMA to perform an audit of a bank, including its branches and representative offices outside Austria. Any bank operating in Austria which is subject to regulation and supervision by the FMA and which is found not to be in compliance with Austrian legal requirements, may be subject to an order by the FMA if there is reason to doubt such bank's ability to fulfil its obligations to its customers. Through such an order, which may be effective for up to 18 months, the FMA may (i) prohibit withdrawals of capital or profits from the bank (in whole or in part), (ii) appoint a government commissioner authorised to prohibit all business which could be prejudicial to the safety of the interests of customers of the bank, (iii) prohibit further management of the bank by such bank's existing management board or (iv) prohibit (in whole or in part) further business of the bank.

State Commissioners. The Austrian Banking Act requires the Minister of Finance to appoint a State Commissioner and a Deputy State Commissioner to assist in the supervision and regulation of Austrian banks which have more than EUR 375 million in total assets. The role of the State Commissioner is to ensure that these banks do not make decisions at shareholders' and Supervisory Board meetings which, in their view, violate federal laws, regulations or decisions (*Bescheide*). The State Commissioners must be invited to the meetings of the shareholders and of the supervisory board of the bank to which they are appointed. If a State Commissioner objects to any resolution proposed at a shareholder meeting or a meeting of the supervisory board, then the Commissioner has to immediately notify the FMA. The effectiveness of such resolution is suspended until the FMA makes a determination as to its validity.

Trustees. Erste Bank, along with other Austrian banks, is subject to inspection by Trustees and Deputy Trustees appointed by the Minister of Finance in accordance with the Mortgage Bank Act 1899. The Trustees and the Deputy Trustees are charged with the responsibility of determining compliance with legal requirements for the registration of certain mortgage assets. State Cover Fund Controllers, who are also appointed by the Minister of Finance, are responsible for monitoring compliance by Erste Bank with the legal requirements for segregation and security of certain asset-backed debt obligations.

Oesterreichische Nationalbank and the European System of Central Banks

Oesterreichische Nationalbank is the central bank of Austria and is mandated to assist the European Central Bank. Whereas the European Central Bank decides on the principal monetary issues of the European Monetary Union, Oesterreichische Nationalbank, as a member of the European System of Central Banks, executes the directives and regulations of the European Central Bank. The functions of Oesterreichische Nationalbank mainly concern transactions on the money and currency markets, supply and control of payment systems, statistical information, economic analysis, participation in international finance organisations and the supervision of credit institutions. Within the limits of European Union law, Oesterreichische Nationalbank must pursue price stability and promote economic growth and employment. The Oesterreichische Nationalbank is authorised by the European Central Bank to issue bank notes denominated in euro.

Oesterreichische Nationalbank is organised as a joint stock company with a registered capital of EUR 12 million. 50% of the shares are owned by the Republic of Austria, while the remaining share capital is owned by institutions representing the interests of employers and employees, Austrian banks and insurance companies. The General Council of Oesterreichische Nationalbank is charged with the overall direction and supervision of the Oesterreichische Nationalbank's business. A Commissioner appointed by the Minister of Finance attends the meetings of the General Council and of the shareholders of Oesterreichische Nationalbank in an advisory capacity. The Commissioner ensures that Oesterreichische Nationalbank acts in accordance with applicable law and is entitled to examine the conduct of Oesterreichische Nationalbank's business.

In addition to its functions as the central bank and as an institution within the European System of Central Banks, Oesterreichische Nationalbank reviews reports filed by banks and makes recommendations to the Ministry of Finance and the FMA. Detailed foreign currency statistics concerning the foreign currency position of all Austrian banks are compiled by Oesterreichische Nationalbank and provide it with an indication of the business volume of all large Austrian banks. Austria's detailed information reporting requirements act as a regulatory mechanism since the figures in these reports and the information provided by the banks must be consistent and be compiled in accordance with the rules and regulations of Oesterreichische Nationalbank and must be transmitted to the European Central Bank.

In co-operation with the Federal Ministry of Finance, Oesterreichische Nationalbank has made use of its powers to participate actively in the work of various international institutions and committees in charge of banking and financial market supervision (e.g. Banking Supervision Committee of the ESCB). Of particular importance are the efforts to push ahead with the harmonisation of the supervisory framework and a strengthening of international co-operation in the field of financial markets supervision.

Minimum reserves. In accordance with EU Regulations, the European Central Bank prescribes by decree minimum reserves to be maintained by banks with Oesterreichische Nationalbank. These minimum reserve requirements apply to the following liabilities: (i) deposits, (ii) debt securities issued and (iii) money market paper. Certain exclusions apply. Required reserve ratios are generally 2%, except for deposits with agreed maturity over two years, deposits redeemable at notice over two years, repos and debt securities issued with an agreed maturity over two years, for which a reserve ratio of 0% applies. Failure by a bank to meet the minimum reserve requirements exposes the bank to fines or interest penalties.

Statutory deposit insurance scheme

Austrian law requires that any bank which receives deposits must join the insurance scheme of its sector within the banking system. Failure of a bank to join the relevant insurance scheme results in the lapse of the bank's licence to conduct a deposit-taking business in Austria. Payments made by an insurance scheme to restore insured deposits are met by contributions from each member bank in the relevant sector. Each bank's contribution is determined in proportion to the aggregate amount of such bank's deposits, subject to a maximum contribution amount equal to 0.83% of the risk-weighted basis of such bank pursuant to Section 22(2) of the Austrian Banking Act per business year.

In the event that the aggregate maximum amount that a sector's members can be called upon to contribute is less than the payment due from the insurance scheme, the deposit insurance schemes of the other banking sectors each will contribute a *pro rata* portion of the amount then remaining unpaid, subject to a maximum amount equal to 0.83% of their riskweighted basis. If the amount contributed by all insurance schemes is insufficient to make the required payment, then the insurance scheme that is primarily obligated to repay such protected deposits issues bonds to cover any amount then remaining unpaid. The Republic of Austria may accept liability for such bonds.

The insurance scheme insures deposits of private individuals up to EUR 20,000 or equivalent per private person depositor. Deposits of legal entities are insured up to 90% of this amount or are to a certain extent excluded from the scope of the scheme. Deposits not exceeding EUR 2,000 will receive preferred treatment by repayment in preference of any major deposits.

In autumn 2001, the majority of the Austrian savings banks excluding Bank Austria signed an agreement which unites them under a common risk management system, early warning system and customer deposit insurance scheme. The customer deposit insurance scheme is materially expanded beyond the legally prescribed amount limited to EUR 20,000 per depositor. This agreement, called the *Haftungsverbund* ("cross-guarantee system"), ensures enforcement of payments by transferring control of the system under the leadership of s Haftungs- und Kundenabsicherungs GmbH. The right to determine risk policies and, in case of serious difficulties of a member, the right to intervene in management was also transferred to s Haftungs- und Kundenabsicherungs GmbH, an entity of which Erste Bank owns at least 51% and the other savings banks own the remainder. This agreement became effective on 1st January 2002.

Audits and financial statements

Generally, Austrian auditing regulations are adapted to EU standards. Austrian banks, and banks operating in Austria, are required to submit audited financial statements, including the audit reports thereon, to the FMA and Oesterreichische Nationalbank. Such reports must be submitted within six months of the end of the business year. Oesterreichische Nationalbank requires that data of the financial statements be transmitted electronically in standardised formats.

Austrian banks may prepare consolidated financial statements in accordance with International Accounting Standards ("IAS" or "IFRS") under certain conditions. Under EU rules they will have to report under IFRS as from 2005 on, if quoted on a stock exchange. IFRS differs from Austrian bank accounting standards mainly in respect of a greater use of fair values, more comprehensive tax deferrals and the consolidation of all subsidiaries while Austrian standards exclude those with different activities.

All financial statements of banks must be audited by a bank auditor, who is either a certified public accountant or the auditing office of one of the specialised auditing institutions of the respective sector. As a savings bank stock corporation, Erste Bank's consolidated and separate financial statements for the years ended 31st December 2000, 2001, 2002 and 2003 have been audited by Sparkassen-Prüfungsverband Prüfungsstelle (the Savings Banks' Auditing Agency) as statutory bank auditor. This audit was performed jointly with EIDOS Deloitte & Touche Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH (former EIDOS Wirtschaftsberatung GmbH, a member of Deloitte & Touche), which has been appointed by the shareholders meeting of Erste Bank to act as additional auditors. The audited financial statements, the contents of which are prescribed by law, must be published in the official gazette of the Wiener Zeitung ("Amtsblatt zur Wiener Zeitung"), the official publication of the Republic of Austria.

Bank auditors are also required to examine the correctness of the valuation of a bank's assets as well as the timely and complete compliance by the bank with all relevant banking regulations. The result of this audit is included in a separate bank supervision audit report that is communicated to the managing and supervisory boards of the bank and the supervisory entities of the federal government.

Capital adequacy requirements

Under Austrian risk-based capital adequacy rules, which are based on EU law, each bank must maintain a ratio (the "Solvency Ratio") of at least 8%. The Solvency Ratio is the ratio of Qualifying Capital (as explained below) to risk-adjusted assets and certain off-balance sheet items (as explained below).

For purposes of calculation of the Solvency Ratio, the Austrian Banking Act defines "Qualifying Capital" as consisting principally of (i) paid-in capital, (ii) disclosed reserves, (iii) funds for general bank risks, (iv) supplementary capital, (v) hidden reserves, (vi) participation capital, (vii) subordinated debt, (viii) revaluation reserves, (ix) the commitments of members of co-operative banks to make additional contributions quantified in relation to their shareholdings, (x) short-term subordinated capital and (xi), only for the purpose of supervision on a consolidated basis, hybrid capital. Certain losses, certain intangible assets and certain investments in banks or financial institutions are required to be deducted in computing Qualifying Capital.

"Core Capital", as applied to Erste Bank, consists of (i) paid-in capital, (ii) disclosed reserves and (iii) funds for general bank risks, less losses and intangible assets. The Austrian Banking Act requires that the aggregate amount of the elements comprising Qualifying Capital, other than those elements which are part of Core Capital, must not exceed the Core Capital. In addition, the sum of subordinated debt may not exceed 50% of the Core Capital. Core Capital reflects that same concept as "Tier 1 Capital" and Qualifying Capital other than Core Capital reflects a concept similar to "Tier 2 Capital" (as such terms are used in the United Kingdom and the United States capital adequacy rules).

Risk-weighted assets and certain off-balance sheet items, together the risk-weighted basis, are computed by assigning the assets of Erste Bank to four broad categories of relative credit risk: 0, 20, 50 or 100%. The balance sheet value of each asset is multiplied by the percentage weight applicable to its risk category to arrive at the risk-weighted value. Off-balance sheet items such as financial guarantees, letters of credit, swaps and other financial derivatives are included (swaps and other derivatives at their fair value). Then the value is adjusted according to the risk classification of the type of instrument, either by 20, 50 or 100%. As with on-balance sheet assets, each off-balance sheet item is assigned to a credit risk category depending upon the type of counterparty or the debtor and multiplied by the applicable percentage weight.

Capital adequacy rules must be met not only by Erste Bank on its own, but also by Erste Bank together with all other subsidiary banks, financial institutions, investment firms and ancillary financial services companies of Erste Bank. For this purpose, Erste Bank consists of Erste Bank and all other banks, factoring and leasing companies, investment firms and ancillary banking service undertakings of which it owns more than 50%, where it has the right to control or where it actively controls. Savings banks, that are members of the *Haftungsverbund*, are included in the group for capital adequacy purposes.

A bank is required to meet the capital requirements regarding position risk as well as settlement and counterparty risk according to a trading book approach. As a complementary measure, short-term subordinated capital is being accepted as part of Qualifying Capital (short-term subordinated capital is commonly referred to as "Tier 3 Capital", as such term is used in the United Kingdom and the United States capital adequacy rules). The 1998 amendments to the Capital Adequacy Directive have meanwhile been partially incorporated into the Austrian Banking Act permitting the use of "internal models" for banking supervision purposes to a greater extent.

In June 1999, the Basle Committee set out proposals for a new capital adequacy framework to replace the 1988 Basle Capital Accord which set down the agreement among the G-10 central banks to apply common minimum capital standards. The objective of the proposals is to improve the way in which regulatory capital requirements reflect underlying risks. The European Commission commenced a consultation process on changes to the capital adequacy framework for banks and investment firms taking into account the Basle Committee's proposals. The new framework is intended to result in legislation covering both EU banks operating internationally and also domestic banks, building societies and investment firms. On the basis of the proposals as developed to date, it is expected that the new capital adequacy framework will not have a material adverse impact on the business of Erste Bank Group.

The Austrian Banking Act of 1993

In addition to specifying the capital adequacy rules, the Austrian Banking Act, as amended, imposes other requirements and restrictions on Austrian banks, including reporting requirements, liquidity requirements, open foreign currency positions, large exposures and restrictions on participations.

Periodical reports. Austrian banks are required to file a number of reports with the FMA, including periodical monthly and quarterly reports. In addition, reports on hidden reserves and credit in excess of certain amounts, if in existence, must also be filed. The form of all reports is established by the implementing ordinance. These reports are an essential element of regulation and supervision in Austria. All reports are delivered to Oesterreichische Nationalbank which reviews them and provides to the FMA an opinion as to whether the regulations on solvency, Qualifying Capital, liquidity, open foreign currency positions, large exposures and participations have been observed.

Liquidity. The Austrian Banking Act requires each bank to establish a financial results and liquidity cash flow/position plan. The liquidity plan must generally set forth the programme that enables the bank to react to possible disparities between incoming and outgoing payments and to changes in market conditions. The terms of claims and obligations of each bank must be structured to provide for changing interest rates and maturity trends. In addition to these general regulations, the Austrian Banking Act requires banks to retain minimum liquid resources of both first degree and second degree and to submit a detailed calculation plan for the foregoing.

Open Postitions in foreign currencies and gold

"Open positions" are defined as the difference between assets and liabilities, including forwards and options, in foreign currencies and gold. The total of all open positions which fall due within each quarter (except the current and the next two quarters) may not exceed 50% of the bank's qualifying capital at the close of business of any day. Additional qualifying capital is required. Similar restrictions apply to open positions on items that become due within a specific half year except during the current and the following half year.

Large exposures. If the assets and off-balance sheet items with regard to a single client or group of connected clients exceed 10% of a bank's Qualifying Capital, then a large exposure exists, within the meaning of the Austrian Banking Act. A large exposure can only be maintained with the prior consent of the Supervisory Board of the bank; however, no single large exposure may exceed 25% of the Qualifying Capital of a bank on a risk-rated basis. Moreover, no large exposure may exceed 20% on a risk-related basis if it is made to the parent company or a subsidiary of the parent or the bank. A bank's aggregated large exposures may not exceed 800% of its Qualifying Capital on a risk-rated basis.

Participations. Qualified participations are governed by the Austrian Banking Act. A qualified participation is a holding by a bank, whether direct or indirect, of at least 10% of the capital or voting rights of a company. The possibility of exercising a significant influence over the management of a company may also cause the company to constitute a qualified participation of the bank. Qualified participations in non-banks may not be held by banks or a group of banks if the book value of the qualified participation exceeds 15% of the Qualifying Capital of such bank or group. Moreover, the entire book value of qualified participations may not exceed 60% of the Qualifying Capital of a bank or a group of banks. In certain circumstances, these limitations may be exceeded, for instance if participations are held (i) temporarily in connection with the financial restructuring of a company, (ii) to fulfil a placement obligation for newly issued securities (iii) in the name of the bank but for the account of a third person or (iv) as a non-permanent investment.

Taxation

General

The comments below are of a general nature based on current law and practice in the relevant jurisdiction referred to. They relate only to the position of persons who are the Holders of their Series J Preference Shares and may not apply to certain classes of persons such as dealers. Any Holders of Series J Preference Shares who are in doubt as to their personal tax position should consult their professional advisers.

Jersey Taxation and the EU Savings Tax Directive

Jersey

This summary is based on the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

The Issuer will have "exempt company" status within the meaning of Article 123A of the Income Tax (Jersey) Law 1961, as amended, for the calendar year ended 31st December 2005. The Issuer will be required to pay an annual exempt company charge that is currently £600 in respect of each subsequent calendar year during which it wishes to continue to have "exempt company" status. The retention of "exempt company" status is conditional on the Comptroller of Income Tax being satisfied that no Jersey resident has a beneficial interest in the Issuer, except as permitted by concessions granted by the Comptroller of Income Tax, and disclosure of beneficial ownership being made to the Jersey Financial Services Commission.

As an "exempt company" the Issuer will not be liable to Jersey income tax other than on Jersey source income (except by concession bank deposit interest on Jersey bank accounts).

Holders of Series J Preference Shares (other than residents of Jersey) are not subject to any tax in Jersey in respect of the holding, sale or other disposition of Series J Preference Shares. Whilst the Issuer maintains its "exempt company" status, payments of dividends on the Series J Preference Shares may be made by the Issuer without withholding or deduction for or on account of Jersey income tax.

No stamp duties are payable in Jersey on the acquisition, ownership, redemption, sale, exchange or other disposal of Series J Preference Shares. Probate or Letters of Administration may be required to be obtained in Jersey on the death of an individual holder of Series J Preference Shares. Stamp duty is payable in Jersey on the registration of such Probate or Letters of Administration on the value of the holder's estate in Jersey.

On 3rd June 2003, the European Union ("**EU**") Council of Economic and Finance Ministers adopted a directive on the taxation of savings income in the form of interest payments (the "**EU Savings Tax Directive**"). It is proposed that, subject to a number of important conditions being met, each EU Member State will, from 1st July 2005, be required to provide to the tax authorities of another EU Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other EU Member State; however, Austria, Belgium and Luxembourg will instead apply a retention tax system for a transitional period in relation to such payments.

Jersey is not a member of the EU and therefore is not required to implement the EU Savings Tax Directive. However, the Policy & Resources Committee of the States of Jersey has announced that, in keeping with Jersey's policy of constructive international engagement, Jersey, in line with steps proposed by other relevant third countries, proposes to introduce a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent situate in Jersey (the terms "beneficial owner" and "paying agent" for this purpose are as defined in the EU Savings Tax Directive). The retention tax system would apply for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

Under the current proposals in respect of the implementation of such a retention tax system in Jersey the Issuer would not be obliged to levy retention tax in respect of interest payments made by it to a paying agent.

On 3rd June 2003, the EU Council of Economic and Finance Ministers reached political agreement on the adoption of a Code of Conduct on Business Taxation. Jersey is not a member of the EU, however, the Policy and Resources Committee of the States of Jersey has announced that, in keeping with Jersey's policy of constructive international engagement, it intends to propose legislation to replace the Jersey exempt company regime by the end of 2008 with a general zero rate of corporate tax. It is intended that the new corporate tax will preserve tax neutrality (and so retain the existing benefits of the exempt company regime through a revised fiscal structure). Unlike the exempt company regime, it is intended that the new regime will not require an annual application/election, or payment of any sum in connection therewith, by the relevant company.

Taxation in Austria

Corporate Income Tax

Corporations that are resident in Austria are subject to 25% corporate income tax on their worldwide profits. The annual minimum tax payment for banks amounts to EUR 5,452 and is payable quarterly in advance. The minimum corporate tax is credited against the final tax liability of the current year or following years.

Taxable Income

To arrive at taxable income, the profit or loss shown in the financial statements is adjusted to account for any differences between the requirements of tax and commercial law.

In general, expenses are deductible if they are incurred as a result of a company's business operations. The most important non-deductible expenses to be mentioned are payments directly related to non-taxable income. However, as of 2005 interest incurred for the leveraged acquisition of participations will be tax deductible. Apart from corporate income tax, most taxes are deductible.

Dividends received by one resident corporate from another are tax-exempt, irrespective of a participation threshold. Dividends received by a resident corporate from a non-resident corporate are – along the lines of the EU-parent subsidiary directive – exempt from income taxation under a domestic provision, known as affiliation privilege. This privilege applies if a minimum holding period of one year and a minimum threshold of 10% participation in a foreign (EU as well as third country) corporate is fulfilled. Under certain conditions, the Federal Ministry of Finance may deny the tax exemptions of the affiliation privilege. In such cases, there is a switch over from the exemption to the credit method.

As from 2004, a new regime applies to capital gains and capital losses generated by the sale or write-off of qualified international participations. As a rule, they are tax neutral. If – however – the taxpayer opts for taxation, capital gains are subject to the regular corporate income tax rate and losses derived from the sale or the write-off of the participation are tax deductible *pro rata* over a period of seven years. The option for taxation of capital gains and losses can be exercised for each participation individually. Transition issues have to be considered.

Corporations which were registered in the Austrian Companies Register before 1st January 2001 must apply the old system until 2005. Under these provisions, capital losses of international participations are tax deductible *pro rata* over a period of seven years whereas capital gains are tax free (with the exception of prior write offs).

Loss Utilisation

Losses generated from ordinary business that cannot be offset against profits of the same year can be carried forward for an unlimited period of time but not carried back. The loss utilisation is limited up to 75% of the current year's profits, resulting in a minimum taxation of the annual profits at 25%. In a corporate merger or reorganisation, losses incurred by the absorbed company or transferred business may, as a rule and under certain conditions, be carried over into the absorbing company.

Group taxation as of 2005

The 2005 tax reforms of the Austrian government provide for far reaching amendments to group taxation within the corporate income tax regime. A new tax group system replaces the existing *Organschaft* concept (consolidated income taxation). The new tax group rules significantly simplify the pooling of profits and losses within a group, and would enable the Austrian head of a group to utilize the losses of foreign group members and entitle it to amortise goodwill acquired in share transactions for tax purposes. In particular, the formerly required prerequisites of economic and operational control have been eliminated.

To qualify as a tax group, the head of the group must hold more than 50% of the participating subsidiary's registered share capital and voting rights. All group participants must opt for application of the tax group regime, although an actual transfer of profits or coverage of losses is not required. In particular, the application must state that measures for tax equalisation will be undertaken within the group. Tax equalisation payments within a tax group are tax neutral. The tax authorities will issue a ruling as to whether the group qualifies as a tax group or not.

The financial integration requirement must be met during the entire business year of the participating subsidiary. The group must have been integrated for at least three full business years – if it is terminated earlier (i.e. the minimum three year duration requirement has not been met), the profit pooling is reversed with retroactive effect.

All tax profits and losses of Austrian group participants are pooled at the level of the group head. Losses of foreign group participants can be transferred to Austria. There will be a subsequent Austrian tax claw-back in later years once the foreign subsidiary in question is able to utilise the losses abroad or leaves the tax group. Special provisions apply in case of bankruptcy or voluntary liquidation. The group head may not write off its investments in group companies for tax purposes.

As mentioned above, the new tax group concept allows goodwill to be amortised for tax purposes in the context of an acquisition of shares under certain conditions. In particular, the target cannot have been an affiliate of the group before entering the tax group. Goodwill is calculated as the difference between the cost of acquisition and the book value of the equity, increased by hidden reserves attributable to non-depreciable assets. The deductible goodwill is capped at 50% of the acquisition cost and has to be amortised over 15 years. Amortisation of goodwill may only be deducted in periods when the acquired company is part of the tax group.

Value Added Tax (VAT)

Austria's VAT system is based on the relevant EU directives according to which the services typically provided by banks, such as the granting of credit, loans, securities etc are exempt from VAT. On the other hand, any input VAT directly related to tax exempt services cannot be credited against VAT liabilities. The standard VAT rate applicable to the supply of goods and services amounts to 20%, the reduced rate amounts to 10%.

Taxation in the Netherlands

This is a general summary and the tax consequences as described here may not apply to a holder of Series J Preference Shares. Any potential investor should consult his own tax adviser for more information about the tax consequences of acquiring, owning and disposing of Series J Preference Shares.

This taxation summary solely addresses the principal Dutch tax consequences of the acquisition, the ownership and disposition of Series J Preference Shares that apply as long as the Issuer is not a resident of the Netherlands for purposes of article 4 of the Dutch General Taxes Act (*Algemene wet inzake rijksbelastingen*). It does not discuss every aspect of taxation that may be relevant to a particular holder of Series J Preference Shares under special circumstances or who is subject to special treatment under applicable law.

This summary is based on the tax laws of the Netherlands as they are in force and in effect on the date of this Offering Circular. Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall therefore be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. The laws upon which this summary is based are subject to change, possibly with retroactive effect. A change to such laws may invalidate the contents of this summary, which will not be updated to reflect any such changes.

Taxes on income and capital gains

Resident holders of Series J Preference Shares

General

The summary set out in this section "Taxes on income and capital gains – Resident holders of Series J Preference Shares" only applies to a holder of Series J Preference Shares who is a "Dutch Individual" or a "Dutch Corporate Entity".

For the purposes of this section you are a "Dutch Individual" if you satisfy the following tests:

a. you are an individual;

b. you are resident, or deemed to be resident, in the Netherlands for Dutch income tax purposes, or you have elected to be treated as a resident of the Netherlands for Dutch income tax purposes;

c. your Series J Preference Shares and income or capital gains derived therefrom have no connection with your past, present or future employment, if any; and

d. your Series J Preference Shares do not form part of a substantial interest *(aanmerkelijk belang)* or a deemed substantial interest in the Issuer within the meaning of Chapter 4 of the Dutch Income Tax Act 2001 *(Wet inkomstenbelasting 2001).*

Generally, if a person holds an interest in the Issuer, such interest forms part of a substantial interest or a deemed substantial interest in the Issuer if any one or more of the following circumstances is present.

1. Such person alone or, if he is an individual, together with his partner *(partner)*, if any, has, directly or indirectly, the ownership of shares in the Issuer representing 5% or more of the Issuer's total issued and outstanding capital (or the issued and outstanding capital of any class of the Issuer's shares), or rights to acquire, directly or indirectly, shares, whether or not already issued, that represent 5% or more of the Issuer's total issued and outstanding capital (or the issued and outstanding capital of any class of the Issuer's shares), or the ownership of profit participating certificates *(winstbewijzen)* that relate to 5% or more of the Issuer's annual profit or to 5% or more of the Issuer's liquidation proceeds.

2. Such person's shares, profit participating certificates or rights to acquire shares or profit participating certificates in the Issuer have been acquired by him or are deemed to have been acquired by him under a non-recognition provision.

3. Such person's partner or any of his relatives by blood or by marriage in the direct line (including foster-children) or of those of his partner has a substantial interest (as described under 1. and 2. above) in the Issuer.

A person who is entitled to the benefits from shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and his entitlement to benefits is considered a share or profit participating certificate, as the case may be.

If you are an individual and a holder of Series J Preference Shares and if you satisfy test b., but do not satisfy test c. and/or test d., your Dutch income tax position is not discussed in this Offering Circular. If you are an individual and a holder of Series J Preference Shares who does not satisfy test b., please refer to the section "Taxes on Income and Capital Gains – Non-resident holders of Series J Preference Shares".

For the purposes of this section you are a "Dutch Corporate Entity" if you satisfy the following tests:

i. you are a corporate entity (including an association that is taxable as a corporate entity) that is subject to Dutch corporation tax in respect of benefits derived from its Series J Preference Shares;

ii. you are resident, or deemed to be resident, in the Netherlands for Dutch corporation tax purposes;

iii. you are not an entity that, although in principle subject to Dutch corporation tax, is, in whole or in part, specifically exempt from that tax; and

iv. you are not an investment institution *(beleggingsinstelling)* as defined in the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

If you are a corporate entity and a holder of Series J Preference Shares and if you do not satisfy any one or more of these tests, with the exception of test ii., your Dutch corporation tax position is not discussed in this Offering Circular. If you are a corporate entity and a holder of Series J Preference Shares that does not satisfy test ii, please refer to the section "Taxes on Income and Capital Gains – Non-resident holders of Series J Preference Shares".

Dutch Individuals deriving profits from an enterprise

If you are a Dutch Individual and if you derive or are deemed to derive any benefits from Series J Preference Shares, including any capital gains realised on the disposal thereof, that are attributable to an enterprise from which you derive profits, whether as an entrepreneur *(ondernemer)* or pursuant to a co-entitlement to the net value of an enterprise, other than as an entrepreneur or a shareholder, such benefits are generally subject to Dutch income tax at progressive rates.

Dutch Individuals deriving benefits from miscellaneous activities

If you are a Dutch Individual and if you derive or are deemed to derive any benefits from Series J Preference Shares, including any gain realised on the disposal thereof, that constitute benefits from miscellaneous activities *(resultaat uit overige werkzaamheden)*, such benefits are generally subject to Dutch income tax at progressive rates.

If you are a Dutch Individual you may, *inter alia*, derive benefits from Series J Preference Shares that are taxable as benefits from miscellaneous activities in the following circumstances.

– Your investment activities go beyond the activities of an active portfolio investor, for instance in the case of the use of insider knowledge *(voorkennis)* or comparable forms of special knowledge; or

– you make or are deemed to make Series J Preference Shares available, legally or in fact, directly or indirectly, to a related party as described in articles 3.91 and 3.92 of the Dutch Income Tax Act 2001 under circumstances described there.

Other Dutch Individuals

If you are a Dutch Individual and your situation has not been discussed before in this section "Taxes on income and capital gains – Resident holders of Series J Preference Shares", benefits from your Series J Preference Shares will be taxed as a benefit from savings and investments *(voordeel uit sparen en beleggen)*. Such benefit is deemed to be 4% per annum of the average of your "yield basis" *(rendementsgrondslag)* at the beginning and at the end of the year, insofar as that average exceeds the "exempt net asset amount" *(heffingvrij vermogen)*. The benefit is taxed at the rate of 30%. The value of your Series J Preference Shares forms part of your yield basis. Actual benefits derived from your Series J Preference Shares, including any capital gains realised on the disposal thereof, are not as such subject to Dutch income tax.

Dutch Corporate Entities

If you are a Dutch Corporate Entity, any benefits derived or deemed to be derived by you from Series J Preference Shares, including any capital gains realised on the disposal thereof, are generally subject to Dutch corporation tax.

Non-resident holders of Series J Preference Shares

The summary set out in this section "Taxes on income and capital gains – Non-resident holders of Series J Preference Shares" only applies to a holder of Series J Preference Shares who is a Non-Resident holder of Series J Preference Shares.

You are a Non-Resident holder of Series J Preference Shares if you satisfy the following tests:

a. your are neither resident, nor deemed to be resident, in the Netherlands for purposes of Dutch income tax or corporation tax, as the case may be, and, if you are an individual, you have not elected to be treated as a resident of the Netherlands for Dutch income tax purposes; and

b. your Series J Preference Shares and income or capital gains derived therefrom have no connection with your past, present or future employment, if any;

If you are a holder of Series J Preference Shares and you satisfy test a., but do not satisfy test b., your Dutch income tax position or corporation tax position, as the case may be, is not discussed in this Offering Circular.

If you are a Non-Resident holder of Series J Preference Shares you will not be subject to any Dutch taxes on income or capital gains in respect of dividends distributed by the Issuer or in respect of any gains realised on the disposal of Series J Preference Shares, provided that both of the following conditions are satisfied.

1. If you derive profits from an enterprise, whether as an entrepreneur *(ondernemer)* or pursuant to a co-entitlement to the net value of such enterprise, other than as an entrepreneur or a shareholder, in the case of an individual, or other than as

a holder of securities, in other cases, which enterprise is either managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, as the case may be, your Series J Preference Shares are not attributable to such enterprise or, in case the Series J Preference Shares are attributable to such enterprise, the benefits therefrom are exempt under the participation exemption as laid down in the Dutch Corporation Tax Act 1969.

2. You do not derive benefits from Series J Preference Shares that are taxable as benefits from miscellaneous activities in the Netherlands.

See the section "Taxes on income and capital gains – Resident holders of Series J Preference Shares" for a description of the circumstances under which the benefits derived from Series J Preference Shares may be taxable as benefits from miscellaneous activities, on the understanding that such benefits will be taxable in the Netherlands only if such activities are performed or deemed to be performed in the Netherlands.

Dividend withholding tax

Dividends distributed by the Issuer are not subject to a withholding tax imposed by the Netherlands.

Gift and inheritance taxes

If you acquire Series J Preference Shares as a gift (in form or in substance) or if you acquire or are deemed to acquire Series J Preference Shares on the death of an individual, you will not be subject to Dutch gift tax or to Dutch inheritance tax (as the case may be), unless:

– the donor or the deceased was resident or deemed to be resident in the Netherlands for purposes of gift or inheritance tax (as the case may be); or

– the Series J Preference Shares are or were attributable to an enterprise or part of an enterprise that the donor or deceased carried on through a permanent establishment or a permanent representative in the Netherlands at the time of the gift or of the death of the deceased; or

– the donor made a gift of Series J Preference Shares, then became a resident or deemed resident of the Netherlands, and died as a resident or deemed resident of the Netherlands within 180 days after the date of the gift.

Capital tax

The Issuer is not subject to Dutch capital tax on any contribution the Issuer receives in respect of Series J Preference Shares.

Other taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Series J Preference Shares.

Subscription and Sale

Under a Subscription Agreement dated 21st March 2005 (the "Subscription Agreement") J.P. Morgan Securities Ltd. and UBS Limited (the "Joint Lead Managers") have jointly and severally agreed with the Issuer and Erste Bank, subject to the satisfaction of certain conditions, to subscribe for or procure subscribers for the Series J Preference Shares at the issue price of EUR 1,000 per Series J Preference Share. The Issuer has agreed to pay to the Joint Lead Managers a combined commission of EUR 20 per Series J Preference Share. The Joint Lead Managers are entitled to terminate the Subscription Agreement in certain circumstances prior to payment to the Issuer. The Issuer and Erste Bank have agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the issue of the Series J Preference Shares.

United States of America

The Series J Preference Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has severally agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Series J Preference Shares (i) as part of their distribution at any time or (ii) otherwise until the expiration of the period ending 40 days after the later of the commencement of the offering and the Closing Date (the "Distribution Compliance Period") within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Series J Preference Shares during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Series J Preference Shares within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S.

The Series J Preference Shares are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Series J Preference Shares within the United States by a dealer (that is not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has severally represented, warranted and agreed that:

1. it has not offered or sold and prior to the date six months after the issue of the Series J Preference Shares will not offer or sell any Series J Preference Shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

2. it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Series J Preference Shares in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or Erste Bank; and

3. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Series J Preference Shares in, from or otherwise involving the United Kingdom.

Austria

Each Joint Lead Manager has represented and agreed that it will only offer the Series J Preference Shares in the Republic of Austria in compliance with the provisions of the Austrian Capital Markets Act, Federal Law Gazette 1991/625 as amended, and any other laws applicable in the Republic of Austria governing the offer and sale of the Series J Preference Shares in the Republic of Austria.

Jersey

The Series J Preference Shares may not be offered to, sold to, transferred to or purchased by persons resident for income tax purposes in Jersey other than financial institutions in the normal course of business.

General

Each Joint Lead Manager has undertaken that it will comply (to the best of its knowledge and belief) with all applicable securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Series J Preference Shares or possesses or distributes this Offering Circular or any other offering material, in all cases at its own expense.

General Information

1 Listing

Application has been made to list the Series J Preference Shares on the Luxembourg Stock Exchange and Euronext Amsterdam. The listing on the Luxembourg Stock Exchange and Euronext Amsterdam of the Series J Preference Shares will be expressed as a percentage of the relevant liquidation preference in each case. For listing purposes, the Series J Preference Shares will be considered as debt securities.

As required by Luxembourg law, a *notice légale* in connection with the application for listing of the Series J Preference Shares on the Luxembourg Stock Exchange will be filed, together with copies of the Memorandum and Articles of Association of the Issuer, with the Trade and Companies Register in Luxembourg prior to the listing of the Series J Preference Shares and copies thereof may be obtained on request, against payment of the customary charges.

The Articles of Association of the Issuer have been filed with the Luxembourg Register of Commerce and Companies, where copies are available against payment of customary charges.

For so long as the Series J Preference Shares are listed on Euronext Amsterdam, and the rules of Euronext Amsterdam N.V. so require, the Issuer will comply with Article 2.1.20 Schedule B of the Listing and Issuing Rules (*Finisenreglemen*) of Euronext Amsterdam N.V.

J.P. Morgan Bank Luxembourg S.A. as Luxembourg listing agent or such other entity as is appointed by the Issuer in accordance with the "Statement of Rights of the Series J Preference Shares" will serve as intermediary between the Luxembourg Stock Exchange and persons connected with the issuance and listing of the Series J Preference Shares for so long as the Series J Preference Shares remain listed on the Luxembourg Stock Exchange.

2 Authorisations

The issue of the Series J Preference Shares by the Issuer has been duly authorised by a resolution of the Board of Directors of the Issuer passed on 21st March 2005.

The entering into of the Support Agreement and the Intercompany Agreement by Erste Bank has been duly authorised by resolutions of its Management Board passed on 29th December 2004 and of the Supervisory Board passed on 19th January 2005.

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer and/or Erste Bank under the laws of Jersey and Austria have been given for the issue of Series J Preference Shares and for the Issuer and Erste Bank, as the case may be, to undertake and perform their respective obligations under each of the Subscription Agreement, the Agency Agreement, the Series J Preference Shares, the Support Agreement and the Intercompany Agreement.

3 Legal status

The Issuer operates under the laws of Jersey with limited liability and for an unlimited duration.

Erste Bank operates under Austrian law as a stock corporation with indefinite duration. Erste Bank is registered in the Commercial Register of the Commercial Court in Vienna under file number FN 33209 m.

4 Clearing

The Series J Preference Shares have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

ISIN: XS0215338152

Common Code: 021533815

Deutsche WKN: AODOCZ

FONDSCODE (the Euronext Amsterdam security code): 15281

5 No material change

Save as described herein, there has been no significant change in the financial or trading position of Erste Bank or the Erste Bank Group since 30th September 2004 or, in the case of the Issuer, 24th February 2005, and no material adverse change in the financial position or prospects of Erste Bank or the Erste Bank Group since 31st December 2003 or, in the case of the Issuer, 24th February 2005.

6 Litigation

Save as described herein, there are no litigation or arbitration proceedings against or affecting the Issuer or Erste Bank or any of its subsidiaries or any of their respective assets, nor is the Issuer or Erste Bank aware of any pending or threatened proceedings, which are or might be material in the context of the issuance of the Series J Preference Shares.

7 Subsidiaries of Erste Bank as at 31st December 2003

Company name, domicile	*Interest in shareholders' equity*
(a) Credit Institutions	
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft, Linz (Group)*	26.9%
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft, Vienna	100.0%
Ceská sporitelna a.s., Prag (Group)*	97.9%
Die Erste & Constantia Beteiligungsfonds Aktiengesellschaft, Vienna	100.0%
Erste Bank (Malta) Limited, Sliema	100.0%
Erste Bank Hungary Rt., Budapest (Group)*	99.6%
Erste Financial Products Ltd., London	100.0%
ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Vienna	84.3%
Europay Austria Zahlungsverkehrssysteme GmbH, Vienna	3.1%
Intermarket Bank AG, Vienna	22.2%
Investkredit Bank AG, Vienna (Group)*	11.3%
Kapital-Beteiligungs Aktiengesellschaft, Vienna	15.0%
Kärntner Sparkasse Aktiengesellschaft, Klagenfurt (Group)*	25.0%
Niederösterreichische Kapitalbeteiligungsgesellschaft m.b.H., Vienna	30.0%
Niederösterreichische Kreditbürgschaftsgesellschaft m.b.H., Vienna	25.0%
Postabank és Takarékpénztár Rt, Budapest	99.9%
Prva stavebna sporitelna, a.s., Bratislava	32.0%
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (Group)*	12.9%
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna	18.8%
Erste & Steiermärkische banka d.d., Rijeka	77.3%
s Wohnbaubank AG, Vienna (Group)*	90.9%
Salzburger Sparkasse Bank Aktiengesellschaft, Salzburg	98.7%
Slovenská sporitelna a.s., Bratislava	70.0%
"Spar-Finanz"-Investitions- und Vermittlungs-Aktiengesellschaft, Vienna	50.0%
Sparkasse Bregenz Bank Aktiengesellschaft, Bregenz	43.7%
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft, Hainburg	75.0%
Sparkasse Kremstal-Pyhrn Aktiengesellschaft, Kirchdorf	24.1%
Sparkasse Mühlviertel-West Bank Aktiengesellschaft, Rohrbach	40.0%
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft	6.3%
Steiermärkische Bank und Sparkassen Aktiengesellschaft, Graz (Group)*	25.0%
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck, Innsbruck (Group)*	74.7%
(b) Financial Institutions	
CDI-Erste Central Europe Holding Ges.m.b.H., Düsseldorf (Group)*	100.0%
EBV - Leasing Gesellschaft m.b.H. & Co. KG., Vienna	100.0%
Erste Securities Polska S.A., Warschau (Group)*	100.0%
Erste Securities Zagreb d.o.o., Zagreb	98.9%
IMMORENT Aktiengesellschaft, Vienna (Group)*	100.0%
Neue Eisenstädter gemeinnützige Bau-, Wohn- und Siedlungsgesellschaft m.b.H., Eisenstadt	49.8%
Österreichisches Volkswohnungswerk Gemeinnützige Gesellschaft mit beschränkter Haftung, Vienna	100.0%
s Autoleasing GmbH, Vienna	100.0%
"Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H., Mödling	26.0%
(c) Others	
ARWAG Holding- Aktiengesellschaft, Vienna (Group)*	19.2%
AVS Beteiligungsgesellschaft m.b.H., Innsbruck	51.0%
BMG-Warenbeschaffungsmanagement GmbH, Vienna	55.9%
BVP-Pensionskassen Aktiengesellschaft, Vienna	19.0%
BVP-Pensionsvorsorge-Consult G.m.b.H., Vienna	19.0%
Capexit Private Equity Invest AG, Vienna (Group)*	93.9%
CSSC Customer Sales Service Center GmbH, Vienna	46.9%
Donau Allgemeine Versicherungs-Aktiengesellschaft, Vienna	8.1%
EB-Beteiligungsservice GmbH, Vienna	100.0%
EB-IT-Erste Bank Informations-Technologie Ges.m.b.H., Vienna	100.0%

* "Group" in this context means that consolidation of the company into Erste Bank was effected on a sub-group basis rather than a single company basis. The "Interest in shareholders' equity" refers to the shareholding of Erste Bank in the company.

EB-Malta-Beteiligungen Gesellschaft m.b.H., Vienna	100.0%
EB-Restaurantsbetriebe Ges.m.b.H., Vienna	100.0%
EB-Touristik Unternehmensbeteiligungs GmbH, Vienna	100.0%
ecetra Internet Services AG, Vienna (Group)*	100.0%
ECO Unternehmensbeteiligungs-GmbH, Vienna	100.0%
Erste Bank Beteiligungen Gesellschaft m.b.H., Vienna	100.0%
Erste Reinsurance S.A., Luxemburg	100.0%
Erste Wiener Hotel - Aktiengesellschaft, Vienna	35.2%
GESCO Gesellschaft für Unternehmenscommunication GmbH, Vienna	55.9%
Industriegrundstücks-Verwaltungsgesellschaft m.b.H., Vienna	100.0%
Informations-Technologie Austria GmbH, Vienna	25.9%
OM Objektmanagement GmbH, Vienna (Group)*	100.0%
s Haftungs- und Kundenabsicherungs GmbH, Vienna	62.6%
s Immobilienfinanzierungsberatung GmbH, Vienna	73.1%
S REAL Holding GmbH, Vienna (Group)*	100.0%
SPARDAT Sparkassen-Datendienst Gesellschaft m.b.H., Vienna	73.4%
Sparkassen Versicherung Aktiengesellschaft, Vienna (Group)*	61.9%
Sparkassen Zahlungsverkehrabwicklungs GmbH, Linz	40.0%
"Sparkassen-Haftungs Aktiengesellschaft", Vienna	38.8%
Sparkassen Immobilien Aktiengesellschaft, Vienna (Group)*	25.0%
SporDat, spol. s.r.o., Bratislava	100.0%
S-Tourismusfonds Management Aktiengesellschaft, Vienna	99.9%
UBG-Unternehmensbeteiligungsgesellschaft m.b.H., Vienna	100.0%
Vereinigte Pensionskasse Aktiengesellschaft, Vienna	29.8%
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH, Vienna	25.6%
VMG-Erste Bank Versicherungsmakler GmbH, Vienna	100.0%
WED Holding Gesellschaft m.b.H., Vienna	19.2%
Wiener Börse AG, Vienna	10.1%

8 Documents

Copies of the following documents will be available, free of charge, (together, if applicable with an English translation thereof) from the offices of the paying agents in Luxembourg and Amsterdam shown on the back page of this Offering Circular during normal business hours for so long as the Series J Preference Shares are outstanding and at the registered offices of the Issuer and Erste Bank:

(a) the memorandum and articles of association of the Issuer;

(b) the articles of association of Erste Bank;

(c) the consolidated audited accounts and the annual reports of Erste Bank and its subsidiaries for the financial years ended 31st December 2003 and 2002;

(d) the unaudited financial statements of Erste Bank as at and for the nine months ended 30th September 2004;

(e) the consents and authorisations referred to in paragraph 2 above;

(f) the Support Agreement;

(g) the Intercompany Agreement;

(h) the Agency Agreement;

(i) the Subscription Agreement; and

(j) documents incorporated by reference.

For so long as the Series J Preference Shares are listed on the Luxembourg Stock Exchange and Euronext Amsterdam, the most recently published consolidated and non-consolidated audited annual financial statements and consolidated unaudited quarterly interim financial statements of Erste Bank, and the most recently published audited annual accounts and unaudited quarterly interim financial statements of the Issuer, will also be available free of charge at the offices of the Paying Agents in Luxembourg and Amsterdam, currently shown on the back page of this Offering Circular. Erste Bank does not publish non-consolidated interim financial statements. The first annual accounts of the Issuer are expected to be prepared for the period 24th February 2005 to 31st December 2005. The consolidated audited accounts and the annual reports of Erste Bank and its subsidiaries for the financial year ended 31st December 2004 are expected to be available on 12th April 2005.

* "Group" in this context means that consolidation of the company into Erste Bank was effected on a sub-group basis rather than a single company basis. The "Interest in shareholders' equity" refers to the shareholding of Erste Bank in the company.

9 Auditors

Sparkassen-Prüfungsverband Prüfungsstelle and Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH (formerly Eidos Deloitte & Touche Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH) have audited the consolidated annual financial statements of Erste Bank prepared in accordance with IFRS for the financial year ended 31st December 2003. The auditors expressed an unqualified opinion on the accounts of Erste Bank for the financial year ended 31st December 2003.

The financial statements of Erste Bank as at and for the nine months ended 30th September 2004 have not been audited.

No accounts of the Issuer have yet been prepared or audited. BDO Attard Buttigieg Psaila & Co. and BDO Alto Limited have been appointed as auditors to the Issuer.

10 Notices

Notices to the holders of Series J Preference Shares, including notices for general meetings of holders of the Series J Preference Shares and payments of distributions or other amounts in relation to the Series J Preference Shares will be published, for so long as the Series J Preference Shares are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, in a leading Luxembourg daily newspaper (which is expected to be the *Luxemburger Wort*) and, for so long as the Series J Preference Shares are listed on Euronext Amsterdam, in a daily newspaper of wide circulation in the Netherlands and in the Daily Official List (*Officiële Prijscourant*) of Euronext Amsterdam N.V.

Preliminary Announcement as to Results (Unaudited) of Erste Bank for the Year Ended 31st December 2004

The following is a copy of the press release issued by Erste Bank on 14th March 2005 relating to the results (unaudited) of Erste Bank for the year ended 31st December 2004 as amended for minor errors from the original text.

"Vienna, 14 March 2005

Erste Bank: Preliminary 2004 Results are a success on all fronts

"With the preliminary 2004 results, Erste Bank der oesterreichischen Sparkassen AG marks a further milestone in its operational development" commented CEO Andreas Treichl on the excellent performance. "Since 1997 we have recorded an improvement in our results and our return on equity every year. We can justifiably point to 2004 as a record result" continued Treichl. "Erste Bank's consistently strong growth and continuously improving performance in Austria and the Central European markets have been recognised by the financial markets, leading to a market capitalisation which has soared from EUR 2 billion at our IPO to exceed EUR 10 billion. As a result of the good performance, the Managing Board has announced that it will ask the Annual General Meeting to approve a one-third increase in the dividend to EUR 0.50 per share".

Highlights in figures:(1)

- **Net interest income** was up from EUR 2,586.8 m to **EUR 2,695.5 m** (+4.2%)
- **Net commission income** rose from EUR 996.6 m to **EUR 1,141.1 m** (+14.5%)
- **Operating income** climbed from EUR 3,830.9 m to **EUR 4,087.9 m** (+6.7%)
- **General administrative expenses** increased from EUR 2,460.7 m to **EUR 2,592.9 m** (+5.4%).
- **Operating profit** improved from EUR 1,370.1 m to **EUR 1,495.0 m** (+9.1%).
- **Pre-tax profit** increased from EUR 761.6 m to **EUR 1,061.1 m** (+39.3%).
- **Net profit after tax and minority interests** was up from EUR 353.3 m to **EUR 544.5 m** (+54.1%).
- The **cost/income ratio** improved from 64.2% (end-2003) to **63.4%**.
- **Return on equity** soared from 13.7% (end-2003, cash RoE 16.6%) to **18%.**
- **Total assets** increased from EUR 128.6 bn to **EUR 139.7 bn** (+8.6 %).
- Earnings per share increased from EUR 1.49 (adjusted for the share split; cash earnings per share EUR 1.83) to **EUR 2.28**.
- **Core capital ratio** as at 31 December 2004 was **6.7%** (previous year: 6.3%).

The 9.1% improvement in operating profit to EUR 1,495.0 m was attributable to two positive developments: on the one hand, measures adopted in 2004 to optimise the Group's structure and processes began to take effect, causing a flattening of the cost curve, especially in the final quarter. At the same time, revenues from the bank's core business saw further growth, thanks both to strong demand for banking and insurance products in Central Europe and to the successful and consistent implementation of measures in the Austrian business.

As a result, the Erste Bank Group's **operating income** was 6.7% higher at EUR 4,087.9 m. **General administrative expenses** grew by 5.4% in 2004 to EUR 2,592.9 m.

The cost/income ratio further improved in 2004 to stand at 63.4% at the year end.

Loan loss provisions changed slightly from EUR 406.4 m to EUR 406.2 m.

Pre-tax profit for 2004 showed a 39.3% rise to EUR 1,061.1 m, while the return on equity surged ahead from 13.7% – cash ROE 16.6% – in the previous year to 18.0%. The contribution to Group net profit from the Central European subsidiaries increased to 59.2% in 2004, from 53.7% in the previous year.

Dividend and profit sharing

"Our excellent results will benefit not only our employees, who will receive a share of the profits under the new salary scheme, but also our shareholders," declared Reinhard Ortner, CFO of Erste Bank. Hence, the Managing Board will propose that the Annual General Meeting approve payment of a **dividend** of EUR 0.50 per share. This represents a 33.3% increase on the previous year's dividend (EUR 1.50 per share or EUR 0.375 after adjustment for the share split in 2004).

Outlook

Ortner further explained that "given the strong results in 2004, the successful implementation of our Group Architecture Project as well as the excellent positioning as a retail bank in Europe's only growth market, we are confident that we will

(1) When comparing the figures for 2004 with those for the previous year it should be remembered that, since 2004, Erste Bank has adopted IFRS 3 in conjunction with IAS 36 and 38 (goodwill write-offs on *pro rata* basis no longer apply).

meet our targets for 2006". The Bank's expectation for 2006 is that Group net profit will reach EUR 750 m and earnings per share will be around EUR 3.11. This gives a target (cash) return on equity of at least 18%, while the cost/income ratio should be no higher than 61% in 2006.

Erste Bank will provide with the presentation of the first quarter 2005 results a more detailed outlook for the year and will elaborate on the Group net profit target for 2005 which, on the strength of the 2004 results, will be at least EUR 600m.

"Having systematically and successfully expanded our home market since 1997, in the years ahead we will be extending our regional focus. We aim to achieve growth in the Central European region in those markets which fit with our existing network and in areas which offer the clients real added value," explained Andreas Treichl, as he outlined Erste Bank's future acquisition plans.

I. Performance in detail

1. Income trend

in EUR million	**Q4 2004**	**Q3 2004**	**Q2 2004**	**Q1 2004**	**2004**	***2003***	***%-Chg***
Net interest income	**701.8**	676.6	660.2	656.9	**2,695.5**	*2,586.8*	*4.2*
Loan loss provisions	**(99.3)**	(110.1)	(88.6)	(108.2)	**(406.2)**	*(406.4)*	*(0.1)*
Net commission income	**289.3**	286.6	283.8	281.4	**1,141.1**	*996.6*	*14.5*
Net trading result	**60.3**	47.9	45.9	62.4	**216.5**	*214.6*	*0.9*
General administrative expenses	**(642.0)**	(659.4)	(649.2)	(642.3)	**(2,592.9)**	*(2,460.7)*	*5.4*
Insurance business	**10.2**	11.3	6.9	6.4	**34.8**	*32.9*	*5.7*
Other operating result	**(28.8)**	15.6	(35.3)	20.8	**(27.7)**	*(202.1)*	*86.3*
Pre-tax profit	**291.5**	**268.5**	**223.7**	**277.4**	**1,061.1**	***761.6***	***39.3***
Group net profit	**161.9**	**142.4**	**136.0**	**104.2**	**544.5**	***353.3***	***54.1***

1.1. Operating income

As already mentioned, **operating income** (net interest income, net commission income, trading income and income from insurance business) was 6.7% higher at EUR 4,087.9 m. After adjustment for the first-time consolidation of Postabank, the increase was 3.1%.

Despite a difficult market climate, **net interest income** (consisting of interest in the narrow sense, interest-like earnings and expenses, and income from long-term holdings including subsidiaries) posted a 4.2% increase from EUR 2,586.8 to EUR 2,695.5 m.

The net interest margin, i.e. net interest income as a proportion of average interest-bearing assets (calculated as being total assets less cash reserve, trading assets, tangible assets, intangible fixed assets and other assets) narrowed slightly from 2.30% in the previous year to 2.21% in 2004.

In Austria the unrelenting low interest environment together with the administered building society interest rates resulted in the net interest margin being compressed from 1.9% in 2003 to around 1.8%. The Central European subsidiaries continued to enjoy much higher margins of between 3.5% and over 4.5%.

Net commission income performed very well in 2004, growing by 14.5% from EUR 996.6 m to EUR 1,141.1 m.

Erste Bank Group net commission income

In EUR million	1.1- 31.12.2004	1.1- 31.12.2003	*Change %*
Lending business	**178.7**	160.1	*11.6*
Payment transfers	**443.7**	384.7	*15.3*
Securities transactions	**303.1**	248.8	21.8
Of which: Investment funds	***133.6***	*111.2*	*20.1*
Custodial fees	***44.9***	*43.9*	*2.3*
Brokerage	***124.6***	*93.6*	*33.1*
Insurance Business	**61.6**	59.0	*4.4*
FX transactions	**40.9**	50.5	*(19.0)*
Other	**113.1**	93.5	*20.9*
Total	**1,141.1**	**996.6**	***14.5***

Above-average growth rates were achieved in both Central European and Austrian business (up 17.1% and 12.9% respectively), most notably in securities business, payment transfers and leasing. Commission income showed a decline in foreign exchange business.

At EUR 216.5 m Erste Bank managed to improve its **trading result** further on the strong 2003 result of EUR 214.6 m. Besides Erste Bank in Austria, this was mainly thanks to the good performance by Erste Bank Hungary and Slovenská sporitel'ňa.

Net income from insurance business(2) posted a very positive performance in 2004, climbing 5.7% higher than the already very good figure for 2003 to EUR 34.8 m. Both s-Versicherung, Austria's market leader in life assurance, and the Group's local providers in the Czech and Slovak Republics were able to strengthen their market positions.

1.2. General administrative expenses

In 2004, total general administrative expenses (personnel expenses, other administrative expenses and depreciation of fixed assets) rose 5.4% from EUR 2,460.7 m to EUR 2,592.9 m. After adjustment for the effect of the first-time consolidation of Postabank, the increase amounted to 2.0%.

Erste Bank Group general administrative expenses

in EUR million	2004	2003	*Change %*	ex Postabank	*Change %*
Personnel expenses	**1,480.4**	1,422.3	*4.1*	1,449.0	*1.9*
Other admin. expenses	**772.2**	691.9	*11.6*	730.3	*5.5*
Sub-total	***2,252.6***	*2,114.2*	*6.5*	*2,179.3*	*3.1*
Depreciation	**340.3**	346.6	*(1.8)*	330.8	*(4.6)*
Total	**2,592.9**	**2,460.7**	***5.4***	**2,510.1**	***2.0***

Austria (incl. Corp. Center & International Business)

in EUR million	2004	2003	*Change %*
Personnel expenses	**1,070.5**	1,077.2	*(0.6)*
Other admin. expenses	**436.4**	415.1	*5.1*
Sub-total	***1,506.9***	*1,492.3*	*1.0*
Depreciation	**189.0**	201.0	*(6.0)*
Total	**1,695.9**	1,693.3	***0.2***

(2) The extraordinary inflow realized in the first quarter of 2004 from the sale of our property insurance lines in the Czech Republic (approx. EUR 88 m gross) is not shown here; this is included under 'Other operating income'.

Central Europe

in EUR million	2004	2003	*Change %*	ex Postabank	*Change %*
Personnel expenses	**409.9**	345.1	*18.8*	378.5	*9.7*
Other admin. expenses	**335.8**	276.8	*21.3*	293.9	*6.2*
Sub-total	**745.7**	621.9	*19.9*	672.4	*8.3*
Depreciation	**151.3**	145.6	*3.9*	141.8	*(2.6)*
Total	**897.0**	767.5	*16.9*	814.2	*6.2*

Personnel expenses showed a 4.1% rise to EUR 1,480.4 m. Some of the rise, resulting most notably from increases in collective policy agreements as well as the newly introduced profit sharing scheme (approx. EUR 7 m) and higher performance related pay, was offset by savings made thanks to the significant reduction in staff numbers.

Changes in staff numbers:

	31.12.2004	31.12.2003
Austria	**14,629**	14,974
Of which cross guarantee savings banks	**6,789**	6,931
International	**21,233**	22,676
Of which Česká spořitelna	**11,639**	12,420
Slovenská sporitel'ňa	**5,083**	5,283
Other CEE subsidiaries	**3,876**	4,635
Total	**35,862**	**37,650**

Other administrative expenses were up 11.6% at EUR 772.2 m. This was due in large measure to the significantly higher VAT rates in some of the central European countries, higher costs resulting from the expansion of Group functions and higher consultancy fees.

Depreciation of fixed assets declined by 1.8% to EUR 340.3 m, in particular thanks to the Bank's restrictive approach to investments in IT.

In 2004, therefore, **operating profit** (i.e. operating income minus general administrative expenses) registered a 9.1% year-on-year increase to EUR 1,495.0 m (+5.1% after adjustment for Postabank).

1.3. Risk provisions

Risk provisions for loans and advances came in as expected unchanged on the previous year's level of EUR 406.2 m. Whereas there was a decrease in the Austrian business, at certain Central European subsidiaries new provisions had to be made following the write-backs of the previous year (made partly due to legal reasons). The increase in provisions was disproportionately large in Hungary, owing to the integration of Postabank.

1.4. Other operating result

Although still negative, **other operating result** posted a considerable improvement from last year's figure of EUR -202.1 m to end 2004 at EUR -27.7 m. The main reasons for this were the discontinuation of goodwill depreciation on a straight line basis (amounting to EUR 81.2 m in 2003) resulting from the adoption of IFRS 3 and a much higher figure for valuation of securities outside of the trading portfolio.

There were several other factors affecting this item in 2004 which more or less compensated each other and hence had little bearing on the overall result. In the first quarter of 2004 the sale of the property insurance business in the Czech Republic generated extraordinary income of approx. EUR 88 m (before tax and minority interests), while late in the year a valuation gain of around EUR 67 m (gross, pre-tax) arose from the sale of the stake in Investkredit AG. However, these two inflows were offset by a EUR 80 m exceptional write-down on impairment of goodwill in respect of savings bank acquisitions, and by extraordinary one-off expenditure relating to provisions for unused IT projects, pending legal cases and valuation measures in connection with real estate and moveable asset projects. In addition, due to a change in Czech law, in 2004 Česká spořitelna was obliged to make much higher payments to local deposit insurance, and these were also shown under this heading.

1.5. Tax situation

The effective tax rate at Erste Bank was 25.8% in 2004 (previous year: 29.4%). As early as the first quarter of 2004 the capitalized taxable assets were depreciated by EUR 20 m (due to the reduction in the Austrian tax rate from 34% to 25% from 1 January 2005, combined with the introduction of Group taxation). All deferred tax items both on the assets and liabilities side in Austria were valued on the basis of the Austria's 25% corporation tax effective from 1 January 2005.

1.6. Group net profit

The **pre-tax profit** for 2004 was up by 39.3 % at EUR 1,061.1 m.

After deduction of **tax** and **minority interests in the annual profit**, the **Group net profit** was EUR 544.5 m, a 54.1% increase on 2003.

Return on equity based on the 2004 Group profit after tax and minority interests was 18%, against 13.7% in the previous year (following the elimination of straight-line goodwill depreciation cash ROE was 16.6% in 2003).

Earnings per share rose from last year's EUR 1.49 (adjusted for the share split) to end 2004 at EUR 2.28 (following the elimination of straight-line goodwill depreciation, cash earnings per share in 2003 amounted to EUR 1.83).

II. Balance sheet developments

in EUR million	31.12.2004	31.12.2003	*Change %*
Loans and advances to credit institutions	18,236	15,689	*16.2*
Loans and advances to customers	72,722	67,766	*7.3*
Risk provisions for loans and advances	(2,749)	(2,772)	*(0.8)*
Securities portfolio and other financial assets	42,636	39,092	*9.1*
Other assets	8,837	8,800	*0.4*
Total assets	**139,682**	**128,575**	***8.6***

in EUR million	31.12.2004	31.12.2003	*Change %*
Amounts owed to credit institutions	28,551	25,704	*11.1*
Amounts owed to customers	68,213	64,839	*5.2*
Debts evidenced by certificates	22,935	20,482	*12.0*
Shareholders' equity	3,347	2,791	*19.9*
Other liabilities	16,636	14,759	*12.7*
Total liabilities	**139,682**	**128,575**	***8.6***

The Erste Bank **balance sheet total** rose last year by 8.6% to EUR 139.7 bn.

On the assets side the bank succeeded in boosting **loans and advances to customers** by 7.3% to EUR 72.7 bn. This increase was largely attributable to the Bank's core business, private client and mortgage business, as well as the corporate client business in Central Europe.

New charges to **risk provisions** in 2004 were balanced out by write-backs and write-offs, with the result that this item showed little change year on year at EUR 2,749 m.

The strongest increase was registered by the **AFS portfolio**, which added 23.9% to EUR 9.1 bn, most of this increase coming from listed fixed-interest securities.

Financial assets showed a 9.1% rise to EUR 28.9 bn, mainly due to the expansion of the held-to-maturity portfolio of listed fixed-interest securities as a proprietary investment as well as an increase in the investment portfolio of the Group insurance companies.

On the liabilities side, **customer deposits** increased by 5.2% to EUR 68.2 bn, with savings deposits up 1.7% at EUR 38.0 bn.

As in previous years, 2004 saw a sharp rise in refinancing through the Group's **own securities issues**. **Debts evidenced by certificates** and **subordinated liabilities** saw combined growth of 12% to EUR 22.9 bn.

Shareholders' equity (incl. Group annual net profit) increased by 19.9% or EUR 556 m to approx. EUR 3.3 bn, primarily as a result of the strong results posted in 2004.

The **minority interests** also include the shareholders' equity of those savings banks in the cross-guarantee system in which Erste Bank holds a minority or no shareholding, as well as the hybrid tier 1 issues. The total for this item was 8.7% up at EUR 3.1 bn.

The **own funds of the Erste Bank Group** under the Austrian Banking Act (BWG) amounted to EUR 7,286 m at 31 December 2004 (previous year: EUR 7,009 m). The statutory minimum requirement at that date was EUR 5,594 m, which represents a coverage ratio of approx. 130% (previous year: approx. 132%).

The risk-weighted calculation basis for the Group according to article 22 of the BWG rose by 5.1% to EUR 65.4 m.

The Group's core capital according to the BWG stood at EUR 4,377 m as at 31 December 2004 (previous year: EUR 3,912 m).

This resulted in a **tier 1 ratio** as at the balance sheet date of 6.7%, significantly higher than last year's figure of 6.3%.

The **solvency ratio** was unchanged at 10.7%, still well above the statutory minimum requirement of 8%.

III. Results in the fourth quarter of 2004

The fourth-quarter results were the strongest of 2004.

Group net profit climbed 13.7% from EUR 142.4 m in the third quarter to EUR 161.9 m.

The key reasons for this were a marked increase in **net interest income**, up 3.7% from EUR 676.6 m to EUR 701.8 m, and an impressive result for **trading income** (up 25.9% at EUR 60.3 m).

Net commission income was maintained at the previous quarter's high level (+1.0% at EUR 289.3 m).

As **general administrative expenses** showed a 2.6% fall to EUR 642.0 m (previous quarter: EUR 659.4 m), due principally to the drop in operating expenditure, **operating profit** for the fourth quarter came in at EUR 419.6 m, a good 15.6% higher than in the previous three months. The **cost/income ratio** improved from 64.5% in the third quarter to 60.5% in the final quarter.

There was a slight decrease in **loan loss provisions** (EUR 99.3 m against EUR 110.1 m in the third quarter). In **other operating result** (EUR -28.8 m) the valuation gain from the sale of Investkredit AG in the last quarter of 2004 was offset by one off expenses, leaving no material impact on the results. Overall, the **pre-tax profit** in the fourth quarter was EUR 291.5 m (against EUR 268.5 m in the third quarter), an 8.6% increase.

IV. Segment reporting(3):

Austria

Earnings on Austrian operations were EUR 215.7 m, significantly higher (+27.9%) than the EUR 168.7 m posted the previous year. This was attributable to a decline in risk provisions (especially in the retail and mortgage segment and the savings banks segment), but also to a strong increase in net commission income (+6.2% to EUR 722.1 m), in particular in business with large corporate clients and in treasury & investment banking. General administrative expenses were significantly lower than in 2003, down from EUR 1,655.6 m to EUR 1,613.0 m (-2.6% or EUR 42.6 m). This was largely due to direct cost-cutting measures in the respective business areas and to significant savings made by the service units in Austria. As a result, the cost/income ratio improved from 67.1% to 65.2%. Return on equity in this segment rose from 10.9% to 12.5%.

Savings banks:

Profit after tax and minority interests rose from EUR 3.1 m to EUR 8.7 m. Risk provisions amounted to EUR 184.5 m, well down on the previous year. Thanks to strict cost discipline, not just in the cross-guarantee system savings banks themselves but also in the service costs assigned to this segment, operating expenditure decreased by EUR 18.8 m (-2.3%) on the same period of 2003. Against this, results for net commission income and trading revenues were lower than in the previous year. It should however be noted that the result for commission income was entirely attributable to changes in billing methods for bank support services, and commissions in core business areas also showed an increase.

The improved other operating result line was due partly to the fact that goodwill depreciation is no longer applied and partly to higher valuation gains on investments available for sale. The cost/income ratio improved slightly to 67.5%, while return on equity rose to 3.6%.

Retail and mortgage:

Profits in this segment more than doubled, from EUR 19.8 m in 2003 to EUR 43.7 m in 2004. This was partly a result of savings made by the implementation of cost-cutting measures announced, thanks to which general administrative expenses were cut by EUR 18.2 m (from EUR 653.0 m to 634.8 m). It was also due in part to a pleasing reduction in risk costs (from EUR 132.4 m to EUR 118.9 m), mostly at Tiroler Sparkasse and in the SME business, as planned. The fall in net interest income, as already mentioned in previous quarters, was caused by the legally required interest rate adjustments in the building society business in the first quarter. Operating profit was 13.2% up at EUR 198.6 m (2003: EUR 175.4 m). The cost/income ratio improved to 76.2% from the previous year's 78.8%, while return on equity stood at 5.4%.

Large corporates:

Operating profit in the large corporates segment came in 6.8% above the figure for 2003 at EUR 129.3 m. This was largely attributable to a sharp increase in net commission income, particularly in real estate leasing operations (+34% at EUR 71.2 m). Risk provisions showed a year-on-year reduction of more than 14.1%, with project valuations allocated to this segment and included in other operating result producing a net result of EUR -7.7 m. Consequently, the profit contribution from the large corporates segment after tax and minority interests was roughly 2% higher than in 2003. The proceeds from the sale of Erste Bank's stake in Investkredit AG are included in the Corporate Center segment and thus have no influence

(3) When comparing the figures for 2004 with those for the previous year it should be remembered that, since 2004, Erste Bank has adopted IFRS 3 in conjunction with IAS 36 and 38 (goodwill write-offs on a *pro rata* basis no longer apply). In addition, it should be noted that there will be changes in the valuation methods adopted in connection with the consolidation of our subsidiaries. For this reason, the published results for the individual Group companies cannot be compared with the results in the segment reports on a one-to-one basis. Also, refinancing costs will be allocated to all consolidated companies *pro rata* according to the book value of the participation.

on the Large corporates results. The cost/income ratio was further reduced to below 40%, while return on equity remained more or less unchanged at 12.8%.

Trading and investment banking

Compared with the previous year, net profit climbed by 17.9% to EUR 107.5 m (2003: EUR 91.2 m). Net interest income decreased from EUR 112.1 m to EUR 102.4 m. This was caused by the general market trend and foreign currency hedging effects. It was partly offset by growth in other operating result thanks to valuation gains in the AFS portfolio. The improvement in net commission income from EUR 41.5 m to EUR 51.7 m was a result of the success of Erste Bank's efforts to sell structured products to banks and institutional investors. Strict cost management was maintained in the fourth quarter, leading to a 7.4% reduction in general administrative expenses on the previous year. As a result, the cost/income ratio improved from 41.5% to 38.7%, and return on equity from 43.5% to 44.8%.

Central Europe:

Česká spořitelna

Compared with the previous year, Group net profit was up EUR 86.9 m or 70.9% at EUR 209.4 m. The 13.5% year-on-year rise in operating profit was due to an 8.3% increase in operating income from EUR 761.4 m to EUR 824.6 m combined with a more modest increase (+5.2%) in general administrative expenses. This item was also significantly affected by the changes to VAT regulations in the Czech Republic. Not only was net interest income boosted by the expansion in credit volume, but there was also a considerable increase – from an already high starting point – in commission income, especially in funds transfer operations and credit card business. This positive trend was replicated in the trading result, particularly in securities business and interest rate derivatives. The improved other operating result was due partly to the fact that goodwill depreciation (2003: EUR 40.2 m) no longer applies and partly to the fact that the 2003 figure was unusually high owing to exceptional write-downs on software and the need to form provisions for process and other risks. There was an increase in risk costs prompted by the fact that the write-back of general reserves (approx. EUR 60 m in 2003) already mentioned in the first quarter no longer applies. Thanks to the very positive earnings trend, the cost/income ratio improved from 62.3% to 60.5% and return on equity from 32.4% to 43.2%.

Slovenská sporiteľňa

Interest income at SLSP (down from EUR 234.7 m to EUR 185.8 m) was significantly affected by the previously mentioned one-off effect at the Slovakian building society PSS in the previous year (resulting in an extraordinary inflow of EUR 36 m). In addition to higher refinancing costs for the acquisition by Erste Bank of a 10% stake in SLSP, the general interest climate in Slovakia – especially with regard to the large securities holdings which SLSP had to take over in the wake of the restructuring prior to the privatisation – was unfavourable, and only part of the decrease could be compensated for, despite growth in lending business.

Thanks to impressive gains in commissions from payment transfer operations (EUR 9.4 m or +28.0%) and lending business (EUR 4.8 m or +41.0%), net commission income was 28.6% higher than in 2003 at EUR 66.4 m. Trading income, most notably from foreign exchange and securities business, also grew notably, gaining 52.8% to EUR 16.5 m.

Despite high inflation and negative exchange rate effects, general administrative expenses were kept more or less stable at 2003 levels thus surpassing the forecast. The fall in operating profit from EUR 139.8 m to EUR 110.2 m was mainly down to the positive impact of the aforementioned one-off item in the previous year. Excluding this item (EUR 36 m), there would be a slight increase in the operating result. The marked improvement under other operating result is attributable to one-off valuation adjustments and provisions made in 2003. Minority interests decreased as a result of the increase of the Erste Bank shareholding in Slovenská sporiteľňa from 70% to 80% in the second quarter of 2004.

On the back of these favourable developments, return on equity rose from 36.5% to 48.8%, while owing to the aforementioned one-off effect in 2003 the cost/income ratio worsened from 52.9% to 59.0%.

Erste Bank Hungary (EBH & Postabank)

Because of the inclusion of Postabank in the accounts from 2004 onwards, it is not possible to draw a meaningful comparison with the figures for 2003. Integration of Postabank into EBH was successfully concluded with the IT link-up in the fourth quarter. The Group results clearly show that, even in this first year, performance was well above expectations. The distinct quarter-on-quarter improvement in the final three months of 2004 is attributable to conservative profit accruals and deferrals following the integration of Postabank in the previous quarters and a repricing effort in Q4 2004.

Erste Bank Croatia

Pre-tax profits showed a 78.1% year-on-year increase to EUR 42.2 m. Thanks to the increased business volume, interest income was up 12.1% at EUR 84.5 m. Commissions – especially in payment transfer business – rose 33.6% to EUR 16.7 m, while trading income was 17.8% up on the previous year's figure at EUR 12.6 m. Strict cost management enabled Erste Bank to improve on its third-quarter forecast that general administrative expenses would be unchanged on the previous year: in fact, this cost item was trimmed by 2.7% to EUR 64.3 m. Group profit at Erste Bank Croatia was slightly (+1.6%) higher at EUR 21.6 m – this despite the fact that no loss carry-forwards appeared in the accounts, unlike in 2003, and the fact that minority interests were higher owing to the transfer of shares to Steiermärkische Bank and Sparkassen AG.

Return on equity fell to 17.6% as a result of the increase in allocated equity capital, while the cost/income ratio fell sharply from 67.1% to 56.6%.

International business

The consistently strong performance was sustained in the fourth quarter. Profits were further boosted by the reduction in risk provisions at the New York branch, while stable costs and tax breaks also helped lift earnings from EUR 70.1 m to EUR 93.6 m. The cost/income ratio improved from 20.2% to 19.1%, while return on equity rose from 18.3% to 23.1%.

Corporate Center

The accounts for the Corporate Center show miscellaneous Erste Bank AG items, the auxiliary units, the consolidation, special effects of the goodwill impairment test and the exceptional proceeds of the sale of the property insurance arm of Czech Insurance. The last of these largely explains the increase in minority interests. In addition, the fourth-quarter accounts for this segment show the proceeds of the sale of Investkredit AG in the amount of EUR 50 m (after tax). As already reported in the first quarter, in 2004 taxable assets were subject to a one-off depreciation charge resulting from the reduction in Austrian corporation tax from 34% to 25% from 2005 onwards. This produced a significant increase in the tax charge compared with the previous year.

Detailed Financial Statements are attached

Note: In calculating rates of change, small discrepancies may emerge compared with calculations using unrounded figures.

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I. Balance sheet according to IFRS

in EUR million	31.12.04	31.12.03	+/- %
Assets			
1. Cash and balances with central banks	2,723	2,549	6.8
2. Loans and advances to credit institutions	15,513	13,140	18.1
3. Loans and advances to customers	72,722	67,766	7.3
4. Risk provisions for loans and advances	(2,749)	(2,772)	(0.8)
5. Trading assets	4,628	5,259	(12.0)
6. Investments available for sale	9,141	7,379	23.9
7. Financial investments	28,867	26,454	9.1
8. Intangible assets	1,823	1,868	(2.4)
9. Tangible assets	1,723	1,814	(5.0)
10. Other assets	5,291	5,118	3.4
Total assets	**139,682**	**128,575**	**8.6**

in EUR million	31.12.04	31.12.03	+/- %
Liabilities and shareholders' equity			
1. Amounts owed to credit institutions	28,551	25,704	11.1
2. Amounts owed to customers	68,213	64,839	5.2
3. Debts evidenced by certificates	19,887	16,944	17.4
4. Provisions	7,328	6,366	15.1
5. Other liabilities	6,179	5,514	12.0
6. Subordinated capital	3,048	3,538	(13.8)
7. Minority interests	3,129	2,879	8.7
8. Shareholders' equity	3,347	2,791	19.9
Total liabilities and shareholders' equity	**139,682**	**128,575**	**8.6**

II. Income Statement according to IFRS

in EUR million	1.1.-31.12.04[(4)]	1.1.-31.12.03	+/- %
I. Net interest income	**2,695.5**	**2,586.8**	**4.2**
Risk provisions for loans and advances	(406.2)	(406.4)	(0.1)
Net commission income	1,141.1	996.6	14.5
Net trading result	216.5	214.6	0.9
General administrative expenses	(2,592.9)	(2,460.7)	5.4
Result from insurance business	34.8	32.9	5.7
Other operating result	(27.7)	(202.1)	86.3
Extraordinary result	0.0	0.0	—
II. Pre-tax profit for the year	**1,061.1**	**761.6**	**39.3**
Taxes on income	(273.8)	(224.2)	22.1
III. Profit for the year	**787.3**	**537.4**	**46.5**
Minority interests	(242.8)	(184.1)	31.9
IV. Net profit after minority interests[(5)]	**544.5**	**353.3**	**54.1**

Percentage changes in financial figures between two financial periods may differ slightly from non-rounded rates of change.

(4) Postabank included since 1 January 2004
(5) Net profit after minority interests 2003 including goodwill amortisation

III. Erste Bank Group 2004 – Divisional Reporting (Overview)

TOTAL

in EUR million	Austria 2004	Austria 2003	Central Europe 2004	Central Europe 2003	International Business 2004	International Business 2003	Corporate Centre 2004	Corporate Centre 2003	Erste Bank Group 2004	Erste Bank Group 2003
Net interest income	1,607.9	1,622.8	950.9	829.4	150.8	146.8	(14.1)	(12.1)	2,695.5	2,586.8
Risk provisions for loan and adv.	(341.3)	(374.6)	(49.9)	(9.7)	(15.5)	(26.1)	0.6	3.9	(406.2)	(406.4)
Net commission income	722.1	680.2	404.3	345.3	22.5	21.1	(7.9)	(50.0)	1,141.1	996.6
Net trading result	117.6	137.1	101.4	71.2	1.7	0.1	(4.2)	6.2	216.5	214.6
General administrative expenses	(1,613.0)	(1,655.6)	(897.0)	(766.7)	(33.4)	(34.0)	(49.5)	(4.4)	(2,592.9)	(2,460.7)
Income from insurance business	26.4	25.9	8.4	10.2	0.0	0.0	0.0	(3.2)	34.8	32.9
Other operating result	(32.0)	(26.4)	(44.8)	(167.1)	(5.7)	(13.8)	54.8	5.2	(27.7)	(202.1)
Pre-tax profit for the year	**487.8**	**409.4**	**473.2**	**312.6**	**120.4**	**94.1**	**(20.3)**	**(54.5)**	**1,061.1**	**761.6**
Taxes on income	(113.4)	(128.4)	(107.8)	(78.1)	(26.7)	(24.0)	(25.8)	6.3	(273.8)	(224.2)
Minority interest	(158.7)	(112.3)	(43.3)	(44.7)	0.0	0.0	(40.7)	(27.1)	(242.8)	(184.1)
Net profit after minority interests(6)	**215.7**	**168.7**	**322.1**	**189.7**	**93.6**	**70.1**	**(86.9)**	**(75.3)**	**544.5**	**353.3**
Average risk-weighted assets	46,484.0	44,771.0	13,318.7	10,162.1	6,262.0	6,387.5	405.7	567.3	66,470.4	61,888.0
Average attributed equity	1,731.0	1,549.1	860.8	611.0	404.7	384.0	26.2	34.1	3,022.8	2,578.2
Cost/Income Ratio	**65.2%**	**67.1%**	**61.2%**	**61.0%**	**19.1%**	**20.2%**	**n.a.**	**n.a.**	**63.4%**	**64.2%**
ROE based on net profit(7)	**12.5%**	**10.9%**	**37.4%**	**31.1%**	**23.1%**	**18.3%**	**n.a.**	**n.a.**	**18.0%**	**13.7%**
Thereof funding costs	(70.6)	(73.0)	(64.8)	(44.4)	0.0	0.0	(27.7)	(24.5)	(163.1)	(142.0)
Thereof goodwill(8)	(18.7)	(18.5)	(78.6)	(54.4)	0.0	0.0	(8.3)	(8.3)	(105.6)	(81.1)

(6) 2003 net profit including goodwill amortisation
(7) ROE 2003 including goodwill amortisation
(8) Goodwill 2004 provided for information only

IV. Erste Bank Group 2004 – Divisional Reporting (Details)

AUSTRIA

in EUR million	Savings Banks 2004	Savings Banks 2003	Retail and Mortgage 2004	Retail and Mortgage 2003	Large Corporate Customers 2004	Large Corporate Customers 2003	Trading and Investment Banking 2004	Trading and Investment Banking 2003
Net interest income	849.6	841.3	516.1	521.8	139.9	147.7	102.4	112.1
Risk provisions for loan and adv.	(184.5)	(198.1)	(118.9)	(132.4)	(37.9)	(44.1)	0.0	0.0
Net commission income	318.8	321.5	280.4	264.1	71.2	53.1	51.7	41.5
Net trading result	18.8	29.3	10.5	16.7	1.2	1.5	87.1	89.6
General administrative expenses	(801.7)	(820.5)	(634.8)	(653.0)	(83.0)	(81.2)	(93.5)	(100.9)
Income from insurance business	0.0	0.0	26.4	25.9	0.0	0.0	0.0	0.0
Other operating result	(11.8)	(22.3)	(5.5)	(2.5)	(7.7)	9.1	(7.0)	(10.8)
Pre-tax profit for the year	**189.1**	**151.3**	**74.2**	**40.5**	**83.7**	**86.1**	**140.8**	**131.5**
Taxes on income	(46.6)	(46.7)	(15.7)	(15.5)	(17.9)	(25.6)	(33.3)	(40.6)
Minority interest	(133.8)	(101.5)	(14.8)	(5.3)	(10.1)	(6.0)	0.0	0.3
Net profit after minority interests[3]	**8.7**	**3.1**	**43.7**	**19.8**	**55.8**	**54.6**	**107.5**	**91.2**
Average risk-weighted assets	22,986.2	22,179.7	12,844.7	12,185.8	6,860.9	6,918.9	3,792.1	3,486.6
Average attributed equity	242.3	190.8	813.8	732.7	434.7	416.0	240.3	209.6
Cost/Income Ratio	**67.5%**	**68.8%**	**76.2%**	**78.8%**	**39.1%**	**40.2%**	**38.7%**	**41.5%**
ROE based on net profit[4]	**3.6%**	**1.6%**	**5.4%**	**2.7%**	**12.8%**	**13.1%**	**44.8%**	**43.5%**
Thereof funding costs	(16.2)	(15.3)	(37.0)	(39.5)	(14.6)	(15.7)	(2.8)	(2.5)
Thereof goodwill[5]	(6.4)	(5.9)	(12.3)	(12.6)	0.0	0.0	0.0	0.0

CENTRAL EUROPE

in EUR million	Česká spořitelna 2004	Česká spořitelna 2003	Slovenská sporitel'ňa 2004	Slovenská sporitel'ňa 2003	Erste Bank Hungary[9] 2004	Erste Bank Hungary[9] 2003	Erste Bank Croatia 2004	Erste Bank Croatia 2003
Net interest income	506.6	460.8	185.8	234.7	174.0	58.5	84.5	75.4
Risk provisions for loan and adv.	(15.8)	1.3	0.8	3.3	(30.0)	(7.5)	(4.9)	(6.9)
Net commission income	268.6	252.3	66.4	51.6	52.6	28.8	16.7	12.5
Net trading result	41.0	38.1	16.5	10.8	31.3	11.6	12.6	10.7
General administrative expenses	(498.5)	(474.1)	(158.5)	(157.3)	(175.7)	(69.3)	(64.3)	(66.1)
Income from insurance business	8.4	10.2	0.0	0.0	0.0	0.0	0.0	0.0
Other operating result	3.9	(75.7)	(25.4)	(81.9)	(21.0)	(7.6)	(2.3)	(1.8)
Pre-tax profit for the year	**314.1**	**212.9**	**85.6**	**61.3**	**31.3**	**14.7**	**42.2**	**23.7**
Taxes on income	(92.5)	(75.2)	(7.2)	(5.6)	0.3	(1.7)	(8.5)	4.3
Minority interest	(12.3)	(15.2)	(18.8)	(22.9)	(0.1)	0.1	(12.1)	(6.7)
Net profit after minority interests[3]	**209.4**	**122.5**	**59.6**	**32.7**	**31.5**	**13.2**	**21.6**	**21.3**
Average risk-weighted assets	7,491.5	6,287.5	1,890.2	1,493.2	2,031.2	920.8	1,905.9	1,460.6
Average attributed equity	484.2	378.0	122.2	89.8	131.3	55.4	123.2	87.8
Cost/Income Ratio	**60.5%**	**62.3%**	**59.0%**	**52.9%**	**68.1%**	**70.0%**	**56.6%**	**67.1%**
ROE based on net profit[4]	**43.2%**	**32.4%**	**48.8%**	**36.5%**	**24.0%**	**23.8%**	**17.6%**	**24.2%**
Thereof funding costs	(26.4)	(27.7)	(11.1)	(6.2)	(21.5)	(3.2)	(5.8)	(7.3)
Thereof goodwill[5]	(42.0)	(40.2)	(13.7)	(12.0)	(20.7)	0.0	(2.2)	(2.2)"

(3) 2003 net profit including goodwill amortisation
(4) ROE 2003 including goodwill amortisation
(5) Goodwill 2004 provided for information only
(9) Postabank included since 1st January 2004

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