

Report as per §§ 95 para. 6 and 159 para. 2 lit 3 of the Stock Corporation Act

Report by the supervisory board of Erste Bank of the Austrian Sparkasse AG concerning the granting of share options during the course of the management options program.

Precepts and incentives

The board of directors of Erste Bank of the Austrian Sparkassen AG ("Erste Bank") intends to continue with the management options program from 2002. As per the articles of association, the board of directors has currently made available authorised capital at a nominal level of EUR 13,697,856 for operation of the planned management options program for 2005 and the planned employee investment scheme for 2005, which represents 6,848,928 shares.

Authorised capital is based on the resolution of the general assembly of 8.5.2001, whereby the board of directors were empowered to determine authorised capital, as well as on the exploitation of this authorisation through the board with resolution passed on 21.1.2002. Authorised capital is regulated in point 4.4.3 of the articles of association.

The management options program is intended to commit management workers to the Erste Bank Group, increase their motivation and identification with the aims of the Erste Bank Group, and also to increase the perception of Return on Equity ("RoE") as a common goal. Further to this, incentives are to be created for selected achievers who work for the Erste Bank Group but do not belong to the management team. Investment allows those eligible to profit from the positive development of the Erste Bank Group to a greater degree, and thus represents an incentive that transcends the existing variable achievement-oriented wage components.

Exercise of options is not dependent on the market price, but on the realisation of a RoE by the Erste Bank Group of at least 17%.

The intended preclusion of purchase rights on the part of the shareholders is justified according to § 153 para. 5 of the Companies Act.

The board of directors has proposed that the supervisory board approve the following management options program for 2005 for the granting of share options. The supervisory board intends to make their decision on this management options program two weeks after publication of this report.

Number and distribution of options

The MSOP 2005 comprises a total of up to 2,000,000 ordinary shares of Erste Bank, of which:

- a. 54,000 options are for the members of the board of directors of Erste Bank (9,000 each);

- b. 216,000 options are for the members of the board of Česká Sportel'na, Slovenská Sportel'na, Erste Bank Hungary and Erste & Steiermärkische banka, Rijeka (9,000 each);
- c. 650,000 options are for the members of the board or management workers in companies in the group and management employees in Erste Bank and companies within the group (1,500 to 3,000 each)
- d. 750,000 options are for selected achievers from among the employees (approx. 250 each).

Those mentioned in letters a to c will hereinafter be known as “executives”, those mentioned in letter d will hereinafter be known as “achievers”. The number of actual options granted is dependent on the number of persons eligible at the respective time the options are granted and can thus differ from the figures stated above; the extent of the program is however limited to 2,000,000 options.

Already granted options

A total of 919,038 options for 3,676,152 shares (taking into account the share division of 1:4 in 2004 that was granted under the management options program for 2002, namely 68,000 options to members of the board of directors, 546,500 options to other executives and 304,538 options to achievers. Until 31.3.2005, 347,948 options were exercised from this number (39,000 by members of the board of directors, 237,503 by other executives and 71,445 by achievers). 571,090 options for 2,284,360 shares can still be exercised under the management options program for 2002.

Conditions

Granting of options is free of charge. The options are not transferable by the living, nor can they be loaned. They represent an exclusively personal right of eligibility for options.

Each option provides entitlement to acquisition of one share of Erste Bank of the Austrian Sparkasse AG.

Those who are eligible must (1) be in proper, permanent employment with Erste Bank on the day the options are granted, or be employed with one of the companies in the Erste Bank group that is entitled to participate, (2) prove ownership of at least 400 shares in Erste Bank on the deadline for granting of options, whereas achievers only have to prove ownership of 100 shares, and achievers who are in the employment of a company within the group in the Czech Republic, Slovakia, Hungary, Croatia, Poland or one of the former Comecon countries do not have to prove the ownership of any shares, and (3) have an employee deposit account with Erste Bank.

Granting of options

Options will be granted to the executives on 1.9.2005 and booked-in using three tranches at a third each: 1st tranche: 1.9.2005; 2nd tranche: 1.9.2006; 3rd tranche: 1.9.2007. As far as achievers are concerned, granting and booking-in takes place at the same time annually on 1.9.2005, 1.9.2006 and 1.9.2007.

All options in one tranche can only be exercised from the first window for exercising them in the booking-in the next year if the Return on Equity of the Erste Bank Group for the trading year preceding the year of first-time ability to be exercised is 17% or more according to the consolidated accounts (commercially rounded off to one decimal place). If this operational level is not achieved, the options in the affected tranche can be exercised from the first

window for use of the second year following booking in; in such a case, the ability of the options to be exercised from the affected tranche ends one year before the planned expiry.

In countries where the granting of options is forbidden, impossible, or inappropriate, grants of options do not occur. Erste Bank is entitled to grant comparable cash benefits in place of this.

Options expire under certain circumstances, e.g. ending of an employment contract for specific reasons, certain criminal activities against Erste Bank etc.

Execution price

The execution price will be increased with an extra charge of 10% of the average daily closing price proclaimed for April 2005 for Erste Bank stock on the Vienna Stock Exchange and rounded off to the nearest half Euro.

Maturity

The maturity of the options in individual tranches begins with booking-in and ends with the account date of the last window for exercising options of the fifth calendar year following booking-in.

Exercise period (“window for exercising”)

Statement of execution is permissible all year round during the maturity period within 14 days from the day when the quarterly results are publicised for the 1st and 3rd quarters. Each execution of an option is permissible, at the earliest, six months after the option has been booked-in. The acquired shares will be credited to the person eligible to participate who is exercising their right on expiry of the window for exercising. Erste Bank will apply for registration of this increase in capital in the Commercial Register after a reasonable period of time.

The acquired shares are entitled to dividends from 1 January in the trading year the statement of execution is made.

Retention period

Persons entitled to participate are obliged to keep the shares acquired in terms of the MSOP 2005 for the period of one year from the respective account date in their employee deposit account and not to sell them, to offer them for sale, or to pass them on in any other manner or to loan them, unless explicitly set out otherwise in the conditions for these options. Nevertheless, persons entitled to participate may sell or loan a maximum of respectively acquired shares before expiry of the retention period. If the retention period is violated, benefit from the execution of options in Erste Bank will be reissued, and the options not exercised will expire.

Other

The report does not constitute an offer for acquisition of shares or share options. It conveys no rights to the acquisition of purchase of shares. Any acquisition of shares or share options will require a separate agreement.