

For Immediate Release

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Erste Bank on track to complete Česká spořitelna closing

- Erste to acquire ČS without involvement of Capital Z

The closing of Erste Bank's acquisition of Česká spořitelna (ČS), the second largest Czech bank and the country's leading retail bank, is expected to take place by 3 August 2000 at the latest, broadly in line with the timetable announced last month.

In order to stay within this timetable, Erste Bank has decided to complete the acquisition on its own, without the involvement of the private equity house Capital Z, which had expressed interest in a 10% stake in ČS. Prolonged negotiations with the Czech Government about the ownership structure resulting from an involvement of Capital Z threatened to significantly delay the closing of the acquisition and therefore implementation of restructuring according to the plan prepared in recent months by the new management team under the leadership of experienced US retail banker Jack Stack.

Erste Bank and Capital Z have agreed to collaborate on future ventures in Central Europe and in particular in e-Finance, building on the close working relationship established during recent months.

Erste Bank will therefore acquire the full 52.07% stake in ČS, which the Czech government decided to sell to Erste Bank, according to a decision announced 2 February 2000. The first instalment of the acquisition price, of EUR 280 million less the EUR 50 million deposit, becomes payable upon closing.

ČS will be consolidated into Erste Bank's profit and loss account beginning from the closing date, while the simultaneous balance sheet consolidation will carry with it the net income accumulated so far this year.

In recent weeks Erste Bank undertook a range of financing measures including the issue of Sub-Tier 1 capital in the amount of EUR 125 million. Following these measures and the closing of the acquisition, Erste Bank's Tier 1 ratio will stand at 6 percent.

Erste Bank is considering a range of options for strengthening its capital base and will present the results of its deliberations on 10 August 2000 together with half-year results.

For further information please contact:

Erste Bank, Investor Relations Dept.

Gabriele Werzer, Head of IR
Isabelle Dubos, IR Manager

Telephone
+ 431 53100 1286
+ 431 53100 7326

E-mail
gabriele.werzer@erstebank.at
isabelle.dubos@erstebank.at

Background information on Erste Bank

Erste Bank der oesterreichischen Sparkassen AG ('Erste Bank') is one of the leading retail banks in Central Europe and Austria's second largest bank, with over 6 million customers and total assets of EUR 54.9 billion (end Q1 2000).

Erste Bank's four core strategies are:

- To focus on core competencies in financial services for retail customers and small to medium sized enterprises, in particular commission-based growth areas such as asset management, real estate finance and insurance
- Leveraging opportunities driven by the bank's lead role in the Austrian savings bank sector. Thanks to co-operation agreements with savings banks across Austria, Erste Bank has a market share of around 30%.
- Expansion in the extended home market of Central Europe. The acquisition of Česká spořitelna represents a quantum leap in implementing this strategy and brings Erste Bank a retail market share of over 30% in the Czech Republic.
- Utilising the potential of the internet as a means of serving existing customers and reaching new customers. Key initiatives include a portal for the savings bank sector, which launched earlier this year, and a portal for investors in Central European capital markets, with an initial focus on content and community, to be followed by online brokerage services.