

For Immediate Release

20 December 2000

Erste joins top ten in European retail banking through acquisition in Slovak Republic

- **Erste becomes clear leader in Central European retail**
- **Client base raised to over 8 million**

The Government of the Slovak Republic has agreed to sell a stake of 87.18% in the share capital of Slovenská sporiteľňa, a.s. ("SLSP"), the largest bank of the Slovak Republic, to Erste Bank der oesterreichischen Sparkassen AG ("Erste Bank") of Austria. The agreement follows a competitive bidding process where Erste Bank was selected from among three contenders.

Andreas Treichl, Chairman and CEO of Erste Bank, said:

"The acquisition of SLSP is a further important milestone in the implementation of our Central European strategy and solidifies our position as the leading retail banking group in the region. Confronted by a competitive bidding scenario, Erste Bank developed a bid structure which fully reflected the strategic value and significance we attach to SLSP in the Slovak economic context. The bid also secured the best interests of our shareholders. The partnership with SLSP will give Erste Bank a strong position in the Slovak market and will considerably strengthen our platform in the region.."

Strategic significance

Through this important strategic step Erste Bank has further extended its home market and has acquired a strong foothold in another significant European growth market.

The bank has attained the ranks of the top ten European retail banks by number of customers – the enlarged Erste Bank Group, together with its savings banks partners and SLSP now has more than 8 million customers. Erste Bank holds a majority stake in the leading Czech retail bank Česká spořitelna, a.s. (CS) and thus is in an unrivalled position to maximise the synergies arising from the strong commercial relationship between Slovakia and the Czech Republic.

Terms of the Transaction

Erste Bank will pay the National Property Fund of the Slovak Republic EUR 425 million (SKK 18.4 billion¹) for a controlling 87.18% equity stake in SLSP. The transaction values SLSP at 1.78 times the estimated adjusted book value of SLSP's equity at 31.12.2000 in accordance with International Accounting Standards (IAS).

On a price per customer basis the acquisition of a customer base of 1.8 million in the Slovak Republic is valued at approximately EUR 271 per customer, which is below the EUR 291 per customer that Erste Bank paid when it acquired the 52% stake in Česká spořitelna (based on the final purchase price of EUR 530 million).

¹ EUR 1 = SKK 43.33

As part of the agreement, the Slovak Government will provide SLSP and Erste Bank with the right to transfer assets with a net book value in the aggregate amount of up to SKK 2 billion (EUR 46.2 million) from SLSP to the Slovak Consolidation Agencies. This follows the two transfers of non-performing loans to these Agencies in December 1999 and June 2000 and represents the completion of the extensive restructuring programme which the Slovak Government realised at SLSP.

As was the case with the recent acquisition in the Czech Republic, Erste Bank has proposed to carry out through SLSP a number of initiatives in support of the Slovak economy:

- A Housing Construction Finance Programme at preferential interest rates, with a volume of SKK 5 bn (EUR 115.4 mn) over the next 20 years.
- A Financing Programme for Small and Medium-Sized Industries at preferential interest rates, with a volume of SKK 5 bn (EUR 115.4 mn) over the next 10 years.
- A Social Sponsorship Programme for education, culture and charity initiatives of the Slovak Government and a Technical Support Programme for the Slovak Consolidation Agencies with a total budget of SKK 800 mn (EUR 18.4 mn) over the next five years.

After the formal signing of the contracts which is expected for early January 2001, but before the closing of the deal, Erste Bank expects to appoint one new member to SLSP's management board and one new member to the supervisory board of the bank.

Closing is conditional on clearance by the Slovak Competition Authority and final approvals from the National Bank of Slovakia and the Austrian Banking Supervision Authority. The transaction is expected to close in the first quarter of 2001.

Benefits to SLSP and the Slovak economy:

Further to the proposed initiatives outlined above, Erste Bank and the vendor see the following benefits arising from the deal:

- With Erste Bank, SLSP becomes a member of the leading Central European retail banking group, having jointly over 8 million retail customers in the region.
- Based on the excellent strategic fit with SLSP, Erste Bank is the partner which best understands and values SLSP's mission and potential. Erste Bank is in the best position to support SLSP in achieving its continuing mission to be the financial partner of choice for a broad middle-market retail and corporate customer base.
- Erste Bank intends to implement a comprehensive modernisation programme at SLSP, involving substantial investments in information technology, branch modernisation, training and in further strengthening the SLSP brand. Over the next five years, Erste Bank currently envisions an investment programme of approximately SKK 6.5 billion (EUR 150 million) at SLSP.
- The expected improvements in SLSP's product offering, service quality and efficiency will bring significant benefits to the broad client base of SLSP and contribute to the overall modernisation of the Slovak banking sector.

Benefits to Erste Bank

- Through the acquisition of SLSP, Erste Bank becomes the leading retail bank in the Slovak Republic, enlarging the retail customer base of the Erste Bank Group by 1.8 million people. Erste Bank gains access to a strong brand as well as the largest retail banking customer base and distribution network in the Slovak Republic.
- The acquisition of SLSP firmly establishes Erste Bank as the leader in retail banking in Central Europe. With over 8 million retail customers in the enlarged Erste Bank Group, Erste Bank has become one of the top 10 retail banks in Europe in terms of customer numbers. This is an excellent platform for Erste Bank's future growth.
- SLSP is the market leader in most segments of the Slovak banking market and commands market shares of 28% of total deposits, 39% of retail deposits, 34% of retail lending and 50% of cards issued.
- Erste Bank expects to capitalise on the substantial scope for revenue enhancement through improved marketing and cross-selling of financial products. There are also significant opportunities for enhancing the operational efficiency and hence the profitability of SLSP.
- Significant synergy and business potential also exists between SLSP and CS who share a similar background and history.

Erste Bank is adequately protected against credit risks in SLSP's existing loan portfolio:

Loan Portfolio of SLSP as of 30.06.2000 (based on IAS):

	SKK mn		Eur mn	
	Loan portfolio (gross)	Allocated risk provisions	Loan portfolio (gross)	Allocated risk provisions
Loans to banks	37,167	2,770	858	64
Loans to customers, of which	64,816	7,260	1,496	168
• corporate	22,318		515	
• retail	12,498		288	
• Slovenska Konsolidacna (state guaranteed)	30,000		692	

- In December 1999 and June 2000, the Slovak Government carried out two extensive loan transfers from SLSP to the Slovak Consolidation Agencies. As a consequence of these transfers, SLSP's gross corporate loan portfolio amounted to some SKK 22.3 billion (EUR 515 million) as at 30 June 2000 (in accordance with IAS). This accounts for approximately 40% of the total non-retail loan portfolio as at 30 June 2000. By 30 June 2000, SLSP had cumulatively transferred to the Slovak Consolidation Agencies loans with a face value of SKK 35.2 billion (EUR 812 million).

- In addition, Erste Bank and SLSP have the option, within 6 months from delivery of SLSP's audited financial accounts for 2000, to transfer to state-designated agencies selected corporate loans that are downgraded with a net book value of up to SKK 2 billion (EUR 46.2 million). This will be subject to the confirmation of an independent auditing firm. The transfer volume of SKK 2 billion represents some 20% of the remaining non-state-related corporate loans, (excluding loans to large state companies, such as the Slovak Electricity Company). This provides Erste Bank with adequate comfort as to the coverage of potential residual risks in SLSP's non-state corporate portfolio.

Background information on SLSP and Erste Bank is attached. For further information please contact:

Erste Bank, Investor Relations

	Telephone	E-mail
Gabriele Werzer, Head of IR	+ 431 53100 1286	Gabriele.Werzer@erstebank.at
Isabelle Dubos, IR Manager	+ 431 53100 7326	Isabelle.Dubos@erstebank.at

Background Information on Slovenská sporiteľňa (SLSP)

SLSP is the leading provider of financial services in the Slovak Republic. Its principal activities are deposit-taking and lending to individuals, companies and government-related institutions. SLSP is also a leading participant in the domestic capital markets. Catering primarily to a broad retail and mid-market corporate base, SLSP has made significant inroads in positioning itself as the leading financial services provider for the Slovak population, putting a particular emphasis on the distribution of a wide range of products through its network (such as insurance, leasing and mortgage finance) and the development of a comprehensive array of alternative distribution channels (internet and telephone banking, etc.). As at 30 June 2000, SLSP had total assets of SKK 179 billion (EUR 4.1 billion). With 542 branches in the Slovak Republic it had customer deposits of SKK 153 billion (EUR 3.6 billion or over 85% of the bank's total assets) and some 6,500 employees.

After the closing of the transaction Erste Bank will hold 87.2% of SLSP's share capital, 10% will be owned by the Ministry of Finance, 2.8% by the Restitution Investment Fund.

Background Information on Erste Bank

Erste Bank is Austria's oldest savings bank and the largest purely privately owned company listed on the Vienna Stock Exchange. Erste Bank is a leading retail bank in its home market, which covers Austria and adjacent Central Europe: the Czech Republic, Hungary, Croatia, Slovakia and Slovenia (its "extended home market"). Erste Bank Group's customer focus is on the retail market as well as small to medium-sized enterprises.

Erste Bank Group is the second largest banking group in Austria with assets of EUR 69.0 billion at 30 September 2000. Comprising some 290 branches, Erste Bank Group employed approximately 24,500 people worldwide as of 30 September 2000.

Erste Bank has four basic strategic objectives:

- to exploit its core business potential in Austria and focus on its key competencies,
- to build on its role as the lead bank of the Austrian savings banks sector and to seek increasingly closer cooperation and coordination within the sector, with the sharing of resources and responsibilities, creating synergies for the parties in terms of cost reduction and revenue growth,

- (iii) to establish an extended home market in Central Europe with a potential customer base of some 40 million people and to be the leading retail financial institution in that market, and
- (iv) to offer the premier on-line access to innovative products across its extended home market.

In pursuit of its Central European strategy, Erste Bank on 3 August 2000 acquired a 52.07% shareholding in Česká spořitelna, a.s. ("CS"). CS is one of the major players in Czech retail banking. For example, at 30.9.2000 CS had a market share of approximately 33% of the consumer deposits and consumer lending markets, while it has installed approximately two-thirds of the ATMs in the Czech Republic and has issued approximately two-thirds of all debit cards currently in issue in the Czech Republic.