

For immediate release

25 June 2002

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## **Erste Bank launches offer to fund growth**

- **Proceeds from offer mainly intended for purchase of Česká spořitelna shares from AVS**
- **Offer proceeds also to enhance flexibility for organic growth and further selective acquisitions**
- **Fulfilment of strategy means Erste Bank ideally positioned to benefit from Central European growth prospects**
- **Up to 9.21 million ordinary shares to be sold in combined Rights Offering and Global Offering**
- **Incentive for retail investors in Austria: Guaranteed allocation of up to 200 shares**

"Our success in becoming the pre-eminent player in Central European financial services provides an excellent platform for future growth. We are ideally positioned to benefit from EU enlargement, which we see as an important growth driver for the long term. Also, Erste Bank has proved that it can attain and even exceed challenging targets. I therefore believe that this offering will be highly attractive for investors looking for a promising financial investment in the field of financial services in Central Europe, a region offering some of the most appealing growth opportunities in Europe", said Andreas Treichl, CEO of Erste Bank<sup>1</sup>.

"We aim to use the proceeds from the offering primarily to refinance the acquisition of additional shares in our Czech subsidiary Česká spořitelna from AVS, our largest shareholder, and also the recapitalisation of Riječka banka in Croatia." said Treichl.

The offering will result in an increased free float, which is expected to increase the liquidity of Erste Bank shares. Erste Bank currently carries the largest weighting in the ATX Index of leading Austrian shares and is included in a range of other indices such as the DJ Euro Stoxx Bank Index and an MSCI benchmark.

In the future, the number of customers is expected to be an important determinant of a retail bank's growth prospects. Since its IPO in 1997, Erste Bank together with its savings bank partners has built a customer base of 10.6 million, representing the largest financial services customer base in Erste Bank's target markets in Central Europe. The opportunities for Erste Bank's core businesses in Central Europe are exemplified by asset management, where Erste Bank is extremely well positioned to take advantage of growth trends including the strong increase in pension investments that is anticipated in the region.

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<sup>1</sup> "Erste Bank" refers to Erste Bank der oesterreichischen Sparkassen AG

This market leading position in Central Europe is the result of a systematic implementation of Erste Bank's strategy, which includes the establishment of an extended home market in neighbouring Central Europe, where Erste Bank feels it can best leverage its core competences. Erste Bank has also benefited from the success of its strategy in Austria, involving closer co-operation with the 64 Austrian savings banks.

## **Key facts on the equity offering**

### *Target markets:*

The Erste Bank equity offering is a Combined Offering consisting of a Rights Offering to existing shareholders and a Global Offering. The Global Offering consists of a public offering to retail and institutional investors in Austria and an offering to selected institutional investors outside of Austria.

### *Size of offering and Greenshoe:*

The Combined Offering is expected to consist of 9.21 million new ordinary shares, resulting in an enlarged Share Capital of 59,825,114 shares. The Combined Offering represents over 18% of the existing share capital of Erste Bank.

In addition, AVS, the largest shareholder in Erste Bank, will offer 800.000 existing shares to cover over-allotments.

### *Rights issue:*

Erste Bank is conducting a rights issue in which shareholders are entitled to 2 new shares for every 11 existing shares held on June 24, 2002. Rights holders have the option to subscribe for shares at the same price as the price for the Global Offering. AVS, the savings bank foundation that is the largest shareholder in Erste Bank, expects to exercise only up to 25% of its rights in the Combined Offering, thus diluting its stake below the current level of 40.4%.

### *Timetable:*

Bookbuilding for the Global Offering is planned to run from 25 June to 10 July 2002. The subscription period for the Rights Offering runs from 25 June until 9 July 2002, while rights trading is to run from 1 July to 3 July 2002.

The announcement of the pricing and allocation of the new shares is timetabled for 11 July 2002. The new shares are planned to be listed on 16 July 2002.

There is a lock-up period of 180 days for both Erste Bank and AVS.

### *Dividend:*

The new shares carry a full dividend entitlement for the year 2002.

### *Retail offering:*

A retail offering is being conducted in Austria. There are special terms for Austrian retail investors, who (in addition to shares they may subscribe for on exercise of subscription rights) are offered a guaranteed allocation of up to 200 shares, provided that the retail investor subscribes for shares in the Global Offering no later than 1 July 2002. This will be highlighted in a marketing campaign in Austria, which will involve advertising and a roadshow.

### *Syndicate:*

The syndicate for the offering consists of JP Morgan and Erste Bank as Joint Global Co-ordinators, Joint Bookrunners and Joint Lead Managers. Fox-Pitt Kelton is acting as Co-Lead Manager.

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### For further information please contact:

	Telephone	E-mail
<b>Investor Relations:</b>		
Gabriele Werzer, Head of IR	+ 43 50 100 11286	<a href="mailto:Gabriele.werzer@erstebank.at">Gabriele.werzer@erstebank.at</a>
Thomas Schmee, IR Manager	+ 43 50 100 17326	<a href="mailto:Thomas.schmee@erstebank.at">Thomas.schmee@erstebank.at</a>
	Fax: 0043 50 100 13112	

## Background information

### Erste Bank - Highlights

- **The leading financial services provider in Central Europe**, ideally positioned to benefit from EU enlargement. Erste Bank's powerful position is underpinned by a Central European customer base of 10.6 million including customers of savings bank partners.
- **History of strong growth**: Total assets increased by more than 130% since 1997, while customer numbers have grown sharply from 0.6m.
- **Successful earnings enhancement**: Erste Bank has raised its return on equity (RoE) from 8.5% in 1996 to 12.4% in 2001.
- **Strong stock market performance**: Total shareholder return in 2001 (26.5%) made Erste one of the best performing banking stocks in Europe.

### Strategy

Erste Bank has four key strategic objectives:

- (i) to exploit its core business potential in **Austria** and focus on its **key competencies** in retail and SME banking,
- (ii) to build on its role as the lead bank of the **Austrian savings banks sector** and to seek increasingly closer co-operation and co-ordination within the sector, creating further opportunities for cost reduction and revenue growth,
- (iii) to grow its business in an **extended home market in Central Europe** with a potential customer base of some 40 million people and maintain its position as the leading retail financial institution in that market, and
- (iv) to transfer the **multi-channel distribution model** throughout Central Europe.

### ***Customer and product focus***

The Erste Bank Group's customer focus is on the retail market as well as small to medium-sized enterprises. The product focus is moving increasingly towards higher margin commission-based business where Erste Bank has achieved particular success, including asset management, insurance and leasing.

### ***Savings bank strategy***

The pioneering partnership approach adopted in Austria has enabled Erste Bank to leverage its core competencies across the large distribution network offered by the Austrian savings banks, offering new sources of growth potential in a mature market.

Key recent achievements were:

- An agreement among member savings banks on a cross-deposit insurance scheme ("Haftungsverbund"), giving customers in Austria unparalleled deposit protection as well as enhancing risk management in the savings bank sector.
- The acquisition of a majority stake in the Tyrolean savings bank Tiroler Sparkasse.

### ***Central Europe***

Within only four years, Erste Bank successfully implemented plans announced in 1997 of acquiring or establishing significant operations in the neighbouring markets of Central Europe. To date, significant operations have been established in the Czech and Slovak Republics, Hungary and Croatia.

Erste Bank's advanced banking capabilities based in Austria have proven their ability to generate exceptional operational leverage when applied to the transformation of leading brands and large scale operations in Central Europe.

The **largest acquisitions** in the region were in the Czech Republic, the Slovak Republic and Croatia:

- In January 2000 Erste Bank acquired a majority stake in Česká spořitelna, the leading Czech retail bank with 4 million customers then – and 4.9 million customers today.
- At the beginning of 2001 Erste Bank signed an agreement to acquire a majority stake in Slovenská spořitelna, the largest bank in the Slovak Republic with 1.9 million customers (2.3 today).
- In April 2002 Erste Bank agreed to acquire a majority stake in Riječka banka of Croatia, lifting Erste Bank's market share in the region of more than 10%, measured by total assets.