

31 July 2002

Update on Croatian Developments:

- **Erste Bank finalises acquisition of Rijecka banka**
- **Shareholders of Rijecka banka agree on Capital Increase**
- **Board Changes for Rijecka banka and Erste & Steiermärkische Bank**

Rijecka banka: Final price set:

Erste Bank der oesterreichischen Sparkassen AG ("Erste Bank") and the State Agency for Deposit Insurance and Bank Rehabilitation of the Republic of Croatia ("DAB") announced yesterday that they had agreed on the final purchase price for the acquisition of 85.02% of the share capital of Rijecka banka d.d. by Erste Bank.

Reflecting the findings of Erste Bank's confirmatory due diligence and in accordance with the share purchase subscription agreement ("SPSA") that both contractual parties signed on April 29, 2002, the purchase price was revised downwards to EUR 51.02m from the original purchase price of EUR 55m. This represents an adjustment of EUR 3.98m or slightly over 7% of the initial purchase price.

Reinhard Ortner, Chief Financial Officer and Member of the Board of Erste Bank, said: "The results of our due diligence at Rijecka banka confirmed our evaluation that the bank is fundamentally sound, enjoys a solid position in its core markets and has excellent growth potential. The main part of the slight price adjustment on which we agreed with DAB relates not to the quality of Rijecka banka's assets, but rather to the extent of customer deposit outflows as of 30th April 2002. However, we are particularly pleased to see that customer confidence and client deposits are already returning to Rijecka banka. Erste Bank can now fully concentrate on providing wide reaching support to strengthen Rijecka banka's market position, product range and operations."

Capital Increase for Rijecka banka approved:

At today's Annual General Meeting of Rijecka banka d.d., a majority of the voting capital represented at the meeting voted in favour of a capital decrease from HRK 506 million (EUR 68.7m) to HRK 250.2 million (EUR 33.9m) to cover past operating losses, as well as a capital increase of HRK 588m (approximately EUR 80m). The net result is an increase in capital to HRK 838.2 million (EUR 113.9 million), designed to re-establish a sound capital base at Rijecka banka.

In the interest of a rapid realisation of the capital increase, Erste Bank will subscribe for all of the new shares issued by Rijecka banka, with the result that, following the capital increase, Erste Bank will initially hold 98.2% of Rijecka banka's share capital. However, in order to allow Rijecka banka's minority shareholders the option to maintain their shareholding as a proportion of the total share capital, Erste Bank will subsequently offer to them a portion of the newly issued shares (in the amount of HRK 35.5m in total) on a pro rata basis and for the same terms at which Erste Bank subscribes for the capital increase. If all of the minority shareholders take up their rights to buy the newly issued Rijecka banka shares, Erste Bank's shareholding will then be reduced to approximately 94%.

Board Changes for Rijecka banka and Erste & Steiermärkische Bank

Furthermore, the shareholders of Rijecka banka have accepted the resignation of the members of the Supervisory Board and approved the appointment of a new Supervisory Board, which is to be chaired by Mr Reinhard Ortner, CFO of Erste Bank.

The new Supervisory Board has appointed Mr. Petar Radakovic as the new CEO of Rijecka banka, and Mr. Sava Dalbokov and Mrs. Sladana Jagar as members of the Management Board. All three have the ideal experience for their new posts, having previously held key roles at Erste & Steiermärkische bank. (Mr. Radakovic was CEO, Mr. Dalbokov CFO and Ms. Jagar the Head of the Internal Audit.)

As a result of these appointments, the Supervisory Board of Erste & Steiermärkische Bank d.d has also appointed three new members to their Management Board, to take up their positions as of 1 August 2002. Mr Tomislav Vuic, a member of the Management Board of Erste & Steiermärkische Bank d.d since the creation of the bank in 2000 will be taking over as CEO. Mr. Borislav Centner, also a member of the Board since 2000 will take over as CFO, and continue to be responsible for the corporate business, treasury and accounting & controlling. Mr. Dragutin Bohus, previously an advisor to the Management Board, will be the third new member of the Management Board.

Reinhard Ortner commented: "Through these changes, Erste Bank has put in place a solid platform for the future development of its Croatian subsidiaries. We are fully confident that, based on the extensive experience of their members, the new Management Boards of both Rijecka banka and Erste & Steiermärkische Bank will continue to achieve good results as in recent years".

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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 about 1.8 million customers of Austrian savings bank partners.
- **History of strong growth**: Total assets increased by more than 130% since 1997, while customer numbers have grown sharply from 0.6 million.
- **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 Ceska sporitelna, 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 Slovenska sporitel'na, 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 Rijecka banka of Croatia, lifting Erste Bank's market share in the region of more than 10%, measured by total assets.