

Ad-hoc information

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Erste Bank sells insurance operations for EUR 1,445m and signs 15 year distribution agreement with Vienna Insurance Group

- Erste Bank to sell s Versicherung and its CEE insurance subsidiaries as well as the insurance subsidiaries of BCR to Vienna Insurance Group (VIG). Erste Bank or its respective CEE banking subsidiaries will retain a 5% share in each of the local life insurance companies
- Both companies sign a 15 year distribution agreement. Erste Bank and VIG will become preferred partners and will mutually distribute their products to their more than 20 million customers in a region of 120 million people.
- The total transaction price is EUR 1,445m (corresponding to a price/gross written premium multiple of 1.2x).
- Proceeds will be used to strengthen the capital base. Tier 1 ratio will increase by some 70 basis points.
- Closing is expected in Q3 2008.
- Erste Bank's financial targets for 2008 and 2009 – excluding this transaction's impact - remain unchanged.

Subject to competition authorities and the local insurance regulators' approval, Erste Bank der oesterreichischen Sparkassen AG will sell its insurance investments including s Versicherung in Austria and in the countries of Central and Eastern Europe to WIENER STÄDTISCHE Versicherung AG - Vienna Insurance Group (VIG). The agreement was signed today by the two CEOs Andreas Treichl and Günter Geyer after the resolutions were passed by the respective supervisory bodies.

In addition to the sale of the insurance subsidiaries, a distribution co-operation agreement was signed by the two groups. This agreement has a term of 15 years and will form the basis for closer co-operation between Erste Bank and VIG. In the agreement, the two partners commit to sell each other's products through their respective sales channels, and to give them preferential treatment. This provides VIG with access to over 2,900 branches and to the over 16 million Erste Bank customers in the region. In return, Erste Bank gains access to around 10 million VIG customers, in those countries in which both partners are currently active.

VIG has been a partner of Erste Bank Group in the P&C insurance business for many years. In this context, the non-life business of Erste Bank's Czech insurance subsidiary was sold to VIG in 2004. The transfer of the life insurance business therefore is as a logical next step and will allow Erste Bank to concentrate on its core business, namely, selling financial services.

"With this transaction Erste Bank and VIG prove that successful long-term co-operation between independent partners does not need significant cross-shareholdings. In addition we secure VIG's strong CEE customer base for us, creating additional cross-selling potential for our products", states Andreas Treichl, CEO of Erste Bank commenting on the transaction.

As a measure to strengthen the distribution partnership, Erste Bank and the local subsidiaries will each retain 5% in the local life insurance companies. As the insurance company, Donau Versicherung, in which VIG has a controlling interest, already owns 10% of s Versicherung, in Austria Erste Bank will sell

only around 85% of s Versicherung to VIG. s Versicherung has participation in almost all local insurance subsidiaries (except for Romania).

The total value of the transaction based on the valuation for 100% of the insurance companies would correspond to a purchase price of EUR 1,600m and thus to a price/gross written premium multiple of 1.2x. As a result of the ownership structure, the total value of the proceeds for Erste Bank is EUR 1,445m. The transaction comprises the sale of shares of all life insurance companies and the P&C insurance company of BCR in Romania as well as the country distribution agreements for 15 years between the local banks and the local insurance companies.

The net effect on consolidated income for Erste Bank (after taxes and minorities) will amount to nearly EUR 1,000m, taking into account the netted carrying values of the assets sold. The distribution agreement will most likely be deferred over 15 years according to IFRS, leading to an expected positive net profit contribution of above EUR 600m in 2008.

Erste Bank will use this income to strengthen its equity base (tier 1 ratio will rise by around 70 basis points) and thus expand the company's strategic flexibility. The tier 1 ratio at year-end 2008 is therefore expected to be in excess of 8%.

The proceeds from the sale of the local insurance subsidiaries and from the distribution agreements will flow into the results of the local subsidiaries.

The strong market position of s Versicherung and its subsidiaries in the countries of Central and Eastern Europe as well as the insurance subsidiary of BCR will help VIG to broaden its market position in CEE. The premium income from insurance activities of the Erste Bank Group was just below EUR 1,300m in 2007.

The closing of the transaction is expected in Q3 2008, subject to the approval of the competition authorities and the local insurance regulators.