



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

Erste becomes clear leader in Central European retail banking
Over 8 million customers

Pro forma combined Erste / Slovenska Sporitelna financials at 30.9.2000:

Total assets of EUR 73.1 billion
Customer deposits over EUR 31.5 billion
Credit volume of EUR 32.1 billion

Erste Bank(1) today signed a contract to acquire from the Government of the Slovak Republic a stake of 87.18 % in the share capital of Slovenská sporitelna, a.s. ("SLSP"), the largest bank in the Slovak Republic. This follows an announcement by the Slovak Government in December that it had selected Erste Bank's bid following a competitive tender. The deal is expected to close later in Q1 2001.

Swift and successful implementation of Erste's strategy

Within only three years, Erste Bank has successfully implemented plans announced in 1997 of acquiring or establishing significant operations in the neighbouring markets of Central Europe (the Czech Republic, the Slovak Republic, Hungary and Croatia). Following the acquisition in January 2000 of the 52 % Government stake in Česká sporitelna, the largest Czech retail bank with 3.5 million customers, Erste Bank is now also the majority owner (87.18 %) of SLSP, the largest bank in the Slovak Republic with 1.8 million customers.

Together with its 66 Austrian savings bank partners, Erste Bank's staff now serve over 8 million customers in Central Europe. Through a series of acquisitions Erste Bank believes that it has created the potential for generating substantial increases in its valuation. Through the strengthening of its market position, Erste Bank has also significantly enhanced its attractiveness as a distribution partner for the insurance industry and international mutual fund managers.

The number of customers - a key success factor in banking

Erste Bank's strategy for its 'extended home market' is underpinned by belief that the number and quality of customer relationships will be decisive for the success of a bank.

Banks are service providers with customers who demand an ever more comprehensive range of services. Where products of an appropriate quality and price cannot be created in-house, they are increasingly outsourced. This applies, for example, to certain insurance products and mutual funds. This trend is expected to strengthen in years to come. The advantage of this strategy for the customer is access, through one bank, to all the financial products required in an individual's lifetime. For the shareholder this strategy promises benefits deriving from cost savings associated with the reduced requirement for specialist product development departments.

In order to successfully take advantage of this trend, the number of customers that a bank can serve through its various distribution channels will be decisive. The more high quality customer relationships a bank has, the more interesting a partner it becomes for other originators of financial products, including insurance companies and mutual fund managers. This in turn enables the bank to achieve higher margins on the sale of third party products.

Erste's customer base puts it among Europe's top ten

Erste Bank is one of the ten largest European retail banks by number of customers (8 million). The number of customers is on a par with Deutsche Bank, Italy's Unicredito and the large UK banks.

Strong market share and comprehensive product range in key markets

In the Czech and Slovak Republics and in Austria, Erste Bank has a market share of around 30 % or more(2). In Hungary and Croatia the bank's subsidiaries rank among the 10 largest banks, with a market share of less than 10 %. Erste Bank also ranks highly in terms of its product range in retail banking, large scale private client banking and in services for small to medium-sized companies in Central Europe.

Management and restructuring

With the hiring of Jack Stack as CEO of CS, Erste Bank succeeded in attracting a senior international banker with a strong track record to lead its Czech operations. In the Slovak Republic Erste Bank also intends to create a management team with a mix of talent combining local know-how and international experience. The restructuring programme at CS is progressing faster than expected, for example the review of the credit portfolio. A significant number of executives from the Czech team are therefore in a position to contribute relevant expertise to a similar

restructuring process at SLSP, right from the start. The geographical proximity of Erste Bank's and SLSP's head offices (40 minutes drive) further eases the process of restructuring.

The restructuring of the Czech and Slovak operations is planned to be completed within a maximum of two to three years. Following this process both CS and SLSP are expected to achieve an RoE of at least 18 %. The required investments in staff and IT systems will be carried by the two banks themselves. At SLSP a sum of around EUR 150 million will be set aside, of which two thirds are likely to be needed for modernisation of IT systems.

Furthermore, thanks to Erste Bank's majority stake in CS, it is in a unique position to extract synergies from the close economic links between the neighbouring Czech and Slovak Republics.

Terms of the Transaction

Erste Bank will pay the National Property Fund of the Slovak Republic EUR 425 million (SKK 18.4 billion(3)) for the 87.18 % equity stake in SLSP. 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 CS (based on the final purchase price of EUR 530 million).

Following the signing of the agreement today, but prior to Erste Bank's receipt of SLSP shares, Erste Bank has the right to make one appointment to the Management Board and another to the Supervisory Board of SLSP. Erste Bank has respectively nominated Otto Ilichmann, Head of Erste Bank's Central European Operations, and Reinhard Ortner, Member of the Erste Bank Management Board.

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

In December 1999 and June 2000, the Slovak Government carried out two extensive loan transfers from SLSP to the Slovak Consolidation Agencies (Slovenská Konsolidacna, a.s. and Konsolidacna Banka, s.p.u.), representing the completion of the extensive restructuring programme which the Slovak Government realised at SLSP. As a consequence of these transfers (amounting to SKK 35.2 billion / EUR 812 million), 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).

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). 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.

(1) Erste Bank der oesterreichischen Sparkassen AG Group

(2) Erste Bank, together with its savings bank partners, has a retail market share of around 30 % in Austria. CS has a retail market share of over 30 % in the Czech Republic, with market shares of 35 % in primary deposits, 50 % in lending business, 30 % in mortgage loans and 75 % in ATM and credit cards. SLSP is the market leader in most of its activities: It has market shares of 29% in retail deposits, 39 % of bank accounts, 34 % of retail lending and 50 % of card issuing business in the Slovak Republic.

(3) EUR 1 = SKK 43.33

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

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