



Erste Bank finalizes acquisition of Rijecka banka

Today, Erste Bank der oesterreichischen Sparkassen AG ("Erste Bank") and the State Agency for Deposit Insurance and Bank Rehabilitation of the Republic of Croatia ("DAB") 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 will be revised downwards to EUR 51.02 m. This represents an adjustment of EUR 3.98 m or slightly over 7 % of the initial purchase price from the original purchase price of EUR 55 m.

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.

I would like to take this opportunity to acknowledge the professionalism and commitment of the representatives of DAB and the Croatian Government in this transaction, for which we are very grateful, and which enabled us to complete the acquisition within a very ambitious time frame, in the best interest of Rijecka banka, its clients and the Croatian public."

Marinko Filipovic, General Director of DAB said:

"It was an exceptional honour to work with all the Erste Bank representatives throughout the negotiations and the purchase process of Rijecka banka d.d. Although faced with special circumstances, I can say that we have successfully completed a great task in record time.

I have to emphasise once again that throughout the whole process of the Rijecka banka privatisation, Erste Bank was a fair and constructive partner which took into consideration all the interests and objectives of the Croatian Government with regard to depositors' protection and to providing full support to the clients of Rijecka banka.

This succesful privatisation allowed us to maintain the stability of the entire Croatian banking system and to reaffirm the reputation of Rijecka banka as a solid and stable bank, which it had always enjoyed before its short-term weakness earlier this year, a rare occurrence in the otherwise sound Croatian banking system.

However, the weaker times are behind us now and we should turn to the bright future of Rijecka banka which, as I strongly believe, will be experienced with its new partner Erste Bank, a first-class European bank.

If you remember my statement which I gave on the execution date of the Sale-Purchase Agreement between DAB and Erste bank, already then I said that Rijecka banka will be even better than it was before, and today I stick to this statement and wish to Rijecka banka and its new owner 'A good trip and calm sea'."

In connection with Erste Bank's relationship with the existing retail shareholders of Rijecka banka, pursuant to the provisions of Croatian Takeover Code, on May 15th, 2002 Erste Bank submitted a mandatory tender offer to the minority shareholders for the remaining 14.98 % of the shares of Rijecka banka. The bid price was based on the purchase price originally offered for the DAB stake and amounted to EUR 12.79 per share. The offer period expired on June 16th, 2002. Erste Bank now holds 92.92 % of the total share capital of Rijecka banka. The remaining share capital is owned by other minority shareholders.

As a next step, a capital decrease will have to be approved at the Annual Shareholders' Meeting in order to cover for past operating losses. The capital decrease will immediately be followed by an issue of new shares through a capital increase of EUR 80 m, initially fully subscribed by Erste Bank. In the procedure for the capital increase all shareholders will be allowed to proportionally participate in the capital increase and acquisition of the new shares. Through this capital increase, as well as a commitment to provide long-term supplementary capital of at least EUR 20 m, Erste Bank intends to ensure a solid capital base for Rijecka banka, enabling it to re-affirm its position as one of the leading Croatian banks.

The Annual Shareholders' Meeting of Rijecka banka will take place on July 31, 2002.

JPMorgan has acted as exclusive financial advisor to Erste Bank on this transaction.

Note:

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