



Erste Bank receives green light to buy Serbia's Novosadska banka

Serbia's Agency for Deposit Insurance, Rehabilitation, Bankruptcy and Liquidation of Banks ("BRA") today announced Erste Bank der oesterreichischen Sparkassen AG as the first-ranking bidder for the privatization of Novosadska banka a.d. Erste Bank offered CSD 5,786 million (EUR 73.167 million) for 83.28% of the shares, corresponding to 3.3 times the audited IFRS book value of Novosadska banka as at 31 December 2004 (CSD 2,089 million/EUR 26.4 million).

Aside from the intrinsic value of Novosadska banka, the price of the transaction also reflects the considerable added-value that Erste Bank expects to gain from capturing substantial growth in Serbia with the bank's restructured and enhanced infrastructure.

"With its clear orientation towards economic, social and regulatory development, Serbia represents an important milestone in our overall growth strategy in Central and Eastern Europe", said Andreas Treichl, Chief Executive of Erste Bank, commenting on the deal. "The forecasted economic growth and rising income levels will boost the financial sector in Serbia. With the help of Erste Bank, Novosadska banka is poised to become a frontrunner in providing financial services to the country's 7.5 million people as well as its corporate and public sectors."

As at 31 December 2004, Novosadska banka had total assets of EUR 132.3 million. With a market share of 10% the bank is the second largest player in Vojvodina, one of Serbia's most prospering regions and the one with the closest economic and cultural ties to Austria and other CE countries. Overall, Novosadska banka commands a market share of 2% in Serbia in terms of total assets. It has 873 employees in 71 branches, serving around 260,000 customers. Its strong retail franchise will provide a solid foundation for realising an ambitious growth strategy in the country. Furthermore, Novosadska banka will be a strong and trusted partner for small and medium sized companies throughout Serbia.

Erste Bank's binding bid was submitted following thorough due diligence. The major terms of the share purchase agreement provide a comfortable level of protection against past risks and liabilities and will form an excellent basis for final negotiations.

Erste Bank aims to develop Novosadska banka into a leading provider of financial services in Serbia, a country where the present low penetration of banking products leaves room for significant growth (current total assets/GDP ratio is approx. 34%, loans/GDP ratio is around 20%, deposits/GDP ratio accounts for 21%). In order to become a driving force in Serbia's increasing financial intermediation, Erste Bank plans to invest around EUR 35 million into Novosadska banka in the form of capital increases until 2009.

The major cornerstones of this focused growth program are the expansion of the distribution network by 70% from the current 71 to 120 branches, the renewal of the IT systems and infrastructure, and marketing and staff training initiatives. The upgraded technology coupled with the reorganization of business processes are set to spur significant efficiency improvements at the Bank. As a result of the growth program the market share is projected to increase from currently 2% to approx. 10% within 5 years, with a view to creating one of the most prominent retail banking institutions in the country.

The business plan underlying the acquisition projects break-even for Novosadska banka within 18 months of thorough transition and business development. As with its previous acquisitions, Erste Bank targets an after tax ROE at Novosadska banka of above 20% by 2008.

Through this transaction, Novosadska banka is joining an international group that is the leading provider of retail financial services to some 12 million customers in Central Europe. The highly successful transformation of Česká spořitelna and Slovenská spořitelna as well as the mergers of its subsidiaries in Croatia and recently in Hungary, have given Erste Bank an excellent track record of restructuring retail banks in Central Europe. This unsurpassed expertise will ensure the rapid and smooth transition of Novosadska banka.

Further details regarding the transition program as well as the business plan for Novosadska banka will be given at the signing of the share purchase agreement which is expected to take place by end of June 2005.

The transaction is subject to regulatory approval in Serbia (National Bank of Serbia) and Austria (Financial Markets Authority and Cartel Court).

Exchange rate as of 31/12/2004: 1 EUR = CSD 79.0803