



Erste Bank acquires 83.3% stake in Serbian Novosadska banka for EUR 73m

Erste Bank der oesterreichischen Sparkassen AG (Erste Bank) today signed the share purchase agreement (SPA) to acquire a 83.28% stake in the share capital of Novosadska banka a.d., Novi Sad (Novosadska banka) from the Republic of Serbia. Erste Bank had been selected as preferred bidder by Serbia's Agency for Deposit Insurance, Rehabilitation, Bankruptcy and Liquidation of Banks (BRA) on May 18, 2005. The transaction is expected to close at the end of July 2005, subject to regulatory approval in Austria.

Erste Bank CEO Andreas Treichl commented:

"The acquisition of Novosadska banka takes Erste Bank into Serbia, a market with substantial future growth potential. We intend to establish a strong nationwide brand through extensive expansion of the branch network and by enhancing and increasing the scope of the banking products provided. This will include mortgage loans, loans for small and medium size enterprises, as well as issuing payment cards and intensifying e-banking services. "

"Mladjan Dinkic, Minister of Finance of the Republic of Serbia said:"

"The acquisition of Novosadska Banka by Erste Bank marks a successful end to the first round of bank privatisations in Serbia. This is all the more so as the bank and its employees, the banking system and the country will in my view undoubtedly benefit from Erste Bank's knowledge transfer and the future growth in Serbia. Let me also emphasise that we are proud that an investor with such an outstanding track record in Central and Eastern Europe has decided to invest in Serbia with, what I strongly believe will be a long term commitment."

Key terms of the SPA

Under the SPA, Erste Bank agreed to pay EUR 73.17 million (CSD 5,786m) for the 83.28% stake, implying a price/book equity multiple of 3.3x - based on the audited IFRS book value of Novosadska banka's equity of EUR 26.42 million (CSD 2,089m) as of December 31, 2004. Following the completion of the transaction, Erste Bank will submit a tender offer for the remaining 16.72% shares of Novosadska banka currently owned by more than 2,000 minority shareholders. This offer will be identical to that submitted by Erste Bank within the scope of the privatization process.

Novosadska banka description

Novosadska banka had total assets of EUR 132.3 million as of December 31, 2004. With a market share of 10% the bank is the second largest player in Vojvodina, one of Serbia's most prospering regions, with close economic and cultural ties to Austria and other CE countries. Overall, Novosadska banka has 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.

Erste Bank Strategy

With a view to creating one of the leading retail franchises in Serbia, Erste Bank aims to reach 10% market share in Serbia by 2010. The business plan for Novosadska foresees ambitious organic growth and projects an increase in the branch network from the current 71 to 110 over the next five years.

Erste Bank is committed to investing around EUR 35 million into Novosadska banka in the form of capital increases until 2009. Renewal of the IT system and infrastructure, marketing and staff training are the first priority. Erste Bank will also significantly expand the range of Novosadska Banka's products. In the first phase, the focus will be on leasing, factoring, trade and export financing as well as mortgage financing.

Novosadska banka is expected to break even within 18 months. As with its previous acquisitions, Erste Bank is targeting post-tax ROE at Novosadska banka to exceed 20% by 2008.

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