

New Issue: Erste Bank Floats Microfinance Bond 2007–2011

First time private investors in Austria can make sustainable and social responsible investments

As of 1 February 2007, Erste Bank is offering a highly innovative new product for subscription throughout Austria. The Erste Bank Microfinance Bond 2007-2011 supports an important cause and makes a key contribution in improving local development and, the quality of life for families in the poorest countries around the world. The bond is used to provide the economically disadvantaged but working with access to credit, so that they can become self-employed and realise their own entrepreneurial potential.

With its Microfinance Bond, Erste Bank is providing private investors access to a new form of investment. The first bank to provide microcredit was founded by Muhammad Yunus, who was awarded the Nobel Prize in Peace in 2006 for his efforts. The Microfinance Bond 2007–2011 not only demonstrates Erste Bank's commitment to ethical and socially sustainable business, but it is also a good example of a transaction that is profitable for all involved. This bond is not about one-time donations or cooperation projects, it is about applying the bank's expertise and instruments to pursue sustainable and socially beneficial aims.

Achieving growth with social responsibility in mind

The funds for microloans come from the savings of the local population, from international donors, various development agencies and, starting recently, from mutual funds. Up until now, these funds have all been targeted at institutional investors. Now, for the first time Erste Bank Microfinance Bond 2007–2011 makes it possible for private investors in Austria to invest in this worthy cause.

"The lack of access to financial services is a fundamental problem in today's global market economy and is a cause of social exclusion and poverty. Microfinance is probably the most effective tool for sustainably fighting poverty. By issuing a microfinance bond, we are giving the nearly 200-year-old savings bank concept a new meaning. Today as then, our objective is to provide people with basic financial services so that they can improve their own lives through responsible actions," said Andreas Treichl, CEO of Erste Bank.

Innovative investment concept for "social" investors

By investing in Erste Bank Microfinance Bond 2007–2011, which is targeting an annual yield of around 4%, Erste Bank customers are not only lending money and facilitating the award of thousands of small loans to people in developing countries in Latin America, Eastern Europe, Asia and Africa, they are also giving the borrowers a future. Because in addition to a yield typical for any other product of this term, the investor also receives the added social value of knowing that he or she has made a tangible contribution to reducing poverty in the world. Unlike a one-time donation, supporting people in developing countries through microloans means dealing with them as partners and with respect. At the same time, Erste Bank's customers profit from the increases in the value of the microfinance bond.

General information on the bond

Advantages for investors

- Sustainable and socially responsible investment: your investment helps a large number of individual entrepreneurs overcome poverty through their own initiative
- Very broad diversification – both geographical and between the individual microfinance institutions
- Highly independent of other investment classes: customers of microfinance institutions are in a sector of the economy that is largely unaffected by developments on the world markets
- Low risk: political turbulence and crises on the financial markets only have a marginal effect on the small microcosms of the farmers, craftsmen and traders in each country
- Expected yield: 4% p.a.

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| Security type: | Senior bond |
| Issue start: | 1 February 2007 |
| Issue volume: | Open, tap issue |
| Interest: | No guaranteed interest |
| Term: | 2 April 2007 to 1 April 2011 |
| Redemption: | In full on 2 April 2011 The redemption amount depends on the performance of the Dual Return Fund - Vision Microfinance Sub-Fund (LU0236782842) under the Umbrella-Fund Dual Return Fund SICAV ("Vision Microfinance"). This bond may be redeemed at a value lower than the nominal value of EUR 1,000 depending on the performance of "Vision Microfinance". |
| Issue price: | 100% + 2% issue premium, continual adaptation to the market value |
| ISIN code: | AT000B000757 |
| Denomination: | EUR 1,000, global certificate |
| Minimum subscription: | EUR 3,000 |
| Value date: | 2 April 2007 |
| Cancellation: | Precluded |
| Listing: | None |
| Paying and calculation agent: | Erste Bank |
| Taxation: | 25% KESt (capital yield tax), final taxation |

Private customers make an active contribution to eliminating the North-South disparity around the world

One of Erste Bank's most important objectives is to cover its customers' needs as completely as possible. In this, ethical investments are playing an increasingly important role in the product portfolio. Investors will never put the majority of their assets into microfinance bonds but more and more private customers want to make an active contribution to eliminating the worldwide North-South disparity. There is a clearly defined need to give something back to society. But not necessarily as a donation, where it is soon forgotten where exactly the money went. Many private individuals want to provide targeted help, and Erste Bank set up this microfinance bond to make this possible.

About microfinance

Microfinance brings financial services to regions without banking infrastructure and to people in developing countries who would usually not be able to obtain credit or a bank account because they cannot provide the collateral demanded by a traditional bank. Access to capital allows them to become economically active and sets off an upward spiral. The money does not "disappear", but is returned, lent out to other borrowers and acts as the driving force behind the economy.

Microfinance products refinance various microfinance institutions, including Grameen Bank in Bangladesh, which calls itself the "bank for the poor". These special credit institutions are now active in many developing countries and award thousands of microloans in amounts of around \$1,000 to local borrowers at conditions that they can afford so that they can finance business ventures such as the purchase of a loom or an oven for the baking and sale of bread.

These microloans are the basis of existence for thousands of micro-businesses around the world, help these entrepreneurs to help themselves and protect them against predatory private moneylenders who would otherwise force them into virtual slavery. The fact that Grameen Bank already has 2 million customers, of whom 98 per cent pay their loan instalments on time, is very impressive. Microfinance is also an important factor in promoting gender equality, as roughly 60 per cent of the borrowers are women who gain not only a new level of self-confidence by earning their own daily bread, but also access to education for themselves and their children. This sustainably improves the position and influence of women in society. Microfinance creates a new basis of existence for thousands of families.

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