

Erste Group buys back Hungarian state's stake in Erste Bank Hungary

- Erste Group buys back the 15 % share in Erste Bank Hungary owned by the Hungarian state
- The investment was part of a 2015 agreement that brought stability and growth to the Hungarian banking sector and economy
- The Hungarian state realized a return of more than 2.5 times on its investment

Erste Group Bank AG is buying back the 15 % share of its Hungarian subsidiary, Erste Bank Hungary Zrt. (EBH), currently held by the Hungarian state-owned Corvinus International Investments Zrt. The transaction, which is set to close in November, values that stake at HUF 87.55 billion (approx. EUR 230 mn), which represents a 125 % increase compared to the sale price in 2016 (HUF 38.9 billion). In addition, EBH paid a dividend of about HUF 20 billion to Corvinus during the mentioned period. The 2015 Memorandum of Understanding concluded between the Hungarian state, Erste Group, and the European Bank for Reconstruction and Development (EBRD) on the purchase of stakes by Corvinus and the EBRD (which continues to hold a 15% stake in EBH) contained a pre-determined exit mechanism for the involved minority shareholdings.

The agreement between Erste Group, the Hungarian government, and the EBRD in 2015 was a game changer for the Hungarian banking sector. The agreement aimed at strengthening the country's financial sector, improving its level of efficiency and profitability, and boosting the flow of bank credits to Hungary's private corporations, public sector and citizens. All of the involved parties fully fulfilled their obligations under the terms of the Memorandum of Understanding. For its part, Erste Bank Hungary exceeded its commitment to support three areas (energy efficiency, agriculture sector, and public employees), including by issuing targeted loans of 550 million euros. The 2015 agreement thus helped bring additional stability to the banking sector and created a balanced and stable partnership with the Hungarian state.

"The cooperation between Erste Group, the Hungarian state, and the EBRD over the past seven years has contributed to Erste Bank Hungary developing into one of the most dynamically growing banks in Hungary, as evidenced by the five acquisitions the bank has made over that period," says Willi Cernko, CEO of Erste Group. "Erste Group remains committed to the CEE region and to Hungary's promising role within it. We are constantly examining growth opportunities, which includes achieving 100 percent ownership influence in the group's subsidiaries."

In 2016, Corvinus International Investment Zrt., an entity owned by the Hungarian state, bought 15 % of Erste Bank Hungary Zrt. for HUF 38.9 billion. Over the course of seven years, the Hungarian state achieved a return of more than 2.5 times of the investment, taking into account the redemption price and the amount of dividends paid to Corvinus in that period. The parties signed the contract on the buyback on 10 November 2023, and the transaction is set to be closed by the end of this month.

This information will be published simultaneously in Hungarian, in case of discrepancy between the information included in the Hungarian and English versions, the information in English shall prevail.