



PRESS RELEASE

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Transformation strategy to make Novosadska banka Serbia's market leader

In August this year Erste Bank der oesterreichischen Sparkassen AG acquired an 83.3% stake in Serbia's Novosadska banka, its ninth acquisition since 1997. Erste Bank has followed this up by making an offer to the small shareholders of Novosadska banka and as a result now holds 95.6% of the shares in Novosadska banka. As with previous acquisitions, Erste Bank has immediately embarked on integrating Novosadska banka into the structure of Erste Bank Group.

As a first step, in September the bank's Managing Board increased in size from two to five members, including: Vladimir Medan (CEO, responsible for risk management, internal audit, legal, marketing and human resources), George Bobvos (deputy CEO, responsible for treasury and corporate clients), Miodrag Kvrđić (CFO, transformation and expansion), Jasna Terzić (retail) and Laszlo Sardi (IT & organisation, operations and property management).

Erste Bank is now undertaking the full transformation process for Novosadska banka. This includes 15 projects, spanning treasury, human resources, marketing and IT organisation, as well as risk management, retail and corporate clients. More than 240 employees are involved in the transformation of the bank, primarily from Novosadska banka itself (170) but also from the Erste Bank Group (more than 70). The transformation is expected to take 18 months and is scheduled for completion in the first quarter of 2007. As with previous acquisitions, Erste Bank has set a three-year goal and expects Novosadska banka to exceed the 20% return-on-equity after tax by 2008.

The expansion of the bank is a key part of the transformation. The aim is to increase the number of branches from 71 to 120 over the next five years and to raise the market share from the current 2% to 10%. Approximately EUR 35 million will go to Novosadska banka in the form of capital increases. This is to be used primarily for state-of-the-art IT, expanding and overhauling the branch network, improving business processes and providing comprehensive training for staff. In line with the expansion plans the headcount will be increased from 843 currently to 1,250 by 2008. "We are looking for people who are up to the challenge of helping Novosadska banka become Serbia's premier retail bank," said CEO Vladimir Medan. "Our employees will receive all the support they need, along with comprehensive training and, depending on their position, will be rewarded based on performance."

To emphasize that it is now part of the Erste Bank Group, Novosadska banka will be renamed Erste Bank. This decision has been taken following extensive market analysis. The first Serbian Erste Bank branch is to be opened in Belgrade in January 2006. All other branches will be brought up to Erste Bank standards as the transformation process unfolds. "Erste Bank stands for trust, high quality of products and services, innovation and efficiency. In future these characteristics will be instantly evident to clients in Serbia, and not only in the branches themselves. The name Erste Bank also stands for comprehensive services for retail customers and small and medium-sized enterprises, which we see as the backbone of the economy. In view of our success, we would like investors who have yet to move into the Serbian market to appreciate that this country is the next logical candidate for EU accession,"

explained Reinhard Ortner, Chairman of the Supervisory Board of Novosadska banka.

Some 840 employees of Novosadska banka service about 300,000 clients in 71 branches. On 30 September 2005 the bank announced total assets of CSD 10.4 billion (EUR 123 million) and generated a profit of CSD 16.5 million (EUR 0.2 million). Erste Bank holds 95.6% of the shares, the remainder is owned by various small shareholders. Erste Bank intends to buy out these shareholders over the next six months on the same terms (EUR 218.98 per share). The purchase price for 99.9% of the shares will therefore be around EUR 84 million. On top of the planned organic growth of Novosadska banka, Erste Bank is also looking into further possible acquisitions in Belgrade or in the south of the country.

For more information, please contact:

Erste Bank, Press Department

1010 Vienna, Graben 21, Fax: 0043 (0) 50 100-19849

Hana Cygonkova, ++ 43 (0) 50 100-11675, e-mail: hana.cygonkova@erstebank.at

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