

# Volksbank International

Your strong Partner in Central and Eastern Europe

Focus on CEE

**Vienna Economic Talks, Chisinau, Republic of Moldova,**

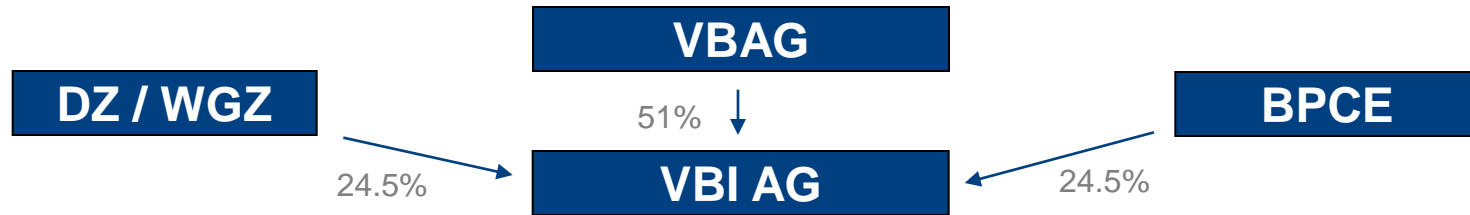
**24 - 25 June 2010**

## Among the first Banks in CEE...

- Volksbank AG (VBAG), majority shareholder of Volksbank International AG (VBI), was **one of the first** international banks to commence activities in Central and Eastern Europe (CEE).
- VBAG started its expansion into CEE in 1991 by establishing a subsidiary in Bratislava, Slovakia.
- In 2004 / 2005, DZ BANK / WGZ BANK on the one hand, and the French BPCE on the other, each acquired a stake of 24.5% in VBI.
- Today, the VBI Group comprises 10 successful and expanding VBI Banks in 9 countries in CEE: Slovakia, Czech Republic, Hungary, Slovenia, Croatia, Romania, Bosnia-Herzegovina, Serbia and Ukraine.

# Shareholder structure /1

*Strong foundation*



- |                                 |   |   |                             |
|---------------------------------|---|---|-----------------------------|
| Volksbank, Slovakia *           |    |    | Volksbank, Czech Republic * |
| Volksbank, Hungary *            |    |    | Volksbank, Slovenia *       |
| Volksbank, Croatia *            |   |   | Volksbank, Romania *        |
| Volksbank, Bosnia-Herzegovina * |  |  | Volksbank, Serbia           |
| Volksbank, Banja Luka           |   |   |                             |
| Volksbank, Ukraine              |  |   |                             |

\*) Italian, Austrian and Turkish minority shareholders

## Shareholder structure / 2



Central Institute of more than 60 Austrian co-operative banks



Central Institute of more than 1,230 German co-operative banks



Central Institute of 228 German co-operative banks in the western part of Germany



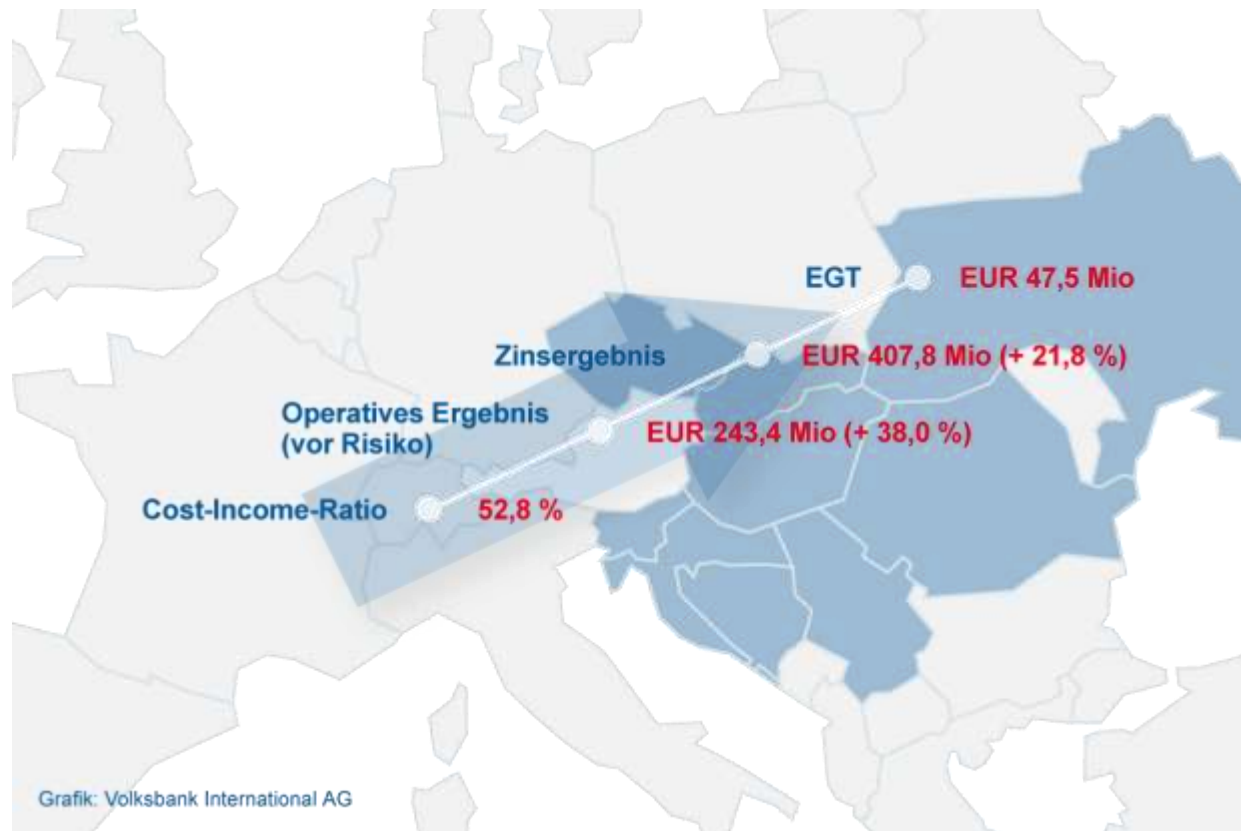
Central Institute of 20 French co-operative banks

**Considerable market strength** of the Austrian, German and French Popular Banking structures (central institute + primary banks):

- accumulated assets: **EUR 1,390 billion**
- employing **241,300 staff**
- servicing more than **39 million clients** at 18,000 sales outlets

## Consistent results 2009 / 1

*Interest income increased to reach EUR 407.8 million*



Vergleich 2008 mit 2009

## Consistent Results 2009 / 2

*Operational result: + 38.0 %*

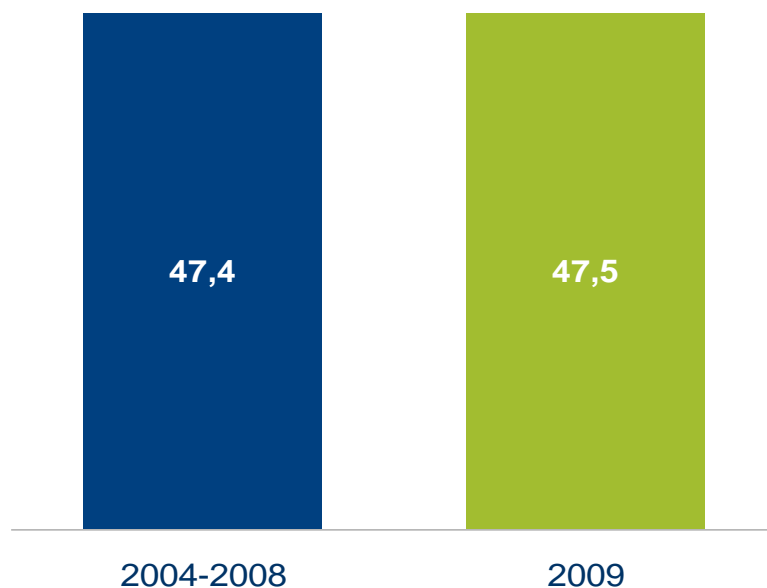
- Positive result on ordinary business activities amounting to **EUR 47.5 million** was obtained
- Operational result before risk provisions: **EUR 243.4 million** (+ 38.0 %)
- Interest income: **EUR 407.8 million** (+ 21.8 %)
- New allocation of risk provisions amounted to EUR 174.6 million

Vergleich 2008 mit 2009

## Consistent results 2009 / 3

### Result on ordinary business activities:

in EUR million



- ✓ Result on ordinary business activities 2009: **EUR 47.5 million**
- ✓ ... a ratio reached on average per year, in the last five years
- ✓ Total result on ordinary business activities 2004-2008: **EUR 237 million**

## Consistent results 2009 / 4

- 10 universal banks in 9 CEE countries
- 582 sales outlets
- 5,483 staff
- EUR 13.9 bn total assets
- 1.5 million client accounts



## Very good capitalization

- Own funds of the VBI Group pursuant to the Austrian banking law:  
EUR 1.1 billion
- Equity ratio: 13.3 %
- Core capital: EUR 1.0 billion
- **High tier-1 capital ratio: 12.8 %**

Stand: 31.12.2009

## Efficiency further increased at a high level/ 1

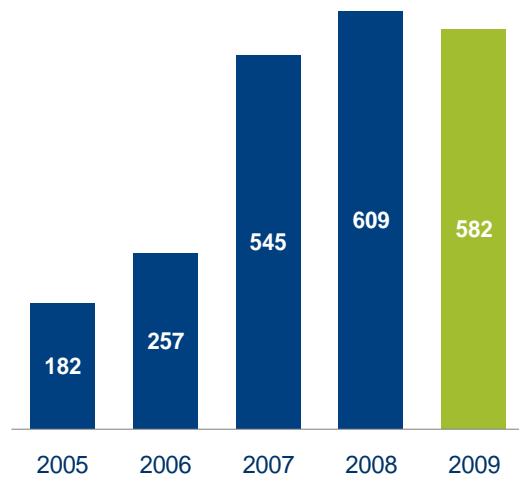
*Successful adaptation to new market conditions*

- Consequent cost management program
- Administrative expenses reduced by 9.4 %, or **EUR 25.9 million**
- Personnel expenses: – 9.2 %
- Material expenses: – 11,4 %
- Reduction of distribution network by 4.4 % to 582 sales outlets
- Reduction of staff by 6.3 % to 5,483 employees
- **Cost-income ratio** of the VBI Group was **further improved**, from 2008 to 2009, by 10 percentage points, to reach 52.8 %!

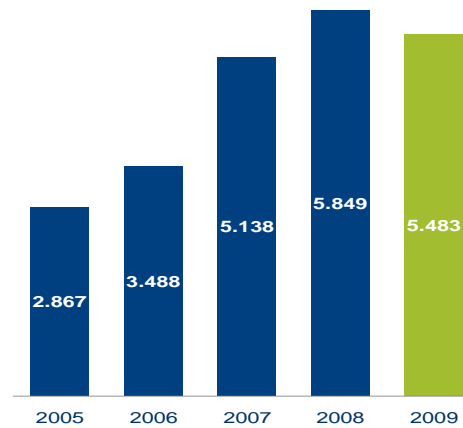
Vergleich 2008 mit 2009

## Efficiency further increased at a high level / 2

### Sales Outlets



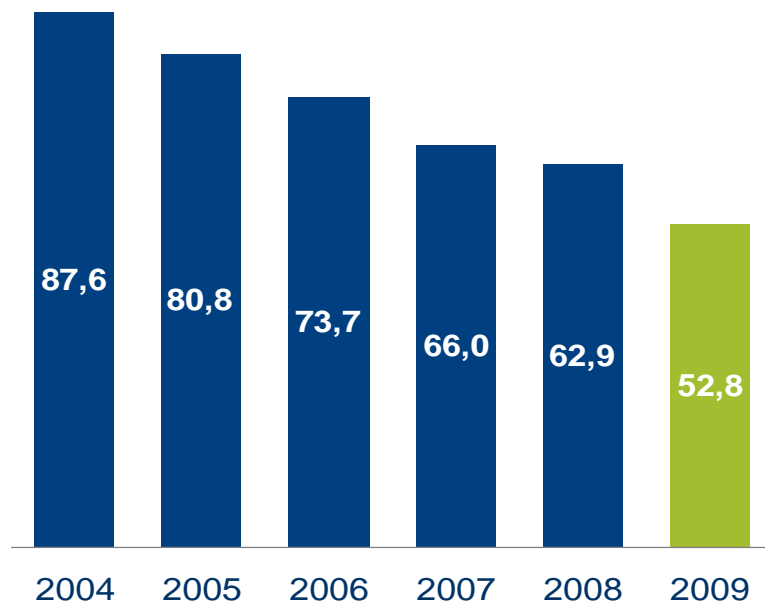
### Staff



## Efficiency further increased at a high level / 3

### Cost-income ratio of VBI Group

in %



- ✓ Cost-income ratio further reduced to **52.8 %**
- ✓ Since 2004, improved by **35 percentage points**

## **Well-anchored business model/ 1**

*Continuous and consequent business development*

- Focus on client-related business with retail clients and SMEs
- Conservative risk policy

### **New focus**

- No „expansive growth“
- Increase in profitability
- Services provided to micro-businesses on a larger scale
- New target clients, new distribution channels (such as online and direct banking)

## Well-anchored business model / 2

### *Quality in the client portfolio*

- Managing the existing client portfolio
- Strengthening qualitative aspects of products and services
- Client retention and multi-channel distribution aimed at each target client
- Developing the co-operative-style **House Bank Model**
- Consciously shaped green-field establishments
- Flexible business approach based on a broad distribution strategy:  
branch offices/sales outlets, franchisees, mobile distribution

## Well-anchored business model / 3

*Crisis-resistant development based on business diversification*

- Total assets slightly reduced to EUR 13.9 bn (- 5.5 %)
- Primary deposits volume: EUR 5.0 bn (- 1.8 %)
- Higher risk provisions compensated due to increase in earnings
- Retail earnings: + 25.7 % to reach EUR 300.8 m
- Corporate earnings: + 3.4 % to reach EUR 149.6 m
- Well-diversified corporate loan portfolio: SMEs 35 %, real estate 31 %, big corporates 14 %, clients referred by partner banks 13 %, public finance 4 %

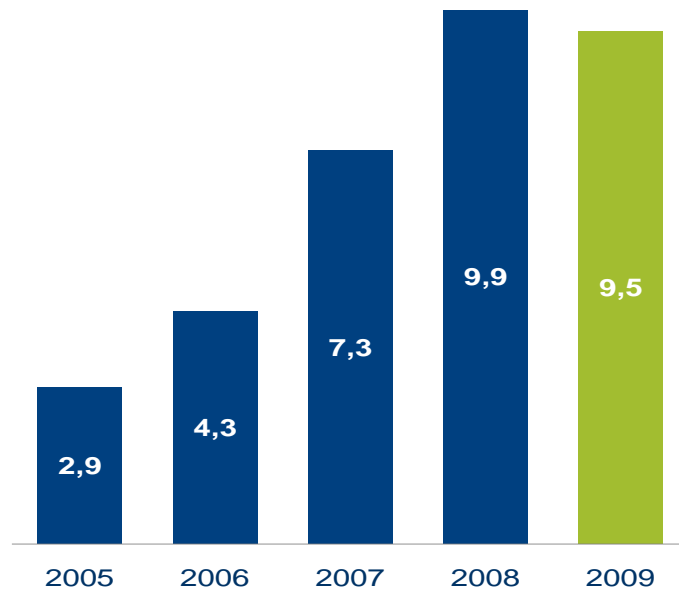
Stand: 31.12.2009,  
Vergleich mit 2008

## Well-anchored business model/ 4

> 80 % of loan volumes granted in EU countries

### Loan volume

in EUR bn



✓ Reduced by 3.7 %

✓ 81 % of loans were granted in EU countries

✓ Retail-corporate ratio: 55 to 45

## Sound market position / 1

### *Diversified network*

- Diversification thanks to 10 universal banks based in 9 CEE countries
- 1.5 million client accounts are serviced
- Third-largest bank in Romania
- Among the top-10 banks in CZ, HU, SK, HR and RS
- Fifth-largest bank in Bosnia-Herzegovina
- „Card Innovator 2009“ award obtained by Volksbank, Slovakia
- „Business Superbrands 2009“ for B2B services at Volksbank, Hungary
- Volksbank, Slovenia: first Bank to introduce SMS-mobile banking
- Volksbank, Croatia: first bank in the category „TOP banking products 2009“

As of 31 December 2009

## Sound market position / 3

### *VBI Banks in detail*

	Date of foundation	Total assets in EUR million	# sales outlets	# staff (latest, FTE)
Volksbank, Slovakia	1991	1.259	41	580
Volksbank, Czech Republic	1993	1.875	57	642
Volksbank, Hungary	1993	1.750	70	637
Volksbank, Slovenia	1993	865	11	182
Volksbank, Croatia	1997	1.041	29	387
Volksbank, Romania	2000	5.348	246	1.434
Volksbank, Bosnia-H.	2000	405	27	329
Volksbank, Banja Luka	2007	203	19	231
Volksbank, Serbia	2003	681	26	428
Volksbank, Ukraine	2007	277	53	550
<b>Total VBI Banks</b>		<b>13.703</b>		<b>5.400</b>
VBI AG		115		64
<b>Total VBI Group</b>		<b>13.818</b>	<b>579</b>	<b>5.464</b>

Stand: 31.3.2010

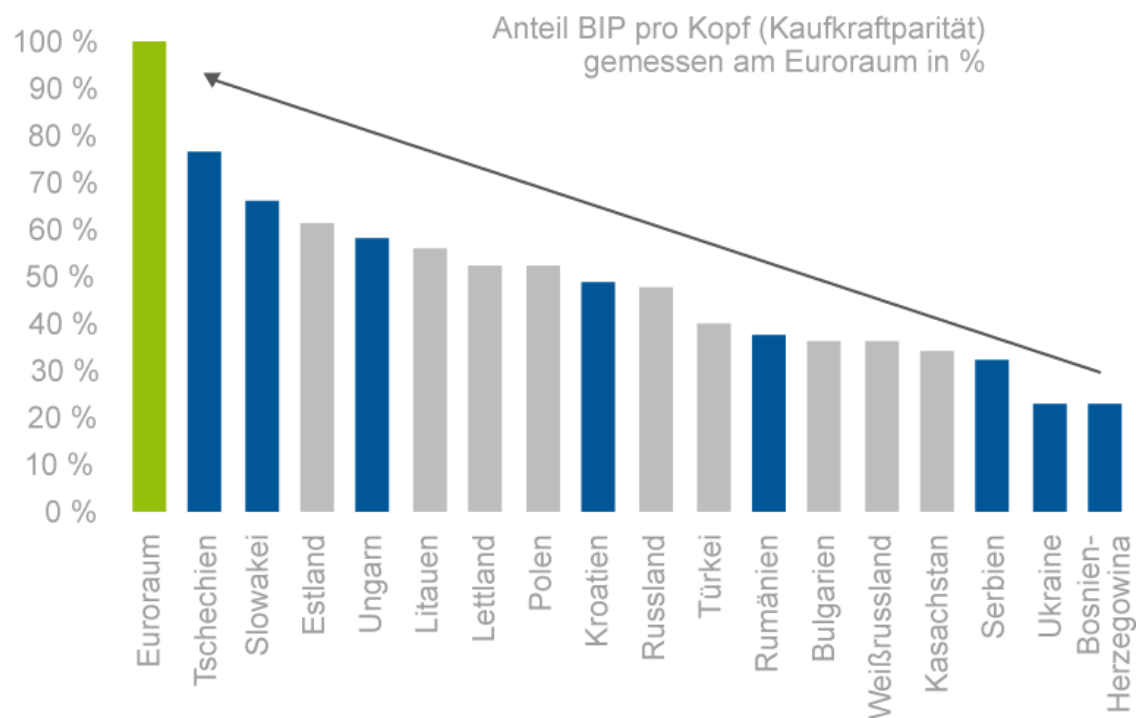
## **Focus on CEE** / 1

*Differentiate & analyse*

- CEE has been hit by the crisis but has not caused the crisis
- The CEE countries must not be lumped together but should be viewed each from its different perspective
- Growth gap between CEE and Western Europe is unchanged
- Capital flows into CEE have slowed down considerably
- Long-term and cheap liquidity has „dried up“
- Support packages: EU Commission, EBRD, EIB, IMF

## Focus on CEE / 2

Long-term potential (GDP, financing products)



## Focus on CEE/3

*Perspective: Upward trend towards end-2010*

- Pronounced need to catch up in CEE in various fields
- There is room in particular re. loans, insurance products, account utilization, building society products, home loans and sophisticated investment products:
  - e.g. living space per person in CEE < 1/3 than in Western Europe
  - e.g. salary costs in SK approx. 40 % below the German level
- VBI therefore makes out a positive perspective in the mid-term
- Still good earnings potential in the CEE region
- Upward economic trend expected from year-end 2010 onwards

## VBI Considerations for market entry

- Investor friendly climate **appreciated**, esp.
  - Sound and flexible regulative environment (supervisory regulations, banking law, e.g. no unappropriate obstacles for business entry and conduct)
  - Sound and reliable legal system (commercial law, collateral) and courts
  - Application of modern standards in accounting environment
  - Low level of bureaucracy
  - No. resp. low level of corruption
- Skilled, well educated and foreign language speaking people

## Contact

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