

# **5th Capital Markets Day**

**21 September 2007, Bratislava**

## **Valuing the corporate customer**

**Johannes Kinsky, Member of the board, Erste Group**



## Cautionary note regarding forward-looking statements

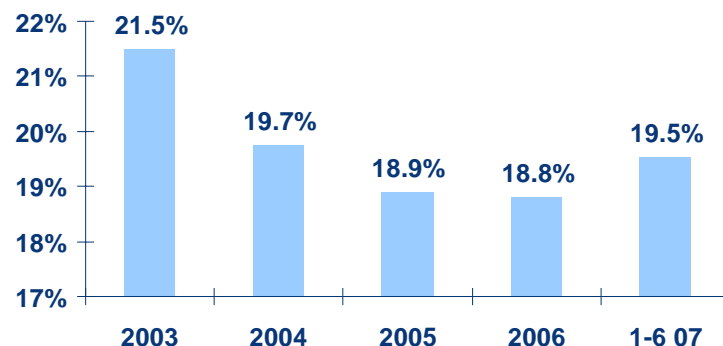
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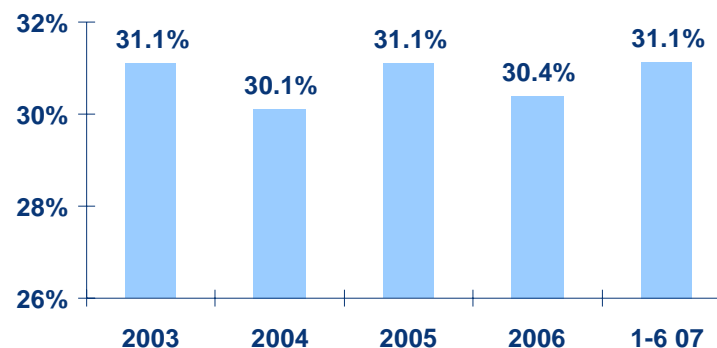
- **Introduction**
- Our achievements
- New organisation
- What we want to achieve

# Introduction – Is Erste Group a pure retail bank?

Risk-weighted assets of Large Corporate and International Business as percentage of group RWA



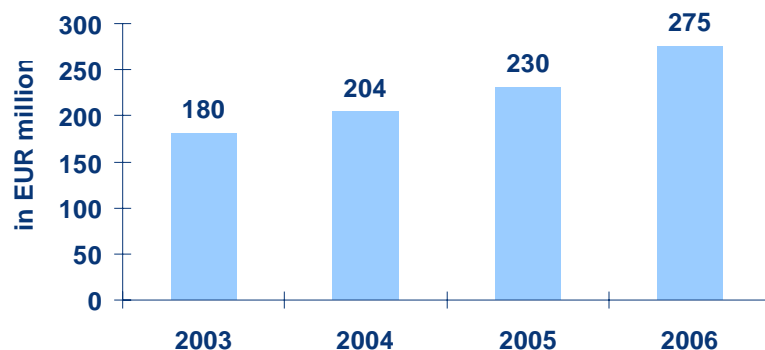
Cost/income ratio of Large Corporate and International Business



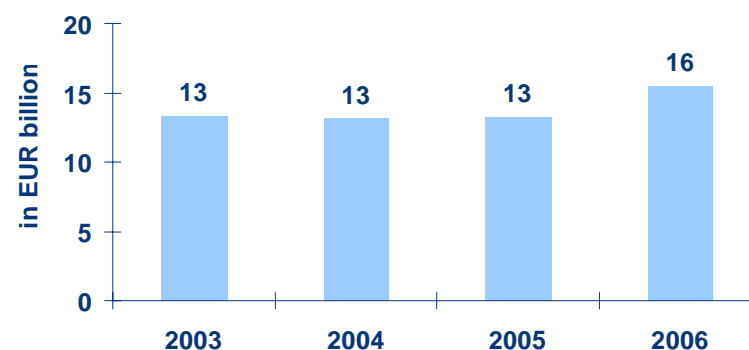
- Currently the large corporate and international business accounts for about 19% of the group's risk weighted assets
- Given the natural growth of our retail business the proportion of large corporate RWA is likely going to diminish
- Nevertheless large corporate and international business is already highly efficient

# Introduction – Development of our business

Pretax profit of Large Corporate and International Business



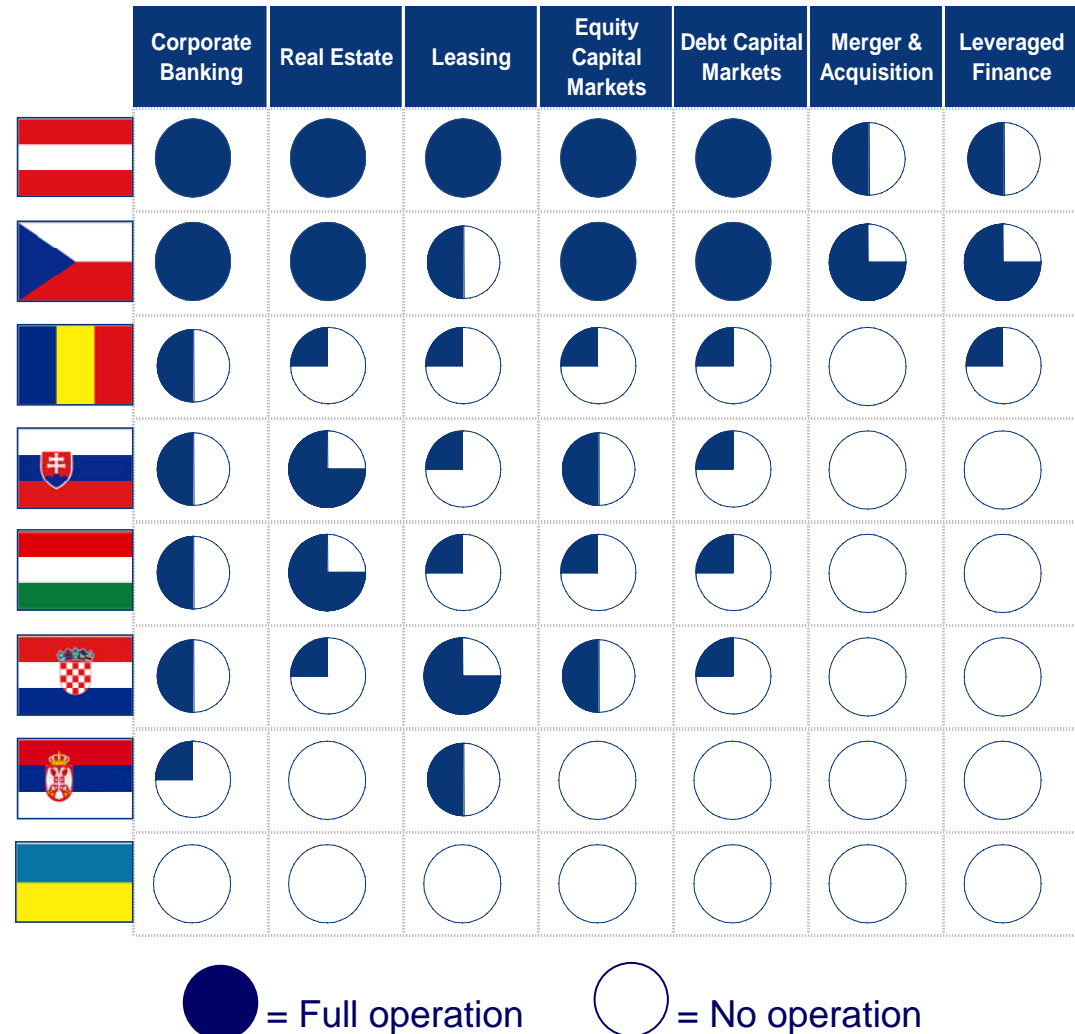
Risk-weighted assets of Large Corporate and International Business



- **GCIB already makes a significant contribution to the group's success**
  - Result of successful expansion efforts shows that we can do it (e.g. real estate, ECM & DCM in Austria, M&A in Czech Republic)
- **The aim now is to realise its full potential**

# Introduction – Where we are today

- Corporate banking and leasing were previously organised as group-wide businesses
- Other businesses were managed on a decentralised local basis



- Introduction
- **Our achievements**
- New organisation
- What we want to achieve

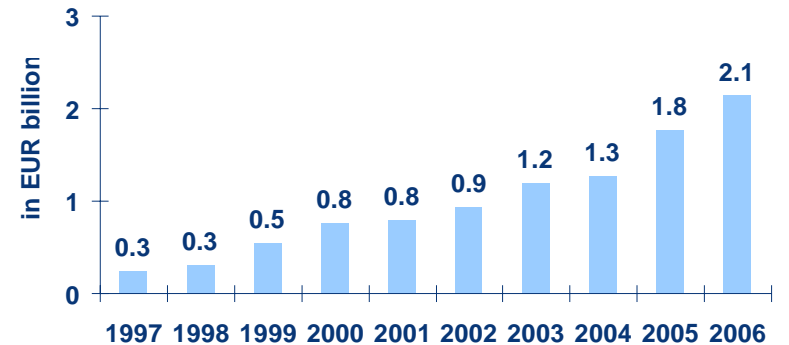
# Our achievements – CEE blue-chips already trust us

<p><b>2006</b></p>  <p>Initial Public Offering</p> <p><b>EUR 651,700,000</b></p> <p><b>ERSTE GROUP</b> Joint Global Coordinator</p>	<p><b>to 2007</b></p>  <p>5Y Fixed Rate Bonds</p> <p><b>EUR 325,000,000</b></p> <p><b>ERSTE GROUP</b> Joint Lead Manager</p>	<p><b>2006</b></p>  <p>Capital Increase</p> <p><b>EUR 1,500,000,000</b></p> <p><b>ERSTE GROUP</b> Joint Global Coordinator</p>	<p><b>2005</b></p>  <p>Privatization for aggregate purchase price <b>CZK 7,050,000,000</b></p> <p><b>ERSTE GROUP</b> Advisor</p>	<p><b>2007</b></p>  <p>Initial Public Offering in volume of <b>EUR 118,400,000</b></p> <p><b>ERSTE GROUP</b> Joint Book Runner Joint Global Coordinator</p>
<p><b>to 2006</b></p>  <p>6 and 7-year Fixed Rate Bonds <b>EUR 300,000,000</b></p> <p><b>ERSTE GROUP</b> Sole Lead Manager</p>	<p><b>2007</b></p>  <p>Project 'Viertel Zwei' Future OMV Headquarter <b>EUR 185,000,000</b></p> <p><b>ERSTE GROUP</b> Arranger and Lender</p>	<p><b>2007</b></p>  <p>Privatization for aggregate purchase price of <b>EUR 1,400,000,000</b></p> <p><b>ERSTE GROUP</b> Advisor</p>	<p><b>2007</b></p>  <p>Perpetual Non-Call 10 Hybrid Bond <b>EUR 500,000,000</b></p> <p><b>ERSTE GROUP</b> Joint Lead Manager</p>	<p><b>2006</b></p>  <p>Real estate financing Lake side park project <b>EUR 50,000,000</b></p> <p><b>ERSTE GROUP</b> Arranger and Lender</p>
<p><b>2007</b></p>  <p>Real estate financing Logistic park <b>EUR 65,000,000</b></p> <p><b>ERSTE GROUP</b> Sole Lender</p>	<p><b>2005</b></p>  <p>Privatization for aggregate purchase price of <b>EUR 2,475,867,428</b></p> <p><b>ERSTE GROUP</b> Advisor</p>	<p><b>2006</b></p>  <p>Real estate financing</p> <p><b>EUR 25,000,000</b></p> <p><b>ERSTE GROUP</b> Sole Lender</p>	<p><b>2006</b></p>  <p>Property transaction of the Austrian portfolio <b>Not public</b></p> <p><b>ERSTE GROUP</b> Advisor</p>	

# Our achievements – Real estate and Immorent

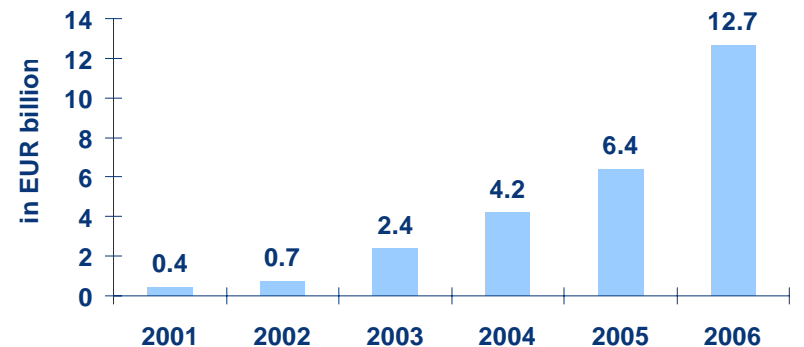
- In 2006 more than EUR 10.3bn was invested into CEE institutional property markets
- The trend is clearly moving to the south and east with Ukraine, Serbia
- In 2006 Immorent's new business broke through the two billion Euro mark for the first time (EUR 2.1 bn). This translates into an increase of 21% compared to 2005 and 80% to 2003

Volume of leasing new business



Source: Immorent

Real estate investments in CEE











































































Source: CB Richard Ellis

- Introduction
- Our achievements
- **New organisation**
- What we want to achieve

# New organisation – Structure of the GCIB division

- Corporate banking, client coverage and real estate have a full-service, local presence
- Resources and products are bundled into competence centres
- Whole division operates under one brand and management

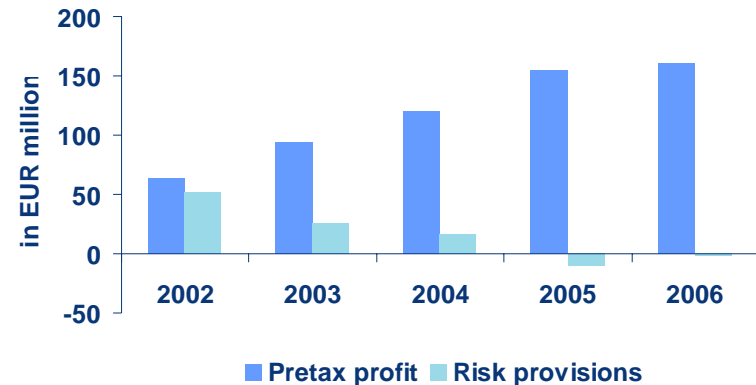
ERSTE  ERSTE GROUP	Corporate Banking	Real Estate	Leasing	Equity Capital Markets	Debt Capital Markets	Merger & Acquisition	Leveraged Finance
Holding Division							
							
							
							
							
							
							
							
							

 = Local presence       = No local presence

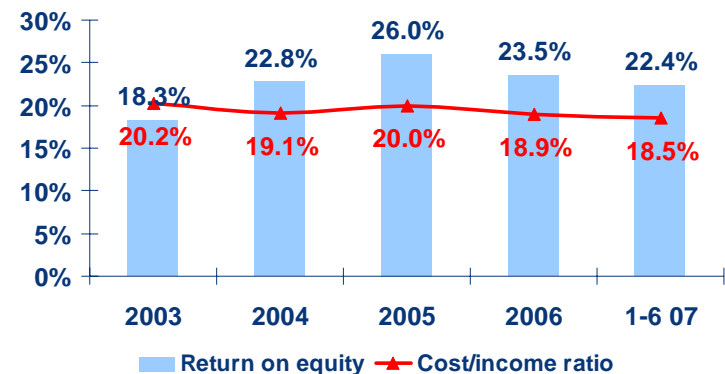
# New organisation – International business fully integrated

- Allow our customers to benefit from existing resources and expertise
- Act as the group-wide hub for loan syndication and leveraged finance
- International basis for global client coverage

International Business in detail (1)



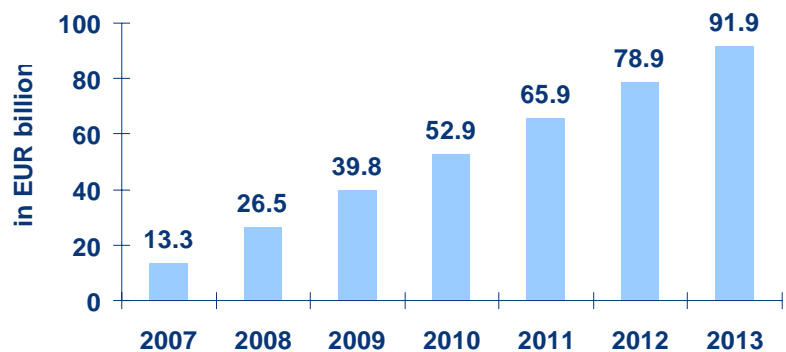
International Business in detail (2)



- Introduction
- Our achievements
- New organisation
- **What we want to achieve**

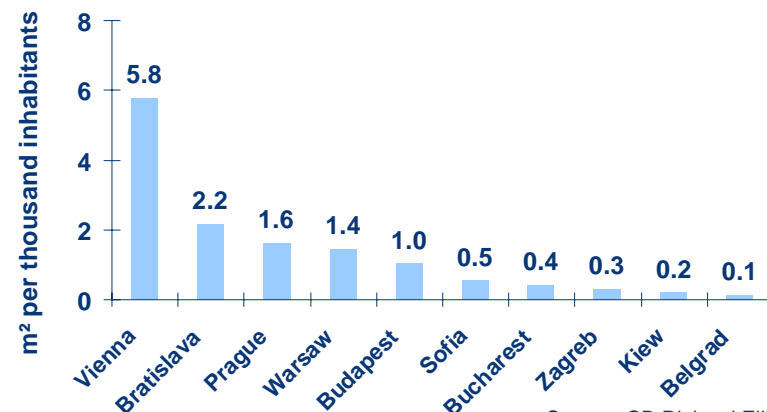
# What do we want to achieve – Market opportunities

EU funding in GCIB CEE markets (2007 – 2013)



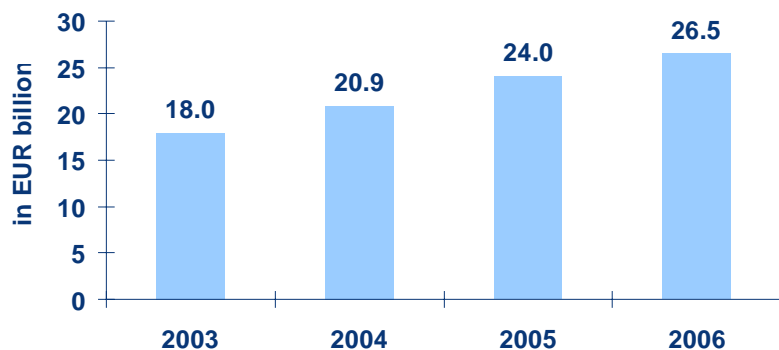
Source: EU

Office space catch-up potential



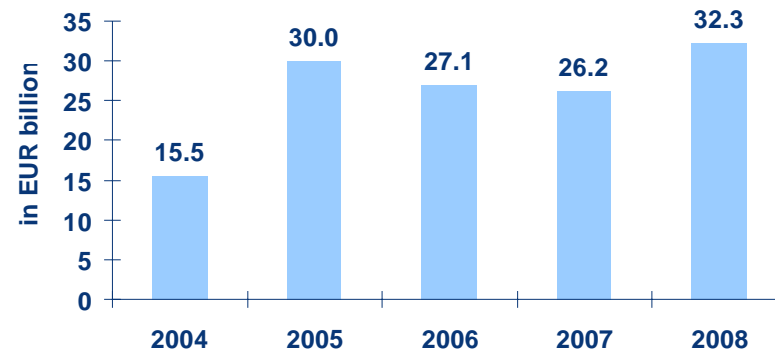
Source: CB Richard Ellis

Public investments in GCIB CEE markets



Source: Erste Group Research

FDI in GCIB CEE markets



Source: Erste Group Research

# What we want to achieve – Objective and targets

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- **Build a prime corporate and investment banking platform in our region in keeping with Erste Group culture**
- **Maximise synergies with other bank businesses**
  - Global Markets, Retail, Private Banking, Asset Management
- **Give our people a group-wide exposure and international career perspective**
- **Improve contribution to the group in terms of EVA and cost/income ratio in 2008**
- **Achieve a better than group average income growth at controlled risk from 2009**