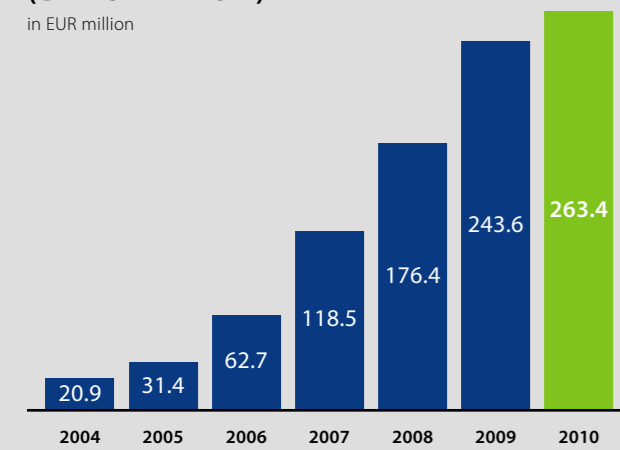


## KEY FACTS 2004–2010

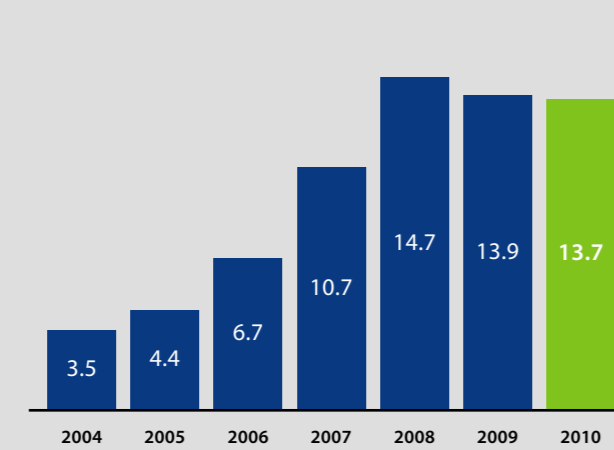
### OPERATIONAL INCOME (BEFORE RISK)

in EUR million



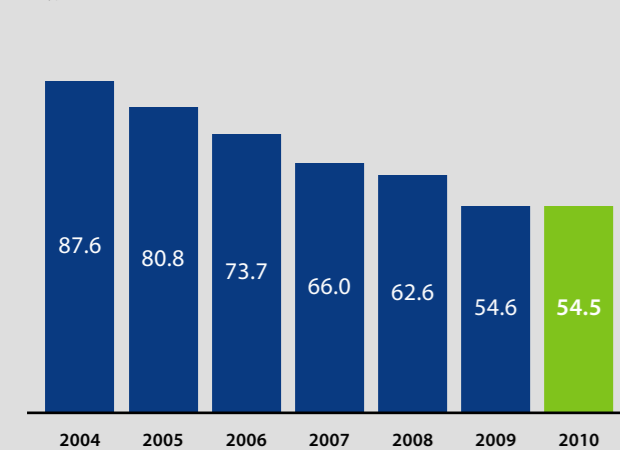
### TOTAL ASSETS

in EUR billion



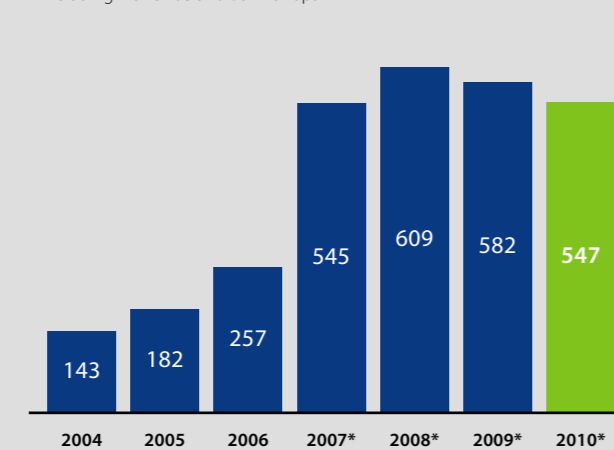
### COST INCOME RATIO

in %



### SALES OUTLETS

\* including Franchise and Bank Shops



## NETWORK



**Austria**  
[www.vbi.at](http://www.vbi.at)

**Slovakia**  
[www.volksbank.sk](http://www.volksbank.sk)

**Slovenia**  
[www.volksbank.si](http://www.volksbank.si)

**Bosnia-Herzegovina**  
[www.volksbank.ba](http://www.volksbank.ba) · [www.volksbank-bl.ba](http://www.volksbank-bl.ba)

**Czech Republic**  
[www.volksbank.cz](http://www.volksbank.cz)

**Croatia**  
[www.volksbank.hr](http://www.volksbank.hr)

**Serbia**  
[www.volksbank.rs](http://www.volksbank.rs)

**Hungary**  
[www.volksbank.hu](http://www.volksbank.hu)

**Romania**  
[www.volksbank.ro](http://www.volksbank.ro)

**Ukraine**  
[www.volksbank.ua](http://www.volksbank.ua)

Key Facts  
2010

Volksbank  
International

## A CONVERSATION WITH THE MANAGING BOARD

**Mr. Boschert, since you joined the Managing Board of Volksbank International in 2005, the development of the network of banks in Central and Eastern Europe has been marked by continuous growth. 2010 figures are significantly below those of previous years. What is the reason for this?**

**Friedhelm Boschert:** VBI mastered, with persistent operational results, what was undeniably one of the most difficult years since its inception. This was primarily due to the effects of the financial crisis, which were fully felt at our banks in Central and Eastern Europe in 2010 only. As a result, we had

**VBI mastered a difficult year with continued good operational results.**

Friedhelm Boschert

to increase risk provisions once more. In total, we provided EUR 238 million in credit. This represents an increase of 36.4 % compared to the already high level in 2009. Of this, Romania received almost two thirds.

**Why did the effects of the crisis reflect on VBI banks in 2010 only?**

**Armin Huber:** Our business structure differs from that of most of our competitors. Our emphasis lies in private mortgages and small and medium-sized enterprises. The effects of the crisis were delayed for both these target groups. We reacted appropriately by increasing our risk provisions.

**In 2010, the earnings of the VBI Group before taxes were**

**EUR 2 million, and after taxes, minus EUR 21.8 million. Can this result in fact be attributed to the crisis alone?**

**Christophe Descos:** The 2010 pre-tax result is definitely not comparable with previous years, since several once-off special factors came into effect during this period. Banking taxes in Hungary, exceeding EUR 7.7 million, as well as goodwill write-off of Volksbank, Ukraine, amounting to EUR 14.8 million, are both included in the net result of the VBI Group.

**Some of the VBI banks could still improve on their performance. What do you consider to be the weaknesses in the VBI network?**

**Friedhelm Boschert:** Six out of the ten VBI banks were able to improve their result compared to 2009, despite 2010 being a difficult year. Only Volksbank, Romania realised a significant minus.

**What is the future of Volksbank, Romania?**

**Armin Huber:** We have achieved much in the past year. We have developed and implemented a new business model for Romania, in which internal processes are reviewed and streamlined. In addition, we have also put risk assessment systems to the test and created completely new rules for the collection of overdue loans. Currently, we are also bringing the bank back on track by offering a number of several sales initiatives – including some completely new products. We are expecting Romania to generate a profit again in 2011.

**What are your expectations for the VBI Group as a whole?**

**Friedhelm Boschert:** I am optimistic. Let's consider the profitability of the VBI Group: In 2010, we increased the operational result before risk to EUR 263.4 million. That is an increase

of 8.1 % compared to the previous year. The strong net interest income – that we were able to increase by 2.1 % to EUR 416.6 million despite margin pressure and weak new business – played a significant part. Although net fee and commission income

**We focus on strong sales, based on our strategically good market position.**

Christophe Descos

were below our expectations, they nevertheless increased by 1.5 % to EUR 81.4 million. Our earnings base of close to EUR 500 million is thus strong. We were therefore able to carry our burden by our own means – and hence our confidence in coming years.

**How are deposits and credit volumes developing?**

**Christophe Descos:** Well! Primary deposits increased by 3.2 % to EUR 5.1 billion, and credit volumes increased by 4.6 % to EUR 10.0 billion. The total assets of VBI was EUR 13.7 billion, a decline of –0.9 %.

**What about costs? Will you cut back on staff?**

**Armin Huber:** In 2010, administrative expenses increased by 3.4 % to EUR 258 million. These expenses included once-off reconstruction costs in Romania. Personnel costs as such, increased by a mere 1.1 %. In 2010, the number of employees was reduced by 120. By year end, the VBI Group had a total of 5,362 employees. This reduction will only be noticeable in the 2011 income statement. When looking at the cost-income-ratio it becomes clear that the VBI is moving in the right direction

when it comes to efficiency. It is now at a very good level of 54.5 %. In 2004, it was still at 88 %. The results of our measures to improve efficiency are already visible.

**And the closing of sales outlets?**

**Christophe Descos:** In 2010, we again investigated all branches in our network in terms of their service and profitability. The result was that we had to close 35 sales outlets, leaving us with 547 sales outlets today. The investigation is still ongoing in Romania where additional changes can be expected.

**How do you see the future economic development of the VBI banks?**

**Friedhelm Boschert:** If we look at the economic forecast for coming years, we see that the economies in Central and Eastern Europe are expected to show significant growth compared to those of the euro zone. Much catching up in various aspects of life are still needed in these countries, when compared with Western Europe. This continues to make the

**Risk provisions only peaked in 2010 and are already declining in 2011**

Armin Huber

region economically interesting. VBI is present in nine differently developed CEE countries, where we are strategically well diversified with our 10 banks that act as reliable partners for foreign investors and companies, as well as for private customers. We can build on this solid foundation and increase the confidence in the successful development of our banks.

## KEY FACTS 2010

- **20 years of CEE know-how**
- **Operational income (before risk) increased to EUR 263.4 million (+ 8.1 %)**
- **Interest income risen to EUR 416.6 million (+ 2.1 %)**
- **New allocation of risk provisions amounting to EUR 238.0 million**
- **Profit achieved: EUR 2.0 million**
- **Total assets: EUR 13.7 billion**
- **Loan volume: EUR 10.0 billion (+ 4.6 %)**
- **Primary deposits: EUR 5.1 billion (+ 3.2 %)**
- **High core capital ratio: 11.9 %**
- **Cost income ratio slightly improved to reach 54.5 %**
- **General administrative expenses slightly increased by 3.4 %**
- **1.5 million customer accounts**
- **547 sales outlets and 5,362 employees**
- **10 full service banks in 9 CEE countries**