

## PRESS INFORMATION

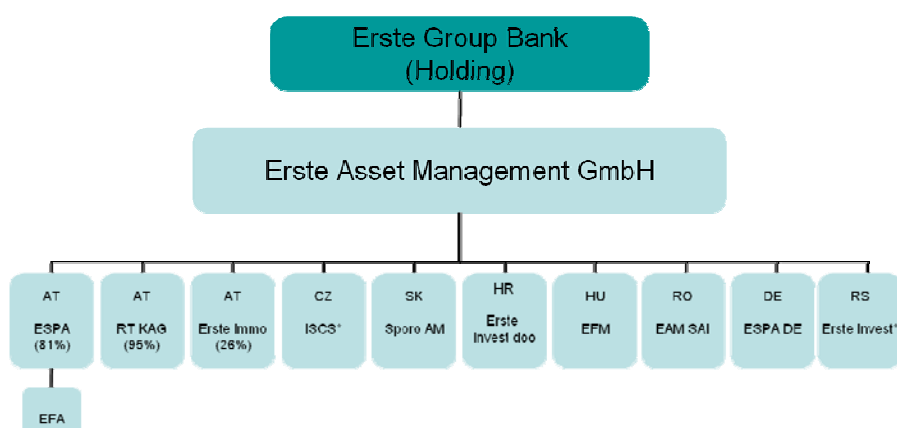
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### Erste Group combines its asset management activities

**Erste Group Bank AG is restructuring its fund and asset management activities in Austria and Central and Eastern Europe. There will be 10 companies operating under the umbrella of Erste Asset Management GmbH, with assets under management of EUR 33.8 billion at present. This new structure enables Erste Group to strengthen its position in asset management.**

The newly founded company Erste Asset Management GmbH (EAM) is a 100% subsidiary of Erste Group Bank AG, in which all of the investment companies in Austria and Central and Eastern Europe have been brought together. With this new structure, the asset management and investment fund companies throughout the Group will be bundled together. Erste Group is establishing a leading international player in terms of quality and product standards, with a strong local basis. EAM itself also functions as an investment fund company and has a broader license for asset management. EAM is backed by the Erste Group, one of the largest, most reputable banking groups in Austria and Central and Eastern Europe.

In Austria, **ERSTE-SPARINVEST KAG together with ESPA-Financial Advisors GmbH (EFA), ERSTE Immobilien KAG and Ringturm KAG belong to EAM.** Other companies which are part of Erste Asset Management GmbH are the Slovakian **Asset Management Slovenskej sporitelne správy. spol., a.s.**, the Hungarian **Erste Fund Management Ltd**, the Croatian **Erste Invest d.o.o**, the Romanian **S.A.I. Erste Asset Management S.A.** and the German **ERSTE-SPARINVEST Deutschland GmbH** (see chart). Plans call for the inclusion of the Czech **Investicní společnost České sporitelny, a.s.** until the end of this year, and later the Serbian **Erste Invest a.d. Belgrad**. **The entire Group will employ a workforce of around 300.**



\* planned: integration into Erste Asset Management

In light of the fact that pension savings systems are just now being developed in most CEE countries and considering the specific investment needs of private and institutional investors, the CEO of EAM, Heinz Bednar, sees enormous potential for growth. “The studies we have show a clear relationship between growth in gross domestic product and the development of the fund industry. Starting from per capita GDP of around EUR 10,000, the growth rate of fund volumes shoots higher,” noted Bednar. Austrians generally have an average of EUR 15,000 per capita invested in funds, while the same figure for Hungary is currently at around EUR 1,000 per capita and in Romania it is only EUR 11 per capita. Hence, despite the financial crisis, the potential for new investment volume for the entire Group remains very high over the coming ten years.

The new structure at Erste Asset Management allows customers to be approached in an even more focused manner. Clear competencies and decision-making structures, bundling of existing resources and know-how in the field of investment will be key factors for success. “We are now working on developing the investment strategy and investment processes, market analyses and product policies, which will be implemented in all of the companies. This will allow us to make product innovation accessible to customers throughout the entire Group,” explained Bednar. “In the investment policy, we will be ‘speaking the same language’ in all the countries, but we will still take into consideration the specific characteristics and requirements of the local markets.” Bednar sees EAM’s core competencies lying the management of funds for Eurozone government bonds, equities and bonds in Central and Eastern Europe, Emerging Market funds, investments aligned on ethical/sustainable guidelines, local special funds (e.g. Rumanian bond funds, etc.) and managed portfolios with and without absolute return strategies.

## **New Board Member Schön: Pension systems in the CEE countries as a growth market**

For institutional investors, EAM intends to better exploit the synergies with Erste Group. The main focus is on Austria and the CEE countries. “In the CEE countries, the pension fund systems, and corporate and non-corporate pension savings plans are still in their infancy. **Through to 2015**, the amount of capital invested in **pension funds** will grow by 10-15% annually to **EUR 200 bn**. The know-how of our local employees in the specific countries in relation to the analysis of investors’ risk profiles, their knowledge of the legal foundations and their work together with the supervisory authorities provides us with a clear-cut advantage,” stressed Board Member Christian Schön, who left Deutsche Bank’s fund company DWS as of 1 October to join EAM. Schön brings with him many years of experience in developing international fund markets and intends to expand the Group’s business with institutional investors and tap into new sales markets. In doing so, the guiding principle will be “Quality over Quantity”. As a first step, EAM will target the German, Spanish and Scandinavian markets, which feature the best developed pension fund systems in Europe. One business field that is still relatively unexplored is to provide CEE central banks with **specific investment solutions**. These institutions have **currency reserves of approximately EUR 150 bn**, for which individual money market strategies and yield enhancement portfolios are required. Schön went on to say that – particularly during difficult times – EAM could expect success with professional investors, thanks to the transparency of its funds, the disciplined risk management and our professional services.

## Global economic recovery opens up new opportunities for investors

Even though it is bumpy, the global economy is on the road to recovery. Still, EAM Board Member Franz Gschiegl underlined that “we are not expecting to see a boom as long as unemployment keeps rising, capacity utilisation remains low and lending is difficult.” All of these factors point to **falling rates of inflation**. It is anticipated that the major central banks such as the Fed (USA), ECB (euro area) and the BoJ (Japan) will stick with very expansive monetary policies for the foreseeable future.

Current conditions, marked by moderate growth and low interest rates, continue to favour funds with a “risk premium”. “On the **stock markets**, the technical indicators are suggesting that the upswing may continue. **But right now, it remains to be seen whether the extremely strong increases in prices since the spring will be backed up by fundamentals, in the form of improving corporate results as the recovery moves ahead,**” said Gschiegl. One has to expect brief periods of consolidation on the markets at any time in the coming months. Consequently, the EAM companies are “only” neutral on equities.

In terms of regional asset allocation, the Group currently prefers **European and Eastern European equity markets**. Following the correction, funds which also include the Hong Kong market are interesting again. An underweight position is taken on US equities and Japanese equities. In terms of sectors, it is only the defensive sectors such as health care, telecoms and utilities that are showing stable earnings trends.

Looking at Fixed Income funds, the potential for EUR government bond funds seemed to be “exhausted” to a great degree. These funds were excellent in living up to their role as a stabilising factor during the crisis, and allowed for strong returns for investors due to the significant decline in yields. Now, however, the focus of the EAM portfolios is being shifted towards **Emerging Market bonds** and **corporate bonds**.

With regard to **private investors**, the **confidence-building measures** implemented during the financial crisis will be left in place (such as client information events, fund management consultation meetings, product presentations). The currently low interest rate environment can now be used by the individual advisors to demonstrate to private investors the advantages of medium- to long-term fund investments, which are promising higher returns. Gschiegl concluded, “Sitting on the sidelines and watching cannot be seen as a promising strategy for the years ahead.”

Inquiries: ERSTE-SPARINVEST, Media and PR  
1010 Vienna, Habsburgergasse 1A, Fax: 0043 (0) 50 100 ext 17102  
Dieter Kerschbaum, Tel. 050 100 ext 19858, e-mail: [dieter.kerschbaum@sparinvest.com](mailto:dieter.kerschbaum@sparinvest.com)  
Katharina Raidl, Tel. 050 100 ext 19996, e-mail: [katharina.raidl@sparinvest.com](mailto:katharina.raidl@sparinvest.com)