

**> Panel:  
Update on Central Europe**

**Slovenská sporiteľňa (SLSP)**

**Strong growth potential driven by lending**

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CEO of Slovenská sporiteľňa**

## > **Presentation topics**

- 1. Slovak Banking Market - overview**
2. Loan growth potential
3. Slovenská sporiteľňa - key areas of focus
4. Outlook

## > Banking sector overview

### General trend: Expansion

» **Market expanding rapidly in almost all products**

- » with exception of private deposits which are impacted by reduction of interest rates (-200bp and -100bp in 2004 and 2005 respectively)

» **Private loans have been booming**

- » driven by demand side as a result of low interest rates and ready availability

» **Volume of investments in mutual funds more than doubled y/y**

- » awareness of mutual funds has increased significantly

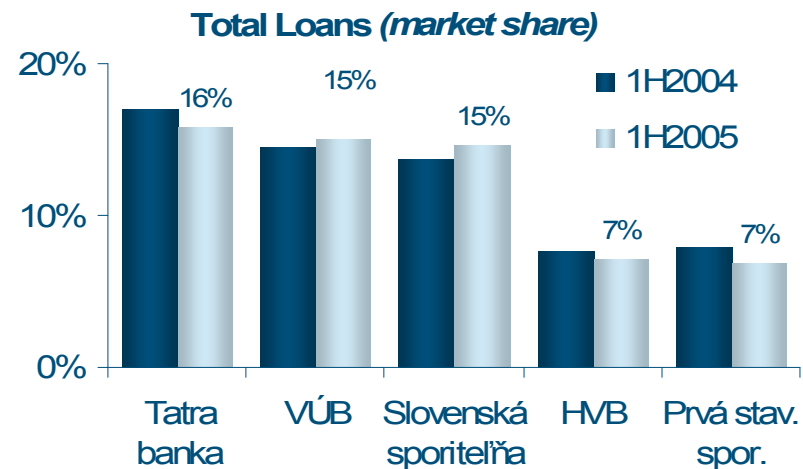
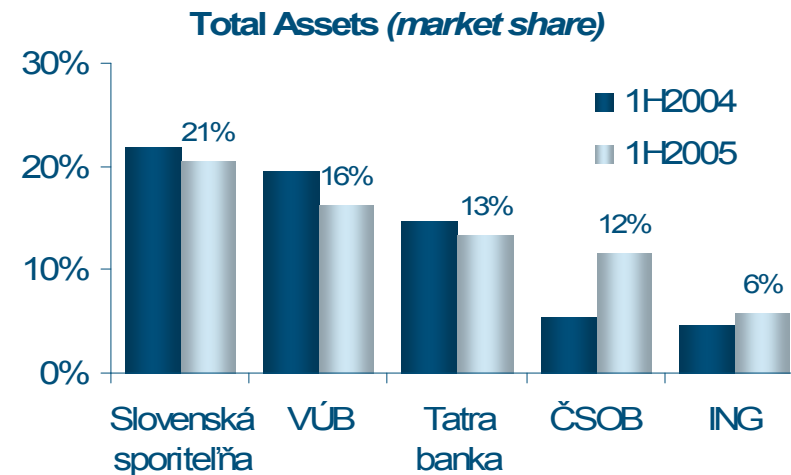
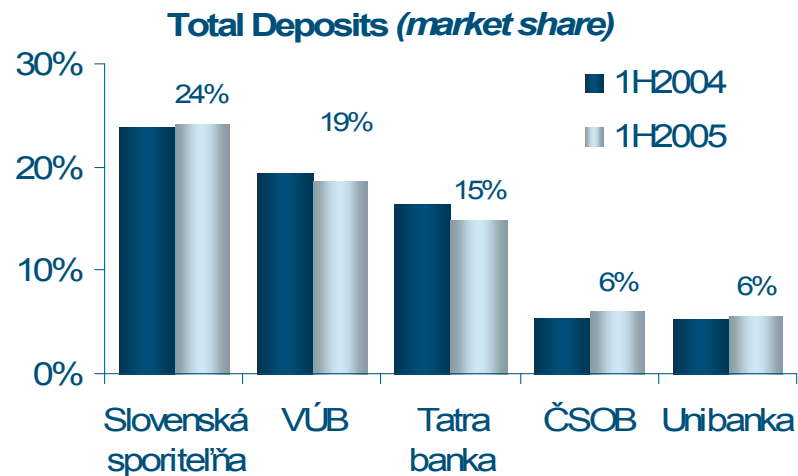
» **Card business is on upward trend following pricing policy of local banks**

<b>Slovak Market</b> <i>(EUR bn)</i>	YE03	YE04	$\Delta$ <b>04/03</b>	HY05	$\Delta$ H1 <b>05/04</b>
<b>Total assets</b>	23.9	30.0	25.5%	34.7	15.7%
<b>Total loans (net)</b>	9.6	11.4	18.8%	12.5	9.6%
<b>Total deposits</b>	16.9	19.8	17.2%	21.3	7.6%

SKK/EUR 38.37

## > Competitive environment

- » **VÚB** – good position among corporate clients and in loan business
- » **Tatra Banka** - focused especially on higher net worth clients and SMEs with a strong position in Bratislava region
- » **ČSOB** – traditionally focused on corporate clients, trying aggressively to gain market share in retail segment



## > Market position

### Maintaining the position of market leader

	Market share	Movement YTD	Position
Total assets	21%	↑	1
Loans to clients	15%	↑	3
Client deposits	24%	↑	1
Retail loans	25%	↑	1
Retail deposits	34%	↓	1
Corporate loans	11%	↑	n.a.
Corporate deposits	13%	↓	n.a.
Asset Management	28%	→	1

- » Market leader in Asset Management despite being a late starter
- » Fastest growing life insurance company in the market (the highest new production)
- » Despite relatively weaker position in the corporate market, Slovenská sporiteľňa succeeded in providing factoring services and leads this market as well

## > **Market position**

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**2. Loan growth potential**

3. Slovenská sporiteľňa - key areas of focus

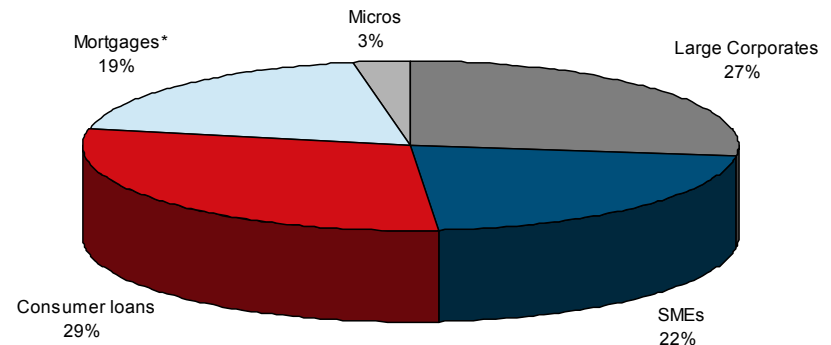
4. Outlook

## > Loan portfolio structure

### Strong loan growth driven by retail segment

SKK bn	H1 2004	H1 2005	YTY Growth
<b>Corporate loans</b>	<b>35.2</b>	<b>35.6</b>	<b>1%</b>
<i>Large Corporates</i>	25.7	20.3	-21%
<i>SMEs</i>	9.5	15.3	62%
<b>Retail loans</b>	<b>23.2</b>	<b>36.2</b>	<b>56%</b>
<i>Consumer loans</i>	14.7	20.6	40%
<i>Mortgages*</i>	7.2	13.6	88%
<i>Micros</i>	1.2	2.0	67%
<b>Total Customer Loans</b>	<b>58.3</b>	<b>71.8</b>	<b>23%</b>

Loan Portfolio Structure (H1 2005)



\* including LoanPLUS

- » Retail loans went up by 56% driven by LoanPLUS, which offers more beneficial features than a typical mortgage loan
- » In corporate business, the largest volumes were granted to SME and Real Estate Financing segments
- » OUTLOOK: 2006-2008 CAGR of 25% and 20% for retail and corporate segments, respectively

## > Loan portfolio structure (cont.)

**Average lending margin increased due to changing asset mix in 2005**

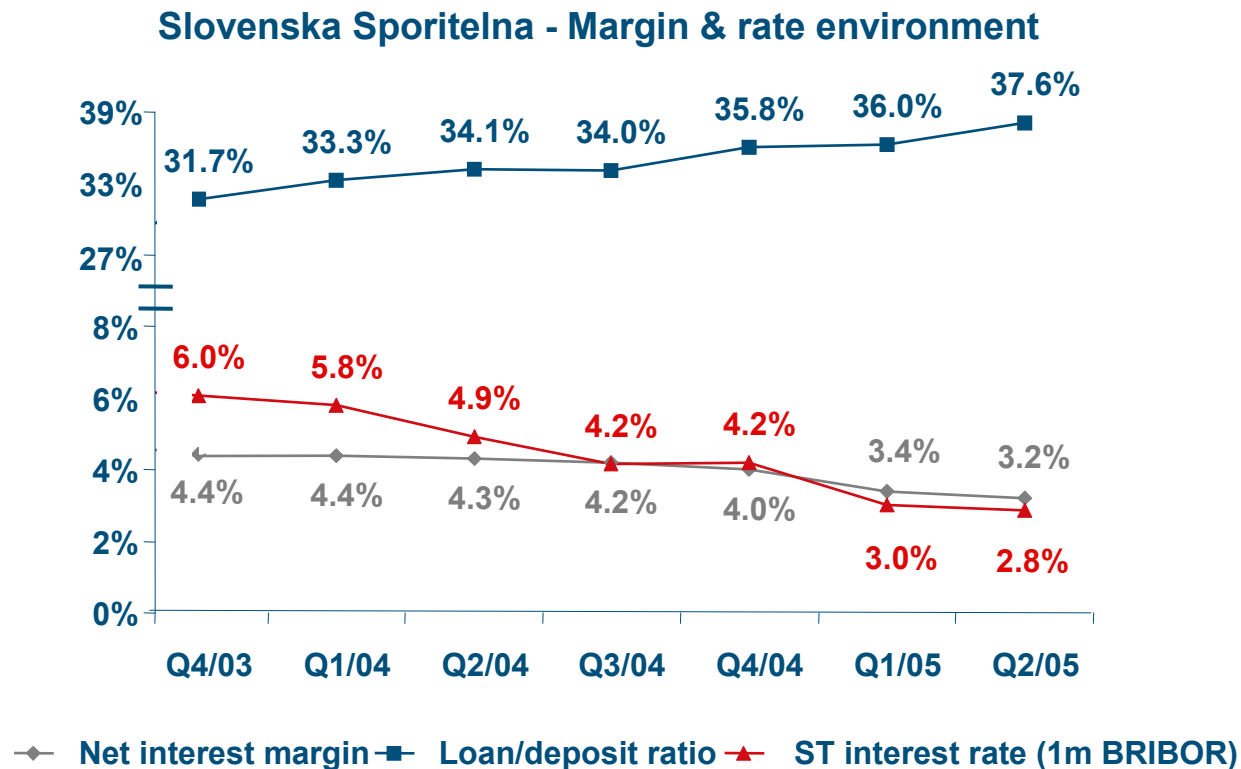
Lending margin	2004	2005e
Retail	3.7%	4.3%
Mortgages*	2.1%	2.9%
Corporate	1.3%	1.2%
<b>Total</b>	<b>2.4%</b>	<b>2.7%</b>

\* including LoanPLUS



## > Net interest margin

**Net interest margin has suffered from reduction of key interest rate**



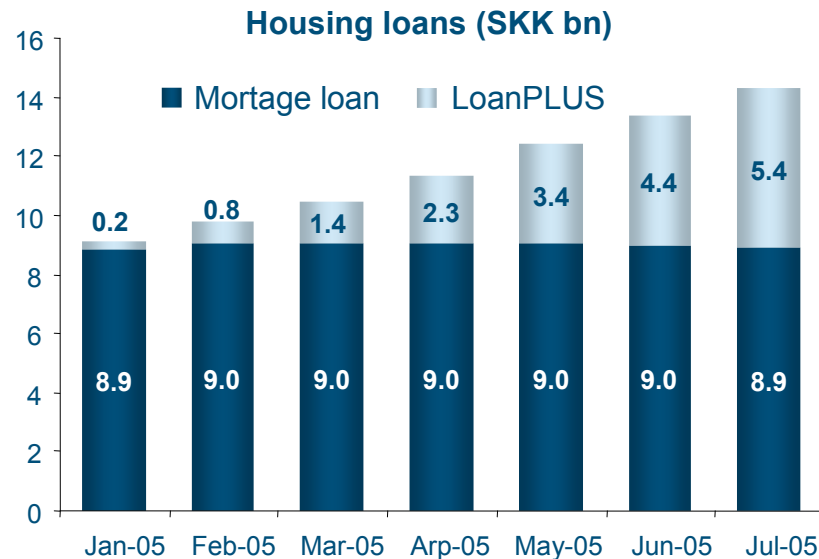
- » Rising loan/deposit ratio has helped to soften the negative impact
- » Even higher average loan margin and surging loan volume do not fully offset the negative effect of rate cuts

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## > Strategy in retail business

### Extensive branch network is a competitive advantage

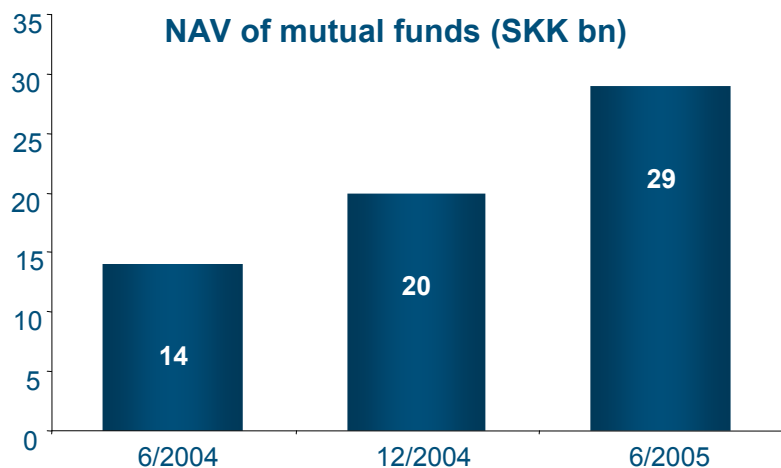


#### » Effective branch rationalisation

- » 304 branches by the end of H1 2005
- » Branch network expanded in large cities with about 50,000 inhabitants
- » 90% of clients and assets from closed branches retained

#### » Housing loans (LoanPLUS) will remain the main engine of loan growth

- » In August 2005, SLSP launched the new “speedy” credit - *MINI-loan*



#### » Focus on providing more sophisticated investment products through the branch network

- » In addition to mutual funds and life insurance

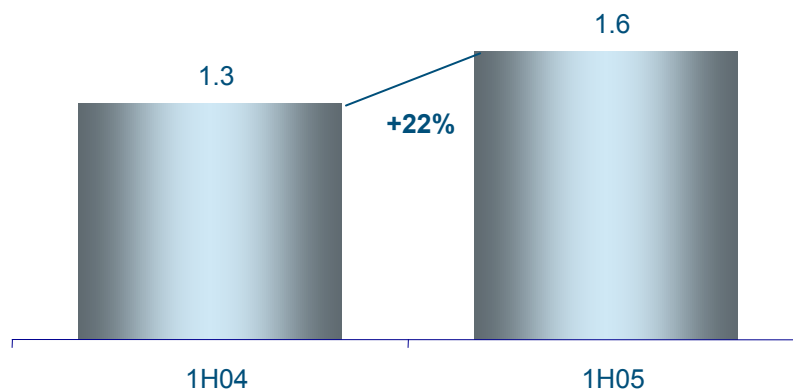
#### » Highly motivated staff

- » New remuneration system to encourage improved sales performance

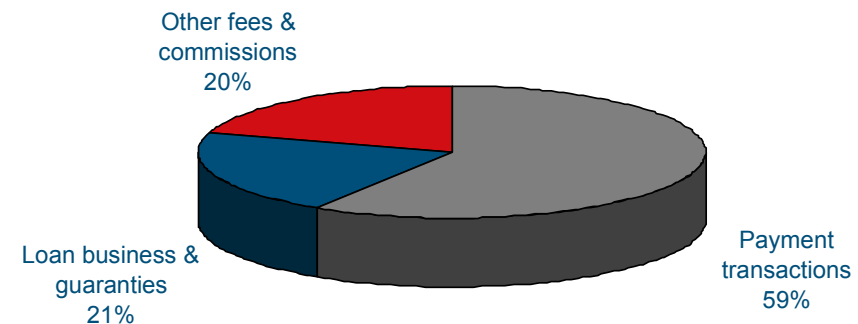
## > Income from fees and commissions

### Fee income becomes important source of revenues

Income from fees and commissions (SKK bn)



Fee Income Structure (H1 2005)



- » Net Fee and Commission Income growth accelerated to 22% y/y
- » Fee and Commission Income represents 28% of total income
- » Rising Importance of subsidiary product cross-selling (asset management, life insurance, leasing, etc.) as another source of fee income

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## > Challenges in 2006

### Net profit growth in 2006 impacted by yield curve and maturing bond portfolio

- » **SKK 10 bn high yielding restructuring bonds mature in Jan 2006**
  - » One-off negative impact is SKK 360 m
- » **Continuing strong loan growth will further improve loan-to-deposit ratio**
  - » Asset mix helps improve lending margins
- » **2007 will see a return to sustainable strong net profit growth**

## > Outlook 2005 - 2006

	2005	2006
» Net Profit after Taxes:	above 10% growth	flat
» ROE:	about 20%	18-20%
» Cost/Income ratio:	< 57%	< 57%

- » Growth of expenses below inflation in 2005 and 2006
- » Growth story continues, especially in retail lending