

## > **Slovenská sporiteľňa – Reaching the top in lending**

> 4<sup>th</sup> Capital Markets Day

> Bucharest, 9 October 2006

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## Good operating environment

- » Continued economic outperformance
- » Economic policy – a mixed bag
- » Banking market grows at brisk pace

## Outgrowing the market

- » Key trends – beneficial shift in asset mix
- » Growth drivers – customer loans
- » Competitive position improved

## Outlook – set for growth

\*) All financial and market data are shown in EUR. Local currency data have been translated at the respective historic rates; the Q3/06 eop rate was applied to forecasts. Growth rates and ratios are based on local currency data.

# > Economic outperformance continues

## Among EU growth leaders

- » Export-led growth driven by car industry
- » Domestic demand slows slightly
- » Maintenance of 6%+ growth expected

## Households are major beneficiaries

- » Solid disposable income growth
- » Real wage growth of 6% in 2005
- » Estimated real wage growth of 3.5% in 2006

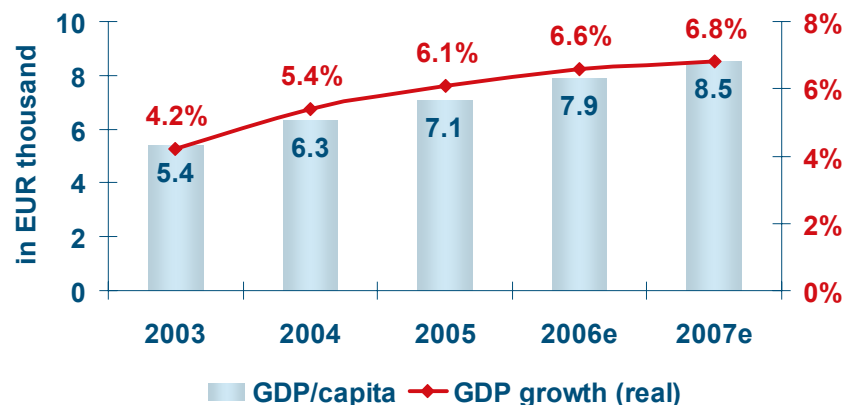
## Unemployment on downward track

- » Hitting 8-year low in 2006
- » Healthy domestic job creation

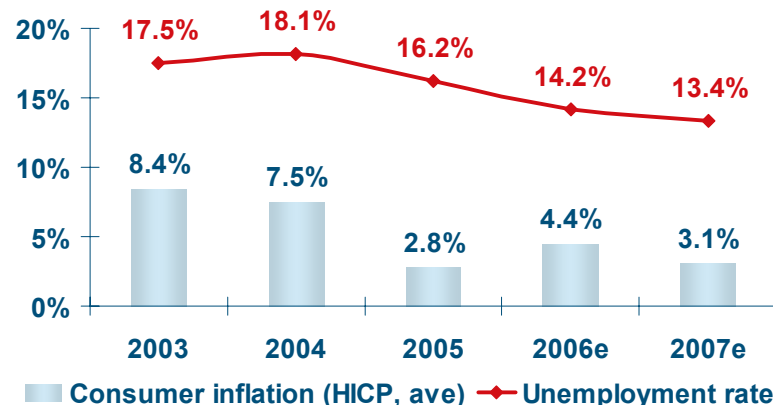
## Increased inflationary pressures

- » Inflation rose since end of 2005
- » Fuelled by rising fuel and energy prices
- » Central bank has tightened monetary policy

GDP growth continues to accelerate



Unemployment finally declines



Source for charts: Eurostat, Slovenská spořitelňa

# > Economic policy – a mixed bag

## Change in government in June 2006

- » More restrictive privatisation policy
- » More expansionary fiscal approach
- » Continued review of tax policy
- » Amendment to Banking Act approved (Basel II, subsidised youth mortgages)

## Still on course for 2009 Euro entry

- » New government reiterated commitment
- » SLSP assessment: feasible, but some inflation (energy prices) and fiscal risks

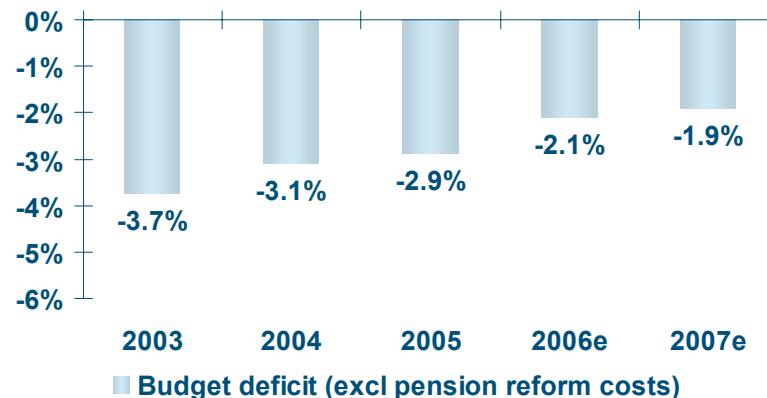
## Gradual currency appreciation

- » Should help alleviate inflationary pressure
- » SLSP estimate for end-06: SKK/EUR = 37.0
- » SLSP estimate for end-07: SKK/EUR = 36.4

## Rising interest rate trend

- » 175bps rise to 475bps since start of 2006
- » SLSP expectation for start of 2007: 500bps
- » Reason: rise in inflation

Public finances are under control



SKK/EUR - consistent appreciation



Source for charts: Slovenská sporiteľňa, Reuters

# > Banking market grows at a brisk pace

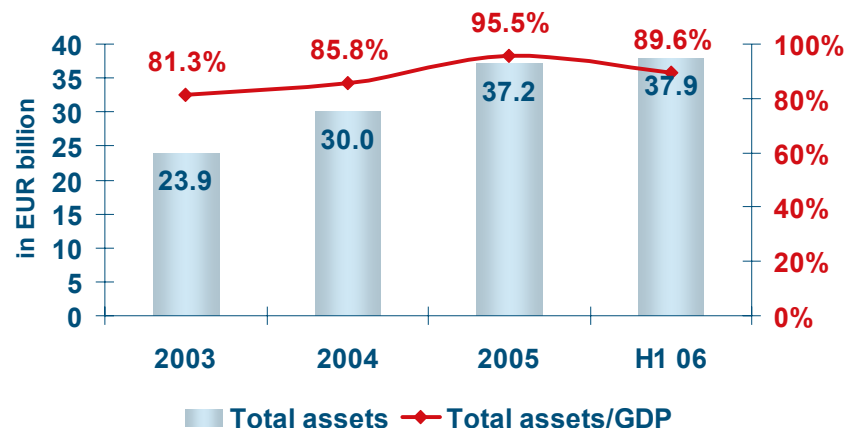
## Loan growth drives market growth

- » Retail loans recorded 40% annual growth in last two years, but penetrations ratios are still below CEE peers
- » Corporate loans also turn for growth

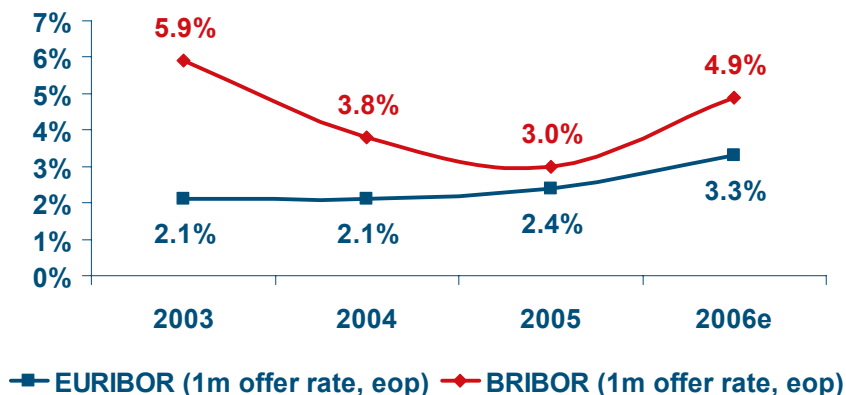
## Rate hikes might dampen demand

- » So far no signs of slowdown
- » Mortgage subsidies might act as cushion
- » Opportunities on liability side

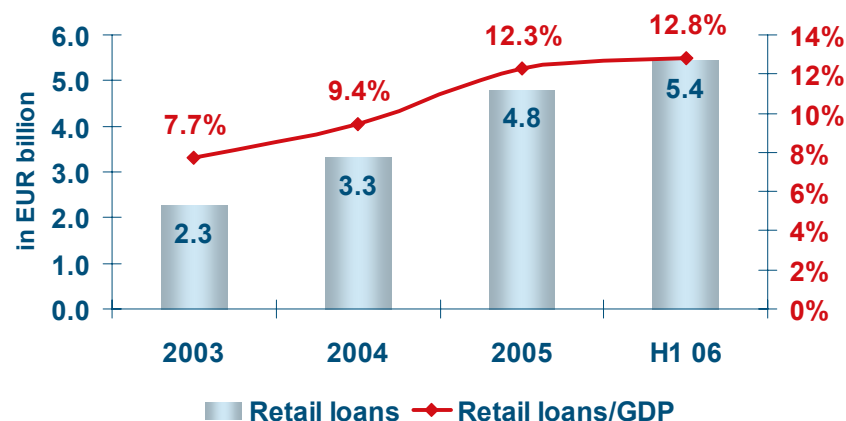
Asset base of the banking market



BRIBOR vs EURIBOR



Retail loans drive growth



Source for charts: Slovak National Bank, European Central Bank

# > Agenda

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- » **Key trends – beneficial shift in asset mix**
- » **Growth drivers – customer loans**
- » **Competitive position improved**

## Outlook – set for growth

# > Shift in asset mix paves the way for growth

## Customer loans most significant

- » Weight of customer loans reaches 39.4% in H1 06 (H1 05: 26.8%) of balance sheet
- » Loan/deposit ratio rose 20%-points over same year to 58%

## Very positive changes in NII

- » Strong growth in income from lending
- » Decline in income from fixed-rate bonds
- » Results in above-plan NII growth

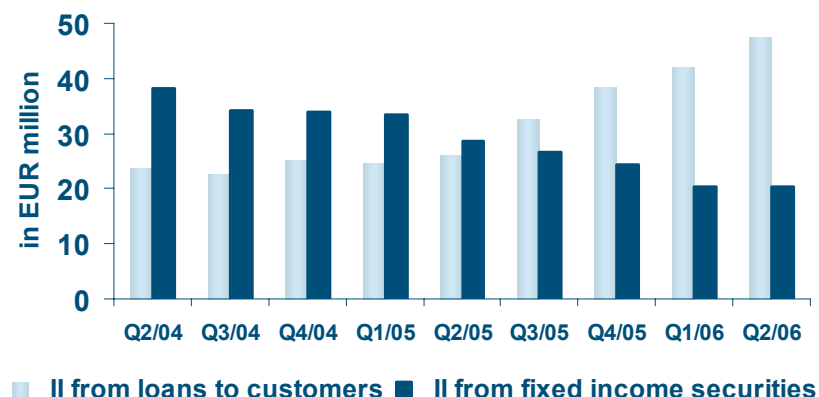
## Margin recovery over the past year

- » Thanks to strong retail loan growth
- » Also supported by rising interest rates

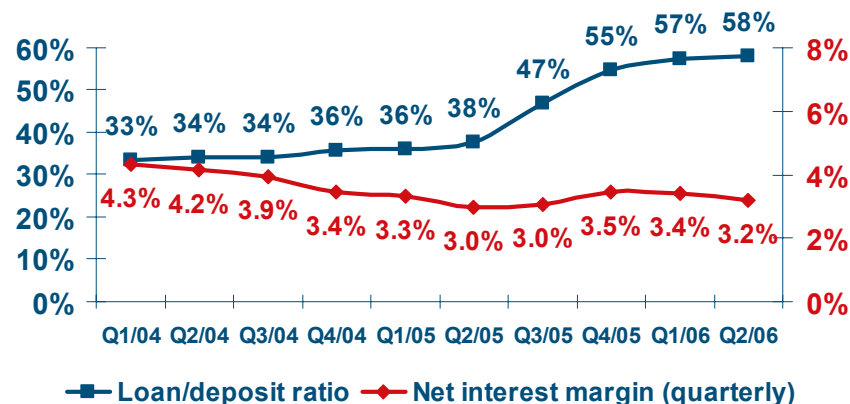
## Accounting changes affect fees

- » Amortisation of loan fees into NII as of January, denting fee income
- » Changes in overdraft pricing

### Vastly improved interest income structure..



### ...leads to margin stabilisation



Source for charts: Slovenská spořitelňa



# > Growth driver – retail and SME loan products

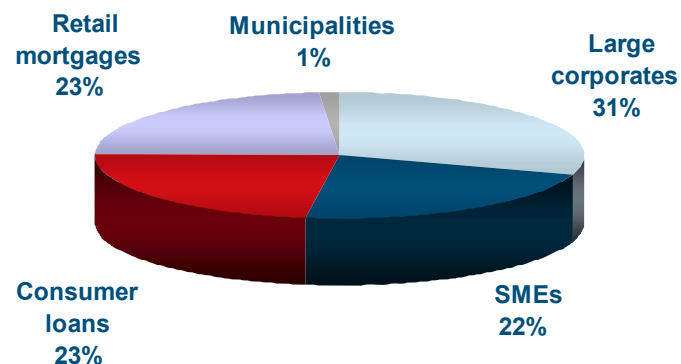
## Double-digit growth in loans

- » SLSP becomes market leader in both total customer and retail loans in 2005
- » Equally fast progress in SME loans
- » Solid double-digit growth rates also expected for 2006 and 2007

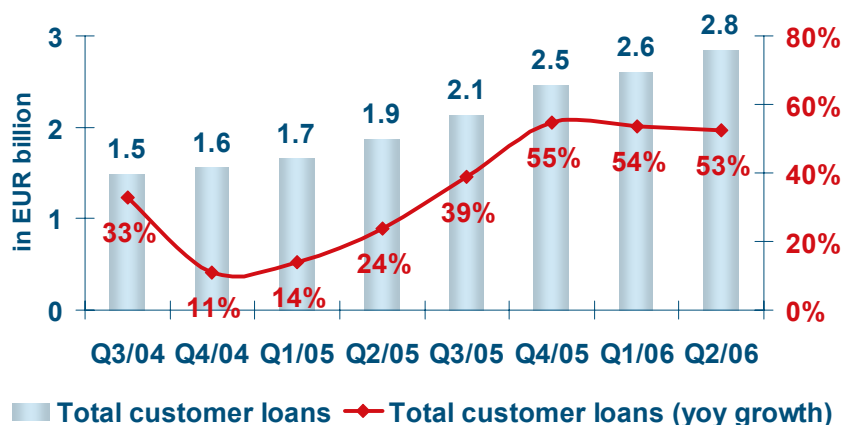
## NPL ratio remains under control

- » Stands at 3.8% (H1 06)

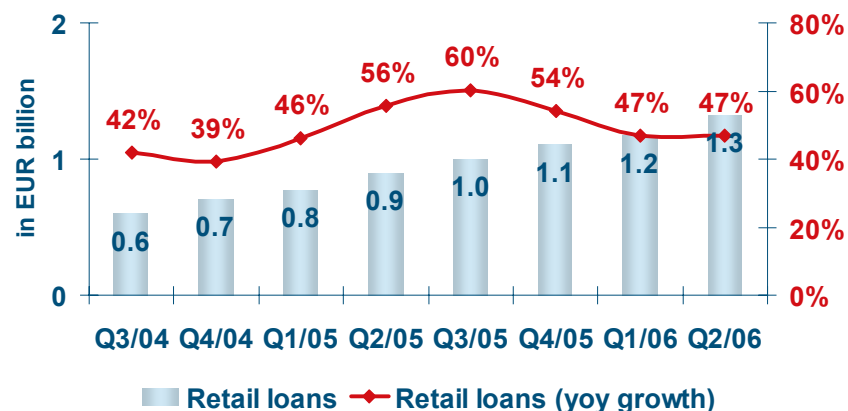
Credit portfolio structure (H1 06)



Customer loan growth



Retail loan growth



Source for charts: Slovenská spořitelňa

## > Additional driver – Euro transformation

**Key pillar of future success**

**Become the “Euro Bank” in Slovakia**

**Being the main source of advice during the transformation process for clients & non-clients**

**Implementation  
of EBG target  
solution for IT-  
SYMBOLS**

**Process  
optimisation on  
all levels**

**Intensive  
communication  
& marketing  
policy towards  
Euro  
implementation**

**Smooth Euro  
transition in all  
areas**

**Main aim: Euro compatibility by 2009**

# > Competitive position improved

## No. 1 in all key areas

- » Total assets
- » Total & retail deposits
- » Total & retail loans – leadership position attained in late 2005
- » Young people, opening first account

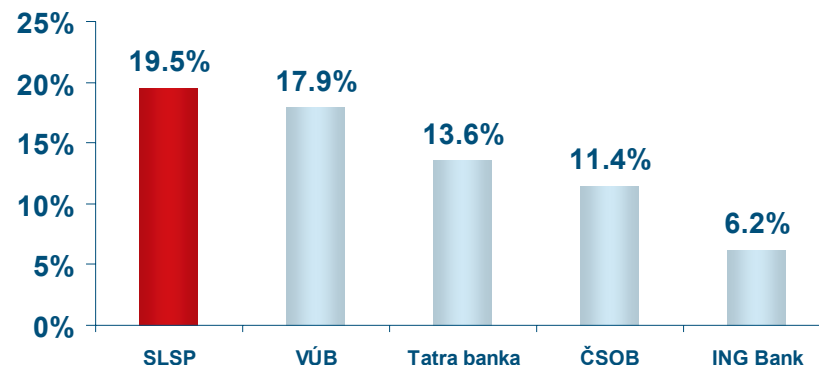
## Successful product portfolio

- » Structured investment products
- » In the wake of recent interest rate hikes, promotion of competitive deposit products
- » SME and retail loans

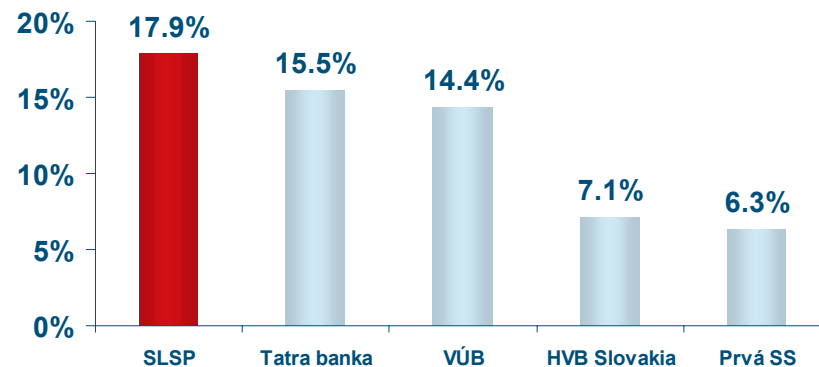
## Market structure unchanged

- » Healthy, competitive environment
- » 18 banks, 15 of which are foreign owned

Top 5 by assets (H1 06)



Top 5 by total loans (H1 06)



Source for charts: Slovak National Bank, local banks

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## Economy on solid growth track

- » GDP growth in 5-7% medium-term range
- » Led by exports; growth of household consumption set to remain at 4-5%
- » Fall in inflation expected on the back of surging currency and lower hikes of regulated prices

## Favourable interest rate outlook

- » Rates remaining above Euro rates next year
- » Baseline scenario: Euro adopted from January 2009 (assessment of Maastricht criteria in Q2/2008)

## Profitability will remain high

- » Supported by continued strong loan growth
- » Loan/deposit ratio to rise to about 70% by end of 2007 from expected year-end 2006 range of 63-65%
- » Boosted by general business growth and change in asset-mix

	06 outlook*	07 target*
Net profit growth	4%	> 15%
Return on equity	> 20%	> 20%
Cost/income ratio	< 56%	< 54%

\*) Please note: all targets relate to local, consolidated results.