

- > Erste Bank Croatia –
Narrowing the gap on the market leaders
 - > 4th Capital Markets Day
 - > Bucharest, 9 October 2006
 - > Sladjana Jagar, Member of the Board, Erste Bank Croatia

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Mixed operating environment

- » **Positive economic scenario**
- » **Restrictive monetary policy**
- » **Moderating credit growth**

Growing ahead of the market

- » **Key trends – margin stabilisation and cost control**
- » **Growth drivers – loan and deposit growth**
- » **Competitive position improved**

Outlook – gradual rise in profit 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.

> Economy follows a consistent growth path

Investment-led GDP growth

- » Strong growth impulse from upswing in private investment (+18.1% yoy in Q1/06)
- » Consumption and government investment less important than in previous years
- » Healthy growth outlook – 4.5% real growth looks sustainable

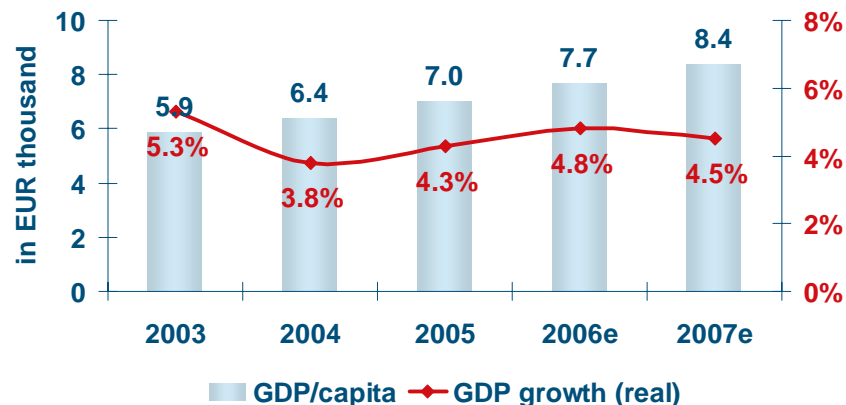
Stable inflationary environment

- » Energy prices are main inflation driver
- » Central bank not likely to introduce any additional anti-inflationary measures

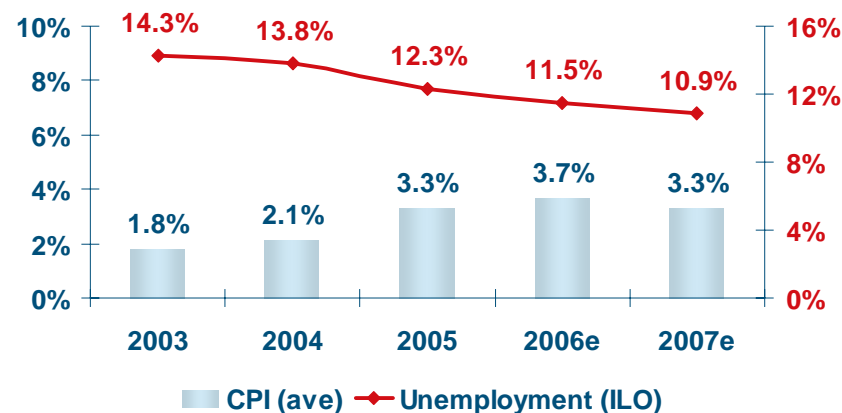
Other parameters positive

- » Unemployment following downward trend
- » FX rate to remain stable, possibly slight appreciation over the long term

Stable economic growth



Inflation manageable - unemployment down



Source for charts: Eurostat, Croatian National Bank, EB Croatia

> Restrictive monetary policy – fiscal consolidation

Restrictive monetary stance

- » Current monetary policy confirmed by re-election of incumbent CNB Governor
- » Main policy aim: keeping foreign indebtedness at sustainable levels
- » Lending restrictions will remain in place
 - » 17% regular obligatory reserve
 - » 55% additional marginal reserve

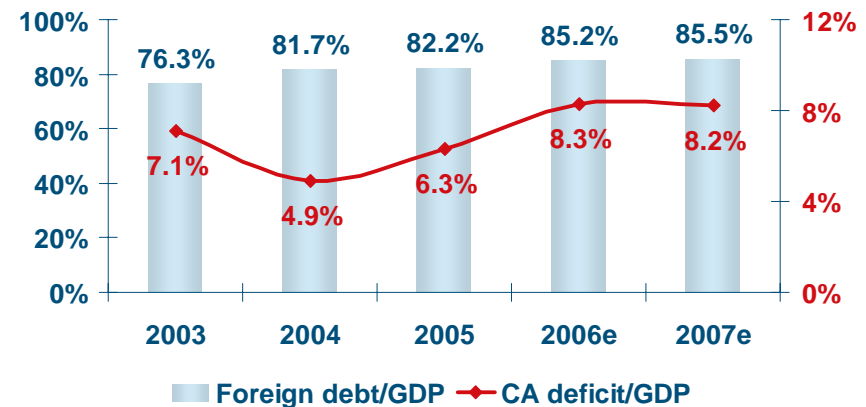
Strong FDI inflows

- » Alleviating pressures on foreign debt
- » Current account deficit to widen slightly in 2006, in line with current growth momentum
- » Good coverage of CA deficit (87%)

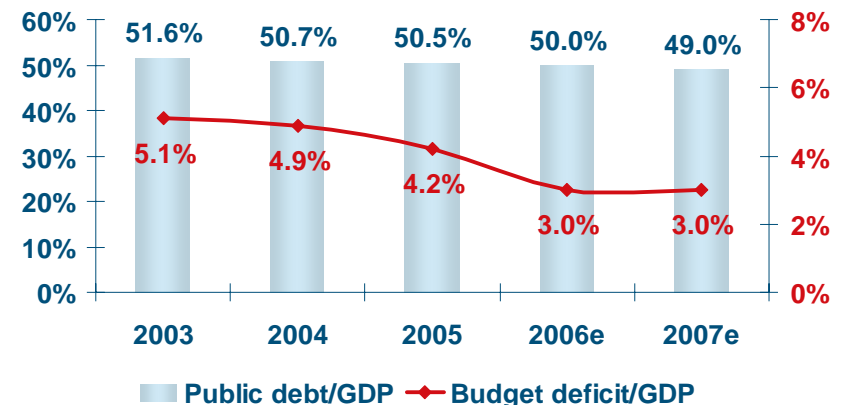
Fiscal consolidation is under way

- » Fiscal consolidation aligns budget deficit with Maastricht criteria
- » Caveat: general elections in 2007 may lead to temporary relaxation of fiscal policy
- » Structural reforms likely to be postponed to post-election period

Stabilising foreign debt level



Fiscal consolidation under way



Source for charts: Eurostat, Croatian National Bank, Ministry of Finance, EB Croatia.

> Banking market growth expected to level off

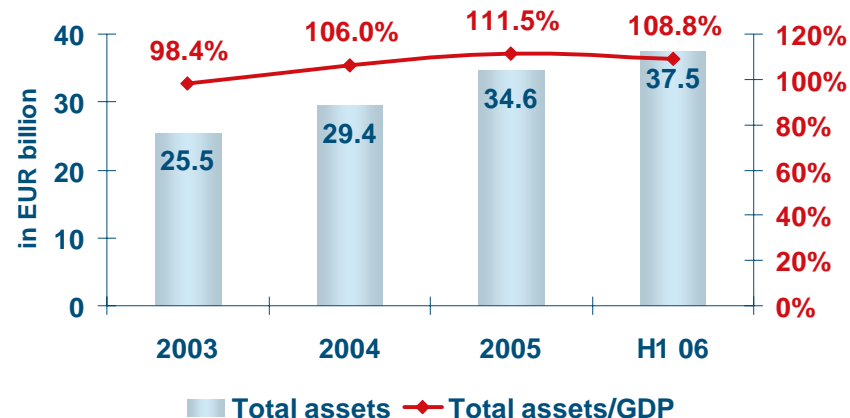
Loan growth despite restrictions

- » CNB determined to moderate credit growth to more sustainable levels (10-12% pa)
- » Expectations for 2006: 15-20%

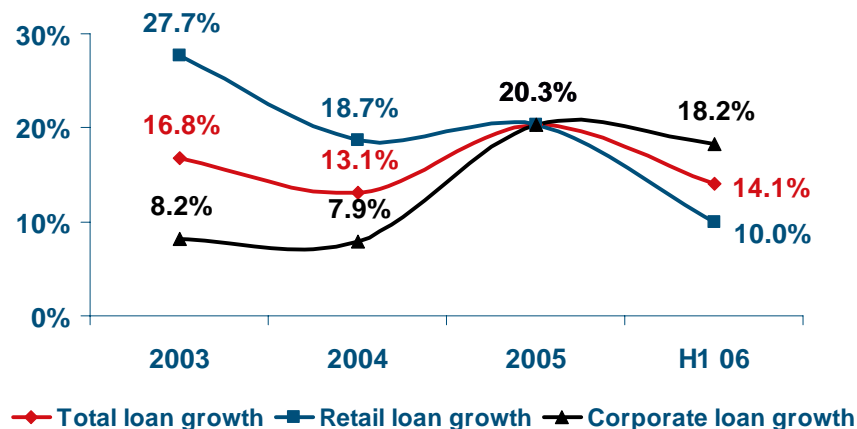
Positive shifts in credit structure

- » Cooling of retail loan growth
 - » Mortgages are fastest growing segment
 - » Flat consumer loan demand
- » Corporate loans are growth driver

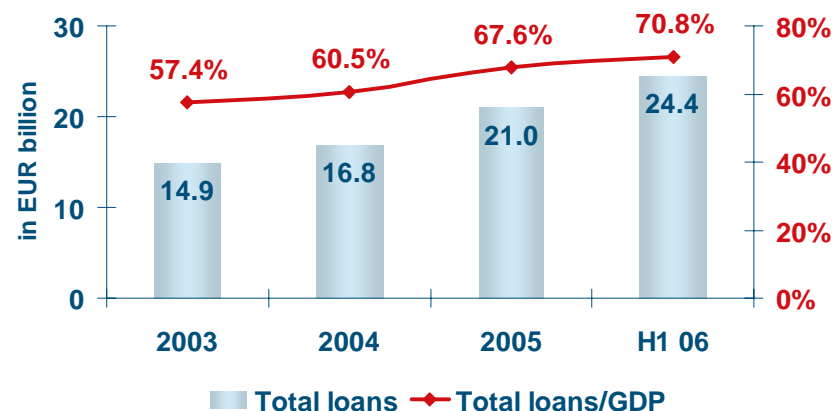
Asset base rises steadily



Credit growth still going strong



Loans drive asset-side growth



Source for charts: National Bank of Croatia, Eurostat

> Agenda

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> Key trends – margin stabilisation and cost control

Forward-looking strategy

- » Consider current restrictive environment as an opportunity
- » Expansion of business and market position in a controlled fashion
- » Strong underlying customer business growth, while margin declined

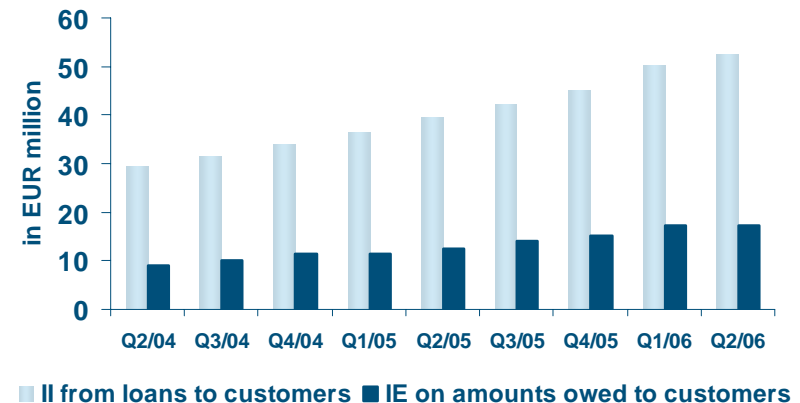
Margin stabilisation expected

- » Constant growth pressure on non-interest-bearing assets due to reserve requirements
- » Improved mix in interest-bearing assets will lead to stabilisation
- » Medium-term expectation: 300 – 350 bps

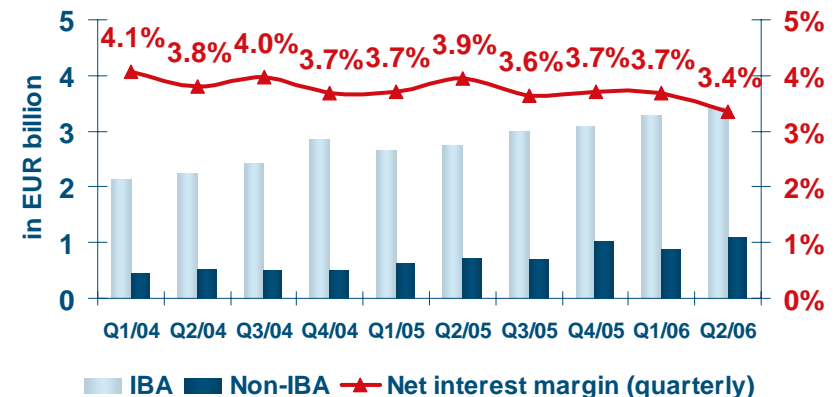
Cost control and efficiency focus

- » Mainly through branch network optimisation
- » Promote usage of alternative channels, mainly internet and mobile banking
 - » Technology leadership in mobile banking

Strong underlying customer business



Margin to be supported by better asset mix



Source for charts: Erste Bank Croatia

> Growth drivers – loans and deposits

Above-market growth in all segments

- » Mortgage loans grew 54% yoy (H1 06)
- » Deposits grew more than two times faster than the market yoy (H1)

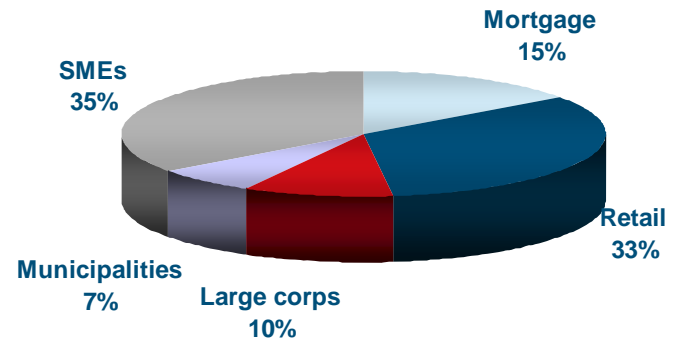
Clear domestic funding focus

- » Keep non-resident liabilities stable

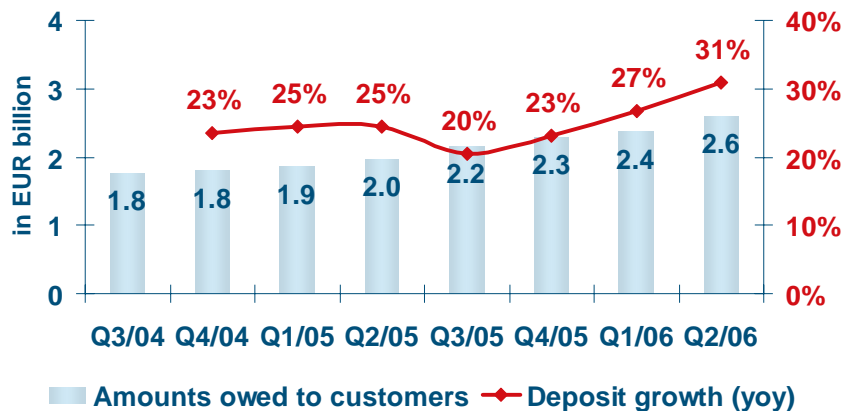
Additional positive P&L impact

- » From lower non-interest bearing marginal reserves

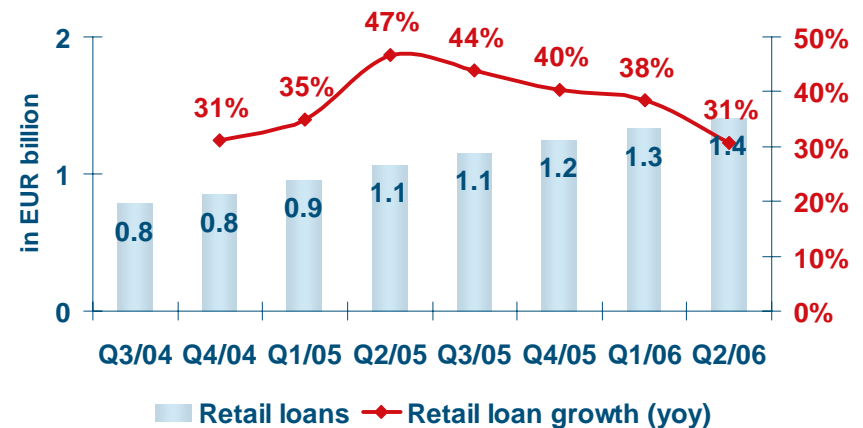
Credit portfolio structure (H1 06)



Deposit growth



Retail loan growth



Source for charts: Erste Bank Croatia

> EB Croatia is among the top banks

EB Croatia holds firm third place

- » EB Croatia is the leading bank behind the 2 major incumbent banks (ZABA, PBZ)
- » Market share gains in all key areas
 - » Retail and corporate loans
 - » Retail and corporate deposits
- » No. 2 in investment funds
- » Voted best bank of the country in 2005

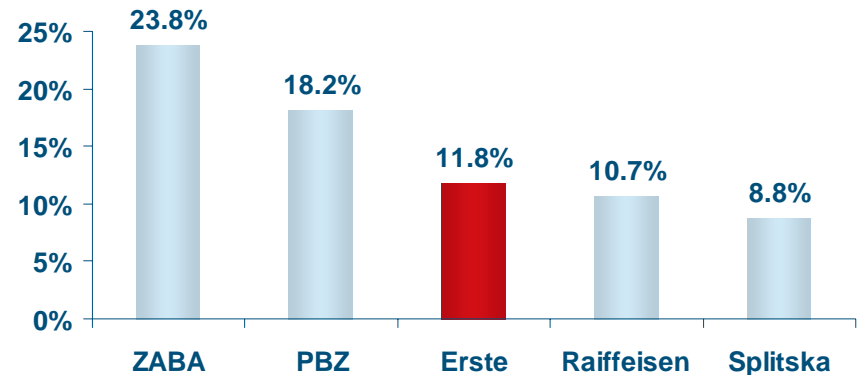
Branch network expansion supports market position improvement

- » Mainly conversion of smaller branches into larger and better located premises
- » Selective opening of new branches

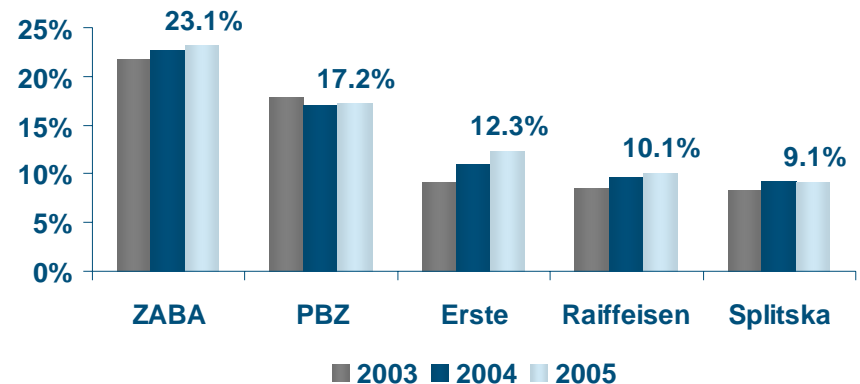
Market structure unchanged

- » Developed, competitive environment
- » Over 90% of Croatian banking sector assets are foreign owned
- » Recent developments: Société Générale acquired HVB Splitska Banka

Top 5 by total assets (H1 06)



Fast market share gains in loans



Source for charts: Erste Bank Croatia, local banks

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Sound economic backdrop

- » Stable GDP growth
- » Inflation well under control
- » Strong foreign investor interest
- » Tourism as an important growth engine

Continued solid profitability

- » Market share gains will yield benefits post abolishment of CNB measures
- » Return on equity development influenced by substantial capital increase
- » Cost control to remain top of the agenda
- » Loan/deposit ratio will remain at historic levels: 110-120%

	06 outlook*	07 target*
Net profit growth	~ 12%	~ 15%
Return on equity	~ 17%	~ 15%
Cost/income ratio	< 52%	< 51%

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