

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT, THE EUROPEAN COMMISSION AND ĽUDOVÁ BANKA

SUPPORTING SMALL AND MEDIUM-SIZED ENTERPRISES IN SLOVAKIA

€ 10 mill. loan for starting an under-financed sector

Slovak businesses can gain easier access to finances from the funds of the EBRD loan of _10 mill. via Ľudová banka, a.s. (LB). Besides the EBRD credit line the European Union is providing Ľudová banka almost €1.5 mill. in the form of financial stimuli and technical assistance connected with the credit line operation. These sums are a part of a credit line of the European Union and European Bank for Reconstruction and Development intended for financing small and medium-sized enterprise (the EU/EBRD SME Finance Facility). This is a joint programme of the European Commission and EBRD aimed at supporting the development and growth of businesses through facilitating access to finance, and which was launched in the framework of the Phare programme in 1999. EBRD allocated €700 mill. for the accession countries, where in total €637 mill. of this has been provided via local banks and leasing companies in the form of 26 974 loan and leasing contracts. Since introducing this programme in 1999 the European Commission has allocated €130 mill. for financing grants and technical assistance.

Ľudová banka will use the credit funds by means of the new product < EÚVER > for financing its clients from the small and medium-sized enterprise segment. Although the loans to small and medium sized-enterprises are limited to the maximum amount of _125 000, the bank expects the average amount of these loans to be around €50 000.

Noreen Doyle, the first vice-president of EBRD said "This loan is important for the small and medium-sized enterprise sector in Slovakia, since currently these businesses' financing is limited. It is important for owners of small enterprises to have access to capital, because small and medium-sized enterprises represent a driving force supporting economic development in every country. We hope that this project will draw the attention of other banks to the excellent opportunities offered by this growing sector."

"The business loan that Ľudová banka is providing in cooperation with EBRD will enable sole traders and

small and medium-sized enterprises to satisfy the financial requirements for the development aims of their business", said Ľudová banka's chairman and director, Ing. Jozef Kollár, PhD. on the occasion of launching the sale of loans in the framework of the project for supporting small and medium-sized enterprises.

"The loan from EBRD is another important tool available to Ľudová banka in supporting the development of small and medium-sized enterprises. This segment of business clientele is a priority field, which the bank will continue to focus on. We believe that to a large extent clients will take advantage of the opportunity provided by advantageous loans and that the funds gained will significantly help the development of their activity."

The credit line for financing small and medium-sized enterprises (SME Finance Facility) was created in 1999 in the framework of the Phare programme of the European Commission in cooperation with EBRD for supporting the growth and development of small and medium-sized enterprise by means of making accessible financing from loan, leasing and capital funds provided by local financial intermediaries in the candidate countries.

The total budget intended for this programme is approximately €1.5 billion annually. The aim of EBRD, which is owned by 60 states and two intergovernmental institutions, is to support the transition from centrally-managed economies to market economies in the countries of Central and Eastern Europe and the Confederation of Independent States.

Centre for Supporting European Integration Issues

The Centre for Supporting European Integration Issues, which is open at Ľudová banka's head office, helps clients – sole traders and small and medium-sized enterprises and from the municipal sector search for project solutions in connection with Slovakia's accession to the European Union.

The integration process is bringing new opportunities for the bank's clients. The European Commission approved for Slovakia for the period 2004 – 2006 the opti-



on to draw EU funds up to the amount of €1.56 billion (SKK 62.4 billion), of which €1.05 billion for projects in the framework of the Structural Funds and €0.509 billion from the Cohesion Fund (source euro info).

Ľudová banka understands that the topic of European funds and European aid can at the same time be complicated in particular for sole traders, small and medium-sized enterprises, towns and municipalities. Therefore it is offering a solution via the Centre for Supporting European Integration Issues. Its main task is to assist clients and inform them on matters enabling them to benefit to the maximum possible degree from European Union aid to Slovakia. They can use also the advantage of Ľudová banka as a financial institution, belonging to a European-wide banking group and which has access to experience from various countries involved in the European integration process. Affiliation to the Volksbanken banking group and its membership of the CIBP international association of banks provides it with know-how and information, which it uses to the benefit of its clients.

The Centre for Supporting European Integration Issues provides the following services:

It provides information on:

- current topics relating to Slovakia's integration to the European Union,
- forms of aid from the European Union,
- how to re-finance projects with the aid of Structural Funds and the Cohesion Fund of the European Union and Ľudová banka products,
- intermediates advice and assistance of consulting firms in preparing a project and the application for a European grant under advantageous conditions for the client,
- arranges a visit of a bank loan adviser with the aim of proposing the optimal form of co-financing, and not simply for an individual project, but also for a firm as such.

Besides this, it plans, with the participation of external specialists to regularly organise seminars and professional forums for clients on a current topic relating to European affairs.

The Centre for Supporting European Integration Issues provides qualified consultancy, where clients may turn directly to specific Ľudová banka specialists.

Financial results for 2003

As at 31. 12. 2003 Ľudová banka, a.s. according to preliminary data had achieved a pre-tax profit of SKK 316 million, which against the same period of the previous year represents a 15% increase.

Ľudová banka thus achieved one of the best operating results in its history and again won a series of

awards and positive ratings. The bank's balance sheet at 31.12.2003 according to new methodology stood at SKK 27.2 billion.

Client deposits exceed SKK 22.2 billion, where primarily client deposits in Slovak koruna grew significantly. This growth represented more than 10%.

The bank provided loans to clients in the amount of SKK 14.1 billion (net), representing a year-on-year increase of more than 7%. The year-on-year growth in loans, on the basis of average balances, was as much as 25%. Both small and medium-sized enterprises contributed to this growth, as well as personal loans (mainly mortgage and consumer loans). Ľudová banka is, in terms of the business volume per employee, the market leader in the retail bank group.

In the framework of client segmentation Ľudová banka at the end of 2003 completed the project of building regional competence centres in the towns Bratislava, Nitra, Trnava, Banská Bystrica and Košice, the aim of which was to improve the system of differentiated care of corporate and retail clientele. Through their construction the bank strengthened the regional nature of its distribution network and improved the efficiency of the process side of providing services to clients.

Over 2003 the bank continued expanding its branch network, opening five new outlets (Liptovský Mikuláš, Malacky, Košice, Bratislava – Panónska, Einsteinova – the third drive-thru bank in Bratislava) and reaching a total number of 39 outlets. In January this year it acquired a further outlet, in Levice.

The interest in mortgage financing grew rapidly over the past year with regard to the low mortgage interest rates and the possibility of fixing a state contribution for the whole repayment period of the loan. Great interest from clients in 2003 was recorded regarding mortgage loans for unspecified property and mortgage loans for young people up to the age of 36.

As at 31.12.2003 Ľudová banka had provided mortgage loans to 905 clients in the amount of SKK 858 million.

In September 2003 Ľudová banka was the first in Slovakia to open, in Bratislava, a mortgage centre – a specialised workplace focused on consultancy and the sale of mortgage financing products.

In July 2003 Ľudová banka was the third bank in Slovakia to expand its portfolio of payment cards by a new product intended also for new clients who as yet have not had an account at LB – the credit cards MasterCard Standard and Business.

(Source: Ľudová banka, a. s.)