ERSTE GROUP

5th Capital Markets Day

21 September 2007, Bratislava

Slovakia is going places

Regina Ovesny-Straka, CEO, Slovenská sporiteľňa

Disclaimer
Cautionary note regarding forward-looking statements

ERSTE GROUP

- THE INFORMATION CONTAINED IN THIS DOCUMENT HAS NOT BEEN INDEPENDENTLY VERIFIED AND NO REPRESENTATION OR WARRANTY EXPRESSED OR IMPLIED IS MADE AS TO, AND NO RELIANCE SHOULD BE PLACED ON, THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF THIS INFORMATION OR OPINIONS CONTAINED HEREIN.
- CERTAIN STATEMENTS CONTAINED IN THIS DOCUMENT MAY BE STATEMENTS OF FUTURE EXPECTATIONS AND OTHER FORWARD-LOOKING STATEMENTS THAT ARE BASED ON MANAGEMENT’S CURRENT VIEWS AND ASSUMPTIONS AND INVOLVE KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS, PERFORMANCE OR EVENTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED IN SUCH STATEMENTS.
- NONE OF ERSTE BANK OR ANY OF ITS AFFILIATES, ADVISORS OR REPRESENTATIVES SHALL HAVE ANY LIABILITY WHATSOEVER (IN NEGLIGENCE OR OTHERWISE) FOR ANY LOSS HOWSOEVER ARISING FROM ANY USE OF THIS DOCUMENT OR ITS CONTENT OR OTHERWISE ARISING IN CONNECTION WITH THIS DOCUMENT.
- THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO PURCHASE OR SUBSCRIBE FOR ANY SHARES AND NEITHER IT NOR ANY PART OF IT SHALL FORM THE BASIS OF OR BE RELIED UPON IN CONNECTION WITH ANY CONTRACT OR COMMITMENT WHATSOEVER.

Presentation topics

ERSTE GROUP

- **Slovakia uncovered**
  - Putting Slovakia on the map
  - Basic facts
  - Did you know?
  - Impressive economic catch-up process
  - Building blocks for success
- **Operating environment review**
  - Continued economic outperformance
  - Hands-off economic policy approach
  - Strong banking market
- **Business performance review**
  - Key financial statistics
  - Operating performance analysis
  - Growth drivers
  - Competitive position
- **Financial and business outlook**

All financial and market data are shown in EUR. Local currency data have been translated at the respective historic rates. Growth rates and ratios are based on local currency data. All macro data based on Erste Group Research.

Slovakia uncovered –
Putting Slovakia on the map

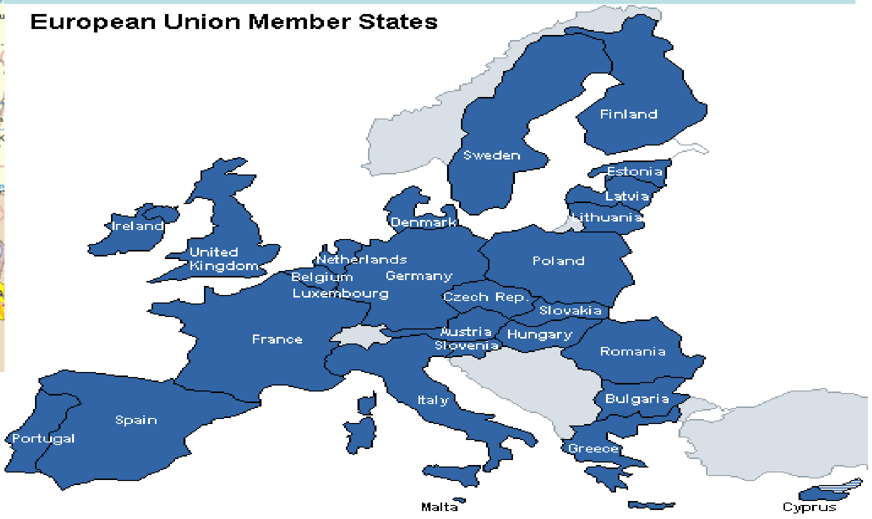
ERSTE GROUP

Map 1 – Slovakia as part of Austrian-Hungarian Empire

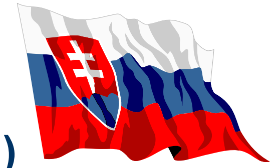
Map 2 – Slovakia as part of Czechoslovakia

Map 3 – Slovakia

Map 4 – Slovakia as part of the European Union



Slovakia uncovered –
Basic facts



- **Population** — **5.4m inhabitants**
  - 85% Slovaks, 10% Hungarians, 5% rest (mainly Roma)
- **Capital** — **Bratislava (pop. 0.5m)**
- **GDP per capita** — **EUR 8,100, 61% of EU25 average (PPS)**
- **Price level** — **58% of EU25 average**
- **Foreign currency rating** — **A (S&P, Fitch), A1 (Moody's)**
- **Cumulative FDI stock** — **29% of GDP**

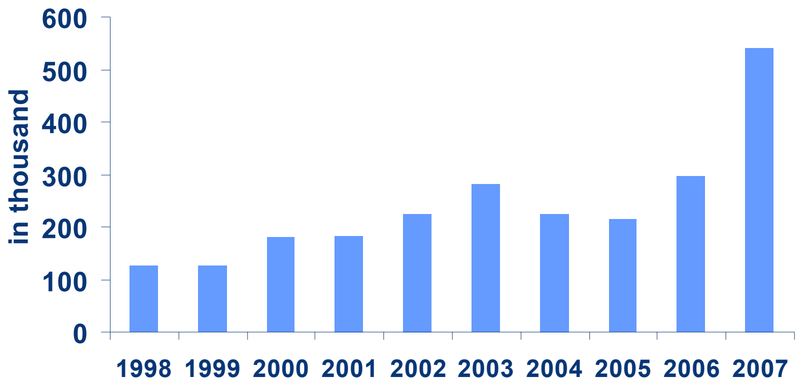
Top 10 companies by revenue
Volkswagen
Slovnaft (MOL)
US Steel
SPP Bratislava (EON, Ruhrgas, GDF)
Samsung Electronics
Slov. Elektrárne (Enel)
KIA
PSA Peugeot
Orange
Sony

Slovakia uncovered –
Did you know?

ERSTE GROUP

- **World #1 in car per capita production**
  - More than 292 000 cars in 2006
  - Forecast for 2010 is **780 000** cars per year (ie 14 cars per 100 inhabitants)
  - Major car manufacturers:
    - Volkswagen (Bratislava, 1991)
    - PSA Peugeot Citroën (Trnava, 2006)
    - Kia Motors (Žilina, 2006)

Car production in Slovakia

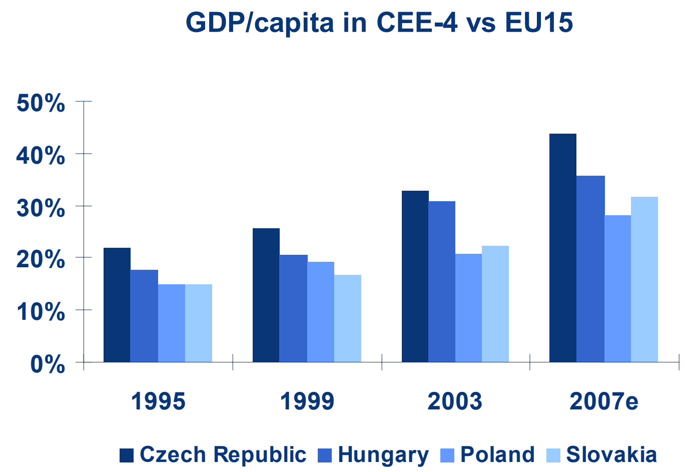


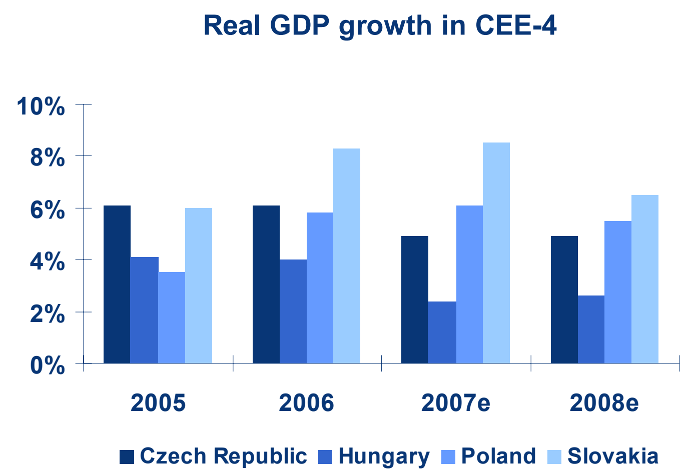
- **Distance of Bratislava from Vienna is only 60km**
  - Slovakian capital is located at the Austrian border
  - Bratislava Airport has potential to be competitor (or partner?) to Vienna Schwechat Airport

Slovakia uncovered –
Impressive catch-up process under way

ERSTE GROUP

- **Slovakia started behind its neighbours...**
  - After the split of Czechoslovakia, Slovakia started new era as 'poorer neighbour' of the Czech Republic
  - As earlier governments had bad relations with the West, Slovakia was left out of first wave of NATO enlargement and EU talks stalled
  - Economic reforms were delayed
- **Slovakia became EU frontrunner in terms of economic growth**
  - Slovakia fortunes rose following 1998 election
  - Government undertook reforms that attracted foreign capital, especially into the car industry
  - Slovakia is now one of the fastest growing EU economies, outperforming all regional peers for the third year running
  - It is set to become the fourth country behind Slovenia, Malta and Cyprus among the new EU entrants to adopt the euro in 2009

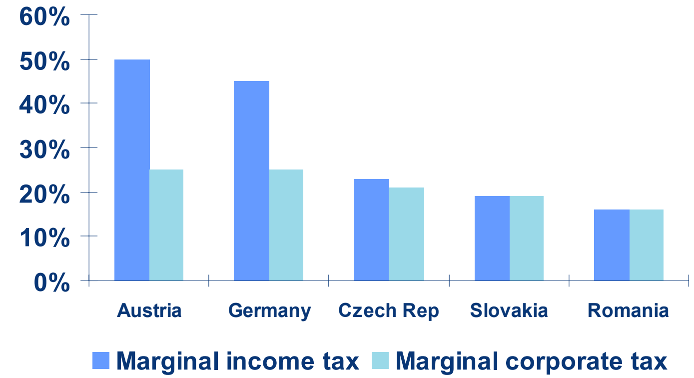




Slovakia uncovered – Building blocks for success

- **Favourable business environment**
  - World Bank's Doing Business 2007 report ranks Slovakia as top country in CE-4
  - 19% flat tax (corporate and personal income tax, VAT, no dividend tax)
  - Proximity to major markets
  - Labour costs are much more competitive than in old EU countries
- **Tough reforms already done**
  - Most of the economy is now privately owned
  - Majority of prices are liberalised
  - Government also slashed fiscal deficit
  - Ageing population was addressed by pension reform
- **Further trade barriers should disappear**
  - Starting January 2008, Slovakia becomes part of the Schengen area - border controls with EU neighbours to be abolished
  - Slovakia looks set to adopt euro in 2009, ahead of its neighbours

Tax rates in Central Europe (2008)



Presentation topics

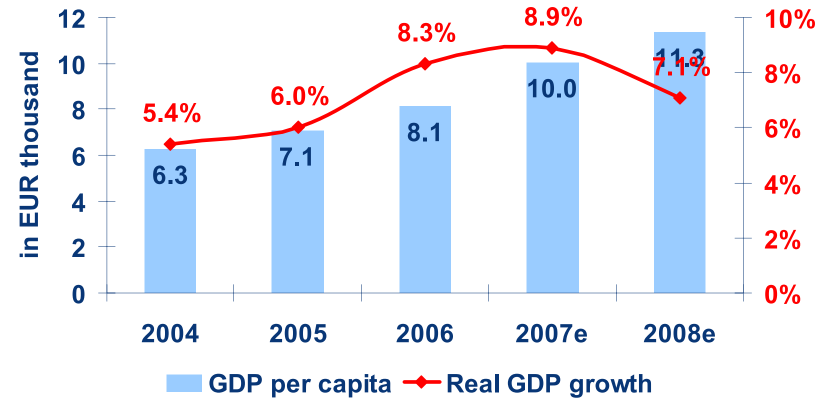
ERSTE GROUP

Operating environment – Continued economic outperformance

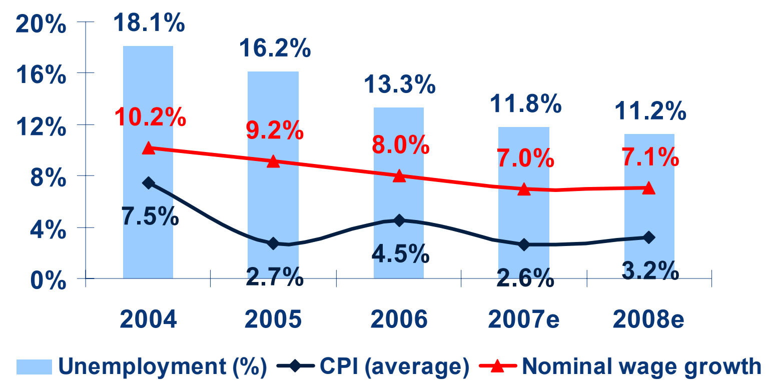
ERSTE GROUP

- **Economy expected to top last year's record real GDP growth of 8.3% in 2007**
- **Growth driven both by foreign and domestic demand**
  - Economic boom is driven by increased export while household consumption and investments also contribute significantly
  - Economy rose by more than 8% in 2006, further acceleration in 2007
- **No signs of the economy overheating**
  - Despite strong economic growth, inflation has slowed recently, to an annual rate of less than 1.5%
  - Anti-inflationary process was supported by koruna appreciation and lower energy prices
  - The fiscal deficit should come in at below 3% of GDP in 2007

Key economic indicators



Unemployment vs inflation vs wage growth



Source for charts: Eurostat, Slovenská sporitelna

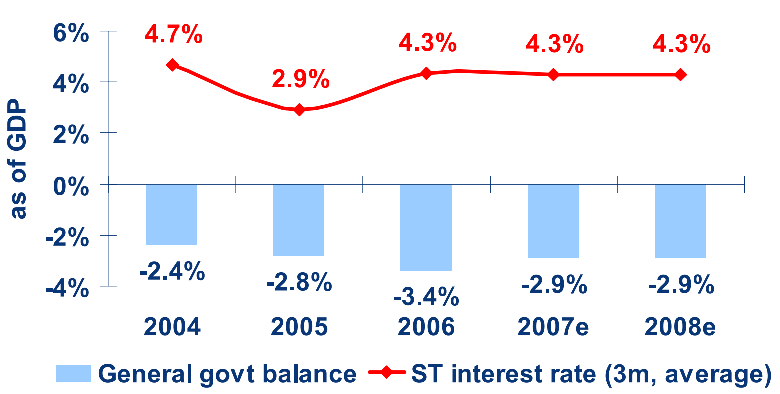
Operating environment –
"Hands-off" economic policy approach

ERSTE GROUP

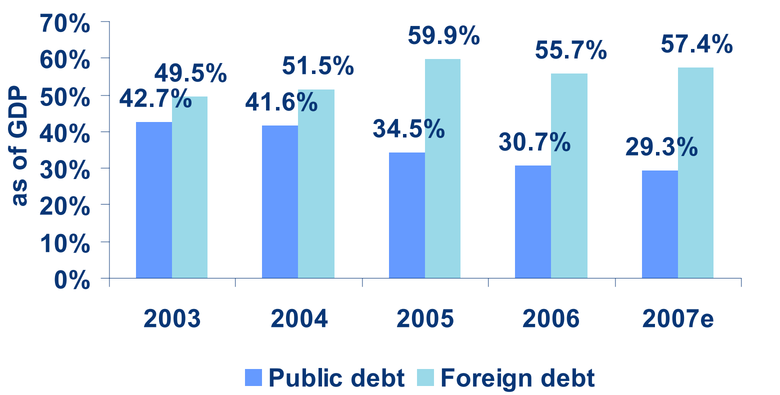
- **Reforms do not continue, but are not reversed either**
  - Parliamentary elections in 2006 brought new coalition and halt to further economic reforms..
  - ..but so far, the new government has refrained from major reform reversals

- **Imminent euro entry limits spending**
  - The new government adopted the objective of 2009 Euro zone entry
  - This requires meeting fiscal Maastricht criteria and prevents excessive government spending
  - Currently all criteria (budget deficit, public debt, interest rates and inflation) are likely to be met in H1 08; euro adoption probability repeatedly above 75% according to key analysts

Interest rates vs government balance



Public and foreign indebtedness



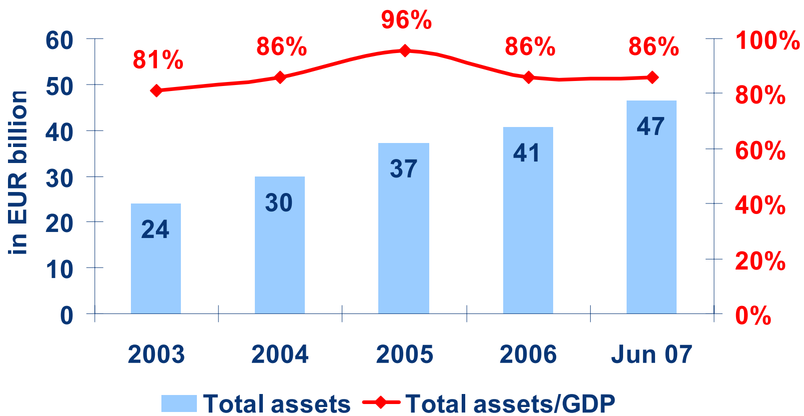
Source for charts: Eurostat, Slovenská sporitelna

Operating environment – Banking market shows no signs of slowing

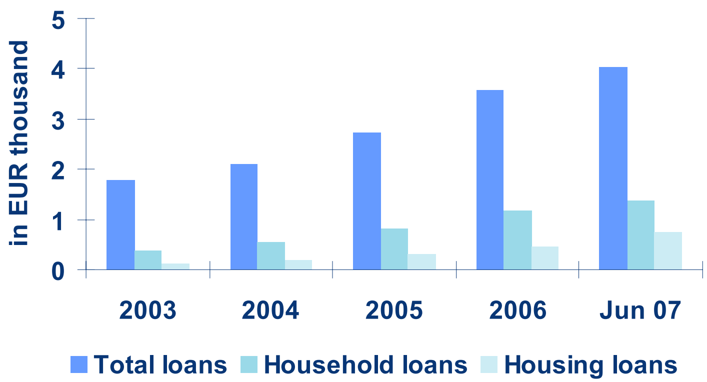
ERSTE GROUP

- **Economic growth supports banking market development**
  - Household consumption and corporate investments expand fast
  - Market interest rates remain low, making lending business attractive
- **Bank assets continue to rise**
  - Due to strong retail loan demand and despite fast growing GDP, asset-to-GDP ratio could top 90% by year-end
  - Housing and consumer loans continue to be major growth drivers, deposits (together with funds and insurance) to follow
  - Growing financial intermediation and usage of banking services also helps
- **Indebtedness still low**
  - Despite strong growth of retail loans, retail loan penetration – at 14% of GDP – remains far below EU average
  - In terms of per capita indebtedness the picture is even starker, with Slovakia and Lithuania hovering at the tail end of statistics

Banking market summary



Per capita indebtedness



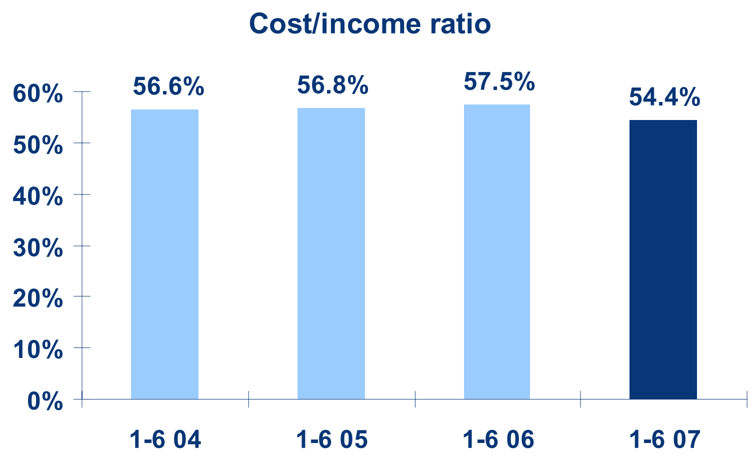
Source for charts: Eurostat, Slovenská sporitelna

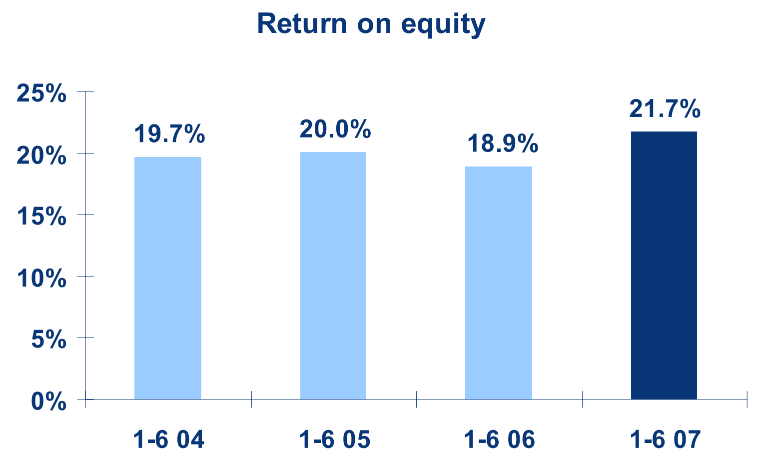
Presentation topics

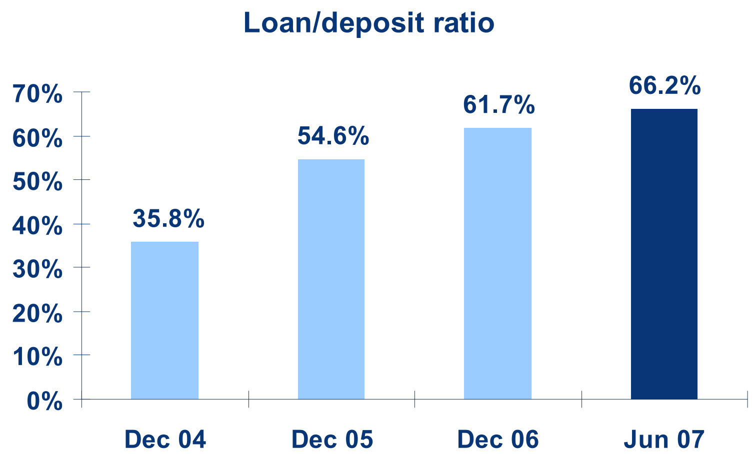
ERSTE GROUP

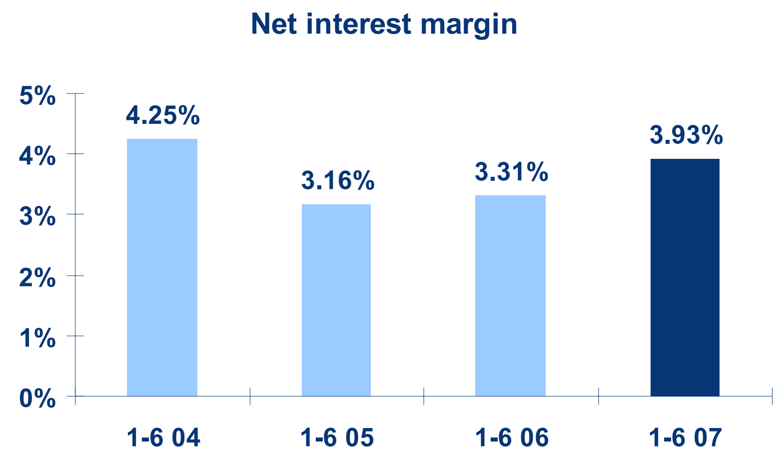
- Slovakia uncovered
  - Putting Slovakia on the map
  - Basic facts
  - Did you know?
  - Impressive economic catch-up process
  - Building blocks for success
- Operating environment review
  - Continued economic outperformance
  - Hands-off economic policy approach
  - Strong banking market
- **Business performance review**
  - Key financial statistics
  - Operating performance analysis
  - Growth drivers
  - Competitive position
- Financial and business outlook

Business performance review – Key financial statistics







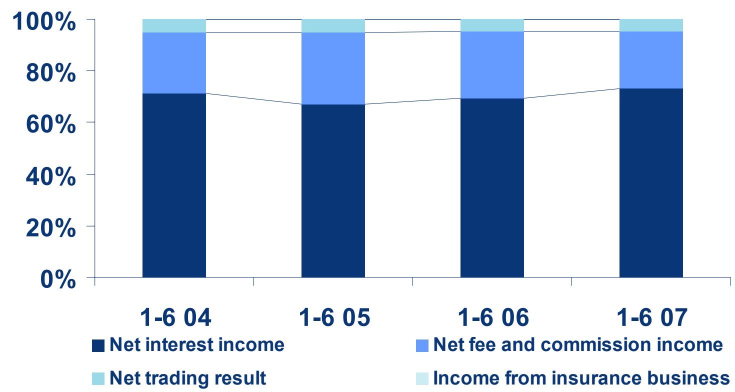


Operating performance analysis – Net interest income is key income driver

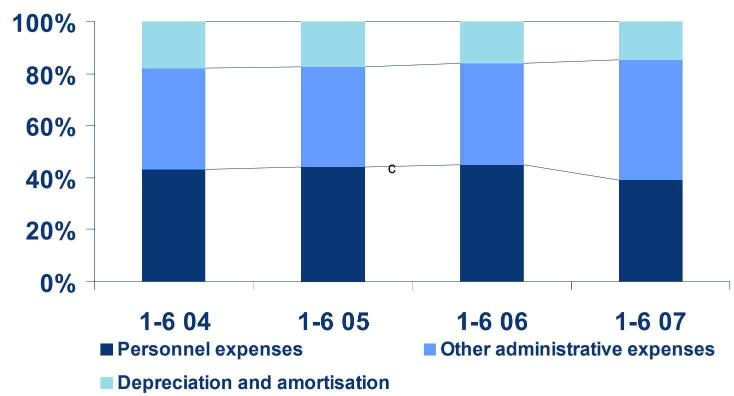
ERSTE GROUP

- **Excellent operating income structure**
  - Net interest income is above 70% of total income, supported by higher net interest margin and strong demand for loans
  - Share of net trading result at 5% of total income is a key competitive advantage after euro adoption, as relatively small portion of income is endangered by loss of FX trading
- **Operating expenses impacted by euro-related IT investments**
  - Continuous optimisation of the number and structure of employees and branches
  - Growth of operating expenses driven by key business development investments:
    - Euro transformation
    - Implementation of new core banking system
    - Head office (fit-out, moving from 8 locations to one new building)
  - All in all, 2008 and 2009 will result in higher operating expenses (some impact already in 2007)

Structure of operating income (4y-view)



Structure of operating expenses (4y-view)

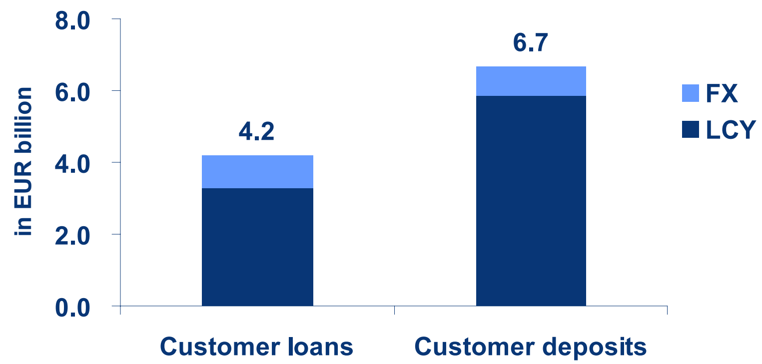


Operating performance analysis – Broad deposit base = cheap source of funding

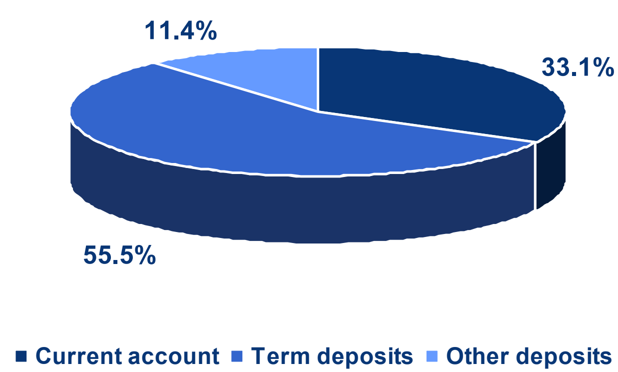
ERSTE GROUP

- **Steady growth of retail deposits**
  - Term and current account deposits command a higher than 2/3 share of household deposits
  - Rising demand for mutual funds following years of low returns and thanks to lower deposit interest rates
  - Notable increase in transfers between term deposits and mutual funds over past year
- **Corporate deposits again on the rise**
  - Corporate deposits recorded strong growth of 27% yoy as a result of higher profits and favourable business environment
  - Growth slowdown to single-digit pace is realistic scenario
- **Successful product innovation**
  - Money-market and real estate funds are in highest demand of all types of mutual funds
  - Structured products are also a major hit
    - Added to the portfolio as a result of a group initiative, SLSP became a market leader and owns more than 30% of the market

Loan vs deposit structure by currency



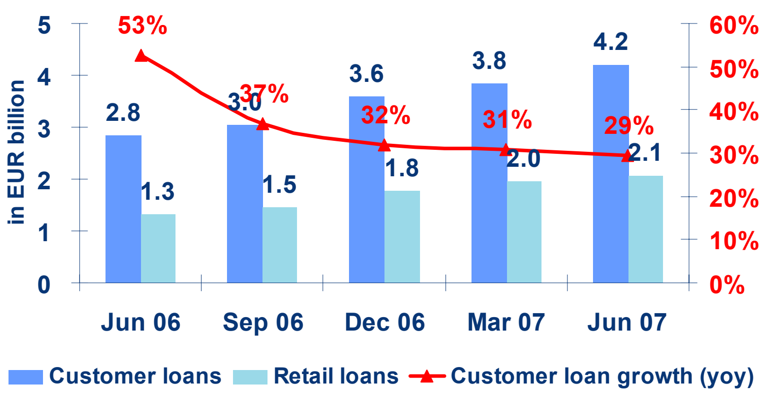
Retail deposit structure by deposit type



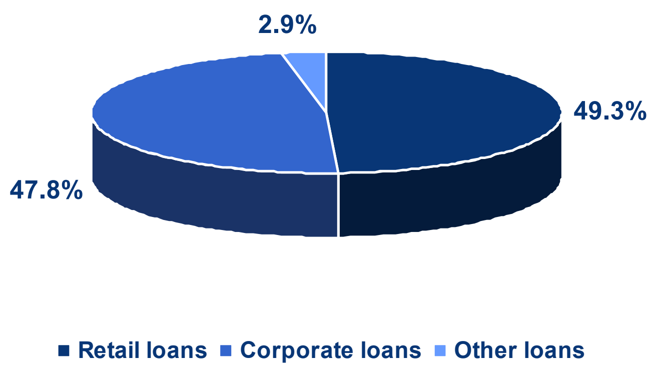
Growth drivers – Slovenská sporiteľňa benefits from loan growth

- **Loans enjoy another year of growth**
  - Market still driven by pent-up credit demand
  - Balance sheet share of customer loans grew from 40% a year ago to 47% in June 07, despite solid total asset growth
  - Non-performing loans are under control (1.9% share end of June 2007, total coverage up to 93.9%)
- **Retail loans are the driving force**
  - Housing purposes (mainly mortgages) command a 60% share of retail loans
  - Highest growth in housing loans – 40% annual rate
  - Consumer loans also rising fast at about 20% yoy, but still lag housing loans
- **Corporate loan growth has picked up**
  - Benefiting from strong economic growth
  - FX corporate loans make up almost 1/2 of total corporate book and are mostly euro-denominated

Customer loan development



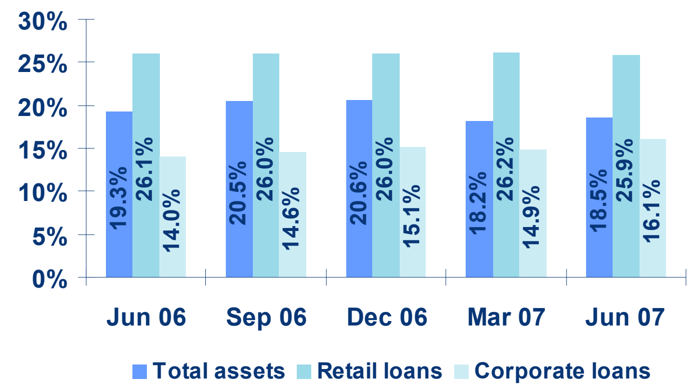
Loan book structure by client segment



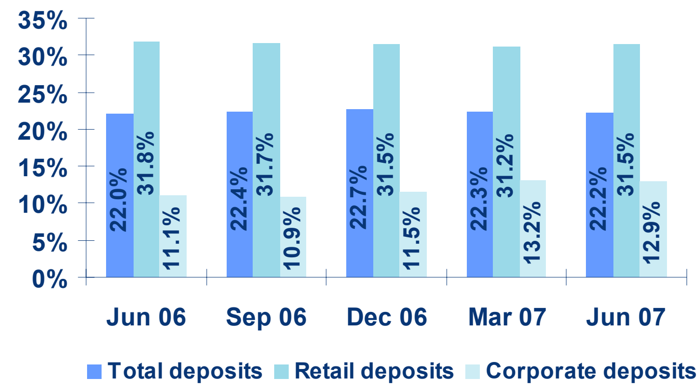
Competitive position – Leadership position maintained

- **No. 1 in retail loans**
  - Growth in line with market on the retail side
  - High demand for housing loans is the key driver (growing more than 30% annually)
  - SLSP leads the consumer loan market with a 44% market share
- **Fast progress in corporate loans**
  - 33% yoy growth in corporate loans
  - However market share still only on 16%
  - Participation in real estate financing benefiting from strong market conditions
- **Dominant in retail deposits**
  - With more than 31% market share, SLSP is the long-term leader in retail deposits
- **Despite market share increases, rising net interest margin**

Market share development - asset side



Market share development - liability side



Presentation topics

ERSTE GROUP

- Slovakia uncovered
  - Putting Slovakia on the map
  - Basic facts
  - Did you know?
  - Impressive economic catch-up process
  - Building blocks for success
- Operating environment review
  - Continued economic outperformance
  - Hands-off economic policy approach
  - Strong banking market
- Business performance review
  - Key financial statistics
  - Operating performance analysis
  - Growth drivers
  - Competitive position
- **Financial and business outlook**

Financial and business outlook – Investing into the future

- **Banking market to grow even faster**
  - We aim to improve our market shares in all major segments, including retail loans, retail deposits, corporate loans and corporate deposits
  - Residential real estate and housing loans will be the key growth driver

- **Euro adoption means additional costs and reduced revenues**
  - Euro will impact net trading result in H2 08 and 2009
  - Total expenditure of euro adoption and new system implementation estimated at about EUR 100m (24% euro adoption, rest is new system), of which about 75% capex

- **Investments bring higher expenditures, but are necessary for future growth**
  - We invest part of the profit in the following two years
  - Benefits of these investments will fully appear in 2010
  - Staff reduction has come to an end, new business and projects require additional staff
  - Operating and capital expenditures expected to peak in 2008 and 2009

Financial and business outlook – 2007 targets maintained

- After net profit growth of 8% in 2006, growth is expected accelerate to above 15% in 2007
- Return on equity, which at 20.3% in 2006 ranked SLSP among top of large banks, should surpass last year's level
- Cost/income ratio is expected below 54% after 54.1% in 2006

	2007 target*
Net profit growth	> 15%
Return on equity	> 20%
Cost/income ratio	< 54%

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