



Presentation topics



Long-term economic development patterns

- Economic and political timeline
- Economic scorecard: real economy, fiscal performance & monetary policy
- Social indicator scorecard: backing up economic progress
- Focus topic: charting the development of residential real estate

Evolution of the banking market

- The emergence of retail banking
 - Moving away from the cash economy
 - The loan growth story
 - Retail deposits: strong base for healthy development
- The transformation of corporate banking
 - From financing the state sector to financing private enterprise

Post-acquisition track record of Slovenská sporiteľňa

- Long-term financial performance
- Analysing credit risk
- Conclusion

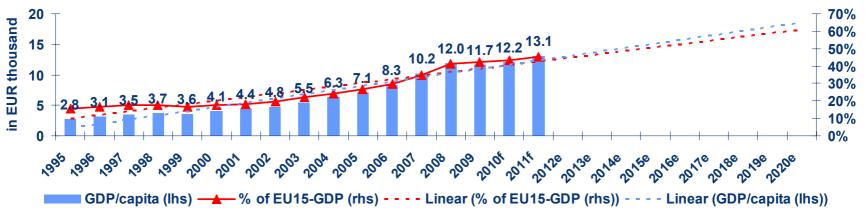
Economic and political timeline -

Quick convergence towards EU15



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Slovakia - GDP/capita vs % of EU15 GDP/capita



1995-98: Left

- » Economic growth driven by high public spending
- » Slovakia ousted from NATO and EU integration process
- » Corruption-led privatisation
- » Delayed reforms, surging government expenditures, overheating double deficit

1999-02: Gov. of change (left and right)

- » Austerity measures negatively impact domestic demand and unemployment
- » GDP driven by exports
- » Privatisation of banking and utility sector launched
- » One-off costs of restructuring of loan portfolio of former stateowned banks
- » OECD membership

2003-06: Right-centre

- » Successful entry into NATO
- » EU membership
- » Beginning of euro adoption process
- » Flat income tax
- » New labour code
- » Establishment of pension funds (compulsory savings)

2006-10: Left-national

- » Euro adoption
- » Global crisis halted the economic boom
- » Unemployment rose as companies were hit
- » Schengen area (no travel restrictions)
- » Privatisation halted
- » Deficit rose during the downturn

since 2010: Right-centre

- Recovery takes roots
- Unemployment to remain elevated
- » Government intends to get fiscal deficit to below 3% of GDP by 2013
- » Consolidation to be mostly expense-based
- Intention to simplify payroll tax system

Source: Eurostat, Erste Group Research

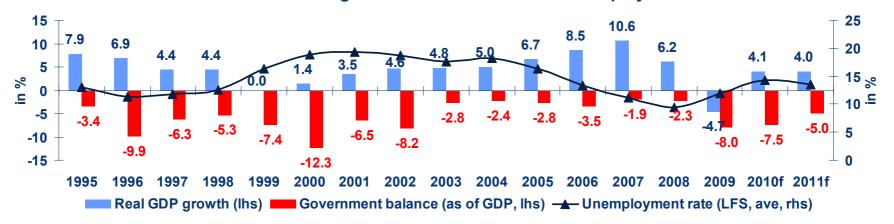
Economic scorecard: the real economy –



Recovery takes roots

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Slovakia - Real GDP growth vs fiscal balance vs unemployment rate



Slovakia - Labour productivity vs real unit labour costs



Source: Eurostat, Erste Group Research

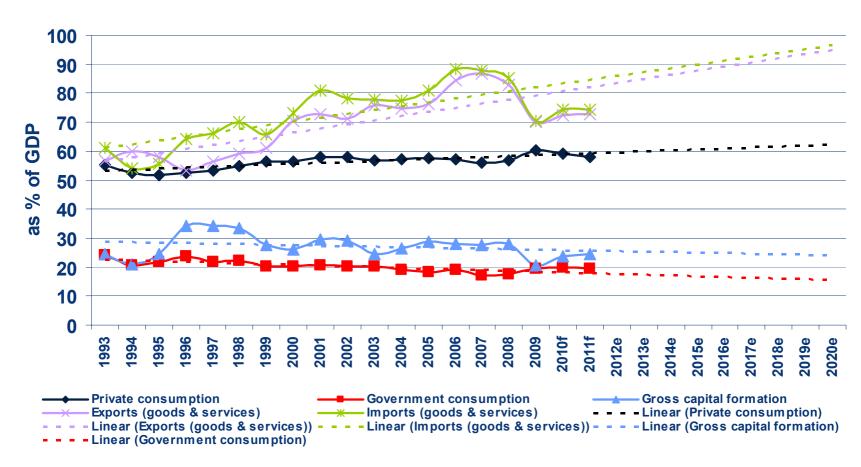
Economic scorecard: GDP composition –



Export has become more and more important

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Slovakia: Composition of GDP - expenditure approach



Source: Eurostat

Economic scorecard: trade drilldown -



Car makers and electronics are industry's backbone

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Slovakia's economy is very closely linked to the European Union

- Germany is Slovakia's biggest export partner, followed by the Czech Republic
- Half of exports go to the Eurozone, 85% to the European Union

High export dependency of the economy

 Export of goods accounts for 63% of GDP (70% including services)

- Main export goods

- Cars and their components
- TV sets

- Top 3 exporters (by sales in 2009)

- Samsung
- Volkswagen
- PSA Peugeot

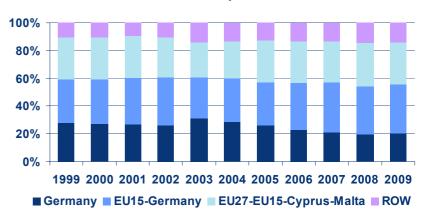
Source: Eurostat

Slovakia - Goods import distribution 100% 80% 60% 40% 20%

1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009

■ Germany ■ EU15-Germany ■ EU27-EU15-Cyprus-Malta ■ ROW

Slovakia - Goods export distribution



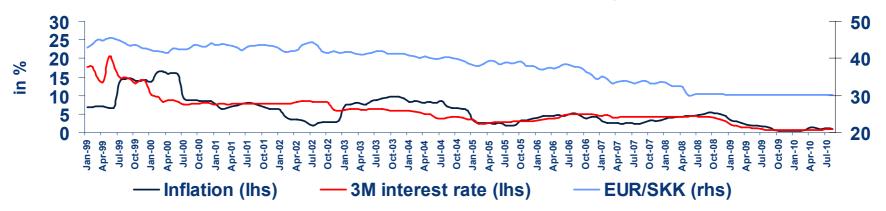
Economic scorecard: monetary policy –



Euro adoption brought interest rates down

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Slovakia: Inflation, interest rate, exchange rate



1995-98: Left

- » Koruna was pegged to currency basket with fluctuation band
- » Interest rates were high (over 20%)
- » Public sector loans crowded out private borrowing
- » Rigid utility prices and cross-sector subsidies

1999-02: Gov. of change (left and right)

- » Previously overvalued koruna was floated after elections
- Interest rates started to normalise towards official rate of the central bank
- » Deregulation of utility prices
- » Changes in VAT rates and excise taxes pushed inflation

2003-06: Right-centre

- Koruna appreciated, as Slovakia attracted international investors
- » Interest rates were declining for most of the time
- » Further changes in VAT and excise taxes
- » Surging currency supported disinflation

2006-10: Left-national

- » After initial losses, the koruna appreciated significantly until conversion rate was set
- » In Eurozone, ECB took responsibility for Slovak monetary policy
- » Demand was most pressured in recession
- » Cheaper world commodity prices

since 2010: Right-centre

- » Rates set by ECB
- The speed of Eurozone recovery key for Slovakia
- » Inflation to pick up with recovery
- » VAT, excise tax and energy price hikes in 2011

Source: Eurostat, Bloomberg

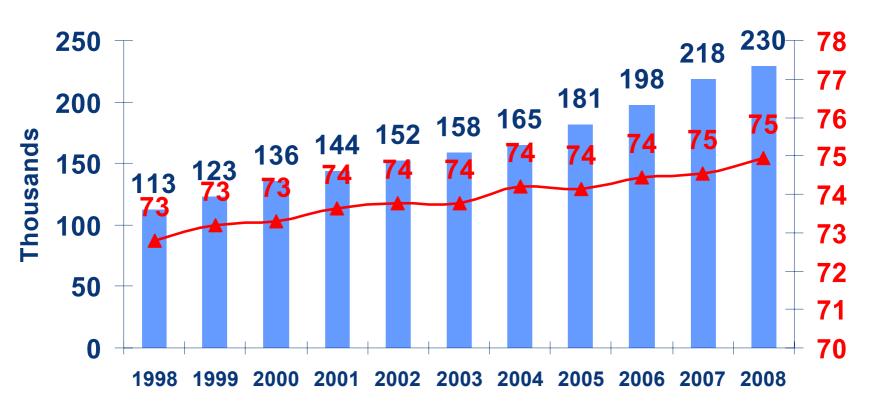
Social indicator scorecard –



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Social progress followed economic development

Slovakia - Social indicators



Students enrolled - Tertiary education (lhs) — Life expectancy (rhs)

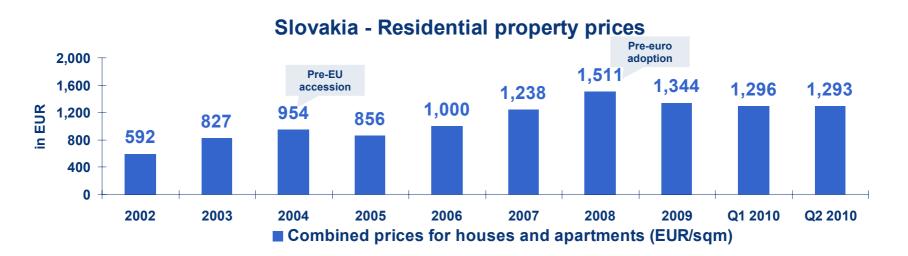
Source: Eurostat

Focus: residential real estate development –



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Real estate prices stabilising after correction



- Slovak residential property prices grew until mid-2008
 - Higher purchasing power of households
 - Lower interest rates
 - Wide availability of housing loans
- Prices started to decline when conditions changed due to downturn
 - 15% price correction
- Market has stabilised in 2010
- CAGR (2002-2009): 9%

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Post-acquisition track record of Slovenská sporiteľňa

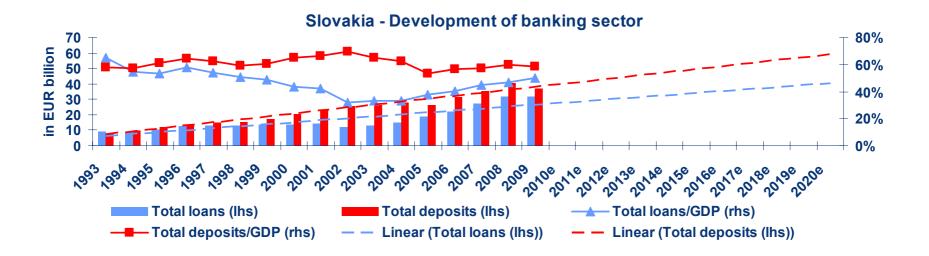
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Evolution of the banking market –



Balanced growth of emerging banking system

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1993-1997 Forming the banking sector

- Slovak central bank established
- » Foreign banks entered the market
- » High volume of classified loans
- » Implementing Basel rules and IFRS standards

- Banks involved in privatisation process
- License for mortgages
- » Banks having problems with liquidity

1998-2002 Consolidation of the banking sector

- IRB as 1st bank under forced control
- » Consolidation bank established
- » More than EUR 3.3bn of classified loans moved to consolidation bank

- Largest CEE banks » entering the market
- » State share in banks sold
- Small and medium banks emerging
- » Acquisition of SLSP by Erste Group

since 2003 Growth of banking sector

- Number of banks growing
- » Growing importance of retail sector »
- » Banking sector highly profitable
- » Bureau for controlling financial market established

- SK market more open for EU banks after entering EU
- Euro adopted in 2009 without any problems
- Major banks coped well with economic downturn

The emergence of retail banking –



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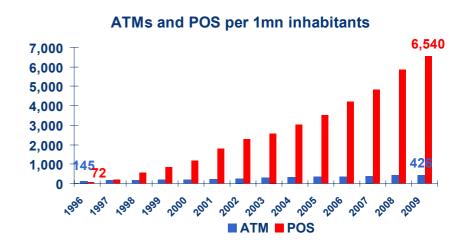
Moving away from the cash economy

- Slovakia significantly increased the number of POS terminals since 1996

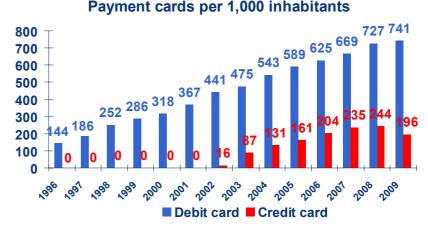
- CAGR (1996-2009) of number of POS terminals at 42%
- Number and volume of transactions have increased more after euro adoption
- 2,300 ATMs, 35,500 POS
- 4m debit cards, 1m credit cards

Payment cards have developed in line with infrastructure

- Debit cards were introduced in the early 1990s and have become widely accepted since then
- Credit cards were first issued in 2002 and their number continuously grew until 2008
- Despite being offered by many banks, credit card usage is still limited



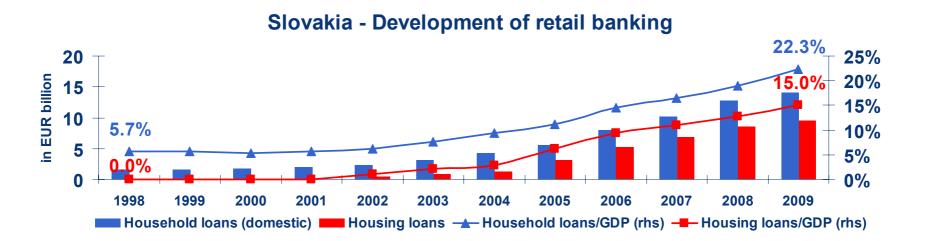




The emergence of retail banking –



The loan growth story



- Retail lending has been the main driver of Slovakia's loan growth

- Housing loans have been the main force behind growth
- New loan production also mainly driven by housing loans
- FX-lending has never played a role in Slovakia
- Despite rapid growth, sector still represents big potential based on penetration figures

- One of the most balanced banking sectors in the region

Banking system's loan to deposit ratio at 86%

The emergence of retail banking –



Wealth creation: from deposits to fund management

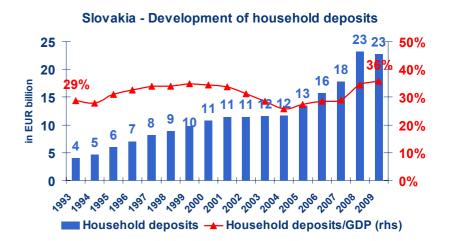
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Deposit market was significantly influenced by Euro adoption

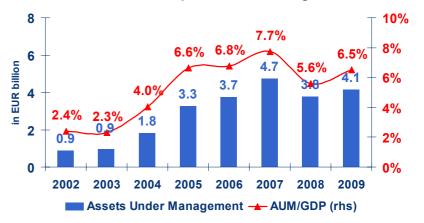
- Gradual growth until 2008
- Huge inflow of deposits (EUR 5.5bn) in 2008 prior to Euro adoption on January 1, 2009
- Average annual growth since 1993 was 12%, in line with nominal GDP growth

Although growth pattern was disrupted in 2008, long term trend indicates further potential for mutual funds

- 20% of funds were withdrawn during crisis
- Trust in mutual funds recovering, although hindered by 100% bank deposit protection
- Funds per capita at EUR 800, less than in other developed CEE countries (Czech Republic, Hungary)



Slovakia - Development of asset management



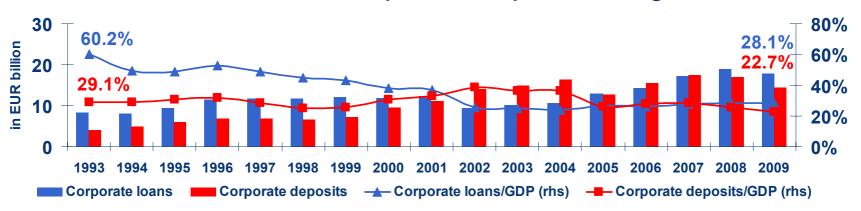
The transformation of corporate banking –



Foreign direct investors drive corporate market



Slovakia - Development of corporate banking



- Growth of corporate loans significantly lags behind that of retail

- Before 2001 Slovakia's lending market was mainly characterised by corporate loans
- Average interest rates declined from 15% in 1993 to 3.5% by 2009
- Corporate loan CAGR (1993-2009): 5%

- Corporate deposits relatively stable as proportion of GDP

- Corporate deposit CAGR (1993-2009): 8%
- Loan-to-deposit ratio grew from 67% in 2002 to 124% in 2009

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Post-acquisition track record of SLSP –



Long-term financial performance *

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Erste Group acquired majority stake in Slovenská sporiteľňa in 2001

 SLSP today has 2.5m clients with 27% market share in the retail segment

Operating performance has improved every year since 2004

- 80% of operating income contributed by net interest income
- Solid NIM has been maintained, even in low interest rate environment
- Cost optimisation included one HQ instead of eight buildings, headcount reduction of 17%

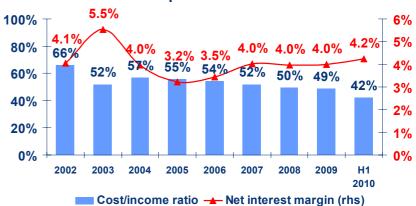
- Cost/income ratio at 42%

- Down from 66% in first year after acquisition
- Due to higher revenues and strict cost control

Slovenska sporitelna: operating profit history (pre-provision profit)



Slovenska sporitelna: CIR and NIM



^{*)} Based on local consolidated IFRS data

Post-acquisition track record of SLSP –



Analysing credit risk *

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- High quality retail business continues to grow

- Retail loans grew by 8.4% ytd in H1 2010
- SMEs went down 17.7% ytd in H1 2010

Slovenská sporiteľňa benefits from excellent portfolio performance

- Stable NPL ratio (7.9% in H1 2010) while coverage ratio has improved to 80.4%
- Positive overall migration trends with an increase in low risk class in Q2 2010

Risk costs reflect solid asset quality

- Creation of portfolio provisions for the corporate business
- Positive development of risk costs for the last three quarters (244bps in H1 2010)



Segment Slovakia -Customer loans by Basel II customer segment



Segment Slovakia - Migration analysis



*) Based on segment figures

Conclusion -

Slovenská sporiteľňa



- After turbulent 1990's, Slovakia embarked on rapid convergence

- GDP per capita almost tripled in last 10 years
- Export driven economic growth this year to almost offset decline in 2009
- Euro adoption stabilised the economy, brought discipline to government policies and created advantages for investors

- Well balanced banking market in growth phase

- Single-digit growth expected in 2010 with some acceleration in 2011
- Driven mainly by retail lending

- Slovenská sporiteľňa : sustainable improvement already visible

- Operating performance has remained strong throughout the downturn
- Risk cost benefit from excellent portfolio performance
- Bottom line result already tripled (based on segment figures) in H1 2010 indicating very strong full-year result