

Erste Group – 8th Capital Markets Day

9 December 2011, Vienna

A map of Europe is shown in a light blue outline on a dark blue background. The country of Slovakia is highlighted with a white diagonal hatched pattern.

Slovakia: Eurozone country with high growth potential

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- **Doing business in Slovakia**
- **Slovak macroeconomic environment**
 - Economic growth outlook
 - Level of indebtedness
 - Market perception
- **Banking market development**
 - Competitive environment
 - Growth prospects
- **SLSP: business performance review**
 - Operating performance overview
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 - Development of customer loans and deposits
- **Conclusion**
- **Appendix**

Doing business in Slovakia –

Quick convergence towards eurozone GDP/capita

Macro economy	<ul style="list-style-type: none">Decade of fast convergence towards EU average in GDP level, stable inflation, relatively low government debt – second CEE country to adopt euro in 2009	
Politics	<ul style="list-style-type: none">Political environment relatively predictable, with some volatile periods (early elections in March 2012, change of government expected)	
Banking market	<ul style="list-style-type: none">Profitable market with low L/D ratio, healthy loan portfolios and reasonable risk profiles of most banks; with room for growth	
Competition	<ul style="list-style-type: none">Competitive market with >30 banks, top 3 banks (led by Slovenská sporiteľňa) service more than 50% of the market	
Slovenská sporiteľňa	<ul style="list-style-type: none">Slovenská sporiteľňa is the leading bank in Slovakia by market share, profit and efficiency; dominating retail market, with very good operating profitability and excellent efficiency indicators	
Outlook for SLSP	<ul style="list-style-type: none">Slovenská sporiteľňa expected to remain one of the most profitable and efficient subsidiaries of Erste Group	

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Macroeconomic environment –

Eurozone country with high growth potential

– Economy grew by 3.3% yoy in 1-9 11

- Industrial production has clearly been the driver of the economy
- Household consumption stagnates
- Tight trade links with EU – short-term risk of slowdown

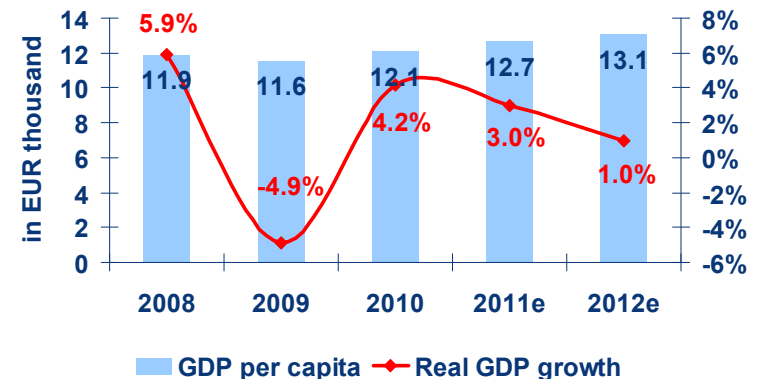
– In the medium-term, Slovakia should still enjoy above-average growth within EU

- Reasons for convergence include transfer of technology and know-how, intensified financial intermediation, legal and institutional improvements

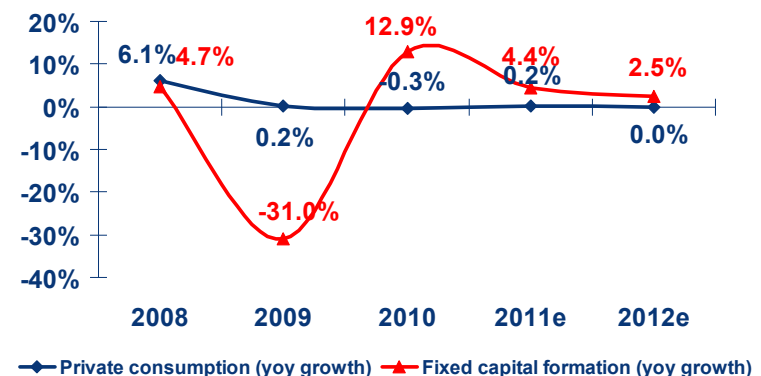
– Government's fall and eurozone slowdown is a risk for fiscal consolidation

- Early elections to take place in March 2012
- Government sees the 2012 fiscal deficit at 4.6% of GDP instead of original plan of 3.8%

Key economic indicators



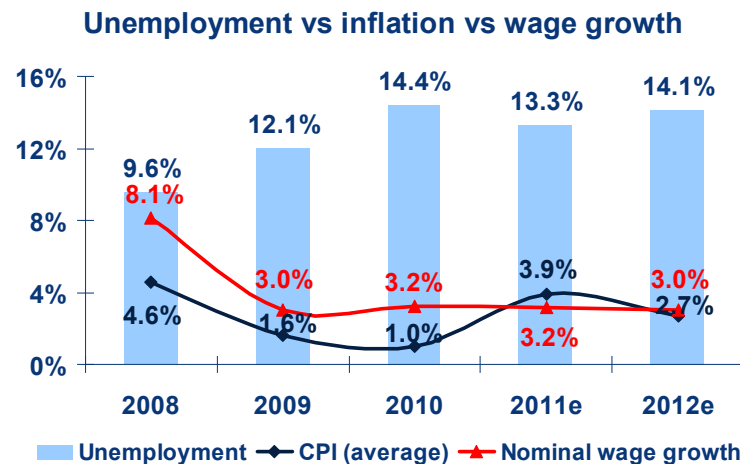
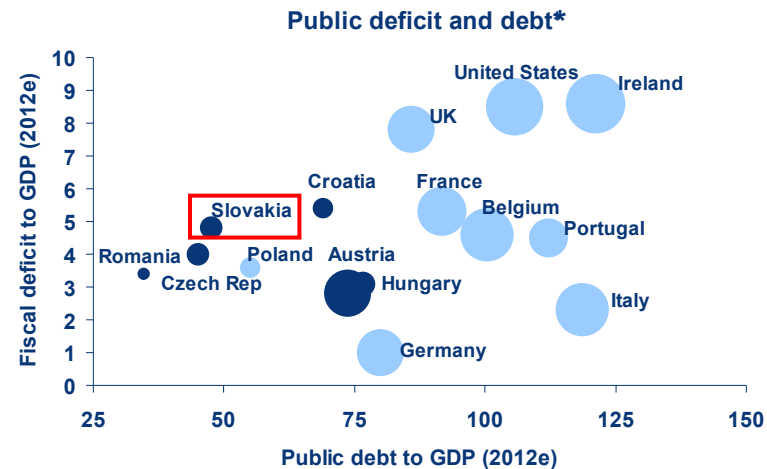
Analysis of growth drivers



Macroeconomic environment –

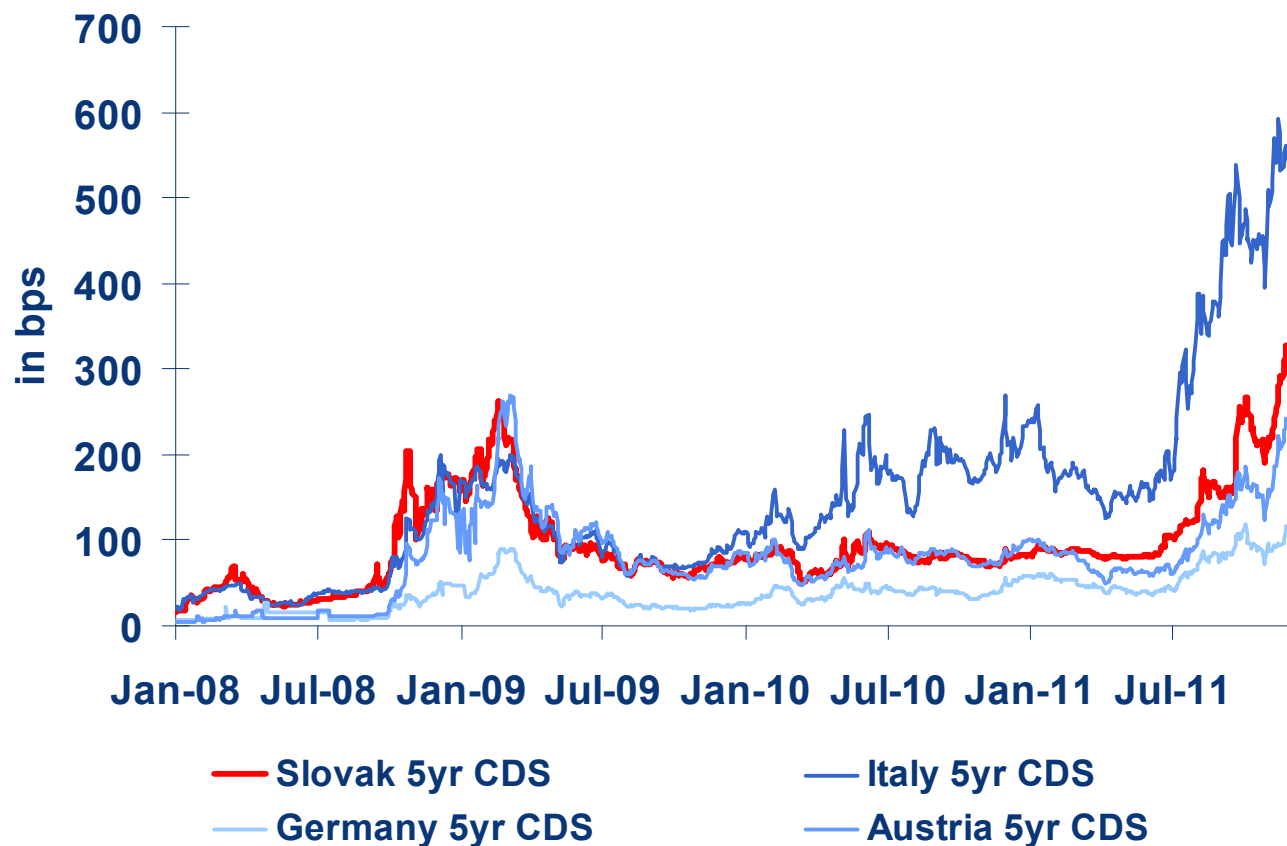
Favourable public finances, but still high unemployment

- **S&P (A+) raised outlook to positive in August**
 - Moody's: A1, stable outlook
 - Fitch: A+, stable outlook
- **Unemployment rate to remain elevated**
 - Despite economic recovery, labour market has not improved considerably, weighing on private consumption
- **Wage growth moderated from 8% p.a. in 2005-08 to 3% p.a. in 2009-11 (CAGR)**
- **VAT hike and higher energy prices pushed inflation up to ~4% in 2011**
 - CPI to slow down to 2.5-3% in 2012



* bubble size indicates public debt per capita

Development of CDS prices



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Banking market development –

Competitive position

– Strong banking market

- 31 banks (94% foreign owned)
- 3 dominant players (SLSP, VUB banka, Tatrabanka)
- Some internet banks entering the market
- Ongoing consolidation – less banks and more foreign subsidiaries on the market

– SLSP: leading retail bank

- No. 1 by total assets
- No. 1 by retail loans (housing and consumer)
- No. 1 by retail deposits

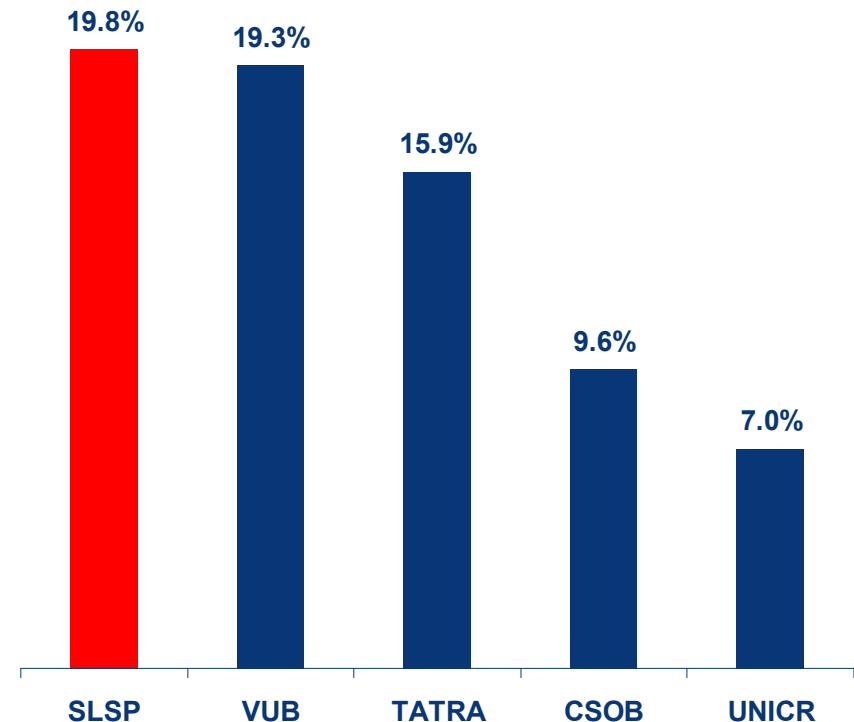
– Branch network covering all of Slovakia

- 289 branches across the country

– The largest customer base

- More than 2.4 million customers

Top 5 Slovak banks –
market share by total assets (Q3 2011)



Banking market development –

Balanced market with moderate growth

– Among the strongest markets in Europe

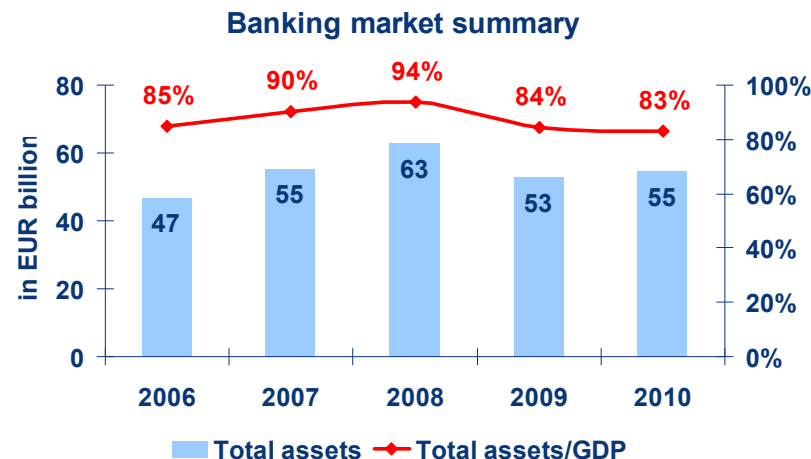
- Loan-to-deposit ratio at 88%
- Strong capital and liquidity positions
- No FX-lending in retail
 - And only 2% of corporate sector loans
- ROE around 15%

– Central bank released its stress test in October 2011

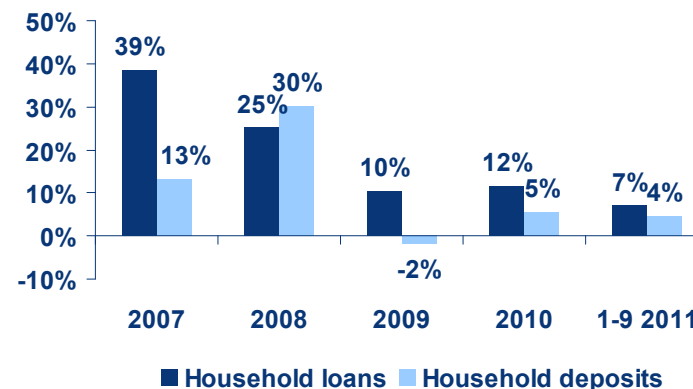
- Result: Slovak banks are very resistant

– Banking market growth in 2011

- Retail loans outperformed corporate loans
- Deposit growth driven by retail sector
- Growth expected for 2012
- Banking tax introduced in 2012
 - 0.4% of non-retail deposits which is favourable for SLSP



Growth rates - household loans and deposits

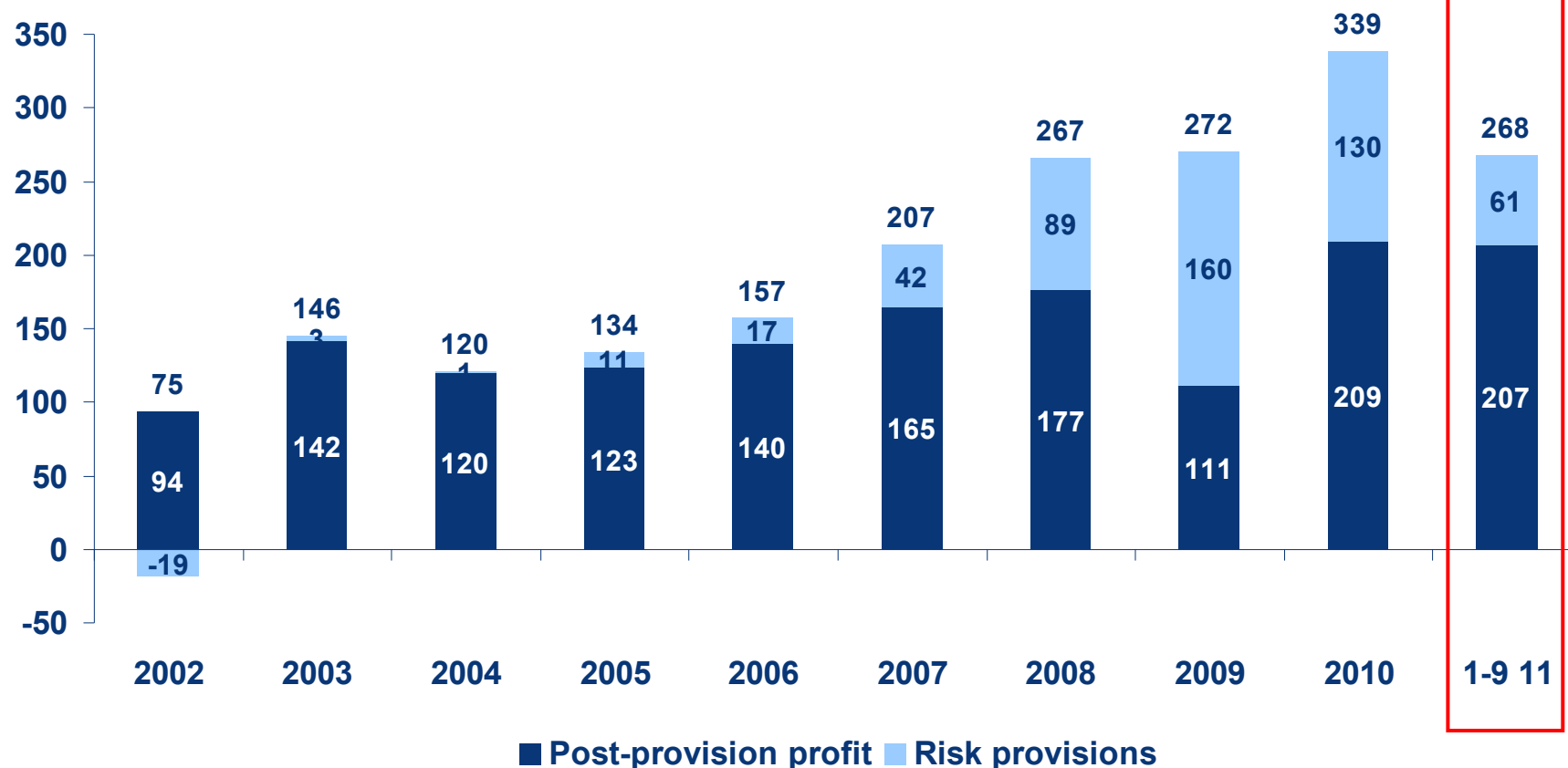


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SLSP: business performance review –

Post-acquisition track record of SLSP

SLSP's operating profit history



Based on consolidated IFRS local entity data

SLSP: business performance review –

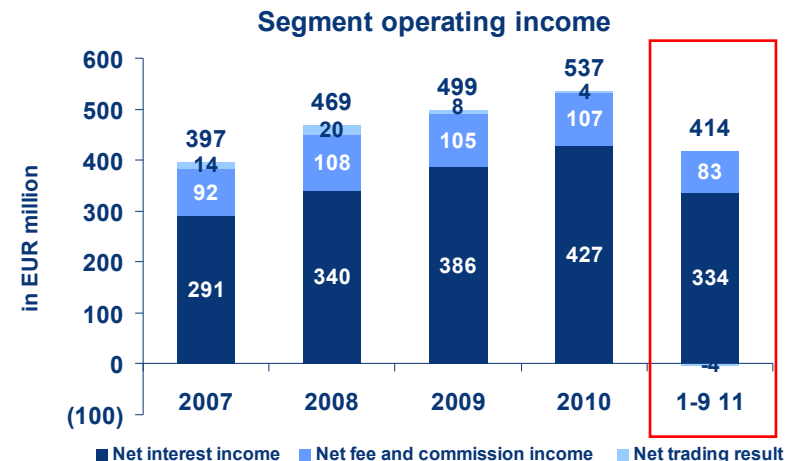
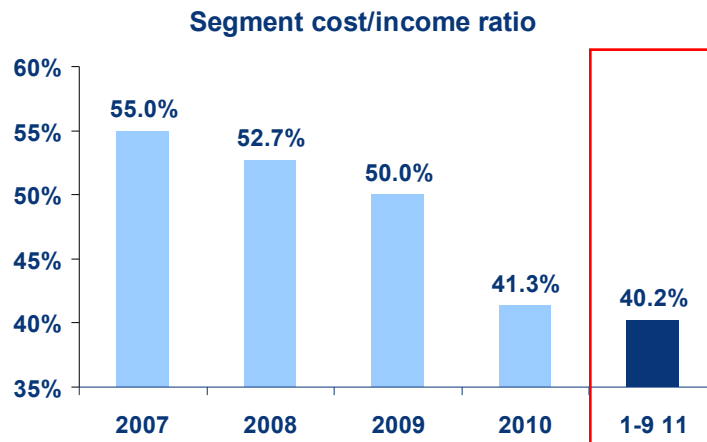
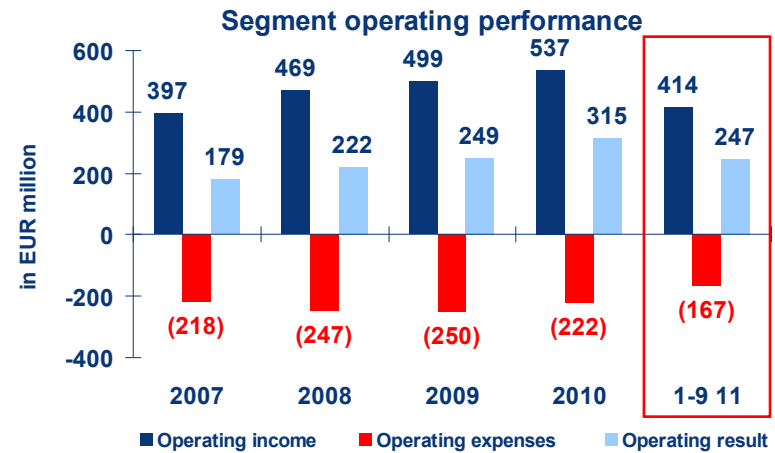
Continuously improving cost efficiency

– Operating result to increase the seventh consecutive year in 2011

- Net interest income on stable upwards trend thanks to growing retail business
- Net fee income positively impacted by increased client transactions
- Highest operating profitability among Slovak banks

– Operating expenses declined by 3.6% yoy

- Strict and continuous cost management leading to decline in cost income ratio



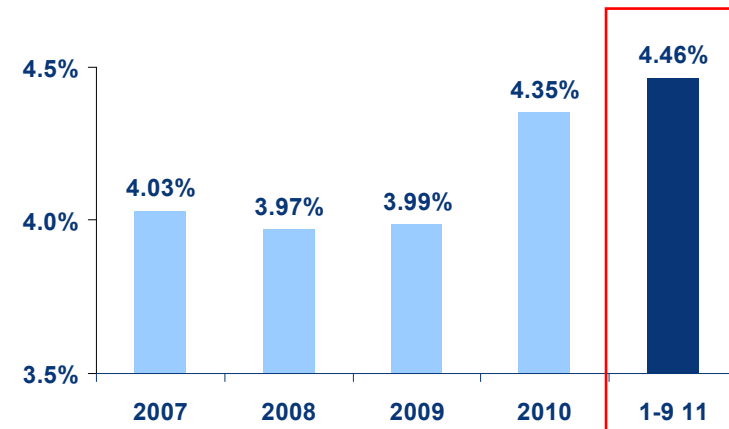
– Growing net interest margin

- Disciplined pricing helped to foster NIM despite low interest rate environment
- Asset side margin 3.68%
- Liability side margin 1.54%

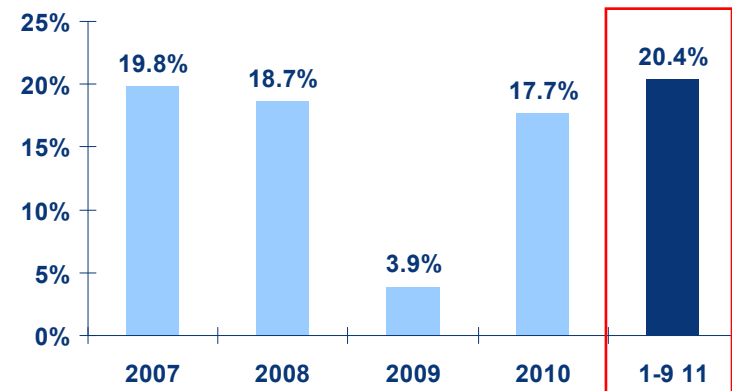
– Sustainable track record of profitability

- Focused business model
- Prudent risk taking
- Rigorous cost management
- Constant efficiency improvements
- Reasonable banking market

SLSP: Net interest margin



SLSP: Return on equity



NIM and ROE is based on country of origination concept, not segment view.

SLSP: business performance review –

Customer loans and deposits (Segment view)

– SLSP showed moderate growth of loans; deposits stable in 2011

- Loan growth as of Sep 2011 at 6% y/y
- Deposits base stable

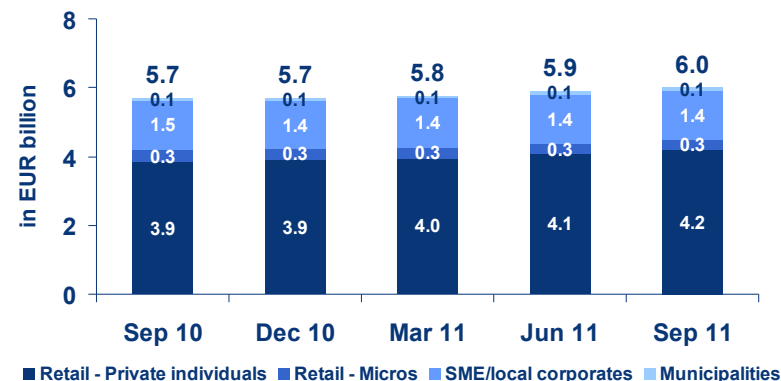
– Loan book dominated by private individuals

- Two thirds of retail business are secured housing loans
- Housing loans key driving factor (12% ytd growth)
- No FX lending in retail

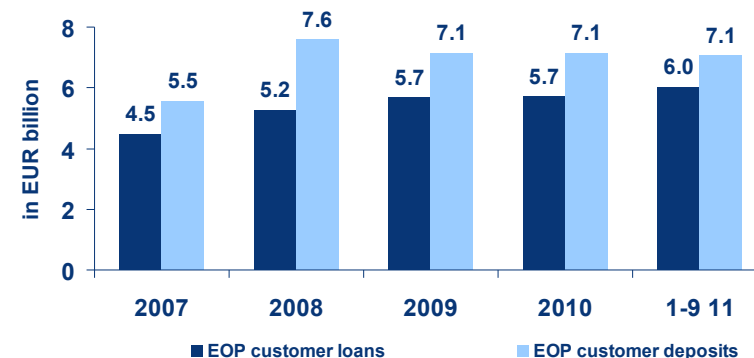
– Retail deposits dominate in bank's portfolio (77%)

- Loan-to-deposit ratio 77.9%
- Strong competition for deposits, yet volumes remain stable

Segment Slovakia -
Customer loans by Basel II customer segment



Segment Slovakia -
Customer loans, deposits

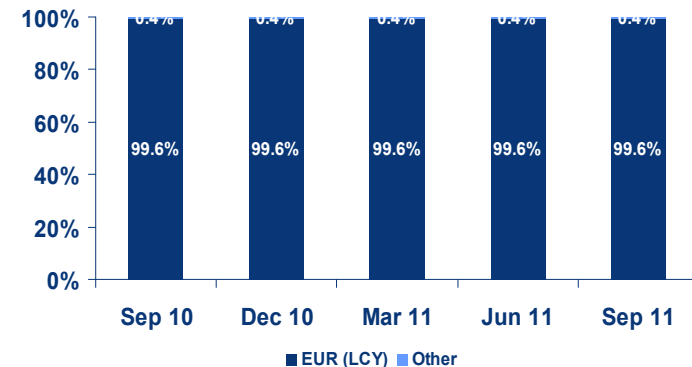


SLSP: business performance review –

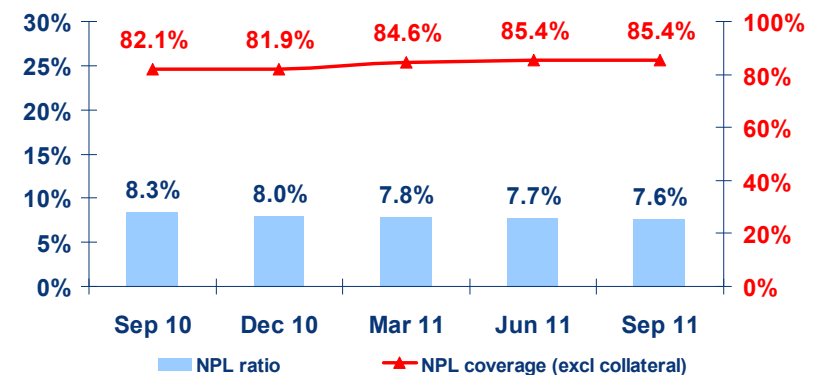
Credit risk management – NPL & NPL coverage

- No foreign exchange risk
- Comfortable average portfolio LTV on secured portfolio
 - 52.1% LTV on housing loans as of Sep 11
- Delinquencies improved in 2011 due to
 - Disciplined underwriting leading to lower volume of new defaults in retail compared to 2010
 - Regular work-out activity (write-offs and NPL sale)
- Solid and stabilised coverage ratio
 - 85.4% excl. collateral
 - 129.9% incl. collateral
- Commercial real estate segment tends to show higher but manageable risk
 - Downsizing the exposure

Segment Slovakia -
Customer loans by currency



Segment Slovakia -
NPL ratio vs NPL coverage



SLSP: business performance review –

Credit risk management – RWA, CA & Risk costs

– Comfortable level of capital adequacy and Tier 1 ratio in 2011

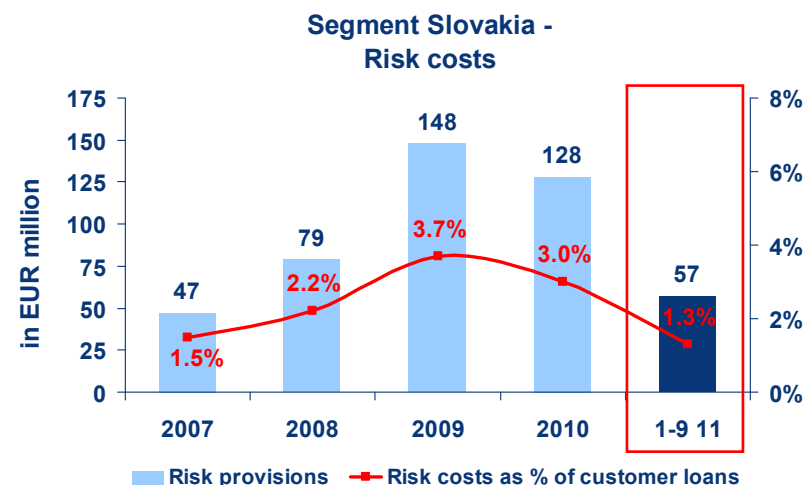
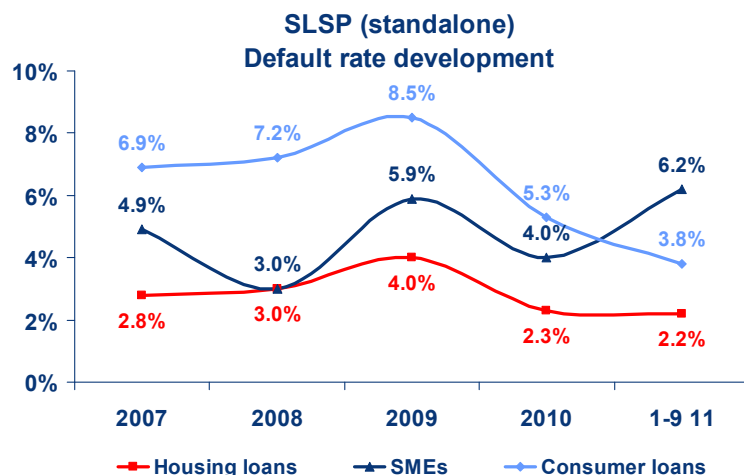
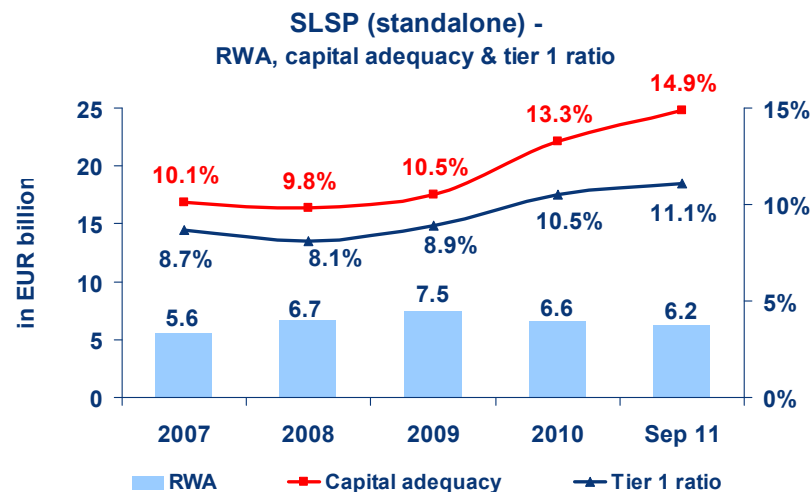
- Capital adequacy 14.9%, Tier 1 ratio 11.1% as of Sep 2011

– Decrease of RWA driven by

- Decrease of LGD due to improvement of collection process in 2011
- Favorable development of default rates in retail

– 9th consecutive quarter of decline in risk costs

- 2011 risk cost of 1.1% expected on disciplined underwriting



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– Slovakia has high growth potential

- One of the fastest growing countries within eurozone in 2011
- In the medium-term, Slovakia will have above-average growth
- However, government's fall and eurozone slowdown is a risk for fiscal consolidation

– Well balanced banking market

- L/D ratio of the sector below 90%
- Slovak banks are well capitalised and already meet core tier 1 requirements (effective June 2012)
- Due to debt crisis, growth rates expect to slow down in 2012

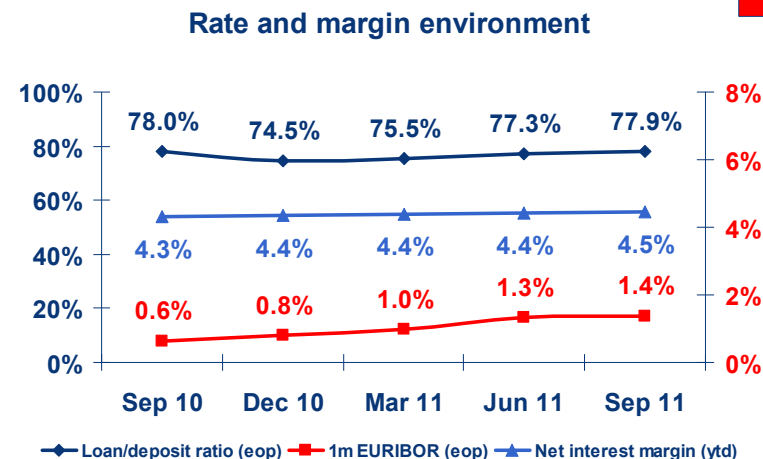
– Slovenská sporiteľňa: excellent efficiency indicators

- The bank has very good operating profitability and the lowest cost-income ratio among top 3 banks
- Keeping the leading position in retail business
- Improving risk costs and default rates

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Key local entity data (IFRS, consolidated) – Slovenska sporitelna

Key figures and ratios	1-9 11	1-9 10	
Cost/income ratio	39.3%	42.6%	
Return on equity	20.4%	15.3%	
	Sep 11	Dec 10	Change
Erste Group stake	100.0%	100.0%	
Solvency ratio	14.9%	13.2%	
Employees	4,161	4,004	3.9%
Branches	289	291	(0.7%)
Customers (in m)	2.5	2.5	(2.2%)
Market share - retail loans	25.8%	26.2%	
Market share - retail deposits	26.1%	27.1%	
Market share - corporate loans	11.7%	11.4%	
Market share - corporate deposits	9.9%	9.2%	
Market share - total assets	19.8%	20.0%	



in EUR million	1-9 11	1-9 10	Change
Net interest income	351.3	331.7	5.9%
Risk provisions for loans and advances	(60.8)	(101.0)	(39.8%)
Net fee and commission income	90.2	82.4	9.5%
Net trading result	0.8	5.7	(86.4%)
General administrative expenses	(173.9)	(179.0)	(2.8%)
Other operating result	(15.2)	(21.9)	30.4%
Result from financial assets - FV	(4.6)	(0.4)	na
Result from financial assets - AFS	(2.0)	1.7	na
Result from financial assets - HtM	0.0	0.0	na
Pre-tax profit from continuing operations	185.6	119.2	55.7%
Taxes on income	(38.6)	(24.0)	60.5%
Post-tax profit from continuing operations	147.0	95.1	54.5%
Post-tax profit from discontinuing operations	0.0	0.0	na
Net profit for the period	147.0	95.1	54.5%
Attributable to non-controlling interests	(0.0)	0.2	na
Attributable to owners of the parent	147.0	94.9	54.9%

in EUR million	Sep 11	Dec 10	Change
Loans and advances to credit institutions	654	1,253	(47.8%)
Loans and advances to customers	6,578	6,075	8.3%
Risk provisions for loans and advances	(413)	(394)	4.8%
Financial assets - at fair value through profit or loss	28	44	(35.1%)
Financial assets - available for sale	1,007	905	11.2%
Financial assets - held to maturity	2,546	2,285	11.4%
Other assets	910	860	5.9%
Total assets	11,310	11,028	2.6%
Interest-bearing assets	10,400	10,168	2.3%
Deposits by banks	1,028	1,165	(11.7%)
Customer deposits	8,449	8,158	3.6%
Debt securities in issue	370	395	(6.4%)
Other liabilities	458	380	20.5%
Total equity	1,005	929	8.2%
Attributable to non-controlling interests	3	3	(0.7%)
Attributable to owners of the parent	1,003	927	8.2%

*) Market share data is as of Sep 2011