Erste Group successfully manages EUR 1.25bn increase of Slovak sovereign bonds

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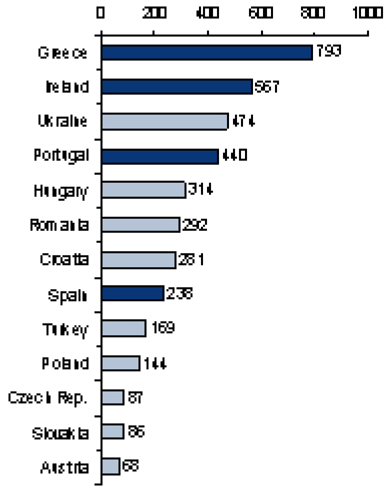
- Strong interest for the Slovak sovereign bonds offering: total orders amounted to EUR 1.9bn from over 100 investors
- Approx 60% have been subscribed internationally, mostly from Eastern European, German, Austrian, and Benelux investors
- The price of the offering was below the recently issued bonds of higher-rated Republic of Italy and Republic of Slovenia

Erste Group Bank AG („Erste Group") through its subsidiary Slovenská sporiteľňa successfully managed a EUR 1.25bn increase on 5-year Slovak government bonds as Joint Bookrunner. The Slovak Republic, rated A1/A+/A+ (Moody's/S&P /Fitch, all stable), acted through the Ministry of Finance and was represented by the Debt and Liquidity Management Agency (ARDAL).

The increase brought the issue, which carries a coupon of 3.5% and is due 24 February 2016, to a total size of EUR 2.428bn, and was priced at a re-offer price of 99.563% and a yield of 3.597%. Strong interest from investors in Eastern Europe, Germany, Austria and Benelux, and low spread sensitivity of the orderbook, allowed to price the offering at mid-swaps + 80bps, tighter than the initial guidance of mid-swaps + 85 bps area, and below secondary trading levels of bonds of higher rated Republic of Italy and Republic of Slovenia in similar maturity[1]. Erste Group led the transaction as Joint Bookrunner for the second consecutive time after the successful EUR 1.5 bn benchmark in April last year.

„Our role as bookrunner in the recent deals of Austria and the Czech Republic made us a clear partner for the Slovak government," explains Franz Hochstrasser, Deputy CEO of Erste Group. „Further issues of CEE sovereign bonds can be expected in the upcoming months as the risk assessment of the region has been improving. The lower public debt levels of the CEE countries further increase the overall attractiveness of their sovereign bonds." Erste Group acted as Joint Bookrunner - among other deals - in the recent bond issues of the Republic of Austria (EUR 4 bn) as well as the Czech Republic (EUR 1.5 bn). Erste Group thus ranks 1st as a bookrunner for sovereign and corporate bonds in Austria and CEE, with a market share of 11.9% and a volume of EUR 5,129 m in 2010[2].



CDS spreads (as of 11.2.2011)
CDS spreads of Romania and Hungary lower than Portugal, Ireland and Greece

The high success of the issue is based on Slovakia's unique position as it offers a mix of Euro currency country combined with strong growth potential (2011e: 4% in Slovakia compared to 1.3% in Euro Area) and highly productive business operations[3]. Furthermore, Slovakia has a very healthy position having the fourth lowest level of public debt in the Euro Area in 2010 (42% of GDP compared to 84% in the Euro Area average) and aiming to bring the fiscal deficit to about 5% of GDP in 2011 and below 3% in 2013.

According to Erste Group Research analysts, the improved risk assessment of CEE countries - CDS spreads are already tighter than those of (southern) European countries - combined with the lower than Euro Area average public debt levels[4] support the overall attractiveness of CEE sovereign bonds. Therefore, further sovereign bond issues in the CEE region can be expected in the upcoming months.

1 Italy (maturity Nov 2016): 3.79% mid-swap +99 bps, Slovenia (maturity Feb 2016): 3.72% mid-swap +93 bps (as 17.2.2011; Bloomberg)

2 According to Underwriter Leage Tables of Bloomberg.

3 Slovakia registered the most productive capital allocation in the non-financial corporate sector in 2009, generating about 26% gross return on capital and 19% net after tax return on equity even during the economic downturn.

4 The combined public debt of Hungary, Czech Republic, Slovakia, Romania and Croatia amounted to EUR 220 bn, which is EUR 100 bn less than the sole public debt of Greece (EUR 320bn in 2010e).