

Slovenská sporiteľňa, a.s.

Investor Presentation

September 2020

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Summary

Slovak Republic

- Member of European Union (since 2004) as well as Eurozone (2009)
- Sovereign ratings at A+ with negative outlook (S&P), A with stable outlook (Fitch) and A2 with stable outlook by Moody's
- Economy hit by the Covid-19 lockdown and consequent recession which seem to be relatively short-lived; labour market reasonably safe

Erste Group

- Founded in 1819 as the first Austrian savings bank, Erste Group grew to become one of the largest financial services providers in CEE
- Net profit negatively affected by significantly higher risk costs due to the Covid-19 pandemic; operating result down due to lower NII and NTI
- Asset quality still high (also thanks to moratoria and other measures), capitalisation is expected to remain strong with significant cushion

Slovak Banking Market

- Lending growth remains solid mainly in retail segment, despite economic cooldown and stricter macroprudential measures
- Net profit fell significantly in H1 2020 due to surging risk costs and increased bank levy*; asset quality and capitalisation still solid in all banks
- Loan growth should moderate in coming years to match economy growth while deposits are expected to grow at current pace (5-6% yoy)

Slovenská sporiteľňa

- SLSP is the largest bank in Slovakia in terms of total assets, retail loans, total deposits as well as distribution network
- Current rating from Moody's stands at A2 with stable outlook, while covered bonds have been rated at Aaa by Moody's
- Higher risk costs and bank levy with significant negative impact on net profit; SLSP remains among the top banks in ROE, CIR and CAR

Covered Bonds

- Secured by cover pool assets to which covered bonds investors have direct recourse as preferred creditors, min. over OC of 5%
- Enhanced insolvency regime and safeguards – envisage orderly transfer of whole portfolio and cover pool to other bank(s)
- Soft bullet structure (maturity can be extended by max. 12/24m in case of transfer); independent CBs monitor appointed by NBS

Cover Pool

- Base assets – mortgage loans secured by residential properties with max. maturity 30Y, LTV max. 80%, min. 90% of the Cover pool
- Substitute assets – cash, government bonds in line with CRR
- Liquid assets – liquidity buffer for 180 days; Hedging derivatives (if any); Cover pool assets segregated from other assets

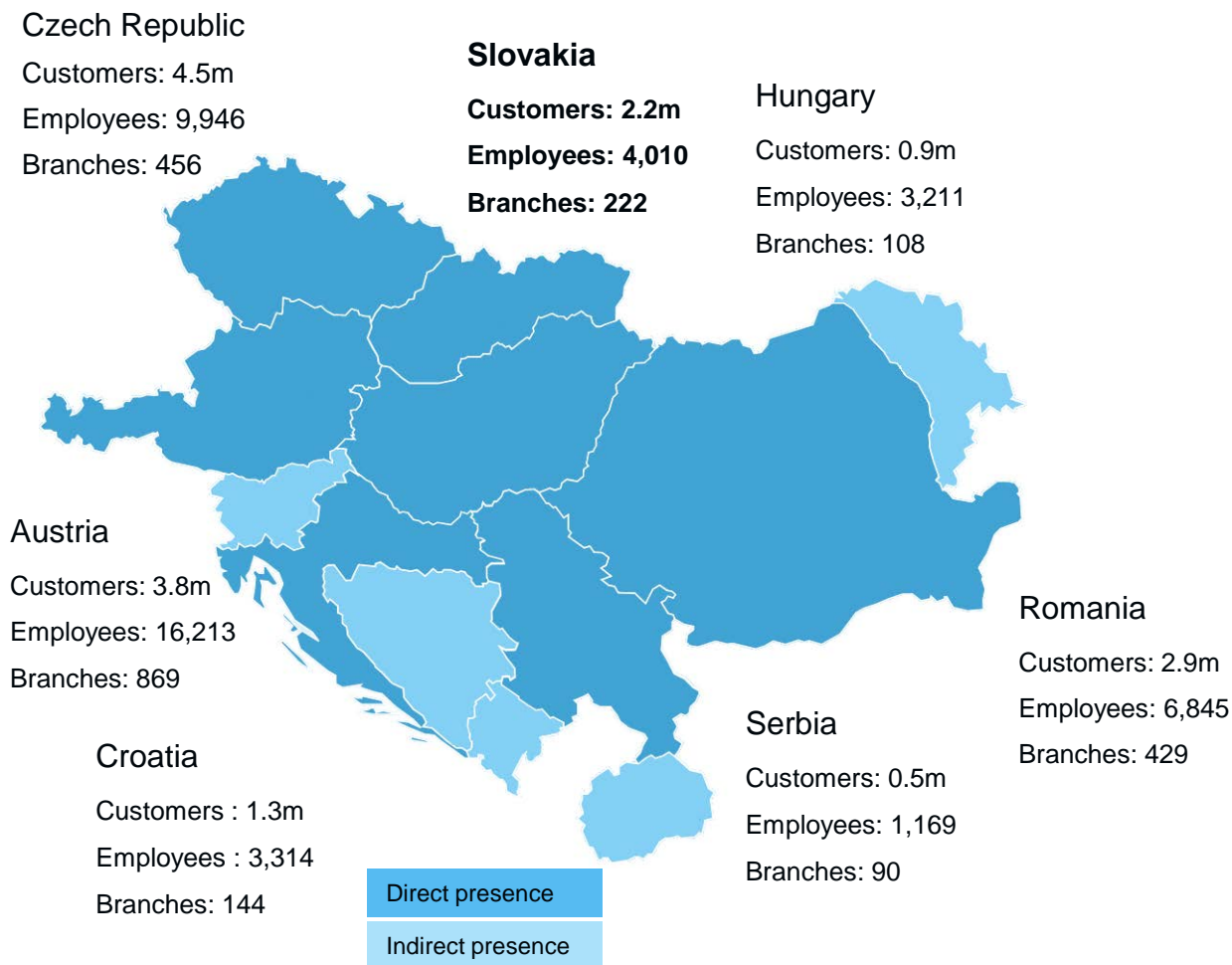
Presentation Topics

1. Erste Group / SLSP at Glance

2. Slovak Republic
3. Slovak Banking Market
4. Slovenská sporiteľňa
5. Covered Bonds Framework
6. Covered Bonds and Cover Pool
7. Additional Information

Erste Group at a Glance

Erste Group footprint



Key information as of June 2020

Total assets	EUR 265bn
Net profit	EUR 294mn
NPL coverage	91.1%
NPL ratio	2.4%
CET 1 ratio*	14.2%
Total capital ratio*	19.1%
Loan/deposit ratio	89.6%
Leverage ratio	6.6%
Credit ratings**	A (Stable) / A2 (Positive) / A (RWN)

* Basel 3, phased-in; ** S&P / Moody's / Fitch

Slovenská sporiteľňa at a Glance

Slovak market leader with largest distribution network

- Established in 1825 and 100% Erste Group ownership since 2001
- No. 1 in total assets, retail loans, total deposits, number of branches (222) and ATMs (754) in Slovakia
- Long-time leader in mortgage/housing loans
- The largest commercial bank in Slovakia servicing 2.2 million clients

Credit Rating of Slovenská sporiteľňa (SLSP)

	Issuer	Covered Bonds
Moody's	A2 stable	Aaa

Key information as of June 2020

Total assets	EUR 19.4bn
Net profit	EUR 29.5mn
NPL coverage	95.8%
NPL ratio	2.7%
CET 1 ratio*	16.1%
Total capital ratio*	20.6%
Loan/deposit ratio	101.4%
ROE	3.5%
CIR	50.3%

* Basel 3, phased-in

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Slovak Republic at a Glance

Area: 49,035 km²

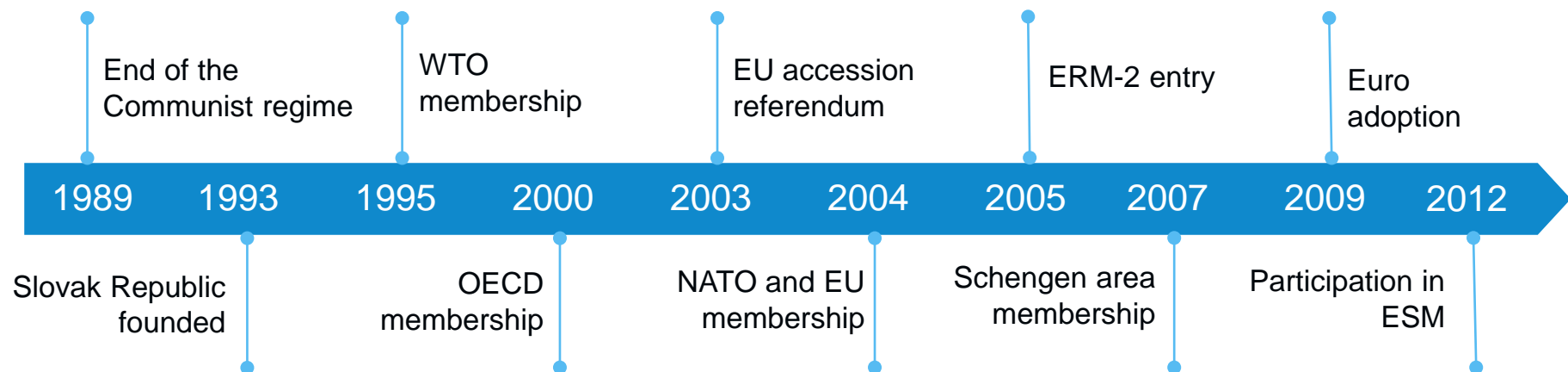
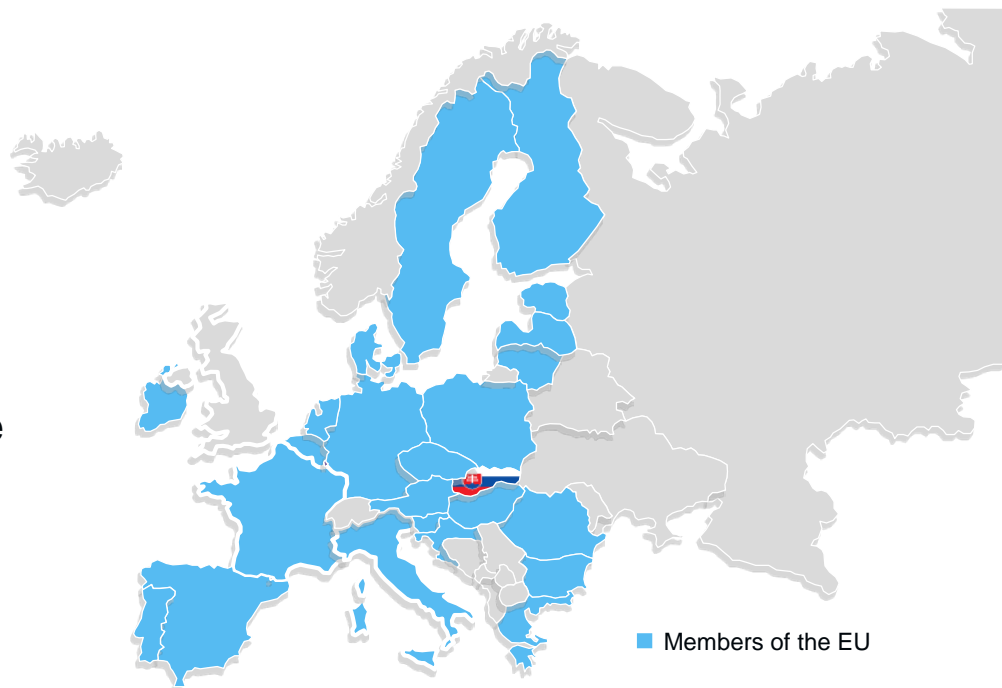
Population: 5.4 million

GDP per capita: Approx. €17,300 in 2019

Credit ratings*: A2 (stable outlook) / A+ (negative outlook) / A (stable outlook)

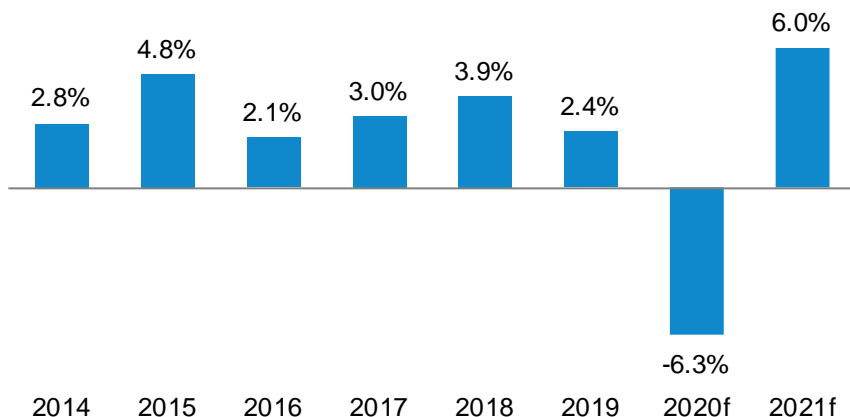
Capital: Bratislava

* Ratings by Moody's / S&P / Fitch



Macroeconomic Development

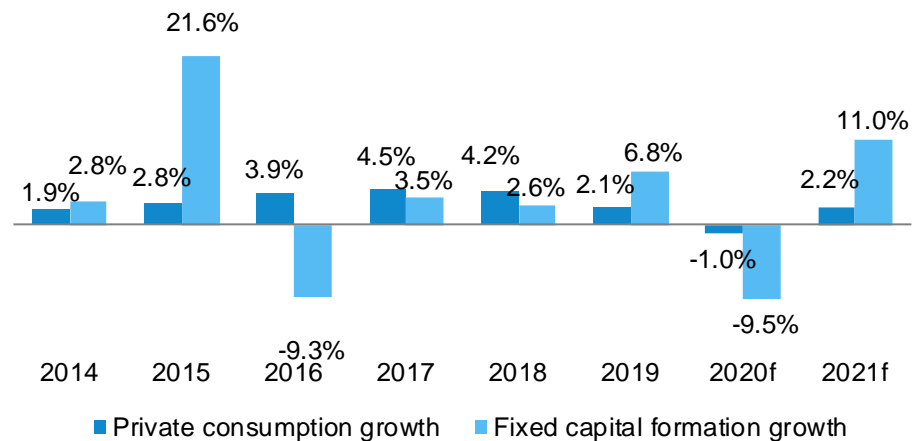
Real GDP growth (%)



Source: Statistical Office, SLSP Research

- Due to the COVID-19 pandemic, real GDP is forecast to fall by 6-6.5% in 2020 before rebounding to 6% growth in 2021
- Q2 2020 was the most-hit quarter, as GDP fell by 12.1% yoy - social distancing measures closed off borders in mid-March (goods transport exempted) and significantly restricted demand and supply for several weeks/months
- Given the nature of the shock and the reopening of the economy that started in May, GDP should bounce back, but the speed of recovery remains contingent on numerous factors

Components of GDP

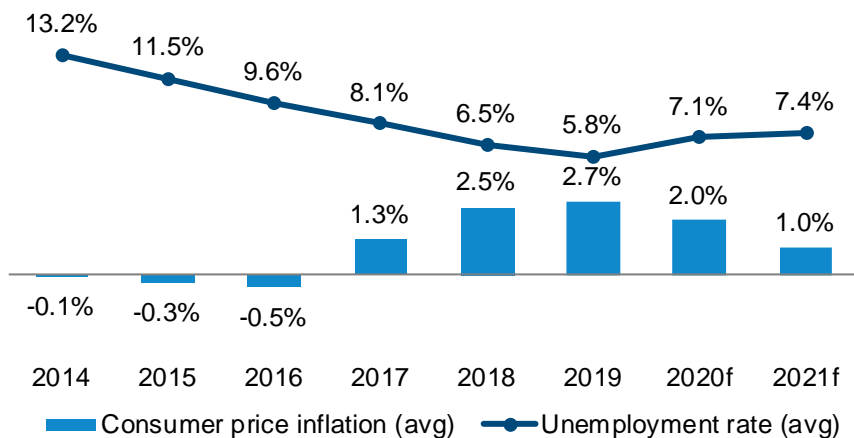


Source: Statistical Office, SLSP Research

- Both domestic and foreign demand have been heavily affected due to social distancing measures (especially in Q2 20), not just in Slovakia but globally
- Speed of recovery remains contingent on the recovery path of economic activity at home and abroad, with uncertainty playing a visible role
- 2020 will bring a substantial drop in investments, before a rebound in 2021 (aided by base effects and by EU funds in later years)

Macroeconomic Development (Cont'd)

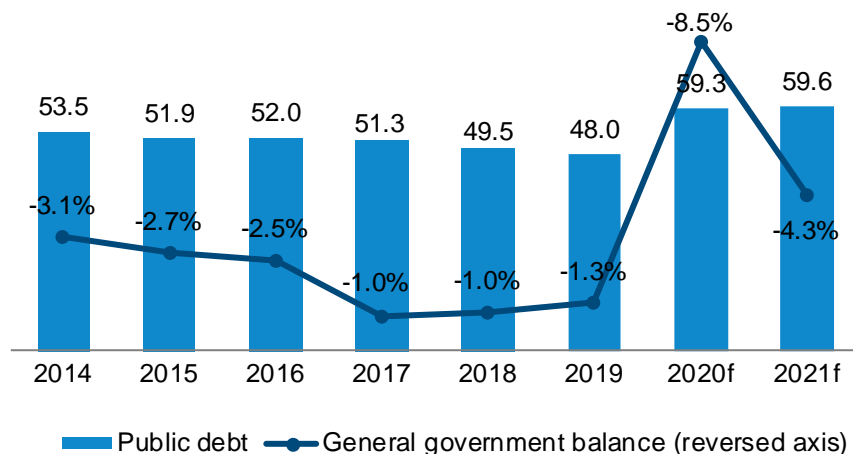
Unemployment and inflation (%)



Source: Statistical Office, SLSP Research

- Labour market is affected by the pandemic – **we expect unemployment rate to increase this year**, amidst a decrease in employment and weaker nominal wage growth
- Yet, the impact is softened by fiscal measures geared at protecting employment and the recovery should bring gradual improvements in the following years
- **Inflationary pressures are likely to ease amidst worsened economic environment and lower energy prices**

Public debt and govt. balance (share of GDP)

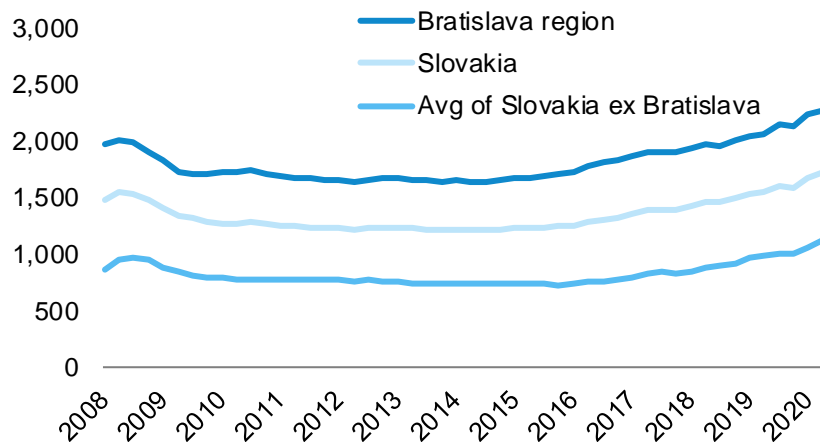


Source: Statistical Office, SLSP Research

- **Last year's fiscal deficit reached 1.3% of GDP**, instead of a planned balanced budget
- The current situation is calling for a significant fiscal response to support the economy and **we may see this year's fiscal deficit rising to 8.5% of GDP**, before declining in the next few years
- **Government debt fell to 48% of GDP in 2019** (-1.2pp); **likely to rise visibly this year due to COVID-19**
- No issues with EU rules given the nature of the shock

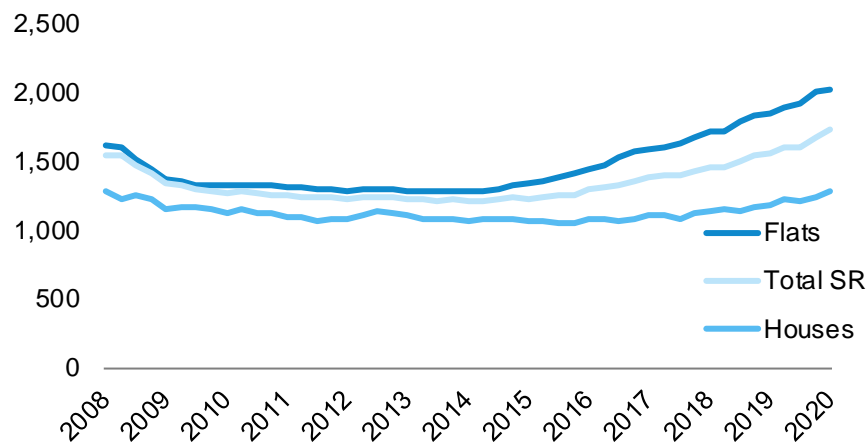
Domestic Residential Real Estate Market Overview

Property prices by regions (EUR/M2)



Source: National Bank of Slovakia

Property prices by type (EUR/M2)

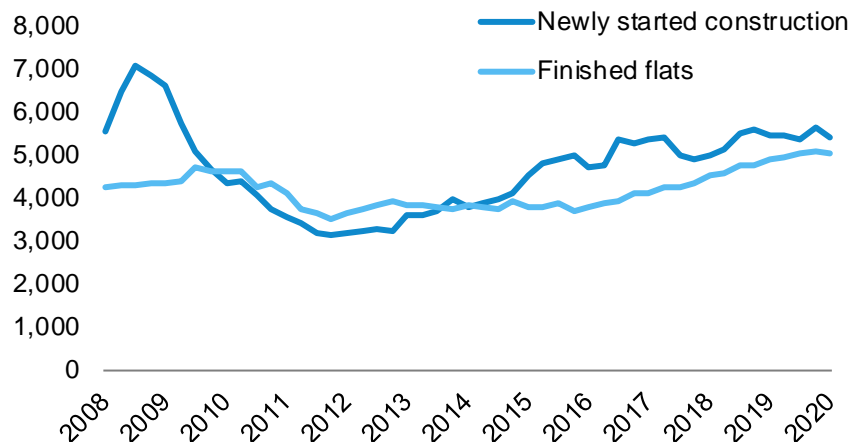


Source: National Bank of Slovakia

- Real estate prices grew by more than 7% on average in 2019
- Beginning of 2020 even brought double-digit growth despite uncertain situation regarding the future economic development
- Economic growth and growth of disposable income, coupled with low interest rates, are the main causes behind the property prices increase
- Recent quarters indicate gradual drift away from fundamentals
- Flat prices have shown much higher price appreciation than houses
- Prices are growing across all flat sizes

Domestic Residential Real Estate Market Overview (Cont'd)

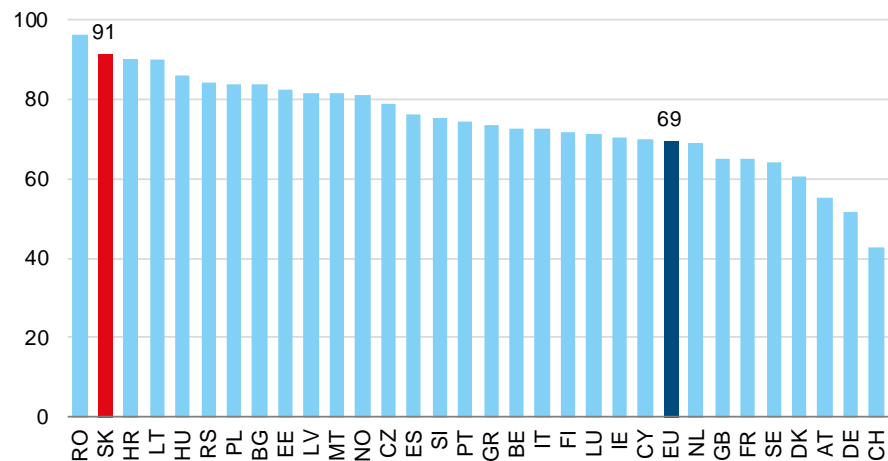
Construction of new flats (number)



Source: Statistical Office

- Developers are more cautious than in the pre-crisis period as newly started construction is still far below 2008 maximum
- Lower supply contributes to the rapid growth of real estate prices in recent quarters

Share of population living in own dwellings (%)



Source: Eurostat (2018)

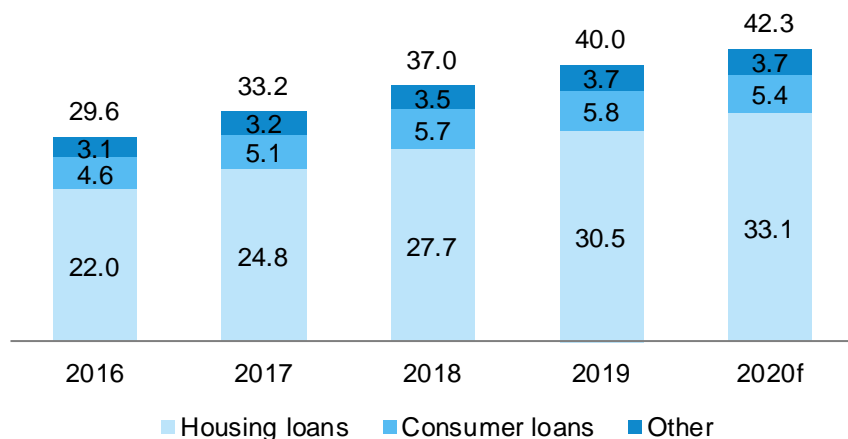
- Historically, Slovaks have high tendency for house/flat ownership – more than 90% of population live in own dwelling
- Rental market is underdeveloped, certain measure has already been proposed by the government to increase share of rental real estate

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Outstanding Retail Loans and Debt of Households

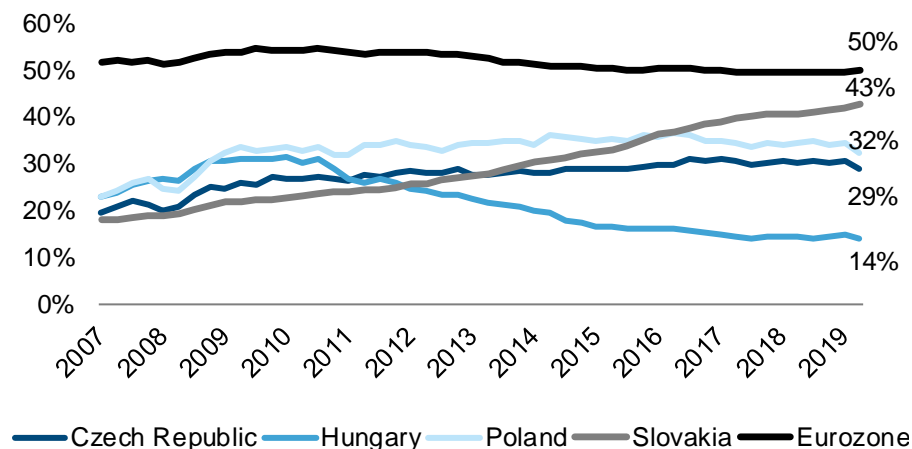
Development of retail loans (EUR bn)



Source: NBS, SLSP Research

- **Housing loans constitute the majority of retail loans**
- During the period of 2015-2018, average annual growth rates were 13% for housing and 14% for consumer loans
- **However, in recent 2 years, the growth of retail loans has been slowing down** – milder slowdown was seen in housing loans (still at almost 10% as of Jun-20), while consumer loans grew by just 0.4% yoy as of Dec-19 and even shrank by 4% as of Jun-20
- We expect the growth to decelerate in the coming years, mainly due to stricter regulation* as well as lower demand

Retail loans to GDP

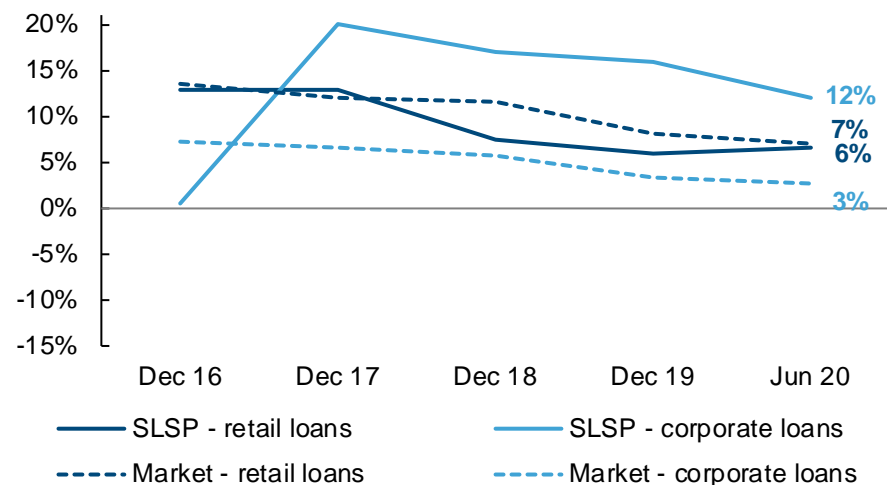


Source: ECB, SLSP Research

- **In recent years, indebtedness of Slovak households has shown the most dynamic development in Eurozone**
- Currently the ratio of retail loans to GDP is the highest among peer countries, nevertheless, still below the Eurozone average
- Our forecast for coming years is that the ratio will stabilize at around 43-45%
 - Although the growth of indebtedness eased in 2019, slump in GDP in 2020 together with still solid retail loans growth will have negative effect on the ratio

Outstanding Loans and Deposits

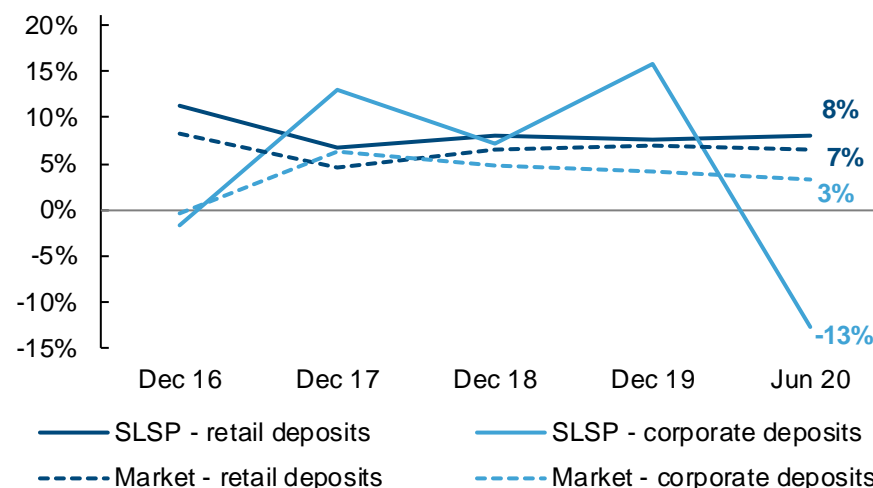
Retail and corporate loans (YoY growth)



Source: NBS

- The pace of **retail loans growth reached solid 7%** as of Jun-20
 - However, it has been slowing down for 2 years now → regulation and demand saturation are the main reasons
 - As of Jun-20, market housing loans grew by 9.7% yoy (10.2% yoy at SLSP) and portfolio of consumer loans declined by 4.3% yoy (-6.5% at SLSP)
- Total volume of retail loans was EUR 41bn as of Jun-20 for the whole sector and EUR 10.7bn for SLSP
- The volume of **corporate loans** increased by 3% yoy to EUR 23.7bn
 - At SLSP, growth was 12% yoy and volume reached EUR 3.9bn

Retail and corporate deposits (YoY growth)

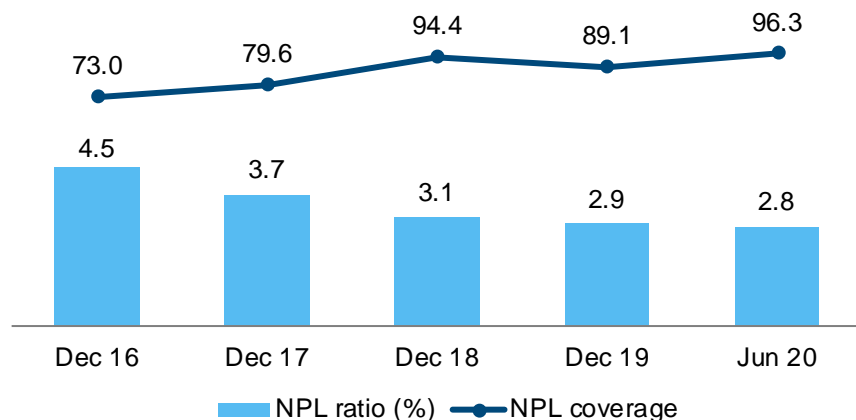


Source: NBS

- The growth of customer deposits continued in H1 20 (+4% yoy)
- Growth of market **retail deposits remains at 7% yoy**
 - Total market volume of retail deposits is at EUR 42.2bn, while SLSP's volume reached almost EUR 12bn as of Jun-20
 - High growth in sight and savings deposits in retail, while outflow of term deposits continued
- Market **corporate deposits** up by 3% yoy, stood at EUR 19.3bn
 - At SLSP, they fell by almost 13% yoy to EUR 2.4bn due to change in pricing in Jan-20
- Market loan-to-deposit ratio reached 103.8% as of Jun-20**

NPL Rates and Profitability of the Sector

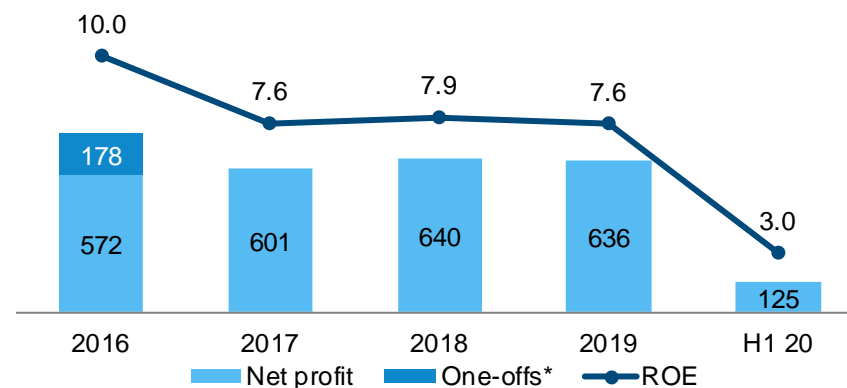
NPL ratio and NPL coverage



Source: NBS

- **Total volume of non-performing loans is on decline in recent years**
 - Both retail (despite rapid growth in lending) and corporate contribute positively to this development
- Sudden increase in NPL coverage in 2018 due to IFRS 9 and in 2020 due to forward looking LLP creation in regards to the Covid-19 crisis
- Slovak banking sector has one of the highest NPL coverage ratios among EU countries

Profitability of the sector (EURm / %)

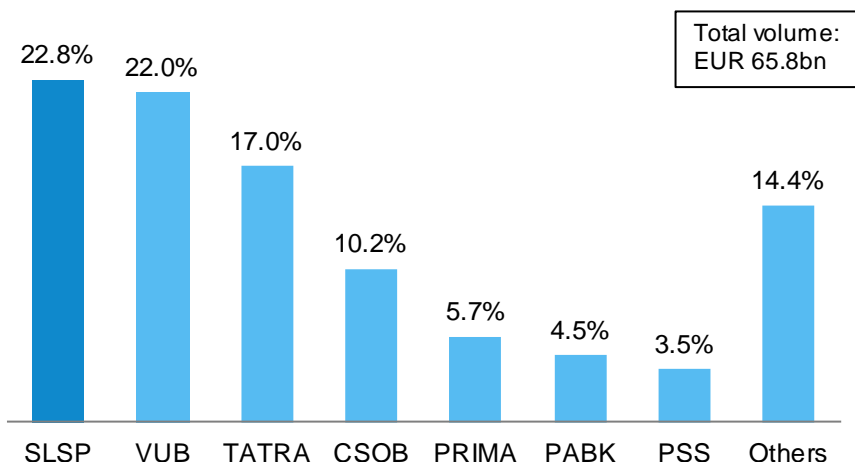


Source: NBS

- **Slovak banks posted net profit of EUR 636m in 2019, pressure on NII continues**
 - Operating result worsened slightly but lower risk costs and releases of provisions helped to keep the profit stable
- **H1 2020 result was more than 60% lower yoy**
 - The main reasons were much higher LLP creation and doubled bank levy
 - Risk cost will drag the profit down also in H2 2020 while bank levy was cancelled for H2 2020 and onwards

Main Players on Slovak Banking Market

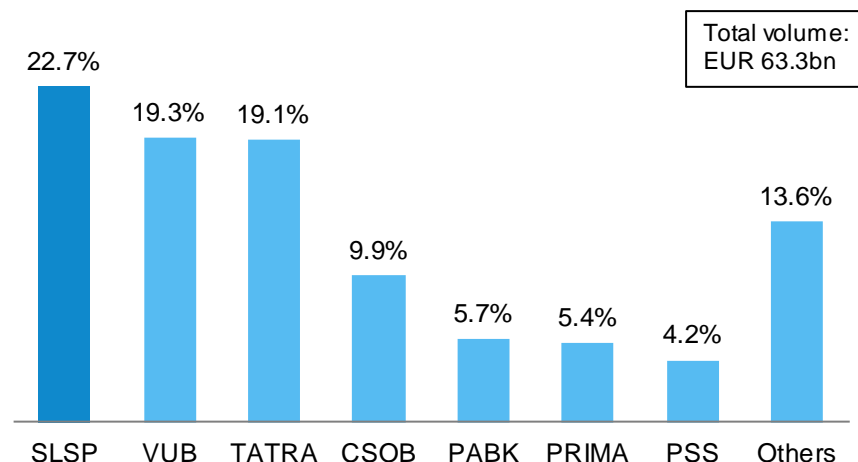
Customer loan market shares (June 2020)



Source: Individual financial statements of respective banks, NBS

- **SLSP regained its leading position in total loans** (on individual basis)
 - In 1-6/2020, SLSP market share increased by 21bp, thanks to corporate and public loans
- **Postova banka** recorded highest YTD market share growth (+35bp), while VUB lost almost 50bp during the first half of 2020

Customer deposit market shares (June 2020)



Source: Individual financial statements of respective banks, NBS

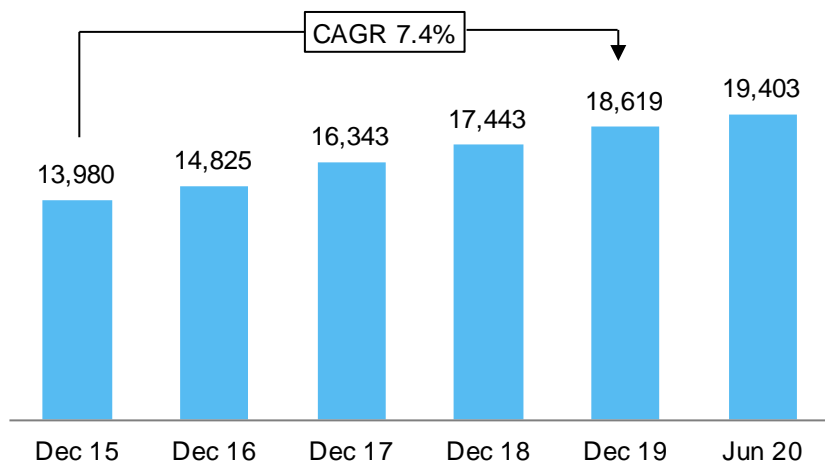
- **SLSP remains the bank with the highest volume of customer deposits**
- **SLSP's** share in customer deposits declined by 28bp to 22.7% in the first 2 quarters of 2020 due to drop in corporate deposits (change in pricing for excessive balance on bank's accounts)
- In total deposits, **VÚB** had the largest increase (+24bp), followed by **Prima** with +22bp

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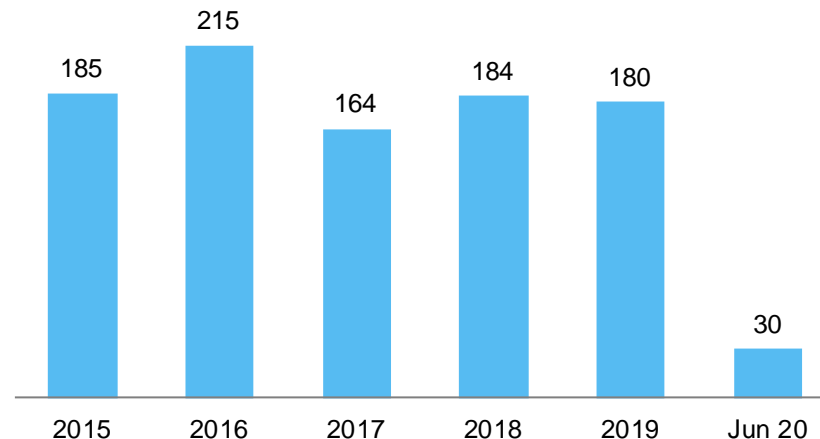
Historical Performance of SLSP

Total assets (EUR m)



- **SLSP remains the long time leader in total assets in Slovak banking sector**
- Customer loans were the main driver of the balance sheet growth

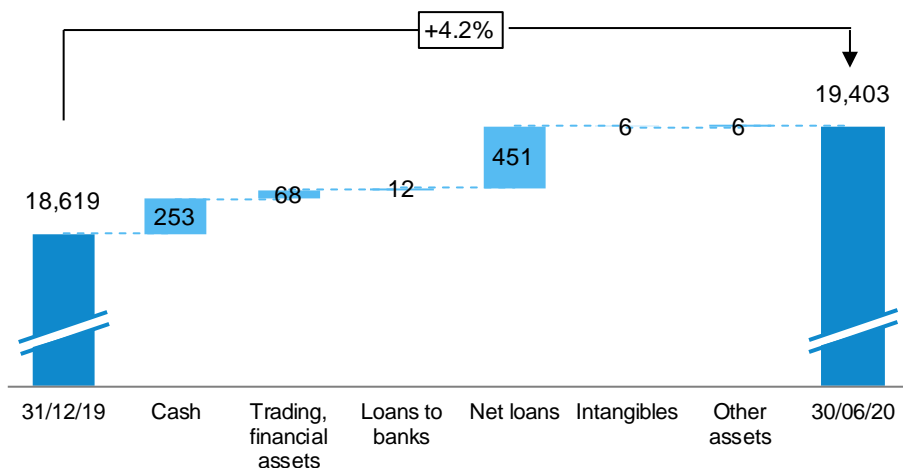
Net profit (EUR m)



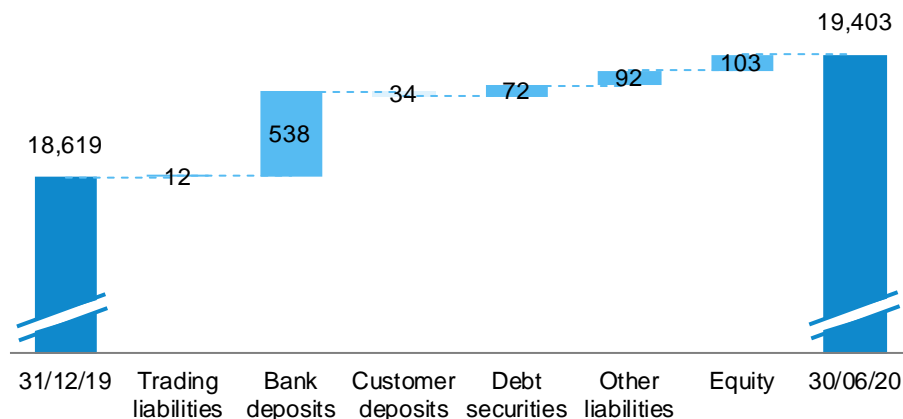
- **Profitability of SLSP has been fairly stable over the past years**
 - Extraordinary income from sale of VISA shares in 2016
 - 2019 profit was almost the same as in 2018, operating profit went up while risk cost increased as well
- **Year 2020 is extraordinary due to the Covid-19 pandemic**
 - Significantly higher risk costs booked in advance to be prepared for probable wave of defaults (currently postponed thanks to the state moratorium)
 - In addition, increased bank levy dragged the profit down as well

Balance Sheet Performance of SLSP

YTD total assets reconciliation (EUR m)



YTD total liability reconciliation (EUR m)



- **Balance sheet growth was driven mainly by customer loans**

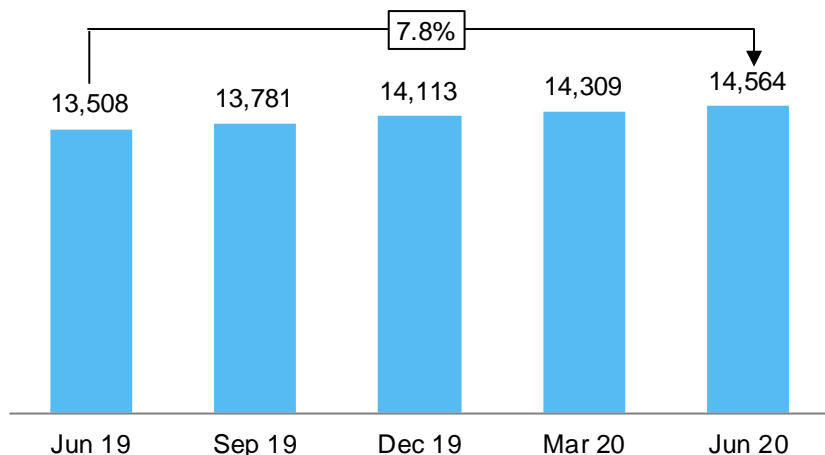
- Volume of loans to customers rose by +3% YTD in Q2 20
- Out of that, loans to households grew by 2% YTD driven by housing loans while portfolio of corporate loans expanded by 7% YTD
- Volume of **financial assets** increased by 2% YTD
- **Total assets** grew by more than 4% YTD in Q2 20

- **Customer deposits remained virtually unchanged in 1-6/20**

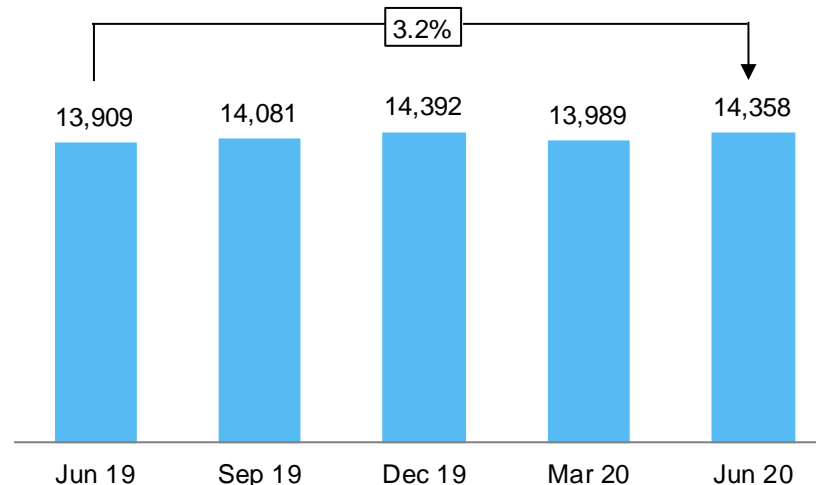
- While retail deposits grew by solid 4% YTD, volume of corporate deposits fell by 20% (EUR 560m) mainly due to changes in pricing in Q1 20 (increase in excess balance fees)
- Significant increase came in **deposits from other banks**
- **Issued debt securities** rose by 3.5% YTD
- **Equity** increased by more than 6% in the first half of 2020

Balance Sheet Performance of SLSP (cont'd)

Net customer loans (EUR m)



Customer deposits (EUR m)

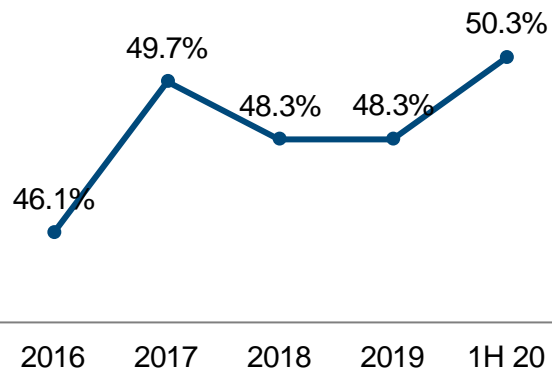


- **SLSP's customer loans grew by 8% yoy as of Jun-20**
- **Slightly lower pace (7% yoy) was recorded in retail loans**
 - Annual growth of housing loans kept its momentum with 9% yoy growth despite deteriorating economic environment
 - On the other hand, consumer loans were hit quite significantly as the portfolio shrank by almost 6% in annual comparison
- **Corporate & public loans rose by still strong 11% yoy**
 - This time, mainly Large corp. segment drove quarterly net addition

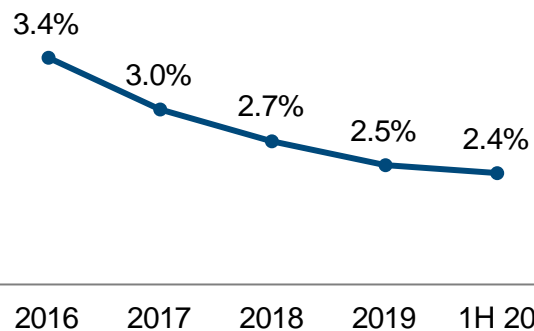
- **SLSP's customer deposits expanded by 3% as of Jun-20**
- **Growth of retail deposits accelerated further to 8% yoy**
 - Lower spending due to the lockdown and various measures by the government contributed positively to the growth
- **Non-financial corporate deposits rose by 5% yoy**
 - While SME and Public segments grew, LC recorded a yoy outflow due to change in pricing introduced in January 2020
- Deposits from financial institutions were at just half of the volume seen last year
- **Net L/D ratio decreased in Q2 20 by 85bp to 101.4% qoq**

Key Financial Ratios of SLSP

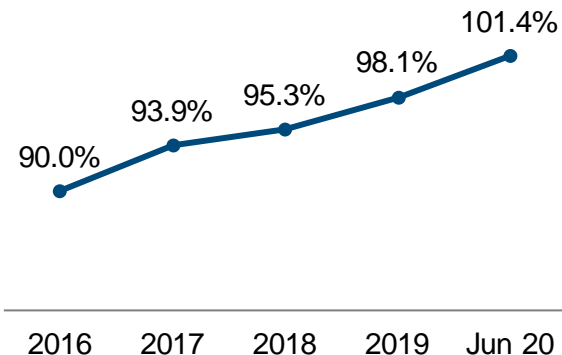
Cost income ratio



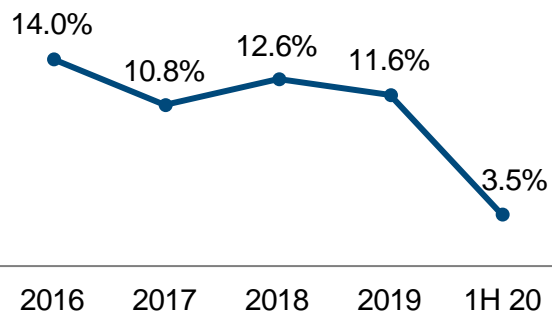
Net interest margin



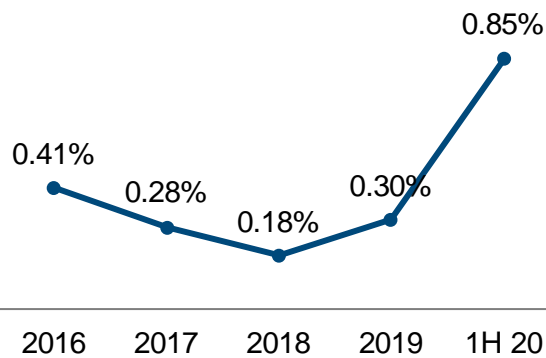
Net loan/deposit ratio



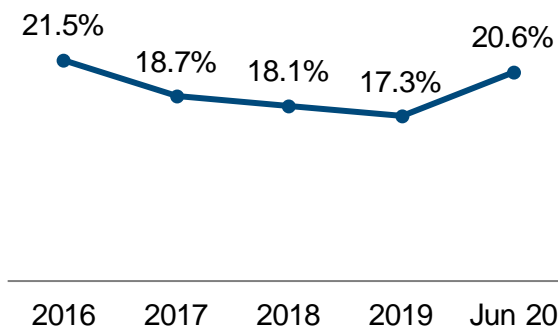
ROE



Risk costs

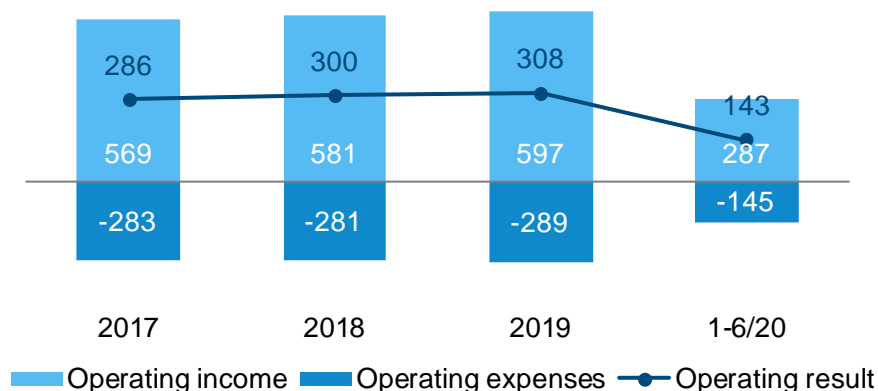


Solvency ratio

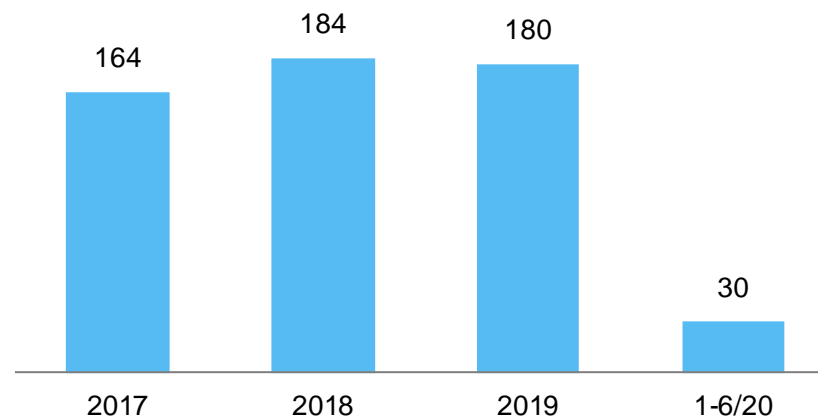


Operating and Net Results of SLSP

Operating result development (EUR m)



Net result development (EUR m)

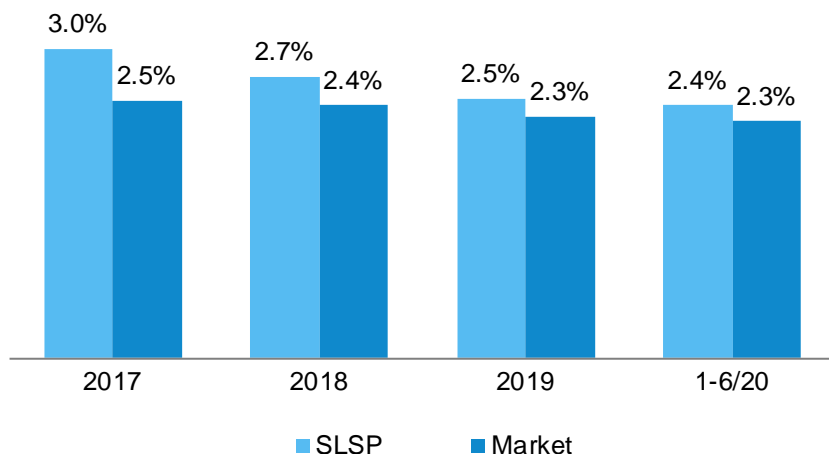


- **Operating result reached EUR 308m in 2019, +3% yoy**
 - The increase came mainly from growing Net fee and commission income coupled with higher Net trading income
 - Operating expenses were slightly higher yoy
- **In H1 2020, operating result decreased by 8.6% yoy**
 - Higher personnel expenses and lower trading income were the main culprits
- **Cost-income** ratio remains near 50% also in 2020

- **Net profit** fell by almost 70% on the back of significantly higher risk costs
 - LLP creation went up from EUR 19m in H1 19 to EUR 64m in H1 20
- **Bank levy** contribution increased from 0.2% to 0.4% in H1 2020, causing further significant strain on the profitability
 - SLSP paid EUR 18m more than a year ago
 - The new government cancelled the levy for H2 2020 and onwards
- **Return on equity** reached just 3.5% in H1 2020, down from more typical 11.6% in 2019

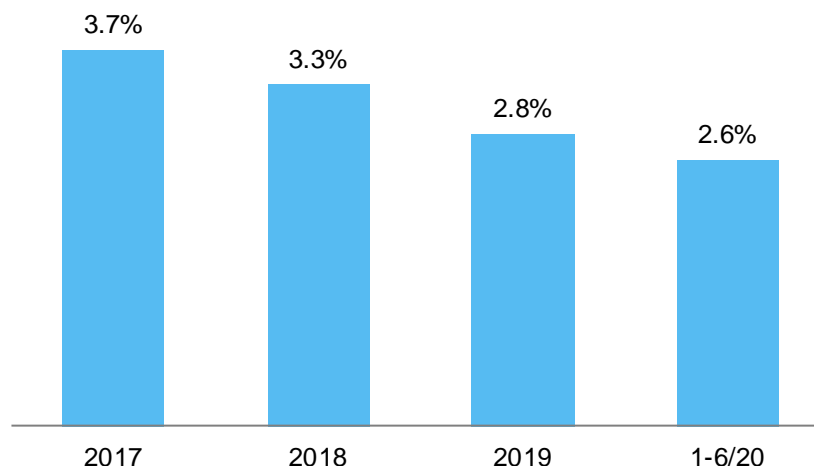
Development of Net Interest Margin of SLSP

NIM – SLSP vs Market



- **Net interest margin** of SLSP is still above market average
- Although interest income from loans (in %) is not far from largest competitors, SLSP benefits from higher yields from securities
- All top 4 banks in the market have expenses on deposits below 0.2%

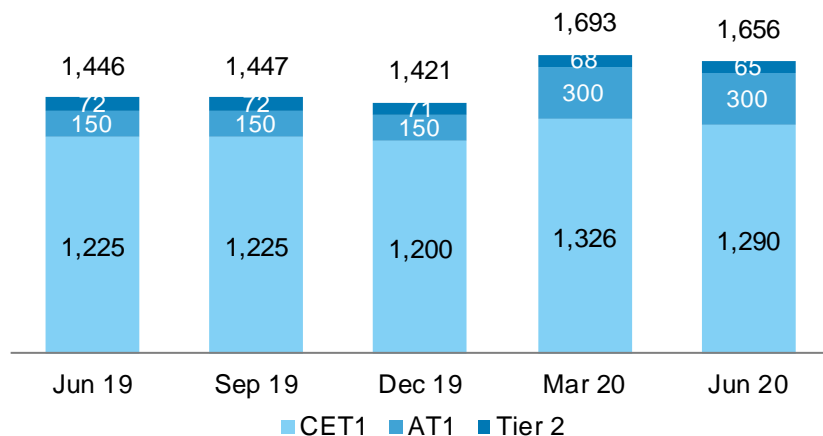
Development of NIM in Retail (SLSP)



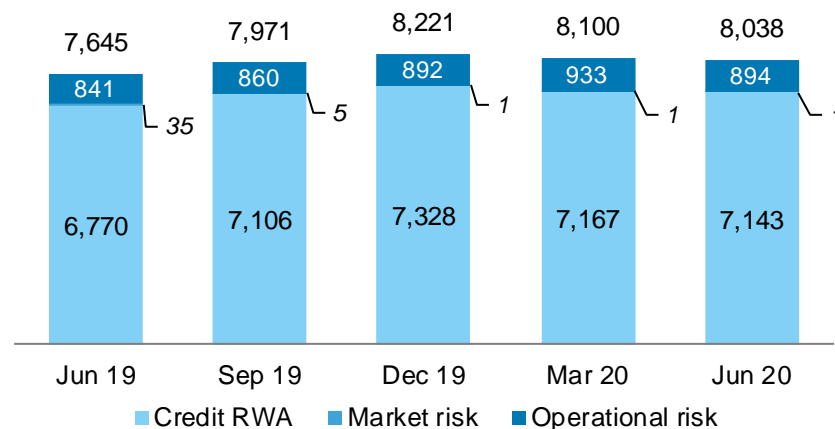
- Decline in **retail NIM** continues as loose monetary policy of ECB and stiff competition create significant pressure on the retail margins
- Growing volumes can compensate for the decline in NIM to a limited extend

Capital Position of SLSP

Basel 3 capital (phased-in, EUR m)

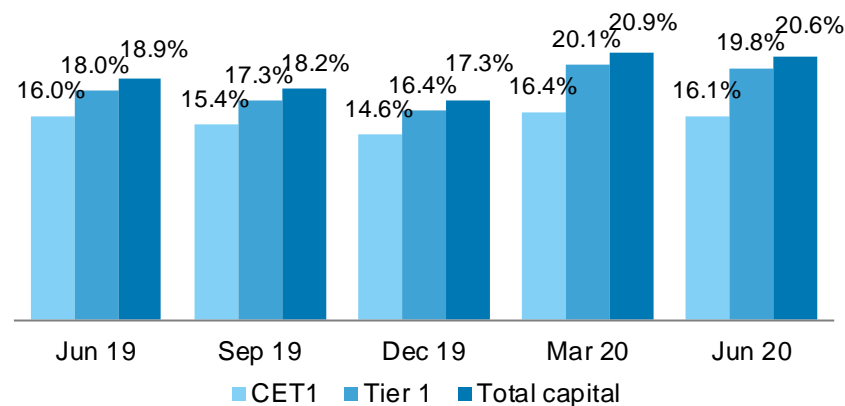


Risk-weighted assets (phased-in, EUR m)



- SLSP's capital position has been strong and well above minimum requirements
- Issuance of Additional Tier 1 capital (EUR 150m) helped significantly, increasing capital adequacy above 20%

Basel 3 capital ratios (phased-in, EUR m)



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7. Additional Information

Covered Bonds Frameworks across Europe

Mortgage CBs	AUSTRIA - HypBG	GERMANY	FRANCE - OH	SLOVAKIA
Issuer	Universal credit institution	Universal credit institution	Specialized credit institution	Universal credit institution
Ordinary cover assets	Mortgage loans	Mortgage loans	Residential mortgage loans (including guaranteed RE loans); Securitization of above mentioned assets (subject to specific rules and criteria)	Residential mortgage loans
Geographical scope	EEA, Switzerland	EEA, Switzerland, USA, Canada, Japan, Australia, New Zealand, Singapore	EEA and other top rated countries	Slovakia
LTV limits	60% based on the updated sustainable property value	60% based on the mortgage lending value	80% based on market values; 100% LTV for state-guaranteed RE loans	LTV of 80% based on the lower of market price or expert valuation
Limit for substitute cover assets	Up to 15% of CBs outstanding volume	Up to 10% of CBs outstanding volume (add. 10% may consist of Cover assets sustainable for German Public sector CBs)	Up to 15% of CBs outstanding volume	Up to 10% of the cover pool
Maturity structure	Hard bullet, but recently also soft bullet CBs issued	Hard bullet	Most OHs have been issued with soft bullet structures (usually 12 months)	Soft bullet (maturity extension by up to 24m) - acceleration in case of insolvency possible
Primary method for the mitigation of market and refinancing risk	"Natural" matching – Hedging derivatives might be registered in the cover pool	Max. liquidity gap over the next 180d must be covered; Hedging derivatives might be in the pool	180 day liquidity coverage; Use of derivative hedging instruments	The issuer obliged to cover the max. liquidity gap over the next 180d; hedging. der. possible
Overcollateralization	2% on nominal basis	2% on NPV and 2% on stressed NPV basis; by law the supervisor will be able to request cover add-ons for individual cover pools	5% on nominal basis	5% on nominal basis
Independent cover pool monitor	Yes	Yes	Yes	Yes
Art. 52(4) UCITS compliant	Yes	Yes	Yes	Yes
Art. 129 CRR compliant (generally)	Yes	Yes	Yes	Yes

Regulatory Overview

- The covered bond rating matters from a regulatory perspective;
- Regulatory implications of different rating levels for a typical Slovak EUR covered bond benchmark backed by mortgages;
- Slovak Covered Bonds tick the same boxes as those in more established jurisdictions.

		UCITS Art. 52(4)	CRR stand. Risk weight	Solvency II	LCR level	ECB repo	EEA	CBPP3	OECD
Slovak Covered Bonds	Triple A	✓	10%	✓	1(B)	✓	✓	✓	✓
	Double A	✓	10%	✓	1(B)	✓	✓	✓	✓
	Single A	✓	20%	✗	2A	✓	✓	✓	✓
Foreign Covered Bonds	GER, FRA, NED, ...	✓	10%	✓	1(B)	✓	✓	✓	✓
	POL, NOR	✓	10%	✓	1(B)	✓	✓	✗	✓
	CAN	✗	20%	✗	2A	✓	✗	✗	✓
	AUS, NZD	✗	20%	✗	2A	✗	✗	✗	✓
	SGP	✗	20%	✗	2A	✗	✗	✗	✗

Presentation Topics

1. Erste Group / SLSP at Glance
2. Slovak Republic
3. Slovak Banking Market
4. Slovenská sporiteľňa
5. Covered Bonds Framework
- 6. Covered Bonds and Cover Pool**
7. Additional Information

Funding of SLSP

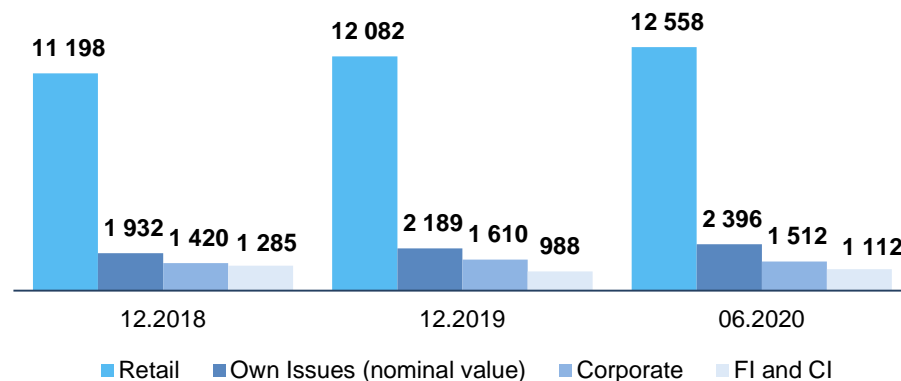
Source of Funding

- Historically very stable funding mix
- Further sustainable balance sheet growth expected

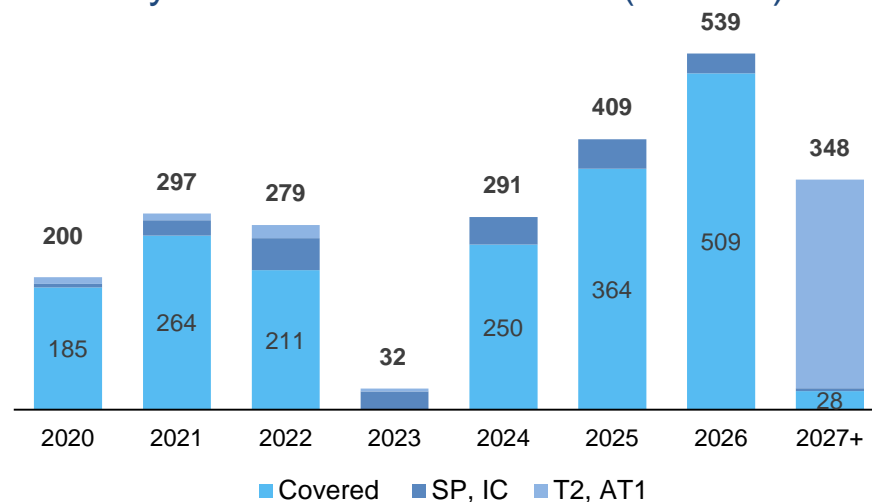
Covered Bonds / Programme Summary

- Issuer's Rating: A2, stable by Moody's
- Programme Size: EUR 5,000,000,000
- Covered Bonds Rating: Aaa by Moody's
- Cover Pool: Slovak residential mortgage loans only
- Committed OC of 7.5%
- Max. LTV: 70% (internal limit)
- 30+ days in arrears loans automatically excluded
- Governing Law: Slovak
- Listing: Bratislava Stock Exchange (Vienna Stock Exchange)

SLSP Funding Mix (12/2018 – 6/2020, EUR m)



Maturity Profile as of 30.6.2020 (EUR m)



Cover Pool Overview as of 30.6.2020

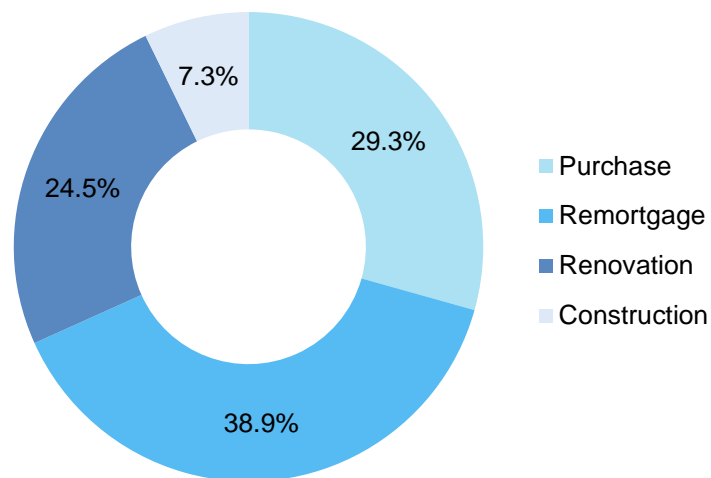
Cover Pool Structure

Total cover pool volume	3 563.8m EUR
Residential Loan balance	3 453.8m EUR
Liquidity buffer (liquid assets)	110.0m EUR
Number of loans	85 149
Number of borrowers	77 729
WA indexed LTV	50.26%
WA seasoning	3.8 years
WA remaining term	20.1 years

Notes (Cover pool):

1. Excluding no-eligible loans and loans 30+ days in arrears; 2. Interest rate type: 87.3% fixed rate (Moody's methodology); AVG interest rate: 1.48% p.a.; 3. Loans in EUR only; 4. No derivatives in the Cover Pool; 5. Liquidity buffer – SK Govt. Bonds; 6. Average loan volume: 40 562 EUR; 7. No. of pledged properties: 93 458; 8. Loans payment moratorium (COVID-19): 9.46%; 9. Total volume of issues includes retained covered bonds (EUR 500m).

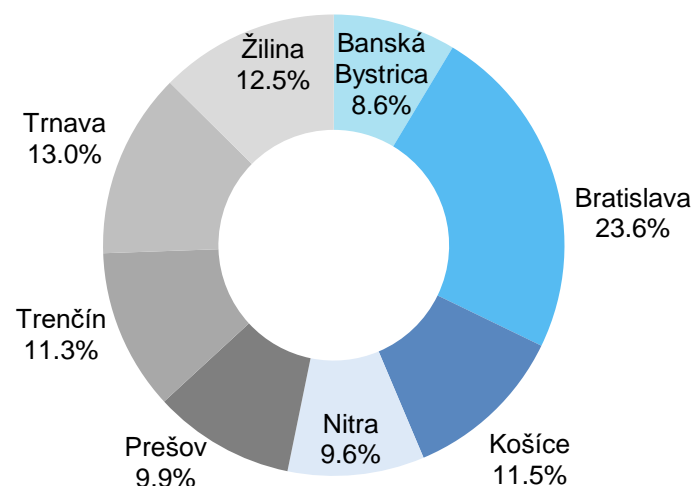
Distribution by Loan Purpose (volume)



Covered Bonds

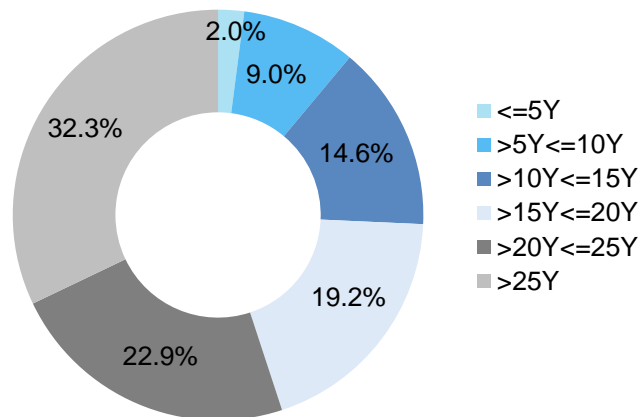
Total volume of issues	2 310.9m EUR
WAL of outstanding CBs	4.6 years
Committed OC (nominal)	7.5%
Over-collateralisation (nominal)	54.21%
Covered Bond Rating (Moody's)	Aaa
Maturity type	Soft Bullet
Currency distribution	EUR 100%
Fixed rate CBs outstanding	97.8%

Regional Distribution (volume)

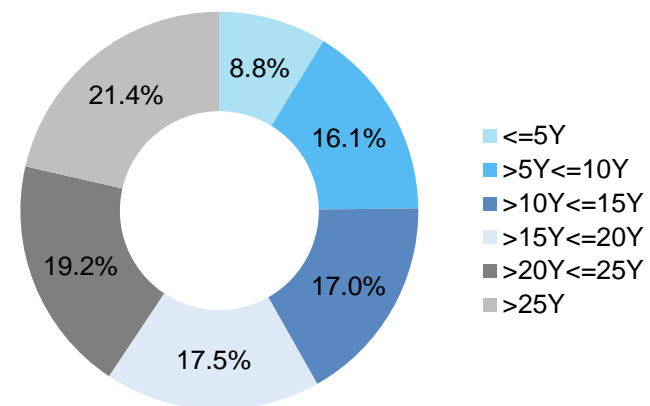


Cover Pool Overview as of 30.6.2020 (Cont'd)

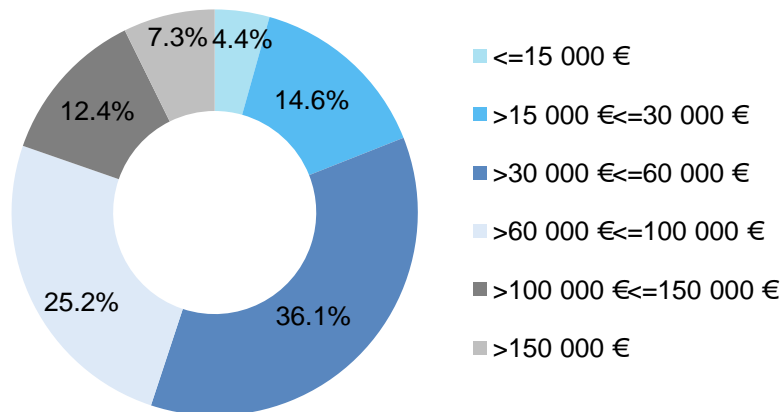
Distribution by Remaining Term (volume)



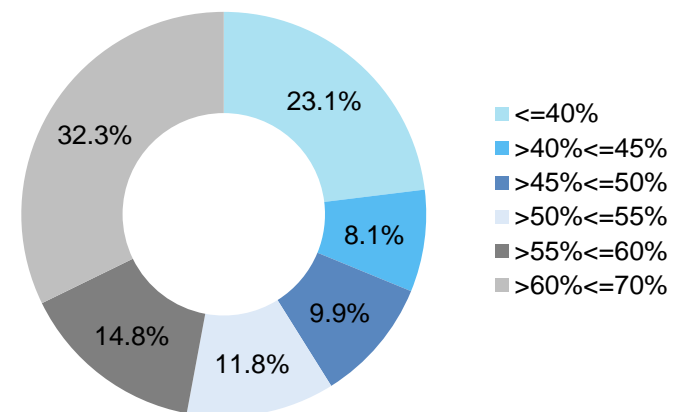
Distribution by Remaining Term (number of loans)



Distribution by Volume (volume)



Distribution by LTV (volume)



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Additional Information – Balance Sheet

in m EUR	12/2019	06/2020	YTD
Cash and cash balances	501.4	754.6	253.2
Derivatives	41.4	51.9	10.5
Equity instruments	105.7	25.7	-80.0
Debt securities	3,539.6	3,676.8	137.2
Loans and advances to banks	0.1	12.0	12.0
Loans and advances to customers	13,792.7	14,259.3	466.7
Finance lease receivables	213.2	227.7	14.5
Hedge accounting derivatives	23.0	34.6	11.6
Trade and other receivables	107.1	77.4	-29.8
Total assets	18,619.0	19,403.1	784.1

in m EUR	12/2019	06/2020	YTD
Derivatives	40.0	52.3	12.2
Deposits from banks	263.3	801.4	538.2
Deposits from customers	14,392.4	14,358.5	-34.0
Debt securities issued	2,071.0	2,143.3	72.3
Hedge accounting derivatives	48.0	49.9	1.8
Total equity	1,619.9	1,620.9	1.0
Total equity - Equity attributable to non-controlling interests	18,619.0	19,403.1	784.1

Additional Information – Income Statement

in m EUR	1-6/2019	1-6/2020	Y-o-Y
Net interest income	215.1	217.3	2.2
Net fee and commission income	67.9	67.9	0.0
Dividend income	0.8	0.6	-0.2
Net trading result	9.4	3.7	-5.7
Gains/losses from financial instruments measured at FVTPL	0.1	-2.8	-2.9
Net result from equity method investments	1.1	0.5	-0.6
Rental income from investment properties & other operating leases	0.5	0.2	-0.4
Operating expenses	-138.5	-144.6	-6.1
Net impairment loss on financial instruments	-18.6	-63.5	-44.9
Other operating result	-18.1	-40.0	-21.9
thereof: Levies on banking activities	-19.0	-37.8	-18.7
Pre-tax profit from continuing operations	119.4	39.3	-80.1
Taxes on income	-23.4	-9.8	13.6
Net profit of the year	96.0	29.5	-66.4
Operating income	295.0	287.4	-7.5
Operating expense	-138.5	-144.6	-6.1
Operating result	156.4	142.9	-13.6

Our response to Coronavirus

SLSP is there for its employees, clients and communities

Employees

- Slightly more than 80% of non-branch employees worked from home during the peak
- Elderly (above 58yo) and pregnant employees were allowed to stay home in March with full payments
- Online education offered to all employees
- Unique non-stop Helpline for the bank's employees who find themselves in difficult situation

Retail costumers

- All branches open, usual business hours apply; almost all branches were open for 4 hour per day at the peak
- Fully digital easy-to-use application process for the loan payments moratorium in George
- Loyalty scheme benefits guaranteed for 6 months for nearly 500 ths. clients (e.g. CA fee discount, IR bonus)
- Many clients were proactively contacted to ensure their financial needs are satisfied
- All relevant information about current situation and recent changes can be found at SLSP's special webpages

Corporate customers

- Bank is offering a possibility to defer instalments, to extend lines of credit or to obtain new financing
- All the processes available online without any need to visit the bank
- Active communication with the corporate clients to identify potential problems before they materialize

Communities

- EUR 1mn donated by SLSP Foundation and the bank to the Central Emergency Committee to buy medical aid
- Webinars produced by SLSP on economic topics and recent development for a broad audience
- Some of the bank's employees volunteered in their free time to help the most vulnerable people in the society

Political reaction

Moratorium

Main characteristics

- Statutory
- Opt-in principle – everybody can apply and no proof of distress is needed, then all applications must be approved in case all the formal requirements are met
- Contractual interest on principal is still being charged during the deferral (to be paid after the moratorium)
- Insurance or other similar payments are not postponed
- Only one postponement per loan contract possible

Target groups

- Retail – housing and consumer loans; credit cards and overdrafts are excluded
- Micros
- SMEs (<250 employees, turnover < 50m or balance sheet < 43m)

Period

- Up to 9 months for banking loans
- Up to 3 months with further 3 months extension for leasing and non-banking loans

Impact

- After peak in number of applications during the first weeks of the moratorium, inflow of applications eased visibly
- Participation rates as of June 2020 (based on loans to customers)
 - Retail: 12%
 - Corporate: 20%

Political reaction

Guaranteed and subsidised loans

	Initial smaller scheme (available since April)	Large scheme (available since July)
Total volume	EUR 91m	EUR 2.1bn
Source of financing	EU	EU & SK government
Institutions giving the guarantee	Slovak Investment Holding (SIH)	SIH (loans up to EUR 2m) and Eximbanka (loans from EUR 2m to EUR 20m) certain volume limits based on turnover and total personnel costs
Guarantee rate	80% on individual loan; 50% on portfolio	90% in case of loans up to EUR 2m, 80% otherwise
Interest rate	Usual interest rate with up to 4pp subsidy*	Maximum of 3.9% for micros, 1.9% for SME and Large corporates
Fee	No fee	Fees based on contractual terms; subsidy of 100%*
Period	Up to 4 years (incl. 1 year postponement of repayments)	Up to 6 years (incl. 1 year postponement of repayments)
Can be used for refinancing?	No	No
Collateral required	No	Usual collateral conditions apply

Political reaction

Other main measures

Bankruptcies

- Freeze on bankruptcies/executions for private individuals until December 1, 2020 (opt-in principle with individual evaluation)
- Auctions of collateral of insolvent debtors were halted till the end of May
- Tenants affected by the crisis cannot be evicted until December 31, 2020 on the basis of missed rent payments during Apr-Jun 2020; in addition, the rent can be subsidised up to 50% by the government (not exclusive to the cases in the first sentence)

Direct contributions to businesses to protect employment

- Employers (incl. self-employed and SMEs) can get a wage subsidy of 80% (up to EUR 1,100 if a business is forced to close due to government's measures, otherwise up to EUR 880 in case the employer refrains from layoffs)
- Direct payments to businesses with drop in sales of more than 20% while maximum payment is EUR 540 in case of >80% drop; self-employed person gets a lump sum payments of EUR 210 for April and May in case he/she had no other income but did not want to cancel his/her licence

Labour code amendments

- Employer can demand work from home
- Extension of unemployment benefits by 1 month from previous 6 months

Social insurance, taxes and other levies

- Benefits for care-taking parents was paid by the government (55% of gross wage)
- Postponement of payments of social contributions (until December) and income tax pre-payments (will be settled with full year 2020 payment) if the sales of a firm fall by more than 40%
- Companies that were forced to close or to cease production due to COVID-19 did not have to pay levies for April 2020
- Prior tax losses (since 2014) could be tax-deductible this year

Limit for contactless payments

- In line with EBA guideline, limit for entering PIN for contactless card payments rose from EUR 20 to EUR 50

Regulatory reaction

Lending standards, RWA, capital, dividend

Capital requirements

- ECB's temporary capital relief applicable*
- NBS announced reduction of countercyclical capital buffer from 1.5% to 1.00% (as of August 2020) and admitted further relaxation if necessary

Dividend restriction

- NBS recommends to refrain from dividend payments (out of 2019 and 2020 profits)

DTI, DSTI, LTV

- No relaxation of macroprudential measures announced

Monetary reaction

Interest rates and quantitative easing

Central bank

- No response in a form of key rate cut as ECB cut its key rate to zero in 2015 and has maintained it since then

Quantitative easing

- ECB has massively increased its original asset purchase program of EUR 20bn per month by another EUR 1,470bn by year end 2020 (12.3% of euro zone GDP)

Collateral easing

- ECB adopted a package of temporary collateral easing measures which among others include a permanent collateral haircut reduction of 20 percent, an expansion of the use of credit claims as collateral or an increase in the maximum share of unsecured debt instruments (from 2% to 10%)

Notes

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