

Česká spořitelna – FY 2013 consolidated results (unaudited IFRS)

28 February 2014, Praha

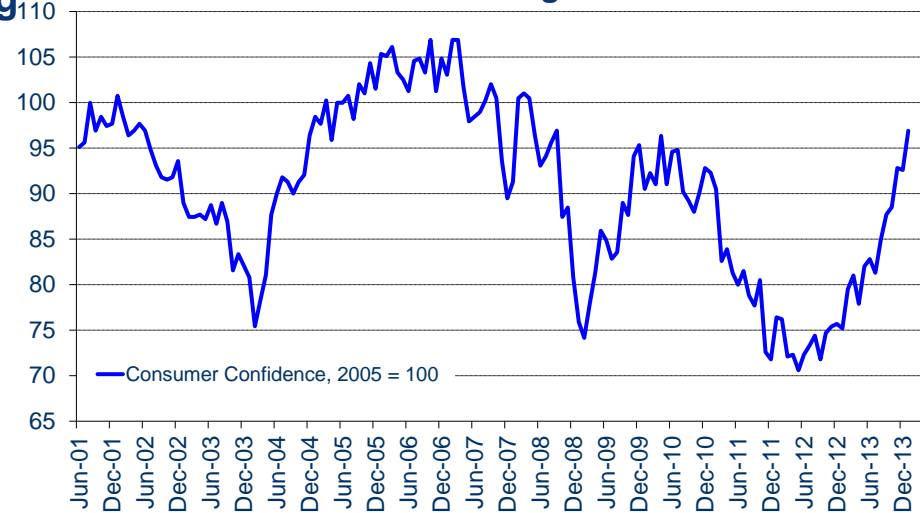
Strong profit based on healthy business growth

Pavel Kysilka

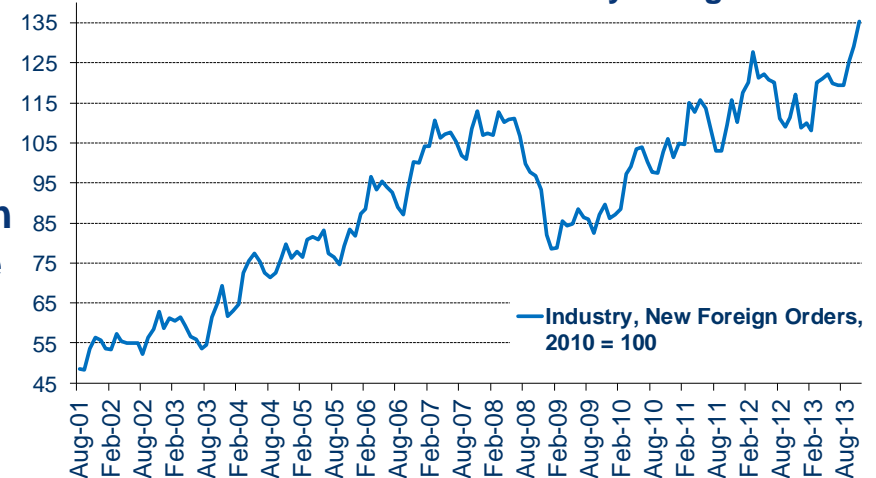


- Recovery of economy in H2 2013, continuing in 2014, faster growth in 2015
- The main driver of the ongoing recovery is manufacturing sector reflecting sharp increase in foreign orders
- Consumers decided to speed up their purchases at the end of 2013 due to fears from higher import prices and due to consumer confidence increase (the highest level since 2008)
- End of fiscal restriction: new center-left government took charge in late January expected to carry on in an expansive fiscal policy
- The CNB decided to intervene on the foreign exchange market in November 7 to keep the EUR/CZK above the 27 threshold. The central bank has aimed to avoid a deflationary development and further support stumbling economy

Household confidence highest since 2008



Industrial Production driven by foreign demand



FY 2013 highlights

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- **Ceska sporitelna showed strong financial performance, net profit amounted to CZK 15.6 bn. It was 6.2% below the historically highest net profit in FY 2012**
 - **Operating result declined by 4% in FY 2013 reflecting challenging business environment which led to decrease of operating income**
 - NII dropped by 6% due to low market interest rates
 - Net fee income decreased by 4% y/y
 - Net trading result grew by 25% y/y
 - **Operating expenses reduced by 4% due to successful cost management**
 - Decline attributed mainly to 10% drop of other administrative expenses
 - **Customer loans increased by 4% in FY 2013 (+ CZK 18.4 bn), driven by private mortgages, loans to local large corporate customers and SMEs**
 - Fuelled by rapidly growing new sales of private mortgages
 - **Quality of loan portfolio significantly further improved, growing loan portfolio and declining volume of NPLs resulted in decrease of NPLs to 4.6% of loan portfolio (from 5.2% in December 2012)**
 - **Credit risk costs (annualized) rapidly declined to 66 bps (from 76 bps in 2012)**
 - **Capital and liquidity position of Ceska sporitelna remained very strong**
 - Bank capital adequacy Tier I + Tier II increased to 17.7% due to higher retained earnings
 - Loans to deposits ratio at 69.8%
 - **CS was appraised by several prestigious institutions and acquired several banking awards**

Awards from Prestigious Institutions

- **Ceska sporitelna was honoured as The Best Bank in the Czech Republic according to Global Finance Magazine**
 - The American magazine named the best banks around the world on developing markets for 2013, including Central and Eastern Europe

- **Ceska sporitelna earned the Bank of the Year 2013 title, defended its title as The Most Trusted Bank of the Year 2013 and Pavel Kysilka won again the Banker of the Year 2013**
 - For the tenth year running, Ceska sporitelna earned The Most Trusted Bank of the Year title in the Fincentrum Bank of the Year 2013 competition

- **Ceska sporitelna earned the Euromoney Best Bank in the Czech Republic 2013 award, defending its title from 2012**
 - The award is granted annually by the Euromoney magazine, specialised in banking and capital markets
 - CS was placed first three times in the last five years

- **Ceska sporitelna won the VIA BONA award, one of the most prominent and prestigious corporate philanthropy and corporate social responsibility awards in the Czech Republic**
 - Ceska sporitelna was recognized for its long-lasting engagement in prevention and treatment of drug additions based on nomination by SANANIM civic association, with which the Ceska sporitelna Foundation has cooperated for 13 years



Corporate Social Responsibility in 2013

- **Ceska sporitelna devoted CZK 1.45 bn from unclaimed anonymous passbook deposits to support science, research & development and education for the long-term benefit of Czech society**
 - The Depositum Bonum Foundation, established to serve the above purpose, became the largest foundation in the Czech Republic. Despite its brief history, the Foundation is already highly recognized by professionals in the field of education, research and science
- **In January 2013, the Ceska sporitelna Foundation, older sister of Depositum Bonum Foundation, celebrated its eleventh anniversary. Since its establishment, it has donated CZK 165 mil. to publically beneficial projects, mainly to support people left behind by the society**
 - Since the beginning of 2014, the foundation has a new strategy – it will focus on supporting active and full-fledged living by seniors, the increased involvement of people with mental and combined handicaps, and assistance for the socially excluded
- **Ceska sporitelna is the leader in financial literacy in the Czech Republic**
 - Together with an NGO Terra-klub Ceska sporitelna jointly issued a school textbook called Financial World to support financial literacy, for students at the second level of primary schools. The textbook won an official license by the Ministry of Education. Financial World features also methodological guidelines for teachers, seminars for teachers, and extensive supplementary support for students, parents, and teachers, on the Internet portal www.dnesnifinancnisvet.cz
- **In cooperation with the Museum of the City of Prague organized an interactive and playful exhibition called “Show Me the Money”**
 - The exhibition is designed for children from 8 years of age and guides them through the world of money in an entertaining form, teaching them about the history, production, and function of money
- **CS became the new General Partner of the Czech Olympic Committee (COC) and Team**
 - The agreement was signed through to 2016, which means that the bank, at the very least, supported Czech Olympians at the 2014 Winter Olympic Games in Sochi and will support Summer Olympic Games in Rio two years later

**Nadace
Depositum
Bonum**
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FY 2013 business highlights – retail I

- **CS recorded strong growth of new business in consumer loans, volume of consumer loans generated in 2013 up by 31% y/y, CS market share in new business reached 36%**
- **Significant increase in private mortgages continued**
 - Ceska sporitelna became market leader in number of mortgages sold in 2013
 - New private mortgages generated in FY 2013 recorded 13% volume growth in y/y comparison
 - Volume of outstanding mortgages increased by 11% on y/y basis
- **CS further expanded product offer for small companies and entrepreneurs (MSE)**
 - Introduction of new unsecured loans for MSE free professions
 - Investment loan 5+ (up to CZK 5 mil, loan processing within 5 days) was awarded 1st place in the category Entrepreneur loans in Zlata koruna contest
- **CS continued in issuing contactless cards and introduced payment stickers**
 - CS issued more than 1.75 million Visa contactless cards since October 2011. Meanwhile, the contactless technology has become very popular within CS's client, who recorded over 27 million contactless transactions in an aggregate volume exceeding CZK 13 bn in 2013
 - Spending on contactless cards was 10% higher than on contact cards. CS has recorded the highest spending per card within Visa Europe region
 - CS introduced payment stickers, since August CS issued almost 44 thousands contactless payment stickers
- **Multi-partner loyalty program iBOD experienced a successful launch in October**
 - After first 3 months of program being alive, there were about 320,000 registered clients, out of which 250,000 enjoy reward point collection

FY 2013 business highlights – retail II

- **CS introduced new online current account and new personal accounts**
 - Online current account iUcet, with end-to-end online opening, can be for free if client-activity conditions are fulfilled
 - New personal accounts brought improved value for money to our clients
- **CS launched Quality guarantee of personal banking services program for mass affluent clients**
 - In cases when clients are not satisfied with the service, CS will return the service fee
- **CS presented new successful loan concept for customers**
 - New consumer loans concept introduced in autumn as an unique solution on the Czech market. The new concept contains bundle of services with human (and economic) life-cycle flexibility: e.g. a possibility to defer a monthly payment twice a year, payment increase/reduction by 50%, possibility to withdraw from the contract within 60 days without penalty
 - The gross volume of new cash loans amounted to CZK 6.3 bn in Q4/2013
- **CS introduced new features in direct banking**
 - New automatic product assignment in SERVIS 24 (Internet banking) enables CS clients to view information regarding their products
 - Debit/ credit card activation and payment limit management available in SERVIS 24
 - Loans to MSE clients are available online
- **CS prepared new Facebook mortgage auction**
 - A new concept of mortgage distribution channel via Facebook was prepared in 2013, the auction was successfully piloted in January 2014

FY 2013 business highlights – corporates I

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- **Erste Group and Ceska sporitelna advised Allianz Capital Partners and Borealis Infrastructure on their acquisition of 100% stake in Net4Gas from RWE AG and committed as Mandated Lead Arrangers to a club financing of the acquisition**
 - Net4Gas is the domestic gas transport and international gas transit operator in the Czech Republic
 - **Erste Group represented by Ceska sporitelna acted as a joint lead arranger in a promissory notes program for the City of Prague Transport Company in the amount of CZK 8 bn for up to 12 years**
 - The new promissory notes program in the amount of CZK 8 bn ensures financial resources for purchase of 15T For City trams in 2013 and 2014
 - **Ceska sporitelna was the sole financial advisor in the sale of a 44% share in Czech Airlines to Korean Air**
 - **Ceska sporitelna has become the provider of banking services for the Galileo satellite navigation winning the tender in competition with other international banks**
 - The contract is made on provision of current account maintenance services, deposits, and payment transactions for the Agency for European GNSS, which operates the Galileo satellite navigation. GNSS is a European global satellite navigation system, an independent counterpart of the US NAVSTAR GPS system and the Russian GLONASS system. The system is being developed by the European Union through the European Space Agency

FY 2013 business highlights – corporates II

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- **Ceska sporitelna/Erste Corporate Banking acted as Mandated Lead Arranger and Coordinator of the banking club, which provided the acquisition financing to Prazska plynarenska Holding for purchase of minority share in Prazska plynarenska, a. s., and committed a significant part of the acquisition debt in the amount of CZK 4.1 bn. Ceska sporitelna/Erste Corporate Banking also acted as M&A advisor to the City of Prague on its acquisition of 49% stake in Prazska plynarenska Holding**
 - This transaction provides City of Prague with 100% control over the key gas distribution company in the city and CS position of one of two main banks of Prazska plynarenska group
 - **Ceska sporitelna/Erste Corporate Banking participated as an agent in a banking club to refinance the Bainbridge real estate portfolio**
 - Bainbridge portfolio in the amount of EUR 55.2 mil. consists of Tesco hypermarkets and Shopping centres in Brno, Ostrava, Usti nad Labem and Hradec Kralove
 - **Ceska sporitelna/Erste Corporate Banking signed two loan facilities for the purposes of energy savings financing for Czech small and medium enterprises (SME) - first loan of EUR 10 mil (CZK 270 mil.) with German Bank for development (KFW) and second loan of EUR 50 mil (CZK 1.35 bn) with European Investment Bank (EIB)**
 - Projects which achieve at least 20% of energy savings will be supported in the mediation of Ceska sporitelna by the grant from EU funds in the amount of 10% of the loan's volume

Financial highlights

ROE reflects growing equity

– Return on equity at 16.2%

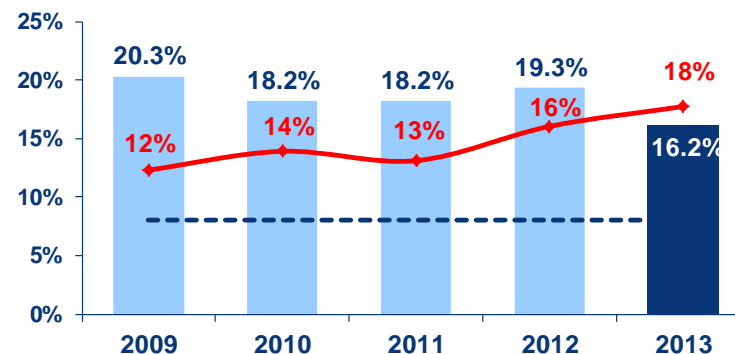
- Decline in FY 2013 driven by 8% y/y increase in equity reflected in higher capital adequacy

– Cost/income ratio stable at 42.0%

- Costs reduced by 4% y/y

– Loan to deposit ratio flat at 69.8%

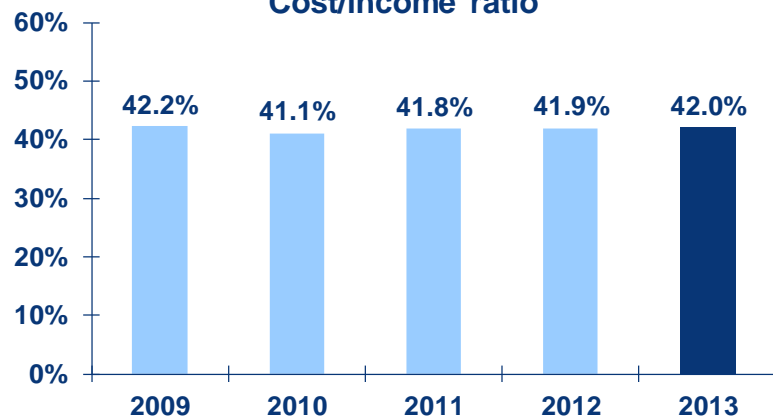
Return on equity + Capital adequacy



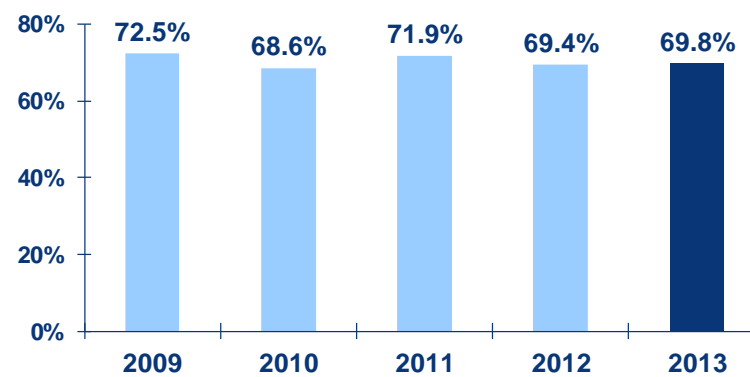
■ Return on equity
◆ Capital adequacy (T1+T2) Parent Bank
- - - Minimal level of Capital adequacy required by CNB

Note: Consolidated capital adequacy for 2013 is not yet available

Cost/income ratio



Loan/deposit ratio



Presentation topics

- **Performance of Ceska sporitelna**

- Financial statements
- Performance analysis

- **Economy**

- Macroeconomic environment

- **Banking market**

- Banking market development
- Market shares

- **Appendix**

Financial statements – Income statement

Net profit decreased by 6%

in CZK mil	2013	reclassified 2012	Change
Net interest income	27,910	29,653	(5.9%)
Risk provisions for loans and advances	(3,332)	(3,707)	(10.1%)
Net fee and commission income	11,294	11,768	(4.0%)
Net trading result	2,682	2,150	24.7%
General administrative expenses	(17,594)	(18,259)	(3.6%)
Other operating result	(1,039)	(1,557)	(33.3%)
Result from financial assets - FV	(500)	42	-
Result from financial assets - AfS	(179)	312	-
Result from financial assets - HtM	134	62	117.5%
Net profit from CSPS Transformed fund	105	114	(7.9%)
Pre-tax profit	19,481	20,578	(5.3%)
Taxes on income	(3,904)	(4,175)	(6.5%)
Profit for the year after taxes and before controlling interests	15,577	16,403	(5.0%)
Net profit for the year			
attributable to owners of the parent	15,588	16,612	(6.2%)
attributable to non-controlling interests	(11)	(209)	(94.7%)
Operating income	41,886	43,571	(3.9%)
Operating expenses	(17,594)	(18,259)	(3.6%)
Operating result	24,292	25,312	(4.0%)
Cost/income ratio	42.0%	41.9%	
Return on equity	16.2%	19.3%	

Note: FY 2013 results were impacted by transformation of CS Pension fund in connection with pension reform (newly established CS Pension company and Transformed fund of CS Pension company), special line was added to P/L to show results of the pension fund. FY 2012 figures were reclassified in order to be comparable with FY 2013

Financial statements – Balance sheet (assets)

Loans to customers grew by 4% in 2013

in CZK mil	Dec 13	Dec 12	Change
Cash and balances with central banks	77,581	22,501	244.8%
Loans and advances to credit institutions	75,393	65,320	15.4%
Loans and advances to customers	507,469	489,103	3.8%
Risk provisions for loans and advances	(18,333)	(18,244)	0.5%
Derivative financial instruments	22,113	26,781	(17.4%)
Trading assets	26,550	40,881	(35.1%)
Financial assets - at fair value through profit or loss	4,223	7,205	(41.4%)
Financial assets - available for sale	82,328	66,765	23.3%
Financial assets - held to maturity	154,733	181,967	(15.0%)
Equity holdings in associates accounted for at equity	0	109	(100.0%)
Intangible assets	3,333	3,208	3.9%
Property and equipment	14,166	14,594	(2.9%)
Investment properties	8,329	9,561	(12.9%)
Current tax assets	102	127	(19.9%)
Deferred tax assets	126	119	5.4%
Other assets	10,611	10,407	2.0%
Total assets	968,724	920,403	5.2%

Note: Figures include newly established CS Pension company and Transformed fund of CS Pension company (in 2012 CS Pension fund)

Financial statements – Balance sheet (liabilities)

Customer deposits rose by 3% compared to YE 2012

in CZK mil	Dec 13	Dec 12	Change
Amounts owed to credit institutions	73,036	44,344	64.7%
Amounts owed to customers	726,593	704,532	3.1%
Debt securities in issue	28,368	36,151	(21.5%)
Derivative financial instruments	24,446	26,358	(7.3%)
Trading liabilities	0	3	(100.0%)
Other provisions	2,594	2,251	15.3%
Current tax liabilities	414	127	226.0%
Deferred tax liabilities	100	365	(72.6%)
Other liabilities	10,098	10,699	(5.6%)
Subordinated capital	2,096	2,262	(7.3%)
Total equity	100,978	93,312	8.2%
attributable to non-controlling interests	316	122	160.2%
attributable to owners of the parent	100,662	93,190	8.0%
Total liabilities and equity	968,724	920,403	5.2%

Note: Figures include newly established CS Pension company and Transformed fund of CS Pension company (in 2012 CS Pension fund)

Performance analysis

Operating result decreased by 4% y/y

– Decline of operating result caused by 4% decrease of operating income; operating expenses down by 4%

- Net interest income decreased by 6% y/y due to low market interest rates
- Net fee income down by 4% reflecting mainly lower fee income from payment transactions due to higher usage of cheaper direct banking
- Net trading result grew by 25% (by CZK 0.5 bn) due to higher income from FX transactions and derivative transactions. On the other hand, profit from securities transactions decreased

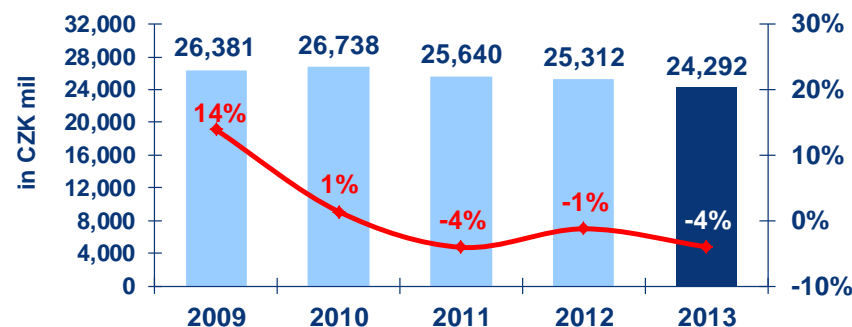
– Other operating result improved

- Reduced impairment related to real estate business

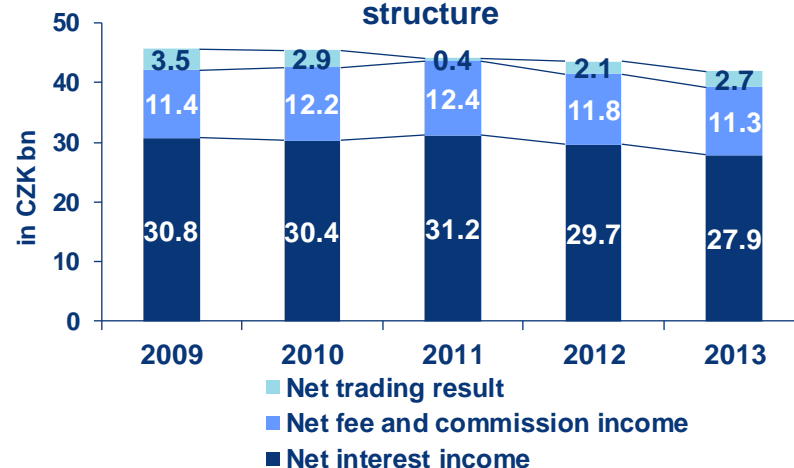
– Results from financial assets worsened

- Impacted by negative revaluations of FV options connected to Premium deposits (partially offset in trading result) and by higher income from sale of bonds in FY 2012

Development of Operating Result



5-year development of operating income structure



Performance analysis

NII reflects low interest rate environment

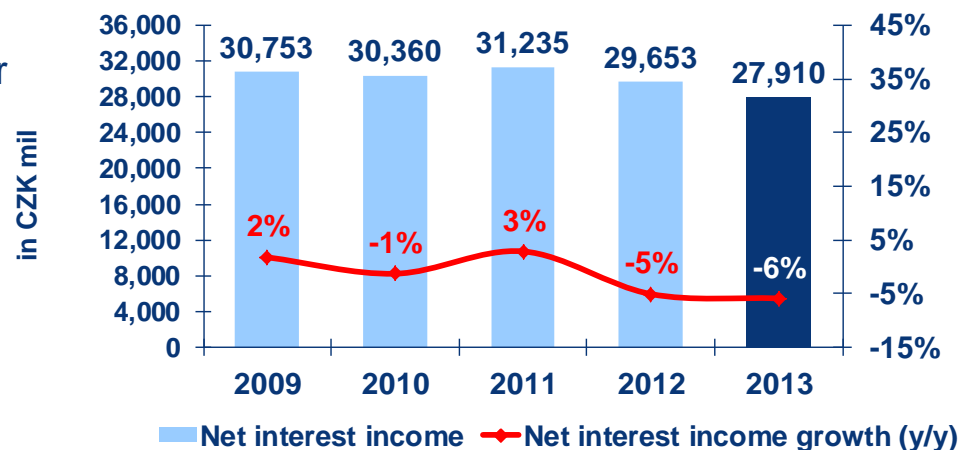
– NII declined by 6% due to extremely low interest rate environment

- 2W repo rate at 0.05% since November 2012, average 2W repo rate dropped by 48 bps y/y
- Lower income from fixed income securities due to declining yields and lower volumes
- Negative impact partly offset by increase in customer loans by 4% and by repricing of deposits

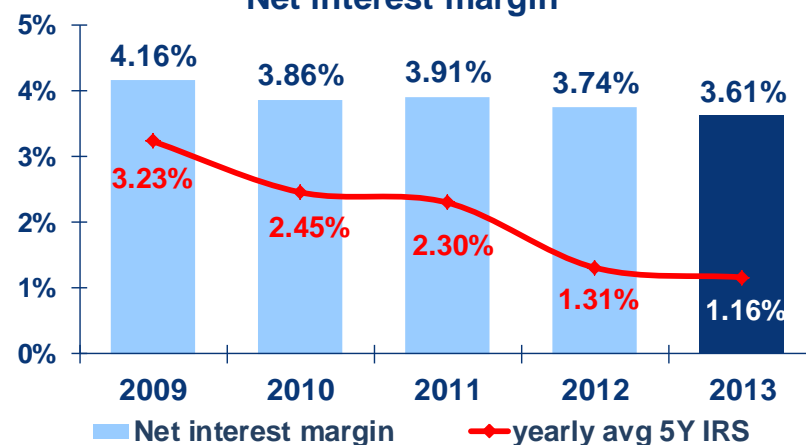
– NIM stabilized since H1 2013

- Stable at 3.61% (3.60% in H1 2013)
- y/y decline reflects low interest rates and change in asset mix

Development of Net Interest Income



Net interest margin



Performance analysis

Net fee income down by 4%

– Decline of net fee income driven by net fee income from payment transactions and account maintenance (-6% y/y)

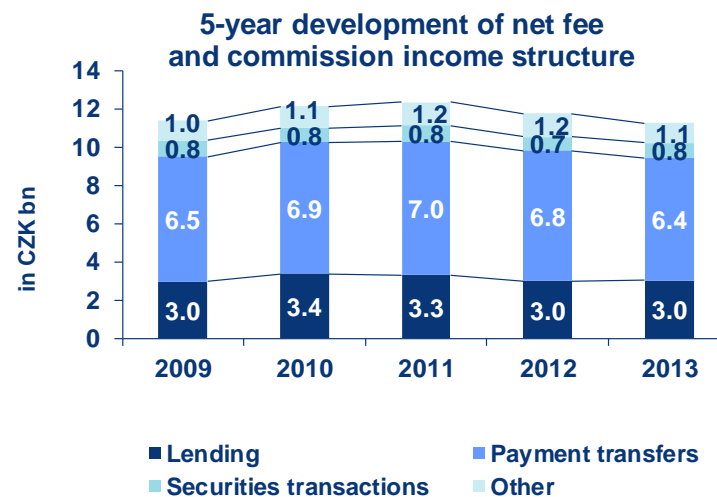
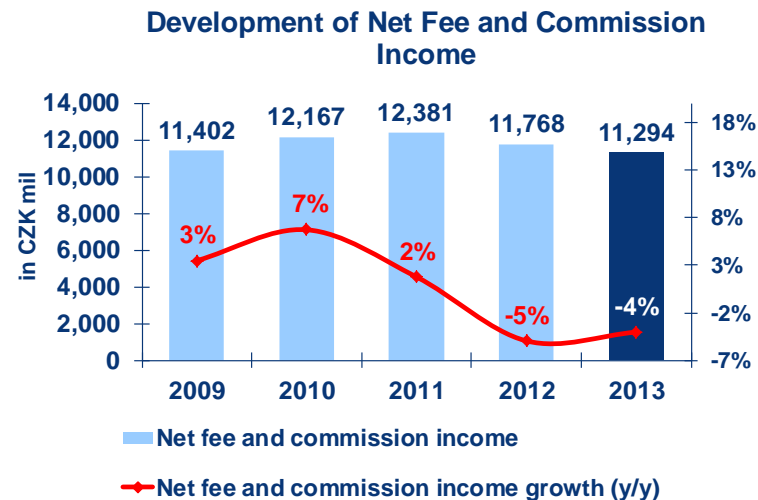
- Income from payment transactions and account maintenance negatively influenced by cheaper accounts, by cancelation of fees for changes in standing orders (driven by regulatory reasons)
- Decline also reflects growing usage of cheaper alternative distribution channels
- Net fee income from card business decreased by 4%

– Net fee income from lending business remained flat compared to FY 2012

- Impact of fee “holidays“ on cash loans and mortgages

– Net fee income from securities business increased by 8%

- Attributed to higher volumes in mutual funds business and increasing fees from custodian services



Performance analysis

Operating expenses reduced by 4%

- **Reduction in operating expenses caused mainly by decline of other administrative expenses (dropped by 10% or CZK 0.8 bn)**

- Reflected strong cost management that resulted in decline in almost all cost categories, fastest drop in costs for office space, training and recruitment, marketing and consultancy

- **Personnel expenses increased by 3% y/y**

- Increase affected by severance payments for lay-offs
- Number of employees reduced by 5% in 2013 and reached 10,454 (FTEs)

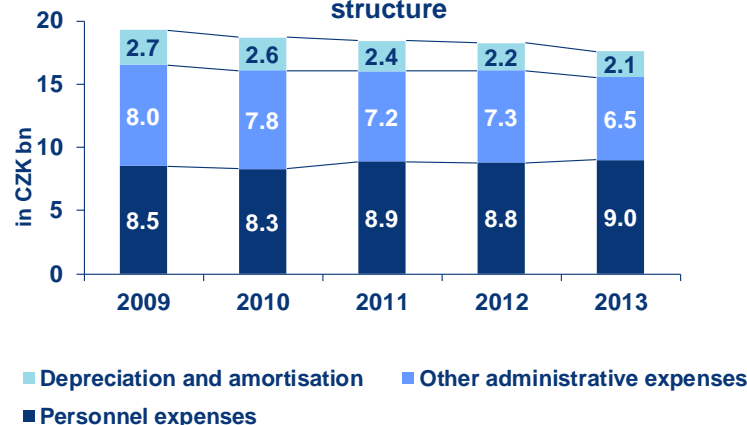
- **Depreciation on fixed assets decreased by 6%**

- Lower depreciation on hardware, buildings and intangible assets

Development of Operating Expenses



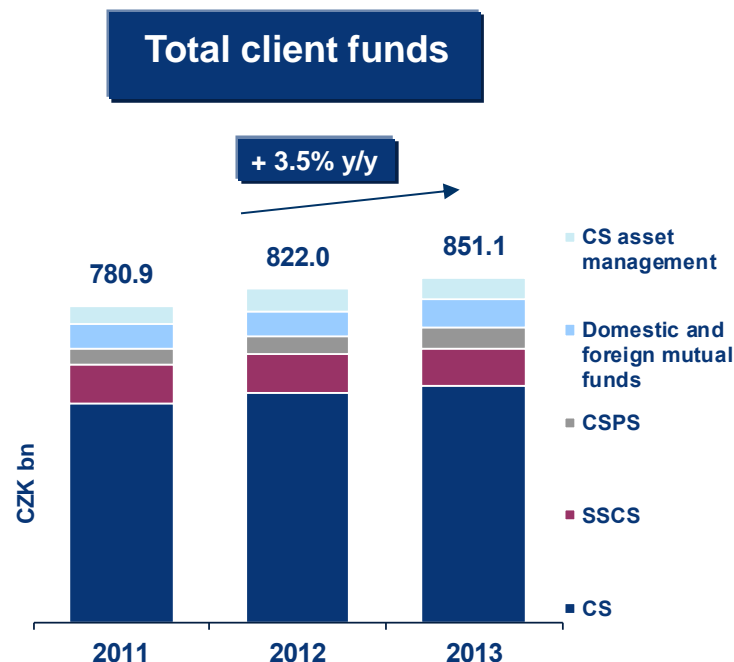
5-year development of operating expenses structure



Performance analysis

Dynamic growth in most of deposit products

- **Customer deposits in parent bank increased by 2.8% y/y (including repo operations)**
 - Public sector deposits increased by 22% y/y
 - Deposits from legal entities up by 4% y/y, deposits from private individuals almost flat y/y
- **Pension company recorded further significant growth of clients' assets (+19% y/y)**
 - Growth mainly driven by increase of funds in 3rd pillar
- **Domestic and foreign mutual funds added another 12% on y/y basis (+CZK 7.4 bn y/y)**
 - Increase supported by higher demand of clients in investment products
- **Assets under discretionary management rose by 1% y/y**
 - Moderate growth was recorded in funds for qualified investors and in asset management for private individuals
- **In building society slight decline continued**



IFRS, in CZK bn	2011	2012	2013	Change (y/y)
CS - banking deposits	537.7	565.3	581.1	2.8%
SSCS - building society	98.0	97.7	94.8	-3.0%
CSPS - pension company	38.2	42.5	50.7	19.1%
Dom. and foreign mutual funds	64.2	62.0	69.4	12.1%
Asset management	42.8	54.5	55.2	1.2%
Total	780.9	822.0	851.1	3.5%

Performance analysis

Capital adequacy (Basel 2) – Parent Bank

- Capital position of Ceska sporitelna was strengthened due to higher Tier I capital
- CS Bank capital adequacy Tier I increased by 180 bps y/y to 17.3%
 - Tier I capital increased by CZK 8.6 bn (+13%) in 2013 due to higher retained earnings
- CS Bank capital adequacy Tier I + Tier II grew by 170 bps y/y to 17.7% reflecting growing Tier I + Tier II capital
- Total capital requirements up by 2% (+ CZK 0.6 bn)
 - Due to higher capital requirement to credit risk
- Risk weighted assets increased by 4% y/y

Parent Bank, CZK mil	31/12/2011	31/12/2012	31/12/2013
Tier I capital (after deductions)	53,441	64,968	73,613
Tier I + Tier II capital	55,883	67,157	75,653
Capital requirement to credit risk	28,927	28,698	29,873
Capital requirement to market risks	1,225	784	266
Capital requirement to operational risk	3,999	4,040	4,000
Risk weighted assets	361,588	358,725	373,413
Capital adequacy Tier I ratio	12.5%	15.5%	17.3%
Capital adequacy Tier I+II ratio	13.1%	16.0%	17.7%

Note: Methodology has been slightly changed since Q1 2012 to partially reflect future stricter regulatory capital requirements. All deductions are made from Tier I capital

Performance analysis

Growth in private mortgages and corporate loans continued

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- **Loan portfolio in CS Bank increased by 4.7% y/y, group loan portfolio grew by 3.8% y/y**
 - Driven by mortgages to private individuals, loans to Local Large Corporates and SMEs
 - **Risk costs further declined from 76 bps to 66 bps y/y**
 - **Quality of loan portfolio as share of NPLs on total customer loans significantly improved from 5.2% to 4.6% y/y**
 - Driven by NPL volume absolute decrease and portfolio growth
 - Provision to NPL coverage grew to 79%
 - Total NPL coverage (including collateral) at 114.5%

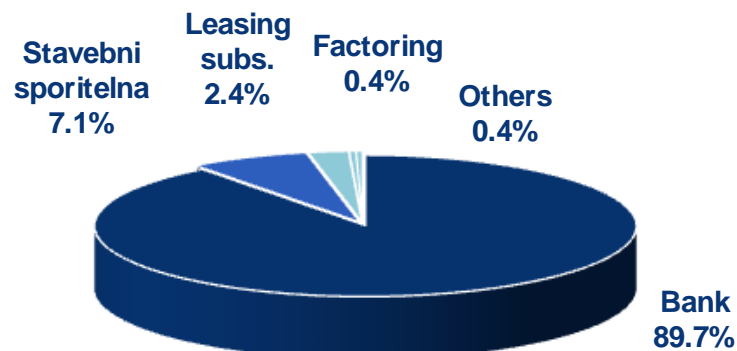
Performance analysis – CS Group balance sheet

CS Group loan portfolio development

– CS Bank dominates the CS Group

- Share of CS Bank further strengthened by 181 bps y/y to 89.7%
- Decline in Stavebni sporitelna CS continued in line with the market development, driven by overall market conditions favouring mortgages to building savings loans

Loan Book by Group members as of 31 December 2013



in CZK mil, IFRS	31/12/2011	31/12/2012	31/12/2013	YY Change
I. CS Bank	441,576	451,471	472,886	4.7%
II.1. Stavebni sporitelna CS	41,671	39,477	37,596	-4.8%
II.2. Leasing (sAL, EL)	12,256	12,265	12,504	1.9%
II.3. Factoring CS	1,620	1,871	2,106	12.6%
II.4. Other subsidiaries*	5,279	2,916	2,054	-29.6%
III. Consolidation items	-18,862	-18,896	-19,677	4.1%
Total Loans (consolidated)	483,541	489,103	507,469	3.8%

* i.e.. brokerjet CS

Performance analysis – CS Bank balance sheet

Structural changes in Retail, growth in Corporate

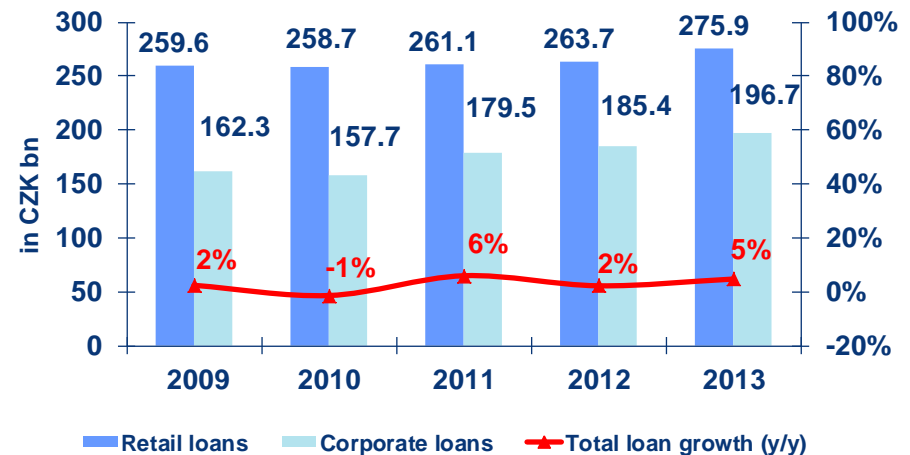
– Loans to retail rose by 4.6% y/y

- Pushed by private mortgages (+11.5% y/y) and partly offset by decline of consumer lending* (-3.8% y/y) and micro corporate (-9.6% y/y)

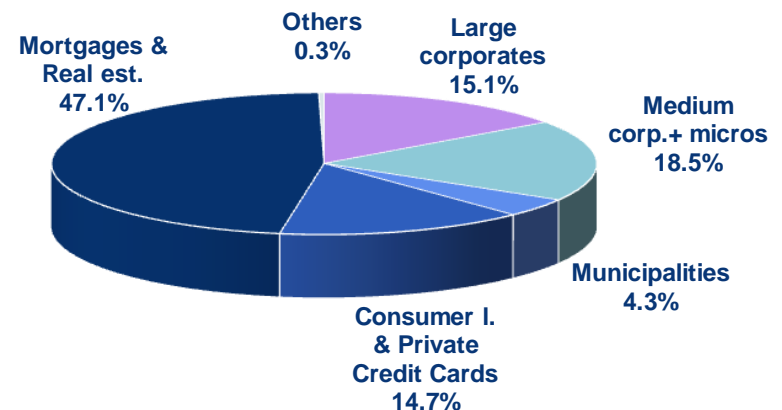
– Corporate loans added 6.2% y/y

- Driven up namely by Local Large Corporates and SMEs

Loan portfolio development - CS Bank



Loan Book by customer segments as of 31 December 2013



*Consumer loans here include also home equity loans and credit cards

Performance analysis – CS Bank balance sheet

High demand on mortgage market continued

– Private mortgages accelerated to

CZK 155.1 bn (+11.5% y/y)

- Mortgages granted in 2013: average weighted maturity at 23.5 years (23.7 in 2012); average size of mortgage stable at CZK 1.6 mil; LTV ratio at 65.9% (68.5% in 2012)
- Whole portfolio: average weighted maturity at 22.7 years, residual maturity at 18.8 years; LTV ratio at comfortable 66.7%

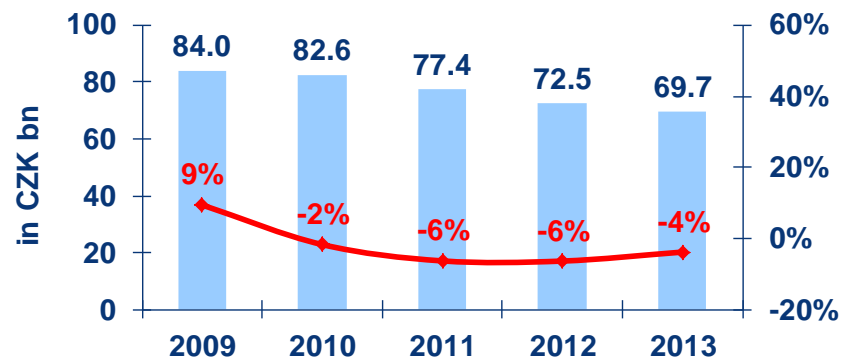
– Consumer lending* stabilized at CZK 70 bn (-3.8% y/y)

- Strong increase of new business in 2013 (up by 31% y/y) still offset by repayments

Private Mortgages Development



Consumer Lending Development*



*Consumer loans here include also home equity loans and credit cards

Performance analysis

Risk costs improvement continued

- **Group share of NPL decreased by 56 bps to 4.6% y/y**

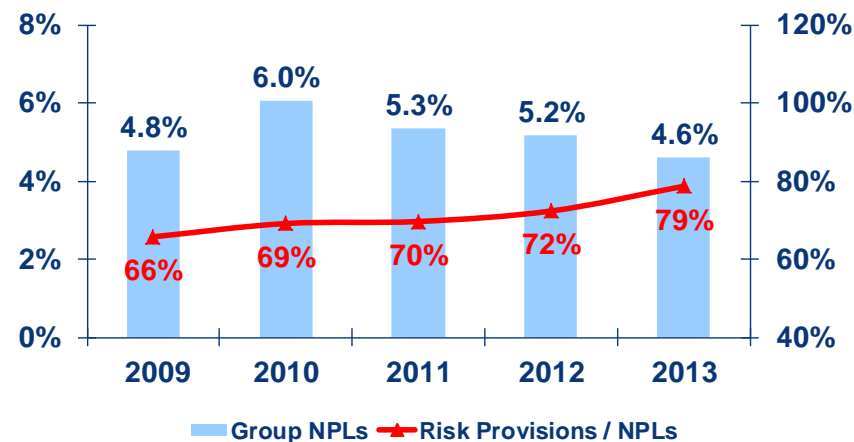
- Driven by NPL decline and portfolio growth
- Provision coverage at strong level of 79%
- Total coverage (provisions and collateral to NPL) at 114.5%

- **Annualized group risk costs further declined to 66 bps**

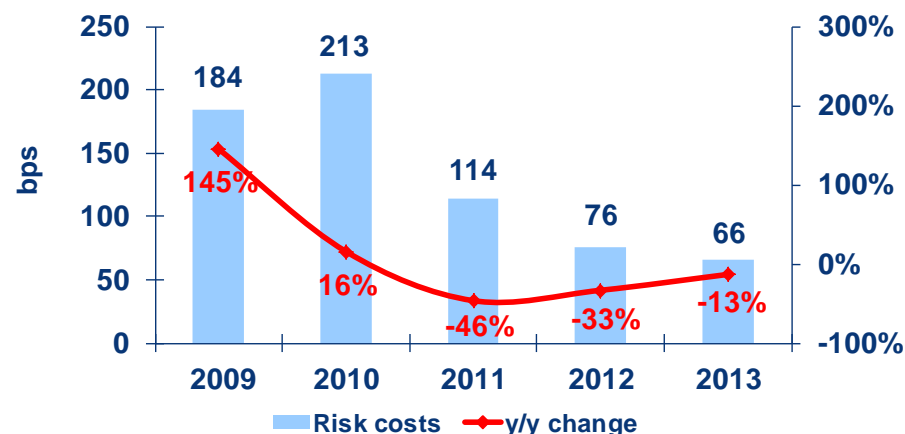
- Driven by retail as well as corporate clients

- **Share of defaulted loans according to CNB methodology lowered from 5.8% to 5.2% y/y**

Group Customer Loan Portfolio:
Share of NPLs;
Coverage of NPLs by provisions



Group risk costs on Loans to customers
(in bps, annualized)



Presentation topics

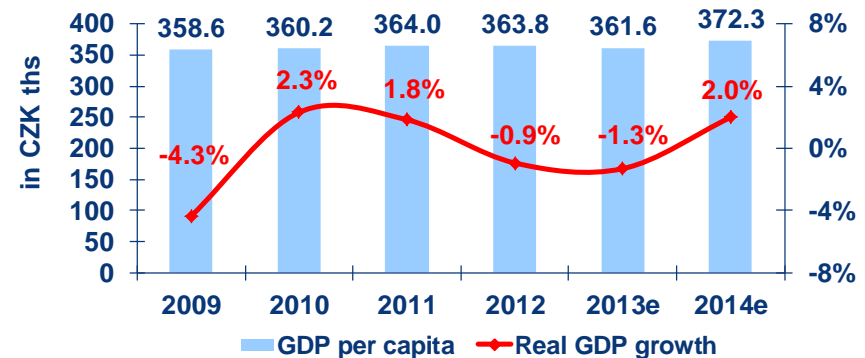
- Performance of Ceska sporitelna
 - Financial statements
 - Performance analysis
- **Economy**
 - Macroeconomic environment
- **Banking market**
 - Banking market development
 - Market shares
- **Appendix**

Macroeconomic environment

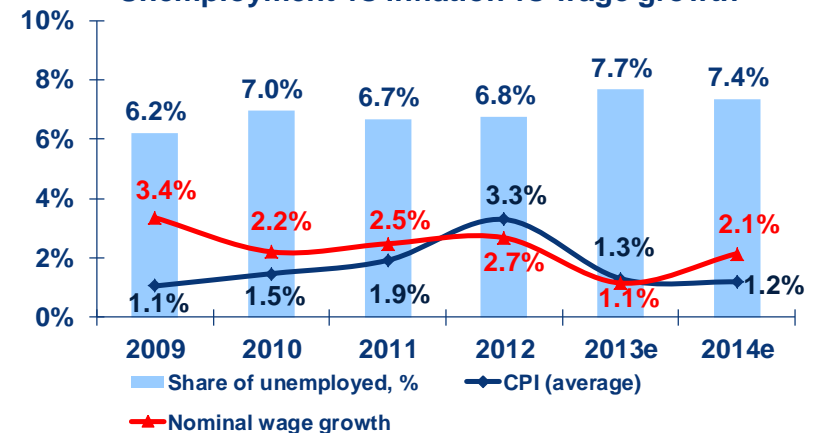
Czech economy expected to grow by around 2% in 2014

- While emerging from a record-breaking 6-quarters-long recession in 2013, the GDP growth in 2014 should be more convincing
- Owing to an ongoing recovery in the euro area, the GDP growth of the Czech economy will be driven by foreign demand (reflected in industry output)
- Increase in confidence (consumer and business) and gradual labor market improvement to support domestic demand
- The average inflation rate (although picking up) will remain low in 2014 reflecting still negative output gap. FX intervention to compensate disinflationary pressures stemming from supply side

Key economic indicators



Unemployment vs inflation vs wage growth



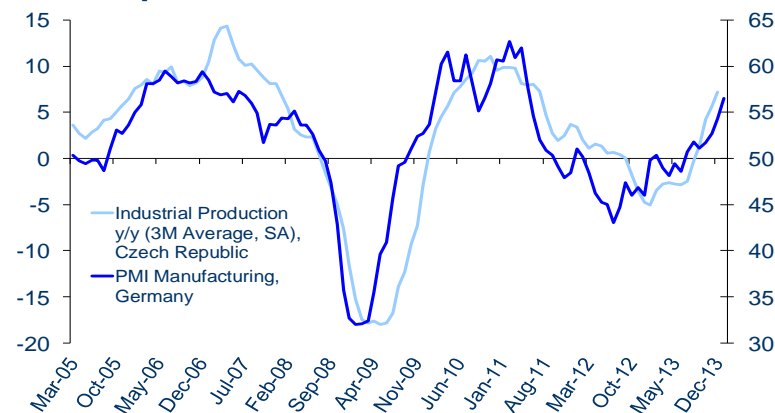
Note: GDP per capita and nominal wage growth in 2013, 2014 are CS estimates

Macroeconomic environment

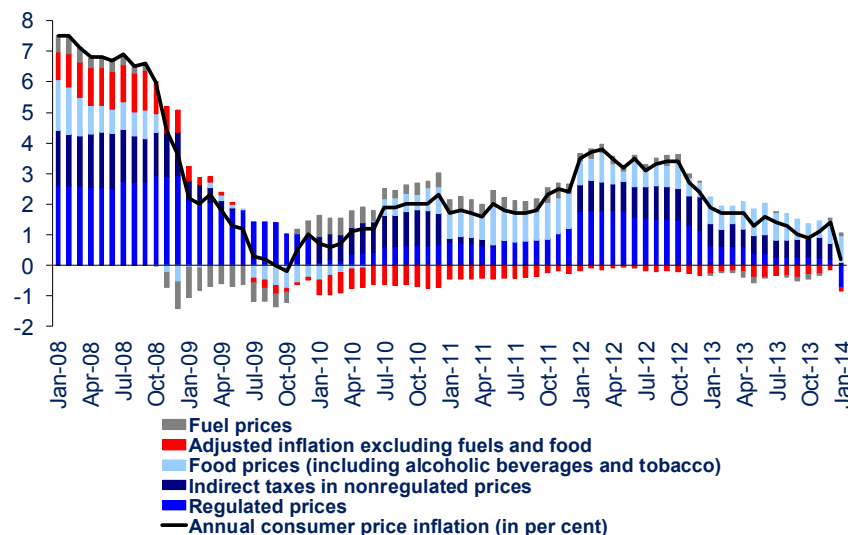
Signs of stable recovery

- The pace of ongoing recovery will largely depend on the situation in Germany which is expected to expand similarly by 2% in 2014
- The inflation rate will fall close to zero in Q1 2014 as the effect of 2013 VAT hike fades and energy prices decline. However, in the course of the year, consumer prices should gradually pick up, arriving closer to the 2% CNB target at the end of the year
- Unless the inflation rate resides at 3 %, the CNB will not be disposed to leave the FX intervention regime which is expected to remain in force till H1 2015
- Some risks of the recent positive development in the Czech Republic are associated with strengthening, however still fragile, recovery in the euro area

Industrial production in line with GER manufacturing



Demand (adjusted) inflation remaining subdued



Presentation topics

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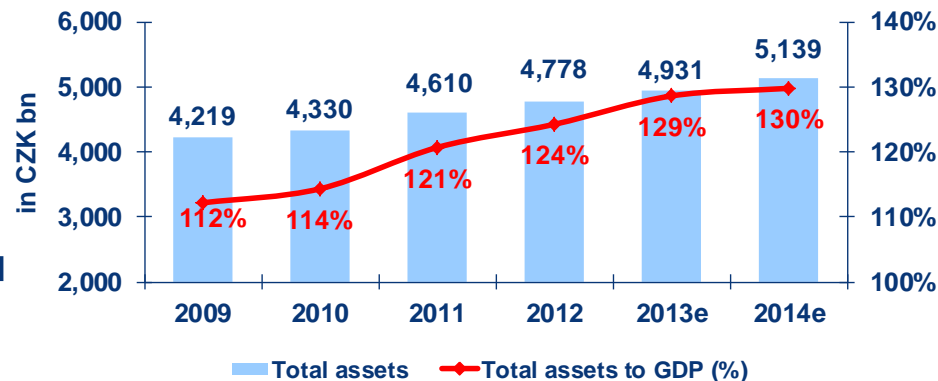
- **Appendix**

Banking market development

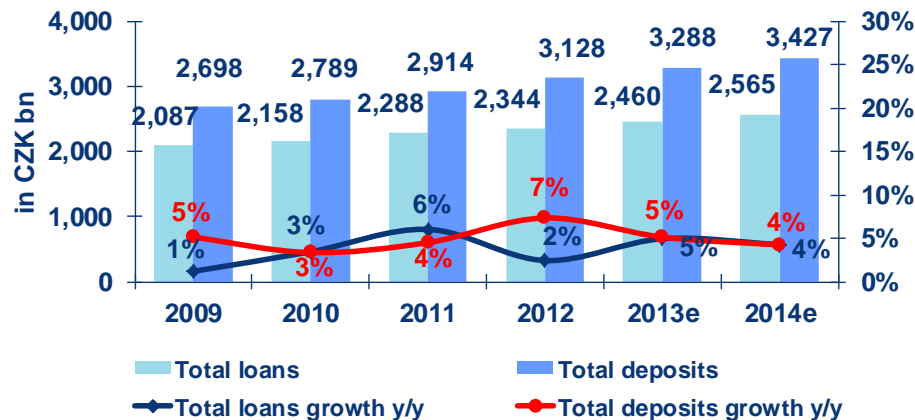
Czech banking sector keeps its stable position

- Strong capital and liquidity position: Tier 1 ratio over 17% (9/2013)
- With loan to deposits ratio at low 74%, independent on foreign sources
- Share of NPLs stable at 5.9% (11/2013)
- ROE at 20% (Q3 2013)
- Improving consumer confidence supports demand for loans. New mortgages posted nearly 30% y/y growth in 2013 and new all time high with volume of almost CZK 160 bn
- New consumer loans added nearly 30% in y/y terms as well
- On the other hand, low interest rate environment weigh on operating income of Czech banking sector (down by 2.2% in Q1-3 2013)
 - Net interest income decreased in first three quarters of 2013 by 4% y/y
The reason behind is development of client rates. While deposit rates are close to zero and there is no more room for further decrease, average client rate on loan portfolio continues to fall, as total portfolio is diluted with new (cheaper) loans

Banking market - total assets development



Banking market - loans and deposits development



Source: CNB, CS estimates for 2013, 2014

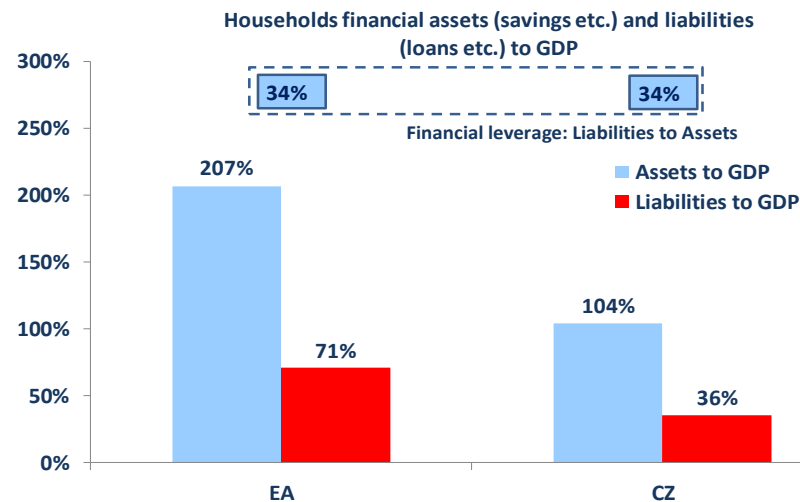
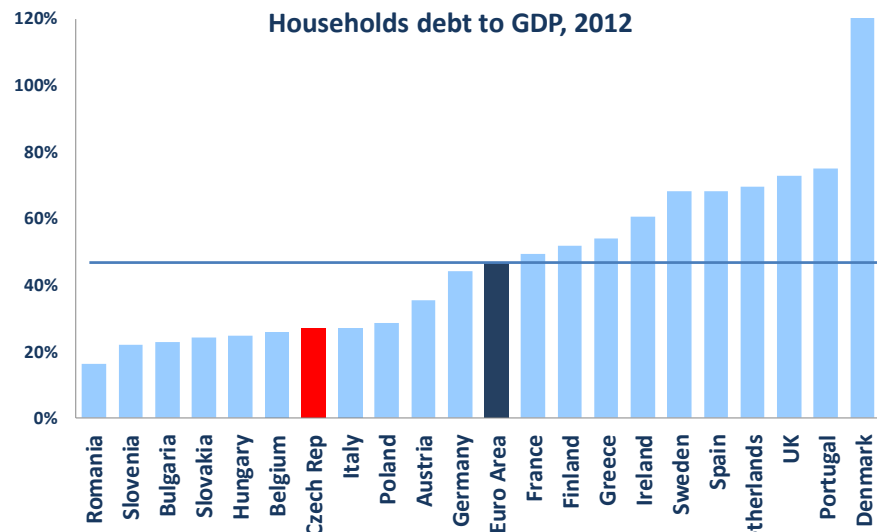
Banking market development – Household loans to grow steadily

– Households loans back on rising trajectory

- New mortgage loans posted new record in 2013 and outstanding volumes grew by 9% in y/y terms
- Volumes of new consumer loans are still significantly below pre-crisis levels, nevertheless outstanding volumes have returned to growth after almost two years of stagnation

Can we expect growth rates to resemble the pre-crisis years?

- Compared to EA countries, Czech households loans-to-GDP ratio is significantly lower (half of EMU average)
- On the other hand, the liabilities-to-assets ratio gives quite a different picture: EA households are more indebted but they are also wealthier = they can afford larger debts
- Czech households need to become wealthier, which is a substantially slower process than become more indebted
- Thus, households loans should grow steadily in the following years, but the pre-crisis boom years are definitely gone



Note: Assets include also investments in mutual funds, life insurance etc

CS market shares

Market leadership maintained (December 2013)

– Market position overview

- No. 1 by number of customers (5.3 mil)
- No. 1 in total mortgages (market share 28%)
- No. 1 in total consumer loans, incl. credit cards and overdrafts (market share 35%)
- No. 1 by total deposits (market share 20%)
 - 27% in retail deposits, 10% in corporate deposits
- No. 1 in number of payment cards (market share 31%)*
 - 15% in credit cards*
- No. 2 by total assets (market share 19%)
- No. 2 by total loans (market share 20%)
 - 24% in retail loans, 19% corporate loans
- No. 2 in mutual funds (market share 26%)

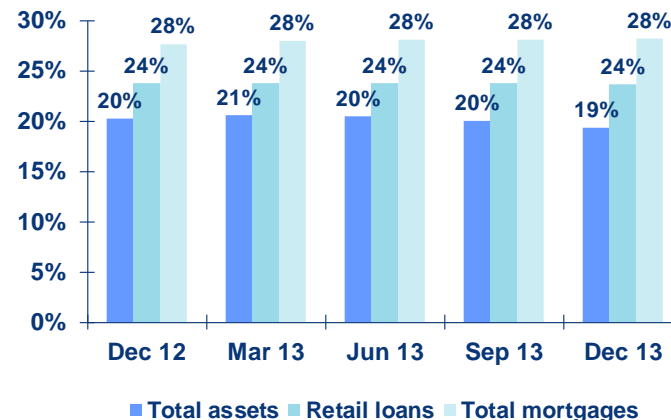
– Market structure

- Concentrated banking market
- 45 banks in total, 37 owned by foreigners
- 3 dominant players, including CS
- Stronger competition from new players

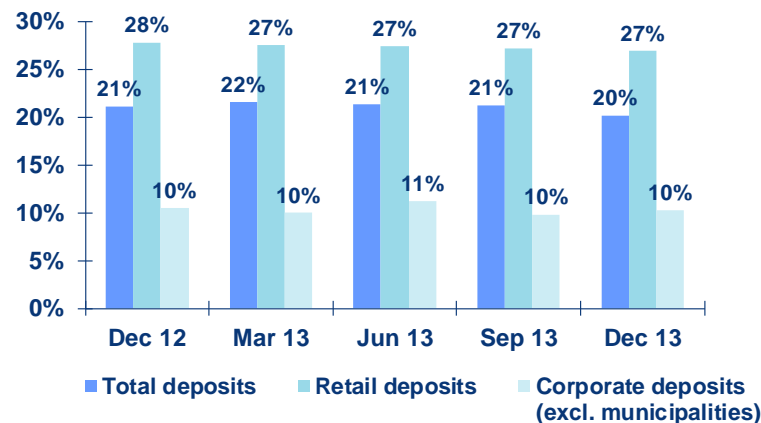
Source: CNB statistics, MMR, AKAT, Bank Card Association;

*As of September 2013, December figures not yet available

Market share development - asset side



Market share development - liability side



Presentation topics

- **Performance of Ceska sporitelna**

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- **Economy**

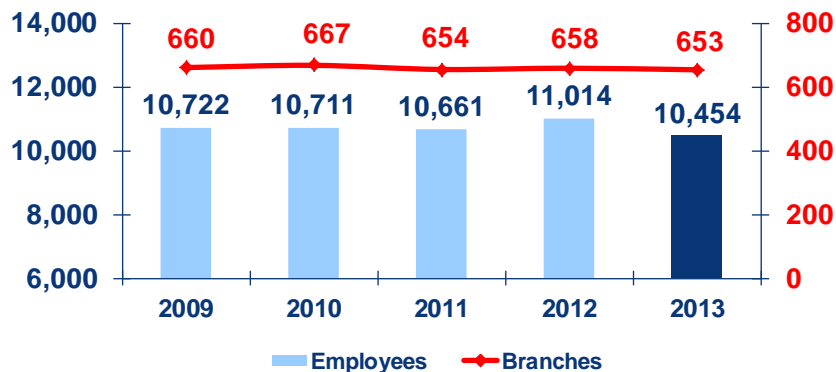
- Macroeconomic environment

- **Banking market**

- Banking market development
- Market shares

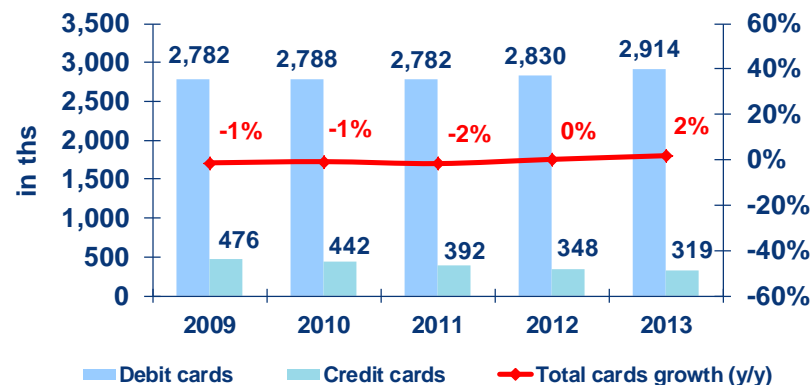
- **Appendix**

Number of branches vs number of employees



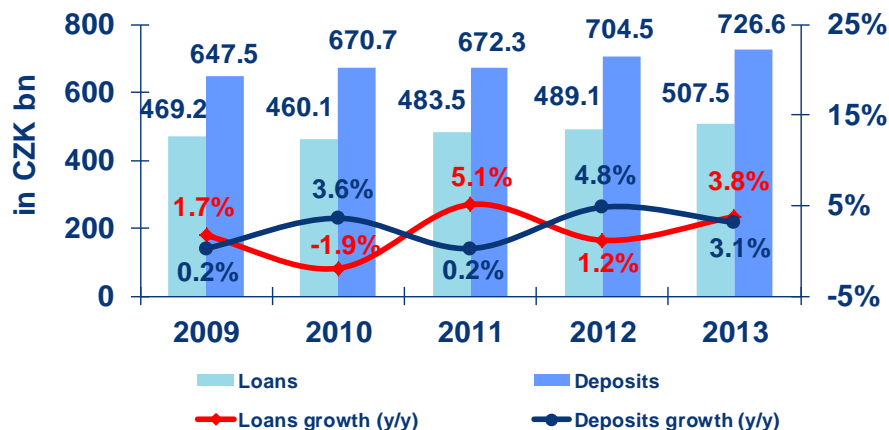
Note Employees as of end of period

Bank cards development*

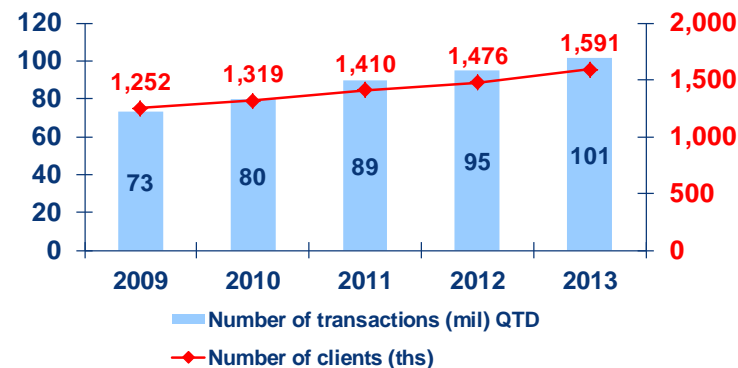


*Development in credit cards impacted by continuing abolishing inactive cards, debit cards include new sCards

Loans and deposits development



Development of Internet Banking (SERVIS 24 + BUSINESS 24)



Net profit of selected subsidiaries

- Net profit of **Stavebni sporitelna CS (building society)** was affected by decline of net interest income (impact of drop of market interest rates)
- Increase in net profit of **sAutoleasing** reflects positive business development and improved risk profile of new business
- FY 2013 results of **CS Penzijni spolecnost** are not comparable with FY 2012. Pension fund of CS was transformed as of 31st December 2012. Client's assets under management are separated from asset mgt company (CS Penzijni spolecnost) since 1st January 2013
- Increase in net profit of **Factoring CS** was mainly supported by higher net interest income in line with increased turnover (+9% y/y)



IFRS, CZK mil	2013	2012	% Change
CS Building Society	535	649	-18%
sAutoleasing	97	74	31%
Pension Company *	-35	-	-
Factoring CS	62	58	6%

*Profit of the Pension Company, not the whole fund, is captured

Structure of CS Group loan portfolio

Non-financial institutions

CS Group: Loans to customers

in CZK mil, IFRS	31/12/2011		31/12/2012		31/12/2013		YTY change	
	Outstand.	Share	Outstand.	Share	Outstand.	Share	Outstand.	Rate
I. CORPORATE & RETAIL (1+2)	440,637	91.1%	449,139	91.8%	472,773	93.2%	23,633	5.3%
1. CORPORATES	179,493	37.1%	185,425	37.9%	196,839	38.8%	11,414	6.2%
GLC	68,270	14.1%	64,016	13.1%	68,645	13.5%	4,629	7.2%
Group Large Corporate	34,063	7.0%	33,121	6.8%	34,733	6.8%	1,611	4.9%
Group Corp. Mortgage&Real Estate	34,207	7.1%	30,894	6.3%	33,912	6.7%	3,018	9.8%
Local Corporate	111,223	23.0%	121,410	24.8%	128,195	25.3%	6,785	5.6%
Large Corporates	28,643	5.9%	32,453	6.6%	36,574	7.2%	4,121	12.7%
Medium Corporates (SMEs)	62,667	13.0%	69,457	14.2%	71,814	14.2%	2,357	3.4%
Mortgage (SMEs)	6,073	1.3%	6,426	1.3%	7,578	1.5%	1,152	17.9%
Municipalities	13,840	2.9%	13,074	2.7%	12,229	2.4%	-845	-6.5%
2. RETAIL	261,144	54.0%	263,714	53.9%	275,934	54.4%	12,220	4.6%
Private Credit cards	5,395	1.1%	5,055	1.0%	4,672	0.9%	-382	-7.6%
Consumer lending	71,985	14.9%	67,435	13.8%	65,068	12.8%	-2,367	-3.5%
Private social	1,946	0.4%	1,652	0.3%	1,390	0.3%	-262	-15.9%
Private mortgages	127,569	26.4%	139,158	28.5%	155,099	30.6%	15,942	11.5%
Micro corporates (MSEs)	20,086	4.2%	17,410	3.6%	15,746	3.1%	-1,664	-9.6%
Commercial mortgages	26,297	5.4%	24,960	5.1%	26,065	5.1%	1,105	4.4%
Small municipalities	7,866	1.6%	8,045	1.6%	7,894	1.6%	-152	-1.9%
II. FINANCIAL MARKETS	939	0.2%	2,332	0.5%	114	0.0%	-2,218	-95.1%
BANK LOANS TO CUSTOMERS	441,576	91.3%	451,471	92.3%	472,886	93.2%	21,415	4.7%
III. SUBSIDIARIES	60,827	12.6%	56,528	11.6%	54,259	10.7%	-2,269	-4.0%
IV. CONSOLIDATION ITEMS	-18,862	-3.9%	-18,896	-3.9%	-19,677	-3.9%	-781	4.1%
GROUP LOANS TO CUSTOMERS	483,541	100.0%	489,103	100.0%	507,469	100.0%	18,366	3.8%

Financial results by quarters

in CZK mil	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Net interest income	7,591	7,508	7,252	7,302	7,074	6,970	6,971	6,895
Risk provisions for loans and advances	(1,118)	(1,130)	(890)	(569)	(914)	(901)	(794)	(723)
Net fee and commission income	2,998	2,943	2,773	3,054	2,933	2,792	2,733	2,836
Net trading result	756	189	686	519	717	647	648	671
General administrative expenses	(4,654)	(4,682)	(4,499)	(4,424)	(4,445)	(4,435)	(4,445)	(4,269)
Other operating result	(284)	(305)	(660)	(308)	(70)	(196)	(635)	(138)
Net profit from CSPS Transformed fund	25	27	26	36	42	7	(3)	59
Results from financial assets	289	209	(87)	5	(95)	47	(340)	(157)
Pre-tax profit	5,593	4,770	4,600	5,615	5,242	4,931	4,133	5,174
Taxes on income	(1,172)	(1,001)	(959)	(1,043)	(1,038)	(988)	(819)	(1,059)
Profit for the year after taxes and before controlling interests	4,456	3,734	3,641	4,572	4,204	3,943	3,314	4,115
Net profit for the year								
attributable to owners of the parent	4,491	3,730	3,566	4,825	4,204	3,950	3,321	4,113
attributable to non-controlling interests	(35)	4	75	(253)	(0)	(7)	(6)	2
Operating income	11,345	10,640	10,711	10,875	10,724	10,409	10,352	10,402
Operating expenses	(4,654)	(4,682)	(4,499)	(4,424)	(4,445)	(4,435)	(4,445)	(4,269)
Operating result	6,691	5,958	6,212	6,451	6,279	5,974	5,907	6,133

Segment financial statements - Income statement

in EUR million	2013	2012	Change
Net interest income	986.3	1,113.8	(11.4%)
Risk provisions for loans and advances	(119.2)	(139.6)	(14.6%)
Net fee and commission income	407.6	447.2	(8.9%)
Net trading result	44.0	19.9	>100.0%
General administrative expenses	(644.8)	(691.9)	(6.8%)
Other result	(50.2)	(93.2)	(46.2%)
Pre-tax profit/loss	623.7	656.2	(5.0%)
Taxes on income	(126.3)	(135.7)	(6.9%)
Net profit/loss for the period	497.3	520.5	(4.5%)
Attributable to non-controlling interests	3.7	2.5	49.5%
Attributable to owners of the parent	493.6	518.0	(4.7%)
Operating income	1,437.8	1,580.9	(9.0%)
Operating expenses	(644.8)	(691.9)	(6.8%)
Operating result	793.0	889.0	(10.8%)

Exchange rate for FY 2013: 25.97 CZK/EUR (average for the period)

Segment financial statements – Income Statement

(Quarterly development)

in EUR million	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Change (YoY)
Net interest income	271.2	252.8	246.5	247.9	239.1	(11.9%)
Risk provisions for loans and advances	(19.1)	(34.1)	(29.2)	(32.4)	(23.5)	23.3%
Net fee and commission income	112.7	107.2	103.7	98.9	97.8	(13.2%)
Net trading result	5.9	12.0	6.4	14.8	10.7	81.8%
General administrative expenses	(160.8)	(165.5)	(163.7)	(162.8)	(152.8)	(5.0%)
Other result	(36.7)	(4.5)	(5.4)	(31.3)	(8.9)	(75.7%)
Pre-tax profit/loss	173.2	167.9	158.3	135.1	162.3	(6.3%)
Taxes on income	(34.6)	(33.7)	(32.0)	(27.4)	(33.3)	(3.8%)
Net profit/loss for the period	138.6	134.2	126.4	107.7	129.1	(6.9%)
Attributable to non-controlling interests	(8.8)	0.8	0.6	0.3	2.0	na
Attributable to owners of the parent	147.4	133.4	125.8	107.3	127.1	(13.8%)
Operating income	389.8	372.1	356.6	361.6	347.6	(10.8%)
Operating expenses	(160.8)	(165.5)	(163.7)	(162.8)	(152.8)	(5.0%)
Operating result	229.0	206.5	192.9	198.8	194.8	(14.9%)

Exchange rate for Q4 2013: 26.62 CZK/EUR (average for the period)

Investor Relations contacts

Local and Erste Group



Ceska sporitelna, Olbrachtova 1929/62, Praha 4

Tel: +420 956 711 111
E-mail: csas@csas.cz
Internet: www.csas.cz
SWIFT: GIBA CZ PX
Reuters: SPOPS.PR

CS Investor Relations:

Milos Novak
Tel: +420 956 712 410
E-mail: mnovak@csas.cz

Eva Culikova
Tel: +420 956 712 011
E-mail: eculikova@csas.cz

Josef Bocek
Tel: +420 956 712 461
E-mail: jbocek@csas.cz

Erste Group, Graben 21, 1010 Vienna, Austria

Fax: +43 (0)5 0100-13112
E-mail: investor.relations@erstegroup.com
Internet: www.erstegroup.com
Reuters: ERST.VI
Bloomberg: EBS AV
Datastream: O:ERS
ISIN: AT0000652011

Thomas Sommerauer
Phone: +43 (0)5 0100-17326
E-mail: thomas.sommerauer@erstegroup.com

Peter Makray
Phone: +43 (0)5 0100-16878
E-mail: peter.makray@erstegroup.com