

# Česká spořitelna – H1 2013 consolidated results (unaudited IFRS)

30 July 2013, Praha

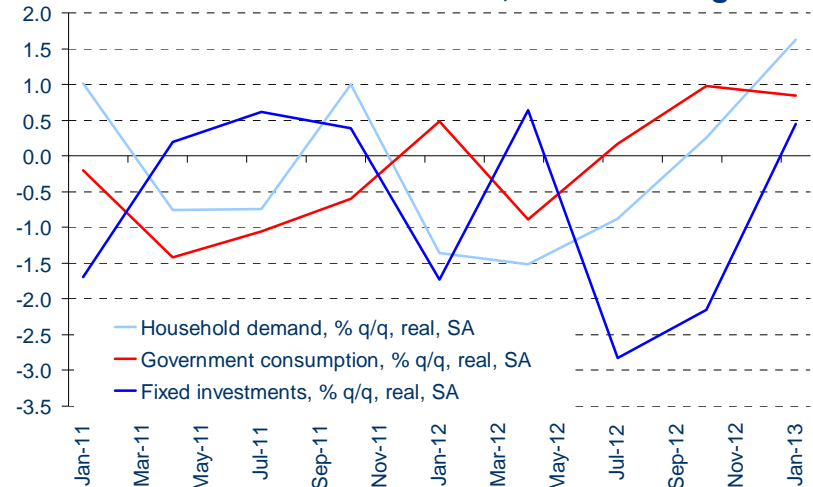


**Strong performance despite challenging market conditions**

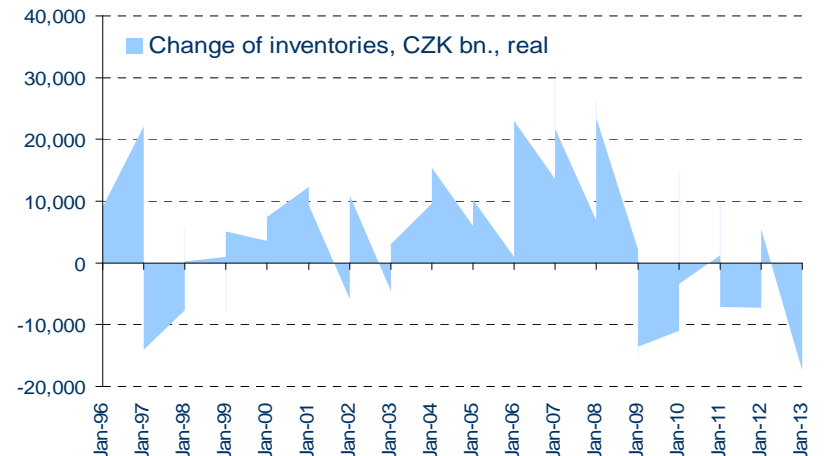
Pavel Kysilka

- Czech economy is structurally sound: no indebtedness problem, external or internal imbalances, competitive export sector, strong banking sector. Government is likely to reduce deficit to below 3% this year
- Despite strong fundamentals, economy contracted 2.4% y/y in Q1 2013. However, structure was the healthiest in a long time - had it not been for the massive drop of inventories, the economy would've grown 1% q/q instead of contracting by 1.3% q/q
- Domestic demand improved, with all three components (households, government, companies) posting q/q growth
- Moody's affirmed the Czech Republic's A1/P-1 ratings and maintained the stable outlook on 19 July
- Yields rose (10Y swap to high of 2.2% from May low of 1.20%), owing to FED's reiteration loose policy will eventually end. This may be seen as de facto tightening of monetary policy, especially if prolonged

**GDP contracted in Q1 2013, but demand grew**



**GDP contraction due exclusively to massive drop of inventories**



# H1 2013 highlights

- **Ceska sporitelna generated net profit of CZK 8.2 bn in H1 2013**
- **Persisting almost zero market interest rates caused 10% drop of NII\* which was the major contributor to 6% decline of operating income (adjusted for transformation of pension fund NII down by 7%)**
  - Net fee income down by 4% y/y but net trading result significantly improved in comparison with H1 2012 (+38% y/y)
- **Operating expenses\* decreased by 6% due to cost cutting measures and came below CZK 9 bn (excluding impact of pension fund operating expenses down by 5% y/y)**
  - Driven by drop of other administrative expenses (by CZK 0.6 bn y/y)
- **Operating result\* declined by 6% because reduction of operating expenses did not outweigh drop of operating income (adjusted for transformation of pension fund operating result dropped by 3%)**
- **Risk provision creation showed continuous decrease (-19% y/y)**
- **Customer loans increased by CZK 13 bn (+3%) compared to June 2012 and by CZK 7 bn since YE 2012**
  - The fastest y/y growth achieved in private mortgages, loans to SMEs and in loans to large corporate customers
- **Credit risk costs (annualized) rapidly declined to 73 bps (from 93 bps in H1 2012)**
- **Share of NPLs at 5.2% (5.4% in June 2012)**
- **Provision coverage of NPLs stable at 73% (including collateral at 113%)**
- **Capital and liquidity position of Ceska sporitelna remained very strong**
  - Group capital adequacy Tier I + Tier II increased to 18.1%
  - Loans to deposits ratio at 71.7%

*\* H1 2013 results were impacted by transformation of CS Pension fund in connection with pension reform, more details on slide 8 and 33*

- 
- **Ceska sporitelna strengthened its leading position on lending market in private individuals thanks to record sales in H1 2013**
    - Volume of new consumer loans grew by 26% y/y, mainly thanks to process simplification and focus on enhancement in direct marketing
    - New private mortgage business went up by 14% y/y
  - **CS's clients show interest in modern and convenient payment card usage**
    - Card volumes in e-commerce grew by 24% y/y. It is expected that 6% of all business transactions (POS + e-commerce) will be done via internet in 2013 (over 6 mil)
    - Significant growth of contactless transactions is being recorded with almost 2 mil contactless transactions monthly. Every 6th cardholders' transaction will be via contactless technology in 2013
    - Number of contactless cards issued by CS exceeded 1 mil in June 2013
  - **Ceska sporitelna sold Czech government saving bonds in the volume of CZK 9.6 bn (of the total CZK 17.5 bn) in May 2013. With the share more than 50%, Ceska sporitelna became the largest government savings bonds re-seller**
  - **Building society CS launched a new secured loan „Hypouver od Burinky“**
    - Following the successful entry into the Housing cooperatives segment, building society sold new loans in the amount of CZK 1 bn in H1 2013

# H1 2013 business highlights – corporates

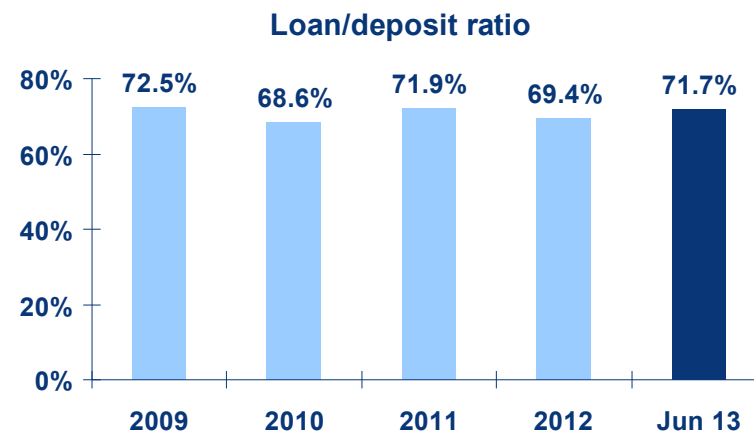
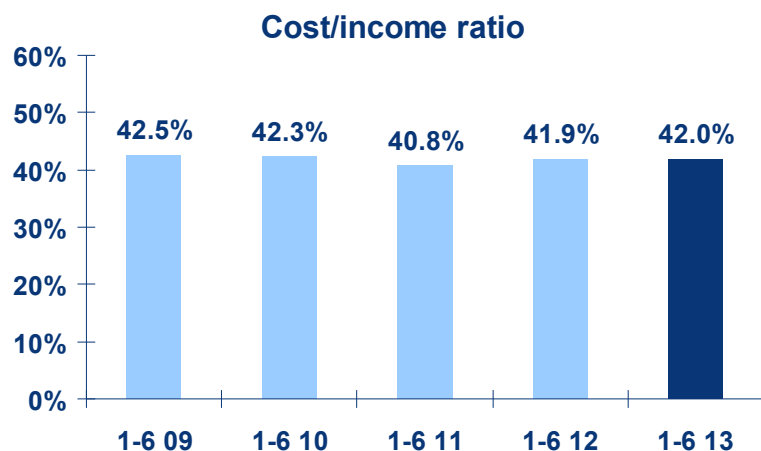
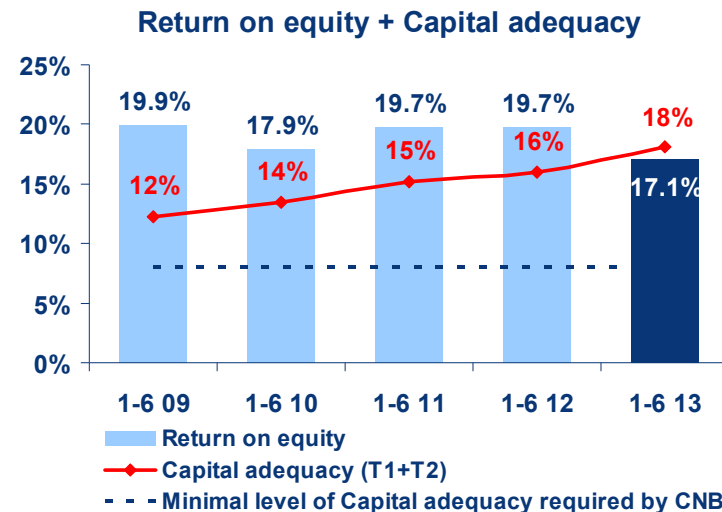
---

- **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 billion for up to 12 years**
  - The new promissory notes program in the amount of CZK 8 billion thus helps refinance the CZK 4 bn promissory notes program from 2012, while ensuring financial resource for purchase of 15T ForCity trams in 2013 and 2014
- **Ceska sporitelna acted as a mandated lead arranger, coordinator and agent in the amount of CZK 6.5 bn 1-year club financing for OTE, a.s.**
- **At the turn of April and May 2013, CS co-managed the SPO of CETV media group that is listed on the Prague Stock Exchange and the U.S. NASDAQ**
  - The new issue was in the amount of USD 150 mil.
- **Ceska sporitelna and other joint-lead managers arranged a bond issue for CETELEM ČR a.s. in June. Bonds with a three years maturity were priced at 6-month PRIBOR + 55 basis points yield**
  - The total volume of the issue is CZK 1.5 bn. Bonds were subscribed by domestic and foreign investors
- **Ceska sporitelna became the administrator of funds of newly founded Depositum Bonum Foundation (in the volume of CZK 1.45 bn) whose mission is to support science, research & development and education for the benefit of Czech society**

# Financial highlights

## ROE decreased

- Return on equity above 17%
  - Year on year decrease attributed to increase of retained earnings
- Cost/income ratio stable at 42.0%
- Loan to deposit ratio slightly up at 71.7%



# 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 slightly decreased

in CZK million	1-6 13	1-6 12	Change
Net interest income	14,044	15,583	(9.9%)
Risk provisions for loans and advances	(1,815)	(2,248)	(19.3%)
Net fee and commission income	5,725	5,948	(3.7%)
Net trading result	1,364	986	38.3%
General administrative expenses	(8,880)	(9,424)	(5.8%)
Other operating result	(269)	(1,058)	(74.5%)
Result from financial assets - FV	(274)	192	-
Result from financial assets - AfS	92	342	(73.1%)
Result from financial assets - HtM	134	42	216.9%
Net profit from CSPS Transformed fund	49	0	-
<b>Pre-tax profit</b>	<b>10,170</b>	<b>10,363</b>	<b>(1.9%)</b>
Taxes on income	(2,026)	(2,173)	(6.8%)
<b>Profit for the year after taxes and before controlling interests</b>	<b>8,144</b>	<b>8,190</b>	<b>(0.6%)</b>
<b>Net profit for the year</b>			
<b>attributable to owners of the parent</b>	<b>8,153</b>	<b>8,221</b>	<b>(0.8%)</b>
attributable to non-controlling interests	(9)	(31)	(71.0%)
Operating income	21,133	22,517	(6.1%)
Operating expenses	(8,880)	(9,424)	(5.8%)
<b>Operating result</b>	<b>12,253</b>	<b>13,093</b>	<b>(6.4%)</b>

*H1 2013 results were impacted by transformation of CS Pension fund in connection with pension reform (newly established CS Pension company and Transformed fond of CS Pension company), special lines were added to P/L and B/S to show results of the new fund (more details and adjusted y/y comparison is shown on slide 33)*



# Financial statements – Balance sheet (assets)

Total assets increased by 4% since YE 2012

in CZK million	Jun 13	Dec 12	Change
Cash and balances with central banks	48,821	22,501	117.0%
Loans and advances to credit institutions	62,732	65,320	(4.0%)
Loans and advances to customers	496,178	489,103	1.4%
Risk provisions for loans and advances	(18,757)	(18,244)	2.8%
Derivative financial instruments	21,532	26,781	(19.6%)
Trading assets	47,461	40,881	16.1%
Financial assets - at fair value through profit or loss	6,667	7,205	(7.5%)
Financial assets - available for sale	44,707	66,765	(33.0%)
Financial assets - held to maturity	163,502	181,967	(10.1%)
Equity holdings in associates accounted for at equity	114	109	4.6%
Intangible assets	3,000	3,208	(6.5%)
Property and equipment	14,280	14,594	(2.1%)
Investment properties	8,544	9,561	(10.6%)
Current tax assets	266	127	108.8%
Deferred tax assets	120	119	0.5%
Assets from CSPS Transformed fund	47,355	0	-
Other assets	11,655	10,407	12.0%
<b>Total assets</b>	<b>958,178</b>	<b>920,403</b>	<b>4.1%</b>

*H1 2013 results were impacted by transformation of CS Pension fund in connection with pension reform (newly established CS Pension company and Transformed fond of CS Pension company), special lines were added to P/L and B/S to show results of the new fund (more details and adjusted y/y comparison is shown on slide 33)*

# Financial statements – Balance sheet (liabilities)

## Customer deposits (incl. CSPS Transformed fund) up by 5% compared to YE 2012 \*

in CZK million	Jun 13	Dec 12	Change
Amounts owed to credit institutions	53,510	44,344	20.7%
Amounts owed to customers *	691,551	704,532	(1.8%)
Debt securities in issue	31,591	36,151	(12.6%)
Derivative financial instruments	22,417	26,358	(15.0%)
Trading liabilities	6	3	100.0%
Other provisions	2,448	2,251	8.8%
Current tax liabilities	80	127	(37.4%)
Deferred tax liabilities	343	365	(6.0%)
Liabilities from CSPS Transformed fund *	47,074	0	-
Other liabilities	13,809	10,699	29.1%
Subordinated capital	2,117	2,262	(6.4%)
Total equity	93,232	93,312	(0.1%)
attributable to non-controlling interests	26	122	(73.8%)
attributable to owners of the parent	93,206	93,190	0.0%
<b>Total liabilities and equity</b>	<b>958,178</b>	<b>920,403</b>	<b>4.1%</b>

\* Amounts owed to customers including CSPS Transformed fund increased since YE 2012 by 4.8% to CZK 738,140 mil from CZK 704,532 mil

H1 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 lines were added to P/L and B/S to show results of the new fund

# Performance analysis

## Adjusted operating result decreased by 3%\* y/y

### – Decline of operating result by 6% (-3%)\* caused by decrease of operating income; operating expenses further declined

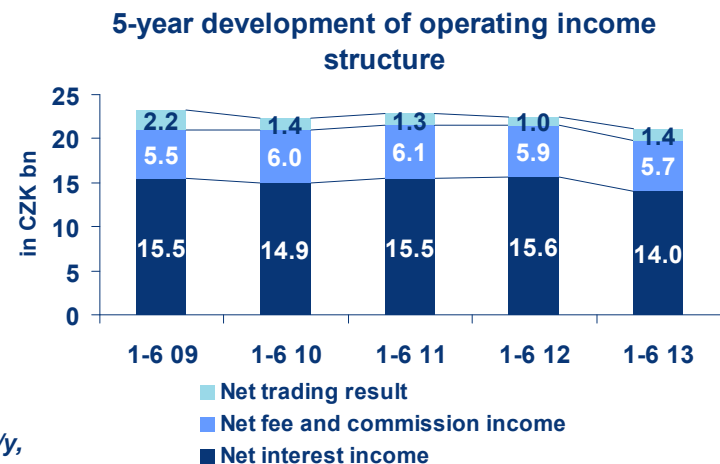
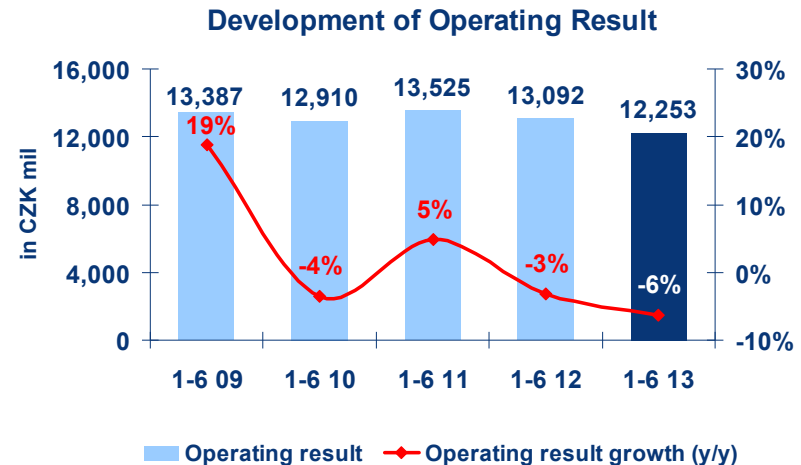
- Net interest income decreased by 10% y/y (-7%)\*
- Net fee income down by 4% (-4%)\* mainly due to lower fee income from payment transactions
- Net trading result grew by 38% or by CZK 0.4 bn (+44%)\* due to higher profit from FX transactions (rose by CZK 0.4 bn) and from derivatives (+CZK 0.3 bn) mainly due to customer business; result from securities trading, on contrary, down by CZK 0.3 bn

### – Other operating result improved

- Mainly due to transformation of CS Pension fund

### – Results from financial assets worsened

- Impacted by negative revaluations of FV options and by transformation of CS Pension fund; H1 2012 impacted by positive revaluations of asset swaps in FV portfolio



\* Adjusted for transformation of CS Pension fund operating results declined by 3% y/y, NII declined by 7% and net trading result increased by 44%

# Performance analysis

## Development of NII in line with expectation

### – NII declined by 10% (-7%)\*

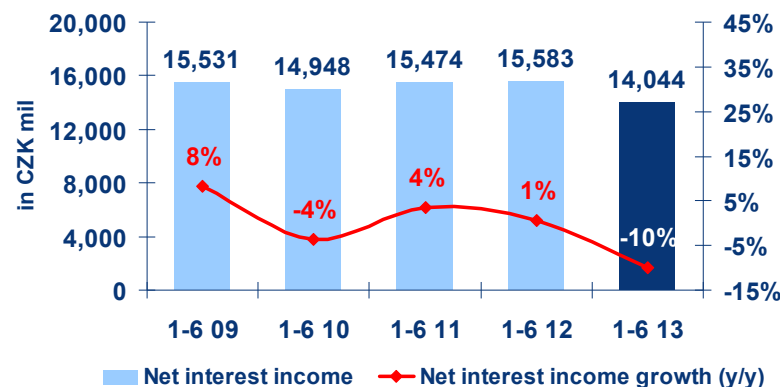
- 2W repo rate at 0.05% since November 2012, average 2W repo rate dropped by 70 bps y/y
- Maturing volumes of fixed income securities
  - Volume of bonds and T-bills in HTM portfolio dropped by CZK 21 bn since June 2012

- Still low consumer confidence and household demand leading to sluggish growth of customer loans

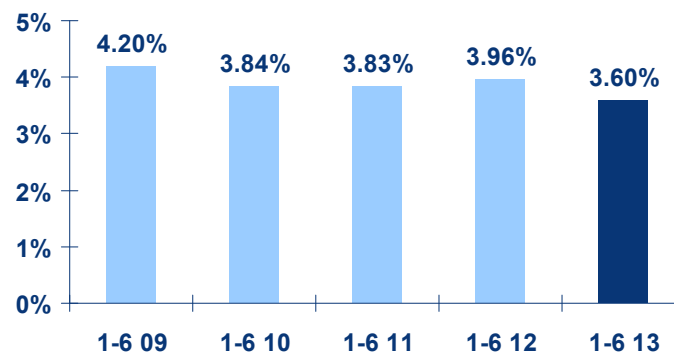
### – NIM declined to 3.60%

- Development of NIM determined by development of interest rates and changing asset mix

Development of Net Interest Income



Net interest margin



\* Adjusted for transformation of CS Pension fund

# Performance analysis

## Net fee income dropped by 4%

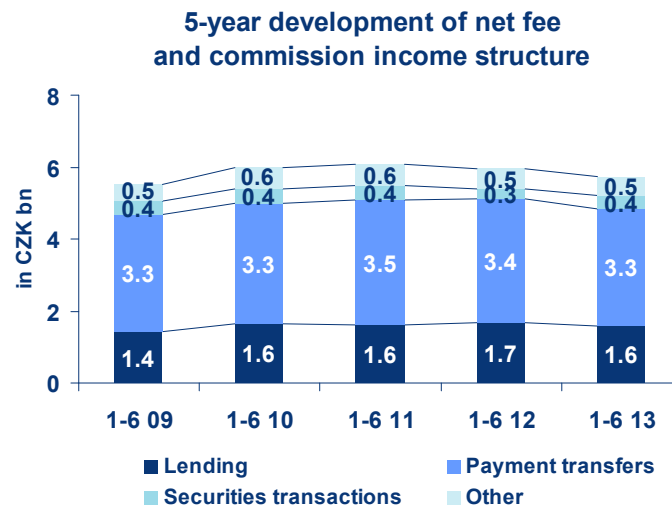
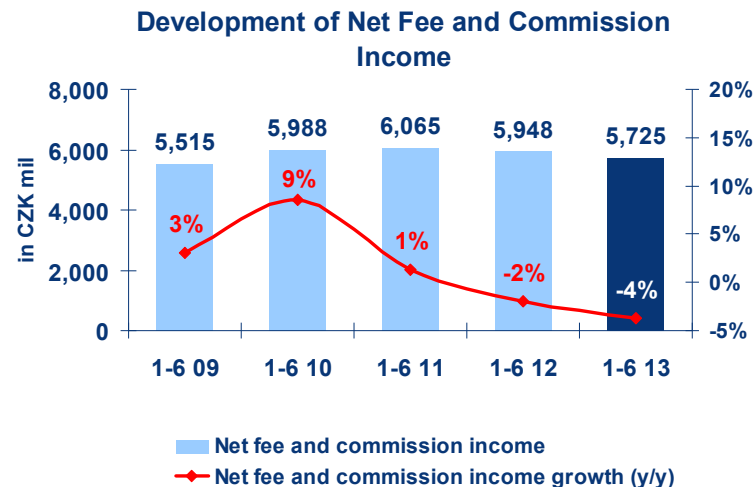
– **Decline of net fee income attributed mainly to net fee income from payment transactions and account maintenance which dropped by 5% y/y**

- Reflects growing usage of Internet banking and advantageous programmes with Personal Accounts
- Net fee income from card business increased by 2%

– **Net fee income from lending business down by 5%**

- Impact of growing commissions paid for distribution of products

– **Net fee income from securities business expanded by 22% y/y due to growing income from mutual funds and asset management**

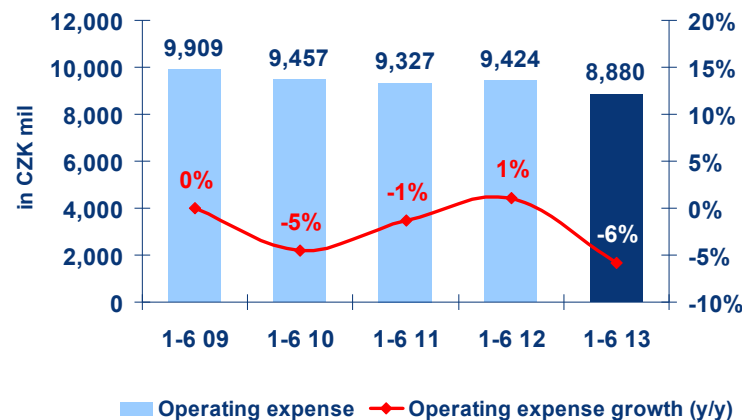


# Performance analysis

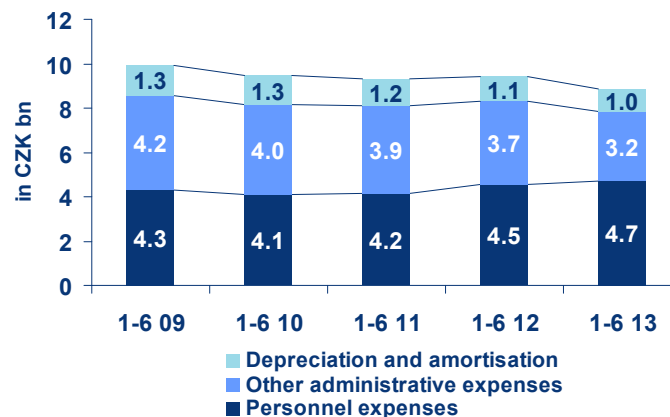
## Operating expenses below CZK 9 bn

- **Operating expenses declined by 6% (-5%)\* driven by lower other administrative expenses**
- **Other administrative expenses declined by CZK 0.6 bn y/y in line with expectation**
  - Attributed to savings in almost all cost categories, major savings in marketing, IT, training and communication
  - Affected by different treatment of seasonal spending in most cost categories
- **Personnel expenses increased by CZK 0.1 bn y/y**
  - Reflects severance payment for lay-offs
- **Depreciation on fixed assets decreased by CZK 0.09 bn**
  - Lower depreciation of hardware and buildings

Development of Operating Expenses



5-year development of operating expenses structure

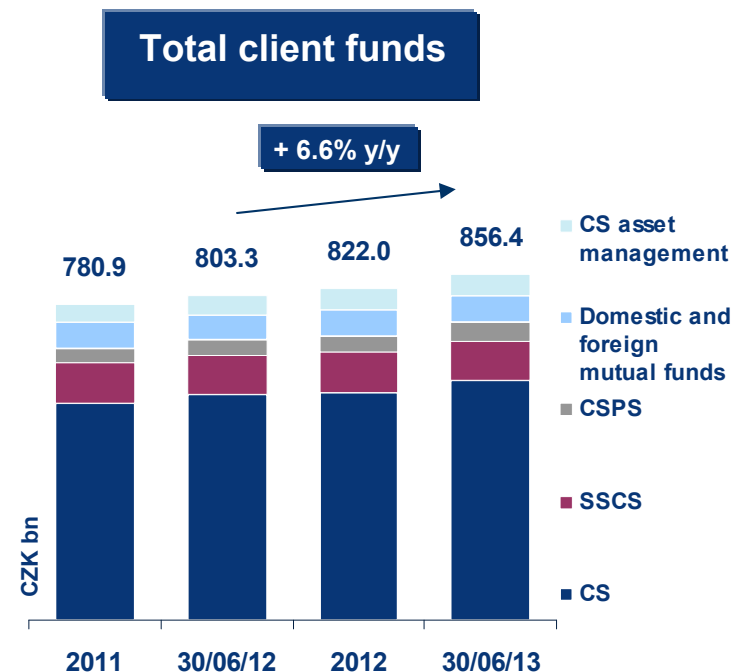


\* Adjusted for transformation of CS Pension fund operating expenses declined by 5%

# Performance analysis

## Sharp growth in all deposit products

- **Customer bank deposits showed strong growth of 6% y/y driven by repo operations (excluding repo operations up by 1% y/y)**
  - Public sector deposits increased by 32% y/y (declined by 10% adjusted by repo operations)
  - Deposits from legal entities increased by 14% y/y, deposits from private individuals remained flat
- **Stable development in building society**
- **Significant growth in pension company assets of 16% y/y**
  - Supported by strong increase of new clients
- **Assets in domestic and foreign mutual funds increased by 9% y/y**
  - Caused by higher interest of clients in investment products and positive performance of funds
- **Assets under discretionary management rose by 10% y/y**
  - Considerable growth was recorded in funds for qualified investors and in asset management (for both institutions and for private individuals)



IFRS, in CZK bn	2011	30/06/12	2012	30/06/13	Change (y/y)
CS - banking deposits	537.7	559.3	565.3	594.0	6.2%
SSCS - building society	98.0	95.0	97.7	96.6	1.7%
CPCS - pension company	38.2	40.4	42.5	46.7	15.7%
Dom. and foreign mutual funds	64.2	60.3	62.0	66.0	9.4%
Asset management	42.8	48.3	54.5	53.0	9.7%
<b>Total</b>	<b>780.9</b>	<b>803.3</b>	<b>822.0</b>	<b>856.4</b>	<b>6.6%</b>

# Performance analysis

## Capital adequacy (Basel 2)

- Capital position of Ceska sporitelna was further strengthened due to higher Tier I capital and lower capital requirements
- CS Group capital adequacy Tier I increased by 220 bps y/y to 17.6%
  - Tier I capital increased by CZK 8.9 bn (+12%) compared to June 2012 due to higher retained earnings
- CS Group capital adequacy Tier I + Tier II grew by 210 bps y/y
  - Total Tier I + Tier II capital raised by 12% y/y
- Total capital requirements declined by 1% y/y
  - Due to lower capital requirement to credit risk, market risks and also to operational risk
- Risk weighted assets decreased by CZK 2.8 bn

Parent Bank, CZK mil.	30/06/2012	31/12/2012	30/6/2013
Tier I capital (after deductions)	65,926	64,968	73,387
Tier I + Tier II capital	68,302	67,157	75,480
Capital requirement to credit risk	28,925	28,698	29,710
Capital requirement to market risks	945	784	901
Capital requirement to operational risk	4,038	4,040	4,000
Risk weighted assets	361,563	358,725	371,375
<b>Capital adequacy Tier I ratio</b>	<b>15.6%</b>	<b>15.5%</b>	<b>17.0%</b>
<b>Capital adequacy Tier I+II ratio</b>	<b>16.1%</b>	<b>16.0%</b>	<b>17.4%</b>

CS Group, CZK mil.	30/06/2012	31/12/2012	30/6/2013
Tier I capital (after deductions)	71,736	70,701	80,588
Tier I+II capital	74,113	72,934	82,682
Capital requirement to credit risk	31,141	30,395	30,916
Capital requirement to market risks	1,044	971	955
Capital requirement to operational risk	4,942	4,906	4,717
Risk weighted assets	389,263	379,938	386,450
<b>Capital Adequacy Tier I ratio</b>	<b>15.5%</b>	<b>15.6%</b>	<b>17.6%</b>
<b>Capital Adequacy Tier I+II ratio</b>	<b>16.0%</b>	<b>16.1%</b>	<b>18.1%</b>

*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*



- 
- **Loan portfolio in CS Bank increased by 3.8% y/y, group loan portfolio grew by 2.7% y/y**
    - Driven by mortgages to private individuals, loans to SMEs and Large Corporates
  - **Risk costs further decreased from 93 bps in H1 2012 to 73 bps**
  - **Quality of loan portfolio as share of NPLs on total customer loans improved from 5.4% to 5.2% y/y**
    - Provision to NPL coverage long term stable at strong 73%
    - Total NPL coverage (including collateral) at 113%
  - **No sovereign exposure to Portugal, Italy, Ireland, Greece, Spain and Cyprus**

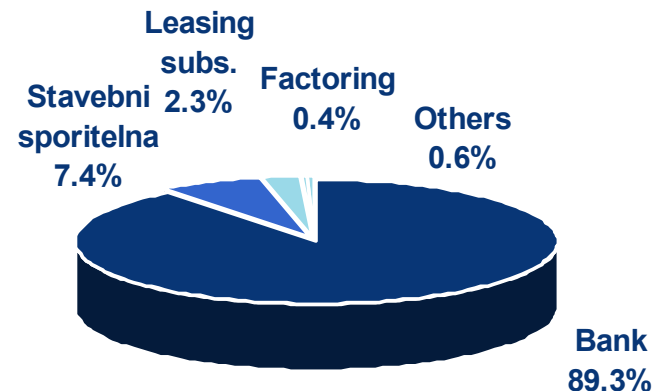
# Performance analysis – CS Group balance sheet

## CS Group loan portfolio development

### – CS Bank dominates the CS Group

- Share of CS Bank further strengthened by 107 bps y/y to 89.3%
- Decline in Stavebni sporitelna CS driven by overall market conditions advantaging mortgages to building savings loans

### Loan Book by Group members as of 30 June 2013



in CZK m, IFRS	30/06/2012	31/12/2012	30/06/2013	YY Change
I. CS Bank	443,969	451,471	460,977	3.8%
II.1. Stavebni sporitelna CS	39,976	39,477	38,354	-4.1%
II.2. Leasing (sAL, sML)	12,293	12,265	12,071	-1.8%
II.3. Factoring CS	1,557	1,871	1,879	20.7%
II.4. Other subsidiaries	5,340	2,916	2,865	-46.4%
III. Consolidation items	-19,823	-18,896	-19,967	0.7%
<b>Total Loans (consolidated)</b>	<b>483,312</b>	<b>489,103</b>	<b>496,178</b>	<b>2.7%</b>

# Performance analysis – CS Bank balance sheet

## Structural changes in Retail, growth in Corporate

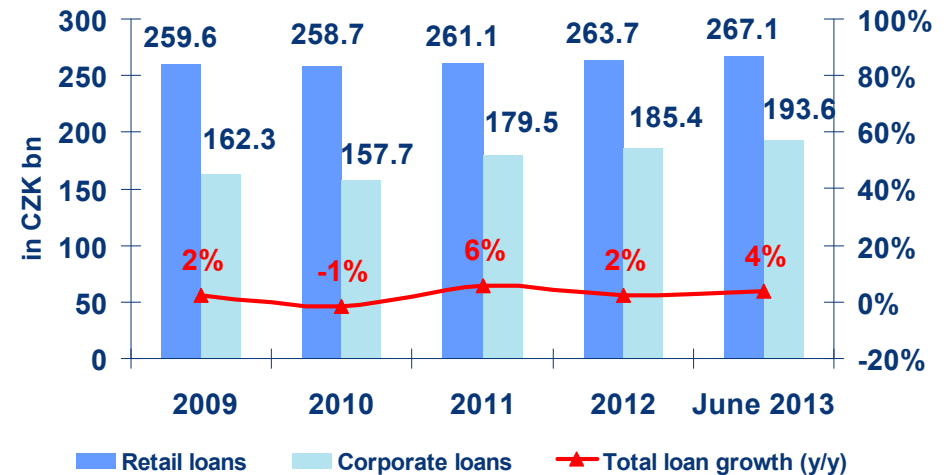
### – Loans to retail rose by 2.5% y/y

- Pushed by private mortgages +9.7% y/y and partly offset by decline of consumer lending\* (-5.4% y/y) and micro corporate (-11.1% y/y)

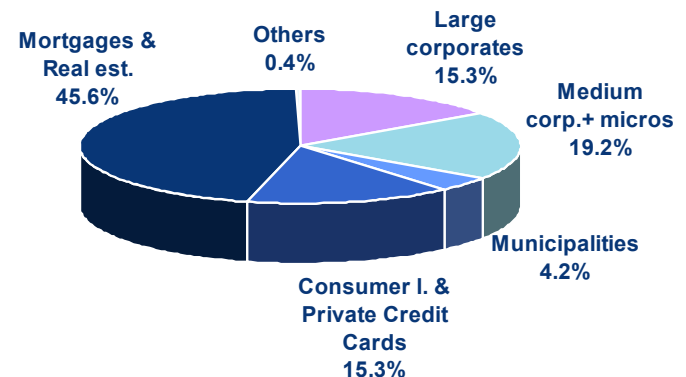
### – Corporate loans added 5.8% y/y

- Driven by SME and Large Corporate

Loan portfolio development - CS Bank



Loan Book by customer segments as of 30 June 2013



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

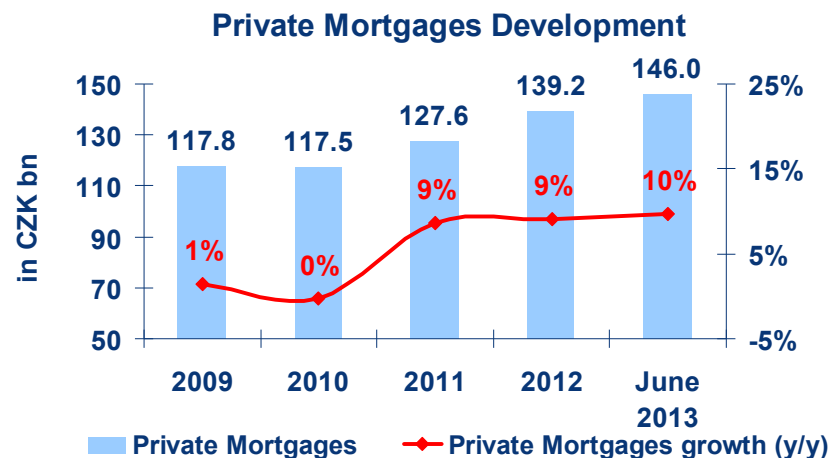
# Performance analysis – CS Bank balance sheet

## High demand on mortgage market continued

### – Private mortgages grew to CZK 146.0 bn

(+9.7% y/y)

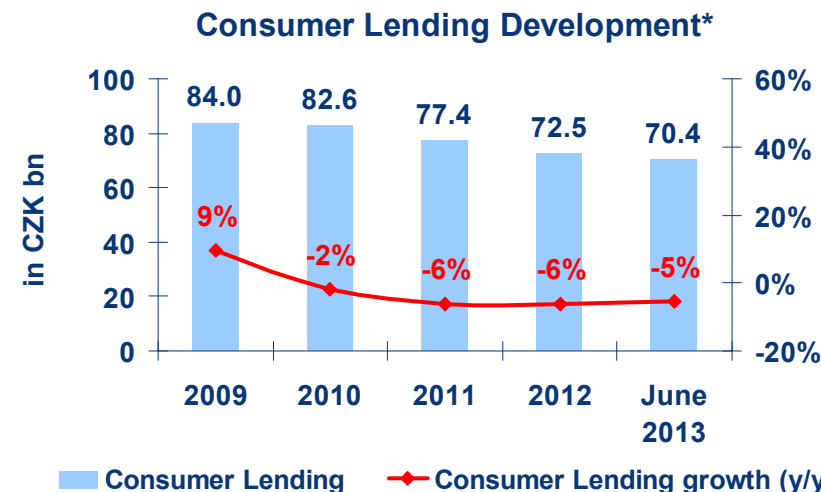
- Mortgages granted in H1 2013: average maturity at 21.6 years (22.5 in 2012); average size of mortgage at CZK 1.5 mil; LTV ratio at 68.2% (68.5% in 2012)
- Whole portfolio: average maturity stable at 22 years, residual maturity stable at 17.9 years; LTV ratio at comfortable 66.6%



### – Consumer lending\* declined to CZK 70.4 bn

(-5.4% y/y)

- Demand for consumer lending remained weak, following lower household consumption



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

# Performance analysis

## Risk costs improvement continued

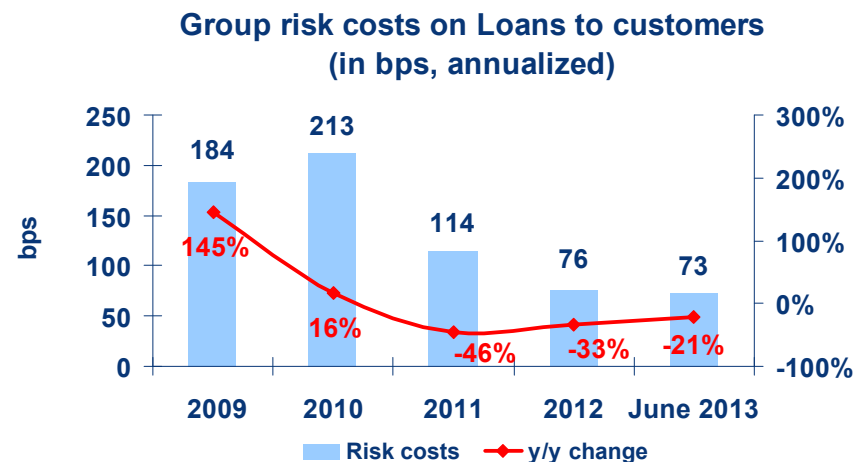
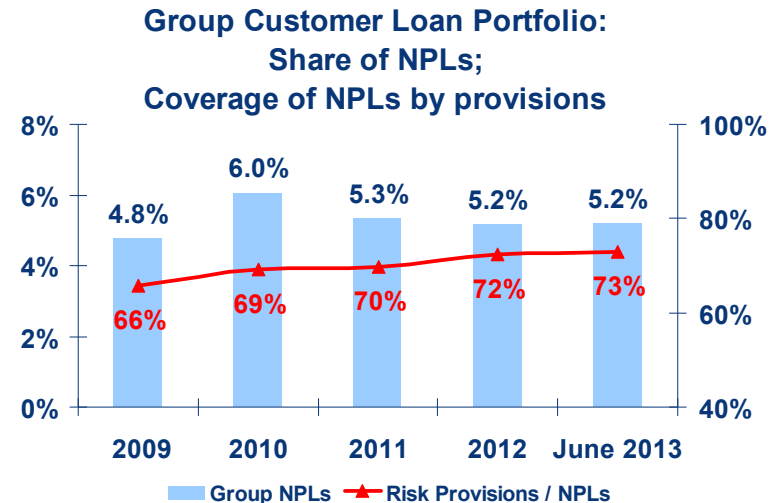
### – Group share of NPL decreased by 20 bps to 5.2% y/y

- Provision coverage at strong level of 73%
- Total coverage (provisions and collateral to NPL) at 113%

### – Annualized group risk costs further declined to 73 bps

- Driven mainly by Retail (unsecured lending) and Group large corporates

### – Share of defaulted loans according to CNB methodology lowered from 6.0% to 5.9% y/y



# Presentation topics

---

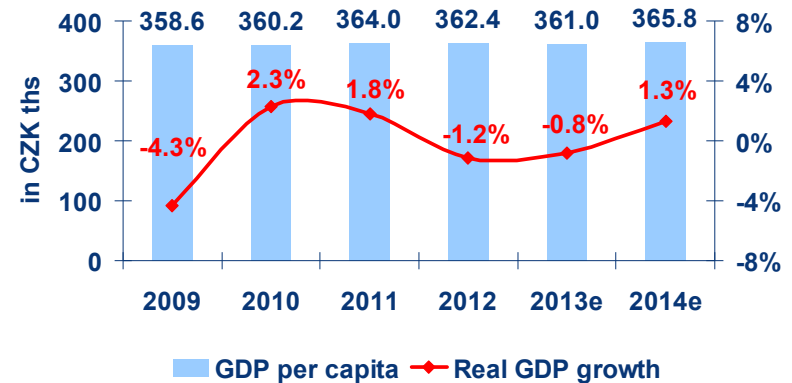
- Performance of Ceska sporitelna
  - Financial statements
  - Performance analysis
- **Economy**
  - Macroeconomic environment
- **Banking market**
  - Banking market development
  - Market shares
- **Appendix**

# Macroeconomic environment

## Economy to contract slightly this year, positive growth to return in 2014 as fiscal restriction ceases, Eurozone improves

- In 2011-2012, Czech economy was weighed upon by domestic fiscal restriction and low confidence
- Economy will contract mildly this year (-0.8%), mainly on weakness of domestic demand. However, Q2 2013 was likely the first quarter since 2011 in which GDP grew, thanks partly to rebuilding of inventories
- We expect economy to grow at about +0.5% q/q on average in H2 2013, driven by exports (=industry) and lesser fiscal restriction. Government is likely to ease fiscal policy in H2 2013, enabled also by better budget performance in 2013 (deficit improved by CZK 40 bn y/y in H1 2013)
- Return to 1% growth is seen for 2014 as fiscal restriction stops and Eurozone growth picks up

Key economic indicators



Unemployment vs inflation vs wage growth



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

# Macroeconomic environment

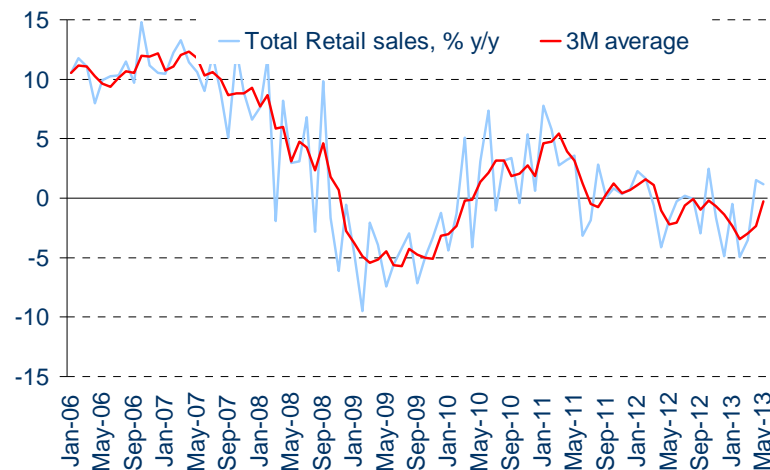
## Signs of recovery

### – Signs of recovery are becoming visible

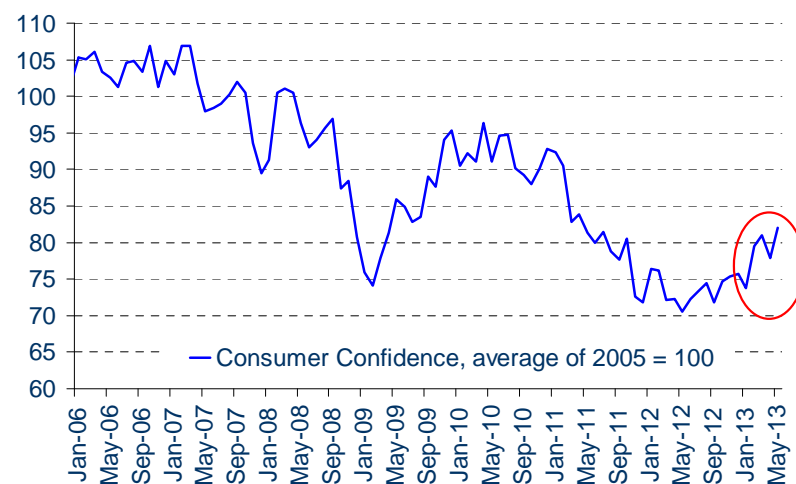
- A] industry grew at 0.4% m/m on average over last six months;
- B] consumer confidence continues to improve;
- C] leading indicators in Germany and Czech PMI are consistent with positive GDP growth in H2 2013
- D] Retail sales stabilized, no indication here or in VAT intake of consumption about to repeat last year's dismal performance

- **CZK continues to be under pressure, mainly because of CNB interventions' threat. Inflation fell to as low as 1.3% in May, enough to set off deflation alarm at CNB. June inflation (1.6%) + outlook for the economy lower the probability of interventions**

### Retail sales are improving...



### ...driven in part by improving confidence





# Presentation topics

---

- **Performance of Ceska sporitelna**

- Financial statements
- Performance analysis

- **Economy**

- Macroeconomic environment

- **Banking market**

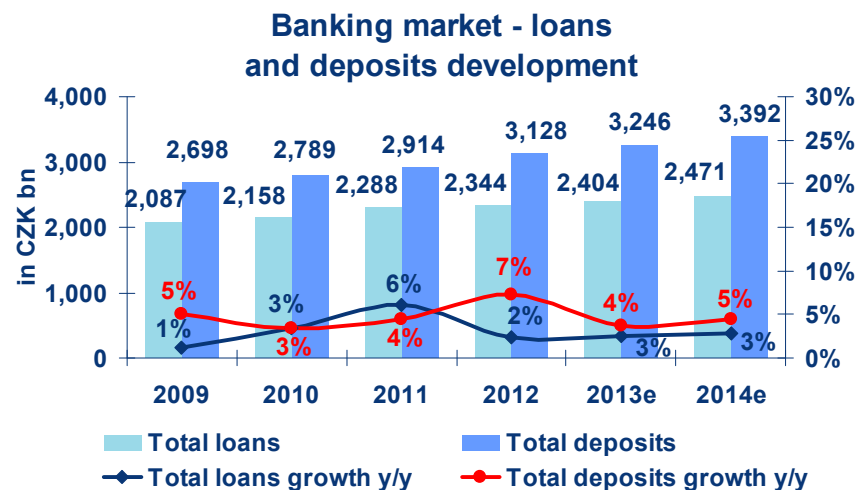
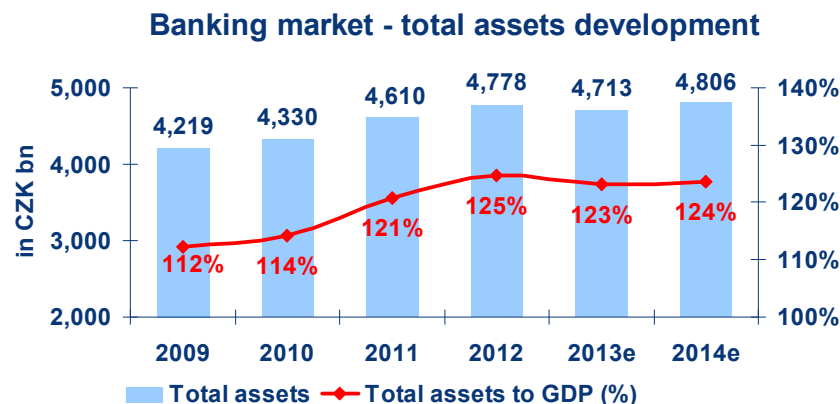
- Banking market development
- Market shares

- **Appendix**

# Banking market development

## Czech banking sector keeps its stable position

- Strong capital and liquidity position: Tier 1 ratio at 16% (Q1 2013)
- With loan to deposits ratio at low 75% independent on foreign sources
- Share of NPLs stable at 6% (05/2013)
- ROE at 13.3% (Q1 2013)
- C/I ratio at 46.3%
- Both new consumer loans and mortgages have recently started to grow. New consumer loans added 25% y/y in first 5 months of 2013. Similarly, mortgages grew by 18% in the same period. However, in case of consumer loans, it is namely still more popular consolidation of older loans (term loans, credit cards, overdrafts) what stands behind the growth. As the result, outstanding volumes remain almost flat



Source: CNB, CS estimates

# Banking market development

## According to CNB's Financial stability report Czech banking sector remains resilient to wide range of risks

---

- Czech National Bank (CNB) perceives risk resulting from the crisis in EMU to be high. Despite the signs of stabilization of financial markets, overall situation remains fragile
- Czech banking sector is in good starting position thanks to sufficient profitability and capital adequacy and good balance-sheet liquidity.
- In comparison with previous years, CNB is (beside assets portfolio quality) more aware of decreasing profits and resulting risks for financial sector stability
- Stress tests showed that even in the stress scenario overall capital adequacy ratio of the Czech banking sector will remain above 8% regulatory minimum. 13 banks will fall below this level but roughly CZK 16bn would be enough to recapitalize them back above the limit - not a substantial amount of money given the size of the economy (0.4% of GDP) or the size of the banking sector
- In Baseline Scenario, 2 banks are expected to fall below 8% threshold (nevertheless they amount to just 1% of total assets of Czech banking sector)
- The assessment of the banking sector's resilience also involved applying liquidity stress test. On average, small banks would be hit hardest at the one-month horizon, followed by large banks, while building societies followed by small banks would be hit hardest at the three-month horizon.
- Although the conditions of the scenario were relatively tough, the banks tested withstood the simulated shock and would be able to close the potential liquidity gap within one month or three months even under worse market conditions

Source: [\*CNB Financial Stability Report 2012/2013\*](#)

# CS market shares

## Market leadership maintained (March 2013)

### – Market position overview

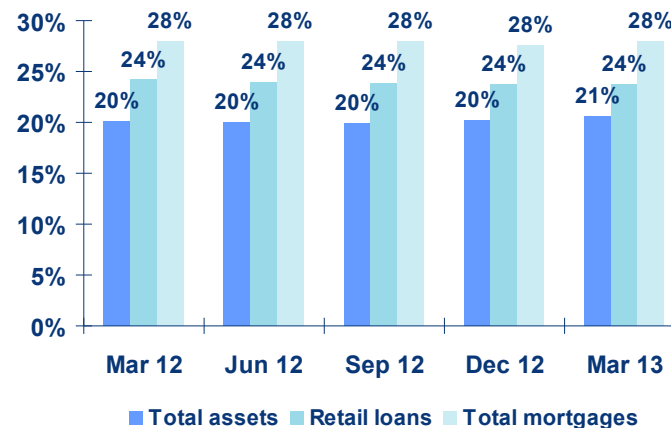
- No. 1 by number of customers (5.3 mil.)
- No. 1 by total loans (market share 21%)
  - 24% in retail loans, 19% corporate loans
- No. 1 in total mortgages (market share 28%)
- No. 1 in total consumer loans, incl. credit cards and overdrafts (market share 36%)
- No. 1 by total deposits (market share 22%)
  - 28% in retail deposits, 10% in corporate deposits
- No. 1 in number of payment cards (market share 32%)
  - 16% in credit cards
- No. 2 by total assets (market share 21%)
- No. 2 in mutual funds (market share 27%)

### – Market structure

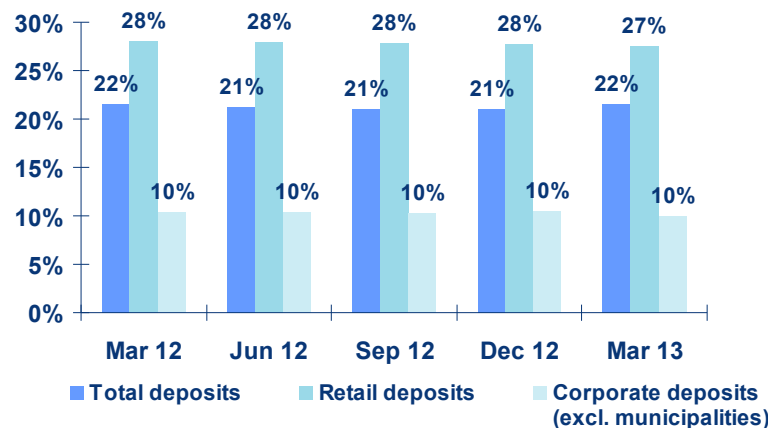
- Concentrated banking market
- 43 banks in total, 36 owned by foreigners
- 3 dominant players, including CS
- Stronger competition from new players

Source: CNB statistics, MMR, AKAT, Bank Card Association; June figures not yet available

Market share development - asset side



Market share development - liability side



# Presentation topics

---

- **Performance of Ceska sporitelna**

- Financial statements
- Performance analysis

- **Economy**

- Macroeconomic environment

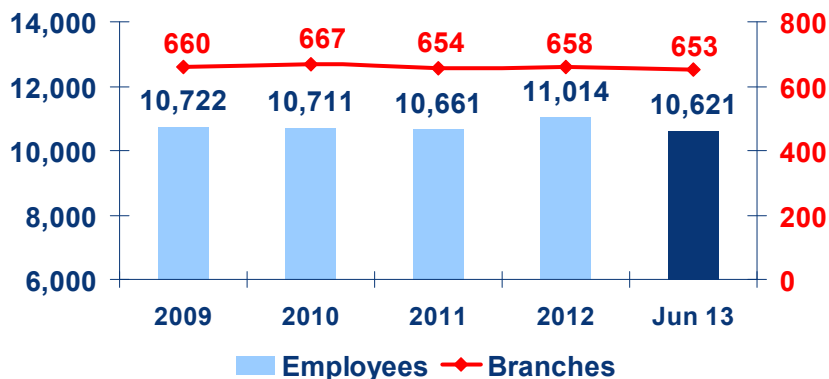
- **Banking market**

- Banking market development
- Market shares

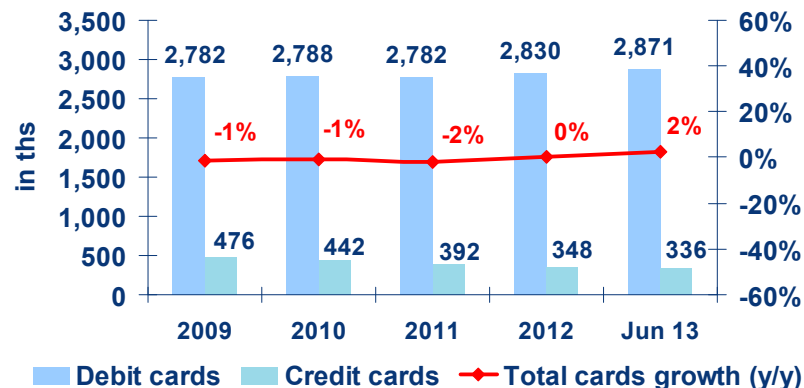
- **Appendix**

# Main indicators

### Number of branches vs number of employees

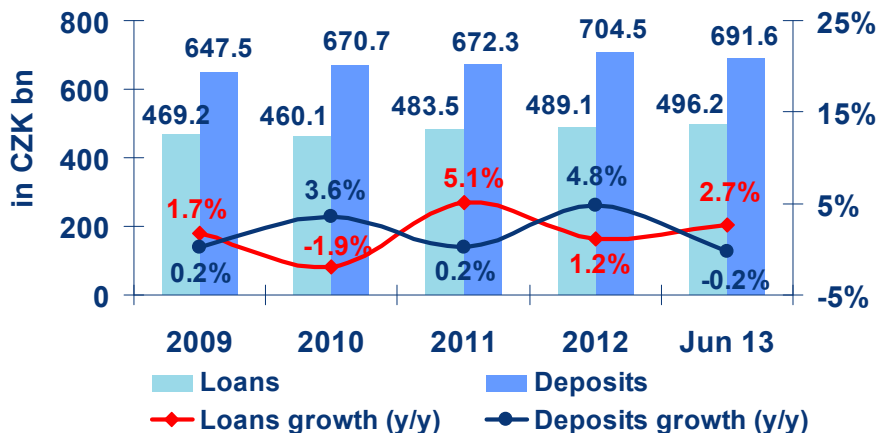


### Bank cards development\*

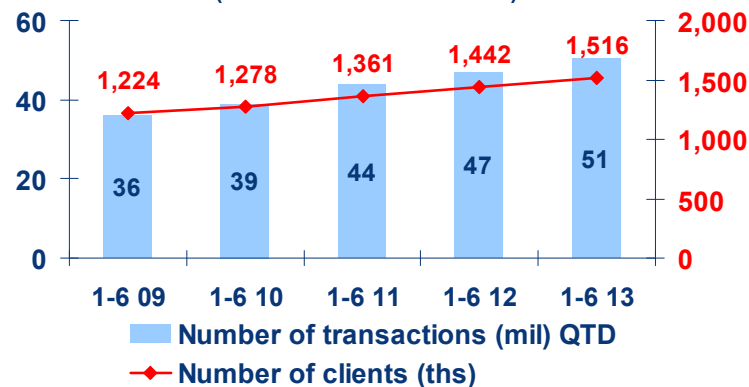


\*Development in credit cards impacted by continuing abolishing inactive cards, debit cards include new sCards

### Loans and deposits development



### Development of Internet Banking (Servis 24 + Business 24)



# Structure of CS Group loan portfolio

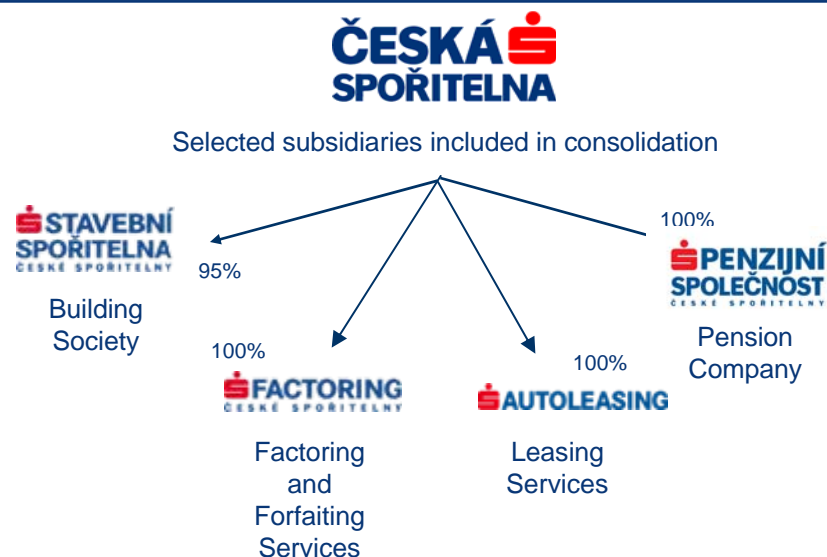
## Non-financial institutions

### CS Group: Loans to customers

in CZK m, IFRS	30/06/2012		31/12/2012		30/06/2013		H1 2013 YTD		Y/Y change	
	Outstand.	Share	Outstand.	Share	Outstand.	Share	Outstand.	Rate	Outstand.	Rate
<b>I. CORPORATE &amp; RETAIL (1+2)</b>	<b>443,680</b>	<b>91.5%</b>	<b>449,139</b>	<b>91.8%</b>	<b>460,745</b>	<b>92.9%</b>	<b>11,606</b>	<b>2.6%</b>	<b>17,065</b>	<b>3.8%</b>
<b>1. CORPORATES</b>	<b>182,965</b>	<b>37.3%</b>	<b>185,425</b>	<b>37.9%</b>	<b>193,623</b>	<b>39.0%</b>	<b>8,198</b>	<b>4.4%</b>	<b>10,659</b>	<b>5.8%</b>
<b>GLC</b>	<b>66,962</b>	<b>14.2%</b>	<b>64,016</b>	<b>13.1%</b>	<b>66,290</b>	<b>13.4%</b>	<b>2,274</b>	<b>3.6%</b>	<b>-672</b>	<b>-1.0%</b>
Group Large Corporate	33,027	7.3%	33,121	6.8%	33,875	6.8%	754	2.3%	848	2.6%
Group Corp. Mortgage&Real Estate	33,935	6.9%	30,894	6.3%	32,415	6.5%	1,521	4.9%	-1,520	-4.5%
<b>Local Corporate</b>	<b>116,002</b>	<b>23.1%</b>	<b>121,410</b>	<b>24.8%</b>	<b>127,333</b>	<b>25.7%</b>	<b>5,924</b>	<b>4.9%</b>	<b>11,331</b>	<b>9.8%</b>
Large Corporates	30,128	6.1%	32,453	6.6%	36,545	7.4%	4,092	12.6%	6,417	21.3%
Medium Corporates (SMEs)	65,177	13.1%	69,457	14.2%	71,947	14.5%	2,490	3.6%	6,771	10.4%
Mortgage (SMEs)	6,280	1.3%	6,426	1.3%	7,072	1.4%	646	10.1%	792	12.6%
Municipalities	14,418	2.7%	13,074	2.7%	11,769	2.4%	-1,305	-10.0%	-2,649 c	
<b>2. RETAIL</b>	<b>260,715</b>	<b>54.2%</b>	<b>263,714</b>	<b>53.9%</b>	<b>267,122</b>	<b>53.8%</b>	<b>3,408</b>	<b>1.3%</b>	<b>6,407</b>	<b>2.5%</b>
Private Credit cards	5,059	1.1%	5,055	1.0%	4,636	0.9%	-419	-8.3%	-423	-8.4%
Consumer lending	69,357	14.6%	67,435	13.8%	65,737	13.2%	-1,698	-2.5%	-3,620	-5.2%
Private social	1,792	0.4%	1,652	0.3%	1,514	0.3%	-138	-8.3%	-277	-15.5%
Private mortgages	133,091	27.1%	139,158	28.5%	146,049	29.4%	6,891	5.0%	12,958	9.7%
Micro corporates (MSEs)	18,554	4.0%	17,410	3.6%	16,499	3.3%	-910	-5.2%	-2,054	-11.1%
Commercial mortgages	25,267	5.3%	24,960	5.1%	24,897	5.0%	-63	-0.3%	-370	-1.5%
Small municipalities	7,595	1.6%	8,045	1.6%	7,789	1.6%	-256	-3.2%	194	2.6%
<b>II. FINANCIAL MARKETS</b>	<b>289</b>	<b>0.2%</b>	<b>2,332</b>	<b>0.5%</b>	<b>231</b>	<b>0.0%</b>	<b>-2,100</b>	<b>-90.1%</b>	<b>-58</b>	<b>-20.0%</b>
<b>BANK LOANS TO CUSTOMERS</b>	<b>443,969</b>	<b>91.7%</b>	<b>451,471</b>	<b>92.3%</b>	<b>460,977</b>	<b>92.9%</b>	<b>9,506</b>	<b>2.1%</b>	<b>17,008</b>	<b>3.8%</b>
<b>III. SUBSIDIARIES</b>	<b>59,167</b>	<b>12.4%</b>	<b>56,528</b>	<b>11.6%</b>	<b>55,169</b>	<b>11.1%</b>	<b>-1,359</b>	<b>-2.4%</b>	<b>-3,997</b>	<b>-6.8%</b>
<b>IV. CONSOLIDATION ITEMS</b>	<b>-19,823</b>	<b>-4.1%</b>	<b>-18,896</b>	<b>-3.9%</b>	<b>-19,967</b>	<b>-4.0%</b>	<b>-1,071</b>	<b>5.7%</b>	<b>-144</b>	<b>0.7%</b>
<b>GROUP LOANS TO CUSTOMERS</b>	<b>483,312</b>	<b>100.0%</b>	<b>489,103</b>	<b>100.0%</b>	<b>496,178</b>	<b>100.0%</b>	<b>7,075</b>	<b>1.4%</b>	<b>12,866</b>	<b>2.7%</b>

# Net profit of selected subsidiaries

- Net profit of **Stavebni sporitelna CS (building society)** was affected by drop of market rates
- Increase in net profit of **sAutoleasing** reflects positive business development and improved risk profile of new business
- H1 2013 results of **CS Penzijni spolecnost** are not comparable with H1 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
- Moderate decline in net profit of **Factoring CS** was mainly caused by higher operating expenses - new department for verification of receivables was created



IFRS, CZK m	1-6 13	1-6 12	% Change
CS Building Society	301	419	-28%
sAutoleasing	45	35	28%
Pension Company	-80	-	-
Factoring CS	29	30	-4%



# Financial statements – Income statement

## Adjusted for change in pension fund\*

in CZK million	1-6 13	1-6 12	Change
Net interest income	14,044	15,099	(7.0%)
Risk provisions for loans and advances	(1,815)	(2,248)	(19.3%)
Net fee and commission income	5,725	5,941	(3.6%)
Net trading result	1,364	945	44.3%
General administrative expenses	(8,880)	(9,336)	(4.9%)
Other operating result	(269)	(589)	(54.3%)
Result from financial assets - FV	(274)	192	-
Result from financial assets - AfS	92	264	(65.3%)
Result from financial assets - HtM	134	42	216.9%
Net profit from CSPS Transformed fund	49	52	(7.2%)
<b>Pre-tax profit</b>	<b>10,170</b>	<b>10,363</b>	<b>(1.9%)</b>
Taxes on income	(2,026)	(2,173)	(6.7%)
<b>Profit for the year after taxes and before controlling interests</b>	<b>8,144</b>	<b>8,190</b>	<b>(0.6%)</b>
<b>Net profit for the year</b>			
<b>attributable to owners of the parent</b>	<b>8,153</b>	<b>8,221</b>	<b>(0.8%)</b>
attributable to non-controlling interests	(9)	(31)	(70.8%)
Operating income	21,133	21,985	(3.9%)
Operating expenses	(8,880)	(9,336)	(4.9%)
<b>Operating result</b>	<b>12,253</b>	<b>12,648</b>	<b>(3.1%)</b>

\* Displayed Income statement provide fully comparable figures for both periods, accounting methodology of CSPS Transformed fund was applied also for H1 2012; H1 2013 results include new CS Pension company

# Financial results by quarters

in CZK million	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Net interest income	7,835	7,748	7,490	7,515	7,074	6,970
Risk provisions for loans and advances	(1,118)	(1,130)	(889)	(569)	(914)	(901)
Net fee and commission income	2,910	3,038	2,777	3,044	2,933	2,792
Net trading result	781	204	677	531	717	647
General administrative expenses	(4,698)	(4,726)	(4,543)	(4,292)	(4,445)	(4,434)
Other operating result	(423)	(634)	(894)	(806)	(70)	(199)
Net profit from CSPS Transformed fund	0	0	0	0	42	7
Results from financial assets	306	270	(17)	192	(95)	47
<b>Pre-tax profit</b>	<b>5,593</b>	<b>4,770</b>	<b>4,600</b>	<b>5,615</b>	<b>5,242</b>	<b>4,929</b>
Taxes on income	(1,172)	(1,001)	(959)	(1,043)	(1,038)	(988)
<b>Profit for the year after taxes and before controlling interests</b>	<b>4,421</b>	<b>3,769</b>	<b>3,641</b>	<b>4,572</b>	<b>4,204</b>	<b>3,940</b>
<b>Net profit for the year</b>						
<b>attributable to owners of the parent</b>	<b>4,456</b>	<b>3,765</b>	<b>3,566</b>	<b>4,826</b>	<b>4,204</b>	<b>3,949</b>
attributable to non-controlling interests	(35)	4	75	(254)	(0)	(9)
Operating income	11,526	10,991	10,944	11,090	10,724	10,409
Operating expenses	(4,698)	(4,726)	(4,543)	(4,292)	(4,445)	(4,434)
<b>Operating result</b>	<b>6,828</b>	<b>6,265</b>	<b>6,401</b>	<b>6,799</b>	<b>6,279</b>	<b>5,975</b>

# Segment financial statements - Income statement

in EUR million	1-6 13	1-6 12	Change
Net interest income	499.3	570.6	-12.5%
Risk provisions	(63.3)	(85.3)	(25.8%)
Net fee and commission income	210.9	229.8	(8.2%)
Net trading result	18.4	(8.4)	na
General administrative expenses	(329.2)	(358.9)	(8.3%)
Other result	(9.9)	(20.8)	>100,0%
<b>Pre-tax profit</b>	<b>326.2</b>	<b>327.0</b>	<b>(0.2%)</b>
Taxes on income	(65.6)	(68.6)	(4.3%)
<b>Net profit for the period</b>	<b>260.6</b>	<b>258.4</b>	<b>0.9%</b>
Attributable to non-controlling interests	1.4	5.7	(74.7%)
<b>Attributable to owners of the parent</b>	<b>259.2</b>	<b>252.7</b>	<b>2.6%</b>
Operating income	728.6	792.0	(8.0%)
Operating expenses	(329.2)	(358.9)	(8.3%)
<b>Operating result</b>	<b>399.4</b>	<b>433.1</b>	<b>(7.8%)</b>

Exchange rate for H1 2013: 25.695 CZK/EUR (average for the period)

# Segment financial statements – Income Statement

(Quarterly development)



in EUR million	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13
Net interest income	288.0	272.0	271.2	252.8	246.5
Risk provisions	(40.8)	(35.2)	(19.1)	(34.1)	(29.2)
Net fee and commission income	117.6	104.7	112.7	107.2	103.7
Net trading result	(25.1)	22.4	5.9	12.0	6.4
General administrative expenses	(179.4)	(172.2)	(160.8)	(165.5)	(163.7)
Other result	(19.8)	(35.7)	(36.7)	(4.5)	(5.4)
<b>Pre-tax profit</b>	<b>140.5</b>	<b>156.0</b>	<b>173.2</b>	<b>167.9</b>	<b>158.3</b>
Taxes on income	(29.5)	(32.5)	(34.6)	(33.7)	(32.0)
<b>Net profit/loss for the period</b>	<b>111.0</b>	<b>123.5</b>	<b>138.6</b>	<b>134.2</b>	<b>126.4</b>
Attributable to non-controlling interests	2.6	5.6	(8.8)	0.8	0.6
<b>Attributable to owners of the parent</b>	<b>108.4</b>	<b>117.9</b>	<b>147.4</b>	<b>133.4</b>	<b>125.8</b>
Operating income	380.5	399.1	389.8	372.1	356.6
Operating expenses	(179.4)	(172.2)	(160.8)	(165.5)	(163.7)
<b>Operating result</b>	<b>201.1</b>	<b>226.9</b>	<b>229.0</b>	<b>206.5</b>	<b>192.9</b>

Exchange rate for Q2 2013: 25.948 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: SPOPSp.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

##### Frantisek Moucha

Tel: +420 956 712 425  
E-mail: fmoucha@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