

# Half-year Report 2013

International Financial Reporting Standards  
Consolidated & Unaudited

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# Macroeconomic Development of the Czech Republic

## in the First Half of 2013

The Czech economy did not grow in the first half of 2013. The first two quarters of 2013 were, however, far from being identical and there are some signs of reflation beneath certain poor numbers.

In accordance with the Czech Statistical Office's information, the Czech economy actually decreased by 2.4% year-on-year and by 1.3% quarter-on-quarter in the 1st quarter, which is the last quarter for which comprehensive data is available. Except for two quarters of the financial crisis between 2008 and 2009, this decline was historically the largest; moreover all other economies in the region reported positive growth. Nevertheless, the Czech economy did not perform as badly as it looked at first sight. The GDP structure was „growing“ more than it had for a long time. Household demand increased by 1.7%, quarter-on-quarter, government demand by 1% and even corporate demand increased by 0.2% after the bad second half of last year. As even net exports (as the difference between exports and imports) were not a problem, only inventory stood behind the Czech economy's fall. The inventory noted the largest decline ever. Otherwise, the economy would have increased by one percent and not decreased in comparison to the last quarter of 2012. The question is why such an unprecedented decline occurred. Considering the development of household consumption, consumer trust and certain other indicators, the theory that corporations underestimated demand after a very weak year in 2012, and were thus forced to reduce their stock, seems to be the most likely. Should this theory be confirmed, stock will be renewed in the coming quarters which will facilitate growth. The GDP data in the 2nd quarter of 2013 is still not available. It seems, however, from the development of monthly indicators (retail, industry) and the leading (PMI) or „soft“ (consumer trust) indicators that the economy has already made an exit from the recession in the 2nd quarter of 2013.

Inflation was declining in the first half of 2013. It decreased from 3.4% in October 2012 to 1.3% in May 2013, then it returned to 1.6% in June. The reason for this deflation was lower growth of regulated prices and lower contribution of indirect taxes. Demand-pull inflation that comprises some 55% of the consumer basket and which is the best measure of demand pressures in the economy,

remained negative, as has been the case every month since the summer of 2009. The monetary policy inflation, that is inflation in which the inflation goal of the Czech National Bank is set and that includes overall inflation net of the primary indirect taxes effect, was decreasing as well. It dropped down under the lower edge (1%) of inflation spread (1%-3%), declining up to 0.6% in May, and increasing to 0.9% in June. These inflation developments are in line with the situation in the real economy, particularly in household demand even though the deflation size exceeded the expectations of the majority of observers.

The CNB responded to these developments with multiple verbal interventions when it repeated that if need be, i.e. in case of a deflation threat, it will use foreign exchange intervention at zero rates against the Czech koruna. At the CNB board's last meeting, the trio of its members demanded, apparently under the influence of May's inflation, to commence immediate sales of korunas. The threat of intervention hung over the market for the whole first half of the year and was the main reason for the weakness of the koruna. Halted real convergence, i.e. a slower increase in the Czech Republic than in Europe was another reason why the koruna has not strengthened. In the first half of the year, the koruna reached an average rate of 25.70, being stronger by 15 hellers in the first quarter of the year.

In spite of unchanged expectations regarding the future setting of CNB rates, the swap and bond market rates noted a decrease in the first four months of the year. The ten-year swap reached its historical minimum at slightly over 1.1% at the beginning of May, the ten-year government bond was traded below 1.5% for some time. The US central bank's mere reiteration that the extremely loose monetary policy will not last forever and a moderate reversal in its setting will occur this year, was enough to turn over the trend and launch correction on bond markets. This correction got the Czech ten-year swap slightly below 2.2% in several cases and the bond up to 2.5%. This growth has currently been slightly moderated, by about 40 basis points down for bonds and about 30 basis points down for swaps.

# Česká spořitelna's Consolidated Results of Operations

for the Six Months Ended 30 June 2012

## Income Statement

For the six months ended 30 June 2013, Česká spořitelna reported unaudited consolidated net profit after non-controlling interests of CZK 8.2 billion under International Financial Reporting Standards, and, as compared to the very successful half of 2012, the profit remained at a stable level. Thanks to a capital increase, the return on equity ratio (ROE) decreased to 17.1% comparing to 19.7% for the same period last year. The return on assets ratio (ROA) dropped from 1.8% to 1.7%

In an environment of extremely low interest rates and unfavorable economic conditions in the Czech Republic, the profit after tax remained stable. Nevertheless, the current economic situation has become incorporated into lower results of operations. Operating profit, calculated as the difference between operating income and expenses, dropped by 6% year-on-year to CZK 12.3 billion. **The Bank's results for the first half of 2013 are thus affected mainly by a decrease in net interest income, a decrease in income from financial activities, an increase in trading income and the positive effect of an ongoing trend of reducing operating costs.** The cost/income ratio improved only insignificantly from 41.9% to 42.0%.

The total operating income, including net interest income, net fee and commission income and net trading income, totaled CZK 21.1 billion in the first half of 2013, which is a year-on-year decrease of 6%. **A decrease in net interest income and net fee and commission income was partially off set by an increase in net trading income.** The proportion of non-interest income to operating income increased to 33.5%.

Considering the historically low interest rates, the whole banking sector in the Czech Republic experienced a decrease in net interest income. Česká spořitelna's net interest income decreased by 10% to CZK 14.0 billion. If the effect of reporting the Transformovaný fond ČSPS (ČSPS Transformed Fund) in a separate caption is ignored the net interest income would only show a decrease of 7.6%. **Irrespective of the fact that the volume of loans is increasing, the ongoing decrease in interest rates resulted in a decrease in interest income and interest expense in the entire portfolio, i.e. customer loans, inter-bank loans and bonds. The net interest margin on interest earning assets reached 3.60%, owing to the decrease in interest rates; the margin was 3.96% in the same period of 2012.**

Another significant element of operating income, net fees and commission income, amounted to CZK 5.7 billion, which represents a year-on-year decrease of 4%. **The fee and commission income from bank card transactions saw a positive development,** which was due to their growing volume. For example, the volume of card transactions within the Česká spořitelna sales network grew by 8% in comparison to the same period last year. In addition, income from securities transactions went up, particularly thanks to the recovery of income from mutual funds thanks to the increased interest of customers and asset management. **On the other hand, certain increased yields were outweighed by reduced income from payment transactions and loans, due to gradual structural changes in customer behavior where customers use internet banking and beneficial products and programs more often.**

**Compared to the prior period, the net trading income noted an increase of 38% to 1.4 billion.** In addition, income from foreign exchange transactions and derivative financial instruments increased. On the other hand, income from trading and revaluing securities, particularly bonds, decreased.

Owing to consistent cost management with an emphasis on their efficiency, the general administrative costs decreased by 6% to CZK 8.9 billion. **The Bank was successful in reducing costs for information technologies, office premises, material consumption and advertisement and marketing year-on-year.** Personnel expenses increased by 3%, mainly due to severance pay. The recalculated number of employees of the Česká spořitelna financial group is 10,621 and has almost not changed in comparison to the prior period. Depreciation and amortization charges continuously decrease, by 8% year-on-year thanks to a reduction in the depreciation of tangible fixed assets, particularly hardware.

The Bank reported a balance of CZK 1.8 billion related to provisions and impairment allowances for loans and receivables, which represents a recurring improvement of 19% compared to the six months ended 30 June 2012. **The reason for the improvement is an ongoing improvement of the quality of the entire loan portfolio, mainly due to the lower volume of newly impaired loans.**

The level of other operating expenses is CZK 0.3 billion. **Contributions to the Deposit Insurance Fund are the most important other operating expense item. Other operating profit/loss is affected by a number of factors,** such as payment of deposits from anonymous passbooks, profits/losses from the

revaluation and sale of investments or payment of profit from the ČSPS Transformed Fund in 2012. **Other operating profit/loss includes gains and losses on the revaluation and disposal of financial assets at fair value** through profit or loss, available-for-sale, and held-to-maturity portfolios. They showed a deterioration year-on-year, mainly in response to the situation on the bond markets.

## Statement of Financial Position

**The Bank's total assets amounted to CZK 958.2 billion**, representing a year-on-year increase of 5% from CZK 915.0 billion; the total assets are up by 4% compared to 31 December 2012. Balance sheet assets underwent a major structural change as the level of **available-for-sale and held-to-maturity financial assets and loans and advances to customers increased** while financial assets held to maturity, decreased. **On the liability side, liabilities to customers** including the ČSPS Transformed Fund and **equity increased**. The volume of issued securities decreased.

**The aggregate portfolio of client loans** saw a year-on-year increase of 3% to CZK 496.2 billion, **which is due to the higher volume of mortgage, corporate and public sector loans provided**.

The portfolio of loans to individuals for the financial group increased by 2% to CZK 267.3 billion year-on-year. However, different types of retail loans show differing trends: while mortgage loans show an impressive growth, consumer loans continue to decline.

The portfolio of mortgage loans to individuals increased year-on-year by a significant 9% to CZK 148.6 billion; **new mortgage loans went up by more than one fourth (by 14%) to CZK 20.6 billion, their number totaling 13,200**. The average size of a new non-business mortgage loan is CZK 1.5 million with a maturity of 21.6 years. The important indicator of the average amount of the loan in proportion to the value of the real estate is 68.2% and 66.6% for the portfolio of mortgage loans granted to individuals in particular.

**Total mortgage loans granted by Česká spořitelna** grew by 6% year-on-year, and **exceeded the threshold of CZK 200 billion**, reaching the highest level ever in Česká spořitelna's history. **The renewed growth of the mortgage loan portfolio can be attributed to the Bank's active loan policy, significantly low interest rates and low real estate prices**. Within the April Mortgage Days, Česká spořitelna guaranteed its clients a 2.79% interest rate, the lowest fixed interest rate in the Bank's history. The Bank prepared a similar event for the holiday months in the form of a Summer Mortgage with guaranteed rates of 2.99% and 2.79%. In addition, young customers under the age of 30 may receive the service „Payment Variability“ for the Česká spořitelna Mortgage until 30 September 2013.

**The CS Mortgage** has long rated among the most popular mortgage products in the Czech market. **It is provided free of a processing fee and offers, in addition to low interest rates and the opportunity to draw the loan without the need to furnish invoices, a variable repayment option**, i.e., the opportunity to suspend or defer installments, including at the beginning of the repayment period, change the installment amount or make special installments during the repayment period. At the same time, Česká spořitelna launched a new product - „Complete Mortgage“ - through which clients may finance interior furnishings together with the real property itself. Clients need not necessarily get funding to fit their interiors from their own money that they may use for other purposes.

**Consumer loans**, including credit card loans and overdraft facilities, **decreased by 6% year-on-year** to CZK 71.9 billion. **Their declining level is caused by low demand due to continuous high unemployment and weak customer trust of households**. As regards consumer loans, only loans granted for the consolidation of facilities previously granted by the Bank or other entities continued to rise. Construction savings scheme loans fell year-on-year by 4% to CZK 38.4 billion. The reason for reduced interest in construction savings loans are the low interest rates of mortgage loans.

**Loans to corporate entities increased year-on-year by 4%** to CZK 210.1 billion. **This result is mainly attributable to loans granted to large corporate clients and small and medium-sized enterprises (SME)**. The volume of loans to public sector clients saw a 4% increase to CZK 18.7 billion.

The indicator of the proportion of client loans to client deposits (including deposits measured at fair value) represents 67.2%, compared to 69.7% reported as at 30 June 2012. **The improving quality of Česká spořitelna's loan portfolio is confirmed by the proportion of client loans in default to the aggregate amount of client loans. This indicator was 5.2% as at 30 June 2013**. This indicator was 5.4% in the same period last year. The proportion of impairment allowances against loans in default is stable and at a solid level of 73%. This indicator is 113% including collateral.

Receivables from financial institutions stood stable at CZK 78.0 bn.

**The aggregate balance of securities portfolios**, classified as at fair value through profit or loss, available-for-sale securities and securities held-to-maturity, **totaled CZK 294.3 billion as at 30 June 2013**, which represents an increase of 2% compared to 30 June 2012. **Almost the entire securities portfolio comprises bonds, while shares and similar securities represent 1% of the entire securities volume**.

Compared to the balance as at 30 June 2012, the aggregate balance of tangible and intangible fixed assets decreased by 3% year-on-year to CZK 17.3 billion. Tangible assets totaled CZK 14.3 billion.

on, of which land and buildings represent 72%. Intangible assets totaled CZK 3.0 billion.

**Amounts due to customers including deposits measured at fair value and contributions to the supplementary pension insurance in the ČSPS Transformed Fund increased by 6% to CZK 738.1 billion year-on-year.** Out of this sum, private individual deposits amount to CZK 540.5 billion, representing a 1% increase. Principal additions were specifically related to Private account deposits, contributions to supplementary pension insurance, deposits in building savings accounts and deposits in foreign currencies. New savings products such as Internet savings and Purpose-related savings are also doing well. **Amounts due to corporate clients increased by 17% to CZK 111.8 billion, which particularly applies to current accounts and deposits in foreign currencies.** Public sector client deposits increased even more significantly, which is attributable to the high volume of loans received within repurchase transactions.

Amounts due to financial institutions increased by 2% to CZK 53.5 billion. This is mainly due to an increase in financial institutions' multi-day deposit terms. Loans received within repo transactions also increased, amounting to CZK 10.9 billion as at 30 June 2013.

Payables from debt securities reported in the consolidated statement of financial position decreased by 28% to CZK 31.6 billion due to the decrease in mortgage and other bonds whose issues matured.

The equity attributable to equity holders of the parent amounted to CZK 93.2 billion. **Compared to the same period a year earlier, this represents an increase of 11% owing to the increase in retained earnings.** To strengthen its capital base, Česká spořitelna has issued subordinated bonds which totaled CZK 2.1 billion as at 30 June 2013. **Capital adequacy under the BASEL II rules reached a comfortably high level of 18.1% as at 30 June 2013.** It amounted to 16.0% in mid-2012. Total capital under BASEL II used in calculating the capital adequacy ratio was CZK 82.7 billion and the total capital requirements amounted to CZK 36.6 billion. As at 30 June 2012, these figures amounted to CZK 74.1 billion and CZK 37.1 billion, respectively.

# Significant Events and Business Activities

## in the First Half of 2013

### General Meeting

**Shareholders of Česká spořitelna**, who attended the Annual General Meeting on 22 April 2013 in Prague, **approved the distribution** of the 2012 profit and **payment of the gross dividend of CZK 50 per both common and preference share**. The total dividend payment was CZK 7.6 billion. Česká spořitelna reported non-consolidated profit after tax in the amount of CZK 15,562 million. The remaining profit which was not distributed as a dividend was transferred to retained earnings. Česká spořitelna thus strengthened its equity position. In addition, the general meeting of shareholders also approved a merger by the consolidation of IT Centrum s.r.o., as the dissolving company and Česká spořitelna, a.s., as the successor company.

### SERVIS 24 and BUSINESS 24

**During the spring months, the number of active SERVIS 24 and BUSINESS 24 direct banking customers exceeded the threshold of 1.5 million** and reached 1.52 million, accounting for a 5% increase over the last 12 months.

Česká spořitelna keeps its focus on the development and innovation of its internet banking with the aim of preparing an even more user-friendly environment for its customers. For example, from the beginning of this year, Private account holders may name their debit authorizations in order to further improve their user-friendliness. In spring, in case of blocking their internet banking, clients will be allowed to easily unblock their account via the homepage [www.servis24.cz](http://www.servis24.cz).

**SERVIS 24 Mobilní banka České spořitelny (Česká spořitelna's Mobile bank for iPhone) has been rated the third best mobile application** in the contest 2013 Mobile Applications in the category Finance in which applications of the banking and insurance sectors and tools for finance administration, finance products, stock exchange data and trading were competing. The application enables clients the unique function of scanning and paying postal money orders. The contest ranking was decided by mobile application users themselves.

Since its launch in February 2012, SERVIS 24 Mobile Bank has been in active use by more than 115 thousand clients who made more than half a million transactions via this tool with a total volume exceeding CZK 1.8 billion. The application allows access to internet banking via iPhones and Android telephones. This summer, Česká spořitelna is going to offer other new features, such as recharging of mobile credits, setting of payment card limits or payments via QR codes.

### Card Program

**The total number of issued active payment cards amounted to 3.2 million (an increase of 2%)**, of which credit cards accounted for 0.3 million. The volume of lending provided through credit cards totaled CZK 4.7 billion as at 30 June 2013, a decline of 8% compared to the previous year.

**In the period from January to June 2013, cardholders executed more than 75 million payment transactions amounting to CZK 62.5 billion within the network** of more than 18 thousand retail partners of Česká spořitelna. **This figure represents an 8% rise year-on-year**. Česká spořitelna currently operates 1,497 ATMs and payment machines, with 62 new machines installed during the last 12 months. Since the beginning of 2013, cardholders have carried out 45.6 million ATM transactions totaling CZK 147.8 billion.

Česká spořitelna started issuing contactless credit cards MasterCard – Odměna (Reward) and World. This project follows the project of issuing Visa contactless debit cards. **At the beginning of June, Česká spořitelna issued the millionth Visa contactless payment card and more than 1.1 million of these cards had been issued by the end of June**. Česká spořitelna's clients have made 9 million contactless transactions totaling CZK 3.7 million since launching this product. The average contactless transaction amounted to CZK 412. **Clients prefer the quickness and simplicity of payments by contactless cards and**, moreover, initial concerns about increased cases of abuse of contactless payments have not been confirmed.

Since the beginning of 2013, clients may choose the nominal value of banknotes taken from Česká spořitelna's selected ATMs. The banknotes at a nominal value of CZK 200, 1,000 and 2,000 that were offered by certain ATMs of Česká spořitelna will be newly supplemented with CZK 500 banknotes. The selection of cash composition is of course free of charge. The Bank intends to spread this function to all its ATMs by the end of the year.

Česká spořitelna has been offering its clients the option of paying invoices via the QR codes in all its payment machines since May. The functions in the payment machines are fully in compliance with the Czech Banking Association standards, and currently Česká spořitelna operates 107 payment machines all over the Czech Republic with plans to put approximately another 20 payment machines into operation by the end of the year.

## Česká spořitelna – Penzijní společnost

**Česká spořitelna – penzijní společnost concluded almost 14 thousand agreements for supplementary pension insurance in pillar II in the first half of the year.** The average age of its customers is 42.7 years. Customers below the age of 35 who comprise about one third of the people interested in the second pension pillar, are also interested in retirement savings. Men are slightly more predominant among customers (52% of customers). ČS – penzijní společnost administers more than one million clients of supplementary pension insurance in the Transformed Fund, another almost 14 thousand clients of retirement saving in pillar II and more than 11 thousand clients of the voluntary retirement saving in pillar III.

## ČS nemovitostní fond

**ČS nemovitostní fond managed by the REICO investment company of the Ceska sporitelna Financial Group acquired the Trianon mixed-use building** in Prague 4. The investment of CZK 1.35 billion **makes it one of the largest transactions of the year on the Czech real estate market.** By purchasing Trianon, ČS nemovitostní fond increased the number of properties in the Fund's portfolio to eight. The Fund's equity amounts to CZK 3.8 billion and almost 14 thousand investors have been investing in the Fund since its establishment. ČS nemovitostní fond reported appreciation of 0.9% during the first six months of the year and **the Fund's yield for the last three years reached 2.9% p.a.** The reported yield confirms the Fund's stable performance and is in line with the expected appreciation for 2013.

## „APARTMENT BUILDING ENERGY UPGRADE“ PROGRAM

Since the beginning of April, Česká spořitelna has been offering apartment building energy upgrade project financing. **Within its program „Apartment Building Energy Upgrade“ the Bank shall provide approximately CZK 1.2 billion to housing co-operatives and apartment owner associations to finance the energy saving projects.** Housing co-operatives and apartment owner associations may obtain loans from CZK 1 million to CZK 40 million. Moreover, Česká spořitelna will become a distributor of EU subsidies – as soon as the projects are completed it will pay out subsidies of 10% of the loan value. Its main advantage is the option to receive EU subsidies of up to CZK 2.5 million. The Bank finances these projects up to 100% of their value; clients do not need any of their own funds. **The main purpose of this program is to improve the quality of housing in residential apartment houses. At the same time, Česká spořitelna intends to help to revitalize urban areas.** Česká spořitelna is the only bank in the Czech Republic offering such a program.

## Buřinka mortgage loan

In April Stavební spořitelna České spořitelny launched a new product – a mortgage loan by Buřinka. The attractive parameters of the new secured loan include, among others, that the client may choose three types of interest rate fixation (3, 6 or 10 years). **Thanks to interest rate discounts and preferential interest rates, clients may receive the mortgage loan by Burinka with an interest rate from 3.05% p.a.** The interest rate over the whole loan's life shall not exceed 5% p.a. Stavební spořitelna České spořitelny satisfies the interest of its clients and extends the loan free of bank fees.

## Investing through investment certificates

The Prague Stock Exchange has introduced a new investment certificate issuer to the Czech capital market – Erste Group Bank, the second largest issuer of certificates in Austria. Investment certificates belong to the category of debt securities. The certificate value develops similarly to its underlying assets. For example, the yields of gold or oil certificates correspond to the development of the prices of these commodities. Certain certificates make it possible to invest into a wide portfolio of shares. The DAX, Germany's benchmark stock index, belongs to the newly offered certificates. Throughout their entire life, these certificates may be acquired or sold for a current market price at any time. **Investment Certificates provide an interesting investment option in the current environment of very low interest rates and are designed for both retail and institutional investors.** The certificates may be ordered at Česká spořitelna's branches with certified advisors, but they can also be traded via Brokerjet České spořitelny or any other securities trader. **For the purposes of trading with Erste Group Bank's certificates Česká spořitelna will offer extended support at its investment centre [www.investicnicentrum.cz](http://www.investicnicentrum.cz),** namely a detailed description of all the offered certificates' features, their current prices and supplementary market analyses.

## Sale of investment gold

**In the one year that Česká spořitelna has been offering investment gold at 77 of its branches, it has sold more than 170 kg of gold** at an aggregate volume of nearly CZK 200 million. At the same time, the Bank increased the number of branches in which people can collect the gold bullions. Previously, it was only possible at two branches (Prague and Brno), while now clients have 10 more branches at which they can collect them, in České Budějovice, Hradec Králové, Jihlava, Karlovy Vary, Liberec, Olomouc, Ostrava, Plzeň, Ústí nad Labem and Zlín. The prices of 10, 50 and 100 gram gold bullions change each day depending on the current gold prices. For current prices, clients may visit [www.investicnicentrum.cz](http://www.investicnicentrum.cz).

## ČS do domu

The subsidiary of Česká spořitelna Partner ČS, a.s. has changed its corporate name to ČS do domu, a.s. with an accompanying change in business strategy and corporate image. The changes do not involve only the firm's name but also its entire strategy and management of the ČS do domu, a.s. trademark.

## Galileo

**Česká spořitelna has become the banking services provider for the Galileo satellite navigation.** The bank has won the tender in competition with other international banks. The contract concerns the provision of current account maintenance services, deposits, and payment transactions for the Agency for European GNSS, which operates the Galileo satellite navigation. GNSS is the European global satellite navigation system which is an independent parallel to the US NAVSTAR GPS and the Russian GLONASS. The system is being developed by the European Union through the European Space Agency.

## Social Activities

Elixir for Schools is a pilot project of the new Depositum Bonum Foundation. This project links the best traditional education with the best modern teaching methods and scientific knowledge. It brings young experts, i.e., graduates in technical disciplines and the natural sciences to schools as assistants or heads of afterschool activities, and also supports top-quality and motivated teachers in their work and exemplary approach to instruction. Specifically, the pilot focuses on physics. **Česká spořitelna has voluntarily decided not to retain the extraordinary income from anonymous passbooks, amounting to CZK 1.45 billion, to which it is fully entitled to by law but rather to place those funds in the Depositum Bonum Foundation, where they will make a long-term contribution to Czech society.**

Česká spořitelna is also the general partner of the Prague University of Economics and the University of Hradec Králové this year. The Bank helps the University to finance education and also actively contributes to non-financial forms of cooperation; Česká spořitelna's experts give lectures on academic grounds, have regular meetings with students and help them to get insight into real business via work placements and job shadowing.

Česká spořitelna and the charitable organization Terra-klub jointly issued a school atlas to support financial literacy of students of the second level in primary schools and for multi-year secondary grammar schools. Today's world of finance is a comprehensive educational program involving, in addition to the eponymous atlas a methodological manual for teaching staff, seminars for teaching staff and a wide supplementary support for students, parents and teachers at the internet portal [www.dnesnifinancnisvet.cz](http://www.dnesnifinancnisvet.cz).

Prague Wheelchair User Association (POV) monitored branches and ATMs for CS wheelchair accessibility in all regional capitals. Česká spořitelna has a total of 77 wheelchair-accessible branches and 83 wheelchair-accessible ATMs in those cities. The bank has decided to continue this mapping until the end of the summer of 2013. POV will map its branches and ATMs in 31 cities that have more than 25,000 inhabitants. On the basis of the results of POV's mapping and recommendations, Česká spořitelna will adapt the branches to accommodate people with reduced mobility, including parents with prams. Currently, it has 382 wheelchair-accessible branches throughout the country, which is more than half of its sales points. Česká spořitelna is gradually working to remove all barriers, to be a truly welcoming and friendly bank, especially for disabled people. In the Bank without Barriers project, Česká spořitelna cooperates, for example, with the Czech Red Cross, which trains its branch employees how best to approach clients with disabilities and seniors and also trains them in first aid.

Česká spořitelna and the 'Konto BARIÉRY', government organization in cooperation with the University of Economics in Prague, organized a series of 24 lectures in March and April 2013 focusing on various topics concerning finance, financial markets, and how banks operate. The course offered both theoretical lectures taught by lecturers from the University of Economics, as well as practical advice for finding a job. Česká spořitelna employees were actively involved in the project, giving participants advice on how to prepare for an interview or write a motivation letter. The course also involved a field presentation of the position of a branch financial advisor. At the end of the training the participants received a certificate of completion issued by the International School of Business and marketing at the Prague University of Economics. The training course was attended by 15 attendees with various disabilities.

## Awards Received

**In this year's Euromoney Awards for Excellence competition,** organized annually by a professional journal, Euromoney magazine, **Česká spořitelna defended the Best Bank in the Czech Republic 2013 award,** rating it again the best bank in the Czech Republic. Recipients of the Euromoney Awards for Excellence are selected by a professional jury comprising journalists and experts of Euromoney magazine from several countries. The ranking is based on quantitative and qualitative criteria and affords an overview of available private banking services and products. Winning the Euromoney Best Bank in the Czech Republic award has reaffirmed that Česká spořitelna's customer-friendly approach and focus on superior quality is the right strategy that is valued by both clients and professionals.

**The US Global Finance journal has rated Česká spořitelna the best bank in the Central and Eastern European region.** The journal pointed to the best banks in the world on the emerging markets for 2013 including Central and Eastern Europe. Global Finance has been evaluating banks in various regions and in the

global market for 20 years already and since then it has become a respectable benchmark factor in the world of finance. **The journal rated Česká spořitelna the safest bank in the Central and Eastern European region last year.**

Česká spořitelna confirmed its position of number one amongst the most attractive employers in the banking and insurance sectors. This is the result of a survey run by the Czech Students' Union in which students were selecting the most desirable employer for their future career. Česká spořitelna defended its victory from last year.

**The 11<sup>th</sup> year of the Zlatá Koruna (Golden Crown) competition awarding the best financial products in the Czech market was won by investment loan 5 PLUS in the category Corporate loans.** The Bronze Crown in the category securities trading was awarded to brokerjet České spořitelny. The supplementary pension insurance (or the Pillar III) of ČS – penzijní společnost also won the Bronze Crown.

The conservative Mix FF mutual fund administered by Investiční společnost České spořitelny was awarded the third annual 2012 Investment of the Year award in the category Mixed Fund 2012. The proceeds of the fund reached 6.72% last year.

## Changes in the Česká spořitelna Board of Directors

As of 1 August 2013, two personnel changes will take place on the Board of Directors of Česká spořitelna. Karel Mourek is returning to Česká spořitelna as the Board Member responsible for risk, replacing Heinz Knotzer. Wolfgang Schopf is going to replace Dušan Baran as Česká spořitelna's CFO. During the last two years Karel Mourek (1967) has been working in Erste Group Immorent's Board of Directors in Vienna. In 2001- 2011, he was responsible for the development of services for the SME sector at Česká spořitelna. Wolfgang Schopf (1961), has been working for Erste Group since 1980, recently he was in the position of Head of Performance Management. In the past, he was in the position of deputy director for Accounting and director of the Controlling Section in 2004.

# Česká spořitelna's Anticipated Development in the Second Half of 2013

In the second half of 2012, Česká spořitelna updated its strategy for 2012–2014. In line with the strategy, **Česká spořitelna aims to become the leader in six key segments by 2014** (smaller clients, high-income clients, top-earning clientele, public and non-profit sector, small and medium-sized enterprises, large national companies) and one of the key banks in another two segments (entrepreneurs and small firms and large multinational corporations).

To achieve strategic targets and sustain top profitability, Česká spořitelna will focus on three strategic goals:

- Client benefit, i.e. to offer clients useful solutions
- Client experience, i.e. to provide services aiming for clients' convenience and pleasure
- Client relationship with the Bank, i.e. to gain clients' trust and recognition.

In the second half of 2013, despite the negative development of the macroeconomic environment, Česká spořitelna foresees stable development based on a reliable and working business model and high-level customer loyalty.

As far as the basic captions of the statement of financial position are concerned, loans to customers are expected to grow in volume in the second half of this year as compared to the first half. Primary deposits are expected to stagnate. This trend is to result in a continued slight increase in the loans to deposits ratio.

In the latter part of the year, the Bank foresees a similar trend in the principal items of the income statement as in the first half. Net interest income will be predominantly affected by the expected interest rate cuts and very slight additions to loans provided. Net commission income will be positively affected by the Bank's enhanced activities in the field of loan management and the offer of new services and products. On the other hand, this trend will be negatively affected by the growing competitive pressure from new banks in the Czech market as well as the results of court disputes concerning the eligibility of certain bank charges together with increased pressure from certain interest and client groups. In addition to the constant level of allowances against credit risks, a significant role in generating projected profits will be played by benefits ensuing from the implementation of selected Group and local projects, along with an extreme focus on the reduction of operating expenses management.

# Selected Financial Indicators

## Key Ratios

	30/6/2013	30/6/2012
Return on equity (ROE)	17.1%	19.7%
Return on assets (ROA)	1.7%	1.8%
Cost/income	42.0%	41.9%
Net interest margin in relation to interest-earning assets	3.60%	3.96%
Non-interest income / operating income	33.5%	30.8%
Loans and advances to customers / amounts owed to customers	67.2%	69.7%
Individual capital adequacy (BASEL II)	17.4%	16.1%
Consolidated capital adequacy (BASEL II)	18.1%	16.0%

## Selected Operational Figures

	30/6/2013	30/6/2012
Average headcount of Česká spořitelna Financial Group	10,925	10,643
Total number of clients	5,307,473	5,162,622
Sporogiro accounts	3,112,790	2,760,324
of which Private accounts	2,340,343	2,270,826
Servis 24 and Business 24 direct banking active clients	1,516,013	1,441,694
Number of cards	3,207,203	3,134,891
Of which credit cards	335,756	365,908
Number of ATMs and payment machines	1,497	1,435
Number of Česká spořitelna branches	653	657

## Net Profit After Taxes of Selected Subsidiaries of Česká spořitelna under International Financial Reporting Standards

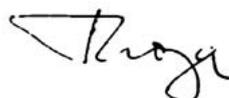
CZK million	30/6/2013	30/6/2012
Brokerjet České spořitelny	(9)	(3)
Factoring České spořitelny	29	30
S Autoleasing	45	35
S Morava Leasing	16	9
Stavební spořitelna České spořitelny	301	419

## Affidavit

The signatories of this document represent that according to their best knowledge the consolidated interim report provides a true and fair view of the financial position, business and results of operations of Česká spořitelna and its group for the six months just ended and on the future prospects of its financial position, business and results of operations.



Pavel Kysilka  
Chairman of the Board  
and Chief Executive Officer



Member of the Board  
and Deputy Executive Officer

# Interim Consolidated Financial Statements

for the Period Ended 30 June 2013

## Prepared in Accordance with International Accounting Standard IAS 34: Interim Financial Reporting (Unaudited)

Česká spořitelna, a.s., has performed the following modifications of its interim financial statement and notes to the interim financial statement originally published on 2 September 2013, on the basis of the regulator's comments of 30 December 2014:

1. On pages 13 to 14, the Interim Consolidated Financial Position Statement was adjusted by the impact of the Transformovaný fond penzijního připojištění se stáním příspěvkem Česká spořitelna – Penzijní společnost, a.s. (TFČSPS) such that the assets and liabilities of TFČSPS which were listed in a separate item in the original statement are now included in individual items of the financial position statement.
2. On page 25, the section of the Notes entitled Fair Value of Financial Instruments was modified for the same reason as stated in paragraph 1.
3. On page 26, the section of the notes entitled Fair Value Hierarchy was modified for the same reason as stated in paragraph 1.

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# Interim Consolidated Statement of Financial Position

as at 30 June 2013, 31 December 2012 and 30 June 2012 (unaudited)

MCZK	30 June 2013	31 December 2012	30 June 2012
<b>Assets</b>			
1. Cash and balances with the central bank	48,821	22,501	26,584
2. Loans and advances to financial institutions	78,002	65,320	77,866
3. Loans and advances to customers	496,178	489,103	483,323
4. Impairment allowance for loans and advances	(18,757)	(18,244)	(18,979)
Net loans and advances to customers	477,421	470,859	464,344
5. Financial assets at fair value through profit or loss	54,128	48,086	41,328
a) Trading assets	47,461	40,881	31,895
b) Financial assets designated at fair value through profit or loss	6,667	7,205	9,433
6. Positive fair value of derivative financial instruments	21,532	26,781	16,727
7. Financial assets available-for-sale	67,197	66,666	61,557
8. Financial assets held-to-maturity	172,980	181,967	184,643
9. Investments in associates and joint ventures	114	109	73
10. Investment property	8,544	9,561	11,020
11. Property under construction	1,153	1,598	2,149
12. Property and equipment	14,280	14,594	14,952
13. Intangible assets	3,000	3,208	2,786
14. Income tax receivable	266	127	242
15. Deferred tax assets	122	119	589
16. Other assets	10,618	8,907	10,129
<b>Total assets</b>	<b>958,178</b>	<b>920,403</b>	<b>914,989</b>

MCZK	30 June 2013	31 December 2012	30 June 2012
<b>Liabilities and Equity</b>			
1. Amounts owed to financial institutions	53,510	44,344	52,371
2. Amounts owed to customers	724,467	688,624	677,026
3. Financial liabilities at fair value	15,498	17,906	18,156
a) Trading liabilities	6	3	3
b) Financial liabilities designated at fair value through profit or loss	15,492	17,903	18,153
4. Negative fair value of derivative financial instruments	22,504	26,358	17,767
5. Bonds in issue	29,774	34,156	43,154
6. Provisions	2,485	2,251	2,515
7. Income tax liability	98	127	354
8. Deferred tax liability	355	365	223
9. Other liabilities	14,138	10,698	16,927
10. Subordinated debt	2,117	2,262	2,408
<b>Total liabilities</b>	<b>864,946</b>	<b>827,091</b>	<b>830,901</b>
11. Shareholders' equity	93,232	93,312	84,088
a) Equity attributable to equity holders of parent	93,206	93,190	84,123
– Share capital	15,200	15,200	15,200
– Share premium	11	11	11
– Statutory reserve fund	3,813	3,803	3,804
– Translation reserve	(402)	(487)	(372)
– Revaluation of hedging derivatives	30	91	50
– Revaluation of financial assets available-for-sale	892	1,443	408
– Retained earnings	73,662	73,129	65,022
(b) Non-controlling interest	26	122	(35)
<b>Total liabilities</b>	<b>958,178</b>	<b>920,403</b>	<b>914,989</b>

These interim consolidated financial statements were prepared by the Group and authorized for issue by the Board of Directors on 20 August 2013.

  
Pavel Kysilka  
Chairman of the Board  
and Chief Executive Officer

  
Jiří Škorvaga  
Member of the Board  
and Deputy Executive Officer

# Interim Consolidated Income Statement

for the Periods Ended 30 June 2013 and 30 June 2012 (unaudited)

MCZK	30 June 2013	30 June 2012
1. Interest income and similar income	16,975	19,349
2. Interest expense and similar expense	(2,931)	(3,765)
<b>Net interest income</b>	<b>14,044</b>	<b>15,584</b>
3. Impairment allowance for credit risk	(1,815)	(2,248)
<b>Net interest income after impairment allowance for credit risk</b>	<b>12,230</b>	<b>13,336</b>
4. Fee and commission income	7,499	7,585
5. Fee and commission expense	(1,774)	(1,637)
<b>Net fee and commission income</b>	<b>5,725</b>	<b>5,948</b>
6. Net trading income	1,364	986
7. Personnel expenses	(4,684)	(4,544)
8. Other administrative expenses	(3,154)	(3,744)
9. Depreciation and amortization	(1,042)	(1,136)
<b>Total general administrative expenses</b>	<b>(8,880)</b>	<b>(9,424)</b>
10. Other operating result	(317)	(483)
11. Net profit from the ČSPS Transformed Fund	49	
<b>Profit before taxes</b>	<b>10,170</b>	<b>10,363</b>
12. Income tax	(2,026)	(2,173)
<b>Profit for the year attributable to:</b>	<b>8,144</b>	<b>8,190</b>
Equity holders of the parent	8,153	8,221
Non-controlling interest	(9)	(31)
	<b>8,144</b>	<b>8,190</b>

# Interim Consolidated Statement of Comprehensive Income

for the Periods Ended 30 June 2013 and 30 June 2012 (unaudited)

MCZK	30 June 2013	30 June 2012
<b>1. Profit for the year</b>	<b>8,144</b>	<b>8,190</b>
<b>Other comprehensive gains and losses</b>		
Hedges of net investments in foreign operations	(76)	16
Deferred tax	14	(3)
<b>2. Net gain/(loss) on hedges of net investments in foreign operations</b>	<b>(62)</b>	<b>13</b>
<b>3. Translation reserve</b>	<b>74</b>	<b>(43)</b>
Gain/(Loss) on revaluation of financial assets available-for-sale	(615)	807
Deferred tax	64	(115)
<b>4. Net gain/(loss) on revaluation of financial assets available-for-sale</b>	<b>(551)</b>	<b>692</b>
<b>5. Other comprehensive income/loss after taxes</b>	<b>(539)</b>	<b>662</b>
<b>Total comprehensive income for the year after taxes</b>	<b>7,605</b>	<b>8,852</b>
<b>Attributable to:</b>		
Equity holders of the parent	7,626	8,874
Non-controlling interest	(21)	(22)
	<b>7,605</b>	<b>8,852</b>

# Interim Consolidated Statement of Changes in Shareholders' Equity

for the Periods Ended 30 June 2013 and 30 June 2012 (unaudited)

## MCZK

	Retained earnings	Revaluation of financial assets available-for-sale	Revaluation of hedging derivatives	Translation reserve
<b>As at 1 January 2013</b>	<b>73,129</b>	<b>1,443</b>	<b>91</b>	<b>(487)</b>
Profit for the year	8,153			
Other comprehensive income/loss after taxes		(551)	(62)	86
Dividends	(7,600)			
Sale of subsidiaries	1			
Transfer to reserve funds	(11)			
Use of funds	(10)			
<b>As at 30 June 2013</b>	<b>73,662</b>	<b>892</b>	<b>30</b>	<b>(402)</b>

## MCZK

	Retained earnings	Revaluation of available for sale securities	Revaluation of hedging derivatives	Translation reserve
<b>As at 1 January 2012</b>	<b>61,218</b>	<b>(284)</b>	<b>37</b>	<b>(320)</b>
Profit for the year	8,221	–	–	–
Other comprehensive income/loss after taxes	–	692	13	(52)
Dividends	(4,560)	–	–	–
Non-controlling interests in companies newly included in the consolidated group, capital increase	–	–	–	–
Sale of subsidiaries	187	–	–	–
Transfer to reserve funds	(44)	–	–	–
Use of funds	–	–	–	–
<b>As at 30 June 2012</b>	<b>65,022</b>	<b>408</b>	<b>50</b>	<b>(372)</b>

Statutory reserve fund	Equity attributable to equity holders of parent			Non-controlling interests	Total equity
	Share premium	Share capital	Total		
3,803	11	15,200	93,190	122	93,312
			8,153	(9)	8,144
	–	–	(527)	(12)	(539)
			(7,600)	(80)	(7,680)
(1)			–		–
11			–		–
			(10)	5	(5)
3,813	11	15,200	93,206	26	93,232

Statutory reserve fund	Equity attributable to equity holders of parent			Non-controlling interests	Total equity
	Share premium	Share capital	Total		
3,948	11	15,200	79,810	26	79,836
–	–	–	8,221	(31)	8,190
–	–	–	653	9	662
–	–	–	(4,560)	(40)	(4,600)
–	–	–	–	1	1
(187)	–	–	–	–	–
44	–	–	–	–	–
(1)	–	–	(1)	–	(1)
3,804	11	15,200	84,123	(35)	84,088

# Interim Consolidated Statement of Cash Flows

for the Periods Ended 30 June 2013 and 30 June 2012 (unaudited)

(CZK)	30 June 2013	30 June 2012
Profit before taxes	10,170	10,363
<b>Adjustments for non-cash transactions</b>		
Creation of impairment allowance for loans and advances	1,983	2,449
Depreciation and amortization	1,042	1,136
Depreciation of investment property	112	125
Impairment of investment property	58	120
Unrealized loss/(gain) from financial assets at fair value through profit or loss and liabilities at fair value	(96)	440
Gain /loss on disposal/revaluation of ownership interests	(59)	268
Creation /(release) of other provisions	458	5
Change in fair value of derivatives	1,233	(427)
Accrued interest, amortization of discount and premium	1,692	(991)
Other non-cash transactions	82	84
<b>Operating profit before changes in operating assets and liabilities</b>	<b>16,675</b>	<b>13,572</b>
<b>Cash flow from operating activities</b>		
<b>(Increase)/decrease in operating assets</b>		
Minimum reserve deposits with the CNB	(26,485)	5,390
Loans and advances to financial institutions	2,520	(474)
Loans and advances to customers	(8,362)	(1,353)
Financial assets at fair value through profit or loss	6,762	(2,132)
Financial assets available-for-sale	21,606	(25,071)
Other assets	(49,081)	(1,088)
<b>(Increase)/decrease in operating liabilities</b>		
Amounts owed to financial institutions	11,803	1,527
Amounts owed to customers	(11,758)	20,225
Financial liabilities at fair value	(2,404)	1,759
Other liabilities	50,134	3,527
<b>Net cash flows from operating activities before taxes and changes in non-controlling interests</b>	<b>11,410</b>	<b>15,882</b>
Increase/decrease of non-controlling interests	(7)	11
Income tax paid	(2,122)	(1,767)
<b>Net cash flow from operating activities</b>	<b>9,281</b>	<b>14,126</b>
<b>Cash flow from investing activities</b>		
Purchase of financial assets held-to-maturity	(802)	(10,168)
Proceeds from the sale of financial assets held-to-maturity	23,509	106
Purchase of investment property	(114)	74
Proceeds from the sale of assets under construction	445	352
Proceeds from the sale of equity investments	72	(16)
Proceeds from the sale of interests in subsidiary and associate undertakings	105	156
Purchase of subsidiaries and associates, net of cash acquired	–	–
Purchase of tangible and intangible assets	(600)	(610)
Proceeds from the sale of tangible and intangible assets	–	23
<b>Net cash flow from investing activities</b>	<b>22,615</b>	<b>(10,083)</b>

<b>(CZK)</b>	<b>30 June 2013</b>	<b>30 June 2012</b>
<b>Cash flow from financing activities</b>		
Dividends paid	(7,600)	(4,560)
Dividends paid to minority shareholders	(80)	(40)
Proceeds from bonds issued	–	1,666
Repurchase of bonds in issue	(4,646)	(2,850)
Redemption of subordinated debt	(99)	(162)
Use of funds	–	(1)
<b>Net cash flow from financing activities</b>	<b>(12,425)</b>	<b>(5,947)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>19,471</b>	<b>(1,904)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>35,862</b>	<b>37,829</b>
<b>Cash and cash equivalents at end of year</b>	<b>55,333</b>	<b>35,925</b>

# Notes to the Interim Consolidated Financial Statements

Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union for the Period Ended 30 June 2013

## 1. Introduction

Česká spořitelna, a.s. (“the Bank”), having its registered office address at Olbrachtova 1929/62, Prague 4, 140 00, Corporate ID 45244782, is the legal successor of the Czech State Savings Bank and was founded as a joint stock company in the Czech Republic on 30 December 1991. The Bank is a universal savings bank offering retail, corporate and investment banking services within the Czech Republic.

The Bank’s majority shareholder is EGB Ceps Holding GmbH, which is a 100% subsidiary of EGB Ceps Beteiligungen GmbH, a wholly-owned subsidiary of Erste Group Bank AG (“Erste Group Bank”) which is the ultimate parent.

The Bank together with subsidiaries and associated companies forms the Group.

The Group is subject to the regulatory requirements of the Czech National Bank (“CNB”). These regulations include those pertaining to minimum capital adequacy requirements, categorization of exposures and off-balance sheet commitments, credit risk connected with clients of the Group, liquidity, interest rate risk, foreign currency positions and operating risk.

In addition to the banking entities, other Group companies are subject to regulatory requirements, specifically in relation to retirement and collective investment.

The Group offers a complete range of banking and other financial services, such as savings and current accounts, asset management, consumer credit and mortgage lending, investment banking, securities and derivatives trading, portfolio management, project finance, foreign trade financing, corporate finance, capital and money market services and foreign exchange trading.

## 2. Basis of Preparation

The condensed interim consolidated financial statements of Česká spořitelna, a.s. („interim financial statements“) were prepared for the six month ending 30 June 2013 in compliance with applicable International Financial Reporting Standards (“IFRS”) as adopted by the European Union („EU“) and are presented in accordance with International Accounting Standard IAS 34: Interim Financial Reporting No differences between IFRS issued by the IASB Board

and IFRS as approved by the EU follow from using IFRS by the Group.

The interim financial statements comprise interim financial statements of the Bank and its subsidiaries. Except as otherwise indicated, all amounts are stated in millions of Czech crowns (MCZK). The accounting policies have been consistently applied by the entities in the Group.

These interim consolidated financial statements have been prepared on a cost basis, except for financial assets available-for-sale, financial assets and liabilities designated at fair value through profit or loss, all derivative financial instruments, issued debt securities which are hedged against interest rate risk and measured at their fair value. Assets held for sale are measured at fair value less cost to sell if this value is lower than their carrying amount (i.e., cost less accumulated depreciation and cumulative impairment losses).

The presentation of interim consolidated financial statements in conformity with IAS 34 requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the reporting date and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compared to the annual financial statements for the year ended 31 December 2012, the following changes occurred in some Notes discussing risk management.

### Liquidity Risk

Mid- and long-term liquidity is monitored and stressed tested on a monthly basis through the Survival Period Analysis (“SPA”) simulation models which take into account the anticipated possibility of renewal, preliminary repayment or sale of the Bank’s individual positions. The various portfolios of liquidity ratios, such as LCR and NSFR ratios are monitored on a monthly basis. The results are presented and discussed at the Operating Liquidity Committee (OLC) and the Assets and Liabilities Committee (ALCO), which decide on the need to take measures with respect to the liquidity risk exposure.

### Operational Risk

The basic tools for operational risk management (data collection, risk self-assessment, key risk indicators, analysis of risk scenarios, outsourcing risk management) are being developed in compliance

with the Erste Group standards. Česká spořitelna has successfully undergone validation for operational risk management in accordance with the AMA methods (Advanced Measurement Approaches). Starting 1 July 2009 the Bank has been allocating capital requirement to operational risk in accordance with the above approach.

Top management is quarterly informed on the Bank's risk profile and the most significant operational risk events via the CORB committee (Compliance, Operating Risks and Security) which is presided by the Chief Risk Officer (member of the Board of Directors responsible for risk management).

### 3. Significant Accounting Policies

The same accounting policies were applied in the preparation of the interim consolidated financial statements as were used for the annual consolidated financial statements for the year ended 31 December 2012. These interim financial statements include information significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. A user of the interim financial statements should consider the information contained therein together with the annual financial statements for the year ended 31 December 2012.

The pension reform in the Czech Republic valid from 1 January 2013, led to the establishment of a Transformed fund of supplementary pension insurance with government contribution – Česká spořitelna – penzijní společnost, a.s. („ČSPS Transformed Fund“) containing the assets and liabilities of the original pension fund. The ČSPS Transformed Fund is fully consolidated and its assets and liabilities are presented in separate captions „Assets of the ČSPS Transformed Fund“ and „Liabilities of the ČSPS Transformed Fund“ in the accompanying statement of financial position (see Note 15).

The standards and interpretations which became effective in EU for financial year beginning on or after 1 January 2013 are reflected in these financial statements. As regards new standards and interpretations and their amendments only those which are relevant for the business of the Group are listed below.

The following amended standards and interpretations have been mandatory since 2013:

*Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income*

*Amendments to IFRS 7 – Offsetting Financial Assets and Liabilities*

*IFRS 13 – Fair Value Measurement*

*Annual Improvements to IFRSs (issued in 2012)*

Adoption of these standards will impact on the interim financial statements as follows:

The main requirement is to present, by using subtotals, whether the items of other comprehensive income (“OCI”) are reclassifiable to profit or loss or not. Moreover, if OCI items are presented before tax then the tax related to each of the two categories has to be presented separately.

Amendments to IFRS 13 introduce more comprehensive disclosure requirements on fair value measurement.

No principal changes of accounting policies arose in comparison to the annual financial statements for the year ended 31 December 2012.

The accompanying financial statements were neither audited nor reviewed by an auditor.

### 4. Subsidiary and Associate Undertakings

Three companies established for the purpose of investment into real property have been sold from the since the beginning of 2013:

- 100% equity investment in Jégeho Residential s.r.o. was sold in January
- 100% equity investment in CPDP Jungmannova s.r.o. was sold in April
- 100% of shares of BELBAKA a.s. were sold in May

In compliance with legal regulations regulating the pension system reform the net assets of policy holders of supplementary pension insurance were earmarked from Penzijní fond České spořitelny into the ČSPS Transformed Fund in January 2013. The ČSPS Transformed Fund was included in consolidation for the first time in January 2013 (see Note 15).

Česká spořitelna, a.s. merged with IT Centrum s.r.o, its wholly owned subsidiary as at 1 January 2013. Česká spořitelna, a.s. became a successor company and, as a result of national merger by consolidation, the assets and liabilities of the dissolving company IT Centrum s.r.o. were transferred to Česká spořitelna.

## 5. Financial Liabilities Designated at Fair Value Through Profit or Loss (unaudited)

CZK	30 June 2013	31 December 2012
Customer deposits	13,675	15,908
Liabilities arising from issued securities	1,817	1,995
<b>Total</b>	<b>15,492</b>	<b>17,903</b>

The Group issued the following bonds which are presented within “Liabilities arising from issued securities”:

(unaudited)

	ISIN	Date of issue	Maturity	Interest rate	30 June 2013	31 December 2012
					MCZK	MCZK
Bonds	CZ0003702284	February 2010	February 2014	x)	142	142
Bonds	CZ0003702474	October 2010	November 2014	x)	849	843
Bonds	CZ0003702516	December 2010	January 2015	x)	826	860
Bonds	CZ0003703076	January 2012	January 2013	x)	–	150
<b>Total</b>					<b>1,817</b>	<b>1,995</b>

<sup>x)</sup> Bonds bear no interest, yield is determined as the difference between the rate of issue and the bond value payable at its final maturity date.

## 6. Bonds in Issue (unaudited)

	ISIN	Date of issue	Maturity	Interest rate	30 June 2013	31 December 2012
					MCZK	MCZK
Mortgage bonds	CZ0002000623	October 2005	October 2015	4.75%	5,080	4,951
Mortgage bonds	CZ0002000755	February 2006	February 2016	4.80%	4,538	4,645
Mortgage bonds	CZ0002000904	October 2006	October 2014	3.65%	1,058	1,031
Mortgage bonds	CZ0002001068	June 2007	October 2015	4.50%	778	762
Mortgage bonds	CZ0002001084	July 2007	July 2014	floating	1,526	1,537
Mortgage bonds	CZ0002001274	November 2007	November 2014	floating	568	566
Mortgage bonds	CZ0002001282	November 2007	November 2017	5.90%	2,066	2,020
Mortgage bonds	CZ0002001415	November 2007	November 2023	6.15%	497	490
Mortgage bonds	CZ0002001423	December 2007	December 2017	5.85%	5,275	5,153
Mortgage bonds	CZ0002001647	December 2007	December 2017	3.90%	998	1,006
Mortgage bonds	CZ0002001654	December 2007	December 2022	floating	346	476
Mortgage bonds	CZ0002002165	November 2009	November 2014	3.55%	641	638
Mortgage bonds	CZ0002002173	November 2009	May 2013	3.20%	–	1,590
Mortgage bonds	CZ0002002215	April 2010	October 2013	0.25%	2,628	2,526
Mortgage bonds	CZ0002002264	January 2011	January 2013	0.20%	–	908
Mortgage bonds	CZ0002002306	April 2011	April 2015	0.30%	124	127
Mortgage bonds	CZ0002002330	June 2011	June 2016	0.30%	40	40
Mortgage bonds	CZ0002002744	December 2012	December 2021	2.75%	2	–
Mortgage bonds	CZ0002002751	December 2012	June 2023	3.25%	67	15
Mortgage bonds	CZ0002002769	December 2012	December 2016	1.50%	5	1
Mortgage bonds	CZ0002002777	December 2012	June 2018	1.75%	8	4
Mortgage bonds	CZ0002002785	December 2012	December 2019	2.50%	30	5
Bonds	CZ0003701054	September 2005	September 2017	x)	258	253
Bonds	CZ0003701062	October 2005	October 2013	x)	297	293
Bonds	CZ0003702011	July 2009	January 2014	xx)	608	593
Bonds	CZ0003702037	October 2009	October 2016	xx)	506	493
Bonds	CZ0003702078	November 2009	November 2016	xx)	549	537
Bonds	CZ0003702359	April 2010	April 2013	3.00%	–	714
Bonds	CZ0003702367	April 2010	April 2013	floating	–	1,188
Depository bills of exchange					2	79
Cumulative change in carrying amount due to fair value hedging					1,279	1,515
<b>Total</b>					<b>29,774</b>	<b>34,156</b>

x) Bonds were issued with a combined yield.

xx) Bonds bear no interest, yield is determined as the difference between the rate of issue and the bond value payable at its final maturity date.

## 7. Subordinated Debt (unaudited)

ISIN	Date of issue	Maturity of the issue	Interest rate	Nominal value in MCZK	Carrying amount at 30 June 2013 in MCZK	Carrying amount at 31 December 2012 in MCZK
CZ0003701906	12 March 2009	12 March 2019	5% p.a.	2,000	1,777	1,844
CZ0003702342	24 March 2010	24 March 2020	6M PRIBOR+0.40%	1,000	340	418
<b>Total</b>					<b>2,117</b>	<b>2,262</b>

## 8. Contingent Assets and Liabilities (unaudited)

MCZK	30 June 2013	31 December 2012
Amounts owed under guarantees and letters of credit	20,919	19,363
Undrawn loan commitments	77,603	72,286

## 9. Cash and Cash Equivalents

Cash and cash equivalents at the end of the year as shown in the interim consolidated statement of cash flows consist of the following balances:

(unaudited)

MCZK	30 June 2013	31 December 2012
Cash	18,600	19,593
Nostro accounts with the CNB	1,435	607
Treasury bills and government bonds with a maturity of less than three months	35,168	17,041
Nostro accounts with financial institutions	1,457	1,812
Loro accounts with financial institutions	(1,327)	(3,191)
<b>Total cash and cash equivalents</b>	<b>55,333</b>	<b>35,862</b>

## 10. Fair Value of Financial Instruments

The following table summarizes the carrying values and fair values of those financial assets and liabilities not presented on the statement of financial position at their fair value.

(unaudited)

MCZK	30 June 2013		31 December 2012	
	Carrying value	Estimated fair value <sup>x)</sup>	Carrying value	Estimated fair value <sup>x)</sup>
<b>Financial assets</b>				
Loans and advances to financial institutions	78,002	74,492	65,320	65,489
Loans and advances to customers, net of impairment allowances	477,421	455,940	470,859	482,168
Financial assets held-to-maturity	172,980	187,987	181,967	202,411
<b>Financial liabilities</b>				
Amounts owed to financial institutions	53,510	52,493	44,344	45,816
Amounts owed to customers	724,467	710,702	688,624	691,927
Bonds in issue	29,774	32,067	34,156	36,415
Subordinated debt	2,117	2,280	2,262	2,367

<sup>x)</sup> Starting 1 January 2013 the estimated fair value includes also a credit spread, in compliance with IFRS 13 requirements.

### a) Loans and advances to financial institutions

The fair value of loans and advances to financial institutions is estimated as the present value of discounted future cash flows, where the applied discount factor is based on market-related interest rates.

### b) Loans and advances to customers

Loans and advances to customers are carried net of impairment allowances. The fair value is estimated as the present value of discounted future cash, where the applied discount factor is based on market-related interest rates.

### c) Financial assets held-to-maturity

The fair value of financial assets is based on market prices or price quotations obtained from brokers or dealers. If this information is not available, the fair value is estimated using quoted market values for securities with similar credit risk characteristics, maturity or yield rates or, as and when appropriate, according to the recoverability of the net asset value of these securities.

### d) Amounts Owed to Financial Institutions and Customers

The estimated fair value of amounts owed to financial institutions and customers with no stated maturity which include non-interest earning deposits, is equal to the amount payable on demand. The fair value of fixed income deposits and other liabilities with no stated market value is estimated as the present value of discounted future cash flows and the applied discount factor is equal to the interest rates currently offered on the market for deposits with similar maturities. The fair value of products with no contractually stated maturity (such as sight deposits, passbooks, overdraft facilities) is considered equal to their carrying value.

### e) Bonds in Issue and Subordinated Debt

The aggregate fair value is based on quoted market prices. The fair value of securities where no market price is available is estimated as the present value of discounted future cash flows and the applied discount factor is equal to the interest rate adjusted by the Bank's own credit risk.

## 11. Fair Value Hierarchy

The Group uses the following hierarchy for disclosures about measurement of fair value of financial instruments, reflecting the importance of individual inputs in the process of determining the fair value of financial instruments:

Level 1: Listed (unadjusted) prices on active markets applicable for identical assets or liabilities;

Level 2: Other inputs than the listed prices included within Level 1 that are observable for the assets or liabilities in question, either directly (i.e. as prices) or indirectly (i.e. derived from the prices);

Level 3: Inputs for the relevant assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

The following table shows the classification of financial instruments at fair value in accordance with the above levels which were used to determine the fair value of the financial instruments as at 30 June 2013:

(unaudited)

MCZK	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Trading assets	5,590	41,871	–	47,461
Debt securities	5,587	41,871	–	47,458
Equity securities and other variable yield securities	3	–	–	3
Financial assets designated at fair value through profit or loss	2,302	4,255	110	6,667
Debt securities	624	4,255	–	4,879
Equity securities and other variable yield securities	1,678	–	110	1,788
Positive fair value of derivative financial instruments		21,532		21,532
Financial assets available-for-sale	58,154	8,761	282	67,197
Debt securities	57,676	8,529	–	66,205
Equity securities and other variable yield securities	478	232	282	992
<b>Total assets</b>	<b>66,046</b>	<b>76,419</b>	<b>392</b>	<b>142,857</b>
<b>Liabilities</b>				
Trading liabilities	6	–	–	6
Payables arising from short sales – shares	6			6
Financial liabilities designated at fair value through profit or loss	–	15,492	–	15,492
Customer deposits	–	13,675		13,675
Liabilities arising from issued securities at fair value		1,817		1,817
Negative fair value of derivative financial instruments		22,504		22,504
<b>Total liabilities</b>	<b>6</b>	<b>37,996</b>	<b>–</b>	<b>38,002</b>

The following table shows the classification of financial instruments at fair value in accordance with the above levels which were used to determine the fair value of the financial instruments as of 31 December 2012:

(unaudited)

<b>CZK</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Trading assets	7,180	33,701	–	40,881
Debt securities	7,171	33,701	–	40,872
Equity securities and other variable yield securities	9	–	–	9
Financial assets designated at fair value through profit or loss	2,616	4,479	110	7,205
Debt securities	2,505	4,479	–	6,984
Equity securities and other variable yield securities	111	–	110	221
Positive fair value of derivative financial instruments	20	26,761	–	26,781
Financial assets available-for-sale	61,910	4,530	226	66,666
Debt securities	60,250	4,530	–	64,780
Equity securities and other variable yield securities	1,660	–	226	1,886
<b>Total assets</b>	<b>71,726</b>	<b>69,471</b>	<b>336</b>	<b>141,533</b>
<b>Liabilities</b>				
Trading liabilities	3	–	–	3
Payables arising from short sales – shares	3	–	–	3
Financial liabilities designated at fair value through profit or loss	–	17,903	–	17,903
Customer deposits	–	15,908	–	15,908
Liabilities arising from issued securities at fair value	–	1,995	–	1,995
Negative fair value of derivative financial instruments	–	26,358	–	26,358
<b>Total liabilities</b>	<b>3</b>	<b>44,261</b>	<b>–</b>	<b>44,264</b>

The following tables show the changes in the fair value of financial instruments the fair value of which is determined using valuation models not based on ascertainable market data (Level 3):

(unaudited)

<b>MCZK</b>	<b>as at 1 January 2013</b>	<b>Gains/losses from revaluation</b>		<b>Purchases</b>	<b>Sales</b>	<b>Transfer to/from Level 3</b>	<b>as at 30 June 2013</b>	<b>Unrealized gains/ losses <sup>x)</sup></b>
		<b>in income statement</b>	<b>in equity statement</b>					
<b>Assets</b>								
Financial assets designated at fair value through profit or loss	110	(1)	–	1	–	–	110	(1)
Financial assets available-for-sale	226	–	34	22	–	–	282	–
<b>Total assets</b>	<b>336</b>	<b>(1)</b>	<b>34</b>	<b>23</b>	<b>–</b>	<b>–</b>	<b>392</b>	<b>(1)</b>

<sup>x)</sup> Included in the income statement from instruments held as at 30 June 2013

(unaudited)

<b>MCZK</b>	<b>as at 1 January 2012</b>	<b>Gains/losses from revaluation</b>		<b>Purchases</b>	<b>Sales</b>	<b>Transfer to/from Level 3</b>	<b>as at 31 December 2012</b>	<b>Unrealized gains/ losses <sup>x)</sup></b>
		<b>in income statement</b>	<b>in equity statement</b>					
<b>Assets</b>								
Financial assets designated at fair value through profit or loss	1,067	(67)	–	–	(890)	–	110	(84)
Financial assets available-for-sale	762	–	(31)	40	(491)	(54)	226	–
<b>Total assets</b>	<b>1,829</b>	<b>(67)</b>	<b>(31)</b>	<b>40</b>	<b>(1,381)</b>	<b>(54)</b>	<b>336</b>	<b>(84)</b>

<sup>x)</sup> Included in the income statement from instruments held as at 31 December 2012

## 12. Segment Reporting According to Industry Segments

The Group's segment reporting is in compliance with IFRS requirements and also meets Erste Group Bank requirements for presentation and measurement.

### Segment Structure

In order to provide a clearer presentation of the Group structure the segment reporting was aligned with that of Erste Group Bank and has been divided into the following segments:

- Retail;
- Corporate clientele;
- Real Estate ("RE");
- Asset and Liability Management (ALM);
- Group Corporate Investment Banking („GCIB“);
- Group markets;
- Corporate center; and
- Free capital.

For segment reporting the rules used in the Group's controlling report apply. The report is prepared monthly for the Board of Directors as well as for the Erste Group Bank Board of Directors. The report is reconciled to the monthly reporting package and the same segments used in the Group's controlling report are used for the Erste Group Bank segment reporting.

Retail, corporate clientele, real estate, asset and liability management and corporate center form the main activities of the Group.

Fully consolidated subsidiaries are allocated to the respective segments in the segment report (see the definitions below).

### Retail

The retail segment comprises branch networks within which Česká spořitelna, a. s. sells products to citizens, traders, entrepreneurs and micro-businesses. In addition, the retail segment contains capital results of subsidiaries of Stavební spořitelna České spořitelny, a. s., Penzijní fond České spořitelny, a. s., Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. and ČS do domu, a. s.

Retail provides services (selling products) to their clients through the branch network and external sales channels and indirect banking. The product range is very wide: from lending products to assets under management. In order to better understand clients (understanding their opportunities and meeting their needs) retail clients are differentiated into the following sub-segments:

- Mass market;
- Mass affluent;
- Erste Premier;
- MSE; and
- Municipality.

### Corporate Clientele

The segment of corporate clients comprises:

- The SME Segment (Small- and Medium-sized Enterprises), clients with annual turnover CZK 30 million – CZK 1,000 million, the service is provided by 13 Regional Corporate Centers;
- The LLC Segment (Local Large Corporates), clients with annual turnover above CZK 1,000 million (active mainly in the Czech Republic), service is provided from the headquarters in Prague;
- Non-profit sector, clients from non-governmental organizations (organizations that are not a part of a government and are not conventional profit generating businesses) – foundations, political parties, churches, trade unions. Service is provided from the headquarters in Prague; and
- Public sector, clients from government administration – mainly state branches, counties, statutory towns, health insurance funds, state funds, public universities and cities. Service is provided from the headquarters in Prague and by the Regional Corporate Centers (cities, public universities and health care organizations).

In addition, the segment contains capital results of the subsidiaries s Autoleasing, a. s., Factoring České spořitelny, a. s., S MORAVA Leasing, a. s. and REICO investiční společnost České spořitelny, a. s.

## Real Estate (RE)

The real estate segment covers commercial property projects financed by the Group. Parts of this segment are Real Estate Funds, which focus on development projects and property for institutional clients.

## Asset and Liability Management (ALM)

The Asset and Liability Management Section is responsible for the management of the balance sheet structure (banking book) considering market conditions in order to cover the Group's liquidity and to secure a high level of capital use. The ALM also covers the transformation margin that arose as a result of the mismatch in the statement of financial position from a time and currency perspective. The transformation margin, as well as the ALM's own activities (financial assets held-to-maturity, financial assets available-for-sale, financial assets designated as at fair value through profit or loss on the asset side and bonds issued on the liability side) are the main parts of this segment/section.

## Group Corporate Investment Banking (GCIB)

Group Corporate Investment Banking consists of Group Large Corporate and Institutional Equity Sales. The group large corporate client segment involves large corporations (clients with annual turnover above CZK 1,000 million) operating on the Erste Group Bank markets (not only locally in the Czech Republic. Equity sales department works for financial institutions, (e.g. investment banks, mutual funds or insurance companies) and sells them market investment products. Equity sales department focuses on sale of stocks, preferred stocks, preferred bonds, reverse repos and other equity-related products.

## Group Markets

The group markets segment is responsible for trading in foreign exchange and interest rate products, as well as in securities for all customer groups. Moreover, it is tasked to design and develop products that cater to market demand in core markets. GM comprises the divisionalised business units such as Treasury trading and Treasury sales (retail, corporate and institutional transactions).

## Corporate Centre

The Corporate Centre segment includes the positions and items that cannot be directly allocated to a business segment. In addition, it includes the capital result of the subsidiaries brokerjet České spořitelny, a. s., Czech TOP Venture Fund B.V., s IT Solutions CZ, s.r.o., CS Investment Limited, Grantika české spořitelny, a. s.

## Free Capital

Free capital is not a segment but rather the difference between the capital in the books of accounts and allocated capital.

The following table summarizes segment information as at 30 June 2013:

(unaudited)

30 June 2013 MCZK	Retail	Corporate clientele	Real Estate (RE)	Asset and Liability Management (ALM)	Corporate Centre	Core Bank
Net interest income	8,948	1,651	250	1,681	489	13,019
Impairment allowance for credit risk	-1,328	-404	-124	-	204	-1,652
Net fee and commission income	5,034	572	-2	-121	-101	5,382
Net trading income	158	127	5	-147	437	580
Total general administrative expenses	-7,062	-932	-46	-41	-379	-8,460
Other operating result	-336	47	-3	-19	57	-254
<b>Profit before taxes</b>	<b>5,414</b>	<b>1,062</b>	<b>80</b>	<b>1,354</b>	<b>708</b>	<b>8,615</b>
Income tax	-1,005	-212	-15	-225	-272	-1,729
Non-controlling interests	-15	-	-	-	24	9
<b>Profit for the year attributable to equity holders of the parent</b>	<b>4,394</b>	<b>850</b>	<b>65</b>	<b>1,129</b>	<b>458</b>	<b>6,895</b>
Average risk weighted assets (RWA)	138,892	130,729	21,153	2,566	37,685	331,025
Cost to income ratio	49,94%	39,64%	18,27%	2,91%	45,88%	44,57%
<b>ROE <sup>(1)</sup></b>	<b>49,66%</b>	<b>12,68%</b>	<b>6,10%</b>	<b>26,20%</b>	<b>- <sup>(2)</sup></b>	<b>30,54%</b>

<b>30 June 2013 MCZK</b>	<b>GCIB</b>	<b>GM</b>	<b>Free Capital</b>	<b>Total</b>
Net interest income	367	206	452	14,044
Impairment allowance for credit risk	-163	-	-	-1 815
Net fee and commission income	255	88	-	5,725
Net trading income	40	744	-	1,364
Total general administrative expenses	-148	-272	-	-8,880
Other operating result	<b>-14</b>	<b>0</b>	<b>-</b>	<b>-268</b>
<b>Profit before taxes</b>	<b>337</b>	<b>765</b>	<b>452</b>	<b>10,170</b>
Income tax	-66	-145	-86	-2,026
Non-controlling interests	-	-	-	9
<b>Profit for the year attributable to equity holders of the parent</b>	<b>271</b>	<b>620</b>	<b>366</b>	<b>8,153</b>
Average risk weighted assets (RWA)	36,415	18,305	-	385,746
Cost to income ratio	22,46%	26,23%	0,00%	42,02%
<b>ROE <sup>(1)</sup></b>	<b>14,46%</b>	<b>49,89%</b>	<b>1,91%</b>	<b>17,10%</b>

<sup>1)</sup> ROE = return on equity

<sup>2)</sup> In case of Bank headquarters ROE do not count, because there is no economic significance.

The following table summarizes segment information as at 30 June 2012:

(unaudited)

<b>30 June 2012 MCZK</b>	<b>Retail</b>	<b>Corporate clientele</b>	<b>Real Estate (RE)</b>	<b>Asset and Liability Management (ALM)</b>	<b>Corporate Centre</b>	<b>Core Bank</b>
Net interest income	11,533	2,112	426	74	403	14,548
Impairment allowance for credit risk	(1,719)	(315)	(150)	-	77	(2,107)
Net fee and commission income	5,370	544	25	(149)	(51)	5,739
Net trading income	144	112	28	(96)	(266)	(78)
Total general administrative expenses	(7,626)	(886)	(206)	(39)	(269)	(9,026)
Other operating result	(565)	(75)	(231)	175	170	(526)
<b>Profit before taxes</b>	<b>7,137</b>	<b>1,492</b>	<b>(108)</b>	<b>(35)</b>	<b>64</b>	<b>8,550</b>
Income tax	(1,323)	(293)	(150)	15	(77)	(1,828)
Non-controlling interests	(21)	-	51	-	1	31
<b>Profit for the year attributable to equity holders of the parent</b>	<b>5,793</b>	<b>1,199</b>	<b>(207)</b>	<b>(20)</b>	<b>(12)</b>	<b>6,753</b>
Average risk weighted assets (RWA)	139,370	122,653	21,543	2,644	34,679	320,889
Cost to income ratio	44.70%	32.00%	43.00%	22.90%	313.50%	44.70%
<b>ROE <sup>(1)</sup></b>	<b>63.70%</b>	<b>18.87%</b>	<b>(19.09%)</b>	<b>(0.36%)</b>	<b>-(<sup>2)</sup>)</b>	<b>28.27%</b>

<b>30 June 2012 MCZK</b>	<b>GCIB</b>	<b>GM</b>	<b>Free Capital</b>	<b>Total</b>
Net interest income	459	219	358	15,584
Impairment allowance for credit risk	(141)	-	-	(2,248)
Net fee and commission income	157	52	-	5,948
Net trading income	44	1,020	-	986
Total general administrative expenses	(101)	(297)	-	(9,424)
Other operating result	30	13	-	(483)
<b>Profit before taxes</b>	<b>448</b>	<b>1,007</b>	<b>358</b>	<b>10,363</b>
Income tax	(86)	(191)	(68)	(2,173)
Non-controlling interests	-	-	-	31
<b>Profit for the year attributable to equity holders of the parent</b>	<b>362</b>	<b>816</b>	<b>290</b>	<b>8,221</b>
Average risk weighted assets (RWA)	40,117	20,660	-	381,666
Cost to income ratio	15.40%	23.00%	0.00%	41.90%
<b>ROE <sup>(1)</sup></b>	<b>18.03%</b>	<b>45.83%</b>	<b>2.32%</b>	<b>19.70%</b>

<sup>1)</sup> ROE = return on equity

<sup>2)</sup> In case of Bank headquarters ROE do not count, because there is no economic significance.

### 13. Related Party Transactions

Related parties involve connected entities or parties that have a special relationship to the Group.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group is controlled by Erste Group Bank AG, the major shareholder is DIE ERSTE österreichische Spar-Casse Privatsiftung (Erste Stiftung) foundation. The remaining investment is held by minority shareholders and institutional investors via freely traded shares on the stock exchanges in Vienna, Prague and Bucharest.

The parties that have a special relationship to the Group are considered to be members of the Group's statutory and supervisory bodies and management, legal entities exercising control over the Group (including entities with a qualified interest in these entities and management of these entities), persons closely related to the members of the Group's statutory and supervisory bodies, management, and entities exercising control over the Group, legal entities in which any of the parties listed above holds a qualified interest, entities with a qualified interest in the Group and any other legal entity under their control, members of the CNB's Banking Board, and legal entities which the Group controls.

Pursuant to the definitions outlined above, the category of the Group's related parties principally comprises members of its Board of Directors and Supervisory Board and other entities, namely Erste Group Bank, its subsidiary and associated undertakings.

A number of banking transactions are entered into with related parties in the normal course of business. These principally include loans, deposits and other transactions. These transactions are carried out under ordinary business terms and on an arm's length basis.

The Group has the following amounts due from/to Erste Group Bank and other related parties:

(unaudited)

CZK	30 June 2013		30 June 2012	
	Erste Group Bank	Other	Erste Group Bank	Other
<b>Assets</b>				
Loans and advances to financial institutions	26,982	1,590	26,764	21
Loans and advances to customers	–	236	–	243
Financial assets at fair value through profit or loss	59	–	–	–
Financial assets available-for-sale	–	–	1,080	–
Financial assets held-to-maturity	–	–	–	–
Positive fair value of derivative transactions	3,079	180	4,148	177
Other assets	3	62	–	19
<b>Total assets of the Group</b>	<b>30,123</b>	<b>2,068</b>	<b>31,992</b>	<b>460</b>
<b>Liabilities</b>				
Amounts owed to financial institutions	14,071	503	7,176	1,122
Amounts owed to customers	–	797	–	678
Negative fair value of derivative financial instruments	4,760	–	7,090	3
Bonds in issue	–	–	175	–
Subordinated debt	–	–	–	–
Other liabilities	–	16	–	4
<b>Total liabilities of the Group</b>	<b>18,831</b>	<b>1,316</b>	<b>14,441</b>	<b>1,807</b>
<b>Income</b>				
Interest income	257	3	357	11
Fee and commission income	14	157	16	204
Net trading gains/(losses)	951	104	331	133
Other operating income	11	6	200	24
<b>Total income</b>	<b>1,233</b>	<b>270</b>	<b>904</b>	<b>372</b>
<b>Expenses</b>				
Interest expense	52	5	161	32
Fee and commission expense	–	–	–	34
Total general administrative expenses	13	207	4	335
Other operating expenses	–	–	–	–
<b>Total expenses</b>	<b>65</b>	<b>212</b>	<b>165</b>	<b>401</b>

The column “Erste Group Bank” includes related party transactions between the Group and Erste Group Bank while the column “Other” includes transactions with all other companies that are included in the consolidated Erste Group. Information on associates and joint ventures is not material.

## 14. Dividends

Shareholders, who attended the Annual General Meeting on 22 April 2013, approved the declaration of dividends in respect of the profit for the year ended 31 December 2012 in the amount of CZK 7,600 million, which represents CZK 50 per both ordinary and preference share (20011: CZK 4,560 million, that is, CZK 30 per both ordinary and preference share). Dividends were payable as at 1 June 2013. Dividends paid to shareholders are subject to withholding tax of 15% or a percentage set out in the relevant double tax treaty. Dividends paid to shareholders that are tax residents of a European Union member country and whose interest in a subsidiary’s share capital is no less than 10 percent and that hold the entity’s shares for at least one year are not subject to withholding tax.

## 15. Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. (“ČSPS Transformed Fund”)

The Group fully consolidates the ČSPS Transformed Fund (see Notes 3 and 4) as it exercises the following control over the Fund:

- The Group administers the ČSPS Transformed Fund via Česká spořitelna – penzijní společnost, a. s.
- The Group is entitled to remuneration for portfolio administration at the level of 15% of the Fund’s profits at maximum;
- The Group is responsible for positive results of operations and capital position of the ČSPS Transformed Fund.

The assets, liabilities and profit are reported at separate lines „Assets of the ČSPS Transformed Fund“ and „Liabilities of the ČSPS Transformed Fund“ in the statement of financial position and at a separate line „Net profit of the ČSPS Transformed Fund“ in the income statement. The following table gives details of the summarized lines:

(unaudited)

<b>MCZK</b>	<b>30 June 2013</b>
<b>Statement of financial position</b>	
Loans and advances to financial institutions	15,270
Financial assets available-for-sale	22,605
Financial assets held-to-maturity	9,478
Income tax and deferred tax receivable	2
<b>Total assets</b>	<b>47,355</b>
Amounts owed to customers	46,591
Negative fair value of derivative financial instruments	87
Provisions	37
Income tax and deferred tax liability	30
Other liabilities	329
<b>Total liabilities</b>	<b>47,074</b>
Equity	281
<b>Total liabilities</b>	<b>47,355</b>
<b>Income statement</b>	
Net interest income	516
Fee and commission expense	(137)
Net trading income	(26)
Other operating result	(11)
<b>Profit before taxes</b>	<b>342</b>
Income tax	(18)
<b>Profit after taxes</b>	<b>324</b>
minus: distribution of 85% of profit to pension fund stakeholders	(275)
<b>Profit for the year</b>	<b>49</b>

## 16. Subsequent Events

Two changes were made to the composition of the Bank's board of directors as at 1 August 2013 Karel Mourek replaced Heinz Knotzer as a member of the Board responsible for risk management and Dušan Baran was replaced by Wolfgang Schopf in the position of Česká spořitelna's Chief Finance Officer.

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