

# Česká spořitelna investor presentation

## Q1-3 2014 results

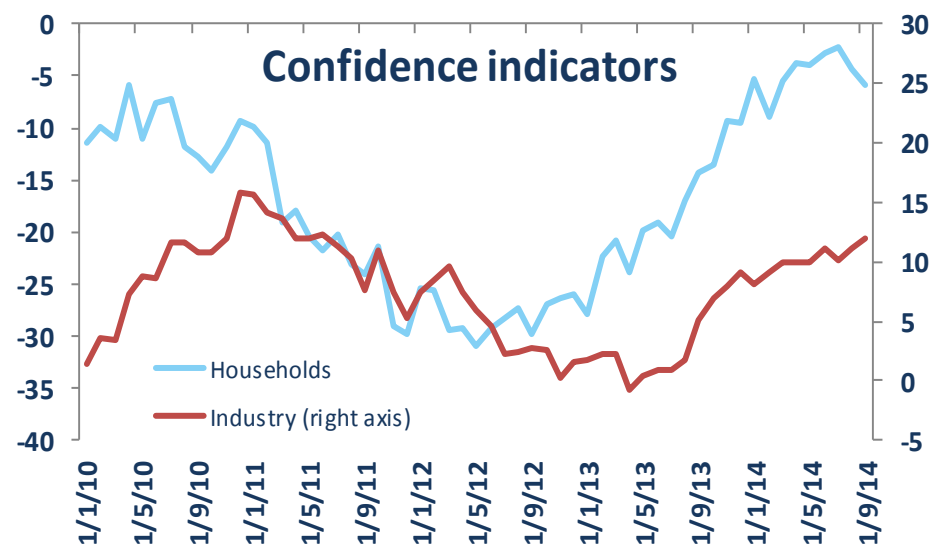
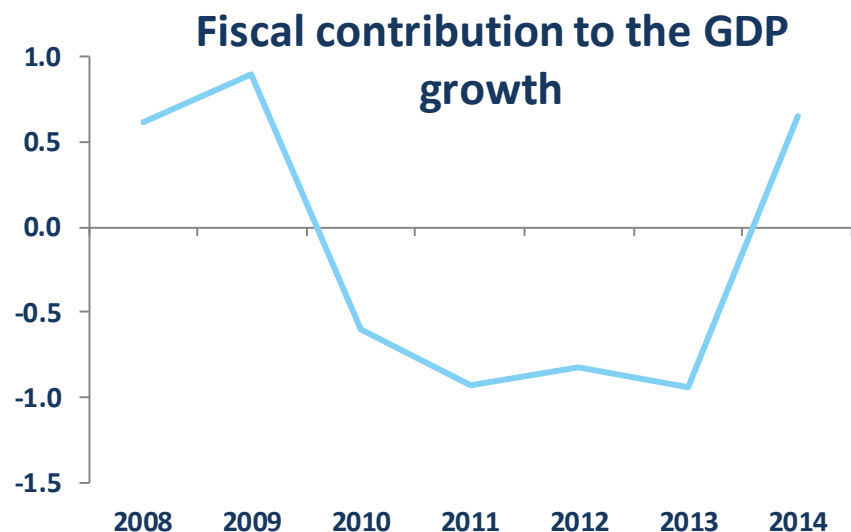
- 30 October 2014

**Stable operating performance, healthy loan growth and strong capitalisation**

## Executive summary –

### Macro supports business opportunities

- GDP growth (2.5% y/y in Q2 2014) supported by both net exports and domestic demand
- Growth driven by manufacturing, particularly by automotive industry
- Domestic demand significantly supported by improvement in confidence, positive fiscal impulse and wage increase expectation
- Inflation accelerated to 0.7% in 09/2014 driven by core inflation. Deflationary risk is low implying low risk of additional move in CZK floor (from 27 EUR/CZK to weaker level)
- Yields of 5-year government bonds at the historically lowest levels, reflecting the recent ECB's monetary easing and excessive liquidity within the domestic financial sector



# Executive summary –

## Stable operating performance\*

- Net profit of CS reached CZK 11.2 bn in Q1-3 2014 which means 2% y/y decline
- Operating result is stable (-0.6% y/y), decrease of operating income was almost offset by continuing decline of operating expenses
  - Net interest income dropped by 3% y/y, net fee income went down by 2%
  - NIM declined to 3.55% (from 3.63%) but remained flat since 6/2014
  - Strategic cost management led to 4% drop of operating expenses
  - Cost/income ratio improved to 44.5% compared to 45.3% in Q1-3 2013
- CS Group gross loan portfolio increased by 2% compared to September 2013 (CZK +12 bn), mainly driven by private mortgages
- Quality of loan portfolio improved, share of NPLs declined to 4.6%
- Risk costs stable at 76 bps, NPL coverage at comfortable level 80%
- Clients´ assets in pension funds of CSPA grew by 15% y/y, assets in domestic and foreign mutual funds up by 17% and assets under discretionary management up by 14% y/y
- CS maintained its excellent liquidity and capital position, Group capital adequacy (Basel III) at strong 18.1%, CoreTier I ratio also at 18.1%
- Rating agency Fitch upgraded Viability rating of CS to a-, Moody´s confirmed all CS ratings

\*CS changed the structure of financial statements due to adoption EBA financial reporting standards and deconsolidated transformed pension fund in 2014 - more details please find in Appendix, on slide 45

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## Q3 2014 business highlights – Retail

- CS launched new service for mass affluent client segment. Mass affluent clients can be now served under **blue** brand in 138 branches. Together with Blue bank introduction CS launched brand new web page [www.blue.cz](http://www.blue.cz) that is able to adjust according to device the user accesses from
- **ERSTE BANK Private Banking** finalized its portfolio restructuring, all new customers are fulfilling entry criteria CZK 10 mil invested with CS. EPB grows in total revenues as well as in AUM per client
- **ERSTE Premier** service is growing. Customer base grew by 35% compared to last year and average volume of its banking business by 36%. Erste Premier reached 9% share on mortgage sales in CS
- In experimental Lochotin branch CS introduced new self-service application for clients, including video-banker. In September, CS expanded its video-banker service to several more cities
- CS launched new features in mobile banking like sales of overdrafts and cash loans
- CS won the Best Use of Digital Media award for the sale of mortgages via Facebook in the Flema Media Awards competition
- In line with focus on medium and small enterprises (MSE) CS introduced a new mortgage for entrepreneurs that eases the process of property financing for MSE clients
- In September, CS launched a nationwide campaign to support operational financing of entrepreneurs and small businesses. For all interested clients the loan was without any entry fees
- Under campaign “Deposits to Investments” new sales of investment products in Q3 2014 doubled vis-à-vis Q3 2013
- The iBOD loyalty programme celebrated its first birthday on 1 October. iBOD has currently cca 800,000 participants out of which 670,000 are CS clients

## Q3 2014 business highlights – Corporates



- NET4GAS, s.r.o., the Czech gas transmission system operator issued 3-tranche bond in EUR and CZK amounting to EUR 710 mil equivalent. Erste Group acted as Active Bookrunner, Documentation and Marketing Bank for the inaugural 6.5-year CZK 7 bn bond issue (largest corporate CZK issue in the past decade) and Passive Bookrunner on the EUR part of the bond financing. CS played also a major role as Facility Agent and lender in the loan transaction amounting to EUR 400 mil



- ACTHERM spol. s r.o., heat and energy producer and district heating provider in Chomutov, Northern Bohemia received a CZK 550 mil 10-year club loan for refinancing of all of its existing indebtedness, financing of desulphurisation of heating plant and upgrade of primary heat distribution network and working capital financing. CS also acts as facility agent and security agent of the transaction



- CS implemented the upgraded functionality for Trade Finance products in its electronic banking platform - Business 24. The 2-way communication (client to bank and bank to client) in Documentary and Bank Guarantees Businesses has been significantly enhanced and the relevant module is increasingly used by corporate clients

# Corporate Social Responsibility in Q3 2014

- For Ceska sporitelna, corporate social responsibility (CSR) is a part of its DNA. That is why one of its recent activities is the new **interactive website** [www.mapa-csr.cz](http://www.mapa-csr.cz) where current CSR projects of Ceska sporitelna, the Ceska sporitelna Foundation, and the Depositum Bonum Foundation can be followed
- In its **Grant programme**, the Ceska sporitelna Foundation distributed in 3<sup>rd</sup> quarter 2014 **CZK 1 mil. among 22 projects** of non-profit organisations



- The Depositum Bonum Foundation published an annual report for the **Elixir for Schools** project. It newly opened three regional centres, meaning that it now has a total of 21 centres across the country. In October (16 October), it organised a conference on the cooperation of schools and industry entitled **Czech School of the 21<sup>st</sup> Century**

- In its “**Friendly Places**” project, Ceska sporitelna has had 20 of its branches certified as places adapted for people with disabilities. By the end of the year, Ceska sporitelna plans to have 45 of its branches certified. Currently, CS has 512 ATMs adapted for use by visually impaired clients
- In the “**Your card can help too**” campaign, Ceska sporitelna is donating CZK 1,079 ths. to the Palata Home for reading aids for the visually impaired
- Ceska sporitelna hosted the **2014 Global Diversity Forum**, where issues such as unequal representation of women in management and unequal opportunities in companies were discussed. A platform has been formed within CS for passing know-how on among female managers - the **Ladies Leaders Forum**



# Presentation topics

- Česká spořitelna
  - Financial performance analysis
- Macroeconomic developments
  - Economic trends in details
- Banking market
  - Banking market developments
  - Česká spořitelna market shares
- Appendix

# Financial statements – Income statement (CZK mil)\*

Net profit decreased by 2%

	1-9 13	1-9 14	Change
Net interest income	20,505	19,946	-2.7%
Net fee and commission income	8,458	8,252	-2.4%
Dividend income	50	50	0.0%
Net trading and fair value result	1,650	1,722	4.4%
Rental income from investment properties & other operating leases	628	620	-1.3%
General administrative expenses	-14,188	-13,598	-4.2%
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	85	138	62.4%
Net impairment loss on financial assets not measured at fair value through profit or loss	-2,906	-2,900	-0.2%
Other operating result	25	-285	-
Pre-tax result from continuing operations	14,307	13,945	-2.5%
Taxes on income	-2,845	-2,699	-5.1%
Post-tax result from continuing operations	11,462	11,246	-1.9%
Net result for the period			
Net result attributable to non-controlling interests	-13	21	-
<b>Net result attributable to owners of the parent</b>	<b>11,475</b>	<b>11,225</b>	<b>-2.2%</b>
Operating income	31,291	30,590	-2.2%
Operating expenses	-14,188	-13,598	-4.2%
Operating result	17,103	16,992	-0.6%
Cost/income ratio	45.3%	44.5%	
Return on equity	16.0%	14.5%	

\*CS changed the structure of financial statements due to adoption EBA financial reporting standards and deconsolidated transformed pension fund (TPF) in 2014 - more details please find in Appendix , on slide 45. Financial statements excluding impact of TPF are on slides 40-42



# Financial statements – Balance sheet I (CZK mil)\*

## Assets

Assets	Dec 13	Sep 14	Change
Cash and cash balances	77,581	65,638	-15.4%
Financial assets - held for trading	47,718	26,867	-43.7%
Derivatives	21,168	17,587	-16.9%
Other trading assets	26,550	9,280	-65.0%
Financial assets - designated at fair value through profit or loss	4,223	2,846	-32.6%
Financial assets - available-for-sale	82,295	90,885	10.4%
Financial assets - held to maturity	154,720	145,976	-5.7%
Loans and receivables to credit institutions	75,348	41,066	-45.5%
Loans and receivables to customers	489,194	491,289	0.4%
Derivatives - hedge accounting	945	1,114	17.9%
Property and equipment	14,166	13,402	-5.4%
Investment properties	8,330	7,950	-4.6%
Intangible assets	3,333	3,147	-5.6%
Investments in associates and joint ventures	0	0	-
Current tax assets	102	479	>100%
Deferred tax assets	126	146	15.9%
Non-current assets classified as held for sale	0	125	-
Other assets	10,642	6,345	-40.4%
<b>Total assets</b>	<b>968,723</b>	<b>897,275</b>	<b>-7.4%</b>

\*CS changed the structure of financial statements due to adoption EBA financial reporting standards and deconsolidated transformed pension fund (TPF) in 2014 - more details please find in Appendix , on slide 45. Financial statements excluding impact of TPF are on slides 40-42

# Financial statements – Balance sheet II (CZK mil)\*

## Liabilities

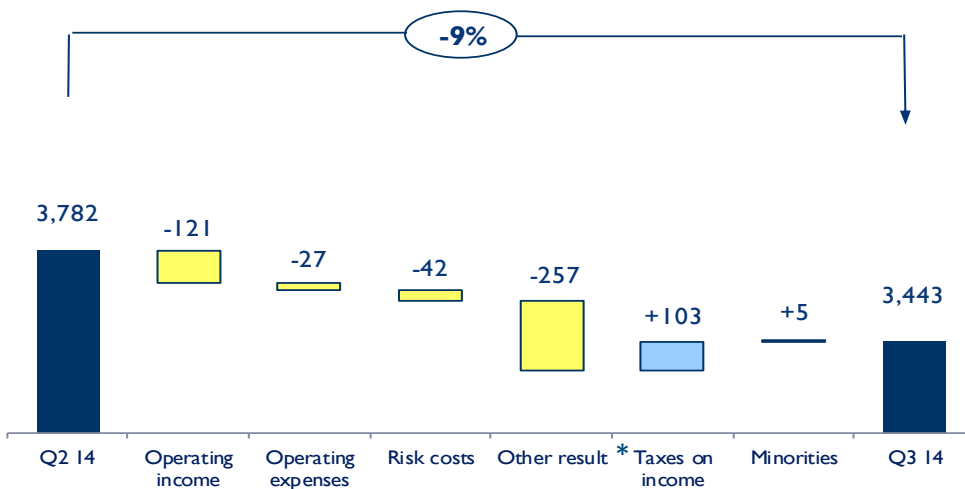
Liabilities and equity	Dec 13	Sep 14	Change
Financial liabilities - held for trading	24,024	29,645	23.4%
Derivatives	24,024	19,401	-19.2%
Other trading liabilities	0	10,244	-
Financial liabilities designated at fair value through profit or loss	14,434	11,625	-19.5%
Deposits from customers	12,616	9,993	-20.8%
Debt securities	1,818	1,632	-10.2%
Financial liabilities measured at amortised cost	815,659	740,968	-9.2%
Deposits from banks	73,036	58,131	-20.4%
Deposits from customers	713,977	654,753	-8.3%
Debt securities	28,646	24,876	-13.2%
Other financial liabilities	0	3,208	-
Derivatives - hedge accounting	422	502	19.0%
Provisions	2,594	2,446	-5.7%
Current tax liabilities	414	104	-74.9%
Deferred tax liabilities	100	329	>100%
Other liabilities	10,100	7,819	-22.6%
<b>Total equity</b>	<b>100,976</b>	<b>103,837</b>	<b>2.8%</b>
Equity attributable to non-controlling interests	316	212	-32.9%
Equity attributable to owners of the parent	100,660	103,625	2.9%
<b>Total liabilities and equity</b>	<b>968,723</b>	<b>897,275</b>	<b>-7.4%</b>

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# Financial performance – Executive summary

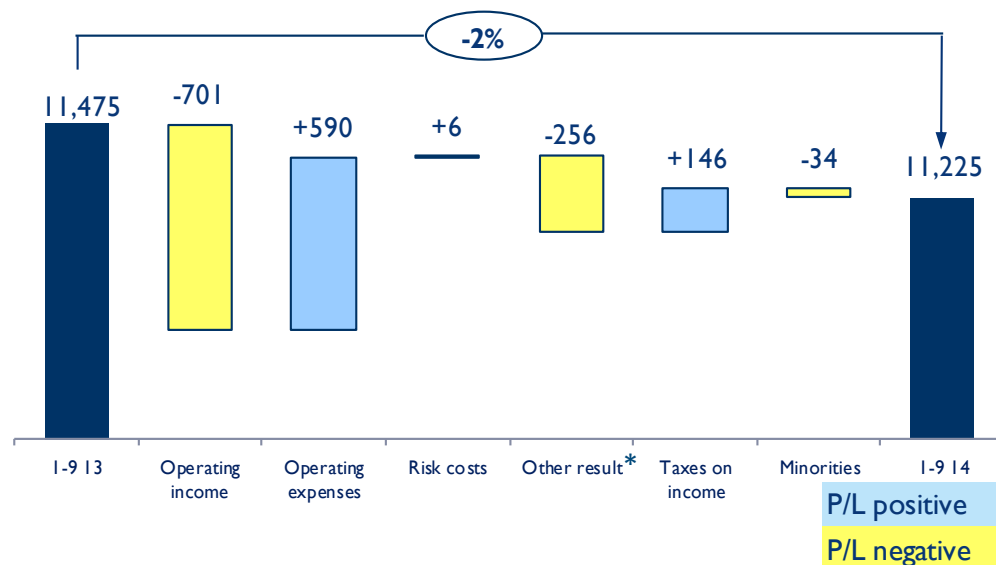
## Česká spořitelna Group income statement performance

Q/Q net profit reconciliation (CZK mil)



- **Decrease of net profit in Q3 2014 compared to Q2 2014 driven by other operating result (included in Other result\*)**
  - Negative impact from real estate business
- **Net fee income declined by 3% Q/Q, net trading and FV result dropped by 13%**
- **Net interest income rose by 1% in Q3 2014**

Y/Y net profit reconciliation (CZK mil)



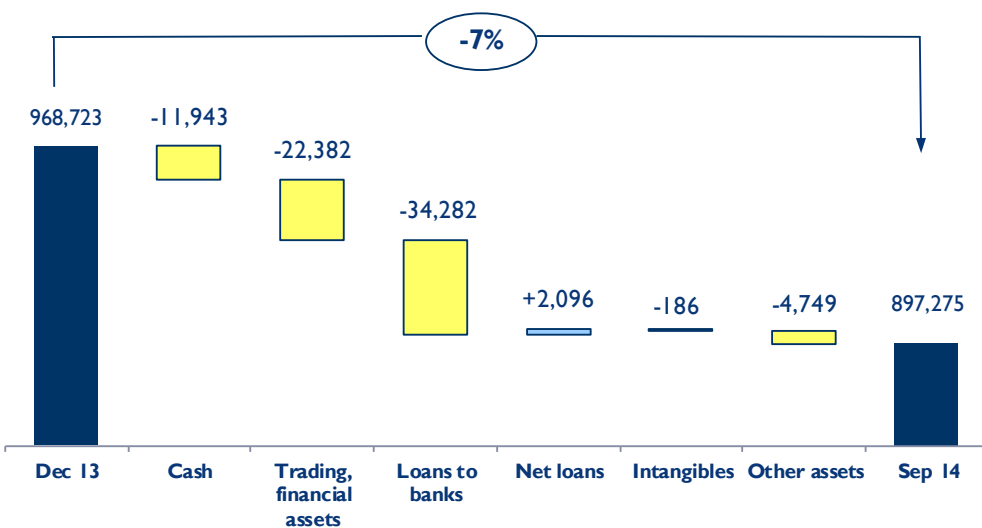
- **Operating income declined by 2%**
  - Driven by decrease of net interest income due to prevailing low interest rates and by net fee income suffering from declining income from lending and growing usage of direct banking
- **Strict cost discipline led to reduction of operating expenses**
- **Other operating result (in Other result\*) was affected by positive one-off in 2013**

\* Includes Gains/losses from financial assets and liabilities not measured at fair value and Other operating result

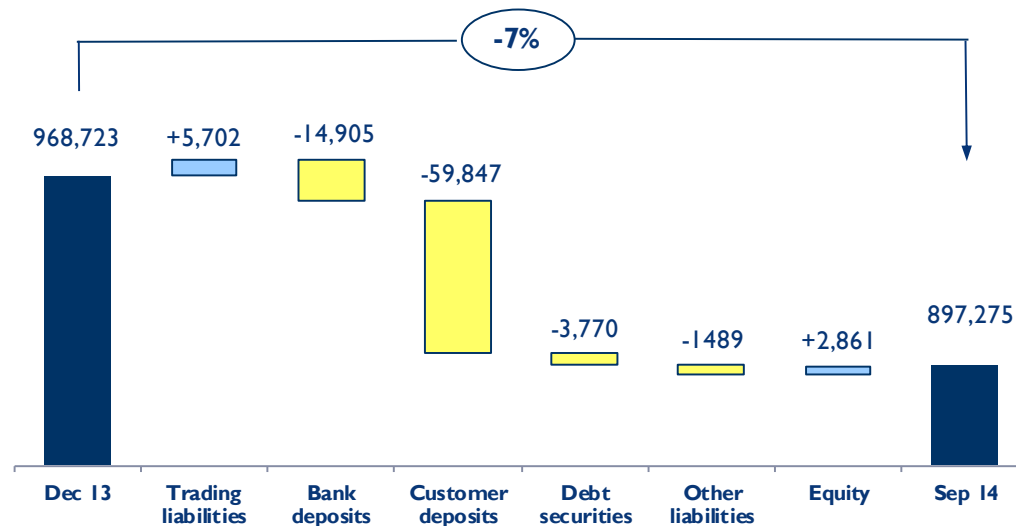
# Financial performance – Executive summary

Group balance sheet influenced by deconsolidation of transformed pension fund

YTD total asset reconciliation (CZK mil)



YTD total liability reconciliation (CZK mil)



- **Decrease of total assets caused by deconsolidation of transformed pension fund (TPF) in 2014**
  - Excluding impact of deconsolidation of TPF (CZK 51 bn) total assets declined by only 2% since YE 2013
- **AFS portfolio increased by 48% (CZK 29 bn) excluding impact of TPF since YE 2013 and assets in HTM portfolio rose by 1%**
- **Adjusted for deconsolidation of TPF loans to banks decreased by 26% since December 2013**

- **Decline of customer deposits reflects deconsolidation of transformed pension fund**
  - Customer deposits excluding impact of deconsolidation of transformed pension fund declined by 1.1% since YE 2013 (without repo operations customer deposits flat)
- **Deposits from banks declined by 20% (CZK -15 bn)**

Growth

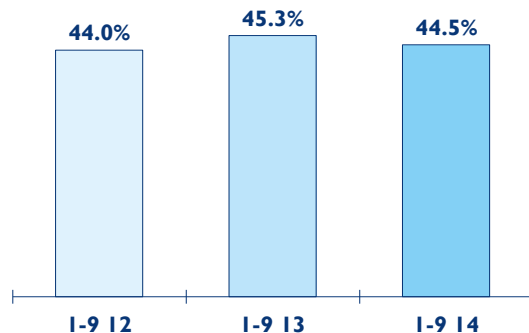
Decline

Note: Adjusted B/S figures (for impact of deconsolidation of TPF) pls see on slides 40-42

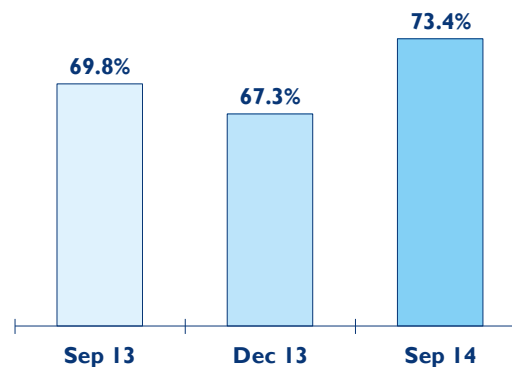
# Financial performance – Executive summary

## Česká spořitelna Group key performance indicators

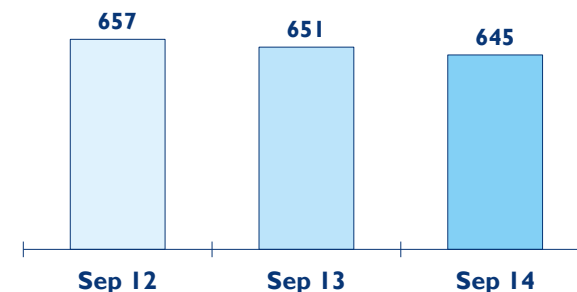
Cost/income ratio



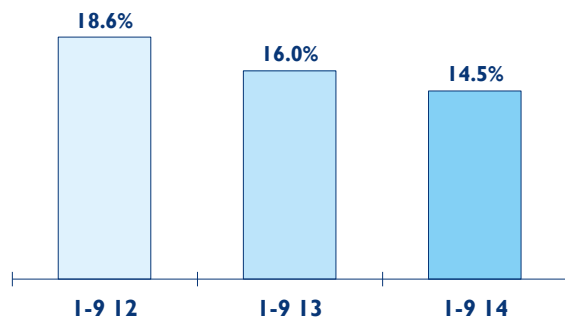
Loan/deposit ratio\*



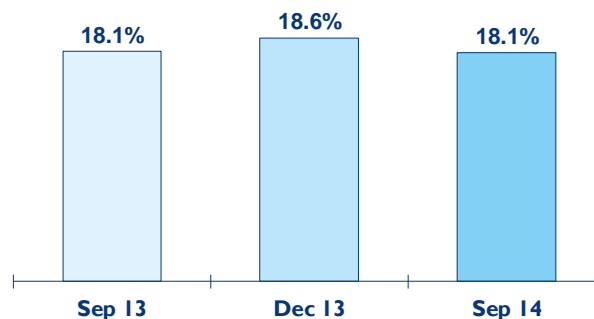
Number of branches



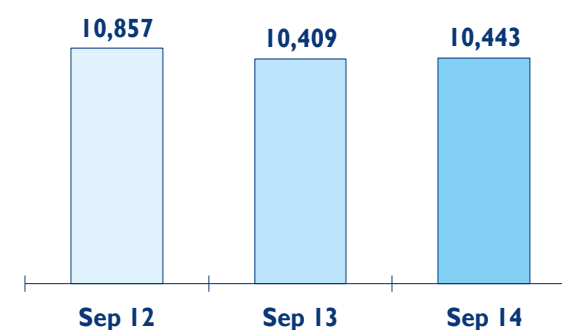
ROE



Capital adequacy ratio\*\*



Number of employees (eop)

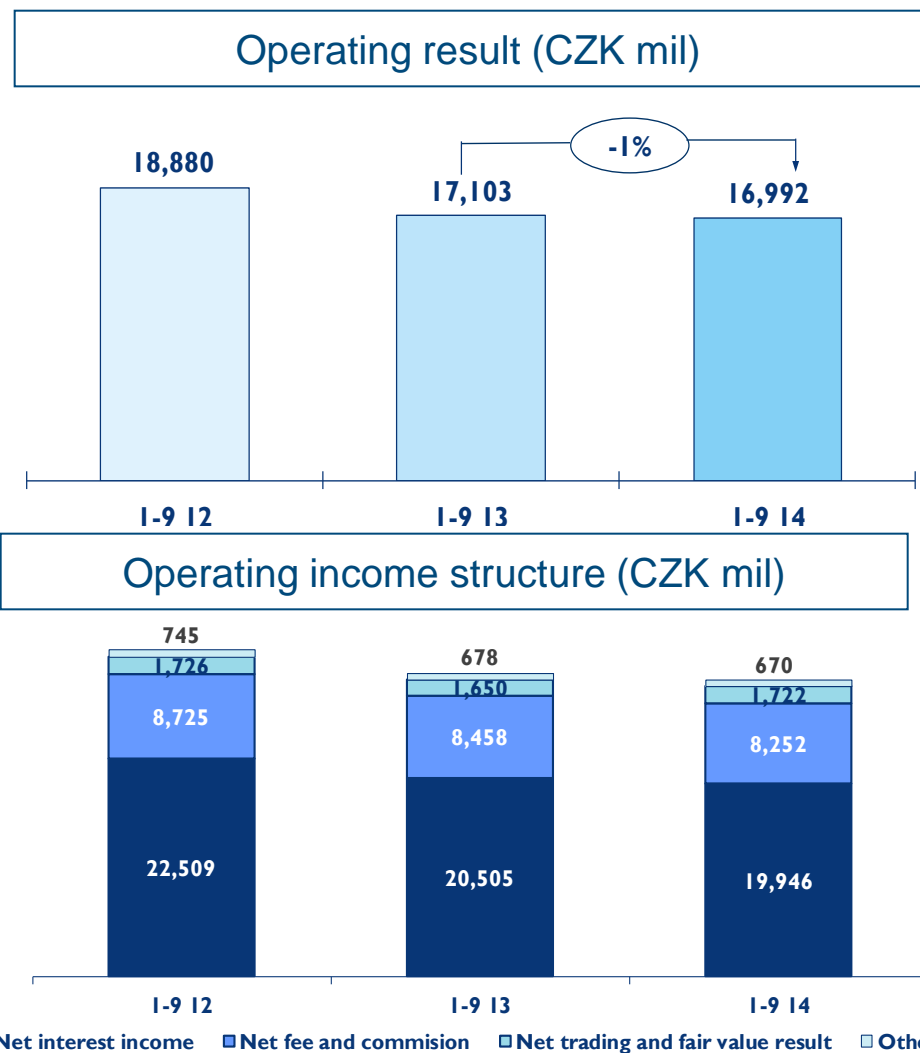


\* Excluding the transformed pension fund in Dec 2013 L/D would stand at 72.3%, adjusted figures pls see on slides 40-42

\*\*Group capital adequacy Tier I+Tier II, 2014 according to Basel III

## Operating result – Stable at CZK 17 bn

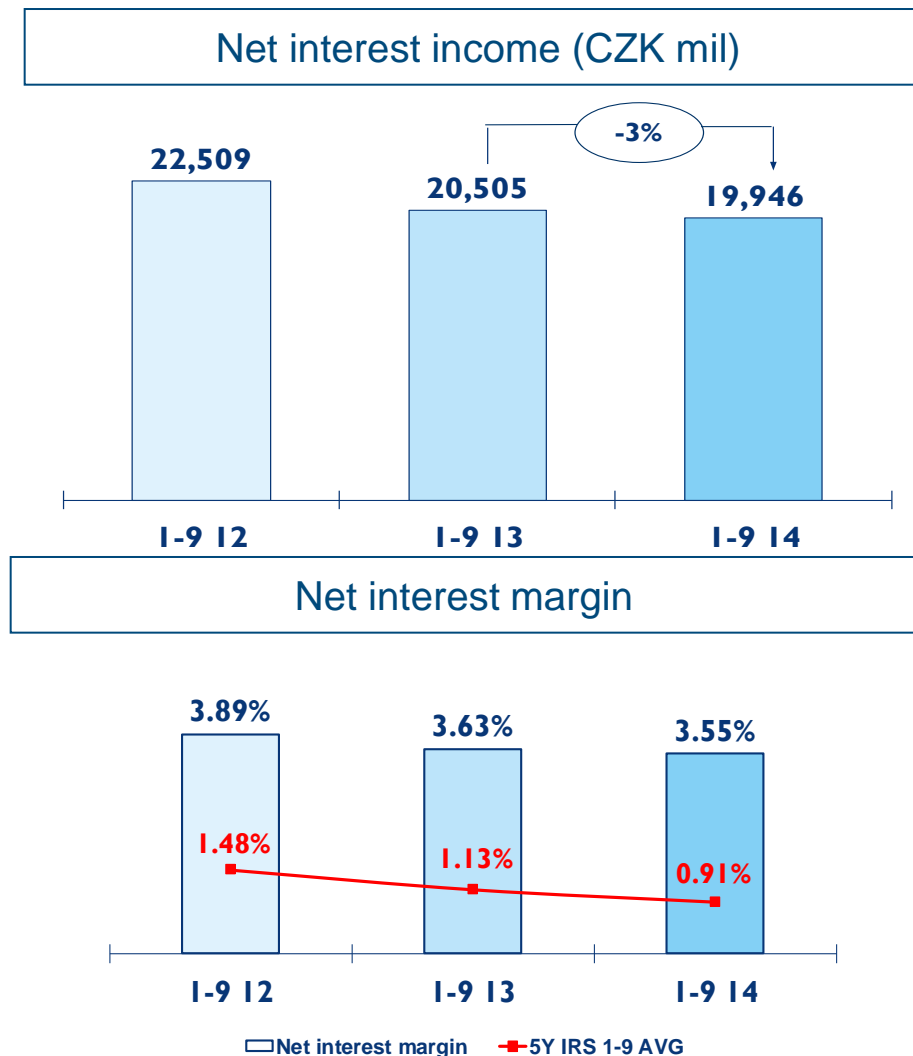
- Slight y/y decline of operating result caused by 2% decrease of operating income which was almost offset by reduced operating expenses
- Decline of operating income driven by drop of net interest income and net fee income; net trading and fair value result up
- Non-interest income represents 35% of total operating income
- Operating expenses dropped by 4% y/y due to decline in all major cost categories /details on next slides/



## Net interest income –

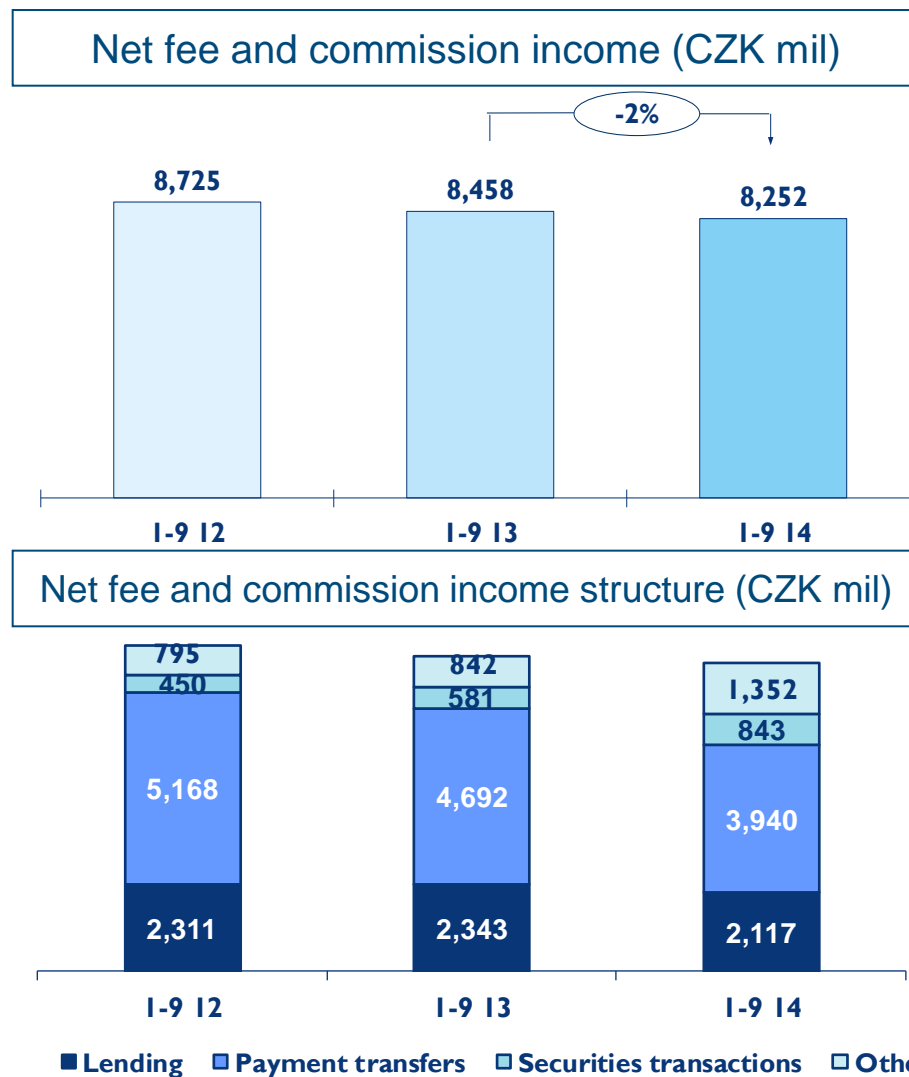
Influenced by prevailing low interest rate environment

- Net interest income down by 3% as interest income is limited by continuing almost zero interest rates
  - Lower interest income from bond portfolio due to declining yields
  - Partially offset by 2% growth of loans to customers and improved margins in retail mortgages and further underpinned by maintaining the margins in corporate segment
- Net interest margin decreased y/y to 3.55% but remained flat since H1 2014



## Net fee and commission income – Declined by 2%

- Decrease attributed to lower net fee income from lending business and from payment transactions and account maintenance
  - Affected by fee holidays in lending products and free personal accounts (marketing campaigns)
  - Lower fee income from payment transactions due to higher usage of cheaper direct banking
  - Higher paid fees for payment card transactions
- Net fee income from securities business increased y/y
  - Driven by growing income from mutual funds business (supported by 17% increase in assets)

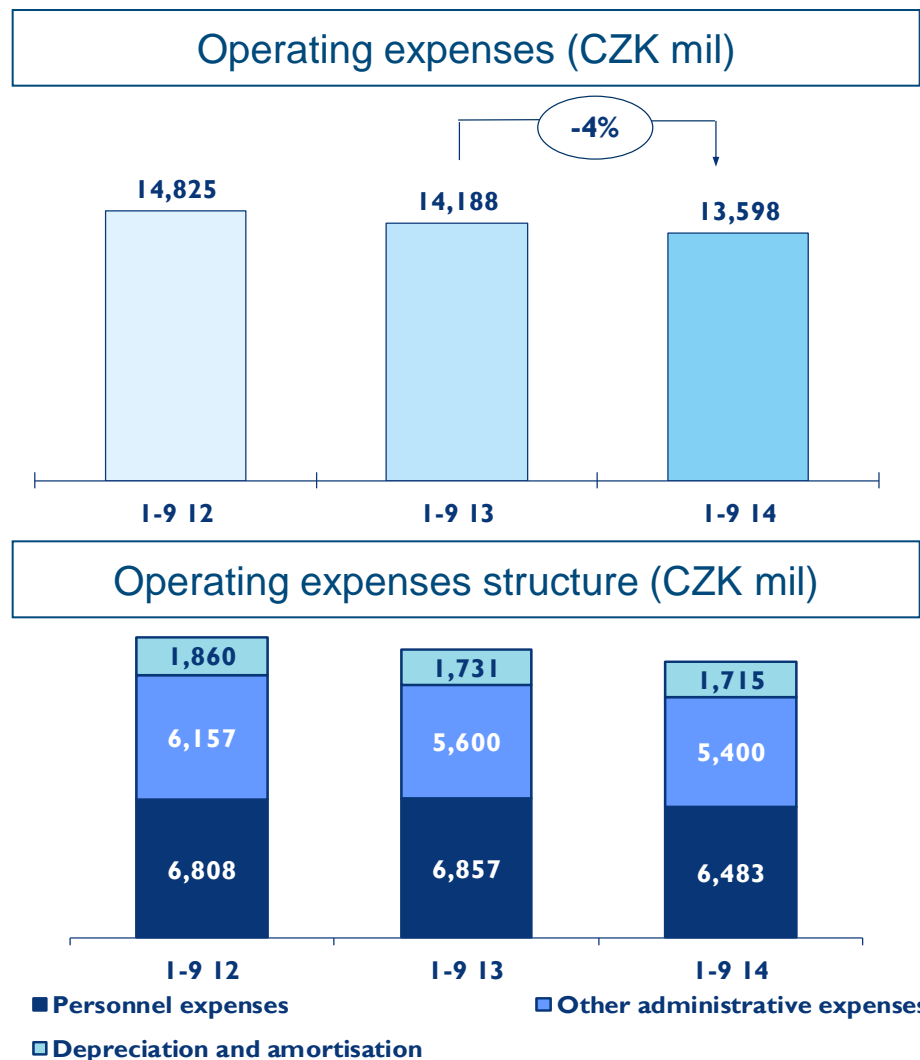




## Operating expenses –

### Strategic cost management led to further reduction

- Decline in operating expenses reflected drop in all major cost components
- Personnel expenses down by 5% y/y
  - Impacted by staff reduction in April 2013, 2013 figure includes severance payments; number of employees almost flat compared to September 2013
- Other administrative expenses decreased by 4% y/y
  - Development was affected especially by Strategic Cost Management measures visible mainly in the areas of office, marketing and personnel related costs
- Depreciation down by 1%
  - Lower depreciation of office and plant equipment



## Group capital adequacy (Basel III) – CA well above new capital requirements

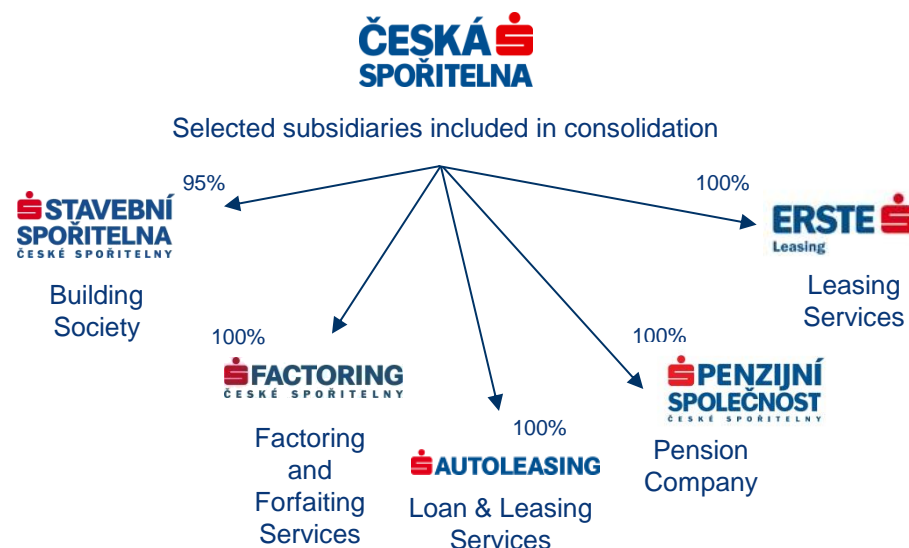
- Capital position of Ceska sporitelna remained strong after implementation of Basel III; capital ratios are still comfortably above regulatory requirements
- Group Tier I capital ratio (= Core Tier I) at 18.1%
- Capital adequacy Tier I+II at 18.1%
  - Strong capital position of the bank allowed buy back of the main part of subordinated debt in Q1 2014, Tier II capital therefore declined
- New capital requirement for CS for Tier I+II ratio at 13.5% (under Pillar 1)

Parent Bank, CZK mil.	Basel II	Basel II	Basel III
	30/9/2013	31/12/2013	30/9/2014
Tier I capital	73,438	73,613	76,602
Tier I + Tier II capital	75,513	75,653	76,763
Risk exposure to credit risk	372,788	373,413	354,382
Risk exposure to market risks	7,713	3,325	9,487
Risk exposure to operational risk	50,000	50,000	49,694
Total risk exposure	430,501	426,738	413,563
<b>Capital adequacy Tier I ratio</b>	<b>17.1%</b>	<b>17.3%</b>	<b>18.5%</b>
<b>Capital adequacy Tier I+II ratio</b>	<b>17.5%</b>	<b>17.7%</b>	<b>18.6%</b>

CS Group, CZK mil.	Basel II	Basel II	Basel III
	30/9/2013	31/12/2013	30/9/2014
Tier I capital	80,615	80,924	80,501
Tier I+II capital	82,689	82,964	80,662
Risk exposure to credit risk	388,288	382,500	374,181
Risk exposure to market risks	9,238	4,413	11,487
Risk exposure to operational risk	58,800	59,513	58,827
Total risk exposure	456,325	446,425	444,495
<b>Capital Adequacy Tier I ratio</b>	<b>17.7%</b>	<b>18.1%</b>	<b>18.1%</b>
<b>Capital Adequacy Tier I+II ratio</b>	<b>18.1%</b>	<b>18.6%</b>	<b>18.1%</b>

## Net profit of selected subsidiaries – Growing net profit in major subsidiaries

- **CS Building Society** net profit in line with previous year as the increase in operating income was offset by higher provision creation
- Improvement in **sAutoleasing** net profit supported by 11% y/y higher new business in Q1-3 2014
- Significant increase in **Erste Leasing** supported by improved risk profile of new business
- Slightly higher net profit of **Factoring CS** as a result of increasing operating income. Business wise number of new contracts picked up by 19% y/y in Q1-3 2014
- Improvement in **CS Pension Company** partially underpinned by 15% y/y increase in clients' assets (mainly in the 3rd pillar)

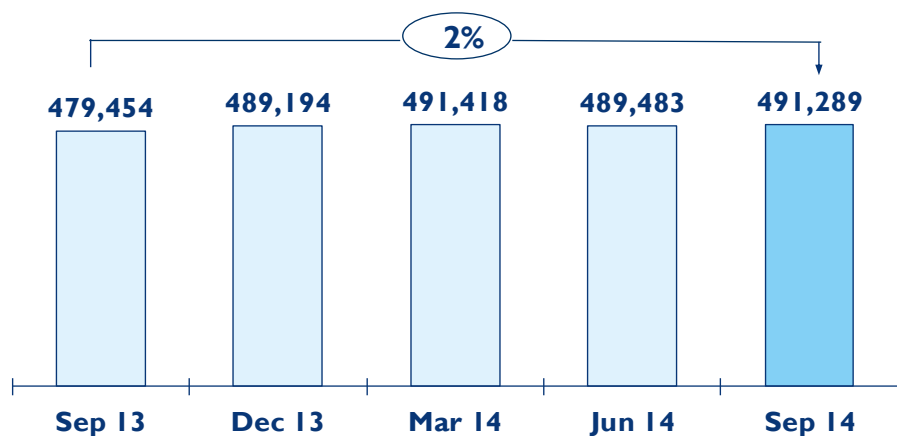


IFRS, CZK mil	I-9 13	I-9 14	% Change
CS Building Society	423	426	0.7%
sAutoleasing	68	84	23.5%
Erste leasing	26	41	57.7%
CS Pension Company*	-125	-10	-91.7%
Factoring CS	44	45	2.3%

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

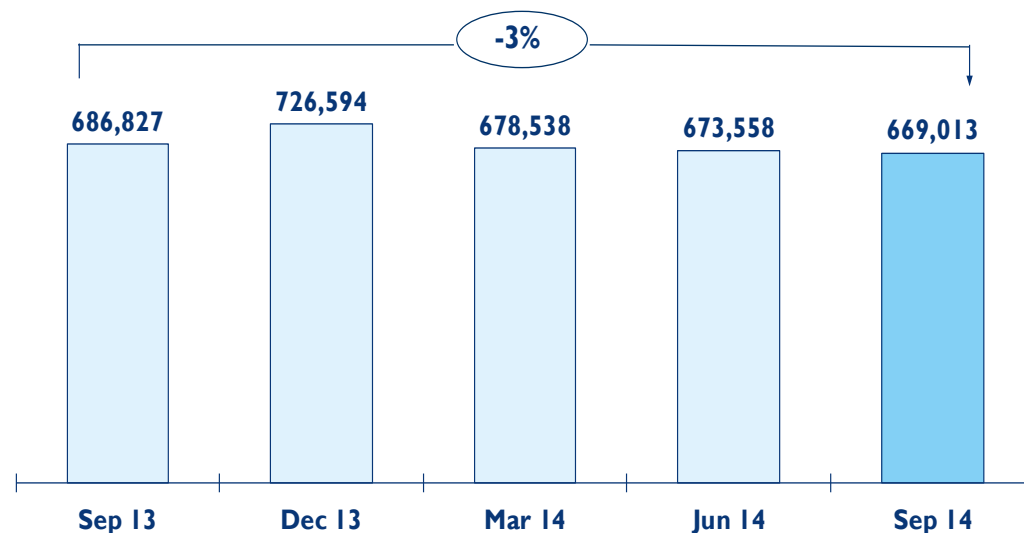
## Balance sheet development – Loan to deposit ratio at 73.4%

Net customer loans (CZK m)



- Net customer loans increased by 2% since September 2013, driven by private mortgages /details in the lending part of the presentation - from slide 22/

Group customer deposits\* (CZK m)



- Group customer deposits decreased y/y due to decline of repo transactions (declined by nearly CZK 25 bn)
  - Excluding repo transactions customer deposits would slightly increase by 1.1% y/y

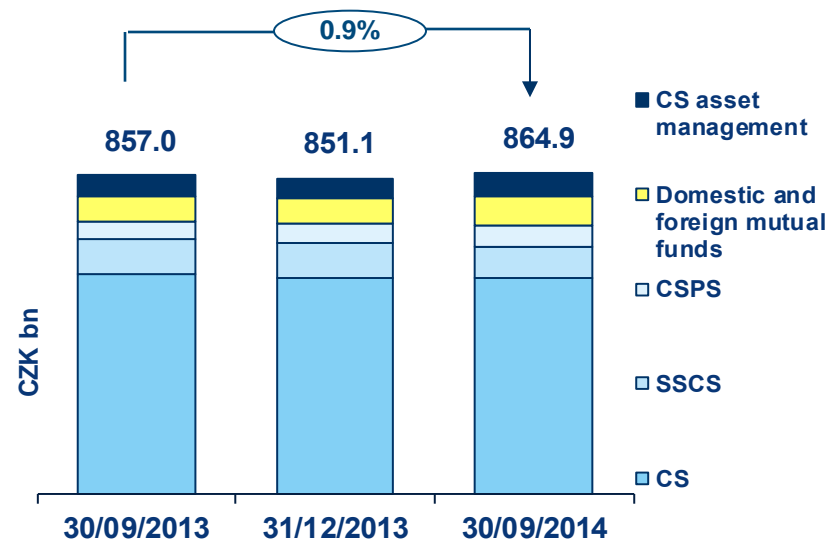
\*Minor part of group customer deposits (CZK 4,267 mil) is newly booked in Other trading liabilities

## CS Group deposits –

Pension company, Asset management and Mutual funds recorded further rapid growth

- Customer deposits in parent bank decreased by 1% y/y (excluding repo operations rose by 3%)
  - Mainly caused by 34% y/y decline in public sector deposits (without repo operations down by 18%)
  - Deposits from individuals up by 3% on y/y basis
- Significant growth of clients' assets in pension company by 15% y/y
  - Underpinned by increase of funds in the 3rd pillar
- Domestic and foreign mutual funds recorded further rapid growth by 17% y/y
  - Driven by higher clients' demand in investment products. New investment fund sales doubled in Q3 2014 vis-à-vis Q3 2013
- Assets under discretionary management grew significantly by 14% y/y
  - Overall growth mainly supported by sharp 38% y/y growth in asset management for private individuals
- Building society recorded further decrease

CS Group deposits (CZK bn)



IFRS, in CZK bn	30/09/2013	31/12/2013	30/09/2014	Change (y/y)
CS - customer deposits	590.9	581.1	583.0	-1.3%
SSCS - building society	95.0	94.8	84.5	-11.1%
CSPS - pension company	48.4	50.7	55.7	15.1%
Dom. and foreign mutual funds	68.2	69.4	79.7	16.8%
Asset management	54.4	55.2	62.0	14.0%
<b>Total</b>	<b>857.0</b>	<b>851.1</b>	<b>864.9</b>	<b>0.9%</b>

## Group loan portfolio – Summary

### Growth in private mortgages continued

- **Loan portfolio in CS Bank (gross) increased by 2.6% y/y, group loan portfolio (gross) grew by 2.4% y/y**
  - Driven up mainly by private mortgages
- **Risk costs\* stable y/y at 76 bps**
- **Quality of loan portfolio as share of NPLs on total customer loans improved from 4.7% to 4.6% y/y**
  - Provision to NPL coverage stable at strong 80%
  - Total NPL coverage (including collateral) at 117.6%

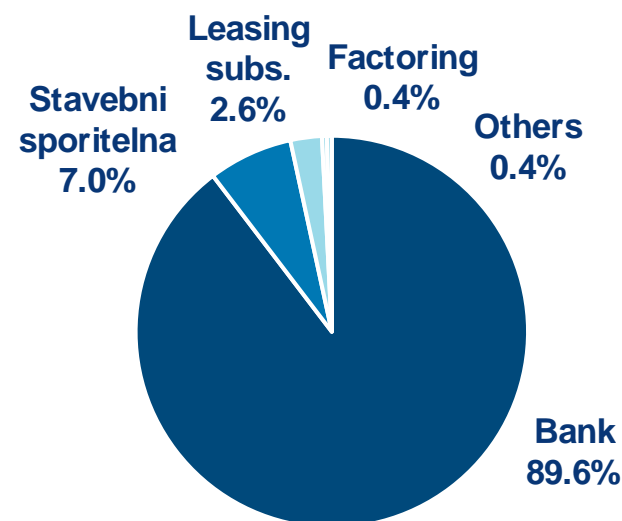
*\* Restated since 2013 to on-balance risk costs only*

## Group loan portfolio – Group loans increased by 2.4% y/y

### CS Group Loan Portfolio (gross)

in CZK mil, IFRS	30/09/2013	31/12/2013	30/09/2014	YY Change
I. CS Bank	463,100	472,886	475,186	2.6%
II.1. Stavebni sporitelna CS	37,829	37,596	36,902	-2.5%
II.2. Leasing (sAL, EL)	12,310	12,504	13,741	11.6%
II.3. Factoring CS	1,811	2,106	2,115	16.8%
II.4. Other subsidiaries	2,467	2,054	2,149	-12.9%
III. Consolidation items	-19,585	-19,677	-20,045	2.3%
<b>Total Loans (consolidated)</b>	<b>497,932</b>	<b>507,469</b>	<b>510,049</b>	<b>2.4%</b>

### Loan Book by Group members as of September 2014

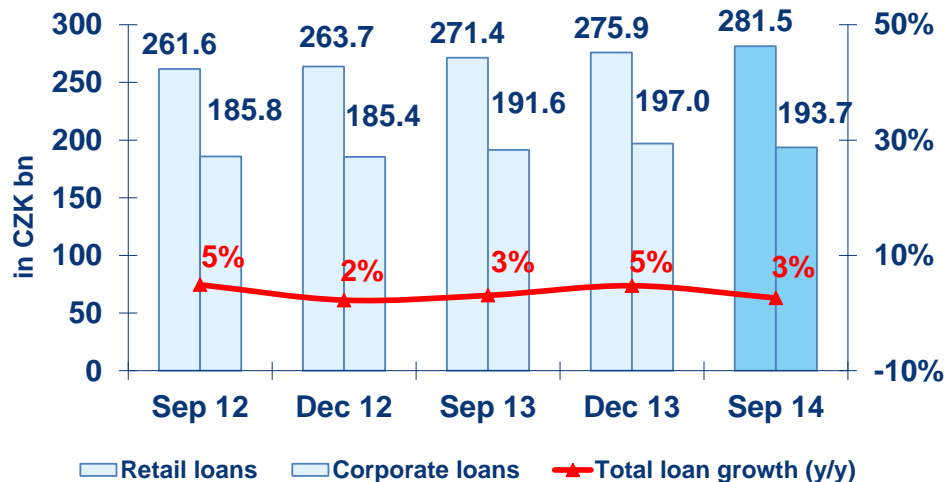


### • CS Bank dominates the CS Group

- Significant growth in leasing and factoring business driven by economic recovery
- Growth in leasing also partly driven by methodology change (CZK +0.8 bn in Q2 2014)
- Decline in Stavebni sporitelna CS continued, driven by overall market conditions advantaging mortgages to building savings loans

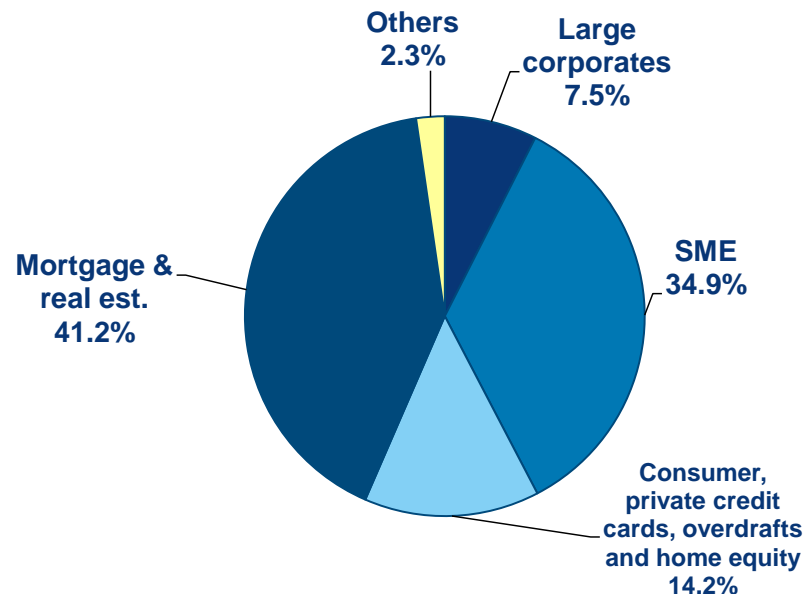
## Bank loan portfolio – Retail loans increased by 4% y/y

Loan portfolio development - CS Bank



- **Loans to retail rose by 3.7% y/y**
  - Pushed by private mortgages which grew by 9%

Loan portfolio by customer segments  
as of September 2014

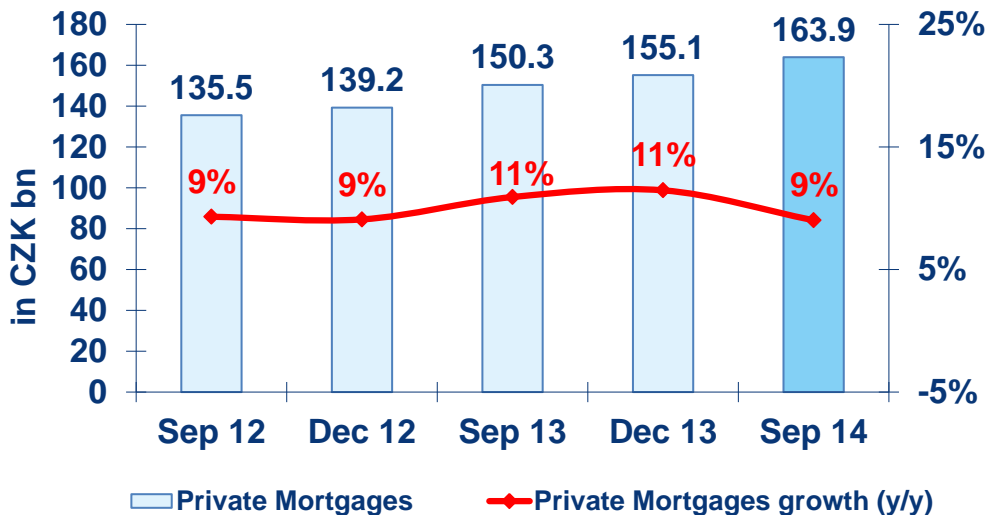


- **Loans to corporate added 1.1% y/y**
  - Loan portfolio growth driven by Large corporates and Municipalities



## Bank loan portfolio – High demand on mortgage market

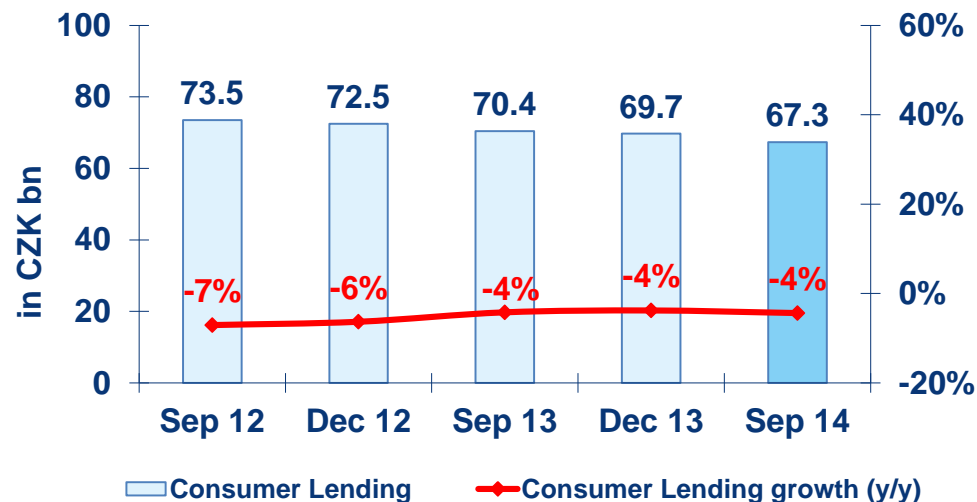
### Private mortgages development



- **Private mortgages rose to CZK 163.9 bn (+9% y/y)**

- Stable pace of growth upheld also in Q3 2014
- Whole portfolio: average weighted maturity at 23.0 years, residual maturity at 18.9 years; LTV ratio at comfortable 66.2%

### Consumer lending development\*



- **Consumer lending\* at CZK 67.3 bn (-4% y/y)**

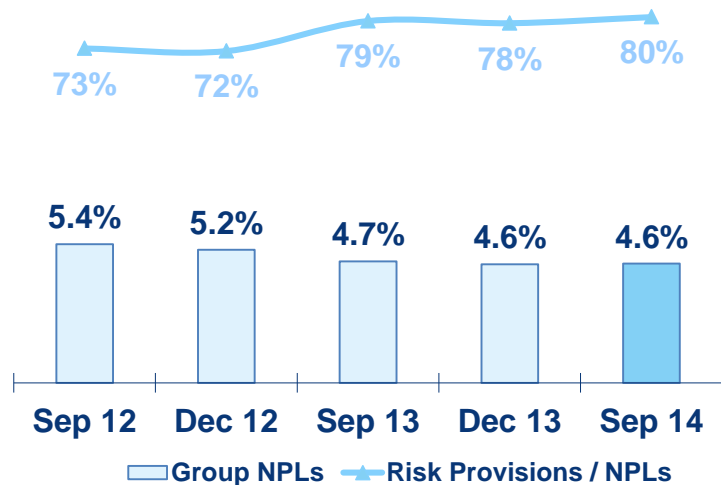
- Higher new business in Q1-3 2014 was offset by repayments and lower utilization of revolving products.

\*Consumer lending here includes also home equity loans, credit cards and overdrafts. Social loans were removed.

# Group asset quality

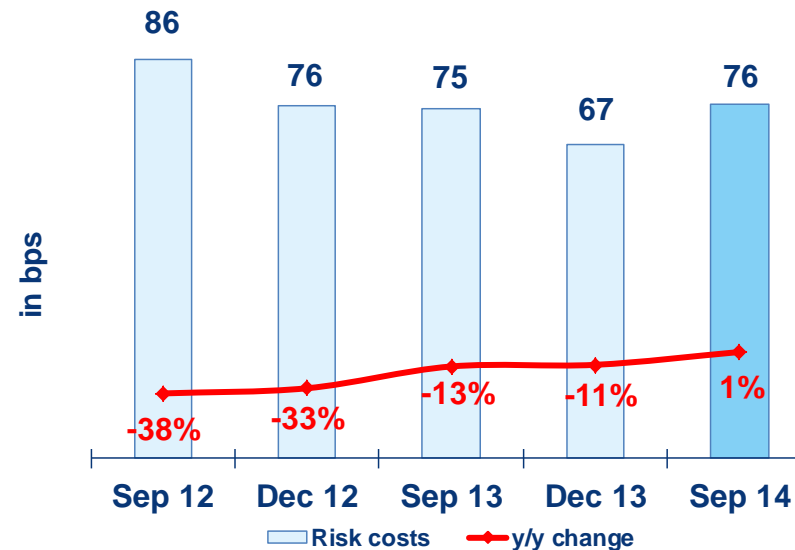
## Stable development continued

NPL ratio and NPL coverage



- **Group share of NPL declined to 4.6% y/y**
  - Provision coverage at strong level of 80%
  - Total coverage (provisions and collateral to NPL) at 117.6%

Risk cost development



- **Annualized group risk\* costs stable at 76 bps**

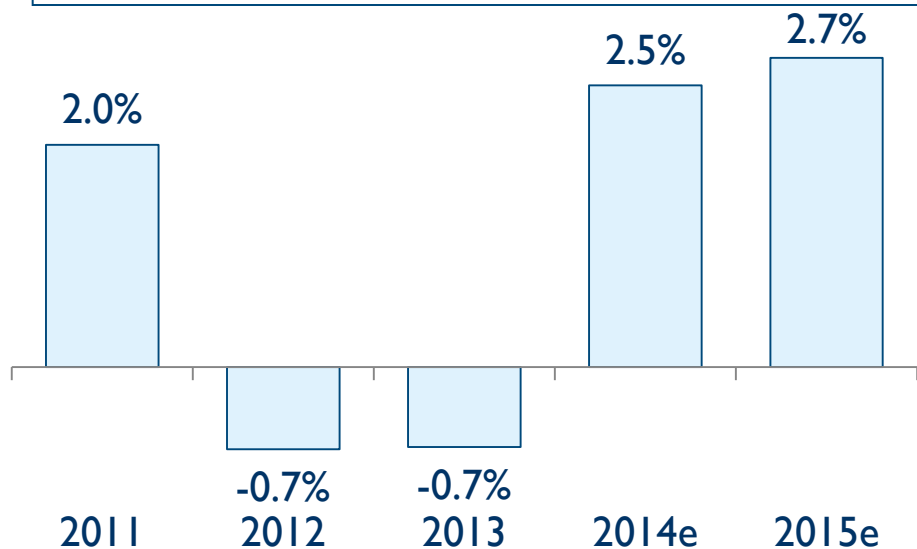
\* Since 2013 to on-balance risk costs only

# Presentation topics

- Česká spořitelna
  - Segment financial performance analysis
- Macroeconomic developments
  - Economic trends in details
- Banking market
  - Banking market developments
  - Česká spořitelna market shares
- Appendix

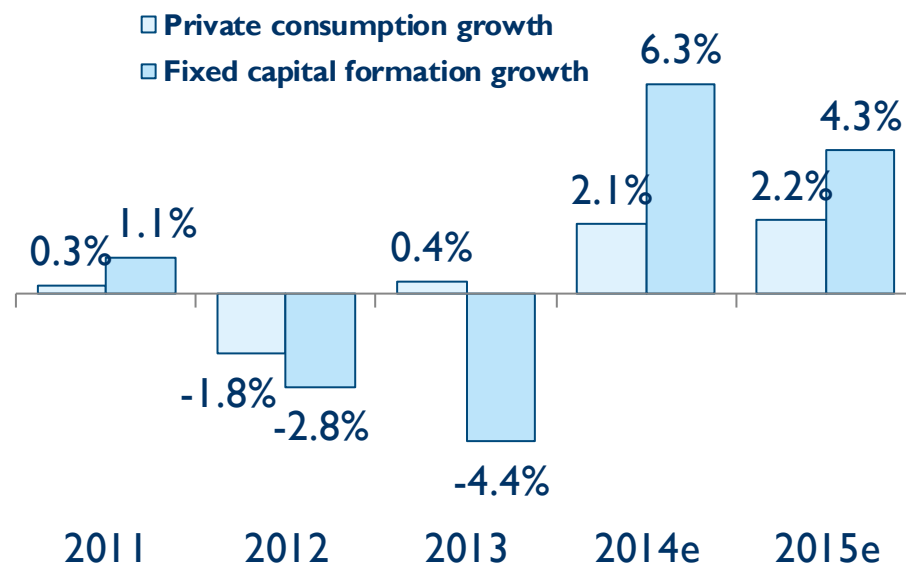
# Macroeconomic developments – Economy grew by 2.5% y/y in Q2 2014

Real GDP growth y/y



- Growth in Q2 2014 driven by both net exports and domestic demand
- For the whole 2014, the GDP growth is expected at 2.5%, in 2015 at 2.7%. Main drivers: manufacturing, fiscal impulse and restoration of confidence
- ESA2010 methodology: level of Czech nominal GDP revised up by 5%, negligible impact on growth rates

Components of GDP



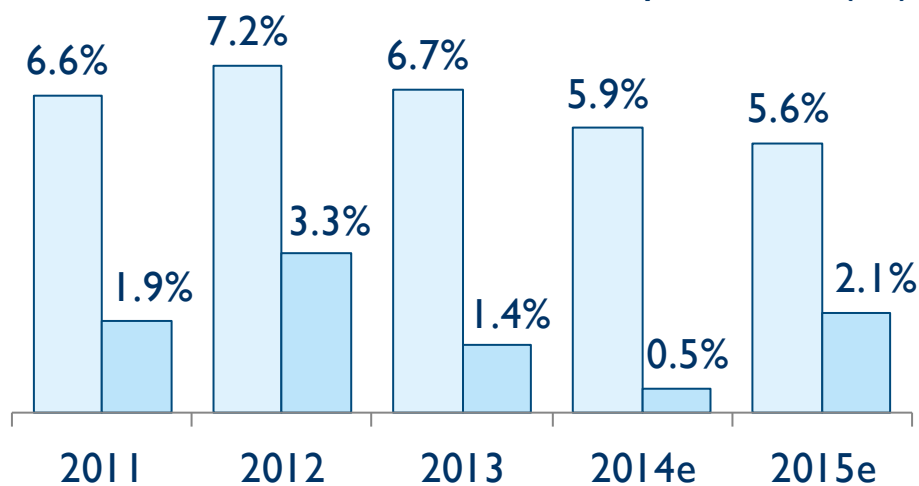
- Investment was an important driver of the GDP growth in Q2 2014 (adding 0.8 pp to the annual growth)\*
- Net exports contributed also 0.8 pp
- Final consumption, adding 0.7 pp, reflected solid consumer confidence, unemployment decline and government consumption growth
- Manufacturing sector was the most significant contributor to the GDP growth in Q2 2014 on the supply side

\*All growth contributions are expressed after adjustment for the import content of the expenditure category

# Macroeconomic developments – Inflation slowly rising

Unemployment and inflation

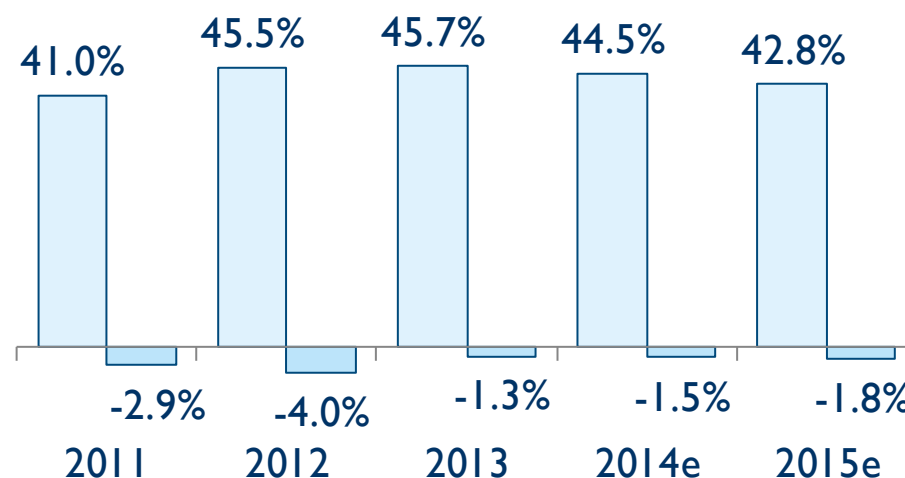
□ Unemployment rate (eop)  
□ Consumer price inflation (ave)



- CPI 0.7% y/y in September, reaching the highest growth since the beginning of 2014. Core inflation positive since May 2014
- Rising domestic inflationary pressures will help the Czech CPI moving closer to 1% at the end of 2014 and to 2% in H2 2015

Public debt and government balance

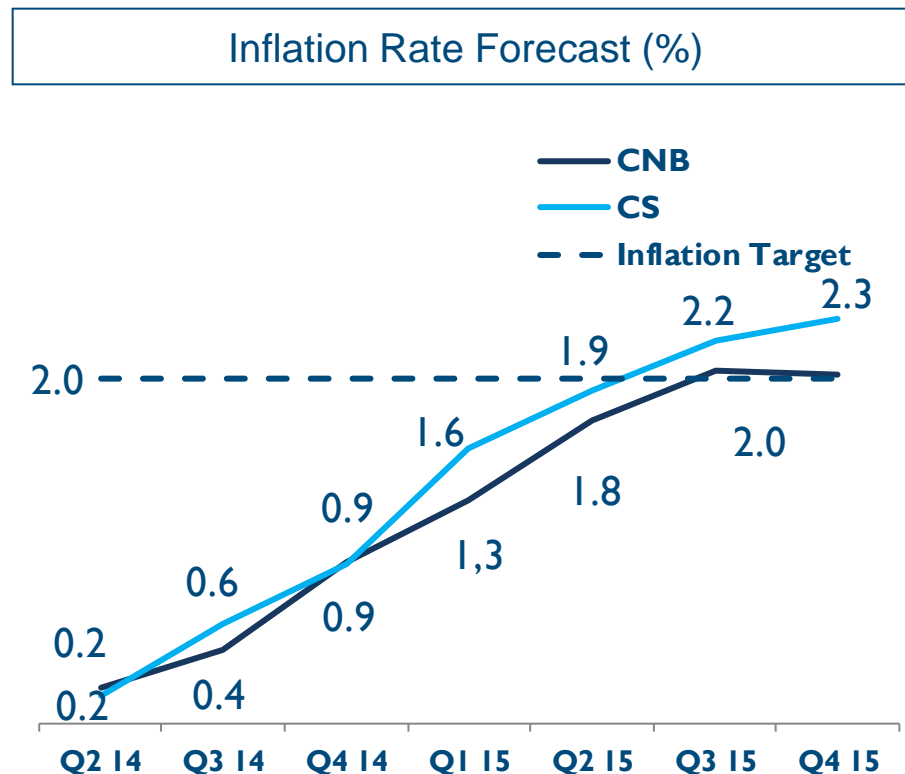
□ Public debt (share of GDP)  
□ General government balance (share of GDP)



- After implementation of the ESA2010 standard, the Czech general government debt-to-GDP ratio in 2013 was revised down marginally to 45.7%, from 46.0% (compensating effects on nominal GDP and delimitation of the general government sector)
- The level of Czech public debt is expected to stay the same in 2014 and 2015 (despite expansionary fiscal policy), thanks to improved liquidity management and further acceleration of GDP growth

## Macroeconomic developments – FX intervention

- Exchange rate floor introduced by CNB in November 2013 (asymmetric commitment to intervene against appreciation of the koruna below 27 CZK/EUR) and weakened the CZK/EUR by more than 5%
- Some anti-inflationary risk occurring in 2014 induced the Bank Board to repeatedly state (at its July and September meetings) that the CNB would not discontinue the use of the exchange rate as a monetary policy instrument before 2016
- An increase of the current intervention level toward a weaker exchange rate (should a deflationary scenario realize in the coming months) can't be ruled out, but probability of such a scenario is rather low

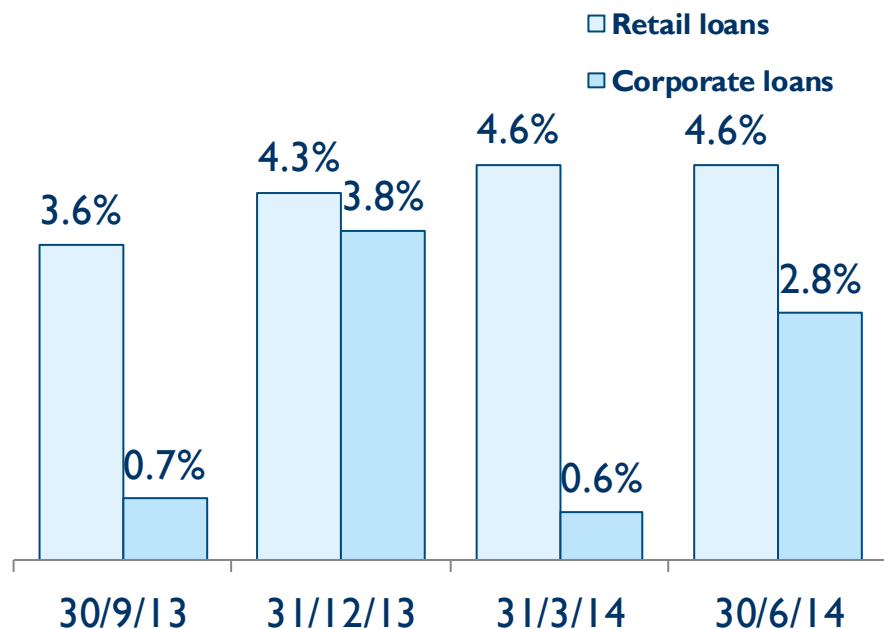


# Presentation topics

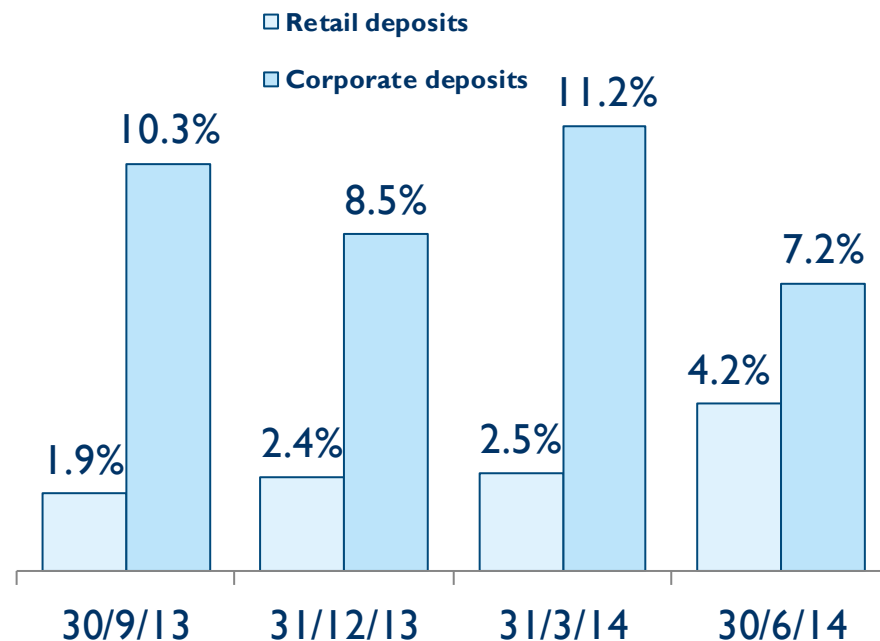
- Česká spořitelna
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# Banking market – Continuing growth in loans and deposits

Retail and corporate loans\* (Y/Y growth)



Retail and corporate deposits\* (Y/Y growth)



- The latest data for August: Total loans grew by 5% y/y, while by 4% y/y in resident sectors
- In 2014 CS expects average growth rate of around 5%

- Total deposits also grew by 5% y/y in August 2014
- In 2014 CS expects the growth rate of total deposits to hover at around 5% (a slight decline from 6% in 2013)

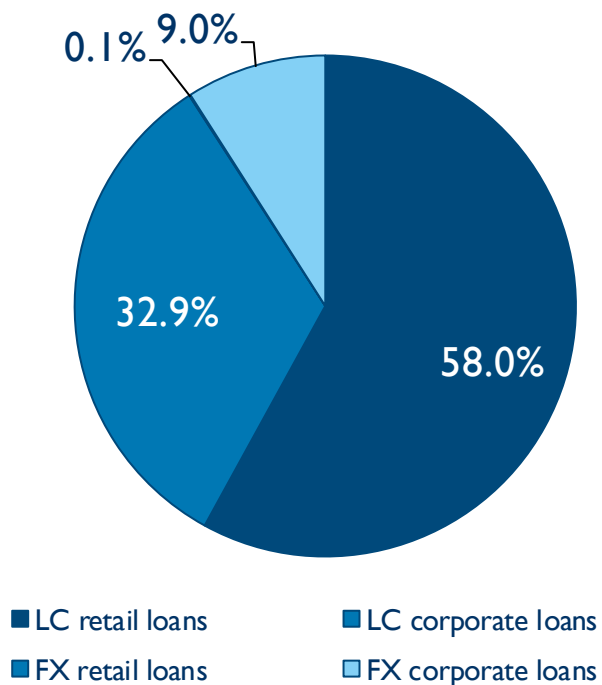
\* 2014 growth rates of both total loans and total deposits are influenced by FX interventions of CNB



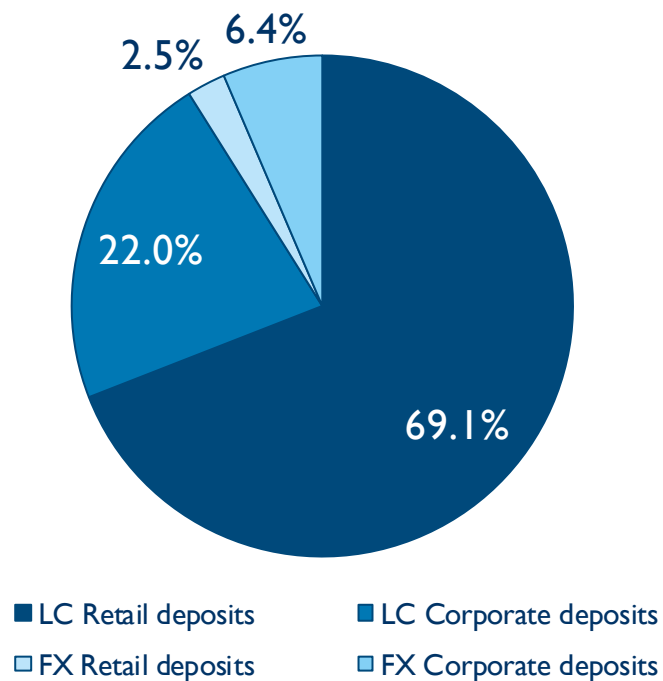
## Banking market –

More than 90% of loans and deposits denominated in local currency

Customer loans (Q2 2014)

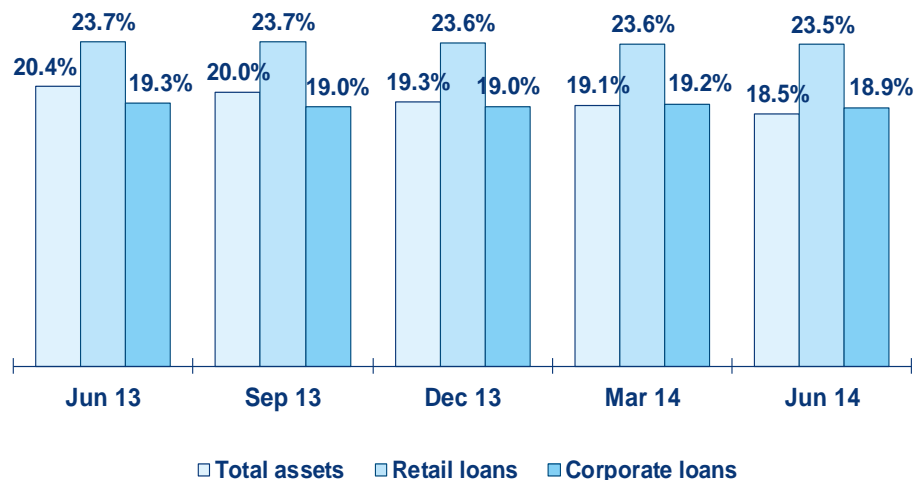


Customer deposits (Q2 2014)



# Banking market – Market shares (June 2014)

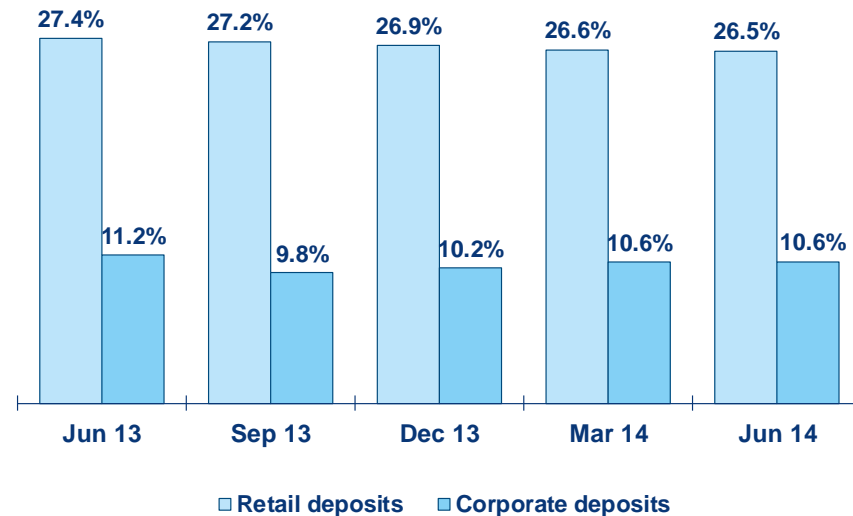
Asset side\*



- **Market leadership in:**
  - Total loans (market share of 20%)
  - Number of customers (5.1 mil)
  - Total mortgages (market share of 28%)
  - Consumer loans incl. credit cards (market share of 35%)
- **No. 2 position in:**
  - Total assets (market share 18%)

\*Data for 09/2014 are not available yet

Liability side\*



- **Market leadership in:**
  - Total deposits (market share of 20%)
    - 26% in retail deposits, 11% in corporate deposits
- **No. 2 in mutual funds with market share 26%**

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# Structure of CS Group loan portfolio (gross) – Group customer loans

in CZK mil, IFRS	30/09/2013		31/12/2013		30/09/2014		YTD change		YTY change	
	Outstand.	Share	Outstand.	Share	Outstand.	Share	Outstand.	Rate	Outstand.	Rate
<b>Retail</b>	<b>271,414</b>	<b>54.5%</b>	<b>275,934</b>	<b>54.4%</b>	<b>281,456</b>	<b>55.2%</b>	<b>5,522</b>	<b>2.0%</b>	<b>10,041</b>	<b>3.7%</b>
Private overdrafts	6,287	1.3%	6,117	1.2%	5,569	1.1%	-548	-9.0%	-718	-11.4%
Private credit cards	4,620	0.9%	4,672	0.9%	4,215	0.8%	-457	-9.8%	-405	-8.8%
Consumer lending	52,944	10.6%	52,669	10.4%	52,096	10.2%	-573	-1.1%	-848	-1.6%
Private social	1,453	0.3%	1,390	0.3%	1,214	0.2%	-176	-12.6%	-239	-16.5%
Home equity mortgages	6,576	1.3%	6,283	1.2%	5,466	1.1%	-817	-13.0%	-1,110	-16.9%
Private mortgages	150,331	30.2%	155,099	30.6%	163,880	32.1%	8,781	5.7%	13,549	9.0%
Micro and Small Enterprises	39,671	8.0%	40,057	7.9%	39,470	7.7%	-587	-1.5%	-201	-0.5%
Municipalities	9,531	1.9%	9,647	1.9%	9,546	1.9%	-102	-1.1%	14	0.1%
<b>Corporate</b>	<b>191,686</b>	<b>38.5%</b>	<b>196,953</b>	<b>38.8%</b>	<b>193,730</b>	<b>38.0%</b>	<b>-3,222</b>	<b>-1.6%</b>	<b>2,045</b>	<b>1.1%</b>
Large corporate	33,147	6.7%	34,733	6.8%	35,511	7.0%	778	2.2%	2,364	7.1%
SME	126,269	25.4%	128,195	25.3%	126,207	24.7%	-1,988	-1.6%	-62	0.0%
Real estate	32,144	6.5%	33,912	6.7%	31,842	6.2%	-2,070	-6.1%	-302	-0.9%
ALM/Other	126	0.0%	114	0.0%	171	0.0%	57	50.6%	45	35.5%
<b>BANK: LOANS TO CUSTOMERS</b>	<b>463,100</b>	<b>93.0%</b>	<b>472,886</b>	<b>93.2%</b>	<b>475,186</b>	<b>93.2%</b>	<b>2,299</b>	<b>0.5%</b>	<b>12,086</b>	<b>2.6%</b>
<b>SUBSIDIARIES</b>	<b>54,417</b>	<b>10.9%</b>	<b>54,259</b>	<b>10.7%</b>	<b>54,907</b>	<b>10.8%</b>	<b>648</b>	<b>1.2%</b>	<b>490</b>	<b>0.9%</b>
<b>CONSOLIDATION ITEMS</b>	<b>-19,585</b>	<b>-3.9%</b>	<b>-19,677</b>	<b>-3.9%</b>	<b>-20,045</b>	<b>-3.9%</b>	<b>-368</b>	<b>1.9%</b>	<b>-459</b>	<b>2.3%</b>
<b>GROUP: LOANS TO CUSTOMERS</b>	<b>497,932</b>	<b>100.0%</b>	<b>507,469</b>	<b>100.0%</b>	<b>510,049</b>	<b>100.0%</b>	<b>2,580</b>	<b>0.5%</b>	<b>12,116</b>	<b>2.4%</b>

Note: volume changes in Large corporate and SME partly driven by re-segmentation of CZK 4.7 bn done in Q2 2014

# Ratings of Ceska sporitelna

Status as of 30 September 2014

Rating Agency	Long-term	Short-term	Viability	Support	Financial Strength	Outlook
Fitch	A	F1	a-	I		negative
Moody's	A2	Prime - I			C-	negative
Standard & Poor's	A-	A-2				negative

Latest rating changes:

- Rating agency Fitch upgraded Viability rating of CS from bbb+ to a- on 30 September
- In September Moody's affirmed all ratings of CS
- Standard & Poor's downgraded long- and short-term issuer credit rating of CS to A-/A-2 in August 2014 following the downgrade of Erste

## Macroeconomic figures – Historical and forecasted macroeconomic data

	2011	2012	2013	2014e	2015e
Population (ave, m)	10.5	10.5	10.5	10.5	10.5
GDP/capita (EUR thsd)	14.8	14.6	14.2	13.9	14.6
Real GDP growth	1.8	-0.9	-0.9	2.5	2.7
Consumer price inflation (ave)	1.9	3.3	1.4	0.5	2.1
Unemployment rate (eop)	6.7	7.0	7.0	6.7	6.3
Current account balance (share of GDP)	-2.7	-1.3	-1.4	0.0	1.4
General government balance (share of GDP)	-3.2	-4.2	-1.5	-1.7	-2.0
Public debt (share of GDP)	41.4	46.2	46.0	44.8	43.1
Short term interest rate (3 months, eop)	1.2	0.5	0.4	0.3	0.3
EUR FX rate (eop)	25.56	25.57	27.50	27.50	27.20

# Financial statements – Quarterly development (CZK mil)

## Operating result decreased by 3% QoQ

	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q/Q %
Net interest income	6,824	6,747	6,710	6,595	6,641	0.7%
Net fee and commission income	2,733	2,836	2,787	2,768	2,697	-2.6%
Dividend income	5	2	10	36	3	-90.7%
Net trading and fair value result	560	532	589	606	527	-13.1%
Rental income from investment properties & other operating leases	198	201	220	193	208	8.1%
General administrative expenses	-4,727	-4,555	-4,519	-4,526	-4,553	0.6%
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	-66	128	116	21	2	-90.5%
Net impairment loss on financial assets not measured at fair value through profit or loss	-901	-732	-976	-941	-983	4.5%
Other operating result	-489	15	64	-55	-293	434.0%
Pre-tax result from continuing operations	4,137	5,174	5,001	4,696	4,249	-9.5%
Taxes on income	-819	-1,059	-993	-905	-801	-11.5%
Post-tax result from continuing operations	3,318	4,115	4,008	3,791	3,447	-9.1%
Net result for the period						
Net result attributable to non-controlling interests	-4	2	8	9	4	-59.0%
<b>Net result attributable to owners of the parent</b>	<b>3,323</b>	<b>4,113</b>	<b>4,000</b>	<b>3,782</b>	<b>3,443</b>	<b>-9.0%</b>
Operating income	10,320	10,318	10,317	10,197	10,076	-1.2%
Operating expenses	-4,727	-4,555	-4,519	-4,526	-4,553	0.6%
Operating result	5,592	5,763	5,798	5,670	5,522	-2.6%

# Financial statements – Income statement (CZK mil)

## Adjusted for deconsolidation of TPF

	I-9 13	I-9 14	Change
Net interest income	20,481	19,946	-2.6%
Net fee and commission income	8,727	8,252	-5.4%
Dividend income	50	50	-0.9%
Net trading and fair value result	1,631	1,722	5.6%
Rental income from investment properties & other operating leases	628	620	-1.2%
General administrative expenses	-14,188	-13,598	-4.2%
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	85	138	61.9%
Net impairment loss on financial assets not measured at fair value through profit or loss	-2,906	-2,900	-0.2%
Other operating result	-184	-285	54.6%
Pre-tax result from continuing operations	14,323	13,944	-2.6%
Taxes on income	-2,845	-2,699	-5.1%
Post-tax result from continuing operations	11,478	11,246	-2.0%
Net result for the period			
Net result attributable to non-controlling interests	-13	21	-
<b>Net result attributable to owners of the parent</b>	<b>11,490</b>	<b>11,225</b>	<b>-2.3%</b>
Operating income	31,515	30,590	-2.9%
Operating expenses	-14,188	-13,598	-4.2%
Operating result	17,327	16,992	-1.9%



# Financial statements – Balance sheet I

## Assets - adjusted for deconsolidation of TPF

CZK mil	Dec 13	Sep 14	Change
Cash and cash balances	77,581	65,638	-15.4%
Financial assets - held for trading	47,764	26,867	-43.7%
Derivatives	21,214	17,587	-17.1%
Other trading assets	26,550	9,280	-65.0%
Financial assets - designated at fair value through profit or loss	4,223	2,846	-32.6%
Financial assets - available-for-sale	61,409	90,885	48.0%
Financial assets - held to maturity	144,635	145,976	0.9%
Loans and receivables to credit institutions	55,874	41,066	-26.5%
Loans and receivables to customers	489,180	491,289	0.4%
Derivatives - hedge accounting	895	1,114	24.5%
Property and equipment	14,166	13,402	-5.4%
Investment properties	8,330	7,950	-4.6%
Intangible assets	3,333	3,147	-5.6%
Investments in associates and joint ventures	0	0	-
Current tax assets	102	479	>100%
Deferred tax assets	130	146	12.7%
Non-current assets classified as held for sale	0	125	-
Other assets	10,375	6,345	-38.8%
<b>Total assets</b>	<b>917,997</b>	<b>897,275</b>	<b>-2.3%</b>

# Financial statements – Balance sheet II

## Liabilities - adjusted for deconsolidation of TPF

CZK mil	Dec 13	Sep 14	Change
Financial liabilities - held for trading	24,024	29,645	23.4%
Derivatives	24,024	19,401	-19.2%
Other trading liabilities	0	10,244	-
Financial liabilities designated at fair value through profit or loss	14,434	11,625	-19.5%
Deposits from customers	12,616	9,993	-20.8%
Debt securities	1,818	1,632	-10.3%
Financial liabilities measured at amortised cost	765,831	740,968	-3.2%
Deposits from banks	73,036	58,131	-20.4%
Deposits from customers	664,149	654,753	-1.4%
Debt securities	28,646	24,876	-13.2%
Other financial liabilities	0	3,208	-
Derivatives - hedge accounting	415	502	21.1%
Provisions	2,553	2,446	-4.2%
Current tax liabilities	414	104	-74.9%
Deferred tax liabilities	90	329	>100%
Other liabilities	9,478	7,819	-17.5%
<b>Total equity</b>	<b>100,757</b>	<b>103,837</b>	<b>3.1%</b>
Equity attributable to non-controlling interests	316	212	-33.0%
Equity attributable to owners of the parent	100,441	103,625	3.2%
<b>Total liabilities and equity</b>	<b>917,997</b>	<b>897,275</b>	<b>-2.3%</b>

# Segment financial statements –

## Segment Czech Republic - income statement (EUR m)\*

	1-9 13	1-9 14	Change
Net interest income	758.2	692.9	-8.6%
Net fee and commission income	328.5	300.0	-8.7%
Dividend income	1.9	1.7	na
Net trading and fair value result	59.7	62.6	4.8%
Net result from equity method investments	0.0	0.0	na
Rental income from investment properties & other operating leases	24.4	22.6	-7.5%
<b>General administrative expenses</b>	<b>-551.0</b>	<b>-494.4</b>	<b>-10.3%</b>
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	3.3	5.0	51.5%
Net impairment loss on financial assets not measured at fair value through profit or loss	-112.8	-105.4	-6.6%
Other operating result	1.0	-10.3	-1161.8%
Levies on banking activities	0.0	0.0	na
<b>Pre-tax result from continuing operations</b>	<b>513.2</b>	<b>474.7</b>	<b>-7.5%</b>
Taxes on income	-102.4	-92.0	-10.1%
Post-tax result from continuing operations	410.7	382.7	-6.8%
<b>Net result for the period</b>	<b>410.7</b>	<b>382.7</b>	<b>-6.8%</b>
Net result attributable to non-controlling interests	1.8	3.8	111.8%
<b>Net result attributable to owners of the parent</b>	<b>408.9</b>	<b>378.9</b>	<b>-7.4%</b>
Operating income	1,172.7	1,079.8	-7.9%
Operating expenses	-551.0	-494.4	-10.3%
Operating result	621.7	585.4	-5.8%
Cost/income ratio	47.0%	45.8%	
Return on allocated capital	33.8%	35.3%	

\*Significantly influenced by CNB FX intervention on CZK

# Segment financial statements – Quarterly development

## Segment Czech Republic - income statement (EUR m)\*

	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14
Net interest income	254.2	241.2	233.4	229.3	230.2
Net fee and commission income	105.7	106.5	101.6	100.8	97.6
Dividend income	0.2	0.1	0.4	1.3	0.1
Net trading and fair value result	21.7	20.0	21.5	22.1	19.1
Net result from equity method investments	0.0	0.0	0.0	0.0	0.0
Rental income from investment properties & other operating leases	7.7	7.5	8.0	7.0	7.5
<b>General administrative expenses</b>	<b>-183</b>	<b>-170.8</b>	<b>-164.7</b>	<b>-164.9</b>	<b>-164.8</b>
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	-2.6	4.9	4.2	0.8	0.1
Net impairment loss on financial assets not measured at fair value through profit or loss	-34.8	-27.3	-35.6	-34.3	-35.6
Other operating result	-19.0	0.6	2.3	-2.0	-10.7
Levies on banking activities	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax result from continuing operations</b>	<b>150.2</b>	<b>182.7</b>	<b>171.1</b>	<b>160.1</b>	<b>143.5</b>
Taxes on income	-29.8	-37.6	-34.1	-30.9	-27.1
Post-tax result from continuing operations	120.4	145.0	137.0	129.2	116.4
<b>Net result for the period</b>	<b>120.4</b>	<b>145.0</b>	<b>137.0</b>	<b>129.2</b>	<b>116.4</b>
Net result attributable to non-controlling interests	0.4	2.1	0.8	2.1	0.9
<b>Net result attributable to owners of the parent</b>	<b>120.0</b>	<b>143.0</b>	<b>136.2</b>	<b>127.2</b>	<b>115.5</b>
<b>Operating income</b>	<b>389.4</b>	<b>375.3</b>	<b>364.8</b>	<b>360.5</b>	<b>354.5</b>
<b>Operating expenses</b>	<b>-183</b>	<b>-170.8</b>	<b>-164.7</b>	<b>-164.9</b>	<b>-164.8</b>
Operating result	206.6	204.4	200.1	195.6	189.7
Cost/income ratio	46.9%	45.5%	45.1%	45.7%	46.5%
Return on allocated capital	30.5%	38.6%	37.7%	35.6%	32.6%

\*Significantly influenced by CNB FX intervention on CZK

## New methodology – CS adopted EBA\* financial reporting standards and deconsolidated pension fund

- In line with Erste Group, CS changed the structure of income statement and balance sheet as a result of harmonization with FINREP reporting in order to align with EBA requirements for financial reporting (the historic net profit, equity or balance sheet totals are not influenced)
- Major changes in income statement:
  - Dividend income, results from equity measured investments and rental income are presented now separately from Net interest income in individual line items
  - Deposit insurance contributions are now included in Other administrative expenses (operating expenses) as opposed to Other operating result
  - Amortisation of customer relationships are now included in Depreciation and amortisation (operating expenses) as opposed to Other operating result
  - A separate line for Impairment for financial assets not measured at fair value through profit or loss was introduced containing risk provisions and other impairments for financial assets on-balance
- Major changes in balance sheet:
  - The overall structure (assets and liabilities) follows the IAS 39 measurement categories.
  - Loans to customers and loans to credit institutions are presented on a net basis. Thus, no separate position for risk provisions is shown
  - Derivative financial instruments are now presented in two lines: Derivatives hedge accounting and Financial assets/liabilities held for trading.
  - Subordinated liabilities are allocated to the relevant categories of Financial instruments, following measurement principle
- Transformovaný fond penzijního připojení se statním příspěvkem Česká spořitelna – penzijní společnost, a.s. (Transformed pension fund) was deconsolidated from the consolidated Ceska sporitelna Group on 1 January 2014. The fund includes funds from supplementary pension insurance with a government contribution in the III pillar. The Transformed pension fund continues to be managed by the CS Group through Ceska sporitelna – penzijní společnost, a.s.

\*EBA European Banking Authority

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