

Česká spořitelna investor presentation

Q1 2014 results

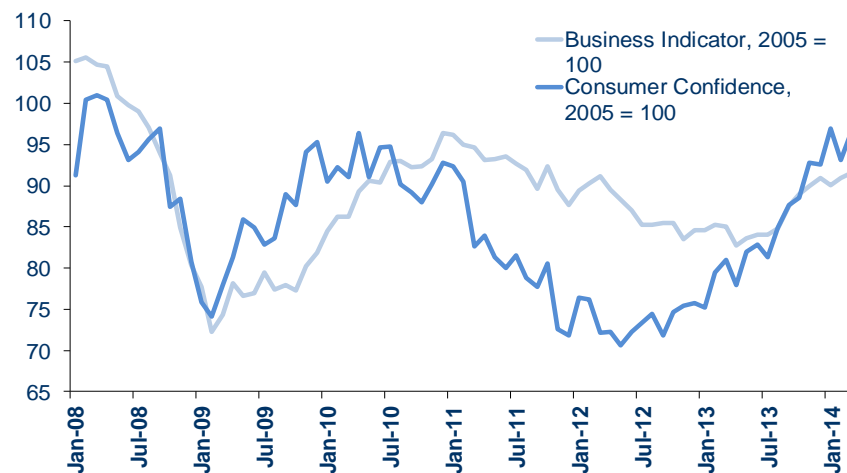
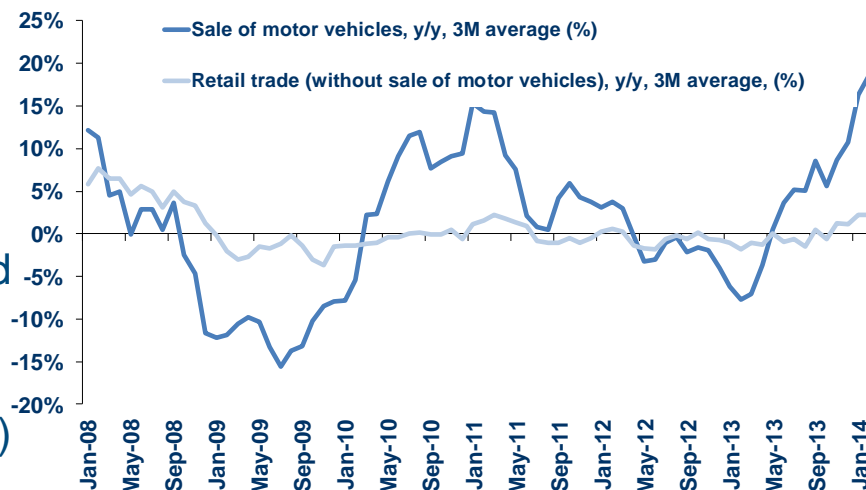
- 30 April 2014

Strong operating performance supported by business growth in major segments

Executive summary – Improved confidence in the Czech economy

- Macroeconomic development

- Czech economy escaped from pessimism trap: confidence in economy improved from recession levels
- Consumers speeding-up their previously postponed purchases (visible in mounting car sales)
- Exports and industry growth driven by EMU recovery and FX intervention (CZK/EUR floor at 27)
- End of fiscal restriction is a third arrow supporting economy
- Low inflation environment (recently inflation close to zero) will hold monetary condition relaxed. First hike not expected earlier than at the end of 2015, liquidity surplus within the banking sector to limit yield increase



Executive summary –

Operating result remained in positive territory despite difficult interest rate environment *

- CS recorded net profit of CZK 4.0 bn in Q1 2014 which means 5% decline compared to Q1 2013 (driven by one-offs in other result)
- Operating result remained flat on Q1 2013 level (+0.2%) as decline of operating income was outweighed by drop of operating expenses due to continuing strict cost discipline
 - Decline of operating income attributed to lower net interest income and net fee income
 - NIM slightly up at 3.56% despite difficult interest rate environment (3.55% in Q1 2013)
 - 5% drop of operating expenses reflected staff reduction in 2013 which lead to 10% saving in personnel expenses in Q1 2014
- Total assets reached CZK 913.9 bn, 7% y/y drop attributed to deconsolidation of transformed pension fund
- CS Group loan portfolio increased by almost CZK 16 bn compared to March 2013 (+3%)
 - Driven by private mortgages and loans to SMEs
- Quality of loan portfolio further improved, share of NPLs down at 4.6%
- Risk costs decreased to 72 bps from 74 bps, NPL coverage at high 81%
- Group capital adequacy at strong 18.6% (Tier I ratio at 18.1%)

*CS changed the structure of financial statements due to adoption EBA financial reporting standards and deconsolidated transformed pension fund - more details please find in Appendix, on slide 43

Q1 2014 business highlights – Retail I.

- CS launched a new loan consolidation with a guarantee of reducing client's monthly payment by at least 1,000 CZK
 - CS sold consumer loans in total volume of CZK 6 bn (gross new volume) in Q1 2014 that represents growth of nearly 30% y/y
- Ceska sporitelna – penzijni spolecnost manages the largest newly established pension fund under 3rd pillar on the market and won the prestigious World Finance Best Pension Fund 2014 Award
 - In the first year after the establishment, Ceska sporitelna – penzijni spolecnost drew in nearly 24,000 clients. CS penzijni spolecnost manages CZK 439 million, which is 35% of the volume of the funds of all supplementary pension savings participants on the market
- CS issued more than 2 million contactless cards since October 2011, currently half of all transactions are contactless
 - In Q1 2014, issuing grew by 11% y/y in terms of POS* volumes and even by 21% in terms of number of POS* transactions
- CS launched a redesigned MasterCard World credit card for Mass Affluent clients to offer higher value to Mass Affluent clients and thereby support credit card sales
 - New value proposition consists of: 2% cash back abroad, ATM withdrawal abroad for free, Ellite Program with airport business lounges (in addition to existing 1% cash back in CR and Partner Loyalty Program)

*Point of Sale

Q1 2014 business highlights – Retail II.

- CS won the Handicap Friendly Award for 2013 being recognized as the Most Welcoming Bank. The award was granted based on rating given by the handicapped persons in a survey supervised by the National Council of Persons with Disabilities
- CS recorded 1.6 million users of SERVIS 24 (9% more than in March 2013) and actually is on 3rd place within competition with other banks in client's internet banking satisfaction
- At the end of March 2014, almost half million (470,000) members were registered in iBOD loyalty program, out of which 380,000 activated their iBOD in CS
 - Since February 2014, clients of iBOD can order a reward in form of a discount on a current account at the CS
- CS, as the only bank on the Czech market, enables its clients pay their invoices via QR codes at all bank's transactional terminals (i.e. QR payment)

Q1 2014 business highlights – Corporates

Successful export and project financing

- Our focus on export finance through an experienced specialized team has brought, amongst others, the following transactions in the course of Q1 2014:
 - CS closed the export buyer's credit facility with the Israeli maker of steel reinforcing bars in the total amount of EUR 27.9 million to finance of delivery of MI.DA billet caster and reinforcing bar rolling mill. The transaction represents the first direct buyer's credit for an Israeli company
 - Despite the financing of the delivery, the facility will be used to partially finance the EGAP insurance premium. In this particular case, due to significant portion of the Italian deliveries, EGAP uses the reinsurance of SACE (the Italian ECA). The facility is provided for the 9.5 years
 - CS has become the provider of an Export Buyer's Credit for the Azerbaijan state owned company in the total amount of EUR 46.6 million for the financing of an infrastructure project
 - The infrastructure project will be managed by the Czech company, which has already realized several similar projects in Azerbaijan. The tenor of this project is 6 years
- Ceska sporitelna, a.s. together with ING Bank N.V. and HYPO NOE GRUPPE BANK AG successfully closed 12-year syndicated project financing with Moravia Gas Storage a.s. in the total amount of EUR 100 million. CS acted as Arranger, Original Lender, Original Hedging Bank and L/C Issuing Bank. The transaction represents one of the largest project financings ever done in the Czech market
 - The senior credit and L/C facilities will finance conversion of depleted gas and oil deposit into underground gas storage with capacity of 448 million m³. The construction will be managed by highly experienced professionals from Moravske naftové doly, a.s. (MND), a Czech company engaged in oil and gas exploration and production, drilling services, trading and storage. MND is a member of KKCG Group
- Gross corporate loan portfolio grew by 4% y/y in total, thereof loans to SMEs increased by significant 6% y/y

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 5%

	1-3 13	1-3 14	Change	Change
Net interest income	6,912	6,710	-2.9%	-202
Net fee and commission income	2,933	2,787	-5.0%	-146
Dividend income	0	10	-	10
Net trading and fair value result	457	589	28.9%	132
Rental income from investment properties & other operating leases	221	220	-0.5%	-1
General administrative expenses	-4,739	-4,519	-4.6%	220
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	167	116	-30.5%	-51
Net impairment loss on financial assets not measured at fair value through profit or loss	-940	-976	3.8%	-36
Other operating result	231	64	-72.3%	-167
Pre-tax result from continuing operations	5,242	5,001	-4.6%	-241
Taxes on income	-1,038	-993	-4.3%	45
Post-tax result from continuing operations	4,204	4,008	-4.7%	-196
Net result for the period	4,204	4,008	-4.7%	-196
Net result attributable to non-controlling interests	0	-8	-	-8
Net result attributable to owners of the parent	4,204	4,000	-4.9%	-204
Operating income	10,523	10,316	-2.0%	-207
Operating expenses	-4,739	-4,519	-4.6%	220
Operating result	5,784	5,797	0.2%	12
Cost/income ratio	45.0%	43.8%		
Return on allocated capital	17.6%	15.5%		

*CS change the structure of financial statements due to adoption EBA financial reporting standards and deconsolidated transformed pension fund - more details please find in Appendix, on slide 43

Financial statements – Balance sheet I (CZK mil)*

Assets

Assets	Dec 13	Mar 14	Change	Change
Cash and cash balances	77,581	73,943	-4.7%	-3,638
Financial assets - held for trading	47,718	41,558	-12.9%	-6,160
Derivatives	21,168	21,682	2.4%	515
Other trading assets	26,550	19,876	-25.1%	-6,674
Financial assets - designated at fair value through profit or loss	4,223	4,204	-0.4%	-19
Financial assets - available-for-sale	82,295	65,541	-20.4%	-16,754
Financial assets - held to maturity	154,720	142,300	-8.0%	-12,420
Loans and receivables to credit institutions	75,348	57,045	-24.3%	-18,303
Loans and receivables to customers	489,194	491,418	0.5%	2,225
Derivatives - hedge accounting	945	894	-5.4%	-51
Property and equipment	14,166	13,909	-1.8%	-256
Investment properties	8,330	8,318	-0.1%	-12
Intangible assets	3,333	3,196	-4.1%	-137
Investments in associates and joint ventures	0	0	-	0
Current tax assets	102	132	29.4%	30
Deferred tax assets	126	151	19.8%	25
Other assets	10,642	11,329	6.5%	687
Total assets	968,723	913,938	-5.7%	-54,786

*CS change the structure of financial statements due to adoption EBA financial reporting standards and deconsolidated transformed pension fund - more details please find in Appendix, on slide 43

Financial statements – Balance sheet II (CZK mil)*

Liabilities

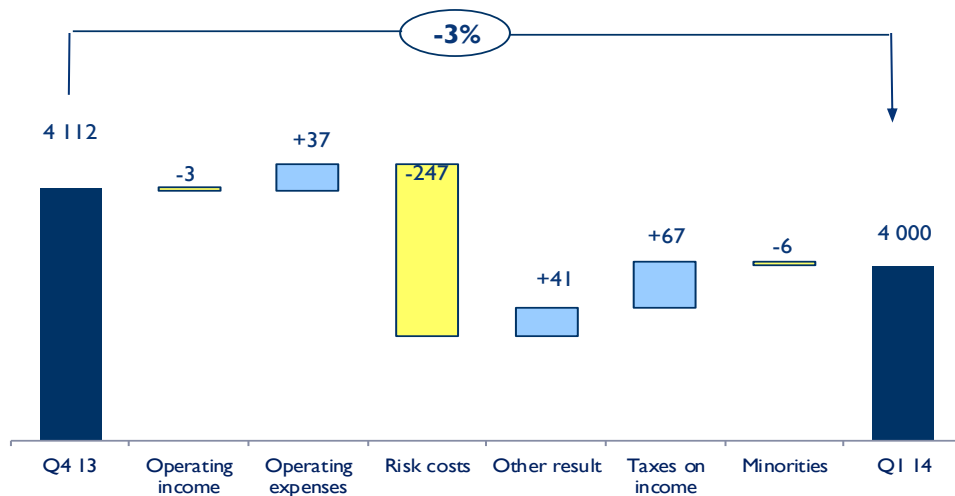
Liabilities and equity	Dec 13	Mar 14	Change	Change
Financial liabilities - held for trading	24,024	24,708	2.8%	684
Derivatives	24,024	24,708	2.8%	684
Other trading liabilities	0	0	-	0
Financial liabilities designated at fair value through profit or loss	14,434	13,971	-3.2%	-463
Deposits from customers	12,615	12,317	-2.4%	-298
Debt securities	1,818	1,654	-9.0%	-164
Financial liabilities measured at amortised cost	815,659	754,531	-7.5%	-61,128
Deposits from banks	73,036	62,107	-15.0%	-10,929
Deposits from customers	713,977	666,221	-6.7%	-47,757
Debt securities	28,646	26,203	-8.5%	-2,443
Derivatives - hedge accounting	422	507	20.1%	85
Provisions	2,594	2,472	-4.7%	-122
Current tax liabilities	414	494	19.3%	79
Deferred tax liabilities	100	241	141.0%	140
Other liabilities	10,098	12,089	18.7%	1,992
Total equity	100,978	104,925	3.9%	3,947
Equity attributable to non-controlling interests	316	324	2.5%	8
Equity attributable to owners of the parent	100,662	104,601	3.9%	3,939
Total liabilities and equity	968,723	913,938	-5.7%	-54,786

*CS change the structure of financial statements due to adoption EBA financial reporting standards and deconsolidated transformed pension fund - more details please find in Appendix, on slide 43

Financial performance – Executive summary

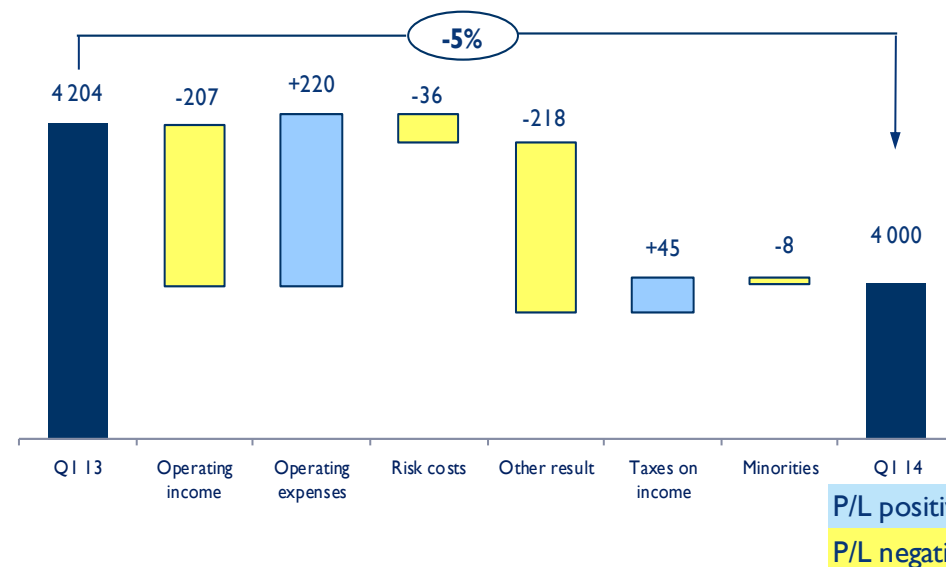
Česká spořitelna Group income statement performance

Q/Q net profit reconciliation (CZK mil)



- **Decrease of net profit in Q1 2014 compared to Q4 2013 driven mainly by risk costs (impairment loss on financial assets)**
 - 34% increase of risk costs supports strong coverage of NPLs
- **Operating expenses declined by 1% Q/Q**
- **Other result went up due to improved other operating result and higher profit from financial assets**

Y/Y net profit reconciliation (CZK mil)

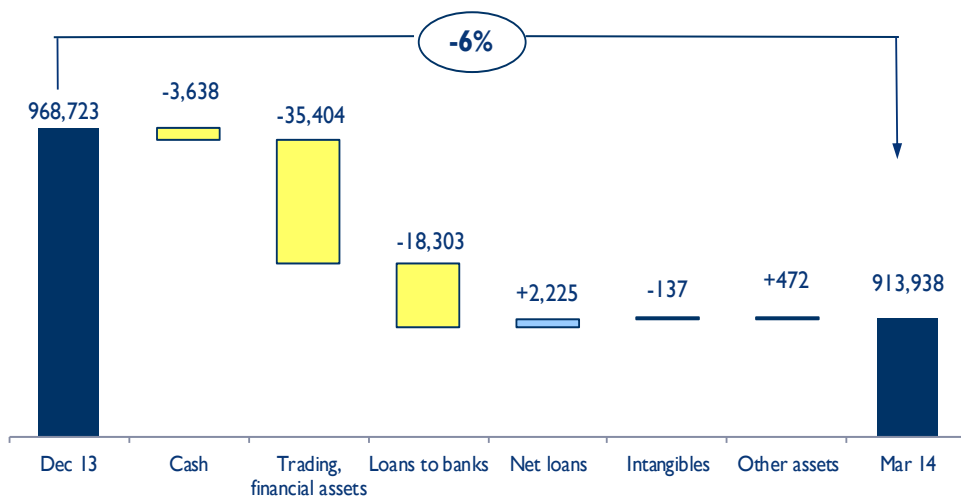


- **Decline of net profit driven by other result (affected by lower income from sale of bonds in AFS portfolio)**
- **Operating income declined by 2%**
 - Attributed to decrease of net interest income and net fee income
- **Operating expenses dropped by 5%**
 - Due to 10% decline of personnel expenses (positive impact of staff reduction in 2013)

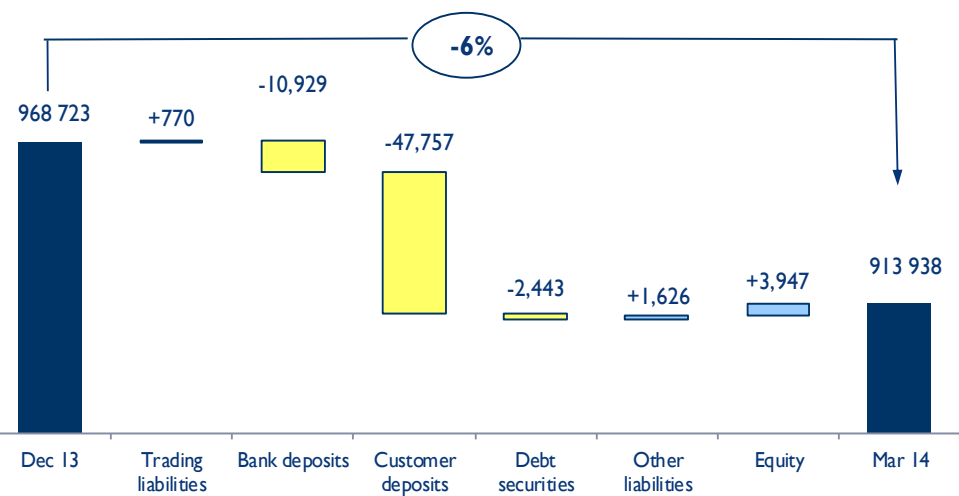
Financial performance – Executive summary

Group balance sheet influenced by deconsolidation of transformed pension fund

YTD total asset reconciliation (CZK mil)



YTD total liability reconciliation (CZK mil)



- **6% decrease of total assets caused by deconsolidation of transformed pension fund (TPF) in 2014**
 - Excluding impact of deconsolidation of TPF total assets decreased only slightly (- 0.4%) since YE 2013
- **Assets in AFS portfolio rose by 7% excluding impact of TPF since YE 2013 and assets in HTM portfolio down by 2%**
- **Adjusted loans to credit institutions increased by 2% YTD**

- **Decline of total liabilities driven by deconsolidation of transformed pension fund resulting in decline of customer deposits**
 - Customer deposits excluding impact of deconsolidation of transformed pension fund slightly grew (+ 0.3%) since YE 2013
- **Deposits from banks declined by CZK 11 bn (- 15%)**

Growth

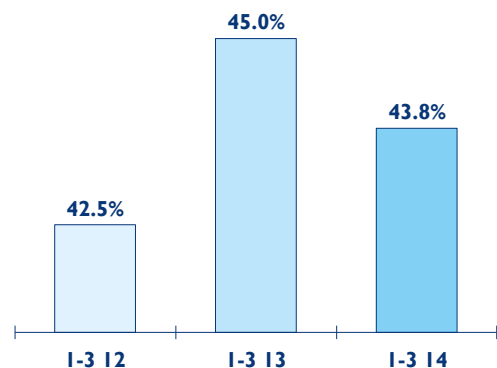
Decline

Note: Adjusted figures pls see on slides 39-40

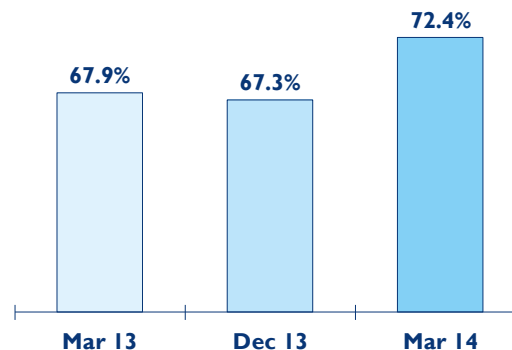
Financial performance – Executive summary

Česká spořitelna Group key performance indicators

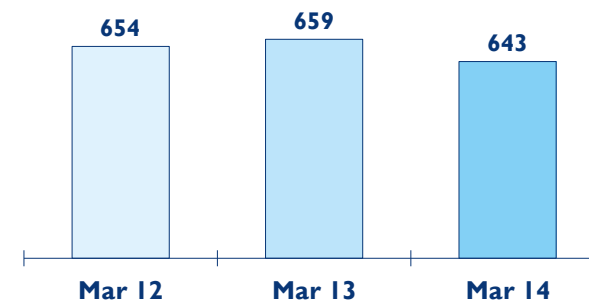
Cost/income ratio



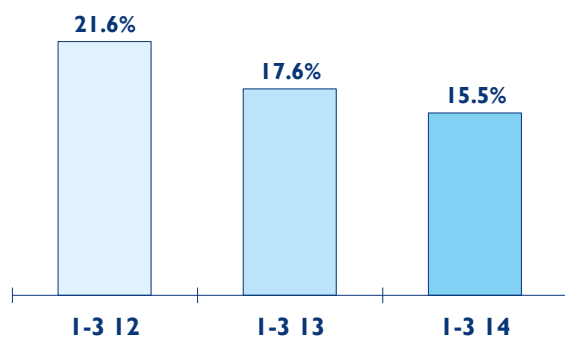
Loan/deposit ratio*



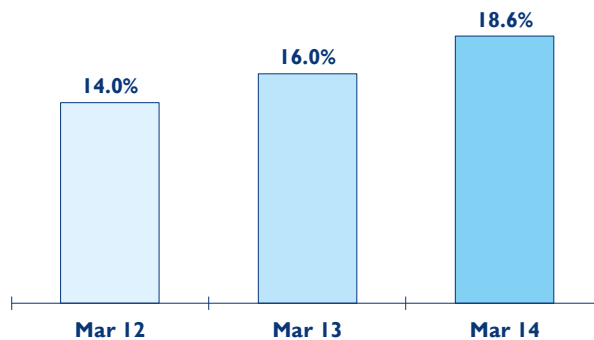
Number of branches



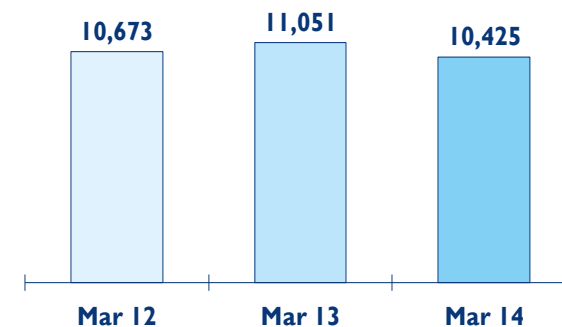
ROE



Capital adequacy ratio



Number of employees (eop)

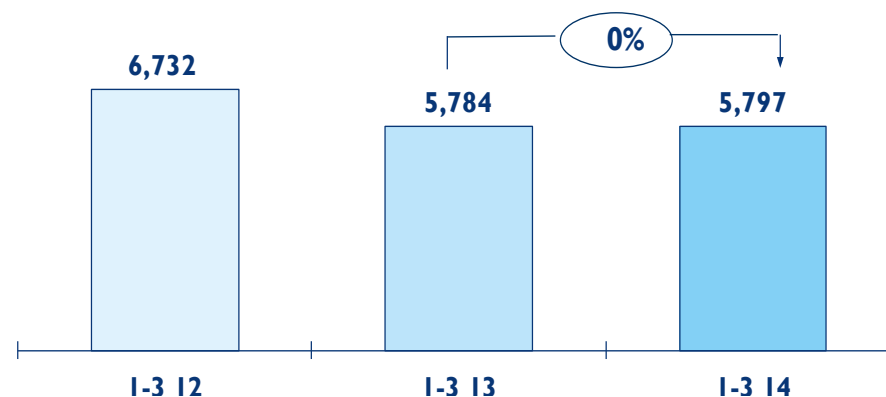


* Excluding the transformed pension fund in Dec 2013 L/D would stand at 72.3%, adjusted figures pls see on slides 39-40

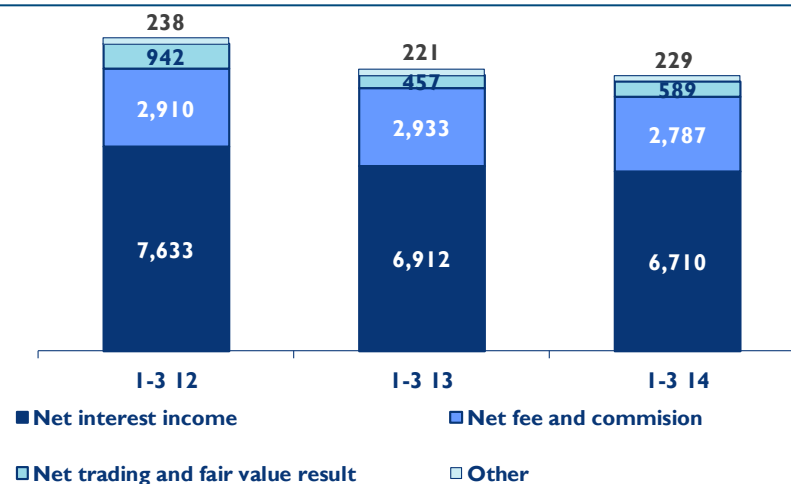
Operating result – Stable on Q1 2013 level

- Operating result remained flat compared to Q1 2013 as decline of operating income was outweighed by decrease of operating expenses
- Decline of operating income (-2% y/y) caused by drop of net interest income reflecting almost zero interest rate environment and by drop of net fee income
- Share of net interest income on operating income down at 65% (by 1pp y/y)
- Operating expenses dropped by 5% y/y /details on next slides/

Operating result (CZK mil)



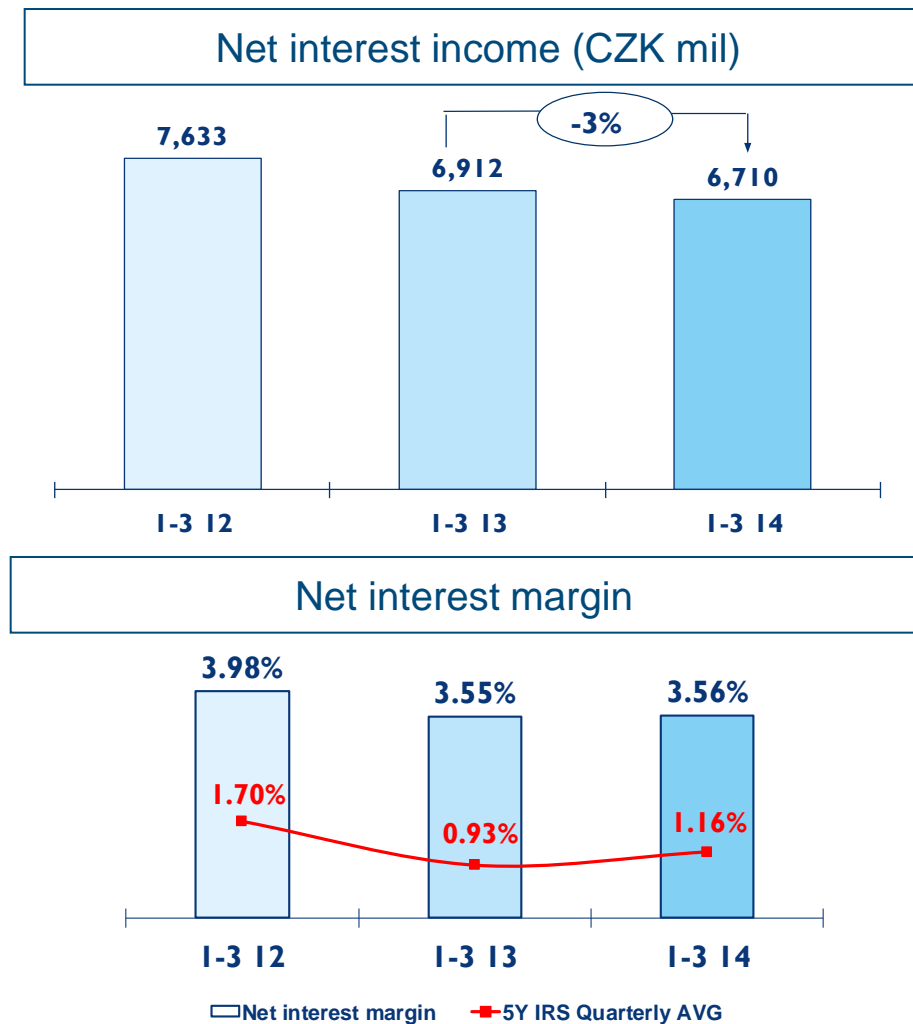
Operating income structure (CZK mil)



Net interest income –

Continued pressure by very low interest rate environment

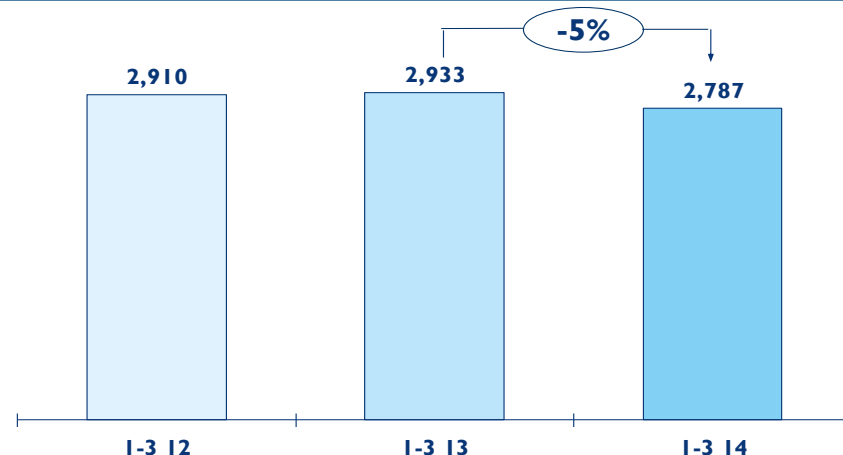
- Net interest income declined by 3% due to continuing almost zero interest rate environment
 - Impacted by maturing bond portfolio with higher yields in 2013
 - Partially mitigated by 3% growth of loans to customers (supported by strong growth of new lending)
- Net interest margin slightly improved y/y to 3.56%



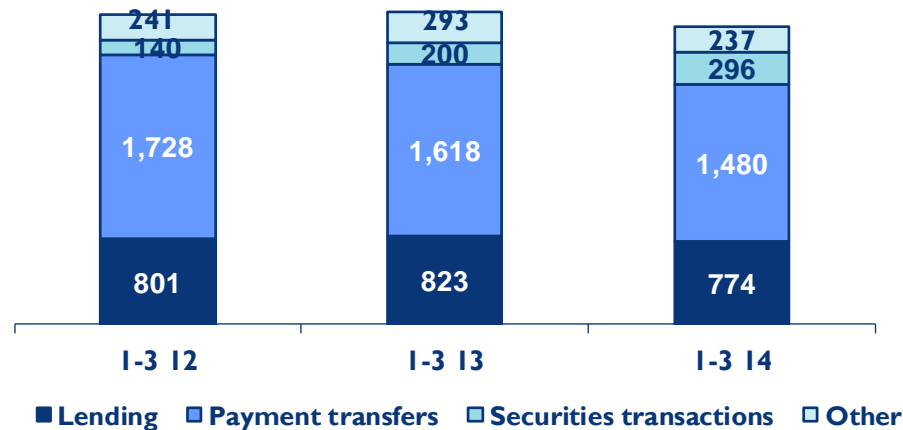
Net fee and commission income – Declined by 5%

- Decrease caused mainly by drop of net fee income from payment transactions and account maintenance (-8% y/y)
 - Reflected lower income from account maintenance (free current accounts), higher paid fees for payment card transactions and lower fees from prevailing direct banking transactions
- Net fee income from securities business improved y/y
 - Driven by growing fee income from asset management

Net fee and commission income (CZK mil)

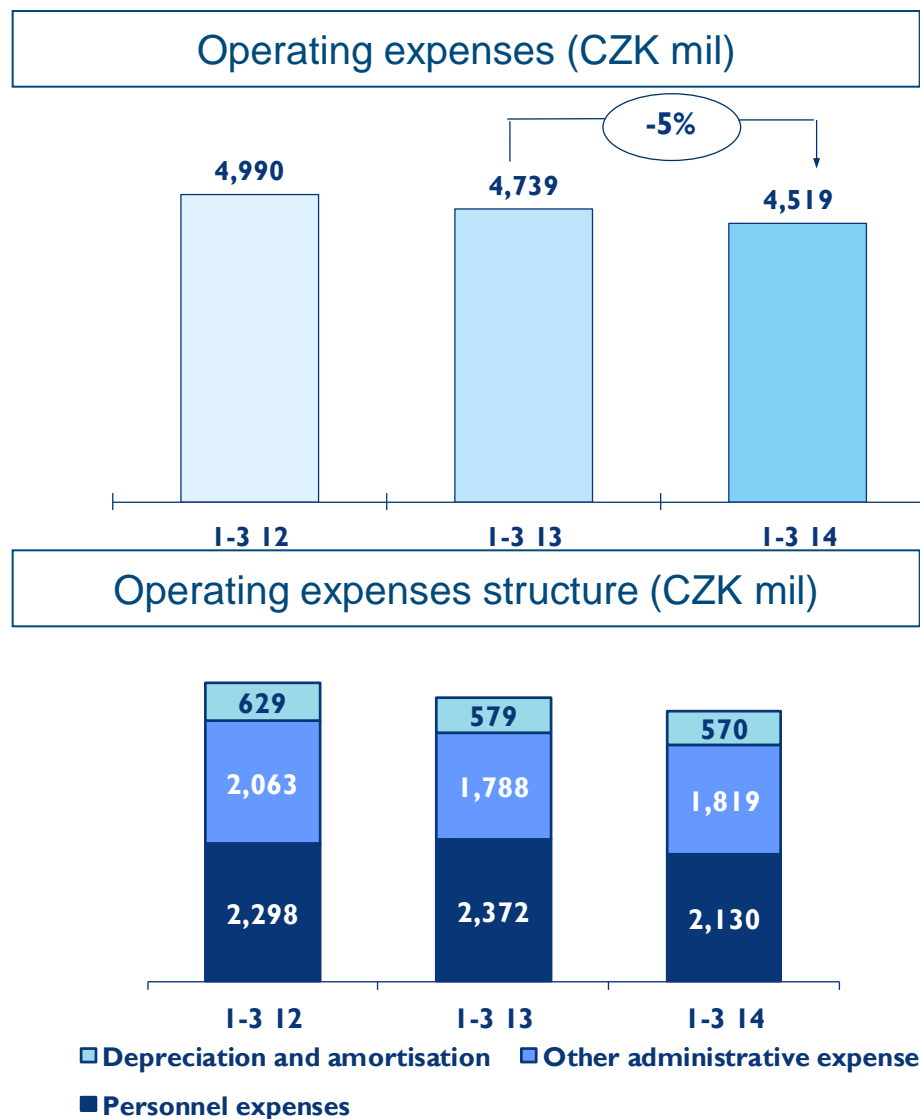


Net fee and commission income structure (CZK mil)



Operating expenses – Further reduced by 5%

- Decline in operating expenses driven by 10% drop of personnel expenses
 - Result of staff reduction in 2013; number of employees decreased by 626 FTEs (-6%) since March 2013
- Other administrative expenses increased by 2% especially due to IT costs seasonality
 - Savings in communications and office expenses
- Depreciation declined by 2%
 - Caused by lower depreciation of non IT equipment



Net profit of selected subsidiaries – Significant growth in Factoring and sAutoleasing

- Decrease in **CS Building Society** was mainly driven by decline in Net interest income due to persistent low interest rate environment
- Increase in **sAutoleasing** net profit supported by positive business development and improved risk profile of new business
- Significantly higher net profit of **Factoring CS** driven by increase in operating income
 - Supported by decline in operating expenses

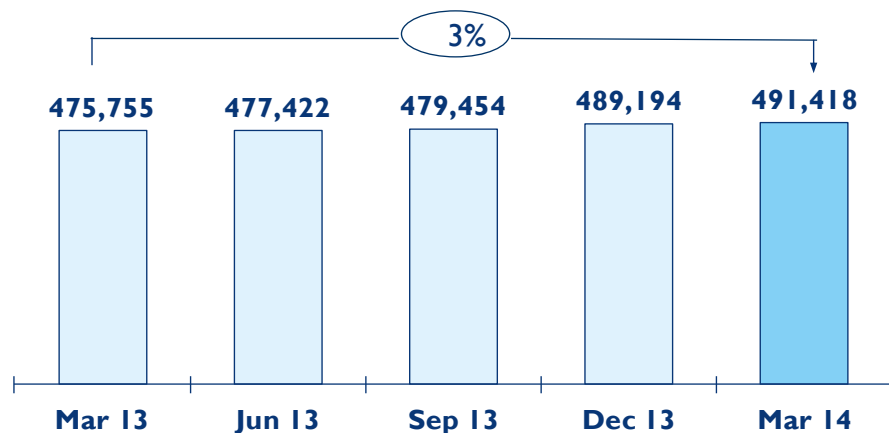


IFRS, CZK mil	I-3 I3	I-3 I4	% Change
CS Building Society	161	147	-9%
sAutoleasing	24	26	8%
Pension Company*	-45	-22	-51%
Factoring CS	18	23	28%

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

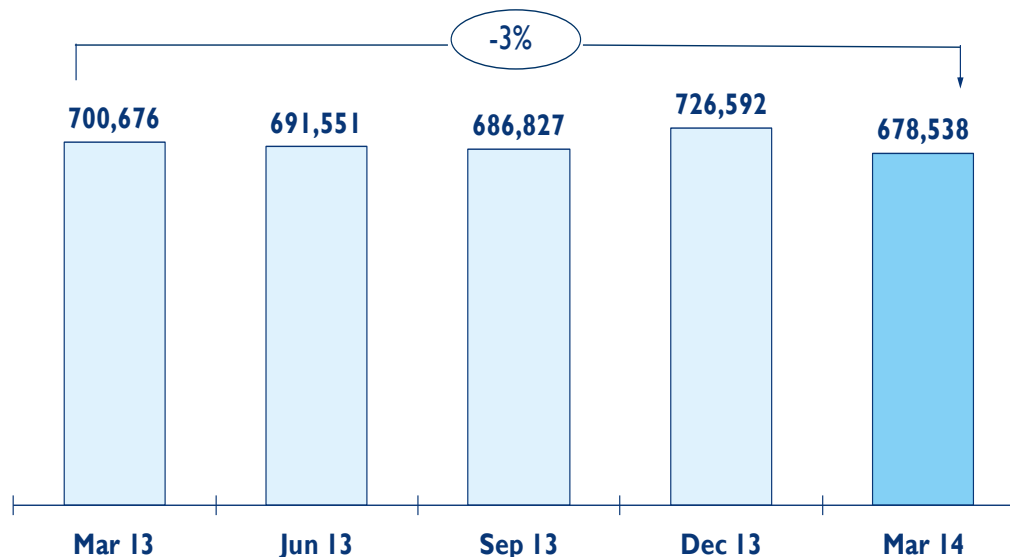
Balance sheet development – Loan to deposit ratio at 72.4%

Net customer loans (CZK m)



- Net customer loans increased by 3% since March 2013, driven by private mortgages and SME loans /details in the lending part of the presentation - from slide 21/

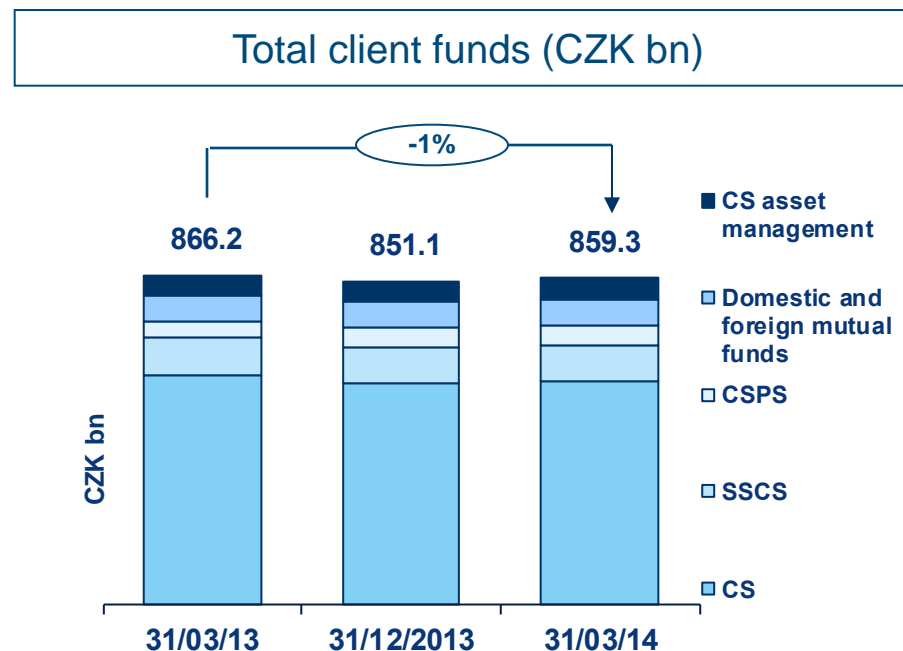
Group customer deposits (CZK m)



- Group customer deposits declined y/y due to decline of repo transactions with public sector customers (declined by nearly CZK 20 bn)
 - Excluding repo transactions customer deposits slightly decreased (- 0.4% y/y)

Clients' assets under management – Significant growth in pension company

- Customer deposits in parent bank dropped by 3% y/y (without repo operations +0.2% y/y)
 - Mainly caused by decline of 25% y/y in public sector deposits (without Repo operations -10% y/y)
 - Deposits from individuals almost flat on y/y basis
- Significant growth of clients' assets in pension company by almost 18% y/y
 - Supported by increase of funds in the 3rd pillar
- Domestic and foreign mutual funds recorded further growth by nearly 7% y/y
 - Driven by higher clients' demand in investment products
- Asset management grew overall by 4% y/y
 - Mainly supported by 21% y/y growth in asset management for private individuals
- Building society recorded slight decline



IFRS, in CZK bn	31/03/13	31/12/2013	31/03/14	Change (y/y)
CS - customer deposits	602.6	581.1	584.5	-3.0%
SSCS - building society	97.7	94.8	94.7	-3.1%
CPCS - pension company	44.3	50.7	52.1	17.6%
Dom. and foreign mutual funds	66.6	69.4	71.1	6.8%
Asset management	55.0	55.2	57.0	3.6%
Total	866.2	851.1	859.3	-0.8%

Group loan portfolio – Summary

Growth in private mortgages and corporate loans continued

- **Loan portfolio in CS Bank (gross) increased by 4.2% y/y, group loan portfolio (gross) grew by 3.2% y/y**
 - Driven by private mortgages and SMEs
- **Risk costs* down at 72 bps (from 74 bps in Q1 2013)**
- **Quality of loan portfolio as share of NPLs on total customer loans improved from 5.2% to 4.6% y/y**
 - Driven by NPL volume absolute decrease and portfolio growth
 - Provision to NPL coverage stable at strong 81%
 - Total NPL coverage (including collateral) at 116.7%

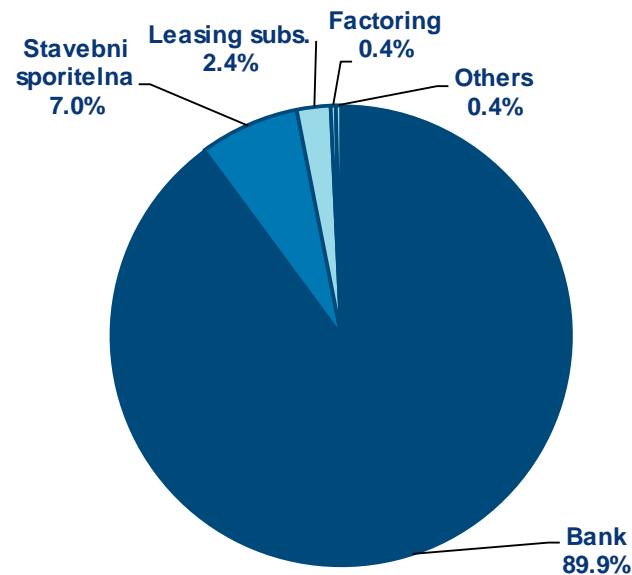
*Calculation of risk costs includes provisions for on-balance and off-balance positions

Group loan portfolio – Group loans increased by 3% y/y

CS Group Loan Portfolio (gross)

in CZK mil, IFRS	31/03/2013	31/12/2013	31/03/2014	Y/Y Change
I. CS Bank	456,690	472,886	476,075	4.2%
II.1. Stavebni sporitelna CS	38,902	37,596	37,225	-4.3%
II.2. Leasing (sAL, EL)	11,984	12,504	12,524	4.5%
II.3. Factoring CS	1,849	2,106	1,900	2.8%
II.4. Other subsidiaries	3,008	2,054	1,977	-34.3%
III. Consolidation items	-18,098	-19,677	-19,470	7.6%
Total Loans (consolidated)	494,335	507,469	510,232	3.2%

Loan Book by Group members as of March 2014

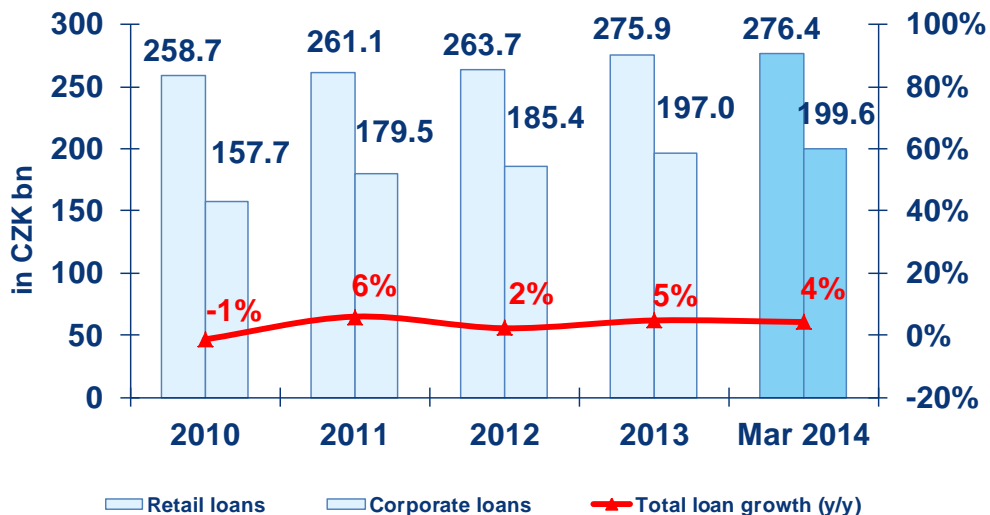


• CS Bank dominates the CS Group

- Share of CS Bank further strengthened by 75 bps y/y to 89.9%
- Decline in Stavebni sporitelna CS continued, driven by overall market conditions
advantaging mortgages to building savings loans

Bank loan portfolio – Structural changes in Retail, growth in SME

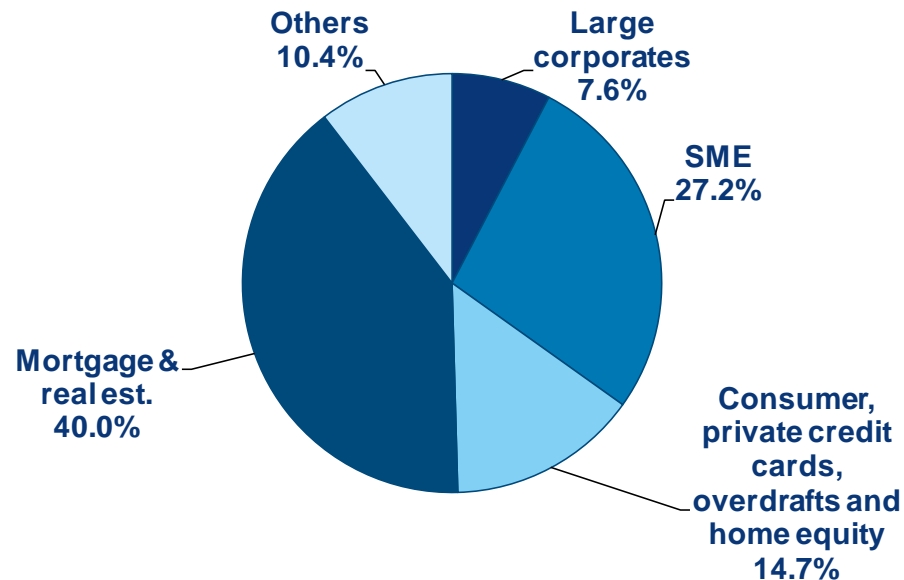
Loan portfolio development - CS Bank



- **Loans to retail rose by 4.8% y/y**

- Pushed by private mortgages (+10.8% y/y), only partly offset by decline of home equity mortgages (-16.8% y/y) and overdrafts (-7.9% y/y)

Loan book by customer segments as of March 2014

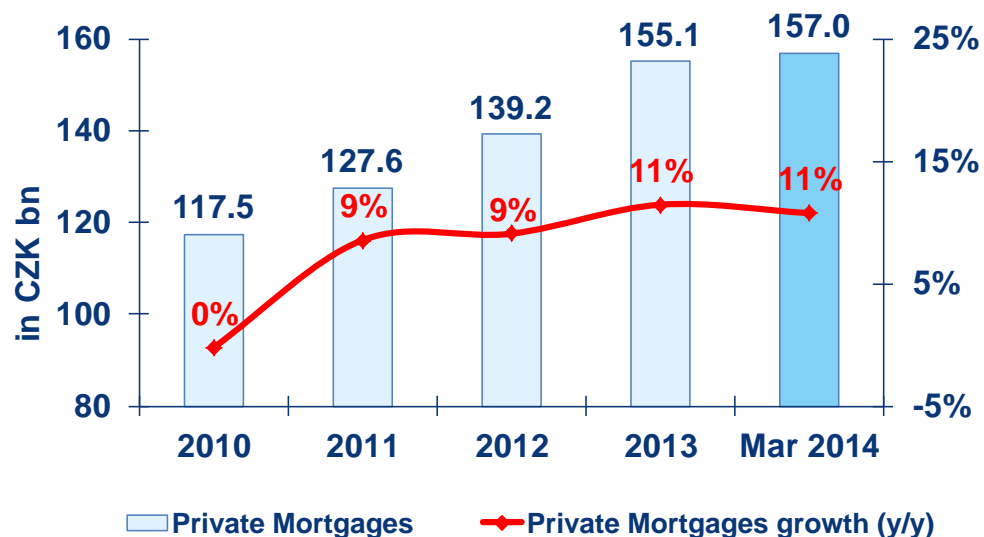


- **Loans to corporate added 3.5% y/y**

- Driven by SME (+6.2% y/y) and also by real estate (+3.5% y/y)

Bank loan portfolio – High demand on mortgage market continued

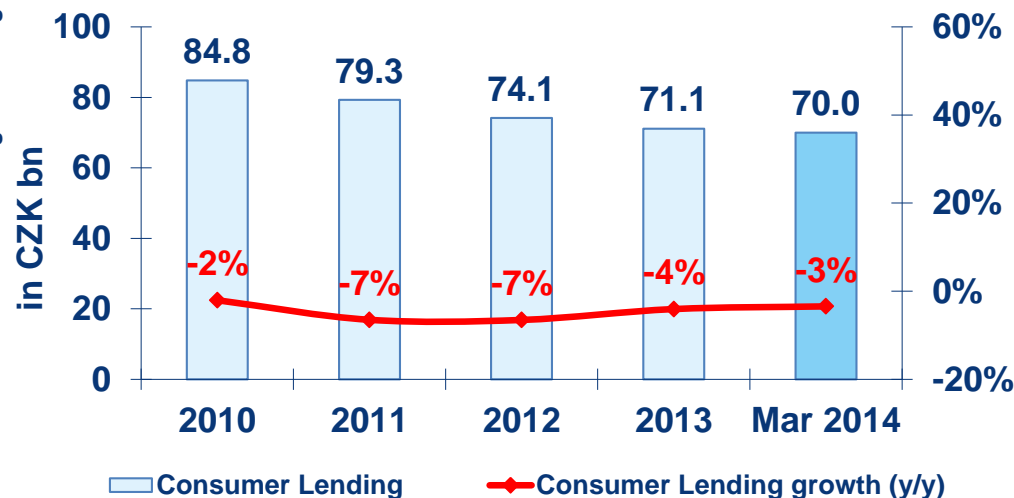
Private mortgages development



- **Private mortgages rose to CZK 157 bn (+10.8% y/y)**

- Stable pace of growth above 10% upheld also in Q1 2014
- Whole portfolio: average weighted maturity at 22.8 years, residual maturity at 18.9 years; LTV ratio at comfortable 66.8%

Consumer lending development*



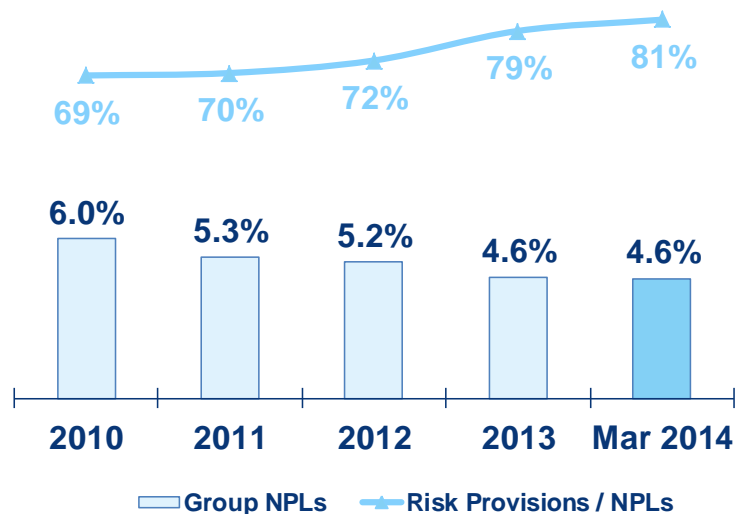
- **Consumer lending* at CZK 70 bn (-3.0% y/y)**

- New business in Q1 2014 (up by 28% y/y) further helped to decrease negative trend

**Consumer lending here include also home equity loans, credit cards, overdrafts and social loans*

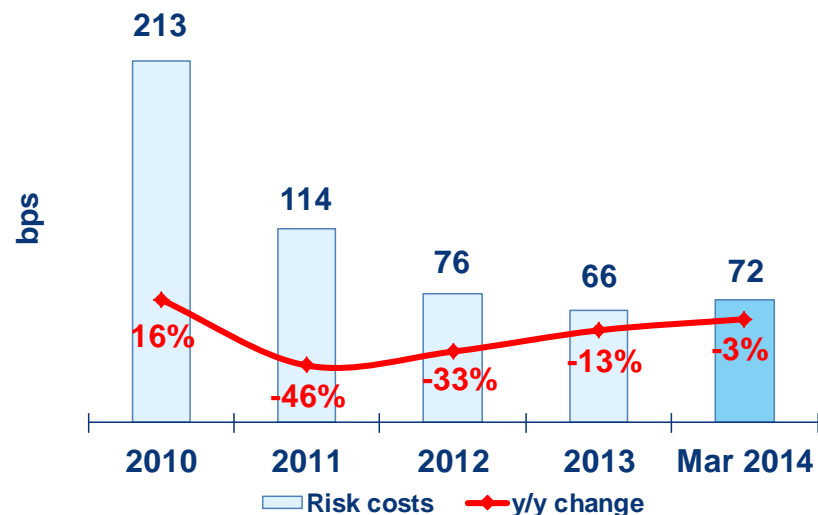
Group asset quality review – Risk costs improvement continued

NPL ratio and NPL coverage



- **Group share of NPL decreased by 69 bps to 4.6% y/y**
 - Driven by NLP decline and portfolio growth
 - Provision coverage at strong level of 81%
 - Total coverage (provisions and collateral to NPL) at 116.7%

Risk cost development



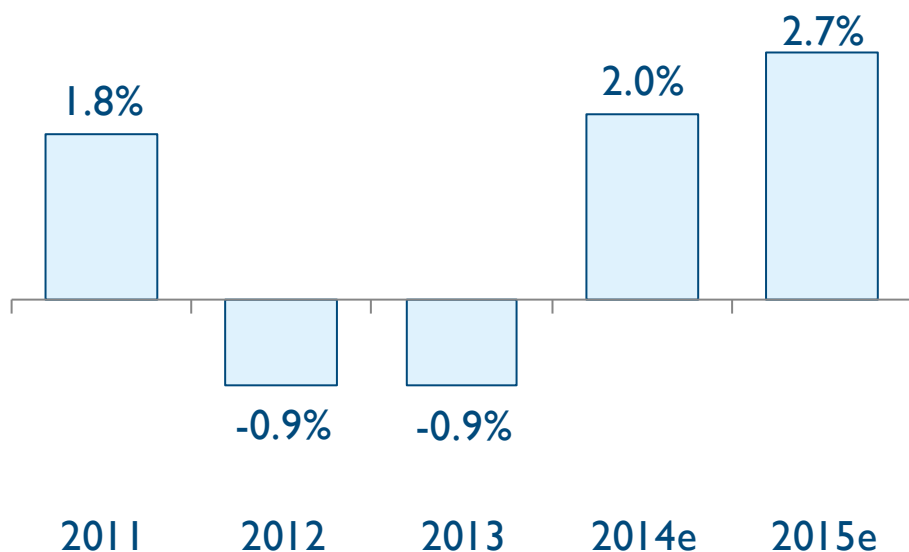
- **Annualized group risk costs down to 72 bps from 74 bps in Q1 2013**
 - Driven by retail as well as corporate clients
- **Share of defaulted loans according to CNB methodology lowered from 5.9% to 5.1% y/y**

Presentation topics

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

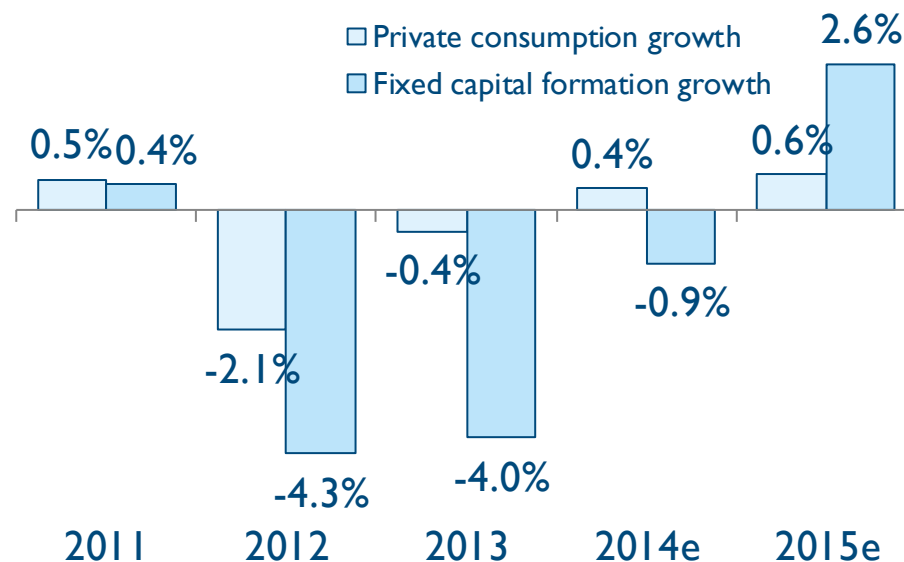
Macroeconomic developments – Economy grew by 1.2% y/y in Q4 2013

Real GDP growth y/y



- Six quarters lasting recession ended in Q1 2013 when GDP started to grow q/q
- For 2014, CS expects the recovery to continue as GDP is expected to expand by 2% driven by:
 - manufacturing (effect of EMU growth and FX intervention),
 - end of fiscal restriction
 - restoration of confidence
- For 2015, CS expects 2.7% growth in GDP

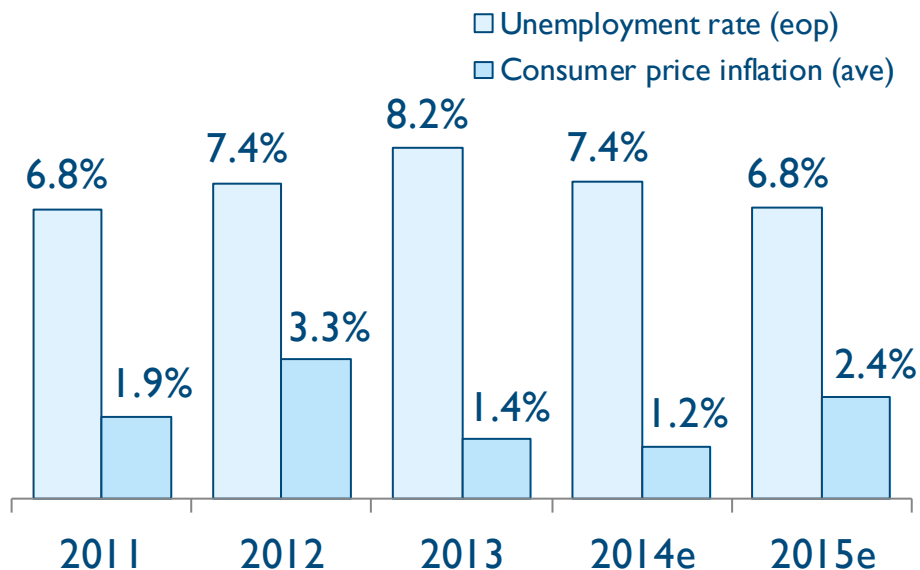
Components of GDP



- Improvement in confidence of both households and companies is linked to higher willingness to spend for big tickets
- Higher households consumption in the last months is also supported by fear of price effect of weak CZK on final prices
- Stabilization in investment will be consistent with capacity utilization improvement; also government to support investment activity

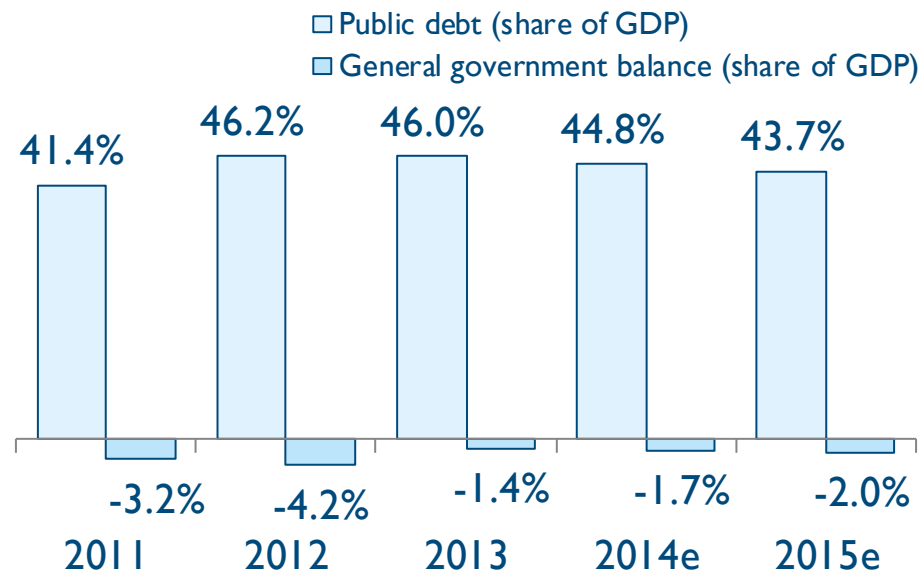
Macroeconomic developments – Inflation resisting to fall below the zero level

Unemployment and inflation



- Headline inflation dropped close to zero as no new VAT increase was applied with the beginning of the year
- Core inflation is negative since summer 2009
- Due to FX floor inflation will be the most watched indicator for CZK development and consequently for interest rates
- Labor market will start to “feed” consumer spending in second half of 2014

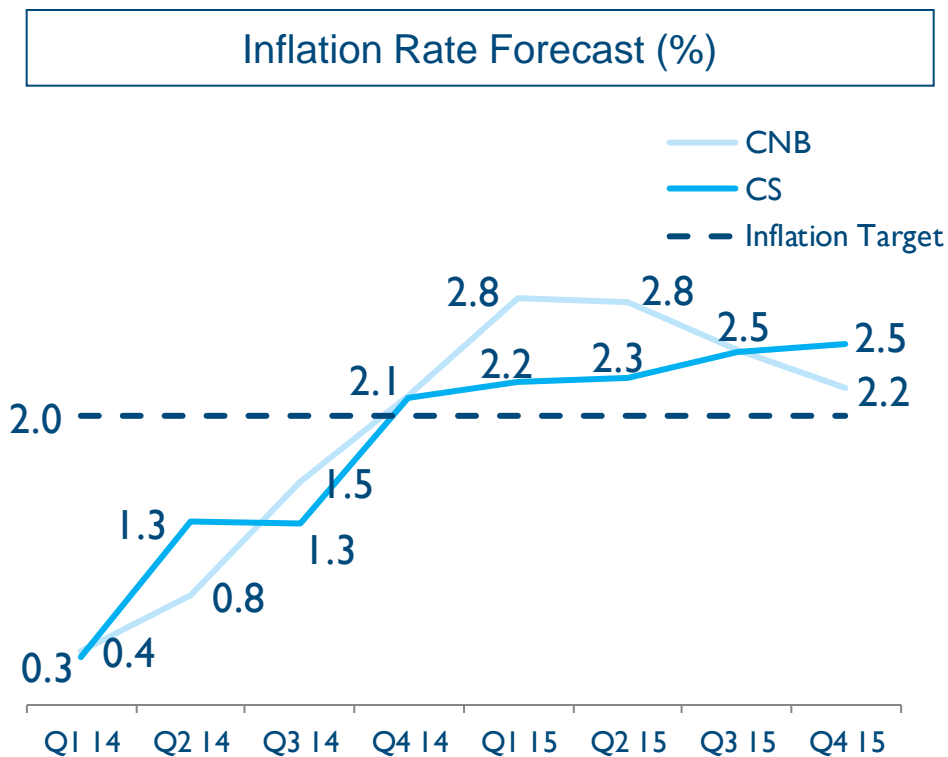
Public debt and government balance



- With new government (coalition of Social Democrats, centrist ANO and Christian Democrats) there is also change in fiscal policy
- The fiscal policy to add half percentage point to growth in 2014 without deficit exceeding 3% threshold

Macroeconomic developments – FX intervention

- The CNB decided to weaken the CZK/EUR exchange rate by 5% (from 25.79 and fix it at 27) on November 7, 2013. CNB plans to exit in Q1 2015, however the exit may occur later
- FX intervention to support the economy by +0.4pp in 2014
- Positive effect visible on the revenue side of companies as foreign sales growing faster than production
- Market expects appreciation after the exit, which will mean disinflation risk
 - CZK wasn't overvalued before the start of FX intervention
 - CZ economy recovery to renew convergence process consistent with CZK trend appreciation
- Therefore, the CNB need to have a inflation buffer to make sure it will not have to reenter the market, i.e. inflation above 2% target, close or above 3%



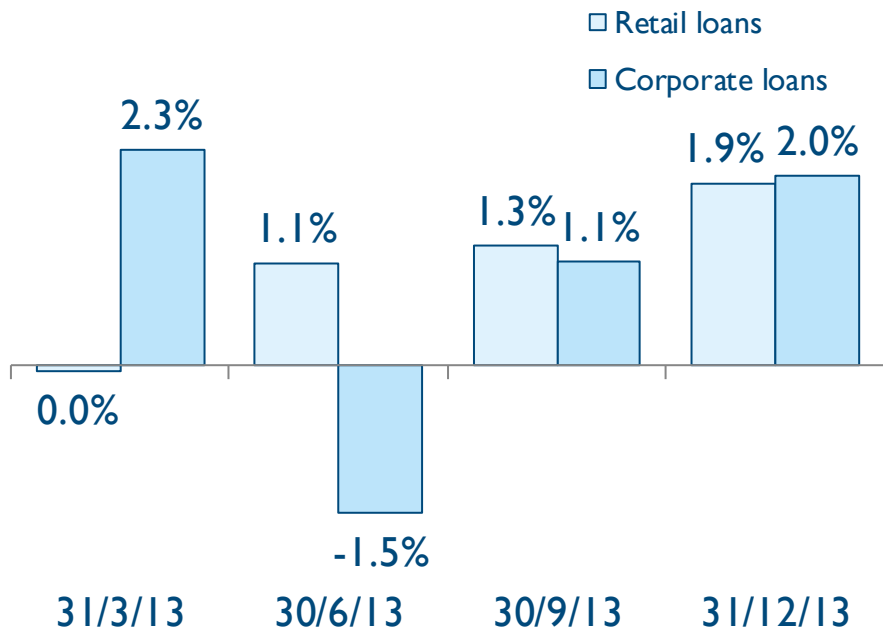
Presentation topics

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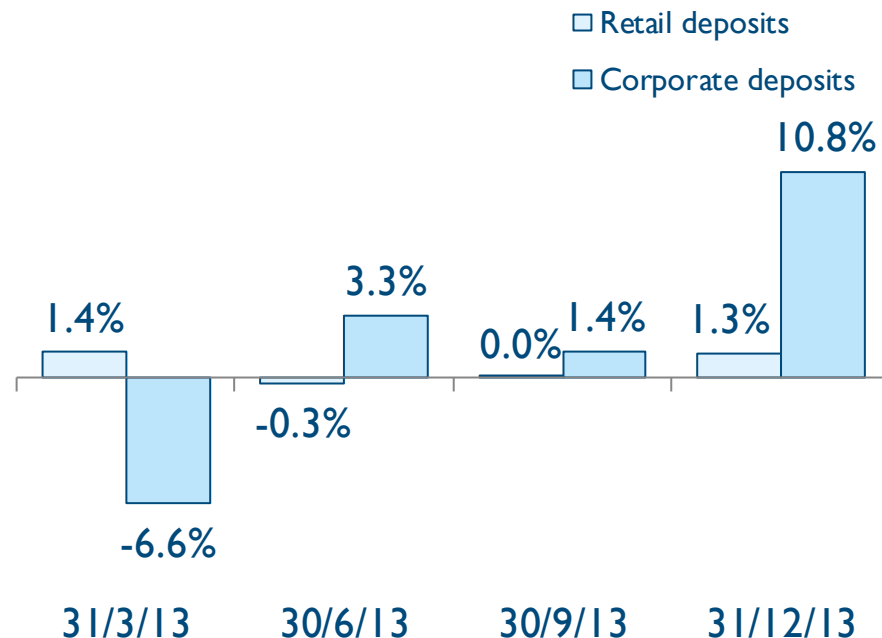
Banking market –

In 2014 loans should outpace deposits in growth for the first time in 3 years

Retail and corporate loans (Q/Q growth)



Retail and corporate deposits (Q/Q growth)



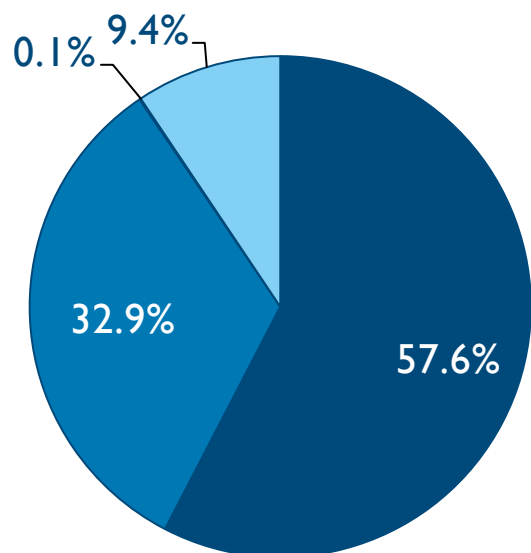
- Total loans grew by 7% in 2013 (in EOY terms), however this was influenced by FX interventions of CNB (started in Nov' 13), which increased volume of FX loans expressed in CZK. Average growth rate of 2013 was 4%
- In 2014 CS expects average growth rate of around 6% thanks to improving confidence and gradually increasing investment activity

- In 2013 total deposits grew by 6%, driven mainly by corporate deposits (+10% y/y in EOY terms and +8% y/y in YA terms)
- In 2014 CS expects slight decline in growth rate of both retail and corporate deposits. Average growth rate of total deposits should hover at around 5%

Banking market –

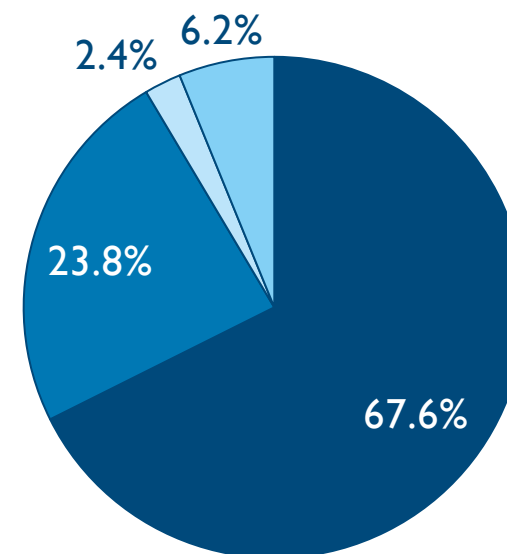
Structure of the banking market as of 31 December 2013

Customer loans



- LC retail loans
- LC corporate loans
- FX retail loans
- FX corporate loans

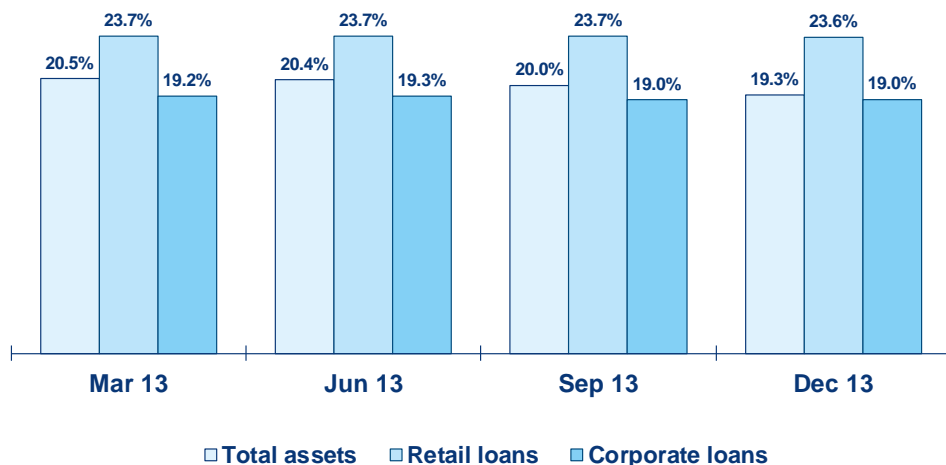
Customer deposits



- LC Retail deposits
- LC Corporate deposits
- FX Retail deposits
- FX Corporate deposits

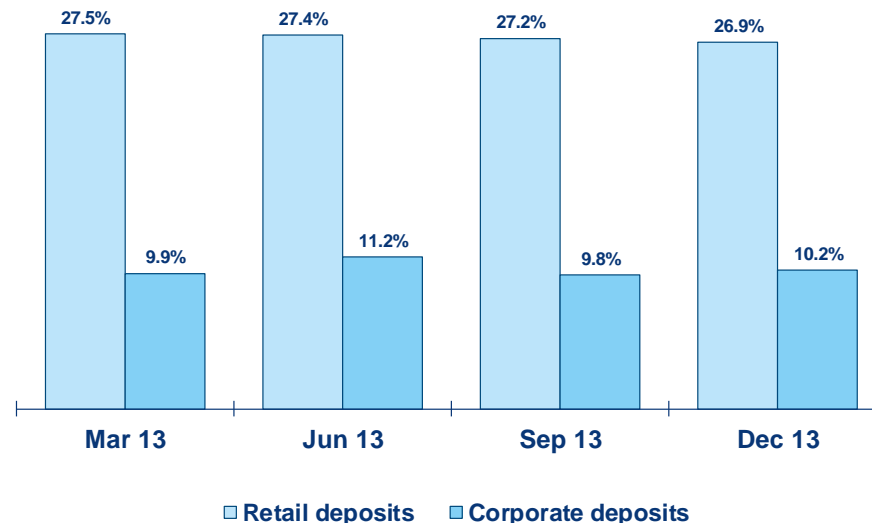
Banking market – Market shares (December 2013)

Asset side*



- **Market leadership in:**
 - Number of customers (5.3 mil)
 - Total mortgages (market share of 28%)
 - Consumer loans incl. credit cards (market share of 35%)
- **No. 2 position in:**
 - Total loans (market share of 20%)
 - Total assets (market share 19%)

Liability side*



- **Market leadership in:**
 - Total deposits (market share of 20%)
 - 27% in retail deposits, 10% in corporate deposits
- **No. 2 in mutual funds with market share 26%**

*Data as of 31st March 2014 not available yet

Presentation topics

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

in CZK mil, IFRS	31/03/2013		31/12/2013		31/03/2014		Q1 2014 YTD		YTY change	
	Outstand.	Share	Outstand.	Share	Outstand.	Share	Outstand.	Rate	Outstand.	Rate
Retail	263,898	53.4%	275,934	54.4%	276,448	54.2%	514	0.2%	12,549	4.8%
Private overdrafts	6,496	1.3%	6,117	1.2%	5,981	1.2%	-136	-2.2%	-516	-7.9%
Private Credit cards	4,787	1.0%	4,672	0.9%	4,347	0.9%	-325	-7.0%	-440	-9.2%
Consumer lending	53,964	10.9%	54,058	10.7%	53,629	10.5%	-429	-0.8%	-334	-0.6%
Home equity mortgages	7,247	1.5%	6,283	1.2%	6,032	1.2%	-251	-4.0%	-1,216	-16.8%
Private mortgages	141,749	28.7%	155,099	30.6%	157,012	30.8%	1,912	1.2%	15,263	10.8%
Micro and Small Enterprises	39,881	8.1%	40,057	7.9%	39,929	7.8%	-128	-0.3%	48	0.1%
Municipalities	9,774	2.0%	9,647	1.9%	9,518	1.9%	-129	-1.3%	-256	-2.6%
Corporate	192,792	39.0%	196,953	38.8%	199,627	39.1%	2,674	1.4%	6,836	3.5%
Large corporate	37,041	7.5%	34,733	6.8%	36,374	7.1%	1,641	4.7%	-667	-1.8%
SME	122,003	24.7%	128,195	25.3%	129,596	25.4%	1,401	1.1%	7,593	6.2%
Real estate	32,335	6.5%	33,912	6.7%	33,483	6.6%	-429	-1.3%	1,148	3.5%
ALM/Other	1,412	0.3%	114	0.0%	175	0.0%	61	53.7%	-1,238	-87.6%
BANK: LOANS TO CUSTOMERS	456,690	92.4%	472,886	93.2%	476,075	93.3%	3,189	0.7%	19,385	4.2%
SUBSIDIARIES	55,744	11.3%	54,259	10.7%	53,627	10.5%	-632	-1.2%	-2,117	-3.8%
CONSOLIDATION ITEMS	-18,098	-3.7%	-19,677	-3.9%	-19,470	-3.8%	206	-1.0%	-1,372	7.6%
GROUP: LOANS TO CUSTOMERS	494,335	100.0%	507,469	100.0%	510,232	100.0%	2,763	0.5%	15,896	3.2%

Macroeconomic figures – Historical and forecasted macroeconomic data

	2011	2012	2013	2014e	2015e
Population (avg, mil)	10.5	10.5	10.5	10.5	10.5
GDP/capita (CZK ths)	364.0	366.0	369.3	380.2	394.9
Real GDP growth	1.8	-0.9	-0.9	2.0	2.7
Consumer price inflation (avg)	1.9	3.3	1.4	1.2	2.4
Unemployment rate (eop)	6.8	7.4	8.2	7.4	6.8
Current account balance (share of GDP)	-2.7	-2.5	-1.5	0.0	-1.4
General government balance (share of GDP)	-3.2	-4.2	-1.4	-1.7	-2.0
Public debt (share of GDP)	41.4	46.2	46.0	44.8	43.7
Short term interest rate (3 months, eop)	1.2	0.5	0.4	0.3	0.5
EUR FX rate (eop)	25.56	25.57	27.50	27.10	25.70

Financial statements – Quarterly development (CZK mil)

Net profit decreased by 3% QoQ

	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q/Q %
Net interest income	6,912	6,769	6,823	6,748	6,710	-0.6%
Net fee and commission income	2,933	2,792	2,733	2,836	2,787	-1.7%
Dividend income	0	45	5	2	10	380.8%
Net trading and fair value result	457	633	560	532	589	10.7%
Rental income from investment properties & other operating leases	221	209	198	201	220	9.4%
General administrative expenses	-4,739	-4,721	-4,726	-4,556	-4,519	-0.8%
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	167	59	-69	57	116	102.3%
Net impairment loss on financial assets not measured at fair value through profit or loss	-940	-1,065	-904	-729	-976	33.9%
Other operating result	231	211	-485	83	64	-22.6%
Pre-tax result from continuing operations	5,242	4,931	4,135	5,174	5,001	-3.3%
Taxes on income	-1,038	-988	-818	-1,060	-993	-6.3%
Post-tax result from continuing operations	4,204	3,942	3,317	4,114	4,008	-2.6%
Net result for the period	4,204	3,942	3,317	4,114	4,008	-2.6%
Net result attributable to non-controlling interests	0	7	6	-2	-8	419.1%
Net result attributable to owners of the parent	4,204	3,949	3,324	4,112	4,000	-2.7%
Operating income	10,523	10,448	10,319	10,319	10,316	0.0%
Operating expenses	-4,739	-4,721	-4,726	-4,556	-4,519	-0.8%
Operating result	5,784	5,726	5,592	5,763	5,797	0.6%

Financial statements – Income statement (CZK mil)

Adjusted for deconsolidation of TPF

	1-3 13	1-3 14	Change	Change
Net interest income	6,893	6,710	-2.6%	-183
Net fee and commission income	2,980	2,787	-6.5%	-193
Dividend income	0	10	-	10
Net trading and fair value result	456	589	29.2%	133
Rental income from investment properties & other operating leases	221	220	-0.4%	-1
General administrative expenses	-4,743	-4,519	-4.7%	224
Gains/losses from financial assets and liabilities not measured at fair value	167	116	-30.8%	-51
Net impairment loss on financial assets not measured at fair value through	-940	-976	3.9%	-36
Other operating result	208	64	-69.2%	-144
Pre-tax result from continuing operations	5,242	5,001	-4.6%	-241
Taxes on income	-1,038	-993	-4.3%	45
Post-tax result from continuing operations	4,204	4,008	-4.7%	-196
Net result for the period	4,204	4,008	-4.7%	-196
Net result attributable to non-controlling interests	0	-8	-	-8
Net result attributable to owners of the parent	4,204	4,000	-4.8%	-204
				0
Operating income	10,550	10,316	-2.2%	-234
Operating expenses	-4,743	-4,519	-4.7%	224
Operating result	5,806	5,797	-0.2%	-10

Financial statements – Balance sheet I

Assets - adjusted for deconsolidation of TPF

CZK mil	Dec 13	Mar 14	Change	Change
Cash and cash balances	77,581	73,943	-4.7%	-3,638
Financial assets - held for trading	47,764	41,558	-13.0%	-6,206
Derivatives	21,214	21,682	2.2%	469
Other trading assets	26,550	19,876	-25.1%	-6,674
Financial assets - designated at fair value through profit or loss	4,223	4,204	-0.4%	-19
Financial assets - available-for-sale	61,409	65,541	6.7%	4,132
Financial assets - held to maturity	144,635	142,300	-1.6%	-2,335
Loans and receivables to credit institutions	55,874	57,045	2.1%	1,171
Loans and receivables to customers	489,180	491,418	0.5%	2,239
Derivatives - hedge accounting	895	894	-0.1%	-1
Property and equipment	14,166	13,909	-1.8%	-256
Investment properties	8,330	8,318	-0.1%	-12
Intangible assets	3,333	3,196	-4.1%	-137
Investments in associates and joint ventures	0	0	-	0
Current tax assets	102	132	29.3%	30
Deferred tax assets	130	151	16.4%	21
Other assets	10,375	11,329	9.2%	954
Total assets	917,997	913,938	-0.4%	-4,060

Financial statements – Balance sheet II

Liabilities - adjusted for deconsolidation of TPF

CZK mil	Dec 13	Mar 14	Change	Change
Financial liabilities - held for trading	24,024	24,708	2.8%	684
Derivatives	24,024	24,708	2.8%	684
Other trading liabilities	0	0	-	0
Financial liabilities designated at fair value through profit or loss	14,434	13,971	-3.2%	-463
Deposits from customers	12,615	12,317	-2.4%	-298
Debt securities	1,818	1,654	-9.0%	-164
Financial liabilities measured at amortised cost	765,831	754,531	-1.5%	-11,300
Deposits from banks	73,036	62,107	-15.0%	-10,929
Deposits from customers	664,149	666,221	0.3%	2,071
Debt securities	28,646	26,203	-8.5%	-2,443
Derivatives - hedge accounting	415	507	22.2%	92
Provisions	2,553	2,472	-3.2%	-81
Current tax liabilities	414	494	19.2%	79
Deferred tax liabilities	90	241	>100%	150
Other liabilities	9,476	12,089	27.6%	2,614
Total equity	100,759	104,925	4.1%	4,166
Equity attributable to non-controlling interests	316	324	2.5%	8
Equity attributable to owners of the parent	100,662	104,601	3.9%	3,939
Total liabilities and equity	917,997	913,938	-0.4%	-4,060

Segment financial statements – Segment Czech Republic - income statement (EUR m)*

	1-3 13	1-3 14	Change
Net interest income	256.6	233.4	-9.0%
Net fee and commission income	114.7	101.6	-11.5%
Dividend income	0.0	0.4	>100%
Net trading and fair value result	17.9	21.5	20.1%
Net result from equity method investments	0.0	0.0	-
Rental income from investment properties & other operating leases	8.6	8.0	-7.2%
General administrative expenses	-185.4	-164.7	-11.2%
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	6.5	4.2	-35.5%
Net impairment loss on financial assets not measured at fair value through profit or loss	-36.8	-35.6	-3.2%
Other operating result	9.0	2.3	-74.4%
Levies on banking activities	0.0	0.0	-
Pre-tax result from continuing operations	191.2	171.1	-10.5%
Taxes on income	-38.0	-34.1	-10.3%
Post-tax result from continuing operations	153.3	137.0	-10.6%
Post-tax result from discontinued operations	0.0	0.0	-
Net result for the period	153.3	137.0	-10.6%
Net result attributable to non-controlling interests	0.8	0.8	-3.0%
Net result attributable to owners of the parent	152.4	136.2	-10.7%
Operating income	397.8	364.8	-8.3%
Operating expenses	-185.4	-164.7	-11.2%
Operating result	212.4	200.1	-5.8%
Cost/income ratio	46.6%	45.1%	
Return on allocated capital	34.9%	37.7%	

*Significantly influenced by CNB FX intervention on CZK

Segment financial statements – Quarterly development

Segment Czech Republic - income statement (EUR m)*

	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14
Net interest income	256.6	247.4	254.2	241.2	233.4
Net fee and commission income	114.7	108.1	105.7	106.5	101.6
Dividend income	0.0	1.7	0.2	0.1	0.4
Net trading and fair value result	17.9	20.2	21.7	20.0	21.5
Net result from equity method investments	0.0	0.0	0.0	0.0	0.0
Rental income from investment properties & other operating leases	8.6	8.1	7.7	7.5	8.0
General administrative expenses	-185.4	-182.8	-182.8	-170.8	-164.7
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	6.5	-0.6	-2.6	4.9	4.2
Net impairment loss on financial assets not measured at fair value through profit or loss	-36.8	-41.3	-34.8	-27.3	-35.6
Other operating result	9.0	11.0	-19.0	0.6	2.3
Levies on banking activities	0.0	0.0	0.0	0.0	0.0
Pre-tax result from continuing operations	191.2	171.7	150.2	182.7	171.1
Taxes on income	-38.0	-34.6	-29.8	-37.6	-34.1
Post-tax result from continuing operations	153.3	137.1	120.4	145.0	137.0
Post-tax result from discontinued operations	0.0	0.0	0.0	0.0	0.0
Net result for the period	153.3	137.1	120.4	145.0	137.0
Net result attributable to non-controlling interests	0.8	0.6	0.4	2.1	0.8
Net result attributable to owners of the parent	152.4	136.5	120.0	143.0	136.2
Operating income	397.8	385.5	389.4	375.3	364.8
Operating expenses	-185	-182.8	-182.8	-170.8	-164.7
Operating result	212.4	202.6	206.6	204.4	200.1
Cost/income ratio	46.6%	47.4%	46.9%	45.5%	45.1%
Return on allocated capital	34.9%	35.9%	30.5%	38.6%	37.7%

*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 připojištění se statním příspěvkem Česká spořitelna – penzijní společnost, a.s. (Transformed pension fund) was deconsolidated from the consolidated whole of Ceska sporitelna as at 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.
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