Česká spořitelna's Development

- History
- Current Market Position
History of Česká spořitelna

- **Spořitelna česká was established**
  - 12th February 1825

- **Česká spořitelna became a joint stock company**
  - 30th December 1991

- **Erste Bank paid first half or EUR 531 m price and became 52% shareholder of ČS**
  - 3rd August 2000

- **Erste Bank announced its intention to buy out minority shares of ČS and gradually became 98% owner of ČS**
  - March 2002

- **Erste Bank became 100% shareholder of Česká spořitelna**
  - 6th November 2018

---

**1948 - 1990**

- After February **1948** small savings banks were nationalized
- In **1967** one State Savings Bank was created and in 1969 it was split into Czech State Savings Bank and Slovak State Savings Bank as a result of Czechoslovak Federation Law

---

**3rd August 2000**

- Erste Bank paid first half or EUR 531 m price and became 52% shareholder of ČS

---

**December 2001**

- Ambitious 18 month transformation programme was completed

---

**6th November 2018**

- Erste Bank became 100% shareholder of Česká spořitelna
Today Česká spořitelna is client oriented, modern, sound and competitive bank of Pan-European quality

Česká spořitelna offers a universal range of financial products and related services to

- Private individuals
- Small and medium sized businesses
- Municipalities
- Large corporates

Market leader in many business activities:

- Total loans
- Corporate lending
- Consumer lending
- Total mortgage loans
- Mutual fund business
- ATM network
- Social banking

The largest bank in the Czech Republic as measured by number of clients
ČS Strategic Goals

Česká spořitelna is becoming a bank which helps its clients to improve their financial health via unique branch advisory service model which consists of providing financial but also non-financial services (e.g. utilities). And therefore fulfil its long-term goal of bringing prosperity to its clients.

The Bank focuses on key segments in retail, corporate and public segment and through these segments wants to help local regions and communities become more prosperous. For Erste Group target region is central and eastern Europe accompanied by inspiration from Europe and global competition.

Group-wide agile transformation has started to enable the Bank to reach the key strategic objectives until 2025:

- 5 million fans
- 70% employees as promoters
- 45% C/I
Česká spořitelna at Glance

<table>
<thead>
<tr>
<th>Consolidated IFRS (in CZK m)</th>
<th>1-9 18</th>
<th>2018</th>
<th>1-9 19</th>
<th>Y/Y Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance Sheet</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>1,398,058</td>
<td>1,426,465</td>
<td>1,573,913</td>
<td>12.6%</td>
</tr>
<tr>
<td>Customer loans</td>
<td>720,111</td>
<td>694,065</td>
<td>733,650</td>
<td>1.9%</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>939,712</td>
<td>954,441</td>
<td>1,079,136</td>
<td>14.8%</td>
</tr>
<tr>
<td><strong>Profit &amp; Loss Statement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating result</td>
<td>15,024</td>
<td>20,761</td>
<td>16,796</td>
<td>11.8%</td>
</tr>
<tr>
<td>Net profit</td>
<td>11,846</td>
<td>15,362</td>
<td>12,971</td>
<td>9.5%</td>
</tr>
<tr>
<td><strong>Financial Ratios</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on Equity - ROE</td>
<td>13.1%</td>
<td>12.8%</td>
<td>13.5%</td>
<td></td>
</tr>
<tr>
<td>Net Interest Margin</td>
<td>2.1%</td>
<td>2.2%</td>
<td>2.1%</td>
<td></td>
</tr>
<tr>
<td>Cost/Income Ratio</td>
<td>47.7%</td>
<td>46.9%</td>
<td>46.0%</td>
<td></td>
</tr>
</tbody>
</table>

ČS ratings (as at 31st October 2019)

<table>
<thead>
<tr>
<th>Rating agency</th>
<th>Long-term</th>
<th>Short-term</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitch</td>
<td>A</td>
<td>F1</td>
<td>stable</td>
</tr>
<tr>
<td>Moody's</td>
<td>A1</td>
<td>Prime - I</td>
<td>stable</td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>A</td>
<td>A-1</td>
<td>positive</td>
</tr>
</tbody>
</table>

|        |        |        |            |
| 485    | branches |        |            |
| 1,791  | ATMs & POS |        |            |
| 9,723  | employees |        |            |
| 4.6 m  | clients  |        |            |

Shareholder structure since 6th November 2018

EGB AG 100%
ČS subsidiaries offer customers wide range of supplementary financial products in area of:

- Building savings and building loans
- Leasing
- Pension supplementary insurance
- Factoring

Net profit of selected subsidiaries

<table>
<thead>
<tr>
<th>IFRS, CZK m</th>
<th>1-9 18</th>
<th>1-9 19</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stavební spořitelna ČS</td>
<td>636</td>
<td>767</td>
<td>20.6%</td>
</tr>
<tr>
<td>sAutoleasing</td>
<td>82</td>
<td>81</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Erste leasing</td>
<td>45</td>
<td>44</td>
<td>-2.2%</td>
</tr>
<tr>
<td>ČS Penzijní společnost*</td>
<td>180</td>
<td>252</td>
<td>40.0%</td>
</tr>
<tr>
<td>Factoring ČS</td>
<td>48</td>
<td>31</td>
<td>-35.4%</td>
</tr>
<tr>
<td>REICO Investiční společnost</td>
<td>66</td>
<td>72</td>
<td>9.1%</td>
</tr>
</tbody>
</table>

* Only the result of Pension Society of ČS is captured, funds not included
ČS Market Shares

Market leadership maintained (August 2019)

**Market leadership in:**
- Number of customers (4.6 m)
- Total mortgages (market share of 28%)*
- Consumer loans incl. credit cards (market share of 28%)
- Total deposits (market share of 22%)
  - 26% in retail deposits, 12% in corporate deposits
- Mutual funds (market share of 27%)*

**No. 2 positions in:**
- Private mortgages (market share of 26%)*
- Total assets (market share of 20%)
- Total loans (market share of 22%)

* Figure from June 2019
The ČS Digital World

APPLICATIONS

- **GEORGE IN THE MOBILE** – Cutting-edge personalised Internet banking that allows for management of family finance in real time
- **APPLE PAY** – Since February 2019, Česká spořitelna’s clients have been able to make payments with their iPhones or Apple watches
- **GOOGLE PAY** – All that is required to activate the Google Pay is a mobile device that supports NFC technologies and features an Android 5.0 operating system or higher and than to enter a ČS payment card in Google Pay
- **FRIENDS 24** – An application offering a new method for paying small amounts without knowing the account number
- **BUSINESS 24 Mobile bank** – An application for corporate clients allowing clients to manage their finance via BUSINESS 24, even while on the road

PRODUCTS

- **ONLINE MORTGAGE** - An online mortgage specialist is available to clients throughout the process
- **ONLINE LOANS** - Arranging a loan, completing the process either online or at a branch. The share of loan transactions amounts to nearly 30% of all consumer loans arranged
- **ONLINE BUILDING SAVINGS** - The “Buřinka” building savings programme allows clients to arrange a building savings plan online. For this product, the “Buřinka” won first place in 2018 in the Golden Crown competition
- **ediFACTORING** – Česká spořitelna is the first in the Czech Republic to automate the market with short-term corporate receivables. The service is designed primarily for companies that are involved in larger supplier-customer chains
- **ELECTRONIC PAYMENT SYSTEMS** - In the Smart City project, Česká spořitelna has successfully installed payment terminals in many municipalities

THE SERVICE MODEL

- **SERVICE DIGITIZATION** – Modern digital technologies have been installed at branches (client tablets, iPads for advisors, biometrics, digital advertising). Service availability at branches is also facilitated by building self-serve zones that operate on a 24/7 basis
- **INSTANT PAYMENTS** - Money is credited from one bank to another within the order of seconds. ČS was the first bank on the market to provide this
- **PENSION SAVINGS** – Česká spořitelna – penzijní společnost made a unique portal available to its business partners in 2018. With it, they get a clear idea of the status of savings, arrange new pension savings or help make a change for existing clients
- **MULTIBANKING** – ČS launched the first multi-banking payment button on the Czech market. People will be able to pay for transactions at Internet shops from their Internet banking system, regardless of the bank in which they have their account
- **ERSTE API Hub** - The Erste API Hub portal developed successfully. Thanks to it, corporate clients are using ČS’s API interface
- **DIGITAL CREDIT APPLICATION** - The second-generation digital credit application will bring simplification of work for client-facing staff and gradual digitization of the lending process
Current Selection of Prestigious Awards

- Česká spořitelna recorded three successes in the “Zlatá koruna” (“Golden Crown”) competition – it was awarded gold medals for mortgages, Visa Infinite payment card connected to the Erste Premier account and “Nová krev” (“New Blood”) corporate loan.

- Subsidiaries were also successful - Stavební spořitelna České spořitelny (silver medal) and Penzijní společnost České spořitelny (bronze medal).

- In the “Zlatá koruna” (“Golden Crown”) competition, Česká spořitelna received the silver medal for the project focusing on financial education of children called “Abeceda peněz” (“Money Alphabet”).

- In addition, Česká spořitelna received two awards from Mastercard for an absolute increase in volume on issued commercial cards (Commercial Card Issuer 2018) and for the most significant absolute increase in the volume on issued premium cards (Premium Card Issuer 2018).

- Erste Private Banking had been selected, for the third time in a row, as the best private banking in the Czech Republic by British economic magazine The World Finance.

- Out of all domestic banks, Česká spořitelna is the most significant contributor to Czech state budget. Spořitelna was awarded by the Ministry of Finance and General Finance Directorate.
Erste Group
Introduction to Erste Group

Austria’s first savings bank: Founded in 1819

- Erste Group went public in 1997 with a strategy to expand its retail business model into CEE
- Acquisition of more than 10 banks between 1997 and 2008
- Erste core activities – besides the traditional strength in serving private individuals and SMEs – include advisory services and support for corporate clients (incl. access to international capital markets)
- Erste Group’s customer base grew from 600,000 in 1997 to 16.7 m in September 2019

Sale in 2012

New holding structure improving Group governance
Erste Group – Leading retail bank in the eastern part of the EU

Leading retail and corporate bank in 7 geographically connected countries

Favourable mix of mature & emerging markets with low penetration rates

Potential for cross selling and organic growth in CEE

Absolut data reported as of 30th September 2019
* AT market shares data as at 30th June 2019; CZ market shares data as at 31st August 2019
### Strategy

Real customer needs are the reason for all business

#### Strategic Objectives

<table>
<thead>
<tr>
<th>Eastern part of EU</th>
<th>Focus on CEE, limited exposure to other Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retail banking</strong></td>
<td><strong>Corporate banking</strong></td>
</tr>
<tr>
<td>Focus on local currency mortgage and consumer loans funded by local deposits</td>
<td>Large, local corporate and SME banking</td>
</tr>
<tr>
<td>FX loans only in EUR for clients with EUR income (or equivalent) and where funded by local FX deposits (HR &amp; RS)</td>
<td>Advisory services, with focus on providing access to capital markets and corporate finance</td>
</tr>
<tr>
<td>Savings products, asset management and pension products</td>
<td>Real estate business that goes beyond financing</td>
</tr>
<tr>
<td>Expansion of digital banking offering</td>
<td></td>
</tr>
</tbody>
</table>
# Erste Group Highlights

## Consolidated IFRS (in EUR m)

### Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>Q1-3 2018</th>
<th>2018</th>
<th>Q1-3 2019</th>
<th>Y/Y Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>234,827</td>
<td>236,792</td>
<td>252,101</td>
<td>7.4%</td>
</tr>
<tr>
<td>Customer loans</td>
<td>148,311</td>
<td>149,321</td>
<td>157,841</td>
<td>6.4%</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>159,827</td>
<td>162,638</td>
<td>172,511</td>
<td>7.9%</td>
</tr>
</tbody>
</table>

### Profit & Loss Statement

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>Q1-3 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit</td>
<td>1,228</td>
<td>1,793</td>
<td>-0.4%</td>
</tr>
</tbody>
</table>

### Financial Ratios

<table>
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</tr>
<tr>
<td>Moody’s</td>
<td>A2</td>
<td>Prime-1</td>
<td>positive</td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>A</td>
<td>A-1</td>
<td>positive</td>
</tr>
</tbody>
</table>

## EB ratings (as at 31st October 2019)

- **Fitch**: A, F1, stable
- **Moody’s**: A2, Prime-1, positive
- **Standard & Poor’s**: A, A-1, positive

## Additional Information

- **2,385 branches**
- **44,469 employees**
- **16.7 m clients**
Shareholders structure Erste Group Bank

Total number of shares: **429,800,000**

**By investor**
- Economic interest Erste Foundation, including Erste Employees Private Foundation
- Economic interest Savings Banks & Savings Banks Foundations
- Other parties to the shareholder agreement of Erste Foundation, Savings banks and CaixaBank
- Unidentified institutional and retail investors
- **Including Market Makers, Prime Brokerage, Proprietary Trading, Collateral and Stock Lending positions which are visible through custodian banklists**

**By region**
- Austria 27.1%
- North America 16.2%
- UK & Ireland 16.2%
- Rest of world 3.1%
- Continental Europe 24.2%
- Identified Trading ** 2.3%

1 Economic interest Erste Foundation, including Erste Employees Private Foundation
2 Economic interest Savings Banks & Savings Banks Foundations
3 Other parties to the shareholder agreement of Erste Foundation, Savings banks and CaixaBank
* Unidentified institutional and retail investors
** Including Market Makers, Prime Brokerage, Proprietary Trading, Collateral and Stock Lending positions which are visible through custodian banklists
ČS Group Product Offerings

- Retail Customers
- Corporate Customers
- Financial Market Products
- EU Programmes of ČS
## Four Faces of ČS Retail Division

<table>
<thead>
<tr>
<th>For whom</th>
<th>What</th>
<th>Values</th>
<th>Proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>For everyone</td>
<td>Family financial advisory with focus on simplicity</td>
<td>Friendliness, Helpfulness, Trust</td>
<td>My Healthy Finances</td>
</tr>
<tr>
<td></td>
<td>Advisory and financial solutions for financially more capable clients</td>
<td>Care, Professionalism, Partnership</td>
<td>Erste Premier</td>
</tr>
<tr>
<td></td>
<td>Exclusive advisory and services for clients who want to increase the value of their property</td>
<td>Uniqueness, Exclusivity, Prestige</td>
<td>Erste Private Banking</td>
</tr>
<tr>
<td></td>
<td>International service and special advisory in the area of wealth management for HNW clients</td>
<td>Expertise, Trustfulness, Discretion</td>
<td>Retail proposition for small entrepreneurs</td>
</tr>
<tr>
<td></td>
<td>Financial advisory utilizing knowledge of the client’s business</td>
<td>Care, Professionalism, Partnership</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Investment and deposits CZK 10+ mil.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Small entrepreneurs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **For whom**: For everyone, Small entrepreneurs
- **What**: Family financial advisory with focus on simplicity, Advisory and financial solutions for financially more capable clients, Exclusive advisory and services for clients who want to increase the value of their property, International service and special advisory in the area of wealth management for HNW clients, Financial advisory utilizing knowledge of the client’s business
- **Values**: Friendliness, Helpfulness, Trust, Care, Professionalism, Partnership, Uniqueness, Exclusivity, Prestige, Expertise, Trustfulness, Discretion, Care, Professionalism, Partnership
- **Proposition**: My Healthy Finances, Erste Premier, Erste Private Banking, Retail proposition for small entrepreneurs
My Healthy Finances principles:

- **Helping clients** to manage better their family budget
- We are looking for **savings in regular monthly expenses**, and advise how to use them
- We are **educating** our clients and help them to **prosperity**
Banking of the future that will make clients’ life easier

- **Online advisor 24/7**
  George helps with money management and answers every question at any time

- **George in mobile**
  George pays, changes the limit and blocks the card no matter where client currently is

- **Smart search**
  Client enters the word or number related to the payment and George will find it within a second

- **Automated payment sorting**
  George carefully sorts out the client’s expenditures, thus client exactly knows, how much and for what they pay

- **Higher security level and more comfortable login**
  Client sets his own login and adjusts the layout according to their ideas. They can log in quickly and easily and confirm the payments with the application George Key
Product Offering for Retail Customers and Small Entrepreneurs

**Accounts & Cards**
- My Healthy Finances with Personal Account (including products for pupils, students and graduates)
- Basic account
- Entrepreneur current accounts
- George (mobile & internet banking), application My Balance, Melinda etc.
- Debit and Credit cards
- Deposit account
- Apple Pay and Google Pay

**Lending products**
- Consumer loans (including loans consolidation)
- Money on click – revolving loan
- Operating, investment, mortgage, revolving, non-purpose loans for entrepreneurs
- Mortgages (including American mortgages)
- Building Society Loans
- Lombard loans
- Overdraft

**Savings & Investment Products**
- ČS Saving account with envelopes for separate goals
- Mutual funds, Debt securities
- Building savings
- Retirement benefit schemes
- Life/non-life insurance
- Asset management
- Funds of qualified investors
- Private equity
Product Offering for Corporate Customers

Payment Services
- Current accounts and business debit and credit cards
- Business 24 Internet banking, Business 24 Mobile bank, MultiCash
- e-Invoicing (@FAKTURA 24, e-Faktura)
- Cross-Border Services
- Card acquiring

Hedging
- FX risks, Commodities & Interest rate risks hedging

Lending Products
- Working capital & investment financing
- Real estate & project financing
- Syndicated, club & acquisition finance
- Debt capital markets

Trade & Export Finance
- Documentary business & bank guarantees
- Export finance

Issuers Services
- Custody services, depositary, cash payouts, squeeze-outs

Advisory services
- Financial & strategic advisory
- Debt & Rating advisory
- M&A advisory
- Grant advisory
- Companies valuation
- Equity capital markets
Financial Market Products

**Treasury**
- Investment products
- Products for foreign currency risk management
- Products for interest rate risk management
- Money market products
- Commodity derivatives, physical gold and electric energy sales

**Investment banking**
- Bonds & Equities trading and brokerage
- Primary issues (domestic bonds, eurobonds, commercial papers)
- Corporate finance advisory
- Private Equity, Venture Capital, Acquisition Finance

**Asset management**
- Investment advisory for institutional and private clients
- Individual portfolio management

**Research / Consultancy**

**Custodian and securities/artworks depository services**
Special Programmes for ČS Customers

InnovFin Programme (guarantees) of EIF

- After successful implementation of the RSI guarantee of the EIF in 2012, the second guarantee line InnovFin was signed in 2015 which was further increased in spring 2019
- The guarantee extend the availability of funding for innovative companies and makes it more attractive to ČS customers

Key parameters of the guarantee:
- Focus on innovation projects
- Guaranteed exposure 50%, total limit available EUR 100 m
- SME businesses – up to 250 employees, EUR 50 m turnover or EUR 43 m assets; Mid-caps up to 500 employees
- Eligible also for start ups – max. 3 years from registration
- Loan amount – from EUR 25 thousand up to EUR 7 m
- Loan maturity – up to 10 years

Another guarantee programme is EaSI*

- The guarantee EIF is focused on financing of small start ups up to CZK 600 thousand. Together with InnovFin and EIB credit lines, ČS covers the whole spectrum of loans (from start ups up to midsize companies) by guarantees of EU financial institutions. In this area ČS is the market leader

*EU Programme for Employment and Social Innovation
Special Programmes for ČS Customers

Global Loan EIB

- Global Loan is intended to support the projects realized by municipalities, SMEs and midsize companies up to 3,000 employees, in the form of advantageous interest rate.

Definition of SME:

1. Annual turnover up to EUR 50 m
2. Up to 250 employees
3. Independence

Midsize companies – up to 3,000 employees without the turnover or assets limit

- ČS has signed contracts with the EIB in the total volume of EUR 1,400 m and has supported more than 1,000 projects.
- Up to 100% of eligible project costs can be financed from Global Loan.
- Global Loan can be connected with support programmes of European Commission: guarantee programmes of EIF and EIB.
Corporate Social Responsibility
We Believe in Good Things

Financial literacy

The “Abeceda peněž” (“Money Alphabet”) project teaches current pupils of 4th classes, in an entertaining manner, how to manage money. This year, it has been awarded the silver crown in the “Zlatá koruna” (“Gold Crown”) competition for the best project in corporate social responsibility. Since the beginning of the school year 2017/2018, almost 300 schools have taken part in the project and the children have already earned CZK 7 million at fairs. During 2019, it has been more than CZK 3.7 million during almost 270 fairs.

Community Grants

The 30th anniversary of the Velvet Revolution is forthcoming; for this reason, Česká spořitelna decided to announce a regular community grant programme entitled “Dokážeme víc” (“We Can Do More”). By the programme, ČS wants to inspire citizens to an active approach to the place where they live, support and enhance coexistence of neighbours and contribute to the prosperity of the Czech Republic. In the first year, the employees registered 66 ideas, out of which the conditions of the grant were met by 45 projects. The best 19 projects will receive the total amount of CZK 1.5 million for implementation.

Foundation of Česká spořitelna

Foundation of Česká spořitelna believes that education is essential for the development of the Czech Republic and the path leading to system changes is an extensive co-operation among sectors. Together with another three foundations, it founded the “Eduzměna” endowment fund which wants in next five years to improve pupils’ educational results from approximately twenty schools in a selected region, as part of a regional pilot project, and subsequently offer it to the public sector.

Students

The total of 16 students from high schools in Pardubice took part in the fourth year of the “Můj potenciál” (“My Potential”) development programme. This year, three grammar schools and two vocational high schools has taken part in the programme. The task for the students was to prepare a class project with the topic of Customer Services in 2028. Students who took part in the programme can additionally complete the obligatory school internship in Česká spořitelna. Our employees actively participate in the programme in the roles of lecturers and guarantors.

Culture

Česká spořitelna, together with its foundation, accompanies elderly people through their twilight years to make their old age dignified. In its role of a co-producer, it released an observational documentary entitled “Ještě nekončíme” (“We Have Not Finished Yet”) which monitors the lives of four elderly people. Families with children were able to experience “Smetana Weekend with Česká spořitelna” at the Smetanova Litomyšl festival where both adults and children could enjoy numerous activities free of charge.

Sport

Česká spořitelna is the general partner of the “Kolo pro život” (“Bike for Life”) series of race which will celebrate twenty years of its existence in 2019. There are bikers among the employees of Česká spořitelna. In 2019 the employees of Česká spořitelna from both Moravian regions took part in the project “Na kole do práce” (“Going to Work on a Bike”) and cycled 38,904 km during May. Česká spořitelna has been supporting physical literacy in the long term.
Contact

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E-mail: csas@csas.cz
Internet: www.csas.cz
SWIFT: GIBA CZ PX
Reuters: SPOPsp.PR