

# Česká spořitelna

## *H1 2001 IAS Unaudited Consolidated Results*

## *Loan Portfolio Development*

August 8, 2001

# H1 2001 Highlights

- **Reclassification finished**
- **First Ring Fencing Options realised**
- **New back up system for ATMs**
- **New distribution channels implemented**
- **„Top Programmes“ successfully released**
- **Transformation well on track**
- **Headcount decreased to 13,014 from 14,131 as of December 31, 2000**

# Transformation Progress

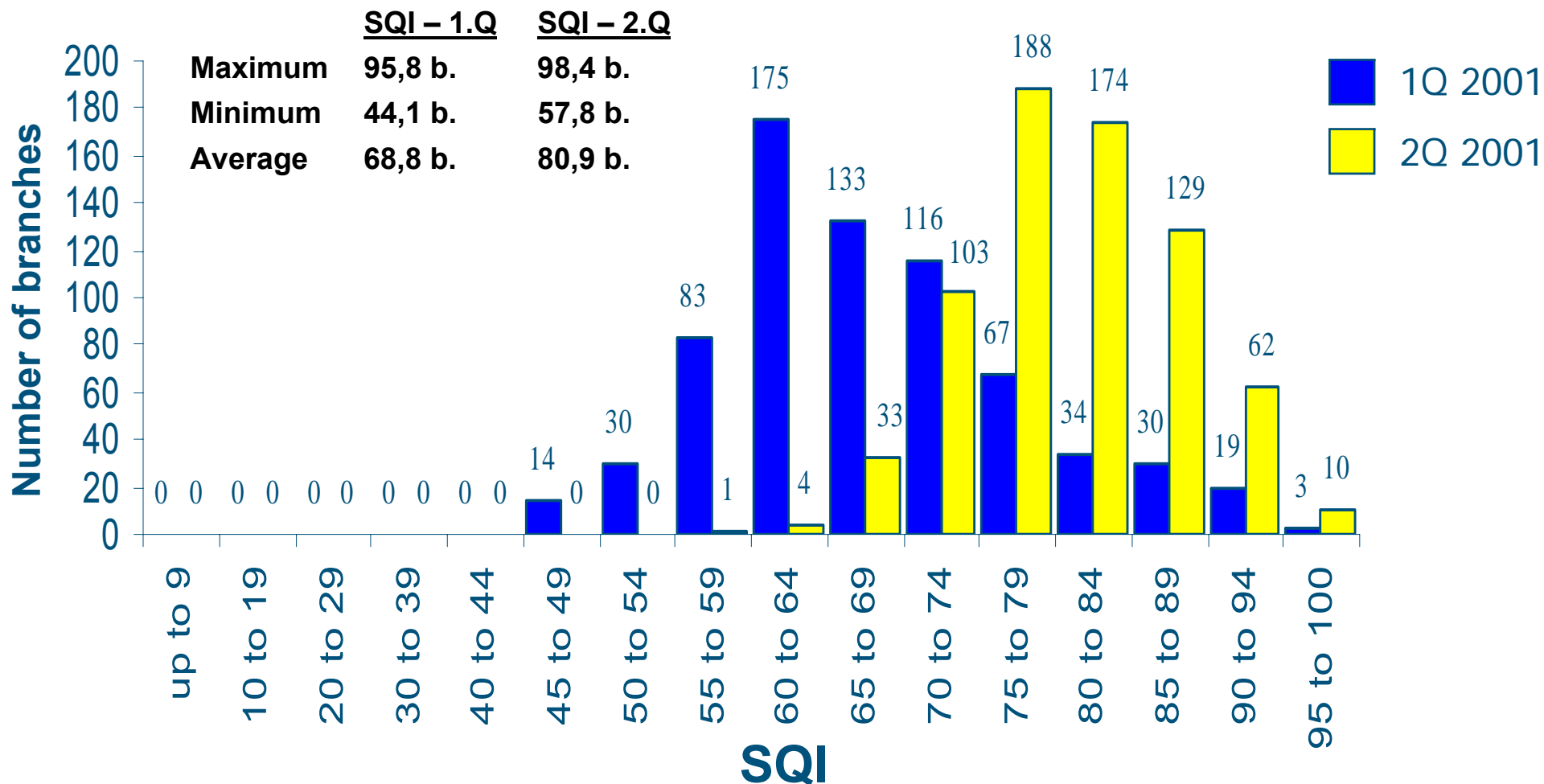
## ● June 2001 milestones: successfully completed

- ❏ Rationalization of Support Functions and Efficiency Enhancement Program completed with full impact of synergies taking effect
- ❏ Small & Medium Industries and Housing Programmes launched
- ❏ Improvement in product range: e.g. GSM SIM Toolkit banking , Internet banking
- ❏ Implementation of Branch Process Reengineering begun
- ❏ Group premium life insurance introduced
- ❏ New training modules developed
- ❏ SAP - centralisation of district branches activities
- ❏ Symbols Retail – stress tests and rough HW/SW sizing completed, implementation started
- ❏ Strategic Sourcing - integration of CS purchases with Erste Group, preparation of electronic purchasing

# Service Quality Issues in 2001

- **Ombudsman** – from the beginning of 2001 settled appr. 4000 issues
- **All CS staff trained in service quality** - evident improvement followed
- **Quarterly measurement of service quality at branches:** link between service quality and bonus
- **Telephone customer satisfaction survey in 1Q 2001 results:** clients appreciated interest and positively assessed the Bank. Similar survey will be repeated in 2002.
- **Independent survey by Accenture confirmed CS position improvement** among major Czech banks **from fifth position to second best** (April 2001)

# Service Quality Index Improvement



# Top Programmes Results

| <b>As of July 31, 2001</b> | <b>Number of approved loans</b> | <b>Volume of approved loans (CZK m)</b> |
|----------------------------|---------------------------------|---|
| <b>TOP COMPANY</b>         | 5                               | 192.5                                   |
| <b>TOP HOUSING</b>         | 944                             | 904.1                                   |

# H2 2001 Objectives

- **Implementation of a new corporate design – new logos, new names of subs**
- **Introducing of SAP and Symbols – backbone IT platforms**
- **24x7 Customer Interaction Centre**
- **New product packages, loyalty programmes**
- **Number of employees 12,000**
- **Branch unification completed**
- **Branch reengineering completed**
- **Card Centre – reconstruction of backup system completed**
- **400 employees trained at Erste Bank Vienna**

# *H1 2001 IAS Unaudited Consolidated Results*

*Directly comparable figures for the period ending June 30, 2000 are not available. The bank started to report the results in consolidated format only after its privatisation, in mid-2000. A representative portion of the consolidated IAS results for the period January-July 2000 was taken as the basis for comparisons quoted in this statement.*



# H1 2001 Group Profit & Loss Highlights

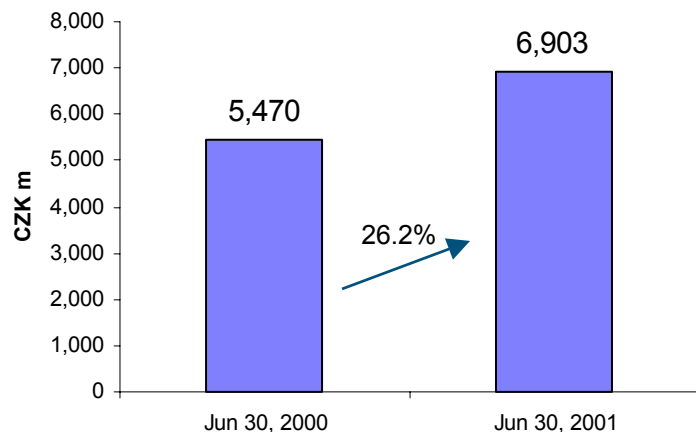
- Net profit rose by 68.1% to CZK 796 million
- Operating profit improved by 6.8% to CZK 2,771 million
- Net interest income grew by 26.2% to CZK 6,903 million
- Net fees and commissions grew by 37.9% to CZK 3,197 million
- ROE reached 6.9%, ROA at 0.35%
- Net interest margin improved to 3.0%
- Cost/Income Ratio at 73.6%

# Group Profit & Loss Statement

| IAS, consol., CZK m                                  | Jun 30, 2001 | Jun 30, 2000 | % Change     |
|--|--------------|--------------|--------------|
| Net interest income                                  | 6,903        | 5,470        | 26.2         |
| Net allocation of risk provision                     | -1,237       | -1,471       | -15.9        |
| Net fee and commission income                        | 3,197        | 2,318        | 37.9         |
| Net trading result                                   | 397          | 1,206        | -67.1        |
| General administrative expenses                      | -7,726       | -6,400       | 20.7         |
| Other operating result                               | -369         | -571         | -35.4        |
| <b>Pre-tax profit</b>                                | <b>1,165</b> | <b>552</b>   | <b>111.1</b> |
| Taxes on income                                      | -312         | -32          | 875.0        |
| <b>Profit for the year before minority interests</b> | <b>853</b>   | <b>520</b>   | <b>64.2</b>  |
| Minority interests                                   | -57          | -46          | 23.9         |
| <b>Profit for the year after minority interests</b>  | <b>796</b>   | <b>474</b>   | <b>68.1</b>  |

# Group Interest Income

Net interest income



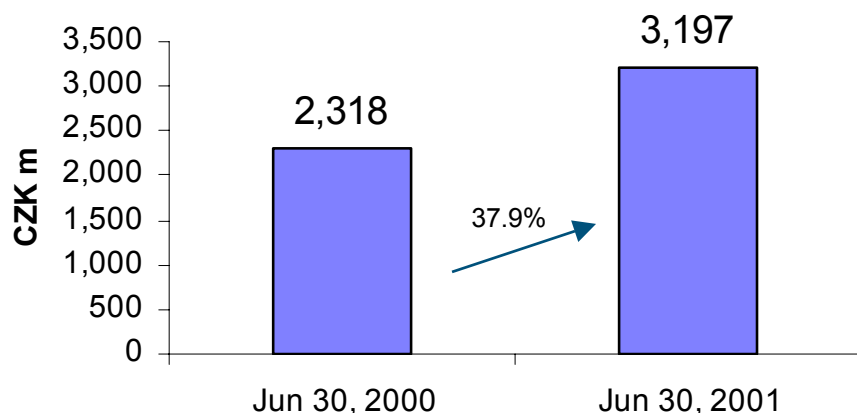
## Main impacts:

- Increase of low cost deposits
- Increase of loan book
- Higher yielding financial investments, e.g. eurobonds

| IAS, consol., CZK m                    | Jun 30, 2000  | Jun 30, 2001  | % Change    |
|--|---------------|---------------|-------------|
| <b>Interest income</b>                 | <b>12,375</b> | <b>13,268</b> | <b>7.2</b>  |
| - from loans and advances to banks     | 4,412         | 4,484         | 1.6         |
| - from loans and advances to customers | 5,179         | 5,273         | 1.8         |
| - from securities                      | 2,610         | 3,168         | 21.4        |
| - other interest income                | 174           | 343           | 97.0        |
| <b>Interest expenses</b>               | <b>-6,905</b> | <b>-6,365</b> | <b>-7.8</b> |
| - from amounts owed to banks           | -312          | -591          | 89.4        |
| - from amounts owed to customers       | -5,667        | -4,900        | -13.5       |
| - from securities                      | -484          | -428          | -11.6       |
| - other interest expenses              | -442          | -446          | 0.9         |

# Group Fee and Commission Income

Net fee and commission income

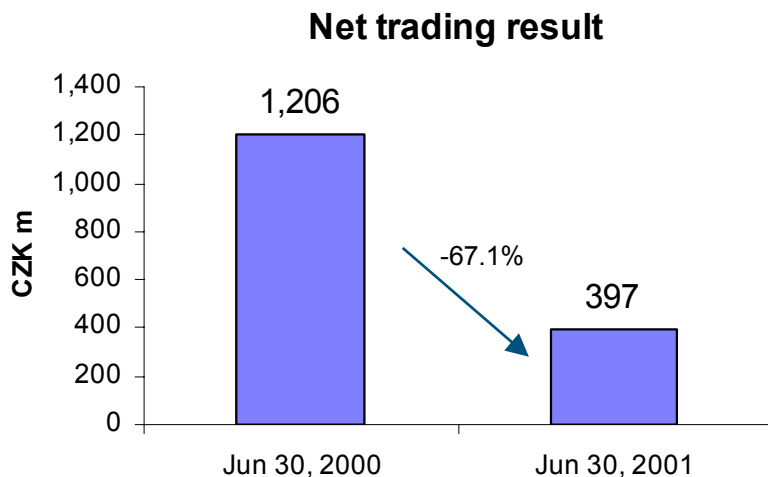


## Main impacts:

- Increase of number of transactions
- Repricing of products (April 2001)
- Lending business acceleration

| IAS, consol., CZK m                | Jun 30, 2000 | Jun 30, 2001 | % Change    |
|------------------------------------|--------------|--------------|-------------|
| <b>Fee and commission income</b>   | <b>2,501</b> | <b>3,394</b> | <b>35.7</b> |
| - from lending business            | 181          | 545          | 201.1       |
| - from payment transactions        | 1,767        | 2,245        | 27.1        |
| - from security business           | 336          | 138          | -58.9       |
| - other                            | 217          | 466          | 114.7       |
| <b>Fee and commission expenses</b> | <b>-183</b>  | <b>-197</b>  | <b>7.7</b>  |
| - from lending business            | -10          | 0            | -100.0      |
| - from payment transactions        | -45          | -47          | 0.0         |
| - from security business           | -21          | -25          | 19.0        |
| - other                            | -107         | -125         | 16.8        |

# Group Trading Result



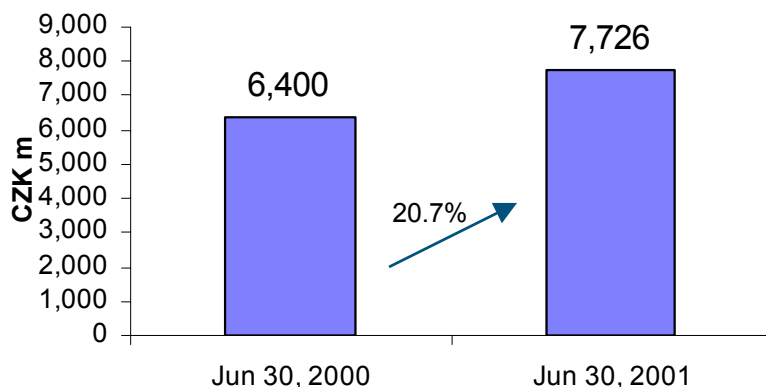
## Main impacts:

- Extraordinary income from recovery of credit derivatives positions in 2000 (Ukraine and Russia)
- Fundamental changes in securities portfolios structure (much lower volume of trading portfolio due to stricter market risk limits, as well as IAS 39 implication) and shift of the interest income from Held To Maturity and Available For Sale portfolios from trading result to net interest income in 2001

| IAS, consol., CZK m    | Jun 30, 2000 | Jun 30, 2001 | % Change |
|------------------------|--------------|--------------|----------|
| From security business | 811          | 33           | -95.9    |
| From derivatives       | 54           | -114         | -311.1   |
| From FX transactions   | 241          | 432          | 79.3     |
| Other                  | 100          | 46           | -54.0    |

# Group Expenses

General administrative expenses



## Main impacts:

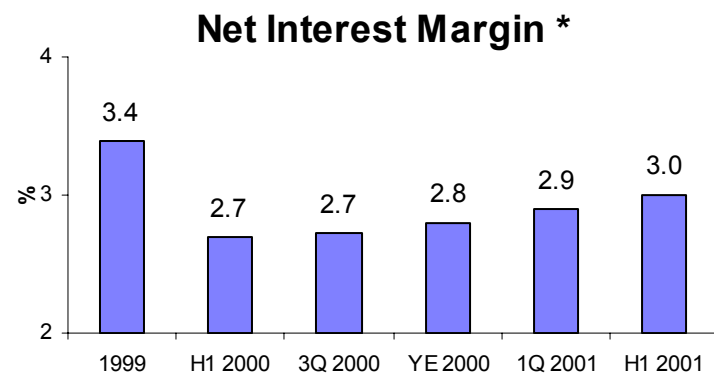
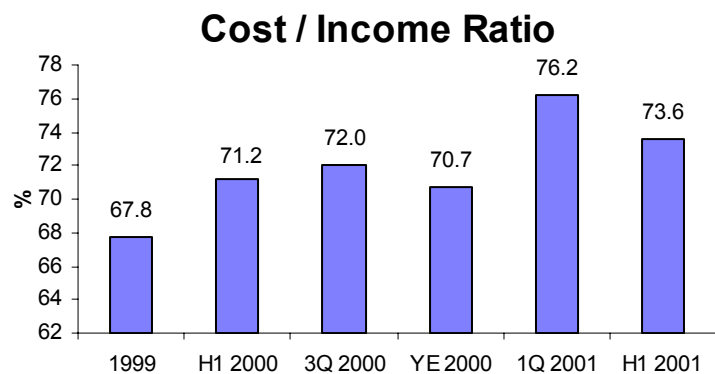
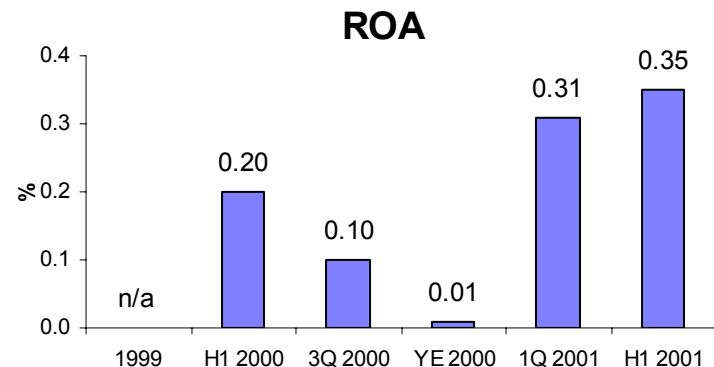
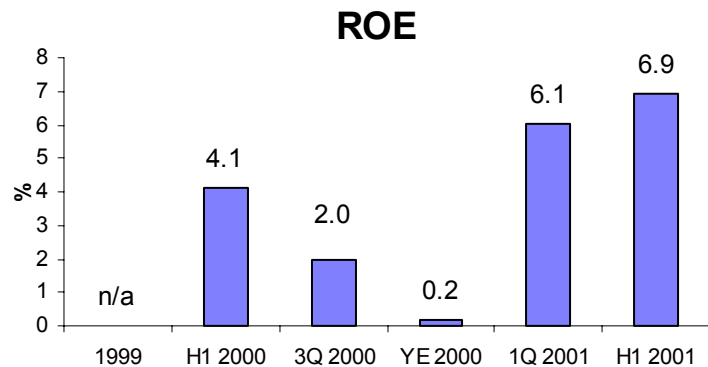
- Transformation process continues
- Salary increase (January 2001)
- Acquisition of EBCR

| IAS, consol., CZK m           | Jun 30, 2000 | Jun 30, 2001 | % Change |
|-------------------------------|--------------|--------------|----------|
| Personnel expenses            | 2,523        | 3,102        | 22.9     |
| Other administrative expenses | 2,377        | 3,254        | 36.9     |
| Depreciation                  | 1,500        | 1,370        | -8.7     |

# Restructuring Reserve

|                                 | CZK m        |
|---------------------------------|--------------|
| <b>Balance as of 1.1. 2001</b>  | <b>1,421</b> |
| Closing branches                | 51           |
| Software changes                | 507          |
| Moving out of buildings early   | 150          |
| Laying off employees            | 488          |
| Sale of buildings               | 225          |
| <b>Costs incurred</b>           | <b>310</b>   |
| Closing branches                | 0            |
| Software changes                | 240          |
| Moving out of buildings early   | 0            |
| Laying off employees            | 69           |
| Sale of buildings               | 1            |
| <b>Balance as of 30.6. 2001</b> | <b>1,111</b> |
| Closing branches                | 51           |
| Software changes                | 267          |
| Moving out of buildings early   | 150          |
| Laying off employees            | 419          |
| Sale of buildings               | 224          |

# Financial Ratios Development



\* Net interest income to average gross assets



# H1 2001 Group Balance Sheet Highlights

- **Total assets grew\* by 7.8% to CZK 472.4 bn**
- **Gross loans to customers increased\* by 3.4% to CZK 139.5 bn**
- **Deposits grew\* by 6.6% to CZK 381.0 bn**
- **Group capital adequacy according to BIS reached 16.6%**
- **Applications of IAS 39 and new accounting scheme changed security portfolios structure**

*\* Compared to Dec 31, 2000*

# Group Balance Sheet (1/2)

| IAS, consol., CZK m                       | Jun 30, 2001   | Dec 31, 2000   | % Change    |
|---|----------------|----------------|-------------|
| <b>Total Assets</b>                       | <b>472,416</b> | <b>438,055</b> | <b>7.84</b> |
| Cash and balances with the central bank   | 15,038         | 21,144         | -28.88      |
| Loans and advances to credit institutions | 184,723        | 155,144        | 19.07       |
| Loans and advances to customers           | 139,490        | 134,900        | 3.40        |
| - Provision for loans                     | -24,503        | -23,523        | 4.17        |
| Trading assets                            | 19,008         | 47,017         | -59.57      |
| Investments available for sale            | 18,217         | 11,132         | 63.65       |
| Financial Investments                     | 82,447         | 55,082         | 49.68       |
| Other assets                              | 37,996         | 37,159         | 2.25        |

# Group Balance Sheet (2/2)

| IAS, consol., CZK m                              | Jun 30, 2001   | Dec 31, 2000   | % Change    |
|--|----------------|----------------|-------------|
| <b>Total Liabilities and Shareholders Equity</b> | <b>472,416</b> | <b>438,055</b> | <b>7.84</b> |
| Amounts owed to banks                            | 22,237         | 16,709         | 33.08       |
| Amounts owed to clients                          | 381,022        | 357,477        | 6.59        |
| Bonds issued                                     | 5,165          | 5,175          | -0.19       |
| Subordinated debt                                | 5,500          | 5,500          | 0.00        |
| Other liabilities                                | 33,975         | 29,503         | 15.16       |
| Minority interests in controlled companies       | 1,030          | 1,036          | -0.60       |
| <b>Shareholders equity</b>                       | <b>23,487</b>  | <b>22,655</b>  | <b>3.67</b> |

# Capital Adequacy

## CNB Capital Adequacy

| Parent Bank, CZK m                      | Dec 31, 1999 | Dec 31, 2000 | Jun 30, 2001 |
|---|--------------|--------------|--------------|
| Tier I capital                          | 14,340       | 15,447       | 20,184       |
| Tier I + Tier II capital                | 20,719       | 21,298       | 26,327       |
| Capital requirement A (to RWA)          | 13,027       | 11,713       | 12,559       |
| Capital requirement B (to market risks) | -            | 1,542        | 1,003        |

|   |              |              |              |
|---|--------------|--------------|--------------|
| <b>Capital adequacy Tier I ratio</b>    | <b>9.5%</b>  | <b>9.3%</b>  | <b>11.9%</b> |
| <b>Capital adequacy Tier I+II ratio</b> | <b>13.7%</b> | <b>12.9%</b> | <b>15.5%</b> |

## BIS Capital Adequacy

| CS Group, CZK m      | Dec 31, 1999 | Dec 31, 2000 | Jun 30, 2001 |
|----------------------|--------------|--------------|--------------|
| Tier I Capital       | 22 844       | 23 678       | 24 489       |
| Tier I+II Capital    | 30 499       | 29 761       | 30 516       |
| Risk Weighted Assets | 172 398      | 166 450      | 171 150      |
| Market risks         |              | 1 542        | 1 003        |

|   |              |              |              |
|---|--------------|--------------|--------------|
| <b>Capital adequacy Tier I ratio</b>    | <b>13,3%</b> | <b>12,7%</b> | <b>13,3%</b> |
| <b>Capital adequacy Tier I+II ratio</b> | <b>17,7%</b> | <b>16,0%</b> | <b>16,6%</b> |

# *Successful completion of Reclassification and Put/Call Option*

# Ring Fencing Agreement allows

- **CS to reclassify certain as at YE 1999 CNB 1-2 rated assets until June 30<sup>th</sup>, 2001**
- **CS to put ring fenced loans to KoB**
- **KoB to call ring fenced loans**

# What is Ring Fencing Agreement?

- **Represents a guarantee of certain credit risks on**
  - CS's commercial loan portfolio relating to loan classified CNB 3, 4 and 5,
  - selected off/BS risks and
  - selected bonds, interbank, derivatives

based on the value of such assets as at YE 1999
- **As at YE 1999**
  - the total nominal value of the ring fenced assets was CZK 22.4 bn
  - guaranteed value (equal to the book value of the ring fenced exposures) CZK 15.9 bn

# What is Reclassification?

- **Prior to June 2001, commercial loans and certain other exposures classified as CNB 1 and 2 as per YE 1999 can be reclassified**
  - if **CS and KoB agree** that they were wrongly classified at such date and
  - thereafter be **covered by the guarantee of KoB**
- **As a consequence of such a reclassification,**
  - the **respective exposures** become part of the ring fence and,
  - therefore, **covered by the guarantee of KoB**
- **Additional CZK 7.1 bn have been reclassified and thus are covered by KoB guarantee**



# What is Put/Call Option?

- **The ring fenced assets may, at the option of CS and a reciprocal call option of KoB, on June 30 in each year for the next 5 years, be transferred to KoB at their book value as of YE 1999 (being their nominal value less specific provisions), in amounts up to pre-defined annual limits.**
- **Possibility for an extraordinary total put / total call in 06/2002**

# The 1<sup>st</sup> Put/Call Option (6/2001)

- **CS decided to transfer non-performing assets to KoB**
  - the maximum possible amount of CZK 7 bn was transferred
- **KoB exercised its call option only partially**
  - for “performing” clients, CS declined the call in order to protect their economic interest.
  - consequently these receivables are no longer covered by the KoB guarantee
- **CZK 7.9 bn was transferred in July 2001 for a total purchase price of CZK 4.7 bn, of which CZK 7.2 bn represented loans and CZK 0.7 bn bonds.**

# Ring Fenced Assets Development

## B/S impact of Put/Call and Reclassification

|   | CZK bn      |
|---|-------------|
| Ring Fencing (as at 12/99)                      | 22,4        |
| Repayments (-)                                  | -5,3        |
| Put & Call Option (-)                           | -7,9        |
| Call Option - Refused cases (-)                 | -1,8        |
| Reclassification (+)                            | 7,1         |
| <b>Ring Fencing (Pro forma as at 30.6.2001)</b> | <b>14,5</b> |
| - of which bonds                                | 1,4         |

**All ring fenced loans are fully administrated by CS**

# *Loan Portfolio Highlights*

# Loan Portfolio Highlights

## (1) Overall CS Portfolio Development

|                                 | 31.12.2000     |               | 30.6.2001      |               | % Change     |
|---------------------------------|----------------|---------------|----------------|---------------|--------------|
|                                 | CZK m          | %             | CZK m          | %             |              |
| I. Loans to customers           | 124,863        | 47.4%         | 129,210        | 43.1%         | 3.5%         |
| II. Loans and advances to banks | 138,296        | 52.6%         | 170,815        | 56.9%         | 23.5%        |
| <b>Total (I+II)</b>             | <b>263,159</b> | <b>100.0%</b> | <b>300,025</b> | <b>100.0%</b> | <b>14.0%</b> |

- All loans to Credit Institutions are CNB 1 (standard) rated

# Loan Portfolio Highlights

## (2) Loans to Customers (CS)

| CAS                          | 31.12.2000     |              | 30.6.2001      |              | Pro Forma, 30.6.2001 |              |
|------------------------------|----------------|--------------|----------------|--------------|----------------------|--------------|
|                              | CZK m          | %            | CZK m          | %            | CZK m                | %            |
| <b>1. Good Bank of which</b> | <b>88,187</b>  | <b>70.6%</b> | <b>99,182</b>  | <b>76.8%</b> | <b>99,757</b>        | <b>81.8%</b> |
| 1.1. Corporate portfolio     | 49,942         | 40.0%        | 54,663         | 42.3%        | 55,155               | 45.2%        |
| 1.2. Retail portfolio        | 38,245         | 30.6%        | 44,520         | 34.5%        | 44,602               | 36.6%        |
| <b>2. Bad Bank of which</b>  | <b>36,676</b>  | <b>29.4%</b> | <b>30,027</b>  | <b>23.2%</b> | <b>22,237</b>        | <b>18.2%</b> |
| 2.1. Reclassification        | 11,257         | 9.0%         | 3,341          | 2.6%         | 0                    | 0.0%         |
| 2.2. Ring Fencing            | 16,103         | 12.9%        | 17,553         | 13.6%        | 13,104               | 10.7%        |
| 2.4. 100% provisioned        | 9,316          | 7.5%         | 9,133          | 7.1%         | 9,133                | 7.5%         |
| <b>3. Total (1+2)</b>        | <b>124,863</b> | <b>100%</b>  | <b>129,210</b> | <b>100%</b>  | <b>121,994</b>       | <b>100%</b>  |

Memo: Transferred portfolio of Call&Put Option into KoB 7,216

### ● Overall growth in H1 2001 was driven by

- growth of mortgage loans: + 31.0%  
(market growth of 12.8%, Jan - May\*)
- growth of loans to municipalities: + 28.7%  
(market development -1.4%, Jan - May\*)

\* Sources: CNB Statistics, January - May 2001

# Quality of Loan Portfolio

## (1) Loans to Customers (CS)

| CAS, CZK m                 | 31.12.2000 |        |            | 30.06.2001     |        |            |
|----------------------------|------------|--------|------------|----------------|--------|------------|
|                            | Balance    | Share  | Provisions | Balance        | Share  | Provisions |
| Total Loans to Customers   | 124,863    | 100.0% | 17,716     | <b>129,210</b> | 100.0% | 18,130     |
| CNB 1 Standard             | 76,691     | 61.4%  | 0          | <b>81,918</b>  | 63.4%  | 0          |
| CNB 2 Watch                | 16,387     | 13.1%  | 288        | <b>12,298</b>  | 9.5%   | 220        |
| CNB 3 Non-standard         | 8,490      | 6.8%   | 636        | <b>10,440</b>  | 8.1%   | 529        |
| CNB 4 Doubtful             | 2,724      | 2.2%   | 428        | <b>3,486</b>   | 2.7%   | 326        |
| CNB 5 Loss                 | 20,570     | 16.5%  | 16,364     | <b>21,066</b>  | 16.3%  | 17,055     |
| Classified Loans (CNB 2-5) | 48,172     | 38.6%  | 17,716     | 47,291         | 36.6%  | 18,130     |
| High risk loans (CNB 3-5)  | 31,785     | 25.5%  | 17,428     | 34,993         | 27.1%  | 17,910     |

- Increase of standard loans by 6.8% (CZK 5 bn)
- Decrease of watch loans by 25.0% (CZK 4 bn)
- Increase of high risk loans is mainly driven by reclassification
- Decrease of provisions in CNB 3-4 is mainly caused by reclassification
- June 2001 figures reflects reclassification but not Put&Call Option

# Quality of Loan Portfolio

## (2) Good Bank - Loans to Customers (CS)

| CAS, CZK m                 | 30.06.2001    |        |            |
|----------------------------|---------------|--------|------------|
|                            | Balance       | Share  | Provisions |
| Total Loans to Customers   | <b>99,182</b> | 100.0% | 2,573      |
| CNB 1 Standard             | <b>81,328</b> | 82.0%  | 0          |
| CNB 2 Watch                | <b>9,850</b>  | 9.9%   | 156        |
| CNB 3 Non-standard         | <b>3,673</b>  | 3.7%   | 39         |
| CNB 4 Doubtful             | <b>1,330</b>  | 1.3%   | 50         |
| CNB 5 Loss                 | <b>3,001</b>  | 3.0%   | 2,328      |
| Classified Loans (CNB 2-5) | <b>17,855</b> | 18.0%  | 2,573      |
| High risk loans (CNB 3-5)  | 8,005         | 8.1%   | 2,417      |

- **High risk loans (CZK 8 bn) are covered except of specific provisions by collateral (CZK 5 bn) and also by general provisions (CZK 5 bn)**



# New Customer Statistics

New Corporate and SME's Customers in 2000 & 1H2001 (CS)

as of 30.6. 2001

| CZK m              | # Customers | Outstanding | Provisions | Collateral | Outstanding in % |
|--------------------|-------------|-------------|------------|------------|------------------|
| Grand Total        | 1220        | 7,867.3     | 32.5       | 4,737.3    | 100.00%          |
| CNB 1 Standard     | 1099        | 7,484.6     | 0.0        | 4,425.6    | 95.14%           |
| CNB 2 Watch        | 85          | 309.9       | 1.9        | 271.2      | 3.94%            |
| CNB 3 Non-standard | 13          | 41.6        | 0.9        | 39.1       | 0.53%            |
| CNB 4 Doubtful     | 2           | 1.6         | 0.1        | 1.5        | 0.02%            |
| CNB 5 Loss         | 3           | 29.6        | 29.6       | 0.0        | 0.38%            |
| Repaid             | 18          | 0.0         | 0.0        | 0.0        | 0.00%            |

- Share of high risk loans (CNB 3-5) amounts 0.93%
- Share of risk cost represents 0.41%
- The quality of loans granted to new customers in Y2000 and H1 2001 is satisfactory.

# *Provisions*

# Provision Creation for Credit Risk

| IAS, CZK m                                     | consolidated  | parent bank   |
|--|---------------|---------------|
| <b>Total provisions for credit losses</b>      | <b>25,190</b> | <b>24,414</b> |
| - specific incl. Country risk                  | 19,085        | 18,377        |
| - general                                      | 5,418         | 5,350         |
| - off-balance                                  | 687           | 687           |
| <b>Total net allocation</b>                    | <b>1,242</b>  | <b>1,202</b>  |
| - for loans and advances to banks              | -6            | -6            |
| - for loans and advances to clients (general)  | 527           | 527           |
| - for loans and advances to clients (specific) | 690           | 650           |
| - for other credit risks (off-balance)         | 31            | 31            |
| <b>Direct write-offs</b>                       | <b>2</b>      | <b>2</b>      |
| <b>Income received on written offs</b>         | <b>-7</b>     | <b>-7</b>     |
| <b>Risk provision P&amp;L impact</b>           | <b>1,237</b>  | <b>1,197</b>  |

- **Provisioning in H1 2001 reflects**

- more than CZK 500 m safeguard for planned collateral revaluation (general)
- more than CZK 200 m for retail private risk (specific)

- **CZK 40 m was created by subsidiaries, esp. Corfina**

# CS Risk Cost Performance

1H2001

|                     | Balance as of<br>30.6.2001 (in CZK bn) | Specific Provision<br>Creation<br>(in CZK bn) | Risk Cost |
|---------------------|--|---|-----------|
| Good Bank           | 99.2                                   | 0.815   | 0.82%     |
| Retail              | 44.5                                   | 0.211   | 0.47%     |
| Corporate           | 54.7                                   | 0.604   | 1.10%     |
| Work Out / Bad Bank | 30.0                                   | -0.120  | -0.40%    |

- **Extraordinary income of Bad Bank is the result of one time effect of Reclassification process**

# *Appendix*

# Macroeconomic Framework

|  | 1998 | 1999 | 2000 | 2001e | 2002f |
|--|------|------|------|-------|-------|
| Real GDP (growth y/y %)                  | -2.2 | -0.8 | 2.9  | 3.5   | 3.5   |
| Household Consumption (growth y/y %)     | -2.9 | 0.7  | 1.4  | 3.0   | 2.5   |
| Fixed Capital Formation (growth y/y %)   | -3.9 | -4.4 | 5.2  | 5.0   | 4.0   |
| Nominal Wages (growth y/y %)             | 6.5  | 7.0  | 6.6  | 9.5   | 8.0   |
| Retail sales (growth y/y %)              | -6.7 | 1.3  | 4.6  | 4.3   | 4.5   |
| Industrial production (y/y %)            | 2.7  | -3.1 | 5.2  | 8.5   | 7.5   |
| CPI (year-end%)                          | 6.8  | 2.5  | 4.0  | 4.6   | 4.0   |
| Unemployment (%)                         | 7.5  | 9.4  | 8.8  | 8.5   | 8.3   |
| Exports (USD bn)                         | 26.4 | 26.4 | 29.4 | 35.9  | 37.8  |
| Imports (USD bn)                         | 28.9 | 28.5 | 32.7 | 39.9  | 41.6  |
| Trade balance (% of GDP)                 | -4.4 | -3.7 | -6.7 | -7.2  | -5.9  |
| Foreign direct investment (USD bn; cum.) | 10.6 | 15.5 | 20.2 | 25    | 28    |
| Current account balance (% of GDP)       | -1.9 | -2   | -4.8 | -5.2  | -4.3  |
| Govt. budget balance (% of GDP)          | -1.5 | -3   | -2.5 | -2.5  | -2    |
| Foreign debt to GDP (%)                  | 41.3 | 44.3 | 42.6 | 42.0  | 41.5  |
| Debt service to exports (%)              | 14.4 | 13.3 | 13.1 | 11.9  | 10.5  |
| Central bank intervention rate           | 9.50 | 5.25 | 5.25 | 5.50  | 5.50  |
| Short term interest rate (3 months)      | 9.86 | 5.60 | 5.35 | 5.55  | 5.55  |
| Long term interest rate (10 years)       | 8.4  | 7.2  | 7.29 | 7.1   | 6.8   |
| Money Supply (growth y/y %)              | 5.2  | 8.1  | 6.5  | 9.5   | 8     |
| Loc. Curr./USD average                   | 32.3 | 35.1 | 38.6 | 36.8  | 34.5  |
| Loc. Curr./USD year-end                  | 30.0 | 35.8 | 38.7 | 35.3  | 34.0  |
| Loc. Curr./EUR average                   | 36.2 | 36.9 | 35.6 | 34.0  | 34.5  |
| Loc. Curr./EUR year-end                  | 35.1 | 36.2 | 34.9 | 34.2  | 35.0  |

# Story, Mission & Vision

## Story

**Transform CS so that it provides added value to customers and is profitable with above average returns. Duplicate the business models that Erste Bank and other EU/North American banks have created. Participate in and contribute to economic growth in CR during EU accession.**

## Mission

**Enable and help our customers to improve their financial well-being.**

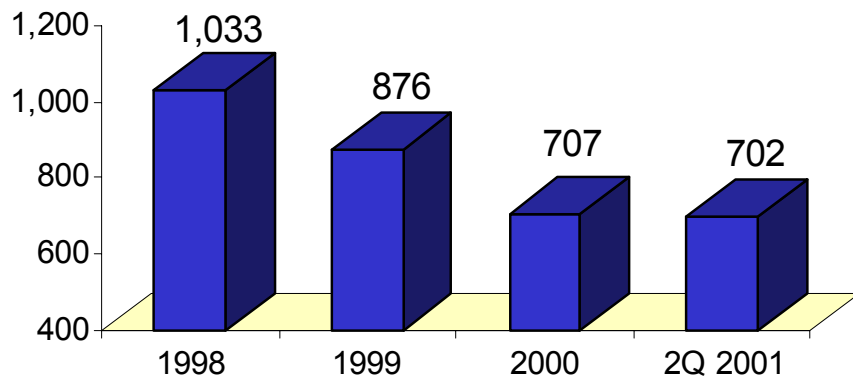
## Vision

### **Retail Bank providing**

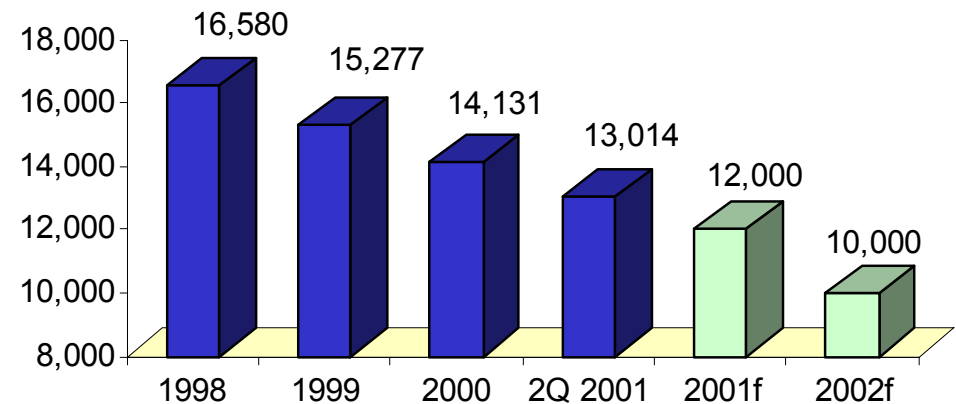
- Professional high-quality financial products and services to customers
- Challenging and rewarding work environment for our employees
- Responsible partner for communities where we conduct business supporting the country's economic development
- Above average returns for our shareholders

# Efficiency Enhancement in Parent Bank

## Number of Branches



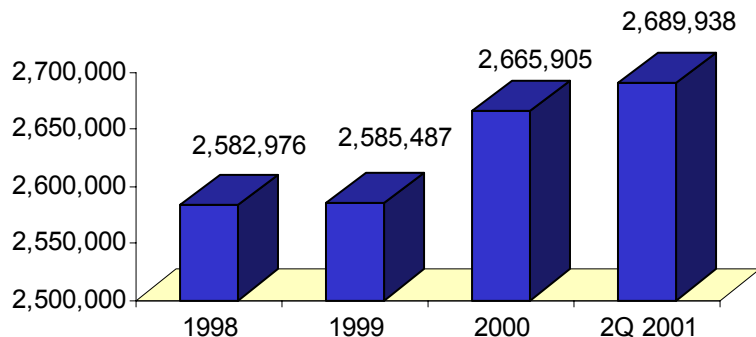
## Number of Employees



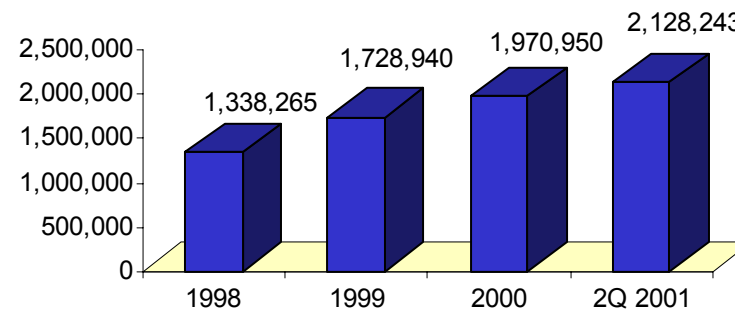


# CS: Retail Leadership

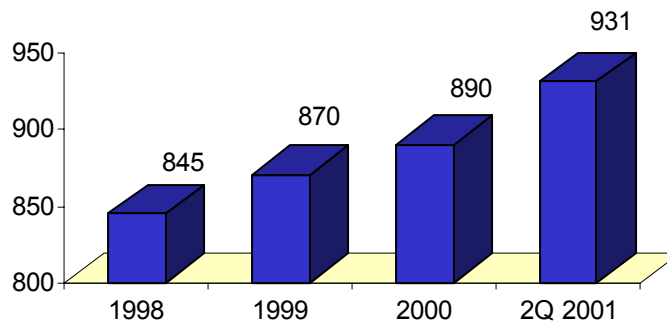
### Number of Sporožiro Current Accounts



### Number of Issued Cards



### Number of ATMs



# Segment Focus

- **Core**

- **Consumer**
  - Mass Market
  - Middle Market
  - High Net Worth
- **Municipalities**
- **Small Enterprises**
- **Middle Enterprises**
- **Large Corporate**

- **Non-core**

- **Consumer: Private Bank Clients**
- **Multi-National**

# Special Programmes - Top Programmes

## Top Programmes for Czech Economy by Ceska Sporitelna worth CZK 22 bn

### Top Company - 10 yrs

**CZK 10 bn** for loans, started in April  
CS directly supporting it by CZK 1.5 bn for interest rates of 300 bps below the market average

### Top Housing - 20 yrs

**CZK 10 bn** for mortgages, started in mid-May  
CS directly supporting it by CZK 3.0 bn for interest rate of 300 bps below the market average

### Top Partner - 5 yrs

**CZK 1 bn**, started in November 2000, for sponsoring of culture, sports, social development, education

### Top Capital -10 yrs

**CZK 1 bn** capital participation, to be designed in H2 2001 in promising industrial companies

# Objectives 2001 - 2002

- Efficiency enhancement
- Credit risk management
  - Service Quality
- Highest customer satisfaction in CR
- Fast and easy access through multiple channels: branches, telephone, ATM, Internet, Person-to-person
- Growing market share in targeted segments
- Selling a complete range of financial services and products (in particular CS Financial Group products)
  - ROE min 18%
  - Cost/ Income below 70%

# Milestones

## ⌘ September 2001

- ❏ Implementation of a new corporate design starting - new logo



- ❏ SAP system implemented and centralised (Financial and Assets Accounting, Controlling and Materials Management modules)
- ❏ Symbols for Corporates and Financial Markets Divisions implemented
- ❏ 24x7 Telephone Access - Call Centre introduced
- ❏ Introduction of new product packages
- ❏ Implementation of Branch Process Reengineering on-going
- ❏ Group Strategy – launch of Single premium life insurance
- ❏ Reconstruction of branches to customer friendly form launched

# Milestones (cont'd)

## ⌘ December 2001

- ✎ Headcount: 12,000
- ✎ Unification of branches completed
- ✎ Branch reengineering completed. Operations centralized
- ✎ Client Relationship system implemented
- ✎ SAP – HR module implemented
- ✎ Card Centre – reconstruction completed
- ✎ 400 employees trained in Erste Bank Vienna

# New CS Group Structure



1) Bayerische Landesbank Girozentrale 39.5%

2) Sparkassen Versicherung 44.75%

3) Sindat s.r.o. 49%

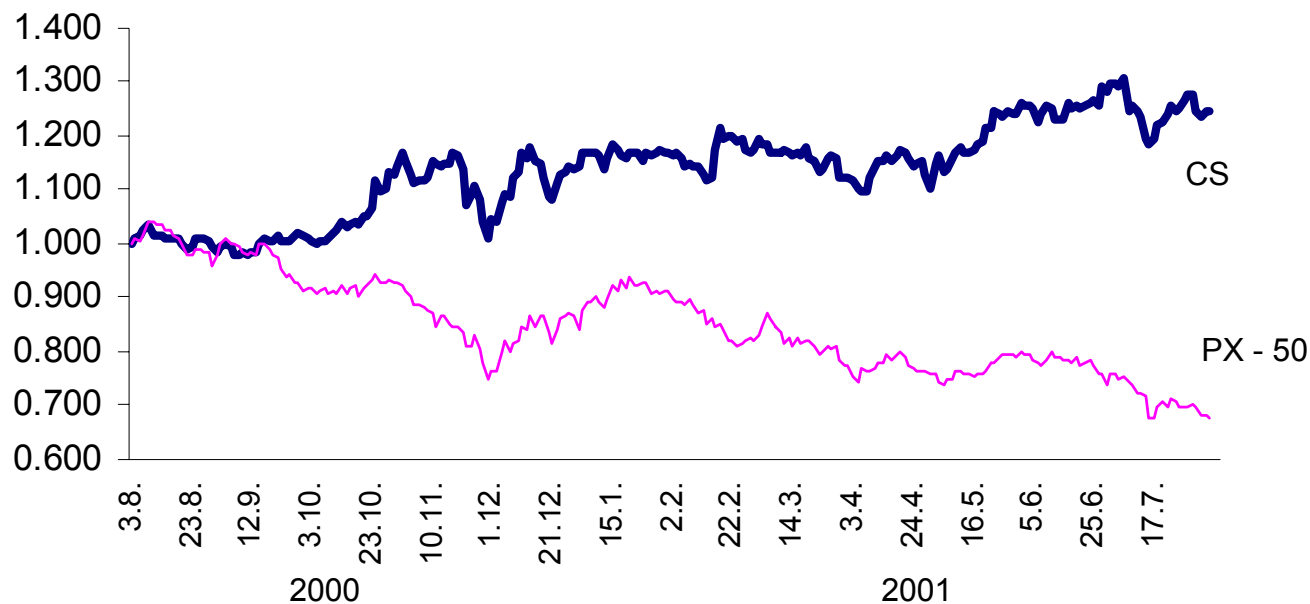
# Net Profit of Selected Subsidiaries

| IAS, CZK m                       | Jun 30, 2000 | Jun 30, 2001 | Change in % |
|----------------------------------|--------------|--------------|-------------|
| ČS-stavební spořitelna           | 116          | 82           | -29.3       |
| Spořitelní investiční společnost | 509          | -27          | -105.3      |
| Corfina                          | 50           | 58           | 16.0        |
| Spořitelní penzijní fond         | 88           | 67           | -23.9       |
| ČS-Živnostenská pojišťovna       | 6            | 46           | 666.7       |
| Sindat ČS Consulting             | 2            | 8            | 300.0       |



# CS Share Price Performance

## CS share price vs. PX - 50

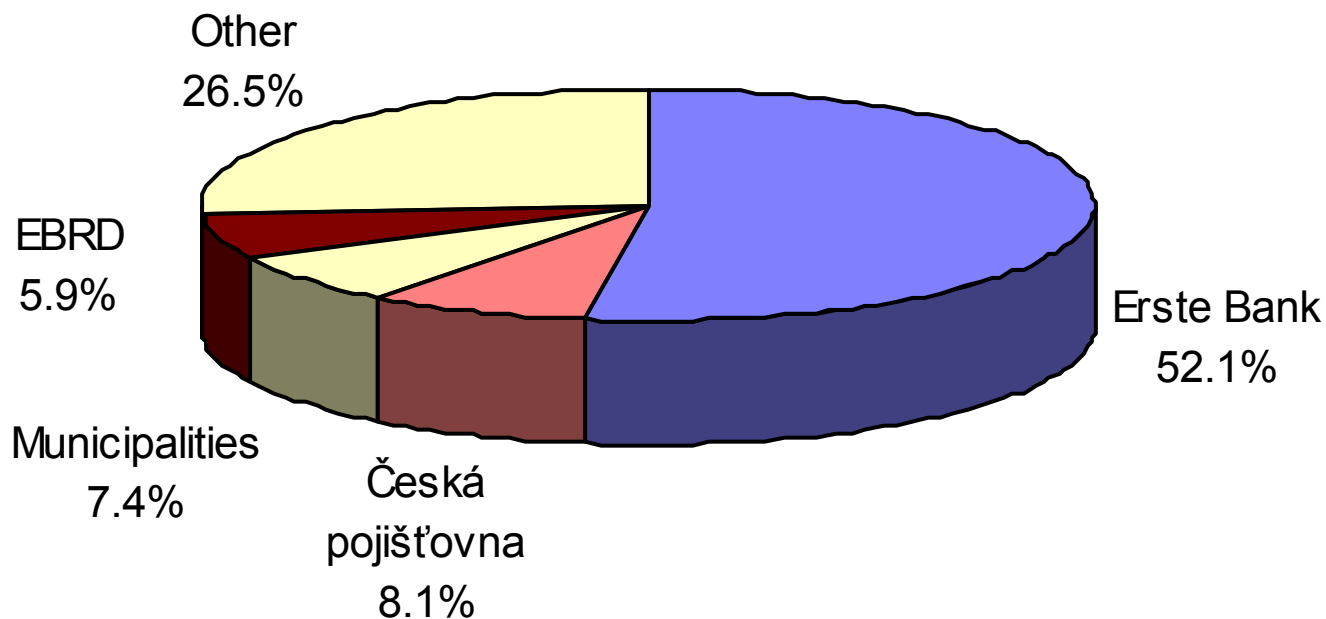


**During the last one year period (Aug 3, 2000 to Aug 3, 2001) CS share price raised by 24.5% to CZK 254.90 while PX – 50 declined by 32.3% to 371.5**

# Shareholder Structure

## Shareholder Structure

Jun 30, 2001



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