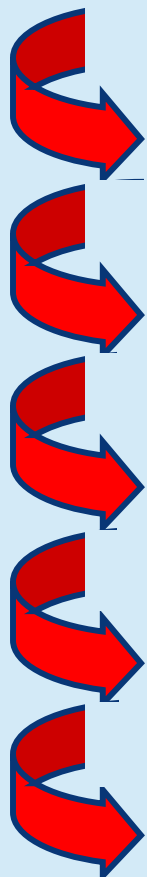


# Ceska Sporitelna

## *FY 2003 IFRS Consolidated Results (Unaudited)*

*March 17<sup>th</sup>, 2004*

# Outline



<b>Highlights</b>	<b>3</b>
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# *2003 Highlights*

# Year 2003

- **CS achieved record Profits and ROE**
- **CS overcame the negative interest rate environment through**
  - ⇒ **Good growth in loans, deposits, fees, trading, assets under management and insurance income**
  - ⇒ **Expense management where the combination of personnel expenses and other administrative expenses was flat between 2002 and 2003**
  - ⇒ **Extraordinary release of general provisions and the one time event of the Bad Bank Sale**
- **Client base increased due to CS delivering the best value in professional staff, product, price, distribution channels and availability. CS's quality scores indicate the increasing level of customer satisfaction**
- **Dividend pay-out of CZK 30 per share proposed (CZK 20 per share for 2002)**

# 2003 Financial Highlights

## Shareholders

### ACTUAL

### TARGET

➤ Profit growth	31.2%	15 - 20%
➤ ROE	23.7%	> 20.0%
➤ Cost / Income ratio	59.8%	60 - 62%

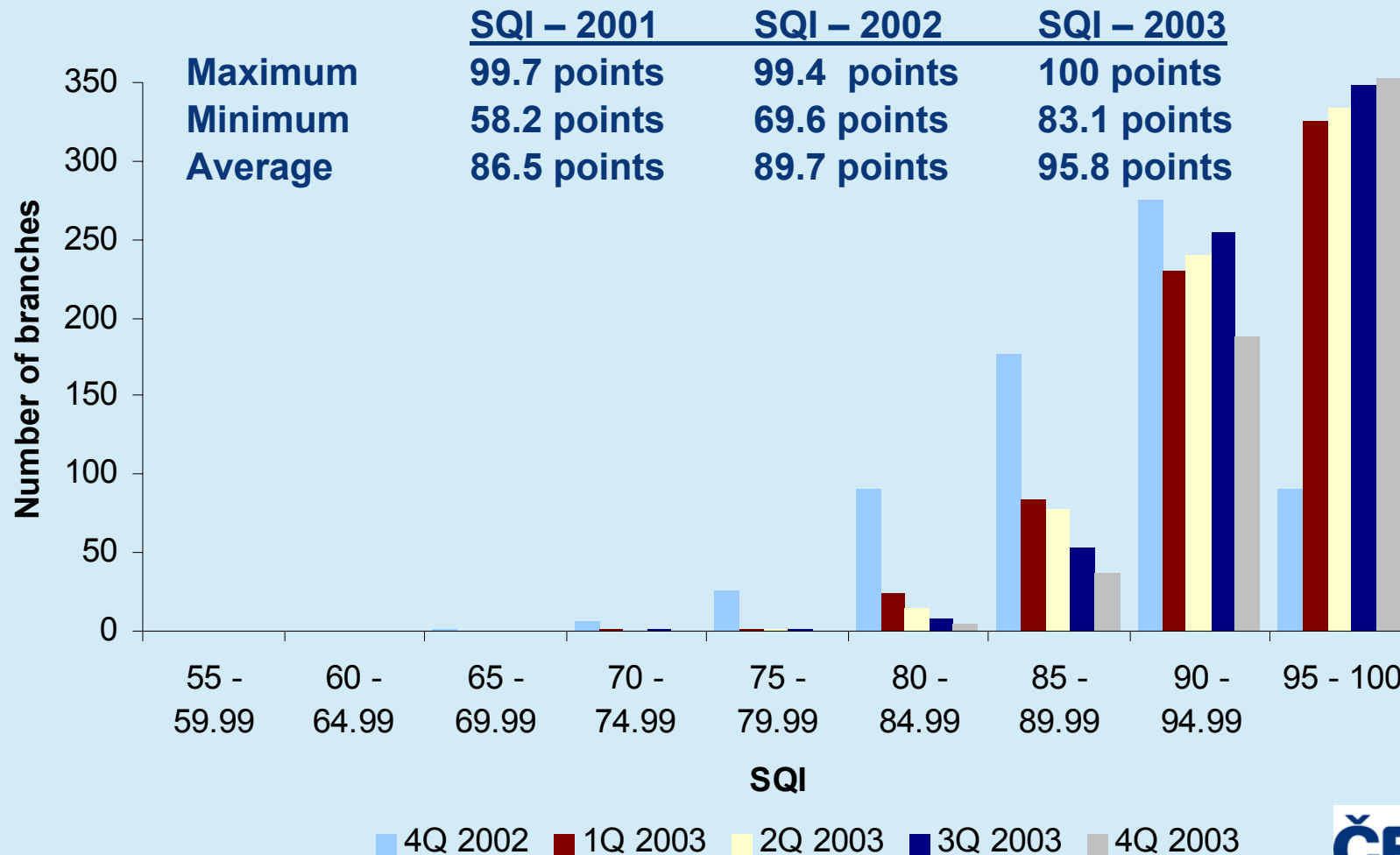
# 2003 Highlights

## Clients

- **CS won for the second time Bank of the Year 2003 Award**
- **Mortgages grew by 56.6%**
- **Services and quality of Internet Banking extended**
- **CS has most of the Internet Banking users in Czech Republic**
- **Founded new subsidiary for on-line brokerage ,brokerjet CS‘**
- **ATMs (more than 1,000) and Telephone Client Centre expanding and meeting with increased customer acceptance**
- **Number of credit card holders increased by 260% in 2003**

# Service Quality Index Development

## Substantial improvement of Service Quality Index



# ***FY 2003 IFRS Consolidated Results (Unaudited)***

IFRS – International Financial Reporting Standards



# Group Profit & Loss Statement

## Highlights

- Operating Profit increased by 8.1% compared to 2002 to CZK 10,141 m
- Net Profit rose by 31.2% to CZK 7,615 m compared with full year 2002 (excluding extraordinary release of general provisions, growth was approximately 19%)
- ROE reached 23.7% (21.4% in 2002); ROA achieved 1.4% (1.1 % in 2002)
- Net Interest Income increased by 0.6% to CZK 15,585 m, despite low interest rate environment
- Net Fee and Commission Income grew by 14.5% to CZK 8,012 m
- Combined Personnel Expenses and Other Administrative Expenses were flat between 2002 and 2003; Depreciation grew 37.5%
- Cost/Income ratio improved to 59.8% (60.3% in 2002)

# Group Profit & Loss Statement

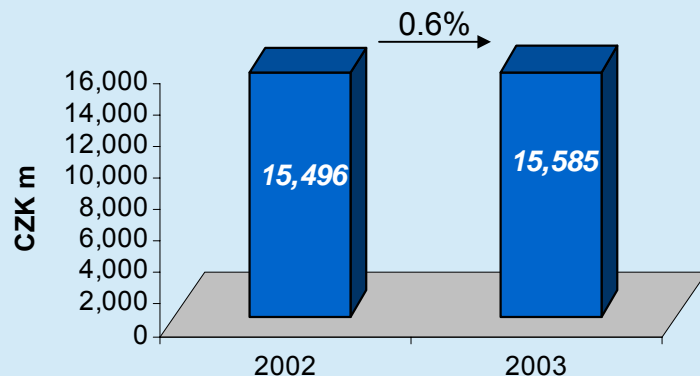
IFRS, Consolidated, CZK m	2002	2003	% Change
Net interest income	15,496	15,585	0.6
Provisions on losses on loans and advances	-289	1,970	n/a
Net fee and commission income	6,997	8,012	14.5
Net profit/(loss) on financial operations	1,048	1,321	26.0
General administrative expenses	-14,232	-15,104	6.1
Income from insurance business	72	327	354.2
Other operating income/(expenses)	-183	-1,170	539.3
<b>Profit/(loss) before taxes</b>	<b>8,909</b>	<b>10,941</b>	<b>22.8</b>
Income tax expense	-2,917	-3,149	8.0
<b>Profit/(loss) after taxes</b>	<b>5,992</b>	<b>7,792</b>	<b>30.0</b>
Minority interests	-187	-177	-5.3
<b>Net profit/(loss) for the year</b>	<b>5,805</b>	<b>7,615</b>	<b>31.2</b>
Operating income	23,613	25,245	6.9
Operating expenses	-14,232	-15,104	6.1
<b>Operating result</b>	<b>9,381</b>	<b>10,141</b>	<b>8.1</b>
<b>Cost / Income Ratio (%)</b>	<b>60.3%</b>	<b>59.8%</b>	
<b>ROE (%)</b>	<b>21.4%</b>	<b>23.7%</b>	

Note: FY 2002 results have been restated to correspond with the new P&L structure, i.e. reporting income from insurance business in a separate line

# Group Profit & Loss Statement

## Net Interest Income

Net Interest Income (NII) grew a modest 0.6% between 2002 and 2003



### Main Drivers:

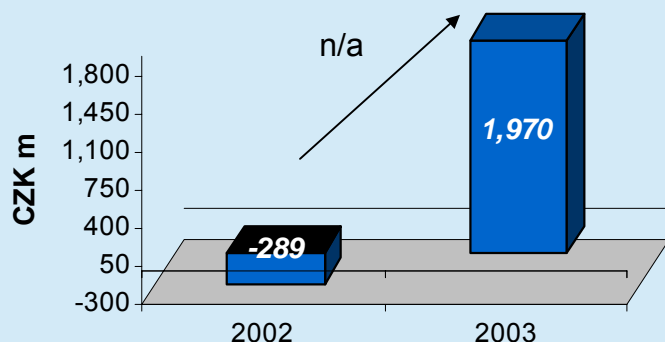
- Negative influence of generally lower market interest rates (2W repo rate down by 75 bps to 2.0%) was largely offset by higher volumes of client deposits and loans
- Lower compensation for social loans in connection with their run-off of CZK 1.4 bn in comparison with 2002 (negative NII impact of CZK 146 m)
- Interest income from loans to financial institutions lower mainly due to lower interest rates but also because of lower amount of interbank loans (down by CZK 25 bn)
- Non-interest bearing balances on anonymous passbooks (CZK 8.6 bn at yearend 2003) - positive NII impact of approx. CZK 117 m

IFRS, Consolidated, CZK m	2002	2003	% Change
<b>Interest income</b>	<b>25,813</b>	<b>22,753</b>	<b>-11.9</b>
- from loans and advances to financial institutions	6,182	3,393	-45.1
- from loans and advances to customers	12,550	12,357	-1.5
- from debt securities and other fixed income securities	6,940	6,494	-6.4
- other interest income	141	509	261.0
<b>Interest expense</b>	<b>-10,317</b>	<b>-7,168</b>	<b>-30.5</b>
- from amounts owed to financial institutions	-1,179	-946	-19.8
- from amounts owed to customers	-8,160	-5,456	-33.1
- from bonds in issue	-213	-84	-60.6
- other interest expense	-765	-682	-10.8

# Group Profit & Loss Statement

## Provisions on Losses on Loans and Advances

Provisions on Losses on Loans and Advances influenced mainly by Bad Bank Sale and release of general reserves



### Main Drivers:

- Higher release of general provisions because of tax optimisation
- Total Net provision Release for Group:

⇒ Bank + CZK 2,289 m

⇒ Subsidiaries - CZK 319 m

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⇒ TOTAL + CZK 1,970 m

Creation (-) / Release (+)

### Loan loss reserves in Balance sheet

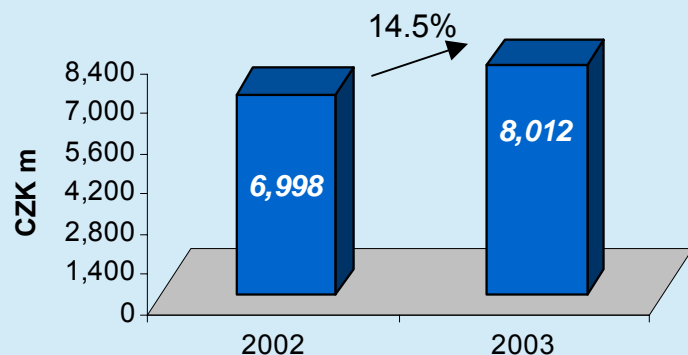
IFRS, unconsolidated, CZK m	Specific provisions	General provisions	Total provisions
Balance 01.01.2003	12,491	5,371	17,861
Creation (+)/Release (-)	-839	-317	-1,156
Recovery	-1,118	0	-1,118
Use	-5,990	-1,967	-7,957
Balance neutral effects	27	99	126
IFRS adjustment	-14	0	-14
Balance 31.12.2003	4,571	3,186	7,756

Note: General provision release - CZK 317 m (YE03) includes also release of off balance General provisions (- CZK 99 m)

# Group Profit & Loss Statement

## Net Fee and Commission Income

### Net Fee and Commission Income continues double digit annual growth



IFRS, Consolidated, CZK m	2002	2003	% Change
<b>Fee and commission income</b>	<b>7,641</b>	<b>8,736</b>	<b>14.3</b>
- from lending business	1,529	1,476	-3.5
- from payment transactions	4,038	4,851	20.1
- from security business	487	546	12.1
- other	1,587	1,863	17.4
<b>Fee and commission expense</b>	<b>-643</b>	<b>-724</b>	<b>12.6</b>
- from lending business	-1	-25	n/a
- from payment transactions	-101	-102	1.0
- from security business	-4	-5	25.0
- other	-537	-592	10.2

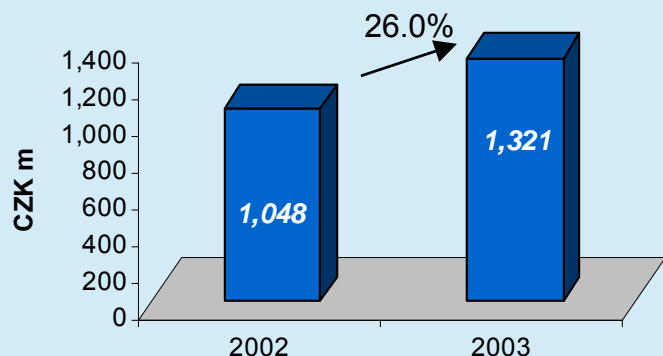
### Main Drivers:

- Increased volume of payment transactions (positive impact of approx. CZK 163 m) and price changes in January 2003 (positive impact of approx. CZK 650 m)
- Increase of fees from security business caused mainly by increase of assets managed by daughter company IS CS (22% growth compared to 2002)
- Higher fees collected by CS building society (increase of 45.4%)
- Lower fees from lending business because of 2002 total put option execution - missing incentive fees from ring-fenced assets in 2003 (CZK 100 m) - and because of lower compensation for social loans (CZK 50 m)

# Group Profit & Loss Statement

## Net Profit on Financial Operations

### Trading capabilities continue to show good results



#### Main Drivers:

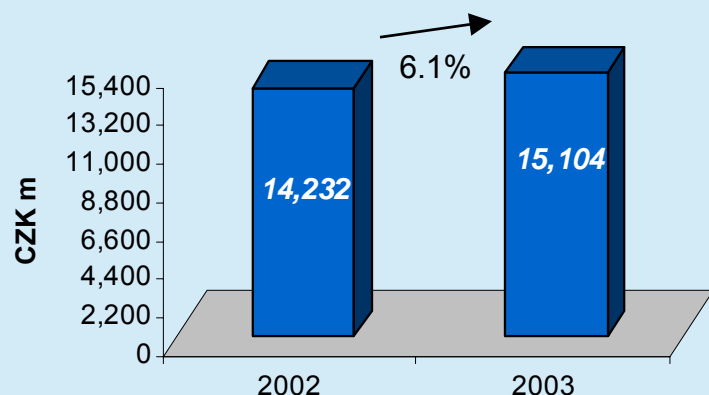
- Good FX trading performance
- Higher realised and unrealised gains from securities in 2002 because of bigger drop in market interest rates in 2002 than in 2003 (200 bps. Interest rate cut in 2002 versus 75 bps. in 2003)
- In line with expectations

IFRS, Consolidated, CZK m	2002	2003	% Change
Realised and unrealised profit on securities trading	187	71	-62.0
Derivative instruments	60	19	-68.3
FX gains	810	1,059	30.7
Other	-9	172	n/a

# Group Profit & Loss Statement

## General Administrative Expenses

Personnel and Other administrative expenses are flat between 2002 and 2003



### Main Drivers:

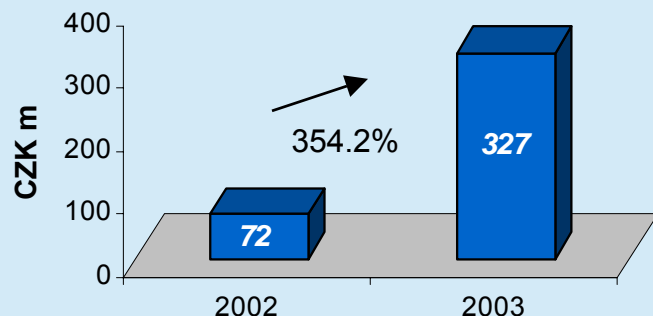
- Continued increase in compensation to enable CS to be competitive in marketplace plus increased performance related bonuses
- Continued expense management (Project Hulk and other efforts) enabled significant reduction in other administrative expenses in areas such as electronic data processing, marketing, office space expenses, procurement, etc.
- Higher depreciation as a result of infrastructure and business investment activities in prior years

IFRS, Consolidated, CZK m	2002	2003	% Change
Personnel expenses	6,233	6,858	10.0
Other administrative expenses	5,799	5,220	-10.0
Depreciation	2,200	3,026	37.5

# Group Profit & Loss Statement

## Income from Insurance Business

### Insurance business had good results in 2003



IFRS, Consolidated, CZK m	2002	2003	% Change
Net interest income	219	444	102.7%
Provisions on losses on loans and advances	-42	-22	-47.6%
Net fee and commission income	-32	-39	21.9%
Net trading result	0	-53	n/a
Personnel expenses	-294	-307	4.4%
Other administrative expenses	-225	-265	17.8%
Depreciation on fixed assets	-48	-48	0.0%
Other operating income/(expenses)	494	617	24.9%
<b>Profit before taxes</b>	<b>72</b>	<b>327</b>	n/a
Income tax expense	99	-98	n/a
<b>Net profit for the year</b>	<b>171</b>	<b>229</b>	33.9%

### Main Drivers:

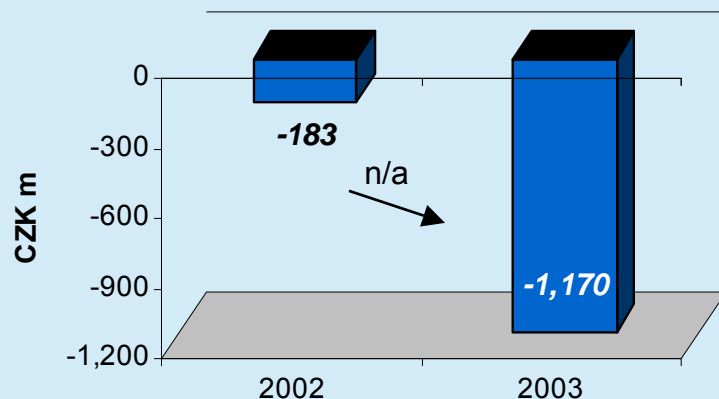
- Lower-than-expected sales dynamics in life insurance offset by increased results from non-life insurance products
- Total written premium increased by 10.4% compared to 2002
- Number of new non-life insurance contracts increased by 15% compared with 2002, mainly driven by insurance of corporate property
- Insurance company of CS is currently # 4 in life insurance market with market share of 9.5%
- The sale of non-life part of insurance company to Kooperativa will be settled in the 1Q 2004



# Group Profit & Loss Statement

## Other Operating Income / (Expenses)

### Other Operating Result influenced mainly by IT investment write-offs



#### Main Drivers:

- Lower income from available for sale (AFS) securities because of revaluation of AFS portfolios of parent bank and pension fund
- Higher contribution into Deposit Insurance Fund directly resulting from growing amount of client deposits
- Write-off and impairment of IT due to change in strategy (CZK 700 m)

IFRS, Consolidated, CZK m	2002	2003	% Change
<b>Other operating income</b>	<b>1,227</b>	<b>1,037</b>	<b>-15.5</b>
- income from real estate	49	18	-63.3
- other income	1,178	1,019	-13.5
<b>Other operating expenses</b>	<b>-1,877</b>	<b>-2,336</b>	<b>24.5</b>
- Deposit Insurance Fund contribution	-286	-354	23.8
- expenses from real estate	-19	-1	-94.7
- other expenses	-1,572	-1,981	26.0
<b>Income/(expenses) from AFS securities</b>	<b>467</b>	<b>129</b>	<b>-72.4</b>

# Group Balance Sheet

## Highlights\*

- **Total assets increased by 6.6% YTD to CZK 554.0 bn**
- **Gross loans to clients (excl. CKA) increased by 18.5% to CZK 178.2 bn**
- **Amounts owed to customers grew by 6.4% to CZK 428.6 bn; total client funds under CS Group management rose by 7.9% to CZK 474.2 bn**
- **Balance of deposits on anonymous passbooks at the end of Y2003 was CZK 8.6 bn**
- **Increase of issued bonds by 124.2% YTD to CZK 16.0 bn as a result of mortgage bond issuance**
- **Group capital adequacy (BIS) at 14.6%, well above regulatory requirements**

\* *Comparison with 31/12/2002*

# Group Balance Sheet

## Assets

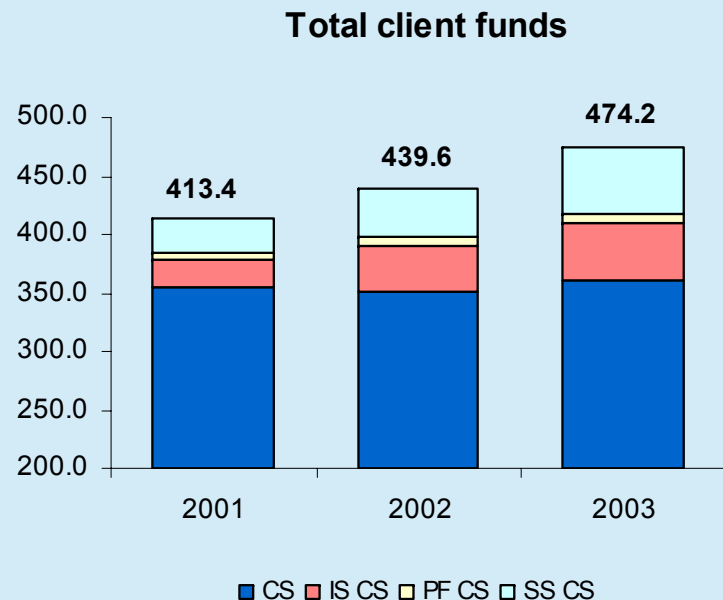
IFRS, Consolidated, CZK m	31/12/02	31/12/03	% Change
<b>Total Assets</b>	<b>519,691</b>	<b>554,048</b>	<b>6.6</b>
Cash and balances with the CNB	22,260	22,713	2.0
Loans and advances to financial institutions	128,737	82,121	-36.2
Loans to Czech Consolidation Agency	38,264	36,744	-4.0
Loans and advances to customers	150,314	178,159	18.5
Provision for losses on loans and advances	-18,812	-9,025	-52.0
Trading securities	21,379	53,168	148.7
Securities available for sale	27,848	27,343	-1.8
Investment securities	107,706	122,887	14.1
- treasury bills and listed debts securities	90,125	112,175	24.5
- other	17,581	10,712	-39.1
Other assets	41,995	39,938	-4.9

# Group Balance Sheet

## Liabilities and Shareholders' Equity

IFRS, Consolidated, CZK m	31/12/02	31/12/03	% Change
<b>Total Liabilities and Shareholders' Equity</b>	<b>519,691</b>	<b>554,048</b>	<b>6.6</b>
Amounts owed to financial institutions	31,858	29,641	-7.0
Amounts owed to customers	402,728	428,572	6.4
Bonds in issue	7,143	16,017	124.2
Subordinated debt	5,500	0	-100.0
Other liabilities	41,500	44,020	6.1
Minority interests	1,131	1,390	22.9
<b>Shareholders' equity</b>	<b>29,831</b>	<b>34,408</b>	<b>15.3</b>

# Total Client Funds under CS Group Management



IFRS, in CZK bn	2001	2002	2003
CS - parent bank	354.4	350.8	360.7
IS CS - asset management company	24.7	39.7	48.3
PF CS - pension fund	5.0	7.0	9.1
SS CS - building society	29.3	42.1	56.1
<b>Total</b>	<b>413.4</b>	<b>439.6</b>	<b>474.2</b>

## Main Drivers:

- Increase of total client funds under management by 7.9% year to year (YTY)
- Building society (SSCS) recorded the highest increase of client funds under management by 33% YTY
- Positive result can be seen also in pension fund (PFCS) – increase of client funds by 30% YTY in connection with strengthening of market position during the year 2003
- Change in structure of client funds in favour of daughter companies in 2002 connected with anonymous passbooks conversion and increasing client demand for higher yielding investments

# Capital Adequacy

## CNB Capital Adequacy

Parent Bank, CZK m	31/12/00	31/12/01	31/12/02	31/12/03
Tier I capital	15,447	20,184	22,583	21,910
Tier I + Tier II capital	21,298	26,244	24,926	22,115
Capital requirement A (to RWA)	11,713	12,641	14,035	15,664
Capital requirement B (to market risks)	1,542	1,302	1,481	1,539

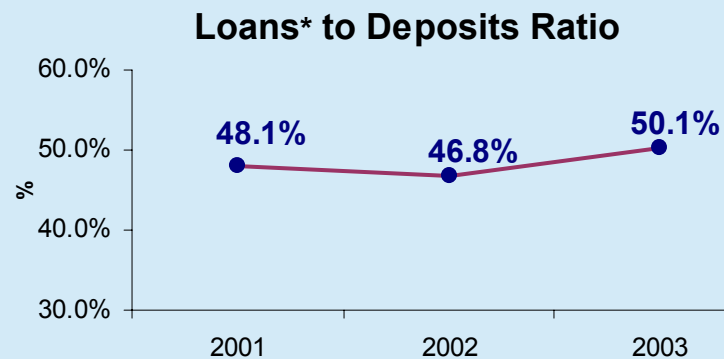
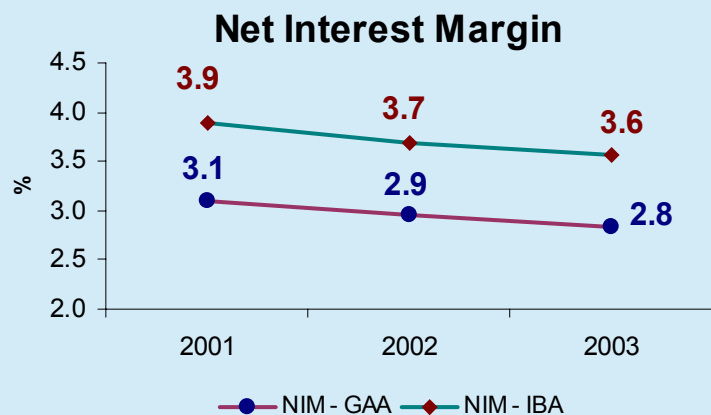
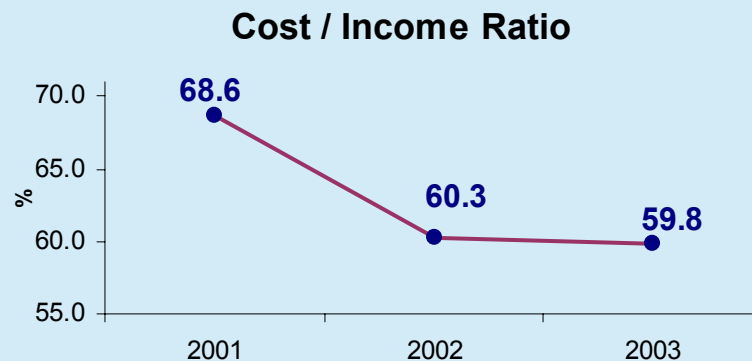
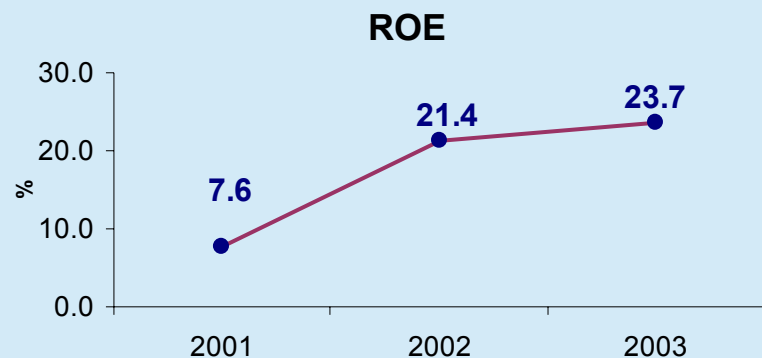
<b>Capital adequacy Tier I ratio</b>	<b>9.3%</b>	<b>11.6%</b>	<b>11.6%</b>	<b>10.2%</b>
<b>Capital adequacy Tier I+II ratio</b>	<b>12.9%</b>	<b>15.1%</b>	<b>12.9%</b>	<b>10.3%</b>

## BIS Capital Adequacy

CS Group, CZK m	31/12/00	31/12/01	31/12/02	31/12/03
Tier I Capital	23,678	25,525	30,947	35,787
Tier I+II Capital	29,761	31,650	36,375	35,588
Risk Weighted Assets	166,450	175,782	201,813	224,715
Capital requirement to market risks	1,542	1,302	1,481	1,539

<b>Capital adequacy Tier I ratio</b>	<b>12.7%</b>	<b>13.3%</b>	<b>14.0%</b>	<b>14.7%</b>
<b>Capital adequacy Tier I+II ratio</b>	<b>16.0%</b>	<b>16.5%</b>	<b>16.5%</b>	<b>14.6%</b>

# Financial Ratios Development



GAA = Gross average assets  
 IBA = Average interest bearing assets

\* Loans include Loans to CKA and Loans and advances to customers

# *Bank Loan Portfolio*

## *FY 2003*

*Unconsolidated (IFRS)*



# Portfolio Highlights in 2003

## ➤ Bank portfolio restructuring completed

⇒ Bad Bank sold for CZK 775 m

## ➤ Overall portfolio growth in 2003 compared to 2002 grew 12.8% (CZK 22.3 bn)

⇒ Meets last year's objective (increase above + 10% p.a.)

⇒ Represents 40% share in overall market<sup>1)</sup> growth (+ CZK 55.7 bn)

⇒ Good bank loan growth more than doubled to + CZK 34.0 bn (+ 27.1%) p.a. compared to CZK 15.1 bn (+ 14.2%) p.a. in Y02

## ➤ Leading position in mortgage market strengthened

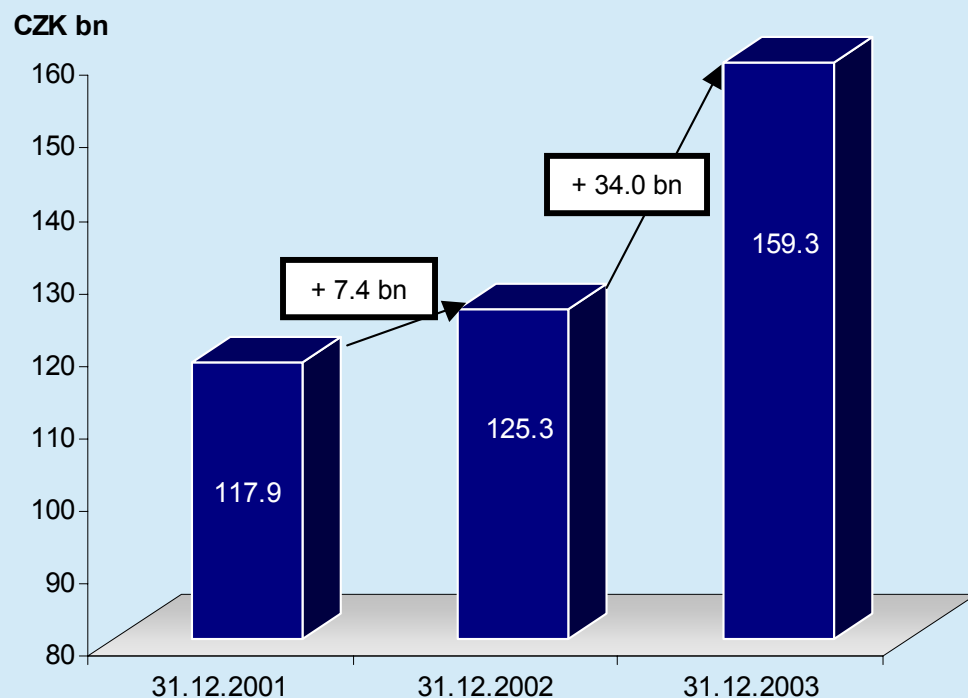
⇒ Market share in total mortgage loans<sup>2)</sup> increased from 27.5% (YE02) to 31.8%

## ➤ Strong improvement of overall asset quality

<sup>1)</sup> Source Bankovní statistika as per YE03

<sup>2)</sup> Total mortgage share (corporates+PI+municipalities) regards contracted volumes; source Ministerstvo pro Místní rozvoj, December 2003

# Good Bank Loan Growth



- Increased CZK 34.0 bn (+27.1% ) in Y03
- Comparable growth in Y02 is CZK 15.1 bn (+ 14.2%)
  - + CZK 7.4 bn headline growth
  - + CZK 7.7 bn one-off adjustment<sup>1)</sup>

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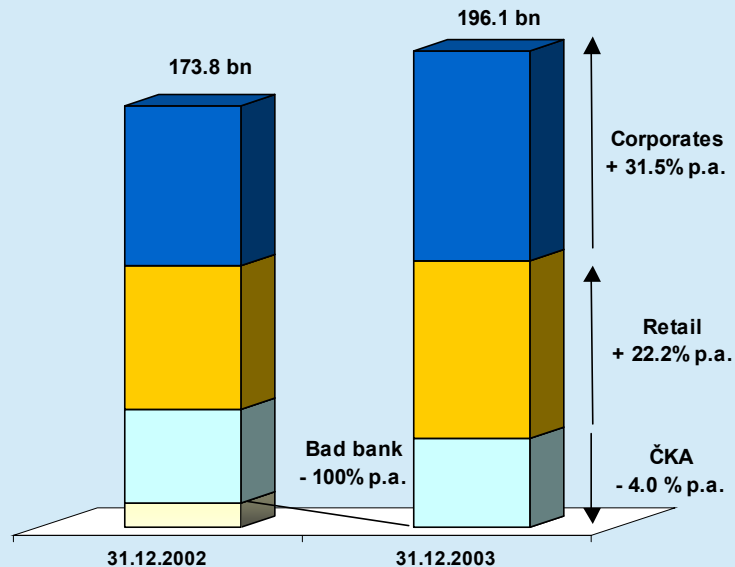
  - + CZK 15.1 bn adjusted growth

<sup>1)</sup> + CZK 11.0 bn (repo expiring in Jan02)  
- CZK 3.3 bn (RF kept cases)  

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+ CZK 7.7 bn GB growth adjustment

# Portfolio Structure and Development Overview



## Key Growth Drivers

- **Corporate lending increased by CZK 20.7 bn (31.5%)**
  - ⇒ Large Corporates CZK 14.6 bn (+ 39.2%)
  - ⇒ Medium Corporates CZK 2.9 bn (+ 14.0%)
  - ⇒ Corporate mortgage CZK 3.0 bn (+ 61.6%)

- **Retail lending grew by CZK 13.2 bn (22.2%)**

- ⇒ Retail mortgage<sup>1)</sup> CZK 9.7 bn (+ 56.3%)
- ⇒ Private Individuals commercial CZK 4.5 bn (+ 18.5%)
- ⇒ MSEs CZK 1.0 bn (+ 12.1%)

- **Retail lending had a run-off in Social loans of CZK 1.4 bn and sold PI loans in the amount of CZK 0.6 bn**

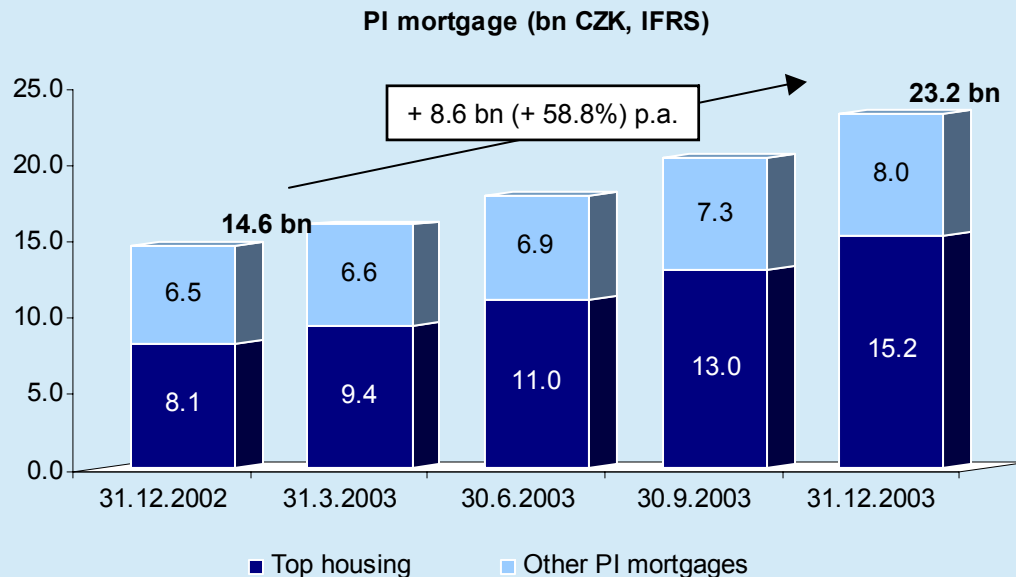
in CZK m, IFRS	31.12.2002		31.12.2003		Annual Growth	
	Outstand.	Share	Outstand.	Share	Outstand.	Rate
<b>Good bank Total</b>	<b>125,354</b>	<b>72.1%</b>	<b>159,315</b>	<b>81.3%</b>	<b>33,961</b>	<b>27.1%</b>
Corporate	65,847	37.9%	86,589	44.2%	20,743	31.5%
Retail	59,508	34.2%	72,726	37.1%	13,218	22.2%
<b>ČKA</b>	<b>38,264</b>	<b>22.0%</b>	<b>36,744</b>	<b>18.7%</b>	<b>-1,520</b>	<b>-4.0%</b>
<b>Bad Bank</b>	<b>10,163</b>	<b>5.8%</b>	<b>0</b>	<b>0.0%</b>	<b>-10,163</b>	<b>-100.0%</b>
<b>Total (GB+ČKA+BB)</b>	<b>173,781</b>	<b>100.0%</b>	<b>196,060</b>	<b>100.0%</b>	<b>22,279</b>	<b>12.8%</b>

<sup>1)</sup> Retail mortgage = mortgage loans to private individuals, MSEs and small municipalities in Retail portfolio

# Portfolio Structure and Development

## Private Individuals Mortgages

**Annual growth was CZK 8.6 bn (59%) in 2003 compared to CZK 6.1 bn (41%) in 2002**



in CZK m	31.12.2002		31.12.2003	
	Outstand.	Share	Outstand.	Share
<b>Total PI mortgage</b>	<b>14,627</b>	<b>100.0%</b>	<b>23,234</b>	<b>100.0%</b>
Classified loans (CNB2-5)	267	1.8%	318	1.4%
High risk loans (CNB3-5)	117	0.8%	146	0.6%

### ➤ Market share<sup>1)</sup>

⇒ Increase to 29.0% (27.5% YE02)  
takes CS to leading position in PI mortgages

### ➤ Purpose

⇒ 49% purchase (43% YE02)  
⇒ 39% building (43% YE02)  
⇒ 12% reconstruction (14% YE02)

### ➤ Maturity

⇒ Average maturity of PI mortgage  
16.2Y (16.0Y at YE02)

### ➤ Loan to Value ratio at 46.4% in 2003

### ➤ Quality stable

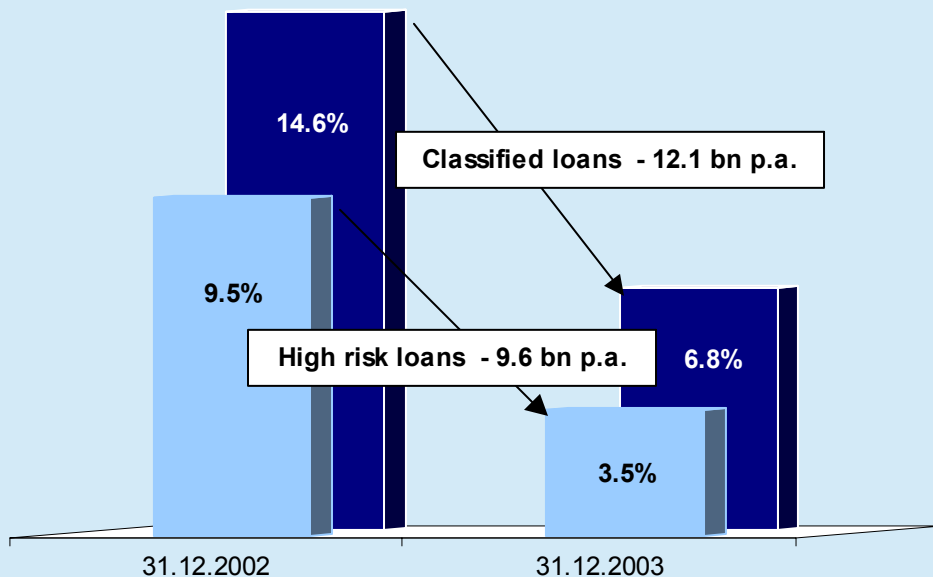
⇒ Decrease of share of classified  
(1.8%→1.4%) and high risk loans  
(0.8%→0.6%)

<sup>1)</sup> Presented share refers to contracted volumes as of YE03; source Ministerstvo pro místní rozvoj (Ministry of Regional Development)

# Loan Portfolio Quality

## Overall Bank

### Reduction of high risk loans from 9.5% to 3.5% driven by Bad Bank Liquidation



➤ **Completion of Bad bank liquidation amounting CZK 10.2 bn consisted of**

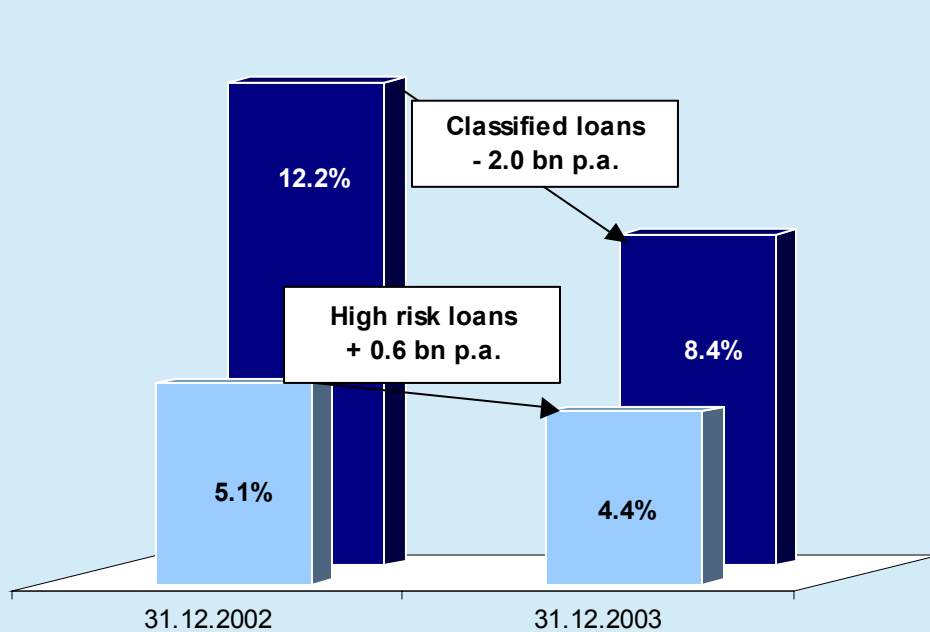
- ⇒ Bad Bank sale CZK 8.0 bn (3Q03)
- ⇒ Settlement of remaining Ring Fencing CZK 2.2 bn (2-4Q03)

in CZK m	31.12.2002		31.12.2003	
	Outstanding	Share	Outstanding	Share
<b>CS portfolio</b>	<b>173,781</b>	<b>100.0%</b>	<b>196,060</b>	<b>100.0%</b>
Classified loans (CNB2-5)	25,426	14.6%	13,332	6.8%
High risk loans (CNB3-5)	16,519	9.5%	6,936	3.5%

# Loan Portfolio Quality

## Good Bank

### Quality continues to improve



- Decrease of classified loans by CZK 2.0 bn influenced by technical upgrade
- High risk loans improved in relative terms from 5.1% to 4.4%; absolute increase reflects portfolio growth and conservative rating policy

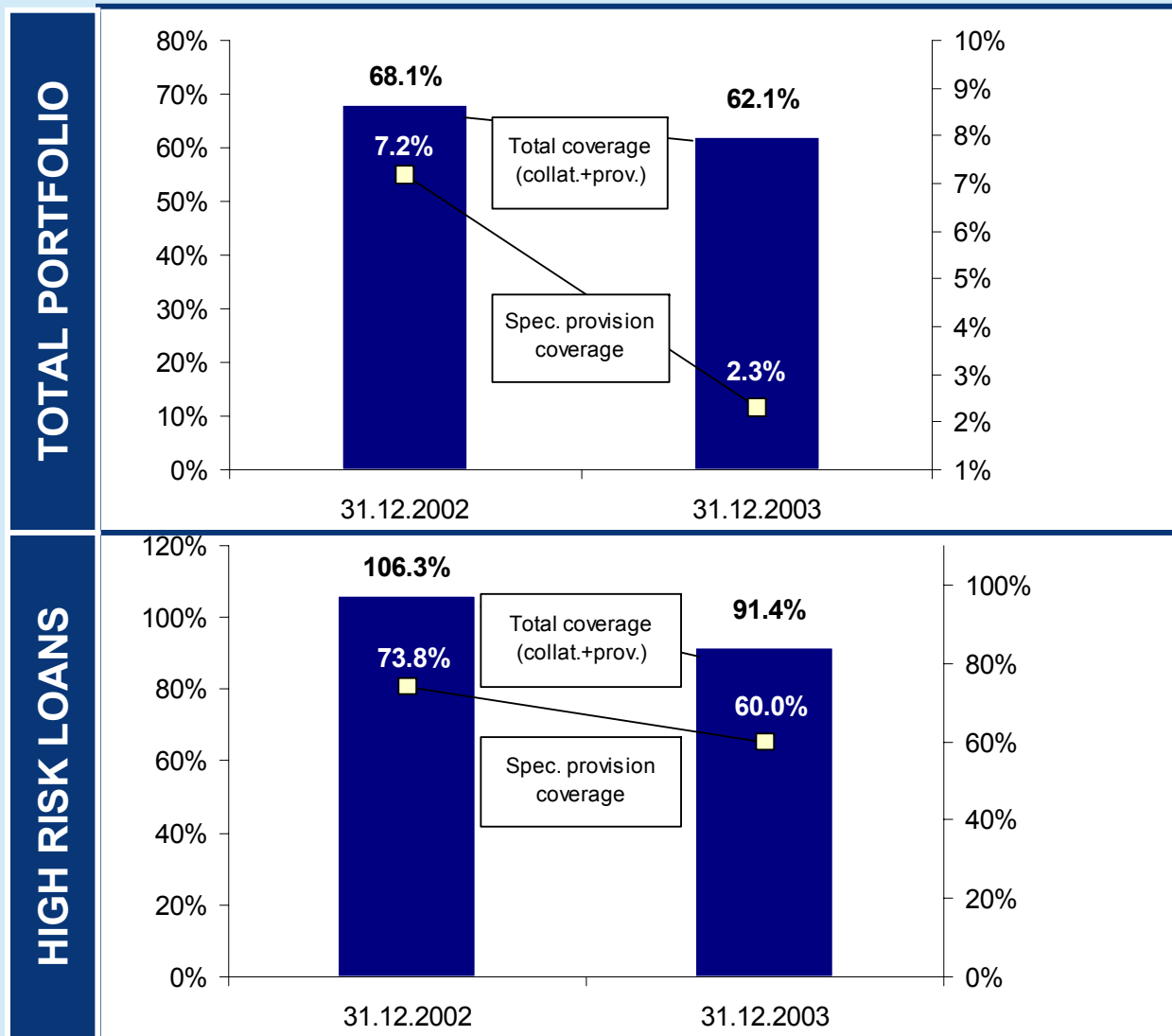
in CZK m	31.12.2002		31.12.2003	
	Outstanding	Share	Outstanding	Share
<b>CS customer portfolio*</b>	<b>125,433**</b>	<b>100.0%</b>	<b>159,315**</b>	<b>100.0%</b>
Classified (CNB2-5)	15,296	12.2%	13,332	8.4%
High risk (CNB3-5)	6,360	5.1%	6,936	4.4%

\* excludes CKA

\*\* represents Good Bank

# Customer Portfolio Protection

## Overall Bank



➤ **All coverage ratios in Y03 decreased due to Bad Bank Sale**

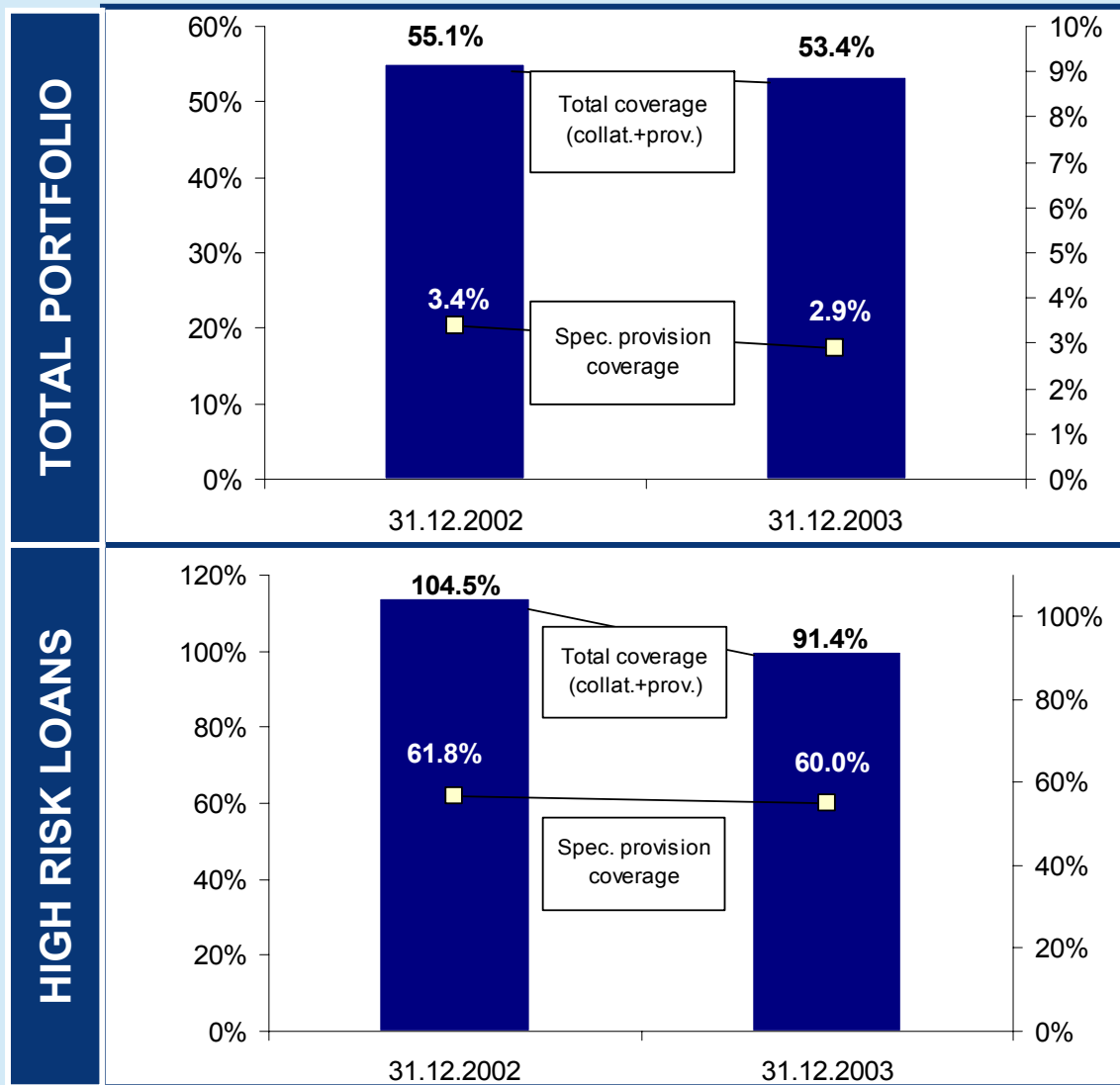
Total coverage ratio =  
 (collateral + specific provisions)  
 / total loans outstanding

Total coverage ratio for high risk loans\* =  
 (collateral for high risk loans  
 + specific provisions for high  
 risk loans) / amount of high risk loans

\* High risk loans classified as CNB 3-5

# Customer Portfolio Protection

## Good Bank



➤ Coverage ratios show small decrease but remain satisfactory

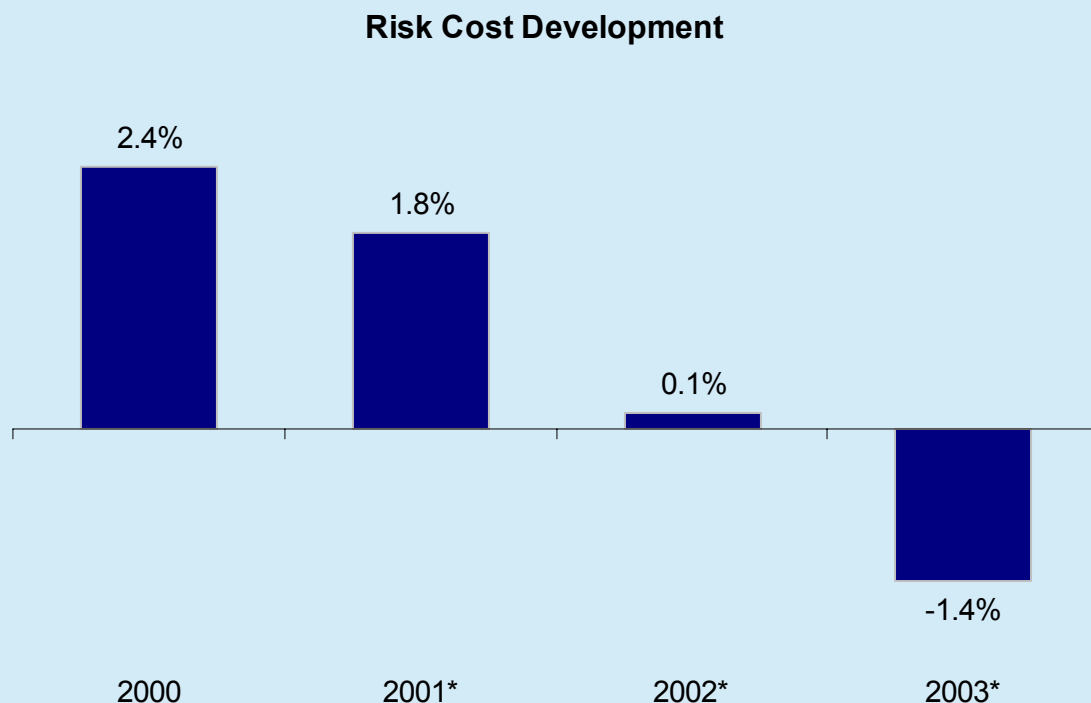
➤ Provision coverage satisfactory

➤ Total coverage of non performing loans\* 102.4%

\* 90 days overdue



# Credit Risk Cost Development



\* excludes ČKA

➤ **Underlying risk costs by segments**

- ⇒ Corporate 0.36%  
(0.2% at YE02) - reflects conservative policy and recoveries
- ⇒ Retail 0.59%  
(0.9% at YE02)

➤ **Underlying risk costs total**  
**0.46% (0.92% at YE02)**

Note: Underlying risk costs of Customer portfolio (without CKA exposure CZK 36.7 bn) exclude the effect of Bad Bank Sale and release of General Provisions

# *Outlook for 2004*

# Outlook for 2004

## POSITIVES:

- Very positive expectation from EU entrance for economic growth and increased transparency
- Positive real Gross Domestic Product growth
- Loan demand strong; mortgages continue to be in high demand
- Ever improving professional staff
- Reduction in corporate income tax rate from 31% to 28%

## NEGATIVES:

- VAT increase in 2004 (negative impact of CZK 550 m to operating costs)
- Low interest rate environment unfavourable to CS with its low loan to deposit ratio
- Part of bond portfolio with higher yields held to maturity maturing (negative impact of CZK 700 m to Net Interest Income)
- Increase of mandatory Deposit Insurance Fund contribution from 0.1% to 0.2% of primary deposits

# Group Financial Targets for 2004

- **Net Profit after Taxes** → 10 - 15% growth
- **ROE** → above 20%
- **Cost/Income ratio** → 58 - 60%
- **Net Interest Margin** → flat to slight improvement

# Loan Portfolio Targets for 2004

## ➤ Above average loan growth to continue (targeting 10 - 15%)

- ⇒ SMEs 10 - 15%
- ⇒ Corporate 8 - 10%
- ⇒ Retail total increase 20 - 25%
  - Private mortgages 30 - 40%
  - Consumer finance 18 - 24%

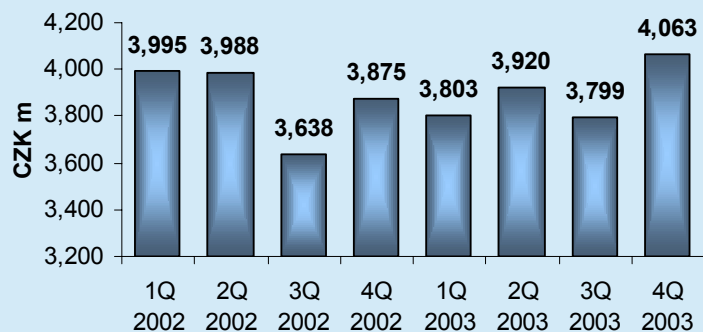
## ➤ Implementation of global standards in Basel 2

# *Appendix*

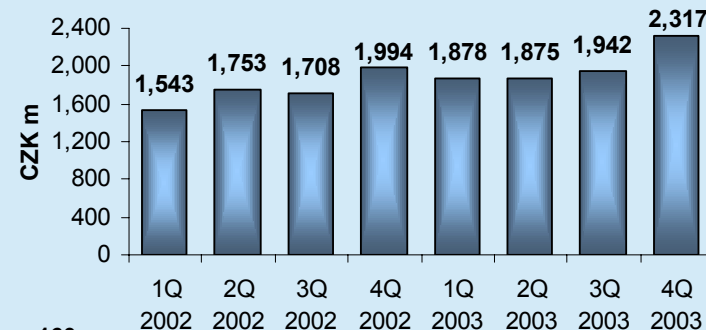
# Group Profit & Loss Statement

## Quarter on Quarter Development

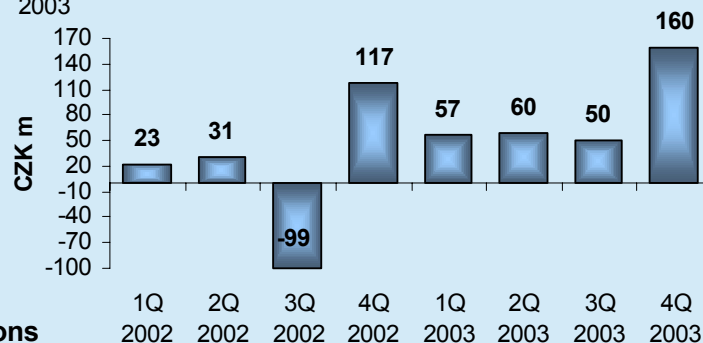
Net interest income



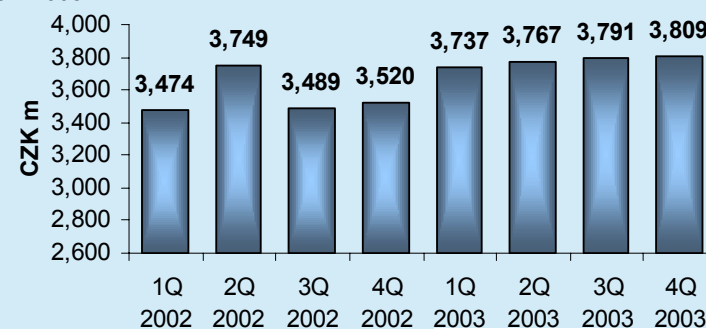
Net fee and commission income



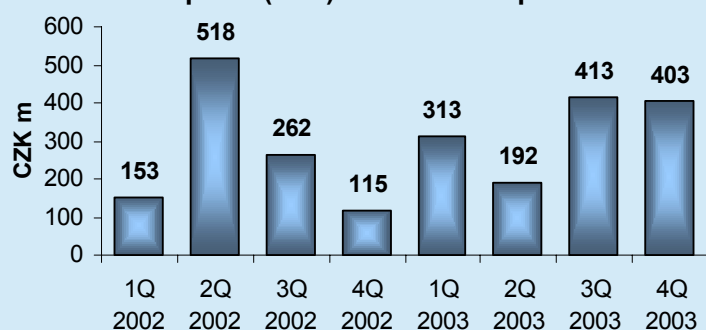
Income from insurance business



General administrative expenses

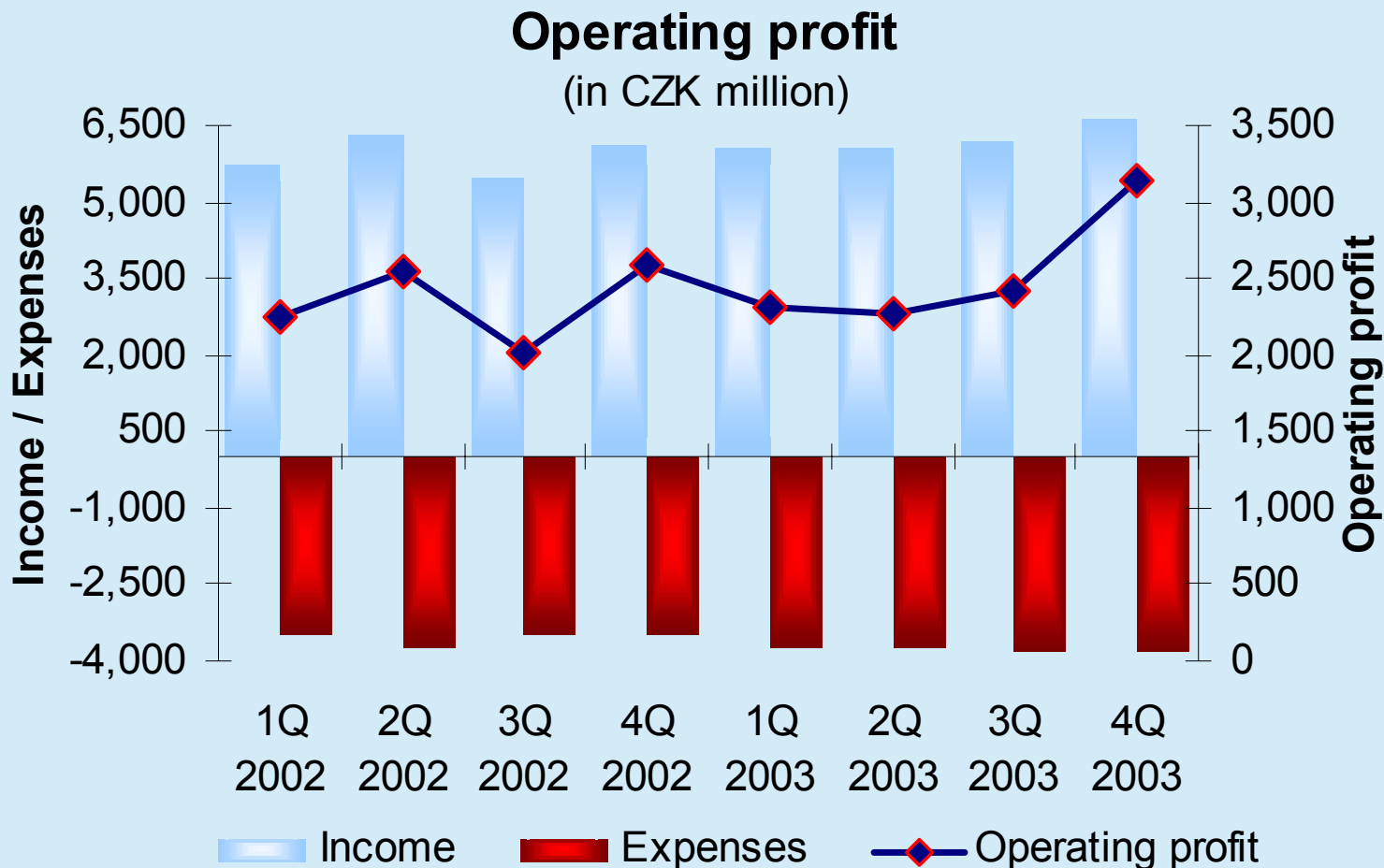


Net profit/(loss) on financial operations



# Operating Profit

## Quarter on Quarter Development





# Macroeconomic Framework

	2000	2001	2002	2003	2004f	2005f
Real GDP (growth y/y %)	3.3	3.1	2.0	2.9	3.5	4.0
Household Consumption (growth y/y %)	2.3	3.8	3.9	5.5	3.0	3.7
Fixed Capital Formation (growth y/y %)	5.3	5.5	0.6	3.7	3.5	3.5
Nominal Wages (growth y/y %)	6.6	8.5	8.2	6.8	6.0	7.5
Retail sales (average growth y/y %)	4.7	4.3	2.7	5.0	3.5	4.0
Industrial production (average growth y/y %)	5.4	6.5	4.8	5.8	5.5	5.0
CPI (year-end%)	4.0	4.1	0.6	1.0	3.0	3.5
Unemployment (year-end%)	8.8	8.9	9.8	10.3	10.0	9.0
Exports (USD bn)	29.1	33.4	38.5	48.7	56.0	65.3
Imports (USD bn)	32.2	36.4	40.7	51.3	58.5	67.2
Trade balance (% of GDP)	-6.2	-5.4	-3.2	-3.1	-2.6	-1.8
Foreign direct investment (USD bn; cum.)	21.8	27.5	35.8	38.0	41.0	46.2
Current account balance (% of GDP)	-5.3	-5.7	-6.0	-6.5	-5.8	-5.0
Govt. budget balance (% of GDP)	-2.4	-3.1	-2.0	-4.6	-5.1	-3.9
Central bank intervention rate (year-end)	5.25	4.75	2.75	2.00	2.50	3.25
Short term interest rate (3 months; average)	5.3	5.1	3.5	2.2	2.4	3.2
Long term interest rate (10 years; average)	7.0	6.4	4.9	4.2	5.1	5.5
Loc. Curr./USD average	38.6	38.0	32.7	28.0	26.0	26.0
Loc. Curr./USD year-end	38.7	35.6	30.4	25.7	26.5	25.9
Loc. Curr./EUR average	35.6	34.1	30.8	31.9	31.7	30.3
Loc. Curr./EUR year-end	34.9	31.7	31.5	32.3	31.3	29.8

Bold figures represent the final data.

# CS Market Shares Development

according to CNB statistics	31.12.2001	31.12.2002	31/12/2003	change
Total Assets	18.6%	18.7%	19.0%	↑
Loans to Customers	12.0%	18.4%	19.5%	↑
Interbank Loans	11.5%	5.8%	7.5%	↑
Primary Deposits	25.0%	20.2%	21.0%	↑
Retail Deposits	32.5%	27.9%	27.5%	↘
Retail Loans	31.7%	30.9%	26.4%	↘
Mortgages	21.9%	27.6%	30.1%	↑
Retail Mortgages	24.3%	29.0%	29.1%	↑
ATM	50.0%	41.5%	40.0%	↘
Payment Cards	47.4%	44.6%	40.4%	↘

# Structure of Bank Loan Portfolio

in CZK m, IFRS	31.12.2002		31.12.2003		Annual Growth	
	Outstand.	Share	Outstand.	Share	Volume	Rate
<b>1. Good bank</b>	<b>125,354</b>	<b>72.1%</b>	<b>159,315</b>	<b>81.3%</b>	<b>33,961</b>	<b>27.1%</b>
1.1 Corporates	65,847	37.9%	86,589	44.2%	20,743	31.5%
- Large Corporate	37,294	21.5%	51,907	26.5%	14,613	39.2%
- Medium Corporate	20,466	11.8%	23,336	11.9%	2,870	14.0%
- Municipals	3,241	1.9%	3,513	1.8%	273	8.4%
- Mortgage Corporate	4,846	2.8%	7,833	4.0%	2,987	61.6%
1.2 Retail	59,508	34.2%	72,726	37.1%	13,218	22.2%
- Private individuals	24,406	14.0%	28,319	14.4%	3,913	16.0%
- Social loans	8,478	4.9%	7,085	3.6%	-1,393	-16.4%
- MSEs	5,299	3.0%	6,321	3.2%	1,022	12.1%
- Municipals	4,026	2.3%	4,152	2.1%	126	3.1%
- Mortgages	17,299	10.0%	26,850	13.7%	9,551	55.2%
<b>2. ČKA</b>	<b>38,264</b>	<b>22.0%</b>	<b>36,744</b>	<b>18.7%</b>	<b>-1,520</b>	<b>-4.0%</b>
<b>3. Bad Bank</b>	<b>10,163</b>	<b>5.8%</b>	<b>0</b>	<b>0.0%</b>	<b>-10,163</b>	<b>-100.0%</b>
<b>Total (GB + ČKA + BB)</b>	<b>173,781</b>	<b>100.0%</b>	<b>196,060</b>	<b>100.0%</b>	<b>22,279</b>	<b>12.8%</b>

# Key Ratios of Loan Portfolio Quality

KEY RATIOS	12/2002	12/2003	YTD change
CS loans to customers			
Share of High Risk Loans *	9.5%	3.5%	↓
Share of Non Performing Loans**	6.5%	2.1%	↓
Provisions***/Total loans	10.7%	4.0%	↓
Provisions***/Non Performing Loans	164.7%	191.8%	↑

\*defined as CNB 3-5 clasification

\*\*more than 90 days overdue in payments

\*\*\*specific & general reserves

- **Significant improvement of quality ratios caused mainly by Bad Bank**

## Liquidation

⇒ Reduction of high risk loans - CZK 10.2 bn (Bad Bank Sale, Ring Fencing)

- **Decrease of Total portfolio coverage influenced by**

⇒ write offs (related mainly to Bad Bank Sale)

⇒ releases and recoveries

- **Increase of NPL coverage**

⇒ NPLs decreased compared to their base more than Total provisions

# Model of Typical Retail Mortgage (Program TOP Housing)

- **Average loan amount :** **1,033,294 CZK/32,432 EUR**
- **Average maturity:** **16.2 years**
- **Loan to Value ratio:** **46.4%**
- **Purpose:** **purchasing / construction of family house / flat for own living**
- **Interest rate:** **4.8% fixed for 5 years**
- **Up front fee:** **0.5% from the loan value**  
(min. CZK 9,500 – max. CZK 20,000)
- **Instalment\*):** **7,756 CZK /243 EUR**

*\*) average monthly salary per person 16,917 CZK/531 EUR*

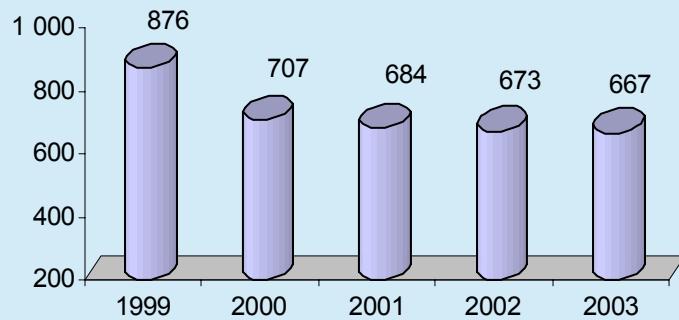
*Exchange rate: 31,86 CZK/EUR*

# Restructuring Charge

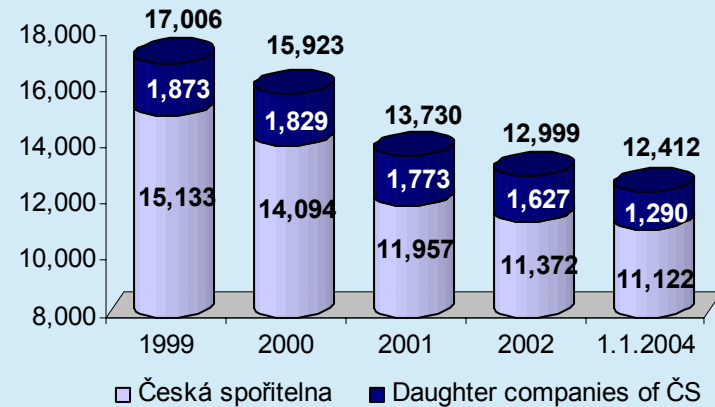
CZK m	Balance as of 1. 1. 2003	Usage	Release	Creation	Balance as of 31.12. 2003
Closing branches	58	-11	-47	0	0
Software changes	113	-113	0	0	0
Moving out of buildings early	45	0	-45	0	0
Laying off employees	172	-151	-21	0	0
Sale of unused property	256	-13	-243	0	0
<b>Total</b>	<b>644</b>	<b>-288</b>	<b>-356</b>	<b>0</b>	<b>0</b>

# Business Indicators

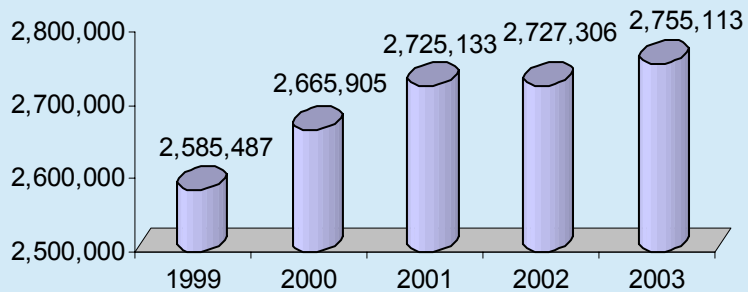
## Number of Branches



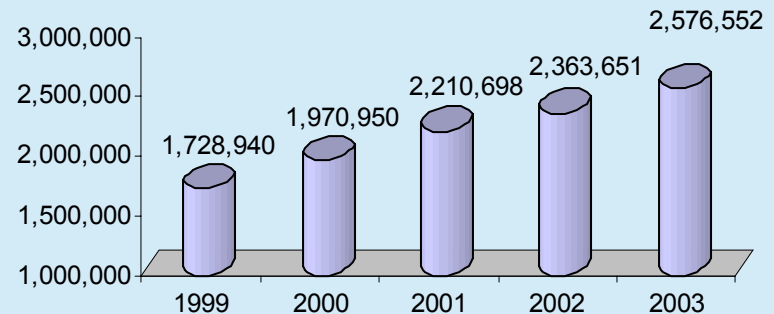
## Number of Employees



## Number of Sporožiro Current Accounts

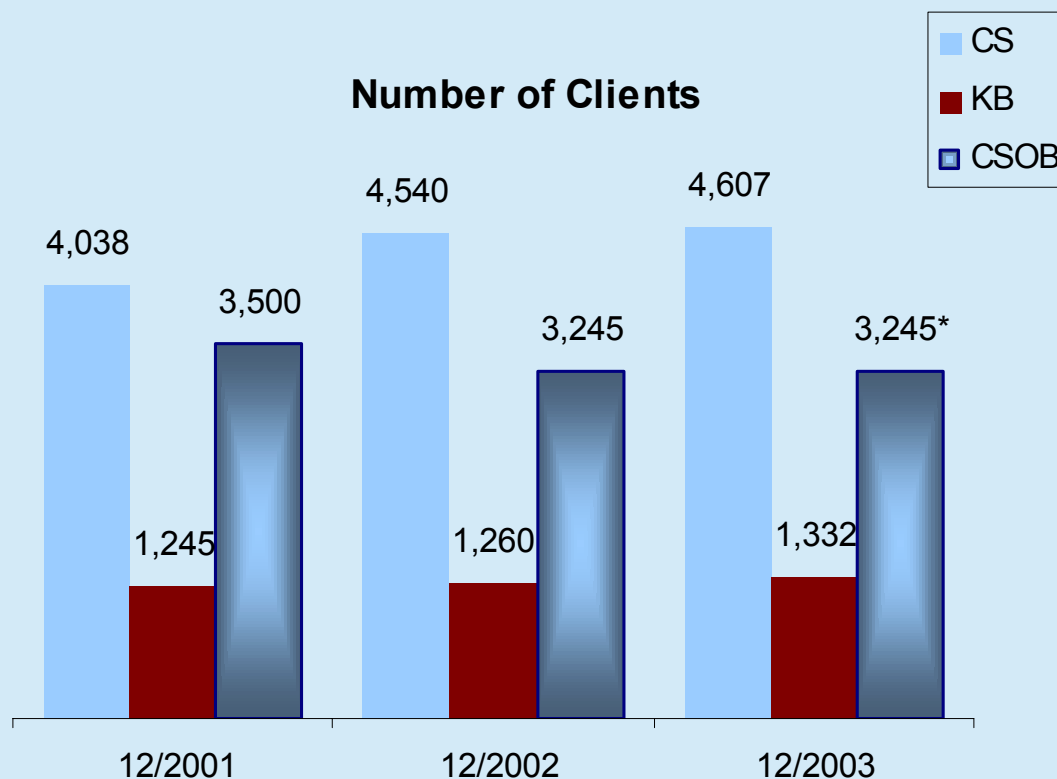


## Number of Issued Payment Cards



# Client Base

	XII/2001	XII/2002	XII/2003
<b>CS Financial group</b>	<b>4,754,847</b>	<b>5,393,492</b>	<b>5,519,627</b>
Ceska sporitelna	4,037,721	4,539,886	4,607,023
Subsidiary companies	717,126	853,606	912,604



\* CSOB has not released figure for 2003 so far



# Alternative Distribution Channels

No. of clients*	31.12.2001	31.12.2002	31.12.2003
GSM banking	19,415	64,811	81,615
Homebanking	13,436	19,639	20,369
Servis 24 Telebanking & Internetbanking	39,754	373,889	677,926
Sporotel (phone banking)	374,897	0	0
Internet, w@p and fax banking	9,569	0	0
<b>Total</b>	<b>457,071</b>	<b>458,339</b>	<b>779,910</b>

\* Clients who have S24 Telebanking and S24 Internet banking services are counted only once

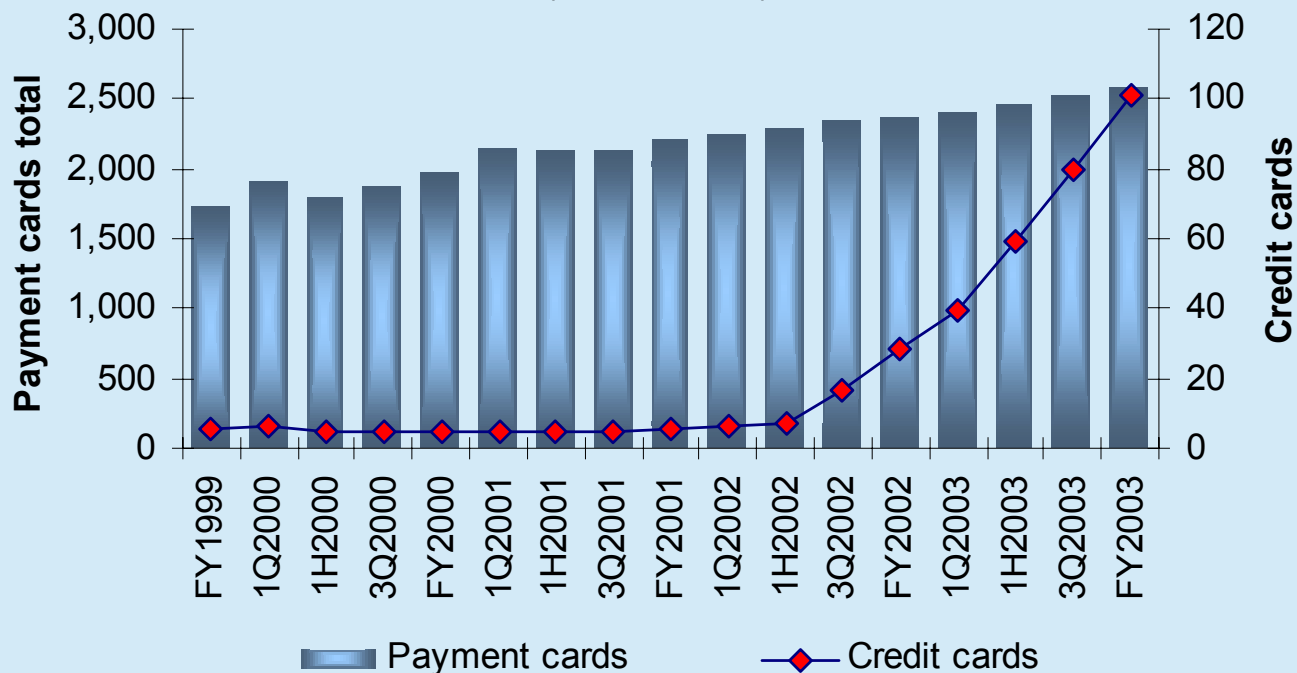
# Payment Cards

	1996	1997	1998	1999	2000	2001	2002	2003
Debit cards	891,894	1,079,822	1,335,048	1,723,481	1,966,218	2,205,480	2,335,600	2,475,397
Credit cards	9	557	3,217	5,459	4,732 *)	5,387	28,051	101,155
<b>Total payment cards</b>	891,903	1,080,379	1,338,265	1,728,940	1,970,950	2,210,867	2,363,651	2,576,552

\*) In May 2000 database was cleaned in order to eliminate unused credit cards

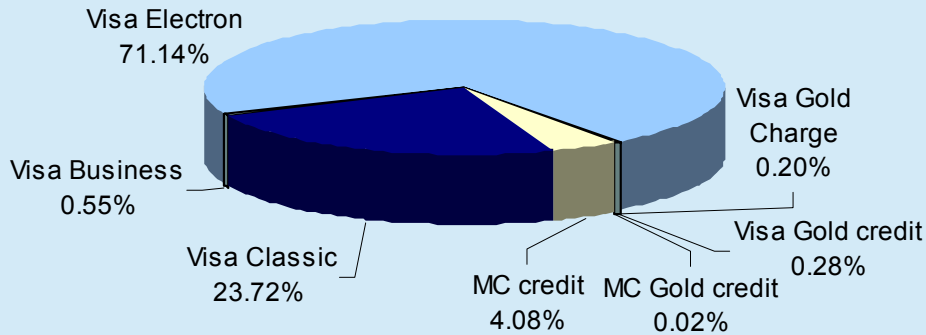
## Development of Credit Cards

(in thousands)



# Credit Cards

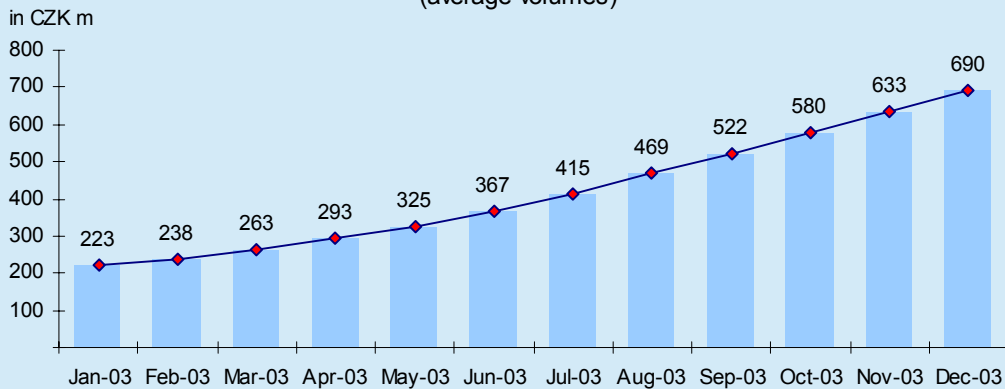
### Types of credit cards



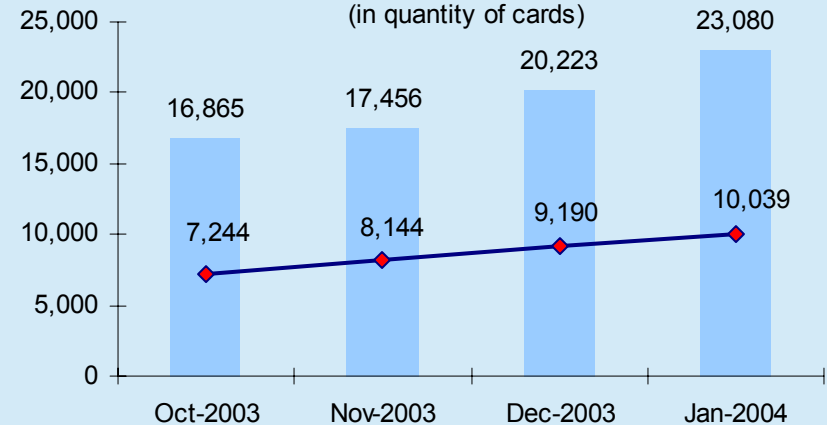
## 2003 Highlights

- Number of issued credit cards increased by 260% between 2002 and 2003
  - ⇒ in grace period paid 27.5% of credit card holders
  - ⇒ average volume of loans at credit cards (mainly Private individuals) reached CZK 690 m
  - ⇒ average net interest margin on credit cards in 2003 was 14.3%

### Usage of credit scope (average volumes)



### Grace period usage (in quantity of cards)



■ Number of cards with POS transaction  
◆ Paid in grace period

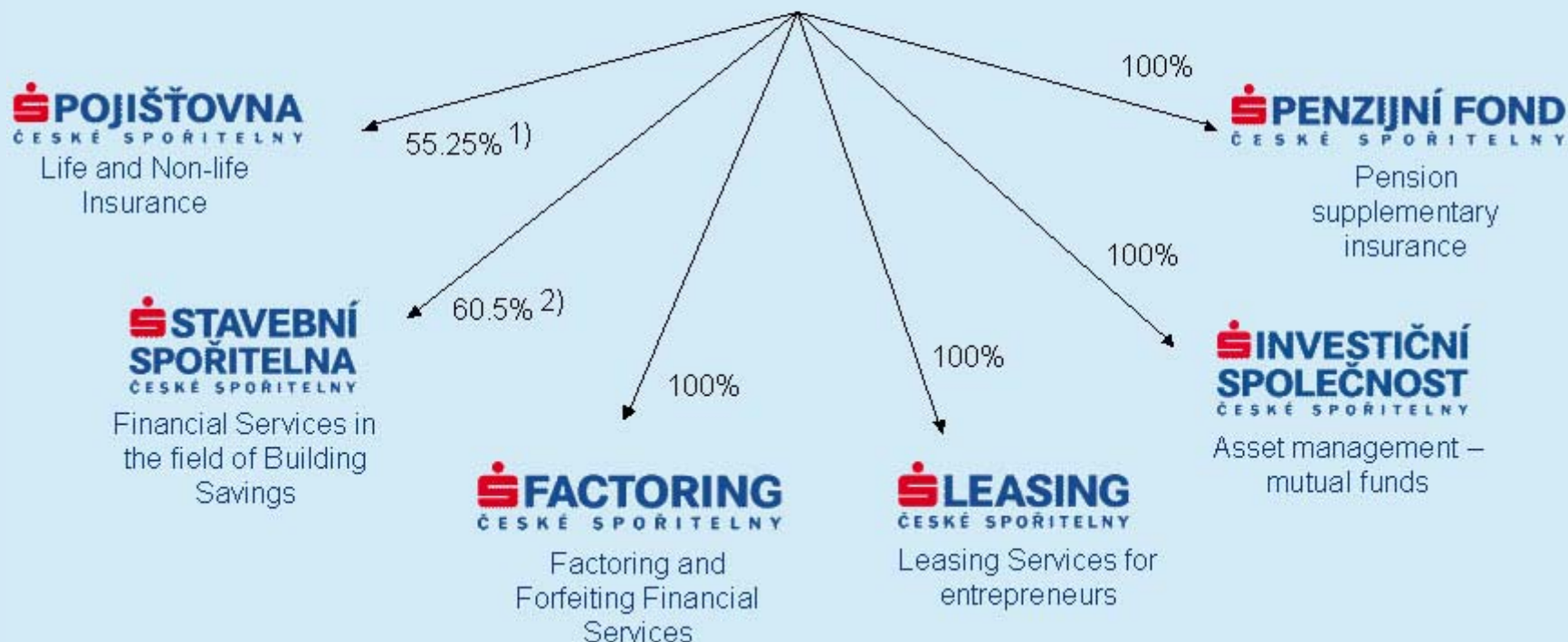
Note: Debit cards are not included



# Selected Members of CS Financial Group



Selected subsidiaries included in consolidation

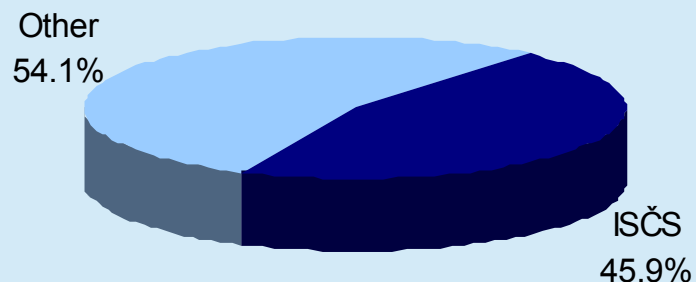


1) Sparkassen Versicherung 44.75%

2) Erste Bank 39.5%

# Asset Management

**Market share  
(non-privatisation funds)**



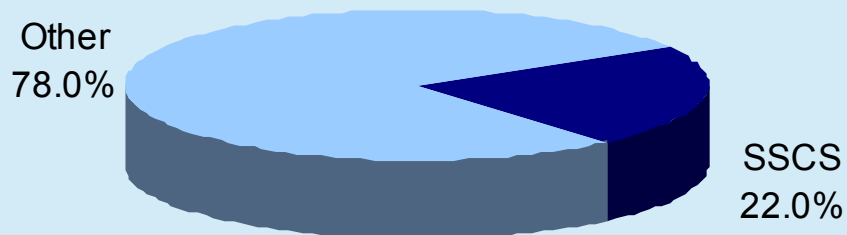
## 2003 Highlights

- ISCS strengthened its position of market leader
- Net sales of ISCS funds reached CZK 7.3 bn
- Demand from clients shifted from money market funds to longer term investments – bond funds and also equity funds, where assets almost doubled

	FY 2002	FY 2003	% Change
Assets under Management (CZK bn)	40	48	20.0%
Market share in non-privatisation funds	45.8%	45.9%	0.2%
Number of clients (ths)	333	351	5.4%

# Building Society

**Market share**  
(according to number of contracts)



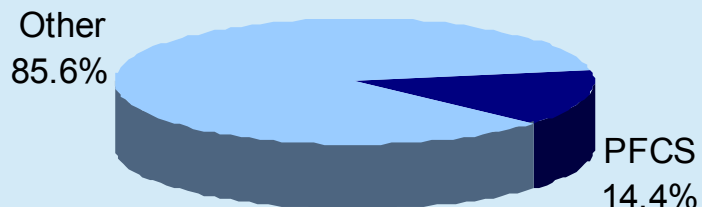
## 2003 Highlights

- Record number of newly signed building savings contracts
- Growing trend of newly granted loans
- Changes of the Czech building savings system, effective from 1.1.2004 has influenced results in 2003

	FY 2002	FY 2003	% Change
No. of contracts	1,124,915	1,390,507	23.6%
No. of new contracts	337,287	382,429	13.4%
Client savings (CZK m)	42,065	56,064	33.3%
Target client savings (CZK m)	133,708	194,509	45.5%
No. of loan contracts	76,611	99,157	29.4%
Volume of loan portfolio (CZK m)	7,159	10,476	46.3%
Market share according to new contracts	26.1%	18.1%	-
Market position	2.	2.	-

# Pension Fund

**Market share**  
(according to number of clients)



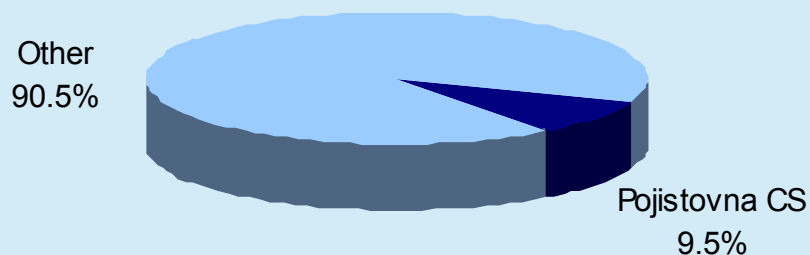
## 2003 Highlights

- PFCS is the 3<sup>rd</sup> pension fund according to number of clients and the 4<sup>th</sup> pension fund according to clients capital funds (share 12 %)
- PFCS increased profit to CZK 243 m (CAS)
- PFCS exceeded the dynamics of the whole segment in the growth of clients capital funds (PFCS 32% growth, market 21% growth)

	FY 2002	FY 2003	% Change
No. of new contracts (ths.)	76	49	-36%
No. of clients (ths.)	376	383	2%
Client Capital Funds (CZK m)	6,944	9,187	32%
Market position (in number of clients)	14.5%	14.4%	0%
No. of participating companies	2,939	3,461	18%
Operating expenses per account	255	209	-18%

# Insurance Company

## Market share in life insurance



## 2003 Highlights

- volume of written premium grew as a result of 2002 floods
- very favourable result in life insurance business in amount of CZK 3,817 bn
- net profit CZK 229 m
- non-life part of business sold
  - ⇒ from Jan 2004 is 640 ths clients managed by Kooperativa, which will support offer of CS products in non-life insurance

in %	FY 2002	FY2003
<b>Market share</b>	7.0	6.7
- non-life business	5.0	4.9
- life business	10.4	9.5
<b>Market position</b>	4	4
- non-life business	4	5
- life business	3	4

## Distribution chanel (life)

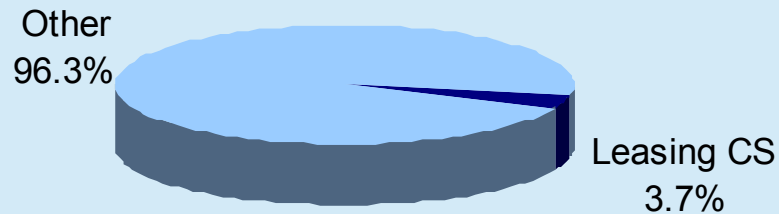
in %	FY 2002	FY2003
- bankassurance	78	76
- external network	22	24

in CZK m	FY 2002	FY2003	% Change
<b>Written premium</b>	6,282	6,938	10.4%
- non-life business	2,736	3,121	14.1%
- life business	3,546	3,817	7.6%



# Leasing

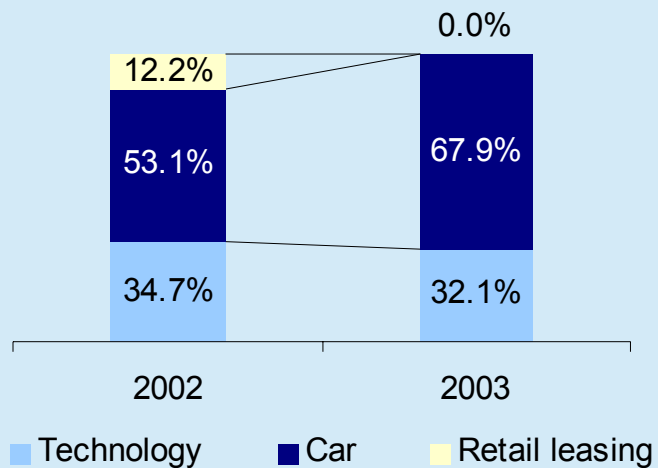
## Market share



## 2003 Highlights

- Changes in portfolio structure in favour of car leasing
- Positive development of risk profile

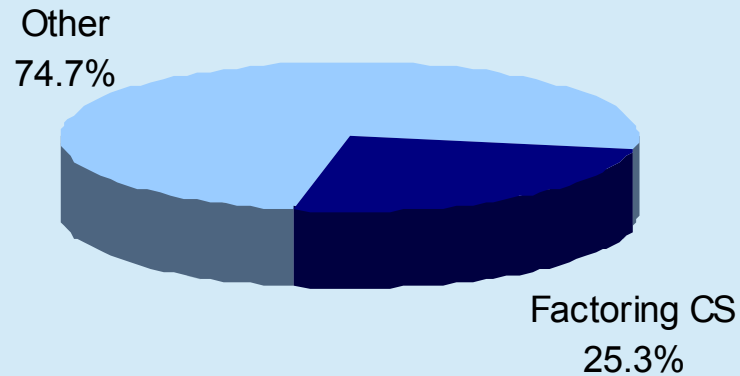
## Leasing portfolio structure



	2002	2003	% Change
Volume of new deals (CZK m)	5,323	4,229	-20.6%
No. of accounts	12,353	6,600	-46.6%
Total assets (IAS, CZK m)	7,134	6,834	-4.2%
Market share in car leasing	4.0%	3.8%	-5.0%

# Factoring

Market share



## 2003 Highlights

- 2nd biggest factoring company
- Specialist on financing of debts after domestic and foreign consumers
- Member of Factors Chain International organisation

Turnover in CZK m	Transfinance	OB Heller	Factoring CS	KB Factoring	LB Factoring
2002	15,733	14,528	9,760	8,064	4,387
2003	18,071	15,189	16,175	9,192	5,226

# Net Profit of Selected Subsidiaries

IFRS, CZK m	FY 2002	FY 2003	% Change
Stavební spořitelna CS - Building Society	281	209	-25.6
Investiční společnost CS - Asset Management	-8	104	1400.0
Leasing CS - Leasing	77	15	-80.5
Penzijní fond CS - Pension Fund*	430	220	-48.8
Pojišťovna CS - Insurance Company	171	229	33.9
Factoring CS - Factoring	17	15	-11.8

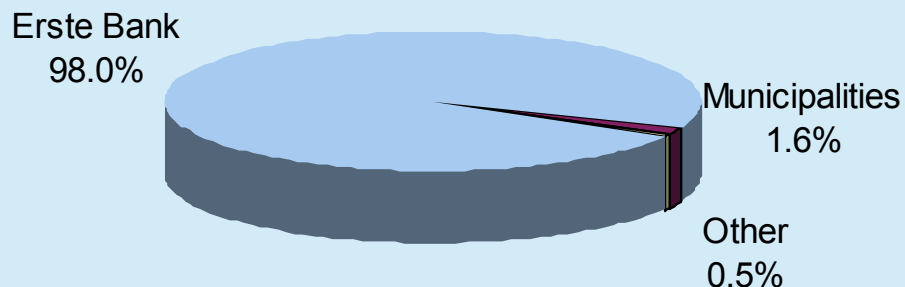
Note: Does not take into consideration fees paid to Bank by subsidiaries for services rendered.

\*According to the Supplementary pension insurance Act min. 85% of Czech Accounting Standards (CAS) net profit of pension fund is distributed to clients. Penzijní fond CS made CAS profit for FY 2003 in the amount of CZK 243 m (CZK 238 m in FY 2002).

# Shareholder Structure

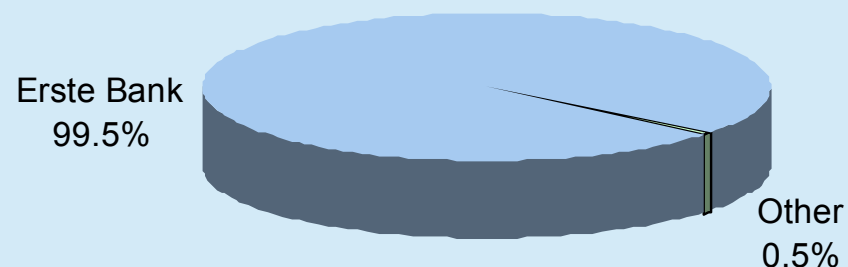
**Shareholder structure**

Dec 31, 2003



**Voting Rights Structure**

Dec 31, 2003



Development of % share of Erste Bank in Ceska sporitelna

date	15.8.2000	31.12.2000	31.12.2001	31.12.2002	31.12.2003
change of % share	52,1%	52,6%	52,2%	93,6%	98,0%

# Rating of Ceska sporitelna

Rating Agency	Long-term	Short-term	Individual	Support	Financial Strenght	Outlook	Update
<b>Fitch</b>	A-	F2	C/D	1		stable	22/07/2003
<b>Moody's</b>	A2	Prime - 1			D+	stable	13/12/2002
<b>Standard &amp; Poor's</b>	BBB	A2				positive	05/09/2003

## 2003 Highlights:

- Fitch Ratings increased its long-term rating of Ceska sporitelna from BBB+ to A- and support rating from 2 to 1
- Standard & Poor's upgraded CS long-term rating from BBB- to BBB and outlook from stable to positive

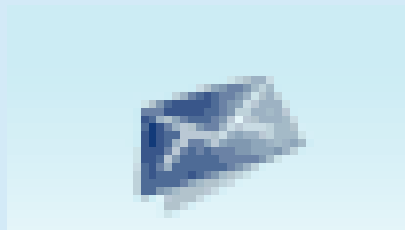
# Security and Trust



- Česká spořitelna won „Bank of the Year 2003 for the Czech Republic“ in The Banker Awards 2003
- Česká spořitelna won MasterCard „Bank of the Year 2003“ \* award, a prestigious certificate in a competition organised by Fincentrum
- In very tough competition the bank also won the „Mortgage of the Year 2003“ \* category and was the second best in the category of „Most Credible Bank 2003“ \*
- For the third year Česká spořitelna also won the certificate of “The Most Trusted Brand in the Czech Republic“

\* same positions in 2002 awards

# Investor Relations Contacts



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