

**Ceska Sporitelna's 2009 Operating Profit (IFRS) grew by almost 15% to CZK 26.62 bln (€ 1,005.93 mil)\*, while Net Profit grew by approximately 6%<sup>1</sup> to CZK 12.02 bln (€ 454.35 mil)\***

As of 31 December 2009, Ceska Sporitelna reported an unaudited consolidated Net Profit of CZK 12.02 bln, according to International Financial Reporting Standards (IFRS), up by 5.9% year-on-year<sup>1</sup>. The Operating Profit, which shows the strength and commercial success of the Bank, was up by almost 15% year-on-year, at CZK 26.62 bln.

“This result has only been possible thanks to the trust of our clients on the one hand and thanks to the hard work of our people on the other. This confirms our financial strength and stability. Apart from the excellent Operating Profit, we are very proud to report the customer satisfaction index going back to the pre-crisis levels,” said Gernot Mittendorfer, CEO and Chairman of the Ceska Sporitelna Board of Directors.

**HIGHLIGHTS OF THE 2009 RESULTS**

*Consolidated, unaudited figures, as of 31 December 2009 calculated according to the International Financial Reporting Standards (IFRS). Comparisons are made with the results as of 31 December 2008, unless specified otherwise. 2008 data cleared off the impact from the sale of Pojistovna CS:*

- **Operating Result** increased by **14.9%** to **CZK 26.62 bln** from CZK 23.17 bln.
- **Net Profit was up by 5.9% at CZK 12.02 bln** from CZK 11.35 bln<sup>1</sup> (with the influence of the sale of insurance activities in 2008 net profit dropped by 24%).
- **Profit Before Tax** increased by **7.8%** to **CZK 15.18 bln** from CZK 14.08 bln.
- **Net Interest Income** increased by **2.6%** to **CZK 30.99 bln** from CZK 30.22 bln.
- **General Administrative Expenses** dropped by **1.4%** to **CZK 19.27 bln** from CZK 19.54 bln.
- **Total Assets** dropped year-on-year, by **0.8%** to **CZK 855.14 bln** from CZK 862.23 bln.
- **Loans and Advances to Customers** were up by **1.7%** to **CZK 469.19 bln** from CZK 461.42 bln.

<sup>1</sup> The comparison is cleared off the one-off positive impact from the sale of Pojistovna CS and on the discontinued insurance activities of a volume of CZK 4.46 bln included in 2008.

\* 1EURO = CZK 26.46

- **Retail loans (Bank only)** were up by **5.3%** to **CZK 259.57 bln** from CZK 246.60 bln.
- **Amounts Owed to Customers** increased slightly year-on-year, by **0.2%** to **CZK 647.53 bln** from CZK 645.95 bln.
- **Net Interest Margin** relating to avg. interest-bearing assets increased to **4.20%** from 4.07%.
- **Return on Equity (ROE)** slightly increased to **19.3%** from 19.2% (with the influence of the sale of insurance activities in 2008 decreased from 26.3%).
- **Return on Assets (ROA)** slightly increased to **1.4%** from 1.3% (with the influence of the sale of insurance activities in 2008 dropped from 1.8%).
- **Cost/Income Ratio** improved year-on-year to **42.0%** from 45.8%.
- **Ratio of Client Loans to Client Deposits** increased to **72.5 %** from 71.4%.
- **Capital Adequacy according to BASEL II (Parent bank only, according to CNB)** increased to 12.3% from 10.31%.
- **Index of Customer satisfaction in 2009** grew to **76.5** from 73.8 in 2008 despite demanding market conditions.

### **MAIN INDICATORS**

Ceska Sporitelna's 2009 net profit was primarily influenced by the continuing increase in profits from business activities supported by consistent cost management on the one hand and on the other hand by the growth of risk provisions for loans and advances connected to the development of the economic cycle.

**Operating Profit** went up year-on-year, **by 14.9% to CZK 26.62 bln**. The indicator of operating costs to operating income, the **Cost/Income Ratio**, also improved significantly, from 45.8% to **42.0%**. The increase in the operating profit is due mainly to increased net interest income, the increased net trading result, and the drop in general administrative expenses.

**Net Interest Income** increased, mainly because of increased retail loan transactions, whereas interest income from inter-bank transactions and repo transactions was down, due to lower market avg. interest rates. Net interest income grew year-on-year by 2.6% to CZK 30.99 bln. **The Net Interest Margin** related to Interest-Bearing Assets was slightly up, to **4.20%** from 4.07%.

**Net Fee and Commissions Income** was up by 3.5%, reaching **CZK 11.40 bln**. Income from payment transactions and the sale of life insurance increased because of increased volumes. However, income from charges on securities transactions dropped as a result of a decline in the number of transactions completed. Commission from savings in building society also dropped.

**The Net Trading Result** was up by **136.9 % to CZK 3.50 bln**, mainly because of high income from securities trading (namely bonds) and also thanks to interest income from bonds held in the trading portfolio. Interest on foreign currency operations and interest derivatives also played a prominent role in the successful trading operations results.

**General Administrative Expenses** dropped year-on-year by **1.4%** to **CZK 19.27 bln** thanks to cautious cost management. The amount of other administrative expenses actually fell by 1.6 %, mainly because of reduced communication, consultancy services and marketing costs. Personnel expenses stayed almost flat - dropping by 0.3%, driven mainly by the slightly lower headcount and moving some operations out of Prague. The depreciation of tangible and intangible assets decreased, by 4.0%, under the influence of positive impact of outsourcing and lower depreciation of intangible assets.

**Net Creation of Risk Provisions for Loans and Advances** reached **CZK -8.62 bln**, which is a year-on-year increase of **143.3%** in relation to the development of the economic cycle.

**The Other Operating Result** amounts to **CZK -2.85 bln**, which is an increase of **137.4%** compared to 2008, taking into account market developments and the creation of a provision for Factoring receivables and elimination of the profit of Penzijní fond CS pertaining to clients.

**Results from Financial Assets** (including profit and loss from revaluation and selling financial assets in portfolios at fair value, available for sale, and assets held to maturity) recorded a considerable year-on-year improvement from CZK -4.35 bln to CZK +0.03 bln in relation to the positive development of financial markets, primarily in the 2<sup>nd</sup> to 4<sup>th</sup> quarters of 2009.

The results for 2008 include the net profit from discontinued activities, i.e. the economic results of Pojistovna Ceske Sporitelny and the net income of its sale to Vienna Insurance Group totalling CZK 4.46 bln.

**Total Assets reached CZK 855.14 bln**, which is a slight year-on-year decrease of **0.8%**, from CZK 862.23 bln. On the asset side, the amount of loans and advances to credit institutions and loans to clients increased whereas the securities portfolio decreased. Subordinated debt and retail deposits increased on the liability side, while liabilities from inter-bank transactions and trading liabilities dropped.

**Shareholders' Equity** stands at **CZK 63.17 bln**. Capital adequacy according to Basel II (Parent bank only) increased by 200 basis points to 12.3%.

## **BUSINESS ACTIVITIES**

**The amount of the total client loan portfolio (Loans to Customers)** went up in the last twelve months, by **1.7 %** to **CZK 469.19 bln**. **The retail loan portfolio (bank only)** reached **CZK 259.57 bln, which is a year-on-year growth of 5.3%**. This is mainly due to retail consumer loans increase by 9.5% to the current CZK 83.97 bln. The total amount of mortgages to private individuals increased by **1.4 % to CZK 117.79 bln CZK**. Loans from Building society witnessed an increase of 6.3% to CZK 45.51 bln.

**Loans provided to the public sector** saw a greater increase of **20.9% to CZK 21.77 bln**. The decrease in loans to corporates of 1.6% to CZK 162.35 bln was considerably influenced by the ongoing economic recession and lower demand. Corporate mortgage loans reached a level of CZK 60.41 bln, i.e. an increase of 2.3%.

**Client deposits reached a volume of CZK 647.53 bln**, much the same as in 2008. **Retail deposits saw another increase of 2.0 % to CZK 502.23 bln**. The increase was mainly in the following categories: term deposits (in particular the highly popular "Zlaty vklad / Golden deposit" and the new saving product "Sikovne sporeni / Smart savings", which together have taken in CZK 29.68 bln), pension funds and savings in building society. Corporate **deposits** also noted an increase of **7.8 % to CZK 99.04 bln**, primarily in current accounts. The amount of deposits of public sector clients dropped by one quarter to **CZK 46.25 bln** as a result of a reduced amount of repo operations and deposits in term deposits.

As of 31 December 2009, **the number of active direct banking clients** using **SERVIS 24** and **BUSINESS 24** was 1.25 million, which is an increase of **4.4 %**. The number of transactions was up by **6.3 %**.

**The overall number of active payment cards** reached **3.26 million** (a drop of **1.4%**), of which credit cards represent **0.48 million**. Despite the decrease in the number of active cards, the amount of transactions and loans through credit cards increased. Loans provided through credit cards as at the end of 2009 amounted to **CZK 4.74 bln.**, which is an increase of **27.4%**. The amount of card transactions within the network of Ceska Sporitelna terminals grew significantly by 37.6% to CZK 75.16 bln.

The Ceska Sporitelna ATM network also expanded in 2009. Altogether 69 new ATMs were added, six of which can be used for deposits. The bank replaced a total of 96 old ATMs with new machines. **The number of Ceska Sporitelna ATMs** thus increased by **4.6% to 1,218 units**, through which 88.8 million transactions were executed during 2009 (an increase of 1.4%). At the end of 2009 Ceska Sporitelna further increased ATM security by installing completely new types of ATMs.

#### **MAJOR EVENTS OF 2009**

- In October **Ceska Sporitelna became the first bank in the Czech Republic to sign the Czech Bank Association Standard "Client Mobility"** so that clients can switch from one bank to another more easily.
- Thanks to Ceska Sporitelna's new **Personal Account – Junior**, even our youngest clients from 8 to 15 years of age can select the option of a customized account from a broad range of products and services just like owners of Ceska Sporitelna's Personal Account and its Student variation. With the children's account, its owners also automatically receive a better interest.
- **Ceska Sporitelna has prepared a further expansion of services for direct banking users.** With **SERVIS 24** Internet banking, clients can download free of charge an electronic statement for card accounts or check on-line

the status of their Smart Savings account. Ceska Sporitelna has also changed over to a stronger type of client security certificate for SERVIS 24 Internet banking and BUSINESS 24 services. Another innovation facilitates work for entrepreneurs: in co-operation with Stormware, the manufacturer of the POHODA economic-information system, the BUSINESS 24 Databanking service was launched allowing for more efficient handling of the account from directly within the POHODA environment.

- **In connection with the amendment to the law on payment systems by which banks are liable for unauthorised transactions over EUR 150 without limit before blocking the card, Ceska Sporitelna has decided to adapt to meet the needs of its clients and expand the insurance coverage of payment card misuse to include additional risks.** Insurance against payment card misuse now also applies to, e.g., public transport passes, spectacles and fees for blocking the SIM card of a stolen mobile phone. Despite the increased insurance coverage for clients, the price of insurance remains the same.
- The Ceska Sporitelna Financial Group received two important awards for social responsibility: **The Top Philanthropist 2009 award in the category of Partnership with Employees and first place in the Company of the Year: Equal Opportunity 2009 competition.** Ceska Sporitelna also received the Top Philanthropist 2009 award for its project "We enable employees to help", in which it gives its employees two days of leave each year to help non-profit organizations. In 2009 1,035 employees took part in the Days for Charity, in 2008 the number was 927.
- **Ceska Sporitelna once again won the prestigious award Bank of the Year for the Czech Republic in the international competition Bank of the Year 2009 of The Banker magazine.**

## **STRATEGIC GOALS OF CESKA SPORITELNA FOR 2010**

In 2009 Ceska Sporitelna proved to be a rock solid and reliable financial institution in a difficult environment and managed to increase its customer satisfaction. This is a very good starting base for 2010.

**Ceska Sporitelna's main strategic goals for the upcoming period can be defined as follows:**

- Being close to customers in 2010 and supporting them in hard times.
- Priorities for clients will concentrate on further improvement in service quality and customer service culture.
- The main priority in the financial area will be the thorough management of business risks and operating costs.
- For its employees, Ceska Sporitelna will strive to maintain its status as a "first-choice employer" including further development of its corporate culture.
- With regard to processes, the bank will focus on simplifying them and on their proper setup.

### **Ceska Sporitelna**

Public Relations: Klára Gajdušková; tel.: +420.261.073.030; kgajduskova@csas.cz

Investor Relations: Hana Urbanová; tel.: +420.261.073.185; hurbanova@csas.cz

### **Erste Bank**

Public Relations: Hana Cygonková; tel.: +43.501.00.11675; hana.cygonkova@erstebank.at

Investor Relations: Gabriele Werzer; tel.: +43.501.00.11286; gabriele.werzer@erstebank.at

<b>Consolidated Profit and Loss Statement of Ceska Sporitelna as at 31 Dec 2009 according to IFRS (CZK mil)</b>	<b>As of 31 Dec 2009</b>	<b>As of 31 Dec 2008</b>	<b>YoY change</b>
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<b>Net Interest Income</b>	<b>30,989</b>	30,217	2.6%
<b>Risk Provisions for Loans and Advances</b>	<b>-8,624</b>	-3,544	>100%
<b>Net Fee and Commission Income</b>	<b>11,402</b>	11,020	3.5%
<b>Net Trading Result</b>	<b>3,495</b>	1,475	>100%
<b>General Administrative Expenses</b>	<b>-19,269</b>	-19,541	-1.4%
<b>Other Operating Results</b>	<b>-2,847</b>	-1,199	>100%
<b>Results from Financial Assets</b>	<b>32</b>	-4,352	n/a
<b>Profit Before Tax</b>	<b>15,178</b>	14,076	7.8%
<b>Income Tax</b>	<b>-3,362</b>	-2,765	21.6%
<b>After tax profit from discontinued operations</b>	<b>0</b>	4 460	-100.0%
<b>Profit for the year after taxes and before controlling interests</b>	<b>11,816</b>	15,771	-25.1%
<b>Net profit for the year</b>			
<b>Attributable to owners of the parent</b>	<b>12,022</b>	15,813	-24.0%
<b>Attributable to owners of the parent</b> (The 2008 result cleared-off the one-off positive affect of the sale of the insurance company Pojistovna ĀS and from the discontinued insurance activities of 4.46 bln CZK)	<b>12,022</b>	11,353	5.9%
<b>Attributable to non-controlling interests</b>	<b>-206</b>	-42	>100%
<b>Operating Result</b>	<b>26,617</b>	23,171	14.9%

<b>Consolidated Balance Sheet of Ceska Sporitelna as at 31 Dec 2009 according to IFRS (CZK mil)</b>	<b>31 Dec 2009</b>	<b>31 Dec 2008</b>	<b>YoY change</b>
<b>Assets</b>			
<b>Cash and Balances with CNB</b>	<b>29,371</b>	24,285	20.9%
<b>Loans and Advances to Financial Institutions</b>	<b>126,506</b>	93,306	35.6%
<b>Loans and Advances to Customers</b>	<b>469,185</b>	461,424	1.7%
<b>Risk Provisions for Loans and Advances</b>	<b>-14,713</b>	-8,929	64.8%
<b>Trading Assets</b>	<b>45,951</b>	61,977	-25.9%
<b>Financial Assets – Fair Value</b>	<b>7,367</b>	19,226	-61.7%
<b>Financial Assets – Available for Sale</b>	<b>28,858</b>	35,386	-18.4%
<b>Financial Assets Held to Maturity</b>	<b>111,977</b>	118,938	-5.9%
<b>Other Assets</b>	<b>50,635</b>	56,617	-10.6%
<b>Total Assets</b>	<b>855,137</b>	862,230	-0.8%
<b>Liabilities</b>			
<b>Amounts Owed to Financial Institutions</b>	<b>47,434</b>	57,561	-17.6%
<b>Amounts Owed to Customers</b>	<b>647,529</b>	645,947	0.2%
<b>Bonds in Issue</b>	<b>44,197</b>	39,936	10.7%
<b>Trading Liabilities</b>	<b>17,174</b>	26,076	-34.1%
<b>Other Liabilities</b>	<b>21,939</b>	22,144	-0.9%
<b>Subordinate Debt</b>	<b>13,404</b>	5,197	>100%
<b>Total Equity</b>	<b>63,460</b>	65,369	-2.9%
<b>Attributable to Non-controlling Interests</b>	<b>292</b>	564	-48.2%
<b>Attributable to Owners of the Parent</b>	<b>63,168</b>	64,805	-2.5%
<b>Total Liabilities</b>	<b>855,137</b>	862,230	-0.8%

<b>Selected Consolidated Ratios</b>	<b>As of 31 Dec 2009</b>	<b>As of 31 Dec 2008</b>
ROE	19.3%	26.3%
ROA	1.4%	1.8%
Cost/Income Ratio	42.0%	45.8%
Net Interest Margin Related to avg. Interest-Bearing Assets	4.20%	4.07%
Non-Interest Income / Operating Income	32.5%	29.3%
Ratio of Client Loans to Client Deposits	72.5%	71.4%
Capital Adequacy (Parent bank only)	12.3%	10.31%

<b>Selected Business Activity Figures</b>	<b>As of 31 Dec 2009</b>	<b>As of 31 Dec 2008</b>	<b>Y/Y change</b>
Average Headcount of CS Financial Group	10,843	10,911	-0.6%
Total Number of Clients	5,272,785	5,293,632	-0.4%
Number of Giro Accounts	2,837,756	2,874,110	-1.3%
of which Personal Accounts	1,715,257	1,080,579	58.7%
Number of SERVIS 24 and BUSINESS 24 Direct Banking Clients	1,252,155	1,199,329	4.4%
Number of Cards	3,258,011	3,304,197	-1.4%
of which Credit Cards	476,463	553,329	-13.9%
Number of ATMs	1,218	1,164	4.6%
Number of Ceska Sporitelna Branches	660	646	2.2%

<b>Net Profit of Selected Ceska Sporitelna Subsidiaries (unaudited, according to IFRS; in CZK mil.)</b>	<b>31 Dec 2009</b>	<b>31 Dec 2008</b>	<b>Y/Y change</b>
brokerjet Ceske Sporitelny	5	37	-86.5%
Factoring Ceske Sporitelny	-90	19	n/a
Investicni spolecnost Ceske Sporitelny	90	26	>100%
Penzijni fond Ceske Sporitelny	459	127	>100%
s Autoleasing	-135	-23	>100%
Stavebni Sporitelna Ceske Sporitelny	1,509	1,465	3.0%