

# Ceska Sporitelna

## *FY 2002 IAS Consolidated Results (Unaudited)*

*March 24, 2003*

# Outline

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# *2002 Highlights*

# Year 2002

- **Very good year**
- **Must prove that every year can be a very good year**

# Four Sets of Voters

- **Shareholders**
- **Customers**
- **Communities**
- **Employees**

# 2002 Highlights - Shareholders

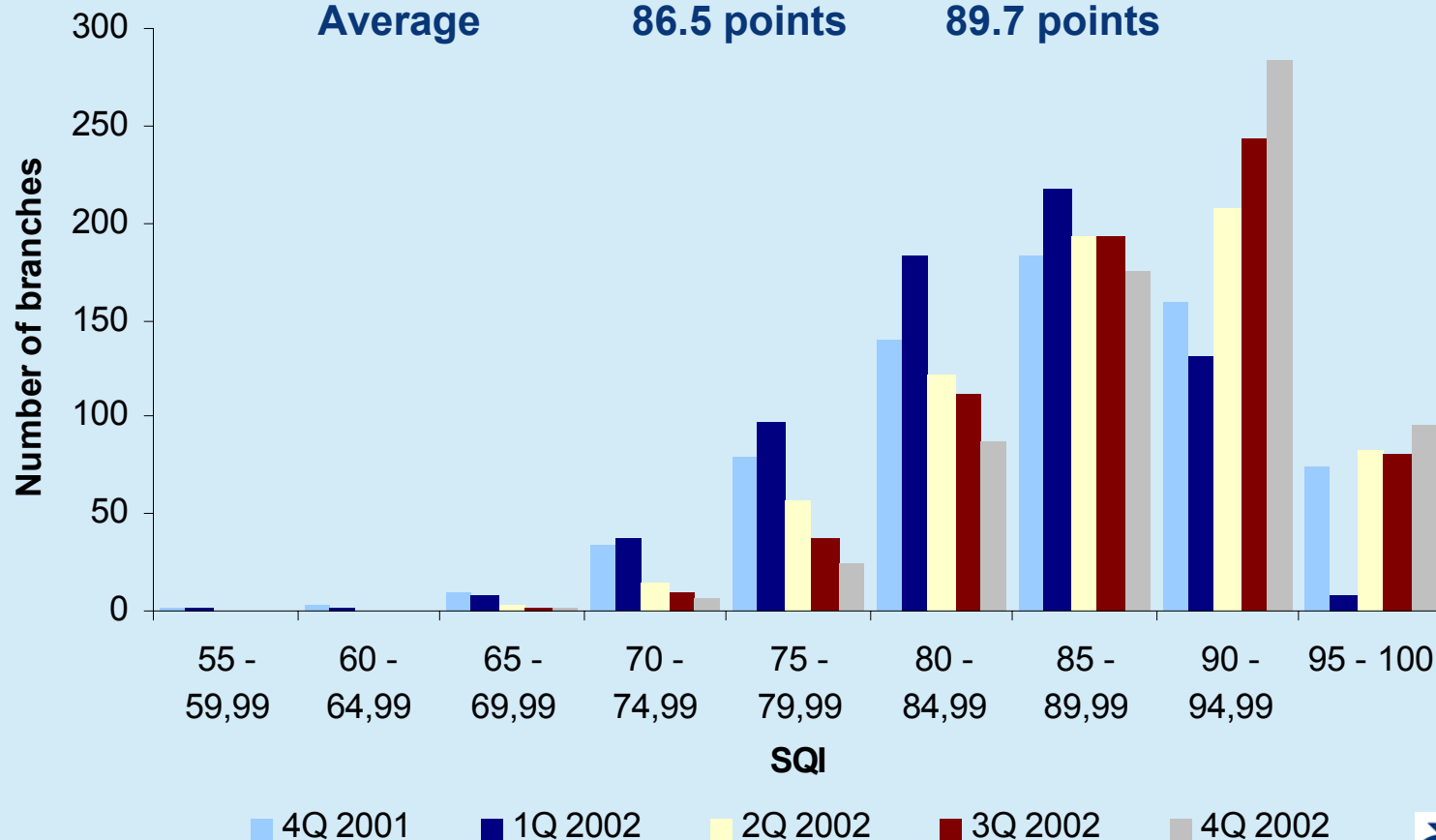
- **ROE 21.4%** Target → **18.0%**
- **Net Profit CZK 5.8 bn** Target → **CZK 4.8 bn**
- **Building base for future sustainable profits**

# 2002 Highlights - Customers

- **Improved Service Quality and Customer Satisfaction**
- **Lowest loan rates in modern history**
- **Client number increased from 4.8 million to 5.4 million**
- **Mortgages grew by 75%**
- **Survived Anonymous Passbooks conversion**
- **ATMs (more than 1,000) and Telephone Client Centre expanding**
- **New version of Internet Banking**

# Service Quality Index Improvement

	<u>SQI – 2001</u>	<u>SQI – 2002</u>
Maximum	99.7 points	99.4 points
Minimum	58.2 points	69.6 points
Average	86.5 points	89.7 points





# 2002 Highlights - Communities

- **August floods → Immediate distribution of CZK 50 million to Needy**
- **Support cultural, athletic, educational and social activities**
  - ☞ **Prague Spring**
  - ☞ **Czech Athletic Association**
  - ☞ **Charles University**
  - ☞ **Sananim**
  - ☞ **Moravian Wine Trails**
  - ☞ **Czech Tennis**
  - ☞ **Smetana' s Litomysl**

# 2002 Highlights - Employees

- **Project Klient**
- **Flood Bonds**
- **Anonymous Passbooks**
- **Credit Cards**
- **Systems Conversion in Corporate and Treasury**
- **August Floods**
- **Expanding Role of Subsidiaries**
- **„Best Bank of the Year 2002“, „Mortgage Bank of the Year 2002“, „Financial Product 2002“ for Service 24 – Internet banking**

# Year 2002

- **Demonstrate ability to be a modern financial services provider**
- **Challenge is to take this beginning and build on it to become a „world class“ financial group**

***FY 2002 IAS Unaudited  
Consolidated Results***

# FY 2002 Group Profit & Loss Highlights

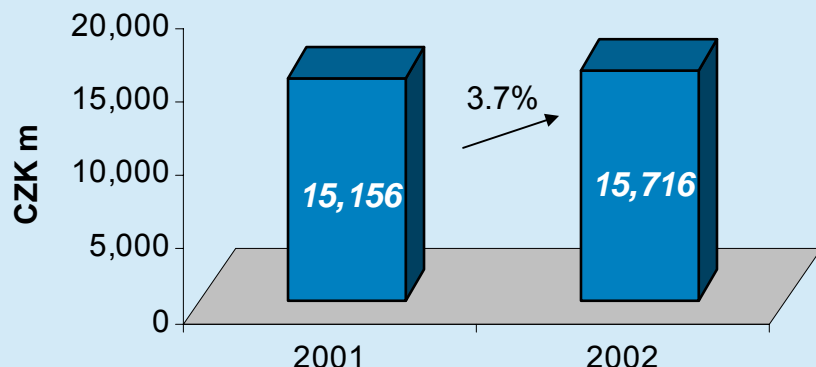
- **Operating Result increased by 26.9% to CZK 8,835 mil.**
- **Net Profit rose from CZK 1,798 m (FY 2001) to CZK 5,805 m (FY 2002)**
- **ROE reached 21.4%; ROA at 1.2%**
- **Net Interest Income grew by 3.7% to CZK 15,716 m**
- **Net Fee and Commission Income grew by 10.5% to CZK 6,847 m**
- **General Administrative Expenses decreased by 2.9% to CZK 14,776 m**
- **Cost/Income ratio improved to 62.6% from 68.6% (2001)**

# Group Profit & Loss Statement

IAS, Consolidated, CZK m	2001	2002	% Change
Net interest income	15,156	15,716	3.7
Provisions on losses on loans and advances	-2,731	-331	-87.9
Net fee and commission income	6,198	6,847	10.5
Net profit/(loss) on financial operations	833	1,048	25.8
General administrative expenses	-15,224	-14,776	-2.9
Other operating income/(expenses)	-1,336	405	n/a
<b>Profit/(loss) before taxes</b>	<b>2,896</b>	<b>8,909</b>	<b>207.6</b>
Income tax expense	-975	-2,917	199.2
<b>Profit/(loss) after taxes</b>	<b>1,921</b>	<b>5,992</b>	<b>211.9</b>
Minority interests	-123	-187	52.0
<b>Net profit/(loss) for the year</b>	<b>1,798</b>	<b>5,805</b>	<b>222.9</b>

# Group Interest Income

## Net interest income



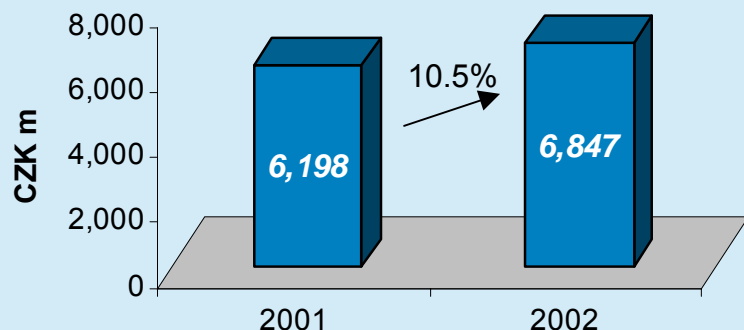
## Main Drivers:

- Negative effect of falling market interest rates compensated by higher volumes of client deposits and loans
- Growing retail lending at higher margins
- Maturity of bonds (CZK 5 bn) in February 2002
- NII was negatively influenced by:
  - ✓ interest rates cuts in 2002 (CZK 100 mil.)
  - ✓ conversion of anonymous passbooks (CZK 217 mil.)
  - ✓ decrease of ring-fenced asset volume (CZK 23 mil.)

IAS, Consolidated, CZK m	2001	2002	% Change
<b>Interest income</b>	<b>27,729</b>	<b>26,005</b>	<b>-6.2</b>
- from loans and advances to financial institutions	8,561	6,186	-27.7
- from loans and advances to customers	11,595	12,550	8.2
- from debt securities and other fixed income securities	7,063	7,126	0.9
- other interest income	510	143	-72.0
<b>Interest expense</b>	<b>-12,573</b>	<b>-10,289</b>	<b>-18.2</b>
- from amounts owed to financial institutions	-1,334	-1,155	-13.4
- from amounts owed to customers	-10,044	-8,160	-18.8
- from bonds in issue	-735	-209	-71.6
- other interest expense	-460	-765	66.3

# Group Fee and Commission Income

## Net fee and commission income



## Main Drivers:

- Increased volume of payment transactions
- Growing retail lending
- Higher fee income from subsidiaries
- Decrease of incentive fee from ring-fencing due to lower amount of ring fenced assets
- Influence of anonymous passbooks conversion – as part of client motivation fees for premature withdrawals not charged (CZK 50 m)

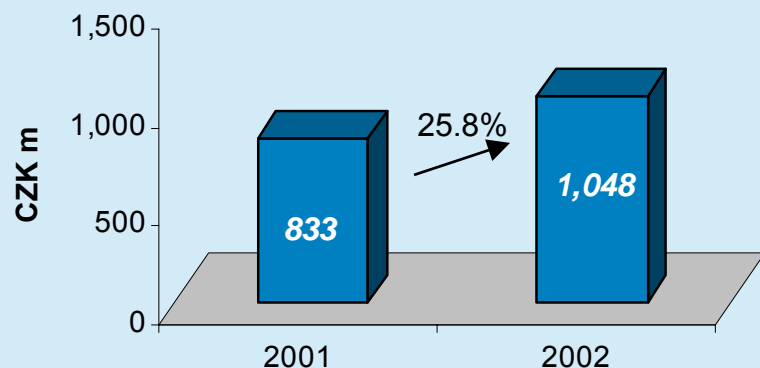
IAS, Consolidated, CZK m	2001	2002	% Change
<b>Fee and commission income</b>	<b>6,711</b>	<b>7,491</b>	<b>11.6</b>
- from lending business	1,425	1,529	7.3
- from payment transactions *	4,147	4,029	-2.8
- from security business	496	465	-6.3
- other	643	1,468	128.3
<b>Fee and commission expense</b>	<b>-513</b>	<b>-644</b>	<b>25.5</b>
- from lending business	-1	-1	n/a
- from payment transactions	-117	-102	-12.8
- from security business	-51	-4	-92.2
- other	-344	-537	56.1

\* Figure for 2001 overstated by approx. CZK 400 million by fees from building society which should be recorded according to 2002 accounting methodology in other fees



# Group Trading Result

## Net profit on financial operations



## Main Drivers:

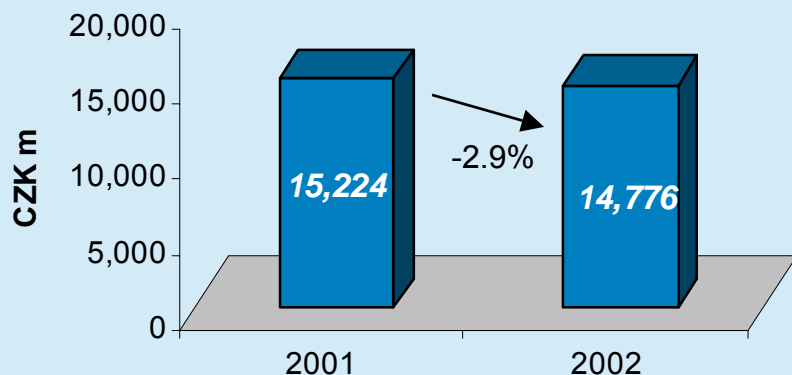
- Positive gains from bond portfolios due to declining interest rate environment
- Good results in FX trading
- Significantly improved result in derivatives (mainly interest rate derivatives)

IAS, Consolidated, CZK m	2001	2002	% Change
Realised and unrealised profit on securities trading	177	187	5.6
Derivative instruments *	-66	60	n/a
FX gains	722	810	12.2
Other	0	-9	n/a

\* In 2001 different accounting methodology for derivatives was used, which influences net trading result and net interest income. If 2001 results were restated to be comparable with 2002 figures, net trading result in 2001 would be CZK 946 m and net interest income CZK 15,044 m.

# Group Expenses

## General administrative expenses



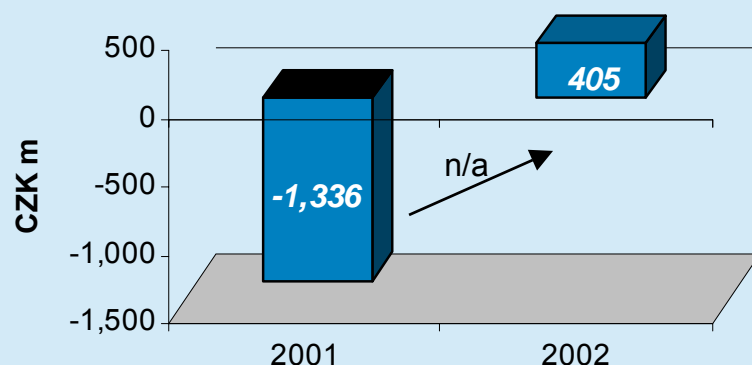
## Main Drivers:

- Positive impact from staff reductions during 2001
- Better expense management causing 5.7% reduction in other administrative expenses (mainly consultancy and data processing costs)

IAS, Consolidated, CZK m	2001	2002	% Change
Personnel expenses	6,586	6,527	-0.9
Other administrative expenses	6,367	6,001	-5.7
Depreciation	2,271	2,248	-1.0

# Other Operating Result

## Other operating income/(expenses)



IAS, Consolidated, CZK m	2001	2002	% Change
<b>Other operating income</b>	<b>5,052</b>	<b>10,666</b>	<b>111.1</b>
- premium written	2,649	5,111	92.9
- usage of technical reserves in insurance business	1,619	4,027	148.7
- income from dormant accounts	0	385	n/a
- other income	784	1,143	45.8
<b>Other operating expenses</b>	<b>-6,708</b>	<b>-10,866</b>	<b>62.0</b>
- restructuring charge	-967	-206	-78.7
- creation of other reserves	-337	-64	-81.0
- creation of technical reserves in insurance business	-2,411	-7,327	203.9
- paid insurance benefit	-1,022	-1,079	5.6
- Deposit Insurance Fund contribution	-659	-286	-56.6
- other expenses	-1,312	-1,904	45.1
<b>Income/(expenses) from AFS securities</b>	<b>329</b>	<b>592</b>	<b>79.9</b>
<b>Other operating income/(expenses)</b>	<b>-9</b>	<b>13</b>	<b>n/a</b>

## Main Drivers:

- Release of unused restructuring reserve (CZK 778 m) and creation of new one (CZK 206 m), i.e. positive effect of CZK 572 m
- Lower contribution to Deposit Insurance Fund due to changes in Banking Code (CZK 373 m)
- One-off income from dormant accounts in connection with anonymous passbooks conversion (CZK 385 m) and creation of provisions against it for potential later withdrawals (CZK 60 m)
- Higher income from revaluation or sale of AFS securities (CZK 263 m)
- Insurance company performance negatively influenced by August floods (roughly CZK 100 m)

# FY 2002 Group Balance Sheet Highlights

- **Total assets increased inter-yearly by 5.7% to CZK 519.7 bn**
- **Gross loans to clients remained flat because of continuing loan portfolio restructuring**  
(excluding total put option effect underlying loan growth was 3.8%)
- **Client deposits grew by 3.8% to CZK 403.0 bn despite outflow of deposits connected with anonymous passbooks conversion**
- **Group capital adequacy according to BIS reached 16.8 %**

# Group Balance Sheet (1/2)

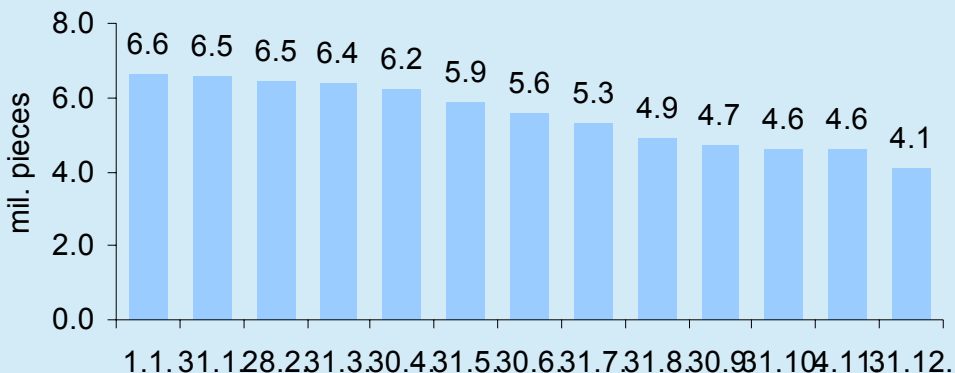
IAS, Consolidated, CZK m	31/12/01	31/12/02	% Change
<b>Total Assets</b>	<b>491,605</b>	<b>519,691</b>	<b>5.7</b>
Cash and balances with the ČNB	22,930	22,261	-2.9
Loans and advances to financial institutions	120,104	128,782	7.2
Loans to Czech Consolidation Agency	37,182	39,564	6.4
Loans and advances to customers	149,473	149,599	0.1
Provision for losses on loans and advances	-21,645	-18,895	-12.7
Trading securities	24,186	21,379	-11.6
Securities available for sale	18,951	32,348	70.7
Investment securities	101,003	102,800	1.8
- treasury bills and listed debts securities	90,236	91,140	1.0
- other	10,767	11,660	8.3
Other assets	39,421	41,853	6.2

# Group Balance Sheet (2/2)

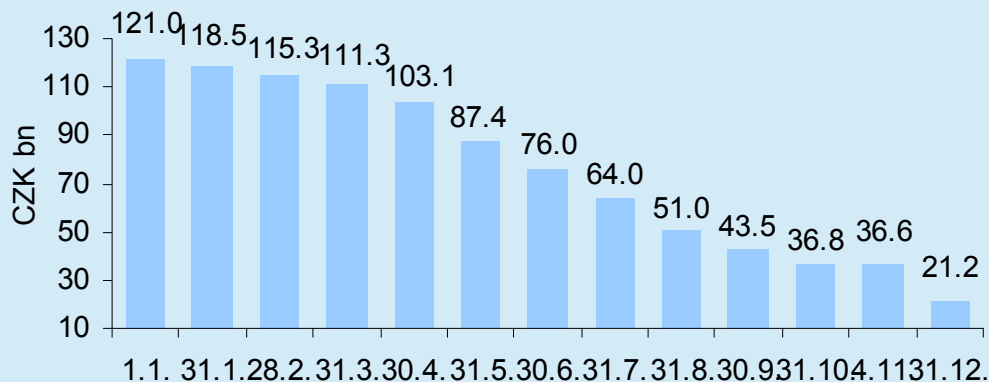
IAS, Consolidated, CZK m	31/12/01	31/12/02	% Change
<b>Total Liabilities and Shareholders' Equity</b>	<b>491,605</b>	<b>519,691</b>	<b>5.7</b>
Amounts owed to financial institutions	31,142	31,858	2.3
Amounts owed to customers	388,252	403,035	3.8
Bonds in issue	10,988	7,143	-35.0
Subordinated debt	5,500	5,500	0.0
Other liabilities	30,178	41,193	36.5
Minority interests	1,090	1,131	3.8
<b>Shareholders' equity</b>	<b>24,455</b>	<b>29,831</b>	<b>22.0</b>

# Anonymous Passbooks Conversion

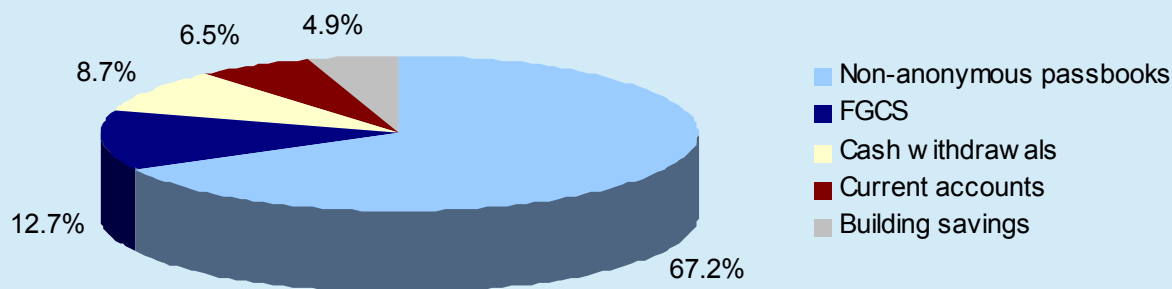
Number of anonymous passbooks



Deposits on anonymous passbooks



Converted Anonymous Passbooks



# Anonymous Passbooks Conversion Impact

<b>Conversion impact on CS earnings in 2002</b>	<b>CZK mil</b>
Extraordinary income from dormant accounts	385.0
Income from sales for subsidiaries	65.9
Creation of provisions for potential later dormant account withdrawals	-60.0
Dormant account withdrawals in 2002	-17.0
Deposit outflow influence (money lost for Financial Group through cash withdrawals and transfers to other banks)	-217.1
Waivers	-50.0
Expenses associated	
- Marketing (up to 8/02)	
- Extra training & Personnel	
- Production & Distribution	-152.5
- Single-purpose branch equipment (depreciation)	
- Extra security	
- IT costs (software changes)	
<b>Balance 2002</b>	<b>-45.7</b>
<b>Conversion impact on CS earnings in 2003</b>	<b>CZK mil</b>
Income for sales in subsidiaries	195.2
Cashflow within the Financial Group	
Interest not paid	112.7
Lost interest income (deposit outflow)	-660.3
Single-purpose branch equipment (depreciation)	-4.5
Increased number of staff, training	-13.0
<b>Balance 2003</b>	<b>-369.9</b>
<b>The total direct impact of the conversion into CS P&amp;L in 2002 and 2003</b>	<b>-415.6</b>



# Capital Adequacy

## CNB Capital Adequacy

Parent Bank, CZK m	31/12/00	31/12/01	31/12/02
Tier I capital	15,447	20,184	22,583
Tier I + Tier II capital	21,298	26,244	25,506
Capital requirement A (to RWA)	11,713	12,641	14,112
Capital requirement B (to market risks)	1,542	1,302	1,481

Capital adequacy Tier I ratio	9.3%	11.6%	11.6%
Capital adequacy Tier I+II ratio	12.9%	15.1%	13.1%

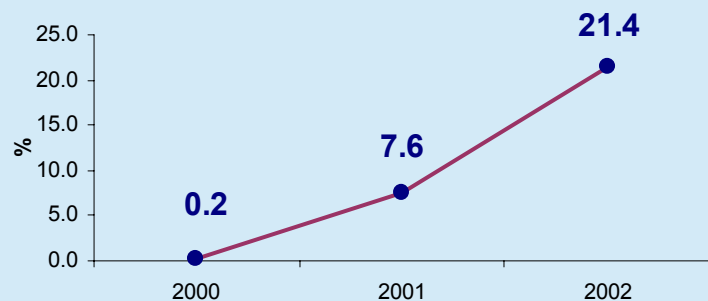
## BIS Capital Adequacy

CS Group, CZK m	31/12/00	31/12/01	31/12/02
Tier I Capital	23,678	25,525	30,947
Tier I+II Capital	29,761	31,650	37,060
Risk Weighted Assets	166,450	175,782	202,253
Capital requirement to market risks	1,542	1,302	1,481

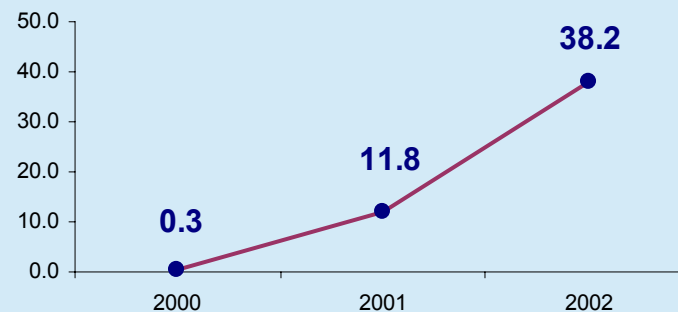
Capital adequacy Tier I ratio	12.7%	13.3%	14.0%
Capital adequacy Tier I+II ratio	16.0%	16.5%	16.8%

# Financial Ratios Development

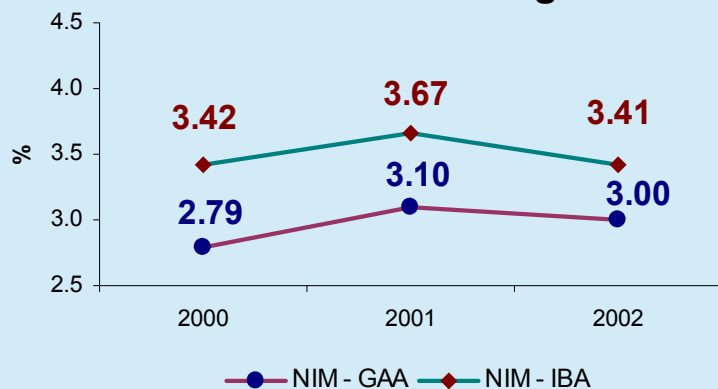
## ROE



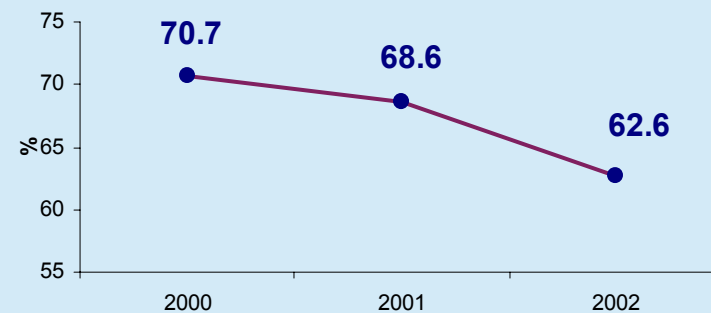
## Earnings per Share



## Net Interest Margin



## Cost / Income Ratio



GAA = Gross average assets  
IBA = Average interest bearing assets

# *CS Loan Portfolio*

*FY 2002*

*Unconsolidated*

# Key Messages

## Loans to customers in Y2002 (Bank only)

### LOAN GROWTH

- + 20.6% (+ 10.2 bn) loan growth in Retail
- + 71.9% (+ 7.2 bn) loan growth in Retail mortgages

### PORTFOLIO QUALITY

- - 28.0% (- 4.4 bn) reduction in non-performing loans
- - 50.1% (- 10.1 bn) reduction in Bad bank portfolio
- + 1.0 bn CZK loan recoveries
- - 91.7% (- 2.2 bn) reduced provision creation (net)
- In 03/2003 Fitch IBCA upgraded LT rating of Ceska sporitelna to BBB+ (from BBB) due to among other factors “... current low level of Credit risk”

# Portfolio Highlights FY 2002

- **Underlying growth\* of total portfolio + 15.4 bn (+ 9.7%)**
  - ➔ **strong increase of retail portfolio + 10.2 bn (+ 20.6%) driven mainly by private individuals:**
    - mortgage loans above market growth
    - growth of non mortgage loans to PI held back by decrease of social loans

PRIVATE INDIVIDUALS as per 31.12.2002	Growth in % YTY		ČS Market share in %	
	ČS	Market	31.12.2001	31.12.2002
Mortgage loans to private individuals <sup>1)</sup>	+ 70.9 %	+ 40.6%	26.8 %	32.6 %
Loans to private individuals - non mortgage <sup>2)</sup>	+ 11.6 %	+ 24.6 %	34.6 %	31.0 %

**Note:** Loans to PI - non mortgage include in ČS segmentation commercial loans (ČS + 25.3% YTY) and social loans (ČS - 15.3% YTY), market share related to non mortgage portfolio of households-private individuals

<sup>1)</sup> Data Source: Ministerstvo pro místní rozvoj 12/2002 (figures related to unpaid principal)

<sup>2)</sup> Source of Market data: ČNB 12/2002

- **Quality of total portfolio continued to improve**
  - ➔ share of high risk loans decreased from 14.8% (YE2001) to 9.5%

\* Excluding repo operation - 11 bn (Dec 2001) and transfer of RF into ČKA - 5.6 bn (July 2002)

# Loan Portfolio Growth

Underlying growth of portfolio + 15.4 bn driven by retail (+ 10.2 bn)

	31.12.2001		31.12.2002		Growth Rate	
	CZK m	%	CZK m	%	CZK m	YTY
<b>1. Good bank Total</b>	<b>117,977</b>	<b>67.4%</b>	<b>125,433</b>	<b>72.2%</b>	<b>+ 7,456</b>	<b>+ 6.3%</b>
- Corporate	68,625	39.2%	65,925	37.9%	-2,700	-3.9%
<i>(excl.repo and kept cases effect)</i>	<i>(57,625)</i>	-	<i>(62,617)</i>	-	<i>(+ 4,992)</i>	<i>(+ 8.7%)</i>
- Retail	49,352	28.2%	59,508	34.2%	+ 10,156	+ 20.6%
<b>2. Bad Bank Total</b>	<b>20,227</b>	<b>11.6%</b>	<b>10,084</b>	<b>5.8%</b>	<b>-10,144</b>	<b>-50.1%</b>
<b>Total (GB + BB)</b>	<b>138,204</b>	<b>100.0%</b>	<b>135,517</b>	<b>100.0%</b>	<b>-2,688</b>	<b>-1.9%</b>
<b>3. ČKA</b>	<b>36,782</b>	<b>-</b>	<b>38,264</b>	<b>-</b>	<b>+ 1,482</b>	<b>+ 4.0%</b>
<b>Total (GB + BB+ ČKA)</b>	<b>174,987</b>	<b>-</b>	<b>173,781</b>	<b>-</b>	<b>-1,206</b>	<b>-0.7%</b>

➤ Underlying growth of Good bank + 15.1 bn (+ 14.2%)

➔ Corporate portfolio underlying growth 5.0 bn (+ 8.7%) driven by large corporate

➔ Retail portfolio + 10.2 bn (+ 20.6%)

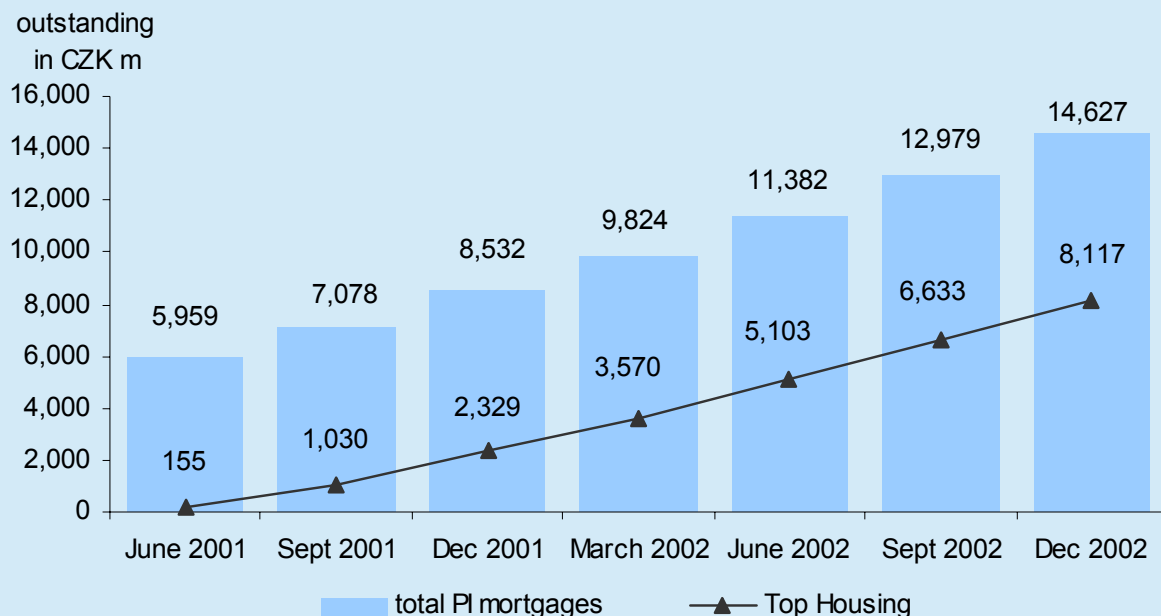
– retail mortgage + 7.2 bn (+ 71.9%)

– commercial loans to private individuals + 4.9 bn (+ 25.3%)

Note: Underlying growth excludes - repo operation (11 bn) and total put (5.6 bn) in total portfolio  
 - repo operation (11 bn) and transfer of kept cases from RF (3.3 bn)  
 in Good Bank portfolio

# Retail Mortgage – Private Individuals

Share of TOP housing mortgages on total PI mortgage outstanding



- ➔ PI mortgage (outstanding) increased + 71.5% (+ 6,095 m) YTY in Y2002
- ➔ Growth of TOP housing volume + 248.5% YTY (+ 5,788 m)
- ➔ TOP housing represents 55.5% of total PI mortgage amount

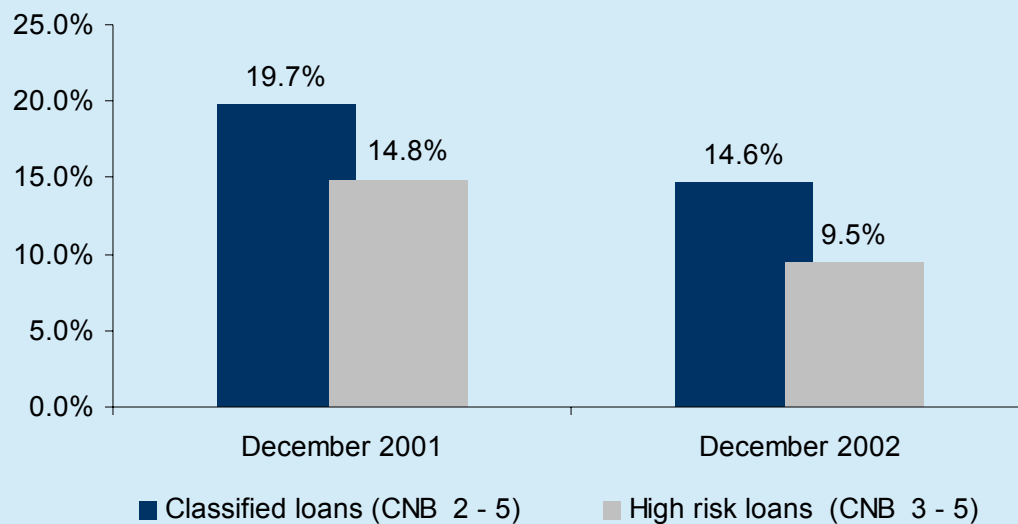
## Mortgage loan portfolio quality as per 31.12.2002

in CZK m	Total PI mortgages		of which TOP housing	
	Exposure	Share	Exposure	Share
Total	14,627	100.0%	8,117	100.0%
Classified loans (CNB 2- 5)	267	1.8%	64	0.8%
High risk loans (CNB 3- 5)	117	0.8%	19	0.2%

# Loan Portfolio Quality

## CS Total Portfolio

### Portfolio quality continues to improve



➤ Excluding the effect of 5.6 bn transfer into CKA

➔ high risk loans decreased  
– 3.8 bn driven by upward migration and recoveries

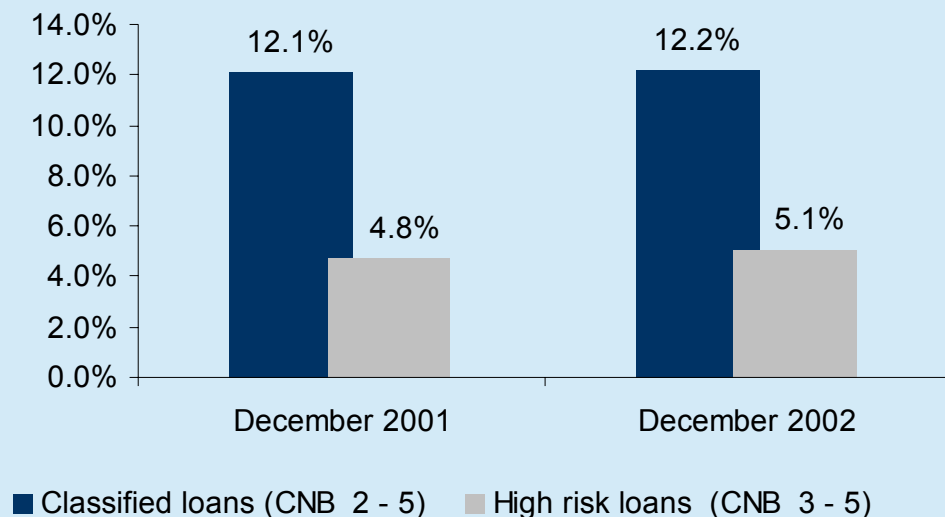
➔ classified loans decreased  
– 3.6 bn

in CZK m	December 2001		December 2002	
	Exposure	Share	Exposure	Share
<b>CS Total</b>	<b>174,987</b>	<b>100.0%</b>	<b>173,781</b>	<b>100.0%</b>
<b>Classified loans (CNB 2 - 5)</b>	34,539	19.7%	25,380	14.6%
<b>High risk loans (CNB 3 - 5)</b>	25,835	14.8%	16,444	9.5%



# Loan Portfolio Quality

## Good Bank Portfolio

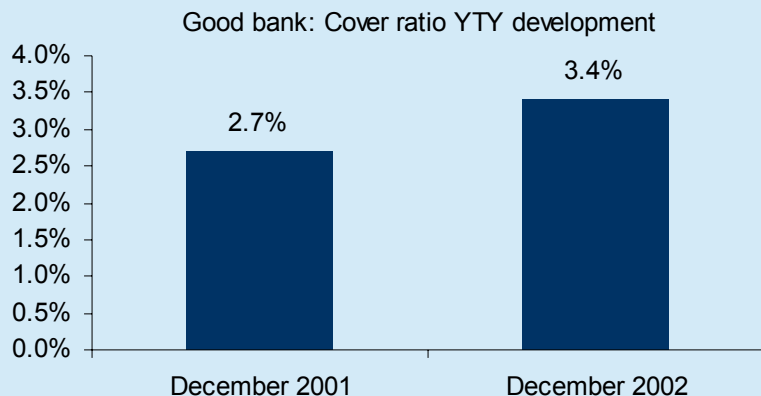


- **Growth of classified loans + 1.0 bn**
  - ➔ Migration due to technical reasons of one large client into CNB 2 (state risk) – settled in January 2003
- **YTD increase of high risk loans + 0.8 bn**
  - ➔ Influence of ex-ring fenced clients and downward migrations of clients mainly from production and traffic industry segments and real estate companies

in CZK m	December 2001		December 2002	
	Exposure	Share	Exposure	Share
<b>Good Bank</b>	<b>117,977</b>	100.0%	<b>125,433</b>	100.0%
<b>Classified loans (CNB 2 - 5)</b>	14,313	12.1%	15,296	12.2%
<b>High risk loans (CNB 3 - 5)</b>	5,608	4.8%	6,360	5.1%

# Asset Protection of Good Bank

## Asset protection continues to strengthen



- **Growth of provision coverage of total portfolio + 70 b.p.**
- **Classified loans**
  - ➔ Provision coverage 27.6%  
(increase in Y2002 + 440 b.p.)
  - ➔ Total coverage (collateral+provisions) 89.0%
- **High risk loans**
  - ➔ Provision coverage 61.8%  
(increase in Y2002 + 610 b.p.)
  - ➔ Total coverage (collateral+provisions) 104.5%

CZK m		31.12.2002			
		Exposure *	Collateral	Provisions	Cover Ratio**
<b>Good Bank Total</b>		<b>125,433</b>	<b>64,684</b>	<b>4,229</b>	<b>3.4%</b>
<b>CNB classification</b>	Standard	110,136	55,400	0	0.0%
	Watch	8,936	6,623	295	3.3%
	Non Standard	2,135	954	545	25.5%
	Doubtful	1,045	609	409	39.1%
	Loss	3,039	1,098	2,839	93.4%
Non approved debits		142	0	141	99.8%
<b>Classified loans (CNB 2 - 5)</b>		<b>15,296</b>	<b>9,284</b>	<b>4,229</b>	<b>27.6%</b>
<b>High risk loans (CNB 3 - 5)</b>		<b>6,360</b>	<b>2,661</b>	<b>3,934</b>	<b>61.8%</b>

\* without CKA

\*\* ratio related to gross exposure

# Provision Creation for Credit Risk

<i>IAS, in CZK m</i>	Balance 31.12.2001	Creation	Use (write offs)	Adjustment (IAS)	Balance 31.12.2002
Specific provisions	14,715	168	-2,750	358	12,491
General reserves	6,711	35	-691	0	6,054
<b>Reserves and provisions</b>	<b>21,426</b>	<b>203</b>	<b>-3,441</b>	<b>358</b>	<b>18,545*</b>

\* reserves to guarantees (off balance) included

- **Write offs mainly caused by total put (July 2002)**
- **Provision creation significantly influenced by recoveries:**

<b>Total specific provision creation</b>	<b>+ 168 m</b>
– of which - recoveries	- 997 m
- net creation	1,165 m
- **Group provision creation in Y2002 + 331 m IAS (of which subsidiaries 128 m)**

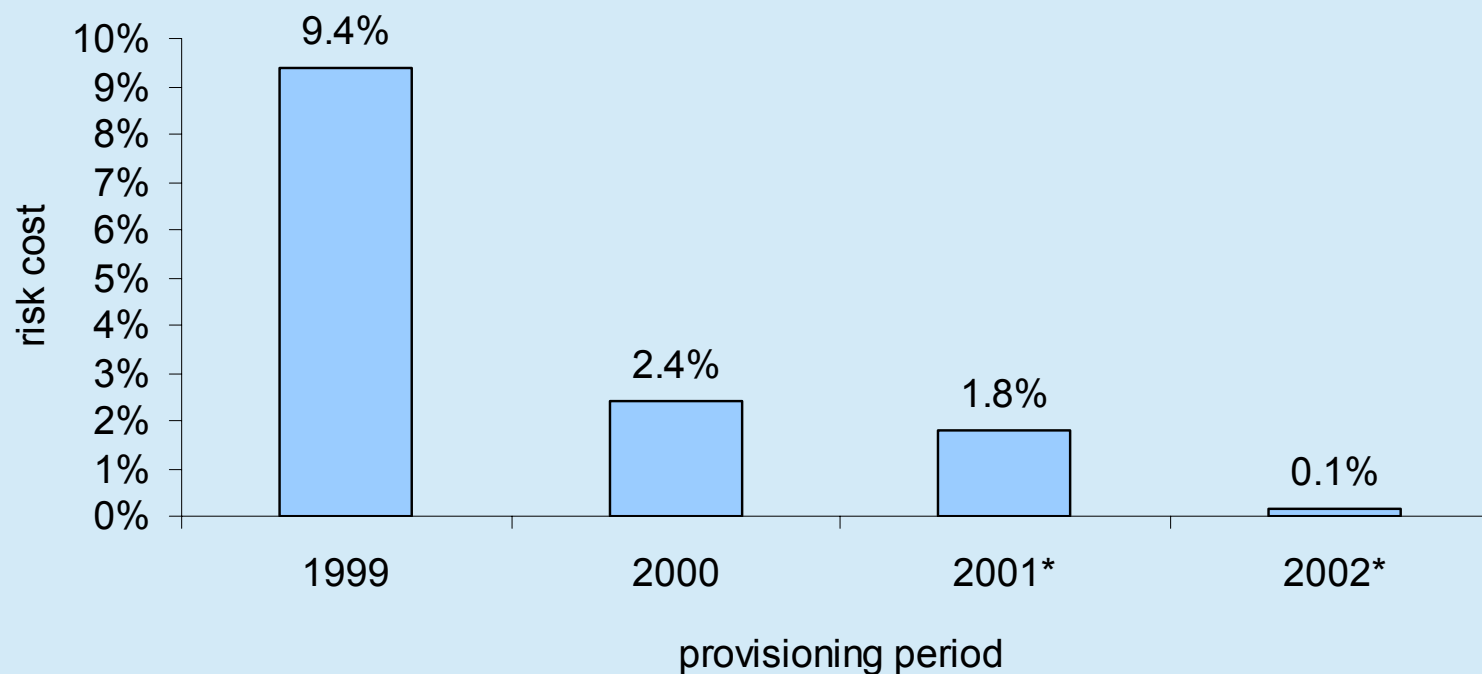
# Reduction of General Reserves for Standard Loans

- According to accounting regulations (valid since 2002) all General reserves for standard loans shall be
  - ➔ released
  - ➔ or transferred into specific provisions for classified loans
  - ➔ or used against write offs or losses from ceded receivablesat the latest by the end of year 2005 (minimum 25% p.a.)
- This process already started in Ceska sporitelna in Y2002:

General reserves development in Y2002 in CZK m	Creation(+)/ Release(-)	Use	Balance change
General reserves for standard loans	-546	-499	-1,045
Other General reserves (tax non deductible)	581	-193	388
<b>Total</b>	<b>35</b>	<b>-691</b>	<b>-656</b>

# Credit Risk Cost Development

CS Total (IAS)



\* Without ČKA

- Risk cost in Y2002: Corporate + 0.2%  
Retail + 0.9%

# Objectives for Y2003

- Completion of portfolio restructuring (Bad bank sale)
  - ➔ Concerns assets in total amount of 13 bn (including off balance)
- Loan growth
  - ➔ **Corporate portfolio** estimated increase in Y2003 over + 10% p.a.
    - Corporates above + 15% p.a.
    - Real estate & mortgage above + 20% p.a.
  - ➔ **Retail portfolio** over + 10% p.a. in Y2003
    - Mortgages (private individuals and retail corporate) above + 25% p.a.
    - Private individuals commercial above + 10% p.a.

# Credit Bureau

- Tool for credit risk management of retail portfolio quality
- Live operation started in 06/2002
  - ➔ **Used for approval process and monitoring**
  - ➔ **More than 60 thousands of queries from CS side in 2002 with following result**
    - 57% of clients with positive record
    - 10% of clients with negative record
    - 33% without credit record
  - ➔ **Benefit will show itself in medium term horizon**
- Important milestone of future development of private individual lending market

# *Outlook for 2003*



# 2003 Targets

- **ROE** **> 20%**
- **Cost/Income Ratio** **60% - 62%**
- **Net Profit Increase** **15% - 20%**

# Environment in 2003

## ➤ Low interest rates

→ Negative impact on deposits

→ Positive impact on economic growth

## ➤ EU accession

→ Better business legislation and regulations

→ Better access to largest market in world

# Trends in 2003

- **Continued increasing loan growth**
- **Strong growth in Net Fee and Commission Income**
- **Significantly lower provisioning**
- **Expense management**
- **Higher productivity**
- **Net Interest Income growth**

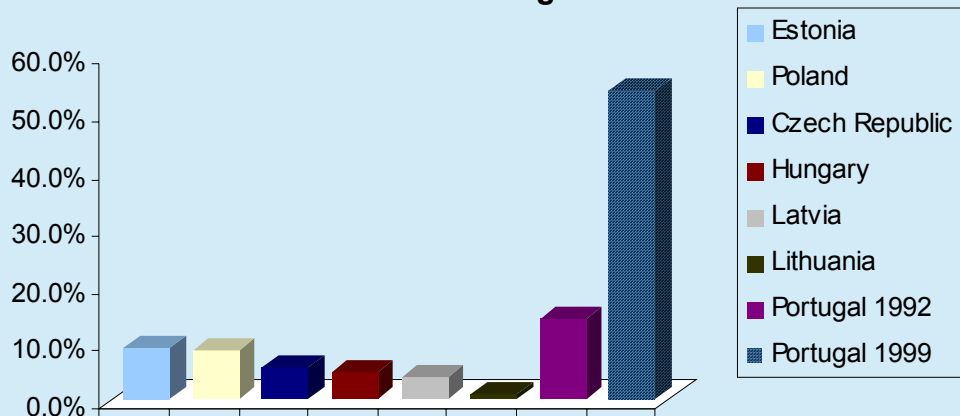
# Loan Growth Forecasted for 2003

## Target segments:

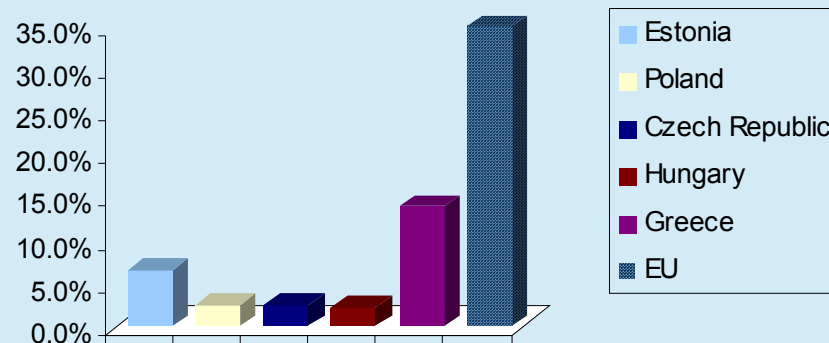
- |                    |       |
|--------------------|-------|
| ➤ Retail mortgages | > 25% |
| ➤ Consumer loans   | > 10% |
| ➤ SMEs             | > 10% |

# Market Opportunity

### Household lending to GDP



### Mortgage loans to GDP



### Loans and deposits to GDP



Source: Central Banks

# *Appendix*

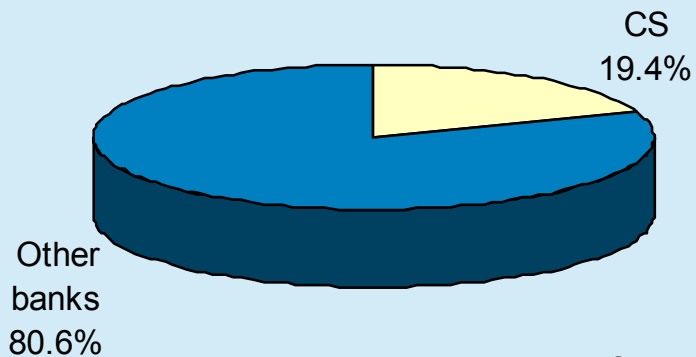
# Macroeconomic Framework

	1999	2000	2001	2002	2003f	2004f
Real GDP (growth y/y %)	0.5	3.3	3.3	2.0	3.0	3.5
Household Consumption (growth y/y %)	1.9	2.3	3.9	4.0	4.0	3.5
Fixed Capital Formation (growth y/y %)	-1.0	5.3	7.2	0.6	2.0	3.0
Nominal Wages (growth y/y %)	8.2	6.6	8.5	7.3	6.0	7.0
Retail sales (average growth y/y %)	3.0	4.7	4.3	2.9	3.5	3.0
Industrial production (average growth y/y %)	-3.1	5.1	6.8	4.9	4.0	5.0
CPI (year-end%)	2.5	4.0	4.1	0.6	2.6	2.7
Unemployment (year-end%)	9.4	8.8	8.9	9.8	9.5	9.0
Exports (USD bn)	26.4	29.0	33.4	38.2	43.4	50.2
Imports (USD bn)	28.5	32.1	36.5	40.5	46.4	52.9
Trade balance (% of GDP)	-3.4	-6.2	-5.4	-3.2	-3.8	-3.2
Foreign direct investment (USD bn; cum.)	18.7	23.3	28.2	37.2	39.3	41.6
Current account balance (% of GDP)	-2.9	-5.5	-4.7	-5.3	-4.0	-3.5
Govt. budget balance (% of GDP)	-1.6	-2.4	-3.1	-2.4	-5.1	-4.6
Repo-rate (year-end %)	6.7	5.3	4.8	2.8	2.5	3.5
Short term interest rate (3 months; average)	7.8	5.3	5.1	3.5	2.5	3.2
Long term interest rate (10 years; average)	8.1	7.0	6.4	4.9	4.3	4.8
Loc. Curr./USD average	35.8	38.6	38.0	32.7	30.1	28.8
Loc. Curr./USD year-end	36.9	38.7	35.6	30.4	29.1	28.2
Loc. Curr./EUR average	36.9	35.6	34.1	30.8	31.5	30.2
Loc. Curr./EUR year-end	36.2	34.9	31.7	31.5	30.6	29.4

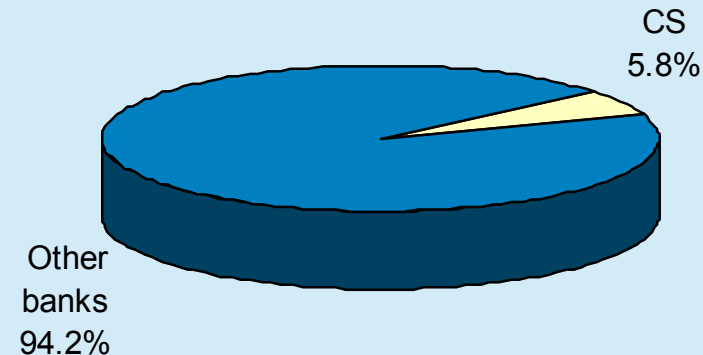
Bold figures represent the final data.

# FY 2002 Market Shares (1/2)

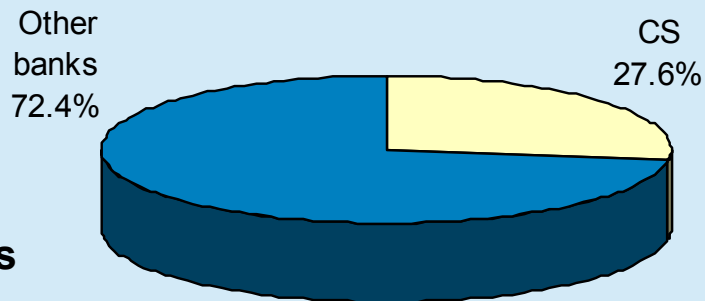
## Loans to Customers



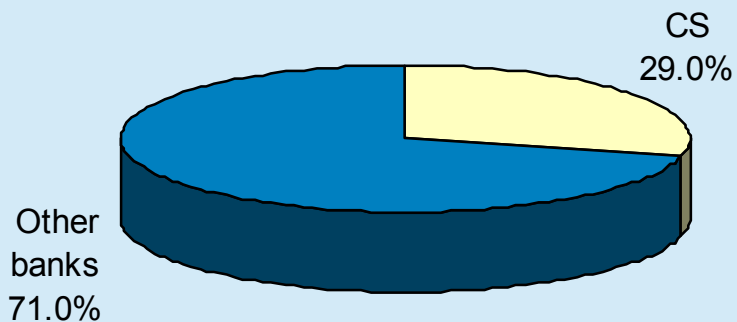
## Interbank Loans



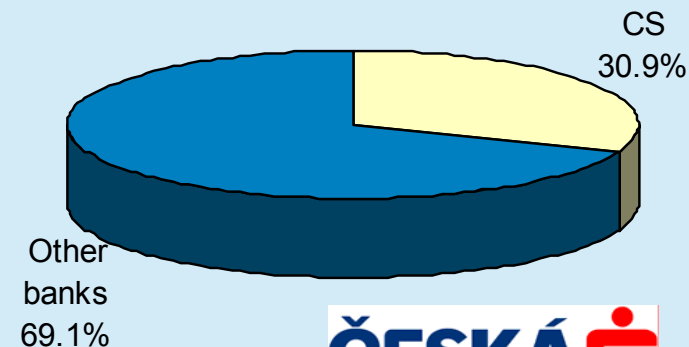
## Mortgages Total



## Mortgages to Individuals



## Retail Loans

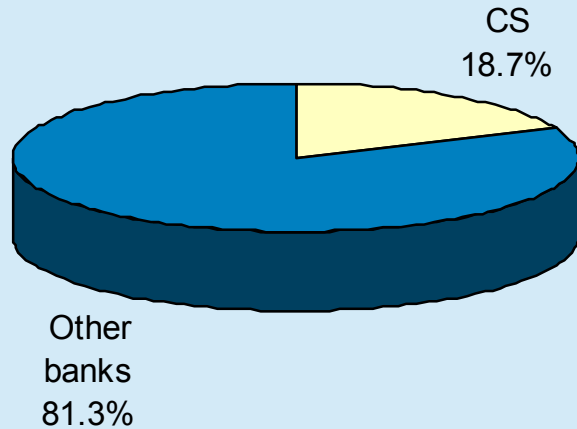


Source: CNB statistic

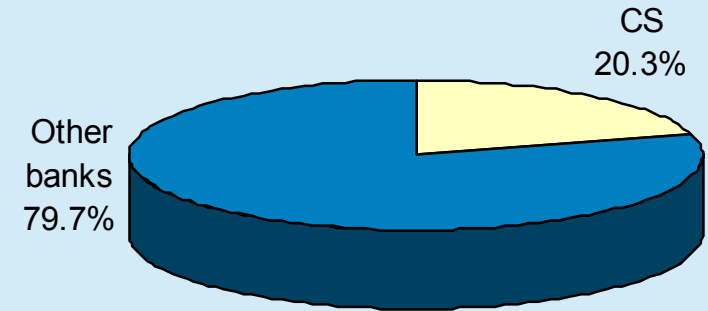


# FY 2002 Market Shares (2/2)

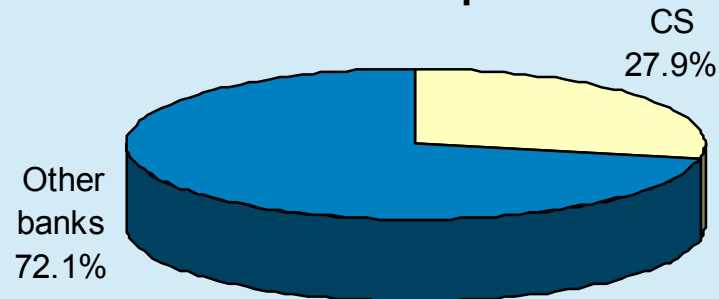
## Total Assets



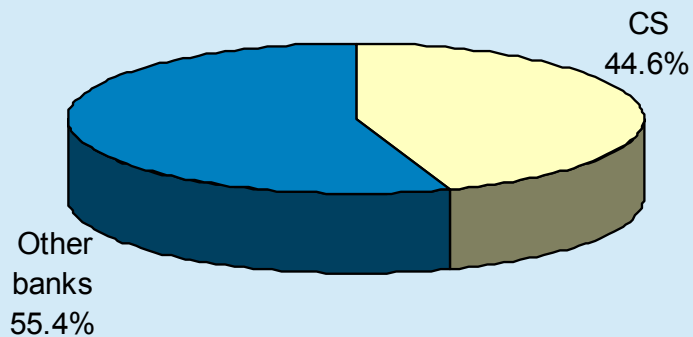
## Primary Deposits



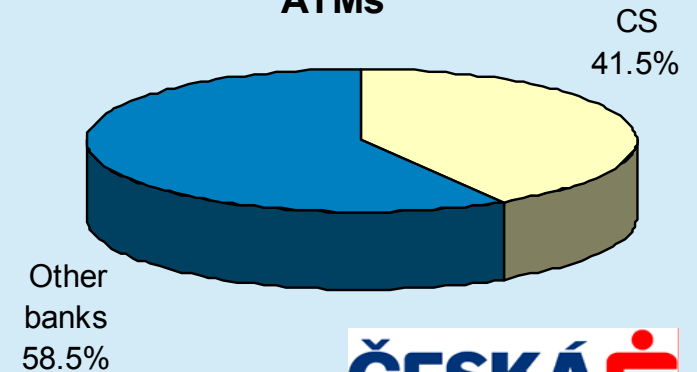
## Retail Deposits



## Issued Cards



## ATMs



Source: CNB statistic

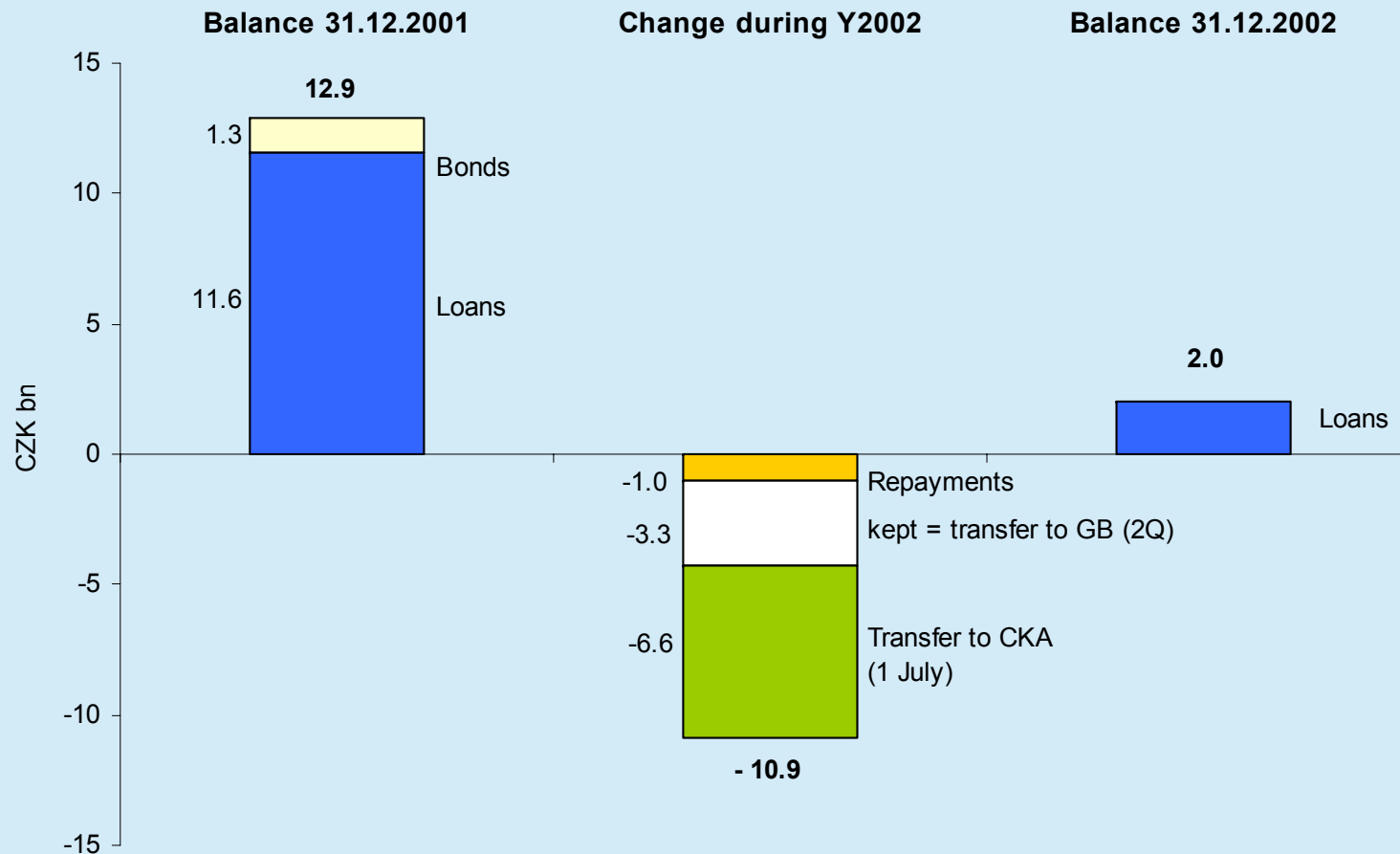
# Structure of Loan Portfolio

	31.12.2001		31.12.2002		Growth Rate	
	CZK m	%	CZK m	%	CZK m	YTY
<b>1. Good bank</b>	<b>117,977</b>	<b>67.4%</b>	<b>125,433</b>	<b>72.2%</b>	<b>7,456</b>	<b>6.3%</b>
<b>1.1 Corporate Total</b>	<b>68,625</b>	<b>39.2%</b>	<b>65,925</b>	<b>37.9%</b>	<b>-2,700</b>	<b>-3.9%</b>
- Large Corporate	47,296	27.0%	37,372	21.5%	-9,924	-21.0%
- Medium Corporate	15,808	9.0%	20,466	11.8%	4,658	29.5%
- Municipals	2,936	1.7%	3,241	1.9%	305	10.4%
- Mortgage Corporate	2,585	1.5%	4,846	2.8%	2,261	87.5%*
<b>1.2 Retail Total</b>	<b>49,352</b>	<b>28.2%</b>	<b>59,508</b>	<b>34.2%</b>	<b>10,156</b>	<b>20.6%</b>
- Private individuals	19,480	11.1%	24,406	14.0%	4,925	25.3%
- Social loans	10,006	5.7%	8,478	4.9%	-1,528	-15.3%
- SMEs	6,035	3.4%	5,299	3.0%	-736	-12.2%**
- Municipals	3,769	2.2%	4,026	2.3%	257	6.8%
- Mortgages	10,062	5.8%	17,299	10.0%	7,237	71.9%
<b>2. CKA</b>	<b>36,782</b>	<b>21.0%</b>	<b>38,264</b>	<b>22.0%</b>	<b>1,482</b>	<b>4.0%</b>
<b>3. Bad Bank</b>	<b>20,227</b>	<b>11.6%</b>	<b>10,084</b>	<b>5.8%</b>	<b>-10,144</b>	<b>-50.1%</b>
3.1 Ring fencing	11,627	6.6%	1,952	1.1%	-9,675	-83.2%
3.2 100% provisioned items	8,600	4.9%	8,132	4.7%	-468	-5.4%
<b>Total (GB + CKA + BB)</b>	<b>174,987</b>	<b>100.0%</b>	<b>173,781</b>	<b>100.0%</b>	<b>-1,206</b>	<b>-0.7%</b>

\* particularly influenced by technical reasons (transfer of 1.2 bn from large corporate in July)

\*\* decrease influenced by change in segmentation during the year

# Ring-Fenced Portfolio Development



# Key Ratios of Loan Portfolio Quality

in %	Total Customer portfolio		Good bank portfolio	
	12/2001	12/2002	12/2001	12/2002
<i>Share of High Risk Loans *</i>	14.8%	9.5%	4.8%	5.1%
<i>Non Performing Loans ** / Total Loans</i>	8.9%	6.5%	2.9%	2.6%
<i>Loan Loss Reserves *** / Total Loans</i>	12.2%	10.7%	8.0%	8.2%
<i>Loan Loss Reserves *** / Non Performing Loans **</i>	137.0%	164.7%	272.7%	320.6%

\* classification CNB 3 - 5

\*\* more than 90 days overdue in payments

\*\*\* specific & general provision

➤ **CS total**

➔ High risk and non performing loans decreased due to total put

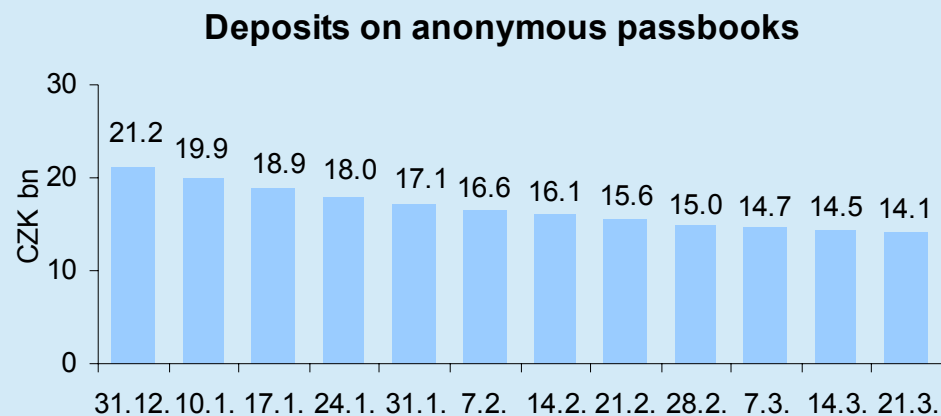
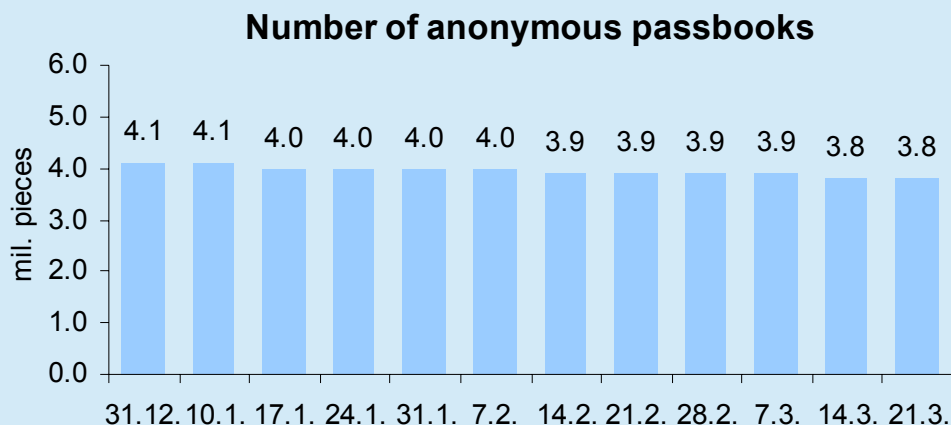
➤ **Good bank**

➔ High risk loans increased due to RF kept cases

➔ NPL decreased due to improvement of selected cases

# Anonymous Passbooks Conversion

## Development of conversion after year end 2002



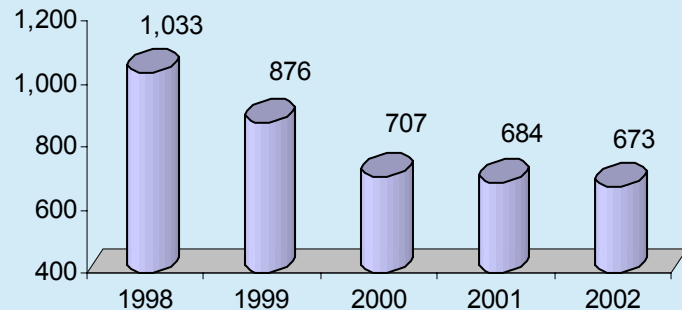
- **Balance on anonymous passbooks decreased by 33.5% in first three months of 2003**

# Restructuring Charge

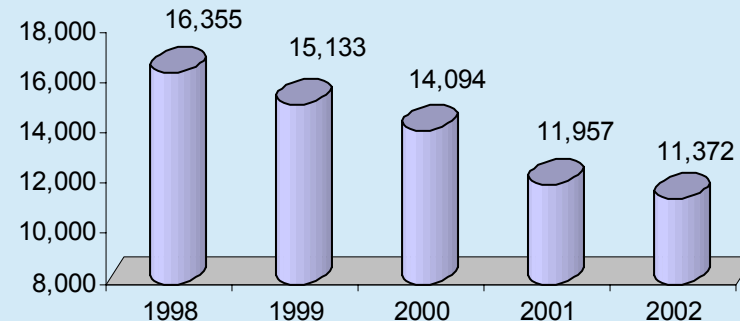
CZK m	Balance as of 1. 1. 2002	Usage	Release	Creation	Balance as of 31.12. 2002
Closing branches	47	-5	0	16	58
Software changes	544	-324	-107	0	113
Moving out of buildings early	228	-4	-179	0	45
Laying off employees	174	-120	-54	172	172
Sale of unused property	690	-14	-438	18	256
<b>Total</b>	<b>1,683</b>	<b>-467</b>	<b>-778</b>	<b>206</b>	<b>644</b>

# Business Indicators

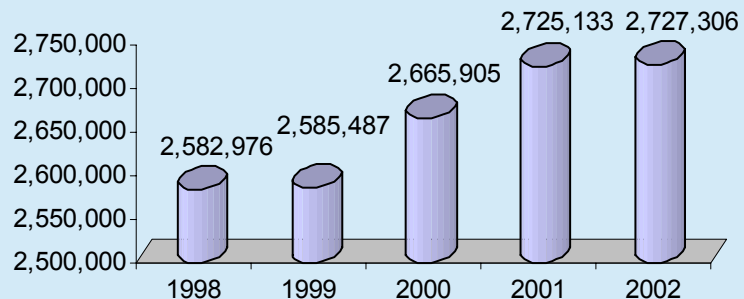
## Number of Branches



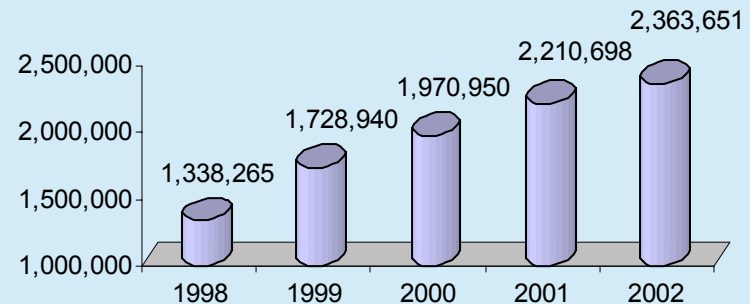
## Number of Employees



## Number of Sporožiro Current Accounts

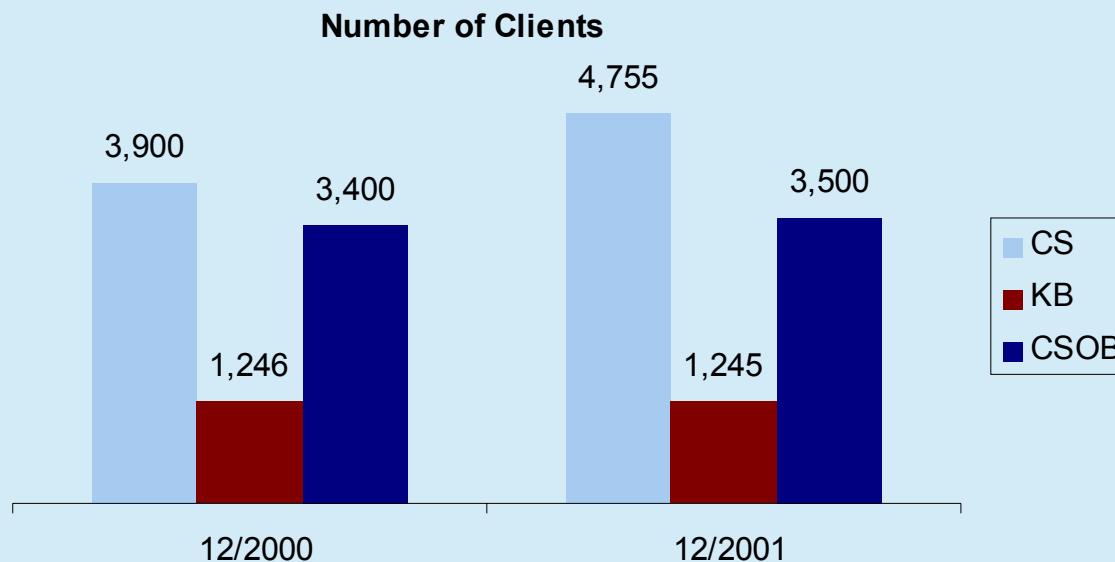


## Number of Issued Payment Cards



# Client Base

	XII/2001	III/2002	VI/2002	IX/2002	XII/2002
<b>CS Financial group</b>	<b>4,754,847</b>	<b>4,868,616</b>	<b>4,969,722</b>	<b>5,239,156</b>	<b>5,393,492</b>
Ceska sporitelna	4,037,721	4,029,142	4,126,267	4,392,561	4,539,886
Subsidiary companies	717,126	839,474	843,455	846,595	853,606





# Alternative Distribution Channels

No. of clients	31.12.2000	31.12.2001*	31.12.2002*
GSM banking	8,600	19,415	64,811
Homebanking	4,300	13,436	21,500
Servis 24 Telebanking & Internet banking	0	39,754	377,154
Sporotel (phone banking)	251,440	374,897	0
Internet, w@p and fax banking	0	9,569	0
<b>Total</b>	<b>264,340</b>	<b>457,071</b>	<b>463,465</b>

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

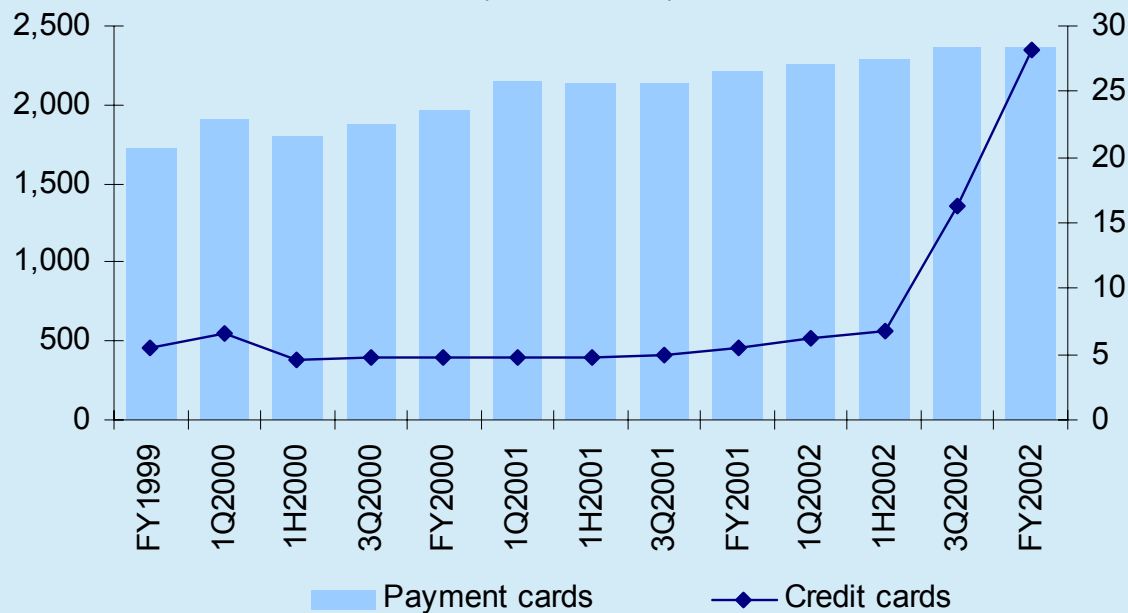
# Payment Cards

	1996	1997	1998	1999	2000	2001	2002
Debit cards	891,894	1,079,822	1,335,048	1,723,481	1,966,218	2,205,480	2,335,600
Credit cards	9	557	3,217	5,459	4,732 *)	5,387	28,051
<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

\*) In May 2000 database was cleaned up from invalid credit cards

## Development of Credit Cards

(in thousands)

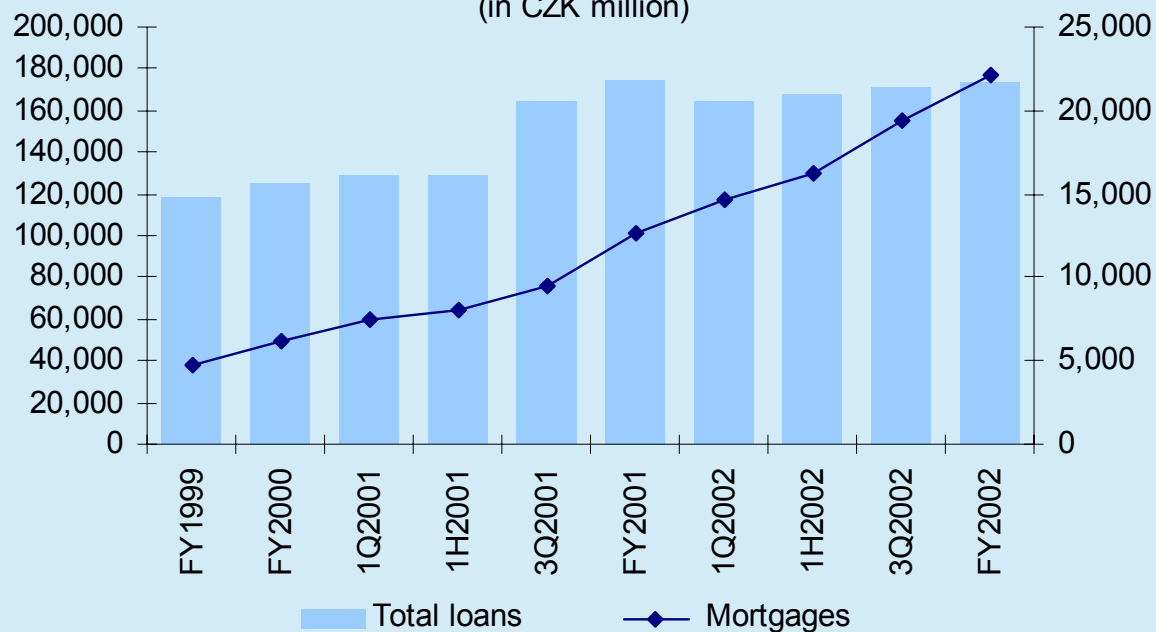


# Mortgages

(CZK mil.)	FY1999	FY2000	FY2001	1Q2002	1H2002	3Q2002	FY2002
<b>Total mortgages</b>	4,753	6,141	12,647	14,677	16,194	19,451	22,145
- of which: retail	3,495	5,490	10,062	11,591	13,455	15,411	17,299
corporate	1,258	651	2,585	3,086	2,739	4,040	4,846
<b>Total loans</b>	118,095	124,863	174,987	164,914	168,140	171,628	173,781

## Development of Mortgages

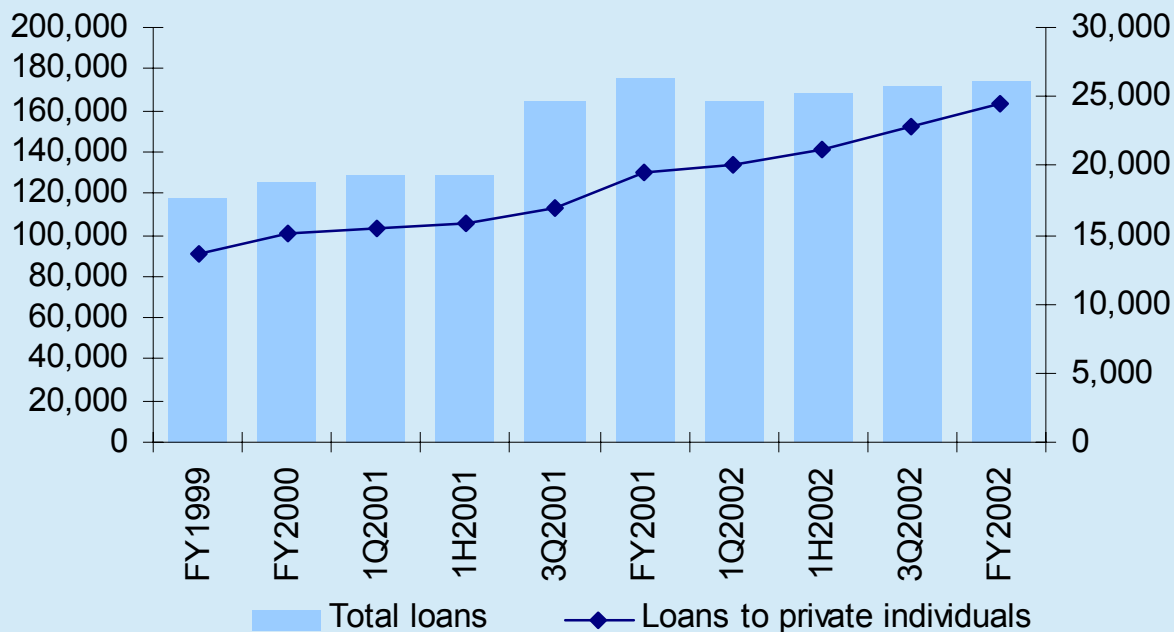
(in CZK million)



# Loans to Private Individuals

(CZK mil.)	FY1999	FY2000	FY2001	1Q2002	1H2002	3Q2002	FY2002
Loans to private individuals	13,592	15,026	19,480	20,092	21,131	22,780	24,406
Total loans	118,095	124,863	174,987	164,914	168,140	171,628	173,781

**Development of Loans to Private Individuals**  
(in CZK million)



# CS Group Structure



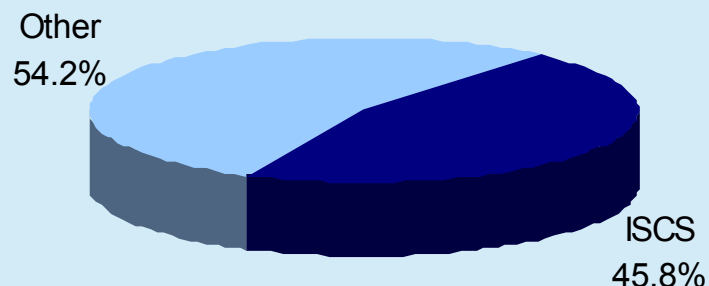
1) Sparkassen Versicherung 44.75%

2) Erste Bank 39.5%

3) Sindat s.r.o. 49%

# Asset Management

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



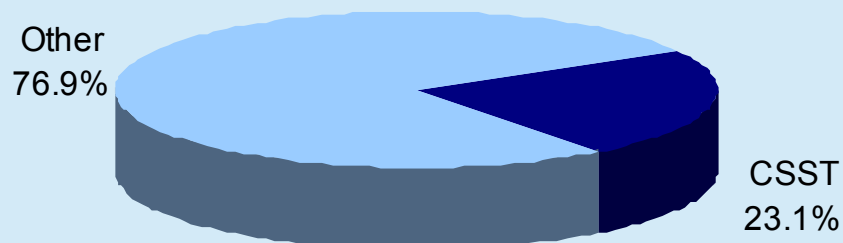
## 2002 Highlights:

- ISCS strengthened its position of a market leader
- Net sales of ISCS funds reached CZK 15.3 bn
- ISCS has finalized the transformation of former privatisation funds in clearly defined open-ended products. For instance, ISCS introduced Fond rizenych vynosu (Fund of protected returns), first Czech-based fund with active capital protection strategy

	FY 2001	FY 2002	% Change
Assets under Management (CZK bn)	25	40	60.0%
Market share in non-privatisation funds	47.9%	45.8%	-
Number of clients (in thousands)	280	333	18.9%

# Building Society

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



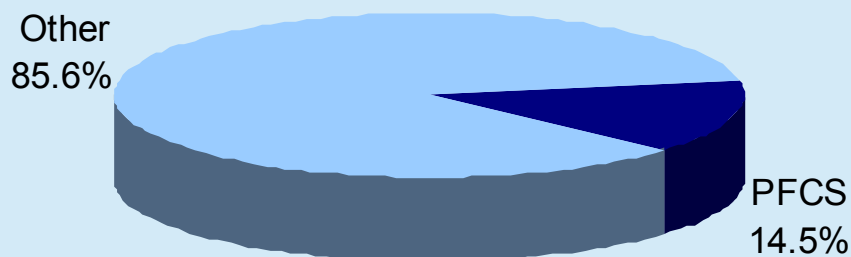
## 2002 Highlights:

- The growth of lending dynamics
- Intensity of market position
- Significant increase of new contracts' number

	FY 2001	FY 2002	% Change
No. of contracts	911,377	1,124,915	23.4%
No. of new contracts	314,186	337,287	7.4%
Client savings (CZK m)	29,314	42,065	43.5%
Target client savings (CZK m)	101,655	133,708	31.5%
No. of loan contracts	55,555	79,611	43.3%
Volume of loan portfolio (CZK m)	5,077	7,159	41.0%
Market share according to new contracts	22.9%	26.1%	-
Market position	2.	2.	-

# Pension Fund

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



## 2002 Highlights:

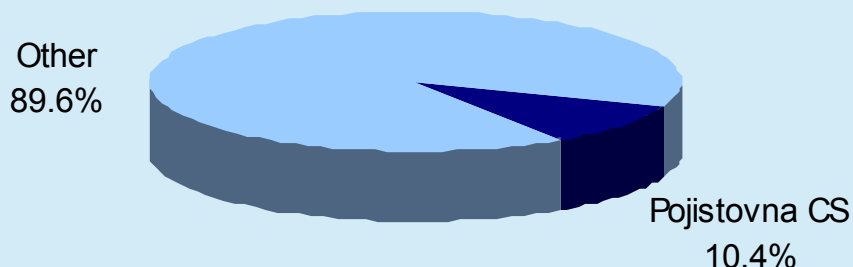
- PFCS is the 2nd biggest pension fund according to number of clients (market share 14,5%)
- PFCS became the 3rd biggest pension fund according to clients capital funds (market share 10,9%)
- PFCS reached the highest profit in its history - CZK 238 m according to CAS and CZK 430 m according to IAS

	FY 2001	FY 2002	% Change
No. of new contracts (ths.)	96	76	-21%
No. of clients (ths.)	361	376	4%
Client Capital Funds (CZK m)	4,986	6,944	39%
Market position (in number of clients)	14.4%	14.5%	-
No. of participating companies	2,384	2,939	23%
Operating expenses per account	268	255	-5%



# Insurance Company

## Market share in life insurance



## 2002 Highlights:

- 3rd biggest insurance company on Czech market with market share in life insurance 10.4%
- development of bancassurance concept
- finished restructuring and product base of company, including external business network
- net profit CZK 177.5 m
- liquidation of flood damages in volume of CZK 2.6 bn

in %	FY 2001	FY 2002
<b>Market share</b>	<b>4.6</b>	<b>7.0</b>
- non-life business	5.2	5.0
- life business	3.7	10.4
<b>Market position</b>	<b>6</b>	<b>4</b>
- non-life business	4	4
- life business	6	3

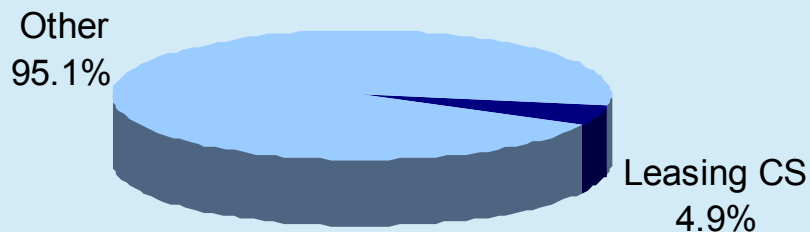
## Distribution channels (life)

in %	FY 2001	FY 2002
- bankassurance	48	78
- external network	52	22

in CZK m	FY 2001	FY 2002	% Change
<b>Written premium</b>	<b>3,659</b>	<b>6,282</b>	<b>71.7%</b>
- non-life business	2,618	2,736	4.5%
- life business	1,041	3,546	240.6%

# Leasing

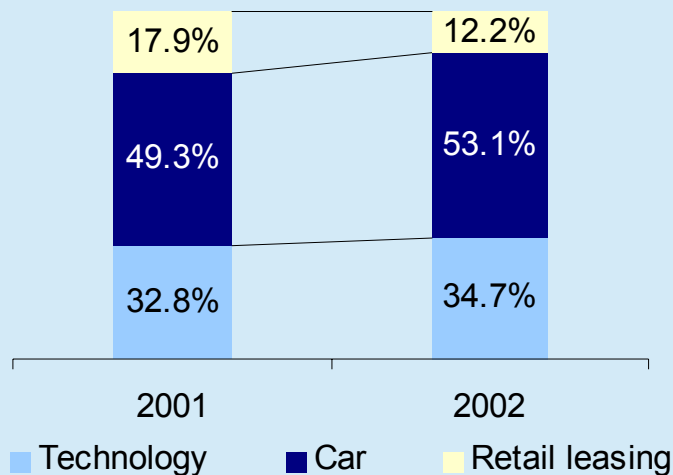
## Market share



## 2002 Highlights:

- Increase of new deals
- Changes in portfolio structure in favour of retail and car leasing
- Positive development of risk profile

## Leasing portfolio structure

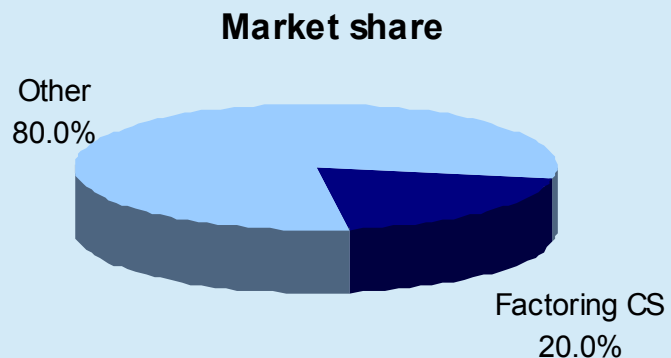


	2001	2002	% Change
Volume of new deals (CZK m)	4,664	5,323	14.1%
No. of accounts	16,967	12,353	-27.2%
Total assets (IAS, CZK m)	6,705	7,134	6.4%
Market share in car leasing	3.3%	4.0%	22.5%

# Factoring

## 2002 Highlights:

- 3rd 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
2001	14,120	16,782	5,032	8,094	2,025
2002	15,733	14,528	9,760	8,064	4,387

# Net Profit of Selected Subsidiaries

IAS, CZK m	FY 2000	FY 2001	FY 2002	% Change
Stavební spořitelna ČS - Building Society	204	201	281	39.8
Investiční společnost ČS - Asset Management	388	38	-8	-121.1
Leasing ČS - Leasing	101	65	77	18.5
Penzijní fond ČS - Pension Fund*	81	68	430	532.4
Pojišťovna ČS - Insurance Company	-218	104	171	64.4
Factoring ČS - Factoring	n/a	18	17	-5.6

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 Ceske Sporitelny made CAS profit for 2002 in the amount of CZK 238 m, which in comparison with 2001 represents an improvement by 40%.

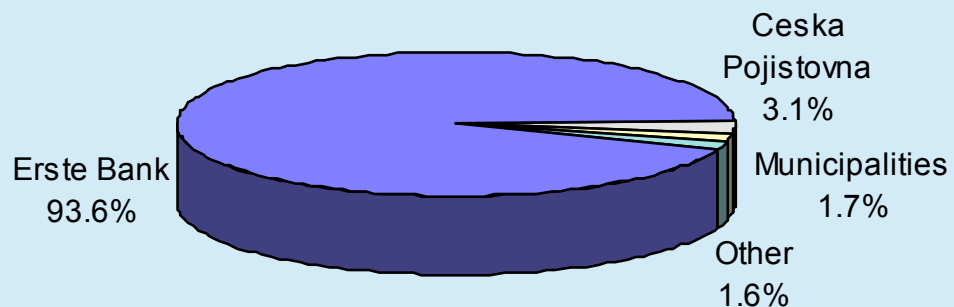
# Rating of Ceska sporitelna

Rating Agency	Long-term	Short-term	Individual	Financial Strength	Outlook	Update
Fitch	BBB+	F2	C/D		stable	3.3.2003
Moody's	A2	Prime - 1		D+	stable	13.12.2002
Standard & Poor's	BBB-	A3			stable	5.9.2002

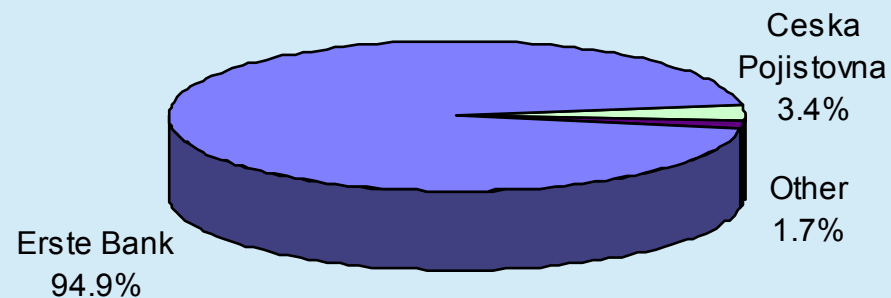
- In December 2002 Moody's Investors Service increased its long-term rating of Ceska sporitelna from Baa1 to A2 and short-term rating from Prime-2 to Prime-1
- In March 2003 Fitch Ratings upgraded CS long-term rating from BBB to BBB+

# Shareholder Structure

## Shareholder Structure



## Voting Rights Structure



# Investor Relations Contacts

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