

# Česká spořitelna – FY 2010 consolidated results (unaudited IFRS)

25 February 2011, Praha



**Healthy growth despite low interest rate environment**

Pavel Kysilka

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## – Recent macroeconomic development

- **Czech economy growing six quarters in a row, with the pace of recovery quickening in H2 2010 and inflation driven by non-demand factors**
  - The Czech Republic benefits from its openness and links to the structurally sounder parts of the EMU (especially fast-recovering Germany), debt crisis in EMU has not affected the CR in any meaningful way
  - Growth driven by industry on the supply side and by exports and fixed investments on the demand side
  - Inflation persistently low, the recent increase (2.3% in 12/2010) merely due to higher oil and food prices, demand inflation is still persistently negative; January 2011 inflation again below 2% (1.7%)
- **CZK/EUR strongest among the CEE currencies, a reflection of Czech attractiveness**
  - CZK strongest in last two years, having briefly dipped below 24 CZK/EUR, driven not only by solid fundamentals and lack of macroeconomic imbalances but also by new government's promise to revamp the public finances
  - Planned reforms (especially of pensions) may prompt ratings upgrade and further increase attractiveness of Czech assets
- **CNB repo at an all-time low of 0.75% since May 2010. Low demand inflation together with strong CZK, fiscal consolidation and loose labour market (Jan 2011 YTY improvement only one tenth of a percentage point) to prevent aggressive tightening**

## – Banking market

- **New stress tests by Czech National Bank confirmed that the Czech banking sector remains resilient to shocks arising from potentially adverse macroeconomic developments**
- **Both Loans to customers and Banking deposits achieved growth of 3% in 2010 (YTY)**

# FY 2010 highlights



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- **Ceska sporitelna showed strong financial performance in FY 2010 but still suffered from historically low market interest rates and lower investment activity**
    - Operating profit exceeded FY 2009 level and achieved almost CZK 27 bn despite extraordinary high trading result in 2009 (recovery after 2008 FM crisis) and lower NII
    - Continuing strong cost control brought further reduction in operating expenses (all cost items dropped)
    - Although credit risk provisions continued in positive trend (declining three quarters in a row) YTY growth in total full year figure led to decrease in FY 2010 net profit
    - Credit risk provision creation declined by 20% in Q4 2010 compared to Q3 2010
    - Fourth quarter was the strongest 2010 quarter in terms of core earnings (net interest income + net fee and commission income) and in net profit
  - **Loan portfolio development reflects economic environment; group loans to customers declined by 2% YTY but local corporates showed first signs of growth**
    - Growth in loans to micro corporate customers, local large corporate customers and SME's could not offset drop in loans to group large corporate customers (GCIB), in leasing and in consumer loans
    - Share of NPLs decreased from 6.7% in 9/2010 to 6.0% in 12/2010
    - Decline in group risk costs which started in Q2 2010 further accelerated in Q4 2010
  - **CS strong capital position supported by retained earnings after dividend payment (CZK 30 per share, i.e. dividend payout ratio 38%)**
    - Despite YTY growth in credit risk provisions CS's capital adequacy increased by 160 bps to 13.9%

# FY 2010 business results



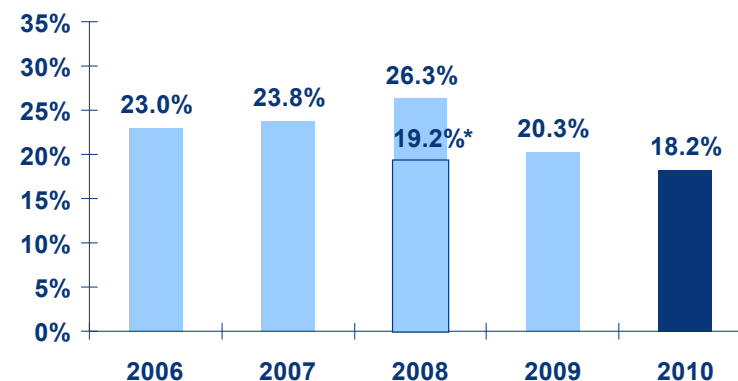
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- **Ceska sporitelna established its own sub-brand CS Premier for highly affluent customers that represents comprehensive, superior banking services that are all of the highest degree of quality and professionalism**
  - **CS Real Estate Fund managed by Reico investment company (part of CS Group) acquired attractive building of the former Melantrich Publishing Company in Prague in 11/2010**
    - It was the third largest transaction on the Czech market in 2010
  - **Based on an evident success of the Personal Account, CS introduced new CS Business Account that offers entrepreneurs, small businesses and corporate clients the ability to freely set services in accordance with their needs and wishes where clients only pay for the services they actually use**
    - CS Business Account was launched in July and more than 50 thousand accounts were opened by the end of 2010
  - **In response to growing client demand for deposit products with a guaranteed yield Ceska sporitelna further enlarged its product offer and launched a new saving account CS Internet Savings**
    - CS Internet Savings account can be opened on the Internet, over the phone or via SERVIS 24 and supplements an offer of existing products

# Financial highlights – C/I ratio further reduced



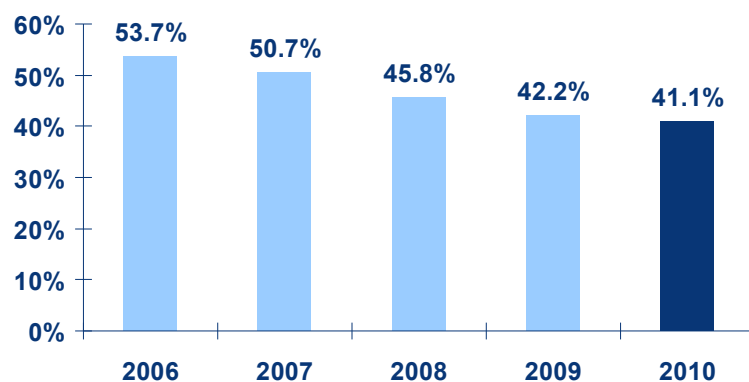
- **Operating result increased by 1.4% YTY**
  - Due to reduction of costs (down by 3%)
  - Operating income flat
  - Core earnings (NII + net fee income) rose by 1%
- **Cost/income ratio further declined to 41.1%**
- **Return on equity increased from 17.4% in Q1-3 2010 to 18.2 %**
- **Loan to deposit ratio at 68.6%**
  - Attributed to continuing growth of customer deposits

Return on equity

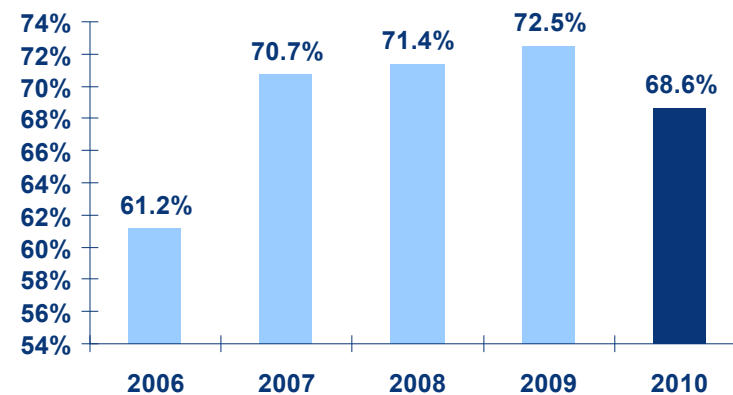


\* ROE excluding one-off income from sale of insurance business

Cost/income ratio



Loan/deposit ratio

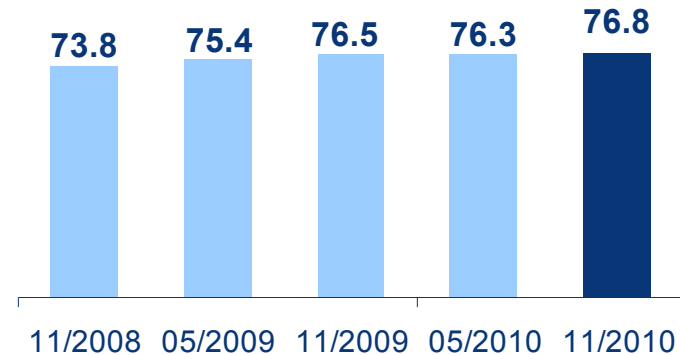


# Customer satisfaction index (CSI) – Further improvement achieved



- CS succeeded to further improve its customer satisfaction index despite of demanding market conditions
- This great result proves the bank's ability to identify and to deliver on changing expectations of its clients
- Improving product, service quality and enhancing customer satisfaction are key parts of the bank's long term strategy
- All managers have individual performance criteria focused on client dimensions, including client satisfaction and loyalty of customers

Customer Satisfaction Index (CSI)



Customer satisfaction index (CSI) measures regularly twice a year general satisfaction of clients with services of selected banks

Data are gathered through telephone interviews with selected clients of ČS carried out by external independent agency. Total number of 2,600 customers was included in the survey

# Ceska sporitelna fulfils its CSR strategy



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- **As social responsible bank Ceska sporitelna shares its business success with the Czech society and together with its CS Foundation donated CZK 68 mil. to charity and public benefit projects in 2010**
    - CS is paying increased attention to its social activities and seeks ways how to serve even better
    - Corporate social responsibility (CSR) strategy „Investing for the future“ focuses on education, help to people in need and on sustainable development and care for the environment
    - Employees participate in CSR activities through the volunteer Days for Charity – 1,655 employees took part, helping in 119 non-profit organisation
    - For several years, CS among the top five companies awarded in the prestigious TOP Corporate Philanthropist Ranking, CS is the most generous banking institution in the country
  - **Ceska sporitelna increases its accessibility for its customers**
    - Branch network widened by 7 new branches, 12 branches were moved to more attractive places and 81 branches were modernized
    - Branches include 3 branches CS Premier for affluent customers
    - 10 new branches are to be opened in 2011, including mobile branch (opened in January), some 80 are to be renovated

# CS – The Most Trustworthy Bank of the Year 2010



- Ceska sporitelna was granted for the seventh time in a row title „The Most Trustworthy Bank of the Year 2010“ in a prestigious Fincentrum (previously MasterCard) „Bank of the Year 2010“ competition, at the same time gained award „Bank of the Year 2010 in the Czech Republic“ and new award „Bank Without Barriers 2010“
- CS won a title The Bank of the Year 2010 in the Czech Republic in an international Bank of the Year competition organized by magazine The Banker
- CS was awarded the title „The Safest Bank 2010 in Central and Eastern Europe“ by prestigious Global Finance Magazine
- Client centre of CS obtained the title „The Best Customer Service“ in the international competition of contact centres in the EMEA region organized by the international association ContactCenterWorld.com and telephone banker Jaroslav Flek won the category „The Best Customer Service Agent“





# Presentation topics

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- **Performance of Ceska sporitelna**

- Financial statements
- Performance analysis

- **Economy**

- Macroeconomic environment

- **Banking market**

- Banking market development
- Market shares

- **Appendix**

# Financial statements – Income statement

## Operating expenses down by 3% YTY



in CZK million	2010	2009	Change
Net interest income	30,266	30,753	(1.6%)
Risk provisions for loans and advances	(9,777)	(8,624)	13.4%
Net fee and commission income	12,167	11,402	6.7%
Net trading result	2,982	3,495	(14.7%)
General administrative expenses	(18,677)	(19,269)	(3.1%)
Other operating result	(2,462)	(2,029)	21.3%
Result from financial assets - FV	(83)	97	na
Result from financial assets - AfS	129	(65)	na
Result from financial assets - HtM	114	0	na
<b>Pre-tax profit</b>	<b>14,659</b>	<b>15,760</b>	<b>(7.0%)</b>
Taxes on income	(2,611)	(3,324)	(21.5%)
<b>Profit for the year after taxes and before controlling interests</b>	<b>12,048</b>	<b>12,436</b>	<b>(3.1%)</b>
<b>Net profit for the year</b>			
<b>attributable to owners of the parent</b>	<b>12,052</b>	<b>12,624</b>	<b>(4.5%)</b>
attributable to non-controlling interests	(4)	(188)	-97.9%
Operating income	45,415	45,650	(0.5%)
Operating expenses	(18,677)	(19,269)	(3.1%)
<b>Operating result</b>	<b>26,738</b>	<b>26,381</b>	<b>1.4%</b>

Note: 2009 figures were restated in order to show comparable figures based on new at cost valuation of investment property

# Financial statements – Balance sheet (assets)

## Balance sheet continues to grow



in CZK million	Dec 10	Dec 09	Change
Cash and balances with central banks	25,766	29,371	(12.3%)
Loans and advances to credit institutions	174,947	126,506	38.3%
Loans and advances to customers	459,968	469,185	(2.0%)
Risk provisions for loans and advances	(19,225)	(14,713)	30.7%
Derivative financial instruments	16,021	17,675	(9.4%)
Trading assets	18,488	29,644	(37.6%)
Financial assets - at fair value through profit or loss	9,587	7,367	30.1%
Financial assets - available for sale	20,258	28,858	(29.8%)
Financial assets - held to maturity	128,977	111,977	15.2%
Equity holdings in associates accounted for at equity	84	211	(60.0%)
Intangible assets	3,117	3,251	(4.1%)
Property and equipment	16,015	15,390	4.1%
Current tax assets	578	80	>100.0%
Deferred tax assets	688	663	3.8%
Other assets	26,361	29,665	(11.1%)
<b>Total assets</b>	<b>881,629</b>	<b>855,130</b>	<b>3.1%</b>

Note: 2009 figures were restated in order to show comparable figures based on new at cost valuation of investment property

# Financial statements – Balance sheet (liabilities)

## Customer deposits increased by 4%



in CZK million	Dec 10	Dec 09	Change
Amounts owed to credit institutions	52,214	47,434	10.1%
Amounts owed to customers	670,285	647,529	3.5%
Debt securities in issue	47,260	44,197	6.9%
Derivative financial instruments	14,674	16,412	(10.6%)
Trading liabilities	617	2,073	(70.2%)
Other provisions	2,145	2,040	5.2%
Current tax liabilities	23	184	(87.5%)
Deferred tax liabilities	197	220	(10.5%)
Other liabilities	12,230	18,091	(32.4%)
Subordinated capital	11,036	13,404	(17.7%)
Total equity	70,948	63,546	11.6%
attributable to non-controlling interests	168	337	(50.1%)
attributable to owners of the parent	70,780	63,209	12.0%
<b>Total liabilities and equity</b>	<b>881,629</b>	<b>855,130</b>	<b>3.1%</b>

*Note: 2009 figures were restated in order to show comparable figures based on new at cost valuation of investment property*

# Performance analysis – Operating result exceeded 2009 level



## – Operating result increased by CZK 0.4 bn YTY

- Operating income flat (- CZK 0.2 bn), lower NII and trading result compensated by higher net fee income
- Operating expenses dropped by 3%

## – Net trading result decreased by 15% YTY to CZK 3.0 bn

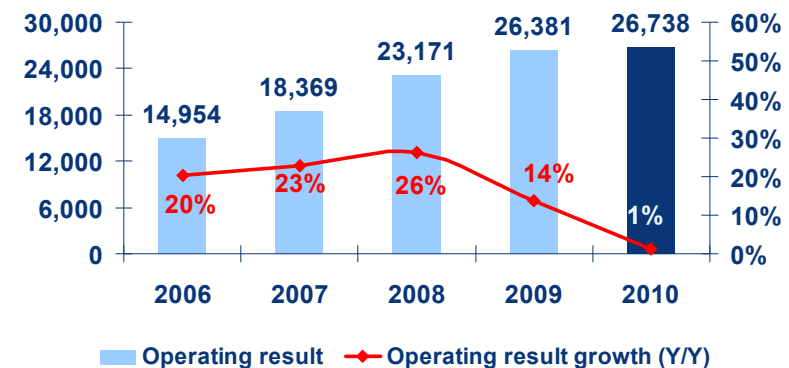
- Driven by securities trading (mainly shares), which declined to CZK 0.6 bn, i.e. by 61%. Caused by strong recovery during 1st half of 2009, which didn't repeat in 2010 and due to lower traded volumes in 2010
- Profit from FX transactions increased by 5% to CZK 2.1 bn because of the growing share of customer business with FX derivatives
- Customer business represents 60% of trading profit

## – Other operating result

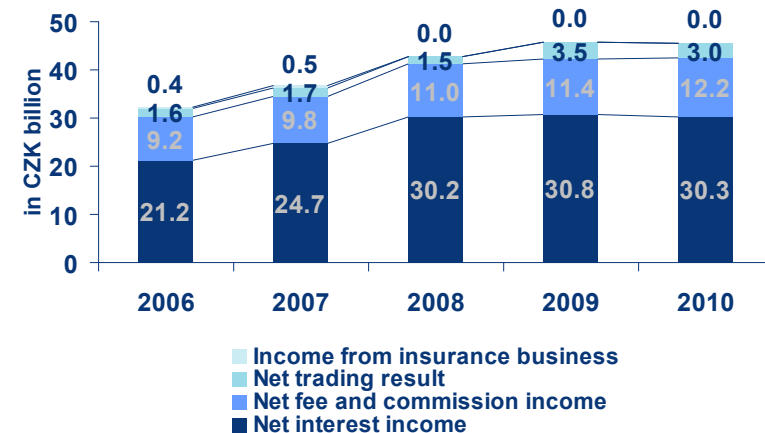
- Impacted by higher elimination of pension fund's profit distributed to clients and larger contribution to deposit insurance fund

## – Results from financial assets improved due to positive development on financial markets

Development of Operating Result (CZKmn)



5-year development of operating income structure

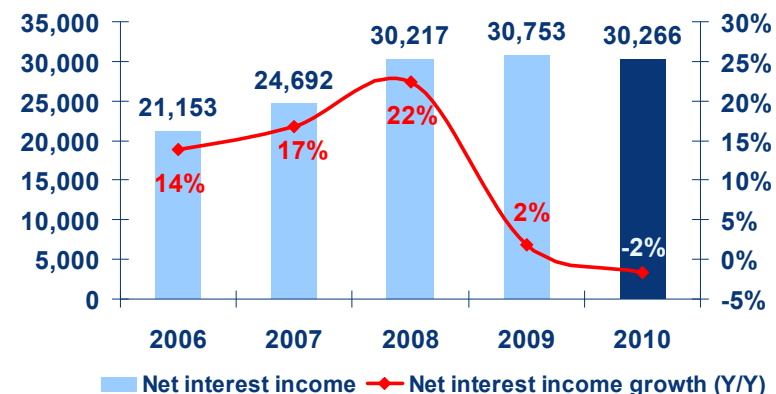


# Performance analysis – Development of NII reflects low rate environment

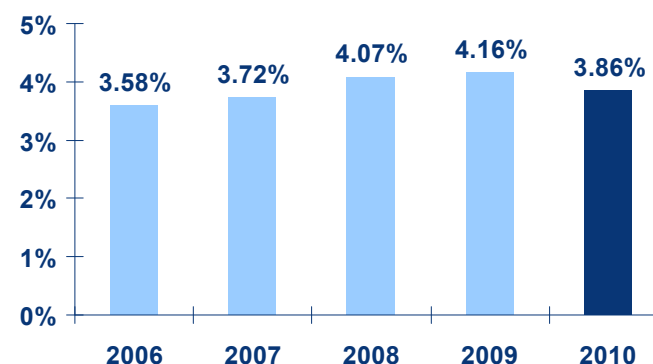


- **NII decreased by 2% YTY due to persisting low market interest rates and lower lending**
  - Quarterly development stable
  - Average 3M PRIBOR dropped by 88 bps (YTY)
  - Historically low interest rates with 2W repo rate at 0.75% since May 2010
- **NII from customer business at the same level as in 2009**
  - Volume of customer loans decreased by 2% YTY, amounts owed to customers increased by 4% YTY
- **NII from credit institutions rose by 13% YTY**
  - Loans to credit institutions up by 38%
- **NII from securities went down by 13% YTY**
  - Impact of low market interest rates
- **NIM at stable level of 3.86% since June 2010**

Development of Net Interest Income (CZKmn)



Net interest margin



# Performance analysis – Net fee income increased by 7%



– **Growth in net fee income attributed mainly to net fee income from lending and other lending related products which increased by 13% YTY**

- Its proportion in total net fee income rose to 28%
- Positive impact of growing sale of loan insurance, rising income from credit cards and lower provisions paid to external sales force reflecting higher share of distribution via branches

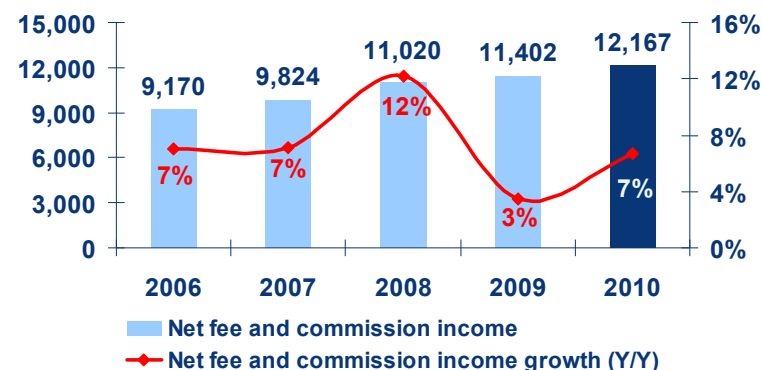
– **Net fee income from payment transactions and account maintenance grew by 5% YTY**

- It is the major component of fee income with 56% share in total net fee income
- Supported by growing number and volumes of transactions

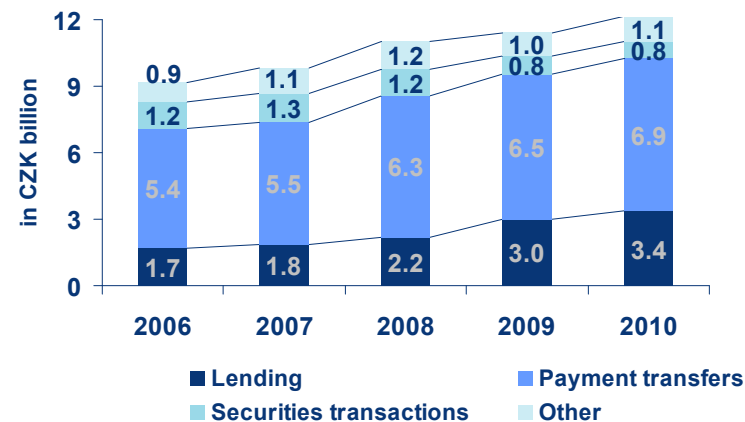
– **Net fee income from securities business decreased by 8% YTY**

- Due to sale of CS Investment company (ISCS) in Q4 2009

Development of Net Fee and Commission Income (CZKmn)



5-year development of net fee and commission income structure

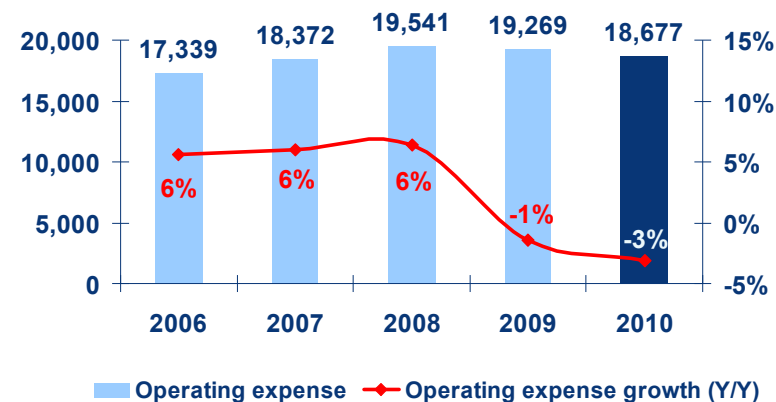


# Performance analysis – Decline in operating expenses continues

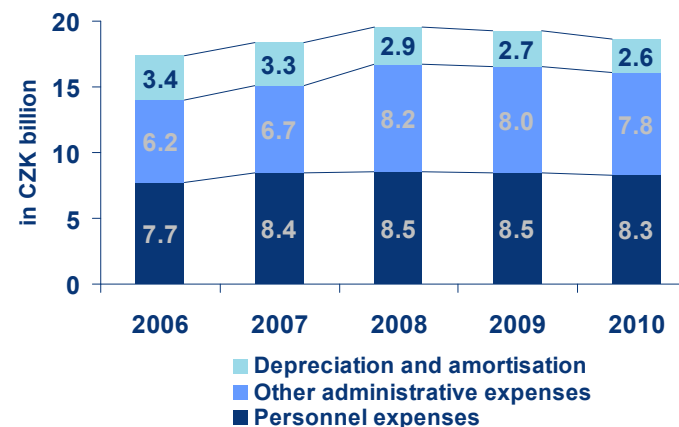


- **Decline in operating expenses (- 3% YTY)** attributed to drop in all cost items
- **Personnel expenses reduced by 2% YTY**
  - Positive impact of lower bonuses and slight reduction of headcount
  - Limited increase of base salaries
- **Other administrative expenses declined by 3% YTY**
  - Mainly caused by decrease of expenses on IT
- **Depreciation on fixed assets went down by 5% YTY**
  - Driven by lower depreciation on intangible assets

Development of Operating Expenses (CZKmn)



5-year development of operating expenses structure

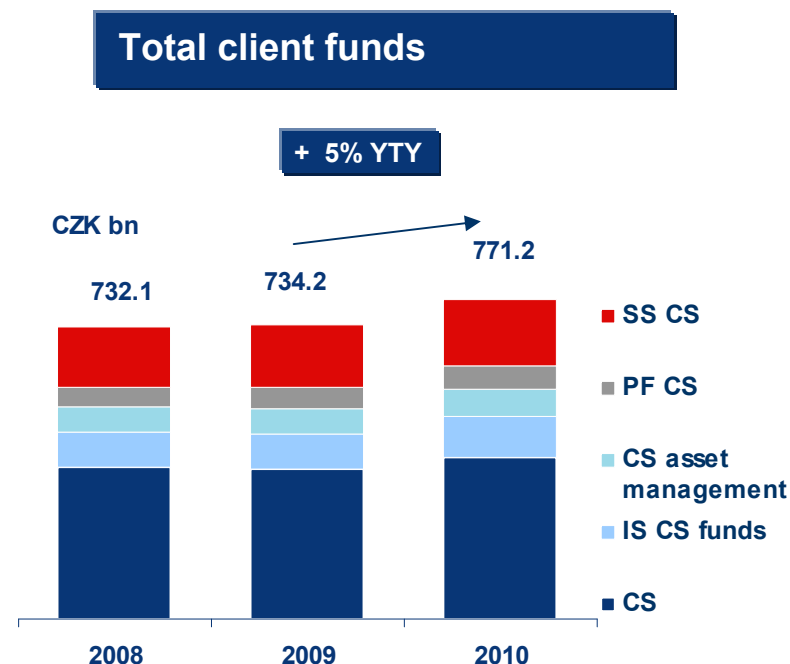




# Performance analysis – Client funds under CS Group management



- Volume of clients' assets increased by 5% YTY
- Bank deposits increased by 3% YTY thanks to deposits from private individuals and corporate customers
  - Demand deposits rose by 8% YTY, their share on total deposits up at 78% (from 74% in 12/2009)
  - Proportion of bank deposits in total client funds under CS Group management at 70%
- Assets in domestic mutual funds (managed by Investment company - ISCS) increased by 14% YTY due to growing sales
  - Assets in real estate fund Reico rose by 57% to CZK 1.9 bn
  - Total volume of assets in mutual funds (incl. Reico and foreign funds) increased by 7% YTY to CZK 72.6 bn as a result of both increasing net sales and recovery of market prices
- Assets in pension fund rose by 8% YTY
- Assets under discretionary management (without mutual funds) went up by 16%



IFRS, in CZK bn	2008	2009	2010	Change (YTY)
CS - banking deposits	525.0	521.9	539.3	3.3%
CS - asset management	35.6	35.7	41.3	15.6%
IS CS - mutual funds	51.4	51.7	59.1	14.4%
PF CS - pension fund	29.7	32.5	35.2	8.2%
SS CS - building society	90.4	92.4	96.3	4.2%
<b>Total</b>	<b>732.1</b>	<b>734.2</b>	<b>771.2</b>	<b>5.0%</b>

Note: methodology in mutual funds changed, include assets distributed in the CR

# Performance analysis – Capital adequacy (CNB) – CS Bank



- CS is strongly capitalized for future growth and new regulatory requirements
- CS bank capital adequacy (Tier I + Tier II) increased by 160 bps YTY due to higher Tier I capital and lower capital requirements
- Growth of Tier I capital (+16%) attributed to retained earnings from 2009
  - Total Tier I + Tier II capital rose by 10% compared to 12/2009
- Total capital requirements declined by 2% YTY
  - Capital requirement to credit risk down by 3%, requirement to market risks up by 20%
- Risk weighted assets dropped by CZK 9 bn (-3%) YTY reflecting development of structure of assets

Parent Bank, CZK m	31/12/2009	31/12/2010
Tier I capital	43,614	50,424
Tier I + Tier II capital	51,112	56,461
Capital requirement to credit risk	28,566	27,842
Capital requirement to market risks	323	388
Capital requirement to operational risk	4,355	4,228
Risk weighted assets	357,075	348,025
<b>Capital adequacy Tier I ratio</b>	<b>10.5%</b>	<b>12.4%</b>
<b>Capital adequacy Tier I+II ratio</b>	<b>12.3%</b>	<b>13.9%</b>

# Performance analysis – Trend in risk costs reduction confirmed

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- Loan portfolio growth is lagging economic recovery with moderate decline by 2% in total but local corporate showed first signs of growth
- Quality of loan portfolio improved, positively influenced by corporate lending and write offs
- **Positive trend in risk costs from Q2 and Q3 2010 accelerated further in Q4 2010**
  - Decrease of risk costs
  - Volume increase in local large corporate, recovery on retail mortgages
  - Further increased NPL coverage

# Performance analysis – CS Group balance sheet

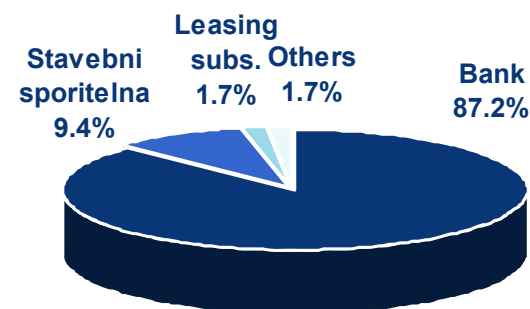
## Group loan portfolio structure shifted by repayments



### – Total group loan portfolio declined by 2% YTY (or CZK 9.2 bn)

- Growth in MSE, Local Large Corporate and SME was offset by repayments in Group Large Corporate and leasing
- Partly driven also by higher write offs of CZK 4.1 bn (CZK 2.0 bn in 2009)

Loan Book by Group members as of 31 December 2010



### – Share of subsidiaries in Group loan portfolio slightly lowered to 12.8%

- Limited opportunities in leasing followed by stagnation in building society

in CZK m, IFRS	31/12/2010	31/12/2009	YTY Change
I. CS Bank	416,846	422,461	-1.3%
II.1. Stavebni sporitelna CS	45,099	45,512	-0.9%
II.2. sAutoleasing	7,902	9,802	-19.4%
II.3. Factoring CS	1,740	1,535	13.4%
II.4. Brokerjet CS	504	475	6.0%
II.5. Other subsidiaries	5,734	6,041	-5.1%
III. Consolidation items	-17,858	-16,642	7.3%
<b>Total Loans (consolidated)</b>	<b>459,968</b>	<b>469,185</b>	<b>-2.0%</b>

# Performance analysis – CS Bank balance sheet

## Retail stable, corporate still lower



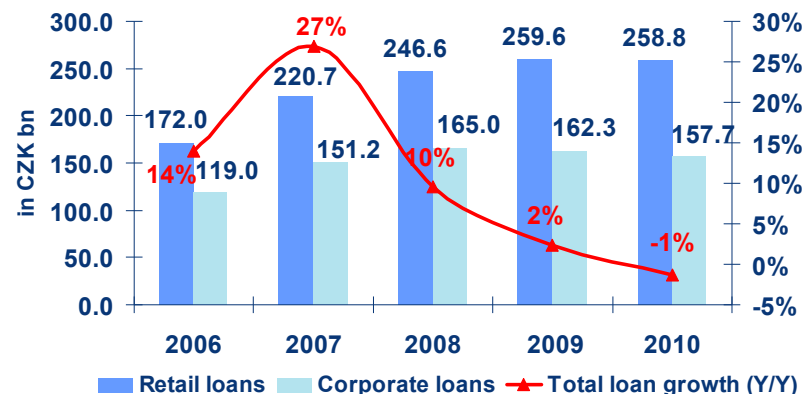
### – Loans to retail customers unchanged YTY

- Increase in MSE +5% and private credit cards +15% counterbalanced by decline in consumer lending -2% and small municipalities -6%

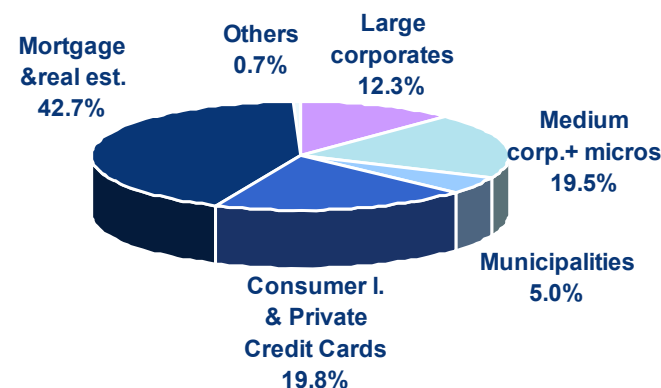
### – Corporate loans declined by 3% YTY

- Local Large Corporate started already to grow (+2%)
- SMEs up by +1%
- Group Large Corporate business decreased mainly due to repayments (-20%)
- Local Corporate Mortgage and Real Estate still under pressure with -15%

Loan portfolio development



Bank loan book by customer segments as of 31 December 2010



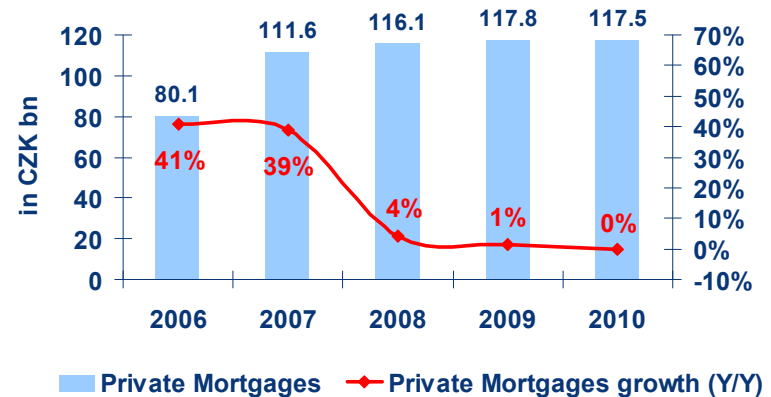
# Performance analysis – CS Bank balance sheet

## Recovery on mortgage market

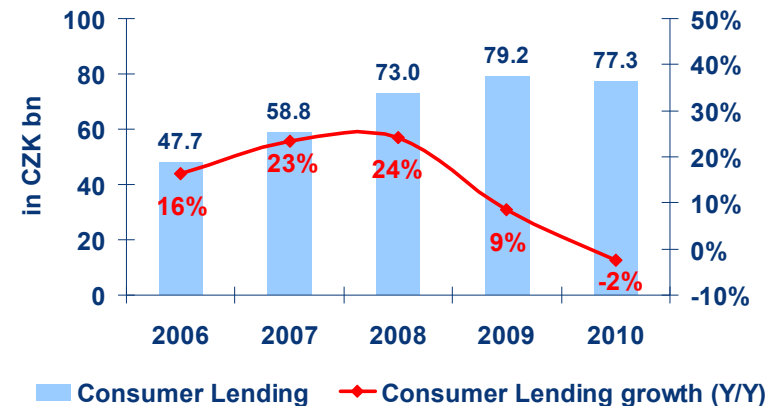


- Volume of private mortgages started to grow in Q4 2010 and reached CZK 117 bn
  - Mortgages granted in 2010: average maturity at 22.6 years (23.1 in 2009); average size of mortgage stable at CZK 1.6 m, LTV ratio at 66.2%
  - Whole portfolio: average maturity is 21.2 years; residual maturity 17.0 years, LTV ratio at 62.4%
  
- Consumer lending decreased by 2% YTY (i.e. CZK -2.0 bn)
  - Due to lower demand and regular repayments, outstanding of cash loans lower by 2%

Private Mortgages Development



Consumer Lending Development



Note: Consumer loans include home equity loans and exclude credit cards

# Performance analysis – Risk costs improvement accelerated



## – Share of NPLs in total customer loans revamped to 6.0%

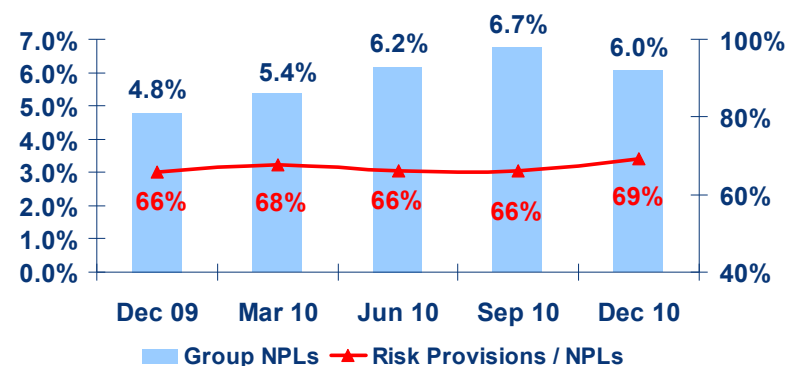
- Driven by quality improvement in Local Corporate portfolio and also significant write offs across the books
- NPL provision coverage further strengthened to ample level of 69%
- Total coverage well above 110% (provisions and collateral)

## – Annualized group risk costs decline accelerated to 213 bps

- Driven by economic recovery in large corporate business; risk costs of private individuals remained stable

## – According to CNB methodology defaulted loans at 6.9%

Group Customer Loan Portfolio:  
Share of NPLs;  
Coverage of NPLs by provisions



Group risk costs of Customers Loans  
(in bps, annualized)



## Presentation topics

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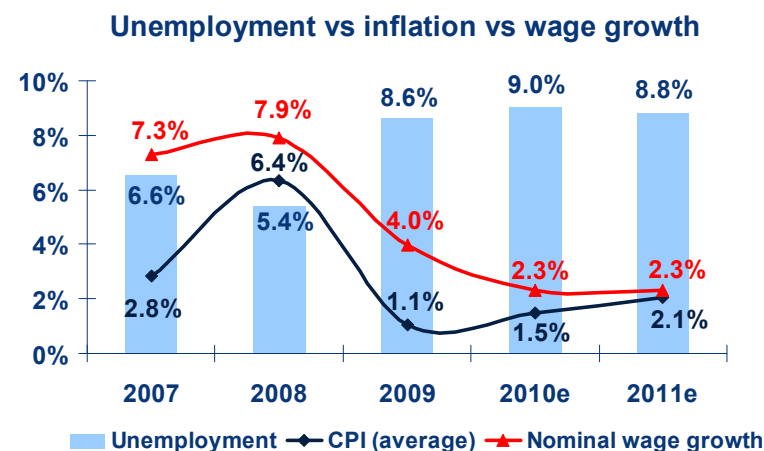
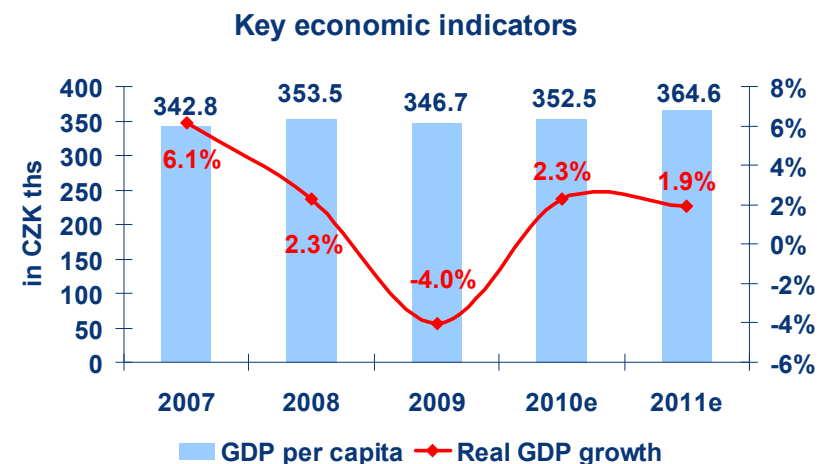
- Performance of Ceska sporitelna
  - Financial statements
  - Performance analysis
- **Economy**
  - Macroeconomic environment
- **Banking market**
  - Banking market development
  - Market shares
- **Appendix**



# Macroeconomic environment – 2011 – fixed investment to drive the growth, labour market to improve only gradually



- Baseline: Czech economy to grow by around 2% this year, with fixed investments and exports being the largest drivers
- Fixed investments to be driven by pent-up demand, better financing conditions, rise of capacity utilization, good cyclical outlook and improved business confidence
- Industry not too far from a pre-crisis peak, with leading indicators (PMI) suggesting the improvement of industry to continue
- Labour market worsened in December '10 – January '11 (to 9.7%), in part due to public sector layoffs and harsh winter. 2011 modest improvement (8.8%) to be driven by hiring in industry; bulk of firing will be in the public sector, with rest of the economy stagnant
- Real wage growth to remain weak as higher headline inflation eats into slowly growing nominal wages

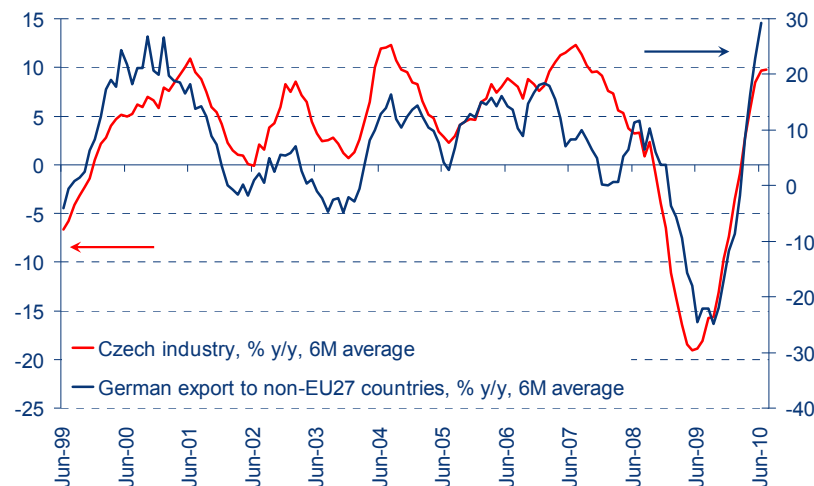


# Macroeconomic environment – Industry to remain the driver of the recovery, YE 2010 inflation increase only due to external factors and deregulations



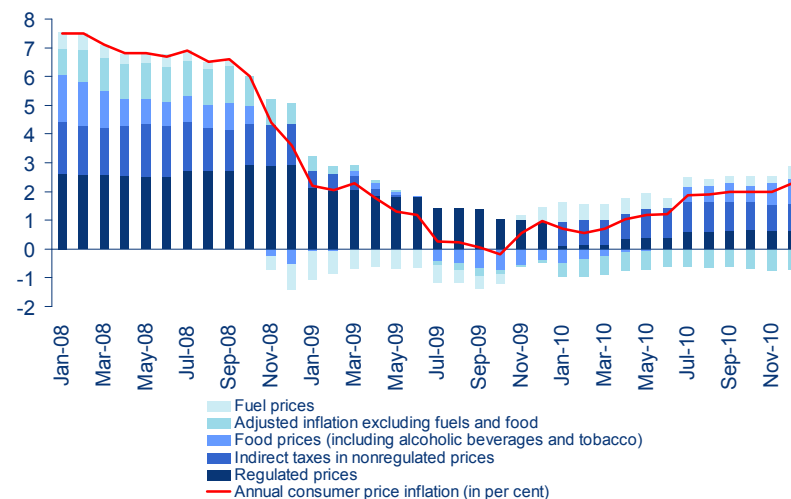
**– Industry (+10.5% in 2010) still strongly benefiting from surge in German exports (esp. to Asia), 2011 fiscal consolidation to weigh on growth of EMU but far less on that of Czech**

1. CZ direct exposure to PIIGS is small (7.7% of total Czech exports went there, 4.4% to Italy alone)
2. CZ not concerned that much about final consumption in EMU but more concerned about exports from Germany/France etc. CZ more exposed to world economy (via German exports) than visible at first sight
3. Industry to remain the driver of the economy and of the labour market improvement in 2011



**– Inflation generally on the increase (December '10 CPI 2.3%, January '11 1.7%), but only due to oil and food prices**

- Demand inflation surprisingly persistently negative throughout the last year, with only small increase expected this year
- Negative output gap not to necessitate aggressive tightening (currently FRA curve prices in +75 bps by Q1 12)
- Moreover, strength of CZK, loose labour market, fiscal tightening (that will continue with VAT rise into 2012) and external character of inflation will make CNB hike only twice this year

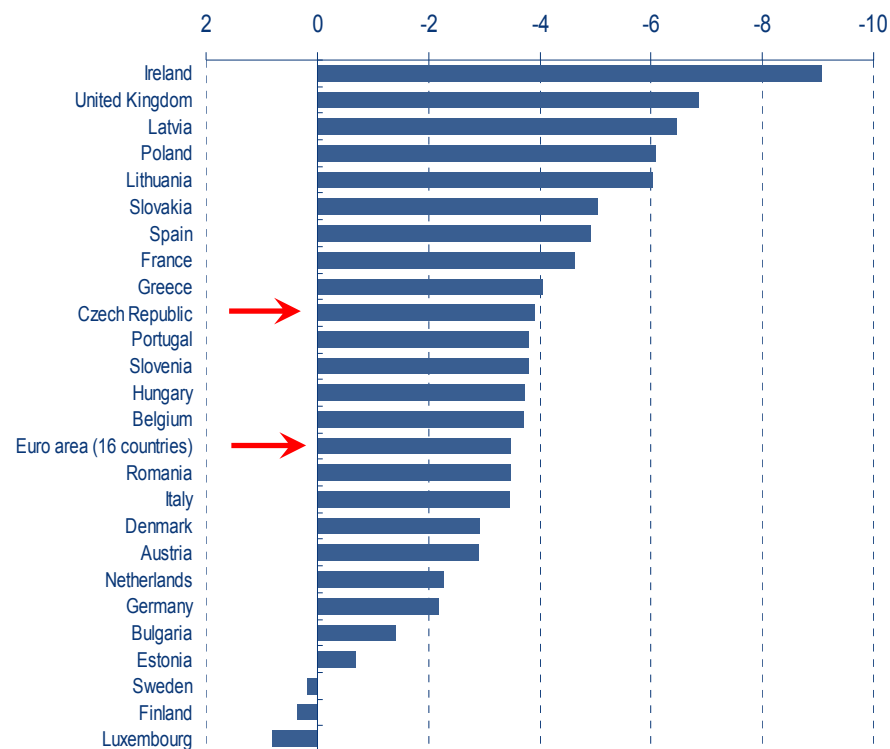


# Macroeconomic environment – Fiscal consolidation and government reform plans are the two largest issues (1/2)

## – Fiscal consolidation of 2011 (hopefully) the beginning of belated and much-needed reform process

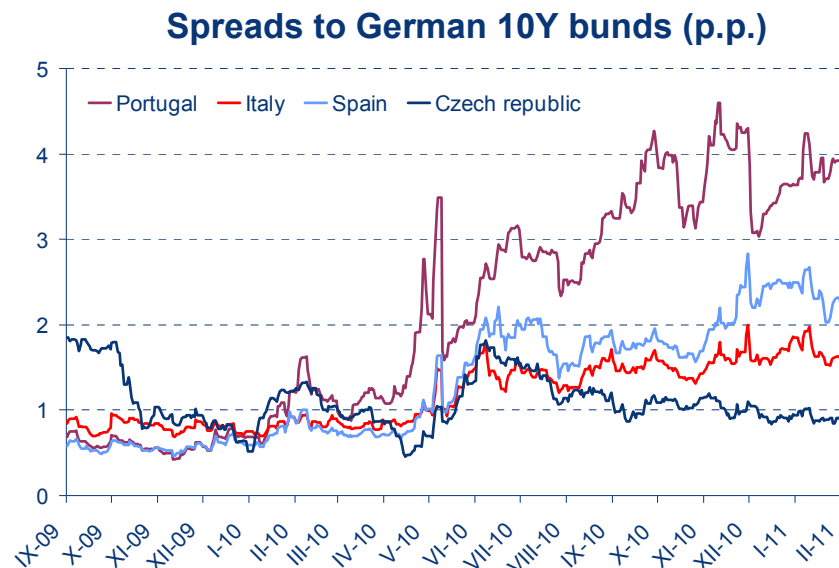
- The Czech Republic entered the crisis with low debt but unsound structure (high cyclically-adjusted deficit, in excess of EMU average)
- 2011 domestic fiscal consolidation different from brutal tightening in the south of EMU but so far also failing to address the crucial issues
- Government plans to present its reform package in H1 11 so that it can be voted on this fall and – if approved - enter into force in January 2012
- Most pressing is the pension reform as demographics make the current pay-as-you-go system unsustainable and as pensions consume 35-40% of the annual budget
- Lower VAT rate likely to be unified with the higher one in an effort to partially pay for pension reform, with (mechanical) impact of around 2 p.p. on the headline inflation

Cyclically-adjusted deficit,  
% potential GDP, 2011F  
(AMECO Database)



# Macroeconomic environment – Fiscal consolidation and government reform plans are the two largest issues (2/2)

- Reforms, if approved, may boost long-term potential of the economy and will increase the attractiveness of the Czech Republic as an investment destination
  - Rating outlook was upped by major rating agencies in the aftermath of May-2010 elections, leading to spreads markedly lower than some old EMU members with higher ratings
  - Current government enjoys comfortable majority (unlike its predecessors over last ten years) and thus is in good position to carry out the reforms
  - Succeeding in this endeavour, sovereign rating may be upgraded, with the benefit of lower financing costs (tighter spreads) and further dissociation from EMU weaklings
  - Failure could result in larger-than-usual response from markets as hopes are now high that the reforms will be implemented



# Presentation topics

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- **Performance of Ceska sporitelna**

- Financial statements
- Performance analysis

- **Economy**

- Macroeconomic environment

- **Banking market**

- Banking market development
- Market shares

- **Appendix**

# Banking market development – Healthy banking sector



## – Czech banking sector keeps its stable position

- Strong capital and liquidity position
- Independence on foreign sources
- Low FX loans ratio

## – CNB’s stress test confirms financial sector resilience to adverse macroeconomic development

- In the most adverse scenario capital increase of just 0.3% GDP is necessary to meet regulatory minimum of 8%

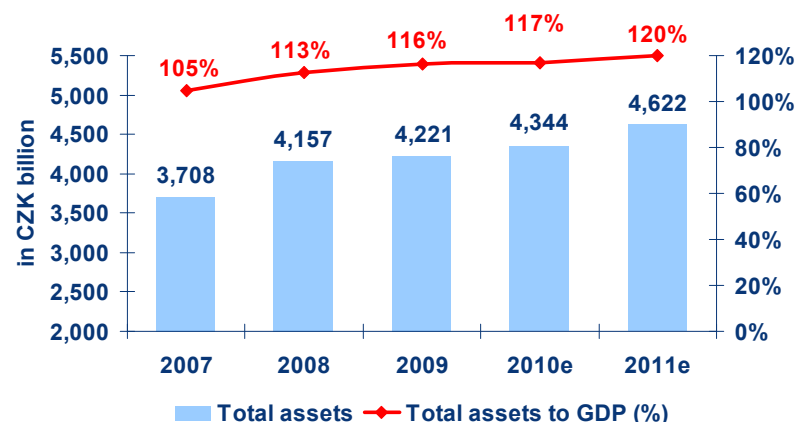
## – Changes in building saving state support

- Single 50% extra tax, however building saving is still attractive saving product. No significant outflow or households saving rate decrease expected

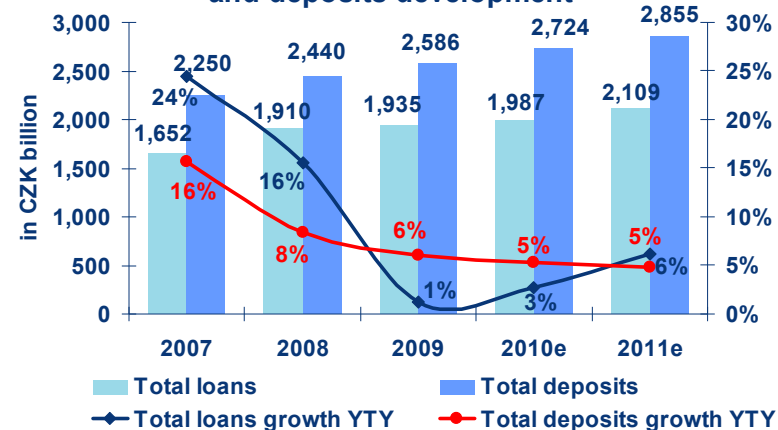
## – Pension reform should be approved this year

- Government proposal: voluntary saving in private funds (5% of gross wage, thereof 3 % from current pay-as-you-go system)
- Rapid growth of pension funds expected
  - Actual inflow: CZK 15 bn per year
  - Expected new inflow: CZK 45 bn per year
- Currently 4.5 m participants = 43% of population, total savings CZK 214 bn = 6% of GDP

Banking market - total assets development



Banking market - loans and deposits development



Source: CNB, CS estimates

# CS market shares – Market leadership maintained



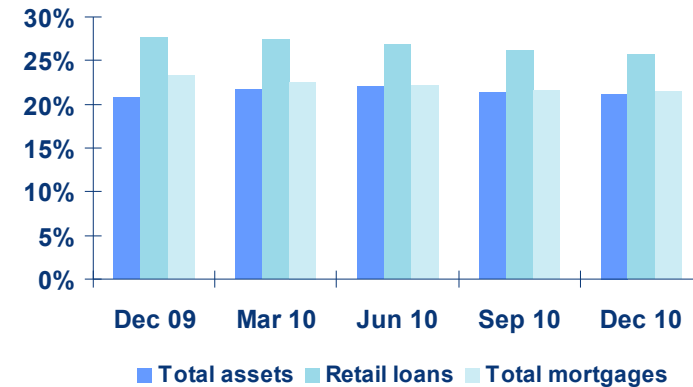
## – Market position overview

- No. 1 by number of customers (5.3 mil.)
- No. 1 by total loans (market share 21%)
  - 26% in retail loans, 19% corporate loans
- No. 1 in mortgages (market share 21%)
- No. 1 in consumer loans (market share 39%)
- No. 1 by total deposits (market share 23%)
  - 29% in retail deposits, 13% in corporate deposits
- No. 1 in number of payment cards (market share 36%)
  - 28% in credit cards
- No. 2 by total assets (market share 21%)
- No. 2 in mutual funds (market share 29%)

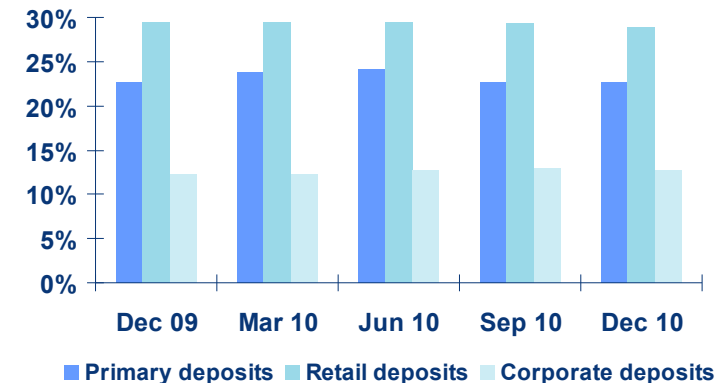
## – Market structure remains stable

- Concentrated banking market
- 41 banks in total, 33 owned by foreigners
- 3 dominant players, including CS

Market share development - asset side



Market share development - liability side



Source: CNB statistics, AKAT, Bank Card Association

# Presentation topics

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## – Performance of Ceska sporitelna

- Financial statements
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## – Economy

- Macroeconomic environment

## – Banking market

- Banking market development
- Market shares

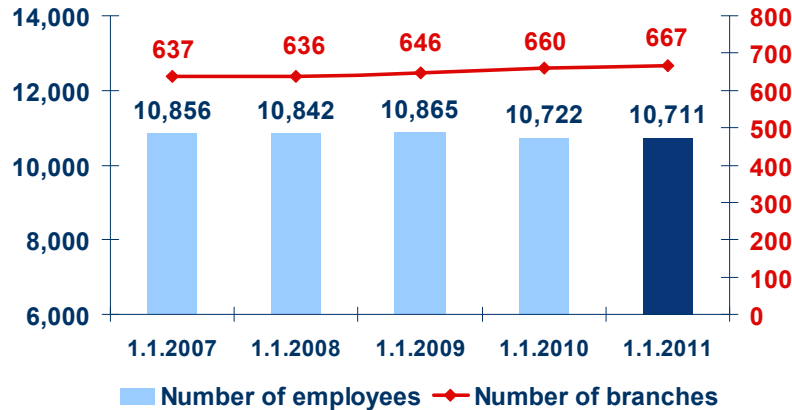
## – Appendix



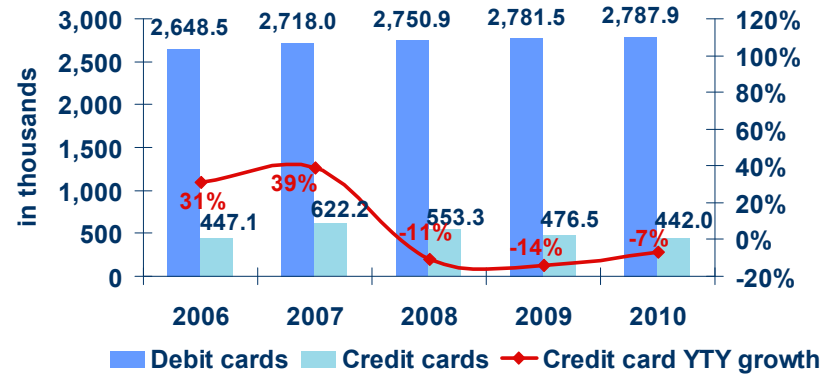
# Main indicators



Number of branches vs number of employees

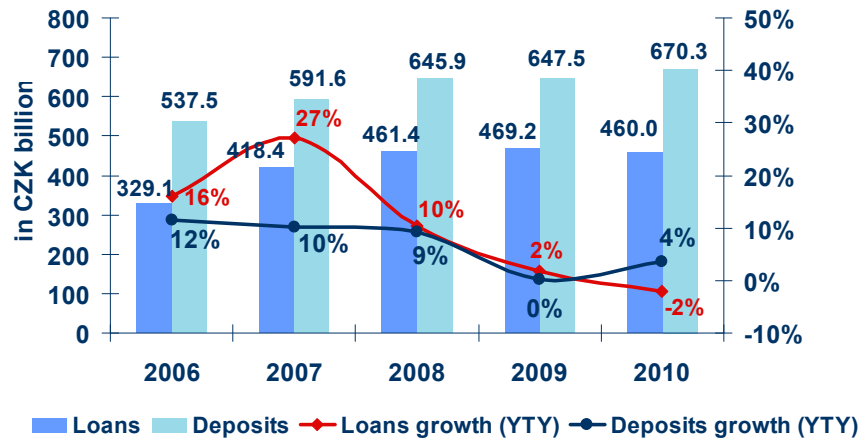


Bank cards development\*

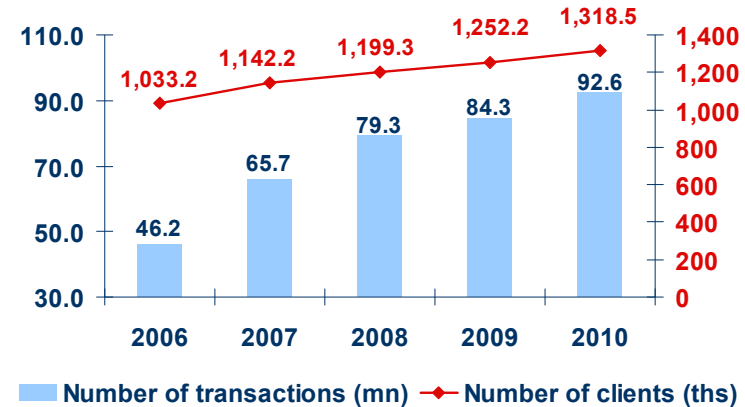


\*Development in credit cards impacted by continuing abolishing inactive cards, volume of transactions in 2010 up by 16% YTY

Loans and deposits development



Development of Internet Banking  
(Servis 24 + Business 24)



# Structure of loan portfolio – Non-financial institutions



in CZK m, IFRS	31/12/2010		31/12/2009		YTY change	
	Outstand.	Share	Outstand.	Share	Outstand.	Rate
<b>I. CORPORATE &amp; RETAIL (1+2)</b>	<b>416,549</b>	<b>90.6%</b>	<b>421,916</b>	<b>89.9%</b>	<b>-5,367</b>	<b>-1.3%</b>
<b>1. CORPORATES</b>	<b>157,731</b>	<b>34.3%</b>	<b>162,345</b>	<b>34.6%</b>	<b>-4,614</b>	<b>-2.8%</b>
<b>GCIB</b>	<b>51,512</b>	<b>11.2%</b>	<b>55,854</b>	<b>11.9%</b>	<b>-4,343</b>	<b>-7.8%</b>
Group Large Corporate	21,483	4.7%	26,817	5.7%	-5,334	-19.9%
Group Corp. Mortgage&Real Estate	30,028	6.5%	29,037	6.2%	991	3.4%
<b>Local Corporate</b>	<b>106,219</b>	<b>23.1%</b>	<b>106,490</b>	<b>22.7%</b>	<b>-271</b>	<b>-0.3%</b>
Large Corporates	29,849	6.5%	29,265	6.2%	584	2.0%
Medium Corporates (SMEs)	58,167	12.6%	57,715	12.3%	452	0.8%
Local Corp. Mortgage&Real Estate	5,696	1.2%	6,694	1.4%	-999	-14.9%
Municipalities	12,508	2.7%	12,816	2.7%	-308	-2.4%
<b>2. RETAIL</b>	<b>258,818</b>	<b>56.3%</b>	<b>259,572</b>	<b>55.3%</b>	<b>-754</b>	<b>-0.3%</b>
Private Credit cards	5,436	1.2%	4,735	1.0%	701	14.8%
Consumer lending	77,255	16.8%	79,235	16.9%	-1,980	-2.5%
Private social	2,281	0.5%	2,656	0.6%	-375	-14.1%
Private mortgages	117,454	25.5%	117,786	25.1%	-332	-0.3%
Micro corporates (MSEs)	22,540	4.9%	21,528	4.6%	1,012	4.7%
Commercial mortgages	25,458	5.5%	24,678	5.3%	780	3.2%
Small municipalities	8,394	1.8%	8,954	1.9%	-560	-6.3%
<b>II. FINANCIAL MARKETS</b>	<b>297</b>	<b>0.1%</b>	<b>545</b>	<b>0.1%</b>	<b>-248</b>	<b>-45.5%</b>
<b>BANK LOANS TO CUSTOMERS</b>	<b>416,846</b>	<b>90.6%</b>	<b>422,461</b>	<b>90.0%</b>	<b>-5,615</b>	<b>-1.3%</b>
<b>III. SUBSIDIARIES</b>	<b>60,979</b>	<b>13.3%</b>	<b>63,366</b>	<b>13.5%</b>	<b>-2,387</b>	<b>-3.8%</b>
<b>IV. CONSOLIDATION ITEMS</b>	<b>-17,858</b>	<b>-3.9%</b>	<b>-16,642</b>	<b>-3.5%</b>	<b>-1,216</b>	<b>7.3%</b>
<b>GROUP LOANS TO CUSTOMERS</b>	<b>459,968</b>	<b>100.0%</b>	<b>469,185</b>	<b>100.0%</b>	<b>-9,218</b>	<b>-2.0%</b>

# Net profit of selected subsidiaries

- Net profit of **Stavebni sporitelna CS (building society)** declined mainly due to unfavourable development of operating income and higher creation of provisions
- **Penzijni fond CS (pension fund)** reported an increase in net profit attributed mainly to higher net trading result and better result from financial assets
- Improvement in net result of **sAutoleasing** reflects positive development of operating income and lower creation of credit risk provisions
- Development of net profit of **Factoring CS** was affected by lower net creation of risk provisions (booked in other operating expenses)



IFRS, CZK m	2010	2009	% Change
CS Building Society	1,264	1,509	-16.2
sAutoleasing	19	-334	n/a
Pension Fund CS*	807	459	75.8
Factoring CS	-2	-90	n/a

\* According to the Supplementary Pension Insurance Act, minimum 85% of net profit must be distributed among clients

# Financial results by quarters

## Accelerating downward trend in risk provisions



in CZK million	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Net interest income	7,671	7,456	7,612	7,700	7,679
Risk provisions for loans and advances	(2,611)	(2,705)	(2,622)	(2,476)	(1,974)
Net fee and commission income	3,092	2,870	3,118	2,992	3,187
Net trading result	227	1,132	248	824	531
General administrative expenses	(4,603)	(4,823)	(4,634)	(4,634)	(4,586)
Other operating result	(952)	(323)	(259)	(769)	(773)
Results from financial assets	155	238	(46)	(118)	86
<b>Pre-tax profit</b>	<b>2,979</b>	<b>3,845</b>	<b>3,417</b>	<b>3,519</b>	<b>4,150</b>
Taxes on income	(844)	(723)	(662)	(807)	(476)
<b>Profit for the year after taxes and before controlling interests</b>	<b>2,135</b>	<b>3,122</b>	<b>2,755</b>	<b>2,712</b>	<b>3,674</b>
<b>Net profit for the year</b>					
<b>attributable to owners of the parent</b>	<b>2,375</b>	<b>3,128</b>	<b>2,752</b>	<b>2,662</b>	<b>3,771</b>
attributable to non-controlling interests	(240)	(6)	3	50	(97)
Operating income	10,990	11,458	10,978	11,516	11,397
Operating expenses	(4,603)	(4,823)	(4,634)	(4,634)	(4,586)
<b>Operating profit</b>	<b>6,387</b>	<b>6,635</b>	<b>6,344</b>	<b>6,882</b>	<b>6,811</b>

Note: Until Q3 2010 data reported at FV valuation of investment property, since then at cost valuation

# Financial statements – Income statement

## Methodology comparison (CS local statements)



in CZK million	reported (at cost) 2010	restated (at cost) 2009	at FV 2009
Net interest income	30,266	30,753	30,989
Risk provisions for loans and advances	(9,777)	(8,624)	(8,624)
Net fee and commission income	12,167	11,402	11,402
Net trading result	2,982	3,495	3,495
General administrative expenses	(18,677)	(19,269)	(19,269)
Other operating result	(2,462)	(2,029)	(2,847)
Result from financial assets - FV	(83)	97	97
Result from financial assets - AfS	129	(65)	(65)
Result from financial assets - HtM	114	0	0
<b>Pre-tax profit</b>	<b>14,659</b>	<b>15,760</b>	<b>15,178</b>
Taxes on income	(2,611)	(3,324)	(3,362)
<b>Profit for the year after taxes and before controlling interests</b>	<b>12,048</b>	<b>12,436</b>	<b>11,816</b>
<b>Net profit for the year</b>			
<b>attributable to owners of the parent</b>	<b>12,052</b>	<b>12,624</b>	<b>12,022</b>
attributable to non-controlling interests	(4)	(188)	(206)
Operating income	45,415	45,650	45,886
Operating expenses	(18,677)	(19,269)	(19,269)
<b>Operating result</b>	<b>26,738</b>	<b>26,381</b>	<b>26,617</b>

*Note: 2009 figures were restated in order to show comparable figures based on new at cost valuation of investment property*

# Segment financial statements – Income statement



in EUR million	2010	2009	Change
Net interest income	1,087.2	1,080.8	0.6%
Risk provisions	(365.8)	(288.1)	27.0%
Net fee and commission income	476.8	429.5	11.0%
Net trading result	62.5	38.6	61.9%
General administrative expenses	(709.8)	(695.8)	2.0%
Other result	(83.3)	(107.3)	(22.3%)
<b>Pre-tax profit</b>	<b>467.4</b>	<b>457.8</b>	<b>2.1%</b>
Taxes on income	(82.7)	(105.0)	(21.2%)
<b>Net profit for the period</b>	<b>384.7</b>	<b>352.8</b>	<b>9.0%</b>
Attributable to non-controlling interests	5.9	7.1	(17.6%)
<b>Attributable to owners of the parent</b>	<b>378.9</b>	<b>345.7</b>	<b>9.6%</b>
Operating income	1,626.4	1,548.9	5.0%
Operating expenses	(709.8)	(695.8)	2.0%
<b>Operating result</b>	<b>916.6</b>	<b>853.1</b>	<b>7.4%</b>

Exchange rate for 2010: 25.31 CZK/EUR (average for the period)

# Segment financial statements – Income Statement

(Quarterly development)



in EUR million	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Change (YoY)
Net interest income	258.9	264.5	271.6	274.7	276.4	6.8%
Risk provisions	(84.9)	(97.2)	(90.9)	(96.0)	(81.8)	(3.7%)
Net fee and commission income	119.3	109.0	120.6	118.6	128.5	7.8%
Net trading result	5.5	16.9	0.7	30.4	14.4	>100.0%
General administrative expenses	(165.3)	(179.5)	(174.5)	(178.2)	(177.5)	7.4%
Other result	(32.7)	(3.7)	(9.1)	(50.2)	(20.4)	(37.7%)
<b>Pre-tax profit</b>	<b>100.6</b>	<b>110.1</b>	<b>118.4</b>	<b>99.3</b>	<b>139.7</b>	<b>38.8%</b>
Taxes on income	(33.0)	(20.7)	(22.9)	(23.0)	(16.1)	(51.2%)
<b>Net profit for the period</b>	<b>67.6</b>	<b>89.4</b>	<b>95.5</b>	<b>76.3</b>	<b>123.6</b>	<b>82.8%</b>
Attributable to non-controlling interests	(0.3)	1.3	2.4	4.8	(2.7)	>100.0%
<b>Attributable to owners of the parent</b>	<b>67.9</b>	<b>88.1</b>	<b>93.1</b>	<b>71.5</b>	<b>126.2</b>	<b>85.8%</b>
Operating income	383.6	390.5	392.9	423.7	419.3	9.3%
Operating expenses	(165.3)	(179.5)	(174.5)	(178.2)	(177.5)	7.4%
<b>Operating result</b>	<b>218.3</b>	<b>211.0</b>	<b>218.4</b>	<b>245.4</b>	<b>241.8</b>	<b>10.8%</b>

Exchange rate for Q4 2010: 24.82 CZK/EUR (average for the period)

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