ČESKÁ SPOŘITELNA

ERSTE

ERSTE GROUP

Česká spořitelna – Q1 2011 consolidated results (unaudited IFRS)

28 April 2011, Praha

Strong profit growth in the first quarter

Pavel Kysilka

Current market environment

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- **Recent macroeconomic development**
  - **Czech economy growing six quarters in a row, with the recovery driven by industry and (by extension) German exports**
    - 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 on the demand side; 2011 to see positive contributions from fixed investments
    - Inflation persistently low, the December 2010 increase (2.3% YTY) was quickly reversed and CPI in Q1 2011 averaged 1.7%, with demand inflation persistently negative. Headline CPI is being pushed up only by energy, food prices and deregulations
  - **CZK/EUR strongest among the CEE currencies, a reflection of Czech attractiveness**
    - CZK in line with fundaments, with Q1 2011 average at 24.40 CZK/EUR, with a potential to strengthen towards 24.00 CZK/EUR at the year-end 2011
  - **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 (Q1 11 YTY improvement only 30 bps) to prevent aggressive tightening; maximum 2 interest rate hikes expected in 2011**
- **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**

Q1 2011 highlights

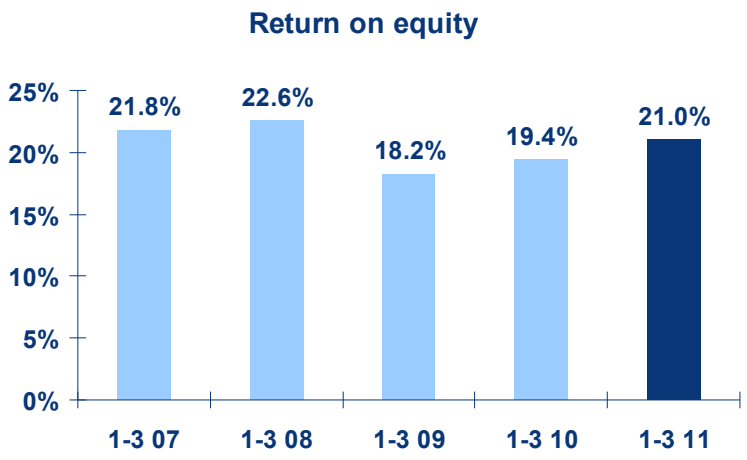
- **Ceska sporitelna boosted its net profit by 21% compared to Q1 2010 mainly thanks to significant decline in credit risk provisions; ROE increased to 21.0%**
  - Credit risk provisions dropped by 28% YTY driven by both corporate and retail customer segments
  - Operating result at the same level as in Q1 2010
  - Operating expenses declined to four years minimum, drop attributed mainly to other administrative expenses
- **Group loan portfolio at similar level compared to March 2010 but higher by CZK 6.8 bn compared to December 2010**
  - Largest growth in Q1 2011 showed loans to large corporate customers and SME´s and retail mortgages
    - Local large corporate loans increased by significant 7% YTY, private mortgages exceeded peak from 12/2009
  - Group risk costs dropped by significant 28% YTY to 167 bps
  - Share of NPLs at 6.2%; NPL provision coverage further strengthened to 72%
- **Annual General Meeting of CS shareholders approved dividend of CZK 30 per share from FY 2010 bank net profit (dividend payout ratio 38%)**

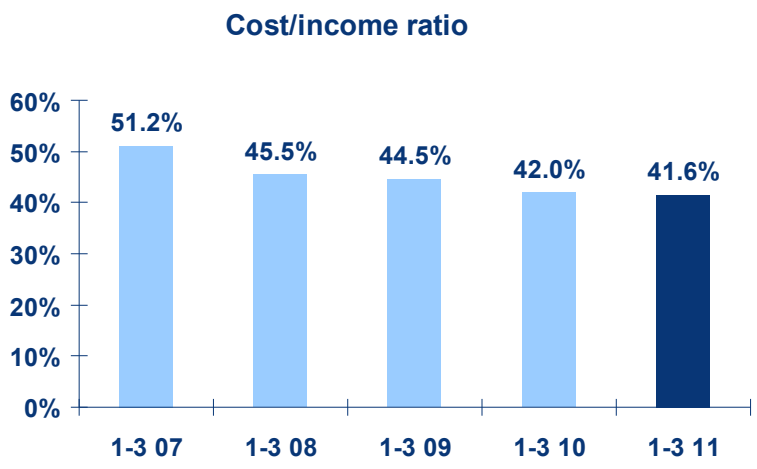
Q1 2011 business results

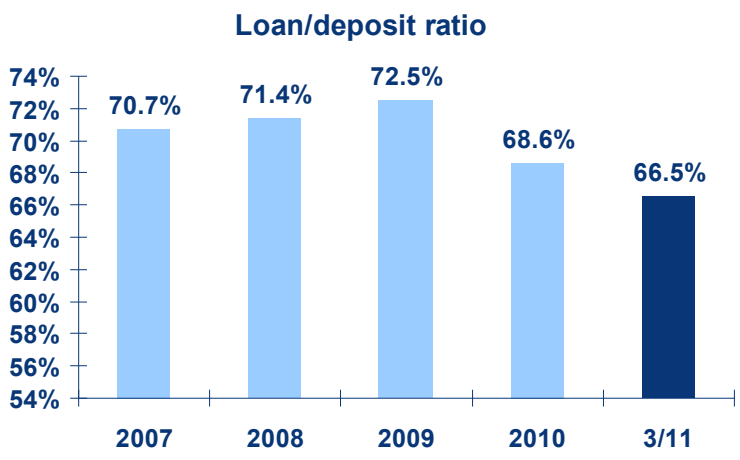
- **New private mortgages generation further accelerated, volume of new mortgages increased by 111% compared to Q1 2010**
  - Ceska sporitelna achieved an excellent 24% market share in generating new private mortgages in Q1 2011 (up from 17% in Q1 2010)
- **Ceska sporitelna will support domestic companies by EUR 150 mil. obtained as a global loan from the European Investment Bank**
  - Designed primarily for projects of small and medium-sized enterprises, but also available to public sector entities
  - Since 2002, the aggregate volume of EIB financing amounts to EUR 850 mil.
  - Ceska sporitelna is EIB's most significant partner in the Czech Republic and Central Europe
- **Ceska sporitelna earned the 2011 Euromoney Private Banking award as the best bank in the Czech Republic providing private banking**
  - The award is granted annually by the Euromoney magazine, specialised in banking and capital markets
- **Rating agency Standard & Poor´s affirmed CS ratings ("A" long-term, "A-1" short-term credit ratings and stable outlook)**
  - The rating actions reflect the CS's ability to maintain a comparatively strong financial performance over the past two years despite unfavourable economic conditions and low interest rates. Factors explaining this resilience are stable operating revenues, high operational efficiency and a limited increase in the cost of risk

Financial highlights – ROE increased to 21.0%

- **Return on equity increased from 19.4% to 21.0 %**
  - Thanks to growing net profit (+ 21% YTY)
- **Cost/income ratio lower by 40 bps at 41.6%**
- **Loan to deposit ratio at low 67%**
  - Attributed to continuing growth of customer deposits







Presentation topics

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

Financial statements – Income statement
Net profit rose by 21% YTY

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in CZK million	1-3 11	1-3 10	Change
Net interest income	7,415	7,396	0.3%
Risk provisions for loans and advances	(1,950)	(2,705)	(27.9%)
Net fee and commission income	3,019	2,870	5.2%
Net trading result	935	1,225	(23.7%)
General administrative expenses	(4,725)	(4,823)	(2.0%)
Other operating result	(332)	(323)	2.8%
Result from financial assets - FV	175	60	>100.0%
Result from financial assets - AfS	191	64	>100.0%
Result from financial assets - HtM	(4)	114	na
Pre-tax profit	**4,724**	**3,878**	**21.8%**
Taxes on income	(915)	(730)	25.3%
Profit for the year after taxes and before controlling interests	**3,809**	**3,148**	**21.0%**
Net profit for the year			
attributable to owners of the parent	**3,803**	**3,151**	**20.7%**
attributable to non-controlling interests	6	(3)	na
Operating income	11,369	11,491	(1.1%)
Operating expenses	(4,725)	(4,823)	(2.0%)
Operating result	**6,644**	**6,668**	**(0.4%)**

Note: Q1 2010 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 increased by 6% since YE 2010

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in CZK million	Mar 11	Dec 10	Change
Cash and balances with central banks	27,160	25,766	5.4%
Loans and advances to credit institutions	185,632	174,947	6.1%
Loans and advances to customers	466,749	459,968	1.5%
Risk provisions for loans and advances	(20,777)	(19,225)	8.1%
Derivative financial instruments	13,730	16,021	(14.3%)
Trading assets	24,307	18,488	31.5%
Financial assets - at fair value through profit or loss	13,307	9,587	38.8%
Financial assets - available for sale	20,582	20,258	1.6%
Financial assets - held to maturity	154,574	128,977	19.8%
Equity holdings in associates accounted for at equity	82	84	(2.9%)
Intangible assets	2,976	3,117	(4.5%)
Property and equipment	15,750	16,015	(1.7%)
Current tax assets	741	578	28.2%
Deferred tax assets	750	688	9.0%
Other assets	30,069	26,361	14.1%
Total assets	**935,631**	**881,629**	**6.1%**

Financial statements – Balance sheet (liabilities)
Customer deposits grew by 5% YTD

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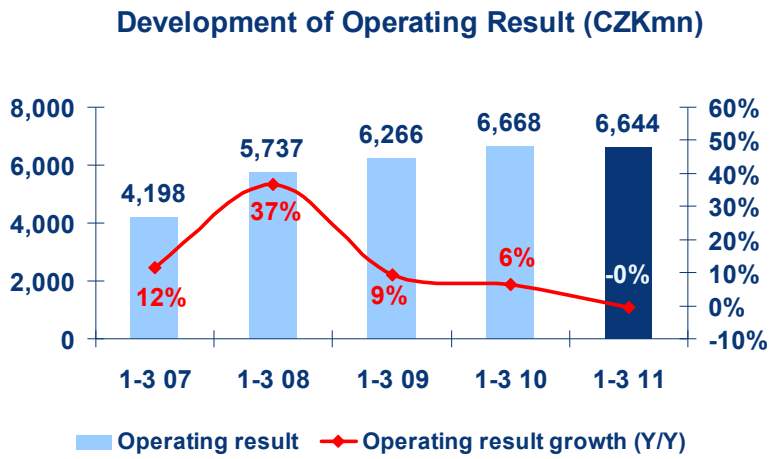
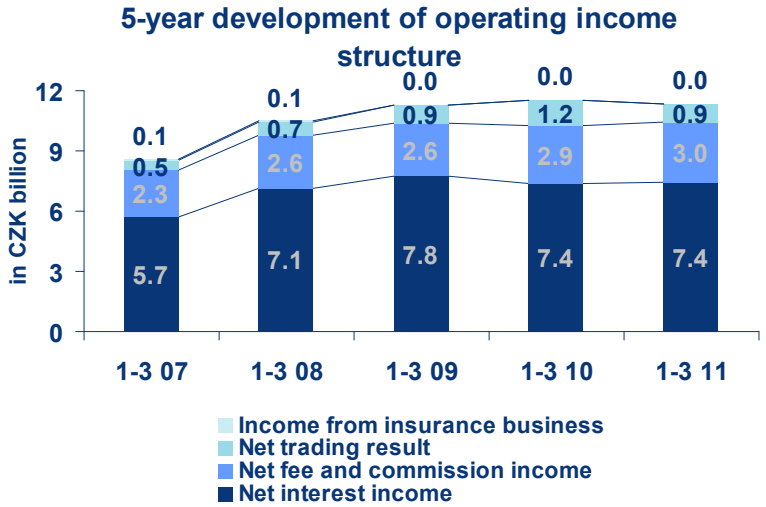
in CZK million	Mar 11	Dec 10	Change
Amounts owed to credit institutions	64,626	52,214	23.8%
Amounts owed to customers	701,519	670,285	4.7%
Debt securities in issue	49,284	47,260	4.3%
Derivative financial instruments	12,320	14,674	(16.0%)
Trading liabilities	578	617	(6.4%)
Other provisions	2,160	2,145	0.7%
Current tax liabilities	79	23	>100.0%
Deferred tax liabilities	328	197	66.7%
Other liabilities	18,894	12,230	54.5%
Subordinated capital	11,090	11,036	0.5%
Total equity	74,754	70,948	5.4%
attributable to non-controlling interests	268	168	59.5%
attributable to owners of the parent	74,486	70,780	5.2%
Total liabilities and equity	**935,631**	**881,629**	**6.1%**

Performance analysis – Operating result at Q1 2010 level

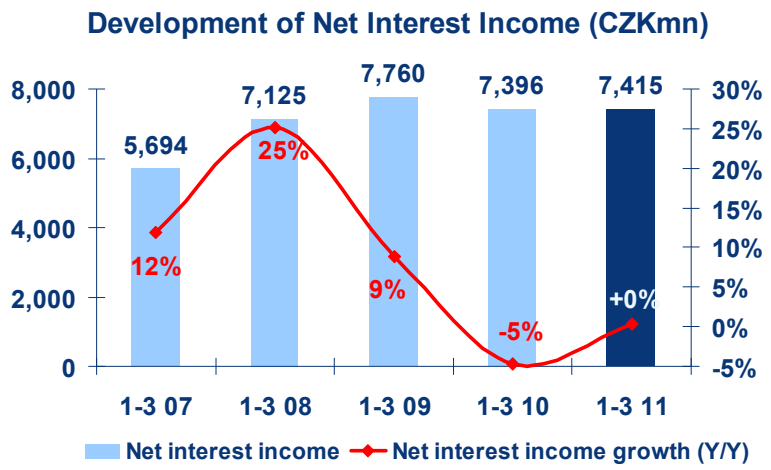
- **Operating result flat compared to Q1 2010**
  - Operating income slightly lower due to trading result but core earnings (NII + net fee income) increased by 2%
  - Operating expenses declined by 2%
- **Net trading result decreased by 24% YTY to CZK 0.9 bn, impacted mainly by one-off deals in Q1 2010**
  - Profit from FX transactions declined by 61% to CZK 0.3 bn due to several big deals and extraordinary high income generated by trading book in Q1 2010
  - Realised and unrealised profit from securities trading down by 9% at CZK 0.3 bn. Caused by widening of credit spreads – this movement is compensated by growth of interest derivatives
  - Customer business represents 44% of trading profit
- **Other operating result**
  - Impacted by higher contribution to deposit insurance fund (annual contribution rate increased from 0.1% to 0.16%)
- **Results from financial assets improved due to positive revaluation of assets and exit of one investment in venture fund business**

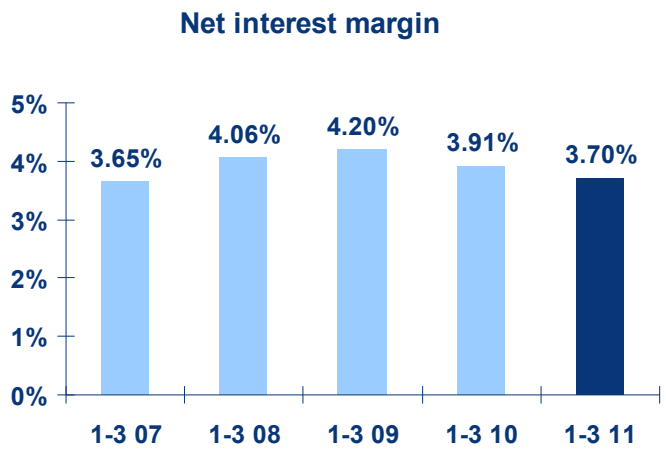




Performance analysis – NII comparable with Q1 2010 despite low interest rates

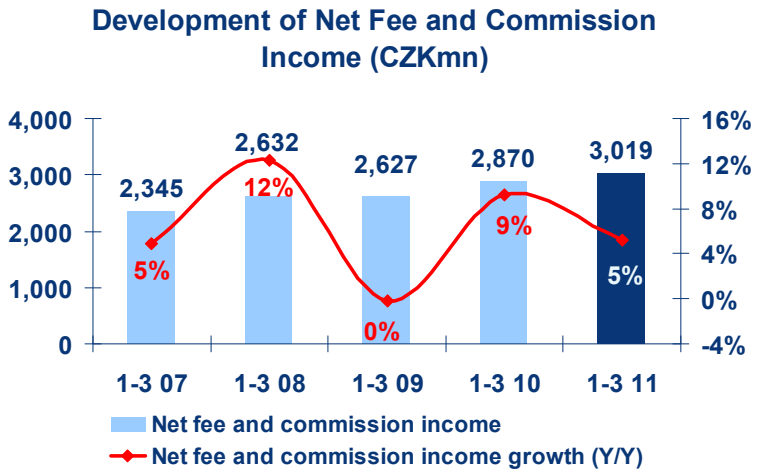
- **NII flat after 5% decline in Q1 2010 YTY**
  - Impact of persisting low market interest rates
  - Average 3M PRIBOR dropped by 30 bps (YTY)
  - 2W repo rate still at historically low 0.75% since May 2010
- **NII from customer business without changes compared to Q1 2010**
  - Customer loans at the same level as in 3/2010, amounts owed to customers increased by 2% YTY
- **NII from credit institutions down by 8% YTY**
  - Average 2WREPO rate declined by 25 bps
- **NII from securities increased by 5% YTY**
  - Due to higher NII from bonds held to maturity
- **NIM slightly lower at 3.70%**
  - Due to historically low market interest rates and change in balance sheet (HTM assets rose by 38% YTY)

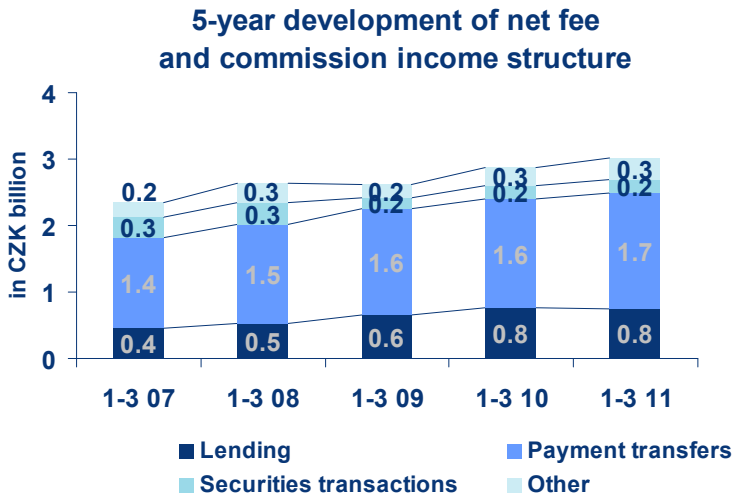




Performance analysis – Net fee income grew by 5%

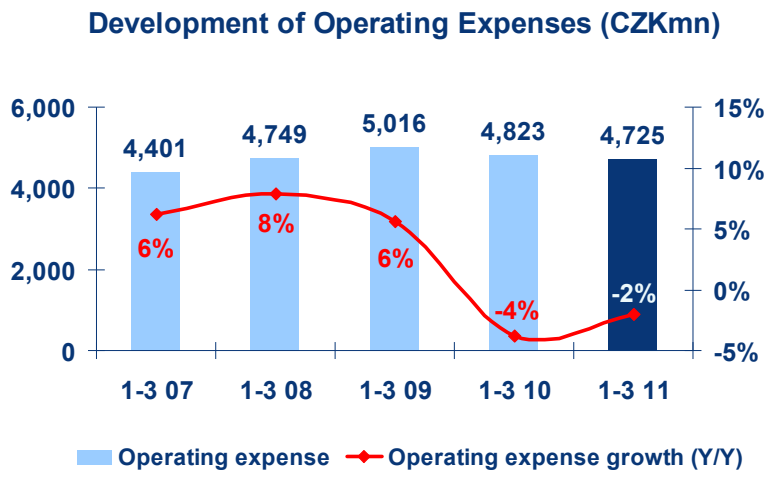
- **Growth in net fee income supported mainly by net fee income from securities business and from payment transactions**
- **Major contributor to net fee income were payment transactions and account maintenance (57% share) which grew by 6% YTY**
  - Supported by growing number and volumes of transactions
  - Net fee income from payment cards grew by 16%
- **Net fee income from securities business increased by 10% YTY**
  - Due to recovery on financial markets and growing investment banking business
- **Net fee income from lending decreased by 2% YTY**
  - Negative impact of higher provisions paid to external sales force

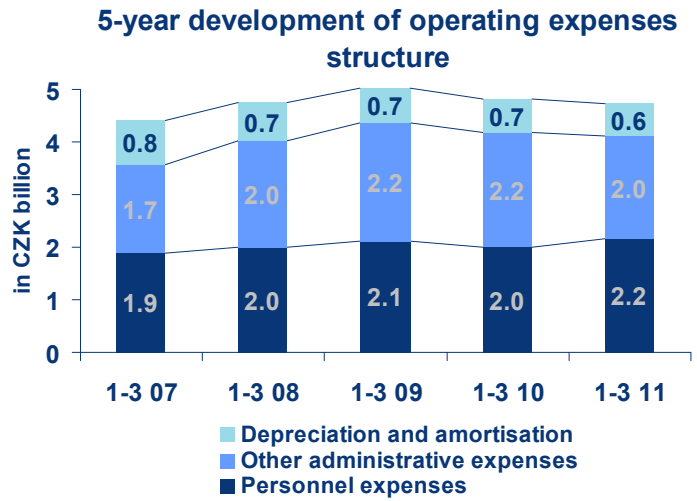




Performance analysis – Operating expenses at four years low

- **Decline in operating expenses (- 2%YTY) driven by other administrative expenses and depreciation**
- **Other administrative expenses dropped by 10% YTY**
  - Mainly attributed to decrease of expenses on IT
- **Depreciation on fixed assets went down by 6% YTY**
  - Driven by lower depreciation on intangible assets and acquired software
- **Personnel expenses increased by 8% YTY**
  - Caused mainly by severance payments in connection with recent staff reduction
    - Number of employees decreased by 478 FTEs compared to 3/2010
  - Impact of regular increase of base salaries (+1%)

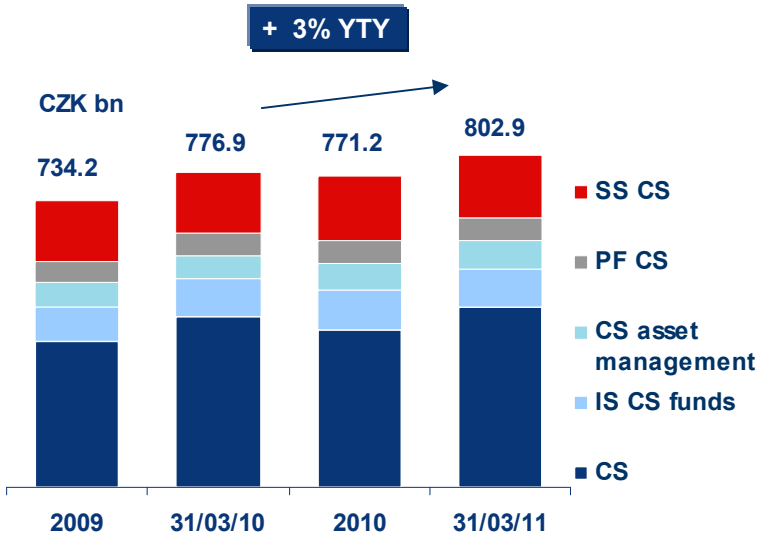




Performance analysis – Client funds under CS Group management

- **Volume of clients' assets increased by 3% YTY**
- **Bank deposits increased by 2% YTY and even by 6% YTD thanks to deposits from public sector entities (+11%YTY) and from private individuals (+4% YTY)**
  - Demand deposits rose by CZK 8 bn YTY, their share on total deposits at 74%
  - Bank deposits contribution to total client funds under CS Group management is 71%
- **Assets in domestic mutual funds (managed by Investment company - ISCS) increased by 5% YTY**
  - Assets in real estate fund Reico rose by 65% to CZK 2.0 bn
  - Total volume of assets in mutual funds (incl. Reico and foreign funds) increased by 4% YTY to CZK 73.1 bn mainly due to growing market prices
- **Growth rate in pension fund assets stable at 8% (YTY)**
- **Assets under discretionary management (without mutual funds) increased by 16%**

Total client funds



IFRS, in CZK bn	2009	31/03/10	2010	31/03/11	Change (YTY)
CS - banking deposits	521.9	559.6	539.3	572.5	2.3%
CS - asset management	35.7	36.5	41.3	42.3	15.7%
IS CS - mutual funds	51.7	55.4	59.1	58.1	4.8%
PF CS - pension fund	32.5	32.9	35.2	35.4	7.8%
SS CS - building society	92.4	92.5	96.3	94.6	2.3%
Total	**734.2**	**776.9**	**771.2**	**802.9**	**3.3%**

Note: methodology in mutual funds includes assets distributed in the CR

Performance analysis – Capital adequacy (CNB)

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- **CS is strongly capitalized for future growth and new regulatory requirements**
- **CS Group capital adequacy (Tier I + Tier II) increased by 190 bps YTY due to higher Tier I capital supported by retained earnings from 2010**
  - Tier I capital increased by 19% compared to March 2010 (+1% since December 2010)
  - Total Tier I + Tier II capital rose by 16% YTY (+2% YTD)
- **Total capital requirements slightly up (+1% YTY)**
  - Capital requirement to credit risk up by 1%, requirement to market risks up by 38%
- **Risk weighted assets rose by CZK 4.6 bn (+1%) YTY**

Parent Bank, CZK m	31/3/2010	31/12/2010	31/03/2011
Tier I capital	43,870	50,424	50,604
Tier I + Tier II capital	51,352	56,461	57,700
Capital requirement to credit risk	28,722	27,873	28,846
Capital requirement to market risks	395	388	405
Capital requirement to operational risk	4,430	4,228	3,999
Risk weighted assets	359,025	348,413	360,575
Capital adequacy Tier I ratio	**10.5%**	**12.4%**	**12.2%**
Capital adequacy Tier I+II ratio	**12.2%**	**13.9%**	**13.9%**

CS Group, CZK m	31/3/2010	31/12/2010	31/03/2011
Tier I Capital	48,487	57,071	57,544
Tier I+II Capital	55,938	63,687	65,049
Capital requirement to credit risk	30,717	30,136	31,082
Capital requirement to market risks	497	543	684
Capital requirement to operational risk	5,558	5,356	5,279
Risk weighted assets	383,963	376,700	388,525
Capital Adequacy Tier I ratio	**10.5%**	**12.7%**	**12.4%**
Capital Adequacy Tier I+II ratio	**12.2%**	**14.1%**	**14.0%**

Performance analysis – Significant risk costs reduction

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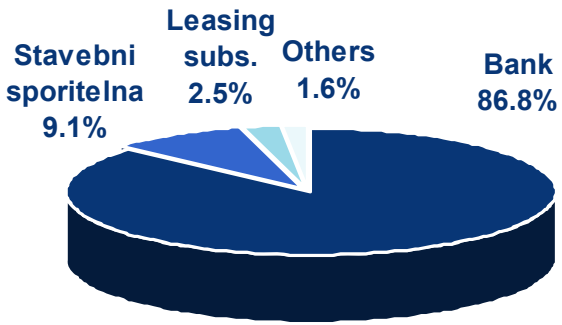
- **Risk costs decreased by significant 28% or 65 bps YTY to 167 bps**
  - NPL coverage further strengthened to 72%
  - Improvement in corporate as well as in retail business
- **Group loan portfolio showed flat development YTY and 1.5% increase YTD**
  - Continuing recovery in corporate lending and retail mortgages
  - Consumer lending still lagging behind economic recovery due to high unemployment
  - Acquisition of sMorava Leasing led to increased volume in subsidiaries
- **Quality of loan portfolio practically unchanged, NPL share reached 6.2%**
  - Driven by consumer lending and MSE loans

Performance analysis – CS Group balance sheet
Group loan portfolio YTY flat, YTD already growing

- **CS Bank unchanged YTY but by +1.0% or CZK 4.2 bn higher YTD**
  - **revival in corporate** (+0.8% or CZK 1.3 bn YTY, +2.9% or CZK 4.5 bn YTD) **and retail mortgage** (+1.7% or CZK 2.5 bn YTY, 1.0% or CZK 1.4 bn YTD) were **held back by** still suffering **consumer lending** (-3.9% or CZK -3.0 bn YTY, -1.6% or CZK -1.2 bn YTD)

- **Share of subsidiaries in Group loan portfolio slightly grew to 13.7%**
  - Driven by acquisition of **sMorava Leasing** (CZK 4.7 bn)
  - **Building society** portfolio decreased YTY by 2.7% or CZK -1.2 bn due to repayments

Loan Book by Group members as of 31 March 2011



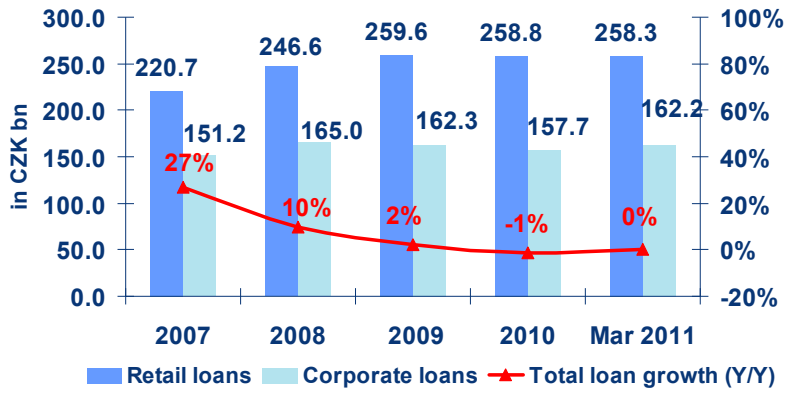
in CZK m, IFRS	31/03/2011	31/12/2010	31/03/2010	YTY Change
I. CS Bank	421,039	416,846	421,211	0.0%
II.1. Stavebni sporitelna CS	44,204	45,099	45,426	-2.7%
II.2. Leasing (sAL, sML)	12,272	7,902	9,241	32.8%
II.3. Factoring CS	1,761	1,740	1,312	34.2%
II.4. Brokerjet CS	573	504	429	33.4%
II.5. Other subsidiaries	5,238	5,734	6,186	-15.3%
III. Consolidation items	-18,339	-17,858	-17,016	7.8%
Total Loans (consolidated)	**466,749**	**459,968**	**466,789**	**0.0%**

Performance analysis – CS Bank balance sheet
Retail stable, corporate already on growing track

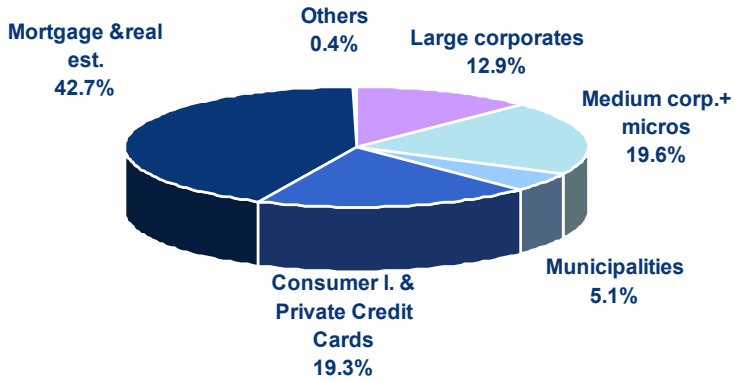
- **Loans to retail customers unchanged YTY**
  - Increase in **Private mortgages** +1% YTY, **Commercial mortgages** +4% YTY and **private credit cards** +10% YTY counterbalanced by decline in **consumer lending** -4% YTY and **small municipalities** -5% YTY

- **Corporate loans added 1% YTY**
  - **Local Large Corporate** revived with strong +7% YTY increase
  - **SMEs** up by +2%
  - **Group Large Corporate** business decreased by -8% YTY mainly due to repayments but grew by significant 13% YTD
  - **Corporate Mortgage and Real Estate** remained flat

Loan portfolio development

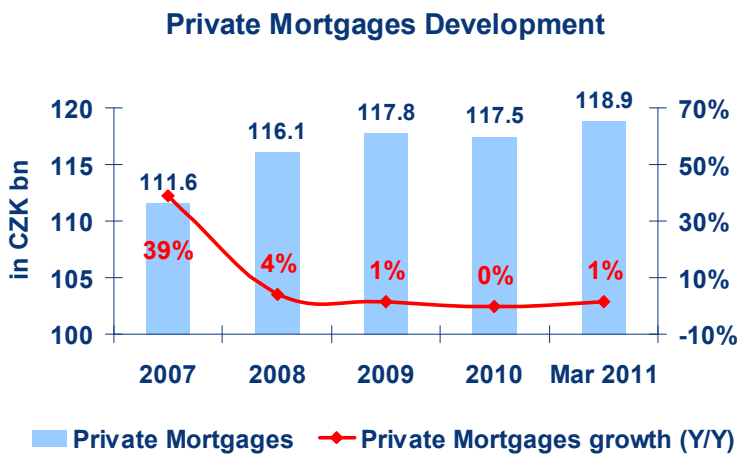


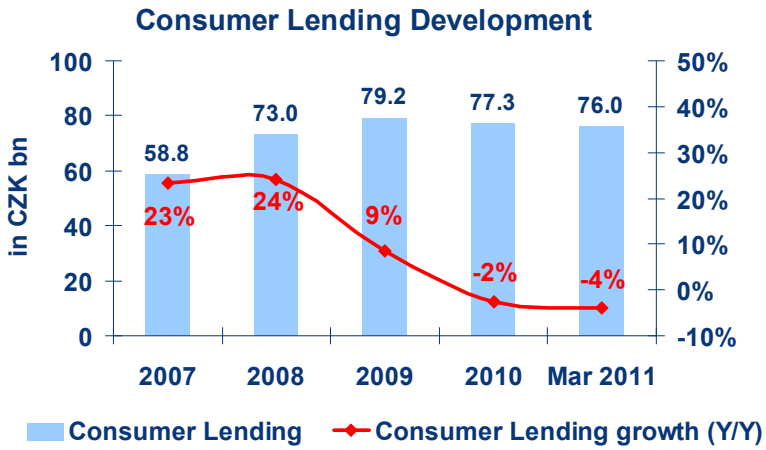
Bank loan book by customer segments as of 31 March 2011



Performance analysis – CS Bank balance sheet
Recovery on mortgage market continued

- **Volume of private mortgages back above peak level of CZK 117.8 bn in 12/2009 and reached CZK 118.9 bn (+1% YTY)**
  - **Mortgages granted in 2011**: average maturity at 22.4 years (22.6 in YE 2010); average size of mortgage stable at CZK 1.6 m, LTV ratio at 70.6% (66.2% in YE 2010)
  - **Whole portfolio**: average maturity stable at 21.2 years; residual maturity slightly decreased to 16.8 years, LTV ratio stable at 62.3%
- **Consumer lending followed the market and decreased by 4% YTY (i.e. CZK -3.0 bn)**
  - Due to still high unemployment the demand remained weak



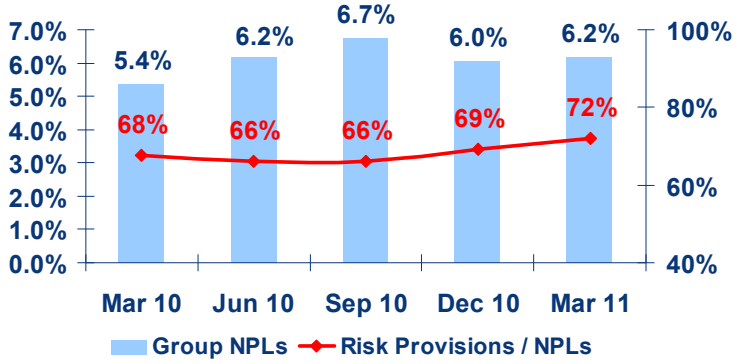


Note: Consumer loans include home equity loans and exclude credit cards

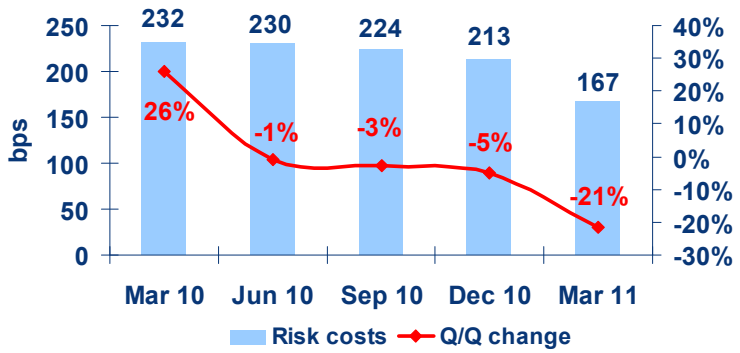
Performance analysis – Risk costs improvement accelerated

- **Share of NPLs in group customer loans at 6.2%**
  - Quality improvement in Corporate portfolio was slightly offset by deterioration in Retail, mainly consumer lending and MSE
  - NPL provision coverage further strengthened to ample level of 72%
  - Total coverage (provisions and collateral to NPL) well above 125%
- **Annualized group risk costs plummeted to 167 bps**
  - Driven by corporate as well as retail business
- **According to CNB methodology share of defaulted loans at 7.0%**

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



Group risk costs on Loans to customers (in bps, annualized)



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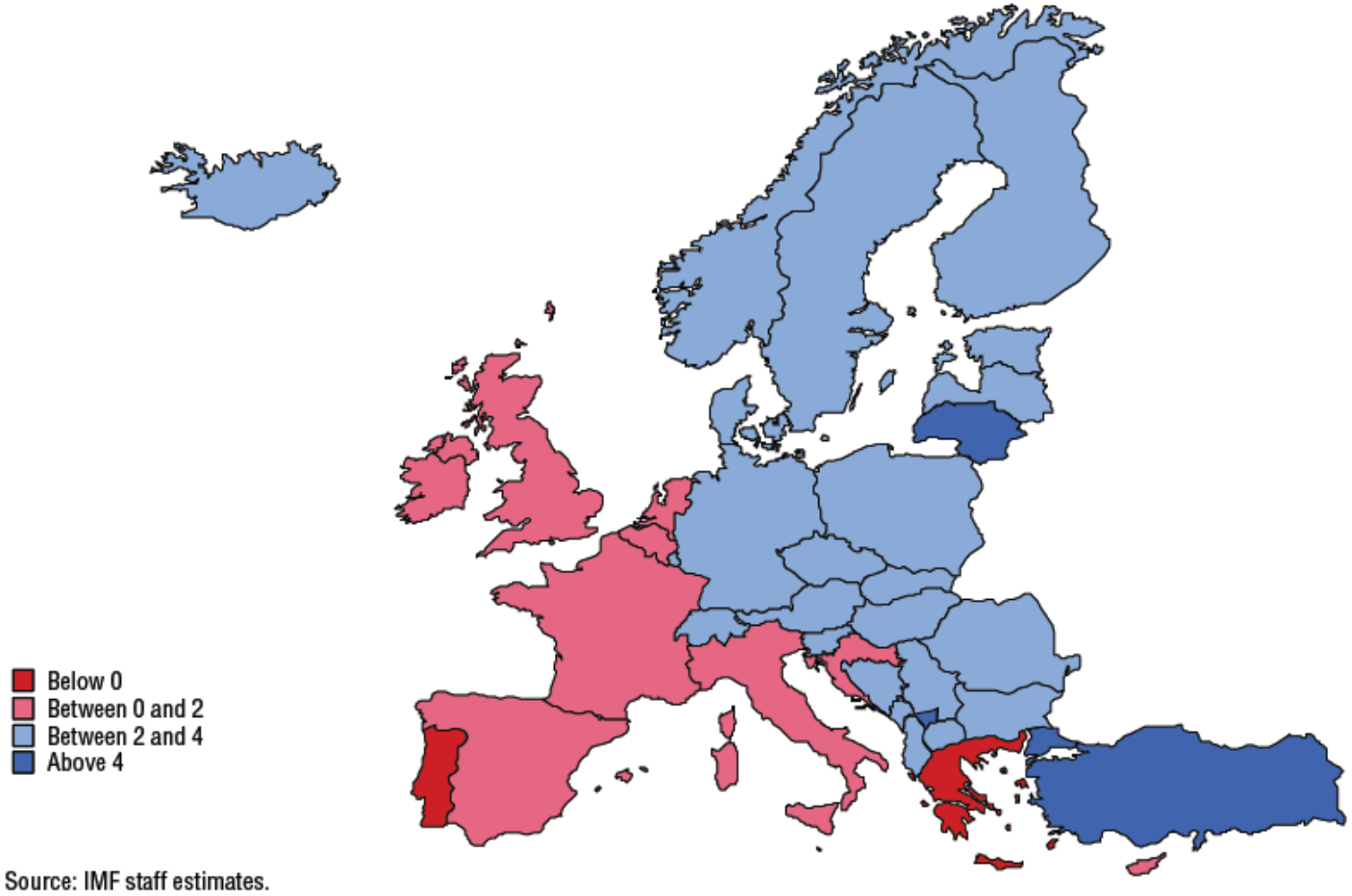
Macroeconomic environment – CR among safe countries with expected growth above 2%

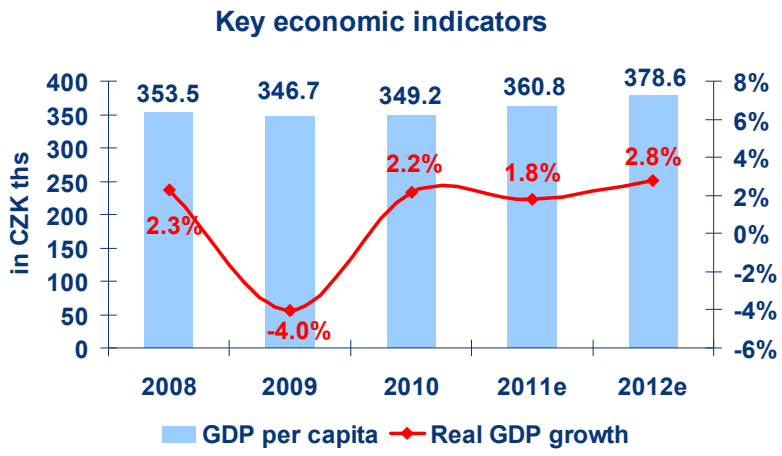
Europe: Average projected real GDP growth during 2011-2012 (in %)

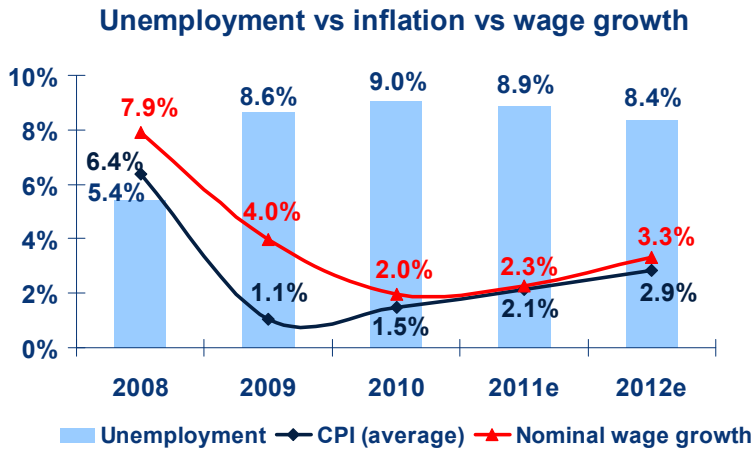


Source: IMF staff estimates.

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

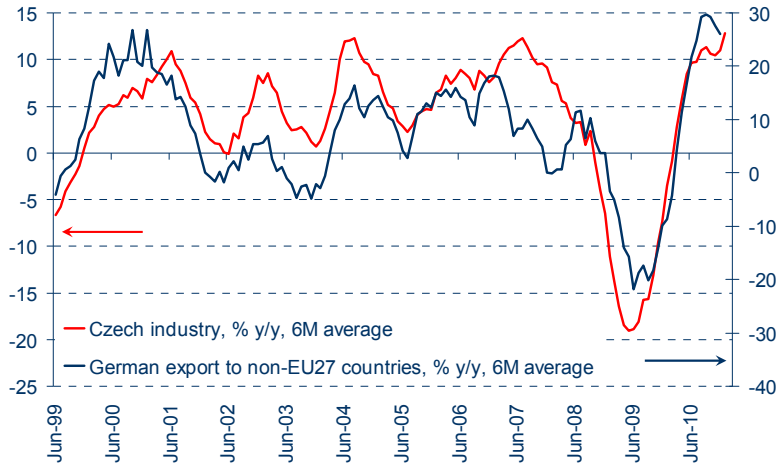
- Baseline: Czech economy to grow by around 1.8% in 2011, with fixed investments and exports being the largest drivers
- Fixed investments to be driven by pent-up demand, better financing conditions, rise of capacity utilization, good cyclical outlook and improved business confidence
- Industry not too far from a pre-crisis peak, with leading indicators (PMI) suggesting the improvement of industry to continue, with concomitant rise in hiring
- Labour market improved only modestly in Q1 2011 against Q1 2010 (- 0.3 p.p. in ∅ unemployment rate), with hiring in industry somewhat compensating for layoffs in public sector and construction
- Labour market to improve this year in general, but not by much: fiscal consolidation will remain a drag. Household demand to play larger role in growth from 2012 onwards only

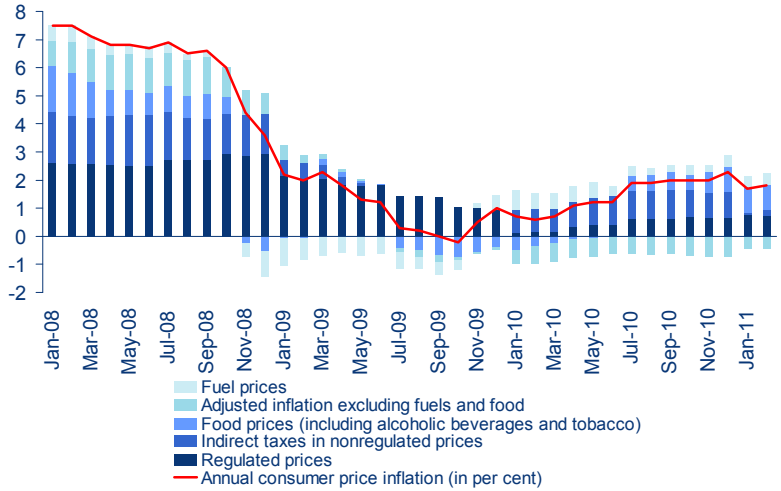




Macroeconomic environment –
Industry to remain the driver of the recovery; inflation subdued, with only food, fuel and regulated prices lifting it

- **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 the Czech Republic**
  - CZ direct exposure to PIIGS is small (7.7% of total Czech exports went there in '10, 4.4% to Italy alone)
  - CZ not concerned that much about final consumption in EMU but more concerned about exports from Germany/France to wider world etc.
- **Inflation low, and even the current levels only due to oil, food prices and deregulations. Q1 11 CPI average (1.7%) below CNB target, outlook benign**
  - Demand inflation persistently negative throughout 2010, with only small increase expected in 2011
  - Markets revised early-2011 expectations for aggressive tightening, now prices in more reasonable scenario (3 hikes by Q2 2012)
  - Strength of CZK, loose labour market, fiscal tightening (that will continue with VAT rise into 2012) and external character of inflation will make for only gradual CNB hiking. CNB to stay below ECB in 2011 and 2012
  - Some inflationary tensions visible (within PMI index, in import prices) but so far these pressures have been absorbed into retailers/importers' margins

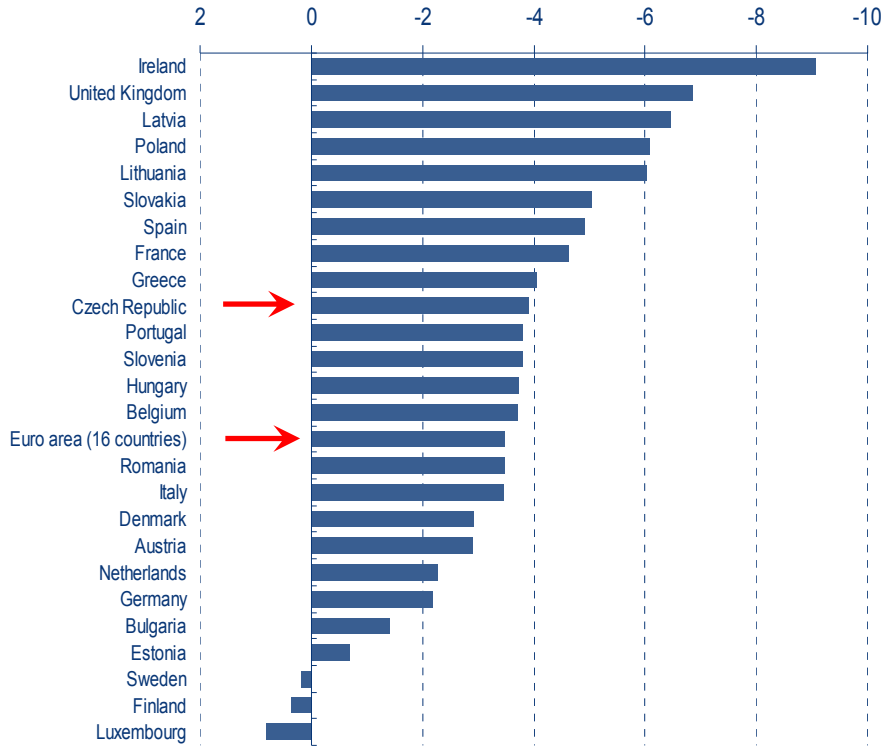




Macroeconomic environment – Fiscal consolidation and government reform plans remain the two largest issues (1/2)

- **Fiscal consolidation of 2011 (hopefully) the beginning of belated and much-needed reform process, but risks abound**
  - The Czech Republic entered the crisis with low debt but unsound structure of public finances (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 convincingly address the structural issues (pension reform, mainly)
  - Government came up with a pension reform plan in Q1 2011 but it's less than we hoped for: it's half-hearted (nowhere near deep enough for public finances to get on a sustainable path) and laden with uncertainty, was communicated in a haphazard fashion (and changed too frequently) and wasn't inclusive enough (the negotiations with opposition parties should have been deeper)
  - Current government problems threaten to derail / postpone even these (arguably mild) reforms

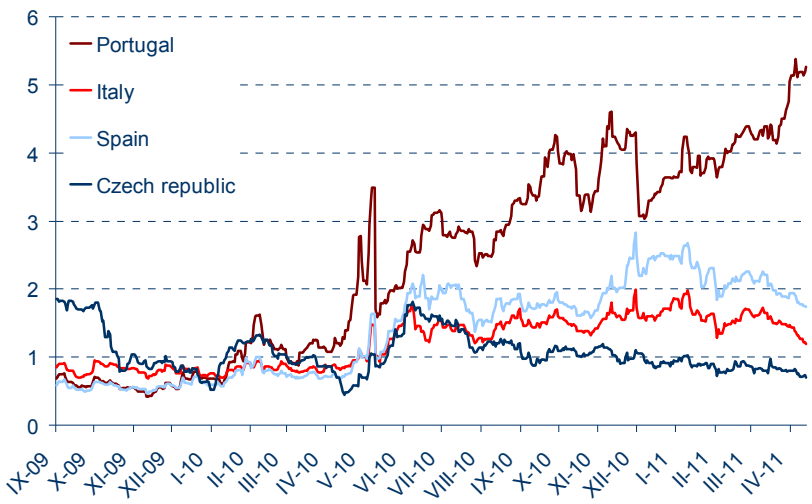
Cyclically-adjusted deficit, % potential GDP, 2011F (AMECO Database)



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

- **Reforms, if approved, could boost long-term potential of the economy and increase the attractiveness of the Czech Republic. So far, though, reform plans are too shallow for CZ to earn higher rating and risks abound**
  - Rating outlook was upped by major rating agencies in the wake of May-2010 elections, leading to spreads markedly lower than some old EMU members with (nominally) higher rating. 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 could be upgraded, with the benefit of lower financing costs (tighter spreads) and further dissociation from EMU weaklings
  - So far, markets are offering us the "benefit of the doubt" but a potential government collapse would be a setback to markets as the commitment to reforms would be lost → higher bonds yields

Spreads to German 10Y bunds (p.p.)



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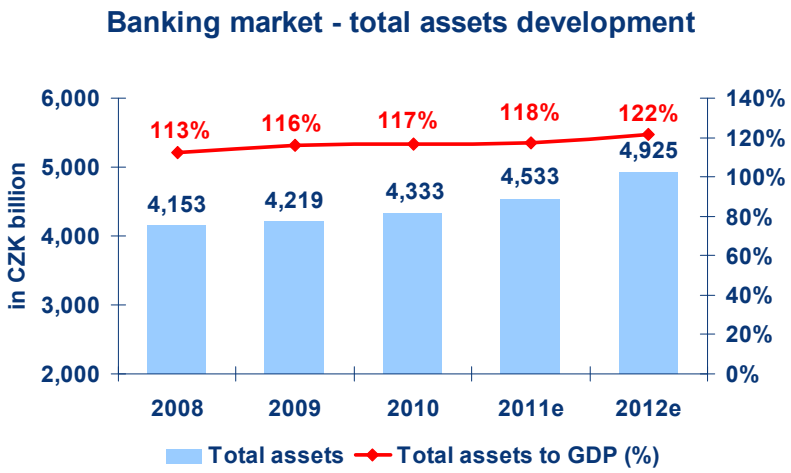
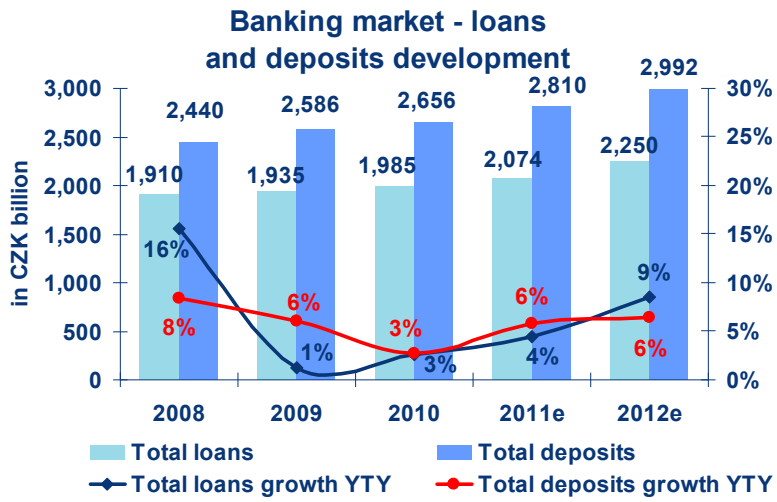
Banking market development – Healthy banking sector

- **Czech banking sector keeps its stable position**
  - Strong capital and liquidity position
  - Independence on foreign sources
  - Low FX loans ratio
- **CNB's stress test (March 2011) again confirms financial sector resilience to adverse macroeconomic development**
  - In the most adverse scenario capital increase of just 0.5% GDP is necessary to meet regulatory minimum of 8%
- **Changes in building saving state support**
  - Despite 50% extra tax no significant outflow or households saving rate decrease witnessed in the first months of 2011
- **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

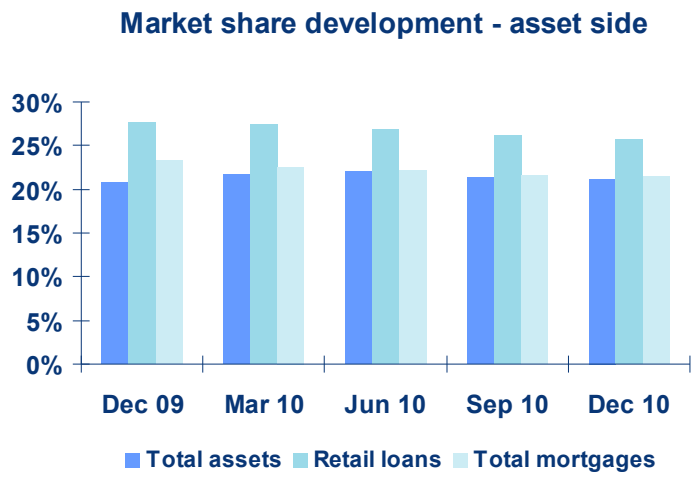


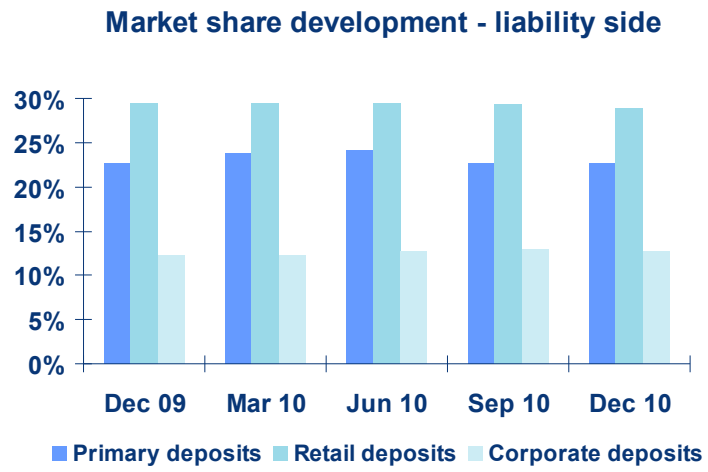


Source: CNB, CS estimates

CS market shares – Market leadership maintained (as of YE 2010)

- **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





** Data as of December 31, 2010; Q1 2011 data not available yet*
Source: CNB statistics, AKAT, Bank Card Association

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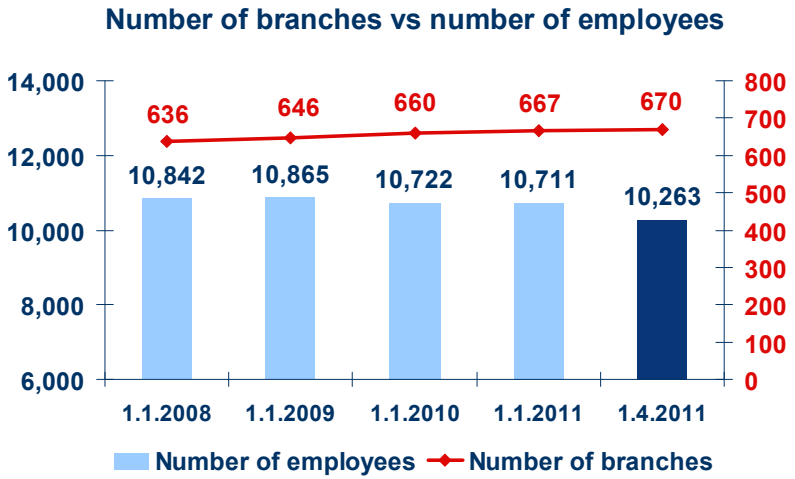
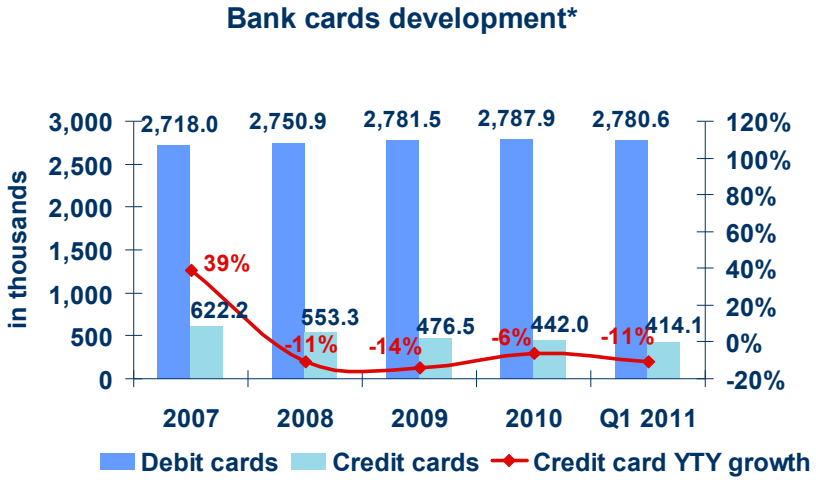
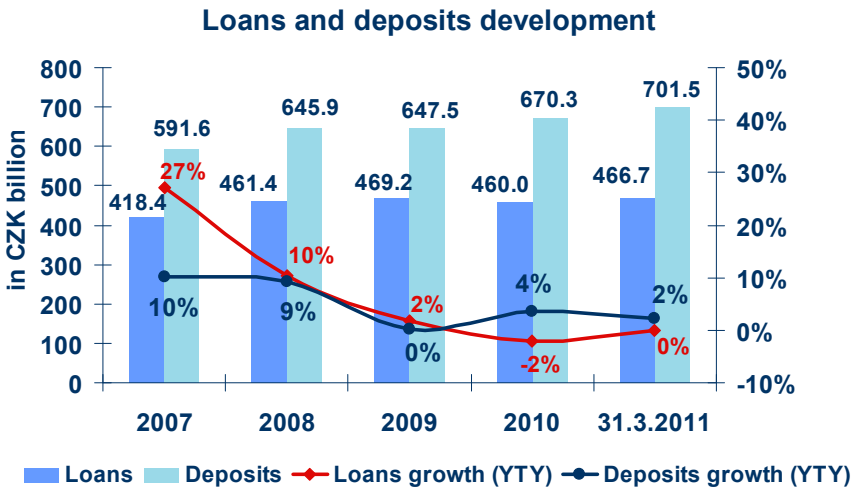
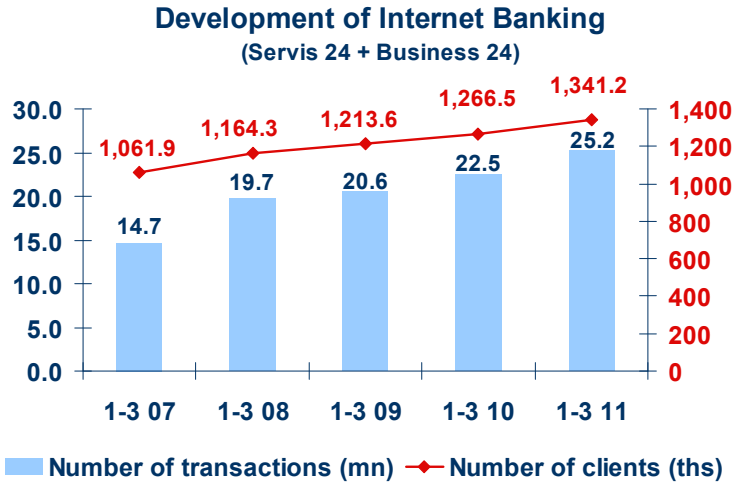
Main indicators





**Development in credit cards impacted by continuing abolishing inactive cards, volume of transactions in Q1 2011 up by 7% YTY*





Structure of loan portfolio – Non-financial institutions

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in CZK m, IFRS	31/03/2011		31/12/2010		31/03/2010		Q1 2011 YTD		YTY change	
	Outstand.	Share	Outstand.	Share	Outstand.	Share	Outstand.	Rate	Outstand.	Rate
I. CORPORATE & RETAIL (1+2)	**420,593**	**90.1%**	**416,549**	**90.6%**	**419,556**	**89.9%**	**4,044**	**1.0%**	**1,037**	**0.2%**
1. CORPORATES	**162,250**	**34.8%**	**157,731**	**34.3%**	**160,993**	**34.5%**	**4,519**	**2.9%**	**1,257**	**0.8%**
GCIB	**54,449**	**11.7%**	**51,512**	**11.2%**	**55,299**	**11.8%**	**2,938**	**5.7%**	**-850**	**-1.5%**
Group Large Corporate	24,298	5.2%	21,483	4.7%	26,342	5.6%	2,815	13.1%	-2,044	-7.8%
Group Corp. Mortgage&Real Estate	30,151	6.5%	30,028	6.5%	28,957	6.2%	123	0.4%	1,194	4.1%
Local Corporate	**107,800**	**23.1%**	**106,219**	**23.1%**	**105,694**	**22.6%**	**1,581**	**1.5%**	**2,107**	**2.0%**
Large Corporates	29,935	6.4%	29,849	6.5%	27,886	6.0%	87	0.3%	2,049	7.3%
Medium Corporates (SMEs)	59,236	12.7%	58,167	12.6%	57,840	12.4%	1,069	1.8%	1,396	2.4%
Local Corp. Mortgage&Real Estate	5,421	1.2%	5,696	1.2%	6,558	1.4%	-275	-4.8%	-1,138	-17.3%
Municipalities	13,208	2.8%	12,508	2.7%	13,410	2.9%	701	5.6%	-201	-1.5%
2. RETAIL	**258,344**	**55.3%**	**258,818**	**56.3%**	**258,563**	**55.4%**	**-475**	**-0.2%**	**-219**	**-0.1%**
Private Credit cards	5,355	1.1%	5,436	1.2%	4,848	1.0%	-81	-1.5%	507	10.5%
Consumer lending	76,032	16.3%	77,255	16.8%	79,078	16.9%	-1,223	-1.6%	-3,047	-3.9%
Private social	2,172	0.5%	2,281	0.5%	2,531	0.5%	-109	-4.8%	-359	-14.2%
Private mortgages	118,859	25.5%	117,454	25.5%	117,290	25.1%	1,405	1.2%	1,569	1.3%
Micro corporates (MSEs)	22,406	4.8%	22,540	4.9%	21,819	4.7%	-134	-0.6%	587	2.7%
Commercial mortgages	25,433	5.4%	25,458	5.5%	24,525	5.3%	-24	-0.1%	909	3.7%
Small municipalities	8,086	1.7%	8,394	1.8%	8,471	1.8%	-308	-3.7%	-385	-4.5%
II. FINANCIAL MARKETS	**446**	**0.1%**	**297**	**0.1%**	**1,655**	**0.4%**	**149**	**49.9%**	**-1,209**	**-73.1%**
BANK LOANS TO CUSTOMERS	**421,039**	**90.2%**	**416,846**	**90.6%**	**421,211**	**90.2%**	**4,193**	**1.0%**	**-172**	**0.0%**
III. SUBSIDIARIES	**64,048**	**13.7%**	**60,979**	**13.3%**	**62,595**	**13.4%**	**3,069**	**5.0%**	**1,453**	**2.3%**
IV. CONSOLIDATION ITEMS	**-18,339**	**-3.9%**	**-17,858**	**-3.9%**	**-17,016**	**-3.6%**	**-481**	**2.7%**	**-1,323**	**7.8%**
GROUP LOANS TO CUSTOMERS	**466,749**	**100.0%**	**459,968**	**100.0%**	**466,789**	**100.0%**	**6,781**	**1.5%**	**-41**	**0.0%**

Net profit of selected subsidiaries

- Net profit of **Stavebni sporitelna CS (building society)** was affected by unfavourable development of operating income (lower NII)
- **Penzijni fond CS (pension fund)** recorded a decline in net profit attributed mainly to negative development of net trading result
- Improvement in net result of **sAutoleasing** reflects drop in operating expenses and lower creation of credit risk provisions
- Development of net profit of **Factoring CS** was influenced by a growth in operating income (mainly net commission income)

IFRS, CZK m	Q1 2011	Q1 2010	*% Change*
CS Building Society	288	313	*-8.0*
sAutoleasing	11	-5	*n/a*
Pension Fund CS*	194	204	*-4.9*
Factoring CS	14	-1	*n/a*

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

Financial results by quarters

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in CZK million	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011
Net interest income	7,396	7,551	7,640	7,679	7,415
Risk provisions for loans and advances	(2,705)	(2,622)	(2,476)	(1,974)	(1,950)
Net fee and commission income	2,870	3,118	2,992	3,187	3,019
Net trading result	1,225	206	1,020	531	935
General administrative expenses	(4,823)	(4,634)	(4,634)	(4,586)	(4,725)
Other operating result	(323)	(259)	(1,107)	(773)	(332)
Results from financial assets	238	(46)	(118)	86	362
Pre-tax profit	**3,878**	**3,314**	**3,317**	**4,150**	**4,724**
Taxes on income	(730)	(640)	(765)	(476)	(915)
Profit for the year after taxes and before controlling interests	**3,148**	**2,674**	**2,552**	**3,674**	**3,809**
Net profit for the year					
attributable to owners of the parent	**3,151**	**2,680**	**2,451**	**3,770**	**3,803**
attributable to non-controlling interests	(3)	(6)	101	(96)	6
Operating income	11,491	10,875	11,652	11,397	11,369
Operating expenses	(4,823)	(4,634)	(4,634)	(4,586)	(4,725)
Operating result	**6,668**	**6,241**	**7,018**	**6,811**	**6,644**

Note: All data reported at cost valuation of investment property

Segment financial statements – Income statement

in EUR million	1-3 11	1-3 10	Change
Net interest income	284.4	264.5	7.5%
Risk provisions	(70.9)	(97.2)	(27.1%)
Net fee and commission income	124.7	109.0	14.4%
Net trading result	15.5	16.9	(8.5%)
General administrative expenses	(185.1)	(179.5)	3.1%
Other result	(7.7)	(3.7)	>100.0%
Pre-tax profit	**161.1**	**110.1**	**46.3%**
Taxes on income	(31.0)	(20.7)	49.7%
Net profit for the period	**130.1**	**89.4**	**45.5%**
Attributable to non-controlling interests	2.5	1.3	92.7%
Attributable to owners of the parent	**127.6**	**88.1**	**44.8%**
Operating income	424.7	390.5	8.8%
Operating expenses	(185.1)	(179.5)	3.1%
Operating result	**239.6**	**211.0**	**13.6%**

Exchange rate for Q1 2011: 24.37 CZK/EUR (average for the period)

Segment financial statements – Income Statement
(Quarterly development)

in EUR million	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Change (YTY)
Net interest income	264.5	271.6	274.7	276.4	284.4	7.5%
Risk provisions	(97.2)	(90.9)	(96.0)	(81.8)	(70.9)	(27.1%)
Net fee and commission income	109.0	120.6	118.6	128.5	124.7	14.4%
Net trading result	16.9	0.7	30.4	14.4	15.5	(8.5%)
General administrative expenses	(179.5)	(174.5)	(178.2)	(177.5)	(185.1)	3.1%
Other result	(3.7)	(9.1)	(50.2)	(20.4)	(7.7)	>100.0%
Pre-tax profit	**110.1**	**118.4**	**99.3**	**139.7**	**161.1**	**46.3%**
Taxes on income	(20.7)	(22.9)	(23.0)	(16.1)	(31.0)	49.7%
Net profit for the period	**89.4**	**95.5**	**76.3**	**123.6**	**130.1**	**45.5%**
Attributable to non-controlling interests	1.3	2.4	4.8	(2.7)	2.5	92.7%
Attributable to owners of the parent	**88.1**	**93.1**	**71.5**	**126.2**	**127.6**	**44.8%**
Operating income	390.5	392.9	423.7	419.3	424.7	8.8%
Operating expenses	(179.5)	(174.5)	(178.2)	(177.5)	(185.1)	3.1%
Operating result	**211.0**	**218.4**	**245.4**	**241.8**	**239.6**	**13.6%**

Exchange rate for Q1 2011: 24.37 CZK/EUR (average for the period)

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