

Česká spořitelna, a.s. Declaration on the Compliance of its Governance with the Code based on OECD Principles

In compliance with the statements made by Česká spořitelna, a.s. (the “Company”) in its previous annual reports, the members of the Company’s Board of Directors make every effort to improve the Company’s standards of corporate governance and ensure, to the extent set out hereunder, compliance with the Corporate Governance Code based on the OECD principles of 2004 (the “Code”). The Company systematically supports, develops and enhances its governance practices. No major changes adversely affecting the Company’s corporate governance standards were made in 2010. Česká spořitelna complies with all key provisions, principles and recommendations of the Code, which may be viewed on either the Česká spořitelna website: www.csas.cz/kodex or the Czech Finance Ministry website (www.mfcr.cz/cps/rde/xbcr/mfcr/KODEX_KCP_2004_pdf).

The principles of Česká spořitelna’s governance standards are set out below.

A. Organisation of the Company

At 31 December 2010, the Company’s **Board of Directors** had six members. Mag. Gernot Mittendorfer resigned as both Board of Directors chairman and member on the same date. Pavel Kysilka was elected the new chairman of the Board of Directors. With effect from 1 January 2011, the Bank has a five-member Board of Directors.

The Board of Directors is the Company’s statutory body. It manages the Company and acts on its behalf while assuming responsibility for its long-term strategic direction and operational management. The scope of its powers is defined in the Company’s Statutes and internal rules as well as the Czech legal regulations. The Board of Directors exercises its powers with due care and diligence; in discharging its activities, it is accountable to the extent set out in the Czech legal regulations. All Board of Directors members are internationally experienced professionals, team players skilled in managing large corporations. Board members adhere to legal rules and ethical standards.

Pursuant to the Company’s Statutes, the Board of Directors must obtain a Supervisory Board opinion or approval before performing a number of acts and in cases determined in a Supervisory Board decision, the Board of Directors must solicit the prior opinion of a committee established by the Supervisory Board. The Board of Directors regularly presents reports on Company activities to the Supervisory Board and its committees. In compliance with the Banking Act, the Board of Directors is responsible for establishing, maintaining and evaluating an efficient and effective internal management and control system for the Company.

Board of Directors Decision-making Procedures

The work of the Board of Directors is directed by an activity plan, which the Board of Directors drafts in advance for every calendar quarter. The Board of Directors meets as needed, but no less than twice a month. Regular weekly sessions have, however, become common practice. In 2010, the Board of Directors held 40 meetings. Board of Directors meetings are conducted in English or Czech, as required by the attending members. Board of Directors meetings are chaired by the chairman and, in the chairman’s absence, by the vice-chairman. Should both the chairman and vice-chairman be absent, an authorised Board of Directors member shall chair the meeting. All Board of Directors members and the Company Secretary take part in meetings.

The Board of Directors only achieves a quorum if more than half of all its members are present at a meeting. The Board of Directors adopts decisions in the form of a resolution requiring a majority of votes of attending members. In the event of a tie, the chairman shall cast the deciding vote. If all the Board of Directors members are in agreement, the Board of Directors may pass a resolution by a written vote or a vote taken via remote means of communication (e.g. all Board of Directors members per rollam or individual members in writing, via video- or teleconferencing); in such cases, voting members are deemed present. Material submitted in per rollam form is approved, if an unconditional majority of the votes of all members of the Board of Directors is in agreement. Voting on matters under discussion is conducted openly at Board of Directors meetings, i.e. by acclamation (a show of hands).

All Board of Directors members have the requisite character traits and professional experience to execute the Board of Directors member role. Members of the Board of Directors are elected and recalled by the Supervisory Board. In compliance with the Banking Act, nominees for Board of Directors membership are discussed in advance with the Czech National Bank, which assesses the professional qualifications, credibility and experience of the nominees. The term of office of a member of the Board of Directors is 4 years, and members may be re-elected.

Detailed professional biographies of the Board of Directors members attesting to their qualifications, professional abilities and practical experience are published on page 8-9 of the Annual Report.

The **Supervisory Board** of the Company has nine members. Maximillian Hardegg serves as an independent member of the Supervisory Board pursuant to the requirements of the Code. In compliance with statutory requirements, the Supervisory Board includes representatives of the Company's employees. They are Jolana Dyková, Eliška Bramborová and Zdeněk Jirásek. All Supervisory Board members are professionals, which guarantees the high quality of the Supervisory Board's function, and possess the requisite personal and professional qualifications to serve as Supervisory Board members. Pursuant to the Company's Statutes, two thirds of the members of the Supervisory Board are elected by the General Meeting, and one third by the Company's employees. The term of office of a Supervisory Board member is 4 years. A full list of Supervisory Board members, including their professional biographies, is published on page 10-12 of the Annual Report.

The Supervisory Board oversees the execution of the Board of Directors' powers and the performance of the Company's business activities. In addition to its statutory duties and authorisations, the Supervisory Board, in accordance with the Company Statutes, has the right to opine in advance on certain acts impacting the Company's assets (including, inter alia, capital expenditures for building, plans to acquire tangible and intangible assets for the Company in excess of a designated limit, the transfer of title to Company assets, the Company's equity investments and so on). The Supervisory Board also furnishes an advance opinion on the strategic plan for Company activities and development, planning tools and regular financial information. Additionally, the Supervisory Board furnishes its advance opinion on the appointment and recall of the director of Internal Audit and on the selection of an external auditor. The Supervisory Board may establish committees to support its work. In 2010, the Supervisory Board met a total of 4 times.

Supervisory Board Decision-making Procedures

The work of the Supervisory Board is directed by an activity plan, which the Supervisory Board drafts annually in advance. Supervisory Board meetings are held on an *ad hoc* basis, usually in compliance with the activity plan, but no fewer than 4 times a year. Supervisory Board meetings are conducted in Czech or English, as required by the attending members. Supervisory Board meetings are chaired by the chairman, vice-chairman or an authorised member of the Supervisory Board and, in their absence, the most senior member of the Supervisory Board in attendance.

The Supervisory Board only achieves a quorum if more than half of all its members are present at a meeting. The Supervisory Board adopts decisions in the form of a resolution requiring a majority of votes of attending members. In the event of a tie, the chairman shall cast the deciding vote. If all the Supervisory Board members are in agreement, the Supervisory Board may pass a resolution by a written vote or a vote taken via remote means of communication (e.g. all Board of Directors members per rollam or individual members in writing, via video- or teleconferencing); in such cases, voting members are deemed present. Voting on matters under discussion is conducted openly at Supervisory Board meetings, i.e. by a show of hands. The election and recall of a member of the Board of Directors is also conducted in an open vote at a Supervisory Board meeting; in this case, no written voting submissions or voting via remote means of communication are permitted.

The **Audit Committee** is a company body that shall perform the tasks assigned to an audit committee by law or the Company Statutes. The Audit Committee is chiefly responsible for monitoring procedures used to prepare the standalone and consolidated financial statements, evaluating the effectiveness of the Company's internal controls, Internal Audit function and any risk management systems in place, monitoring the process of performing the statutory audit of the standalone and consolidated financial statements, assessing the independence of the statutory auditor and audit company and, most importantly, providing ancillary services to the audited entity and recommending an auditor. A full list of

Audit Committee members, including their professional biographies, is published on page 13 of the Annual Report.

Audit Committee Decision-making Procedures

The work of the Audit Committee is governed by its Rules of Procedure and agenda of activities. The Audit Committee met 4 times in 2010. Meetings of the Audit Committee are chaired by its chairman, vice-chairman or an authorised member or, in the event of their absence, by the senior member in attendance. At Audit Committee meetings, votes on matters under discussion are taken openly, i.e. by a show of hands. The Audit Committee only achieves a quorum if more than half of its members are present. It adopts decisions in the form of a resolution requiring a majority of votes of attending Audit Committee members. In the event of a tie, the chair shall cast the deciding vote. Where all Audit Committee members are in agreement, the Audit Committee may vote based on a written vote or a vote undertaken via remote means of communication, in which case those voting are deemed present at such meeting.

The Company consistently sees to it that the members of the Board of Directors and Supervisory Board are **kept up to date** at all times; the Company has in place a well administered and highly developed system supporting the execution of corporate governance. Newly elected members of the bodies are given immediate access to all information regarding the Company's principles and rules of corporate governance.

The Company's highest bodies, i.e. the Board of Directors, Supervisory Board and Audit Committee, have adopted binding Rules of Procedure for the bodies. These deal in great detail with administrative and procedural matters related to the activity of a given body. The Rules of Procedure of all three bodies regulate the technical process of convening and voting at meetings, the preparation of meeting minutes, the activities of the body outside of meetings and procedures to address the potential bias of a body member. Both Supervisory Board members and Board of Directors members take part in Supervisory Board meetings. All Board of Directors members take part in Board of Directors meetings, as do the authors of presented materials to be introduced to the Board of Directors members. Representatives of the external auditor, members of the Board of Directors and Supervisory Board and, on occasion, other guests, are invited to attend meetings of the Audit Committee. Members of the Board of Directors, Supervisory Board and Audit Committee may solicit a legal opinion on individual materials under discussion from the Company's Legal Services Department or may seek the services of independent advisors. The Office of the Company Secretary organises long-term training in corporate governance and legislation for the members of administrative bodies so as to develop and enhance their knowledge and skills on an ongoing basis.

The position of **Company Secretary** has long existed within the Company. The Secretary of the Company's bodies manages administrative and organisational matters for the Board of Directors and Supervisory Board, including the organisation of General Meetings. The Secretary familiarises new members of administrative bodies with the activities of those bodies and with the Company's corporate governance process.

The Company Secretary ensures mutual co-operation among the Company's bodies. The Secretary is appointed by the Company's Board of Directors and reports directly to the CEO and chairman of the Board of Directors. The Secretary is responsible for due and timely distribution of invitations and materials for meetings of the Company's Board of Directors and Supervisory Board. The Company has instituted binding regulations for the submission of materials to be discussed at meetings of the Supervisory Board and Board of Directors, which stipulate the basic rules for the preparation and submission of materials, comment procedures prior to the submission of materials and conditions for the archiving of materials. The Secretary takes the minutes of all meetings of the Board of Directors and Supervisory Board in English and Czech. The Company maintains an electronic database of all minutes from meetings of its bodies; these are available to authorised persons on the **Intranet** – the Company's internal internet portal. The Company Secretary is, inter alia, a member of the Czech Institute of Corporate Secretaries (ČITOS) and of the organisation's steering committee. ČITOS's mission is to promote and support the professional development of secretaries of administrative bodies.

B. Company Relationships with Shareholders

The Company diligently ensures compliance with all the legal rights of shareholders and with the principle of equitable treatment of all shareholders. The Company's shares are held in book entry form. A list of all shareholders is maintained by the Securities Centre. In addition to ordinary shares, the Company has also issued registered priority shares. The transferability of these shares is restricted to Czech towns and municipalities; transfers to other entities are subject to approval by the Board of Directors. A preference right to receive dividends is attached to priority shares. Decisions regarding transfers of priority shares are made by the Board of Directors and are always based on detailed information about the assignee.

The Company complies with all duties to inform its shareholders and other entities to the extent imposed by law; the Company keeps shareholders updated throughout the year via the media and the Company website. The website, created mainly for the purposes of shareholders and investors ([www.csas.cz/vztahy k investorům](http://www.csas.cz/vztahy_k_investorům)), provides information on the Company's current operating results, shareholder structure, planned events, etc. Press releases covering material facts about the Company are issued on a regular basis; Board of Directors members organise regular road shows for investors and shareholders. All material information that the Company publishes on its website is available in both Czech and English.

In compliance with the law, the Company convenes **General Meetings** by means of an announcement in the press; these are published in *Hospodářské noviny* and *Obchodní věstník*. The announcement always includes basic information for shareholders about the conditions of participation in the General Meeting and the exercising of shareholders' rights. The Company sends announcements of the General Meeting, including basic fiscal indicators, to all shareholders who have registered shares. General Meeting announcements are published on the Company website as a matter of course. Shareholders may familiarise themselves in advance (within the statutory period) with the basic materials (financial statements, Related Parties Report or proposed changes to the Statutes) that are to be subjected to General Meeting discussion. The Company always organises its General Meetings at venues that are accessible to all shareholders. For several years now, General Meetings have been held at the Company's registered office.

The powers of the General Meeting extend to decisions on matters that the law or Company Statutes assign to the powers of a General Meeting. The General Meeting is held no less than once a year and no less than four months after the end of the accounting period. General Meeting voting is performed by ballot; details are stipulated by the Rules of Procedure of the General Meeting approved by the General Meeting. General Meeting votes are first taken on proposals presented by the individual who convened the General Meeting; if the General Meeting has been convened by request, then the proposals presented by the individual who requested that the General Meeting be convened are voted on first. If this proposal is passed, no votes shall be taken on further counter-proposals in the given matter. If the proposal is not passed, the proposals presented by attending shareholders are voted on in consecutive order according to the number of shareholder votes. The General Meeting adopts decisions in the form of a resolution requiring a majority of votes of attending shareholders, where the law does not stipulate a different majority.

Shareholders receive all supporting documents for a General Meeting at the time of their registration for the respective General Meeting. These materials always include the Rules of Procedure of the General Meeting, which the General Meeting approves. If Supervisory Board members are to be elected, shareholders are provided with detailed biographical data of all nominees attesting to their professional and personal qualifications to hold such office. The bodies of the General Meeting are set up by the Board of Directors in a manner that ensures that all the bodies are able to perform their functions with due and professional care. In most cases, a notary is present at the Company's General Meetings. In compliance with the Rules of Procedure, shareholders may exercise their shareholder rights in person or by proxy, i.e. vote on proposed items on the agenda, solicit and receive explanations on such items and put forward proposals and counter-proposals.

The members of the Board of Directors and Supervisory Board take part in General Meetings (there must be at least as many members as are required for a quorum) as do members of the Supervisory Board committees who answer shareholders' questions. The Company provides sufficient time for shareholders to raise their questions on agenda items prior to a vote being taken. All shareholder

questions and answers are recorded in the General Meeting minutes. Each item on the General Meeting agenda is subject to a separate vote taken after debate on the given item is closed. All shareholders registered in the attendance list and present at the General Meeting when the vote is being taken are entitled to vote, with the exception of those shareholders who hold priority shares. The right to vote at General Meetings is not attached to the Company's priority shares. In addition, shares whose holders' voting rights for General Meetings were suspended by a decision of the Czech National Bank are not considered voting shares; the shareholder is informed of such a suspension at the time of his/her registration in the attendance list and the Company indicates this fact (including the reasons for the suspension) in the attendance list.

C. Information Disclosure and Transparency

The Company rigorously endeavours to prevent the **misuse of insider information** that might allow persons who have special relationships with the Company to enjoy unauthorised gains in dealing with the Company's securities. Board of Directors members and parties close to them are obliged to promptly notify the Czech National Bank of transactions with securities issued by the Company or with investment instruments derived from such securities, which they perform on their own account. Erste Bank Group's rules for securities trading are applied to ensure identical terms and conditions for all members of the Board of Directors of Erste Group Bank companies – members of the Company's Board of Directors are obliged to inform the Company's Compliance Department of dealings with Erste Group Bank's shares or derivatives and to comply with an imposed trading moratorium during a stipulated period.

The Company has established a **Compliance** Department whose principal activities include ensuring compliance of the Company's internal regulations with valid legal and regulatory requirements and their observance and ensuring compliance of the employees' conduct with the legal regulations, internal regulations, Code of Ethics and other adopted standards and rules governing employee conduct. Compliance is involved in all aspects of Company activities and administration and forms a part of its corporate culture. The Compliance Department evaluates insider information included in the Watch List and Restricted List of investment instruments as well as any dealings with investment instruments recorded in these lists. The Compliance Department informs the Company's Board of Directors and Supervisory Board of its activities on a regular basis. A **list of persons** with access to insider information is available with the Company's Secretary; the list is regularly updated.

The Company diligently fulfils and complies with all Czech legal regulations, principles of the Corporate Governance Code based on OECD principles and EU Commission recommendations regarding corporate governance and, on an ongoing basis, **provides shareholders and investors with all material information** on its business activities and financial and operating results, ownership structure and other significant events. All information is prepared and disclosed in compliance with the highest standards of accounting and the disclosure of financial and non-financial information. Moreover, the Company discloses a great deal more information than the statutory requirements so that shareholders and investors may make informed decisions concerning ownership of the Company's securities and voting at General Meetings. The Company uses various distribution channels to publish such information, e.g. the media or the Company website, where information is published in both Czech and English to enable equal participation of foreign investors and shareholders in decisions regarding the Company's business and development.

The Company regularly publishes annual and semi-annual reports. The annual report principally includes the audited financial statements and provides a picture of the Company's financial position, business activities and operating results. The report also provides information on the **Board of Directors and Supervisory Board member remuneration policy** in compliance with the legal regulations. The Company has no equity option scheme for remuneration either for the members of the Board of Directors or the Supervisory Board.

In connection with the implementation of Act No. 93/2009 Coll. on auditors, an Extraordinary General Meeting appointed the company Ernst & Young Audit, s.r.o. as the external auditor of the annual financial statements for 2010.

D. Committees of the Company's Administrative Bodies

The Company has established committees under the Board of Directors and Supervisory Board to support the Company's activities and to ensure the internal management and accountability of these bodies. The individual committees' Rules of Procedure define the scope of their powers and include a precise description of applicable rules, tasks and decision-making procedures.

Credit Committee of the Supervisory Board

The Credit Committee is principally an advisory and confirmation body for credit exposures beyond the limits of the approval authorities of the Board of Directors' Credit Committee. The members of the Credit Committee are: M. Wimmer, B. Spalt and C. Höller.

Committees of the Board of Directors

Board of Directors Committees are advisory bodies of the Board of Directors established by resolution of the Board of Directors. The purpose of the committees is to originate and present technical recommendations to the Board of Directors; committees comprise Board of Directors members and selected Company employees. All the committees are accountable to the Board of Directors and submit a report on their activities at least once a year.

Credit Committee

The Credit Committee is the highest body that assesses and approves credit transactions and products as well as assessing and approving the business policy process, the credit risk measurement and management system and the level of the Company's credit portfolio structure for the purpose of achieving the designated level of financial objectives, i.e. profitability, while adhering to the defined level of credit risk.

Assets and Liabilities Management Committee

The Assets and Liabilities Management Committee is the highest body that assesses and approves the process of planning, managing and controlling financial flows and the structure of the Company's assets and liabilities with the aim of achieving an optimal combination of profitability and financial risk. The Committee determines the Company strategy in this area and assigns tasks to the Company's organisational units to fulfil the strategy.

Financial Markets and Risk Management Committee

The Financial Markets and Risk Management Committee is the body that deals with decisions on operational issues of risk management processes related to financial markets.

Investment Committee

The Investment Committee is the body that assesses the expediency and effectiveness of capital expenditure and purchased services.

ATM Committee

The ATM Committee is the body that assesses and makes decisions regarding ATM issues (strategies, investments, locations, servicing, income, etc.) with the aim of ensuring a standardised and comprehensive approach to ATM network development.

Customer Satisfaction Committee

The Customer Satisfaction Committee is a body designed to improve service quality and the satisfaction and loyalty of internal and external clients and to support measures that make the Bank's processes more effective.

Česká spořitelna Financial Group Marketing and Sponsorship Committee

The Česká spořitelna Financial Group Marketing and Sponsorship Committee is an advisory body of the Board of Directors, which discusses proposed marketing and sponsorship strategies and strategic communication concepts and campaigns and deals with the brand and support of sales channels including branch merchandising.

Retail Committee

The Retail Committee is the body that assesses and approves innovations and the launch or discontinuation of retail banking products and services.

Compliance, Operational Risk and Security Committee

The Compliance, Operational Risk and Security Committee is a body of the Board of Directors whose role is to decide on issues regarding the management of operational risk, compliance risk and security in relation to compliance in the Bank.

Capital Investments Committee

The Capital Investments Committee is a body of the Board of Directors that assesses and makes decisions on capital investments of the Bank in real estate funds / venture capital companies.

Pricing Committee

The Pricing Committee is a body whose role is to manage and implement Česká spořitelna's retail banking pricing policy and strategy and to assess and approve product and service prices in this area.

E. Company Policy with respect to Stakeholders

Information on this topic is available in the section Corporate Responsibility of Česká spořitelna (see page www.csas.cz/csr).

F. Principles of Internal Control and Rules for Accepting Risk in the Financial Reporting Process

The Company processes its financial accounts in the SAP system, which complies with exacting requirements for the security and quality of account preparation. System inputs are entered both manually and automatically from other ancillary systems.

The accounting unit complies with all statutory and legislative requirements. Procedures pertaining to accounting documents and their circulation have been put in place as required by the Accounting Act and in a manner that serves the needs of the control function and internal company requirements. The accounting unit has established separate regulations for accounting documents and their circulation and these are subject to regular review, particularly accounting document circulation, which adheres to the "four-eyes" control principle and eliminates the possibility of unauthorised accounting transactions by defining persons authorised to approve and perform accounting entries, i.e. who may be involved in the accounting process. The editing of accounting entries is subject to the same controls. Manual and automatic controls of the completeness and correctness of SAP system outputs are performed in respect of automatic accounting between SAP and ancillary accounting systems. Accounting documents are archived systematically and manually and the archiving system has been set up to comply with statutory requirements (the Accounting Act and Archiving and Records Service Act).

The accounting unit fulfils asset valuation requirements pursuant to Part IV of the Accounting Act (in accordance with the general principle of prudence) and International Financial Reporting Standards. The accounting unit has instituted several separate internal regulations for this area that comply with these statutory requirements and principally address the setting of asset input prices, i.e. their valuation under Accounting Act requirements, changes in their valuation (in particular, provisioning), asset amortisation, depreciation, disposal and stock taking and related tax requirements.

The area of interdepartmental bookkeeping is not separately addressed by statutory or legislative regulations, with the exception of the definition of basic features required, inter alia, for transparency. The accounting unit established interdepartmental bookkeeping based on historical developments while respecting current requirements for bookkeeping and for controlling accounting unit costs. Interdepartmental bookkeeping is primarily kept in the form of sub-ledger accounts whose contents are subject to regular review. Bookkeeping operations on sub-ledger accounts are controlled for accuracy on an ongoing basis.

The accounting unit primarily recognises provisions and reserves pursuant to the basic principles stipulated by the statutory accounting and tax regulations. The accounting procedures are additionally regulated by internal rules that, in addition to the foregoing, reflect the needs of key departments in relation to the accounting system in this area (audit, reporting, controlling, etc.). The methodology and accounting for the creation and release of provisions in the Company is concentrated in a single location and carried out by a small group of staff, which is advantageous, inter alia, from the perspective of logic, operational and reconciliation controls. The controls are performed on an ongoing

basis both before and after operations. Given the impact on operating results, the general creation of provisions is not monitored by individual accounting item, but in a broader context.

Aggregated consolidated and standalone financial statements are submitted to the Company's statutory body on a monthly basis. The Company's Supervisory Board has the aggregated consolidated and standalone financial statements on hand at every one of its meetings. The consolidated and standalone financial statements of the Company are subject to Internal Audit testing at irregular intervals. The Audit Committee monitors the process of compiling the consolidated and standalone financial statements while also evaluating the effectiveness of internal controls. The Audit Committee additionally monitors the process of the statutory audit of the consolidated and standalone financial statements, which are subject to a standard external audit once a year; the pre-audit work is done first and this is followed by the audit work on the consolidated and standalone financial statements and the annual report.