

ČESKÁ SPOŘITELNA

Half-year Report 2007

Content

2	The Macroeconomic Development Of The Czech Republic In The First Half Of 2007
4	Česká spořitelna's Consolidated Results Of Operations
7	Significant Business Activities in the First Half of 2007
10	Česká spořitelna's Anticipated Development in the Latter Half of 2007
11	Financial Section

The Macroeconomic Development Of The Czech Republic In The First Half Of 2007

SOLID ECONOMIC GROWTH DRIVEN BY CONSUMPTION

In the first quarter of 2007, the Czech GDP in fixed prices grew by 6.1 percent which is exactly the same growth rate as in the last quarter of 2006. The second quarter should not substantially differ from the first quarter, analysts anticipate growth of 5.6 percent for the whole year. As anticipated, growth is predominantly driven by household consumption; in real terms, the growth in consumption amounted to 6.7 percent which reflects the year-on-year real growth in salaries.

The generation of gross fixed capital significantly decelerated (1.5 percent) as no significant (foreign) investment was noted in the period. Exports and imports have grown at a two-digit rate since the beginning of the year and the trade balance surplus amounted to almost CZK 45 billion in the first five months. The good performance of Czech foreign trade is predominantly due to the change in exchange rates (import prices decreased in the first quarter while export prices increased or did not change), robust development of the European economy, significant trade partners of the Czech Republic grow very quickly which is reflected in the demand for Czech exports.

The growth in the remaining part of the year will be predominantly driven by household consumption; however, it can show signs of overheating which will include faster imports and the growth in demand inflation. The trade balance surplus will grow in 2007 as a result of lower prices of commodities and the lasting relatively strong growth of exports, the annual payment balance is expected to total approximately CZK 84 billion.

GROWTH OF THE HOUSEHOLD PURCHASING POWER

At the end of the first quarter, the average nominal salary amounted to CZK 20,399 with the nominal growth of 7.8 percent. Net of inflation, the salaries grew approximately by 6.2 percent, the growth of real salaries matched the growth of the economic productivity and even the very strong growth of industrial production balanced the growth of salaries in the industrial sector. In addition, the aggregate purchasing power of Czech households is enhanced by lower import prices and the decreasing unemployment rate – it dropped to 6.3 percent in July (as compared to 7.7 percent in July

2006). These facts are naturally reflected, for example, in retail sales which have been showing constant two-digit growth since the beginning of the year.

The growth of disposable income, the growth of consumer confidence and constantly low interest rates have enhanced the growth of household consumption. The construction industry benefited from the mild winter, from the nervousness concerning the tax classification of houses and apartments, and from low interest rates. The strong growth of the economy will continue to enhance the growth of disposable income, the continuing positive development in the job market and the increase in the State social spending from the previous year will boost spending. Consumption will thus continue to drive economic growth.

GRADUAL ACCELERATION OF INFLATION

In June 2007, inflation amounted to 2.5 percent, it nevertheless remains in the lower part of the tolerance zone of the Czech National Bank. Inflation predominantly increased as a result of the growth of regulated prices (housing) and the change in indirect taxes (specifically cigarettes), and growth of prices of commodities, predominantly crude oil, in the second quarter. The demand inflationary pressures are barely visible in data, prices of purely consumer goods decrease. The forecasts of Česká spořitelna and the Czech National Bank show both acceleration of headline and core inflation, the average headline inflation is anticipated to amount to approximately 3.5 percent at the year-end.

THE CZECH NATIONAL BANK WILL INCREASE INTEREST RATES

In May, the Czech National Bank increased the interest rates for the first time since the autumn of 2006, the key 2T repurchase rate currently amounts to 2.75 percent. Both Czech and foreign (Eurozone) pro-inflation prospects indicate that the rates will grow at least once again during 2007, as the risks remain towards the more significant increase in rates, predominantly if the exchange rate of the Czech crown remains weak.

THE CROWN WAS ATYPICAL IN THE FIRST HALF YEAR, BUT ČESKÁ SPOŘITELNA SEES THE OPPORTUNITIES FOR ITS STRENGTHENING

In the first half of the year, the exchange rate of the Czech crown to the Euro saw an atypical development to a certain extent. While the currencies in the region strengthened, the crown weakened. This development was not predominantly due to the macroeconomic development, but rather to global trading under which the Czech currency, which still carries very low interest, finances transactions in currencies that bear higher interest (and thus weaken the currency upon entering into these transactions). This year, Česká spořitelna anticipates the strengthening of the crown approximately to 27.40 at the end of the year. The strengthening should be predominantly due to both strengthening justified by fundaments and the discontinuation of carry trading. It should be accompanied by growth in the rates of the Czech National Bank which very sensitively perceives the rate as an indicator of possible inflationary pressures.

Česká spořitelna's Consolidated Results Of Operations For The Six Months Ended 30 June 2007

UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS, UNAUDITED

PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2007, Česká spořitelna generated an **unaudited net consolidated profit after minority interests of CZK 5,228 million** under International Financial Reporting Standards, which, compared to the same period a year earlier when the net consolidated profit amounted to CZK 4,874 million, represents an increase of 7 percent. **The return on equity ratio (ROE) decreased to 21.0 percent due to the increase in the equity balance.** ROE amounted to 22 percent as of 30 June 2006. Return on assets (ROA) remained at 1.4 percent.

Operating profit arrived at as equal to the difference between operating income and operating expenses reflects the results of the Bank's primary activities. When compared to the same period a year earlier, **Česká spořitelna's operating profit increased by 8 percent to CZK 8,110 million.** The cost/income ratio of 52.8 percent remained the same.

Total operating income amounted to CZK 17,183 million for the six months ended 30 June 2007 which constitutes a **year-on-year increase of 8 percent** predominantly attributable to the rise in net interest income. The proportion of non-interest income to operating income slightly decreased to 32.7 percent.

The net interest income amounted to CZK 11,557 million, a **year-on-year increase of 11 percent.** **The increase in interest income is predominantly driven by the continuing expansion in loans – specifically mortgages** and last, but not least, consumer and cash loans and loans to small and medium-sized businesses and large commercial clients. The volume of provided loans and receivables from clients has increased by 11 percent since the beginning of 2007 and amounted to CZK 37.8 billion. Concurrently, the Bank managed to increase interest income and similar income from securities. Interest expenses saw the increase in expenses for the Bank's own securities in issue, including subordinated debt, payables to clients and interbank payables due to the increase in their volume. Net interest margin in respect of the total gross assets remains at the level of 3 percent.

Another significant element of operating income, **net fee and commission income**, amounted to CZK 4,764 million, with the **year-on-year increase of 3 percent** largely due to payment transactions. Concurrently, fees and commissions from loan transactions, investing in investment funds, transactions on capital markets, brokerage fees and commissions from insurance transactions increased. By way of example, the number of new mortgage loans provided to clients increased year-on-year by 42 percent to more than 15,000. The number of transactions in sporogiro accounts increased by 5 percent to almost 151 million.

Net profit on financial operations decreased by 7 percent to CZK 700 million, primarily as a result of significantly lower income from operations with foreign currencies due to the weakening of the Czech crown in the second quarter. By contrast, the results of operations with securities and income from derivative transactions slightly increased.

On a year-on-year basis, **insurance income** increased by 26 percent to CZK 162 million as a result of the increasing volume in insurance transactions. The insurance income amount includes the net balance of income and expense (gross profit) of Pojišťovna České spořitelny.

Operating expenses (comprising staff costs, purchased consumables and depreciation/amortisation of tangible and intangible fixed assets) **increased year-on-year by 8 percent to CZK 9,073 million.** The increase in operating expenses is attributable to the increase in purchased consumables of 12 percent to CZK 3,454 million. Expenses for business transactions increased due to the continuing business expansion of the Bank and expenses for office premises increased due to expenses for the new technical centre of the Bank. Staff costs increased as a result of the increase in salaries, arising from, among others, extended working hours and increase in the performance-related bonuses of 9 percent to CZK 3,923 million. By contrast, depreciation/amortisation of tangible and intangible assets slightly decreased to CZK 1,696 million.

Česká spořitelna reported a negative balance of CZK 919 million for the charge for reserves and provisions against loans, which represents a year-on-year increase of 46 percent compared to the period ended 30 June 2006. **The year-on-year**

**increase is predominantly due to the increased charge
for provisions** in relation to the long-term loan expansion
predominantly in loans to clients.

**The net balance of other operating expenses and income
represents a negative result of CZK 460 million** which
represents a decrease of 27 percent as compared to mid-2006
predominantly due to the increased profit allocations to
Penzijní fond ČS's policy holders, over and above the level
mandated by law. Furthermore, the contribution to the Deposit
Insurance Fund increased by 11 percent to CZK 236 million,
due to the increase in the volume of insured deposits.

The income from securities significantly increased year-on-
-year to CZK 205 million, predominantly due to the improvement
of results in the portfolio of financial assets remeasured
at fair value.

BALANCE SHEET

**As of 30 July 2007, total assets amounted to CZK 815.6
billion which represents a notable increase of 16 percent**
or CZK 111.6 billion in absolute terms when compared to
the same period of 2006. This increase reflects the growth of
amounts owed to customers and issued debt securities on the
liabilities side of the balance sheet and the increase in customer
loans and financial assets portfolios on the assets side.

**Amounts owed to customers increased again over the last
12 months**, the increase as of 30 June 2007 being CZK 69.4
billion (13 percent) to **CZK 608.4 billion**. Retail deposits
grew by 11 percent year-on-year and amounted to CZK 441.2
billion. **In terms of volume, principal additions related to
sporogiro accounts, pension insurance deposits, term depo-
sits and construction savings deposits**. The most significant
growth involved payables to clients in the public sector which
increased by 26 percent to CZK 88.1 billion, predominantly
in relation to repurchase transactions with the Czech Ministry
of Finance and due to the increase in balances on current and
term accounts. Payables to commercial clients increased by 8
percent to CZK 79.1 billion.

The parent bank contributes only partially to the significant
growth in interbank payables of 74 percent to CZK 53.1

billion, predominantly due to the growth in short-term term
deposits. Concurrently, the year-on-year growth is the result of
the activities of lease companies in the financial group and real
estate funds. The payables to banks represent significant funds
for the transactions of these entities.

Payables from debt securities increased by 3 percent to CZK
39.2 billion, but their structure significantly changed. The
portion of issued mortgage bonds increased by 17 percent to
CZK 31.6 billion and structured bonds increased by 73 percent
to CZK 4.7 billion. On the other hand, the volume of issued
depository bills decreased by two thirds to CZK 2.9 billion.

With a view to boosting the capital base in relation to the
dynamic growth of loan transactions, Česká spořitelna issues
subordinated debt. As of 30 June 2007, the aggregate balance
of subordinated debt amounted to CZK 5.7 billion.

The balance of **shareholders' equity**, comprising share capital,
share premium, capital funds from revaluation (specifically the
available-for-sale securities portfolio), retained earnings and
profit for the period, **increased by 14 percent to CZK 49.1
billion as compared to the same period a year earlier**. The
increase is primarily attributable to the generated profit. By
contrast, the equity balance decreased as a result of the declara-
tion of dividends of CZK 4.6 billion in respect of the year
ended 31 December 2006. Capital adequacy under BIS rules
was 10.4 percent as of 30 June 2007 while the capital ade-
quacy for the comparative period for 2006 was 11.5 percent.
Total capital under BIS rules used in calculating the capital
adequacy ratio was CZK 52.9 billion and risk weighted assets
amounted to CZK 479.4 billion. As of 30 June 2006, these
figures amounted to CZK 45.6 billion and CZK 377.2 billion,
respectively.

The balance of the portfolio of issued loans and receivables
from clients increased year-on-year by 21 percent to CZK
366.8 billion. Net of the impact of receivables from the Czech
Consolidation Agency, the increase in loans would amount to
25 percent. The dynamic growth predominantly involves the
provision of retail loans; the portion of retail loans already
exceeded the half of all provided loans (52 percent).

These results are predominantly driven by loans for housing financing, i.e. mortgages and loans issued under the construction savings scheme. Retail loans amounted to CZK 192.1 billion which represents a year-on-year increase of 31 percent. Retail mortgage loans increased by 37 percent to CZK 95.3 billion. The aggregate volume of the portfolio of mortgage loans was CZK 131.1 billion which represents a year-on-year increase of 37 percent. In total, mortgage loans represent more than one third of all loans. Bridging loans and loans issued under the construction savings scheme witnessed growth of 27 percent to CZK 27.2 billion as compared to the same period a year earlier. Commercial retail loans also significantly increased by 23 percent to the current level of CZK 54.7 billion. The customers were predominantly interested in cash loans, under the Snadná půjčka loan scheme and loans secured by real estate ("American mortgage").

Receivables from small and medium-sized businesses and corporate clients increased year-on-year by 19 percent to CZK 154.6 billion. Receivables from the government and public sector dropped by 26 percent to CZK 20.1 percent, in relation to the decrease in receivables from the Czech Consolidation Agency of CZK 8.2 billion to the current level of CZK 5 billion. Net of the impact of the Czech Consolidation Agency, they would have increased by 8 percent to CZK 15.1 billion.

Although the deposits of customers grew, **the indicator of the portion of customers loans to customer deposits markedly increased by 4 percentage points to 60.3 percent due to the massive expansion of loans.** The quality of the loan portfolio of Česká spořitelna is despite the slight setback, evidenced by the proportion of classified customer receivables to their aggregate volume which represented 5.0 percent at the end of June 2007 and 4.3 percent at the end of June 2006 (unconsolidated data in accordance to the Czech National Bank's methodology).

The aggregate balance of the individual financial assets portfolios was CZK 272.5 billion as of 30 June 2007, which represents an **increase of 14 percent** compared to the balance as of 30 June 2006. Of this aggregate balance, fixed income securities amounted to CZK 222.4 billion (an increase of 16 percent), treasury bills amounted to CZK 21.5 billion (an increase of 1 percent), variable yield securities amounted to

CZK 13.8 billion (an increase of 35 percent), financial derivatives with a positive fair value amounted to CZK 13.3 billion (a decrease of 11 percent) and other financial investments amounted to CZK 1.5 billion (an increase of 130 percent).

Compared to the balance as of 30 June 2006, the aggregate balance of tangible and intangible fixed assets decreased by 7 percent to CZK 17.4 billion, with the balance of intangible assets remaining at CZK 4.1 billion and the **balance of tangible assets** decreasing to CZK 13.6 billion, predominantly in relation to buildings and office equipment.

Significant Business Activities In The First Half Of 2007

NEW CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO

Gernot Mittendorfer became the new Chairman of the Board of Directors and CEO of Česká spořitelna as of 31 May 2007, replacing Jack Stack. Mr Stack was elected a member of the Supervisory Board of Erste Bank. Gernot Mittendorfer previously worked in Česká spořitelna, he was a member of the Board of Directors and Deputy CEO with responsibility for commercial banking in 2000–2004. He returned to Česká spořitelna after being the Chairman of the Board of Directors and CEO of Salzburger Sparkasse in 2004–2007.

HOUSING FINANCING

Česká spořitelna remains number one on the housing financing market. Through its 400 branches, 13 specialised Mortgage Centres and the network of mobile vendors, Česká spořitelna provided a record 15,017 new mortgages to its customers in the aggregate volume of CZK 25.6 billion, which represents a robust growth of 60 percent. The record results confirm the increasing interest of customers in mortgages, which is predominantly impacted by the anticipation of further growth in interest rates and persisting uncertainty related to the changes in the amount of VAT on construction work. Concurrently, Česká spořitelna saw an enormous interest in the ČS Instant Mortgage under which the customers first take a mortgage loan and then, without being under pressure, select the real estate. They start to draw the mortgage funding one year after entering into the contract which enables them to acquire an advantageous interest rate during the period of increasing interest rates at the moment when they have not yet chosen the real estate. A novelty in mortgage lending involves the offering of a mortgage loan where the clients themselves opt for documenting their income. The mortgage is intended for retail and business customers. The Bank accommodates customers who are able to regularly repay the mortgage, but who would have difficulties in documenting all of their income. The mortgage without documenting the income can be acquired up to the amount of 80 percent of the real estate value, up to the amount of CZK 6 million with the repayment period of 30 years.

To acquire long-term and stable sources for the financing of the expansion of the portfolio of provided mortgage loans,

Česká spořitelna issues mortgage bonds. In the first quarter of 2007, the Bank issued mortgage bonds in the amount of CZK 3.8 billion. The aggregate nominal value of the outstanding mortgage bonds was CZK 32 billion as of 30 June 2007.

CASH AND CONSUMER LOANS

In the first six months of 2007, the Bank witnessed intense interest in consumer and cash loans to retail clients. When compared to mid-2006, the number of newly issued loans (including credit cards and overdraft balances) increased by 16 percent to 2.2 million. The volume of loans increased by 23 percent to CZK 54.7 billion. Cash loans, together with credit cards, saw the most significant increase. Their number increased by 15 percent to 0.7 million, the volume increased by 34 percent and amounted to CZK 37 billion. This success reflects the efforts of Česká spořitelna to make loans as available to clients as possible. In addition to advantageous rates, the Bank offers quick and simple processing of the loan, it offers cash and consumer loans practically on demand. As part of the successful Snadná půjčka (Easy Loan) campaign, the number of loans amounted to 380 thousand in the aggregate amount of CZK 18.4 billion. The growth of consumer and cash loans collateralised by real estate ("American mortgages") is growing rapidly. This segment saw an increase in the number of provided loans of 38 percent and in the volume of portfolio of 40 percent to the current level of CZK 6.4 billion.

CARD PROGRAMME

Česká spořitelna broke another limit, the aggregate number of issued active credit cards exceeded 500 thousand. As of 30 June, their number amounted to 537 thousand which is a year-on-year increase of 37 percent. The volume of loans provided through credit cards was CZK 2.6 billion, with an increase of 22 percent. The aggregate number of payment cards increased by 7 percent to 3.2 million.

The holders of the card effected more than 11.4 million transactions in the Česká spořitelna network in the aggregate amount of CZK 15.4 billion which is a volume increase of 15 percent from January to June. The number of ATMs increased by 15 and totalled 1,094. Since the beginning of the year, the card holders have effected ATM transactions worth CZK 133.6

billion (an increase of 10 percent) and amounting to 40.5 million (an increase of 5 percent). Česká spořitelna's ATMs concurrently operate as multi-purpose centres: in addition to standard functions, they facilitate the entering of one-off payment orders, top up of mobile phones, PIN changes, acquisition of information on the balances of clients of other banks, etc.

Since 1 January 2007, Česká spořitelna has offered a guarantee for non-authorised transactions made with a lost or stolen payment card exceeding CZK 4,500 already in 48 hours before the card is blocked. As a first bank in the Czech Republic, Česká spořitelna accepted the model terms and conditions issued by the Czech National Bank and provides a guarantee for transactions with the lost or stolen card already before the card is blocked. The Bank concurrently extends the insurance coverage against the misuse of a card to 96 hours before the card is blocked and expands it to include PIN transactions. These measures are favourable for customers and are intended to increase the popularity of cards, the trust of customers and improve the rights of customers in the Czech Republic.

SERVIS 24 AND BUSINESS 24

The aggregate number of active clients of the SERVIS 24 and BUSINESS 24 direct banking services exceeded 1 million and amounted to 1.08 million users as of 30 June 2007 which is a year-on-year increase of 10 percent. The most significant growth in the number of users was naturally witnessed by Servis 24 – Interbanking. The aggregate number of transactions effected via SERVIS 24 and BUSINESS 24 was 30.9 million in the first six months of 2007 which is a year-on-year increase of 43 percent. Customers make more than 78 percent of the transactions via the internet.

For clients who do not have an account with Česká spořitelna and would like to keep an overview of products with the subsidiaries of Česká spořitelna, the Bank offers a new service SERVIS 24 – Start which includes Telebanking, Internetbanking and GSM banking. Concurrently, the Bank launched new functionalities of SERVIS 24. Clients can change the parameters of the construction savings contract, update personal data and monitor transaction history in deposit and loan construction savings accounts. Corporate clients using BUSINESS 24 acquired a new overview of loan accounts, they can open

deposit accounts, exchange documents with the Bank and use, for example, agreements with money collection, permanent payment orders, collection orders and orders for the regulation of the account balance.

In June, the Bank extended the possibility of making investments through the SERVIS 24 Internetbanking service. Currently, the clients can model their own portfolio in the internet application with the most appropriate distribution of investments and subsequently purchase, sell or exchange selected investment products directly through internet banking. The Bank offers investment products of Investiční společnost ČS (open-ended mutual funds), Česká spořitelna (share premium deposits, currency premium deposits and structured bonds), Erste Sparinvest products (open-ended mutual funds and hedged funds) and ČS Real Estate Fund.

NEW SUBSIDIARIES

Through its new subsidiary, **REICO investiční společnost ČS, a.s.**, Česká spořitelna offers its retail customers the possibility to invest in the first real estate fund in the Czech Republic intended for retail investors – ČS Real Estate Fund. Investments in real estate represent a relatively safe method of investing with the anticipated yield being slightly over the level of bond funds and it is an appropriate instrument for the diversification of the investment portfolio. ČS Real Estate Fund invests in all basic segments of the real estate market and their combinations – office real estate, retail real estate, logistics areas and industrial real estate, residence real estate and hotels on the local market. The fund will also use the potential of all countries of the Erste Bank group. In the three months of its existence, ČS Real Estate Fund has acquired almost CZK 0.5 billion.

In June, **RAVEN EU Advisory, a.s.** became the thirteen subsidiary of Česká spořitelna. As part of the Group, it provides comprehensive advisory services regarding the subsidies policy of the Czech Republic and the European Union. The principal target segment of RAVEN EU Advisory is the private sector, both small and medium-sized businesses and large corporations, public sector including non-for-profit organisations and subsidised organisations, and last but not least, the agriculture and food industry sectors. The entity will closely cooperate with the EU Office of Česká spořitelna.

TOP ENERGY PROGRAM

Since May 2007, Česká spořitelna has provided small and medium sized enterprises with the **TOP Energyprogram**, a set of comprehensive services and products provided by the Česká spořitelna Group supporting the preparation and implementation of innovative energy projects involving energy savings and production of energy from renewable sources. The program includes information service, advisory, funding and project management.

NEW ISSUES OF BONDS

During the first quarter, Česká spořitelna placed three issues of bonds and structured bonds in the aggregate amount exceeding CZK 2.1 billion. The issuance of structured bonds with a yield depending on a set of three recognised equity, commodity and real estate indexes and an equity basket composed of twenty significant global equities **is a complete novelty on the Czech retail market** owing to its construction.

DEPOSITORY

Česká spořitelna has become **a depository of the new AEGON pension fund**; the Bank will supervise the management of all client funds and will authorise their handling in accordance with the statute of the fund. Through the acquisition of this significant client, Česká spořitelna confirmed its position as the biggest depository bank in the Czech Republic, measured in terms of managed assets.

EXTENDED OPENING HOURS

Since the start of April, Česká spořitelna has extended the opening hours of more than 430 branches by more than 800 hours per week. The Bank decided to extend the opening hours based on the survey of clients' needs and thanks to the helpfulness of Česká spořitelna's employees.

SIMPLIFIED PRICE LIST

Česká spořitelna's customers can use the simplified price list of Česká spořitelna – "**Price Survey**" which contains the list of the most used products of the Bank, enables the comparison

of prices, display of the final price for individual products or services and easier orientation. Concurrently, the Bank simplified the principal Price List of Česká spořitelna.

SIGNIFICANT PRIZES

Česká spořitelna acquired the Employer of the Region Prize in the Prague region in the fifth year of the AXA Employer of the Year competition. In addition, it was successful in the countrywide selection in the principal category Employer of 2007, it won a silver medal from the professional jury.

Česká spořitelna acquired the bronze medal in the third year of the prestigious **2007 MasterCard Corporate Bank competition**. The selection was made by a jury composed of more than 150 CFOs of the most significant companies that are members of Czech Top 100 in the Czech Republic.

Česká spořitelna's Anticipated Development In The Latter Half Of 2007

At the beginning of the last year, a new strategy of the Bank and the whole financial group was set and its basic objectives were summarised in the “Bank of First Choice” program. The objective of this program is “to become the bank of first choice for all client groups” and become a provider of financial services which will enable all its clients to fulfil their individual wishes and needs.

In the latter half of the year, Česká spořitelna will continue to strive **to achieve the challenging planned objectives set for 2007 which include a year-on-year increase in profit of 15–20% and return on equity (ROE) in excess of 20 percent** under International Financial Reporting Standards at the consolidated group level.

In the latter half of the year, the asset side of the balance sheet is expected to continue in the dynamic growth in new lending, specifically mortgage loans. The liability side of the balance sheet is anticipated to see an increase in primary deposits which will be lower as compared to the anticipated growth in lending. These developments will trigger another **improvement in the existing ratio of loans and deposits** (the ratio should range between 60–65 percent at the year-end).

The development of the principal components of the profit and loss account in the second half of 2007 should, in substance, reflect the trends of the first six months.

However, the Company anticipates faster growth of profit due to certain income recognised on a one-off basis. Net interest income will continue to be positively impacted by another anticipated increase in the interest rates by the Czech National Bank. Net fee income arising from the growing volume of payment transactions and continuing loan expansion should partially eliminate the lower performance in the first half of the year while no changes in the current level of fees and commission are anticipated to take place. As such, savings in general administrative expenses will also play a major role in generating the anticipated level of profit; however they should not have an adverse impact on the level and quality of services provided to the Bank's customers.

Reflecting the facts outlined above, **Česká spořitelna does not anticipate substantially departing from the basic goals set for 2007.**

Consolidated Profit And Loss Account For The Period Ended 30 June 2007

UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

Mill CZK	30 June 2007	30 June 2006
Interest income and similar income	16,934	14,304
Interest expense and similar expense	-5,377	-3,920
Net interest income	11,557	10,384
Provisions for losses on loans and advances	-919	-631
Net interest income after provisions for losses on loans and advances	10,638	9,753
Fee and commission income	5,351	5,001
Fee and commission expense	-587	-391
Net fee and commission income	4,764	4,610
Net profit on financial operations	700	755
General administrative expenses	-9,073	-8,387
Insurance income	162	129
Other operating expenses, net	-460	-361
Income from financial assets	205	12
Profit before taxes	6,936	6,511
Income tax expense	-1,632	-1,563
Profit after taxes	5,304	4,948
Minority interests	-76	-74
Net profit for the period	5,228	4,874

Consolidated Balance Sheet As Of 30 June 2007

UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

Mill CZK	30 June 2007	31 December 2006	30 June 2006
Cash and balances with the CNB	20,544	23,152	22,463
Loans and advances to financial institutions	108,568	73,179	105,705
Loans and advances to customers	366,798	329,105	303,302
Provisions for losses on loans and advances	-7,189	-6,339	-6,362
Securities held for trading	42,909	45,315	29,314
Financial assets remeasured at fair value	28,785	21,737	21,181
Financial assets available for sale	36,792	39,836	32,848
Financial assets held to maturity	148,797	141,429	143,134
Financial placements of insurance companies	15,229	13,878	12,204
Other assets	54,349	47,101	40,243
Total assets	815,582	728,393	704,032
Amounts owed to financial institutions	53,127	46,361	30,563
Amounts owed to customers	608,369	537,486	539,016
Bonds in issue	39,242	34,408	38,157
Liabilities for trading	13,738	12,154	11,219
Other liabilities	44,932	42,236	38,159
Subordinated debt	5,693	5,886	2,920
Minority interests	1,411	1,268	817
Shareholders' equity	49,070	48,594	43,181
Total liabilities	815,582	728,393	704,032

Key Financial Ratios

	30 June 2007	30 June 2006
Return on equity (ROE)	21.0%	22.0%
Return on assets (ROA)	1.4%	1.4%
Cost/Income	52.8%	52.8%
Net interest margin in respect of gross assets	2.97%	3.03%
Non-interest income/operating income	32.7%	34.6%
Loans and advances to customers/amounts owed to customers	60.3%	56.3%
Classified client loans/client loans*	5.0%	4.3%
BIS capital	10.4%	11.5%

* Figures for Česká spořitelna are provided according to the CNB methodology.

Selected Operational Figures

	30 June 2007	30 June 2006
Number of staff of the Česká spořitelna Financial Group (recalculated headcount)		
Total number of clients	10,912	10,807
Sporogiro accounts	5,293,275	5,325,367
- of which: the number of product packages	2,804,604	2,765,797
Number of clients of Servis 24 direct banking	1,367,507	1,156,849
Number of cards	1,083,035	987,234
- of which: the number of credit cards	3,206,434	3,008,199
Number of ATMs	537,623	392,258
Number of Česká spořitelna's branches	1,094	1,079
	636	637

Net Profit After Taxes Of The Selected Subsidiaries Of Česká spořitelna

UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

Mill CZK

Stavební spořitelna České spořitelny

s Autoleasing

Penzijní fond České spořitelny

Pojišťovna České spořitelny

Investiční společnost České spořitelny

Factoring České spořitelny

brokerjet České spořitelny

	30 June 2007	30 June 2006
462	358	
(46)	(18)	
361	179	
126	98	
55	59	
14	11	
23	27	

Česká spořitelna, a.s.

Olbrachtova 1929/62, 140 00 Prague 4

IČ: 45244782

Telephone: +420 261 071 111

Telex: 121010 SPDB C,

121624 SPDB C,

121605 SPDB C

Swift: GIBA CZ PX

Information line: 800 207 207

E-mail: csas@csas.cz

Internet: www.csas.cz

Half-year Report 2007

Production: Omega Design, s.r.o.

Material for the Public

