

ČESKÁ SPORITELNA

Half-year Report 2009

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The Macroeconomic Development of the Czech Republic

in the First Half of 2009

In the first quarter of 2009, the Czech economy declined by 3.4 percent year-on-year. This was predominantly due to the processing industry which experienced a decline in the foreign demand for industrial goods produced in the Czech Republic.

In the first quarter, household consumption increased by 3 percent although the number of unemployed increased and real wages increased only by 1 percent. The impact of the current global crisis will gradually move from industrial production to household consumption as unemployment grows and triggers a slow-down in the increase in wages. The Bank anticipates that the number of unemployed will increase to approximately 530 thousand by the end of 2009 and the unemployment rate will reach its maximum in the first half of the following year. The nominal wage increased by 8.5 percent in 2008, in real terms only by 2.1 percent due to higher inflation. This naturally impacted household consumption in 2008: household consumption increased by more than 5 percent in both 2006 and 2007 and slowed to 2.9 percent in 2008. In 2009, the growth of nominal wages will notably slow to 0.3 percent. As such, consumption will slow during the year; the Bank anticipates that household consumption will slightly decrease throughout 2009 on a year-on-year basis.

Fixed investments decreased by 3.4 percent which corresponds to the reduced utilisation of production capacities. Companies underestimated the growth of consumption and significantly reduced production in response to the negative economic development. This led to sales of stock which equally negatively impacted the economic development in the first quarter and will continue to inhibit economic growth. Net exports (the difference between imports and exports) were impacted predominantly by the decline in foreign demand and the fluctuation of the Czech crown.

Since the beginning of 2009, the inflation has slowed down specifically for the following three reasons: first, the year-on-year comparison did not reflect the previous year's tax changes; second, the inflation decreases due to the decline in prices of fuel after the fall in the price of oil from the previous year's record levels; third, last summer's strengthening of the Czech crown is reflected in the inflation to the maximum scope in this year. Given the absence of demand pressures, inflation will continue to decrease in 2009 below the level of 1 percent.

The Czech crown has undergone a fast weakening since last autumn which was supported by the anticipated slow-down in the economic growth and the negative view investors took in respect of the entire Central and Eastern European region. The Czech crown thus achieved almost the level of CZK 30/EUR 1. The Czech National Bank responded to this development by stating that the weak Czech crown increases inflationary pressures for the future and may therefore stop the cycle of the decrease in interest rates and, in turn, increase them. This verbal intervention stopped the weakening of the crown which started to strengthen to approximately CZK 26/EUR 1. The Czech National bank decreased the interest rate to 1.5 percent. However, the decrease in the interest rate fell behind the decrease in the interest rates of the European Central Bank which also contributed to the strengthening of the Czech crown.

Česká spořitelna's Consolidated Results of the Operations

for the Six Months Ended 30 June 2009

PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2009, Česká spořitelna (hereinafter referred to as "Česká spořitelna" or the "Bank") generated an unaudited net consolidated profit net of minority interests in the amount of CZK 6.31 billion under International Financial Reporting Standards, which, compared to the same period a year earlier when the net consolidated profit amounted to CZK 6.60 billion, represents a 4 percent decrease. The return on equity ratio (ROE) decreased to 19.9 percent. As of 30 June 2008 the ROE amounted to 22.9 percent. The return on assets (ROA) decreased from 1.6 percent to 1.4 percent.

The economic results of the Bank for the first half of 2009 are predominantly impacted by the continuing profit from operating activities and increase in provisioning for credit risks in relation to the development in the economic cycle.

The operating profit, calculated as the difference between the operating income and expenses, and reflecting the results of the Bank's primary activities increased year-on-year by a notable 21 percent to CZK 13.39 billion. Concurrently, the Cost/Income Ratio significantly improved from 47.3 percent to 42.5 percent due to the increase in the operating income and stagnation of operating expenses.

The total operating income of the Bank including net interest income, net fees and commission income, and net trading profit amounted to CZK 23.30 billion in the first half of 2009, which is a year-on-year increase of 11 percent. This increase was predominantly due to the growth of net interest income and net trading profit. The proportion of non-interest income to operating income slightly increased to 33.3 percent.

Česká spořitelna's net interest income amounted to CZK 15.53 billion, which is a year-on-year increase of 8 percent. This increase was predominantly driven by the increase in the interest income from client loan transactions and income from the lease of real estate owned by real estate funds. On the other hand, the interest income from interbank transactions and repo transactions with the Czech National Bank decreased due to their lower volume in the Bank's balance sheet and in relation to the decline in interest rates. Interest expenses for interbank and client deposits decreased for

similar reasons. The net interest margin relating to interest earning assets increased by 25 basis points to 4.20 percent due to the positive impact of growing sales of products with a higher interest rate margin (e.g. consumer loans) and effective management of assets and liabilities.

Another significant element of the operating income, net fees and commission income amounted to CZK 5.52 billion, which is a year-on-year increase of 3 percent. Fees and commission income from payment transactions increased predominantly due to the increase in consumer loans and increasingly popular additional loan insurance (the ability to repay insurance, etc.). In addition, the Bank saw a significant increase in the income from card transactions in relation to their increasing volumes and numbers. For example, the volume of card transactions effected in the card network of Česká spořitelna increased by 52 percent in the first half of 2009. By contrast, fee income from securities transactions decreased due to the lower interest in investments on financial markets. The increasing volume of loans and payment transactions has resulted in higher costs of related fee and commission payments.

Net trading profit increased year-on-year by 83 percent to CZK 2.25 billion primarily as a result of the high level of income from operations with securities and derivative transactions. In addition, transactions with foreign currencies contributed to the successful results of trading transactions, among others, due to increasing client transactions.

General administrative expenses (comprising staff costs, purchased consumables and the depreciation/amortisation of tangible and intangible fixed assets) did not increase year-on-year due to the effective management of expenses and remained at the level of CZK 9.91 billion. The volume of purchased consumables even decreased year-on-year by 1 percent, predominantly in expenses for advertising and marketing and costs of legal and advisory services. Staff costs increased by 3 percent as a result of the increase in the average salary. The depreciation/amortisation of tangible and intangible assets decreased by 4 percent due to the decrease in intangible assets (licences and software).

The Bank reported a negative balance of CZK 3.83 billion in charges for reserves and provisions against loans, which

represents a year-on-year increase of 163 percent compared to the period ended 30 June 2008. **The year-on-year increase is predominantly due to the increased provisions charged** in relation to the aging of the loan portfolio, increase in the volume of loans and development in the economic cycle.

The net balance of other operating expenses and income represents a negative result of CZK 1.01 billion, which is an increase of 29 percent when compared to mid-2008. This is predominantly due to a number of factors such as the recognition of a reserve for factoring receivables, revaluation of real estate owned by real estate funds with respect to the current and anticipated developments on the market, lower income from the sale of real estate as compared to the previous year, increased expenses for the contribution to the Deposit Insurance Fund and higher income from the sale of tangible assets held by the Bank.

The net gains/losses from financial assets comprising gains and losses from the revaluation and sales of financial assets in the portfolios at fair value through profit and loss, assets available for sale, and assets held to maturity **saw a slight decrease** of 7 percent to CZK (0.61) billion, which **arose from the development on financial markets in the first half of 2009**.

The results for the first half of 2008 included the net profit from discontinued activities representing economic results from Pojišťovna České spořitelny. It was sold to Vienna Insurance Group in September 2008.

BALANCE SHEET

The Bank's total assets amounted to CZK 858.46 billion, which represents a slight year-on-year decrease of 2 percent from CZK 873.92 billion. However, the balance sheet at mid-2008 includes the receivables and payables of Pojišťovna České spořitelny in the amount of CZK 16.78 billion. Net of these amounts, the total assets would slightly increase. As compared to mid-2008, the structure of the balance sheet changed, loans and advances to customers and assets held for trading increased while **loans and advances to financial institutions significantly decreased on the assets side**. On the liabilities side, amounts owed to customers and subordinated debt increased while amounts owed to financial institutions decreased.

Amounts owed to customers increased again over the last 12 months – a 3 percent increase of CZK 18.11 billion to CZK 661.22 billion as of 30 June 2009. **Retail deposits exceeded the half-billion level** and grew by 6 percent year-on-year, amounting to CZK 500.07 billion. **Principal additions were specifically related to term deposits** (namely the extremely popular Golden Deposit (Zlatý vklad) which collected CZK 14.95 billion over the one year of its existence), **sporogiro accounts and pension insurance deposits**. Amounts owed to corporate clients decreased by 6 percent to CZK 80.79 billion primarily on current accounts; payables to public sector clients similarly decreased by 5 percent to CZK 80.36 billion predominantly on term accounts. By contrast, the number of repo transactions with the Czech Finance Ministry increased from CZK 2 billion to CZK 10.80 billion. Total deposits in foreign currencies account for 3 percent of all deposits, i. e. CZK 21.28 billion on a stable basis.

Amounts owed to financial institutions decreased by 31 percent to CZK 41.70 billion, this development was predominantly attributable to the decline in interbank repo transactions from CZK 18.50 billion in mid-2008 to CZK 2.82 billion in mid-2009.

Payables from debt securities reported in the consolidated balance sheet decreased by 7 percent to CZK 44.90 billion predominantly due to the increase in mortgage bonds issued by Česká spořitelna and held in the consolidated group. The volume of mortgage bonds was CZK 33.41 billion. Issued bonds amounted to CZK 6 billion and depository bills amounted to CZK 5.49 billion.

The balance of shareholders' equity comprising share capital, share premium, capital funds from revaluation (specifically the available-for-sale financial assets portfolio), retained earnings and profit for the period decreased by 3 percent to CZK 55.83 billion when compared to the same period a year earlier given the volume of paid dividends. However, **to strengthen its capital base, Česká spořitelna issued subordinated bonds of CZK 8.50 billion in the first quarter**. The aggregate volume of the subordinated debt is CZK 12.10 billion. Capital adequacy under the BASEL II rules was 12.2 percent as of 30 June 2009 as compared to mid-2008 when it amounted to 10.7 percent. Total capital under BASEL II used in calculating the capital adequacy ratio was CZK 55.52 billion and the total

capital requirements amounted to CZK 36.54 billion. At mid-2008, these figures amounted to CZK 46.91 billion and CZK 35.13 billion, respectively.

The aggregate portfolio of client loans increased year-on-year by 8 percent to CZK 468.77 billion, of which the portfolio of retail loans amounted to CZK 259.63 billion which is a year-on-year increase of 9 percent. **This result was largely attributable to construction savings scheme loans** which increased year-on-year by 17 percent to CZK 44.49 billion **and consumer loans** (including credit cards) which increased by 19 percent to CZK 81.29 billion. As part of consumer loans, the cash loans increased by a double-digit rate due to pre-approved loans for clients of the Bank with documented loan history and credit card loans. The retail mortgage loans portfolio increased by 2 percent to CZK 119.81 billion.

Loans to corporate entities increased year-on-year by 6 percent to CZK 192.74 billion, the portfolio of loans to the public sector increased even more significantly by 17 percent to CZK 16.40 billion. Mortgage loans to entrepreneurial and municipal clients amounted to CZK 55.41 billion which is an increase of 17 percent.

In total, **mortgage loans amount to CZK 175.22 billion** which is a year-on-year increase of 6 percent. Since the beginning of 2009, the growth rate of the mortgage loans portfolio has significantly decelerated in relation to the development in the economic cycle and in response to the situation on the real estate market. The average repayment period of loans provided in 2009 decreased to 23.3 years (24.3 years in 2008), the average amount of the provided loan remains on the stable amount of CZK 1.75 million and the average amount of the loan in proportion to the value of the real estate improved to 60.2 percent. Additional services are increasingly popular, for example the ability to repay insurance is contracted by 60 percent of holders of new mortgages provided by Česká spořitelna.

The indicator of the proportion of customers loans to customer deposits improved by 3.6 percentage points to 70.9 percent. The quality of Česká spořitelna's loan portfolio is confirmed by the proportion of client loans which are past their due date by more than 90 days to the aggregate amount of

client loans which slightly increased year-on-year as anticipated and amounted to 2.8 percent as of 30 June 2009 and 2.0 percent as of 30 June 2008.

Compared to the first half of 2008, loans and advances to financial institutions decreased by 35 percent to CZK 99.95 billion predominantly due to the significant decrease in repo transactions with the Czech National Bank and other banks of CZK 39.27 billion to CZK 41.78 billion.

The aggregate balance of the individual financial assets portfolios was CZK 218.09 billion as of 30 June 2009, which represents an increase of 5 percent compared to the balance as of 30 June 2008. Of this aggregate balance, fixed income securities amounted to CZK 195.28 billion, shares and other variable yield securities amounted to CZK 3.63 billion, financial derivatives with a positive fair value amounted to CZK 11.12 billion and other financial investments amounted to CZK 1.36 billion.

Compared to the balance as of 30 June 2008, the aggregate balance of tangible and intangible fixed assets decreased by 2 percent to CZK 18.68 billion, with the balance of intangible assets decreasing to CZK 3.38 billion and the balance of tangible assets slightly increasing to CZK 15.31 billion.

Significant Business Activities

in the First Half of 2009

PRIVATE ACCOUNT (OSOBNÍ ÚČET)

In the area of client products and services, Česká spořitelna focused on maximum flexibility and variability. The first product of this type was the Private Account with the offer of optional services allowing the clients the free creation of the account based on the “select what you really need” concept. The Private Account was introduced in August 2007. At the beginning of November 2008, the number of users exceeded 1 million and it approached the level of 1.5 million at the end of the first half of 2009 (1.45 million). As compared to mid-2008, the number of clients almost doubled and the volume of deposited funds increased by 120 percent and amounts to CZK 86.55 billion. **During the first half of 2009, Česká spořitelna introduced two new products: Benefit Programme and Private Account for Students.**

With the Česká spořitelna Benefit Programme, clients may receive discounts for the maintenance of Private Accounts under certain circumstances. The amount of the discount depends on the total amount of deposits to the Private Account or total assets and liabilities of the client and may range from 10 to 100 percent of the price for the maintenance of the account. By reducing the price, the Bank shows its appreciation of the loyalty of clients in using the products and services of Česká spořitelna. **The Private Account of Česká spořitelna received the Bank Innovator of 2009 award** in the competition organised by Hospodářské noviny and Economia publisher.

The new Česká spořitelna Private Account for Students provides the identical wide offering of products and services to students, i.e. 13 optional services in the Standard, Plus and Special products. Students can select services that were previously not available to them. The Private Account for Student is advantageous – students can select three products from the Standard offer free of charge. Other discounts are offered by the Benefit Programme of Česká spořitelna in the version intended for students.

NEW DEPOSIT PRODUCTS

The demand of clients for safe deposit products with the certainty of appreciation markedly increased in relation to the situation on financial markets. Already in 2008, Česká spořitelna introduced the two-year Golden Deposit (Zlatý vklad) which is a combination of a deposit and investment product that always provides the guaranteed interest rate. As of

30 June 2009, i.e. one year after its introduction, the amount of deposited funds was CZK 14.95 billion.

At the beginning of 2009, Česká spořitelna introduced a new deposit product – **Česká spořitelna Perfect Deposit (Perfektní vklad České spořitelny)**. This product offers the appreciation of money for the period of 48 months. The interest rate of the deposit is guaranteed over the entire duration period of the product. The opening and maintenance of the deposit is free of charge and the deposit is insured as required by legislation. **The unique feature of the Perfect Deposit is the payment of the half of the future yield upfront when the product is established.**

The most recent news in the offer of Česká spořitelna is Šikovné spoření, a new deposit range product for regular savings. **Its principal advantage is the offer of better appreciation in combination with 100 percent liquidity.** Clients can withdraw the money anytime up to the limit of the minimum balance on the account. Šikovné spoření has seven ranges: through regular savings, clients achieve better interest rates when transferring to the higher range up to the maximum limit of CZK 300 thousand. There are two alternatives of this new product – Smart Savings (Šikovné spoření) for lower amounts and Šikovné spoření PLUS savings for higher amounts.

SUPPORT FOR INVESTMENTS BY SMALL AND MEDIUM SIZED ENTERPRISES

In May 2009, the European Investment Bank (EIB) and Erste Group Bank signed an agreement under which EIB will provide small and medium sized enterprises in Central and Eastern Europe with funding in the aggregate amount of EUR 440 million through four subsidiaries of the Erste Group (Česká spořitelna, Erste Bank Österreich, Erste Bank Hungary and Immorent). **Through Česká spořitelna, small and medium sized enterprises in the Czech Republic will receive funding of EUR 200 million.** The agreement will allow the access to mid-term and long-term funding to enterprises under advantageous financial conditions which will help in mitigating the impact of the current global crisis.

GREEN LIGHT TO SAVINGS PROGRAMME

Česká spořitelna accepts and processes the applications and subsequently pays subsidies from the Environmental State

Fund – the Green Light to Savings Programme. **The programme focuses on the support of environmental modifications of housing** (savings of electricity used for heating, support for the construction of environmentally friendly houses, use of renewable sources of energy for heating and warm water, subsidy bonus for selected combinations of measures).

Česká spořitelna has been engaged in environmental projects for more than seven years and the engagement in the Green Light to Savings Programme is a natural continuance of the strategy. Česká spořitelna ensured the availability of the programme in the shortest period possible and it was the first bank that started to accept applications for subsidies from the Green Light to Savings Programme. Clients can file applications before the implementation of the project or after its completion.

Subsidies are always paid after the completion of the project and cover up to 60 percent of the investment. For this reason, Česká spořitelna and Stavební spořitelna ČS offer appropriate loans for the funding of projects to clients. Clients who consider the construction of an environmentally friendly house or want to install additional insulation of the house can select, for example, Ideální hypotéka České spořitelny as an additional funding. Ideální hypotéka includes the possibility to make an extraordinary repayment anytime which may be used by applicants who receive the funds from the subsidy during the repayment of the mortgage. In addition, the environmental project can be funded by the loan from the construction savings scheme or using the TREND and HYPO TREND bridging loans of Stavební spořitelna ČS. Furthermore, clients can use cash or consumer loans that are prepared quickly and require minimum administrative issues. The final selection of the funding method results from the specific needs of a client.

CARD PROGRAMME

The aggregate number of issued active payment cards was 3.27 million (decrease of 1.9 percent), of which credit cards account for 0.51 million. Loans provided through credit cards as of 30 June 2009 amounted to CZK 3.97 billion which is an increase of 27 percent.

Card holders completed almost 37 million transactions in the business network of Česká spořitelna's partners between January and June **in the aggregate amount of CZK 33.81 billion which is a significant increase of 52 percent.** The number of ATMs increased by 46 and totalled 1,185 units. Since the beginning of

the year, cardholders have made 43.6 million ATM transactions amounting to CZK 148.2 billion.

Since May 2009, all payment cards of Česká spořitelna, both newly issued and all existing cards, have been equipped with chips. The chip technology significantly increases the security of transactions as it records the data to the chip and minimises the possibility of their potential misuse.

In addition, the Bank introduced a new service that enables a simple and fast increase in transaction limits for the payment card over the phone. All types of limits can be changed for the determined period. When the period expires, limits will be automatically returned to their original level. The opening/locking of the card service is advantageous for clients due to the immediate change in the limit that allows simple and safe purchases in the higher amount for clients whose standard set card limits are lower and it concurrently offers more secure internet payments.

ATMs of Česká spořitelna offer a new “My Payments” function which is available in the personal menu. Following the successfully entered payment through the General Payment Order in the ATM, clients can save the payment for further use. Using the “My Payments” option, clients can go through saved payments and make a selected payment. The information in the payment order will be completed automatically.

In May 2009, Česká spořitelna launched pilot operations of accepting cards in seven stores of the Kaufland chain. **It has been possible to use payments cards in the entire Kaufland network since the beginning of July 2009.**

SERVIS 24 AND BUSINESS 24

In spring 2009, Česká spořitelna introduced a number of new functions to Internet banking. At present, clients can select “log-in SMSs” for logging in to the SERVIS 24 Internetbanking and BUSINESS 24 which increase the security of the use of Internet banking due to the use of the client's cell phone. Other news include the possibility of customising the information services from the Bank and ordering a pre-approved Česká spořitelna Clever Card without the necessity of visiting the branch office. Users of SERVIS 24 and BUSINESS 24 who use the upgraded type of security, i. e. the chip card and the Client Certificate recorded on the card, can order the card by mail.

As of 30 June 2009, the number of active SERVIS 24 and BUSINESS 24 direct banking clients was 1.22 million, which is a 4 percent increase over the last 12 months. The aggregate number of transactions completed through SERVIS 24 and BUSINESS 24 shows a year-on-year increase of 5 percent to 47 million.

OMBUDSMAN FOR CORPORATE CLIENTS

The corporate clients, i. e. businessmen and small enterprises together with companies with sales exceeding CZK 30 million can approach the team of Česká spořitelna's ombudsman. Česká spořitelna appreciates the suggestions from both retail and corporate clients. These specifically include requirements the nature of which prevents them from being dealt with at branches, they exceed its competencies or were not satisfactorily dealt with by branches, client or commercial centres. Clients thus have the possibility of another appeal.

LADIES INVESTMENT CLUB

In 2008, Česká spořitelna founded the Ladies Investment Club for women interested in investing. At regular meetings, club members receive information on the development of capital markets, new investment instruments and various investment strategies. Over its existence, more than 1,500 women interested in investments became members of the club and almost 800 of them visited some of the professional and social meetings. Members of the club include managers, entrepreneurs, politicians and journalists from Bohemia and Moravia. More than 80 percent of them are in their productive age, i. e. between 30 and 60 years of age. Almost 70 percent of members have experience with investments and most of them are clients of Česká spořitelna. By establishing a platform for women, the Bank is not only supporting specifically targeted education but is also providing equal opportunities in society.

GRANTIKA ČESKÉ SPOŘITELNY

The significant player in the advisory relating to obtaining subsidies from the EU structural funds – the subsidiary of Česká spořitelna RAVEN EU Advisory – completed its transformation process through the change of its name and logo. The new name of this entity is GRANTIKA České spořitelny. It provides comprehensive services in obtaining subsidies from European funds for clients from the public sector, non-profit organisations, small and medium sized enterprises and large corporations.

In addition, the support from one of the strongest banking groups in the country allows GRANTIKA České spořitelny to provide entrepreneurs, municipalities and non-profit organisations with funding for projects and a number of other services and products from the Česká spořitelna financial group.

SIGNIFICANT AWARDS

In 2009, CFOs of the most significant companies in the Czech Republic selected the bank with the best products for corporate clients in the prestigious MasterCard Corporate Bank of the Year competition for the fifth time. **Commercial banking of Česká spořitelna ranked second** which proves the excellent quality of services and products which Česká spořitelna offers clients in this segment.

For the first time, Hospodářské noviny together with Economia publisher awarded the Bank of the Year and the Bank Innovator of the Year prizes. The Private Account with the Benefit Programme of Česká spořitelna won the Bank Innovator prize. Česká spořitelna ranked second in the Bank of the Year category. The aim of the competition was to assess the best bank, insurer and bank innovator. The ranking in the Bank of the Year category was determined by Scott & Rose, the winner in the Bank Innovator competition was selected by the public directly on the project's website. **The prize obtained in the innovator category is a significant confirmation for Česká spořitelna that offering the possibility of products being set freely is the correct path to take which was not present on the market.**

In the Zlatá koruna competition that assesses financial products in 19 categories, **Česká spořitelna won in the Pension Funds** category for the pension insurance with Penzijní fond ČS, ranked second in the Mutual Funds category with ČS fondy životního cyklu ISČS and the Cards category for the ČS Clever Card. The Bank ranked third in the Direct Banking category with SERVIS 24.

The winner of the poll for the most interesting bank branch organised by the Peníze.cz server is the Česká spořitelna branch in Rytířská street in Prague. This branch was selected by 37 percent of more than 5 thousand readers of the internet server. The renovated branch in Rytířská street in Prague not only received this prize, but in June 2009, an international professional jury awarded it with the prestigious 2009 Grand Prix of Architects for the best renovation.

Česká spořitelna's Anticipated Development in the Latter Half of 2009

Since the beginning of 2009, Česká spořitelna has sought to implement its newly set strategy for the period of global economic downturn, the principal aims of which are defined as follows:

- dedicate all its care and attention to the needs of clients and strengthen their trust in Česká spořitelna;
- continue to develop the activities, products and services that proved successful in prior years;
- control operating costs;
- bring its own projects and participate in group projects and development initiatives;
- take advantage of group synergies in the Erste Group as much as possible; and
- strengthen the cooperation between individual members of the Erste Group and harmonise principal processes in the bank and the group.

With respect to the principal components of the assets and liabilities in the balance sheet, the Bank anticipates a **slight increase in the volume of loans provided to clients** to continue in the latter half of 2009. At the same time, the Bank anticipates the stagnation of primary deposits. This development will result in the slight increase in the existing proportion between loans and deposits.

In the latter half of the year, the Bank anticipates similar development in the principal items of the profit and loss account as in the first half of the year. The net interest income will be negatively impacted by declining interest rates and lower additions to provided loans. The net income from fees will be negatively affected by the slowed rate of loan expansion while no changes in the current level of fees and commission are anticipated to materialise. A significant role in the achievement of the anticipated profit will be played by the benefits of the implementation of selected Group and Bank projects focused on the savings in general administrative expenses.

Reflecting the facts outlined above, **Česká spořitelna does not anticipate substantially departing from the basic goals set for 2009.**

Consolidated Profit and Loss Account

for the Period Ended 30 June 2009

UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

CZK mil.	30 June 2009	30 June 2008
Interest income and similar income	21,580	22,233
Interest expense and similar expense	-6,049	-7,878
Net interest income	15,531	14,355
Provisions for losses on loans and advances	-3,827	-1,457
Net interest income after provisions for losses on loans and advances	11,704	12,898
Fee and commission income	6,648	6,205
Fee and commission expense	-1,133	-855
Net fee and commission income	5,515	5,350
Net trading profit	2,249	1,227
General administrative expenses	-9,909	-9,906
Other operating expenses, net	-1,011	-784
Income from financial assets	-607	-566
Profit before taxes	7,941	8,219
Income tax expense	-1,622	-1,752
Profit after taxes	6,319	6,467
Profit from discontinued operations*	0	229
Minority interests	-12	-100
Net profit for the period	6,307	6,596

* Insurance income in 2008.

Consolidated Balance Sheet

as of 30 June 2009

UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

CZK mil.	30 June 2009	31 Dec 2008	30 June 2008
Cash and balances with the ČNB	30,441	24,285	17,127
Loans and advances to financial institutions	99,954	93,306	152,708
Loans and advances to customers	468,770	461,424	432,962
Provisions for losses on loans and advances	-11,791	-8,929	-7,859
Securities held for trading	49,307	61,977	25,722
Financial assets at fair value through profit or loss	11,117	19,226	24,160
Financial assets available for sale	35,268	35,386	35,637
Financial assets held to maturity	122,401	118,938	121,649
Other assets	52,990	56,617	71,812
Total assets	858,457	862,230	873,918
Amounts owed to financial institutions	41,704	57,561	60,723
Amounts owed to customers	661,219	645,947	643,110
Bonds in issue	44,901	39,936	48,359
Liabilities for trading	17,967	26,076	15,616
Other liabilities	24,186	22,144	41,861
Subordinated debt	12,096	5,197	5,400
Minority interests	552	564	1,296
Shareholders' equity	55,832	64,805	57,553
Total liabilities	858,457	862,230	873,918

Key Financial Indicators

	30 June 2009	30 June 2008
Return on equity (ROE)	19.9%	22.9%
Return on assets (ROA)	1.4%	1.6%
Cost/Income	42.5%	47.3%
Net interest margin in respect of interest-earning assets	4.20%	3.95%
Non-interest income / operating income	33.3%	31.4%
Loans and advances to customers / amounts owed to customers	70.9%	67.3%
Individual capital adequacy (BASEL II)	12.2%	10.9%
Consolidated capital adequacy (BASEL II)	12.2%	10.7%

Selected Operational Figures

	30 June 2009	30 June 2008
Number of ČS staff of the Česká spořitelna Financial Group	10,873	10,896
Total number of clients	5,281,520	5,290,378
Sporogiro accounts	2,849,865	2,858,719
of which are Private Accounts	1,445,414	780,793
Number of SERVIS 24 and BUSINESS 24 direct banking clients	1,223,538	1,173,785
Number of cards	3,271,989	3,334,820
of which are credit cards	509,042	603,818
Number of ATMs	1,185	1,139
Number of Česká spořitelna branches	652	642

Net Profit After Taxes of the Selected Subsidiaries of Česká spořitelna

UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

CZK mil.	30 June 2009	30 June 2008
brokerjet České spořitelny	-3	14
Factoring České spořitelny	-77	11
Investiční společnost České spořitelny	50	24
Penzijní fond České spořitelny	280	182
s Autoleasing	-82	-10
Stavební spořitelna České spořitelny	823	806

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