

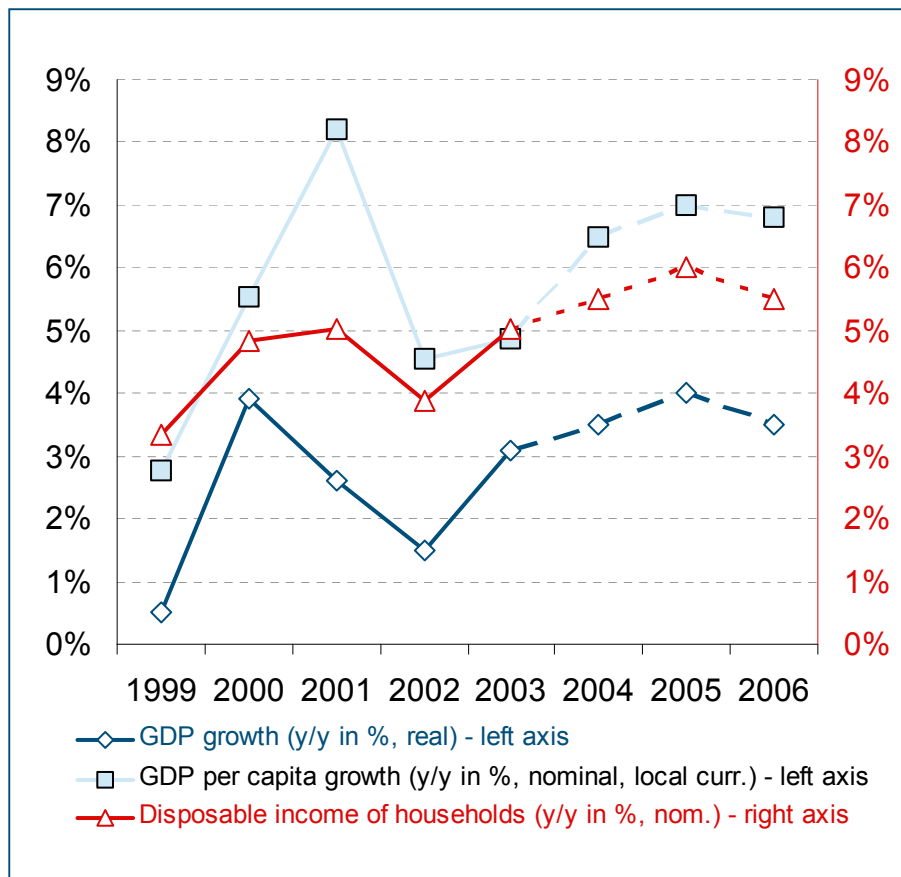
> **Česká spořitelna**

**Is 15% loan growth in CS core business sustainable?
How will we maintain ROE of >20% after tax?**

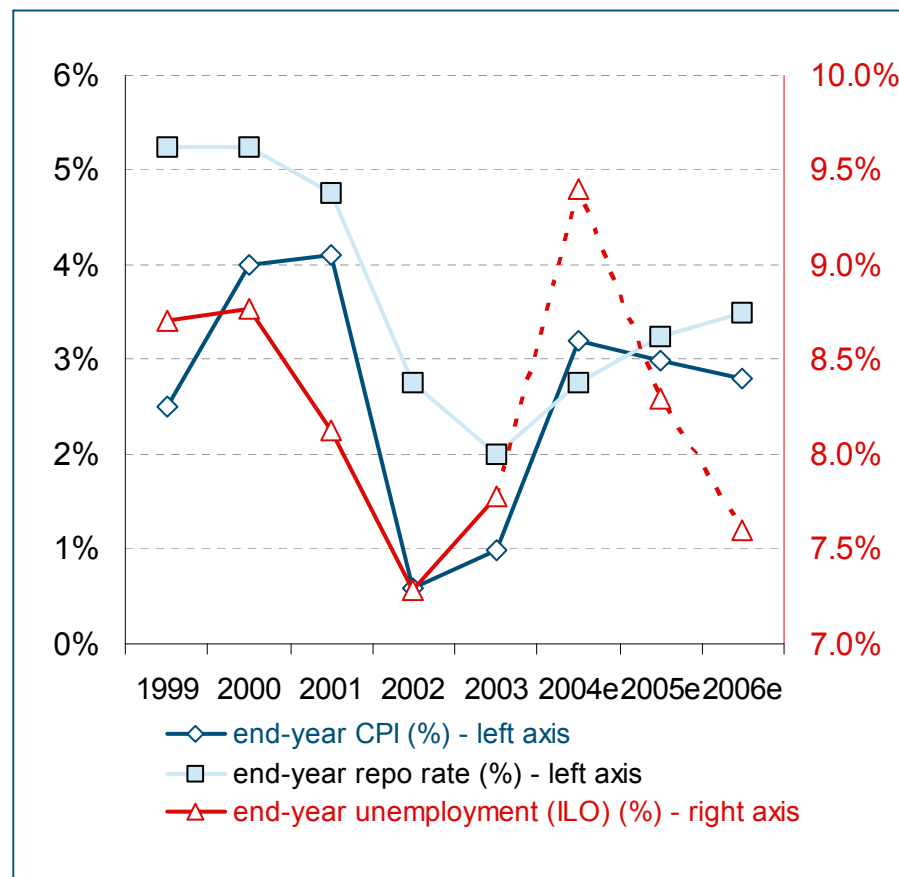
- > 2nd Capital Markets Day
- > Budapest
24 September 2004
- > Jack Stack, CEO of Česká spořitelna

> Macroeconomic Overview

GDP and disposable income growth

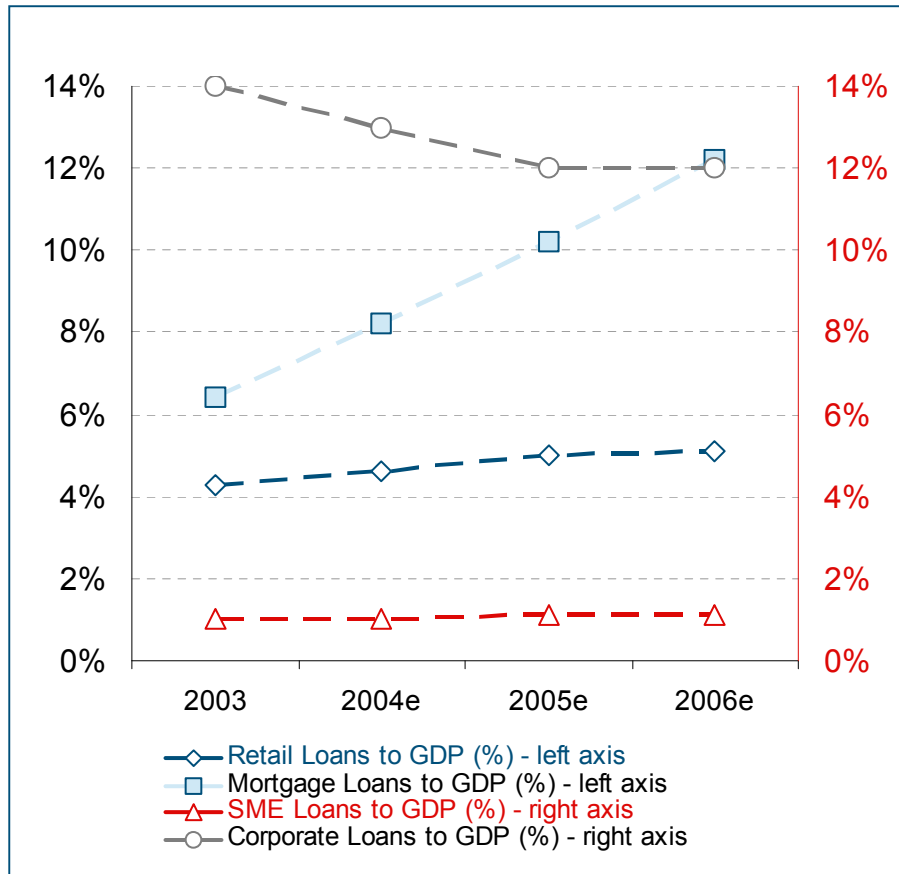


Price index, discount and unemployment rates

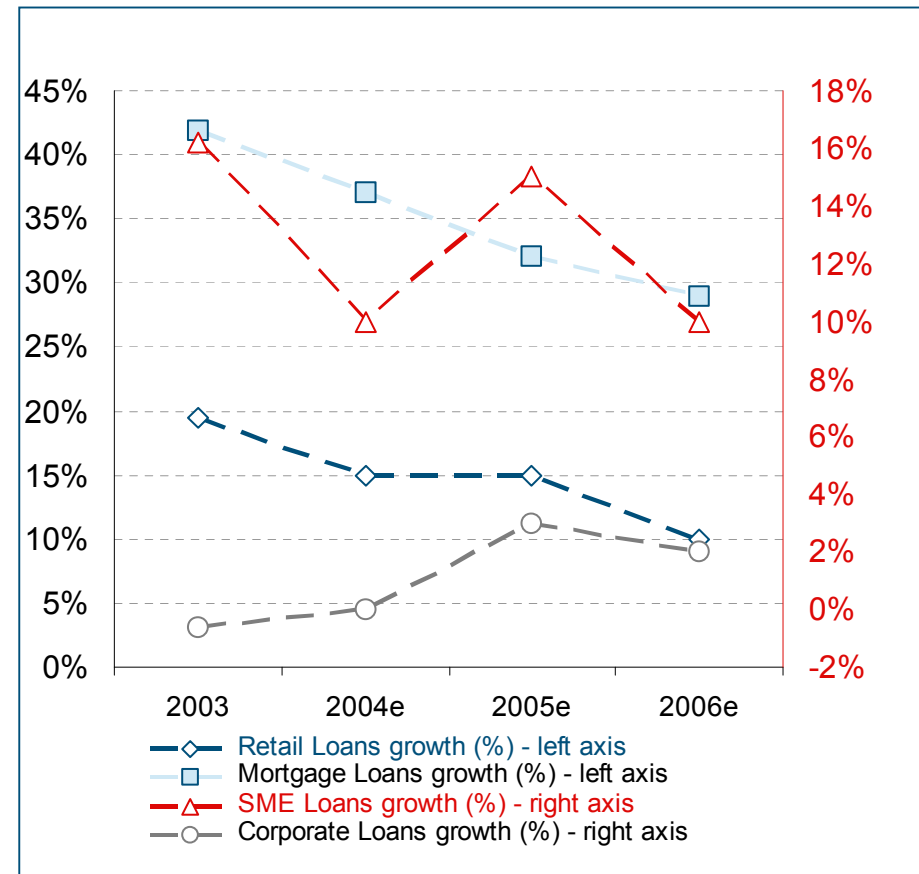


> Banking Market Potential

Loans to GDP

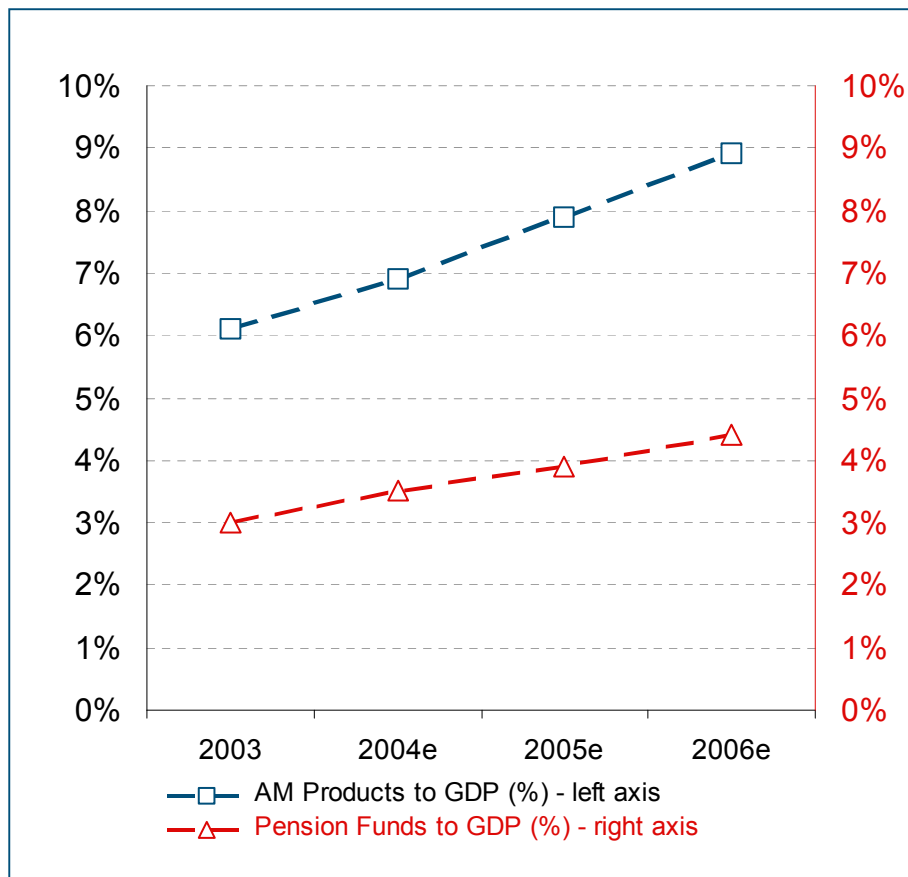


Loan Growth

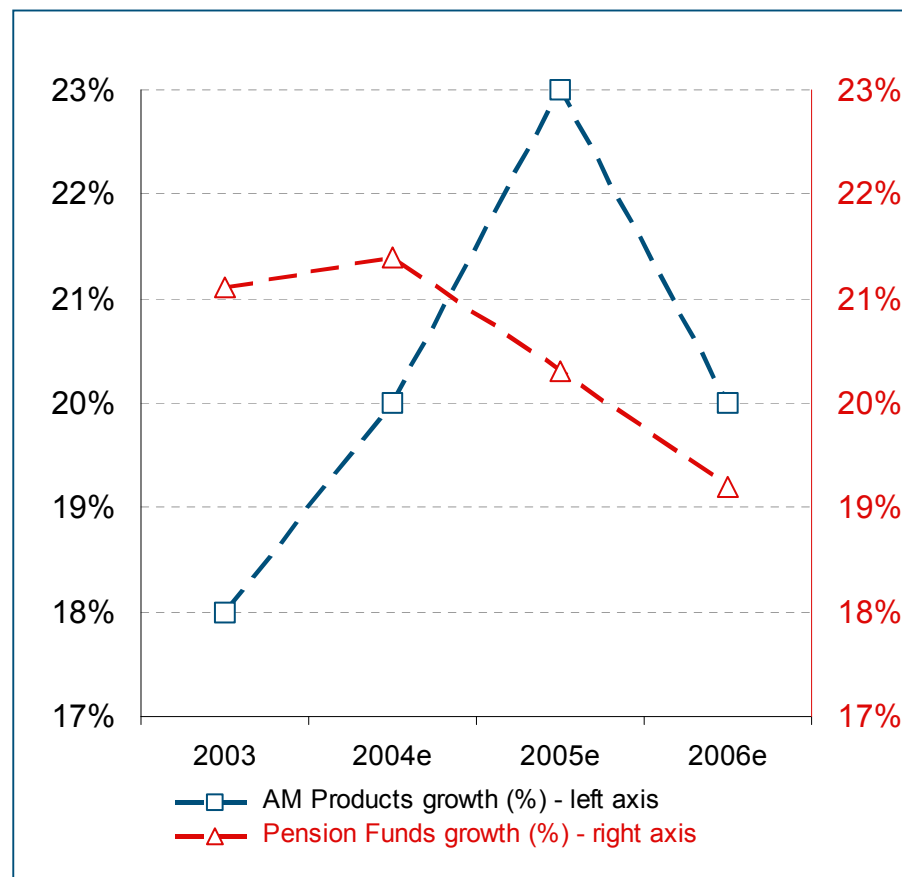


> Asset Management Products and Pension Funds

Asset Management / GDP Growth



Asset Management Growth



> Current Market Position

> CS market Shares Development

	31.12.2003	30.6.2004	Change
Total Assets	19.0%	18.8%	↘
Loans to Customers	19.5%	20.1%	↑
Interbank Loans	7.5%	9.6%	↑
Primary Deposits	21.0%	20.6%	↘
Retail Deposits	27.5%	26.8%	↘
Assets Under Management	47.8%	49.4%	↑
Retail Loans	26.4%	26.2%	↘
Mortgages	30.1%	32.4%	↑
Retail Mortgages	29.1%	31.4%	↑
ATM	40.0%	38.8%	↘
Payment Cards	40.4%	39.8%	↘

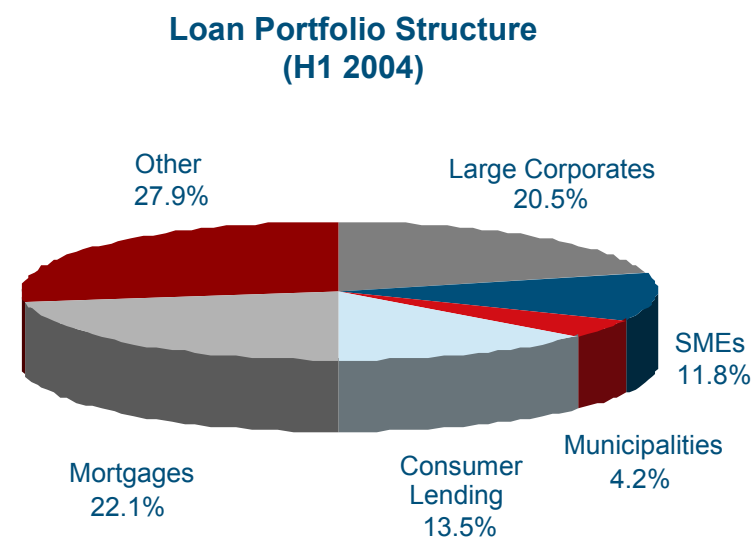
Source: CNB Statistics

> Loan growth potential

> Detailed Structure of CS Bank Loan Portfolio

CZK m	31.12.03	30.06.04	YTD Growth
Corporates	82,383	85,508	3.8%
Large Corporates	42,705	42,063	-1.5%
Medium Corporates	21,366	24,336	13.9%
Corporate Mortgage	10,278	10,514	2.3%
Municipalities	8,035	8,595	7.0%
Retail	72,692	80,525	10.8%
Private cards	772	1,002	29.9%
Consumer credit	27,513	26,760	-2.7%
Private social	7,085	6,383	-9.9%
Private mortgages	23,234	30,425	30.9%
Micro corporates	6,321	7,205	14.0%
Commercial mortgages	3,616	4,498	24.4%
Public sector entities	4,152	4,252	2.4%
Financial markets**	40,985	39,611	-3.4%

** including Česká konsolidací agentura



> Strengths & Weaknesses in Lending Business

Strengths / Opportunities

- » **Recognized and trusted brand; professional staff**
- » **Large and growing distribution**
 - » Branches, Telephone centre, Mobile sales force, Mortgage centres
- » **Good and improving consumer data**
- » **Developing credit scoring**
- » **EU depositary bank for CR and EU office**
- » **Expertise in real estate lending established in market**

Challenges / Threats

- » **Competition is established**
- » **Very competitive pricing in Large Corporates**
- » **Conservative nature of Czech consumer**
- » **Bureaucratic processes**
- » **Mass market orientation; perceived as Retail Bank and not business oriented**

> **Loan Portfolio Targets for 2004 - 2006**

Above average loan growth to continue (targeting 15 - 20%)

» **SMEs**

12 - 18%

- » Targeted industry focus
- » Professional team and well established distribution network

» **Municipalities**

15 - 20%

- » Benefiting from EU funds

» **Corporate**

8 - 10%

» **Retail**

25 - 30%

- » Mortgages 40 - 50%
- » Consumer Finance 20 - 30%
 - Generally under penetrated market
 - Still favourable interest rate environment
 - Attractive products and wide distribution network

> Net Interest Margins in Lending Business

	2003	2004e	2005 - 2006e
Large Corporates	1.4%	0.9% - 1.2%	1.0% - 1.4%
SMEs	2.8%	2.3% - 2.6%	2.6% - 2.8%
Municipalities	0.7% - 1.9%	0.6% - 1.8%	0.6% - 1.8%
Credit cards	14.5%	15% - 16%	15% - 16%
Consumer lending	8.8%	8.8% - 9.2%	8% - 10%
Mortgages	1.9% - 2.5%	1.7% - 2.4%	1.9% - 2.5%

- » Rapid growth in credit cards and consumer lending will lead to increase in total net interest margin
- » Heavy competition in large corporates and private mortgages

> Loan Portfolio Quality (CNB Classification)

in CZK m		31.12.2002			31.12.2003			30.06.2004		
		Out.	Coll.	Prov.	Out.	Coll.	Prov.	Out.	Coll.	Prov.
CS Total		173,781	105,820	12,491	196,060	117,234	4,571	205,644	124,719	4,632
CNB Classification	Standard	148,355	93,837	0	182,728	111,493	0	193,785	117,741	0
	Watch	8,907	6,623	295	6,396	3,562	408	5,510	3,972	355
	Non Standard	3,146	2,003	541	2,916	1,360	648	2,373	1,486	644
	Doubtful	2,002	1,461	485	1,088	394	620	951	461	632
	Loss	11,371	1,895	11,171	2,931	425	2,895	3,025	1,059	3,002
Classified loans (CNB2-5)		25,426	11,982	12,491	13,332	5,741	4,571	11,860	6,978	4,632
High risk loans (CNB3-5)		16,519	5,359	12,196	6,936	2,179	4,163	6,350	3,006	4,277

» Provisioning charge for 2004 - 2006 expected between 40 – 50 bps

– Corporate banking

30 – 40 bps

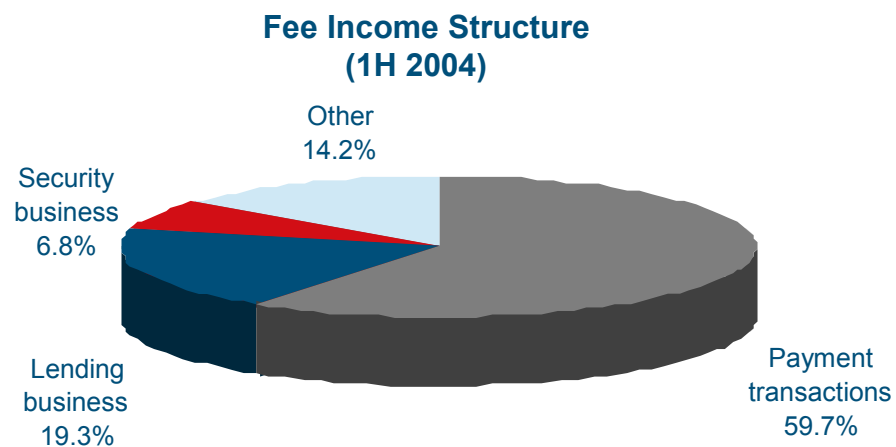
– Retail banking

65 – 85 bps

> Fee income potential

> Fee Income Structure

CZK m	FY 2003	%	1H 2004	%
Payment transactions	4,749	59.3	2,468	59.7
Lending business	1,450	18.1	798	19.3
Security business	541	6.8	283	6.8
Other	1,273	15.9	586	14.2
Total	8,013	100.0	4,135	100.0



> Strengths & Weaknesses in Fees

Strengths / Opportunities

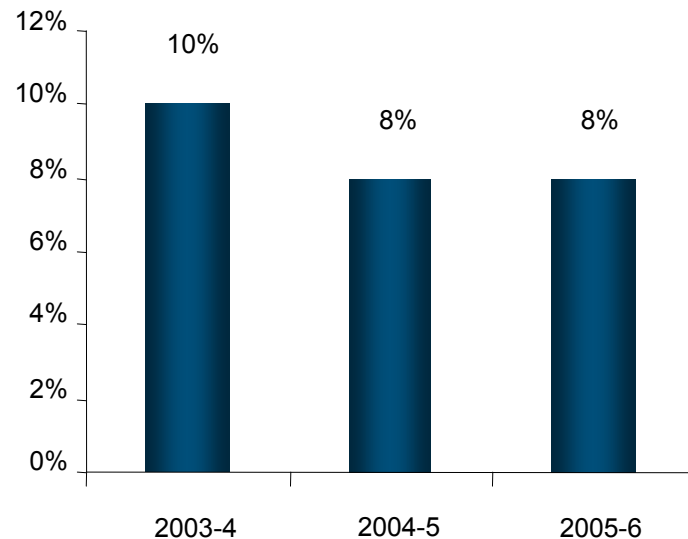
- » Large customer base
- » Expanding loan volumes
- » Steadily growing payment volumes
- » Asset management growing with fee opportunities

Challenges / Threats

- » Negative consumer reaction to high fees
- » Competitive marketing initiatives (small players)

> Fee Income Growth Expectations

Expected Growth of Fee Income



Average Annual Fees by Active Consumer

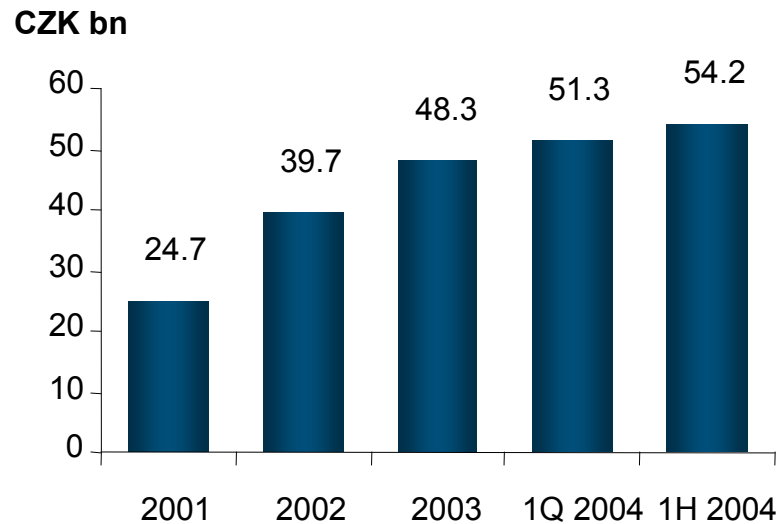
EUR/year	Costs		
	Avg	Max	Min
Czech Republic	115	198	55
Slovakia	46	79	24
Poland	56	102	10
Hungary	73	123	9
Germany	98	202	30
Austria	93	225	5

Source: The Boston Consulting Group

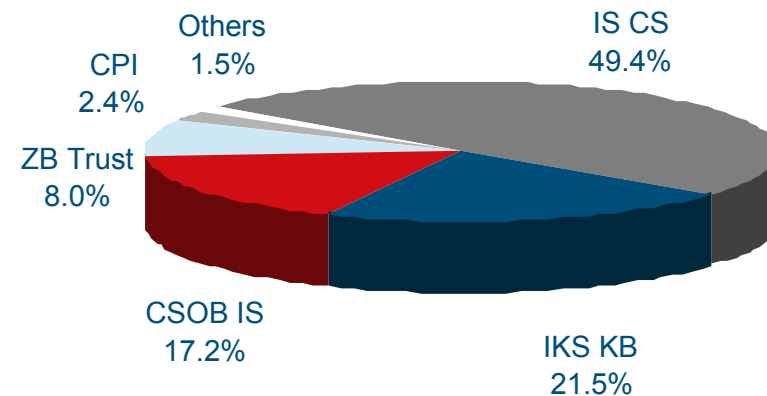
- » Acceleration of loan growth
- » Steadily growing volume of payment transactions
- » Continuous increase of assets under management
- » No repricing of payment transactions planned for 2005 and 2006

> Assets under Management (mutual funds only)

Development of Assets under Management



IS CS market share (mutual funds)



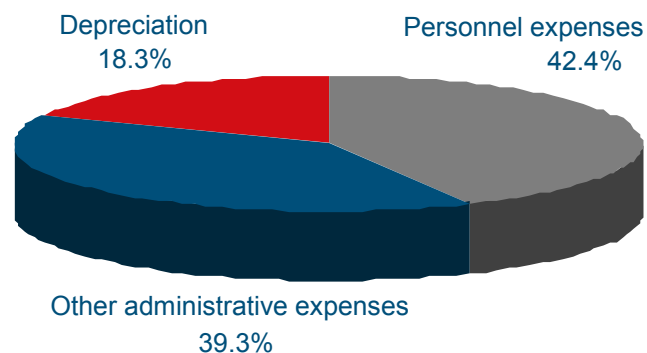
- » Growing interest in mutual funds
- » Big growth potential – still very low penetration compared to Western countries
- » ISCS to continue to be number one with approximately 50% market share

> Administrative expenses

> Administrative Expenses Structure

in CZK m	FY 2003	%	1H 2004	%
Personnel expenses	6,858	45.4	3,301	42.4
Other administrative expenses	5,220	34.6	3,054	39.3
Depreciation	3,026	20.0	1,422	18.3
Total	15,104	100.0	7,777	100.0

Structure of Administrative Expenses
(1H 2004)



> Development of Administrative Expenses - Outlook

	2003-4	2004-5	2005-6
Personnel expenses	-2%	2%	2%
Other administrative expenses	16%	2%	3%
Depreciation	-1%	20%	3%
Total	3%	2-3%	2-3%

- » Decrease of personnel expenses in 2004 connected with headcount reductions (partly due to sale of non-life insurance business)
- » Large increase of other administrative expenses in 2004 because of changes in VAT legislation (negative impact of CZK 550 m)
- » 20% higher depreciation in 2005 caused by high investments in 2000-2002 and will be completely written off soon
- » For coming years expense management initiatives include:
 - » Personnel reductions and reallocations
 - » Centralization of 78 data centres
 - » Lower salary increases
 - » Payment and branch reengineering (cash handling and payment processing)
 - » Automation of manual processes
 - » Relocation out of Prague

> Outlook 2004-2006

> Outlook 2004 and Beyond

	2004 Targets (Confirmed)	2005-2006
» Net Profit after Taxes:	10 - 15% growth	10% growth
» ROE:	above 20%	above 20%
» Cost/Income ratio:	58 - 60%	55 - 57%
» Net Interest Margin:	flat to slight improvement	Improving
» Revenues:	10% growth	12 - 15% growth
» Expenses:	3%	contained at 2 - 3%

Revenues 2005-2006

- » Increasing interest rates and growing loan volumes will support greater than 10% annual growth of net interest income
- » Volume driven increase of net fees and commissions
- » Growing demand for more sophisticated products and continuing expansion of FX business reflected in 12 – 17% annual growth of net trading result

Expenses 2005-2006

- » Development of total expenses largely due to higher depreciation resulting from large investments in recent years and need to redeploy into fast growing business units

> Thank You for Your Attention!