

> **Česká spořitelna –
Firing on all cylinders**

- > 4th Capital Markets Day
- > Bucharest, 9 October 2006
- > Jack Stack, CEO, Česká spořitelna

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Excellent operating environment

- » Powerful economic growth
- » Political stalemate without effect
- » Buoyant banking market

Reaping the rewards of ideal positioning

- » Key trends – healthy margins and operating progress
- » Growth drivers – loans and quality improvement
- » Competitive position maintained

Outlook – positive all round

*) All financial and market data are shown in EUR. Local currency data have been translated at the respective historic rates; the Q3/06 eop rate was applied to forecasts. Growth rates and ratios are based on local currency data.

> Economy on a sustainable, balanced growth path

GDP growth tops EU rankings

- » GDP/capita expected to surpass EUR 10k for the first time in 2006
- » Real growth reaches highest level since start of transition in 1990
- » Disposable income grows in line with GDP
- » Slight growth slowdown expected for 2007

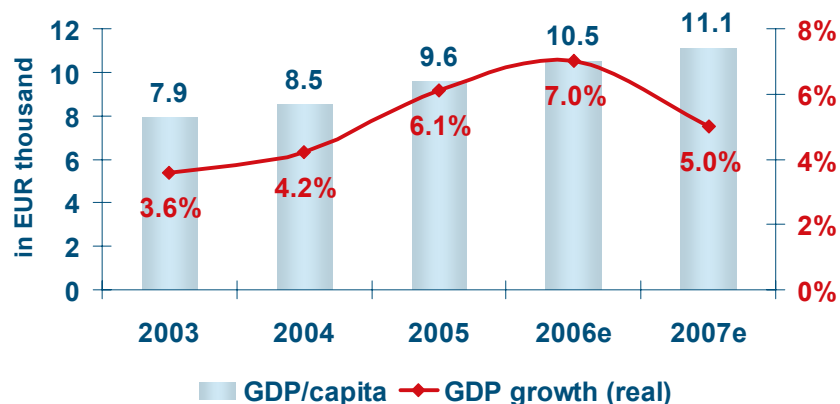
High degree of price stability

- » CPI below 3% and expected to remain there over the next years
- » Strengthening currency lends support

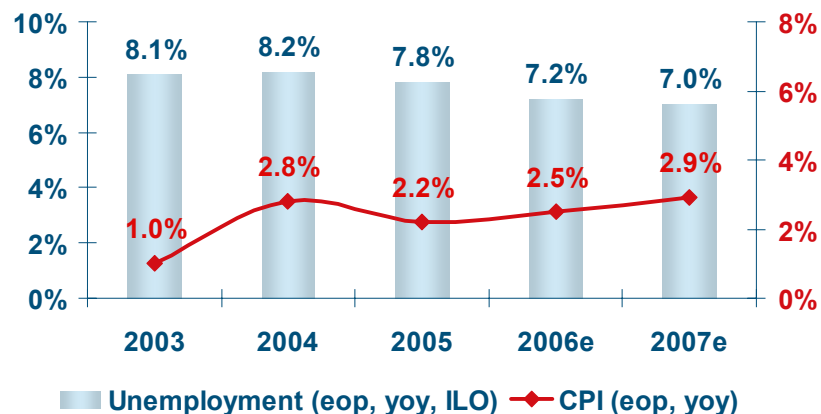
Other parameters also positive

- » Continued strong FDI inflows easily cover negligible current account deficit
- » Unemployment on downward trajectory
- » Government finances, while deteriorating, are in better shape than in other CEE peers

GDP growth reaches all-time high in 2006



Tighter labour market does not affect inflation



Source for charts: Eurostat, Česká spořitelna

> **Economic policy remains generally unchanged**

Uncertainty about future economic policy due to post-election deadlock

- » Parliament is split down the middle: both blocks (left-wing and right-wing parties) have 100 votes each following the June 2006 general elections
- » Discussions about potential coalitions and forming new government so far ineffective
- » Possibility of early elections
- » CNB providing strong anti-inflationary policy

Business conditions and tax policy dependent on new government

- » No noticeable effect on business conditions yet
- » Current corporate tax rate at 24%
- » Bankruptcy and Commercial Registry reforms have already been passed by Parliament

Official Eurozone entry date is still 2010 but appears unlikely

- » CNB and current government agree that 2010 is unattainable with current state of finances
- » Estimate of Česká spořitelna is 2013

Consumer protection movement is developing in the Czech Republic

- » Will lead to better educated clients and increased financial services penetration
- » Hinders ability to increase pricing in retail fees

> Banking market enjoys buoyant growth

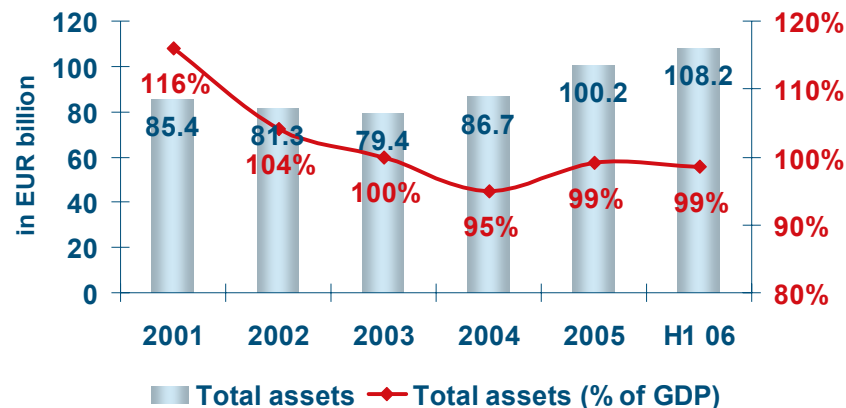
Strong growth in all aggregates

- » Retail loans lead the way...
- » ... driven by strong mortgage demand
- » Continuation of trend expected in 2007

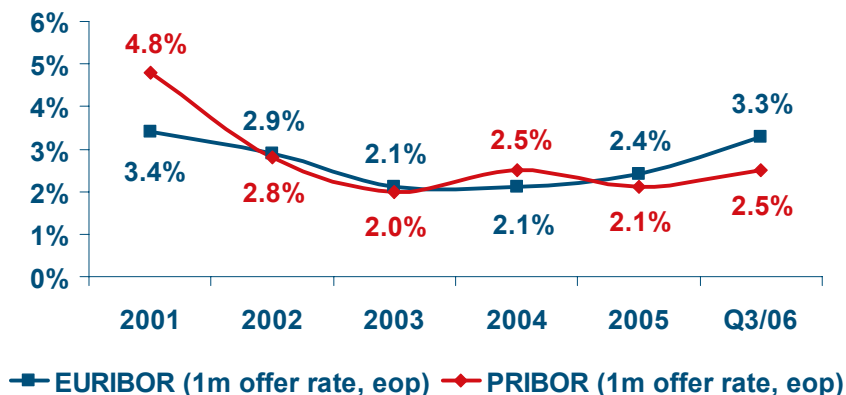
Low interest rates support growth

- » Differential to Euro rates has increased over the past year (2W repo rate: 250 bps)
- » FX loans remain irrelevant in the market
- » Gradual rate hikes expected in 2006 & 2007

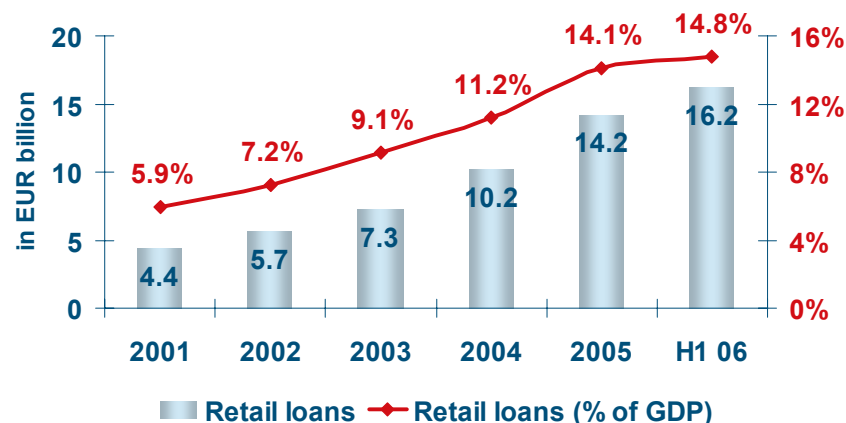
Asset base of the banking market



PRIBOR vs EURIBOR



Retail loan growth



Source for charts: Czech National Bank, European Central Bank

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Outlook – positive all round

> Healthy margins – strong operating profit growth

Double-digit operating profit growth

- » Driven by rising volumes in all segments
- » Continued positive changes in asset mix (gradually improving loan/deposit ratio)
- » Above-plan fee income – thanks to growing lending and asset mgmt volumes
- » Ongoing strict cost management (eg headcount reduction by 800 people in 05-06)
- » Using normalised provisioning levels

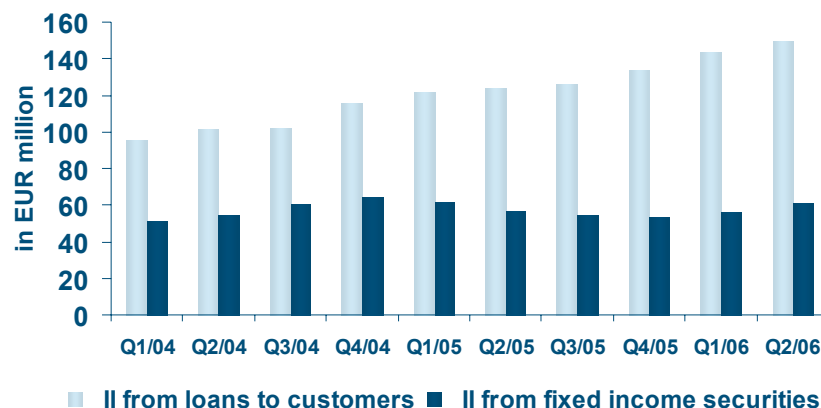
Margins remain stable

- » Supported by strong retail lending growth
- » Loan mix towards higher-margin products

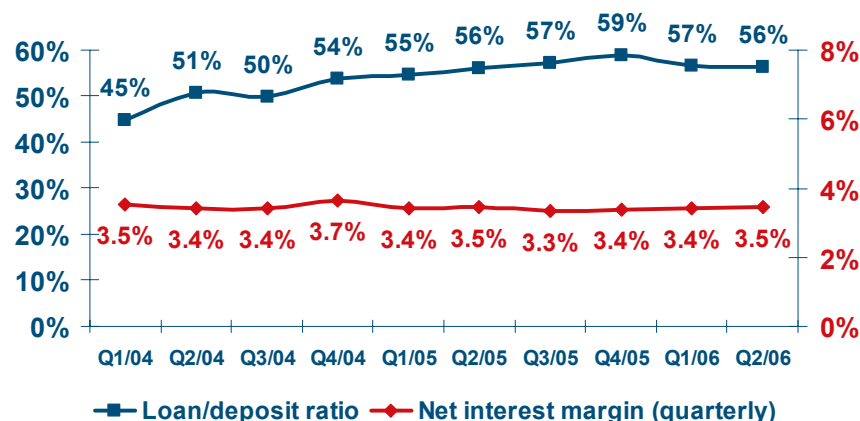
Strong growth in funds and deposits

- » Total funds under management climbed to EUR 21.5 bn in H1 06 (or 11.1% ytd)
- » Good growth both in banking deposits and funds under management of CS subs

Structural improvements in interest income



Margins - stability all round



Source for charts: Česká spořitelna

> Growth driver – loan growth

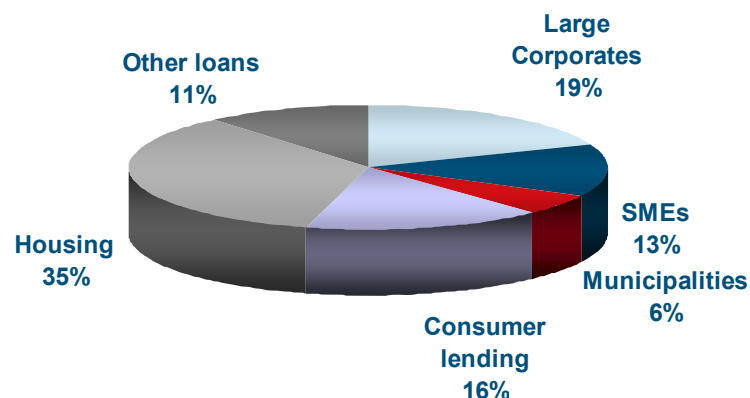
Double-digit annual loan growth

- » Driven by private & commercial mortgages
- » Slowdown in large corporate loans due to significantly lower credit limit utilisation
- » Gradual repayments of loans to Czech Consolidation Agency

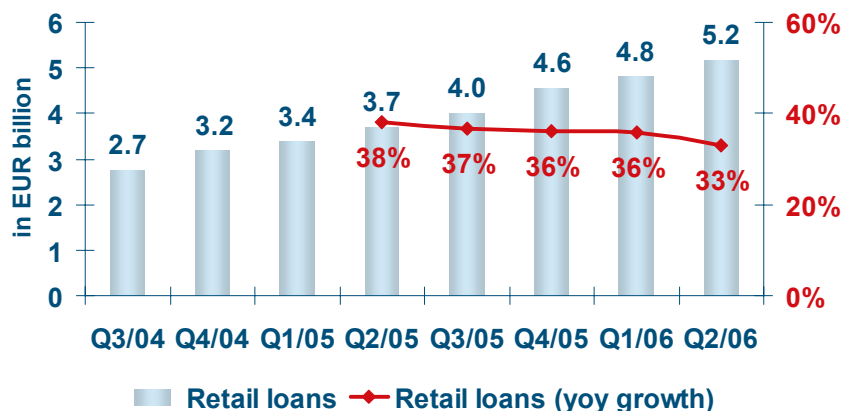
Asset quality remains stable

- » NPL ratio (NPLs to total loans) = 1.6%

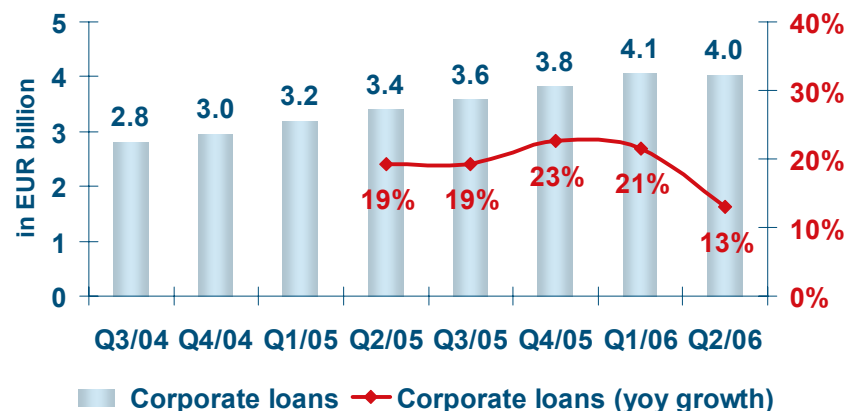
Credit portfolio structure (H1 06)



Retail loan growth



Corporate loan growth



Source for charts: Česká spořitelna

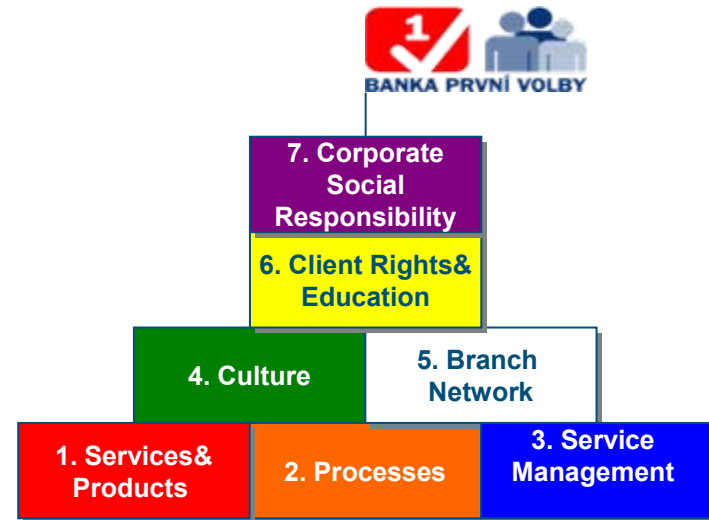
> Growth driver – „First Choice Bank“ programme

Initiative to make banking easier

- » 60 actions to enable Česká spořitelna to maintain its position as the country's most respected and dynamic bank
- » Corporate culture effort to develop more professional and more confident staff

Seven building blocks

- » Each of them comprising a number of steps targeted to improve product offering, service quality and corporate culture within 18 months



Investments at normal levels (06-08)

- » Branch renovations EUR 52 – 61m
- » Community grants EUR 5 – 10m
- » Training EUR 10 – 17m
- » IT & projects EUR 189 – 232m

Positive financial impact in 2007

- » Annual net profit growth 15% instead of 10%
- » Revenues: 3% above normal growth
- » Expenses: 1% above normal growth

GOAL		Current	Date
1m	Credit cards	350,000	4Q/08
140,000	Mortgages	74,000	4Q/08
1.3m	SERVIS 24 unique Users	1m	2Q/08
1,300	ATMs	1,078	4Q/08
6,500	SME Clients	4,900	4Q/08
250,000	Micro Business Clients	170,000	3Q/08
2.5	Cross-sell (= sell 2.1m products)	2.1	4Q/08

> Competitive position maintained

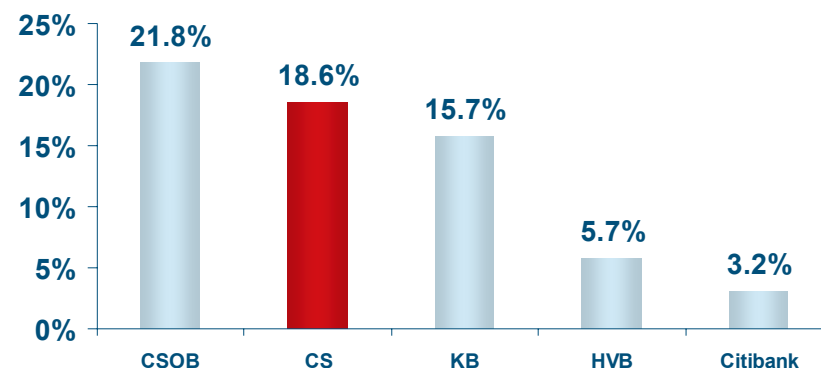
Market position maintained

- » No. 2 by total assets (2005: No. 2)
- » No. 1 by total loans (2005: No. 1)
- » No. 2 by total deposits (2005: No. 2)
- » Gains in key growth segments, eg mortgage loan market where market share reached 35%

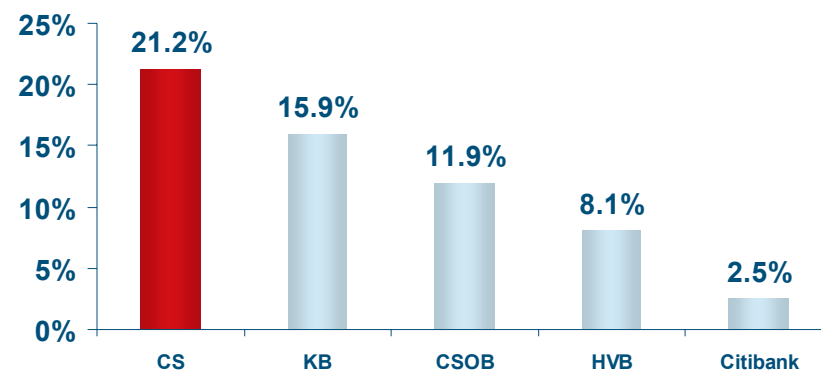
Market structure remains stable

- » Concentrated banking market
- » 3 dominant players, including CS
- » 37 banks in total, 28 owned by foreigners
- » Concentration continues, eg merger of Unicredit interests in CZ and Raiffeisen purchase of e-Banka
- » New entrants: Fortis, BAWAG, CALYON, etc

Top 5 by assets (H1 06)



Top 5 by total loans (H1 06)



Source for charts: Czech National Bank, local banks

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Strong economy continues

- » Solid, mid-single digit GDP growth
- » Disposable income growth ahead of GDP
- » Low inflation

Favourable interest rate scenario

- » Slowly rising rates, not affecting demand
- » Rates remaining below Euro rates
- » 25bps hike yields CZK 300m in additional revenues

Targets reflect fundamentals

- » Revenues to grow twice as fast as expenses
- » Loan/deposit ratio to reach 70% by year-end 07, from 63% - 65% at year-end 06
- » Acceleration in profit growth
- » Maintenance of 20%+ ROE
- » Further improvement of cost/income ratio

	06 outlook*	07 target*
Net profit growth	10%	15%
Return on equity	> 20%	> 20%
Cost/income ratio	< 54%	< 53%

*) Please note: all targets relate to local, consolidated results.