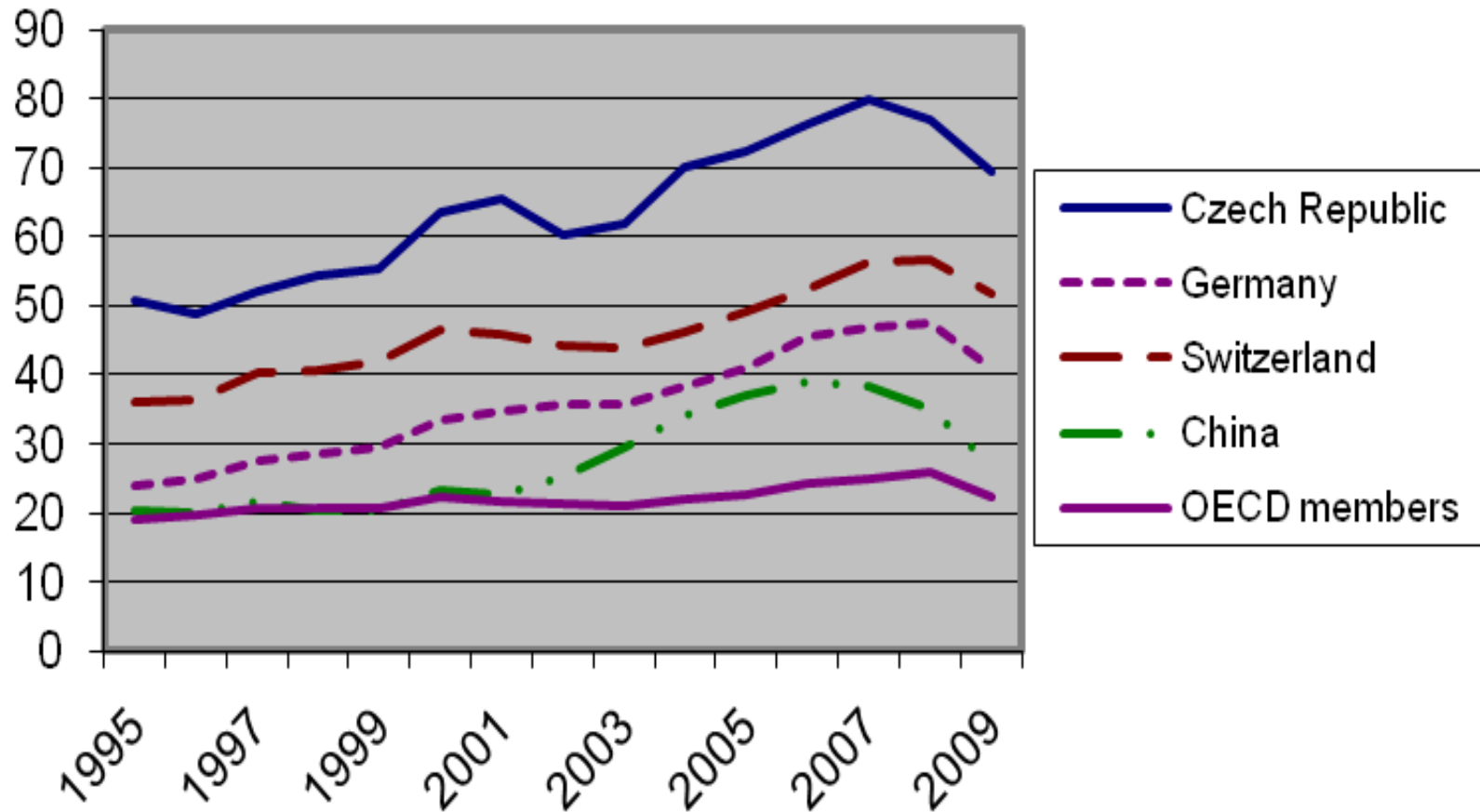


Specific Signs of the 2008-2011 Credit Crisis in the Czech Republic

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Famalicao, Portugal, July 2011

Export as a percentage of GDP



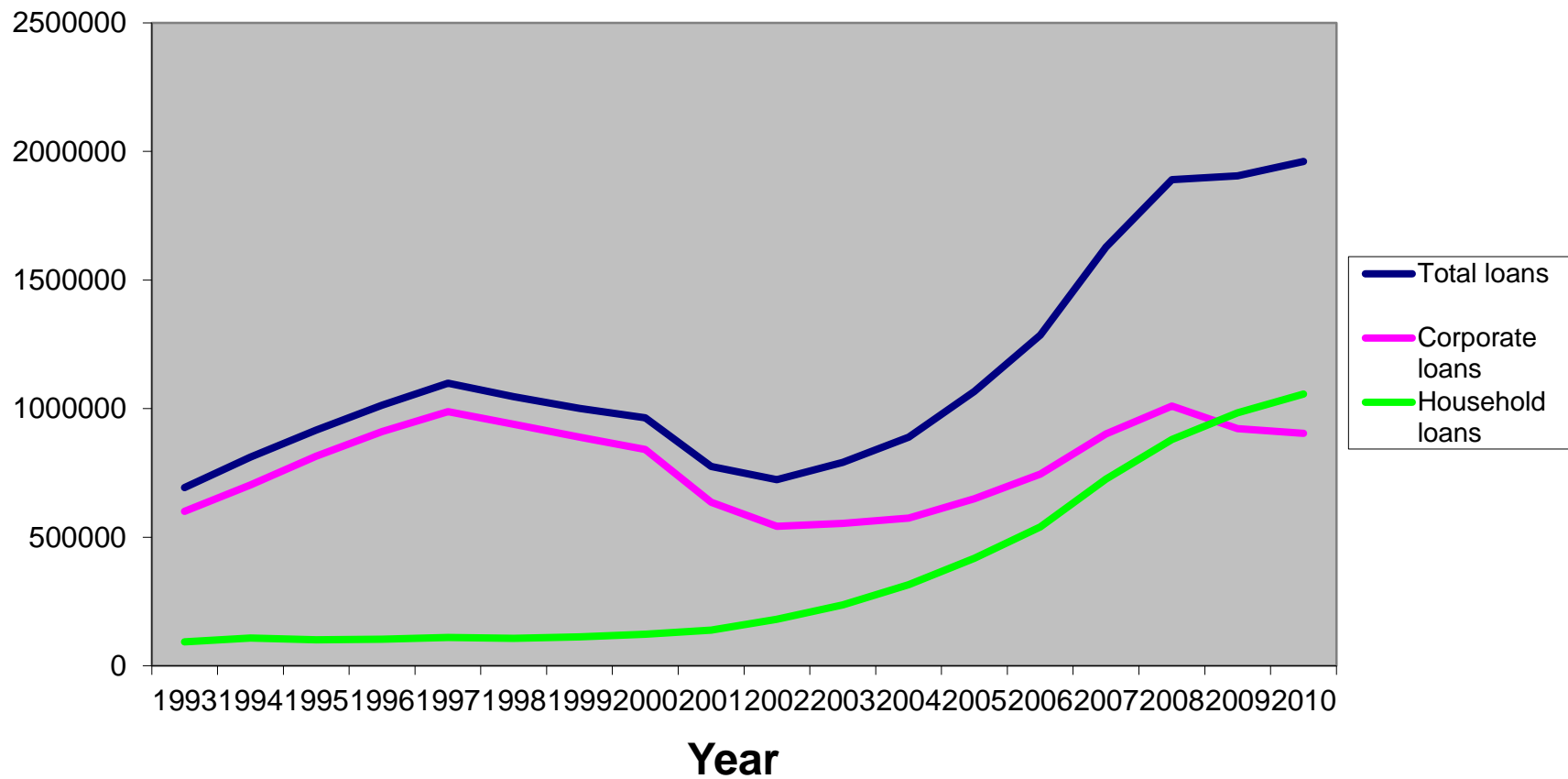
Source: World Bank, [World Development Indicators](#)

Total loans, corporate loans and household loans (in CZK million)

YEAR	Total loans	Corporate loans	Household loans
1993	693100	600300	92800
1994	811500	703700	107800
1995	916700	814900	101800
1996	1013900	910500	103400
1997	1098700	988200	110500
1998	1046700	939500	107200
1999	1001000	888700	112300
2000	963900	841000	122900
2001	775400	636100	139300
2002	724198	542682	181516
2003	791630	554102	237528
2004	889421	574204	315217
2005	1067511	649712	417799
2006	1286118	745480	540638
2007	1628155	901883	726272
2008	1889847	1009626	880221
2009	1905056	921752	983304
2010	1960767	904502	1056265

Source: CNB – National Monetary Survey as of 4th February 2011,
http://www.cnb.cz/cnb/STAT.ARADY_PKG.STROM_SESTAVY?p_strid=AACA&p_sestuid=&p_lang=CS

Total loans, corporate loans and household loans (in CZK million)

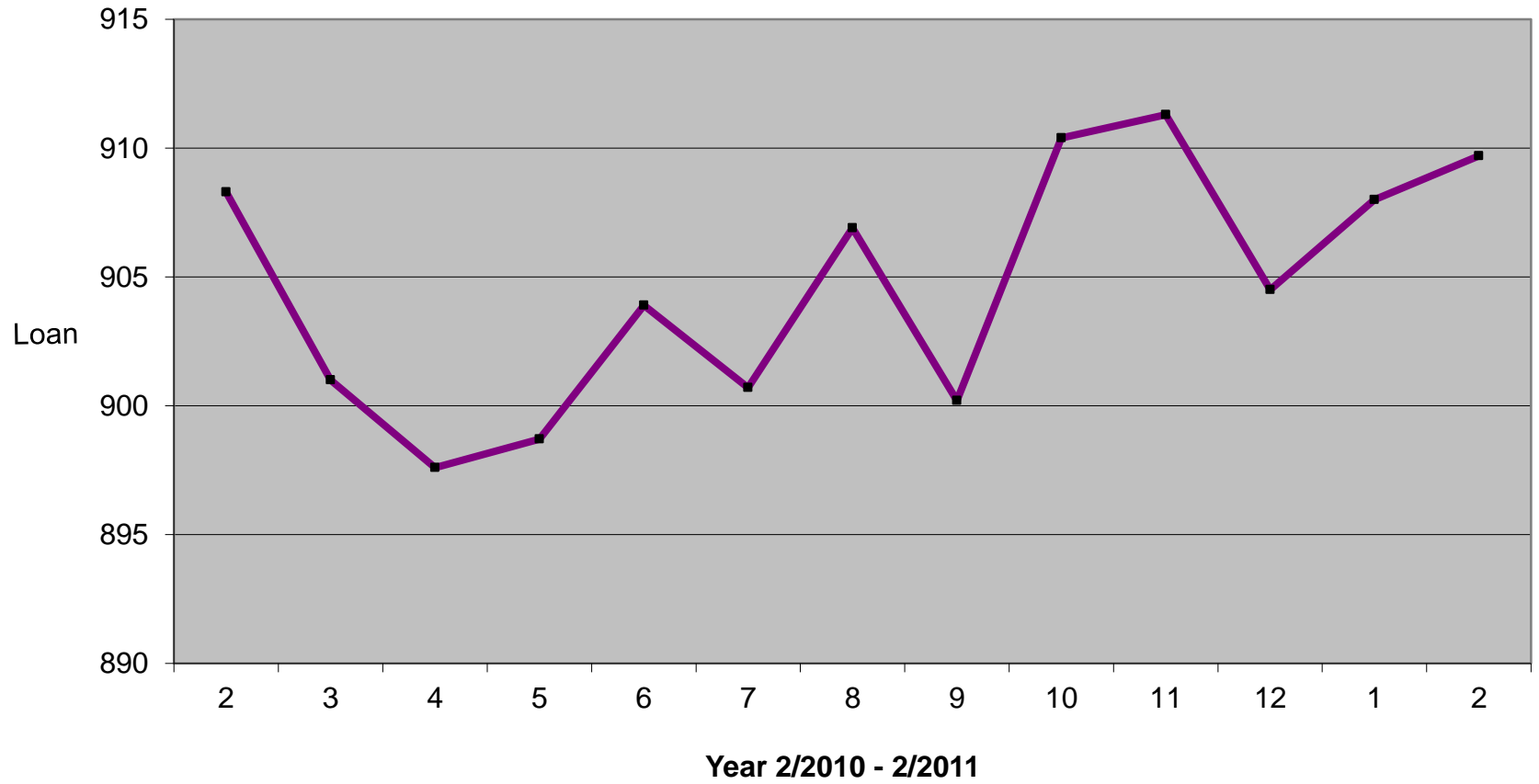


Corporate loans (in CZK million)

YEAR	2010											2011	
Month	02	03	04	05	06	07	08	09	10	11	12	01	02
Loan	908,3	901,0	897,6	898,7	903,9	900,7	906,9	900,2	910,4	911,3	904,5	908,0	909,7

Source: CNB – National Monetary Survey as for 4th February 2011,
http://www.cnb.cz/cs/statistika/menova_bankovni_stat/narodni_stat_data/mp.htm

Corporate loans (in CZK million)



1.

Banks ceased to provide loans since they did not have sufficient funds available as they had to transfer some of their assets abroad to help their parent banks.

2.

Banks had refused to provide loans due to “erroneously setting” the risk assessment standards, which adversely affected even healthy operations.

3.

The bank employis were afraid of loosing their jobs so they tried to keep low-profile and avoid any mistakes, hence the excessive prudence in loan provision.

Indices of corporate loans (Year-on-year, as at the year's end) and industrial production sales (year-on-year, as at December of the relevant year)

Period	Loans - index	Sales - index	Correlation I	Correlation II
2002/2001	85.3	110.1	+24.8	+8.0
2003/2002	102.1	102.3	+0.2	-1.3
2004/2003	103.6	114.9	+11.3	+1.7
2005/2004	113.2	106.6	-6.6	-8.1
2006/2005	114.7	105.7	-9.0	-15.3
2007/2006	121.0	109.4	-11.6	-2.5
2008/2007	111.9	89.6	-28.9	-1.7
2009/2008	91.3	98.2	+6.9	0.1
2010/2009	98.1	113.0	+14.9	-3.5 ¹⁾

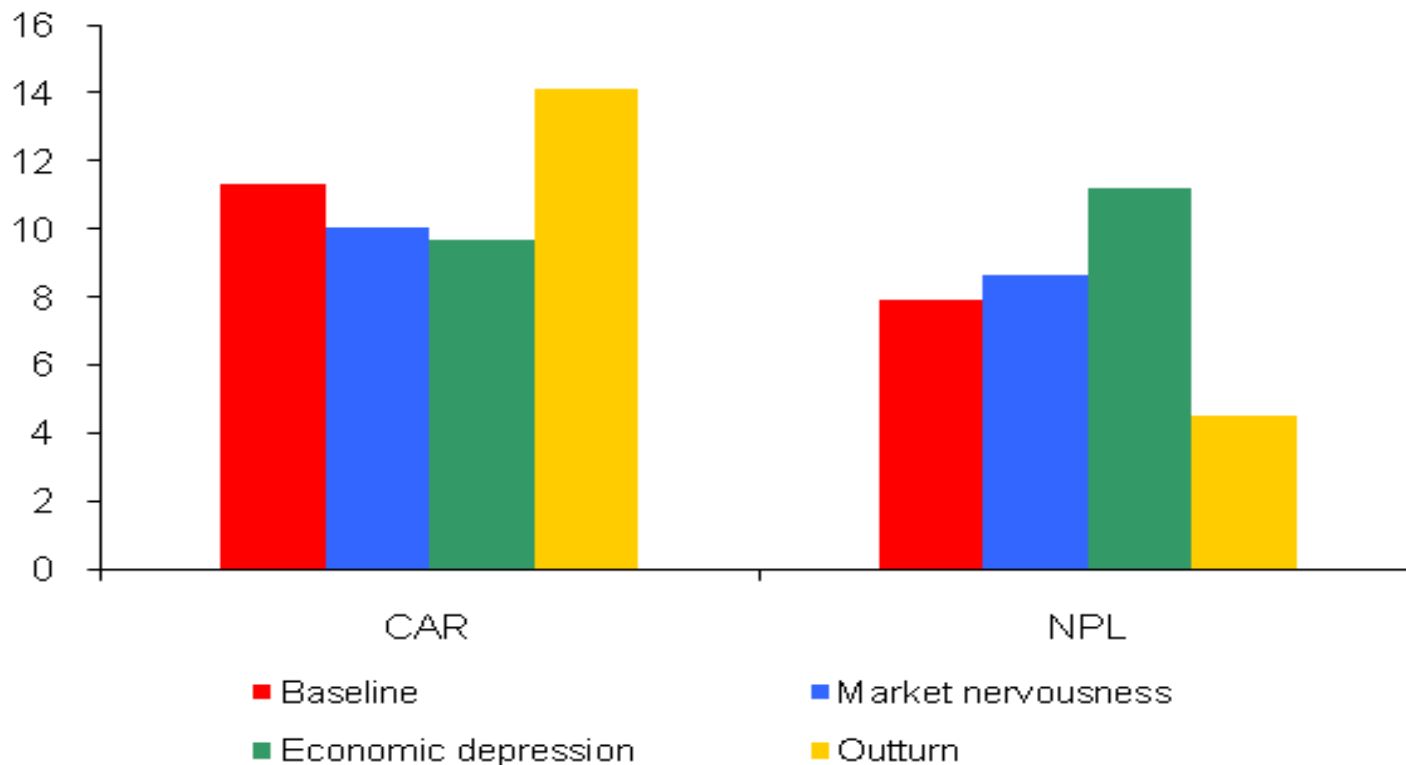
Source: CNB: National Monetary Survey as of 4 April 2011

http://www.cnb.cz/cs/statistika/menova_bankovni_stat/narodni_stat_data/mp.htm , CzSO:

Sales of manufactured articles and industrial services of 6 April 2011,

http://www.czso.cz/csu/redakce.nsf/i/pru_cr

Estimates of non-performing loans (NPL) ratio and capital adequacy ratio (CAR): last year's scenarios versus 2009 outturns in %



Source: CNB, Financial Stability Report 2009/2010,
http://www.cnb.cz/cs/financni_stabilita/zpravy_fs/FS_2009-2010/index.html

Gross value added (in CZK million, current prices) and bank loans in CZK and foreign currencies (in CZK million) in selected sectors

Sector	2005			2006		
	Gross Value added (GVA)	Loan totals	GVA generated per 1CZK in loans	Gross Value Added (GVA)	Loan totals	GVA generated per 1CZK in loans
Agriculture, hunting, fishing	80 420	22 603	3,56	73 489	25 444	2,89
Mining	36 401	10 591	3,44	37 944	17 148	2,21
Manufacturing	704 925	171 671	4,11	762 847	194 443	3,92
Electricity, gas and water supply	103 791	33 737	3,08	127 705	29 979	4,26
Construction	167 996	20 331	8,26	179 756	28 764	6,25
Wholesale and retail trade, repairs of motor vehicles and personal and household goods	342 396	133 707	2,56	380 314	153 025	2,49
Hotels and restaurants	52 839	6 914	7,64	50 753	10 277	4,94
Total	2 205 760	703 646	3,13	2 398 140	809 320	2,96

	2007			2008		
	Gross Value added (GVA)	Loan totals	GVA generated per 1CZK in loans	Gross Value added (GVA)	Loan totals	GVA generated per 1CZK in loans
Agriculture, hunting, fishing	75 761	28 826	2,63	77 076	34 565	2,23
Mining	36 261	30 099	1,20	47 431	30 674	1,55
Manufacturing	872 407	217 334	4,01	850 106	244 624	3,48
Electricity, gas and water supply	129 171	34 737	3,72	139 800	46 041	3,04
Construction	199 240	34 105	5,84	208 902	36 009	5,80
Wholesale and retail trade, repairs of motor vehicles and personal and household goods	401 670	162 932	2,47	452 142	177 024	2,55
Hotels and restaurants	55 071	12 037	4,58	59 521	13 377	4,45
Total	2 647 901	992 040	2,67	2 756 646	1 129 262	2,44

Conclusion

What seems obvious is the fact that the “credit crisis” was to a large extent (if not entirely) the result of excessive lending of 2006-2007 that continued until mid 2008 and that was a part of the reduced performance of borrowed funds in industry, the key sector of the Czech economy. The excessive growth of lending, which went beyond the actual needs of businesses, took place despite the generally very conservative behaviour of banks in the country. The feeling of “credit crisis” on the part of debtors and potential debtors was raised by the banks quickly reverting to their standard behaviour. It is worth noting in this respect, that the development between 2008 and 2010 was not even close in terms of its duration and dynamics to the situation experienced during the credit crisis of 1997 to 2002.