

Česká spořitelna - Q1-3 2016 consolidated results (unaudited, IFRS)

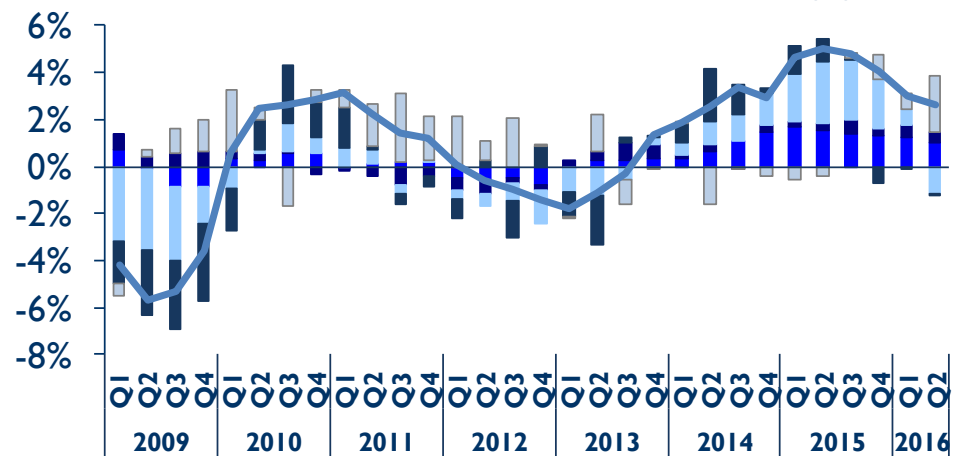
4 November 2016

**Accelerating loan growth with excellent credit quality
supported by positive macro sentiment**

Executive summary – Cyclical position remains favourable

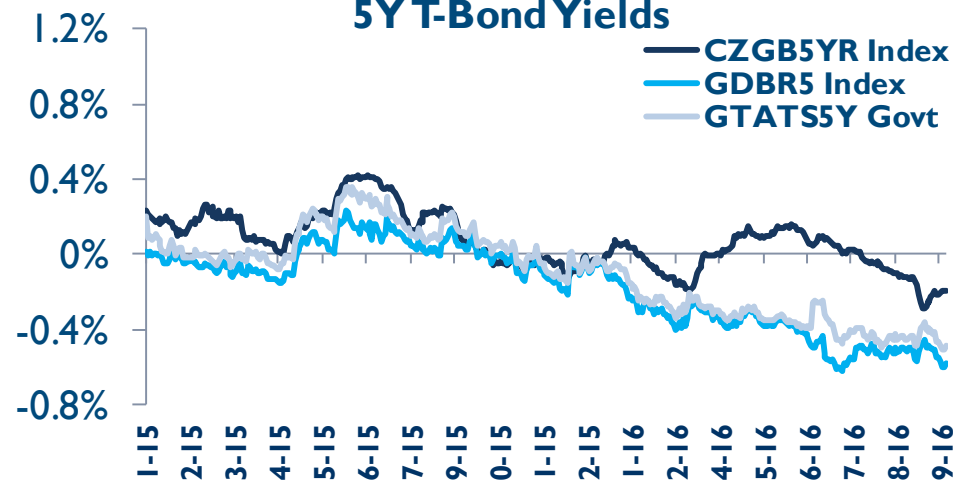
- Czech GDP growth is estimated to be faster in 2016 (2.6%) than in 2015 excluding the impact of last year's extraordinary volume of public investments. The cyclical position has further improved
- Headline **inflation** arrived at 0.5% in September, as it was negatively influenced by subdued economic activity in the Eurozone and prices of fuel, gas and food. However, **core inflation** (1% y/y in September) reflects improving domestic demand pressures
- The **EUR/CZK** is still close to the level of 27. The ČNB had to intervene to avoid a potential break in its FX commitment
- **Yields on Czech bonds** remained very low or negative in 2016, due to low inflation, high demand among non-residents and the generally low price of liquidity in the Czech Republic and the Eurozone
- The **Czech banking sector** is well capitalized and profitable, and the ČNB stress test shows that it is highly resilient to potential adverse shocks

Contributions to GDP Growth (y/y)



Legend for Contributions to GDP Growth (y/y):
 Net Exports (grey), Fixed Investment (light blue), Household Final Consumption Exp. (dark blue), Inventories (black), Government Final Consumption Exp. (dark blue), GDP (y/y, %) (blue line)

5Y T-Bond Yields



Executive summary –

Net profit mirrors accelerated growth in lending and sale of VISA Europe

- Higher growth dynamics in lending and further improved loan portfolio quality were the main business contributors to net profit which grew by 7.1% y/y to CZK 11.9 bn in Q1-3 2016
 - Net profit supported by one-off items, mainly by income from sale of equity stake in VISA Europe (CZK 1.4 bn pre-tax)
- Operating result declined by 6.1% y/y mainly due to lower net fee income and net trading and FV result impacted by methodology change in valuation of derivatives in 2015. Excluding this change operating result down by 2.5%
 - Net fee income fell by 8.4% y/y due to EU regulation in payment cards business and higher usage of advantageous products and services. On the other hand, net fee income from securities and asset management continuously grow
 - Net interest income decreased only slightly as the impact of adverse interest rate environment was almost offset by accelerating growth in lending
- Operating expenses declined by 3.0% y/y due to lower contribution to Deposit Guarantee Scheme and strategic cost management
- ČS Group is very well capitalized, Solvency ratio (Tier 1+2 ratio) increased to 19.4% (from 18.8% in September 2015), supported by AT1 capital issued in December 2015

Executive summary –

Accelerating loan growth with low risk costs at 24 bps

- Growth of group customer loans (gross) accelerated to 8.2% y/y
 - Newly granted mortgages in Q1-3 2016 increased by 10.5% y/y and exceeded CZK 40 bn which is the historically highest volume for particular period. Loan outstanding increased by 11.9% y/y
 - Cash loans (outstanding) increased by 3.4% y/y, improving trend in total consumer loans confirmed (rose by 0.6% since YE 2015)
 - Wholesale loans* (outstanding) expanded by 11.0% y/y driven by large corporate clients in automotive and energy sectors
- Risk costs** dropped by 48% to 24 bps y/y reflecting recoveries in wholesale
 - Share of NPLs reduced to 3.3% (from 4.0% in September 2015)
 - NPL coverage by credit risk provisions at strong 80%, total coverage at 111.2%
- Customer deposits increased by 9.4% y/y following inflow of corporate and retail deposits, L/D ratio at 73.9%
- Higher demand for alternative investment products evidenced in growing assets in pension funds of ČSPS (up by 10.5% y/y) and in domestic and foreign mutual funds (up by 13.5% y/y)

* Wholesale defined as Corporate and Group Markets customer segments

** Annualised Net risk provision creation from P/L over gross loan portfolio (eop)

Q3 2016 business highlights



Services

More than 58,000 clients are saving money with the My Healthy Finance service – we are helping our clients reduce their regular expenditures, put aside savings, and appreciate the money they save



Mortgages

Clients can arrange their mortgage refinancing on-line, from beginning to end, without having to visit a branch. Record-low interest rates starting at 1.79% p.a. are now available to clients, on mortgages with a ten-year fixed rate, and on top of that a property valuation free of charge.



Cash Loans

Cash loans are now even more advantageous – we reward our clients for proper repayment – we forgo up to 15 monthly instalments, which can save them as much as CZK 68,000



Paper Less

A biometric signature with a signpad or tablet increases security and significantly saves clients' time, as no documents need to be printed. In six months, clients biometrically signed over 1.1 million documents



Credit Cards

Our Transparent Credit Card offers clients a simple calculation of interest, as well as of the interest-free period on ATM withdrawals. In addition, clients get card account maintenance entirely free of charge, if they make payments worth at least CZK 3,000 with their card in the given billing period



Services

A social banking programme for clients who have limited or no access to banking services. In addition to financial products, it offers a broad range of development tools – mentoring and business accelerators



Real Estate

ČS real estate fond executed one of the most significant transactions in Central Europe, in buying the tallest building in Prague – the City Tower. With this purchase, it increased the number of properties in its portfolio to ten, with an aggregate market value of approximately CZK 11.5 bn



Olympic Games

ČS linked fans and Olympic athletes in its Keeping Our Fingers Crossed project; additional support was given to Olympic Parks throughout the Czech Republic; in Prague, for example, it featured Paleček's Café, the proceeds from which the bank donated to SANANIM

Q3 2016 business highlights



| Mora Moravia

Long Term & Revolving Facilities

EUR 15,000,000
CZK 250,000,000

.....

Arranger & Lender




| Vinice - Hnanice

Working capital financing & investment loans

CZK 193,000,000

.....

Sole Lender




| TRIMILL

Long Term Loan

CZK 183,000,000

.....

Sole Lender



| HECKL

Long Term Loan

EUR 5,297,000

.....

Sole Lender



| P3 Property Group

Syndicated Investment Loan

EUR 720,000,000

.....

Mandated Co-Lender



| CTP

Long Term Facility

EUR 320,000,000

.....

Agent and Original Lender



| Crestyl Jablonec

Development Financing

CZK 443,300,000

.....

Sole Lender



| Holešovice

Acquisition Financing

CZK 159,000,000

.....

Sole Lender

Presentation topics

- Česká spořitelna
 - Financial performance analysis
- Macroeconomic developments
 - Economic trends in details
- Banking market
 - Czech banking market developments
 - Česká spořitelna market shares
- Appendix

Financial statements – Income statement (CZK m)

	1-9 15	1-9 16	Change
Net interest income	19,429	19,186	-1.3%
Net fee and commission income	7,529	6,898	-8.4%
Dividend income	67	60	-10.4%
Net trading and fair value result	2,239	1,929	-13.8%
Net result from equity method investments	0	-1	-
Rental income from investment properties & other operating leases	581	381	-34.4%
General administrative expenses	-13,635	-13,232	-3.0%
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	322	1,423	>100%
Net impairment loss on financial assets not measured at fair value through profit or loss	-1,883	-1,063	-43.5%
Other operating result	-880	-599	-31.9%
Pre-tax result from continuing operations	13,769	14,982	8.8%
Taxes on income	-2,634	-3,057	16.1%
Post-tax result from continuing operations	11,135	11,925	7.1%
Net result for the period			
Net result attributable to non-controlling interests	0	1	-
Net result attributable to owners of the parent	11,135	11,924	7.1%
Operating income	29,845	28,453	-4.7%
Operating expenses	-13,635	-13,232	-3.0%
Operating result	16,210	15,221	-6.1%
Cost/income ratio	45.7%	46.5%	
Return on equity	13.7%	13.2%	

Financial statements – Balance sheet I (CZK m)

Assets

Assets	Dec 15	Sep 16	Change
Cash and cash balances with central banks	111,027	160,154	44.2%
Financial assets - held for trading	14,725	33,152	>100%
Derivatives	13,995	13,577	-3.0%
Other trading assets	730	19,575	>100%
Financial assets - designated at fair value through profit or loss	907	960	5.8%
Financial assets - available-for-sale	78,053	81,921	5.0%
Financial assets - held to maturity	160,988	161,312	0.2%
Loans and receivables to credit institutions (net)	34,717	52,525	51.3%
Loans and receivables to customers (net)	532,524	570,344	7.1%
Derivatives - hedge accounting	663	910	37.3%
Property and equipment	12,318	10,855	-11.9%
Investment properties	4,949	2,586	-47.7%
Intangible assets	3,966	3,845	-3.1%
Investments in associates and joint ventures	0	769	-
Current tax assets	740	742	0.3%
Deferred tax assets	146	-74	-150.7%
Assets held for sale	0	2,349	-
Other assets	3,861	3,498	-9.4%
Total assets	959,584	1,085,848	13.2%

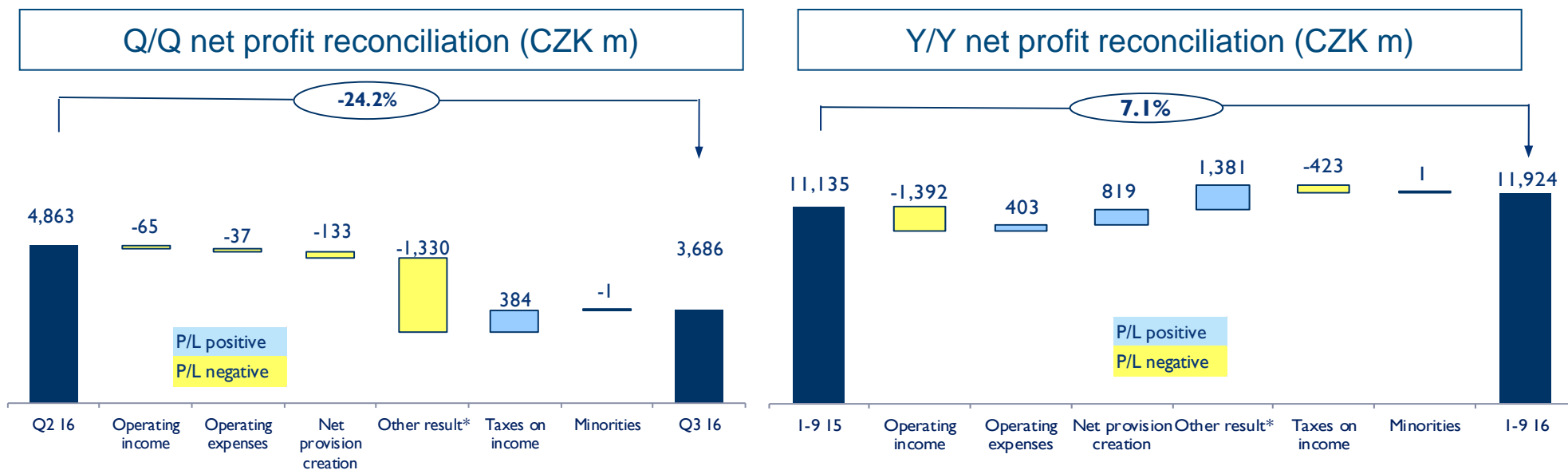
Financial statements – Balance sheet II (CZK m)

Liabilities

Liabilities and equity	Dec 15	Sep 16	Change
Financial liabilities - held for trading	14,956	40,737	>100%
Derivatives	14,944	14,614	-2.2%
Other trading liabilities	12	26,123	>100%
Financial liabilities designated at fair value through profit or loss	4,019	2,135	-46.9%
Deposits from customers	4,019	2,135	-46.9%
Financial liabilities measured at amortised cost	811,679	910,236	12.1%
Deposits from banks	83,915	124,982	48.9%
Deposits from customers	709,817	770,148	8.5%
Debt securities issued	15,493	11,267	-27.3%
Other financial liabilities	2,454	3,839	56.4%
Derivatives - hedge accounting	496	430	-13.3%
Provisions	2,584	2,888	11.8%
Current tax liabilities	100	186	86.0%
Deferred tax liabilities	621	501	-19.3%
Liabilities associated with assets held for sale	0	81	-
Other liabilities	5,166	10,243	98.3%
Total equity	119,963	118,411	-1.3%
Equity attributable to non-controlling interests	-23	171	-
Equity attributable to owners of the parent	119,986	118,240	-1.5%
Total liabilities and equity	959,584	1,085,848	13.2%

Financial performance – Executive summary

Net profit increased by 7.1% y/y in Q1-3 2016



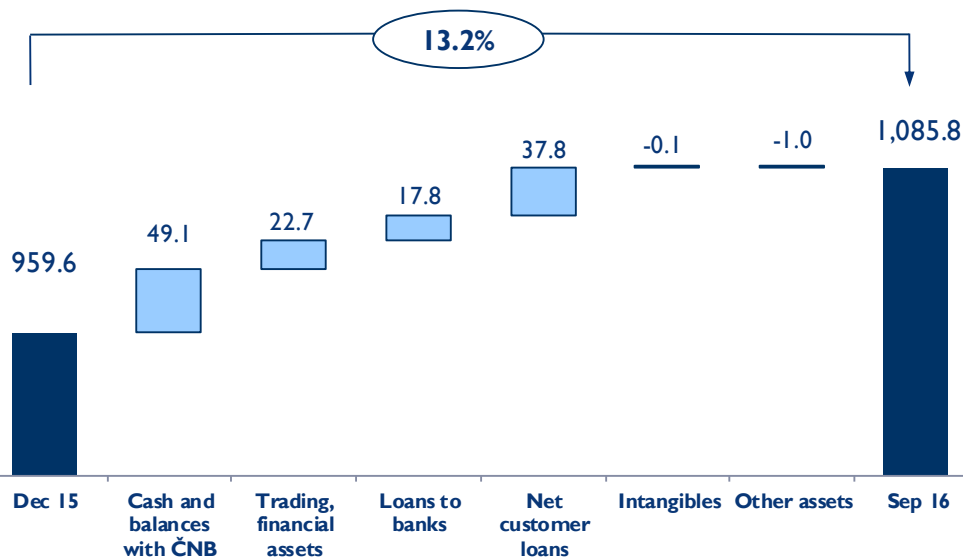
- Decline of net profit q/q attributed mainly to one-off income from sale of equity stake in VISA Europe (CZK 1.4 bn pre-tax) in Q2 2016, booked in other result, excluding one-offs net profit flat q/q
- Operating income slightly down due to decline of net fee income
- Operating expenses almost flat
- Increase of net profit supported by one-off items reflected in other result (sale of equity stake in VISA Europe CZK 1.4 bn pre-tax, sale of Acquiring business and impairment of buildings)
- Decline in net fee and commission income (CZK -0.6 bn) and net trading and FV result (impact of methodology change in valuation of derivatives in 2015) were the main contributors to decline of operating income
- Operating expenses reduced by 3.0% y/y
- Lower net provision creation (-43.5%) reflected further improvement in credit quality

* Includes Gains/losses from financial assets and liabilities not measured at fair value and Other operating result

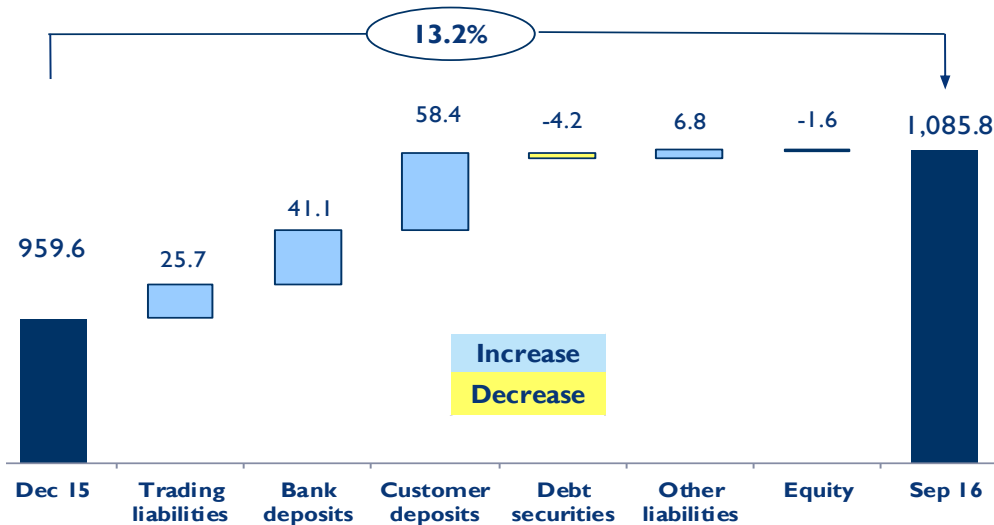
Financial performance – Executive summary

Total balance sheet increased by 13.2% since December 2015

YTD total asset reconciliation (CZK bn)



YTD total liability reconciliation (CZK bn)



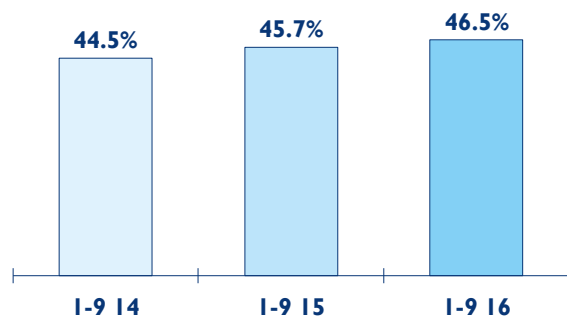
- Total balance sheet increased by 13.2% to more than CZK 1 trillion
- Cash and balances with ČNB increased by CZK 49 bn since YE 2015 due to placing overliquidity with ČNB
- Net customer loans increased by 7.1% since YE 2015
 - Driven by loans to large corporates and by private mortgages
- Trading assets more than doubled due to reverse repo operations with ČNB

- Group customer deposits rose by 8.2% since YE 2015
 - Deposits in parent bank up by 9.9%, driven by deposits from private individuals (CZK +35 bn) and public sector deposits (CZK +22 bn)
 - Deposits from Stavební spořitelna ČS (building saving deposits) declined
- Bank deposits rose by 48.9% in Q1-3 2016
- Trading liabilities went up by almost CZK 26 bn driven by repo operations with non bank financial institutions

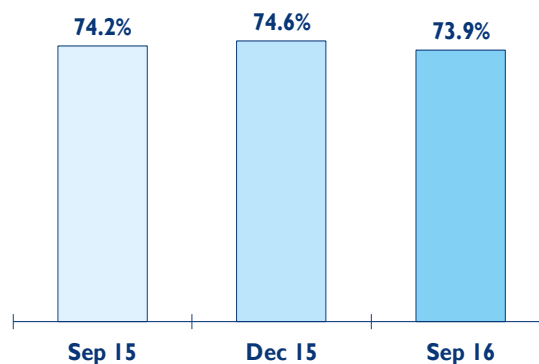
Financial performance – Executive summary

Strong solvency ratio, ongoing branch network optimization

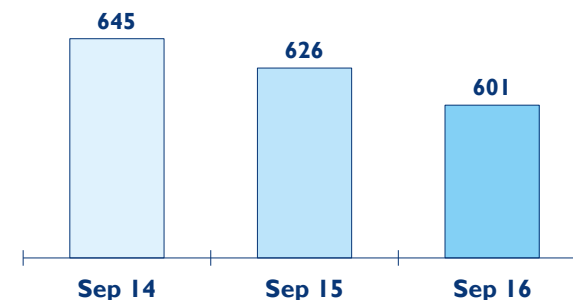
Cost/income ratio



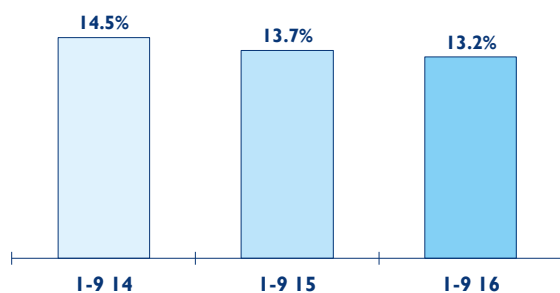
Loan/deposit ratio



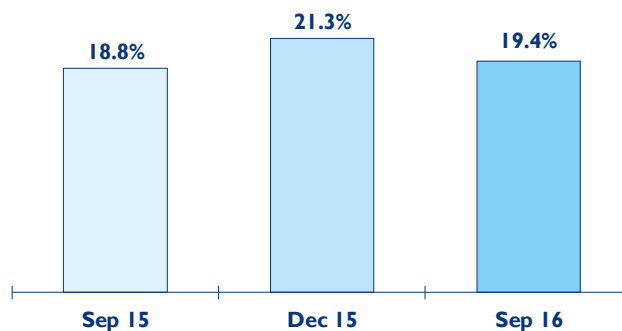
Number of branches



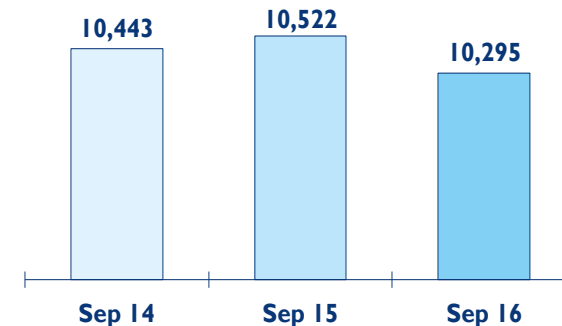
ROE



Solvency ratio



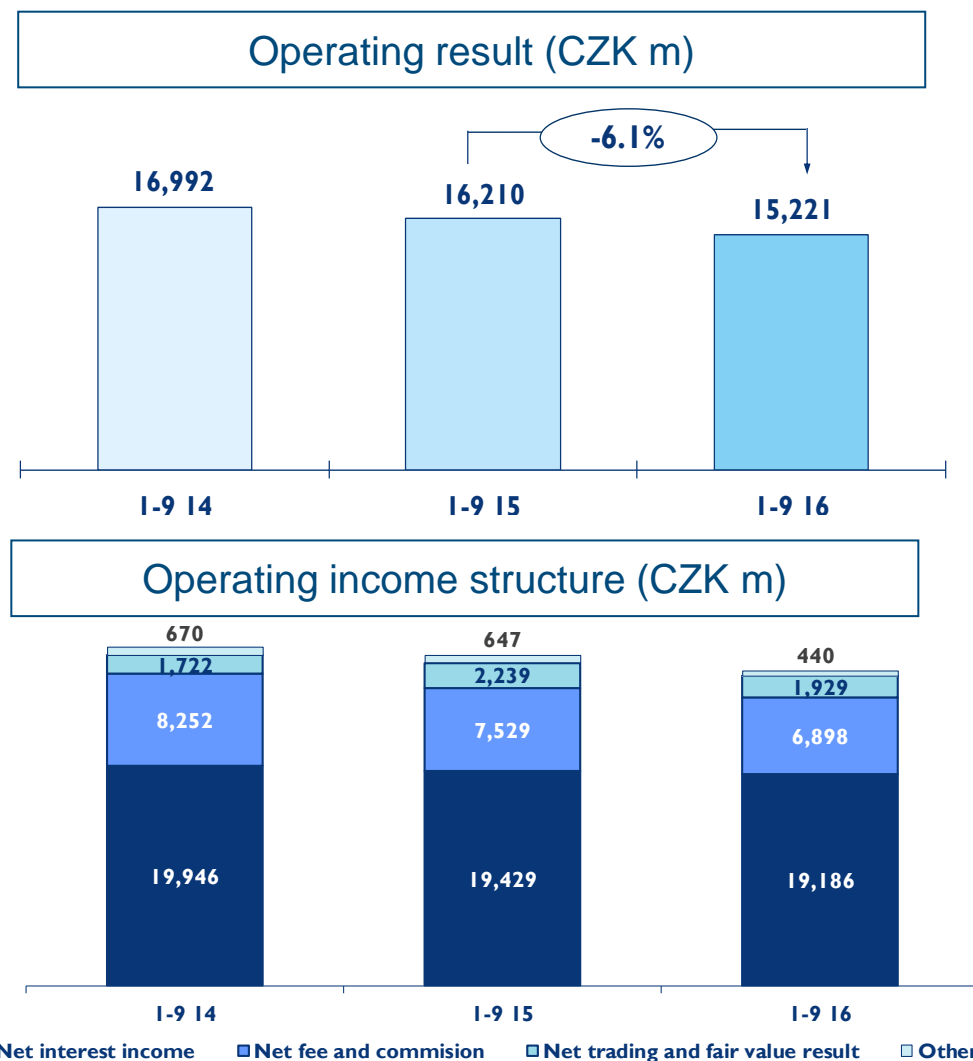
Number of employees (eop)



Operating result –

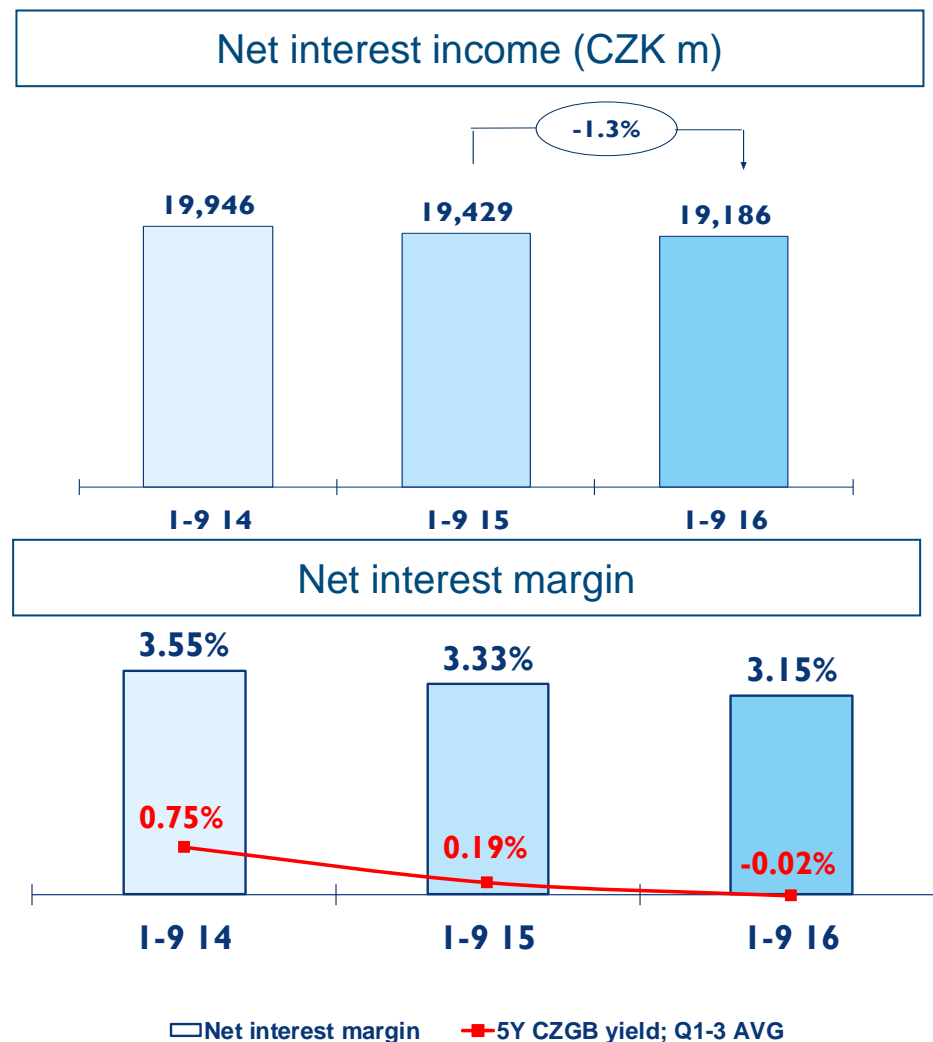
Decline caused by lower operating income

- Operating result declined due to drop of operating income; operating expenses reduced by 3.0% y/y
 - Net fee income still under pressure
 - Net trading and FV result shrank by 13.8% y/y as a result of methodology change in valuation of derivatives in 2015 (impact CZK 0.6 bn)
 - Net interest income declined only slightly as declining yields were partially mitigated by growing loan volumes
 - Decline of other income driven by rental income reflecting reduction of real estate investments



Net interest income – Slightly down given low market interest rates

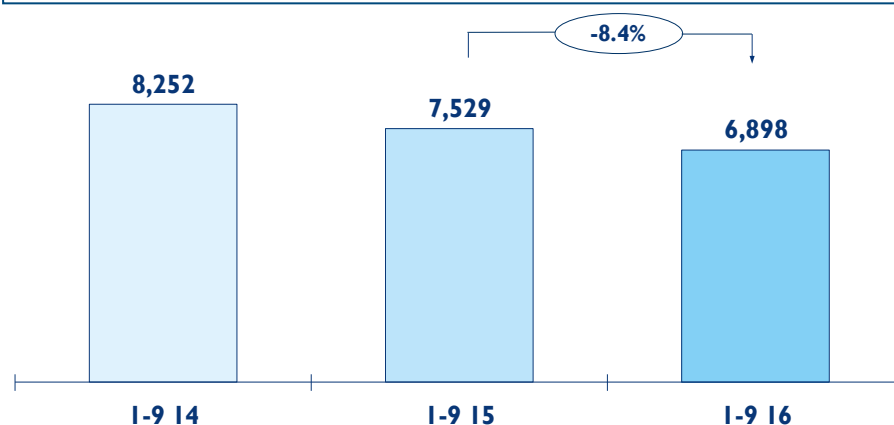
- Pressure from low interest rates and declining yields of fixed income securities partially mitigated by faster growing loan portfolio and by repricing of deposits
- Interest income supported by revival of cash loans (grew by 3.4% y/y)
- Total interest income from lending decreased reflecting replacing of maturing loans with new loans with lower yields
- Net interest margin narrowed to 3.15%
- Impact of growing interest bearing assets with lower yields



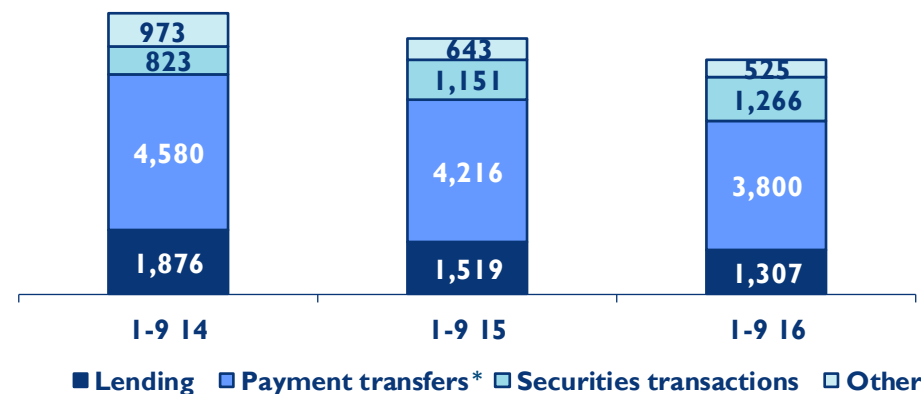
Net fee and commission income – Declined by 8.4% y/y

- Erosion of net fee income continued due to impact of EU regulation in payment card business and growing usage of product benefits by customers
- Fee income from payment transfers declined by 10%
 - Excluding effect of regulated interchange fee (CZK 0.4 bn) total net fee income would decline by 3%
- Growing sale of alternative investment products boosted income from securities and asset management which rose by 10%
 - Clients assets in pension funds grew by 10.5%, assets in domestic and mutual funds increased by 13.5%

Net fee and commission income (CZK m)



Net fee and commission income structure (CZK m)



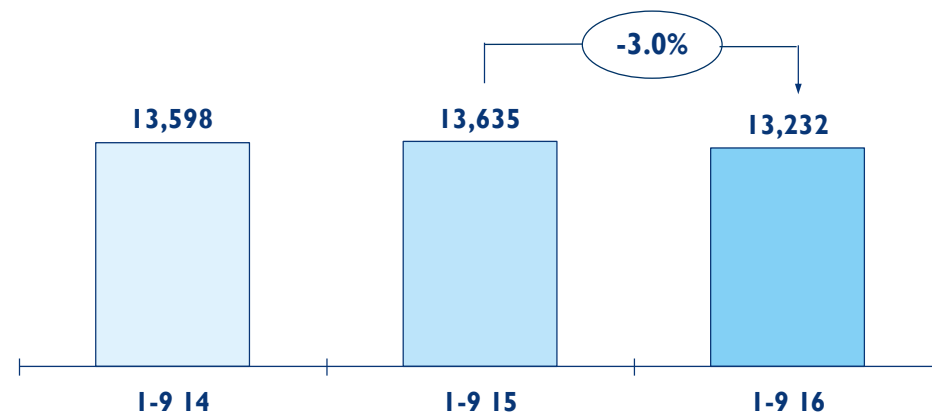
* Including fees from account maintenance and payment cards fees

Operating expenses –

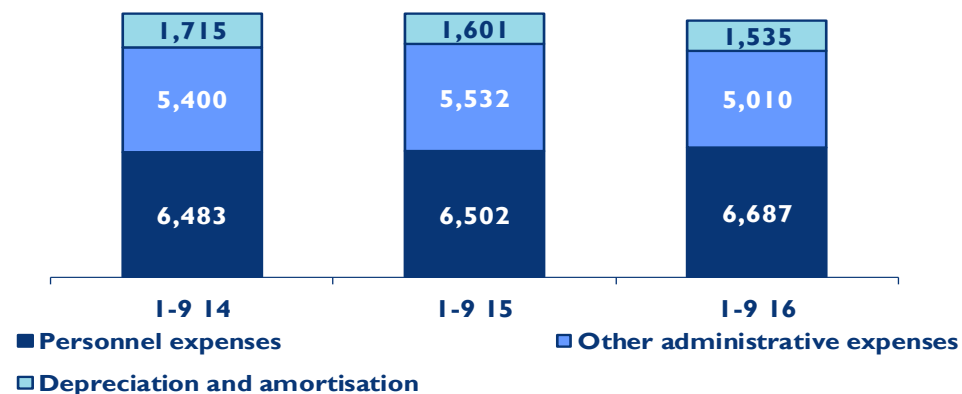
Reduced by 3.0% y/y

- Operating expenses positively influenced by lower contribution to Deposit Guarantee Scheme (DGS) reflected in lower other administrative expenses
- Other administrative expenses down by 9.4% driven by lower contribution to DGS, moreover supported by strategic cost management
- Personnel expenses rose by 2.8% especially due to full year impact of updated fringe benefits and regular increase in wages
- Depreciation down by 4.1% y/y affected by decline in depreciation of IT hardware and office equipment

Operating expenses (CZK m)



Operating expenses structure (CZK m)



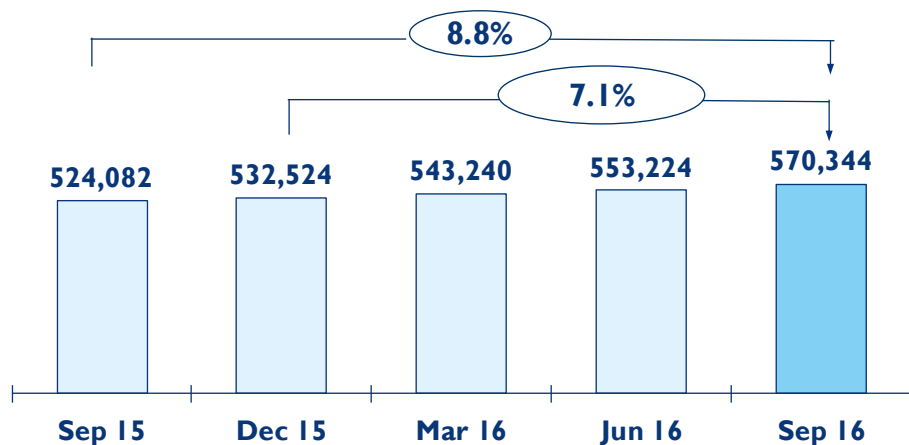
Group capital adequacy – Solvency ratio at strong 19.4%

- ČS Group solvency ratio (Tier 1+Tier 2) increased by 0.6 pp y/y to 19.4% due to issuance of additional Tier 1 capital in December 2015 (EUR 300 m)
 - Tier 1 capital went up by 8.6%, total Tier 1+Tier 2 capital grew by 11.1% y/y
- Slight decrease of Group solvency ratio (Tier 1+Tier 2) since YE 2015 caused by higher risk weighted assets
 - Risk exposure to credit risk up due to strong growth of corporate loans

ČS Group, CZK m	Basel III 30/09/2015	Basel III 31/12/2015	Basel III 30/09/2016
Tier 1 capital thereof:	88,804	99,405	96,466
CET 1 capital		91,298	88,359
Additional Tier 1		8,107	8,107
Tier 1 + Tier 2 capital	88,804	99,859	98,702
Risk exposure to credit risk	404,320	405,856	425,613
Risk exposure to market risks	10,405	5,475	8,929
Risk exposure to operational risk	57,215	56,919	74,231
Total risk exposure	471,940	468,250	508,773
Capital Adequacy Tier 1 ratio	18.8%	21.2%	19.0%
Capital Adequacy Tier 1+2 ratio	18.8%	21.3%	19.4%

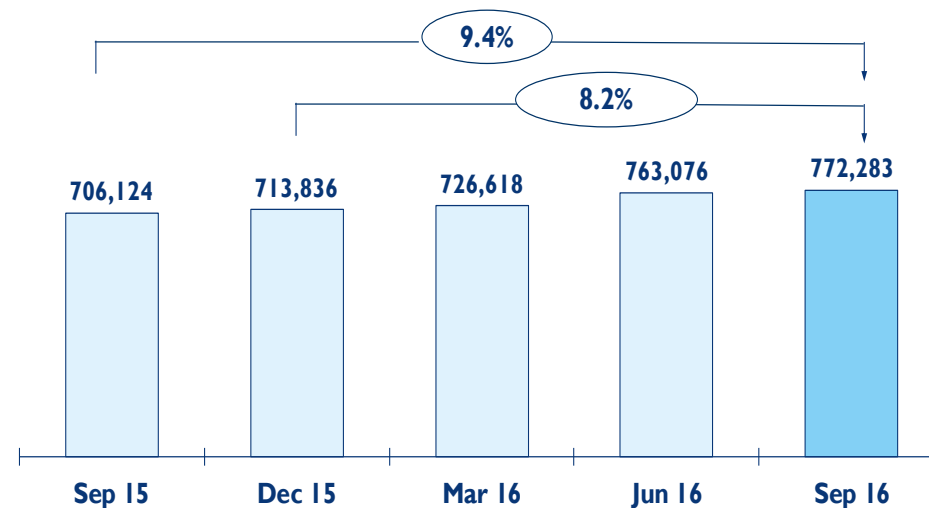
Balance sheet development – High single digit growth in net loans and deposits

Group net customer loans (CZK m)



- Group net customer loans increased by 8.8% since September 2015, driven by loans to large corporates and retail mortgages [/details in the lending part of the presentation/](#)

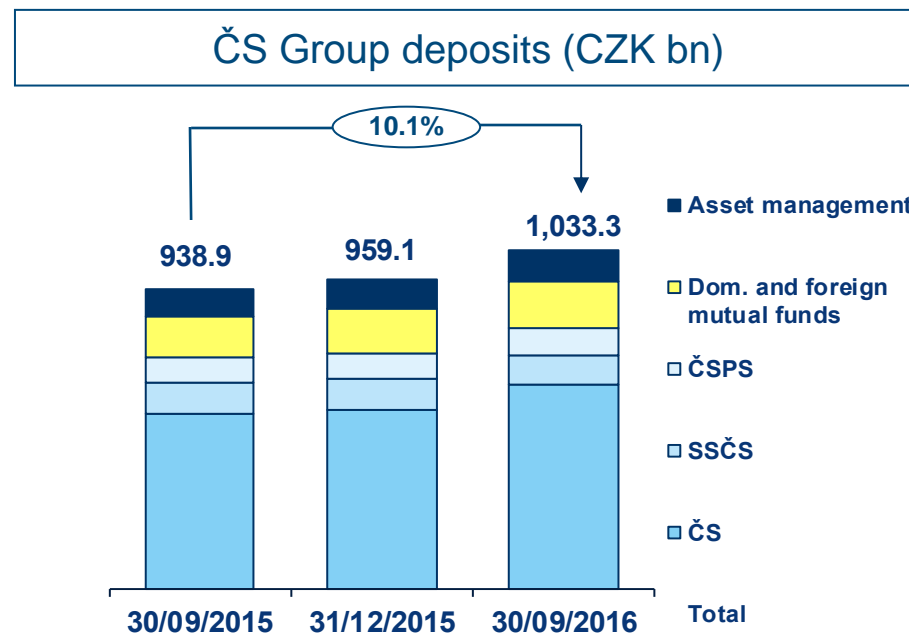
Group customer deposits (CZK m)



- Customer deposits added 9.4% following persisting inflow of deposits from corporate clients (placing their overliquidity with ČS), individuals and public sector

ČS Group deposits – Organic growth in alternative deposit products

- Customer deposits in parent bank grew by 11.6% y/y
 - Continuous influx of deposits from corporate clients, individuals and public sector underpinned overall growth
- Assets in pension company kept its double-digit growth
 - Organic increase of volumes split between transformed and participants' funds
- Domestic and foreign mutual funds added 13.5% y/y
 - Low interest rates support higher clients' demand for alternative higher-yielding products
 - Reico investment company increased its volumes by 75% in y/y comparison
- Assets under discretionary management added 9.2% in y/y comparison
- SSČS (building society) recorded further outflow of deposits following the continuous cost-of-funds optimization



IFRS, in CZK bn	30/09/2015	31/12/2015	30/09/2016	Change (y/y)
ČS - customer deposits	631.2	640.7	704.2	11.6%
SSČS - building society	74.4	74.6	69.1	-7.1%
ČSPS - pension company	62.8	64.4	69.4	10.5%
Dom. and foreign mutual funds	101.8	108.4	115.5	13.5%
thereof Reico - investment company	6.5	8.2	11.5	75.3%
Asset management	68.8	71.0	75.1	9.2%
Total	938.9	959.1	1,033.3	10.1%

Group loan portfolio – Summary

Portfolio growth continued in large corporate and private mortgages

- **Gross loans to customers in ČS Group increased by robust 8.2% y/y to CZK 586.0 bn**
 - Outstanding growth of loans to large corporates
 - Ongoing strong demand for private mortgages and improved trend in consumer lending in retail
- **Risk costs reduced by 48% from 46 bps to 24 bps y/y**
 - Significant recoveries and low NPL inflow in all wholesale* segments
 - Decreasing default rates in private individuals
- **Portfolio quality improved and NPL ratio further reduced to 3.3%**
 - Portfolio quality positively influenced by rapid volume growth in the lowest risk segments combined with successful work-out push on absolute decrease of NPLs
 - NPL share declined from 4.0% to 3.3% y/y thanks to both retail and wholesale

** Wholesale defined as Corporate and Group Markets.*

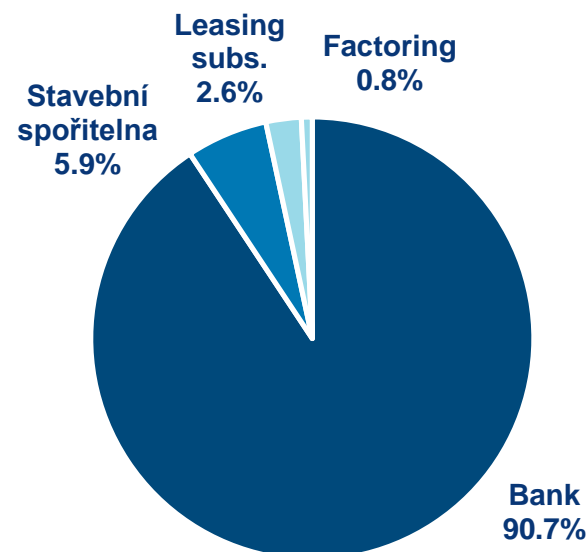
Group loan portfolio –

Group loans increased by strong 8.2% y/y driven by Parent Bank and Leasings

ČS Group loan portfolio (gross)

in CZK m, IFRS	30/09/2015	30/09/2016	YY Change
I. ČS Bank	502,629	546,713	8.8%
II.1. Stavební spořitelna ČS	35,348	35,803	1.3%
II.2. Leasing (sAL, EL)	14,436	15,559	7.8%
II.3. Factoring ČS	4,671	4,787	2.5%
III. Other subs and Consolidation items	-15,470	-16,907	9.3%
Total Loans (consolidated)	541,613	585,955	8.2%

Loan book by Group members as of 30 Sep 2016



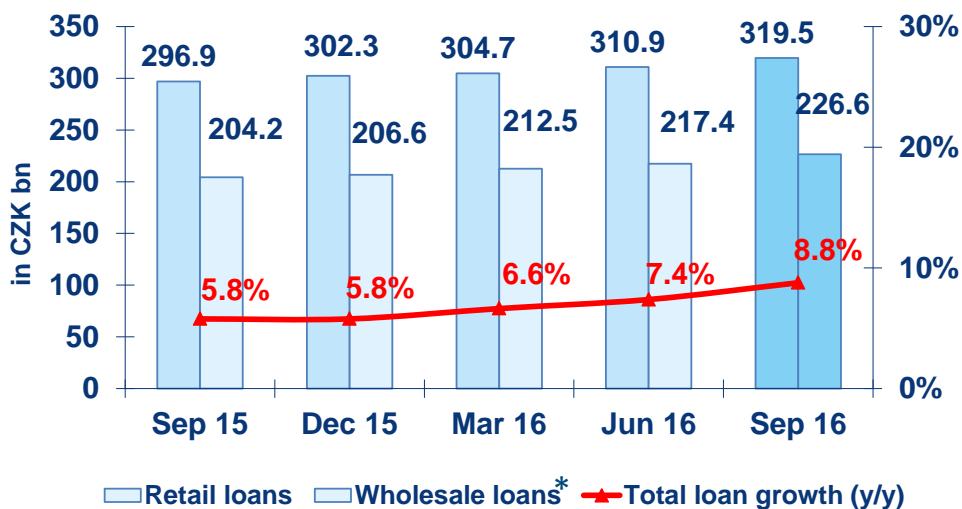
- **ČS Bank dominates the ČS Group**

- Strong economic growth in large corporate and continuing positive sentiment in the housing market further accelerated growth in ČS bank and leasing subsidiaries

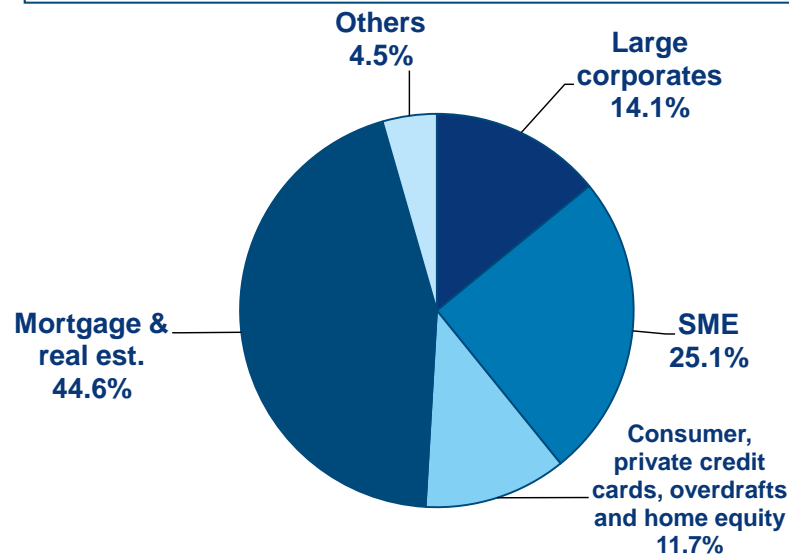
Bank loan portfolio –

Total growth balanced by both retail as well as wholesale* business

Loan portfolio development - ČS Bank



Loan portfolio by customer segments as of 30 Sep 2016



• Loans to retail rose by 7.6% y/y

- Growth driven by mortgages (+11.9%)
- Consumer lending confirmed positive change of trend from Q2 2016 and added CZK 0.7bn q/q

• Loans to wholesale* added 11.0% y/y

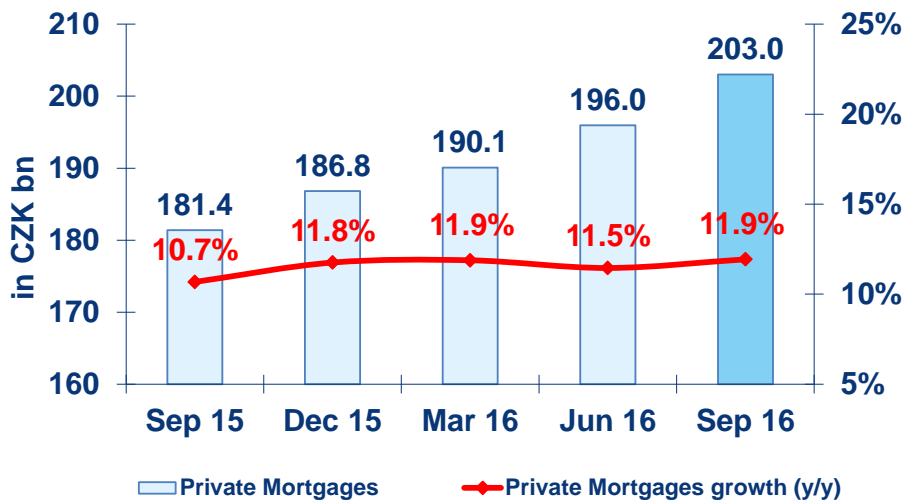
- Growth supported mainly by large corporates in automotive and energy sectors
- Detail figures affected by ongoing portfolio resegmentation

* Wholesale defined as Corporate and Group Markets.

Bank loan portfolio –

Mortgages exceeded CZK 200 bn, improving trend in consumer lending

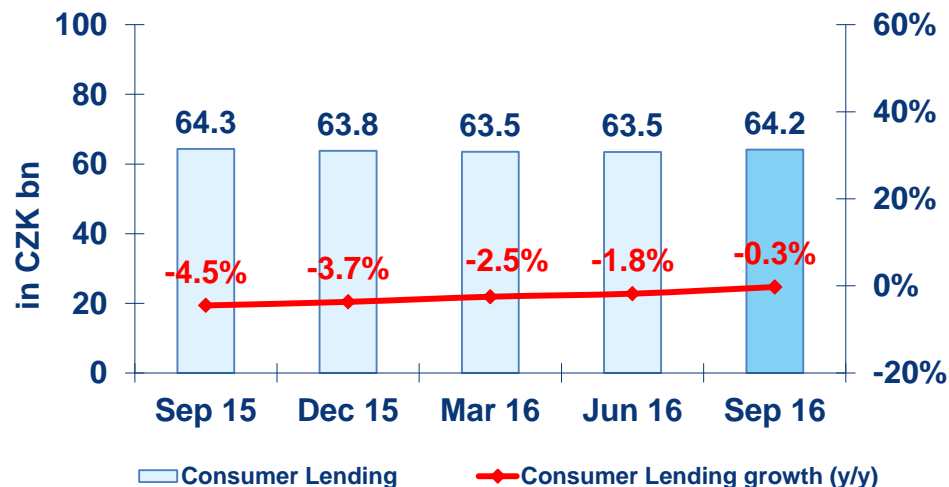
Private mortgages development



- **Private mortgages rose to CZK 203.0 bn (+11.9% y/y)**

- Strong demand continues, supported by low interest rates and positive development of risk costs
- LTV ratio for the whole portfolio stable at safe 64.0%

Consumer lending development*



- **Consumer lending* at CZK 64.2 bn (-0.3% y/y)**

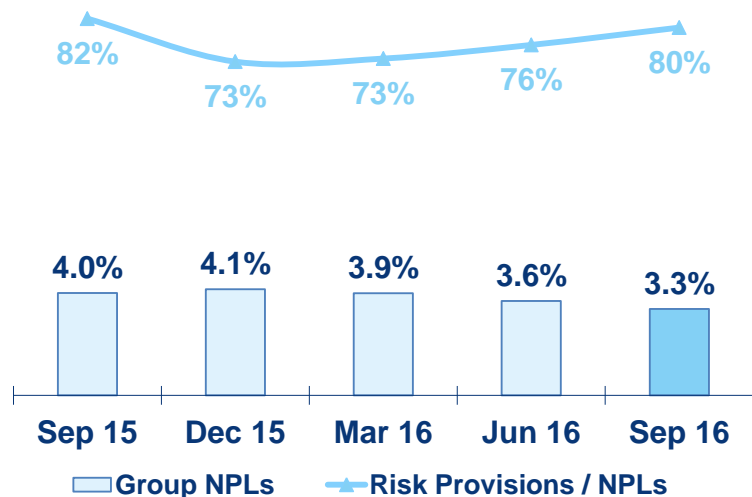
- New sales of cash loans and also new product “Money on Click” helped to further improve development in consumer lending (up by 0.6% since YE 2015)

**Consumer lending here includes Cash loans, home equity loans, private credit cards and private overdrafts. Social loans are excluded.*

Group asset quality

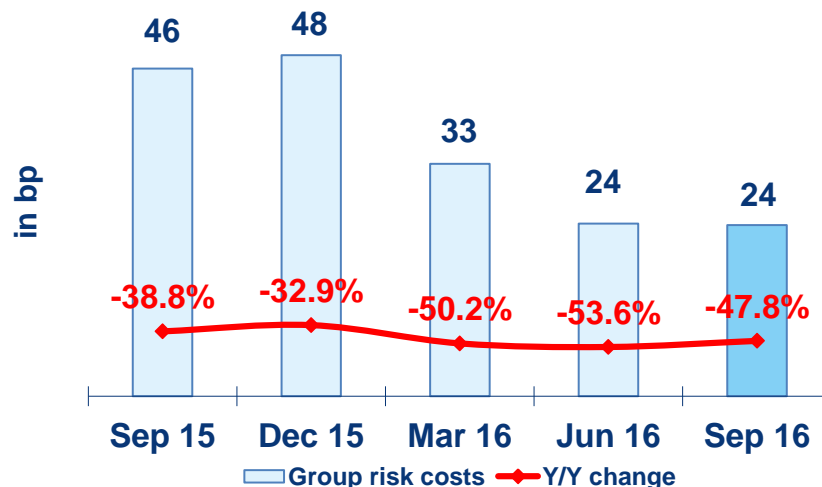
Improving risk profile, sharp decline of risk costs

NPL ratio and NPL coverage



- **Group NPL share further declined to 3.3%**
 - Driven by low NPL inflow, recoveries and write offs across segments
 - Provision coverage at strong 80%, total coverage (provisions+collateral to NPL) improved to 111.2%

Risk costs development



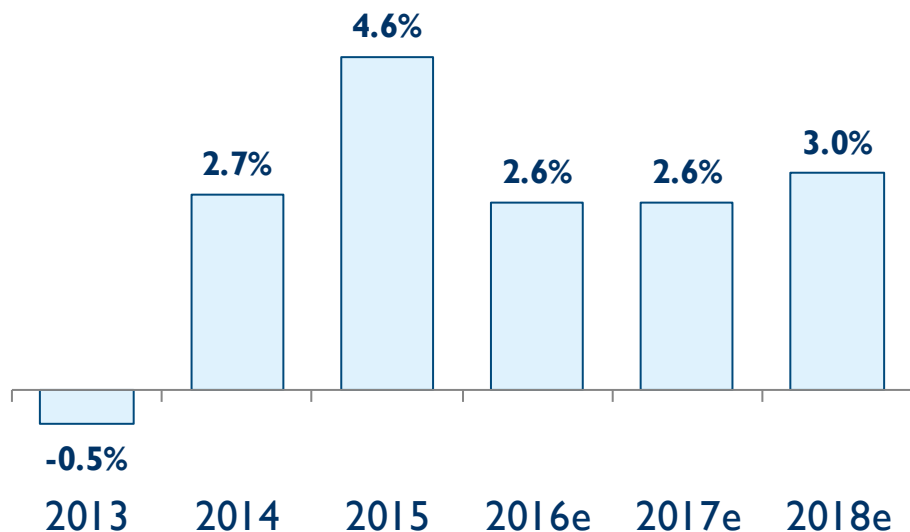
- **Annualized group risk costs declined to 24 bps**
 - Reflecting positive trend of recoveries and low NPL inflow
 - Low level driven by corporate (SME, real estate) and also by retail (private mortgages)

Presentation topics

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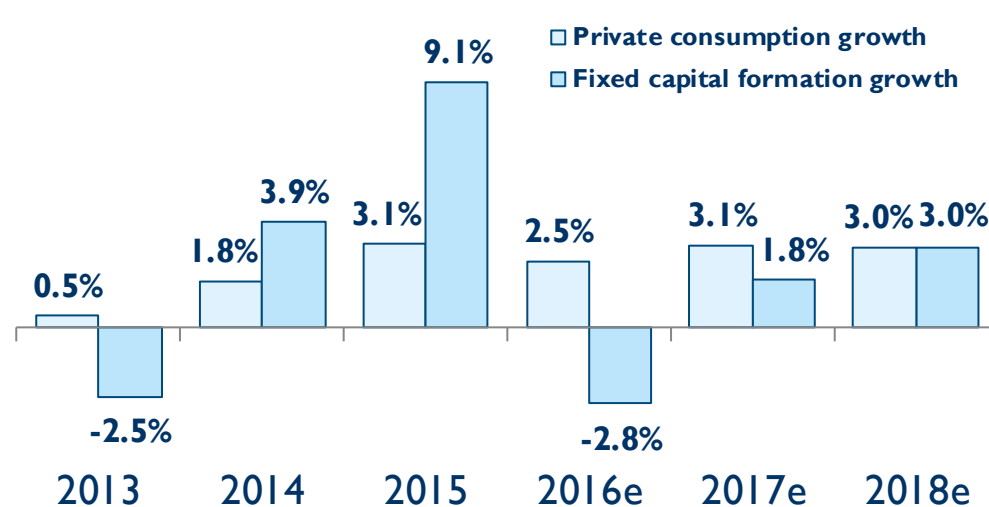
Macroeconomic developments – GDP growth still solid

Real GDP growth y/y



- Czech **GDP growth** still solid (2.8% y/y in H1 2016), favorably influenced by both domestic and foreign demand
- The **GDP growth** slowdown in 2016 is being driven by extraordinary volume of public investment in 2015
- **Domestic demand** is being influenced by **labor market** strengthening and **positive sentiment of households**; **foreign demand** is affected by the **economic recovery in the Eurozone** (mainly in Germany), low oil prices and the weak EUR/CZK exchange rate

Components of GDP

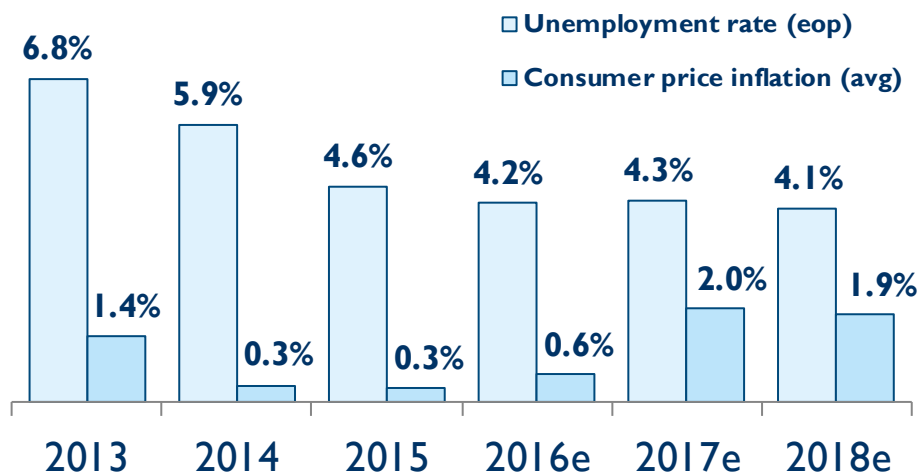


- **The growth of household consumption** in 2016 is being affected by the surprisingly low figure in Q2 2016 (2.2% y/y). However, household consumption growth will remain solid, supported by a strong labor market and positive sentiment of households
- Extraordinary **fixed investment in 2015**, supported by EU funds, will fade in 2016, implying an overall y/y decrease of fixed investment expenditures in 2016
- The **manufacturing sector**, supported to a large extent by continuing expansion in the automotive industry, remained the most significant contributor to GDP growth on the supply side (adding 1.3pp in Q2 2016)

Note: Source for historic figures is Czech statistical office. Figures for forthcoming years are ČS forecasts

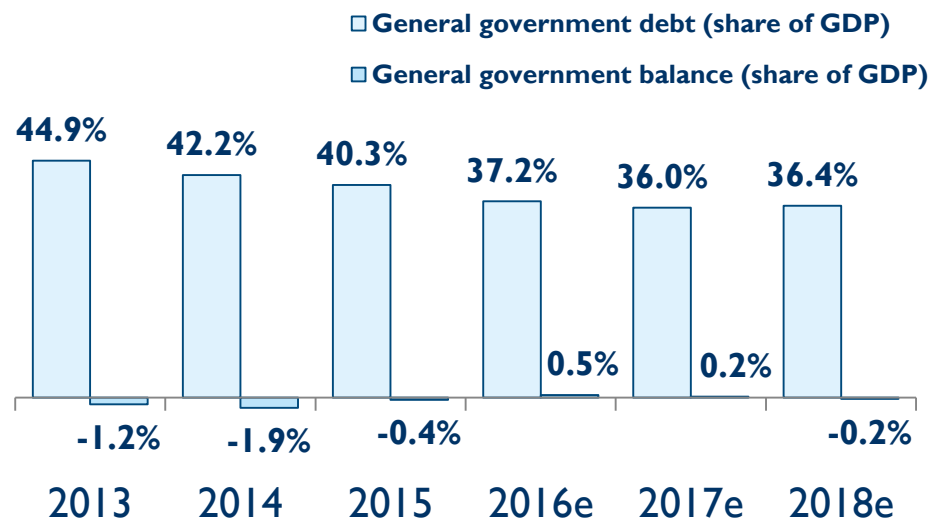
Macroeconomic developments – The lowest unemployment rate in the EU

Unemployment and inflation



- **Average CPI** was close to zero in H1 16 (0.5% y/y in September), due to low inflation in the Eurozone and prices of fuel, gas and food
- We expect a **gradual increase in CPI inflation in H2 16** and 2017, influenced by a spillover of domestic demand and higher wages into prices and the fading of last year's negative fuel price contributions from the y/y figure
- The general unemployment rate (ILO) reached 3.9% in August and is the lowest in the EU

General government debt and government balance



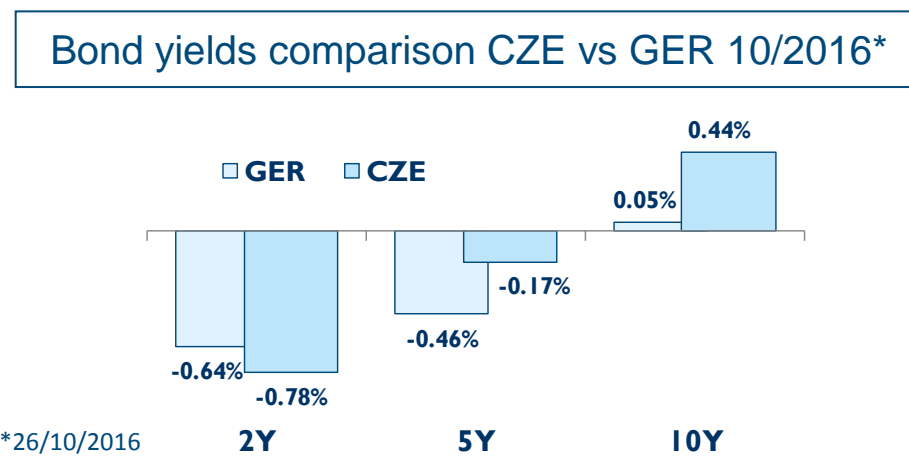
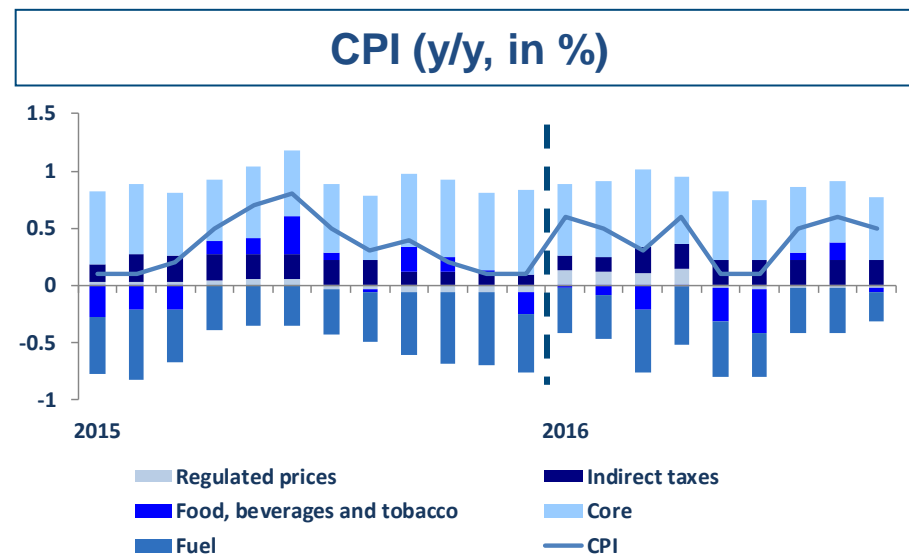
- The strong growth of the Czech economy positively affects the central government's cash flow-based **budget deficit**, which arrived at approx. CZK 63 bn in 2015 and is expected to reach a surplus in 2016
- The share of **public debt to nominal GDP** is anticipated to further decrease, mainly thanks to the favorable development of the Czech economy

Note: Source for historic figures is Czech statistical office. Figures for forthcoming years are ČS forecasts

Macroeconomic developments –

Yields of Czech T-bonds are expected to remain low in 2016

- **Core inflation** arrived at 1.0% y/y in September, contributing approx. 0.5pp to overall inflation
- The **ČNB** will not abandon the **FX commitment** (EUR/CZK above 27) before Q2 2017. However, the timing will be dependent on economic development in the Eurozone and Czech Republic
- For Q4 2016, we expect a **higher issuance policy** from the **Ministry of Finance**. However, in line with low inflationary pressures in the Eurozone and high demand among non-residents for Czech government bonds, yields on T-bonds will remain low in 2016 and 2017

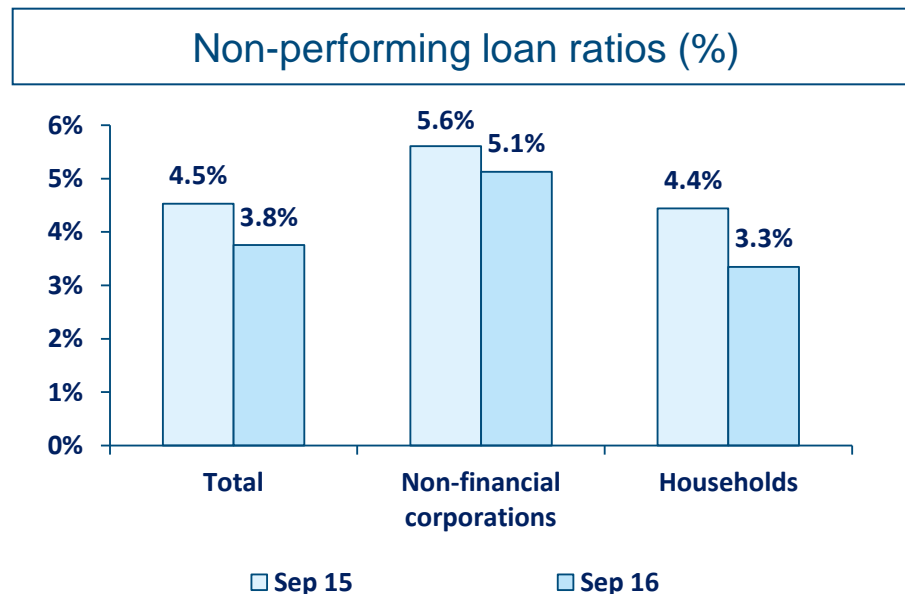
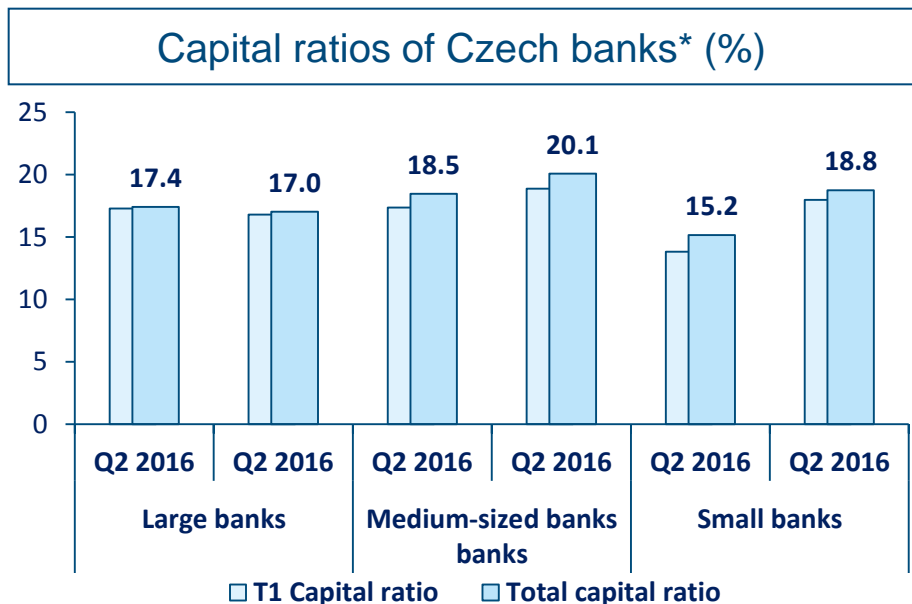


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Czech banking market –

Sufficiently capitalized and resilient, with low NPL share

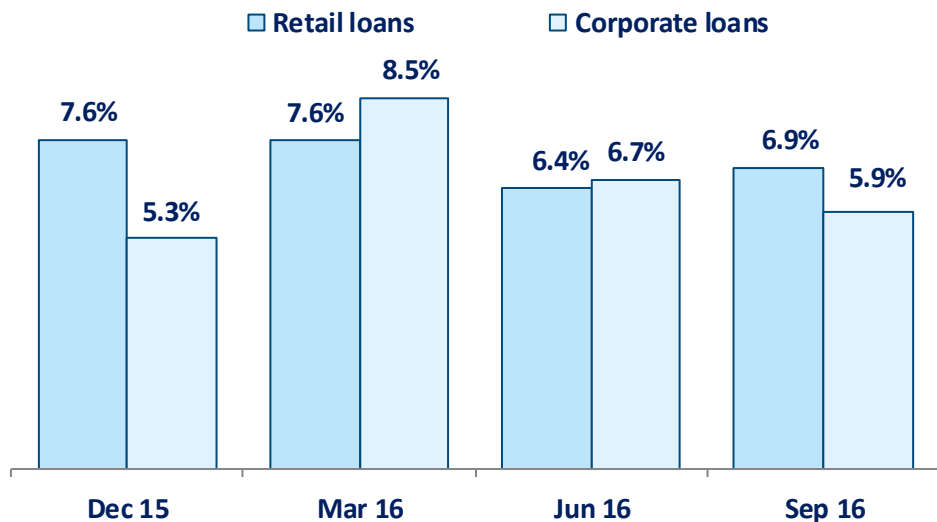


* Compliant with ČNB segmentation of banks

- The Czech banking sector remains resilient to potential adverse shocks, thanks to its high **capital adequacy ratio** (17.8% in 6/2016) and robust profitability
- The banking sector strengthened its **capital adequacy and liquidity** and improved its loan portfolio quality (ČNB stress tests, May 2016)
- The counter-cyclical capital buffer rate for exposures located in the Czech Republic remains at 0.5%, applicable as of January 2017
- The share of **non-performing loans (NPL ratio)** in the retail sector has been falling since 2013 in line with the improving economic situation
- **Corporate NPL** ratio has been hovering at or slightly above 5% over the last two quarters

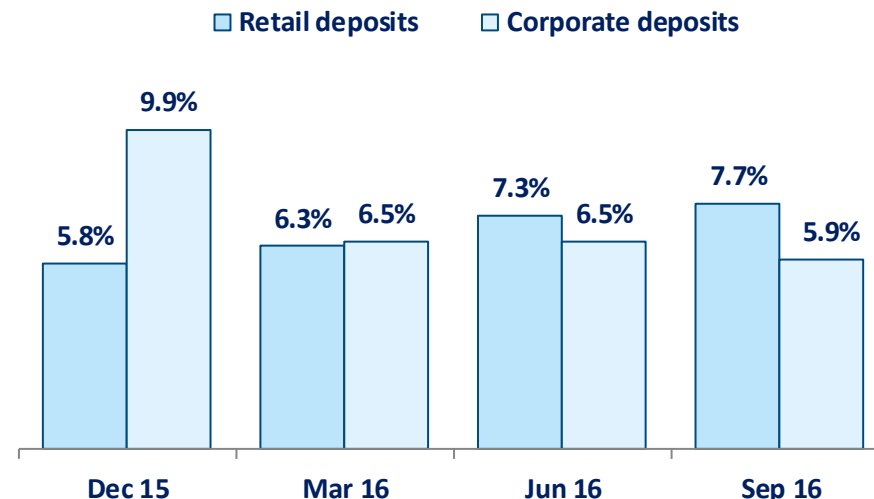
Czech banking market – Continuing growth in loans and deposits

Retail and corporate loans (y/y growth)



- **Total loans** growth was above 6% y/y in September 2016. The main driver was the growth of **retail loans**. Their growth rate keeps increasing mildly for the last two years (after filtering out the accounting effect of including Cetelem in the banking sector as of June 2015; this effect disappeared from y/y comparisons in June 2016)
- In 2016, ČS expects client loans to grow at a pace of somewhat above 6%. **Retail loans** will keep their dynamics from the last several quarters, with **housing loans** growing above 7%, which is what ČS expects also for **corporate loans**

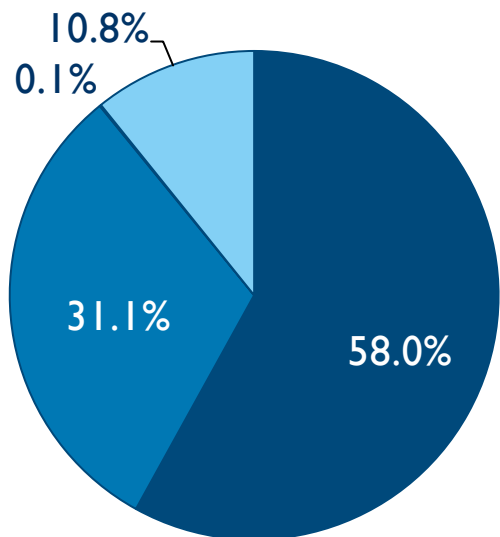
Retail and corporate deposits (y/y growth)



- **Retail deposits** have grown almost by 7% y/y in the first nine months of 2016, corporate deposits have grown over 7 % y/y on average. Financial institutions deposits maintain the strong growth observable already since the autumn of 2015
- In 2016, ČS expects the **growth rate of total deposits** to exceed 7%

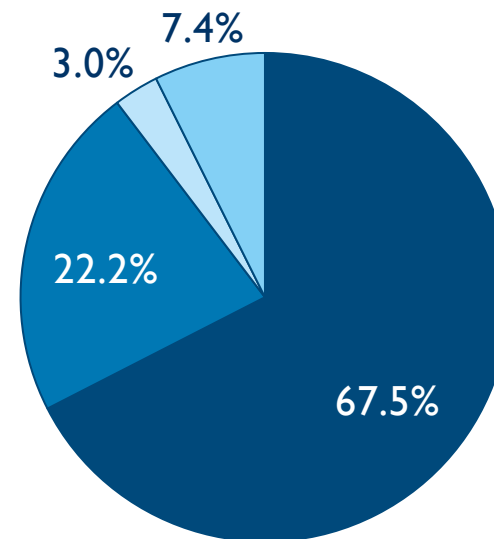
Czech banking market – Limited exposure of clients to FX risk

Customer loans (September 2016)



- LC retail loans
- LC corporate loans
- FX retail loans
- FX corporate loans

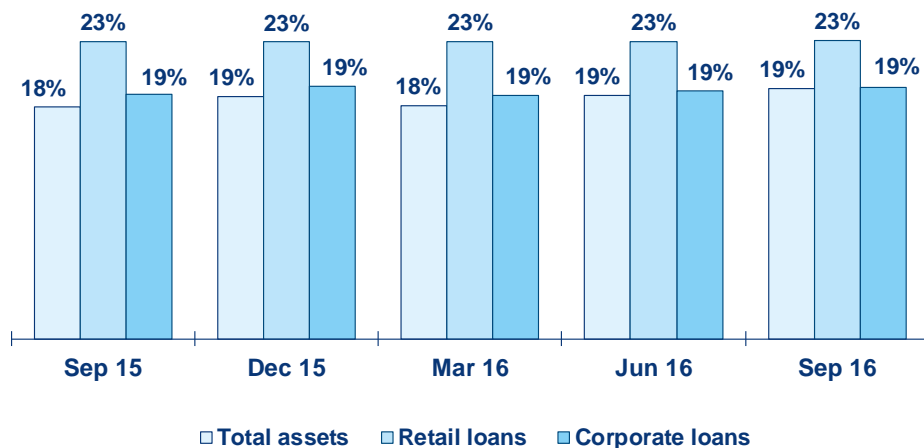
Customer deposits (September 2016)



- LC retail deposits
- LC corporate deposits
- FX retail deposits
- FX corporate deposits

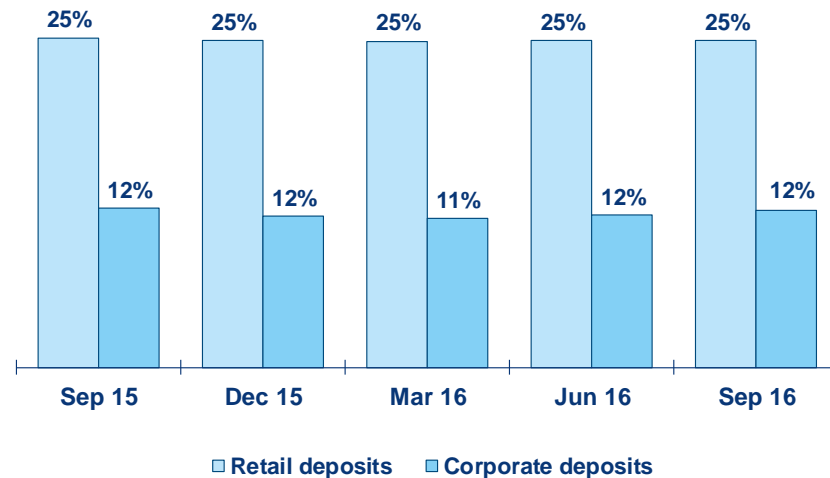
Banking market – Market shares of ČS (September 2016)

Asset side



- **Market leadership in:**
 - Number of customers (4.7 m)
 - Total mortgages (market share of 27%)
 - Consumer loans incl. credit cards (market share of 29%)
- **No. 2 in:**
 - Total loans (market share of 20%)
 - Total assets (market share 19%)
 - Private mortgages (market share 25%)

Liability side



- **Market leadership in:**
 - Total deposits (market share of 21%)
 - 25% in retail deposits, 12% in corporate deposits
 - Mutual funds with market share of 25%

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Structure of ČS Group loan portfolio (gross) – Group customer loans

in CZK m, IFRS	31/12/2015		30/09/2016		YTD change	
	Outstand.	Share	Outstand.	Share	Outstand.	Rate
RETAIL	302,303	55.1%	319,493	54.5%	17,190	5.7%
Overdrafts	5,964	1.1%	5,892	1.0%	-72	-1.2%
of which non-private (MSE, Muni)	1,574	0.3%	1,771	0.3%	197	12.5%
Credit cards	3,401	0.6%	2,988	0.5%	-414	-12.2%
of which non-private (MSE, Muni)	15	0.0%	14	0.0%	-1	-8.0%
Cash loans	51,885	9.5%	53,423	9.1%	1,537	3.0%
Private social	952	0.2%	817	0.1%	-135	-14.2%
Home equity mortgages	4,103	0.7%	3,635	0.6%	-468	-11.4%
Private mortgages	186,813	34.0%	203,033	34.7%	16,221	8.7%
Commercial loans	49,185	9.0%	49,705	8.5%	521	1.1%
WHOLESALE*	206,600	37.6%	226,581	38.7%	19,981	9.7%
Corporate	205,696	37.5%	219,269	37.4%	13,574	6.6%
Group Large corporates	27,489	5.0%	38,712	6.6%	11,223	40.8%
Local Large corporates	35,606	6.5%	38,377	6.5%	2,771	7.8%
SME	91,316	16.6%	87,421	14.9%	-3,895	-4.3%
Real estate	38,366	7.0%	40,966	7.0%	2,599	6.8%
Public sector	12,918	2.4%	13,794	2.4%	876	6.8%
Group Markets	904	0.2%	7,311	1.2%	6,407	>100%
OTHER	970	0.2%	640	0.1%	-331	-34.1%
BANK: LOANS TO CUSTOMERS	509,874	92.9%	546,713	93.3%	36,840	7.2%
SUBSIDIARIES	55,089	10.0%	56,148	9.6%	1,059	1.9%
CONSOLIDATION ITEMS	-16,127	-2.9%	-16,907	-2.9%	-780	4.8%
GROUP: LOANS TO CUSTOMERS	548,836	100.0%	585,955	100.0%	37,119	6.8%

* Wholesale defined as Corporate and Group Markets.

Ratings of Česká spořitelna

Status as of 31 October 2016

Rating Agency	Long-term	Short-term	Viability	Support	Outlook	Latest actions
Fitch	A-	F2	a-	2	stable	20/05/2015
Moody's	A2	Prime - I			stable	17/03/2015
Standard & Poor's	A-	A-2			negative	09/06/2015

• Latest rating actions

- Rating agency Standard & Poor's confirmed all ČS ratings on 1 August 2016
- Fitch confirmed all ČS ratings on 16 May 2016
- Moody's revised the outlook for LT rating of ČS from negative to stable on 17 March 2015

Macroeconomic figures – Historical and forecasted macroeconomic data

	2011	2012	2013	2014	2015	2016e	2017e	2018e
Population (avg, m)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
GDP/capita (EUR thsd)	15.6	15.1	14.6	14.1	14.9	15.4	15.9	16.9
Real GDP growth	2.0	-0.7	-0.5	2.7	4.6	2.6	2.6	3.0
Consumer price inflation (avg)	1.9	3.3	1.4	0.3	0.3	0.6	2.0	1.9
Unemployment rate (eop)	6.5	7.3	6.8	5.9	4.6	4.2	4.3	4.1
Current account balance (share of GDP)	-2.1	-1.6	-0.5	0.2	0.9	1.9	1.4	1.1
General government balance (share of GDP)	-2.7	-3.9	-1.2	-1.9	-0.4	0.5	0.2	-0.2
Public debt (share of GDP)	39.9	44.5	44.9	42.2	40.3	37.2	36.0	36.4
Short term interest rate (3 months, eop)	1.2	1.0	0.5	0.4	0.3	0.3	0.3	0.3
EUR FX rate (eop)	25.8	25.1	27.4	27.7	27.0	27.0	26.4	25.9

Financial statements – Quarterly development (CZK m)

	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q/Q %
Net interest income	6,496	6,435	6,379	6,396	6,412	0.3%
Net fee and commission income	2,414	2,724	2,282	2,364	2,252	-4.7%
Dividend income	10	3	3	51	6	-88.2%
Net trading and fair value result	804	584	633	604	692	14.6%
Net result from equity method investments	0	0	0	3	-4	-
Rental income from investment properties & other operating leases	181	151	131	127	123	-3.1%
General administrative expenses	-4,551	-4,950	-4,369	-4,413	-4,450	0.8%
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	179	127	2	1,421	-1	-100.1%
Net impairment loss on financial assets not measured at fair value through profit or loss	-493	-765	-460	-235	-369	57.0%
Other operating result	-303	-142	-396	-148	-57	-61.5%
Pre-tax result from continuing operations	4,736	4,171	4,206	6,170	4,607	-25.3%
Taxes on income	-921	-1,011	-831	-1,305	-921	-29.4%
Post-tax result from continuing operations	3,815	3,159	3,375	4,864	3,685	-24.2%
Net result for the period						
Net result attributable to non-controlling interests	0	2	0	1	0	-
Net result attributable to owners of the parent	3,814	3,158	3,375	4,863	3,686	-24.2%
Operating income	9,904	9,898	9,427	9,546	9,480	-0.7%
Operating expenses	-4,551	-4,950	-4,369	-4,413	-4,450	0.8%
Operating result	5,353	4,947	5,058	5,132	5,031	-2.0%
Cost/income ratio	45.9%	50.0%	46.3%	46.2%	46.9%	

Segment financial statements – Segment Czech Republic - income statement (EUR m)

	1-9 15	1-9 16	Change
Net interest income	687	686	-0.1%
Net fee and commission income	275	255	-7.3%
Dividend income	2	2	na
Net trading and fair value result	82	71	-12.8%
Net result from equity method investments	0	0	na
Rental income from investment properties & other operating leases	21	14	-33.7%
General administrative expenses	-498	-489	-1.8%
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	12	53	347.3%
Net impairment loss on financial assets not measured at fair value through profit or loss	-69	-39	-42.9%
Other operating result	-32	-22	-31.2%
Pre-tax result from continuing operations	480	531	10.6%
Taxes on income	-92	-109	19.1%
Post-tax result from continuing operations	389	422	8.5%
Net result for the period	389	422	8.5%
Net result attributable to non-controlling interests	4	5	15.3%
Net result attributable to owners of the parent	385	417	8.5%
Operating income	1,068	1,029	-3.6%
Operating expenses	-498	-489	-1.8%
Operating result	569	540	-5.2%
Cost/income ratio	46.7%	47.6%	
Return on allocated capital	30.7%	32.4%	

Segment financial statements – Quarterly development

Segment Czech Republic - income statement (EUR m)

	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16
Net interest income	234	236	227	229	231
Net fee and commission income	89	101	84	87	83
Dividend income	0	0	0	2	0
Net trading and fair value result	30	22	23	22	26
Net result from equity method investments	0	0	0	0	0
Rental income from investment properties & other operating leases	7	6	5	5	5
General administrative expenses	-168	-183	-162	-163	-165
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	7	5	0	53	0
Net impairment loss on financial assets not measured at fair value through profit or loss	-18	-28	-17	-9	-14
Other operating result	-11	-5	-15	-5	-2
Pre-tax result from continuing operations	169	152	146	220	164
Taxes on income	-33	-37	-29	-47	-33
Post-tax result from continuing operations	136	115	117	174	131
Net result for the period	136	115	117	174	131
Net result attributable to non-controlling interests	2	1	1	2	1
Net result attributable to owners of the parent	135	114	116	172	130
Operating income	360	364	340	345	344
Operating expenses	-168	-183	-162	-163	-165
Operating result	192	181	178	182	180
Cost/income ratio	46.7%	50.2%	47.6%	47.3%	47.8%
Return on allocated capital	30.7%	26.0%	26.8%	41.5%	29.3%

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