

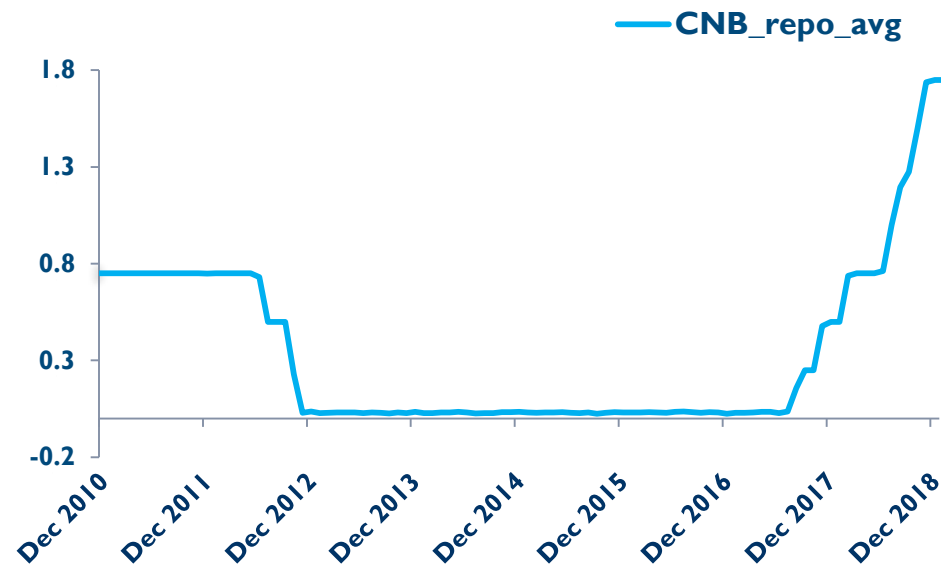
Česká spořitelna – Q1 2019 consolidated results (unaudited, IFRS)

3rd May 2019

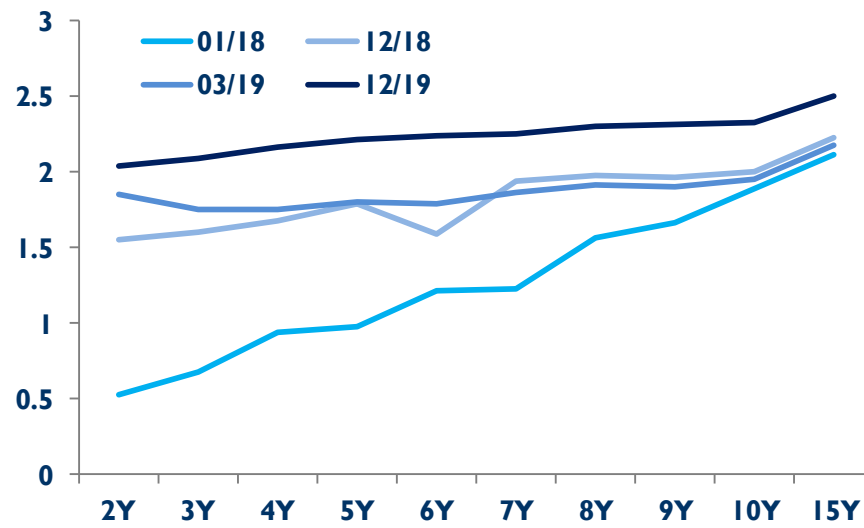
**Excellent operating result supported by double-digit growth
of net interest income and recovery of net fee income**

Executive summary – Monetary policy tightening

- **GDP growth** arrived at **2.9%** in 2018. ČS expects growth to reach **2.5%** in 2019, mainly due to **strong domestic demand**
- In 2018, the ČNB increased **interest rates** five times. At the beginning of May 2019, the ČNB delivered another 25bp hike. The main 2W repo rate thus reached 2.00%
- The **EUR/CZK** remained relatively weak and was volatile in Q1 2019 (an effect of uncertainty about developments in the world economy and its impact on the Czech economy)
- **Headline inflation rose to 3.0% in March 2019**, as pro-inflationary effects of wage growth and housing & utilities prices were accompanied by an increase in food prices
- The situation in the labour market remains tight. **The unemployment rate arrived to 2.0% in March**, still the lowest among EU countries. Nominal wage growth came in at **8.1% in 2018**
- **Yield curve in the Czech Republic continued to flatten in Q1 2019**. Main drivers of this development were monetary policy tightening with pushed up short end, and relative weak financing needs of Ministry of Finance, that eased pressure to long end of the yield curve
- **Growth of mortgages is slowing** after ČNB recommendation on limits for DTI and DSTI ratios came into force in October



Czech government bond yield curve



Note: Figures for 2019 are ČS estimates

Note: DTI = debt to income, DSTI = debt service to income

Executive summary –

Steady growth of operating result, C/I ratio at 47.3%

Net profit

Despite significant growth of operating result, net profit of Česká spořitelna declined by 3.1% y/y to CZK 3.9 bn due to non-recurring release of provisions in Q1 2018. ROE stood at 12.7%

Operating result

Operating result rose by 11.2% compared to Q1 2018 as increase in operating income substantially overcame increase in operating expenses

- Operating income went up by 7.8% y/y driven by growth in both net interest income (+11.3%) and net fee income (+2.8%)
- Operating expenses were higher by 4.2% in Q1 2019, caused by rising personnel expenses
- Cost/income ratio improved significantly y/y by 1.6pp to 47.3%

Investments

Clients' demand for investment products continued, assets in domestic and foreign mutual funds up by 4.8% y/y. Assets in pension funds of ČSPS rose by 10.1% y/y

Executive summary –

Continuous loan growth across all segments, asset quality strong

Lending

Group customer loans (gross) excluding reverse repo operations increased by 8.6%* y/y in Q1 2019, driven mainly by private mortgages and loans to large corporate customers

- Private mortgages loans outstanding grew by 9.9% y/y
- Loans to MSEs (commercial loans) rose by 6.8% y/y
- Consumer loans increased by 4.3% compared to March 2018
- Loans to large corporate customers grew by 16.8% and to SMEs by 8.6% y/y

Asset quality

Impairment result from financial instruments (release of CZK 267 m on and off-balance) reflected positive development in corporate segment

- Share of NPLs dropped to 1.8% (from 2.0% in March 2018)
- NPL coverage by credit risk provisions at strong 100%

Capital ratio & Capital

- Total capital ratio strengthened by 1pp y/y to 18.8%, Tier 1 ratio increased to 18.3%, significantly above minimum regulatory capital requirements
- ČS is planning to issue new Additional Tier 1 capital of approx. CZK 9 bn in Q2 2019 to support future business growth as well as comply with increasing regulatory requirements

Dividends

ČS will pay out dividend for 2018 in the amount of CZK 74.75 (CZK 77 in 2017) per share in the total volume of CZK 11.36 bn

Retail banking

My Healthy Finance

Česká spořitelna has focused on enhancing its strategic service My Healthy Finance (MHF) in the online environment.

The MHF application became available on mobile phones. Furthermore, ČS George Internet banking system newly features “good advice”, for example, tips on how clients can use their accounts free of charge. Similarly, George advises students on how to retain a free account with MHF even after they finish their studies



Branches

Česká spořitelna started to design its branches by means of virtual reality. In the future, Spořitelna wants to use virtual reality in the design and implementation of its new “**Small Economy**”

branch type. Furthermore, Spořitelna is planning to use virtual reality in the training of its banking advisors. It is planned to train approximately 500 advisors in 2019



Entrepreneurs (MSE)

New specialists for entrepreneurs are joining Spořitelna’s branches. They will offer **individualised service and care** to entrepreneurs with revenue from one to ten million crowns. This service includes financing, consulting, as well as insurance

Corporate banking

SME

Spořitelna has financed two original projects in the Třebíč district – a new tomato-growing operation and a trigeneration power plant that generates not only electricity and heat, but also cooling. **The new financing in a total volume of CZK 328 m will bring the region 30 new jobs through the projects.**

With financing in the amount of CZK 737 m, Spořitelna supported three wind power station projects of the **Micronix Group**

Large Corporations

Česká spořitelna has implemented its **first aircraft financing transaction.** Together with another four domestic and foreign banks, it has provided financing to the airline Smartwings, amounting to a total of EUR 130 m (ČS’ share is EUR 21 m) for the purchase of three new aircraft. Spořitelna has thus helped Smartwings conduct a direct purchase from the manufacturer, instead of the regular operation of an aircraft on operative leasing

The Public Sector

Spořitelna won a competition among the four largest banks in the Czech Republic, to provide operating financing to the Central Bohemian Region, in the volume of CZK 2 bn for a period of five years. Spořitelna will become the Central Bohemian Region’s main bank

Real Estate

The corporation **Realty IV.** will take advantage of a long-term syndicated loan of **EUR 78.2 m**, in which Spořitelna has also taken part, for the financing of the development of a multifunctional building “The Flower House” in Prague. The building will become a landmark of the upper part of Wenceslas Square

Česká Spořitelna's digital world

George

ČS's new internet banking system George is "breaking" records. Every month, 1.3 million users log into it. George Mobile Banking is being actively used by 520,000 people. Thanks to them, Česká spořitelna has grown to the number one on the Czech market.

George in the mobile now also offers "good advice" with tips that not only help efficiently manage family finance, but also warn the user, for example, that his identification card is expiring soon



Apple Pay

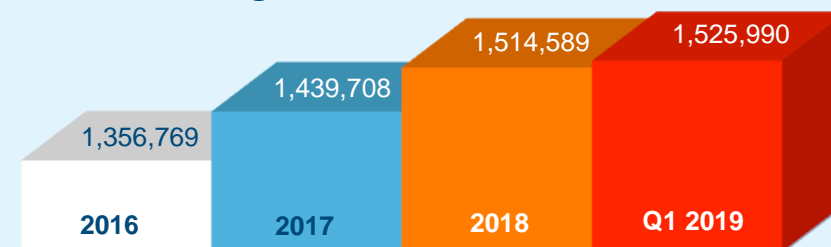
Since February, Česká spořitelna's clients have been able to make payments with their iPhones or Apple watches. At the first stage, the Apple Pay service was made available to Visa card holders, and in March also to MasterCard holders

Instant Payments

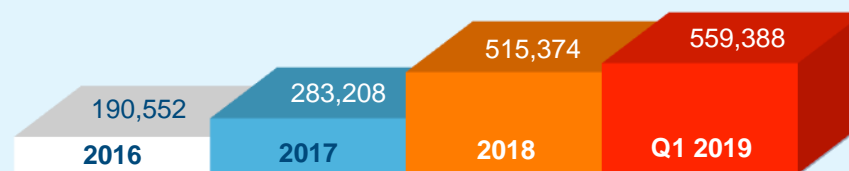
Česká spořitelna has started to offer "instant payments". All outbound client payments going to accounts, in banks which support this service, are posted within seconds. Instant payments can be used for amounts of a maximum of CZK 100,000.

As soon as other banks in the country start supporting the receipt of instant payments, Česká spořitelna will guarantee its clients that their payments will be credited to beneficiary accounts in such banks within seconds, 24 hours per day, 7 days per week. At this point, only Česká spořitelna and few other banks technically support instant payments

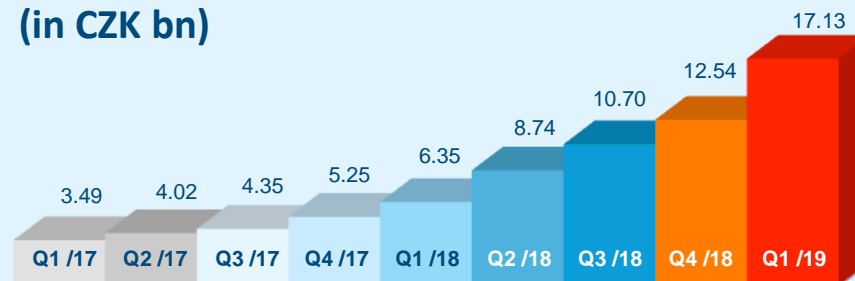
Number of digital clients



Number of mobile digital clients



Volume of payments made by mobile phone (in CZK bn)



Presentation topics

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

Income statement (CZK m)

	1-3 18	1-3 19	Change
Net interest income	6,548	7,288	11.3%
Net fee and commission income	2,134	2,193	2.8%
Dividend income	4	3	-25.0%
Net trading result	727	637	-12.4%
Gains/losses from financial instruments measured at FV through profit or loss	7	18	>100%
Net result from equity method investments	-4	14	-
Rental income from investment properties & other operating leases	56	54	-3.6%
General administrative expenses	-4,636	-4,829	4.2%
Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	19	9	-52.6%
Impairment result from financial instruments	741	267	-64.0%
Other operating result	-501	-706	40.9%
Pre-tax result from continuing operations	5,095	4,948	-2.9%
Taxes on income	-1,026	-1,003	-2.2%
Net result for the period			
Net result attributable to non-controlling interests	-1	3	-
Net result attributable to owners of the parent	4,070	3,942	-3.1%
Operating income	9,472	10,207	7.8%
Operating expenses	-4,636	-4,829	4.2%
Operating result	4,836	5,378	11.2%
Cost/Income ratio	48.9%	47.3%	
Return on equity	13.3%	12.7%	

Note: Figures reflect implementation of IFRS 16 accounting standard

Balance sheet – Assets (CZK m)

Assets	Dec 18	Mar 19	Change	Change
Cash and cash balances with central banks	63,914	51,839	-18.9%	-12,075
Financial assets held for trading	10,311	10,143	-1.6%	-168
Non-trading financial assets at FV through profit or loss	1,452	1,518	4.5%	66
thereof Loans and advances to customers	69	71	2.9%	2
Financial assets at FV through other comprehensive income	39,627	40,661	2.6%	1,034
Financial assets at amortised cost	1,281,034	1,359,118	6.1%	78,084
Debt securities	205,551	217,312	5.7%	11,761
Loans and advances to banks	389,844	431,895	10.8%	42,051
Loans and advances to customers	685,639	709,911	3.5%	24,272
Finance lease receivables	2,006	1,963	-2.1%	-43
Hedge accounting derivatives	1,152	1,182	2.6%	30
Property and equipment	9,396	11,972	27.4%	2,576
Investment properties	2,327	2,327	0.0%	0
Intangible assets	5,247	5,165	-1.6%	-82
Investments in associates	824	837	1.6%	13
Current tax assets	499	596	19.4%	97
Deferred tax assets	986	956	-3.0%	-30
Assets held for sale	40	82	>100%	42
Trade and other receivables	6,351	7,061	11.2%	710
Other assets	1,299	1,042	-19.8%	-257
Total assets	1,426,465	1,496,462	4.9%	69,997

Note: Figures reflect implementation of IFRS 16 accounting standard

Balance sheet – Liabilities (CZK m)

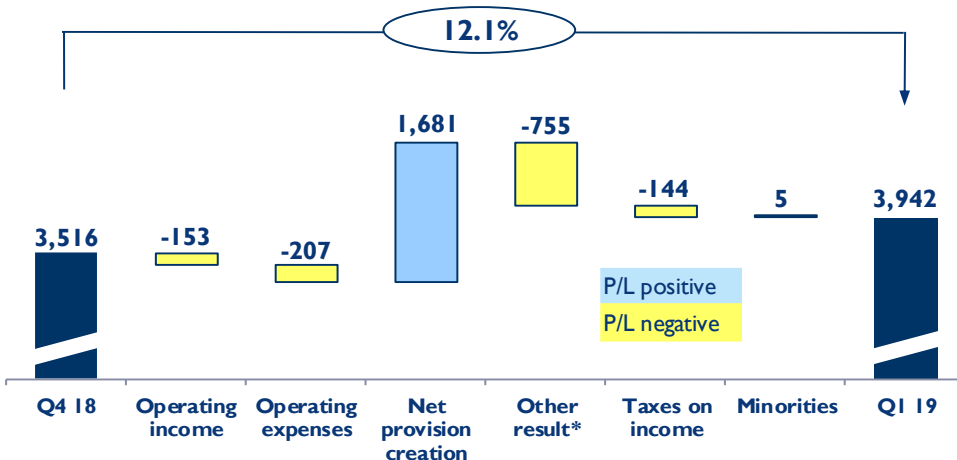
Liabilities and equity	Dec 18	Mar 19	Change	Change
Financial liabilities held for trading	10,172	10,016	-1.5%	-156
Financial liabilities at fair value through profit or loss	1,935	2,623	35.6%	688
Deposits from customers	1,935	2,623	35.6%	688
Financial liabilities at amortised cost	1,279,931	1,338,194	4.6%	58,263
Deposits from banks	318,861	340,879	6.9%	22,018
Deposits from customers	952,506	986,666	3.6%	34,160
Debt securities issued	5,458	6,844	25.4%	1,386
Other financial liabilities	3,106	3,805	22.5%	699
Finance lease liabilities	0	2,747	-	2,747
Hedge accounting derivatives	2,110	2,125	0.7%	15
Provisions	3,584	3,989	11.3%	405
Current tax liabilities	69	107	55.1%	38
Deferred tax liabilities	218	391	79.4%	173
Liabilities associated with assets held for sale	0	0	-	0
Other liabilities	5,789	9,543	64.8%	3,754
Total equity	122,657	126,727	3.3%	4,070
Equity attributable to non-controlling interests	184	187	1.6%	3
Equity attributable to owners of the parent	122,473	126,540	3.3%	4,067
Total liabilities and equity	1,426,465	1,496,462	4.9%	69,997

Note: Figures reflect implementation of IFRS 16 accounting standard

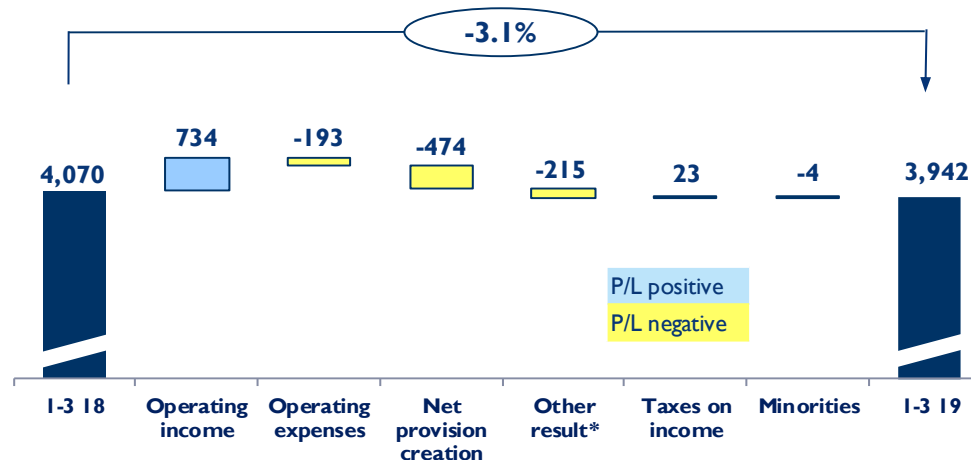
Financial performance – Executive summary

Operating income grew by 7.8% y/y

Q/Q net profit reconciliation (CZK m)



Y/Y net profit reconciliation (CZK m)



- Increase in net profit in Q1 2019 vs Q4 2018 caused by release of net risk provision; partially offset by other result*
- Operating income decreased especially due to net interest income (-4.6% q/q, attributed to lower number of days in Q1 2019)
- Development of net risk provisions (on and off-balance sheet) driven mainly by:
 - In Q4 2018 - creation due to isolated single case in corporate segment and methodological changes
 - In Q1 2019 - release due to positive development of loan portfolio quality
- Q/Q development of other result affected by booking of contribution to Recovery and Resolution Fund in Q1 2019 (CZK 0.7 bn)

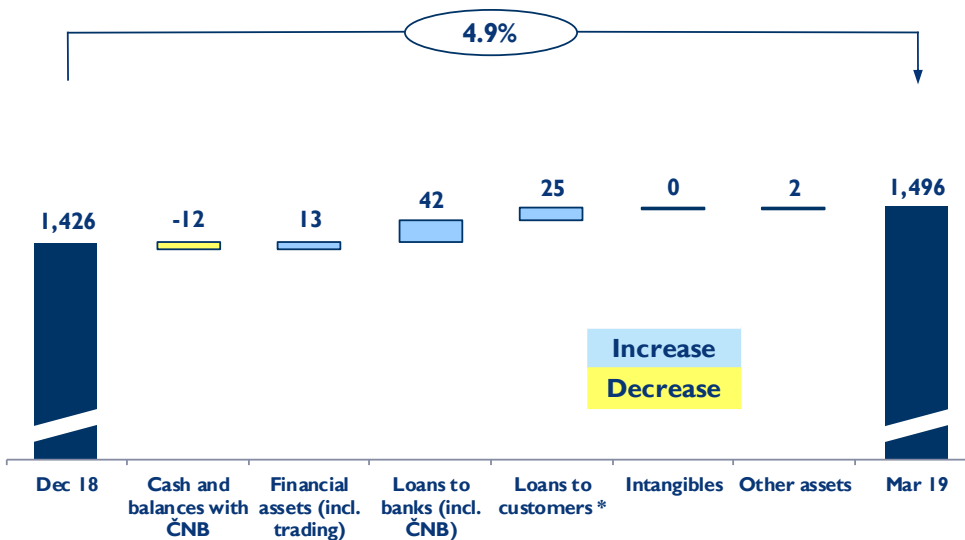
- A slight decline of net profit y/y attributed mainly to lower net release of provisions in Q1 2019
- Operating income went up by 7.8% as rapid growth of NII (+11.3%) and increase in net fee income outweighed drop of net trading result (-12.4%) /details on next slides/
- Operating expenses grew by 4.2% especially due to rise of personnel expenses (+7.2%)
- Risk provision release lower than in Q1 2018 (non-recurring recoveries of several large corporate clients and positive development in retail in Q1 2018)
- Drop of other result* attributed to higher contribution to Recovery and Resolution Fund

* Includes Gains/losses from derecognition of financial instruments not measured at FV and Other operating result

Financial performance – Executive summary

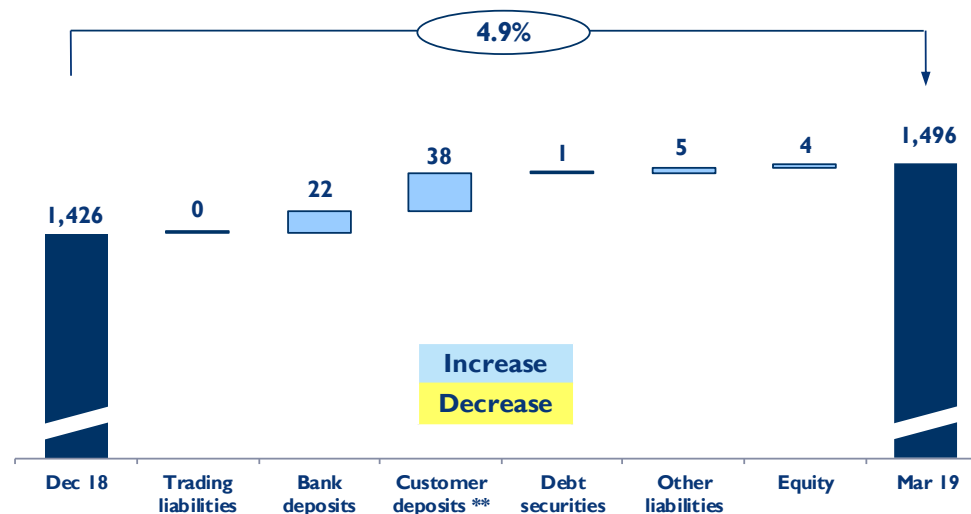
Balance sheet increased by 4.9% in Q1 2019

YTD total asset reconciliation (CZK bn)



- Asset development reflected growth of loans to banks which was supported by reverse repo operations with ČNB; lower yielding cash and balances with ČNB continued declining (-18.9% in Q1 2019)
- Net customer loans* excluding reverse repo operations increased by 1.3% in Q1 2019 (or CZK 9.3 bn)
- Impact of IFRS 16 implementation was CZK +2.9 bn on both asset and liability side

YTD total liability reconciliation (CZK bn)

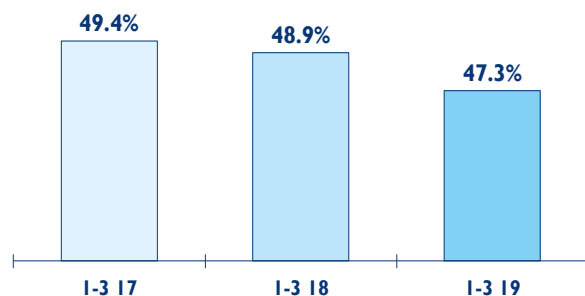


- Growth on liability side of B/S attributed mainly to deposits
- Group customer deposits increased by 3.9% in Q1 2019
 - Deposits in ČS bank grew by 4.5%, driven by deposits from public sector (+65.6%); deposits from private individuals went up by 2.1%; corporate deposits down by 6.4%
- Bank deposits (from credit institutions) rose by 6.9% in Q1 2019 due to repo operations and term deposits

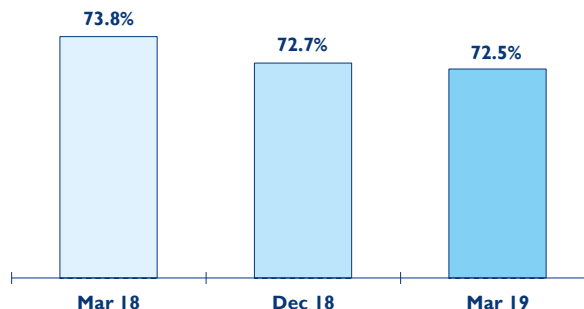
Financial performance – Executive summary

Large improvement in C/I

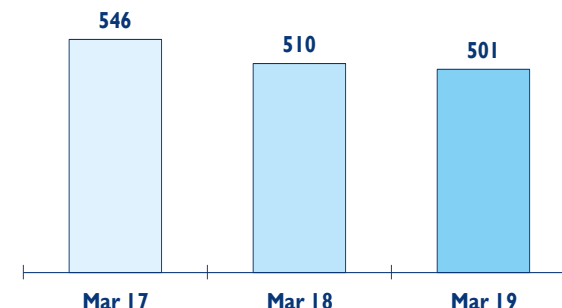
Cost/income ratio



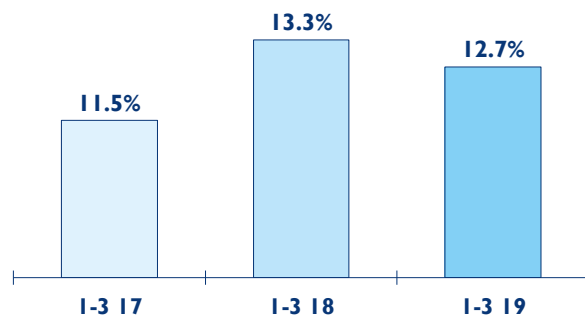
Loan*/deposit** ratio



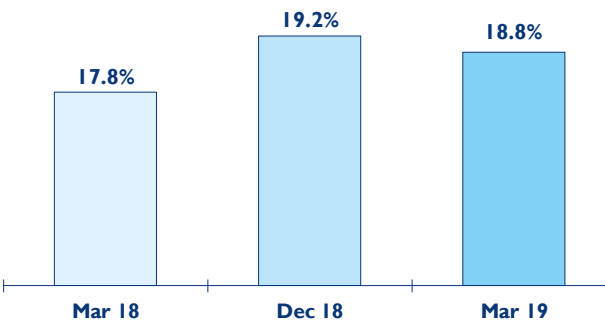
Number of branches



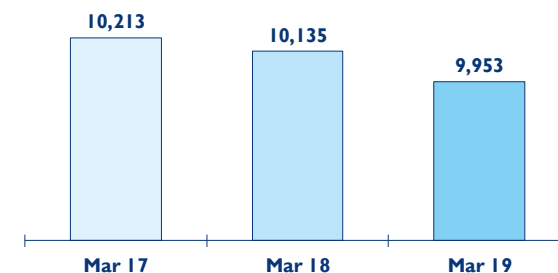
ROE



Total capital ratio



Number of employees (eop)



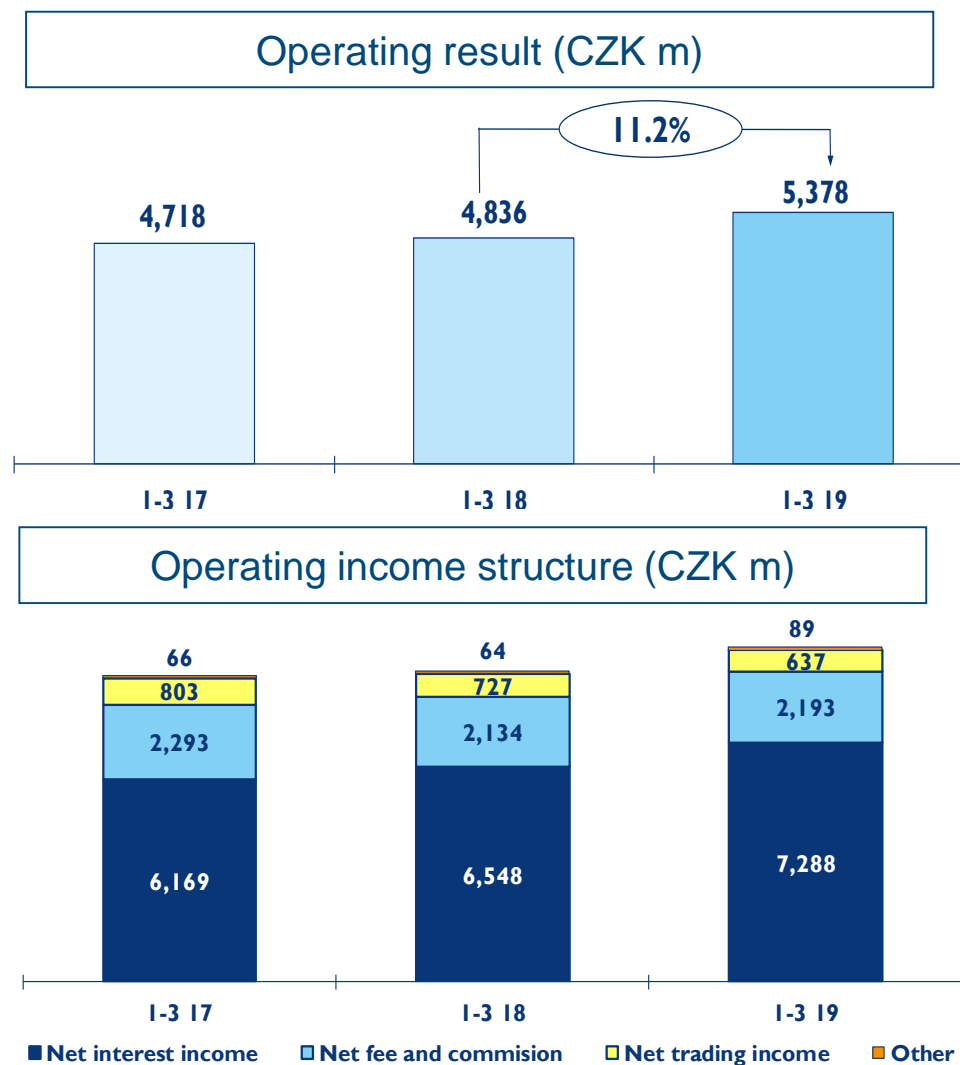
*Since 2018 includes loans and advances at amortised cost, loans and advances at FV through profit or loss, finance lease receivables and trade and other receivables, previous figures not restated

** Since 2019 includes deposits from customers at amortised cost, deposits from customers at FV through profit or loss and finance lease liabilities to customers

Operating result –

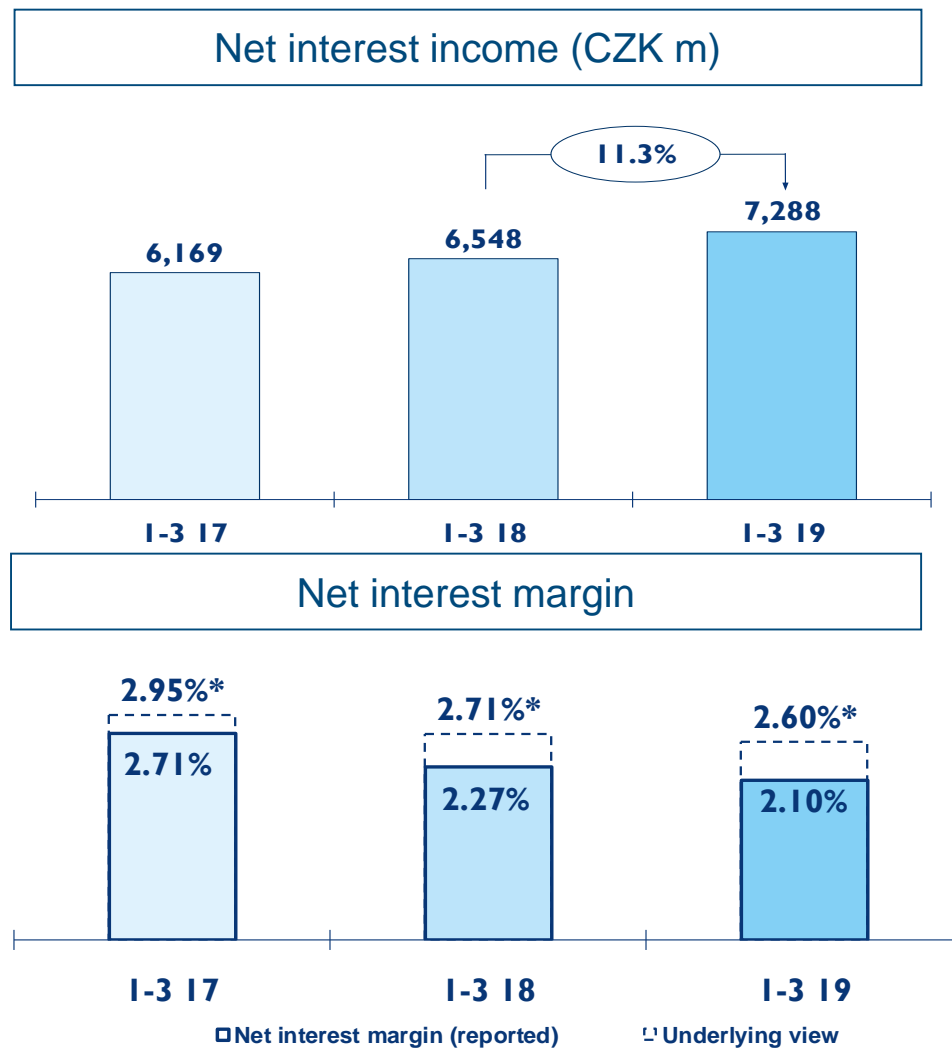
Growth of operating result exceeded 11%

- Operating result increased by 11.2% compared to Q1 2018, driven mainly by net interest income
 - Net interest income expanded by more than 11% y/y due to strong loan growth
 - Net fee income rose by 2.8%
 - Net trading result dropped by 12.4% y/y
 - Caused by lower income from trading with derivatives and securities
 - Operating expenses grew by 4.2% y/y due to growing personnel expenses



Net interest income – Rapid growth of 11.3%

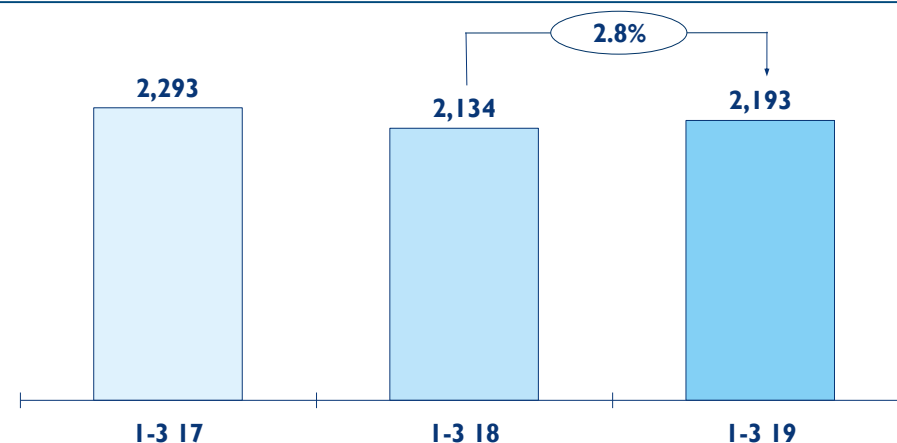
- Net interest income grew by CZK 740 m compared to Q1 2018 reflecting
 - Sustainable strong growth of customer loans
 - Increasing income from debt securities
 - Rising market interest rates (affected by five ČNB hikes in 2018)
- Net interest margin decreased to 2.6% in Q1 2019 (adjusted for exceptional growth of low interest earning assets, mainly reverse repo operations). Reported figure at 2.1%
 - Changes in balance sheet structure
 - Higher volume of low interest earning assets
 - Rising interests on deposits from government and non-financial institutions
 - Interest expenses linked to IFRS 16 implementation**
 - Ongoing pressure on product margins
 - Yield curve continued to flatten



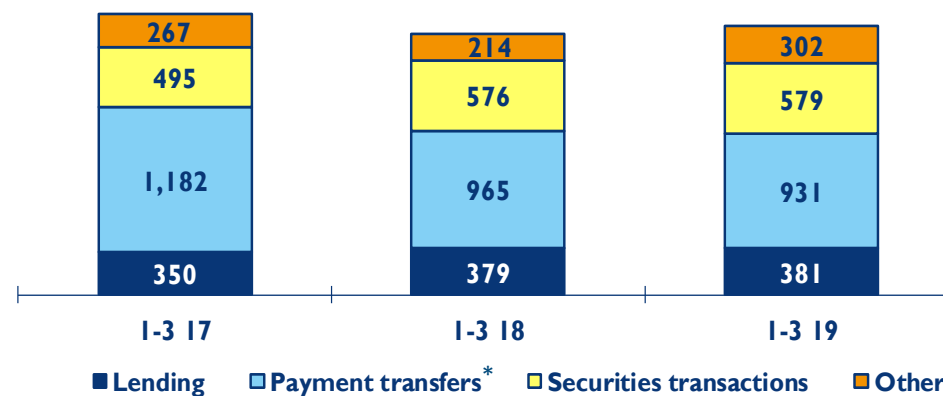
Net fee and commission income – Net fee income rose by 2.8%

- ČS recorded year-on-year growth of net fee and commission income driven by
 - Asset management and custody
 - Insurance business
 - Lending
 - Optimisation of fee expenses for lending commission
- Fees from payment services still slightly declining

Net fee and commission income (CZK m)



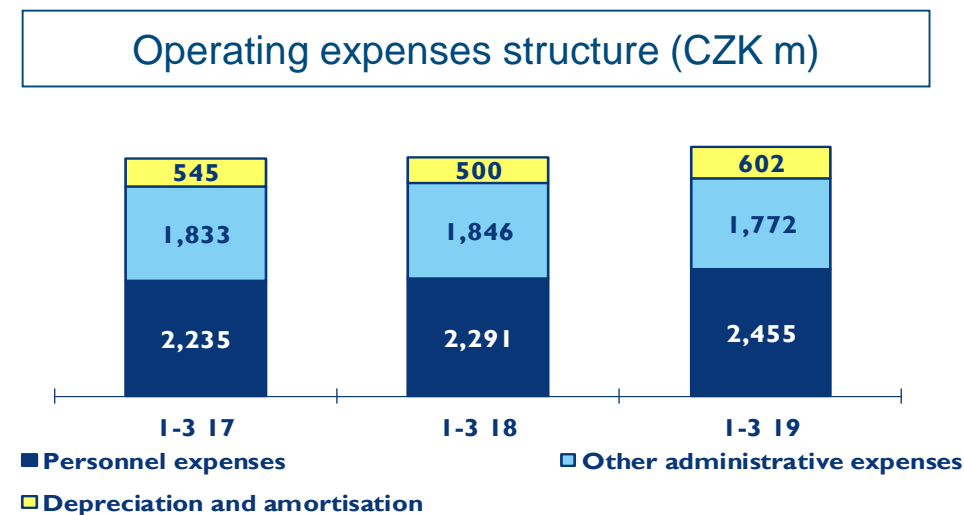
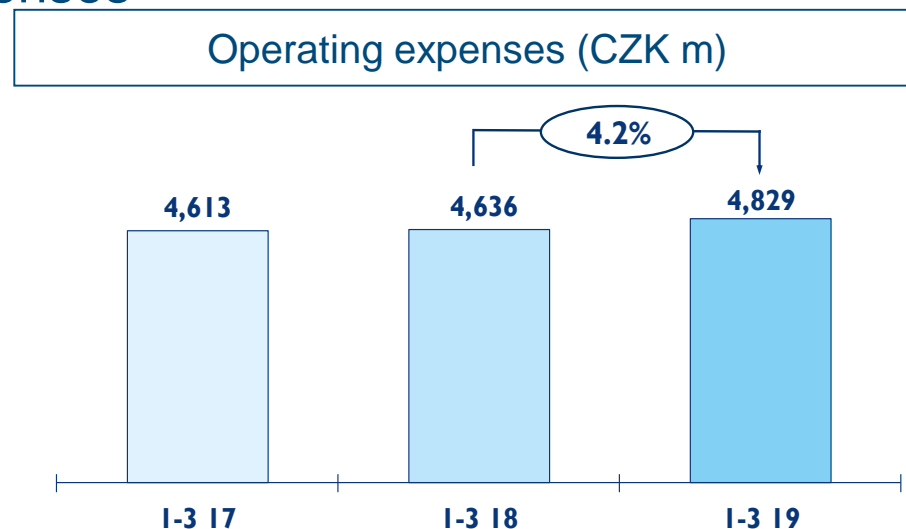
Net fee and commission income structure (CZK m)



* Including fees from account maintenance and payment cards fees

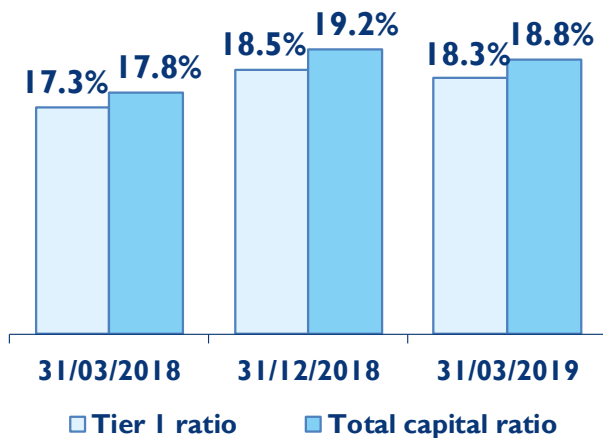
Operating expenses – Increased mainly due to personnel expenses

- Operating expenses rose by 4.2% y/y attributed to increase in personnel expenses
- Personnel expenses up by 7.2%
 - Mainly due to increase in salaries (in Q2 2018)
- Other administrative expenses (OAE) declined by 4.0%:
 - Decrease caused by transfers related to IFRS 16 implementation (from OAE to depreciation)
 - Higher contribution to Deposit Insurance Fund
- Growth of depreciation by 20.4% affected by IFRS 16 (transfer from OAE to depreciation)*; moreover there was impact of slightly higher pace of hardware deployment



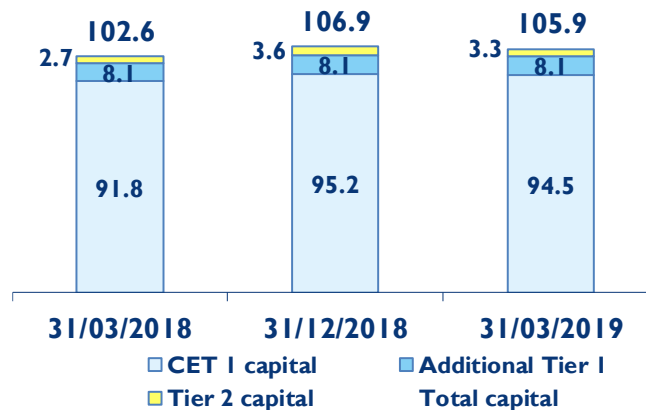
Group capital position – Total capital ratio at strong 18.8%

Capital ratios



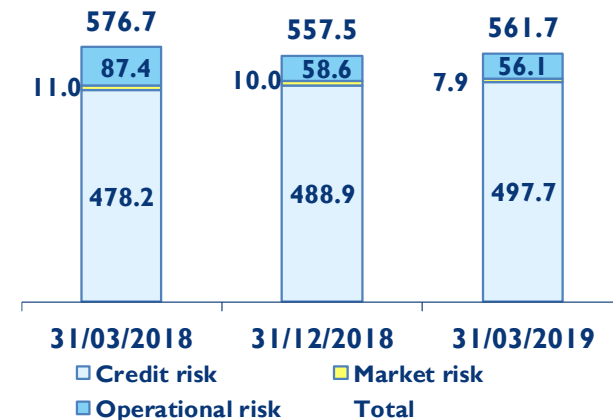
- Total capital ratio increased by 1pp y/y to 18.8%, Tier 1 ratio rose to 18.3%
- Growth in capital ratios caused by growth of regulatory capital and decline of exposure to operational risk

Regulatory capital (CZK bn)



- Total regulatory capital increased by 3.2% y/y due to growth in both CET 1 (+2.9%) and Tier 2 capital (+21.4%)
- Increase in CET 1 capital caused almost entirely by growth of retained earnings

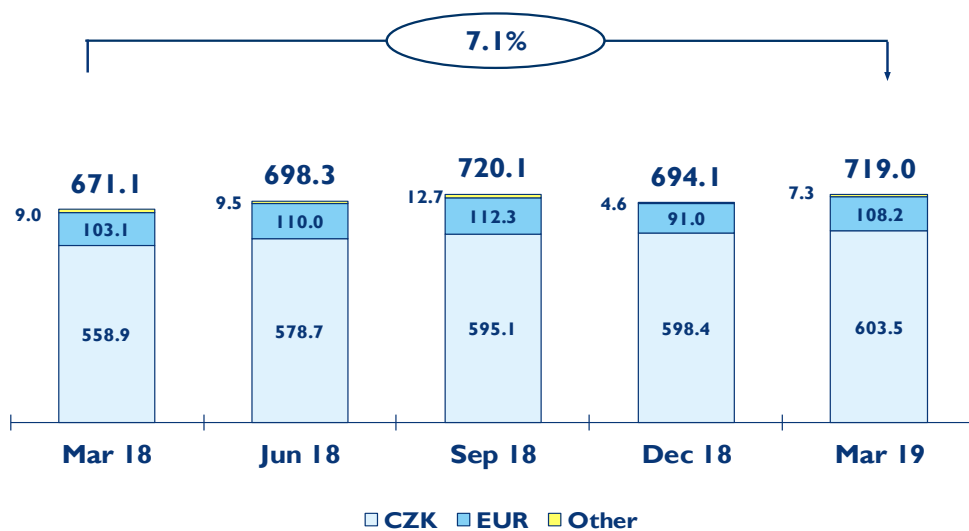
Risk exposures (CZK bn)



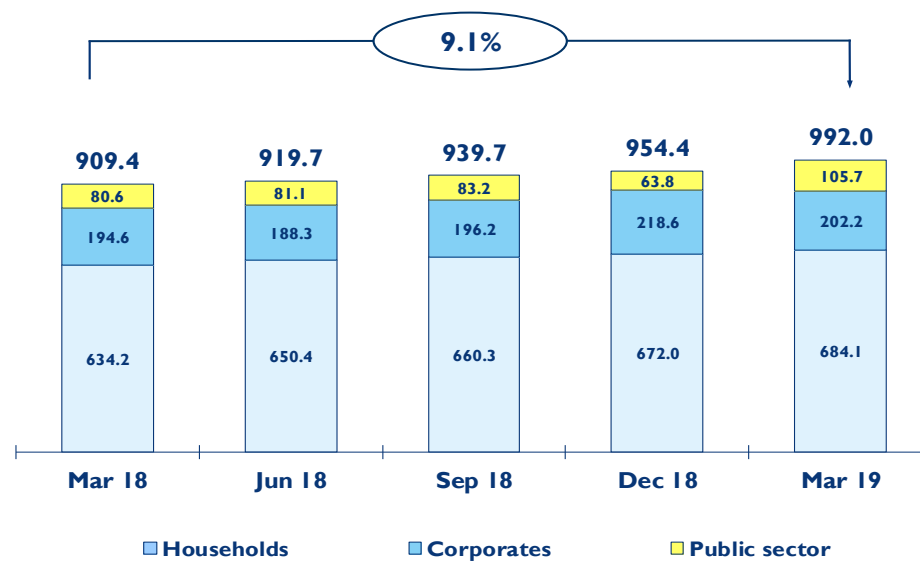
- Total risk exposure declined by 2.6% y/y affected mainly by significant decrease of risk exposure to operational risk (-35.8%)
- Credit risk exposure increased by 4.1% y/y in line with steady growth in customer lending (both in retail and corporate)

Development of group customer loans and deposits – Loan portfolio growth across segments continued

Group net customer loans (CZK bn)*



Group customer deposits (CZK bn)**



- Group net customer loans excluding reverse repo operations increased by 8.9% y/y, driven by private mortgages and corporate loans (particularly Large corporates and SMEs)
- FX loans (EUR + other) adjusted for reverse repo operations grew by 15.0% y/y and represent 13.7% of total net loans

- Customer deposits continued in growth y/y in all segments; total group customer deposits increased by 9.1% compared to Q1 2018
 - Households' deposits grew by 7.9%
 - Corporates added 3.9%
 - Public sector's deposits up by 31.1%

*Since 2018 includes loans and advances at amortised cost, loans and advances at FV through profit or loss, finance lease receivables and trade and other receivables, previous figures not restated

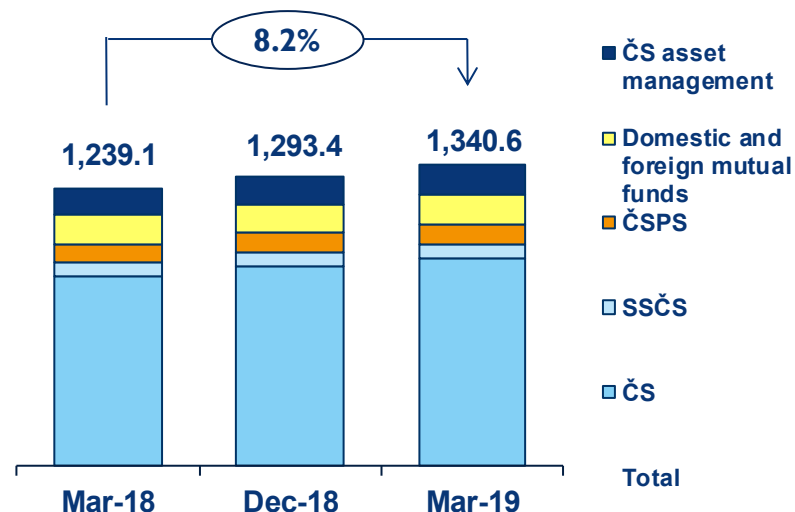
** Since 2019 includes deposits from customers at amortised cost, deposits from customers at FV through profit or loss and finance lease liabilities to customers

Clients' funds under management –

Ongoing growth of standard and alternative deposit products

- **Customer deposits** grew by 9.9% y/y, excl. repo operations by 7.9%
 - Rise driven mainly by deposits of households
- Assets in **ČS pension company** continued in growth, in March 2019 by 10.1% y/y
- Domestic and foreign **mutual funds** increased by 4.8% y/y
 - Growing popularity of investment products and search for higher yields were main drivers of the growth
- **Reico** investment company significantly increased clients' assets by 26.2% compared to Q1 2018

Clients' funds under management (CZK bn)



IFRS, in CZK bn	Mar-18	Dec-18	Mar-19	Change (y/y)
ČS - customer deposits	846.4	889.8	930.2	9.9%
SSČS - building society	64.4	66.4	62.2	-3.5%
ČSPS - pension company	78.8	84.4	86.7	10.1%
Dom. and foreign mutual funds	128.9	129.6	135.1	4.8%
thereof Reico - investment company	18.0	21.6	22.7	26.2%
Asset management	120.5	123.2	126.4	4.8%
Total	1,239.1	1,293.4	1,340.6	8.2%

Group loan portfolio – Summary

Portfolio growth, risk costs without one-offs and excellent quality

- **Gross loans to customers* excluding reverse repo operations increased by CZK 56.8 bn or 8.6% y/y to CZK 715.2 bn**
 - Driven by strong sales in all major business segments
 - **Reported total gross loan growth of 6.9% affected by reverse repo operations (declined by CZK 9.5 bn to CZK 16.7 bn), which are not considered as core credit business**
-
- **Risk costs (on balance) at 14 bps**
 - Positive development in retail
 - Wholesale without non-recurring recoveries compared to Q1 2018
-
- **Portfolio quality stable, NPL ratio declined from 2.0% to 1.8% y/y**
 - Ongoing quality improvement driven by limited inflow of new defaults and strong loan growth
 - Provision coverage at strong 100% and total coverage (provisions+collateral to NPL) reached 125%

*Includes loans and advances at amortised costs, loans and advances at FV through profit or loss, finance lease receivables and trade and other receivables

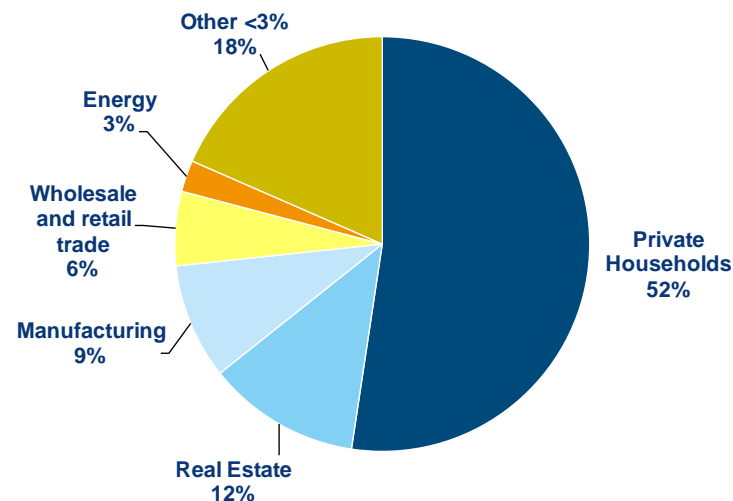
Group loan portfolio –

Group loans increased by 8.6% y/y* thanks to all ČS Group entities

ČS Group loan portfolio (gross)

in CZK m, IFRS	31/03/2018	%share	31/03/2019	%share	Y/Y Change
I. ČS Bank	640,196	93.5%	681,224	93.1%	6.4%
<i>ČS bank excl rev repos</i>	<i>614,015</i>	<i>89.7%</i>	<i>664,557</i>	<i>92.9%</i>	<i>8.2%</i>
II.1. Stavební spořitelna ČS	38,359	5.6%	42,023	5.7%	9.6%
II.2. Leasing (sAL, EL)	19,103	2.8%	20,598	2.8%	7.8%
II.3. Factoring ČS	5,918	0.9%	6,099	0.8%	3.1%
III. Other subs and Consolidation items	-18,985	-2.8%	-18,057	-2.5%	-4.9%
Total Loans (consolidated)	684,590	100.0%	731,887	100.0%	6.9%
<i>Total loans excl rev repos</i>	<i>658,410</i>		<i>715,220</i>		<i>8.6%</i>

Industry split of loan portfolio



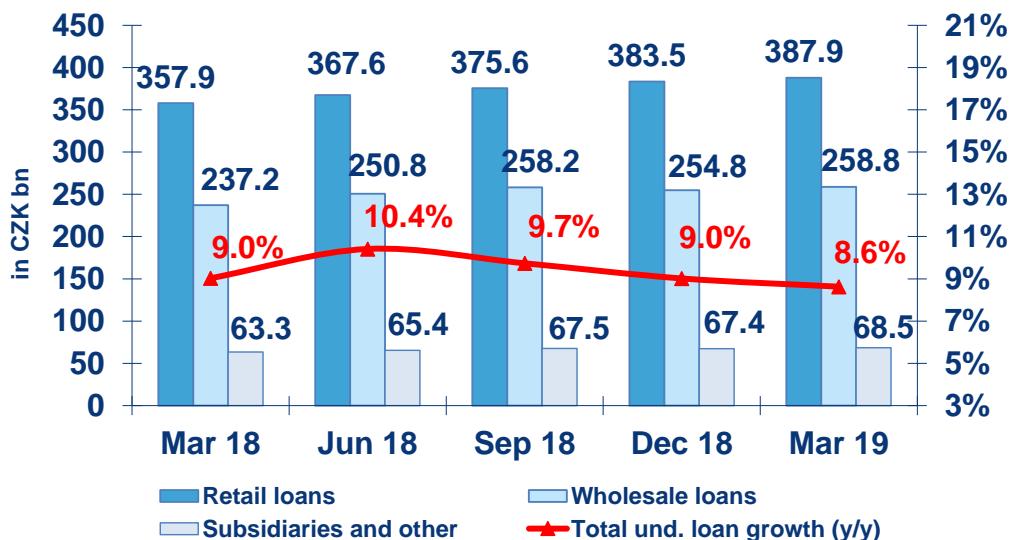
• ČS Bank dominates the ČS Group

- Persisting positive economic environment kept portfolio growth in all major members of the ČS Group
- Private households kept its dominant position with 52%, also supported by significant growth of Stavební spořitelna ČS

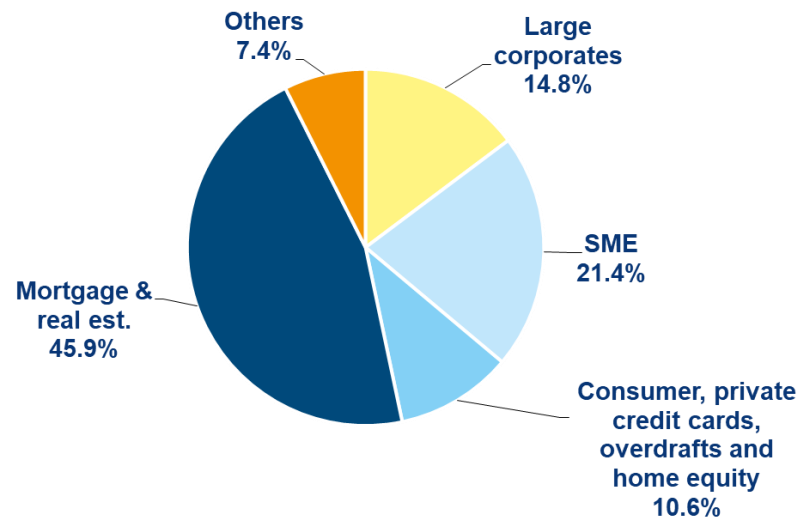
* Excluding reverse repo operations

Group loan portfolio – Retail growth outpaced by wholesale

Loan portfolio development - ČS Group*



Loan portfolio by customer segments*



• Loans to retail customers rose by 8.4% y/y

- Growth across major portfolios:
 - Private mortgages +9.9%
 - Commercial loans (MSEs) +6.8%
 - Consumer lending +4.3%

• Loans to wholesale** added 9.1% y/y

- Strong growth seen mainly in Group large corporate (+16.9%) and Local large corporate (+16.7%)
- SME (+8.6%) and Real estate (+4.9%) also with significant gains

• Loans to subsidiaries and other added 8.2%

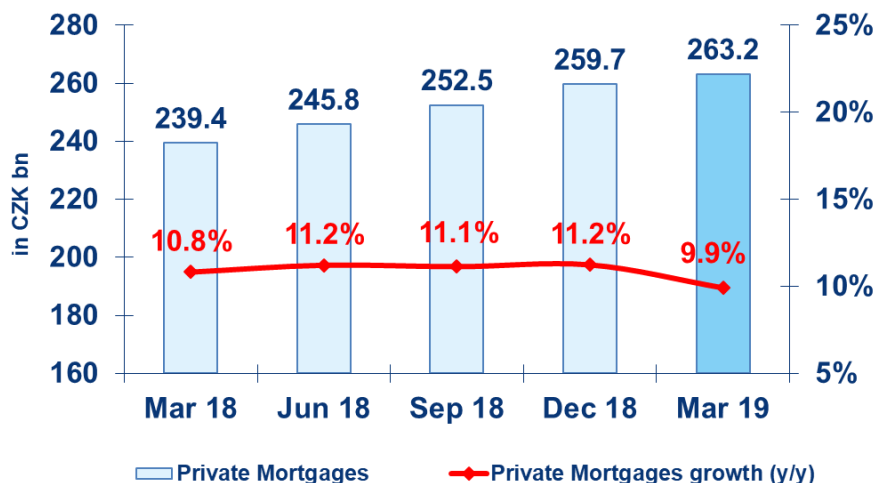
* Excluding reverse repo operations

** Wholesale defined as Corporate and Group Markets, excluding reverse repos

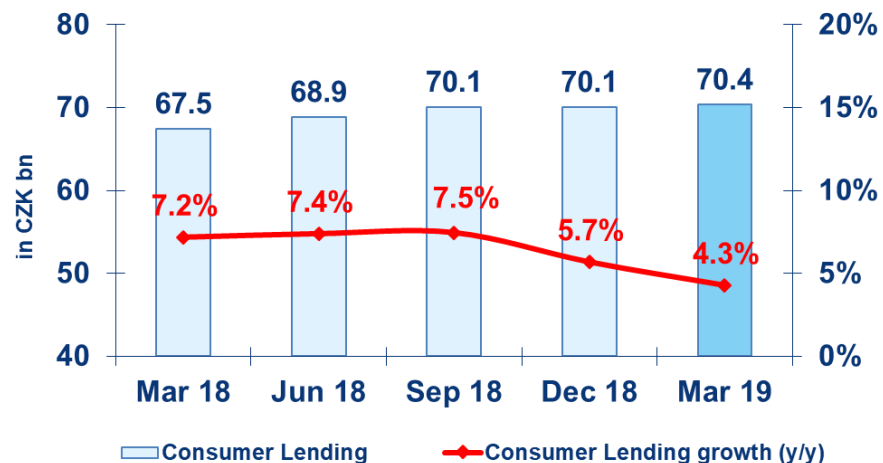
Bank loan portfolio –

Private mortgages kept strong growth rate, consumer lending up again

Private mortgages development



Consumer lending development*



- **Private mortgages at CZK 263.2 bn (+9.9% y/y)**

- New sales slower after more prudent ČNB recommendations took place in October 2018
- Average LTV for the whole portfolio declined from 59.4% to 56.3% following regular annual collateral revaluation
- Average LTV for new loans stable at safe 68.8%

- **Consumer lending* at CZK 70.4 bn (+4.3% y/y)**

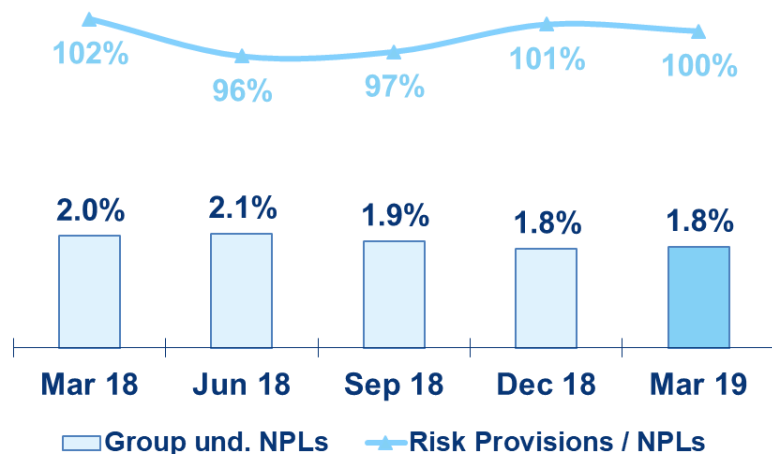
- Growth in cash loans partly held back by continuing decline of credit cards and home equity mortgages

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

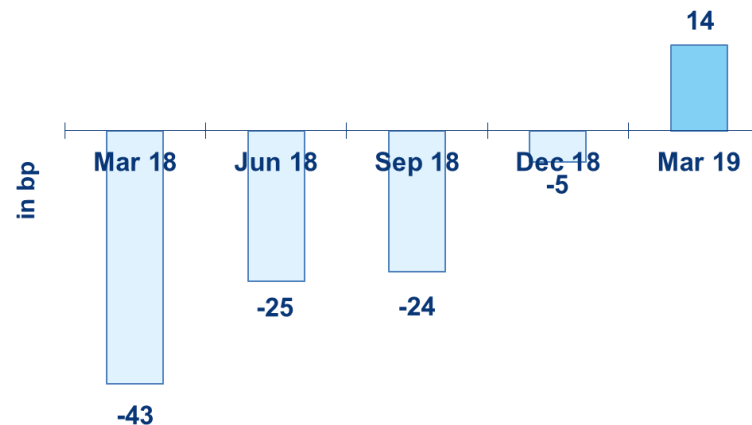
Group asset quality

Stable risk profile and coverage, low risk costs without one-offs

NPL ratio and NPL coverage



Risk costs development (YTD, on balance)



- **Group NPL share declined to 1.8%***

- Low inflow of new defaults combined with strong growth of loan portfolio
- Provision coverage stable at 100% and total coverage (provisions+collateral to NPL) at 125%

- **Annualized group risk costs** at 14 bps**

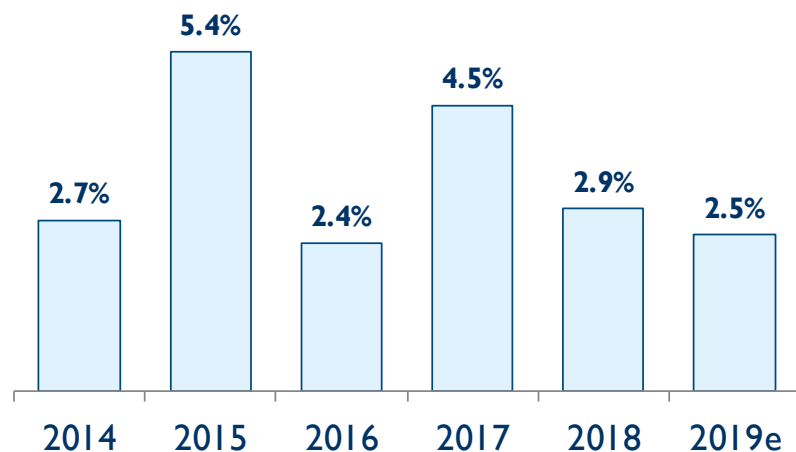
- Positive development in retail despite growing volume of consumer lending
- Non-recurring recoveries in Real estate and Local large corporate in Q1 2018

Presentation topics

- Česká spořitelna
 - Segment financial performance analysis
- Macroeconomic developments
 - Economic trends in detail
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 - Czech banking market developments
 - Česká spořitelna market shares
- Appendix

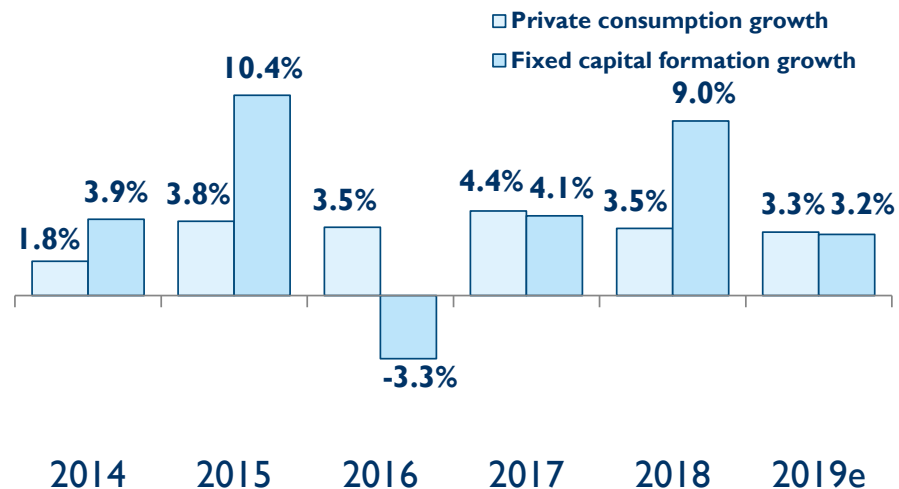
Macroeconomic developments – GDP growth expected to remain high

Real GDP growth y/y



- **GDP growth arrived at 2.9% in 2018. ČS expects growth to reach 2.5% in 2019, mainly due to strong domestic demand**
- GDP growth slowdown will be driven mainly by higher interest rates and weaker foreign demand
- Despite the gradual slowdown, the economic development will remain favourable in 2019; however, risks have increased due to external developments

Components of GDP

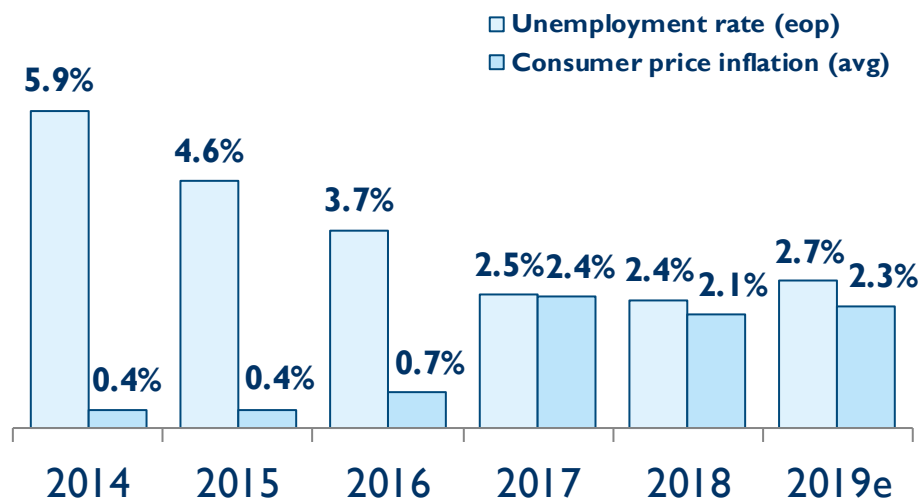


- **Growth of household consumption** is driven by the strong labour market and positive sentiment of households
- Growth of **investment expenditures was extraordinary high** in 2018, mainly due to lack of available employees, which forced firms to invest more in capital and higher automation of plants. In 2019, ČS expects investment to slowdown back towards long-run sustainable growth rate (ČS estimate 3.2%)
- The **manufacturing sector**, supported by strong foreign and domestic demand, remained the most significant contributor to GDP growth on the supply side

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

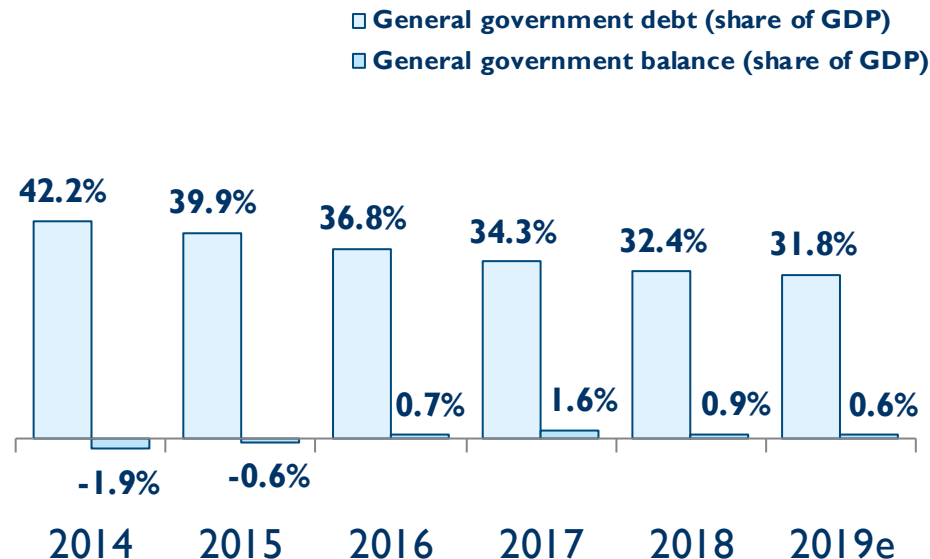
Macroeconomic developments – The lowest unemployment rate in the EU

Unemployment and inflation



- **Average CPI** arrived at 3.0% in March 2019, supported by prices connected to housing and strong wage growth. In addition to that, food & beverages prices rose
- ČS expects **CPI inflation** to arrive at 2.3% in 2019; however, the recent figures indicate the final number could be by 0.2pp higher
- The **general unemployment rate (ILO)** came in at 2.0% in March 2019 and is still the lowest among the EU countries

General government debt and government balance

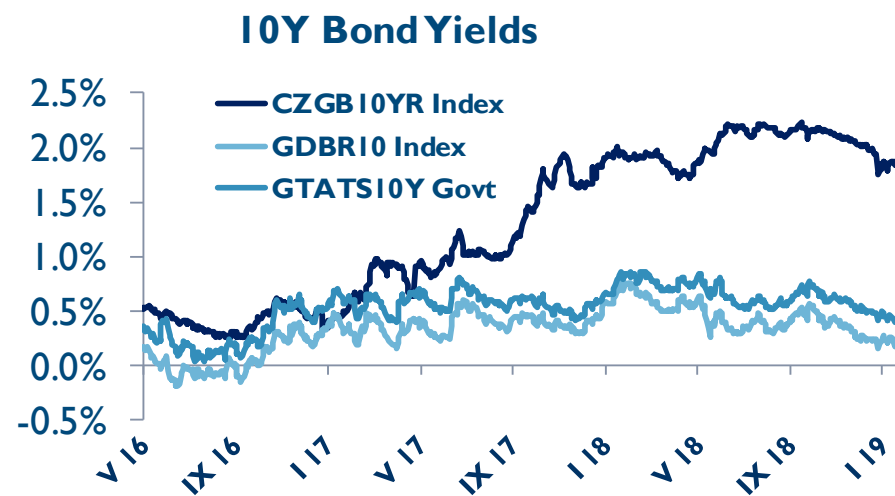
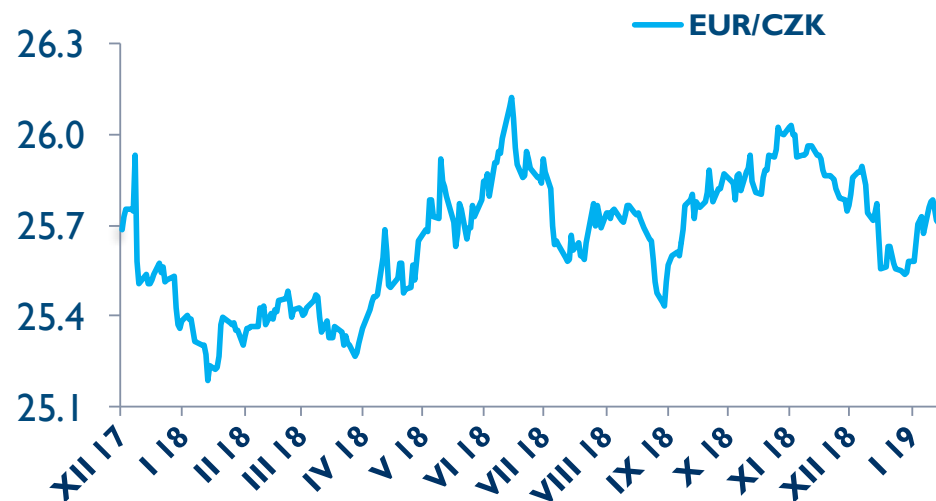


- The favourable economic development and partly inflow of EU funds positively affected the **general government budget** in previous years
- In 2019, ČS expects the **general government balance** to reach a surplus again; however, it will be lower mainly due to higher pensions and public sector wages
- The share of **public debt to nominal GDP** is anticipated to further decrease in 2019, mainly thanks to the favourable development of the Czech economy

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

Macroeconomic developments – Monetary policy to tighten slower in 2019

- In 2018, the ČNB increased the main 2W repo rate five times to 1.75%. Among the reasons, tight conditions in the labor market and weak koruna were the key factors behind this development, in ČS view. As these proinflationary factors remained important also in H1 2019, the ČNB delivered another 25bp hike in May. The main repo rate thus reached 2.00%
- The EUR/CZK remained weak and volatile in Q1 2019 (effects of uncertainty about developments of world economy and its impact on the Czech economy)
- The development of the koruna and economic situation in the Eurozone will be important factors for the rate setting in the coming quarters
- Yield curve in the Czech Republic continued to flatten in Q1 2019, as the short end of the curve was affected by monetary policy tightening, whereas yields at the long end were influenced by low financial needs of the Czech government and also by low German yields
- For 2019, ČS expects yields on Czech bonds to continue to gradually increase, as they will be supported by higher ČNB rates and positive inflationary development. However, the curve will remain flatten during the year

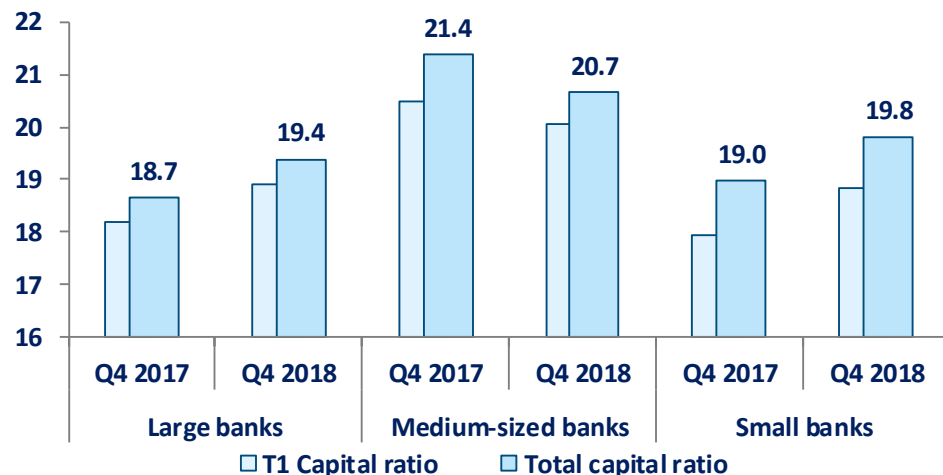


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Czech banking market – Capitalization and resilience to shocks remains high

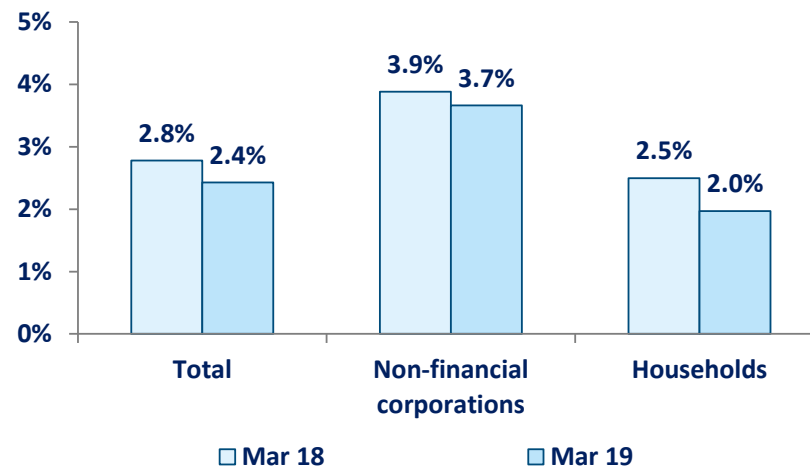
Capital ratios of Czech banks* (%)



* Compliant with ČNB segmentation of banks, data for Q1 2019 are not available

- The Czech banking sector remains resilient against potential adverse shocks thanks to its high capital adequacy (19.6% in December 2018) and robust profitability
- According to the latest ČNB stress tests (June 2018) Czech banks are also highly resilient against liquidity shocks
- The counter-cyclical capital buffer rate for exposures of Czech banks is currently set at 1.25%; however, the rate will climb to 1.5% effective on 1st July, 2019, and to 1.75% effective on 1st January, 2020

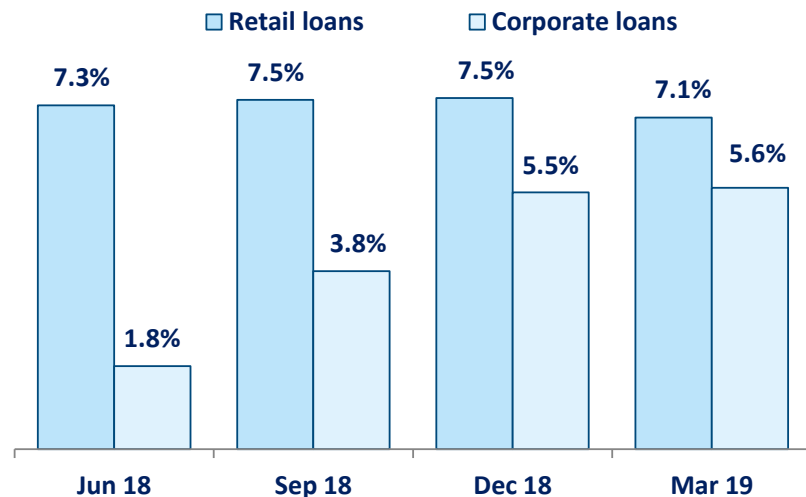
Non-performing loan ratios (%)



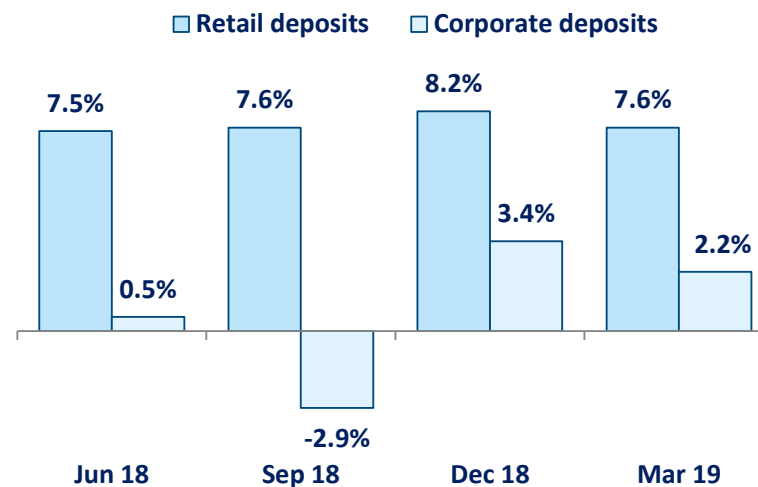
- The share of non-performing loans (NPL ratio) in the household sector has been on a downward trend since 2013 in line with the improving economic situation
- The NPL ratio for the corporate sector fell by more than 3pp since 2013 and has been hovering below 4% over the last twelve months

Czech banking market – Stable growth at sustainable levels

Retail and corporate loans (y/y growth)



Retail and corporate deposits (y/y growth)



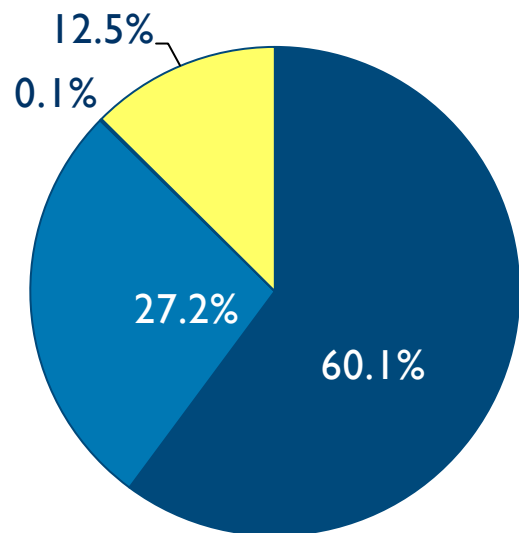
- **Total client loans up by 6.1% y/y in March 2019.** The main source remained the growth of retail loans at around 7%; the rise in corporate loans reached 5.6% in March
- In 2019, **ČS expects the growth of client loans at 4.7%.** Increase in retail loans will ease, relative to recent tempos, to below 6% due to new limits set by the ČNB on DTI and DSTI (effective from October 2018) and the frontloading these limits had provoked
- For corporate loans, ČS expects increase of 4.4%, while loans to financial institutions will grow by some 1.6%

- **In March 2019, y/y growth in client deposits reached 8.5%.** Retail deposits added 7.6% y/y, while for corporate deposits, the y/y change came out at 2.2%; a strong contributor was government (y/y growth of more than 50%) but the volume of government deposits is rather volatile over time
- **For 2019, ČS expects total client deposits to expand by 6.6% y/y.** The growth rate of retail deposits should be 6.4%, while non-financial corporate deposits should increase by about 2%

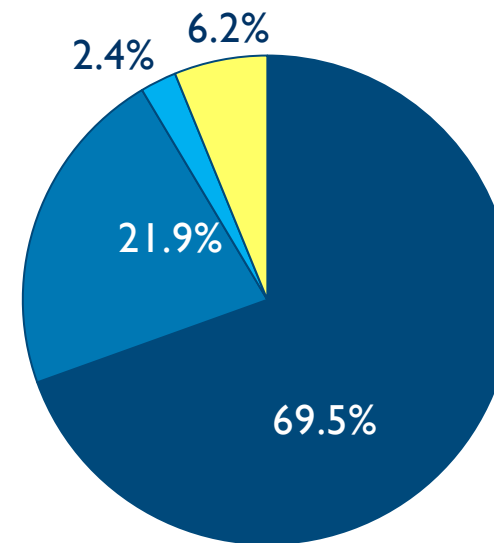
Czech banking market –

Exposure of clients is dominated by local currency lending

Customer loans (March 2019)



Customer deposits (March 2019)



■ LC retail loans

■ LC corporate loans

■ LC retail deposits

■ LC corporate deposits

■ FX retail loans

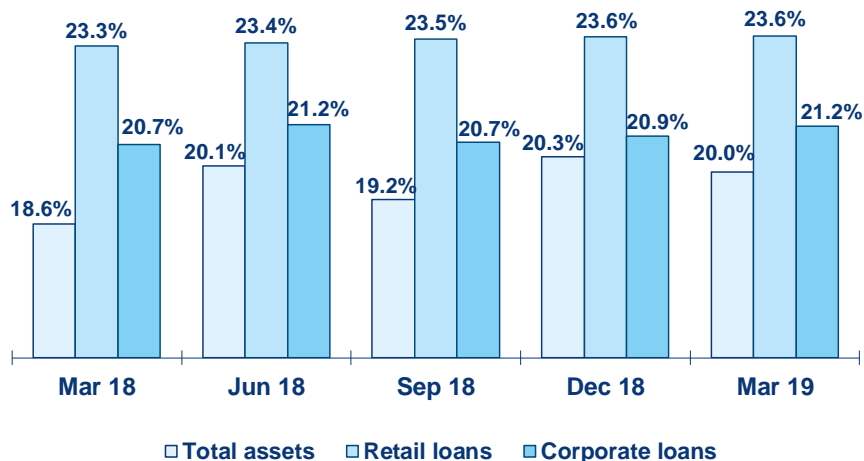
■ FX corporate loans

■ FX retail deposits

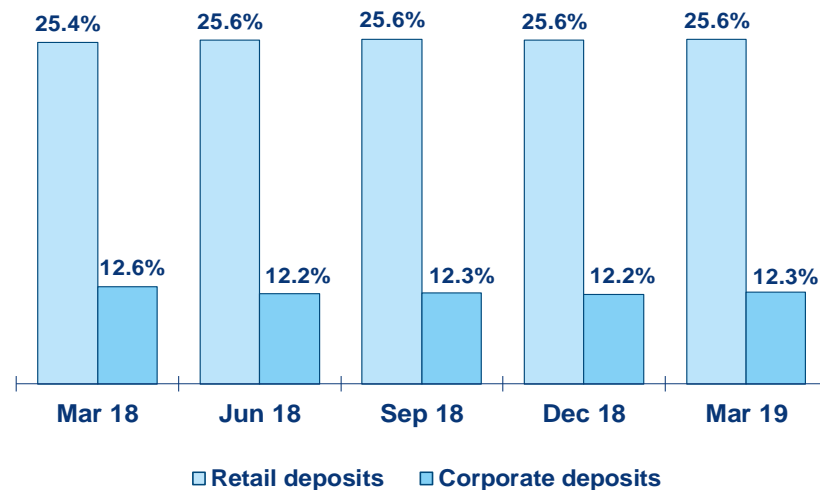
■ FX corporate deposits

Banking market – Market shares of ČS (March 2019)

Asset side



Liability side



- **Market leadership in:**

- Number of customers (4.6 m)
- Total mortgages (market share of 28%)
- Consumer loans incl. credit cards (market share of 28%)
- Total loans (market share of 21%)
- Total assets (market share of 20%)

- **No. 2 in:**

- Private mortgages (market share of 26%)

- **Market leadership in:**

- Total deposits (market share of 21%)
 - 26% in retail deposits, 12% in corporate deposits
- Mutual funds with market share of 27%*

* Figure from December 2018

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Income statement – Quarterly development (CZK m)

	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q/Q %
Net interest income	6,548	6,596	7,041	7,637	7,288	-4.6%
Net fee and commission income	2,134	2,153	2,075	2,178	2,193	0.7%
Dividend income	4	46	9	19	3	-84.2%
Net trading result	727	315	611	497	637	28.2%
Gains/losses from financial instruments measured at FV through profit or loss	7	-7	279	-54	18	-
Net result from equity method investments	-4	6	22	30	14	-53.3%
Rental income from investment properties & other operating leases	56	55	57	53	54	1.9%
General administrative expenses	-4,636	-4,524	-4,545	-4,622	-4,829	4.5%
Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	19	11	32	-38	9	-
Impairment result from financial instruments	741	162	223	-1,414	267	-
Other operating result	-501	-57	-872	96	-706	-
Pre-tax result from continuing operations	5,095	4,754	4,932	4,382	4,948	12.9%
Taxes on income	-1,026	-967	-951	-859	-1,003	16.8%
Net result for the period						
Net result attributable to non-controlling interests	-1	-12	5	8	3	-62.5%
Net result attributable to owners of the parent	4,070	3,799	3,976	3,516	3,942	12.1%
Operating income	9,472	9,162	10,094	10,359	10,207	-1.5%
Operating expenses	-4,636	-4,524	-4,545	-4,622	-4,829	4.5%
Operating result	4,836	4,638	5,549	5,737	5,378	-6.3%

Note: Figures reflect implementation of IFRS 16 accounting standard

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

in CZK m, IFRS	31/03/2018		31/12/2018		31/03/2019		YTD change		YTY change	
	Outstand.	Share	Outstand.	Share	Outstand.	Share	Outstand.	Rate	Outstand.	Rate
RETAIL	357,935	52.3%	383,492	54.3%	387,909	53.0%	4,417	1.2%	29,974	8.4%
Overdrafts	5,685	0.8%	5,511	0.8%	5,578	0.8%	67	1.2%	-107	-1.9%
of which non-private (MSE, Muni)	2,089	0.3%	2,100	0.3%	2,240	0.3%	141	6.7%	151	7.2%
Credit cards	2,521	0.4%	2,401	0.3%	2,175	0.3%	-226	-9.4%	-346	-13.7%
of which non-private (MSE, Muni)	11	0.0%	11	0.0%	11	0.0%	1	7.7%	0	2.7%
Cash loans	58,369	8.5%	61,437	8.7%	62,088	8.5%	651	1.1%	3,719	6.4%
Private social	600	0.1%	515	0.1%	485	0.1%	-30	-5.9%	-115	-19.1%
Home equity mortgages	3,005	0.4%	2,850	0.4%	2,784	0.4%	-65	-2.3%	-221	-7.3%
Private mortgages	239,429	35.0%	259,674	36.7%	263,166	36.0%	3,493	1.3%	23,737	9.9%
Commercial loans	48,325	7.1%	51,105	7.2%	51,632	7.1%	527	1.0%	3,307	6.8%
WHOLESALE	263,376	38.5%	255,814	36.2%	275,485	37.6%	19,670	7.7%	12,109	4.6%
Corporate	231,537	33.8%	249,756	35.3%	254,093	34.7%	4,337	1.7%	22,556	9.7%
Group Large corporates	51,041	7.5%	58,560	8.3%	59,647	8.1%	1,087	1.9%	8,606	16.9%
Local Large corporates	32,908	4.8%	35,029	5.0%	38,418	5.2%	3,389	9.7%	5,511	16.7%
SME	83,150	12.1%	89,283	12.6%	90,284	12.3%	1,001	1.1%	7,134	8.6%
Real estate	39,707	5.8%	42,220	6.0%	41,671	5.7%	-550	-1.3%	1,964	4.9%
Public sector	24,733	3.6%	24,664	3.5%	24,074	3.3%	-590	-2.4%	-659	-2.7%
Group Markets	31,838	4.7%	6,058	0.9%	21,392	2.9%	15,334	>100%	-10,447	-32.8%
<i>excluding rev repos</i>	5,658	0.8%	5,013	0.7%	4,724	0.6%	-289	-5.8%	-934	-16.5%
OTHER	18,885	2.8%	18,289	2.6%	17,831	2.4%	-458	-2.5%	-1,054	-5.6%
BANK: LOANS TO CUSTOMERS	640,196	93.5%	657,595	93.0%	681,224	93.1%	23,629	3.6%	41,028	6.4%
SUBSIDIARIES	63,380	9.3%	67,855	9.6%	68,720	9.4%	865	1.3%	5,340	8.4%
CONSOLIDATION ITEMS	-18,985	-2.8%	-18,695	-2.6%	-18,057	-2.5%	638	-3.4%	928	-4.9%
GROUP: LOANS TO CUSTOMERS	684,590	100.0%	706,755	100.0%	731,887	100.0%	25,132	3.6%	47,297	6.9%
<i>excluding rev repos</i>	658,410	96.2%	705,710	99.9%	715,220	100.0%	9,510	1.3%	56,810	8.6%

Ratings of Česká spořitelna

Status as of 2 May 2019

Rating Agency	Long-term	Short-term	Viability	Support	Outlook	Latest actions
Fitch	A	FI	a	2	stable	22/01/2019
Moody's	A1	Prime - I			stable	21/11/2018
Standard & Poor's	A	A-I			positive	23/11/2017

• Latest rating actions

- Fitch upgraded long-term rating to A (from A-) and viability rating to a (from a-) on 22 January 2019
- Moody's improved long-term rating of ČS to A1 (from A2) on 21 November 2018 and simultaneously revised the outlook from positive to stable
- Rating agency Standard & Poor's upgraded all ČS ratings on 16 March 2017, outlook was revised from negative to positive on 23 November 2017

Macroeconomic figures – Historical and forecasted macroeconomic data

	2013	2014	2015	2016	2017	2018	2019e	2020e
Population (avg, m)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
GDP/capita (EUR thsd)	14.6	14.1	15.0	15.5	16.6	17.5	18.1	19.3
Real GDP growth	-0.5	2.7	5.4	2.4	4.5	2.9	2.5	2.8
Consumer price inflation (avg)	1.4	0.4	0.4	0.7	2.4	2.2	2.3	2.0
Unemployment rate (eop)	6.8	5.9	4.6	3.7	2.5	2.4	2.7	3.1
Current account balance (share of GDP)	-0.5	0.2	0.2	1.6	1.1	0.7	0.5	0.6
General government balance (share of GDP)	-1.2	-1.9	-0.6	0.7	1.6	0.9	0.6	0.4
Public debt (share of GDP)	44.9	42.2	39.9	36.8	34.3	32.4	31.8	31.1
Short term interest rate (3 months, eop)	0.5	0.4	0.3	0.3	0.4	1.3	2.1	2.3
EUR FX rate (eop)	27.3	27.7	27.0	27.0	25.7	25.9	25.1	21.6

Segment financial statements –

Segment Czech Republic - income statement (EUR m)

	1-3 18	1-3 19	Change
Net interest income	255.1	276.0	8.2%
Net fee and commission income	84.0	85.4	1.7%
Dividend income	0.2	0.1	-42.7%
Net trading result	28.6	24.8	-13.3%
Gains/losses from financial instruments measured at fair value through profit or loss	0.3	0.7	145.6%
Net result from equity method investments	-0.1	0.5	-480.4%
Rental income from investment properties & other operating leases	2.2	2.1	-4.0%
General administrative expenses	-182.5	-188.0	3.0%
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net			n/a
Gains/losses from derecognition of financial assets measured at amortised cost	-0.2	0.3	n/a
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	1.0	0.0	n/a
Gains/losses from reclassification from amortised cost to fair value through profit or loss	0.0	0.0	n/a
Gains/losses from reclassification from fair value through other comprehensive income to fair value through profit or loss	0.0	0.0	n/a
Net impairment loss on financial assets			n/a
Impairment result from financial instruments	29.2	10.4	n/a
Other operating result	-19.8	-27.5	39.1%
Levies on banking activities	0.0	0.0	n/a
Pre-tax result from continuing operations	197.9	184.9	-6.6%
Taxes on income	-39.9	-37.6	-5.8%
Post-tax result from continuing operations	158.1	147.3	-6.8%
Post-tax result from discontinued operations	0.0	0.0	n/a
Net result for the period	158.1	147.3	-6.8%
Net result attributable to non-controlling interests	1.7	0.0	-99.7%
Net result attributable to owners of the parent	156.4	147.3	-5.8%
Operating income	370.2	389.7	5.2%
Operating expenses	-182.5	-188.0	3.0%
Operating result	187.8	201.6	7.4%
Cost/income ratio	49.3%	48.3%	
Return on allocated capital	25.3%	24.3%	

Segment financial statements – Quarterly development

Segment Czech Republic - income statement (EUR m)

	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19
Net interest income	255.1	252.1	266.5	288.5	276.0
Net fee and commission income	84.0	84.1	80.6	84.2	85.4
Dividend income	0.2	1.8	0.3	0.7	0.1
Net trading result	28.6	12.2	23.8	19.2	24.8
Gains/losses from financial instruments measured at fair value through profit or loss	0.3	-0.3	10.9	-2.1	0.7
Net result from equity method investments	-0.1	0.2	0.9	1.2	0.5
Rental income from investment properties & other operating leases	2.2	2.1	2.2	2.1	2.1
General administrative expenses	-182.5	-176.7	-176.6	-178.7	-188.0
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net					
Gains/losses from derecognition of financial assets measured at amortised cost	-0.2	0.4	0.4	0.0	0.3
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	1.0	0.0	0.8	-1.5	0.0
Gains/losses from reclassification from amortised cost to fair value through profit or loss	0.0	0.0	0.0	0.0	0.0
Gains/losses from reclassification from fair value through other comprehensive income to fair value through profit or loss	0.0	0.0	0.0	0.0	0.0
Net impairment loss on financial assets					
Impairment result from financial instruments	29.2	6.2	8.6	-55.3	10.4
Other operating result	-19.8	-2.2	-31.5	3.0	-27.5
Levies on banking activities	0.0	0.0	0.0	0.0	0.0
Pre-tax result from continuing operations	197.9	180.1	187.0	161.3	184.9
Taxes on income	-39.9	-36.7	-35.6	-31.8	-37.6
Post-tax result from continuing operations	158.1	143.4	151.4	129.4	147.3
Post-tax result from discontinued operations	0.0	0.0	0.0	0.0	0.0
Net result for the period	158.1	143.4	151.4	129.4	147.3
Net result attributable to non-controlling interests	1.7	0.9	1.5	-4.6	0.0
Net result attributable to owners of the parent	156.4	142.5	149.9	134.0	147.3
Operating income	370.2	352.3	385.2	393.7	389.7
Operating expenses	-182.5	-176.7	-176.6	-178.7	-188.0
Operating result	187.8	175.6	208.6	215.1	201.6
Cost/income ratio	49.3%	50.2%	45.9%	45.4%	48.3%
Return on allocated capital	25.3%	22.7%	24.2%	21.3%	24.3%

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