

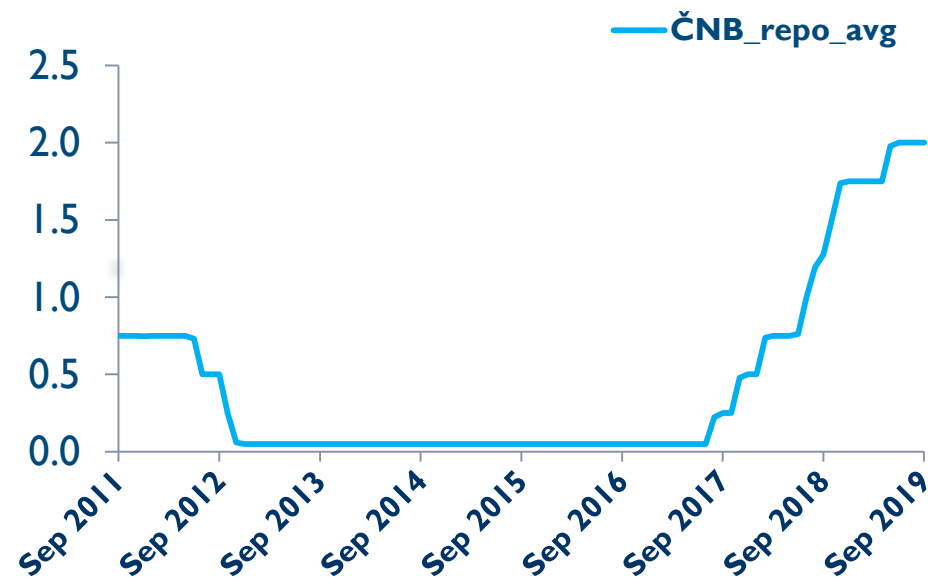
Česká spořitelna – Q1-3 2019 consolidated results (unaudited, IFRS)

30th October 2019

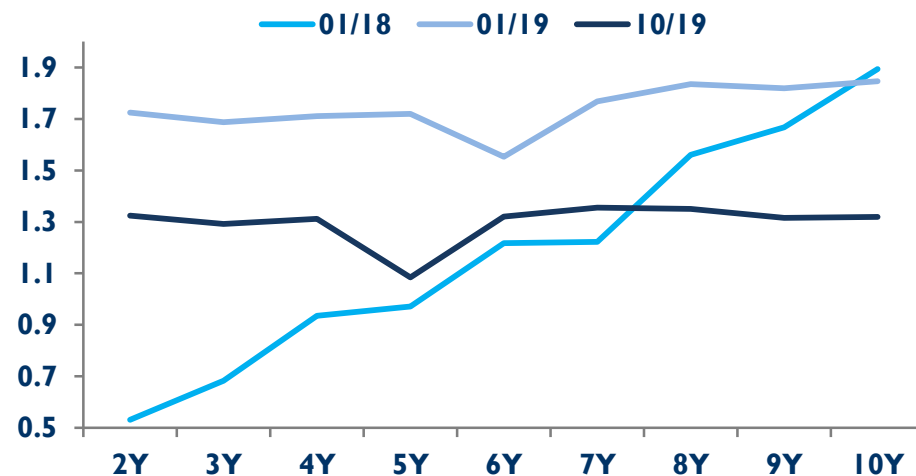
Excellent operating performance and improved C/I ratio

Economy - Executive summary – Monetary policy tightening

- The Czech economy is still benefitting from a favourable macroeconomic development. **GDP growth** arrived at **2.8%** in Q2 2019. **ČS** expects growth to reach **2.6%** 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 Q3 2019 (an effect of uncertainty about developments in the world economy and its impact on the Czech economy)
- **Headline inflation came at 2.7% in September 2019**, as pro-inflationary effects of wage growth and housing & utilities prices were accompanied by an increase in food prices. ČS expects the headline inflation at 2.6% at the end of 2019
- The situation in the labour market remains tight. **The unemployment rate arrived to 2.1% in August**, still the lowest among EU countries. Nominal wage growth came in at **7.2% in Q2 2019**
- **Yield curve became inverse in Q2 2019** due to international economic turbulences, as monetary policy tightening pushed up the short end, and expectations on monetary loosening in the Eurozone affected the long end of the yield curve



Czech government bond yield curve



Note: Figures for 2019 are ČS estimates

Executive summary –

Continuing growth of net profit, improved C/I ratio

Net profit

Operating result grew and resulted in continuing increase in net profit (by 9.5% y/y to CZK 13.0 bn). ROE enhanced to 13.5%

Operating result

Operating result increased by 11.8% y/y (or CZK 1.8 bn)

- Operating income rose by 8.3% y/y attributed to all main components:
 - ✓ Net interest income (+10.2%)
 - ✓ Net fee and commission income (+4.1%)
 - ✓ Net trading result (+22.3%)
- Operating expenses were higher by 4.5% in Q1-3 2019, caused by rising personnel expenses
- Cost/income ratio improved y/y by 1.7pp to 46.0%

Investments

Assets in domestic and foreign mutual funds up by 5.4% y/y. Assets in pension funds of ČSPS rose by 10.2% y/y

Executive summary –

Continuous loan growth across all segments, asset quality strong

Lending

Group customer loans (gross) excluding reverse repo operations increased by 5.4%* y/y (or by CZK 37.8 bn) as at 30th September 2019, driven mainly by private mortgages

- Private mortgages loans outstanding grew by 8.2% y/y (or by CZK 20.7 bn)
- Corporate loans to real estate up by 13.5% y/y
- Loans to MSEs (commercial loans) rose by 5.8% y/y
- Consumer loans increased by 3.1% compared to September 2018
- Loans to large corporate customers grew by 3.3% and to SMEs by 3.0% y/y

Asset quality

Impairment result from financial instruments (release of CZK 152 m on and off-balance) reflected positive development in both retail and wholesale segments

- Share of NPLs declined to 1.7% (from 1.9% in September 2018)
- NPL coverage by credit risk provisions at strong 100%

Capital ratio & Capital

Total capital ratio improved by substantial 2.6pp y/y to 20.2%, Tier 1 ratio increased to 19.9%, significantly above minimum regulatory capital requirements

Retail Banking

Accounts

In Q3, Česká spořitelna launched a campaign to promote **children's and student accounts**, offering a contribution of up to CZK 50 per month, for six months, for those accounts to which parents send at least CZK 50 per month. In two months, **Spořitelna opened 18,000 new accounts** for youth, its all-time best for a summer period

Loans

In August, Česká spořitelna **recorded its best-ever loan sales via external call centres**. Call centres identified clients and contacted them with a specific loan offer

ATMs

Instant payments, when money is credited to the payee's account in a domestic bank within seconds, are now available to Česká spořitelna's clients not only via George mobile and Internet banking, but also Česká spořitelna's ATMs. Spořitelna is the first bank on the domestic market to **enable instant payments via its ATMs** and transactional terminals



Corporate Banking

SME

In Q3, Česká spořitelna carried out a number of interesting transactions. With comprehensive financing, it is helping the **Schicht Group** revive the legendary “soap with the stag”. Also, **Mixit**, a well-known Czech food company specialising in making customised müsli, has become a new client

Financial Markets

Česká spořitelna acted as the lead joint manager for a retail bond issue for the **Sazka Group** lottery company, in the volume of CZK 6 bn. Sazka Group's issue was the **largest retail issue to have been realised in the Czech Republic** up to that point

Public and Non-profit Sector

Česká spořitelna has provided operating financing to the state-owned corporation **Lesy České republiky (Czech Forest Company)** to help it better cope with the bark beetle calamity. The Bank is also providing EUR/CZK exchange to Lesy České republiky

Commercial Properties

Česká spořitelna continued its successful co-operation with **real estate investment funds of the Wood & Co. Group**, in the form of an acquisition loan for the purchase of the **Krakov Shopping Centre** in Prague – Bohnice. The Bank also provided an acquisition loan of EUR 17 m for a building at Na Příkopě 9-11 in the centre of Prague, and for the refinancing of the **Factory Office Center** complex in Prague 5

Česká spořitelna's Digital World

George

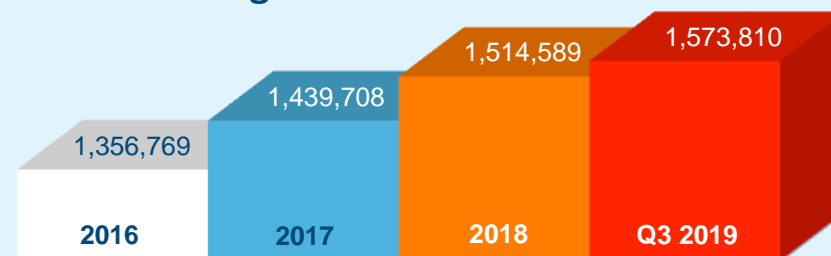
Česká spořitelna's new Internet banking named George keeps attracting new clients. It is already used by nearly 1.6 million people. 700,000 clients have George in their mobiles. George features **Handy Tips** for managing family finance more efficiently. The first tip to be provided in **real time** – i.e., when it can be used immediately – has joined the 70 already existing Handy Tips. The first “real time” Handy Tip **pertains to travel insurance**. When a client is paying with their card near a national border or pays for an airline ticket, they receive a text message reminding them that they should not forget about travel insurance

Garmin Pay and Fitbit Pay

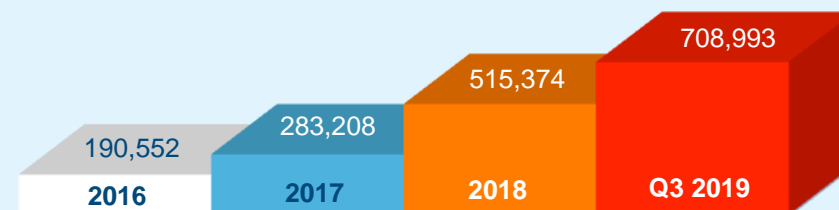
With Apple Pay and Google Pay already available, Česká spořitelna has made available further applications for mobile payments that can be used by owners of **Garmin and Fitbit** smart watches. They only need to insert their Visa or Mastercard card information into the Garmin or Fitbit application in their smart phone and activate it for watch payments



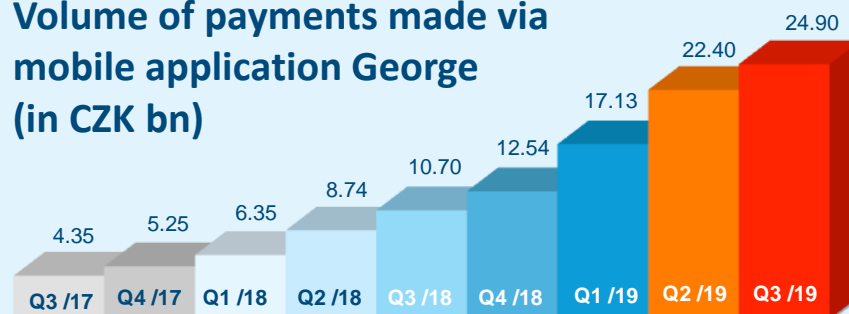
Number of digital clients



Number of mobile digital clients



Volume of payments made via mobile application George (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)

	1-9 18	1-9 19	Change
Net interest income	20,185	22,240	10.2%
Net fee and commission income	6,362	6,625	4.1%
Dividend income	59	62	5.1%
Net trading result	1,653	2,021	22.3%
Gains/losses from financial instruments measured at FV through profit or loss	278	-33	-
Net result from equity method investments	24	36	50.0%
Rental income from investment properties & other operating leases	168	163	-3.0%
General administrative expenses	-13,705	-14,318	4.5%
Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	62	-21	-
Impairment result from financial instruments	1,126	152	-86.5%
Other operating result	-1,431	-755	-47.2%
Pre-tax result from continuing operations	14,781	16,172	9.4%
Taxes on income	-2,943	-3,192	8.5%
Net result for the period			
Net result attributable to non-controlling interests	-8	9	-
Net result attributable to owners of the parent	11,846	12,971	9.5%
Operating income	28,729	31,114	8.3%
Operating expenses	-13,705	-14,318	4.5%
Operating result	15,024	16,796	11.8%
Cost/Income ratio	47.7%	46.0%	
Return on equity	13.1%	13.5%	

Note: Figures reflect implementation of IFRS 16 accounting standard

Balance sheet – Assets (CZK m)

Assets	Dec 18	Sep 19	Change	Change
Cash and cash balances with central banks	63,914	66,641	4.3%	2,727
Financial assets held for trading	10,311	10,385	0.7%	74
Non-trading financial assets at FV through profit or loss	1,452	1,494	2.9%	42
thereof Loans and advances to customers	69	72	4.3%	3
Financial assets at FV through other comprehensive income	39,627	24,215	-38.9%	-15,412
Financial assets at amortised cost	1,281,034	1,439,068	12.3%	158,034
Debt securities	205,551	224,316	9.1%	18,765
Loans and advances to banks	389,844	489,476	25.6%	99,632
Loans and advances to customers	685,639	725,276	5.8%	39,637
Finance lease receivables	2,006	1,936	-3.5%	-70
Hedge accounting derivatives	1,152	1,663	44.4%	511
Property and equipment	9,396	11,604	23.5%	2,208
Investment properties	2,327	2,282	-1.9%	-45
Intangible assets	5,247	5,358	2.1%	111
Investments in associates	824	860	4.4%	36
Current tax assets	499	275	-44.9%	-224
Deferred tax assets	986	783	-20.6%	-203
Assets held for sale	40	77	92.5%	37
Trade and other receivables	6,351	6,366	0.2%	15
Other assets	1,299	906	-30.3%	-393
Total assets	1,426,465	1,573,913	10.3%	147,448

Note: Figures reflect implementation of IFRS 16 accounting standard

Balance sheet – Liabilities (CZK m)

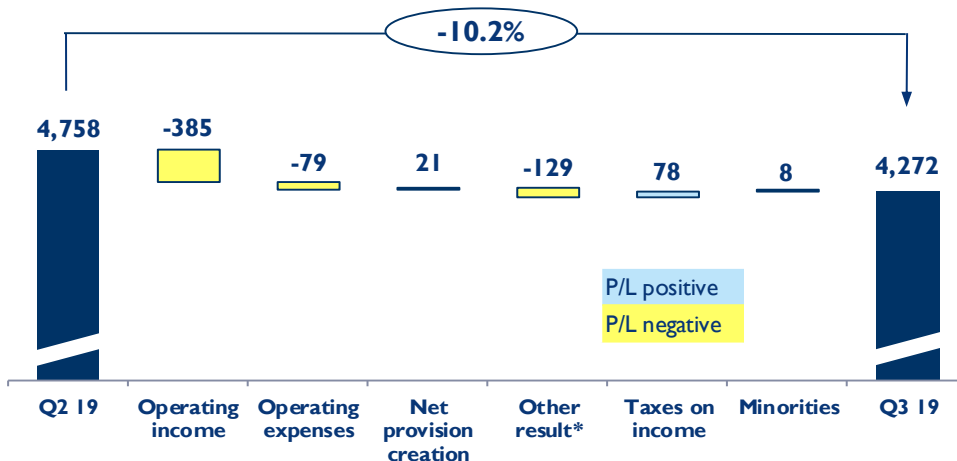
Liabilities and equity	Dec 18	Sep 19	Change	Change
Financial liabilities held for trading	10,172	10,461	2.8%	289
Financial liabilities at fair value through profit or loss	1,935	3,864	99.7%	1,929
Deposits from customers	1,935	3,864	99.7%	1,929
Financial liabilities at amortised cost	1,279,931	1,408,436	10.0%	128,505
Deposits from banks	318,861	324,372	1.7%	5,511
Deposits from customers	952,506	1,072,551	12.6%	120,045
Debt securities issued	5,458	8,192	50.1%	2,734
Other financial liabilities	3,106	3,321	6.9%	215
Finance lease liabilities	0	2,723	-	2,723
Hedge accounting derivatives	2,110	2,025	-4.0%	-85
Provisions	3,584	2,916	-18.6%	-668
Current tax liabilities	69	266	>100%	197
Deferred tax liabilities	218	261	19.7%	43
Liabilities associated with assets held for sale	0	0	-	0
Other liabilities	5,789	8,990	55.3%	3,201
Total equity	122,657	133,971	9.2%	11,314
Equity attributable to non-controlling interests	184	193	4.9%	9
Equity attributable to owners of the parent	122,473	133,778	9.2%	11,305
Total liabilities and equity	1,426,465	1,573,913	10.3%	147,448

Note: Figures reflect implementation of IFRS 16 accounting standard

Financial performance – Executive summary

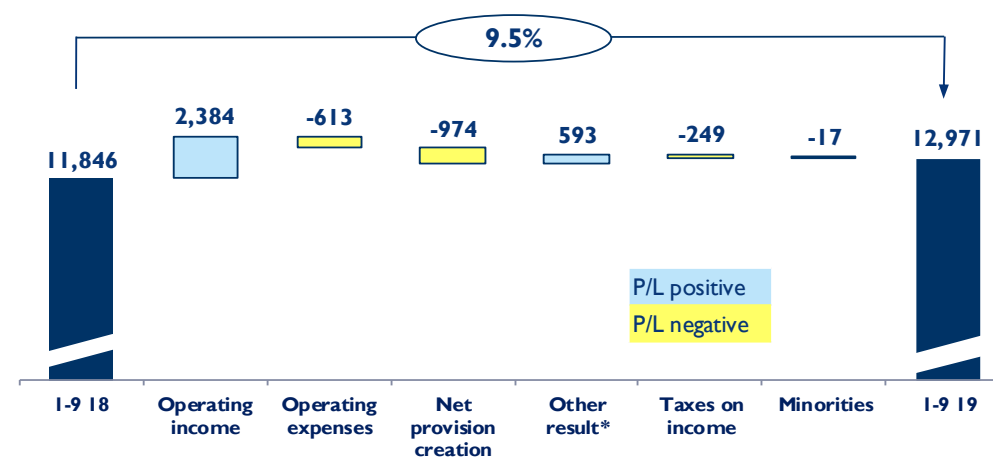
Net profit grew by 9.5% y/y

Q/Q net profit reconciliation (CZK m)



- Decrease in net profit in Q3 2019 vs Q2 2019 caused by decline of operating income and other result*
- Operating income went down mainly due to net trading result (-38.1% q/q). Q/Q development of net trading result was affected by extraordinary gains in Q2 2019 (mainly because of FX business in both retail and corporate segments) and revaluation of derivatives positions
- Slight increase in operating expenses attributed to seasonal development in salaries (vacations)
- Other result decreased due to extraordinary sale of property in Q2 2019

Y/Y net profit reconciliation (CZK m)



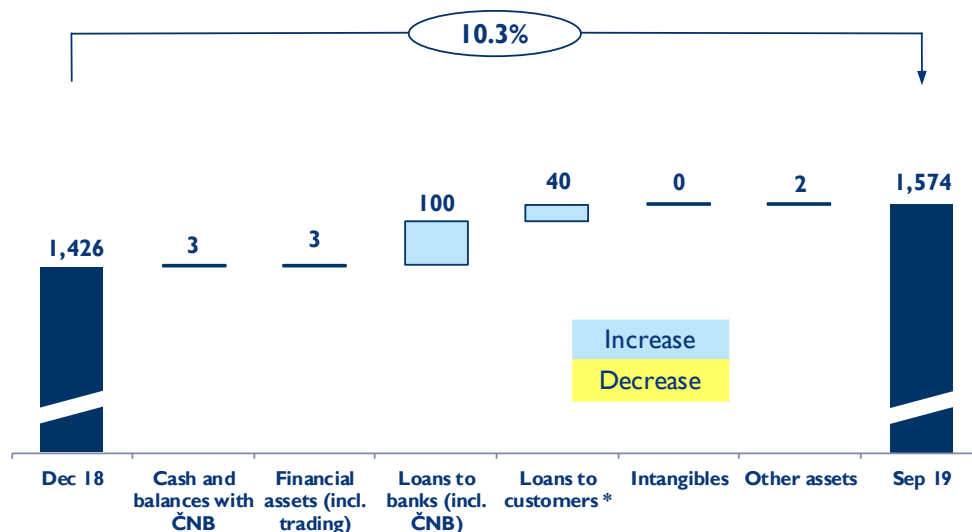
- Operating income went up by 8.3% especially due to growing NII (+10.2%), supported by net fee and commission income and net trading result
- Operating expenses increased by 4.5% driven by rise of personnel expenses
- Positive development across the Group in Q1-3 2019 evidenced in risk provision release; but lower release than in Q1-3 2018 (non-recurring recoveries of several corporate clients in Q1 2018)
- Improvement of other result* attributed to impairment on building in Q1-3 2018, which was partly offset by higher contribution to Recovery and Resolution Fund in 2019

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

Financial performance – Executive summary

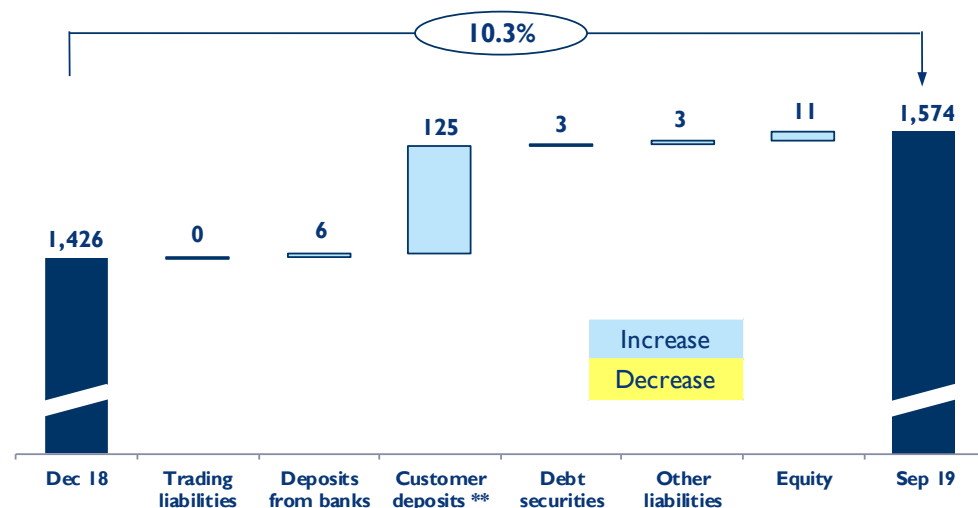
Balance sheet rose by 10.3% in Q1-3 2019

YTD total asset reconciliation (CZK bn)



- The assets development attributed mainly to growth of loans (both to banks and customers)
- Net customer loans* excluding reverse repo operations increased by 4.8% in Q1-3 2019 (or CZK 33.6 bn)
- Loans to banks supported by reverse repo operations with ČNB increased by CZK 100 bn

YTD total liability reconciliation (CZK bn)

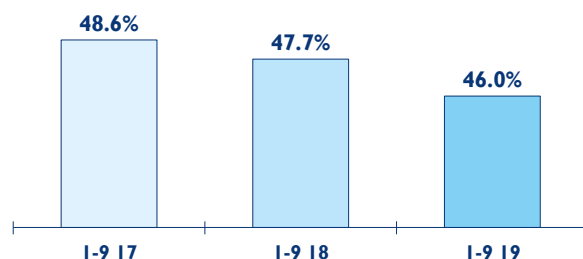


- The main driver of growth on liability side of B/S was customer deposits
- Group customer deposits increased by 13.1% in Q1-3 2019
 - Deposits in ČS bank grew by 14.3%, driven by deposits from public sector; deposits from private individuals went up by 5.1%; corporate deposits down by 8.5%
- Deposits from banks (credit institutions) went up by CZK 5.5 bn (+1.7%) in Q1-3 2019 due to increase of repo operations

Financial performance – Executive summary

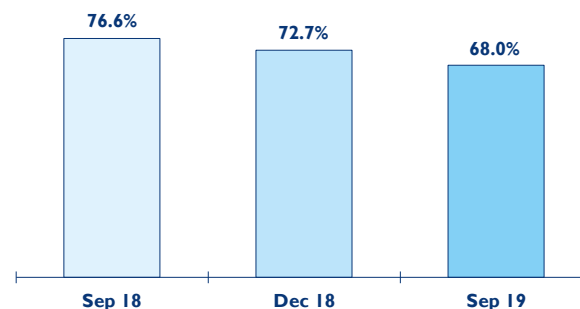
Improvement in C/I and ROE

Cost/income ratio

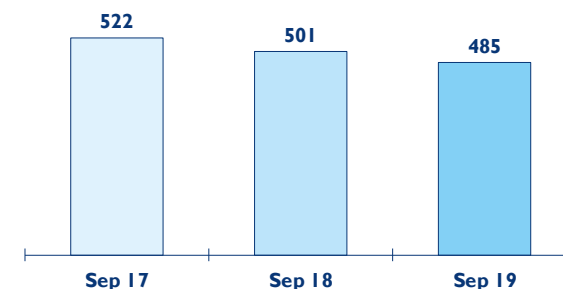


Loan*/deposit** ratio

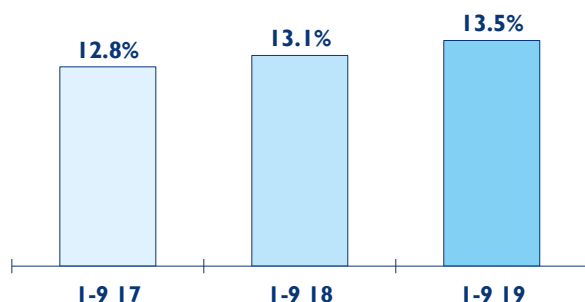
L/D ratio decreased in Q1-3 2019 due to inflow of volatile short term deposits, excluding these L/D ratio would be 73.4%



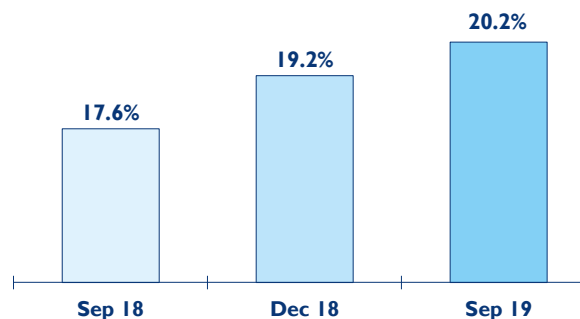
Number of branches



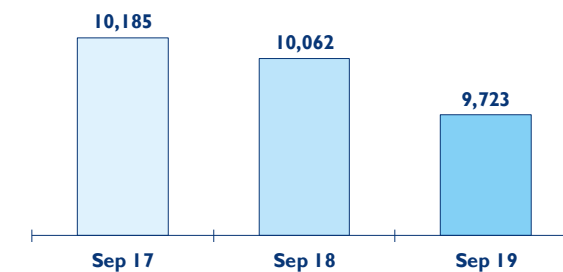
ROE



Total capital ratio



Number of employees (eop)

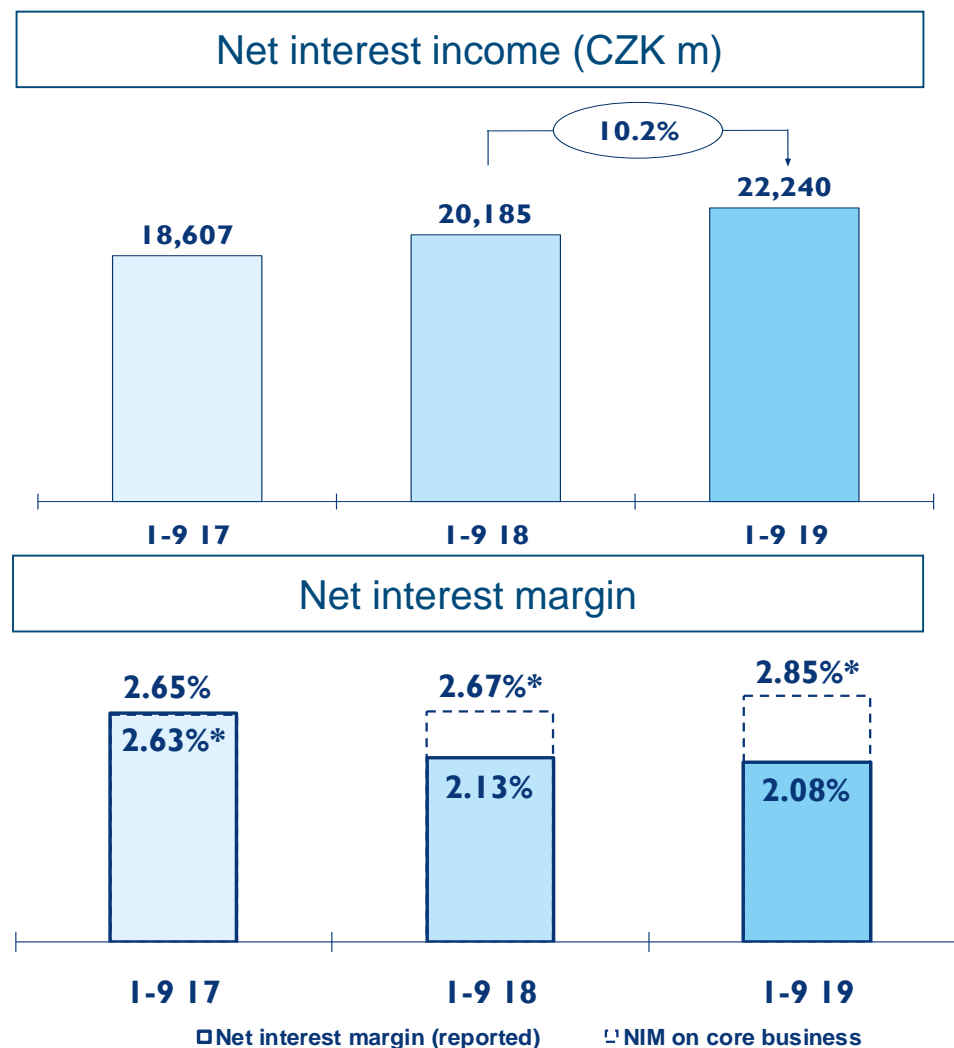


*Since 2018 includes loans and advances at amortised cost, loans and advances at FV through profit or loss, finance lease receivables and trade and other receivables

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

Net interest income – Continuing double-digit growth

- Net interest income up by 10.2% in comparison with Q1-3 2018 affected by
 - Growth of customer loans
 - Increasing income from debt securities
 - Interest rate hikes by ČNB in 2018 and 2019
- Net interest margin on core business increased to 2.85% in Q1-3 2019
 - Mainly driven by increase in interest rates on corporate loans and reinvestment yields due to higher repo interest rates partially offset by rising overall interest rates on deposits
 - NIM also affected by:
 - ✓ Ongoing pressure on product margins
 - ✓ Inverse yield curve
- Reported net interest margin at 2.08%



Net fee and commission income –

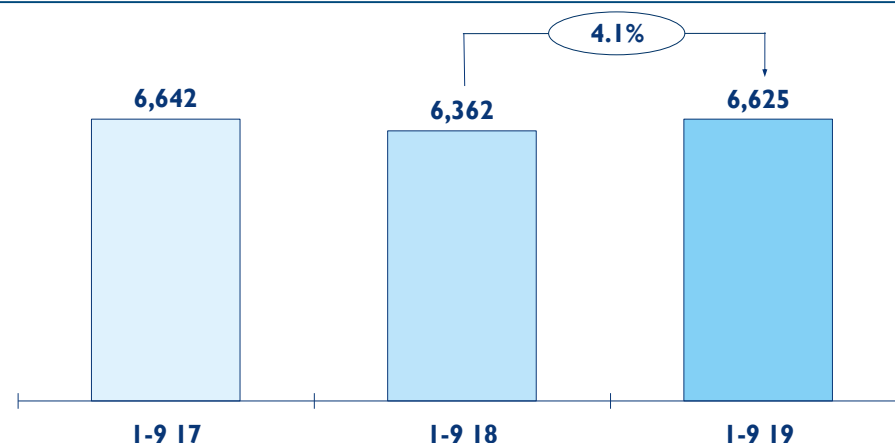
Net fee income rose by 4.1%

➤ After several years of decline of net fee and commission income, Česká spořitelna recorded growth

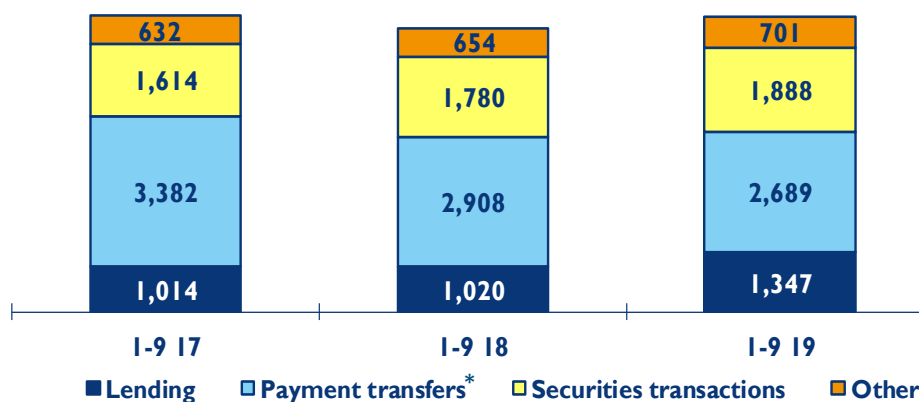
➤ Year-on-year increase driven by

- Asset management – supported by higher income from REICO (real estate fund) and pension fund
- Custody – due to fees from custody in ČS Pension Company
- Card business
- Recovery of fees from both lending (especially from corporate business) and payments

Net fee and commission income (CZK m)



Net fee and commission income structure (CZK m)



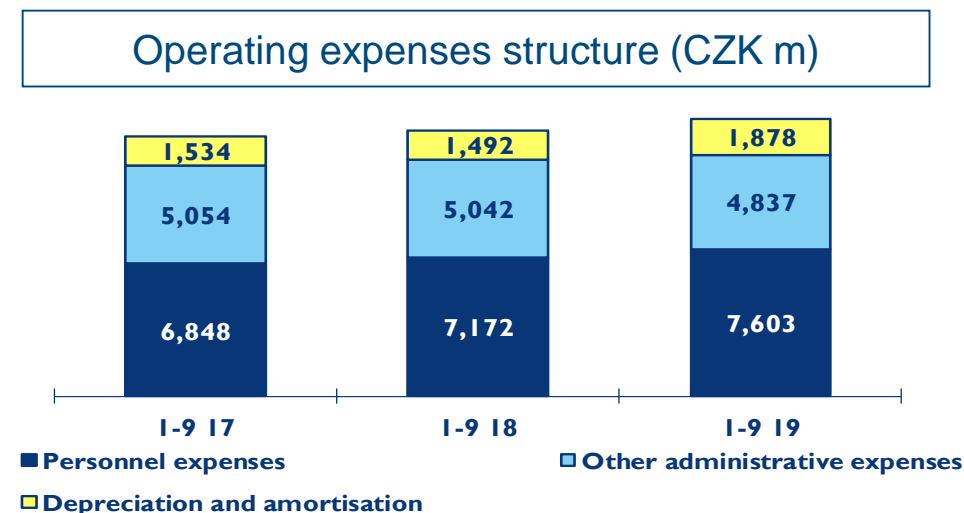
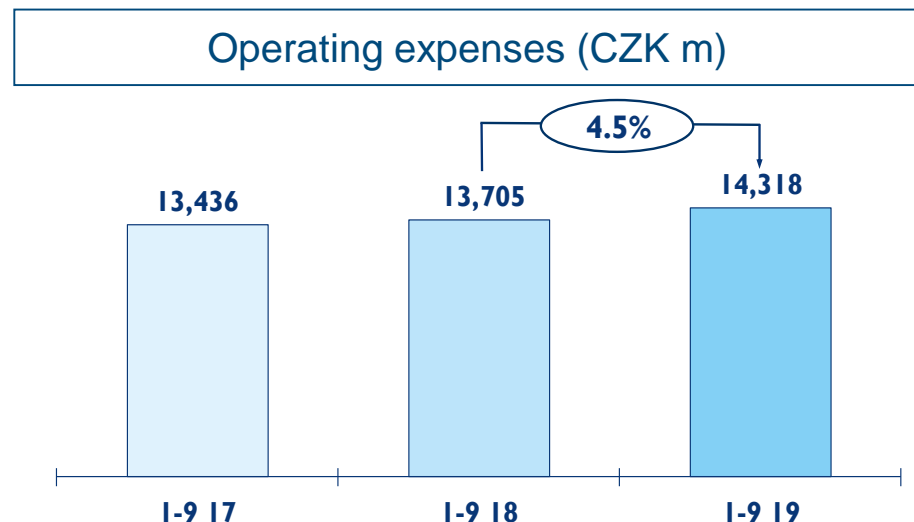
■ Lending ■ Payment transfers* ■ Securities transactions ■ Other

* Including fees from account maintenance and payment cards fees

Note: Methodological shift from payment transfers to lending (between 2018 and 2019)

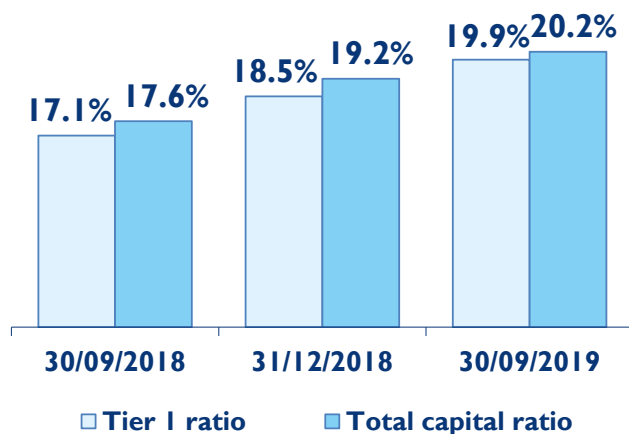
Operating expenses – Growth caused by higher personnel expenses

- Operating expenses rose by 4.5% y/y attributed to increase in personnel expenses
- Personnel expenses up by 6.0%
 - Mainly due to increase in salaries
- Other administrative expenses (OAE) declined by 4.1%
 - Decrease caused by transfers related to IFRS 16 implementation (from OAE to depreciation)
 - Higher contribution to Deposit Insurance Fund
- Growth of depreciation by 25.9% affected by IFRS 16 (transfer from OAE to depreciation)*



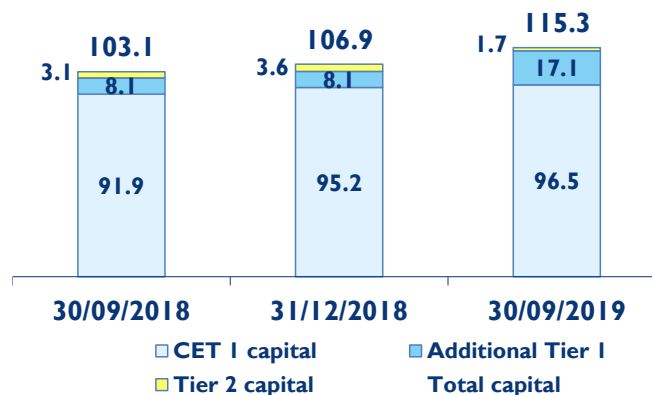
Group capital position – Total capital ratio improved to 20.2%

Capital ratios



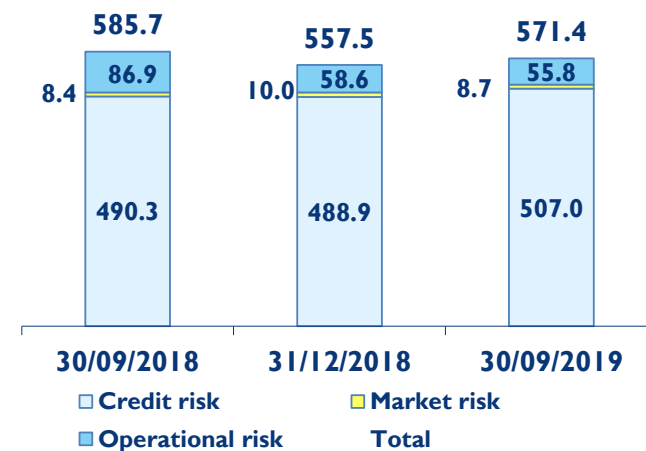
- Total capital ratio increased by 2.6pp y/y to 20.2%, Tier 1 ratio rose to 19.9%
- Growth in capital ratios caused by issuance of new Additional Tier 1 capital of approx. CZK 9 bn in June 2019

Regulatory capital (CZK bn)



- Total regulatory capital increased by 11.8% y/y due to growth in Tier 1 capital (+13.6%)
- Increase in CET 1 capital caused mainly by growth of subscribed capital and retained profit

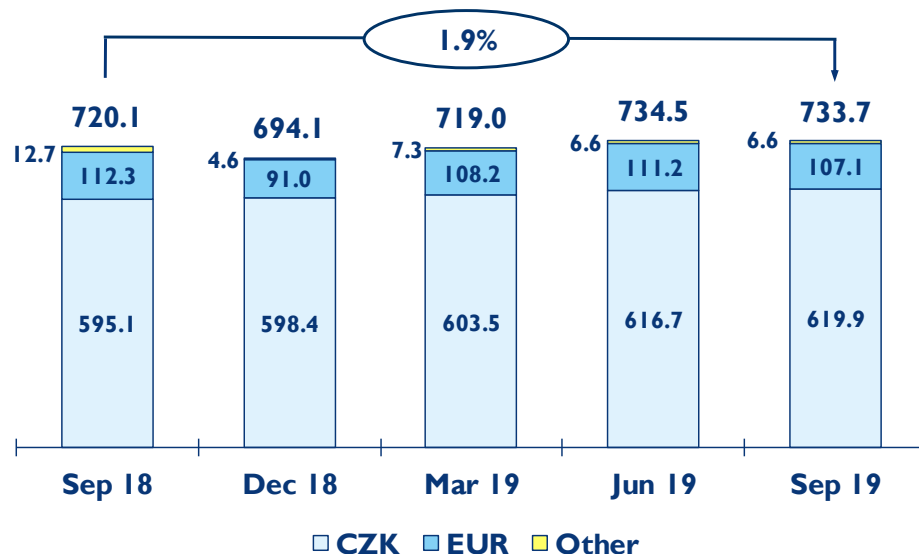
Risk exposures (CZK bn)



- Total risk exposure declined by 2.4% y/y affected by significant decrease of risk exposure to operational risk (-35.8%)
- Credit risk exposure grew by 3.4%

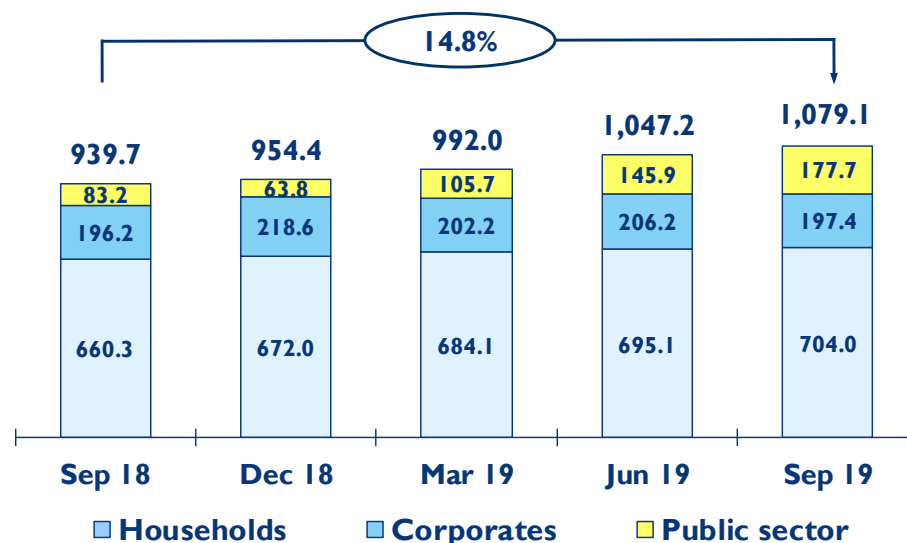
Development of group customer loans and deposits – Loan portfolio growth across segments continued

Group net customer loans (CZK bn)*



- Group net customer loans excluding reverse repo operations increased by 5.6% y/y, driven by private mortgages and corporate loans (particularly Local large corporates, SMEs and Real estate)
- FX loans (EUR + other) adjusted for reverse repo operations grew by 14.5% y/y and represent 14.7% of total net loans

Group customer deposits (CZK bn)**



- Customer deposits continued in growth y/y in all segments; total group customer deposits increased by 14.8% compared to September 2018
 - Households deposits grew by 6.6%
 - Corporates slightly increased by 0.6%
 - Public sector deposits up by 113.6% (due to volatile short term deposits)

* 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

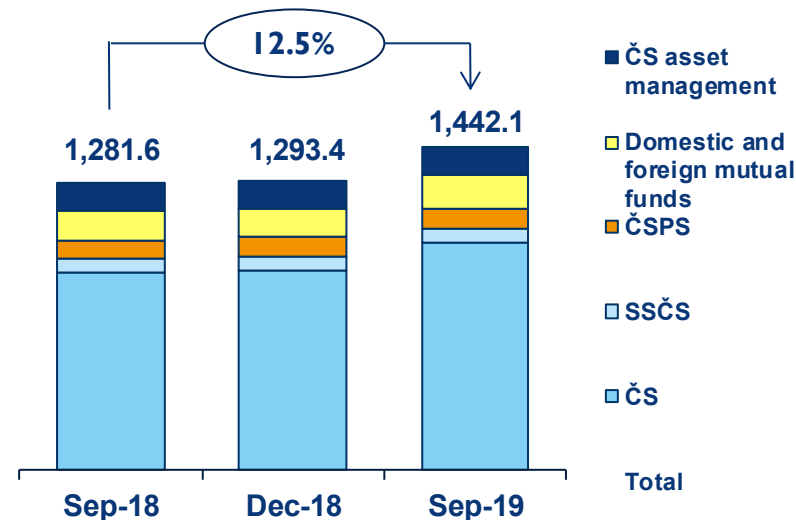
** Since 2019 includes deposits from customers at amortised cost, deposits from customers at FV through profit or loss and finance lease liabilities to customers

Clients' funds under management –

Ongoing growth of standard and alternative deposit products

- **Customer deposits** grew by 15.6% y/y, excl. repo operations by 11.1%
 - Rise driven mainly by deposits of public sector
- Assets in **ČS pension company** continued in growth, in September 2019 by 10.2% y/y
- Domestic and foreign **mutual funds** increased by 5.4% y/y
 - **REICO** investment company significantly increased clients' assets by 21.9% compared to Q1-3 2018

Clients' funds under management (CZK bn)



IFRS, in CZK bn	Sep-18	Dec-18	Sep-19	Change (y/y)
ČS - customer deposits	879.3	889.8	1,016.7	15.6%
SSČS - building society	62.0	66.4	62.5	0.8%
ČSPS - pension company	82.6	84.4	91.1	10.2%
Dom. and foreign mutual funds	135.4	129.6	142.7	5.4%
thereof REICO - investment company	20.3	21.6	24.7	21.9%
Asset management	122.3	123.2	129.1	5.5%
Total	1,281.6	1,293.4	1,442.1	12.5%

Group loan portfolio – Summary

Portfolio growth, low risk costs and excellent quality

- **Gross loans to customers* excluding reverse repo operations increased by CZK 37.8 bn or 5.4% y/y to CZK 739.2 bn**
 - Driven by strong sales especially in retail
- **Reported total gross loan growth of 1.7% affected by reverse repo operations (declined by CZK 25.1 bn to CZK 6.7 bn), which are not considered as a core credit business**
- **Impairment result from financial instruments (release of CZK 152 m on and off-balance) reflected positive development in both retail and wholesale segments**
- **Annualized risk costs (on balance) at 7 bps**
 - Stable development across the Group
 - Wholesale without non-recurring recoveries like in Q1 2018
- **Portfolio quality stable, NPL ratio declined from 1.9% to 1.7% y/y**
 - Gradual quality improvement driven by limited inflow of new defaults and strong loan growth
 - Provision coverage at safe 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*

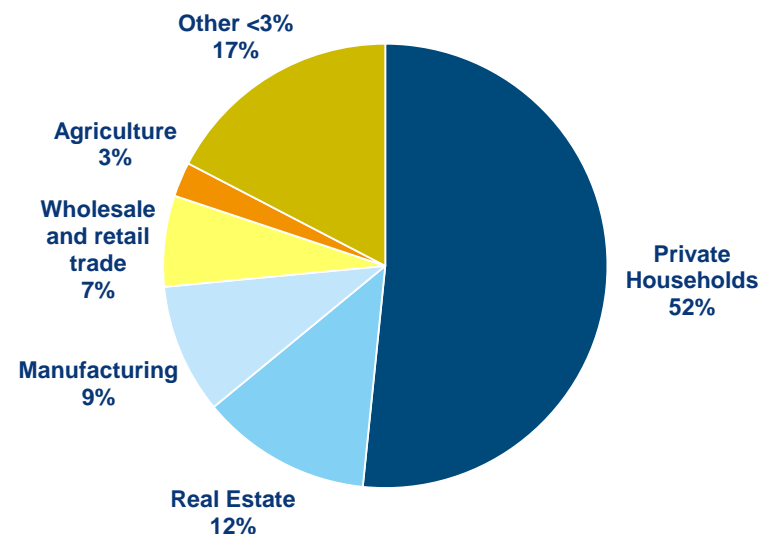
Group loan portfolio –

Group loans increased by 5.4% y/y* thanks to all ČS Group entities

ČS Group loan portfolio (gross)

in CZK m, IFRS	30/09/2018	%share	30/09/2019	%share	Y/Y Change
I. ČS Bank	685,342	93.5%	694,529	93.1%	1.3%
<i>ČS bank excl rev repos</i>	<i>653,555</i>	<i>93.2%</i>	<i>687,833</i>	<i>93.1%</i>	<i>5.2%</i>
II.1. Stavební spořitelna ČS	40,500	5.5%	44,076	5.9%	8.8%
II.2. Leasing (sAL, EL)	20,318	2.8%	21,279	2.9%	4.7%
II.3. Factoring ČS	6,539	0.9%	5,670	0.8%	-13.3%
III. Other subs and Consolidation items	-19,561	-2.7%	-19,685	-2.6%	0.6%
Total Loans (consolidated)	733,138	100.0%	745,870	100.0%	1.7%
Total loans excl rev repos	701,351		739,174		5.4%

Industry split of loan portfolio



➤ ČS Bank dominates the ČS Group

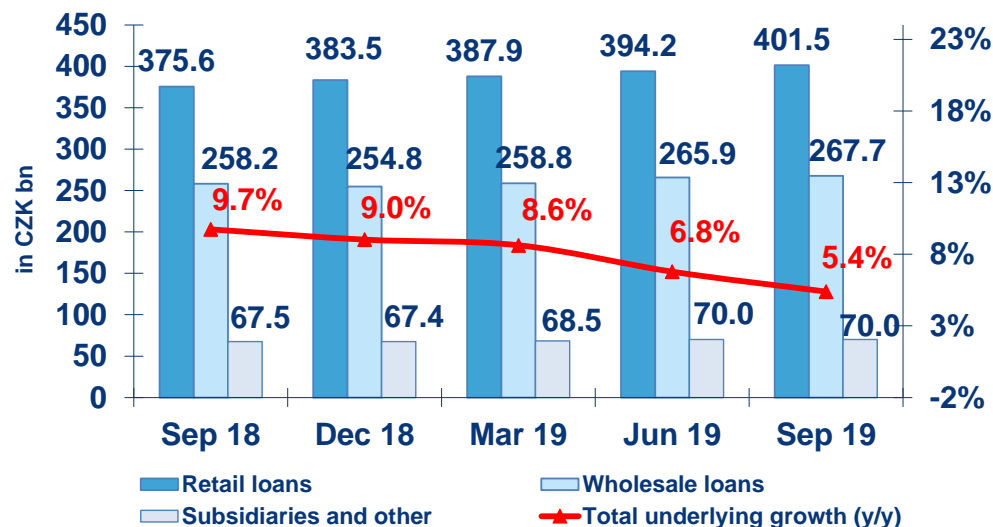
- Portfolio growth in all major members, except of volatile Factoring ČS
- Private households kept its dominant position with 52%, also supported by significant growth of Stavební spořitelna ČS

* Excluding reverse repo operations

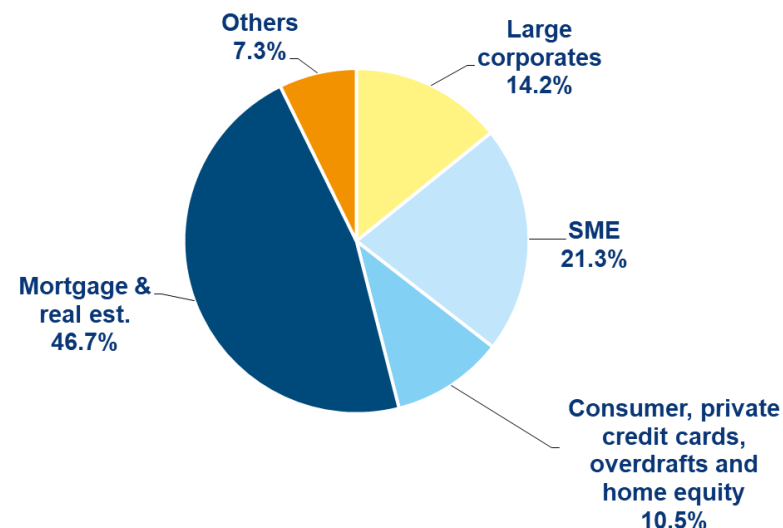
Group loan portfolio –

Group loans increased by 5.4% y/y*, deceleration in wholesale

Loan portfolio development*



Loan portfolio by customer segments*



➤ Loans to retail customers rose by 6.9% y/y

- Growth in all major portfolios:
 - ✓ Private mortgages +8.2%
 - ✓ Commercial loans (MSEs) +5.8%
 - ✓ Consumer lending +3.1%

➤ Loans to wholesale** added 3.7% y/y

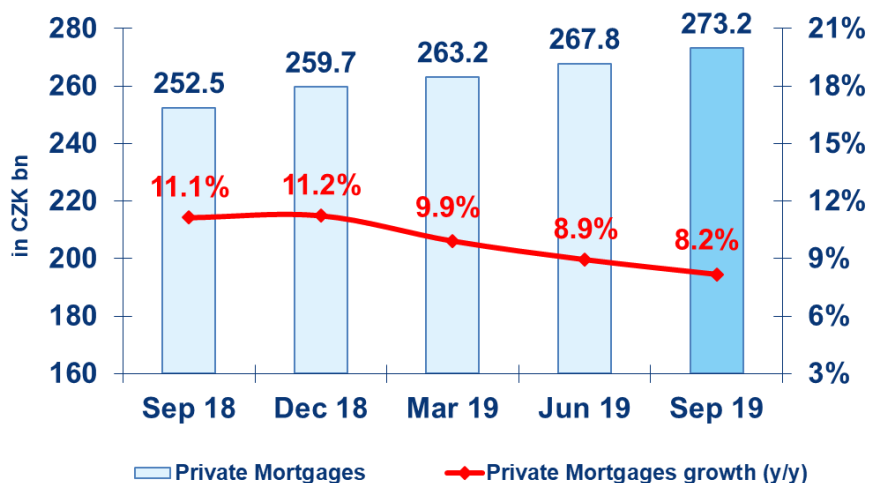
- Strong growth recorded in Real Estate (+13.5%) and Local Large Corporate (+8.7%)
- Further decline in Public Sector (-5.2%)

➤ Loans of subsidiaries and other added 3.7%

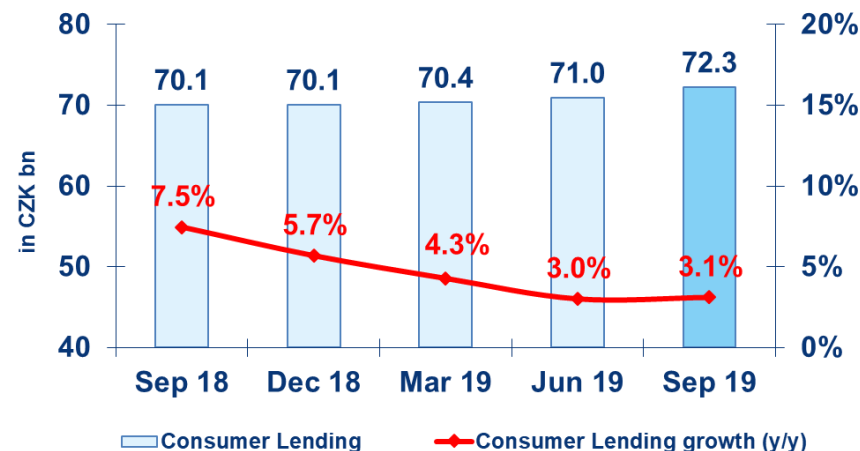
Bank loan portfolio –

Private mortgages keep strong growth rate, consumer lending revived

Private mortgages development



Consumer lending development*



➤ Private mortgages at CZK 273.2 bn (+8.2% y/y)

- Average maturity of new loans at 26.6 years, average limit at CZK 2.24 m
- Average LTV for the whole portfolio stable at 56.8%
- Average LTV for new loans stable at safe 67.7%

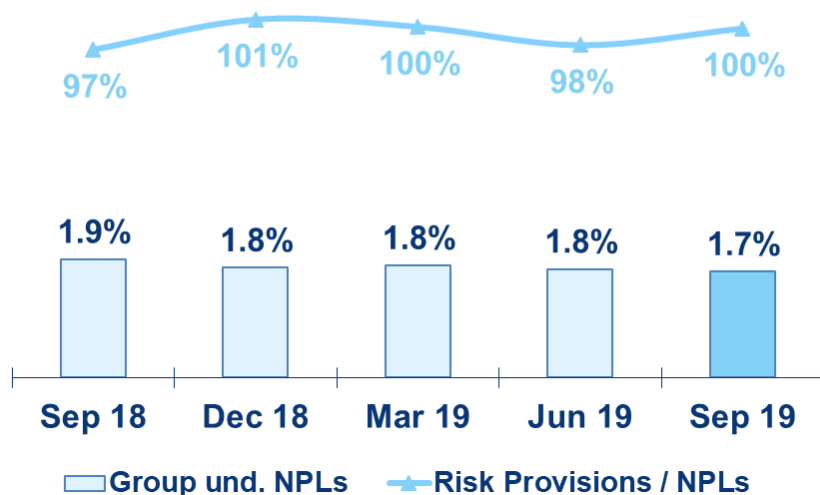
➤ Consumer lending* at CZK 72.3 bn (+3.1% y/y)

- Growth in cash loans partly held back by continuing lower utilization of credit cards and overdrafts

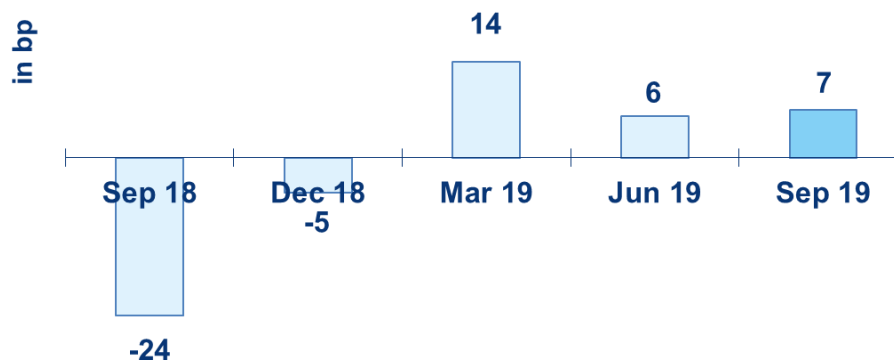
Group asset quality

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

NPL ratio and NPL coverage



Risk costs development (YTD, on balance only)



➤ Group NPL share stable at 1.7%*

- 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 7 bps

- Stable development in both retail and wholesale
- Excellent portfolio quality in both retail and wholesale

Presentation topics

➤ Česká spořitelna

- Segment financial performance analysis

➤ Macroeconomic developments

- Economic trends in detail

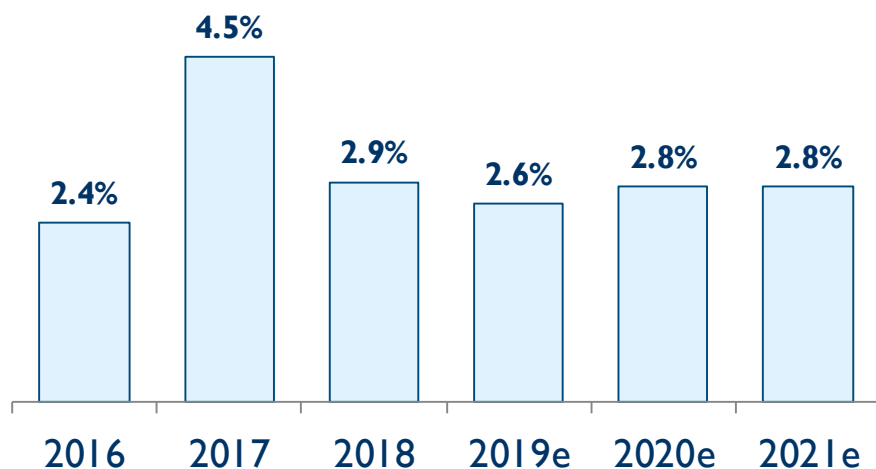
➤ Banking market

- Czech banking market developments
- Česká spořitelna market shares

➤ Appendix

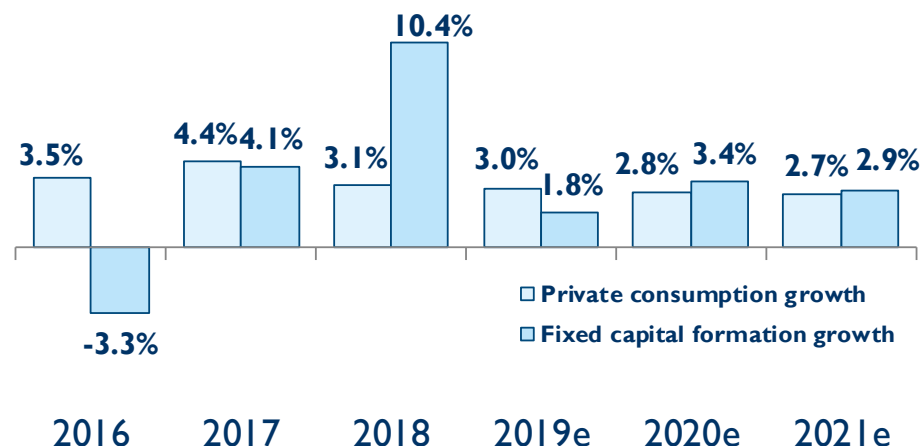
Macroeconomic developments – GDP growth expected to remain high

Real GDP growth y/y



- The Czech economy is still benefitting from a favourable macroeconomic development. GDP growth arrived at 2.9% in 2018. ČS expects growth to reach 2.6% 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 still remain due to external developments

Components of GDP



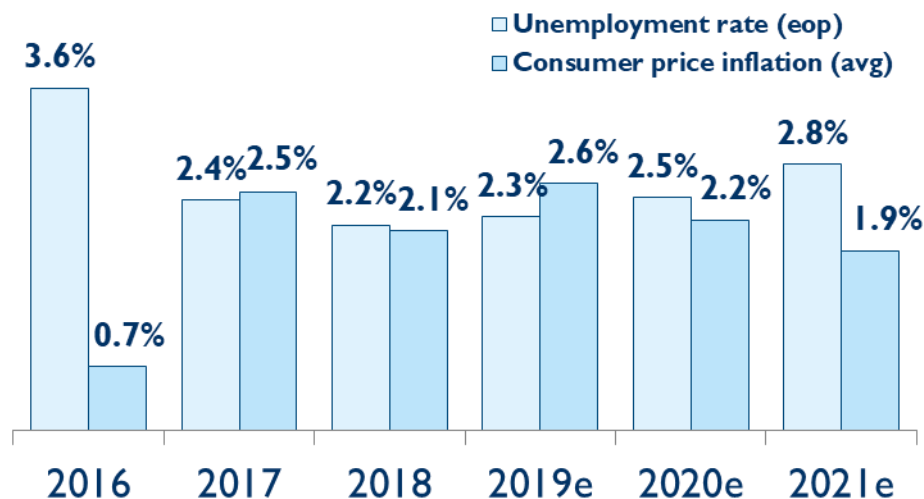
- **Growth of household consumption** is driven by the strong labour market and positive sentiment of households
- Growth of **investment expenditures** was **extraordinary high** in 2018, mainly due to lack of available employees, which forced firms to invest more in capital and higher automation of plants. In 2019, ČS expects investment to temporarily slowdown, partly due to lower GDP growth in Germany
- 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 –

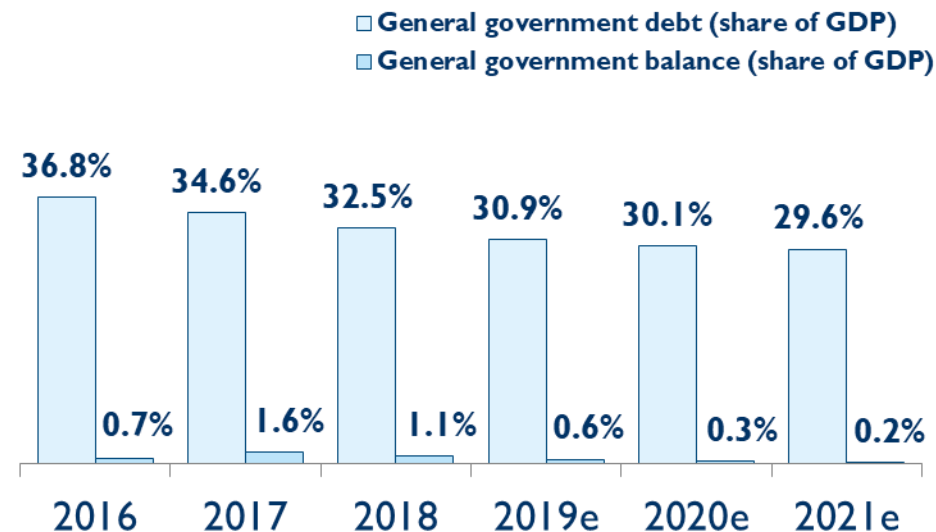
The lowest unemployment rate in the EU

Unemployment and inflation



- **Average CPI** arrived at 2.7% in September 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 2.6% in 2019, as the tight labour market is expected to ease only gradually
- The **general unemployment rate (ILO)** came in at 2.1% in August and is still the lowest among the EU countries

General government debt and government balance

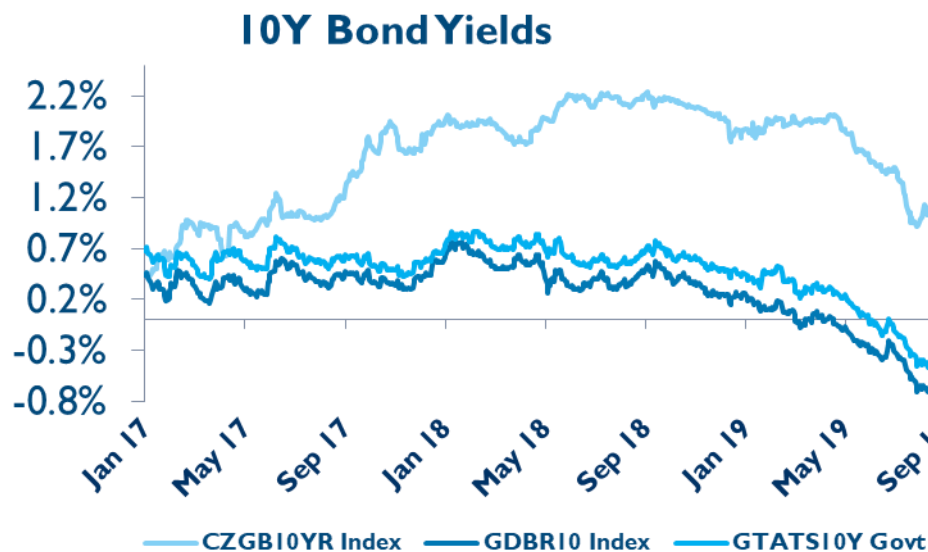
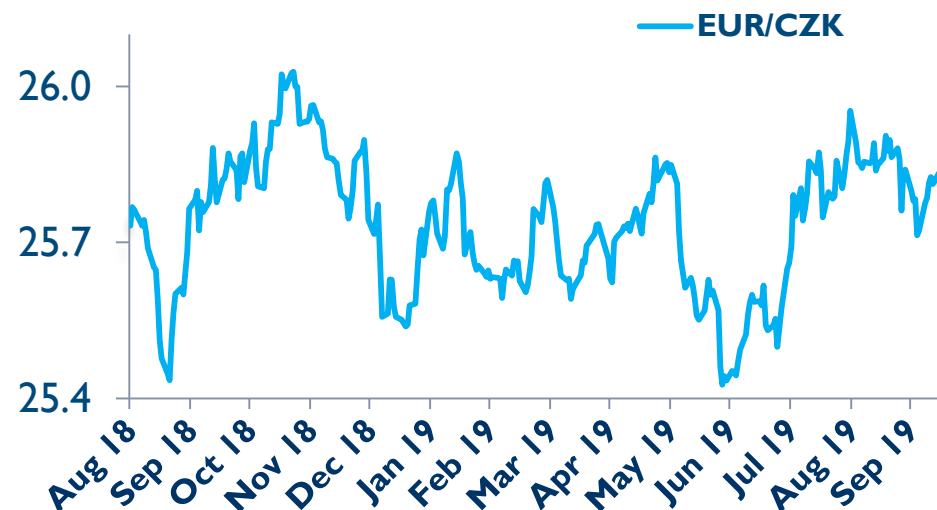


- The favourable economic development and partly inflow of EU funds positively affected the **general government budget** in previous years
- In 2019, ČS expects the **general government balance** to reach a surplus again; however, it will be lower mainly due to higher pensions and public sector wages
- 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 (ČSÚ). Figures for forthcoming years are ČS forecasts

Macroeconomic developments – Slower monetary policy tightening in 2019

- In 2018, the ČNB increased the main **2W repo rate** five times. Among the reasons, tight conditions in the labour market and weak koruna were the key factors behind this development, in ČS view. As these pro-inflationary 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 Q3 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 became inverse in Q2 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 be inverse, as the expected monetary policy easing in the Euro Area should affect the long end of the curve



Presentation topics

➤ Česká spořitelna

- Segment financial performance analysis

➤ Macroeconomic developments

- Economic trends in details

➤ Banking market

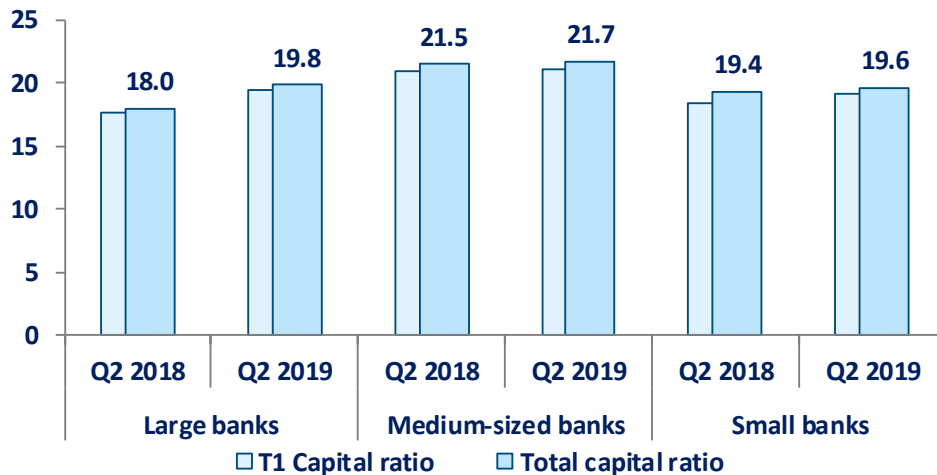
- Czech banking market developments
- Česká spořitelna market shares

➤ Appendix

Czech banking market –

Capitalization and resilience to shocks remains high

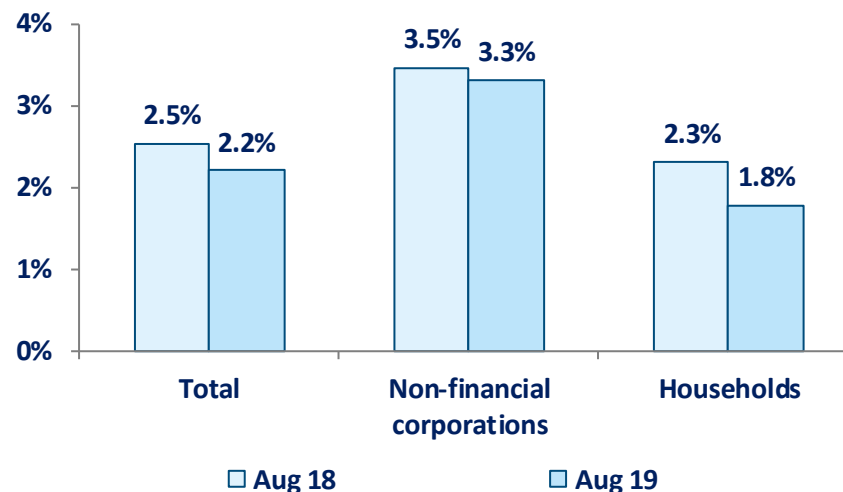
Capital ratios of Czech banks* (%)



* Compliant with ČNB segmentation of banks

- **The Czech banking sector remains resilient against potential adverse shocks thanks to its high capital adequacy (20.2% in June 2019) and robust profitability**
- According to the latest ČNB stress tests (June 2019) Czech banks are also resilient against liquidity shocks
- The counter-cyclical capital buffer rate for exposures of Czech banks is currently set at 1.50%; however, the rate will climb to 1.75% effective on 1st January 2020, and to 2.00% on 1st July 2020

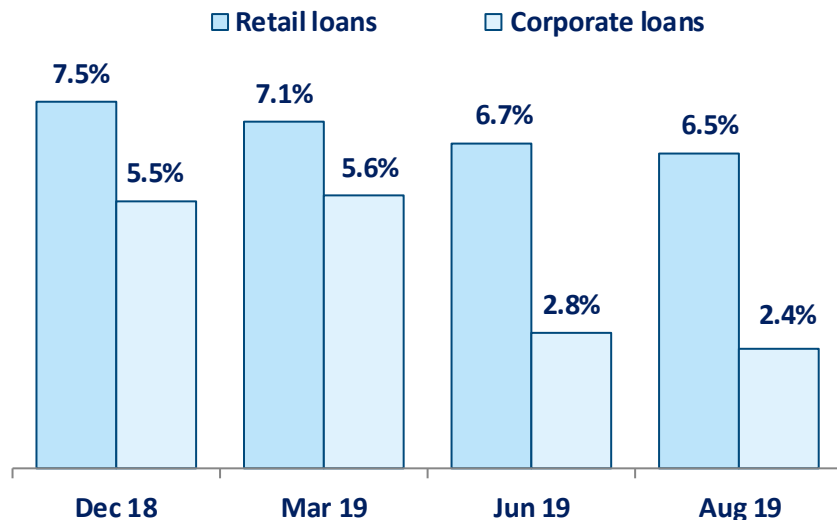
Non-performing loan ratios (%)



- **The share of non-performing loans (NPL ratio) in the household sector has been on a downward trend since 2013** in line with the good economic situation; current levels have been the lowest since the beginning of the time series in 2002
- The NPL ratio for the corporate sector has also been mostly falling: it fell by almost 4pp since 2013

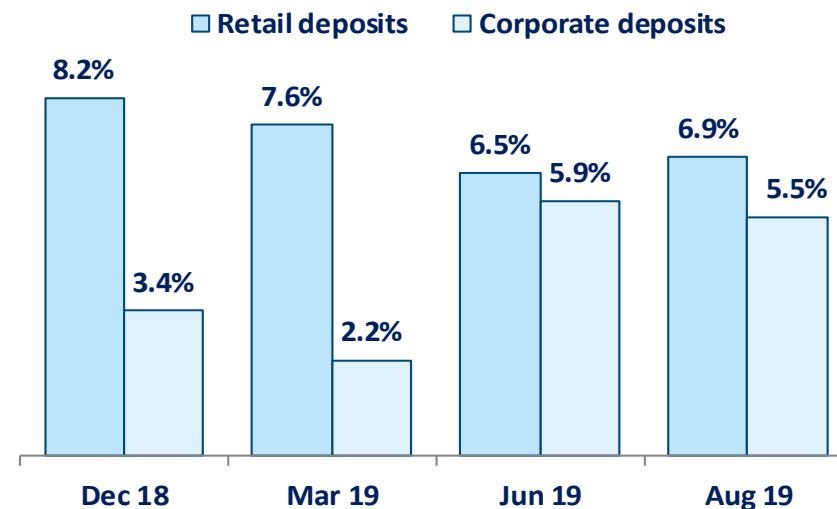
Czech banking market – Stable growth at sustainable levels

Retail and corporate loans (y/y growth)



- **Total client loans up by 4.3% y/y in August 2019.** The main source remained the growth of retail loans at 6.5%; the rise in corporate loans reached 2.4% in August 2019
- **In 2019, ČS expects the growth of client loans at above 4%.** Increase in retail loans will ease, relative to recent tempos, to 5.4% due to new limits set by the ČNB on DTI and DSTI (effective from October 2018) and the frontloading these limits had provoked
- For non-financial corporate loans, ČS expects increase of 3.2%; loans to financial institutions will grow at a similar pace

Retail and corporate deposits (y/y growth)

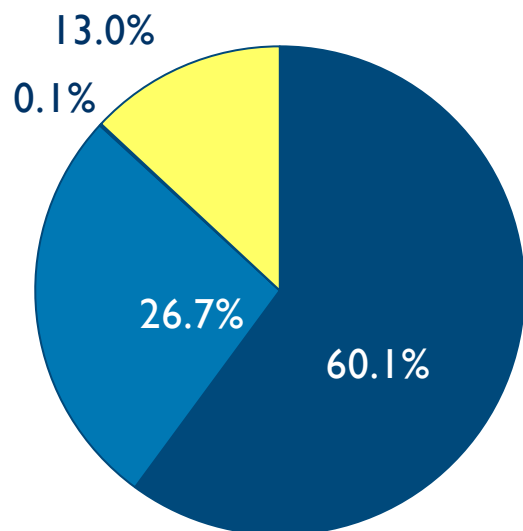


- **In August 2019, y/y growth in client deposits reached 10.4%.** Retail deposits added 6.9% y/y, while for corporate deposits, the y/y change came out at 5.5%; a strong contributor was government (y/y growth of more than 50%) but the volume of government deposits is rather volatile over time
- **For 2019, ČS expects total client deposits to expand by 10.7% y/y.** The growth rate of retail deposits should be 7.1%, while non-financial corporate deposits should increase by about 4.6%

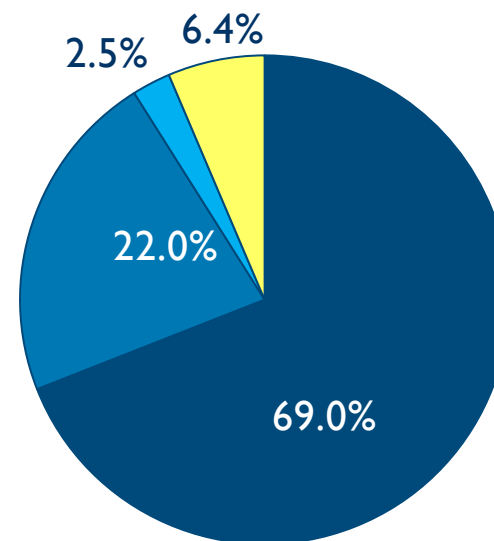
Czech banking market –

Exposure of clients is dominated by local currency lending

Customer loans (August 2019)



Customer deposits (August 2019)



■ LC retail loans
■ FX retail loans

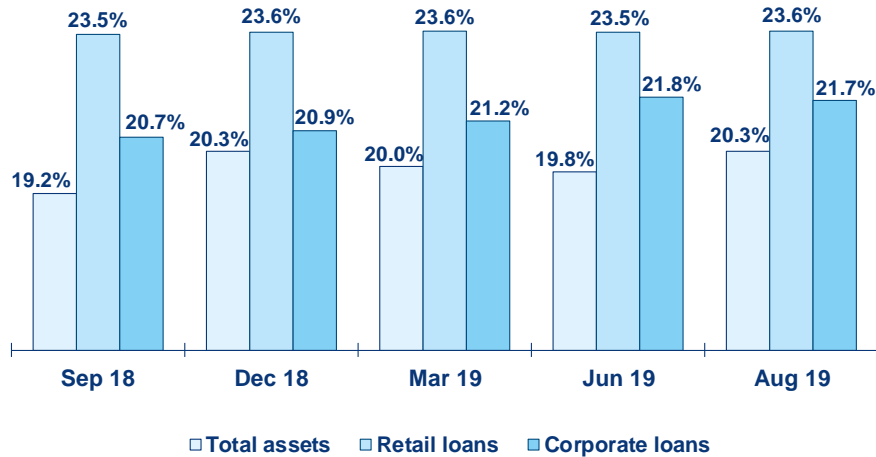
■ LC corporate loans
■ FX corporate loans

■ LC retail deposits
■ FX retail deposits

■ LC corporate deposits
■ FX corporate deposits

Banking market – Market shares of ČS (August 2019)*

Asset 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%)

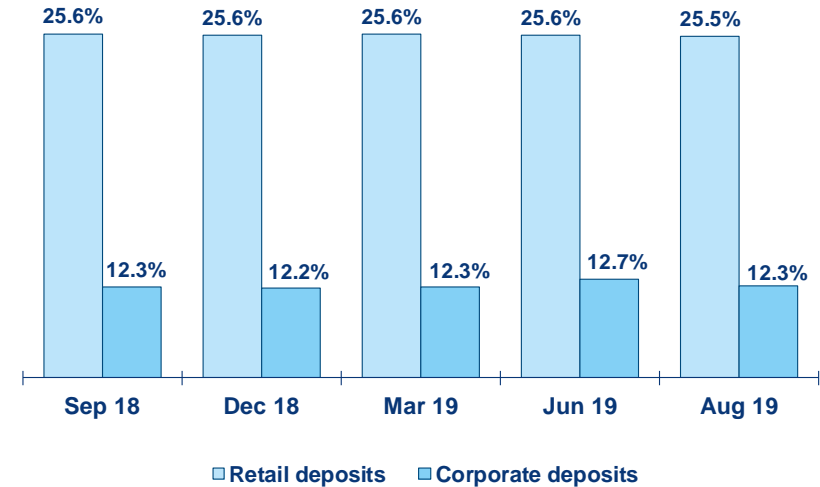
➤ No. 2 in:

- Private mortgages (market share of 26%)**
- Total assets (market share of 20%)
- Total loans (market share of 22%)

* Data for September 2019 not available yet

** Figures from June 2019

Liability side



➤ Market leadership in:

- Total deposits (market share of 22%)
 - ✓ 26% in retail deposits, 12% in corporate deposits
- Mutual funds with market share of 27%**

Presentation topics

➤ Česká spořitelna

- Segment financial performance analysis

➤ Macroeconomic developments

- Economic trends in details

➤ Banking market

- Czech banking market developments
- Česká spořitelna market shares

➤ Appendix

Income statement – Quarterly development (CZK m)

	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q/Q %
Net interest income	7,041	7,637	7,288	7,369	7,583	2.9%
Net fee and commission income	2,075	2,178	2,193	2,257	2,174	-3.7%
Dividend income	9	19	3	45	14	-68.9%
Net trading result	611	497	637	855	529	-38.1%
Gains/losses from financial instruments measured at FV through profit or loss	279	-54	18	38	-88	-
Net result from equity method investments	22	30	14	28	-6	-
Rental income from investment properties & other operating leases	57	53	54	54	54	0.0%
General administrative expenses	-4,545	-4,622	-4,829	-4,705	-4,784	1.7%
Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	32	-38	9	-1	-28	>100%
Impairment result from financial instruments	223	-1,414	267	-68	-47	-30.9%
Other operating result	-872	96	-706	26	-76	-
Pre-tax result from continuing operations	4,932	4,382	4,948	5,899	5,326	-9.7%
Taxes on income	-951	-859	-1,003	-1,134	-1,055	-7.0%
Net result for the period						
Net result attributable to non-controlling interests	5	8	3	7	-1	-
Net result attributable to owners of the parent	3,976	3,516	3,942	4,758	4,272	-10.2%
Operating income	10,094	10,359	10,207	10,646	10,261	-3.6%
Operating expenses	-4,545	-4,622	-4,829	-4,705	-4,784	1.7%
Operating result	5,549	5,737	5,378	5,941	5,477	-7.8%

Note: Figures reflect implementation of IFRS 16 accounting standard

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

in CZK m, IFRS	30/09/2018		31/12/2018		30/09/2019		YTD change		YTY change	
	Outstand.	Share	Outstand.	Share	Outstand.	Share	Outstand.	Rate	Outstand.	Rate
RETAIL	375,649	51.2%	383,492	54.3%	401,514	53.8%	18,022	4.7%	25,865	6.9%
Overdrafts	5,717	0.8%	5,511	0.8%	5,812	0.8%	301	5.5%	95	1.7%
of which non-private (MSE, Muni)	2,208	0.3%	2,100	0.3%	2,410	0.3%	310	14.7%	202	9.1%
Credit cards	2,382	0.3%	2,401	0.3%	2,129	0.3%	-271	-11.3%	-253	-10.6%
of which non-private (MSE, Muni)	12	0.0%	11	0.0%	11	0.0%	1	7.0%	-1	-5.7%
Cash loans	61,316	8.4%	61,437	8.7%	63,994	8.6%	2,558	4.2%	2,678	4.4%
Private social	543	0.1%	515	0.1%	438	0.1%	-77	-15.0%	-105	-19.4%
Home equity mortgages	2,900	0.4%	2,850	0.4%	2,760	0.4%	-90	-3.1%	-139	-4.8%
Private mortgages	252,541	34.4%	259,674	36.7%	273,200	36.6%	13,526	5.2%	20,659	8.2%
Commercial loans	50,250	6.9%	51,105	7.2%	53,181	7.1%	2,076	4.1%	2,930	5.8%
WHOLESALE	290,005	39.6%	255,814	36.2%	274,393	36.8%	18,578	7.3%	-15,613	-5.4%
Corporate	253,095	34.5%	249,756	35.3%	263,356	35.3%	13,600	5.4%	10,262	4.1%
Group Large corporates	59,467	8.1%	58,560	8.3%	59,524	8.0%	964	1.6%	57	0.1%
Local Large corporates	35,150	4.8%	35,029	5.0%	38,217	5.1%	3,188	9.1%	3,067	8.7%
SME	90,598	12.4%	89,283	12.6%	93,347	12.5%	4,064	4.6%	2,749	3.0%
Real estate	42,325	5.8%	42,220	6.0%	48,038	6.4%	5,817	13.8%	5,712	13.5%
Public sector	25,554	3.5%	24,664	3.5%	24,231	3.2%	-433	-1.8%	-1,324	-5.2%
Group Markets	36,911	5.0%	6,058	0.9%	11,036	1.5%	4,978	82.2%	-25,874	-70.1%
excluding rev repos	5,124	0.7%	5,013	0.7%	4,341	0.6%	-672	-13.4%	-783	-15.3%
OTHER	19,687	2.7%	18,289	2.6%	18,622	2.5%	333	1.8%	-1,065	-5.4%
BANK: LOANS TO CUSTOMERS	685,342	93.5%	657,595	93.0%	694,529	93.1%	36,934	5.6%	9,187	1.3%
SUBSIDIARIES	67,356	9.2%	67,855	9.6%	71,026	9.5%	3,171	4.7%	3,669	5.4%
CONSOLIDATION ITEMS	-19,561	-2.7%	-18,695	-2.6%	-19,685	-2.6%	-990	5.3%	-124	0.6%
GROUP: LOANS TO CUSTOMERS	733,138	100.0%	706,755	100.0%	745,870	100.0%	39,115	5.5%	12,732	1.7%
excluding rev repos	701,351	100.0%	705,710	100.0%	739,174	100.0%	33,464	4.7%	37,823	5.4%

Ratings of Česká spořitelna

Status as of 29th October 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 22nd January 2019
- Moody's improved long-term rating of ČS to A1 (from A2) on 21st November 2018 and simultaneously revised the outlook from positive to stable
- Rating agency Standard & Poor's upgraded all ČS ratings on 16th March 2017, outlook was revised from negative to positive on 23rd November 2017

Macroeconomic figures – Historical and forecasted macroeconomic data

	2014	2015	2016	2017	2018	2019e	2020e	2021e
Population (avg, m)	10.5	10.5	10.6	10.6	10.6	10.6	10.6	10.6
GDP/capita (EUR thsd)	14.9	16.0	16.7	18.1	19.6	20.7	22.4	24.3
Real GDP growth	2.7	5.4	2.4	4.5	2.9	2.6	2.8	2.8
Consumer price inflation (avg)	0.4	0.3	0.7	2.5	2.1	2.6	2.2	1.9
Unemployment rate (eop)	5.9	4.5	3.6	2.4	2.2	2.3	2.5	2.8
Current account balance (share of GDP)	0.2	0.2	1.6	1.7	0.3	0.4	0.5	0.4
General government balance (share of GDP)	-2.1	-0.6	0.7	1.6	1.1	0.6	0.3	0.2
Public debt (share of GDP)	42.2	39.9	36.8	34.6	32.5	30.9	30.1	29.6
Short term interest rate (3 months, eop)	0.4	0.3	0.3	0.3	0.8	2.0	2.1	2.1
EUR FX rate (eop)	27.7	27.0	27.0	25.5	25.7	25.6	24.7	24.2

Segment financial statements –

Segment Czech Republic - income statement (EUR m)

	1-9 18	1-9 19	Change
Net interest income	773.7	839.0	8.4%
Net fee and commission income	248.7	257.8	3.6%
Dividend income	2.2	2.4	6.3%
Net trading result	64.6	78.6	21.7%
Gains/losses from financial instruments measured at fair value through profit or loss	10.9	-1.3	-111.7%
Net result from equity method investments	1.0	1.4	46.1%
Rental income from investment properties & other operating leases	6.6	6.3	-3.6%
General administrative expenses	-535.8	-557.1	4.0%
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	0.6	0.3	n/a
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	1.8	-1.1	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			
Impairment result from financial instruments	44.0	5.9	n/a
Other operating result	-53.4	-29.4	-45.0%
Levies on banking activities	0.0	0.0	n/a
Pre-tax result from continuing operations	565.0	602.8	6.7%
Taxes on income	-112.1	-119.2	6.3%
Post-tax result from continuing operations	452.8	483.7	6.8%
Post-tax result from discontinued operations	0.0	0.0	n/a
Net result for the period	452.8	483.7	6.8%
Net result attributable to non-controlling interests	4.1	0.0	-99.7%
Net result attributable to owners of the parent	448.8	483.6	7.8%
Operating income	1,107.7	1,184.2	6.9%
Operating expenses	-535.8	-557.1	4.0%
Operating result	571.9	627.1	9.7%
Cost/income ratio	48.4%	47.0%	
Return on allocated capital	24.0%	26.0%	

Segment financial statements – Quarterly development

Segment Czech Republic - income statement (EUR m)

	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Net interest income	266.5	288.5	276.0	278.2	284.7
Net fee and commission income	80.6	84.2	85.4	87.9	84.5
Dividend income	0.3	0.7	0.1	1.8	0.5
Net trading result	23.8	19.2	24.8	33.3	20.6
Gains/losses from financial instruments measured at fair value through profit or loss	10.9	-2.1	0.7	1.5	-3.4
Net result from equity method investments	0.9	1.2	0.5	1.1	-0.2
Rental income from investment properties & other operating leases	2.2	2.1	2.1	2.1	2.1
General administrative expenses	-176.6	-178.7	-188.0	-183.2	-185.9
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	0.4	0.0	0.3	0.0	0.0
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	0.8	-1.5	0.0	0.0	-1.1
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	8.6	-55.3	10.4	-2.6	-1.8
Other operating result	-31.5	3.0	-27.5	1.0	-3.0
Levies on banking activities	0.0	0.0	0.0	0.0	0.0
Pre-tax result from continuing operations	187.0	161.3	184.9	221.0	196.9
Taxes on income	-35.6	-31.8	-37.6	-42.5	-39.1
Post-tax result from continuing operations	151.4	129.4	147.3	178.5	157.8
Post-tax result from discontinued operations	0.0	0.0	0.0	0.0	0.0
Net result for the period	151.4	129.4	147.3	178.5	157.8
Net result attributable to non-controlling interests	1.5	-4.6	0.0	0.0	0.0
Net result attributable to owners of the parent	149.9	134.0	147.3	178.5	157.8
Operating income	385.2	393.7	389.7	405.8	388.7
Operating expenses	-176.6	-178.7	-188.0	-183.2	-185.9
Operating result	208.6	215.1	201.6	222.6	202.8
Cost/income ratio	45.9%	45.4%	48.3%	45.1%	47.8%
Return on allocated capital	24.2%	21.3%	24.3%	28.3%	25.3%

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