

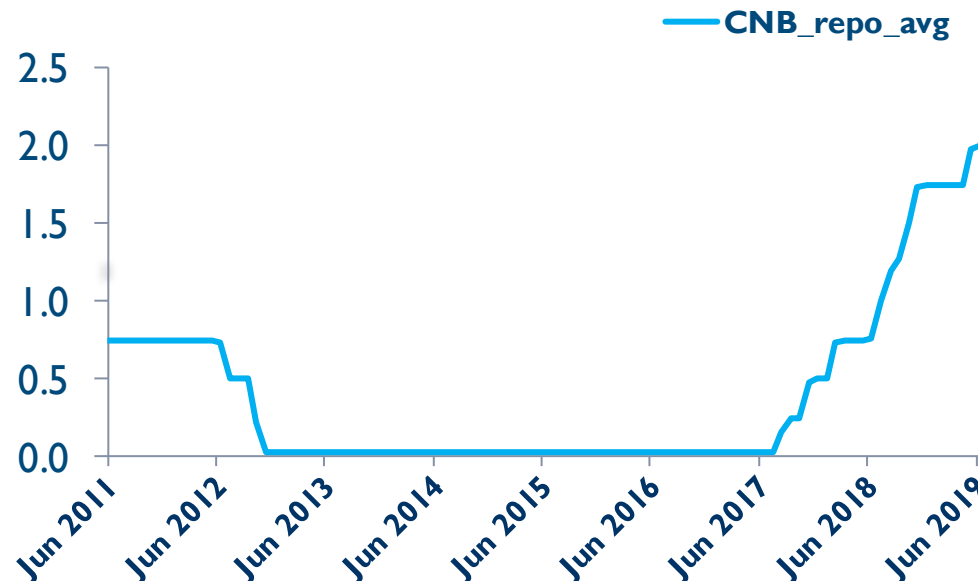
Česká spořitelna – H1 2019 consolidated results (unaudited, IFRS)

31st July 2019

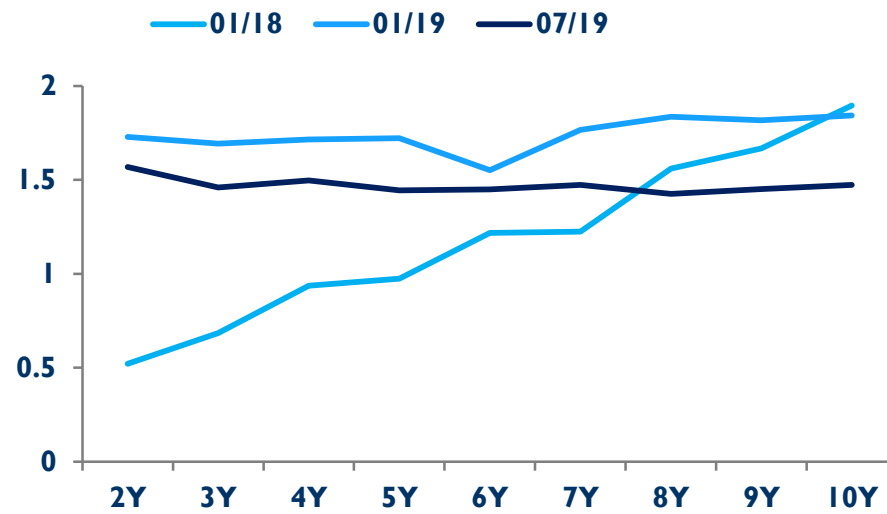
Outstanding net profit boosted by exceptional operating result

Economy - Executive summary – Monetary policy tightening

- The Czech economy is still benefitting from a favourable macroeconomic development. **GDP growth** arrived at **2.8%** in Q1 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 Q2 2019 (an effect of uncertainty about developments in the world economy and its impact on the Czech economy)
- **Headline inflation came in at 2.7% in June 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 2.2% in May**, still the lowest among EU countries. Nominal wage growth came in at **7.4%** in **Q1 2019**
- **Yield curve became inverse in Q2 2019**, 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 –

Strong growth of operating result, improved C/I ratio

Net profit

Rapid growth of operating result led to substantial increase of net profit by 10.5% y/y to CZK 8.7 bn. This resulted in enhancement of ROE to 13.8%

Operating result

Operating result grew by 19.5% y/y (or CZK 1.8 bn)

- Operating income rose by 11.9% y/y attributed to
 - ✓ Net interest income (+11.5%)
 - ✓ Net fee and commission income (+3.8%)
 - ✓ Net trading result (+43.3%)
- Operating expenses were higher by 4.1% in H1 2019, caused by rising personnel expenses
- Cost/income ratio improved significantly y/y by 3.5pp to 45.7%

Investments

Assets in domestic and foreign mutual funds up by 5.6% y/y. Assets in pension funds of ČSPS rose by 10.4% y/y

Dividends

In June 2019 ČS paid out dividend for 2018 in the amount of CZK 74.75 (CZK 77 for 2017) per share in the total volume of CZK 11.36 bn

Executive summary –

Continuous loan growth across all segments, asset quality strong

Lending

Group customer loans (gross) excluding reverse repo operations increased by 6.8%* y/y in H1 2019, driven mainly by private mortgages and loans to large corporate customers

- Private mortgages loans outstanding grew by 8.9% y/y
- Loans to MSEs (commercial loans) rose by 4.9% y/y
- Consumer loans increased by 3.0% compared to June 2018
- Loans to large corporate customers grew by 7.9% and to SMEs by 6.4% y/y

Asset quality

Impairment result from financial instruments (release of CZK 199 m on and off-balance) reflected positive development in both retail and wholesale segments

- Share of NPLs declined from 2.1% in June 2018 to 1.8%
- NPL coverage by credit risk provisions at strong 98%

Capital ratio & Capital

- Total capital ratio improved by substantial 3.3pp y/y to 20.6%, Tier 1 ratio increased to 20.2%, significantly above minimum regulatory capital requirements
- ČS issued new Additional Tier 1 capital of approx. CZK 9 bn in June 2019 to support future business growth as well as comply with increasing regulatory requirements

L/D ratio

L/D ratio decreased to 70.1% (from 72.7% at the end of 2018) due to inflow of volatile short term deposits

Retail banking

■ Branches

In the last two years, Česká spořitelna had opened a hundred new-format branches, of which the hundredth one was opened in May in Mladá Boleslav. At the end of June, a new-format branch that had been designed by means of virtual reality was opened in Telč

■ ATMs

500 of Česká spořitelna's 1,486 ATMs support contactless cash withdrawals. Contactless withdrawals are up to 20 percent faster than traditional withdrawals made by inserting a card in the ATM. Spořitelna plans to install contactless scanners on approximately 600 ATMs by the end of the year

■ Mortgages

Česká spořitelna has devised a solution for those clients who are restricted by the new ČNB regulation on mortgage provision. A client purchasing their first home only needs to put together 10% from their own funds, and Spořitelna's mortgage will take care of the rest. The maximum loan for purchasing a first home is CZK 5 m. **The new first-home proposition also includes an offer of a preferential rate, "a 90% mortgage for the price of an 80% one"**



Corporate banking

■ Commercial Properties

Česká spořitelna took part in the largest-ever real estate financing in Central and Eastern Europe. In association with Erste Group Bank, UniCredit and Société Générale groups, it provided EUR 1.9 bn in syndicated financing to the CTP real estate group

■ Large Corporations

Spořitelna has built a successful relationship with the second largest retail player on the Czech and German markets, REWE, providing it with financing of CZK 1.1 bn. REWE will use the money primarily for refinancing its original lease used for building 72 Penny Market shops throughout the Czech Republic

■ Financial Markets

Česká spořitelna had prepared the highest-ever international issue of EUR bonds for the national carrier – Czech Railways – of EUR 500 m. Nearly 300 investors expressed interest in the seven-year bonds with an annual fixed coupon of 1.5%

■ Public and Non-profit Sector

Spořitelna had succeeded in a competition with leading Czech banks to provide the Prague utility company Pražská energetika with a multi-currency overdraft facility of CZK 500 m. The facility allows the client to draw financing in euros or in Czech crowns, as it requires

Česká spořitelna's Digital World

George

In H1 2019, client migration from the Servis 24 Internet Banking System to the modern Internet platform George was essentially completed. With approximately 1.5 million users migrated, it had been by far the largest client migration on the country's market. "Handy Tips" are newly displayed both in George and in George in the Mobile which pertain to overdraft increases and insolvency insurance



Google Pay

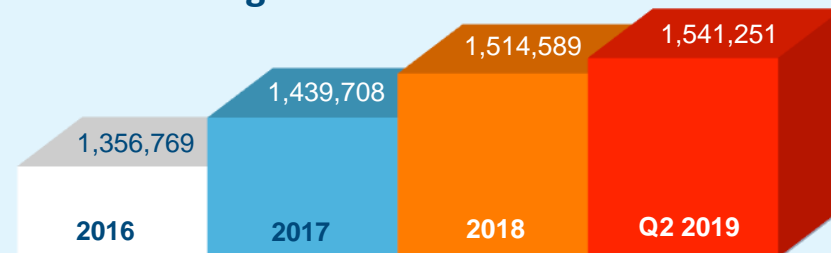
Having already made Apple Pay available to its clients, Česká spořitelna recently also introduced the Google Pay service. All that is required to activate the Google Pay is a mobile device that supports NFC technologies and features an Android 5.0 operating system or higher and then to enter a Visa or Mastercard credit/debit card in Google Pay

Multibanking

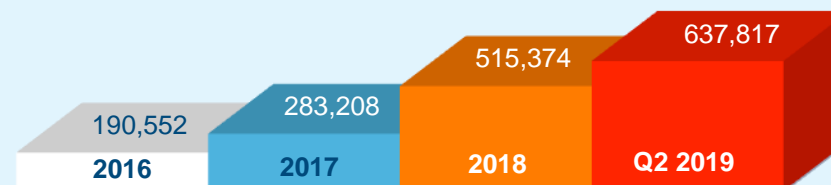
In H1 2019, Spořitelna also started to use other banks' PSD2 APIs to launch the first multi-banking payment button on the Czech market. By clicking the payment button at Internet shops, people will be able to pay from their Internet banking system, regardless of the bank in which they have their account



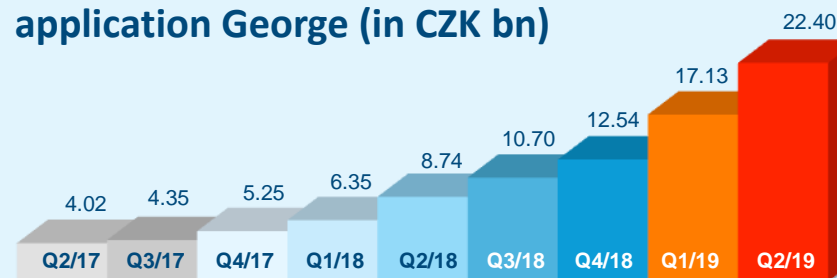
Number of digital clients



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)

	1-6 18	1-6 19	Change
Net interest income	13,144	14,657	11.5%
Net fee and commission income	4,287	4,450	3.8%
Dividend income	50	48	-4.0%
Net trading result	1,041	1,492	43.3%
Gains/losses from financial instruments measured at FV through profit or loss	0	55	-
Net result from equity method investments	2	42	>100%
Rental income from investment properties & other operating leases	111	109	-1.8%
General administrative expenses	-9,160	-9,534	4.1%
Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	30	8	-73.3%
Impairment result from financial instruments	903	199	-78.0%
Other operating result	-559	-680	21.6%
Pre-tax result from continuing operations	9,849	10,846	10.1%
Taxes on income	-1,992	-2,136	7.2%
Net result for the period			
Net result attributable to non-controlling interests	-13	10	-
Net result attributable to owners of the parent	7,870	8,700	10.5%
Operating income	18,635	20,853	11.9%
Operating expenses	-9,160	-9,534	4.1%
Operating result	9,475	11,319	19.5%
Cost/Income ratio	49.2%	45.7%	
Return on equity	12.9%	13.8%	

Note: Figures reflect implementation of IFRS 16 accounting standard

Balance sheet – Assets (CZK m)

Assets	Dec 18	Jun 19	Change	Change
Cash and cash balances with central banks	63,914	54,869	-14.2%	-9,045
Financial assets held for trading	10,311	10,084	-2.2%	-227
Non-trading financial assets at FV through profit or loss	1,452	1,526	5.1%	74
thereof Loans and advances to customers	69	71	2.9%	2
Financial assets at FV through other comprehensive income	39,627	40,771	2.9%	1,144
Financial assets at amortised cost	1,281,034	1,363,934	6.5%	82,900
Debt securities	205,551	224,485	9.2%	18,934
Loans and advances to banks	389,844	413,822	6.2%	23,978
Loans and advances to customers	685,639	725,627	5.8%	39,988
Finance lease receivables	2,006	1,971	-1.7%	-35
Hedge accounting derivatives	1,152	1,777	54.3%	625
Property and equipment	9,396	11,716	24.7%	2,320
Investment properties	2,327	2,327	0.0%	0
Intangible assets	5,247	5,262	0.3%	15
Investments in associates	824	866	5.1%	42
Current tax assets	499	527	5.6%	28
Deferred tax assets	986	799	-19.0%	-187
Assets held for sale	40	144	>100%	104
Trade and other receivables	6,351	6,861	8.0%	510
Other assets	1,299	1,091	-16.0%	-208
Total assets	1,426,465	1,504,525	5.5%	78,060

Note: Figures reflect implementation of IFRS 16 accounting standard

Balance sheet – Liabilities (CZK m)

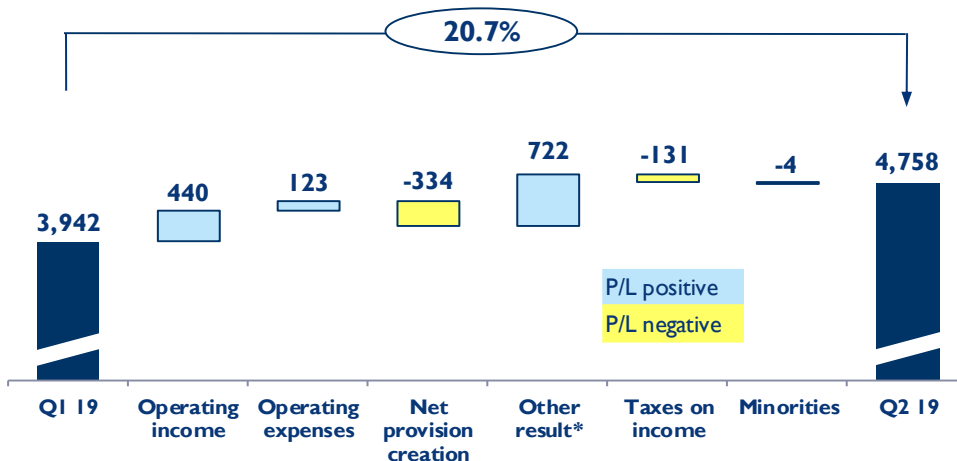
Liabilities and equity	Dec 18	Jun 19	Change	Change
Financial liabilities held for trading	10,172	10,055	-1.2%	-117
Financial liabilities at fair value through profit or loss	1,935	3,244	67.6%	1,309
Deposits from customers	1,935	3,244	67.6%	1,309
Financial liabilities at amortised cost	1,279,931	1,345,074	5.1%	65,143
Deposits from banks	318,861	292,755	-8.2%	-26,106
Deposits from customers	952,506	1,041,283	9.3%	88,777
Debt securities issued	5,458	7,893	44.6%	2,435
Other financial liabilities	3,106	3,143	1.2%	37
Finance lease liabilities	0	2,696	-	2,696
Hedge accounting derivatives	2,110	1,565	-25.8%	-545
Provisions	3,584	3,064	-14.5%	-520
Current tax liabilities	69	179	>100%	110
Deferred tax liabilities	218	432	98.2%	214
Liabilities associated with assets held for sale	0	0	-	0
Other liabilities	5,789	8,651	49.4%	2,862
Total equity	122,657	129,565	5.6%	6,908
Equity attributable to non-controlling interests	184	194	5.4%	10
Equity attributable to owners of the parent	122,473	129,371	5.6%	6,898
Total liabilities and equity	1,426,465	1,504,525	5.5%	78,060

Note: Figures reflect implementation of IFRS 16 accounting standard

Financial performance – Executive summary

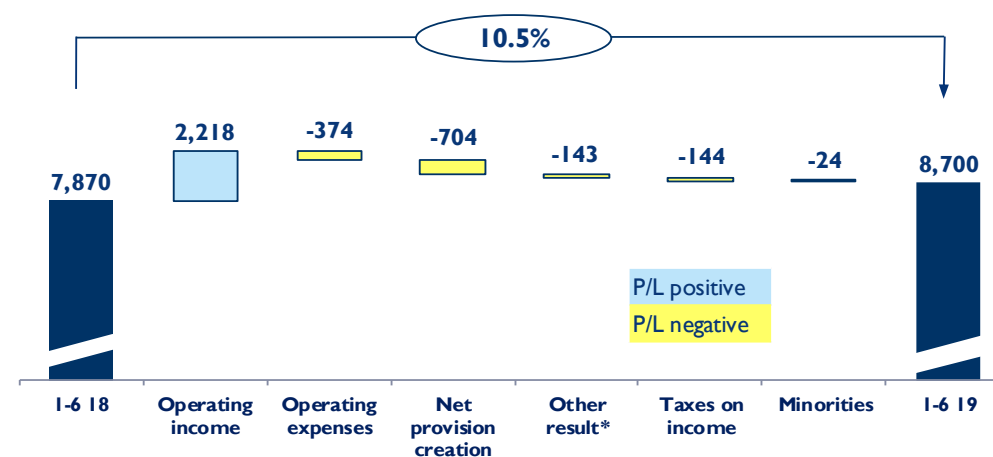
Operating income grew by 11.9% y/y

Q/Q net profit reconciliation (CZK m)



- Increase in net profit in Q2 2019 vs Q1 2019 caused by growth of operating income and improved other result*; partially offset by net risk provision creation
- Operating income rose due to all elements; extraordinary net trading result (+34.2% q/q) was attributed to FX business in retail and corporate segments
- Development of net risk provisions (on and off-balance sheet) driven by release in Q1 2019 vs. creation in Q2 2019
- Q/Q development of other result affected by booking of contribution to Recovery and Resolution Fund in Q1 2019 (CZK 0.7 bn)

Y/Y net profit reconciliation (CZK m)



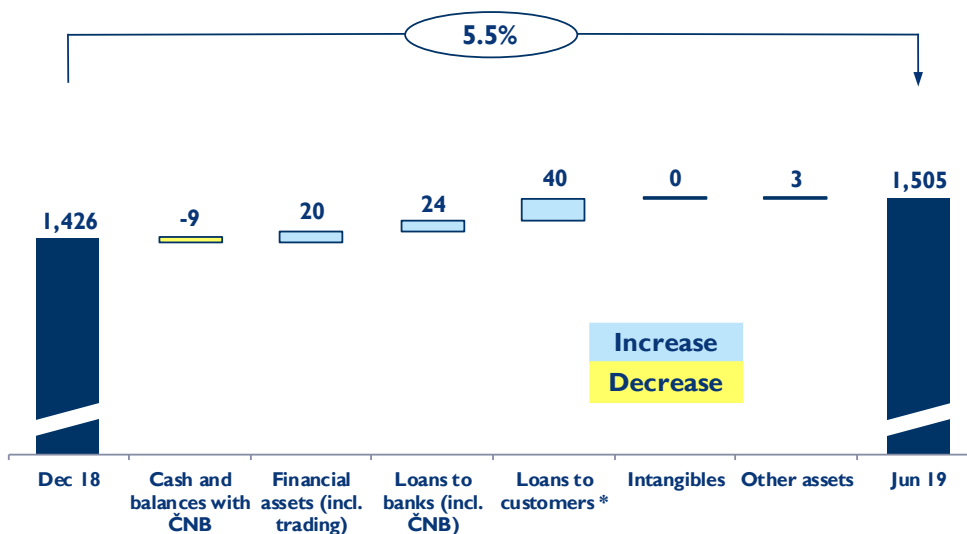
- Operating income went up by 11.9% mainly as a result of growing NII (+11.5%), supported by net fee and commission income and net trading result
- Operating expenses increased by 4.1% especially due to rise of personnel expenses
- Risk provision release lower than in H1 2018 (non-recurring recoveries of several large corporate clients in Q1 2018 and positive development across the Group in H1 2019)
- 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 through profit and loss and Other operating result

Financial performance – Executive summary

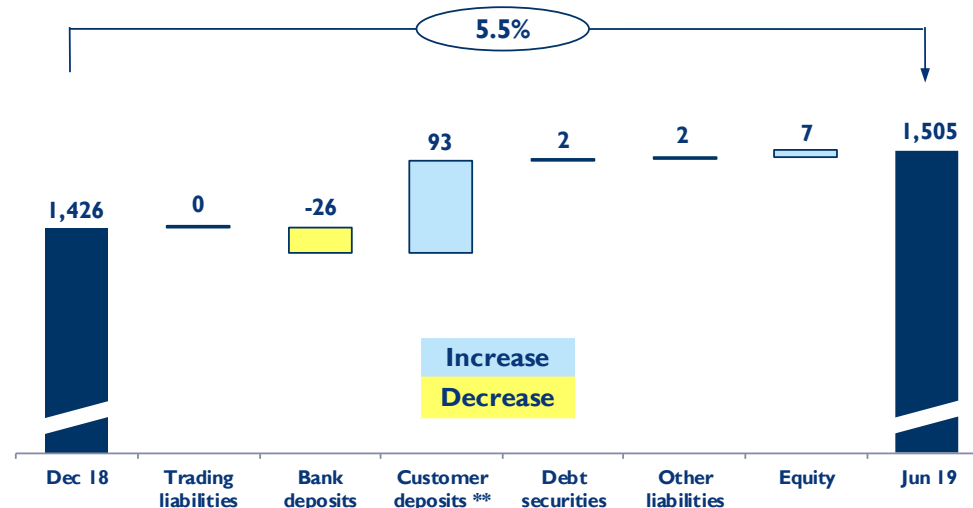
Balance sheet expanded by 5.5% in H1 2019

YTD total asset reconciliation (CZK bn)



- The asset development attributed mainly to loans
- Net customer loans* excluding reverse repo operations increased by 3.6% in H1 2019 (or CZK 24.8 bn)
- Loans to banks supported by reverse repo operations with ČNB increased by CZK 24 bn; lower yielding cash and balances with ČNB continued declining (-14.2% in H1 2019)
- Impact of IFRS 16 implementation was CZK +2.7 bn on both asset and liability side

YTD total liability reconciliation (CZK bn)

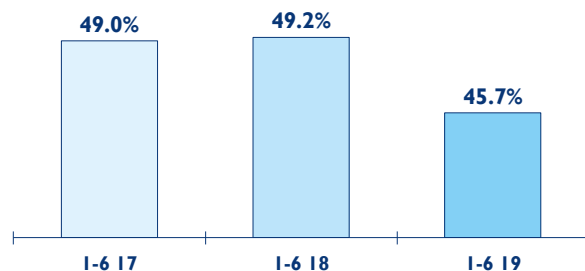


- The major contributor to growth of liability side of B/S were customer deposits
- Group customer deposits increased by 9.7% in H1 2019
 - Deposits in ČS bank grew by 10.7%, driven by deposits from public sector (+128.5%); deposits from private individuals went up by 3.9%; corporate deposits down by 4.7%
- Bank deposits (from credit institutions) decreased by 8.2% in H1 2019 due to decline of repo operations

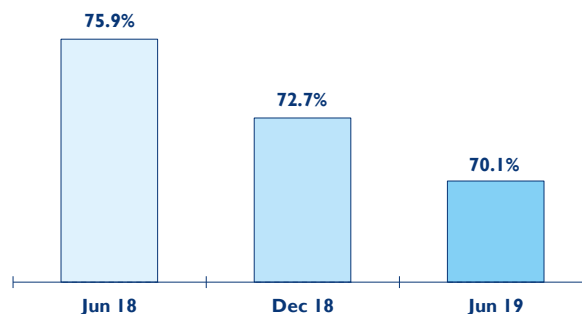
Financial performance – Executive summary

Improvement in C/I and ROE

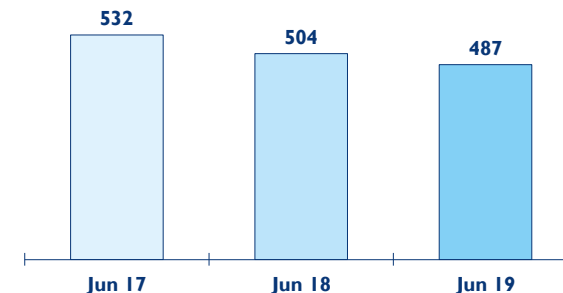
Cost/income ratio



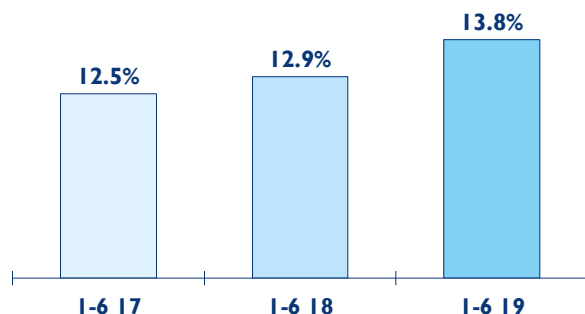
Loan*/deposit** ratio



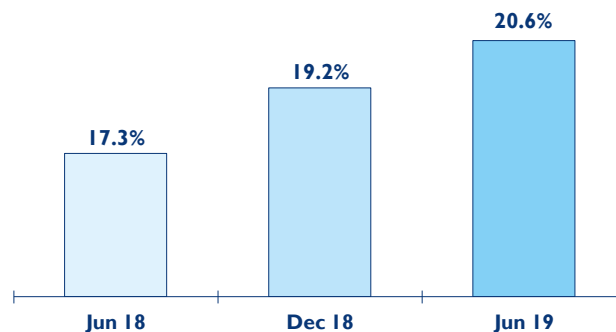
Number of branches



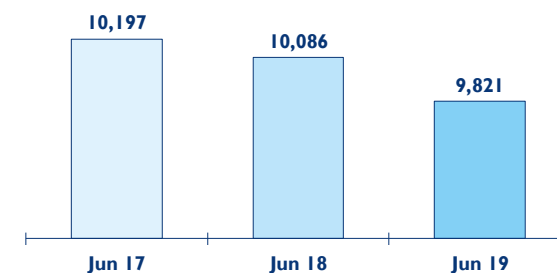
ROE



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

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

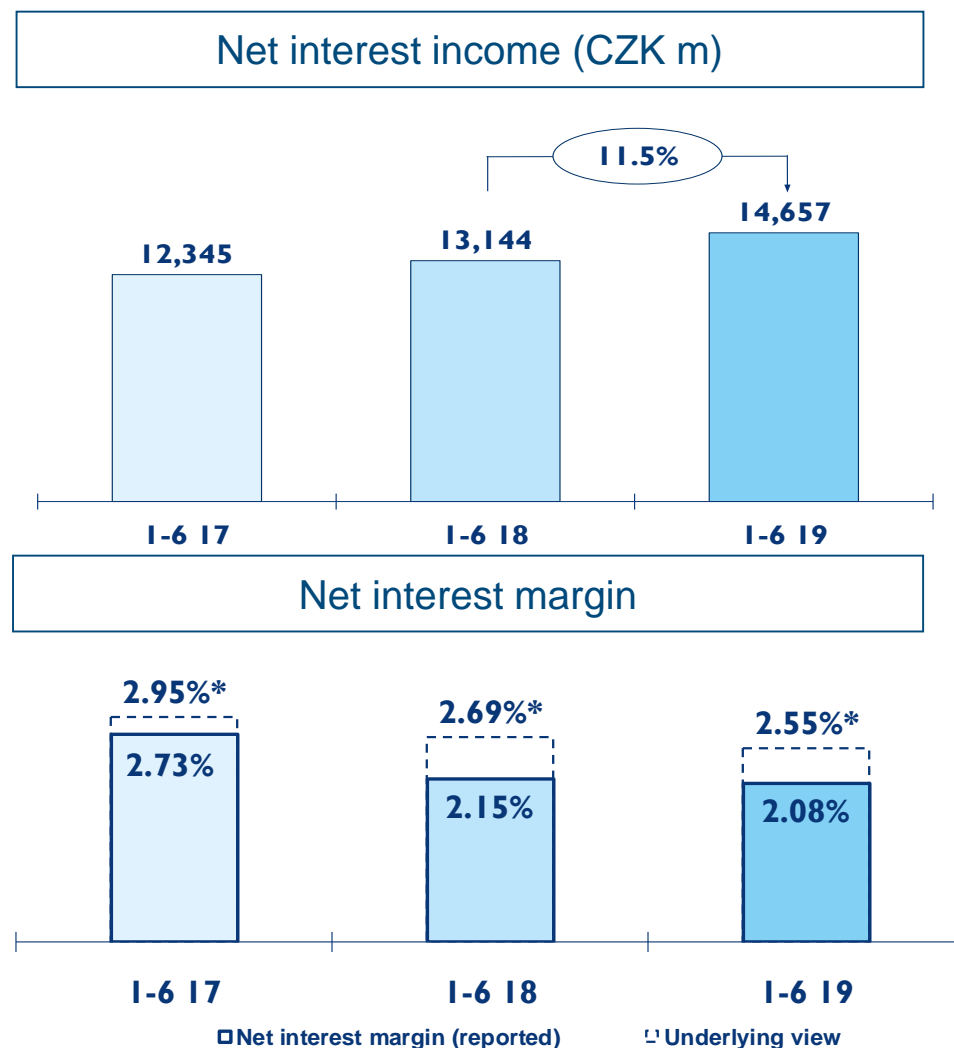
Net interest income – Continuing rapid growth

➤ Net interest income grew by 11.5% or CZK 1,513 m compared to H1 2018 reflecting

- Growth of customer loans
- Increasing income from debt securities
- Rising market interest rates (affected by ČNB hikes)

➤ Net interest margin decreased to 2.55% in H1 2019 (adjusted for exceptional growth of low interest earning assets, mainly reverse repo operations). Reported figure at 2.08%

- 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
- Inverse yield curve



Net fee and commission income –

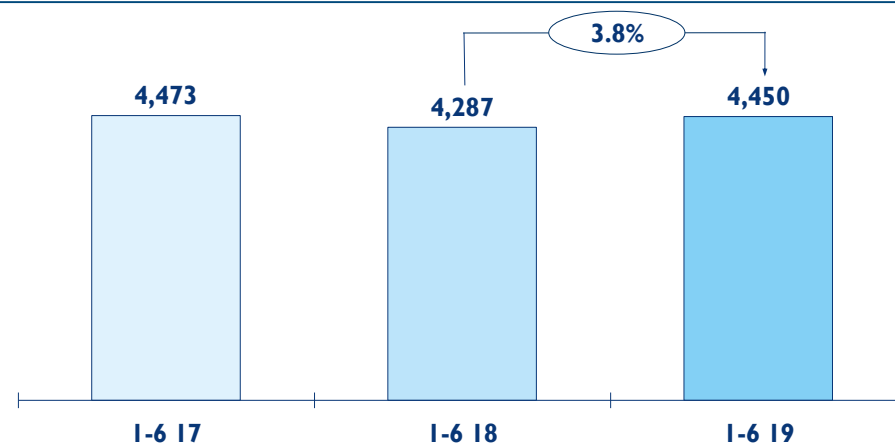
Net fee income rose by 3.8%

➤ After seven years of declining in net fee and commission income, Česká spořitelna experienced turnaround

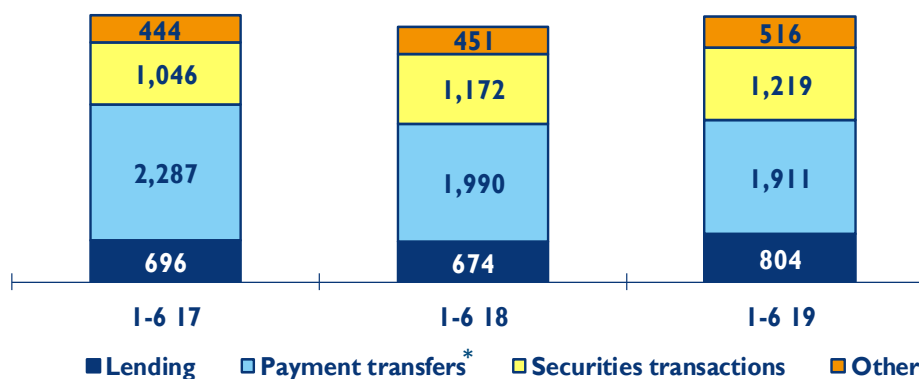
➤ Year-on-year increase driven by

- 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
- Optimisation of fee expenses for lending commission

Net fee and commission income (CZK m)



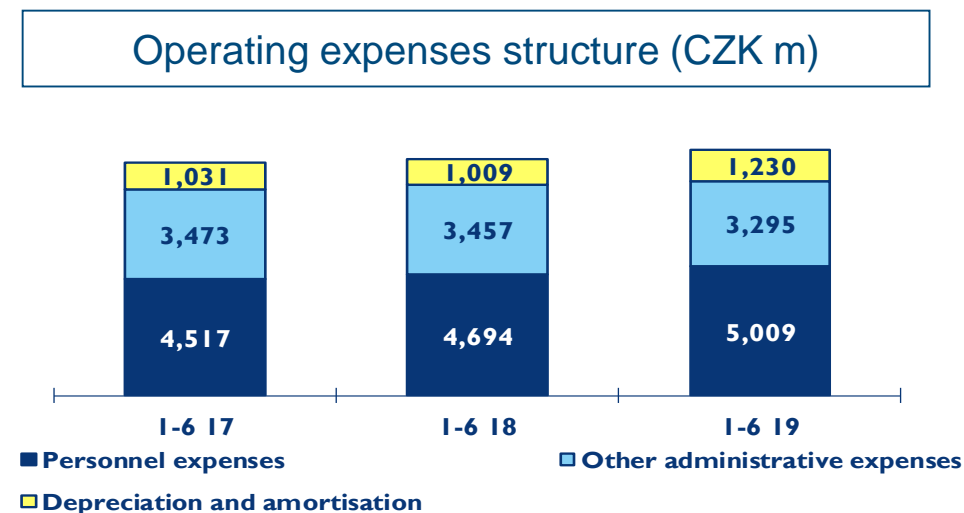
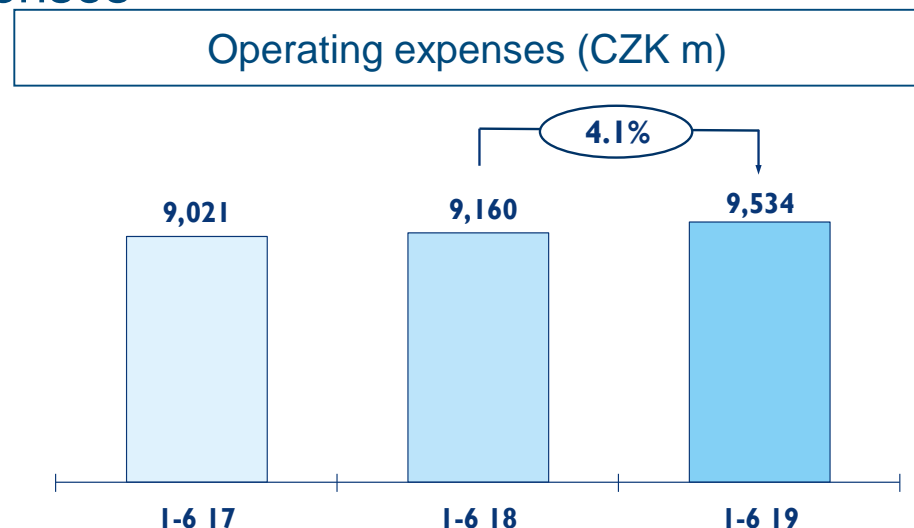
Net fee and commission income structure (CZK m)



* Including fees from account maintenance and payment cards fees

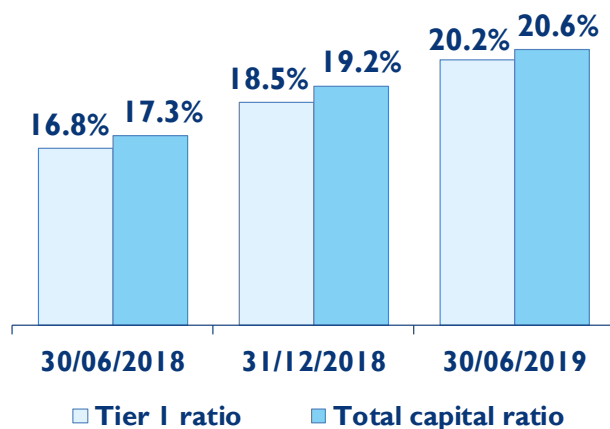
Operating expenses – Increased mainly due to personnel expenses

- Operating expenses rose by 4.1% y/y attributed to increase in personnel expenses
- Personnel expenses up by 6.7%
 - Mainly due to increase in salaries
- Other administrative expenses (OAE) declined by 4.7%
 - Decrease caused by transfers related to IFRS 16 implementation (from OAE to depreciation)
 - Higher contribution to Deposit Insurance Fund
- Growth of depreciation by 21.9% affected by IFRS 16 (transfer from OAE to depreciation)*



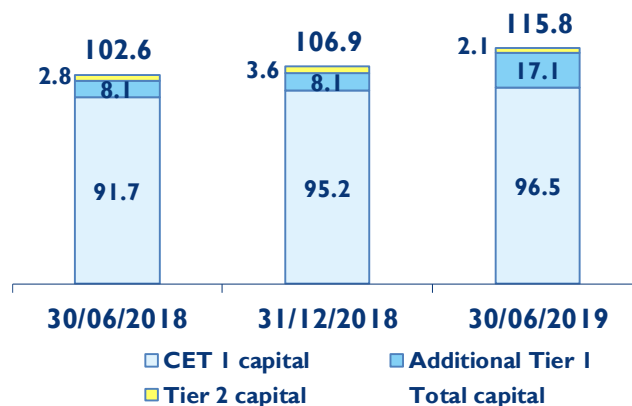
Group capital position – Total capital ratio improved to 20.6%

Capital ratios



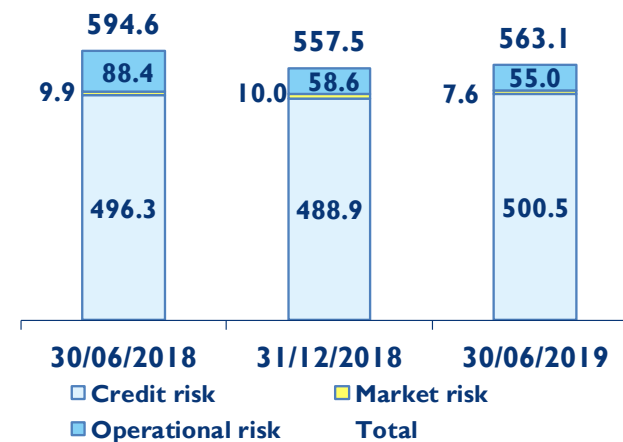
- Total capital ratio increased by 3.3pp y/y to 20.6%, Tier 1 ratio rose to 20.2%
- Growth in capital ratios caused by issuance of new Additional Tier 1 capital of approx. CZK 9 bn in June 2019

Regulatory capital (CZK bn)



- Total regulatory capital increased by 12.8% y/y due to growth in Tier 1 capital (+13.8%)
- Increase in CET 1 capital caused mainly by growth of subscribed capital and retained profit

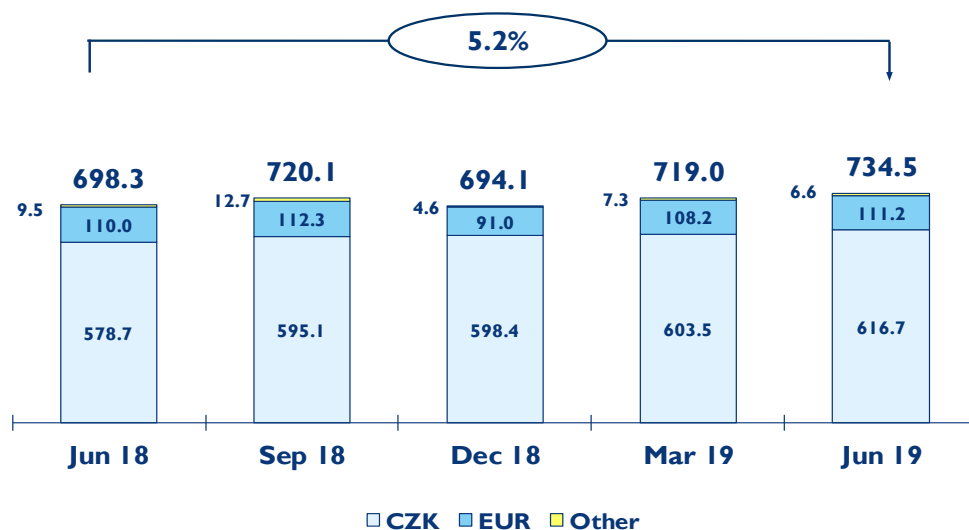
Risk exposures (CZK bn)



- Total risk exposure declined by 5.3% y/y affected mainly by significant decrease of risk exposure to operational risk (-37.8%)
- Credit risk exposure remained almost flat

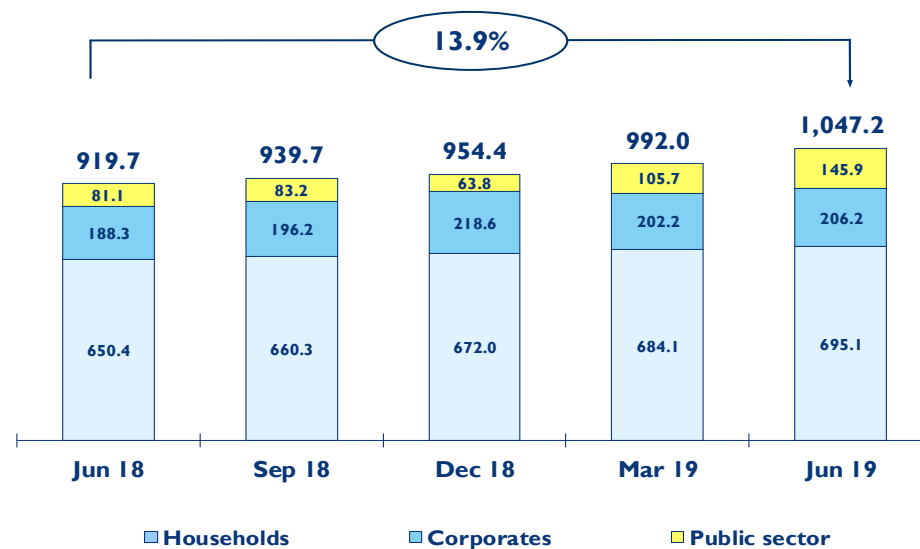
Development of group customer loans and deposits – Loan portfolio growth across segments continued

Group net customer loans (CZK bn)*



- Group net customer loans excluding reverse repo operations increased by 7.1% y/y, driven by private mortgages and corporate loans (particularly Large corporates, SMEs and Real estate)
- FX loans (EUR + other) adjusted for reverse repo operations grew by 10.7% y/y and represent 14.1% 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 13.9% compared to H1 2018
 - Households deposits grew by 6.9%
 - Corporates added 9.5%
 - Public sector deposits up by 79.9%

* 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

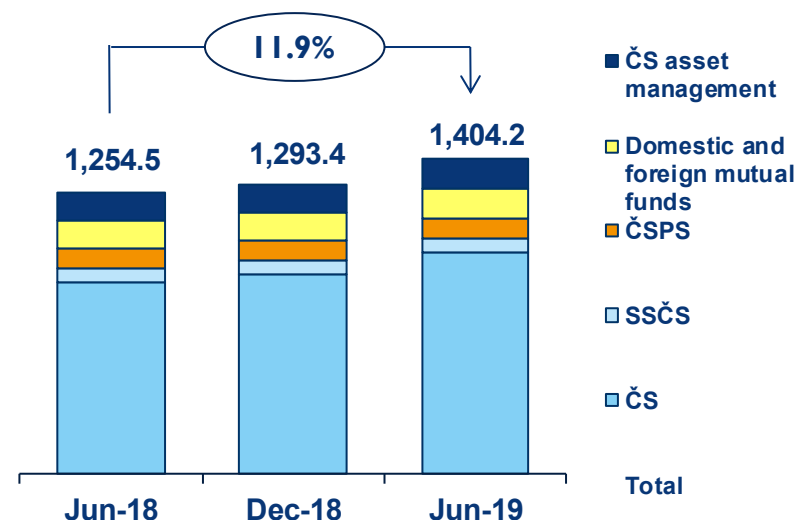
** Since 2019 includes deposits from customers at amortised cost, deposits from customers at FV through profit or loss and finance lease liabilities to customers

Clients' funds under management –

Ongoing growth of standard and alternative deposit products

- **Customer deposits** grew by 14.8% y/y, excl. repo operations by 8.1%
 - Rise driven mainly by deposits of households
- Assets in **ČS pension company** continued in growth, in June 2019 by 10.4% y/y
- Domestic and foreign **mutual funds** increased by 5.6% y/y
 - **REICO** investment company significantly increased clients' assets by 24.4% compared to H1 2018

Clients' funds under management (CZK bn)



IFRS, in CZK bn	Jun-18	Dec-18	Jun-19	Change (y/y)
ČS - customer deposits	858.3	889.8	985.2	14.8%
SSČS - building society	63.4	66.4	61.6	-2.9%
ČSPS - pension company	80.7	84.4	89.1	10.4%
Dom. and foreign mutual funds	132.0	129.6	139.5	5.6%
thereof REICO - investment company	19.1	21.6	23.8	24.4%
Asset management	120.0	123.2	128.8	7.3%
Total	1,254.5	1,293.4	1,404.2	11.9%

Group loan portfolio – Summary

Portfolio growth, low risk costs and excellent quality

- **Gross loans to customers* excluding reverse repo operations increased by CZK 46.4 bn or 6.8% y/y to CZK 730.0 bn**
 - Driven by strong sales in all major business segments
- **Reported total gross loan growth of 4.9% affected by reverse repo operations (declined by CZK 11.5 bn to CZK 16.7 bn), which are not considered as core lending business**
- **Impairment result from financial instruments (release of CZK 199 m on and off-balance) reflected positive development in both retail and wholesale segments**
- **Annualized risk costs (on balance) at 6 bps**
 - Wholesale without non-recurring recoveries like in Q1 2018
- **Portfolio quality stable, NPL ratio declined from 2.1% to 1.8% y/y**
 - Ongoing quality improvement driven by limited inflow of new defaults and strong loan growth
 - Provision coverage at strong 98% and total coverage (provisions+collateral to NPL) reached 123%

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

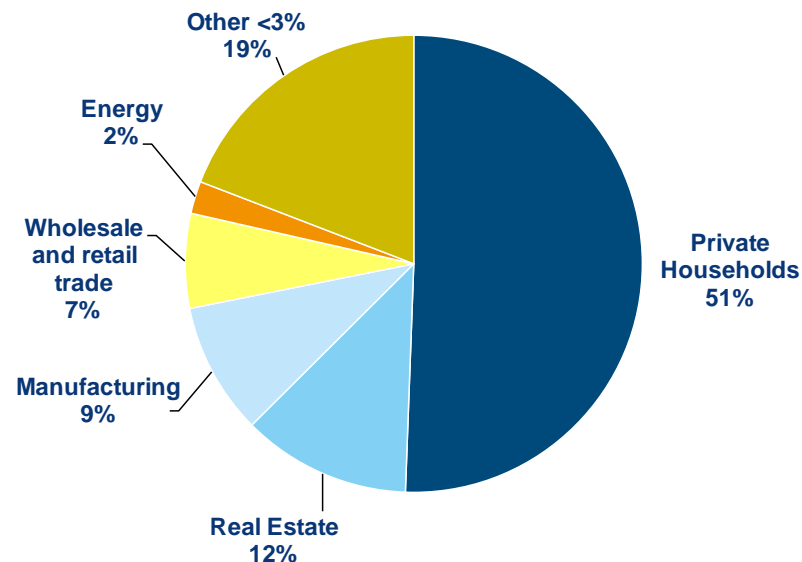
Group loan portfolio –

Group loans increased by 6.8% y/y* thanks to all ČS Group entities

ČS Group loan portfolio (gross)

in CZK m, IFRS	30/06/2018	% share	30/06/2019	% share	Y/Y Change
I. ČS Bank	665,568	93.5%	695,891	93.2%	4.6%
<i>ČS bank excl rev repos</i>	637,411	89.5%	679,213	93.0%	6.6%
II.1. Stavební spořitelna ČS	39,475	5.5%	42,890	5.7%	8.6%
II.2. Leasing (sAL, EL)	19,919	2.8%	21,090	2.8%	5.9%
II.3. Factoring ČS	6,699	0.9%	6,352	0.9%	-5.2%
III. Other subs and Consolidation items	-19,826	-2.8%	-19,500	-2.6%	-1.6%
Total Loans (consolidated)	711,835	100.0%	746,722	100.0%	4.9%
Total loans excl rev repos	683,677		730,044		6.8%

Industry split of loan portfolio



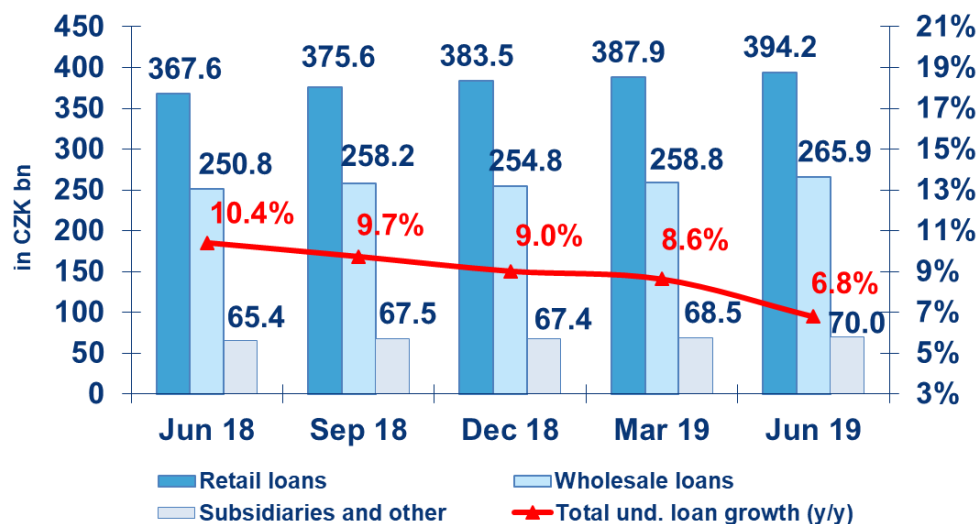
➤ ČS Bank dominates the ČS Group

- Portfolio growth in all major members, except of volatile Factoring ČS
- Private households kept its dominant position with 51%, also supported by significant growth of Stavební spořitelna ČS

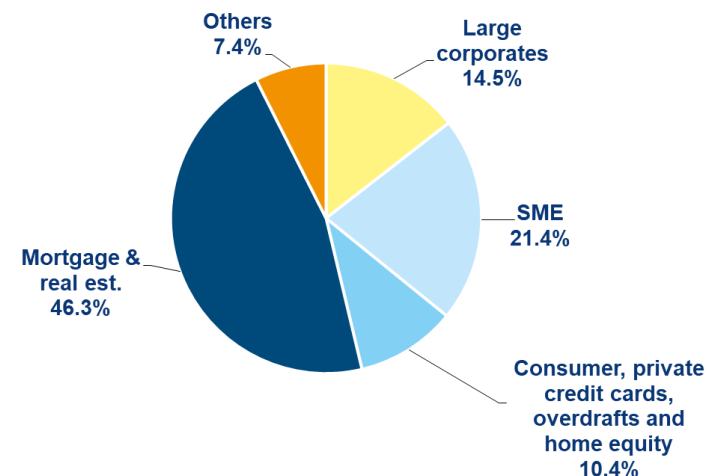
Group loan portfolio –

Group loans increased by 6.8% y/y*, retail ahead of wholesale

Loan portfolio development – ČS Group*



Loan portfolio by customer segments*



➤ Loans to retail customers rose by 7.2% y/y

- Growth in all major portfolios:
 - ✓ Private mortgages +8.9%
 - ✓ Commercial loans (MSEs) +4.9%
 - ✓ Consumer lending +3.0%

➤ Loans to wholesale** added 6.0% y/y

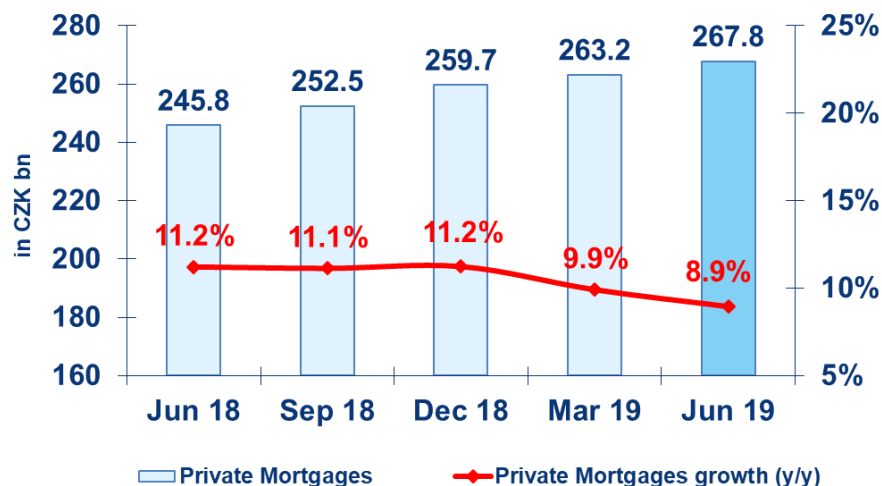
- Strong growth recorded in Local Large Corporate (+13.9%), Real Estate (+10.6%) and SME (+6.4%)
- Decline in Group Markets (-20.1%) and Public Sector (-4.1%)

➤ Loans to subsidiaries and other added 7.1%

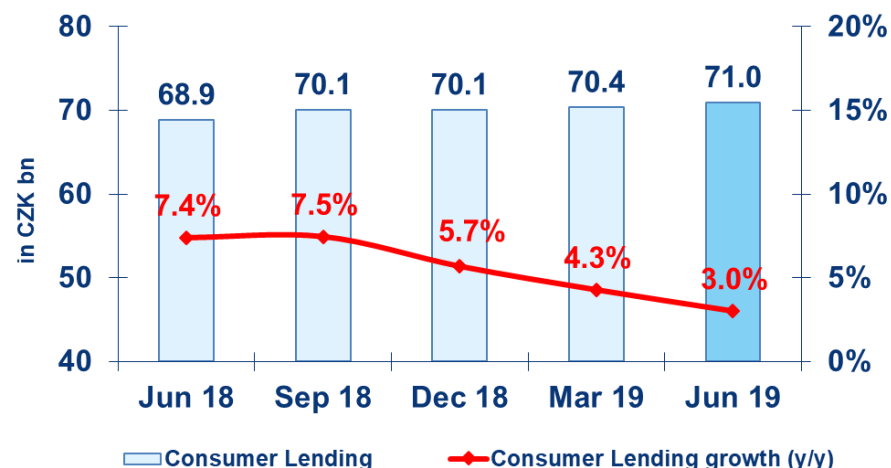
Bank loan portfolio –

Private mortgages still with strong growth rate, consumer lending thinner

Private mortgages development



Consumer lending development*



➤ Private mortgages at CZK 267.8 bn (+8.9% y/y)

- Prudent ČNB recommendations from October 2018 with so far limited effect to the volume growth
- Average LTV for the whole portfolio stable at 56.5%
- Average LTV for new loans stable at safe 68.6%

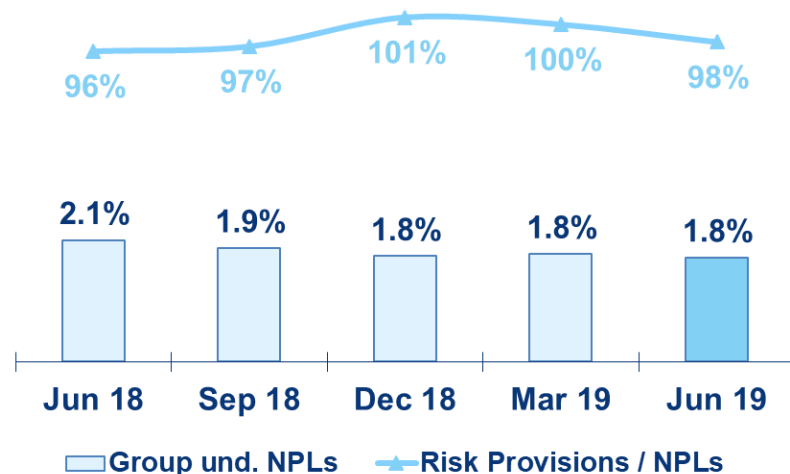
➤ Consumer lending* at CZK 71.0 bn (+3.0% y/y)

- Growth in cash loans partly held back by bulk write-off (-0.3 bn) and also continuing lower utilization of credit cards and overdrafts

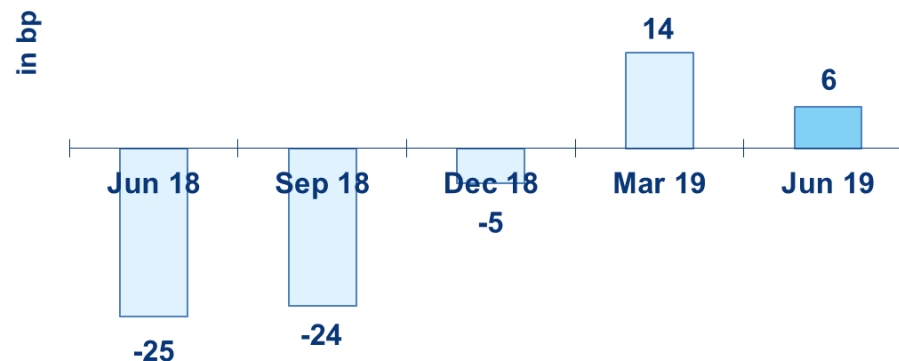
Group asset quality

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 1.8%*

- Low inflow of new defaults combined with strong growth of loan portfolio
- Provision coverage stable at 98% and total coverage (provisions+collateral to NPL) at 123%

➤ Annualized group risk costs** at 6 bps

- Positive development in both retail and wholesale
- 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

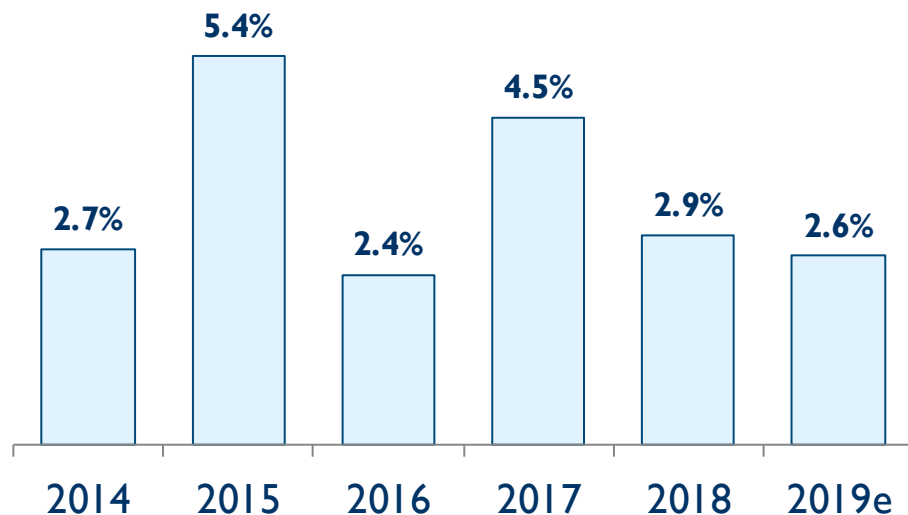
➤ Banking market

- Czech banking market developments
- Česká spořitelna market shares

➤ Appendix

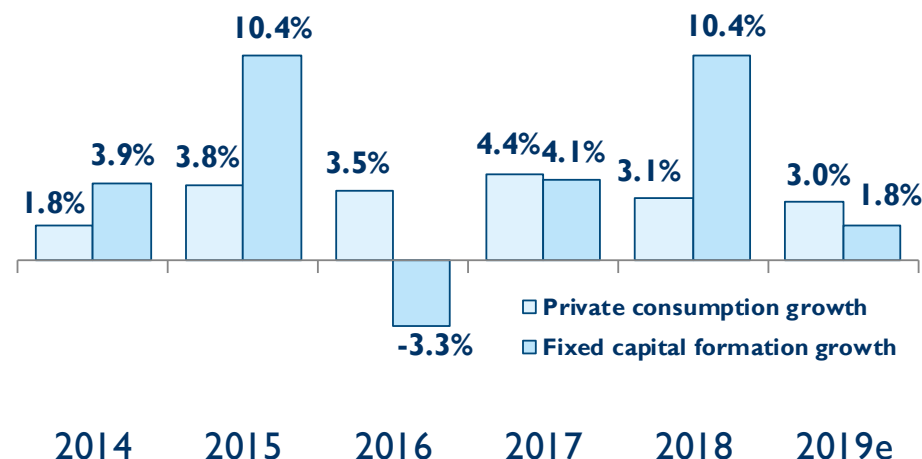
Macroeconomic developments – GDP growth expected to remain high

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



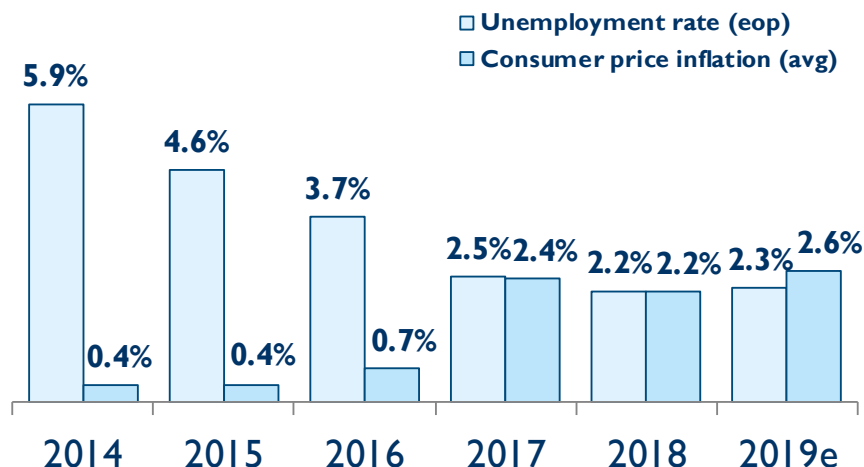
- **Growth of household consumption** is driven by the strong labour market and positive sentiment of households
- Growth of **investment expenditures was extraordinary high** in 2018, mainly due to lack of available employees, which forced firms to invest more in capital and higher automation of plants. 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 –

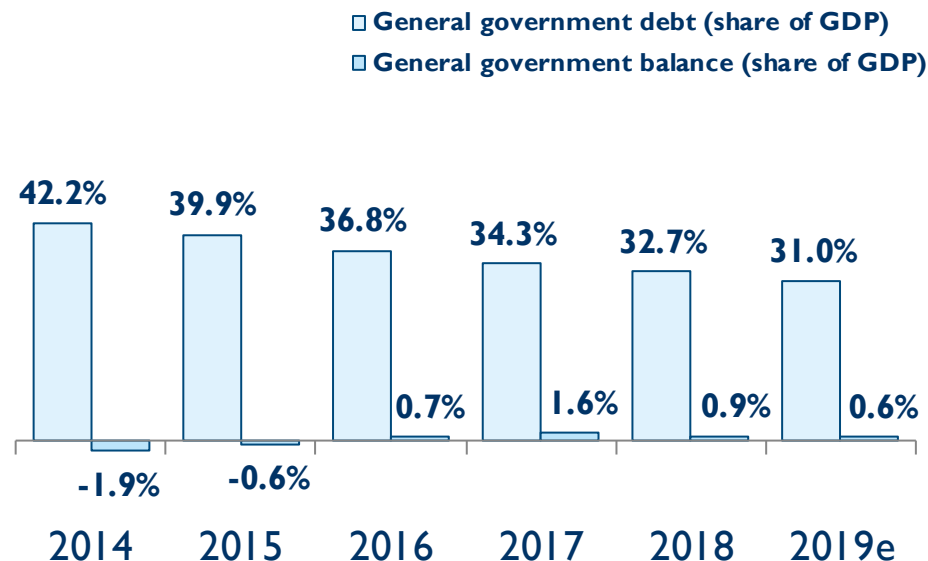
The lowest unemployment rate in the EU

Unemployment and inflation



- **Average CPI** arrived at 2.7% in June 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 2.2% in May and is still the lowest among the EU countries

General government debt and government balance

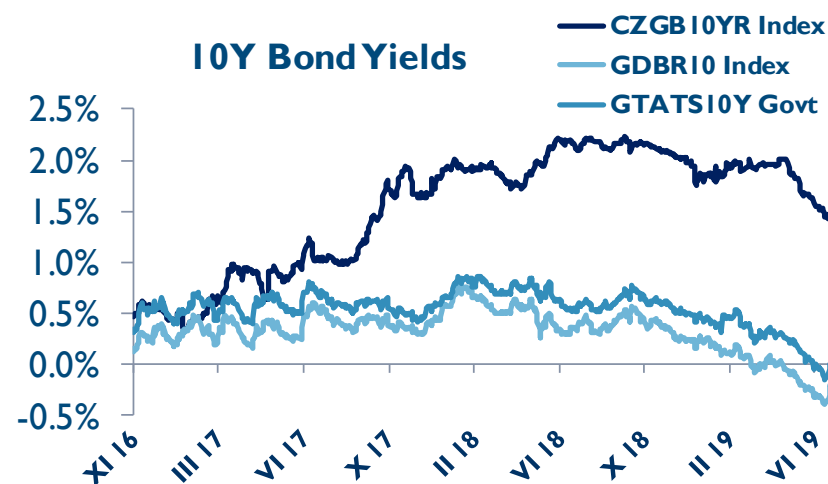


- The favourable economic development and partly inflow of EU funds positively affected the **general government budget** in previous years
- In 2019, ČS expects the **general government balance** to reach a surplus again; however, it will be lower mainly due to higher pensions and public sector wages
- 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. 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 Q2 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

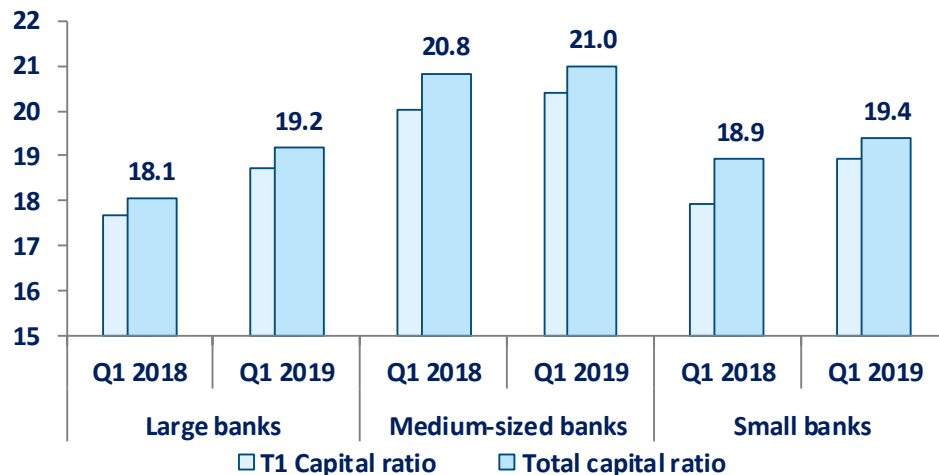
- Czech banking market developments
- Česká spořitelna market shares

➤ Appendix

Czech banking market –

Capitalization and resilience to shocks remains high

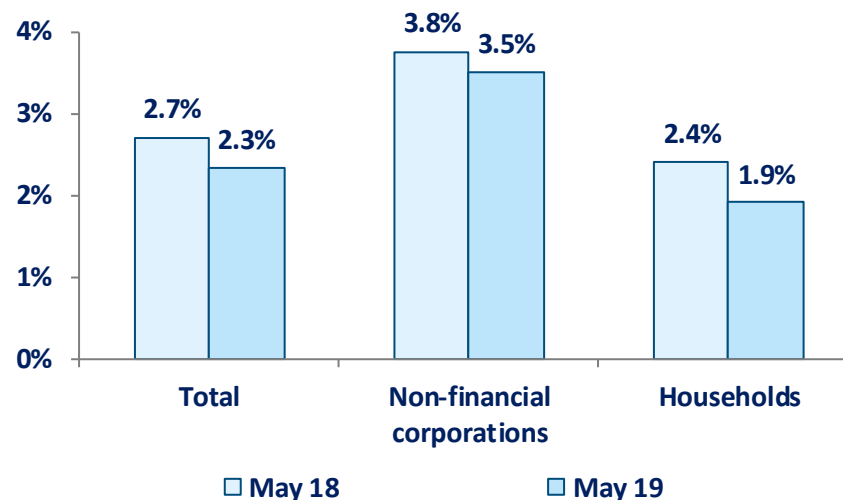
Capital ratios of Czech banks* (%)



* Compliant with ČNB segmentation of banks

- **The Czech banking sector remains resilient against potential adverse shocks thanks to its high capital adequacy** (19.6% in March 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% by 1st July 2020

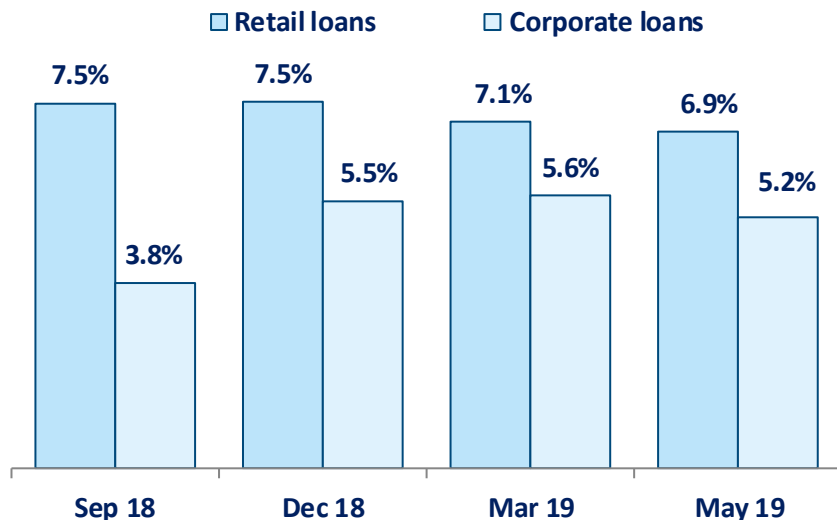
Non-performing loan ratios (%)



- **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
- The NPL ratio for the corporate sector fell by almost 4pp since 2013 and is currently at 3.5%

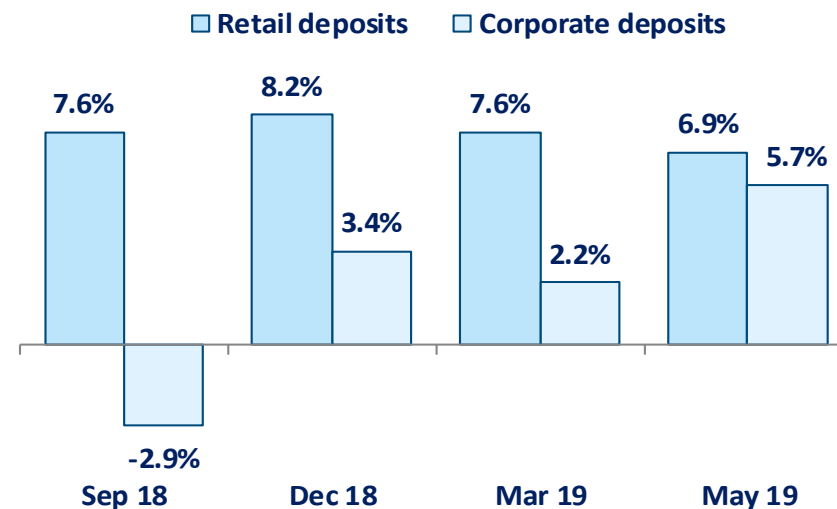
Czech banking market – Stable growth at sustainable levels

Retail and corporate loans (y/y growth)



- **Total client loans up by 6.4% y/y in May 2019.** The main source remained the growth of retail loans at around 7%; the rise in corporate loans reached 5.2% in May
- In 2019, ČS expects the growth of client loans at 5%. Increase in retail loans will ease, relative to recent tempos, to around 5% 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 3.2%, while loans to financial institutions will roughly stagnate

Retail and corporate deposits (y/y growth)

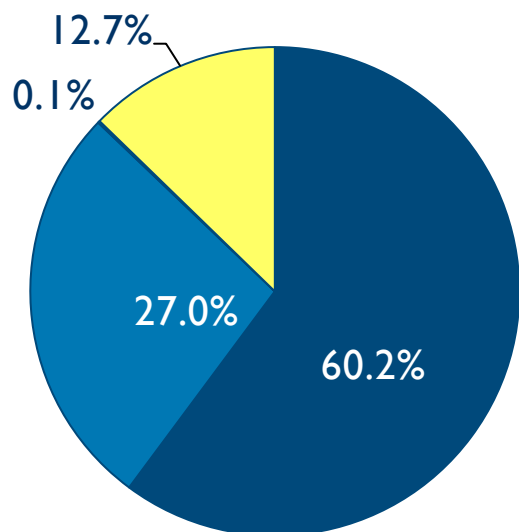


- **In May 2019, y/y growth in client deposits reached 11%.** Retail deposits added 6.9% y/y, while for corporate deposits, the y/y change came out at 5.7%; a strong contributor was government (y/y growth of more than 50%) but the volume of government deposits is rather volatile over time
- **For 2019, ČS expects total client deposits to expand by 8% y/y.** The growth rate of retail deposits should be 6.7%, while non-financial corporate deposits should increase by above 4%

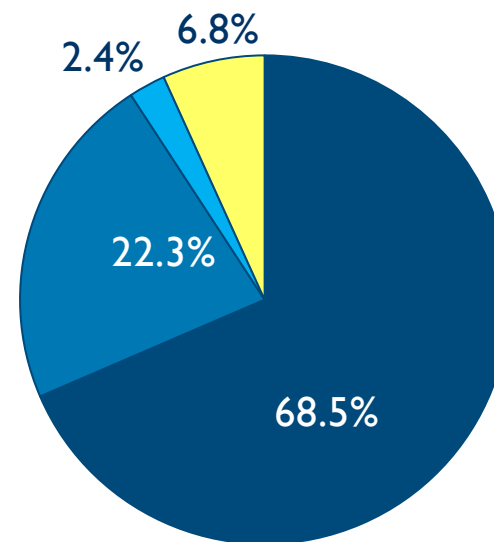
Czech banking market –

Exposure of clients is dominated by local currency lending

Customer loans (May 2019)



Customer deposits (May 2019)



■ LC retail loans
■ FX retail loans

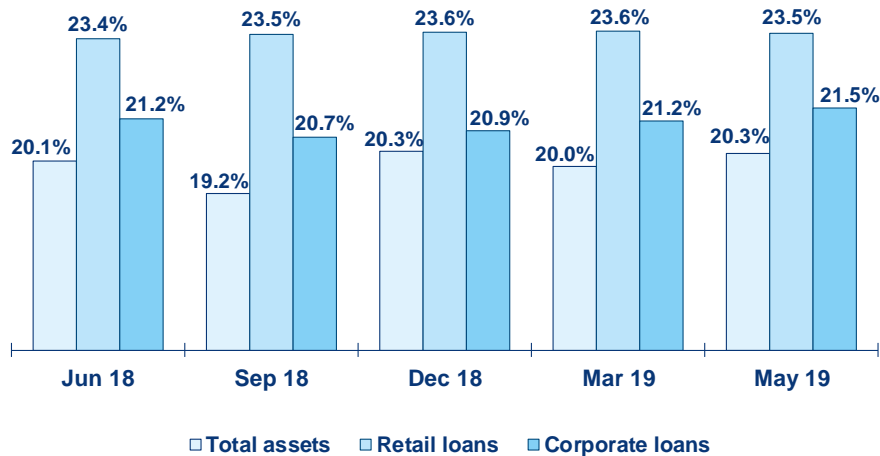
■ LC corporate loans
■ FX corporate loans

■ LC retail deposits
■ FX retail deposits

■ LC corporate deposits
■ FX corporate deposits

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

Asset side



➤ Market leadership in:

- Number of customers (4.6 m)
- Total mortgages (market share of 27%)**
- Consumer loans incl. credit cards (market share of 28%)
- Total loans (market share of 21%)
- Total assets (market share of 20%)

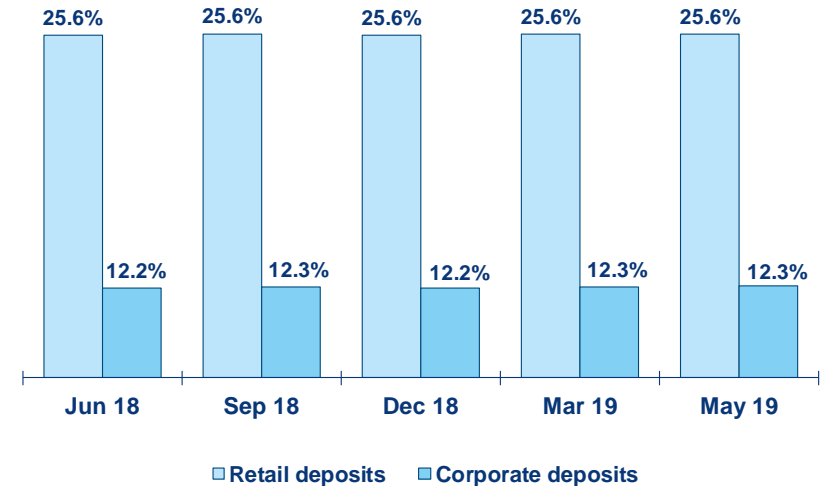
➤ No. 2 in:

- Private mortgages (market share of 26%)**

* Data for June 2019 not available yet

** Figures from March 2019

Liability side



➤ Market leadership in:

- Total deposits (market share of 23%)
 - 26% in retail deposits, 12% in corporate deposits
- Mutual funds with market share of 26%**

Presentation topics

➤ Česká spořitelna

- Segment financial performance analysis

➤ Macroeconomic developments

- Economic trends in details

➤ Banking market

- Czech banking market developments
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➤ Appendix

Income statement – Quarterly development (CZK m)

	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q/Q %
Net interest income	6,596	7,041	7,637	7,288	7,369	1.1%
Net fee and commission income	2,153	2,075	2,178	2,193	2,257	2.9%
Dividend income	46	9	19	3	45	>100%
Net trading result	315	611	497	637	855	34.2%
Gains/losses from financial instruments measured at FV through profit or loss	-7	279	-54	18	38	>100%
Net result from equity method investments	6	22	30	14	28	100.0%
Rental income from investment properties & other operating leases	55	57	53	54	54	0.0%
General administrative expenses	-4,524	-4,545	-4,622	-4,829	-4,705	-2.6%
Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	11	32	-38	9	-1	-
Impairment result from financial instruments	162	223	-1,414	267	-68	-
Other operating result	-57	-872	96	-706	26	-
Pre-tax result from continuing operations	4,754	4,932	4,382	4,948	5,899	19.2%
Taxes on income	-967	-951	-859	-1,003	-1,134	13.1%
Net result for the period						
Net result attributable to non-controlling interests	-12	5	8	3	7	>100%
Net result attributable to owners of the parent	3,799	3,976	3,516	3,942	4,758	20.7%
Operating income	9,162	10,094	10,359	10,207	10,646	4.3%
Operating expenses	-4,524	-4,545	-4,622	-4,829	-4,705	-2.6%
Operating result	4,638	5,549	5,737	5,378	5,941	10.5%

Note: Figures reflect implementation of IFRS 16 accounting standard

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

in CZK m, IFRS	30/06/2018		31/12/2018		30/06/2019		YTD change		YTY change	
	Outstand.	Share	Outstand.	Share	Outstand.	Share	Outstand.	Rate	Outstand.	Rate
RETAIL	367,555	51.6%	383,492	54.3%	394,178	52.8%	10,686	2.8%	26,623	7.2%
Overdrafts	5,567	0.8%	5,511	0.8%	5,620	0.8%	109	2.0%	53	1.0%
of which non-private (MSE, Muni)	2,177	0.3%	2,100	0.3%	2,374	0.3%	274	13.0%	197	9.0%
Credit cards	2,455	0.3%	2,401	0.3%	2,151	0.3%	-250	-10.4%	-304	-12.4%
of which non-private (MSE, Muni)	12	0.0%	11	0.0%	11	0.0%	1	5.6%	-1	-8.5%
Cash loans	60,106	8.4%	61,437	8.7%	62,828	8.4%	1,391	2.3%	2,721	4.5%
Private social	571	0.1%	515	0.1%	460	0.1%	-55	-10.7%	-111	-19.4%
Home equity mortgages	2,948	0.4%	2,850	0.4%	2,751	0.4%	-99	-3.5%	-197	-6.7%
Private mortgages	245,840	34.5%	259,674	36.7%	267,842	35.9%	8,168	3.1%	22,002	8.9%
Commercial loans	50,068	7.0%	51,105	7.2%	52,527	7.0%	1,421	2.8%	2,459	4.9%
WHOLESALE	278,915	39.2%	255,814	36.2%	282,550	37.8%	26,736	10.5%	3,635	1.3%
Corporate	245,217	34.4%	249,756	35.3%	261,446	35.0%	11,690	4.7%	16,229	6.6%
Group Large corporates	56,562	7.9%	58,560	8.3%	58,934	7.9%	375	0.6%	2,373	4.2%
Local Large corporates	34,577	4.9%	35,029	5.0%	39,397	5.3%	4,368	12.5%	4,820	13.9%
SME	86,972	12.2%	89,283	12.6%	92,572	12.4%	3,289	3.7%	5,600	6.4%
Real estate	42,090	5.9%	42,220	6.0%	46,558	6.2%	4,337	10.3%	4,468	10.6%
Public sector	25,017	3.5%	24,664	3.5%	23,986	3.2%	-678	-2.7%	-1,031	-4.1%
Group Markets	33,697	4.7%	6,058	0.9%	21,104	2.8%	15,046	>100%	-12,594	-37.4%
excluding rev repos	5,540	0.8%	5,013	0.7%	4,425	0.6%	-587	-11.7%	-1,115	-20.1%
OTHER	19,098	2.7%	18,289	2.6%	19,163	2.6%	874	4.8%	64	0.3%
BANK: LOANS TO CUSTOMERS	665,568	93.5%	657,595	93.0%	695,891	93.2%	38,296	5.8%	30,323	4.6%
SUBSIDIARIES	66,093	9.3%	67,855	9.6%	70,331	9.4%	2,476	3.6%	4,239	6.4%
CONSOLIDATION ITEMS	-19,826	-2.8%	-18,695	-2.6%	-19,500	-2.6%	-805	4.3%	326	-1.6%
GROUP: LOANS TO CUSTOMERS	711,835	100.0%	706,755	100.0%	746,722	100.0%	39,967	5.7%	34,888	4.9%
excluding rev repos	683,677		705,710		730,044		24,334	3.4%	46,367	6.8%

Ratings of Česká spořitelna

Status as of 29 July 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-1			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	19.1
Real GDP growth	-0.5	2.7	5.4	2.4	4.5	2.9	2.6	2.8
Consumer price inflation (avg)	1.4	0.4	0.4	0.7	2.4	2.2	2.6	2.2
Unemployment rate (eop)	6.8	5.9	4.6	3.7	2.5	2.2	2.3	2.5
Current account balance (share of GDP)	-0.5	0.2	0.2	1.6	1.7	0.3	0.4	0.4
General government balance (share of GDP)	-1.2	-1.9	-0.6	0.7	1.6	0.9	0.6	0.3
Public debt (share of GDP)	44.9	42.2	39.9	36.8	34.3	32.7	31.0	30.1
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	25.3	24.7

Segment financial statements –

Segment Czech Republic - income statement (EUR m)

	1-6 18	1-6 19	Change
Net interest income	507.2	554.2	9.3%
Net fee and commission income	168.1	173.3	3.1%
Dividend income	2.0	1.9	-4.9%
Net trading result	40.8	58.1	42.2%
Gains/losses from financial instruments measured at fair value through profit or loss	0.0	2.2	-19408.7%
Net result from equity method investments	0.1	1.6	1651.2%
Rental income from investment properties & other operating leases	4.4	4.2	-2.7%
General administrative expenses	-359.2	-371.2	3.3%
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	0.3	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			
Impairment result from financial instruments	35.4	7.7	n/a
Other operating result	-21.9	-26.4	20.6%
Levies on banking activities	0.0	0.0	n/a
Pre-tax result from continuing operations	378.0	405.9	7.4%
Taxes on income	-76.6	-80.1	4.6%
Post-tax result from continuing operations	301.4	325.8	8.1%
Post-tax result from discontinued operations	0.0	0.0	n/a
Net result for the period	301.4	325.8	8.1%
Net result attributable to non-controlling interests	2.6	0.0	-99.4%
Net result attributable to owners of the parent	298.8	325.8	9.0%
Operating income	722.5	795.5	10.1%
Operating expenses	-359.2	-371.2	3.3%
Operating result	363.3	424.3	16.8%
Cost/income ratio	49.7%	46.7%	
Return on allocated capital	24.0%	26.4%	

Segment financial statements – Quarterly development

Segment Czech Republic - income statement (EUR m)

	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19
Net interest income	252.1	266.5	288.5	276.0	278.2
Net fee and commission income	84.1	80.6	84.2	85.4	87.9
Dividend income	1.8	0.3	0.7	0.1	1.8
Net trading result	12.2	23.8	19.2	24.8	33.3
Gains/losses from financial instruments measured at fair value through profit or loss	-0.3	10.9	-2.1	0.7	1.5
Net result from equity method investments	0.2	0.9	1.2	0.5	1.1
Rental income from investment properties & other operating leases	2.1	2.2	2.1	2.1	2.1
General administrative expenses	-176.7	-176.6	-178.7	-188.0	-183.2
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	0.4	0.0	0.3	0.0
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	0.0	0.8	-1.5	0.0	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	6.2	8.6	-55.3	10.4	-2.6
Other operating result	-2.2	-31.5	3.0	-27.5	1.0
Levies on banking activities	0.0	0.0	0.0	0.0	0.0
Pre-tax result from continuing operations	180.1	187.0	161.3	184.9	221.0
Taxes on income	-36.7	-35.6	-31.8	-37.6	-42.5
Post-tax result from continuing operations	143.4	151.4	129.4	147.3	178.5
Post-tax result from discontinued operations	0.0	0.0	0.0	0.0	0.0
Net result for the period	143.4	151.4	129.4	147.3	178.5
Net result attributable to non-controlling interests	0.9	1.5	-4.6	0.0	0.0
Net result attributable to owners of the parent	142.5	149.9	134.0	147.3	178.5
Operating income	352.3	385.2	393.7	389.7	405.8
Operating expenses	-176.7	-176.6	-178.7	-188.0	-183.2
Operating result	175.6	208.6	215.1	201.6	222.6
Cost/income ratio	50.2%	45.9%	45.4%	48.3%	45.1%
Return on allocated capital	22.7%	24.2%	21.3%	24.3%	28.3%

DISCLAIMER –

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