



ČESKÁ EXPORTNÍ BANKA
C Z E C H E X P O R T B A N K

Investor Presentation – November 2024

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CEB at a Glance - Key Pillar of the Export Support Framework

Credit Overview

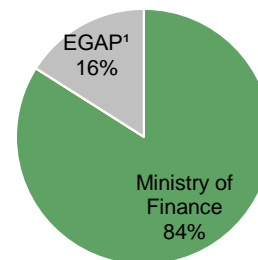
- ❑ Czech Export Bank, a.s. S&P AA- (Stable), ("CEB") is a state-owned specialized banking institution
- ❑ Founded in 1995 as one of the key pillars of the government pro-export policy
- ❑ ČEB's mission is to support Czech companies and the competitiveness of Czech exports by providing supported financing in compliance with the EU law
- ❑ Complements the products and services offered by commercial banks by supporting exports to higher-risk territories
- ❑ Export lending is utilizing insurance via the state export insurance company EGAP
- ❑ Lending criteria follow the standards set by the WTO, also operates in line with the rules of OECD Arrangement on Officially Supported Export Credits
- ❑ Supplements the services offered by the domestic banking system and fully subject to the standard banking regulation
- ❑ Gradually is included under State Treasury, where CEB is placing free funds. Prospectively CEB should be funded from State Treasury.
- ❑ Rating on par with the Czech government credit rating: S&P AA- (Stable)

¹ EGAP = Exportní garanční a pojišťovací společnost (Export Guarantee and Insurance Corporation), 100% state owned.

100% State-Owned and Guaranteed

"The payment of the principal and interest and all other amounts due under the Notes has been unconditionally and irrevocably guaranteed by the Guarantor ("the Czech Republic") by virtue of the Guarantee."

As per EUR 1.5 bn EMTN Prospectus, dated 6 September 2024



CEB's Ownership structure

By law, at least two-thirds of CEB equity shares must be directly owned by the state

Financial Highlights (EUR eq.)

	1H 2024	2023	2022	2021	2020
Total assets, EUR bn	1,51	1,37	1,35	1,45	1,67
Loan portfolio, EUR bn	0,94	0,78	0,66	0,92	1,17
Net profit, EUR mn	20,35	32,34	26,54	14,39	6,23
Capital adequacy ratio, %	74,13	78,82	131,92	142,90	106,90
Return on equity, %		9,88	8,44	4,92	2,23

Source: CEB 1H 2024 IFRS audited accounts
FX rates as of the respective periods



➤ Czech Republic Economy

Czech Export Bank – Overview

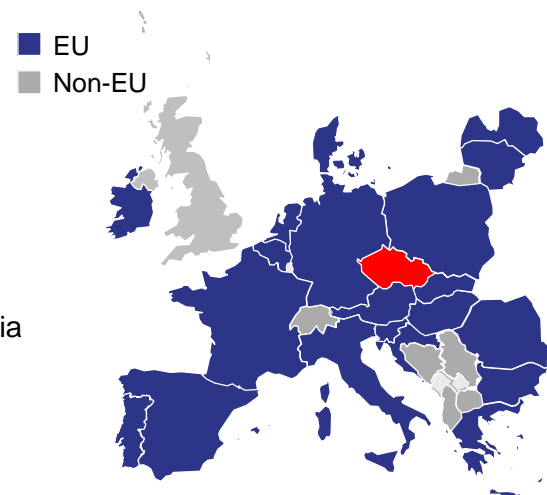
Czech Export Bank – Financial Highlights



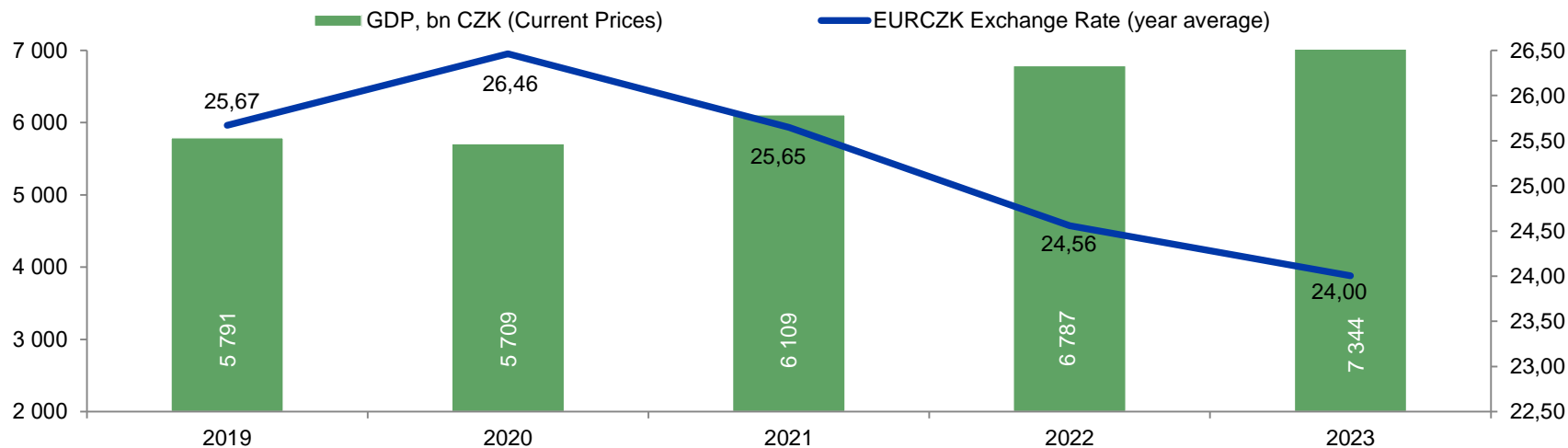
Czech Republic

Key Facts

- **Land territory:** 78,870 sq. km
- **Population:** 10.9 million
- **Credit ratings:** Moody's Aa3 [sta] / S&P AA- [sta]
Fitch AA- [sta]
- **Capital:** Prague
- **Borders with EU:** Poland, Slovakia, Germany, Austria
- **Political system:** Parliamentary democracy
- **Currency:** Czech koruna (CZK)
- **Member of the European Union:** Since 2004



GDP and Czech koruna development



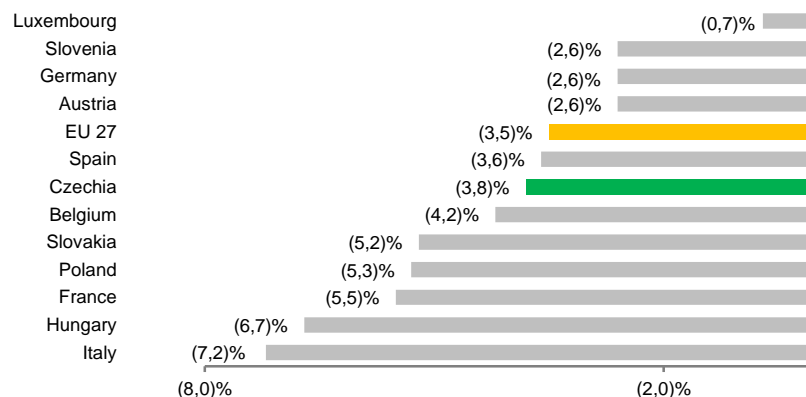
Source: CZSO, October 2024, Czech National Bank

The Czech Republic, a Resilient Economy

Developed economy on path to full convergence with the euro area

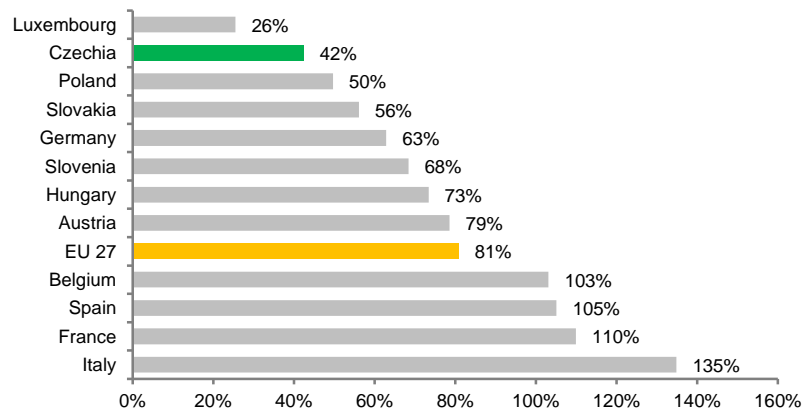
- ❑ Strong economic position vs. peers
- ❑ Developed and diversified economy
 - Strong manufacturing and export base and increasingly competitive services sector (in terms of productivity)
- ❑ Low budget deficit compared to EU average
- ❑ Low public debt compared to EU average

General Government Deficit (% of GDP, 2023)



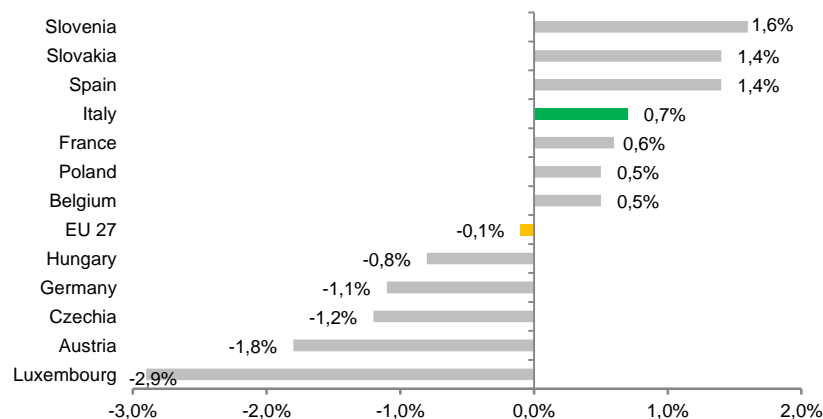
Source: Eurostat, as of EOY 2023 (last update October 2024)

General Government Gross Debt (% of GDP, 2023)



Source: Eurostat, as of EYO 2023 (last update October 2024)

Real GDP per capita growth (% , 2023)

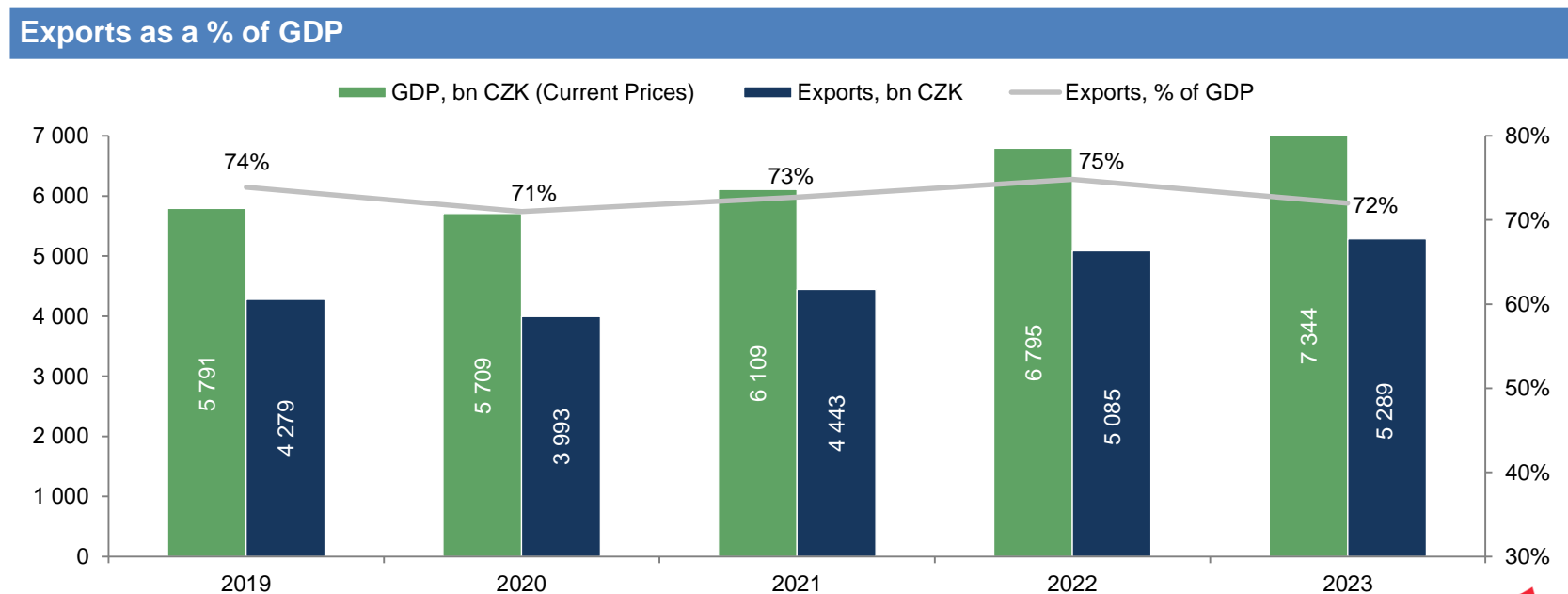


Source: Eurostat, as of EOY 2023 - % change on previous period (last update October 2024)

Exports - the Long-Term Driver of the Czech Economic Growth

- ❑ EU countries remain the main export destinations (80,2% of total exports), with Germany being a leading destination (30,3% of total exports)
- ❑ Czech government main goal is to diversify export target countries, increase number of exporters and volume of export per capita
- ❑ CEB is the main government vehicle for supporting exports to target countries
 - CEB operates as an “anti-cyclical” tool for mitigation of economic cycles
 - CEB is complementary to commercial banks

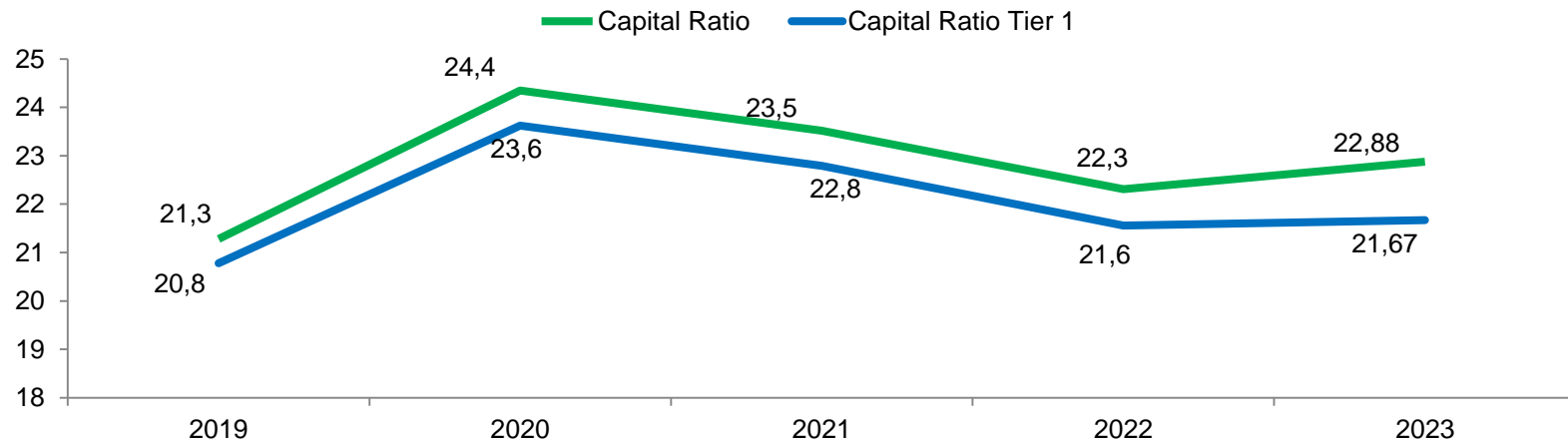
Source: CZSO, October 2024



Source: CZSO, ČNB, June 2024

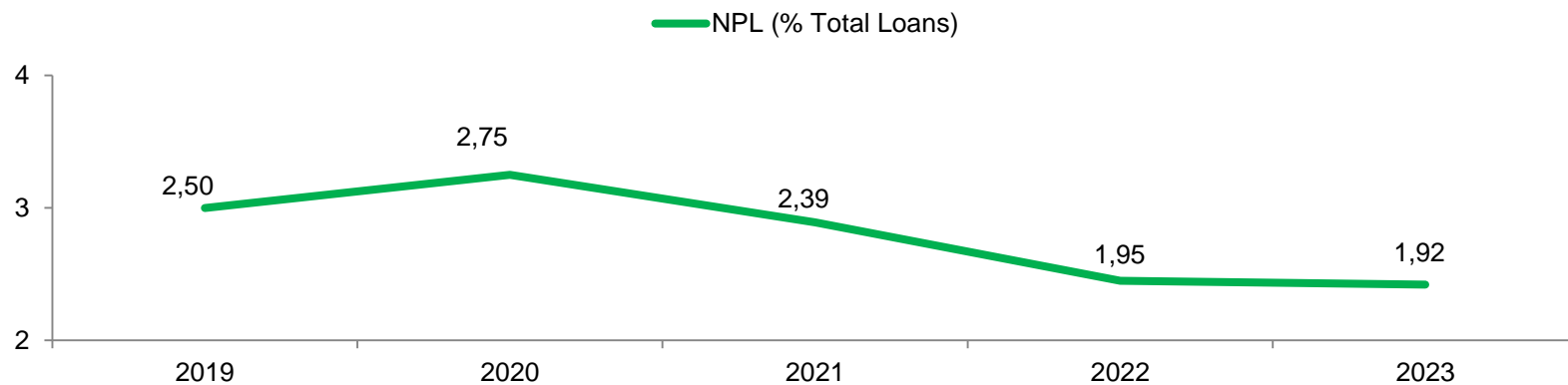
Strong Banking Sector

Overall Capital Ratio (%)



Source: Czech National Bank, October 2024

Total NPLs (%)



Source: Czech National Bank, October 2024

Czech Republic Economy

➤ **Czech Export Bank - Overview**

Czech Export Bank – Financial Highlights



Credit Highlights

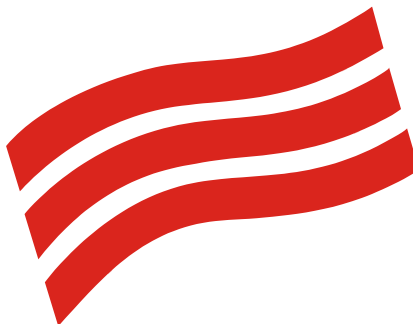
Czech Export Bank is an integral part of the economic development in the Czech Republic

Explicit government guarantee on repayment of all capital markets financing as well as all other CEB obligations arising from its operations

100% state owned and state-supported export credit agency

Strong and solid rating, on par with the sovereign
AA- stable

High level of economic and regulatory capitalization— CET1 at 74,13%¹



Dominant provider of government-supported financing of exports

State subsidies cover possible losses from export financing activities

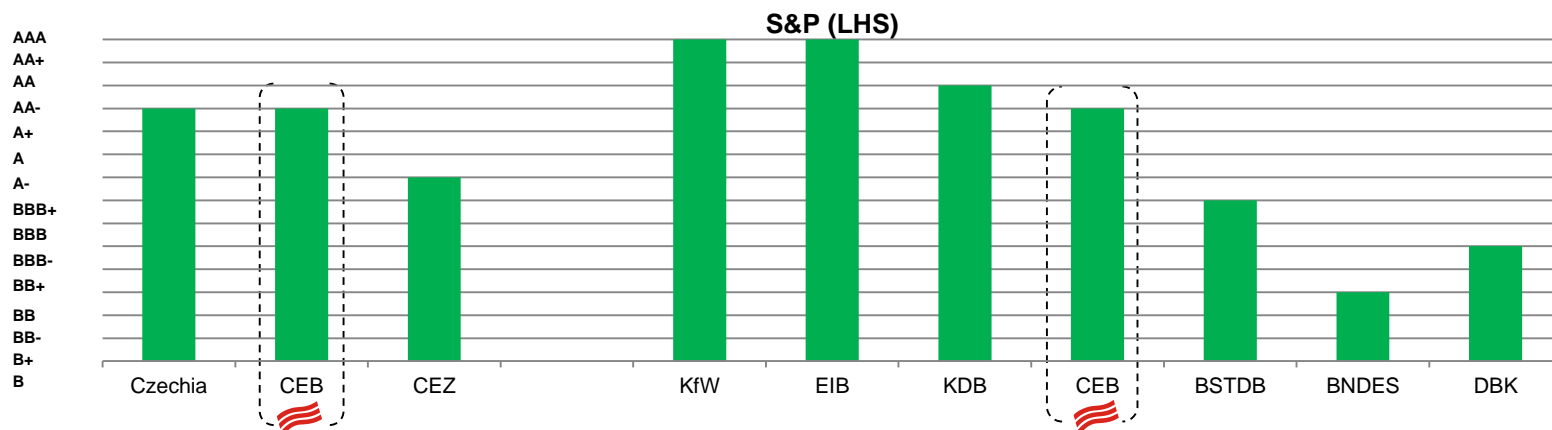
CEB is a key pillar in the pro-export policy of the Czech Republic

Typically export credits are insured by the EGAP (political and commercial risk insurance)

¹ CEB 1H 2024 IFRS audited accounts

Credit Rating and Strengths

The highest rated credit in the Czech Republic with a strong standing among international bank peers



KfW: KfW Bankengruppe, KDB: Korean Development Bank, BSTDB: Black Sea&Trade Development Bank, BNDES: The Brazilian Development Bank, DBK: Development Bank of Kazakhstan



Rating: AA-
Outlook: stable

Rating
support

- ❑ "Critical role in supporting Czech exports in instances when the private sector cannot provide financing, e.g., to countries with higher political and economic risk, and for specific sectors, where commercial banks do not provide financing."
- ❑ „Integral link with the Czech government, which ultimately owns 100% of CEB. The government has shown a continuous track record of financial support in the past. The sovereign unconditionally and irrevocably guarantees CEB's liabilities, as explicitly outlined in the law."
- ❑ „We equalize our ratings on "CEB with those on the Czech Republic, reflecting our opinion that there is an almost certain likelihood that the Czech government will provide timely and sufficient extraordinary support to CEB in case of distress."

Outlook

Note: Excerpts taken from the September 29, 2020 ratings report

Promoted via the State Export Support Strategy

Pro-export strategy based on promoting Czech Republic in the world through trade and investment

Key Objectives:

- ❑ Increased capacity for export
 - Funding
- ❑ Providing professional and efficient services
 - Increase in exports of services, exports and investment acquisitions, export alliances
- ❑ Improvement and expansion of service quality
 - Customer service centres, improving information network for exports
- ❑ More opportunities for entrepreneurs
 - Trade liberalisation, territorial priorities, branding

Main Strategy Pillars

➔ State regulation of export—Act No. 58/1995 Coll—Insurance and Financing of Exports with State Support¹



Czech Export Bank

- ❑ State owned bank, financing export credits and providing services connected with export



EGAP

- ❑ State owned insurance company, insuring export credit risks, mainly political and commercial



CzechTrade

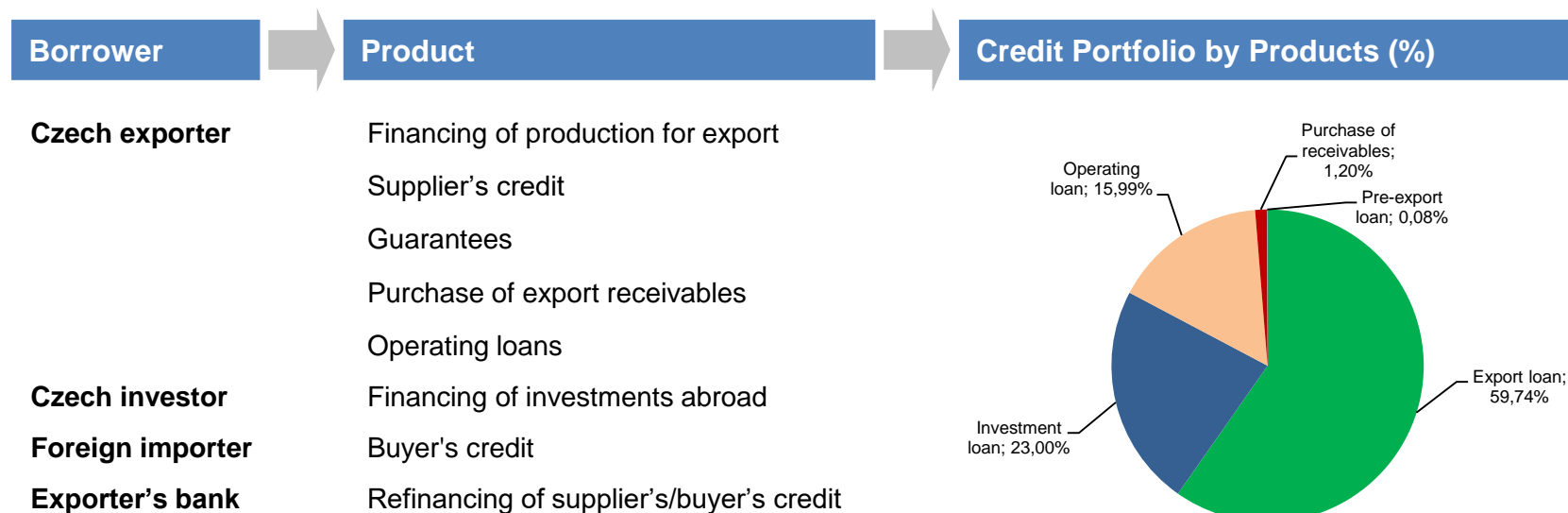
- ❑ An official contact partner for foreign companies looking for qualified Czech-based suppliers of products, providers of services and for investors

¹ Last amended as of 3 November 2022

Main Activities of CEB

Mission

Providing Czech exporters with state-guaranteed financing according to OECD Arrangement on Officially Supported Export Credits that will enable them to compete on international markets. CEB pursues its aim by offering a variety of export financing products, namely:



Source: CEB 1H 2024 IFRS audited accounts



Typically export credits are insured by the EGAP

- ❑ CEB's activities are closely related to those of EGAP's export insurance
- ❑ EGAP assumes responsibility for the political and commercial risk by insurance of a particular transaction
- ❑ Remaining risk is covered by collateral (cash, guarantee, security)

Legislative Export Support by the State

Act No. 58/1995 Coll.¹ regulates the state support of exports provided in the form of export credit risk insurance, officially supported financing and interest make-up

The State Act on Insurance and Financing of Exports with State Support



Nature of the Guarantee

☐ **Ownership (Section 6(1))**

- The provision of officially supported financing is assigned to the Export Bank
- For the provision of officially supported financing at least two thirds of the shares of the Export Bank are required to be owned by the State²

☐ **Use of profits (Section 6(1)(a))**

- Provision on preferential use of profits for supplementing funds necessary to support the activities of the Export Bank

☐ **State subsidy (Section 6(4))**

- Losses of the Export Bank, resulting from the provision of officially supported financing, shall be subsidized from the State budget

☐ **State guarantee (Section 8(1)(c))**

- The State guarantees the obligations of the Export Bank for the repayment of financial resources obtained by the Export Bank and for obligations from other transactions of the Export Bank on the financial markets

☐ **Irrevocable & unconditional**

☐ **Automatic (no further documents required)**

☐ **Confirmation of the guarantee (can be issued by the Ministry of Finance)**

☐ **No sovereign immunity of the Guarantor**

☐ **What is guaranteed?**

- Any obligations to repay funds
- Obligations from any financial markets transactions
- Bonds/notes

¹ Last amended as of 3 November 2022

² Nowadays 84% of all shares, remaining 16% being held by EGAP (also 100% state-owned)



Czech Republic Economy

Czech Export Bank - Overview

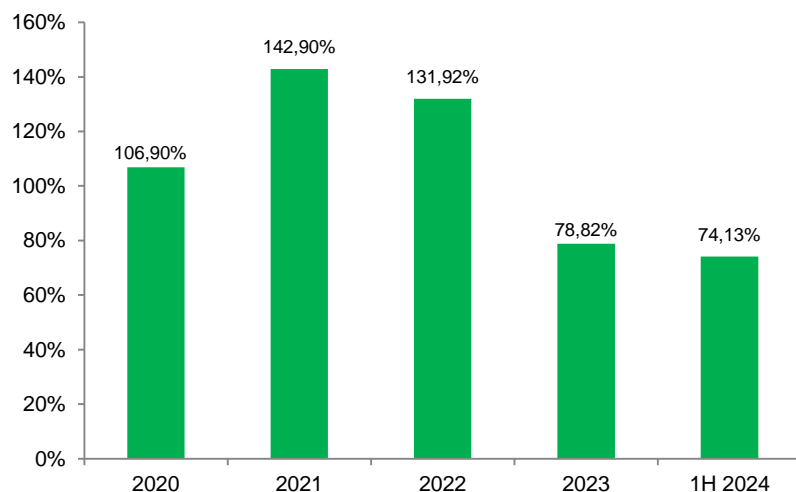
➤ **Czech Export Bank – Financial Highlights**

Robust Financial and Liquidity Profile

- ❑ In line with its public mandate, 63 % of CEB's total balance-sheet assets were loans provided to support Czech exporters
- ❑ CEB manages its liquidity profile in accordance with CRD IV and guidelines set out by the Czech National Bank
- ❑ Very strong capitalization at 74,13 %¹ mainly due to insurance by EGAP

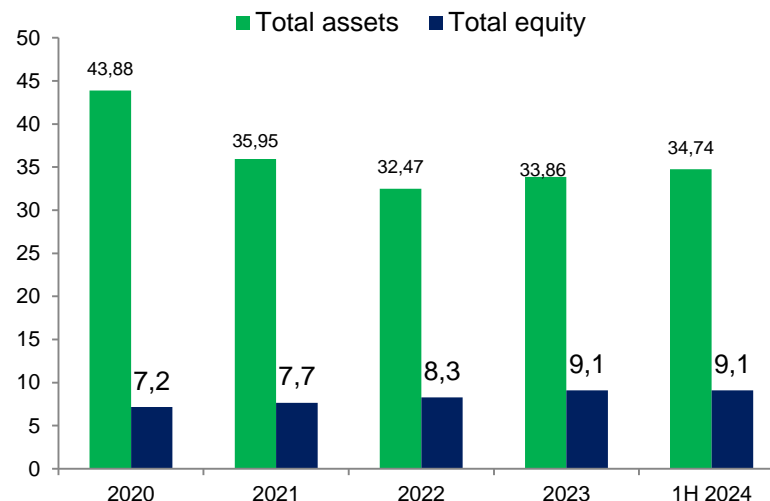
¹ Source: CEB 1H 2024 IFRS audited accounts

Capital Adequacy Ratio (%)



Source: CEB 1H 202 IFRS audited accounts

Total Assets and Equity (CZK bn)

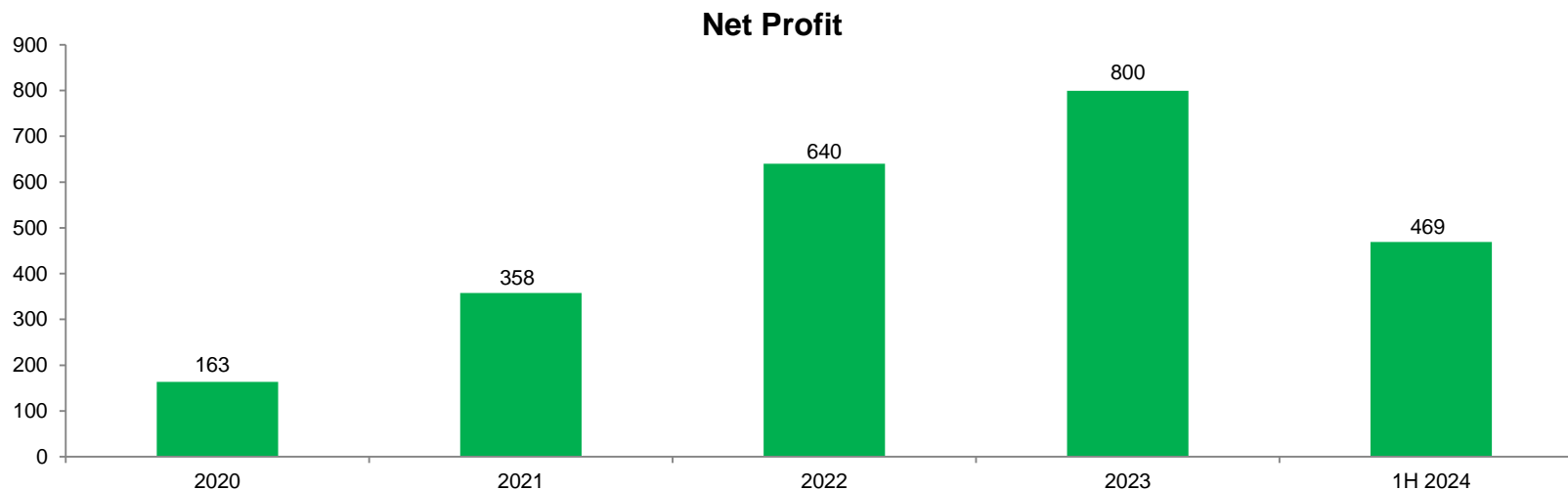


Source: CEB 1H 2024 IFRS audited accounts

Profitability Development

- ❑ Profit-making is not the bank's primary goal as CEB's purpose is to provide the support for Czech exporters and investors abroad
- ❑ Main goals for Asset Liability Management
 - Predictable, stable income statement
 - Positive net interest income
- ❑ No state subsidy was provided since 2016
- ❑ Exceptional conditions on the financial markets motivate clients to prepaying loans, which leads to decrease of loan portfolio and to increase of profits

Net profit (CZK mil.)

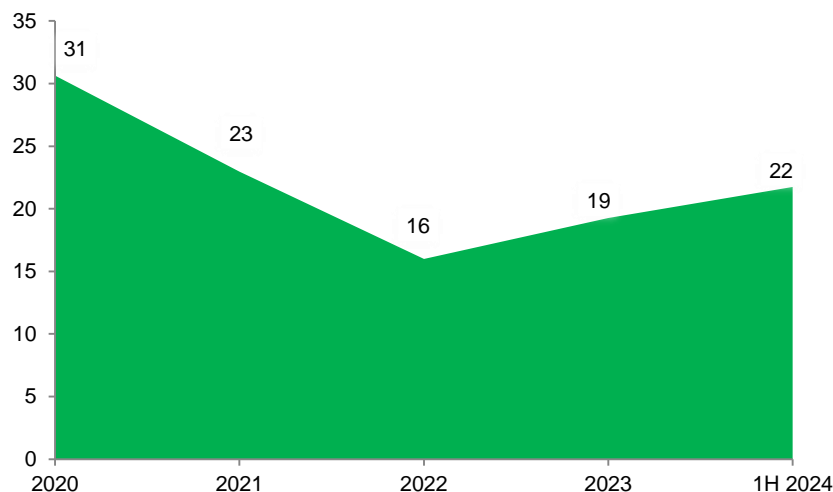


Loan Portfolio Dynamics

CEB's mandate to support Czech exports drives portfolio growth

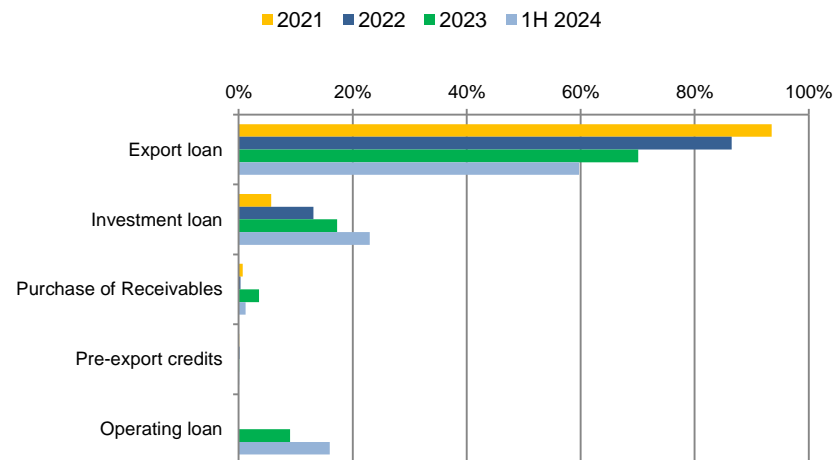
- ❑ Improving credit market conditions has led to greater involvement of commercial banks and consequently decline in CEB loan portfolio size in recent years
- ❑ Export credits exclusively in EUR and USD, combined representing 94,3% of the total loan portfolio
- ❑ In form of Export loans (59,7%), Investment loans (23%) and Operating loans (16%)

Loan Portfolio Evolution (CZK bn)



Source: CEB 1H 2024 IFRS audited accounts

Type of Loans (% share of total Loan Portfolio)

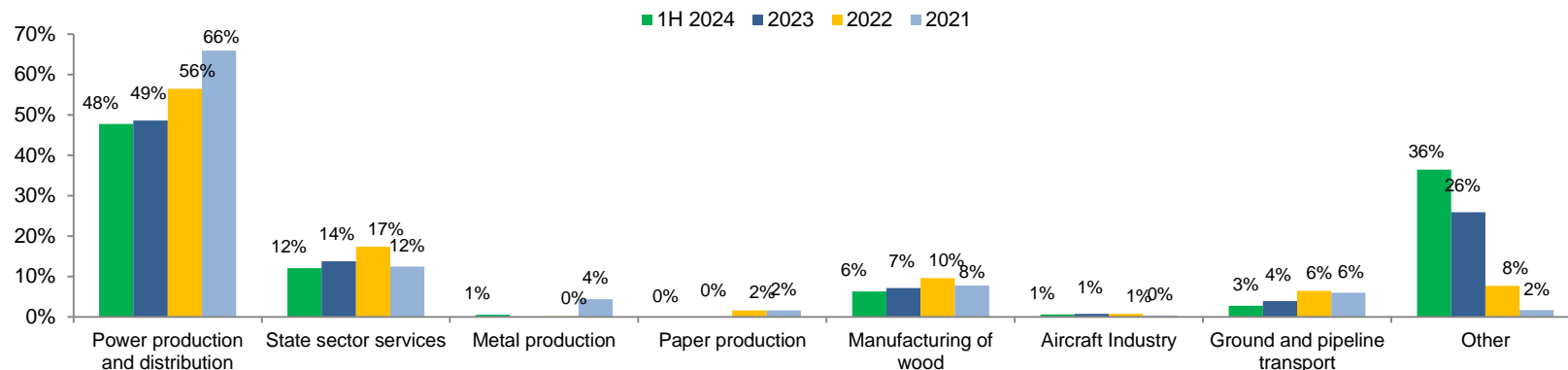


Source: CEB 1H 2024 IFRS audited accounts

Loan Portfolio Composition by Industry Sector and Region

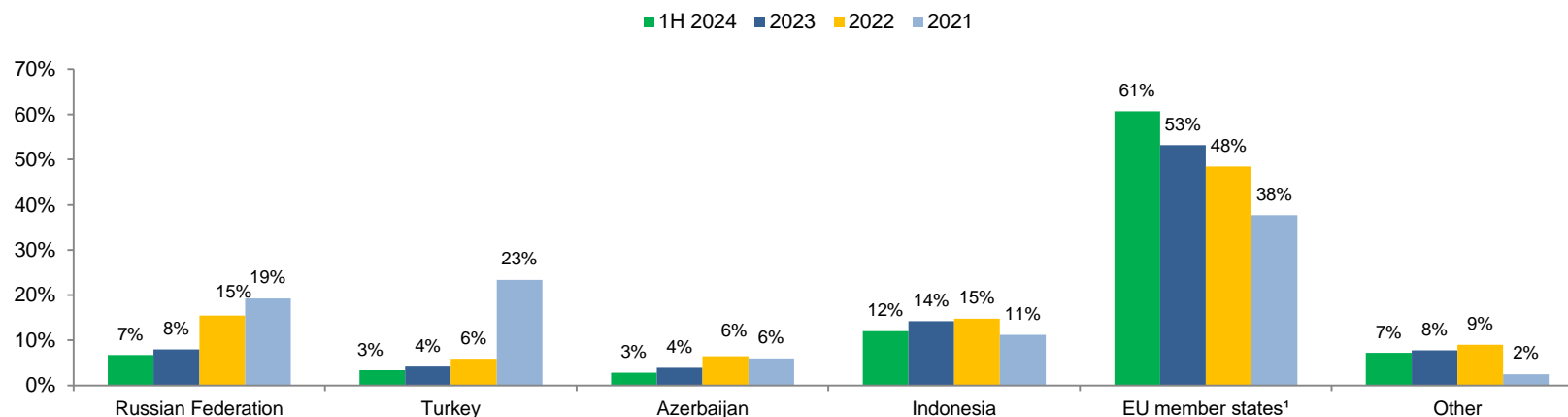
Portfolio Breakdown by Industry

Industry structure of loans (by debtor's scope of work)



Credit portfolio across regions

Geographic structure of loans (country of destination)



Source: CEB 1H 2024 IFRS audited accounts

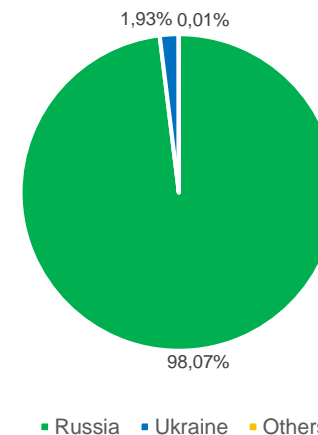
¹ Other EU member states (excl. Czech Republic)

Credit Risk Management

Prudent risk policies (implemented in 2014) have led to:

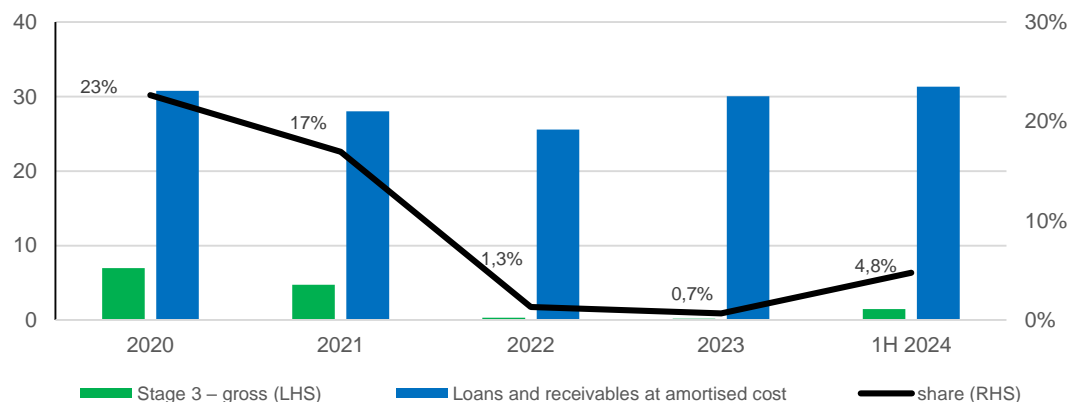
- A. restructuring of old loans portfolio,
 - B. preventing concentration risk
 - C. setting of new risk rules,
- A. Restructuring portfolio
- restructuring of viable NPLs
 - fully write-off of unenforceable assets
 - successful recovery of enforceable assets
 - covered exposure transfer to EGAP
- B. Concentration risk
- prevention by maximal exposure in transaction, deals clubbing
- C. Risk rules
- focus on credit quality assessment, classification risky exposure at earlier stages

Loans in Stage 3 by region (%)



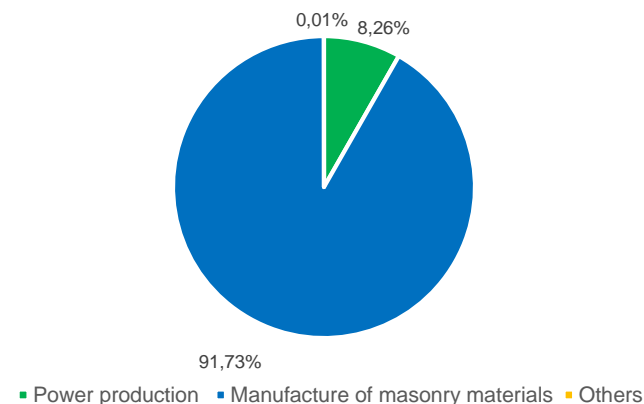
Source: CEB 1H 2024 IFRS audited accounts

Loans in Stage 3 vs Loans and receivables – gross (CZK bn)



Source: CEB 1H 2024 IFRS audited accounts

Loans in Stage 3 by industry (%)



Source: CEB 1H 2024 IFRS audited accounts

Debt Management Policy and Funding Strategy

Prudent Asset, Liability and Risk Management

❑ **Matched maturity debt profile**

- High percentage of long-term debt and low refinancing risk

❑ **Minimal credit risk**

- Loan portfolio insured by EGAP (zero risk weight assets)
- Derivatives under ISDA and CSA agreements

❑ **No currency risk**

- Assets funded with same currency liabilities

❑ **Minimal interest rate risk**

- Rigorous risk management
- Interest rate bases of assets and liabilities closely matched

❑ **Derivatives for hedging purposes only**

- No speculative trading

Debt Management Policy and Funding Strategy

❑ **Focus on diversification of funding sources**

- Aim to broaden investor base both geographically and by type
- Issuer in EMTN market (51 bonds issued, currently 8¹ bonds outstanding, EUR 640 mn from EUR 1,5 bn framework)
- Prepared Schuldscheindarlehen (SSD) programme documentation

- ❑ **ECP programme** for more effective liquidity risk management, providing short term investor an opportunity to invest

❑ **Wholesale funding is an important source of funding**

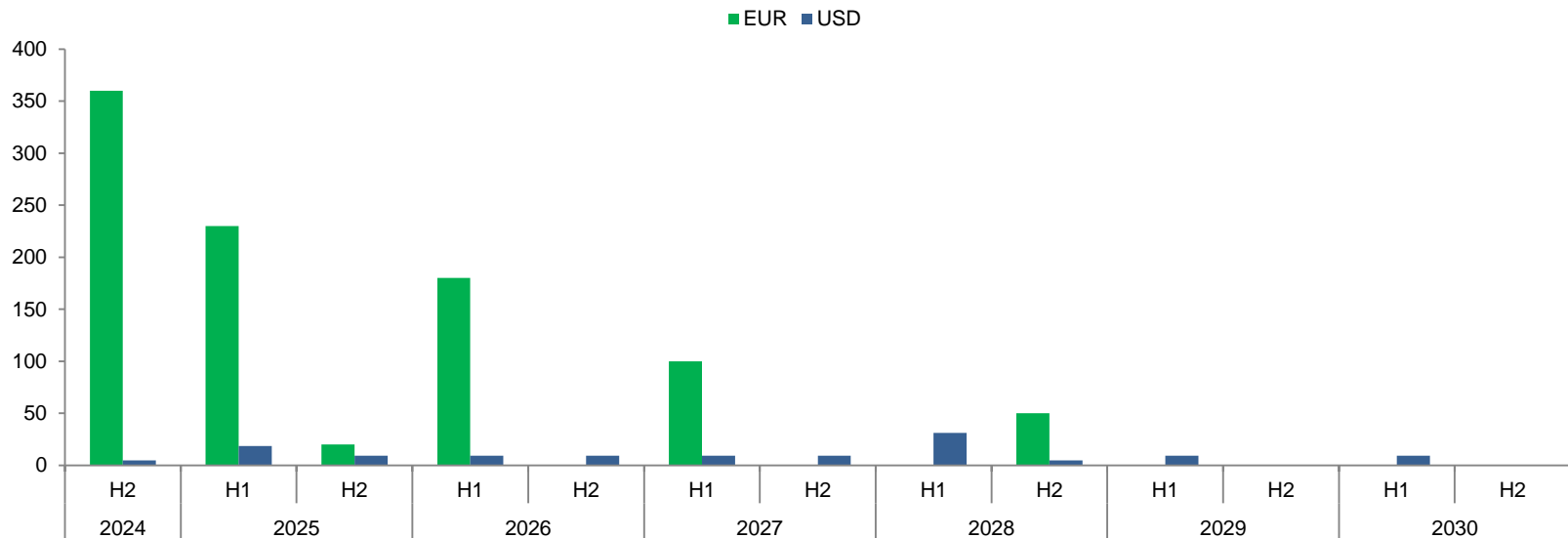
- Main funding sources include EMTN Programme, ECP Programme, bilateral, club and syndicated loans

¹ As of 30 June 2024

CEB's Debt Maturity Profile – Bonds and Loans

Well managed redemption profile with low refinancing risk

CEB's Redemption Profile (EUR mn eq.)



Source: CEB accounts as of 30 June 2024. Remaining redemption for H2 at the end of October is 50 mio EUR.

Funding strategy
and debt
management

- Focus on midterm or longer-dated issuance
- Issuance tenor closely matching the tenor of extended loans
- EUR remains the core funding currency, followed by USD
- Most assets are EUR denominated

Withholding tax on eurobonds issued by Czech export bank

- ❑ Investors (beneficial owners) will be required to provide certain tax-related information pursuant to the Global Tax Procedures to be eligible to claim any tax relief
- ❑ In the case of the tax-related information not being delivered by the investors pursuant to the Global Tax Procedures, the Issuer will withhold (a) 35% withholding tax from any payment of interest on the Notes and (b) if the Notes are issued at a price lower than its principal amount (i.e. below par), 1% tax security from any payment of principal the Notes and there will be no gross-up obligation of the Issuer
- ❑ Investors to whom the payments of interest and/or principal in respect of the Notes have been made net of any withholding tax or tax security will have the possibility to utilize a quick-refund procedure (ICSDs-assisted procedure) pursuant to the Global Tax Procedures and a standard refund procedure (direct communication with issuer without the assistance of the ICSDs)
- ❑ Described in more detail in the Alleviated Base Prospectus (see chapters Important Information, Terms and Conditions and Taxation)
- ❑ ICMSA Bulletin 220629/61 - Global Tax Procedures – Tax Relief at source and refund Procedures for the Czech Republic to be applied (available here: <https://icmsa.org/publication/icmsa-bulletin-220629-61-global-tax-procedures-tax-relief-at-source-and-refund-procedures-for-the-czech-republic/>)

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