

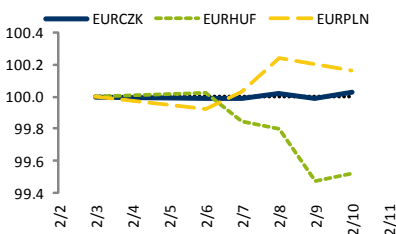


# Central European Daily

Friday, 10 February 2017

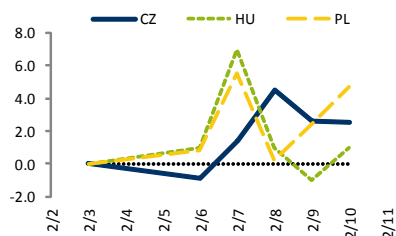
## Regional Overview

### Forex markets (index)



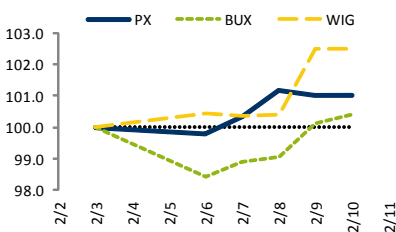
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.03	27.02	0.04
EURHUF	308.3	308.1	0.05
EURPLN	4.309	4.311	-0.04

### Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.446	0.447	-0.1
HUGB 10Y	3.53	3.51	0.6
PLGB 10Y	3.80	3.78	0.6

### Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	953.5	953.5	0.00
BUX	33036	32949	0.26
WIG	56786	56786	0.00

### Macro, FX & Rates: Czech inflation above target

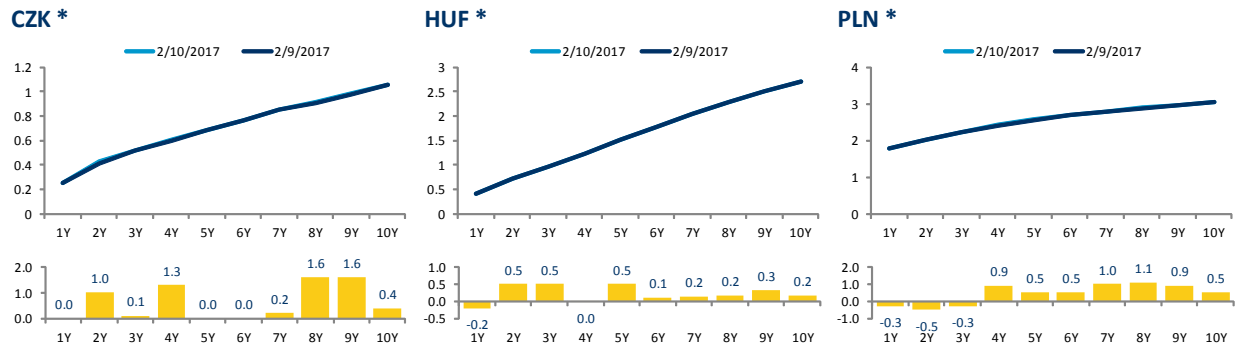
**(CZ) CPI inflation further accelerated in January and hence surpassed both market expectations and the target of the Czech National Bank (2%). Prices grew by 2.2% Y/Y and 0.8% M/M. / Further acceleration of inflation clearly supports the exit from CNB intervention regime soon after the end of CNB's hard-commitment (31<sup>st</sup> March), i.e. during the second quarter. We do not expect inflation pressures to weaken soon which should open door for the exit. Even though some factors that drive inflation higher could gradually weaken, the look at producers' prices indicates rising inflation pressures. In months ahead, inflation should rise even higher above the target of the central bank and the possibility of inflation returning below the target on monetary policy horizon (12 – 18 months) seems to be rather unlikely.**

### Equities: Moneta results below expectations

**(CZ) KOMB: 4Q16 conference call highlights:** The bank expects high single digits RWA growth in 2017. NIM should decline by 10bps in 2017 (slightly worse than our's 8bps exp). Net fees to decline by some 2% y/y in 2017, underlying fees (excluding Cataps sale) to grow by 1-2% (inline). Risk cost to remain low at 30-40bps range (more likely to the lower part of the range) – in line (we expect FY17 risk costs at 29bps). Trading results – flattish (ex-Visa). New issue of Tier 2 capital could add up to 2pp to the capital adequacy. Management mentioned that new Tier 2 capital will not be used on dividends, but rather used to create higher management buffer than actual 80bps. **/NEUTRAL. All in all, we have neutral feeling from the call. It seems that KB would like to grow as fast as possible in new loan generation with negative implications for margins and capital needs. The planned issue of Tier 2 capital will likely cover higher capital needs and should be used for creation of a higher management capital buffer. It doesn't seem that KB would like to use it on elevated dividend pay-outs. We still see CZK 40/shr dividend as very likely scenario for next 2-3Y (4.3% DY, 60% PoR).**

**(CZ) Moneta reported its 4Q16 results today, while netted CZK 867mn, down 11% y/y and 0.7% above market consensus. The results were supported by lower effective tax rate, while the underlying business is below estimates. NII income reached CZK 1.97bn, down 14.4% y/y, 3.7% below market consensus and 3.0% below our estimates. NIM declined faster than expected to 550bps (20bps below our estimates), fuelled mainly by ongoing re-pricing of consumer loans. Net fees and commissions were down 22.0%y/y, 6.7% below market consensus. The operating costs were down by 2.4% y/y. Management proposes super dividend at CZK 9.8/shr (11.4% DY, 124% PoR), ie above CZK 8/shr expected by the market and confirmed at least 70% PoR for next year. **The underlying business fell short of estimates as both NII and fees were significantly below consensus and deteriorated q/q as well. The net profit is in line with estimates on lower than expected effective tax rate (14.4% vs 21.1% seen last year). Weaker than expected core revenues are compensated by a super dividend yielding in an 11.3% DY. This will largely offset the negative surprise from the deterioration of the core business.****

# Interest-rate Swap Curves



\* upper plot in each panel shows interest swap curve (%), lower plot shows change in interest rates in basis points

## Calendar

Country	Time	Indicator	Period	Forecast		Actual		Consensus		Previous	
				m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
CZ	0:00	Earnings Moneta Money Bank	CZK	FY/2016							
CZ	9:00	CPI	%	01/01/2017	0.7	2.1	0.8	2.2	0.7	2	0.3 2
CZ	17:00	Review rating - Moody's	A1	1. revize							

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