

Ceska sporitelna: Slight Increase in Operating Result Supported by Loan Growth and Improved Efficiency, Net Profit Exceeded CZK 15 bn

As at 31 December 2014, Ceska sporitelna reported preliminary, unaudited consolidated net profit of CZK 15.07 bn, according to International Financial Reporting Standards (IFRS). In a year-on-year comparison, this is a drop of 3.3% from 15.59 bn. The operating result, which is an indicator of success in business in a given year, was up slightly, at CZK 22.91 bn; in 2013, it amounted to CZK 22.87 bn. The business results were supported by a year-on-year growth of the client gross loan portfolio by 2.1% to CZK 518.19 bn and effective cost management.

“Last year, clients took full advantage of not only record-low interest rates on corporate loans and mortgages, but also of the innovations that we introduced. These included mortgage sales via Facebook, which was appreciated both by clients and experts, and which earned a gold medal in The Best Use of Digital Media category in the FLEMA Media Awards competition,” said Pavel Kysilka, Chairman of Ceska sporitelna’s Board of Directors.

The bank offered innovative solutions to both retail clients and companies. It was the first on the market to introduce a special mobile application for corporate clients, **BUSINESS 24 Mobile bank**, thanks to which they can manage their accounts through their smartphones. In August, the bank opened a new experimental branch in Pilsen, whose mission is to bring clients innovations in products, services, and advisory services.

“We are celebrating our 190th anniversary this year. It is interesting that the idea on which Ceska sporitelna was built – to provide people, companies, and municipalities with solid, reliable support, care, advisory services and solutions in turbulent times – is as appealing and valid in the twenty-first century as in the past. For its entire hundred and ninety years, Ceska sporitelna has been, as it will continue to be, a trustworthy guide for people and companies in all stages of their lives in a dramatically changing world,” added Pavel Kysilka.

Thanks to its 2014 profit in excess of CZK 15 bn, Ceska sporitelna was again one of the most important contributors to the government budget. Ceska sporitelna paid CZK 3.65 bn to the government in corporate income tax and another CZK 1.93 bn in social and health insurance for its employees.

HIGHLIGHTS OF THE RESULTS OF 2014¹

Consolidated, preliminary, unaudited figures, as of 31 December 2014, according to International Financial Reporting Standards (IFRS). Comparisons are made with the results as of 31 December 2013, unless otherwise specified:

- **Operating Result** was slightly up by **0.2%** to **CZK 22.91 bn**; from CZK 22.87 bn
- **Profit Before Tax** decreased by **3.9%** to **CZK 18.72 bn** from CZK 19.48 bn
- **Net Profit** decreased by **3.3%** to **CZK 15.07 bn** from CZK 15.59 bn
- **Net Interest Income** declined by **2.1%** to **CZK 26.67 bn** from CZK 27.25 bn
- **Operating Expenses** declined by **2.7%** to **CZK 18.23 bn** from CZK 18.74 bn
- **Total Assets** went down by **6.8%** to **CZK 902.59 bn** from CZK 968.72 bn (without impact of Transformovany fond CSPA, they decreased by **1.7%**)
- **Gross Loans to Customers** went up by **2.1%**, to **CZK 518.19 bn** from CZK 507.47 bn
- **Customer Deposits** decreased by **6.4%** to **CZK 680.44 bn** from CZK 726.59 bn, without impact of Transformovany fond CSPA increased by **0.5%**, to CZK 680.44 bn from CZK 676.77 bn
- **Net Interest Margin** related to average interest-bearing assets decreased slightly to **3.53%** from 3.61%
- **Return on Equity (ROE)** decreased to **14.5%** from 16.2%
- **Return on Assets (ROA)** increased to **1.7%** from 1.6%
- **Cost/Income Ratio** improved to **44.3%** from 45.0%
- **Loan to Deposit Ratio** grew to **73.5%** from 67.3% (without impact of Transformovany fond CSPA at 72.3% in 2013)
- **Group Solvency Ratio (Tier I+II)** as at 31 December 2014 amounted to **18.5%**

MAIN INDICATORS

The improving economic situation of households as well as companies in the Czech Republic was reflected in the **increased lending to households** combined with **thorough cost management**, in a **slight increase of the operating result**, and an improvement of the **Cost/Income Ratio to 44.3%** from 45.0%. The slight year-on-year drop in Net Profit is primarily attributable to Other Operating Result.

Interest rates on the Czech banking market and throughout Europe have been **at their all-time low for an extended period**, so that not even an **increase in the volume of client loans could offset yet another decline in interest incomes**. The interest rate level was the main factor behind the **decreasing Net Interest Income by 2.1% to CZK 26.67 bn**. Net Interest Margin to Interest-Bearing Assets was **down slightly to 3.53%** from 3.61%.

¹ A transformed pension fund – Transformovany fond penzijního připojisteni se statnim prispěvkem Ceska sporitelna – penzijní společnost, a.s. (“Transformovany fond CSPA”) was deconsolidated from the consolidated Ceska sporitelna Groups at 31 March 2014. The fund includes funds from supplementary pension insurance with a government contribution in the III pillar. The Transformovany fond CSPA continues to be managed by the CS Financial Group through Ceska sporitelna – penzijní společnost, a.s.

Net Fee and Commission Income is stable in a year-on year comparison, **amounting to CZK 11.31 bn** (in 2013, it amounted to CZK 11.29 bn). The volume of fees and commissions from securities business increased, in particular due to increased investment by clients into investment funds. In addition, fee and commission income from asset management and from insurance sales were up. The year-on-year decline of net fee income from payment transactions and from lending was influenced by the dropping prices of financial services, as clients increasingly use Internet banking and special-price programmes and products.

Net trading and fair value result grew by 4.8% year-on-year, **to CZK 2.29 bn**. Profit from securities trading and an improved result of assets designated at Fair Value increased.

Operating Expenses were down by 2.7% year-on-year, **to CZK 18.23 bn**. In a year-on-year comparison, personnel expenses and expenses for office space and material consumption were successfully reduced. **Newly, operating expenses include a payment into the Deposit Insurance Fund, in a volume of CZK 936 mil.;** as at the end of 2013, the payment amounted to CZK 927 mil.

Net Gains on financial assets and liabilities not measured at fair value through profit or loss amounted to **CZK 0.15 bn**. In a year-on-year comparison, it was down by nearly a third, primarily due to lower profit from the portfolio held to maturity.

Net impairment loss on financial assets not measured at fair value through profit or loss (i.e., creation of on balance risk provisions for loans and advances) amounted to **CZK -3.73 bn**, which corresponds to a slight increase, by 2.5%, compared to 2013.

A number of factors played a role in the decline of Other Operating Result, such as profit and loss from the revaluation and sale of investment properties, allocation and release of other provisions, impairment of tangible assets, etc.

Total Assets reached **CZK 902.59 bn**, which represents a year-on-year drop by 6.8%. The significant drop was caused by the deconsolidation of Transformovany fond CSPS, in the volume of CZK 50.73 bn. Without this impact, total assets would have decreased only by 1.7%. In a year-on-year comparison, the structure of assets changed, the volume of loans to customers and the portfolio of financial assets available for sale were up. The volume of receivables to credit institutions decreased, including deposits with the CNB, as did the portfolio of financial assets held for trading. On the liability side, the volume of client deposits was up slightly (without impact of Transformovany fond CSPS), as well as volume of equity. The size of inter-bank deposits was down, as was the volume of own securities in issue.

Total Equity attributable to owners of the parent reached the level of CZK 107.81 bn, which means growth by **7.1%**. The volume of equity was up primarily due to an increase in retained profit. **Group Solvency Ratio (Tier I+II)** as of 31 December 2014 amounted to **18.5%**.

BUSINESS ACTIVITIES

The gross loan portfolio increased by **2.1%** compared to the same time last year, **to CZK 518.19 bn**, thanks to a further increase in private mortgages.

Gross retail loan portfolio (CS only) amounted to CZK 284.03 bn, which is a 2.9% increase. The **volume of private mortgage loans** was up significantly, by 7.8%, **to CZK 167.16 bn**. This growth is thanks, in particular, to Ceska sporitelna's attractive offering, very low interest rates, and attractive real estate prices. **Gross loans to corporates (CS only)** were up slightly, by 0.5%, **amounting to CZK 198.00 bn**.

Customer deposits amounted to CZK 680.44 bn, having decreased by 6.4% compared to the same time last year. The reason for the drop was the deconsolidation of Transformovany fond CSPS, in which clients had saved CZK 49.83 bn as at the end of 2013. Without that impact, the volume of client deposits was up by 0.5%. **Retail (household) deposits without the impact of Transformovany fond CSPS** were up by 3.5%, **to CZK 515.37 bn**. Deposits in Personal Accounts and Osobní konto accounts are growing. Savings products are also popular, such as CS Savings. **Corporate deposits** were also up, by 5.7%, **to CZK 114.89 bn**. On the other hand, public sector deposits noted a significant drop due to the high volume of loans received in repo transactions in 2013 (a drop in repo transactions by more than CZK 11 bn).

Aside from regular deposit products, clients like also placing their disposable cash into **domestic and foreign mutual funds**, which amounted to **CZK 86.42 bn**, noting **24.5%** year-on-year growth, as well as products offered by **Penzijni spolecnost Ceske sporitelny**, where assets under management were up by **14.0%** year-on-year, **to CZK 57.75 bn**. The volume of client assets under discretionary management was up by **19.7%**, at **CZK 66.00 bn**.

As at 31 December 2014, **the number of active direct-banking clients using SERVIS 24 and BUSINESS 24 amounted to 1.76 million**, which represents growth by 10.6% year-on-year. The overall **number of active payment cards issued** reached **3.14 million**, of which **credit cards represent 0.29 million**. The volume of card transactions executed at retail outlets with Ceska sporitelna's cards was up by 9.3% compared to 2013, to CZK 114.75 bn, of which contactless transactions amounted to CZK 50.9 bn. **The number of Ceska sporitelna ATMs and transaction terminals** increased by 2.0%, to **1,561 units**.

MAJOR EVENTS IN 2014

CORPORATE TRANSACTIONS AND CLIENTS:

- **Ceska sporitelna co-arranged a 5-year CZK 7.2 bn club credit facility for SKODA TRANSPORTATION Group**, a leading European transport machinery manufacturer. The financing is one of the largest transactions closed on local market in 2014.
- **Pegas Nonwovens, the largest producer of nonwoven textiles in the Europe, Middle East and Africa (EMEA) region, issued inaugural CZK 2.5 bn bond** due November 2018. The successful transaction was 2.35x oversubscribed, strong demand was sourced mainly from institutional investors, followed by Erste Private Banking clients and retail investors. Ceska sporitelna acted as a Sole Bookrunner and Sole Hedging Counterparty providing interest rate and FX hedging in respect of the bond issue.
- **Ceska sporitelna supported the company Point Park Properties (P3) - owner, developer & manager of European logistics properties - in the biggest deal ever on the Czech industrial real estate market** (acquisition of 58 warehouses in 11 logistics parks from VGP). Ceska sporitelna, member of Erste Group, was among the three banks involved in financing of the acquisition. The total financing amounts to EUR 360 mil.
- **Ceska sporitelna co-arranged a 6-year CZK 7.5 bn club credit facility for leverage recapitalization of Sazka a.s.**, a lottery market leader. The financing ranks amongst the most important transactions closed on the Czech market in the course of last year.
- **NET4GAS, s.r.o., the Czech gas transmission system operator issued 3-tranche bond in EUR and CZK amounting to EUR 710 mil. equivalent.** Erste Group acted as Active Bookrunner, Documentation and Marketing Bank for the inaugural 6.5-year CZK 7 bn bond issue (largest CZK corporate issue in the past decade) and passive Bookrunner on the EUR part of the bond financing. Ceska sporitelna played also a major role as Facility Agent and lender in the loan transaction amounting to EUR 400 mil.
- In the role of Sole Lead Manager and Bookrunner, **Erste/CS has successfully executed the IPO of Pivovary Lobkowicz Group**, a landmark transaction on the Czech capital market. The transaction confirms the role of Erste/CS as the largest manager of Equity Capital Market deals in the Czech Republic.
- **As the first bank on the Czech market we launched a mobile application of our BUSINESS 24 Mobile bank internet banking for corporate clients.** The mobile application supports an easy and safe account management through mobile phone or tablet and it allows the domestic payments initiation and control, FX transactions initiation, account enquiry and even the way to the nearest branch or ATM of Ceska sporitelna.

- **Ceska sporitelna co-arranged an Export Buyer`s Credit Facility of EUR 66 mil. that will enable a Romanian producer of chemical fertilizers, AZOMURES S.A., to realize one of its largest investments in the last 30 years.** AZOMURES S.A. will use the financing to upgrade its urea production plant. The upgrade will be carried out by Czech company Chemoprojekt a.s.
- **Erste Grantika Advisory, a Ceska sporitelna subsidiary, administered the first-ever on-line electronic auction of corporate bonds in the Czech Republic for public sector clients.** The basic goal of the auction was to offer a lower margin and therefore cheaper access to money for the bond issuer. Grantika thus started to successfully sell another unique product, now owned exclusively by CSFG.
- **As at the end of 2014, Ceska sporitelna received nearly 200 applications for financing energy savings measures in residential buildings in an aggregate volume of CZK 850 mil.; loans already provided amount to nearly CZK 600 mil.** Projects that achieve a 30% saving on energy are supported through Ceska sporitelna by a grant from European Union funds, amounting to 10% of the loan provided. This programme is unique in the Czech Republic and is only provided by Ceska sporitelna.
- Ceska sporitelna significantly supports innovation, the growth of companies, and the establishment of new business entities, it expanded the INOSTART programme in 2014 in cooperation with the Ministry of Industry and Trade, intended for the financing of the operating and investment needs of newly established companies; the programme now operates throughout the country. **In 2014, Ceska sporitelna provided financing of CZK 87 mil. in the INOSTART programme.**
- **Ceska sporitelna is the first bank in the country to provide funding in the European Investment Bank and European Commission Risk Sharing Instrument.** The programme includes loans to innovative companies operating primarily in the production and energy sectors. This is Ceska sporitelna's way of increasing the attractiveness of its **TOP INOVACE programme**. In the programme's second year, **54 loans amounting to a total of CZK 1.5 bn were provided.**

RETAIL CLIENTS AND PRODUCTS:

- **In January 2014, Ceska sporitelna was the first bank in the Czech Republic to introduce mortgage sales via Facebook, repeating the successful sale in June 2014.** In both cases, clients were interested in this special offer. The special was intended primarily for those clients who prefer taking care of their banking on-line. Ceska sporitelna has over 43,000 Facebook fans, making it the number one Czech bank on social networks.
- **The Ceska sporitelna Loan** is available not only at every branch, but also through SERVIS 24 Internet banking and via the toll-free line 800 207 207. In the summer, the offer of loans was **extended to ATMs and the mobile bank, so the Ceska sporitelna Loan can be obtained quickly from anywhere.** In autumn, the

sale of loans was supported with a unique offer where **money appreciates with the loan**. Clients were rewarded for every duly paid instalment, with 5% of the instalment amount, bearing an interest of 5% p.a.

- **On 1 October 2014, Ceska sporitelna began offering personal banking under the BLUE brand in 138 of its branches and at two dedicated branches in Prague and Brno.** The BLUE brand is aimed at mass affluent clients who expect a bank to provide them with extensive services and personal banking at a high standard. Ceska sporitelna wants to establish life-long relations with its clients, which is why it has structured its BLUE service such that the bank could efficiently address their needs at each stage of their life, from the start of productive age through to retirement.
- **In August, Ceska sporitelna opened an experimental branch in Pilsen – Lochotín. The aim of the new branch type is to improve the client service model, expand self-service equipment for routine bank operations, and improve the quality of the advisory services provided.** The new design is the work of a major Czech designer, Dominika Nell Applova, one of the leaders in contemporary design, even in global terms.
- **In September, Ceska sporitelna expanded its video banker service to several more cities.** With the assistance of a video banker on a screen, clients can take care of one-time payments, establish, change, or cancel standing orders or direct debits, change their contact details, and execute other simple operations.
- **Ceska sporitelna has issued 2,839 thousand contactless cards (which represents 90% from all issued payment cards) and continues to expand its network of contactless payment terminals. This means that the possibilities to make payments easily have expanded, not only at retail outlets, but also in transportation.** In cooperation with Arriva, Visa Europe, and Telmax, Ceska sporitelna was first in the country to commercially launch contactless card payments on intercity buses. Also, in cooperation with the Prague Public Transit Company (Dopravní podnik hlavního města Prahy), it launched a pilot of a new generation of contactless ticket vending machines in Prague.
- **At the end of March, Ceska sporitelna opened new premises for ERSTE Premier and Erste Private Banking clients in Prague and Liberec.** The Prague branch is located in a beautiful villa in Dejvice and offers comprehensive private banking services for ERSTE Premier and Erste Private Banking clients. The Liberec private banking centre is located directly in the historical downtown building of Ceska sporitelna. Including these premises, the bank has 17 centres for serving private clients across the Czech Republic, boasting the broadest network of above-standard branches for affluent clients on the market.
- Mid year, Ceska sporitelna launched a new educational campaign on the **safe use of Internet banking**. It prepared an educational video and posters and other materials that clients could find on the Ceska sporitelna website and social networks, in the SERVIS 24 and BUSINESS 24 Internetbanking service, and on LCD screens and information stands at the bank's branches. In this campaign, Ceska sporitelna drew attention to various types of fraud on the Internet which make use primarily of clients' insufficient knowledge, and

provided them with sufficient information to help them defend themselves against fraud. Information about how to use Internet banking safely is available to clients on the bank's website at any time.

- **After on-line and telephone appointments, in June, Ceska sporitelna newly offered another convenient way of making appointments at a branch. With the Ticket Dispenser (Listkomat Ceske sporitelny) mobile application**, anyone (no matter whether they are a client or not) can make appointments for a specific date and time or "pick-up" a queuing ticket and go to the branch of their choice. Appointments at 234 branches can be made via the mobile application.
- In August 2014, Penzijni spolecnost Ceske sporitelny successfully accumulated assets in excess of CZK 50 mil. in its balanced and dynamic participant funds. **This means that it complied with the statutory requirements for pension companies in advance** – to acquire at least CZK 50 mil. in each of the funds (with the exception of the conservative fund) within 2 years of obtaining a licence for operating participant funds.
- **BLUE and Erste Premier clients can newly pay in several currencies with just one card.** Ceska sporitelna offers the possibility of linking a foreign-currency account to a debit card. With the multi-currency function, foreign-currency transactions are not converted at the foreign-exchange rate, but the amount paid or withdrawn is debited directly from an account in that currency.
- At the end of September, **the Top Stocks open-end stock fund of Investicni spolecnost Ceske sporitelny** celebrated its eighth anniversary by giving a nice present to its investors on the occasion: **the value of the fund had nearly doubled since its establishment.** Last year alone, the value of one unit certificate of the ISCS Top Stocks fund grew by 24.7%, newly acquiring CZK 1.08 bn. After eight years in existence, the fund holds net assets of CZK 3.73 bn.
- **The iBOD loyalty programme celebrated its first birthday on 1 October 2014.** Throughout October, clients were able to take part in the grand birthday competition and win **presents in an aggregate value of CZK 2.5 mil.** At Ceska sporitelna branches, all clients could obtain a special gift of a 100-ipoint voucher throughout the birthday celebrations. **The iBOD loyalty programme is used by more than 800,000 clients.**

CORPORATE SOCIAL RESPONSIBILITY:

- **Educating Towards Competitiveness.** Every year, we support education with approximately **CZK 10 mil. crowns**. Furthermore, we established the **Depositum Bonum Foundation** in 2012 which strives to improve instruction in natural sciences and technical disciplines. We transferred **CZK 1.45 bn crowns** of money not withdrawn from anonymous passbooks to the Foundation, thereby giving it back to Czech society.

- In the Depositum Bonum Foundation project **Elixir for Schools**, **3 new regional foundation centres** were set up in 2014, which serve for further professional development of physics teachers and for sharing best practices. There are 21 such centres across the country, which are used by some **200 teachers** every month. Since 2014, the Depositum Bonum Foundation has also supported **mathematics according to Milan Hejný** and in autumn 2014, it took over the **Eurorebus** knowledge competition from Ceska sporitelna.
- Since 2002, we have provided over CZK 210 mil. crowns through the **Ceska sporitelna Foundation** for the implementation of charitable projects. In 2014, the foundation distributed more than **CZK 17 mil. crowns among 57 projects** across the country. Of that, 2 million was divided among 35 projects in the Foundation's Grant Programme in which Ceska sporitelna's clients and employees decide which applications of which non-profit organisations will be supported.
- The Ceska sporitelna Foundation focuses on helping seniors and people with mental and combined handicaps, and on supporting prevention and treatment of drug additions – for organisations as well individuals helping these target groups, it announced the first annual **Floccus Awards** in autumn 2014.
- In the **Your Card Too Can Help** campaign, Ceska sporitelna contributed **CZK 1,079,561** to the **Palata Home** for the Visually Impaired. Ceska sporitelna has supported the Palata Home since its establishment, i.e., for more than 120 years.
- Also Ceska sporitelna's employees get involved in helping non-profit organisations – in 2014, they donated **2,099 volunteer days** to them.
- **We are barrier-free.** We are tearing down barriers not only on the way to our services, but also in our approach to non-standard requirements and situations. In 2014, we more than **doubled the number of ATMs** adapted for the **visually impaired**, to 610. We have increased the number of our **Friendly Places to 42**: these are wheelchair accessible branches with staff trained in a correct approach to people with various types of disabilities. We have more than 300 of our employees trained this way. At **26 of our branches, we have introduced the service** of simultaneous transcription **for people with hearing disabilities.**
- **In relation to the environment**, Ceska sporitelna is engaging in activities aimed primarily at reducing energy consumption (electricity, heat, gas, water). Furthermore, Ceska sporitelna focuses on environmentally-friendly behaviour of its employees and on mechanisms reducing energy consumption in its buildings, and promotes activities related to paper consumption reduction (a paper-free bank project, printing on recycled paper).

OTHER EVENTS:

- **On 27 May, Ceska sporitelna opened an administrative centre in the Vinice Building in Pardubice. By deploying its administrative centres in the regions, the bank creates jobs throughout the country.**

Presently, there are some 250 people working in Pardubice. By the end of 2015, Ceska sporitelna plans to increase that number to 400. The Vinice administrative building won the Building of the Year award in 2010. It is fully wheelchair accessible, which is why Ceska sporitelna is striving to offer vacancies to people with disabilities.

- **In December, there was a change in the Supervisory Board.** Mr. Herbert Juranek resigned as a Supervisory Board member. The Supervisory Board now has eight members.
- As at 1 January 2015, there was a change in the membership of the Board of Directors of Ceska sporitelna. **Tomas Salomon became the new member of the Board of Directors responsible for retail banking.**

MAJOR AWARDS EARNED IN 2014

- **Ceska sporitelna earned the prestigious Bank of the Year award bestowed by The Banker magazine** of the Financial Times media group. It was selected as the bank of the year for the Czech Republic by an expert jury comprising CEOs and managers of UK companies, together with the editors of the monthly magazine. This is the eighth time that Ceska sporitelna has taken the top honours in the competition.
- **In the Fincentrum 2014 Bank of the Year competition, Ceska sporitelna earned The Bank without Barriers**, on the basis of an evaluation of Konto Bariery in cooperation with people with disabilities. For the eleventh consecutive year, the public selected Ceska sporitelna as **The Most Trustworthy Bank of the Year**. Ceska sporitelna also won **The Mortgage of the Year** award. It ranked second in the Bank of the Year category.
- **The expert jury in the FLEMA Media Awards competition gave Ceska sporitelna first place in the category Best Use of Digital Media**, for its campaign for the sale of mortgages via Facebook. The bank also took first place in the category **Best Use of Cinema Advertising for its We Enjoy Family** campaign.
- In the **TOP Responsible Company competition, Ceska sporitelna ranked 2nd in the Company Helpful to People with Disabilities 2014** category, for its activities in employing people with disabilities. This award confirms that Ceska sporitelna is heading in the right direction in this area.
- **According to the expert jury of the international magazine World Finance, Ceska sporitelna – penzijní společnost is the best pension company in the Czech Republic.** Penzijní společnost Ceske sporitelny manages the largest participant fund on the market, and in terms of the number of participants in 3rd-pillar supplementary pension insurance, it is the largest pension company on the market. New clients appreciate primarily the offer of the unique Guarantee service that ensures them the return of their deposits and the possibility to display and change their contracts via the SERVIS 24 Internet banking application.

- **According to the international magazine World Finance, Investicni spolecnost Ceske sporitelny (ISCS) was the best investment company in the country in 2014.** More than 190,000 clients invest regularly into ISCS unit funds. Ceska sporitelna strives to secure its clients comfortable access to information from the world of investing. In April, it **launched a new mobile application, the Investment Centre**, which is available to iPhone users without charge, in Czech and English versions. CS also plans to launch an application for mobile telephones operating on the Android system.
- **Ceska sporitelna won The Most Helpful Bank – Handicap Friendly award** for 2013 on the basis of a vote by handicapped people, organised under the auspices of the National Council of People with Disabilities.
- **The CS Ticket Dispenser (Listkomat CS) earned points with the expert jury in the WebTop100 competition** which rewarded the best digital projects of 2014. We ranked second, closely behind the winner, in the mobile solution of the year category. Listkomat also earned the Qmatic Innovation Award 2015 bestowed by the Qmatic corporation.
- At the end of November, **Ceska sporitelna was named as the best provider of financial services in 2014 in a competition held by the Construction and Investment Journal magazine.** It is a very prestigious real estate award that has been bestowed in the Czech Republic since 2001.
- The expert jury of **The Best Innovator 2014 competition rewarded Ceska sporitelna's approach to innovation, declaring it the "Greatest Surprise of the Competition"**. Above all, it emphasised the fact that in the banking sector, where changes are rather difficult to implement, it has not yet encountered a presentation of innovation such as that of Ceska sporitelna. The Best Innovator 2014 competition focuses on the best management of innovation in companies and is organised by the international consulting firm A.T. Kearney. Its goal is to systematically assess the innovation process, from the birth of an idea to its successful implementation.

CESKA SPORITELNA'S STRATEGIC GOALS FOR 2015

Ceska sporitelna's strategic ambition is to be the main bank for its clients, thereby achieving a high level of client loyalty and to maintain its superior capital and liquidity position as well as its profitability. Ceska sporitelna strives to maintain and enhance its leading market position in retail segments, surpass its competitors in corporate segments, and to become the main bank in its target segments. In the long-term, Ceska sporitelna strives to become the main bank for small and medium-sized enterprises and the key bank for large and international corporations.

To attain this goal, Ceska sporitelna adopted an updated strategy in 2014, entitled "MIDI 17". The name is the acronym of the first letters of four key areas:

- Multichannel bank;
- Intelligent use of client data;
- Digital transformation of banking transactions;
- Integration of financial and non-financial services in order to achieve tangible added value.

Ceska sporitelna

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Consolidated Profit and Loss Statement of Ceska sporitelna according to IFRS, preliminary, unaudited (CZK mil.)	31.12.2014	31.12.2013	Y/Y Change
Net Interest Income	26,673	27,252	-2.1%
Net Fee and Commission Income	11,306	11,294	0.1%
Dividend Income	50	52	-3.8%
Net Trading and Fair Value Result	2,287	2,183	4.8%
Rental Income from Investment Properties & Other Operating Leases	823	828	-0.6%
Personnel Expenses	-8,632	-9,013	-4.2%
Other Administrative Expenses	-7,331	-7,446	-1.5%
Depreciation and Amortization	-2,271	-2,284	-0.6%
Gains/Losses from Financial Assets and Liabilities Not Measured at Fair Value Through Profit or Loss, Net	146	213	-31.5%
Net Impairment Loss on Financial Assets Not Measured at Fair Value Through Profit or Loss	-3,728	-3,638	2.5%
Other Operating Result	-603	40	n/a
Pre-tax Profit from Continuing Operations	18,720	19,481	-3.9%
Taxes on Income	-3,650	-3,904	-6.5%
Post-tax Profit from Continuing Operations	15,070	15,577	-3.3%
Net Profit for the Period			
Attributable to Non-controlling Interests	-1	-11	-90.9%
Attributable to Owners of the Parent	15,071	15,588	-3.3%
Operating Income	41,139	41,609	-1.1%
Operating Expenses	-18,234	-18,743	-2.7%
Operating Result	22,905	22,866	0.2%

Consolidated Statement of Financial Position of Ceska sporitelna according to IFRS, preliminary, unaudited (CZK mil.)	31.12.2014	31.12.2013	Y/Y Change
Assets			
Cash and Balances with Central Banks	54,489	77,581	-29.8%
Financial Assets – Held for Trading	23,231	47,718	-51.3%
Derivatives with Positive Real Value	18,740	21,168	-11.5%
Other Trading Assets	4,491	26,550	-83.1%
Financial Assets – at Fair Value through Profit or Loss	1,272	4,223	-69.9%
Financial Assets – Available for Sale	99,289	82,295	20.7%
Financial Assets – Held to Maturity	151,513	154,720	-2.1%
Loans and Advances to Credit Institutions	38,533	75,348	-48.9%
Loans and Advances to Customers	500,039	489,194	2.2%
Derivatives – Hedge Accounting	878	945	-7.1%
Property and Equipment	13,431	14,166	-5.2%
Investment Properties	7,342	8,330	-11.9%
Intangible Assets	3,593	3,333	7.8%
Investments in Associates and Joint Ventures	0	0	n/a
Current Tax Assets	543	102	>100.0%
Deferred Tax Assets	159	126	26.2%
Non-current Assets Classified as Held for Sale	0	0	n/a
Other Assets	8,277	10,642	-22.2%
Total Assets	902,589	968,723	-6.8%
Liabilities & Equity			
Financial Liabilities Held for Trading	23,431	24,024	-2.5%
Derivatives	20,654	24,024	-14.0%
Other Trading Liabilities	2,777	0	n/a
Financial Liabilities Designated at FV through Profit or Loss	9,664	14,434	-33.0%
Deposits from Customers	8,874	12,616	-29.7%
Debt Securities Issued	790	1,818	-56.5%
Financial Liabilities Measured at Amortised Costs	751,959	815,659	-7.8%
Deposits from Banks	54,570	73,036	-25.3%
Deposits from Customers	671,565	713,977	-5.9%
Debt Securities Issued	23,043	28,646	-19.6%
Other Financial Liabilities	2,781	0	n/a
Derivatives Hedge Accounting	169	422	-60.0%
Provisions	2,418	2,594	-6.8%
Current Tax Liabilities	45	414	-89.1%
Deferred Tax Liabilities	474	100	>100.0%
Other Liabilities	6,646	10,100	-34.2%
Total Equity	107,783	100,976	6.7%
Attributable to Non-controlling Interests	-26	316	n/a
Attributable to Owners of the Parent	107,809	100,660	7.1%
Total Liabilities and Equity	902,589	968,723	-6.8%

Selected Consolidated Ratios	31.12.2014	31.12.2013
ROE	14.5 %	16.2%
ROA	1.7 %	1.6%
Cost/income	44.3 %	45.0%
Net Interest Margin Related to Interest-Bearing Assets	3.53 %	3.61%
Loan to Deposit Ratio	73.5 %	67.3%

Selected Business Activity Figures	31.12.2014	31.12.2013	Y/Y Change
Headcount of Ceska sporitelna Financial Group (EOP)	10,504	10,454	0.5%
Total Number of Clients	5,034,590	5,258,892	-4.3%
Number of Giro Accounts	2,773,031	3,078,221	-9.9%
of which Personal Accounts	2,534,094	2,379,625	6.5%
Number of SERVIS 24 and BUSINESS 24 Direct Banking Clients	1,759,644	1,591,355	10.6%
Number of Cards	3,144,314	3,233,725	-2.8%
of which Credit Cards	289,722	319,271	-9.3%
Number of ATMs	1,561	1,530	2.0%
Number of Ceska Sporitelna Branches	644	653	-1.4%

Net After-tax Profit of Selected Ceska sporitelna Subsidiaries, according to IFRS, preliminary, unaudited (CZK mil.)	31.12.2014	31.12.2013	Y/Y Change
Brokerjet Ceske sporitelny	1	-11	n/a
Erste Leasing	46	35	31.4%
Factoring Ceske sporitelny	65	62	4.8%
S Autoleasing	104	97	7.2%
Stavební sporitelna Ceske sporitelny	622	535	16.3%