

**Ceska Sporitelna: Consolidated Net profit (IFRS) for the first quarter 2015 achieved CZK 3.7 bn. Operating result increased by 2.0% year-on-year to CZK 5.9 bn.**

In the first quarter 2015, Ceska sporitelna Group reported unaudited consolidated net profit of CZK 3.7 bn, according to International Financial Reporting Standards (IFRS). In a year-on-year comparison, this is a drop of 8.4% from CZK 4.0 bn. However, operating result increased by 2.0% to the amount of CZK 5.9 bn supported by one-off in Net trading and fair value result, for the first quarter 2014 amounted to CZK 5.8 bn. Financial results were supported by growth of loans to customers by 2.7% year-on-year to CZK 524.1 bn, in particular due to further rise in mortgages and corporate loans.

“I view our financial indicators as a success achieved in spite of the continuous trend of zero interest rates, disinflation to deflation, tough competition and increasing European regulatory requirements. We will be facing just as difficult conditions through to the end of the year.” said Pavel Kysilka, Chairman of Ceska sporitelna’s Board of Directors.

In spite of the difficult market conditions, the bank is investing into new technologies and innovations. For owners of smartphones operating on the Android 4.0 and iOS systems, CS launched the MUJ STAV (My Status) mobile application that displays the balances of all of the client’s savings products in a fast, simple and safe way. The sale of Ceska sporitelna’s mortgage via the Facebook social network scored high not only with clients, but also with industry professionals. The Facebook mortgage concept was made a case study on Facebook’s global page and won first place in the Internet Effectiveness Awards 2014, in the category Banking, Insurance Business, and Finance. Ceska sporitelna also introduced a unique marketing concept, the animated Palecek family, who experience the joys and concerns of a typical Czech family.

“Yet we never forget why we have been around for 190 years, or about the things that have always meant a lot to us – the socially responsible activities of both the bank as a whole and its branches in the regions and municipalities, and of our employees. Through our Foundation, we have introduced a new award, the Floccus Award, for organisations and individuals helping people on the fringe of society. Aside from a symbolic acknowledgement and a thank you in the form of a statuette by leading Czech glassmakers, the winners also received financial support for their commendable work for others,” added Pavel Kysilka.

## **HIGHLIGHTS OF THE RESULTS OF THE FIRST QUARTER 2015**

*Consolidated, preliminary, unaudited figures, as of 31<sup>st</sup> March 2015, according to International Financial Reporting Standards (IFRS). Comparisons are made with the results as of 31<sup>st</sup> March 2014, unless otherwise specified:*

- **Net profit** decreased by **8.4%** to **CZK 3.7 bn** from CZK 4.0 bn
- **Operating result** increased by **2.0%** to **CZK 5.9 bn** from CZK 5.8 bn
- **Net interest income** declined by **4.2%** to **CZK 6.4 bn** from CZK 6.7 bn
- **Operating expenses** declined by **2.2%** to **CZK 4.4 bn** from CZK 4.5 bn
- **Total assets** increased by **1.2%** to **CZK 924.9 bn** from CZK 913.9 bn
- **Loans and receivables to customers (gross)** went up by **2.7%** to **CZK 524.1 bn** from CZK 510.2 bn
- **Deposits from customers** increased by **1.1%** to **CZK 686.3 bn** from CZK 678.5 bn
- **Net interest margin** related to average interest-bearing assets decreased to **3.32%** from 3.56%
- **Return on equity (ROE)** decreased to **13.3%** from 15.5%
- **Cost/income ratio** improved to **42.8%** from 43.8%
- **Loan to deposit ratio** increased to **73.7%** from 72.4%
- **Group Core Tier I ratio** as of 31 March 2015 reached strong 19.5%

## **MAIN INDICATORS**

Thanks to growing operating income (supported by one-off item in Net trading and fair value result) and continued thorough cost management, Ceska sporitelna Group managed to increase its **operating result by 2.0%, to CZK 5.9 bn** in a year-on-year comparison. Growing operating income improved the **Cost/Income Ratio to 42.8%**, from 43.8%. **The decrease in net profit** was primarily due to **Other operating result**, whose significant worsening was attributable mainly to the **booking of provision for expected annual contribution to the Resolution Fund in 2015, amounting to CZK 444 mil.** (as a part of EU Bank Recovery and Resolution Directive that has come into force in 2015)

The improving economic situation of households as well as companies in the Czech Republic was reflected in increased lending. Record-low interest rates, however, are causing a continuous decrease in interest margins. This led to the reduction of **Net interest income by 4.2%, to CZK 6.4 bn. Net interest margin** declined to **3.32%** from 3.56%.

**Net fee and commission income** dropped by **9.5%** in a year-on-year comparison, to CZK 2.5 bn. The decline of net income from payment transactions and lending was caused by declining income from financial services, as clients increasingly use cheaper forms of service and special-price programmes and products. In connection with shifting client interest from deposits to investment products, in particular popular mutual funds of Investicni spolecnost CS,

income from securities transactions has been increased successfully. Net fee income development was also influenced by different seasonality and commencing negative impact of EU regulation of card fees.

**Net trading and fair value result** doubled in a year-on-year comparison, amounting to **CZK 1.2 bn**. Primarily profit from derivative transactions was up significantly (includes one-off gain from methodology change of derivatives valuation), as well as profit from securities trading.

Thanks to effective cost management, total **operating expenses were down by 2.2%, to CZK 4.4 bn**. In particular, Ceska sporitelna managed to reduce the costs of office space and material consumption, as well as the depreciation of tangible assets. Operating costs also include a **contribution to the Deposit Insurance Fund, in a volume of CZK 245 mil**; in Q1 2014, it amounted to CZK 239 mil.

**Gains on financial assets and liabilities not measured at fair value through profit or loss** decreased, 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 receivables) amounted to **CZK 0.9 bn**, which means an improvement of 11.4% compared to the same period in 2014 thanks to continuous improvement in quality of the loan portfolio.

**Other operating result** is influenced by many factors, such as profit and loss from the revaluation and sale of investment property, allocation and release of other provisions, and the impairment of tangible assets, etc. A new item is the **provision for expected annual contribution to Resolution Fund for the whole year 2015** (a single fund for banking crisis resolution) in the volume of **CZK 444 mil**. The contribution is mandated by a European Union Regulation.

**Total Assets** reached **CZK 924.9 bn**, which represents a year-on-year growth by **1.2%**. Also the structure of assets has changed in a year-on-year comparison, the volume of loans to customers was up, as was the portfolio of financial assets available for sale and assets held to maturity. The volume of loans and receivables to credit institutions was down, as well as the portfolio of financial assets held for trading. On the liability side, deposits from customers and the volume of equity rose. The amount of financial liabilities held for trading and the volume of debt securities issued declined.

**Equity** attributable to owners of the parent amounted to **CZK 111.9 bn**, which means an increase by **7.0%**. The volume of equity was up primarily due to the growth in retained profit. **Group Core Tier I capital ratio** as of 31 March 2015 amounted to strong **19.5%**

## **BUSINESS ACTIVITIES**

The Group's gross loan portfolio was up by 2.7% year-on-year, to **CZK 524.1 bn**, driven by private mortgages and loans to large corporate customers.

The Gross retail loan portfolio (CS only) reached **CZK 285.1 bn**, which is a year-on-year increase by 3.1%. The volume of private mortgage loans grew up significantly by 8.2% to **CZK 169.9 bn**. This growth is thanks, in particular, to Ceska sporitelna's attractive offering and very low interest rates. There was also a significant increase in loans to large corporate clients, which were up by 8.0%, to CZK 39.3 bn. Overall, loans to corporate clients (CS only) went up by 1.9%, amounting to **CZK 203.4 bn**.

Deposits from customers reached **CZK 686.3 bn**, having grown by 1.1% compared to the same period last year. Household deposits were up by 3.9% to **CZK 519.8 bn**. Deposits in personal accounts and Osobní konto accounts are growing, and savings products are also popular, such as CS Savings and the Premier Savings Account. Corporate deposits were also up, by 5.1%, to **CZK 110.8 bn**. On the other hand, public sector deposits noted a significant drop due to the high volume of loans received in repo transactions and term deposits in Q1 2014.

As at 31 March 2015, the number of active direct-banking clients using SERVIS 24 and BUSINESS 24 amounted to 1.6 million. The overall number of active payment cards issued reached 3.1 million, of which credit cards represent 0.3 million. The volume of card transactions executed at retail outlets with Ceska sporitelna's cards since the beginning of the year was up by 8.6% compared to the same time in 2014, to CZK 27.3 bn. The number of Ceska sporitelna ATMs and transaction terminals increased by 1.6%, to 1,568 units.

## **MAJOR EVENTS IN 1<sup>st</sup> QUARTER 2015**

### **RETAIL CLIENTS AND PRODUCTS:**

- On 12 February 2015, Ceska sporitelna celebrated a major anniversary. Its legal predecessor – Schranovaci pokladnice pro hlavní mesto Prahu a pro Cechy (the Savings Treasury for the City of Prague and Bohemia) – commenced operations 190 years ago. **Ceska sporitelna filmed a unique spot to celebrate the anniversary of its founding.**
- **Ceska sporitelna introduced a new marketing concept: "Paleckovi"**. It is a unique 3D animated world of a typical Czech family, the object of which is to introduce Ceska sporitelna's products and services for retail clients in an entertaining and playful manner. Television stories of the Paleček (Thumb) family will support the Ceska sporitelna brand and enhance awareness about the advisory role of its branches. The first campaign launched by the Paleceks was for loan consolidation, starting in the media on 18 March 2015.
- **Facebook acknowledged Ceska sporitelna's marketing special, in which the bank used the social network for direct mortgage sales**, and featured it on its global website among its case studies of global corporations. By

this means, Facebook draws attention to companies that have been able to exploit its resources uniquely and creatively. Ceska sporitelna has over 43,000 Facebook fans, making it the number one Czech bank on social networks.

- **Ceska sporitelna launched a new mobile application, MUJ STAV (My Status)**, which passively displays the balances of all savings products quickly, easily, and securely, supplementing the purely transaction-based SERVIS 24 Mobile Bank application. The MUJ STAV application is designed for the Android 4.0 and iOS 7 operating systems, and is conditioned on the client having the SERVIS 24 Internetbanking service activated. Ceska sporitelna has added a new function to its SERVIS 24 Internet banking, the possibility of displaying one's payment card PIN and to request that a PIN be sent for a new or substitute card.

#### **CORPORATE TRANSACTIONS AND CLIENTS:**

- **New agreement signed with European Investment Fund (EIF)** allows Ceska sporitelna to provide **financing to innovative companies in the Czech Republic for a total amount of approx. CZK 2.8 bn (EUR 100 mil)** over the next 2 years with the support of guarantee provided by EIF and backed under Horizon 2020 (EU Framework Programme for Research and Innovation). It is one of the two first InnovFin SME guarantee signatures in the Czech Republic, from total eight in Europe, enabling Ceska sporitelna to offer additional financing at favourable conditions to innovative companies.
- Ceska sporitelna as a **Mandated Co-lead Arranger and Agent provided an acquisition financing in the amount of EUR 69 mil** to Czech-Slovak **soft drink producer Kofola**. In this largest acquisition in its history Kofola acquired the company Radenska, the Slovenian market leader in mineral water production. In addition to Radenska and flagship product Kofola the product portfolio of Kofola also consists of water brand Rajec, fruit and vegetables juice brand Ugo and energy drink Semtex.
- Ceska sporitelna was one of two banks which provided **club financing for the acquisition of Moravia IT by Clarion Capital Partners, LLC**, a US private equity fund. Moravia IT was originally a Czech family-owned company and is a global leader in software and web content localization
- Ceska sporitelna provided **financing in the amount of CZK 345 mil for the strategic investment of PENAM, a.s.** into the development of its central bakery in Rosice. The new investment is focused on long-term sustainable corporate competitiveness and strengthening of Penam's leading position on the bakery market.
- **Profimedia** is the leading provider of photographic content to media and advertisement agencies with dominant position in CZ and SK with more than 100 mil photos. Ceska sporitelna financed the acquisition of Profimedia by Genesis Capital in 2010 and has been supporting the customer since then. Ceska sporitelna defended its sole bank position during the exit of Genesis Capital in 2015 as it provided **senior acquisition financing in total amount CZK 125 mil (EUR 4.5 mil)** to the new owner based on stapled financing offer distributed within the sale process run by Corporate Finance of Ceska sporitelna.

## CORPORATE SOCIAL RESPONSIBILITY:

- **Ceska sporitelna is the General Partner of the Year of Industry and Technical Education.** The Depositum Bonum Foundation, which supports good-quality teaching in technical disciplines and natural sciences, also got involved. The aim of the project is to draw attention to the lack of employees with technical training and to support links between academia and the private sphere.
- **The Ceska Sporitelna Foundation awarded the Floccus Award to organisations and individuals helping people on the fringe of society.** The public and Ceska sporitelna employees voted for their favourite in an Internet poll. More than 6,000 took part in the poll. An expert jury decided on placement in other categories. Aside from the symbolic statue, the winners also received a financial reward: organisations CZK 100,000 and individuals CZK 50,000.
- **Ceska sporitelna and the University of Economics (VŠE) in Prague signed a cooperation agreement for the thirteenth time.** Ceska sporitelna has also become a **partner of the newly opened X-PORT acceleration centre.** With the **newly established Palacký University Endowment Fund (UPOL)**, the university's students and employees can obtain financial contributions for exceptional scientific and research activities. Ceska sporitelna is also the General Partner of the University of Hradec Králové and also cooperates with universities in Brno, Ostrava, and Jindřichův Hradec.

## OTHER EVENTS:

- 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.**
- **At the regular general meeting held on 24 April 2015, Ceska sporitelna's shareholders approved the distribution of the 2014 profit and payment of a gross dividend of CZK 75 per priority and equity share;** overall, CZK 11.4 bn will be paid out in dividends.

## **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 simultaneously recording above average financial results compared to Czech banking sector. 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.

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<b>Consolidated Profit and Loss Statement of Ceska sporitelna according to IFRS, preliminary, unaudited (CZK mil)</b>	<b>1-3 2015</b>	<b>1-3 2014</b>	<b>Y/Y Change</b>
Net interest income	6,429	6,710	-4.2%
Net fee and commission income	2,521	2,787	-9.5%
Dividend income	1	10	-90.0%
Net trading and fair value result	1,190	589	>100 %
Rental income from investment properties & other operating leases	191	220	-13.2%
Personnel expenses	-2,151	-2,130	1.0%
Other administrative expenses	-1,735	-1,819	-4.6%
Depreciation and amortisation	-535	-570	-6.1%
Gains/Losses from financial assets and liabilities not measured at fair value through profit or loss, net	9	116	-92.2%
Net impairment loss on financial assets not measured at fair value through profit or loss	-865	-976	-11.4%
Other operating result	-534	64	n/a
Pre-tax result from continuing operations	4,521	5,001	-9.6%
Taxes on income	-855	-993	-13.9%
Post-tax result from continuing operations	3,666	4,008	-8.5%
Net result for the period			
Net result attributable to non-controlling interests	0	8	-100.0%
Net result attributable to owners of the parent	3,666	4,000	-8.4%
Operating income	10,332	10,316	0.2%
Operating expenses	-4,421	-4,519	-2.2%
Operating result	5,911	5,797	2.0%



<b>Consolidated Statement of Financial Position according to IFRS (CZK mil)</b>	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>	<b>YTD Change</b>	<b>31 Mar 2014</b>	<b>Y/Y Change</b>
<b>Assets</b>					
<b>Cash and cash balances</b>	<b>67,851</b>	54,489	24.5%	73,943	-8.2%
<b>Financial assets - held for trading</b>	<b>24,609</b>	23,231	5.9%	41,558	-40.8%
<b>Derivatives</b>	<b>19,065</b>	18,740	1.7%	21,682	-12.1%
<b>Other trading assets</b>	<b>5,544</b>	4,491	23.4%	19,876	-72.1%
<b>Financial assets - designated at fair value through profit or loss</b>	<b>973</b>	1,272	-23.5%	4,204	-76.9%
<b>Financial assets - available for sale</b>	<b>100,049</b>	99,289	0.8%	65,541	52.7%
<b>Financial assets - held to maturity</b>	<b>152,375</b>	151,513	0.6%	142,300	7.1%
<b>Loans and receivables to credit institutions</b>	<b>39,582</b>	38,533	2.7%	57,045	-30.6%
<b>Loans and receivables to customers</b>	<b>505,975</b>	500,039	1.2%	491,418	3.0%
<b>Derivatives - hedge accounting</b>	<b>948</b>	878	8.0%	894	6.0%
<b>Property and equipment</b>	<b>13,162</b>	13,431	-2.0%	13,909	-5.4%
<b>Investment properties</b>	<b>7,327</b>	7,342	-0.2%	8,318	-11.9%
<b>Intangible assets</b>	<b>3,444</b>	3,593	-4.1%	3,196	7.8%
<b>Current tax assets</b>	<b>727</b>	543	33.9%	132	450.8%
<b>Deferred tax assets</b>	<b>142</b>	159	-10.7%	151	-6.0%
<b>Assets held for sale</b>	<b>47</b>	0	n/a	0	n/a
<b>Other assets</b>	<b>7,659</b>	8,277	-7.5%	11,329	-32.4%
<b>Total assets</b>	<b>924,870</b>	902,589	2.5%	913,938	1.2%

<b>Consolidated Statement of Financial Position according to IFRS (CZK mil)</b>	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>	<b>YTD Change</b>	<b>31 Mar 2014</b>	<b>Y/Y Change</b>
<b>Liabilities &amp; Equity</b>					
<b>Financial liabilities - held for trading</b>	<b>22,918</b>	23,431	-2.2%	24,708	-7.2%
<b>Derivatives</b>	<b>20,221</b>	20,654	-2.1%	24,708	-18.2%
<b>Other trading liabilities</b>	<b>2,697</b>	2,777	-2.9%	0	n/a
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>7,081</b>	9,664	-26.7%	13,971	-49.3%
<b>Deposits from customers</b>	<b>7,081</b>	8,874	-20.2%	12,317	-42.5%
<b>Debt securities issued</b>	<b>0</b>	790	-100.0%	1,654	-100.0%
<b>Financial liabilities measured at amortised cost</b>	<b>769,716</b>	751,959	2.4%	754,531	2.0%
<b>Deposits from banks</b>	<b>63,345</b>	54,570	16.1%	62,107	2.0%
<b>Deposits from customers</b>	<b>679,239</b>	671,565	1.1%	666,221	2.0%
<b>Debt securities issued</b>	<b>21,795</b>	23,043	-5.4%	26,203	-16.8%
<b>Other financial liabilities</b>	<b>5,337</b>	2,781	91.9%	0	n/a
<b>Derivatives - hedge accounting</b>	<b>167</b>	169	-1.2%	507	-67.1%
<b>Provisions</b>	<b>2,853</b>	2,418	18.0%	2,472	15.4%
<b>Current tax liabilities</b>	<b>72</b>	45	60.0%	494	-85.4%
<b>Deferred tax liabilities</b>	<b>572</b>	474	20.7%	241	137.3%
<b>Other liabilities</b>	<b>9,605</b>	6,646	44.5%	12,089	-20.5%
<b>Total equity</b>	<b>111,886</b>	107,783	3.8%	104,925	6.6%
<b>Equity attributable to non-controlling interests</b>	<b>-26</b>	-26	0.0%	324	n/a
<b>Equity attributable to owners of the parent</b>	<b>111,912</b>	107,809	3.8%	104,601	7.0%
<b>Total liabilities and equity</b>	<b>924,870</b>	902,589	2.5%	913,938	1.2%

Selected Consolidated Ratios	31 Mar 2015	31 Mar 2014
ROE	13.3%	15.5%
ROA	1.6%	1.7%
Cost/income	42.8%	43.8%
Net interest margin related to Interest-bearing assets	3.32%	3.56%
Loan to deposit ratio	73.7%	72.4%
Group Core Tier I	19.5%	18.4%

Selected Business Activity Figures	31 Mar 2015	31 Mar 2014	Y/Y Change
Headcount of Ceska sporitelna Financial Group (EOP)	10,545	10,425	1.2%
Total number of clients	5,009,893	5,244,595	-4.5%
Number of SERVIS 24 and BUSINESS 24 Direct Banking Clients	1,629,956	1,631,782	-0.1%
Number of cards	3,142,083	3,235,902	-2.9%
of which credit cards	285,926	310,849	-8.0%
Number of ATMs	1,568	1,543	1.6%
Number of Ceska Sporitelna branches	634	643	-1.4%

Net After-tax Profit of Selected Ceska sporitelna Subsidiaries, according to IFRS, preliminary, unaudited (CZK mil)	1-3 2015	1-3 2014	Y/Y Change
Stavební sporitelna Ceske sporitelny	138	147	-6.1%
CS Penzijní společnost	6	-22	-
Erste Leasing	21	11	90.9%
S Autoleasing	29	26	11.5%
Factoring Ceske sporitelny	-10	23	n/a