

News Release

Prague, 26 February 2016

Česká Spořitelna's Consolidated Net Profit (IFRS), Reached CZK 14.3 bn in 2015 Reflecting Strong Loan Growth

Česká spořitelna reported an unaudited consolidated net profit of CZK 14.3 bn in 2015, according to International Financial Reporting Standards (IFRS). In the same period last year, profit amounted to CZK 15.1 bn. This means a decrease by 5.2% in a year-on-year comparison due to declining operating income and moderate increase of operating expenses. Operating income diminished due to prevailing low market interest rates where not even accelerated loan growth could change the course of net interest income. Increased operating expenses reflect investments in the development of new digital applications and projects connected to regulatory compliance. Net creation of loan loss provisions dropped by 29.0% year-on-year, reflecting strong growth of the Czech economy, increasing real wages and declining unemployment leading to improvement in loan portfolio quality.

“I consider last year to have been a success, as is evident from our excellent business results. This was in spite of the fact that regulation is placing great demands on us, as well as on the financial sector in general. In addition to new services, we have brought our clients technological innovations in mobile and Internet banking. Growth of client business clearly demonstrates the trust in our products and services,” said Tomáš Salomon, CEO of Česká Spořitelna. “I would like to thank my colleagues for the excellent results and our clients for their trust” Tomáš Salomon added.

Česká spořitelna's net profit reflects the strong growth in retail and corporate loans. Their growing volumes are clearly supported by the general public's increased confidence in the Czech economy, and by the simplification of loan conditions and their easy accessibility for clients. Retail mortgages were successful, with their volume increasing by 11.8% in a year-on-year comparison. Very solid growth was also achieved in corporate financing where loans to large corporate clients increased by 22.2%. The growing economy had an impact on the risk cost level too. It significantly dropped to 48 basis points.

HIGHLIGHTS OF THE RESULTS OF THE YEAR 2015

Consolidated, preliminary, unaudited figures, as of 31 December 2015, according to International Financial Reporting Standards (IFRS). Comparisons are made with the results as of 31 December 2014, unless otherwise specified:

- **Net profit** decreased by **5.2%** to **CZK 14.3 bn** from CZK 15.1 bn
- **Operating result** decreased by **7.6%** to **CZK 21.2 bn** from CZK 22.9 bn
- **Net interest income** declined by **3.0%** to **CZK 25.9 bn** from CZK 26.7 bn
- **Net fee and commission income** decreased by **9.3%** to **CZK 10.3 bn** from CZK 11.3 bn
- **Operating expenses** mildly increased by **1.9%** to **CZK 18.6 bn** from CZK 18.2 bn
- **Total assets** increased by **6.3%** to **CZK 959.6 bn** from CZK 902.6 bn
- **Gross loans and receivables to customers** went up by **5.9%** to **CZK 548.8 bn** from CZK 518.2 bn
- **Deposits from customers** increased by **4.9%** to **CZK 713.8 bn** from CZK 680.4 bn
- **Net interest margin** related to average interest-bearing assets decreased to **3.31%** from 3.53%
- **Return on equity (ROE)** decreased to **13.0%** from 14.5%
- **Return on assets (ROA)** slightly declined to **1.5%** from 1.7%
- **Cost/income ratio** increased to **46.8%** from 44.3%
- **Loan to deposit ratio** grew to **74.6%** from 73.5%
- **ČS Group Solvency (Tier 1+2) ratio** as of 31 December 2015 reached a strong 21.3%, up by 2.8pp compared to 18.5% as of 31 December 2014

MAIN INDICATORS

The favourable situation of households and companies in the Czech Republic was reflected in **strong loan growth**. The net volume of client loans was up by 6.5% in a year-on-year comparison. Not even this growth in the volume of loans managed to reverse the impact of low interest rates, which ultimately resulted in a **year-on-year decline in net interest income**. The development of net interest income together with reduced net fee and commission income led to a **year-on-year drop in net profit**. The drop in operating income also resulted in an increase in the Cost/Income Ratio to 46.8% from 44.3%.

Interest rates have held at their all-time lows for some time, which is why even a significant growth in the volume of client loans could not reverse the continued drop in interest income. Interest rates were therefore the main cause of the reduction in net interest income by 3.0%, to CZK 25.9 bn. **Net interest margin** related to interest-bearing assets decreased to **3.31%** from 3.53%.

Net fee and commission income noted a reduction by 9.3%, to **CZK 10.3 bn**. The overall decline was caused primarily by clients using cheaper forms of service and advantageous products, including special-price programmes and packages. Fee income was also lower due to the fee holidays in retail loans. Net fee and commission income was as well negatively influenced by EU regulation in the sphere of card fees. On the other hand, the overall decline was partly offset by increasing fees from investment products and securities transactions which are growing

thanks to the shift of clients' interest to higher-yield products, in particular mutual funds, managed by Erste Asset Management and investment products offered through all of Česká spořitelna's distribution channels.

Net trading and fair value result was up in a year-on-year comparison, by 23.4% to **CZK 2.8 bn**. In particular, profit from derivative transactions was up significantly, which were due to a change in the derivative valuation methodology adopted in Q1 2015 and increased income from customer derivative transactions.

Total operating expenses were up by 1.9%, to **CZK 18.6 bn**. Expenses on information technologies were up, in particular in connection with the development of new digital applications, and also costs of projects related to regulatory compliance. On the other hand, costs for material consumption and tangible asset depreciation were successfully reduced. Operating expenses also include the contribution to the Deposit Insurance Fund, which for the first time crossed the one-billion threshold, amounting to CZK 1,011 m. Compared to 2014, the contribution was up by 8.0% in connection with an increase in the volume of deposits insured.

Net gains from financial assets and liabilities not measured at fair value through profit or loss rose to **CZK 449 m**, i.e., more than doubled in a year-on-year comparison. This was primarily due to the higher profits from the sale of government bonds in the portfolio of financial assets available for sale.

Net impairment loss on financial assets not measured at fair value through profit or loss (i.e., net creation of on balance risk provisions for loans and advances) amounted to **CZK 2.6 bn**, which means an improvement by 29.0% as compared to 2014. Lower net provision creation was feasible thanks to the growing Czech economy, on-going improvements of the quality of the loan portfolio, and several successful cases of the restructuring of receivables in the corporate area.

Total assets amounted to **CZK 959.6 bn**, which is year-on-year growth of 6.3%. In a year-on-year comparison, there was also a change in the structure of assets, with the volume of loans to customers, cash and cash balances with central banks, and assets held to maturity being up. The volume of other portfolios of financial assets was down. On the liability side of the balance sheet, deposits from customers, deposits from banks, and the volume of equity were up. The amount of financial liabilities at fair value was down.

Equity attributable to shareholders amounted to **CZK 120.0 bn**, which means an increase by 11.3%. The volume of equity was up primarily due to an increase of retained profit and an issue of additional Tier 1 (AT1) capital amounting to EUR 300 m. Česká spořitelna decided for the issue in order to optimize its capital structure and stabilize long-term euro financing. Tier 1+2 capital adequacy for the Česká spořitelna Group amounted to 21.3% as of 31 December 2015.

BUSINESS ACTIVITIES

The gross volume of the Group's client loan portfolio increased by 5.9% year-on-year, to **CZK 548.8 bn**, mainly due to further growth of mortgages and loans to corporate clients. Česká spořitelna managed to reach a turning point in the sphere of cash loans, with the volumes slightly up in a year-on-year comparison. That means that the volume of newly provided cash loans exceeded the repayments of loans granted at an earlier point.

The gross retail loan portfolio (bank only) amounted to **CZK 302.3 bn**, which represents an increase of 6.4% year-on-year. The volume of **private mortgages** was up significantly, by 11.8%, to **CZK 186.8 bn**, supported by the historically lowest interest rates and growing real wages. The volume of newly granted private mortgages increased by almost 40% in 2015. **Loans to corporate clients** (bank only) were up by 4.8% year-on-year, amounting to **CZK 207.6 bn** with growth stemming mainly from large corporate clients (+22.2% year-on-year) and commercial real estate financing.

Deposits from customers amounted to **CZK 713.8 bn**, and grew by 4.9% compared to the same period last year. **Retail deposits** were up by 3.1%, to **CZK 531.6 bn**. Deposits in Personal Accounts are growing, and savings products are also popular, such as ČS Savings. Building savings deposits are dropping, however, due to the termination of over-saved contracts. Corporate deposits were up by 14.6%, to CZK 131.7 bn especially in current accounts. Public sector deposits remained stable at CZK 50.6 bn.

As at 31 December 2015, the number of activated **direct-banking clients using SERVIS 24 and BUSINESS 24** amounted to **1.66 m** which is an increase by 2% year-on-year. The overall number of **active payment cards** issued reached **3.12 m**, of which credit cards represent 0.27 m. The volume of **card transactions** executed at retail outlets with Česká spořitelna's cards since the beginning of the year was up by 8.3% compared to the same period of 2014, to **CZK 124.2 bn**. **The number of Česká spořitelna ATMs and transaction terminals increased by 28, to 1,589 units.**

MAJOR EVENTS IN 2015

RETAIL CLIENTS AND PRODUCTS:

- **On 12 February 2015, Česká spořitelna celebrated a round jubilee.** 190 years ago, its legal predecessor – Schraňovací pokladnice pro hlavní město Prahu a pro Čechy (Savings Treasury for the City of Prague and for Bohemia) – commenced operations.
- **Česká spořitelna's clients can monitor their accounts in a new mobile application – MŮJ STAV (My Status),** which passively displays the balances of all savings products, supplementing the purely transaction-based SERVIS 24 Mobile Bank application.

- **Česká spořitelna innovated its offer of housing loans by adding the Svobodná hypotéka (free mortgage). With this loan, clients can freely set up the loan draw-down and repayment terms, with interest rates starting at 1.85% p. a.** Other advantages of Svobodná hypotéka include zero fees for loan processing and administration, the possibility of a free on-line real estate valuation, the possibility of personal account maintenance at no cost, a financial loyalty bonus, and a guarantee of an interest rate for up to one year in advance in the case of refinancing from another bank.
- **In September 2015, Česká spořitelna expanded its investment offer by adding the OPTIMUM mutual fund.** It also offered three new investment products: the SPEKTRUM 1 Premium Debt Security, the PROFIT 1 Premium Debt Security, and the ŠANCE 1 Premium Bond. In 2015, Česká spořitelna's clients invested more than CZK 51.1 bn into retail investment products.
- **As of October 2015, Česká spořitelna offers to waive up to 12 monthly instalments.** This is an extraordinary offer that saves clients a significant portion of the cash loan and cuts down the repayment term, as long as they are duly repaying the loan.
- **Česká spořitelna is the most active bank on social networks:** it has more than 52,000 fans on Facebook, another 14,000 people are following us on LinkedIn, and nearly 2,000 on Twitter.

CORPORATE TRANSACTIONS AND CLIENTS:

- **Česká spořitelna conducted the CZK 765 m IPO of the leading CEE soft drinks producer, Kofola ČeskoSlovensko a.s. on the stock exchanges in Prague and Warsaw.** The IPO enabled the partial exit of a financial investor from the company as well as raised new capital, which the company will use for further acquisitions.
- **Česká spořitelna granted a EUR 130 m Credit Facility for the general corporate purposes of Hyundai Motor Manufacturing Czech s.r.o.,** a member of Hyundai Motor Group, one of the world automotive producer.
- **Česká spořitelna acted as the Mandated Lead Arranger of the CZK 9.1 bn Credit Facilities** used for the recapitalisation of CGN Holdings S.à r.l. and CGN Holdings 2 S.à r.l. Both CGN Holdings S.à r.l. and CGN Holdings 2 S.à r.l. are 100% controlled by funds managed by Macquarie Infrastructure and Real Assets, and jointly own 49.96% of shares in RWE Grid Holding, a.s., which owns and operates a gas distribution network covering 80% of the Czech Republic.
- **Česká spořitelna initiated refinancing of Stock Spirits Group, a leading spirits business in CEE.** Total financing amounted to **EUR 200 m plus a EUR 100 m accordion facility** where Česká spořitelna

underwrote 1/3 of the total amount. The final pro rata take amounted to EUR 40 m due to oversubscription. The transaction was successfully completed at the end of November 2015.

- **Česká spořitelna concluded contracts in November 2015 for syndicated buyer's credit to The Independent State of Papua New Guinea** for the construction of a new hospital pavilion in Goroka (Construction of the Diagnostic and Surgical Center in Goroka Hospital) **in the amount of EUR 46.8 m**. The loan is insured by EGAP. Česká spořitelna provides this financing together with Erste Group Bank AG and its share of the financing is EUR 23.4 m. The exporter is VAMED Health Projects CZ s.r.o., a subsidiary of VAMED Engineering GmbH&Co.
- **Česká spořitelna acted as Mandated Lead Arranger in the EUR 500 m long-term syndicated financing for Affidea Group.** Affidea is Europe's leading provider of advanced diagnostic imaging and cancer care services. The proceeds of the financing were used to refinance existing facilities as well as to support Affidea's expansion plans.
- **In 2015, Erste Corporate Banking built on the success of the TOP INNOVATION programme** in previous years, having implemented 80 projects in the programme **worth CZK 2.8 bn.** The programme focuses on financing innovative projects and development activities of companies and uses European Investment Fund guarantees.
- **Česká spořitelna was the first bank in the Czech Republic to provide financing in a Risk Sharing Instrument** of the European Investment Fund and European Commission. Based on the results of the program ČS signed a new agreement about participation in the following program InnovFin. Česká spořitelna continues to hold first place on the market in cooperating with financial institutions of EU. The aggregate volume of global EIB loans used by Česká spořitelna **amounted to EUR 1.25 bn.**

MAKING GOOD THINGS HAPPEN:

- **Česká spořitelna's clients can easily contribute to various charitable projects and non-profit organisations thanks to new mobile donor application Melinda.** Contributions can be made in a lump sum or regularly with every card payment, by having the amount rounded up.
- **Česká spořitelna launched the portal [Banka bez bariér](#) (Barrier-free Bank).** The website aggregates the services that the bank offers to handicapped clients (the physically disabled, hearing and visually impaired particularly). The entire website is adapted for electronic readers, and information for the hearing-impaired is translated into sign language. **Currently, the bank has 239 wheelchair-accessible branches and 680 ATMs adapted for audio input among other things.**
- **As a component of social banking, Česká spořitelna has launched a new acceleration programme, Impact First, which it is implementing in cooperation with the Impact Hub organisation.** Successful

teams of participants are paired with a personal mentor with whom to consult their projects, and who guides them in further process optimisation. The winner will receive a reward of CZK 50,000 for achieving the greatest progress.

- **Česká spořitelna became the main partner of J. E. Purkyně University (UJEP)** in order to support educational, scientific, and research activities of UJEP students and employees, through development and education programmes. Česká spořitelna has also become UJEP's main banking partner for domestic payments. As a long-established partner of the University of Economics in Prague (VŠE), **Česká spořitelna will participate in the newly opened VŠE X-PORT business accelerator. Overall, Česká spořitelna is a partner to 9 universities.**
- **The Česká spořitelna Foundation awarded the second annual Floccus Awards** to organisations and individuals who support people on the fringe of society. For the third time, the **Česká spořitelna Foundation** distributed CZK 2 m among the 28 most successful non-profit projects in its **Grant Programme for Česká spořitelna's Clients and Employees.**
- **Alongside Česká spořitelna, the Depositum Bonum Foundation joined in the activities of the Czech Industry and Transport Association, which declared 2015 the Year of Industry and Technical Education.** The Depositum Bonum Foundation also engaged in the development of its existing projects promoting education that is more interesting and higher in quality

MAJOR AWARDS EARNED IN 2015

- **Česká spořitelna was chosen as the Most Trusted Bank of 2015 for the twelfth time in the Fincentrum awards, and won the Bank of the Year title for the sixth time. Penzijní společnost České spořitelny (pension company) won the Pension Company of 2015 Award.**
- **Česká spořitelna was chosen as the first-ever recipient of the Green Bank Award** in the GEEN Zelená banka survey, organised by the servers www.vstricnabanka.cz and www.bankovnipoplatky.com. Česká spořitelna's products focused on decreasing energy-intensiveness include preferential financing from the global **Green Energy loan, the financing of energy savings in residential buildings, and the financing of projects introducing alternative sources of energy.**
- **Česká spořitelna won the Company of 2015: Equal Opportunity Award** announced by the non-profit organisation Gender Studies. This year, the jury emphasised support for the career growth of women and awarded the first prize to Česká spořitelna for its efforts in this area.
- **SERVIS 24 Mobile bank won third place in the Mobile Application of 2015 Awards in the Client Service category, and first place among banking applications.**

- **Investiční společnost České spořitelny** (current brand name Erste Asset Management) **won the title as the Best Investment Company in Central and Eastern Europe in 2015 from The European magazine.**

OTHER EVENTS:

- **Several important personnel changes on Česká spořitelna's Board of Directors took place at the beginning of 2016. As of 1 February 2016, the composition is:**

Tomáš Salomon – Chairman of the Board of Directors and CEO

Wolfgang Schopf – Vice-Chairman of the Board of Directors and CFO

Karel Mourek – Member of the Board of Directors responsible for risk management

Daniela Pešková – Member of the Board of Directors responsible for retail banking

Pavel Kráčmar – Member of the Board of Directors responsible for corporate banking and financial markets

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Consolidated Profit and Loss Statement of Česká spořitelna according to IFRS, preliminary, unaudited (CZK m)	31-Dec-15	31-Dec-14	Y/Y Change
Net interest income	25,864	26,673	-3.0%
Net fee and commission income	10,254	11,306	-9.3%
Dividend income	70	50	40.0%
Net trading and fair value result	2,823	2,287	23.4%
Rental income from investment properties & other operating leases	732	823	-11.1%
Personnel expenses	-8,804	-8,632	2.0%
Other administrative expenses	-7,628	-7,331	4.1%
Depreciation and amortisation	-2,154	-2,271	-5.2%
Gains/Losses from financial assets and liabilities not measured at fair value through profit or loss, net	449	146	>100.0 %
Net impairment loss on financial assets not measured at fair value through profit or loss	-2,648	-3,728	-29.0%
Other operating result	-1,018	-603	68.8%
Pre-tax result from continuing operations	17,940	18,720	-4.2%
Taxes on income	-3,645	-3,650	-0.1%
Post-tax result from continuing operations	14,295	15,070	-5.1%
Net result attributable to non-controlling interests	2	-1	-
Net result attributable to owners of the parent	14,293	15,071	-5.2%
Operating income	39,743	41,139	-3.4%
Operating expenses	-18,586	-18,234	1.9%
Operating result	21,157	22,905	-7.6%

Consolidated Statement of Financial Position according to IFRS, preliminary, unaudited (CZK m)	31-Dec-15	31-Dec-14	Y/Y Change
Assets			
Cash and cash balances with central banks	111,027	54,489	>100.0 %
Financial assets - held for trading	14,725	23,231	-36.6%
Derivatives	13,995	18,740	-25.3%
Other trading assets	730	4,491	-83.7%
Financial assets - designated at fair value through profit or loss	907	1,272	-28.7%
Financial assets - available for sale	78,053	99,289	-21.4%
Financial assets - held to maturity	160,988	151,513	6.3%
Loans and receivables to credit institutions (net)	34,717	38,533	-9.9%
Loans and receivables to customers (net)	532,524	500,039	6.5%
Derivatives - hedge accounting	663	878	-24.5%
Property and equipment	12,318	13,431	-8.3%
Investment properties	4,949	7,342	-32.6%
Intangible assets	3,966	3,593	10.4%
Current tax assets	740	543	36.3%
Deferred tax assets	146	159	-8.2%
Other assets	3,861	8,277	-53.4%
Total assets	959,584	902,589	6.3%

Consolidated Statement of Financial Position according to IFRS, preliminary, unaudited (CZK m)	31-Dec-15	31-Dec-14	Y/Y Change
Liabilities & Equity			
Financial liabilities - held for trading	14,956	23,431	-36.2%
Derivatives	14,944	20,654	-27.6%
Other trading liabilities	12	2,777	-99.6%
Financial liabilities designated at fair value through profit or loss	4,019	9,664	-58.4%
Deposits from customers	4,019	8,874	-54.7%
Debt securities issued	0	790	-100.0%
Financial liabilities measured at amortised cost	811,679	751,959	7.9%
Deposits from banks	83,915	54,570	53.8%
Deposits from customers	709,817	671,565	5.7%
Debt securities issued	15,493	23,043	-32.8%
Other financial liabilities	2,454	2,781	-11.8%
Derivatives - hedge accounting	496	169	>100.0 %
Provisions	2,584	2,418	6.9%
Current tax liabilities	100	45	>100.0 %
Deferred tax liabilities	621	474	31.0%
Other liabilities	5,166	6,646	-22.3%
Total equity	119,963	107,783	11.3%
Equity attributable to non-controlling interests	-23	-26	-11.5%
Equity attributable to owners of the parent	119,986	107,809	11.3%
Total liabilities and equity	959,584	902,589	6.3%

Selected Consolidated Ratios	31-Dec-2015	31-Dec-2014
ROE	13.0%	14.5%
ROA	1.5%	1.7%
Cost/income	46.8%	44.3%
Net interest margin related to Interest-bearing assets	3.31%	3.53%
Loan to deposit ratio	74.6%	73.5%
Capital adequacy – Tier 1+2 ratio	21.3%	18.5%

Selected Business Activity Figures	31-Dec-15	31-Dec-14	Y/Y Change
Headcount of Česká spořitelna Financial Group (EOP)	10,501	10,504	0.0%
Total number of clients	4,786,644	4,920,744	-2.7%
Number of activated SERVIS 24 and BUSINESS 24 Direct Banking Clients	1,661,415	1,629,336	2.0%
Number of cards	3,118,624	3,144,314	-0.8%
of which credit cards	268,615	289,722	-7.3%
Number of ATMs	1,589	1,561	1.8%
Number of Česká spořitelna branches	621	644	-3.6%

Net After-tax Profit of Selected Česká spořitelna Subsidiaries, according to IFRS, preliminary, unaudited (CZK m)	31-Dec-15	31-Dec-14	Y/Y Change
Česká spořitelna – penzijní společnost (pension company)	52	40	30.0%
Erste Leasing	69	46	50.0%
Factoring České spořitelny	8	65	-87.7%
Reico investiční společnost ČS (investment company)	41	26	57.7%
S Autoleasing	119	104	14.4%
Stavební spořitelna České spořitelny	669	622	7.6%