



Press Release

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## Česká Spořitelna's Consolidated Net Profit Reached CZK 3.4 bn in Q1 2016, Strong Loan Growth Continues with Further Improvement in Credit Quality

In the first quarter 2016, Česká spořitelna reported unaudited consolidated net profit of CZK 3.4 bn, according to International Financial Reporting Standards (IFRS). In the same period last year, net profit amounted to CZK 3.7 bn. This means a decrease by 7.9% in a year-on-year comparison. The year-on-year comparison, specifically net trading income, is affected by a change in the methodology of derivatives valuation. It was adopted in Q1 2015 and brought an extraordinary one-off income in the amount of CZK 0.7 bn.

*"In the first quarter 2016, strong 6.5% loan growth and improving portfolio quality positively influenced the level of net profit, which was in line with our expectation. We were also efficient at cost management although the investments into bank digitalization grew. Long-term client confidence was visible at the inflow of deposits,"* said Tomáš Salomon, CEO of Česká spořitelna.

FINANCIAL DATA		Q1 2015	Q1 2016	Y/Y Change
<b>Income statement</b> (CZK m)	Net interest income	6,429	6,379	-0.8%
	Net fee and commission income	2,521	2,282	-9.5%
	Net trading and fair value result	1,19	633	-46.8%
	<b>Operating income</b>	<b>10,332</b>	<b>9,428</b>	<b>-8.7%</b>
	<b>Operating expenses</b>	<b>-4,421</b>	<b>-4,369</b>	<b>-1.2%</b>
	<b>Operating result</b>	<b>5,911</b>	<b>5,059</b>	<b>-14.4%</b>
	Net impairment loss on FA not measured at FV through P/L	-865	-460	-46.8%
	<b>Net profit</b>	<b>3,666</b>	<b>3,375</b>	<b>-7.9%</b>
<b>Balance sheet</b> (CZK m)	Loans and receivables to customers (gross)	539,203	574,326	6.5%
	Deposits from customers	686,32	726,618	5.9%
	Equity attributable to owners of the parent	111,912	123,322	10.2%
<b>Ratios</b>	Return on equity (ROE)	13.3%	11.1%	-2.2pp
	Cost/income	42.8%	46.3%	3.5pp
	Loan to deposit ratio	73.7%	74.8%	1.1pp
	Capital adequacy – Tier1+2 ratio	19.5%	20.1%	0.6pp

## MAIN INDICATORS

**Česká spořitelna successfully accelerated the loan growth.** Increasing confidence of households and companies in the development of the Czech economy is reflected in long-term household consumption growth, in the increase of industrial production and volume of new orders. The **gross volume of client loans** was up by 6.5% in a year-on-year comparison. The growing volume of loans and changes in the balance structure are already becoming visible in **net interest income, which was almost stable.**

**The year-on-year drop in net profit** was largely due to a **decreased net trading result**, which was exceptionally high in Q1 2015, due to the one-off impact of the change in the derivative valuation methodology (implementation of OIS discounting). The drop in the net trading result and fee and commission income is behind the increase of the **Cost/Income Ratio** to 46.3% from 42.8%. **Operating result** was down by 14.4% (decreased by 2.9% excluding one-off in Q1 2015), to **CZK 5.1 bn**. However, in a quarter to quarter comparison operating result increased by CZK 112.7 m (by 2.4%).

**Interest rates** have been held at their all-time lows for some time; nevertheless, changes in the structure of Česká spořitelna's balance sheet and the increasing volume of loans nearly stabilised, in a year-on-year comparison, **net interest income** at **CZK 6.4 bn**. Low interest rates were reflected in the reduction of the **net interest margin related to interest-bearing assets**, to 3.19% from 3.32%.

**Net fee and commission income** noted a reduction by 9.5% to **CZK 2.3 bn**. Development of net fee income partially mirrors ČS effort to appraise loyal customers by offering product benefits which was reflected in lower fee income from payment transfers and lending. Net fee and commission income has also been negatively influenced by EU regulation concerning card payment fees. On the other hand, income from fees for investment products and asset management was up.

**Net trading and fair value result** was down compared to the same period last year, by 46.8% to **CZK 0.6 bn**. The significant year-on-year drop was influenced on a one-off basis, by a change in derivative valuation methodology in Q1 2015 in the amount of CZK 0.7 bn. The bank managed to partially off-set the decline by increasing profit from FX transactions.

In a year-on-year comparison, **total operating expenses** were down by 1.2%, to **CZK 4.4 bn** despite growing costs for information technologies in connection with continued digitisation of the bank and increasing requirements of banking regulation. On the other hand these higher costs were offset by lower payments into Deposit insurance fund (following adoption of EU regulation).

**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 0.5 bn**, which means an improvement by 46.8%

as compared to the same period last year. This good result was due to the ongoing improvement in quality of the loan portfolio.

**Total assets** amounted to **CZK 997.2 bn**, which is year-on-year growth of **7.8%**. Compared to March 2015, there was also a change in the structure of assets, with the volume of loans to customers, deposits with the central bank, and assets held to maturity being up. The volume of financial assets available for sale and of investment assets was down. On the liability side of the balance sheet, deposits from customers, interbank deposits, and the volume of equity were up. The volume of securities in issue was down.

**Equity attributable to shareholders** amounted to **CZK 123.3 bn**, which means an increase by 10.2%. The volume of equity was up thanks to an increase of retained profit and an issue of additional Tier 1 (AT1) capital amounting to EUR 300 m in December 2015. Tier 1+2 capital adequacy for the Česká spořitelna Group amounted to 20.1% as of 31 March 2016.

**At the regular general meeting held on 22 April 2016, Česká spořitelna's shareholders approved the distribution of the 2015 profit and payment of a gross dividend of CZK 84.20** per share; overall, CZK 12.8 bn will be paid out in dividends.

**The gross volume of the Group's client loan portfolio** increased by 6.5% y/y to **CZK 574.3 bn**, with **balanced growth coming from retail as well as corporate segment. In retail segment the gross loan portfolio** (parent bank only) amounted to **CZK 304.7 bn** which is an increase by 6.9% y/y, mainly underpinned by double-digit growth in private mortgages. In corporate area, gross loans grew by 5.8% y/y driven by robust growth of loans to large corporate clients.

**Group deposits from customers** amounted to **CZK 726.6 bn**, and grew by 5.9% compared to the same period last year. **Group retail deposits** increased by 3.8%, to **CZK 539.3 bn**. **Corporate deposits** were up by 21.2%, to **CZK 131.0 bn**. **Public sector deposits** slightly decreased by 3.7% to **CZK 56.3 bn**.

As at 31 March 2016, the **total number of clients** of ČS Group was **4,797,838**. The number of activated **direct-banking clients using SERVIS 24 and BUSINESS 24** amounted to **1.68 m** which is an increase by 2.8% year-on-year. The overall number of **active payment cards** issued reached **3.08 m**, of which credit cards represent 0.26 m. The volume of **card transactions** executed at retail outlets with Česká spořitelna's cards in Q1 2016 was up by 11.0% compared to the same period of 2015, to **CZK 30.2 bn**. **The number of Česká spořitelna ATMs and transaction terminals increased by 29, to 1,597 units.**

See [www.csas.cz](http://www.csas.cz) for more information.

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