

Česká spořitelna's Consolidated Net Profit reached CZK 7.7 bn in H1 2017

As of 30 June 2017, Česká spořitelna reported unaudited consolidated net profit of CZK 7.7 bn, according to International Financial Reporting Standards (IFRS). Net profit for the same period of previous year was thanks to one off impacts CZK 8.2 bn. For this reason net profit in a year-on-year comparison declined by 6.9%. Significant growth of the gross client loans still continues, in the last 12 months added 8.8%.

"We have successful business results in mortgages and other loans. Particularly thanks to the accelerated valuation process of mortgage applications we were able to grant mortgages in total volume of CZK 31.7 bn. We also granted almost 80,000 of consumer loans in total volume of CZK 17.4 bn," said Tomáš Salomon, Chairman of the Board of Directors of Česká spořitelna. "We are glad that the interest in the My Healthy Finance service grew even in the second quarter. This service is now used by almost half million clients, which proves that people are interested in improving their own finances and at the same time they are willing to accept advice in this respect."

MAIN INDICATORS

The Czech economy is experiencing a favourable period. Economic revival in the Eurozone has boosted demand for Czech products abroad, which in turn translates into a strengthening of the labour market and hence also the development of domestic demand. These upturns are all reflected in accelerated growth in lending, as compared to last year's June, by 8.8%, to CZK 619.2 bn. In absolute figures, it represents CZK 50.2 bn. **This achievement is due to loans provided to households, in particular mortgages, as well as loans to corporations and entrepreneurs, and last but not least, loans to the public sector.**

Net profit for the first half of the year amounted to CZK 7.7 bn. **In addition to growing loans, the net profit is favourably influenced by the improving quality of the lending portfolio and growth in the net trading result.**

Compared to the first half of 2016, net profit was down by 6.9%. Last year's net profit was significantly influenced by the one-time income from the sale of equity stake in Visa Europe; excluding this income, the net profit would grow by 8.3% year-on-year.

Compared to last year's first half the operating result was down by 7.8%, to CZK 9.4 bn, due to a drop of net interest income and net fee and commission income and increase of operating expenses. As a result, the cost/income ratio increased to 49.0% from 46.3%.

Sustained pressure on low interest rates was reflected in a further year-on-year drop in the reported net interest margin related to interest-bearing assets, to 2.74% from 3.18%. This decline of interest margin is to a large extent due to inflow of funds from institutional investors to CR (related to the discontinuation of the CNB's FX interventions) which are placed

to CNB with almost no margin. Excluding this extraordinary affect, net interest margin would be slightly above 3.0%. **Net interest income** amounted to CZK **12.3 bn**, which is **3.4%** less than in the first half of 2016.

Net fee and commission income noted a decrease in a year-on-year comparison, **by 3.7%, to CZK 4.5 bn**, relating to dropping income from financial services, as clients increasingly use cheaper forms of services and price-advantageous programmes and products. On the other hand, fee income from investment products was up, in particular from securities trading, asset management, and custody. Income from the sale of insurance products was also up.

Net trading result was up by 10.1% in a year-on-year comparison, **to CZK 1.4 bn**. Česká spořitelna successfully increased its profit from FX trading and sale of FX derivatives to customers (demand for hedging related to CZK development).

Total operating expenses were up by 2.7%, to CZK 9.0 bn compared to the same period last year. The greatest impact on the growing costs had personnel expenses which reflected regular salary increase. In the sphere of administrative costs, the costs of information technology were up. With the increase in the volume of deposits, the contribution to the Deposit Insurance Fund was also up. Increased amortisation of tangible and intangible assets is related to an increase in the software owned.

The Net gains from financial assets not measured at fair values item noted a significant decrease, connected to the above-mentioned sale of equity stake in Visa Europe last year (CZK 1.4 bn pre-tax).

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 a positive **CZK 0.3 bn, which means a significant improvement** compared to the same period last year. This good result was due to and increased quality of the loan portfolio with almost no new defaults and significant releases of provisions for several large corporate clients linked to recoveries.

Total consolidated assets amounted to **CZK 1,247.6 bn** as of 30 June 2017. **It was up by 20.3%** in comparison with H1 2016. In a year-on-year comparison, there was a change in the structure of assets, with the volume of loans to customers and deposits with the Czech National Bank being up. On the liability side of the balance sheet, deposits from customers and interbank deposits were up.

Equity attributable to owners of the parent amounted to **CZK 115.8 bn**, which means in year-on-year comparison a moderate **increase by 1.6%**. Total capital ratio for the Česká spořitelna Group as at 30 June 2017 amounted to 19.2%.

In 2017, **Česká spořitelna** (Group) successfully **accelerated the growth of loans** in both, the retail and the corporate segments. The **gross volume of the client loan portfolio increased by 8.8% year-on-year, to CZK 619.2 bn**. **Retail loans (gross, ČS only)** amounted to **CZK 331.7 bn**, which means a year-on-year **growth of 6.7%** (excl. impact of resegmentation in Q4 2016 growth 9.6%), primarily thanks to double-digit growth in private mortgages (by 12.8%). **Volume of wholesale** (=Corporate and Group Markets) **loans increased by 12.3%** (excl. impact of resegmentation 8.1%) driven by large corporate clients, commercial real estate loans and loans to SMEs.

Group deposits from customers amounted to **CZK 835.8 bn**, and **grew by 9.5%** compared to the same period last year. **Retail deposits increased by 9.0%, to CZK 602.7 bn**, owing to increasing deposits in Personal accounts and

saving deposits. **Group corporate deposits were up significantly by 13.8%, to CZK 157.5 bn**, the reason was placing their overliquidity with ČS. Public sector deposits increased even faster by 5.5%, to CZK 75.6 bn.

As at 30 June 2017, the **total number of clients of ČS Group was 4.68 m**. The number of activated direct-banking clients using **SERVIS 24** and **BUSINESS 24** amounted to **1.79 m** which is an **increase by 4.8%** year-on-year. The overall number of **active payment cards** issued reached **2.92 m**, of which credit cards represent 195 thousand. The **volume of card transactions** executed at retail outlets with Česká spořitelna's cards in the first half of 2017 was up by 15.6% compared to the same period of 2016, to **CZK 74.3 bn**. **The number of Česká spořitelna ATMs and transaction terminals** increased by 57, to **1,652 units**.

FINANCIAL DATA		H1 2016	H1 2017	Year-on-Year Change
Income statement (CZK m)	Net interest income	12,774	12,345	-3.4%
	Net fee and commission income	4,646	4,473	-3.7%
	Net trading result	1,290	1,420	10.1%
	Rental income, dividends and other income	262	174	-33.6%
	Operating income	18,972	18,413	-2.9%
	Operating expenses	-8,782	-9,021	2.7%
	Operating result	10,190	9,392	-7.8%
	Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	1,423	269	-81.1%
	Net impairment loss on FA not measured at FV through P/L	-695	265	-
	Other operating result	-543	-368	-32.2%
	Taxes on income	-2,136	-1,891	-11.5%
	Post-tax result from continuing operations	8,239	7,667	-6.9%
	Net profit attributable to non-controlling interests	1	-6	-
Net profit attributable to owners of the parent	8,238	7,673	-6.9%	
Balance sheet (CZK m)	Loans and receivables to customers (gross)	569,016	619,194	8.8%
	Deposits from customers	763,077	835,769	9.5%
	Equity attributable to owners of the parent	114,044	115,841	1.6%
Ratios	Return on equity (ROE)	13.5%	12.5%	-1.0 pp
	Cost/income	46.3%	49.0%	2.7 pp
	Loan to deposit ratio	72.5%	72.6%	0.1 pp
	Total capital ratio	19.6%	19.2%	-0.4 pp

For more details, please see www.csas.cz.

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