Press Release

Prague, 4 May 2018

Česká spořitelna's Consolidated Net Profit reached CZK 4.1 bn in the first quarter of 2018

As of 31 March 2018, Česká spořitelna reported an unaudited consolidated net profit of CZK 4.1 bn, according to International Financial Reporting Standards (IFRS). In the same period of the previous year, net profit amounted to CZK 3.5 bn. Net profit thus increased by 15.4% in a year-on-year comparison. Alongside the strong growth of credit volume, also the operating result went up by 2.5%, to CZK 4.8 bn.

"In Q1 2018, we continued the positive trend set last year. Our loan volume was up 9% year-on-year, primarily thanks to mortgages and loans to small and medium-sized enterprises. The good condition of households as well as Czech companies is reflected in a 7% increase in deposits", said Chairman of Česká spořitelna's Board of Directors Tomáš Salomon. From our near future plans, he emphasised the official roll-out of new Internet banking system called George. "The half a million clients who started using George during its pilot and their positive reactions are more than a good start", he added.

As of 1 January 2018, Česká spořitelna has implemented accounting standard IFRS 9 Financial Instruments as adopted by the EU. This resulted in changes in the accounting policies for the classification and measurement of financial assets and financial liabilities, as well as for the impairment of financial assets. As a result of the introduction of IFRS 9, the structure of the balance sheet and the income statement has been adjusted. Comparative figures for 2017 have not been restated, but for better comparison of the balance sheet Česká spořitelna reports opening balances as of 1 January 2018.

MAIN INDICATORS

The Czech economy is going through a period of economic conjuncture and macroeconomic data from the first quarter have been indicating, that **this positive development should last through the year**. Gradual economic recovery of the Eurozone and growing disposable income of Czech households, backed by the all-time low unemployment rate, are **supporting the aggregate demand for goods and services, and consecutively for loans**.

Net profit was mainly influenced by the ongoing growth of total volume of loans, together with steadily increasing net interest income and net release of credit risk provisions, which reflected a further improvement of the loan portfolio quality. Positive development, particularly in higher net interest income, was also visible in the **operating result, as it went up by 2.5%, to CZK 4.8 bn**. Key efficiency indicators, such as **Cost/Income** ratio or **Return on Equity** ratio, have improved from 49.4% and 11.5% to 48.9% and 13.3% respectively.

Net interest income increased by 6.1% (or by CZK 379 m in absolute figures), to CZK 6.5 bn in a year-on-year comparison, being supported by three interest rate hikes and strong loan growth. **Net interest margin** excluding exceptional

growth of interest-earning assets (comprising mainly of reverse repo operations, in connection with the exit from the ČNB's foreign exchange interventions) decreased by 24 bps to 2.71%, compared to the same period in 2017. The reported figure went down from 2.71% to 2.27%, reflecting to a large extent an increase in low-interest earning assets stemming from the above-mentioned termination of the FX floor.

Net fee and commission income decreased by 6.9%, to CZK 2.1 bn in a year-on-year comparison, driven by shrinking income from current accounts and payment card business. **ČS acquired higher income from investment products, in particular asset management and mutual funds, sale of insurance products and also from the lending business.**

Net trading result went down by 9.5%, to CZK 0.7 bn in a year-on-year comparison, being negatively affected by **extraordinary hedging activity in the first quarter of 2017 due to the expected termination of the CNB's currency interventions.**

Total operating expenses kept growing well below the inflation rate (CPI up by 1.7% in March) and showed only a very minor increase of 0.5%, to CZK 4.6 bn compared to the same period last year. Expenses were mainly affected by the **growing remuneration of Česká spořitelna's employees and higher contribution into the Deposit Insurance Fund in connection with a growing volume of deposits.** Depreciation of tangible and intangible assets reported a significant decrease due to lower depreciation of buildings and hardware.

Net impairment loss on financial instruments (i.e., creation of on balance risk provisions for loans and advances, guarantees and unused limits) **reached a positive CZK 0.7 bn**, which means that Česká spořitelna experienced another net release of credit risk provisions. Further improvement of the loan portfolio arrived on the back of **recoveries of several large clients in wholesale, continuous recoveries and quality improvements in the MSE segment and low inflow on new non-performing loans**.

As at 31 March 2018, **total consolidated assets amounted to CZK 1,303.3 bn** and since the beginning of 2018 **slightly decreased by 1.9%**. There was a change in the structure of assets, with the volume of loans and advances to banks and customers being up, and on the contrary deposits with the Czech National Bank steeply dropping down reflecting a shift to higher yielding assets. On the liability side of the balance sheet, deposits from customers continued in growth. Deposits from banks declined mirroring the drop in repo operations. **Equity attributable to owners of the parent stood at CZK 123.6 bn**, which represents a year-to-date **increase of 3.4%**. Total capital ratio for the Česká spořitelna Group as at 31 March 2018 reached 17.8%.

In 2018 Česká spořitelna was able to maintain a fast pace of loan growth. **The gross volume of customer loans adjusted for reverse repo operations increased by 9.0%, to CZK 658.4 bn** in a year-on-year comparison. The reported figure went up by 13.4%, to CZK 684.6 bn. Of that, the portfolio of **retail loans (bank only) amounted to CZK 357.9 bn**, which represents a year-on-year increase of **10.6%**, driven by **continued double digit growth in private mortgages, surge in commercial loans (MSE) and accelerating consumer lending (up by 7.2%). The volume of wholesale** (Corporate and Group Markets) loans excluding reverse repo operations **increased by 6.4%** year-on-year, **to CZK 237.2 bn**, due to **strong growth in loans to SMEs (up by 11.0%) and Group large corporates**. The reported figure increased by 18.1%, to CZK 263.4 bn, being significantly affected by the volatility in reverse repo operations with clients (not considered as a core-business).

Group deposits from customers excluding the impact of repo operations **grew by 7.4%, to CZK 883.1 bn** in a year-on-year comparison. The reported figure increased by 10.1%, to CZK 909.4 bn. **Households deposits went up**

by 6.9%, to CZK 634.4 bn. **Group corporate deposits** net of repo operations **were up by 8.5%, to CZK 168.1 bn**. The reported volume grew by 22.1%, to CZK 194.4 bn. **Public sector deposits increased by 9.6%, to CZK 80.6 bn.**

As at 31 March 2018, the **total number of clients of ČS Group** was **4.68 m**. The number of activated direct banking clients using **SERVIS 24**, **BUSINESS 24** and newly also **George** amounted to **1.88 m** which is an **increase of 7.9%** in a year-on-year comparison. **The overall number of active payment cards** issued reached **2.83 m**, of which credit cards represent 183 thousand. The **volume of card transactions** executed at retail outlets with Česká spořitelna's cards in the first three months of 2018 **was up by 16.0%, to CZK 40.2 bn** compared to the same period last year. **The number of Česká spořitelna ATMs and transaction terminals** increased by 56 units year-on-year, to **1,698.**

	FINANCIAL DATA	1-3 17	1-3 18	Year-on-Year Change
Income statement	Net interest income	6,169	6,548	6.1%
(CZK m)	Net fee and commission income	2,293	2,134	-6.9%
	Net trading result	803	727	-9.5%
	Rental income, dividends and other income	66	63	-4.5%
	Operating income	**9,331**	**9,472**	1.5%
	Operating expenses	**-4,613**	**-4,636**	0.5%
	Operating result	**4,718**	**4,836**	2.5%
	Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	230	19	-91.7%
	Net impairment loss on financial instruments	-184	741	-
	Other operating result	-369	-501	35.8%
	Taxes on income	-869	-1,026	18.1%
	Post-tax result from continuing operations	3,526	4,069	15.4%
	Net profit attributable to non-controlling interests	-2	-1	-50.0%
	Net profit attributable to owners of the parent	**3,528**	**4,070**	**15.4%**
Balance sheet (CZK m)	Loans and receivables to customers (gross)*	603,880	684,590	13.4%
	Deposits from customers	826,175	909,409	10.1%
	Equity attributable to owners of the parent**	119,583	123,594	3.4%
Ratios	Return on equity (ROE)	11.5%	13.3%	1.8 pp
	Cost/income	49.4%	48.9%	-0.5 pp
	Loan to deposit ratio	71.4%	73.8%	2.3 pp
	Total capital ratio	19.1%	17.8%	-1.3 pp

Note: 2017 structure adjusted in order to ensure comparability with 2018 (IFRS 9). No restatement for 2017 has been done.

*Customer loans influenced by reverse repo operations; excl. this effect customer loans increased by 9.0% y/y

** Figure as at 31 March 2018 in comparison with figures as at 1 January 2018

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

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