

## **Česká spořitelna recorded double-digit year-on-year growth of operating result by 11.2% in Q1 2019. Consolidated net profit decreased by 3.1% compared to Q1 2018, to CZK 3.9 bn**

As at 31 March 2019, Česká spořitelna reported an unaudited consolidated net profit of CZK 3.9 bn, according to International Financial Reporting Standards (IFRS). Net profit for the same period of 2018 amounted to CZK 4.1 bn. The net profit thus decreased by 3.1% in a year-on-year comparison. However, operating result recorded a significant increase by 11.2% to CZK 5.4 bn.

*"Our business results in Q1 2018 reflect the good shape of the country's economy. In comparison with the same period last year, we managed to grow in loans to individuals as well as corporate clients over the first three months of this year. The aggregate volume of private mortgages was up by almost 10% year-on-year. We also performed well in deposits which increased by more than 9%. At the same time, we have successfully improved our own efficiency which was reflected in the increase of our operating result,"* said Česká spořitelna's CEO Tomáš Salomon.

### **MAIN INDICATORS**

**The Czech economy is still benefitting from the favourable macroeconomic period on European and world markets, despite the gradual slowdown of economic growth. Consumption of Czech households continues to grow, thanks to the strong wage growth and positive sentiment of households.**

**The largest contributor to the growth of operating result was net interest income in connection with growing lending business and rising interest rates.** Increasing operating result is directly linked to **improvement of cost/income ratio to 47.3% from 48.9% in Q1 2018.** The compulsory contribution to Recovery and Resolution Fund was markedly involved in the decline of total amount of consolidated net profit as it increased by more than 50% to CZK 0.7 bn.

**Net interest income substantially grew by 11.3% to CZK 7.3 bn compared to the first quarter of 2018.** The increase in net interest income, the most important contributor to operating income, was mainly influenced by strong loan growth and five interest rate hikes of the Czech National Bank in 2018. **The net interest margin related to interest-bearing assets decreased from 2.27% to 2.10%.** Although some interest rates rose, the net interest margin declined due to a high volume of low interest earning transactions with ČNB and continued competitive pressure on the banking market. Excluding exceptional growth of low interest earning assets, the net interest margin declined from 2.71% to 2.60%.

**Net fee and commission income increased by 2.8% year-on-year to CZK 2.2 bn,** driven by asset management, sale of insurance products and optimisation of fee expenses for lending commission.

**Net trading result declined in a year-on-year comparison by 12.4% to CZK 0.6 bn,** affected by lower income from trading with derivatives and securities.

The total operating expenses rose by 4.2% compared to same period of 2018, to CZK 4.8 bn. The highest increase was recorded in **personnel expenses**, which **grew by 7.2%**, mainly due to an increase in salaries (in Q2 2018). **Other administrative expenses declined by 4.0%** despite a higher contribution to the Deposit Insurance Fund. The decline was due to **IFRS 16 implementation** that **caused structural changes in the Income Statement**, mainly between other administrative expenses (decline) and depreciation of tangible and intangible assets (increase).

**Impairment result on financial instruments** (i.e., creation of risk provisions and reserves for loans and advances, guarantees and commitments) **reached CZK 0.3 bn**. In spite of a positive impact on Income Statement, it meant a year-on-year worsening, due to an exceptionally high release of credit risk provisions in Q1 2018. Loan portfolio quality is still on a very high level with a low amount of new defaults.

**Other operating result of CZK -0.7 bn** includes mainly other income and costs unrelated to common activity of the Group, creation of provisions and result from sale or revaluation of tangible and intangible assets. **The compulsory contribution of CZK 684 m to Recovery and Resolution Fund, which grew substantially from CZK 450 m in Q1 2018, by 52.1%, was also included in this item.**

**As at 31 March 2019, total consolidated assets amounted to CZK 1,496.5 bn**. Compared to 31 December 2018 they increased by 4.9%. The changes in the structure of assets continued throughout the first quarter of 2019, leading to a significant rise of loans and advances to customers and banks, including reverse repo operations with the ČNB. Debt securities at amortised cost grew as well. On the liability side of the balance sheet, deposits from banks including repo operations particularly increased, the same as deposits from customers. **Asset and liability sides of balance sheet were also influenced by above-mentioned implementation of the new accounting standard IFRS 16, causing the increase of both sides of balance sheet by CZK 2.9 bn.**

**Equity attributable to owners of the parent stood at CZK 126.5 bn as at 31 March 2019**, which is 3.3% more than at the end of the year 2018. **The total capital ratio for Česká spořitelna Group as at 31 March 2019 reached 18.8%**, significantly above minimum regulatory capital requirements. Česká spořitelna is planning to issue new Additional Tier 1 capital of approx. CZK 9 bn in Q2 2019 to support future business growth as well as comply with increasing regulatory requirements.

Customer loans continued their dynamic growth also in Q1 2019. **The gross volume of customer loans adjusted for reverse repo operations increased by 8.6% to CZK 715.2 bn year-on-year**. (The reported figure, including reverse repo operations, grew by 6.9%). Of that, the portfolio of **retail loans (bank only) amounted to CZK 387.9 bn**, representing a **year-on-year increase by 8.4%** driven by **private mortgages (+9.9%)**, **loans to small companies (+6.8%)** and **consumer loans (+4.3%)**. **The volume of wholesale** (Corporate and Group Markets) **loans, excluding reverse repo operations, increased by 9.1% year-on-year to CZK 258.8 bn**, due to **strong growth in loans to large corporate customers (+16.8%)** and **to SMEs (+8.6%)**.

**Group deposits from customers grew by 9.1% to CZK 992.0 bn compared to Q1 2018**. **Household (retail) deposits went up by 7.9% to CZK 684.1 bn**. **Group corporate deposits rose by 3.9% to CZK 202.2 bn** and **public sector deposits increased significantly by 31.1% to CZK 105.7 bn** in a year-on-year comparison.

As at 31 March 2019, the **total number of clients of the ČS Group was 4.63 m, of which approx. 1.53 m used digital banking in Q1 2019**. **The overall number of active payment cards issued by ČS increased by 1.9% year-on-year and reached 2.88 m**. Thereof **credit cards represented 176 thousand**. **The volume of card transactions executed at retail outlets in Q1 2019 with Česká spořitelna's cards compared to Q1 2018 was up by 15.2% to CZK 46.3 bn**. **The number of Česká spořitelna's ATMs and transaction terminals increased by 96 year-on-year to 1,794**.

<b>FINANCIAL DATA</b>		<b>1-3 18</b>	<b>1-3 19</b>	<b>Year-on-Year Change</b>
<b>Income statement</b> (CZK m)	Net interest income	6,548	7,288	11.3%
	Net fee and commission income	2,134	2,193	2.8%
	Net trading result	727	637	-12.4%
	Rental income, dividends and other income	63	89	41.3%
	<b>Operating income</b>	<b>9,472</b>	<b>10,207</b>	<b>7.8%</b>
	<b>Operating expenses</b>	<b>-4,636</b>	<b>-4,829</b>	<b>4.2%</b>
	<b>Operating result</b>	<b>4,836</b>	<b>5,378</b>	<b>11.2%</b>
	Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	19	9	-52.6%
	Impairment result from financial instruments	741	267	-64.0%
	Other operating result	-501	-706	40.9%
	Taxes on income	-1,026	-1,003	-2.2%
	Post-tax result from continuing operations	4,069	3,945	-3.1%
	Net profit attributable to non-controlling interests	-1	3	-
	<b>Net profit attributable to owners of the parent</b>	<b>4,070</b>	<b>3,942</b>	<b>-3.1%</b>
<b>Balance sheet</b> (CZK m)	Loans and advances to customers (gross)*	684,590	731,887	6.9%
	Deposits from customers**	909,409	992,035	9.1%
	Equity attributable to owners of the parent	123,594	126,540	2.4%
<b>Ratios</b>	Return on equity (ROE)	13.3%	12.7%	-0.6 pp
	Cost/income	48.9%	47.3%	-1.6 pp
	Loan to deposit ratio	73.8%	72.5%	-1.3 pp
	Total capital ratio	17.8%	18.8%	1.0 pp

\* Customer loans influenced by reverse repo operations; excl. this effect customer loans increased by 8.6% y/y

\*\* Since 2019 includes deposits from customers at amortised cost, deposits from customers at FV through profit or loss and finance lease liabilities to customers

For more details, please see [www.csas.cz](http://www.csas.cz).

### Česká spořitelna

Public Relations: Filip Hrubý; tel.: +420 775 011 550; [tiskove\\_centrum@csas.cz](mailto:tiskove_centrum@csas.cz)

Investor Relations: Miloš Novák; tel.: +420 956 712 410; [mnovak@csas.cz](mailto:mnovak@csas.cz)

### Erste Group

Public Relations: Carmen Staicu; tel.: +43 501 00 11681; [carmenmadalina.staicu@erstegroup.com](mailto:carmenmadalina.staicu@erstegroup.com)

Investor Relations: Thomas Sommerauer; tel.: +43 501 00 17326; [thomas.sommerauer@erstegroup.com](mailto:thomas.sommerauer@erstegroup.com)