

## Česká spořitelna's Consolidated Net Profit increased by 2.6% year-on-year and reached CZK 7.9 bn in the first half of 2018

As of 30 June 2018, Česká spořitelna reported an unaudited consolidated net profit of CZK 7.9 bn, according to International Financial Reporting Standards (IFRS). In the same period of the previous year, net profit amounted to CZK 7.7 bn. Net profit thus increased by 2.6% in a year-on-year comparison. The operating result also went up by 0.9% to CZK 9.5 bn due to strong growth in credit volume.

“The successful implementation of our strategy is again reflected in the financial results for the first half of 2018. Following the pilot phase, the second quarter of this year at Česká spořitelna was marked by an active offer of the new digital platform George. Internet banking customer numbers rose by 8 percent year-on-year to 1.9 million customers. We expect that George will further boost this number,” said Tomáš Salomon, Česká spořitelna's Chairman of the Board of Directors. “We also succeeded in keeping a high rate of loan growth in the second quarter in both home mortgages and corporate loans. Great business results were also reflected in increasing operating revenues.”

### MAIN INDICATORS

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

**Net profit** was mainly influenced by ongoing growth in total loan volume, together with steadily increasing net interest income and net release of credit risk provisions, which reflected further improvement of the loan portfolio quality. Higher net interest income was reflected in the **operating result** which **went up by 0.9% to CZK 9.5 bn**. The operating result increase directly impacted stabilization of the **cost/Income ratio** at **49.2%**.

**An increase in net interest income**, a major contributor to operating income, was supported by strong loan growth and four interest rate hikes. **Net interest income amounted to CZK 13.1 bn, which is 6.5% more than in the first half of 2017. The net interest margin**, excluding exceptional growth of interest-earning assets (comprising mainly reverse repo operations with ČNB), **decreased by 26 bps to 2.69% year-on-year. The reported figure** (including reverse repo operations) **went down from 2.73% to 2.15%**, reflecting an increase in low-interest earning assets.

**Net fee and commission income decreased by 4.2% to CZK 4.3 bn** year-on-year, driven by shrinking income from payment services. By contrast, **ČS acquired higher income from securities transactions, asset management and sale of insurance products**.

**The net trading result decreased by 26.7%, to CZK 1.0 bn year-on-year**, being negatively affected by lower income from FX transactions, securities business and by extraordinary demand for hedging activity in Q1 2017 in connection with the expected termination of the CNB's currency interventions.

Despite growing inflation **total operating expenses increased below the inflation rate level by 1.5% to CZK 9.2 bn** due to higher personnel expenses following growth in wages. Other administrative expenses slightly decreased year-on-year despite **higher contribution to the Deposit Insurance Fund** (in connection with a growing deposit volume). Expenses on consultancy and office space showed decline, reflecting irregular payments. Depreciation of tangible and intangible assets also reported a decrease.

**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 0.9 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 **recovery of several large corporate clients and quality improvements in retail segments**.

As at 30 June 2018, **total consolidated assets amounted to CZK 1,431.8 bn and has increased by 7.8% since 1 January 2018**. There was a change in the structure of assets, with the volume of loans and advances to banks and customers being up including reverse repo operations with ČNB. By contrast, cash and deposits with the Czech National Bank dropped sharply. On the liability side of the balance sheet, deposits from banks, including repo operations, went up and customer deposits also rose.

**Equity attributable to owners of the parent stood at CZK 114.6 bn**, at the end of June 2018. **The total capital ratio** for the Česká spořitelna Group as at 30 June 2018 **reached 17.3%**.

**In 2018, Česká spořitelna maintained a fast pace of loan growth. The gross volume of customer loans adjusted for reverse repo operations increased by 10.4% to CZK 683.7 bn year-on-year and by 5.6% since the beginning of the year. The reported figure (including reverse operations) went up by 15.0% to CZK 711.8 bn.** Of that, the portfolio of **retail loans (bank only) amounted to CZK 367.6 bn**, representing a year-on-year increase of **10.8%** driven by **continued double digit growth in private mortgages (up by 11.2%) but also by continued growth in consumer loans (up by 7.4%)**. **The volume of wholesale (Corporate and Group Markets) loans, excluding reverse repo operations, increased by 10.4% year-on-year to CZK 250.8 bn**, due to **strong growth in loans to large corporate customers (up by 16.0%) and to SMEs (up by 12.4%)**. The reported figure increased by 22.8% to CZK 278.9 bn. This result was significantly affected by volatile reverse repo operations with clients which Česká spořitelna does not consider as core-business.

**Group deposits from customers excluding the impact of repo operations grew by 7.6%, to CZK 894.8 bn year-on-year and by 4.5% since the beginning of the year. The reported figure increased by 10.0% to CZK 919.7 bn and by 4.1% since the beginning of 2018. Household (retail) deposits went up by 5.8% to CZK 650.4 bn since the beginning of 2018. Group corporate deposits net of repo operations declined by 9.8%, to CZK 163.4 bn in 2018.** The reported volume dropped by 9.4%, to CZK 188.3bn. **Public sector deposits increased by 33.9% to CZK 81.1 bn since the beginning of 2018.**

As at 30 June 2018, the **total number of clients of the ČS Group was 4.64 m. The overall number of active payment cards issued reached 2.84 m**, of which **credit cards represented 181 thousand**. The **volume of card transactions executed at retail outlets with Česká spořitelna's cards in the first six months of 2018 was up by 15.8%, to CZK 86.0 bn**

compared to the same period last year. **The number of Česká spořitelna ATMs and transaction terminals increased by 57 units year-on-year to 1,709.**

<b>FINANCIAL DATA</b>		<b>1-6 17</b>	<b>1-6 18</b>	<b>Year-on-Year Change</b>
<b>Income statement</b> (CZK m)	Net interest income	12,345	13,144	6.5%
	Net fee and commission income	4,473	4,287	-4.2%
	Net trading result	1,420	1,041	-26.7%
	Rental income, dividends and other income	175	163	-6.9%
	<b>Operating income</b>	<b>18,413</b>	<b>18,635</b>	<b>1.2%</b>
	<b>Operating expenses</b>	<b>-9,021</b>	<b>-9,160</b>	<b>1.5%</b>
	<b>Operating result</b>	<b>9,392</b>	<b>9,475</b>	<b>0.9%</b>
	Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	269	30	-88.8%
	Net impairment loss on financial instruments	265	903	240.8%
	Other operating result	-368	-559	51.9%
	Taxes on income	-1,891	-1,992	5.3%
	Post-tax result from continuing operations	7,667	7,858	2.5%
	Net profit attributable to non-controlling interests	-6	-13	116.7%
	<b>Net profit attributable to owners of the parent</b>	<b>7,673</b>	<b>7,870</b>	<b>2.6%</b>
<b>Balance sheet</b> (CZK m)	Loans and receivables to customers (gross)*	619,194	711,835	15.0%
	Deposits from customers	835,769	919,718	10.0%
	Equity attributable to owners of the parent**	119,583	114,409	-4.3%
<b>Ratios</b>	Return on equity (ROE)	12.5%	12.9%	0.4 pp
	Cost/income	49.0%	49.2%	0.2 pp
	Loan to deposit ratio	72.5%	75.9%	3.4 pp
	Total capital ratio	19.2%	17.3%	-2.0 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 10.4% y/y

\*\* Figure as at 30 July 2018 in comparison with figures as at 1 January 2018

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

Investor Relations: Miloš Novák; tel.: +420 956 712 410; mnovak@csas.cz

### Erste Group

Public Relations: Carmen Staicu; tel.: +43 501 00 11681; carmenmadalina.staicu@erstegroup.com

Investor Relations: Thomas Sommerauer; tel.: +43 501 00 17326; thomas.sommerauer@erstegroup.com