

Slovenská sporiteľňa achieved profit after tax in the amount of EUR 185.1 million in 2015, volume of loans increased by 1.3 billion y/y

Consolidated, audited financial results of Slovenská sporiteľňa as of 31 December 2015 according to International Financial Reporting Standards (IFRS).

„Slovenská sporiteľňa confirmed again in 2015 that it continues to achieve excellent results and is one of the most stable banks in the region. The main driver was customer care and fulfilment of customer needs, not just in the retail but also in the corporate segment. I am pleased that we are able to grow even in an environment with low interest rates and tough competition on the Slovak market,” said Štefan Máj, Chairman of the Board of Directors and CEO of Slovenská sporiteľňa.

FINANCIAL HIGHLIGHTS AS OF 31 DECEMBER 2015 (Y/Y COMPARISON)

- Net interest income increased by 1.1% y/y from EUR 463.9 mil. to EUR 469.0 mil. EUR
- Net fee and commission income declined by 1.6% y/y from EUR 123.4 million to EUR 121.4 million
- Operating profit increased by 1.0% y/y from EUR 333.8 million to EUR 337.1 million
- Net profit after tax went up by 1.6% y/y from EUR 182.1 million to EUR 185.1 million
- Volume of loans and receivables to customers grew by 15.8% y/y from EUR 8.1 billion to EUR 9.4 billion
- Deposits from customers increased by 10.4% y/y from EUR 9.7 billion to EUR 10.7 billion
- Cost/income ratio reached 44.3%
- Capital adequacy reached 21.9% and considerably exceeds the limit stipulated by the law (according to NBS, Basel III requirements and IRB approach)
- Loan-to-deposit-ratio increased slightly y/y from 83.6% to 87.8%

BUSINESS PERFORMANCE OVERVIEW OF SLOVENSKÁ SPORITEL'ŇA AS OF 31 DECEMBER 2015

Net interest income increased by 1.1 y/y from EUR 463.9 million to EUR 469.0 million. This increase was mainly achieved due to the growth in volume of loans to customers by EUR 1.3 billion. The change in structure of primary resources also had a positive impact on net interest income; current and giro accounts were more preferred at the expense of term deposits. The increase of net interest income was achieved despite low interest rates and high pressure on margins for new and refinanced loans.

Net fee and commission income went down by 1.6% y/y from EUR 123.4 million to EUR 121.4 million. One of the main reasons behind the decline in fees were mainly the introduced changes in rewarding clients and payment of a bonus for card payments. Another reason was the significant decrease of card fees and fees for administration of securities. Total shortfall on administration fees achieved EUR 4.9 million. This shortfall was partially compensated by higher revenues from documentary business by EUR 2.1 million y/y. Income from other bank fees increased by EUR 1.2 million y/y, mainly owing to interest of clients in products of Poist'ovňa SLSP and Asset Management Slovenskej sporiteľne.

In 2015 the bank achieved a profit in the amount of EUR 8.8 million in the area of **net trading and fair value result**, i.e. a decrease by 8.3% compared with 2014. The main reason behind the decrease were lower revenues from revaluation of derivative instruments at fair value through profit and loss. Net trading result remained similar to the level of 2014 and achieved EUR 8.9 million.

General administrative expenses remained almost unchanged in y/y comparison and reached EUR 267.6 million (in 2014 it was EUR 267.8 million). The main reason was lower contribution into Deposit Protection Fund which went down by EUR 6.5 million y/y to EUR 2.4 million. Without this effect general administrative expenses would grow by 2.4% mainly owing to higher wage costs. The increase of wage costs by EUR 3.7 million (by 3%) reflected positive business results and increased volume and number of transactions with clients.

Cost/income ratio decreased slightly y/y from 44.5% to 44.3%.

Risk costs for loans and receivables went up in 2015 from EUR 51.4 million to EUR 58.0 million y/y. In the segment of retail clients and corporate clients there was a decrease of risk costs as a result of improved risk profile of these client groups. On the other hand, substantial provisions amounting to EUR 19.5 million had to be created in the area of real estate finance. The share of defaulted loans on total loan volume remained low at 5.6%. **Total risk costs of the bank** (for loans, receivables and off-balance items) were lower by 4% y/y despite a 15% increase of loan portfolio.

Consolidated net profit after tax attributable to owners of parent increased by 1.0% y/y and reached EUR 185.1 million.

In 2015 a new levy was introduced (contribution into the European Resolution Fund) which amounted to EUR 7.3 million in 2015. Total levies (bank levy, contribution into the Deposit Protection Fund, contribution into the Resolution Fund) amounted to EUR 33.3 million in 2015 (EUR 40.4 million in 2014).

The volume of **loans to customers** increased by 15.8% compared with 2014 and achieved EUR 9.4 billion. **Retail loans** were the major driving force; they increased by 15.9% y/y (by EUR 994 million). Slovenská sporiteľňa again confirmed its position as market leader in retail loans; its market share reached 27.70%. The main growth driver were housing loans which grew by 15.5% (by EUR 717 million) and consumer loans which grew by 17.2% (by EUR 206 million). **Loans to corporate clients** grew by 12.5% y/y (by EUR 276 million) and reached EUR 2.5 billion. The segment of large corporate clients recorded the most significant increase by 20.8% (by EUR 132 mil.) and the public also recorded an increase; by 9.6% (by EUR 36 million).

Deposits from customers rose by 10.4% from EUR 9.7 billion to EUR 10.7 billion compared with the year 2014. **Retail deposits** increased from EUR 7.9 billion to EUR 8.7 billion, providing a solid base for financing and room for further growth of the bank.

Current ratings of Slovenská sporiteľňa (as of 31 December 2015):

Fitch	
Long-term rating	BBB+
Shor-term rating	F2
Individual rating	bbb+
Outlook	stable

Selected Unaudited Profit and Loss Statement Data (in EUR mil.)	31.12.2015	31.12.2014	change
Net interest income	469.0	463.9	1.1%
Net fee and commission income	121.4	123.4	(1.6%)
Dividend income	0.9	0.7	28.6%
Net trading and fair value result	8.8	9.6	(8.3%)
Net result from equity method investments	2.7	2.1	28.6%
Rental income from investment properties & other operating leases	1.9	1.8	5.6%
General administrative expenses	(267.6)	(267.8)	(0.1%)
Net impairment loss on financial assets not measured at fair value through profit or loss	(58.0)	(51.4)	12.8%
Other operating result	(33.4)	(44.1)	(24.3%)
thereof levies on banking activities	(30.9)	(31.5)	(1.9%)
Pre-tax profit	246.5	239.5	2.9%
Taxes on income	(60.8)	(56.8)	7.0%
Net profit after tax attributable to owners of parent	185.1	182.1	1.6%

Operating income	604.7	601.6	0.5%
Operating expense	(267.6)	(267.8)	(0.1%)
Operating result	337.1	333.8	1.0%

Selected Unaudited Balance Sheet Data (in EUR mil.)	31.12.2015	31.12.2014	change
Cash and cash balances	322.8	408.1	(20.9%)
Financial assets – held for trading	84.4	101.5	(16.8%)
Financial assets – at fair value through profit or loss	17.7	20.2	(12.4%)
Financial assets – available for sale	1,211.6	1,219.2	(0.6%)
Financial assets – held to maturity	2,490.7	2,579.8	(3.5%)
Loans and receivables to credit institutions	121.6	179.1	(32.1%)
Loans and receivables to customers	9,365.3	8,085.6	15.8%
Total assets	13,980.0	12,698.6	7.8%
Financial liabilities held for trading	85.5	103.4	(17.3%)
Financial liabilities measured at amortised costs	12,158.5	11,336.9	7.2%
Deposits from banks	385.0	740.7	(48.0%)
Deposits from customers	10,671.5	9,666.3	10.4%
Debt securities issued	1,102.0	929.8	18.5%
Total equity	1,539.5	1,310.8	17.4%
Total liabilities & Equity	13,980.0	12,698.6	7.8%

Key ratios (consolidated)	31.12.2015	31.12.2014
Return on equity (ROE)	13.76%	14.46%
Return on assets (ROA)	1.37%	1.47%
Net interest margin (on interest bearing assets)	3.72%	4.01%
Cost income ratio	44.25%	44.51%
Capital adequacy – according to NBS requirements	21.87%	19.85%

Selected indicators of banking activities	31.12.2015	31.12.2014	change
Number of employees	4,207	4,275	(1.6%)
Number of customers (in thousand)	2,330	2,349	(0.8%)
Number of payment cards issued (in thousand)	1,425	1,392	2.4%
Number of POS terminals	10,366	9,249	12.1%
Number of users of Internetbanking services (in thousand)	899	855	5.1%
Number of ATMs	784	779	0.6%
Number of sales points	291	292	(0.3%)