

Česká spořitelna confirmed its solid financial performance with emphasis on financial health of its clients during H1 2023

As at 30th June 2023, Česká spořitelna reported an unaudited consolidated net profit of CZK 9.3 bn, according to the International Financial Reporting Standards (IFRS). Operating result reached CZK 12.3 bn.

“Česká spořitelna has a very strong long-term financial performance based on a successful business model focused on the financial health of its clients. The basis is, of course, our own health. From this perspective, it is very positive that we have seen a further improvement in our NPL ratio. Thanks to our strong position, we were able to complete the acquisition of Sberbank CZ’s loan portfolio during the first half of the year, contributing significantly to making this the fastest and most successful large insolvency settlement in domestic history, as well as to further strengthening the stability of the domestic banking market,” said Ivan Vondra, Česká spořitelna’s CFO in his reaction to the Bank’s H1 2023 financial results.

MAIN INDICATORS

ČS expects GDP growth to slow down significantly in 2023, as an expected further decrease in households’ consumption will be accompanied by cooling external demand. However, from H2 2023 thereafter, economic development is expected to gradually improve, due to both domestic and foreign demand recovery.

As at 30th June 2023, total consolidated ČS Group assets amounted to CZK 1,917.4 bn, which meant a 16.9% increase compared to 31st December 2022. On the assets side, the development was driven mainly by growth of loans to banks. The liability side of the balance sheet was affected by customer deposits accompanied by deposits from banks.

The gross volume of ČS Group customer loans was influenced by Sberbank CZ acquisition and increased by 9.5% y/y to CZK 987.7 bn. The portfolio of **retail loans amounted to CZK 628.3 bn**, representing a **year-on-year increase of 9.3%**, driven by **private mortgages (+10.4% y/y)**, **Building Society (+7.8% y/y)** and **consumer lending (+8.2% y/y)**. **The volume of corporate loans grew by 9.3% year-on-year to CZK 355.0 bn attributed to increase in Large Corporates (+12.1%), SME (+7.7%) and Real Estate (+18.0%).**

Group deposits from customers grew by 6.1% y/y to CZK 1,455.9 bn attributed to increase in deposits from corporates (+39.9% y/y to CZK 383.6 bn). Households (retail) deposits were stable y/y and reached CZK 924.2 bn, while public sector deposits declined by 15.1% y/y to CZK 148.0 bn, affected by short-term operations.

As at 30th June 2023, the total number of the ČS Group customers was 4.5 m, of whose more than 2.2 m used digital banking.

Total equity decreased to CZK 132.6 bn as at 30th June 2023, which was by 3.7% less than at the end of the year 2022. **The total capital ratio for Česká spořitelna Group reached 19.4% as at 30th June 2023**, well above minimum regulatory capital requirement (17%).

Operating result of Česká spořitelna decreased by 17.3% y/y to CZK 12.3 bn in H1 2023 as a combination of lower operating income and higher operating expenses. Operating income went down by 6.1% y/y attributed to higher interest expenses paid on deposits and losses from financial instruments measured at FVTPL.

Net interest income decreased by 9.7% in comparison with H1 2022 and reached CZK 16.7 bn. The development of net interest income was affected mainly by higher interest rate environment which led to deposit re-pricing and resulted in growth of volumes and change of structure towards deposits with higher interest rates. As a consequence of these effects interest expenses rose considerably. Growth of interest expenses was partly offset by increase in interest income reflecting volume growth of loans and investments combined with higher yields. **Net interest margin related to interest bearing assets reached 1.89% in H1 2023, reflecting increase in deposit interest rates and development of balance sheet structure.**

Net fee and commission income rose by 6.2% year-on-year to CZK 5.1 bn which was caused by fees from non-life insurance products and lending fees supported by business development. Furthermore, net fee and commission income was positively affected by securities transactions due to fees from investments in mutual funds and pension insurance.

Net trading result increased by 44.2% y/y to CZK 2.6 bn in H1 2023 which was driven by revaluation of derivatives.

Total operating expenses stayed below the inflation rate and rose by 9.6% y/y to CZK 11.6 bn in H1 2023, mainly influenced by growth of personnel expenses and other administrative expenses. Increase in personnel expenses (+10.6% y/y) was driven mainly by impact of higher number of employees, salary increase and employee share programme. Higher costs of marketing, property management, IT and personnel related costs with higher contribution into Deposit Insurance Fund in H1 2023 led to **rise in other administrative expenses (+10.2% y/y). Depreciation increased by 3.6%** in comparison with H1 2022 as a result of strategic digital investments. As the consequence of the above-mentioned development, **Cost/Income ratio rose to 48.5% from 41.5% in H1 2022.**

Impairment result from financial instruments (i.e., creation/release of risk provisions and reserves for loans and advances, guarantees and commitments) **recorded creation of CZK -0.3 bn in H1 2023**, reflecting excellent quality of loan portfolio and one-off initial net provision creation due to Sberbank acquisition in H1 2023.

Other operating result of CZK -0.7 bn, consisted mainly of other income and costs not directly related to main operating activities of the Group, improved by 29.2% y/y, attributed mainly to lower contribution to Recovery and Resolution Fund in H1 2023.

The overall number of active payment cards issued by ČS increased by 10.0% year-on-year and reached 3.6 m. Thereof **credit cards** represented **206.8 thousand**. **The volume of card transactions** executed in H1 2023 with Česká spořitelna's cards **was CZK 196.9 bn** and **rose by 13.9%** compared to H1 2022. **The number of Česká spořitelna's ATMs and transaction terminals** decreased by 41 y/y to **1,715**.

In the second quarter of 2023, Česká spořitelna successfully completed the takeover of client loans from **Sberbank CZ**. Česká spořitelna contributed significantly to the smooth settlement of the largest insolvency on the Czech market.

Česká spořitelna is interested in taking over the consumer loan portfolio of **Hello bank**. The terms of the sale have already been agreed between Česká spořitelna and BNP Paribas Personal Finance. The sale of the loan portfolio is now subject to regulatory approvals.

FINANCIAL DATA		1-6 22	1-6 23	Year-on-Year Change
Income statement (CZK m)	Net interest income	18,460	16,663	-9.7%
	Net fee and commission income	4,843	5,145	6.2%
	Net trading result	1,776	2,561	44.2%
	Rental income, dividends and other income	290	-548	-
	Operating income	25,369	23,821	-6.1%
	Operating expenses	-10,540	-11,554	9.6%
	Operating result	14,829	12,267	-17.3%
	Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	-723	0	-100.0%
	Impairment result from financial instruments	676	-303	-
	Other operating result	-1,050	-743	-29.2%
	Taxes on income	-2,698	-1,930	-28.5%
	Post-tax result from continuing operations	11,034	9,291	-15.8%
	Net profit attributable to non-controlling interests	8	26	>100%
	Net profit attributable to owners of the parent	11,026	9,265	-16.0%
Balance sheet (CZK m)	Loans and advances to customers (gross)	902,396	987,702	9.5%
	Loans and advances to customers (net)*	883,039	966,968	9.5%
	Deposits from customers**	1,371,667	1,455,883	6.1%
	Total equity	126,076	132,558	5.1%
Ratios	Return on equity (ROE)	16.6%	13.8%	-2.8pp
	Cost/income	41.5%	48.5%	7.0pp
	Loan to deposit ratio	64.4%	66.4%	2.0pp
	Total capital ratio	20.3%	19.4%	-0.9pp

* Includes loans and advances at amortised cost, loans and advances at FV through profit or loss, finance lease receivables and trade and other receivables

** Includes deposits from customers at amortised cost and deposits from customers at FV through profit or loss

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

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