

Česká spořitelna recorded an increase in business results and contributed to the stabilization of the market in 2023

As at 31st December 2023, Česká spořitelna reported an unaudited consolidated net profit of CZK 18.6 bn, according to the International Financial Reporting Standards (IFRS). Operating result reached CZK 25.2 bn.

"Česká spořitelna's financial performance for 2023 reflects strong indicators across profit, business results, and the robust quality of our loan portfolio. However, what truly matters is our ability to meet customer expectations during challenging times marked by high inflation. The satisfaction of our customers is evident in the growing Net Promoter Score (NPS). Furthermore, we made a substantial contribution to stabilizing the domestic banking market following the insolvency of Sberbank CZ, swiftly taking over its loan portfolio.

Last year, as a bank, we established specific commitments to our customers, focusing on promoting the creation of financial reserves, retirement savings, financial education for children, and fostering job creation and competitiveness among companies. Although our target is to fulfil these commitments by 2025, coinciding with Česká spořitelna's 200th anniversary, we have already made significant progress in enhancing the financial well-being of our customers.

Critical to our personalized advisory is the continuous development of digital solutions incorporated in our George platform. Notably, the George mobile app reached almost two million active users in Q4 and so reaffirmed its status as the leading banking app in the market," said Ivan Vondra, Česká spořitelna's CFO in his reaction to the Bank's FY 2023 financial results.

MAIN INDICATORS

In 2023, the Czech economy declined by 0.4% This development was mainly driven by lower household consumption, which was affected by high inflation and low consumer sentiment, as well as by a significant fall in inventories. However, from 2024, economic development is expected to gradually improve, due to both domestic and foreign demand recovery.

As at 31st December 2023, total consolidated ČS Group assets amounted to CZK 1,797.8 bn, which meant a 9.6% increase compared to 31st December 2022. On the assets side, the development was driven mainly by growth of loans to customers. The liability side of the balance sheet increased mainly thanks to higher customer deposits.

The gross volume of ČS Group customer loans was positively influenced by Sberbank CZ and Hello bank acquisitions and increased by 10.4% y/y to CZK 1,031.8 bn. The portfolio of retail loans amounted to CZK 648.3 bn, representing a year-on-year increase of 9.7%, driven by private mortgages (+9.5% y/y), consumer lending (+17.9% y/y) and Building Society (+5.9% y/y). The volume of corporate loans grew by 11.6% year-on-year to CZK 379.1 bn attributed to increase in Large Corporates (+15.2%), SME (+7.2%), Real Estate (+16.5%) and corporate subsidiaries (+13.0%).

Group deposits from customers grew by 8.7% y/y to CZK 1,366.0 bn attributed to increase in deposits from households (+2.4% y/y to CZK 934.4 bn), corporates (+21.8% y/y to CZK 318.9 bn) and public sector (+37.1% y/y to CZK 112.7 bn). Mutual funds increased by CZK 60 bn (+31.9% y/y) to CZK 247 bn reflecting increased client's demand.

As at 31st December 2023, the total number of the ČS Group customers was 4.5 m, of whose almost 2.3 m used digital banking.

Total equity rose to CZK 144.5 bn as at 31st December 2023, which was by 4.9% more than at the end of the year 2022. **The total capital ratio for Česká spořitelna Group reached 19.6% as at 31st December 2023**, well above minimum regulatory capital requirement (16.4%).

Operating result of Česká spořitelna decreased by 11.6% y/y to CZK 25.2 bn in FY 2023 as a combination of lower operating income and higher operating expenses. Operating income went down by 3.0% y/y attributed to higher interest expenses paid on deposits and losses from financial instruments measured at fair value through profit or loss which were partly offset by increase in net fee and commission income.

Net interest income decreased by 5.8% in comparison with FY 2022 and reached CZK 34.6 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 1.95% in FY 2023, reflecting increase in deposit interest rates and development of balance sheet structure.**

Net fee and commission income rose by 14.6% year-on-year to CZK 10.9 bn which was caused by insurance fees from life insurance products and insurance related to loans. Higher lending fees were supported by business development. The increase in payment transfers reflected higher interchange fees and was also influenced by one-off fee expense for Moneyback programme and support for Ukrainian refugees in 2022. 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 11.7% y/y to CZK 4.2 bn in FY 2023 which was driven mainly by revaluation of derivatives.

Total operating expenses rose by 8.5% y/y to CZK 23.1 bn in FY 2023, mainly influenced by growth of personnel expenses and other administrative expenses. The increase in personnel expenses (+10.7% y/y) was driven mainly by salary increase, restructuring reserve and employee share programme. Higher costs of IT and business operation with higher contribution into Deposit Insurance Fund led to **rise in other administrative expenses (+7.3% y/y). Depreciation increased by 2.3% y/y** in comparison with FY 2022 as a result of higher deployment in category buildings. As the consequence of the above-mentioned development, **Cost/Income ratio rose to 47.9% from 42.8% in FY 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 -0.8 bn in FY 2023**, reflecting excellent quality of the loan portfolio and one-off initial net provision creation due to Sberbank CZ and Hello bank acquisitions.

Other operating result of CZK -1.7 bn, consisting mainly of other income and costs not directly related to main operating activities of the Group, worsened by 2.2% y/y, attributed mainly to higher software impairment.

The overall number of active payment cards issued by ČS increased by 8.3% year-on-year and reached 3.7 m. Thereof credit cards represented 222.5 thousand. The volume of card transactions executed in FY 2023 with Česká spořitelna's cards was CZK 425.0 bn and rose by 12.9% compared to FY 2022. The number of Česká spořitelna's ATMs and transaction terminals decreased by 56 y/y to 1,680.

Česká spořitelna has successfully finalized the acquisition of the consumer loan portfolio from Hello Bank. Overall, Spořitelna incorporated more than 200,000 loans worth CZK 7.5 billion. Previously, Spořitelna has successfully completed the takeover of client loan portfolio of the fallen Sberbank CZ and contributed to strengthening the stability of the domestic banking market.

FINANCIAL DATA		2022	2023	Year-on-Year Change
Income statement (CZK m)	Net interest income	36,719	34,583	-5.8%
	Net fee and commission income	9,504	10,894	14.6%
	Net trading result	3,739	4,178	11.7%
	Rental income, dividends and other income	-87	-1,290	>100%
	Operating income	49,875	48,365	-3.0%
	Operating expenses	-21,335	-23,144	8.5%
	Operating result	28,540	25,221	-11.6%
	Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	-1,854	-274	-85.2%
	Impairment result from financial instruments	-636	-825	29.7%
	Other operating result	-1,669	-1,706	2.2%
	Taxes on income	-4,193	-3,736	-10.9%
	Post-tax profit from continuing operations	20,188	18,680	-7.5%
	Net result attributable to non-controlling interests	27	66	>100%
	Net result attributable to owners of the parent	20,161	18,614	-7.7%
Balance sheet (CZK m)	Loans and advances to customers (gross)	934,657	1,031,776	10.4%
	Loans and advances to customers (net)*	913,847	1,010,592	10.6%
	Deposits from customers**	1,256,795	1,366,038	8.7%
	Total equity	137,711	144,501	4.9%
Ratios	Return on equity (ROE)	15.2%	13.9%	-1.3 pp
	Cost/income	42.8%	47.9%	5.1 pp
	Loan to deposit ratio	72.7%	74.0%	1.3 pp
	Total capital ratio	20.2%	19.6%	-0.6 pp

* 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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