



# Financial Results FY 2023



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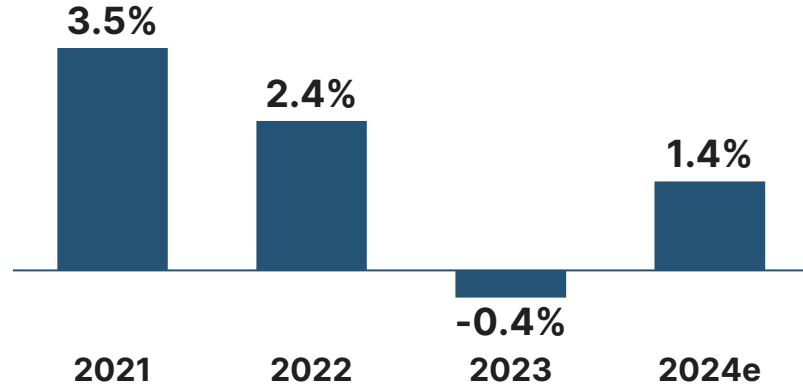
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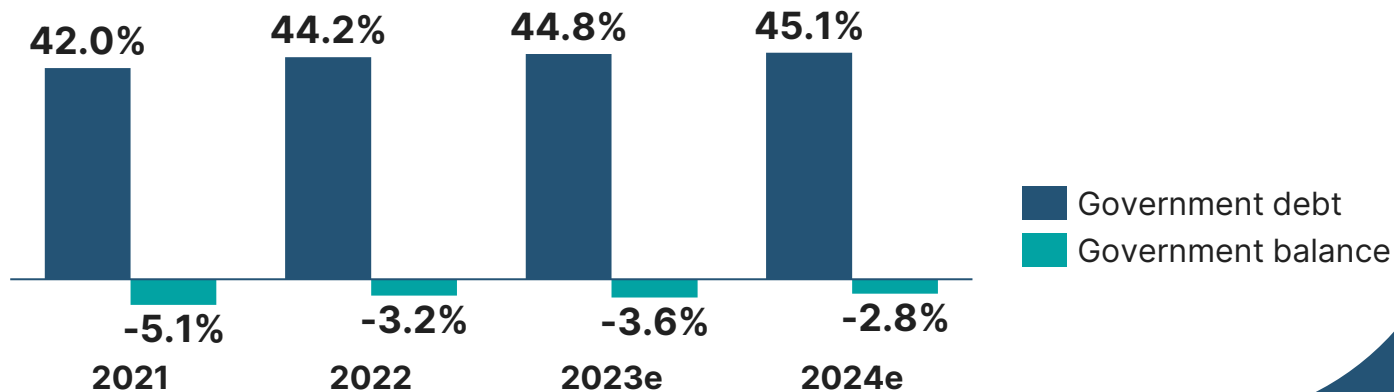
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# Macroeconomic Developments

## Real GDP Growth y/y



## General Government Debt and Government Balance (share of GDP)

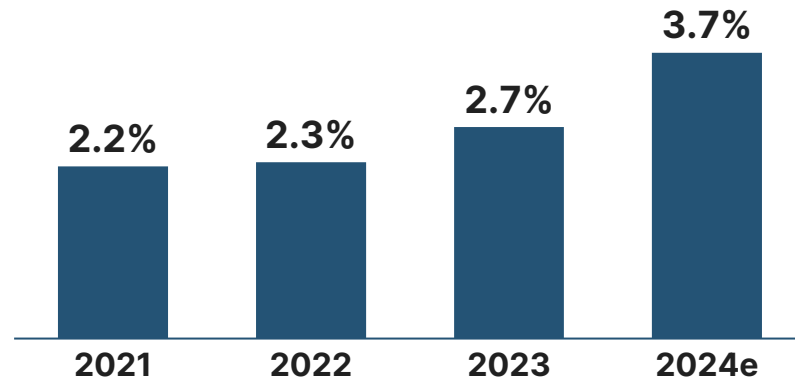


- In 2023, the Czech economy declined by 0.4%. This development was mainly driven by lower household consumption, which was affected by high inflation and low consumer sentiment, as well as by a significant fall in inventories. In H2 2023, the deterioration in economic developments in Germany also acted in this direction
- In Q4 2023, however, GDP grew slightly by 0.2% quarter-on-quarter. This was due to moderate growth in household consumption and improved external demand
- The ČS expects a gradual recovery of the Czech economy in 2024, which should be supported by both, improved domestic as well as foreign demand. However, this development is likely to be gradual, with only a modest improvement in demand at the start of the year
- The expenditure side of the central government budget will remain high, with a number of one-off factors influencing it, in addition to significant share of mandatory spending
- However, due to improved development of the economy and approved fiscal consolidation, ČS expects the deficit of the government sector to decline in 2024 and reach 2.8% of GDP

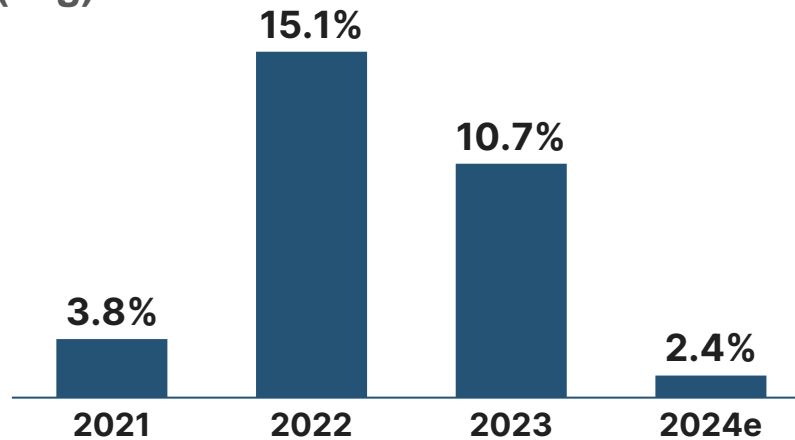
Note: Source for historic figures is the Czech Statistical Office (ČSÚ). Figures for forthcoming years are ČS forecasts  
Mid-term outlook available in the Appendix

# Macroeconomic Developments

## Unemployment Rate (eop)



## Consumer Price Inflation (avg)

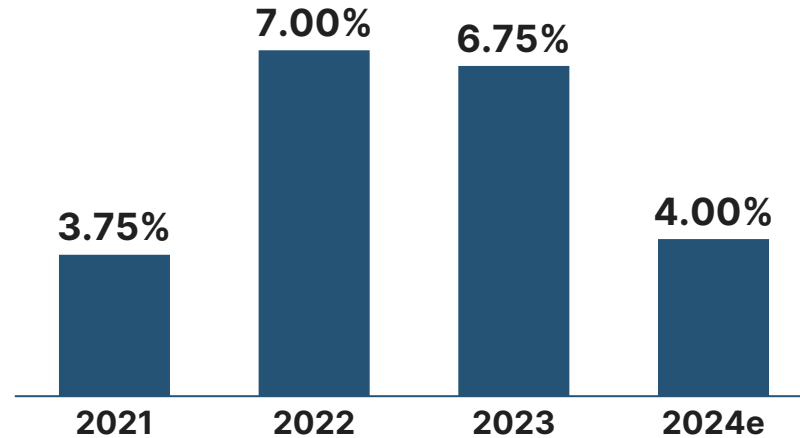


- General unemployment rate (ILO) arrived at 2.7% in December 2023, and thus remained very low. During 2024, ČS expects unemployment to be slightly increasing and arrive approx. at 3.7% at the end of the year, mainly as a result of weak domestic demand, global economy worsening and high ČNB interest rates
- In 2023, the deterioration in the labour market took place primarily through the development of real wages, which fell due to high inflation. After 8.5% decline in the average real wage in 2022, ČS expects it to arrive at -2.8% and 3.5% in 2023 and 2024, respectively
- Headline CPI inflation reached 6.9% in December 2023, and confirmed its slowing trend. In this respect, it is important that after adjusting for the effect of the Savings Tariff, December inflation would have been only slightly above 4%. This confirms the rapid unwinding of inflationary pressures
- Besides the base effect, subdued domestic demand, lower energy prices and decline in prices of agricultural producers acted in anti-inflationary direction
- After 10.7% average inflation during 2023, ČS expects its quick weakening inside the upper part of the tolerance band around the ČNB inflation target (2-3%) in H1 2024

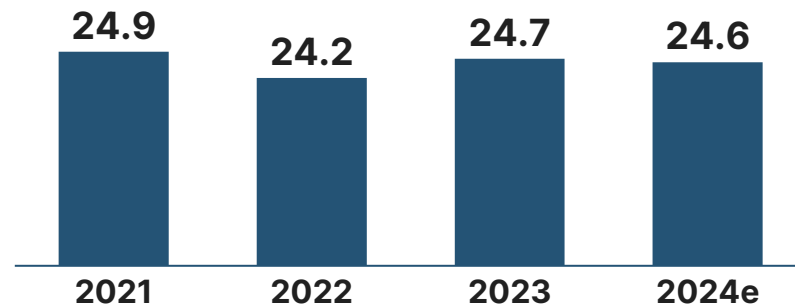
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# Macroeconomic Developments

## ČNB Repo (eop)



## EUR/CZK (eop)



- Given sound pro-inflationary pressures, the key rate of the ČNB arrived at 7.00% in June 2022 and remained unchanged till December 2023
- In December 2023, the ČNB cut interest rates by 25 bp for the first time. The main reasons were the rapid decline in inflationary pressures over the previous months and expectations of inflation returning to near the inflation target during 2024
- A relatively rapid pace of rate cuts is generally expected for 2024, affected by the weak demand developments of 2023 and only a slow economic recovery. Risks remain both-sided
- The koruna has weakened recently. This is due to market expectations of a significant drop in ČNB interest rates during this year and market sentiment influenced by weak data from the Czech and European economy
- ČS expects that the koruna could stay weak in the first half of this year; however, it could slightly strengthen during H2 2024
- This could be due to the expected economic recovery and the ČNB's monetary policy, when the ČNB is likely to slow down the pace of rate cuts

Note: Source for historic figures is the Czech National Bank (ČNB). Figures for forthcoming years are ČS forecasts  
Mid-term outlook available in the Appendix

# Summary & Business Highlights

*"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."*



Ivan Vondra, CFO



# Key Indicators

**Net profit**

**CZK 18.6 bn**  
(-7.7% y/y)

**Total capital ratio**

**19.6%**  
(-0.6 pp y/y)

**Return on equity**

**13.9%**  
(-1.3 pp y/y)

**Cost/income ratio**

**47.9%**  
(+5.1 pp y/y)

**Operating result**

**CZK 25.2 bn**  
(-11.6% y/y)

**Loan/deposit ratio**

**74.0%**  
(+1.3 pp y/y)

# Česká spořitelna Supports Stronger and Sustainable Society

Česká spořitelna has formulated a purpose-driven strategy based on Erste 2030 vision – to transform itself from a traditional bank to a “Financial Health Company” guiding Czech individuals and companies to financial health through a differentiating personalized advisory concept scaled to millions of clients. Major focus is placed on sustainability, seen as a noble purpose as well as substantial growth opportunity

## **Customized advisory with the support of digital solutions will lead to:**

- Increasing affordability of housing
- Guiding Czech companies through the “green transformation” by inspiring, advising, financing and connecting them
- Guiding Czech companies towards a higher added value products and services

## **Česká spořitelna has formulated following strategic commitments toward its customers:**

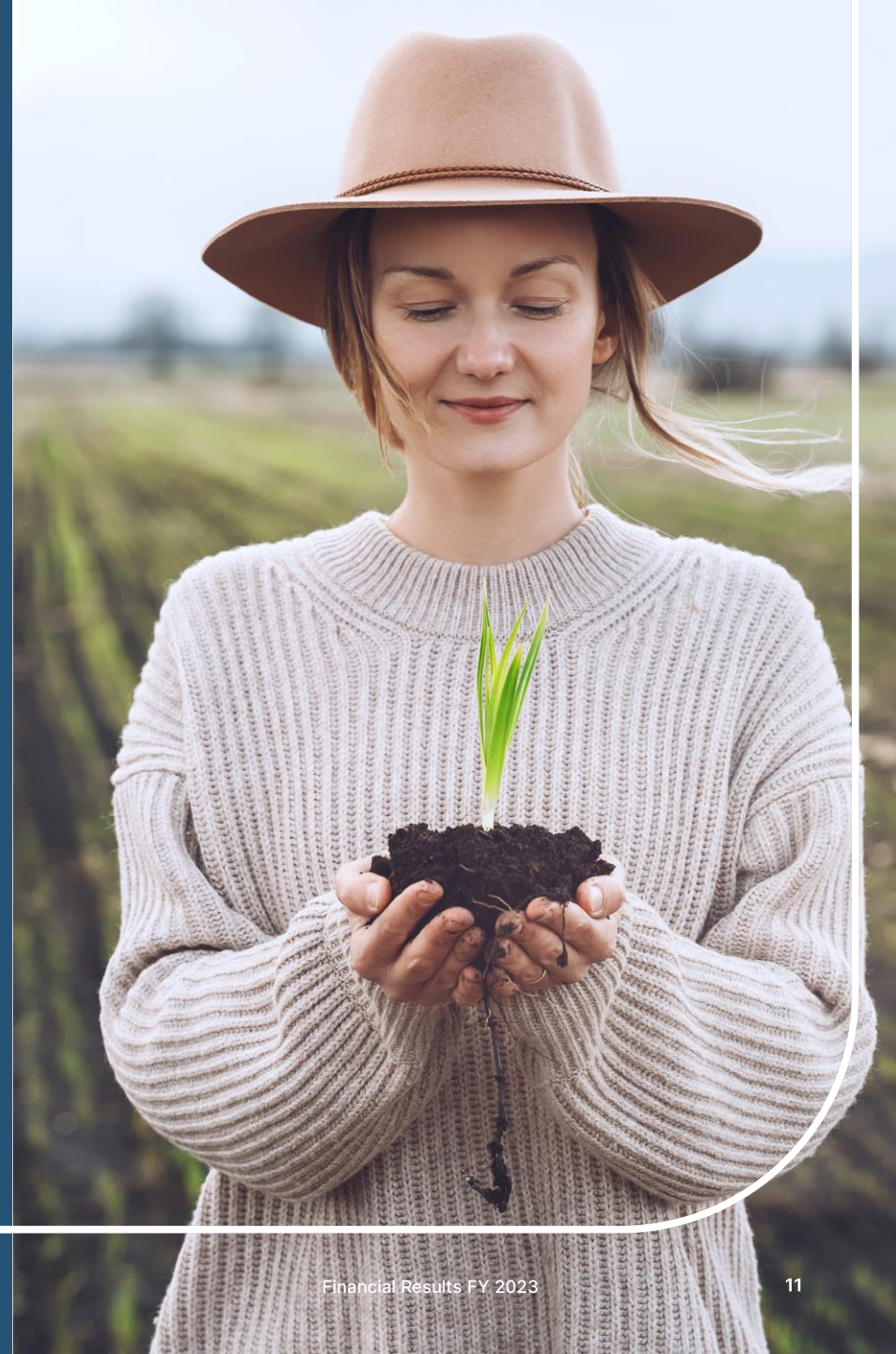
- By 2025, ČS will help all clients build a financial reserve for unexpected expenses
- By 2025, ČS will help one million clients save for retirement
- By 2025, ČS will make quality financial education available to all children in the Czech Republic
- By 2025, ČS will provide Czech companies with CZK 50 billion to increase their competitiveness and retain jobs

# ČS Cares about Sustainability

Since its establishment in 1825, Česká spořitelna has played a significant role in shaping Czech society and strengthening the country's prosperity. It is also clear that future growth and prosperity must be based on sustainability. Česká spořitelna wants to lead by example and also assist clients in transforming their own activities for long-term sustainability

## From Words to Deeds:

- Česká spořitelna launched a new website focused exclusively on ESG – [www.csas.cz/en/about-us/esg](http://www.csas.cz/en/about-us/esg). The Bank also published the 2022 Sustainability Report
- As part of its ESG activities, Česká spořitelna has been assessing the "greenness" of all new corporate special-purpose loans since the beginning of 2023, based on the Green Asset Screening (GRAS) methodology. Its purpose is to assess the sustainability of new loans
- Česká spořitelna has been introducing new "green" products for clients. After three new ESG mutual funds, the Bank has come up with Mortgage for the Future and Renovation Loan for the Future. A cheaper mortgage is available for a purchase of energy efficient housing
- Česká spořitelna Financial Group (FSČS) has expanded with a new subsidiary Dostupné bydlení (Affordable Housing). The new company will cooperate with municipalities on the development of new affordable apartments that will be rented to people working in selected professions in social infrastructure. Over 2023, the subsidiary initiated construction of more than 650 flats
- Česká spořitelna defined an Environmental, Social and Governance (ESG) risk policy as its basic framework for identifying and managing sustainability related goals and risks. The Bank also implemented assessment of ESG risk for new loan origination according to EBA Guidelines on loan origination and monitoring
- The Bank has opened 59 car charging stations in its headquarters and in the regions. By 2025, a quarter of the cars in Česká spořitelna's fleet will have run on electricity only



# Business Highlights – Retail Banking

## Mortgages

In 2023, there was a steady increase in the volume of new loans issued within the mortgage market. Česká spořitelna retained its leading position in the market with its mortgage loan portfolio. During 2023, Česká spořitelna granted 12,201 new mortgage loans with total volume of CZK 34.4 billion. The mortgage portfolio's volume reached CZK 424.8 billion, marking a year-on-year increase of CZK 40 billion

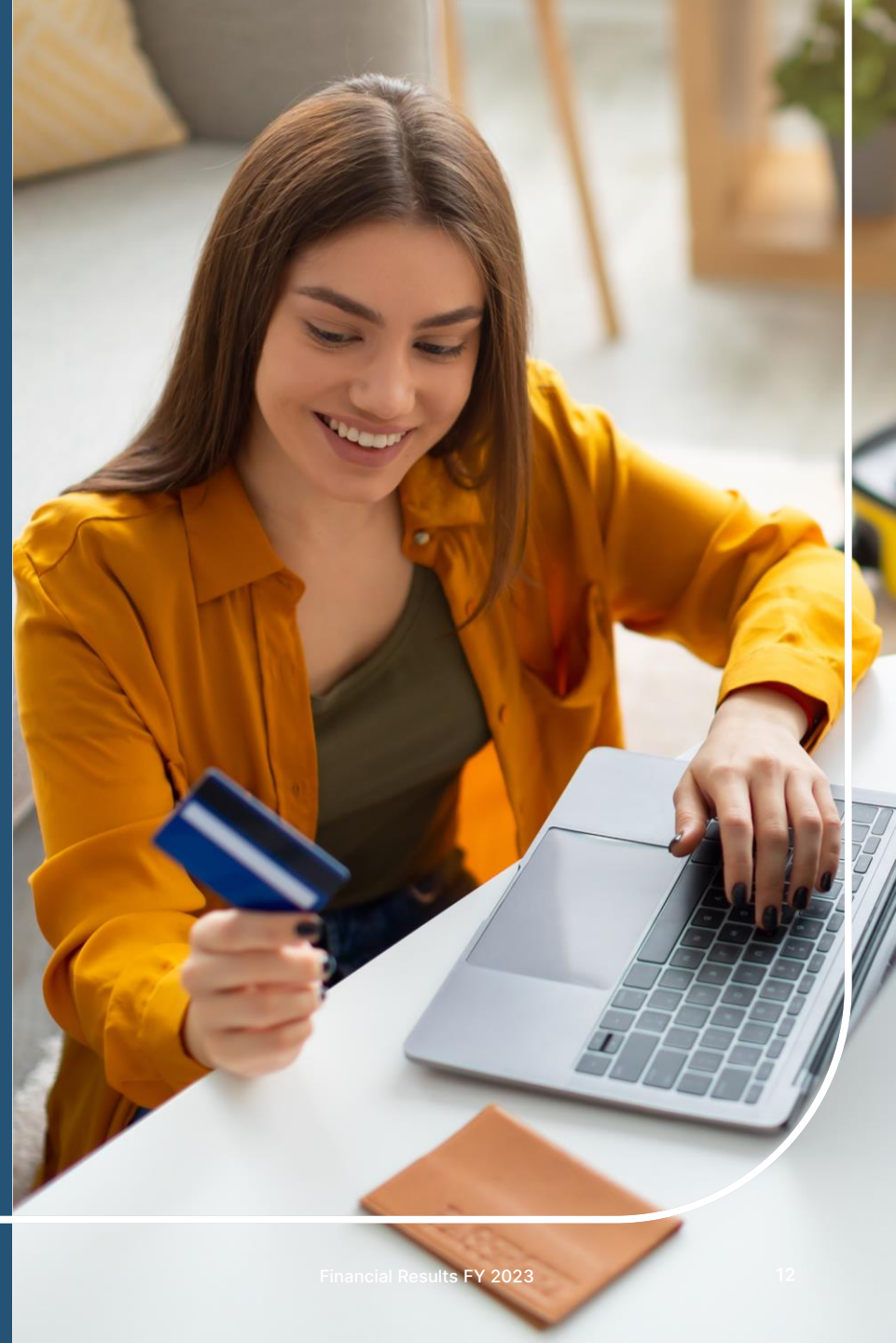
## Moneyback

The Moneyback discount program enables clients to earn rewards for purchases at designated merchants. In 2023, over 250,000 new clients activated Moneyback, bringing the total number of users to over 1.1 million. Česká spořitelna introduced personalized notifications for clients, providing updates on new merchants, promotional offers, and upcoming offer expirations

## Digitization of payments

In 2023, the ongoing trend from cash to card payments persisted. Česká spořitelna witnessed a notable uptick, with a 12.9% surge in the volume of card transactions, reaching CZK 425 billion, and a 15.3% rise in the number of card transactions, totalling 715 million transactions. The Bank facilitated secure online payments through the provision of Single-use Virtual Cards. Throughout the year, clients created 555 thousand Single-use Virtual Cards, further enhancing the safety and convenience of their transactions

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



# Business Highlights – Corporate Banking

## Financial Health Advisory

In Q4 2023, Česká spořitelna introduced a new digital application called the "Financial Health Zone" tailored for SME clients. This application not only evaluates the financial well-being of their businesses but also provides comparative ratings against similar companies. Within three months of its launch, over 260 SME clients have already utilized the FHZ app

## Green financing

By financing renewable energy sources, Česká spořitelna empowers clients to enhance their self-sufficiency, mitigate the impacts of energy price fluctuations, and stabilize operating costs. In 2023, the bank facilitated over 60 such loans, primarily supporting the installation of photovoltaic power plants on clients' operational buildings. These installations enable clients to self-consume the electricity generated during production. Additionally, Česká spořitelna financed the inaugural Czech project for the production of green hydrogen, spearheaded by Solar Global

## Financing export

Česká spořitelna is co-financing the production of 30 electric trains to be delivered by Škoda Group to Uzbekistan. This marks the largest order secured by a Czech company in Uzbekistan to date

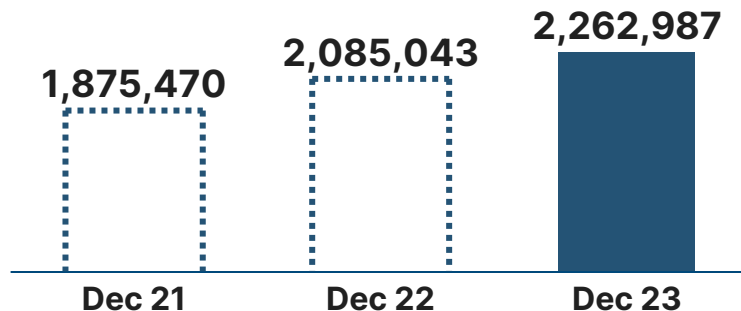
## Digital solutions

In Q4 2023, Česká spořitelna initiated online dividend payments to Kofola ČeskoSlovensko shareholders through a special web application authenticated via BankID. Earlier, clients of the energy company ČEZ became the inaugural recipients of online dividend payments

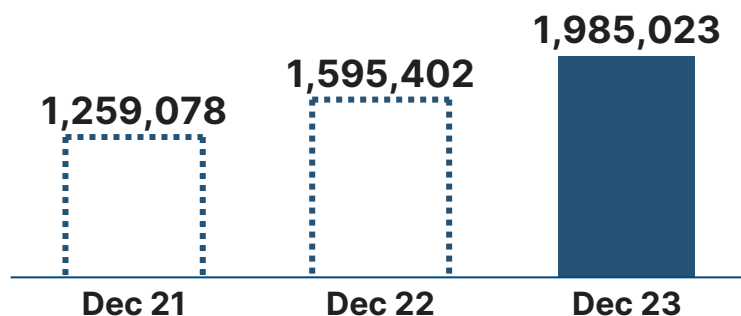


# ČS Digital Story

## Number of Active Unique Users of George (Internet & Mobile)



## Number of Active Unique Users of Mobile George



### George

- In 2023, George mobile banking confirmed its status as the leading banking app in the market, strengthened its position with almost 2 million active users by December, marking a 25% increase from 2022. On average, George mobile banking client accessed the app 31 times per month
- Total 2,913,776 unique users have engaged with George at least once, with 2,262,987 active customers across both mobile and online banking platforms
- Among the new features that George accommodated in Q4 2023 was a FIT advice zone which has been integrated into George mobile banking for all clients. This feature allows clients to receive tailored advice concerning their financial health, along with information regarding available social benefits and optimal retirement savings strategies

# Selected Awards



## Golden Crown 2023 (Zlatá koruna)

- Golden Crown - Česká spořitelna's Mortgage, George Virtual Card, educational programme Money Alphabet
- Silver Crown - Mortgage for the Future, George in Mobile, Loan for the Future from Buřinka
- Bronze Crown – ČS Online Loan, Luxury metal Mastercard World Elite debit card for Erste private banking clients, ČS Pension Savings

## Top Employer of the Year

- Česká spořitelna has become the number one and first career choice of university students in the field of Banking and Investment. At the same time, the Bank also won in the special Economist category, where the Employer of the Year is selected only by students of the faculties of Economics at universities with the best academic results

## Top Corporate Tax-Payers

- In 2023, Česká spořitelna was again awarded by the Ministry of Finance and the General Financial Directorate for the largest corporate tax-payers in the Czech Republic. The Bank paid CZK 3.3 billion in income tax to the state budget in 2022 and became the second largest corporate tax-payer in the Czech Republic

## Customer Centricity World Series Awards 2023

- Česká spořitelna triumphed in the prestigious global Customer Centricity World Series Awards 2023 – among projects aimed to help the Ukraine. The competition was contested by 26 countries

## Bank of the Year 2023

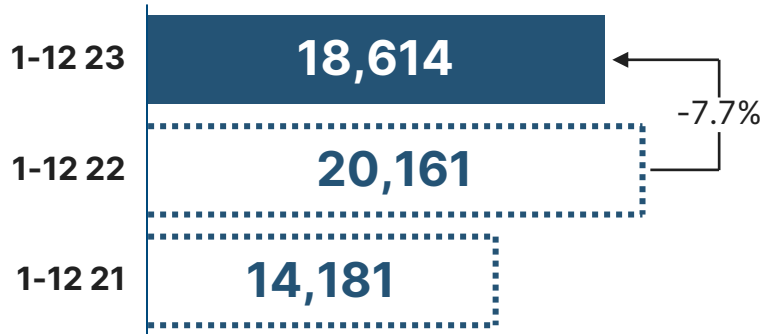
- 1st place: Private banking, Mortgages
- 2nd place: Česká spořitelna emerged in runner-up position in the main category "Bank of the Year" and also in the category "Corporate Bank of the Year"
- 3rd place: Customers' Favorite Bank, Bank Without Barriers

# Financial Performance

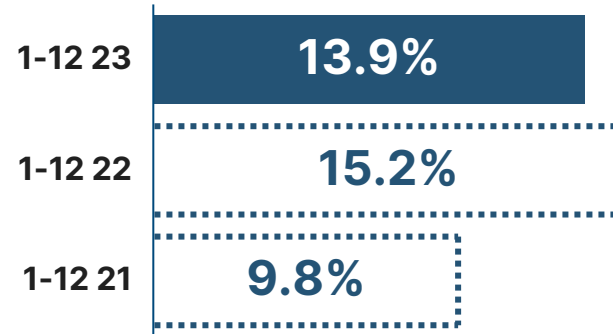


# Main Indicators

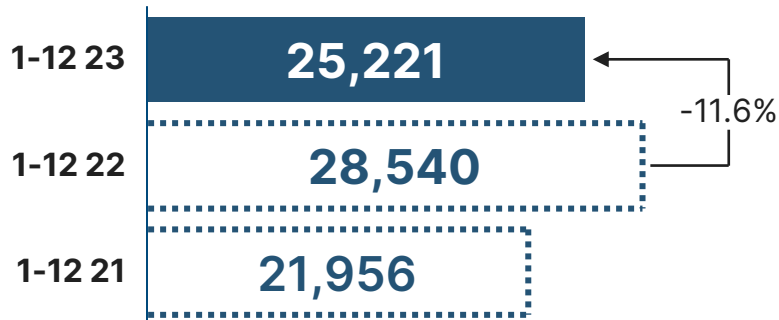
## Net profit (CZK m)



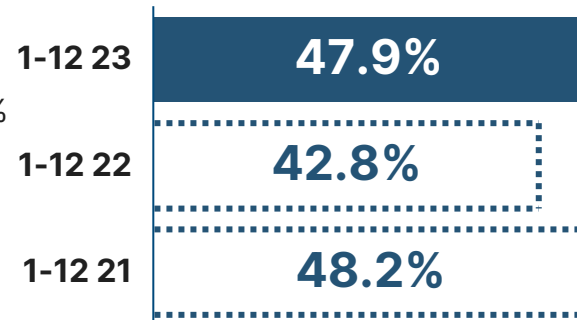
## ROE



## Operating result (CZK m)

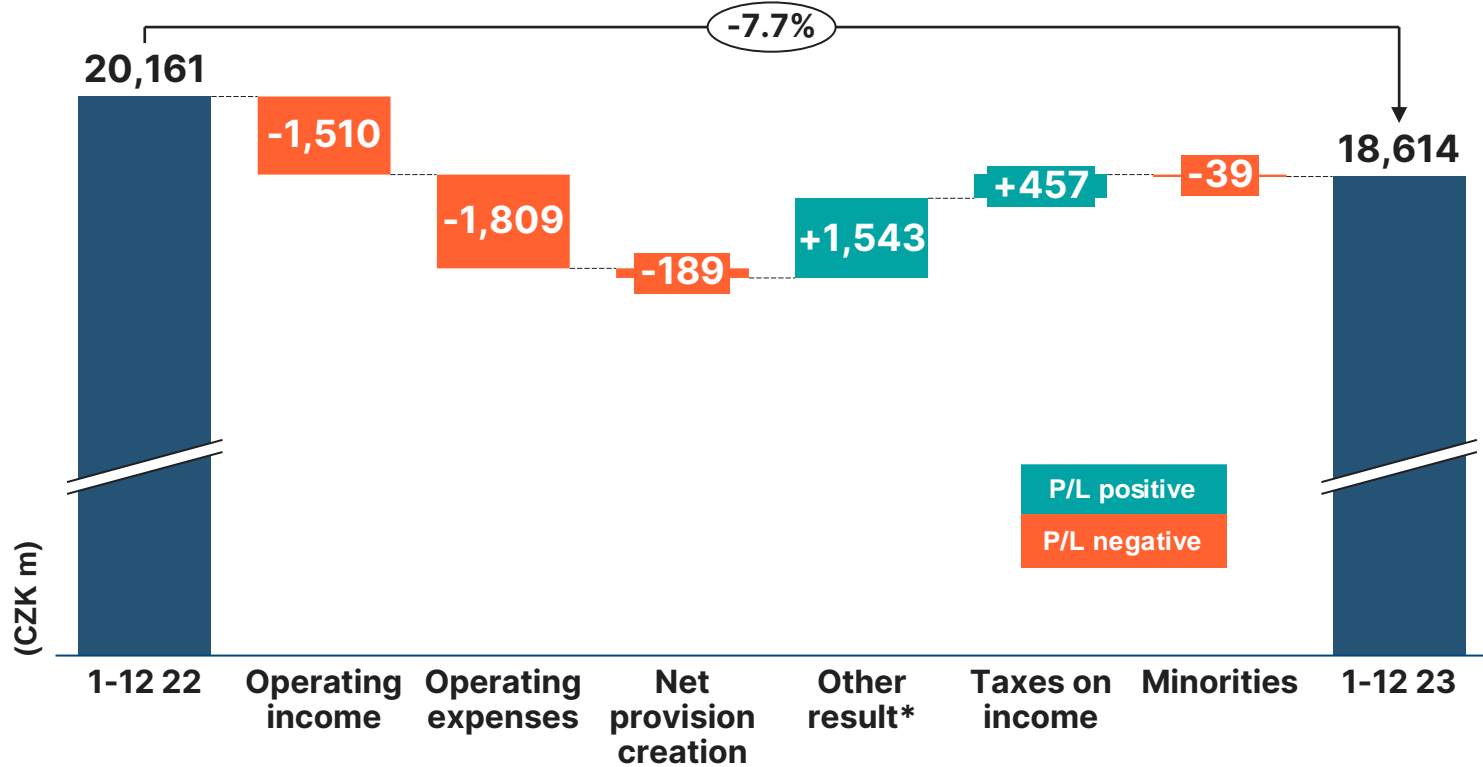


## Cost/income ratio



- Net profit decreased by 7.7% y/y to CZK 18.6 bn, driven by considerably lower operating result which was partly offset by lower losses from sale of bonds in 2023
- ROE declined to 13.9% (-1.3 pp y/y)
- Operating result decreased by 11.6% y/y (or CZK 3.3 bn)
  - Operating income declined by 3.0% y/y, attributed to higher interest expenses paid on deposits and losses from financial instruments measured at FVTPL which were partly offset by increase in net fee and commission income
- Operating expenses (+8.5% y/y) driven mainly by personnel expenses and other administrative expenses
- Cost/income ratio rose to 47.9% (+5.1 pp y/y)

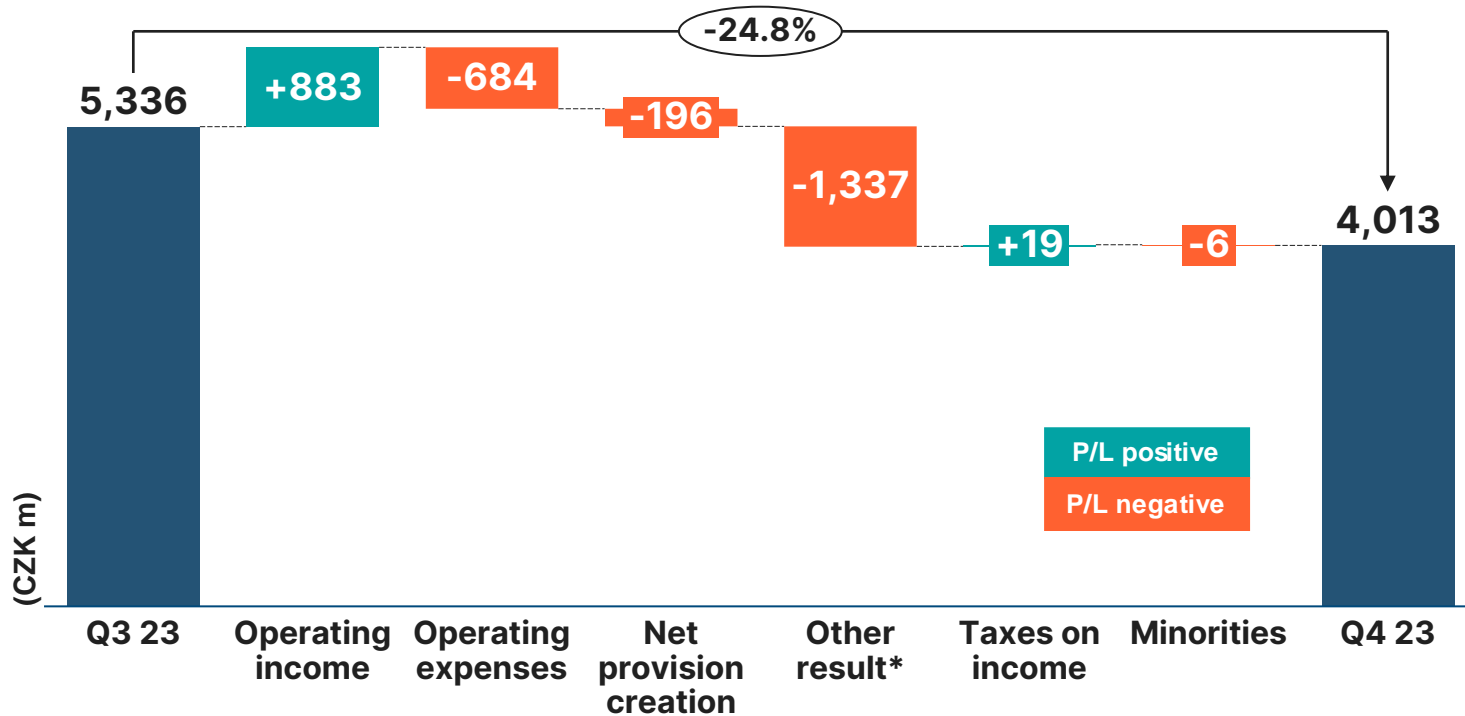
# Net Profit – Y/Y



- Operating income went down by 3.0% y/y, impacted mainly by higher interest expenses paid on deposits and losses from financial instruments measured at FVTPL which were partly offset by increase in net fee and commission income
- Operating expenses rose by 8.5% y/y, attributed to increase in personnel expenses and other administrative expenses
- Development of net provision creation reflected excellent quality of loan portfolio. Y/Y comparison was affected by one-off initial net provision creation due to Sberbank CZ and Hello bank acquisitions in 2023
- Y/Y increase in other result\* attributed mainly to better result from sales of bonds in 2023

\* Includes Gains/losses from derecognition of financial instruments not measured at FV through profit or loss and Other operating result

# Net Profit – Q/Q

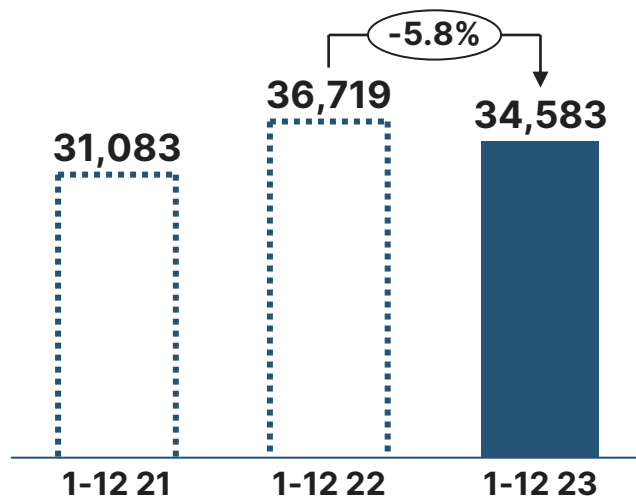


- Operating income in Q4 2023 increased by 7.5% q/q attributed mainly to net interest income and net fee and commission income
- Operating expenses grew by 12.5% q/q
  - Personnel expenses up by 9.3% q/q which was caused mainly by restructuring reserve
  - Higher other administrative expenses (+24.6% q/q) affected by higher costs on IT, office space and marketing
- Decrease in other result attributed mainly to impairment of software and buildings

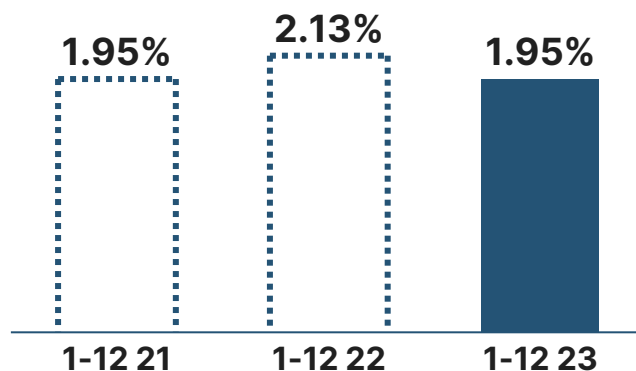
\* Includes Gains/losses from derecognition of financial instruments not measured at FV through profit or loss and Other operating result

# Net Interest Income

## Net Interest Income (CZK m)

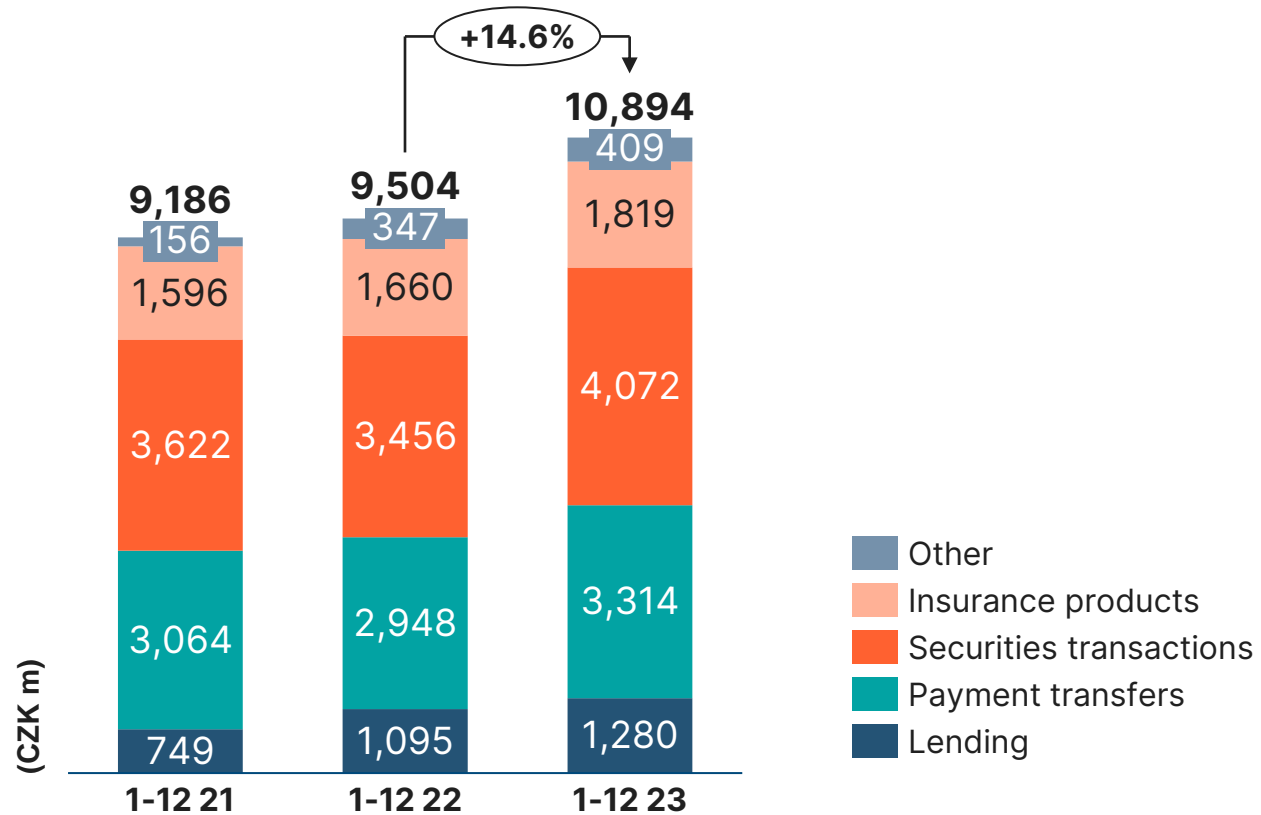


## Net Interest Margin



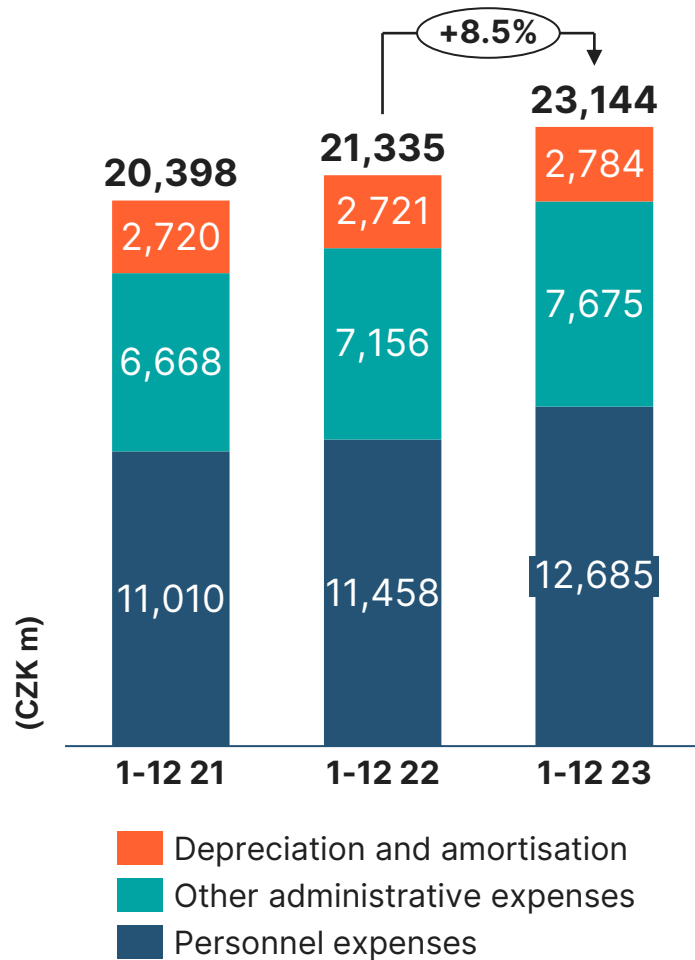
- Net interest income declined by 5.8% (or CZK 2.1 bn) in comparison with extraordinary FY 2022. This development was affected mainly by
  - Higher interest rate environment leading to deposit re-pricing which resulted in growth of volumes and change of structure towards deposits with higher interest 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 reached 1.95% in FY 2023 which was driven mainly by
  - Negative impact of increase in deposit interest rates
  - Development of balance sheet structure

# Net Fee and Commission Income

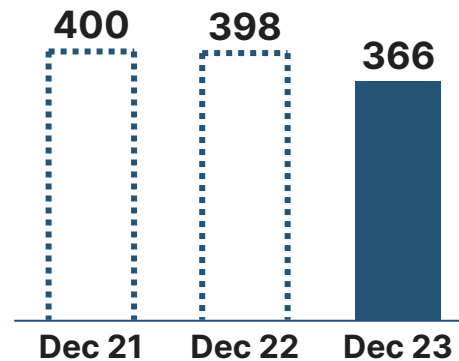


- Net fee and commission income went up by 14.6% y/y in FY 2023 caused by
  - Securities transactions increased by 17.8% y/y mainly due to pension insurance fees and fees from investments in mutual funds
  - Increase in payment transfers reflected higher interchange fees. Development influenced by one-off fee expenses for Moneyback programme and support for Ukrainian refugees in 2022
  - Insurance fees attributed mainly to life insurance products and insurance related to loans
  - Lending fees supported by business development

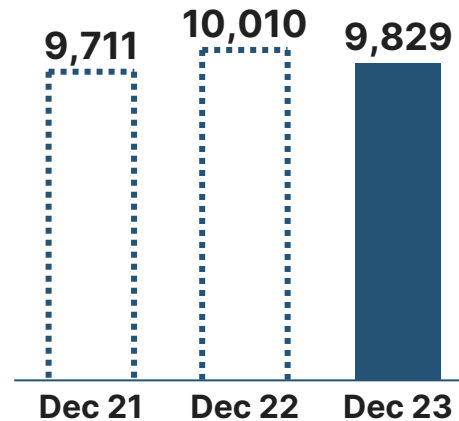
# Operating Expenses



## Number of Branches\*



## Number of Employees (eop)



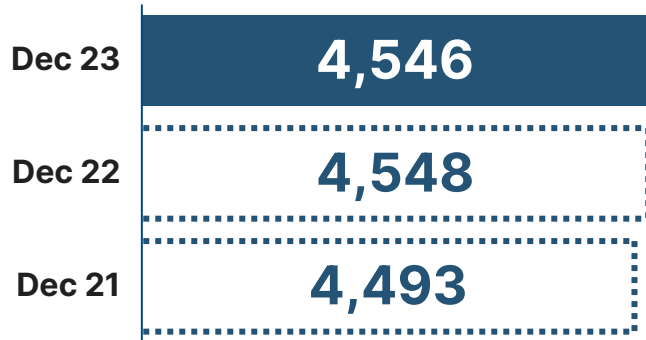
- Operating expenses rose by 8.5% y/y in FY 2023 attributed mainly to increase in personnel expenses and other administrative expenses
- Growth of personnel expenses (+10.7% y/y) was driven mainly by salary increase, restructuring reserve and employee share programme
- Other administrative expenses up by 7.3% y/y due to higher costs of IT and business operation. Furthermore, affected by increase in contribution into Deposit Insurance Fund (CZK +140 m y/y)
- Depreciation increased by 2.3% y/y as a result of higher deployment in category buildings

\* Since H1 2022 number of physical branches, previous data restated

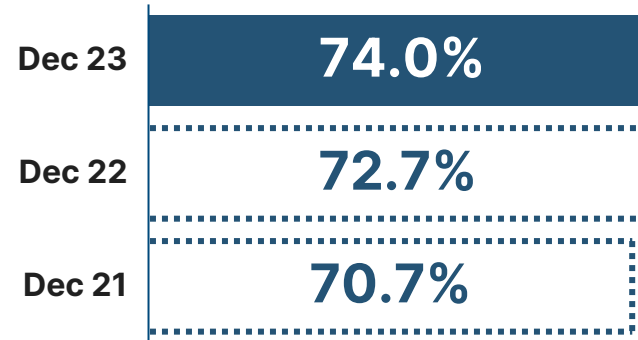
# Business Performance

# Main Indicators

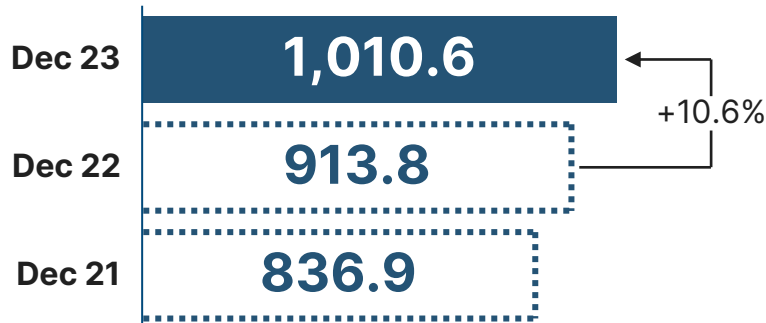
## Number of clients (ths)



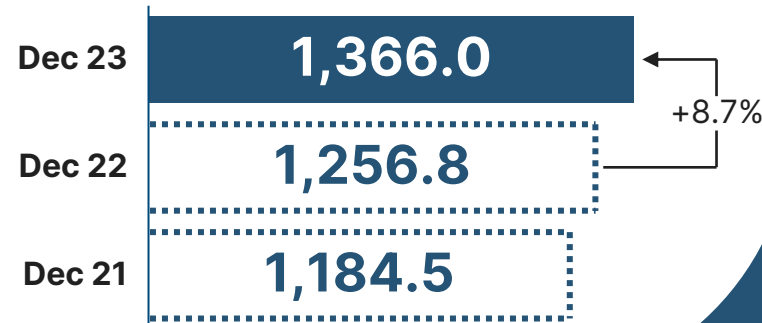
## Loan\*/deposit\*\* ratio



## Loans\* (CZK bn)



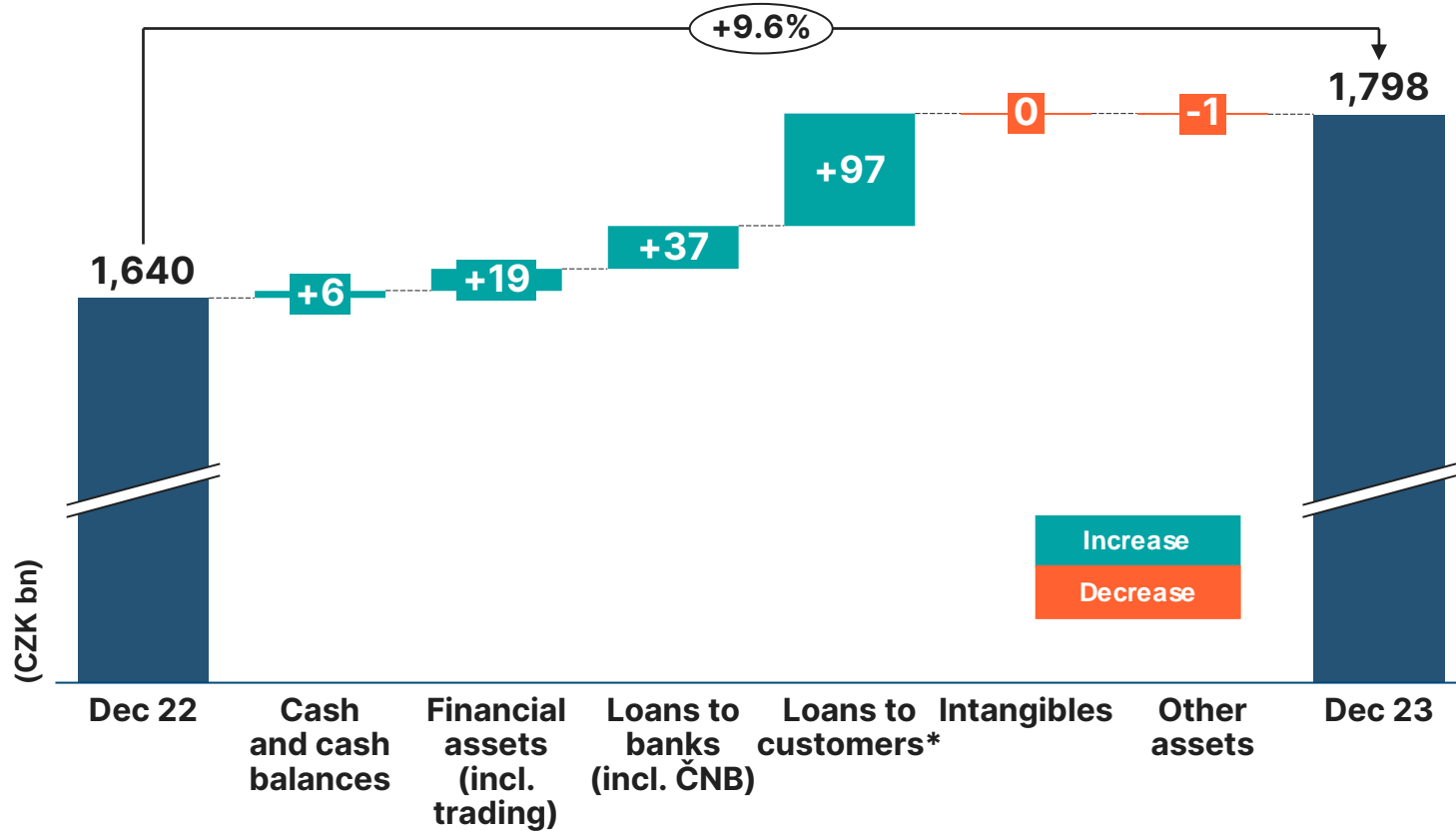
## Deposits\*\* (CZK bn)



- Number of clients almost unchanged as inflow of clients from Sberbank CZ and Hello bank was offset by data cleansing adjustment
- Group net customer loans increased by 10.6% y/y (7.0% excluding acquisitions), driven mainly by private mortgages, large corporates, consumer lending, real estate and SMEs
- Total group customer deposits grew by 8.7% y/y attributed to increase in all segments
- Loan/deposit ratio increased to 74.0% (from 72.7% in December 2022)

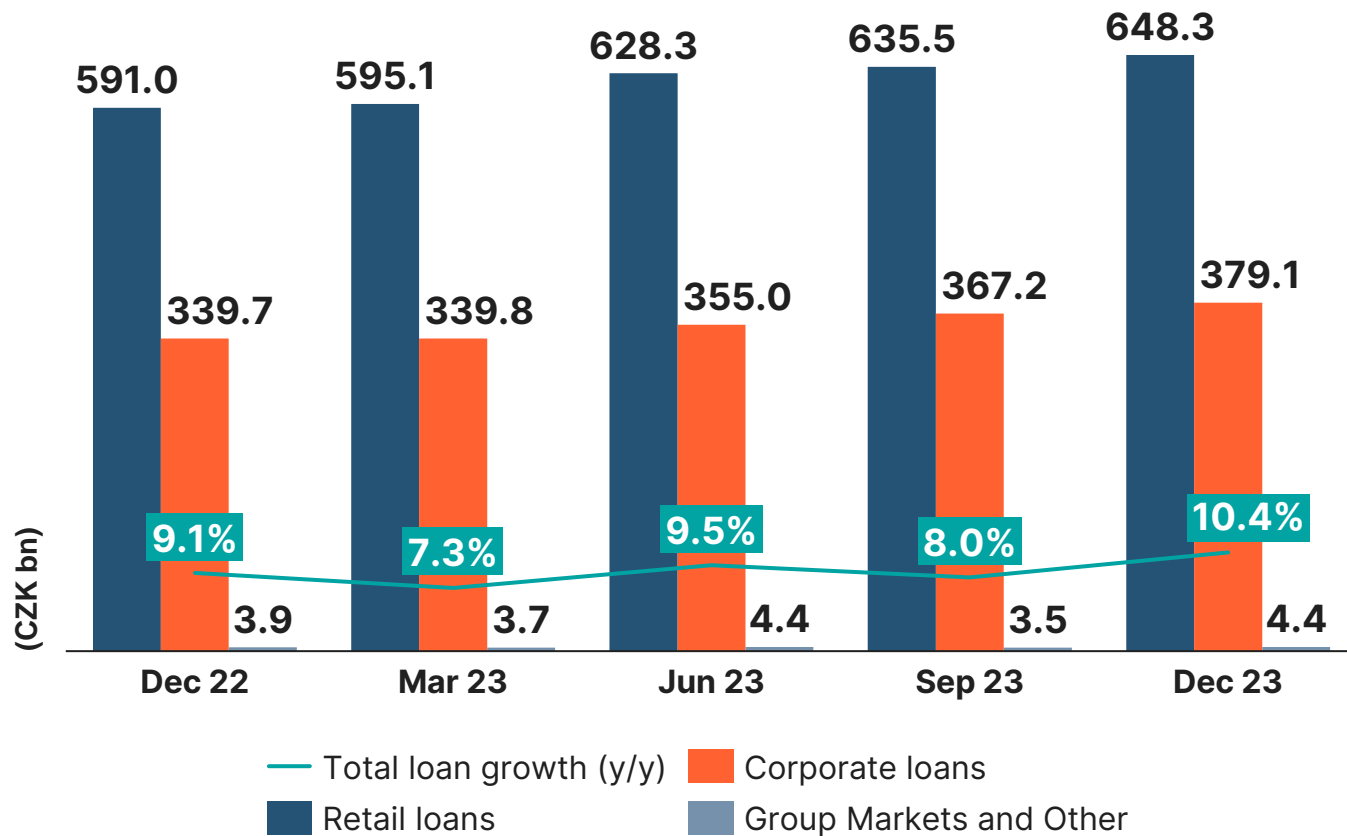


# Balance Sheet – Assets YTD



- The assets development affected mainly by growth of loans to customers
- Net customer loans\* increased in FY 2023 due to growth of retail and corporate lending supported by Sberbank CZ (CZK 28 bn\*\*) and Hello bank (CZK 6 bn\*\*) acquisitions
- Loans to banks, attributed to reverse repo operations with ČNB, grew by 13.7% (or CZK 36.8 bn)
- Growth of financial assets caused by higher investments into Czech government bonds

# ČS Group Gross Loan Portfolio

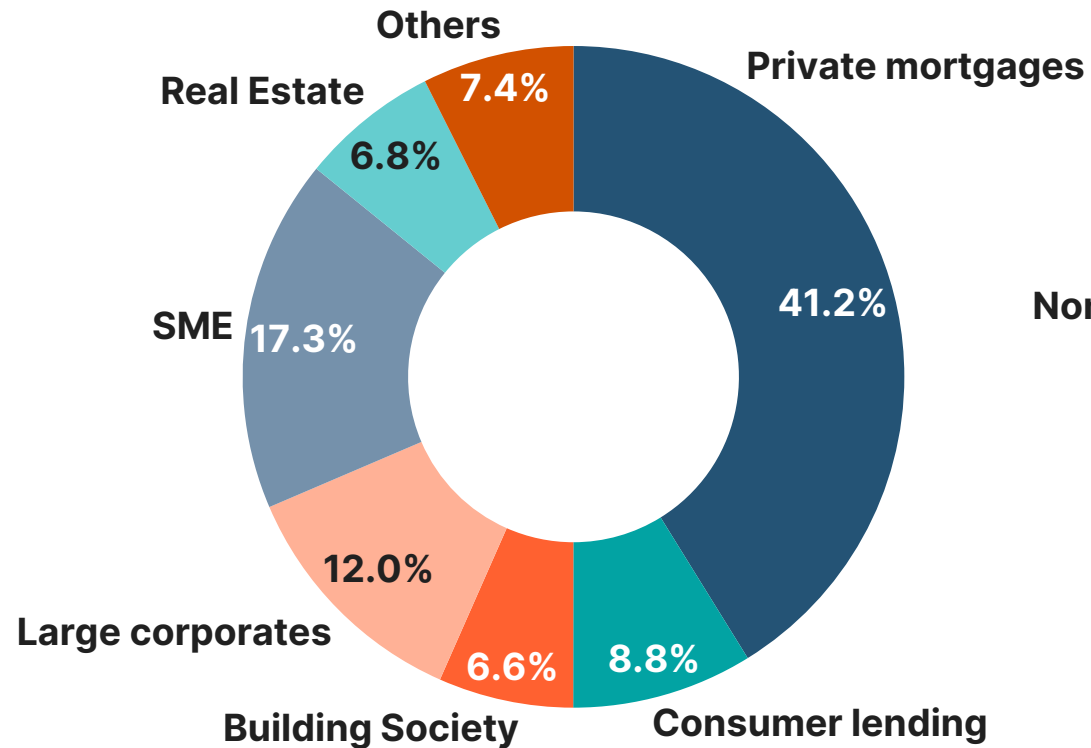


- ČS Group gross loan portfolio increased by 10.4% y/y (6.7%\*), driven by both retail and corporate loans
- Loans to retail clients rose by 9.7% y/y (4.6%\*)
  - Private mortgages +9.5% (5.0%\*)
  - Building Society (SSČS) +5.9%
  - Consumer lending +17.9% (4.8%\*)
- Loans to corporate added 11.6% y/y (10.4%\*)
  - Increase in Large Corporate +15.2% (14.1%\*)
  - Real Estate +16.5% (16.4%\*)
  - SME +7.2% (4.8%\*)
  - Subsidiaries grew by +13.0%

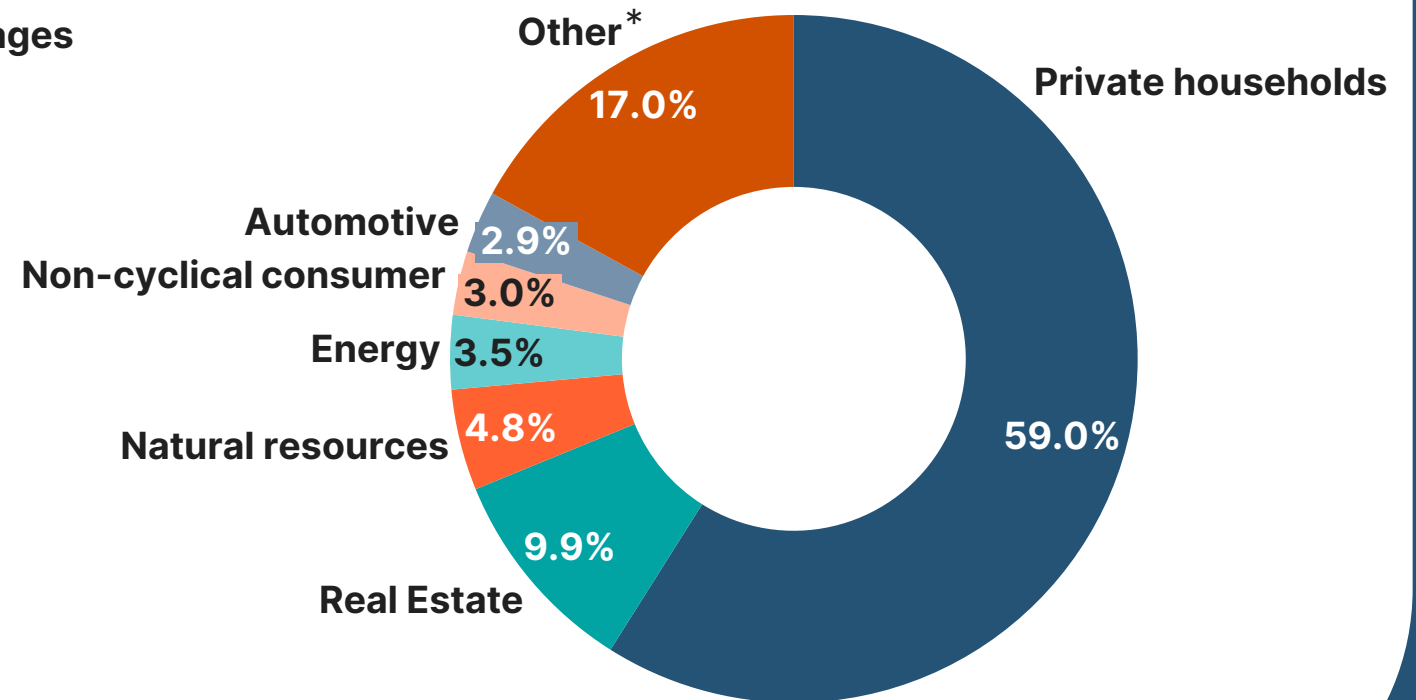
\* Excluding acquisitions of Sberbank CZ and Hello bank

# ČS Group Gross Loan Portfolio

## Gross Loan Portfolio by Customer Segment



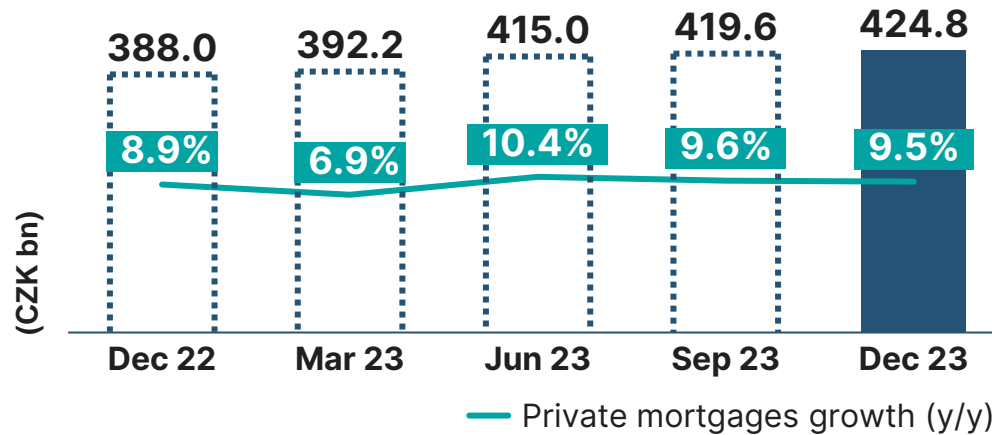
## Industry Split of Gross Loan Portfolio



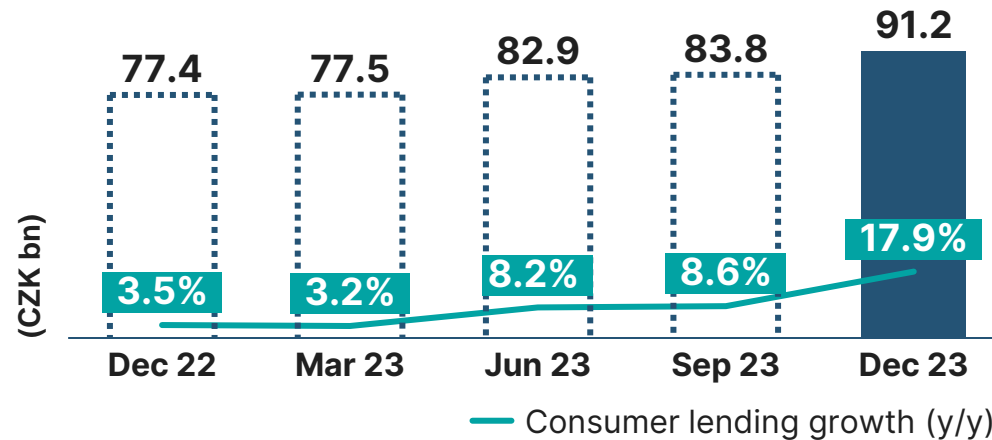
\* Includes all industries with share less than 2.9%

# Mortgages and Consumer Lending

## Mortgages

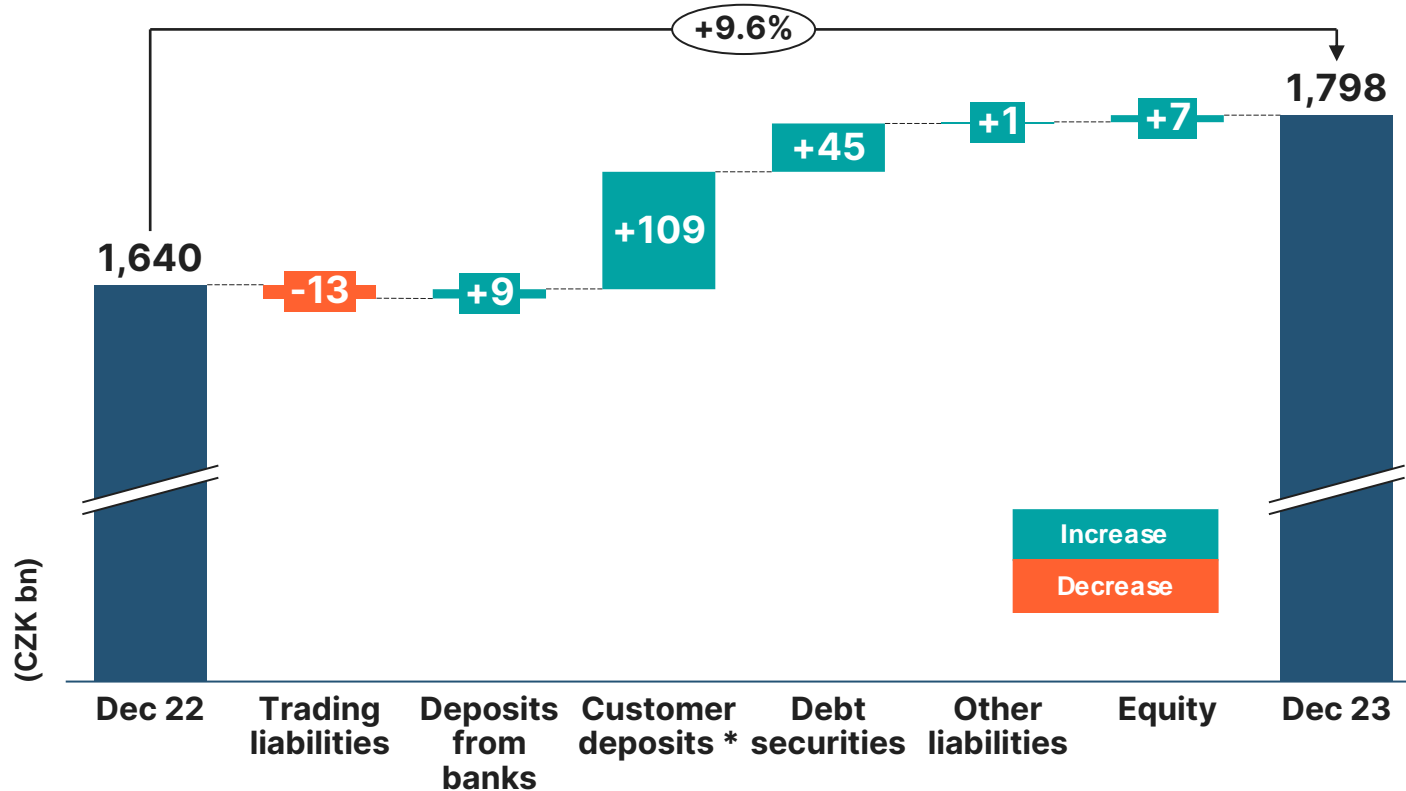


## Consumer Lending\*



- Private mortgages grew by 9.5% y/y (5.0%\*\*)
- Higher sales reflecting reviving property market
- Sberbank CZ impact CZK 17.6 bn
- Average maturity of new loans stable at 27.2 years, average deal volume at CZK 2.9 m
- Underwriting policy unchanged, LTV with higher new sales started to grow (whole portfolio at 53.6%, new loans at 66.0%)
- Consumer lending\* added 17.9% y/y (4.8%\*\*)
- Improving sales accompanied by new acquisitions – Sberbank CZ impact CZK 3.8 bn, Hello bank impact CZK 6.3 bn

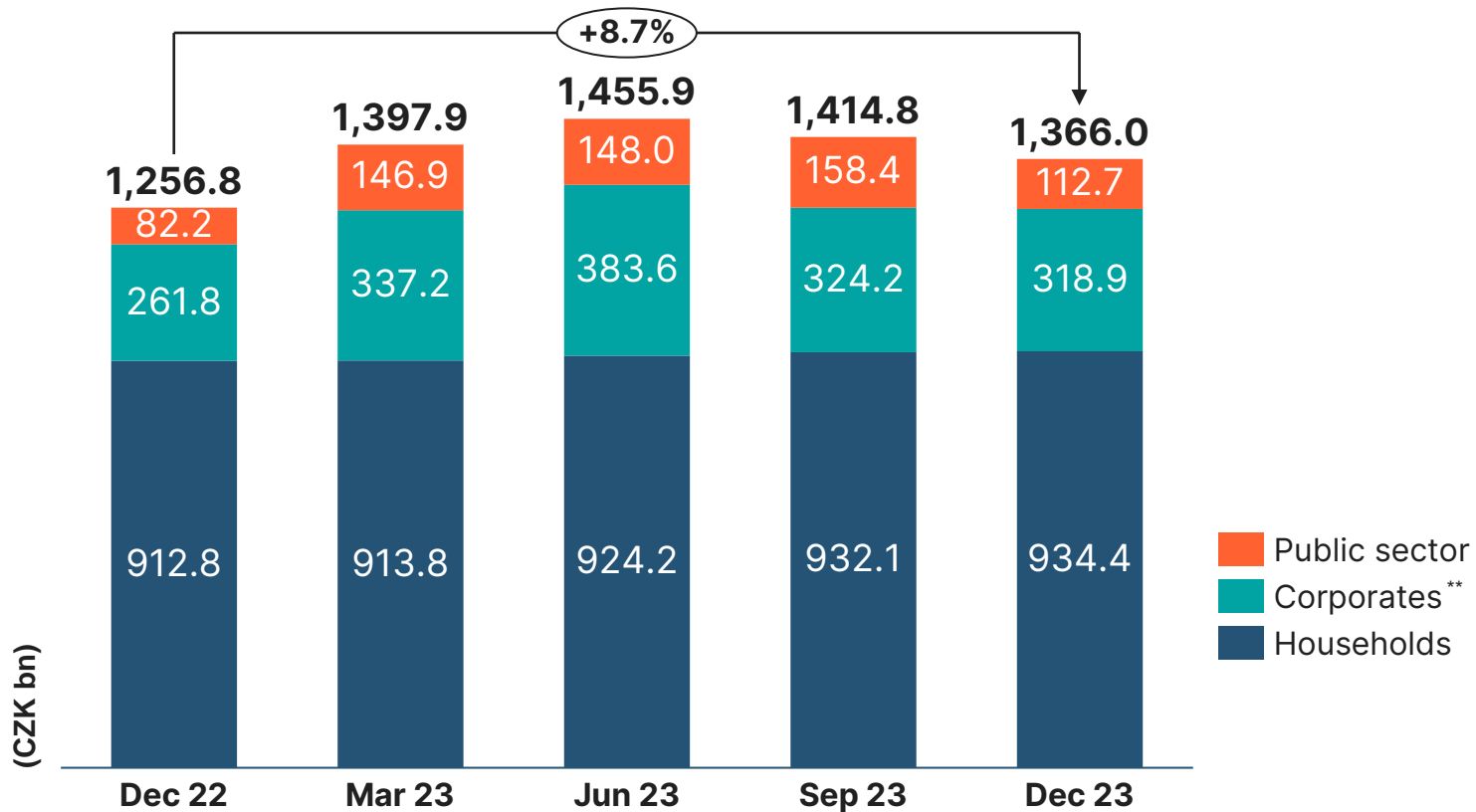
# Balance Sheet – Liabilities YTD



- The main driver of development on liability side of balance sheet was growth of customer deposits
- Group customer deposits\* grew by 8.7% in FY 2023 attributed to all sectors
- Increase in debt securities caused mainly by issuances of senior non-preferred bonds to fulfil MREL requirement (last issuance of EUR 500 m green senior non-preferred bond in September 2023) and successful issuance of T2 subordinated bonds for retail

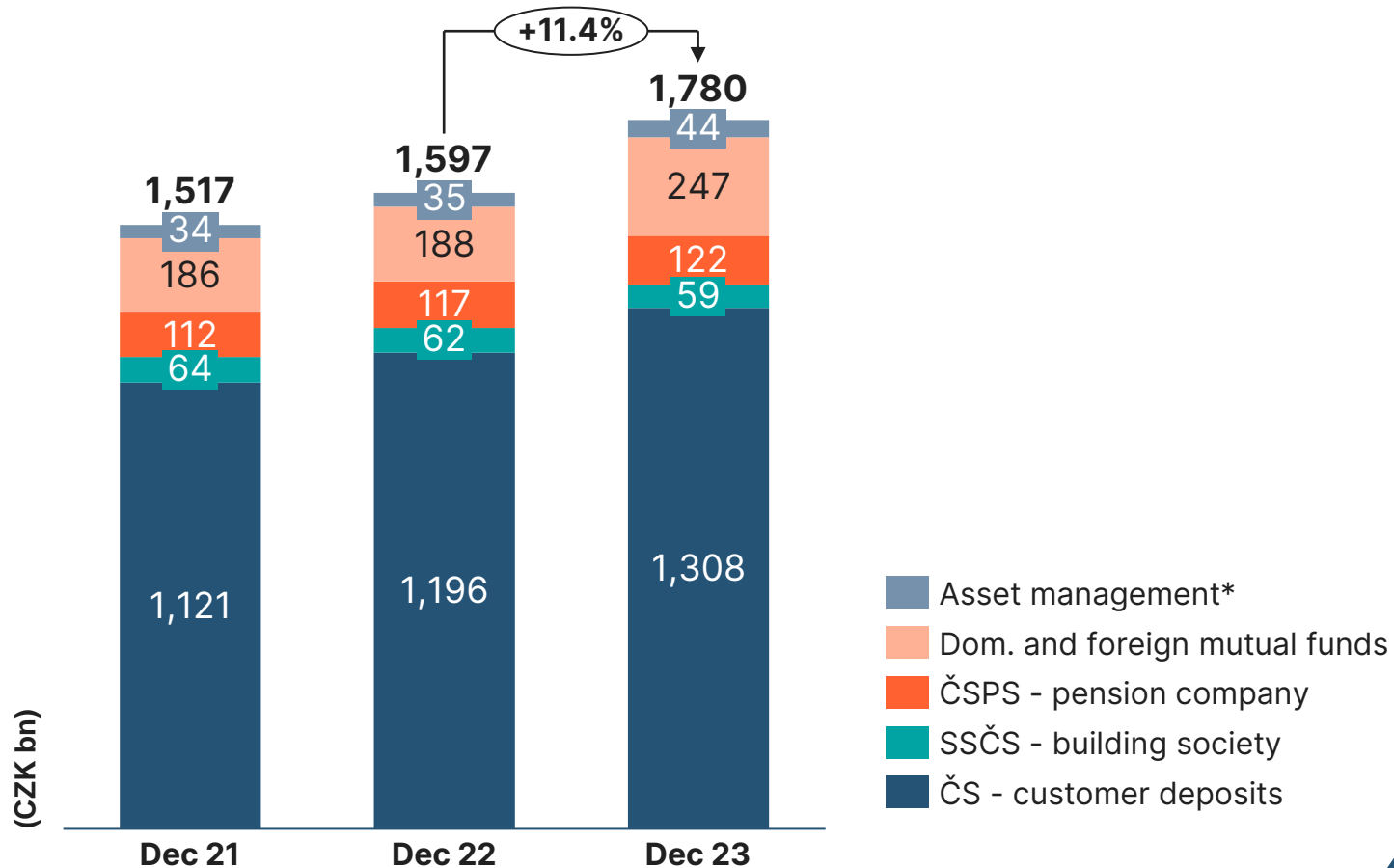
\* Includes deposits from customers at amortised cost and deposits from customers at FV through profit or loss

# ČS Group Customer Deposits



- Customer deposits continued in growth y/y in all segments; total group customer deposits\* increased by 8.7% compared to December 2022, excl. repo operations by 5.7% y/y
  - Households deposits up by 2.4% y/y
  - Corporates\*\* rose by 21.8% y/y
  - Public sector deposits increased by 37.1% y/y
- Change in deposits structure towards deposits with higher interest rates
- Deposits development affected by shift to mutual funds
- Q/Q decline of corporates and public sector deposits affected by seasonal development of short-term operations

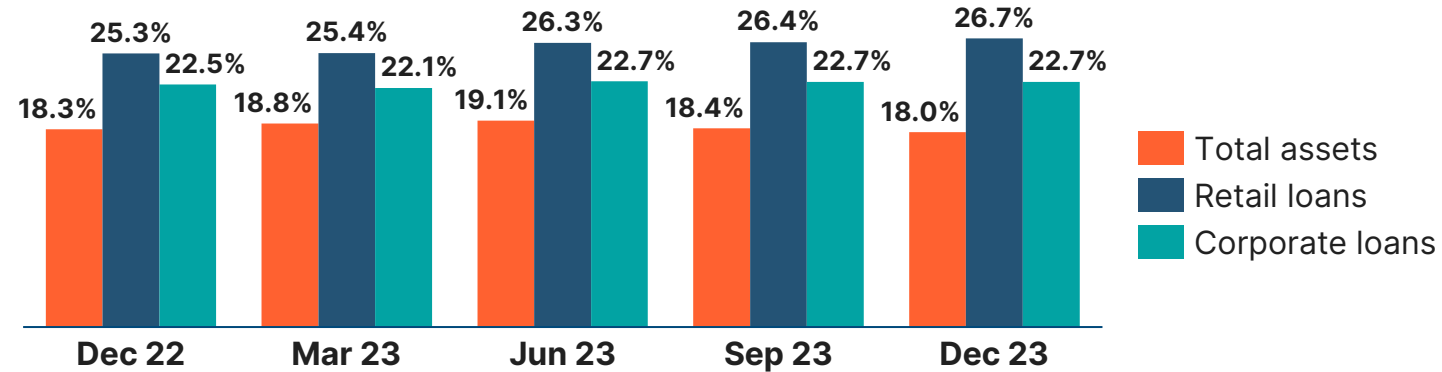
# Clients' Funds under Management



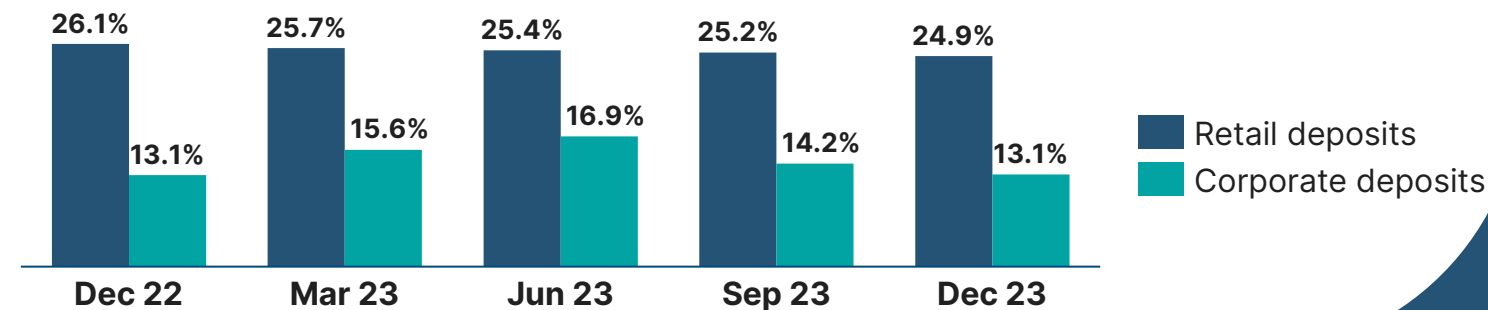
- Clients' funds under management rose by 11.4% y/y attributed mainly to growth of mutual funds (+31.9% y/y; CZK 60 bn) and ČS parent bank customer deposits (+9.4% y/y; CZK 112 bn)
- ČS parent bank customer deposits grew by 9.4% y/y, excl. repo operations by 6.3% y/y
  - Rise driven by increase in all sectors

# ČS's Market Shares

## Assets



## Liabilities



- Market share figures positively affected by acquisitions of Sberbank CZ and Hello bank
- Total assets market share of 18%
- Total loans market share of 23%
- Private mortgages
  - New business market share of 26%
  - Outstanding portfolio market share of 30%
- Consumer loans (incl. credit cards) market share of 28%
- Total deposits market share of 20%
  - 25% in retail deposits
  - 13% in corporate deposits
- Mutual funds with market share of 26%

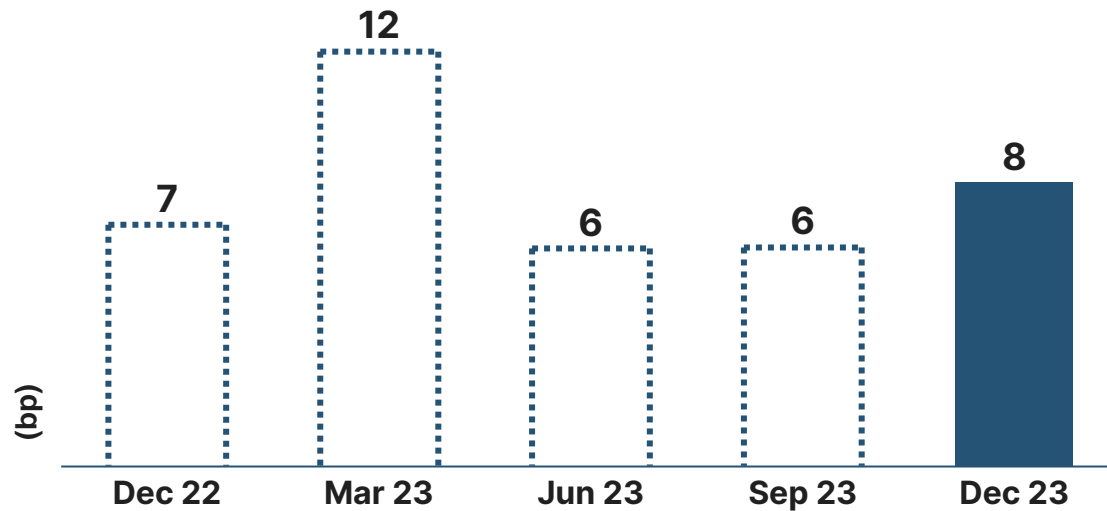
Note: Based on ČNB methodology. Retail = households; corporate = non-financial corporations



# Risk & Capital Position

# ČS Group Risk Costs

Risk Costs Development (YTD)

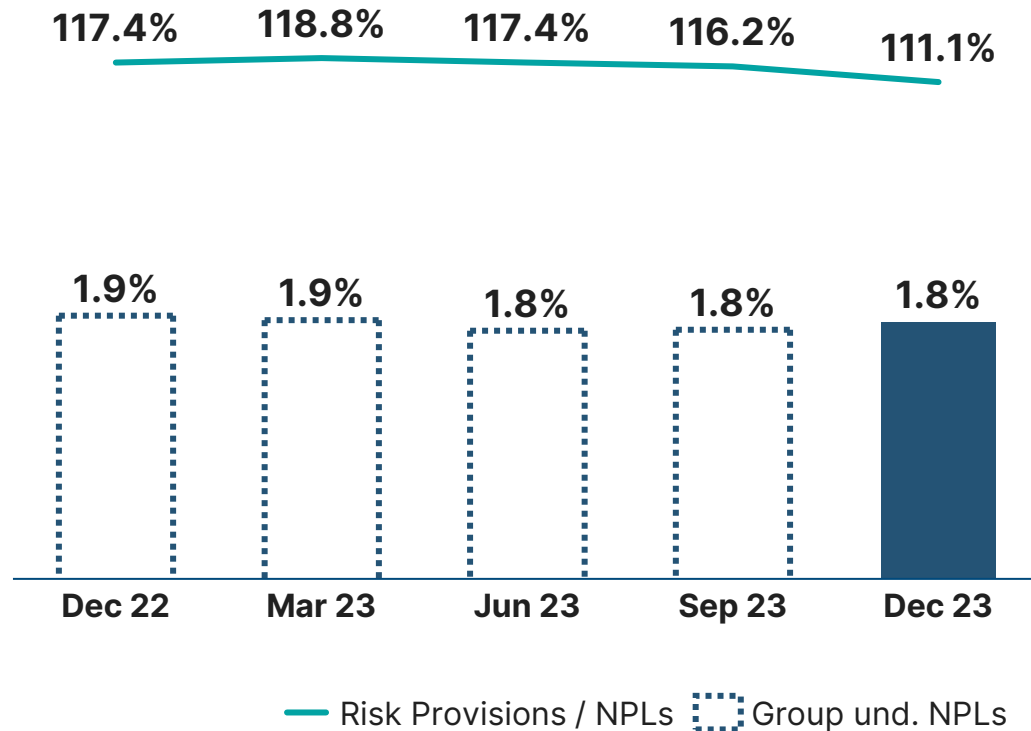


- Excellent quality of loan portfolio kept provision creation at a very low level
- One-off impact of acquisitions (initial provision setting), when excluding this impact, risk costs would have reached -2 bps in December 2023
- Retail portfolio with minor provision creation only
- Corporate kept provision release mode thanks to Large corporate

Note: Risk costs calculated as annualized credit risk provision creation YTD to customer loans

# ČS Group Asset Quality

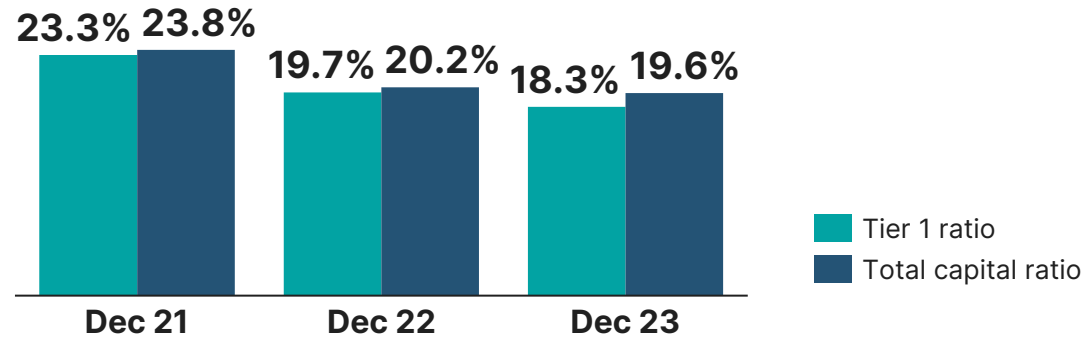
## NPL Ratio and NPL Coverage



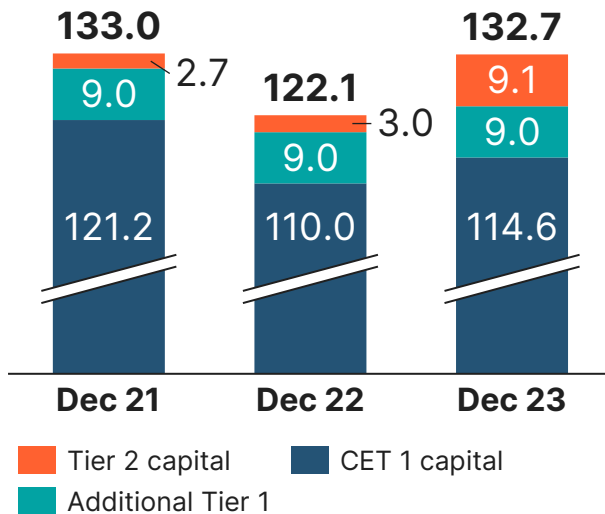
- Group NPL share stable at 1.8%
  - New defaults offset by recoveries
  - Provision coverage at 111.1% and total coverage (provisions+collateral to NPL) at 148%

# ČS Group Capital Position

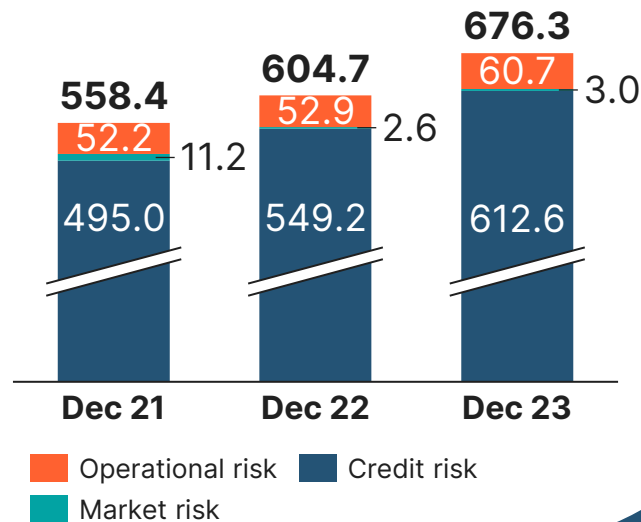
## Capital Ratios



## Regulatory Capital (CZK bn)



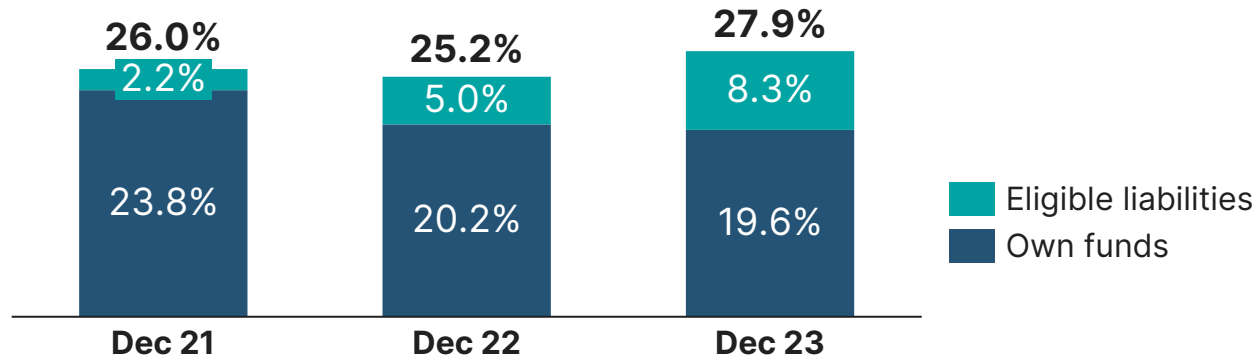
## Risk Exposure (CZK bn)



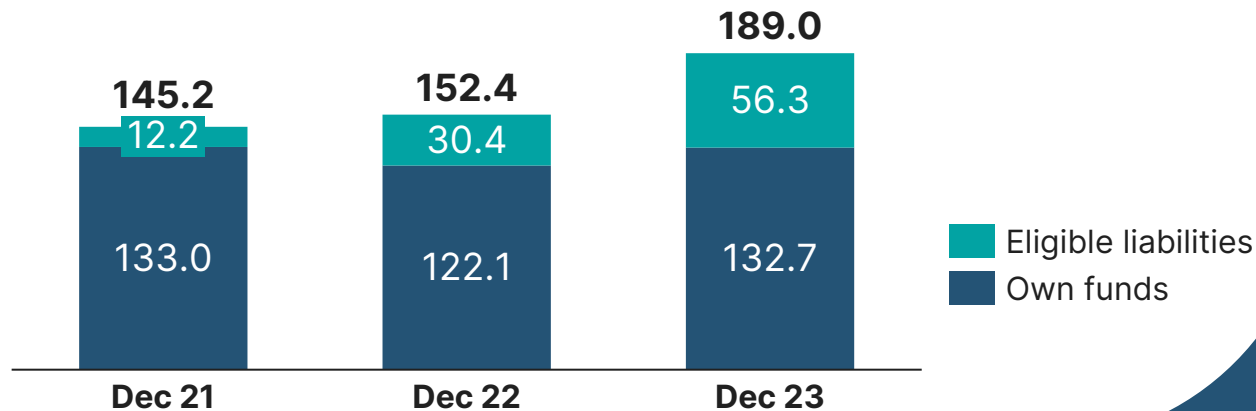
- Total capital ratio at 19.6%, Tier 1 ratio at 18.3%
- Capital adequacy remained well above regulatory requirement of 16.4% applicable as of 31<sup>st</sup> December 2023
- Capital boosted by issuance of Tier 2 in June 2023 (CZK 5.9 bn eligible as of 31<sup>st</sup> December) and by partial inclusion of profit
- Capital ratios moderately decreased year-on-year due to growth of risk exposures
- Total risk exposure increased by 11.8% y/y driven by credit risk (+11.6% y/y)
- Main drivers were new loan volumes (including purchase of Sberbank CZ and Hello Bank assets) and updated risk parameters (prudential increase in risk weights in retail)

# ČS Group MREL Position

## MREL Ratio



## Own Funds and Eligible Liabilities (CZK bn)

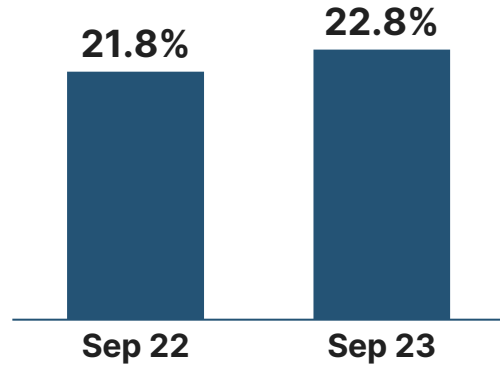


- Regulatory update
  - MREL ratio at 27.9%
  - Well above interim regulatory requirement of 23.0% (31/12/2023) as well as final regulatory requirement of 25.8% (including CBR of 6.5 %) effective from 1<sup>st</sup> January 2024
  - ČS has a full subordination requirement for MREL
- Issuances
  - Y/Y increase in own funds and eligible liabilities driven by successful new issuances in 2023:
    - T2 subordinated bonds for retail clients (CZK 5.9 bn 6NC5 at 6.75%)
    - Senior non-preferred bond for institutional investors (EUR 500 m 4NC3 at MS+240)
    - Green senior non-preferred bond for institutional investors (EUR 500 m 4.5NC3.5 at MS+235) – substantially oversubscribed
  - Market volatility persists in 2023 due to elevated geopolitical risks which contributes to widened spreads for CEE issuers
  - Plan to continue with international bond issuances in 2024 to maintain minimum MREL requirement

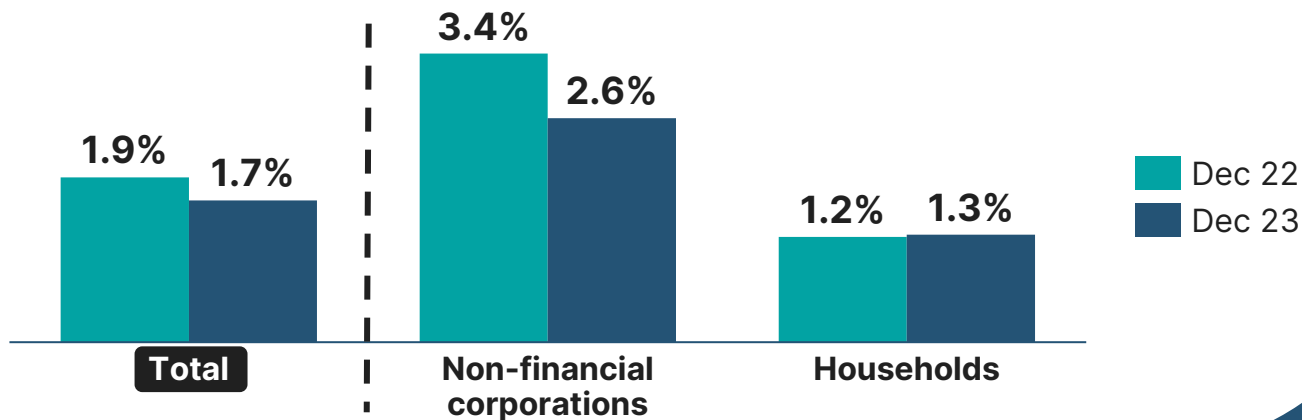
# Appendix

# Czech Banking Market I.

## Total Capital Ratio of Czech Banks\*



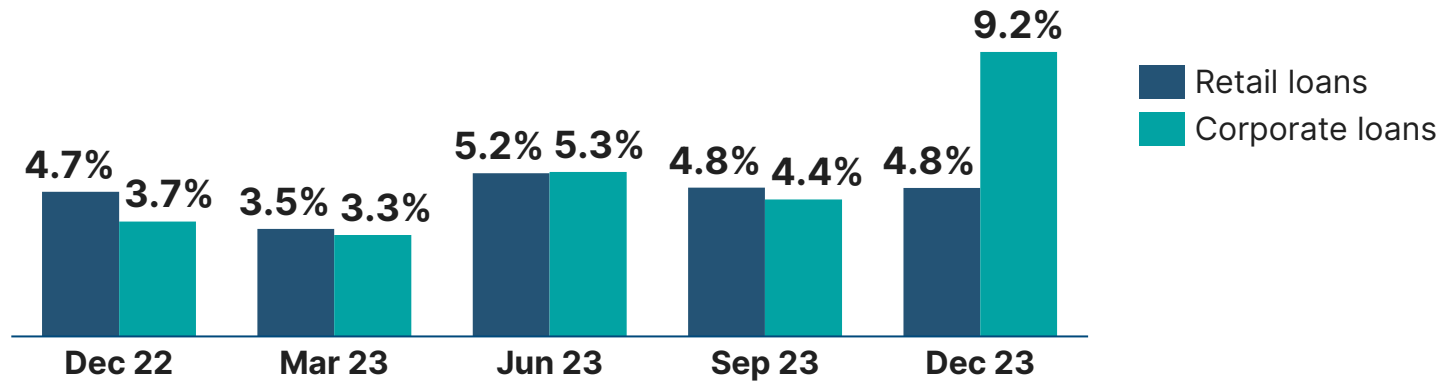
## Non-performing Loan Ratios



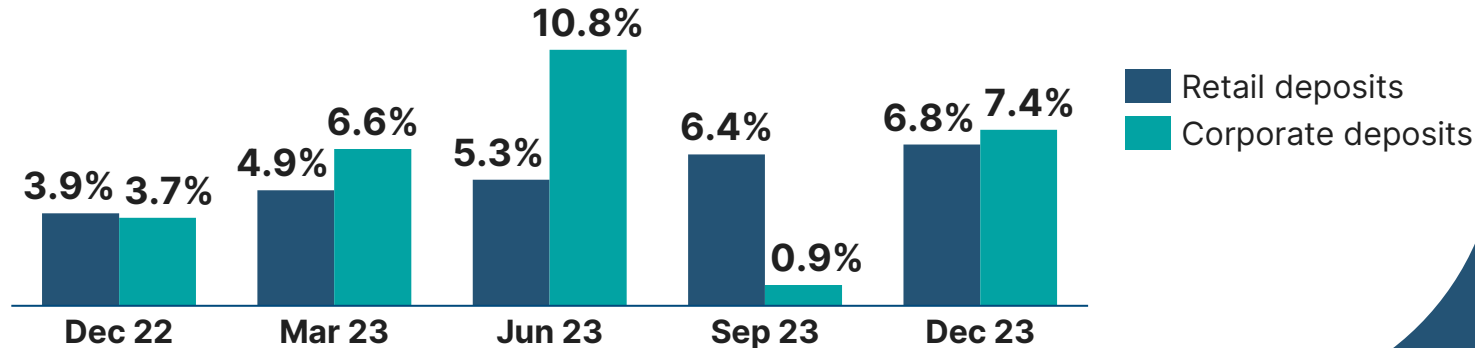
- The Czech banking sector remains resilient against adverse shocks thanks to its high capital adequacy (22.8% at the end of Q3 2023), exceeding regulatory requirements. Stabilization is being enhanced also by the gradually growing capacity of sources for crisis resolution - MREL
- Latest ČNB stress tests (June 2023) confirmed resilience of the banking sector against even strongly negative shocks thanks to its strong capital position
- The counter-cyclical capital buffer rate for exposures of Czech banks was reduced from 2.25% to 2.00% effective from 1<sup>st</sup> October 2023
  
- In mid 2021, the share of non-performing loans (NPL ratio) started to fall again in both the households and corporate sector thanks to a post-pandemic recovery of most of the economy. Russian invasion to the Ukraine, elevated energy prices and high interest rates had no significant impact on these ratios
- The NPL ratio for the corporate sector has recently fallen to the historically lowest level of 2.6%. For the household sector, since Autumn 2022 the figures have stabilized near 1.3% (historical minimum)
- Impact of costly energies has been partly mitigated through price caps on gas and power for both companies and households applied by Czech government throughout 2023

# Czech Banking Market II.

## Retail and Corporate Loans (growth y/y)



## Retail and Corporate Deposits (growth y/y)



- Total client loans rose by 7% y/y in December 2023. The growth of corporate loans reached 9.2% but this figure seems a bit above the trend (November 2023 reading was 4.6%). Retail loans grew by 4.8% on the back of a somewhat reviving demand for mortgages
- In 2024, ČS expects client loans to rise by 6.7% y/y. Over recent months, demand for housing loans improved somewhat while consumer credit seems not to have suffered despite pressure on households' spending due to high energy prices. A revival of loans to corporates on the back of after-pandemic macroeconomic boom has slowed, likely hurt by an invasion-generated uncertainty and rising euro lending rates
- In December 2023, y/y growth of client deposits reached 14.4%. The high figure was due to a massive increase in deposits by the public sector in December (in November, client deposits grew y/y by 6.2% only). Retail deposits grew by 6.8% while corporate deposits increased to 7.4%
- For 2024, ČS expects total client deposits to rise by 4.5% y/y. The pressure on firms' and households' budgets from high energy costs has been easing after energy prices fell but a true revival of the economy now seems likely in H2 2024 only

Note: Based on ČNB methodology. Retail = households; corporate = non-financial corporations



# Income Statement (CZK m)

	2022	2023	Change	Change
Net interest income	36,719	34,583	-5.8%	-2,136
Net fee and commission income	9,504	10,894	14.6%	1,390
Dividend income	68	42	-38.2%	-26
Net trading result	3,739	4,178	11.7%	439
Gains/losses from financial instruments measured at FV through profit or loss	-438	-1,764	>100%	-1,326
Rental and other income	283	432	52.7%	149
General administrative expenses	-21,335	-23,144	8.5%	-1,809
Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	-1,854	-274	-85.2%	1,580
Impairment result from financial instruments	-636	-825	29.7%	-189
Other operating result	-1,669	-1,706	2.2%	-37
Pre-tax result from continuing operations	24,381	22,416	-8.1%	-1,965
Taxes on income	-4,193	-3,736	-10.9%	457
Net result attributable to non-controlling interests	27	66	>100%	39
<b>Net result attributable to owners of the parent</b>	<b>20,161</b>	<b>18,614</b>	<b>-7.7%</b>	<b>-1,547</b>
Operating income	49,875	48,365	-3.0%	-1,510
Operating expenses	-21,335	-23,144	8.5%	-1,809
<b>Operating result</b>	<b>28,540</b>	<b>25,221</b>	<b>-11.6%</b>	<b>-3,319</b>

# Income Statement – Quarterly Development (CZK m)

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Change	Change
Net interest income	9,116	8,159	8,504	8,755	9,165	4.7%	409
Net fee and commission income	2,389	2,537	2,608	2,610	3,139	20.3%	528
Dividend income	0	0	39	4	0	-100.0%	-4
Net trading result	898	1,072	1,489	890	728	-18.2%	-161
Gains/losses from financial instruments measured at FV through profit or loss	-345	-313	-466	-538	-447	-16.9%	90
Rental and other income	60	70	122	110	129	17.3%	19
General administrative expenses	-5,509	-5,874	-5,680	-5,453	-6,137	12.5%	-684
Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	-110	0	0	-35	-240	>100%	-205
Impairment result from financial instruments	-524	-231	-72	-163	-359	>100%	-196
Other operating result	-358	-858	115	84	-1,048	-	-1,132
Pre-tax result from continuing operations	5,619	4,563	6,658	6,265	4,930	-21.3%	-1,335
Taxes on income	-484	-1,260	-670	-912	-894	-2.0%	19
Net result attributable to non-controlling interests	-5	-3	-23	-17	-24	41.2%	-6
<b>Net result attributable to owners of the parent</b>	<b>5,130</b>	<b>3,300</b>	<b>5,965</b>	<b>5,336</b>	<b>4,013</b>	<b>-24.8%</b>	<b>-1,322</b>
Operating income	12,119	11,525	12,296	11,831	12,714	7.5%	883
Operating expenses	-5,509	-5,874	-5,680	-5,453	-6,137	12.5%	-684
<b>Operating result</b>	<b>6,610</b>	<b>5,651</b>	<b>6,615</b>	<b>6,378</b>	<b>6,577</b>	<b>3.1%</b>	<b>199</b>

# Balance Sheet (CZK m)

Assets	Dec 22	Dec 23	Change	Change
Cash and cash balances	21,870	27,918	27.7%	6,048
Financial assets held for trading	28,009	16,662	-40.5%	-11,347
Derivatives	27,961	16,643	-40.5%	-11,318
Other trading assets	48	19	-60.4%	-29
Non-trading financial assets at FV through profit or loss	3,331	3,798	14.0%	467
thereof Loans and advances to banks	1,383	856	-38.1%	-527
thereof Loans and advances to customers	19	14	-26.3%	-5
Financial assets at FV through other comprehensive income	48,434	53,432	10.3%	4,998
Financial assets at amortised cost	1,495,014	1,653,124	10.6%	158,110
Debt securities	327,805	352,299	7.5%	24,494
Loans and advances to banks	266,675	304,007	14.0%	37,332
Loans and advances to customers	900,534	996,818	10.7%	96,284
Finance lease receivables	1,474	1,467	-0.5%	-7
Hedge accounting derivatives	3,218	3,232	0.4%	14
Property, equipment and right-of-use assets	12,031	12,159	1.1%	128
Investment property	1,803	1,748	-3.1%	-55
Intangible assets	6,417	6,407	-0.2%	-10
Trade and other receivables	11,821	12,292	4.0%	471
Other assets	6,516	5,581	-14.3%	-935
<b>Total assets</b>	<b>1,639,938</b>	<b>1,797,820</b>	<b>9.6%</b>	<b>157,882</b>

# Balance Sheet (CZK m)

Liabilities and equity	Dec 22	Dec 23	Change	Change
Financial liabilities held for trading	29,597	16,716	-43.5%	-12,881
Financial liabilities at fair value through profit or loss	31,331	13,283	-57.6%	-18,048
thereof Deposits from customers	31,331	13,283	-57.6%	-18,048
Financial liabilities at amortised cost	1,421,830	1,604,624	12.9%	182,794
Deposits from banks	113,541	122,287	7.7%	8,746
Deposits from customers	1,225,464	1,352,755	10.4%	127,291
Debt securities issued	76,657	121,451	58.4%	44,794
Other financial liabilities	6,168	8,131	31.8%	1,963
Lease liabilities	3,475	3,259	-6.2%	-216
Hedge accounting derivatives	5,870	4,534	-22.8%	-1,336
Provisions	3,406	3,468	1.8%	62
Other liabilities	6,718	7,435	10.7%	717
<b>Total equity</b>	<b>137,711</b>	<b>144,501</b>	<b>4.9%</b>	<b>6,790</b>
Equity attributable to non-controlling interests	479	546	14.0%	67
Equity attributable to owners of the parent	137,232	143,955	4.9%	6,723
<b>Total liabilities and equity</b>	<b>1,639,938</b>	<b>1,797,820</b>	<b>9.6%</b>	<b>157,882</b>

# Group Customer Loans

in CZK m, IFRS	31/12/2022		31/12/2023		Y/Y change	
	Outstand.	Share	Outstand.	Share	Outstand.	Rate
<b>RETAIL</b>	<b>590,969</b>	<b>63.2%</b>	<b>648,322</b>	<b>62.8%</b>	<b>57,352</b>	<b>9.7%</b>
Mortgages	387,997	41.5%	424,797	41.2%	36,800	9.5%
Consumer lending	77,374	8.3%	91,241	8.8%	13,867	17.9%
Small business	60,976	6.5%	63,617	6.2%	2,641	4.3%
Retail subsidiaries	64,622	6.9%	68,667	6.7%	4,045	6.3%
<b>Corporate</b>	<b>339,739</b>	<b>36.3%</b>	<b>379,064</b>	<b>36.7%</b>	<b>39,326</b>	<b>11.6%</b>
Large corporates	107,044	11.5%	123,306	12.0%	16,261	15.2%
SME	106,815	11.4%	114,525	11.1%	7,709	7.2%
Real estate	59,863	6.4%	69,761	6.8%	9,897	16.5%
Public sector	27,435	2.9%	27,884	2.7%	449	1.6%
Corporate subsidiaries	38,581	4.1%	43,590	4.2%	5,008	13.0%
<b>GROUP MARKETS</b>	<b>6,314</b>	<b>0.7%</b>	<b>5,978</b>	<b>0.6%</b>	<b>-337</b>	<b>-5.3%</b>
<b>OTHER</b>	<b>-2,365</b>	<b>-0.3%</b>	<b>-1,588</b>	<b>-0.2%</b>	<b>777</b>	<b>-32.8%</b>
<b>ČS GROUP GROSS LOANS TO CUSTOMERS</b>	<b>934,657</b>	<b>100.0%</b>	<b>1,031,776</b>	<b>100.0%</b>	<b>97,118</b>	<b>10.4%</b>

Note: Retail subsidiaries include mainly SSČS (Building Society) and Corporate subsidiaries include mainly Leasing ČS and Factoring ČS

# Ratings

## Česká spořitelna – Status as at 27<sup>th</sup> February 2024

Rating Agency	Long-term	Short-term	Viability	Outlook	Latest actions
<b>Fitch</b>	A	F1	a	stable	01/11/2021
<b>Moody's</b>	A1	Prime - 1		stable	21/11/2018
<b>Standard &amp; Poor's</b>	A	A-1		negative	09/12/2022

## Erste Group Bank – Status as at 27<sup>th</sup> February 2024

Rating Agency	Long-term	Short-term	Viability	Outlook	Latest actions
<b>Fitch</b>	A	F1	a	stable	27/10/2021
<b>Moody's</b>	A1	Prime - 1		stable	11/07/2023
<b>Standard &amp; Poor's</b>	A+	A-1		stable	16/12/2021

- Latest rating actions - ČS:
  - Fitch upgraded long-term rating to A (from A-) and viability rating to a (from a-) on 22<sup>nd</sup> January 2019, outlook was changed to stable from negative on 1<sup>st</sup> November 2021
  - Moody's improved long-term rating of ČS to A1 (from A2) on 21<sup>st</sup> November 2018 and simultaneously revised the outlook from positive to stable
  - Rating agency Standard & Poor's upgraded all ČS ratings on 16<sup>th</sup> March 2017, outlook was revised from positive to negative on 9<sup>th</sup> December 2022

# Macroeconomic Figures

	2017	2018	2019	2020	2021	2022	2023	2024e
Population (avg, m)	10.6	10.6	10.7	10.7	10.5	10.7	10.9	10.9
GDP/capita (EUR ths)	18.3	19.9	21.2	20.2	22.7	25.8	28.2	28.2
Real GDP growth	5.3	3.2	3.0	-5.5	3.5	2.4	-0.4	1.4
Consumer price inflation (avg)	2.5	2.1	2.8	3.2	3.8	15.1	10.7	2.4
Unemployment rate (eop)	2.4	2.2	2.1	3.1	2.2	2.3	2.7	3.7
Current account balance (share of GDP)	1.5	0.4	0.3	2.0	-2.8	-6.1	1.2	0.5
General government balance (share of GDP)	1.5	0.9	0.3	-5.8	-5.1	-3.2	-3.6	-2.8
Public debt (share of GDP)	34.2	32.0	30.0	37.6	42.0	44.2	44.8	45.1
Short term interest rate (3 months, eop)	0.8	2.0	2.2	0.4	4.1	7.3	6.8	4.0
EUR FX rate (eop)	25.5	25.7	25.4	26.2	24.9	24.2	24.7	24.6
2W repo rate (% , eop)	0.50	1.75	2.00	0.25	3.75	7.00	6.75	4.00

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