

## Solid business performance continues

As at 31<sup>st</sup> March 2021, Česká spořitelna reported an unaudited consolidated net profit of CZK 2.7 bn, according to the International Financial Reporting Standards (IFRS). Net profit for the same period of 2020 amounted to CZK 3.2 bn, it thus decreased by 14.8% in a year-on-year comparison negatively affected by ongoing COVID-19 crisis. Operating result reached CZK 5.0 bn, compared to Q1 2020 it went down by 6.8%.

*"In the first quarter of 2021, we maintained key financial indicators at a very good level. Continued strong demand for household financing shows that private client sentiment is still good. This is a great news not only for us, but also for the entire Czech economy. The volume of mortgages provided in Q1 2021 was nine percent higher year-on-year. Consumer loans and deposits also grew. At the same time, we have seen only a very small increase in the share of non-performing loans. All this confirms our assumption that the economy will go through a quick post-COVID recovery, supported by strong growth in household consumption,"* said Tomáš Salomon, Česká spořitelna's CEO in his reaction to the bank's Q1 2021 financial results.

### MAIN INDICATORS

**Economic activity in Q1 2021 was affected by COVID-19 pandemic situation and government restrictive measures.** Czech economy should start improving in Q2 2021 as both domestic and foreign demand will increase.

Capital and liquidity position of Česká spořitelna remains very strong in the current difficult environment and ČS is well positioned for upcoming periods.

**Operating result of Česká spořitelna declined by 6.8% y/y in Q1 2021 to CZK 5.0 bn** in line with expectations reflecting decrease of short-term rates. Impact of COVID-19 crisis was mitigated by resilient business model supported by strong growth of retail loans and deposits.

**Net interest income**, the most important component of operating income, **decreased by 6.7% in comparison with Q1 2020 and reached CZK 7.3 bn.** The development of net interest income was heavily stressed by rate cuts in 2020. On the other hand, growth of customer loans and deposits had a positive effect on net interest income. **Net interest margin related to interest bearing assets decreased from 2.17% in Q1 2020 to 1.88% in Q1 2021.** Net interest margin calculated on core business (loans to retail and corporate clients and deposits from retail and corporate clients) declined to 2.21% in Q1 2021.

**Net fee and commission income increased by 8.3% year-on-year to CZK 2.3 bn** which was caused by securities transactions supported by double-digit growth of mutual funds volumes and positive development of pension insurance. Net fee and commission income was furthermore positively influenced by higher fees from insurance products. On the other

hand, these effects were partly offset by reduction of fees for current accounts reflecting higher number of customers benefiting from My Healthy Finances concept.

**Net trading result rose by 112.6% y/y to CZK 0.5 bn in Q1 2021. This growth was partially offset by lower gains from financial instruments measured at FV through profit or loss.**

**Total operating expenses were kept under control, up by 2.8% y/y to CZK 5.1 bn in Q1 2021 influenced by acquisition of Czech branch of Waldviertel Sparkasse. Increase in personnel expenses (+3.1% y/y)** was driven by growth of employee base and impact of salary increase in 2020. Higher costs on IT and marketing combined with higher contribution to Deposit Insurance Fund led to rise **in other administrative expenses (+3.6% y/y). Depreciation remained almost flat y/y.** As a consequence of the above mentioned development, **cost/income ratio grew to 51.0% from 48.5% in Q1 2020.**

**Impairment result from financial instruments** (i.e., creation of risk provisions and reserves for loans and advances, guarantees and commitments) **reached CZK -0.7 bn in Q1 2021.** It meant a year-on-year creation higher by 11.3% driven by increase in NPL volume.

**Other operating result of CZK -0.9 bn** consisted mainly of other income and costs not directly related to main operating activities of the Group. **Worsening of other result in a year-on-year comparison was attributed to higher contribution to Recovery and Resolution Fund in Q1 2021.**

**As at 31<sup>st</sup> March 2021, total consolidated assets amounted to CZK 1,716.1 bn, which meant an 11.6% increase** compared to 31<sup>st</sup> December 2020. On the assets side, the growth was driven mainly by loans to banks and debt securities reflecting purchases of Czech government bonds. The dominant driver of growth on the liability side of the balance sheet were customer deposits due to lower household consumption related to COVID-19 and short-term operations with public sector.

**The gross volume of ČS Group customer loans adjusted for reverse repo operations increased by 4.2% y/y to CZK 790.9 bn** (the reported figure, including reverse repo operations, grew by 1.4% y/y). The portfolio of **retail loans (bank only) amounted to CZK 443.6 bn**, representing a **year-on-year increase of 6.6%**, driven by **private mortgages (+9.0% y/y), consumer lending (+1.2% y/y) and loans to small businesses (+2.5% y/y).** The volume of **wholesale (Corporate and Group Markets, bank only) loans**, excluding reverse repo operations, **declined by 3.6% year-on-year to CZK 261.1 bn**, mainly due to drop in Large Corporate which was affected by FX fluctuations.

**Group deposits from customers grew by 6.1% y/y to CZK 1,265.2 bn**, especially due to lower household consumption related to COVID-19. **Households (retail) deposits rose by 16.3% y/y to CZK 851.8 bn. Group corporate deposits went up by 1.6% y/y to CZK 240.4 bn while public sector deposits decreased by 22.6% y/y to CZK 173.1 bn.**

**Equity attributable to owners of the parent stood at CZK 150.1 bn as at 31<sup>st</sup> March 2021**, which was 0.6% more than at the end of the year 2020. **The total capital ratio for Česká spořitelna Group as at 31<sup>st</sup> March 2021 reached 25.4%**, well above minimum regulatory capital requirements (15.4%).

As at 31<sup>st</sup> March 2021, the **total number of the ČS Group customers was 4.5 m, of which approx. 1.76 m used digital banking in Q1 2021.** The overall number of active payment cards issued by ČS increased by 3.6% year-on-year and reached 3.0 m. Thereof credit cards represented 170 thousand. The volume of card transactions executed in Q1 2021

with Česká spořitelna's cards compared to Q1 2020 was up by 10.1% to CZK 58.0 bn. The number of Česká spořitelna's ATMs and transaction terminals slightly increased to 1,854.

FINANCIAL DATA		1-3 20	1-3 21	Year-on-Year Change
<b>Income statement</b> (CZK m)	Net interest income	7,785	7,266	-6.7%
	Net fee and commission income	2,108	2,284	8.3%
	Net trading result	238	506	112.6%
	Rental income, dividends and other income	189	39	-79.4%
	<b>Operating income</b>	<b>10,319</b>	<b>10,095</b>	<b>-2.2%</b>
	<b>Operating expenses</b>	<b>-5,006</b>	<b>-5,144</b>	<b>2.8%</b>
	<b>Operating result</b>	<b>5,313</b>	<b>4,951</b>	<b>-6.8%</b>
	Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	0	0	-
	Impairment result from financial instruments	-622	-692	11.3%
	Other operating result	-729	-886	21.5%
	Taxes on income	-796	-685	-13.9%
	Post-tax result from continuing operations	3,166	2,688	-15.1%
	Net profit attributable to non-controlling interests	4	-5	-
	<b>Net profit attributable to owners of the parent</b>	<b>3,162</b>	<b>2,693</b>	<b>-14.8%</b>
<b>Balance sheet</b> (CZK m)	Loans and advances to customers (gross)*	783,152	794,058	1.4%
	Deposits from customers**	1,192,726	1,265,230	6.1%
	Equity attributable to owners of the parent	144,219	150,064	4.1%
<b>Ratios</b>	Return on equity (ROE)	10.3%	8.1%	-2.1pp
	Cost/income	48.5%	51.0%	2.5pp
	Loan to deposit ratio	64.5%	61.2%	-3.4pp
	Total capital ratio	22.8%	25.4%	2.7pp

\* Customer loans influenced by reverse repo operations; excl. this effect customer loans increased by 4.2% y/y

\*\* Includes deposits from customers at amortised cost, deposits from customers at FV through profit or loss and lease liabilities to customers

For more details, please see [www.csas.cz](http://www.csas.cz).

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