

Visible recovery on the way but modest uncertainty persists

As at 30th June 2021, Česká spořitelna reported an unaudited consolidated net profit of CZK 6.6 bn, according to the International Financial Reporting Standards (IFRS). Net profit for the same period of 2020 amounted to CZK 4.6 bn, it thus increased by 43.4% in a year-on-year comparison reflecting considerably lower risk provision creation in H1 2021 and improved operating performance. Operating result reached CZK 10.3 bn, compared to H1 2020 it went up by 1.4%.

"Business and financial results of Česká spořitelna for H1 2021 reflect positive sentiment of households and corporations regarding the improving pandemic situation. We still notice a cautious attitude of households to spending projected in growth of deposits. Lending was driven mainly by mortgages, where we saw record volume of sales in June. Very good news is the fact that corporations have not faced major financial problems to cover their obligations so far, which is visible in lower creation of risk provisions. Very motivating for us is that Česká spořitelna was a reliable pillar for the whole economy in difficult times and we are ready to further support its restart," said Tomáš Salomon, Česká spořitelna's CEO in his reaction to the Bank's H1 2021 financial results.

MAIN INDICATORS

After the subdued economic development during Q1 2021 caused by COVID-19 crisis, the Czech economy has been recovering since Q2 2021, due to both domestic and foreign demand. Although risks remain high, favourable economic development should continue also in the coming quarters.

Capital and liquidity position of Česká spořitelna remains very strong and ČS is well positioned for upcoming periods.

Operating result of Česká spořitelna increased by 1.4% y/y in H1 2021 to CZK 10.3 bn. 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, therefore **decreased only by 1.1% in comparison with H1 2020 and reached CZK 14.5 bn.** The development of net interest income was affected by lower interest rate environment during H1 2021. 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 1.98% in H1 2020 to 1.87% in H1 2021.** Net interest margin calculated on core business (loans to retail and corporate clients and deposits from retail and corporate clients) declined to 2.19% in H1 2021.

Net fee and commission income increased by 14.2% year-on-year to CZK 4.5 bn which was caused by double-digit growth of mutual funds volumes and positive development of pension funds. Furthermore, net fee and commission income was 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 41.7% y/y to CZK 1.1 bn in H1 2021. This growth was offset by lower gains from financial instruments measured at FV through profit or loss.

Total operating expenses grew below inflation rate and increased by 1.9% y/y to CZK 10.0 bn in H1 2021 influenced by acquisition of Czech branch of Waldviertel Sparkasse. Increase in personnel expenses (+2.0% y/y) was driven by impact of salary increase in Q2 2020. Higher costs on IT and marketing combined with higher contribution to Deposit Insurance Fund led to **rise in other administrative expenses (+2.6% y/y). Depreciation remained flat y/y.** As a consequence of the above mentioned development, **cost/income ratio slightly grew to 49.2% from 49.0% in H1 2020.**

Impairment result from financial instruments (i.e., creation of risk provisions and reserves for loans and advances, guarantees and commitments) **reached CZK -0.9 bn in H1 2021.** It meant a year-on-year creation lower by 76.2% as impact of COVID-19 on loan portfolio of retail as well as wholesale is gradually fading away, bringing risk costs back to standard level.

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 30th June 2021, total consolidated assets amounted to CZK 1,676.7 bn, which meant an 9.0% increase compared to 31st December 2020. On the assets side, the growth was driven mainly by loans to customers and debt securities reflecting investments into 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 which was partly offset by lower short-term operations with public sector.

The gross volume of ČS Group customer loans adjusted for reverse repo operations increased by 6.4% y/y to CZK 812.5 bn (the reported figure, including reverse repo operations, grew by 5.2% y/y). The portfolio of **retail loans (bank only) amounted to CZK 456.7 bn**, representing a **year-on-year increase of 8.0%**, driven by **private mortgages (+11.0% y/y), consumer lending (+1.5% y/y) and loans to small businesses (+1.2% y/y).** The volume of **wholesale (Corporate and Group Markets, bank only) loans**, excluding reverse repo operations, **remained flat year-on-year at CZK 266.4 bn** as increase in **Large Corporate (+1.9% y/y)** was held back by repayments in **Real Estate (-7.4% y/y).**

Group deposits from customers grew by 6.8% y/y to CZK 1,223.7 bn, especially due to lower household consumption related to COVID-19. **Households (retail) deposits rose by 15.3% y/y to CZK 876.9 bn. Group corporate deposits went up by 9.1% y/y to CZK 226.7 bn, while public sector deposits decreased by 32.0% y/y to CZK 120.1 bn.**

Equity attributable to owners of the parent stood at CZK 153.1 bn as at 30th June 2021, which was 2.6% more than at the end of the year 2020. **The total capital ratio for Česká spořitelna Group as at 30th June 2021 reached 25.4%**, well above minimum regulatory capital requirements (15.4%).

As at 30th June 2021, the **total number of the ČS Group customers was 4.5 m, of which approx. 1.78 m used digital banking in H1 2021. The overall number of active payment cards issued by ČS increased by 4.4% year-on-year and reached 3.1 m.** Thereof **credit cards represented 172 thousand. The volume of card transactions** executed in H1 2021 with Česká spořitelna's cards compared to H1 2020 **was up by 16.8% to CZK 133.8 bn. The number of Česká spořitelna's ATMs and transaction terminals** decreased by 39 y/y to 1,797.

FINANCIAL DATA		1-6 20	1-6 21	Year-on-Year Change
Income statement (CZK m)	Net interest income	14,688	14,531	-1.1%
	Net fee and commission income	3,977	4,540	14.2%
	Net trading result	793	1,124	41.7%
	Rental income, dividends and other income	511	104	-79.6%
	Operating income	19,968	20,299	1.7%
	Operating expenses	-9,793	-9,979	1.9%
	Operating result	10,175	10,320	1.4%
	Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	0	0	-
	Impairment result from financial instruments	-3,577	-851	-76.2%
	Other operating result	-803	-949	18.2%
	Taxes on income	-1,189	-1,925	61.9%
	Post-tax result from continuing operations	4,606	6,595	43.2%
	Net profit attributable to non-controlling interests	1	-7	-
	Net profit attributable to owners of the parent	4,605	6,602	43.4%
Balance sheet (CZK m)	Loans and advances to customers (gross)*	780,463	821,016	5.2%
	Deposits from customers**	1,145,285	1,223,726	6.8%
	Equity attributable to owners of the parent	145,923	153,074	4.9%
Ratios	Return on equity (ROE)	6.5%	9.9%	3.4pp
	Cost/income	49.0%	49.2%	0.2pp
	Loan to deposit ratio	66.8%	65.5%	-1.3pp
	Total capital ratio	25.3%	25.4%	0.1pp

* Customer loans influenced by reverse repo operations; excl. this effect customer loans increased by 6.4% y/y

** Since H1 2021 includes deposits from customers at amortised cost and deposits from customers at FV through profit or loss; previous figures restated

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

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