

Continuous recovery in business performance and solid asset quality

As at 30th September 2021, Česká spořitelna reported an unaudited consolidated net profit of CZK 10.8 bn, according to the International Financial Reporting Standards (IFRS). Net profit for the same period of 2020 amounted to CZK 7.9 bn, it thus increased by 36.3% in a year-on-year comparison reflecting considerably lower risk provision creation in Q1-3 2021. Operating result reached CZK 16.2 bn, compared to Q1-3 2020 it went up by 3.8%.

"During the recent months, our economy has been growing again. The low unemployment rate significantly contributed to this development, which was also reflected in rising demand of households. These trends are also visible in Česká spořitelna's figures reported as at 30th September 2021 both in loans and deposits. Development of loans to customers was further driven by private mortgages where we recorded a year-on-year growth of 14.3%. I would also like to point out an increase in corporate loans, especially in the segment of small and medium-sized enterprises, because this sector will have a significant impact on the rate and speed of the overall recovery of the Czech economy. Customer deposits grew by 9.3% year-on-year, thanks to higher household deposits, which I see as a confirmation of clients' trust in Česká spořitelna," said Ivan Vondra, Česká spořitelna's CFO in his reaction to the Bank's Q1-3 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. However, growth was slightly lower than expected. This was largely due to the lack of materials and some components in the industry.

Capital and liquidity position of Česká spořitelna remains very strong and ČS is well positioned for upcoming periods. Moreover, Česká spořitelna issued green bonds in the amount of EUR 500 m in early September, which had been the largest green issuance so far among Czech financial institutions. It was ČS inaugural international issuance. Proceeds will be used for financing of projects focused on sustainability and positive effect on environment. The bonds are issued in senior unsecured non-preferred format and therefore eligible for MREL regulation.

Operating result of Česká spořitelna increased by 3.8% y/y in Q1-3 2021 to CZK 16.2 bn. Impact of COVID-19 crisis was more than offset by strong business growth.

Net interest income, the most important component of operating income, therefore **increased by 2.1% in comparison with Q1-3 2020 and reached CZK 22.3 bn.** The development of net interest income was affected by growth of customer loans and re-investments of deposits, supported by investments into government bonds. Net interest income was further positively influenced by interest rate hikes by ČNB (2 hikes by 25 bps each during Q1-3 2021). **Net interest margin related**

to interest bearing assets hit the bottom of 1.87% in Q1-3 2021 and will be supported by rising interest rates in upcoming quarters.

Net fee and commission income increased by 13.7% year-on-year to CZK 6.9 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.

Net trading result rose by 15.8% y/y to CZK 1.6 bn in Q1-3 2021.

Total operating expenses grew below the inflation rate and increased by 2.2% y/y to CZK 14.8 bn in Q1-3 2021 mainly influenced by increase in personnel expenses and other administrative expenses. Increase in personnel expenses (+2.6% y/y) was driven by impact of salary increase in Q2 2020. Higher costs for IT and marketing led to rise in other administrative expenses (+1.8% y/y). Depreciation grew slightly by 1.2% y/y influenced by higher software investments. As a consequence of the above mentioned development, cost/income ratio improved to 47.8% from 48.2% in Q1-3 2020.

Impairment result from financial instruments (i.e., creation of risk provisions and reserves for loans and advances, guarantees and commitments) reached CZK -1.3 bn in Q1-3 2021. It meant a year-on-year creation lower by 71.6% 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 -1.0 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 September 2021, total consolidated assets amounted to CZK 1,785.5 bn, which meant an 16.1% increase compared to 31st December 2020. On the assets side, the growth was driven by loans to ČNB, 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 growth in all segments.

The gross volume of ČS Group customer loans adjusted for reverse repo operations increased by 7.0% y/y to CZK 833.6 bn (the reported figure, including reverse repo operations, grew by 6.6% y/y). The portfolio of retail loans (bank only) amounted to CZK 479.3 bn, representing a year-on-year increase of 10.9%, driven mainly by private mortgages (+14.3% y/y). The volume of wholesale (Corporate and Group Markets, bank only) loans, excluding reverse repo operations, remained flat year-on-year at CZK 270.4 bn as increase in SME (+3.6%) and Large Corporate (+1.7%) was held back by maturing loans in Group Markets.

Group deposits from customers grew by 9.3% y/y to CZK 1,256.1 bn mainly attributed to households (retail) deposits which rose by 14.8% y/y to CZK 892.8 bn. Group corporate deposits went up by 4.5% y/y to CZK 229.2 bn, while public sector deposits decreased by 11.9% y/y to CZK 134.1 bn.

Equity attributable to owners of the parent stood at CZK 150.0 bn as at 30th September 2021, which was 0.6% more than at the end of the year 2020. The total capital ratio for Česká spořitelna Group as at 30th September 2021 reached

23.5%, well above minimum regulatory capital requirement (15.4%). In Q3 2021 Česká spořitelna paid out a dividend of CZK 5.4 bn which was in line with ČNB recommendation (and already reflected in regulatory capital).

As at 30th September 2021, the **total number of the ČS Group customers** was **4.5 m**, of which **approx. 1.8 m used digital banking in Q1-3 2021**. The overall number of active payment cards issued by ČS increased by **5.1% year-on-year and reached 3.1 m**. Thereof **credit cards** represented **175 thousand**. The volume of card transactions executed in Q1-3 2021 with Česká spořitelna's cards compared to Q1-3 2020 was up by **19.2% to CZK 214.0 bn**. The number of Česká spořitelna's ATMs and transaction terminals decreased by 34 y/y to **1,794**.

FINANCIAL DATA		1-9 20	1-9 21	Year-on-Year Change
Income statement (CZK m)	Net interest income	21,797	22,264	2.1%
	Net fee and commission income	6,062	6,892	13.7%
	Net trading result	1,401	1,623	15.8%
	Rental income, dividends and other income	818	208	-74.6%
	Operating income	30,077	30,988	3.0%
	Operating expenses	-14,501	-14,815	2.2%
	Operating result	15,576	16,173	3.8%
	Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	-1	6	-
	Impairment result from financial instruments	-4,674	-1,328	-71.6%
	Other operating result	-931	-981	5.4%
	Taxes on income	-2,038	-3,064	50.3%
	Post-tax result from continuing operations	7,932	10,805	36.2%
	Net profit attributable to non-controlling interests	9	7	-22.2%
	Net profit attributable to owners of the parent	7,923	10,799	36.3%
Balance sheet (CZK m)	Loans and advances to customers (gross)*	785,023	836,871	6.6%
	Loans and advances to customers (net)**	768,045	816,792	6.3%
	Deposits from customers***	1,148,944	1,256,112	9.3%
	Equity attributable to owners of the parent	148,835	150,021	0.8%
Ratios	Return on equity (ROE)	7.8%	10.2%	2.4pp
	Cost/income	48.2%	47.8%	-0.4pp
	Loan to deposit ratio	66.8%	65.0%	-1.8pp
	Total capital ratio	24.7%	23.5%	-1.2pp

* Customer loans influenced by reverse repo operations; excl. this effect customer loans increased by 7.0% y/y

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

*** 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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