

Česká spořitelna's loan portfolio has exceeded CZK 1 trillion. The share of non-performing loans remains very low

As at 30th September 2023, Česká spořitelna reported an unaudited consolidated net profit of CZK 14.6 bn, according to the International Financial Reporting Standards (IFRS). Operating result reached CZK 18.6 bn.

“Česká spořitelna's financial and business results remain very good. In the third quarter of 2023, Spořitelna reached a remarkable milestone - the volume of its loan portfolio had exceeded CZK 1 trillion for the first time in its history. What is crucial is that even with the growing volume of financing provided, our portfolio shows excellent health and there has been no increase in the share of non-performing loans. The successful acquisition of Sberbank's loan portfolio, which boosted our credit growth and also helped to strengthen the stability of the domestic banking market, and the forthcoming acquisition of Hello bank's consumer loans has not changed ČS's risk position. This proves that our strategic concept based on strengthening the financial health of clients is working. However, given the macroeconomic development and the outlook, it is essential that we continue to work consistently to strengthen our own efficiency,” said Ivan Vondra, Česká spořitelna's CFO in his reaction to the Bank's Q1-3 2023 financial results.

MAIN INDICATORS

ČS expects GDP growth to roughly stagnate in 2023, as low households' demand will be accompanied by cooling external demand during H2 2023. However, from 2024, economic development is expected to gradually improve, due to both domestic and foreign demand recovery.

As at 30th September 2023, total consolidated ČS Group assets amounted to CZK 1,878.2 bn, which meant a 14.5% increase compared to 31st December 2022. On the assets side, the development was driven mainly by growth of loans to banks. The liability side of the balance sheet increased thanks to higher customer deposits and deposits from banks.

The gross volume of ČS Group customer loans was positively influenced by Sberbank CZ acquisition and increased by 8.0% y/y to CZK 1,006.3 bn. The portfolio of retail loans amounted to CZK 634.9 bn, representing a **year-on-year increase of 8.7%**, driven by **private mortgages (+9.6% y/y)**, **Building Society (+7.2% y/y)** and **consumer lending (+8.6% y/y)**. The volume of corporate loans grew by 6.4% year-on-year to CZK 367.2 bn attributed to increase in **Large Corporates (+4.8%)**, **SME (+8.2%)** and **Real Estate (+9.6%)**.

Group deposits from customers grew by 1.7% y/y to CZK 1,414.8 bn attributed to increase in deposits from households (+1.3% y/y to CZK 932.1 bn) and corporates (+9.8% y/y to CZK 324.2 bn). **Public sector deposits declined by 9.9% y/y to CZK 158.4 bn**, affected by short-term operations. Mutual funds increased by CZK 47 bn (+27.1% y/y) to CZK 223 bn reflecting client's demand.

As at 30th September 2023, the total number of the ČS Group customers was 4.5 m, of whose almost 2.2 m used digital banking.

Total equity rose to CZK 138.7 bn as at 30th September 2023, which was by 0.7% more than at the end of the year 2022. **The total capital ratio for Česká spořitelna Group reached 19.2% as at 30th September 2023**, well above minimum regulatory capital requirement (16.7%).

Operating result of Česká spořitelna decreased by 15.0% y/y to CZK 18.6 bn in Q1-3 2023 as a combination of lower operating income and higher operating expenses. Operating income went down by 5.6% y/y attributed to higher interest expenses paid on deposits and losses from financial instruments measured at fair value through profit or loss.

Net interest income decreased by 7.9% in comparison with Q1-3 2022 and reached CZK 25.4 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 1.91% in Q1-3 2023, reflecting increase in deposit interest rates and development of balance sheet structure.**

Net fee and commission income rose by 9.0% year-on-year to CZK 7.8 bn which was caused by fees from non-life insurance products and lending fees supported by business development. 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 21.4% y/y to CZK 3.5 bn in Q1-3 2023 which was driven mainly by revaluation of derivatives.

Total operating expenses rose by 7.5% y/y to CZK 17.0 bn in Q1-3 2023, mainly influenced by growth of personnel expenses and other administrative expenses. Increase in personnel expenses (+8.2% y/y) was driven mainly by salary increase and employee share programme combined with higher number of employees due to Sberbank acquisition. Higher costs of marketing, IT, business operation and personnel related costs with higher contribution into Deposit Insurance Fund in H1 2023 led to **rise in other administrative expenses (+7.5% y/y). Depreciation increased by 4.4% y/y** in comparison with Q1-3 2022 as a result of strategic digital investments. As the consequence of the above-mentioned development, **Cost/Income ratio rose to 47.7% from 41.9% in Q1-3 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 -0.5 bn in Q1-3 2023**, reflecting excellent quality of the loan portfolio and one-off initial net provision creation due to Sberbank acquisition in H1 2023.

Other operating result of CZK -0.7 bn, consisted mainly of other income and costs not directly related to main operating activities of the Group, improved by 49.8% y/y, attributed mainly to impairment of buildings in 2022 and lower contribution to Recovery and Resolution Fund in 2023.

The overall number of active payment cards issued by ČS increased by 6.9% year-on-year and reached 3.6 m. Thereof **credit cards** represented **179.5 thousand**. **The volume of card transactions** executed in Q1-3 2023 with Česká spořitelna's cards **was CZK 306.6 bn and rose by 13.8%** compared to Q1-3 2022. **The number of Česká spořitelna's ATMs and transaction terminals** decreased by 27 y/y to 1,689.

Česká spořitelna has signed an agreement with BNP Paribas Personal Finance to buy **Hello bank**'s consumer loan portfolio after receiving regulatory approvals. ČS is now preparing the migration of loans. In the meantime, Spořitelna has successfully completed the takeover of client loan portfolio of the fallen **Sberbank CZ**.

FINANCIAL DATA		1-9 22	1-9 23	Year-on-Year Change
Income statement (CZK m)	Net interest income	27,603	25,418	-7.9%
	Net fee and commission income	7,115	7,755	9.0%
	Net trading result	2,841	3,450	21.4%
	Rental income, dividends and other income	197	-972	-
	Operating income	37,756	35,651	-5.6%
	Operating expenses	-15,825	-17,007	7.5%
	Operating result	21,931	18,644	-15.0%
	Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	-1,745	-34	-98.1%
	Impairment result from financial instruments	-112	-466	>100%
	Other operating result	-1,311	-658	-49.8%
	Taxes on income	-3,709	-2,842	-23.4%
	Post-tax result from continuing operations	15,054	14,644	-2.7%
	Net profit attributable to non-controlling interests	23	43	87.0%
	Net profit attributable to owners of the parent	15,031	14,601	-2.9%
Balance sheet (CZK m)	Loans and advances to customers (gross)	932,084	1,006,310	8.0%
	Loans and advances to customers (net)*	911,689	985,321	8.1%
	Deposits from customers**	1,390,926	1,414,753	1.7%
	Total equity	131,709	138,735	5.3%
Ratios	Return on equity (ROE)	15.5%	14.8%	-0.7pp
	Cost/income	41.9%	47.7%	5.8pp
	Loan to deposit ratio	65.5%	69.6%	4.1pp
	Total capital ratio	19.9%	19.2%	-0.7pp

* 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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