Press Release

Prague, 28th April 2023

Česká spořitelna confirmed its resilience and stability even during Q1 2023

As at 31st March 2023, Česká spořitelna reported an unaudited consolidated net profit of CZK 3.3 bn, according to the International Financial Reporting Standards (IFRS). Operating result reached CZK 5.7 bn.

"The key message is that Česká spořitelna confirmed its resilience and stability even during the first quarter of this year, which was characterized by turbulence in the financial markets. This is also positively perceived by our clients and reflected in growth of their deposit volumes, especially in corporate segment which rose by almost a quarter year-on-year. Our good capital equipment enabled us to further increase the volume of financing provided to households and companies," said Ivan Vondra, Česká spořitelna's CFO in his reaction to the Bank´s Q1 2023 financial results.

MAIN INDICATORS

ČS expects GDP growth to slow down significantly in 2023, as an expected further decrease in households consumption will be accompanied by cooling external demand. However, from H2 2023 thereafter, economic development is expected to gradually improve, due to both domestic and foreign demand recovery.

As at 31st March 2023, total consolidated ČS Group assets amounted to CZK 1,846.8 bn, which meant a 12.6% 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 was affected by customer deposits accompanied by deposits from banks which were slightly offset by decline of debt securities. Compared to March 2022, ČS Group assets declined by 1.3%.

The gross volume of ČS Group customer loans increased by 7.3% y/y to CZK 938.6 bn. The portfolio of **retail loans amounted to CZK 595.1 bn,** representing a **year-on-year increase of 5.9%**, driven by **private mortgages (+6.9% y/y), Building Society (+10.1% y/y) and consumer lending (+3.2% y/y). The volume of corporate loans grew by 9.3%** year-on-year **to CZK 339.8 bn attributed to increase in Large Corporates (+9.5%), SME (+7.3%), Real Estate (+17.8%) and corporate subsidiaries (+14.1%).**

Group deposits from customers grew by 3.9% y/y to CZK 1,397.9 bn attributed to increase in deposits from corporates (+24.4% y/y to CZK 337.2 bn). Households (retail) deposits were stable y/y and reached CZK 913.8 bn, while public sector deposits declined by 7.9% y/y to CZK 146.9 bn, affected by short-term operations.

As at 31st March 2023, the total number of the ČS Group customers rose by 54 ths y/y to 4.5 m, of whose more than 2.1 m used digital banking in Q1 2023.

Equity attributable to owners of the parent increased to CZK 141.9 bn as at 31st March 2023, which was 3.4% more than at the end of the year 2022. **The total capital ratio for Česká spořitelna Group reached 19.6% as at 31st March 2023,** well above minimum regulatory capital requirement (16.5%).

Operating result of Česká spořitelna decreased by 24.6% y/y to CZK 5.7 bn in Q1 2023 as a combination of lower operating income and higher operating expenses. Operating income went down by 10.2% y/y attributed to higher interest expenses paid on deposits.

Net interest income decreased by 11.9% in comparison with Q1 2022 and reached CZK 8.2 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 1.90% in Q1 2023 reflecting increase in interest rates on deposits and development of balance sheet structure.**

Net fee and commission income rose by 0.8% year-on-year to CZK 2.5 bn which was caused by lending fees supported by business development. Furthermore, net fee and commission income was negatively affected by insurance products due to seasonality effect. Securities transactions slightly declined due to fees for distribution of state saving bonds in 2022.

Net trading result increased by 7.8% y/y to CZK 1.1 bn in Q1 2023 which was driven by revaluation of derivatives.

Total operating expenses stayed below the inflation rate and rose by 10.1% y/y to CZK 5.9 bn in Q1 2023, mainly influenced by growth of personnel expenses and other administrative expenses. Increase in personnel expenses was driven mainly by impact of salary increase (+4% y/y) and employee share programme. Higher costs of property management, marketing, IT and personnel related costs with higher contribution into Deposit Insurance Fund in Q1 2023 led to **rise in other administrative expenses (+9.8% y/y). Depreciation** increased **by 3.1%** in comparison with Q1 2022. As the consequence of the above-mentioned development, **Cost/Income ratio rose to 51.0% from 41.6% in Q1 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 -0.2 bn in Q1 2023.** It meant a year-on-year creation lower by 35.7% reflecting positive development of portfolio quality while keeping prudent approach to potential impacts of current geopolitical risks.

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, improved by 12.2% y/y, attributed mainly to lower contribution to Recovery and Resolution Fund in Q1 2023.

The overall number of active payment cards issued by ČS increased by 7.4% year-on-year and reached 3.4 m. Thereof **credit cards** represented **181.8 thousand. The volume of card transactions** executed in Q1 2023 with Česká spořitelna's cards **was CZK 92.5 bn** and **rose by 16.9%** compared to Q1 2022**. The number of Česká spořitelna's ATMs and transaction terminals** decreased by 42 y/y to **1,738**.

In April, Česká spořitelna has completed the purchase of loan portfolio of Sberbank CZ, a.s. in liquidation.

	FINANCIAL DATA	1-3 22	1-3 23	Year-on-Year Change
Income statement	Net interest income	9,266	8,159	-11.9%
(CZK m)	Net fee and commission income	2,517	2,537	0.8%
	Net trading result	994	1,072	7.8%
	Rental income, dividends and other income	52	-243	-
	Operating income	**12,830**	**11,526**	**-10.2%**
	Operating expenses	**-5,333**	**-5,874**	**10.1%**
	Operating result	**7,497**	**5,652**	**-24.6%**
	Gains/losses from derecognition of financial instruments not measured at FV through profit or loss	-1	0	-100.0%
	Impairment result from financial instruments	-359	-231	-35.7%
	Other operating result	-977	-858	-12.2%
	Taxes on income	-1,210	-1,260	4.1%
	Post-tax result from continuing operations	4,950	3,303	-33.3%
	Net profit attributable to non-controlling interests	-14	3	-
	Net profit attributable to owners of the parent	**4,964**	**3,300**	**-33.5%**
Balance sheet	Loans and advances to customers (gross)	874,636	938,618	7.3%
(CZK m)	Loans and advances to customers (net)*	854,247	918,059	7.5%
	Deposits from customers**	1,345,576	1,397,929	3.9%
	Equity attributable to owners of the parent	146,728	141,859	-3.3%
Ratios	Return on equity (ROE)	14.6%	10.1%	-4.5pp
	Cost/income	41.6%	51.0%	9.4pp
	Loan to deposit ratio	63.5%	65.7%	2.2pp
	Total capital ratio	21.2%	19.6%	-1.6pp

* 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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