

ČSOB in 1Q: growth in housing loans and deposits; rapid digitisation; high quality of the loan portfolio

In the first quarter, ČSOB Group reached a net profit of CZK 2.7 billion. Deposits and assets under management grew at a double-digit rate year-on-year. Due to the ongoing pandemic, the group focused on supporting its clients, securing online as well as physical services 24/7 and developing digitisation in order to offer even better and more secure services.

“Last year, the COVID-19 pandemic turned our lives upside down. We helped each other, and it was important to know that we could rely on our colleagues. All the time, ČSOB has strongly emphasized the continued availability of services – physically and online. The unusually high growth rate in the usage of our digital services and the number of transactions confirm that we have succeeded. We continue to invest heavily into digitisation; we were the first to launch a digital assistant called Kate. Importantly, even after the end of the moratorium, we continue to help our clients and solve their problems case by case, which is always the best approach,” says ČSOB CEO John Hollows. “I am very proud of our prestigious international award Best Bank of 2021 from Global Finance. It is a great reward for the employees of our group and an encouragement for the next period. We must stick to rigorous testing and basic sanitary rules, but vaccination is progressing well. I wish to thank all colleagues from the bottom of my heart. I wish you much perseverance and resilience in the coming period, which will hopefully be easier on us.”



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The ČSOB results in 1Q 2021 show that Czechs are able to save and invest even under adverse conditions. The ČSOB Group has increased its capital adequacy and remains the strongest player on the market in terms of the volume of loans provided to individuals and companies. While the coronavirus crisis has slowed the economy, it has also significantly accelerated the development of digital services that are

secure, easy and convenient. Even older clients are opting for the online environment, and the overall digital literacy of our population is rising.

- **The ČSOB Group's net profit was CZK 2.7 billion** (up 28% year-on-year).
- **The volume of housing loans amounted to CZK 463.1 billion** (up 5% year-on-year)
- **The total loans amounted to CZK 795 billion.**
- **The volume of deposits increased to CZK 1,142 billion** (up 12% year-on-year).
- **The volume of assets under management rose to CZK 255 billion** (up 10% year-on-year).
- **Operating income totalled CZK 8.5 billion** (up 4% year-on-year).
- **Operating expenses amounted to CZK 5.6 billion** (up 3% a year-on-year), which represents **a year-on-year decrease of 2%** excluding banking taxes.
- **ČSOB has maintained its strong capital position and an excellent liquidity buffer.** Tier 1 capital ratio is 24.3%.
- **In the COVID programme guaranteed by the government, ČSOB has granted loans worth of CZK 12.4** to companies and entrepreneurs.
- **The requests for instalment deferrals have decreased significantly. At the end of March, deferred loans accounted for less than 0.3% of the total loan portfolio.**
- **The number of mobile banking users grew by 38% year-on-year, and the number of transactions was 60% higher.**
- **ČSOB introduced ČSOB Smart, a united mobile application for ČSOB and Poštovní spořitelna clients. It also includes our virtual assistant Kate.**
- **ČSOB was the best Czech bank in 2021 according to Global Finance, and it won the Bank without Barriers 2020 category** in the Bank of the Year survey.
- **ČSOB was one of the first banks to offer the usage of the bank identity as a login to the public administration services.**

The net profit of ČSOB Group increased year-on-year in the first quarter thanks to the favourable development in the financial markets and net impairment releases. Together, these two factors fully offset the year-on-year decline in net interest income and higher banking taxes.

The high quality of the loan portfolio continues. A vast majority of our clients resumed normal instalments after the moratorium ended. The requests for further deferrals of those who struggled were mostly approved on individual basis. The share of non-performing loans in the entire loan portfolio was low at 2.16 % at the end of March (a slight year-on-year decrease).

Growth in housing loans and deposits

Housing loans, i.e. mortgages and building savings loans, increased by 5% year on year. New mortgages were at a record high, doubling year-on-year, and ČSOB Group was able to maintain its leading role in this area. The total loan portfolio remained stable. The volume of deposits rose by 12% and the volume of assets under management increased by 10%. The assets under management of the ČSOB Bohatství fund exceeded 30 billion, making the fund the largest in the Czech Republic.

Rapid growth in mobile banking

The number of active ČSOB mobile banking users increased by 38% year-on-year, while the number of transactions grew by as much as 60%. Clients used cashless payments and online purchases much more, withdrawing less cash from ATMs. *“The ongoing pandemic has accelerated digitisation: people increasingly prefer digital services that are secure, simple and convenient. It is clear that this trend will continue after the end of the pandemic. We also responded with a new communication style whose main theme is a unique blue chameleon, which was very well received by clients and employees alike,”* says Jan Sadil, a member of the ČSOB Board of Directors responsible for retail. *“We continue to innovate: We have introduced ČSOB Smart, a united mobile application for ČSOB and Poštovní spořitelna clients. It also includes our virtual assistant Kate. We are also continuing to develop a new service model at the branches. This includes housing finance zones, which are of great interest, regardless of COVID-19. After all, in March alone we approved mortgages worth a record 14.6 billion crowns, which was more than in the full first quarter of last year,”* adds Jan Sadil.

Health protection

Protecting the health and safety of clients and employees remains our priority. Work from home was introduced where the nature of work permits this. In the first quarter, an average of 70 % of ČSOB group employees worked from home. The branch network has operated without interruption. The opening hours of our branches are adjusted as needed, and strict safety and hygiene measures are observed. Regular testing is provided for employees whose presence at the workplace is essential. From the beginning of January to the end of April, almost 50,000 COVID tests were performed, with a positivity ratio under 0.3%.

Corporate social responsibility and green products

Other priorities that COVID-19 emphasized further are sustainability and a friendly approach to nature. In March, ČSOB joined the Memorandum of the Czech Banking Association for Sustainable Finance. ČSOB Campus won the Environmentally Friendly Project award in the 22nd edition of the Best of Realty competition. In the first

quarter, the volume of investments in socially responsible funds (SRI) increased by 14% year-on-year. We also continued to reduce coal-related finance. As of the end of March it was only 1% compared to 2016 (a quarter-on-quarter decrease of 3 percentage points).

Selected ČSOB Group indicators	1Q 2020	1Q 2021	Year-on-year change
Net profit (CZK bn)	2.1	2.7	+28%
Cost/income ratio	67.4%	66.6%	-0.8pp
Loan volume (CZK bn)	797.7	794.7	0%
Deposit volume (CZK bn)	1,023	1,142	+12%
Assets under management (CZK bn)	232.8	255.3	+10%
Tier 1 capital ratio (CET 1)	19.9%	24.3%	+4.4pp
Credit cost ratio (CCR)	0.02%	-0.16%	-0.18pp

The ČSOB Group

is a leading player on the Czech banking market. Our motto "Digital with a Human Touch" best expresses the ongoing investments into innovation and digitisation, which make it easier and more efficient to serve our clients online as well as at branches. Our services are available 24/7. We build on a unique bancassurance model that offers everything under one roof to address your financial needs – from banking services under the ČSOB and Poštovní spořitelna brands, insurance from ČSOB Pojišťovna, ČSOB Penzijní společnost, ČSOB Leasing, ČSOB Asset Management, ČSOB Factoring and Patria Finance. We provide services to all types of clients, including private individuals, SMEs and a corporate and institutional clientele. The ČSOB Group is part of the international bancassurance KBC Group, which is active in Belgium and the CEE region. ČSOB is the largest provider of housing loans in the Czech Republic. Thanks to Hypoteční banka and ČSOB Stavební spořitelna, which are part of the ČSOB Group, the total volume of housing loans amounts to roughly CZK 500 billion. Our goal is to offer clients all services related to housing simply and under one roof – from housing loans, to mortgages, building savings and related services such as mortgage insurance, real estate, etc.