

# FY/4Q 2020 Results

## ČSOB Group

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Business Unit Czech Republic

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# ČSOB Group: Key Figures

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# Update on the impact of the COVID-19 pandemic

## ČSOB services operate smoothly

ČSOB services remained physically accessible in nearly all branches. Our **bank-insurance franchise** performed **without interruptions**. The **volume of loans, deposits, and assets under management increased**. **Digital interactions have accelerated as more clients prefer to use our solutions online and through mobile.**

Mobile banking active users increased +34% Y/Y and over 1 million clients used our Internet banking at the end of 2020. Number of transactions entered via mobile banking increased +48% Y/Y.

## Loan portfolio quality remains stable, higher credit costs attributable to economic outlook

**The ratio of non-performing loans remained at low 2.26%** of the loan book at the end of December 2020.

**Loan loss impairments increased to CZK 5,556m** due to expected economic consequences of the COVID-19 crisis. The full collective COVID-19 expected credit losses have been recorded in 2020.

**Robust liquidity and capital buffers** allow ČSOB to face today's challenges with high confidence.

## Supporting Czech economy

We have been supporting customers impacted by COVID-19 by efficiently implementing various relief measures, including loan deferrals. After the loan moratorium expired at the end of October 2020, we continue helping our clients on individual basis. **97% of clients with deferrals have resumed payments.**

We are **supporting firms and entrepreneurs** with finance under the **COVID loan guarantee programs**. Total approved volume financed through programs COVID II, Prague, III and Plus amounted to **CZK 10.3bn** at the end of December.

## Help to our employees and support to those in need

**Work from home** is strongly recommended where possible. It peaks **83%** of staff worked from home. One thousand monitors given to employees.

**CSOB provided 140ths facemasks. Antigen testing is available** inhouse in Prague and Hradec Králové.

**Extraordinary reward to the benefits and rewards system for each employee** was given in December as a special thanks for this difficult year. Unusual needs for work-life balance in situation of closed schools were treated with **5 extra days-off**.

Since the pandemic started **ČSOB donated 2.2ths pieces of ICT equipment** to 68 non-profit organizations and primary schools. We have dedicated **30 of our call center operators to help the government** with COVID-19 contact tracing.

## Digital first: new services and innovations launched in 2020



Artificial intelligence powered **virtual assistant Kate** was announced in 2020. Kate is available in DoKapsy app, she is able to communicate via voice, written text or action buttons. Kate can assist with payment card delivery, arrange pet insurance, or loyalty program activation. New cases will be launched on a monthly basis. Kate will handle most of the tasks for which we go to the bank today or open internet banking.



**MALL Pay**, our joint venture with Mall Group, continued successfully in 2020. At the end of December 60ths clients were active, realized 130ths payments. MALL Pay cooperated with more than 160 e-shops.

Patria Finance, member of the ČSOB group and largest online broker in the Czech Republic, has launched **indigo** – a revolutionary **roboadvisory and automated investment platform**. Currently used by 4ths investors with total invested amount of CZK 141m.



**DoKapsy** offers all payment and loyalty cards in a single app, Find&pay for parking spot, Discounts and special offers from the World of Rewards and Virtual assistant Kate. 27ths clients were active in the app at the end of 2020, they saved 58ths loyalty cards and activated almost 19ths payment cards in GooglePay.



ČSOB as one of the first banks in the Czech Republic launched **banking identity service** with the option of logging in to the State Administration Portals. Currently, clients via **ČSOB Identity** can, for example, verify the validity of their documents, look into the driver's points system, pick up an e-recipe or create a data box.

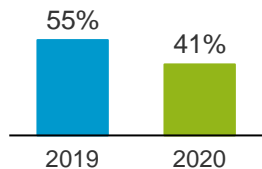


Mobile application **ČSOB Drobné** is a **spare change investing service**, offering customers the option to round up their transactions and put the difference into ČSOB Bohatství mutual fund. **Over 36ths clients signed up for the service in 2020.**

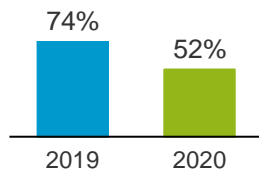
# Sustainable finance and reducing our environmental footprint

## Reducing our own environmental footprint

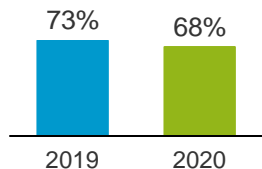
**Own GHG emissions**  
(In % compared to 2015)



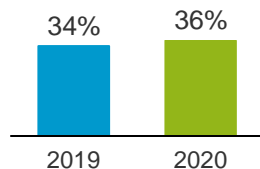
**Paper**  
(In % compared to 2015)



**Electricity**  
(In % compared to 2015)



**Waste**  
(In % compared to 2015)



**We substantially reduce our own environmental footprint.**

We have cut our GHG emissions to 41% compared to 2015. In 2020, we saved over 550 tons of paper thanks to biometric signatures and electronic storage of client documentation.

**We dramatically reduced coal-related finance.** Clients increasingly opt for our green solutions, such as green mortgage and housing loan for energy-efficient homes, green car loan for alternative-fuel vehicles and Socially Responsible Investment options.

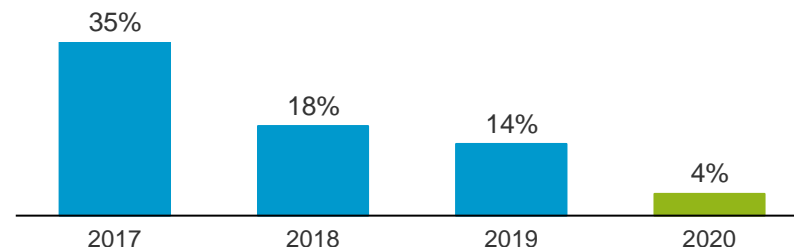
## Sustainable finance

(Outstanding volume, CZK m)

	2020	2019
<b>Green finance</b>		
Renewable energy and biofuel sector	7,759	8,008
<b>Health care and education finance</b>		
Health care and education sector	8,443	7,998
<b>Socially responsible investments</b>		
SRI funds under distribution	2,775	1,986
<b>Total</b>	<b>18,977</b>	<b>17,992</b>

## Direct coal-related finance

(In % compared to 2016)



**Lower net profit due to loan impairments and lower operating income****Robust capital and liquidity**

ČSOB group key indicators		2017	2018	2019	2020
<b>Profitability</b>	Net profit (CZK bn)	17.5	15.8	19.7	8.5
	Return on equity	19.3%	17.5%	20.7%	8.2 %
<b>Liquidity</b>	Loan to deposit ratio	77.7%	76.3%	79.4%	71.6 %
	Net stable funding ratio	146.0%	161.4%	161.5%	170.6 %
<b>Capital</b>	Tier 1 (CET1) ratio	17.2%	18.0%	19.2%	23.7 %
<b>Impairments</b>	Credit cost ratio <sup>1</sup>	0.02%	0.03%	0.04%	0.67 %
<b>Cost efficiency</b>	Cost / income ratio	43.7%	47.9%	44.9%	54.6%

## Continued growth of business volumes, lower operating income and net profit

### Business indicators

**Loan portfolio** increased to **CZK 792bn** (+2% Y/Y) driven by retail loans. **Group deposits** increased to **CZK 1,073bn** (+12% Y/Y). **Assets under management** increased to **CZK 253bn** (+5% Y/Y). The number of **active clients** increased **+66ths** Y/Y.

### Operating income

**Operating income** reached **CZK 35.3bn** in FY 2020 (-17% Y/Y). The Y/Y decrease was driven by lower net interest income and by higher base in 2019 due to one-off gains from revaluation of 55% share in CMSS and the sale of ČSOB Asset Management. The decline was partly offset by full consolidation of CMSS. Adjusted for the impact one-off gains in 2019 and full consolidation of ČMSS, the FY 2020 operating income would decrease **-14% Y/Y**.

### Operating expenses

**Operating expenses** increased to **CZK 19.3bn** in FY 2020 (+1% Y/Y) mainly due to consolidation of ČMSS. Adjusted for the impact of ČMSS consolidation and excluding banking taxes, operating expenses would decrease **-3% Y/Y**.

### Impairments

**Credit cost ratio** in FY 2020 increased to **67 bps** (+63 bps Y/Y) or to **15 bps** (+10bps Y/Y) without collective COVID-19 expected credit losses.

### Net profit

As a result of the above mentioned factors, ČSOB's **net profit** came in at **CZK 8.5bn** (-57% Y/Y) in FY 2020 and CZK 2.2bn (-56% Y/Y) in 4Q 2020.

### Liquidity & Capital

ČSOB maintains strong capital position and excellent liquidity ratios. **CET1 ratio** reached **23.7%**. **Loan to deposit ratio** decreased Y/Y to **71.6%**. The **short-term liquidity ratio LCR** increased to **137.5%** and the **long-term liquidity ratio NSFR** was **170.6%**.

### Achievements & Highlights

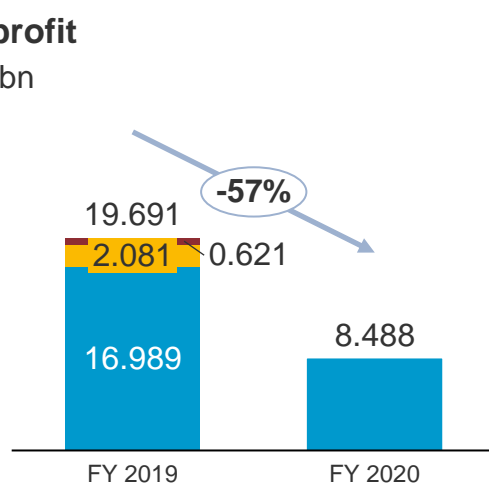
**Hospodářské noviny** selected ČSOB as **the Best Bank** of 2020 and **the Most Client-friendly Bank** in Czech Republic. The magazine **Euromoney** awarded ČSOB as **the Best Bank** and **the Best Private bank** in the Czech Republic for 2020. ČSOB also won the title of **the Best Private Bank** in the Czech Republic for 2020 by **the Banker** magazine.



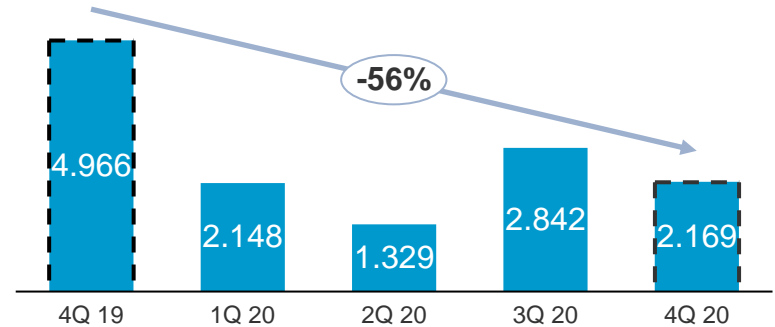
# Lower net profit due to loan impairments and lower operating income

## Net profit

CZK bn



- Sale of ČSOB AM
- ČMSS acquisition (revaluation of 55% share, net)
- ČSOB Group's net profit



FY/4Q 2020 **net profit** decreased to **CZK 8.5bn** (-57% Y/Y) and CZK 2.2bn (-56% Y/Y) respectively. The Y/Y decline is the result of a sharp increase in impairments and lower operating income due to lower net interest income and higher base in 2019 due to one-off gains from revaluation of 55% share in CMSS and the sale of ČSOB Asset Management.

Adjusted for the impact of full consolidation of ČMSS and one off-gains in 2019, the FY net profit would decrease **-51% Y/Y**.

**The return on equity (ROE)** decreased to **8.2%** (-12.5pp Y/Y) driven by lower net profit.

Notes (gross impact):

1Q 2019 one-off items: gain from historical legal case (CZK +0.2bn), sale of ČSOB AM (CZK +0.6bn)

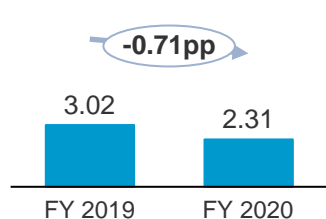
2Q 2019 one-off item: gain from revaluation of ČSOB's 55% share in ČMSS triggered by acquisition of remaining 45% share, in conformity with IFRS 3 (CZK +2.1bn)

2Q 2020 one-off item: modification loss (-0.1bn CZK)

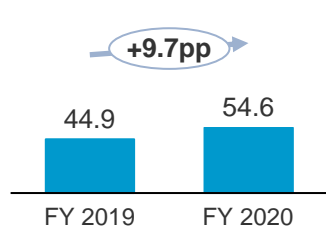
# Robust capital position and excellent liquidity ratios

## Profitability

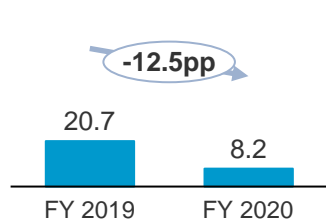
Net interest margin (%)



Cost / income ratio (%)

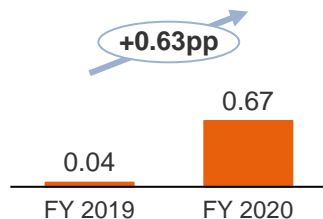


ROE (%)

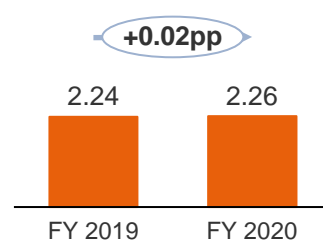


## Loan portfolio quality

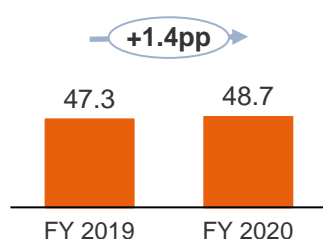
CCR, Ytd. annualized<sup>1</sup> (%)



NPL ratio<sup>2</sup> (%)

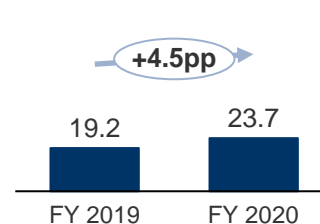


NPL coverage ratio<sup>2</sup> (%)

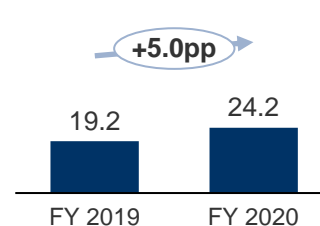


## Capital

Tier 1 (CET 1) ratio (%)

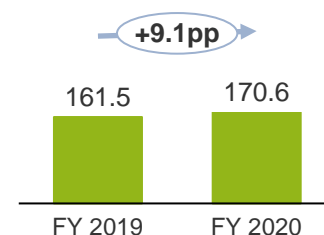


Total capital ratio (%)

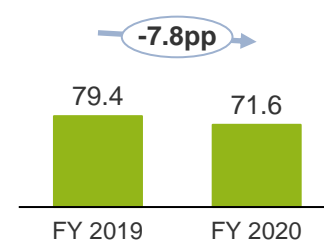


## Liquidity

Net stable funding ratio (%)



Loan to deposit ratio (%)

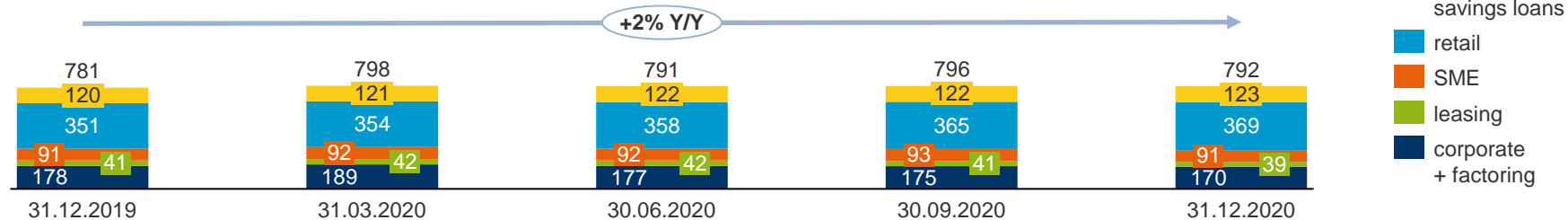


# Loans, deposits and assets under management

## Strong growth of deposits and assets under management

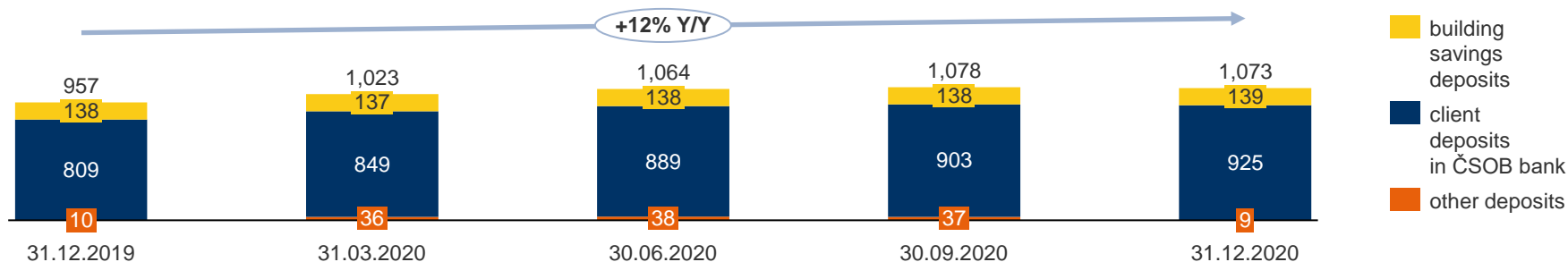
### Loan portfolio<sup>1</sup>

CZK bn



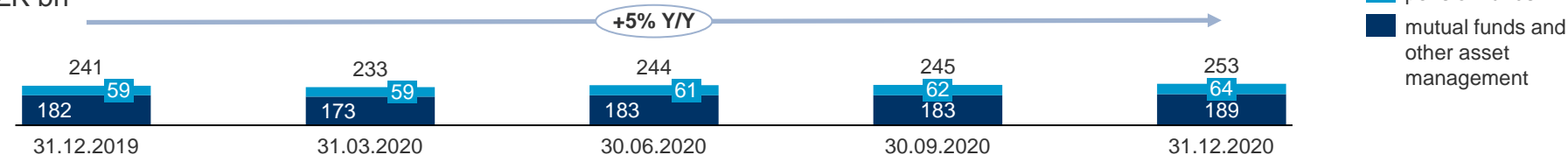
### Group deposits<sup>2</sup>

CZK bn



### Total assets under management

CZK bn



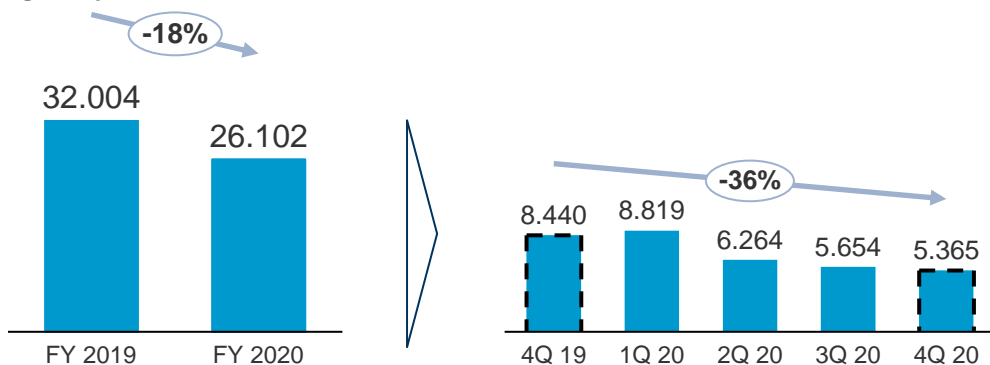
# ČSOB Group: Financial Overview

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## Decreasing net interest income and lower net interest margin

### Net interest income (NII)

CZK bn



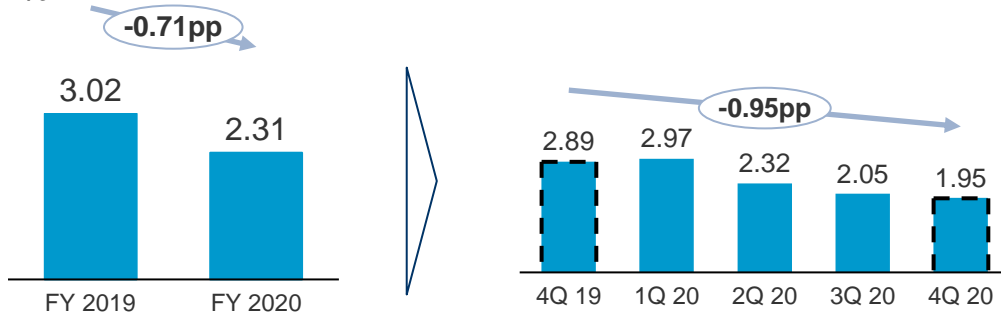
FY/4Q 2020 **net interest income** decreased **-18% Y/Y** and **-36% Y/Y** respectively as a result of:

- (-) NII from deposits,
- (-) other NII influenced by hedging position and short-term operations at financial markets,
- (+) consolidation of ČMSS

Adjusted for the impact of full consolidation of ČMSS, NII would decrease **-21% Y/Y** in FY 2020.

### Net interest margin (NIM)\*

%



In FY 2020, **net interest margin** reached **2.31%** (-0.71pp Y/Y) mainly due to the pressure on deposit margins.

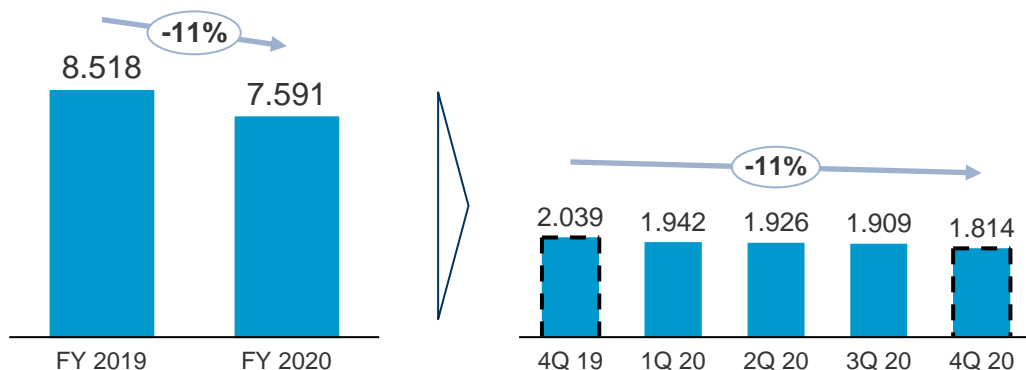
	2017	2018	2019	2020
Net interest margin (Ytd., %)*	2.90 (2.98)	3.07 n/a	3.02 n/a	2.31 n/a

# Net fee and commission income and Other

## Lower NFCI linked to lower economic activity

### Net fee and commission income (NFCI)

CZK bn

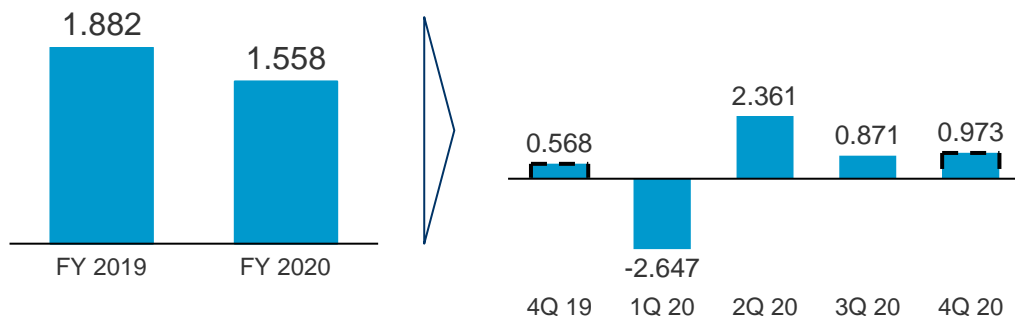


FY/4Q 2020 **net fee and commission income** decreased **-11% Y/Y** and **-11% Y/Y** respectively as a result of lower fees on foreign payments due to regulation, lower fees from loans, accounts, domestic payments and payment cards, linked to lower economic activity due to COVID-19 pandemic, partly offset by higher asset management fees.

Adjusted for the impact of ČMSS consolidation, NFCI would decrease -12% Y/Y in FY.

### Other<sup>1</sup>

CZK bn



Y/Y decrease of item “**Other**” was influenced by following factors:

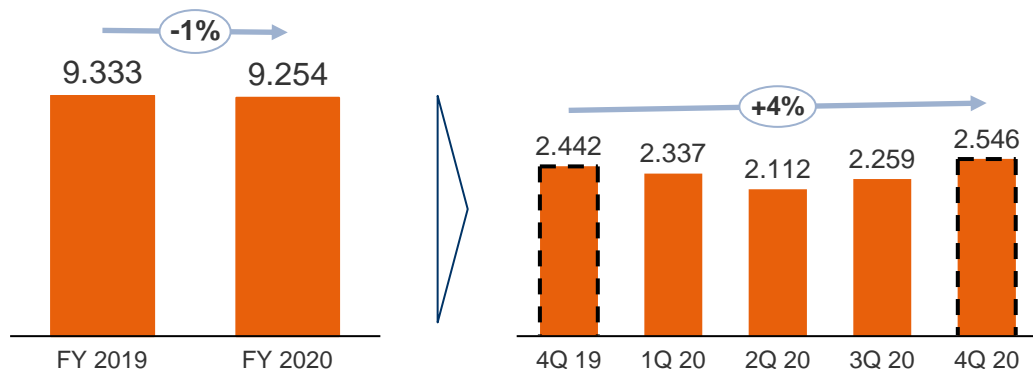
- (-) one-off gain from CMSS revaluation in 2Q 2019,
- (-) one-off gain from sale of ČSOB AM in 1Q 2019,
- (-) one-off gain from historical legal case in 1Q 2019,
- (-) valuation adjustments
- (+) short term operations at financial markets
- (+) sale of bonds.

# Staff and General administrative expenses

## Operating expenses under control

### Staff expenses

CZK bn

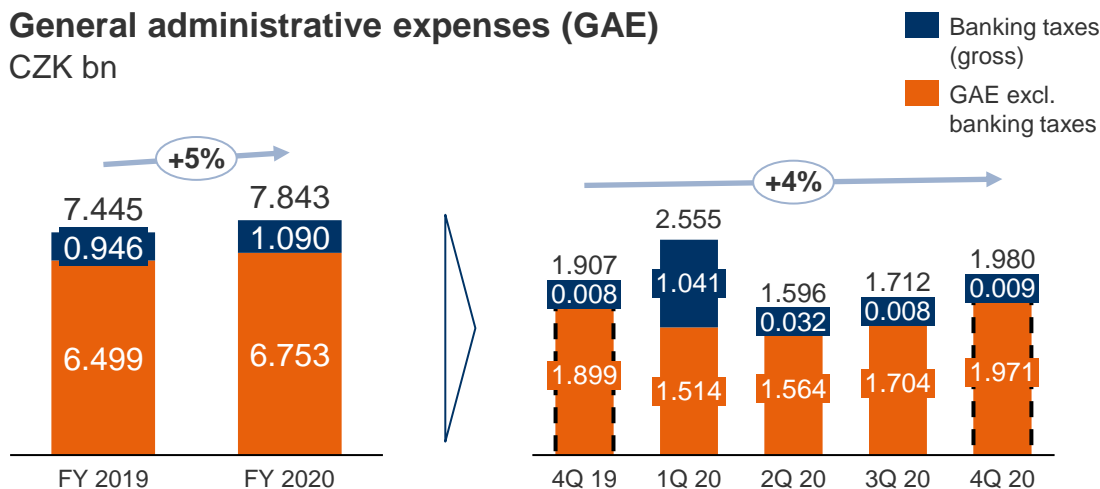


FY/4Q 2020 **staff expenses** decreased **-1% Y/Y** and increased **+4% Y/Y** respectively. Increased costs attributable to consolidation of ČMSS were compensated by lower accruals for bonuses and lower number of FTEs (-3% FTEs, EoP).

Adjusted for the impact of ČMSS consolidation, staff expenses would decrease **-3% Y/Y** in 2020.

### General administrative expenses (GAE)

CZK bn



In FY 2020 **general administrative expenses** increased **+5% Y/Y** driven mainly by ČMSS consolidation, change in capitalization policy, and higher ICT costs, partly compensated by lower marketing and other costs.

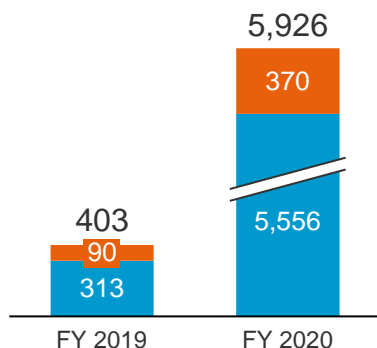
Adjusted for the impact of ČMSS consolidation and excluding banking taxes, GAE would **remain stable Y/Y** in 2020.

**Cost/income ratio** increased to **54.6%** (+9.7pp Y/Y) driven by lower operating income.

# Higher credit costs attributable to economic outlook

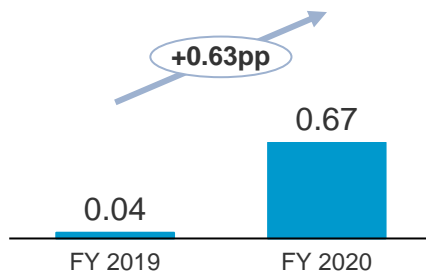
## Total impairments

CZK m



## CCR, Ytd. annualized<sup>1</sup>

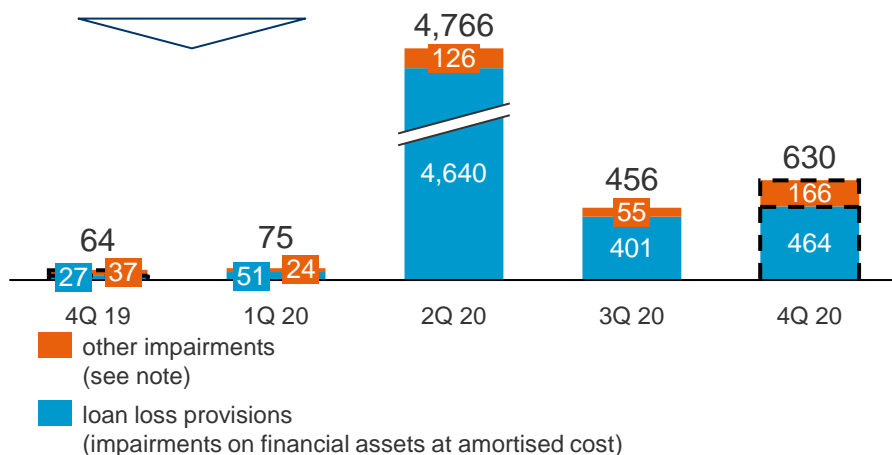
%



In FY 2020, **loan loss provisions** increased to **CZK 5,556m** attributable to collective COVID-19 expected credit losses (of which CZK 4.2bn management overlay in accordance with IFRS 9) and higher impairments in corporate segment and Hypoteční banka.

**Other impairments** increased Y/Y to **CZK 370m** impacted mainly by modification loss related to deferred installments under loan moratorium in 2Q and software write-off in 4Q.

**Credit cost ratio** for FY 2020 reached **0.67%** (Ytd., annualized; +63 bps Y/Y) or **0.15%** without collective COVID-19 ECL (+10 bps Y/Y).



**Notes:**  
 Figures in graphs: (+) net creation/cost and (-) net release/revenue.  
 Other impairments include impairments on tangible and intangible assets.

## Risk view on structure of the loan portfolio

	31.12.2020	
IFRS 9 distribution	Amount (CZK bn)	Share on total loans
Loan portfolio (incl. ČMSS)	792.5	100%
Stage 1 - performing	717.5	91%
Stage 2 - underperforming	56.7	7%
Stage 3 - non-performing loans	18.4	2%

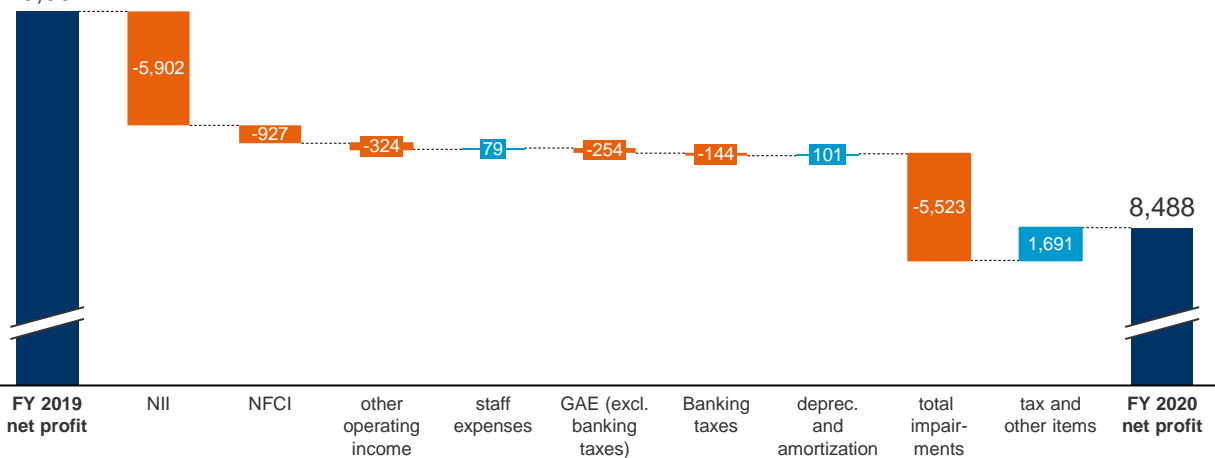


# Wrap up of net profit drivers

## Net profit (Y/Y)

CZK m

19,691



The main difference between FY 2020 and FY 2019 net profit was caused by the following drivers:

On the **positive side**:

- lower staff expenses as a result of lower number of FTEs and lower accruals for bonuses, partly compensated by CMSS consolidation
- tax and other items
- depreciation and amortization

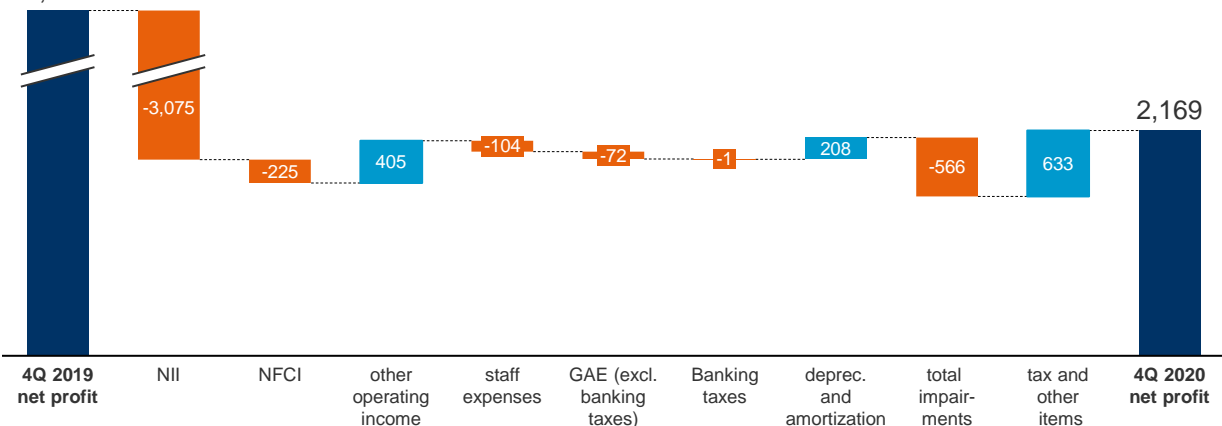
On the **negative side**:

- lower NII due to NII from deposits and other NII, partly compensated by consolidation of ČMSS
- higher total impairments
- lower NFCI lower fees on foreign payments due to regulation, lower fees from loans, accounts, domestic payments and payment cards, partly compensated by higher fees from asset management
- lower other operating income impacted by higher base in 2019 due to one-off gain from revaluation of ČMSS and sale of CSOB AM
- higher GAE was influenced by ČMSS consolidation, change in capitalization policy, and higher ICT costs, partly compensated by lower marketing costs
- higher banking taxes

## Net profit (Y/Y)

CZK m

4,966



The main difference between 4Q 2020 and 4Q 2019 net profit was caused by the following drivers:

On the **positive side**:

- higher other operating income resulting from trading income
- tax and other items
- depreciation and amortization

On the **negative side**:

- lower NII driven by NII from deposits and other NII
- higher total impairments
- lower NFCI as a result of lower fees from foreign payments, accounts and loans
- higher staff expenses influenced by higher accruals for bonuses and change in capitalization policy
- higher GAE driven by change in capitalization policy and higher ICT costs, partly offset by savings in travel, marketing and other costs

# Capital

## Strong capital position

Consolidated, CZK m	31.12.2019	31.12.2020
<b>Total regulatory capital</b>	<b>75,117</b>	<b>99,075</b>
- (Common Equity) Tier 1 Capital	75,117	97,191
- Tier 2 Capital	0	1,884
<b>Total RWA</b>	<b>391,461</b>	<b>410,027</b>
- Credit risk	321,481	342,805
- Market risk	633	423
- Operational risk	69,347	66,799
<b>(Common Equity) Tier 1 ratio</b>	<b>19.2%</b>	<b>23.7%</b>
<b>Total capital ratio</b>	<b>19.2%</b>	<b>24.2%</b>

The Y/Y increase of (Common Equity) **Tier 1** capital due to inclusion of full 2019 and 2020 profit.  
Increase in **Tier 2** capital caused by an excess of provisions (related to COVID) over expected losses.

**Total RWA** increased Y/Y.  
Increase of credit risk driven by methodology changes and RWA add-ons for anticipated PD-migrations.

### Notes:

Total RWA (risk weighted assets) = credit risk RWA + market risk RWA + operational risk RWA

Tier 1 capital = share capital + share premium + legal reserve funds + retained earnings + other comprehensive income – goodwill – intangible assets

Tier 2 capital = subordinated debt weighted by regulatory coefficient + surplus in expected credit losses

Total regulatory capital = (Common Equity) Tier 1 + Tier 2

# ČSOB Group: Business Overview

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1st

<b>Total Loans<sup>1</sup></b>	<b>20,7%</b>	↓
Mortgages <sup>1,6</sup>	26.2%	↓
Building savings loans <sup>1</sup>	39.1%	↓
Building savings deposits <sup>1</sup>	38.8%	↓

2nd

<b>Total Deposits<sup>1</sup></b>	<b>21.0%</b>	↑
Mutual funds <sup>1</sup>	22.8%	↓
Factoring <sup>2</sup>	19.7%	↓
Leasing <sup>1</sup>	16.8%	↓

3rd

Pension funds <sup>3</sup>	14.8%	↑
SME/corporate loans <sup>1</sup>	14.4%	↓
Consumer lending <sup>1,4,6</sup>	13.4%	↑

4th

Insurance <sup>5</sup> - combined	8.4%	↑
Non-life insurance <sup>5</sup>	8.6%	↑
Life insurance <sup>5</sup>	7.9%	↓

Arrows show Y/Y change. Market shares as of 31 December 2020, except for mutual funds, pension funds and factoring which are as of 30 September 2020.

The ranking is ČSOB's estimate. Market position in the insurance reflects combined position of the insurers belonging to the same business group.

<sup>1</sup> Outstanding at the given date (including ČMSS); <sup>2</sup> New business in the year to the given date; <sup>3</sup> Number of total clients at the given date; <sup>4</sup> Retail loans excluding mortgages and building savings loans. <sup>5</sup> New business in the year according to gross written premium. <sup>6</sup> Since 1Q 2019, market shares in mortgages and consumer lending are influenced by methodological change in CNB reporting.

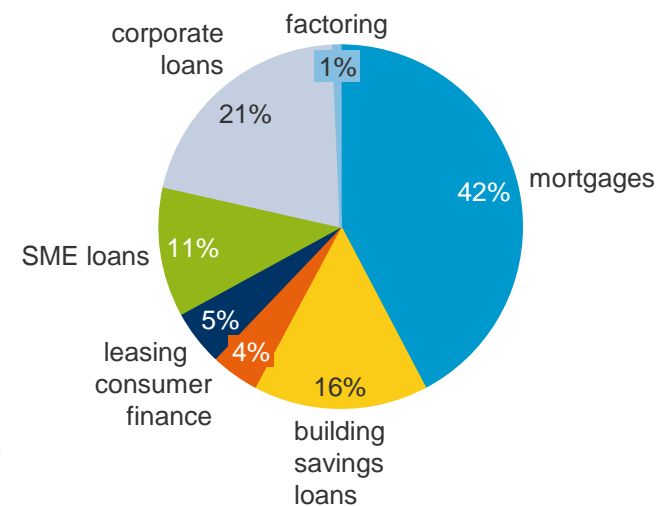
Sources and detailed definitions are provided in Appendix.

# Loan growth driven by Retail Segment

Gross outstanding volumes, CZK bn	31.12.2019	31.12.2020	Y/Y
<b>Loan portfolio</b>	<b>780.7</b>	<b>792.5</b>	<b>+2%</b>
<b>Retail Segment</b>			
Mortgages <sup>1</sup>	316.8	335.2	+6%
Consumer finance	33.8	34.1	+1%
Building savings loans <sup>2</sup>	120.4	122.9	+2%
<b>SME/Corporate Segment</b>			
Corporate loans <sup>3</sup>	171.9	164.7	-4%
SME loans	90.7	91.0	0%
Leasing	40.9	39.0	-5%
Factoring	6.2	5.4	-13%
Other <sup>4</sup>	46.1	43.9	-5%
<b>Credit risk: loan portfolio</b>	<b>826.8</b>	<b>836.3</b>	<b>+1%</b>

31.12.2020

More than 60% of the total loan portfolio is in retail, out of which majority in financing housing needs.



<sup>1</sup> The ČSOB group mortgages are booked in the balance sheet of ČSOB's subsidiary Hypoteční banka.

<sup>2</sup> The ČSOB group building savings loans are in the balance sheet of ČMSS building savings company.

Volumes in the table above are reported in 100% and beginning 2Q 2019 included in the ČSOB's consolidated balance sheet.

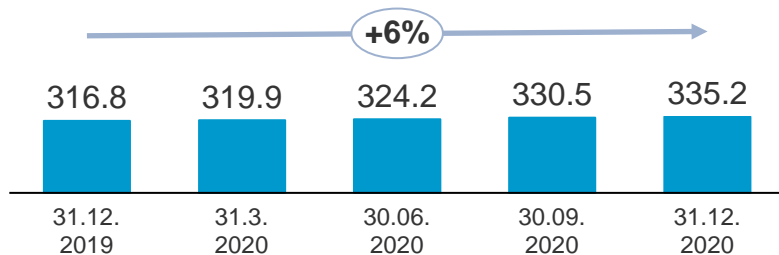
<sup>3</sup> Including credit-replacing bonds.

<sup>4</sup> Including off-balance sheet items and ALM/financial markets exposures.

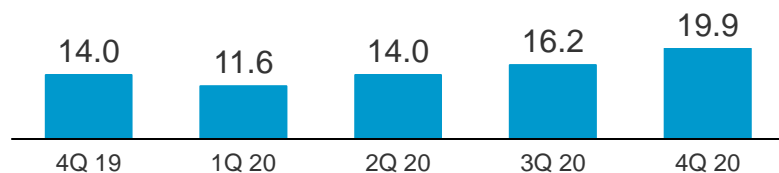
# Growth of mortgage as well as building savings loans volumes

## Mortgages

Outstanding, CZK bn



New sales\*, CZK bn

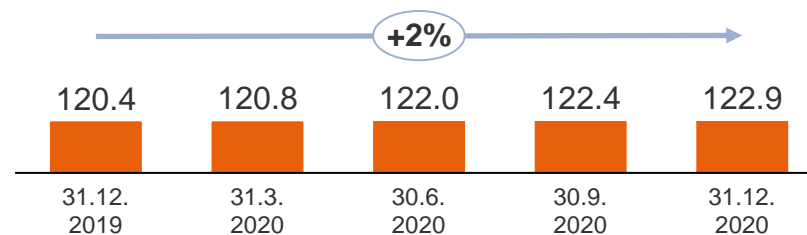


The **outstanding volume of mortgages** increased **+6% Y/Y** as the mortgage market remained active in 2020 despite the outbreak of COVID-19 crisis.

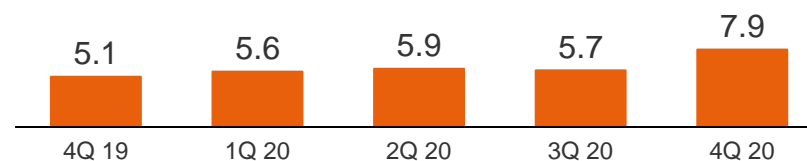
In 4Q 2020, ČSOB provided **6.6 thousand new mortgages** (+22% Y/Y) in the total amount of **CZK 19.9bn** (+42% Y/Y). The market of new mortgages increased +30% Y/Y in the number and +53% Y/Y in the total amount of new mortgages.

## Building savings loans

Outstanding (ČMSS 100%), CZK bn



New sales (ČMSS 100%)\*, CZK bn



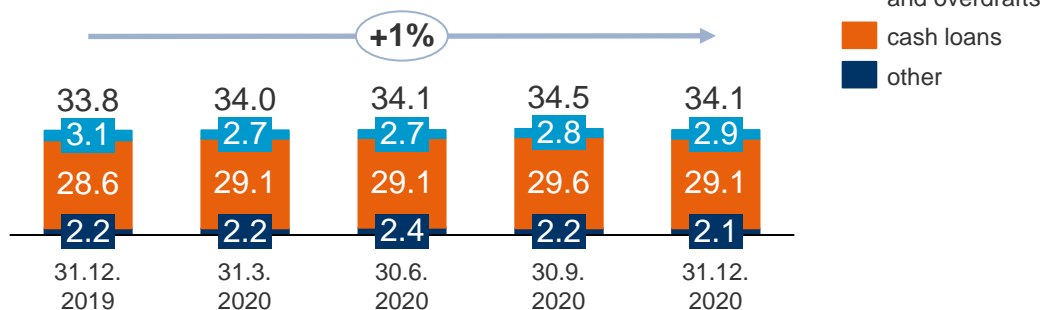
The outstanding **building savings loan portfolio** increased **+2% Y/Y**, while the market increased +6% Y/Y.

In 4Q 2020, **new sales** increased **+54% Y/Y**. The increase was influenced by the continuing interest in real estate investments supported by competitive price conditions.

# Consumer finance, SME loans, Leasing

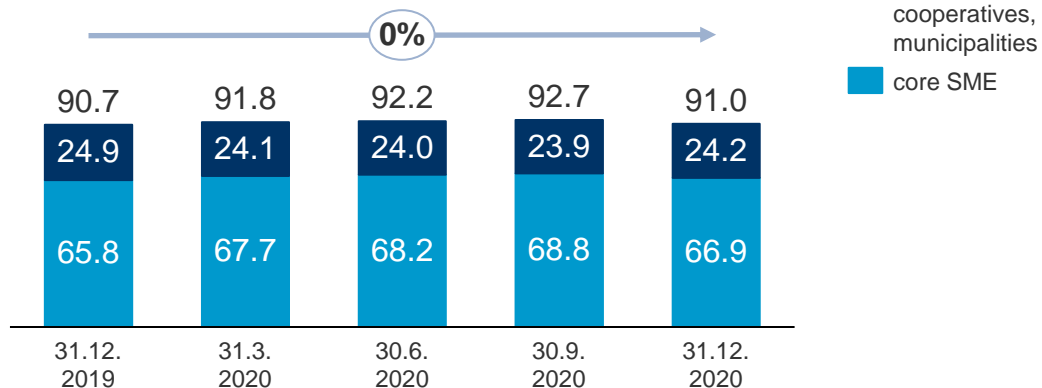
## Growth in consumer finance

### Consumer finance, outstanding, CZK bn



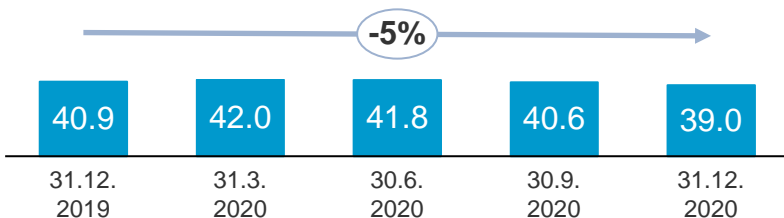
**Consumer finance** grew **+1% Y/Y** driven by cash loans (+2% Y/Y) mainly thanks to direct channels.

### SME loans, outstanding, CZK bn



**SME loans remained stable**, increase in core SME lending (micro, small and mid-sized companies, +2% Y/Y) was compensated by the housing cooperatives and municipalities.

### Leasing, outstanding\*, CZK bn



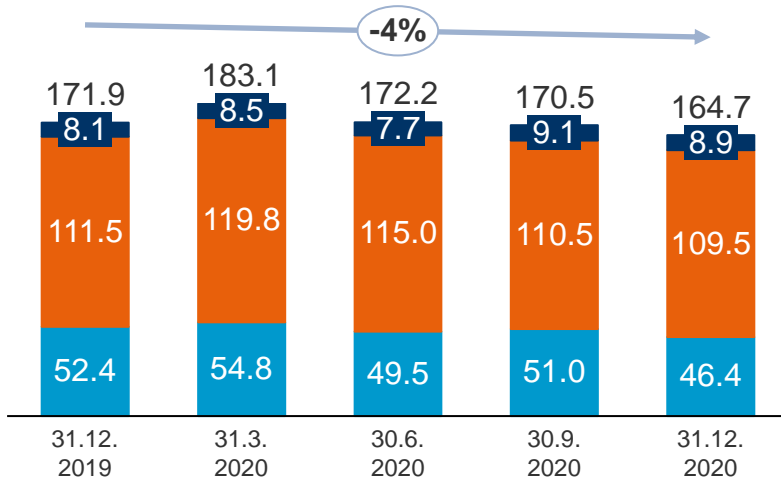
Outstanding volumes in **ČSOB Leasing** decreased **-5% Y/Y** due to decrease in SME and lower sales of Financial products for dealers.

# Decrease of outstanding volumes in Corporate and Factoring

## Corporate loans

Outstanding, CZK bn

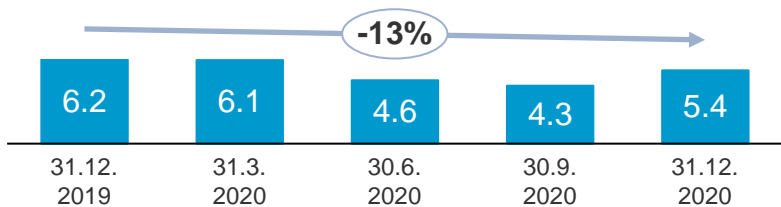
- credit-replacing bonds
- specialized finance
- plain vanilla financing



Outstanding volumes of **corporate loans** decreased **-4% Y/Y** due to early repayments and exit from certain industries.

## Factoring

Outstanding, CZK bn



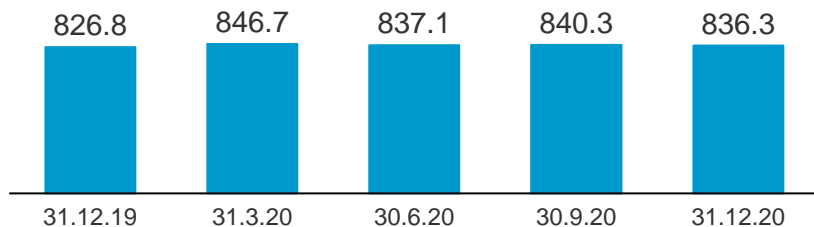
**Factoring** outstanding volumes decreased >20% during the year but improved to **-13% Y/Y** at the year end thanks to a large corporate transaction.



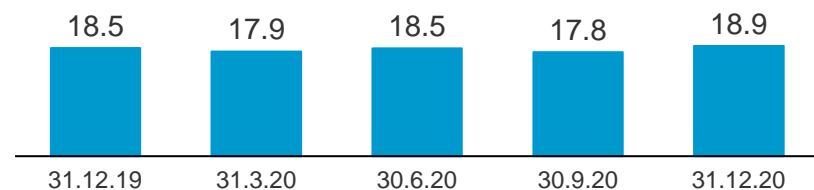
# Credit risk

## Increasing credit costs

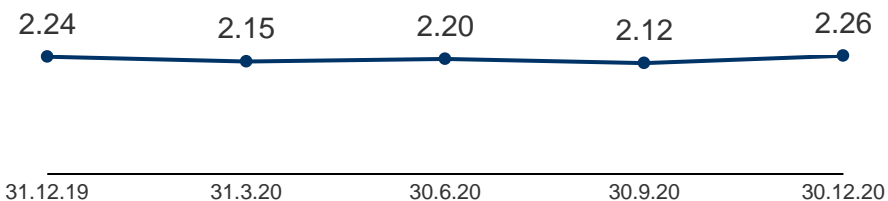
### Credit risk: loan portfolio (CZK bn)



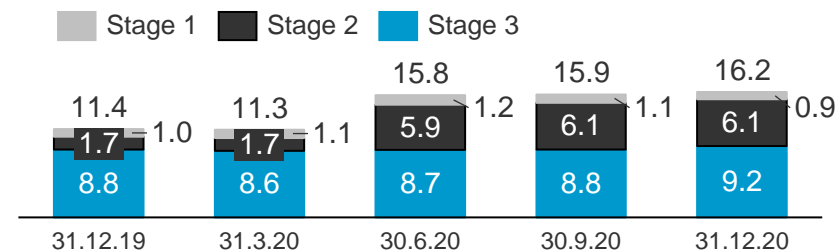
### Non-performing loans (CZK bn)



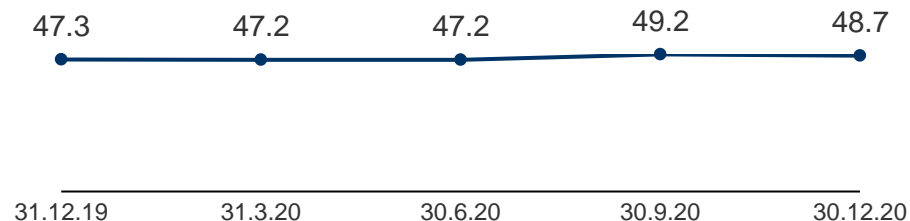
### NPL ratio (%)



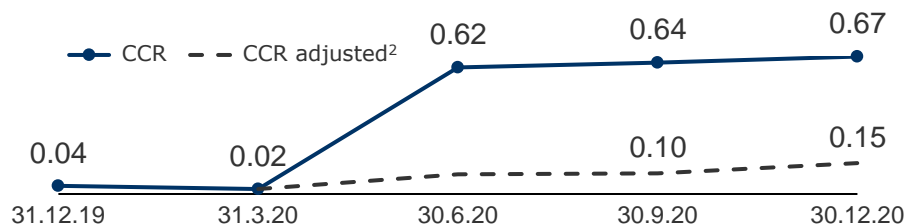
### Allowances for loans and leases<sup>1</sup> (CZK bn)



### NPL coverage ratio (%)



### Credit cost ratio (% Ytd. annualized)



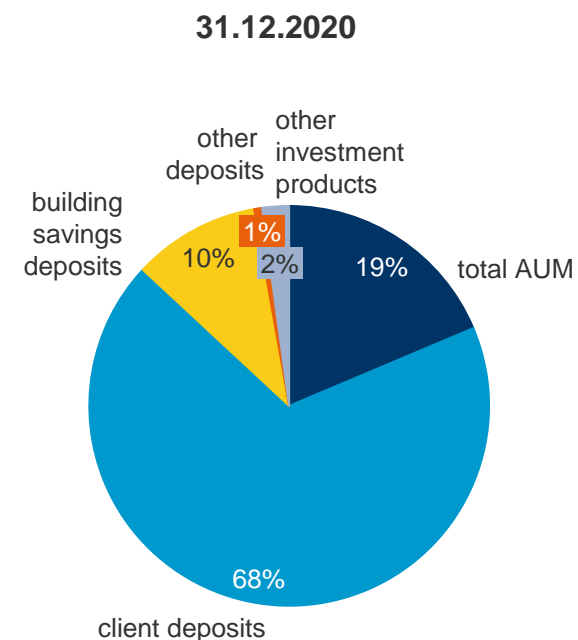
<sup>1</sup> Significant increase in Stage 2 in 2Q 2020 attributable to management overlay.

<sup>2</sup> CCR adjusted: without collective COVID-19 ECL (management overlay and impairments captured by the ECL models).

# Group deposits and Total assets under management

## Strong growth of deposits and assets under management

Outstanding volumes, CZK bn	31.12.2019	31.12.2020	Y/Y
<b>Group deposits</b>	<b>957.2</b>	<b>1,072.8</b>	<b>+12%</b>
Client deposits	809.3	924.9	+14%
<i>Current accounts</i>	558.3	652.9	+17%
<i>Savings deposits</i>	201.4	246.4	+22%
<i>Term deposits</i>	49.6	25.5	-48%
Other deposits <sup>1</sup>	9.7	8.7	-10%
Building savings deposits	138.2	139.2	+1%
<b>Total AUM</b>	<b>240.6</b>	<b>252.5</b>	<b>+5%</b>
Pension funds <sup>2</sup>	58.8	63.9	+9%
Mutual funds and other AM <sup>3</sup>	181.8	188.6	+4%
<b>Other investment products<sup>4</sup></b>	<b>45.8</b>	<b>29.3</b>	<b>-36%</b>



<sup>1</sup> The other deposits predominantly consist of repo operations with institutional clients.

<sup>2</sup> Liabilities to pension fund policy holders.

<sup>3</sup> Item "Mutual funds and other AM" includes AUM in structured/capital protected funds, AUM in other mutual funds, other asset management and AUM of Slovak local funds managed in Czech Republic.

<sup>4</sup> Including bonds, investment certificates and mortgage covered bonds. See definition in appendix.

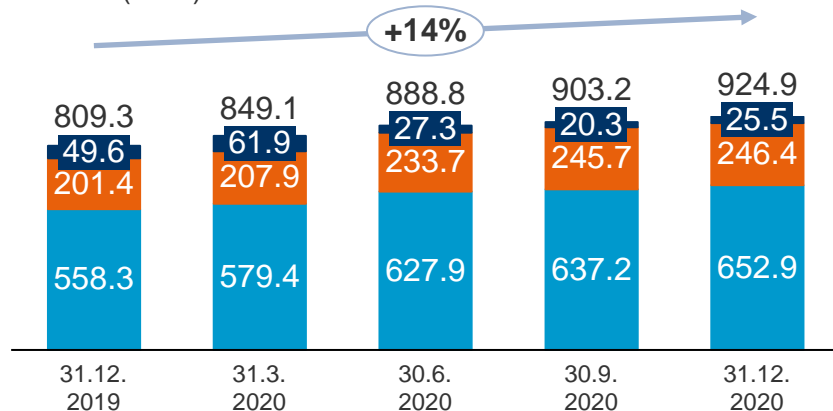
# Client deposits, Building savings deposits and Pension funds

## Strong growth of client deposits and pension funds

### Client deposits (CZK bn)

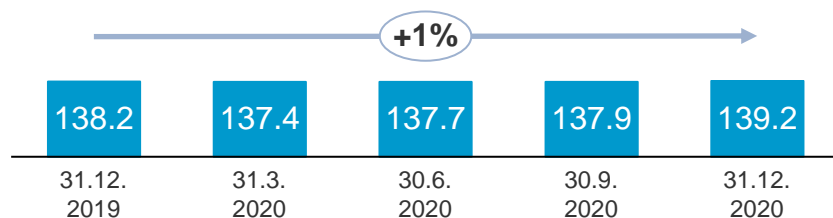
ČSOB (bank)

- term deposits
- savings deposits
- current accounts



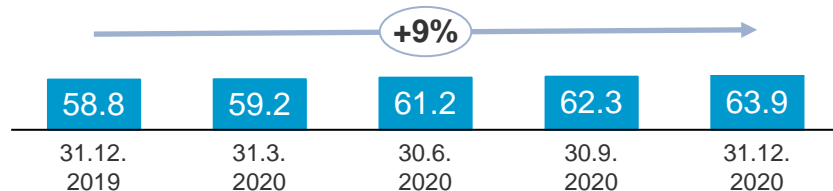
**Client deposits** increased **+14% Y/Y** driven by the growth of **current accounts** (+17% Y/Y) and **savings deposits** (+22% Y/Y) while **term deposits** decreased.

### Building savings deposits (CZK bn)



**Building savings deposits** increased **+1% Y/Y**.

### Pension funds (CZK bn)



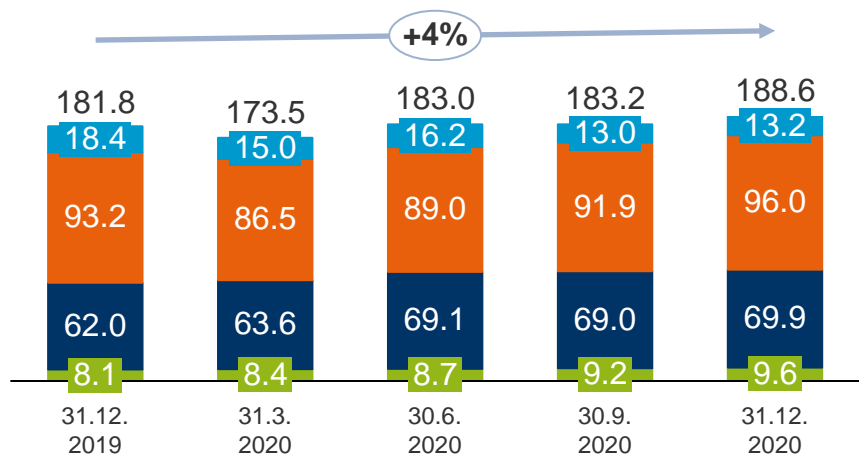
The volume of savings in **pension funds** increased **+9% Y/Y** driven mainly by higher average pension savings per client.

# Mutual funds and other AM increased +4% Y/Y driven by positive performance effect

## Mutual funds and other AM

Outstanding volumes, CZK bn

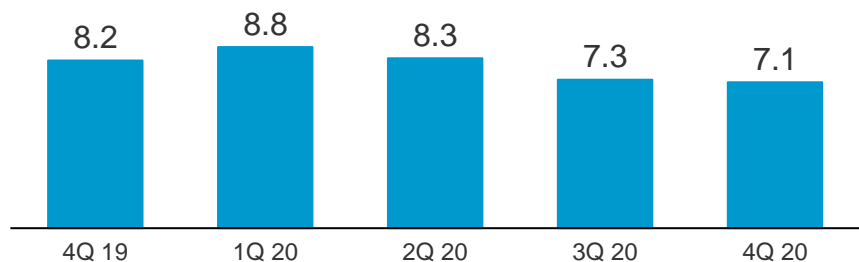
- AUM in structured/capital protected mutual funds
- AUM in other mutual funds
- other asset management
- AUM of Slovak local funds managed in Czech Rep.



**Mutual funds and other AM** increased **+4% Y/Y** to **CZK 188.6bn** due to increase in other mutual funds. Net sales of mutual funds were negatively impacted by reinvestments of short term bond fund CSOB Premiéra (Due to the low interest rate environment, we do not currently actively offer this mutual fund to clients)

## Mutual funds

New sales (gross), CZK bn



**4Q 2020 new sales of mutual funds** decreased **-13% Y/Y** mainly due to lower sales of bond funds.

Notes:

Mutual funds include funds managed by ČSOB AM as well as those distributed by the ČSOB group but managed by the KBC AM. Only direct positions are included (the funds bought directly by clients).

Other asset management: Discretionary mandates and Qualified Investors Funds. AUM of Pension Funds managed by ČSOB AM are excluded and are shown separately in Pension funds section.

## Growing active client base supported by ongoing transformation to omni-channel distribution model

	31.12.2019	30.9.2020	31.12.2020
Clients of ČSOB's group (mil.)	4.240	4.241	4.231
Clients of Ušetřeno.cz and Top-Pojištění.cz (ths.; YtD.) <sup>1</sup>	173	108	128
<b>ČSOB branches (bank only)</b>	<b>225</b>	<b>221</b>	<b>212</b>
ČSOB Retail/SME branches incl. dual branded (ČSOB + PSB)	203	199	190
ČSOB Private Banking branches	11	11	11
ČSOB Corporate branches	11	11	11
<b>ČSOB Pojišťovna branches</b>	<b>97</b>	<b>97</b>	<b>97</b>
<b>Hypoteční banka centers</b>	<b>29</b>	<b>29</b>	<b>29</b>
<b>ČMSS advisory centers</b>	<b>273</b>	<b>272</b>	<b>262</b>
<b>Leasing branches</b>	<b>7</b>	<b>7</b>	<b>7</b>
<b>PSB outlets of the Czech Post network</b>	<b>ca. 2,600</b>	<b>ca. 2,600</b>	<b>ca. 2,500</b>
- of which specialized banking counters	226	229	230
<b>Czech Post franchise outlets</b>	<b>ca. 600</b>	<b>ca. 600</b>	<b>ca. 700</b>
<b>ATMs<sup>2</sup></b>	<b>1,068</b>	<b>1,041</b>	<b>1,025</b>
- of which contactless	492	562	601

The number of clients decreased -9ths Y/Y, but the number of active clients increased +66ths Y/Y.

Decrease of clients of Ušetřeno and Top-Pojištění.cz directly linked to lower sales of travel insurance.

At the end of December 2020, clients could use **1,025 ATMs** (-43 Y/Y, decrease mainly in 3<sup>rd</sup> party network), of which 601 were contactless (+105 Y/Y), 267 enabled cash deposits (+25 Y/Y) and **995** are customized for visually impaired clients.

Due to the ongoing optimization of the branch network and strengthening of the self-service platforms, the number of **ČSOB branches** reached 212 (-13 Y/Y) by the end of December.

Extended portfolio of bank-insurance services at Czech Post is provided at **230 specialized banking counters** (+4 Y/Y).

Note:

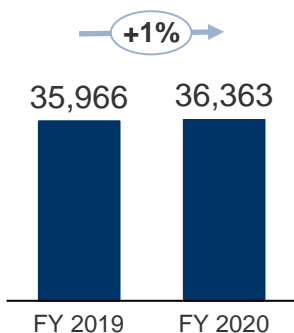
The multi-channel distribution platform of the ČSOB group includes also a wide **agent network** of over 5,000 agents, incl. ČMSS tied agents, intermediaries and individual brokers for Hypoteční banka, ČSOB Leasing's dealers and ČSOB Pojišťovna's tied agents, multi-agents and individual brokers.

29 <sup>1</sup> Clients who have bought at least one product from the beginning of the year.

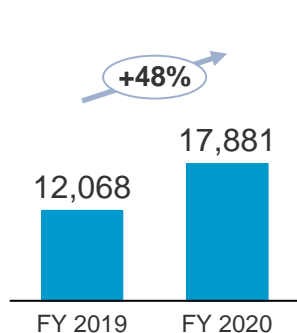
<sup>2</sup> Including ATMs of cooperating banks.

# Number of mobile banking active users and transactions rapidly increasing

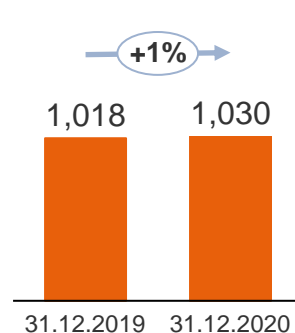
Internet banking transactions\* (ths)



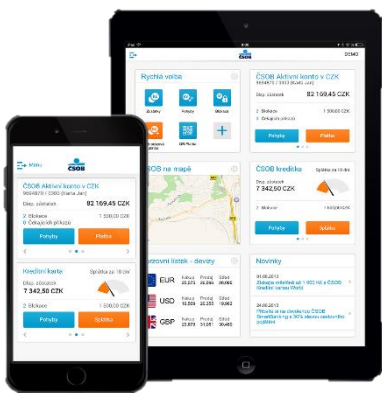
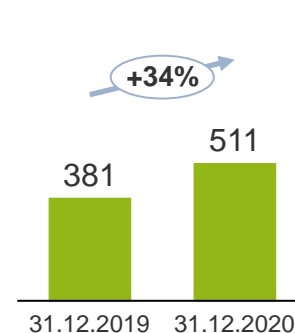
Mobile banking transactions\* (ths)



Internet banking active users\*\* (ths)



Mobile banking active users\*\*\* (ths)



As of 31 December 2020, the number of **mobile banking** active users increased +34% Y/Y, the number of **internet banking** active users increased +1% Y/Y.

In FY 2020, number of transactions entered via **mobile banking** increased +48% Y/Y and number of transactions via **internet banking** +1%.

\* Only transactions of retail and private banking clients are included. Transactions from standing payment orders are excluded.

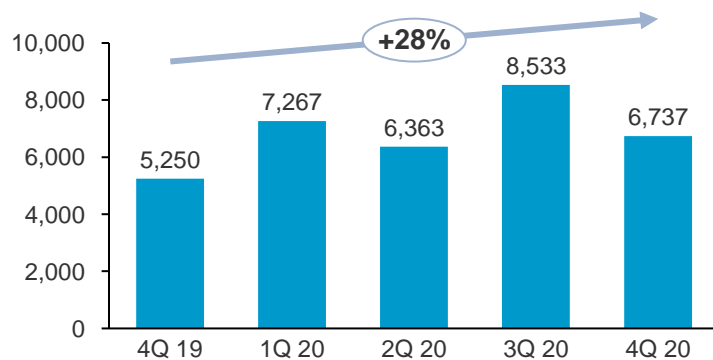
\*\* Internet banking active users are clients who at least once during the last 3 months used internet banking.

\*\*\* Mobile banking active users are clients who at least once during the last 3 months used mobile banking.

# Online initiated sales are increasing, sales of travel insurance impacted by COVID-19

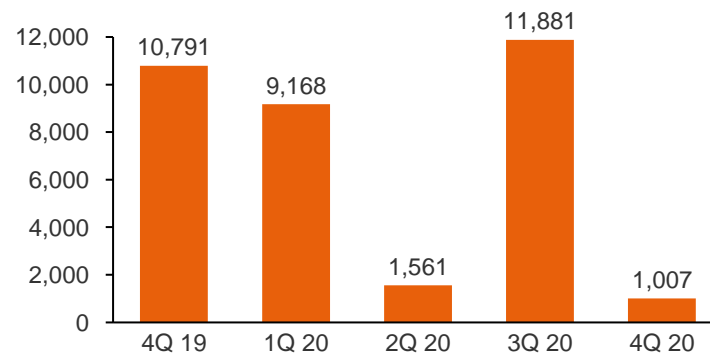
## Consumer finance

(pcs)

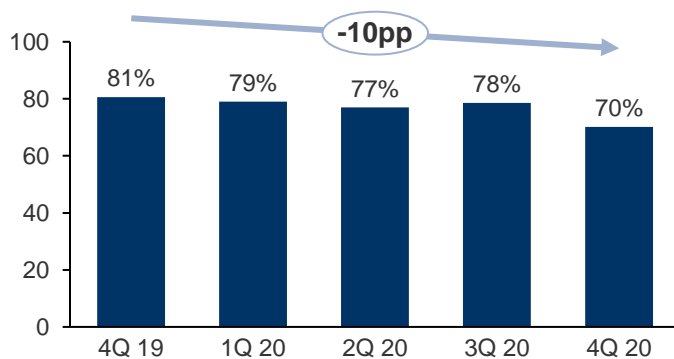


## Travel insurance

(pcs)



## Share of digitally-signed documents at the branches



In 4Q 2020 nearly 7 thousand **consumer loans** were initiated online, up +28% Y/Y. Significant decrease in online sales of **travel insurance** can be attributed to the continuous COVID-19 crisis and travel limitations.

From 2016, ČSOB offers paperless operations at all branches. The share of **digitally-signed documents** at the branches reached 70% in 4Q 2020, down -10pp Y/Y.

## ČSOB awarded as the **Best Bank in the Czech Republic** by **Euromoney** and **Global Finance**

### Euromoney: Best Bank & Best Private Bank

The magazine **Euromoney** awarded ČSOB as **the Best Bank** and **the Best Private bank** in the Czech Republic for 2020. ČSOB received the Best Bank award for the 11th time.

### Global Finance: Best Bank & Best Sub-Custodian

The US-based magazine **Global Finance** selected ČSOB as **the Best Bank** of 2020 in the Czech Republic and **the Best Sub-Custodian** of 2020 in the Czech Republic.

### EMEA Finance: Best Bank

ČSOB was awarded by **EMEA Finance** magazine as **the Best Bank** in the Czech Republic for 2019.

### The Banker: Global Private Banking Awards 2020

ČSOB Private Banking won prestigious award **Global Private Banking Awards 2020** by **The Banker** magazine. ČSOB Private Banking was named **the Best Private Bank** in the Czech Republic for the 6th time.

### Hospodářské noviny Awards

ČSOB won in categories **the Best Bank** and **the Client-Friendly Bank**. Both ČSOB and ČSOB Pojišťovna reached the 3rd place in categories **the Banking Innovator** and **the Insurance Innovator**.

### Zlatá koruna Award

In the 18th Zlatá koruna award, ČSOB ranked 2<sup>nd</sup> in the **Payment cards** category with the product **Premium Karta**, Patria Finance 2<sup>nd</sup> in **the Trading securities** category with the product **WebTrader**, and ČSOB Leasing 3<sup>rd</sup> in **the Leasing** category with the product **Autopůjčka**.

### LGBT Friendly Employer Awards

**Pride Business Forum** platform awarded ČSOB in categories **Big Step Forward** and **LGBT Hero** for promoting diversity and combating discrimination.

### Offices of the Year: Financial institutions

ČSOB's **new headquarter building "SHQ"** won first place in the fourth year of the **Office of the Year competition** in the Financial Institutions category. It has also obtained an internationally recognized **certificate LEED Platinum** in the field of design and construction of environmentally friendly and sustainable buildings.



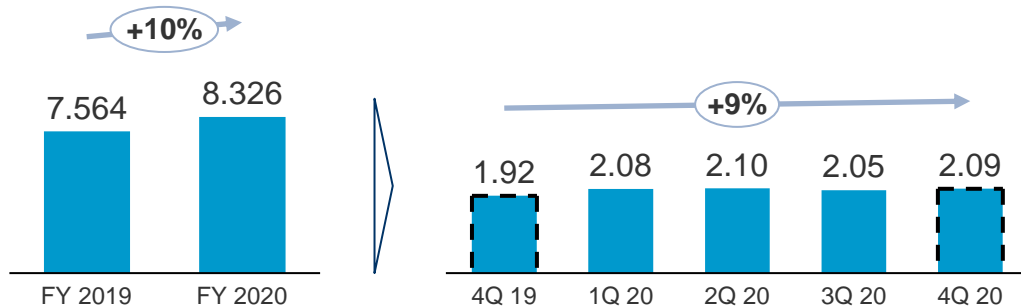
# ČSOB Pojišťovna: Key figures

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# Growth in non-life as well as in regular life gross written premium

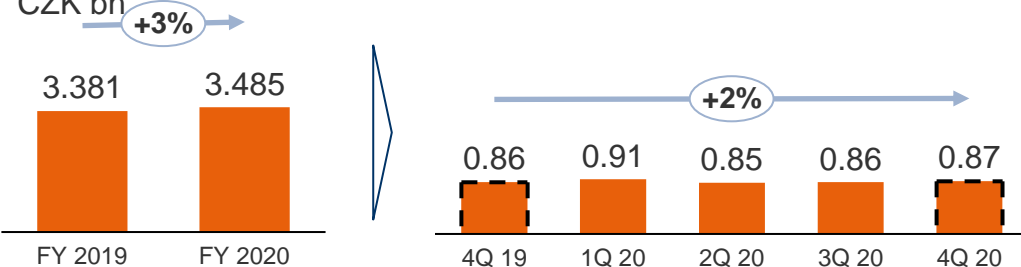
## Non-life insurance - gross written premium (GWP)

CZK bn



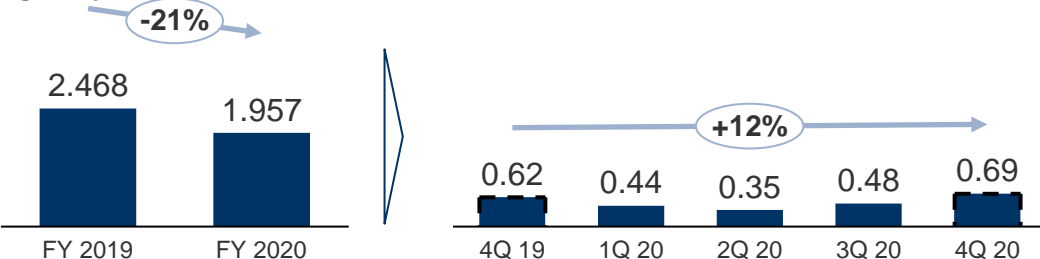
## Life insurance – regular paid gross written premium

CZK bn



## Life insurance - single paid gross written premium

CZK bn



Market shares	2020	Market position
Non-life insurance	↑ 8.6%	4 <sup>th</sup>
Life insurance	↓ 7.9%	4 <sup>th</sup>

Arrows show Y/Y change.

### Non-life insurance

FY/4Q 2020 non-life gross written premium increased **+10% Y/Y** and **+9% Y/Y** respectively thanks to growth in all product lines, while the market increased **+4% Y/Y**.

### Life insurance

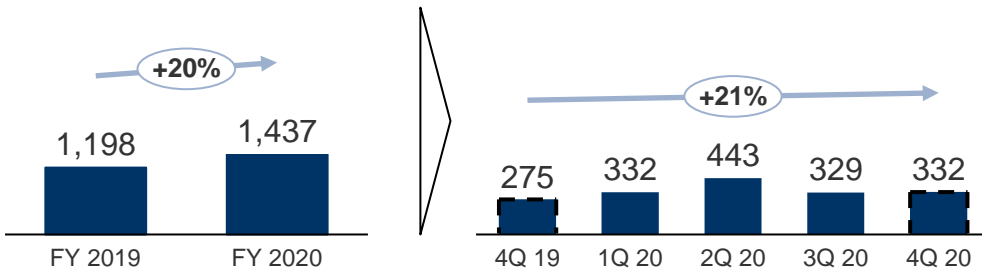
FY/4Q 2020 **regular paid** gross written premium increased **+3% Y/Y** and **+2% Y/Y** respectively as a result of portfolio stabilization and better profile in lapses of the life contracts, while the market increased **4% Y/Y**.

FY 2020 **single paid** gross written premium decreased by **-21% Y/Y** due to lower amount of tranches Y/Y. The market decreased **-20% Y/Y**.

# Net profit improved thanks to GWP growth and lower claims

## Net profit

CZK m



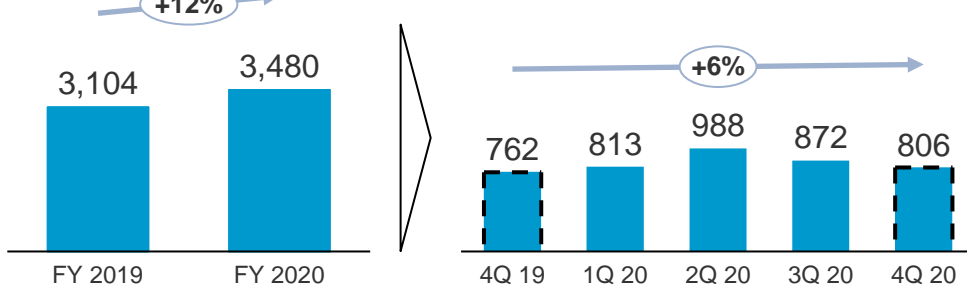
FY/4Q 2020 **net profit** increased to **CZK 1,437m** (+20% Y/Y) and **CZK 332m** (+21% Y/Y) respectively, thanks to GWP growth and lower claims.

FY/4Q 2020 **operating income** increased to **CZK 3,480m** (+12% Y/Y) and **CZK 806m** (+6% Y/Y) respectively, influenced by the following drivers:

- life: growth in regular paid GWP and stable profit contribution in Y/Y comparison.
- non-life: favorable GWP Y/Y growth, improved profitability due to better risk selection and lower claims (positively influenced by COVID-19)

## Operating income

CZK m

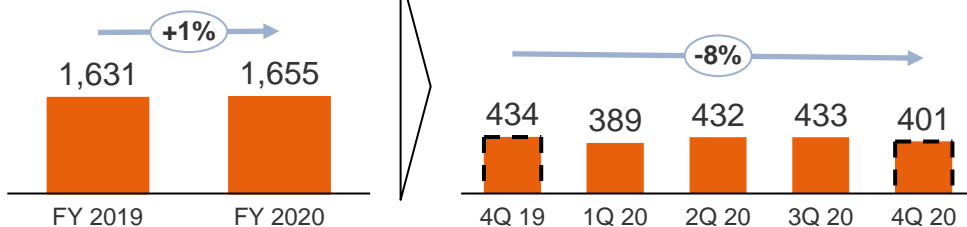


FY 2020 **operating expenses** increased +1% Y/Y to CZK 1,655m and decreased in 4Q -8% to CZK 401m, driven by higher FTEs to support the growth, and higher depreciation.

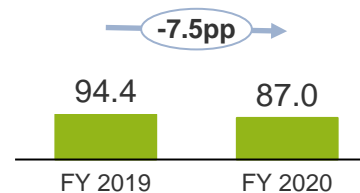
**Non-life combined ratio** reached 87.0%, decreased Y/Y thanks to improvement in loss ratio mainly driven by better risk selection and low number of claims (mainly motor).

## Operating expenses

CZK m



## Non-life combined ratio (%)



# Business Unit Czech Republic

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# Business Unit Czech Republic

## Lower net profit driven by ČSOB group



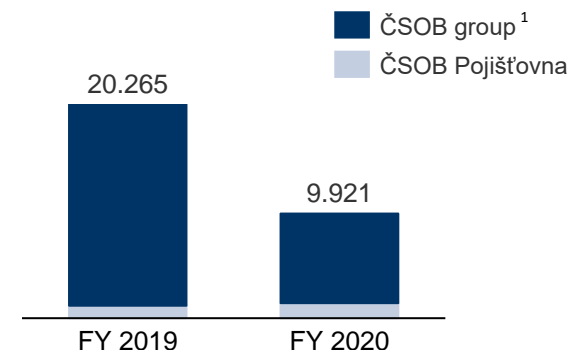
Effective as of 1 January 2013, KBC has organized its core markets activities into three business units. As a result, KBC's business in the Czech Republic have been included into Business Unit Czech Republic.

**The FY/4Q 2020 net profit of the Business Unit Czech Republic reached CZK 9.9bn (-51% Y/Y) and CZK 2.5bn (-18% Y/Y) respectively.** The Business Unit Czech Republic contains all KBC's operations in the Czech Republic, namely the ČSOB group, and full ownership of ČSOB Pojišťovna and until 4Q2018 also ČSOB Asset Management (ČSOB AM).<sup>1</sup>

The ČSOB group consists of ČSOB bank (including Postal Savings Bank), Hypoteční banka, ČMSS, ČSOB Penzijní společnost, ČSOB Leasing, ČSOB Factoring and Patria.

### Net profit of the Business Unit Czech Republic

CZK bn



Net profit (CZK bn)	4Q 2019	1Q 2020	2Q 2020	3Q 2020	4Q 2020	4Q/4Q	FY 2019	FY 2020	FY/FY
BU Czech Republic	5.240	2.260	2.095	3.066	2.500	-18%	20.265	9.921	-51%
o/w ČSOB Pojišťovna	0.275	0.332	0.443	0.329	0.332	+1%	1.198	1.437	+20%

<sup>1</sup>Differences between the ČSOB group results within the Business Unit Czech Republic (BU CZ) and the stand-alone ČSOB group consolidated results are stemming from elimination of intragroup transactions with ČSOB Pojišťovna, management overlay as an additional impairment recognized by KBC Group in 1Q 2020 and other.

Since February 13, 2019 Belgium based company KBC Asset Management NV has become the sole shareholder of ČSOB AM through acquiring 100% of its shares from the previous owners – ČSOB and Luxemburg based company KBC Asset Management Participations. ČSOB AM is thus not a part of BU CZ anymore.

# Appendix

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## For Business

ČSOB facilitated the **third year of Start it @ČSOB - acceleration program for startups**. In total we have worked with **20 startups in 2020**, combining online and offline form. **4 of them are solving problems related to current pandemic situation** as help to overcome the lockdown and bring online contactless tools.

Typically, we work with technological B2B startups entering go-to-market phase. We help startups avoid common mistakes and provide mentoring and workshops in key startup areas.

We have organized a **Demo Day** in December 2020 introducing the best startups from our program to the investors and reporters. Satisfaction of our **startups measured by NPS (net promoter score) was 78%** in 2020.

Our information and consulting portal for startups and small companies [www.pruvodcepodnikanim.cz](http://www.pruvodcepodnikanim.cz) reached **70ths unique visitors per month**, thanks to regularly updated content related to pandemic impacts on our customers.

## For Education

Unique ČSOB program **Financial and digital education for schools** was impacted in 2020 by closed schools and transfer to online classes. Despite these circumstances our colleagues in role of ambassadors taught in 2020 718 lessons for almost 5 thousand students. Since 2016 over 36ths of students from 418 schools went through these classes.

**ČSOB gifted 2,200 pieces of ICT equipment** such as computers, laptops and monitors; **of which majority went to needy kids to ease the access to online classes.**

## For Nature

**New regional headquarters building in Hradec Králové** is expected to finish in 2021. ČSOB Group aims for another **smart and eco-friendly solutions**, as heat pumps using energy from natural massif with 108 energy wells up to 200m deep.

ČSOB entered new partnership with **POHO2030, large and reference project for re-use and re-cultivation of ex-coal mine landscape** in North Moravia region.

## For Longevity

ČSOB strives to be perceived as a **barrier-less bank** for people with various health complications and difficulties. Already **100 of branches has been audited by CZEPA** (Czech association of paraplegics), second half to be in 2021.

Therefore, we are proud on new **software designed for clients with visual impairments** enabling them safe self-service that has been installed and is successfully run on 995 ATMs.

For clients with hearing impairments, we offer a unique **on-line transcription of communication** with operator on helpline in our call-center and during branch visit. The **eScribe** has been awarded **3rd place in Bank Innovator of the year** and its usefulness is evidenced by enormous increase of call.

ČSOB also created a **special microsite dedicated to seniors** on our websites. **Special help-line for clients 70+** in CSOB call center is served by specifically trained colleagues, they handled already **50ths calls in 2020**.

## Ratios and other indicators

Ratio / Indicator	31.12.2017	31.12.2018	31.12.2019	31.12.2020
<b>Net interest margin</b> (Ytd., annualized, %) <sup>1</sup>	2.90 (2.98)	3.07 n/a	3.02 n/a	2.31 n/a
<b>Cost / income ratio</b> (%)	43.7	47.9	44.9	54.6
<b>Cost / income ratio w/o bank. taxes</b> (%)	41.7	45.8	42.7	51.5
<b>RoE</b> (Ytd., %)	19.3	17.5	20.7	8.2
<b>RoA</b> (Ytd., %)	1.26	1.07	1.20	0.49
<b>RoAC, BU Czech Republic</b> (Ytd., %) <sup>2</sup>	43.0	39.1	46.7	21.7
<b>Credit cost ratio</b> (Ytd., annualized, %) <sup>3,5</sup>	0.02	0.03	0.04	0.67
<b>NPL ratio</b> (%) <sup>3</sup>	n/a (2.33)	2.73 (2.43)	2.24 n/a	2.26 n/a
<b>NPL coverage ratio</b> (%) <sup>3</sup>	n/a (58.5)	45.7 (46.9)	47.3 n/a	48.7 n/a
<b>(Common Equity) Tier 1 ratio</b> (%)	17.2	18.0	19.2	23.7
<b>Total capital ratio</b> (%)	17.2	18.0	19.2	24.2
<b>Leverage ratio</b> (Basel III, %)	4.48	4.26	4.04	5.02
<b>Net stable funding ratio</b> <sup>4</sup> (Basel III, %)	146.0	161.4	161.5	170.6
<b>Liquidity coverage ratio</b> (Basel III, %)	146.4	136.5	130.9	137.5
<b>Loan to deposit ratio</b> (%)	77.7	76.3	79.4	71.6

<sup>1</sup> As of 1Q 2018, calculation of Net interest margin has been changed. Year 2017 has been restated. Previous values are in brackets.

<sup>2</sup> Fully-loaded

<sup>3</sup> The loan quality ratios have been restated to reflect inclusion of 100% of ČMSS loans in Credit risk: loan portfolio.

The originally reported ratios are in brackets.

<sup>4</sup> As of 3Q 2018 net stable funding ratio has been influenced by change of weight of exposures to CNB.

<sup>5</sup> Collective COVID-19 ECL excluded from annualization (management overlay and impairments captured by the ECL models).



# Profit and loss statement

(CZK m)	4Q 2019	3Q 2020	4Q 2020	Y/Y	Q/Q	FY 2019	FY 2020	Y/Y
Net interest income	8,440	5,654	5,365	-36%	-5%	32,004	26,102	-18%
<i>Interest income</i>	12,568	6,828	7,799	-38%	+14%	46,820	35,680	-24%
<i>Interest expense</i>	-4,128	-1,174	-2,434	-41%	>+100%	-14,816	-9,578	-35%
Net fee and commission income	2,039	1,909	1,814	-11%	-5%	8,518	7,591	-11%
Net gains from financial instruments at FVPL <sup>1</sup>	203	530	698	>+100%	+32%	-2,213	180	-/+
Other operating income <sup>2</sup>	365	341	275	-25%	-19%	4,095	1,378	-66%
<b>Operating income</b>	<b>11,047</b>	<b>8,434</b>	<b>8,152</b>	<b>-26%</b>	<b>-3%</b>	<b>42,404</b>	<b>35,251</b>	<b>-17%</b>
Staff expenses	-2,442	-2,259	-2,546	+4%	+13%	-9,333	-9,254	-1%
General administrative expenses	-1,907	-1,712	-1,980	+4%	+16%	-7,445	-7,843	+5%
<i>General administrative expenses (excl. banking taxes)</i>	-1,899	-1,704	-1,971	+4%	+16%	-6,499	-6,753	+4%
<i>Banking taxes</i>	-8	-8	-9	+13%	+13%	-946	-1,090	+15%
Depreciation and amortisation	-619	-602	-411	-34%	-32%	-2,256	-2,155	-4%
<b>Operating expenses</b>	<b>-4,968</b>	<b>-4,573</b>	<b>-4,937</b>	<b>-1%</b>	<b>+8%</b>	<b>-19,034</b>	<b>-19,252</b>	<b>+1%</b>
Impairment losses	-64	-455	-630	>+100%	+38%	-403	-5,926	>+100%
<i>Impairment on financial assets at amortised cost</i>	-27	-401	-464	>+100%	+16%	-313	-5,556	>+100%
<i>Impairment on financial assets at fair value through OCI</i>	0	1	0	n/a	-100%	0	0	n/a
<i>Impairment on other assets</i>	-37	-55	-166	>+100%	>+100%	-90	-370	>+100%
Share of profit of associates	-4	-10	-16	>+100%	+60%	218	-43	+/-
<b>Profit before tax</b>	<b>6,011</b>	<b>3,396</b>	<b>2,569</b>	<b>-57%</b>	<b>-24%</b>	<b>23,185</b>	<b>10,030</b>	<b>-57%</b>
Income tax expense	-1,045	-554	-400	-62%	-28%	-3,494	-1,542	-56%
<b>Profit for the period</b>	<b>4,966</b>	<b>2,842</b>	<b>2,169</b>	<b>-56%</b>	<b>-24%</b>	<b>19,691</b>	<b>8,488</b>	<b>-57%</b>
Attributable to:	0	0	0					
<b>Owners of the parent</b>	<b>4,966</b>	<b>2,842</b>	<b>2,169</b>	<b>-56%</b>	<b>-24%</b>	<b>19,691</b>	<b>8,488</b>	<b>-57%</b>
Non-controlling interests	0	0	0	n/a	n/a	0	0	n/a

<sup>1</sup> FVPL = fair value through profit and loss.

<sup>2</sup> Other operating income = Net realised gains from financial instruments at fair value through other comprehensive income (OCI), dividend income, income and expense from operating lease, other net income.

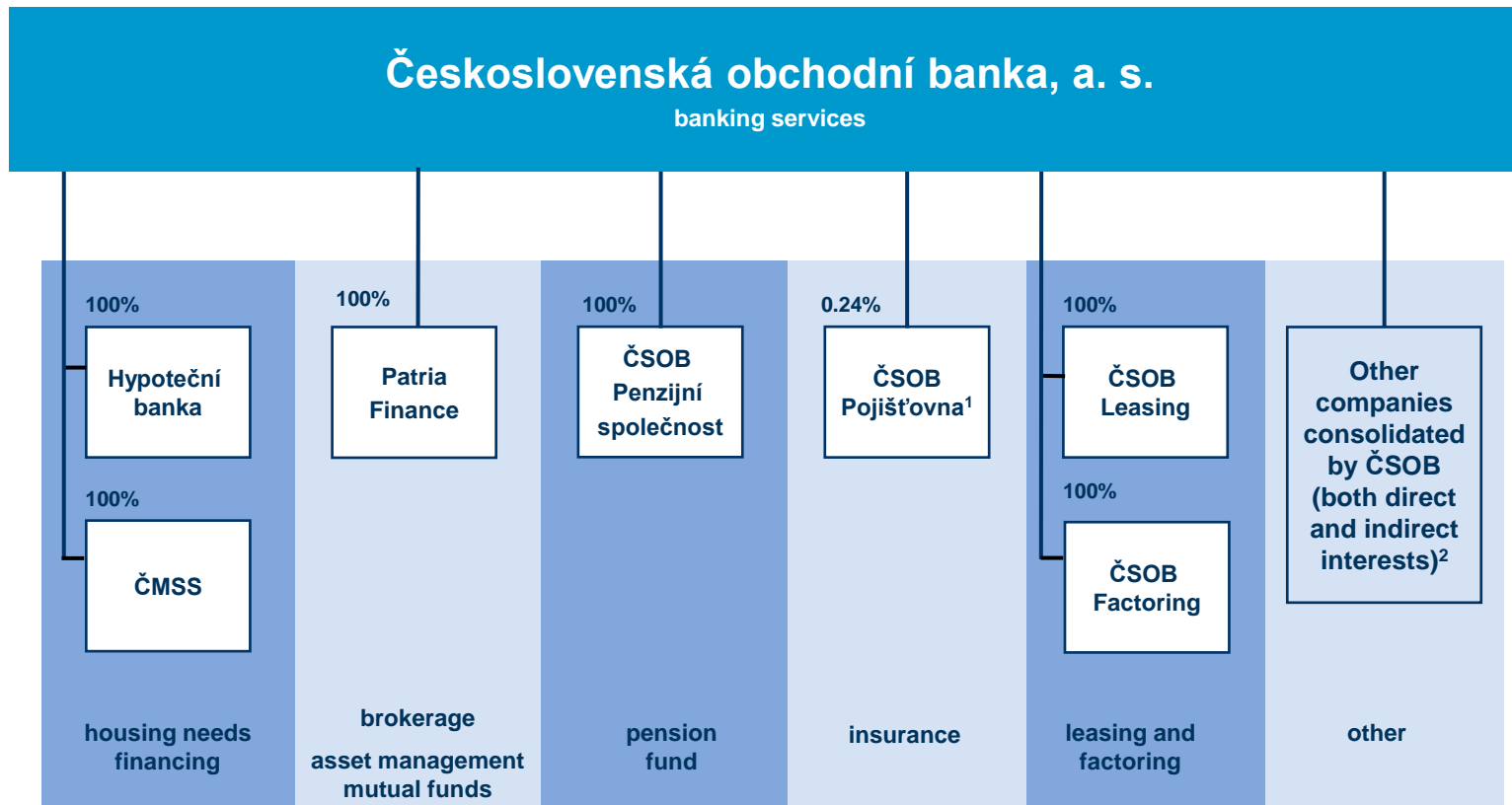
## Balance sheet - assets

	31/12 2019	31/12 2020	Ytd.
(CZK m)			
Cash and balances with central banks and other demand deposits	47,725	29,595	-38%
Financial assets held for trading	29,017	36,131	+25%
Financial assets held for trading pledged as collateral	0	0	n/a
Financial assets designated at fair value through P/L	0	0	n/a
Non-trading financial assets mandatorily at fair value through profit or loss	948	1,792	+89%
Financial assets at fair value through other comprehensive income (OCI)	10,007	16,016	+60%
Financial assets at fair value through OCI pledged as collateral	6,465	6,328	-2%
Financial assets at amortised cost - net	1,459,211	1,579,942	+8%
<i>Financial assets at amortised cost to credit institutions - gross</i>	621,195	645,750	+4%
<i>Financial assets at amortised cost to other than credit institutions - gross</i>	849,091	949,972	+12%
<i>Financial assets at amortised cost - provisions</i>	-11,075	-15,780	+42%
Financial assets at amortised cost pledged as collateral	43,007	40,588	-6%
Fair value adjustments of the hedged items in portfolio hedge	-4,177	5,413	-/+
Derivatives used for hedging	9,226	9,969	+8%
Current tax assets	194	239	+23%
Deferred tax assets	477	1,612	>+100%
Investments in associates and joint ventures	86	139	+62%
Property and equipment	14,417	14,690	+2%
Goodwill and other intangible assets	10,918	10,767	-1%
Non-current assets held-for-sale	23	15	-35%
Other assets	3,053	2,862	-6%
<b>Total assets</b>	<b>1,630,597</b>	<b>1,756,440</b>	<b>+8%</b>

## Balance sheet – liabilities and equity

(CZK m)	31/12 2019	31/12 2020	Ytd.
Financial liabilities held for trading	51,458	39,692	-23%
Financial liabilities at fair value through P/L	42,231	25,575	-39%
Financial liabilities at amortised cost	1,423,115	1,557,853	+9%
<i>of which Deposits received from central banks</i>	0	0	n/a
<i>of which Deposits received from credit institutions</i>	47,346	57,422	+21%
<i>of which Deposits received from other than credit institut.</i>	959,951	1,075,138	+12%
<i>of which Debt securities in issue</i>	415,818	425,293	+2%
<i>of which Subordinated liabilities</i>	0	0	n/a
Fair value adjustments of the hedged items in portfolio hedge	-3,564	2,759	-/+
Derivatives used for hedging	10,967	14,885	+36%
Current tax liabilities	180	53	-71%
Deferred tax liabilities	940	962	+2%
Provisions	722	837	+16%
Other liabilities	6,340	6,832	+8%
<b>Total liabilities</b>	<b>1,532,389</b>	<b>1,649,448</b>	<b>+8%</b>
Share capital	5,855	5,855	0%
Share premium	20,929	20,929	0%
Statutory reserve	18,687	18,687	0%
Retained earnings	52,400	61,126	+17%
Financial assets at fair value through OCI - revaluation reserve	561	369	-34%
Cash flow hedge reserve	-224	26	-/+
<b>Parent shareholders' equity</b>	<b>98,208</b>	<b>106,992</b>	<b>+9%</b>
Minority interest	0	0	n/a
<b>Total equity</b>	<b>98,208</b>	<b>106 992</b>	<b>+9%</b>
<b>Total liabilities and equity</b>	<b>1,630,597</b>	<b>1,756,440</b>	<b>+8%</b>

# The ČSOB group in the Czech Republic

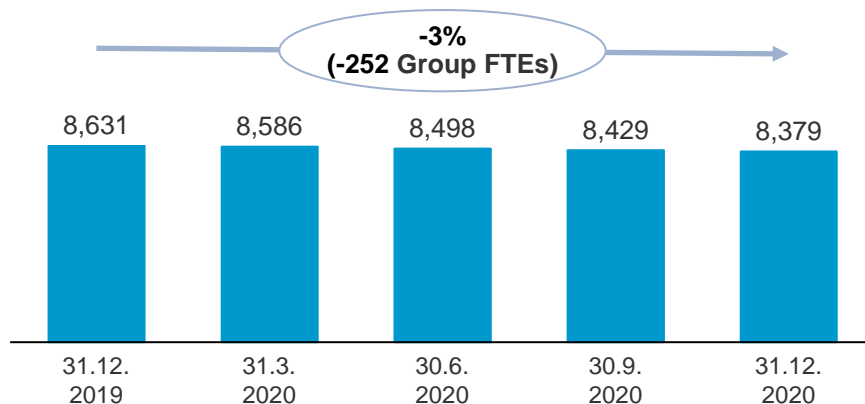


Percentages show ČSOB's ownership interests on company's equity as at 31 December 2020.

<sup>1</sup> 99.76% of shares owned by KBC Insurance; by the equity method consolidation.

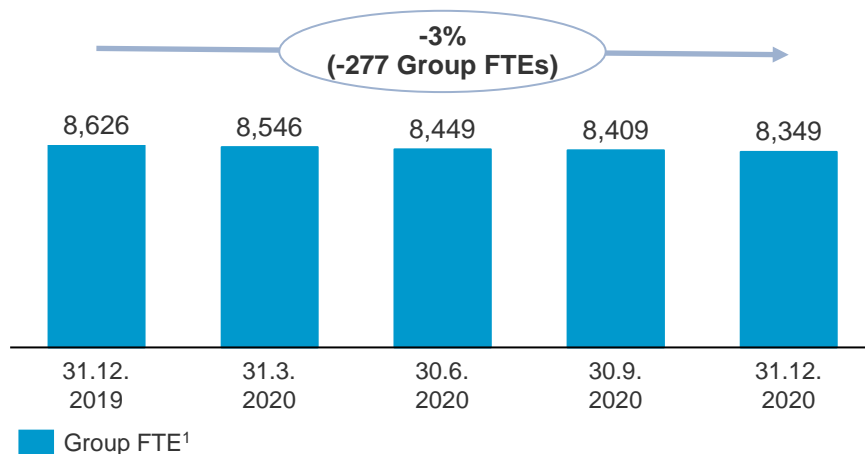
<sup>2</sup> A complete list of companies consolidated by ČSOB is stated in ČSOB Annual Report.

## Number of FTEs – average



The average number of Group FTE decreased -252 Y/Y driven mainly by lower FTEs in Retail Distribution and Operations due to continuous digitalization and robotization of processes.

## Number of FTEs – end of the period



The number of Group FTE at the end of the period decreased -277 Y/Y.

## 1. Full consolidation of ČMSS

Beginning 1 June 2019 ČMSS is consolidated in the ČSOB's financial statements using the method of full consolidation. The beginning of consolidation positively influenced net interest income and net fee and commission income and negatively the operating expenses.

For comparison restated balance sheet as of 31 December 2018 with ČMSS consolidated using the full consolidation method is reported. The reported volumes of building savings loans and deposits were retrospectively restated to 100% (previously reported as 55%). Credit risk: loan portfolio has been extended of 100% amounts of loans in ČMSS (previously not included), figures were restated retrospectively. Loan quality ratios were retrospectively restated in line with restatement of Credit risk: loan portfolio.

## 2. Revaluation of the 55% share in ČMSS

In conformity with IFRS 3, ČSOB revaluated 55% share in ČMSS triggered by acquisition of the remaining 45% share. One-off gain from this revaluation in the amount of CZK 2.1bn was reported in other operating income.

## 3. Explanatory note on recognition of market value adjustments

Market value adjustments are recognized on all positions that are measured at fair value. They relate to close-out costs, adjustments for less-liquid positions or markets, mark-to-model-related valuation adjustments, counterparty risk and funding costs.

Credit value adjustments (CVAs) are used when measuring derivatives to ensure that their market value is adjusted to reflect the credit risk of the counterparty. A debt value adjustment (DVA) is made for contracts where the counterparty is exposed to ČSOB. A funding value adjustment (FVA) is a correction made to the fair value of uncollateralised derivatives in order to ensure that the (future) funding costs or income attached to entering into and hedging such instruments are factored in when measuring their value.

## 4. Management overlay in accordance with IFRS 9

The loan loss provisions in FY 2020 include additional impairment as a management overlay to address the economic impacts from the COVID-19 pandemic via an expert based calculation in accordance with IFRS 9. The management overlay was fully assigned to stage 2.

# Market shares definitions and sources

Item	Definition	Source
Building savings deposits	Deposits of buildings savings clients, ČMSS 100%.	ČNB, Data Series System (ARAD); ČMSS
Building savings loans	Outstanding volumes of building savings loans, ČMSS 100%.	ČNB, Data Series System (ARAD); ČMSS
Consumer loans	Outstanding volume of cash loans, credit cards, overdrafts, consumer loans on real estate and American mortgages.	ČNB, Data Series System (ARAD); ČSOB
Factoring	Volume of new business.	Association of Leasing and Factoring Companies ČR (ČLFA)
Insurance	New business in the year according to gross written premium. Market position reflects combined position of the insurers belonging to the same business group.	Czech Association of Insurance Companies (ČAP)
Leasing	Outstanding volume (leasing of movables, commercial loans and consumer loans); related to the relevant market comprising both banks and non-banking institutions.	Association of Leasing and Factoring Companies ČR (ČLFA)
Mortgages	Outstanding volumes; mortgages for private individuals excl. American mortgages and mortgages for non-housing real estate purposes, consumer loans for house purchase, according to ČNB definition.	ČNB, Data Series System (ARAD); ČSOB; HB
Mutual funds	AUM in both Czech and foreign funds at the given date, including institutional funds and third parties funds; according to AKAT methodology.	Association for Capital Market (AKAT)
Pension funds	Total number of clients at the given date.	The Association of Pension Funds of the Czech Republic (APS)
SME/corporate loans	Remaining loans that are not reported in any of the retail loans categories (loans to other than households).	ČNB, Data Series System (ARAD); ČSOB
Total deposits	Total bank deposits including building savings deposits (ČMSS), excluding repo and including unmarketable bills of exchange.	ČNB, Data Series System (ARAD); ČSOB
Total loans	Outstanding volumes of consumer loans and other retail loans + mortgages for private individuals + building savings loans (ČMSS) + SME/corporate loans (gross).	ČNB, Data Series System (ARAD); ČSOB; ČMSS

## Glossary - ratios

(Common Equity) Tier 1 ratio	Tier 1 capital (CET1) / Total RWA (according to CRR)
C/I (cost/income ratio)	Operating expenses / operating income, Ytd.
CCR (credit-cost ratio)	Total credit costs / average Credit risk: loan portfolio in the year (simple average of previous year end and reported period end balances); Ytd., annualized (collective COVID-19 ECL excluded from annualization)
Leverage ratio	Tier 1 capital / On-balance + Off-balance sheet items + Counterparty exposure for Derivatives and SFT + Add-ons (according to CRR)
Liquidity coverage ratio	High quality liquid assets (unencumbered and convertible into cash) to liquidity needs (outflow – inflow) for a 30 calendar days time horizon under specified significant stress scenario (according to CRR)
Loan to deposit ratio	IAS 39: Loans and receivables to other than credit institutions (net) / Deposits received from other than credit institutions at amortised cost minus repo operations with non-banking financial institutions IFRS 9: Financial assets at amortised cost to other than credit institutions minus bonds (net) / Deposits received from other than credit institutions at amortised cost minus repo operations with non-banking financial institutions
Net stable funding ratio (NSFR)	Available amount of stable funding / required amount of stable funding (according to CRR)
NIM (net interest margin)	Net interest income excl. volatile short-term assets used for liquidity management / average interest earnings assets excl. volatile short-term assets used for liquidity management ; Qtd./Ytd., annualized
Non-life combined ratio	(Technical insurance charges, incl. the internal cost of settling claims / earned insurance premiums) + (operating expenses / written insurance premiums) (after reinsurance in each case, according to KBC group methodology)
NPL (non-performing loans) ratio	Outstanding amount of non-performing loans (incl. off-balance sheet items) / Credit risk: loan portfolio
NPL coverage ratio	Specific allowances for loans and leases (incl. off-balance sheet items) / non-performing loans (incl. off-balance sheet items)
ROA (return on assets)	Net profit for the year / average of total assets; Ytd., annualized
ROAC, BU Czech Republic (return on allocated capital)	Result after tax (including minority interests) of the ČSOB group, adjusted to take account of allocated capital instead of actual capital / average allocated capital of the ČSOB group (KBC group methodology)
ROE (return on equity)	Net profit for the year / average of total shareholders' equity; Ytd., annualized
Total capital ratio	Total regulatory capital / Total RWA (according to CRR)



## Glossary - other definitions

Assets under management	Including pension funds, mutual funds (assets under management in structured/capital protected funds and other mutual funds), other asset management and assets under management products and assets under management of Slovak local funds managed in the Czech Republic.
Banking taxes	Including contribution to the Resolution Fund, Deposit insurance premium and Securities Traders Guarantee Fund.
Building savings deposits	All ČMSS financial liabilities at amortized cost minus deposits received from other than credit institutions.
Building savings loans	All customer lending granted by ČMSS in book values. Gross.
Consumer finance	Loan portfolio granted by ČSOB's retail network (ČSOB and PSB brand) in book values. Gross.
Corporate loans	Loan portfolio granted by ČSOB's corporate banking network in book values, including credit-replacing bonds. Gross.
Credit risk: loan portfolio	Including all payment credit, guarantee credit, standby credit and credit derivatives, granted by ČSOB to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included.
Group deposits	Item Deposits received from other than credit institutions from the consolidated balance sheet (incl. ČMSS/building savings deposits).
Loan portfolio	Loans and receivables to other than credit institutions (incl. ČMSS/building savings loans) plus loans and receivables to credit institutions minus exposure to banks from inter-bank transactions plus credit replacing bonds (in FVOCI portfolio).
Mortgages	All loans booked in Hypoteční banka, including home equity loans and mortgage loans to legal entities, excluding intra-group loans. Gross.
Other investment products	Including bonds, mortgage covered bonds and investment certificates issued by ČSOB or Hypoteční banka held by clients of Retail and Private banking which are reported either as Financial liabilities at fair value through P/L or as Financial liabilities at amortised cost - Debt securities in issue.
SME loans	Loan portfolio granted by ČSOB's SME network in book values. Gross.
Own GHG emissions	The total amount of CO <sub>2</sub> production (in tons) covering all legal entities in ČSOB Group. Direct emissions arising from activities that fall under our control. Indirect emissions are associated with the consumption of purchased energy which do not arise directly from our business but are the result of the company's activities.
Paper consumption	The total amount of paper purchased (in tons), consumption covers all legal entities in ČSOB Group. All types of paper considered: A4 for copy, envelopes, paper with logo, forms, writing pads, continuous paper, paper on a roll, paper used for prints by external firms.
Electricity consumption	The total amount of electricity consumed (in GJ) within our own facilities produced inhouse or by external supplier.
Waste production	The total amount of waste production (in tons) covering all legal entities in ČSOB Group.
Green finance	Loan portfolio of specific products for eco-friendly financing (green mortgage, green car loan, corporate green lending for renewables).
Social finance	Loan portfolio in Healthcare and Education sectors, sorted by NACE codes of the borrower.
Socially responsible investments	Socially responsible investment funds (SRI F) are collective investment instruments that choose the assets that make up the portfolio based on environmental, social and governance (ESG) criteria.

# Contacts

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**ČSOB group Czech Republic**

**Member of the KBC Group**