



# **Explanatory information for FY/4Q 2022 Results ČSOB group**

## **Business Unit Czech Republic**

EU IFRS unaudited consolidated  
28 February 2023



## Disclaimer

This document serves to provide explanatory information for the unaudited consolidated FY/4Q 2022 financial results of the ČSOB Group published on February 9, 2023.

On 17 February 2023, ČSOB Bank was delivered an arbitral award issued in the arbitration proceedings against the company ICEC-HOLDING, a.s. resulting in an increase of the provisions for pending legal issues in the amount of CZK 3.7bn in the FY/4Q 2022 financial results.

We have included updated financial statements, capital information, and ratios in this document.

ČSOB Statement to the result of the arbitration proceedings against ICEC-HOLDING, a.s is available at the following link: <https://www.csob.cz/portal/documents/10710/4689962/csob-statement-icec-holding.pdf>

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# Profit and loss statement

(CZK m)	4Q 2021	3Q 2022	4Q 2022	Y/Y	Q/Q	FY 2021	FY 2022	Y/Y
Net interest income	6,896	7,683	7,509	+9%	-2%	22,900	31,062	+36%
<i>Interest income</i>	12,109	29,731	30,854	>+100%	+4%	36,975	107,288	>+100%
<i>Interest expense</i>	-5,213	-22,048	-23,345	>+100%	+6%	-14,075	-76,226	>+100%
Net fee and commission income	2,011	2,123	1,810	-10%	-15%	7,828	8,041	+3%
Net gains from financial instruments at FVPL <sup>1</sup>	1,190	680	359	-70%	-47%	3,699	3,607	-2%
Other operating income <sup>2</sup>	110	179	-3,209	-/+	-/+	1,297	-2,236	-/+
<b>Operating income</b>	<b>10,208</b>	<b>10,665</b>	<b>6,469</b>	<b>-37%</b>	<b>-39%</b>	<b>35,724</b>	<b>40,474</b>	<b>+13%</b>
Staff expenses	-2,693	-2,489	-2,638	-2%	+6%	-9,512	-10,109	+6%
General administrative expenses	-1,770	-1,864	-2,316	+31%	+24%	-7,980	-9,217	+16%
<i>General administrative expenses (excl. banking taxes)</i>	-1,758	-1,853	-2,304	+31%	+24%	-6,644	-7,721	+16%
<i>Banking taxes</i>	-12	-11	-12	-2%	+3%	-1,336	-1,496	+12%
Depreciation and amortisation	-626	-687	-719	+15%	+5%	-2,342	-2,661	+14%
<b>Operating expenses</b>	<b>-5,089</b>	<b>-5,040</b>	<b>-5,673</b>	<b>+11%</b>	<b>+13%</b>	<b>-19,834</b>	<b>-21,987</b>	<b>+11%</b>
Impairment losses	350	-758	-716	-/+	-6%	3,253	-1,497	-/+
<i>Impairment on financial assets at amortised cost</i>	651	-772	-566	-/+	-27%	3,637	-1,142	-/+
<i>Impairment on goodwill</i>	-181	0	-116	-36%	n/a	-181	-116	-36%
<i>Impairment on other assets</i>	-120	14	-34	-72%	-/+	-203	-239	+18%
Share of profit of associates	-28	-1	-6	-79%	>+100%	-64	-30	-53%
<b>Profit before tax</b>	<b>5,441</b>	<b>4,866</b>	<b>74</b>	<b>-99%</b>	<b>-98%</b>	<b>19,079</b>	<b>16,960</b>	<b>-11%</b>
Income tax expense	-886	-625	171	+/-	+/-	-2,919	-2,390	-18%
<b>Profit for the period</b>	<b>4,555</b>	<b>4,241</b>	<b>245</b>	<b>-95%</b>	<b>-94%</b>	<b>16,160</b>	<b>14,571</b>	<b>-10%</b>
Attributable to:	0	0	0					
<b>Owners of the parent</b>	<b>4,555</b>	<b>4,241</b>	<b>246</b>	<b>-95%</b>	<b>-94%</b>	<b>16,160</b>	<b>14,571</b>	<b>-10%</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.

In 2022, ČSOB made a change in reporting policy that affected 'Net interest income' and 'Net gains from financial instruments at FVPL' in Profit and loss statement. The change did not affect total Operating income. The change has been applied retrospectively and consequently ČSOB restated 2021 consolidated Profit and loss statement.

## Balance sheet - assets

(CZK m)	31/12 2021	31/12 2022	Y/Y
Cash and balances with central banks and other demand deposits	39,762	62,121	+56%
Financial assets held for trading	44,087	71,746	+63%
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	1,410	1,322	-6%
Financial assets at fair value through other comprehensive income (OCI)	18,566	15,585	-16%
Financial assets at fair value through OCI pledged as collateral	221	72	-67%
Financial assets at amortised cost - net	1,624,653	1,574,761	-3%
<i>Financial assets at amortised cost - debt securities (gross)</i>	201,526	249,225	+24%
<i>Financial assets at amortised cost - loans to credit institutions (gross)</i>	606,356	465,010	-23%
<i>Financial assets at amortised cost - loans to other than credit institutions (gross)</i>	828,414	872,429	5%
<i>Financial assets at amortised cost - provisions</i>	-11,643	-11,903	+2%
Financial assets at amortised cost pledged as collateral	33,904	24,721	-27%
Fair value adjustments of the hedged items in portfolio hedge	-18,223	-25,639	+41%
Derivatives used for hedging	30,276	48,425	+60%
Current tax assets	1,020	70	-93%
Deferred tax assets	1,324	2,514	+90%
Investments in associates and joint ventures	97	66	-32%
Property and equipment	13,643	12,917	-5%
Goodwill and other intangible assets	11,164	11,659	+4%
Non-current assets held-for-sale	20	41	>+100%
Other assets	3,555	5,236	+47%
<b>Total assets</b>	<b>1,805,479</b>	<b>1,805,617</b>	<b>0%</b>

## Balance sheet – liabilities and equity

(CZK m)	31/12 2021	31/12 2022	Y/Y
Financial liabilities held for trading	44,686	73,506	+64%
Financial liabilities at fair value through P/L	24,544	23,839	-3%
Financial liabilities at amortised cost	1,605,831	1,583,056	-1%
<i>of which Deposits received from central banks</i>	0	0	n/a
<i>of which Deposits received from credit institutions</i>	25,057	43,708	+74%
<i>of which Deposits received from other than credit institut.</i>	1,156,902	1,231,800	+6%
<i>of which Debt securities in issue</i>	402,164	264,915	-34%
<i>of which Subordinated liabilities</i>	19,439	40,592	>+100%
<i>of which Lease liabilities</i>	2,269	2,041	-10%
Fair value adjustments of the hedged items in portfolio hedge	-23,280	-32,441	+39%
Derivatives used for hedging	28,346	42,039	+48%
Current tax liabilities	80	659	>+100%
Deferred tax liabilities	943	1,035	+10%
Provisions	540	879	+63%
Other liabilities	6,411	8,404	+31%
<b>Total liabilities</b>	<b>1,688,101</b>	<b>1,700,976</b>	<b>+1%</b>
Share capital	5,855	5,855	0%
Share premium	20,929	20,929	0%
Statutory reserve	18,687	18,687	0%
Retained earnings	73,091	57,773	-21%
Financial assets at fair value through OCI - revaluation reserve	-22	-663	>+100%
Cash flow hedge reserve	-1,140	-1,578	+38%
<b>Parent shareholders' equity</b>	<b>117,378</b>	<b>100,978</b>	<b>-14%</b>
Minority interest	0	0	n/a
<b>Total equity</b>	<b>117,378</b>	<b>100 978</b>	<b>-14%</b>
<b>Total liabilities and equity</b>	<b>1,805,479</b>	<b>1,805,617</b>	<b>0%</b>

# Capital

Consolidated, CZK m	31.12.2021	31.12.2022
<b>Total regulatory capital</b>	<b>93,555</b>	<b>87,439</b>
- Common Equity Tier 1 (CET1) Capital	92,585	85,793
- Tier 2 Capital	970	1,646
<b>MREL eligible debt</b>	<b>19,439</b>	<b>40,592</b>
<b>Total RWA</b>	<b>412,628</b>	<b>432,893</b>
- Credit risk	347,370	366,892
- Market risk	427	481
- Operational risk	64,830	65,519
<b>Common Equity Tier 1 (CET1) ratio</b>	<b>22.4%</b>	<b>19.8%</b>
<b>Total capital ratio</b>	<b>22.7%</b>	<b>20.2%</b>
<b>Leverage ratio</b>	<b>4.65%</b>	<b>4.48%</b>
<b>Available MREL as a % of RWA</b>	<b>27.4%</b>	<b>29.6%</b>
<b>Available MREL as a % of LRE</b>	<b>5.67%</b>	<b>6.69%</b>

The Y/Y decrease of Common Equity **Tier 1 (CET1)** capital is due to the payout of dividend.

**MREL ratio** increased in 2022 to **29.6%** of RWA and **6.69%** of LRE as of year-end due to issuance of MREL eligible debt.

Intermediate MREL targets as of 1 January 2023 reached 22.2% of RWA and 5.18% of LRE.

As of 1 January 2024, ČSOB will be required to comply with a MREL equal to 27.7% of RWA and 5.91% of LRE.

*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 (CET1) + Tier 2*

*LRE = leverage ratio exposure = On-balance + Off-balance sheet items + Counterparty exposure for Derivatives and SFT + Add-ons*

# Ratios and other indicators

Ratio / Indicator	31.12.2019	31.12.2020	31.12.2021	31.12.2022
<b>Net interest margin</b> (Ytd., annualized, %)	3.02	2.31	2.08	2.54
<b>Cost / income ratio</b> (%)	44.9	54.6	55.5	54.3
<b>Cost / income ratio excl. bank. taxes</b> (%)	42.7	51.5	51.8	50.6
<b>RoE</b> (Ytd., %)	20.7	8.2	14.3	13.6
<b>RoA</b> (Ytd., %)	1.20	0.49	0.88	0.73
<b>RoAC, BU Czech Republic</b> (Ytd., %) <sup>1</sup>	46.7	21.7	39.2	32.7
<b>Credit cost ratio</b> (Ytd., annualized, %) <sup>2</sup>	0.04	0.67	-0.42	0.12
<b>NPL ratio</b> (%) <sup>2</sup>	2.24	2.26	1.83	1.69
<b>NPL coverage ratio</b> (%) <sup>2</sup>	47.3	48.7	49.4	44.6
<b>Common Equity Tier 1 (CET1) ratio</b> (%)	19.2	23.7	22.4	19.8
<b>Total capital ratio</b> (%)	19.2	24.2	22.7	20.2
<b>Leverage ratio</b> (Basel III, %)	4.04	5.02	4.65	4.48
<b>Available MREL of RWA</b> (%)	n.a.	n.a.	27.4	29.6
<b>Available MREL of LRE</b> (%)	n.a.	n.a.	5.67	6.69
<b>Net stable funding ratio</b> (Basel III, %) <sup>3</sup>	161.5	169.9	171.3	171.8
<b>Liquidity coverage ratio</b> (Basel III, %)	130.9	137.7	143.5	156.2
<b>Loan to deposit ratio</b> (%)	79.4	71.6	71.1	70.6

<sup>1</sup> Fully-loaded

<sup>2</sup> The loan quality ratios have been restated to reflect inclusion of 100% of ČSOBS loans in Credit risk: loan portfolio. The originally reported ratios are in brackets.

<sup>3</sup> As of 1Q 2021 change in methodology, previous periods were not restated



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