



# 1Q 2010 Results ČSOB Group Czech Republic

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**EU IFRS Unaudited Consolidated  
12 May 2010, Prague**



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## **Reclassification of the profit and loss statement:**

This presentation shows previous quarters' profit and loss statement items reclassified in accordance with the current accounting methodology in order to ensure comparability of IFRS financial statements in time. List of reclassifications is provided on slide 41.

## **Reconciliation of business volumes reporting to the balance sheet:**

As of 1 January 2010, ČSOB adjusted its methodology of the external reporting of business volumes, i.e. loans and deposits and their respective categories, to be fully derived from the IFRS balance sheet. In this presentation, volumes of loans and deposits for the 1Q 2010 and previous four quarters are shown according to the new methodology. Formerly reported volumes were based on the internal management reporting system.

Term "group lending" used throughout the presentation is defined as the item "Loans and receivables – gross" from the consolidated balance sheet plus credit-replacing bonds. Term "loan portfolio" shown in section Risk Management is consistent with the internal credit risk management reporting system and is defined as group lending minus item "other group lending" (see slide 19).

Term "group deposits" used throughout the presentation is defined as the item "Deposits received from other than credit institutions" from the consolidated balance sheet. Term "primary deposits" shown in section Risk Management is consistent with the internal liquidity management reporting system and is defined as group deposits minus pension funds minus repo operations with credit institutions measured at amortized costs.



## 1. Highlights



# ČSOB group results 1Q 2010

## Highlights

ČSOB group reported **1Q 2010 IFRS net profit of CZK 3.880bn**, compared to CZK 3.073bn in the same period last year.

Excluding one-off items, the **underlying** net profit was CZK 3.615bn which represents a growth of **9% Y/Y**. The difference between reported and underlying net profit in 1Q 2010 was given especially by a positive revaluation of the CDO portfolio.

The positive development of the underlying net profit was driven mainly by increasing underlying operating income, flat operating expenses and limited cost of risk, on the background of rebounding Czech economy with the 2010 GDP growth being estimated by the Czech National Bank at +1.4%.

**Underlying operating income** increased by 5% Y/Y, driven mainly by a 15% Y/Y growth of net interest income. ČSOB group's **operating expenses** remained flat (+0.2% Y/Y), while average inflation in the first three months of 2010 was at 0.8%. The underlying cost/income ratio decreased to 39.9%.

Group deposits grew by 3% Y/Y, while the outstanding volume of group lending decreased by 3% Y/Y, resulting in **liquidity improvement** with loan to deposit ratio at 70.4%, compared to 74.1% a year ago.

**Capital position** of the ČSOB group strengthened with the capital adequacy ratio standing at 15.22% and (core) Tier 1 ratio at 12.05%, compared to 9.23% and 10.69%, respectively, a year ago.

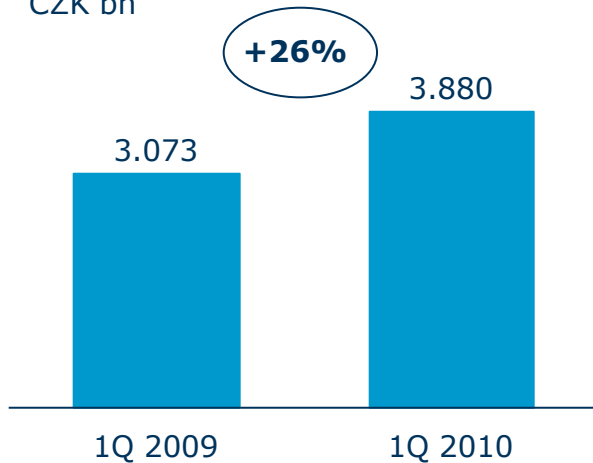
**Credit cost** ratio is at 0.70%, compared to 0.68% in the last year's first quarter. Non-performing loans ratio increased to 3.67%, compared to 2.57% a year ago.

# Net profit - Ytd.

## Reported vs. underlying

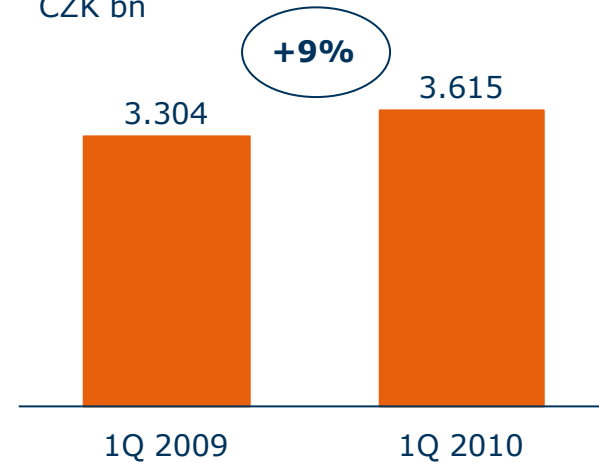
### Reported net profit

CZK bn



### Underlying net profit

CZK bn



### One-off items

CZK bn



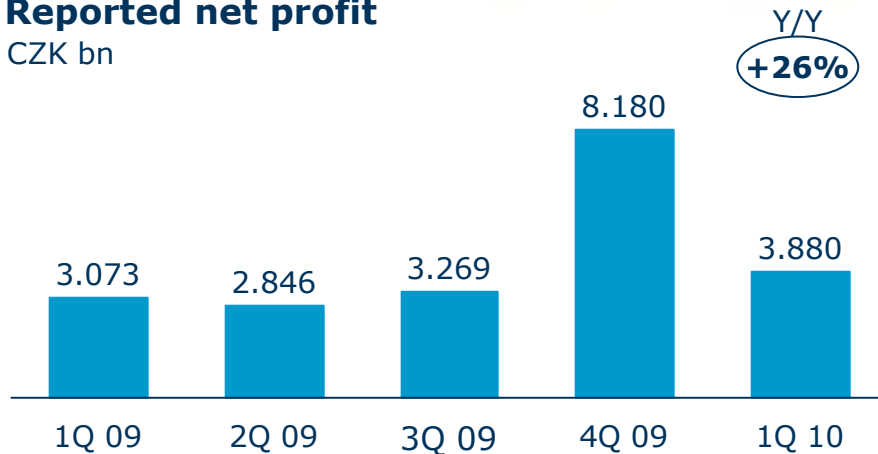
*Note: One-off items in 1Q 2009 were negative especially due to the negative impact of the IFRS treatment of ALM hedges (CZK -399 m, net). The main one-off in 1Q 2010 was a positive revaluation of CDO portfolio (CZK +226 m, net).*

# Net profit - quarterly

Reported vs. underlying

## Reported net profit

CZK bn



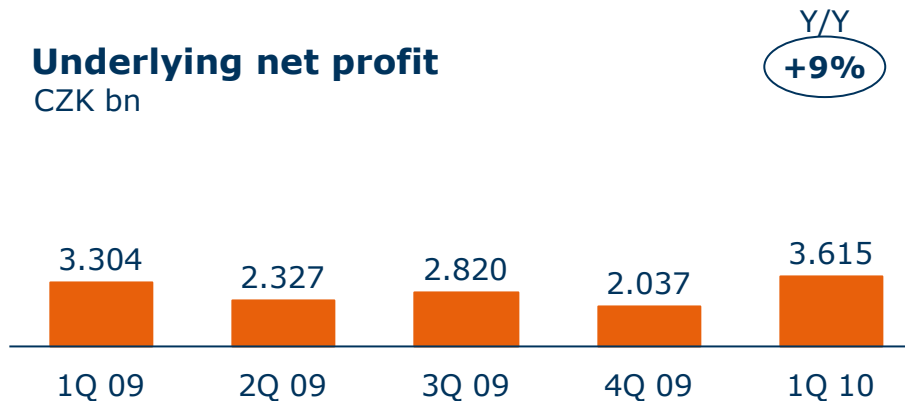
1Q reported net profit grew Y/Y by 26%, underlying by 9%.

The Y/Y growth of the underlying net profit was driven by increasing operating income (+5%), while operating expenses remained flat and credit costs in 1Q 2010 did not exceed those from 1Q 2009.

The volatility of the underlying result through quarters was mainly caused by quarterly development of total impairments – see slide 15.

## Underlying net profit

CZK bn



The main one-off in 1Q 2010 was a positive revaluation of the CDO portfolio (+0.2bn net). In the previous quarter, 4Q 2009, net profit was positively affected by the December sale of the remaining stake in ČSOB Slovakia to KBC (+6bn net) and a revaluation of the CDO portfolio (+1bn net).



# Financial ratios

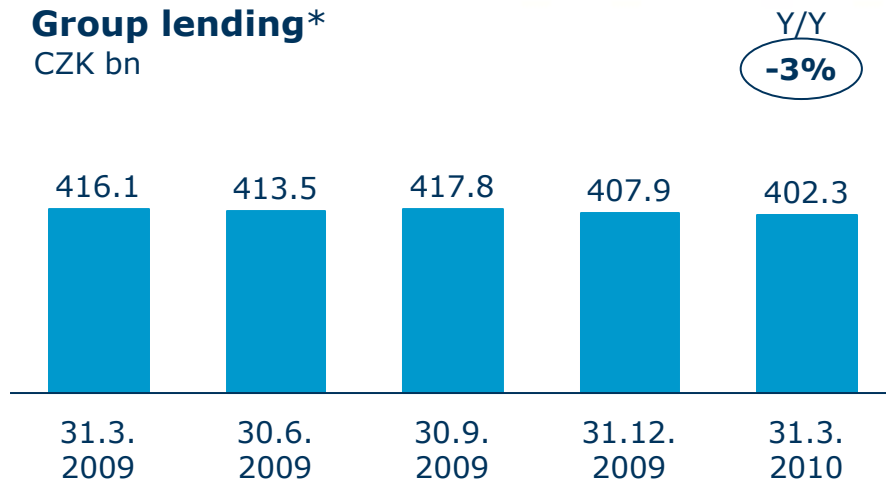
## Consolidated

	1Q 2009	1Q 2010
<b>Profitability</b>		
Net interest margin	3.06%	3.47%
Cost/income (underlying)	41.8%	39.9%
Cost/income (reported)	42.1%	38.3%
ROAA (underlying)	1.58%	1.73%
ROAA (reported)	1.47%	1.86%
ROAE (underlying)	23.6%	20.5%
ROAE (reported)	21.9%	22.0%
	<b>31.3.2009</b>	<b>31.3.2010</b>
<b>Asset quality</b>		
Credit cost ratio	0.68%	0.70%
NPL ratio	2.57%	3.67%
NPL coverage ratio	71.1%	77.7%
<b>Capital adequacy (Basel II)</b>		
Core tier 1 ratio	9.23%	12.05%
Total capital ratio	10.69%	15.22%
Solvency ratio (insurance)	183.0%	272.0%
<b>Liquidity</b>		
Loan to deposit ratio	74.1%	70.4%



### Group lending\*

CZK bn

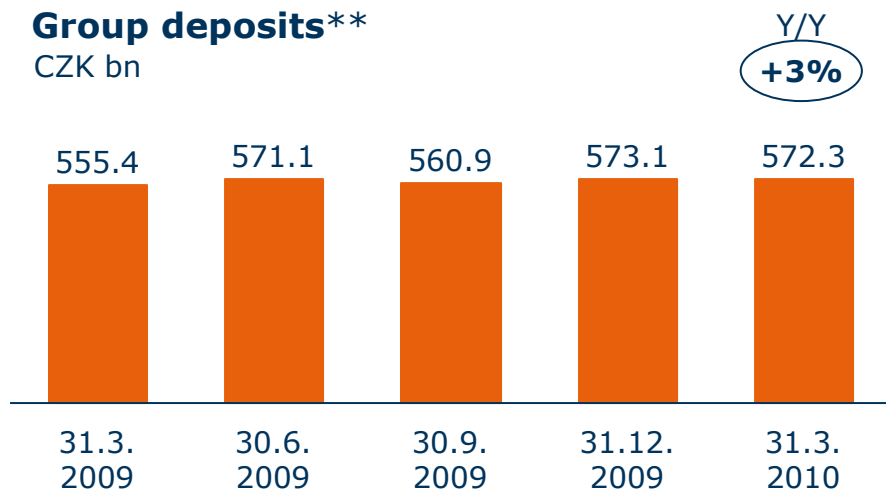


Group lending: -3% Y/Y and -1% Q/Q

- The main reason for the Y/Y decline was the reduction in corporate loans by 23% and leasing by 24% Y/Y.
- On the other hand, retail lending continues its strong performance with outstanding volumes of mortgages growing Y/Y by 12% and building savings loans by 17%.

### Group deposits\*\*

CZK bn



Group deposits: +3% Y/Y and -0.1 Q/Q

- Client deposits, representing 79% of group deposits, increased by 2% Y/Y.
- All other categories of group deposits, including building savings deposits and pension funds, had positive growth.

Notes:

\* Item "Loans and receivables – gross" from the consolidated balance sheet plus credit-replacing bonds.

\*\* Item "Deposits received from other than credit institutions" from the consolidated balance sheet.



## 2. Analysis of underlying results

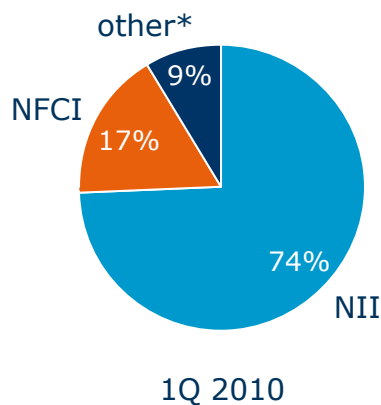
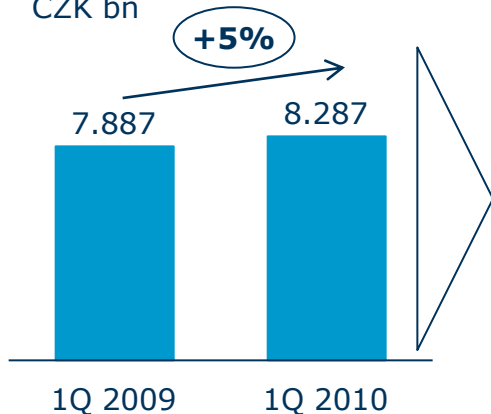
# Operating profit - Ytd.

## Underlying

### Operating income

CZK bn

+5%



Operating profit grew Y/Y from CZK 4.6bn to CZK 5.0bn thanks to increasing operating income and flat operating expenses.

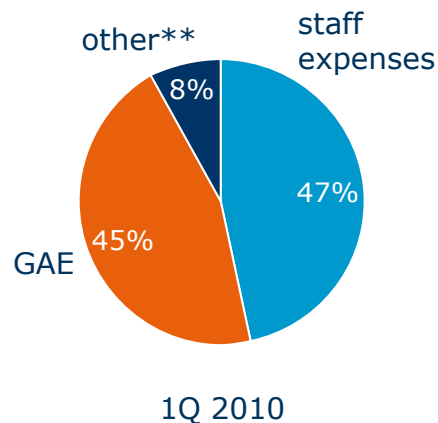
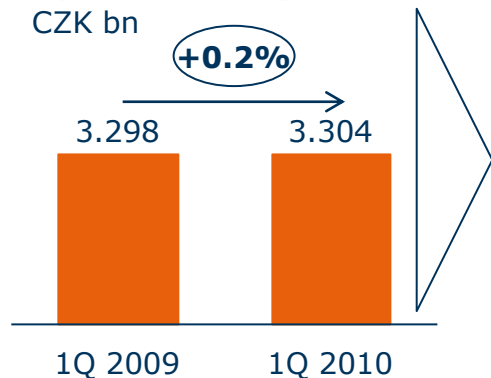
C/I decreased from 41.8% in 1Q 2009 to 39.9% in 1Q 2010.

Operating income increased by 5% Y/Y when the main contributor to the Y/Y difference was net interest income (NII). Consequently, the share of NII on operating income increased from 68% in 1Q 2009 to 74% in 1Q 2010.

### Operating expenses

CZK bn

+0.2%



Operating expenses remained flat Y/Y. On a comparable basis (i.e. adjusting for the June 2009 transfer of part of ICT expenses from one item to another), staff expenses decreased Y/Y by 1%, while general administrative expenses (GAE) increased by 9%.

Notes:

\* Net gains from financial instruments at FVPL, net realized gains on available-for-sale fin. Assets, dividend income, other net income.

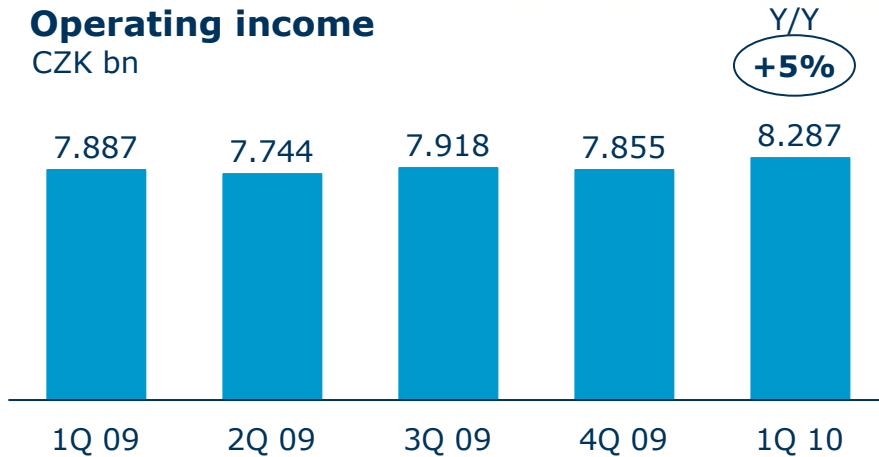
\*\* Depreciation and amortization.

# Operating profit - quarterly

## Underlying

### Operating income

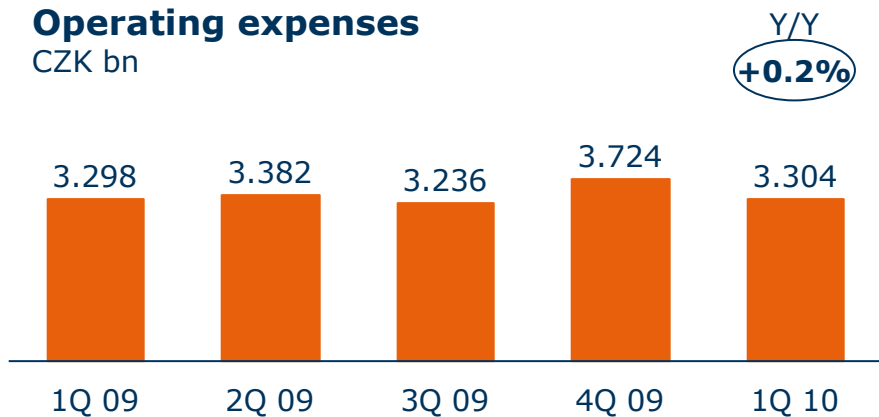
CZK bn



Operating income has been consistently growing in the last quarters. The 1Q 2010 level of CZK 8.287bn represents a 5% increase both Q/Q and Y/Y.

### Operating expenses

CZK bn



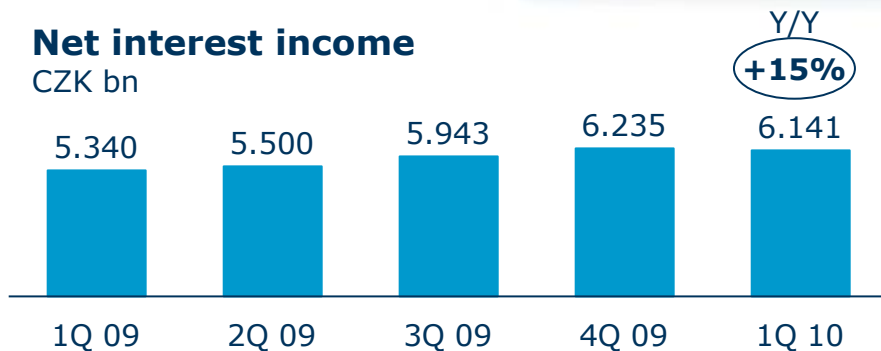
Operating expenses dropped back to the level of the last year's first quarter after they peaked in 4Q 2009. The 1Q 2010 level of CZK 3.304bn represents a Y/Y increase of 0.2% and a Q/Q decrease of 11%.

# Operating income - quarterly

Underlying

## Net interest income

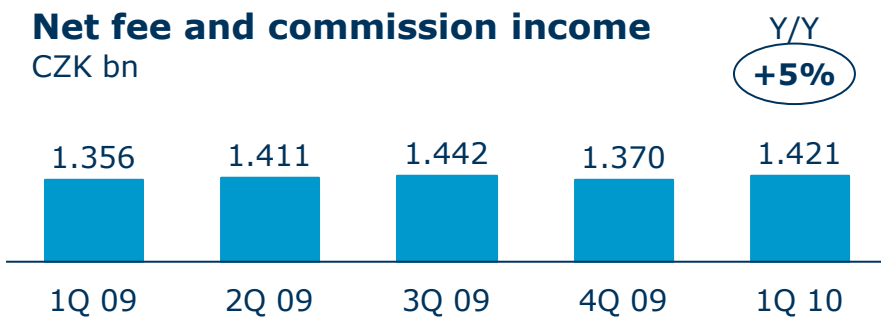
CZK bn



Net interest income grew by 15% in comparison with 1Q 2009, driven primarily by mortgages and building savings loans. Net interest margin increased Y/Y by 41 bps to 3.47%.

## Net fee and commission income

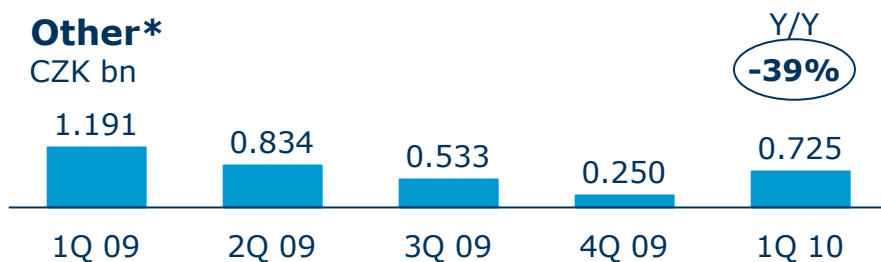
CZK bn



Net fee and commission income grew by 5%, especially due to an increase in sales of mutual funds as the mutual fund business rebounded in mid-2009.

## Other\*

CZK bn



The largest component of the other operating income is the item net gains from financial instruments at fair value through profit and loss (FVPL), which decreased Y/Y from CZK 689m to CZK 408m (-41%). This decrease was driven by the drop of market interest rates which translates to negative revaluation of these instruments.

Note:

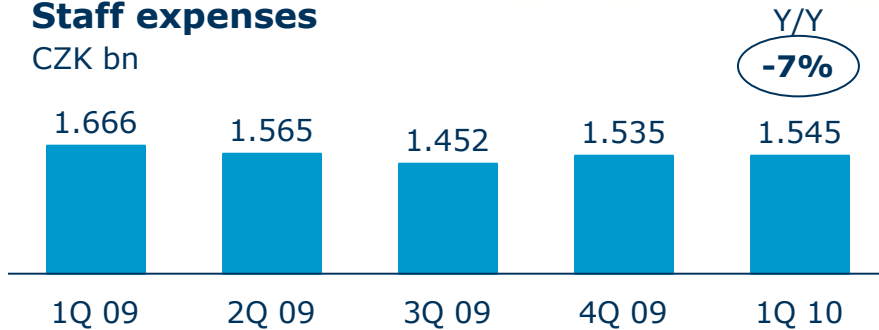
\* Net gains from financial instruments at FVPL, net realized gains on available-for-sale financial assets, dividend income, other net income.

# Operating expenses - quarterly

Underlying

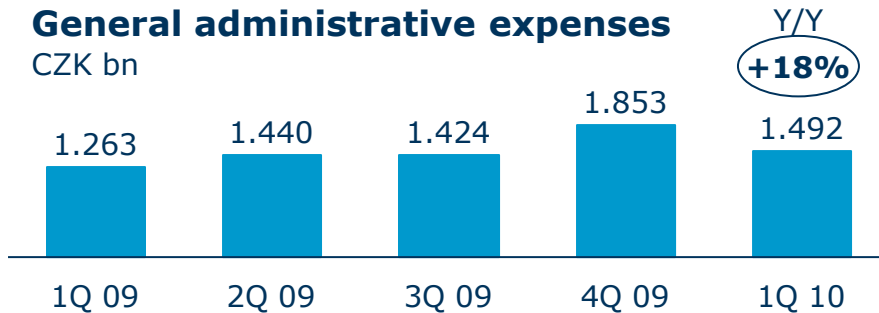
## Staff expenses

CZK bn



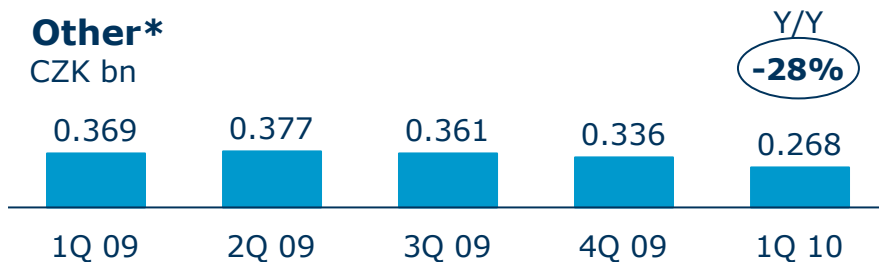
## General administrative expenses

CZK bn



## Other\*

CZK bn



Excluding the effect of the ICT transfer (described below), staff expenses would decrease Y/Y by 1% and GAE would increase by 9%.

ICT transfer: In June 2009, the ICT services of ČSOB and ČSOB Pojišťovna were put under one management structure and transferred to newly created Czech Branch of KBC Global Services. The ICT services of ČSOB Leasing followed in January 2010. As a result, part of ICT expenses transferred from staff expenses to GAE.

The main factor for lower staff expenses on comparable basis was the Y/Y staff reduction of about 100 FTEs which reflects the cost-containment measures taken at the end of 2008. As a result of these measures, FTEs decreased by approx. 500 between late 2008 and mid-2009, of which about a 100 FTEs were reduced after 31 March 2009.

Note:

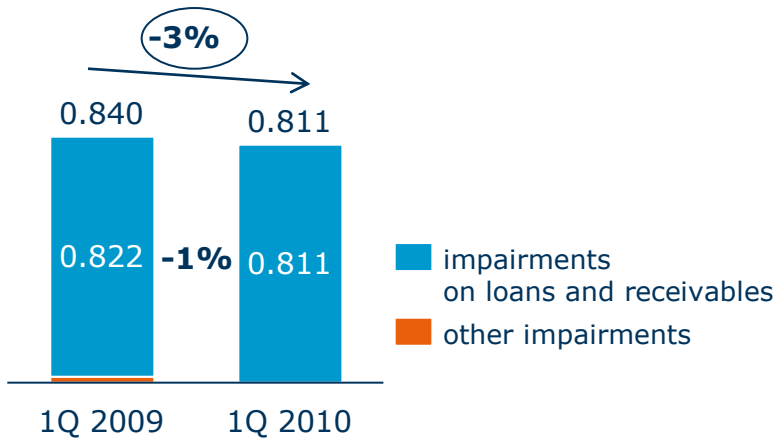
\* Depreciation and amortization and provisions

# Total impairment losses

## Underlying

### Impairment losses – Ytd.

CZK bn



Total impairments decreased by 3% Y/Y, of which impairments on loans and receivables (LaR) recorded a 1% reduction.

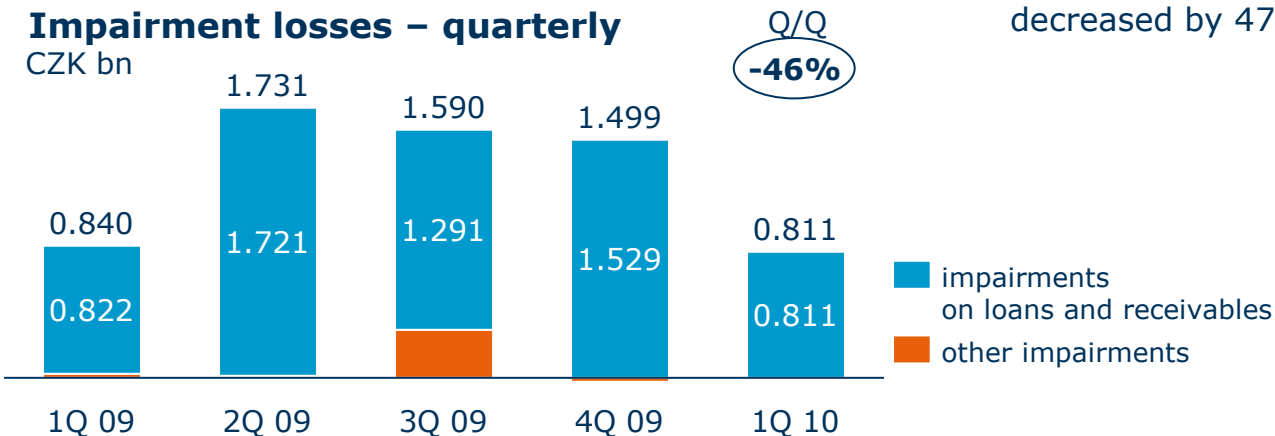
1Q 2010 impairments consisted solely of impairments on LaR.

The impairments peaked in the second quarter of 2009 and have been decreasing in the following quarters, mainly driven by corporate and SME lending.

Impairments on loans and receivables decreased by 47% Q/Q.

### Impairment losses – quarterly

CZK bn





### 3. Analysis of business performance



Deposits <sup>1,5</sup>	↗ 21.7%	Building savings loans <sup>1,7</sup>	↗ 44.1%
Total loans and leases <sup>1</sup>	↗ 18.2%	Building savings deposits <sup>1,7</sup>	↗ 36.1%
Mortgages <sup>1,6</sup>	↗ 27.3%	Mutual funds <sup>3</sup>	↗ 34.2%
Factoring <sup>2</sup>	↗ 23.6%	Housing loans <sup>1,8</sup>	↗ 33.9%
Leasing <sup>2</sup>	↘ 9.6%		

Insurance	market share	rank
Life <sup>2</sup>	↘ 8.6%	5
Non-life <sup>2</sup>	↘ 4.8%	6
Total <sup>2</sup>	↘ 6.4%	6

Pension funds <sup>4</sup>	↗ 16.2%
Corporate/SME loans <sup>1</sup>	↘ 13.6%
Consumer loans <sup>1</sup>	↗ 15.4%

2.

1.

3.

Notes: Arrows show Y/Y change. Market shares as of 31 December 2009 (i.e. latest available). Insurance as of 31 March 2010.

<sup>1</sup> Market share according to outstanding volume at the given date

<sup>2</sup> Market share according to volume of new business in the year to the given date

<sup>3</sup> Incl. institutional funds and third parties funds; market share according to outstanding volume at the given date

<sup>4</sup> Market share according to the number of clients at the given date

<sup>5</sup> Comprise current accounts and bills of exchange

<sup>6</sup> According to ČNB definition

<sup>7</sup> ČMSS 100%

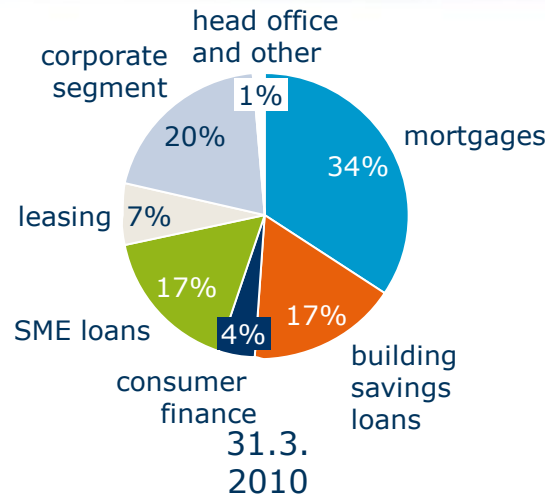
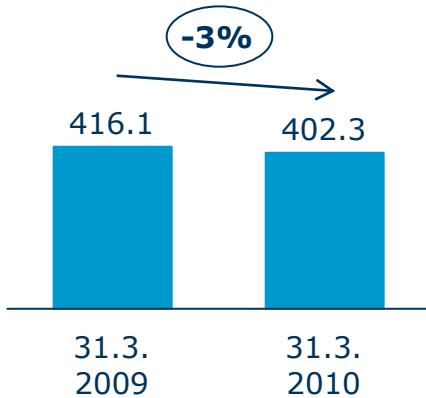
<sup>8</sup> Comprise mortgages and building savings loans

Sources: Company information, companies' results publications and annual reports, ČNB, and financial associations. Details of sources provided in Appendix, slide 43.

# Lending and deposits development

## Group lending

CZK bn



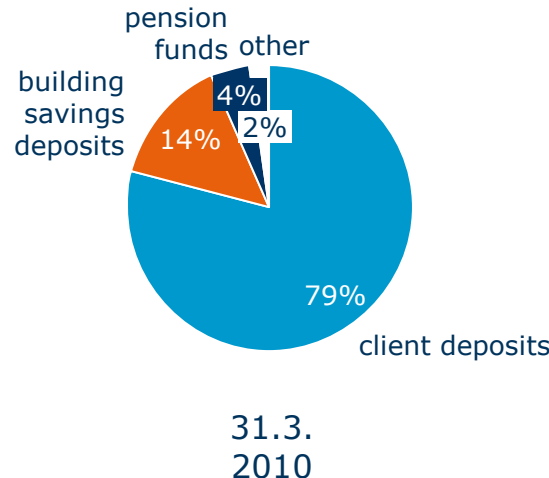
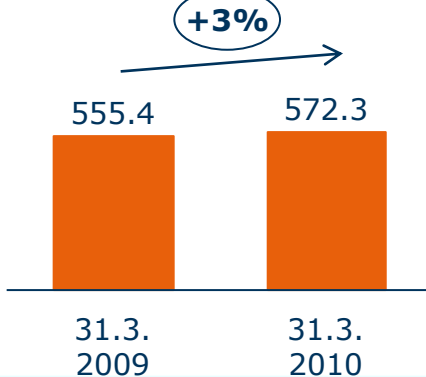
Group lending decreased by 3% Y/Y and by 1% Q/Q.

As mortgages and building savings loans recorded double-digit Y/Y growth, the combined share of housing loans on group lending grew from 43% in 1Q 2009 to 51% in 1Q 2010.

Retail/SME segment as a whole has grown to 79% of group lending.

## Group deposits

CZK bn



Group deposits increased by 3% Y/Y and remained flat Q/Q. The growth was recorded through all categories of deposits, hence the structure of group deposits in 1Q 2010 remained stable Y/Y.

Loan to deposit ratio (calculated as loan portfolio over primary deposits) decreased Y/Y from 74.1% to 70.4%.

# Group lending at a glance

Gross outstanding volumes, CZK bn	31.3.2009	31.3.2010	Y/Y
<b>Group lending</b>	<b>416.1</b>	<b>402.3</b>	<b>-3%</b>
<b>Ret/SME Segment</b>			
Mortgages <sup>1</sup>	122.1	137.0	+12%
Building savings loans <sup>2</sup>	57.3	67.3	+17%
Consumer finance	16.4	17.5	+6%
SME loans	71.8	66.9	-7%
Leasing	35.1	26.6	-24%
<b>Corporate Segment</b>			
Corporate loans <sup>3</sup>	101.5	78.2	-23%
Factoring	3.8	3.7	-3%
<b>Head Office</b>			
<b>Other<sup>4</sup></b>	0.7	0.6	-13%
	7.6	4.6	-39%

**Notes:**

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

<sup>2</sup> ČSOB group building savings loans are in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB. Volumes are reported in the 55% proportion, i.e. the way they enter ČSOB's consolidated balance sheet.

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

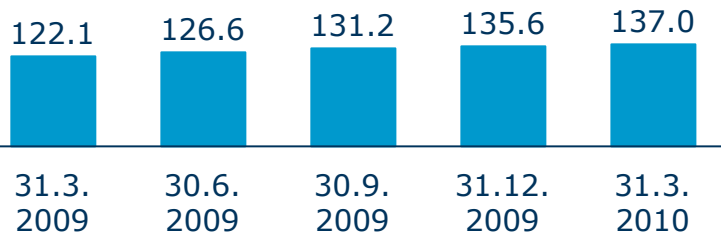
<sup>4</sup> Money market placements with banks, loro/nostro accounts and other settlement accounts.

# Housing loans

## Mortgages

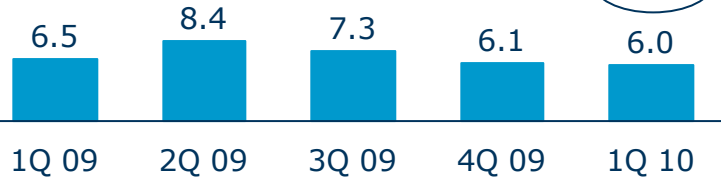
Outstanding, CZK bn

Y/Y  
**+12%**



New sales\*\*, CZK bn

Y/Y  
**-8%**



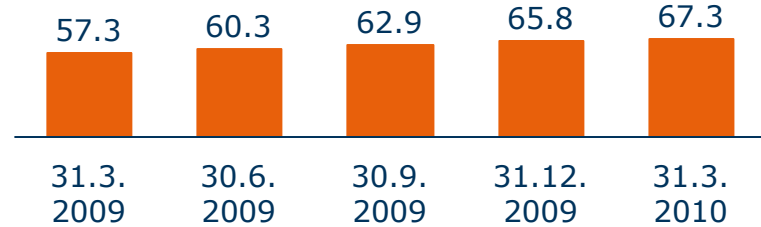
The ČSOB group position in the new sales of mortgages (all ČSOB group mortgages are in the books of Hypoteční banka) further strengthened during 1Q 2010 as the new production decreased less than the whole market. The mortgage portfolio as a whole has been steadily growing over the quarters in review.

The ČMSS building savings company also recorded a strong quarter. The January sales were on a record high while February and March results were higher Y/Y.

## Building savings loans\*

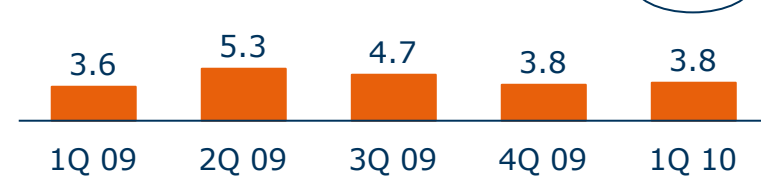
Outstanding, CZK bn

Y/Y  
**+17%**



New sales\*\*, CZK bn

Y/Y  
**+7%**



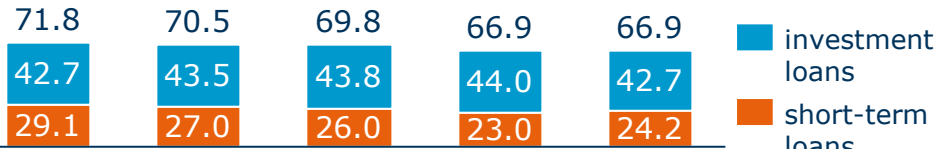
Notes: \* ČMSS 55%.

\*\* Granted loan limits.

# SME loans, consumer finance, leasing

## SME loans

CZK bn

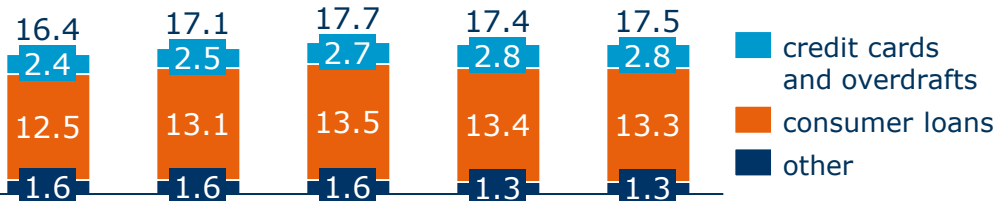


31.3. 2009    30.6. 2009    30.9. 2009    31.12. 2009    31.3. 2010

Y/Y  
-7%

## Consumer finance

CZK bn

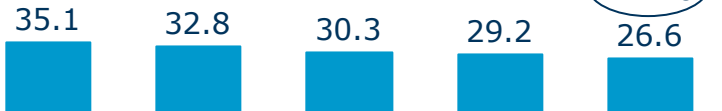


31.3. 2009    30.6. 2009    30.9. 2009    31.12. 2009    31.3. 2010

Y/Y  
+6%

## Leasing

CZK bn



31.3. 2009    30.6. 2009    30.9. 2009    31.12. 2009    31.3. 2010

Y/Y  
-24%

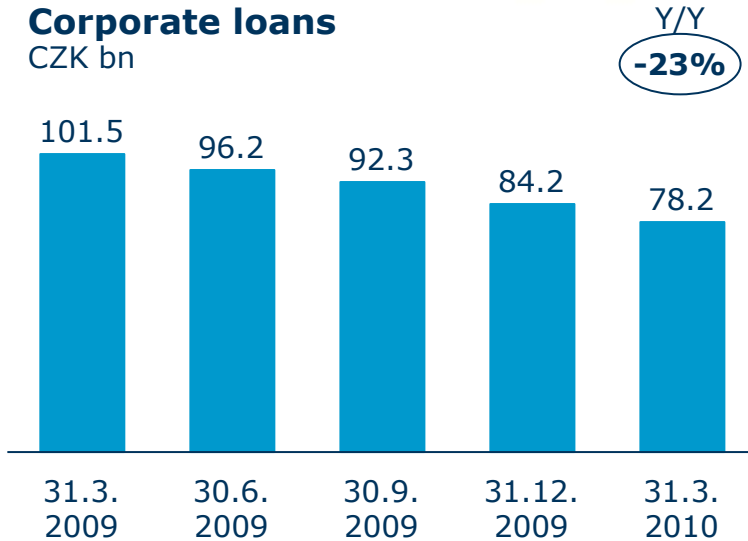
SME lending remained flat Q/Q and decreased by 7% Y/Y. The Y/Y decrease was driven by contraction of the outstandings in short-term loans which was in line with the working capital demand decline, while long-term investment loans remained stable Y/Y. Short-term loans include overdrafts and revolving loans.

Consumer finance remained flat Q/Q and increased by 6% Y/Y. The main driver of the Y/Y growth were consumer loans (including housing-needs-related consumer loans) which increased by 7% Y/Y.

Outstanding volumes in leasing continued to decrease. The largest decline was recorded in machinery, equipment and trucks where the market has yet to rebound. The decrease in personal and utility cars was only slight. The Q/Q decline includes a seasonal effect of usually stronger activity at the end of year and lower volumes in January and February.

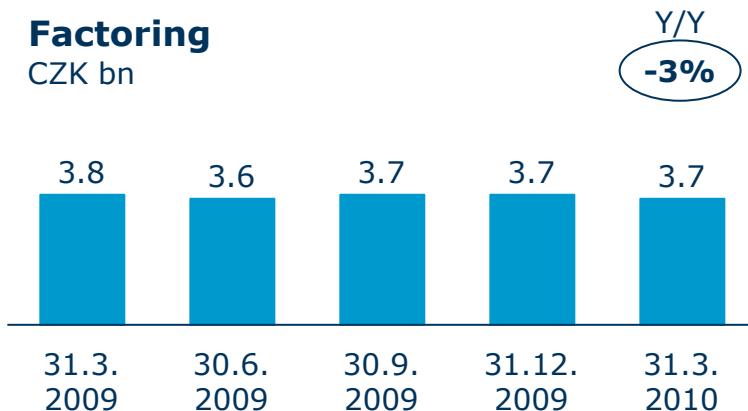
## Corporate loans

CZK bn



## Factoring

CZK bn



The corporate segment of ČSOB comprises mid-cap and corporate customers with an annual turnover above CZK 300m, local subsidiaries of international groups and selected institutional clients.

The reduction of corporate loans (-23% Y/Y and -7% Q/Q) results from a combined effect of contracting demand for corporate lending and prudent risk management approach of the ČSOB group.

In 1Q 2010, ČSOB received two awards from the Global Finance magazine within the corporate segment area:

- Best Foreign Exchange Provider 2010
- Best Trade Finance Provider 2010



GLOBAL  
FINANCE



GLOBAL  
FINANCE

# AUM and deposits at a glance

Gross outstanding volumes, CZK bn	31.3.2009	31.3.2010	Y/Y
<b>Group deposits</b>	<b>555.4</b>	<b>572.3</b>	<b>+3%</b>
Client deposits	445.9	453.5	+2%
Building savings deposits	77.7	82.2	+6%
Pension funds <sup>1</sup>	23.4	25.5	+9%
Other <sup>2</sup>	8.4	11.1	+32%
<b>Mutual funds</b>	<b>68.0</b>	<b>70.2</b>	<b>+3%</b>
<b>Other asset management</b>	<b>56.2</b>	<b>54.1</b>	<b>-4%</b>
<b>AUM and deposits</b>	<b>679.6</b>	<b>696.7</b>	<b>+3%</b>

Notes:

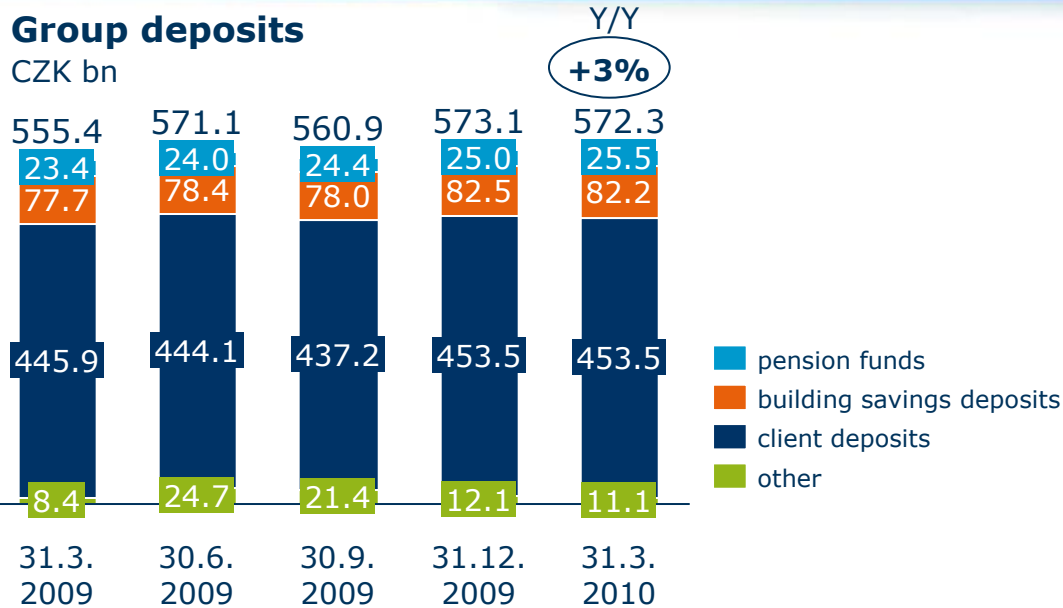
<sup>1</sup> Liabilities to pension fund policy holders.

<sup>2</sup> Repo operations with non-banking financial institutions and other.

# Group deposits

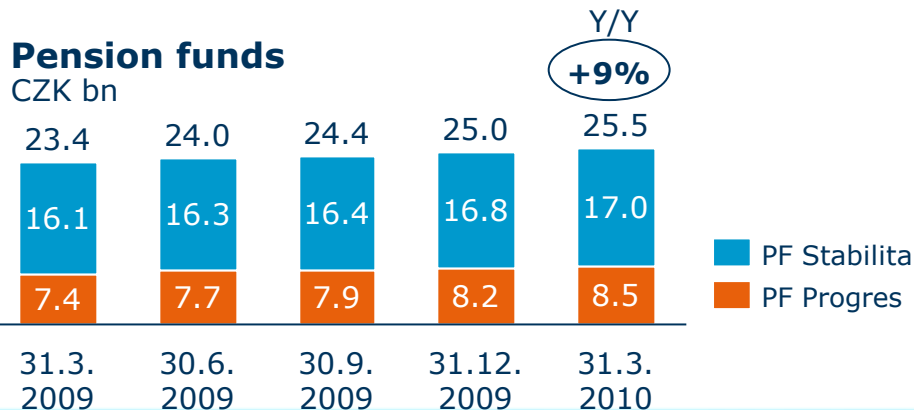
## Group deposits

CZK bn

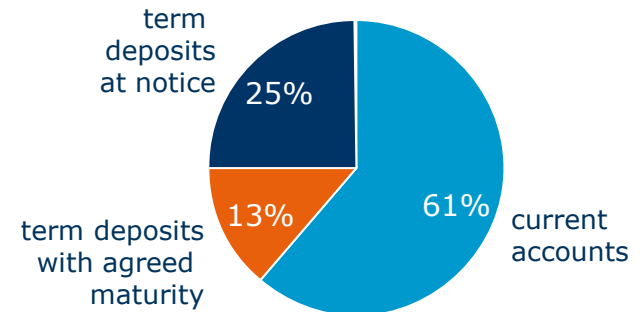


## Pension funds

CZK bn



## Client deposits as of 31.3.2010



**CZK 453.5 bn**

All categories of deposits showed an increase Y/Y. The largest contributor was client deposits (CZK +7.6 bn).

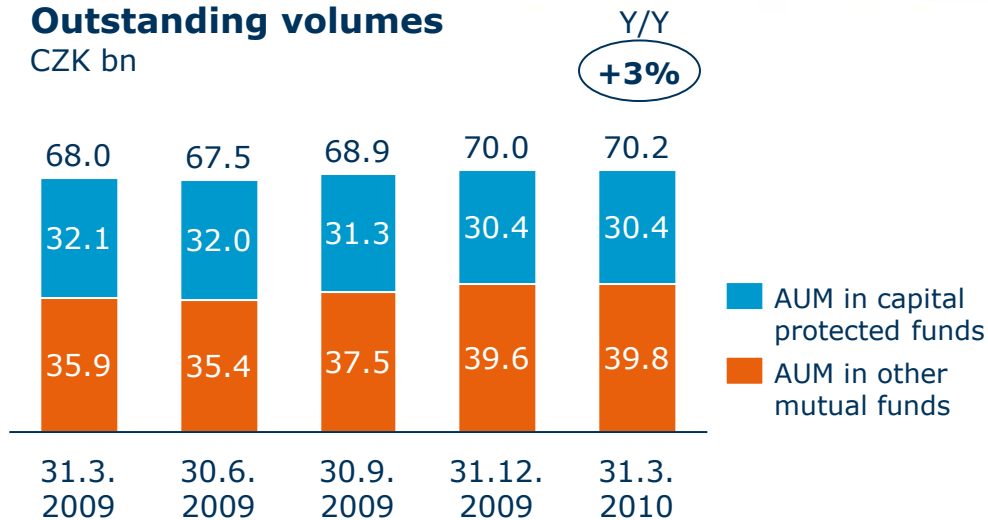
Within client deposits, current accounts increased slightly Y/Y. Decrease in term deposits with agreed maturity was offset by an increase in term deposits at notice (mainly saving accounts).

AUM in both ČSOB pension funds kept increasing quarter to quarter.



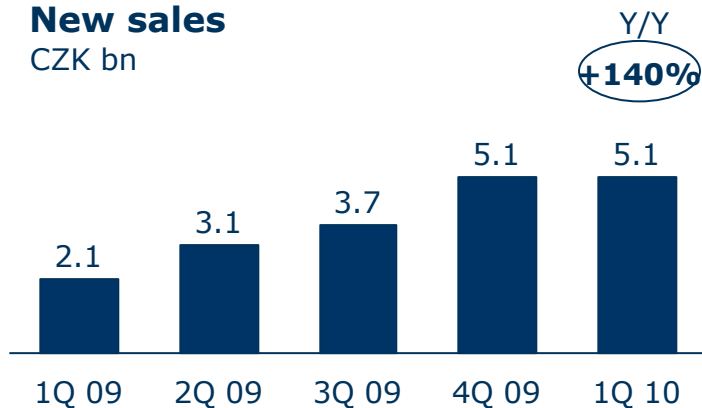
## Outstanding volumes

CZK bn



## New sales

CZK bn



The AUM in mutual funds was stable Q/Q in 1Q 2010. ČSOB group confirmed its number 1 position in the Czech market.

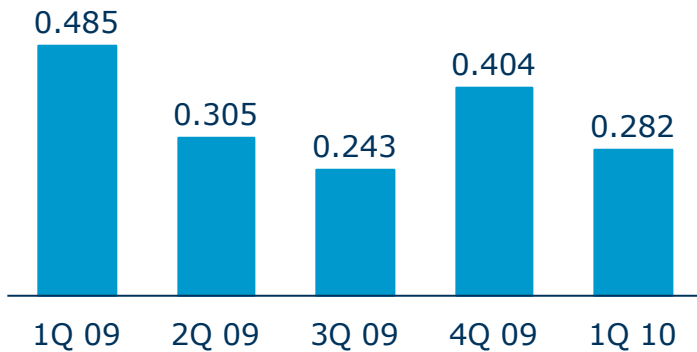
The market rebounded in mid-2009 and new sales started to climb.

ČSOB's new sales of mutual funds more than doubled Y/Y. Most of the sale success is to be attributed to capital protected funds and "ČSOB 1-2-3 Invest", a product launched in 1Q 2010. This mixed fund with capital protection attracted in 1Q 2010 CZK 850 m out of the total CZK 5.1bn of new sales.

Q/Q unchanged new sales on the one hand and high volume of CPFs maturing in 1Q 2010 together with an ordinary level of outflows from open ended mutual funds on the other hand resulted in a slight Q/Q growth of AUM.

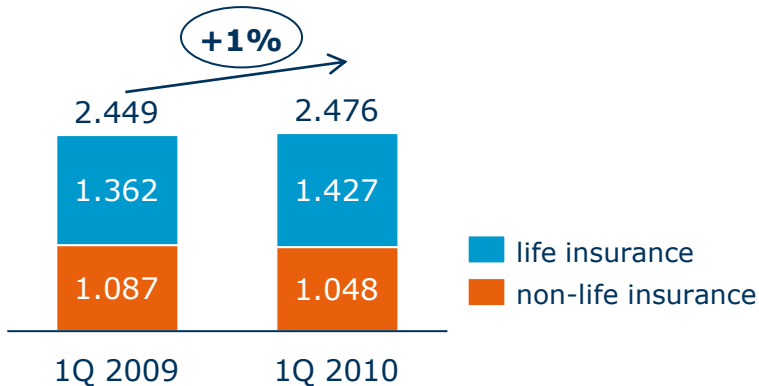
## Net profit of ČSOB Pojišťovna\*

CZK bn



## Gross written premium

CZK bn



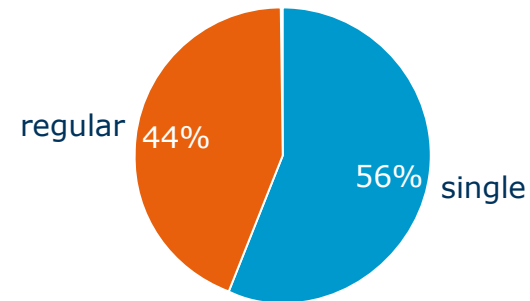
The ČSOB Pojišťovna's contribution to the ČSOB consolidated P/L in 1Q 2010 was CZK 71 m, compared to CZK 121 m in 1Q 2009.

In January 2010, Standard & Poor's affirmed ČSOB Pojišťovna's rating at A-.

Note:

\* Reported net profit of ČSOB Pojišťovna used for consolidation purposes. 25% of the figures shown enter the ČSOB group's profit and loss statement through the line share of profit of associates.

## Life insurance as of 31.3.2010



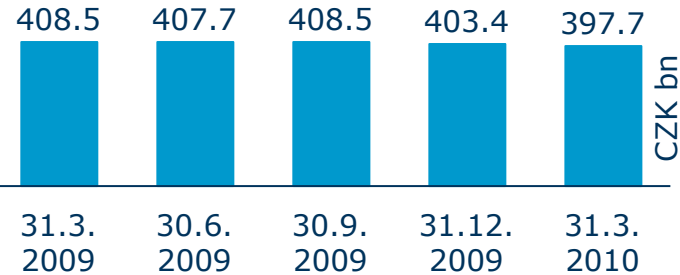
**CZK 1.427 bn**



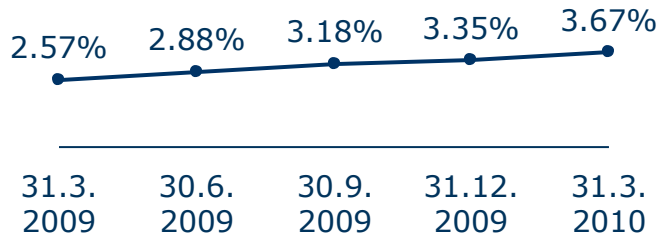
## 4. Risk management

# Credit risk under control

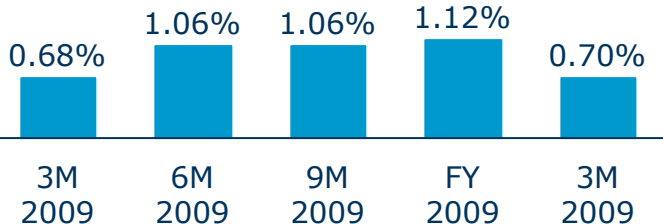
## Loan portfolio<sup>1</sup>



## NPL ratio<sup>2</sup>

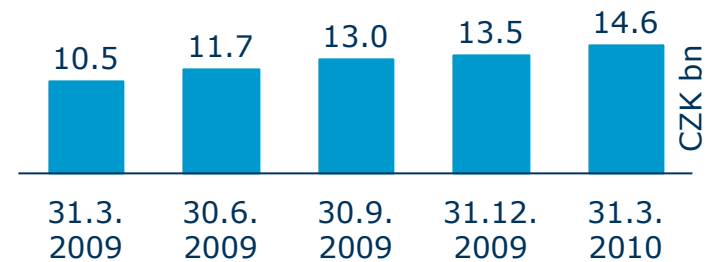


## Credit cost ratio<sup>3</sup>

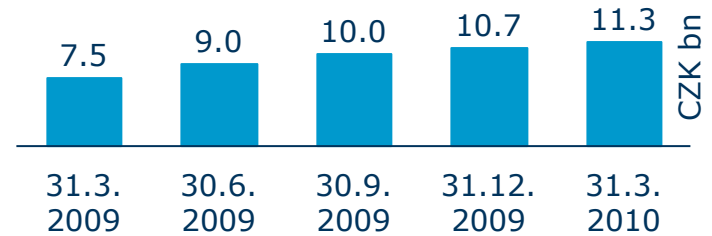


Notes: <sup>1</sup> Group lending excluding "other" loans.  
<sup>2</sup> Including correction of end-2009 figure.

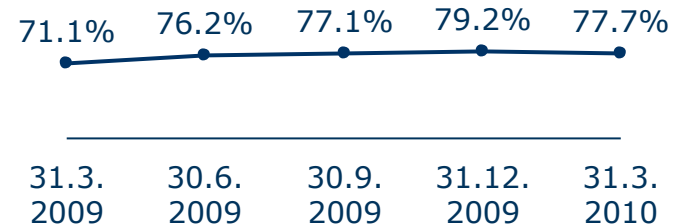
## Non-performing loans



## Allowances for loans and leases<sup>4</sup>



## NPL coverage ratio



Notes: <sup>3</sup> Ytd. annualized, including off-balance sheet.  
<sup>4</sup> Allowances for on-balance sheet items.

# Strong capital position

Consolidated, CZK m	31.12.2009	31.3.2010
<b>Total regulatory capital</b>	<b>55 162</b>	<b>54 741</b>
- Tier 1 Capital	44 582	43 903
- Tier 2 Capital	11 970	11 971
- Deductions from Tier 1 and Tier 2	-1 390	-1 133
<b>Total capital requirement</b>	<b>29 452</b>	<b>28 774</b>
- Credit risk (IRB approach)	25 288	24 608
- Market risk (internal model)	1 176	813
- Operational risk (standardized approach)	2 987	3 354
<b>Total RWA</b>	<b>368 150</b>	<b>359 676</b>
<b>Core Tier 1 ratio = Tier 1 ratio</b>	<b>11.92%</b>	<b>12.05%</b>
<b>Total capital ratio</b>	<b>14.98%</b>	<b>15.22%</b>

Notes:

*RWA (risk weighted assets) = total capital requirement / 0.08*

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

*Tier 2 capital = subordinated debt*

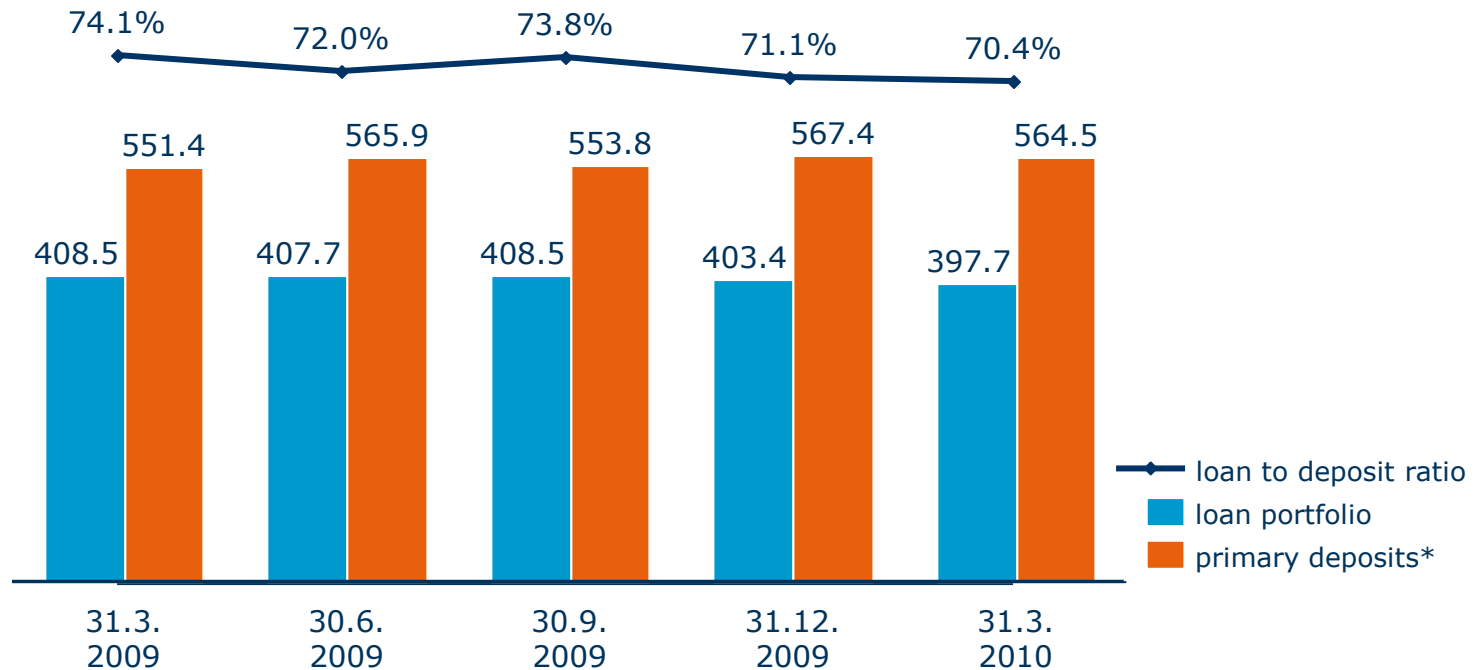
*Total regulatory capital = Tier 1 + Tier 2 – deductions*

*Tier 1 ratio = (Tier 1 capital – 0.5\*deductions) / (total capital requirement / 0.08)*

# Ample liquidity

CZK bn                      31.3.2009      30.6.2009      30.9.2009      31.12.2009      31.3.2010

Primary deposits* minus loan portfolio	142.9	158.2	145.3	164.0	166.8
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Note: \* group deposits minus pension funds minus repo operations with credit institutions measured at amortized costs

# Selected exposure to bonds

## Southern European countries and Ireland

### Exposure to bonds of selected Southern European countries and Ireland

as at 11 May 2010 (latest available)

book value, CZK bn

	Sovereign	Banks	Corporates	Total
Portugal	-	-	-	-
Ireland	-	-	-	-
Italy	5.17	0.77	-	5.94
Greece	7.91	-	-	7.91
Spain	0.60	-	-	0.60
<b>Total</b>	<b>13.68</b>	<b>0.77</b>	<b>0.00</b>	<b>14.45</b>

All sovereign bonds are eligible for being pledged against the ECB.



## Appendix





# ČSOB's profile - bank only (incl. PSB)

	31.3.2009	31.12.2009	31.3.2010
Employees (group)*	8 155	8 018	8 049
Bank customers (ths)	3 053	3 061	3 061
Users of direct banking (ths)	1 889	2 083	2 153
Payment cards (ths)	1 949	2 000	2 009
- of which: credit cards (ths)	105	130	138
ČSOB Retail/SME branches	233	237	237
ČSOB Corporate branches	11	11	11
PSB branches ("Financial Centres")	48	52	52
PSB outlets of the Czech Post network	ca. 3 330	ca. 3 320	ca. 3 310
ATMs (ČSOB+PSB)	698	734	744

Note: \* FTEs. The figure as at 31.12.2009 and 31.3.2010 includes also employees that were transferred to KBC Global Services Czech Branch.



# Changes in ČSOB top management

As of May 2010, ČSOB top management was strengthened by three new members.

Former Chief Financial and Risk Officer (CFRO), **Mr. Hendrik Scheerlinck** left for the position of Chief Executive Officer of KBC's Hungarian subsidiary K&H and KBC group's Country Manager for Hungary.

The CFRO position in ČSOB was split to two.

**Mr. Bartel Puelinckx**, former Senior Managing Director in K&H responsible for Credits and Human Resources, was appointed as new Chief Finance Officer (CFO) of ČSOB.

**Mr. Koen Wilmots**, former Managing Director of ČSOB Group Credits, was appointed Chief Risk Officer (CRO) of ČSOB.

**Mr. Jiří Vévoda**, former Associate Partner at McKinsey & Company, was appointed Chief Staff Officer (CSO) of ČSOB, a position that had been vacant since November 2009.



# ČSOB group in the Czech Republic





# Rating and shareholder structure

As at 12 May 2010

## ČSOB's credit rating

Rating agency

**Moody's**

**Fitch**

**Long-term rating: A1**

**Long-term rating: A-**

Short-term rating: Prime-1

Short-term rating: F2

Financial strength: C

Individual: C

Support: 1

Valid since

23. 2. 2007

14. 5. 2009

Last confirmation

10. 9. 2009

19. 11. 2009

## ČSOB's shareholder structure

KBC Bank NV holds 100% of ČSOB shares.



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# Profit and loss statement

## Reported

(CZK m)	3M 2009 <i>reclassified</i>	3M 2010	Y/Y
Interest income	8 754	8 356	-4%
Interest expense	-3 414	-2 215	-24%
Net interest income	5 340	6 141	+15%
Net fee and commission income	1 356	1 421	+5%
Net gains from financial instruments at FVPL*	644	742	+15%
Other operating income*	502	316	-37%
<b>Operating income</b>	<b>7 842</b>	<b>8 621</b>	<b>+10%</b>
Staff expenses	-1 666	-1 545	-7%
General administrative expenses	-1 263	-1 492	+18%
Depreciation and amortisation	-369	-268	-28%
<b>Operating expenses</b>	<b>-3 298</b>	<b>-3 304</b>	<b>+0%</b>
Impairment losses*	-1 039	-818	-21%
<i>Impairment on loans and receivables</i>	-822	-811	-1%
<i>Impairment on available-for-sale securities*</i>	-199	-7	-96%
<i>Impairment on other assets</i>	-18	0	+/-
Share of profit of associates*	121	71	-42%
<b>Profit before tax</b>	<b>3 627</b>	<b>4 570</b>	<b>+26%</b>
Income tax expense*	-544	-672	+23%
<b>Profit for the period</b>	<b>3 083</b>	<b>3 898</b>	<b>+26%</b>
Attributable to:			
<b>Equity holders of the parent</b>	<b>3 073</b>	<b>3 880</b>	<b>+26%</b>
Minority interest	10	19	+89%

Notes: FVPL = fair value through profit and loss.

Other operating income = Net realised gains on available-for-sale fin. assets, dividend income, other net income.

\* Lines designated by asterisk as reported differ from underlying figures.



# Profit and loss statement

## Underlying

(CZK m)	3M 2009 <i>reclassified</i>	3M 2010	Y/Y
Interest income	8 754	8 356	-5%
Interest expense	-3 414	-2 215	-35%
Net interest income	5 340	6 141	+15%
Net fee and commission income	1 356	1 421	+5%
Net gains from financial instruments at FVPL*	689	408	-41%
Other operating income*	502	316	-37%
<b>Operating income</b>	<b>7 887</b>	<b>8 287</b>	<b>+5%</b>
Staff expenses	-1 666	-1 545	-7%
General administrative expenses	-1 263	-1 492	+18%
Depreciation and amortisation	-369	-268	-28%
<b>Operating expenses</b>	<b>-3 298</b>	<b>-3 304</b>	<b>+0%</b>
Impairment losses*	-840	-811	-3%
<i>Impairment on loans and receivables</i>	-822	-811	-1%
<i>Impairment on available-for-sale securities*</i>	0	0	0%
<i>Impairment on other assets</i>	-18	0	+/-
Share of profit of associates*	121	71	-42%
<b>Profit before tax</b>	<b>3 870</b>	<b>4 243</b>	<b>+10%</b>
Income tax expense*	-557	-609	+/-
<b>Profit for the period</b>	<b>3 314</b>	<b>3 633</b>	<b>+10%</b>
Attributable to:			
<b>Equity holders of the parent</b>	<b>3 304</b>	<b>3 615</b>	<b>+9%</b>
Minority interest	10	19	+89%

Notes: FVPL = fair value through profit and loss.

Other operating income = Net realised gains on available-for-sale fin. assets, dividend income, other net income.

\* Lines designated by asterisk as reported differ from underlying figures.

# Balance sheet

## Assets

(CZK m)	31/12 2009	31/03 2010	Ytd
Cash and balances with central banks	23 050	24 264	+5%
Financial assets held for trading	160 117	119 211	-26%
Financial assets designated at fair value through P/L	16 987	18 252	+7%
Available-for-sale financial assets	101 567	102 566	+1%
Loans and receivables	395 773	389 591	-2%
<i>Loans and receivables - gross</i>	406 494	400 924	-1%
<i>Loans and receivables - allowances</i>	-10 720	-11 333	+6%
Held-to-maturity investments	132 761	145 703	+10%
Derivatives used for hedging	8 040	9 396	+17%
Current tax assets	27	33	+22%
Deferred tax assets	271	303	+12%
Investments in associate	1 196	1 273	+7%
Investment property	791	777	-2%
Property and equipment	8 468	8 354	-1%
Goodwill and other intangible assets	3 922	3 840	-2%
Non-current assets held-for-sale	919	216	-76%
Other assets	5 082	7 566	+49%
<b>Total assets</b>	<b>858 972</b>	<b>831 345</b>	<b>-3%</b>





# Balance sheet

## Liabilities and equity

(CZK m)	31/12 2009	31/03 2010	Ytd
Financial liabilities held for trading	23 036	23 511	+2%
Financial liabilities at fair value through P/L	105 057	75 329	-28%
Financial liabilities at amortised cost	644 982	639 347	-1%
<i>of which Deposits received from credit institutions</i>	26 027	23 232	-11%
<i>of which Deposits received from other than credit institutions</i>	573 148	572 319	+0%
<i>of which Debt securities in issue</i>	32 572	30 236	-7%
<i>of which Subordinated liabilities</i>	11 970	11 971	+0%
<i>of which Accrued interest expenses</i>	1 266	1 588	+25%
Derivatives used for hedging	5 158	6 424	+25%
Current tax liabilities	883	1 465	+66%
Deferred tax liabilities	603	617	+2%
Provisions	757	675	-11%
Other liabilities	8 644	10 187	+18%
<b>Total liabilities</b>	<b>789 121</b>	<b>757 554</b>	<b>-4%</b>
Share capital	5 855	5 855	0%
Share premium account	7 509	7 509	0%
Statutory reserve	18 687	18 687	0%
Retained earnings	34 476	38 357	+11%
Available-for-sale reserve	2 815	3 156	+12%
Cash flow hedge reserve	-392	-520	+33%
Foreign currency translation reserve	1	0	+/-
<b>Parent shareholders' equity</b>	<b>68 951</b>	<b>73 043</b>	<b>+6%</b>
Minority interest	900	748	-17%
<b>Total equity</b>	<b>69 851</b>	<b>73 791</b>	<b>+6%</b>
<b>Total liabilities and equity</b>	<b>858 972</b>	<b>831 345</b>	<b>-3%</b>

# List of reclassifications

Compared to the reporting in previous quarters, there have been a number of reclassifications among items of operating income and operating expenses:

- **Fees to third parties**

- reclassified from operating expenses (GAE) to operating income (NFCI).

- **Provisions for legal issues and other losses, restructuring and contractual engagements**

- transferred from a separate expense item “provisions” to three items – staff expenses, GAE, and other net income.

- **Accrued interest on non-performing loans**

- reversed through reclassification of relating impairment additions from impairments on loans and receivables to net interest income.

- **Interest from hedging derivatives**

- separated into interest income and interest expense.

- **Interest income related to hedge derivatives**

- reclassified from net gains from financial instruments at FVPL to net interest income.



# Market share sources

## Deposits

Definition: Total bank deposits (Retail and COR/SME) excl. repo operations, Source: ČSOB, ČNB (ARAD)

## Building savings loans:

Definition: Outstanding volumes of building savings loans, Source: ČNB (Time series ARAD), Reporting of ČMSS

## Building savings deposits:

Definition: Deposits of buildings savings clients, Source: ČNB (Time series ARAD), Reporting of ČMSS

## Housing loans:

Definition: Outstanding volumes; building loans + mortgages, Source: HB, ČSOB, ČNB (Time series ARAD), Reporting of ČMSS

## Mutual funds:

Definition: AUM of mutual funds offered to private individuals, both Czech and foreign funds, Source: AKAT (Association for capital market)

## Total Loans and Leases

Definition: Outstanding volumes, consumer loans, mortgages, housing loans (55%), COR/SME loans, Source: ČNB (ARAD), MMR, HB, ČSOB, ČMSS

## Leasing:

Definition: Volume of newly granted loans (leasing of movables, commercial loans and hire purchase; excl. consumer loans), Source: Association of Leasing and factoring companies CR ([www.clfa.cz](http://www.clfa.cz))

## Mortgages:

Definition: Outstanding volumes; mortgages for private individuals excl. American mortgages and mortgages for non-housing purposes, consumer loans for house purchase, Source: HB, ČSOB, ČNB (Time series ARAD)

## Factoring:

Definition: Volume of new business, Source: Association of leasing and factoring companies CR ([www.clfa.cz](http://www.clfa.cz))

## Pension funds:

Definition: Total volume of AUM, Source: Reporting of PF's; Association of Pension funds

## CORP/SME loans:

Definition: Remaining loans that are not reported in any of the retail loans categories (loans to other than households), Source: ČSOB , ČNB (time series ARAD)

## Consumer loans:

Definition: Outstanding volume of consumer loans, credit-cards, overdrafts (+in wider scope we also add American Mortgages), Source: ČSOB , ČNB (time series ARAD)

## Life Insurance

Definition: Gross written Premium, life insurance, Source: ČSOB Poj., Czech Insurance Association (ČAP)

## Non-life Insurance

Definition: Gross written Premium, non-life insurance, Source: ČSOB Poj., Czech Insurance Association (ČAP)

## Non-life Insurance

Definition: Gross written Premium, life insurance + non-life insurance, Source: ČSOB Poj., Czech Insurance Association (ČAP)



# Glossary

## Ratios

NIM (net interest margin)	Net interest income / average interest earnings assets excluding repo operations
C/I (cost/income ratio)	Operating expenses / operating income
ROAA (return on average assets)	net profit after tax and minority interest*time factor/average assets
ROAE (return on average equity)	net profit after tax and minority interest*time factor/average equity
NPL (non-performing loans) ratio	outstanding amount of non-performing loans (KBC group methodology) / loan portfolio
CCR (credit-cost ratio)	total credit costs / average outstanding credit portfolio (loans, loans replacements and drawn credit commitments - e.g. guarantees)
NPL coverage ratio	Allowances for loans and leases / non-performing loans
Core tier 1 ratio	According to prudential reports of ČNB – Basel II (since 1 July 2007)
Total capital ratio	According to prudential reports of ČNB – Basel II (since 1 July 2007)
Solvency ratio (insurance)	According to prudential reports of ČNB – Solvency I
Loan to deposit ratio	Primary deposits / loan portfolio



# Glossary

## Other definitions

Underlying	Excluding extraordinary items. KBC group methodology.
Group lending	Item "Loans and receivables – gross" from the consolidated balance sheet plus credit-replacing bonds.
Loan portfolio	Group lending minus item "other group lending" (which comprises money market placements with banks, loro/nostro accounts and other settlement accounts). Consistent with the internal credit risk management reporting system.
Mortgages	All loans booked in Hypoteční banka, including home equity loans and mortgage loans to legal entities, excluding intra-group loans. Gross.
Building savings loans	All customer lending granted by ČMSS in book values. Gross.
Consumer finance	Loan portfolio granted by ČSOB Bank retail network (ČSOB brand and PSB brand) in book values. Gross.
SME loans	Loan portfolio granted by ČSOB Bank SME network in book values. Gross.
Corporate loans	Loan portfolio granted by ČSOB Bank Corporate banking network in book values, including credit-replacing bonds. Gross.
Group deposits	Item "Deposits received from other than credit institutions" from the consolidated balance sheet.
Building savings deposits	All ČMSS financial liabilities at amortized cost minus deposits received from other than credit institutions
Primary deposits	Group deposits minus pension funds minus repo operations with credit institutions measured at amortized costs. Consistent with the internal liquidity management reporting system.



# Contacts

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