# FY 2011 Results
# ČSOB Group
## Czech Republic

EU IFRS Unaudited Consolidated

Presentation for press
9 February 2012

# Contents

# 1. Highlights

## Measures of sustainable performance:
# Consistent business profitability and resilience

| Key indicators | | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| **Profitability** | underlying* net profit (CZK bn)<br>*reported net profit (CZK bn)* | 12.6<br>*1.0* | 10.5<br>*17.4* | 13.0<br>*13.5* | 11.2<br>*11.2* |
| | underlying* RoE | 21.6% | 17.1% | 19.6% | 18.0% |
| **Liquidity** | loan/deposit ratio<br>*net stable funding ratio* | 75.2% | 71.1% | 68.5%<br>*137.7%* | 72.7%<br>*135.1%* |
| **Capital** | Tier 1 ratio | 8.9% | 11.9% | 14.2% | 11.7% |
| **Credit costs** | credit cost ratio | 0.59% | 1.12% | 0.75% | 0.36% |
| **Cost efficiency** | underlying* cost/income ratio | 46.9% | 43.4% | 44.7% | 45.6% |

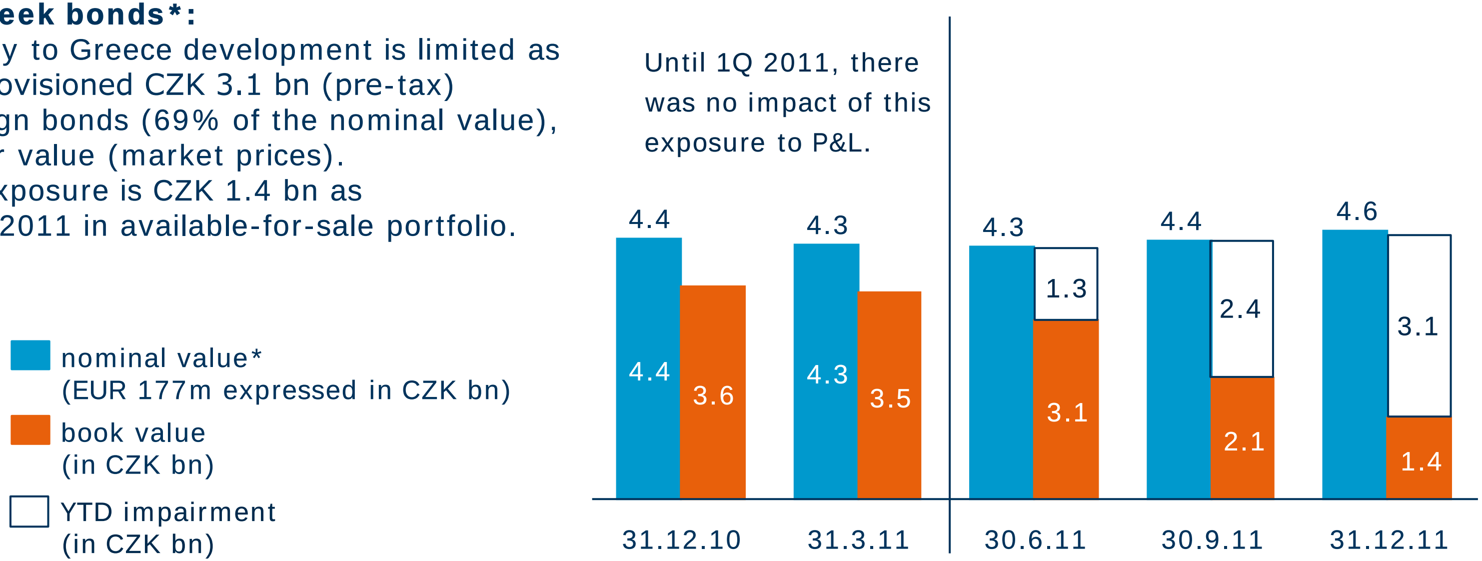
** Excluding extraordinary items. However, impairment on AFS portfolio (which includes Greek bonds) is part of the underlying P&L.*

## FY 2011 at a glance:
# Extended trajectory of strong business growth

- In 2011, ČSOB group's **reported net and underlying net profit reached CZK 11.2 bn** (including impairment on Greece).
  - While the profitability of the core customer business improved, an impairment on Greek bonds in the AFS portfolio bit CZK 2.5 bn off the net profit, making reported profit 17% lower than the same period a year ago.
- In 2011, ČSOB group demonstrated **strong development of business activities**.
  - **Loan portfolio** has been rising for six consecutive quarters to reach CZK 441.1 bn (+ 10% Y/Y), with acceleration in 2H 2011 mainly thanks to corporate loans (+ 25% Y/Y) and mortgages (+ 13% Y/Y).
  - **Deposits** have climbed to CZK 611.6 bn (+ 3% Y/Y).
  - Despite the **de-risking of balance sheet**, NII increased by 2% Y/Y driven by business volumes growth and maintained margins.
- **Credit costs** further decreased to CZK 1.8 bn and **credit cost ratio** fell to 0.36%.
- ČSOB group has kept the **cost base under control**, while continuing in selective investment activities in ICT and human resources. Overall, 2011 operating expenses grew by 2% Y/Y.
- ČSOB group maintains **strong capital and liquidity position**.
  - Total capital ratio stands at 15.6% and the (core) Tier 1 ratio at 11.7% as of 31 December 2011.
  - Loan to deposit ratio stands at 72.7% and net stable funding ratio at 135.1% as of 31 December 2011.
- In 2011, ČSOB further improved its **services for clients**.
  - For example, ČSOB was the first large Czech bank to launch a confirmation of Internet payments by a SMS or a smart banking application for smart phones/tablets.

# 69% of exposure to Greece impaired

- **Exposure to Greek bonds*:**
  Further sensitivity to Greece development is limited as ČSOB already provisioned CZK 3.1 bn (pre-tax) of Greek sovereign bonds (69% of the nominal value), reflecting the fair value (market prices).
  The remaining exposure is CZK 1.4 bn as of 31 December 2011 in available-for-sale portfolio.

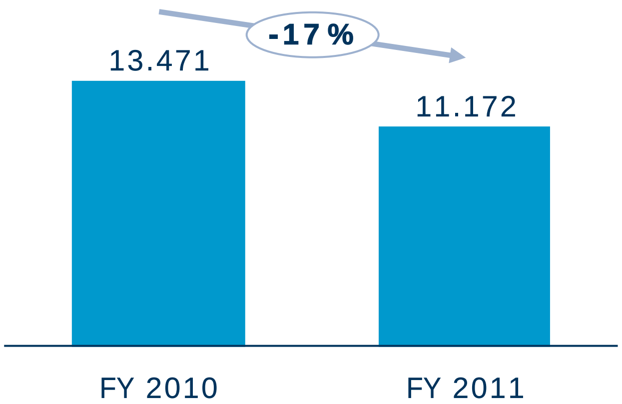



- **Exposure to other selected Southern European countries and Ireland:**
  ČSOB has no exposure to Ireland and Portugal. Book value of ČSOB's Italian bonds is CZK 0.94 bn and Spanish bonds CZK 0.61 bn. The book value of these bonds (which reflects their amortized cost) is close to the fair value.

** The value in EUR remains the same, the difference in CZK is due to exchange rate.*

# Net profit:
# Very strong performance excluding Greece

**Reported net profit**
CZK bn



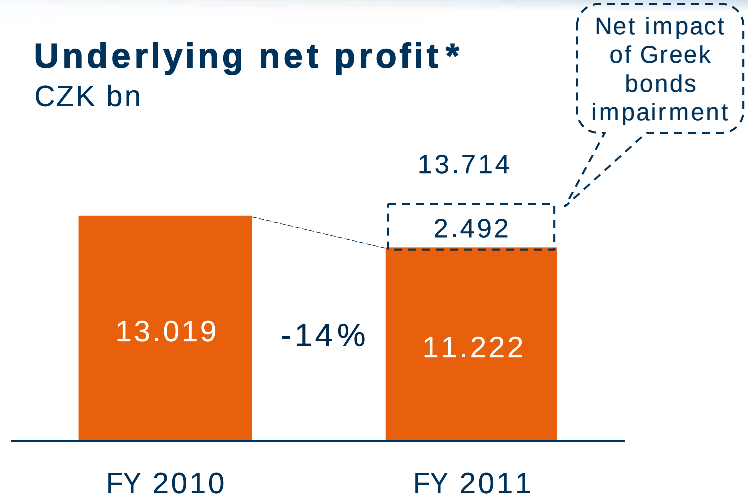

As a result of impairment on Greek bonds, 2011 reported net profit declined by 17% while underlying net profit dropped by 14% Y/Y.

The 2011 net profit was influenced by a positive revaluation of bonds in the FVPL portfolio and non-hedging derivatives (CZK +0.1 bn net).

The main extraordinary item in 2010 was a settlement payment received from KBC GS CZ for the transfer of ICT services.

**According to KBC group-wide methodology, impairments on the AFS portfolio (which includes the Greek bonds) are not treated as extraordinary item but are included in the underlying P&L.*

**Underlying net profit***
CZK bn



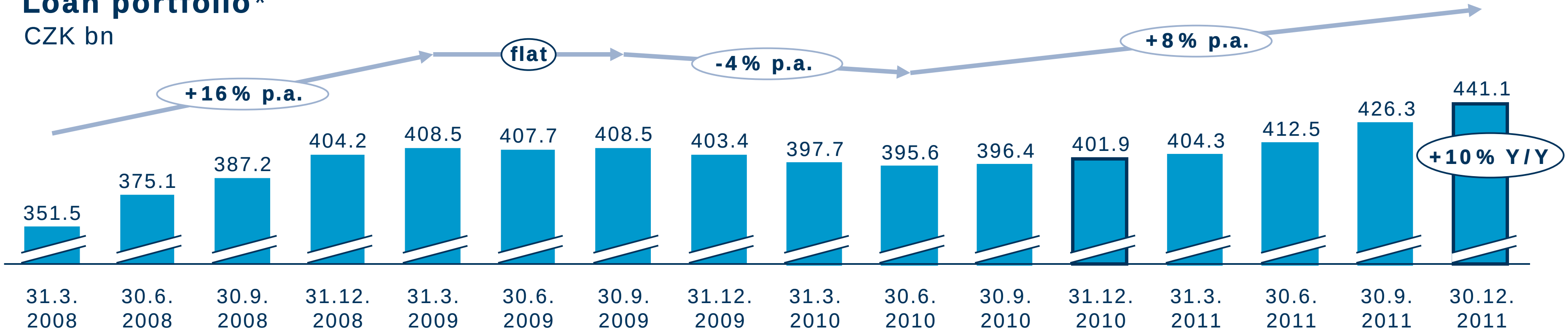

**Extraordinary items**
CZK bn

## Lending and deposits:

# Strong growth of business, both lending and deposits

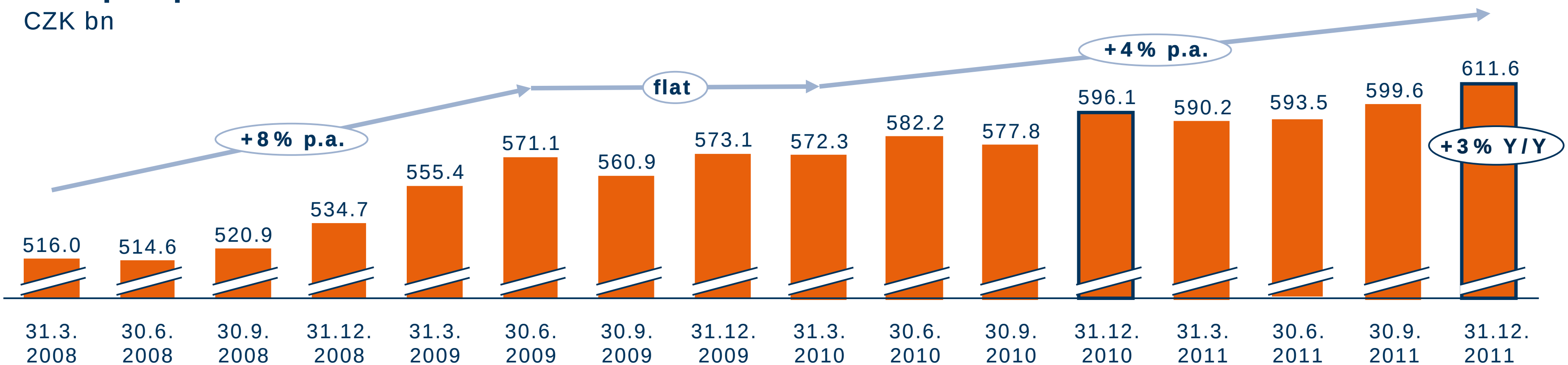
### Loan portfolio*

CZK bn




### Group deposits**

CZK bn



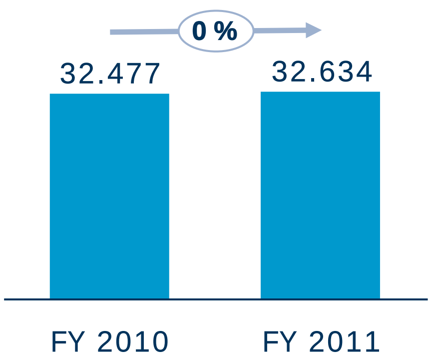

** Item Loans and receivables minus exposure to banks from inter-bank transactions plus credit replacing bonds*

*** Item “Deposits received from other than credit institutions” from the consolidated balance sheet.*

# 2. Analysis of underlying results

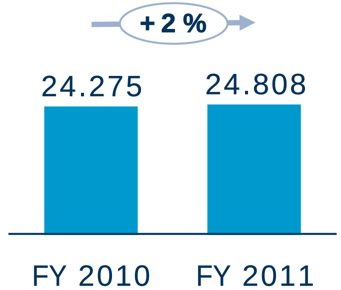
# Operating income – underlying:
# Strong income from loans and deposits

**Operating income**
CZK bn



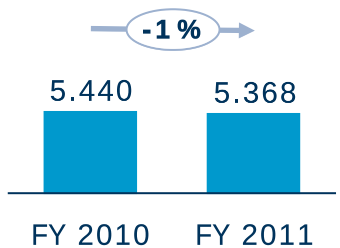

** Other = Net gains from financial instruments at FVPL + net realized gains on available-for-sale financial assets + dividend income + other net income.*

net interest income



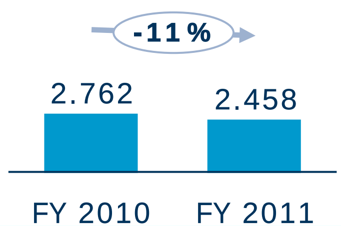

The NII increased by 2% Y/Y. The growth was driven by the volume of customer loans (especially mortgages and corporate loans). Reduction of selected sovereign bonds had on the other hand negative impact on NII.

net fee and commission income




The net fee and commission income (NFCI) decreased by 1% Y/Y primarily due to higher payments to the deposit insurance fund (by CZK 163 m) as the annual deposit insurance premium went up from 10 to 16 bps effective since mid-2010. Adjusting for this effect, NFCI increased by 2% Y/Y thanks to higher fees from payment cards and mortgage fees.

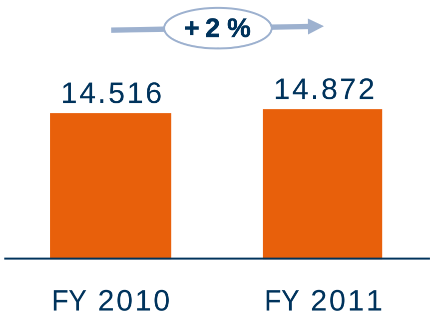
other*



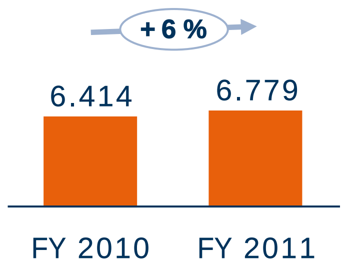

Performance of pension funds (PF) is booked in net interest income, while transfers of these profits to PF's clients decreases other operating income. Thus, better Y/Y performance of PF explains main part of the Y/Y decline in other operating income.

# Operating expenses:
# Cost cautiousness

**Operating expenses**
CZK bn

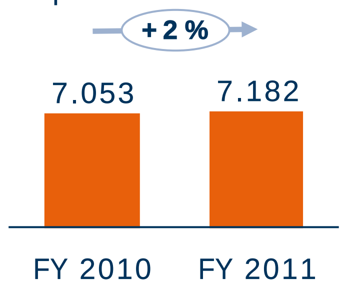



staff expenses



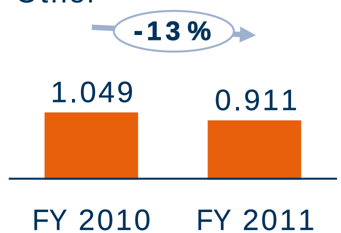

Annual wage adjustment and increased number of employees are the main drivers behind 6% higher staff expenses.

general administrative expenses




Business growth led to higher general administrative expenses (GAE) mainly in ICT area and marketing. Despite this, there were savings in payments area.

Other*

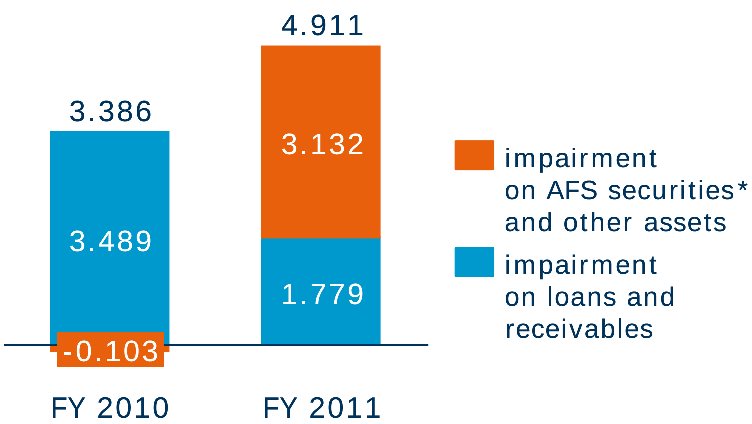



Depreciation and amortization decreased Y/Y mainly due to lower amortization of application software.

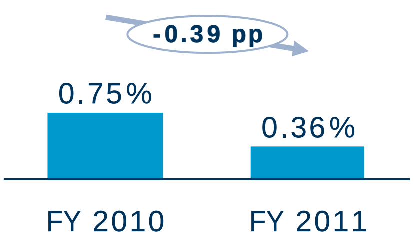
** Depreciation and amortization.*

## Impairments:
# Further decrease of credit costs

**Total impairments**
CZK bn




**Credit cost ratio**




The costs of credit risk are at almost one-half of the figure a year ago as the impairments on loans and receivables fell to CZK 1,779m. As a result, credit cost ratio further contracted to 36 bps.

The most significant improvement of credit costs was recorded in SME and corporate loans. Decrease in credit costs is also seen in all areas of retail lending.

Effect of the Greek sovereign exposure: In line with IFRS rules, ČSOB decided to book impairments of CZK 1.306 bn in 2Q 2011, CZK 1.046bn in 3Q 2011, and CZK 0.725 bn in 4Q 2011 (before tax) on the Greek sovereign bonds held in the AFS portfolio (all have maturity dates before end 2020).

** As a result of Greek bond impairment.*

# Strong capital position

| Consolidated, CZK m | 31.12.2010 | 31.12.2011 |
|---|---|---|
| **Total regulatory capital** | **57 522** | **54 593** |
| - Tier 1 Capital | 45 583 | 41 264 |
| - Tier 2 Capital | 12 564 | 14 269 |
| - Deductions from Tier 1 and Tier 2 | -625 | -940 |
| **Total capital requirement** | **25 530** | **28 008** |
| - Credit risk | 21 564 | 22 966 |
| - Market risk | 613 | 1 382 |
| - Operational risk | 3 354 | 3 660 |
| **Total RWA** | **319 124** | **350 101** |
| **Core Tier 1 ratio = Tier 1 ratio** | **14.19%** | **11.65%** |
| **Total capital ratio** | **18.03%** | **15.59%** |

Effect of dividend payout from retained earnings (13 May 2011): CZK -4,350m

Higher Tier 2 capital due to impairment on Greece.

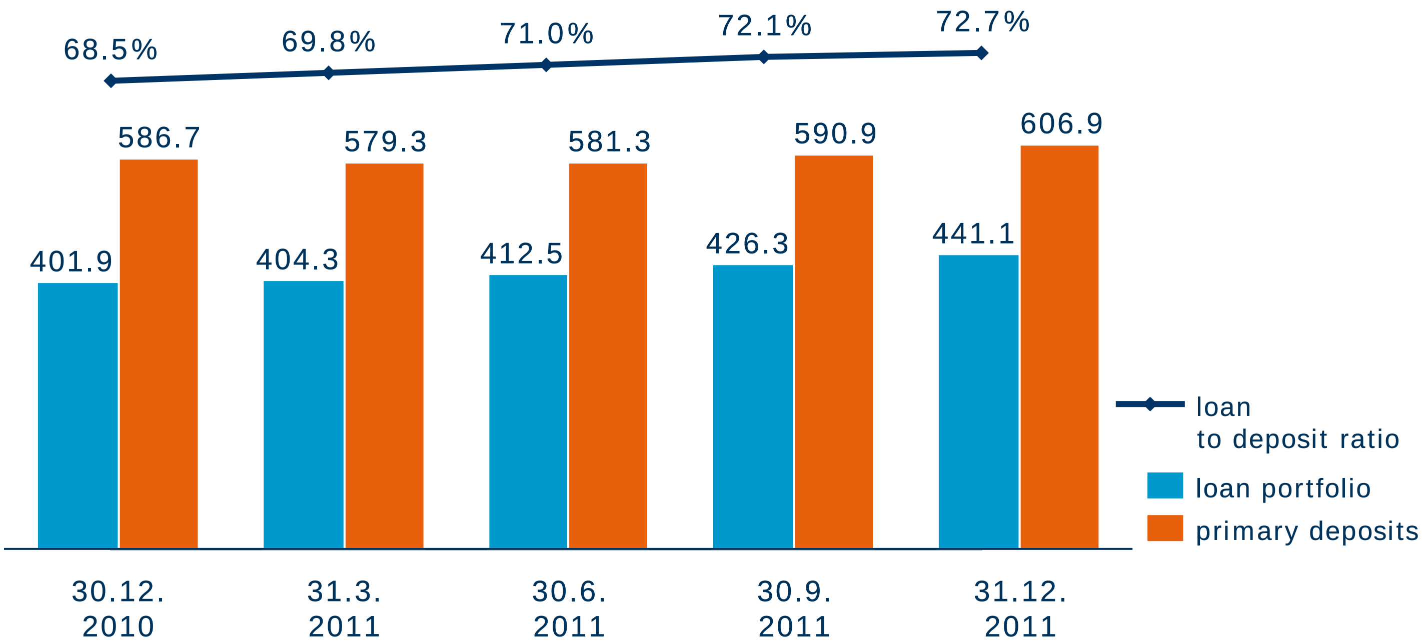
RWA development during 2011 was driven by higher loan exposure.

*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 + surplus in expected credit losses*
*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 | 31.12.2010 | 31.3.2011 | 30.6.2011 | 30.9.2011 | 31.12.2011 |
|---|---|---|---|---|---|
| Excess of primary deposits over loan portfolio | 184.8 | 175.0 | 168.8 | 164.6 | 165.8 |

Basel III will require banks to publish net stable funding ratio. Based on the latest version of Basel III rules published, the value of NSFR for ČSOB stands at 135.1% as of 31 December 2011.




*Notes:*
*Primary deposits = group deposits minus pension funds minus repo operations with non-banking financial institutions (part of "other group deposits") plus deposits to credit institutions (excl. repo operations with credit institutions)*
*Loan portfolio = Loans and receivables to other than credit institutions plus loans and receivables to credit institutions minus exposure to banks from inter-bank transactions plus credit replacing bonds (in HTM, AFS and FVPL portfolios)*

# Declining exposure to PIIGS thanks to active management

**Exposure to bonds of selected Southern European countries and Ireland**
book value, CZK bn

| | Sovereign | Banks | Corporates | Total 31/12/2011 | Total 31/12/2010 |
|---|---|---|---|---|---|
| Portugal | - | - | - | - | - |
| Ireland | - | - | - | - | - |
| Italy | 0.94 | - | - | 0.94 | 2.88 |
| Greece | 1.40 | - | - | 1.40 | 3.62 |
| Spain | 0.61 | - | - | 0.61 | 0.59 |
| **Total** | 2.95 | 0.00 | 0.00 | 2.95 | 7.09 |

ČSOB group continues to actively manage the exposure to selected Southern European countries. After reducing the exposure to Greek and Italian sovereign bonds during 2010, in the second half of 2011, part of Italian exposure was sold. (Exposure to bank bonds is zero as the bonds reached their maturity in 2Q 2011.)

The **Greek bonds** are classified as available-for-sale assets. The book value of these bonds (which reflects their fair value) is lower than their nominal value of EUR 177 m. As of 30 June 2011, 30 September 2011 and 31 December 2011, the Greek sovereign bonds with a maturity date before end 2020 were impaired to their fair value (market prices), as required by IAS 39.

The **Italian and Spanish** bonds are classified as held-to-maturity investments. The book value of these bonds (which reflects their amortized cost) is close to the fair value.

# 3. Analysis of business performance

ČSOB

## ČSOB group's market shares:
# Number 1 position in housing loans and mutual funds

| Insurance | market share | rank |
|---|---|---|
| Life[2,6] | ↘ 7.4% | 5 |
| Non-life[2] | ↗ 5.7% | 6 |
| Total[2,6] | ↘ 6.3% | 5 |

**1st**

| | |
|---|---|
| Building savings loans[1] | ↘ 43.8% |
| Building savings deposits[1] | ↗ 36.6% |
| Mortgages[1] | ↗ 28.9% |
| Housing loans[1,4] | ↗ 34.7% |
| Mutual funds[1] | ↘ 31.5% |

**2nd**

| | |
|---|---|
| Deposits[1] | ↘ 21.0% |
| Total loans and leases[1] | ↗ 18.2% |
| Factoring[2] | ↘ 21.7% |
| Leasing[2] | ↗ 11.9% |

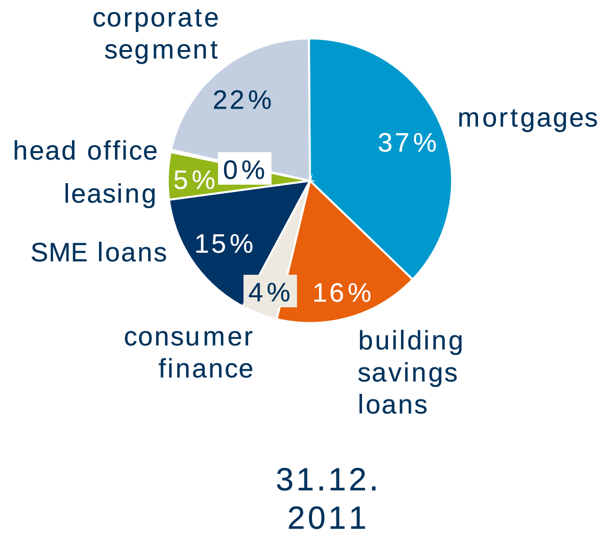
**3rd**

| | |
|---|---|
| Pension funds[3] | ↘ 16.0% |
| Corporate/SME loans[1] | ↗ 13.4% |
| Other retail loans[1,5] | ↗ 14.7% |

*Arrows show Y/Y change. Market shares as of 30 September 2011 (i.e. latest available). Insurance as of 31 December 2011.*
*[1] Outstanding at the given date; [2] New business in the year to the given date, insurance: gross written premium to the given date; [3] Number of clients at the given date; [4] Comprise mortgages and building savings loans; [5] Retail loans excluding mortgages and building savings loans; [6] The decrease of market shares due to methodology change of ČAP: Only 10% of single life written premium is now included. Without this effect, the insurance market share would have increased.*
*Sources and detailed definitions are provided in Appendix.*

## Loan portfolio:
# Mortgages and corporate lending drive the growth

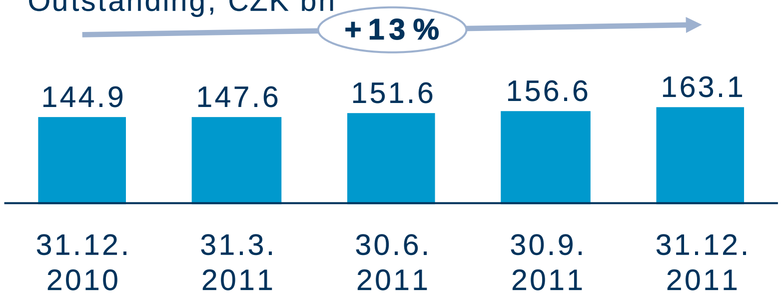
| Gross outstanding volumes, CZK bn | 31.12.2010 | 31.12.2011 | Y/Y |
|---|---|---|---|
| **Loan portfolio** | **401.9** | **441.1** | **+10%** |
| **Retail / SME Segment** | | | |
| Mortgages[1] | 144.9 | 163.1 | +13% |
| Building savings loans[2] | 71.9 | 71.7 | 0% |
| Consumer finance | 18.2 | 17.5 | -4%[3] |
| SME loans | 62.9 | 66.0 | +5% |
| Leasing | 23.3 | 22.8 | -2% |
| **Corporate Segment** | | | |
| Corporate loans[4] | 76.5 | 95.3 | +25% |
| Factoring | 3.6 | 4.1 | +16% |
| **Head Office**[5] | 0.5 | 0.6 | +5% |



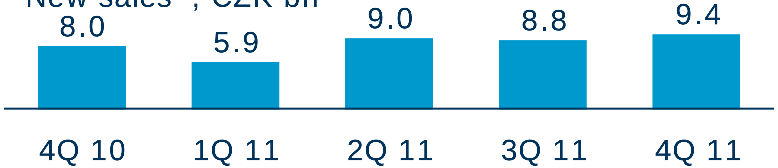

*Notes:*
*[1] ČSOB group mortgages are in the balance sheet of ČSOB's subsidiary Hypoteční banka.*
*[2] ČSOB group building savings loans are in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB. Volumes are reported in the 55% proportion, i.e. the way they enter ČSOB's consolidated balance sheet.*
*[3] The decrease in consumer finance is due to a transfer of loans from consumer finance to SME loans.*
*[4] Including credit-replacing bonds.*
*[5] Historic files.*

## Housing loans:
# Mortgages are the source of the growth

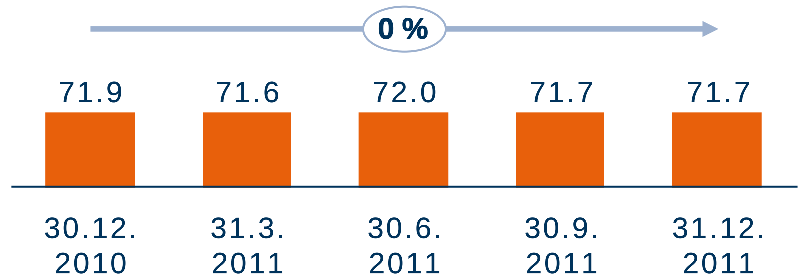
### Mortgages
Outstanding, CZK bn



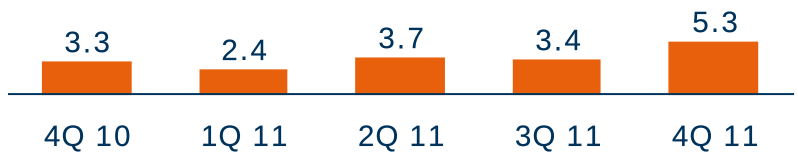

New sales*, CZK bn




### Building savings loans
Outstanding (ČMSS 55%), CZK bn




New sales (ČMSS 55%)*, CZK bn



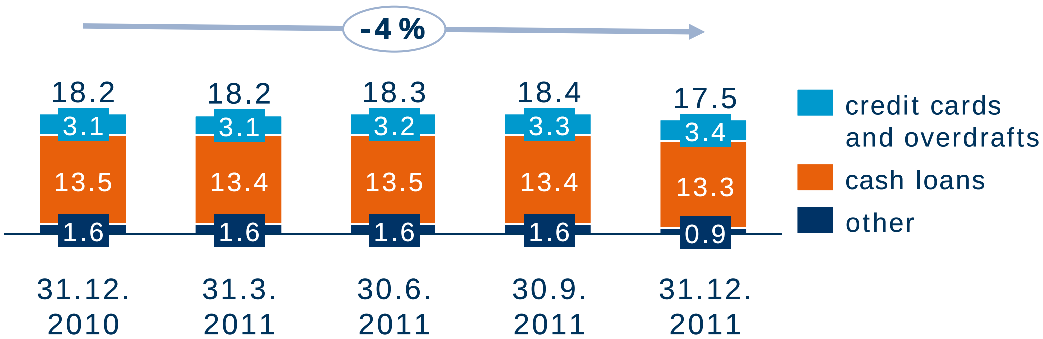

The mortgage portfolio (fully booked in HB, a 100%-owned subsidiary) represents 37% of total loan portfolio. On a healthy and stable mortgage market, ČSOB group's volumes have been steadily growing at about half a pace compared to the ČSOB growth in mortgage boom before 2008. New sales were driven by the expectation of VAT increase since January 2012. The attractiveness of the mortgages were supported by favorable development of interest rates and stable real estate prices.

The portfolio of building savings loans (fully booked in ČMSS, a 55%-owned subsidiary) is flat Y/Y. The whole Czech market of building savings loans is affected by clients' uncertainty due to ongoing changes of the state subsidy scheme. Despite decreasing market, ČMSS's new sales in the whole 2011 are on the level of the year before.

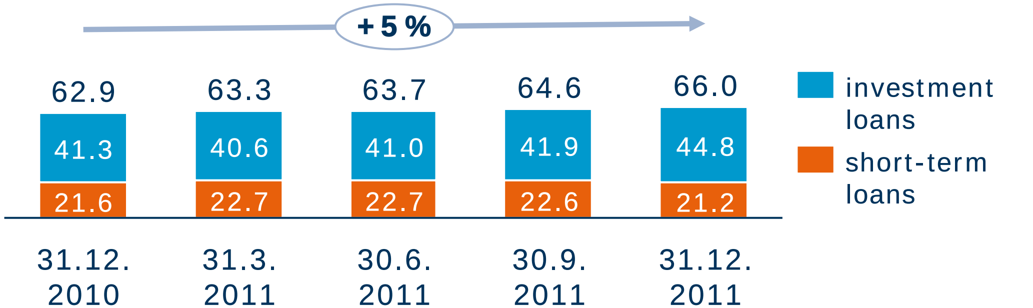
** Building savings loans: granted loan limits, Mortgages: signed contracts, in line with MMR statistics*

# Consumer finance, SME loans, leasing:
# ČSOB outperformed market in consumer finance and leasing

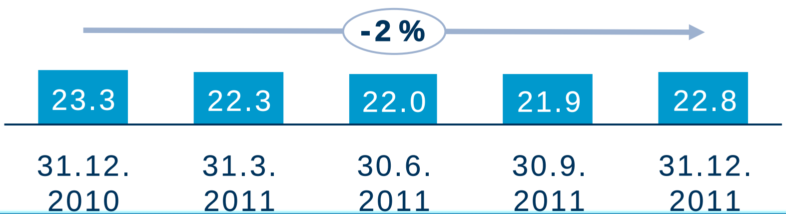
**Consumer finance,** outstanding*, CZK bn




**SME loans,** outstanding, CZK bn




**Leasing,** outstanding**, CZK bn




ČSOB strengthened its market share in consumer finance despite 4% decrease Y/Y and falling overall market. Credit cards and overdrafts kept growing to show a 8% Y/Y increase, while cash loans reported a slight decrease of 2% Y/Y.

In the beginning of 2011, SME loans (which include municipalities and housing cooperatives) returned to growth and kept steadily increasing each quarter to end up 5% above the December 2010 level.

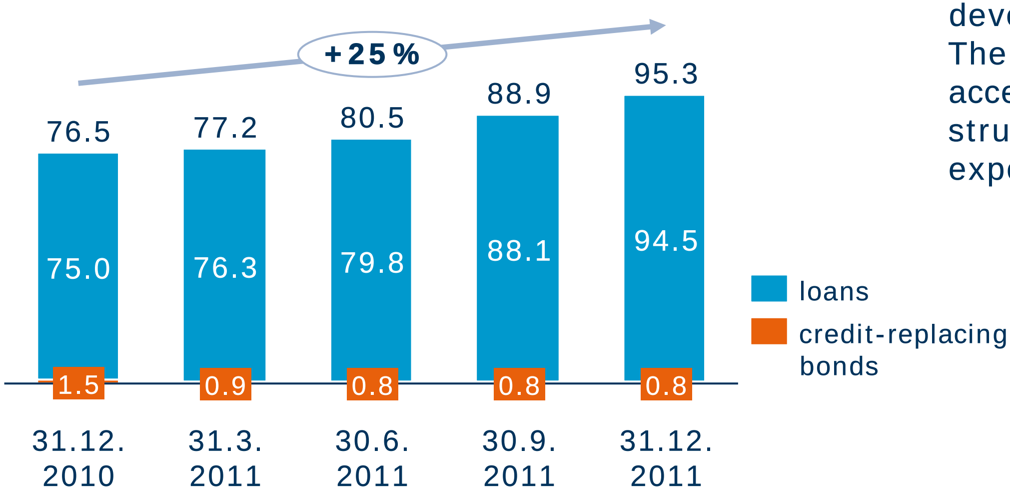
Outstanding volumes begun to grow again in 2011, supported by a 23% increase in new sales. Nonetheless, total volumes in the Czech leasing market still fall short of pre-crisis levels. ČSOB Leasing's market share improved over 2011.

In the 2011 *Zlatá koruna* contest, ČSOB Leasing won in both the retail and SME leasing categories.

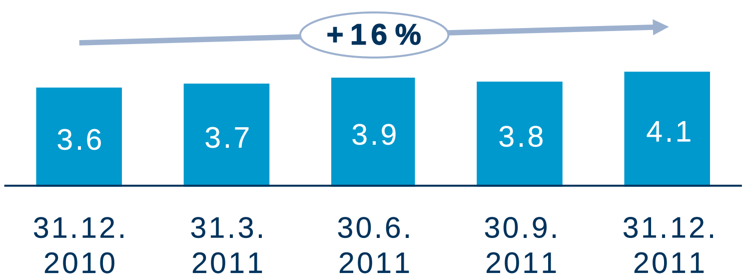
**The decrease in the item other is due to a transfer of loans from consumer finance to SME loans.*
*** Total exposure of ČSOB Leasing, excluding operational leasing.*

# Corporate segment:
# Acceleration of the growth in 2H

**Corporate loans**
Outstanding, CZK bn




**Factoring**
Outstanding, CZK bn




The corporate loans have been permanently increasing since February 2011. Thanks to this development, ČSOB's market share was regained. The increase of assets was hand in hand with acceptable credit costs and healthy portfolio structure. At the same time, the off-balance sheet exposure increased by more than 18% Y/Y.

ACQ GLOBAL AWARDS 2011

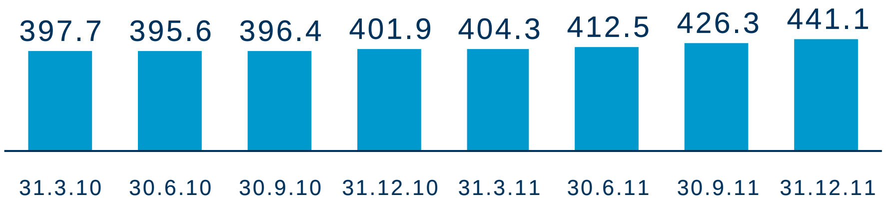
BEST TRADE FINANCE BANK AWARD • 2011
GLOBAL FINANCE

BEST FOREIGN EXCHANGE PROVIDER AWARD • 2011
GLOBAL FINANCE

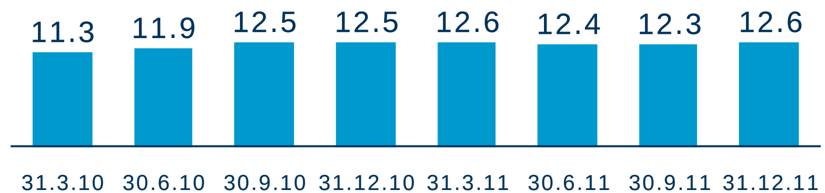
*Note: The corporate segment comprises mid-cap corporate customers with an annual turnover above CZK 300 m, local subsidiaries of international groups and selected institutional clients.*

# Credit risk under control

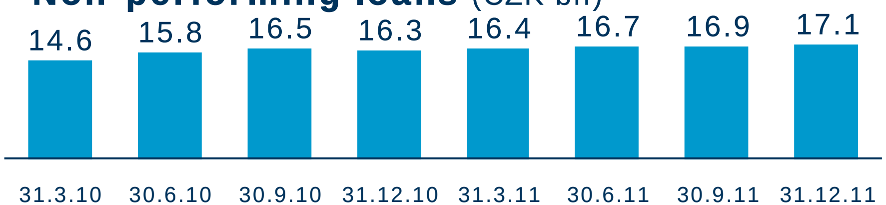
## Loan portfolio[1] (CZK bn)



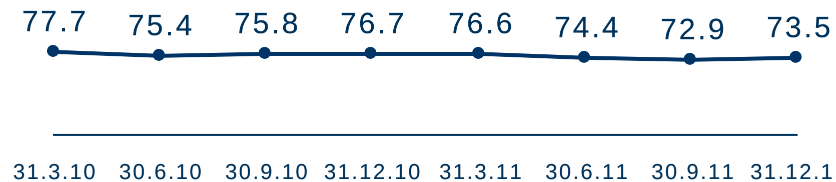

## Allowances for loans and leases[3] (CZK bn)



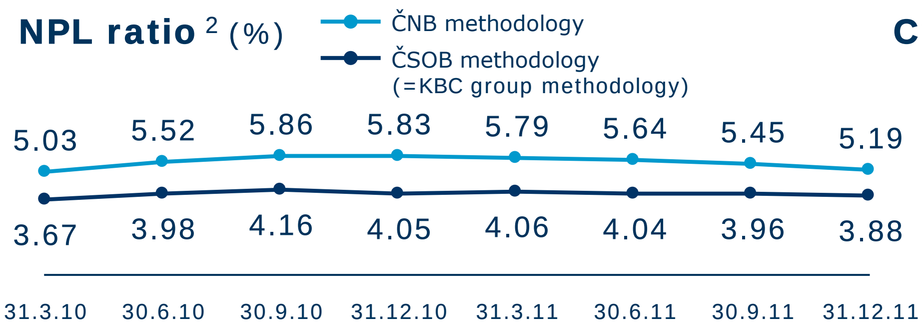

## Non-performing loans (CZK bn)



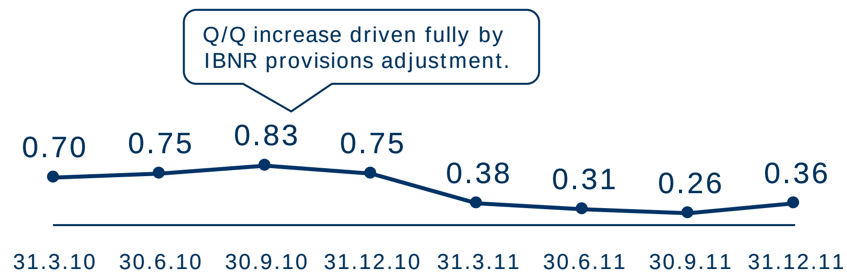

## NPL coverage ratio (%)




## NPL ratio[2] (%)



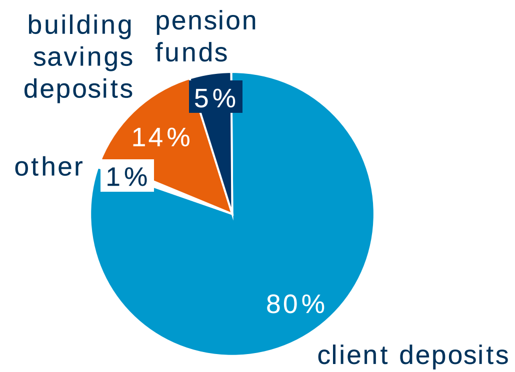

## Credit cost ratio[4] (%)




[1] *For definition, see Appendix.*
[2] *ČSOB methodology in line with KBC group methodology.*
[3] *Allowances for on-balance sheet items.*
[4] *Ytd. annualized, including off-balance sheet items.*

## AUM and deposits:
# "AUM and deposits" continue to increase

| Outstanding volumes, CZK bn | 31.12.2010 | 31.12.2011 | Y/Y |
|---|---|---|---|
| **Group deposits** | **596.1** | **611.6** | **+3%** |
| Client deposits | 477.0 | 490.2 | +3% |
| Building savings deposits[1] | 86.1 | 86.0 | 0% |
| Pension funds[2] | 27.2 | 28.7 | +6% |
| Other[3] | 5.7 | 6.7 | +17% |
| **Mutual funds[4]** | **62.7** | **53.4** | **-15%** |
| **Other asset management[5]** | **53.8** | **56.6** | **+5%** |
| **AUM and deposits** | **712.6** | **721.6** | **+1%** |

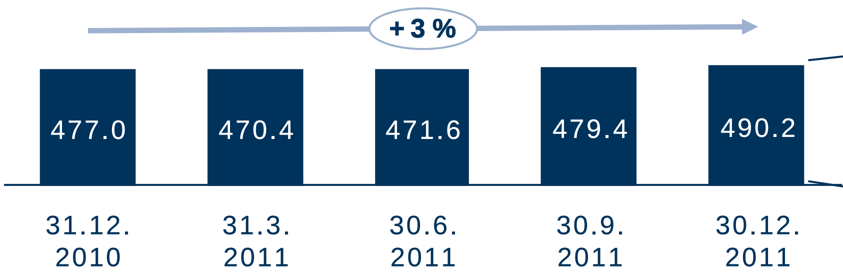



31.12.2011

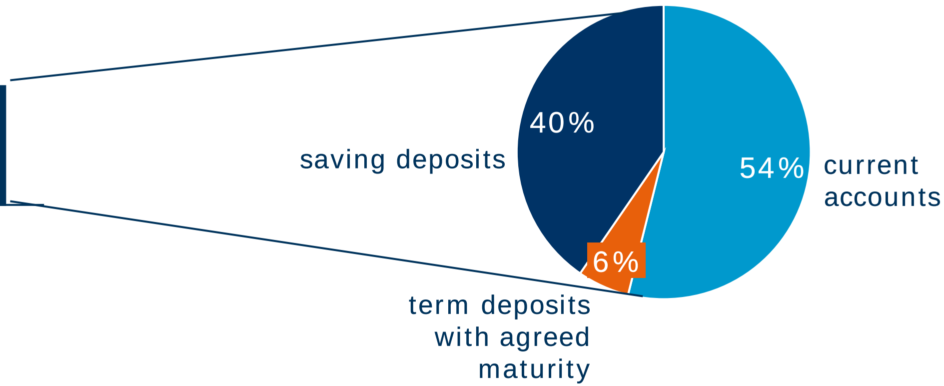
[1] *ČSOB group building savings deposits are in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB. Volumes are reported in the 55% proportion, i.e. the way they enter ČSOB's consolidated balance sheet.*
[2] *Liabilities to pension fund policy holders.*
[3] *Repo operations with non-banking financial institutions and other.*
[4] *Only direct positions are included.*
[5] *Including both individual and institutional discretionary management*

# Group deposits:
# Saving deposits experienced double digit growth

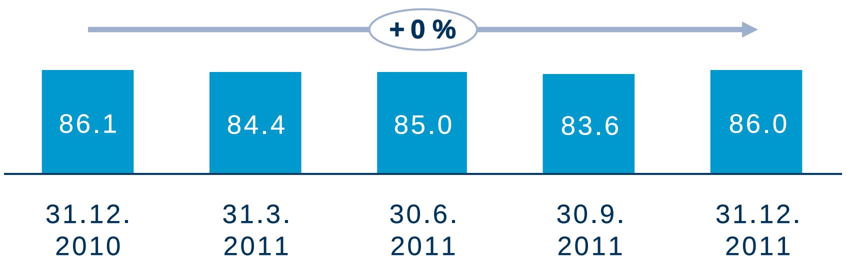
**Client deposits** in ČSOB bank (CZK bn)



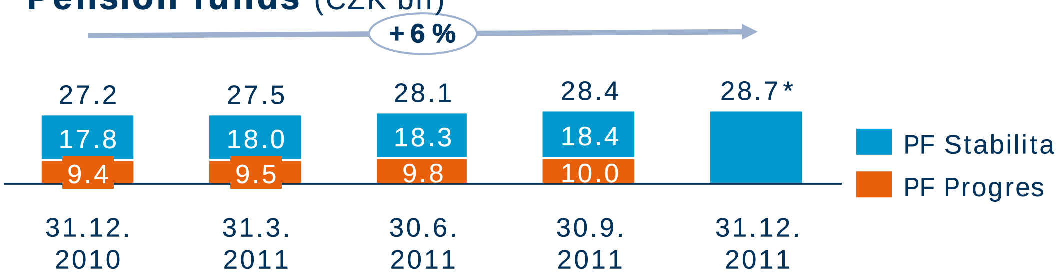

**Client deposits breakdown** (CZK 490.2 bn)




**Building savings deposits** (CZK bn)




**Pension funds** (CZK bn)




Within client deposits, saving deposits recorded a 10% Y/Y growth. Part of the increase was at the expense of term deposits (-25% Y/Y) and mutual funds (-15% Y/Y, see next slide). Current accounts increased by 2% Y/Y.

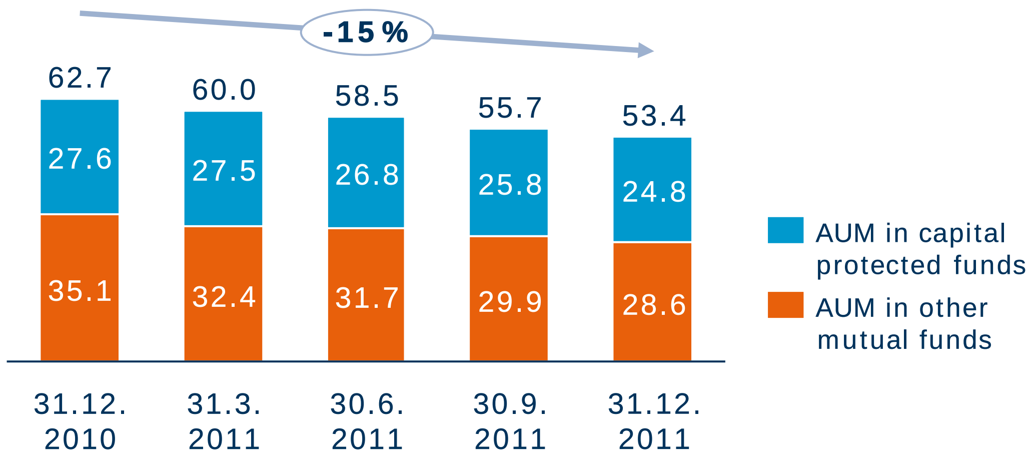
The stagnation of the volumes of building savings deposits follows market trend, which reflects the uncertainty of clients about the state support to this form of savings going forward.

AUM in pension fund kept increasing.

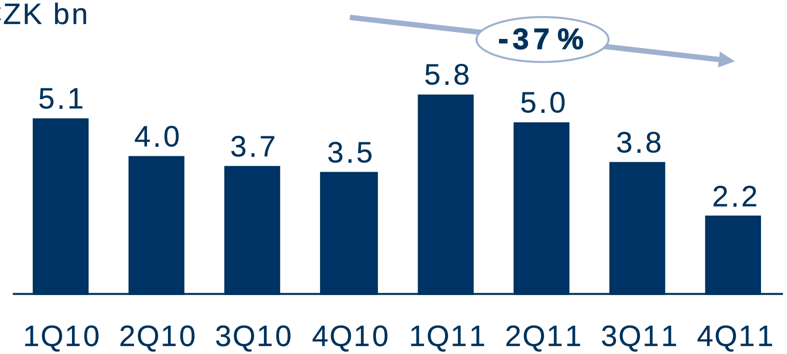
***ČSOB pension funds merged. See Appendix for detail.**

## Mutual funds:
# Strong market share despite decreasing market

**Assets under management**
outstanding volumes, CZK bn




**New sales**
CZK bn




ČSOB is keeping its No 1. position on the market, which experienced a decline in the last quarters.

AUM in ČSOB's mutual funds decreased by 4% Q/Q and 15% Y/Y. The new sales were lower than outflows as part of clients preferred investing their money into deposit products rather than reinvesting them into the funds. The situation on the market of course negatively contributed to the worse development of volumes as well.

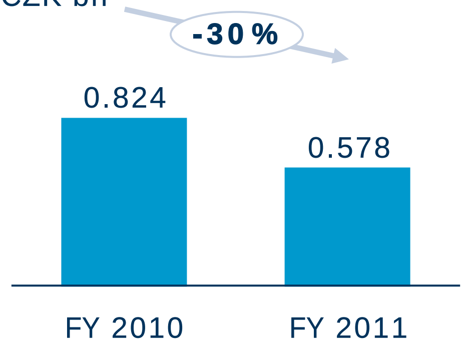
New sales slowed down during 4Q as increased volatility on financial markets made client more cautious.

New sales: bond funds increased Y/Y, while all types of other mutual funds (capital protected, money market, equity, and mixed funds) declined Y/Y.

*Note: Only direct positions are included (the funds bought directly by clients; i.e. funds bought by asset manager into discretionary mandates and underlying funds linked to life insurance products are excluded).*

# Insurance
# Success of *Maximal Invest*

### Net profit of ČSOB Pojišťovna*
CZK bn

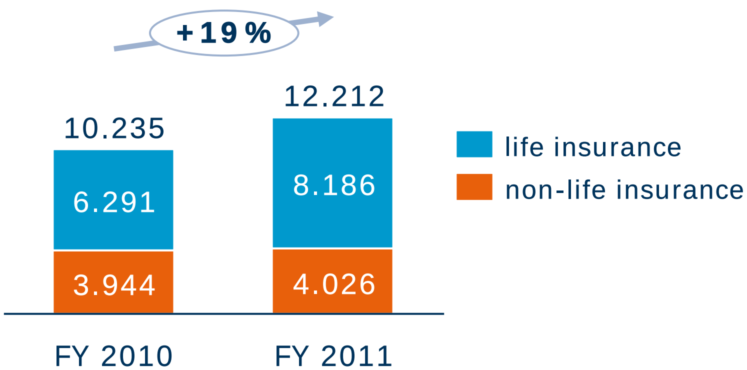



ČSOB Pojišťovna's contribution to the group underlying P/L* in 2011 was CZK 145 m, compared to CZK 206 m a year ago. The Y/Y comparison in net profit is lower mainly due to a negative effect of the change in policy for deferred acquisition cost of life insurance.

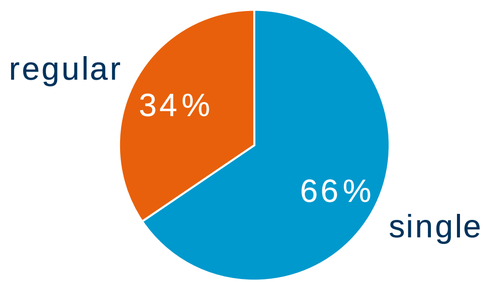
Life insurance increased thanks to successful bancassurance product Maximal Invest.

In the non-life area, property insurance especially of households was the main positive driver thanks to products launched during 2010. Improvement in the retail customer car insurance, thanks to new product launched in mid-2011, was not enough to compensate for declining leasing car insurance.

### Gross written premium
CZK bn




### Life insurance
as of 31 December 2011




**CZK 8.186 bn**

** Underlying 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.*

# ČSOB group’s distribution platform:
# Growing client base

| | 31.12.2010 | 31.12.2011 |
|---|---|---|
| Customers of the group* | > 4 m | > 4 m |
| of which ČSOB + PSB (ths) | 3 074 | 3 096 |
| **Retail / SME branches and advisory centers** | **557** | **569** |
| ČSOB Retail/SME branches | 237 | 241 |
| PSB branches (“Financial Centers”) | 53 | 62 |
| ČMSS advisory centers | 151 | 151 |
| Hypoteční banka centers | 27 | 27 |
| ČSOB Pojišťovna branches | 89 | 88 |
| **Leasing branches** | **12** | **13** |
| **Corporate branches** | **11** | **11** |
| **PSB outlets of the Czech Post network** | **ca. 3 300** | **ca. 3 200** |
| ATMs (ČSOB+PSB) | 782 | 831 |

ČSOB bank managed to **increase its client base** by ca 1%, despite new banks entering the market.

Multi-channel distribution platform includes also wide **agent network** amounting ca. 8,000 ČMSS tied agents, intermediaries and individual brokers for the Hypoteční banka, ČSOB Leasing dealers, ČSOB Pojišťovna tied agents and multi-agents and individual brokers.

** The total number of unique clients is >4 million. Some overlap of client groups exists among different brands, esp. between ČMSS and the two full service brands (ČSOB and PSB). The overlap between ČSOB and PSB is very limited.*

Awards for ČSOB group:

# Accolades received in 2011

## ČSOB Group

| Awarded the Bank of the Year 2011 in Czech Republic by The Banker magazine | Awarded the best bank in the Czech Republic by the Global Finance magazine | Awarded Best Bank Czech Republic in 2010 by the EMEA Finance magazine | Awarded the best bank in the Czech Republic by the Euromoney magazine |
|---|---|---|---|

## Selected business areas

| Postal Savings Bank | ČSOB Leasing | ČSOB, Postal Savings Bank | Trade Finance | Custody | Foreign Exchange | Acquisition Finance |
|---|---|---|---|---|---|---|
| Awarded the most client friendly bank in the Czech Republic *(contest organized by the Hospodarske noviny daily)* | Awarded best in retail and SME leasing categories *(the Zlata koruna contest)* | Bank of the Year: named the Bank without barriers; other 6 accolades won. | Awarded best in the Czech Republic | Awarded best Sub-custodian in the Czech Republic | Awarded best in the Czech Republic | Awarded best bank in Eastern Europe |

# Appendix

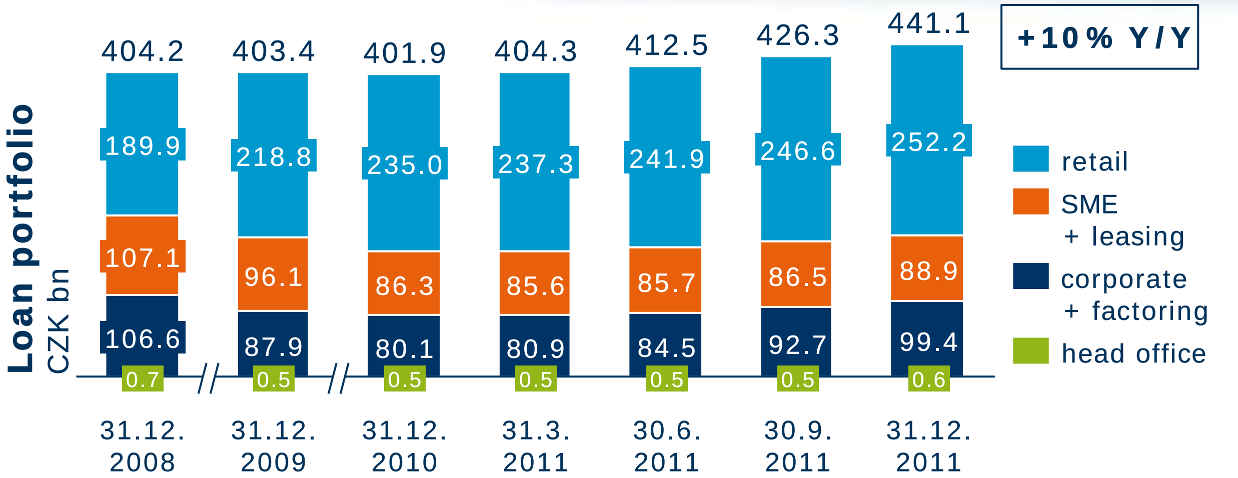
## Financial ratios:
# Consistent business profitability and resilience

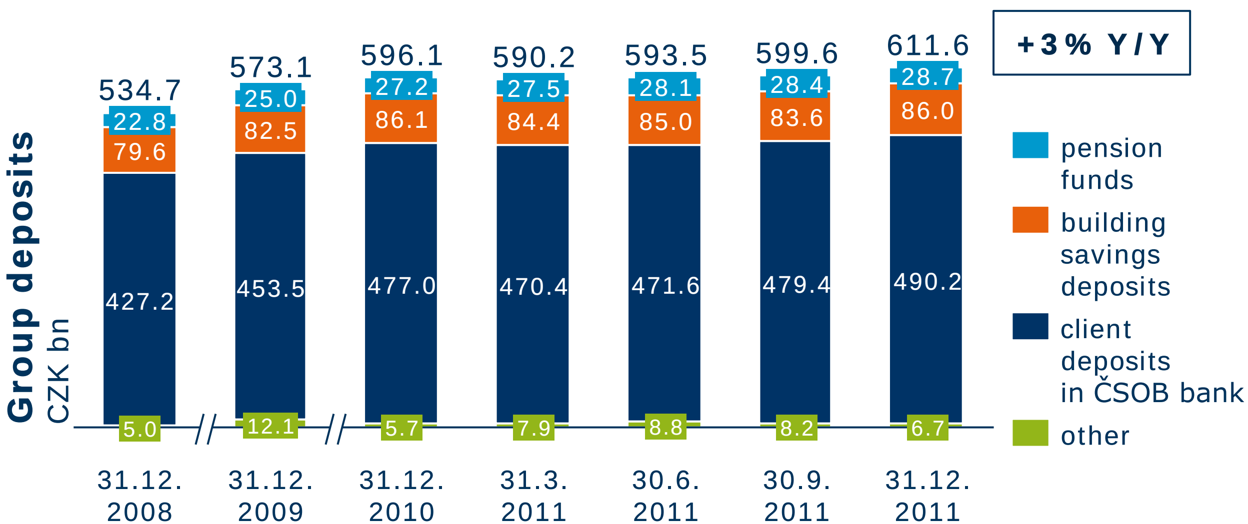
| Profitability | FY 2010 | FY 2011 | Y/Y |
|---|---|---|---|
| Net interest margin | 3.36% | 3.35% | -1 bps |
| Cost/income (underlying) | 44.7% | 45.6% | +0.9 pp |
| Cost/income (reported) | 44.0% | 45.4% | +1.4 pp |
| RoE (underlying) | 19.6% | 18.0% | –1.6 pp |
| RoE (reported) | 20.3% | 17.9% | –2.4 pp |
| RoA (underlying) | 1.50% | 1.24% | –0.26 pp |
| RoA (reported) | 1.55% | 1.23% | –0.32 pp |

| Risk management | 31.12.2010 | 31.12.2011 | Y/Y |
|---|---|---|---|
| **Asset quality** | | | |
| Credit cost ratio | 0.75% | 0.36% | –39 bps |
| NPL ratio | 4.05% | 3.88% | –0.17 pp |
| NPL coverage ratio | 76.7% | 73.5% | –3.2 pp |
| **Capital adequacy** | | | |
| Core tier 1 ratio = Tier 1 ratio (Basel II definition) | 14.19% | 11.65% | -2.54 pp |
| Total capital ratio (Basel II definition) | 18.03% | 15.59% | -2.44 pp |
| Solvency ratio – insurance (Solvency I definition) | 236.5% | 244.4% | +7.9 pp |
| Leverage ratio (Basel III definition) | 4.50% | 3.96% | -0.54pp |
| **Liquidity** | | | |
| Net stable funding ratio (Basel III definition) | 137.7% | 135.1% | -2.6 pp |
| Loan to deposit ratio | 68.5% | 72.7% | +4.2 pp |

*Note: For definitions of the ratios see Appendix.*

# Lending and deposits development:
# Loans are growing faster than deposits




In 4Q 2011, loan portfolio reached CZK 441.1 bn, which is nearly CZK 15 bn above previous quarter's level. This Y/Y growth is the highest since end-2008.

The fourth quarter was the sixth showing a consequent growth in loan portfolio. The Q/Q increase of 3% was driven especially by corporate loans and mortgages.

Group deposits showed in each quarter Y/Y increase. The major increase experienced client deposits.

# Credit risk under control

**Credit costs**

- Credit cost ratio (Ytd. annualized) further contracted to 36 bps in comparison with 75 bps a year ago as the impairments on loans and receivables for the whole year are at 1.779 bn (-49% Y/Y). The most significant improvement of credit costs was recorded in SME and corporate loans. Y/Y improvement in credit costs is also seen in all areas of retail lending – mortgages, building savings loans and consumer finance.
- Quarterly credit costs increased Y/Y to CZK 0.8 bn. The higher impairments were combination of the facts that there was revaluation of the mortgage portfolio, and in contrast to previous quarters, there were no releases of allowances in SME.
- Q/Q credits costs increased in all segments. The most remarkable Y/Y drop of credit costs was recorded by corporate and SME loans, as a combined effect of the following two facts. As the situation of Czech companies continued improving, the volume of impaired loans decreased.

**Non performing loans**

- The NPL ratio decreased by 17 bps Y/Y to 3.88%. The NPL ratio was positively influenced by the growth of loans. On the other hand, non-performing loans were dropping in some sectors, however overall NPL showed a growth.
- While NPLs in the retail loans were still slightly increasing; corporate, SME and leasing showed an improvement, being in a more advanced phase of recovery.

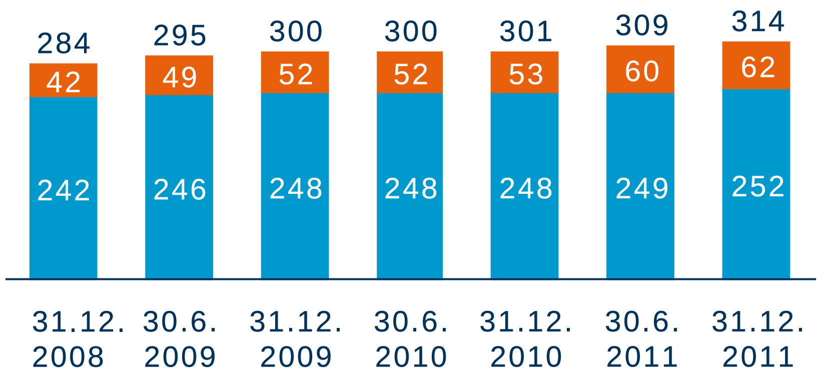
**Coverage of non performing loans**

- The provision coverage of NPLs stands at high 73.5%.
- Housing loans (mortgages and building savings loans), representing more than a half of the group’s loan portfolio, require less provisioning given the fact they are largely secured by collateral. The NPLs from the remaining part of the portfolio are fully covered by allowances, i.e. showing the coverage ratio above 100%.

# Other information

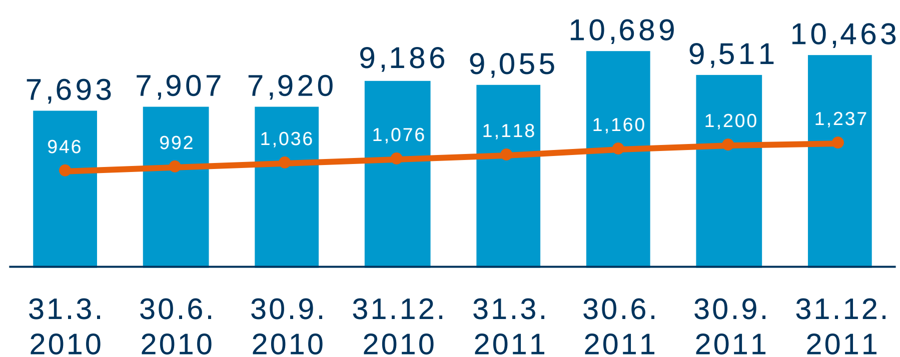
## Branches

PSB financial centres
ČSOB branches (Ret/SME + CORP)

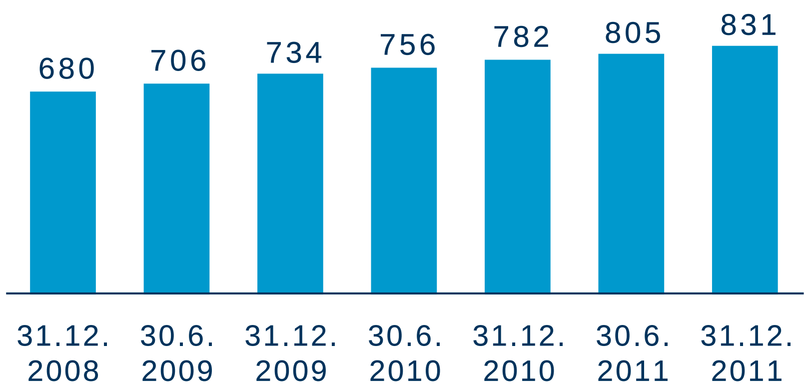



## Internet banking

Number of users (thousand)
Number of transactions during the quarter (thousand)

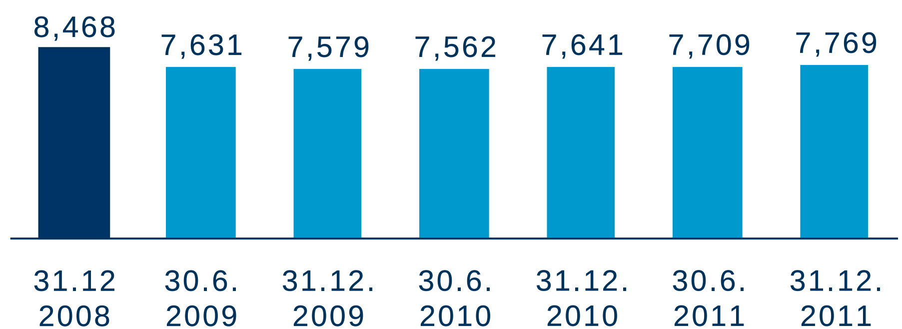



## ATMs




## Group employees

Including employees of ICT services – these were in 1H 2009 transferred to KBC Global Services Czech Branch



# 4Q 2011 Events

**Merger of ČSOB's pension funds**

- On 30 November 2011, ČSOB PF Progres merged with ČSOB PF Stabilita.
- Merger of the two pension funds within the ČSOB group is a logical step vis-à-vis the transformation pension funds into pension companies which will offer different investment strategies from beginning 2013.

**Merger of ČSOB IS and ČSOB AM**

- On 31 December 2011, ČSOB Investiční společnost merged with ČSOB Asset Management.
- In relation to the merger, the amount of the share capital of the succession company ČSOB Asset Management, a.s., investiční společnost was increased from CZK 216 m to CZK 499 m and the number of shares issued changed from 216 to 499 (each with a nominal value of CZK 1 m).

# Credit rating and shareholder structure

## ČSOB's credit ratings

As at 9 February 2012

| Rating agency | Moody's | | Fitch | |
|---|---|---|---|---|
| | **Long-term rating:** | **A1** | **Long-term rating:** | **BBB+** |
| | Outlook: | negative | Outlook: | stable |
| | Short-term rating: | Prime-1 | Short-term rating: | F2 |
| | Financial strength: | C | Viability rating: | bbb+ |
| | | | Support: | 2 |
| LT rating valid since | | 13 December 2002 | | 3 February 2012 |
| Last confirmation | | 7 October 2011 | | 3 February 2012 |

## Shareholder structure

As at 31 December 2011, ČSOB's share capital was CZK 5.855 bn and comprised of 292,750,000 ordinary bearer shares with a nominal value of CZK 20 each.

ČSOB is directly controlled by KBC Bank NV, whose ownership interest in ČSOB is 100%.

Corporate social responsibility related events in 2011:

# ČSOB continues to invest into relations with the community and society

Almost 700 employees participated in volunteering program **Helping together**. They helped in NGOs, cleaned Czech mountains and took part in charitable sporting events.


We support ***Linka bezpečí***, a helpline which helps young people in need and offers a consultations of their particular problems and  solution of their life situations.

We cooperate with **Ergotep**, a sheltered workshop from Proseč, which provides manufacturing and distribution of marketing materials, performs selected back-office operations and administrates web projects.


With the Association of Citizen Advisory Offices and the Advisory in Financial Straits, we support provision of free advice to people in debt trap or those who wish to avoid it. In 2011, we funded additional 11 projects to promote **financial literacy** in the Czech Republic.

# Management structure

- Chairman of the Board of Directors, Chief Executive Officer
- Members of the Board of Directors, Senior Executive Officers
- B-1 units managing respective branch networks
- Other B-1 units

**Chief Executive Officer (CEO)**
**Pavel Kavánek**

- Internal Audit
- Compliance
- Legal
- Corporate Office
- ICT Relationship Management

**Distribution**
**Petr Hutla**

- Retail Branch Network Management
- SME Branch Network Management
- Private Banking
- Retail / SME Segment Business Development
- Retail / SME Marketing and Segments
- Business Support

**Corporate Banking**
**Petr Knapp**

- Corporate and Institutional Banking
- Financial Markets
- Facilities Management

**Mass Market**
**Jan Lamser**

- Mass Market Sales and Distribution
- Direct Financial Services
- Mass Market Segment Management
- Mass Market Strategic Management
- Mass Market Business Support
- Operations

**CFO**
**Bartel Puelinckx**

- Finance
- Central Procurement
- Credits
- Assets and Liabilities Management

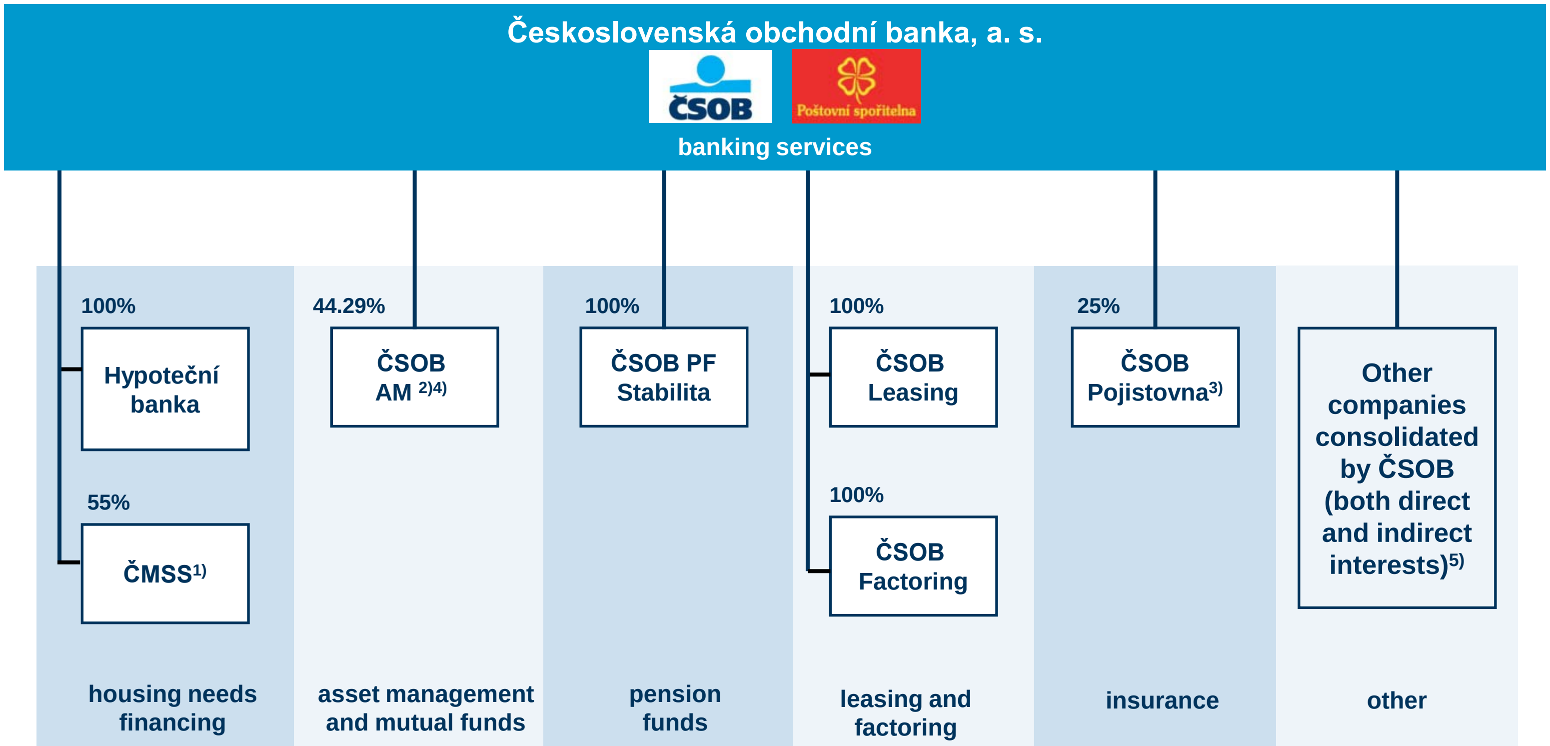
**CRO**
**Koen Wilmots**

- Integrated Risk Management
- Risk Shared Services
- Risk Specific Management

**CSO**
**Jiří Vévoda**

- Human Resources Management
- Communication
- Strategy and development
- Consumer Finance
- Payment Products and Services

# ČSOB group in the Czech Republic




*Percentages show ownership interests on company's equity as of 1 January 2012*

*[1] 45% of shares owned by Bausparkasse Schwäbisch Hall; a proportional consolidated subsidiary of ČSOB.*

*[2] 55.71% of shares owned by KBC Participations Renta; ČSOB AM is a fully consolidated subsidiary of ČSOB.*

*[3] 75% of shares owned by KBC Insurance; subsidiary consolidated in ČSOB by an equity method.*

*[4] On 31 December 2011 ČSOB IS and ČSOB AM merged (the latter company was dissolved). The business name of ČSOB IS was changed to ČSOB Asset Management, a.s., investiční společnost.*

*[5] A complete list of companies consolidated by ČSOB is stated in ČSOB Annual Report.*

# Profit and loss statement – reported

| (CZK m) | FY 2010 | FY 2011 | Y/Y |
|---|---|---|---|
| *Interest income* | *33 384* | *33 318* | *0%* |
| *Interest expense* | *-9 109* | *-8 510* | *-7%* |
| Net interest income | 24 275 | 24 808 | +2% |
| Net fee and commission income | 5 440 | 5 368 | -1% |
| Net gains from financial instruments at FVPL* | 1 823 | 1 459 | -20% |
| Other operating income* | 1 476 | 1 123 | -24% |
| **Operating income** | **33 014** | **32 759** | **-1%** |
| Staff expenses | -6 414 | -6 779 | +6% |
| General administrative expenses | -7 053 | -7 182 | +2% |
| Depreciation and amortisation | -1 049 | -911 | -13% |
| **Operating expenses** | **-14 516** | **-14 872** | **+2%** |
| Impairment losses | -3 386 | -5 062 | +49% |
| *Impairment on loans and receivables* | *-3 489* | *-1 779* | *-49%* |
| *Impairment on available-for-sale securities* | *-5* | *-3 062* | *N/A* |
| *Impairment on other assets* | *108* | *-221* | *N/A* |
| Share of profit of associates* | 226 | 145 | -36% |
| **Profit before tax** | **15 338** | **12 970** | **-15%** |
| Income tax expense* | -1 776 | -1 764 | -1% |
| **Profit for the period** | **13 562** | **11 206** | **-17%** |
| Attributable to: | | | |
| **Equity holders of the parent** | **13 471** | **11 172** | **-17%** |
| Minority interest | 91 | 34 | -63% |

*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) | FY 2010 | FY 2011 | Y/Y |
|---|---|---|---|
| *Interest income* | *33 384* | *33 318* | *0%* |
| *Interest expense* | *-9 109* | *-8 510* | *-7%* |
| Net interest income | 24 275 | 24 808 | +2% |
| Net fee and commission income | 5 440 | 5 368 | -1% |
| Net gains from financial instruments at FVPL* | 1 631 | 1 335 | -18% |
| Other operating income* | 1 131 | 1 123 | -1% |
| **Operating income** | **32 477** | **32 634** | **0%** |
| Staff expenses | -6 414 | -6 779 | +6% |
| General administrative expenses | -7 053 | -7 182 | +2% |
| Depreciation and amortisation | -1 049 | -911 | -13% |
| **Operating expenses** | **-14 516** | **-14 872** | **+2%** |
| Impairment losses | -3 386 | -4 911 | +45% |
| *Impairment on loans and receivables* | *-3 489* | *-1 779* | *-49%* |
| *Impairment on available-for-sale securities* | *-5* | *-2 911* | *N/A* |
| *Impairment on other assets* | *108* | *-70* | *N/A* |
| Share of profit of associates* | 206 | 145 | -30% |
| **Profit before tax** | **14 781** | **12 996** | **-12%** |
| Income tax expense* | -1 671 | -1 741 | +4% |
| **Profit for the period** | **13 110** | **11 255** | **-14%** |
| Attributable to: | | | |
| **Equity holders of the parent** | **13 019** | **11 222** | **-14%** |
| Minority interest | 91 | 34 | -63% |

*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 2010 | 31/12 2011 | Y/Y |
|---|---|---|---|
| Cash and balances with central banks | 21 164 | 46 691 | +121% |
| Financial assets held for trading | 173 810 | 176 703 | +2% |
| Financial assets designated at fair value through P/L | 11 132 | 11 021 | -1% |
| Available-for-sale financial assets | 102 521 | 87 404 | -15% |
| Loans and receivables - net | 399 741 | 449 291 | +12% |
| *Loans and receivables to credit institutions - gross* | *14 137* | *23 659* | *+67%* |
| *Loans and receivables to which other than credit institutions - gross* | *397 445* | *437 407* | *+10%* |
| *Allowance for impairment losses* | *-12 466* | *-12 565* | *+1%* |
| *Accrued interest income* | *625* | *790* | *+26%* |
| Held-to-maturity investments | 150 240 | 139 423 | -7% |
| Fair value adjustments of the hedged items in portfolio hedge | 0 | 77 | N/A |
| Derivatives used for hedging | 9 437 | 10 328 | +9% |
| Current tax assets | 39 | 70 | +79% |
| Deferred tax assets | 488 | 481 | -1% |
| Investments in associate | 1 163 | 1 150 | -1% |
| Investment property | 713 | 509 | -29% |
| Property and equipment | 8 057 | 8 114 | +1% |
| Goodwill and other intangible assets | 3 625 | 3 314 | -9% |
| Non-current assets held-for-sale | 140 | 98 | -30% |
| Other assets | 2 785 | 1 919 | -31% |
| **Total assets** | **885 055** | **936 593** | **+6%** |

# Balance sheet - liabilities and equity

| (CZK m) | 31/12 2010 | 31/12 2011 | Y/Y |
|---|---|---|---|
| Financial liabilities held for trading | 138 870 | 165 914 | +19% |
| Financial liabilities at amortised cost | 663 418 | 688 556 | +4% |
| *of which Deposits received from credit institutions* | *30 442* | *41 065* | *+35%* |
| *of which Deposits received from other than credit institut.* | *596 078* | *611 568* | *+3%* |
| *of which Debt securities in issue* | *24 105* | *23 213* | *-4%* |
| *of which Subordinated liabilities* | *11 974* | *11 978* | *0%* |
| *of which Accrued interest expenses* | *819* | *732* | *-11%* |
| Fair value adjustments of the hedged items in portfolio hedge | *0* | *103* | *N/A* |
| Derivatives used for hedging | 5 567 | 7 350 | +32% |
| Current tax liabilities | 1 203 | 532 | -56% |
| Deferred tax liabilities | 830 | 1 081 | +30% |
| Provisions | 651 | 1 058 | +63% |
| Other liabilities | 8 676 | 10 816 | +25% |
| **Total liabilities** | **819 215** | **875 410** | **+7%** |
| Share capital | 5 855 | 5 855 | 0% |
| Share premium account | 7 509 | 7 509 | 0% |
| Statutory reserve | 18 687 | 18 687 | 0% |
| Retained earnings | 30 560 | 24 061 | -21% |
| Available-for-sale reserve | 2 422 | 2 612 | +8% |
| Cash flow hedge reserve | -2 | 1 578 | +/- |
| Foreign currency translation reserve | 0 | 1 | N/A |
| **Parent shareholders' equity** | **65 031** | **60 303** | **-7%** |
| Minority interest | 809 | 880 | +9% |
| **Total equity** | **65 840** | **61 183** | **-7%** |
| **Total liabilities and equity** | **885 055** | **936 593** | **+6%** |

# Methodological note

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

This presentation shows 2010 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. There are following reclassifications:

- Between interest income and interest expenses, there are changes in accounting of net interest income realized on cash-flow hedging derivatives.
- Interest income and expenses realized on financial derivatives used as economic hedges were reclassified from Net gains from financial instruments recognized at fair value through profit or loss into Net interest income.
- Depreciation of investment property was reclassified from Operating expenses into Other net income.

**Reconciliation of business volumes:**

ČSOB changed the way of showing lending volumes. Instead of term „group lending" shown in last year presentations defined as item „loans and receivables – gross" from the consolidated balance sheet plus credit–replacing bonds, ČSOB newly uses throughout the whole presentation the term „loan portfolio" defined as loans and receivables to other than credit institutions plus loans and receivables to credit institutions minus exposure to banks from inter-bank transactions plus credit replacing bonds (in HTM, AFS and FVPL portfolios).

# Market shares definitions and sources

| Item | Definition | Source |
|---|---|---|
| Deposits | Total bank deposits (Retail and COR/SME) excl. repo operations, comprise current accounts and bills of exchange | ČNB (Time series ARAD), ČSOB |
| Building savings loans | Outstanding volumes of building savings loans, ČMSS 100% | ČNB (ARAD), ČMSS |
| Building savings deposits | Deposits of buildings savings clients, ČMSS 100% | ČNB (ARAD), ČMSS |
| Housing loans | Outstanding volumes; building loans + mortgages | ČNB (ARAD), HB, ČSOB, ČMSS |
| 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) |
| Total Loans and Leases | Outstanding volumes, consumer loans, mortgages, housing loans (55%), COR/SME loans | ČNB (ARAD), Ministry for Regional Development, HB, ČSOB, ČMSS |
| Leasing | Volume of newly granted loans (leasing of movables, commercial loans and hire purchase, excl. 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. home-equity consumer loans and mortgages for non-housing real estate purposes, consumer loans for house purchase, according to ČNB definition | ČNB (ARAD), HB, ČSOB |
| Factoring | Volume of new business | ČLFA |
| Pension funds | Number of clients at the given date | Association of Pension funds, ČSOB PFs |
| CORP/SME loans | Remaining loans that are not reported in any of the retail loans categories (loans to other than households) | ČNB (ARAD), ČSOB |
| Other retail loans | Outstanding volume of cash loans, credits cards, overdrafts, home equity loans, student loans and mortgages for non-housing real estate purposes | ČNB (ARAD), ČSOB |
| Life insurance | Gross written Premium, life insurance | Czech Insurance Association (ČAP), ČSOB Pojišťovna |
| Non-life insurance | Gross written Premium, non-life insurance | ČAP, ČSOB Pojišťovna |
| Total insurance | Gross written Premium, life insurance + non-life insurance | ČAP, ČSOB Pojišťovna |

# Glossary - ratios

| | |
|---|---|
| NIM (net interest margin) | Net interest income / average interest earnings assets excluding repo operations; Qtd., annualized |
| C/I (cost/income ratio) | Operating expenses / operating income, Ytd. |
| RoA (return on average assets) | Net profit for the year / five point average of total assets (calculated based on the period end closing balance and the closing balances of the preceding four quarters); Ytd., annualized |
| RoE (return on average equity) | Net profit for the year / five point average of total shareholders' equity (calculated based on the period end closing balance and the closing balances of the preceding four quarters); Ytd., annualized |
| CCR (credit-cost ratio) | Total credit costs / average outstanding credit portfolio (loans, loans replacements and drawn credit commitments - e.g. guarantees) and non-sovereign bonds in credit book.; Ytd., annualized |
| NPL (non-performing loans) ratio | Outstanding amount of non-performing loans (KBC group methodology) / loan portfolio |
| NPL coverage ratio | Allowances for loans and leases / non-performing loans |
| Core tier 1 ratio<br>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 | Loan portfolio / primary deposits |
| Net stable funding ratio (NSFR) | Available amount of stable funding (equity and liability which are expected to be reliable sources of funds over a one-year time horizon under extended stress) to stable funding required by an institution based on types of its assets, off-balance sheet exposures and activities pursued (according to Basel III). |
| Leverage ratio | Tier 1 capital / non-risk value of assets (According to Basel III). |

# Glossary - other definitions

| | |
|---|---|
| Underlying | Excluding extraordinary items. KBC group methodology. |
| Loan portfolio | Loans and receivables to other than credit institutions plus loans and receivables to credit institutions minus exposure to banks from inter-bank transactions plus credit replacing bonds (in HTM, AFS and FVPL portfolios). |
| 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 non-banking financial institutions (part of "other group deposits") plus deposits to credit institutions (excl. repo operations with credit institutions). Consistent with the internal liquidity management reporting system. |

# Contacts

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