



Prague, 6 August 2009

## ČSOB GROUP

# REPORTED 1H 2009 NET PROFIT OF CZK 5.919BN<sup>1</sup>

Highlights of the 1H 2009 results:

- **Net profit – reported:** CZK 5.919bn (+7% Y/Y)
- **Net profit – underlying:** CZK 5.631bn (-13% Y/Y)
- **Total assets:** CZK 899.8bn (-3% Y/Y), i.e. the largest Czech banking group
- **Loans granted by the ČSOB group:** CZK 407.7bn (+9% Y/Y)
- **Quality of loan portfolio:** NPLs (excl. EGAP-covered) at 2.71%, credit costs at 1.08%
- **Assets under management and deposits:** CZK 708.2bn (+2% Y/Y)
- **Of which, total deposits:** CZK 484.6bn (+7% Y/Y)
- **Capital and liquidity:** high levels confirmed. The capital adequacy for the group at 11.71% and the loan/deposit ratio at 67.7%.

Pavel Kavánek, CEO and Chairman of the ČSOB Board of Directors, comments on the 1H 2009 results:

*"The results for the first half of this year prove our high profitability and ability to absorb increased credit costs."*

*"Recently released results of large Czech banks show that Czech banks are healthy. The strong deposit base and healthy capitalization constitute good prerequisites for the banks to continue providing loans to both individuals and firms."*

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<sup>1</sup> All numbers in this press release are consolidated, unaudited, according to EU IFRS. Slovak operations do not appear in any of the figures herein, as the former Slovak branch has been operating as a new legal entity since 1 January 2008.



ČSOB group is the leading player in Czech financial services industry. ČSOB group is a part of the international bancassurance KBC group which is active in Belgium and the CEE region. Combining the power of its retail brands – ČSOB (banking, insurance, asset management, pension funds, leasing and factoring), the Postal Savings Bank (banking through postal distribution network), the Mortgage Bank and the ČMSS (bank specialized for financing the housing needs) – ČSOB group holds strong market positions in all segments of Czech financial market. ČSOB group is a long-term number 1 in financing the housing needs, leasing and total assets under management. ČSOB group builds a strong, long-term partnership with each client, whether in personal and family finance, financing SMEs or corporate finance. ČSOB group is a good listener who offers suitable solutions, rather than mere products.



### **Details on the 1H 2009 net profit:**

**The reported profit of the ČSOB group** grew 7% Y/Y to **CZK 5.919bn**. The reported cost/income ratio improved 7pp Y/Y to 42.6%.

The 6M 2009 profit was positively influenced by one-off items totaling CZK 288m, represented especially by the volatility in the valuation of ALM instruments. On the other hand, the 6M 2008 profit was negatively impacted by one-off items totaling CZK 926m, mainly consisting of the revaluation of CDO portfolio. The **CDO portfolio does not have any negative effects** on the 1H 2009 results as the ČSOB group prudently revaluated the entire CDO portfolio to zero at the end of 2008.

**The underlying net profit**, i.e. excluding one-offs, of the ČSOB group amounted to **CZK 5.631bn**, i.e. 13% less than the 1H 2008 result. On a comparable basis, the cost/income ratio improved slightly (1.7pp) to 44.2%.

### **Details on business results:**

**Group business lending** rose 9% Y/Y to CZK 407.7bn. The retail loan portfolio recorded the most dynamic growth of all segments: consumer loans (23%), building loans (+22%), mortgages to individuals and (+19%).

The slowdown of Czech economy was reflected in the lowered demand of Czech companies for loans. As a result, the total loans to SMEs still grew, albeit at a slower pace (+5%), while corporate loans and leasing decreased Y/Y (-2% and -8%, respectively).

*Mr. Petr Hutla, senior executive officer and member of the Board of Directors of ČSOB, noted: "ČSOB group recorded overall growth in loans, spread across all segments except corporate lending and leasing where the demand was most impacted by the decrease of industrial production in the Czech Republic. Although we see the negative impacts on the SME sector, the overall loans to this sector increased moderately, driven by working capital financing."*

As of 30 June 2009, the total outstanding balance of housing loans was CZK 214.4bn, which is a 20% increase Y/Y. Out of the total, mortgages represent CZK 105.3bn.

**Rising credit costs remain within expectations.** Non-performing loans (more than 90 days overdue) as at 30 June 2009 accounted for 2.88% of gross loans. Excluding non-performing loans covered by a guarantee from the Export Guarantee and Insurance Corporation (EGAP), a government agency to support exports of Czech goods and services, the ratio is 2.71%. Annualized credit cost ratio for 1H 2009 stands at 1.08%, compared to 0.56% at the end of 2008.

*Mr. Petr Hutla, senior executive officer and member of the Board of Directors of ČSOB, noted: "Credit costs are at the high end of our expectations. Although we expect the*



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*pressure on credit quality to continue well into the next year, our credit costs remain manageable”.*

**Total AUM and deposits** increased slightly by 2% Y/Y to CZK 708.2bn. ČSOB launched the new deposit product (Deposit Account with a Bonus) and intensified sale of existing Red Account, which led to strong growth of bank deposits (+7% Y/Y to CZK 484.6bn).

The Czech **mutual fund** market saw a 27% decrease between September 2008 and March 2009 (more recent data are not available). This decrease was recorded across all asset classes (money market, bonds, equity), only capital protected funds (CPFs) were less influenced. In the same period, ČSOB recorded lower decrease of the assets in the funds (-22.5%) and strengthened its number 1 position in the market. In 2Q 2009, the volume of mutual funds in ČSOB stabilized.

*Mr. Petr Hutla, senior executive officer and member of the Board of Directors of ČSOB, noted: “We see the situation in the field of individuals’ savings calmed down after the Winter. However, we observe a change in clients’ preferences, especially towards saving accounts. Gradually, the demand for mutual funds is coming back and we strengthen our number one position in the Czech market.”*

Pension funds saw the fastest growth, as their AUM grew 11% to CZK 23.9bn. Building savings maintained a single digit growth at 3% to CZK 78.1bn.

### **Liquidity and capital:**

Strong liquidity of ČSOB group has been reconfirmed as the loan/deposit ratio as at 30 June 2009 reached 67.7%, substantially below the 100% threshold. In other words, **the ČSOB group remains very liquid** with deposits CZK 155bn higher than the loans granted.

The continuing **strong capital position** of the ČSOB group is confirmed by the capital adequacy for the group at 11.71%, while ČSOB Pojišťovna maintains a solvency margin of 169%.



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Key Financials	1H 2008	1H 2009	Y/Y change
	CZK bn	CZK bn	
<b>Reported:</b>			
Net Profit	5.516	5.919	+7%
Operating Income	14.255	16.771	+18%
Operating Expenses	-7.075	-7.146	+1%
<b>Underlying:</b>			
Net Profit	6.442	5.631	-13%
Operating Income	15.427	16.167	+5%
- Net Interest Income	10.450	11.568	+11%
- Net Fee and Commission Income	3.319	3.270	-1%
- Net Trading Income	0.860	0.388	-55%
- Other income	0.797	0.942	+18%
Operating Expenses	-7.075	-7.146	+1%
Cost/Income	45.9%	44.2%	-1.7pp
	30.6.2008	30.6.2009	Y/Y change
Total assets	824.485	899.808	+9%
Total group lending	375.1	407.7	+9%
Total AUM and deposits	697.1	708.2	+2%

Please find more details on ČSOB's financial results in the *1H 2009 Presentation* which can be downloaded from: <http://www.csob.cz/ir>

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### Consolidated P&L - Reported

(CZK m)

	6M 2008	6M 2009	Y/Y
Interest income	18 544	17 231	-7%
Interest expense	-8 093	-5 663	-30%
Net interest income	10 450	11 568	+11%
Net fee and commission income	3 319	3 270	-1%
Net gains from financial instruments at FVPL*	-312	991	NA
Other operating income	797	942	+18%
<b>Operating income</b>	<b>14 255</b>	<b>16 771</b>	<b>+18%</b>
Staff expenses	-3 336	-3 301	-1%
General administrative expenses	-3 203	-3 220	+1%
Depreciation and amortisation	-689	-747	+8%
Provisions	153	121	-21%
<b>Operating expenses</b>	<b>-7 075</b>	<b>-7 146</b>	<b>+1%</b>
Impairment losses*	-604	-2 840	+370%
Impairment of loans and receivables	-581	-2 614	+350%
Impairment of available-for-sale securities	0	-208	NA
Impairment of other assets	-22	-19	-16%
Share of profit of associates	21	198	+834%
<b>Profit before tax</b>	<b>6 598</b>	<b>6 983</b>	<b>+6%</b>
Income tax expense	-1 033	-1 033	0%
<b>Profit for the period</b>	<b>5 565</b>	<b>5 951</b>	<b>+7%</b>
Attributable to:			
<b>Equity holders of the parent</b>	<b>5 516</b>	<b>5 919</b>	<b>+7%</b>
Minority interest	49	32	-35%

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.

\* The two highlighted lines make the difference between reported and underlying figures.

### Consolidated P&L - Underlying

(CZK m)

	6M 2008	6M 2009	Y/Y
Interest income	18 544	17 231	-7%
Interest expense	-8 093	-5 663	-30%
Net interest income	10 450	11 568	+11%
Net fee and commission income	3 319	3 270	-1%
Net gains from financial instruments at FVPL*	860	388	-55%
Other operating income	797	942	+18%
<b>Operating income</b>	<b>15 427</b>	<b>16 167</b>	<b>+5%</b>
Staff expenses	-3 336	-3 301	-1%
General administrative expenses	-3 203	-3 220	+1%
Depreciation and amortisation	-689	-747	+8%
Provisions	153	121	-21%
<b>Operating expenses</b>	<b>-7 075</b>	<b>-7 146</b>	<b>+1%</b>
Impairment losses*	-604	-2 641	+337%
Impairment of loans and receivables	-581	-2 614	+350%
Impairment of available-for-sale securities	0	-208	NA
Impairment of other assets	-22	-19	-16%
Share of profit of associates	21	198	+834%
<b>Profit before tax</b>	<b>7 770</b>	<b>6 578</b>	<b>-15%</b>
Income tax expense	-1 279	-916	-28%
<b>Profit for the period</b>	<b>6 491</b>	<b>5 662</b>	<b>-13%</b>
Attributable to:			
<b>Equity holders of the parent</b>	<b>6 442</b>	<b>5 631</b>	<b>-13%</b>
Minority interest	49	32	-35%

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.

\* The two highlighted lines make the difference between reported and underlying figures.



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### Consolidated Balance Sheet - Assets

(CZK m)

	31/12 2008	30/06 2009	Ytd
Cash and balances with central banks	16 602	35 799	+116%
Financial assets held for trading	131 342	179 173	+36%
Financial assets designated at fair value through P/L	23 514	21 457	-9%
Available-for-sale financial assets	90 454	113 326	+25%
Loans and receivables	411 644	403 153	-2%
<i>Loans and receivables - gross</i>	418 473	412 105	-2%
<i>of which credit institutions - gross</i>	16 806	10 002	-40%
<i>of which other than credit institutions - gross</i>	400 400	401 102	+0%
<i>of which accrued interest income</i>	1 266	1 001	-21%
<i>Loans and receivables - provisions</i>	-6 829	-8 952	+31%
<i>of which credit institutions - provisions</i>	-21	-24	+12%
<i>of which other than credit institutions - provisions</i>	-6 807	-8 929	+31%
Held-to-maturity investments	115 236	114 202	-1%
Derivatives used for hedging	7 215	6 153	-15%
Current tax assets	1 128	1 102	-2%
Deferred tax assets	1 248	1 136	-9%
Investments in associate	858	821	-4%
Investment property	1 002	969	-3%
Property and equipment	10 095	9 844	-2%
Goodwill and other intangible assets	4 852	4 721	-3%
Non-current assets held-for-sale	127	21	-84%
Other assets	9 168	7 932	-13%
<b>Total assets</b>	<b>824 485</b>	<b>899 808</b>	<b>+9%</b>

### Consolidated Balance Sheet - Liabilities and Equity

(CZK m)

	31/12 2008	30/06 2009	Ytd
	<i>reclassified</i>		
Financial liabilities held for trading	35 064	23 755	-32%
Financial liabilities at fair value through P/L	62 796	149 237	+138%
Financial liabilities at amortised cost	649 371	642 761	-1%
<i>of which Deposits received from credit institutions</i>	40 246	25 297	-37%
<i>of which Deposits received from other than credit institutions</i>	551 686	571 114	+4%
<i>of which Debt securities in issue</i>	43 907	31 987	-27%
<i>of which Subordinated liabilities</i>	11 965	11 967	+0%
<i>of which Accrued interest expenses</i>	1 567	2 395	+53%
Derivatives used for hedging	2 493	1 560	-37%
Current tax liabilities	133	102	-23%
Deferred tax liabilities	553	582	+5%
Provisions	993	771	-22%
Other liabilities	16 238	21 684	+34%
<b>Total liabilities</b>	<b>767 641</b>	<b>840 451</b>	<b>+9%</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	19 212	24 450	+27%
Available-for-sale reserve	4 145	2 720	-34%
Cash flow hedge reserve	743	-573	-177%
Foreign currency translation reserve	-195	-196	+0%
<b>Parent shareholders' equity</b>	<b>55 955</b>	<b>58 451</b>	<b>+4%</b>
Minority interest	890	905	+2%
<b>Total equity</b>	<b>56 844</b>	<b>59 357</b>	<b>+4%</b>
<b>Total liabilities and equity</b>	<b>824 485</b>	<b>899 808</b>	<b>+9%</b>



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