



Prague, 13 November 2009

## ČSOB GROUP REPORTED 9M 2009 NET PROFIT OF CZK 9.188 BN<sup>1</sup>

Highlights of the 9M 2009 results:

- **Net profit – reported:** CZK 9.188 bn (+231% Y/Y)
- **Net profit – underlying:** CZK 8.450 bn (-15% Y/Y)
- **Operating income – underlying:** CZK 24.334 bn (+3% Y/Y)
- **Operating expenses – underlying:** CZK 10.613 bn (-1% Y/Y)
- **Cost/income ratio – underlying:** 43.6% (-1.6pp Y/Y)
- **Loans granted by the ČSOB group:** CZK 408.5 bn (+5% Y/Y)
- **Quality of loan portfolio:** NPLs (excl. EGAP-covered) at 3.07%, credit costs at 1.09%
- **Assets under management and deposits:** CZK 701.1 bn (-2% Y/Y)
- **Of which, total deposits:** CZK 475.1 bn (+2% Y/Y)
- **Total assets:** CZK 891.2 bn (+8% Ytd.)
- **Capital and liquidity:** high levels confirmed. The capital adequacy for the group at 12.26% and the loan/deposit ratio at 67.6%.

Pavel Kavánek, the CEO of ČSOB, comments on the results:

*“Our result confirms that we are able to further develop our business activity and reach strong financial performance, even in the environment of increased costs of credit risk.”*

*“The cost containment measures that we have been implementing since the end of the last year, started delivering visible effects in the third quarter.”*

*“On the income side, we further grow in operating income, the net interest income in particular, based on the continuing growth of the loan portfolio and deposits.”*

<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 9M 2009 net profit:**

**The reported profit of the ČSOB group** increased 231% Y/Y to **CZK 9.188 bn**. The reported cost/income ratio improved 29.4pp Y/Y to 41.6%.

**The underlying net profit** of the ČSOB group amounted to **CZK 8.450 bn**, i.e. 15% less than the 9M 2008 result. On a comparable basis, the cost/income ratio improved slightly (1.6pp) to 43.6%.

**The differences between the underlying and reported profits** include especially the revaluation of CDO portfolio and a negative impact of the volatility in valuation of ALM instruments in 9M 2008 and a positive impact of the ALM volatility in 9M 2009. The **CDO portfolio doesn't have any negative effects** on the 9M 2009 results as the ČSOB group prudently valued the entire CDO portfolio at zero in 2008.

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

**Group business lending** rose 5% Y/Y to CZK 408.5 bn. The retail loan portfolio continued to grow substantially: consumer loans (20%), building loans (+20%), mortgages to individuals and (+16%). Since the outbreak of the economic crisis, credit volumes in SME remained stable at around CZK 69 bn. Corporate loans decreased by 9% to CZK 90.4 bn as industrial production decreased, export declined sharply and demand for credit among corporate customers contracted.

As of 30 September 2009, the total outstanding balance of housing loans was CZK 223.0 bn, which is an 18% increase Y/Y. Out of these loans, mortgages represent CZK 109.2 bn.

**Quality of lending portfolio:** Non-performing loans (more than 90 days overdue) as at 30 September 2009 accounted for 3.18% 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 3.07%. Annualized credit cost ratio for 9M 2009 stands at 1.09%.

**Total AUM and deposits** decreased slightly by 2% Y/Y to CZK 701.1 bn. Retail deposits grew both Y/Y and Q/Q reflecting the preference of customers to invest in saving accounts. Bank deposits rose by 2% Y/Y to CZK 475.1 bn, building savings by 3% to CZK 78.0 bn and pension funds by 9% to CZK 24.2 bn. On the bancassurance field, single premium life insurance connected to investment into products with capital protection increased sharply.

During 2Q and 3Q, the volume in ČSOB's mutual funds stabilized and turned to a positive development. In absolute terms, volumes in mutual funds reached CZK 68.9 bn by the end of 3Q 2009, which represents a Q/Q increase of 2% and a Y/Y decrease of 22%.



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## **Liquidity and capital:**

Strong liquidity of ČSOB group has been reconfirmed as the loan/deposit ratio as at 30 September 2009 reached 67.6%, substantially below the 100% threshold. In other words, **the ČSOB group remains very liquid** with deposits CZK 145 bn higher than the loans granted.

The continuing **strong capital position** of the ČSOB group is confirmed by the capital adequacy for the group at 12.26%, while ČSOB Pojišťovna has a solvency margin of 214%.

<b>Key Financials</b>	<b>9M 2008</b>	<b>9M 2009</b>	<b>Y/Y</b>
	CZK bn	CZK bn	<b>change</b>
<b>Reported:</b>			
Net Profit	2.776	9.188	+231%
Operating Income	15.097	25.493	+69%
Operating Expenses	10.720	10.613	-1%
<b>Underlying:</b>			
Net Profit	9.922	8.450	-15%
Operating Income	23.734	24.334	+3%
- Net Interest Income	15.769	16.889	+7%
- Net Fee and Commission Income	4.967	4.943	0%
- Other income	2.998	2.502	-17%
Operating Expenses	10.720	10.613	-1%
Cost/Income	45.2%	43.6%	-1.6 pp
	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>Y/Y</b>
	CZK bn	CZK bn	<b>change</b>
Total group lending	387.2	408.5	+5%
Total AUM and deposits	711.9	701.1	-2%

Please find more details on ČSOB's financial results in the *9M 2009 Presentation* which can be downloaded from:

<http://www.csob.cz/en/CSOB/Investor-relations/Stranky/Financial-and-business-results.aspx>

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## Consolidated P&L – Reported

(CZK m)	9M 2008	9M 2009	Y/Y
Interest income	28 300	25 550	-10%
Interest expense	-12 531	-8 662	-31%
Net interest income	15 769	16 889	+7%
Net fee and commission income	4 967	4 943	0%
Net gains from financial instruments at FVPL*	-7 163	2 212	+/-
Other operating income*	1 524	1 449	-5%
<b>Operating income</b>	<b>15 097</b>	<b>25 493</b>	<b>+69%</b>
Staff expenses	-5 007	-4 765	-5%
General administrative expenses	-4 852	-4 880	+1%
Depreciation and amortisation	-1 050	-1 107	+5%
Provisions	188	139	-26%
<b>Operating expenses</b>	<b>-10 720</b>	<b>-10 613</b>	<b>-1%</b>
Impairment losses*	-1 730	-4 439	+157%
Impairment of loans and receivables	-1 330	-3 940	+196%
Impairment of available-for-sale securities	-29	-208	+617%
Impairment of other assets	-371	-292	-21%
Share of profit of associates*	-2	258	+/-
<b>Profit before tax</b>	<b>2 644</b>	<b>10 699</b>	<b>+305%</b>
Income tax expense	186	-1 506	+/-
<b>Profit for the period</b>	<b>2 830</b>	<b>9 193</b>	<b>+225%</b>
Attributable to:			
<b>Equity holders of the parent</b>	<b>2 776</b>	<b>9 188</b>	<b>+231%</b>
Minority interest	54	6	-90%

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 four highlighted lines make the difference between reported and underlying figures.

## Consolidated P&L – Underlying

(CZK m)	9M 2008	9M 2009	Y/Y
Interest income	28 300	25 550	-10%
Interest expense	-12 531	-8 662	-31%
Net interest income	15 769	16 889	+7%
Net fee and commission income	4 967	4 943	0%
Net gains from financial instruments at FVPL*	1 621	1 053	-35%
Other operating income*	1 377	1 449	+5%
<b>Operating income</b>	<b>23 734</b>	<b>24 334</b>	<b>+3%</b>
Staff expenses	-5 007	-4 765	-5%
General administrative expenses	-4 852	-4 880	+1%
Depreciation and amortisation	-1 050	-1 107	+5%
Provisions	188	139	-26%
<b>Operating expenses</b>	<b>-10 720</b>	<b>-10 613</b>	<b>-1%</b>
Impairment losses*	-1 384	-4 249	+207%
Impairment of loans and receivables	-1 330	-3 940	+196%
Impairment of available-for-sale securities	-29	0	-100%
Impairment of other assets	-25	-310	+1140%
Share of profit of associates*	42	258	+518%
<b>Profit before tax</b>	<b>11 671</b>	<b>9 730</b>	<b>-17%</b>
Income tax expense	-1 695	-1 275	-25%
<b>Profit for the period</b>	<b>9 976</b>	<b>8 456</b>	<b>-15%</b>
Attributable to:			
<b>Equity holders of the parent</b>	<b>9 922</b>	<b>8 450</b>	<b>-15%</b>
Minority interest	54	6	-90%

Notes: FVPL = fair value through profit and loss.

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## Consolidated Balance Sheet – Assets

(CZK m)	31/12 2008	30/09 2009	Ytd
Cash and balances with central banks	16 602	29 346	+77%
Financial assets held for trading	131 342	175 508	+34%
Financial assets designated at fair value through P/L	23 514	16 935	-28%
Available-for-sale financial assets	90 454	109 721	+21%
Loans and receivables	411 644	406 432	-1%
<i>Loans and receivables - gross</i>	418 473	416 437	0%
<i>of which credit institutions - gross</i>	16 806	12 215	-27%
<i>of which other than credit institutions - gross</i>	400 400	403 082	+1%
<i>of which accrued interest income</i>	1 266	1 140	-10%
<i>Loans and receivables - provisions</i>	-6 829	-10 005	+47%
<i>of which credit institutions - provisions</i>	-21	-23	+9%
<i>of which other than credit institutions - provisions</i>	-6 807	-9 981	+47%
Held-to-maturity investments	115 236	120 147	4%
Derivatives used for hedging	7 215	7 989	11%
Current tax assets	1 128	61	-95%
Deferred tax assets	1 248	537	-57%
Investments in associate	858	921	7%
Investment property	1 002	795	-21%
Property and equipment	10 095	9 579	-5%
Goodwill and other intangible assets	4 852	4 646	-4%
Non-current assets held-for-sale	127	1	-99%
Other assets	9 168	8 589	-6%
<b>Total assets</b>	<b>824 485</b>	<b>891 206</b>	<b>+8%</b>

## Consolidated Balance Sheet – Liabilities and Equity

(CZK m)	31/12 2008	30/09 2009	Ytd
Financial liabilities held for trading	reclassified 35 064	20 287	-42%
Financial liabilities at fair value through P/L	62 796	153 984	+145%
Financial liabilities at amortised cost	649 371	629 308	-3%
<i>of which Deposits received from credit institutions</i>	40 246	21 477	-47%
<i>of which Deposits received from other than credit institutions</i>	551 686	560 904	+2%
<i>of which Debt securities in issue</i>	43 907	32 079	-27%
<i>of which Subordinated liabilities</i>	11 965	11 969	+0%
<i>of which Accrued interest expenses</i>	1 567	2 880	+84%
Derivatives used for hedging	2 493	3 431	38%
Current tax liabilities	133	149	12%
Deferred tax liabilities	553	602	+9%
Provisions	993	675	-32%
Other liabilities	16 238	18 232	+12%
<b>Total liabilities</b>	<b>767 641</b>	<b>826 668</b>	<b>+8%</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	27 720	+44%
Available-for-sale reserve	4 145	4 831	17%
Cash flow hedge reserve	743	-727	NA
Foreign currency translation reserve	-195	-196	+1%
<b>Parent shareholders' equity</b>	<b>55 955</b>	<b>63 678</b>	<b>+14%</b>
Minority interest	890	861	-3%
<b>Total equity</b>	<b>56 844</b>	<b>64 538</b>	<b>+14%</b>
<b>Total liabilities and equity</b>	<b>824 485</b>	<b>891 206</b>	<b>+8%</b>



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