



Prague, 12 May 2010

ČSOB GROUP REPORTED A 1Q 2010 NET PROFIT OF CZK 3.880 BN¹

Highlights of the 1Q 2010 results:

- **Net profit – reported:** CZK 3.880 bn (+26% Y/Y)
- **Net profit – underlying²:** CZK 3.615 bn (+9% Y/Y)
- **Group lending:** CZK 402.3 bn (-3% Y/Y)
- **Quality of loan portfolio:** NPLs at 3.67%, credit costs at 0.70%
- **Group deposits:** CZK 572.3 bn (+3% Y/Y)
- **of which, client deposits:** CZK 453.5 bn (+2% Y/Y)
- **AUM in mutual funds:** CZK 70.2 bn (+3% Y/Y)
- **Capital and liquidity:** High levels confirmed
Capital adequacy for the group at 15.22%
Loan to deposit ratio at 70.4%.

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

"ČSOB group's net profit reached almost CZK 3.9 bn, representing a 9% Y/Y increase on the underlying basis. We managed to grow Y/Y in income while keeping expenses flat. Costs of credit risk had only limited impact, unchanged compared to the situation a year ago."

"We recorded growth of both group deposits and clients' assets in mutual funds by 3% Y/Y."

¹ All numbers in this press release are consolidated, unaudited, according to EU IFRS. This press release 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. For the list of reclassifications see appendix.

² Net of extraordinary items.



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	1Q 2009	1Q 2010
Profitability		
Net interest margin	3.06%	3.47%
Cost/income (underlying)	41.6%	39.9%
Cost/income (reported)	41.9%	38.3%
ROAA (underlying)	1.61%	1.73%
ROAA (reported)	1.47%	1.86%
ROAE (underlying)	24.1%	20.5%
ROAE (reported)	21.9%	22.0%
	31.03.2009	31.03.2010
Asset quality		
NPL	2.57%	3.67%
Credit cost ratio	0.68%	0.70%
NPL coverage ratio	71.1%	77.7%
Capital adequacy (Basel II)		
Core tier 1 ratio	9.23%	12.05%
Total capital ratio	10.69%	15.22%
Solvency ratio (insurance)	183.0%	272.0%
Liquidity		
Loan to deposit ratio	74.1%	70.4%

Details on the 1Q 2010 net profit:

The reported profit of the ČSOB group rose by 26% Y/Y to **CZK 3.880 bn.**

The underlying net profit of the ČSOB group amounted to **CZK 3.615 bn**, i.e. 9% more than the 1Q 2009 result. The underlying cost/income ratio improved 1.7pp Y/Y to 39.9%.

The differences between the underlying and reported profits include especially the positive revaluation of CDO portfolio (CZK 266 m, net) in 1Q 2010 and IFRS treatment of ALM hedges (CZK -399 m, net) in 1Q 2009.

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%.

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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%.

Details on business results:

Methodological note - 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 press release, 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.

Asset side:

Gross outstanding volumes, CZK bn	31.3.2009	31.3.2010	Y/Y
Group lending	416.1	402.3	-3%
Ret/SME Segment			
Mortgages ¹	122.1	137.0	+12%
Building savings loans ²	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%
Corporate Segment			
Corporate loans ³	101.5	78.2	-23%
Factoring	3.8	3.7	-3%
Head Office	0.7	0.6	-13%
Other⁴	7.6	4.6	-39%

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 Including credit-replacing bonds.

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

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.

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Liabilities side:

outstanding volumes (CZK bn)	31/03/2009	31/03/2010	Y/Y
Group deposits	555.4	572.3	+3%
Client deposits	445.9	453.5	+2%
Building savings deposits	77.7	82.2	+6%
Pension funds*	23.4	25.5	+9%
Other**	8.4	11.1	+32%
Mutual funds	68.0	70.2	+3%
Client AUM and deposits	623.4	642.5	+3%

Note:

* Liabilities to pension fund policy holders.

** Repo operations with non-banking financial institutions and other.

Group deposits increased by 3% Y/Y and remained flat Q/Q. The growth was recorded through all categories of deposits, therefore the structure of group deposits in 1Q 2010 remained stable Y/Y. The largest contributor was client deposits (CZK +7.6 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.



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Update on risk management:

Non-performing loans (more than 90 days overdue) as at 31 March 2010 accounted for 3.67% of gross loans. Annualized credit cost ratio for 1Q 2010 stands at 0.70%, compared to 0.68% for 1Q 2009.

Total capital ratio reached 15.22% as at 31 March 2010, compared to 14.98% as at 31 December 2009. Core tier 1 ratio is at 12.05%, compared to 11.92% at the end of 2009.

Liquidity further increased with loan to deposit ratio declining to 70.4% as at 31 March 2010 from 74.1% as at 31 March 2009.

ČSOB discloses its exposure to bonds of selected Southern European countries and Ireland (book value in CZK bn as at 11 May 2010, i.e. latest available):

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

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

Please find more details on ČSOB group's financial results in the *1Q 2010 Result Presentation* which can be downloaded from:

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

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Appendix

Reclassifications of the profit and loss statement:

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.

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 press release, 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.



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Consolidated P&L – Reported

(CZK m)	3M 2009 <i>reclassified</i>	3M 2010	Y/Y
<i>Interest income</i>	8 754	8 356	-4%
<i>Interest expense</i>	-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%
<i>Other operating income*</i>	502	316	-37%
Operating income	7 842	8 621	+10%
Staff expenses	-1 666	-1 545	-7%
General administrative expenses	-1 263	-1 492	+18%
Depreciation and amortisation	-369	-268	-28%
Operating expenses	-3 298	-3 304	+0%
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%
Profit before tax	3 627	4 570	+26%
<i>Income tax expense*</i>	-544	-672	+23%
Profit for the period	3 083	3 898	+26%
Attributable to:			
Equity holders of the parent	3 073	3 880	+26%
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.

Consolidated P&L – Underlying

(CZK m)	3M 2009 <i>reclassified</i>	3M 2010	Y/Y
<i>Interest income</i>	8 754	8 356	-5%
<i>Interest expense</i>	-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%
<i>Other operating income*</i>	502	316	-37%
Operating income	7 887	8 287	+5%
Staff expenses	-1 666	-1 545	-7%
General administrative expenses	-1 263	-1 492	+18%
Depreciation and amortisation	-369	-268	-28%
Operating expenses	-3 298	-3 304	+0%
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%
Profit before tax	3 870	4 243	+10%
<i>Income tax expense*</i>	-557	-609	+/-
Profit for the period	3 314	3 633	+10%
Attributable to:			
Equity holders of the parent	3 304	3 615	+9%
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.

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Consolidated 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%
Total assets	858 972	831 345	-3%

Consolidated 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%
Total liabilities	789 121	757 554	-4%
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	+/-
Parent shareholders' equity	68 951	73 043	+6%
Minority interest	900	748	-17%
Total equity	69 851	73 791	+6%
Total liabilities and equity	858 972	831 345	-3%

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