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9M 2011 financial results of the ČSOB group[1]

NET PROFIT AT CZK 8.9 BN: VOLUMES AND REVENUES FROM LOANS AND DEPOSITS UP, CREDIT COSTS DOWN

In 9M 2011, the ČSOB group reported net profit of CZK 8.909 bn. While the profitability of the core customer business was further growing, an impairment on Greek bonds in the AFS[2] portfolio bit CZK 1.9 bn off the net profit, making it 13% lower than the same period a year ago. Loan portfolio rose five quarters in row to CZK 426.3 bn while the volume of deposits has climbed to CZK 599.6 bn.

Pavel Kavánek, the Chief Executive Officer and the Chairman of the Board of Directors of ČSOB:

From July to September, we managed to increase in loans by almost CZK 14 bn, especially thanks to loans to companies and mortgages. Even with such growth, we have maintained high capital adequacy and liquidity along with low credit costs.

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[1] *All numbers in this press release are consolidated, unaudited, according to EU IFRS. This press release shows FY 2010 profit and loss statement items reclassified in accordance with the current accounting methodology in order to ensure comparability of EU IFRS financial statements in time.*

[2] *Available for sale financial assets*

In 9M 2011, the ČSOB group **reported a net profit of CZK 8.9 bn and an underlying net profit of CZK 8.8 bn**. While the profitability of the core customer business was further growing, an impairment on Greek bonds in the AFS portfolio bit CZK 1.9 bn off the net profit, making the net profit 13% lower than the same period a year ago.

In 9M 2011, the ČSOB group recorded **favorable development of business activities**. Loan portfolio has been rising for five consecutive quarters to reach CZK 426.3 bn (with an acceleration in 3Q 2011), and deposits have climbed to CZK 599.6 bn.

Credit costs for 9M 2011 further decreased to one-third of the figure for the same period last year.

The ČSOB group has kept the **cost base under control**, while continuing in selective investment activities in ICT and staff. Overall, 9M 2011 operating expenses grew by 4% Y/Y.

The ČSOB group maintains **strong capital position and sound liquidity**. Total capital ratio stands at 16.0% and the (core) Tier 1 ratio at 12.1% as of 30 September 2011. Loan to deposit ratio stands at 72.1% and net stable funding ratio at 137.3% as of 30 September 2011.

P&L Review

Operating income remained flat Y/Y. The NII Y/Y growth of 3% was driven by the structure change towards business volumes (especially mortgages and corporate loans). Net interest margin (3Q 2011) increased by 9bps Y/Y to 3.42%.
The **net fee and commission income** (NFCI) decreased by 3% Y/Y primarily due to higher payments to the deposit insurance fund (by CZK 161 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 1% Y/Y due to higher fees from payment cards.

Overall **operating expenses** grew by 4% Y/Y. Staff expenses increased by 6% Y/Y on a comparable basis, i.e. disregarding the effect of accruals for performance-related bonuses. This development resulted from the regular annual salary adjustment and the growth of the total number of employees.
The 2% Y/Y growth of **general administrative expenses** (GAE) is mainly attributable to planned ICT-related investments going on since 2Q 2010. Since the ČSOB group uses outsourced ICT services provided by KBC Global Services Czech Branch, these investments are accounted directly through P/L. On the other hand, there were savings in payment area.

The **costs of credit risk** are at one-third of the figure a year ago as the impairments on loans and receivables fell to CZK 961 m. As a result, credit cost ratio further contracted to 26 bps. The most remarkable drop of credit costs was recorded by loans to companies. Improvement 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 and CZK 1.046 bn in 3Q 2011 (before tax) on the Greek sovereign bonds held in the AFS portfolio (all have maturity dates before end 2020).

Balance Sheet Review

In 3Q 2011, **loan portfolio** reached CZK 426.3 bn, which is nearly 14bn above previous quarter's level. This Y/Y growth is the highest since end-2008. The third quarter was the fifth showing a consequent growth in loan portfolio. The Q/Q increase of 3% was driven especially by corporate loans and mortgages.

Mortgages went up by 11% Y/Y to CZK 156.6 bn. On a healthy and stable mortgage market, the ČSOB group's volumes have been steadily growing at about half a pace compared to the mortgage boom before 2008. New sales were supported by favorable development of interest rates and stable real estate prices. **Building savings loans** increased Y/Y to CZK 71.7 bn. The whole Czech market of building savings loans is affected by clients' uncertainty due to ongoing changes of the state subsidy scheme. ČMSS's Ytd. New sales decreased Y/Y less than the whole market's new sales. **Consumer loans** increased by 2% Y/Y to CZK 18.4 bn, driven mainly by credit cards and overdrafts.

In the beginning of 2011, **SME loans** returned to growth and kept steadily increasing each quarter to end up at CZK 64.6bn, 1% below the September 2010 level. In the last six months, the demand for (longer-term) investment loans has revived. **Leasing** declined by 10% Y/Y to CZK 21.9 bn.

The growth of **corporate loans** of the past four quarters accelerated in 3Q 2011, especially due to a positive development in structured finance. The overall Y/Y growth as of 30 September 2011 was 22% (after a 21% Y/Y decline a year ago). In coming quarters, the growing trend may be impeded by the worsening outlook of the Czech economy.

Group deposits increased by 4% Y/Y to CZK 599.6 bn. The largest contributor to the CZK 21.8 bn growth of group deposits Y/Y were client deposits with a CZK 18.4 bn increase Y/Y. Within client deposits, saving deposits recorded a 16% Y/Y growth. Part of the increase was at the expense of term deposits (-28% Y/Y) and mutual funds (-15% Y/Y). Current accounts increased by 1% Y/Y. The stagnation of the volumes of **building savings deposits** reflects the uncertainty of clients about the state support to this form of savings going forward. AUM in both **pension funds** kept growing to CZK 28.4 bn.

In **mutual funds**, ČSOB strengthened its No. 1 position on the market, as the capital protected funds, where ČSOB's market share exceeds 70%, were less affected by market turbulences than the other types of funds. AUM in ČSOB's mutual funds decreased by 5% Q/Q and 15% Y/Y mainly due to falling prices of equities. The Q/Q decline concerned all categories with the exception of bond funds.

Risk Management Review

Total capital ratio reached 15.97% as of 30 September 2011, compared to 17.82% as of 30 September 2010. **Liquidity** remained high, the loan to deposit ratio increased to 72.1% as of 30 September 2011 from 70.0% a year ago.

Non-performing loans (more than 90 days overdue, according to the ČSOB methodology, in line with the KBC group methodology) accounted for 3.96% of gross loans as at 30 September 2011. **Credit cost ratio** (CCR) for 9M 2011 stood at 0.26%, compared to 0.83% for 9M 2010.

Awards for the ČSOB group in 2011

ČSOB as a whole

Named the best bank in the Czech Republic by the Global Finance magazine

Named Best Bank Czech Republic in 2010 by the EMEA Finance magazine

Named the best bank in the Czech Republic by the Euromoney magazine

Selected business areas

Postal Savings Bank	ČSOB Leasing	Trade Finance	Custody	Foreign Exchange	Acquisition Finance
Named the most client friendly bank in the Czech Republic *(contest organized by the Hospodarske noviny daily)*	Named best in retail and SME leasing categories *(Zlata koruna contest)*	Named best in the Czech Republic	Named best Sub-custodian in the Czech Republic	Named best in the Czech Republic	Named best bank in Eastern Europe

Please find more details on the ČSOB group's financial results in the current 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 (EU IFRS)

(CZK m)	9M 2010	9M 2011	Y/Y
Interest income	*24 987*	*24 877*	*0%*
Interest expense	*-6 890*	*-6 318*	*-8%*
Net interest income	18 097	18 559	+3%
Net fee and commission income	4 115	3 982	-3%
Net gains from financial instruments at FVPL*	1 360	1 056	-22%
Other operating income*	1 316	858	-35%
Operating income	**24 888**	**24 455**	**-2%**
Staff expenses	-4 658	-5 037	+8%
General administrative expenses	-5 074	-5 174	+2%
Depreciation and amortisation	-782	-687	-12%
Operating expenses	**-10 514**	**-10 898**	**+4%**
Impairment losses	-2 948	-3 286	+11%
Impairment on loans and receivables	*-2 878*	*-961*	*-67%*
Impairment on available-for-sale securities	*-5*	*-2 328*	*N/A*
Impairment on other assets	*-65*	*3*	*N/A*
Share of profit of associates*	169	117	-31%
Profit before tax	**11 595**	**10 388**	**-10%**
Income tax expense*	-1 267	-1 380	+9%
Profit for the period	**10 328**	**9 008**	**-13%**
Attributable to:			
Equity holders of the parent	**10 249**	**8 909**	**-13%**
Minority interest	79	99	+25%

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)	9M 2010	9M 2011	Y/Y
Interest income	*24 987*	*24 877*	*0%*
Interest expense	*-6 890*	*-6 318*	*-8%*
Net interest income	18 097	18 559	+3%
Net fee and commission income	4 115	3 982	-3%
Net gains from financial instruments at FVPL*	1 149	955	-17%
Other operating income*	987	858	-13%
Operating income	**24 348**	**24 354**	**+0%**
Staff expenses	-4 658	-5 037	+8%
General administrative expenses	-5 074	-5 174	+2%
Depreciation and amortisation	-782	-687	-12%
Operating expenses	**-10 514**	**-10 898**	**+4%**
Impairment losses	-2 948	-3 286	+11%
Impairment on loans and receivables	*-2 878*	*-961*	*-67%*
Impairment on available-for-sale securities	*-5*	*-2 328*	*N/A*
Impairment on other assets	*-65*	*3*	*N/A*
Share of profit of associates*	169	115	-32%
Profit before tax	**11 055**	**10 285**	**-7%**
Income tax expense*	-1 162	-1 361	+17%
Profit for the period	**9 893**	**8 924**	**-10%**
Attributable to:			
Equity holders of the parent	**9 814**	**8 825**	**-10%**
Minority interest	79	99	+25%

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 Balance Sheet – Assets (EU IFRS)

(CZK m)	31/12 2010	30/09 2011	Ytd
Cash and balances with central banks	21 164	30 865	+46%
Financial assets held for trading	173 810	178 222	+3%
Financial assets designated at fair value through P/L	11 132	11 341	+2%
Available-for-sale financial assets	102 521	88 045	-14%
Loans and receivables - net	399 741	432 734	+8%
Loans and receivables to credit institutions - gross	*14 137*	*20 501*	*+45%*
Loans and receivables to which other than credit institutions - gross	*397 445*	*423 332*	*+7%*
Allowance for impairment losses	*-12 466*	*-12 297*	*-1%*
Accrued interest income	*625*	*1 198*	*+92%*
Held-to-maturity investments	150 240	146 703	-2%
Fair value adjustments of the hedged items in portfolio hedge	0	14	*N/A*
Derivatives used for hedging	9 437	12 387	+31%
Current tax assets	39	35	-10%
Deferred tax assets	488	141	-71%
Investments in associate	1 163	1 137	-2%
Investment property	713	687	-4%
Property and equipment	8 057	8 045	0%
Goodwill and other intangible assets	3 625	3 500	-3%
Non-current assets held-for-sale	140	147	+5%
Other assets	2 785	1 923	-31%
Total assets	**885 055**	**915 926**	**+3%**

Consolidated Balance Sheet – Liabilities and Equity (EU IFRS)

(CZK m)	31/12 2010	30/09 2011	Ytd
Financial liabilities held for trading	21 096	22 033	+4%
Financial liabilities at fair value through P/L	117 774	134 716	+14%
Financial liabilities at amortised cost	663 418	677 324	+2%
of which Deposits received from credit institutions	*30 442*	*39 792*	*+31%*
of which Deposits received from other than credit institut.	*596 078*	*599 572*	*+1%*
of which Debt securities in issue	*24 105*	*23 785*	*-1%*
of which Subordinated liabilities	*11 974*	*11 977*	*0%*
of which Accrued interest expenses	*819*	*2 198*	*+168%*
Fair value adjustments of the hedged items in portfolio hedge	*0*	*45*	*N/A*
Derivatives used for hedging	5 567	7 322	+32%
Current tax liabilities	1 203	658	-45%
Deferred tax liabilities	830	1 062	+28%
Provisions	651	596	-8%
Other liabilities	8 676	11 895	+37%
Total liabilities	**819 215**	**855 651**	**+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	30 560	21 798	-29%
Available-for-sale reserve	2 422	3 577	+48%
Cash flow hedge reserve	-2	1 900	+/-
Foreign currency translation reserve	0	0	N/A
Parent shareholders' equity	**65 031**	**59 326**	**-9%**
Minority interest	809	949	+17%
Total equity	**65 840**	**60 275**	**-8%**
Total liabilities and equity	**885 055**	**915 926**	**+3%**