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**9M 2012 financial results of the ČSOB group[1]:**

# NET PROFIT AT CZK 11.5BN: SOLID BUSINESS PERFORMANCE, COSTS BELOW INFLATION

- Reported and underlying net profits came in at CZK 11.5bn and CZK 11.4bn, respectively (both +29% Y/Y)
- Underlying return on equity (ROE) increased to 23.3% (+4.5pp Y/Y)
- Net interest income increased to CZK 18.9bn (+2% Y/Y)
- Operating expenses slightly decreased to CZK 11.4bn (-1% Y/Y)
- Loan portfolio increased to CZK 473.6bn (+11% Y/Y)
- Deposits grew to CZK 626.7bn (+5% Y/Y)
- Italian bonds fully sold off in September 2012, no exposure to peripheral Europe
- Credit cost ratio remained almost stable at 0.27pp (+0.01pp Y/Y)
- Tier 1 ratio at 12.5%
- Updated strategy: "KBC 2013 and beyond", new Business Unit Czech Republic will be created and ČSOB's CEO Pavel Kavánek was appointed a member of KBC Group Executive Committee

*Pavel Kavánek, the Chief Executive Officer of ČSOB, comments on financial results:*

> *"I am pleased with the CZK 11.5bn result for nine months 2012. In the "non-growing" economic environment, we managed to grow in corporate loans as well as in mortgages. Our net interest income grew despite the decrease in interest margins. We also managed to keep operating expenses almost flat versus last year at CZK 11.4bn."*

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*[1] All numbers in this press release are consolidated, unaudited, according to EU IFRS. This press release shows 2011 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.*

The ČSOB group is the leading player in the Czech financial services industry. The 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 (banks specialized for financing the housing needs) – the ČSOB group holds strong market positions in all segments of the Czech financial market. The ČSOB group builds a strong, long-term partnership with each client, whether in personal and family finance, financing SMEs or corporate finance. The ČSOB group is a good listener who offers suitable solutions, rather than mere products.

In 9M 2012, the ČSOB group's **reported and underlying net profits came in at CZK 11.5bn and 11.4bn** respectively (both +29% Y/Y). The high growth of the net profit is a result of a low reference base in 9M 2011 which was impacted by Greek bond exposure impairment.

**Loan portfolio** further grew and reached CZK 473.6bn at the end of 3Q 2012. The 11% Y/Y growth was mainly driven by corporate loans (+23% Y/Y) and by mortgages (+14% Y/Y). Thanks to growth of current and savings accounts, **group deposits** kept increasing to CZK 626.7bn, i.e. +5% Y/Y.

**Credit costs** in absolute terms increased to CZK 1.1bn, while the **credit cost ratio** remained almost stable at 27bps.

The ČSOB group's total capital ratio stands at 14.6% and the (core) Tier 1 ratio at 12.5% as of 30 September 2012. The loan to deposit ratio stands at 76.0% and the net stable funding ratio at 127.5% as of 30 September 2012.

## P&L Review

**The underlying operating income** slightly increased to CZK 25.4bn, as volume growth was partially offset by a declining net interest margin. The growth of the **net interest income** by 2% Y/Y was driven by a higher volume of customer loans (mainly mortgages and corporate/SME loans). This was partially offset by the lower interest rate environment and balance sheet derisking. The **net fee and commission income** decreased by 9% Y/Y. Excluding the impact of Asset management deconsolidation, NFCI declined by 3% Y/Y partially due to growing fees paid for distribution as a result of improved sales.

**Operating expenses** slightly decreased to CZK 11.4bn, mainly due to lower general administrative expenses. Excluding the impact of Asset management deconsolidation, **staff expenses** grew by 3%, driven by an annual wage adjustment and an increase of number of employees. **General administrative expenses** decreased by 1% Y/Y. The decrease is caused by a lower expenditure in marketing and consultancy, partly offset by higher IT investments and deposit insurance premium linked to higher volumes of deposits.

**The impairments on loans and receivables** reached CZK 1.1mld. Thanks to higher volume of loans, the **credit cost ratio** remained almost stable at 27 bps (Ytd., annualized), which is still below over-the-cycle level.

## Balance Sheet Review

After seven quarters of steady growth, the **loan portfolio** reached CZK 473.6bn at the end of 3Q 2012, i.e. a growth of 11% Y/Y.

**Mortgages** went up by 14% Y/Y to CZK 178.4bn. ČSOB's growth was driven not only by favourable development of interest rates and stable real estate prices but partially also by an increased share of refinanced building savings loans. The portfolio of **building savings loans** decreased by 2% Y/Y to CZK 69.9bn, as people in general preferred mortgages to building savings loans in the low interest rates environment. Nonetheless, **ČMSS's** 9M 2012 new sales are 9% higher compared to the same period last year, as ČMSS was successful in the sale of its products to existing clients. **Consumer finance** increased by 3% Y/Y to CZK 18.9bn. Thanks to strong new sales in consumer finance, ČSOB managed to strengthen its market share in both new sales and outstanding volumes.

Volumes of **SME loans** (which include municipalities and housing cooperatives) ended up 10% above the September 2011 level, at CZK 70.9bn. This led to an improvement of the ČSOB group's market share. Outstanding volumes in **leasing** reached CZK 21.7bn. Despite the Y/Y decline, ČSOB Leasing managed to strengthen its position and became a market leader.

The **corporate loans** have been continuously increasing since February 2011 to reach CZK 109.0bn in 9M 2012. In 2012, the growth was fueled by a rebound in both specialized finance as well as plain vanilla transactions. As a result, ČSOB more than recovered volumes reduced during the quarters impacted by the crisis. From trough, ČSOB's market share in corporate segment increased by more than 4pp and is above 2008 level.

**Group deposits** grew by 5% Y/Y to CZK 626.7bn. The growth was driven by current and savings accounts. Within the total **client deposits**, savings deposits recorded a 5% Y/Y growth. Part of the increase was at the expense of mutual funds (-9% Y/Y). Current accounts increased by 4% Y/Y.
The volume of **building savings deposits** remained stable, despite the uncertainty related to the change of the state subsidy. Despite the 35% Y/Y increase of new contracts and a higher number of client requests to increase their monthly contributions, AUM in **pension fund** decreased Q/Q to CZK 28.5bn, but increased Y/Y.

ČSOB is keeping its No 1 position on the funds market. AUM remained flat at CZK 104.9bn. Increase in new sales was successfully supported by marketing campaign as well as reinvestment of money in the area of capital protected funds. However new sales were lower than outflows as part of clients reduced their positions in the money market funds. AUM in **mutual funds** (capital protected and other mutual funds) decreased by 9% Y/Y.

## Risk Management Review

The **Tier 1 ratio** reached 12.5% as of 30 September 2012, compared to 12.1% as of 30 September 2011. **Liquidity** remained high, the loan to deposit ratio grew to 76.0% as of 30 September 2012 from 72.1% as of 30 September 2011.

**Non-performing loans** (more than 90 days overdue, according to the ČSOB methodology, in line with the KBC group methodology) decreased to 3.8% of gross loans as at 30 September 2012. The **credit cost ratio** (CCR) for 9M 2012 stood at 0.27%, compared to 0.26% for 9M 2011.

In September 2012, the ČSOB group sold the remaining CZK 0.9bn of Italian sovereign exposure. As a result, ČSOB has **no exposure to peripheral Europe**.

Please find more details on the ČSOB group's financial results in the current presentation at: http://www.ČSOB.cz/en/ČSOB/Investor-relations/Stranky/Financial-and-business-results.aspx

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## Consolidated P&L – Reported (EU IFRS)

| (CZK m) | 9M 2011 | 9M 2012 | Y/Y |
|---|---|---|---|
| Operating income | 25,074 | 25,546 | +2% |
| Net interest income | 18,559 | 18,927 | +2% |
| Net fee and commission income | 4,629 | 4,229 | -9% |
| Operating expenses | -11,517 | -11,441 | -1% |
| Impairment losses | -3,286 | -789 | -76% |
| Profit for the period (owners of the parent) | 8,909 | 11,516 | +29% |

## Consolidated P&L – Underlying

| (CZK m) | 9M 2011 | 9M 2012 | Y/Y |
|---|---|---|---|
| Operating income | 24,973 | 25,371 | +2% |
| Net interest income | 18,559 | 18,927 | +2% |
| Net fee and commission income | 4,629 | 4,229 | -9% |
| Operating expenses | -11,517 | -11,441 | -1% |
| Impairment losses | -3,286 | -789 | -76% |
| Profit for the period (owners of the parent) | 8,825 | 11,374 | +29% |