Prague, 9 August 2011

1H 2011 financial results of the ČSOB group[1]

NET PROFIT AT CZK 6.2 BN: VOLUMES AND REVENUES FROM LOANS AND DEPOSITS UP, CREDIT COSTS DOWN

In 1H 2011, ČSOB group reported net profit of CZK 6.209 bn. While the profitability of the loan and deposit business was further growing, an impairment on Greek bonds in the AFS[2] portfolio bit CZK 1.1 bn off the net profit, making it 13% lower than the same period a year ago. Loan portfolio rose four quarters in row to CZK 412.5 bn while the volume of deposits has climbed to CZK 593.5 bn.

Pavel Kavánek, the Chief Executive Officer of ČSOB:

“Net profit from recurring business shows a positive dynamics year on year, however this result was negatively impacted by the one-off impairment on Greek bonds.”

“I am especially pleased that we managed to grow in loans for the fourth consecutive quarter, while further decreasing credit costs. In summary, this year’s second quarter was the strongest among the last ten quarters in terms of business performance.”

---

[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 1H 2011, ČSOB group reported net profit of CZK 6.209 bn. Excluding extraordinary items, such as the revaluation of bonds in the FVPL[3] portfolio and non-hedging derivatives, the 1H 2011 underlying net profit reached CZK 6.125 bn. Note that in line with KBC group-wide methodology, impairments on the AFS portfolio (which includes the Greek bonds) are not treated as extraordinary items but are included in the underlying P&L.

1H 2011 experienced favorable development of business activities:

- **Loan portfolio** has been rising for four consecutive quarters to reach CZK 412.5 bn, while the **volume of deposits** has grown to 593.5 bn.
- **Net interest income** from loans and deposits grew by 9% Y/Y to exceed CZK 10.1 bn.
- **Credit costs** further decreased to half of the 1H 2010 figure.

The profit growth from loan and deposit business was partly mitigated by lower trading result and outweighed by the impairments on Greek sovereign bonds. ČSOB decided to book impairment on those bonds of CZK 1.306 bn impairments (CZK 1.058 bn after tax) in the underlying P&L, which represents impairment to their fair value (market prices) as at 30 June 2011.

In 1H 2011, ČSOB group continued in its investments into ICT and staff, operating expenses grew by 6% Y/Y[4].

P&L Review

Operating income decreased by 1% Y/Y. **Net interest income** (NII) from loans and deposits increased by 9% Y/Y, helped especially by the growing mortgage volumes and retail deposit base. In the opposite direction, there was an effect of decreasing NII from bonds brought along by the investment portfolio de-risking. As a result, NII grew by 2%, while NIM (2Q) slightly increased by 2bps Y/Y to 3.40%. **The net fee and commission income** (NFCI) decreased by 6% Y/Y primarily due to higher payments to the deposit insurance fund by CZK 154 m as the annual deposit insurance premium went up from 10 to 16 bps (effective since mid-2010). Adjusting for this effect, NFCI was flat.

Overall **operating expenses** grew by 6% Y/Y. On a comparable basis, i. e. disregarding the effect of accruals for performance-related bonuses, **staff expenses** increased by 6% Y/Y. This development resulted from the regular annual salary adjustment and the growth of the overall number of employees. **General administrative expenses (GAE)** grew by 6% Y/Y, 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. In addition, an increase of marketing expenses contributed to the growth.

The **costs of credit risk** more than halved Y/Y as the impairments on loans and receivables fell to CZK 755 m. As result, credit cost ratio further contracted to 31 bps. The highest drop of credit costs

[3] *Financial assets designated at fair value through P/L*
[4] *Correction made from 2% to 6% on 11 August 2011*

was recorded by corporate and SME businesses. As the situation in lending to companies continued improving, the number of worsening clients decreased. The decline of credit costs in corporate and SME was also contributed by the fact that already provisioned clients performed better than expected, which was reflected in the release of allowances. Improvement in credit costs is also seen in all areas of retail lending – mortgages, building savings loans and consumer finance.

Effect of the Greek assistance program: ČSOB decided to book CZK 1.306 bn impairments (before tax) on the Greek sovereign bonds with a maturity date before end 2020 held in the AFS portfolio. As required by IAS 39, the AFS bonds are impaired to their fair value (market prices) as at 30 June 2011. The impairment is booked in item impairment on AFS secu-rities of the underlying P&L (i.e. not treated as an extraordinary item).

Balance Sheet Review

In 2Q 2011, **loan portfolio** reached CZK 412.5 bn. The 4% Y/Y growth is the highest since the end of 2008. The second quarter was the fourth showing a consequent growth in loan portfolio. The Q/Q increase of 2% was driven especially by mortgages and corporate loans.

Mortgages went up by 9% Y/Y to 151.6 bn. The mortgage portfolio has been steadily growing. After higher sales in 2H 2010, which reflected rebounding demand for residential real estate, new sales in 1Q 2011 decreased Q/Q due to seasonal effect. However in Y/Y comparison, 1Q new sales were growing. The growth continued in 2Q 2011 supported by favorable development of interest rates, stable real estate prices, and increased occurrence of housing loans' refinancing by mortgages. **Building savings loans** increased Y/Y to CZK 72.0 bn. With client preference in financing housing needs shifting to the mortgages, the whole market of building savings loans experienced a significant fall in new sales. ČMSS decreased less than the market. **Consumer loans** increased by 4% Y/Y to CZK 18.3 bn, driven mainly by credit cards.

SME loans decreased by 3% Y/Y to 63.7 bn. In 2Q 2011, the outstanding volumes repeated the 1Q growth of ca. CZK 400m, driven especially by new sales of investment loans which almost trippled Q/Q. **Leasing** declined by 14% Y/Y to CZK 22.0 bn.

The second quarter of 2011 is the fourth in a row showing the increase in **corporate loans** volumes. Y/Y the outstandings grew by 9% to CZK 80.8 bn. Generally, it is explained by revival of Czech companies after the macroeconomic slowdown. At ČSOB, the increase is due to acquisitions of new corporate clients. Both operational and investment financing grew; new sales are significantly up (by 83% Y/Y including guarantees).

Group deposits increased by 2% Y/Y to CZK 593.5 bn, while growth was recorded across all major products – client deposits, building savings deposits and pension funds. The largest contributor to the growth were client deposits (CZK +6.4 bn, +1% Y/Y), in which saving deposits recorded a 17% Y/Y growth. About half of the increase can be attributed to an inflow from term deposits which decreased by 30% Y/Y. Current accounts decreased by 3% Y/Y. AUM in both ČSOB **pension funds** kept increasing Q/Q and reached CZK 28.1bn.

In **mutual funds**, ČSOB still keeps the first position on the market, however the AUM in mutual funds decreased by 2% Q/Q and 13% Y/Y. New sales of mutual funds in 2Q 2011 reached CZK 5.0

bn, which represents 25% Y/Y growth. The main drivers were bond funds and mixed funds among other mutual funds, new sales in both categories more than doubled Y/Y. Outflows from ČSOB's money market funds continued, though at lower rate than in 1Q 2011. As for capital protected funds, the re-investment ratio of maturing CPFs showed further improvement.

Risk Management Review

Total capital ratio reached 15.99% as at 30 June 2011, compared to 16.26% as at 30 June 2010. **Liquidity** further increased with the loan to deposit ratio declining to 71.0% as of 30 June 2011 from 69.0% 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 4.04% of gross loans as at 30 June 2011. **Credit cost ratio** (CCR) for 1H 2011 stood at 0.31%, compared to 0.75% for 1H 2010.

Awards for the ČSOB group in 2011

ČSOB as a whole

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

Named Best Bank Czech Republic in 2010 by EMEA Finance magazine

Named the best bank in the Czech Republic by Euromoney magazine

Selected business areas

Postal Savings Bank	ČSOB Leasing	Trade Finance	Foreign Exchange	Acquisition Finance
Named the most client friendly bank in the Czech Republic *(contest organized by the Economic News daily)*	Named best in the Czech Republic in both leasing categories – retail and SME *(Zlata koruna contest)*	Named best 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

Analysts contact:
Ondřej Vychodil, Head of Investor Relations
investor.relations@csob.cz; 224 114 106

Media contact:
Ivo Měšťánek, Head of External Communication
ivmestanek@csob.cz; 224 114 107

Consolidated P&L – Reported (EU IFRS)

(CZK m)	1H 2010	1H 2011	Y/Y
Interest income	*16 159*	*16 228*	*0%*
Interest expense	*-4 142*	*-3 961*	*-4%*
Net interest income	12 017	12 267	+2%
Net fee and commission income	2 814	2 648	-6%
Net gains from financial instruments at FVPL*	714	1 043	+46%
Other operating income*	1 081	445	-59%
Operating income	**16 626**	**16 403**	**-1%**
Staff expenses	-3 014	-3 287	+9%
General administrative expenses	-3 288	-3 476	+6%
Depreciation and amortisation	-525	-467	-11%
Operating expenses	**-6 827**	**-7 230**	**+6%**
Impairment losses	-1 787	-2 040	14%
Impairment on loans and receivables	*-1 726*	*-755*	*-56%*
Impairment on available-for-sale securities	*0*	*-1 277*	*N/A*
Impairment on other assets	*-61*	*-8*	*N/A*
Share of profit of associates*	134	90	-33%
Profit before tax	**8 146**	**7 223**	**-11%**
Income tax expense*	-961	-955	-1%
Profit for the period	**7 185**	**6 268**	**-13%**
Attributable to:			
Equity holders of the parent	**7 140**	**6 209**	**-13%**
Minority interest	45	59	+31%

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)	1H 2010	1H 2011	Y/Y
Interest income	*16 159*	*16 228*	*0%*
Interest expense	*-4 142*	*-3 961*	*-4%*
Net interest income	12 017	12 267	+2%
Net fee and commission income	2 814	2 648	-6%
Net gains from financial instruments at FVPL*	838	941	+12%
Other operating income*	752	445	-41%
Operating income	**16 421**	**16 301**	**-1%**
Staff expenses	-3 014	-3 287	+9%
General administrative expenses	-3 288	-3 476	+6%
Depreciation and amortisation	-525	-467	-11%
Operating expenses	**-6 827**	**-7 230**	**+6%**
Impairment losses	-1 787	-2 040	14%
Impairment on loans and receivables	*-1 726*	*-755*	*-56%*
Impairment on available-for-sale securities	*0*	*-1 277*	*N/A*
Impairment on other assets	*-61*	*-8*	*N/A*
Share of profit of associates*	134	88	-34%
Profit before tax	**7 941**	**7 120**	**-10%**
Income tax expense*	-919	-936	+2%
Profit for the period	**7 022**	**6 184**	**-12%**
Attributable to:			
Equity holders of the parent	**6 977**	**6 125**	**-12%**
Minority interest	45	59	+31%

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	30/06 2011	Ytd
Cash and balances with central banks	21 164	35 164	+66%
Financial assets held for trading	173 810	158 219	-9%
Financial assets designated at fair value through P/L	11 132	11 025	-1%
Available-for-sale financial assets	102 521	88 673	-14%
Loans and receivables - net	399 741	419 143	+5%
Loans and receivables to credit institutions - gross	*14 137*	*19 792*	*+40%*
Loans and receivables to which other than credit institutions - gross	*397 445*	*410 762*	*+3%*
Allowance for impairment losses	*-12 466*	*-12 387*	*-1%*
Accrued interest income	*625*	*976*	*+56%*
Held-to-maturity investments	150 240	146 604	-2%
Derivatives used for hedging	9 437	10 424	+10%
Current tax assets	39	62	+59%
Deferred tax assets	488	304	-38%
Investments in associate	1 163	1 249	+7%
Investment property	713	693	-3%
Property and equipment	8 057	7 992	-1%
Goodwill and other intangible assets	3 625	3 535	-2%
Non-current assets held-for-sale	140	150	+7%
Other assets	2 785	2 580	-7%
Total assets	**885 055**	**885 817**	**0%**

Consolidated Balance Sheet – Liabilities and Equity (EU IFRS)

(CZK m)	31/12 2010	30/06 2011	Ytd
Financial liabilities held for trading	21 096	19 472	-8%
Financial liabilities at fair value through P/L	117 774	130 571	+11%
Financial liabilities at amortised cost	663 418	659 803	-1%
of which Deposits received from credit institutions	*30 442*	*27 517*	*-10%*
of which Deposits received from other than credit institut.	*596 078*	*593 496*	*0%*
of which Debt securities in issue	*24 105*	*25 097*	*+4%*
of which Subordinated liabilities	*11 974*	*11 976*	*0%*
of which Accrued interest expenses	*819*	*1 717*	*+110%*
Derivatives used for hedging	5 567	5 141	-8%
Current tax liabilities	1 203	545	-55%
Deferred tax liabilities	830	950	+14%
Provisions	651	620	-5%
Other liabilities	8 676	13 035	+50%
Total liabilities	**819 215**	**830 137**	**+1%**
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	19 098	-38%
Available-for-sale reserve	2 422	2 830	+17%
Cash flow hedge reserve	-2	791	+/-
Foreign currency translation reserve	0	-1	N/A
Parent shareholders' equity	**65 031**	**54 769**	**-16%**
Minority interest	809	911	+13%
Total equity	**65 840**	**55 680**	**-15%**
Total liabilities and equity	**885 055**	**885 817**	**0%**