



FY 2008 Results
ČSOB Group
Czech Republic

IFRS Unaudited Consolidated
12 February 2009, Prague



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Highlights



ČSOB Group Results 2008

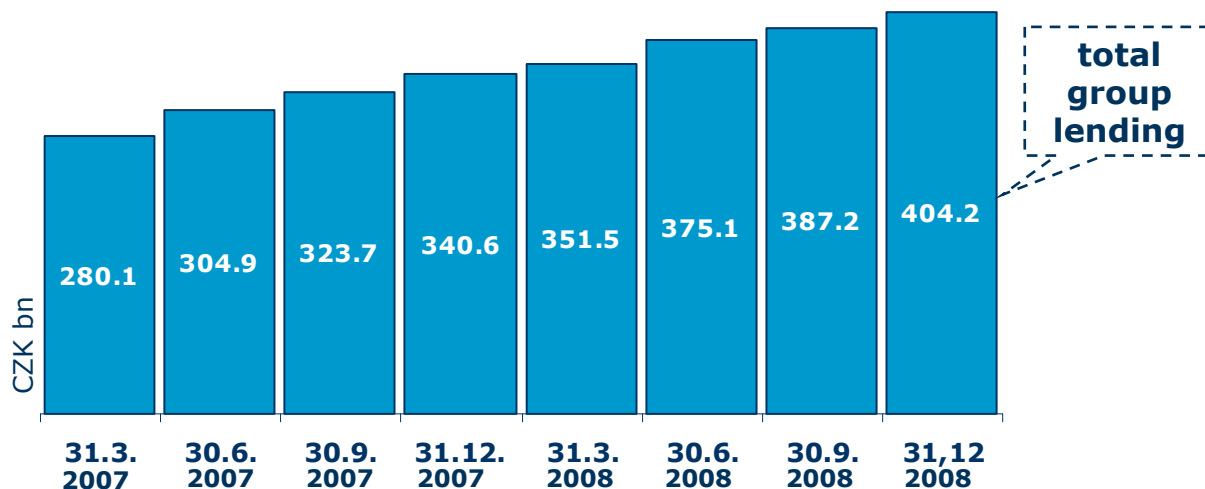
Highlights

- ČSOB group increased its loan portfolio by 19% Y/Y (4% Q/Q), while total AUM and deposits remained flat.
- ČSOB group reconfirmed its strong liquidity position with loan/deposit ratio at 72%.
- As a consequence of global financial crisis, ČSOB group revalued the whole CDO portfolio to zero (CZK 8.5bn net effect) and created provisions of CZK 804m on its exposure to Lehman Brothers and Icelandic banks.
- Despite these measures, ČSOB group reports 2008 net profit of CZK 1.0bn. Underlying net profit increased by 22% Y/Y and reached CZK 12.7bn.
- Solvency remains strong with consolidated CAD of 10.31%. Solvency ratio of ČSOB Insurance reached 193%.
- Net interest income (NII) showed a strong Y/Y growth of 14%. Net fee and commission income (NFCI) was up by 2%. All in all, underlying operating income increased by 15%.
- The 7% increase of operating expenses was kept at the level of inflation.
- Underlying cost/income ratio is at 46.6%.

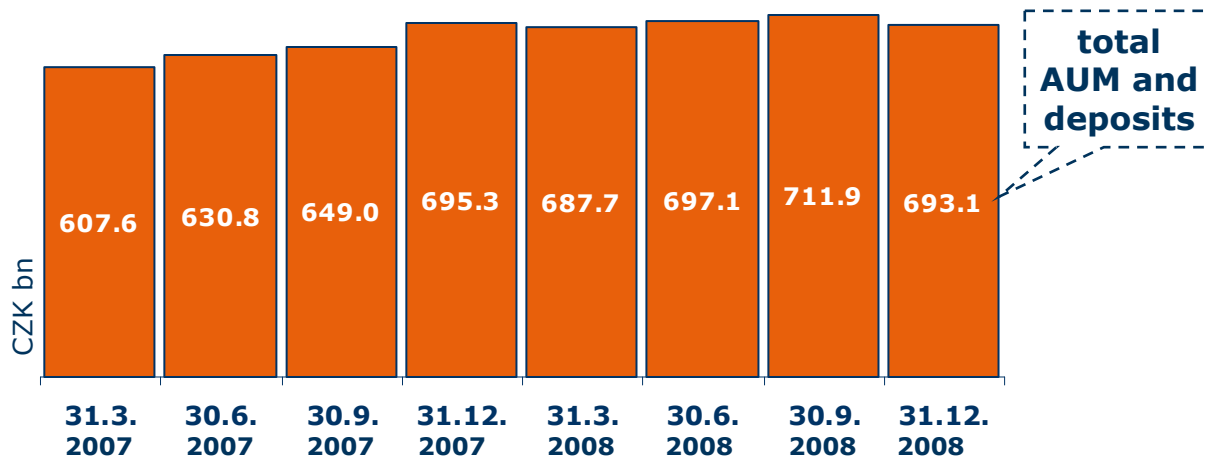


Business Highlights

Steady growth of both sides



Total group lending rose by 19% Y/Y (+4% Q/Q) and reached CZK 404.2bn. This strong Y/Y rise is a result of growth in all segments, especially housing loans (+25%) and SME loans (+17%).

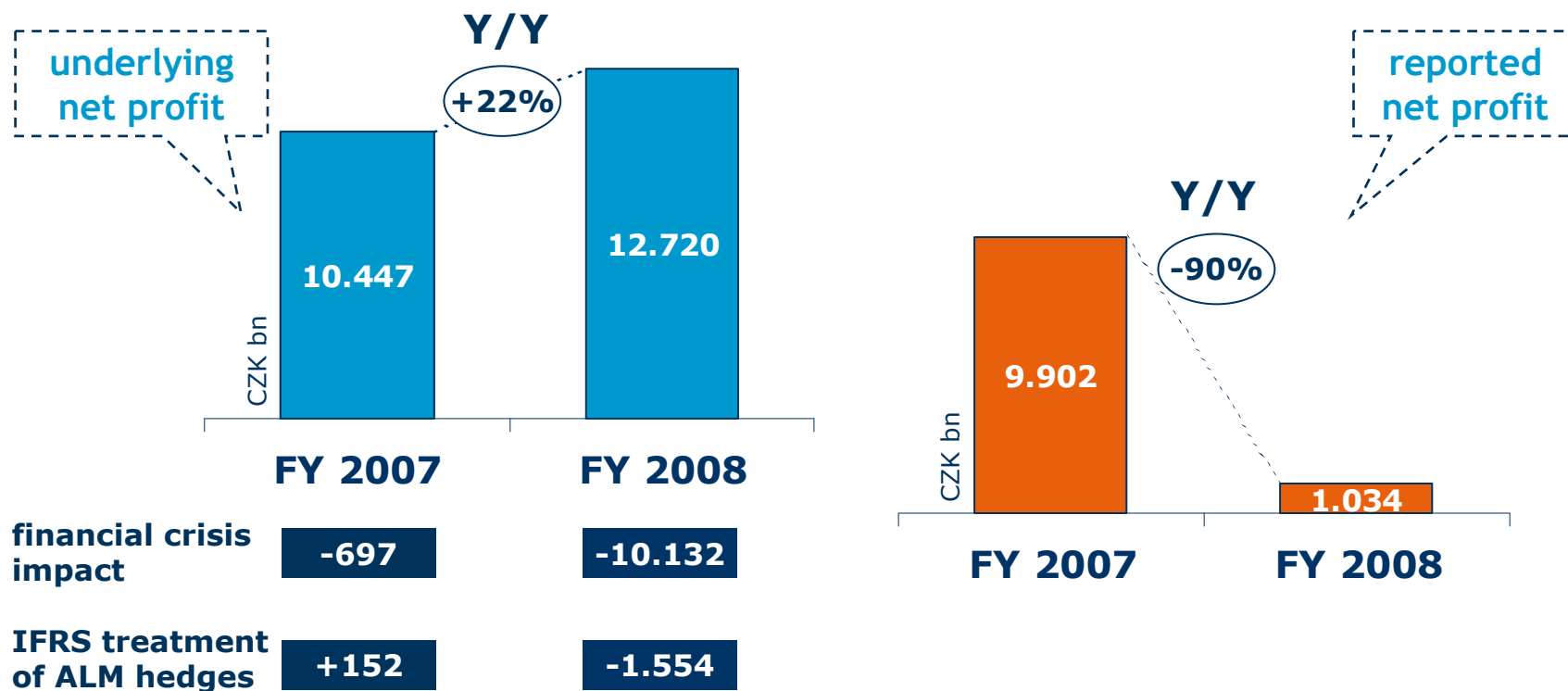


Total AUM and deposits remained flat Y/Y slightly below CZK 700bn. The decrease in 4Q was driven especially by lower performance of mutual funds due to adverse development on financial markets.



Net profit

Underlying vs. Reported



Note: Unless stated otherwise, 2007 figures in this presentation are reclassified and exclude Slovak operations to have a relevant basis for a Y/Y comparison.



Financial Crisis Impact

Transparent measures made in 2008

(CZK m)	Impact on net profit in 2008	Comment
CDO portfolio	-8,509	Revaluation of the whole portfolio to zero (ca 80% revalued by 3Q, all remaining part in 4Q)*
Icelandic banks exposure	-512	Creation of provisions (in 4Q)
Lehman Brothers exposure	-292	Creation of provisions (in 3Q & 4Q)
Pension funds' AFS portfolio	-819	Impairment acc. to IFRS on listed AFS shares in PFs (in 4Q)
Total financial crisis impact	-10,132	

After conservative mark-down to zero, the CDO portfolio cannot have further negative effects on ČSOB results in the periods to come.

Note: * In 2007, CDO portfolio revaluation had a CZK -697m effect on net profit.



Financial Ratios

Consolidated

	2007	2008
C/I ratio (reported)	51.1%	78.3%
C/I ratio (underlying)	49.5%	46.6%
NIM	2.81%	2.85%
ROAC (underlying)	39.0%	40.1%

Underlying C/I further decreased Y/Y.

ČSOB group's business model brings high profitability.

	31/12/07	31/12/08
L/D ratio*	63.8%	72.3%
CAD group (Basel II)	10.49%	10.31%
Solvency margin	177%	193%

Liquidity and capital adequacy positions remain at very high levels.

Note: *L/D ratio as of end-2008 is according to KBC group's new methodology.

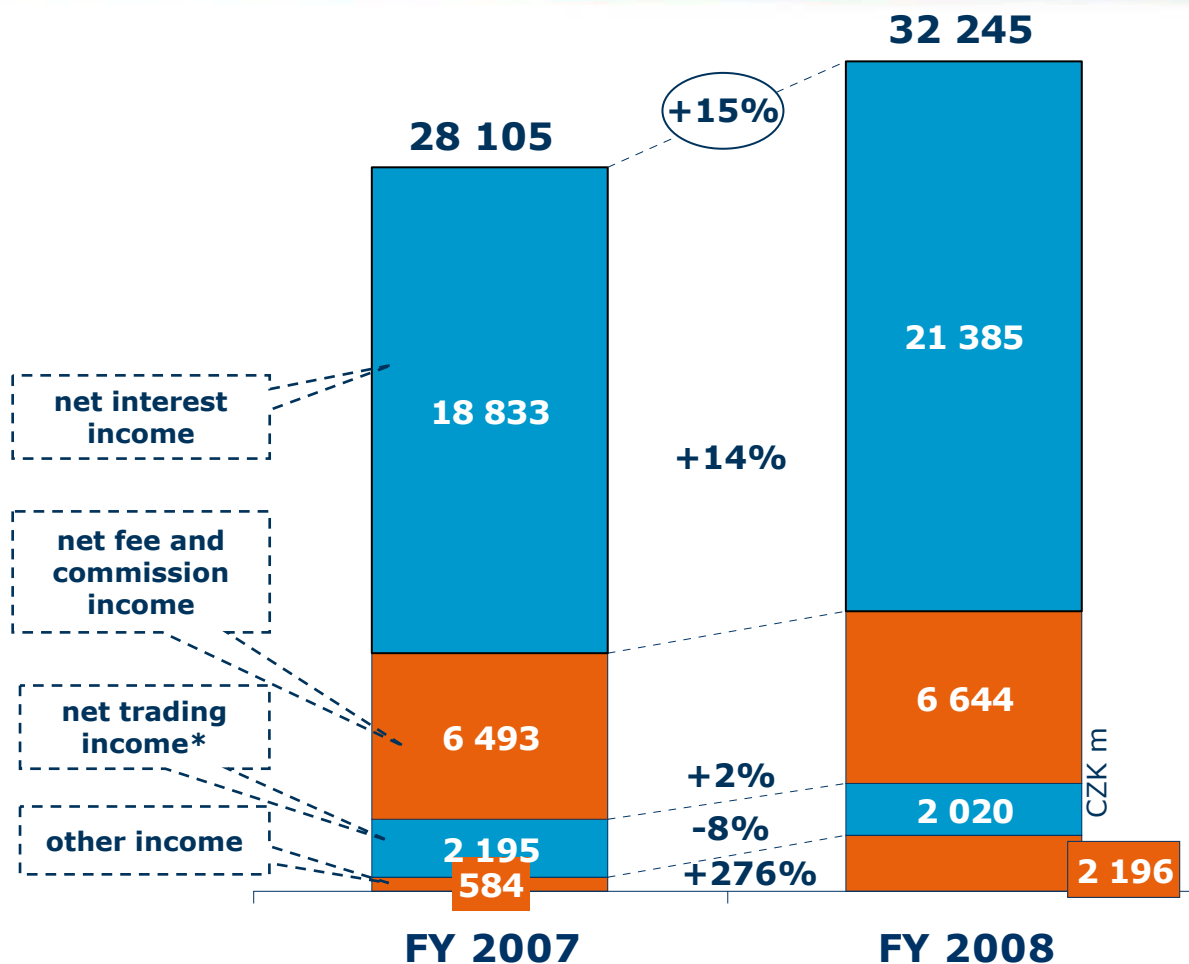


Financial Situation



Operating Income

Underlying, net of portfolio mark-downs



Underlying operating income increased by 15% to CZK 32,245m.

The main driver of increase was NII (see next slide).

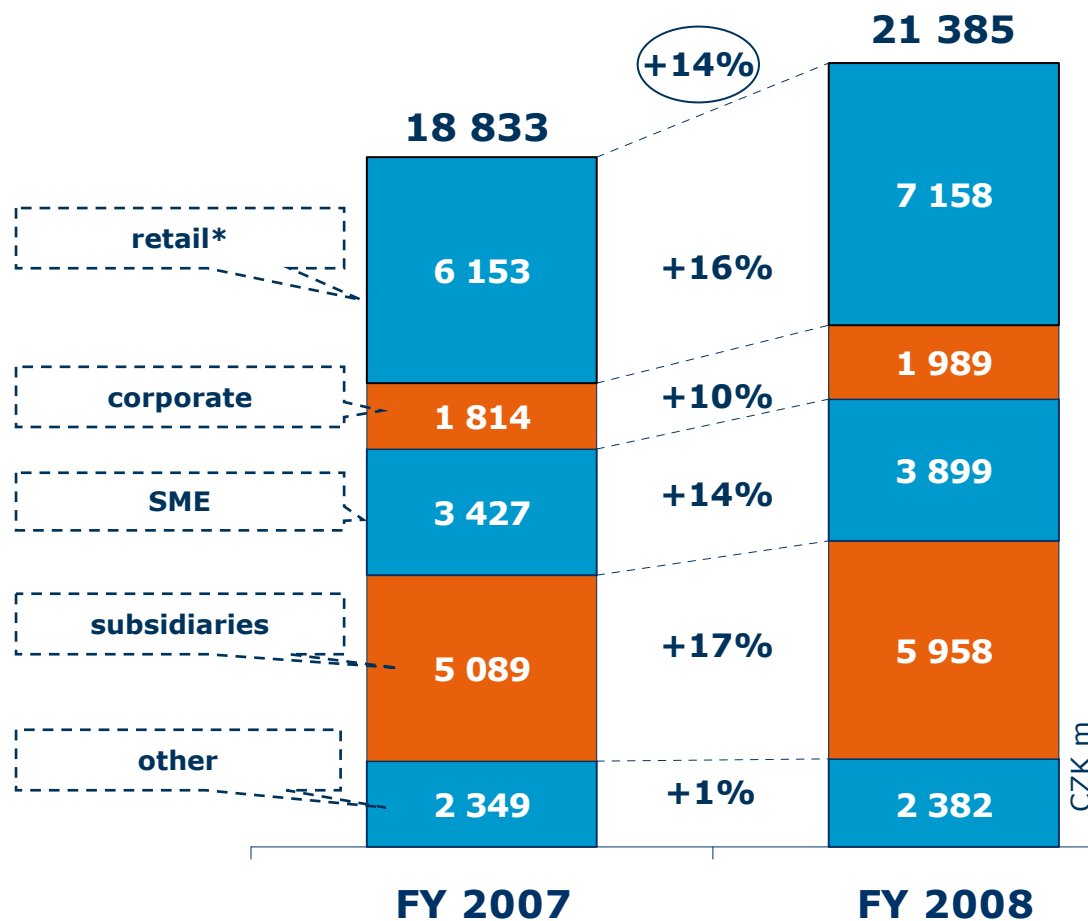
NFCI increased slightly. The growth from number of transactions was offset by lower sales fees from mutual funds.

NTI = Net gains from financial instruments at fair value through P/L, excl. CDO mark-downs.



Net Interest Income

The main driver of profitability



Net interest income increased by CZK 2,552m Y/Y (+14%) and significantly contributed to the increase of operating income.

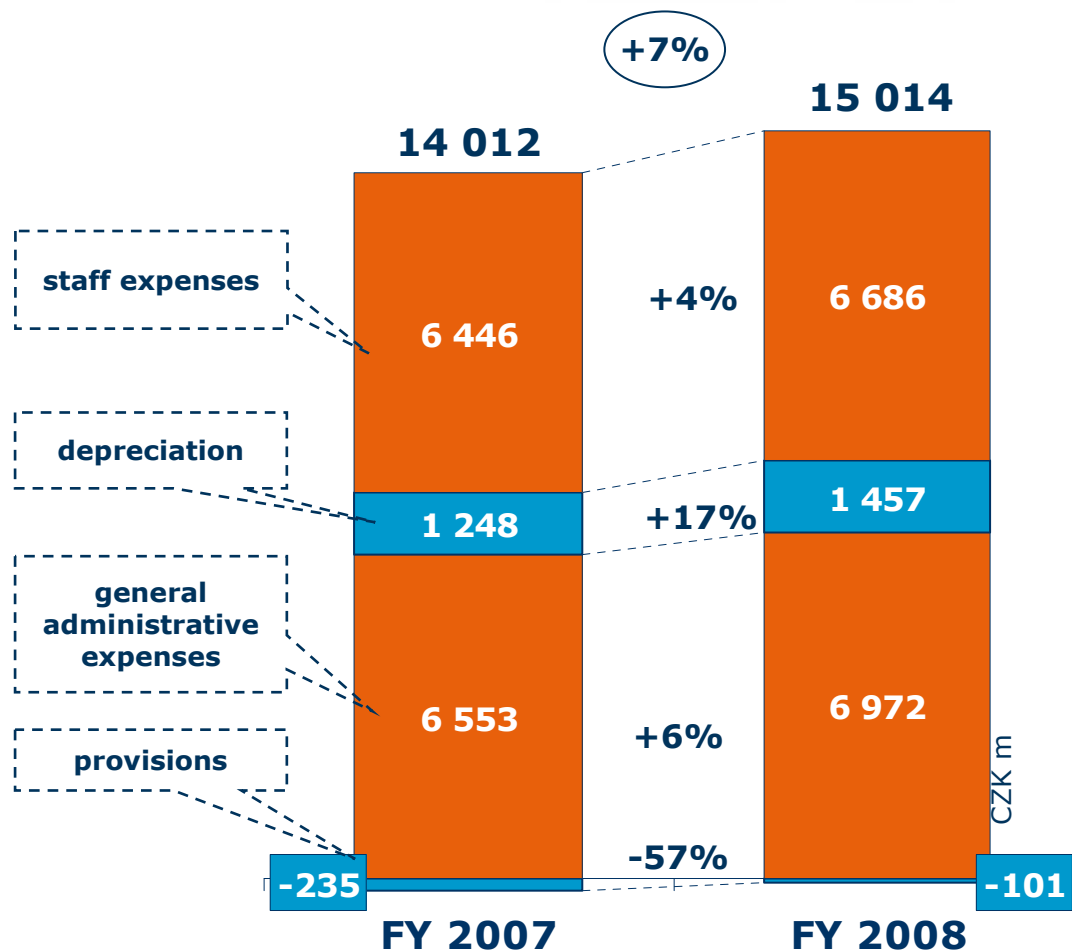
All segments of ČSOB group recorded double-digit growth in net interest income.

Note:
* ČSOB and PSB



Operating Expenses

Copying inflation rate



In an environment with 6.3% inflation, operating expenses increased by 7.2% Y/Y.

Increase of personnel expenses a result of higher numbers of FTEs and higher base salaries since July 2008.

The increase of GAE in 2008 was driven by fees paid to Czech Post, communication expenses (incl. data network), and marketing.

Increase in depreciation is a result of additional investment in IT technology.



Strong Capital Position

Consolidated (CZK m)	31/12/07 CZ+SK	31/12/07 CZ (pro forma)	31/12/08 CZ only
Total regulatory capital	48,631	39,951	41,743
- Tier 1 Capital	37,751	38,383	42,140
- Tier 2 Capital	12,007	12,007	11,967
- Deductions from Tier 1 and Tier 2	-1,127	-10,439	-12,364
Total capital requirement	36,284	30,461	32,379
- Credit risk (IRB approach)	31,540	26,289	26,474
- Market risk (internal model)	1,151	1,051	2,501
- Operational risk (standardized approach)	3,593	3,121	3,404
Total RWA	453,550	380,759	404,733
Tier I ratio	8.20%	8.71%	8.88%
CAD	10.72%	10.49%	10.31%

Notes:

RWA (risk weighted assets) = total capital requirement / 0.08

Tier 1 capital = share capital + share premium + legal reserve funds + retained earnings – goodwill – intangible assets

Tier 2 capital = subordinated debt

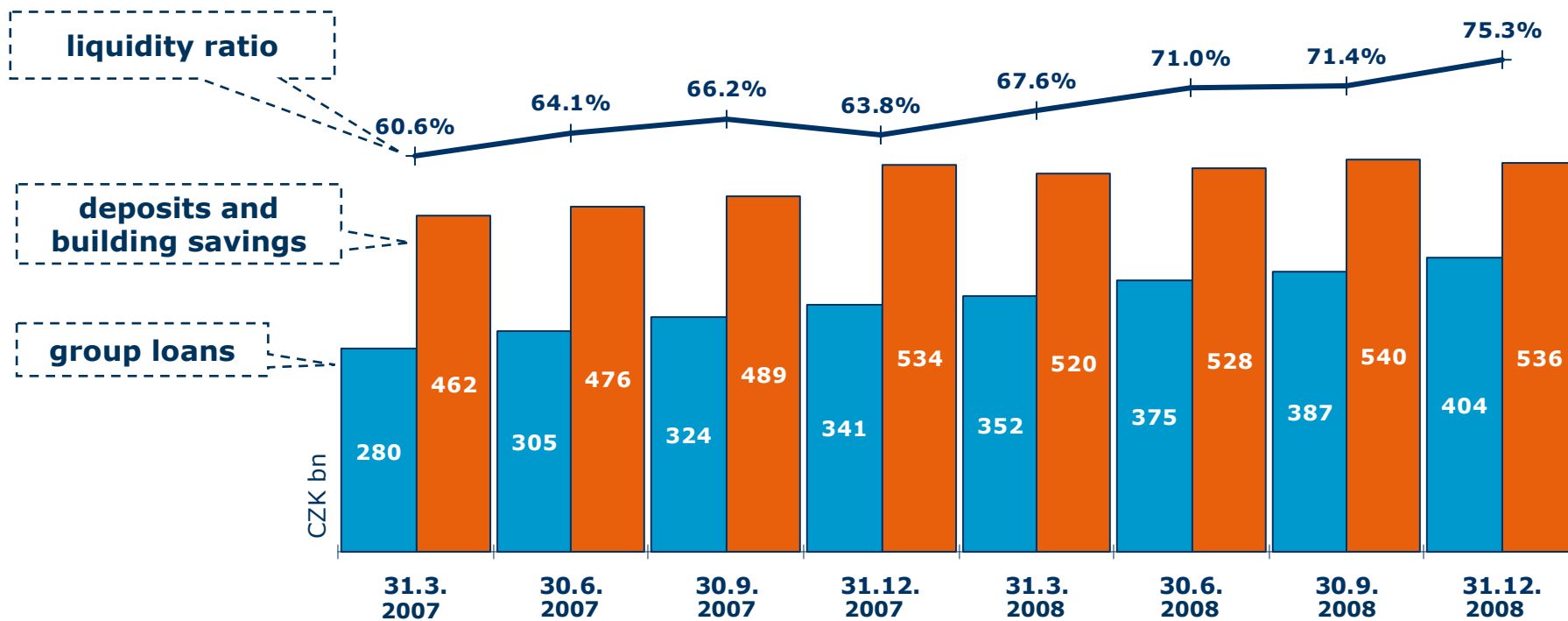
Total regulatory capital = Tier 1 + Tier 2 – deductions (mainly participation in ČSOB SK)

Tier 1 ratio = (Tier 1 capital – 0.5*deductions) / (total capital requirement / 0.08)



Ample Liquidity

	31/03/07	30/06/07	30/09/07	31/12/07	31/03/08	30/06/08	30/09/08	31/12/08
Deposits & building savings minus group loans (CZK bn)	182.1	171.0	165.0	193.4	168.8	153.3	155.0	132.3





Quality of Loan Portfolio

IFRS, consolidated, gross figures

(CZK bn)	31/12/07	31/03/08	31/06/08	30/09/08	31/12/08
Total group lending	340.64	351.52	375.07	387.20	404.20
- of which, NPLs	5.47	5.78	6.96	7.81	8.90
NPLs / total loans	1.61%	1.64%	1.86%	2.02%	2.20%
Loan-Loss Ratio	0.18%	0.24%	0.24%	0.45%	0.56%

The increase of NPLs during 2008 remains under control. Delinquency on the retail portfolio, including mortgages and other housing loans, remained unchanged during the year.

Note:

NPL (non-performing loans) = loans for which principal repayments or interest payments are more than 90 days overdue.



Business Development



Total Group Lending rised by one-fifth

(CZK bn)	31/12/2007	31/12/2008	Change Y/Y
Total group lending*	340.6	404.2	+19%
Retail - Housing loans**	160.2	199.5	+25%
- mortgages (HB+ČSOB+PSB)	80.4	98.7	+23%
- building loans (ČMSS 55%)	43.8	55.4	+26%
Retail - Consumer lending	12.1	15.4	+27%
SME loans	58.9	68.9	+17%
Corporate loans	94.1	100.2	+6%
Leasing	33.8	37.3	+10%

Quality of loan portfolio remains good

NPL / Total group lending

2.20%

Loan-Loss Ratio

0.56%

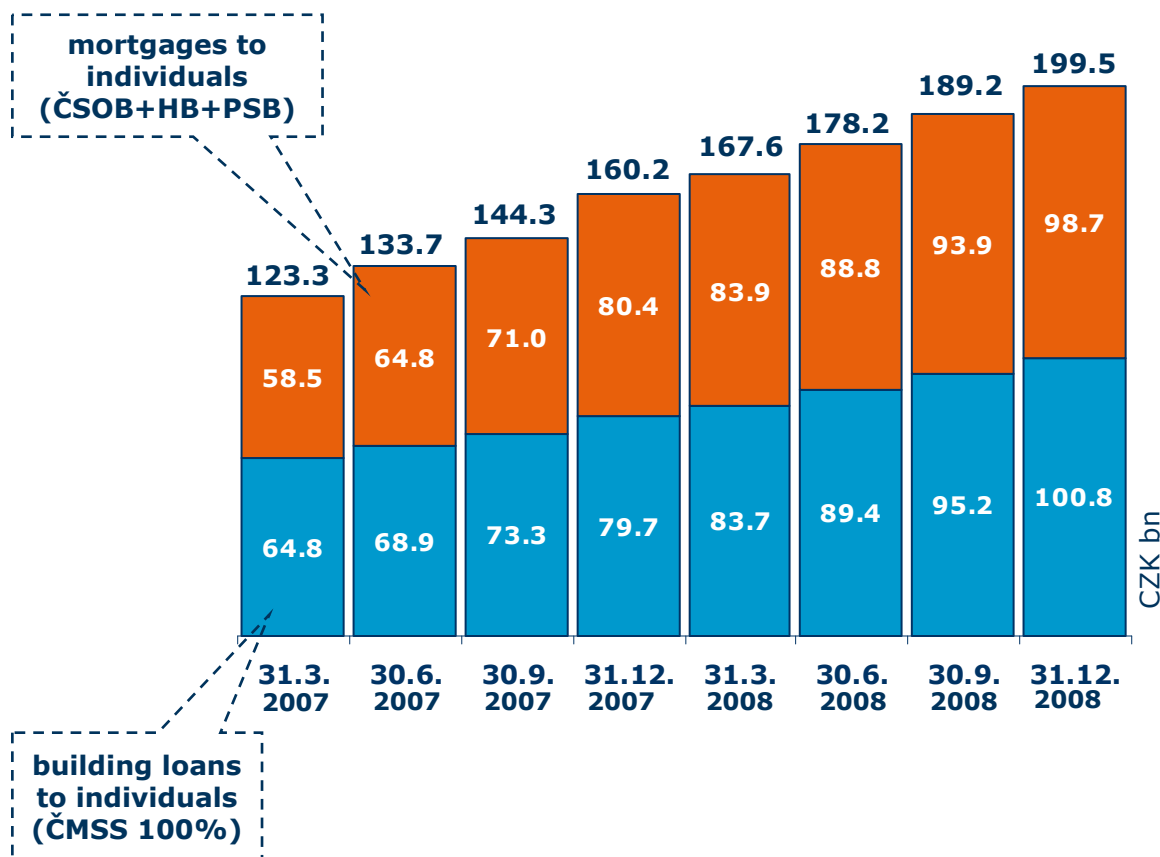
Note:

* Total group lending (outstanding amount) = loan portfolio according to IFRS excluding reverse repo transactions, nostro and loro accounts, money market placements with banks, trade receivables and bonds classified in LAR portfolio after intercompany eliminations (ČMSS 55%).

** Housing loans = mortgages + building loans (ČMSS 100%)



Housing Loans



The volume of housing loans neared CZK 200bn (+25% Y/Y, resp. +5% Q/Q).

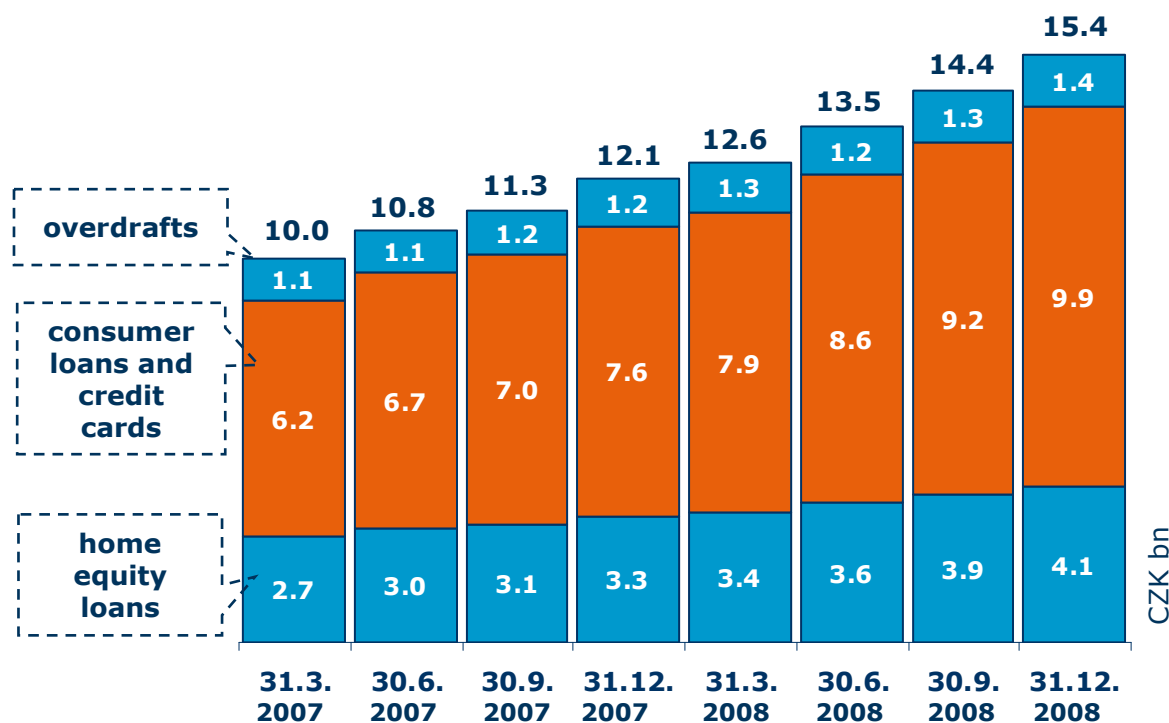
Mortgages increased Y/Y by 23%, building loans by 26%.

ČMSS further strengthened its top position in the market. One in five Czech citizens is a client of ČMSS. Over its 15 year history, one in four Czech houses/apartments was co-financed by ČMSS.

While the entire mortgage market decreased in 2008 by 20%, new sales of ČSOB group's mortgages remained flat.



Consumer Lending



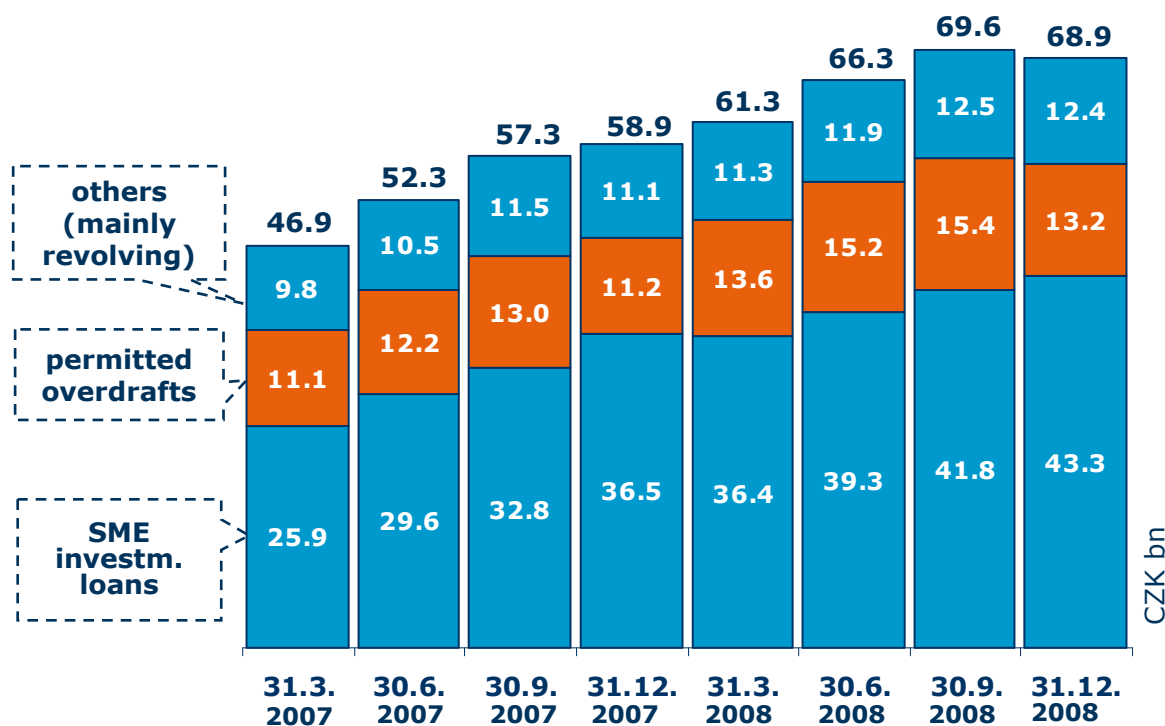
Consumer lending, excl. Housing loans, rose by 27% Y/Y (resp. 7% Q/Q) and exceeded the amount of CZK 15bn.

The main driver of Y/Y growth were consumer loans and credit cards with a Y/Y growth of 30%.

As of 31 December 2008, ČSOB had issued approx. 100,000 credit cards.



SME Lending



In 2008, SME loans were the second largest contributor to the loan growth after housing loans.

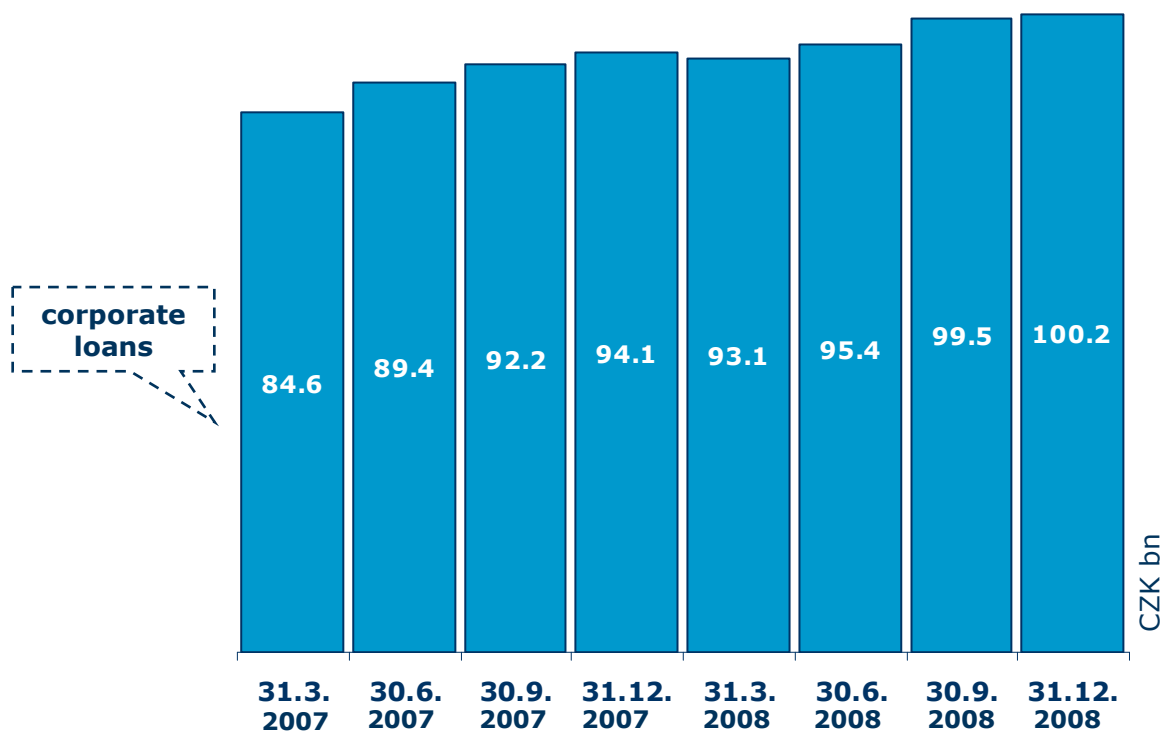
SME lending reached CZK 68.9bn and increased Y/Y by 17%.

Outstandings of investment loans have been steadily growing throughout the year.

Reduction in overdrafts and revolving in 4Q 2008 reflects lower demand of Czech firms for working capital.



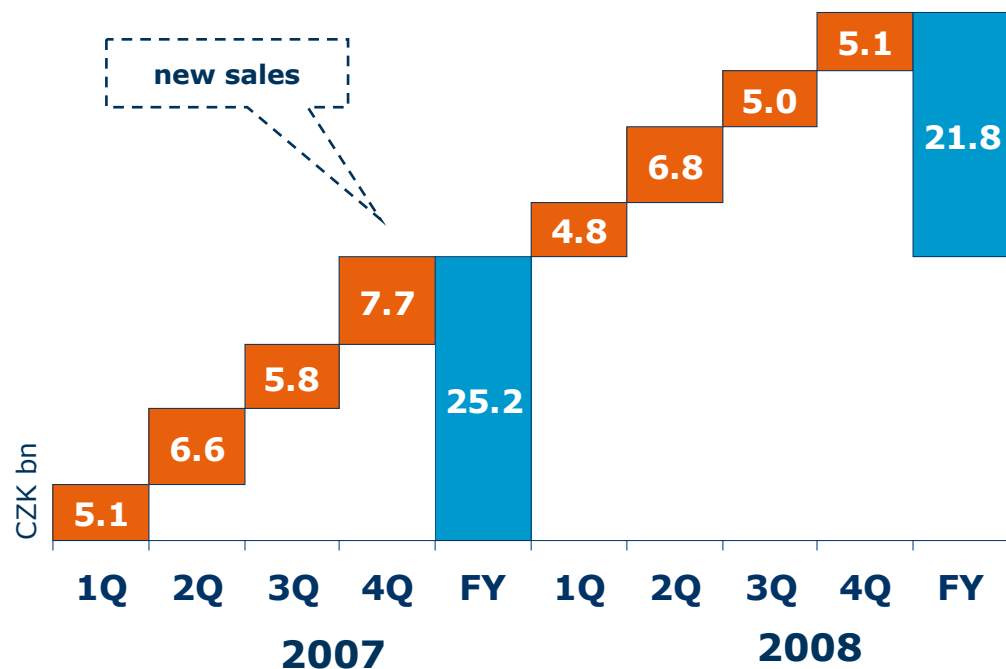
Corporate Lending



The volumes of outstanding corporate loans increased Y/Y by 6% and equaled CZK 100.2bn at the end of the year 2008.



Leasing



In 2008, new turnover of ČSOB Leasing equalled CZK 21.8bn. Outstanding loans and leases expanded by 10% Y/Y.

The entire leasing market decreased in 2008 as the growth of Czech economy slowed down, which brought lower business investments and household expenditures.

In the first three quarters of 2008, the entire leasing market fell 14.8% Y/Y.



Total AUM and Deposits at a Glance

Clients' trust leads to increases across in all products

(CZK bn)	31/12/2007	31/12/2008	Change Y/Y
Total AUM and Deposits	695.2	693.1	-0%
Deposits	458.6	457.2	-0%
Building savings (ČMSS 55%)	75.4	79.3	+5%
Mutual funds and asset management*	141.6	133.8	-5%
Pension Funds	19.7	22.7	+15%

Despite global financial crisis, total AUM and deposits remained flat in 2008 at a level slightly below CZK 700bn.

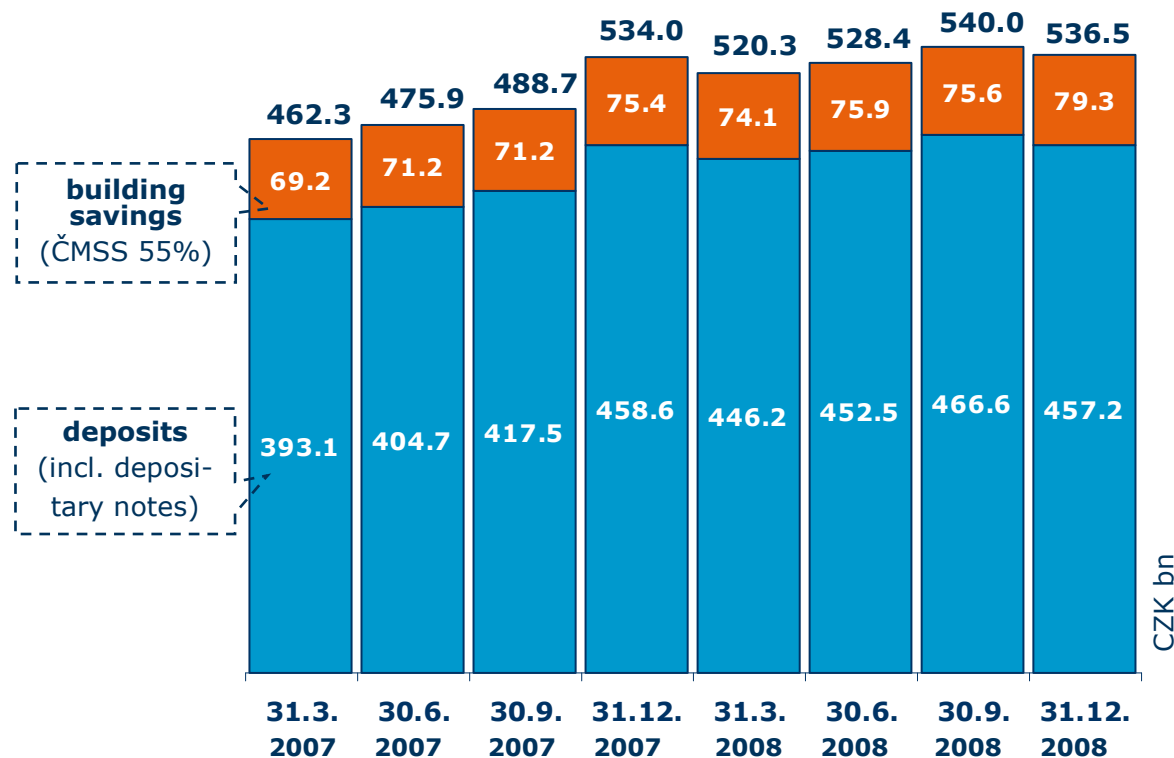
Amount of deposits was flat Y/Y as business deposit growth was offset by decrease of non-banking short-term MM deposits. Building savings continued growing.

While AUM in mutual funds and AM decreased due to financial market decline by 5% Y/Y, AUM in ČSOB PFs increased by 15% Y/Y and reached CZK 22.7bn.

Note: * Mutual funds and asset management = mutual funds (incl. institutional) + individual discretionary asset management + institutional asset management (excl. pension funds).



Deposits and Building Savings

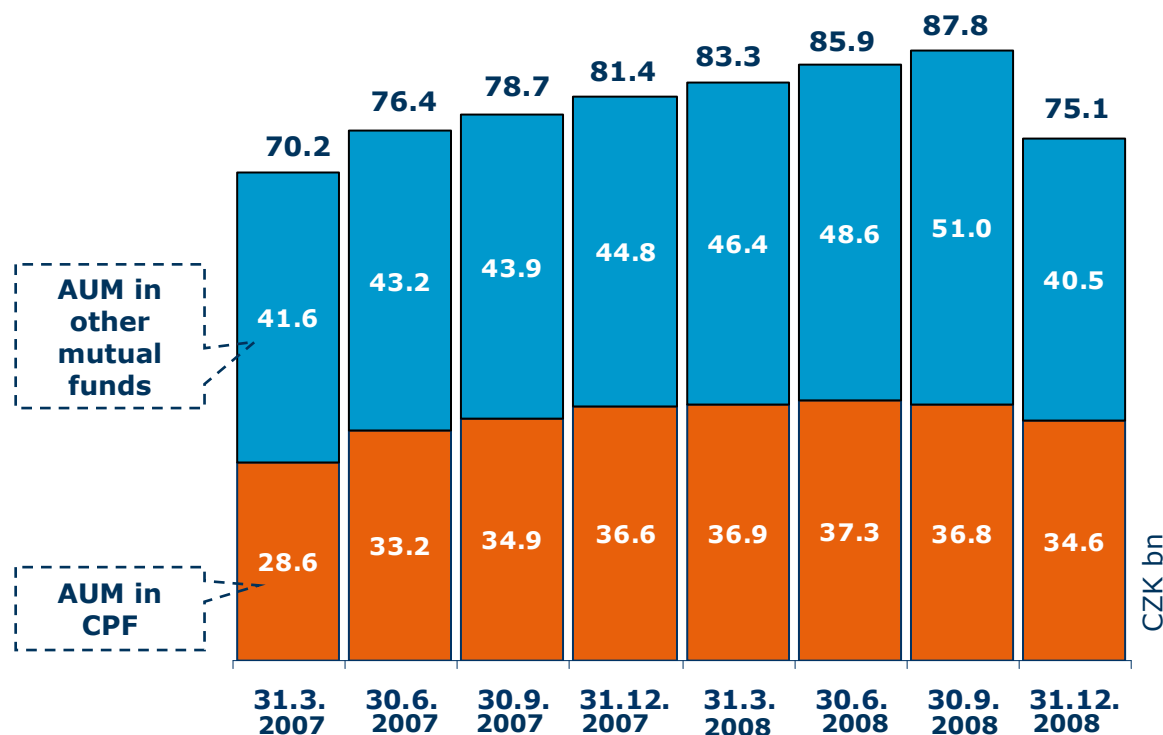


Amount of deposits was flat Y/Y as business deposit growth was offset by decrease of non-banking short-term money market deposits.

Building savings recorded 5% Y/Y growth, with the strongest dynamics towards the end of the year.



Mutual Funds



ČSOB is long-term Czech No. 1 in capital protected funds (ca 2/3 of the market). CPFs prove to absorb global financial turmoils better than other mutual funds.

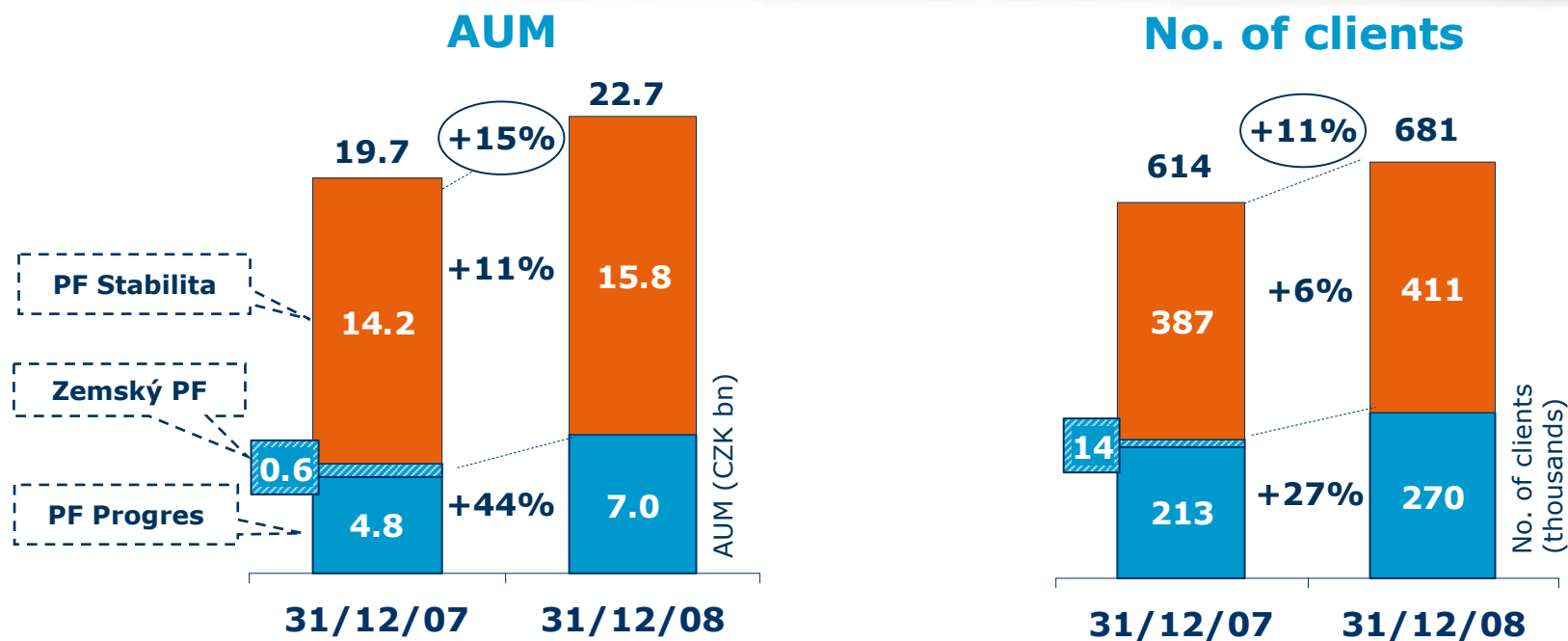
The „after-icelandic“ nervousity among Czech clients resulted in the outflow from money market funds. AUM in ČSOB’s money market funds decreased in 4Q 2008 by CZK 7.6 bn.

The remaining part of the Q/Q decline in mutual funds’ AUM was caused especially by the fall of stock prices and other assets prices.

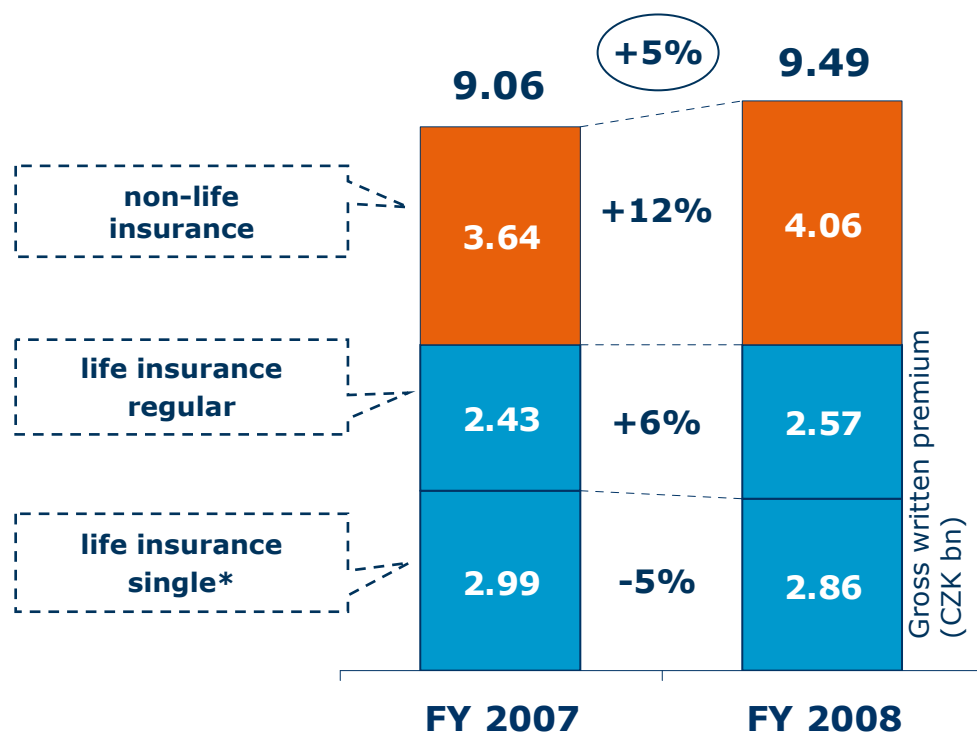
Note: Figures include direct positions only



Pension Funds



As at 31 December 2008, ČSOB PFs had 681,000 clients (No. 3 in the market) and the AUM has reached CZK 22.7bn, i.e. 11% and 15% Y/Y increase.



Non-life gross written premium increased by 12% Y/Y to CZK 4.06bn; the increase was evenly spread across all product groups.

Life gross written premium suffered indirectly from turbulences on financial markets and staid flat at 5,42bn, because of lower sales in single life insurance.

Note: * Incl. single paid premium connected to regularly paid policy (in line with the methodology of Czech Insurance Association).



Bancassurance and Product Penetration

High sales of insurance linked to retail banking products

Bancassurance

Life insurance / ČSOB mortgages

Property insurance / ČSOB mortgages

Consumer loans insurance / ČSOB consumer loans

2007

68%

2008

69%

75%

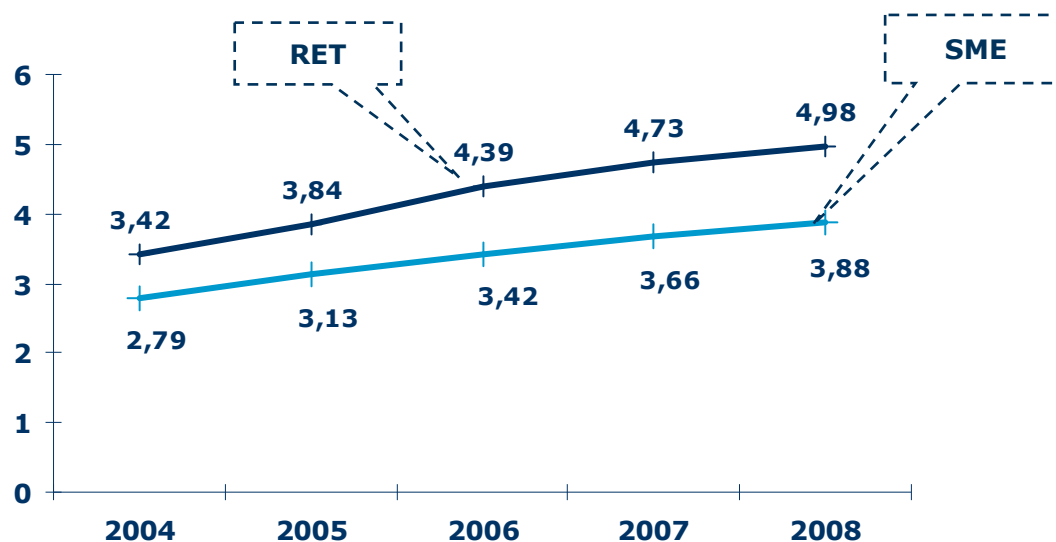
88%

77%

78%

Note: number of new contracts insured / all insurable

Penetration ratios



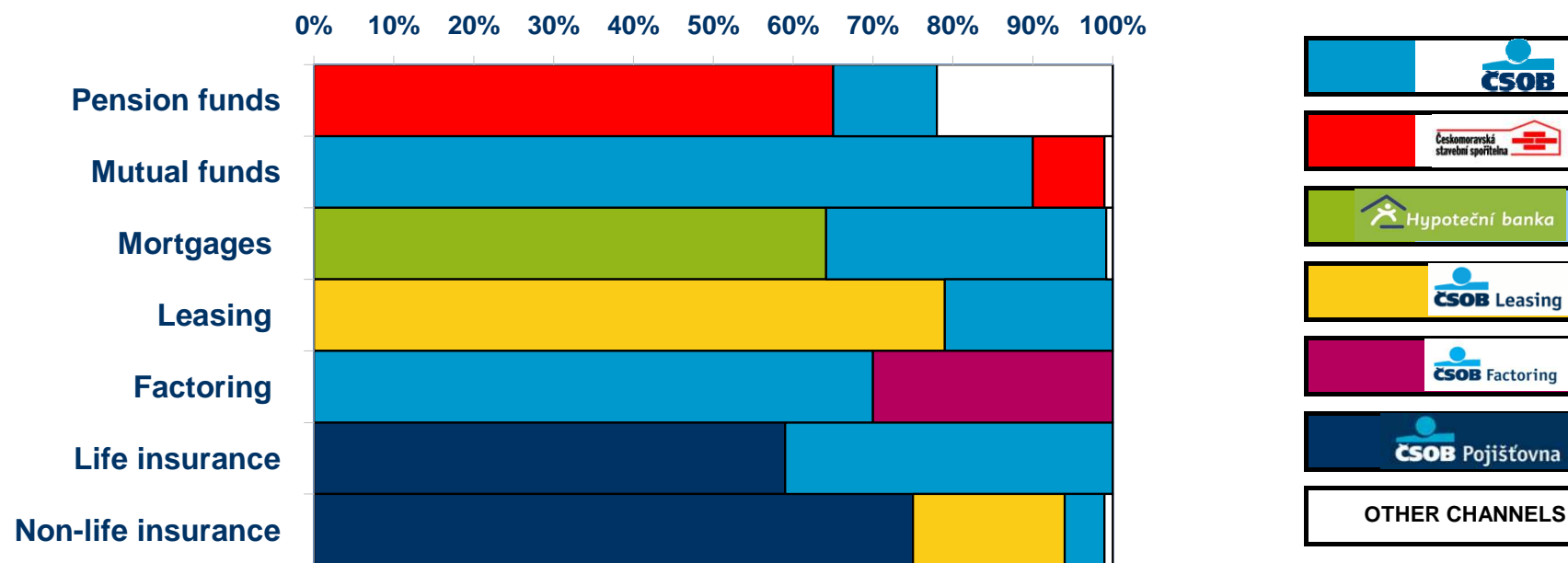
Total number of products sold per customers increased to almost 5 in retail segment and to almost 4 in the SME segment.



ČSOB's Group Synergies

Strong cross-selling under multibranding strategy in ČSOB group CZ

New production in 2008 – shares of distribution channels per product type:



Note: 1) number of new contracts, 2) gross sales, 3) new sales, 4) new turnover, 5) written premium

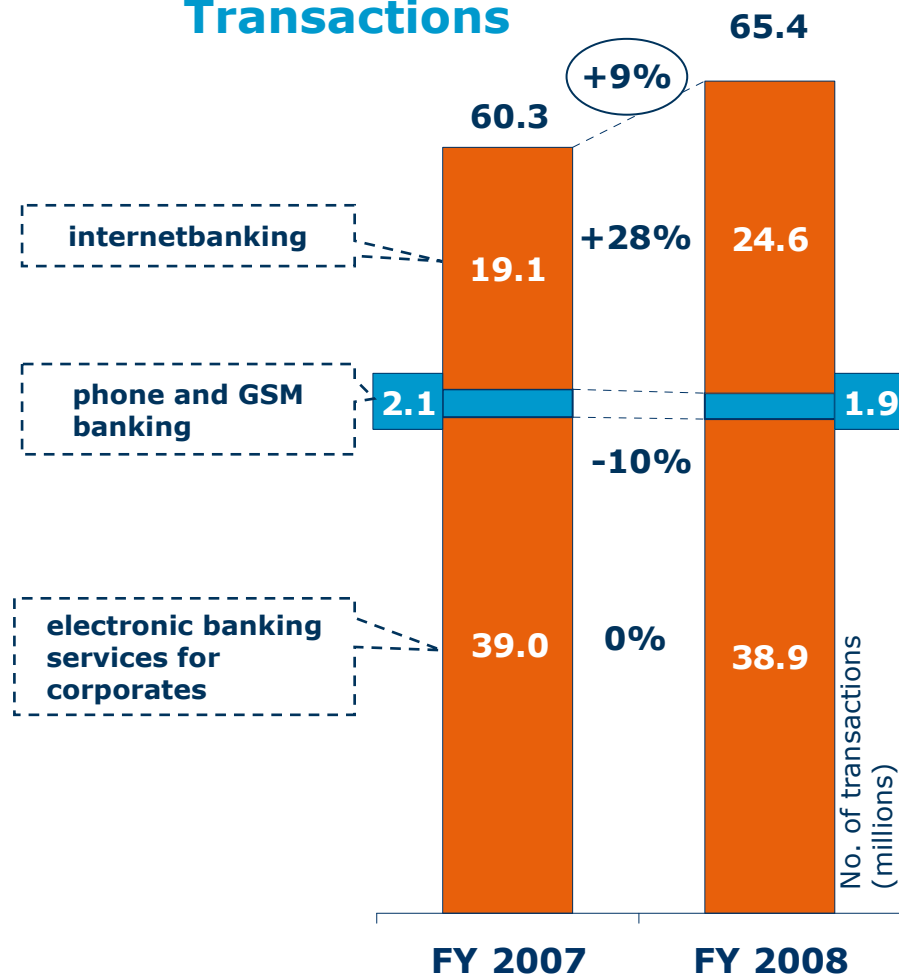
Strategy of Multibranding and Multichannel is our competitive advantage which delivers strong outcomes.



Electronic Channels

Internet banking transactions grew by nearly a third

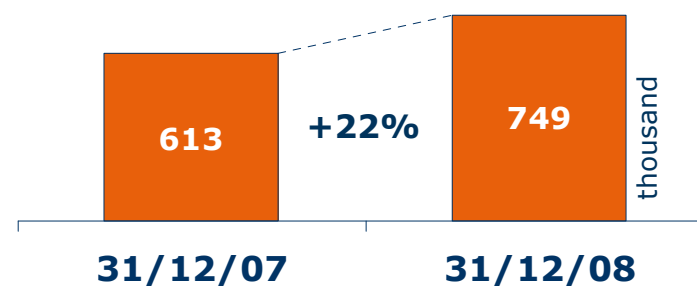
Transactions



In 2008, ČSOB and PSB clients entered over 65 million transactions through direct channels (+9% Y/Y).

Total number of direct channels' clients increased by 14% Y/Y.

Users of Internetbanking





ČSOB's Profile

Numbers and statistics - ČSOB Bank (incl. PSB)

	31/12/07	31/12/08
Employees (group)	8,224	8,468
Customers (ths)*	2,995	3,047
Users of direct banking (ths)	1,536	1,787
Payment cards (ths)	1,833	1,938
- of which: credit cards (ths)	72	100
ČSOB branches	222	242
PSB – financial centers	29	42
PSB – outlets of Czech Post Offices	ca 3,330	ca 3,330
ATMs (ČSOB+PSB)	637	680
Cashiers with CashBack (ČSOB+PSB)	ca. 2,500	ca. 2,700

Note: * Figures according to new methodology for unique clients statistics.



Innovation Leadership in 2008



ČSOB+PSB:

- **CashBack** expanded to petrol stations network Čepro EuroOil
- Possibility of **PIN change** through ATM
- **PaySec** – system for on-line payments (no need to be ČSOB's client)

PSB:



- „ **FLEXI card**“ – consumer loan granted through card; **TV Banka**
- **Education saving account** with advantageous conditions for students
- **Subsidy advisory tool** for businessmen; **Payment order** with Maxkarta via ATM

Housing needs:



- **Investment mortgage** – a mortgage combined with CGF or life insurance
- **Express protocol** – web application for building,
- **Mortgage Express** – new household insurance within a mortgage,
- **Domov Express** – new house insurance package concluded on-line



Insurance:

- **Variace** – new unit-linked life insurance
- **Account online** – web application for administration of insurance contracts,



Corporate Social Responsibility



Co-operation with the Education Fund of the Committee of Good Will – Olga Havel Foundation that has been going on for over ten years.

Cooperation between PSB and Ergotep (a cooperative of the handicapped) extended: back office operations added to running the loyalty program.



Association of Citizens Advice Centers – ČSOB cooperates in a debt advisory project aiming to foster financial literacy against debt trap.



ČSOB organized regional fundraising contests to donate to events and environment protection activities.

ČSOB joined the corporate donor club Donator (founded by Czech Donors Forum).

“We help together” - ČSOB allows its employees to spend a day at volunteer activities.



Flower day – a one-day fundraising campaign to support the fight against cancer; clients able to contribute by purchasing a payment card with a campaign-related image.



Charitable Christmas Markets where employees could buy products from sheltered workshops.



ČSOB headquarters in Prague - Radlice received the gold certificate LEED, a standard for measuring environmental friendliness of buildings.



Awards for the ČSOB group in 2008



- ✓ Best Bank Czech Republic 2008
- ✓ Best Sub-custodian
- ✓ Best FX Bank
- ✓ Best Trade Finance Provider



- ✓ A vote by Czech CFOs:
Corporate Bank of the Year 2008

- ✓ 13 medals (of which 3 golden):
Most successful Czech financial group



Zaměstnavatel roku[®]
2008

- ✓ ACQ Finance award:
Bank of the Year

- ✓ A vote of Czech students:
Most Desired Company



**FIREMNÍ 2008
BANKA ROKU**



ACQ
ACQAWARDS2008



Appendix



Rating and Shareholder Structure

ČSOB's credit rating (as of 12 February 2009)

	Long-term	Short-term	Other		
Moody's	A1	Prime-1	Financial strength	C	
Fitch	A	F1	Individual	C	Support 1

ČSOB's shareholder structure

As of 31 December 2008, KBC Bank NV held 100% of ČSOB shares. KBC became the single shareholder of ČSOB in June 2007.



Profit and Loss Statement

Reported

(CZK m)

	FY 2007 pro forma excl. SK	FY 2008	Y/Y
<i>Interest income</i>	31 309	37 862	21%
<i>Interest expense</i>	-12 476	-16 477	32%
Net interest income	18 833	21 385	14%
Net fee and commission income	6 493	6 644	2%
Net gains from fin. instruments at fair value through P/L	1 483	-11 050	-845%
Net realised gains on available-for-sale fin. assets, Dividend income, Other net income	620	2 196	254%
Operating income	27 429	19 175	-30%
Staff expenses	-6 446	-6 686	4%
General administrative expenses	-6 553	-6 972	6%
Depreciation and amortisation	-1 248	-1 457	17%
Provisions	235	101	-57%
Operating expenses	-14 012	-15 014	7%
Impairment losses	-960	-3 903	306%
Share of profit of associates	181	116	-36%
Profit before tax	12 638	374	-97%
Income tax expense	-2 699	720	-127%
Profit for the period	9 939	1 094	-89%
Attributable to:			
Equity holders of the parent	9 902	1 034	-90%
Minority interest	37	60	63%



Balance Sheet

Assets

(CZK m)

	31/12/2007 pro forma excl. SK	31/12/2008	Ytd. change
Cash and balances with central banks	29 582	16 602	-44%
Financial assets held for trading	148 820	131 342	-12%
Financial assets designated at fair value through P/L	24 520	23 514	-4%
Available-for-sale financial assets	78 731	90 454	15%
Loans and receivables	357 872	411 644	15%
<i>Loans and leases - gross</i>	<i>363 426</i>	<i>418 473</i>	<i>15%</i>
<i>Loans and receivables (credit institutions - gross)</i>	14 926	16 806	13%
<i>Loans and receivables (excl. credit institutions - gross)</i>	345 994	400 400	16%
<i>Of which accrued interest income</i>	2 505	1 266	-49%
<i>Loans and receivables (provisions)</i>	<i>-5 554</i>	<i>-6 829</i>	<i>23%</i>
<i>Of which credit institutions - provisions</i>	-49	-21	-56%
<i>Of which other than credit institutions - provisions</i>	-5 505	-6 807	24%
Held-to-maturity investments	111 958	115 236	3%
Derivatives used for hedging	5 943	7 215	21%
Current tax assets	686	1 128	64%
Deferred tax assets	638	1 248	95%
Investments in associates	703	858	22%
Investment property	875	1 002	14%
Property and equipment	10 135	10 095	0%
Goodwill and other intangible assets	4 642	4 852	5%
Non-current assets held-for-sale	27	127	372%
Other assets	7 766	9 168	18%
Total assets	782 898	824 485	5%



Balance Sheet

Liabilities and Equity

(CZK m)	31/12/2007 pro forma excl. SK	31/12/2008	Ytd. change
Financial liabilities held for trading	12 602	35 064	178%
Financial liabilities at fair value through P/L	76 140	62 796	-18%
Financial liabilities at amortised cost	617 239	649 371	5%
<i>Deposits received from credit institutions</i>	49 573	49 732	0%
<i>Deposits received from other than credit institutions</i>	513 102	542 200	6%
<i>Debt securities in issue</i>	41 128	43 907	7%
<i>Subordinated liabilities</i>	12 161	11 965	-2%
<i>of which accrued interest expences</i>	1 275	1 567	23%
Derivatives used for hedging	1 239	2 493	101%
Current tax liabilities	98	133	36%
Deferred tax liabilities	365	553	52%
Provisions	1 061	993	-6%
Other liabilities	18 709	16 238	-13%
Total liabilities	727 453	767 641	6%
Share capital	5 855	5 855	0%
Share premium account	7 509	7 509	0%
Statutory reserve	18 687	18 687	0%
Retained earnings	24 184	19 212	-21%
Available-for-sale reserve	-344	4 145	1307%
Cash flow hedge reserve	-649	743	214%
Foreign currency translation reserve	-133	-196	48%
Parent shareholders' equity	55 109	55 955	2%
Minority interests	336	889	164%
Total equity	55 445	56 844	3%
Total liabilities and equity	782 898	824 485	5%



Definitions

Glossary of financials ratios used

ROAC (return on allocated capital)	net profit, including minority interests, of a business unit, corrected for income on allocated instead of real equity / average allocated equity to business unit (in line with the KBC policy)
C/I (Cost/Income Ratio)	operating expenses / operating income
Liquidity ratio	Total group lending / (bank deposits + building savings)
NIM (net interest margin)	net interest income / average interest earning assets (lines 2-4,6, 7,9 in p. 15)
CAD (capital adequacy ratio)	according to prudential reports of ČNB - Basel II (since 1 July 2007)
Tier I ratio	(Tier 1 capital – 0,5*deductions) / (total capital requirement / 0.08)
NPL (non-performing loans)	outstanding amount of non-performing loans / total outstanding loan portfolio
LLR (Loan-Loss Ratio)	total credit costs / granted loan portfolio



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