



1H 2009 Results ČSOB Group Czech Republic

**EU IFRS Unaudited Consolidated
6 August 2009, Prague**



Contents

Highlights

Financial Situation

Business Development

Appendix



Highlights



ČSOB Group Results 1H 2009

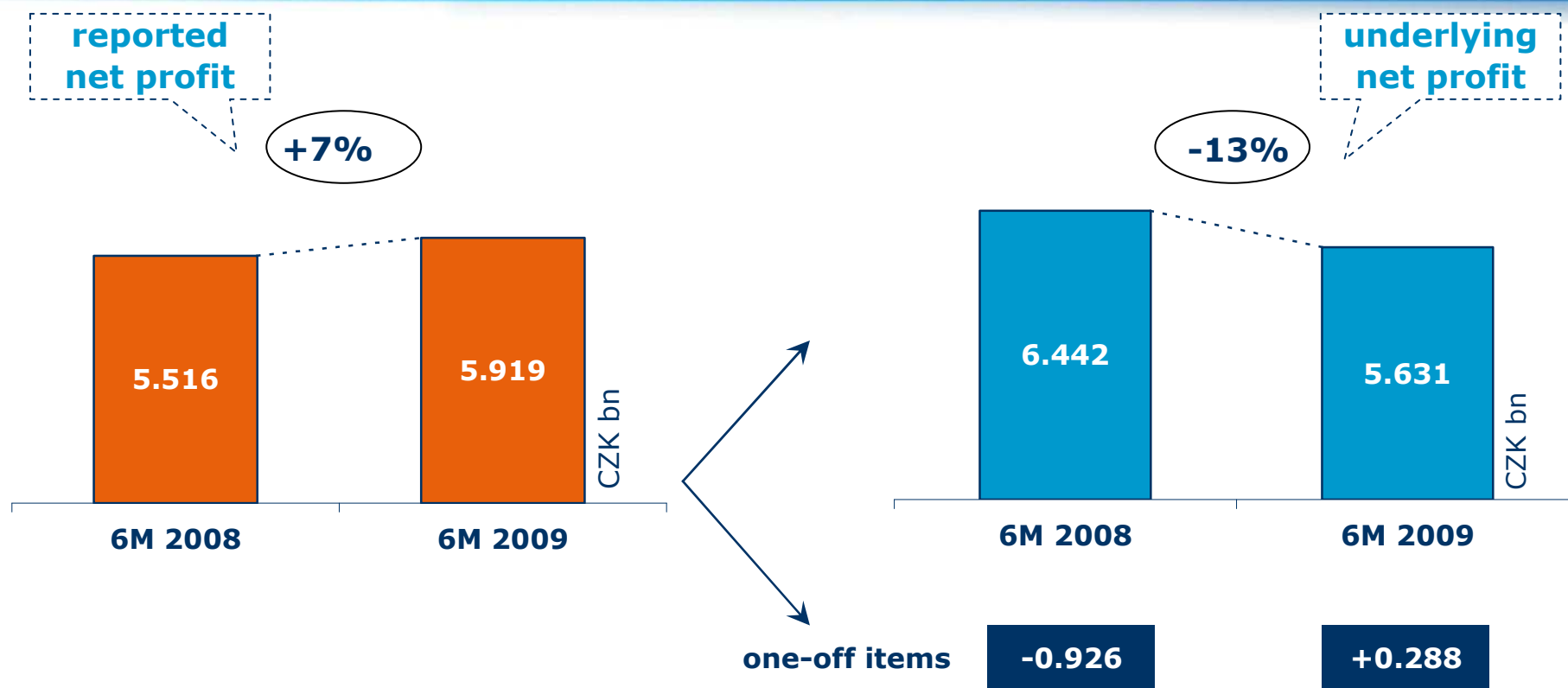
Highlights

- ČSOB group reported a net profit for 1H 2009 of **CZK 5.919 bn (+7% Y/Y)**.
- **Underlying net profit**, i.e. excluding one-off effects, decreased by 13% Y/Y. Operating income grew by 5% and operating expenses were flat, while credit costs increased substantially.
- Efficiency further improved Y/Y with underlying **cost/income ratio** falling under 45%.
- Business volumes continued growing, though at lower rate than in previous years. While **loan portfolio** increased by 9% Y/Y to CZK 407.7 bn, **AUM and deposits** rose by 2% to CZK 708.2 bn (of which deposits increased by 7%).
- ČSOB has further strengthened its **liquidity** with loan-to-deposit ratio at 67.7% and **capital position** with capital adequacy ratio at 11.71%.



Net profit

Reported vs. underlying



Note: The 6M 2008 profit was negatively impacted mainly by revaluation of CDO portfolio. The 6M 2009 profit was, on the other hand, positively influenced by volatility in the valuation of ALM instruments.



Financial Ratios

Consolidated

	6M 2008	6M 2009
C/I ratio (reported)	49.6%	42.6%
C/I ratio (underlying)	45.9%	44.2%
NIM	3.14%	3.29%
ROAC (underlying)	39.8%	38.9%

ČSOB group managed to further strengthen its efficiency and profitability.

	31/12/2008	30/06/2009
L/D ratio	72.3%	67.7%
CAD group (Basel II)	10.31%	11.71%
Solvency ratio (ČSOB Pojišťovna)	193%	169%

Liquidity and capital adequacy remain at very safe levels and are further rising.

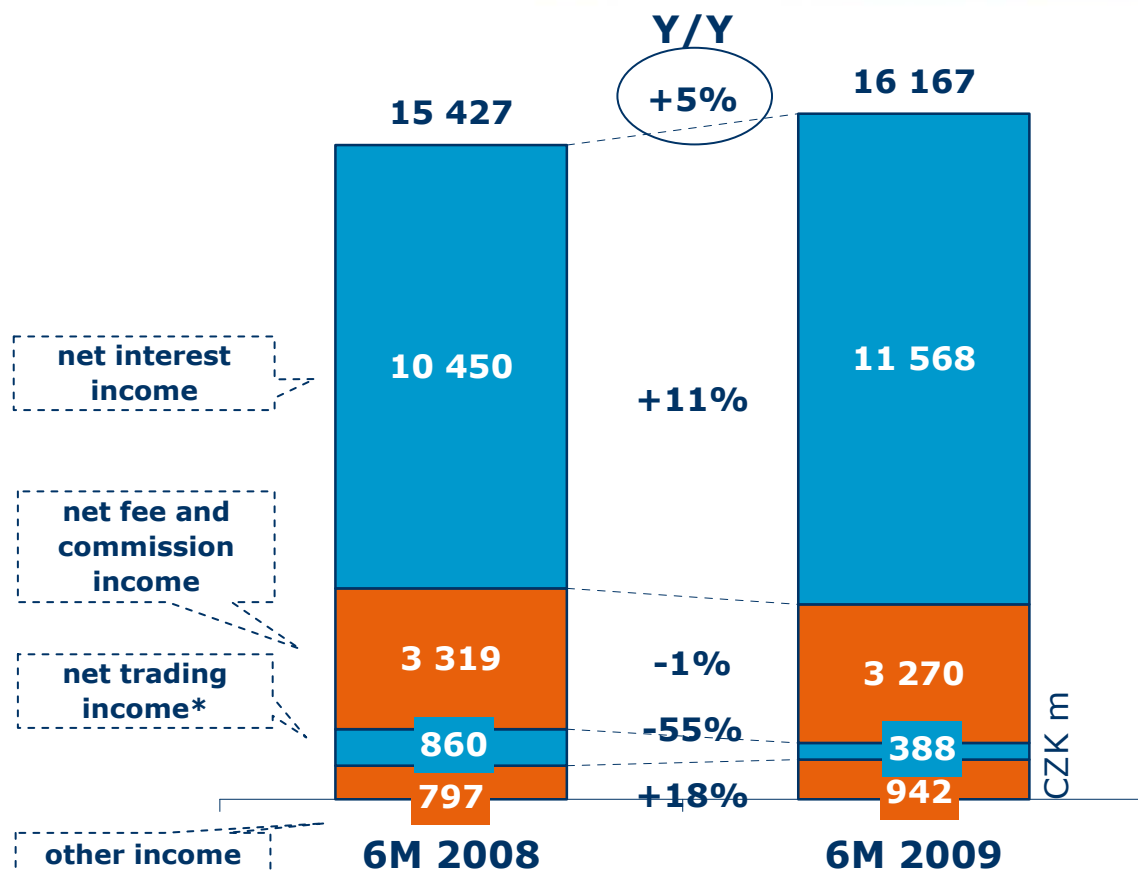


Financial Situation



Operating Income

Underlying, net of extraordinary items



Net interest income increased due to Y/Y growth of volumes.

Net fee and commission income decreased by 1%, especially as a result of lower sales of mutual funds.

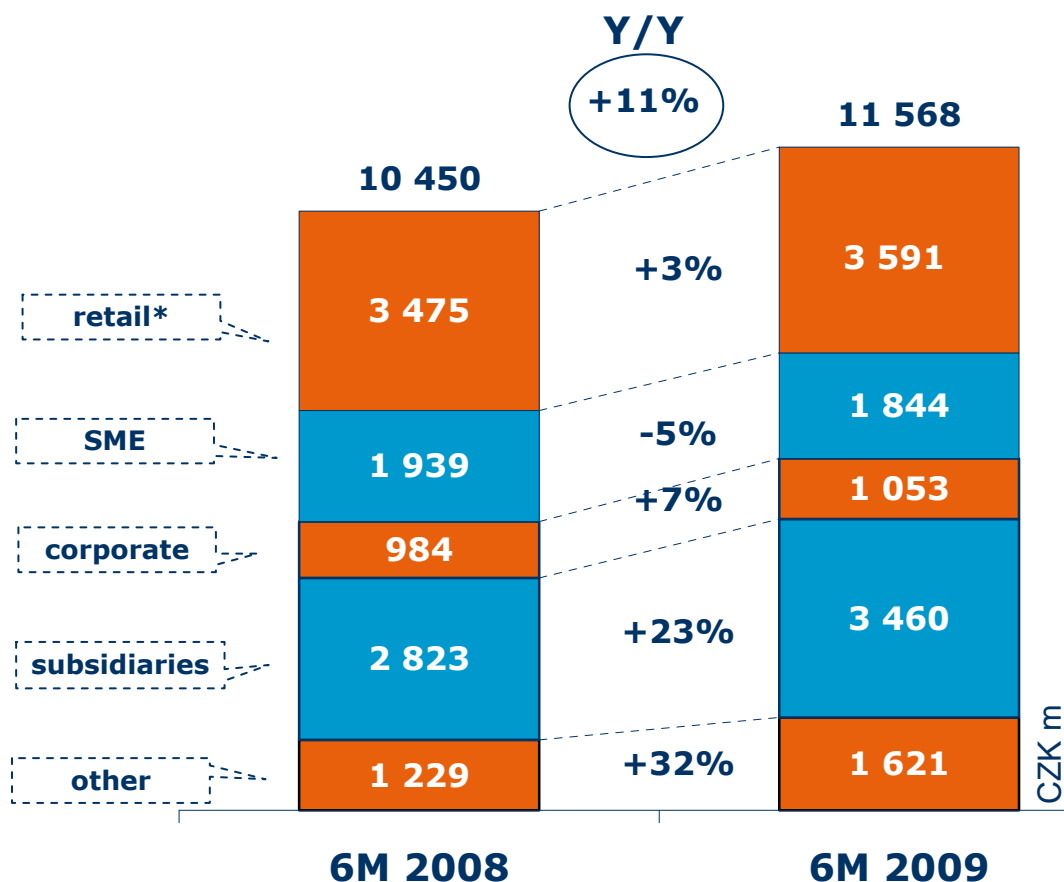
Underlying net trading income (NTI) decreased due to lower volume of customer operations on financial markets.

Note: * Net trading income = Net gains from financial instruments at FVPL



Net Interest Income

The main driver of profitability



NII generated by subsidiaries increased thanks to the growth in volumes of housing loans (HB and ČMSS).

The decline of NII in the SME segment was driven by a decreased net interest income on deposits as SMEs deployed their excess cash for working capital financing.

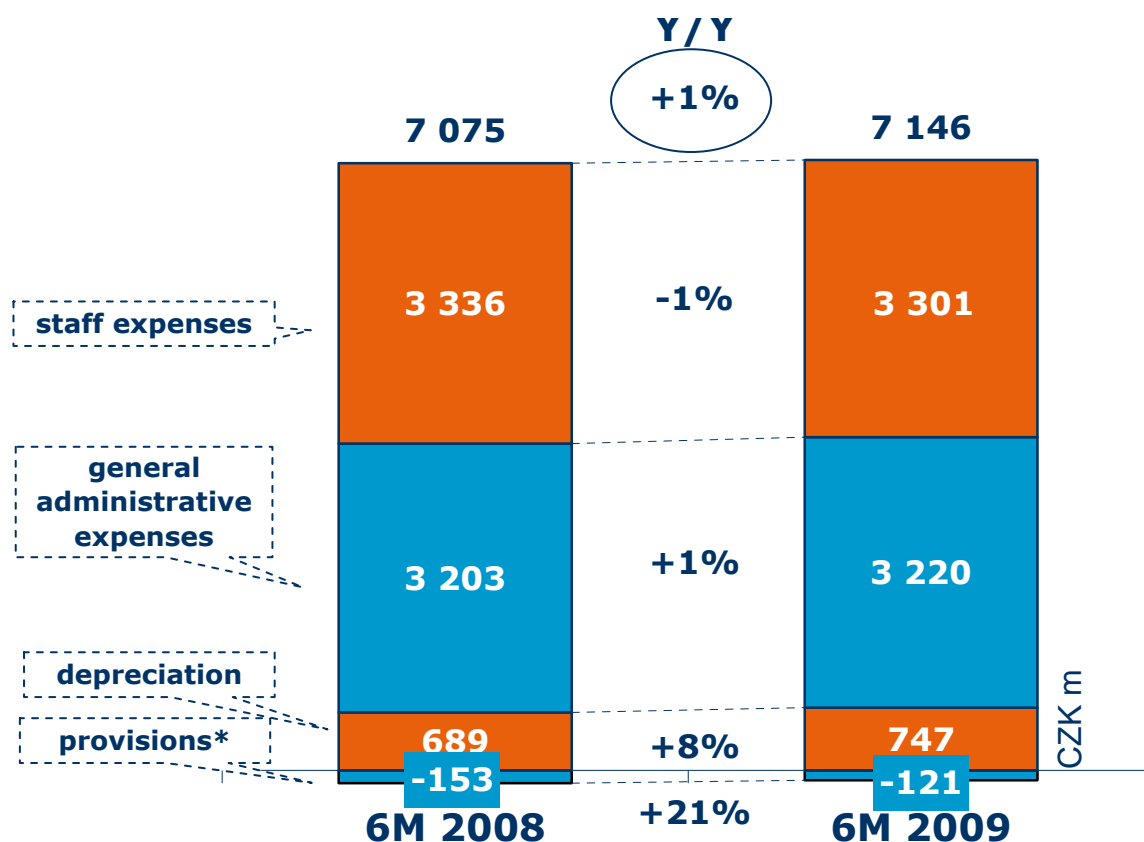
The increase in other net interest income reflects higher investments in Czech government bonds.

* Including ČSOB and PSB



Operating Expenses

Cost saving measures bring results



Staff expenses and general administrative expenses remained flat, while depreciation grew due to increased activation of ICT property.

In June 2009, part of expenses shifted from staff expenses to general administrative expenses as the ICT services of ČSOB and ČSOB pojišťovna were put under one management structure and migrated to newly created Czech Branch of KBC Global Services.

Note: * Only provisions for legal issues and other losses, restructuring and contractual engagements are included in item "provisions".



Strong Capital Position

Consolidated (CZK m)	31/12/08	30/06/09
Total regulatory capital	41 733	43 321
- Tier 1 Capital	42 131	43 606
- Tier 2 Capital	11 967	11 968
- Deductions from Tier 1 and Tier 2	-12 364	-12 253
Total capital requirement	32 379	29 586
- Credit risk (IRB approach)	26 474	24 228
- Market risk (internal model)	2 501	2 370
- Operational risk (standardized approach)	3 404	2 987
Total RWA	404 733	369 825
Tier 1 ratio	8.88%	10.13%
CAD	10.31%	11.71%

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

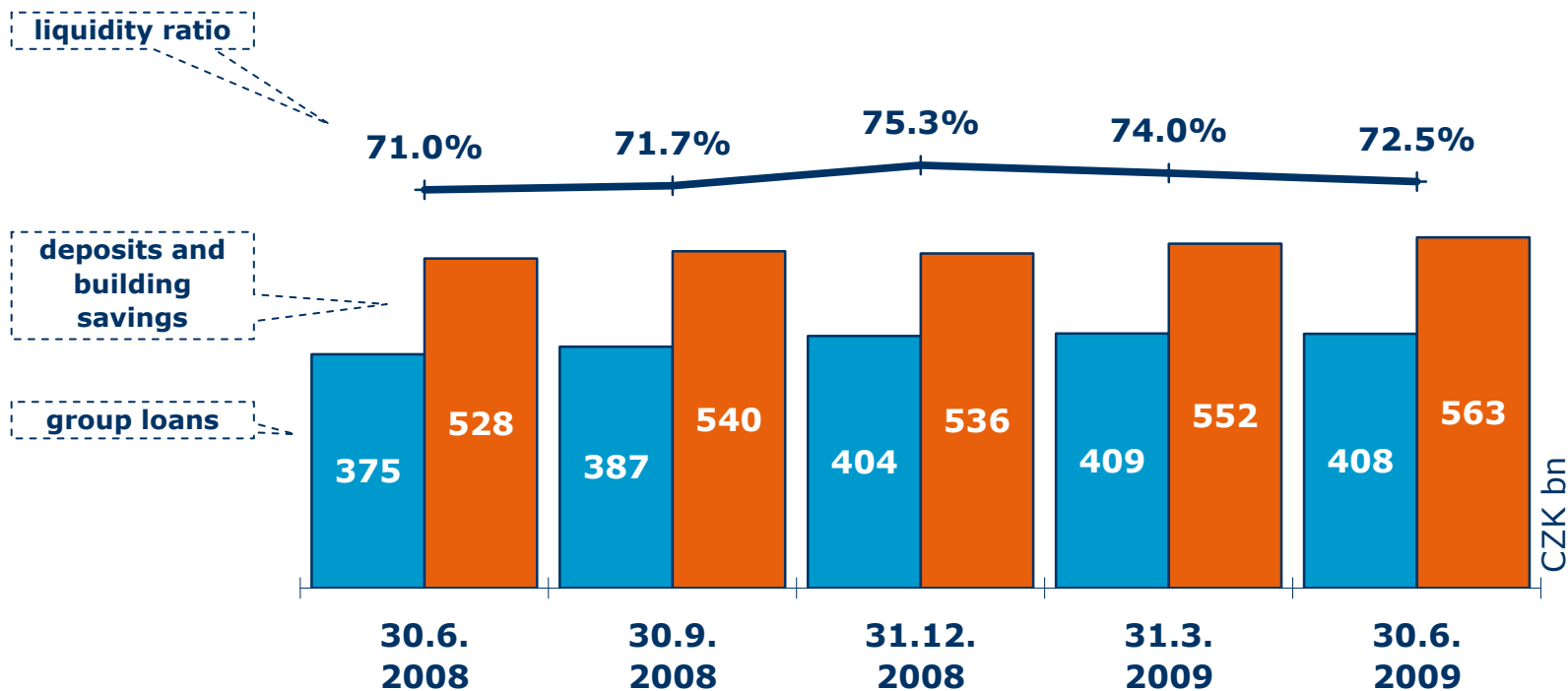
Total regulatory capital = Tier 1 + Tier 2 – deductions (mainly participation in ČSOB SK)

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



Ample Liquidity

	30/06/08	30/09/08	31/12/08	31/03/09	30/06/09
Deposits & building savings minus group loans (CZK bn)	153	153	132	144	155



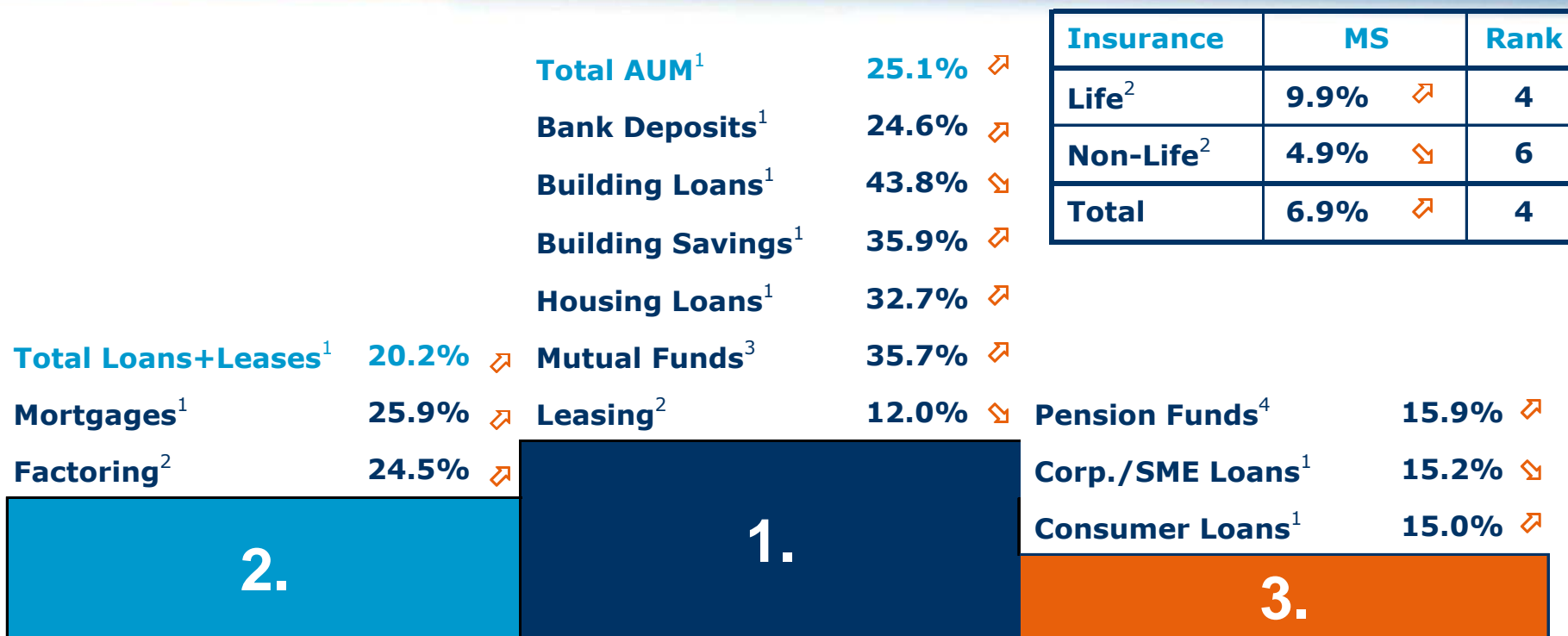


Business Development



ČSOB Group's Market Shares

Maintaining leading positions in the Czech financial market



Notes: Arrows show Y/Y change. Market shares as of **31/03/09** (i.e. latest available), insurance as of 30/06/09

1 Market share according to outstanding volume at the given date

2 Market share according to volume of new business in the year to the given date

3 Incl. institutional funds and third parties funds; market share according to outstanding volume at the given date

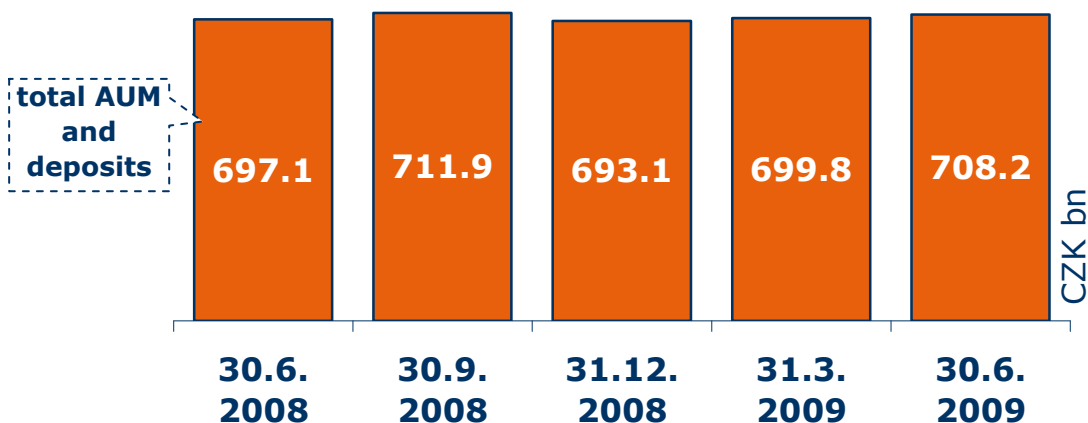
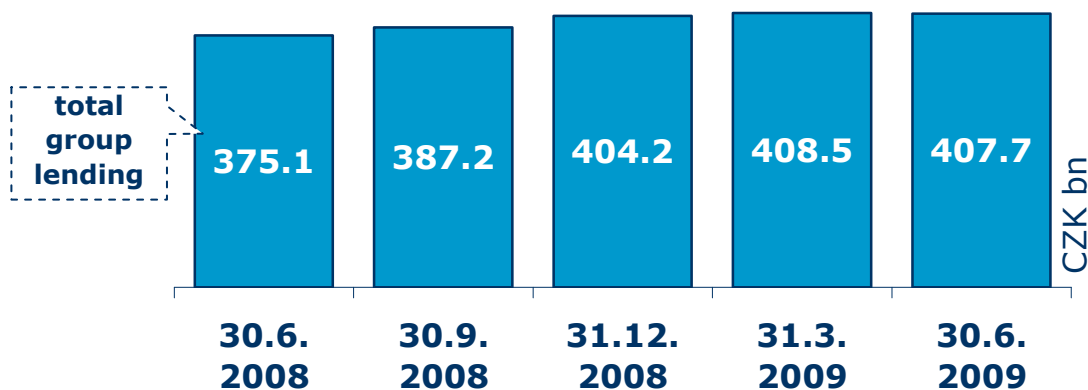
4 Market share according to the number of clients at the given date

Source: ČNB, financial associations



Business Highlights

Growth on both sides



Total group lending up 9% Y/Y, driven especially by housing loans (+20%), while flat Q/Q. In 2Q 2009, the loan portfolio increased throughout segments, except for corporate and leasing. Housing loans grew the most.

Total AUM and deposits up 2% Y/Y, of which deposits up 7%. The volumes in mutual funds have been stabilized after two quarters of market-wide decline.



Quality of Loan Portfolio

IFRS, consolidated, gross

(CZK bn)

	30/06/08	30/09/08	31/12/08	31/03/09	30/06/09
Total group lending	375.07	387.20	404.20	408.53	407.65
- of which, NPLs	6.96	7.81	8.90	10.51	11.74
NPL ratio	1.86%	2.02%	2.20%	2.57%	2.88%
NPL ratio, excl. EGAP guaranteed*	1.86%	2.02%	2.06%	2.43%	2.71%
Credit-cost-ratio	0.24%	0.45%	0.56%	0.69%	1.08%

Impairment on loans and receivables increased from CZK 581 m in 1H 2008 to CZK 2,614 m in 1H 2009. As a result, the credit-cost ratio (annualized) increased to 108 bps, almost doubling the 56 bps credit-cost ratio of the full year 2008. The highest increases were in corporate, leasing and SME in those sectors of the industry that were most hit by the economic recession.

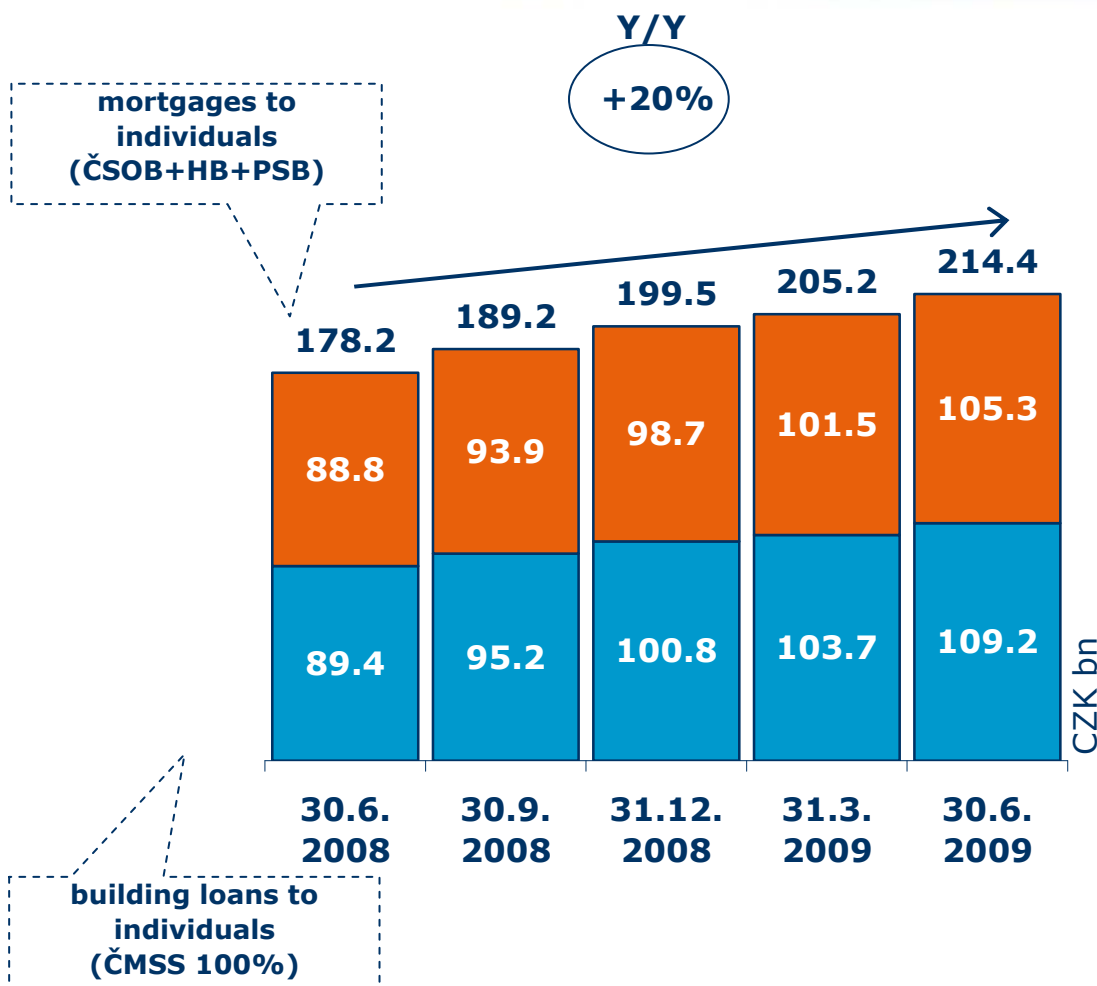
Notes:

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

* EGAP (Export Guarantee and Insurance Corporation) is a Czech state-owned export credit agency.



Housing Loans



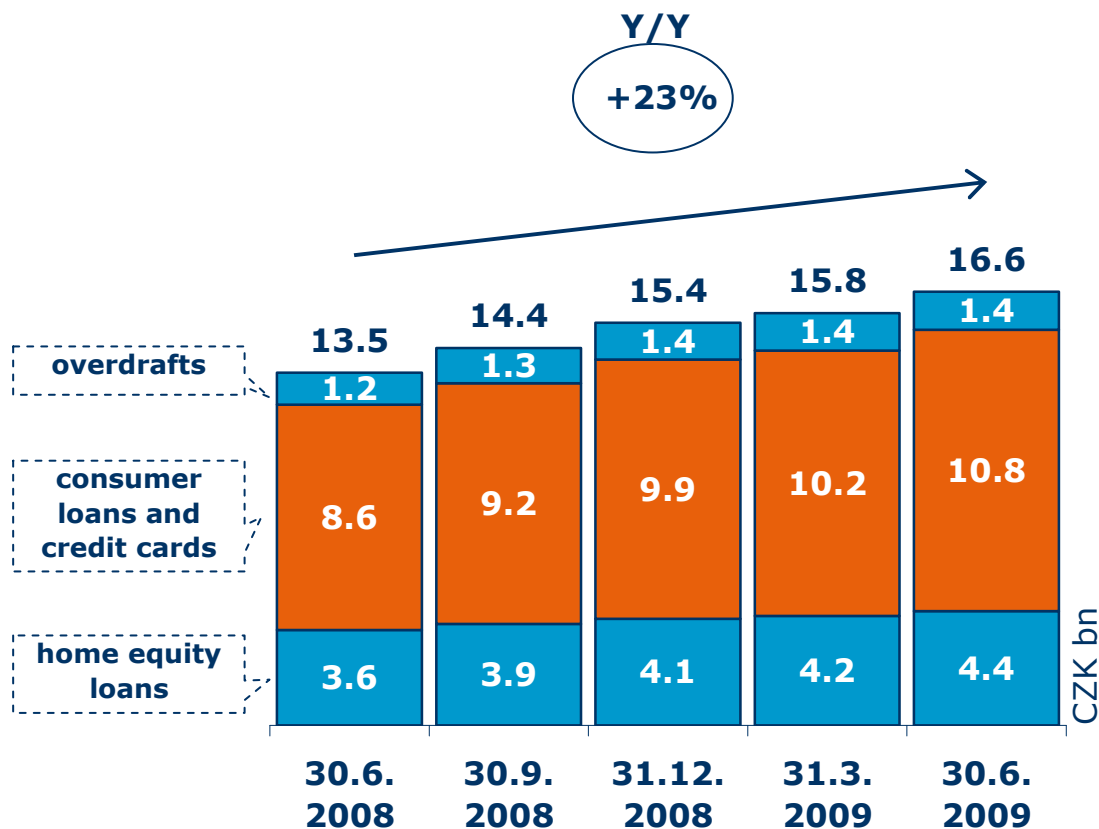
The Y/Y growth of ČSOB group's total housing loans results from an increase in the group's mortgages (+19% Y/Y) and the ČMSS building society's loans (+22% Y/Y).

ČSOB group, including its partners, provided CZK 15 bn of new mortgages in 1H 2009.

ČMSS remains the clear market leader in the field of government-subsidized building savings and loans.



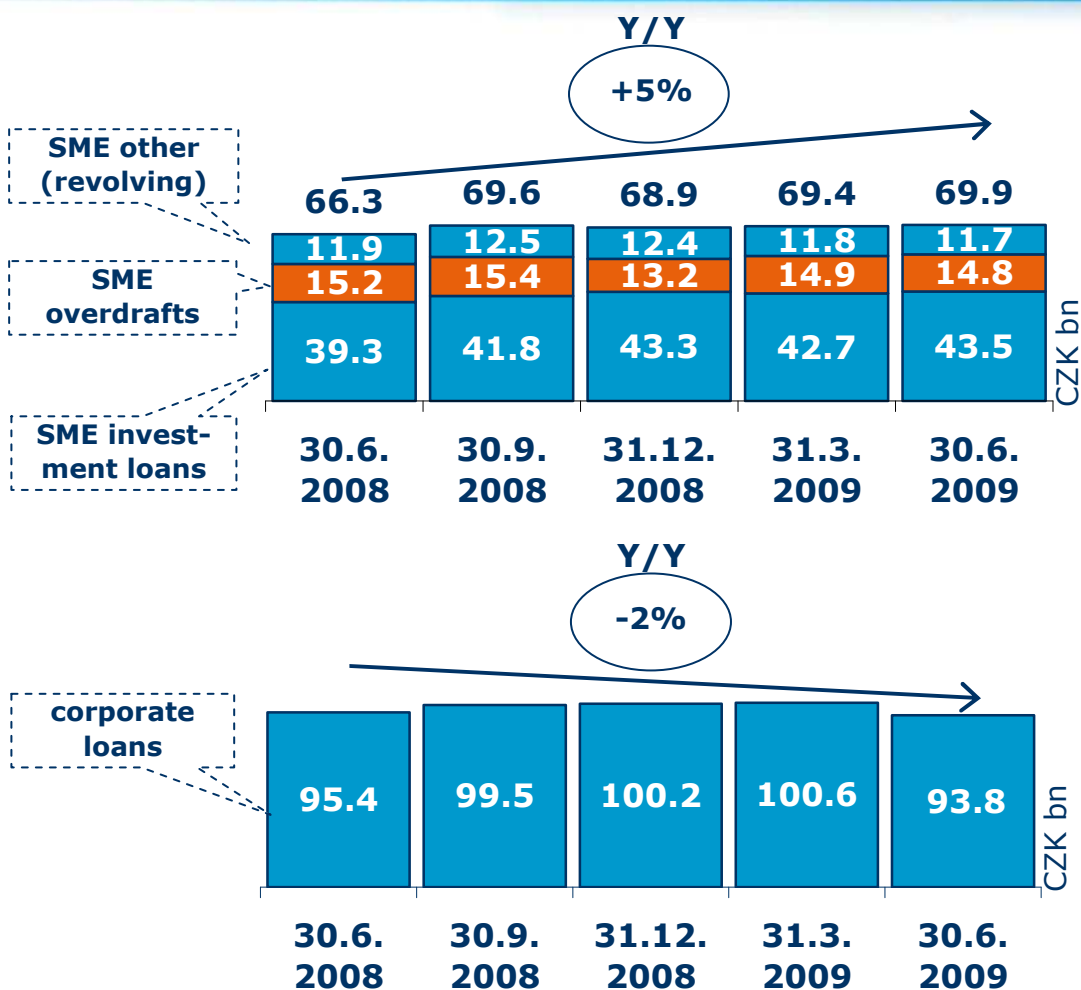
Consumer Lending



The Y/Y growth of consumer lending was driven mainly by cash loans, housing related loans and higher usage of credit cards.



SME and Corporate Lending



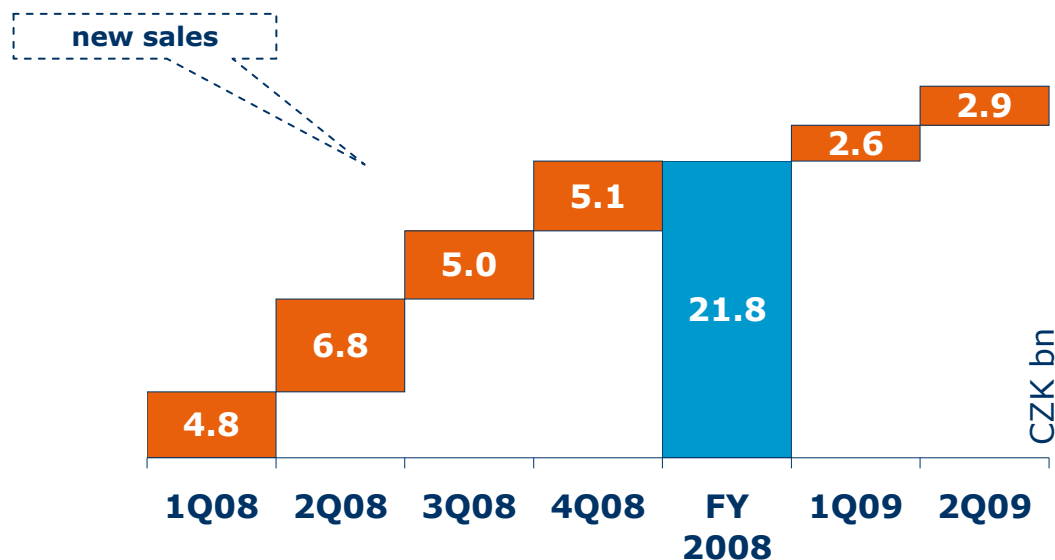
The ČSOB group maintains market share over 15% in corporate and SME lending in the Czech Republic.

Since the outbreak of the economic crisis in 4Q 2008, credit volumes for SME have remained stable. Lower demand for investment loans was offset by higher demand for working capital financing since year-end 2008.

The decrease in industrial production and the sharp decline of export are leading to a noticeable contraction of credit demand by corporate customers.



Leasing



The Czech leasing market was negatively impacted by the decrease of demand for investment and consumer finance products and by clients waiting for new tax rules regarding personal and utility cars. Especially sales of trucks fell dramatically in the last months.

At the end of 2008, ČSOB Leasing exited the market of financing used cars sold through auto bazaars.





Total AUM and Deposits at a Glance

(CZK bn)	30/06/2008	30/06/2009	Y/Y
Total AUM and deposits	697.1	708.2	+2%

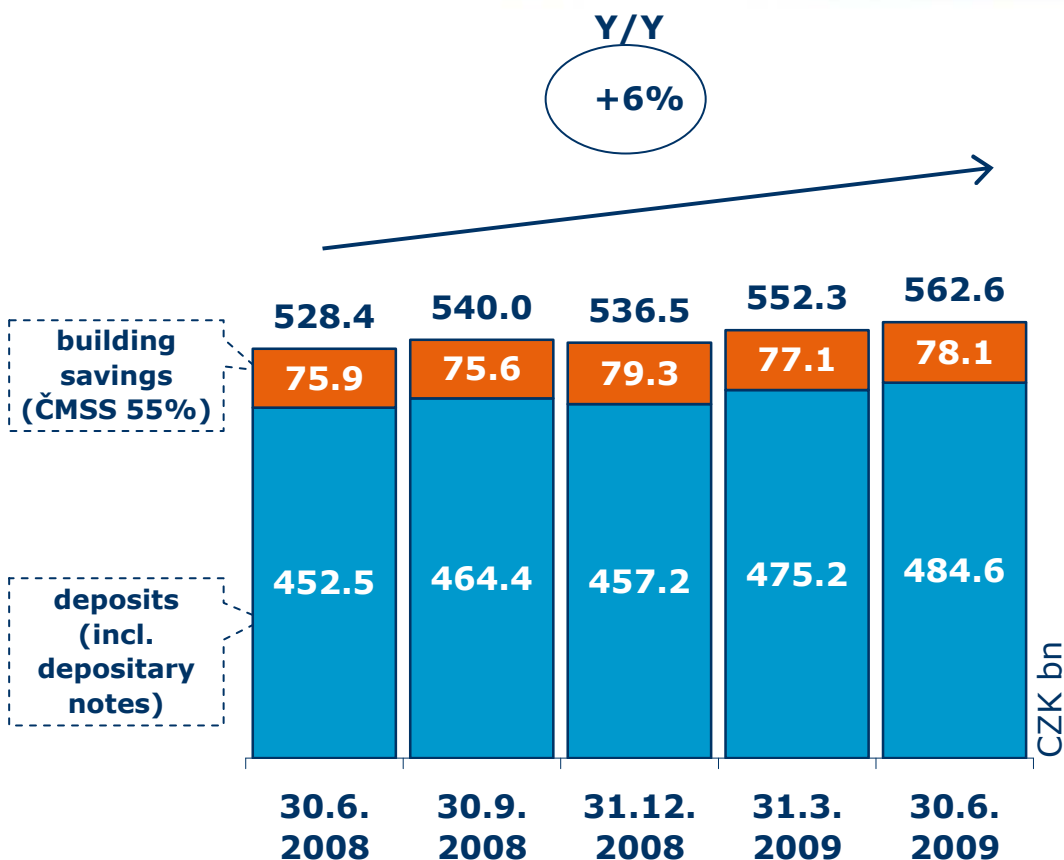
of which:

Deposits	452.5	484.6	+7%
Building savings (ČMSS 55%)	75.9	78.1	+3%
Mutual funds and asset management*	147.2	121.7	-17%
Pension funds	21.5	23.9	+11%

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



Deposits and Building Savings

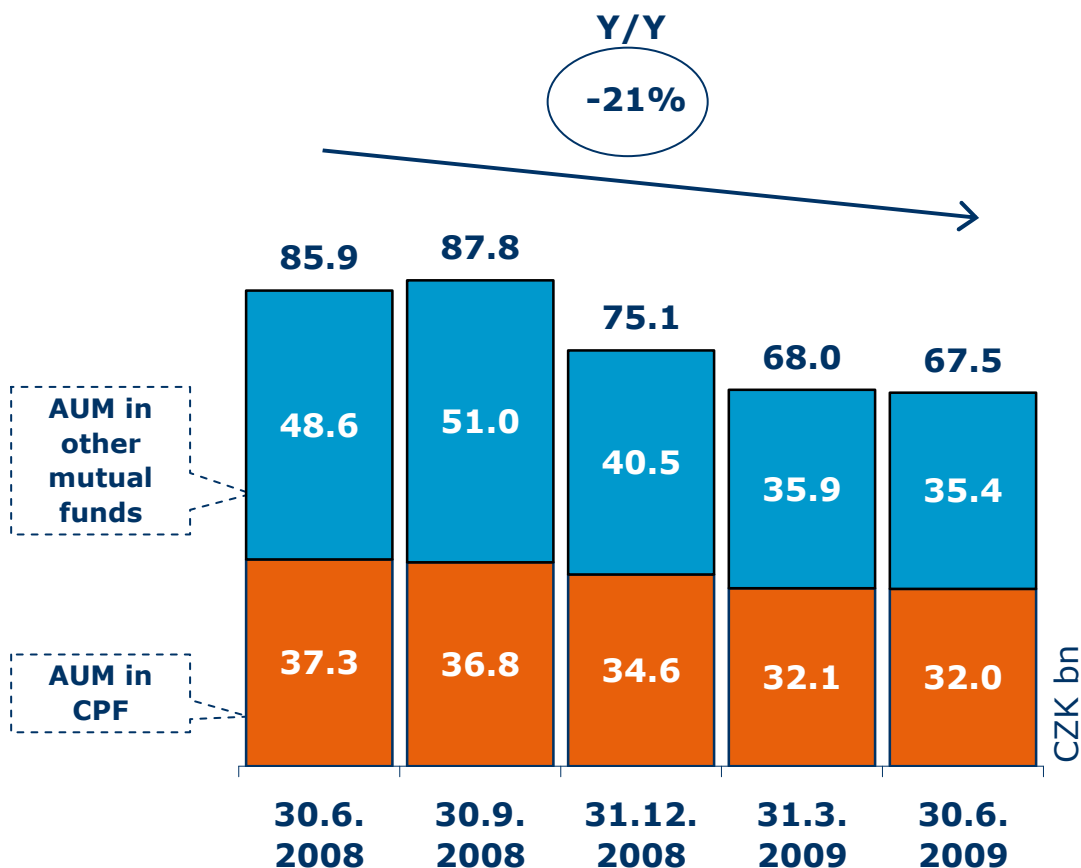


ČSOB group maintains the leading position in deposits with about a 25% share in the Czech market.

The Y/Y growth was especially strong in retail deposits as consumer preferences shifted to higher saving rates. In the first half of the year, ČSOB launched the new saving account with bonus and PSB intensified sales of its Red Account.



Mutual Funds



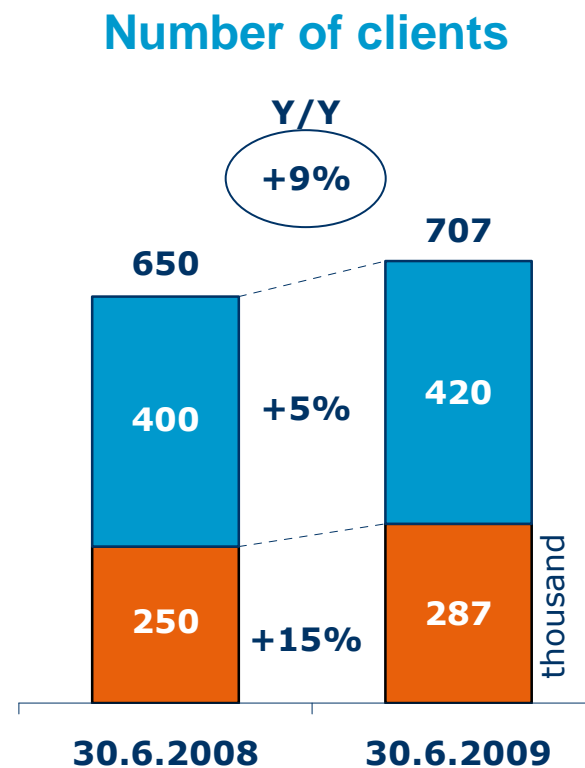
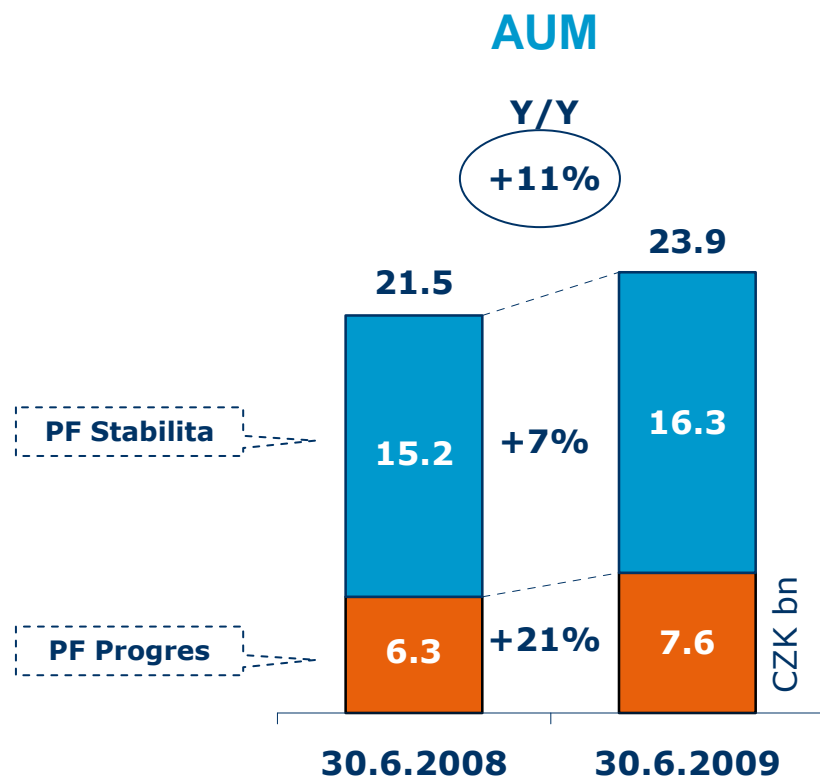
Note: Only direct positions are included

The Czech mutual funds market experienced a 27% decline between September 2008 and March 2009. The decline was broad based across all asset types (money markets, bonds, equities), only capital protected funds (CPFs) were less influenced. ČSOB recorded a lower decrease of the assets in the funds (-22.5%) and strengthened its number 1 position in the market.

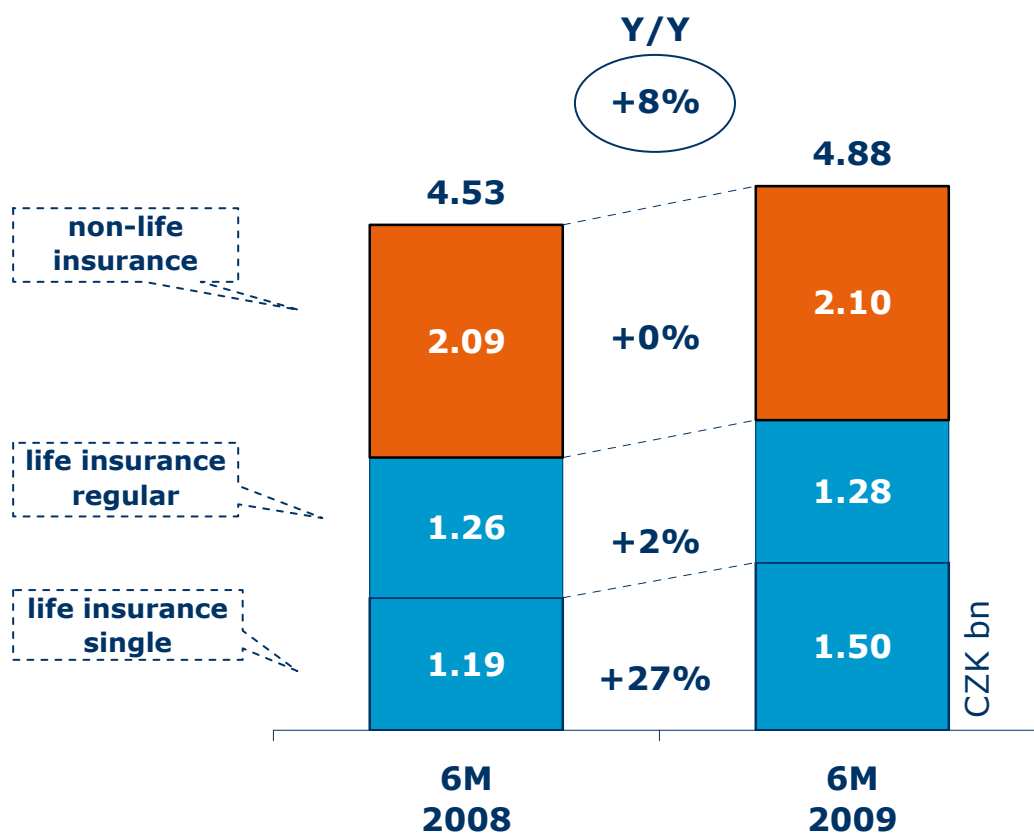
In 2Q 2009, the volume of mutual funds in ČSOB stabilized.



Pension Funds



Gross written premium



Increase in single premium life is due to strong customer demand for the bancassurance product Maximal Invest, which combines safety, a good return and life coverage.

ČSOB Pojišťovna has registered claims in total amount of CZK 90 m as a result of the June and July floods in various regions of the Czech Republic.



Bancassurance and Product Penetration

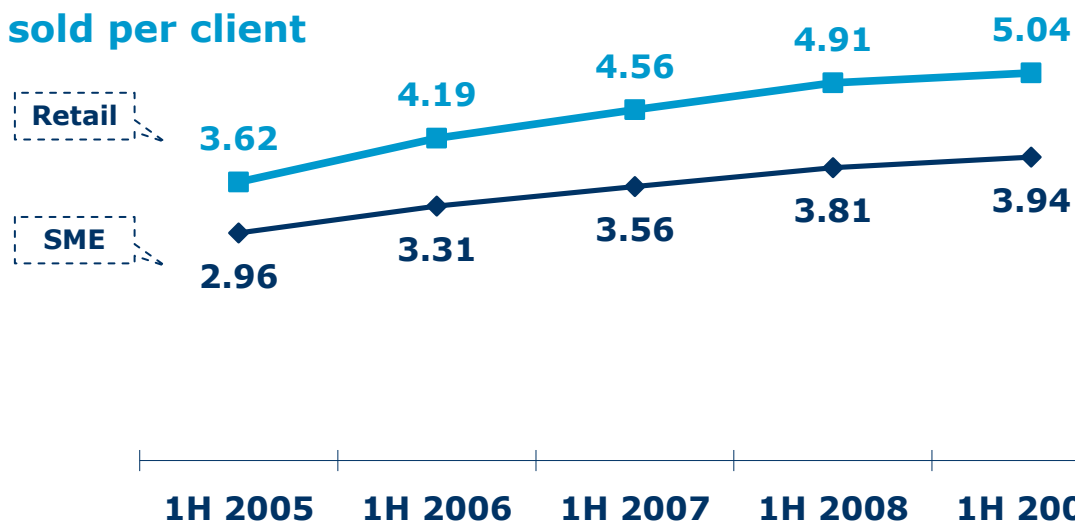
High sales of insurance linked to retail banking products

Bancassurance

	2Q 2008	2Q 2009
Life insurance / ČSOB mortgages	69%	69%
Property insurance / ČSOB mortgages	72%	90%
Consumer loans insurance / ČSOB consumer loans	79%	78%

Note: number of new contracts insured / all insurable

Products sold per client



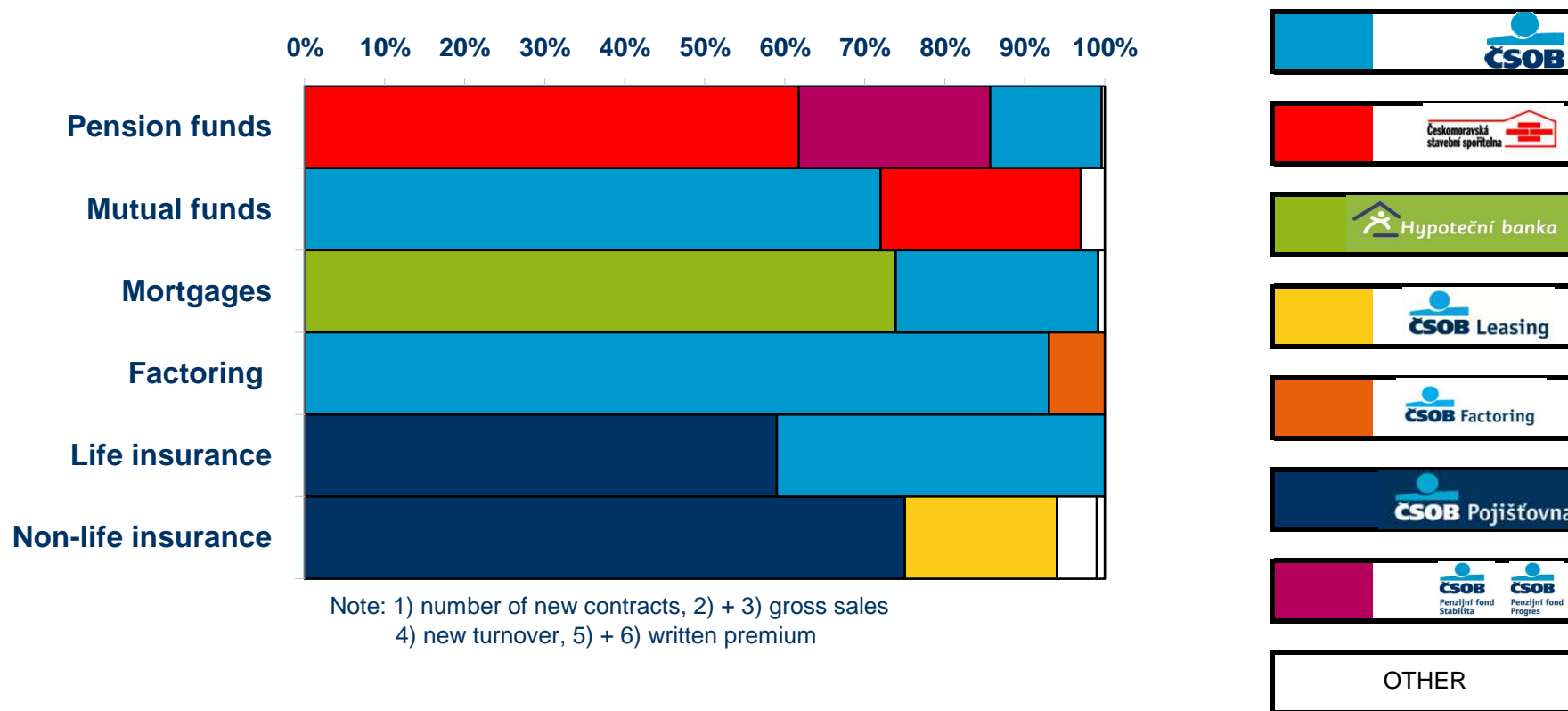
Note: There is no standard methodology in calculating the ratios of products sold per client. The figures reported can be compared only in time, not across banks.



ČSOB's Group Synergies

Strong cross-selling under multibranding strategy in ČSOB group CZ

New production in 1H 2009 – shares of distribution channels per product type:



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



Appendix



ČSOB's Profile

Numbers and statistics - ČSOB Bank (incl. PSB)

	31/12/08	30/06/09
Employees (group)*	8 468	8 025
Customers (ths)	3 047	3 062
Users of direct banking (ths)	1 787	1 953
Payment cards (ths)	1 938	1 969
- of which: credit cards (ths)	100	114
ČSOB branches	242	246
PSB - financial centers	42	49
PSB - outlets of Czech Post Offices	ca. 3 330	ca. 3 320
ATMs (ČSOB+PSB)	680	706

Notes:

* FTE, including employees who were transferred to KBC Global Services Czech Branch in June 2009.



Innovation Leadership in 1H 2009

- **ČSOB: New saving account with a bonus.**
- **ČSOB, PSB and HB offer their clients to participate in the **Zelená úsporám** (Green light to savings) government program to subsidize energy savings in buildings.**
- **CashBack** expanded to cashiers in Spar a Globus in the whole Czech Republic.
- **In a pilot stage, ČSOB and PSB launched **deposit ATMs** which offer the option to deposit money in addition to withdrawals.**
- **New **capital protected funds**, e.g. ČSOB Fixovaný click 5 or Maximal Invest ČSOB premium 3 and 4.**
- **Improved versions of ČSOB's and PSB's **Internet banking**.**



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. This activity involves employees who serve as patrons taking care of the handicapped students sponsored by the Fund.



Co-operation between **PSB and Ergotep** (a cooperative of the disabled) extended: **back office operations** newly 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 and PSB **support regions**: the biggest problem of local NGOs have is to raise donations but they are the ones who can use them often by the most effective way. They know local problems the best.

"We help together" - ČSOB allows its employees to spend **a day at volunteer activities**; employees who are active in a NGO can apply for financial support from a grant program.



Charitable Markets: employees could buy products from sheltered workshops and fair-trade products during the year.

Charitable Events - By collecting things of no use for them, the employees helped the Sure Ryder retirement home or the Kapka naděje foundation which is helping ill children. A blood donor campaign took place.



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

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

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





Awards for the ČSOB Group in 1H 2009

Global Finance awards for ČSOB:

- ✓ **Best Trade Finance 2009**
- ✓ **Best Foreign Exchange Provider 2009**
- ✓ **Best Sub-custodian 2009**



Zlatá koruna: 7 medals in 18 categories

- ✓ **gold: Building savings (ČMSS)**
Loans (PSB)
Mutual Funds (ČSOB)
Leasing (ČSOB Leasing)
- ✓ **silver: Innovation of the Year (PaySec)**
Mortgages (HB)
- ✓ **bronze: Innovation of the Year (HB)**



Employer of the Year:

- ✓ **university students vote ČSOB as the Most Desired Company**





Awards for the ČSOB Group in 1H 2009

Hospodářské noviny daily's award

Best insurance company 2009:

✓ silver medal for ČSOB Pojišťovna



INI Service Excellence Award

✓ award for best quality insurers among INI memers granted to ČSOB Pojišťovna



PaySec awarded

✓ **Microsoft Industry Awards 2009** in category Banking, Insurance and Finance Management



Internet Effectiveness Awards 2009

✓ PaySec awarded **Grand Prix IEA 2009** and the B2B and Banking and Finance awards





KBC's Operations in the Czech Republic





Rating and Shareholder Structure

ČSOB's credit rating (as at 6 August 2009)

	Long-term rating	Short-term rating	Other ratings	
Moody's	A1	Prime-1	Financial strength:	C
Fitch	A-	F2	Individual:	C
			Support:	1

ČSOB's shareholder structure
KBC Bank NV holds 100% of ČSOB shares.



ČSOB's Top Management

- **Pavel Kavánek re-elected as the Chairman of the Board of Directors (BoD)**

Upon the end of the previous five-year election period, Messrs. Pavel Kavánek, Petr Knapp and Jan Lamser were re-elected by the general meeting (resp. decision of the sole shareholder) as members of the BoD, effective since 20 May 2009. On the same day, the BoD members elected Pavel Kavánek as their chairman.

The Board of Directors thus remains unchanged: Pavel Kavánek (chair), Petr Knapp, Jan Lamser, Phillippe Moreels, Hendrik Sheerlinck, Petr Hutla

- **Jan Švejnar re-elected as the Chairman of the Supervisory Board (SB)**

Upon the end of the previous five-year election period, Mr. Jan Švejnar was re-elected by the general meeting (resp. decision of the sole shareholder) as a member of the SB, effective since 20 May 2009. On 3 June 2009, the SB members elected economist Jan Švejnar as their chairman.

The Supervisory Board thus remains unchanged: Jan Švejnar (chair), Jan Vanhevel, John Hollows, Hendrik Soete, Riet Docx, Patrick Vanden Avenne, František Hupka, Libuše Gregorová, Martina Kopecká



Profit and Loss Statement

Reported

(CZK m)	6M 2008	6M 2009	Y/Y
<i>Interest income</i>	18 544	17 231	-7%
<i>Interest expense</i>	-8 093	-5 663	-30%
Net interest income	10 450	11 568	+11%
Net fee and commission income	3 319	3 270	-1%
Net gains from financial instruments at FVPL*	-312	991	NA
Other operating income	797	942	+18%
Operating income	14 255	16 771	+18%
Staff expenses	-3 336	-3 301	-1%
General administrative expenses	-3 203	-3 220	+1%
Depreciation and amortisation	-689	-747	+8%
Provisions	153	121	-21%
Operating expenses	-7 075	-7 146	+1%
Impairment losses*	-604	-2 840	+370%
Impairment of loans and receivables	-581	-2 614	+350%
Impairment of available-for-sale securities	0	-208	N/A
Impairment of other assets	-22	-19	-16%
Share of profit of associates	21	198	+834%
Profit before tax	6 598	6 983	+6%
Income tax expense	-1 033	-1 033	0%
Profit for the period	5 565	5 951	+7%
Attributable to:			
Equity holders of the parent	5 516	5 919	+7%
Minority interest	49	32	-35%

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.

* The two highlighted lines make the difference between reported and underlying figures.



Profit and Loss Statement

Underlying

(CZK m)	6M 2008	6M 2009	Y/Y
<i>Interest income</i>	18 544	17 231	-7%
<i>Interest expense</i>	-8 093	-5 663	-30%
Net interest income	10 450	11 568	+11%
Net fee and commission income	3 319	3 270	-1%
Net gains from financial instruments at FVPL*	860	388	-55%
Other operating income	797	942	+18%
Operating income	15 427	16 167	+5%
Staff expenses	-3 336	-3 301	-1%
General administrative expenses	-3 203	-3 220	+1%
Depreciation and amortisation	-689	-747	+8%
Provisions	153	121	-21%
Operating expenses	-7 075	-7 146	+1%
Impairment losses*	-604	-2 641	+337%
Impairment of loans and receivables	-581	-2 614	+350%
Impairment of available-for-sale securities	0	-208	NA
Impairment of other assets	-22	-19	-16%
Share of profit of associates	21	198	+834%
Profit before tax	7 770	6 578	-15%
Income tax expense	-1 279	-916	-28%
Profit for the period	6 491	5 662	-13%
Attributable to:			
Equity holders of the parent	6 442	5 631	-13%
Minority interest	49	32	-35%

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.

* The two highlighted lines make the difference between reported and underlying figures.



Balance Sheet

Assets

(CZK m)	31/12 2008	30/06 2009	Ytd
Cash and balances with central banks	16 602	35 799	+116%
Financial assets held for trading	131 342	179 173	+36%
Financial assets designated at fair value through P/L	23 514	21 457	-9%
Available-for-sale financial assets	90 454	113 326	+25%
Loans and receivables	411 644	403 153	-2%
<i>Loans and receivables - gross</i>	418 473	412 105	-2%
<i>of which credit institutions - gross</i>	16 806	10 002	-40%
<i>of which other than credit institutions - gross</i>	400 400	401 102	+0%
<i>of which accrued interest income</i>	1 266	1 001	-21%
<i>Loans and receivables - provisions</i>	-6 829	-8 952	+31%
<i>of which credit institutions - provisions</i>	-21	-24	+12%
<i>of which other than credit institutions - provisions</i>	-6 807	-8 929	+31%
Held-to-maturity investments	115 236	114 202	-1%
Derivatives used for hedging	7 215	6 153	-15%
Current tax assets	1 128	1 102	-2%
Deferred tax assets	1 248	1 136	-9%
Investments in associate	858	821	-4%
Investment property	1 002	969	-3%
Property and equipment	10 095	9 844	-2%
Goodwill and other intangible assets	4 852	4 721	-3%
Non-current assets held-for-sale	127	21	-84%
Other assets	9 168	7 932	-13%
Total assets	824 485	899 808	+9%



Balance Sheet

Liabilities and Equity

(CZK m)	31/12 2008	30/06 2009	Ytd
	<i>reclassified</i>		
Financial liabilities held for trading	35 064	23 755	-32%
Financial liabilities at fair value through P/L	62 796	149 237	+138%
Financial liabilities at amortised cost	649 371	642 761	-1%
<i>of which Deposits received from credit institutions</i>	40 246	25 297	-37%
<i>of which Deposits received from other than credit institutions</i>	551 686	571 114	+4%
<i>of which Debt securities in issue</i>	43 907	31 987	-27%
<i>of which Subordinated liabilities</i>	11 965	11 967	+0%
<i>of which Accrued interest expenses</i>	1 567	2 395	+53%
Derivatives used for hedging	2 493	1 560	-37%
Current tax liabilities	133	102	-23%
Deferred tax liabilities	553	582	+5%
Provisions	993	771	-22%
Other liabilities	16 238	21 684	+34%
Total liabilities	767 641	840 451	+9%
Share capital	5 855	5 855	0%
Share premium account	7 509	7 509	0%
Statutory reserve	18 687	18 687	0%
Retained earnings	19 212	24 450	+27%
Available-for-sale reserve	4 145	2 720	-34%
Cash flow hedge reserve	743	-573	-177%
Foreign currency translation reserve	-195	-196	+0%
Parent shareholders' equity	55 955	58 451	+4%
Minority interest	890	905	+2%
Total equity	56 844	59 357	+4%
Total liabilities and equity	824 485	899 808	+9%



Abbreviations and Definitions

Glossary

ROAC (return on allocated capital)	net profit, including minority interests, corrected for income on allocated instead of real equity / average allocated equity; according to KBC group methodology
C/I (cost / income ratio)	operating expenses / operating income
Liquidity ratio	total group lending / (bank deposits + building savings); the value of the liquidity ratio may differ from the L/D ratio which is calculated according to KBC group methodology
L/D (loan / deposit ratio)	according to KBC group methodology
CAD (capital adequacy ratio)	according to prudential reports of ČNB - Basel II
NPL (non-performing loans)	outstanding amount of non-performing loans / total outstanding loan portfolio
CCR (credit-cost ratio)	total credit costs / granted loan portfolio (annualized); according to KBC group methodology
NIM (net interest margin)	net interest income / average interest earning assets excluding repo operations
AUM	assets under management



Contacts

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