



Prague, 8 August 2008

## 1H 2008: ČSOB GROUP GROWS AND STRENGTHENS ITS POSITION ON THE MARKET<sup>1</sup>

- **Assets under management of the ČSOB Group:** CZK 697bn (+11%)
- **Loans granted by the ČSOB Group:** CZK 375bn (+23%)
- **ČSOB Group's market shares (as of 31 March 2008):**
  - AUM: 24.9 % (No. 1 on the market)
  - Total loans: 19.8% (No. 2 on the market)
  - Housing loans: 31.5 % (No. 1 on the market)
  - Mutual funds: 30.4 % (No. 2 on the market)
- **Net profit – reported:** CZK 5.516bn (+3%)
- **Net profit – underlying:** CZK 6.556bn (+22%); the underlying profit excludes the extraordinary accounting loss of CZK 1.040bn (net) from the CDO revaluation
- **Total assets:** CZK 928.9bn (+19%)

Key Financials (CZKbn)	1H 2007	1H 2008		1H 2008	
	(CZ only)	(reported)		(underlying)	
	CZK bn	CZK bn	change	CZK bn	change
Net Profit	5.361	5.516	+2.9 %	6.556	+22.3 %
Operating Income	13.618	14.255	+4.7 %	15.571	+14.3 %
Operating Expenses	6.651	7.075	+6.4 %	7.075	+6.4 %
Net Interest Income	8.902	10.450	+17.4 %	10.450	+17.4 %
Net Fee and Commission Income	3.286	3.319	+1.0 %	3.319	+1.0 %
Net Trading Income <sup>2</sup>	1.093	-0.312	+/-	1.004	-8.1 %
Cost/Income	48.8 %	49.6 %	+0.8 pp	45.4 %	-3.4 pp
Net Interest Margin	2.76 %	2.69 %	-0.07 pp	2.69 %	-0.07 pp
	<b>31.12.2007</b>	<b>30.6.2008</b>	<b>YTD</b>		
Total Group Lending	340.637	375.073	+10.1 %		
Total Assets	782.898	928.912	+18.7 %		
Loan/Deposit Ratio	63.8 %	71.0 %	+7.2 pp		
CAD Bank (Basel II)	---	8.54 %	---		

<sup>1</sup> All numbers in this press release are consolidated, unaudited, according to IFRS. For the purpose of year-on-year comparisons, the 2007 numbers are pro forma, excluding Slovak operations, as the former Slovak branch has been operating as a new legal entity since 1 January 2008.

<sup>2</sup> i.e. Net gains from financial instruments at fair value through profit or loss



ČSOB Group is the leading player in Czech financial services industry. ČSOB Group is a part of the international bancassurance KBC Group with a market capitalization over EUR 23bn 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 (bank specialized for financing the housing needs) – ČSOB Group holds strong market positions in all segments of Czech financial market. ČSOB Group is a long-term number 1 in financing the housing needs, leasing and total assets under management. ČSOB Group builds a strong, long-term partnership with each client, whether in personal and family finance, financing SMEs or corporate finance. ČSOB Group is a good listener who offers suitable solutions, rather than mere products.



## **FINANCIAL RESULTS**

**The underlying net profit of the ČSOB Group amounted to CZK 6,556m**, i.e. 22% above the 1H 2007 result. On a comparable basis, the Cost/Income ratio reached a record low of 45.4%.

**Total operating income of the ČSOB Group amounted to CZK 15,571m in 1H 2008**, i.e. **14% higher** than CZK 13,618m in 1H 2007. Thanks to the increasing volume of deposits and loans, the net interest income (NII) was up by 17% Y/Y to CZK 10,450m, making up 67% of total operating income in 1H 2008. ČSOB Group recorded high NII across all segments. Net fee and commission income increased +1% to CZK 3,319m. Net trading income (NTI) decreased by 8% Y/Y to CZK 1,004m. After including the CDO revaluation loss of CZK 1,040m to the NTI, the operating income grew by 5% to CZK 14,255m.

**Total operating expenses amounted to CZK 7,075m in 1H 2008**, which is an **increase of 6%** from CZK 6,651m a year ago; the increase is mainly due to staff expenses and depreciation. Staff expenses increased in 1H 2008 by 11% due to higher basic salaries and bonuses. The GAE decreased 2% in 1H 2008 which is due to high comparison basis in 1H 2007 (when ČSOB was moving into the new headquarters; ČSOB had to bear direct cost related to the moving and for a limited time, run both old and new premises). Over 12 months ending on 30 June 2008, ČSOB bank opened 11 branches and PSB added 5 Financial centers (with 4 branch and 1 FC in 2Q 2008 only). The number of ATMs grew by 13 to 650 over 1H 2008.



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## **BUSINESS RESULTS**

**Group business lending rose by 23% Y/Y to CZK 375.1bn.** All parts of the loan portfolio increased substantially: building loans to individuals (+37%), mortgages to individuals (+30%), SME loans (+27%), consumer loans (+25%), leasing (+14%) and corporate loans (+7%).

As of 30 June 2008, the total of housing loan outstandings exceeded CZK 178bn, which is a 33% increase Y/Y. Out of the total, mortgages represent CZK 88.8bn. In 1H 2008 only, **new mortgages** of CZK 19.6bn were granted. In June, the total number of Hypoteční banka's clients exceeded 100,000. Newly granted building loans reached nearly CZK 17bn (+23%). Českomoravská stavební spořitelna remains the number 1 in the building loans market with a 43.9% share (as of 31 March 2008). The sum of target amounts from the newly concluded contracts equals CZK 70bn (nearly a CZK 26bn increase Y/Y).

The growing lending portfolio kept high quality. Non-performing loans (more than 90 days overdue) as at 31 June 2008 accounted for only 1.86% of gross loans.

**Total AUM and deposits rose by 11% Y/Y to CZK 697.1bn.** This was mainly pushed by bank deposits (especially by current and term accounts) which increased by 12%; the fastest growth was recorded by the pension funds which grew 18% Y/Y.

AUM in mutual funds increased by 12% Y/Y to 85.9bn. The same growth pace was recorded by both capital guaranteed funds (an increase to CZK 37.3bn) and other types of mutual funds (an increase to CZK 48.6bn).

As of the end of 1H 2008, the **Loan/Deposit ratio** reached 71.0%, compared to 64.1% in 1H 2007.



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## **1H 2008 INNOVATION LEADERSHIP:**

In 1H 2008, ČSOB Group remained devoted to its "Innovation Leadership" focus. The main innovations were:

### ČSOB

- **PaySec** – a system for on-line payments, open to any users (no need to be ČSOB's client)
- In 1H 2008, ČSOB launched the following **mutual funds**: 2 socially responsible, Bulls and Bears 3 (profits in both growth and decline) and Commodity fund

### Poštovní spořitelna

- **FLEXI card** – a consumer loan granted through a card
- **Education saving account** with advantageous conditions for students
- **Current account** for businessmen in **USD**
- **Subsidy advisory tool** for businessmen

### Hypoteční banka

- **Investment mortgage** - a mortgage combined with a capital guaranteed fund or life insurance

### ČSOB Pojišťovna

- **Domov Express** – a new house insurance package concluded on-line
- **Variace** – new unit-linked life insurance

### ČSOB Leasing

- **Autolease** – new brand for operating leasing of cars
- **Comeback loan** – multi-purpose loan for clients at the end of their contracts



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## **CORPORATE AND SOCIAL RESPONSIBILITY**

ČSOB developed its CSR policy which has become an integral part of day-to-day operations. Recently, the following actions were undertaken:

- **Cooperation between PSB and Ergotep** (a cooperative of the handicapped) extended: back office operations added to running the loyalty program and distribution services.
- **“We help together”** - ČSOB allows its employees to spend a day at volunteer activities.
- ČSOB and PSB cooperate with the Association of Citizens Advice Centers in a **debt advisory project** aiming to foster financial literacy **against debt trap**.
- **Flower day (Czech day against cancer)** – 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 headquarters in Prague - Radlice received the **gold certificate LEED**, a standard for measuring environmental friendliness of buildings.
- As a part of the **Region support program**, 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).

Please find more details on ČSOB's financial results in the *1H 2008 Presentation* which can be downloaded from [www.csob.cz](http://www.csob.cz).

(<http://www.csob.cz/bankcz/en/CSOB/About-CSOB/Investor-relations/Financial-information/default.htm>)

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