



# 1Q 2008 Results ČSOB Group Czech Republic

**IFRS Unaudited Consolidated  
15 May 2008, Prague**



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## Main events:

- On 1 January 2008, **ČSOB SK**, formerly the Slovak branch of ČSOB, started operating as a **new legal entity**. Since then, the Slovak operations are not consolidated to the Prague-based ČSOB any more.
- In January, ČSOB entered into the Single Euro Payment Area (**SEPA**).
- In January, Global Finance awarded ČSOB as the **Best Trade Finance Provider 2008** in CZ.
- In March, Global Finance awarded ČSOB as the **Best Bank 2008** in CZ.

## Main innovations:

- In March, ČSOB started subscribing the **ČSOB World Breweries 1** capital guaranteed fund, the first of its kind in CZ.
- ČSOB Group introduced various **electronic applications** increasing client comfort, e.g. on-line yield calculator for PSB products or ČSOB EU Center's simple search tool for EU subsidies.

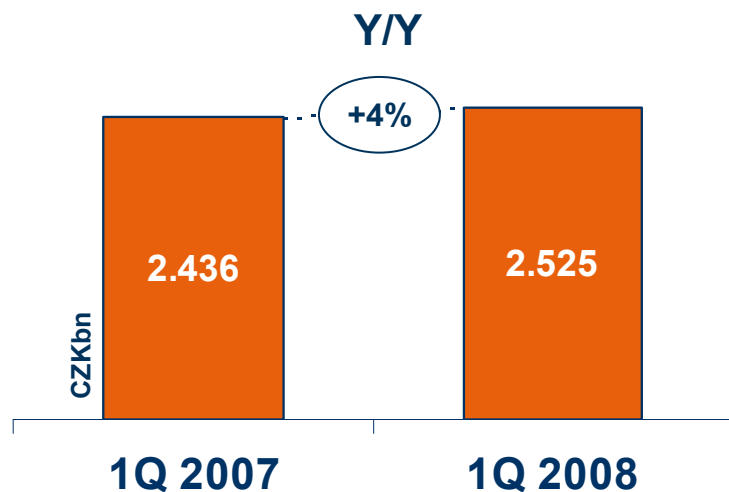
# Financial Highlights

Net 1Q profit of CZK 2,525m with firm underlying growth

- ČSOB Group CZ recorded a net profit of CZK 2,525m, i.e. a Y/Y increase of 4%. Excluding the extraordinary net accounting loss of CZK 486m from the revaluation of CDOs, the net profit grew by 24%.
- Net interest income, **NII**, showed a strong growth of 20%. (p. 11)
- Net fee and commission income, **NFCI**, was slightly up by 1%. (p. 12)
- Net trading income, **NTI**, decreased to a negative value due to the revaluation of CDOs. Excluding this revaluation, NTI grew by 2% Y/Y. (pp. 12-13)
- All in all, operating income, excl. the CDO revaluation, grew by 18%. (p. 10)
- Operating expenses increased by 13% due to business expansion. (p. 14)
- Cost/Income ratio rose to 52.1% especially due to the revaluation of CDOs. Excluding the revaluation, C/I was 47.9%. (p. 5)

# Financial Highlights

Underlying cost/income down to a record low of 47.9%



Net profit increased by 4% Y/Y from CZK 2,436m in 1Q 2007 to CZK 2,525m in 1Q 2008.

All 2007 figures in this presentation exclude the Slovak operations to have a relevant basis for a Y/Y comparison.

Cost/Income ratio for 1Q2008 was 52.1%. Excluding the revaluation of CDOs, the C/I decreased Y/Y by 2pp to 47.9%

Net Interest Margin and Loan/Deposit ratio went up notably Y/Y.

Financial ratios	1Q 2007 reclass.	1Q 2008
C/I Ratio	49.9%	52.1%
L/D Ratio*	60.6%	67.6%
NIM	2.77%	2.85%
ROAC	37.5%	31.5%
CAD Bank*	---	9.99%

Basel II

Note: \* Level at the end of period

# Total Group Lending at a Glance

Loan book expansion across the board with housing at the lead

(CZK bn)	31/03/2007	31/03/2008	Change Y/Y
<b>Total Group lending*</b>	<b>280.1</b>	<b>351.5</b>	<b>+25%</b>
<b>Retail - Housing loans</b>	<b>123.3</b>	<b>167.6</b>	<b>+36%</b>
- of which: mortgages (HB+ČSOB+PSB)	58.5	83.9	+43%
- of which: building loans (ČMSS 100%)	64.8	83.7	+29%
<b>Retail - Consumer lending</b>	<b>10.0</b>	<b>12.6</b>	<b>+25%</b>
<b>SME loans</b>	<b>46.9</b>	<b>61.3</b>	<b>+31%</b>
<b>Corporate loans Bank</b>	<b>84.6</b>	<b>93.1</b>	<b>+10%</b>
<b>Leasing</b>	<b>29.1</b>	<b>34.7</b>	<b>+19%</b>
<b>Quality of loan portfolio remained on a very high level</b>			
<b>NPL / Total Group lending</b>	<b>n.a.</b>	<b>1.64%</b>	<b>n.a.</b>

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%).



# Total AUM and Deposits at a Glance

Depositors' trust in ČSOB unhindered by financial turmoil

(CZK bn)	31/03/2007	31/03/2008	Change Y/Y
<b>Total AUM and Deposits</b>	<b>607.6</b>	<b>687.7</b>	<b>+13%</b>
Bank deposits	393.1	446.2	+14%
Building savings	69.2	74.1	+7%
Mutual funds and asset management*	128.3	146.8	+14%
Pension Funds	17.1	20.5	+20%

**Bank deposits increased by 14% Y/Y, especially thanks to current accounts and term deposits.**

**In spite of the capital markets fluctuations, AUM in mutual funds and AM increased by 14% Y/Y.**

**The Y/Y increase in building savings (+19% in number of contracts Y/Y) was positively influenced by the success of the Liška+ product (combines building savings and pension funds) and by political debates about reducing the state subsidy in the coming years.**

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



# ČSOB Group's Market Shares

Maintaining leading positions in the Czech financial market

<b>Total Loans+Leases<sup>1</sup></b>	<b>19.9%</b> ↗	<b>Total AUM<sup>1</sup></b>	<b>24.3%</b> ↗
<b>Mutual Funds<sup>3</sup></b>	<b>28.8%</b> ↗	<b>Building Loans<sup>1</sup></b>	<b>43.9%</b> ↘
<b>Mortgages<sup>1</sup></b>	<b>24.4%</b> ↗	<b>Building Savings<sup>1</sup></b>	<b>35.6%</b> ↗
<b>Bank Deposits<sup>1</sup></b>	<b>23.6%</b> ↗	<b>Housing Loans<sup>1</sup></b>	<b>31.3%</b> ↘
		<b>Factoring<sup>2</sup></b>	<b>21.3%</b> ↗
		<b>Leasing<sup>2</sup></b>	<b>15.5%</b> ↘

Insurance	MS	Rank
Life <sup>2</sup>	10.1% ↗	5
Non-Life <sup>2</sup>	4.8% ↗	5

<b>Corp/SME Loans<sup>1</sup></b>	<b>15.9%</b> ↗
<b>Consumer Loans<sup>1</sup></b>	<b>13.3%</b> ↗
<b>Pension funds<sup>4</sup></b>	<b>15.4%</b> ↗

2.

1.

3.

Notes: Arrows show Y/Y change. Market shares **as of 31/12/07**

<sup>1</sup> Market share according to outstanding volume at the given date

<sup>2</sup> Market share according to volume of new business in the three months preceding the given date

<sup>3</sup> Incl. institutional funds and third parties funds; MS according to outstanding volume at the given date

<sup>4</sup> Market share according to the number of clients at the given date

Source: ČNB, financial associations





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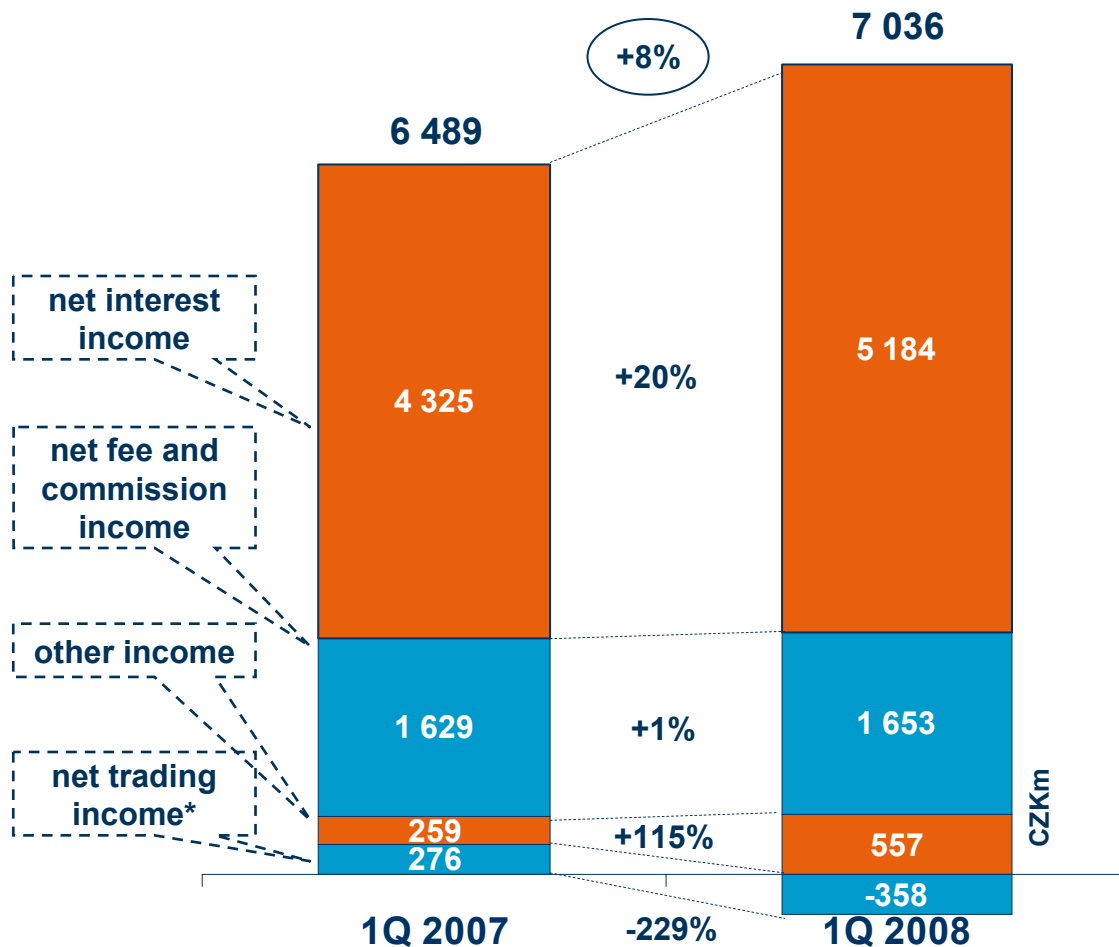
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# Operating Income

Interest income boosting the overall operating income



**Operating income increased from CZK 6,489m to CZK 7,036m. Excluding the revaluation of CDOs, total operating income was up 18% Y/Y.**

**NII rose as a result of fast growing business volumes.**

**NFCI remained stable as the increase in the number of transactions (esp. in PSB) was offset by a decrease in sales fees from mutual funds.**

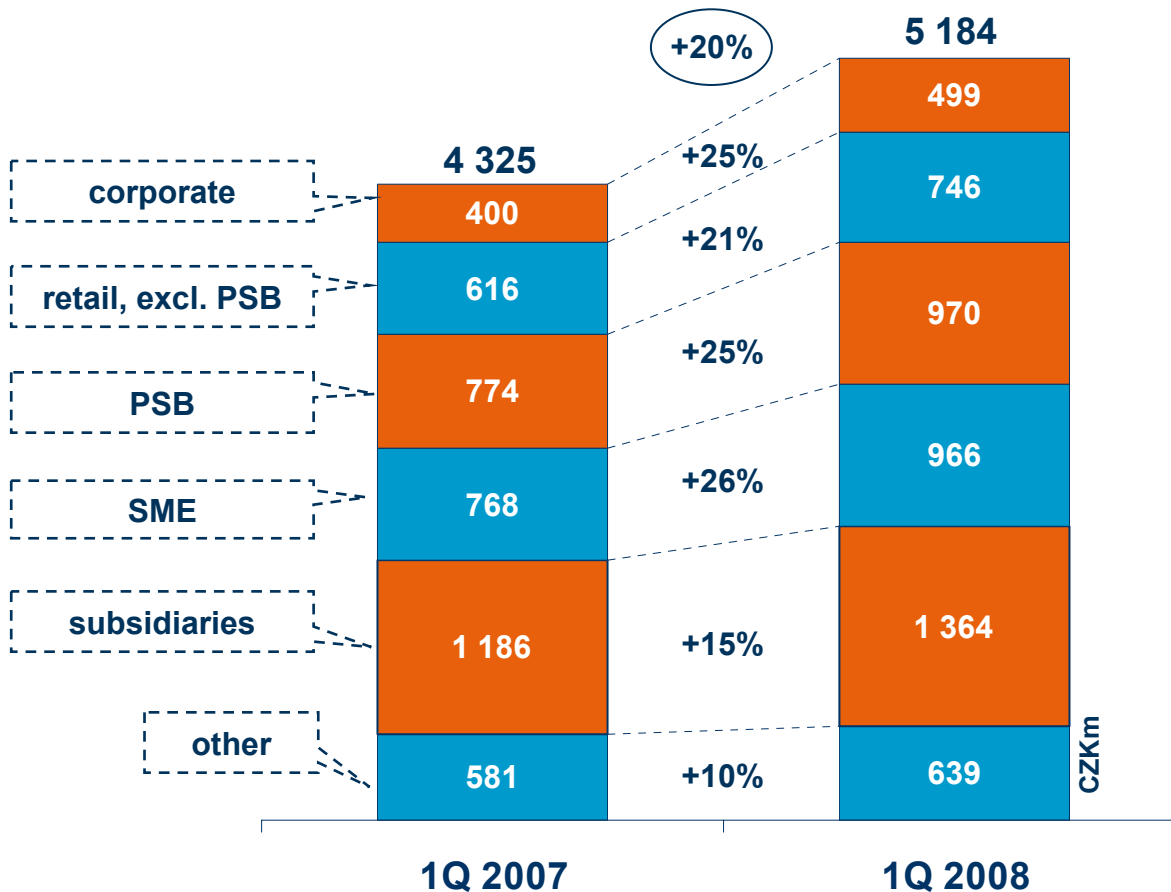
**NTI was pulled down by the revaluation of CDO portfolio.**

**Other income increased mainly thanks to recoveries.**

Notes: \* NTI = Net gains from financial instruments at fair value through P/L.  
\*\* CDO = Collateralized debt obligation.

# Net Interest Income

Double-digit, balanced growth across the board continues



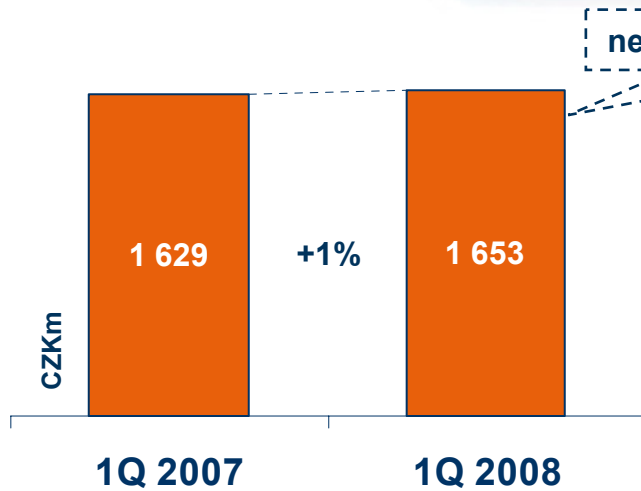
Net interest income increased by CZK 859m (+20%) Y/Y.

ČSOB Group recorded a growth over 20% in the corporate, SME and retail (ČSOB and PSB) segments, which stems from good business performance across all segments.

In retail, SME and corporate segments, the Y/Y positive variance resulted from growing volumes in both deposits and loans; in PSB, the increase was driven mainly by deposits.

# Non-Interest Income

Increase in fees offset by the impacts of market turbulences

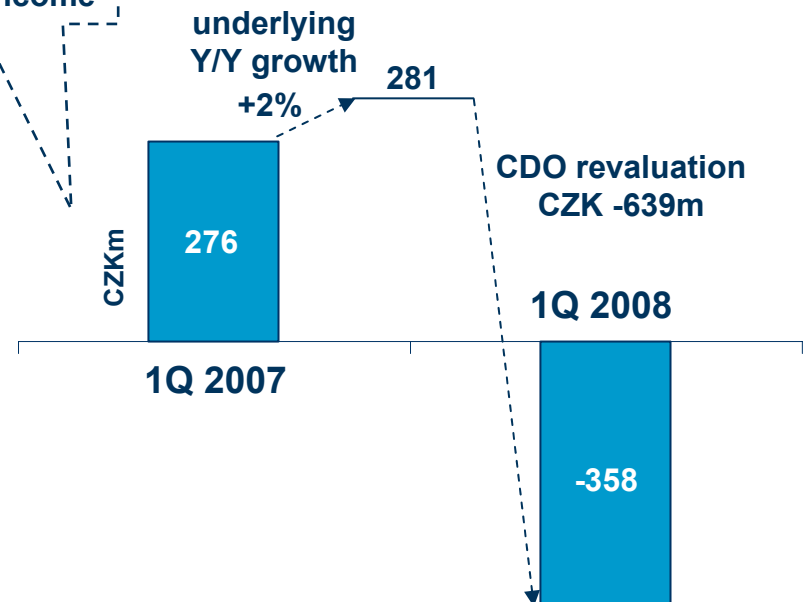


net fee and commission income

NFCI remained stable as the increase in the number of transactions (e.g. account and loan fees in PSB and guarantees in the corporate segment) was offset by lower sales fees from mutual funds.

net trading income

NTI decreased to a negative value due to the revaluation of CDOs in investment portfolio (CZK -639m). These CDO positions are intended to be kept until maturity and the loss booked from their revaluation is expected to be gradually offset in coming years.



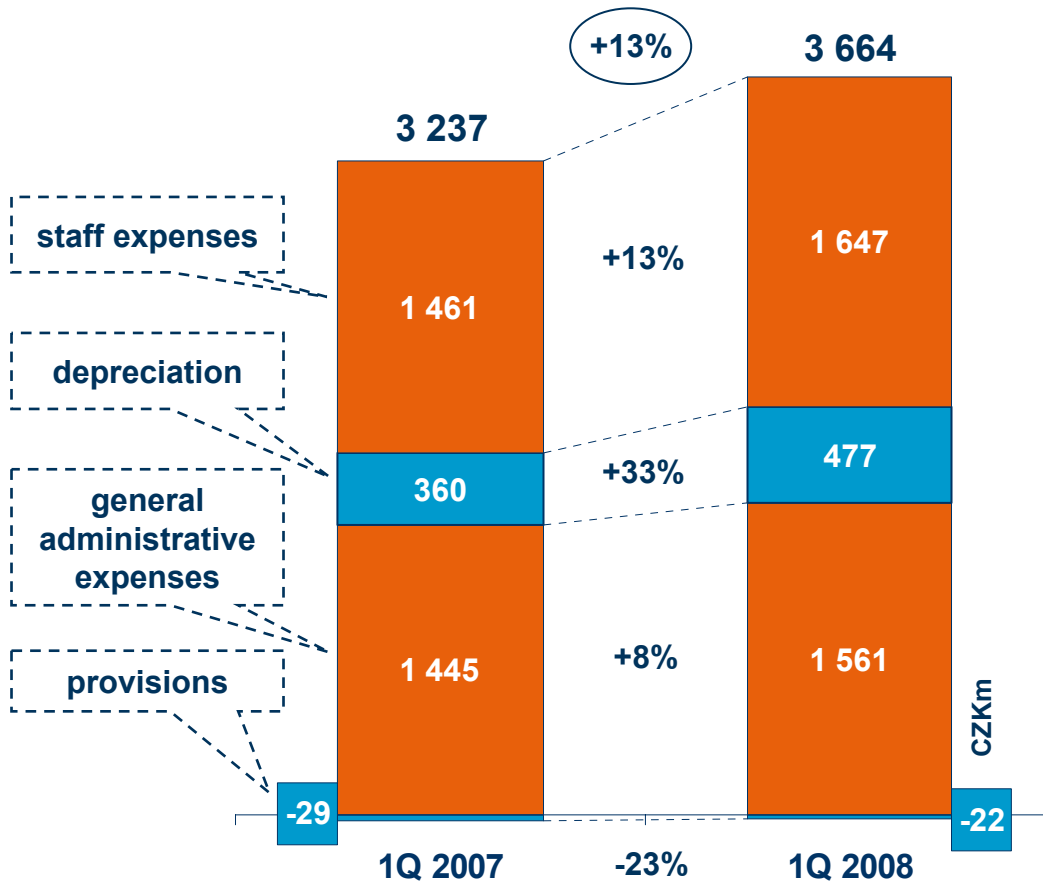
# CDO Development

ČSOB marks to market but bears no impairment losses

- As previously mentioned, ČSOB has CDOs in its investment portfolio. The adopted investment strategy is to **keep all the securities to maturity**.
- As ČSOB hasn't sold any CDOs from its portfolio, no impairment losses were incurred. There are **no actual losses** but CZK 639m mark-to-market impact on P/L before tax. The interim losses that ČSOB currently books represent only accounting treatment of the securities.
- There have been **no defaults** of the underlying assets and all CDOs remain highly rated.
- All CDOs in ČSOB's portfolio are **structured and actively managed by KBC**. The active management allows asset substitution. The indirect exposure to subprime mortgages is a very minor portion of the CDO portfolio and is protected by a certain subordination level.

# Operating Expenses

ČSOB invests into its employees and IT



Operating expenses increased from CZK 3,237m to CZK 3,664m.

Staff expenses in 1Q 2008 increased due to higher basic salaries and bonuses that better reflect sales performance.

The increase of GAE in 1Q 2008 was driven by fees paid to third parties, communication expenses (incl. data network) and costs related to renting and operation of ČSOB's facilities. Over the past twelve months, ČSOB Bank opened 9 branches and PSB added 8 Financial centers.

IT technology was the main contributor to the depreciation increase.



# Capital Adequacy

Maintaining ČSOB's prudential profile

		<i>Consolidated (CZKm)</i>	<b>31/03/2008</b>
<b>Credit risk: IRB approach capital requirement</b>	<b>CZK 26,442m</b>	<b>RWA</b>	<b>381,183</b>
<b>Operational risk: standardized approach capital requirement</b>	<b>CZK 3,121m</b>	<b>Tier I</b>	<b>37,729</b>
		<b>Tier I+II</b>	<b>39,388</b>
<b>Market risk: internal model capital requirement</b>	<b>CZK 931m</b>	<b>Tier I ratio</b>	<b>9.90%</b>
		<b>CAD</b>	<b>10.33%</b>

Note: RWA (risk weighted assets) = total capital requirements divided by 8%

Tier I capital = mainly share capital, share premium, legal reserve funds and retained earnings less goodwill and intangible assets

Tier I+II capital = secondary bank capital that includes such items as subordinated debt, IRB provision excess or shortfall

# Profit and Loss Statement

(CZK m)	3M 2007 pro forma excl. SK	3M 2008	Y/Y
<i>Interest income</i>	6 888	9 257	34%
<i>Interest expense</i>	-2 563	-4 073	59%
Net interest income	4 325	5 184	20%
Net fee and commission income	1 629	1 653	1%
Net gains from fin. instruments at fair value through P/L	276	-358	-229%
Net realised gains on available-for-sale fin. assets, Dividend income, Other net income	259	557	115%
<b>Operating income</b>	<b>6 489</b>	<b>7 036</b>	<b>8%</b>
Staff expenses	-1 461	-1 647	13%
General administrative expenses	-1 445	-1 561	8%
Depreciation and amortisation	-360	-477	33%
Provisions	29	22	-23%
<b>Operating expenses</b>	<b>-3 237</b>	<b>-3 664</b>	<b>13%</b>
Impairment losses	-186	-323	74%
Share of profit of associates	55	-35	-163%
<b>Profit before tax</b>	<b>3 122</b>	<b>3 014</b>	<b>-3%</b>
Income tax expense	-661	-462	-30%
<b>Profit for the period</b>	<b>2 461</b>	<b>2 553</b>	<b>4%</b>
Attributable to:			
<b>Equity holders of the parent</b>	<b>2 436</b>	<b>2 525</b>	<b>4%</b>
Minority interest	25	28	11%



# Balance Sheet (Assets)

(CZK m)	31/12/2007 pro forma excl. SK	31/03/2008	Ytd. change
Cash and balances with central banks	29 563	52 951	79%
Financial assets held for trading	147 656	171 681	16%
Financial assets designated at fair value through P/L	24 153	24 277	1%
Available-for-sale financial assets	77 477	84 413	9%
Loans and receivables - net	355 367	361 429	2%
<i>Loans and receivables (credit institutions - gross)</i>	14 926	14 291	-4%
<i>Loans and receivables (excl. credit institutions - gross)</i>	345 994	352 766	2%
<i>Loans and receivables (provisions)</i>	-5 554	-5 628	1%
Held-to-maturity investments	110 361	105 195	-5%
Derivatives used for hedging	5 587	7 264	30%
Accrued interest income	7 263	7 383	2%
Current tax assets	686	720	5%
Deferred tax assets	638	677	6%
Investments in associates	703	669	-5%
Investment property	875	866	-1%
Property and equipment	10 135	10 176	0%
Goodwill and other intangible assets	4 642	4 710	1%
Non-current assets held-for-sale	27	362	1241%
Other assets	7 766	10 909	40%
<b>Total assets</b>	<b>782 898</b>	<b>843 682</b>	<b>8%</b>

# Balance Sheet (Liabilities and Equity)

(CZK m)	31/12/2007 pro forma excl. SK	31/03/2008	Ytd. change
Financial liabilities held for trading	12 602	16 608	32%
Financial liabilities at fair value through P/L	75 878	129 002	70%
Financial liabilities at amortised cost	615 964	607 620	-1%
<i>Deposits received from credit institutions</i>	49 573	38 670	-22%
<i>Deposits received from other than credit institutions</i>	513 102	515 976	1%
<i>Debt securities in issue</i>	41 128	40 811	-1%
<i>Subordinated liabilities</i>	12 161	12 162	0%
Derivatives used for hedging	1 385	888	-36%
Accrued interest expenses	1 391	2 344	69%
Current tax liabilities	98	295	201%
Deferred tax liabilities	365	500	37%
Provisions	1 061	1 028	-3%
Other liabilities	18 709	21 055	13%
<b>Total liabilities</b>	<b>727 453</b>	<b>779 339</b>	<b>7%</b>
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	29 880	24%
Available-for-sale reserve	-344	2 558	-845%
Cash flow hedge reserve	-649	-672	3%
Foreign currency translation reserve	-133	-197	48%
<b>Parent shareholders' equity</b>	<b>55 109</b>	<b>63 621</b>	<b>15%</b>
Minority interests	336	722	115%
<b>Total equity</b>	<b>55 445</b>	<b>64 343</b>	<b>16%</b>
<b>Total liabilities and equity</b>	<b>782 898</b>	<b>843 682</b>	<b>8%</b>



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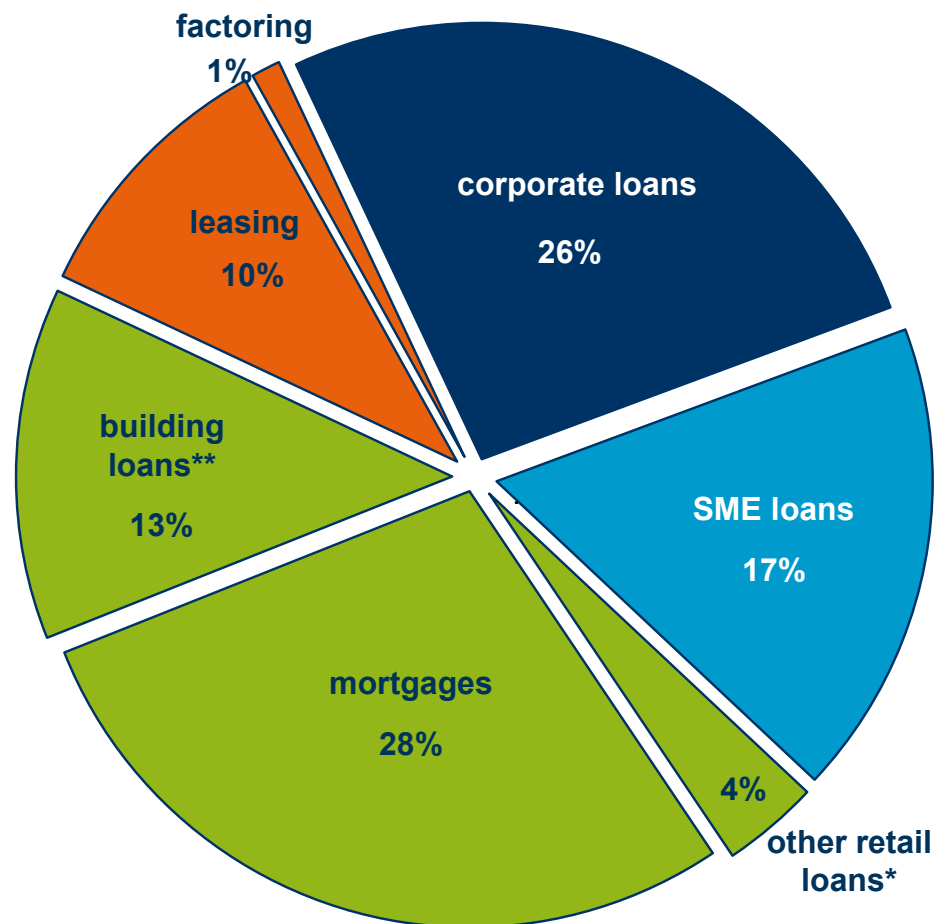
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# Total Group Lending

## Keeping the balanced approach



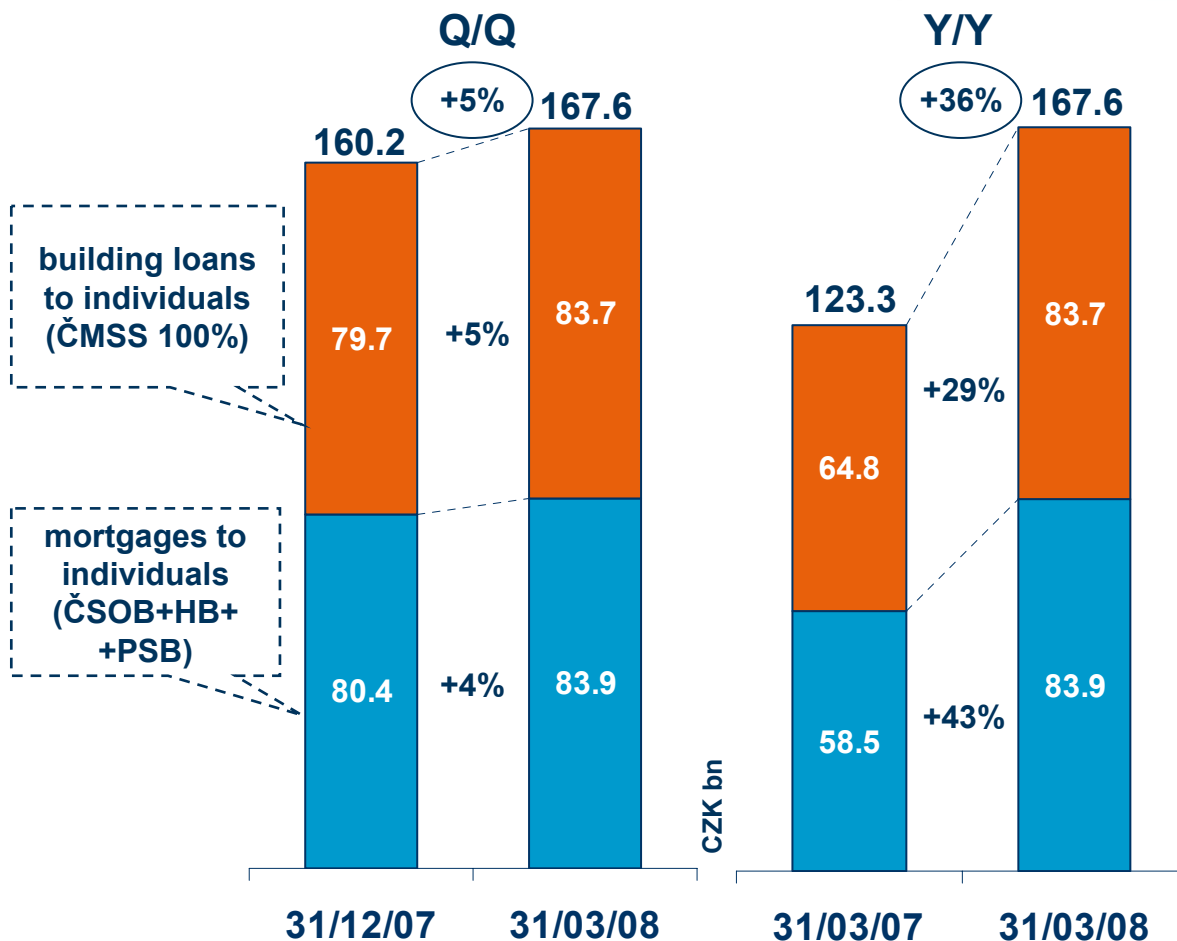
**Total Group Lending rose by 25% Y/Y (+3% Q/Q) and reached CZK 351.5bn. This strong Y/Y rise was supported by growth in all segments, especially mortgages (+43%), SME loans (+31%), building loans (+29%) and retail loans (+28%).**

**As financing the housing needs and SME lending have been the most dynamic segments of ČSOB Group lending in the past years, their combined portion on the pie now stands at 59%, compared to 42% two years ago.**

Note: \* Excl. mortgages and building loans  
 \*\* ČMSS consolidated proportionally by 55%

# Housing Loans

The fastest growing part of ČSOB's loan book



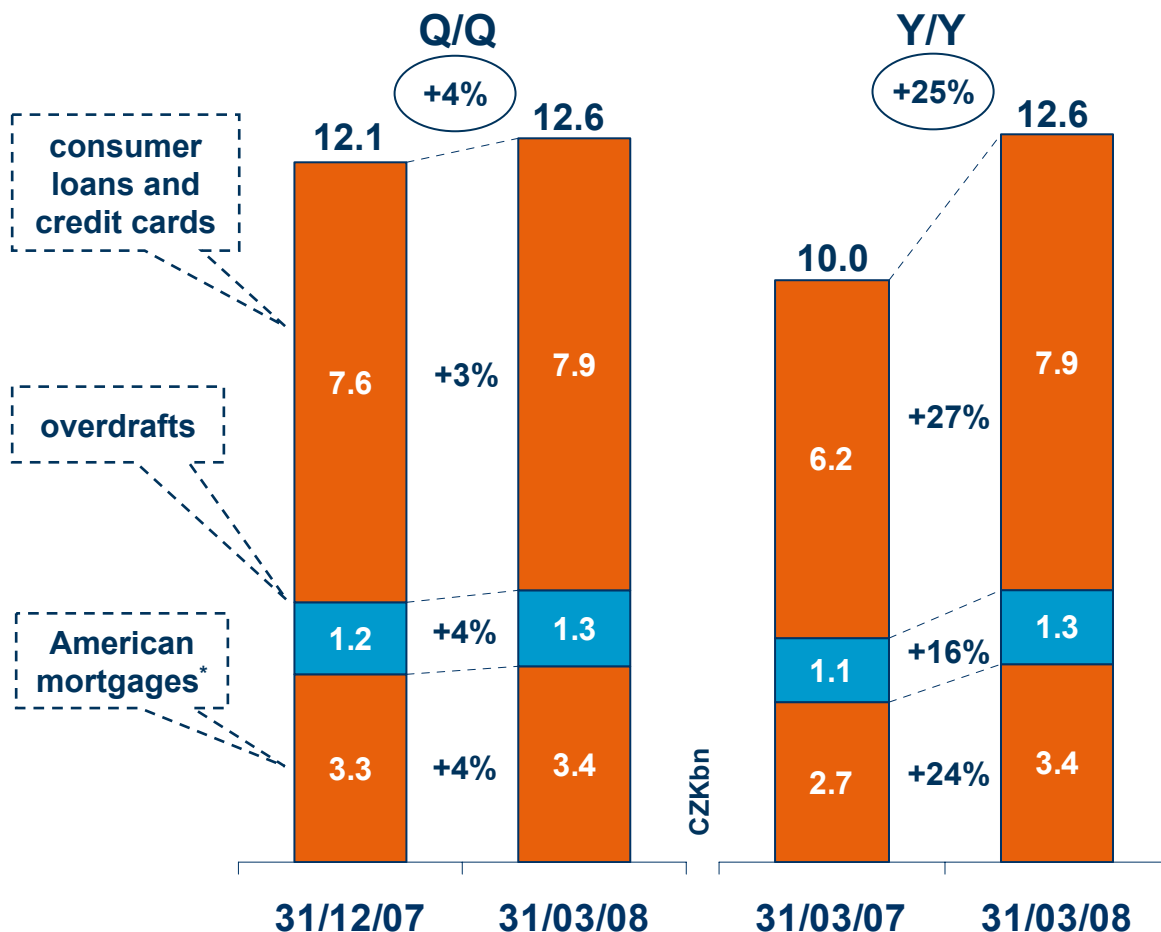
The volume of housing loans exceeded CZK 167bn.

Over 1Q 2008, ČSOB Group granted CZK 7.5bn of mortgages (+6% Y/Y) and has claimed the No. 1 position in new sales with a market share of 29.3%.

All mortgages provided by the ČSOB are denominated in CZK and thus there are no FX risks.

ČMSS saw historically high interest of its clients in building loans with nearly 16,000 contracts totaling CZK 7.7bn (+34% Y/Y).

In March, ČSOB and HB reduced the scope of documents clients submit to draw their mortgages.

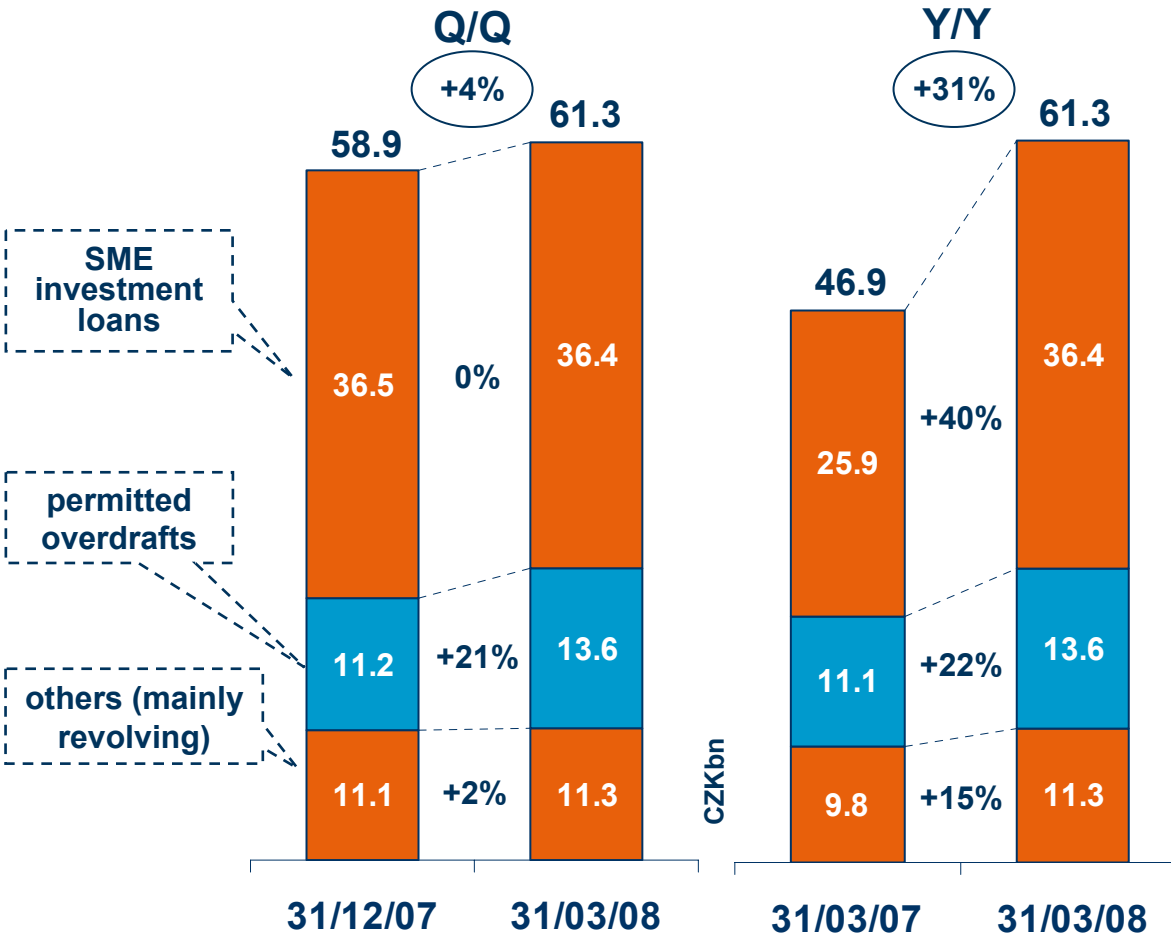


**Total consumer lending, excl. housing loans, rose by 25% Y/Y and exceeded the amount of CZK 12.6bn.**

**As at the end of 2007, ČSOB increased its market share in consumer loans (incl. other retail loans) by 1.3 pp Y/Y to 13.3%.**

**Over the 1Q 2008, PSB further streamlined the credit processes to make its consumer loans more flexible and attractive to clients.**

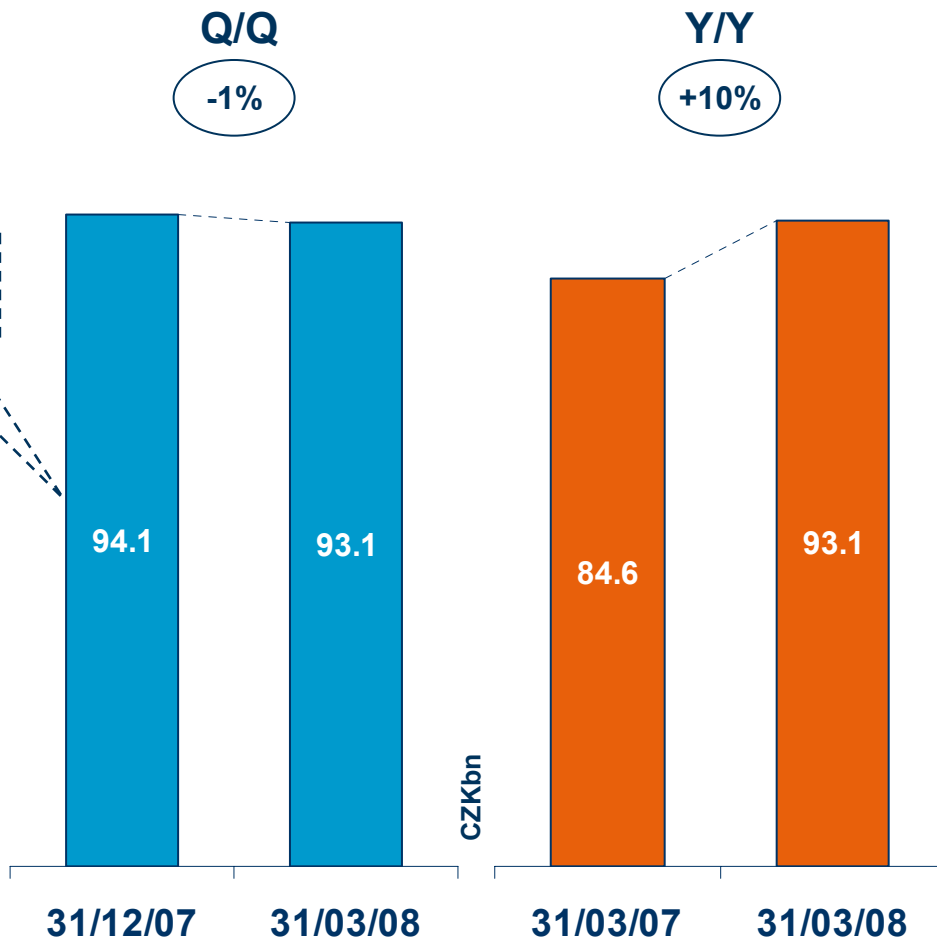
Note: \* Real-estate secured consumer loans.



**SME lending reached CZK 61.3bn and increased Y/Y by 31%.**

**The Y/Y increase of SME loans was driven by investment loans and permitted overdrafts.**

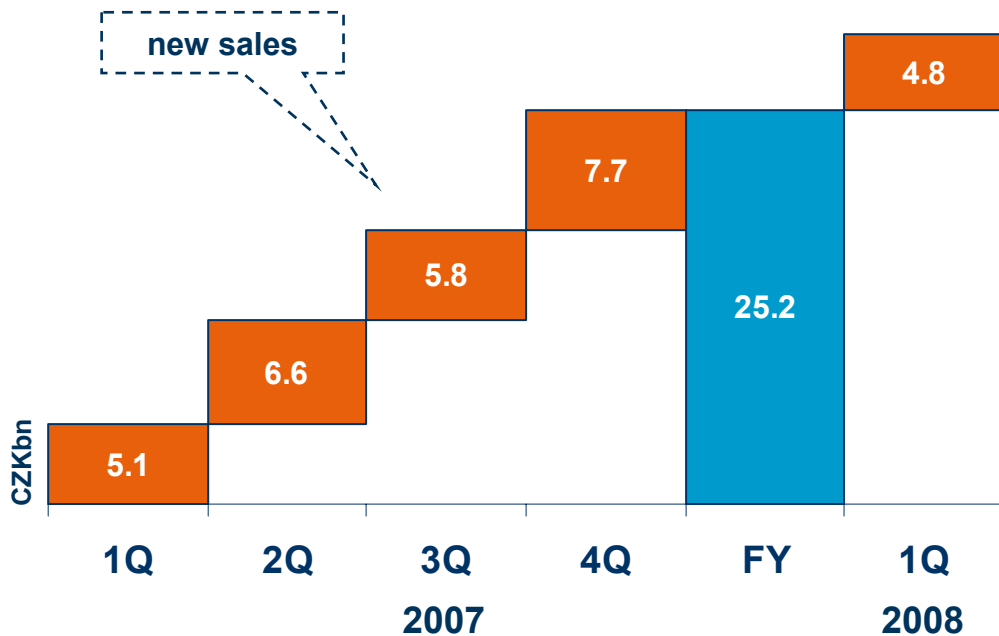
**In February, the ČSOB EU Center launched a simple search tool designed to look for subsidies from the EU. In the first phase, the software pre-selects the suitable grant programs; in the second phase, an SME advisor provides the final recommendation for the given project.**



The volumes of outstanding corporate loans increased Y/Y by one tenth and equaled CZK 93.1bn at the end of 1Q 2008.

ČSOB offers its corporate clients integrated financial solutions involving Corporate Bank, Structured Finance, Patria (securities brokerage and corporate finance), Private Bank, Financial Markets and KBC Private Equity.





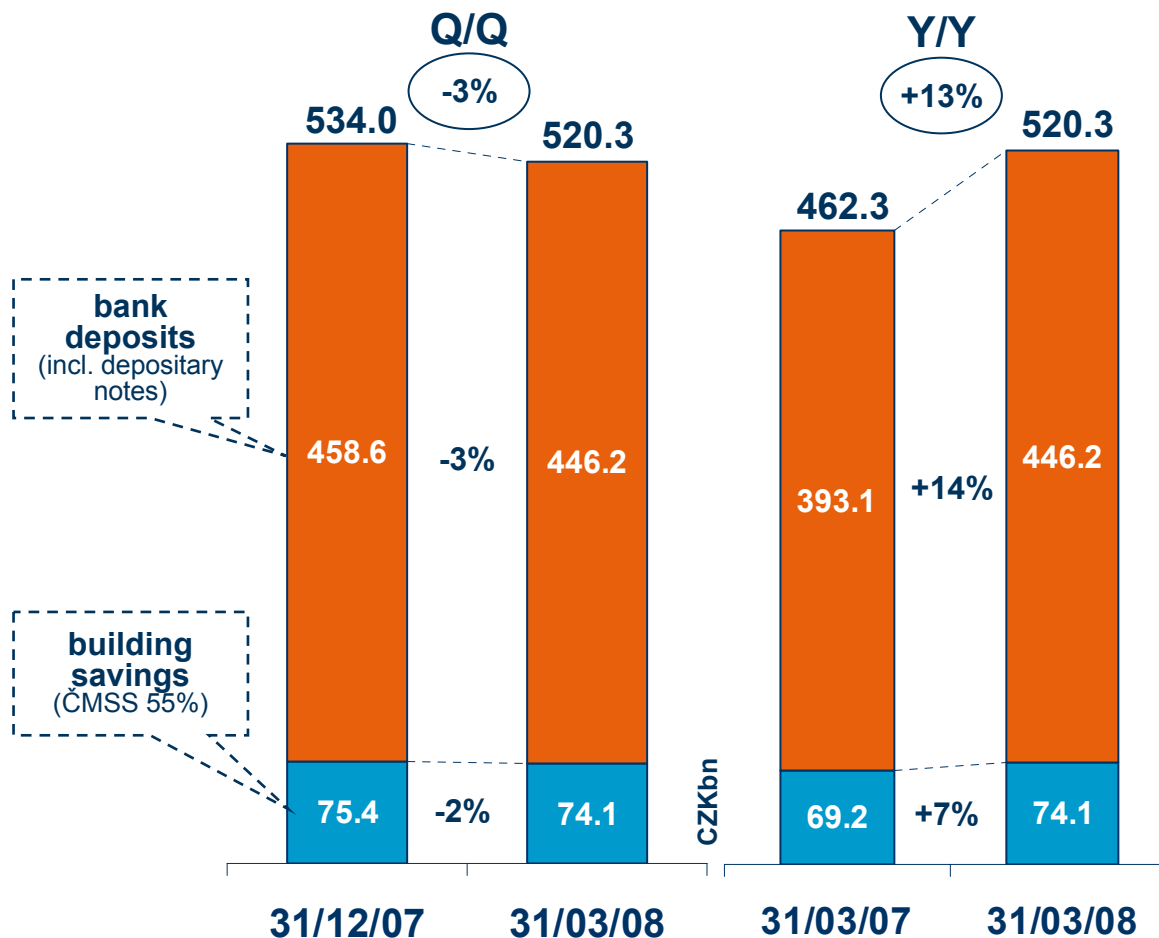
**In 1Q 2008, new turnover accounted for CZK 4.8bn. Outstanding loans and leases expanded by 19% Y/Y. The improvement was driven by full service operating leasing.**

**For the fifth time in a row, ČSOB Leasing ranked No. 1 in the Support Financial Institutions category of Czech Top 100.**



# Bank Deposits and Building Savings

Continuing the expansion of the deposit base



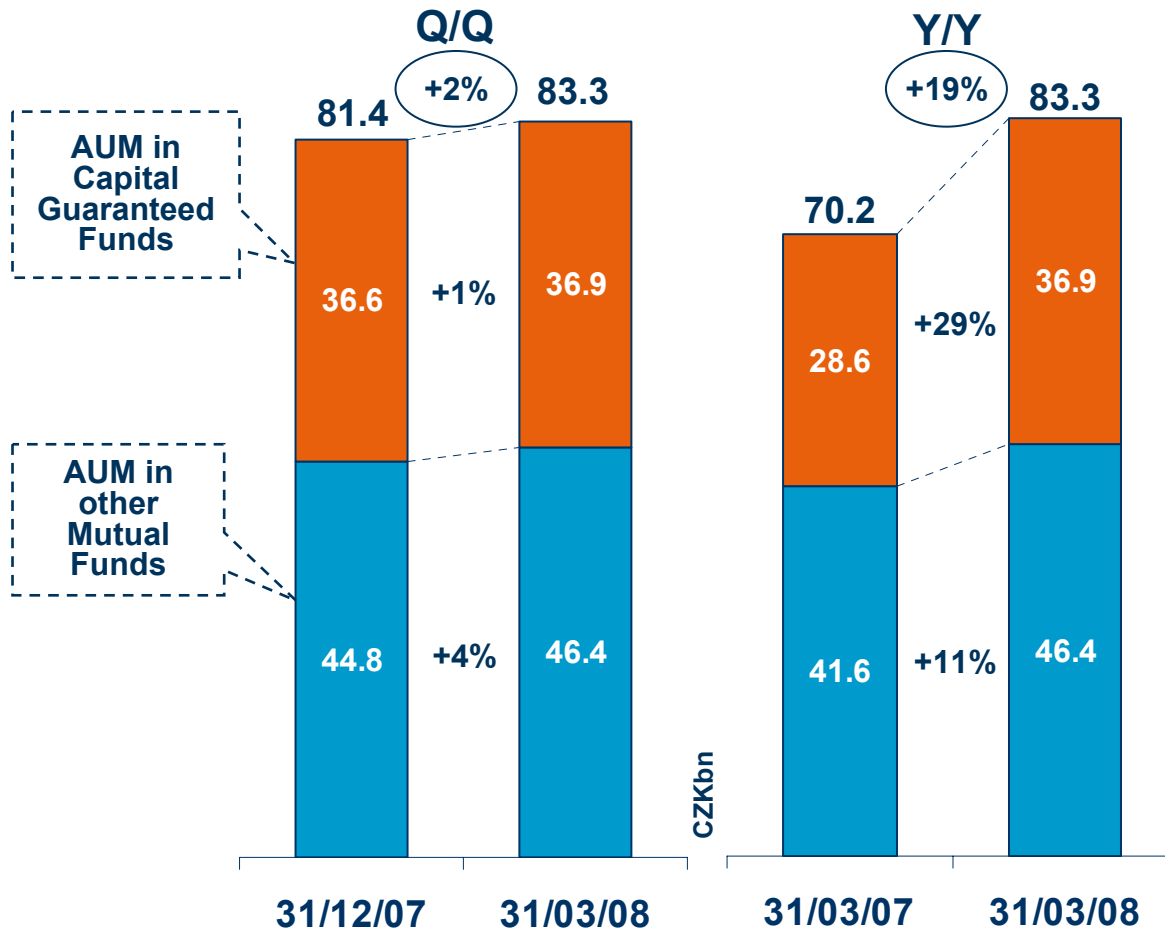
Bank deposits increased Y/Y by 14%, especially thanks to current accounts and term deposits.

The Y/Y increase in building savings (+19% in number of contracts Y/Y) was influenced by the success of the Liška+ product (combines building savings and pension funds) and by political debates about reducing the state subsidy in the coming years.

Disregarding a CZK 25bn extraordinary short-term deposit at the end of 2007, the bank deposits grew by 3% Q/Q.

# Mutual Funds

ČSOB's investment tools still enjoying clients' trust



Assets in mutual funds grew by 19% Y/Y and reached CZK 83.3bn\*.

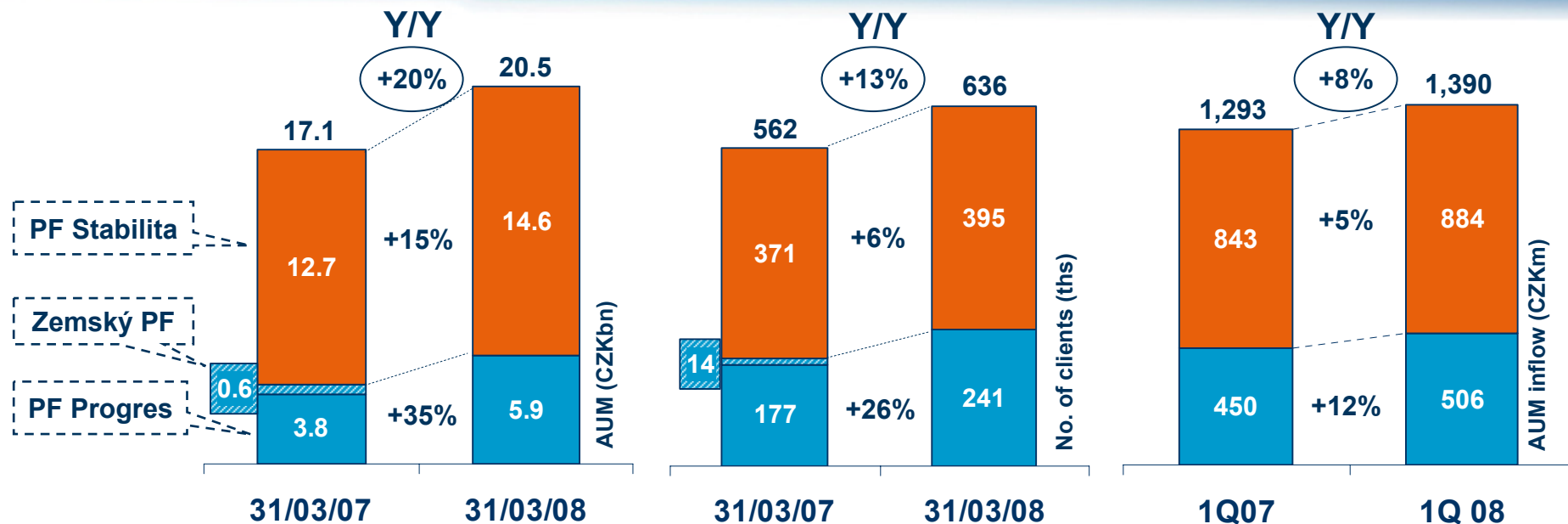
As a reaction to the unfavorable investment climate, Czech market for mutual funds experienced lower sales and shift in client focus to more conservative funds in 1Q 2008. This was reflected by the Q/Q increase of 18% in ČSOB money market funds AUM.

In 1Q 2008, ČSOB launched several new CGFs (e.g. World Breweries 1) and socially responsible funds (e.g. ČSOB Harmonic Growth), keeping the No.1 position in the CGF market with more than a 60% share.

Note: \* Direct position only

# Pension Funds

Increasing number of clients and faster asset inflow



As at 31 March 2008, ČSOB PFs had 636 thousand clients (No. 3 in the market) and the AUM has reached CZK 20.5bn, which is a Y/Y increase of 13% and 20% respectively.

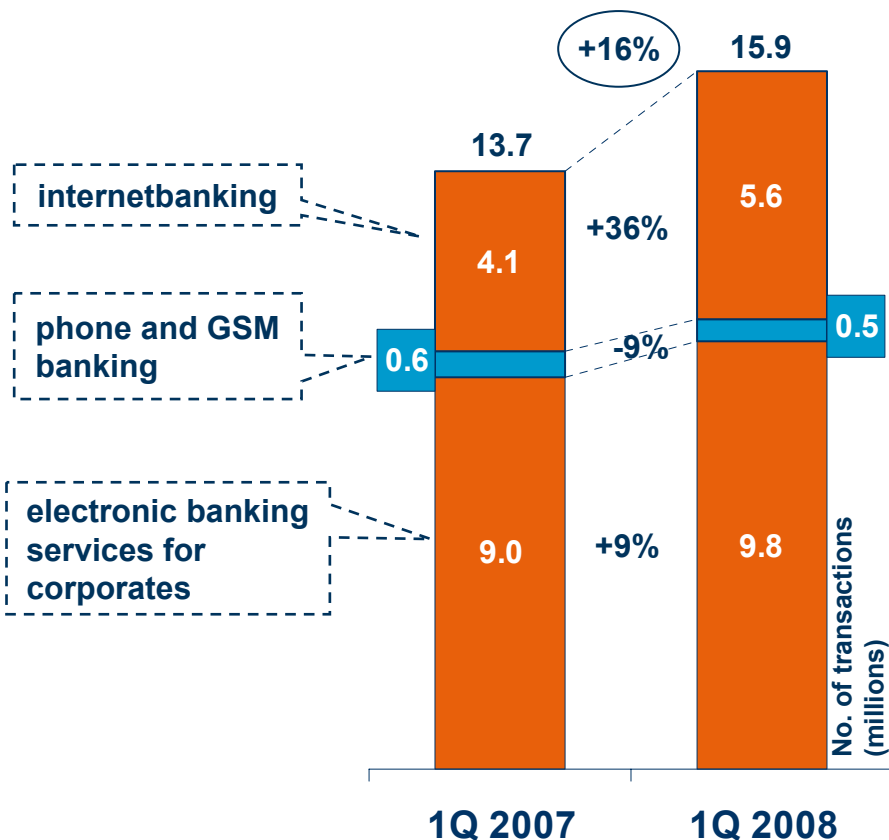
AUM inflow during 1Q 2008 was 8% higher compared to 1Q 2007.

In 1Q 2008, ČMSS was the main distribution channel of ČSOB PFs.

ČSOB PF Progres and ČSOB PF Stabilita increased their share capital by CZK 200m each.

# Direct Channels

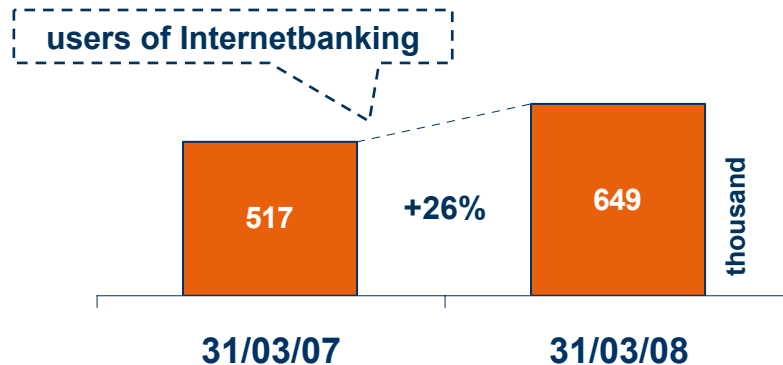
Ongoing e-innovations tailored to the needs of ČSOB's clients



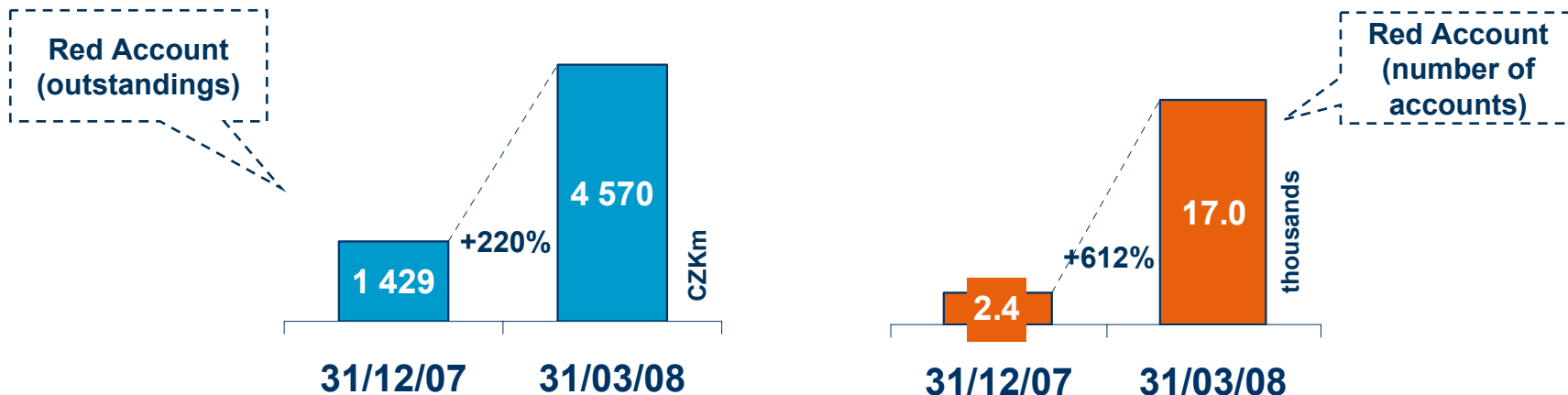
In 1Q 2008, four out of five payments were performed via direct channels.

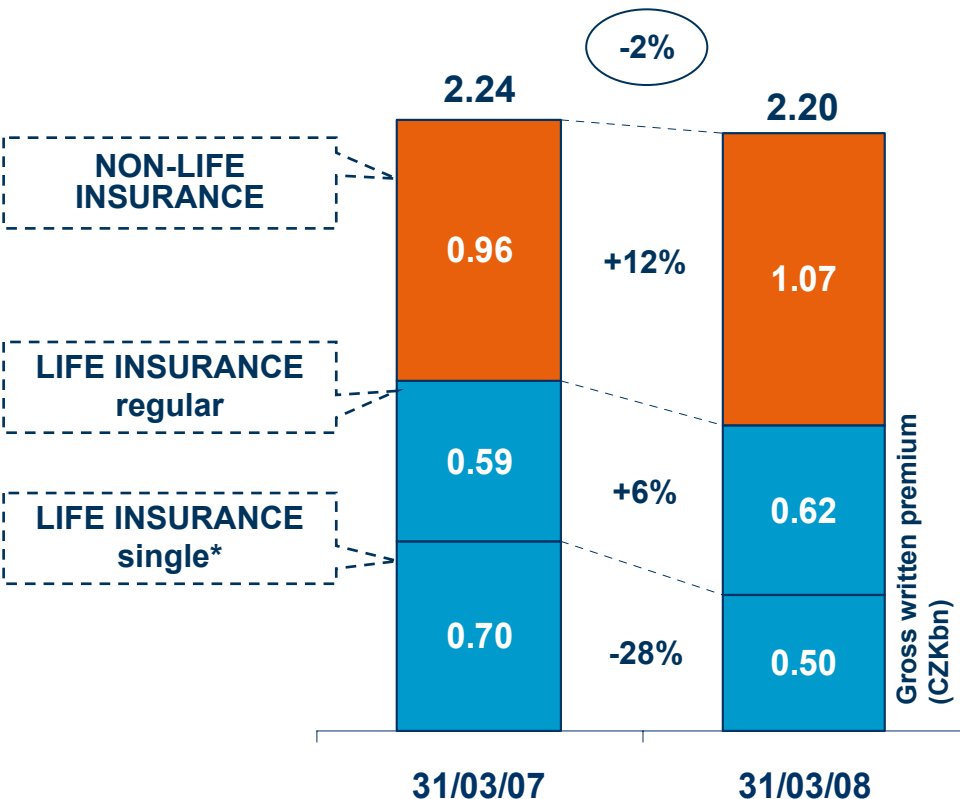
The fastest growth in number of transactions recorded internetbanking (+36%), especially Max Internetbanking PSB (+70%).

ČSOB and PSB further enhanced their internetbanking applications, for example clients can change their PIN codes for logging to electronic banking services.



- Red account saw a three-fold increase in number and seven-fold in deposits.
- SME credit cards ordered in January and February were free of charge for a year. Moreover, monthly fees for both new and existing business accounts were cut by a third and extended to cover more transactions.
- An on-line yield calculator for deposit products was launched in addition to a similar application for loans.
- In 1Q 2008, PSB opened two Financial centers in Prague and Svitavy.
- PSB and the Ergotep cooperative opened an on-line store [www.ctyrlistek.eu](http://www.ctyrlistek.eu) which provides employment to the handicapped.





Non-life gross written premium grew by 12% Y/Y to CZK 1,072m. The growth was recorded across all products (mainly Motor, Travel and Households insurance). ČSOB Leasing belonged among the most important distribution channels of non-life insurance.

Life GWP amounted to CZK 1,124m in the end of 1Q, i.e. Y/Y decline of 13%.

Sales of single life insurance suffered indirectly from turbulences on financial markets. Clients adopted a wait-and-see attitude which pushed down sales of equity funds that are highly linked with sales of single life insurance.

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



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# NPLs and Provisions

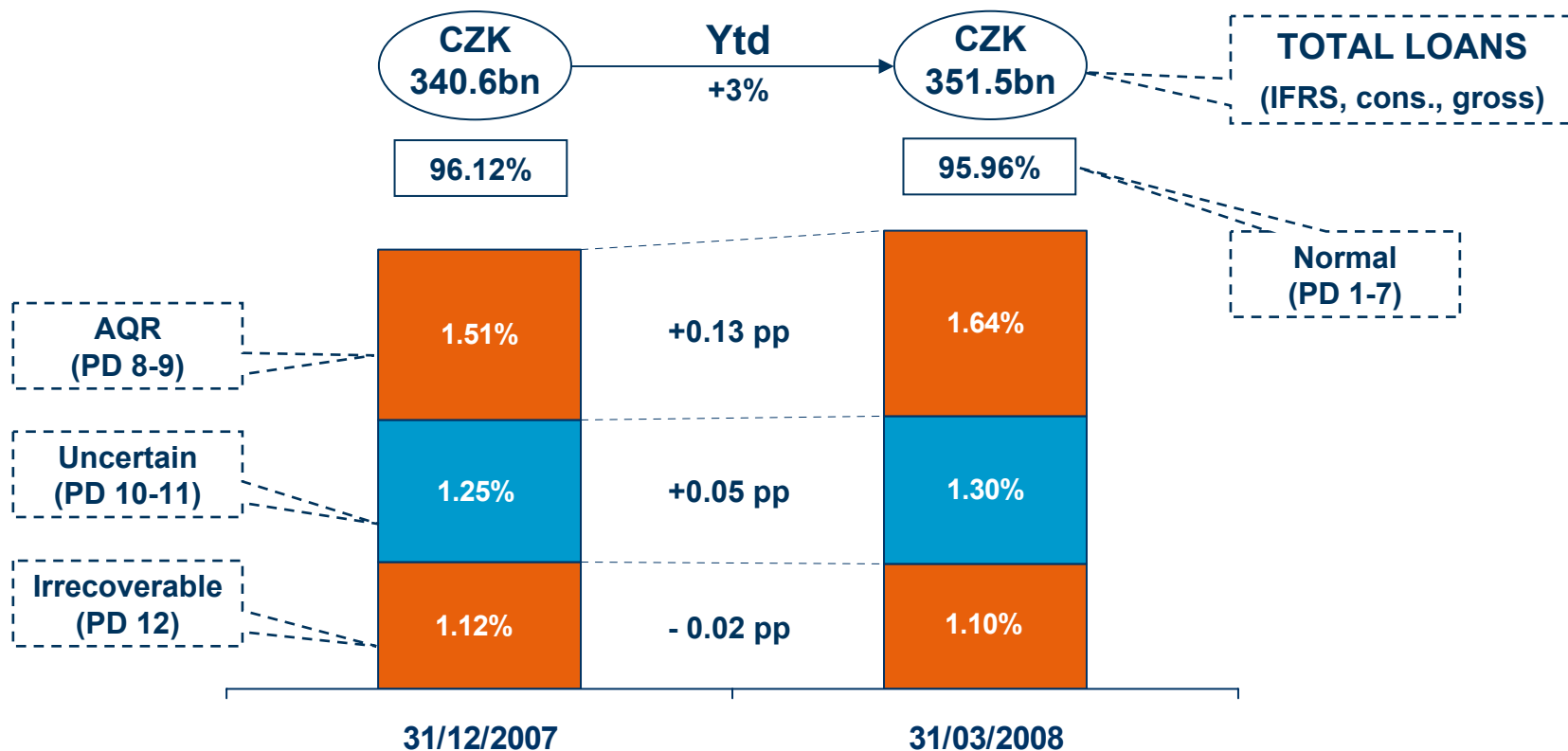
IFRS, consolidated, gross (in CZKbn)

	31/12/07	31/03/08	Ytd change
<b>Total Group lending</b>	<b>340.64</b>	<b>351.53</b>	<b>+3%</b>
<b>- of which, NPLs</b>	<b>5.47</b>	<b>5.78</b>	<b>+6%</b>
<b>Total provisions</b>	<b>5.55</b>	<b>5.63</b>	<b>+1%</b>
<b>NPLs / total loans</b>	<b>1.61%</b>	<b>1.64%</b>	<b>+0.03 pp</b>
<b>Coverage of NPLs by provisions</b>	<b>101.6%</b>	<b>97.4%</b>	<b>-4.2 pp</b>
<b>Loan-Loss Ratio</b>	<b>0.21%</b>	<b>0.27%</b>	

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

# Loan Portfolio Quality

The percentage of normal loans further up



Note: ČSOB Group's internal classification (the system of 12 PD rating grades) is based on the newly implemented Basel II models. The PD ratings, applied in line with KBC Group policy, are in compliance with the ČNB's methodology.



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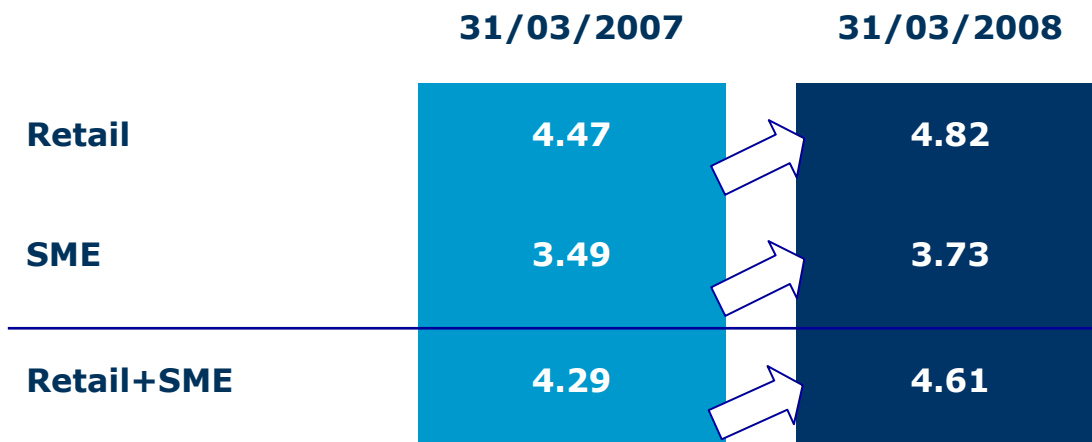
Quality of Credit Portfolio

Other Information

# Penetration Ratios

Increasing each quarter for over 4 years

**Our multi-channel distribution and cross-selling activities are instrumental in further increasing the penetration ratios.**



**Total number of products sold per customers increased in Retail as well as in SME segments.**

**The average ratio reached 4.61 products per customer, rising by 32 bp Y/Y.**

**Note: There is no standard methodology in calculating penetration ratios. Thus the figures reported above can be compared only in time, not across banks.**

# Definitions

## Glossary of financials ratios used

<b>ROAC</b> (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)
<b>C/I</b> (Cost/Income Ratio)	operating expenses / operating income
<b>Loan/Deposit Ratio</b>	Total Group lending / (bank deposits + building savings)
<b>NIM</b> (net interest margin)	net interest income / average interest earning assets (lines 2-4,6,7,9 in p. 17; 2006 values are estimates only)
<b>CAD</b> (capital adequacy ratio)	according to prudential reports of ČNB - Basel II (since 1 July 2007)
<b>Tier I ratio</b>	8%* (Tier I capital / total capital requirements)
<b>NPL</b> (non-performing loans)	outstanding amount of non-performing loans / total outstanding loan portfolio
<b>LLR</b> (Loan-Loss Ratio)	total credit costs / granted loan portfolio



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