



Prague, 15 May 2008

## ČSOB GROUP REPORTED A NET PROFIT OF CZK 2.525BN FOR 1Q 2008<sup>1</sup>

- **1Q 2008 net profit - reported:** at CZK 2,525m (+4%).
- **1Q 2008 net profit - underlying:** at CZK 3,011m (+24%); the underlying figure excludes the extraordinary accounting loss of CZK 486m (net) from CDO revaluation.
- **Total group lending:** up CZK 71.4bn Y/Y (+25%).
- **Mortgages - outstanding volume:** at CZK 83.9bn (+43%).
- **Total assets:** at CZK 843.7bn (+8%).
- **Total AUM and deposits:** up CZK 80.1bn Y/Y (+13%).
- **Capital Guaranteed Funds – AUM:** at CZK 36.9bn (+29%).

### Key Financials (CZKbn)

	1Q 2008 (reported)	1Q 2008 (underlying)	1Q 2007 (pro forma)	Y/Y (reported)	Y/Y (underlying)
Net Profit	2.525	3.011	2.436	+4%	+24%
Operating Income	7.036	7.675	6.489	+8%	+18%
Operating Expenses	3.664	3.664	3.237	+13%	+13%
Net Interest Income	5.184	5.184	4.325	+20%	+20%
Net Fee and Commission Income	1.653	1.653	1.629	+1%	+1%
Net Trading Income <sup>2</sup>	-0.358	0.281	0.276	+/-	+2%
Cost/Income	52.1%	47.9%	49.9%	+2.2pp	-2.0pp
Net Interest Margin	2.85%	2.85%	2.77%	+0.08pp	+0.08pp
	<b>31/03/2008</b>		<b>31/12/2007</b>	<b>Ytd change</b>	
Total Group Lending	351.5		340.6	+3%	
Total Assets	843.7		782.9	+8%	
Loan/Deposit Ratio	67.6%		63.8%	+3.8 pp	
CAD Bank (Basel II)	9.99%		---	---	

<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 30bn 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**

**Net profit of the ČSOB Group amounted to CZK 2,525m**, i.e. 4% above the 1Q 2007 result. Excluding the extraordinary net accounting loss of CZK 486m from the revaluation of CDOs, the net profit grew by 24%.

(See pages 4-5 of the 1Q 2008 presentation.)

**Total operating income of the ČSOB Group amounted to CZK 7,036m in 1Q 2008**, i.e. **8% higher** than in 1Q 2007. Excluding the revaluation of CDOs, the total operating income rose by **18%**. Thanks to the increasing volume of deposits and loans, the net interest income (NII) was up by 20% Y/Y to CZK 5,184m, making up 74% of total operating income in 1Q 2008. ČSOB Group recorded growth above 20% in corporate and SME segments as well as in the retail segment (including blue ČSOB and red PSB). Net fee and commission income increased +1% to CZK 1,653m. Net trading income (NTI) saw a loss of CZK 358m which was caused by the revaluation of CDOs.

**The revaluation of CDOs:** 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.

(See pages 10-13 of the 1Q 2008 presentation.)

**Total operating expenses amounted to CZK 3,664m in 1Q 2008**, which is an **increase of 13%** from CZK 3,237m as a result of staff expenses and general administrative expenses (GAE) increase. Staff expenses in 1Q 2008 increased by 13% due to higher basic salaries and bonuses that better reflect sales performance. The increase of GAE in 1Q 2008 (+8% Y/Y) 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 12 months ending on 31 March 2008, ČSOB bank opened 9 branches and PSB added 8 Financial centers (with 1 branch and 2 FCs in 1Q 2008 only). The number of ATMs grew by 4 to 641 over 1Q 2008.

(See page 14 of the 1Q 2008 presentation.)

**As a result** of the development of operating income and expenses, **Cost/Income ratio** reached 52.1%. Excluding the revaluation, C/I was 47.9%, compared to 49.9% in 1Q 2007.



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## **BUSINESS RESULTS**

**Group business lending rose by 25% Y/Y to CZK 351.5bn.** All parts of the loan portfolio increased substantially: mortgages to individuals (+43%), building loans to individuals (+29%), consumer loans (+25%), SME loans (+31%), corporate loans (+10%) and leasing (+19%). ČSOB Group became No. 1 in the Czech Republic in new sales of mortgages with the market share of 29.3%.

(See pages 6 and 20-25 of the 1Q 2008 presentation.)

**The growing lending portfolio kept high quality.** Non-performing loans (more than 90 days overdue) as at 31 March 2008 accounted for only 1.64% of gross loans and the share of Normal loans (IFRS classification, PD 1-7) reached 95.96% of total loan portfolio.

(See pages 33-34 of the 1Q 2008 presentation.)

**Total AUM and deposits rose by 13% Y/Y to CZK 687.7bn.** This was mainly pushed by bank deposits (especially by current and term accounts) which increased by 14%. Within the wide spectrum of mutual funds, capital guaranteed funds (CGFs) were successful again with AUM up 29% Y/Y to CZK 36.9bn. Despite the financial market turbulences, ČSOB confirmed its No. 1 position in the CGF market in CZ with share over 60%.

(See pages 7 and 26-28 of the 1Q 2008 presentation.)

**As a result** of the development of loans and deposits, **Loan/Deposit ratio** reached 67.6%, compared to 63.8% in 1Q 2007.



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## **1Q 2008 MAIN EVENTS:**

- On 1 January 2008, ČSOB SK, formerly the Slovak branch of ČSOB, started operating as a new legal entity.
- In January, ČSOB entered into the Single Euro Payment Area (SEPA).
- In January, Global Finance awarded ČSOB as the Best Trade Finance for 2008 in CZ.
- In March, Global Finance awarded ČSOB as the Best Bank 2008 in the Czech Republic.

## **1Q 2008 INNOVATION LEADERSHIP:**

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

- In March, ČSOB introduced a new CGF, ČSOB World Breweries 1, first of its kind in the Czech Republic.
- ČSOB Group introduced various electronic applications increasing client comfort, such as web calculator for PSB products' yield calculation or ČSOB EU Center's simple search tool to look for EU subsidies.

Please find more details on ČSOB's financial results in the *1Q 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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## CONSOLIDATED STATEMENT OF INCOME

(Prepared in accordance with EU IFRS)

(CZKths)	1-3/2008	1-3/2007 pro forma (w/o SK)
Interest income	9 256 787	6 887 854
Interest expense	-4 072 843	-2 562 883
<b>Net interest income</b>	<b>5 183 944</b>	<b>4 324 971</b>
Fee and commission income	2 099 866	2 022 802
Fee and commission expense	-447 176	-393 445
<b>Net fee and commission income</b>	<b>1 652 690</b>	<b>1 629 358</b>
Dividend income	942	78
Net gains from financial instruments at fair value through profit or loss	<b>-357 829</b>	<b>276 462</b>
Net realised gains on available-for-sale financial assets	-77 574	40 522
Other net income	633 524	218 023
<b>Operating income</b>	<b>7 035 697</b>	<b>6 489 413</b>
Staff expenses	-1 647 264	-1 460 534
General administrative expenses	-1 561 321	-1 445 404
Depreciation and amortisation	-477 191	-359 966
Provisions	22 016	28 757
<b>Operating expenses</b>	<b>-3 663 760</b>	<b>-3 237 147</b>
Impairment losses	-322 903	-185 514
Share of profit of associates	-34 582	55 155
<b>Profit before tax</b>	<b>3 014 452</b>	<b>3 121 907</b>
Income tax expense	-461 630	-660 723
<b>Profit for the period</b>	<b>2 552 822</b>	<b>2 461 184</b>
Attributable to:		
<b>Equity holders of the parent</b>	<b>2 524 584</b>	<b>2 435 776</b>
Minority interest	28 238	25 408



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## CONSOLIDATED BALANCE SHEET

(Prepared in accordance with EU IFRS)

(CZKths)	31.3.2008	31.12.2007 pro forma (w/o SK)
<b>ASSETS</b>		
Cash and balances with central banks	52 951 146	29 563 074
Financial assets held for trading	171 681 132	147 655 667
Financial assets designated at fair value through profit or loss	24 276 601	24 152 808
Available-for-sale financial assets	84 412 646	77 477 464
Loans and receivables - net	361 428 904	355 366 711
<i>Loans and receivables (credit institutions - gross)</i>	14 290 794	14 926 310
<i>Loans and receivables (excl. credit institutions - gross)</i>	352 765 964	345 994 474
<i>Loans and receivables (provisions)</i>	-5 627 854	-5 553 654
Held-to-maturity investments	105 194 830	110 360 723
Derivatives used for hedging	7 264 221	5 587 147
Accrued interest income	7 382 963	7 262 520
Current tax assets	719 567	685 846
Deferred tax assets	677 473	638 408
Investments in associates	668 602	703 184
Investment property	865 919	875 477
Property and equipment	10 175 918	10 134 658
Goodwill and other intangible assets	4 710 450	4 641 734
Non-current assets held-for-sale	362 197	27 000
Other assets	10 909 166	7 765 615
<b>Total assets</b>	<b>843 681 735</b>	<b>782 898 036</b>
<b>LIABILITIES AND EQUITY</b>		
Financial liabilities held for trading	16 607 935	12 602 012
Financial liabilities at fair value through profit or loss	129 002 296	75 878 000
Financial liabilities at amortised cost	607 619 837	615 964 374
<i>Deposits received from credit institutions</i>	38 670 396	49 573 478
<i>Deposits received from other than credit institutions</i>	515 976 432	513 101 856
<i>Debt securities in issue</i>	40 810 954	41 128 063
<i>Subordinated liabilities</i>	12 162 055	12 160 977
Derivatives used for hedging	888 172	1 384 754
Accrued interest expenses	2 344 095	1 390 982
Current tax liabilities	294 742	97 856
Deferred tax liabilities	499 528	365 241
Provisions	1 027 505	1 060 828
Other liabilities	21 054 594	18 709 019
<b>Total liabilities</b>	<b>779 338 704</b>	<b>727 453 067</b>
Share capital	5 855 000	5 855 000
Share premium account	7 508 552	7 508 886
Statutory reserve	18 686 645	18 686 645
Retained earnings	29 880 385	24 183 762
Available-for-sale reserve	2 558 162	-343 529
Cash flow hedge reserve	-671 636	-649 411
Foreign currency translation reserve	-196 548	-132 570
<b>Parent shareholders' equity</b>	<b>63 620 560</b>	<b>55 108 783</b>
Minority interests	722 471	336 186
<b>Total equity</b>	<b>64 343 031</b>	<b>55 444 969</b>
<b>Total liabilities and equity</b>	<b>843 681 735</b>	<b>782 898 036</b>



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