



Prague, 6 November 2008

## 9M 2008:

# ČSOB GROUP REPORTED NET PROFIT OF CZK 2.8BN<sup>1</sup>

- **Assets under management of the ČSOB Group:** CZK 714.1bn (+10% Y/Y)
- **Loans granted by the ČSOB Group:** CZK 387.2bn (+20% Y/Y)
- **Net profit – reported:** CZK 2.776bn (-63% Y/Y)
- **Net profit – underlying:** CZK 8.934bn (+15% Y/Y); the underlying profit excludes the extraordinary unrealized accounting loss of CZK 6.158bn (net) due to financial crisis mark-downs.
- **Total assets:** CZK 908.9bn (+16% Ytd)
- **Liquidity and capital:** high levels confirmed.

Key Financials	9M 2007	9M 2008	change
	(CZ only) CZK bn	CZK bn	
<b>Reported:</b>			
Net Profit	7.444	2.776	-62.7%
Operating Income	20.331	15.097	-25.7%
Operating Expenses	10.070	10.720	+6.5%
<b>Underlying:</b>			
Net Profit	7.794	8.934	+14.6%
Operating Income	20.791	22.483	+8.1%
- Net Interest Income	13.744	15.769	+14.7%
- Net Fee and Commission Income	4.845	4.967	+2.5%
- Net Trading Income <sup>2</sup>	1.799	0.370	-79.4%
- Other income	0.403	1.378	+241.9%
Operating Expenses	10.070	10.720	+6.5%
Cost/Income	48.4%	47.7%	-0.7 pp
	<b>31.12.2007</b>	<b>30.9.2008</b>	<b>YTD</b>
Total Assets	782.898	908.944	+16.1%
Loan/Deposit Ratio	63.8%	71.4%	+7.6 pp
CAD Group (Basel II)	10.49%	11.69%	+1.2 pp

<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

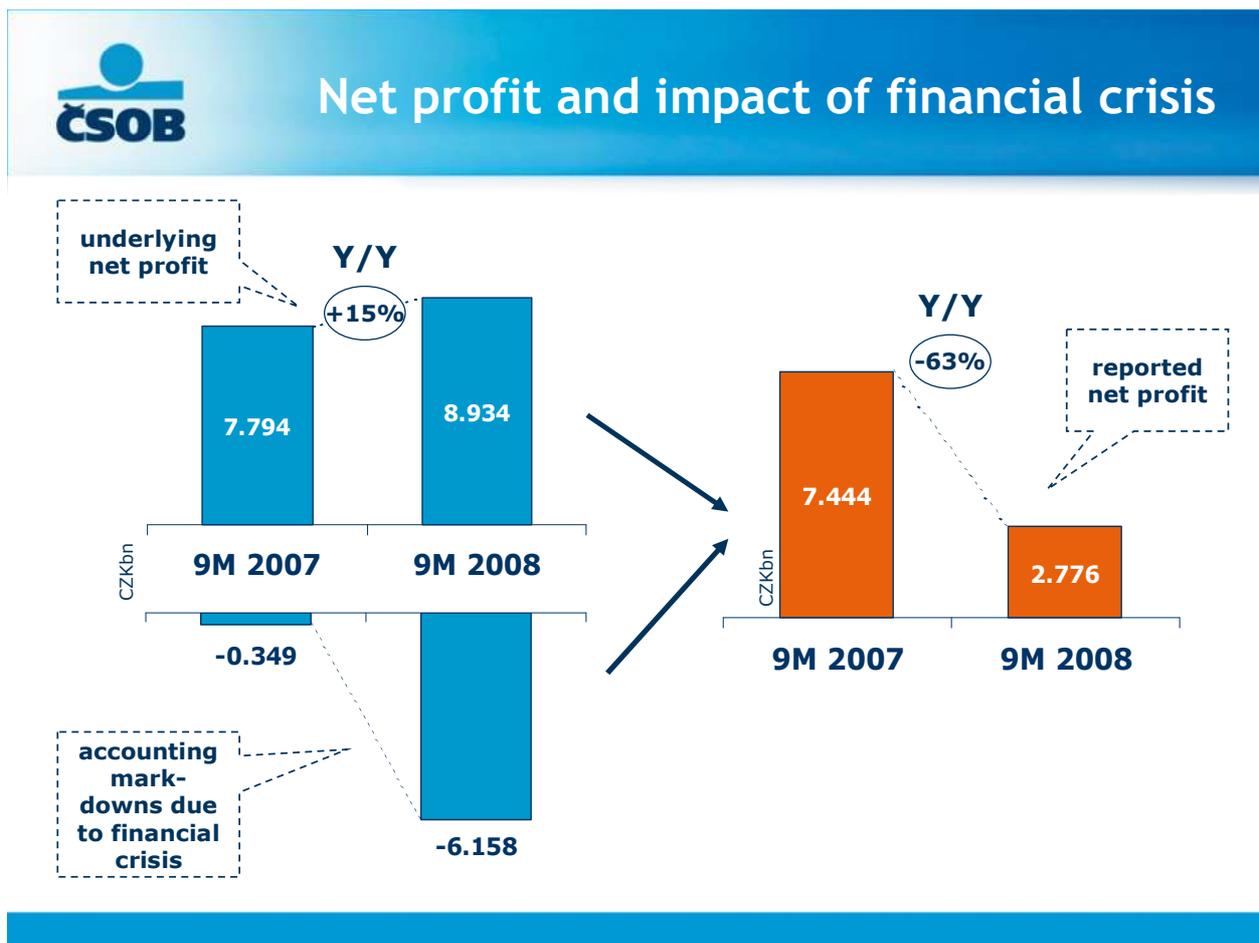


ČSOB Group is the leading player in Czech financial services industry. ČSOB Group is a part of the international bancassurance KBC Group which is active in Belgium and the CEE region. Combining the power of its retail brands – ČSOB (banking, insurance, asset management, pension funds, leasing and factoring), 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 8,934m, i.e. 15% above the 9M 2007 result. On a comparable basis, the Cost/Income ratio reached a record low of 47.7%. To arrive from the reported to the underlying figures, the negative CZK 6.2bn one-off due to financial crisis (CDO mark-down + Lehman Brothers write-down) has to be excluded from the reported net profit. Reported net profit was negatively affected by.



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### **Information on the CDO portfolio:**

As has been communicated in the past, the ČSOB Group has CDOs in its portfolio in the total nominal value of EUR 424.3m (approx. CZK 10bn). We reiterate that the total nominal value of our CDO portfolio is lower than annual profit generated by ČSOB (based on 2007 figures).

Due to markdowns ČSOB undertook in the quarters ending 30 September 2008, the net accounting value of the investment portfolio of CDOs is less than 20% of the initial nominal value. This fact is a clear proof of our conservative approach. ČSOB intends to hold the CDO portfolio until maturity and therefore all the losses are only unrealized losses.

**Total underlying operating income of the ČSOB Group amounted to CZK 22,483m in 9M 2008, i.e. 8% higher** than CZK 20,791m in 9M 2007. Thanks to the increasing volume of deposits and loans, the net interest income (NII) was up by 15% Y/Y to CZK 15,769m, making up 70% of total operating income in 9M 2008. ČSOB Group recorded fast NII growth especially in PSB segment. Net fee and commission income increased +3% to CZK 4,967m. Net trading income (NTI) decreased by 79% Y/Y to CZK 370m. After including the financial crisis mark-downs to the NTI, the operating income decreased by 26% to CZK 15,097m.

**Total operating expenses amounted to CZK 10,720m in 9M 2008,** which is an **increase of 6%** from CZK 10,070m a year ago, in line with inflation. The increase is mainly due to staff expenses and GAE. Staff expenses increased in 9M 2008 by 8% as a result of higher numbers of FTEs and higher basic salaries. The 2% increase of GAE in 9M 2008 was driven by fees paid to third parties, communication expenses (incl. data network), marketing and consultation costs.



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## **BUSINESS RESULTS**

**Group business lending rose by 20% Y/Y to CZK 387.2bn.** All parts of the loan portfolio increased substantially: mortgages to individuals (+32%), building loans to individuals (+30%), consumer loans (+28%), SME loans (+23%), leasing (+10%) and corporate loans (+8%).

As of 30 September 2008, the total of housing loan outstandings exceeded CZK 189bn, which is a 31% increase Y/Y. Out of the total, mortgages represent CZK 93.9bn.

The growing lending portfolio kept good quality. Non-performing loans (more than 90 days overdue) as at 30 September 2008 accounted for 2.02% of gross loans.

**Total AUM and deposits rose by 10% Y/Y to CZK 714.1bn.** 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 17% Y/Y.

AUM in mutual funds increased by 11% Y/Y to 87.8bn. Capital guaranteed funds recorded an 6% increase to CZK 36.8bn and other types of mutual funds increased by 16% to CZK 51bn.

As of the end of September 2008, the **Loan/Deposit ratio** reached 71.4%, compared to 66.2% in 3Q 2007.



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### **3Q 2008 INNOVATION LEADERSHIP:**

In 3Q 2008, ČSOB Group remained devoted to its "Innovation Leadership" focus. The main innovations were:

- Express protocol (ČSOB and HB) – web application for building progress documentation
- New CGFs (ČSOB) – HORIZON ČSOB Bonus Fund 1, HORIZON ČSOB Emerging Forex 1, etc.
- Possibility of PIN change through ATM (ČSOB and PSB)
- Payment order with Maxkarta through ATM (PSB)
- Small investment account with bonuses for agriculturists (PSB)
- Mortgage Express – new household insurance within a mortgage (HB and ČSOB Pojišťovna)
- Account Online – web application for administration of insurance contracts (ČSOB Pojišťovna)

Please find more details on ČSOB's financial results in the *3Q 2008 Presentation* which can be downloaded from [www.csob.cz](http://www.csob.cz).

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