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Taking the hit



CEO Pavel Kavánek of ČSOB will look like a poor relative when his rivals at Komerční banka and Česká spořitelna announce their 2008 results. With Kč 10bn in toxic assets on his bank's books, Kavánek decided to write down the full amount, reducing ČSOB's 2008 net profit to a paltry Kč 1bn, a tenth of what is expected from the other two leading banks. Kavánek could have been less cautious, for appearances' sake, but he wisely decided to suck it in and take the hit. He also approved layoffs and spending cuts, like hundreds of other CEOs in a similar position. Compare this to the Czech government. Its borrowing costs are rising, its currency is tanking, and a downgrade in its credit rating seems to be only a matter of time. Yet it's taking the opposite approach to Kavánek and other managers. Inevitably, the Czech government will also take a hit, but it won't be at a time of its own choosing.

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