

Prague, 21 March 2005

PRESS RELEASE

Group Net Profit for 2004: CZK 6.8 billion (y-o-y: + 9.2%) primarily reflects high dynamics in financing housing needs, a systemic growth rate of credits provided to SMEs and sales of mutual funds

In 2004, the ČSOB Group posted consolidated **Net Profit of CZK 6.8 billion**, which represents an increase of 9.2% y/y. ČSOB (the bank) reported a capital adequacy ratio (CAR) 12.11 %. Return on average equity (ROAE) increased to 15%.

Figures disclosed in this release are based on audited, consolidated financial statements as of 31. 12. 2004 according to IFRS.

The **ČSOB Group confirmed its strength** in financial services, and, in every area of its business activities, it has taken a **significant market position (market share)**: 1st place in construction savings (both deposits and loans), 1st place in the leasing market, 1st place in sales of guaranteed funds and, according to the *Global Finance* magazine, it is also the Best Bank of the Year in the Czech Republic and the Best Foreign Exchange Bank of the Year in the Czech Republic.

The growth in profit was driven by strong, overall growth of business across customer segments, and of **credit deals** in particular. Overall, the credit portfolio of the ČSOB Group reached a volume of CZK 254.9 billion, i. e. + 8% y/y. Credit deals brought interest income in the amount of CZK 14.6 billion (+6% y/y), and it generated fees in the amount of CZK 0.6 billion (+18% y/y).

The greatest portion of newly provided loans was directed to financing housing needs. The ČSOB Group provided new mortgage loans in the amount of CZK 12 billion and construction savings loans at the record level of CZK 19.5 billion. This caused the Group's overall exposure in financing housing to increase by over 40% to CZK 65.5 billion. The Group managed to maintain a 32%-market share, which gave it position of the No.1 housing financier in the Czech Republic.

In the segment of small and medium-sized enterprises (SME), ČSOB increased the number of clients for whom it is a bank of the first choice – from 20% to 25%. It achieved this by combining simplified credit procedures, discounted fees for europayments and automated payments, introduction of "F/X nests" in the regions and advisory services oriented towards

European funds. The portfolio of SME credits grew by 34% y/y, i. e. by CZK 4.5 billion, while the quality of assets was maintained. The income generated in this segment showed the highest growth rate: + 5 % y/y.

The ČSOB Group continues to be an important client's **wealth manager**. The volume of assets under management reached CZK 530.5 billion. In wealth management for retail clients, it has taken, overall, a 29%-market share. The growth rate of private individuals' investments into mutual funds doubled that of the market growth, so ČSOB's market position was further strengthened. Investments into funds grew by CZK 9.8 billion to CZK 32.9 billion, i.e. by +43% y/y (without „ex-privatisation funds“). The Group also confirmed its unrivalled position in sales of capital guaranteed funds, which grew by 60% y/y. ČSOB thus holds the first position with a 69% market share.

Income from **financial operations** grew by +11% y/y to CZK 4.3 billion, while ČSOB strategically focused on deals undertaken for clients (income of CZK 3.0 billion) and, to a lesser extent, on proprietary deals (income of CZK1.3 billion). ČSOB's dealing room continues to be a prime workplace in the Czech Republic with the average daily turnover over CZK 80 billion (over EUR 2.5 billion).

Income from **payment cards transactions** showed a significant growth: + 20% y/y amounting to CZK 0.6 billion. ČSOB remained to be the second-largest cards issuer. The growth of income from the transactions relates to the fact that ČSOB has become the largest operator of payment terminals placed at merchants in the Czech Republic; their number has reached 8,942. The number of transactions made with payment cards on them grew by +12% y/y.

The **bancassurance** concept also successfully developed, and the growth of insurance premiums was quicker than in 2003. Life insurance recorded an almost double growth (by over CZK 326.6 million y/y), insurance of payment cards and insurance of retail credits and mortgage loans grew by more than a third.

Slovakia. The ČSOB Group also increased its credit activities in the Slovak Republic, where business trends more or less copied that in the Czech Republic. The volume of credits provided to small and medium-sized enterprises in Slovakia reached SKK 3.7 billion (+39% y/y), consumer loans grew by almost a third (SKK 1.9 billion, +27% y/y) and mortgages grew dynamically (SKK 1.4 billion, +106% y/y). Capital guaranteed funds met with a very good market response; their net sales grew by +47% y/y and reached the amount of SKK 2.4 billion. The expansion of credit activities was boosted by the growth of the Retail/SME distribution network. This network now comprises 78 branches.

Group Operating Income, indicating the Group business activity, reached CZK 25.7 billion. In it, the retail segment participated with a 26% share, the SME-segment with 17%, the corporate segment with 11%, subsidiaries participated with 22% and Slovak operations with 9%.

Group Operating Profit reached CZK 9.58 billion, i. e. +32% y/y, while the effect of extraordinary (one-off) items was limited-to a lesser extent; profit was also affected by recoveries of historic bad debts.

Due to a strong business growth, the **Cost-to-Income Ratio** (C/I) improved significantly from 67.2% in 2003 to 61.6%.

In the Annex, you can find basic financial and business parameters, the Profit and Loss Statement and the Balance Sheet of ČSOB as at 31 December 2004.

The slide presentation is available at www.csob.cz

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Annex to the Press Release

An Overview of Selected Indicators from the Profit and Loss Statement and the Balance Sheet

Net interest income grew by +8% y/y to CZK 15.842 billion. The increase in the interest income was caused by business growth.

Average net interest margin for ČSOB increased slightly from 2.15% (in the year 2003) to 2.42%, primarily due to an increase in market interest rates corrected by tougher competition.

Net fee and commission income grew by +5 % y/y to CZK 6.658 billion, which was mainly helped by the growth in credit deals, by quickly growing income from selling mutual funds and from payment cards.

Net trading income grew by +62% y/y to CZK 1.790 billion compared to the year 2003.

Operating expenses grew by 2% y/y only and reached CZK 15.822 billion; of which depreciation rose by 4% y/y to CZK 1.988 billion due to inclusion of a subsidiary processing payment cards in the consolidated figures and due to putting into service new branches in Slovakia. The growth in personnel costs by 6% y/y to CZK 5.929 billion is attributed to the expansion in Slovakia and to the growth in number of employees at Group companies and, in general, to an increase in average wages, especially in Slovakia.

Operating profit grew by +32% y/y to CZK 9.577 billion (from CZK 7.253 billion).

Cost/Income Ratio showed a significant decrease to 61.6% (from 67.2% in the year 2003).

Income Tax amounted to CZK 2.685 billion against CZK 946 million at the end of 2003. This is due to the effect of accounting deferred tax (one-off item in the year 2003).

Provisions against loan losses were created in the volume of CZK 293 million against CZK 353 million in the year 2003. This is a result of improved quality of the credit portfolio. Loans over 90 days due only amounted to 1.5% of the overall credit portfolio. The coverage of overdue loans by provisions increased to 152.6% (+ 7.3% y/y).

Net profit: CZK 6. 816 billion increased by +9% y/y.

Total assets amounted to CZK 613.281 billion, i. e. +1% y/y .

Clients' deposits amounted to CZK 426.058 billion.

Loans to clients and receivables from financial leasing increased to 249.043 billion from CZK 230.1 billion at the end of 2003, i.e., +8% y/y.

Return on average equity (ROAE): 15.0% - reported for a level of shareholders' equity amounting to CZK 44.835 billion.



Business overview

Loans provided to private individuals (consumer loans and overdraft credits) **increased** in ČSOB, year-on-year, **by 15 %** to CZK 5.6 billion, **loans to small and medium-sized enterprises increased by 34%** to CZK 21.2 billion and **housing loans increased by 43%** to CZK 65.5 billion (i.e., mortgages of ČSOB, ČMHB and construction savings loans of ČMSS). **In the area of financing housing needs**, the ČSOB Group maintained its **position as the largest financier of housing needs in the Czech Republic**.

Sales of mutual funds to individual investors (private individuals) in ČSOB **grew, year-on-year, by 15%**, while the growth in sales amounted to CZK 2.2 billion (from CZK 14.7 billion in the year 2003 to CZK 16.9 billion in the year 2004). **Assets of private individuals placed in ČSOB funds** reached an amount of **CZK 32.9 billion** as at 31 December 2004 (against CZK 23.1 billion as at 31 December 2003), which is a year-on-year increase of 43% (the market grew by 21% only).

Clients' total assets under management by the ČSOB Group grew, year-on-year, by 2 % to **CZK 530.5 billion**.

Number of transactions realised through direct banking channels (without ATMs): 37.9 million in 2004, which is 64% of all domestic payment transactions amounting to CZK 1.4 billion (in the Slovak Republic: 48%).

Total number of cards issued: 1,667,000, of which 1,552,000 in the Czech Republic and 115,000 in the Slovak Republic; of which 427,000 were EMV standard chip cards (in the Czech Republic only).

Number of on-line terminals at merchants: 8,942 in the Czech Republic

Number of ATMs: 487 in the Czech Republic and 106 in the Slovak Republic

Number of clients: 3,041,000 in the Czech Republic and 185,000 in the Slovak Republic

Presentation at www.csob.cz



Consolidated financial statements for the year ended 31 December 2004

Annex to the Press Release – part 2

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2004

(ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS)

(CZKm)	Notes	2004	Reclassified 2003
Interest income		24,847	25,149
Interest expense		<u>(9,005)</u>	<u>(10,419)</u>
Net interest income	3	15,842	14,730
Net fee and commission income	4	6,658	6,314
Net trading income	10	1,790	1,103
Other income	5	<u>1,402</u>	<u>1,023</u>
Non-interest income		9,850	8,440
General administrative expenses	6	(13,877)	(14,186)
Other expenses	7	(1,945)	(1,378)
Operating profit before provisions		9,870	7,606
Impairment losses on loans and advances	14	16	27
Other provisions	23	(309)	(380)
Operating profit		9,577	7,253
Income tax expense	22	(2,685)	(946)
Net profit before minority interests		6,892	6,307
Minority interests		(76)	(67)
Net profit		6,816	6,240

The accompanying notes are an integral part of these consolidated financial statements.



Consolidated financial statements for the year ended 31 December 2004

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004

(ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS)

(CZKm)	Notes	31.12.2004	Reclassified 31.12.2003
ASSETS			
Cash and balances with central banks	8	16,505	19,238
Due from banks	9	116,880	131,059
Trading assets	10	73,910	63,771
Investment securities	11	126,854	131,183
Loans and leases	13	249,043	230,100
Property and equipment	15	11,435	12,434
Goodwill	16	3,472	3,798
Other assets, including tax assets	17	8,875	8,403
Prepayments and accrued income		6,307	6,494
Total assets		613,281	606,480
LIABILITIES			
Due to banks	18	24,722	20,254
Trading liabilities	10	66,847	46,458
Due to customers	19	426,058	441,596
Rescue acquisition state assistance payable		-	4,737
Debt securities in issue	20	24,854	16,731
Other liabilities, including tax liabilities	21	22,860	27,129
Accruals and deferred income		1,590	1,734
Other provisions	23	1,166	1,383
Total liabilities		568,097	560,022
Minority interests		349	457
SHAREHOLDERS' EQUITY			
Share capital	24	5,105	5,105
Share premium account		2,259	1,439
Statutory reserve		18,687	19,250
Cumulative gains/(losses) not recognised in the income statement		187	(180)
Treasury shares		-	(368)
Retained earnings		18,597	20,755
Total shareholders' equity		44,835	46,001
Total liabilities, minority interests and shareholders' equity		613,281	606,480

The accompanying notes are an integral part of these consolidated financial statements.

The financial statements were approved for issue by the Board of Directors on 11 March 2005 and signed on its behalf by:

Pavel Kavánek
Chairman of the Board of Directors
and Chief Executive Officer

Patrick Daems
Member of the Board of Directors
and Senior Executive Officer



Consolidated financial statements for the year ended 31 December 2004

ČSOB's SHAREHOLDERS

The shareholder structure of ČSOB as at 31 December was as follows:

	2004	2003
KBC Bank N.V.	89.88%	85.03%
European Bank for Reconstruction and Development	7.47%	7.62%
International Finance Corporation	-	4.47%
Others	2.65%	2.88%
Total	100.00%	100.00%

On 1 March 2004 International Finance Corporation sold its share to KBC Bank N.V.

On 31 December 2004, the Bank was directly controlled by KBC Bank NV - KBC Bank's ownership interest in ČSOB represented 89.88% (31 December 2003: 85.03%). On the same date, KBC Bank NV was controlled by KBC Bank and Insurance Holding Company NV, a majority shareholder of which was Almanij (the abbreviated form of Algemene Maatschappij voor Nijverheidskrediet NV). Thus, Almanij was a company indirectly exercising ultimate control over ČSOB.

On 23 December 2004, Almanij's and KBC Bank and Insurance Holding Company's Boards of Directors decided on an intention to restructure the current shape of the group by merging Almanij and KBC Bank and Insurance Holding Company through acquisition of Almanij by KBC Bank and Insurance Holding Company and the creation of the new KBC Group NV. Almanij's and KBC Bank and Insurance Holding Company's extraordinary General Meetings agreed on the merger on 2 March 2005. Following the merger, Almanij was dissolved and it lost its controlling position over ČSOB, which is now held by KBC Group NV.