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THIRD-QUARTER 2005 RELEASE

ČSOB Bank closed the third quarter of 2005 with a profit of CZK 7.87 bn¹

operating expenses under control, enhanced quality of loan portfolio, strong growth in SME and housing loans, increasing role of bancassurance, continuing growth in sales of mutual funds

ČSOB closed the third quarter of 2005 strongly with a profit of CZK 7.87 bn, a 27 % increase on the preceding quarter and a 60 % increase on the third quarter of 2004. This reflected – viewed on a comparable basis – a good development in both operating income and expense, and especially a large non-recurrent result (Slovenská Inkasná). The trend started in 2004 has therefore been sustained, and ČSOB remains positive about the outlook for 2005.

Financial Highlights

Key Figures (CZK bn)	YTD 2005	YTD 2004	Y/Y Change (%)	YTD 2005 (w/o SI) ²
Net profit (after tax)	7.87	4.93	+ 59.8	5.62
Operating Costs	9.14	9.74	- 6.2	9.14
Operating Income	18.96	15.84	+ 19.7	15.92
Net Fee Income	4.30	4.10	+ 4.8	4.30

Unconsolidated net profit grew by almost 60 % compared to the same period of last year. Excluding the impact of Slovenská inkasná (further referred to as 'SI'), the result for ČSOB Bank is **CZK 5.62 bn**, which is **CZK 694 m (+ 14.1 %)** above the same period last year. **The overall growth of ČSOB** in net profit term is in line with expectations reaching 14.1 % YTD while the Czech economy is expected to grow by 4.5 %. The main contributors to the growth (excluding the result of SI) were **increase in operating profit** by CZK 683 m (11.2 %) driven by **business growth across all segments, positive development in expense spending** (decrease in operating costs by 6.2%) and **decrease in credit provisions**.

Operating Expenses decreased by CZK 601 m (- 6.2 %) on year on year basis to CZK 9.1 bn. Good performance of operating expenses is the result of various cost-reduction initiatives, which started already in 2004 and good cost control performed across most expense categories. On top of that, there is a lower payment for the Deposit Insurance. The **number of ČSOB employees** (Full-Time Equivalency) dropped from 7 079 at the end of 2004 to **6 879** at the end of September 2005, while the Personnel costs remained more or less stable. This is caused by replacing front office employees at ČSOB branches with highly-qualified SME and personal bankers.

¹ All figures in this Release are based on unaudited, unconsolidated financial statements as of September 30, 2005 according to International Financial Reporting Standards (IFRS).

² Excluding the impact of the extraordinary Net Income of CZK 2.3 billion after taxation - caused by recognition of the arbitration proceedings regarding Slovenská inkasná's loan.



Net Fee and Commission Income is above the last year results by CZK 197 m. While the fees remained unchanged during the first three quarters, increase in both the **number of transactions and business volumes** was the key driver for the net fee income growth (mainly in the Retail segment). Another important factor was increased sales of **Mutual funds and Asset Management**. Growth of assets in mutual funds confirmed the preference of retail customers for more sophisticated financial instruments, supported by the Bank advisory services.

Number of transactions processed by ČSOB	YTD # Transactions	Y/Y Change (%)
Electronic Banking Payment Orders	31 438 587	+ 13.5
Payment Cards by Merchants	32 239 169	+ 2.5

While the total **Net Interest Income** dropped to CZK 8.88 bn (- 2.46 % YTD), mainly as a result of investment assets repricing³, good development in business volumes are the key drivers for the growth of NII across business segments. Y/Y growth of 9.8 % in NII of business units goes mainly to account of the Corporate segment and PSB⁴.

Contributions of Segments to NII	Y/Y Change (%)
RET ⁵	+ 2.3
SME	+ 7.5
PSB	+ 14.9
COR	+ 19.3

Impairment Losses on Loans and Advances were positively influenced by **improved quality of loan portfolio** (see the share of non performing loans in the loan portfolio) and ended up in credit provision release of CZK 544 m for during the first nine months of 2005.

Unconsolidated Assets amounted to **CZK 644 bn**, which represents an increase of 26.8 % compared to December 31, 2004. **Total loans outstanding** amounted to CZK 139.2 bn, with loans making up 21.6 % of all Bank assets. **Share in Group Companies** (Consolidated Subsidiary Companies) increased by CZK 7.9 bn mainly due to an increase of the **Bank's investment in ČSOB Leasing ČR** supporting the business growth of this No. 1 local leasing player, through an establishment of a new subsidiary.

Due to Customers increased by CZK 23.4 bn YTD, **term deposits** increased by **CZK 15.2 bn** and **current accounts** by **CZK 8.2 bn**. SME deposits increased by CZK 2 bn driven by Current accounts. DtC increase in PSB by CZK 4 bn was driven mainly by deposits on Current accounts. For instance, the number of accounts for children and juniors called *'Mini Account'* and *'Junior Account'* increased by 118 %, and 54 % Y/Y respectively

Key Ratios (%)	Sep 30, 2005 (w/o SI)	FY 2004
Cost/Income	57.4	61.5
Return On Equity	16.9	14.6
Net Interest Margin	2.0	2.3
Capital Adequacy	12.1	12.1
Non Performing Loans	1.5	1.8

³ A process of replacing matured interest bearing securities with new lower-interest rate securities. This process is typical for low interest rates environments.

⁴ PSB stands for the Postal Savings Bank, a second CSOB brand for the lower mass retail market

⁵ Mortgages sold at the ČSOB branches are booked in Hypoteční banka (HB) accounts.



Cost/Income Ratio for CSOB Bank (defined as operating costs to operating income) further dropped from 61.5 % to **57.4 % YTD** as a result of **good cost management**.

Business Highlights

By the end of September, ČSOB was serving **3 012 417 clients**. Out of this, 2 121 134 were clients of PSB and 205 726 were companies and entrepreneurs. ČSOB also registered **more than 1 million active users of internet or phone/GSM banking** at the end of September, which represents a **year on year growth of 26 %**. Particularly at PSB, the number of users of these channels is growing very fast (Max Internetbanking PS recorded a Y/Y growth of 620 %). 'ČSOB Internetbanking 24' together with 'ČSOB Linka 24' were being used by over 636 thousand clients at the end of September. The number of transactions entered through these channels exceeded 31 million from the beginning of the year.

The lending dynamics in the **Small and Medium Enterprises (SME)** segment remains high. Continuing interest in ČSOB loan products boosted the volume of **newly approved loans provided to SME to CZK 18.47 bn YTD**. It represents a **66.72 % growth** compared to the same period of previous year. **Outstanding loans to SME** amounted to **CZK 26.2 bn** which represents a **29 % Y/Y growth**. SME investment loans (including loans to municipalities) improved by 29 % Y/Y and reached outstanding amount of CZK 12.5 bn.

The largest portion of **new loans to individuals** served to finance the housing needs. Newly provided **mortgages** recorded a significant growth. As the mortgages sold at the CSOB branches are booked in HB⁶ accounts, the results will be presented within Group Results.

Based on KBC strategy in Central and Eastern Europe, **bankassurance concept** plays an increasing role and brings higher income. ČSOB recorded significant growth in both life and non life insurance products sold through the Bank network (193 943 contracts made YTD). Newly written insurance premiums in annual equivalent related to **life insurance products** grew by **18 % Y/Y** and to **non life insurance products** by **15 % Y/Y**. **Life premiums** related to the **mortgages** increased more than **four times Y/Y** mainly due to the rise of newly approved mortgages (+ 96 % Y/Y) at ČSOB branches. Newly written insurance premiums related to 'Maximal Invest' and 'Optimal Invest', the single-premium insurance products, rose by **21.6 % Y/Y**.

Bankassurance model enables to strongly improve **cross – selling initiatives**; e.g. the number of clients who invested in ČSOB **pension funds** 'Stabilita' and 'Progres' **more than doubled** compared to the same period last year (16 171 Bank clients invested YTD in ČSOB pension funds).

Investors' interest in ČSOB **capital guaranteed funds**, shown in the third quarter, resulted in an increase in the volume of funds invested in these funds by another **CZK 2 bn**. This is a better result than that reported for the same period by other fund managers put together. ČSOB thus confirmed its leading position in the market of guaranteed funds.

Year on year, ČSOB again increased its so called penetration index, which shows the **number of products sold per client**. Whereas at the end of September 2004, the penetration indices for Retail (RET) and SME were 3.32, and 2.72 respectively, at the end of September this year, the indices were **3.71**, and **3.04** respectively.

The expansion of the ATM network in the Czech Republic continued and the **number of ATMs** amounted to **523** at the end of September, which represents 39 new ATMs put in operation during the nine months of 2005. Also the growth in the number of payment cards continued (+ 4.8 % Y/Y). The volume of transactions processed by ČSOB or made with cards issued by ČSOB grew significantly as well. The volume of CZK 110.28 bn YTD represents a year on year growth of 89.4 %.

⁶ HB stands for Hypotecni Banka (The Mortgage Bank)

ČSOB Group Results

During the first three quarters of 2005 **ČSOB Group** reached **consolidated, after-tax profit of CZK 8.9 bn**, which represents an increase of **40 % Y/Y**. Excluding SI, the consolidated, after-tax Profit for the ČSOB Group reached **CZK 6,7 bn**, which represents an increase of **24 % Y/Y**. **Consolidated Assets** amounted to **CZK 757 bn**, which represents an increase of CZK 144 bn (+ 23%) compared to Dec 31, 2004. The group total assets confirm the ČSOB Group's **leading position among banking groups in the Czech Republic**. The **Cost/Income Ratio for the ČSOB Group** considerably improved Y/Y from **60.7 % to 56.8 %** (excluding the influence of SI) thanks to an increase in Group Operating Income and good cost management.

At the end of September, the total **consolidated loans outstanding** amounted to **CZK 226.6 bn**, with loans making up 29.2 % of all group assets. The largest portion of new loans (**CZK 12.8 bn**) **finance the housing needs of individuals**. Thus the **housing loans outstanding** climbed in total to **CZK 81.1 bn**, which represents a Y/Y growth of 23.5 %. Total investments in ČSOB Mutual funds grew by **42.3 % YTD** and Pension funds recorded a solid growth of **16.3 % YTD**. **Total AUM** (including Slovak Republic) reached **bn 119.4 CZK**, i.e. a massive growth of **25.8 % YTD**.

Housing Loans (CZK bn)	30 Sep 2005	31 Dec 2004	YTD Growth (%)
HB + ČSOB Mortgages	36.0	29.6	21.5
ČMSS (100 %) Construction Loans	45.1	36.0	25.2
Housing Loans outstanding	81.1	65.6	23.5

Mutual Funds (CZK bn)	30 Sep 2005	31 Dec 2004	YTD Growth (%)
ČSOB Mutual Funds + AM	110.3	89.1	23.8
ČSOB PF Pension Funds	10.7	9.2	16,3

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Appendix

Income Statement

Unconsolidated statement of income for the first three quarters of 2005⁷ (According to IFRS)

(CZKm)	1-9/2005	1-9/2004
Interest income	14 363	13 694
Interest expense	(5 487)	(4 594)
Net interest income	8 876	9 100
Net fee and commission income	4 300	4 103
Net trading income	1 654	1 521
Net income on fin. assets at FV through PL	466	0
Other income	3 665	1 113
Non-interest income	10 085	6 736
Operating income	18 961	15 836
Personnel expenses	(3 755)	(3 631)
Depreciation of property and equipment	(980)	(1 161)
Other general administrative expenses	(3 979)	(3 969)
Other expenses	(424)	(979)
Operating expenses	(9 138)	(9 739)
Profit before provisions and taxation	9 823	6 097
Impairment losses on loans and advances	544	518
Other provisions	(264)	(245)
Profit before taxation	10 103	6 370
Income tax expense	(2 231)	(1 444)
Profit for the period	7 872	4 926

⁷ For comparability purposes balances as of December 31, 2004 have been restated to reflect the fact that revised IAS 27 no longer allows investments in Group companies to be measured by equity method. Affected items of income statements are Other income and Income tax expense.



Balance Sheet

Unconsolidated balance sheet as on September 30, 2005⁸

(According to IFRS)

(CZKm)

	Sep 30 2005	Dec 31 2004
ASSETS		
Cash and balances with central banks	15 214	16 309
Due from banks	105 045	113 711
Trading assets	183 901	73 988
Financial assets at FV through PL	18 900	0
Investment securities	133 197	100 363
Loans and leases	142 451	167 529
Share in Group companies	19 184	11 317
Property and equipment	8 175	9 019
Goodwill	2 752	2 752
Other assets, including tax assets	10 972	8 047
Prepayments and accrued income	4 503	5 179
Total assets	644 294	508 214
LIABILITIES		
Due to banks	16 635	12 411
Trading liabilities	151 342	66 847
Due to customers	380 061	356 647
Debt securities in issue	26 319	13 190
Other liabilities, including tax liabilities	25 029	20 762
Accruals and deferred income	525	496
Other provisions	1 152	1 007
Total liabilities	601 063	471 360
SHAREHOLDERS' EQUITY		
Share capital	5 105	5 105
Share premium account	1 423	1 423
Statutory reserve	18 687	18 687
Cumulative gains/losses not recognized in income stmt	2 276	233
Treasury shares	0	0
Retained earnings	15 740	11 406
Total shareholders' equity	43 231	36 854
Total liabilities and shareholders' equity	644 294	508 214

⁸ For comparability purposes balances as of December 31, 2004 have been restated to reflect the fact that revised IAS 27 no longer allows investments in Group companies to be measured by equity method. Affected items of balance sheet are 'Share in Group Companies' and 'Shareholders' equity'.

The Bank is also applying several new International Financial Reporting Standards (IFRS) and revised International Accounting Standards (IAS) commencing from 1 January 2005. Especially, because of the first prospective application of revised IAS 39, some reclassifications and restatements were made on the Bank's balance sheet