August 31, 2006

PRESS RELEASE

ČSOB Group Reports First Half 2006 Results of CZK 6,074 million[1]
Underlying Profit up 19 %

- **Net profit attributable to ČSOB shareholders of CZK 6,074 million (including CZK 652[2] million net gain from the sale of real estate portfolio).**
- **Business-driven net profit (excluding influence of one-off items) rose by 19% Y/Y.**
- **Best half-year recurring result on record, reflecting ČSOB's strong position across all business segments. Business opportunities in the Czech and Slovak markets have been largely exploited by all members of ČSOB Group – ČSOB Bank, Postal Savings Bank, ČSOB AM (both CZ and SK), mortgage bank HB, building societies ČMSS and ČSOB SP, ČSOB Leasing (both CZ and SK), ČSOB Factoring (both CZ and SK), and pension funds.**
- **Cost/Income (excl. one-offs) down to 51.0% from 56.1% one year ago as a result of income growth and flat costs.**
- **Group business lending rose by CZK 34.9 billion in the first six months with the following increases in outstanding volumes: CZK 8.4 billion in mortgages to individuals, CZK 3.1 billion in construction loans to individuals, and CZK 1.9 billion in retail loans, CZK 6.5 billion in SME loans, CZK 10.5 billion in corporate segment and CZK 3.1 billion in leasing.**
- **Net money inflow was very strong: CZK 21.5 billion during first sixth months, with CZK 5.2 billion growth of AUM in ČSOB/KBC mutual funds and ČSOB AM, CZK 2.6 billion in pension funds, CZK 1.7 billion in building savings and CZK 12.1 billion in deposits.**

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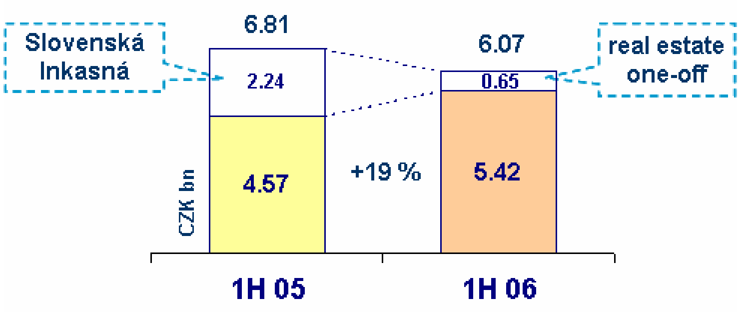
[1] *All numbers in this press release are consolidated, unaudited, according to IFRS.*

[2] *The 27m difference between real estate one-off reported here compared to that reported in 1Q press release lies in excluding contingent items regarding rents from real estate one-off expenses in 2Q.*

Key Financials (CZK bn)[3]	**1H 06**	**1H 05**[4]	**Change**
Net Profit	5.4	4.6	+19%
Operating Income	14.5	13.1	+11%
Operating Expenses	7.4	7.3	+1%
Net Interest Income	8.5	7.8	+9%
Net Fee and Commission Income	3.6	3.2	+11%
Net Trading Income	1.8	1.2	+42%
Return On Average Equity	21.4%	19.1%	+2.3pp
Cost -Income Ratio	51.0%	56.1%	-5.1pp
Net Interest Margin	2.3%	3.0%	-0.7pp
	30/06/2006	**31/12/2005**[5]	
Net Loans and Leases	266.1	239.4	+11%
Total Assets	818.0	738.0	+11%
Loan/Asset Ratio	33.4%	33.0%	+0.4pp
CAD	9.0%	12.8%	-3.8pp



[3] *Excluding two one-off items (SI repayment in 2005 & real estate one-off in 2006). Real estate one off = sale of building portfolio in Prague center prior to movement of CSOB HQ to new location.*

[4] *Reclassified. In 1H 2005 deposit insurance premium was reclassified from other expenses into net fee and commission income and contribution to pension fund clients from other expenses to the new item contribution to pension fund clients.*

ČSOB reports net profit attributable to its shareholders of CZK 6,074 million in first half 2006. Excluding net CZK 625 million gain from the sale of real estate portfolio in the Prague center and last year's gain from Slovenská Inkasná arbitration, **underlying net profit in first half 2006 rose by 19% Y/Y**.

"*We are not passive surfers on the waves of the growing Czech economy, we stand at the head of the fleet setting new directions. Diversity of our Group activities, recent acquisitions, innovated bancassurance portfolio, and our commitment towards advisory for retail and SME clients have enabled us to further strengthen our market positions. In addition, I am sure that the new company governance structure will again boost our bancassurance activities.*" said Pavel Kavánek, Chief Executive Officer.

Total operating income for ČSOB amounted to CZK 15,521 million in first half 2006, excluding the gain from real estate portfolio sale it gives CZK 14,546 million, i.e. 14% higher than the same period a year earlier.
Net income from interest margin products, which comprised 55% of overall operating income in first half 2006, rose 9%, mainly due to growing volumes of both, total loans and deposits. Net fee and commission income rose 11%, and was fully attributable to business growth, especially mutual funds and loans, not to any change in pricing. Strong growth of net trading income of 42% is attributable to sales of more sophisticated products, such as derivatives, with higher margins.

Total operating expenses amounted to CZK 7,532 million in first half 2006, excluding costs related to the real estate one-off it gives CZK 7,415 million, an increase of 1% from CZK 7,337 million a year earlier.
Thus, operating expenses have remained flat, well below inflation development. It is the result of strict cost control. Personnel expenses rose 3%, mainly because of increased staff numbers from acquired companies. General administrative expenses, excluding the one off item, decreased 1% compared with the same period a year earlier.

Total AUM and deposits rose 9% year on year up to CZK 624.5 bn.
The fastest growing items were mutual funds & AM (+14%) and pension funds (+49%). Within mutual funds, the sales of capital guaranteed funds were extremely good. Volume of sold CGF, exceeding CZK 7 billion in first half 2006, is attributable to superior know how and strong distribution.

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[5] *Restated. Former accounts of NHQ-related company „Centrum Radlická“ newly included in Due from banks, Property and equipment, Other assets, Due to banks, and Other liabilities.*

Total business lending rose 32% year on year up to CZK 273 billion. In ČSOB CZ, all types of loans grew at high pace: mortgages to individuals (+43%), construction loans (+32%), consumer loans (+64%), SME loans (+47%), corporate loans (+24%) and Leasing (+17%). In ČSOB SK, too, lending rose across all segments, up 35% in total, mainly thanks to 210% growth in mortgages, 26% growth in leasing and 22% in corporate segment.

The growing lending portfolio kept high quality profile. Non-performing loans (over 90 days overdue) account for only 1.6 % of gross loans and the Group loan loss ratio (including recoveries) is as low as 0.01%.

Apart from organic growth, ČSOB has undertaken two important **acquisitions**. In April, ČSOB increased its stake in factoring company O.B. HELLER from 50 % to 100 %. Thus ČSOB also increased its indirect stake in O.B. HELLER's Slovak factoring subsidiary to 100 %. In August, both companies were renamed to **ČSOB Factoring (CZ and SK)**. In June, ČSOB acquired pension fund **Zemský penzijní fond** (ZPF) with about 14,000 clients. ZPF acquisition followed after last year's acquisition of Hornický PF Ostrava (which is expected to merge with PF Progres in January 2007) with 19,000 clients.

In April 2006 Fitch Ratings **upgraded ČSOB´s Individual rating** to B/C from C. According to Fitch the upgrade of ČSOB's Individual rating reflected a strengthening of the bank's franchise, a clean balance sheet and a good track record as a conservative, well-managed institution. Ratings by Moody´s and Capital Intelligence are at the highest levels achievable in the Czech Republic.

ČSOB's performance has been awarded in several contests. In **Zlatá koruna 2006** contest, ČSOB performed the best of all Czech financial groups, being awarded 9 medals, incl. 3 golden medals. Further, ČSOB received for the seventh time the **JPMorgan Chase Quality Recognition Award** in recognition of fast, accurate and error-free international direct payments made for ČSOB's clients.

The **successful expansion** – both organic and by acquisitions – increased the total assets by 11 % within the first half of 2006 and caused ČSOB´s (bank) capital adequacy ratio ("CAD") to tackle the level of 9.0 %, thus approaching a minimal regulatory requirement. If such a trend should continue and the Bank should keep up with market opportunities, it requires the increase of the Bank´s capital.

Since the Czech banking sector had already proven to be a standard and well stabilized part of the EU economy, there has been no particular need to keep an excessive capital cushion in any of the local competing banks. Instead of keeping a permanent cushion, KBC Group, the parent company of ČSOB, had confirmed it stands ready to reallocate within CEE region the capital corresponding to actual business opportunities in respective country.

Based on such a business-opportunity driven optimization of capital, KBC Group will provide its Czech banking arm with an additional cushion of CZK 12 bn in the form of **a long-term (10-year) subordinated debt submitted by KBC Dublin.** The first tranche amounting to CZK 4 bn will be drawn in September 2006, remaining CZK 8 bn will bolster CSOB´s capital base by the end of 2007 reflecting business development.

Issuance of subordinated debt[6] is a flexible way of enhancing Tier 2 ("supplementary") capital and of tuning it to business opportunities that might arise. The immediate provision of the cushion proves **long-term strategic commitment** of KBC Group towards ČSOB, the largest member of its Central European Division.

Please find more details in 1H 06 Presentation at www.csob.cz

[6] *Subordinated debt issuance is widespread: over the 1990–2001 period and in the ten most developed countries 5,600 issues took place, and the banks that issued subordinated debt represent more than 50% of banking assets in all those countries.*

CONSOLIDATED STATEMENT OF INCOME

(Prepared in accordance with IFRS as adopted by the European Union)

(CZKths)	1-6/2006	1-6/2006 w/o RE	1-6/2005 reclassified	1-6/2005 reclass; w/o SI
Interest income	14,032,932	14,032,932	13,032,474	13,032,474
Interest expense	-5,539,161	-5,539,161	-5,255,119	-5,255,119
Net interest income	8,493,771	8,493,771	7,777,355	7,777,355
Net fee and commission income	3,555,514	3,555,514	3,189,175	3,189,175
Net trading income	1,768,778	1,768,778	1,247,993	1,247,993
Other operating income	1,703,419	728,419	3,884,004	862,441
General administrative expenses	-7,417,914	-7,300,914	-7,250,092	-7,250,092
Other operating expenses	-114,568	-114,568	-87,027	-87,027
Profit before impairment losses, provisions, contribution to pension fund clients and income tax	7,989,000	7,131,000	8,761,408	5,739,845
Impairment losses on loans and advances	-236,608	-236,608	327,244	327,244
Impairment losses on AFS securities	0	0	0	0
Provisions	236,918	236,918	-266,666	-266,666
Contribution to pension fund clients	-134,902	-134,902	-140,717	-140,717
Profit before income tax	7,854,408	6,996,408	8,681,269	5,659,706
Income tax expense	-1,743,986	-1,538,066	-1,837,908	-1,052,302
Profit for the period	6,110,422	5,458,342	6,843,361	4,607,404
Attributable to:				
Equity holders of the parent	**6,073,842**	**5,421,762**	**6,806,018**	**4,570,061**
Minority interest	36,580	36,580	37,343	37,343

CONSOLIDATED BALANCE SHEET		
(Prepared in accordance with IFRS as adopted by the European Union)		
(CZKths)	6/30/2006	12/31/2005 restated
ASSETS		
Cash and balances with central banks	13,378,370	15,017,179
Due from banks	77,061,135	81,712,600
Financial assets at fair value through profit or loss	248,410,306	190,554,948
Investment securities	175,790,817	174,613,384
Loans and leases*	266,143,097	239,356,955
Pledged assets	*4,659,842*	3,968,152
Property and equipment	10,210,045	9,295,638
Goodwill	3,672,935	3,555,096
Other assets, including tax assets	13,762,470	14,799,186
Prepayments and accrued income	4,915,313	5,133,382
Total assets	**818,004,331**	**738,006,521**
LIABILITIES		
Due to banks	23,760,629	23,664,090
Financial liabilities at fair value through profit or loss	181,997,242	122,683,833
Due to customers	489,476,893	472,630,764
Debt securities in issue	43,906,620	38,848,296
Other liabilities, including tax liabilities	26,981,910	23,578,613
Accruals and deferred income	2,893,103	1,695,198
Provisions	982,444	1,428,964
Total liabilities	769,998,841	684,529,758
SHAREHOLDERS' EQUITY		
Share capital	5,105,000	5,105,000
Share premium account	2,258,552	2,258,552
Statutory reserve	18,686,645	18,686,645
Cumulative gains not recognized in income stmt	415,993	1,458,572
Retained earnings	21,211,193	25,441,405
Total shareholders' equity	47,677,383	52,950,174
Minority interests	328,107	526,589
Total equity	48,005,490	53,476,763
Total liabilities and equity	**818,004,331**	**738,006,521**

Pro bohatší život