

Prague March 21, 2006

## Profit for 2005 up 17% on 2004

**ČSOB Group closed the year 2005 with a profit of CZK10.3 bn. Net profit grew by 50% compared to the same period last year. Excluding the impact of non-recurrent item, repayment from Slovenská Inkasná (SI), the net profit grew by 17% y-o-y to CZK8.1 bn. The main earning drivers were further acquisitions of Retail, Corporate, and SME clients, growth of the mortgage business and growing volumes of AUM.**

The year 2005 was marked by further strengthening of market positions of the ČSOB Group in both the Czech and Slovak markets. The ČSOB Group holds the leading position among Central European affiliates of the KBC Group. In the Czech Republic, ČSOB has confirmed position of the largest asset manager with a market share of 30%. At the same time, ČSOB has proved its leading position in financing the housing needs by having provided a full third of the country's housing loans for individuals. In the tough competitive environment, ČSOB recorded the market's highest increase of SMEs lending portfolio (+ 40 % y-o-y).

Net interest income grew across all client segments, while the fast growing loan portfolio of the ČSOB Group has maintained its traditional high quality.

The growing volume of transactions and the rise in assets under management, i.e. in mutual and pension funds, in bank deposits and building savings, contributed to the growth of non-interest income. This revenue stream was well supported by successful trading activities for our clients.

### Financial Highlights

#### Key Figures

CZK bn	2004	2005 (excl. SI)	Change
Net Profit	6.9	8.1	+17%
Net Interest Income	15.8	15.8	+0%
Net Fee & Commission Income	6.7	7.0	+5%
Net Trading Income	1.9	2.6	+35%
Operating Income	25.8	27.3	+6%
Operating Expenses	15.5	16.4	+6%
Loan Portfolio (w/o extras)	190.6	244.2	+28%



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## Key Ratios

	2004	2005 (incl. SI)	2005 (excl. SI)
<b>ROAE</b>	15.0%	21.1%	16.9%
<b>C-I Ratio</b>	61.6%	54.0%	60.0%
<b>NIM</b>	2.6%	2.4%	2.4%
<b>CAR Bank</b>	12.1	10.6%	10.3%

- **Net interest income**, the main source of Bank's income, kept its high level despite the generally low interest rates environment. Good development in business volumes is the key driver for the growth of net interest income across all business segments.
- Year on year growth of **income from fees and commissions** was fully generated by increased demand for our products.
- **Net trading income** recorded an excellent growth driven by sale of derivative FX and interest rate hedging products to our clients.
- ČSOB Group improved its **cost-income ratio** as a result of strict cost control initiatives. This improvement was further supported by lower deposit insurance premium and increase in operating income.
- In severe competition ČSOB succeeded to keep the **net interest margin** reasonably high.
- ČSOB Group's **loan portfolio** reached CZK246 bn by the end of 2005. Growth across all business segments was driven mainly by further expansion of corporate & SME loans and newly approved mortgages.
- Conservative asset-quality measures together with excellent risk management resulted in even lowering the percentage of **classified loans** in this strongly growing portfolio to 1.7%.

## Business Highlights

### Market Shares in the Czech Republic

	2004	2005	Rank
<b>AUM</b>	30%	30%	1
<b>Mutual Funds</b>	23%	25%	2
<b>Pension Funds</b>	10%	11%	5
<b>Mortgages &amp; Building Loans</b>	32%	33%	1
<b>Building Savings</b>	36%	36%	1
<b>Leasing</b>	16%	18%	1
<b>Insurance (life+property)</b>	8%	9%	4



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- ČSOB Group is active in the fields of banking, wealth management and insurance. ČSOB Group employs almost **10,000** people and serves more than **5** million customers.
- ČSOB Group closed the year 2005 with the **largest market share in assets under management** for individuals, thus confirming its position as a key asset manager in the Czech Republic.
- ČSOB Group further improved its market position, remaining the **No.1 financier of individuals' housing needs**, thus combining the success of ČMSS Building Society (*Českomoravská stavební spořitelna*) and the Mortgage Bank (*Hypoteční banka*).
- ČSOB Group originated almost 15 thousand **mortgages** worth CZK19 bn and grew mortgage servicing portfolio by 52% y-o-y. In 2005, the ČMSS Building Society provided its clients with **building loans** amounting to nearly CZK27 bn. This performance makes ČMSS Building Society the biggest provider of building loans, as well as building savings in the Czech Republic.
- ČSOB renewed the distribution **agreement with the Czech Post**. This agreement has confirmed the postal network of some 3,350 post offices to be available for **Postal Savings Bank's** product distribution for a further period of ten years, ending 2017.
- ČSOB Group has been successfully focusing on further penetrating the **retail and SME segments**. The market share of ČSOB Group on total retail loans in the Czech Republic exceeded 25% by the end of 2005.
- Volume of assets managed in two hundreds **ČSOB/KBC Mutual funds** climbed to CZK50 bn in 2005, with an increase to 25% market share in the Czech Republic. The sale of mutual funds successfully continued in 2005 and reached CZK26.4 bn, which represents a y-o-y growth of more than 56%. ČSOB Group thus kept the second position on local mutual funds market and first position in sales of guaranteed funds, with 24 new issues in 2005.
- Total assets in **ČSOB Pension Funds** grew by more than CZK 2.1 bn which means a 22% year-to-date growth. In the end of 2005 ČSOB has acquired *Hornický Pension Fund Ostrava* with almost 20 thousand clients and over CZK1 bn in assets. This transaction strengthened the Group's position on the Czech pension funds market, shifting the Group up to the fourth place in number of clients.
- ČSOB created the No. 1 Private Bank in the Czech Republic. The number of ČSOB **Private banking** clients grew by 25 % in 2005. The volume of clients assets in ČSOB Private Banking exceeded CZK34 bn (a year-to-date growth of 50%).
- ČSOB is the fourth largest player in Slovak retail market. **ČSOB Bank (Slovakia)** provided SKK2.6 bn worth of mortgages (121% year on year growth), the volume of loans to SME's grew by about 56%. Assets under management in Slovak republic reached almost SKK12 bn

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## CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with International Financial Reporting Standards as adopted by the European Union)

(CZKm)	2005	2004*
Interest income	26,137	24,847
Interest expense	(10,371)	(9,005)
<b>Net interest income</b>	<b>15,766</b>	<b>15,842</b>
Net fee and commission income	7,005	6,658
Net trading income	2,613	1,936
Other operating income	4,929	1,402
General administrative expenses	(15,343)	(13,877)
Other operating expenses	(1,031)	(1,597)
<b>Profit before impairment losses, provisions, contribution to pension fund clients and income tax</b>	<b>13,939</b>	<b>10,364</b>
Impairment losses on loans and advances	346	16
Impairment losses on available-for-sale securities	(51)	-
Provisions	(433)	(309)
Contribution to pension fund clients	(402)	(348)
<b>Profit before income tax</b>	<b>13,399</b>	<b>9,723</b>
Income tax expense	(2,896)	(2,746)
<b>Profit for the year</b>	<b>10,503</b>	<b>6,977</b>
<b>Attributable to:</b>		
Equity holders of the Bank	10,328	6,901
Minority interest	175	76

\*reclassification and subsequent restatement at fair value of securities classified as originated by the enterprise



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## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005

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(CZKm)	31.12.2005	31.12.2004*
<b>ASSETS</b>		
Cash and balances with central banks	15,017	16,505
Due from banks	81,678	111,737
Financial assets at fair value through profit or loss	190,555	81,013
Investment securities	174,613	155,447
Loans and leases	239,357	214,608
Pledged assets	3,969	5,771
Property and equipment	8,371	11,435
Goodwill	3,555	3,472
Other assets, including tax assets	14,755	8,621
Prepayments and accrued income	5,133	5,550
<b>Total assets</b>	<b>737,003</b>	<b>614,159</b>
<b>LIABILITIES</b>		
Due to banks	22,947	24,722
Financial liabilities at fair value through profit or loss	122,684	66,847
Due to customers	472,631	426,058
Debt securities in issue	38,848	24,854
Other liabilities, including tax liabilities	23,292	22,865
Accruals and deferred income	1,695	1,590
Provisions	1,429	1,166
<b>Total liabilities</b>	<b>683,526</b>	<b>568,102</b>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Bank</b>		
Share capital	5,105	5,105
Share premium account	2,259	2,259
Statutory reserve	18,687	18,687
Cumulative gains not recognised in the statement of income	1,458	784
Retained earnings	25,441	18,873



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	52,950	45,708
<b>Minority interest</b>	527	349
<b>Total equity</b>	<b>53,477</b>	<b>46,057</b>
<b>Total liabilities and equity</b>	<b>737,003</b>	<b>614,159</b>

\*restatement in order to reflect the fact that revised IAS 27 no longer allows investments in Group companies to be measured by equity method



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