

1Q 2017 Results ČSOB Group

Business Unit Czech Republic



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ČSOB Group: Key Figures

Strong profitability, growth in business volumes and excellent loan quality

| ČSOB group key indicators | | 2014 | 2015 | 2016 | 1Q 2016 | 1Q 2017 |
|---------------------------|--------------------------|--------|--------|--------|---------|---------|
| Profitability | Net profit (CZK bn) | 13.6 | 14.0 | 15.1 | 3.3 | 4.7 |
| | Return on equity | 16.4% | 16.4% | 17.3% | 14.5% | 20.9% |
| Liquidity | Loan to deposit ratio | 76.3% | 79.3% | 79.4% | 79.5% | 74.8% |
| | Net stable funding ratio | 135.9% | 134.9% | 151.9% | 149.0% | 143.5% |
| Capital | Tier 1 ratio | 17.2% | 19.1% | 18.2% | 17.7% | 17.1% |
| Impairments | Credit cost ratio | 0.18% | 0.18% | 0.11% | 0.02% | -0.02% |
| Cost efficiency | Cost / income ratio | 47.6% | 48.2% | 46.0% | 53.7% | 43.8% |

Note:

As of 1Q 2017, calculation of Loan to deposit ratio has been changed, see new definition in Appendix. In order to provide fully comparable figures, Loan to deposit ratio has been restated retrospectively.

Strong profitability, growth in business volumes and excellent loan quality

Business volumes

The **loan portfolio** (incl. ČMSS) increased to **CZK 637bn** (+7% Y/Y), mainly thanks to mortgages, consumer finance and leasing. **Group deposits** (incl. ČMSS) grew to **CZK 836bn** (+15% Y/Y). Total **assets under management** increased to **CZK 192bn** (+4% Y/Y).

Operating income

Operating income increased to **CZK 9.7bn** in 1Q 2017 (+20% Y/Y) driven by strong performance of financial markets, higher ALM income, one-off gain from historical legal case, higher fees and positive valuation adjustments.

Operating expenses

Operating expenses decreased to **CZK 4.2bn** in 1Q 2017 (-3% Y/Y) mainly as a result of lower ICT and marketing expenses. Staff expenses slightly increased Y/Y due to lower base in 1Q 2016, higher average number of FTEs and wage adjustments.

Impairments

Credit cost ratio for 1Q 2017 stood at **-2bps** (Ytd. annualized, -4bps Y/Y) thanks to excellent loan quality. Net release of impairments was driven by most segments.

Net profit

As a result of above mentioned factors, the ČSOB **net profit** for 1Q 2017 came in at **CZK 4.7bn** (+42% Y/Y).

Liquidity & Capital

Loan to deposit ratio decreased Y/Y to **74.8%**.
Tier 1 ratio stood at **17.1%**. **Net stable funding ratio** (NSFR) decreased Y/Y to **143.5%**.

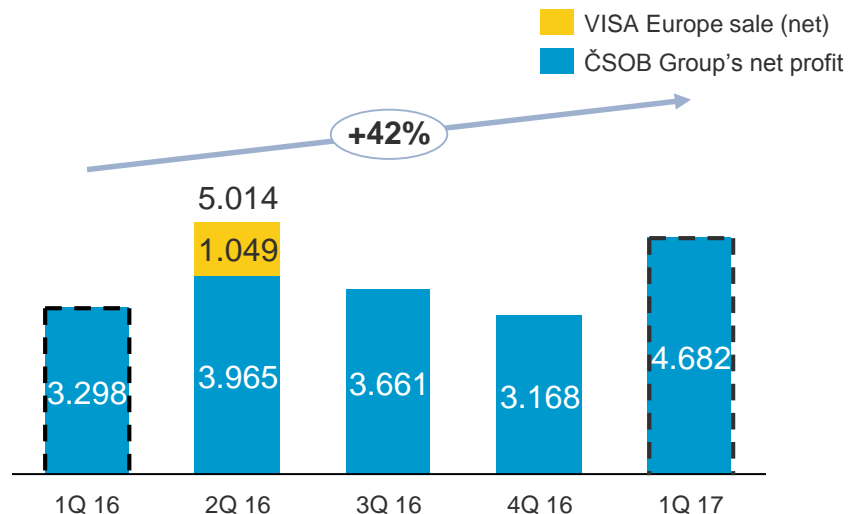
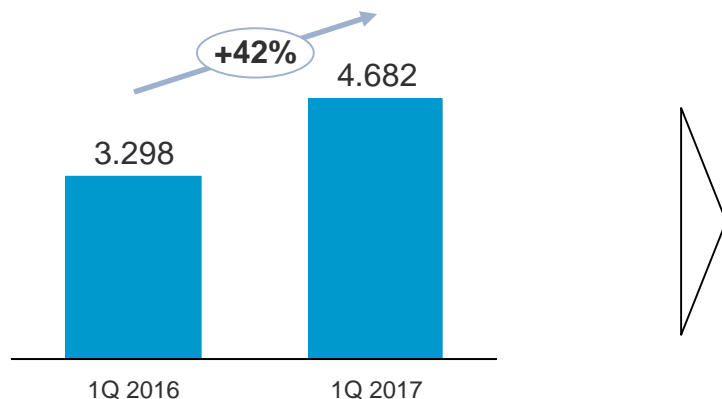
Innovations & Awards

The mobile wallet ČSOB NaNákupy newly supports **finger print sign-in** greatly improving user experience and security. **More than one hundred of contactless ATMs** enable clients to withdraw cash comfortably and securely without risk of magnetic card skimming. ČSOB voted as **the Best bank** by magazine EMEA Finance and ČSOB Private Banking awarded as **the Best Private Bank** in the Czech Republic for 2016 by Euromoney.

Net profit increased Y/Y driven by strong performance of financial markets, higher other income as well as fees and lower operating expenses

Net profit

CZK bn



Net profit for 1Q 2017 reached CZK 4.7bn (+42% Y/Y).

The increase was driven by strong performance of financial markets, higher ALM income, one-off gain from historical legal case, fees mainly from asset management and positive valuation adjustments. Operating expenses decreased Y/Y mainly as a result of lower ICT and marketing expenses.

Net profit was also supported by strong growth in business volumes and excellent loan quality.

The return on equity (ROE) reached 20.9% in 1Q 2017, up from 14.5% fully driven by higher net profit.

Notes (gross impact):

2Q 2016 one-off items (total of CZK +1.1bn): gain from VISA Europe sale (CZK +1.3bn), IBNR parameter changes (CZK -0.2bn)

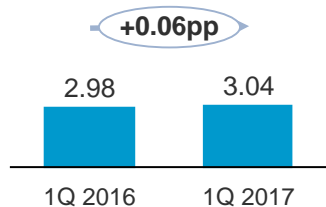
4Q 2016 one-off item: income tax provision (CZK -0.2bn)

1Q 2017 one-off item: gain from historical legal case (CZK +0.4bn)

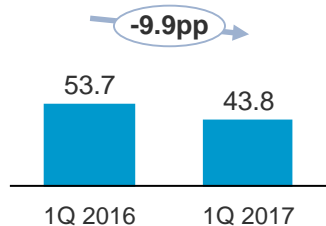
Improved profitability and excellent loan quality

Profitability

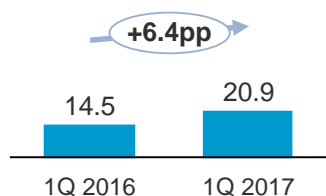
Net interest margin (%)



Cost / income ratio (%)

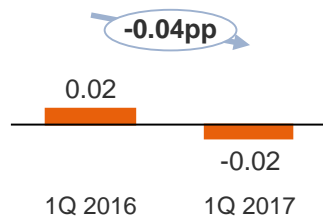


ROE (%)

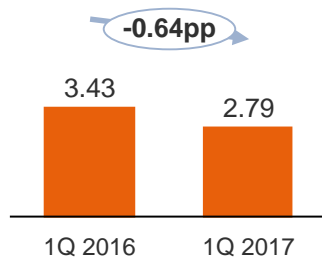


Loan portfolio quality

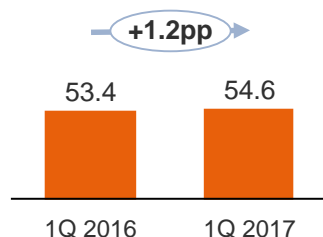
CCR, Ytd. annualized (%)



NPL ratio (%)

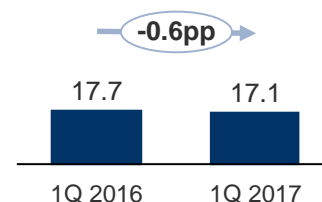


NPL coverage ratio (%)

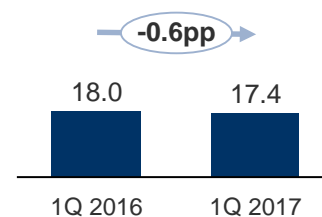


Capital

(Core) Tier 1 ratio (%)

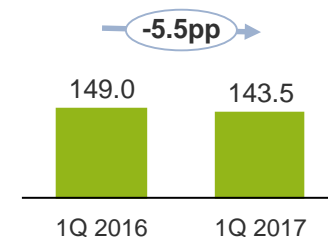


Total capital ratio (%)

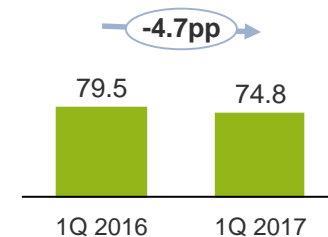


Liquidity

Net stable funding ratio (%)



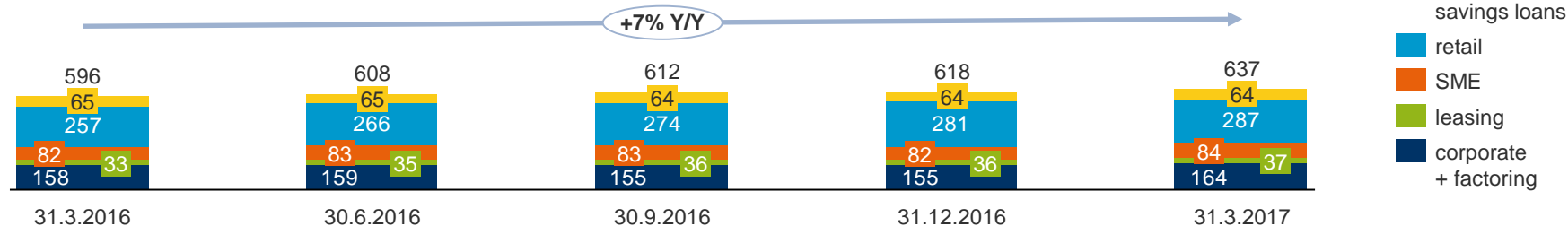
Loan to deposit ratio (%)



Strong growth of loans and deposits, assets under management picking-up

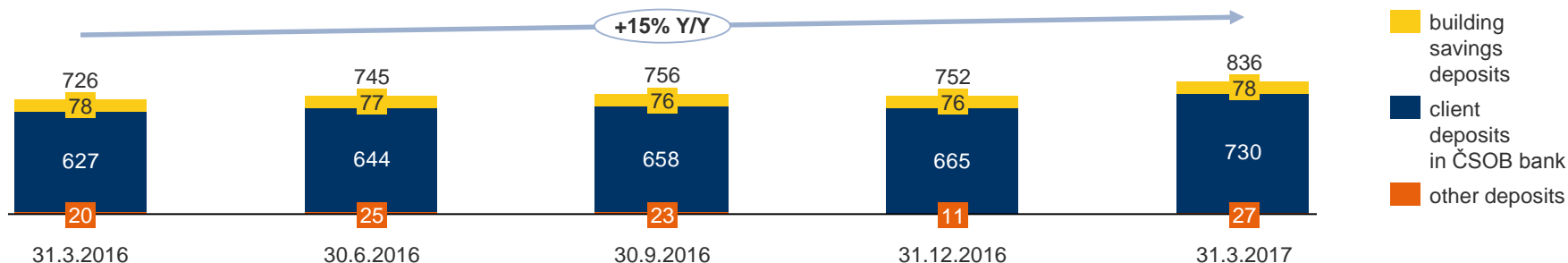
Loan portfolio¹

CZK bn



Group deposits²

CZK bn



Total assets under management

CZK bn



¹ Item Loans and receivables (incl. ČMSS/building savings loans) minus exposure to banks from inter-bank transactions and reverse repo operations with ČNB plus credit replacing bonds.

² Item Deposits received from other than credit institutions from the consolidated balance sheet (incl. ČMSS/building savings deposits).

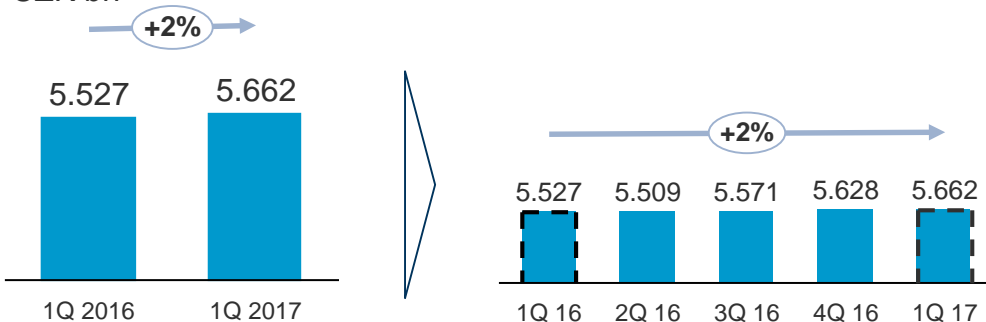
ČSOB Group: Financial Overview

Net interest income and Net interest margin

Improvement in net interest income as well as margin

Net interest income (NII)

CZK bn

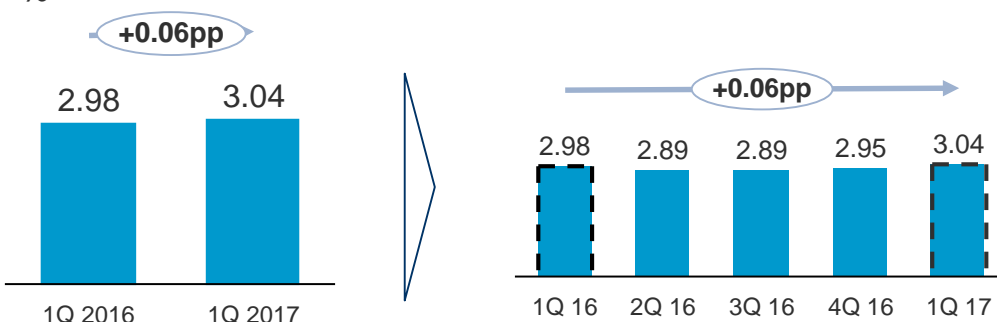


1Q 2017 **net interest income** increased by **2% Y/Y** as a result of:

- (+) other NII (thanks to ALM income)
- (-) NII from loans (driven by mortgages)
- (-) NII from deposits (mainly in retail)

Net interest margin (NIM)

%



In 1Q 2017, **net interest margin** reached **3.04%** (+0.06pp Y/Y) thanks to ALM contribution and active management of funding costs, while lower reinvestment yields and pressure on lending margins continued.

| | 2014 | 2015 | 2016 | 1Q 2017 |
|-------------------------------|------|------|------|---------|
| Net interest margin (Ytd., %) | 3.17 | 3.01 | 2.93 | 3.04 |

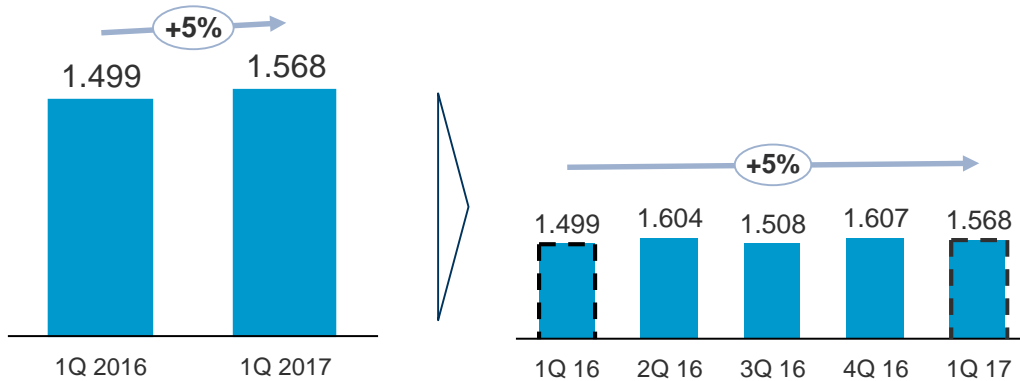
Net fee and commission income and Other

Higher net fee and commission income thanks to asset management

Strong performance of financial markets

Net fee and commission income (NFCI)

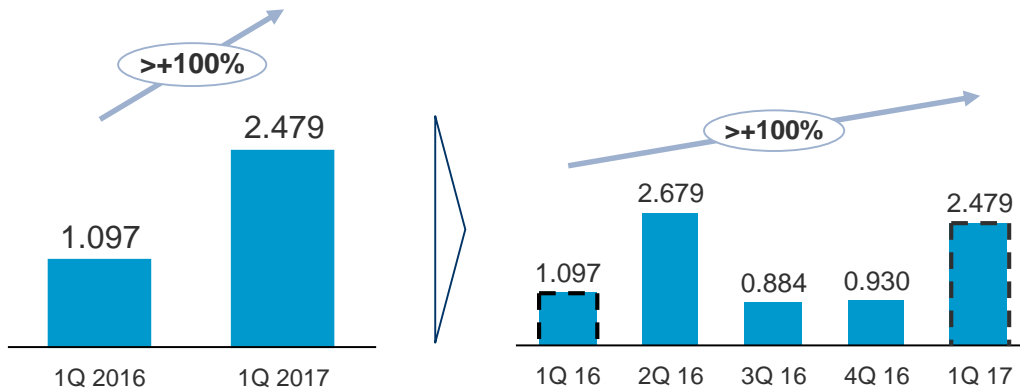
CZK bn



1Q 2017 **net fee and commission income** increased by **5% Y/Y** mainly driven by higher asset management, loans, payment cards and foreign payments fees, while fees from domestic payments decreased Y/Y.

Other*

CZK bn



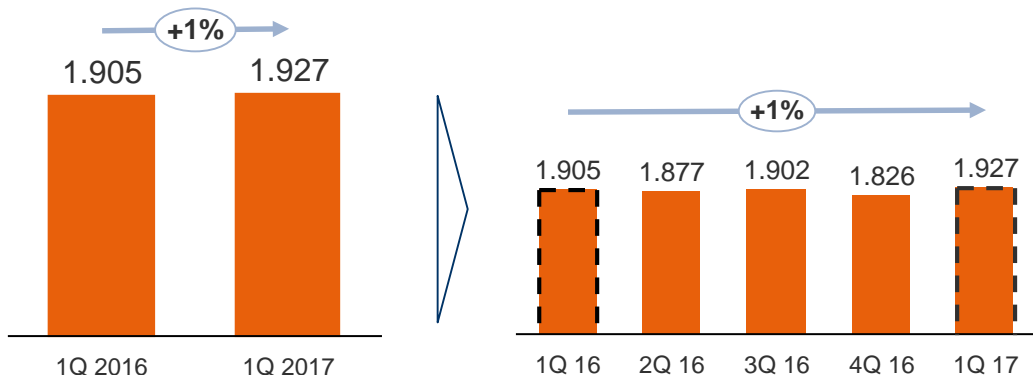
More than **two-fold Y/Y increase** of item “**Other**” in 1Q 2017 was driven by:

- (+) strong performance of financial markets,
- (+) one-off gain from historical legal case,
- (+) positive valuation adjustments.

GAE declined Y/Y mainly thanks to ICT and marketing expenses

Staff expenses

CZK bn

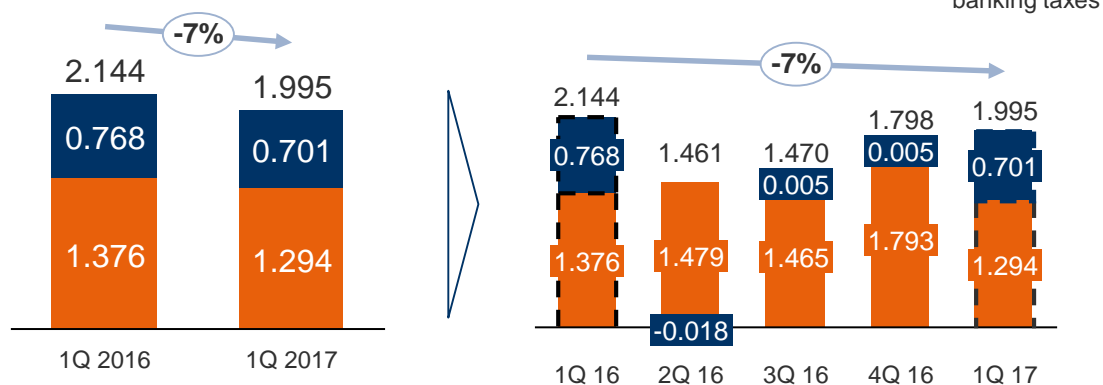


1Q 2017 **staff expenses** increased by **1% Y/Y** as a result of:

- (+) lower base in 1Q 2016 (higher share of IT projects with capitalized staff expenses)
- (+) higher average number of FTEs (+25 Y/Y)
- (+) wage adjustments

General administrative expenses (GAE)

CZK bn



1Q 2017 **general administrative expenses** decreased by **7% Y/Y** mainly thanks to lower banking taxes and lower ICT and marketing expenses.

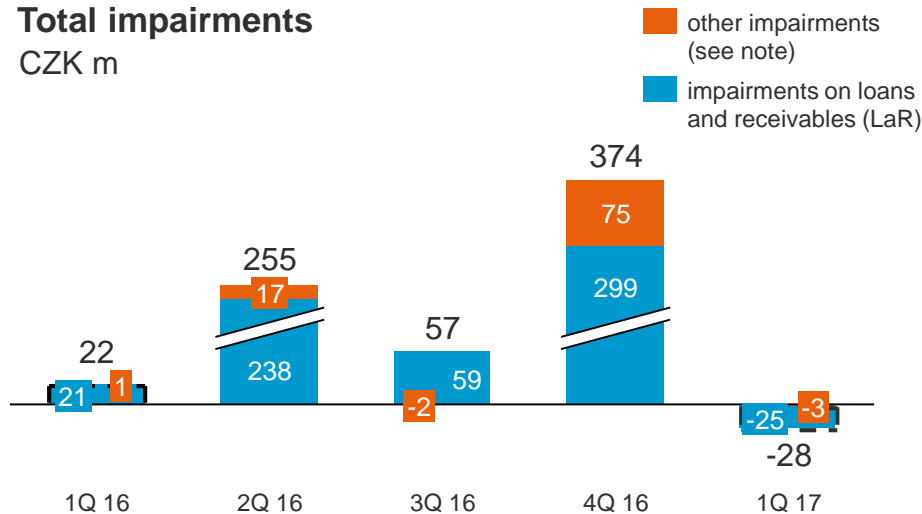
The Q/Q increase was fully driven by banking taxes, while other costs were significantly lower thanks to seasonally lower marketing and ICT expenses as well as professional fees.

Cost/income ratio decreased to **43.8%** (-9.9pp Y/Y).

Excellent loan quality results in net impairment release

Total impairments

CZK m

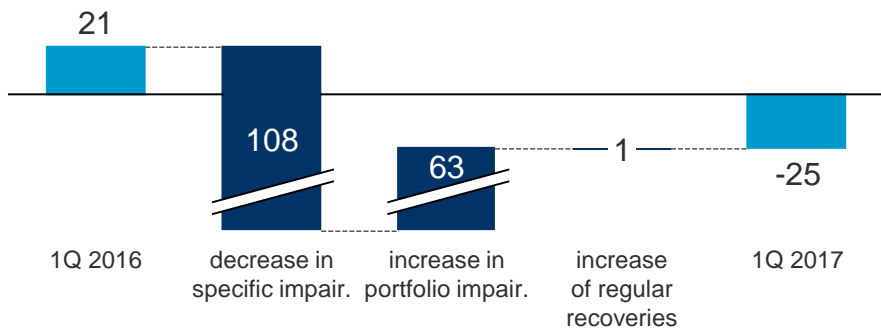


The impairments on loans and receivables in 1Q 2017 were **CZK 25m (net release)**, compared with CZK 21m (net creation) in the previous year, driven by net releases in most segments.

As a consequence, the **credit cost ratio** for 1Q 2017 stood at **-0.02%** (net release).

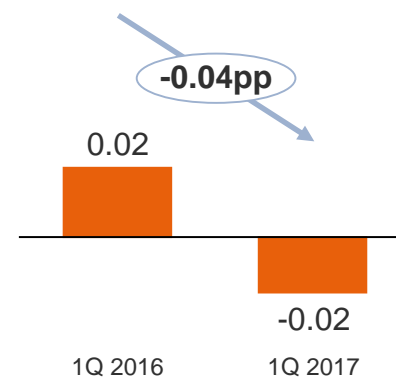
Impairments on loans and receivables

CZK m



CCR, Ytd. annualized

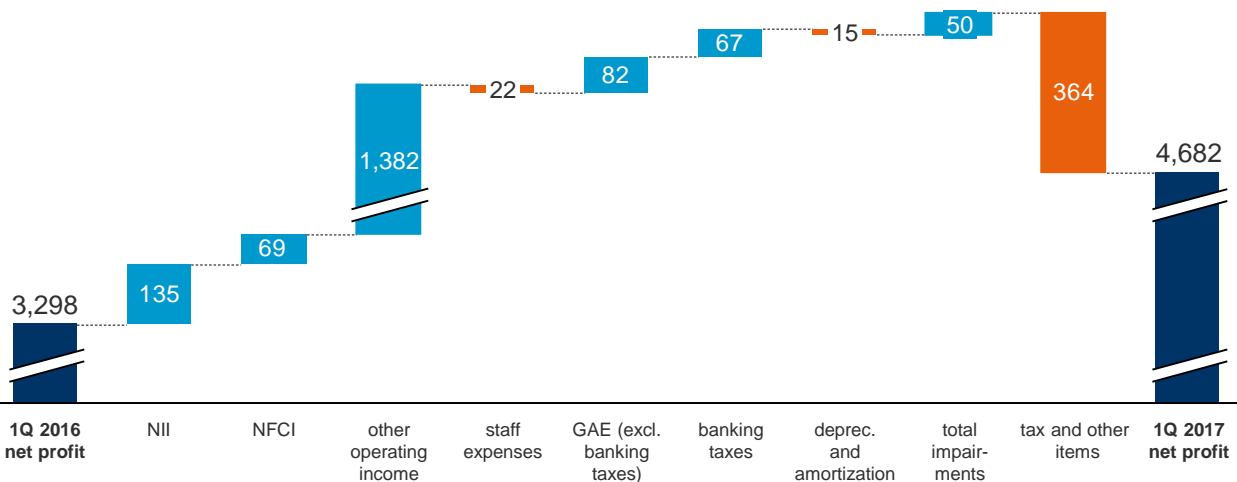
%



Wrap up of net profit drivers

Quarterly net profit (Y/Y)

CZK m



The main difference between 1Q 2017 and 1Q 2016 net profit was caused by the following drivers:

On the **positive side**:

- higher NII fully driven by other NII (thanks to ALM income)
- higher NFCI thanks to higher asset management, loans, payment cards and foreign payments fees
- higher other operating income as a result of strong performance of financial markets, one-off gain from historical legal case and positive valuation adjustments
- lower GAE (excl. banking taxes) thanks and lower ICT and marketing expenses

On the **negative side**:

- higher tax mainly due to higher pre-tax profit

The main difference between 1Q 2017 and 4Q 2016 net profit was caused by the following drivers:

On the **positive side**:

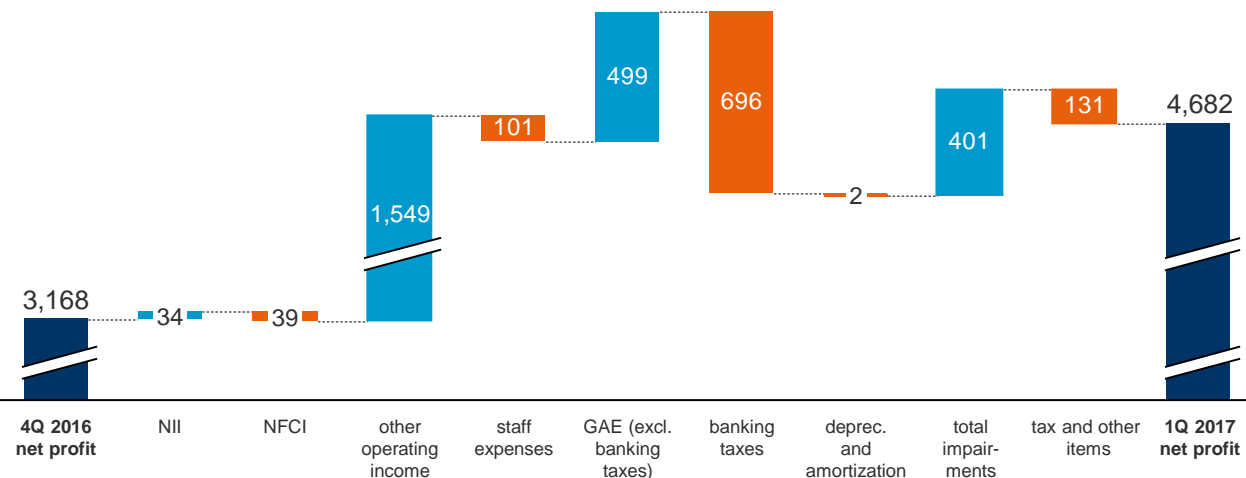
- higher other operating income driven by strong performance of financial markets, one-off gain from historical legal case and positive valuation adjustments
- lower GAE (excl. banking taxes) thanks to seasonally lower marketing and ICT expenses as well as professional fees
- lower total impairments thanks to net releases in most segments

On the **negative side**:

- higher banking taxes due to full-year contribution entirely booked in the first quarter
- higher staff expenses due to lower base (higher capitalization and releases of accruals in 4Q 2016)

Quarterly net profit (Q/Q)

CZK m



Capital Solid capital position

Consolidated, CZK m

31.3.2016

31.12.2016

31.3.2017

Total regulatory capital

66,285

70,292

70,908

- CET 1 capital before regulatory adjustments

75,011

78,404

78,910

- Regulatory adjustments of CET1 capital

-9,850

-9,423

-9,208

- (Core) Tier 1 Capital

65,161

68,981

69,702

- Tier 2 Capital

1,124

1,311

1,206

Tier 1 capital increased Y/Y as a result of:
(+) increase of retained earnings
(-) decrease in AFS reserve

Total capital requirement

29,420

30,318

32,546

- Credit risk

23,486

24,699

25,959

- Market risk

1,442

1,126

2,038

- Operational risk

4,492

4,492

4,550

Total RWA increased Y/Y mainly as a result:
(+) credit risk requirements driven by loan volumes (mainly mortgages)
(+) market risk requirements driven mainly by interest rate volatility

Total RWA

367,752

378,970

406,829

(Core) Tier 1 ratio

17.7%

18.2%

17.1%

Total capital ratio

18.0%

18.5%

17.4%

Notes:

RWA (risk weighted assets) = total capital requirement / 0.08

Tier 1 capital = share capital + share premium + legal reserve funds + retained earnings + other comprehensive income – goodwill – intangible assets

Tier 2 capital = subordinated debt weighted by regulatory coefficient + surplus in expected credit losses

Total regulatory capital = Tier 1 + Tier 2 – regulatory adjustments

Tier 1 ratio = (Tier 1 capital – 0.5*regulatory adjustments) / (total capital requirement / 0.08)

ČSOB Group: Business Overview

Growing market share in consumer finance and leasing

Market share of insurance driven by non-life

1st

2nd

3rd

4th

| | | |
|--|-------|---|
| Total Loans ¹ | 19.8% | ↓ |
| Total Deposits ¹ | 20.0% | ↑ |
| Building savings loans ¹ | 46.0% | ↓ |
| Building savings deposits ¹ | 39.0% | ↑ |
| Mortgages ¹ | 28.5% | → |
| Leasing ¹ | 19.6% | ↑ |
| Mutual funds ¹ | 23.2% | ↓ |
| Factoring ² | 24.4% | ↓ |
| Pension funds ³ | 14.0% | ↑ |
| SME/corporate loans ¹ | 15.4% | ↓ |
| Consumer lending ^{1,4} | 10.8% | ↑ |
| Insurance ⁵ - combined | 6.8% | ↑ |
| Non-life insurance ⁵ | 6.6% | ↑ |
| Life insurance ⁵ | 7.0% | ↓ |

Arrows show Y/Y change. Market shares as of 31 March 2017, except for mutual and pension funds which are as of 31 December 2016.

The ranking is ČSOB's estimate. Market position in the insurance reflects combined position of the insurers belonging to the same business group.

¹ Outstanding at the given date (including ČMSS); ² New business in the year to the given date; ³ Number of total clients at the given date; ⁴ Retail loans excluding mortgages and building savings loans. ⁵ New business in the year according to gross written premium.

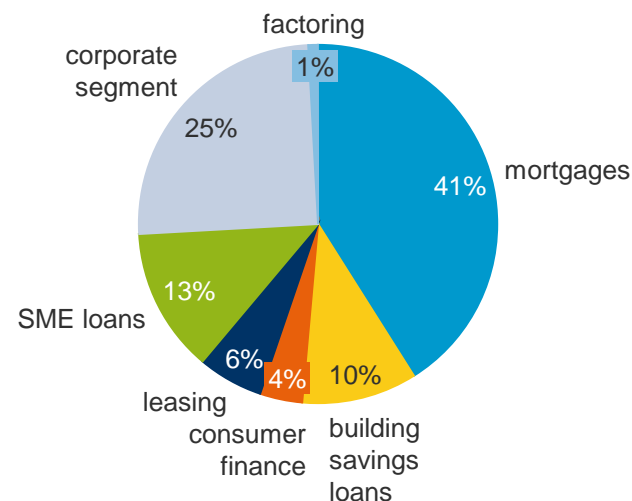
Sources and detailed definitions are provided in Appendix.

Strong growth driven mainly by mortgages, consumer finance and leasing

| Gross outstanding volumes, CZK bn | 31.3.2016 | 31.3.2017 | Y/Y |
|---|--------------|--------------|------------|
| Loan portfolio (incl. ČMSS/building savings loans) | 596.2 | 637.1 | +7% |
| Retail Segment | | | |
| Mortgages ¹ | 236.6 | 262.4 | +11% |
| Consumer finance | 20.7 | 25.0 | +21% |
| Building savings loans ² | 65.4 | 64.3 | -2% |
| SME/Corporate Segment | | | |
| Corporate loans ³ | 153.7 | 159.1 | +3% |
| SME loans | 81.9 | 83.7 | +2% |
| Leasing | 33.3 | 37.3 | +12% |
| Factoring | 4.5 | 5.3 | +16% |
| Loan portfolio (excl. ČMSS/building savings loans) | 530.9 | 572.8 | +8% |

31.3.2017
(incl. ČMSS/building savings loans)

Almost 60% of the total loan portfolio is in retail, out of which majority is in financing housing needs.



¹ The ČSOB group mortgages are booked in the balance sheet of ČSOB's subsidiary Hypoteční banka.

² The ČSOB group building savings loans are in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB. Volumes are reported in 55% but not included in the ČSOB's consolidated balance sheet.

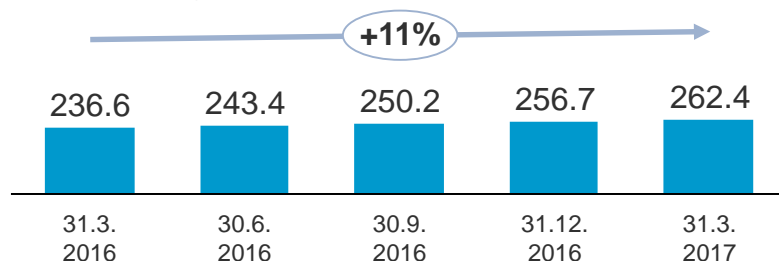
³ Including credit-replacing bonds.

Housing loans

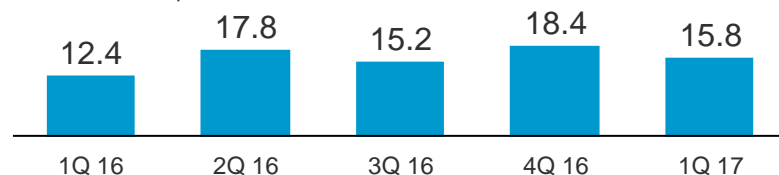
Strong growth of mortgages continued

Mortgages

Outstanding, CZK bn



New sales*, CZK bn

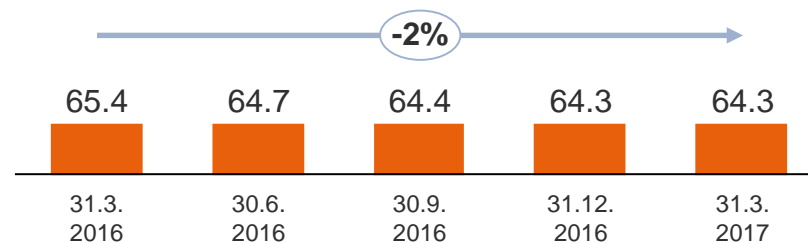


In 1Q 2017, **outstanding mortgages volumes** increased by **11% Y/Y** as a result of strong demand driven by expected growth of interest rates, ongoing increase of real estate prices and ČNB's recommendations regarding LTV (loan-to-value) limits coming into force from April 2017.

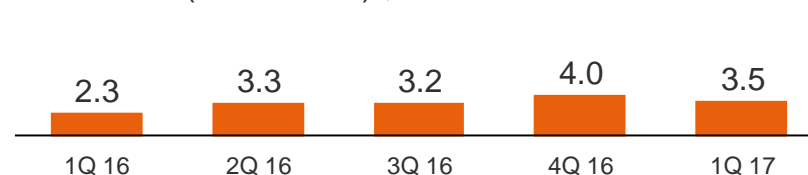
ČSOB provided almost **8 thousand new mortgages** (+20% Y/Y) in the total amount of **CZK 16bn** (+28% Y/Y) in 1Q 2017, while total market increased by 21% Y/Y in number of new mortgages and increased by 28% Y/Y in the total amount.

Building savings loans

Outstanding (ČMSS 55%), CZK bn



New sales (ČMSS 55%)*, CZK bn

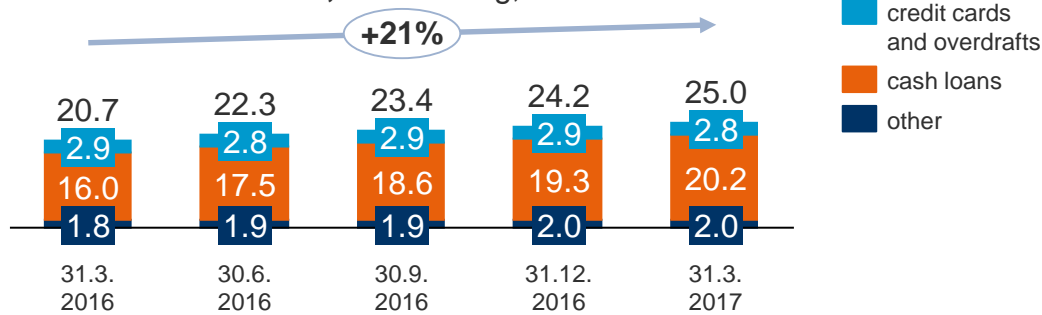


Outstanding **building savings loan portfolio** declined by **2% Y/Y** in 1Q 2017, while market remained flat.

In 1Q 2017, **new sales** increased by 52% Y/Y mainly thanks to growing demand for renovations and modernization, supported by record low interest rates and improved product offer. Y/Y comparison is also influenced by lower base in 1Q 2016 (technical limitations linked to replacement of core banking system).

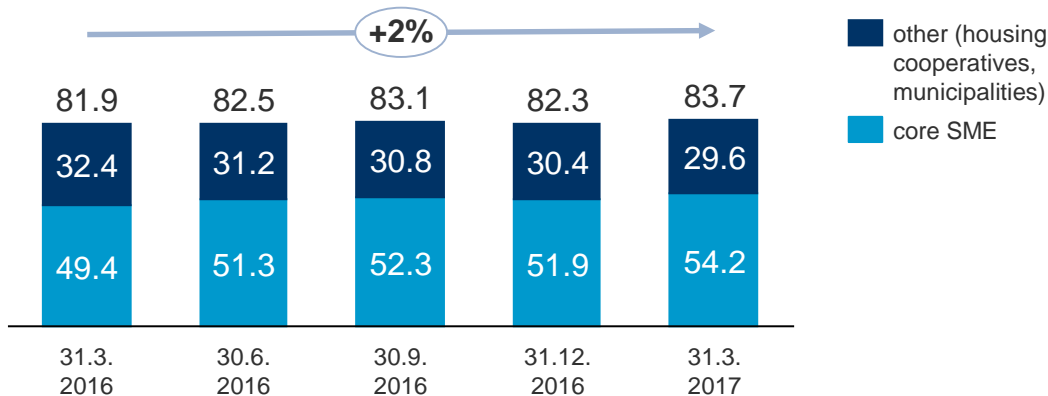
Consumer finance growth accelerated to 21% Y/Y

Consumer finance, outstanding, CZK bn



In 1Q 2017, **consumer finance** continued with double-digit growth of **21% Y/Y** driven by cash loans (+26% Y/Y) thanks to improved attractiveness of ČSOB product offer (pricing, conditions, processing) for both existing and new clients.

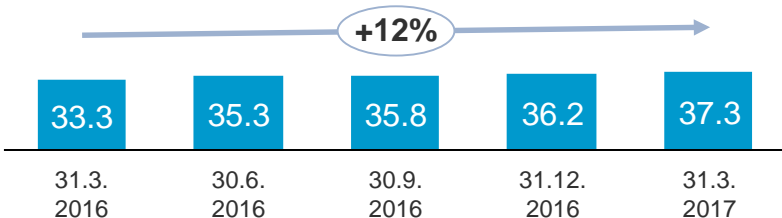
SME loans, outstanding, CZK bn



In 1Q 2017, **SME loans** increased by **2% Y/Y** driven by higher loans granted to core SME (micro, small and mid-sized companies, +10% Y/Y) partially offset by decline in other (-9% Y/Y).

The loan volume to housing cooperatives decreased Y/Y, however ČSOB maintains leading market position in this segment.

Leasing, outstanding*, CZK bn

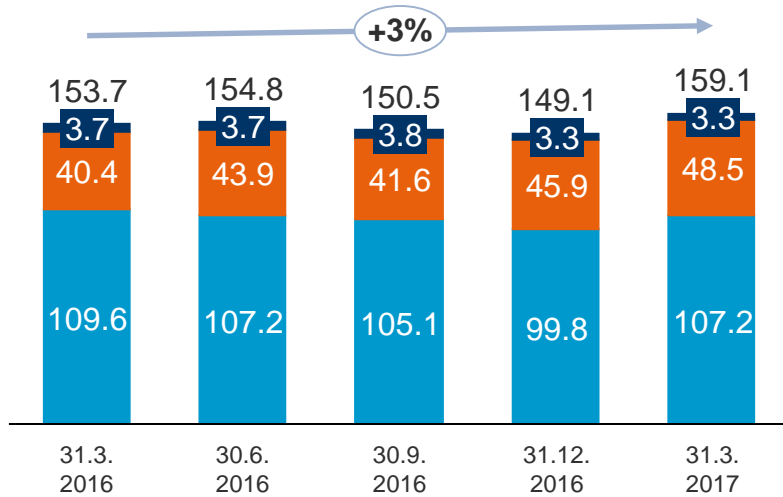


ČSOB Leasing strengthened its market leading position. **Outstanding volumes** increased by **12% Y/Y** driven by car financing and machinery & equipment financing.

Corporate loans growth driven by specialized finance

Corporate loans
Outstanding, CZK bn

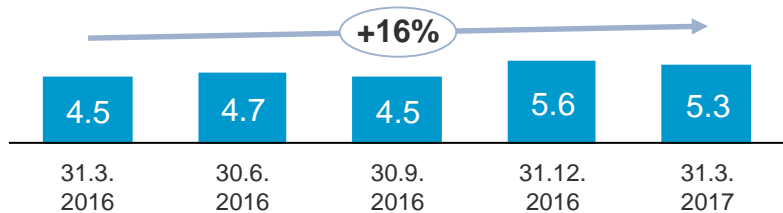
- credit-replacing bonds
- specialized finance
- plain vanilla financing



Corporate loans increased by **3% Y/Y** fully driven by specialized finance. The major Y/Y loan growth was recorded in sectors: real estate, finance & insurance, automotive.

The Q/Q growth was driven by specialized finance and plain vanilla financing, mainly in real estate, chemical and telecommunication sectors.

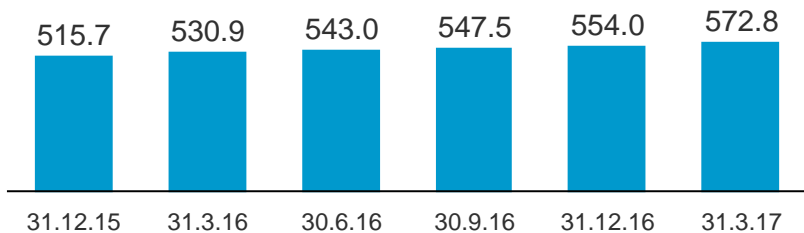
Factoring
Outstanding, CZK bn



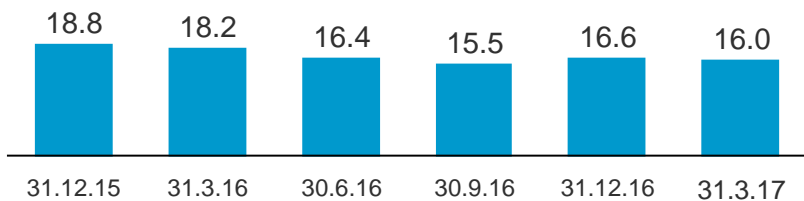
Factoring outstanding increased by **16% Y/Y** thanks to gradually growing client base.

NPL ratio dropped to all-time low of 2.79%

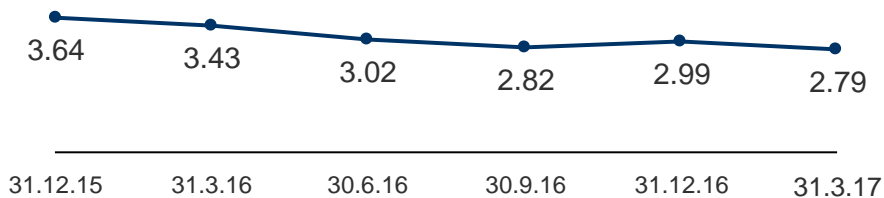
Loan portfolio (excl. ČMSS) (CZK bn)



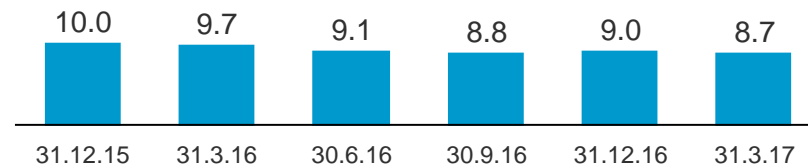
Non-performing loans (CZK bn)



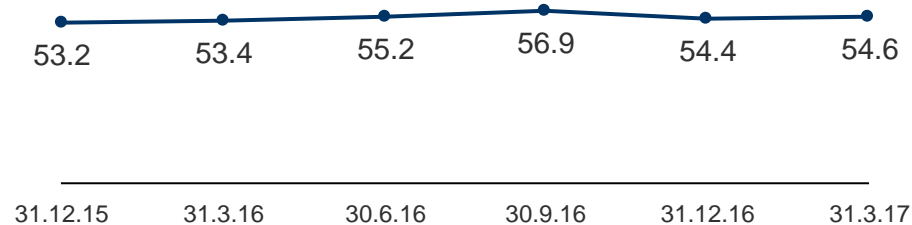
NPL ratio (%)



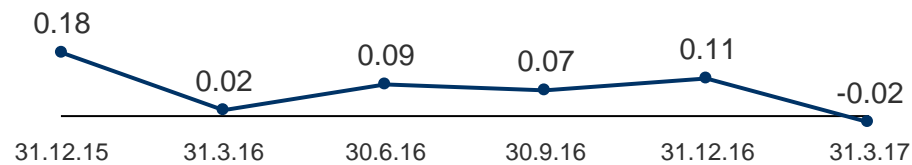
Allowances for loans and leases¹ (CZK bn)



NPL coverage ratio (%)



Credit cost ratio² (%)



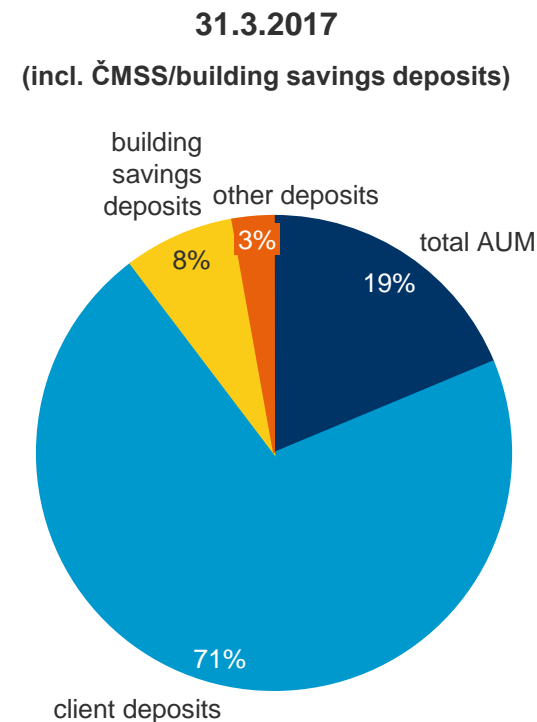
¹ Allowances for on-balance sheet items (PD10, PD11 and PD12 only).

² Ytd. annualized, including off-balance sheet items.

Group deposits and Total assets under management

Strong growth of deposits, total AUM picking up

| Outstanding volumes, CZK bn | 31.3.2016 | 31.3.2017 | Y/Y |
|--|--------------|--------------|-------------|
| Group deposits (incl. ČMSS/building savings deposits) | 725.7 | 835.5 | +15% |
| Client deposits | 627.3 | 730.4 | +16% |
| <i>Current accounts</i> | 403.3 | 494.3 | +23% |
| <i>Savings deposits</i> | 214.7 | 217.8 | +1% |
| <i>Term deposits</i> | 9.3 | 18.3 | +97% |
| Other deposits | 20.4 | 27.5 | +35% |
| Building savings deposits ¹ | 78.0 | 77.7 | 0% |
| Total AUM | 184.4 | 192.0 | +4% |
| Pension funds ² | 42.5 | 46.4 | +9% |
| Mutual funds and other AM ³ | 141.9 | 145.6 | +3% |



¹ ČSOB group building savings deposits are in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB.

Volumes are reported in 55% but not included in the ČSOB's consolidated balance sheet.

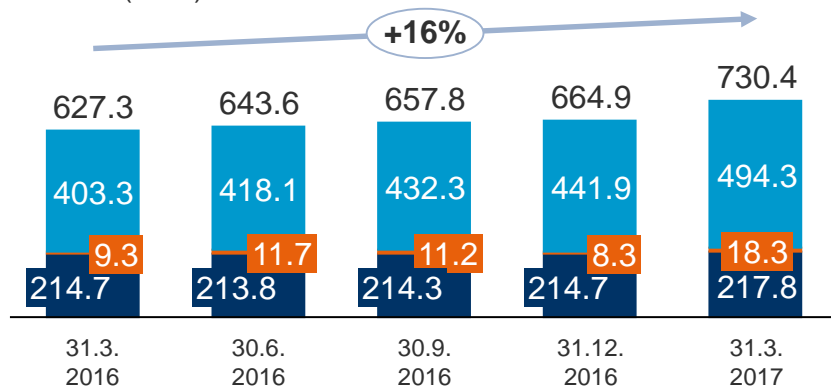
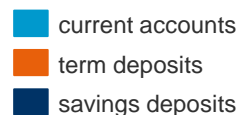
² Liabilities to pension fund policy holders.

³ AUM includes AUM in structured/capital protected funds, AUM in other mutual funds, other asset management and AUM of Slovak AM.

Growth of client deposits largely driven by current accounts

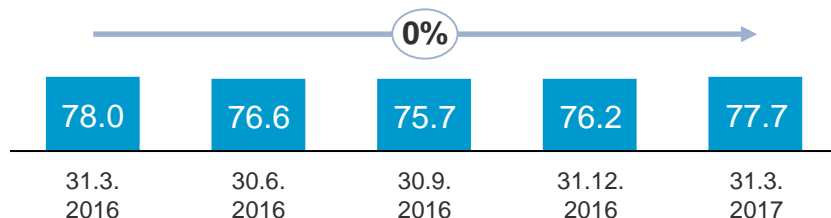
Client deposits (CZK bn)

ČSOB (bank)



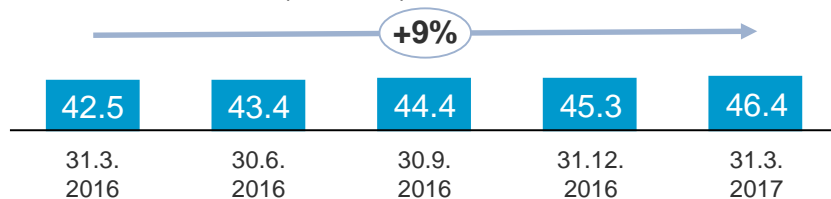
The **16% Y/Y** growth of **client deposits** was largely driven by **current accounts** (+23% Y/Y). **Saving deposits** increased by 1% Y/Y, while **term deposits**, which are still marginal, increased by 97% Y/Y.

Building savings deposits (CZK bn)



The **building savings deposits** remained almost stable Y/Y mainly thanks to pricing adjustment in the previous year.

Pension funds (CZK bn)



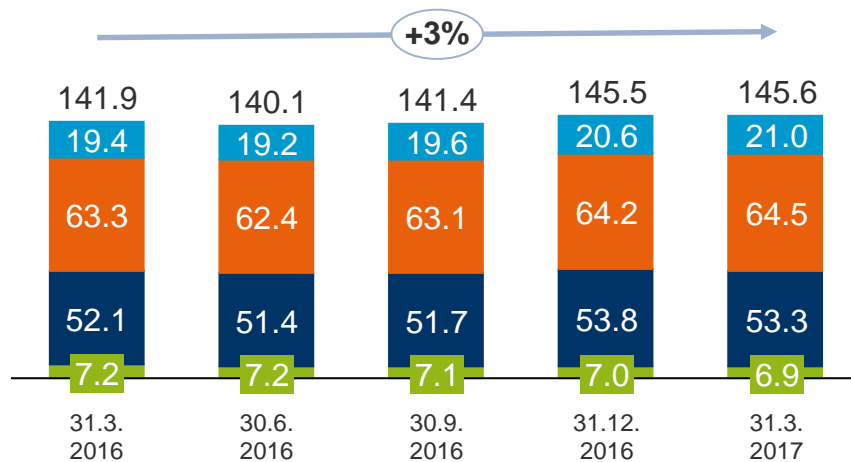
The volume of **pension funds** increased by **9% Y/Y** driven mainly by increase of new sales and improving retention.

Stronger new sales of mutual funds Y/Y as well as Q/Q

Mutual funds and other AM

Outstanding volumes, CZK bn

- AUM in structured/capital protected funds
- AUM in other mutual funds
- other asset management
- AUM of Slovak AM

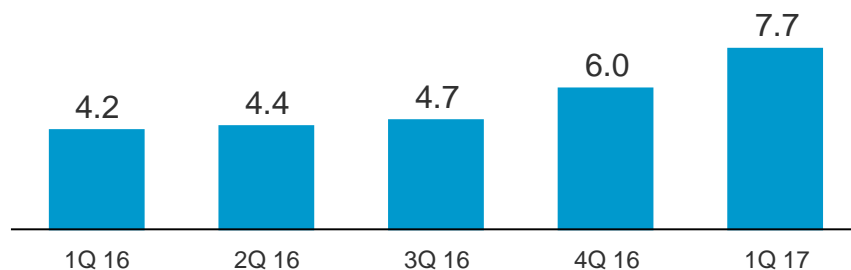


Mutual funds and other AM increased by **3% Y/Y** to **CZK 145.6bn** driven by mutual funds as well as other asset management.

AUM in mutual funds increased by 3% Y/Y as decrease in mutual funds net sales was more than offset by positive performance effect.

Mutual funds

New sales, CZK bn



1Q 2017 new sales of mutual funds were up **83% Y/Y** and **29% Q/Q**.

The strongest demand was for balanced funds (Profile funds and Premium profile funds) and clients were also interested in newly launched thematic structured funds (IT, sport).

Notes:

Mutual funds include funds managed by ČSOB AM as well as those distributed by the ČSOB group but managed by the KBC AM. Only direct positions are included (the funds bought directly by clients).

Other asset management: Discretionary mandates and Qualified Investors Funds. AUM of Pension Funds managed by ČSOB AM are excluded and are shown separately in Pension funds section.

Continuing transformation from a branch-oriented distribution model to an omnichannel one reflecting clients' changing needs

| | 31.3.2016 | 31.3.2017 |
|--|------------------|------------------|
| Retail/SME branches and advisory centers | 738 | 689 |
| ČSOB Retail/SME branches incl. dual branded (ČSOB + Era) | 220 | 218 |
| PSB/Era Financial Centers | 67 | 44 |
| ČMSS advisory centers | 331 | 304 |
| Hypoteční banka centers | 29 | 29 |
| ČSOB Pojišťovna branches | 91 | 94 |
| ČSOB Private Banking branches | 12 | 11 |
| Leasing branches | 10 | 9 |
| ČSOB corporate branches | 11 | 11 |
| PSB outlets of the Czech Post network | ca. 3,100 | ca. 2,900 |
| - of which specialized banking counters | 150 | 152 |
| ATMs¹ | 1,063 | 1,065 |
| ČSOB's clients (bank only, mil.) | 2.781 | 2.764 |
| Internet Banking - users (mil.) | 1.542 | 1.574 |
| - transactions (mil.) | 12.551 | 13.276 |

¹ Including ATMs of cooperating banks.

ČSOB further **improved its ATM network**. At the end of March 2017, clients could use 1,065 ATMs, of which 104 were contactless and 162 enabled cash deposits.

Due to ongoing optimization of the branch network and strengthening of self-service platform, some branches were closed or merged as dual branded. The number of **ČSOB branches** (see note) reached 284, of which 31 were dual branded (ČSOB + Era) at the end of March 2017.

The **number of ČSOB's clients** (bank only) declined by 1% Y/Y while number of active clients increased by 2% Y/Y.

The number of **digital users** increased by 2% Y/Y and **electronic channel transactions** by 6% Y/Y.

Note:

ČSOB branches include ČSOB Retail/SME branches incl. dual branded (ČSOB + Era), PSB/Era Financial Centers, ČSOB Private Banking branches and ČSOB corporate branches.

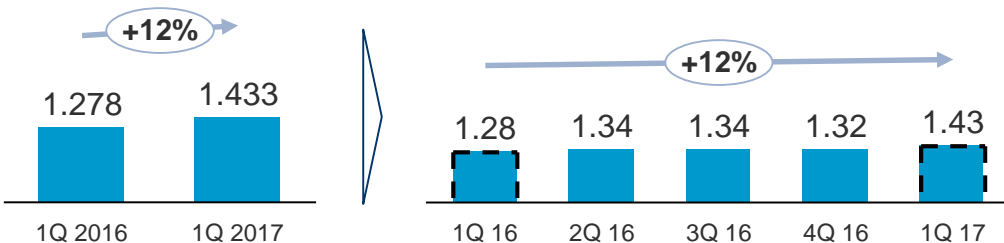
The multi-channel distribution platform of the ČSOB group includes also a wide **agent network** of over 5,000 agents, incl. ČMSS tied agents, intermediaries and individual brokers for Hypoteční banka, ČSOB Leasing's dealers and ČSOB Pojišťovna's tied agents, multi-agents and individual brokers.

ČSOB Pojišťovna: Key figures

Successful non-life and life regular business

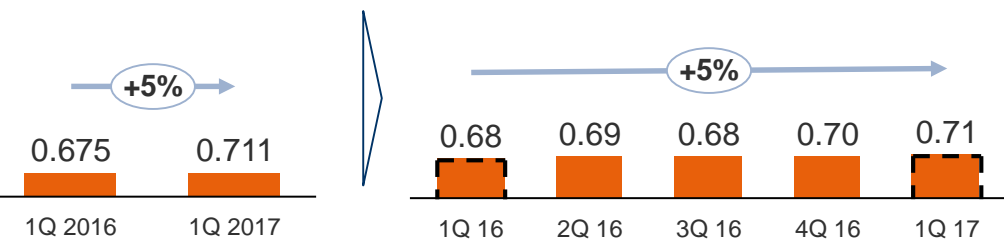
Non-life insurance - gross written premium (GWP)

CZK bn



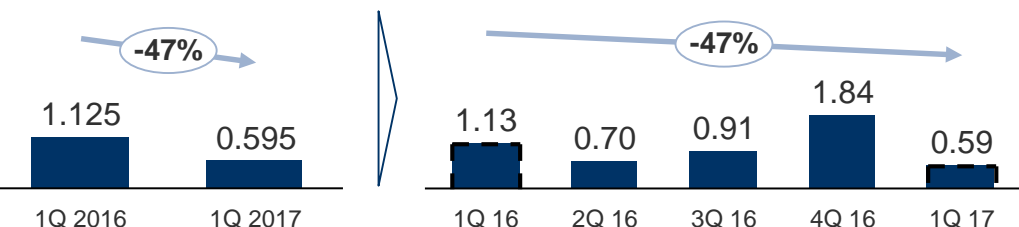
Life insurance – regular paid gross written premium

CZK bn



Life insurance - single paid gross written premium

CZK bn



| Market shares | 1Q 2017 | Market position |
|--------------------|---------|-----------------|
| Non-life insurance | ↑ 6.6% | 4th |
| Life insurance | ↓ 7.0% | 4th |

Arrows show Y/Y change.

Non-life insurance

1Q 2017 non-life gross written premium increased by **12% Y/Y** thanks to growth in all product lines, mainly in Property and Motor retail insurance.

Life insurance

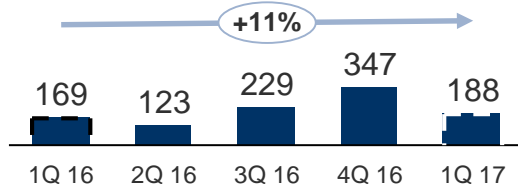
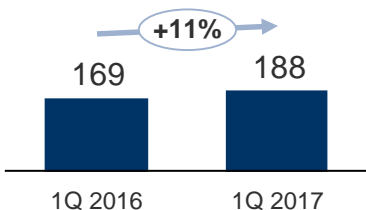
1Q 2017 **regular paid** gross written premium increased by **5% Y/Y** as result of portfolio stabilization and better profile in lapses of the life contracts.

1Q 2017 **single paid** gross written premium decreased by **47% Y/Y** mainly due to lower clients' interest and thus lower average invested volume per tranche. On the other hand, number of tranches has increased Y/Y.

Profitability growth driven mainly by life segment

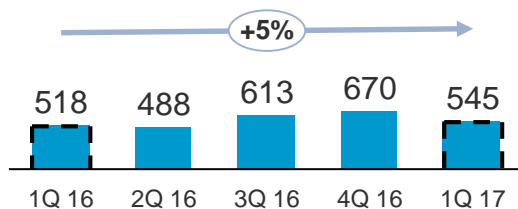
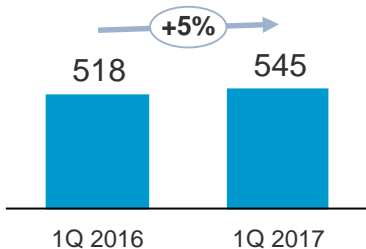
Net profit

CZK m



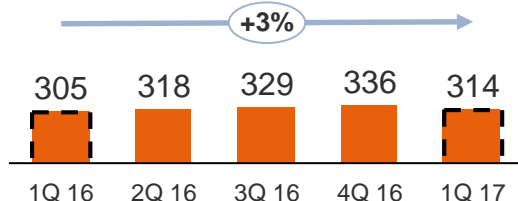
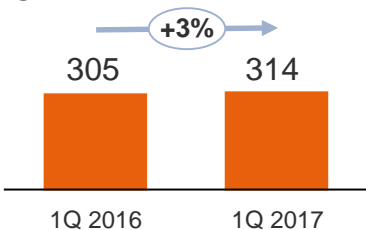
Operating income

CZK m



Operating expenses

CZK m



1Q 2017 **net profit** increased to **CZK 188m** (+11% Y/Y) driven by better life segment profit contribution.

1Q 2017 **operating income** increased to **CZK 545m** (+5% Y/Y) influenced by following drivers:

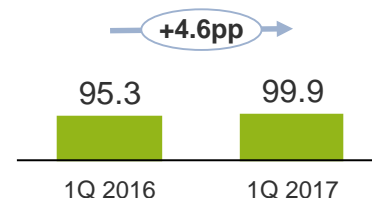
- **life**: ongoing stable profit contribution supported by higher regular paid GWP Y/Y
- **non-life**: negative impact of several big claims occurred in February (incl. MTPL, bad winter conditions), while GWP increased

1Q 2017 **operating expenses** reached **CZK 314m** (+3% Y/Y) driven by roll-out of several strategic activities.

Non-life combined ratio stood at 99.9% (+4.6pp Y/Y) mainly due to several claims that occurred in February.

Non-life combined ratio

(%)



Business Unit Czech Republic

Profitability growth mainly driven by ČSOB group



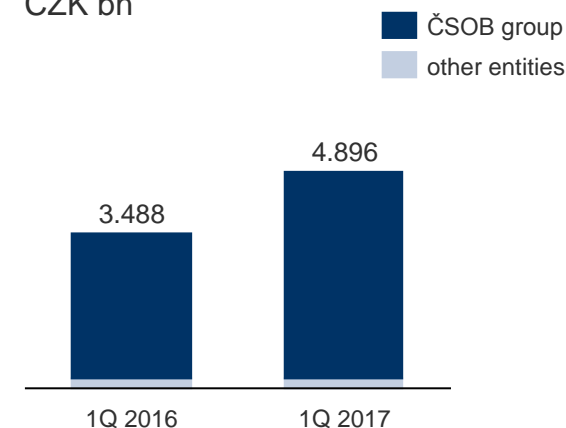
Effective as of 1 January 2013, KBC has organized its core markets activities into three business units. As a result, all KBC's business in the Czech Republic have been included into Business Unit Czech Republic.

The 1Q 2017 net profit of the Business Unit Czech Republic reached CZK 4.9bn (+40% Y/Y). The Business Unit Czech Republic contains all KBC's operations in the Czech Republic, namely the ČSOB group, and full ownership in ČSOB Pojišťovna and ČSOB Asset Management (ČSOB AM).

The ČSOB group consists of ČSOB bank (including Era and Postal Savings Bank), Hypoteční banka, ČMSS, ČSOB Penzijní společnost, ČSOB Leasing, ČSOB Factoring and Patria.

Net profit of the Business Unit Czech Republic

CZK bn



| Net profit (CZK bn) | 1Q 2016 | 2Q 2016 | 3Q 2016 | 4Q 2016 | 1Q 2017 | 1Q/1Q |
|-------------------------|--------------|--------------|--------------|--------------|--------------|-------------|
| ČSOB group ¹ | 3.283 | 4.997 | 3.656 | 3.145 | 4.664 | +42% |
| ČSOB Pojišťovna | 0.169 | 0.123 | 0.229 | 0.347 | 0.188 | +11% |
| ČSOB AM | 0.036 | 0.040 | 0.039 | 0.044 | 0.044 | +24% |
| Total | 3.488 | 5.160 | 3.925 | 3.537 | 4.896 | +40% |

¹Differences between the ČSOB group results within the Business Unit Czech Republic (BU CZ) and the stand-alone ČSOB group consolidated results are stemming from the fact that BU CZ results includes ČSOB AM result with 100% share, while the ČSOB group results include ČSOB AM only with 40.08% share (in line with ownership interest).

Appendix

Ratios and other indicators

| Ratio / Indicator | 31.12.2014 | 31.12.2015 | 31.12.2016 | 31.3.2016 | 31.3.2017 |
|--|------------|------------|------------|-----------|-----------|
| Net interest margin (Ytd., annualized, %) | 3.17 | 3.01 | 2.93 | 2.98 | 3.04 |
| Cost / income ratio (%) | 47.6 | 48.2 | 46.0 | 53.7 | 43.8 |
| RoE (Ytd., %) | 16.4 | 16.4 | 17.3 | 14.5 | 20.9 |
| RoA (Ytd., %) | 1.40 | 1.49 | 1.42 | 1.35 | 1.51 |
| RoAC , BU Czech Republic (Ytd., %) ¹ | 40.0 | 34.9 | 37.0 | 32.9 | 47.9 |
| Credit cost ratio (Ytd., annualized, %) | 0.18 | 0.18 | 0.11 | 0.02 | -0.02 |
| NPL ratio (%) | 4.07 | 3.64 | 2.99 | 3.43 | 2.79 |
| NPL coverage ratio (%) | 53.4 | 53.2 | 54.4 | 53.4 | 54.6 |
| (Core) Tier 1 ratio (%) | 17.2 | 19.1 | 18.2 | 17.7 | 17.1 |
| Total capital ratio (%) | 17.5 | 19.4 | 18.5 | 18.0 | 17.4 |
| Solvency ratio – ČSOB Pojišťovna (%) | 214 | 197 | n/a | 196 | n/a |
| Leverage ratio (Basel III, %) | 5.15 | 5.25 | 5.18 | 5.16 | 4.13 |
| Net stable funding ratio (Basel III, %) | 135.9 | 134.9 | 151.9 | 149.0 | 143.5 |
| Liquidity coverage ratio (Basel III, %) | 348.4 | 163.4 | 153.0 | 161.6 | 146.0 |
| Loan to deposit ratio (%) | 76.3 | 79.3 | 79.4 | 79.5 | 74.8 |

¹ Fully-loaded

Profit and loss statement

| (CZK m) | 1Q 2016 | 4Q 2016 | 1Q 2017 | Y/Y | Q/Q |
|--|---------------|---------------|---------------|-------------|-------------|
| Net interest income | 5,527 | 5,628 | 5,662 | +2% | +1% |
| <i>Interest income</i> | 6,186 | 6,289 | 6,313 | +2% | 0% |
| <i>Interest expense</i> | -659 | -661 | -651 | -1% | -2% |
| Net fee and commission income | 1,499 | 1,607 | 1,568 | +5% | -2% |
| Net gains from financial instruments at FVPL ¹ | 851 | 646 | 1,341 | +58% | >+100% |
| Other operating income ² | 246 | 284 | 1,138 | >+100% | >+100% |
| Operating income | 8,123 | 8,165 | 9,709 | +20% | +19% |
| Staff expenses | -1,905 | -1,826 | -1,927 | +1% | +6% |
| General administrative expenses | -2,144 | -1,798 | -1,995 | -7% | +11% |
| <i>General administrative expenses (excl. banking taxes)</i> | -1,376 | -1,793 | -1,294 | -6% | -28% |
| <i>Banking taxes</i> | -768 | -5 | -701 | -9% | >+100% |
| Depreciation and amortisation | -312 | -325 | -327 | +5% | +1% |
| Operating expenses | -4,361 | -3,949 | -4,249 | -3% | +8% |
| Impairment losses | -22 | -374 | 28 | >-100% | >-100% |
| <i>Impairment on loans and receivables</i> | -21 | -299 | 25 | >-100% | >-100% |
| <i>Impairment on available-for-sale securities</i> | 0 | -2 | 0 | n/a | -100% |
| <i>Impairment on other assets</i> | -1 | -73 | 3 | >-100% | >-100% |
| Share of profit of associates | 180 | 130 | 135 | -25% | 4% |
| Profit before tax | 3,920 | 3,972 | 5,623 | +43% | +42% |
| Income tax expense | -623 | -808 | -941 | +51% | +16% |
| Profit for the period | 3,297 | 3,164 | 4,682 | +42% | +48% |
| Attributable to: | | | | | |
| Owners of the parent | 3,298 | 3,168 | 4,682 | +42% | +48% |
| Non-controlling interests | -1 | -4 | 0 | -100% | -100% |

¹ FVPL = fair value through profit and loss.

² Other operating income = Net realised gains on available-for-sale fin. assets, dividend income, other net income.

Balance sheet - assets

| (CZK m) | 31/3 2016 | 31/12 2016 | 31/3 2017 | Ytd. |
|--|------------------|------------------|------------------|-------------|
| Cash and balances with central banks | 79,813 | 61,075 | 44,342 | -27% |
| Financial assets held for trading | 57,726 | 20,008 | 38,155 | +91% |
| Financial assets designated at fair value through P/L | 0 | 0 | 0 | n/a |
| Available-for-sale financial assets | 57,273 | 56,938 | 53,159 | -7% |
| Loans and receivables - net | 661,492 | 779,222 | 1,133,715 | +45% |
| <i>Loans and receivables to credit institutions - gross</i> | 151,968 | 242,210 | 577,581 | >+100% |
| <i>Loans and receivables to other than credit institutions - gross</i> | 520,181 | 547,078 | 565,944 | +3% |
| <i>Allowance for impairment losses</i> | -10,657 | -10,066 | -9,810 | -3% |
| Held-to-maturity investments | 136,154 | 132,679 | 119,169 | -10% |
| Fair value adjustments of the hedged items in portfolio hedge | 1,460 | 852 | -223 | >-100% |
| Derivatives used for hedging | 14,463 | 11,656 | 10,390 | -11% |
| Current tax assets | 69 | 25 | 41 | +64% |
| Deferred tax assets | 167 | 179 | 225 | +26% |
| Investments in associate and joint ventures | 5,136 | 4,957 | 4,978 | 0% |
| Investment property | 0 | 0 | 0 | n/a |
| Property and equipment | 8,042 | 10,009 | 10,103 | +1% |
| Goodwill and other intangible assets | 5,329 | 5,634 | 5,636 | 0% |
| Non-current assets held-for-sale | 360 | 52 | 21 | -60% |
| Other assets | 2,355 | 2,241 | 2,914 | +30% |
| Total assets | 1,029,839 | 1,085,527 | 1,422,625 | +31% |

Decrease due to overnight loan with ČNB.

Increase due to reverse repo operations with banks and sovereign bonds.

Increase due to reverse repo operations with ČNB.

Note:

As of 1Q 2017, ČSOB has implemented new rules of the Unified Framework of the Consolidated Financial Reporting (FINREP) issued by Committee of European Banking Supervision. This resulted in reclassification between two balance sheet lines, namely: "Cash and balances with central banks" (+) and "Loan and receivables to credit institutions - gross" (-). In order to provide fully comparable figures, year 2016 has been restated.

Balance sheet – liabilities and equity

| (CZK m) | 31/3 2016 | 31/12 2016 | 31/3 2017 | Ytd. |
|--|------------------|------------------|------------------|-------------|
| Financial liabilities held for trading | 42,304 | 40,044 | 39,500 | -1% |
| Financial liabilities at fair value through P/L | 0 | 1,620 | 3,097 | +91% |
| Financial liabilities at amortised cost | 866,589 | 931,757 | 1,265,684 | +36% |
| <i>of which Deposits received from central banks</i> | 0 | 0 | 0 | n/a |
| <i>of which Deposits received from credit institutions</i> | 65,312 | 32,598 | 218,097 | >+100% |
| <i>of which Deposits received from other than credit institut.</i> | 647,743 | 676,161 | 757,892 | +12% |
| <i>of which Debt securities in issue</i> | 153,534 | 222,998 | 289,695 | +30% |
| <i>of which Subordinated liabilities</i> | 0 | 0 | 0 | n/a |
| Fair value adjustments of the hedged items in portfolio hedge | 6,970 | 4,796 | 3,138 | -35% |
| Derivatives used for hedging | 12,390 | 10,532 | 9,662 | -8% |
| Current tax liabilities | 358 | 849 | 1,224 | +44% |
| Deferred tax liabilities | 1,858 | 1,576 | 1,485 | -6% |
| Provisions | 434 | 673 | 603 | -10% |
| Other liabilities | 5,671 | 4,945 | 5,514 | +12% |
| Total liabilities | 936,574 | 996,792 | 1,329,907 | +33% |
| Share capital | 5,855 | 5,855 | 5,855 | 0% |
| Share premium | 20,929 | 20,929 | 20,929 | 0% |
| Statutory reserve | 18,687 | 18,687 | 18,687 | 0% |
| Retained earnings | 41,815 | 38,877 | 43,559 | +12% |
| Available-for-sale reserve | 3,248 | 2,228 | 1,757 | -21% |
| Cash flow hedge reserve | 2,553 | 1,973 | 1,746 | -12% |
| Parent shareholders' equity | 93,087 | 88,549 | 92,533 | +4% |
| Minority interest | 178 | 186 | 185 | -1% |
| Total equity | 93,265 | 88,735 | 92,718 | +4% |
| Total liabilities and equity | 1,029,839 | 1,085,527 | 1,422,625 | +31% |

Increase due to repo operations with banks and money market transactions.

Increase mainly due to current accounts.

Increase due to deposit bills of exchange.

Credit rating, shareholder structure and NPL

ČSOB's credit ratings

As at 11 May 2017

| Rating agency | Long-term | Outlook | Short-term | LT rating valid since | Last confirmation |
|----------------|-----------|---------|------------|-----------------------|-------------------|
| Moody's | A2 | stable | P-1 | 20 June 2012 | 17 March 2015 |
| S&P | A | stable | A-1 | 1 October 2014 | 17 March 2017 |

Shareholder structure

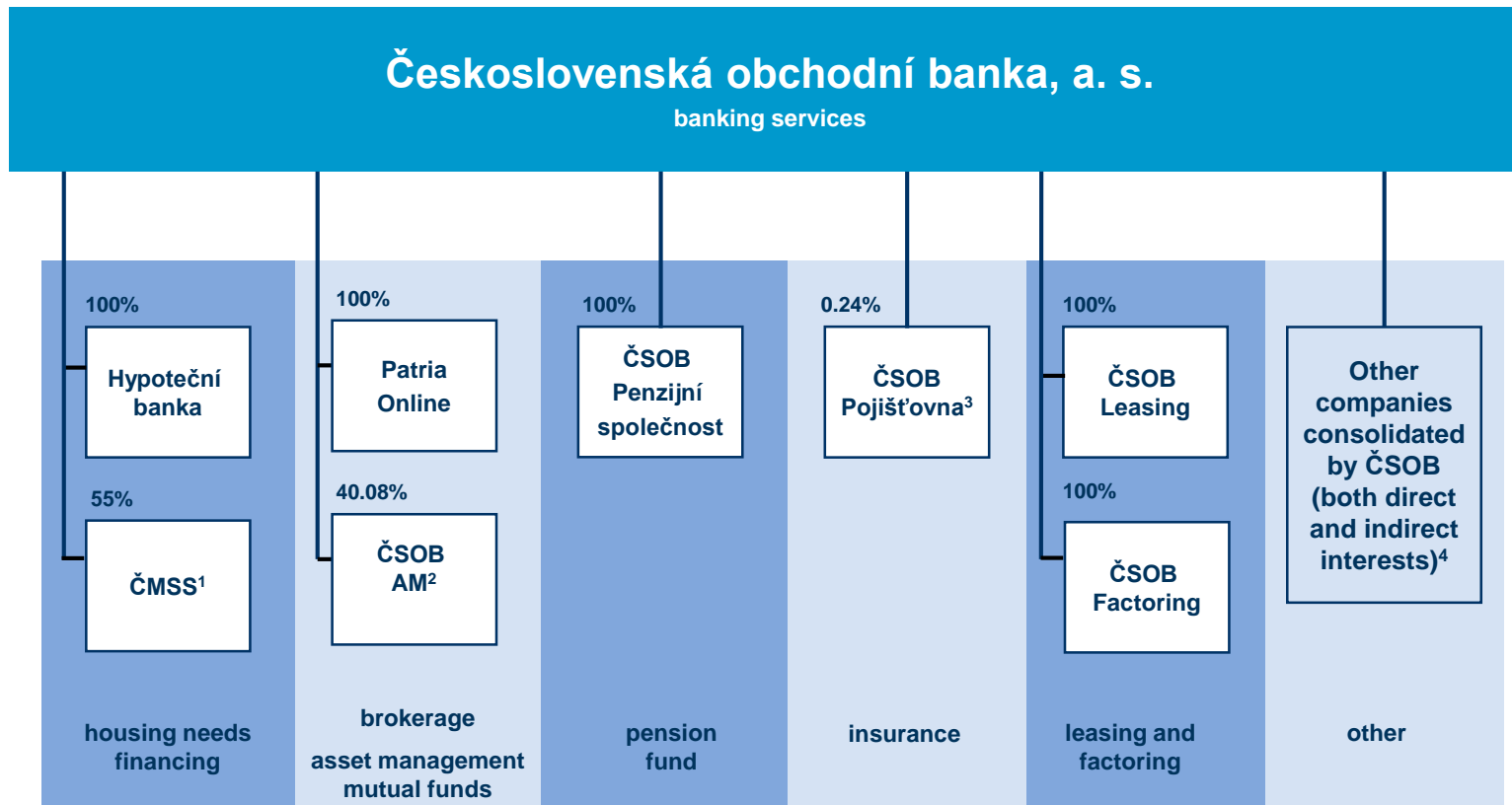
As at 31 March 2017, ČSOB's share capital was CZK 5,855,000,040 and comprised of 292,750,002 ordinary bearer shares with a nominal value of CZK 20 each.

ČSOB is directly controlled by KBC Bank NV whose ownership interest in ČSOB is 100%.

Non-performing loans

| | 31.3.2016 | | 31.3.2017 | |
|---|-----------------|----------------------|-----------------|----------------------|
| PD rating distribution | Amount (CZK bn) | Share on total loans | Amount (CZK bn) | Share on total loans |
| Total loans | 530.9 | 100% | 572.8 | 100% |
| Normal - Standard (PD 1-7) | 503.6 | 95% | 547.8 | 96% |
| Asset quality review - Watched (PD 8-9) | 9.1 | 2% | 9.0 | 2% |
| Uncertain - Substandard (PD 10) | 4.8 | 1% | 5.1 | 1% |
| Uncertain - Doubtful (PD 11) | 1.6 | 0% | 1.2 | 0% |
| Irrecoverable - Loss (PD 12) | 11.8 | 2% | 9.7 | 2% |

The ČSOB group in the Czech Republic



Percentages show ČSOB's ownership interests on company's equity as at 31 March 2017.

¹ 45% of shares owned by Bausparkasse Schwäbisch Hall; by the equity method consolidation.

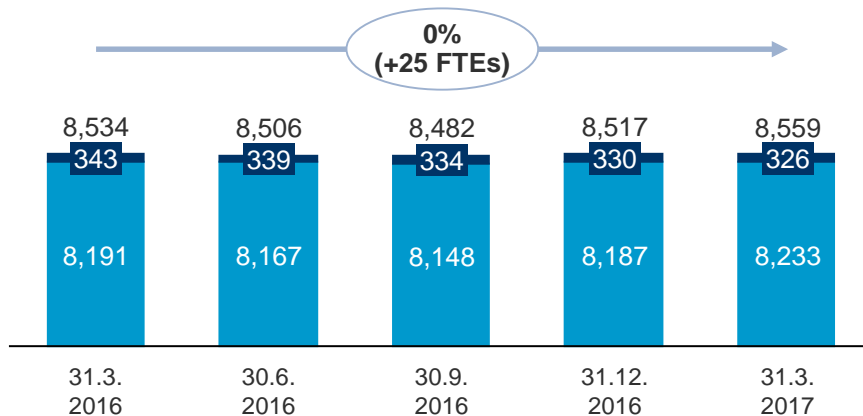
² 59.92% of shares owned by KBC Participations Renta C; by the equity method consolidation.

³ 99.76% of shares owned by KBC Insurance; by the equity method consolidation.

⁴ A complete list of companies consolidated by ČSOB is stated in ČSOB Annual Report.

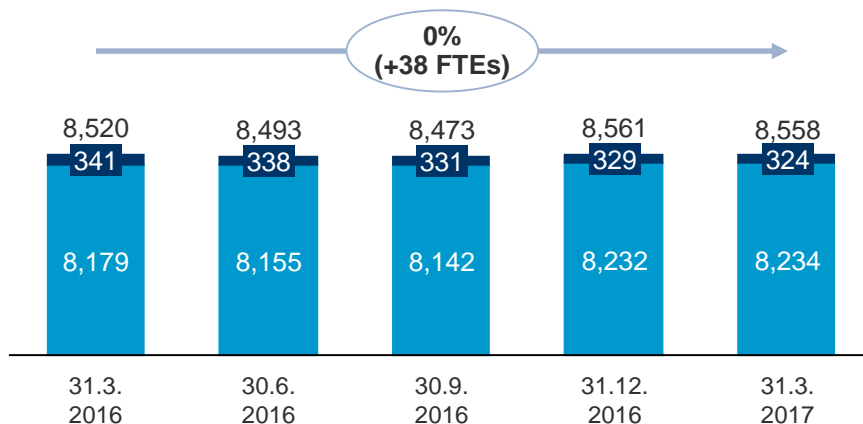
Employees

Number of FTE – average



The average number of FTE increased by 25 Y/Y.

Number of FTE – end of the period



The number of FTE increased at the end of the period by 38 Y/Y.

■ FTE based on the share on registered capital¹ ■ Group FTE²

¹ FTE is included based on the share on registered capital: ČMSS (55%), ČSOB Asset Management (40.08%) and ČSOB Pojišťovna (0.24%).

² W/o all companies jointly controlled by the Bank (joint ventures) and all companies over which the Bank has significant influence (associates).

Market shares definitions and sources

| Item | Definition | Source |
|---------------------------|---|--|
| Building savings deposits | Deposits of buildings savings clients, ČMSS 100%. | ČNB, Data Series System (ARAD); ČMSS |
| Building savings loans | Outstanding volumes of building savings loans, ČMSS 100%. | ČNB, Data Series System (ARAD); ČMSS |
| Consumer loans | Outstanding volume of cash loans, credit cards, overdrafts, consumer loans on real estate and American mortgages. | ČNB, Data Series System (ARAD); ČSOB |
| Factoring | Volume of new business. | Association of Leasing and Factoring Companies ČR (ČLFA) |
| Insurance | New business in the year according to gross written premium. Market position reflects combined position of the insurers belonging to the same business group. | Czech Association of Insurance Companies (ČAP) |
| Leasing | Outstanding volume (leasing of movables, commercial loans and consumer loans); related to the relevant market comprising both banks and non-banking institutions. | Association of Leasing and Factoring Companies ČR (ČLFA) |
| Mortgages | Outstanding volumes; mortgages for private individuals excl. American mortgages and mortgages for non-housing real estate purposes, consumer loans for house purchase, according to ČNB definition. | ČNB, Data Series System (ARAD); ČSOB; HB |
| Mutual funds | AUM in both Czech and foreign funds at the given date, including institutional funds and third parties funds; according to AKAT methodology. | Association for Capital Market (AKAT) |
| Pension funds | Number of clients at the given date. | The Association of Pension Funds of the Czech Republic (APS) |
| SME/corporate loans | Remaining loans that are not reported in any of the retail loans categories (loans to other than households). | ČNB, Data Series System (ARAD); ČSOB |
| Total deposits | Total bank deposits including 55% of building savings deposits (ČMSS), excluding repo and including unmarketable bills of exchange. | ČNB, Data Series System (ARAD); ČSOB |
| Total loans | Outstanding volumes of consumer loans and other retail loans + mortgages for private individuals + 55% of building savings loans (ČMSS) + SME/corporate loans (gross). | ČNB, Data Series System (ARAD); ČSOB; ČMSS |

Glossary - ratios

| | |
|---|--|
| (Core) Tier 1 ratio | Tier 1 capital (CET1) / Total RWA (according to CRR) |
| C/I (cost/income ratio) | Operating expenses / operating income, Ytd. |
| CCR (credit-cost ratio) | Total credit costs / average outstanding credit portfolio (loans, loans replacements and drawn credit commitments - e.g. guarantees) and non-sovereign bonds in credit book; Ytd., annualized |
| Leverage ratio | Tier 1 capital / On-balance + Off-balance sheet items + Counterparty exposure for Derivatives and SFT + Add-ons (according to CRR) |
| Liquidity coverage ratio | High quality liquid assets (unencumbered and convertible into cash) to liquidity needs (outflow – inflow) for a 30 calendar days time horizon under specified significant stress scenario (according to CRR) |
| Loan to deposit ratio | Loans and receivables to other than credit institutions (net) / Deposits received from other than credit institutions at amortised cost minus repo operations with non-banking financial institutions |
| Net stable funding ratio (NSFR) | Available amount of stable funding / required amount of stable funding (according to CRR) |
| NIM (net interest margin) | Net interest income / average interest earnings assets excluding repo operations; Qtd./Ytd., annualized |
| Non-life combined ratio | (Technical insurance charges, incl. the internal cost of settling claims / earned insurance premiums) + (operating expenses / written insurance premiums) (after reinsurance in each case, according to KBC group methodology) |
| NPL (non-performing loans) ratio | Outstanding amount of non-performing loans (ČNB methodology) / loan portfolio |
| NPL coverage ratio | Specific allowances for loans and leases / non-performing loans (ČNB methodology) |
| ROA (return on assets) | Net profit for the year / average of total assets; Ytd., annualized |
| ROAC, BU Czech Republic (return on allocated capital) | Result after tax (including minority interests) of the ČSOB group, adjusted to take account of allocated capital instead of actual capital / average allocated capital of the ČSOB group (KBC group methodology) |
| ROE (return on equity) | Net profit for the year / average of total shareholders' equity; Ytd., annualized |
| Solvency ratio (insurance) | According to prudential reports of ČNB – Solvency I, after expected dividend payment |
| Total capital ratio | Total regulatory capital / Total RWA (according to CRR) |

Glossary - other definitions

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|---------------------------|---|
| Assets under management | Including pension funds, mutual funds (assets under management in structured/capital protected funds and other mutual funds), other asset management and assets under management products and assets under management of Slovak AM. |
| Banking taxes | Including contribution to the Resolution Fund, Deposit insurance premium and Securities Traders Guarantee Fund. |
| Building savings deposits | All ČMSS financial liabilities at amortized cost minus deposits received from other than credit institutions. |
| Building savings loans | All customer lending granted by ČMSS in book values. Gross. |
| Consumer finance | Loan portfolio granted by ČSOB's retail network (ČSOB, ERA and PSB brand) in book values. Gross. |
| Corporate loans | Loan portfolio granted by ČSOB's corporate banking network in book values, including credit-replacing bonds. Gross. |
| Group deposits | Item Deposits received from other than credit institutions from the consolidated balance sheet (incl. ČMSS/building savings deposits). |
| Loan portfolio | Loans and receivables to other than credit institutions (incl. ČMSS/building savings loans) plus loans and receivables to credit institutions minus exposure to banks from inter-bank transactions plus credit replacing bonds (in HTM, AFS and FVPL portfolios). |
| Mortgages | All loans booked in Hypoteční banka, including home equity loans and mortgage loans to legal entities, excluding intra-group loans. Gross. |
| SME loans | Loan portfolio granted by ČSOB's SME network in book values. Gross. |

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